Industrial Market Trends Greenville

Grubb & Ellis Research
Third Quarter 2006

Grubb & Ellis | The Furman Co.
Property Solutions Worldwide

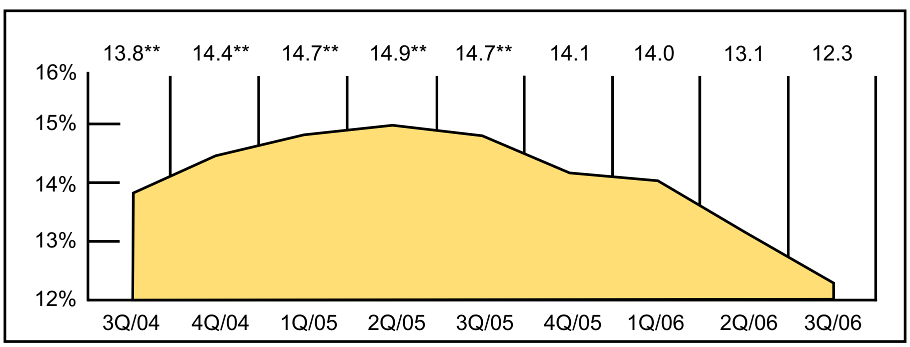
Small warehouses drive industrial market gains

The third quarter of 2006 ushered in a strong quarter for the industrial market, absorbing over 1.2 million square feet of industrial space, dropping overall market vacancy 82 basis points to 12.3 percent. Tightening of the warehouse/distrubition market drove the growth in the third quarter, especially among warehouse space in the 10,000 to 50,000 square foot range.

"The warehouse market is now playing "small-ball," as the market for smaller warehouse spaces tightened considerably in the third quarter."

Growth in the warehouse/distribution sector has been consistent for the past five quarters, led by big hitters like the reoccupation of the former 746,000 square feet Pillowtex warehouse by Gibbs International in 2005. The warehouse market is now playing "small-ball," as the market for smaller warehouse spaces tightened considerably in the third quarter. Vacancy is down to 15.9 percent from 17.7 percent in the second quarter of 2005. During that same time period, vacancy among small warehouses with less than 50,000 square feet of space only dropped from 13.6 percent to 13.4 percent in the second quarter. The small warehouse market enjoyed a 159 basis point drop last quarter, bringing vacancy to 11.8 percent for that property type. Prices provide emphasis on this point, as asking rents for smaller warehouses spaces are $0.62 per square foot higher than larger spaces.

While the warehouse market has enjoyed a lot of growth in the past year, it remains the industrial property type with the highest vacancy rate, indicating that opportunities still exist. As the supply of smaller warehouse spaces dwindles, owners of large vacant warehouse/distribution centers may want to explore converting single tenant space into multi-tenant space, perhaps even examining opportunities to convert space into industrial condos.



Industrial Vacancy Rate*
** All Types of Product*
*** Adjusted to account for new submarket*

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Industrial Market Snapshot Greenville Third Quarter 2006

By Submarket (All Classes)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption Current Qtr.	Net Absorption Year-to-date	Under Construction (3)	Asking Rent(4) WH/Dist	Asking Rent(4) R&D/Flex
Central Greenville	8,530,209	967,895	11.3%	(172,732)	(31,932)	51,000	$2.22	$6.00
I-385 South	19,896,813	1,921,534	9.7%	158,475	480,878	-	$3.13	$8.17
I-85 East	11,657,435	1,053,225	9.0%	61,333	(19,949)	40,000	$4.77	$7.31
I-85 West	20,544,656	2,335,705	11.4%	104,538	(60,408)	130,000	$2.90	$4.17
Spartanburg East (5)	19,220,813	3,100,477	16.1%	10,000	266,782	316,491	$3.00	$5.12
Spartanburg West	28,227,792	3,165,805	11.2%	487,746	1,154,182	-	$2.94	$6.79
Taylors-Greer	11,829,312	2,145,253	18.1%	573,514	747,555	-	$2.88	$5.59
Travelers Rest	3,145,199	444,529	14.1%	-	(250,260)	-	$2.01	-
Greenville Total	**75,603,624**	**8,868,141**	**11.7%**	**725,128**	**866,684**	**221,000**	**$3.00**	**$7.30**
Spartanburg Total	**47,448,605**	**6,266,282**	**13.2%**	**497,746**	**1,420,964**	**316,491**	**$2.95**	**$5.86**
Totals	**123,052,229**	**15,134,423**	**12.3%**	**1,222,874**	**2,287,648**	**537,491**	**$2.98**	**$6.89**

By Property Type (All Submarkets)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption Current Qtr.	Net Absorption Year-to-date	Under Construction (3)	Wtd Asking Rent
General Industrial	64,310,467	5,810,346	9.0%	552,485	1,427,707	181,000	$2.80
R&D/Flex	5,559,119	848,197	15.3%	71,369	(89,515)	40,000	$6.89
Warehouse/Distribution	53,182,643	8,475,880	15.9%	599,020	949,456	316,491	$2.98
Totals	**123,052,229**	**15,134,423**	**12.3%**	**1,222,874**	**2,287,648**	**537,491**	**$3.13**

(1) Inventory includes multi-tenant, single tenant and owner-occupied 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, triple net. 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.*

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.

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