

Bentley Commercial LLC/CORFAC INTERNATIONAL INDUSTRIAL MARKET REPORT

GREENVILLE, SC

2009 MID-YEAR REPORT



MARKET OVERVIEW

By Richard O. Barrett

The end of the second quarter traditionally allows us an opportunity to better assess what has happened year to date, and try to determine how late 2009 and 2010 might trend. In our year end report, both the national and local markets were feeling the full effects of a national recession. This latest recession has been identified by many analysts as the worse since the "Great Depression" of the 1930's. Those of us who attempted to secure real estate loans in this period were exposed to a scrutiny which could be best described as "restrictive". All this taken into consideration, the Greenville, Spartanburg, Anderson markets enter July with significant upward indicators present.

Consider this: The availability rate for industrial/warehouse space at year end 2008 for the local market was 14%. This number at mid year has risen to 15.6%. Now, what is behind this number? Net absorption for the first quarter was <705,101> SF, topping the large decline in the third quarter of 2008 which was <615,945> SF. With year to date negative absorption of <153,305> SF, it becomes clear that this market has absorbed 551,796 SF since March 31, 2009.

This positive trend has continued into July, with June an exceptionally strong month. This market improvement has been also facilitated by a decline in the average asking rate. Year end 2008 was \$3.41 PSF. At mid year it is now \$3.26 PSF or a decrease of <4.4%>. This decline can best be described as "moderate" and has slowed significantly in the second quarter.

Major lease signings occurring in the market include ProTrans taking 120,000 SF at S. Highway 14 Distribution Center, Agilysys renewing 77,500 SF at 3550 Rutherford Rd., Alternator Exchange taking 30,000 SF at 165 Strickland Dr., **NYK Logistics taking 100,000 SF at 1387 Victor Hill Rd.**, **Gray Interplant Systems, Inc. taking 77,952 SF at 101 Harrison**



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Source: CoStar Property Data and Bentley Commercial, LLC.

INDUSTRIAL INVENTORY AND VACANCY RATES

AS OF JUNE 30, 2009

	Greenville	Spartanburg	Anderson	Total Market
Total Inventory	69,485,956	68,817,608	12,210,284	150,513,848
Direct Vacant SF	10,770,774	9,764,124	1,721,291	22,256,189
Sub-lease SF	81,000	1,131,840	0	1,212,840
Availability Rate	15.6%	15.8%	14.1%	15.6%
Y-T-D Net Absorption	(121,891)	(10,078)	(21,326)	(153,305)
YTD New Product	0	0	0	0
SF Under Construction	153,800	522,500	0	676,300
Average Asking Rate/SF	\$3.18	\$3.46	\$2.74	\$3.26



MARKET OVERVIEW CONTINUED

Bridge Rd., Southern Container Corp. taking 45,212 SF at 120 Brooks Blvd, 210,891 SF leased at 513 Old Griffin Road and R & D Delivery renewing 27,480 SF at 17 Hyland Rd, as well as Ameriflock LLC taking the additional 27,480 SF at this same location. (Bentley Commercial, LLC Transactions)

Where the recent softness has been most evident has been in terms of industrial/warehouse construction. The total market has had 0 (zero) SF of new product delivered year to date, with only 676,300 SF under construction. This limited new product activity has served to further accelerate absorption. As banking conditions continue to moderate, it is believed new construction starts will begin.

As the year progresses, a few significant developments will continue to have a positive impact on the market. One is the continuing growth at the BMW manufacturing plant. Additionally, with two major US automotives receiving recent bankruptcy protection and their subsequent reemergence, there will be an increased emphasis on product development, which will help local suppliers. The continued recruitment of industrial firms to this area has also yielded results, and this will be felt at these firms continue to acquire space. Activity overall in the market will continue to improve as companies begin to plan for their 2010 business year.

GREENVILLE MARKET

The Greenville availability rate increased to 15.6% from a year end 2008 number of 13.7%. Net absorption declined by <121,891> SF. As with the overall market this was down <499,594> SF after the first quarter, but has since seen positive absorption of 377,703 SF. At the mid-year, there were several transactions in the final stages, which should provide additional momentum for the second half of 2009.

With no deliveries year to date of new product the asking rate rose from \$3.09 on average for 2008 to \$3.18 or an increase of 2.9%. At mid-year there have been continued reports of out of market companies identifying this area for expansion or new growth, which should materialize if national conditions continue to improve.

SPARTANBURG MARKET

The Spartanburg availability rate rose from 15% at year end 2008 to 15.8% at mid year. While highest in the upstate markets, it has seen significant activities in the second quarter. Year to date net absorption was <10,078> SF. In a market totaling over 68.8 million SF this is essentially even. The largest project underway at the end of the second quarter was the Adidas Distribution Center – Building II, a 522,500 SF building with 100% of its space preleased. The Spartanburg area is particularly well positioned for the rebound as companies seeking distribution centers examine the I-85f and I-26 corridors.

