

CHARLESTON, SC

MARCH 2004

2003 YEAR END RETAIL MARKET

RETAIL SURVEY

ZONE	GROSS Sq. Ft.	LEASED Sq. Ft.	VACANCY Sq. Ft.	VACANT RATE	AVERAGE RENTAL RATE	PASS- THROUGHS
Peninsula Charleston	505,325	489,725	15,600	3.09%	\$24.79	\$5.83
West Ashley	3,292,289	2,954,785	220,403	6.69%	\$11.85	\$2.05
North Charleston	3,473,071	3,180,903	292,168	8.41%	\$10.99	\$1.49
East Cooper	2,273,202	2,204,402	68,800	3.03%	\$16.59	\$2.98
Summerville	1,884,987	1,751,987	133,000	7.06%	\$10.50	\$1.90
Berkeley County	1,071,761	932,761	139,000	12.97%	\$10.33	\$1.65
Malls	2,163,720	1,962,047	201,673	9.32%	\$18.50	\$11.00
TOTALS	14,664,355	13,476,610	1,070,945	7.30%	\$14.53	\$3.81

MARKET TRENDS

The Greater Charleston, South Carolina retail market grew by more than 4 million square feet during the course of 2003. Fueled by increased consumer confidence and population growth, most of the six primary sub-markets enjoyed the addition of new shopping centers anchored by grocery stores and national retail merchandisers. Additionally, several areas welcomed free-standing retailers such as Super Wal-mart stores. As indicators of the overall retail market, anchored shopping centers, free-standing anchor tenants and malls are the subjects of this survey. At year-end 2003, the Greater Charleston retail market contained 14,664,355 square feet, a 38% increase over 2002. With 13,476,610 square feet leased, only 1,070,945 square feet or 7.30% remains vacant. Much of the vacancy exists in 1,200 to 5,000 square foot spaces. New construction and renegotiated leases caused rental rates to increase on average \$.41 per square foot per year. At the same time, costs of common area maintenance, taxes and insurance grew by \$.90 per square foot annually. Though the entire market experienced growth in 2003, the greatest amount of growth occurred in the Summerville and Berkeley County sub-markets, including Azalea Center in Summerville and the Super Wal-mart in Goose Creek. Many of the older existing centers have undergone renovations, while more have plans for updated exterior facades and landscaping in 2004.

PENINSULA CHARLESTON

Although not a growth year in terms of total square footage, Peninsula Charleston embarked on a journey in 2003 that will see its retail viability move northward from the developed Central Business District to the transitional Neck area. Peninsula Charleston has two facets from a retail perspective. The first is the dynamic boutique market along King, Meeting, East Bay and Market Streets. Smaller shop spaces house a variety of local, regional and national retailers paying rental rates ranging from \$15.00 to \$65.00 triple net per square foot annually. Though this is an extremely vibrant facet of this retail sub-market, it is less indicative of the overall retail market than are anchored shopping centers. The second facet is the anchored or semi-anchored centers. With 505,325 total square feet, this sub-market enjoys 97% occupancy

with just 15,600 square feet available. Average rental rates in this sub-market of \$24.79 and CAM charges of \$5.83 in 2003 were slightly below 2002 levels, assisting absorption of space. 2004 activity will include the replacement of the free standing Piggly Wiggly grocery store on Meeting Street with an updated design, development along upper King Street and the beginning of retail planning in the Neck area.

WEST ASHLEY

The West Ashley retail market, including James and Johns Islands, grew by 353,450 square feet to 3,292,289 at year-end 2003. The growth of the market survey included West Ashley Town Center, Costco and the Bi-Lo shopping center at Bees Ferry. Still the second largest retail sub-market in the area, West Ashley saw vacant square footage drop to 220,403 or 6.69% among the properties surveyed. As is the case in most sub-markets, the vacancy is comprised almost entirely of smaller in-line spaces. Average rental rates increased to \$11.85 per square foot annually in 2003 from \$11.12 in 2002, with CAM, taxes and insurance pass-throughs increasing to \$2.05 per square foot annually from \$1.58. Much of the continued growth in the West Ashley sub-market will occur in on James and Johns Islands, as well as outlying areas serving population concentrations. Plans for unanchored centers on Johns Island and an anchored center at Kiawah Island should be brought on the market before the end of 2004.

NORTH CHARLESTON

North Charleston, the largest retail sub-market in the Greater Charleston area, continued to grow in 2003. Total retail inventory increased to 3,473,071 square feet in 2003 from 3,168,167 in 2002. Vacancy shrunk from 15.34% in 2002 to 8.41% in 2003 among the properties

RETAIL MARKET



151 Meeting Street / Suite 350
P.O. Box 610
Charleston, SC 29402 USA
Tel: 843.723.1202
Fax: 843.577.3837
www.collierskeenan.com



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surveyed, with 292,168 square feet available. Rental rates increased overall by an average of \$.169 to \$10.99 per square foot annually, while charges for CAM, taxes and insurance increased by \$.08 to \$1.49 per square foot annually. Most of the growth in the North Charleston sub-market occurred in North Rivers Town Center, with the addition of national retailers Target, Ross and Babies-R-U's. Much of the growth for 2004 and beyond will certainly be in the centralized area of I-26, I-526 and Montague Avenue. The long anticipated commencement of development at Center Pointe will accommodate both Wal-mart and Sam's Club stores in the initial phase, but have ample room for the development of a multi-plex theater and additional retailers.

EAST COOPER

The East Cooper sub-market includes Mt. Pleasant, Sullivans Island, Isle of Palms and Daniel Island. Though representing largest percentage growth in 2002, the East Cooper sub-market experienced next to the smallest amount of growth in 2003. At year end, total inventory had grown slightly to 2,273,202 square feet, of which 2,204,402 square feet had been leased. The remaining 68,800 square feet represented a 3.03% vacancy. Average rental rates grew from \$13.83 per square foot annually in 2002 to \$16.59% in 2003. Charges for CAM, taxes and insurance grew over the same period from \$2.28 to \$2.89 per square foot annually. New product, higher land values and increased construction costs have pushed rental rates higher, while overall development costs and tax values have pushed up pas-throughs. New to the survey in 2003 is the Publix Center on Daniel Island. This anchored center has minimal remaining vacancy and is poised to commence the second phase of development. Additional development East Cooper on the near and not as near horizons includes nearly 600,000 square feet of combined new shop space at Seaside Farms, Belle Hall, Mt. Pleasant Square, Publix Center at Park West and The Avenues at Oakland Plantation.

SUMMERVILLE

The Summerville sub-market enjoyed the greatest amount of retail growth in 2003, seeing its inventory among surveyed properties grow by 754,948 square feet to 1,884,987. While some of the growth in the market survey was due to the inclusion of free standing stores such as Publix and Super Wal-mart, much of the growth was attributable to Azalea Center with national tenants Target, Ross and Kohls. Vacancy among the properties surveyed dropped from 12.88% in 2002 to 7.06% in 2003. Average rental rates grew to

\$10.50 per square foot annually, while charges for CAM, taxes and insurance increased slightly to \$1.90 per square foot annually. The Summerville sub-market saw most of its activity occur near the intersection of US 17A and I-26, the most active area for new development; however, revitalization is occurring in the area of Trolley and Dorchester Roads, and a planned renovation of College Park Center could create more activity on College Park Road.

BERKELEY COUNTY

The Berkeley County sub-market includes Goose Creek, Moncks Corner and other rural areas of Berkeley County. For the 2003 retail survey, the number of properties were expanded to include some centers not previously included in the survey, as well as new developments in the area such as the Super Wal-mart on St. James Avenue in Goose Creek. Total inventory for the properties surveyed is 1,071,761 square feet, with 932,761 square feet leased and 139,000 square feet or 12.97% vacant. Rental rates average \$10.33 per square foot annually, while charges for CAM, taxes and insurance \$1.65 per square foot annually. Much of the retail activity in the Berkeley County sub-market is focused in the Goose Creek area along the St. James corridor and in Moncks Corner near the Santee lakes. Despite being one of the smallest and most rural sub-markets in the area, additional development is planned for the area, including the approximately 400,000 square foot Tail Race Crossing.

FORECAST

The overall forecast for the Greater Charleston Retail Market is bright. 2004 will see more construction starts for both anchored and unanchored shopping centers, creating more inventory but likely raising the vacancy level somewhat short term. Rental rates will continue to climb, but charges for common area maintenance, taxes and insurance should remain fairly steady. Much of the growth in 2004 will occur in the West Ashley, North Charleston and Berkeley County sub-markets, and the overall market will continue to enjoy the influx of national retailers, both large and small.

For further information on the
Charleston, SC retail market
contact:
Terry Ansley, CPM or Erin England
at 843.723.1202 or
tansley@collierskeenan.com
eenland@collierskeenan.com

151 Meeting Street / Ste 350
P.O. Box 610
Charleston, SC 29402 USA
Tel: 843.723.1202
Fax: 843.577.3837
www.collierskeenan.com



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