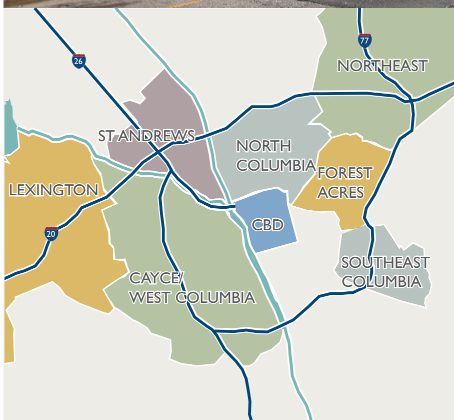
COLLIERS KEENAN I COLUMBIA, SOUTH CAROLINA

Mid-Year Retail Market

Q2 I 2008



MARKET INDICATORS

	Q1	Q2
OCCUPANCY	↓	↓
ABSORPTION	↓	↓
RENTAL RATE	↓	↓
CONSTRUCTION	↑	↑

QUICK UPDATES

- BIG BOXES CLOSE IN NORTHEAST COLUMBIA
- GROWTH CONTINUES IN HARBISON & LEXINGTON SUBMARKETS
- CITY HIRES RETAIL RECRUITER FOR DOWNTOWN
- INFILL CONTINUES ALONG FOREST DRIVE

The retail market in Columbia, South Carolina, experienced a slight decline in occupancy from year-end 2007 to mid-year 2008. As the overall health of the national economy remains in question, it is difficult to discern whether this downturn is due to a contraction in the economy, or if it is a delayed closing of underperforming stores. With the rampant growth that the retail market experienced over the past several years, many national retailers are now catching their breath and looking at areas in which consolidation may be needed.

Total market occupancy decreased by 69,652 square feet from year-end 2007 to mid-year 2008. The market occupancy rate stood at 90.14% at mid-year 2008, which represents a very robust and healthy retail market despite this decline. In addition to a decline in occupancy, rental rates across the market decreased from an average of $15.14 per square foot at year-end 2007 to $15.03 per square foot at mid-year 2008. More notable is the decrease in rental rates for small shop rents over this same six month period, which dropped from $19.97 per square foot at year-end 2007 to $17.54 per square foot at mid-year 2008. It can be argued that in a time of economic uncertainty smaller retailers have more difficulty in paying rents, thus as the supply of small-shop space increases rental rates tend to decline.

Even with a downturn in occupancy, retail employment over the first two quarters of 2008 remained stable. Total jobs in the retail trade sector remained completely flat from January 2008 to June 2008; wholesale trade experienced a decrease of 2.5%, and food and beverage stores experienced a 1.7% growth in employment during this same period.

Although the market experienced an across-the-board decline in occupancy, there are some submarkets which achieved positive growth during the first half of 2008. The Harbison submarket, which has historically been the most established suburban submarket, absorbed 34,426 square feet bringing occupancy up to 93.90% at mid-year 2008. The most notable development in the Harbison submarket is the addition of a new Wal-Mart in the Ballentine area, which was under construction at mid-year 2008. This development continues to stretch the Harbison retail corridor northwest along I-26. The Ballentine area should experience additional growth as Wal-Mart creates a retail destination, causing other retailers to locate in this area due to an increased traffic flow.

The Lexington submarket experienced absorption totaling 18,036 square feet during the first six months of the year, which brought occupancy to 93.34% at mid-year 2008. Along Highway 378 unanchored strip space continued to develop as limited parcels become available. The Redbank area of Lexington has also continued to expand as a Lowe's is under construction in this area.

The Forest Acres area has shown continued growth over the past several years. This momentum continued into 2008 with the addition of Zoe's Kitchen, a nationally franchised restaurant new to the Columbia market, and the announcement that both Five Guys Famous Burgers and Gold's Gym would be opening on Forest Drive in the last quarters of 2008. As demand for small shop space along Forest Drive increases, the area continues to experience infill development. Both high construction costs

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	Market Size	Occupied	Vacant	Occupancy Rate	Average Rent	Small Shop Rent	Average Pass-Throughs
Market	11,447,890	10,318,908	1,128,982	90.14%	$14.96	$17.54	$3.53
Downtown	269,075	259,875	9,200	96.58%	$16.15	$17.13	$3.39
Cayce/West Columbia	1,067,554	953,312	114,242	89.30%	$10.80	$14.75	$1.34
Forest Acres	775,469	766,969	8,500	98.90%	$17.22	$19.48	$3.69
Harbison/St. Andrews	2,759,011	2,590,814	168,197	93.90%	$15.85	$17.42	$2.80
Lexington	1,465,620	1,367,970	97,650	93.34%	$17.59	$20.04	$3.46
North Columbia	424,514	368,094	56,420	86.71%	$8.67	$10.70	$1.57
Northeast Columbia	3,572,106	3,000,267	571,839	83.99%	$15.00	$18.21	$4.16
Southeast Columbia	1,114,541	1,011,607	102,934	90.76%	$13.81	$16.53	$2.62

and market demand have resulted in these unanchored small-shop spaces to acheiving some of the highest rental rates in the Columbia market.

The Northeast submarket, which has experienced the most substantive retail growth in Columbia over recent years, saw the greatest decline in occupancy from year-end 2007 to mid-year 2008. Occupied space in the Northeast submarket decreased by 97,201 square feet over this six-month period, due to several national retailers closing stores. Both Linens-N-Things and Sofa Express entered bankruptcy, creating large vacancies on Two Notch Road and at the Village at Sandhill, while the closing of Goody's further increased the amount of vacant big-box space on Two Notch Road. Although vacancy has increased along the Clemson Road/Two Notch Road corridor, the Killian Road/I-77 interchange continued to grow over the first half of 2008. The recently completed Wal-Mart and planned Lowe's have increased retail traffic and an additional retail node in the Northeast market should continue to emerge in the future.

While the downtown area of Columbia has not experienced an upsurge in true retail activity over the past several years, the demand for hotels and restaurants has fueled development activity within the Central Business District. The City of Columbia and City Center Partnership have completed a retail study for the downtown area and hired a retail recruiter. While this commitment will contribute to the redevelopment downtown Columbia has experienced in the past decade, it is likely that the majority of any future retail growth will continue to be centered in the Vista area of downtown Columbia.

The Southeast area along Garners Ferry Road experienced little change during the first half of 2008. This area will be of long-term interest to retailers, as the population in this area is expected to grow in a post-credit-crunch economy.

Looking forward through the end of 2008 and into beginning of 2009 the retail market in Columbia will remain stable, with little change and limited growth. Any new developments will likely come in the form of grocery and food stores as the population continues to expand. Limited consumer spending in response to increased energy prices will continue to impact retailers across the board. Any downturns in global oil prices will likely lead to increased activity in the retail market as both consumer confidence and spending begin to rise.

COLLIERS INTERNATIONAL

293 OFFICES IN 61 COUNTRIES
ON 6 CONTINENTS

USA 99
Canada 19
Latin America 18

Asia Pacific 95
EMEA 62

$2.0B in Revenue
868M SF Under Management
11,000 Professionals

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