

Retail Market Trends Greenville-Spartanburg

Grubb & Ellis Research
First Quarter 2009



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Is the Brunt Over?

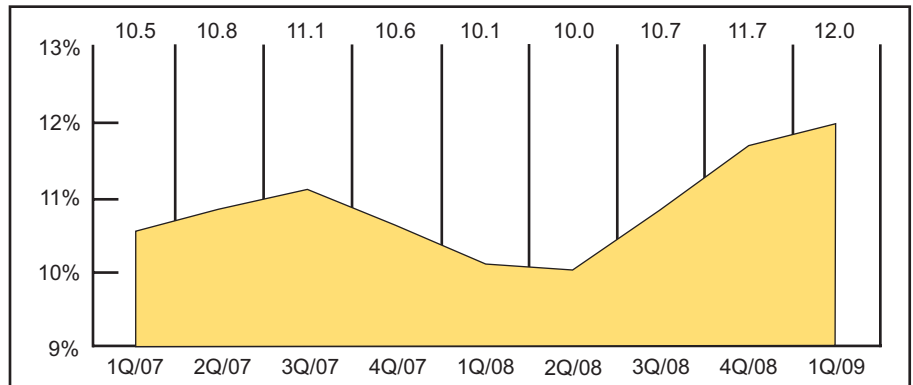
For the third consecutive quarter, net absorption was negative, indicating that the local retail market is contracting. Vacancy has now climbed over 200 basis points in the past four quarters to 12.0 percent. However, all major announced closings have run their course. If the worst of the economic fallout from the slowing economy is over for national retailers, then perhaps there is light at the end of the tunnel for the local retail market.

The biggest retailers to vacate space in the market during the last two quarters include Circuit City, which occupied 130,000 square feet; BJ's Wholesale, which occupied 100,000 square feet; Linens N' Things, which occupied 65,000 square feet; and Steve & Barry's, which occupied 50,000 square feet.

Easley appears to be bucking the slowing retail trend. It was not impacted by any large vacancies in the last few quarters and it is home to the largest retail center under construction. Easley Town Center, a 500,000 square foot center that will be anchored by a Super Wal-Mart is expected to be completed in 2010. However, given the submarket's small size, a single development or large vacancy can easily change the general perception of the submarket.

A major headline in the first quarter was the announced bankruptcy of BI-LO, which is a result of their inability to refinance their commercial loans. Until credit markets loosen, it would not be surprising to see other retailers undergo a similar process. Through the bankruptcy process, BI-LO is looking to be relieved of a number of old leases, four of which are in the Upstate, but none are currently occupied by BI-LO. One is vacant and three are subleased to other tenants.

Given the sluggish retail sales figures of the last six months, there were expectations that a new round of announced closings would hit in the first quarter as retailers came to grips with the impacts of a sluggish holiday season. Up to this point that has not occurred. Perhaps this indicates that retailers have managed to survive the worst.



Retail Vacancy Rate

Retail Market Snapshot Greenville-Spartanburg First Quarter 2009

By Submarket(1) (All Classes)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption		Weighted	Under
				Current Qtr.	Year-to-date	Avg Asking Rate	Construction (3)
Anderson Total	4,255,610	504,196	11.8%	2,310	2,310	\$6.45	-
Easley Total	787,226	74,224	9.4%	-	-	\$8.26	500,000
Augusta	901,830	95,314	10.6%	6,222	6,222	\$9.08	-
Berea	1,131,456	112,925	10.0%	-	-	\$7.97	-
Cherrydale Area	943,081	193,462	20.5%	-	-	\$17.64	-
Eastside	870,037	213,782	24.6%	1,625	1,625	\$16.06	-
Haywood/Laurens	2,896,291	402,497	13.9%	(46,407)	(46,407)	\$12.29	-
I-385 South	1,891,179	129,805	6.9%	-	-	\$8.81	-
Pleasantburg	614,505	67,071	10.9%	-	-	\$15.01	-
Wade Hampton	1,473,273	180,302	12.2%	273	273	\$7.95	-
Woodruff Road	2,931,218	179,815	6.1%	(40,451)	(40,451)	\$20.73	102,269
Greenville Total	14,397,786	1,358,307	9.4%	(64,370)	(64,370)	\$11.69	-
Blackstock	3,880,311	447,864	11.5%	(22,849)	(22,849)	\$10.46	-
Duncan/Lyman	864,611	71,538	8.3%	-	-	\$8.21	-
Hillcrest	1,132,689	185,556	16.4%	(10,155)	(10,155)	\$9.62	-
Spartanburg North	881,729	93,490	10.6%	(3,200)	(3,200)	\$11.86	-
Spartanburg Total	7,488,390	964,209	12.9%	(25,803)	(25,803)	\$9.62	-
Totals	26,829,012	3,216,465	12.0%	(87,863)	(87,863)	\$9.96	602,269

(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.

(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.

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

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