



Secondary market activity expected to increase

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Key Takeaways

- > Due to 11-hour drive-time regulations, secondary markets become attractive for the location of new industrial centers.
- > Despite 2,133,050 square feet of completed construction during the third quarter, the Greenville-Spartanburg-Anderson market still absorbed approximately 2.63 million square feet.

Secondary Market Growth is Feasible Due to New ELD Regulations

Due to e-commerce, the industrial market is booming throughout the U.S., and manufacturers and distributors are searching for new places to locate industrial facilities. Primary cities such as Boston, Chicago, New York, Los Angeles, San Francisco and Washington D.C. used to be among the first considered when choosing a location for manufacturing and distribution. However, many secondary markets such as Greenville, Spartanburg, Charleston, Cincinnati, Indianapolis, Memphis, Orlando, Phoenix and Las Vegas are emerging as a logical choice for new locations. The Greenville and Spartanburg regions will be choice secondary markets within the logistics chain due to access to logistics components such as: close proximity to the deepest seaport in the U.S., ease of access to the inland ports in Greer and Dillon, access to major airports, and convenient accessibility to multiple highways. In addition, both of these regions have land available for development, an increasing number of industrial jobs, close proximity to other primary and secondary markets, capital investment interest, and rapid population growth.

The trucking industry is a focal point within the industrial logistics chain, and as trucking regulations are switched from Automatic On-Board Recording Devices (AOBRDs) to Electronic Logging Devices (ELDs), secondary markets will become more attractive than primary markets for new manufacturing and distribution centers. ELDs are intended to create a safer work environment for truck drivers. The most pressing factor of the new rule, which will affect the supply chain, is the 11-hour drive-time regulation. The current primary market locations were acceptable when there

Market Indicators

Relative to prior period

Q3 2018

Q4 2018*

Market Indicator	Q3 2018	Q4 2018*
VACANCY	↓	↓
NET ABSORPTION	+	+
CONSTRUCTION	↑	↑
RENTAL RATE**	↑	↑

Note: Construction is the change in Under Construction.

*Projected

**Rent forecast is for metro-wide rents.

Summary Statistics

Q3 2018 Greenville Industrial Market

GSA Market

Vacancy Rate	5.74%
Change From Q3 2017 (basis points)	-32
Absorption (Million Square Feet)	2.63
New Construction* (Million Square Feet)	2.13
Under Construction (Million Square Feet)	5.17

*New construction is buildings delivered

Asking Rents

NNN Per Square Foot Per Year

Market	\$3.52
Flex	\$8.08
Warehouse	\$3.22
Manufacturing	\$5.44

were no regulations on trucking drive-time using the AOB RD system; however, most primary distribution and manufacturing centers are located too far from one another for truck drivers to reach them under this new regulation time frame. Conversely, secondary markets are not spread as far away from one another and are feasible for locating new manufacturing and distribution hubs. The new ELD regulations have many positive aspects, and once everyone is in compliance- secondary markets are the most logical place to build new industrial centers so they may be safely reached within the 11-hour drive-time and truck drivers will be in compliance under the new regulations while still meeting client needs.

Market Overview

The Greenville-Spartanburg-Anderson industrial market is comprised of 3,000 buildings totaling approximately 198.9 million square feet. During the third quarter of 2018, 10 buildings adding 2,133,050 square feet of new industrial space to the market were completed. In addition, there are currently eight proposed warehouses and two proposed flex/R&D buildings, which will add 1,213,820 square feet to the region, if completed. The overall market vacancy rate dropped from 6.06% during the second quarter of 2018 to 5.74% this quarter, and the market absorbed an astounding 2,635,826 square feet of industrial space. Also, during the third quarter of 2018, the average triple net weighted rental rate rose to \$3.52 per square foot, up 3.53% from the second quarter 2018 rental rate of \$3.40 per square foot.

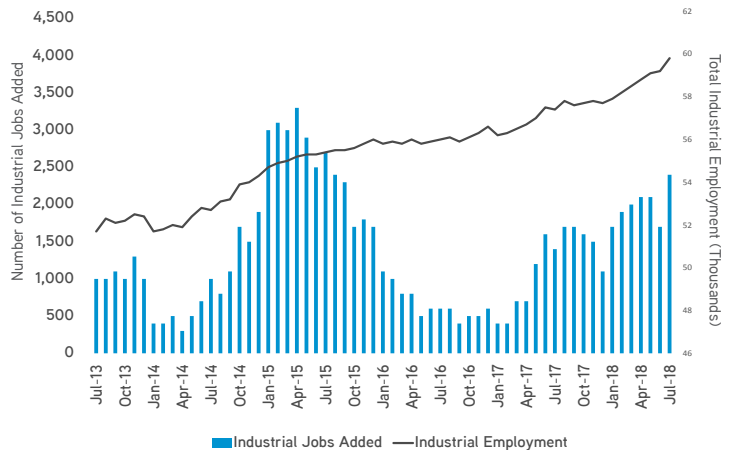
Warehouse/Distribution

The warehouse/distribution market segment is the largest sector within the Greenville-Spartanburg-Anderson industrial market, consisting of approximately 176 million square feet, and there are currently eight buildings proposed for construction that would add roughly 1.10 million square feet to the warehouse/distribution sector. The warehouse/distribution vacancy rate dropped to 5.80% this quarter, despite six new warehouses totaling 1,257,490 square feet delivering to the market. In addition, 1,639,144 square feet of warehouse space was absorbed during the third quarter of 2018. The average triple net weighted rental rate also rose from \$3.15 per square foot during the second quarter of this year to \$3.22 per square foot this quarter.

Manufacturing

The manufacturing sector of the Greenville-Spartanburg-Anderson market is comprised of approximately 18.47 million square feet of manufacturing buildings, and 821,320 square feet of new manufacturing space completed construction during the third quarter of 2018. This sector absorbed 1,007,320 square feet of manufacturing buildings during the third quarter, and the vacancy rate decreased from 4.55% last quarter to 3.34% this quarter. The average triple net weighted manufacturing rental rate increased from \$3.81 per square foot during the second quarter of 2018 to \$5.44 per square foot during the third quarter of 2018.

Industrial Employment | Greenville-Spartanburg-Anderson MSA



Source: Bureau of Labor Statistics, St. Louis Federal Reserve, Colliers International

Flex/R&D

The flex sector of the Greenville-Spartanburg-Anderson market is comprised of approximately 4.52 million square feet, and 54,240 square feet of new flex buildings were added to the market this quarter. The average triple net weighted rental rate dropped slightly from \$8.30 per square foot during the second quarter of this year to \$8.08 per square foot during the third quarter of 2018. In addition, the flex sector posted a negative absorption of 10,638 square feet and, probably due to the newly added buildings, the flex vacancy rate rose from 11.90% last quarter to 13.19% this quarter.

Significant Transactions

Within the Greenville-Spartanburg-Anderson market, CoStar reports 25 signed leases during the third quarter of 2018. CoStar also reported 43 sale transactions during the third quarter of 2018, including a three-property, 175,000-square-foot portfolio sale that was purchased for \$1.67 million in Inman, SC.

Leases

- CWT leased a 100,000-square-foot distribution center in Greer at 1631 Highway 14.
- 58,600 square feet were leased by Landair in Greenville at 199 Black Hawk Road.
- Diane's Petcare leased a 44,384-square-foot warehouse in Anderson at 815 Hamby Road.
- Austin Industrial leased 32,500 square feet at 4260 Orchard Park Boulevard in Spartanburg.

Sales

- Reba Woodruff LLC purchased a 70,000-square-foot industrial building for \$9 million; the property is located at 1868 Woodruff Road in Greenville.

- > A 65,000-square-foot Class B warehouse, located at 1089 Park West Boulevard in Greenville, was sold to Brabham Oil Company, Inc. for \$3.9 million.
- > Jones Land Co. LLC purchased a 66,645-square-foot warehouse for \$2.25 million; the building is located at 223 Pine Road in Easley.

Construction Pipeline

Construction activity remains high in the Greenville-Spartanburg-Anderson market, with 5.17 million square feet under construction and 2,133,050 square feet of industrial construction delivered this quarter.

Delivered

- > Plastics Omnium completed construction at a 650,000-square-foot plant in Moore at 310 Genoble Road.
- > Construction completed on a 408,000-square-foot spec building in the Hillside Enterprise Industrial Park, located near I-85 and Highway 290 in Duncan, SC.
- > 222 GSP Logistics Parkway completed the delivery of phase three of construction within the 271,890-square-foot Class A warehouse building.
- > Pacolet Milliken Enterprises, Inc. completed a 200,000-square-foot warehouse at Midway Green Industrial Park, located at 260 Midway Dr in Union, SC during the third quarter of 2018.
- > Buildings A (which is a spec building) and B (which is preleased to Global Automotive Partners), located on Apple Valley Road in Greer, SC, completed construction.
- > Wingo Park has one building which completed this quarter and consists of 171,600 square feet at 2725 New Cut Road.
- > A 28,000-square-foot flex/R&D building located at 707 Airport Road in Greenville is now complete.
- > 96 Brookfield Oaks Drive in Greenville now has a completed 26,240-square-foot flex/R&D building.
- > A 10,000-square-foot warehouse completed construction in Spartanburg this quarter.

Under Construction

- > Construction continues for the 2.5 million-square-foot Michelin distribution center located on Highway 101 in Spartanburg County. The delivery of the first phase is expected this year.
- > 101 Masters Boulevard currently has an 800,000-square-foot manufacturing facility under construction in Anderson.
- > Construction continues at the Inland 85 Logistic Center in Greer. The Logistic Center is the largest speculative building in the market, consisting of 500,280 square feet. The delivery date for this project is expected to be year-end 2018.
- > Spartan Ridge Logistics Center at 2010 Nazareth Church Road in Spartanburg is adding a spec building comprised of 273,000 square feet, and the projected completion date is November of 2018.

- > A 250,000-square-foot warehouse is under construction in Anderson County at 550 Highway 76.
- > Spartan Ridge on Tyger Lake Road currently has a 213,200-square-foot warehouse under construction.

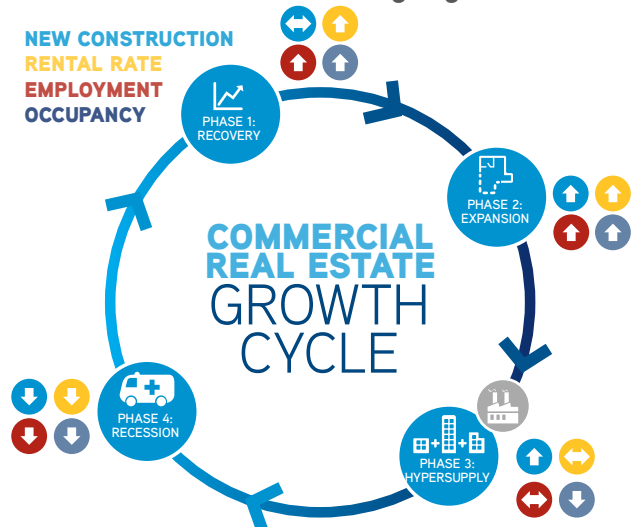
Capital Investment & Employment

Through June of 2018, there were \$585.8 million in capital investments, accounting for 1,428 jobs announced within the Greenville-Spartanburg-Anderson region. Much of the investments include a coffee roasting and packing company, advanced materials manufacturing, biosciences and automotive production. According to the Federal Reserve data through July of 2018, industrial employment comprises 10.2% of the Greenville-Spartanburg-Anderson total employment, or about 59.8 thousand jobs in the region. There were 2,400 industrial jobs added during the past 12 months ending with July 2018.

Market Forecast

Secondary market locations will become more attractive to owners and investors looking for new industrial sites, due to new ELD regulations and 11-hour drive-time rules. Close proximity to efficient logistics, a healthy business climate, land available for development and a robust economy will put the Greenville-Spartanburg-Anderson market in the forefront of choice locations. Even though 2.13 million square feet of new industrial product was delivered to the market, the region still absorbed approximately 2.63 million square feet; the demand for industrial properties remains high. Even with 5.17 million square feet of construction underway, vacancy is expected to decrease through year-end. Rental rates will be on the rise in the coming quarters while high-quality new construction continues to be delivered to the market.

Commercial Real Estate Growth Cycle: Where the market stands and where it is going.



Q3 2018 Industrial Market Summary Statistics | Greenville-Spartanburg-Anderson, SC

MARKET	BUILDINGS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE (%)	NET ABSORPTION (SF)	RENTAL RATE (NNN)
ANDERSON COUNTY								
Flex/R&D	1	38,000	-	-	-	0.00%	-	-
Manufacturing	12	2,678,489	38,920	-	38,920	1.45%	-	\$5.55
Warehouse/Distribution	183	12,121,490	731,105	-	731,105	6.03%	37,290	\$2.25
Anderson County Total	196	14,837,979	770,025	-	770,025	5.19%	37,290	\$2.31
AUGUSTA ROAD DONALDSON								
Flex/R&D	4	74,687	6,000	-	6,000	8.03%	-	\$6.00
Manufacturing	21	788,404	31,500	-	31,500	4.00%	-	-
Warehouse/Distribution	165	10,005,853	146,148	-	146,148	1.46%	79,460	-
Augusta Road Donaldson Total	190	10,868,944	183,648	-	183,648	1.69%	79,460	\$6.00
COWPENS								
Manufacturing	5	163,456	-	-	-	0.00%	-	-
Warehouse/Distribution	20	2,909,708	336,667	-	336,667	11.57%	-	\$2.85
Cowpens Total	25	3,073,164	336,667	-	336,667	10.96%	-	\$2.85
GAFFNEY								
Manufacturing	3	71,889	2,000	-	2,000	2.78%	-	\$3.00
Warehouse/Distribution	54	4,900,574	598,133	-	598,133	12.21%	-	\$3.65
Gaffney Total	57	4,972,463	600,133	-	600,133	12.07%	-	\$3.65
GREENWOOD COUNTY								
Flex/R&D	2	34,528	3,000	-	3,000	8.69%	-	\$3.20
Manufacturing	20	2,942,023	-	-	-	0.00%	-	-
Warehouse/Distribution	35	1,268,914	74,700	-	74,700	5.89%	-	-
Greenwood County Total	57	4,245,465	77,700	-	77,700	1.83%	-	\$3.20
HWY 101 CORRIDOR								
Flex/R&D	26	765,544	25,700	-	25,700	3.36%	-13,850	\$7.30
Manufacturing	5	1,159,790	-	-	-	0.00%	821,320	-
Warehouse/Distribution	157	8,132,224	661,597	-	661,597	8.14%	273,590	\$4.57
Hwy 101 Corridor Total	188	10,057,558	687,297	-	687,297	6.83%	1,081,060	\$4.94
HWY 221 CORRIDOR								
Flex/R&D	1	73,404	-	-	-	0.00%	-	-
Manufacturing	17	510,663	38,700	-	38,700	7.58%	10,000	\$3.00
Warehouse/Distribution	50	3,827,156	66,078	-	66,078	1.73%	-	\$3.25
Hwy 221 Corridor Total	68	4,411,223	104,778	-	104,778	2.38%	10,000	\$3.07
HWY 29/129 CORRIDOR								
Flex/R&D	3	62,894	28,955	-	28,955	46.04%	-	\$5.84
Manufacturing	11	351,454	-	-	-	0.00%	-	-
Warehouse/Distribution	157	12,441,545	460,883	195,064	655,947	5.27%	18,000	\$2.47
Hwy 29/129 Corridor Total	171	12,855,893	489,838	195,064	684,902	5.33%	18,000	\$2.68
HWY 290 CORRIDOR								
Flex/R&D	2	62,690	16,600	-	16,600	26.48%	-	\$8.54
Manufacturing	14	1,336,212	-	-	-	0.00%	-	-
Warehouse/Distribution	81	8,859,031	491,418	174,000	665,418	7.51%	599,380	\$3.35
Hwy 290 Corridor Total	97	10,257,933	508,018	174,000	682,018	6.65%	599,380	\$3.54
HWY 585 CORRIDOR								
Flex/R&D	13	524,045	133,300	-	133,300	25.44%	-30,545	\$4.60
Manufacturing	28	748,803	10,000	-	10,000	1.34%	-	\$2.75
Warehouse/Distribution	100	9,191,231	880,785	-	880,785	9.58%	36,382	\$4.47
Hwy 585 Corridor Total	141	10,464,079	1,024,085	-	1,024,085	9.79%	5,837	\$4.43

Q3 2018 Industrial Market Summary Statistics | Greenville-Spartanburg-Anderson, SC

MARKET		INVENTORY (SF)	DIRECT VACANT (SF)	SUBLEASE VACANT (SF)	TOTAL VACANT (SF)	TOTAL VACANCY RATE (%)	NET ABSORPTION (SF)	RENTAL RATE (NNN)
HWY 81 CORRIDOR								
Flex/R&D	1	14,082	6,348	-	6,348	45.08%	-2,000	\$6.34
Manufacturing	4	141,700	-	-	-	0.00%	-	-
Warehouse/Distribution	29	4,276,038	-	-	-	0.00%	-	-
Hwy 81 Corridor Total	34	4,431,820	6,348	-	6,348	0.14%	-2,000	\$6.34
MAULDIN								
Flex/R&D	14	293,369	21,493	-	21,493	7.33%	2,497	\$7.07
Manufacturing	14	584,427	200,000	-	200,000	34.22%	-	\$7.00
Warehouse/Distribution	130	8,990,707	250,215	-	250,215	2.78%	58,000	\$4.09
Mauldin Total	158	9,868,503	471,708	-	471,708	4.78%	60,497	\$5.58
PELHAM ROAD								
Flex/R&D	18	437,568	58,238	-	58,238	13.31%	3,100	\$11.26
Manufacturing	7	193,806	54,975	-	54,975	28.37%	-	\$4.45
Warehouse/Distribution	98	4,757,738	91,865	-	91,865	1.93%	42,335	\$6.20
Pelham Road Total	123	5,389,112	205,078	-	205,078	3.81%	45,435	\$7.67
PIEDMONT								
Flex/R&D	6	124,374	37,581	-	37,581	30.22%	-2,969	\$11.34
Manufacturing	8	179,557	64,000	-	64,000	35.64%	-	\$4.75
Warehouse/Distribution	85	3,912,942	48,800	-	48,800	1.25%	9,250	\$4.43
Piedmont Total	99	4,216,873	150,381	-	150,381	3.57%	6,281	\$7.05
SIMPSONVILLE FOUNTAIN INN								
Flex/R&D	4	77,776	7,175	-	7,175	9.23%	-	\$5.24
Manufacturing	8	228,728	-	-	-	0.00%	-	-
Warehouse/Distribution	132	12,952,131	556,731	-	556,731	4.30%	15,000	\$3.63
Simpsonville Fountain Inn Total	144	13,258,635	563,906	-	563,906	4.25%	15,000	\$3.67
WHITE HORSE								
Flex/R&D	1	18,502	-	-	-	0.00%	18,502	-
Manufacturing	1	23,665	21,165	-	21,165	89.44%	2,500	\$5.00
Warehouse/Distribution	73	5,159,491	639,494	-	639,494	12.39%	70,600	\$3.66
White Horse Total	75	5,201,658	660,659	-	660,659	12.70%	91,152	\$3.70
WINGO								
Flex/R&D	1	30,605	-	-	-	0.00%	-	-
Manufacturing	16	485,147	-	-	-	0.00%	32,500	-
Warehouse/Distribution	58	8,517,669	1,083,104	-	1,083,104	12.72%	171,600	\$2.98
Wingo Total	75	9,033,421	1,083,104	-	1,083,104	11.99%	204,100	\$2.98
OTHER SUBMARKETS								
Flex/R&D	56	1,890,394	252,244	-	252,244	13.34%	15,077	\$8.16
Manufacturing	121	5,878,300	155,636	-	155,636	2.65%	141,000	\$2.88
Warehouse/Distribution	925	53,733,482	2,693,150	27,800	2,720,950	5.06%	228,257	\$2.88
Other Submarket Total	1,102	61,502,176	3,101,030	27,800	3,128,830	5.09%	384,334	\$3.04
MARKET TOTAL								
Flex/R&D	153	4,522,462	596,634	-	596,634	13.19%	-10,638	\$8.08
Manufacturing	315	18,466,513	616,896	-	616,896	3.34%	1,007,320	\$5.44
Warehouse/Distribution	2,532	175,957,924	9,810,873	396,864	10,027,737	5.80%	1,639,144	\$3.22
Market Total	3,000	198,946,899	11,024,403	396,864	11,421,267	5.74%	2,635,826	\$3.52

Source: CoStar, Colliers International

In January 2017, Colliers International benchmarked its industrial data set statewide. The new standard for collection is all industrial buildings 10,000 square feet or larger that can be readily adapted to an alternative industrial use. All properties were placed into a revised set of markets and submarkets and divided into three categories. **Warehouse/Distribution**, a facility primarily used for the storage or distribution or both of materials, goods and merchandise. **Manufacturing**, a facility used for the conversion, fabrication or assembly of raw or partly wrought materials into products or goods. **Flex/R&D**, a building designed to be used in a variety of ways with at least 30% of the rentable building area used as office. It is usually located in an industrial park setting. Specialized flex buildings can include service centers, showrooms, offices, warehouses and more. **Due to the adjustments of the building inventory, comparison of data included in previously published market reports should be avoided.**

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\$2.7
billion in
annual revenue

2
billion square feet
under management

15,400
professionals
and staff

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