

# Industrial market development is full steam ahead

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## Key Takeaways

- > Access to the global marketplace will positively affect market activity.
- > The business climate in the Upstate is prime for new development.

## Market Overview

The positive industrial momentum in the Upstate, created by BMW, General Electric, Michelin and Lockheed Martin, is driving more business to the region. World-class companies such as: Ritrama, which recently completed a 575,289-square-foot manufacturing facility on Moore Duncan Highway; Protrans, which completed a logistics warehouse consisting of 230,256 square feet; and PG Aerospace, who announced a new Pickens County facility, are moving to the Greenville-Spartanburg-Anderson region, increasing the area's capital investments and creating new jobs.

More companies may be expected follow suit since the region has convenient access to the global marketplace via the Greer Inland Port (a 25-minute drive time) and the Port of Charleston (a 3-hour drive time). The Port of Charleston annual cargo shipment totals have set a record during 2017, moving more cargo boxes last year through the port than ever before in its 75 year history. The inland port in Greer, SC is also reporting a record number of shipments, a 20.4% increase over the shipments during 2016. This positive environment for world-class companies to move to the area and add employment will enhance the industrial real estate market by lowering the vacancy and raising the rental rates as the market tightens.

## 2017 Market Recap

The Greenville-Spartanburg-Anderson market posted a positive annual absorption of 3,613,218 square feet. The rental rate continues to rise; this time last year, the triple net market average rental rate was \$3.44 per square foot, and this quarter, the rental rate has risen to \$3.83 per square foot. There are 5,343,417

### Market Indicators

Relative to prior period

Q4 2017

Q1 2018\*

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

Note: Construction is the change in Under Construction.

\*Projected

\*\*Rental rates for current quarter are for CBD. Rent forecast is for metro-wide rents.

### Summary Statistics

Q4 2017 Greenville Industrial Market

Industrial

Vacancy Rate	7.05%
Change From Q4 2016 (basis points)	-15
Absorption (Thousand Square Feet)	823
New Construction* (Million Square Feet)	1.413
Under Construction (Million Square Feet)	5.34

\*New construction is buildings delivered

### Asking Rents

NNN Per Square Foot Per Year

Market	\$3.83
Flex	\$7.75
Warehouse	\$3.66
Manufacturing	\$4.35

square feet of industrial buildings currently under construction and 2,034,100 square feet proposed. This quarter, another 1,413,495 square feet of new construction was delivered to the market; therefore, the vacancy was pushed up to 7.05%, a bit higher than this time last year.

## Warehouse/Distribution

The warehouse/distribution sector comprises the largest portion of the Greenville-Spartanburg-Anderson industrial market, with slightly more than 172 million square feet. At the end of the fourth quarter, warehouse vacancy rose to 7.10%, up from 6.70% at the end of the third quarter, and the triple net average rental rate also rose slightly, up to \$3.66 per square foot. There were 5 buildings comprised of 838,206 square feet of warehouse space delivered to the market this quarter, and the warehouse/distribution market segment still posted a positive net absorption of 309,115 square feet.

## Manufacturing

There are 16.5 million square feet of manufacturing buildings in the Upstate. Ritrama added 575,289 square feet to this sector during the fourth quarter, and the manufacturing sector still absorbed 579,489 square feet. The vacancy rate is 5.24% this quarter, which is down 4% from the third quarter. The triple net average manufacturing rental rate is \$4.35 per square foot.

## Flex

There were no new buildings added to the flex sector this quarter, and the fourth quarter ended with a net negative absorption of 65,392 square feet. The vacancy rate rose to 11.64%, up from 10.16% last quarter; however, the triple net average rental rate rose to \$7.75 per square foot. There are currently 2 flex buildings proposed which would add 114,500 square feet to the market if the plans come to fruition.

## Capital Investments

In 2017, there were \$1.76 billion in capital investments with 7 new international companies entering the Greenville-Spartanburg-Anderson market. Several of these companies are in advanced manufacturing, aerospace and automotive manufacturing. These types of companies will continue to invest in the Upstate as the Port of Charleston expansion is completed, the Greer Inland Port continues to increase its rail moves and statewide infrastructure improvements enhance logistics.

## Significant Transactions

The statewide expansion of logistics, automotive and aeronautical production is driving the expansion of manufacturing in the Greenville-Spartanburg-Anderson market. CoStar reports 34 leases were signed during the fourth quarter of 2017. They were spread throughout Greenville and ranged from as large as 422,000 square feet down to 1,290 square feet. CoStar also reported a strong sales quarter, with 46 sale transactions.

### Leases

- › The Recon Group signed a 422,000-square-foot renewal for their space at 153 Gibbons Road.
- › 1801 Rutherford Road, a Greenville warehouse facility, leased 50,000 square feet to The Playgroup Group.
- › BMW renewed a 40,057-square-foot lease at 150 Aztec Court in Greer, SC.
- › Bob Jones University signed a new lease at 1801 Rutherford Road in Greenville. This lease is for 33,000 square feet of warehouse space.

### Sales

- › Magna Distribution Center sold for \$18.45 million in October of 2017. It is a 229,950-square-foot distribution building located in the Tyger River Industrial Park at 3052 Moore Duncan Highway in Moore, SC.
- › The Wamsutta Plant located at 1649 Pearman Dairy Road sold for \$5.2 million. It is a 530,751-square-foot manufacturing building located in Anderson, SC.

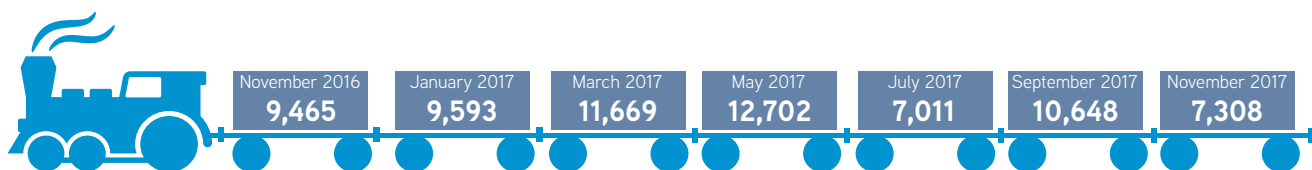
## Construction Pipeline

Construction activity remains near its historic high in the Greenville-Spartanburg-Anderson market, with 5.34 million square feet under construction.

### Under Construction

- › Inland 85 Logistic Center in Greer is the largest speculative building in the market. It consists of 500,280 square feet, which is expandable to 1,186,680 square feet, and is located on 324 acres of land.
- › For the 2.5 million-square-foot Michelin distribution center, located on Highway 101 in Spartanburg County, construction continues, with delivery of the first phase expected in early 2018.

## Inland Port Greer | Monthly Rail Moves



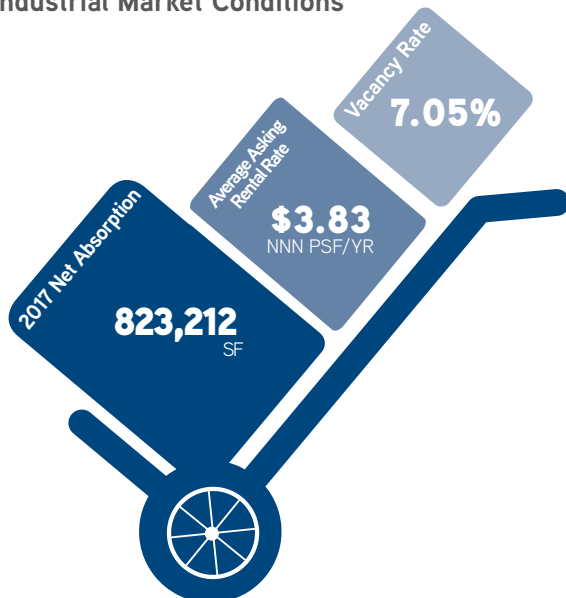
Sources: South Carolina Ports Authority, Colliers International

- Plastics Omnium continues to construct a 650,000-square-foot plant in Moore near the interchange of Highway 101 and Interstate 85. The anticipated delivery date is the summer of 2018.
- Valeant Pharmaceuticals also continues to construct a 432,000-square-foot manufacturing facility in the Highway 101 corridor in Spartanburg County.
- There is a 408,000-square-foot spec building under construction in the Hillside Enterprise Industrial Park located in Duncan, SC.
- Buildings A and B, located on Apple Valley Road in Greer, SC, are currently under construction and will consist of 367,320 square feet. Building A is a spec building and Building B is pre-leased to Global Automotive Partners.
- Spartan Ridge Logistics Center at 2010 Nazareth Church Road in Spartanburg is adding a spec building comprised of 273,000 square feet.

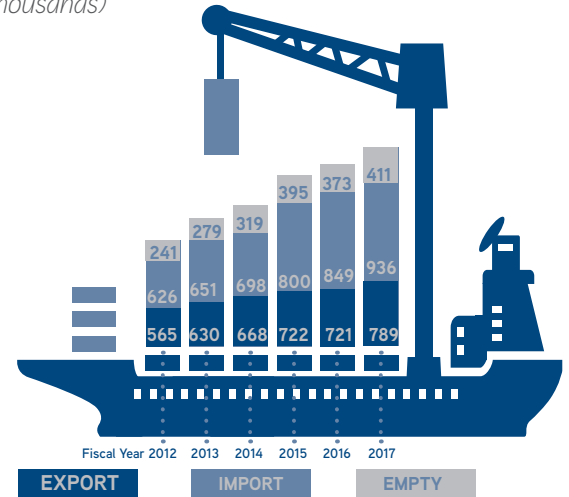
## Market Forecast

The excitement surrounding the Greenville-Spartanburg-Anderson industrial market will continue into 2018 as production at the Volvo and Sprinter Van facilities in Charleston begins. In addition, the business climate is primed for the addition of new companies and the expansions of existing ones. As more industrial buildings come online, there will be leasable area for major companies to quickly settle here and begin production. Over the next year, 5.34 million square feet of industrial buildings, which are currently under construction, will be added to the Upstate. With the immense global marketplace excitement currently surrounding South Carolina and the continued national economic expansion, the Greenville-Spartanburg-Anderson market should expect brisk leasing and sales activity into 2018 as well as increased business development.

### Greenville-Spartanburg-Anderson Industrial Market Conditions



### Port of Charleston Annual Twenty-foot Equivalent Unit Volume (in Thousands)



Source: South Carolina Ports Authority

### Inland 85 Logistics Center | Greer, SC



Source: Colliers International

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



## Q4 2017 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)
<b>ANDERSON COUNTY</b>							
Flex/R&D	1	38,000	-	-	-	0.00%	-
Manufacturing	12	2,678,489	38,920	-	38,920	1.45%	-
Warehouse/Distribution	178	11,985,175	768,295	-	768,295	6.41%	16,116
<b>Anderson County Total</b>	<b>191</b>	<b>14,701,664</b>	<b>807,215</b>	<b>-</b>	<b>807,215</b>	<b>5.49%</b>	<b>16,116</b>
<b>AUGUSTA ROAD DONALDSON</b>							
Flex/R&D	4	74,687	6,000	-	6,000	8.03%	-
Manufacturing	21	788,404	-	-	-	0.00%	-
Warehouse/Distribution	164	9,945,203	474,995	788,048	1,263,043	12.70%	117,665
<b>Augusta Road Donaldson Total</b>	<b>189</b>	<b>10,808,294</b>	<b>480,995</b>	<b>788,048</b>	<b>1,269,043</b>	<b>11.74%</b>	<b>117,655</b>
<b>COWPENS</b>							
Manufacturing	5	163,456	-	-	-	0.00%	-
Warehouse/Distribution	20	2,909,708	-	-	-	0.00%	-
<b>Cowpens Total</b>	<b>25</b>	<b>3,073,164</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>-</b>
<b>GAFFNEY</b>							
Manufacturing	2	43,904	5,000	-	5,000	11.39%	-
Warehouse/Distribution	51	4,463,606	1,039,475	-	1,039,475	23.29%	1,000
<b>Gaffney Total</b>	<b>53</b>	<b>4,507,510</b>	<b>1,044,475</b>	<b>-</b>	<b>1,044,475</b>	<b>23.17%</b>	<b>1,000</b>
<b>GREENWOOD COUNTY</b>							
Flex/R&D	2	34,528	3,000	-	3,000	8.69%	-
Manufacturing	20	2,942,023	116,000	-	116,000	3.94%	-
Warehouse/Distribution	32	1,155,783	217,379	-	217,379	18.81%	-
<b>Greenwood County Total</b>	<b>54</b>	<b>4,132,334</b>	<b>336,379</b>	<b>-</b>	<b>336,379</b>	<b>8.14%</b>	<b>-</b>
<b>HWY 101 CORRIDOR</b>							
Flex/R&D	26	765,544	3,000	-	3,000	0.39%	-
Manufacturing	3	388,470	-	-	-	0.00%	-
Warehouse/Distribution	151	7,321,727	149,930	-	149,930	2.05%	408,066
<b>Hwy 101 Corridor Total</b>	<b>180</b>	<b>8,425,741</b>	<b>152,930</b>	<b>-</b>	<b>152,930</b>	<b>1.82%</b>	<b>408,066</b>
<b>HWY 221 CORRIDOR</b>							
Flex/R&D	1	73,404	-	-	-	0.00%	-
Manufacturing	17	510,663	63,700	-	63,700	12.47%	-
Warehouse/Distribution	50	3,827,156	247,412	-	247,412	6.46%	24,222
<b>Hwy 221 Corridor Total</b>	<b>68</b>	<b>4,411,223</b>	<b>311,112</b>	<b>-</b>	<b>311,112</b>	<b>7.05%</b>	<b>24,222</b>
<b>HWY 29/129 CORRIDOR</b>							
Flex/R&D	2	44,894	26,955	-	26,955	60.04%	-24,720
Manufacturing	11	351,454	-	-	-	0.00%	-
Warehouse/Distribution	154	12,135,295	550,003	411,303	961,306	7.92%	-411,303
<b>Hwy 29/129 Corridor Total</b>	<b>167</b>	<b>12,531,643</b>	<b>576,958</b>	<b>411,303</b>	<b>988,261</b>	<b>7.89%</b>	<b>-439,023</b>
<b>HWY 290 CORRIDOR</b>							
Flex/R&D	2	62,690	9,400	-	9,400	14.99%	-
Manufacturing	14	1,336,262	-	-	-	0.00%	575,289
Warehouse/Distribution	79	8,351,031	582,798	-	582,798	6.98%	673
<b>Hwy 290 Corridor Total</b>	<b>95</b>	<b>9,749,983</b>	<b>592,198</b>	<b>-</b>	<b>592,198</b>	<b>6.07%</b>	<b>575,962</b>
<b>HWY 585 CORRIDOR</b>							
Flex/R&D	13	524,045	115,655	-	115,655	22.07%	-
Manufacturing	28	748,803	30,000	-	30,000	4.01%	-
Warehouse/Distribution	100	9,191,231	1,045,324	-	1,045,324	11.37%	8,381
<b>Hwy 585 Corridor Total</b>	<b>141</b>	<b>10,464,079</b>	<b>1,190,979</b>	<b>-</b>	<b>1,190,979</b>	<b>11.38%</b>	<b>8,381</b>

<b>HWY 81 CORRIDOR</b>							
Flex/R&D	1	14,082	6,348	-	6,348	45.08%	-
Manufacturing	4	141,700	-	-	-	0.00%	-
Warehouse/Distribution	29	4,276,038	3,800	-	3,800	0.09%	-
<b>Hwy 81 Corridor Total</b>	<b>34</b>	<b>4,431,820</b>	<b>10,148</b>	<b>-</b>	<b>10,148</b>	<b>0.23%</b>	<b>-</b>
<b>MAULDIN</b>							
Flex/R&D	14	293,369	16,978	-	16,978	5.79%	-
Manufacturing	14	584,427	203,100	-	203,100	34.75%	6,200
Warehouse/Distribution	125	9,101,933	801,440	-	801,440	8.81%	-249,040
<b>Mauldin Total</b>	<b>153</b>	<b>9,979,729</b>	<b>1,021,518</b>	<b>-</b>	<b>1,021,518</b>	<b>10.24%</b>	<b>-242,840</b>
<b>PELHAM ROAD</b>							
Flex/R&D	18	437,568	45,414	-	45,414	10.38%	-11,014
Manufacturing	7	193,806	26,000	-	26,000	13.42%	-
Warehouse/Distribution	98	4,757,738	98,860	-	98,860	2.08%	-15,014
<b>Pelham Road Total</b>	<b>123</b>	<b>5,389,112</b>	<b>170,274</b>	<b>-</b>	<b>170,274</b>	<b>3.16%</b>	<b>-26,028</b>
<b>PIEDMONT</b>							
Flex/R&D	6	124,374	32,050	-	32,050	25.77%	2,000
Manufacturing	8	179,557	47,200	-	47,200	26.29%	-
Warehouse/Distribution	82	3,865,142	120,637	-	120,637	3.12%	-58,787
<b>Piedmont Total</b>	<b>96</b>	<b>4,169,073</b>	<b>199,887</b>	<b>-</b>	<b>199,887</b>	<b>4.79%</b>	<b>-56,787</b>
<b>SIMPSONVILLE FOUNTAIN INN</b>							
Flex/R&D	4	77,776	7,175	-	7,175	9.23%	-1,950
Manufacturing	8	228,728	-	-	-	0.00%	-
Warehouse/Distribution	132	12,952,131	162,300	-	162,300	1.25%	28,700
<b>Simpsonville Fountain Inn Total</b>	<b>144</b>	<b>13,258,635</b>	<b>169,475</b>	<b>-</b>	<b>169,475</b>	<b>1.28%</b>	<b>26,750</b>
<b>WHITE HORSE</b>							
Flex/R&D	1	18,502	18,502	-	18,502	100.00%	-
Manufacturing	1	23,665	23,665	-	23,665	100.00%	-
Warehouse/Distribution	72	5,009,491	1,275,908	-	1,275,908	25.47%	-68,547
<b>White Horse Total</b>	<b>74</b>	<b>5,051,658</b>	<b>1,318,075</b>	<b>-</b>	<b>1,318,075</b>	<b>26.09%</b>	<b>-68,547</b>
<b>WINGO</b>							
Flex/R&D	1	30,605	-	-	-	0.00%	-
Manufacturing	16	485,147	32,360	-	32,360	6.67%	-
Warehouse/Distribution	58	8,521,069	912,167	-	912,167	10.70%	171,125
<b>Wingo Total</b>	<b>75</b>	<b>9,036,821</b>	<b>944,527</b>	<b>-</b>	<b>944,527</b>	<b>10.45%</b>	<b>171,125</b>
<b>OTHER SUBMARKETS</b>							
Flex/R&D	51	1,778,808	215,755	5,310	221,065	12.43%	-29,708
Manufacturing	118	4,780,273	280,436	-	280,436	5.87%	-2,000
Warehouse/Distribution	919	52,774,990	2,590,328	15,000	2,605,328	4.94%	355,868
<b>Other Submarket Total</b>	<b>1,088</b>	<b>59,334,071</b>	<b>3,086,519</b>	<b>20,310</b>	<b>3,106,829</b>	<b>5.24%</b>	<b>304,160</b>
<b>MARKET TOTAL</b>							
Flex/R&D	147	4,392,876	506,232	5,310	511,542	11.64%	-65,392
Manufacturing	309	16,519,231	866,381	-	866,381	5.24%	579,489
Warehouse/Distribution	2,494	172,544,447	11,041,051	1,214,351	12,255,402	7.10%	309,115
<b>Market Total</b>	<b>2,950</b>	<b>193,456,554</b>	<b>12,413,664</b>	<b>1,219,661</b>	<b>13,633,325</b>	<b>7.05%</b>	<b>823,212</b>

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.**

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# 396 offices in 68 countries on 6 continents

United States: **153**

Canada: **29**

Latin America: **24**

Asia Pacific: **79**

EMEA: **111**

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**\$2.6**

billion in  
annual revenue

**2**

billion square feet  
under management

**15,000**

professionals  
and staff

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