

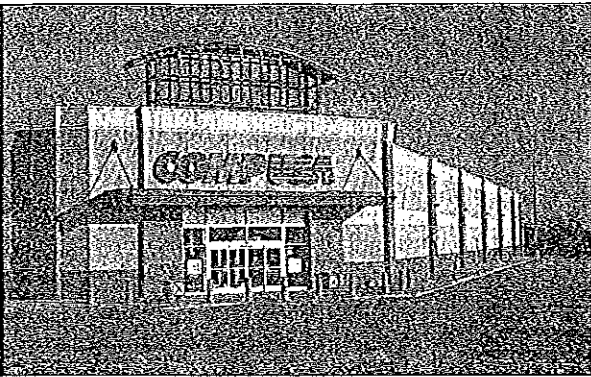
# Business

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## Retail vacancies decrease



OWEN RILEY JR. / Staff

### Analysts expect local market rate to increase during third quarter

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The market's retail vacancy rate fell slightly in the second quarter despite numerous departures and closing announcements from national retailers.

The Retail Market Trends report by Grubb & Ellis/The Furman Co. said the vacancy rate for the Greenville-Spartanburg

market dropped from 10.1 percent in first quarter 2008 to 10 percent for the second quarter.

It was the fourth straight quarterly decline in vacancy rates, but Grubb & Ellis/The Furman Co. expects vacancies to rise in the third quarter as the full brunt of announced closings is felt.

The report cited the recent closings or closing announcements from major

retailers such as Sofa Express, Goody's Family Clothing, Linens 'n' Things, Lone Star Steakhouse & Saloon, and CompUSA.

Those retailers combined to vacate more than 175,000 square feet of space, part of which will be offset by the backfilling of the Sears Outlet store opening in the former CompUSA building, the report said.

Brian Reed, research manager for Grubb & El-

A report by Grubb & Ellis/The Furman Co. said the vacancy rate for the Greenville-Spartanburg market fell .1 percent between the first and second quarter.

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lis, said that in most cases having a large number of retail closings throughout the market would be a concern from a market-perception standpoint.

"But we are living in unique times where every market is going to be hit with closings of national retailers to a certain degree, so it's not as big of a perception hit as it would have been had these stores closed a couple years ago," he said.

The report says the local retail market continues to be attractive to retailers.

Reed said the markets hit hardest by the economic downturn are those that had unsustainable rates of

home appreciation.

"Locally, we did not experience this. Many retailers look for locations that are experiencing a significant amount of new home construction, as there is often a positive relationship between new home construction and retail expenditures," he said.

"Because home price appreciation in the Upstate has been and is expected to remain stable, new home construction has not dropped to the same degree as it has in other markets," Reed said.

Michael Dodds, managing director for Integra Realty Resources, said many of the retailers that are closing stores have three to five years remaining on their leases. Therefore, the physical vacancy rate has increased, but the "eco-

nomics" vacancy won't be affected until the retailer's lease expires, he said.

According to national market research firm Reis, the highest vacancy rate during the first quarter in Greenville was in shopping centers built between 1980 and 1989, Dodds said. The reported vacancy was 13.8 percent for community centers and 14.7 percent for the neighborhood centers in that segment of the market.

"With retailers pulling back, and lenders sitting on the sideline, the supply of space will grow at a much slower pace. As supply and demand slow at the same time, the occupancy rates should stabilize. Greenville will remain on the list of desirable markets for many retailers in my opinion," Dodds said.