

COMMERCIAL REAL ESTATE ♦ FLEX MARKET REPORT

OUR MARKET DEFINED: The Upstate, SC flex market is comprised of the counties of Greenville, Spartanburg, Anderson, Laurens, Cherokee, and Pickens.

Current Flex Inventory:

8,947,788 SF
578 Buildings



AT A GLANCE

- ♦ **Vacancy** dropped 1% over the last 6 months.
- ♦ **Net Absorption** made a huge turn-around from the middle of 2010 to have a positive number for the end of the year.
- ♦ **Rental Rates** dropped to an average of \$6.99 at the end of the 3rd quarter but raised \$0.15 by the end of the year.

VACANCY RATE



NET ABSORPTION



RENTAL RATES



TOTAL MARKET STATISTICS	2010 Year End	2010 Mid Year	2009 Year End
Vacancy (%)	20.4%	21.2%	19.5%
Net Absorption (SF)	13,239	(39,799)	6,115
Rental Rates (/SF)	\$7.14	\$6.88	\$7.06

EXPERT ANALYSIS

It is said, "This too shall pass". The commercial real estate market in the Upstate is finally beginning to see light at the end of the tunnel. Statistics reveal that the Upstate flex market hit bottom at the end of the 2nd quarter of 2010. Asking rates were the lowest they have been in over three years or more, vacancy was up, and net absorption was negative. This tells us that the flex market was impacted later than other sectors, and was in turn, slower to recover. The industrial warehouse sector, for example, saw "bottom" at the end of 2009 and experienced a positive recovery period beginning in the 1st quarter of 2010. For flex, things began to turn around in 3rd quarter and we saw a spike in absorption. At the end of the 4th quarter, it looks as though the market stabilized. We anticipate a slow but steady recovery in 2011.

- Tim Bright, Industrial/Flex Broker

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4 TH QTR. 2010	GREENVILLE	SPARTANBURG	ANDERSON	LAURENS	*TOTAL
TOTAL INVENTORY (SF)	7,296,358	840,872	390,811	5,000	8,947,788
DIRECT VACANT (SF)	1,685,956	161,254	19,000	3,000	1,816,613
VACANCY RATE	22.4%	19.2%	5.3%	60%	20.5%
NET ABSORPTION (SF)	(4,723)	0	(1,000)	2,000	13,239
NEW PRODUCT (SF)	0	0	0	0	0
SF UNDER CONSTRUCTION	0	0	0	0	16,371
AVERAGE ASKING RATE (/SF)	\$7.12	\$5.38	\$10.80	\$8.40	\$7.14

*The total column includes Cherokee and Pickens counties which are not detailed on this chart.

GREENVILLE

The vacancy rate in Greenville steadily rose throughout 2010. It was at 21.1% at the end of 2009, peaked at the end of 2nd quarter 2010 at 23.1%, which is believed to be the “bottom”, and dropped to 22.4% at the end of the year. The Greenville submarket seems to have taken the hardest hit during the economic downturn and will most likely see a slower recovery. The numbers show that recovery began in 3rd and 4th quarter, but just enough to stabilize the market. We anticipate a gradual decline in vacancy in 2011 as new business comes to the area and brings suppliers that also will need space. This in turn will lead to a positive net absorption. The rental rates have dropped \$.09 (/sf) since year end 2009. Again, the rates hit “bottom” at mid year 2010 and began rising in 3rd and 4th quarter. It looks as though rates will also gradually rise as demand for space increases.

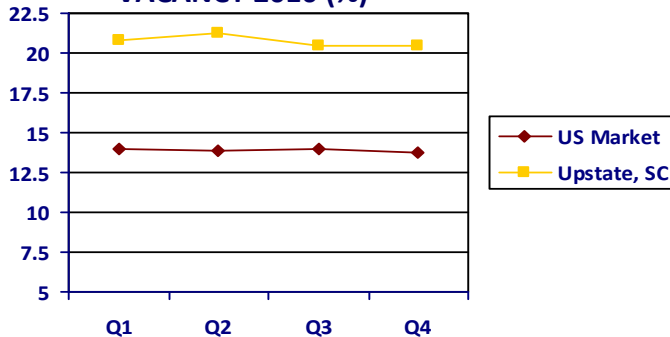
The two largest submarkets in Greenville, in terms of square footage, are the I-385/Woodruff Rd./Hwy 14 area and the I-85/Wenwood/ICAR area. The Woodruff Road submarket has one of the lowest vacancy rates in Greenville while also having one of the highest rental rates; whereas, the Wenwood area has the highest vacancy rate and the lowest rental rates. We believe this to be a result of the recent new construction at CU-ICAR that added so much inventory to the Wenwood submarket. In the I-385 submarket, you will find several Class A buildings that increased the overall rental rate, and this area has been a “hotspot” for new businesses recently.

SPARTANBURG

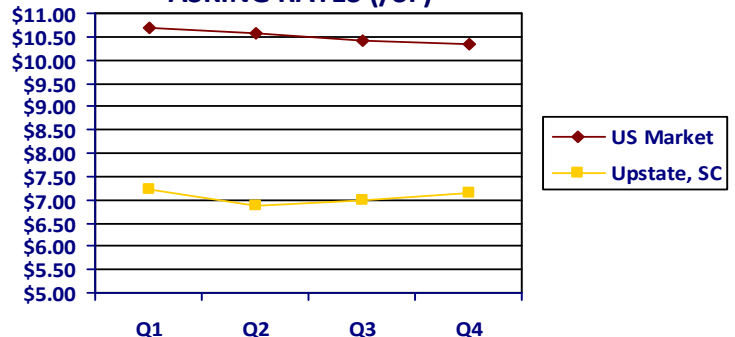
The vacancy rate in Spartanburg has dropped over 3% from 22.7% at the end of 2009 to 19.2% at the end of 2010. Rental rates also dropped significantly throughout 2010. These numbers along with a positive turn in net absorption from a negative -68,508 at the end of 2009 to 0 at the end of 2010 has Spartanburg positioned for a strong year in 2011.

The BMW expansion and CT&T’s plans for a facility in Spartanburg led to the stabilization of the flex market in Spartanburg in 2010. While the Spartanburg market is much smaller than Greenville, it has some very powerful attributes for industrial and flex properties such as the two major interstates (I-85 and I-26) as thoroughfares, as well as its close proximity to Charlotte. There are strong indicators that 2011 will be a period of growth and prosperity for Spartanburg county.

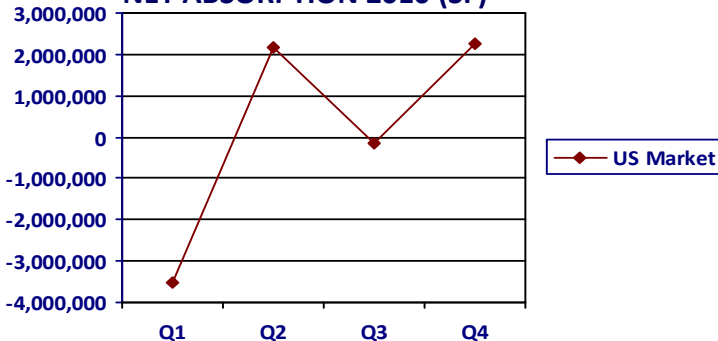
VACANCY 2010 (%)



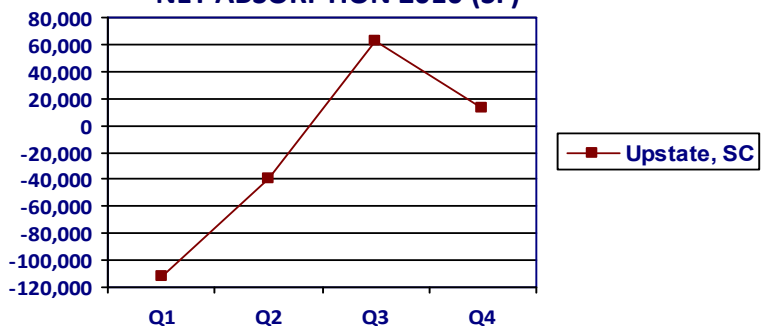
ASKING RATES (/SF)



NET ABSORPTION 2010 (SF)



NET ABSORPTION 2010 (SF)



IT'S A FACT

- ◆ Just in the past 5 years, companies such as BMW, ZF Group, CT&T, Proterra, Unitek, American Titanium and many others have targeted investments of more than **\$1.1 BILLION** combined and will provide the Upstate with more than 4,200 jobs.
- ◆ There is more foreign direct per capita investment in South Carolina than any other state in the US.
- ◆ SC ranked #4 in Top 10 Pro-Business States in the Nation
Pollina Corporate Real Estate 2010



Business Facilities Magazine ranked South Carolina:

- #1– Economic Growth Potential
- #2– Wind-Energy Related Manufacturing Leadership
- #3—Auto Manufacturing
- #4– Best Business Climate
- #9– Alternative Energy Industry Leader

- ◆ South Carolina has the lowest corporate income tax among the southeastern states.
- ◆ Greenville has been rated **#1** in the nation by *Site Selection Magazine* for both new and expanding international firms over the past decade.
- ◆ Greenville-Spartanburg-Anderson is the top area for European Expansion in the US. *Expansion Management Magazine*

2010 SELECT TOP FLEX SALE TRANSACTIONS

Address	Submarket	Buyer	Size (SF)	Sale Date	Sales Price	Sales Price (/ SF)
6099 Ponders Ct.	Greenville	Collins Entertainment Corp	28,000	2.24.10 – Q1	\$1,000,000	\$35.71
209 Holly Ridge Ct.	Greenville	Greenville Woodworkers Guild	27,000	4.9.10 – Q2	\$740,000	\$27.41
2161 Ridge Road	Greenville	R W Lockhart	10,000	5.3.10 – Q2	\$595,000	\$59.50
136 Johns Road	Greer	BGC Investments LLC.	9,100	7.22.10 – Q3	\$600,000	\$65.93
9 Tower Drive	Greenville	JBIN, LLC.	8,400	1.17.10 – Q1	\$230,000	\$27.38
600 Ross Ave.	Easley	Jeff McCollum	8,000	1.6.10 – Q1	\$245,000	\$30.63
14 Pilgrim Rd	Greenville	Pilgrim International LLC.	7,200	10.29.10 – Q4	\$408,229	\$56.70
5531-5539 Hwy. 81 N	Williamston	Thomas Craft	5,027	8.18.10 – Q3	\$132,000	\$26.26
3321 Hwy. 24	Anderson	Compass Investment Group	5,000	3.12.10 – Q1	\$115,000	\$23.00
703 Laurens Road	Greenville	Procore Medical LLC.	2,400	6.4.10 – Q2	\$195,000	\$81.25

2010 SELECT TOP FLEX LEASE TRANSACTIONS

Address	Submarket	Size (SF)	Lease Date	Lease Rate (/SF)	Tenant
1425 B S. Buncombe Rd	Rt. 14 Corridor	10,500	6.23.10	\$6.00 NNN	American Trutzschler
*563 Woodruff Road	Downtown Airport	9,500	7.14.10	\$4.18 NNN	Carolina Mobility Sales
284 Rocky Creek Rd.	I-385/ Woodruff Rd.	3,800	7.28.10	\$9.00 NNN	Tail Lights Dogs
*111 Smith Hines Road	I-385 / Woodruff Rd.	3,958	7.29.10	\$8.27 NNN	NHC Homecare
*4 McDougal Ct.	I-85 / Wenwood / ICAR	3,176	8.31.10	\$4.57 MG	Atlanta Foam Recycle Center
*1110 W. Butler Road	I-85 / Wenwood / ICAR	6,430	9.16.10	\$5.25 NNN	Fotozoomer
3307 Rutherford Rd.	Rt. 29 Rutherford Rd	3,200	10.1.10	\$5.63 NNN	Shop4Paintball.com
*48 Brookfield Oaks Dr	I-385 / Woodruff Rd.	4,612	10.11.10	\$8.95 NNN	Davis Floyd, Inc.
*1 Marcus Drive	Pelham Road	4,758	11.10.10	\$6.50 NNN	Colonial Webb
*111 Smith Hines Road	I-385 / Woodruff Rd	5,213	11.16.10	\$10.96 MG	ORBIS Health Solutions

*BENTLEY COMMERCIAL DEALS

IN THE NEWS

ZF Group announced plans in July of 2010 to build a \$350 million plant on 127 acres just off I-385 in Laurens County. This plant will bring more than 900 jobs to our area and will be the site of the world's first nine-speed transmission. ZF Group's CEO Ludger Reckmann led the groundbreaking ceremony on February 2nd and stated, "This represents progress, growth, and jobs. If ZF invests in a facility, it is long term." "Additionally, the company would like to have suppliers close by, though nothing is finalized", said Reckmann. "We try to attract suppliers to this area but they have to make a business case out of it," he said, declining to name companies on the list. They also commented that they are in conversation with representatives with the Clemson University International Center for Automotive Research about a partnership. Their plan is to be fully operational by early 2012.



ZF Group's groundbreaking ceremony.
(Source: GSA Business)

Commercial Real Estate Deal Volume Returning to 'Normal' Levels

According to CoStar, sales volume for commercial properties nearly doubled from first quarter 2010 compared to fourth quarter 2010. "After rising by an estimated 60% in 2010, commercial property sales volume is expected to increase by another 20 to 25% in 2011, predicted William E. Hughes, senior vice president and managing director of Marcus & Millichap Capital Corp. "The expected improvement will move the investment market closer to a more 'normalized' level."

The current market is similar to the second half of 2002, before the inflated levels of the 2005-2007 boom, but much improved over the 2008-2009 drought. Real estate advisors believe that not only will the total volume increase in 2011, but the types of deals will be much different than what we've seen over the past 3 years. Investors have been interested only in distressed properties or "treasures" during the economic downturn, but as things continue to transition and heal, they will become more comfortable taking higher risks and there will be a demand for properties in the "middle of the spectrum". Source: CoStar

South Carolina is ranked #5 Best Business Climate in the Nation- Site Selection Magazine

"Fifth-ranked South Carolina is quietly becoming a transportation-industry powerhouse with automotive investment clustering in the Upstate and aerospace anchored by Boeing in N. Charleston, with many other sector projects announced in recent years. South Carolina's business climate is more than just those two industries and anticipates much more growth with the new bill that was signed, aimed at enhancing South Carolina's ability to attract jobs and investment and compete in a global market place."

(Sources: siteselection.com, gsabusiness.com)

KEY TERMS AND DEFINITIONS

Availability Rate: The ratio of available space to total rentable space, calculated by dividing the total available square feet by the total rentable square feet.

Cap Rate: Short for capitalization rate. The Cap Rate is a calculation that reflects the relationship between one year's net operating income and the current market value of a particular property. The Cap Rate is calculated by dividing the annual net operating income by the sales price (or asking sales price).

Flex Building: A type of building designed to be versatile, which may be used in combination with office (corporate headquarters), research and development, quasi-retail sales, and including but not limited to industrial, warehouse, and distribution uses. A typical flex building will be one or two stories with at least half of the rentable area being used as office space, have ceiling heights of 16 feet or less, and have some type of drive-in door, even though the door may be glassed in or sealed off.

Industrial Building: A type of building adapted for such uses as the assemblage, processing, and /or manufacturing of products from raw materials or fabricated parts. Additional uses include warehousing, distribution, and maintenance facilities. The primary purpose of the space is for storing, producing, assembling, or distributing product.

Triple Net: A lease in which the tenant pays rent to the landlord as well as all taxes, insurance, and common area maintenance expenses that arise from the use of the property.

Market: Geographic boundaries that serve to delineate core areas that are competitive with each other and constitute a generally accepted primary competitive set of areas. Markets are building-type specific, and are non-overlapping contiguous geographic designations having a cumulative sum that matches the boundaries of the entire Region (See also: Region). Markets can be further subdivided into Submarkets.

Net Absorption: The net change in occupied space over a given period of time. Unless otherwise noted Net Absorption includes direct and sublease space.

Sublease Space: Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation. Sublease space is sometimes referred to as sublet space.

Vacancy Rate: A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory. Under construction space generally is not included in vacancy calculations.

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