

NAI Earle Furman

Upstate, SC 3Q15

Retail Market Report

Conditions continued to improve for the 3rd Quarter of 2015 in the Greenville/Spartanburg retail market. The two key drivers were: asking rents, which increased for the fourth consecutive quarter, and vacancy rate, which decreased for the fourth consecutive quarter. These changes are illustrated in the adjacent graphs. The latest vacancy rate at 6.2% is close to the 10-year low. These two factors, combined with controlled new construction, have shifted negotiating power from tenant to landlord. Net absorption was strong in the 3rd Quarter at over 350,000 SF. This was driven by multiple new Wal-Mart Neighborhood Markets (including Clemson, Simpsonville, Greenville), multiple new Dollar Generals (including Easley and Cross Hill) and a few other large space users including a new 21,000 SF Fresh Market on Woodruff Road in Greenville, 35,000 SF Roses to back fill the old K-Mart space in Greenville, 19,462 SF Michaels in Simpsonville, and 35,000 SF entertainment center in Belton. New grocers entering our market include Harris Teeter with its first store under construction on Augusta Street and others planned. Lowes Foods started construction of its first store in Greer, and Aldi is constructing two new stores (Greenville and Greer). The region's largest mall, Haywood Mall, signed a lease with the Cheesecake Factory to take approximately 9,000 SF. This will be the chain's first store in SC. Nine new buildings were delivered in the 3rd Quarter, totaling approximately 100,000 SF. This brings the total of newly constructed retail buildings to 627,000 SF for the last four quarters, which is still lower than our market's historical average of 1 million SF per year. There is approximately 160,000 total SF under construction at the end of Q3 made up of 13 buildings.

2014 was a record year for retail sales activity in our market at almost \$500 million. This was bolstered by the sale of Magnolia Park in Greenville (454,990 SF retail center sold for \$155,500,000, or \$341.77/SF). So far, 2015 is on pace to be much closer to average or around \$300 million. This quarter's largest sale transaction was Anderson Station (243,342 SF retail center sold for \$28,200,000 or \$115.89/SF). Cap rates for Q3 2015 were about 7%, which is about 130 basis points lower than our previous 5 year average. For buildings over 15,000 SF, our average price/SF continues to track over 40% less than national average. This is one of the factors bringing out-of-state investors to our market. With the market demand high for investment retail properties, property inventory for sale at a six year low, and bankers willing to lend money, the environment is ideal for retail property owners to achieve a good return. Our outlook for the next quarter remains on track with the strong third quarter metrics.

Ted Lyerly
NAIEF Retail Broker

Retail Sector in 3Q15

Number of Buildings	9,735
Market Size (SF)	84,780,621 SF
Overall Vacant Space (SF)	5,225,739 SF
Overall Vacancy (%)	6.2%
Direct Vacancy (SF)	4,976,565 SF
Sublease Vacancy (SF)	279,174 SF
Net Absorption	367,905
Average Asking Rental Rate (\$/SF/Yr)	\$9.83

Source: CoStar Property as of 10/13/15.



Upstate Economy in 3Q15*

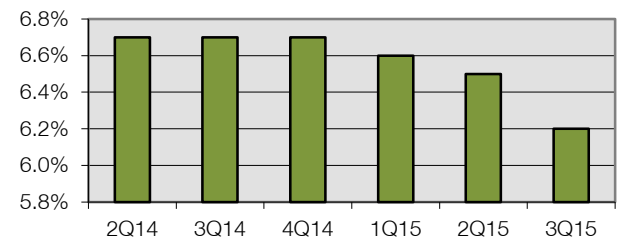
Total Population ⁺	969,104
Total Households ⁺	355,795
Median Household Income ⁺	\$44,507
Total Labor Force [^]	464,870
Unemployed [^]	25,536
Unemployment Rate [^]	Greenville County: 5.2% Spartanburg County: 6.0% Anderson County: 5.6%

*Includes data for Greenville, Spartanburg and Anderson counties

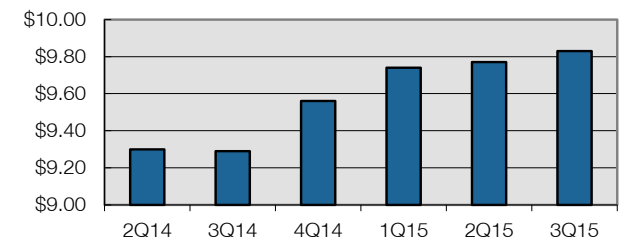
+US Census Bureau, 2010 Census & 2014 estimates

[^]scworks.org: September 2015 data

Overall Vacancy Rates (%)



Average Asking Rental Rates



Trends for 3Q15

▲
NET ABSORPTION

▼
VACANCY RATE

▼
CONSTRUCTION

▲
ASKING RATES

Upstate, SC 3Q15

Retail Market Report

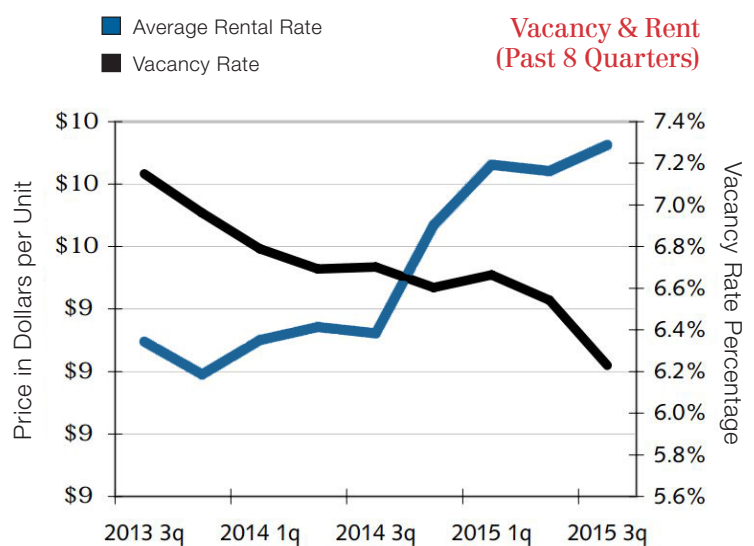
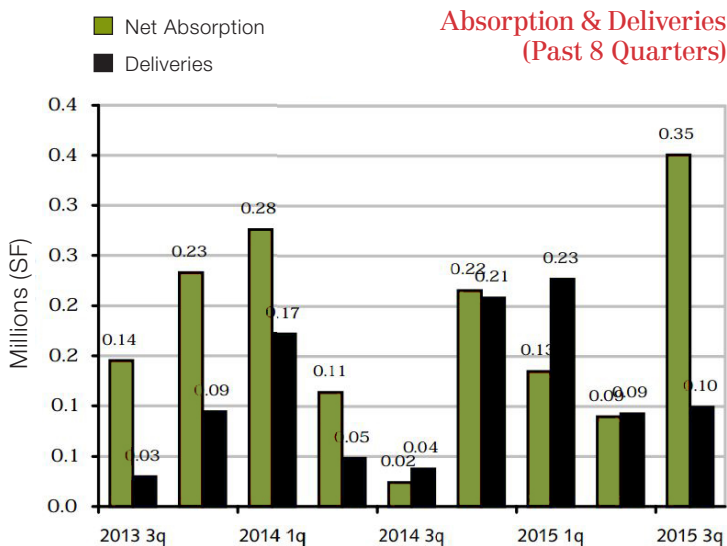
Retail Submarket Overview:

Below is a sampling from CoStar of the major retail submarkets in the Upstate as of 10/13/15. For data on additional counties or to view corridor mapping, please send a request to marketing@naief.

Submarkets	# of Buildings	Total RBA (SF)	Vacant (%)	Total Net Absorption (SF)	Total Avg. Rate
Greenville					
Augusta Road	245	1,634,283	6.8%	4,800	\$11.82
Laurens, Haywood & Congaree Roads	428	7,818,409	5.1%	6,662	\$10.92
Downtown Greenville	104	865,549	4.3%	(5,100)	\$18.37
Woodruff Road/Butler Road	359	4,466,117	3.2%	30,551	\$13.26
Pelham Road	149	1,492,240	8.4%	22,993	\$13.91
Simpsonville	392	3,596,953	3.2%	12,636	\$13.04
Wade Hampton/Greer	573	4,843,552	8.6%	5,649	\$11.19
Greenville (all submarkets)	3,853	35,799,986	5.8%	76,797	\$11.46

Spartanburg					
East Side/Downtown	520	5,023,817	10.0%	(25,479)	\$9.57
West Side	445	6,122,274	4.7%	6,818	\$10.68
Boiling Springs/Hwy. 9	571	3,663,523	4.7%	21,850	\$10.38
Spartanburg (all submarkets)	2,956	23,044,105	6.6%	27,790	\$8.99

Anderson					
Hwy. 81 & Clemson Blvd.	366	5,456,406	3.9%	2,136	\$12.14
Pickens	728	6,415	5.9%	122,585	\$10.96
Anderson (all submarkets)	1,519	13,565,285	6.4%	108,394	\$7.43



Upstate, SC 3Q15 Retail Market Report

New to the Market in 3Q15

Pelham Road	The Lost Cajun, Local Taco
Augusta Road	Barre 3
Downtown Greenville	The Playwright
Woodruff Rd.	The Fresh Market

Sampling of Top Transactions in 3Q15

**NAI Earle Furman Transaction*

Sales

Anderson Station (2 Properties) Anderson RBA: 243,342 Sale Price: \$28,200,000 Sale Date: 7/28/15	68 Carolina Parkway Greenville RBA: 15,000 Sale Price: \$1,550,000 Sale Date: 8/10/15	627 Congaree Road Greenville RBA: 23,450 Sale Price: \$1,050,000 Sale Date: 8/31/2015	1280 Eighteen Mile Rd. Central (Pickens County) RBA: 35,200 Sale Price: \$3,115,000 Sale Date: 8/6/2015
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Leases

2600 E. Main Street Greenville, East Side SF: 12,300 Tenant: Club Social Teen Zone	221 N. Main Street Greenville CBD SF: 12,000 Tenant: POUR	Haywood Mall Greenville SF: 8,954 Tenant: The Cheesecake Factory	1371 WO Ezell Boulevard Spartanburg SF: 5,000 Tenant: Mattress Man of Greenwood
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News Highlight from 3Q15

Greer retail sales top \$1 billion

By Michael Burns | *The Greenville News* | October 8, 2015

Gross retail sales within the city of Greer surpassed \$1 billion in fiscal year 2015, according to city officials, marking the fifth consecutive year of an increase to a record amount and signaling a healthy, growing local economy.

"It's sort of a watershed moment for Greer," said Reno Deaton, the executive director of the Greer Development Corporation. "I think you can attribute that to a lot of different things. Obviously Greer is a growing community. I think most of the credit, though, belongs to the businesses, themselves. They really have done a phenomenal job of catering to customers. They've helped to make Greer a destination. They do a great job of customer service and product mix. They're taking advantage of the opportunities provided by high traffic counts and really sort of winning the day."

The 2015 total of \$1,034,016,761 is a whopping 93-percent increase over the pre-recession high in 2008. It's more than double what it was just five years ago, and it's a 23-percent increase from the previous fiscal year.

New larger retailers such as Kohl's, which opened in September of 2014, and Greer's car dealerships are among businesses making big impacts, said Deaton, who anticipates more record sales figures in the years ahead.

"Not many communities have both residential and commercial growth at the same time, but we're very fortunate to have that in Greer. As residents find the city of Greer a great place to live, more businesses are wanting to locate near those neighborhoods,"

said Mark Owens, president of the Greater Greer Chamber of Commerce. "Retail sales are a great figure for the pulse of our economy. It reflects both the growth and vibrancy we have in the community. I think it's a huge justification of the time and commitment that goes into economic development – not only recruiting new businesses but also helping those that are already here grow."

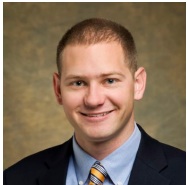
"We monitor our retail sales closely to determine if there are any possible issues which we may need to be aware of," said Greer City Administrator Ed Driggers, who like Owens is on the Greer Development Corporation board of directors. "What we are seeing is a positive upward trend. It is a combination of new businesses opening and existing businesses seeing an increase in overall sales."

The nonprofit Greer Development Corporation is a public-private partnership focused on retaining and recruiting businesses and industry. Its annual budget of about \$400,000 is funded by the city of Greer, the Greer Commission of Public Works, Greenville-Spartanburg International Airport and the Partnership for Tomorrow.

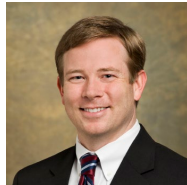
"An overall positive economy, a growing community with higher disposable incomes, more shopping opportunities, flexible shopping hours – all of these provide the right climate for economic success," Driggers said. "The City of Greer is a great place to do business, and businesses do well here. We work very hard to make the process of opening a business as easy as possible. That, combined with a low tax rate, is attractive to new businesses and existing businesses alike."

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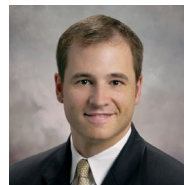
NAI Earle Furman Retail Division



Gaston Albergotti
Broker
gaston@naief.com



Brendan Gower
Broker
bgower@naief.com



Ted Lyerly, CCIM
Broker
tlyerly@naief.com



Jimmy Wright
Principal and Broker
jwright@naief.com



Bill Sims
Broker
bsims@naief.com



Jake Van Gieson
Broker
jakev@naief.com

About Us

Solid Foundation. Proven Results.

Founded by J. Earle Furman in 1986, NAI Earle Furman is a leading full-service commercial real estate brokerage firm in the Upstate of South Carolina specializing in the office, industrial, investment and retail sectors. NAI Earle Furman offers a wide range of services including sales, leasing, development, site selection, consulting and property management. A partnership with NAI Global allows NAI Earle Furman to access a network of worldwide real estate connections and offer international commercial real estate services to Upstate clients, while retaining local personality and knowledge.

The firm has 70 team members and completed over 625 transactions in 2014. The Property Management team manages over 5 million square feet of commercial space in North and South Carolina.

Reports Prepared by:

Lauren Newton
Marketing & Research Specialist | lnewton@naief.com

Sallie Smith
Marketing & Research Specialist | ssmith@naief.com

Ted Lyerly
Retail Broker & Q3 2015 Retail Advisory Board | tlyerly@naief.com

Brokerage Services

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Contact Us:

101 E Washington Street Suite 400
Greenville, South Carolina 29601
864 232 9040

naiearlefurman.com