

MARKETBEAT INDUSTRIAL SNAPSHOT

GREENVILLE/SPARTANBURG, SC A Cushman & Wakefield Research Publication

Q2 2015



ECONOMIC OVERVIEW

The real estate sector experienced a slowdown in Q1 and Q2 for demand of industrial activity, partially due to a sluggish Q1 which had negative GDP. Several large build-to-suit projects were announced

including Rite Aid at almost 1.0 million square feet (msf) and TTI for 1.3 msf. The market also has about 1.7 msf of speculative activity under construction. The Upstate continues to enjoy declining unemployment rates and increasing demand on the labor pool to fill both blue and white collar jobs. Landlords have been able to sustain the trend of increased rental rates.

The \$500-million announcement by Volvo to build a new plant near Charleston was a huge win for South Carolina. This facility will have a significant impact on suppliers already in the state producing auto parts. Currently there are over 250 auto-related suppliers and, as a result, South Carolina leads the nation in exporting both tires and automobiles. With the BMW announcement in early 2015, there will be an additional 250,000 vehicles built in the state over the next three years which will place incredible demand for suppliers, many of whom are already near capacity. This will also have a ripple effect on other industries that support the auto industry.

INVESTOR OUTLOOK

Investors remain attracted to the Greenville/Spartanburg market with continued interest in both acquisition and new development. Investors that were already in the market are hesitant to sell their assets. Meanwhile new investors are having a difficult time finding good acquisition opportunities. CAP rates remain relatively low in the single digits, and several class A products traded sub 7%. One trend of note is the larger portfolio sales, of which several class A industrial assets are likely to trade in 2015 to new owners less familiar with our market. These potential sales could push prices higher and some pressure on lower CAP rates.

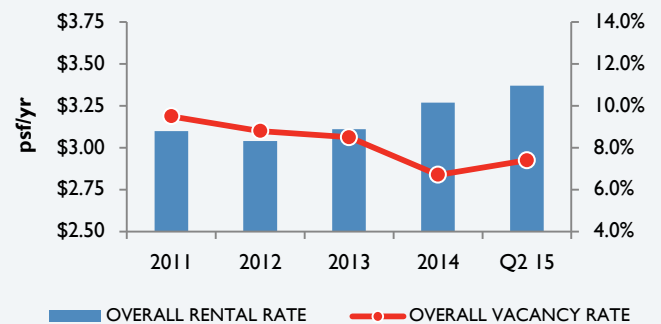
OUTLOOK

We expect several build-to-suit announcements in Q3 and Q4 for 150,000- to 250,000-square-foot (sf) facilities. These are a mix of warehouse and manufacturing. Rental rates remain relatively stable for both class A and B product after reporting double digit growth from 2011 through 2014. Rents are expected to continue to stabilize as speculative space becomes absorbed through 2016.

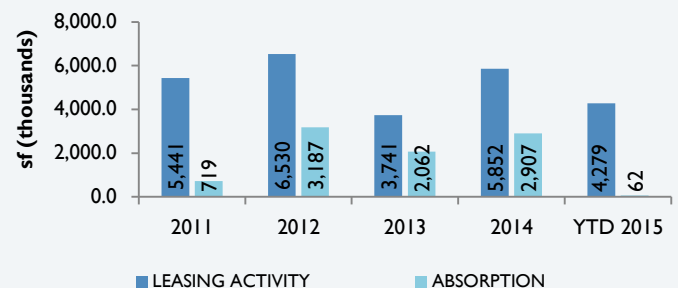
STATS ON THE GO

| | Q2 2014 | Q2 2015 | Y-0-Y CHANGE | 12 MONTH FORECAST |
|------------------------------|-----------|-----------|--------------|-------------------|
| Overall Vacancy | 7.6% | 7.4% | -0.2 pp | ▼ |
| Direct Asking Rents (psf/yr) | \$3.03 | \$3.37 | 11.2% | ▲ |
| YTD Leasing Activity (sf) | 3,217,570 | 4,279,331 | 33.0% | ▲ |

OVERALL RENTAL VS. OVERALL VACANCY RATE



LEASING ACTIVITY VS. ABSORPTION



GREENVILLE, SOUTH CAROLINA

| SUBMARKET | INVENTORY | OVERALL VACANCY RATE | YTD LEASING ACTIVITY | UNDER CONSTRUCTION | YTD CONSTRUCTION COMPLETIONS | YTD DIRECT NET ABSORPTION | YTD OVERALL NET ABSORPTION | DIRECT WEIGHTED AVERAGE NET RENTAL RATE | | | |
|----------------------|--------------------|----------------------|----------------------|--------------------|------------------------------|---------------------------|----------------------------|---|---------------|---------------|---------------|
| | | | | | | | | HT | MF | OS | W/D |
| Southern Greenville | 5,641,2791 | 7.4% | 1,037,001 | 200,000 | 0 | 243,970 | 243,970 | \$0.00 | \$2.72 | \$5.50 | \$4.06 |
| Northern Spartanburg | 41,013,811 | 7.4% | 1,431,136 | 2,122,000 | 430,000 | 113,854 | 113,854 | \$0.00 | \$3.64 | \$4.65 | \$3.21 |
| Northern Greenville | 22,215,934 | 10.9% | 452,811 | 0 | 0 | (35,925) | (35,925) | \$0.00 | \$2.04 | \$0.00 | \$2.76 |
| Greer | 16,279,964 | 6.7% | 248,632 | 190,000 | 492,000 | 473,098 | 473,098 | \$0.00 | \$4.40 | \$5.75 | \$4.06 |
| Hwy. 290 Corridor | 7,659,131 | 6.4% | 510,400 | 0 | 0 | (475,829) | (475,829) | \$0.00 | \$3.04 | \$5.30 | \$3.99 |
| I-85 East Greenville | 9,251,234 | 3.7% | 329,252 | 0 | 0 | 75,471 | 75,471 | \$10.00 | \$4.23 | \$4.45 | \$4.00 |
| Southern Spartanburg | 10,125,292 | 9.8% | 73,651 | 156,000 | 350,000 | 39,451 | 39,451 | \$0.00 | \$2.37 | \$0.00 | \$1.60 |
| Anderson | 19,171,786 | 7.8% | 157,736 | 1,300,000 | 0 | (375,754) | (375,754) | \$0.00 | \$5.00 | \$3.75 | \$2.68 |
| West Greenville | 3,579,367 | 3.2% | 38,712 | 0 | 300,000 | 3,794 | 3,794 | \$0.00 | \$0.00 | \$10.09 | \$5.50 |
| TOTALS | 185,709,310 | 7.4% | 4,279,331 | 3,968,000 | 1,572,000 | 62,130 | 62,130 | \$10.00 | \$3.05 | \$4.39 | \$3.54 |

*RENTAL RATES REFLECT ASKING \$PSF/YEAR HT= HIGH TECH MF= MANUFACTURING OS= OFFICE SERVICE W/D= WAREHOUSE/DISTRIBUTION

Q2 CONSTRUCTION STATS REVISED

MARKET HIGHLIGHTS

| SIGNIFICANT Q2 2015 LEASE TRANSACTIONS | | | | |
|--|----------------|-----------------------|------------------------|---------------------------------|
| | SUBMARKET | TENANT | PROPERTY TYPE | SQUARE FEET |
| TTI | Anderson | Ryobi | Distribution | 1,300,000 |
| Flatwood | N. Spartanburg | Rite Aid | Distribution | 900,000 |
| sSouthchase | S. Greenville | Grainger | Warehouse | 169,000 |
| Pannex | S. Greenville | Pantex | Manufacturing | 140,000 |
| Webber Place | Greenville | Premiere Vessel | Flex | 36,176 |
| SIGNIFICANT Q2 2015 SALE TRANSACTIONS | | | | |
| | SUBMARKET | BUYER | PURCHASE PRICE / \$PSF | SQUARE FEET |
| New Cut and Blackstock Road | N. Spartanburg | Contec | \$2,500,000 / \$14 | 180,000 |
| 3054-3056 Fork Shoals Road | S. Greenville | General Equipment | \$1,800,000 / \$14 | 133,000 |
| White Horse Road | N. Greenville | Mid State Tire | \$2,200,000 / \$22 | 100,000 |
| 18 Page Court | N. Greenville | Passwaters Properties | \$1,600,000 / \$16 | 99,000 |
| 1108 NE Main Street | S. Greenville | Unknown | \$1,025,000 / \$12 | 82,380 |
| 108 Progressive Court | S. Greenville | Solar Atmosphere | \$2,500,000 / \$42 | 60,000 |
| SIGNIFICANT Q2 2015 CONSTRUCTION COMPLETIONS | | | | |
| | SUBMARKET | MAJOR TENANT | COMPLETION DATE | BUILDING SQUARE FEET (% LEASED) |
| Trellborg | N. Spartanburg | Trellborg | Q2 2015 | 430,000 (100%) |
| Falling Creek | S. Spartanburg | Fed Ex | Q1 2015 | 350,000 (100%) |
| Caliber Ridge | Greer | Bosch & Cardinal | Q1 2015 | 312,000 (90%) |
| 2722 White Horse Road & I-85 | W. Greenville | Speculative | Q1 2015 | 300,000 (0%) |
| Hood Road | Greer | COTT | Q2 2015 | 180,000 (100%) |
| SIGNIFICANT 2015 PROJECTS UNDER CONSTRUCTION | | | | |
| | SUBMARKET | TENANT | COMPLETION DATE | BUILDING SQUARE FEET (% LEASED) |
| Highway 290 | N. Spartanburg | Torray | Q2 2016 | Unknown |
| Highway 81 | Anderson | TTI | Q2 2016 | 1,300,000 (100%) |
| Johnson Land at Flatwood | N. Spartanburg | Rite Aid | Q1 2016 | 900,000 (100%) |
| Highway 101 and I-85 | N. Spartanburg | BMW | Q2 2016 | 675,000 (100%) |
| Johnson Land at Flatwood | N. Spartanburg | Speculative | Q2 2016 | 372,000 (100%) |
| 139 Southchase | S. Greenville | Speculative | Q2 2015 | 200,000 (0%) |
| Ben Hamby Court | Greer | Speculative | Q1 2015 | 190,000 (0%) |
| Wingo Park | N. Spartanburg | Speculative | Q3 2015 | 175,000 (0%) |
| Pacolet Land on Hwy. 290 near Hwy. 221 | S. Spartanburg | Kobelco | Q1 2016 | 156,000 (100%) |