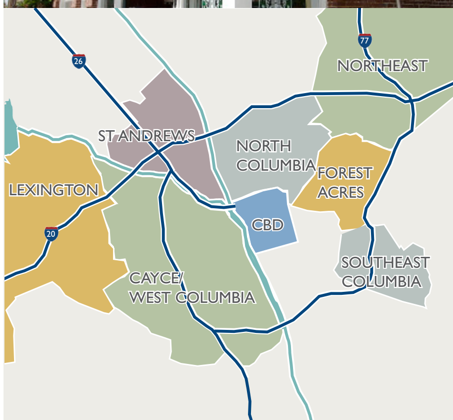
COLLIERS KEENAN I COLUMBIA, SOUTH CAROLINA

Year-End Retail Market

Q4 I 2009



MARKET INDICATORS

	Q3	Q4
OCCUPANCY	↓	↓
ABSORPTION	↓	↓
RENTAL RATE	↓	↓
CONSTRUCTION	↓	↓

QUICK UPDATES

- BIG BOX CLOSURES REPRESENT 3.94% OF MARKET
- LANDLORDS MAKE RENTAL CONCESSIONS
- DISCOUNT RETAILERS CONTINUE TO PERFORM
- VISTA AREA DRAWING ATTENTION OF NATIONAL RETAILERS; ADAPTIVE REUSE PROJECTS PLANNED FOR 2010

MARKET SUMMARY

The retail market in Columbia, South Carolina, faced extreme challenges during 2009 as the US economy struggled to climb out of a recession. The overall market occupancy rate decreased from 90.94% at year-end 2008 to 87.30% at year-end 2009, representing the first time in nearly a decade that the rate of occupancy in Columbia dropped below 90.0%. Just as with all other major markets across the U.S., Columbia's retail market received little shelter from downturns in the national economy.

After the last recession ended in November 2001, the availability of inexpensive credit to the general population expanded greatly and retail consumption increased substantially. National retailers implemented aggressive growth strategies and increased inventory levels. When the credit crisis began to emerge in the early parts of 2008 retailers began to suffer, but by the end of the third quarter of 2008 consumer spending had experienced the sharpest drop since 1980 and retailers nationwide were facing financial difficulties.

The Columbia market held strong through year-end 2008, but a weak 2008 Christmas season brought with it multiple bankruptcies in the first quarter of 2009 and consumer confidence dropped to an all-time low of 25.3 in February. National brands such as Circuit City, Linens 'N Things, Goody's and Sofa Express closed locations due to bankruptcy, while Office Max, Sears and Ashley Home Furniture closed underperforming locations. The space vacated by these retailers totaled 496,937 square feet and comprised 3.94% of the entire Columbia market.

The good news, however, is that the aforementioned big box closings more than account for the 3.01% increase in retail vacancy experienced during 2009, indicating that there were very few closures among local merchants, restaurants and national value tenants. Retailers such as TJ Maxx, Ross, Dollar Tree and Dollar General expanded throughout 2009, and Target, Wal-Mart and Kohls maintained a dynamic retail presence.

Although retailers were able to keep their doors open, many were forced to reassess their business models and sales expectations. As such, many looked for ways to reduce real estate expenses through the reduction of annual rent. Mid-term rent reductions became increasingly common in 2009, first as struggling mom-and-pop retailers looked for means to survive, then as national credit tenants with underperforming locations threatened to vacate space unless landlords agreed to concessions. For landlords, working through difficult times to retain tenants is a lesser evil than searching for replacements that are few and far between.

Retailers looking for retail space at year-end will find landlords willing to negotiate and asking rental rates lower than previously experienced. Asking rates at year-end 2009 for available shop space (0 to 10,000 square feet) averaged $14.00 per square foot, asking rates for available junior box spaces (10,000 to 25,000 square feet) averaged $9.85 per square foot and rates for available big box spaces (>25,000 square feet) averaged $5.36 per square foot.

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	Market Size	Occupancy Rate	Pass Throughs	Anchor Space Available Space	Anchor Space Asking Rent	Junior Anchor Space Available Space	Junior Anchor Space Asking Rent	Shop Space Available Space	Shop Space Asking Rent
Cayce/West Columbia	1,158,304	82.75%	$2.17	94,000	$5.52	56,500	$8.62	49,274	$11.80
Downtown	269,075	98.22%	$3.82	0		0		4,800	$16.00
Forest Acres	775,469	96.97%	$4.12	0		0		23,500	$20.43
Harbison/St. Andrews	2,944,492	85.20%	$3.37	158,195	$2.38	40,369	$10.00	237,167	$11.73
Lexington	1,437,170	97.89%	$3.40	0		0		30,266	$11.58
North Columbia	380,849	94.75%	$2.46	0		0		19,988	$11.22
Northeast	4,343,706	85.87%	$3.42	363,626	$7.96	23,500		226,620	$16.81
Southeast	1,245,281	78.61%	$3.32	180,740	$3.19	42,521	$11.44	43,085	$13.61
Market	**12,554,346**	**87.30%**	**$3.26**	**796,561**	**$5.36**	**162,890**	**$9.85**	**634,700**	**$14.00**

The regional submarkets in Columbia were impacted by the national downturn to varying degrees. With a high population density and high per capita income, the Lexington submarket remained the tightest submarket in the region in terms of available space, finishing 2009 with an occupancy of 97.89%. The Forest Acres submarket saw occupancy rates increase slightly, from 96.77% at year-end 2008 to 96.97% at year-end 2009. Big box closures resulted in dramatic downturns in the Cayce/West Columbia and Southeast (Garners Ferry Road) submarkets, where occupancy rates declined by more than 500 basis points over the past twelve months. The Northeast submarket, which saw the greatest degree of speculative residential development in 2006 and 2007, saw nearly 300,000 square feet of big box space become available during 2009.

FORECAST

While there are concerns of additional fallout from decreased holiday spending, most retailers have had twelve to eighteen months of decreased sells to adjust their seasonal expectations. Stabilization should occur during the first and second quarters of 2010, but new growth is not expected to follow. Given the amount of big box space available to the market, occupancy rates will probably remain below 90% into 2011.

Retail development will face difficulties resuming until anchor tenants once again start to sign long-term commitments and financing markets loosen. Little development activity over the next 12 to 24 months should ultimately lead to pent-up demand, at which time the local market should once again see development activity commence.

THE VISTA RETAIL

Street-front retail in Columbia's downtown retail corridor, the Congaree Vista, has for many years been a vibrant mix of local and regional retailers, but the area began to draw the attention of national retailers in 2009. Regional developers have found creative ways for adaptive reuse in historic properties that are becoming increaslingly attractive to retailers looking to serve entire MSA from one location.

Developments such as Starbucks, Five Guys Burgers and Fries and Carolina Ale House are setting the standard for what national brands are looking for in urban retail space in Columbia. In 2010, developers will offer an increased amount of renovated shell space that will continue to push asking rates rental upward. At year-end 2009, there was 61,217 square feet of retail space available in the Vista, with an average asking rate of $26.52 per square foot.

COLLIERS INTERNATIONAL

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Europe, Middle East & Africa 64

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CONTACT INFORMATION

For More Information:

Rox W. Pollard, Sr.
Manager, Retail Services Group
(803) 401-4211
rpollard@collierskeenan.com

Ryan Hyler
Director of Research & Marketing
(803) 401-4269
rhyler@collierskeenan.com

COLUMBIA
1301 Gervais Street, Suite 600
Columbia, SC 29201
Tel: (803) 254-2300
Fax: (803) 252-4532

CHARLESTON
151 Meeting Street, Suite 350
Charleston, SC 29401
Tel: (843) 723-1202
Fax: (843)577-3837

GREENVILLE
201 E. McBee Avenue, Suite 201
Greenville, SC 29601
Tel: (864) 297-4950
Fax: (864) 527-5444

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