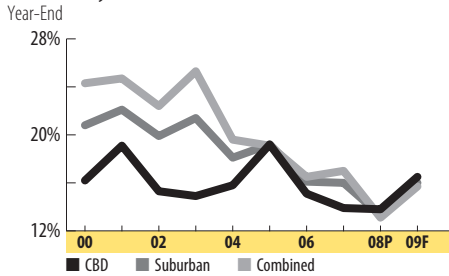


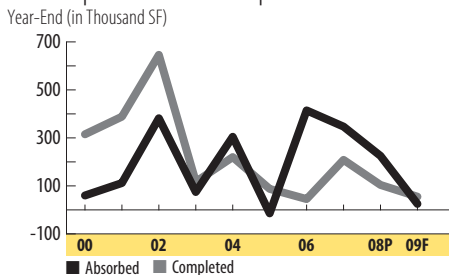
While vacancy dropped in 2008, availability rose. The amount of occupied space that is now available for sublease is a concern. Vacancy impacts are inevitable, which will further soften the market in a period of great economic uncertainty.

Vacancy Rates



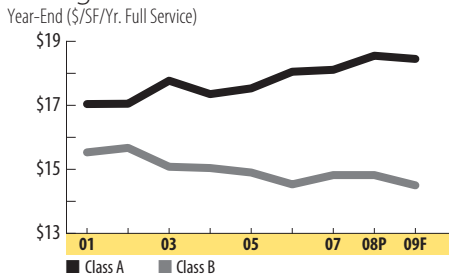
Source: Grubb & Ellis/The Furman Co.

Absorption vs. Completions



Source: Grubb & Ellis/The Furman Co.

Asking Rental Rates



Source: Grubb & Ellis/The Furman Co.

Key Leasing Transactions 2008

Lessee	Lessor	Property	Submarket	Size (SF)
Ahold	IBM	RBC-IBM Building	Greenville Suburban	68,000
Fluor Corporation	Highwoods Properties	ECPI Building	Greenville Suburban	32,000
General Electric	Och-Ziff Real Estate	Park East	Greenville Suburban	31,000
General Electric	Highwoods Properties	Brookfield Plaza	Greenville Suburban	28,000
Greenville Hospital System	Liberty Property Trust	Independence Pointe	Greenville Suburban	26,000

In the midst of a recession, market growth is a challenge. With negative growth expectations in most sectors, vacancy is expected to climb measurably in 2009. However, with a small market such as Greenville, one or two large transactions can have a significant impact.

Aside from the recession, which will keep growth in check, almost 400,000 square feet of space is available for sublease in the market. A significant portion of this space is currently occupied by tenants expecting to vacate the space in 2009, which will result in a jump in direct vacancy. Not only is the quantity of space alarming, so is the quality. Some of the best Class A spaces in the Greenville CBD are expected to become vacant in 2009, including large spaces in the Bowater Building and Poinsett Plaza.

A year ago, a major concern about growth was the lack of large, high-quality availabilities in the market for prospective tenants. This is no longer an issue. In addition to the previously mentioned sublease space, Johnson Development's new 80,000-square-foot office building in Spartanburg has large contiguous spaces available, as will Windsor-Aughtry's new 55,000-square-foot office building in downtown Greenville.

While the new buildings by Johnson Development and Windsor-Aughtry are projects that were under construction in 2008, it will be very challenging to justify additional new construction in 2009. Financing, construction costs and rising vacancy will keep even the best projects on hold until capital markets stabilize.

If there is a potential bright spot, it is the growth of two major tenants in the local office market: Fluor Corporation and General Electric. The two companies accounted for a significant amount of market growth over the last two years, especially in the suburbs, where vacancy is now comparable to that of the CBD.

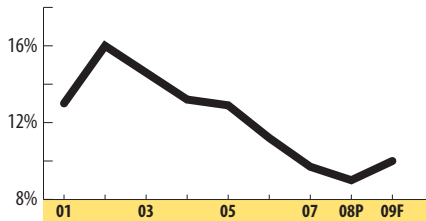
Owner-users of office properties that are struggling with financing and or cash flow may start to examine ways to improve their financial situation. Sale-leasebacks could become more viable, as buyers with capital resurface.

With vacancies looming and growth a challenge, expectations need to be kept in check. Vacancy will rise in 2009. The pressure to drop asking rates will rise as owners become increasingly competitive to lure credit tenants. Until market conditions improve, tenants will be able to land favorable rates and concessions if they can provide an owner with predictable cash flow.

After two and a half strong years of industrial growth, the local market is reversing course, driven by a slowing economy. However, a large expansion by BMW may help generate activity over the next year.

Vacancy Rates

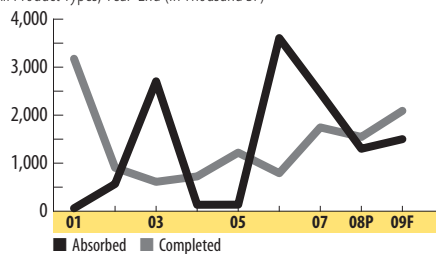
All Product Types, Year-End



Source: Grubb & Ellis/The Furman Co.

Absorption vs. Completions

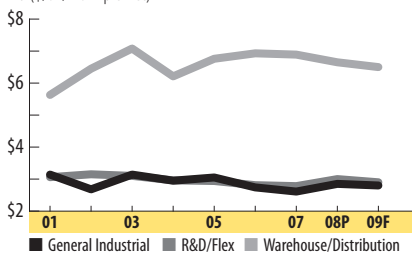
All Product Types, Year-End (in Thousand SF)



Source: Grubb & Ellis/The Furman Co.

Asking Rental Rates

Year-End (\$/SF/Yr. Triple Net)



Source: Grubb & Ellis/The Furman Co.

Key Leasing Transactions

2008

Lessee	Lessor	Property	Submarket	Size (SF)
Allenberg Cotton	Hollingsworth Capital	Hollingsworth Building	I-85 West	645,000
UTI Logistics	Orton Development	Hampton Park	Taylors-Greer	155,000
Innegrity	Trinity Capital	Trinity Commerce Center	I-385 South	120,000
Southern Cotton	Nalley Construction	Nalley Warehouse	Taylors-Greer	106,000
Purefilter	Prologis	Prologis Warehouse	I-85 East	63,000

The third quarter of 2008 marked an end to a string of 12 consecutive quarters where vacancy declined consistently. With a slowing of the economy, the short-term prospects are somber. Limited activity, both in terms of new tenants to the market and construction of speculative space are expected to be the hallmarks of a slow 2009.

Ironically, while activity is expected to be low, 2009 will add more industrial square footage to the market than any of the last seven years. Two projects under construction; BMW's plant expansion and Adidas's second phase of its distribution hub, will add 2 million square feet of industrial inventory to the market. BMW's expansion is expected to result in increasing demand for space from its suppliers, which will generate sorely needed activity in the market. However, expectations from BMW's growth may be muted in the short-term as the company recently announced layoffs of temporary employees.

While over 2 million square feet of space is expected to be completed in 2009, the BMW and Adidas facilities are not speculative properties, meaning they will have little direct impact on the industrial lease market. There is little speculative development

occurring in the market, despite the gains experienced in the market during the last two and a half years.

A developing trend going forward is an increase in international companies selecting the Greenville industrial market as a location in the United States to do business. The inexpensive U.S. dollar, coupled with higher energy costs, are forcing international companies to reevaluate their ability to transport goods over long distances to the United States. Of course, with a struggling national economy, the demand for goods may be subdued in the short-term. However, international companies with a focus on the long term may view this as an opportune time to get into the market.

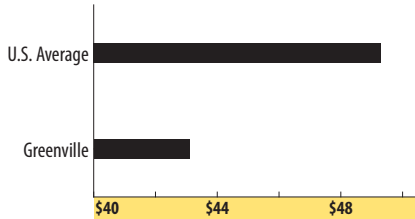
The difficulty in obtaining financing is going to cloud major deals throughout 2009. Until credit becomes more attainable, creativity may be required. Owners in need of cash may want to examine whether a sale-leaseback will help them overcome potential cash-flow issues through the next 18 months.

While the local textile industry has been declining for decades, the importance of the textile industry is still evident in that two key leasing transactions of the year were associated with cotton storage (see table).

The short-term outlook for growth is not bright. Vacancy is expected to climb, asking rates for properties are expected to decline. Tenants will be able to control incentives.

While the Greenville retail market enjoyed growth in 2008, the national recession is finally impacting the local market. Next year will be slow, but the local market is expected to return faster than those undergoing major residential corrections.

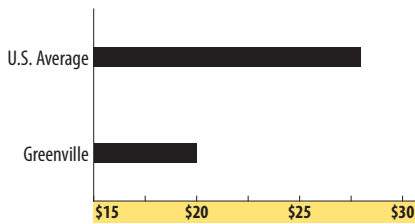
Median Household Income 2008 (in Thousands)



Source: Claritas

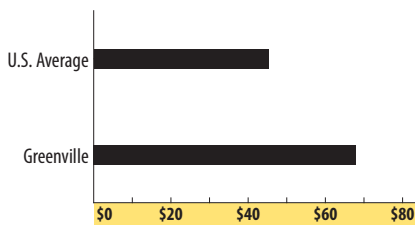
Typical Rent

In-line Shop Space, 2008 (\$/SF/Yr. Triple Net)



Source: Grubb & Ellis/The Furman Co.

Retail Square Feet Per Capita 2008



Source: Grubb & Ellis/The Furman Co.

Industries Expanding or Downsizing 2009

Expanding or New to Market	Downsizing
Drug stores	High-end retail
Discount retail	Auto dealerships
Fast food	Furniture stores
Local retail	Building supply, lawn & garden

As the national economy works through the down period, national retailers are in a contraction mode. In the last three quarters of 2008, many national retailers left the market, including Sofa Express, Goody's Family Clothing, Linens 'n Things, Lone Star Steakhouse, CompUSA, and BJ's Wholesale Club. In several cases, the vacated spaces are among the most desirable locations with great demographics and high traffic counts. However, finding new retailers to occupy them may be a challenge in 2009.

In addition to trying to fill these recently vacated spaces, developers of announced projects are having difficulty identifying expanding tenants in this down market. The two biggest projects currently in a holding pattern are Magnolia Park Town Center in the Woodruff Road submarket and Easton Marketplace in the Hillcrest submarket. Developers are being hit twice: once with the tightening of lending standards, and again with a lack of quality retailers interested in occupying speculative space. New retail development is not expected to shift back into gear until 2010 or later.

Deals are still possible. The lack of financing is ushering in an opportunity for those with cash. Owners with capital can get involved

in the financing of tenant upfits. Tenants with capital may be able to land great deals on great spaces.

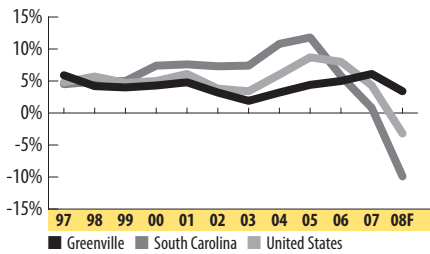
While much of the market struggles, there will still be some success. Discount retailers are expected to do well in the next 12 to 18 months. In addition, a flight to quality is expected. The best properties in the best locations are expected to be much better suited to ride out 2009 than second-tier properties on the fringe.

While 2009 is expected to be a slow year, the success of retail is largely a function of local market conditions. While national retailers pull out of the market, there may be an opportunity for local retailers to step in and land good deals in locations that would not have been available to them just 12 months ago.

There is no sugarcoating the prospects for 2009. It is going to be difficult. Deals will be completed cautiously. Vacancy will rise and the pressure to drop rents will be significant. Tenants comfortable with their prospects in the next two years are in the driver's seat. Fortunately for owners, the impacts of the recession are expected to be more shallow than in markets with hyper-appreciation in the residential sector, so the Greenville market is expected to return faster than many other markets.

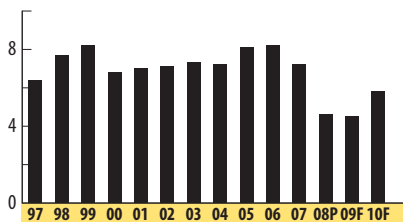
While direct impacts are minimal, the ripple effects of hyper-appreciation in other markets reduced residential development in 2008. Because Greenville is not overbuilt and home prices are appreciating, it is expected to weather the economic storm better than many markets.

Home Price Appreciation



Source: National Association of Homebuilders, South Carolina Realtors, Zillow.com

Single-Family Housing Starts Greenville, Spartanburg, and Anderson (per 1,000 people)



Source: National Association of Home Builders

The current housing recession is truly national in scale. In particular, California, Florida, and many coastal regions have experienced record population growth and housing sales, demand that outpaced supply, hyper-appreciation of sales prices, and rampant investor speculation. A natural housing correction of supply versus demand was in order; however it was greatly exacerbated by record-high home mortgage defaults, high fuel prices, a declining job market and the uncertainty of the presidential election. Although the housing recession affects everyone, there are significant regional differences in its impacts.

The Upstate region has maintained steady growth and modest price appreciation due to its strong market fundamentals, such as jobs, cost of living, quality of life, and its location on the I-85 corridor. However, no region or market is completely protected from the ripple effect of the national housing slump. Every housing market is directly or indirectly affected by stricter lending requirements, erosion of home values due to foreclosures, and declining consumer confidence. Through the third quarter of 2008, Greenville has maintained a positive year-over-year home sales price appreciation, in contrast to South Carolina as a whole. However, the declining number of home sales is finally forcing some depreciation of home values.

The natural result is higher defaults on acquisition, development and construction (AD&C) loans by developers and builders. In the Upstate, local and regional banks fund the majority of development projects.

These banks are re-assessing their AD&C loans based on the new lower expectations of price, absorption, and risk. The net effect is lower loan-to-value ratios, less debt financing, and less liquidity; further depressing the housing market by decreasing the ability of builders to meet the market demand.

The declining housing market should be impacting unimproved land prices. However, evidence of this has not yet been seen locally, primarily because new projects are not being sought. There is an ample supply of entitled land and developed lots to be absorbed before developers will seek new projects. Builders can simply purchase these properties at depressed prices from distressed developers or from banks after foreclosure. Landowners that lack an urgent need for capital have optimism that the market will return and land price appreciation will continue, and can therefore be patient to wait on a sale.

The silver lining is that the Upstate's solid fundamentals delayed the full effects of the housing recession, and therefore is likely to experience an earlier and faster recovery. The highs were not as high, so the expectation is that the lows will not be as low and the bottom of the cycle will not be as long as other markets across the country. The recovery of the housing market is primarily dependent on the restructuring of credit markets and new lending requirements.