

GREENVILLE/SPARTANBURG INDUSTRIAL MARKET

GREENVILLE/SPARTANBURG CONTINUES TO LEAD SOUTH CAROLINA'S INDUSTRIAL MARKET

The economy has officially surpassed the longest expansion on record which lasted 106 months from 1961 to 1969. As we enter the tenth year of growth in July 2019, there are several factors that lead economists to believe the next downturn could happen by the end of 2019 or early 2020. The yield curve, a chart showing the interest rate paid on bonds of different maturities, has inverted. An inverted yield curve, which occurs when short-term interest rates are higher than long-term rates, tends signal an upcoming recession within the next year or two, although it is by no means definitive or causal. Uncertainty about the economy and supply glut accompanying recent tariffs on aluminum, steel, and imports from China, as well as a tight manufacturing job market, have investors and economists keeping a closer-than-usual eye on market fundamentals.

The Upstate industrial market remains strong, though, as we round out the first half of 2019. At the beginning of the trade war with China last August, BMW's vehicle exports from its Spartanburg plant plunged 35.0% compared with the previous year, forcing them to announce an expected profit margin at the lowest level since the Great Recession in 2009. The Spartanburg plant was able to rebound by the end of 4Q 2018 and ended the year as the leading U.S. automotive exporter by value, shipping \$8.4 billion worth of product (81% of the company's total exports) through the Port of Charleston alone in 2018.

In February, the Spartanburg plant produced its 4.5 millionth BMW built in South Carolina. The partnership between BMW and South Carolina continues to thrive as the state remains the nation's leader in the export sales of completed passenger vehicles. The company announced plans to invest \$600 million in the Spartanburg plant from 2018 to 2021. Further, approximately 40 suppliers are now located in South Carolina within a few hours drive to the Spartanburg plant and are responsible for creating more than 20,000 jobs and dramatically multiplying the economic impact of the region.

Spartanburg remains popular among South Carolina's industrial users due in large part to its transportation infrastructure, which includes two interstates (I-85 and I-26), a recently expanded international cargo airport, rail access, the inland port at Greer, and a highly regarded aviation airport. (cont'd)

CURRENT CONDITIONS

Vacancy down to 4.4% from 4.9% one year ago and 8.0% during second-quarter 2014

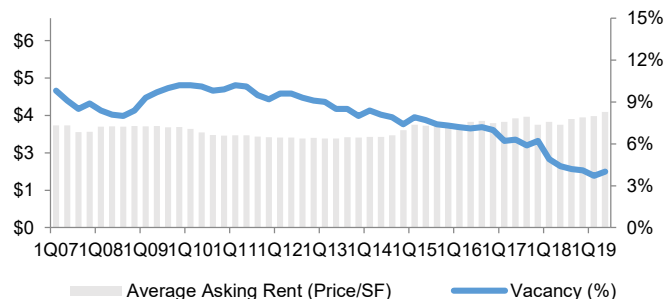
First negative absorption reported since first-quarter 2015

843,730 SF and 9 building delivered while 29 buildings totaling 8,093,168 SF remain under construction

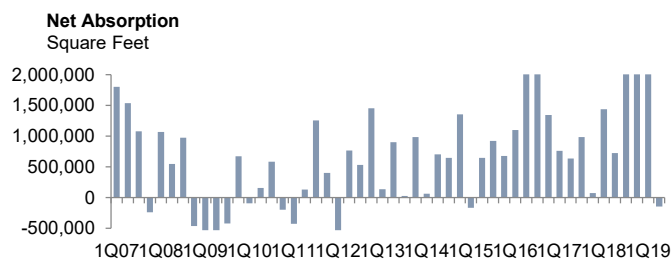
MARKET ANALYSIS

Asking Rent and Vacancy

Asking Rent and Vacancy



Net Absorption (SF, Millions)



MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	222.7 MSF	221.9 MSF	214.9 MSF	↑
Vacancy Rate	4.4%	4.0%	4.9%	↔
Quarterly Net Absorption	-141,799 SF	2.8 MSF	723,427	↑
Average Asking Rent	\$3.87	\$3.73	\$3.50	↑
Under Construction	8.0 MSF	5.4 MSF	7.8 MSF	↑

2Q 2019 GREENVILLE/SPARTANBURG INDUSTRIAL MARKET



The widening of I-85, which will be funded by the roads bill that passed in 2017, will be a catalyst for further investment in the region. The \$485.5 million project is second only to the Cooper River Bridge project in Charleston in terms of cost for the Department of Transportation. The project is expected completed in 2021.

The Upstate industrial market continues to outperform all other markets in the South Carolina. The quarter ended with market-wide vacancy at an extremely low 4.4%- a feat in light of the fact that nearly 1.4 million square feet were delivered last quarter. The abundance of new space has resulted in negative absorbcency for the first time in two years, but the space is expected to be filled quickly. In fact, the market positively absorbed more than 1,000,000 square feet in each of the last five quarters. 6.8 million square feet remain under construction.

The Upstate industrial market continues to prove it can thrive in light of national economic uncertainty and is able to rebound when unfavorable market factors arise.

SUBMARKET STATISTICS

	Total Inventory (SF)	Total Vacancy Rate	Total Availability Rate	Qtr Absorption (SF)	YTD Absorption (SF)	INDUSTRIAL Asking Rent (Price/SF)	FLEX Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Anderson County	24,289,448	2.0%	6.0%	-12,341	277,077	\$3.18	-	\$3.18
Cherokee County	8,620,552	0.9%	5.3%	48,759	614,250	\$3.63	\$7.50	\$3.69
Greenville County	81,021,937	5.2%	7.7%	-420,589	-682,975	\$4.14	\$7.48	\$4.43
Laurens County	13,286,926	1.4%	11.1%	65,600	86,500	\$3.37	-	\$3.37
Pickens County	6,984,940	0.8%	5.8%	60,572	121,028	\$2.75	-	\$2.75
Spartanburg County	87,401,046	5.4%	10.7%	138,199	2,268,276	\$3.60	\$6.69	\$3.68
Market	222,731,782	4.4%	8.8%	-141,799	2,735,137	\$3.71	\$7.59	\$3.87

SELECT LEASE TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
	50 Tyger River Dr	Rt 290 Corridor	New	221,833
Kenco Management Services	280 Parkway East	Rt 290 Corridor	Renewal	161,967
R&E Automated	175 Spartangreen Blvd	Rt 290 Corridor	New	111,173
ChemPak	625 S Old Piedmont Hwy	I-85 South/Donaldson	New	100,000

SELECT SALES TRANSACTIONS

Building	Submarket	Sales Price	Price/SF	Square Feet
158 Daniel Morgan Ave	Spartanburg CBD	\$6,000,000	\$83.64	71,740
1840 S Highway 14	Rt 14 Corridor	\$4,106,000	\$41.06	100,000

Economic Conditions

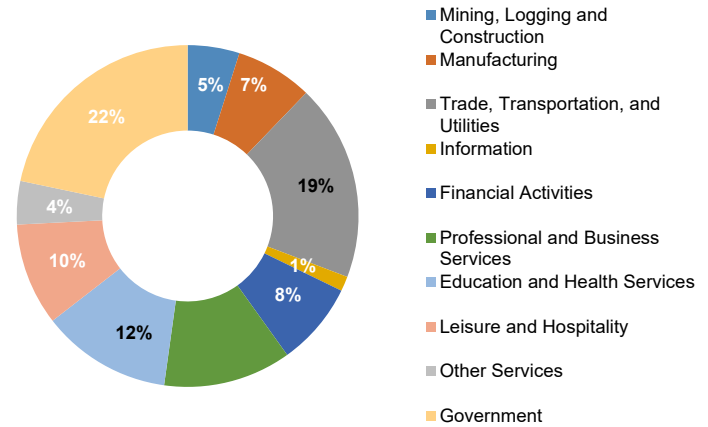
Unemployment in South Carolina remains below the national employment rate of 3.7% at 3.5% as of July 2019. Trade, government and professional services continue to dominate the state's employment sectors, as companies continue to migrate into and grow with South Carolina.

South Carolina currently leads the nation in the percentage of jobs linked to non-U.S.-based companies. 8.2 percent of total private sector employment in South Carolina is due to foreign direct investment. In fact, foreign direct investment in South Carolina has grown 21% in the last five years, while the private sector has only seen 14% growth.

Recent newcomers to South Carolina from outside the U.S. include: Fuyao North America, Inc., one of the largest automotive glass producers worldwide, which is investing \$16.1 million in a new processing center in Greenville County; Miwon Specialty Chemical Co. USA plans to invest \$19.5 million in new production operations in Richland County; and The Quality Model Group of companies plans to expand its plastic injection molding operations in Orangeburg County in another \$9.5-million capital investment.

EMPLOYMENT BY INDUSTRY

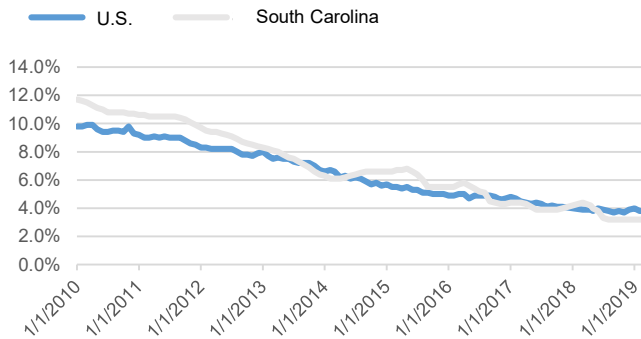
South Carolina, 2018



Source: U.S. Bureau of Labor Statistics

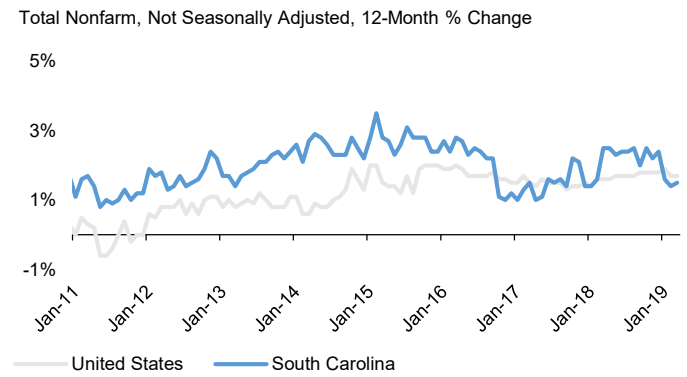
UNEMPLOYMENT RATE

Not Seasonally Adjusted



PAYROLL EMPLOYMENT

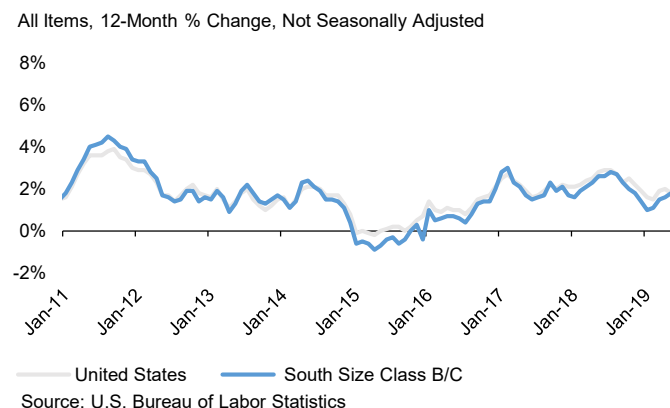
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

CONSUMER PRICE INDEX (CPI)

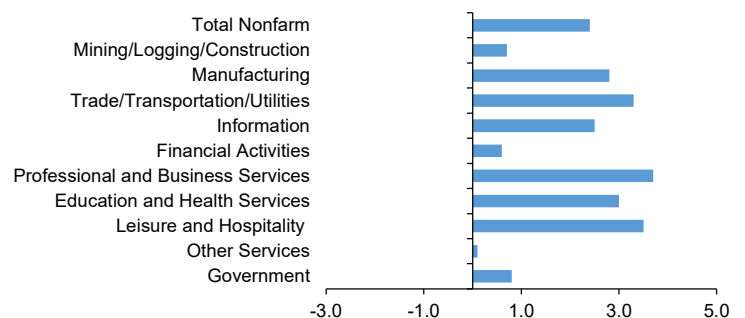
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

EMPLOYMENT GROWTH BY INDUSTRY

Columbia, 2018, 12-Month % Change, Not Seasonally Adj.



Source: U.S. Bureau of Labor Statistics



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