

Industrial Market Trends Greenville-Spartanburg

Grubb & Ellis Research
First Quarter 2009



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Stakeholders on all sides are reluctant to pull the trigger, given current market uncertainty.

Stalled by Uncertainty

The close of the first quarter marked the third consecutive period with a rise in vacancy in the Greenville-Spartanburg industrial market; effectively removing all doubt that market is in contraction mode. Vacancy now stands at 10.2 percent, up over 150 basis points in the past three quarters. Economic uncertainty is paralyzing deal activity right now, which negatively impacts the ability to fill vacated spaces.

The lack of activity should start pressuring a decline in leasing rates, but stakeholders on all sides are reluctant to pull the trigger, given current market uncertainty. Landlords do not want to get locked into unsavory deals while things are down and users do not want to commit in the long-term unless they have rock-solid prospects.

One of the few users to absorb space in the market is Wal-Mart, which leased a 340,000 square foot speculative distribution facility developed by Johnson Development in the Spartanburg West submarket. This deal helped to offset some of the losses in the industrial market.

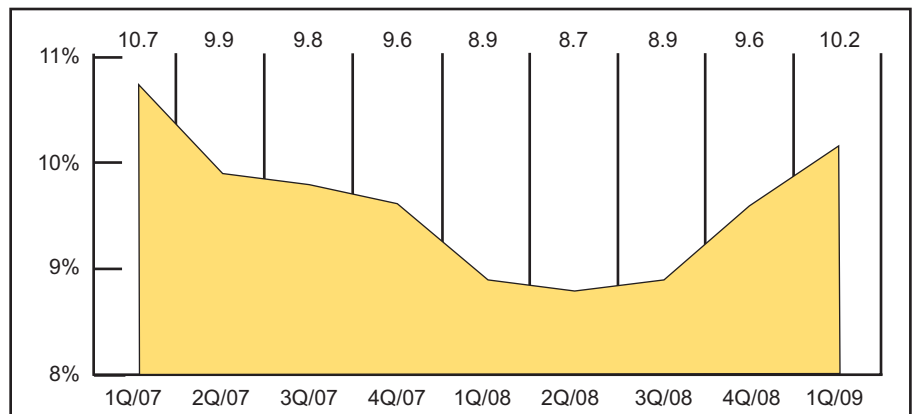
Two of the larger vacancies incurred this quarter included 155,000 square feet of manufacturing space by Grammer Industries in the I-85 West submarket and 110,000 square feet of manufacturing space by Mascot Homes in the Spartanburg West submarket.

Vacancy increases are expected to continue, as there are a number of announced closings that will impact the market. Adidas will be vacating their existing 565,000 square foot facility in favor of their new 1.9 million square foot distribution center, Röchling Automotive is expected to vacate at least 125,000 square feet of distribution space and UTI Logistics will be vacating 200,000 square feet of warehouse space later in the year.

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Industrial Vacancy Rate*

* All Classes of Space

Industrial Market Snapshot Greenville-Spartanburg First Quarter 2009

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	17,173,198	1,537,555	9.0%	(21,814)	(21,814)	-	\$2.83	\$2.80
I-385 South	18,177,908	1,537,555	7.7%	(17,083)	(17,083)	-	\$2.72	\$6.54
I-85 East	12,658,585	1,314,683	10.4%	(92,156)	(92,156)	-	\$3.60	\$8.58
I-85 West	16,156,304	1,890,864	11.7%	(117,779)	(117,779)	-	\$3.36	\$7.28
Taylors-Greer	8,029,935	1,018,320	12.7%	(130,742)	(130,742)	-	\$2.64	\$5.86
Travelers Rest	3,242,754	236,273	7.3%	-	-	-	\$2.28	-
Greenville County	75,438,684	7,397,176	9.8%	(379,574)	(379,574)	-	\$2.90	\$7.16
Spartanburg East	21,016,518	3,232,191	15.4%	(4,839)	(4,839)	-	\$2.32	\$5.14
Spartanburg West	29,901,567	2,823,877	9.4%	(144,255)	(144,255)	2,000,000	\$3.33	\$5.57
Spartanburg County	50,918,085	6,056,068	11.9%	(149,094)	(149,094)	2,000,000	\$3.18	\$5.40
Anderson	16,828,223	1,156,268	6.9%	(15,193)	(15,193)	-	\$2.83	\$2.80
Anderson County	16,828,223	1,156,268	6.9%	(15,193)	(15,193)	-	\$2.83	\$2.80
Totals	143,184,992	14,609,512	10.2%	(543,861)	(543,861)	2,000,000	\$3.02	\$6.41
By Property Type								
(All Submarkets)							Asking Rent (4)	
General Industrial	79,082,003	6,930,788	8.8%	(126,263)	(126,263)	1,200,000	\$2.73	
R&D/Flex	6,503,636	1,285,310	19.8%	(28,381)	(28,381)	-	\$6.41	
Warehouse/Distribution	57,599,353	6,393,414	11.1%	(389,217)	(389,217)	800,000	\$3.02	
Totals	143,184,992	14,609,512	10.2%	(543,861)	(543,861)	2,000,000	\$3.26	

(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.

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

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