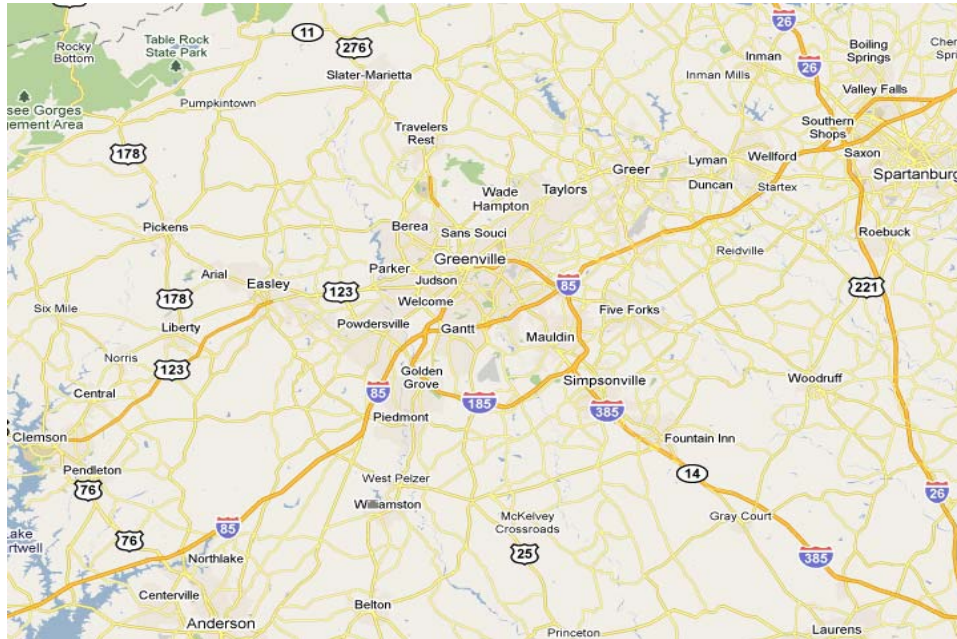


**OUR MARKET DEFINED**

The Greenville/Spartanburg industrial warehouse market is comprised of the following counties: Greenville, Spartanburg, Anderson, Laurens, Pickens, and Cherokee. We define industrial warehouse space as having a larger warehouse and smaller office component and the buildings are typically 10,000 square feet or larger. The current industrial warehouse inventory is:



**174,167,760 SF**  
**4,104 Buildings**



**AT A GLANCE**

VACANCY RATE    NET ABSORPTION    RENTAL RATES



**VACANCY:** At the end of Q2 2011, vacancy is **10.0%**, the lowest it has been since Q4 of 2008, before the economic downturn had fully taken effect on the market. Vacancy peaked in Q4 2009 at 10.8% and has been steadily declining since.

**NET ABSORPTION:** Net absorption is a strong, **positive 396,817 square feet** at the end of Q2 2011. This is up from a negative 71,806 in the first quarter. Other than this drop in Q1 2011, and a slight drop in Q1 2010, net absorption has been on a positive trend since the biggest drop in Q1 2009.

**RENTAL RATES:** Rental rates are on the rise, ending Q2 2011 at **\$2.80/SF**. This is up from the lowest rates we've experienced so far throughout the recession at \$2.75/SF in Q4 2010. It seems that rental rates were slower to respond to the downturn than net absorption which was affected first, which in turn increased vacancy. Rental rates peaked in Q1 2009, at \$3.08, which is the highest we've seen in five years.

Source: 2011 CoStar Group, Inc.

**EXPERT ANALYSIS**

The Greenville/Spartanburg Industrial market has continued at a slow, but steady rebound from the recent economic downturn. At the current 10.0% vacancy, stabilization and growth seem to have become strongly entrenched. Four of the past five quarters have seen significant positive net absorption, coupled with two quarters of rising rental rates, this positive trend should continue throughout 2011.

Q2 2011 brought about the first deliveries to the market in at least a year. Oconee Company Commerce Center in Pickens County, and SCRA Clemson Innovation Center in Anderson County comprised the 88,000 SF of space delivered to our market this past quarter. There is 1,040,000 SF of space currently under construction. This includes the ZF Group's \$350 million facility and a 90,000 SF project at 849 Neely Ferry Road that is already 100% pre-leased.

In addition to the on-going construction, the Upstate continues to be a "hot spot" for the automotive industry. Not only will ZF Group bring suppliers to our area to invest and absorb industrial space, but Volkswagen/Audi is interested in our area for a second US assembly plant. With the continued influx of new industrial players to our area and companies feeling comfortable enough to begin new construction projects, this should ensure positive absorption, decreased vacancy, and a steady increase in rental rates. The rebound of the industrial market will be the stronghold for our area's economy, bringing in job growth and tax revenue.



**RICHARD BARRETT**  
ASSOCIATE

*Local expertise. National reach. World class.*

Area Development Magazine is a national economic development publication that recognized South Carolina for the state's economic developments last year. Some of the projects sited for this award are: ZF Group in Laurens County, Caterpillar in Newberry County, Robert Bosch in Dorchester County, SC Tissue in Barnwell County, Boeing Fabrication Interiors in Charleston County, Dixie Narco in Barnwell County, and Johnson Controls in Florence County, and First Quality Tissue in Anderson County, which also was awarded the Project of the Year.

**SOUTH CAROLINA**  
**GOLD SHOVEL AWARD**  
**PROJECT OF THE YEAR**  
**2011**  
*Area Development Magazine*

First Quality Tissue is a \$1 billion investment, expected to create 1000 new jobs in the Upstate. Anderson County Council Chairman, Tommy Dunn states, "Anderson County Council is motivated by a unified vision to create high-paying jobs for our residents by attracting quality industry to our county."

**2011 SELECT TOP INDUSTRIAL SALE TRANSACTIONS** as of June 30, 2011

ADDRESS	SUB-MARKET	BUYER	SALE DATE	SQ. FT.	SALE PRICE
*133 Aircraft Way	Fountain Inn	Flame Spray North America	4/28/11	31,620	\$800,000
1000 Geer Hwy	Travelers Rest	Schmidt Mfg Corp	5/23/11	33,800	\$1,150,000
153 Gibbons & I-85/ SC-99	Blacksburg	Blacksburg Atlas, LLC	4/15/11	476,000	\$2,250,000
450 Haywood Road	Haywood Rd.	Storage Partners– Greenville	6/7/11	30,816	\$1,700,000
*844 SE Main St.	Simpsonville	844 SE Main LLC	6/1/11	138,000	\$1,000,000

**2011 SELECT TOP INDUSTRIAL LEASE TRANSACTIONS** as of June 30, 2011

ADDRESS	SUB-MARKET	TENANT	SQ. FT.	LEASE DATE
RJM Building– 2632 Farris Bridge Rd.	Outlying Pickens County	VCI, Inc.	61,207	6/7/11
5530 Airport Road	Outlying Anderson County	Delta Power Tool & Equipment	53,325	2/8/11
*525 Old Piedmont Hwy	West Greenville	Ayta	30,000	2/25/11
*1629 Highway 14	Rt. 14 Corridor	WABTEC	30,000	1/26/11
*110 Valley View Rd.	I-385/Simpsonville	Gray Interplant Systems, Inc.	27,000	3/31/11
*105 Ben Hamby Dr.	I-385/Woodruff Rd.	Optibelt Corporation	19,200	4/10/11

\*Lee & Associates Transactions

**HOT TOPICS IN INDUSTRIAL WAREHOUSE**

- PRETTEL, a German international corporation with over 33 locations in 19 countries, just announced that the Greenville facility, PRETTL Electronics Greenville, Inc., will be launching operations to produce inverters for the fast-growing solar panel industry. This new business venture will provide at least 80 new jobs and an investment of \$1.5 million in specialty equipment and space upfitting in their existing facility on White Horse Road. "South Carolina has a strong trade relationship with Germany, with a number of German-based companies investing in our state. PRETTL's decision to further invest in SC will certainly help strengthen that relationship as well as create new jobs," stated Bobby Hitt, SC Secretary of Commerce. *Source: GADC*
- General Electric's CEO Jeff Immelt visited the Greenville GE Energy plant recently to announce that US manufacturing can now compete globally. Research investments, rising commodity costs, and productivity improvements have made US plants more competitive. This means that they will be able to bring jobs that had moved overseas, back to the US. As an example, Kentucky will be getting 1,000 jobs back in their factory. The Greenville plant plans to hire 125 more engineers this year, adding to its existing 3,300 employees and just opened a \$170 million lab where it is testing the latest in gas turbine. *Source: GSA Business*
- ZF Transmissions may be bringing suppliers to Laurens County. This equals a larger tax base and job creation. Laurens County has an agreement with ZF that authorizes additional Special Source Revenue Credit benefits to the company if their suppliers are willing to relocate and make investments in the county. Although no supplier names have been released, ZF is in discussions with 30-40 to consider a move. ZF Group's Marketing Communications Manager, Bryan Johnson states, "With suppliers nearby, you have the flexibility to manufacture or fix things quickly without incurring costs or considering the logistics of getting it back to the facility."