

FIGURES | GREENVILLE-SPARTANBURG – INDUSTRIAL MARKET | Q4 2023

Availability Equals Opportunity



Note: Arrows indicate change from previous quarter.

The Greenville-Spartanburg industrial market experienced a strong ending to 2023 with 1.9 million square feet of net absorption, contributing 46% of the year's total absorption. Although down compared to previous years, the GSP market experienced a total net absorption figure of 4.1 million SF. The industrial market in GSP experienced an unprecedented low in vacancy rates in 2021 and 2022. However, the supply eventually met the demand, leading to a realignment of GSP's market vacancy rate to levels consistent with other similar markets in the southeast including Atlanta at 7.7%, Savannah at 8.4%, and Charlotte at 5.2%.

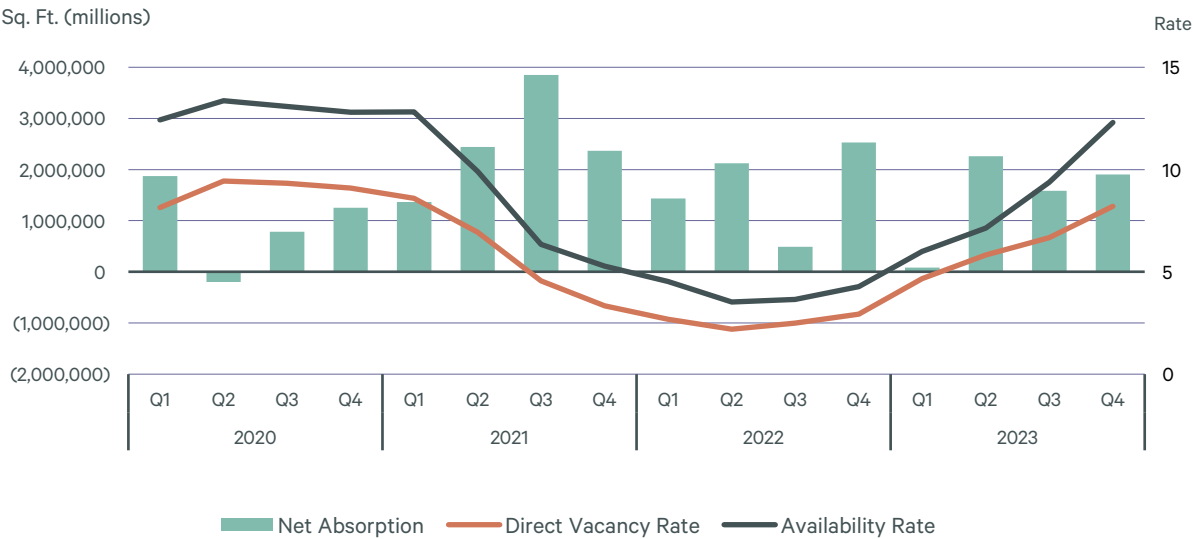
- The overall average strike rate continues to increase quarter-over-quarter. The strike rate during Q4 2023 averaged \$6.95 per sq. ft. which is 15.8% higher than the \$6.00 per sq. ft. strike rate at year-end 2022.
- The sales trend, currently slow, is expected to get better in the second half of 2024 due to the loosening of lending constraints. This change will pave the way for more investment opportunities and portfolio restructuring. The improving capitalization rates are evident from the Q4 2023 sale of 549 Mason Farm Lane at the Inland Port Greer, which had a capitalization rate of 5.73%.
- The Federal Reserve's expected cessation of its interest rate tightening cycle is predicted to result in a boost in real estate loans and transactions in the following year.

*Direct Vacancy Rate does not include sublease square feet in the calculation.

**Total Availability Rate includes sublease square feet in the calculation.



FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE Research, Q4 2023

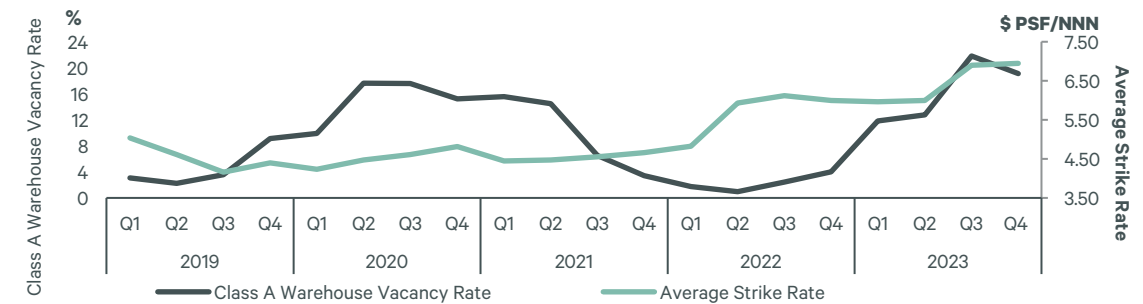
Development Activity

The industrial market saw a substantial increase in speculative deliveries in 2023, with 17.6 million square feet added throughout the year, resulting in a jump in the market vacancy rate from 3.5% to 8.2. This contrasts with 2022, where 7.1 million square feet of speculative deliveries were added with a vacancy rate of 22.4%. Industrial development in Greenville-Spartanburg has significantly evolved over the past three years to meet user needs, with a notable increase in the total square footage and average size of speculative deliveries.

Absorption & Leasing Activity

In 2023, Greenville-Spartanburg's real estate market experienced a total net absorption of 4 million sq. ft., despite the addition of 17.6 million sq. ft. of speculative deliveries. The final quarter of this year contributed to 1.9 million sq. ft. of this absorption. Class A net absorption in Q4 23 totaled 2.5-million sq. ft and 4.6-million sq. ft. during 2023, both of which are better than the overall net market absorption during the same time period. With an improving market economic outlook, we anticipate leasing velocity and absorption to normalize over the next six quarters.

FIGURE 3: Class A Warehouse Vacancy Rate and Average Strike Rate



Source: CBRE Research, Q4 2023

Outlook

The economy and interest rate hikes remained relatively unchanged and steady during the fourth quarter, but there are positive expectations for the second half of 2024 including the possibility of three rate cuts. The banking industry is expected to positively adjust to the predicted changes in interest rates, creating opportunities in the real estate sector. Furthermore, the Federal Reserve's predicted end to its tightening cycle could lead to an increase in transactions in the upcoming year; positivity was evident with the U.S. GDP growth of 3.3% during Q4 2023. However, there are challenges on the horizon due to global trade facing significant challenges due to crises at two crucial intersections. The Panama Canal is experiencing problems due to receding water levels, causing delays and congestion. Simultaneously, the ongoing Gaza crisis is having regional implications with rebels in Yemen taking aggressive actions towards Red Sea cargo ships which could force port-dependent companies to plan for delays or warehouse supply to avoid delays. In addition, the upcoming presidential election may also lead to temporary decision-making hesitancy in 2024.

Sources: Federal Reserve | CNBC.com, Biznow.com

FIGURE 4: New Speculative Deliveries in 2023

| Building Size Range | # of Buildings | Total SF | Average SF | Pre-leased SF | Pre-leased % | % of Total Spec Deliveries |
|---------------------|----------------|------------|------------|---------------|--------------|----------------------------|
| <375K SF | 34 | 7,860,318 | 224,779 | 5,887,250 | 23.2% | 44.7% |
| 375,001 – 600K SF | 8 | 3,165,650 | 446,706 | 2,214,050 | 0.00% | 18% |
| +600K SF | 6 | 6,563,708 | 1,093,951 | 3,435,768 | 47.7% | 37.3% |
| TOTAL | 48 | 17,779,860 | 370,414 | 11,537,068 | 35.1% | 100% |

FIGURE 5: New Speculative Deliveries in 2022

| Building Size Range | # of Buildings | Total SF | Average SF | Pre-leased SF | Pre-leased % | % of Total Spec Deliveries |
|---------------------|----------------|-----------|------------|---------------|--------------|----------------------------|
| <375K SF | 12 | 2,406,903 | 200,575 | 1,421,672 | 59.1% | 33.3% |
| 375,001 – 600K SF | 4 | 1,900,547 | 475,137 | 1,424,267 | 74.9% | 26.4% |
| +600K SF | 4 | 2,906,596 | 968,865 | 2,906,596 | 100% | 40.3% |
| TOTAL | 19 | 7,214,046 | 379,687 | 5,752,535 | 79.7% | 100% |

FIGURE 6: New Speculative Deliveries in 2021

| Building Size Range | # of Buildings | Total SF | Average SF | Pre-leased SF | Pre-leased % | % of Total Spec Deliveries |
|---------------------|----------------|-----------|------------|---------------|--------------|----------------------------|
| <375K SF | 8 | 1,458,650 | 182,335 | 136,000 | 4.8% | 51.0% |
| 375,001 – 600K SF | 0 | 0 | 0 | 0 | 0.00% | 0.00% |
| +600K SF | 1 | 1,400,580 | 1,400,580 | 0 | 0.00% | 49% |
| TOTAL | 9 | 2,859,260 | 290,943 | 136,000 | 4.8% | 100% |

Source: CBRE Research, Q4 2023

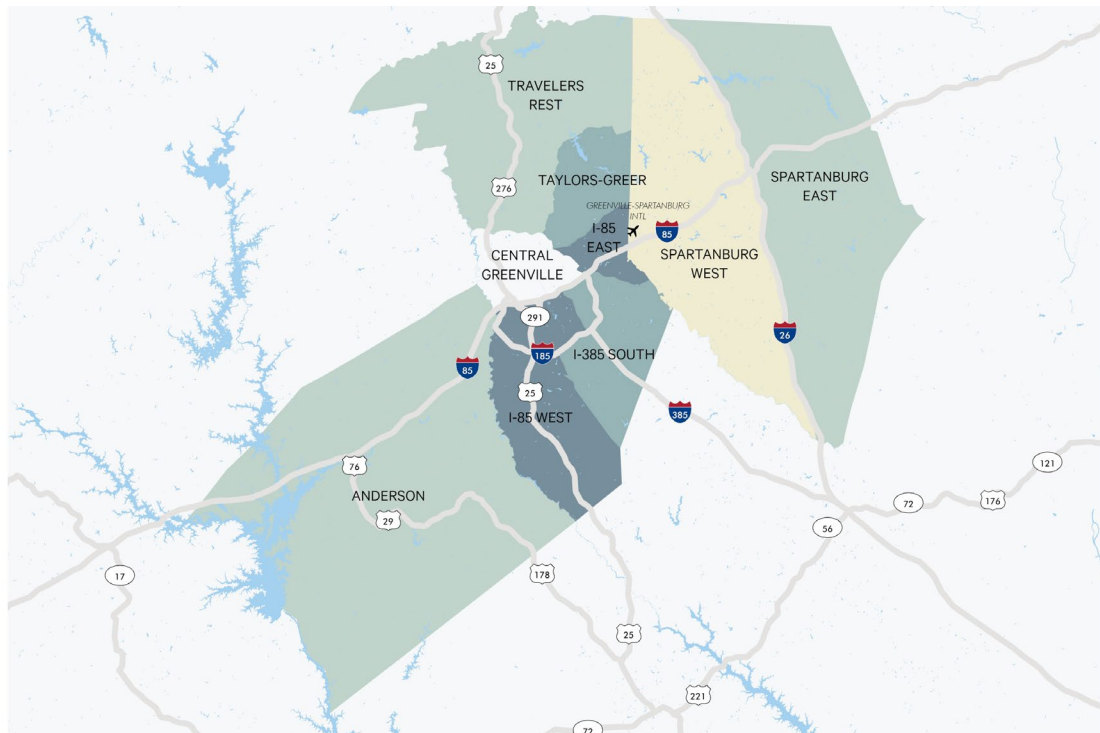
FIGURE 5: Historical Statistics

| Submarket | Building SF | Direct Vacancy (%) | Sublease Available (%) | Total Availability (%) | Avg Asking Lease Rate (PSF/NNN) | Under Construction | 2023 Net Absorption | Q4 2023 Net Absorption (SF) |
|--------------------|-------------|--------------------|------------------------|------------------------|---------------------------------|--------------------|---------------------|-----------------------------|
| Anderson | 27,605,183 | 6.1 | 5.4 | 11.8 | \$4.26 | 1,00,000 | 675,640 | 219,161 |
| Central Greenville | 16,059,744 | 7.2 | 0.9 | 9 | \$4.58 | 0 | (257,333) | 76,667 |
| I-385 South | 23,431,181 | 5.5 | 1.4 | 9.3 | \$6.97 | 290,100 | 176,558 | 1,856 |
| I-85 East | 10,349,321 | 4.8 | 2.7 | 9.1 | \$5.14 | 0 | 291,977 | 0 |
| I-85 West | 23,984,694 | 9.4 | 0.7 | 10.2 | \$4.95 | 62,500 | 663,667 | 6,500 |
| Laurens | 12,596,444 | 3.3 | 0 | 3.8 | \$5.95 | 0 | 217,816 | 0 |
| Taylors-Greer | 17,668,958 | 1.9 | 0 | 1.9 | \$5.24 | 0 | 10,939 | 25,917 |
| Travelers Rest | 3,647,638 | 0 | 0 | 0 | - | 0 | 0 | 0 |
| Spartanburg East | 23,810,466 | 3.4 | 0 | 3.9 | \$4.84 | 2,353,795 | (143,202) | (129,310) |
| Spartanburg West | 70,245,244 | 15 | 6.9 | 23 | \$5.81 | 2,570,792 | 2,408,245 | 1,701,999 |
| MARKET TOTAL | 229,398,873 | 8.2 | 3.2 | 12.3 | \$5.38 | 7,466,627 | 4,044,307 | 1,902,790 |

| Property Subtype | Building SF | Direct Vacancy (%) | Sublease Available (%) | Total Availability (%) | Avg Asking Lease Rate (PSF/NNN) | Under Construction | 2023 Net Absorption | Q4 2023 Net Absorption (SF) |
|------------------------|-------------|--------------------|------------------------|------------------------|---------------------------------|--------------------|---------------------|-----------------------------|
| Manufacturing | 100,192,791 | 2 | 0.6 | 2.7 | \$4.24 | 0 | (208,594) | (635,432) |
| R&D/Flex | 7,564,564 | 9.2 | 0.6 | 11.66 | \$7.21 | 39,000 | 58,006 | (10,286) |
| Warehouse/Distribution | 121,641,518 | 11.1 | 5.4 | 14.1 | \$5.06 | 7,427,627 | 4,194,895 | 2,548,508 |
| MARKET TOTAL | 229,398,873 | 8.2 | 3.2 | 12.3 | \$5.38 | 7,466,627 | 4,044,307 | 1,902,790 |

| Class | Building SF | Direct Vacancy (%) | Sublease Available (%) | Total Availability (%) | Avg Asking Lease Rate (PSF/NNN) | Under Construction | 2023 Net Absorption | Q4 2023 Net Absorption (SF) |
|-------------------|-------------|--------------------|------------------------|------------------------|---------------------------------|--------------------|---------------------|-----------------------------|
| Class A Warehouse | 58,140,689 | 13.7 | 10 | 33.2 | \$5.25 | 7,427,627 | 4,456,967 | 2,547,895 |
| Class B Warehouse | 27,550,239 | 2.2 | 2 | 6.3 | \$4.64 | 0 | (15,603) | (16,000) |

Source: CBRE Research, Q4 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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