

FIGURES | GREENVILLE-SPARTANBURG – INDUSTRIAL MARKET | Q3 2023

Overcommitment leads to sublease opportunities

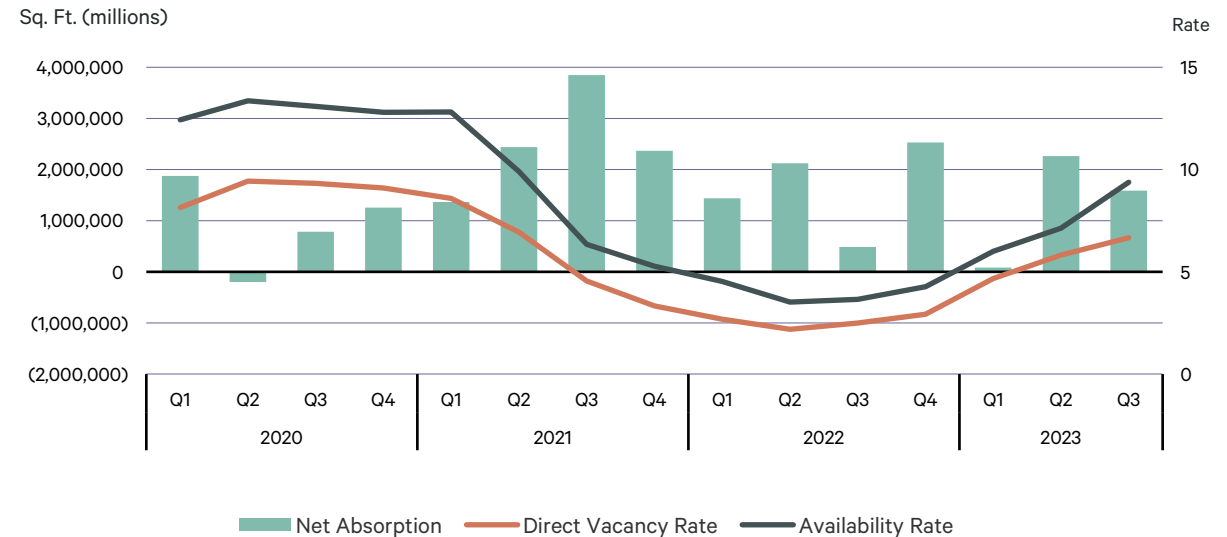
▲ 6.7% **Direct Vacancy Rate** ▲ 9.4% **Availability Rate** ▲ 1.6M sq. ft. **Net Absorption** ▼ 14.2M sq. ft. **Under Construction**

Note: Arrows indicate change from previous quarter.

The Greenville-Spartanburg industrial market is experiencing increased subleasing and space returns, as a result of previous overcommitments during a time when supply was limited. Consequently, the total market availability has risen to 9.4%, with sublease space accounting for 1.8%. This trend, triggered by developers rushing to initiate construction previously, is not unique to this area but is being seen across the southeast. The combination of new deliveries and space returns has resulted in a temporary oversupply within large industrial properties throughout the market.

- **Development:** 2.1 million sq. ft. delivered during the third quarter of 2023 and there are currently 14.2 million sq. ft. under construction in the Greenville-Spartanburg industrial market.
- **Class A Rents:** Rental rates will continue to grow, but at a slower pace than the last two years, as new industrial product delivers throughout this year. During the third quarter of 2023, Class A warehouse rental rates averaged \$5.23 per sq. ft. per annum over the past four quarters.
- The U.S. economy is facing emerging challenges such as soaring oil prices, the resumption of student loan payments, and a sluggish global economy due to high interest rates. As a result, more tenants in the Greenville-Spartanburg market are expected to adjust to this economic uncertainty causing a delay in occupier decisions to take space.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE Research, Q3 2023

Development Activity

The Greenville-Spartanburg industrial market has had nearly 10-million sq. ft. deliver this year, as a result, of the 2020 race to build industrial property to accommodate growing demand. Although the supply has temporarily surpassed demand, this trend is expected to be short-lived as strong market fundamentals continue to attract new tenants. The third quarter of 2023 saw the addition of seven speculative industrial buildings, adding 2.1 million sq. ft. to the market. The highest vacancy rate is in properties ranging from 400,000 to 700,000 sq. ft., but it remains below 8% in all size ranges. Pre-leasing relative to new deliveries has waned in 2023 thus far, and leasing is expected to be lessened, but consistent, going forward.

FIGURE 3: New Speculative Deliveries Q3 2023

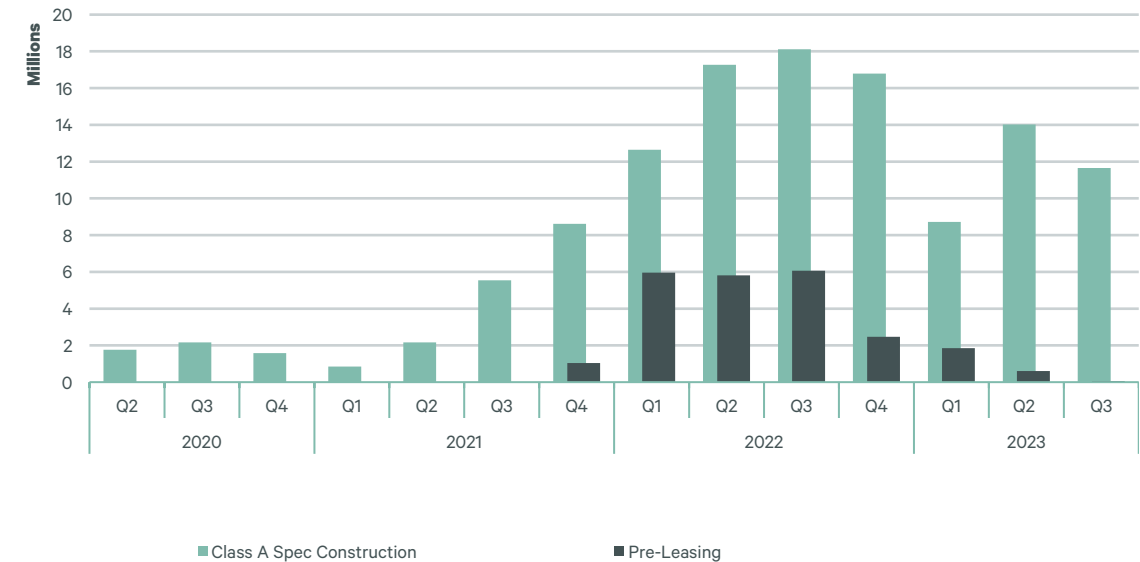
Park/Site Name	Building Name	Building Address	Square Feet	Submarket
Enterprise 85	Bldg. 1	Augusta Road	1,006,880	I-85 West
Duncan 85 Business Center		1061 Duncan Reidville Road	273,000	Spartanburg West
		Freeman Farm Road	263,500	Spartanburg West
Evergreen Logistics		1105 Scotts Bridge Road	258,801	Anderson
Atlas at Inland Port Greer	Bldg. 1	297 Genoble Road	150,006	Spartanburg West
Axial Crosspoint	Bldg. 2	101 Piedmont Grove Park	73,271	Central Greenville
Duncan Hwy 101 Industrial Park		532 Mayfield Road	25,000	Spartanburg West

Source: CBRE Research, Q3 2023

Absorption & Leasing Activity

The Greenville-Spartanburg market has recorded a net absorption of 6.4 million sq. ft. over the past four quarters, despite new building construction contributing to the increasing vacancy rate. Although this absorption is favorable, it falls short of previous record-breaking years. Currently, the supply exceeds demand, leading to a temporary decrease in absorption, but leasing velocity is expected to recover, boosting absorption, by year-end 2024. In the third quarter of 2023, 20 lease transactions were made, amounting to 1.4 million sq. ft., inclusive of three lease renewals.

FIGURE 2: Historical Class A Speculative Construction Activity & Pre-Leasing

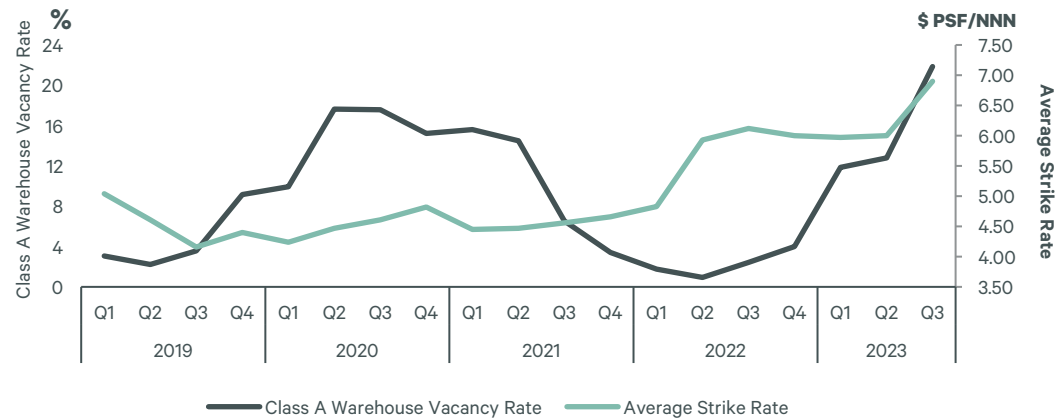


Source: CBRE Research, Q3 2023

Pricing: Asking Rates and Strike Rates

The industrial lease strike rates in Greenville-Spartanburg saw a slight rise in Q3 2023 to \$6.90 per sq. ft. (NNN). The market asking rates have been steadily increasing over time and have now stabilized at a higher rate of \$5.25 per sq. ft., marking a 10% growth from Q3 2022. However, the pace of growth is expected to slow down in the upcoming quarters due to the continuous influx of new buildings and a decrease in construction pricing.

FIGURE 4: Class A Warehouse Vacancy Rate and Average Strike Rate



Source: CBRE Research, Q3 2023

Capital Markets

Despite the potential of a minor recession, property sales started to improve in the third quarter of 2023, although transactions were slower than in previous years. Within this quarter, 17 properties were sold, with the largest being a 670,667 sq. ft. building at 101 Alliance Parkway in the Anderson submarket. The average sale size was 121,282 sq. ft. The Greenville-Spartanburg industrial market holds a stronger position for investment interest compared to other tertiary markets nationwide, due to its status as a target industrial-user market within the Southeast and key long-term market fundamentals.

Outlook

The U.S. economy has demonstrated resilience despite stringent credit conditions and banking sector write-downs, largely due to the impact of the Chips and IRA Acts on the construction sector, Federal Reserve and FDIC's support to banks, and strong consumer balance sheets and incomes. However, challenges such as rising oil prices, the resumption of student loan payments, and a weakening global economy are emerging in the face of high-interest rates. The Federal Reserve's predicted end to its tightening cycle could benefit real estate capital markets. Although economic growth may slow down, valuations are expected to stabilize by the first half of 2024. The Upstate region may face additional stressors like increasing sublease space and lease give-backs but this creates opportunities for new companies due to the availability of large blocks of space.

Market Appeal

- **Inland Port in Greer:** Over 43% of the U.S. population lives within a 1-day truck drive of the Inland Port in Greer; therefore, this region is attractive for both manufacturing and consumer goods distribution. The rail served inland port terminal handled the 24/7 schedule and overnight access to the Port of Charleston adding tremendous value to users in the market. Per the SCPA figures, more people can be reached from the location in Greer than either Atlanta or Charlotte in a one-day drive time. This port handled over 150,000 rail lifts during the fiscal year of 2022 on or off Norfolk Southern trains. Rail expansion is now complete, and the next phase of construction, slated for completion in winter 2024, will double cargo capacity by expanding the container yard by 15 acres.
- **Labor Market:** Greenville-Spartanburg has emerged as a desirable location for people seeking a better quality of life and affordability. Strong inbound net migration figures have helped to ease the tight labor market larger neighboring markets are currently experiencing. The current unemployment rate for GSP stands at 2.3% as of August 2023, 8 basis points lower than January of 2023.
- **Infrastructure:** The Greenville-Spartanburg International airport, the major interstates, such as I-85 and I-26, and utilities are slated for upgrades to help continue to support the growth of the Upstate.

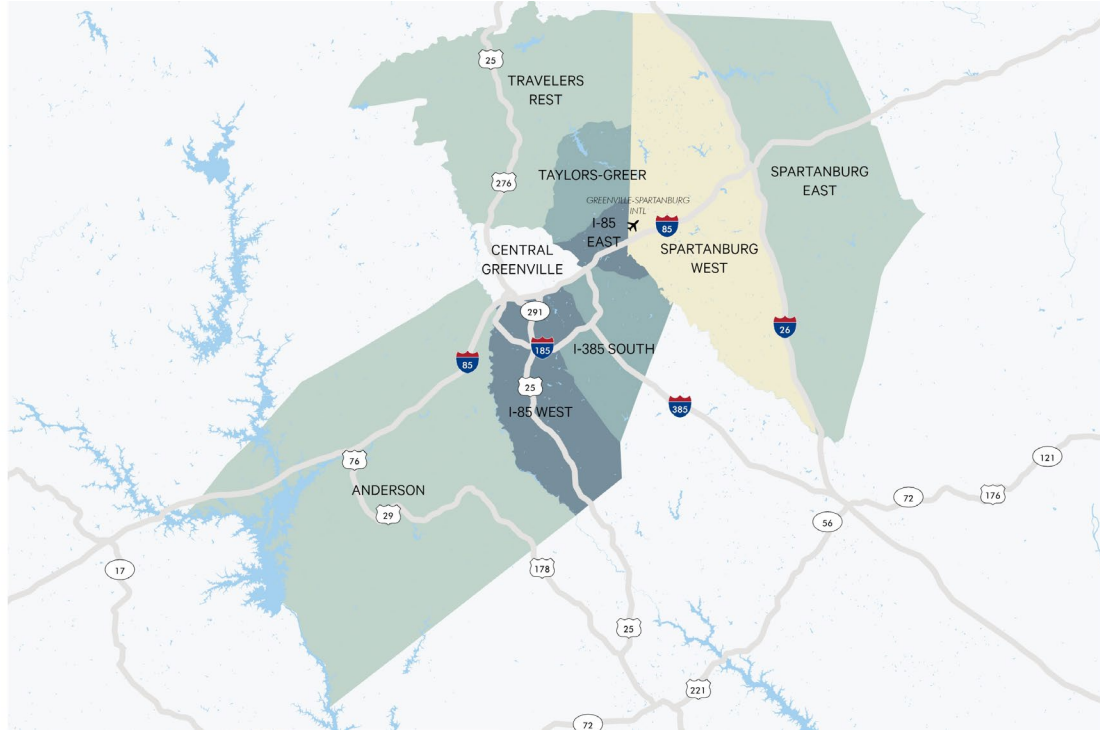
FIGURE 5: Historical Statistics

Submarket	Building SF	Direct Vacancy (%)	Availability (%)	Avg Asking Lease Rate (PSF/NNN)	Under Construction	Last 4 Qtrs. Net Absorption	Q3 2023 Net Absorption (SF)
Anderson	27,032,443	6.1	10.1	\$3.88	1,408,000	1,767,584	1,263,996
Central Greenville	15,688,744	4.0	4.9	\$6.58	201,643	136,450	0
I-585 South	23,406,011	5.8	8.2	\$6.37	290,100	(12,232)	40,422
I-85 East	10,326,901	4.7	7.1	\$5.42	136,500	217,171	114,080
I-85 West	23,984,694	9.5	10.2	\$5.06	162,500	806,491	16,000
Laurens	12,596,444	3.3	3.8	\$5.95	320,122	217,816	0
Taylors-Greer	17,668,958	2.0	2.1	\$5.77	0	(14,978)	4,713
Travelers Rest	3,647,638	0	0	-	0	0	0
Spartanburg East	23,810,466	2.9	3.7	\$4.54	2,353,795	(84,260)	0
Spartanburg West	65,007,114	10.8	15.6	\$5.18	8,588,878	3,427,129	147,458
MARKET TOTAL	223,169,413	6.7	9.4	\$5.00	14,230,862	6,461,171	1,586,669

Property Subtype	Building SF	Vacancy (%)	Availability (%)	Avg Asking Lease Rate (PSF/NNN)	Under Construction	Last 4 Qtrs. Net Absorption	Q3 2023 Net Absorption (SF)
Manufacturing	99,946,289	1.4	2.7	\$4.60	0	105,534	(35,287)
R&D/Flex	7,564,564	9.0	11.66	\$7.32	39,000	51,442	65,292
Warehouse/Distribution	114,321,560	11.1	14.1	\$4.84	14,191,862	6,304,195	1,556,664
MARKET TOTAL	223,169,413	6.7	9.4	\$5.00	14,230,862	6,461,171	1,586,669

Class	Building SF	Vacancy (%)	Availability (%)	Avg Asking Lease Rate (PSF/NNN)	Under Construction	Last 4 Qtrs. Net Absorption	Q3 2023 Net Absorption (SF)
Class A Warehouse	52,261,731	19.7	21.3	\$5.25	14,168,362	6,552,594	1,539,746
Class B Warehouse	27,519,441	2.1	2.1	\$4.76	62,500	(214,603)	(11,500)

Source: CBRE Research, Q3 2023



Survey Criteria

The CBRE, Inc. Industrial MarketView report provides statistics based on a revised set of inventory consisting of industrial properties in the following submarkets: Anderson, Central Greenville, I-385 South, I-85 East, I-85 West, Laurens, Spartanburg East, Spartanburg West, Taylors-Greer and Travelers Rest. All properties are industrial properties greater than 10,000 sq. ft. Absorption is counted when the lease is signed and is not based on physical occupancy; when a building delivers, preleases are counted as absorption in the quarter of delivery. Historical data is reflective of the current set of inventory rather than previously published report figures and is subject to revision as additional information becomes available.

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