

Industrial Market Trends Greenville-Spartanburg

Grubb & Ellis Research
Third Quarter 2008

 **The Furman Co.**
Property Solutions Worldwide

The key question is not whether the market is slowing, but the length and depth of the slowdown.

The wave of growth ends

With the first rise in vacancy in over three years, the industrial party that started in the second half of 2005 appears to have ended. The combination of a slowing local market combined with concerns about an unsteady national economy are keeping expectations low. The key question is not whether the market is slowing, but the length and depth of the slowdown.

While in many situations, an 18 basis point increase in vacancy would be considered a minor blip in the midst of a longer trend, but the rise in vacancy could have been much worse. The first phase of Adidas's distribution facility was completed in the third quarter, accounting for 1.1 million square feet of absorption, without which vacancy would have increased 25 basis points.

Due to the fact that the industrial sector is tied heavily to the global economy, local trends are heavily impacted by external market forces. The struggles of consumers and producers in other markets are being felt locally.

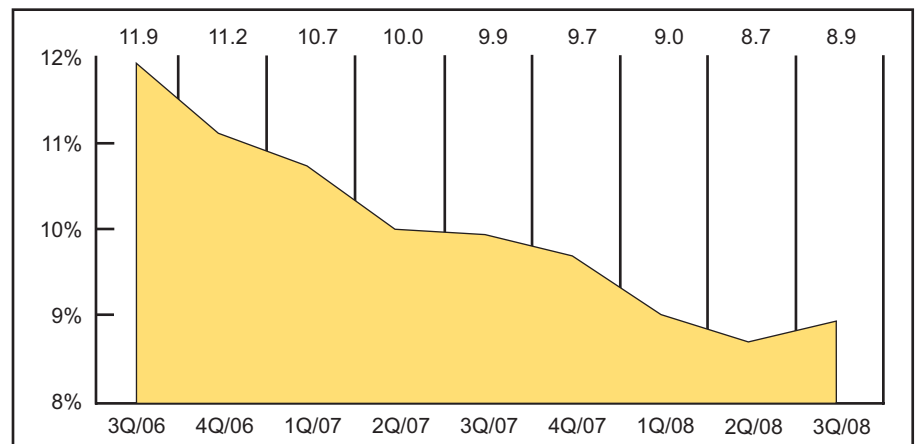
Industrial users flush with capital are in the best position to benefit from current market conditions. In addition to the advantages of rising vacancy and a potential reduction in asking rates, tenants that are not struggling with the debt crisis will face little competition for the best spaces in the market.

With expectations of a softening market for the next twelve to eighteen months, owners are advised to bridge the gap by extending tenants at reasonable rates. On the other hand, tenants may be able to take advantage of market uncertainty by signing long-term deals to provide owners with much-needed security.

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Industrial Vacancy Rate*

* All Classes of Space

Industrial Market Snapshot Greenville Third Quarter 2008

By Submarket (All Classes)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption		Under Construction (3)	Asking Rent(4)	
				Current Qtr.	Year-to-date		WH/Dist	R&D/Flex
Central Greenville	17,173,198	1,420,982	8.3%	(209,470)	53,784	-	\$2.97	\$8.27
I-385 South	18,158,933	1,285,387	7.1%	73,651	565	18,000	\$2.43	\$6.39
I-85 East	12,625,435	984,240	7.8%	152,020	136,980	43,000	\$3.69	\$8.76
I-85 West	16,070,449	1,703,530	10.6%	(23,273)	306,667	90,000	\$3.38	\$7.16
Taylors-Greer	8,038,861	725,421	9.0%	108,400	300,359	-	\$2.66	\$5.86
Travelers Rest	3,242,754	236,273	7.3%	-	(16,573)	-	\$2.28	-
Greenville County	75,309,630	6,355,833	8.4%	101,328	781,782	151,000	\$2.92	\$7.68
Spartanburg East	20,922,257	2,812,734	13.4%	(105,000)	(105,000)	-	\$2.62	\$5.14
Spartanburg West	29,700,306	2,454,441	8.3%	773,209	911,015	2,221,000	\$3.06	\$5.68
Spartanburg County	50,622,563	5,267,175	10.4%	668,209	806,015	2,221,000	\$2.98	\$5.47
Anderson (5)	16,811,527	1,124,379	6.7%	(18,000)	(12,225)	-	\$2.67	\$4.49
Anderson County	16,811,527	1,124,379	6.7%	(18,000)	(12,225)	-	\$2.67	\$4.49
Totals	142,743,720	12,747,387	8.9%	751,537	1,575,572	2,372,000	\$3.00	\$6.65
By Property Type								
(All Submarkets)							Asking Rent (4)	
General Industrial	80,056,252	6,285,856	7.9%	920,116	724,037	1,290,000	\$2.85	
R&D/Flex	6,427,354	1,203,718	18.7%	28,058	148,379	18,000	\$6.65	
Warehouse/Distribution	56,260,114	5,257,813	9.3%	(196,637)	703,156	1,064,000	\$3.00	
Totals	142,743,720	12,747,387	8.9%	751,537	1,575,572	2,372,000	\$3.34	

(1) Inventory includes multi-tenant, single tenant and owner-occupied buildings with at least 10,000 sq. ft.

(2) Vacant space includes both vacant direct and vacant sublease space.

(3) Space under construction includes speculative and build-to-suit for lease projects.

(4) Asking rates are per square foot per year, triple net. Rates for each building are weighted by the amount of available space within the building.

(5) During the first quarter of 2008, the Anderson submarket was added to the statistical inventory.

*Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

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