Retail Market Trends Greenville

Grubb & Ellis Research

Second Quarter 2006

Grubb & Ellis | The Furman Co.
Property Solutions Worldwide

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A new bag of groceries

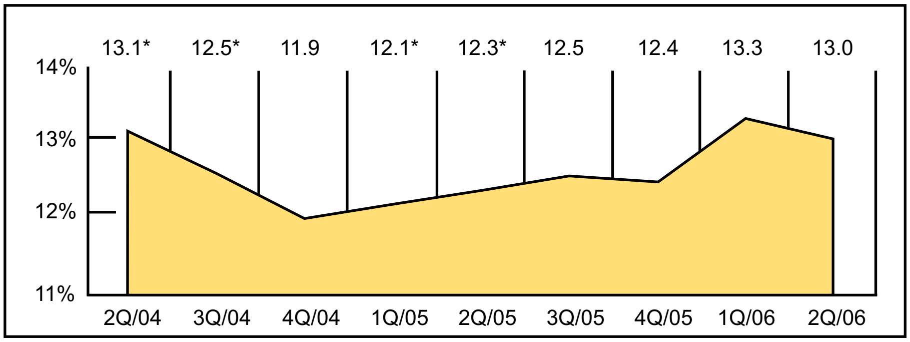
A drop in vacant speculative construction and a pair of large openings helped to drive retail market vacancy down from 13.3 percent to 13.0 percent in the second quarter. In addition, a slew of national chains are now angling for Winn-Dixie’s share of the grocery store market, bringing the promise of more positive absorption for the market.

The largest deal of the quarter included the reoccupation of a vacated Lowe’s (150,000 square feet) on Roper Mountain Road by local retailer Jeff Lynch Appliance and TV Center. This deal is especially notable, as it involved the reoccupation of a facility that was considered obsolete by a national tenant. Another major opening included a new Home Depot on Fairview Road. The opening brings another 100,000 square feet of occupied space to the I-385 South Submarket.

In the past year, the departure of ten Winn-Dixie stores from the Greenville market has brought with it both negative absorption and higher vacancy rates. However, other grocery chains are now strategically positioning themselves to absorb Winn-Dixie’s market share of the grocery store market, whose 2004 sales accounted for approximately 20 percent of local retail grocery sales.

Food Lion is planning at least eight stores for the market, five of which will be technology-infused concepts called Bloom. In the second quarter, two Blooms and one Food Lion opened. In Greenville’s downtown, land is being cleared for a Publix at the new mixed-use development, McBee Station. Not to be outdone, Mauldin-headquartered BI-LO has plans for two new stores, one downtown at the corner of University Ridge and Church Streets and another one in the re-emerging Laurens Road submarket. In addition, a new wholesaler to the market, Costco, has staked out territory in Magnolia Town Center, the retail center planned for the former Greenville Mall site.

Because of Winn-Dixie, the Greenville retail market, which was already an emerging high-growth market, now presents expanded opportunities for grocery store tenants.



Retail Vacancy Rate

** Estimated*

Retail Market Snapshot Greenville Second Quarter 2006

By Submarket				Net Absorption		Under
(All Classes)	Total SF(1)	Vacant SF(2)	Vacant %	Current Qtr.	Year-to-date	Construction (3)
Anderson	3,978,639	556,213	14.0%	55,989	106,399	-
Easley	787,226	25,076	3.2%	-	59,553	-
Greenville	14,982,127	1,667,874	11.1%	188,045	192,256	368,000
Spartanburg	6,716,115	1,183,523	17.6%	603	(159,143)	35,000
Totals	**26,464,107**	**3,432,686**	**13.0%**	**244,637**	**199,065**	**403,000**
By Property Type						
(All Submarkets)						
Strip	1,302,335	190,569	14.6%	(23,887)	(12,303)	38,000
Neighborhood	9,318,862	1,434,665	15.4%	30,581	(46,546)	175,000
Community	3,337,694	303,508	9.1%	108,273	296,881	50,000
Regional	5,142,207	619,206	12.0%	(2,683)	(153,928)	-
Power	2,321,168	251,558	10.8%	42,893	109,501	-
Free-standing	4,961,841	627,680	12.7%	89,460	45,460	140,000
Totals	**26,464,107**	**3,432,686**	**13.0%**	**244,637**	**199,065**	**403,000**

(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.

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

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, electroncis, 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, electroncis, 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).

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