

Office Market Trends Greenville

Grubb & Ellis Research
First Quarter 2007



New Class A Space in Downtown Spartanburg

The first quarter closed with minimal activity in the office sector. The highlight of the quarter was Johnson Development's completion of the 65,000 square-foot Carolina First building. In addition to housing the offices of Johnson Development, the building also serves as the Spartanburg headquarters of Carolina First Bank.

There is a demand for new Class A space, as evidenced by an 8.2 percentage point spread in vacancy between Class A and Class B properties, one of the largest gaps in the country.

While the new building was 100 percent pre-leased at the time of completion, it impacted vacancy at the nearby Bell Hill Office Park, which impacted more than just the Spartanburg submarket, helping to increase Class A market vacancy from 10.0 percent to 11.3 percent.

The trends in the Spartanburg office submarket are comparable to the trends in the remainder of the Upstate office market: there is a demand for new Class A space, as evidenced by an 8.2 percentage point spread in vacancy between Class A and Class B properties, one of the largest gaps in the country. This may have been a factor in Johnson Development's announcement for yet another 80,000 square-foot building in downtown Spartanburg.

Up to this point, existing Class A properties in the market have been safeguarded from the struggles experienced by Class B building owners in luring tenants. However, if Class B vacancy rates remain high and more Class A space is added in the coming quarters, it may present a challenge to existing Class A properties as Class B owners will be pressured to lure tenants with attractive deals.

Greenville Office Market Trends

is a newsletter published quarterly by Grubb & Ellis|The Furman Co. To obtain additional copies or other Grubb & Ellis|The Furman Co. publications, please contact:

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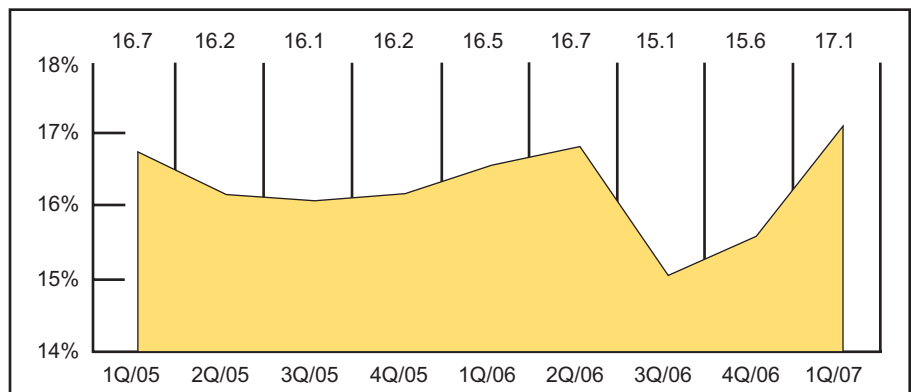
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Office Vacancy Rate*

* All Classes of Space

Office Market Snapshot Greenville First Quarter 2007

By Submarket (All Classes)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption		Under Construction (3)	Asking Rent(4)	
				Current Qtr.	Year-to-date		Class A	Class B
CBD	3,174,873	455,468	14.3%	(1,718)	(1,718)	50,000	\$19.41	\$16.82
CBD Total	3,174,873	455,468	14.3%	(1,718)	(1,718)	50,000	\$19.41	\$16.82
Greenville Suburban	5,503,298	953,636	17.3%	(10,359)	(10,359)	129,500	\$16.02	\$13.52
Spartanburg	1,369,577	310,578	22.7%	13,185	13,185	-	\$18.00	\$13.81
Suburban Total	6,872,875	1,264,214	18.4%	2,826	2,826	129,500	\$16.26	\$13.63
Totals	10,047,748	1,719,682	17.1%	1,108	1,108	179,500	\$17.49	\$14.65
							<u>Available for Sublease</u>	
By Class (All Submarkets)							CBD	Suburban
Class A	4,896,801	554,787	11.3%	38,295	38,295	132,500	13,534	49,292
Class B	5,048,980	984,579	19.5%	(37,187)	(37,187)	47,000	5,700	38,665
Totals	10,047,748	1,719,682	17.1%	1,108	1,108	179,500	19,234	79,292

(1) Inventory includes multi-tenant and single tenant 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 size of the building.

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

Office Market Terms & Definitions

Inventory: Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

Office Building Classifications: Grubb & Ellis|The Furman Co. adheres to the Building Owners and Managers Association guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area... Class B properties compete for a wide range of users with rents in the average range for the area... Class C buildings compete for tenants requiring functional space at rents below the area average.

Vacancy: The vacancy rate is the amount of physically vacant space divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Office rents are reported as full service where all costs of operation are paid by the landlord up to a base year or expense stop.

Average Weighted Asking Rent: An average market rent where the asking rent for each building in the market is weighted by the building size.

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Industrial Market Trends Greenville

Grubb & Ellis Research
First Quarter 2007



While in many markets, a lack of general industrial growth is a non-issue for warehouse/distribution space, locally it is a factor worth considering.

Local Manufacturers Drive Demand for Warehousing

Since the second quarter of 2005, the Upstate industrial market has grown for seven consecutive quarters. During that span, industrial net absorption has totaled over 3.5 million square feet while vacancy has dropped from 14.9 to 11.1 percent.

The Upstate has a unique relationship to its warehouse/distribution space. With respect to manufactured goods, there are two general areas where warehouse/distribution demand is high: near the manufacturers and near the consumers. While most of the growing warehouse demand in the country is due to proximity to consumers, local growth in the warehouse/distribution sector has been the result of meeting the demand from local manufacturers. The leasing of Hampton Park, the former regional Winn-Dixie distribution center, to two local warehousing and logistics companies is an example of this trend. As a result, growth (or lack thereof) in the general industrial sector of the market may be an indicator in of future growth of the local warehouse/distribution market.

In 2006, growth among the general industrial and warehouse/distribution sectors was about equal; about 400,000 square feet of absorption per quarter. During the first quarter of 2007, warehouse/distribution product posted 487,416 of net absorption, while general industrial product had a negative net absorption of 33,970 square feet. While in many markets, a lack of general industrial growth is a non-issue for warehouse/distribution space, locally it is a factor worth considering.

The April announcement of a major east coast distribution facility for Adidas to be built in Spartanburg indicates a potential shift in this trend. With quality access to interstates relatively free of metropolitan traffic concerns and to a major eastern port in Charleston, the Upstate is well-positioned to land more regional distribution centers.

Greenville Industrial Market Trends

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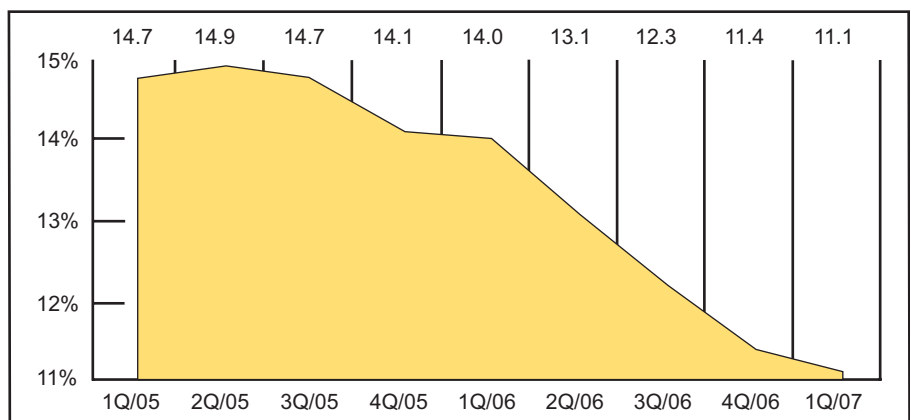
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Industrial Vacancy Rate*

* All Types of Product

Industrial Market Snapshot Greenville First Quarter 2007

By Submarket (All Classes)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption		Under Construction (3)	Asking Rent(4)	
				Current Qtr.	Year-to-date		WH/Dist	R&D/Flex
Central Greenville	17,103,285	1,877,934	11.0%	2,996	2,996	-	\$1.97	\$7.49
I-385 South	18,008,702	1,165,648	6.5%	53,951	53,951	-	\$3.07	\$6.12
I-85 East	12,414,071	1,270,263	10.2%	27,100	27,100	108,800	\$3.50	\$8.15
I-85 West	15,702,350	2,000,297	12.7%	(133,821)	(133,821)	90,000	\$3.04	\$7.46
Taylors-Greer	8,078,861	1,276,036	15.8%	345,352	345,352	-	\$3.13	\$4.87
Travelers Rest	3,460,314	422,260	12.2%	-	-	-	\$2.50	-
Greenville County	74,767,583	8,012,438	10.7%	295,578	295,578	198,800	\$2.93	\$7.48
Spartanburg East (5)	21,028,857	3,027,064	14.4%	(128,966)	(128,966)	-	\$2.17	\$5.08
Spartanburg West	28,102,122	2,673,739	9.5%	300,628	300,628	468,926	\$2.78	\$6.98
Spartanburg County	49,130,979	5,700,803	11.6%	171,662	171,662	468,926	\$2.62	\$5.98
Totals	123,898,562	13,713,241	11.1%	467,240	467,240	667,726	\$2.83	\$7.08
By Property Type								
(All Submarkets)							Asking Rent (4)	
General Industrial	66,237,205	5,793,710	8.7%	(33,970)	(33,970)	216,000	\$2.74	
R&D/Flex	5,782,297	949,132	16.4%	13,794	13,794	108,800	\$7.08	
Warehouse/Distribution	51,879,060	6,970,399	13.4%	487,416	487,416	342,926	\$2.83	
Totals	123,898,562	13,713,241	11.1%	467,240	467,240	667,726	\$3.04	

(1) Inventory includes multi-tenant, single tenant and owner-occupied buildings with at least 10,000 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, triple net. Rates for each building are weighted by the amount of available space within the building.

(5) Spartanburg East is a new submarket that was added during the first quarter of 2006. Historical numbers have been modified accordingly.

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Retail Market Trends Greenville

Grubb & Ellis Research
First Quarter 2007

 **The Furman Co.**
Property Solutions Worldwide

This [Greenville Mall] deal is exceptionally notable, not only due to its size, but because it represents a major transaction between two outside investors.

Greenville Retail Market Trends

is a newsletter published quarterly by Grubb & Ellis|The Furman Co. To obtain additional copies or other Grubb & Ellis|The Furman Co. publications, please contact:

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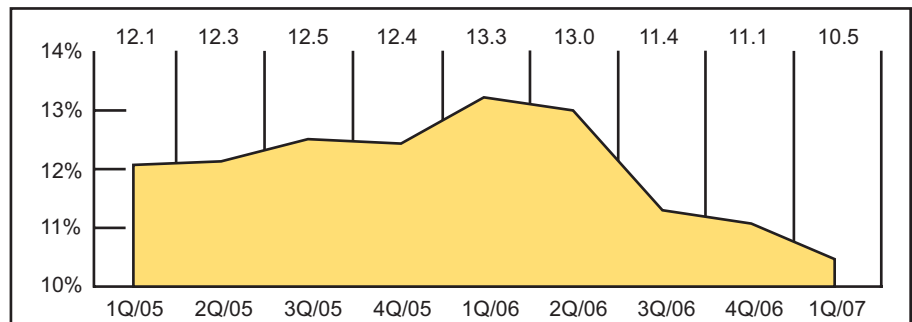
Old Greenville Mall Site Trades Hands Again

Retail activity was slow during the first quarter of 2007, but vacancy dropped from 11.1 to 10.5 percent, largely due to the demolition of 115,000 square feet of space at the Westgate Mall to make room for wholesale retailer Costco. This is the second Costco that will be built locally after the partial demolition of a conventional mall, with the other being the former Greenville Mall.

Making headlines this quarter was the announcement of the transfer of the Greenville Mall for the second time in the past sixteen months. Amid ongoing demolition, the old Greenville Mall now has a new developer with new plans.

In December of 2005, the struggling Greenville Mall and its 64 acres were sold for \$37 million for redevelopment purposes to a partnership between Florida-based Gulfside Development Company and California-based Canyon Capital Realty Advisors. According to tax records, the group resold the property in April in separate deals to Costco (15 acres for \$6.3 million) and Florida-based Menin Development (49 acres for \$52 million.) The Menin deal represents one of the largest real estate transaction in the history of the Upstate.

This deal is exceptionally notable, not only due to its size, but because it represents a major transaction between two outside investors. Amid the real estate slowdown in many other markets, the Greenville market is still considered strong for investment, especially for retail. As a result, more speculative investment from outside investors can be expected for entitled land and shopping centers. If speculative investment were to slow, it could present a challenge to new retail development, as owners of well-positioned land wait for comparable payouts.



Retail Vacancy Rate*

* All Classes of Space

Retail Market Snapshot Greenville First Quarter 2007

By Submarket(1) (All Classes)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption		Under Construction (3)
				Current Qtr.	Year-to-date	
Anderson	3,978,639	526,084	13.2%	2,250	2,250	43,400
Easley	787,226	67,168	8.5%	-	-	-
Augusta	857,830	98,333	11.5%	(5,429)	(5,429)	-
Berea	1,131,456	42,440	3.8%	10,825	10,825	-
Cherrydale Area	893,081	157,198	17.6%	-	-	50,000
Eastside	667,697	93,430	14.0%	27,956	27,956	154,000
Haywood/Laurens	2,783,762	346,391	12.4%	(4,910)	(4,910)	-
I-385 South	1,758,453	67,941	3.9%	(7,000)	(7,000)	119,000
Pleasantburg	554,505	9,000	1.6%	8,989	8,989	-
Wade Hampton	1,452,344	190,086	13.1%	(12,945)	(12,945)	-
Woodruff Road	3,032,293	27,760	0.9%	(1,200)	(1,200)	-
Greenville	13,693,337	1,109,241	8.1%	16,286	16,286	406,000
Blackstock	3,730,311	521,020	14.0%	-	-	-
Duncan/Lyman	787,226	71,538	8.3%	35,000	35,000	-
Hillcrest	1,132,689	129,233	11.4%	-	-	-
Spartanburg North	881,729	96,290	10.9%	-	-	-
Spartanburg	7,338,390	1,000,124	13.6%	67,950	67,950	-
Totals	25,797,592	2,702,617	10.5%	86,486	86,486	449,400

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