RETAIL NEWS

GREENVILLE IS PULLING AHEAD OF TOUGH ECONOMY

After months of little construction downtown, there are signs that Greenville is pulling ahead of a tough economy. "Construction actually started last week," said Leigh Cooper, spokeswoman for Sullivan Management, a Columbia restaurant firm that plans to open Carolina Ale House in the former Kimbrell's building later this year. "We love Greenville's downtown, and are looking forward to being a part of it." The Greenville restaurant will be the 15th in the Carolina Ale House chain, which started in Raleigh, N.C., in 1999. The sports-themed restaurant will offer burgers, chicken wings, fish, steak and ribs, along with a bar with 40 beers on tap. It also will have a retractable glass rooftop that will provide the equivalent of a rooftop dining experience that can be used in any kind of weather, Cooper said. "The city is very excited," said Mary Douglas Hirsch, downtown manager for the City of Greenville. "This fills a gap between East McBee Avenue and East Court Street, and we are thrilled to see a restaurant coming in there that already has proven successful in other cities." City leaders said it might be the necessary boost to get other projects moving again. There is activity going on behind the scenes, said Nancy Whitworth, Greenville's economic development director. At least some of it centers around a development unveiled in 2008 as Washington Square, a major office, hotel and retail complex that would revamp nearly the entire city block formerly home to Woolworth, C.Q. Fashions and Young Fashions. "We are still planning something really cool that I can't let go of just yet,"' said Robert Martin, vice president of investments for TIC Properties. "It will be a little different, but the plan is still to make it a great development." Greenville Mayor Knox White said Washington Square is the "highest priority with the city. Unfortunately, I can't talk about it." What he did say is the $1 million the city recently received for selling its part of the Hyatt Regency to the Hyatt Corp. will likely benefit the Washington Square project. One block south, plans for an office and retail development known as Main at McBee are moving again. The development would be located at the corner of Main Street and McBee Avenue on the former site of the Kress dime store, perhaps best known in recent years by the children's artwork displayed on the fence around it. "We are still moving forward full steam ahead," said Larry Webb, a principal and broker with KDS Commercial Properties. "We are finalizing a lot of the details, and also finishing the last pieces of our financing." CVS will anchor the first floor, and negotiations are ongoing with a tenant for the second floor office space, Webb said. "With everything that has gone on in the banking industry, we've done a lot of restructuring to make it work for everyone," he said. "We are working as hard as we can, and hope to break ground this fall." The design of a new 204,000-square-foot federal courthouse that will be located at the intersection of East North, North Irvine, East Coffee and North Spring streets will begin this fall with construction beginning in 2013. That facility is expected to cost upwards of $60 million, and will provide space for the U.S. District Court, U.S. Magistrate Court and other federal agencies, while the current Clement F. Haynsworth Federal Building and U.S. Courthouse on East Washington Street would likely be used for bankruptcy court. City officials said the developers of a proposed luxury hotel at the corner of McBee Avenue and Spring Street have talked about reviving that project more than two years after construction stopped.

-Greenville News

KEY TERMS AND DEFINITIONS

Anchor Tenant: A large national or regional retailer that serves as primary draw for a shopping center; a store strategically located in a retail property in order to enhance, bring attention to, or increase traffic at the property. Sometimes called a "destination" tenant, usually these tenants lease at least 25,000 SF.

Availability Rate: The ratio of available space to total rentable space, calculated by dividing the total available square feet by the total rentable square feet.

Cap Rate: The Capitalization Rate is a calculation that reflects the relationship between one year's net operating income and the current market value of a particular property. The Cap Rate is calculated by dividing the annual net operating income by the sales price.

Deliveries: Buildings that complete construction during a specified period of time. In order for space to be considered delivered, a certificate of occupancy must have been issued.

General Retail: Typically are single tenant freestanding general purpose commercial buildings with parking. Many single retail buildings fall into this use code, especially when they don't' meet any of the more detailed use code descriptions.

Full Service Rental Rate: Rental rates that include all operating expenses such as utilities, electricity, janitorial services, taxes and insurance.

Market: Geographic boundaries that serve to delineate core areas that are competitive with each other and constitute a generally accepted primary competitive set of areas. Markets are building-type specific, and are non-overlapping contiguous geographic designations having a cumulative sum that matches the boundaries of the entire Region (See also: Region). Markets can be further subdivided into Submarkets.

Net Absorption: The net change in occupied space over a given period of time. Unless otherwise noted Net Absorption includes direct and sublease space.

Sublease Space: Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation. Sublease space is sometimes referred to as sublet space.

Rentable Building Area (RBA): The total square footage of a building that can be occupied by, or assigned to a tenant for the purpose of determining a tenant's rental obligation.

Vacancy Rate: A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory. Under construction space generally is not included in vacancy calculations.

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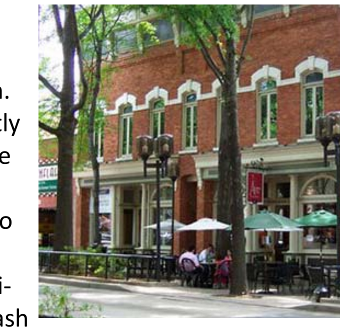
UPSTATE, SC
2010 MID-YEAR

COMMERCIAL REAL ESTATE ♦ RETAIL MARKET REPORT

SUMMARY & EXPERT ANALYSIS



As the year began, the Greenville/Spartanburg Retail Market remained resolute to survive what many economists have called the worst national economic downturn since The Great Depression. Consumer confidence in the US economy had declined and reduced discretionary spending greatly affected the retail market as consumers focused on necessities and building savings. Through the *American Reinvestment & Recovery Act of 2009*, cash was made available to jumpstart spending, strengthen the US economy, and boost retail markets in hopes to transition from "life support" to independence through consumer tax credits, rebates, etc. While it produced isolated successes, the major albatross around the neck of retail mobility continued to be the reorganization of traditional lending institutions. Banks, strapped with costly new federal regulations and little or no cash to offer, restructured operations to survive the impact of dead loans and distressed properties, both residential and commercial. The residue from the "boon" of the early turn of the century to the "bust" of the capital markets across the board still greatly affected recovery efforts through First Quarter 2010. In Upstate SC, retail construction was an exception, not the norm as growth was hampered by diminished lending opportunities. Survival for many retailers involved downsizing, mergers, restructured agreements, and concessions. However, today, retail is rising again. Activity is increasing. Vacancy has decreased. Net Absorption is positive. Lease rates are attractive. Hypermarkets (Wal-Mart, etc.), discounters (Dollar General, etc.), and supermarkets have continued to gain market share while smaller retailers have maintained their positions. This is very important as the local economy has largely been small business driven. Looking forward, the retail market will continue to trend positively. New stakeholders have been attracted to the market as banks, landlords, and existing retailers up their local investment efforts. Increased lending and local market trust will foster growth in the retail market and produce benefits with generational longevity.

- Deanna Hemberger

TOTAL RETAIL MARKET STATISTICS (As of June 2010)

	Existing Inventory		Vacancy		YTD Net	YTD	Under	Rental Rate
Market	**# of Buildings**	**Total RBA**	**Total SF**	**Vac. %**	**Absorption**	**Deliveries**	**Construction**	**(Avg.)**
Anderson	1,073	12,159,055	1,044,200	8.8	77,668	6,500	0	$ 8.07
Cherokee	221	2,448,185	111,884	4.0	(10,916)	0	0	$ 9.67
Greenville	3,513	32,661,315	2,416,437	7.5	12,331	44,693	55,736	$ 10.70
Laurens Co.	119	1,281,291	192,167	15.0	91,586	0	0	$ 4.66
Pickens	592	5,043,797	338,099	6.6	145,972	142,688	0	$ 9.24
Spartanburg	2,885	23,822,556	1,839,688	7.8	(47,279)	0	0	$ 10.45
TOTALS	**8,403**	**77,416,199**	**5,942,475**	**7.7**	**269,362**	**193,881**	**55,736**	**$ 9.99**

UPSTATE SC COMMERCIAL REAL ESTATE FIRMS ♦ RETAIL MARKET RANKINGS

	Company Name	# of Deals	Deals by SF	~ # of Brokers	Submarket
1.	NAI Earle Furman	131	351,033	28	Greenville
2.	Spencer Hines Properties	62	187,133	9	Spartanburg
3.	**Bentley Commercial/CORFAC INTERNATIONAL**	**53**	**125,335**	**9**	**Greenville**
4.	Hughes Commercial Properties	48	194,498	7	Greenville
5.	RealtyLink, LLC	8	170,581	13	Greenville

Source: CoStar Group (Based on deals closed in past 3 years.)

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TOTAL MARKET

	UPSTATE SC MID YEAR 2010	UPSTATE SC YEAR END 2009	UPSTATE SC MID YEAR 2009	UPSTATE SC Q1 2009
VACANCY RATE	7.7 %	7.9 %	7.9 %	7.6 %
VACANT SUBLEASE SPACE (SF)	180,785	199,117	265,355	251,376
NET ABSORPTION (SF)	269,362	9,010	(116,603)	8,676
RENTAL RATE (/SF)	$9.99	$10.23	$10.59	$10.67

The total retail RBA in the Greenville/Spartanburg Retail Market, approximately 77,416,199 SF, is largely driven by General Retail and Shopping Centers (Community, Neighborhood, and Strip Centers). Overall, the three major concerns from 2009 remain much the same. The market is still hampered by big box vacancies, deliveries are low, and rental rates have declined. The market average is below double digits at $9.99/SF. One factor skewing the markets' statistics is the addition of the Laurens County retail inventory with a 15% Vacancy rate and an average rental rate for 2Q2010 of $4.66/SF. These numbers are forecasted to increase as major employers are attracted to the region and retail multipliers establish their support operations.

Throughout the Upstate, lower rents, decreasing vacancy, and distressed property "steals" have attracted many shopping center investors from around the country to the Greenville/Spartanburg market. Recent quarters have shown many changes in ownership and leasing and management agreements that have increased the presence of larger outside firms in the Upstate market such as The Shopping Center Group, a ChainLinks affiliate, Atlanta, GA; Developers Diversified Realty, Beechwood, Ohio; Riverwood Properties, LLC, Atlanta, GA; DLC Management, Tarrytown, NY; and Cedarwood Development, Inc., Akron, Ohio. These brokerage and management firms afford the Greenville/Spartanburg market greater national exposure, in general, adding newcomers to a diversified landscape of retailers, but perhaps more importantly, they increase potential opportunities for big box absorption.

TOP RETAIL LEASE & SALES TRANSACTIONS
2010 (Q1 & Q2)

BUYER / TENANT	LOCATION	SUBMARKET	SQUARE FOOTAGE
Goodwill Industries of Upstate	3545 Boiling Springs Road	Spartanburg	14,000
It's Fashion Metro	917 East Main Street	Laurens	11,168
Sour Grapes, LLC	415 West Washington Street	Greenville	9,900
The Shoe Dept	205 West Blackstock Road	Spartanburg	6,544
Michael's Arts & Crafts	14 South Main Street	Greenville	6,260

BUYER / TENANT	LOCATION	SUBMARKET	Size (SF)	Sale Price	Price/SF
The Spinx Company	3221 South Murray Avenue	Anderson	14,708	$7,000,000	$475.93
Walgreens	2586 Woodruff Road	Greenville	14,820	$5,200,000	$350.87
Walgreens	2196 East Main Street	Spartanburg	14,086	$4,575,324	$324.81
AT & T	1121 Woodruff Road	Greenville	5,000	$2,855,000	$571.00
Jack-in-the-Box	1490 Poinsett Highway	Greenville	2,867	$1,650,000	$575.51
Tuffy Auto Service	3110 North Pleasantburg Drive	Greenville	5,390	$1,623,600	$301.22
W & Z, LLC	645 Fairview Road	Greenville	6,000	$1,050,000	$175.00

Recent activity has kept the local economy moving forward as existing spaces have filled with new tenants, new freestanding buildings have been constructed for national credit tenants, and existing vacant freestanding buildings have been adapted for new uses. The noted lease and sales transactions shown are recent examples of the changing retail landscape in Upstate SC.

2010 YEAR-TO-DATE DELIVERIES & TOP PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	ADDRESS	VACANCY	RBA (SF)	DELIVERY DATE
Lowe's	Pickens	Issaqueena Trail	0%	142,688	Second Qtr.
Century BMW & Mini	Greenville	Laurens Road @ I-CAR	0%	35,693	Second Qtr.
Kids and Company Child Development	Anderson	Hwy 81 North	0%	6,500	First Qtr.
General Retail	Greenville	Highway 414	100%	4,500	Second Qtr.
Waffle House	Greenville	Stone Avenue	0%	1,800	Second Qtr.
PROPERTY	**SUBMARKET**	**ADDRESS**	**PRELEASED**	**RBA (SF)**	**SCHEDULED DELIVERY**
Rooms To Go	**Greenville**	Woodruff Road	100%	35,000	Third Qtr.
Peace Medical Center	**Greenville**	Scuffletown Road	0%	9,687	Third Qtr.
Bridgestone	**Greenville**	Woodruff Road	100%	7,574	Fourth Qtr.
Pizza Hut	**Greenville**	Woodruff Road	100%	3,475	Fourth Qtr.

RETAIL RADAR

Throughout 2009, the Pickens Retail Market reported 500,000 SF to be constructed at Highway 123 and Prince Perry Road. This development, the Easley Town Center, is largely driven by the 184,070 SF Wal-Mart currently under construction. According to Cedarwood Development, Inc., the leasing arm of the center, commitments to lease have been made with Bed, Bath & Beyond, Kohl's, Ross, Shoe Carnival, 321, AT &T, the UPS Store, Gamestop, Five Guys Burgers & Fries, VIP Nails, and Sally's Beauty. With restaurants and other freestanding retailers still proceeding with caution, all six outparcels, totaling 11+ acres, ranging in size from 1.33 acres to 3.03 acres, remain available.

GREENVILLE ACCOLADES

These recent accolades are a tribute to the resilience of the Upstate market and the strength of a great business climate.

- **#1** Micro City of the Future, fDi Magazine 2009
- **#1** Metro for Economic Growth Potential, Business Facilities, 2009
- **#2** Best Places to Live the Simple Life, AARP 2009
- **#3** Strongest Job Creation, Bloomberg Business Week, 2010
- **#19** Healthiest Housing Markets in America, Builder Magazine, 2010
- **#20** America's Best Bang-for-the-Buck Cities, Forbes, 2009
- **Top 5** Best Places to Weather the Economic Downturn, Forbes, 2008
- **Top 10** Retirement Cities / Top 10 Most Affordable Cities, Relocate America, 2010