

Discount shops and grocery stores are trending during the pandemic in Charleston

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Key Takeaways

- > The Charleston retail market absorbed 134,097 square feet during the third quarter of 2020 dropping the overall vacancy rate down to 4.43%.
- > Quick service restaurant structure is evolving to keep up with customer needs.
- > Throughout the Charleston market, gross retail sales are higher month-over-month now than they were pre-pandemic.

Pandemic conditions lead to new fast casual trends

Quick service restaurants were gaining sales momentum prior to COVID-19 due to speedy service, convenience and ongoing upgrades to food quality - beginning the trend from fast food to fast casual restaurants. Aesthetic changes and healthy option upgrades led to increased business velocity. Throughout the pandemic, adaptive quick service restaurants continue to thrive by adding curbside pick-up, call ahead ordering and delivery options. In addition, many are decreasing the indoor dining area square footage and adding extra drive-thrus or outdoor seating to provide an enhanced level of safety to diners. Furthermore, restaurant owners are looking to purchase existing buildings rather than constructing new restaurants due to rising construction prices and difficulty getting necessary construction materials. Suburban locations are popular for adding new stores so they are closer to residential areas where many people are still working remotely.

Market Indicators

Relative to prior period	Q3 2020	Q4 2020*
VACANCY	↓	↓
NET ABSORPTION	+	+
CONSTRUCTION	↑	↔
WEIGHTED RENTAL RATE**	↓	↔

Note: Construction is the change in Under Construction.

*Projected-*however, the impact of COVID-19 will not be known for several quarters.*

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

Summary Statistics

Q3 2020 Charleston Retail Market	Core	Non-core
Vacancy Rate	3.64%	5.31%
Change From Q3 2019 (basis points)	-72	-47
Quarterly Absorption (Thousand Square Feet)	+107.09	+26.14
New Construction (Thousand Square Feet)	-	12.78
Under Construction (Thousand Square Feet)	-	204.69

Asking Weighted Rents

Per Square Foot Per Year

Shop Space	\$21.12	\$15.91
Change From Q3 2019	+13.37%	+16.30%
Urban Retail	\$46.23	



Market Conditions

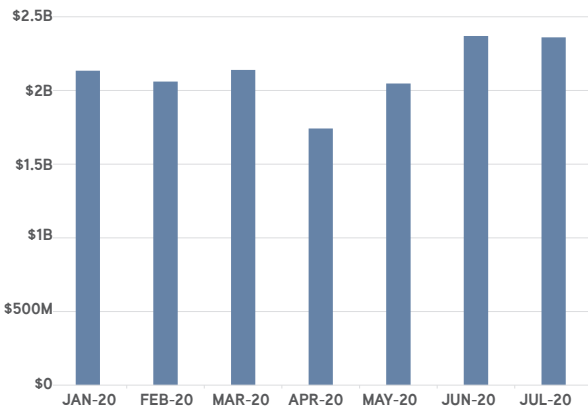
The Charleston retail market consists of approximately 14.42 million square feet of retail space and absorbed 134,097 square feet during the third quarter of 2020. Non-core retail space posted 26,136 square feet; likewise, core retail space absorbed 107,961 square feet. Most of the positive absorption occurred within the North Charleston submarket. There are currently 204,694 square feet of retail properties under construction throughout Charleston non-core areas. Overall market weighted shop rental rates continue to hold steady at approximately \$18.29 per square foot.

Due to the positive retail activity, the overall quarterly vacancy rate in Charleston decreased significantly from 5.30% last quarter to 4.43% during the third quarter of 2020. Activity from shops providing goods at discounted rates is intensifying due to the current trend for consumers to buy items at discounted rates during the pandemic. Also, grocery stores, coffee shops, home goods providers and car washes are popping up throughout the state and are anticipated to continue their success by adding new stores. These trends are becoming evident; the largest significant lease transactions in Charleston this quarter were from two grocery stores and one discount store.

Market Forecast

In the coming quarters, suburban retail activity will likely increase as shop owners provide convenience by locating near residential neighborhoods while consumers continue working from home. The trend of discount shops and grocery stores leasing property will absorb retail space into next year. In addition, Charleston gross retail sales are higher month-over-month now than they were pre-pandemic. All of these factors raise the potential for Charleston increasing retail activity in the next few quarters due to economic uncertainty, and the tendency for consumers to buy essential items at discounted rates during the pandemic.

2020 Charleston Gross Retail Sales by Month



Source: South Carolina Department of Revenue

2020 Q3 Retail Construction Pipeline | (+10,000 SF) Charleston

PROPERTY NAME LOCATION	RETAIL SF	COUNTY
UNDER CONSTRUCTION		
Ferry Wharf on Charleston Harbor	60,000	Charleston
The Jasper	25,000	Charleston
8636 Dorchester Road	18,200	Dorchester
Hwy 17 & Winnowing Way	17,814	Charleston
1142 Sam Rittenburg Boulevard	15,000	Charleston
10471 US Highway 78	12,000	Charleston

2020 Q3 Construction Significant Transactions Charleston

PROPERTY NAME LOCATION	RETAIL SF PRICE	BUYER TENANT	COUNTY
SALES			
2121 N. Highway 17A Bonneau	6,200 SF \$4.9M	Berkeley Electric Cooperative	Berkeley
Commerce Center II 3681 Ladson Road Ladson	7,700 SF \$4.85M	Richard B. Morse	Berkeley
Northwoods Mall 2150 Northwoods Boulevard Charleston	7,319 SF \$2.8M	Four Corners Property Trust	Charleston
LEASES			
2863-3125 Ashley River Road Charleston	48,542 SF	Bi-Lo	Charleston
74-94 Folly Road Boulevard Charleston	33,412 SF	Earth Fare	Charleston
3886 Savannah Hwy Johns Island	9,014 SF	Dollar General	Charleston

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



Q3 2020 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)
Berkeley								
Non-Core	620,597	2.99%	-	-	-	-	-	-
Core	678,458	4.80%	-	-	14,000	-	18,560	-
Berkeley Total	1,299,055	3.94%	-	-	14,000	-	18,560	-
East Cooper								
Non-Core	1,479,625	3.12%	36,000	\$15.00	-	-	10,164	\$24.54
Core	2,002,013	3.16%	-	-	-	-	63,247	\$13.46
East Cooper Total	3,481,638	3.14%	36,000	\$15.00	-	-	73,411	\$17.60
North Charleston								
Non-Core	2,327,673	7.36%	102,690	-	-	-	68,682	\$12.53
Core	1,596,401	4.07%	-	-	35,500	\$11.00	39,551	\$23.58
North Charleston Total	3,924,074	6.28%	102,690	-	35,500	\$11.00	108,233	\$17.96
Peninsula								
Non-Core	165,647	3.68%	-	-	-	-	6,089	\$30.00
Peninsula Total	165,647	3.68%	-	-	-	-	6,089	\$30.00
South Islands								
Non-Core	370,482	0.99%	-	-	-	-	3,677	-
Core	622,328	4.99%	-	-	-	-	31,057	\$24.14
South Islands Total	992,810	3.50%	-	-	-	-	34,734	\$24.14
Summerville								
Non-Core	766,668	9.78%	47,228	\$6.00	-	-	27,724	\$9.00
Core	1,578,257	0.80%	-	-	-	-	12,668	\$24.00
Summerville Total	2,344,925	3.74%	47,228	\$6.00	-	-	40,392	\$13.12
West Ashley								
Non-Core	1,113,137	3.83%	-	-	-	-	42,610	\$15.85
Core	1,101,859	5.56%	37,000	-	15,314	-	8,992	\$23.00
West Ashley Total	2,214,996	4.69%	37,000	-	15,314	-	51,602	\$16.61
Market Total								
Non-Core	6,843,829	5.31%	185,918	\$9.89	-	-	177,506	\$15.91
Core	7,579,316	3.64%	37,000	-	64,814	\$11.00	174,075	\$21.12
Market Total	14,423,145	4.43%	222,918	\$9.89	64,814	\$11.00	351,581	\$18.29
Urban Retail								
Calhoun to Broad	4,783,371	4.02%						\$46.52
Calhoun to Crosstown	2,430,811	8.68%						\$42.17
NOMO / King Above Crosstown	1,353,159	0.84%						-
Urban Retail Total	8,567,341	4.84%						\$49.50

400 offices in
68 countries on
6 continents

\$3.5
billion in
annual revenue

2
billion square feet
under management

18,000+
professionals
and staff



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