

Industrial Market Trends Greenville

Grubb & Ellis Research
First Quarter 2006

 **The Furman Co.**
Property Solutions Worldwide

“Industrial space built since 2004 has a weighted asking rate approximately \$1.60/sf higher than that of older industrial space.”

Poised for lower vacancy

Activity has been high over the past year, but that trend has not fully emerged via the market numbers reported. Only during the last three quarters do the numbers appear to be gaining steam, bringing vacancy down from 14.9 percent to 14.0 percent. The market is becoming more active, with a lot of deals being completed, but a few significant vacancies are wiping out the appearance of many positive gains in the marketplace.

The recently vacated Winn Dixie distribution center is a good example of how one large vacancy can eliminate significant net gains. The building placed over 800,000 square feet of space on the market in the fourth quarter, but overall vacancy still declined slightly. Reoccupation of the Winn Dixie distribution center by an industrial tenant may be imminent; bringing with it a significant drop in vacancy for the second quarter of 2006.

New industrial construction has been limited, but industrial land is available. Tenants have to choose between occupying existing space or new construction, however industrial space built since 2004 has a weighted asking rate approximately \$1.60/sf higher than that of older industrial space. Due to the costs of new construction, many tenants will opt for existing space. The occupation of the former 147,000 square foot Mettler-Toledo facility and the conversion of Arrow Automotive building to a multi-tenant building are two examples of this trend, as will be the reoccupation of the aforementioned Winn-Dixie space. Some tenants are leasing more space than immediately necessary in existing facilities due to the high cost of new construction.

Opportunities seem to be prevalent for property owners willing to meet the demands of today's industrial users by renovating existing facilities to be more competitive. This may require more efficient docking facilities or technological upgrades.

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Brian Reed, AICP

Research Manager

E-mail: breed@furmanco.com

Grubb & Ellis|The Furman Co.

7 N. Laurens Street

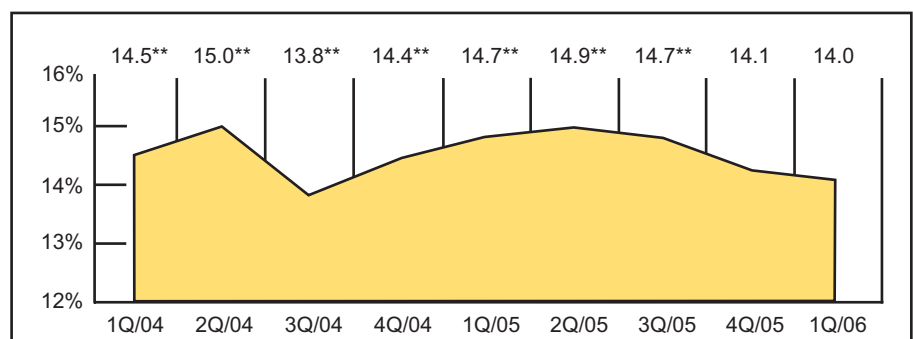
Suite 1000

Phone: 864.242.5151

E-mail: breed@furmanco.com

Internet: www.furmanco-commercial.com

Independently Owned and Operated



Industrial Vacancy Rate*

* All Types of Product

** Adjusted to account for new submarket

Industrial Market Snapshot Greenville First Quarter 2006

By Submarket (All Classes)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption		Under Construction (3)	Asking Rent(4)	
				Current Qtr.	Year-to-date		WH/Dist	R&D/Flex
Central Greenville	8,530,209	827,963	9.7%	140,800	140,800	-	\$2.18	-
I-385 South	19,733,813	2,140,790	10.8%	165,622	165,622	96,000	\$3.10	\$8.14
I-85 East	11,733,813	1,036,353	8.9%	(2,277)	(2,277)	40,000	\$3.27	\$6.78
I-85 West	20,544,656	2,515,205	12.2%	(225,126)	(225,126)	130,000	\$2.95	\$4.04
Spartanburg East (5)	19,146,599	3,257,728	17.0%	35,317	35,317	417,950	\$2.89	\$5.00
Spartanburg West	28,206,032	4,235,731	15.0%	84,256	84,256	-	\$2.79	\$6.46
Taylors-Greer	11,844,312	2,948,963	24.9%	17,110	17,110	-	\$2.90	\$5.71
Travelers Rest	3,145,199	258,969	8.2%	(64,700)	(64,700)	-	\$2.59	-
Greenville Total	75,455,624	9,728,243	12.9%	31,429	31,429	266,000	\$2.94	\$6.73
Spartanburg Total	47,352,631	7,493,459	15.8%	119,573	119,573	417,950	\$2.80	\$5.57
Totals	122,808,255	17,221,702	14.0%	151,002	151,002	683,950	\$2.88	\$6.41
By Property Type								
(All Submarkets)							<u>Wtd Asking Rent</u>	
General Industrial	64,270,712	6,828,057	10.6%	447,241	447,241	130,000	\$2.86	
R&D/Flex	5,463,119	767,523	14.0%	(104,841)	(104,841)	136,000	\$6.41	
Warehouse/Distribution	53,074,424	9,626,122	18.1%	(191,398)	(191,398)	417,950	\$2.88	
Totals	122,808,255	17,221,702	14.0%	151,002	151,002	683,950	\$3.11	

(1) Inventory includes multi-tenant, single tenant and owner-occ buildings with at least 10,000 sq. ft.

(2) Vacant space includes both vacant direct and vacant sublease space.

(3) Space under construction includes speculative and build-to-suit for lease projects.

(4) Asking rates are per square foot per year full service. Rates for each building are weighted by the amount of available space within the building.

(5) Spartanburg East is a new submarket that was added during the first quarter of 2006. Historical numbers have been modified accordingly.

*Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

Industrial Advisors

John Scott, CCIM, SIOR
Vice President, Industrial Group
jscott@furmanco.com

Gerald Peek, CCIM
Industrial Group
gpeek@furmanco.com

David Bright
Industrial Group
dbright@furmanco.com

Brian Young
Industrial Group
byoung@furmanco.com

Glenn Batson
Industrial Group
gbatson@furmanco.com

Statistical audit

Two significant changes in the market statistics took place during the first quarter of 2006:

Additional submarket: The Spartanburg East submarket is now included in the Greenville market. This is a market that has historically experienced higher vacancy rates than the market as a whole. As a result, the vacancy chart on the front page has been adjusted to account for the addition of this market, in order to provide a sense of vacancy trends for the whole market.

Size threshold: The minimum size threshold for industrial property has been increased from 5,000 square feet to 10,000 square feet to insure that statistics provided are more accurate. The impacts of this change on statistics for the market as a whole are not significant.