

Retail Market Trends Greenville

Grubb & Ellis Research
First Quarter 2006



A national flood

Over the past three years, about 4 million square feet of new retail space has been delivered to the Upstate market. National retailers are flooding the Upstate and driving the surge in new development, specifically in the form of large retail centers. During this span, the total amount of retail inventory has increased by 18.8%.

The national retailers coming to the market are targeting the most competitive locations with the highest traffic counts and most prominent visibility. Many existing retailers are improving their own economic situation by leaving behind less-competitive space for a tenancy in these new facilities, which played a role in driving vacancy up from 12.4% to 13.3%.

The most prominent of the new developments are the Shops at Greenridge and Shops at the Point, where over 700,000 square feet of retail space has been added to the market, leasing at rates exceeding \$30/sf. Prominent new retailers to these two developments include P.F. Chang's, Whole Foods Market, and Dick's Sporting Goods.

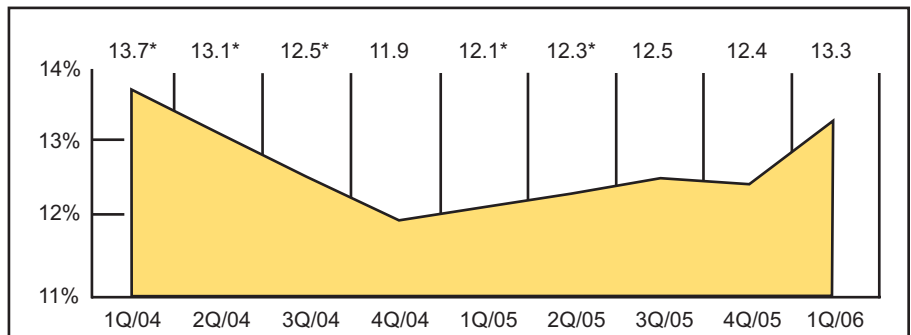
While another large project is not expected to be completed this year, the redevelopment of the struggling Greenville Mall looms large. The near vacant mall is expected to be demolished in favor of new development similar to the recently built Shops at Greenridge. Rooms-To-Go and Costco are the first rumored tenants to have interest in the new development.

While national retailers have typically favored key suburban locations like Woodruff Road and Cherrydale in lieu of downtown locations, a new trend may be emerging with the construction of a new mixed-use development, McBee Station. The new development will provide both a national grocer, Publix, and an office supply store, Staples, to meet rising demand in the downtown market. If successful, McBee Station may pave the way for more retail development downtown.

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Retail Vacancy Rate

* Estimated

Retail Market Snapshot Greenville First Quarter 2006

| By Submarket (All Classes) | Total SF(1) | Vacant SF(2) | Vacant % | Net Absorption | | Under Construction (3) | Asking Rent(4) | |
|-------------------------------|-------------------|------------------|--------------|-----------------|-----------------|---------------------------|----------------|----------------|
| | | | | Current Qtr. | Year-to-date | | Neighborhood | Power |
| Anderson | 3,928,639 | 562,202 | 14.3% | 50,410 | 50,410 | 50,000 | \$6.57 | \$14.85 |
| Easley | 787,226 | 25,076 | 3.2% | 59,553 | 59,553 | - | \$9.06 | - |
| Greenville | 15,031,882 | 1,179,126 | 11.8% | 4,211 | 4,211 | 310,000 | \$8.67 | \$9.71 |
| Spartanburg | 6,716,115 | 1,179,126 | 17.6% | (159,746) | (159,746) | - | \$8.24 | \$11.50 |
| Totals | 26,286,307 | 3,491,523 | 13.3% | (45,572) | (45,572) | 360,000 | \$7.96 | \$11.04 |

| By Property Type (All Submarkets) | | | | | | | |
|--------------------------------------|-------------------|------------------|--------------|-----------------|-----------------|----------------|-----------------|
| | | | | | | | Wtd Asking Rent |
| | | | | | | | |
| Strip | 1,302,335 | 166,682 | 12.8% | 11,584 | 11,584 | - | \$12.21 |
| Neighborhood | 9,268,862 | 1,407,246 | 15.2% | (117,127) | (117,127) | 225,000 | \$7.96 |
| Community | 3,175,171 | 311,781 | 9.8% | 1888,608 | 1888,608 | 100,000 | \$7.58 |
| Regional | 5,142,207 | 616,523 | 12.0% | (151,245) | (151,245) | - | \$15.63 |
| Power | 2,321,168 | 294,451 | 12.7% | 66,608 | 66,608 | - | \$12.21 |
| Free-standing | 4,926,841 | 682,140 | 13.8% | (44,000) | (44,000) | 35,000 | \$7.76 |
| Totals | 26,286,307 | 3,491,523 | 13.3% | (45,572) | (45,572) | 460,000 | \$8.68 |

(1) Inventory includes multi-tenant, single tenant and owner-occ buildings with at least 20,000 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 full service. Rates for each building are weighted by the amount of available space within the building.

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

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Property type definitions

Strip: 5,000 to 50,000 square feet, constructed with common walls in a strip facing the street. No dominant anchor stores, convenience-oriented tenants.

Neighborhood: 50,000-200,000 square feet, at least one anchor store, usually two or more, typically including supermarket and drug store.

Community: 200,000-400,000 square feet, usually two or more anchor stores such as a discount department store or *category killer* such as home improvement, books, electronics, apparel, etc. May also include a grocery store or drug store anchor.

Regional: 400,000 square feet and more, three or more anchors such as full-line or junior department store, mass merchant, fashion apparel.

Power: 250,000-800,000 square feet, three or more anchors such as a discount department store or *category killer* such as home improvement, books, electronics, apparel, etc. Little or no in-line shop space.

Free-standing: Typically 20,000 square feet and up. Consists of one building occupied by one major tenant. Includes stand-alone suburban department stores as well as stand-alone department stores in downtown areas (not part of an integrated retail center or mixed-use project).