

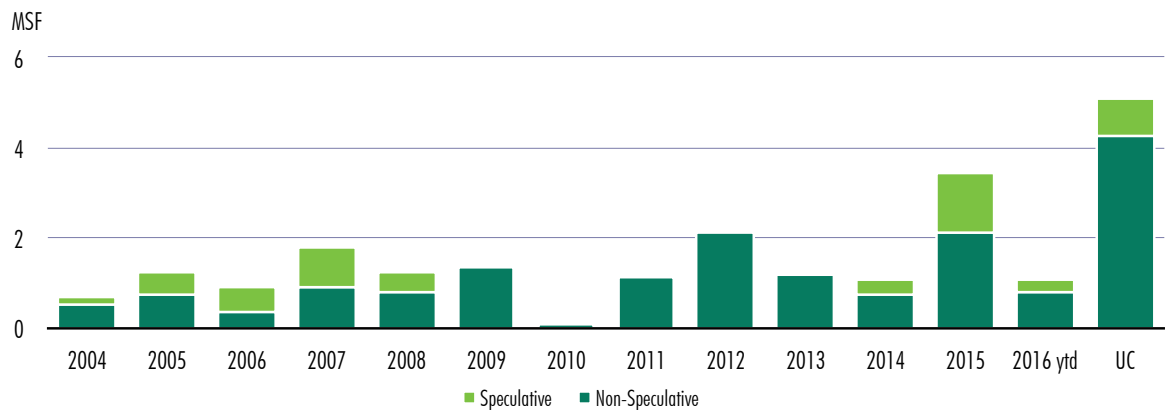
Greenville-Spartanburg Industrial & Logistics, Q2 2016

# Investors lured by new record low vacancy and strong long-term outlook

▼ Vacancy Rate 7.0%
▼ Availability Rate 10.4%
▶ Net Absorption 1,554,490 SF
▲ Asking Rate \$3.33 PSF NNN
▶ New Construction 5,720,798 SF

\*Arrows indicate change from previous quarter.

Figure 1: Speculative & Non-Speculative Development



Source: CBRE Research, Q2 2016.

For the third consecutive quarter, absorption topped 1.5 million sq.ft. helping to push vacancy to a new record low of 7.0%. Unlike previous quarters where absorption was buoyed by a single large completion, this quarter was driven by a series of transactions and new development. Additionally, the development pipeline continues to churn, as a number of new properties were delivered and several more began construction. From an investment standpoint, the market is increasing its attractiveness to outside investors, lured not only by strong fundamentals but by the market's position to benefit from a widening Panama Canal. Over 900,000 sq.ft. of industrial space was

delivered in Q2 2016 in seven properties. The largest of which is the latest speculative development, a 240,000 sq.ft. Class A warehouse constructed by Beacon Partners in the Spartanburg West submarket. All of the remaining space completed this quarter was not speculative. The most notable were new facilities for Phillips Pet, Kobelco and Coca-Cola. Combined, the three accounted for over 500,000 sq. ft. of industrial space.

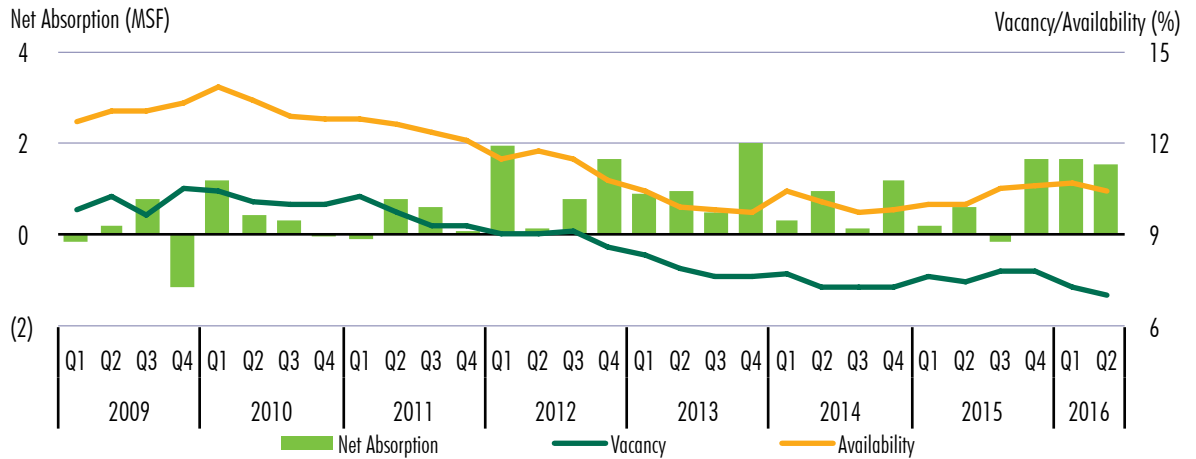
While a large amount of industrial space was delivered during the quarter, there is still over 5.7 million sq.ft. of space under construction. The

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 Q2 2016 (SF)
Anderson	21,238,207	5.4	8.4	2.98	1,375,000	1,155,110	250,000
Anderson County	21,238,207	5.4	8.4	2.98	1,375,000	1,155,110	250,000
Central Greenville	16,220,492	8.4	12.7	2.77	-	528,538	(1,637)
I-385 South	21,647,195	8.0	13.5	3.1	-	701,285	85,625
I-85 East	13,761,554	7.0	8.5	5.61	40,000	363,988	193,175
I-85 West	17,963,269	5.5	7.2	3.53	530,618	105,047	251,728
Taylors-Greer	8,203,933	11.9	13.6	3.33	-	126,533	(6,280)
Travelers Rest	3,495,819	6.5	7.3	3.29	130,000	70,000	-
Greenville County	81,292,262	7.7	10.8	3.51	700,618	1,895,391	522,611
Spartanburg East	20,824,362	8.6	11.2	2.85	1,661,180	1,214,208	30,878
Spartanburg West	42,517,969	5.6	10.3	3.28	1,984,000	980,390	751,001
Spartanburg County	63,342,331	6.6	10.6	3.13	3,645,180	2,194,598	781,879
<b>MARKET TOTAL</b>	<b>165,872,800</b>	<b>7.0</b>	<b>10.4</b>	<b>3.33</b>	<b>5,720,798</b>	<b>5,245,099</b>	<b>1,554,490</b>
<b>Property Type</b>							
Manufacturing	89,822,692	4.2	7.4	2.95	3,195,618	2,443,659	660,509
R&D/Flex	6,926,920	12.9	15.9	5.95	88,300	247,871	11,065
Warehouse/Distribution	69,123,188	10.0	13.8	3.18	2,436,880	2,553,569	882,916
<b>MARKET TOTAL</b>	<b>165,872,800</b>	<b>7.0</b>	<b>10.4</b>	<b>3.33</b>	<b>5,720,798</b>	<b>5,245,099</b>	<b>1,554,490</b>
<b>Property Size</b>							
10,000 to 25,000 SF	13,137,585	10.0	12.8	4.38	-	6,109	11,453
25,001 to 75,000 SF	30,129,500	9.7	13.7	3.71	248,300	498,781	363,414
75,001 to 150,000 SF	28,733,471	7.7	11.9	3.51	355,000	1,048,084	601,603
150,001 to 250,000 SF	25,169,711	7.6	10.0	3.29	754,618	510,013	539,900
250,001 SF and larger	69,202,533	4.6	8.0	2.77	4,362,880	3,182,112	38,120
<b>MARKET TOTAL</b>	<b>165,872,800</b>	<b>7.0</b>	<b>10.4</b>	<b>3.33</b>	<b>5,720,798</b>	<b>5,245,099</b>	<b>1,554,490</b>

Source: CBRE Research, Q2 2016.

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



Source: CBRE Research, Q2 2016.

largest projects under construction include a new 1.3 million sq.ft. facility for Techntronic Industries in the Anderson submarket and a 1.2 million sq.ft. warehouse for Dollar Tree in the Spartanburg East submarket. In spite of these large facilities, the epicenter of industrial development in the Greenville-Spartanburg industrial market is the Spartanburg West submarket, which has 1.9 million sq. ft. under construction in six separate projects.

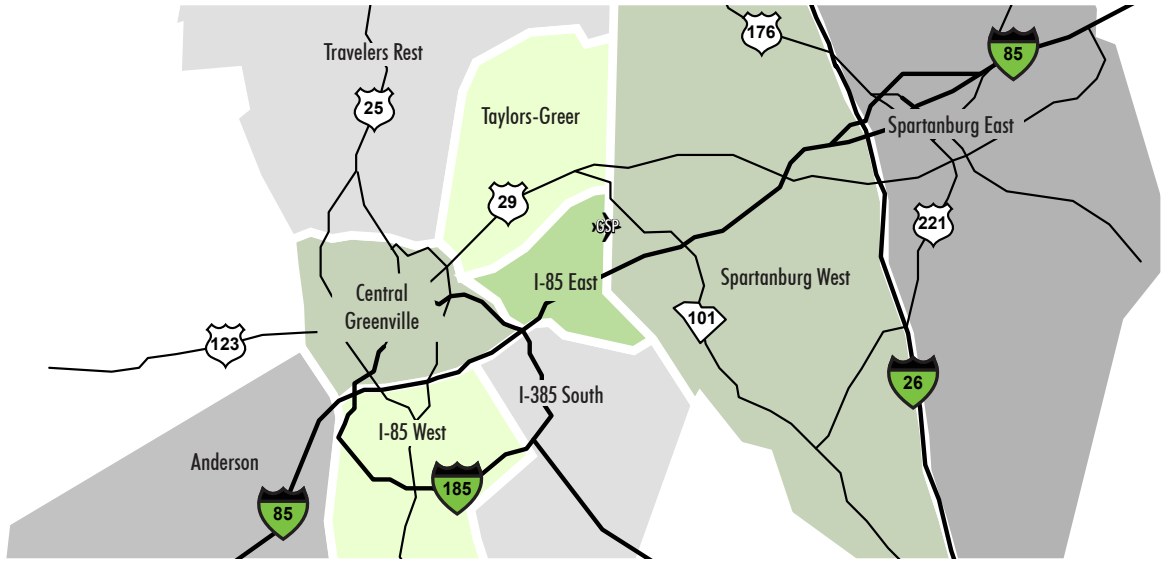
With over 700,000 sq.ft. of space set to be delivered on a speculative basis in the coming quarters, expectations for further vacancy gains are modest. Fortunately, this will bring a number of Class A warehouses to the market, presenting multiple opportunities to attract tenants. Given the rate of activity in the market, we do not anticipate difficulty in absorbing additional development, especially given BMW's active expansion of 675,000 sq.ft., which will generate activity among suppliers. Additionally, supplier activity is increasing due to the construction of a new manufacturing plant by Volvo, whose supplier network is extending beyond the Charleston market.

High activity levels and strong fundamentals continues to attract the attention of outside investors. The purchase of 270,000 sq.ft. of warehouse space by New York-based One Liberty

Properties for \$63 per sq.ft. emphasizes Greenville-Spartanburg as a legitimate investment market. While Greenville-Spartanburg is among the thirty largest industrial markets in the country, it is also among the least expensive. This represents an opportunity for investors as they seek rent growth.

The expansion of the Panama Canal will only accelerate the market's evolution towards a more distribution-oriented market, as West Coast logistics companies seek to diversify their operations by securing facilities in East Coast markets with strong port access. Easy access to Inland Port Greer, which provides a direct connection to the Port of Charleston, will pay dividends.

After more than 40 years of membership, the British people have voted to leave the European Union (E.U.). Over the short-term, economic impacts from this decision will likely be somewhat muted in the U.S. As a result, we expect minimal near-term impacts on Greenville-Spartanburg industrial market fundamentals. Looking ahead, future effects will depend on the process and outcome of exit negotiations between the U.K. and E.U. In a broad sense, Brexit would only be disruptive for U.S. real estate markets in a worst-case scenario.



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