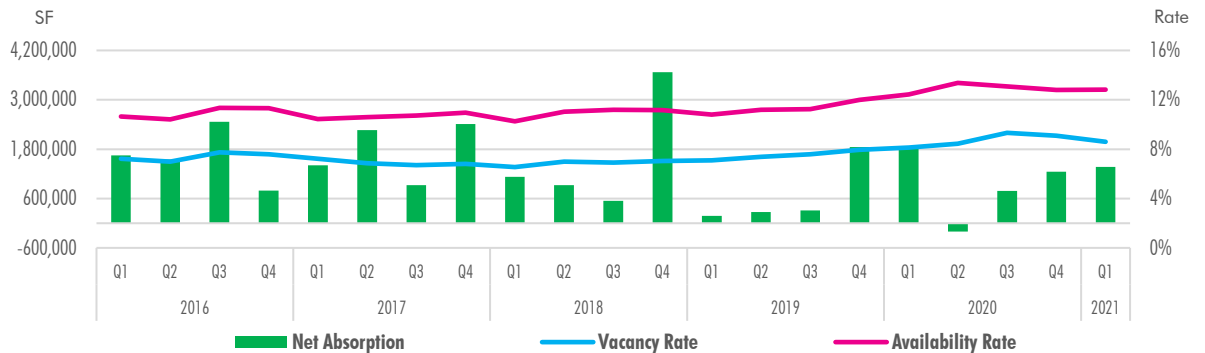


# Industrial growth in Greenville-Spartanburg surges amid nationwide recovery

▼ Vacancy Rate 8.59%
▶ Availability Rate 12.81%
▲ Overall Rate \$3.76/PSF
▲ Net Absorption 1,365,848
▼ Deliveries 753,760
▶ Construction 3,907,163

Figure 1: Historical Supply & Demand Dynamics



Source: CBRE Research, Q1 2021

Highlighted as one of the top emerging industrial markets in the country, the Greenville-Spartanburg market posted impressive numbers in Q1 2021. Per the *CBRE Q4 Industrial and Logistics Figures*, momentum this quarter, which was driven largely by e-commerce, is expected to continue well into 2021. Market fundamentals remained resilient in Q1 2021 as 1.4 million sq. ft. was absorbed, the most sq. ft. absorbed in The Upstate since the start of the pandemic.

As Greenville-Spartanburg’s market fundamentals continued to improve in Q1 2021, the market’s vacancy rate decreased 50 basis points to 8.6%. Future demand is expected to remain strong, causing a desire for institutional capital and development in the Greenville-Spartanburg industrial market. TTI recently committed to expanding their footprint by 1.9 million sq. ft. by the end of 2021, demonstrating the market’s resilience amid COVID-19.

The Greenville-Spartanburg industrial market remains a target location for investors and developers alike due to cap rates continuing to compress and positive net yields. The success of the Inland Port Greer, makes the market an ideal location for a variety of users. As speculative construction continues to drive the supply pipeline, the Greenville-Spartanburg industrial market is well positioned to be on pace with demand. It is worth noting that land prices, construction costs, and material costs across the country have all seen increases in recent years. Additionally, according to the most recent *U.S. Development Opportunities* report from CBRE, prices of construction materials have been extremely volatile due to the disruption in the supply chain during the pandemic. Despite these circumstances, the Southeast remains more cost efficient than other industrial regions nationally.

**COVID-19 Q1 2021 RESPONSE**

The outlook for the United States economy is becoming very positive as COVID-19 vaccines are deployed at a rapid pace. At the close of the first quarter over a quarter of Americans have received at least one dose of the vaccine. The rate of daily vaccinations has accelerated to 2.5 million, making societal and economic normalization possible by mid-year.

A reopening of the economy would support near 7% GDP growth this year—the strongest pace seen since the early 1980s. This expansion is poised to be broad-based, with personal consumption being a critical factor. Indeed, consumers, particularly high earners, have plenty of ‘dry powder’ in the form of elevated savings accrued during the pandemic. This will be paired with over \$800 billion of transfer payments to low and middle-income households via the American Recovery Plan.

As social distancing measures subside, much of the spending will likely focus on consumer services, such as restaurants and leisure travel. A recovery within these sectors is critical for the broader labor market, as leisure and hospitality employment are more than 30% below pre-COVID levels, compared to 5% for total employment (excluding leisure and hospitality). Overall, we think the U.S. economy will create upwards of 7 million total new jobs in 2021. This burst of activity will push inflation above the Federal Reserve’s traditional 2% target, but this is likely to be transitory as 18 million workers remain on the sidelines and the wall of fiscal stimulus represents a one-time jolt rather than a constant flow of dollars.

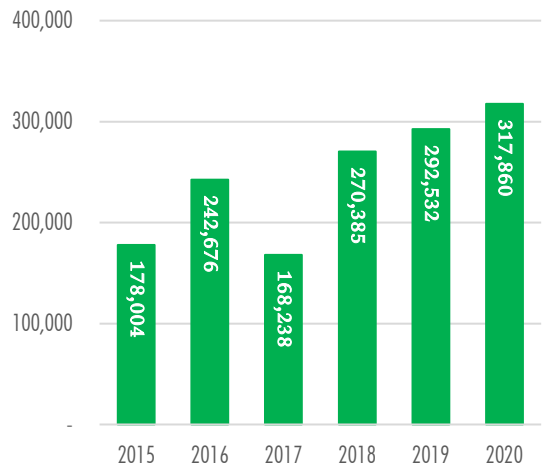
**DEVELOPMENT ACTIVITY**

753,000 sq. ft. of new industrial product delivered in the first quarter of the year. Access Point Buildings 1 and 2 delivered nearly 315,000 sq. ft. of Class A speculative space to the I-385 South submarket. Furthermore, Building 1 sold vacant to EastGroup properties, LLC for \$65.92 per sq. ft.

The only project to break ground in Q1 was Magna’s build to suit project in the Spartanburg West submarket. Once completed, the 170,000 sq. ft. manufacturing space will bring the automotive supplier’s footprint to just over 1.5 million sq. ft. Furthermore, development is starting to move to the peripheral submarkets, which is expected to continue in the 2020s.

From 2016 to 2020, the average size of speculative warehouse product to deliver in the Greenville-Spartanburg market increased 47% with the average building size in 2020 eclipsing 317,000 sq. ft. Fewer tenants are looking for build-to-suit product in the market as the expanded inventory of speculative space readily meets their requirements. Moreover, the average deal size continues to increase, jumping nearly 33% from 2019 to 2020 with the average lease size totaling over 100,00 sq. ft.

Figure 4: Average Delivery Size of Class A Speculative Warehouses

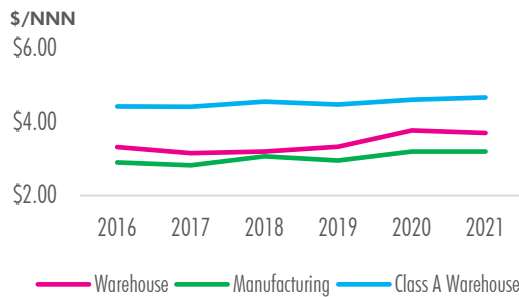


Source: CBRE Research, Q1 2021

**PRICING**

Average asking lease rates for the overall industrial market increased slightly from the prior quarter to \$3.76 per sq. ft. on a triple net basis. Despite the mild asking rate increase in Q1 2021, asking rates have increased 12% since Q1 2019. Furthermore, Class A asking rates specifically, have increased 13% over the past three years with the average direct asking rate of Class A warehouses being \$4.66 per sq. ft. per annum on a triple net basis.

Figure 3: Historical Average Direct Rate(NNN)



Source: CBRE Research, Q1 2021

**Strike Rates**

The strike rate for Class A warehouse product in Q1 was \$4.75 per sq. ft. per annum on a triple net basis. As asking rates have trended in a positive direction, strike rates have kept inline. With consistent increases in both asking rates and strike rates, developers remain bullish on the Greenville-Spartanburg industrial market as a sound opportunity. Furthermore, the 2021 CBRE *America's Investment Intentions Survey* indicated industrial & logistics remained the preferred property type for America's investors, which is heavily impacted by strong rent growth.

Figure 4: Notable Q1 2021 Lease Transactions

Occupier	Building Address	Submarket	Industry	SF	Lease Type
AFL Telecommunications	110 Hidden Lake Circle	Spartanburg West	Manufacturing	174,000	Sublease
TAGG Logistics	405 Apple Valley Road	Spartanburg West	3 <sup>rd</sup> Party Logistics	163,990	New Lease
Swafford Transport	49 Donkle Road	Taylor's West	Transportation/Logistics	144,361	New Lease
Refresco	1121 Woods Chapel Road	Spartanburg West	Beverage Distribution	112,380	New Lease
CNC Associates	2000 Nazareth Church Road	Spartanburg West	Manufacturing	109,200	New Lease

Source: CBRE Research, Q1 2021

**LEASING ACTIVITY**

As the nation began to recover from the COVID-19 pandemic, leasing activity in the Greenville-Spartanburg market was substantial. Over 1.2 million sq. ft. of industrial product was leased in Q1 2021. Furthermore, nearly 98% of all space leased was for new leases or subleases.

Companies from out of market continue to see the value in the Greenville-Spartanburg industrial market. One new to market occupier is New Jersey based CNC Cabinetry, a kitchen and bathroom countertop supplier and manufacturer. The company leased 109,000 sq. ft. of space in building two of Spartan Ridge Logistics Center, a newly constructed Class A speculative building in the Spartanburg West submarket.

**CAPITAL MARKETS**

Investment sales in the first quarter of 2021 remained resilient, with nearly \$79 million of assets trading hands. 54% of these sales were Class A speculative warehouse buildings. Furthermore, the average price per sq. ft. of industrial investment sales remains healthy at nearly \$62.00 per sq. ft. which demonstrates confidence in the market fundamentals.

MDH Partners, an Atlanta based investor, recently purchased two speculative Class A assets in Greenville-Spartanburg. 1700 Old Grove Road (301,000 sq. ft.), which is currently 50% leased, sold for \$71.94 per sq. ft. while 250 Wilson Road (219,000 sq. ft.) sold for \$68.05 per sq. ft.

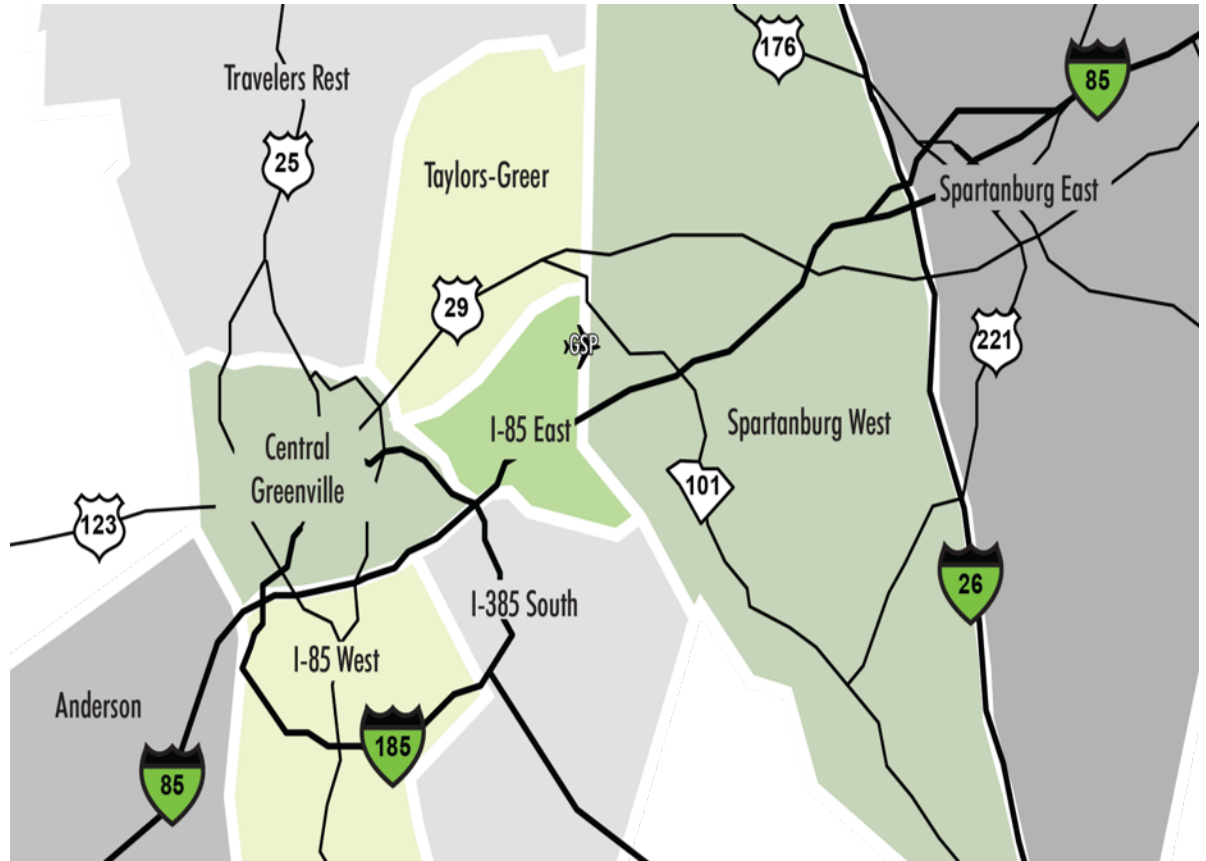
Figure 5: Market Statistics

Submarket	Total RBA	Total Vacancy (%)	Total Availability (%)	Overall Rate (\$/FS)	Q1 2021 Net Absorption	Under Construction
Anderson	24,312,587	12.8	12.8	3.78	-	1,585,493
Central Greenville	15,890,249	11.2	16.8	3.21	-	308,760
I-385 South	22,332,145	5.8	14.0	3.71	196,655	246,410
I-85 East	10,287,052	13.3	17.7	4.77	72,000	-
I-85 West	20,617,084	5.0	7.6	4.07	3,000	194,260
Laurens	12,233,586	4.1	16.5	3.61	20,500	900,000
Taylors-Greer	17,898,098	4.9	6.0	3.31	103,711	-
Travelers Rest	3,603,011	8.5	8.5	3.45	(43,917)	-
Spartanburg East	23,436,460	11.2	14.6	3.11	-	-
Spartanburg West	50,266,525	9.6	13.2	4.26	1,013,899	516,240
<b>Market Total</b>	<b>200,876,797</b>	<b>8.6</b>	<b>12.8</b>	<b>3.76</b>	<b>1,365,848</b>	<b>3,907,163</b>

County	Total RBA	Total Vacancy (%)	Total Availability (%)	Overall Rate (\$/FS)	Q1 2021 Net Absorption	Under Construction
Anderson	24,312,587	12.8	12.8	3.78	-	1,585,493
Greenville	90,627,639	7.3	11.7	3.72	331,449	1,649,430
Spartanburg	73,702,985	10.1	13.6	3.91	1,428,617	516,240
<b>Market Total</b>	<b>193,380,104</b>	<b>9.1</b>	<b>12.8</b>	<b>3.73</b>	<b>1,255,331</b>	<b>3,907,163</b>

Development Type	Total RBA	Total Vacancy (%)	Total Availability (%)	Overall Rate (\$/FS)	Q1 2021 Net Absorption	Construction
Manufacturing	98,040,662	5.6	8.5	3.19	102,479	380,000
R&D/Flex	7,364,620	11.3	16.2	5.59	10,925	40,000
Warehouse/Distribution	95,471,515	11.3	16.8	3.70	1,252,444	3,487,163
<b>Market Total</b>	<b>200,876,797</b>	<b>8.6</b>	<b>12.8</b>	<b>3.76</b>	<b>1,365,848</b>	<b>3,907,163</b>

Source: CBRE Research, Q1 2021



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