

Industrial market gains capital investments

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Key Takeaways

- › Capital investments are on the rise within the Greenville-Spartanburg-Anderson region.
- › Despite 607,607 square feet of new construction delivery this quarter, the market absorbed 315,756 square feet.

Capital investments soar

Innovation, a strong business climate and improvements to the state logistic infrastructure are successful drivers within the Greenville-Spartanburg-Anderson region. During 2017, the Upstate SC Alliance reported Greenville County investments totaling \$172 million and announced 2,287 jobs. Spartanburg County had an astonishing \$885.3 million in investments and announced 1,789 jobs, and Anderson County had \$421 million in investments and 1,130 jobs announced. These staggering statistics are a testament to the vibrancy of the industrial market. The region is home to some of the most recognizable brands and national public/private sector research centers. Below is an impressive list of companies who are making \$200 million or more in capital investments and contributing to the region by drawing new businesses to the area, while integrating workforce training with educational institutions. These components will serve as a solid foundation for the future expansion of the Greenville-Spartanburg-Anderson market.

Investments	Investment Amount
BMW Manufacturing Corp.	\$3.25 billion
Toray Industries	\$1 billion
First Quality Tissue	\$1.35 billion
Michelin, North America	\$820 million
Duke Energy	\$600 million
Teijin Ltd.	\$600 million
American Titanium Works	\$422 million
GE Power & Water	\$400 million
Keurig Green Mountain	\$350 million
ZF Transmissions Gray Court	\$350 million
Electrolux	\$200 million
Project Ray/83	\$200 million

* There are investors with confidential capital investment totals not included on this list.

Market Indicators

Relative to prior period

Q2 2018

Q3 2018*

VACANCY	↑	↑
NET ABSORPTION	+	+
CONSTRUCTION	↑	↑
RENTAL RATE**	↓	↑

Note: Construction is the change in Under Construction.

*Projected

**Rent forecast is for metro-wide rents.

Summary Statistics

Q2 2018 Greenville Industrial Market

GSA Market

Vacancy Rate	6.05%
Change From Q2 2017 (basis points)	-75
Absorption (Thousand Square Feet)	315.7
New Construction* (Thousand Square Feet)	607.61
Under Construction (Million Square Feet)	6.31

*New construction is buildings delivered

Asking Rents

NNN Per Square Foot Per Year

Market	\$3.40
Flex	\$8.21
Warehouse	\$3.15
Manufacturing	\$3.86

Market Overview

The Greenville-Spartanburg-Anderson industrial market absorbed 315,756 square feet this quarter and the average triple net weighted rental rate dropped slightly from \$3.90 per square foot during the first quarter of this year to \$3.40 per square foot this quarter. There were four warehouses added to the market this quarter totaling 607,607 square feet; however, the market vacancy rate only rose 13 basis points to 6.05% this quarter, up from 5.92% during the first quarter of 2018.

Warehouse/Distribution

The warehouse/distribution market segment is the largest sector within the Greenville-Spartanburg-Anderson industrial market, comprised of approximately 175 million square feet, and there are currently nine buildings proposed for construction that would add roughly 1.27 million square feet to the warehouse/distribution sector. Due to 607,607 square feet of new warehouses being delivered to this sector from May to June of this year, the vacancy rate during the second quarter of 2018 rose to 6.05%, up from 5.84% during the first quarter of this year. Despite the additional square footage, the warehouse/distribution sector still absorbed 199,533 square feet this quarter. The average triple net weighted rental rate dropped from \$3.71 per square foot during the first quarter of 2018 to \$3.15 per square foot this quarter.

Manufacturing

The manufacturing sector of the Greenville-Spartanburg-Anderson market is comprised of approximately 17.65 million square feet of manufacturing buildings, and no new buildings were added this quarter. This sector absorbed 115,000 square feet of manufacturing buildings during the second quarter of 2018, and the vacancy rate decreased from 5.20% last quarter to 4.55% this quarter. The average triple net weighted manufacturing rental rate decreased from \$4.49 per square foot during the first quarter of 2018 to \$3.86 per square foot during the second quarter of 2018.

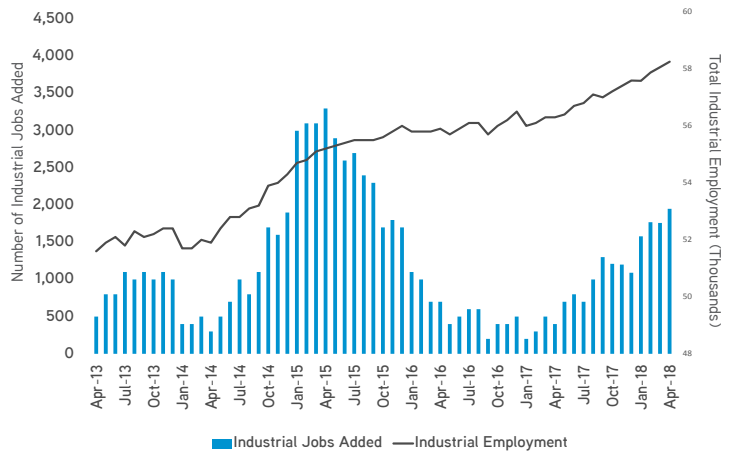
Flex

The flex sector of the Greenville-Spartanburg-Anderson market is comprised of approximately 4.47 million square feet. The average triple net rental rates for Greenville-Spartanburg-Anderson flex space are rising, up to \$8.21 per square foot during the second quarter of 2018 from \$8.19 per square foot during the first quarter of this year. The flex sector absorbed 1,223 square feet during the second quarter of 2018 and the vacancy rate dropped from 11.93% during the first quarter to 11.90% this quarter.

Significant Transactions

The statewide expansion of logistics, automotive and aeronautical production continues to drive the expansion of manufacturing in the Greenville-Spartanburg-Anderson market. CoStar reports 24 signed leases during the second quarter of 2018. They were spread

Industrial Employment | Greenville-Spartanburg-Anderson MSA



Source: Bureau of Labor Statistics, St. Louis Federal Reserve, Colliers International

Commercial Real Estate Growth Cycle: Where the market stands and where it is going.



throughout the Greenville-Spartanburg-Anderson market and ranged from as large as 313,380 square feet down to 1,800 square feet. CoStar also reported 52 sale transactions during the second quarter of 2018.

Leases

- > In Duncan, a 313,380-square-foot warehouse was leased at 112 Hidden Lake Circle.
- > A 297,607-square-foot lease was signed at 901 Victor Hill Road in Greer during May of 2018.

- › In April, 181,334 square feet of industrial space at 769 Flatwood Industrial Drive in Spartanburg leased.
- › 5475 North Blackstock Road has a tenant who leased 92,000 square feet in Spartanburg.
- › 79,460 square feet were leased at 1610 Old Grove Road in Piedmont.
- › 60,000 square feet were leased at 132 White Horse Court in Greenville.
- › In Spartanburg, a 60,000-square-foot warehouse was leased at 1335 Hayne Street.
- › 8025 Howard Street in Spartanburg has a new 56,866-square-foot tenant.

Sales

- › A 72-property, \$81.41 million portfolio sale included four South Carolina properties: 1375 Howell Road and 15 Tyger River Drive in Duncan, and 2721 and 2723 White Horse Road in Greenville. These four properties total 1.05 million square feet.
- › Pacolet Milliken Enterprises sold 213 acres of land in Tyger River Industrial Park - North. The land was purchased by Keurig Green Mountain, which plans to build a new state-of-the-art roasting and packaging facility on the site.
- › A 362,774-square-foot warehouse within the Flatwood Industrial Park in Spartanburg sold in April for \$23.58 million.
- › 8 Shelter Drive, a 130,000-square-foot manufacturing building in Greer, was purchased for \$5.57 million.
- › A 56,866-square-foot, Class B distribution building located at 8025 Howard Street in Spartanburg was purchased for \$2.5 million in April.

Construction Pipeline

Construction activity remains high in the Greenville-Spartanburg-Anderson market, with 6.31 million square feet under construction.

Delivered

- › Velocity I, a 297,607-square-foot distribution building located at 901 Victor Hill Road, within Velocity Park in Greer is now complete.
- › Construction is now complete on a 100,000-square-foot warehouse located at 564 Gilliam Road in Greer.
- › Building Three on Brookshire Road in Greer is now a completed 10,000-square-foot warehouse.

Under Construction

- › Construction continues for the 2.5 million-square-foot Michelin distribution center located on Highway 101 in Spartanburg County. The delivery of the first phase is expected this year.
- › Construction continues at the Inland 85 Logistic Center in Greer. The Logistic Center is the largest speculative building in the

market, consisting of 500,280 square feet. The delivery date for this project is expected to be year-end 2018.

- › 101 Masters Boulevard currently has an 800,000-square-foot manufacturing facility under construction in Anderson.
- › Plastics Omnium continues to construct a 650,000-square-foot plant in Moore at 310 Genoble Road. The anticipated delivery date is the summer of 2018.
- › Construction continues for a 408,000-square-foot spec building in the Hillside Enterprise Industrial Park, located near I-85 and Highway 290 in Duncan, SC. Delivery is expected in August of 2018.
- › Spartan Ridge Logistics Center at 2010 Nazareth Church Road in Spartanburg is adding a spec building comprised of 273,000 square feet and the projected completion date is November of 2018.
- › 222 GSP Logistics Parkway is entering phase three of construction within the 271,890-square-foot Class A warehouse building, expected to deliver mid-2018.
- › Buildings A (which is a spec building) and B (which is preleased to Global Automotive Partners and will deliver in May of 2018), located on Apple Valley Road in Greer, SC, are currently under construction.
- › Wingo Park has one building currently under construction consisting of 171,600 square feet at 2725 New Cut Road; delivery is expected by the third quarter of 2018.

Market Forecast

The Greenville-Spartanburg-Anderson industrial market is booming with activity. There are currently 11 buildings totaling 1,383,820 square feet proposed to begin construction; 19 industrial buildings totaling 6,341,453 square feet under construction; increased capital investment activity and interest; outstanding logistics capabilities; both national and international companies locating within the market and workforce training providing skilled employees to fill new positions as they are created. The Greenville-Spartanburg-Anderson industrial market has all of the elements to become a global business hub. As more construction is delivered to the market each quarter, the vacancy may rise until the market is able to match the demand to the delivered product; however, with the vigorous market conditions and growing interest in the region, it will not take long for the new construction to be occupied. Rental rates will fluctuate but are expected to rise over the next twelve months as the demand to locate within this region continues to trend upward.

Q2 2018 Industrial Market Summary Statistics | Greenville-Spartanburg-Anderson, SC

MARKET	BUILDINGS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE (%)	NET ABSORPTION (SF)	RENTAL RATE (NNN)
ANDERSON COUNTY								
Flex/R&D	1	38,000	-	-	-	0.00%	-	-
Manufacturing	12	2,678,489	38,920	-	38,920	1.45%	-	\$5.55
Warehouse/Distribution	182	12,091,490	763,395	-	763,395	6.31%	20,500	\$2.68
Anderson County Total	195	14,807,979	802,315	-	802,315	5.42%	20,500	\$2.72
AUGUSTA ROAD DONALDSON								
Flex/R&D	4	74,687	6,000	-	6,000	8.03%	-	\$6.00
Manufacturing	21	788,404	31,500	-	31,500	4.00%	-31,500	-
Warehouse/Distribution	165	10,005,853	225,608	-	225,608	2.25%	141,750	\$4.50
Augusta Road Donaldson Total	190	10,868,944	263,108	-	263,108	2.42%	110,250	\$4.61
COWPENS								
Manufacturing	5	163,456	-	-	-	0.00%	-	-
Warehouse/Distribution	20	2,909,708	336,667	-	336,667	11.57%	-336,667	\$2.85
Cowpens Total	25	3,073,164	336,667	-	336,667	10.96%	-336,667	\$2.85
GAFFNEY								
Manufacturing	3	71,889	2,000	-	2,000	2.78%	3,000	\$3.00
Warehouse/Distribution	54	4,900,574	598,133	-	598,133	12.21%	408,342	\$3.65
Gaffney Total	57	4,972,463	600,133	-	600,133	12.07%	411,342	\$3.65
GREENWOOD COUNTY								
Flex/R&D	2	34,528	3,000	-	3,000	8.69%	-	\$3.20
Manufacturing	20	2,942,023	-	-	-	0.00%	116,000	-
Warehouse/Distribution	34	1,180,514	74,700	-	74,700	6.33%	140,409	-
Greenwood County Total	56	4,157,065	77,700	-	77,700	1.87%	256,409	\$3.20
HWY 101 CORRIDOR								
Flex/R&D	26	765,544	11,850	-	11,850	1.55%	-8,850	\$8.02
Manufacturing	3	388,470	-	-	-	0.00%	-	-
Warehouse/Distribution	154	7,654,334	447,297	-	447,297	5.84%	-	\$4.51
Hwy 101 Corridor Total	183	8,758,348	459,147	-	459,147	5.24%	-8,850	\$4.69
HWY 221 CORRIDOR								
Flex/R&D	1	73,404	-	-	-	0.00%	-	-
Manufacturing	17	510,663	48,700	-	48,700	9.54%	25,000	-
Warehouse/Distribution	50	3,827,156	66,078	-	66,078	1.73%	181,334	\$3.25
Hwy 221 Corridor Total	68	4,411,223	114,778	-	117,778	2.60%	206,334	\$3.25
HWY 29/129 CORRIDOR								
Flex/R&D	3	62,894	28,955	-	28,955	46.04%	-	\$5.84
Manufacturing	11	351,454	-	-	-	0.00%	-	-
Warehouse/Distribution	157	12,441,545	478,883	195,064	673,947	5.42%	112,670	\$2.38
Hwy 29/129 Corridor Total	171	12,855,893	507,838	195,064	702,902	5.47%	112,670	\$2.57
HWY 290 CORRIDOR								
Flex/R&D	2	62,690	16,600	-	16,600	26.48%	-	\$8.54
Manufacturing	14	1,336,212	-	-	-	0.00%	-	-
Warehouse/Distribution	80	8,451,031	682,798	174,000	856,798	10.14%	5,000	\$3.35
Hwy 290 Corridor Total	96	9,849,933	699,398	174,000	873,398	8.87%	5,000	\$3.54
HWY 585 CORRIDOR								
Flex/R&D	13	524,045	102,755	-	102,755	19.61%	-24,000	\$7.04
Manufacturing	28	748,803	10,000	-	10,000	1.34%	22,000	\$2.75
Warehouse/Distribution	100	9,191,231	917,167	-	917,167	9.98%	11,338	\$3.65
Hwy 585 Corridor Total	141	10,464,079	1,029,922	-	1,029,922	9.84%	9,338	\$3.79

Q2 2018 Industrial Market Summary Statistics | Greenville-Spartanburg-Anderson, SC

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HWY 81 CORRIDOR								
Flex/R&D	1	14,082	4,348	-	4,348	30.88%	2,000	-
Manufacturing	4	141,700	-	-	-	0.00%	-	-
Warehouse/Distribution	29	4,276,038	-	-	-	0.00%	-	-
Hwy 81 Corridor Total	34	4,431,820	4,348	-	4,348	0.10%	2,000	-
MAULDIN								
Flex/R&D	14	293,369	23,990	-	23,990	8.18%	2,700	\$6.92
Manufacturing	14	584,427	200,000	-	200,000	34.22%	-	\$4.00
Warehouse/Distribution	130	8,990,707	308,215	-	308,215	3.43%	195,325	\$7.50
Mauldin Total	158	9,868,503	532,205	-	532,205	5.39%	198,025	\$4.81
PELHAM ROAD								
Flex/R&D	18	437,568	61,338	-	61,338	14.02%	1,150	\$10.94
Manufacturing	7	193,806	54,975	-	54,975	28.37%	-	\$4.45
Warehouse/Distribution	98	4,757,738	134,200	-	134,200	2.82%	-33,340	\$5.90
Pelham Road Total	123	5,389,112	250,113	-	250,113	4.65%	-32,190	\$6.82
PIEDMONT								
Flex/R&D	6	124,374	34,162	-	34,162	27.83%	4,500	\$11.23
Manufacturing	8	179,557	64,000	-	64,000	35.64%	-	\$3.81
Warehouse/Distribution	85	3,912,942	58,050	-	58,050	1.48%	29,300	\$4.21
Piedmont Total	99	4,216,873	156,662	-	156,662	3.72%	33,800	\$5.75
SIMPSONVILLE FOUNTAIN INN								
Flex/R&D	4	77,776	7,175	-	7,175	9.23%	-	\$5.24
Manufacturing	8	228,728	-	-	-	0.00%	-	-
Warehouse/Distribution	132	12,952,131	574,986	-	574,986	4.44%	-412,686	\$3.59
Simpsonville Fountain Inn Total	144	13,258,635	582,161	-	582,161	4.39%	-412,686	\$3.63
WHITE HORSE								
Flex/R&D	1	18,502	18,502	-	18,502	97.57%	450	-
Manufacturing	1	23,665	23,665	-	23,665	100.00%	-	\$5.00
Warehouse/Distribution	73	5,159,491	710,094	-	710,094	13.76%	-	\$3.30
White Horse Total	75	5,201,658	751,811	-	751,811	14.45%	450	\$3.36
WINGO								
Flex/R&D	1	30,605	-	-	-	0.00%	-	-
Manufacturing	16	485,147	32,500	-	32,500	6.70%	-	\$3.95
Warehouse/Distribution	58	8,521,069	1,083,104	-	1,083,104	12.71%	-205,633	\$2.98
Wingo Total	75	9,036,821	1,115,604	-	1,115,604	12.35%	-205,633	\$3.01
OTHER SUBMARKETS								
Flex/R&D	54	1,836,154	213,081	-	213,081	11.60%	23,273	\$7.71
Manufacturing	121	5,878,300	296,636	-	296,636	5.05%	-19,500	\$3.52
Warehouse/Distribution	923	53,536,327	2,701,707	42,800	2,744,507	5.13%	-58,109	\$2.78
Other Submarket Total	1,098	61,250,781	3,211,424	42,800	3,254,224	5.31%	-54,336	\$3.09
MARKET TOTAL								
Flex/R&D	151	4,468,222	531,756	-	531,756	11.90%	1,223	\$8.21
Manufacturing	313	17,645,193	802,896	-	802,896	4.55%	115,000	\$3.86
Warehouse/Distribution	2,524	174,759,879	10,161,082	411,864	10,572,946	6.05%	199,533	\$3.15
Market Total	2,988	196,873,294	11,495,734	411,864	11,907,598	6.05%	315,756	\$3.40

Source: CoStar, Colliers International

In January 2017, Colliers International benchmarked its industrial data set statewide. The new standard for collection is all industrial buildings 10,000 square feet or larger that can be readily adapted to an alternative industrial use. All properties were placed into a revised set of markets and submarkets and divided into three categories. **Warehouse/Distribution**, a facility primarily used for the storage or distribution of both of materials, goods and merchandise. **Manufacturing**, a facility used for the conversion, fabrication or assembly of raw or partly wrought materials into products or goods. **Flex/R&D**, a building designed to be used in a variety of ways with at least 30% of the rentable building area used as office. It is usually located in an industrial park setting. Specialized flex buildings can include service centers, showrooms, offices, warehouses and more. **Due to the adjustments of the building inventory, comparison of data included in previously published market reports should be avoided.**

400 offices in
69 countries on
6 continents

\$2.7
billion in
annual revenue

2
billion square feet
under management

15,400
professionals
and staff

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