

Industrial Market Trends Greenville-Spartanburg

Grubb & Ellis Research
Second Quarter 2008

 **The Furman Co.**
Property Solutions Worldwide

Growth now a trickle; Weak dollar, BMW to help

For twelve consecutive quarters vacancy has declined. This cycle of expansion that began in the second quarter of 2005. Since then over seven million feet of industrial property has been absorbed by the market, dropping vacancy over 500 basis points. It appears as though the wave of growth is nearing its terminus. Activity is slowing across the market.

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The fact that the cyclical slowing of the local industrial market coincides with a national slowdown means that growth from other markets in the United States may be limited. However, two factors may help mitigate the depth of decline: the weak dollar and BMW.

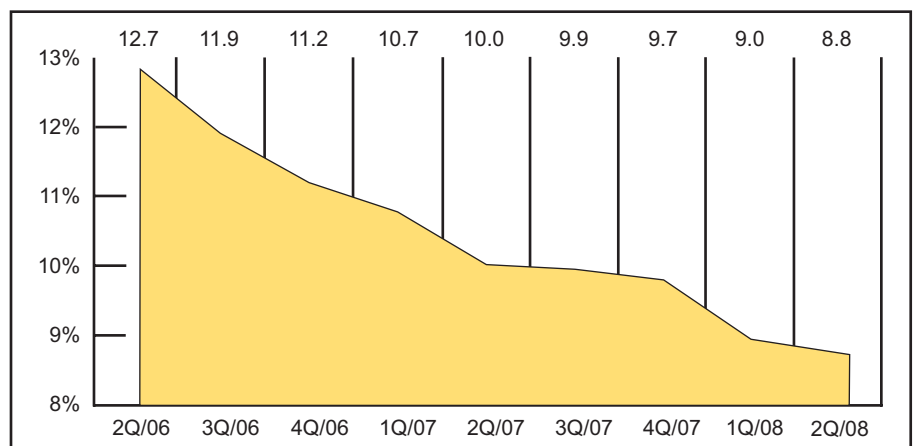
The weak dollar is expected to help increase the viability of manufacturing. This does not harken a return to textile manufacturing, rather a focus on more specialized manufacturing. Good existing examples include manufacturers of automobiles (BMW) and gas turbines (General Electric.) The largest deal of the quarter involved one such deal: South Korean manufacturer Iljin's lease of a 90,000 square foot general industrial building in the Spartanburg West submarket.

Another contributor to the industrial economy in the coming quarters is the growth of BMW's plant, also in the Spartanburg West submarket. When complete, the 1.2 million square foot expansion will spur activity among the warehouse/distribution market as BMW's numerous suppliers vie for space. The lack of speculative space indicates owners of well-positioned vacant space will be in the driver's seat when it comes to negotiating with tenants.

Greenville-Spartanburg Industrial Market Trends is a newsletter published quarterly by Grubb & Ellis|The Furman Co. To obtain additional copies or other Grubb & Ellis|The Furman Co. publications, please contact:

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Industrial Vacancy Rate*

* All Classes of Space

Industrial Market Snapshot Greenville Second Quarter 2008

By Submarket (All Classes)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption		Under Construction (3)	Asking Rent(4)	
				Current Qtr.	Year-to-date		WH/Dist	R&D/Flex
Central Greenville	17,161,323	1,236,207	7.2%	48,084	226,684	-	\$2.72	\$8.27
I-385 South	18,158,933	1,359,038	7.5%	(1,200)	(73,086)	18,000	\$2.46	\$6.45
I-85 East	12,625,435	1,160,260	9.2%	55,299	(39,040)	43,000	\$3.45	\$8.53
I-85 West	16,070,064	1,648,265	10.3%	40,000	361,932	-	\$3.65	\$7.38
Taylors-Greer	8,038,861	833,821	10.4%	23,000	191,959	-	\$2.63	\$6.25
Travelers Rest	3,242,754	236,273	7.3%	-	(16,573)	-	\$2.28	-
Greenville County	75,297,370	6,473,864	8.6%	165,183	651,876	61,000	\$2.87	\$7.38
Spartanburg East	20,922,257	2,707,734	12.9%	-	-	1,900,000	\$2.62	\$5.14
Spartanburg West	28,600,306	2,127,650	7.4%	161,458	148,806	1,421,000	\$3.06	\$5.96
Spartanburg County	49,522,563	4,835,384	10.2%	161,458	148,806	3,321,000	\$2.84	\$5.55
Anderson (5)	16,811,527	1,110,379	6.6%	-	1,775	-	\$2.67	\$4.51
Anderson County	16,811,527	1,110,379	6.6%	-	1,775	-	\$2.67	\$4.51
Totals	141,631,460	12,419,627	8.8%	326,641	791,457	3,382,000	\$2.99	\$6.63
By Property Type								
(All Submarkets)							Asking Rent (4)	
General Industrial	78,955,867	6,105,972	7.7%	119,157	(196,079)	1,200,000	\$2.85	
R&D/Flex	6,427,354	1,255,776	19.5%	96,400	96,321	18,000	\$6.63	
Warehouse/Distribution	56,248,239	5,057,879	9.0%	111,084	891,215	2,164,000	\$2.99	
Totals	141,631,460	12,419,627	8.8%	326,641	791,457	3,382,000	\$3.33	

(1) Inventory includes multi-tenant, single tenant and owner-occupied buildings with at least 10,000 sq. ft.

(2) Vacant space includes both vacant direct and vacant sublease space.

(3) Space under construction includes speculative and build-to-suit for lease projects.

(4) Asking rates are per square foot per year, triple net. Rates for each building are weighted by the amount of available space within the building.

(5) During the first quarter of 2008, the Anderson submarket was added to the statistical inventory.

*Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

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