Retail Market Trends Greenville-Spartanburg

Grubb & Ellis Research
Second Quarter 2008

Grubb & Ellis | The Furman Co.
Property Solutions Worldwide

National retailer struggles extend to local market

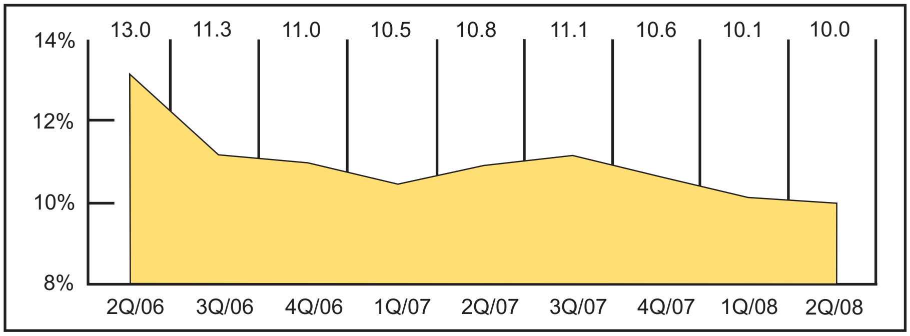
The market dynamics... present a unique opportunity for local retailers.

Amid closures of a variety of national retailers, the local retail market posted its fourth consecutive quarter of declining vacancy; dropping to 10.0 percent. Vacancy is expected to rise in the third quarter, as the full brunt of announced closings is felt. Depending on the extent of the decline of the national economy, additional closings may be on the horizon for other chain retailers.

In the past twelve months, six major retailers have announced their intention to close stores in the Greenville-Spartanburg retail market: Sofa Express, Goody's Family Clothing, Linens 'n Things, Lone Star Steakhouse & Saloon and CompUSA. Combined, the retailers will vacate over 175,000 square feet of space. The vacancy will be offset somewhat by the backfilling of the CompUSA space by a Sears Outlet store.

While Greenville-Spartanburg is feeling the effects of these retrenching retailers, the local market has had little of the home price depreciation that has hammered other markets and largely led to the struggle of these national retailers. Greenville and Spartanburg had among the highest home price appreciation rates in the country over the last twelve months. In addition to home price appreciation, rates of new construction have been relatively stable when compared to most markets. Despite the struggles of some retailers, the local market is still attractive to retailers that can find suitable locations to conduct business.

The market dynamics mentioned above present a unique opportunity for local retailers. In many cases, properties vacated by national retailers are well-positioned in areas with great demographics. Local retailers willing to locate to second-generation space in the best trade areas could be in a great position to strengthen their presence in the market.



Retail Vacancy Rate*
** All Types of Space*

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Retail Market Snapshot Greenville-Spartanburg Second Quarter 2008

By Submarket(1) (All Classes)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption Current Qtr.	Net Absorption Year-to-date	Under Construction (3)
Anderson	3,972,039	510,149	12.8%	27,150	27,150	283,350
Easley	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	1,000	-
Cherrydale Area	943,081	160,512	17.0%	(3,314)	(3,314)	-
Eastside	735,037	80,407	10.9%	(15,390)	965	135,000
Haywood/Laurens	2,896,291	300,544	10.4%	10,496	87,118	-
I-385 South	1,891,179	118,205	6.3%	(800)	2,793	-
Pleasantburg	614,505	32,383	5.3%	42,742	42,742	-
Wade Hampton	1,473,273	179,225	12.2%	(6,790)	21,639	-
Woodruff Road	3,031,218	66,205	2.2%	(6,344)	(32,464)	-
Greenville	14,262,786	1,268,271	8.9%	16,400	159,952	135,000
Blackstock	3,880,311	337,860	8.7%	(26,900)	43,104	-
Duncan/Lyman	864,611	71,538	8.3%	-	-	-
Hillcrest	1,132,689	130,401	11.5%	-	-	-
Spartanburg North	881,729	90,290	10.2%	-	1,600	-
Spartanburg	7,488,390	806,251	10.8%	(26,900)	47,904	-
Totals	26,510,441	2,658,895	10.0%	16,650	235,006	418,350

(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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