

# Shop types match changing consumer preferences

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## Key Takeaways

- > The Charleston retail market absorbed 204,454 square feet of shopping center space during the third quarter of 2019.
- > Overall weighted rental rates for remaining shopping center space averaged \$16.59 per square foot this quarter - lower than the first two quarters of this year - mostly due to lesser quality space remaining in the market.

## Pop-up shops: a bridge to fully leasing centers

Pop-up shops are less of a trend and more of a retail strategy now that consumers understand more about them. Often pop-ups use social media to expand awareness of the pop-up location and even advertise the shop longer than the actual shop is open; however, pop-ups are highly successful if executed correctly. There are several reasons pop-ups are advantageous:

- > To test out a “cold” market with a new brand in order to gauge the opportunity to thrive;
- > Allow one-on-one interaction with customers allowing them to test out products and answer consumer questions;
- > Introduce a new line of a known brand so consumers can try samples from a company they already trust;
- > Consumers are likely to show up and shop so they do not miss out on an opportunity.

Listed above are a few ways retailers can succeed using pop-up shops, nevertheless owners of retail centers can also bridge the gap to a fully-leased building by allowing pop-ups to rent space for short periods of time. Not only will it bring in revenue but it will also drive traffic to shopping centers; therefore, allowing for a

## Market Indicators

Relative to prior period	Q3 2019	Q4 2019*
VACANCY	↓	↓
NET ABSORPTION	+	+
CONSTRUCTION	↑	↑
WEIGHTED RENTAL RATE**	↓	↔

Note: Construction is the change in Under Construction.

\*Projected

\*\*Rental rates for current quarter are for CBD. Rent forecast is for metro-wide rents.

## Summary Statistics

Q3 2019 Charleston Retail Market	Core	Non-core
Vacancy Rate	4.36%	5.79%
Change From Q3 2018 (basis points)	+38	+112
Quarterly Absorption (Thousand Square Feet)	+103.85	+100.61
New Construction (Thousand Square Feet)	-	7.78
Under Construction (Thousand Square Feet)	-	82.80

## Asking Weighted Rents

Per Square Foot Per Year

Shop Space	\$18.63	\$14.47
Change From Q3 2018	-10.17%	-27.21%
Urban Retail	\$37.15	

vibrant and renewed environment for surrounding shops. If pop-ups have considerable success, they may become long-term tenants as well.

## Market Conditions

The Charleston retail market consists of 14.38 million square feet of retail space and absorbed 204,454 square feet of retail space and it was split almost evenly between core and non-core retail space. The quarterly vacancy rate decreased this quarter from 6.97% to 5.04%; the core vacancy rate dropped from 5.24% last quarter to 4.36% this quarter, and non-core vacancy rate decreased from 8.89% to 5.79%. The West Ashley and North Charleston submarkets absorbed the most retail square feet this quarter; North Charleston absorbed a variety of square feet spread throughout the submarket, while in West Ashley the Super Petz Center located at 1610 Sam Rittenburg Boulevard absorbed 56,600 square feet. Point Hope Commons on Clements Ferry Road in Berkeley County had one 7,783-square-foot shopping center delivered during the third quarter of 2019 and there are still currently 82,801 square feet of buildings with retail components under construction. The rental rate for the remaining shop space availabilities ranged from \$6.54 per square foot in the East Cooper submarket to \$23.42 per square foot in the Summerville submarket.

Similar to many “High Streets” in the U.S., Lower King Street is showing signs of change. Over 13 current vacancies of varying sizes are currently available on Lower King Street. National retailers like Banana Republic and Brooks Brothers are closing while newer retailers like Chubbies and Yeti are doing well. These changes are a reflection of an evolving market and changing customer-base throughout retail sectors. Upper King Street, above Calhoun Street, has attracted many national retailers of late like Orvis and Free People; however, the vacancy on Lower King Street will give landlords the opportunity to find newer uses that are a better reflection on today’s shopper. Rent ranges between \$50.00 per square foot to \$65.00 per square foot on King Street.

## Market Forecast

Retail is constantly evolving with new trends intertwining within the retail fabric. Pop-up shops are one of the trends that may grow in popularity as the holidays approach because they are short-term in nature and are easy to set-up without much risk of loss for the retailer. Often these short-term pop-ups become long-term tenants if the success is great enough; therefore, they are terrific to draw more traffic to a shopping center and a terrific way to test out the success of their tenancy.

Non-core retail space is posting positive absorption due to the versatility of shop options in the suburbs and urban retail absorption is at an all-time low. Both core and non-core retail availabilities are few and new construction deliveries in the next few quarters will be welcome and will also raise the overall weighted rental rates due to the quality of the new shops. King Street retail will continue to attract trendy new retailers to match the evolving consumer-base in the Charleston market.

## The Promenade at Northwoods | 7800 Rivers Avenue North Charleston, SC



Source: CoStar

### Non-core Vacancy Rates



### Commercial Real Estate Growth Cycle: Where the market stands and where it is going.



## Q3 2019 Retail Market Summary Statistics | Charleston, SC

MARKET	INVENTORY (SF)	VACANCY RATE (%)	ANCHOR SPACE (GREATER THAN 25,000 SF)		JR. ANCHOR SPACE (10,000-25,000 SF)		SHOP SPACE (LESS THAN 10,000 SF)	
			VACANT (SF)	ASKING RENT (NNN)	VACANT (SF)	ASKING RENT (NNN)	VACANT (SF)	ASKING RENT (NNN)
<b>Berkeley</b>								
Non-Core	620,597	2.66%	-	-	-	-	16,516	\$14.46
Core	678,458	2.89%	-	-	12,000	\$20.00	7,600	\$18.00
<b>Berkeley Total</b>	<b>1,299,055</b>	<b>2.78%</b>	<b>-</b>	<b>-</b>	<b>12,000</b>	<b>\$20.00</b>	<b>24,116</b>	<b>\$15.68</b>
<b>East Cooper</b>								
Non-Core	1,479,625	5.82%	46,000	\$30.00	-	-	40,158	\$13.73
Core	1,983,950	2.14%	-	-	24,900	-	17,156	\$6.54
<b>East Cooper Total</b>	<b>3,406,605</b>	<b>3.97%</b>	<b>46,000</b>	<b>\$30.00</b>	<b>24,900</b>	<b>-</b>	<b>57,674</b>	<b>\$12.24</b>
<b>North Charleston</b>								
Non-Core	2,321,673	7.90%	115,667	\$10.25	-	-	67,817	\$12.32
Core	1,586,401	9.26%	71,605	\$12.87	35,500	\$11.00	39,799	\$15.55
<b>North Charleston Total</b>	<b>3,908,074</b>	<b>8.45%</b>	<b>187,272</b>	<b>\$11.57</b>	<b>35,500</b>	<b>\$11.00</b>	<b>107,616</b>	<b>\$13.74</b>
<b>Peninsula</b>								
Non-Core	165,647	0.00%	-	-	-	-	-	-
<b>Peninsula Total</b>	<b>165,647</b>	<b>0.00%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>South Islands</b>								
Non-Core	367,406	0.00%	-	-	-	-	-	-
Core	622,328	6.78%	-	-	-	-	42,174	\$20.96
<b>South Islands Total</b>	<b>989,734</b>	<b>4.26%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,174</b>	<b>\$20.96</b>
<b>Summerville</b>								
Non-Core	766,668	2.93%	-	-	10,615	\$29.00	11,880	-
Core	1,578,257	2.01%	-	-	-	-	31,736	\$23.42
<b>Summerville Total</b>	<b>2,344,925</b>	<b>2.31%</b>	<b>-</b>	<b>-</b>	<b>10,615</b>	<b>\$29.00</b>	<b>43,616</b>	<b>\$23.42</b>
<b>West Ashley</b>								
Non-Core	1,108,137	7.82%	32,000	-	-	-	54,684	\$18.20
Core	1,101,859	4.22%	30,000	\$9.75	-	-	16,450	\$17.88
<b>West Ashley Total</b>	<b>2,209,996</b>	<b>6.02%</b>	<b>62,000</b>	<b>\$9.75</b>	<b>-</b>	<b>-</b>	<b>71,134</b>	<b>\$18.08</b>
<b>Market Total</b>								
Non-Core	6,829,753	5.79%	193,667	\$18.05	10,615	\$29.00	191,055	\$14.47
Core	7,551,253	4.36%	101,605	\$11.95	72,400	\$14.13	155,275	\$18.63
<b>Market Total</b>	<b>14,381,006</b>	<b>5.04%</b>	<b>295,272</b>	<b>\$15.21</b>	<b>83,015</b>	<b>\$17.63</b>	<b>346,330</b>	<b>\$16.59</b>
<b>Urban Retail</b>								
Calhoun to Broad	4,931,722	2.54%						\$34.77
Calhoun to Crosstown	3,337,207	1.97%						\$43.62
NOMO / King Above Crosstown	1,181,300	0.14%						-
<b>Urban Retail Total</b>	<b>9,450,229</b>	<b>2.04%</b>						<b>\$37.15</b>

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**400** offices in  
**68** countries on  
**6** continents

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**\$3.3**

billion in  
annual revenue

**2**

billion square feet  
under management

**17,000+**

professionals  
and staff



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