Ground-Up Construction Gains Momentum to Meet High Demand

**KEY TAKEAWAYS**

- Market vacancy rate is down to 5.45%. Downtown vacancy rate is just 3.43%. Rental rates averaged $18.84 per square foot for shop space with some tenants seeing rates as high as $77 per square foot in the Downtown submarket.
- With limited options for redevelopment remaining throughout the market, ground-up shopping center construction is becoming active.
- The retail market is becoming a landlord’s market as available retail space runs scarce.
- Retail along King Street is increasingly difficult to find.
- Charleston City Council agrees to one-year moratorium on new bars.
- Job creation and residential growth is driving the suburban retail market.

**CURRENT CONDITIONS**

Job growth and subsequent residential growth supported by Boeing and others throughout the Charleston area is motivating development of new shopping centers. The third quarter of 2014 ended with a low vacancy rate of 5.45% for the Charleston, SC retail market. The region is maintaining a historically high occupancy rate and is running low on available retail space in desirable intersections and along busy retail corridors. King Street is almost 100% occupied and new developments are occurring along Upper King. Midtown, the cornerstone of Upper King, will feature over 37,000 square feet of commercial space, a dual-branded Hyatt House and Hyatt Place hotel and a 7-story parking garage.
Due to the lack of existing space and few redevelopment opportunities remaining, the market is seeing a surge in ground-up retail construction. Well known national tenants such as Earth Fare and Academy Sports are anchoring the new suburban developments and will likely attract more national tenants to the centers.

- Earth Fare is currently under construction in Summerville. The specialty grocer, the first under construction in Charleston, will anchor Horizon Square, a planned 63,000 square foot shopping center, which will also house Petco. Up to 10,000 square feet of junior anchor space and 10,000 square feet of shop space remain available for lease. Outparcel lots are available and can accommodate up to 6,500 square feet of space.

- Summerville Towne Centre, a planned 230,000 square foot center for Summerville, will be anchored by Academy Sports, Hobby Lobby and Aldi.

- Mount Pleasant will also experience new development. The Shoppes at Oakland, a 104,800 square foot planned shopping center, will be anchored by Academy Sports and Aldi. The center will be located along US Highway 17.

- Oyster Park, another Mount Pleasant development, will include 35,000 square feet of retail space and 269 apartment units. The mixed-use development will be adjacent to Mount Pleasant Square, a BI-LO anchored center near Rifle Range Road and Ben Sawyer Boulevard.

RECENT ANNOUNCEMENTS

The market continues to see significant activity with new retailers and restaurants entering the market and existing ones growing their footprint.

- H&M opened their 20,000 square foot store at Tanger Outlet. The store is the company’s second location in South Carolina. The first store is located along King Street.

- Mellow Mushroom is opening in North Charleston. The restaurant will be located at Centre Pointe across from Tanger Outlets and is expected to open during the first half of 2015.

- Harris Teeter opened its doors to customers at Sawmill Village in Summerville late in the third quarter. The grocery occupies 53,000 square feet at 680 Bacons Bridge Road.

- Gander Mountain opened its North Charleston location in the Promenade at Northwoods occupying 40,000 square feet in a former Marshalls space. Marshalls previously relocated to the Corner at Wescott Shopping Center on Dorchester Road. This is Gander Mountain’s first South Carolina location.

- Chipotle is under construction at the former Millennium Music Store location at King and Calhoun Streets and expects to be open by year-end 2014. Walgreens and Carolina Ale House will also occupy space at the development.

- Nordstrom Rack plans to open a store in Mount Pleasant in the fall of 2015. The 33,000 square foot store will be located in a former K-Mart center off Johnnie Dodds Boulevard. Dicks Sporting Goods will co-anchor the center. The store will be Nordstrom’s third outlet store in South Carolina. Stores are slated to open in Greenville and Columbia early in the fourth quarter.

- LUSH Cosmetics opened its first South Carolina store along King Street.

- Corner at Wescott, located at 9500 Dorchester Road, welcomed its newest tenant, Title Boxing Club.

- Coleman Public House plans to open its second Charleston location at the old Maybank Highway Mustard Seed location in James Island. The first location was in Mount Pleasant.

- Westwood Plaza in West Ashley is undergoing renovations and will offer enough space for a grocery store following the relocation of Office Depot and TJ Maxx to new spaces within the center.
RESEARCH & FORECAST REPORT  |  Q3 2014  |  RETAIL  |  CHARLESTON

<table>
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<tr>
<th>Market Size</th>
<th>Vacancy Rate</th>
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<th>Shop Space</th>
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<td></td>
<td></td>
<td>Available</td>
<td>Asking Rent</td>
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RECENT SALES
Shopping center sales gained momentum during the third quarter as investors took advantage of healthy market conditions.

- The 45,424 square foot shopping center at 65 Sycamore Avenue was acquired for $5 million during the third quarter.
- Northwoods Marketplace Shopping Center, a 236,078 square foot shopping center on Rivers Avenue, was acquired for $35 million. The shopping center was approximately 97% occupied at the time of the sale and is home to national tenants Best Buy, Barnes & Noble, Michaels, PetSmart, Big Lots and Old Navy, among others.
- Gas Light Square, located at 5617 Rivers Avenue, was sold during the quarter. Renovations are planned for 80,687 square foot shopping center in hopes of attracting a national big box retailer.
AROUND THE STATE
South Carolina’s growing population and economy continue to draw new retailers to the market while providing a healthy business environment for the growth of existing retailers.

COLUMBIA, SOUTH CAROLINA
- Plans for Killian’s Crossing in the Northeast Columbia submarket are underway and gaining momentum. The development, to be located at the intersection of Clemson Road and Farrow Road, will offer multifamily and single family residential units, hotel space along with retail space and outparcels. McDonald’s is currently under construction and nearing completion.
- Academy Sports, which opened earlier this year in the Harbison/St. Andrews submarket, will anchor a redevelopment along Park Terrace Drive at the former Staples and Hudson Smokehouse site. Guitar Center plans to enter the Columbia market and occupy space adjacent to Academy Sports. The development, which is under construction behind Columbiana on Park, will offer approximately 31,500 square feet of shop space in two buildings. Sport Clips and Salsaritas plan to locate in the center.
- Rosewood Crossing in the Downtown submarket is currently under construction. The approximately 98,000 square foot center will be home to Marshalls, Michael’s and Petsmart. The project is a redevelopment of the former K-Mart at the intersection of Devine Street and Ft. Jackson Boulevard.
- J. Crew is open and Anthropologie is nearing completion at Trenholm Plaza. The retailers are entering the Columbia market and backfilling space recently vacated by Books-A-Million in Trenholm Plaza.
- Nordstrom Rack is open to customers. The retailer backfilled space vacated by Barnes and Noble.

GREENVILLE, SOUTH CAROLINA
- Nordstrom Rack at Magnolia Park in Greenville is the first to open in South Carolina. The Columbia location will be opening in October and the Charleston location will open in 2015.
- Pier 1 Imports is open at Magnolia Park. The retailer relocated from a Haywood Mall outparcel.
- Freddy’s on Woodruff Road is under construction at the site of the former Metro Burger across from Magnolia Park.

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