

# THE UPSTATE INDUSTRIAL MARKET

## NAVIGATING THE IMPACT OF THE GLOBAL HEALTH CRISIS ON INDUSTRIAL REAL ESTATE

Despite international uncertainty surrounding trade policy and a general volatility in the global market, base fundamentals indicated that US commercial real estate would remain on strong footing through 2020.

Economists seemed to echo a mantra about the “sturdiness” of the economy during their fourth-quarter economic forecasts, consistently adding that an unforeseen catastrophic event, namely a war with China, would effectively invalidate any prediction of continued expansion. The global COVID-19 pandemic, which by the end of March has seen 2.6 billion people across the world living in some sort of lockdown or quarantine, proved to be one of those disastrous events, though certainly not one that was to be expected.

Developments continue to be extremely fluid and tremendous uncertainty remains as to how widely the virus will spread and what its ultimate impact will be on economic growth, as well as the impact it will have on both financial and real estate markets, though a few truths are beginning to emerge.

The national stay-at-home order has shifted much of the country into a delivery model as offices, restaurants, hotels, and most other retailers have been forced to close their doors to avoid overwhelming the nation’s healthcare system. Online sales soared nearly 10 percent year over year in March as consumers utilized deliveries to purchase essentials and set up home offices. Amazon subsequently announced 175,000 new positions, mostly for fulfillment and delivery, while Walmart added 200,000 employees across its supply chain to meet demand at fulfillment and distribution centers.

E-commerce deliveries were already on the rise prior to the national quarantine, growing at a rate of 14.4% annually from 2012 to 2017, according to the US Census Bureau. Largely as a result of increased online penetration rates, demand for industrial space increased 57.1% during the same time.

## CURRENT CONDITIONS

Spartanburg County sees its first negative absorption since Q2 2015

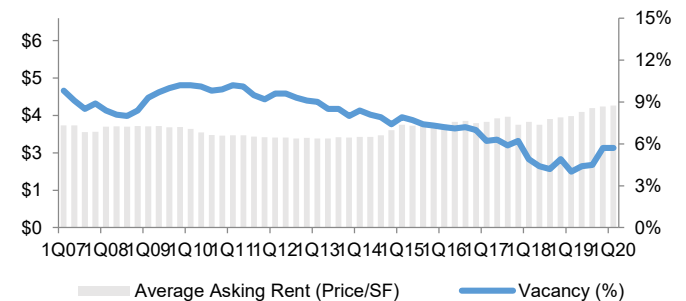
The effects of the coronavirus pandemic are yet to be seen, as marketwide vacancy holds steady at 5.7%

Rents are up to \$4.08 from \$3.67 year-over-year - an 11.2% increase

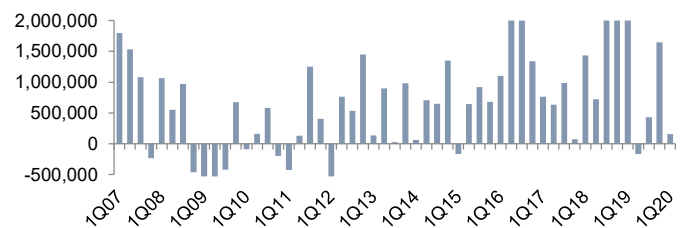
## MARKET ANALYSIS

### 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	230.1 MSF	229.8 MSF	223.8 MSF	↑
Vacancy Rate	5.7%	5.7%	4.1%	↑
Quarterly Net Absorption	154,721 SF	1.56 MSF	3.85 MSF	DOWN
Average Asking Rent	\$4.08 PSF	\$4.05 PSF	\$3.67 PSF	DOWN
Under Construction	5.18 MSF	5.26 MSF	6.13 MSF	DOWN
Deliveries	311,400 SF	5.24 MSF	2.40 MSF	↑

The “new normal” created by this unprecedented – and still-developing – global health crisis has accelerated trends already on the rise in the logistics sector, including increased online penetration rates, expansion of online grocery, and a major shift to omni-channel retailing, all of which fare well for the industrial real estate market.

As of April, US REIT property indices are up 14% for industrial property, while most other asset types have seen a significant decline, with Hospitality (-53%) and Retail (-48%) REITs showing the greatest drop in returns. As large retailers like Walmart announce plans to roll out subscription delivery services to accommodate the shift away from brick-and-mortar retail during the unfolding global health crisis, the need for warehouse and distribution space throughout the supply chain will increase.

## 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	26,322,747	2.4%	6.3%	174,211	174,211	\$3.54	\$7.09	\$3.70
Cherokee County	9,392,179	0.6%	6.3%	26,000	26,000	\$3.04	\$4.95	\$3.68
Greenville County	82,071,131	6.8%	8.0%	203,915	24,3815	\$3.98	\$8.64	\$4.32
Laurens County	13,515,774	5.5%	15.6%	-63,500	-63,500	\$3.37	-	\$3.37
Pickens County	7,371,700	8.4%	13.3%	-126,170	-126,170	\$3.00	-	\$3.00
Spartanburg County	91,505,693	6.1%	11.8%	-59,735	-59,735	\$4.05	\$6.54	\$4.09
<b>Market</b>	<b>230,179,224</b>	<b>5.7%</b>	<b>9.9%</b>	<b>154,721</b>	<b>154,721</b>	<b>\$3.90</b>	<b>\$8.06</b>	<b>\$4.08</b>

## SELECT LEASE TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Caterpillar	362 N Old Laurens Rd	Laurens County	Renewal	160,000
Electrolux	201 Schmid Plaza Rd	Outlying Anderson County	New	156,000
ThyssenKrupp Supply Chain Services	160 National Ave	Upper Spartanburg	New	102,560

## SELECT SALES TRANSACTIONS

Building	Submarket	Sales Price	Price/SF	Square Feet
721 Augusta Rd	I-85 S/Donaldson	\$5,000,000	\$62.50	400,000
3 Quality Way		\$2,018,785	\$54.56	37,002

## ECONOMIC CONDITIONS

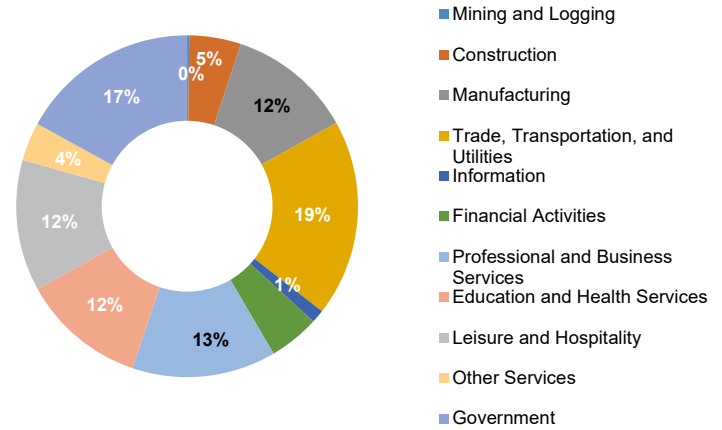
Unemployment in South Carolina remains below the national employment rate of 4.4% at 2.5% as of March 2020. Trade, government and professional services continue to dominate the state's employment sectors, as companies continue to migrate into and grow with South Carolina.

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. As a result, South Carolina will be more affected than most by any disruption to the global markets, or any impact the global health crisis may have on the countries that have established operations in the state.

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

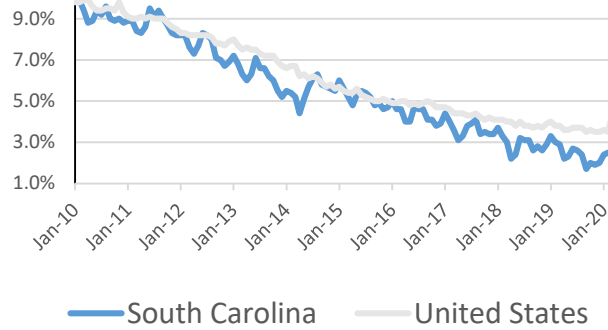
### South Carolina, 2019



Source: U.S. Bureau of Labor Statistics

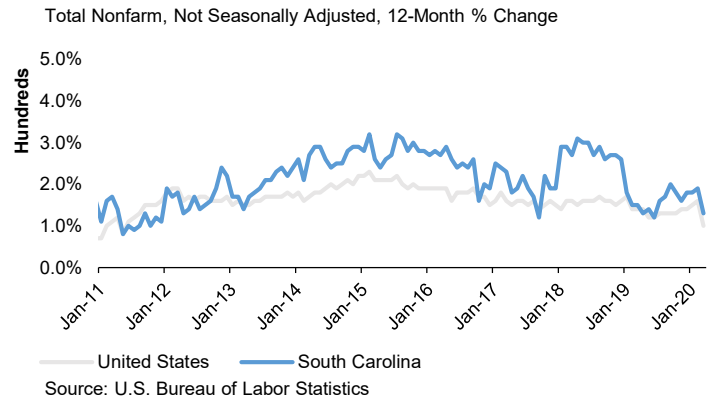
## UNEMPLOYMENT RATE

### Not Seasonally Adjusted



## PAYROLL EMPLOYMENT

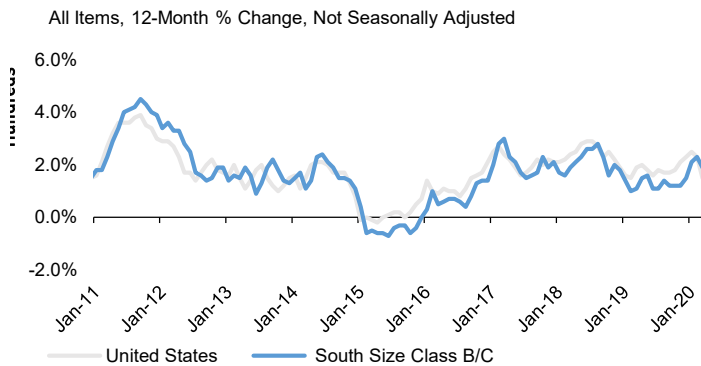
### Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

## CONSUMER PRICE INDEX (CPI)

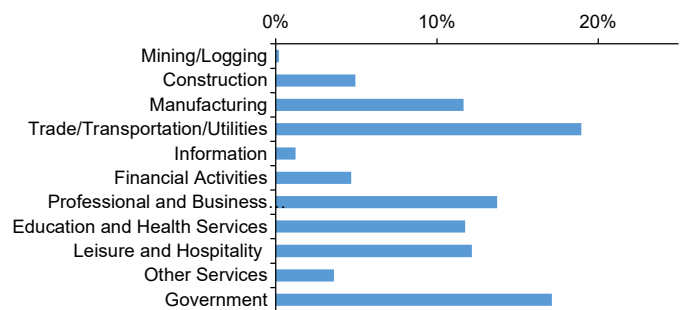
### All Items, 12-Month % Change, Not Seasonally Adjusted



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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