

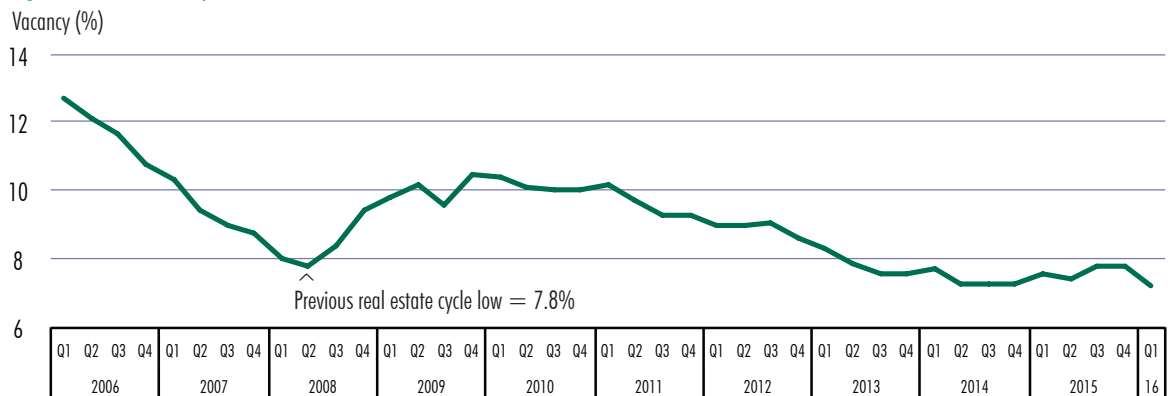
Greenville-Spartanburg Industrial & Logistics, Q1 2016

Fueled by manufacturing and distribution construction, new record low vacancy achieved

▼ Vacancy Rate 7.2%
▶ Availability Rate 10.7%
▶ Net Absorption 1,646,240 SF
▶ Asking Rate \$3.31 PSF NNN
▼ New Construction 6,013,198 SF

*Arrows indicate change from previous quarter.

Figure 1: Historic Vacancy



Source: CBRE Research, Q1 2016.

For the second quarter in a row, net absorption topped 1.6 million sq. ft. In the fourth quarter, the market gains were offset by the delivery of speculative industrial space. This past quarter, however, there were no major speculative deliveries resulting in a vacancy decline of over 50 basis points to a new record low 7.2%.

Chances are that vacancy will rise in the coming quarters as over one million sq. ft. of speculative space is expected to be delivered by the end of year. Given that the market averages over 2.6 million sq. ft. of annual net absorption, it is possible to

envision a scenario in which vacancy declines further in spite of new deliveries.

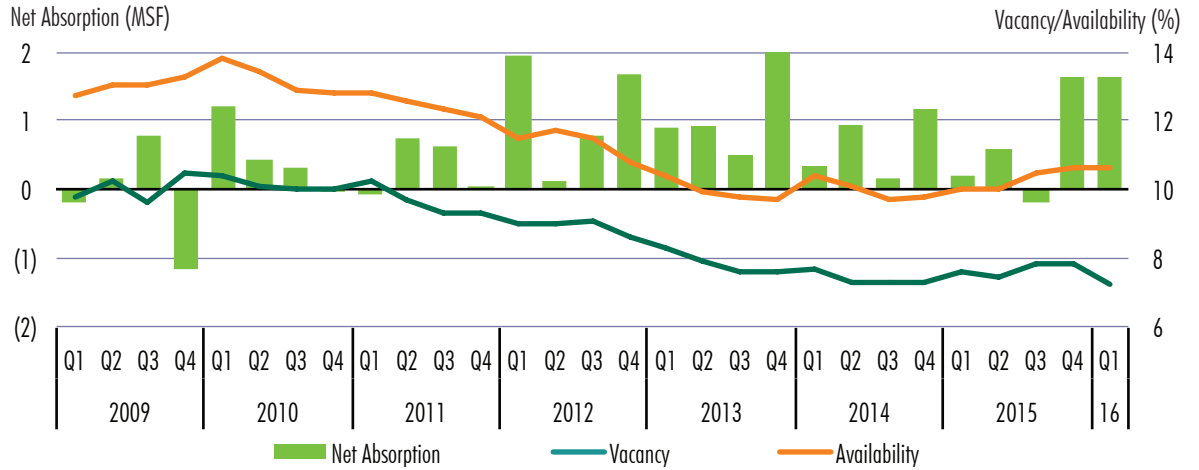
While the last two quarters have exhibited very high absorption levels, market activity was buoyed by two major non-speculative projects. In the fourth quarter, the completion of a one million sq. ft. expansion by First Quality Tissue in the Anderson submarket drove market activity. More recently, the completion of Rite Aid's 900,000 sq. ft. distribution facility in the Spartanburg East submarket is pushing market growth.

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 Q1 2016 (SF)
Anderson	21,249,457	5.4	8.7	2.82	1,635,000	939,210	16,375
Anderson County	21,249,457	5.4	8.7	2.82	1,635,000	939,210	16,375
Central Greenville	16,237,189	8.4	11.7	2.72	-	450,316	35,662
I-385 South	21,647,195	8.4	14.1	3.14	-	432,637	19,386
I-85 East	13,572,154	7.1	8.8	5.65	109,400	342,213	71,522
I-85 West	17,910,541	6.6	7.9	3.37	445,618	(197,681)	(86,181)
Taylors-Greer	7,963,933	9.2	10.5	2.99	-	161,813	146,652
Travelers Rest	3,495,819	6.5	7.3	3.29	-	70,000	-
Greenville County	80,826,831	7.8	10.7	3.47	555,018	1,259,298	187,041
Spartanburg East	20,785,362	8.6	10.6	2.87	1,612,880	1,340,340	951,000
Spartanburg West	42,158,595	6.4	11.5	3.33	2,210,300	329,578	491,824
Spartanburg County	62,943,957	7.1	11.2	3.19	3,823,180	1,669,918	1,442,824
MARKET TOTAL	165,020,245	7.2	10.7	3.31	6,013,198	3,868,426	1,646,240
Property Type							
Manufacturing	89,597,553	4.4	7.5	2.93	3,768,618	1,852,427	244,742
R&D/Flex	6,945,520	13.01	17.16	5.83	88,300	325,556	(7,950)
Warehouse/Distribution	68,477,172	10.38	14.06	3.16	2,156,280	1,690,443	1,409,448
MARKET TOTAL	165,020,245	7.2	10.7	3.31	6,013,198	3,868,426	1,646,240
Property Size							
10,000 to 25,000 SF	13,137,182	9.98	12.29	4.41	-	75,056	(15,503)
25,001 to 75,000 SF	29,933,211	10.3	14.1	3.68	227,700	163,666	112,558
75,001 to 150,000 SF	28,254,426	8.64	12.49	3.55	330,000	476,445	387,137
150,001 to 250,000 SF	24,731,643	7.4	10.9	3.21	858,618	168,026	(169,291)
250,001 SF and larger	69,463,783	4.7	7.9	2.71	4,596,880	2,985,233	1,331,339
MARKET TOTAL	165,020,245	7.2	10.7	3.31	6,013,198	3,868,426	1,646,240

Source: CBRE Research, Q1 2016.

Figure 3: Total Market Vacancy, Availability, and Net Absorption



Source: CBRE Research, Q1 2016.

The two facilities represent the two major drivers of industrial market activity in the Greenville-Spartanburg industrial market: manufacturing and distribution. The region has a long legacy as the primary manufacturing hub of the State of South Carolina, which exports more goods per capita than any other state in the Southeast. Additionally, the development of the South Carolina Inland Port in the Spartanburg West submarket and its strong connection with the Port of Charleston has established the region as a strong distribution destination. This will likely drive activity in the market for at least the next ten years as the Port of Charleston sees increasing volumes related to the widening of the Panama Canal, which is expected to be completed in the second quarter of 2016.

Tightening availability and low interest rates are driving over 4 million sq. ft. of non-speculative development, which will keep absorption levels elevated through the first half of 2017. The most significant of these is a large facility in the Anderson submarket for Techtronic Industries as well as a distribution facility for Dollar Tree in the Spartanburg East submarket. Combined, the two account for 2.5 million sq. ft.

Out-of-market investors and developers are closely watching the over 1.4 million sq. ft. of speculative

development currently under construction. In spite of high absorption levels, there has been a noticeable lack of activity among recently completed speculative product. A couple of slow quarters do not equate to a trend.

It is worth noting that Johnson Development, the Spartanburg-based developer who successfully timed the construction and disposition of speculative development during the last real estate cycle, has started construction on their own speculative project, a 360,000 sq. ft. distribution facility in the Spartanburg East submarket. While the current speculative development speaks to the health of the market, the demonstrated success of new development in the current cycle could inspire a new round of speculation, which could present a challenge to existing landlords in the coming years.

The automotive industry is still a major factor in the health of the market. BMW's current 675,000 sq. ft. expansion has suppliers searching the market for space. Although Volvo's new manufacturing facility has only started construction three hours away in Charleston, we expect to see some increased activity among local suppliers who can meet Volvo's needs through facilities in the Greenville-Spartanburg industrial market.



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