

COMMERCIAL REAL ESTATE ♦ INDUSTRIAL MARKET REPORT

OUR MARKET DEFINED: The Upstate, SC industrial warehouse market spans the counties of Greenville, Spartanburg, Anderson, Laurens, Cherokee, and Pickens.

Current Industrial Warehouse Inventory:
162,374,907 SF
3,384 Buildings



AT A GLANCE

- ♦ **Vacancy** dropped steadily throughout the year.
- ♦ **Net absorption** slowly rebounded in the first half of 2010, but saw a 90% increase in the second half.
- ♦ **Rental rates** declined 9% in 2010. There is indication that the market has bottomed and should stabilize in 2011.

VACANCY RATE



NET ABSORPTION



RENTAL RATES



TOTAL MARKET STATISTICS	2010 YEAR END	2010 MID YEAR	2009 YEAR END
VACANCY	10.3 %	10.5%	11.0%
NET ABSORPTION (SF)	526,242	181,067	(942,329)
RENTAL RATE (/SF)	\$2.73	\$2.84	\$3.03

EXPERT ANALYSIS

“The industrial market has been the success story for the Upstate in 2010. Activity has shown a noticeable rebound, and the diversification is encouraging. With the automotive sector expanding, considerable off shore investment, and the emergence of alternative energy enterprises, the future is very promising. As each of these industries grow, there will be a noticeable ripple effect. This will include the expansion of these businesses, relocation of critical suppliers to this area, and the entry of other new players on the scene. With the anticipation of an even more business friendly state government in place, 2011 may well be a building block year as we move forward to a stronger future.”

- Richard Barrett, Industrial Broker

For more information, please contact our Industrial Market Experts:

P. Randall Bentley, SIOR, CCIM
rbentley@bentleycommercial.com

Kevin Bentley
kbentley@bentleycommercial.com

Laurens C. Nicholson, SIOR, CCIM
lnicholson@bentleycommercial.com

Richard Barrett
rbarrett@bentleycommercial.com

Tim Bright
tbright@bentleycommercial.com

4 TH QTR. 2010	GREENVILLE	SPARTANBURG	ANDERSON	LAURENS	*TOTAL
TOTAL INVENTORY (SF)	69,474,635	65,396,542	14,731,771	3,669,091	162,374,907
DIRECT VACANT (SF)	6,836,637	6,335,579	932,348	769,323	16,311,175
AVAILABILITY RATE	10.2 %	9.9%	6.3%	21.0%	10.3%
NET ABSORPTION (SF)	89,212	164,441	280,830	76,160	526,242
NEW PRODUCT (SF)	23,728	0	0	0	23,728
SF UNDER CONSTRUCTION	77,089	0	0	0	127,089
AVERAGE ASKING RATE (/SF)	\$2.92	\$2.81	\$2.23	\$2.45	\$2.73

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

GREENVILLE

The Greenville area's vacancy rate declined slightly throughout the year, dropping from 11.6% year end 2009 to 9.5% year end 2010. Rental rates also declined throughout the year, but did not show as great of a drop as did some other less vibrant submarkets in the Upstate.

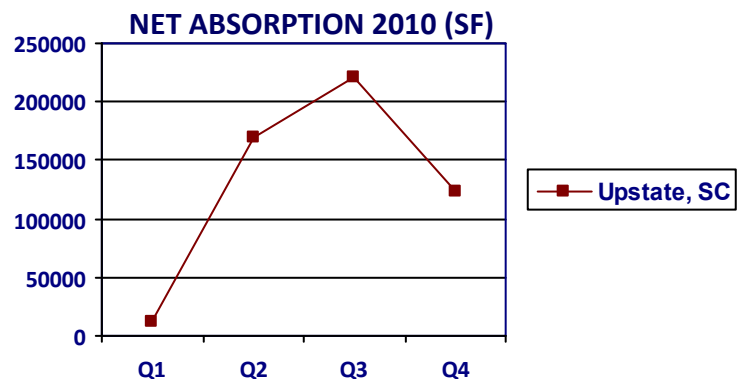
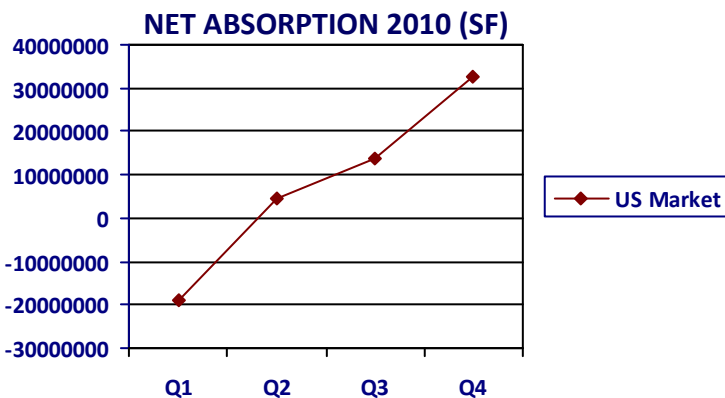
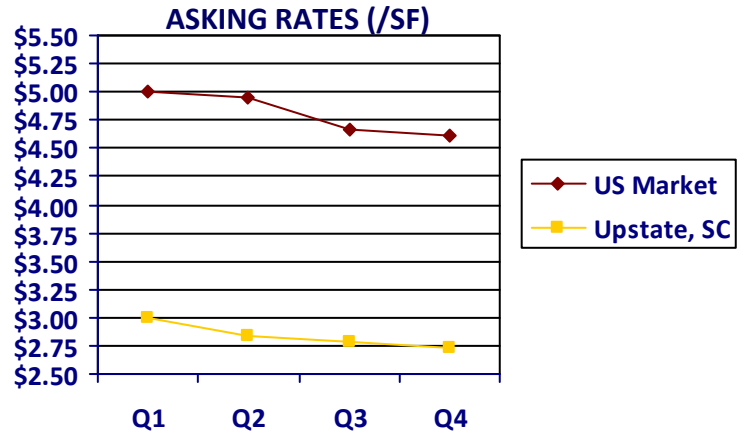
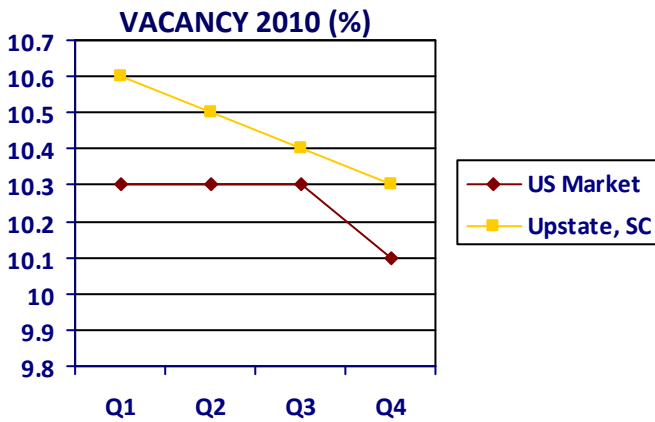
Recent announcements such as Proterra's planned new industrial facility will only further strengthen the performance of the market. As inventory continues to decrease, the Greenville market may well be positioned for new industrial development as the need for space to meet the needs of relocating or expanding business will intensify.

The two **strongest submarkets** in Greenville for square footage absorption are the **I-85/Wenwood/ICAR area and the Pelham Road corridor**. This gain solidly demonstrated the impact of emerging industries to these areas and the declining asking rates. The area with the least positive absorption was I-85 South/Donaldson. This is a result of transitions and consolidations within companies in that area.

SPARTANBURG

The Spartanburg market began a significant rebound in the second half of 2010. Absorption reversed from a large negative at the end of 2009 to ending 2010 with a positive 164,441 sq. ft. We believe this was achieved by a marked decline in the average asking rate, and the completion of projects such as the Adidas warehouse.

Spartanburg began regaining momentum upon announcements of BMW's expansion being completed and the emergence of companies such as CT&T, a Korean manufacturer of electric vehicles. It is anticipated that absorption will continue to improve in 2011 in this area due to the close proximity to I-26, and I-85, which makes it an attractive hub for distribution centers.



IN THE NEWS

In October, **BMW Manufacturing Co.** officially opened its new 1.2 million square foot assembly hall. This expansion is a result of the strong demand for current products made at the SC plant. As of October, the company was already reporting a 9.2% increase in sales of BMW's over 2009 figures. This new \$750 million facility will assemble the new X3 Sports Activity Vehicle model and create 1600 new jobs. This latest expansion brings BMW's investment in our area to \$4.6 billion. *(Source: GSA Business)*



ZF Group announced plans in July of 2010 of building 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." He also commented that they are attempting to attract their suppliers to the area as well, but there have not yet been any announcements made on what companies may be coming or when. Their plan is to be fully operational by early 2012. *Source: GSA Business*

One major contributor to the speedy recovery of our area's business climate is the various changes in Greenville/Spartanburg International Airport such as reduced fares and the addition of two new carriers, including **Southwest Airlines**. This further fuels confidence in the future, as business executives all over the nation can obtain easier access to our area, which is a plus when deciding where they should expand or relocate their business.



IT'S A FACT

Just in the past 5 years, companies such as ZF Group, CT&T, Proterra, Unitex, American Titanium and many others have targeted investments of more than **\$1.1 BILLION** combined and will provide the Upstate with the opportunity for 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

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

2010 SELECT TOP INDUSTRIAL LEASE TRANSACTIONS

PROPERTY ADDRESS	NEW TENANT	SQUARE FOOTAGE	QUARTER
1001 Lebanon Rd.- Anderson County	Stacy's Greenhouses	392,040	4 th
1312 Old Stage Road- I-85/ICAR	Sunland Distribution	337,000	1 st
625 S. Old Piedmont Hwy- I-85/Donaldson	Uti Integrated Logistics, Inc.	200,000	3 rd
*570 Gilliam Rd.- Hwy 290	International Paper	100,500	1 st
1 Whitlee Ct.- I-85/ICAR	Proterra	90,450	3 rd
*1224 Old Stage Rd.- I-85/ICAR	Walmart Stores East, LP	45,000	1 st

2010 SELECT TOP INDUSTRIAL SALE TRANSACTIONS

PROPERTY ADDRESS	BUYER	PRICE	PRICE/SF	DATE SOLD
378 Neely Ferry Rd. Simpsonville	Jane Zhang	\$2,695,000	\$26.09	6/18/10
110 Southchase Blvd. Fountain Inn	Kolektor	\$2,100,000	\$69.08	9/17/10
8025 Howard St. Spartanburg	Longleaf Development	\$1,650,000	\$30.56	7/30/10
2751 New Cut Rd. Spartanburg	Odermath USA, Inc.	\$1,410,000	\$33.18	6/23/10
*Upstate Industrial Park	Unitex/USA	\$1,150,000	\$1,150,000	10/28/10

*BENTLEY COMMERCIAL DEALS

A TIME OF TRANSITION

2010 was a critically transitional year for the industrial warehouse market in the Upstate. At the end of 2009, there was evidence that the downward spiral had stopped and the market was beginning to stabilize.

As noted in our 2010 Mid Year Report, the first two quarters of 2010 brought much exciting news such as the emergence of new companies and expansions of existing Upstate companies, particularly in the automotive sector.

The second half of 2010 continued to be strong for this market. This reinforces the reality of a positive transition in economic conditions which builds a solid foundation for continuing growth in 2011.

Proterra's electric buses- multi-million dollar investment in Upstate, SC.



Recovery in US Warehouse Leasing Gaining Speed

According to CoStar, "Warehouse leasing accelerated sharply in fourth quarter 2010, helping to drive down vacancy rates amid record-low deliveries of new industrial commercial properties last year". The national industrial market ended 2010 with 29 million square feet of net absorption, up from 11 million at the end of the third quarter. Fourth quarter 2010 was the third consecutive quarter of positive absorption, as first quarter 2010 was the last of six straight quarters of negative absorption. This trend, coupled with the fact that there is no new supply expected anytime soon will drive demand for industrial warehouse space.

"2010 had the lowest amount of new industrial deliveries, measured as a percentage of total inventory, since at least 1960". Approximately 17 million square feet of construction began last year, which were all "build-to-suit" rather than speculative projects. CoStar predicts that we won't see a healthy infusion of new space until 2013 when you consider lead time and planning. This is a positive for the market in that with very little new inventory expected, demand for existing space and rental rates will increase quickly.

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.

Bentley Commercial LLC
CORFAC INTERNATIONAL

For a copy of our Office, Retail, or Flex Market Reports, please e-mail a request to info@bentleycommercial.com