

NAI Earle Furman, LLC

Industrial Report | First Quarter 2011



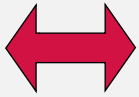
NAI Earle Furman, LLC

Commercial Real Estate Services, Worldwide.

Upstate Market

TRENDS:

Vacancy Rate



Net Absorption



Construction



Asking Rents



STATISTICS:

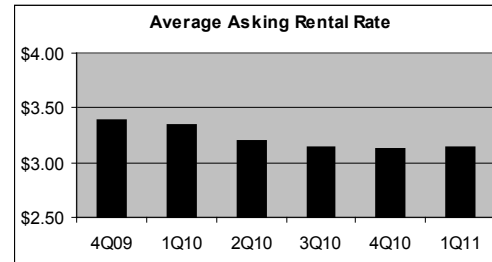
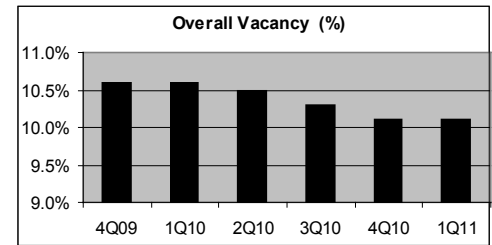
Number of Buildings.....	4,290
Market Size (SF).....	179,402,806
Overall Vacancy Space (SF).....	18,0401,919
Overall Vacancy (%).....	10.1%
Direct Vacancy (SF).....	17,620,469
Sublease Vacancy (SF).....	420,450
Net Absorption.....	146,794
Average Asking Rental Rate (\$/SF/YR).....	\$3.14

FOURTH QUARTER MARKET OVERVIEW:

By: Jon A. Good, SIOR - NAI Earle Furman
Principal & Industrial Division Broker

The industrial market continued a period of recovery during first quarter of 2011. Construction has improved very slightly due to the new ZF Transmission facility in Laurens County and the continued absorption of existing industrial space. No other new speculative development is expected in the foreseeable future as construction costs still outweigh the reasonable return that could be achieved with the current market rental rates. The increase in leasing has generated some tenant upfits for the construction industry. The number of property showings and pending transactions has improved dramatically, but these will only begin to close in the second and third quarters of 2011.

We believe the market will continue to improve for owner occupied industrial buildings. There are also signs of potential build to suit opportunities to fulfill unique space requirements as the existing inventory tightens. Financing remains a struggle for some industrial users. However, borrowers now understand the new requirements that must be met in today's lending environment. Distressed assets are pushing down the value of some assets, but the inventory of industrial REOs has declined considerably. It is our expectation that the industrial market will continue on a slow recovery path throughout the remainder of 2011.



Top Lease Transactions

Tenant:	Address:	Size (SF):	Submarket:
Delta Power Tool & Equipment	5530 Airport Road	53,325	Anderson
Ply Gem Siding Group	419 13th Street	50,000	Cherokee
Westinghouse Air Brake Company	1629 S Highway 14	30,000	Pelham Rd/Hwy 14
N/A	525 Old Piedmont Highway	30,000	West Greenville

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SUBMARKET/ CLASS	# BLDGS.	TOTAL RBA (SF)	TOTAL AVAIL. (SF)	TOTAL VACANT AVAIL (%)	TOTAL NET Absorption (SF)	TOTAL AVERAGE RATE (\$/SF/YR)	UNDER CONSTRUCTION (SF)
Greenville I-385	600	22,408,210	2,988,195	7.2%	(79,473)	\$3.87	90,000
Class A	10	720,790	298,765	30.2%	48,000	\$4.68	0
Class B	231	11,027,585	1,530,528	6.4%	(108,573)	\$3.71	90,000
Class C	262	5,678,412	1,138,902	12.0%	(18,900)	\$3.77	0
Greenville I-85	255	12,309,664	2,200,903	13.4%	(38,500)	\$3.07	0
Class A	4	1,164,722	818,202	70.2%	0	\$3.95	0
Class B	76	5,532,089	1,042,793	12.7%	5,900	\$2.99	0
Class C	139	4,986,909	339,908	2.5%	44,400)	\$3.18	0
Pelham Road/ Hwy. 14	182	5,208,102	1,081,949	12.7%	11,448	\$4.92	0
Class A	5	56,000	22,000	39.3%	0	\$5.87	0
Class B	51	1,868,659	478,713	24.1%	27,758	\$5.08	0
Class C	73	1,871,977	282,461	7.0%	(16,310)	\$4.10	0
Rt. 29/ Rutherford Rd.	187	7,229,743	1,414,803	9.0%	51,000	\$2.77	0
Class A	3	402,601	0	0%	0	N/A	0
Class B	40	1,948,308	694,600	23.2%	17,500	\$2.77	0
Class C	117	2,521,361	663,203	7.9%	33,500	\$2.83	0
Travelers Rest	86	3,070,901	229,509	3.1%	555	\$2.63	0
Class A	2	147,800	0	0%	0	N/A	0
Class B	22	931,779	84,000	2.1%	0	\$4.33	0
Class C	40	949,112	145,509	7.9%	555	\$2.14	0
West Greenville	507	14,539,770	2,760,036	13.3%	56,805	\$2.73	0
Class A	5	601,854	406,814	67.6%	0	N/A	0
Class B	105	4,308,104	577,345	8.2%	11,100	\$2.61	0
Class C	384	9,110,067	1,775,877	12.9%	45,705	\$2.92	0
Anderson/Pickens	529	20,870,269	2,591,749	6.4%	74,570	\$2.52	66,371
Class A	7	356,560	3,800	1.1%	0	N/A	0
Class B	128	7,211,361	1,179,501	12.0%	110,953	\$2.58	16,371
Class C	331	10,522,000	1,379,948	4.5%	(39,983)	\$2.44	50,000
Spartanburg	1,318	69,518,232	10,683,218	9.2%	(258,810)	\$3.06	0
Class A	22	4,641,415	723,920	13.0%	0	\$3.79	0
Class B	335	26,002,130	4,867,574	11.2%	(310,466)	\$3.13	0
Class C	514	18,877,499	5,051,612	15.0%	46,656	\$2.67	0
Cherokee	61	5,001,078	1,683,750	18.6%	243,219	\$2.39	0
Class A	4	1,006,199	476,000	47.3%	0	\$2.15	0
Class B	36	3,157,354	960,050	8.7%	177,569	\$2.45	0
Class C	19	635,642	247,700	71.7%	65,650	\$3.02	0
Laurens	48	3,708,991	1,187,158	21.5%	700	\$2.59	950,000
Class A	2	606,679	525,979	86.7%	0	0	0
Class B	19	2,361,462	265,159	1.6%	700	\$3.64	950,000
Class C	23	593,950	372,620	35.1%	0	\$1.52	0

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Methodology / Definitions / Submarket Map

Absorption (Net)

The change in occupied space in a given time period.

Available Square Footage

Net rentable area considered available for lease; excludes sublease space.

Average Asking Rental Rate

Rental rate as quoted from each building's owner/management company, For office space, a full service rate was requested; for retail, a triple net rate requested; for industrial, a triple net basis.

Building Class

Class A product is office space of steel and concrete construction, built after 1980, quality tenants, excellent amenities & premium rates. Class B product is office space built after 1980, fair to good finishes & wide range of tenants.

Direct Vacancy

Space currently available for lease directly with the landlord or building owner.

Market Size

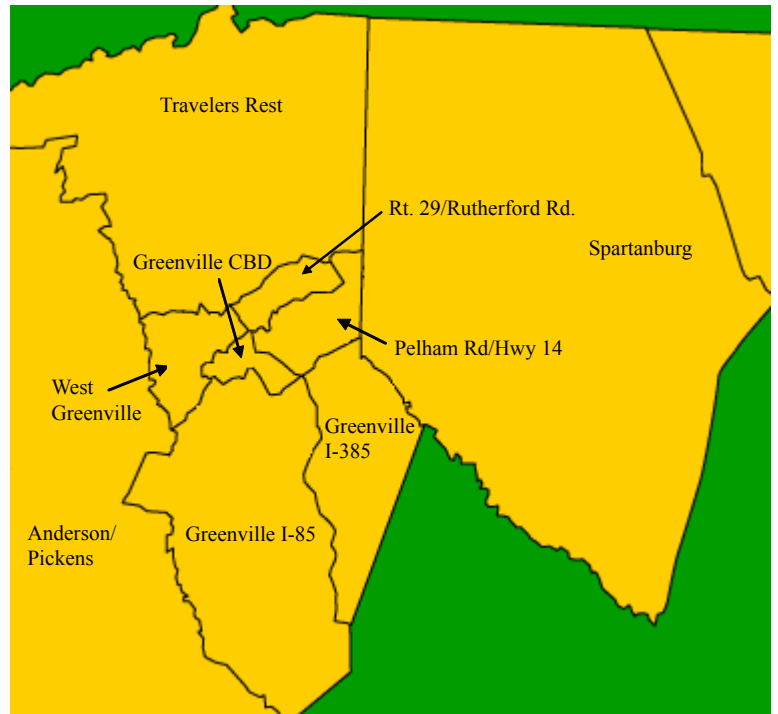
Includes all existing and under construction office buildings (office, office condo, office loft, office medical, all classes and all sizes, both multi-tenant and single-tenant, including owner-occupied buildings) within each market.

Overall Vacancy

All unoccupied lease space, either direct or sublease.

SF/PSF

Square foot/per square foot, used as a unit of measurement.



Sublease

Arrangement in which a tenant leases rental property to another, and the tenant becomes the landlord to the subtenant.

Sublease Space

Total square footage being marketed for lease by the tenant. Sublease space is not considered in the overall occupancy or absorption numbers - only direct leases are included.

Sublease Vacancy

Space currently available in the market for sublease with an existing tenant within a building acting as the landlord.

Some of the data in this report has been gathered from third party sources including CoStar Group, Inc. and has not been independently verified by NAI Earle Furman, LLC. NAI Earle Furman, LLC makes no warranties or representations as to the completeness or accuracy thereof. All rents are per SF/per YR unless otherwise noted. Construction is defined as total RBA under construction. The Upstate Market is defined by: Greenville, Anderson, Spartanburg, Cherokee and Pickens counties. All Industrial building types are included, including warehouse, flex / research & development, distribution, manufacturing, industrial showroom, and service buildings, in both single-tenant and multi-tenant buildings, including owner-occupied buildings.

Upstate in the News

Men's Journal: Greenville among best places to live in United States

GSA Business

Staff Report

Published March 10, 2011

Upstate Forever and the Next Innovation Center received special mention in a brief description of the city of Greenville by Men's Journal magazine.

Greenville is one of 18 cities listed in the national lifestyle magazine's Best Places to Live 2011 guide.

"Booming Greenville has a lot to beat its chest about," the magazine states under the headline, "Grow the Right Way. Greenville, S.C."

Men's Journal cited the city's redeveloped, pedestrian friendly downtown, along with Fluor Field, the free trolley service, "a zealous cycling community and group called Upstate Forever that keeps a watchdog's eye on open space and clean waterways.

"But the most telling recent development is the Next Innovation Center, where tech start-ups, entrepreneurs and even angel investors rent and share space, coffee and brainpower," Men's Journal continued. "The creative vibe here is so strong that walls are covered with writable surfaces so eureka's can get scribbled down anywhere, anytime."

The 60,000-square-foot Next center, off Church Street downtown, was a collaboration by the Greenville Chamber of Commerce, the city of Greenville, Hughes Development Corp. and Next LLC. It opened in 2009.

Cities to join Greenville on Men's Journal's list are Durango, Colo.; Sarasota, Fla.; Des Moines, Iowa; Memphis, Tenn.; Fargo, N.D.; Northampton, Mass.; Huntsville, Ala.; Minneapolis; Frisco, Texas; Grand Rapids, Mich.; Portsmouth, N.H.; New Orleans; Jacksonville, Ore.; San Luis Obispo, Calif.; Louisville, Ky.; Philipsburg, Mont.; and Flagstaff, Ariz.

"These 18 towns are perfecting the art of living well – places where conservation is more important than development, bike makers and breweries and farmers markets thrive, and Whole Foods is considered a big-box store," Men's Journal said.

Upstate in the News

Timken Marks Opening of Duncan Distribution Center

GSA Business

Staff Report

Published March 22, 2011

Managers of The Timken's Co.'s new distribution center in Duncan, S.C., will host elected officials on Thursday for a tour to mark the startup of facility at the Spartan Green Business Park.

With the expanded 300,000 square-foot distribution operation in Spartanburg County announced in Nov. 2009, Timken committed to invest \$3 million and bring 100 new jobs to Spartanburg County.

The local officials will be hosted by Terry Hayes, Timken's facility manager; and James W. Griffith, president and CEO of the Timken Co.

“Having a larger facility in the area provides significant customer service efficiencies,” said Chris Coughlin, president of Timken’s process industries division, said when the expansion was announced. “With much of our supply chain based in the Southeast, consolidating our distribution in the region will help us reduce movements between locations to serve customers more quickly. That also will make our operation leaner and greener.”

Upstate in the News

Spartanburg No. 2 in Economic Development - Site Selection Magazine

GSA Business

Staff Report

Published March 23, 2011

Site Selection Magazine's March issue features Spartanburg, S.C. as No. 2 in the nation for the total number of economic development projects in 2010, with 29 projects.

The ranking is released annually and is based on the number of total projects per "metro category."

Spartanburg ranked second in the Metros with populations 200,000 to one million category—ranked higher than Shreveport, Louisiana; Greensboro, North Carolina and Charleston, S.C.

"Spartanburg's prime geographic location, superior infrastructure, and strategic inventory of sites and buildings are a recipe for success in the eyes of site consultants," says Carter Smith, executive vice president of the Economic Futures Group. "Combine this with our proven past successes and consultants and companies alike know they will not only mitigate risk by selecting Spartanburg, they will increase profitability for their clients and shareholders."

Examples of new business in 2010 from the Economic Futures Group's target industries include BMW, Röchling and Cooper Standard from the Automotive sector; Odermath and Huntington Foam from the Advanced Materials sector; ResMed from the BioSciences sector and Syncreon from the Logistics sector. The team credits their success to the strong leadership and partnership between the public and private sectors in Spartanburg County.

"Companies love it here, says David Cordeau, president and CEO of the Spartanburg Area Chamber of Commerce. "As we have seen over the past few years, not only are companies locating here from around the world, local companies continue to expand in Spartanburg County. We also have a great local team with public and private sector leaders totally supportive of economic growth. With eight colleges and universities in Spartanburg County, we can also support the complete spectrum of workforce needs."

Spartanburg has the highest per capita investment in the country. Upstate S.C. accounts for a substantial portion of the state totals in economic development, capital investment and the generation of new jobs year after year. Spartanburg County is a significant contributor.

Ingo Angermeier, chairman of the Economic Futures Group added: "With 'Mayberry Values' and BMW performance, those of us who are blessed to live in Spartanburg, love Spartanburg. We are not surprised that companies from around the world seeking to relocate find our same wonderful quality of life attractive. To those 29 companies: Welcome home...Welcome to Spartanburg."

"The bottom line is, we know who the Golden Goose is – business and industry," said David Britt, Spartanburg County councilman and chair of council's Economic Development Committee. "We have a 20-year track record that is unsurpassed in the USA. We not only recruit companies to Spartanburg, we help them be successful and grow. We want companies to become a part of our community as these companies are really the associates that work inside these organizations. We have the best associates in the world and if you don't believe us drive a BMW."

Upstate in the News

BMW Adds \$100 Million Investment at Spartanburg County Factory

GSA Business

Staff Report

Published March 1, 2011

BMW Manufacturing is adding another \$100 million investment at the company's Spartanburg County factory as well as a new X3 program to further streamline the company's export operation, President Josef Kerscher said Monday night in his keynote speech to the annual meeting of the Spartanburg Chamber of Commerce.

"This new investment in our BMW Spartanburg facility will increase our efficiency, make us more flexible and environmentally friendly," said Kerscher during the speech. "In addition, with our new export business model, we can open up new markets for the X3."

BMW Manufacturing is currently putting the finishing touches on a new \$750 million assembly line and paint shop alongside the original plant it built 18 years ago at the junction of S.C. highway 101 and Interstate 85.

As part of BMW's commitment to sustainable, continuous improvement, the new investment will support a variety of new programs, technology and infrastructure, Kerscher said.

BMW's new X3 "semi-knocked down" operation is based in Duncan, S.C. During the speech, Kerscher said the company's new logistics partner, Syncreon, will manage the warehousing, kitting and logistics operation to prepare vehicle kits for export to emerging markets.

BMW Manufacturing Co. is a subsidiary of BMW AG in Munich, Germany and is the global producer of the BMW X3 and X5 Sports Activity Vehicles and X6 Sports Activity Coupe. In addition to the South Carolina manufacturing facility, BMW North American subsidiaries include sales, marketing and financial services operations in the United States, Canada and throughout Latin America; and a design firm and technology office in California. For more information on BMW Manufacturing, visit www.bmwusfactory.com.

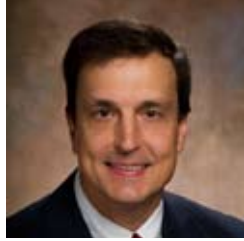
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Additional Resources

www.naiearlefurman.com – Complete listings of NAI Earle Furman’s available properties

www.greenvilleeconomicdevelopment.com – Greenville Economic Development’s goal is to promote and enhance the economic growth of Greenville County by serving as the single source contact for economic development in the greater Greenville area.

www.upstatealliance.com – Upstate Alliance is a public/private regional economic development organization designed to market the dynamic 10-county Upstate region to the world.

www.greenvillechamber.org - The Greater Greenville Chamber at its core is dedicated to promoting quality development of Upstate South Carolina through managed growth, service to members and the public, and a community-wide approach to issues shaping the region's future.

www.spartanburgcounty.org – Official website of Spartanburg County government

www.greenvillecounty.org – Official website of Greenville County government

www.andersonsccounty.org - Official website of Anderson county government

www.cherokeecountysc.com - Official website of Cherokee county government

www.sccommerce.com - Provides information on trade, grants, rural development, and recycling. Includes databases of community profiles, labor market information, etc..

www.sciway.net - South Carolina's Information Highway is the largest directory of South Carolina information on the Internet.

www.southcarolinapowerteam.com - The South Carolina Power Team promotes industrial sites & industrial buildings in South Carolina and the state's unique advantages for industry.