



Greenville-Spartanburg

Multifamily Housing Update 3Q11 January

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Payroll Job Summary

Total Payrolls:	414.5m
Annual Change:	+3.2m
2011 Forecast	+4.2m
2012 Forecast	+2.9m
2013 Forecast	+4.9m
2014 Forecast	+10.9m
Unemployment	8.6% (NOV)

3Q11 Payroll Trends and Forecast

After sputtering in the spring, the Greenville-Spartanburg regained momentum during summer and fall. The combined metro areas added payroll positions at a 3,200-job, 0.8% year-on-year rate in 3Q, and at a 4,300-job, 1.0% average rate in October and November, up from 2Q's 2,600-job add. Manufacturing, trade and business service establishments were the principal drivers. Factory headcounts expanded at a 1,000-job, 2.7% y-o-y pace, and trade and business service firms hired 3,600. Seasonally-adjusted data suggest that hiring was

moderately faster in Spartanburg in the fall. September to November estimates indicate that Spartanburg payrolls increased by 3,100 jobs against a decrease of -600 in Greenville-Mauldin MSA.

Our outlook for Greenville-Spartanburg calls for slightly slower growth in 2012, in keeping with a sluggish global and domestic economic recovery. But a faster expansion should materialize in 2013 and 2014. We expect more than 15,000 GSP payroll jobs to be created during the 2-year period.

Vacancy Rate Summary

Vacancy Rate (Reis)	6.8%
RED 50 Rank	NA
Annual Chg (Reis)	-1.6%
Prelim. Reis YE11	6.0%
Reis YE12 Forecast	6.8%
Reis YE13 Forecast	6.3%
Reis YE14 Forecast	6.9%

3Q11 Absorption and Vacancy Rate Trends

Space demand improved slightly during 3Q11 as tenants leased a net of 89 metro units, according to Reis, up from 70 during the previous quarter. No supply was added to inventory for the fourth consecutive quarter. As a result, occupancy improved 30 basis points sequentially to 93.2%, equal highest rate in the 12-year Reis data series.

Preliminary data indicate that demand rebounded vigorously during 4Q11. Reis report that occupancy increased 80 bps to 94.0% during 4Q11, implying that about 275 vacant units were tenanted.

Occupancy improved sequentially in every submarket during 3Q11. The greatest gains were recorded by Spartanburg and Anderson County properties, where average occupancy increased by 50 and 40 bps, respectively. By contrast, Greenville submarkets made slower progress as Central and North occupancy rates advanced 10 bps each.

Reis expect occupancy to hold steady over the next several years. But the unexpected surge in demand observed during the fall quarter may give rise to a more optimistic near-term forecast.

Effective Rent Summary

Mean Rent (Reis)	\$610
Annual Change	2.3%
RED 50 Rank	NA
Prelim. Reis YE11	2.3%
Reis 2012 Forecast	2.5%
Reis 2013 Forecast	2.7%
Reis 2014 Forecast	2.9%

3Q11 Rent Trends

Metro rents increased at a brisk pace over the summer. Average asking and effective rent increased \$5 (0.8%) sequentially to \$657 and \$610, respectively, each an improvement from the prior quarter when \$3 (0.5%) and \$4 (0.6%) increases were recorded. Preliminary reports for 4Q11 suggest that rent growth decelerated to some degree during the fall. Average asking rents increased only \$2 quarter-to-quarter or 0.3%.

Four of five metro submarkets chalked down se-

quential effective rent gains ranging from 0.2% (Greenville North) to 1.5% (Central). Only Anderson County experienced a setback as owners rolled back rents an average of \$3 (-0.5%) to \$554.

Reis project steady revenue gains through 2014. After an approximate 2.6% advance in 2011, the service foresees growth in the 2.5% to 2.8% range from 2012 to 2014. Faster gains are expected in 2015, however, when the service forecasts a 4.1% surge, a growth rate unseen since 2007.

Trade & Return Summary

2H11 \$5mm+ Sales	3
Approx. Proceeds	\$37.0mm
Cap Rate (T3M Avg.)	6.1%
Avg. Price/Unit	\$55,401
Expected Total Return	NA
RED 46 ETR Rank	NA
RAI NA	RAI Rank NA

3Q11 Property Markets and Total Returns

Loopnet.com identify three sales of Greenville-Spartanburg-Anderson area properties closed during 2H11. Proceeds totaled \$37.0 million. Average price equivalents ranged from \$28,830 for a 40-year old class-B- city of Greer asset to \$90,625 for a class-A, 2008-vintage asset located in suburban Brookfield.

Cap rates were within a range consistent to recent trends in the Atlanta and Charlotte markets. The aforementioned class-B- property traded at an estimated initial yield of 8.5%. A class-A asset in a

secondary location exchanged hands at a cap rate in the low-7% area. But the class-A asset located in a prime suburban location fetched a price equating to a low 5% going-in yield, in line with the top Southeastern region markets.

Three institutional quality class-A- GSP garden projects were offered for sale in January, two located in Spartanburg and the third in Greenville. Rents at these 1990s era assets average \$700-\$730 and occupancy rates range from 94% to 96%. Prices will be determined by the market.