

Bentley Commercial LLC/CORFAC INTERNATIONAL INDUSTRIAL MARKET REPORT



GREENVILLE / SPARTANBURG, SC

2009 YEAR-END REPORT

MARKET OVERVIEW

By Richard Barrett

The 2009 end of year report has truly seen a transition in local economic conditions over the past 12 months. Looking back, at year end 2008, both the national and local markets were feeling the full effects of a national recession. This recession affected so many elements of the traditional financial mix that all seemed to agree, it was best to "strap up and hold on".

A welcome contrast occurred at the mid year point. We were beginning to see ever so slight signs of recovery and local market conditions were either bottoming or beginning to turn. As the year 2010 begins, the outlook is far more optimistic for the Upstate of South Carolina as a whole. This will be reflected in this report. We have also modified and expanded our coverage area beyond Greenville, Spartanburg and Anderson counties and incorporated Laurens, Cherokee and Pickens into the mix. This provides a more seamless look, and better reflects the true Upstate picture as a whole, as several recent projects which have affected these counties have also benefited the overall Upstate.

Consider a few significant points:

Warehouse/Industrial reported a vacancy rate of 11.6% at the end of the fourth quarter. Mid-year this number stood at 11.4% and began the year at 11.2%. While a slight increase in the second half, the real story is in the final year end inventory absorption numbers. While peaking at a negative (1,106,000 million SF) at the end of the third quarter, year end numbers at (999,000 SF) showed the steady absorption that has occurred with positive gains of 424,900 SF in the final quarter; the first positive quarter of the year despite the addition of over 500,000 SF of new space at year end.

This positive trend has continued at year end with notable projects underway or in advanced negotiations. It has been further accelerated by a decline in the average asking rental rate. Warehouse rates at year end 2008 were at \$3.11 PSF, these subsequently bottomed during third quarter 2009, at \$3.01 PSF. Though only a slight increase (\$0.01), rates did rise at year end 2009, with a final of \$3.02 PSF with virtually no new product available for lease in 2010, (all current construction is pre leased), the belief is these rates will continue to rise in 2010.

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Source: CoStar Property Data and Bentley Commercial, LLC.



INDUSTRIAL INVENTORY AND VACANCY RATES AS OF DECEMBER 31, 2009

Includes the Counties of Greenville, Spartanburg, Laurens, Pickens and Cherokee

| | Greenville | Spartanburg | Anderson | Total Market * |
|-------------------------------|------------|-------------|------------|----------------|
| Total Inventory | 66,957,198 | 65,561,040 | 13,043,135 | 157,999,630 |
| Direct Vacant SF | 7,558,435 | 6,512,165 | 1,153,778 | 17,890,825 |
| Sub-lease SF | 241,000 | 251,800 | 0 | 573,800 |
| Availability Rate | 11.6% | 10.3% | 8.8% | 11.6% |
| YTD Net Absorption | (485,760) | 342,606 | (281,181) | (999,828) |
| YTD New Product | 82,813 | 522,500 | 0 | 605,513 |
| SF Under Construction | 100,817 | 0 | 0 | 100,817 |
| Average Asking Rate/SF | \$2.99 | \$3.23 | \$2.64 | \$3.02 |



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Major lease signings occurring in the marketplace included, 303,091 SF signed by Timken Company at 120 Hidden Lake Circle in the Spartanburg market, ***210,891 SF signed by a national corporation at 513 Old Griffin Road in the Greenville market**, the 208,800 SF signed by Suminoe Textiles of America at 805 Victory Trail Road in the Cherokee market, 155,717 SF signed by GE Aviation at 119 Matrix Parkway in the Greenville market and **100,000 SF signed by NYK Logistics at 1387 Victor Hill Road in Spartanburg County.**

Industrial building sales of 15,000 SF or larger in the Greenville/Spartanburg market rose during the third quarter of 2009. In this quarter, eight industrial transactions closed with a total volume of \$18,403,000 and an average price of \$37.67 PSF. This was double the prior quarter, and would indicate financing options are improving.

One of the largest transactions was the sale of 6801 Augusta Road in Greenville to Hickory Springs Manufacturing. This 150,000 SF building sold for \$7,600,000 or \$50.67 PSF. Others include 97,100 SF at 5455 North Blackstock Road in Spartanburg, which sold for \$2,762,500 or \$28.45 PSF. **Also, 48,830 SF at 103 Clemson Research Park in Anderson County, sold for \$1,905,000 or \$40.65 PSF and 560 Gilliam Road in Greer, a 200,000 SF complex sold in the Summer of 2009.**

As this year begins, a few significant developments will continue to have a positive impact on the market. As noted in prior reports, one positive impact is the continuing growth at the BMW Manufacturing campus. We believe this growth will continue and we anticipate complementary activities in this area with alternative energy vehicles. The second is Boeing. The investment here will be felt across the upstate as well as the coast. The third area is in alternative energy, whether via GE's significant efforts or other companies moving to take advantage of the recent significant grants (\$90 Million) to Clemson University.

With other announcements made earlier in 2009, (Titanium Factory) as well as GE Aviation, we feel the upstate will continue to enjoy the rebound. Early 2010 activities have confirmed this with the most recent announcement of Proterra, an alternative energy vehicle manufacturer, relocating to the CU ICAR Campus.

**(Bentley Commercial Deals)*

GREENVILLE MARKET

The Greenville availability rate was 11.6% at year end versus our mid-year report of 11.3%. Net absorption for the year was **<485,760>** SF. Noting this was **<498,344>** SF at the end of the first quarter, the market was positive for the remainder of the year.

With no deliveries year to date of new product, the asking rate was \$2.99 PSF at year end which was the average for 2008. The Greenville market continues to be resilient through this economy and should be poised to respond to the demands of 2010.

SPARTANBURG MARKET

The Spartanburg availability rate declined at year end to a 10.3% vacancy. This was slightly higher than 10.1% at year end 2008, and a decline versus 10.4% at mid-year 2009. This number can be misleading as there was positive net absorption in the fourth quarter of 957,955 SF. The new Adidas distribution center was over 522,500 SF of this number.

Despite this transition, Spartanburg has benefited in 2009 from many new participants to the local market such as *NYK Logistics*, the Nation's largest logistics company, and it is believed that its strategic location on both I-85 and I-26 will continue to provide positive momentum in 2010.

