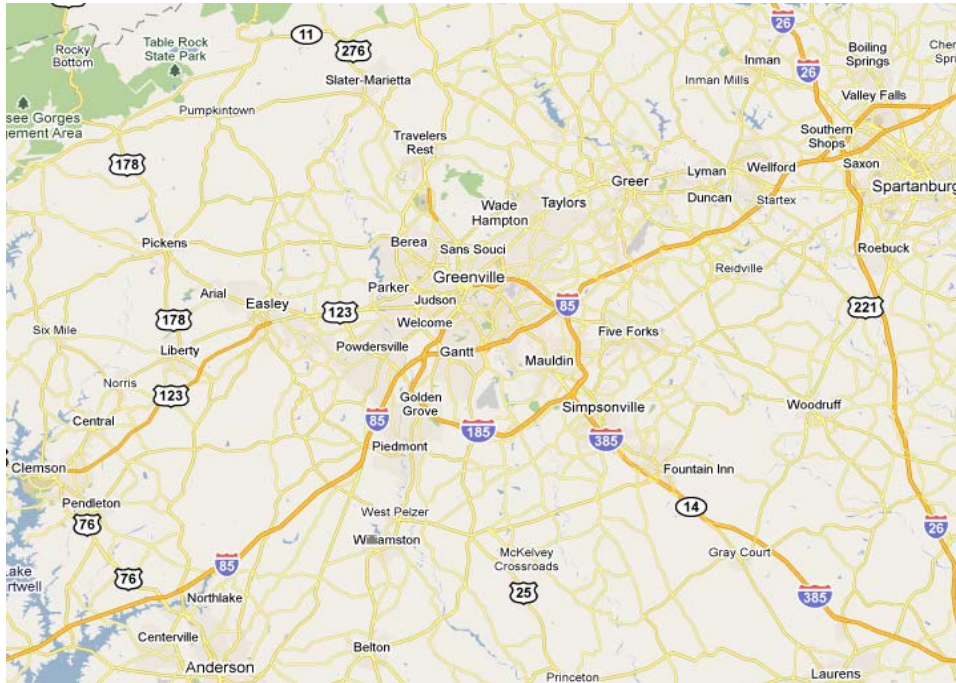


**OUR MARKET DEFINED**

The Greenville/Spartanburg flex market is comprised of the following counties: Greenville, Spartanburg, Anderson, Laurens, Pickens, and Cherokee. We define flex properties as a one story building / space within the building / space being divided as 50% being used for office space and 50% being used as warehouse or distribution space.



**Current Inventory:**  
**9,189,924 SF**  
**587 Buildings**



**AT A GLANCE**



Source: 2011 CoStar Group, Inc.

**VACANCY:** Vacancy slightly declined to **23%** from a record high of 23.1% reported in Q1 2011. This slight decrease is indicative of increased activity experienced throughout the first half of this year.

**NET ABSORPTION:** At the end of Q2 2011, absorption was a **positive 41,299 square feet**, up from a negative 90,443 square feet in Q1 2011. Absorption seemed to hit its lowest point in Q4 2009 and has experienced many ups and downs since that time.

**RENTAL RATES:** Rental rates are at a record low at the end of Q2 2011 - the lowest they have been in at least five years. At **\$6.82/SF**, rates dropped from a peak of \$9.99 in Q1 2009, with the biggest decline in Q3 2009.

**EXPERT ANALYSIS**

Everyone can finally breathe a sigh of relief as it seems we have seen the worst of this economic downturn. Statistics are still showing a slower recovery for flex; but most importantly, we have seen positive change in attitudes of tenants and owners. The Upstate has been blessed with many large companies like ZF, Proterra, and Draexlmaier announcing large operations and expansions. The new 950,000 square foot ZF facility has already initiated a boost to the flex market as many ZF suppliers are expressing interest in relocating to the Upstate. Draexlmaier announced a \$22 million investment to expand its current location by 64,500 square feet. The market is poised for flex space to be in high demand once these large facilities are developed. These announcements are creating an enthusiasm and fervor in the growth of the automotive business in the Upstate and attracting a great deal of interest from other companies and corporations across the Nation.

Asking rates for flex will likely decline slightly until absorption lowers the vacancy rate closer to 20%. I believe that this trend will continue through the remainder of this fiscal year. Lower rental rates and labor costs are two of the major factors attracting companies to the Upstate. Opportunities for growth and absorption abound for flex owners and small businesses.



**TIM BRIGHT**  
 ASSOCIATE

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*Local expertise. National reach. World class.*

2 <sup>nd</sup> Quarter 2011	Greenville	Spartanburg	Anderson	Laurens	Total
Total Inventory (SF)	7,475,310	854,918	423,261	5,000	9,167,698
Direct Vacant (SF)	1,905,562	157,297	23,000	3,000	2,102,959
Vacancy Rate	25.5%	19.1%	5.4%	60%	23%
Net Absorption (SF)	(2,182)	12,681	34,000	0	41,299
New Product (SF)	0	0	0	0	38,000
SF Under Construction	0	0	0	0	0
Avg Asking Rate(SF)	\$6.99	\$5.83	\$3.87	\$8.40	\$6.82

\*Total column includes Pickens and Cherokee Counties which are not detailed in this chart

The Greenville Flex Market has seen its rental rates drop dramatically over the past 6 months, declining from \$7.20 per square foot to \$6.99 per square foot at the end of the 2<sup>nd</sup> quarter. Leasing activity in terms of volume dropped from 76,393 square feet in the 1<sup>st</sup> quarter to 46,081 square feet in the 2<sup>nd</sup> quarter. Net absorption has taken a positive turn so far this year from (72,325 sf) in the 1<sup>st</sup> quarter of 2011 to (2,182sf) at the mid-year point. We foresee a positive future for the Greenville/Spartanburg flex market as market activity increases and the large manufacturing facilities continue to attract suppliers and vendors to the area.

### 2011 SELECT TOP FLEX SALE TRANSACTIONS as of June 30, 2011

ADDRESS	SUB-MARKET	BUYER	SALE DATE	SQ. FT.	SALE PRICE
3317 Highway 24	Anderson	Jack Stamps	4/8/11	5,000	\$180,000
2 N. Hudson St.	Greenville	Eric Steinmann	4/28/11	22,248	\$425,000
815 S. Main St.	Greenville	Red Bird Investments, LLC.	3/11/11	1,330	\$70,000
4220 Parris Bridge Road	Spartanburg	Tex Mach, Inc.	3/31/11	3,098	\$164,000

### 2011 SELECT TOP FLEX LEASE TRANSACTIONS as of June 30, 2011

ADDRESS	SUB-MARKET	TENANT	SQ. FT.	LEASE RATE
*1040 Thousand Oaks Blvd	I85/Wenwood/ICAR	Forensic Network	4,100	\$6.44 NNN
319 Garlington Rd	1385/Woodruff/Hwy14	Direct South Logistics	4,025	\$6.00 MG
*48 Brookfield Oaks Drive	1385/Woodruff/Hwy14	Visionary, LLC.	4,046	\$7.62 FS
260 Morley Court	Route 101	Not Given	10,000	\$3.90 NNN
*1110 W. Butler Road	I85/Wenwood/ICAR	Artworks, LLC.	3,000	\$4.50 NNN

\*Lee & Associates Transactions

### HOT TOPICS IN FLEX

- VCI- SC , a Michigan based metal-parts manufacturer announces a new \$2 million facility in Pickens County that will employ up to 50 people. VCI is an automotive supplier for BMW and works in the aerospace, energy, industrial and military sectors as well as automotive. The company will locate to an existing building at 2632 Farris Bridge Road. "The Upstate was a perfect fit for us to move our company here," VCI Inc. President Gene Harrison said, "...and to our surprise the manufacturing support in this area is tremendous, and a lot of our own suppliers are already here."  
**Source: Liz Segrist @ scbiznews.com, published June 7, 2011**
- Proterra Inc., a start-up electric bus manufacturer, re-surfaces with a \$30 million combined investment from several venture firms, including Kleiner Perkins Caufield & Byers of Silicon Valley and GM Ventures among others. "Our goal at Proterra is to fundamentally transform urban transit," said Jeff Granato. "The tremendous resources of (the investors), leveraged with GM's automotive expertise ... gives us an enviable platform to compete and win in the electric transit bus market." The investment will enable Proterra to complete federal validation testing of its bus and complete initiatives to reduce costs and increase production at its Greenville plant, which will have capacity to produce 400 buses annually.  
**Source: Staff Report @ scbiznews.com, published June 14, 2011**