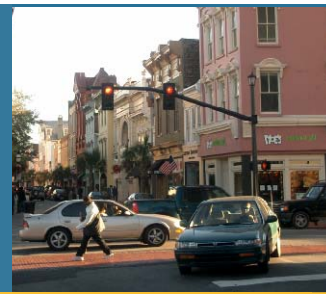




Retail

Colliers Keenan 2005 Year-End Retail Market Charleston, South Carolina



January 2006

IN THE PIPELINE

- **THE 400,000 SQUARE FOOT TANGER OUTLET CENTER IS UNDER CONSTRUCTION IN NORTH CHARLESTON**
- **CAROLINA PARK ON HIGHWAY 17N (MT. PLEASANT) IS BEING PLANNED TO INCLUDE 900,000 SQUARE FEET OF RETAIL SPACE ON A 1,700-ACRE, MIXED USE DEVELOPMENT**
- **THE MARKET AT OAKLAND ON HIGHWAY 17N IN MOUNT PLEASANT HAS BROKEN GROUND**
- **BEST BUY IS OPENING IN THE FORMER TOYS R US BOX AT HIGHWAY 7 (SAM RITTENBURG) AND ORLEANS ROAD**
- **A NEW PUBLIX-ANCHORED CENTER IS OPENING AT HIGHWAY 17S (SAVANNAH HIGHWAY) AND MAIN ROAD**
- **A NEW WAL-MART IS UNDER CONSTRUCTION IN WEST ASHLEY**

Retail Market Overview

The Charleston, South Carolina Metropolitan Statistical Area (MSA) continues to enjoy healthy, robust growth in the retail sector. Our survey indicates that the retail market in the Charleston MSA has now exceeded 12.5 million square feet. In keeping with this trend of expansion, occupancy rates for the MSA hovered at 90.5%. As in other markets in the southeast, newly constructed space is commanding “top of the market” rents due to high demand, rising construction prices and impact fees levied by municipalities. Consistent growth in population, growing employment and the overall “cache” of Charleston has caused retailers, both existing and new, to continue to seek additional sites. Charleston’s two regional malls, Northwoods Mall and Citadel Mall had an overage occupancy of 97.92%. These malls had an average sales per square foot of \$314 for 2005, continued to anchor the thriving retail nodes of North Charleston and West Ashley.

Forecast

The Charleston retail market has many factors currently driving its momentum. As mentioned in the 2005 Colliers Keenan Mid-Year Retail Report, *Travel & Leisure Magazine’s* “2005 World’s Best Cities Award” ranked Charleston sixth in the United States and Canada. Additionally, the lure of relocating to this historic coastal city has brought a large and steady stream of new residents helping to drive up demand for housing and retail space. Finally the overall charm of Downtown Charleston, particularly King Street retail, continues to expand its reputation.

Currently the MSA includes approximately 550,000 people. At this time at least 113,000 new houses are planned, permitted or under construction in the Charleston MSA. These numbers only include the projects that have been announced publicly, so projections could actually be higher. According to *the Post and Courier*, “If population trends hold true, these houses would be home to about 269,000 people. That’s more people than live in Charleston, North Charleston, Summerville and Mount Pleasant combined.” Ambitious new road projects, such as the Highway 17 expansion in Mt. Pleasant, are being planned and implemented throughout the area to accommodate growth.

With population growing at an exorbitant rate, the retail market will continue to tighten and rents will push upward due to high demand. The market will be forced to deliver new product to keep up with the growing population. With higher demand and new space, we expect average suburban rents to exceed \$14.00 per square foot by mid-year 2006. Particularly in Berkeley County, where we are seeing intense rooftop development, we expect robust retail growth in the coming years.

Peninsula

The Peninsula of Charleston submarket continues to be the heartbeat of Charleston’s “Soho of the South” reputation. Upper King Street, recently a

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	Total Square Feet	Occupied	Vacant	Occupancy Rate	Average Rent	Average Pass Throughs
Peninsula	516,406	499,606	16,800	96.75%	\$25.59	\$6.42
West Ashley	3,036,057	2,815,144	260,913	92.72%	\$12.71	\$2.15
North Charleston	3,430,729	2,862,461	568,268	83.44%	\$12.78	\$2.27
East Cooper	2,481,662	2,385,912	95,750	96.14%	\$20.05	\$3.64
Summerville	1,921,423	1,736,368	185,055	90.37%	\$10.65	\$2.11
Berkeley	992,809	825,867	166,942	83.18%	\$9.37	\$1.61
Suburban Totals	11,862,680	10,735,752	1,276,913	90.50%	\$13.65	\$2.45
Malls	2,163,720	2,118,720	45,000	97.92%	\$17.45	\$11.45

Peninsula (Cont'd)

blighted area not on the radar screen of credit retailers, is experiencing a renaissance based on growth in the hospitality and design categories. The opening of a new freestanding Piggly Wiggly started the redevelopment of upper Meeting Street that will also include the "Midtown" project. This development calls for hospitality, office and retail components as well as a parking garage. South of Calhoun Street, the grand opening of Urban Outfitters in the Garden Theater has created a buzz, along with the recently announced acquisition of Marion Square. This redevelopment project will replace the current improvements, including new retail, office, residential space and onsite parking, further enhancing this intersection as a major retail destination.

West Ashley

The new developments at the intersection of Highway 7 and Orleans Road, fronting Citadel Mall, are adding to this submarket's retail hub. With the opening of Harrell Square, a 40,000 square foot retail/office project, and Best Buy taking over the Toys R Us space across Highway 7, there will be a flurry of new activity. A new Wal-Mart Supercenter at Glenn McConnell Parkway and Bees Ferry Road is scheduled to open in early summer and may spawn activity that moves the core of the retail market further westward.

North Charleston

As South Carolina's largest and highest volume retail submarket, North Charleston remains the epicenter of national "big box" tenants. That reputation will only grow as the

Centre Point project continues to develop and the 400,000 square foot Tanger Outlet Center opens in fall 2006. An approximate 150,000 square foot power center, hotels, restaurants, outparcel strips, a Sam's Club and Wal-Mart Supercenter have already opened or commenced construction as a result of this new development. Over time the area bound by I-26, I-526, Montague Avenue and International Boulevard could rival the current retail corridor at Rivers Avenue and Ashley Phosphate Road.

East Cooper

The opening of the new eight-lane Cooper River Bridge has further enhanced Charleston's most affluent suburban market. East Cooper is positioned to experience continued growth in retail and rooftops. The Market at Oakland, including approximately 425,000 square feet of retail space, has broken ground and will include an approximate 188,000-square foot Wal-Mart Supercenter. New residential projects continue to be developed along Rifle Range Road and Highway 17 north of the Isle of Palms Connector. In an effort to reduce traffic concerns, Hungryneck Boulevard has been completed and the Highway 17 expansion to six lanes is underway between I-26 and Isle of Palms Connector.

Summerville

The Summerville submarket has become a spotlight for national and regional retail growth in the last several years. The Summerville submarket continues to add national tenants with the addition of Cold Stone Creamery, Starbucks and Verizon Wireless. It appears that the next major

growth area for retail space will occur at the intersection of Berlin G. Myers and Highway 78; two of the four corners at this intersection already have active projects under way. The Dorchester Road corridor near Ladson Road is also experiencing expansive growth, both in terms of neighborhoods and retail developments.

Berkeley County

The retail hub in Berkeley County is repositioning from a traditionally rural submarket based on TailRace Crossing, a new Wal-Mart Supercenter, which is currently under construction. As expected, many retailers continue to relocate and cluster around this new development. Major new residential projects, which have the potential to be "towns in themselves," have been announced in this submarket. Crescent Resources has begun "The Parks at Berkeley" which will encompass over 13,000 units. Additionally, a nearby project, Cane Bay off Highway 176, will feature approximately 10,000 units.

Survey Methodology

The Colliers Keenan Retail Market report surveys anchored, neighborhood shopping centers and regional malls in the Charleston, South Carolina metropolitan area. Colliers Keenan gratefully acknowledges those individuals who provided us with information about their properties. The accuracy of this report is a reflection of the participation and cooperation of those individuals and companies.

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