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Spartanburg's spec industrial market is booming

Spartanburg County's spec market is undergoing an unprecedented expansion. Here's a look at the projects and factors fueling the growth.

Nothing screams progress like vacant buildings. Right?

Well, in Spartanburg County, speculative, or spec, industrial facilities are seeding the growth of an economy that already reaped a harvest of more than \$5.75 billion in capital investment and 12,000 jobs during the past eight years.

Spartanburg's spec market is in the midst of an unprecedented expansion.

During the past 18 months, at least six major new developments have been announced that promise to bring about 3 million square feet of spec space to the market by early 2019.

When combined with several ongoing projects, the county's inventory of spec space could jump to more than 4 million square feet during the next year.

"When the economy crashed in 2008, we couldn't beg, plead, or borrow a spec building," said Spartanburg County Councilman David Britt. "We lost all of our inventory [of available buildings]. It made it very challenging to land companies."

So what exactly is spec?

Typically, spec is a term used to describe buildings that are not build-to-suit, meaning tailored to meet the needs of a specific tenant.

Spec buildings usually appeal to a broad range of users.

The advantage is that they enable new or expanding companies to move in and set up operations quickly instead of having to wait months for one to be built.

A majority of the buildings already under construction in Spartanburg have not yet been leased, but local experts don't believe that will be the case for long.

And the return for the community could yield investment, jobs, economic diversification, tax revenue growth, and other benefits for several years to come.

"A lot of these companies don't have time to wait," Britt said. "Now with this drastic [increase in spec space], we expect to see growth. The results are driving these investments. Developers are realizing there's gold in the hills of Spartanburg County. They're not prospecting anymore. They're looking at it with a laser focus."



This artist's rendering of a new building under construction at Panattoni and PCCP's Apple Valley Industrial Park off Highway 101 is an example of the new wave of spec development underway in Spartanburg County. Photo courtesy of Panattoni.

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Meet the new projects

Who: St. Louis-based CRG, a private real estate investment affiliate of Clayco Inc.

What: Multimillion-dollar Inland 85 Logistics Center

Where: 324 acres composed of multiple parcels in the vicinity of Genoble and Robinson roads near Greer

Scope: First phase will be the construction of a 500,280-square-foot spec building that will be expandable to 1,186,680 square feet.

When: Company said the building should be available for occupancy by the fourth quarter of 2018.

Master Plan: A preliminary site plan from the company showed as many as six buildings with the potential to provide an additional 2.3 million square feet of industrial space.

Update: County Council documents discussing incentives for the project said it would be an investment of at least \$194 million. On April 12, Clayco announced it established a new office in downtown Greenville's ONE Center at 2 W. Washington St. The company said the move is tied to construction of the spec building.

Who: Atlanta-based Rooker Development

What: \$30 million Spartan Ridge Logistics Center

Where: 52 acres at 210 Nazareth Church Road near Highway 29 and Interstate 85 near Spartanburg's west side

Scope: The center will be composed of two Class A spec buildings totaling 559,000 square feet. Building 1 will be 273,000 square feet. Building 2 will be 286,000 square feet.

Who: Columbia-based Red Rock Developments

What: Multimillion-dollar Smith Farms Industrial Park

Where: 475 acres at Highway 101 and Reidville Road near Duncan

Master Plan: Red Rock's proposed site plan showed the project could yield up to 11 buildings ranging from 60,000 to 1.6 million square feet. Park's total capacity is nearly 6 million square feet of Class A space.

When: Company expects to deliver both buildings during the first quarter of 2019.

Update: Red Rock has announced it will construct two spec buildings on the site. The first building will be 396,073 square feet. The second will be a 210,820-square-foot facility.

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Who: A joint venture between PCCP LLC and Panattoni Development Co.

What: Apple Valley Industrial Park

Where: Almost 40 acres at Apple Valley and Boiter roads near Duncan

Scope: Construction includes a 196,000-square-foot spec building and a pre-leased 177,320-square-foot building.

When: Completion expected by mid-2018.

Update: The first building has been leased to Global Automotive Partners. No lease signed on the second building, according to Panattoni.

Who: Mark Cothran

What: Global Commerce Park

Where: 67 acres at I-85 and Brockman McClimon Road near Greer

Scope: Construction will include a 163,000-square-foot industrial building followed by several multitenant industrial buildings.

Master Plan: The park will be a Class A multibuilding industrial park with up to six buildings that total 600,000 square feet.

When: Completion of first building expected in summer of 2018.

Who: Charlotte, N.C.-based McDonald Development Co.

What: Carolina Commerce Center

Where: More than 42 acres at 1611 Poplar Drive Extension near Greer and Greenville-Spartanburg International Airport

Scope: Development will include two Class A industrial buildings totaling 458,754 square feet. Building 1 will be 327,137 square feet. Building 2 will be 131,617 square feet.

When: Both buildings could be delivered during the first quarter of 2019.

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Who: Childress Klein and Cullum Interests

What: Velocity Business Park

Where: 901 Victor Hill Road near Greer

Scope: Development includes a 297,607-square-foot spec building that is nearing completion and could soon be leased.

Master Plan: A preliminary site plan shows the potential for construction of two other buildings at the park, including a 125,000-square-foot building and a 105,000-square-foot building.

When: The first building was completed at the end of April, but the companies have not said when the other two buildings will be constructed.

Ongoing Projects

Who: Spartanburg-based Johnson Development Associates

What: 363,000-square-foot spec building at Flatwood Industrial Park near Boiling Springs

Where: 767 Flatwood Road

Update: About one year ago, global freight forwarder Senator International leased half of the building, leaving the other half to be occupied by a future tenant. Flatwood Works LLC, an affiliate of Spartanburg-based Contec Inc., purchased the building on April 10 for nearly \$24 million, property records show.

Who: Illinois-based Becknell Industrial

What: Wingo Park

Where: New Cut Road near North Blackstock Road

Update: BMW supplier Grupo Antolin leased a 175,000-square-foot spec building that Becknell completed at the park early this year. Becknell is moving forward with plans to build another 171,600-square-foot Class A industrial building at the site that is expected to be completed in June. The company has space for another 140,000-square-foot spec building between the two larger facilities.

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Who: Philadelphia-based Alliance Partners HSP

What: Hamilton Industrial Park

Where: Fryml Drive off I-85 Business near Boiling Springs

Update: Alliance purchased and renovated two industrial facilities formerly known as Spartanburg's Viking Warehouses. The facilities offer about 320,000 square feet of spec space. In March, Michigan-based Cooper Standard became the development's first tenant when it leased 73,000 square feet.

Who: Indiana-based Scannell Properties

What: Hillside Enterprise Park

Where: 84 acres off Howell Road near Duncan

Update: After attracting several tenants, including Brose North America, Advance Ceramic Coatings, and AFL, to its multibuilding industrial park, Scannell is moving forward with plans to build a final 408,000-square-foot spec facility at the site.

Who: Pete Weisman

What: Corporate Center

Where: Corporate Drive off I-85 Business near Boiling Springs

Update: Weisman, the owner and architect of Corporate Center, has continued to expand his multibuilding "flexible" business park. In 2017, Weisman began construction on two additional spec buildings totaling more than 115,000 square feet. When complete, those facilities will bring the park's existing space to 11 buildings totaling more than 500,000 square feet.

So what's driving all of the growth?

It never hurts to have the world's largest BMW plant in your backyard.

BMW Manufacturing Co.'s growth since the Great Recession has set off a chain of new projects and expansions across the county.

For example, German automotive supplier Brose North America celebrated the grand opening this past year of its new \$6 million, 77,000-square-foot facility at Scannell's Hillside Enterprise Park.

Brose makes lightweight door systems and front air gates for several BMW models.

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The company was able to utilize Spartanburg Community College's Spark Center as soft landing space before moving to its permanent home in the spec building at 1171 Howell Road.

Brose's story is also one of many examples of the team approach that local economic development officials have cultivated and used to entice a spate of projects.

And the presence of global brands, including Michelin North America, Toray, Kobelco, Ritrama, Adidas, Amazon, Rite Aid, and others, has solidified Spartanburg's reputation as a destination for manufacturing and distribution operations.

"Spartanburg and the Upstate have enjoyed much success," Britt said. "The results are driving these [spec] investments. ... It's a great sign of the times, and we need to take full advantage of these partnerships we have formed with developers and owners [of these spec projects]. We're not saying, 'Build it and they will come.' We're saying, 'Build it and we will help you succeed.'"

One of the biggest game changers, experts said, has been the introduction and continued growth of the South Carolina Ports Authority's (SCPA) Inland Port Greer in Spartanburg County.

The facility has enabled BMW, Michelin, and other companies to import and export goods via Norfolk Southern Rail to the Port of Charleston and out to waiting markets around the world.

In fact, SCPA recently announced the Inland Port handled 10,612 rail moves in March, bringing its fiscal year-to-date volume to 87,360 moves since July, which is a 3 percent increase compared with the same period of the previous year.

That means the facility is on track to break its all-time record of 121,761 rail moves completed in 2017.

In addition, Spartanburg's inventory of available land capable of accommodating large industrial projects, particularly along highways 101 and 290, continues to fuel activity related to the nearby Inland Port.

Perhaps it's no surprise that most of the new spec projects are positioned along or near those corridors.

"We are bullish on the Upstate market," said Tracy White, senior vice president of McDonald Development Co. Carolinas. "Our location in Greer near the BMW plant and the Inland Port is where the majority of leasing is taking place, and the city of Greer has been very accommodating. The number of manufacturing and distribution users planning new or expanded operations in Greer and the greater Upstate market gives us confidence that Carolina Commerce Center will be absorbed during construction and over a short lease-up period."

What does the future look like?

Brian Young, senior vice president and managing broker with Cushman & Wakefield | Thalhimer, said the market is "very tight," with the vacancy for industrial near 5.5 percent.

"It has never been this low," he said.

During the first quarter, Young said there were about 2 million square feet of positive absorption, meaning space leased or sold. He expects the market will see additional absorption into the second quarter and an even lower vacancy rate.

"We very much need the new product," Young said. "Currently, we are tracking about 4 million square feet in users in the market. We have about 3.2 million square feet in speculative space under construction. So we expect a number of these projects to be leased upon delivery."

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Young noted that from 2014 through 2016, available spec space in the market was leased within six months of being delivered, on average.

Garrett Scott, vice president of Colliers International South Carolina, said the Inland Port has been a boon for the Upstate's spec market.

So much, in fact, he said the facility has even impacted the style of spec buildings being introduced to the market.

For example, there's a mix of flexible, multipurpose, rear-load buildings and cross-dock buildings, which are perfect for distribution centers, under construction. Many of them are going into the same industrial parks.

"The Inland Port is changing the dynamic of spec in the market," Scott said. "The strength of the Upstate manufacturing market is also driving this growth."

He said the next wave of companies moving to Spartanburg could be logistics companies that offer supply chain solutions to specific companies, such as Amazon or BMW.

While Spartanburg's spec development is small compared with other large markets, such as Dallas and Atlanta, the county is punching above its weight, Scott said.

He noted that a majority of the developers of Spartanburg's new class of spec projects are all players in much larger markets.

"Spartanburg County has stepped into the big leagues," he said. "The money is now chasing performance and yield. The fundamentals here are strong. It's the perfect confluence."