

Major projects continue to land in the Upstate

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Key Takeaways

- > Development pipeline continues to grow.
- > Vacancy and rents stabilize at historically low levels.

Market Conditions

The Greenville-Spartanburg-Anderson market continued its expansion in the third quarter. 853,100 square feet of new buildings have been added year to date, 643,000 square feet were absorbed over the quarter and overall rent levels were stable. Multiple major manufacturing and warehouse projects neared occupancy (Michelin distribution, Ritrama, Schedle, GE) while automotive suppliers and logistics providers continued their expansion market wide.

Warehouse/Distribution

The warehouse/distribution sector comprises the largest portion of the Greenville-Spartanburg-Anderson industrial market, with slightly more than 171 million square feet. At the end of the third quarter of 2017 vacancy had fallen slightly to 6.70%. Rents were stable, with many properties in the development pipeline and 504,202 square feet absorbed in the previous quarter. The average triple net rent for Class A warehouse space was \$5.50 per square foot per year.

Manufacturing

The Upstate is a manufacturing powerhouse. It is home to BMW, General Electric, Michelin and Lockheed Martin while a lengthy list of international firms are investing in substantial facilities that will create permanent regional employment and demand for their suppliers. At the end of the second quarter, there were 15 million square feet of manufacturing buildings. 144,000 square feet were absorbed and vacancy rose slightly to 5.72%. Triple net rents in the manufacturing sector were \$4.41 per square foot per year.

Market Indicators

Relative to prior period

Q3 2017

Q4 2017*

Market Indicator	Q3 2017	Q4 2017*
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

Q3 2017 Greenville Industrial Market

Industrial

Vacancy Rate	6.70%
Change From Q3 2016 (basis points)	53
Absorption (Million Square Feet)	.643
New Construction* (Million Square Feet)	.499
Under Construction (Million Square Feet)	5.5

*New construction is buildings delivered

Asking Rents

NNN Per Square Foot Per Year

Market	\$3.65
Flex	\$7.67
Warehouse	\$3.48
Manufacturing	\$4.41

Flex

Vacancy in the flex market rose slightly to 9.80% in the third quarter of 2017. There was 5,040 square feet of net negative absorption with no new buildings added. The average triple net rental rate fell this quarter at \$7.67 per square foot per year.

Capital Investments

In 2017, \$1.37 billion in capital investments and at least 5,006 new jobs were announced in the Greenville-Spartanburg-Anderson market. However, many announcements made in the past two years are nearing opening. Michelin's distribution center in Spartanburg County and Valeant's expansion will begin operating soon, driving additional investment in the surrounding areas.

Significant Transactions

The statewide expansion of logistics, automotive and aeronautical production is driving the expansion of manufacturing in the Greenville-Spartanburg-Anderson market. With access to national markets via Interstates 85 and 26 and international markets through the Port of Charleston, tenants and investors are scouring the region for locations and investments. Leasing and sales activity were moderate this quarter. Sales were consummated throughout the region while leasing activity was concentrated in the Highway 101 and Highway 290 submarkets this quarter. Most tenants securing space were leasing between 10,000 and 100,000 square feet.

Leases

- › BMW signed a 271,890-square-foot lease for a spec building adjacent to the South Carolina Inland Port. The landlord was the South Carolina State Ports Authority.
- › Global Automotive Partners signed a 177,000-square-foot lease at the Apple Valley Industrial Park which is being developed by Pannatoni.
- › Pratt Corrugated Holdings leased 110,000 square feet at 6410 Augusta Road.

Hillside Entrprise Park, Building Two 1181 Howell Road | Duncan, SC



Source: CoStar

Sales

- › Scannell Properties sold 1171 Howell Road, a fully leased 155,032 square foot building to Grammercy Property Trust in September for \$11.6 million.
- › A regional investor, Gerard Cafaro, purchased three fully leased properties in the region this quarter for nearly \$7 million.

Construction Pipeline

Construction activity remains near its historic high in the Greenville-Spartanburg-Anderson market, with 5.6 million square feet under construction. 499,000 square feet were delivered this quarter.

Delivered

- › Magna Seating's 230,000 square foot facility developed by SunCap on Highway 290 in Moore (Spartanburg County).
- › 1181 Howell Road, home to Schedel was completed this quarter. This 150,000 square foot building is also on the Highway 290 corridor near Interstate 85.
- › 1191 Howell Road, a 62,500 square foot building was delivered by Scannell.

Under Construction

- › The 2.1 million square foot Michelin distribution center is well underway with delivery of the first phase expected in early 2018.
- › Valeant Pharmaceuticals continues to construct a 432,000-square-foot manufacturing facility in the Highway 101 corridor in Spartanburg County.
- › Plastics Omnium is building a 632,000-square-foot plant in Moore near the interchange of Highway 290 and Interstate 26.
- › There is a 331,800-square-foot building under construction at the Augusta Grove Industrial Park south of Greenville.
- › Protrans and Magna each have 230,000-square-foot buildings under construction near the airport.

Market Forecast

Leasing activity will continue to be brisk over the next several quarters. Developers are continuing to secure sites for build to suit and speculative construction especially in Spartanburg County. With the completion of several new manufacturers and distribution centers eminent, production at the Volvo and Sprinter Van facilities in Charleston set to begin in 2018 and continued national economic expansion, the immediate future looks strong for industrial leasing and sales in the market.

Q3 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)
ANDERSON COUNTY							
Flex/R&D	1	38,000	-	-	-	0.00%	-
Manufacturing	12	2,678,489	38,920	-	38,920	1.45%	-5,400
Warehouse/Distribution	178	11,976,675	860,190	-	860,190	7.18%	175,581
Anderson County Total	191	14,693,164	899,110	-	899,110	6.12%	170,181
AUGUSTA ROAD DONALDSON							
Flex/R&D	4	74,687	6,000	-	6,000	8.03%	4,800
Manufacturing	21	788,404	-	-	-	0.00%	20,093
Warehouse/Distribution	163	9,613,353	270,800	641,900	921,700	8.77%	33,343
Augusta Road Donaldson Total	188	10,476,444	276,800	641,900	918,700	8.77%	33,343
COWPENS							
Manufacturing	5	163,456	-	-	-	0.00%	-
Warehouse/Distribution	20	2,909,708	-	-	-	0.00%	18,000
Cowpens Total	25	3,073,164	-	-	-	0.00%	18,000
GAFFNEY							
Manufacturing	2	43,904	5,000	-	5,000	11.39%	-
Warehouse/Distribution	51	4,463,606	1,052,475	-	1,052,475	23.58%	778
Gaffney Total	53	4,507,510	1,057,475	-	1,057,475	23.46%	778
GREENWOOD COUNTY							
Flex/R&D	2	34,528	3,000	-	3,000	8.69%	-
Manufacturing	21	2,975,514	116,000	-	116,000	3.90%	-
Warehouse/Distribution	32	1,155,783	217,379	-	217,379	18.81%	-124,409
Greenwood County Total	55	4,165,825	336,379	-	336,379	8.07%	-124,409
HWY 101 CORRIDOR							
Flex/R&D	25	691,396	8,200	-	8,200	1.19%	-
Manufacturing	2	78,470	-	-	-	0.00%	-
Warehouse/Distribution	149	6,996,971	61,640	-	61,640	0.88%	81,500
Hwy 101 Corridor Total	176	7,766,837	69,840	-	69,840	0.90%	81,500
HWY 221 CORRIDOR							
Flex/R&D	1	73,404	-	-	-	0.00%	-
Manufacturing	17	510,663	63,700	-	63,700	12.47%	-25,000
Warehouse/Distribution	50	3,827,156	271,634	-	271,634	7.10%	-
Hwy 221 Corridor Total	68	4,411,223	355,334	-	355,334	7.60%	-25,000
HWY 29/129 CORRIDOR							
Flex/R&D	1	29,880	2,235	-	2,235	7.48%	-
Manufacturing	12	383,739	-	-	-	0.00%	-
Warehouse/Distribution	154	12,245,784	566,003	-	566,003	4.62%	5,690
Hwy 29/129 Corridor Total	167	12,659,403	568,238	-	568,238	4.49%	5,690
HWY 290 CORRIDOR							
Flex/R&D	2	62,690	9,400	-	9,400	14.99%	-4,900
Manufacturing	12	610,973	-	-	-	0.00%	230,000
Warehouse/Distribution	79	8,351,031	556,091	-	556,091	6.66%	-673
Hwy 290 Corridor Total	93	9,024,694	565,491	-	564,491	6.27%	224,427
HWY 585 CORRIDOR							
Flex/R&D	13	524,045	60,655	-	60,655	11.57%	-19,520
Manufacturing	28	748,803	52,000	-	52,000	6.94%	-22,000
Warehouse/Distribution	100	9,191,231	1,053,705	-	1,053,705	11.46%	15,339
Hwy 585 Corridor Total	141	10,464,079	1,166,360	-	1,166,360	11.15%	-26,181

HWY 81 CORRIDOR							
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%	50,000
Hwy 81 Corridor Total	34	4,431,820	10,148	-	10,148	0.23%	50,000
MAULDIN							
Flex/R&D	14	293,369	27,250	-	27,250	9.29%	-11,772
Manufacturing	14	584,427	209,300	-	209,300	35.81%	15,366
Warehouse/Distribution	126	9,236,933	553,600	-	553,600	5.99%	35,100
Mauldin Total	154	10,114,729	790,150	-	790,150	7.81%	38,694
PELHAM ROAD							
Flex/R&D	18	437,568	34,400	-	34,400	7.86%	27,600
Manufacturing	7	193,806	26,000	-	26,000	13.42%	-
Warehouse/Distribution	98	4,757,738	83,846	-	83,846	1.76%	6,740
Pelham Road Total	123	5,389,112	144,246	-	144,246	2.68%	34,340
PIEDMONT							
Flex/R&D	5	94,374	32,050	-	32,050	33.96%	-
Manufacturing	8	179,557	47,200	-	47,200	26.29%	-40,000
Warehouse/Distribution	81	3,819,755	61,850	-	61,850	1.62%	28,300
Piedmont Total	94	4,093,686	141,100	-	141,100	3.45%	-11,700
SIMPSONVILLE FOUNTAIN INN							
Flex/R&D	4	77,776	5,225	-	5,225	6.72%	-
Manufacturing	8	228,728	-	-	-	0.00%	-
Warehouse/Distribution	131	12,851,421	246,500	-	246,500	1.92%	-106,000
Simpsonville Fountain Inn Total	143	13,157,925	251,725	-	251,725	1.91%	-106,000
WHITE HORSE							
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	4,998,781	1,207,361	-	1,207,361	24.15%	-
White Horse Total	74	5,040,948	1,249,528	-	1,249,528	24.79%	-
WINGO							
Flex/R&D	1	30,605	-	-	-	0.00%	-
Manufacturing	16	485,147	32,360	-	32,360	0.00%	-
Warehouse/Distribution	57	8,359,069	840,264	51,028	891,292	10.47%	137,500
Wingo Total	74	8,844,821	872,624	51,028	923,652	10.44%	105,140
OTHER SUBMARKETS							
Flex/R&D	47	1,632,639	186,047	5,310	191,357	11.72%	-2,000
Manufacturing	118	4,780,273	281,831	-	281,831	5.79%	-1,248
Warehouse/Distribution	916	52,607,857	2,837,973	85,773	2,923,746	5.56%	172,306
Other Submarket Total	1,081	59,020,769	3,302,456	91,083	3,393,539	5.75%	174,453
MARKET TOTAL							
Flex/R&D	140	4,127,545	399,312	5,310	404,622	9.80%	-5,040
Manufacturing	308	15,599,718	892,581	-	892,581	5.72%	144,094
Warehouse/Distribution	2,486	171,608,890	10,745,111	778,701	11,523,812	6.72%	504,202
Market Total	2,934	191,336,153	12,037,004	784,011	12,821,015	6.70%	643,256

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.**

396 offices in 68 countries on 6 continents

United States: **153**

Canada: **29**

Latin America: **24**

Asia Pacific: **79**

EMEA: **111**

\$2.6

billion in
annual revenue

2

billion square feet
under management

15,000

professionals
and staff

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