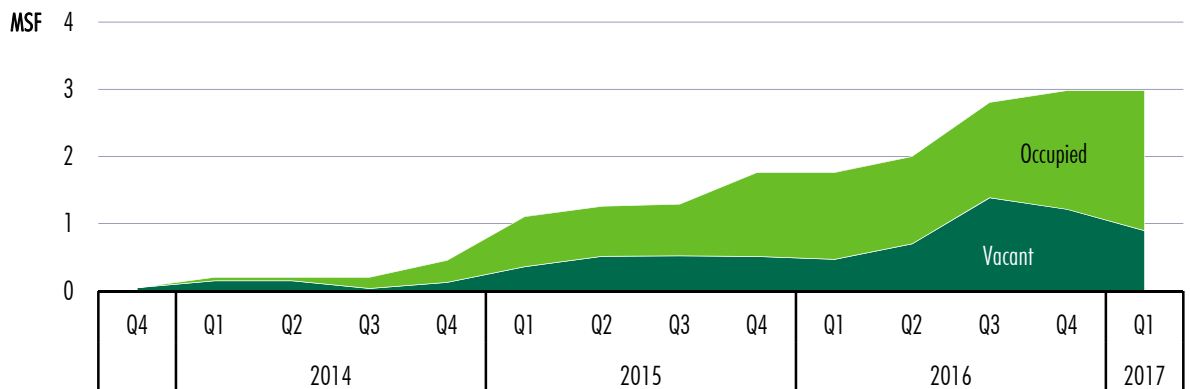


Greenville-Spartanburg Industrial & Logistics, Q1 2017

Despite speculative development, new record low vacancy rate within reach

▼ Vacancy Rate **7.2%**
▼ Availability Rate **11.3%**
▶ Net Absorption **1,411,487 SF**
▶ Asking Rate **\$3.35 PSF NNN**
▲ Under Construction **4,803,474 SF**

Figure 1. Speculative Development



Source: CBRE Research, Q1 2017

The last four quarters in the Greenville-Spartanburg market exhibited over 7.8 million sq. ft. of absorption, which is pushing vacancy within 25 basis points from a record low set in the second quarter of 2016. It is possible that a new record low vacancy rate could be achieved in the coming quarters depending on the timing of multiple speculative developments under construction.

In a theme that has been persistent over the last two years, more developers are finding success with speculative development. The latest example is BMW's 240,000 sq. ft. lease of a warehouse developed by Charlotte-based Beacon Development in the Spartanburg West submarket. In the last three years, the Greenville-Spartanburg industrial market has absorbed approximately 175,000 sq. ft. of speculative space each quarter. It

is possible that the number is artificially low due to the fact that many tenants seeking speculative space often partner with developers on build-to-suit opportunities.

Speaking of construction activity, there is now 4.8 million sq. ft. under construction. The most significant project under development is a 1.1 million sq. ft. distribution center for Michelin. This is the first phase of a national distribution facility that is likely to more than double in size in the coming years. The largest completion during the quarter was a 675,000 sq. ft. expansion by BMW. Both projects are in the Spartanburg West submarket.

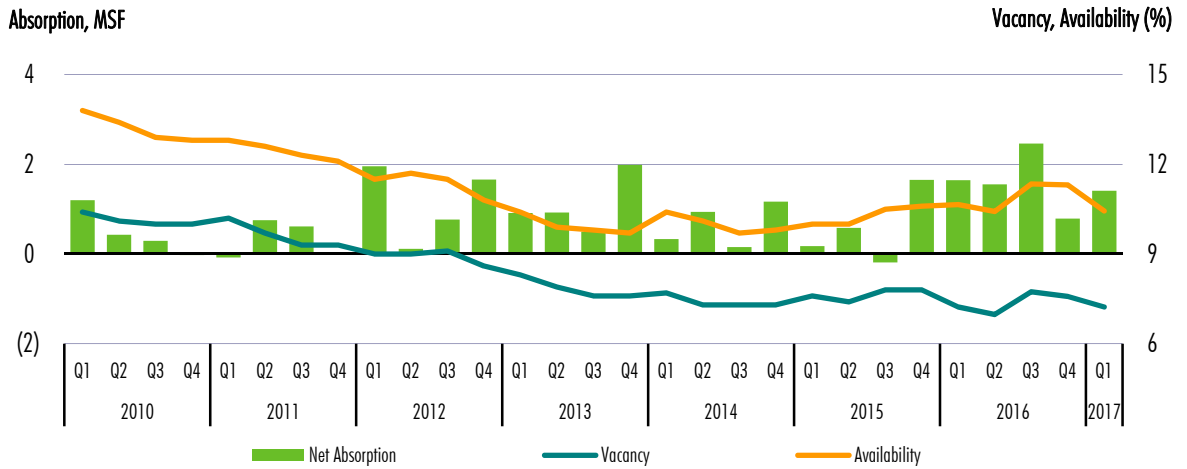
Accounting for 85% of the industrial space currently under construction, Spartanburg West

Figure 2. Market Statistics

Market	Market Rentable Area (SF)	Vacancy Rate (%)	Total Availability (%)	Avg Asking Dr Rate (\$ PSF/YR)	Under Construction (SF)	Net Absorption Last 4 Qtrs (SF)	Net Absorption Current Qtr (SF)
Anderson	22,613,207	9.0	10.0	2.78	50,000	755,099	(347,426)
Anderson County	22,613,207	9.0	10.0	2.78	50,000	755,099	(347,426)
Central Greenville	16,419,075	8.1	11.9	2.71	-	275,525	-
I-385 South	21,813,011	7.5	11.9	3.36	85,000	205,611	186,200
I-85 East	13,845,407	6.0	8.4	5.56	144,000	441,721	45,630
I-85 West	18,438,729	5.5	7.9	3.69	331,850	688,858	178,000
Taylors-Greer	8,203,933	8.8	10.5	2.94	-	399,972	259,600
Travelers Rest	3,661,519	6.3	7.1	3.44	-	160,000	130,000
Greenville County	82,381,674	7.0	10.1	3.6	560,850	2,171,687	799,430
Spartanburg East	22,489,242	9.5	12.3	2.79	52,000	2,314,328	(60,000)
Spartanburg West	44,148,152	5.6	10.4	3.38	4,140,624	2,625,594	1,019,483
Spartanburg County	66,637,394	6.9	11.1	3.18	4,192,624	4,939,922	959,483
MARKET TOTAL	171,632,275	7.2	10.4	3.35	4,803,474	7,866,708	1,411,487
Development Type							
Manufacturing	91,091,604	4.9	7.3	2.85	1,824,000	1,338,521	490,903
R&D/Flex	7,127,720	12.8	15.7	5.73	97,000	75,447	18,146
Warehouse/Distribution	73,412,951	9.6	13.9	3.29	2,882,474	6,452,740	902,438
MARKET TOTAL	171,632,275	7.2	10.4	3.35	4,803,474	7,866,708	1,411,487
Property Size							
10,000 to 25,000 SF	13,186,167	10.0	12.9	4.58	-	68,354	60,684
25,001 to 75,000 SF	30,412,694	9.7	13.3	3.69	281,000	725,805	51,164
75,001 to 150,000 SF	29,048,471	6.9	12.1	3.46	200,000	1,540,095	389,236
150,001 to 250,000 SF	26,068,984	7.4	10.4	3.22	803,456	1,546,420	513,000
250,001 and larger	72,915,959	5.8	8.2	2.9	3,519,018	3,986,034	397,403
MARKET TOTAL	171,632,275	7.2	10.4	3.35	4,803,474	7,866,708	1,411,487

Source: CBRE Research, Q1 2017

Figure 3. Vacancy, Availability and Absorption



Source: CBRE Research, Q1 2017

is the heart of the Greenville-Spartanburg industrial market. Not surprisingly, developers are most active in the submarket as well, having constructed 1.5 million sq. ft. of speculative space in the last three years. As developers are able to find success in anticipating the needs of the market, additional development can be expected to occur throughout the market. One of the reasons for a strong outlook in the Greenville-Spartanburg market is its diversification.

The market has a long legacy of manufacturing, especially in the production of goods for global markets. As such, the health of the Greenville-Spartanburg market is intrinsically tied to that of global growth trends. Access to global economies through the Port of Charleston helps to propel the local economy and embolden its success. The proof is in the international connections of expanding manufacturers in the region such as Japanese carbon fiber manufacturer Toray, Italian chemical company Ritrama and Chinese plastics company Jiangnan Mold. Combined, the three will be occupying more than 1.3 million sq. ft. in the Spartanburg West submarket.

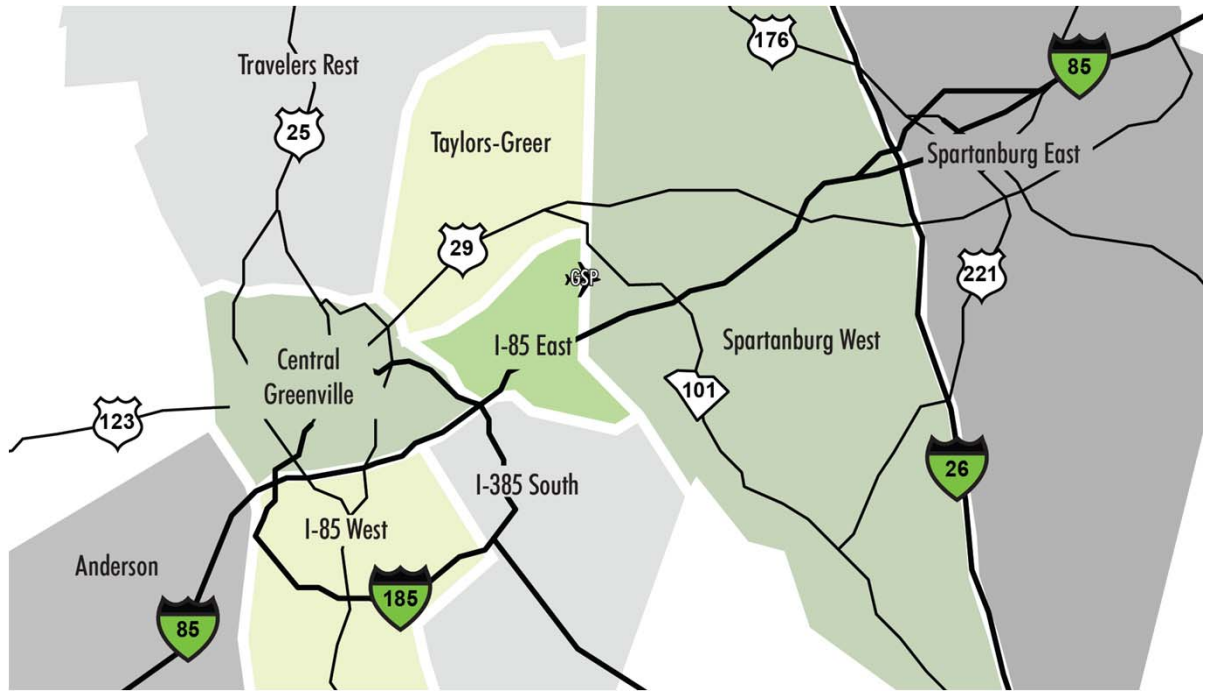
Given the expectation of moderating global growth coupled with political uncertainty, the rapid pace of market acceleration experienced in the last few years can be expected to downshift. However, the success of the Inland Port in Greer and its tight

relationship with the Port of Charleston bolster the market's reputation as a growing distribution hub and may keep activity high in the coming years, especially with increased activity expected to shift traffic from the West Coast to the East Coast.

Recently the South Carolina Ports Authority announced a second inland port to be constructed in the state in Dillon close to I-95. Due to its ability to help increase efficiency and port capacity, this new inland port will help strengthen the Port of Charleston, and by extension, the long-term outlook for distribution in Greenville-Spartanburg.

In addition to an evolution in product type, we also anticipate a similar transition when it comes to investment opportunity. As a general rule, occupiers of manufacturing space are more likely to own their own facilities than those who occupy warehouse space. This is due to the risk associated with disrupting proprietary manufacturing processes. As a result, expect to see new investors enter the market as opportunities arise.

From an investment perspective, the increased notoriety of the local industrial market, coupled with the long-term favorable fundamentals of being well-located on the I-85 corridor in the heart of the Southeast makes Greenville-Spartanburg appealing to investors.



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