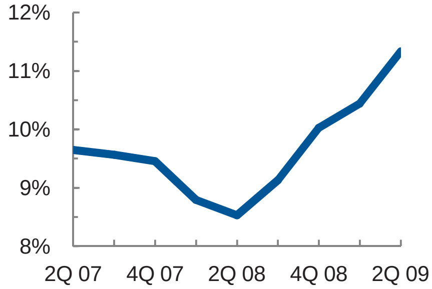
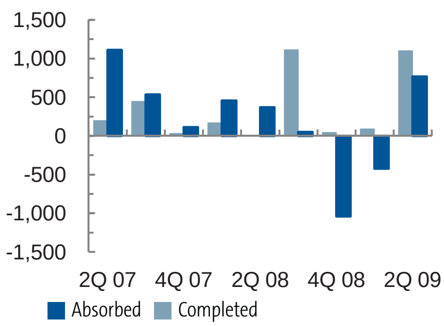
Industrial Trends Report—Second Quarter 2009
Greenville-Spartanburg, SC

GRUBB & ELLIS. The Furman Co.

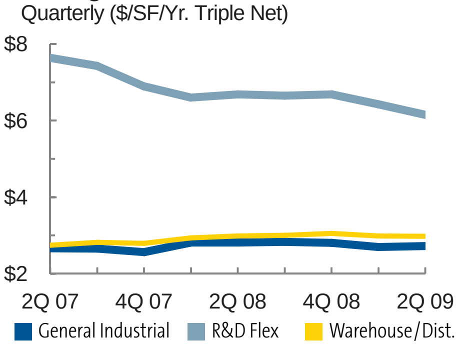
Vacancy Rate
Quarterly



Completion vs. Absorption
Quarterly (in Thousands of SF)



Asking Rental Rates
Quarterly ($/SF/Yr. Triple Net)



Rising 280 basis points over the past four quarters, vacancy is rapidly increasing. The pace of this contraction is expected to continue through the fourth quarter, but BMW's expansion and the quality of product now available present a silver lining.

Vacancy and absorption, the net change in occupied space, climbed significantly in the second quarter. While on the surface the two may seem contradictory, it is simply a function of the completion of large build-to-suit facilities during a sharp economic decline.

Adidas finished its east coast distribution center and BMW opened its paint shop expansion. The two completions accounted for 1.1 million square feet of positive absorption in the Spartanburg West submarket. A new 900,000 square-foot assembly facility is still under construction by BMW. Upon completion, industrial market activity among suppliers is expected to climb significantly.

While the BMW and Adidas facilities are touted for their use of technology, some recent major vacancies are also the result of technological change. The preference for downloads over compact discs has resulted in a decrease in warehousing demand. Of the 1.3 million square feet in the market used for compact disc storage, 980,000 square feet is now available. Fortunately, the properties are highly competitive and should have little difficulty finding tenants once the market returns.

By the end of the year, vacancy is expected to hit levels not seen since early 2006. While on the surface that is not a positive, there is a silver lining. The properties now being vacated feature high ceilings, ESFR sprinkers and easy access to interstates, and are superior to what the market historically had to offer. The last time market vacancy was this high, the market was rife with properties that featured lower ceiling heights and metal construction. When market growth returns, these newly vacated properties will allow tenants to secure high quality buildings at very competitive rates.

If the availability of high quality buildings, the completion of BMW's expansion and the turn around of the national economy are all timed perfectly, the latter half of 2010 could feature very robust growth.

FORECAST

- Vacancy will surpass 13 percent by the end of 2009
- Despite being a great time to lock in a good long-term lease, tenants will remain more interested in short-term deals due to current market uncertainties
- Until credit markets return to normal, landlords will be wary of carrying the burden of significant tenant improvement costs

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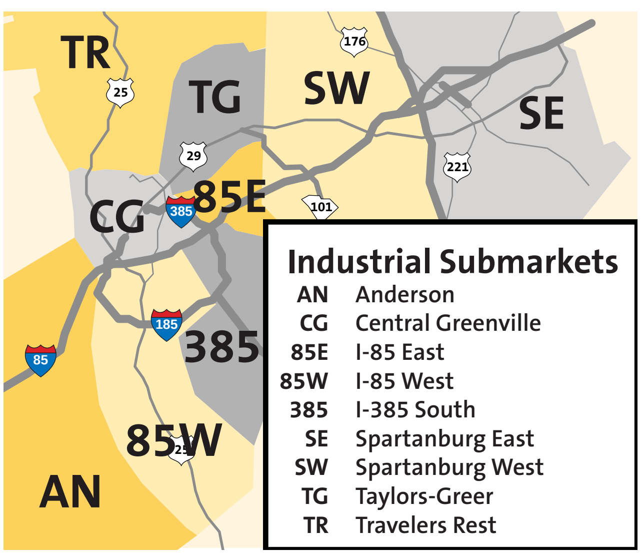
GRUBB & ELLIS
From Insight to Results

By Submarket	Total SF	Vacant SF	Total Vacancy %	Net Absorption Current	Net Absorption Year To Date	Under Construction SF	Asking Rent WH/Dist	Asking Rent R&D/Flex
Central Greenville	17,473,198	1,714,745	9.8%	122,810	100,996	-	$2.73	$6.54
I-385 South	18,057,908	1,824,831	10.1%	(44,474)	(85,257)	-	$2.65	$4.68
I-85 East	12,658,585	1,121,545	8.9%	193,138	100,982	-	$3.73	$8.57
I-85 West	16,071,304	1,961,028	12.2%	54,144	(43,635)	153,800	$3.30	$6.98
Taylors-Greer	8,029,935	1,078,320	13.4%	(60,000)	(190,742)	-	$2.64	$5.86
Travelers Rest	3,242,754	335,383	10.3%	(99,110)	(99,110)	-	$2.28	-
Greenville County	**75,533,684**	**8,035,852**	**10.6%**	**166,508**	**(216,766)**	**153,800**	**$2.86**	**$6.78**
Spartanburg East	21,016,518	3,337,421	15.9%	(105,230)	(110,069)	-	$2.36	$5.14
Spartanburg West	31,941,555	3,942,389	12.3%	702,185	682,730	-	$3.32	$5.61
Spartanburg County	**52,958,073**	**7,279,810**	**13.7%**	**596,955**	**572,661**	**-**	**$3.15**	**$5.42**
Anderson	16,828,223	1,152,768	6.9%	3,500	(11,693)	-	$2.83	$2.80
Anderson County	**16,828,223**	**1,152,768**	**6.9%**	**3,500**	**(11,693)**	**-**	**$2.83**	**$2.80**
Totals	**145,319,980**	**16,468,430**	**11.3%**	**766,963**	**344,202**	**153,800**	**$2.97**	**$6.14**

By Property Type	Total SF	Vacant SF	Total Vacancy %	Net Absorption Current	Net Absorption Year To Date	Under Construction SF	Asking Rent
General Industrial	80,497,003	8,093,307	10.1%	72,254	(54,009)	77,089	$2.72
R&D/Flex	6,503,636	1,307,497	20.1%	(2,187)	(30,568)	-	$6.14
Warehouse/Distribution	58,319,341	7,067,626	12.1%	696,896	428,779	76,711	$2.97
Totals	**145,319,980**	**16,468,430**	**11.3%**	**766,963**	**344,202**	**153,800**	**$3.19**



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INDUSTRIAL TERMS AND DEFINITIONS

Inventory: Industrial inventory includes all multi-tenant, single tenant and owner occupied buildings at least 20,000 square feet.

Industrial Buildings Classifications: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country, and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighed by the amount of available space in the building.

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