

# THE UPSTATE INDUSTRIAL MARKET

## INDUSTRIAL DELIVERIES CONTINUE TO LEASE QUICKLY IN THE UPSTATE

For most of the period since May, the yield spread has been negative as a result of tightening monetary policy—a reflection of investor pessimism about inflation and growth that has been exacerbated by the trade war. In early October, though, the spread turned slightly positive following the announcement that the United States and China had reached a trade agreement. The deal was modest and largely just delayed another tariff increase on US exports from China that was to occur in October. The deal did not address additional US tariffs set to be implemented on December 15<sup>th</sup>, though, and the president has said the initial agreement is just one of three phases of a larger agreement, leaving an air of uncertainty lingering over the economy. Beyond the trade war with China, much will also depend on what the Federal Reserve does moving forward.

The Upstate market may be more affected by the trade war than most South Carolina markets due to the number of automotive suppliers and presence of BMW. Vehicle exports through the Port of Charleston were down 15.9% as of June, and in August, BMW sales were also down 14.9% from the previous year, though its hard to say if recent tariffs were the cause.

On the other hand, the healthy labor market, with a statewide unemployment rate of 2.3%, has offset some of these national economic concerns by boosting consumer confidence and thus driving retail sales, especially online. Online sales continue to be a major factor fueling demand for industrial space, and the Upstate industrial market appears to be holding steady, even in light of national economic uncertainty and near full-employment.

The market-wide vacancy rate sits at 4.2% from 4.1% during third-quarter 2018, despite the fact that 7.55 million square feet were delivered during the same period. New space continues to lease quickly, which is most evident in the Spartanburg submarket where more than 3.8 million square feet have been positively absorbed so far this year.

### CURRENT CONDITIONS

Vacancy up slightly due to the number of deliveries this quarter. More than 5.2 million SF were delivered and vacancy rose from 4.5% to 6.0%

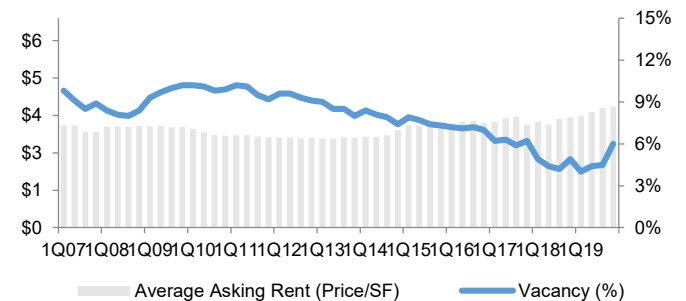
Spartanburg continues to attract industrial users, absorbing 2.34 MSF during the fourth quarter and 6.39 MSF year-to-date.

15 buildings totaling 5,238,779 SF delivered this quarter, while 6.09 MSF remains under construction

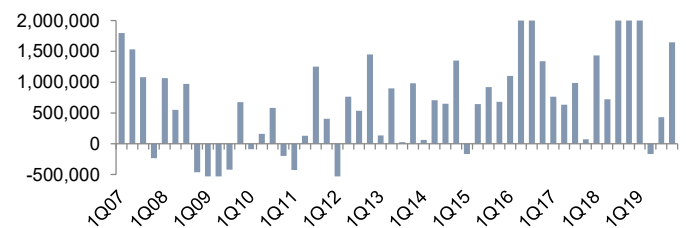
### MARKET ANALYSIS

#### 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	227.7 MSF	222.4 MSF	218.6 MSF	↑
Vacancy Rate	6.0%	4.5%	4.9%	DOWN
Quarterly Net Absorption	1.64 SF	429,687	1.06 MSF	↔
Average Asking Rent	\$4.05 PSF	\$4.00 PSF	\$3.64 PSF	↑
Under Construction	6.09 MSF	10.06 MSF	8.37 MSF	↑
Deliveries	5.23 MSF	675,860 SF	2.67 MSF	↔

## 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	25,574,895	2.2%	6.8%	26,821	297,719	\$3.60	\$7.14	\$3.74
Cherokee County	8,620,652	1.1%	5.6%	-100	600,791	\$3.43	\$4.95	\$3.71
Greenville County	81,360,981	7.4%	8.3%	-636,991	-759,412	\$4.02	\$7.82	\$4.32
Laurens County	13,352,648	5.5%	14.8%	-81,533	-456,625	\$3.37	-	\$3.37
Pickens County	7,406,126	6.6%	11.7%	-4,500	30,128	\$3.00	-	\$3.00
Spartanburg County	91,391,012	6.3%	12.5%	2,342,113	6,393,679	\$3.99	\$7.06	\$4.05
<b>Market</b>	<b>227,706,314</b>	<b>6.0%</b>	<b>10.2%</b>	<b>1,645,810</b>	<b>3,044,844</b>	<b>\$3.89</b>	<b>\$7.56</b>	<b>\$4.05</b>

## SELECT DELIVERIES

Building	Submarket	Tenant	Developer	Square Feet
Michelin	101 Michelin Dr	Laurens County	Renewal	1,170,972
Himatsingka	130 Derrick Rd	Spartanburg County	Renewal	170,000
Orbis Corporation	1700 Old Grove Rd	Piedmont	New	142,405
RPM	10395 Greenville Hwy	Upper Spartanburg Ind	Sublease	124,000

## SELECT LEASE TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Keurig	6135 Anderson Mill Rd	Lower Spartanburg	Renewal	708,067
Timken Co	120 Hidden Lake Cir	Rt 290 Corridor	Renewal	303,051
Multi-Pack Solutions	1301 Perimeter Rd	I-85 South/Donaldson	New	125,000

## SELECT SALES TRANSACTIONS

Building	Submarket	Sales Price	Price/SF	Square Feet
The Cubes at Inland 85 (223 Genoble Rd)	Rt 101 Corridor	\$98,400,000	\$74.62	1,318,680
Spartan Ridge Logistics Center (2010 Nazareth Church Rd)	West Side Industrial	\$19,000,000	\$69.60	273,000
231 & 235 Apple Valley Rd	Rt 101 Corridor	\$32,270,000	± \$86.44	373,320

## Economic Conditions

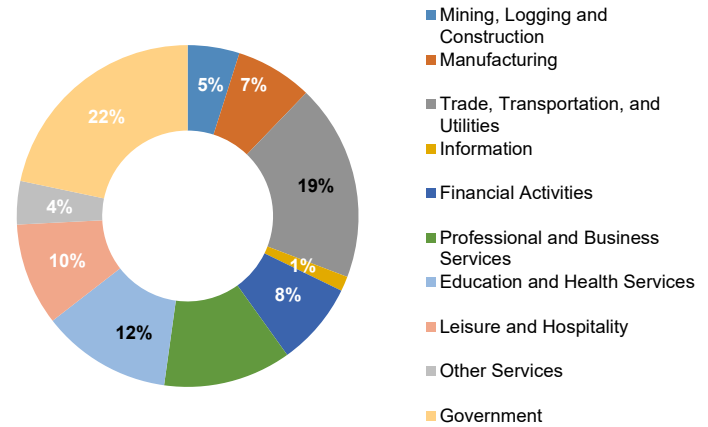
Unemployment in South Carolina remains below the national employment rate of 3.5% at 2.3% as of December 2019. Trade, government and professional services continue to dominate the state's employment sectors, as companies continue to migrate into and grow with South Carolina.

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

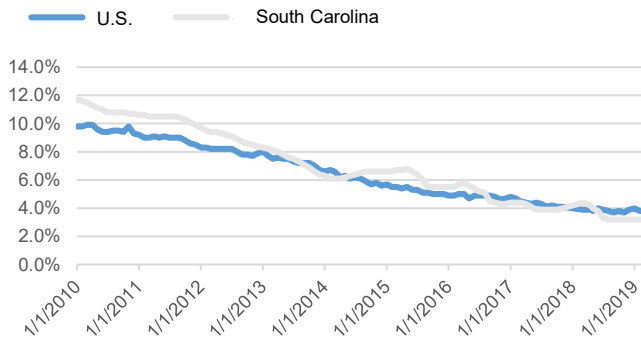
### South Carolina, 2018



Source: U.S. Bureau of Labor Statistics

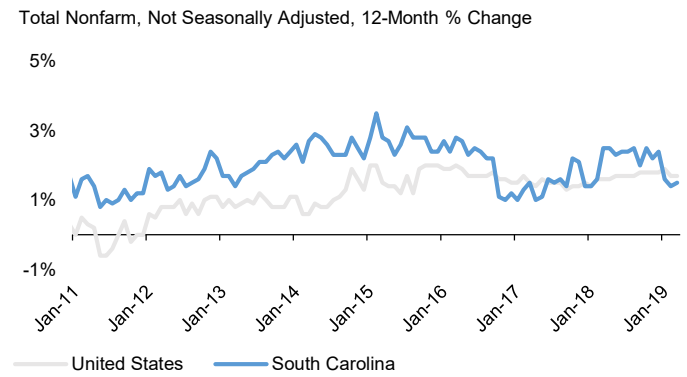
## UNEMPLOYMENT RATE

### Not Seasonally Adjusted



## PAYROLL EMPLOYMENT

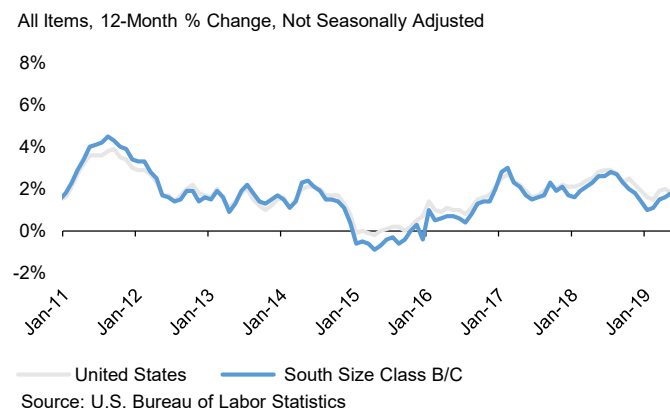
### Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

## CONSUMER PRICE INDEX (CPI)

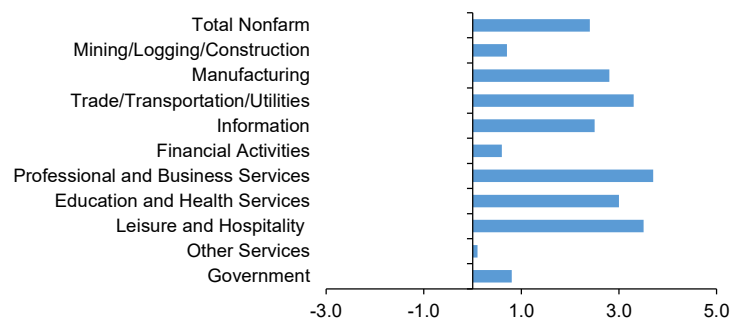
### All Items, 12-Month % Change, Not Seasonally Adjusted



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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