

# Market Trends South Carolina Upstate

Grubb & Ellis Research

First Quarter 2005

 **The Furman Co.**  
Property Solutions Worldwide

## Office & Retail Take The Lead

2005 is off to an encouraging start as the office and retail markets continue to show healthy signs of recovery, but the industrial sector is taking smaller steps toward stability.

The development of new properties and property types are redefining the commercial real estate market, creating challenges and opportunities for owners, investors, and tenants. The Greenville downtown skyline is evolving with the addition of office condominiums, residential units, mixed-use properties, and new entertainment and recreational venues. Spartanburg's downtown continues to see its share of new office properties with a steady stream of new projects.

In the suburbs of Greenville, the emergence of the Clemson International Center for Automotive Research (ICAR) is stirring a great deal of interest at home and abroad. The BMW Information Technology Research Center is under construction and will open this summer. The most notable announcement thus far in 2005 came from The Society of Automotive Engineers (SAE) who plan to become a campus partner of Clemson-ICAR, joining Microsoft, IBM and Michelin as additional partners.

Retail development has maintained its momentum since 2003 and announcements continue to come forth for new centers. National retailers are demonstrating their confidence in the Upstate by expanding their presence throughout the region.

The professionals at Grubb & Ellis|The Furman Co. see many opportunities ahead for 2005. We stand ready to assist you by providing informed solutions that combine local market knowledge and specialty expertise.

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*“Downtown Greenville is just hitting its stride. Over the next 5 years we are going to see an even greater level of activity - office, residential and retail - than we have over the last 5 years.”*

*Charlie Whitmire, Jr.  
Vice President, Investment Group  
Grubb & Ellis|The Furman Co.*

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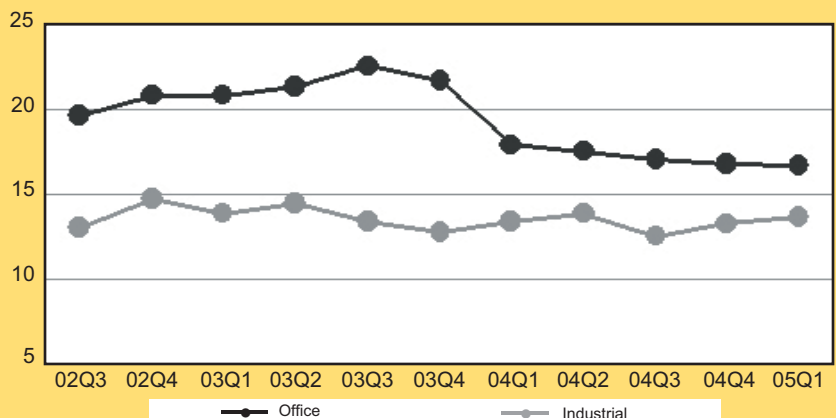
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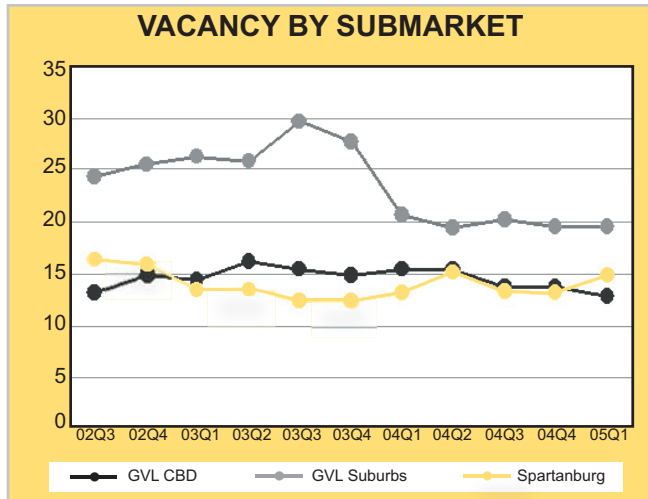
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### OFFICE & INDUSTRIAL VACANCY



By Submarket <small>(All Classes • Sq Ft x 1000)</small>	Total SF <small>(1)</small>	Vacant SF <small>(2)</small>	Vacant %	Absorption 1st Quarter '05	Under Construction <sup>(3)</sup>	Asking Rates <sup>(4)</sup>	
						Class A	Class B
Greenville CBD	3,048.0	393.7	12.9%	24.5	87.5	\$18.53	\$16.18
Greenville Suburban	5,035.9	980.2	19.5%	7.2	0.0	\$16.65	\$14.88
<b>Greenville Total</b>	<b>8,083.9</b>	<b>1,373.9</b>	<b>17.0%</b>	<b>31.7</b>	<b>87.5</b>	<b>\$17.29</b>	<b>\$15.30</b>
Spartanburg	1,317.1	196.6	14.9%	-24.2	0.0	\$14.85	\$13.24
<b>Total</b>	<b>9,400.9</b>	<b>1,570.5</b>	<b>16.7%</b>	<b>7.5</b>	<b>87.5</b>	<b>\$16.78</b>	<b>\$15.04</b>

(1) Inventory includes multi-tenant properties with at least 20,000 sq. ft.  
 (2) Vacant space includes vacant sublease space. Sublease space not yet vacant is not included.  
 (3) Space under construction includes speculative and build-to-suit for lease projects.  
 (4) Asking rates are per sq. ft. per year full service.



Greenville-Spartanburg has seen a dramatic transformation of the office landscape in the last three years. Today the office market is characterized by a move toward mixed-use development and a heightened interest in office condominiums. Both of these concepts provide office users a broad new spectrum of choices.

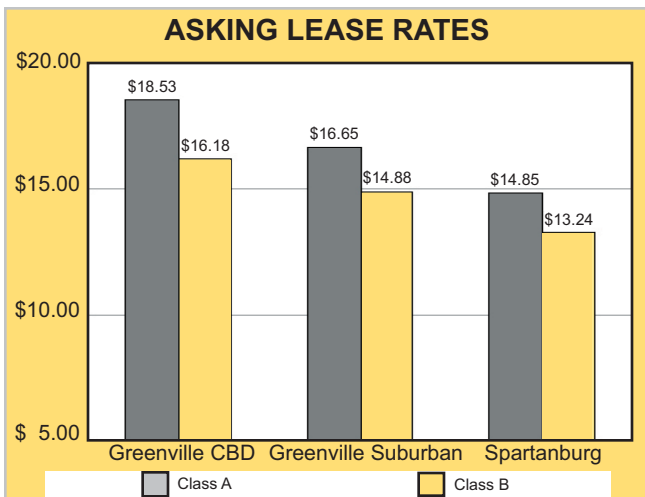
The trend toward mixed-use space is especially evident in Downtown Greenville, where numerous projects are in the works. The first phase of RiverPlace will be delivered this year, where 87,500 square feet of office space will anchor a large-scale mixed-use development. The Piazza at Bergamo will feature about 25,000 square feet of retail, office and residential space in the heart of Greenville's CBD. Mixed-use space will also be incorporated into the development of the new baseball stadium in Greenville's West End. And finally, a new 200,000 square foot property is slated for South Main and Broad Street.

Throughout the area, office condominium projects made headlines in 2004. This trend first began in the suburbs in response to low interest rates, and developers are now taking the concept to Downtown Greenville. Two such projects are now on the drawing board, including eleven units at Twenty Two South Main, and The Pinnacle on Main plans to feature 88,000 square feet in a 13-story high-rise.

Greenville-Spartanburg finished the first quarter of 2005 with a vacancy rate of 16.7 percent, which is its lowest since 2001. In Greenville, both the CBD and suburban submarkets showed improved occupancy for the past two quarters, while Spartanburg experienced a slight increase in vacancy for the first quarter of the year.

Development in Spartanburg is maintaining its momentum with announcements for new office space in Downtown. Plans call for a multi-building project to be constructed along East Main Street, featuring 3 buildings and a 300-space parking garage.

Two areas to watch for future impact on the office market include the Clemson-ICAR and the nearby Hollingsworth land. The planned addition of a multi-tenant office facility is seen as a key element of ICAR's start-up operation. Secondly, an anticipated master plan for the Hollingsworth land may lead to announcements in 2005. As land becomes available for sale, development opportunities for all sectors may become more tangible.



# Market Trends

First Quarter 2005

# Industrial Market

By Subtype <small>(Sq. Ft. x 1,000)</small>	Total SF <small>(1)</small>	Vacant SF	Vacant %	Asking Rents <small>(2)</small>
General Industrial	49,293.7	4,789.6	9.7%	\$2.97
R & D / Flex	4,766.2	749.9	15.7%	\$5.90
Warehouse / Distribution	49,469.7	8,517.7	17.2%	\$2.86
<b>Total</b>	<b>103,529.6</b>	<b>14,057.3</b>	<b>13.6%</b>	<b>\$3.09</b>

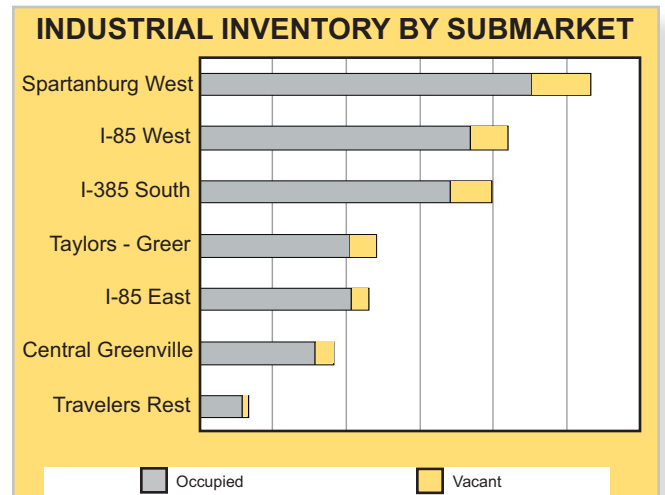
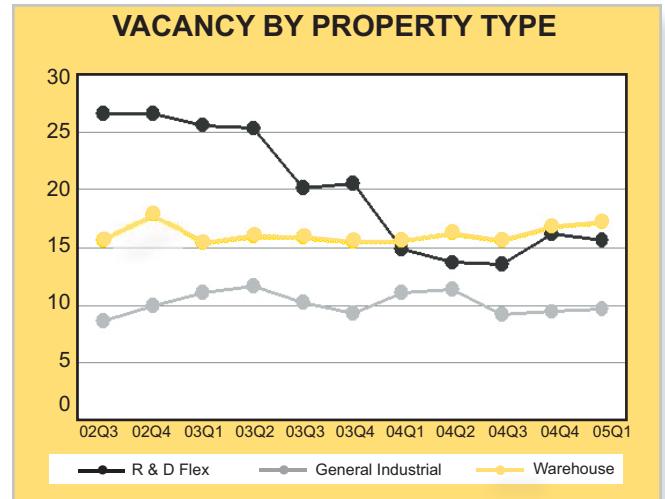
(1) Inventory includes competitive multi-tenant, single-tenant and owner occupied buildings with at least 5,000 sq. ft.  
 (2) Asking rents are per sq. ft. per year, triple net. Rates for each building are weighed by the amount of available space within the building.

The South Carolina Upstate is home to a strong foundation of domestic and international employers that provide a strong economic base for the region. During the first quarter of 2005, significant announcements came from companies such as Benteler Automotive, Vetroresina and The Blood Connection, all of which will build new facilities in the Upstate, as well as Pierburg and Draexlmaier, who plan to expand their current facilities. On the flip side, the area continues to witness plant closings and layoffs that result in pockets of economic distress for some workers and communities.

The push-pull effect of these opposing trends has impacted local industrial vacancy rates over the last year. The overall vacancy rate inched up in the first quarter; finishing at 13.6 percent, up from 13.3 percent at the end of 2004. Lease rates have remained flat, with warehouse space leasing from \$2.75 to \$3.25, and manufacturing space staying in the \$3.00 to \$3.25 range; all of which depend on such factors as ceiling height, quality of construction, and the technical requirements of the user.

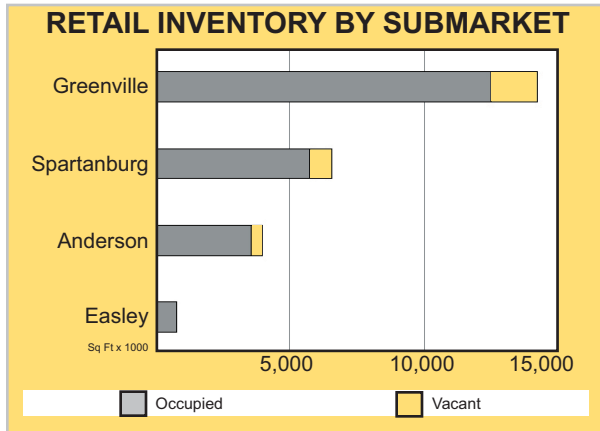
In 2004, the flex space category was extremely active in terms of construction activity. With the completion and delivery of several new properties throughout Greenville and Spartanburg, it appears that speculative construction may take a breather in 2005.

A review of the region's submarkets reveals that there are several areas to watch for future growth. The Greater Greer and Duncan area along Interstate 85, SC 101 and SC 290 is home to a large portion of the Upstate's new industrial construction. In Mauldin, the Interstate 385 and Butler Road area will continue to draw light industrial users due to its proximity to transportation arteries and employment clusters. The Matrix Business and Technology Park will attract industrial users thanks to its abundance of land. And lastly, the emerging presence of the Clemson-ICAR may impact the demand for industrial space throughout the region, as the automotive industry becomes an even bigger player in the Upstate.



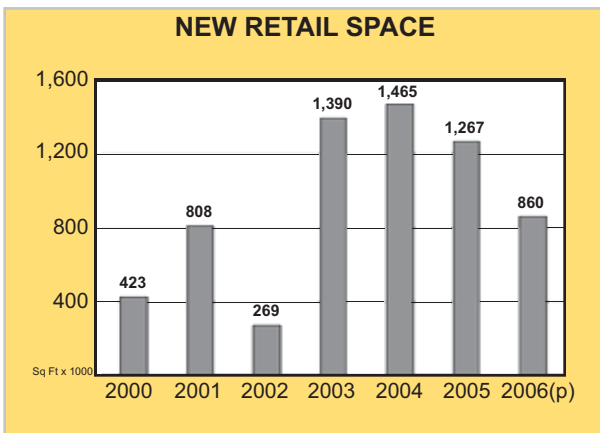
BY MARKET <small>(Sq Ft x 1000)</small>	TOTAL GLA	VACANT %	STRIP	FREE STANDING	NEIGHBORHOOD	COMMUNITY	POWER	REGIONAL
Anderson	4,011.1	11.1	48.0	196.5	1,409.0	538.5	1,159.0	660.0
Greenville	14,194.5	12.1	973.6	3,232.8	5,755.1	1,472.3	715.0	2,045.7
Spartanburg	6,571.9	12.6	343.5	883.7	1,942.4	1,362.2	203.5	1,836.5
Easley	800.9	1.8	-	180.0	151.5	469.4	-	-
<b>Upstate</b>	<b>25,578.5</b>	<b>11.7</b>	<b>1,365.1</b>	<b>4,493.0</b>	<b>9,258.1</b>	<b>3,284.5</b>	<b>2,077.5</b>	<b>4,542.2</b>

Inventory includes multi-tenant retail centers at least 20,000 sq. ft. and five tenants. Free-standing retail of 20,000 sq. ft. also included.



National retailers continue to target the Upstate for expansion, signaling a strong market for both developers and consumers. New deliveries for 2005 will top the one million square foot mark for the third year in a row. The majority of recent retail growth has come from home improvement centers and discounters such as Lowe's, Home Depot, Target, Hobby Lobby, and Wal-Mart.

Another sign of the Upstate's healthy retail market is the entrance of new national retailers arriving later in 2005 and 2006. These include HH Gregg, Linens'n'Things, Whole Foods, and World Market. These tenants will be located in shopping centers under construction along Woodruff Road, including The Shops at Greenridge, at 600,000 square feet, and The Shops at The Point, at 107,000 square feet.



The Taylors/Greer area has become a dynamic retail market in recent years. The latest addition to this trade area is the 250,000 square foot North Hampton Market. Numerous shops and restaurants are scheduled to open along the Wade Hampton Boulevard retail corridor in 2005, including Fuddrucker's and Starbucks.

In Spartanburg, the retail market is characterized by heightened redevelopment activity. On the city's east side, three tenants, including Office Depot, Ross Dress for Less, and Petco will occupy space once anchored by Kmart. Similarly, Best Buy and Lowe's have relocated to larger stores constructed on a site formerly occupied by Kmart on Spartanburg's west side.

CENTER NAME	LOCATION / AREA	TYPE	SQ. FT.	STATUS
The Shops at Greenridge	Greenville, Woodruff Road	Regional	600,000	Under Construction
Wal-Mart	Travelers Rest	Free-standing	184,000	Under Construction
The Shops at The Point	Greenville, Woodruff Road	Community	107,000	Under Construction
HH Gregg	Greenville, Woodruff Road	Free-standing	40,000	Under Construction
Milestone Plaza Expansion	Greenville, Pelham Road	Neighborhood	85,000	Planned
Planned Retail Center	Greenville, Pelham Road	Neighborhood	175,000	Planned
Home Depot	Spartanburg, Eastside	Free-standing	100,000	Under Construction
Ingles	Spartanburg, Boiling Springs	Free-standing	75,000	Under Construction
<b>Total</b>			<b>1,366,000</b>	