

Bentley Commercial LLC/CORFAC INTERNATIONAL RETAIL MARKET REPORT

GREENVILLE, SC

2009 MID-YEAR REPORT



MARKET OVERVIEW

By Deanna Hemberger & Andy Mitchell

It was the best of times, it was the worst of times...

No statement could affirm so aptly the condition of the retail real estate market today. While the national retail market is experiencing some progressive action in expansions, mergers, and new developments, it is still hamstrung by bankruptcies, closures, layoffs, and reduced rents. Nationally, the US Retail market reported declining market conditions with Vacancy increasing and negative Net Absorption. Large discount retailers, such as Big Lots, have capitalized on the fiscal environment and created a stronger, wider, thrift-conscious consumer base while specialty clothing stores and shopping centers lost market share, unsuccessful, thus far, in their attempts to capitalize on emerging retail trends. With Vacancy increasing and negative Net Absorption, the sublease market is a Buyer's haven. However, owners will need deep pockets to take advantage of these deals as banks continue to covet their own highly-prized merchandise.

The Greenville/Spartanburg Market, which includes Anderson, Cherokee, Greenville, Pickens, and Spartanburg submarkets, has weathered the national retail woes with some degree of poise and grace still attracting retailers to the area. Many market speculators indicate that the worst is behind us. New buyers have begun to emerge, lured to the Upstate by higher cap rates, a cautiously-built market, and landlord incentives, such as rent concessions and tenant improvement dollars. New casual dining retailers continued to join the list of Upstate eateries from Asian-fusion to pizza to wings.

Market Vacancy continued to trend upward to 7.3%. Net Absorption was slightly negative at (79,836) SF while vacant sublease space decreased by (31,478) SF, however, still trending upward. As 2009 began, the market braced to absorb the loss of 96,725 SF with large retailers such as Circuit City and Steve & Barry's. However, the impact was mitigated by the addition of TJ Maxx and Staples at 45,595 SF and the Academy Sports development at 102,269 SF which includes 86,000 SF formerly held by BJ's Wholesale Club.

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TOTAL MARKET RETAIL STATISTICS

MARKET	INVENTORY		VACANCY				YTD NET ABSORPTION	UNDER CONST (SF)
	# Bldgs	Total GLA	Direct SF	Sublet SF	Total SF	Vac %		
Anderson	862	10,627,745	901,562	28,227	929,789	8.7%	28,384	0
Cherokee	123	1,916,358	67,920	8,640	76,560	4.0%	33,372	0
Greenville	3,205	31,290,142	2,104,327	183,987	2,288,314	7.3%	(164,084)	194,151
Pickens	456	4,314,788	285,299	0	285,299	6.6%	67,463	500,000
Spartanburg	2,774	23,704,558	1,638,025	44,501	1,682,526	7.1%	(81,738)	12,445
TOTALS	7,420	71,855,591	4,997,133	265,355	5,262,488	7.3%	(116,603)	706,596

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Source: CoStar Property Data, Forbes.com, Relocate-America and Bentley Commercial, LLC.



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MARKET OVERVIEW CONTINUED

Despite the Upstate retail markets increasing Vacancy and negative Net Absorption statistics, there were positive highlights during the first half of 2009, including a number of significant lease signings this year. T.J. Maxx signed a lease to occupy the former Linens 'n Things space (25,205 SF) at Dorman Centre in Spartanburg. In addition, Hibachi Grill and Supreme Buffet signed a lease on 10,800 SF at 2255 E. Main Street in Spartanburg. Staples recently leased 20,390 SF at 120 Fritz Drive in Anderson. The Galleries of Brian Brigham (6,877 SF) recently signed a lease at 1016 Woods Crossing Road in Greenville. American Pie Pizza, Wings, and Bar recently located in 6,000 SF at 103 Beacon Drive in Greenville in the former Tony Roma's space. Happy Pie, a new Pizza restaurant, signed two leases in the first quarter: 1,800 SF at Pelham Court and 2,655 SF at 1604 Woodruff Road, both in Greenville. *Cycle Gear (4,500 at 2017 Wade Hampton Blvd.), Coal Fired Pizza (4,059 SF at 8595 Pelham Road) and Little Caesars Pizza (2,400 SF at 7486 Augusta Road)* all renewed their current leases during the first two quarters of this year.

There were also a few significant sales that occurred during the first half of 2009. While there were a few multi-tenant retail property sales that occurred, the sales trend for the first two quarters seemed to be in single tenant properties with high credit tenants. The 3,325 SF property at 1329 Wade Hampton Blvd in Greer, SC occupied by Kentucky Fried Chicken sold for \$1,205,976 (\$362.70/SF and 8.4% Cap Rate) on 4/23/09. The 2,416 SF Zaxby's at 1059 Tiger Blvd in Clemson, SC sold for \$1,200,000 (\$496.69/SF) on 1/30/09. *The 6,000 SF property at 320 S. Main Street in Woodruff, SC occupied by Advance Auto sold for \$558,000 (\$93.00/SF and 7.3% Cap Rate) on 1/16/09.* A 35,000 SF multi-tenant Wal-Mart Shadow Strip center at 1280 - 1286 Eighteen Mile Road in Central, SC sold on 3/27/09 for \$4,701,200 (\$133.56/SF and 8.9% Cap Rate). Cap Rates on single tenant and multi-tenant retail properties continued to trend upward during the first and second quarters as well. Given the high cap rates and low interest rates, the ability of investors to obtain properties with high returns has been much greater over the last six months. The only question remaining is how to obtain financing for these projects. Investors that have had equity and/or the ability to leverage have found highly profitable investment opportunities in retail properties over the last two quarters. Market-wide, there were a total of 56 deals reported in the first two quarters of 2009 totaling 129,218 SF and 706,596 SF still under construction. The largest of the current projects under construction is the Easley Town Center, a 500,000 SF center with Super Wal-Mart as the anchor tenant.

In the April/May 2009 issue of *fDi Magazine, The Business of Globalisation*, Micro cities, which are cities with populations of less than 100,000, were judged according to the following criteria: Economic Potential, Human Resources, Cost Effectiveness, Quality of Life, Infrastructure, Business Friendliness, and FDI Promotion Strategy. Greenville, SC, ranked first as the Top Micro North American City of the Future 2009/10, due to its strong Economic Potential, ranking first, good Human Resources, ranking second, Business Friendliness, ranking second, and Best Infrastructure, ranking fifth. This leads us to believe that the Greenville/Spartanburg Market is well positioned to emerge expediently as the national economy continues to improve.

It indeed has been the best of times and the worst of times. Here's to the best of times...to come!

**Bentley Commercial, LLC/CORFAC International transactions.*

SELECT RETAIL PROPERTY SALES

SALE DATE	BUILDING/ADDRESS	LOCATION	PROPERTY TYPE	SIZE (SF)	PRICE	PRICE / SF	CAP RATE
4/23/2009	KFC - Wade Hampton Blvd	Greer, SC	Single Tenant	3,325	\$ 1,205,976	\$362.70	8.4%
3/27/2009	Walmart Shadow Strip	Central, SC	Multi-Tenant	35,200	\$ 4,701,200	\$133.56	8.9%
1/30/2009	Zaxby's - Tiger Blvd	Clemson, SC	Single Tenant	2,416	\$ 1,200,000	\$496.69	N/A
1/16/2009	Advance Auto - S. Main Street	Woodruff, SC	Single Tenant	6,000	\$ 558,000	\$ 93.00	7.3%
10/2/2008	The Home Depot - Clemson Blvd	Anderson, SC	Single Tenant	105,000	\$ 5,271,925	\$ 50.21	N/A
9/28/2008	Academy Sports - Woodruff Rd	Greenville, SC	Multi-Tenant	102,269	\$ 8,750,000	\$ 85.56	N/A
7/1/2008	Publix at Thornblade	Greer, SC	Multi-Tenant	66,235	\$ 9,350,000	\$141.16	N/A
6/24/2008	Walgreens	Anderson, SC	Single Tenant	14,820	\$ 5,691,931	\$384.07	N/A
5/9/2008	Crosspoint Plaza	Greenville, SC	Multi-Tenant	72,978	\$10,200,000	\$139.77	8.2%
4/29/2008	Ashley Furniture - Woodruff Road	Greenville, SC	Single Tenant	44,917	\$ 8,375,000	\$186.46	7.25%