



# Colliers Keenan 2004 Year-End Retail Market Charleston, SC



December 2004

## TOTAL RETAIL MARKET

Zone	Total SF	Leased SF	Vacant SF	Vacancy Rate	Average Base Rent	Pass - Throughs
Peninsula of Charleston	516,406	499,606	16,800	3.25%	\$24.61	\$5.83
West Ashley	3,398,122	3,113,069	285,053	8.39%	\$11.96	\$2.17
North Charleston	3,557,957	3,071,428	486,529	13.67%	\$8.34	\$1.70
East Cooper	2,742,742	2,552,417	190,325	6.94%	\$16.65	\$3.06
Summerville	1,957,827	1,831,627	126,200	6.45%	\$9.81	\$1.80
Berkley County	1,115,730	879,320	236,410	21.19%	\$9.64	\$1.71
Malls	2,163,720	2,062,746	100,974	4.67%	\$18.50	\$11.00
<b>Total Market</b>	<b>15,428,504</b>	<b>14,010,213</b>	<b>1,442,291</b>	<b>9.33%</b>	<b>\$14.22</b>	<b>\$3.89</b>

## Market Trends

The Greater Charleston, South Carolina retail market enjoyed healthy activity in 2004, primarily due to power centers and the continued influx of regional retailers. Two trends at work in the market were the development of free-standing, big box retail buildings and a clustering of smaller strip centers around power centers and Wal-Mart Super Centers. This market activity resulted in increased inventory in all sub-markets and, with little exception, positive absorption. Average market rental rates dropped by \$.31 to \$14.22 per square foot annually, impacted by big box retail leasing activity. Average pass-through costs increased by \$.08 to \$3.89, reflecting greater real estate taxes, insurance rates and increased labor costs for maintenance contractors. While market growth occurred in all sub-markets, much of the new development was located in the West Ashley, North Charleston and East Cooper sub-markets.

## Peninsula Charleston

Peninsula Charleston sub-market growth was limited, but much of the ground work was accomplished for retail development north of the Central Business District in the Neck area. The Magnolia project in the Neck area is a 400-plus acre, mixed-use planned development that will include big box facilities that are currently prohibited in the CBD. This development, as well as others, will more than double the size of the

Peninsula Charleston sub-market when brought on time. The other side of this sub-market includes the boutique corridors of King and Market streets. With product being limited in supply, the desire of national retailers to be located in downtown Charleston continued to support relatively high rental rates in the boutique corridors. The demand for space by national retailers like Brooks Brothers, Joseph A. Banks and Urban Outfitters, and their ability to pay the higher rental rates, have caused many local retailers to leave these corridors.

## West Ashley

The West Ashley sub-market contains a portion of City of Charleston, Charleston County and both rural and resort islands. New development in this sub-market is occurring in a variety of areas, including Johns Island, James Island and the bustling Glen McConnell Expressway. Freshfields Village was developed on Johns Island near the entrance to Kiawah Island. The upper portion of Johns Island is a new target for residential development and smaller strip centers. James Island is enjoying new development with plans calling for the development of a 45,000 square foot Piggly Wiggly anchored center, as well as smaller unanchored centers such as Sumter's Landing. The Glen McConnell Expressway enjoyed activity surrounding anchors such as Wal-Mart, Lowe's and Home Depot. A new Wal-Mart Super Center is scheduled to open on Glen McConnell and Bees Ferry Road in the summer of 2005.



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## North Charleston

North Charleston remains the largest retail sub-market with 3,557,957 square feet. Babies R Us, Office Depot and Olde Country Buffet moved a collective 85,000 square feet of occupancy to North Rivers Town Center, Circuit City vacated a free-standing Rivers Avenue facility, and Sam's Wholesale Club vacated approximately 155,000 square feet of leased space and moved into its own facility at Center Pointe. Transaction flow was healthy on the draw power of anchor tenants. North Charleston stands to cement its distinction as a strong retail market with the development of Center Pointe. Sam's Club was its first retailer, but a Wal-Mart Super Center will open next to Sam's in the spring of 2005. Following Wal-Mart will be a 400,000 square foot Tanger Outlet Center. The Outlet Center will attract national retailers and expect to provide occupancy by late 2005 or early 2006.

## East Cooper

The East Cooper retail sub-market enjoyed the greatest amount of growth in 2004. Fueled by new developments such as Mt. Pleasant Square and Publix at Park West, and expansions of existing developments like Belle Hall and Seaside Farms, the East Cooper sub-market grew by approximately 500,000 square feet, while absorbing more than 350,000 square feet. New retail development will occur just outside of Mt. Pleasant in Berkeley and Charleston Counties. Prime examples of this development are The Avenues at Oakland Plantation and Carolina Park. The Avenues

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Charleston, SC Retail Market

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at Oakland Plantation will provide 425,000 square feet of retail space and target several large retail anchors, with retail space available for occupancy by late 2005 or early 2006. Carolina Park intends to provide 900,000 square feet of retail space in phases, with the first phase planned for a 2007 occupancy. Other planned development includes the second phase of the Publix Center on Daniel Island and a free-standing Publix store on Ben Sawyer Boulevard.

## Summerville

The Summerville sub-market grew by roughly 70,000 square feet in 2004, absorbed approximately 80,000 square feet and ended the year with a 6.45% vacancy. Average rental rates fell to \$9.81 and pass-through costs fell to \$1.80. The major growth corridors are US 17-A from I-26, Trolley Road and Dorchester Road. The dominant retail center in the Summerville market is Azalea Square, containing Target, Ross and Kohl's Department stores. This power center leads the way in terms of rents and occupancy. Several out parcels should be developed during 2005. The next twelve months should see an expansion of Lowe's in North Main Market and the development of small shop space at Wal-Mart on Dorchester Road. As residential development proceeds up Dorchester Road toward Summerville, other retail projects should develop to serve the population. Rental rates should firm up and vacancy should drop during 2005.

## Berkeley County

The Berkeley County sub-market is the most rural of the Charleston sub-markets, with Goose Creek and Moncks Corner being the only municipalities comprising the area. Undeveloped land remains available and the development of affordable housing continues to gain momentum. Total market inventory grew in 2004 by 40,000 square feet to 1,115,730. Most of this activity was in retail strip centers clustered around the

Wal-Mart Super Center in Goose Creek. Overall vacancy increased during 2004 to 21.19%. The jump in vacancy was due primarily to a Food Lion vacancy at Plantation Square being included in the survey. The Berkeley County sub-market should see Tail Race Crossing get built, providing approximately 400,000 square feet available for occupancy by late 2005.

## Forecast

The forecast for the Greater Charleston retail market is bright. Driving forces for retail development will be population growth, new roads, chain store expansions and new retailers to the market. Current development plans will add a combined 10% to 15% more space to the existing market in 2005. With new development there will likely be a negative absorption in 2005 followed by a positive absorption in 2006. Particular areas of expected growth will be James and Johns Islands, Charleston County East of the Cooper and Berkeley County. Rental rates will be stable in 2005 but begin to rise by the 4<sup>th</sup> quarter.

*NOTE: Permission is granted to quote from this publication only when Colliers Keenan Inc. is credited as the source. All information contained herein was compiled utilizing data from sources deemed reliable. It is submitted without warranty. Statistical data was collected as of December 30, 2004 and encompasses all retail buildings 5,000 square feet and greater.*

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