

Retail Market Trends Greenville-Spartanburg

Grubb & Ellis Research
Third Quarter 2008

 **The Furman Co.**
Property Solutions Worldwide

In the past quarters, few speculative developments have successfully made the transition from announcement to construction.

Struggles Impact Vacancy; More Closings on Horizon

While the burdens of the struggling national economy have been mounting for several quarters, the retail real estate market numbers provided little proof of impact, until now. Despite the completion of a new Super Wal-Mart, absorption (the change in occupied space) was negative for the quarter, increasing the vacancy rate to 10.6 percent.

Growing vacancy in the quarter was caused by the departure of Goody's, which closed stores in the Woodruff Road, Cherrydale and Blackstock submarkets. More dark space is expected to hit the market in the coming quarters from retailers undergoing a contraction phase. Significant looming vacancies expected to hit in the fourth quarter are two Linens n' Things locations and the recently announced closing of the only BJ's Wholesale Club in the state.

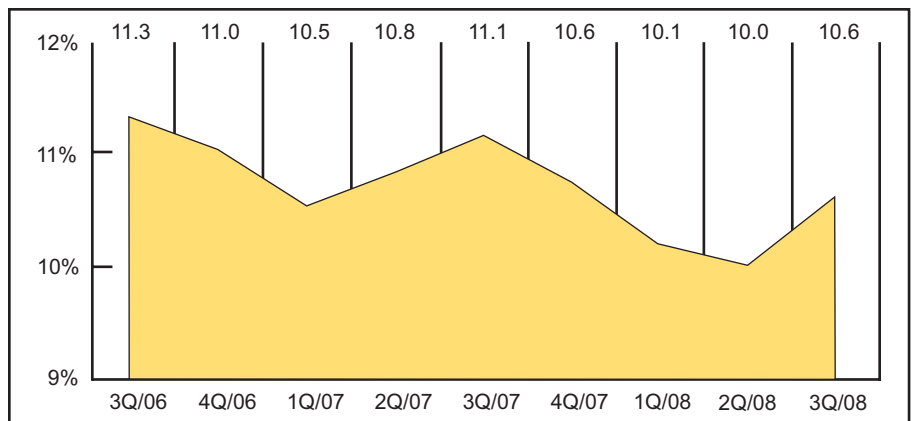
Indicative of the still viable market is the announcement of a new development anchored by Academy Sports on the BJ's Wholesale Club site on Woodruff Road. However, in the past quarters, few speculative developments have successfully made the transition from announcement to construction. Previously announced projects that have not yet begun construction are located in the Woodruff Road, Wade Hampton, Cherrydale, I-385 South, Hillcrest, and Eastside submarkets.

In difficult economic times, discount retailers are well-poised to succeed. As if on cue, a new Super Wal-Mart was completed in the Eastside submarket in the third quarter, helping to offset market vacancy. Vacancy is expected to climb further in the coming quarters.

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Retail Vacancy Rate*

* All Types of Space

Retail Market Snapshot Greenville-Spartanburg Third Quarter 2008

By Submarket(1) (All Classes)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption		Under Construction (3)
				Current Qtr.	Year-to-date	
Anderson Total	3,972,260	495,379	12.5%	14,991	42,141	283,350
Easley Total	787,226	74,224	9.4%	-	-	-
Augusta	901,830	94,925	10.5%	-	44,673	-
Berea	1,131,456	114,925	10.2%	-	1,000	-
Cherrydale Area	943,081	193,462	20.5%	(32,950)	(32,264)	-
Eastside	870,037	80,407	9.2%	135,000	135,965	-
Haywood/Laurens	2,896,291	304,027	10.5%	(3,483)	83,635	-
I-385 South	1,891,179	121,355	6.4%	(3,150)	(357)	-
Pleasantburg	614,505	47,608	7.7%	(15,225)	27,517	-
Wade Hampton	1,473,273	179,225	12.2%	-	21,639	-
Woodruff Road	3,031,218	109,142	3.6%	(42,937)	(75,401)	-
Greenville Total	14,397,786	1,358,307	9.4%	44,964	204,916	-
Blackstock	3,880,311	395,590	10.2%	(57,730)	(14,626)	-
Duncan/Lyman	864,611	71,538	8.3%	-	-	-
Hillcrest	1,132,689	169,801	15.0%	(39,400)	(39,400)	-
Spartanburg North	881,729	90,290	10.2%	-	1,600	-
Spartanburg Total	7,488,390	903,381	12.1%	(97,130)	(49,226)	-
Totals	26,645,662	2,831,291	10.6%	(37,175)	197,831	283,350

(1) Inventory includes multi-tenant, single tenant and owner-occupied 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.

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