

Charleston, SC



Quick Stats

23.1 msf

Inventory

3Q19 22.8 msf

7.2%

Vacancy

3Q19 3.7%

(407,916) sf

Net Absorption

3Q19 23,668 sf

19,060 sf

Deliveries

3Q19 79,289 sf

190,859 sf

Under Construction

3Q19 107,043 sf

6.8%

Unemployment

3Q19 2.4%

The Charleston retail market was hit hard this quarter. Vacancies arising from large free-standing retail centers such as the Festival Center in North Charleston and Ashley Landing in West Ashley greatly impacted absorption this quarter. In total, the Charleston retail market experienced negative absorption of 407,000 square feet (sf) for the third quarter of 2020. These vacancies in addition to two properties delivering this quarter for 19,000 sf led to an uptick in vacancy from 5.3% in the second quarter to 7.2% this quarter.

The pandemic delivered a significant blow to the South Carolina tourism industry. The industry witnessed a \$4.4 billion decline in tourism revenue compared to last year. In August, South Carolina hotel occupancy rates hovered around 49% and were lower in Charleston. Charleston's occupancy rate was 44%, which is down 37% when compared to 2019 figures. The third quarter saw occupancies fluctuate in correlation with the number of coronavirus cases, but with Fall typically being a strong season for the Holy City, there is some optimism that the gap in occupancy rates year over year will begin to shrink. Additionally, Charleston finished as the number one small city in America for the tenth year in a row by Condé Nast Traveler.

Despite the hardships faced across the industry, leasing activity did pick up this quarter with 35 deals completing this quarter for 126,000 sf compared to only 25 deals for 90,500 sf in the second quarter. The fact that activity has picked up heading into the fourth quarter leaves one optimistic that retailers are adapting to the situation at hand and preparing to gear up going into the holidays and the new year. A prime example of this is

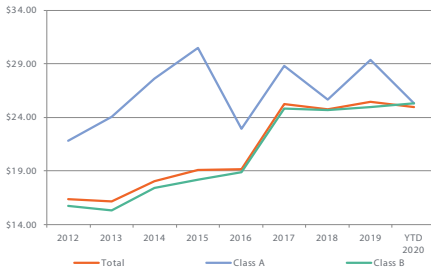
the current transformation currently under way at The Epic Center in West Ashley.

The adaption of Trademark Properties Inc's Epic Center formerly known as the Citadel Mall is encouraging as it continues its revitalization plans turning the mall into a mixed-use facility. This transition breathes new life into the previously distressed asset as well as the West Ashley submarket. This quarter, the company announced the Epic Center's newest tenant, The Harbor Entrepreneur Center will be leasing 6,256 sf. This new deal is encouraging as the Harbor Entrepreneur Center continues to invest in Charleston with its second location during these uncertain times.

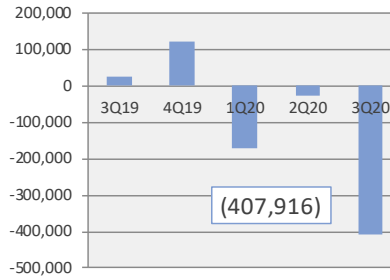
Retail property sales remained steady as eight properties traded in the Charleston market for over \$14.8 million in the third quarter of the year. Three retail properties located at 5054 Dorchester Rd and 5060 Dorchester Rd traded in the largest portfolio sale of the quarter for an undisclosed amount. One transaction to keep an eye out for is the sale of Field in Stream located at 4956 Centre Pointe Drive in North Charleston to Sportman's Warehouse Holdings, Inc. The pending transaction is expected to be completed in the fourth quarter. This purchase will add to the 10 Field and Stream stores that Sportsman's Warehouse has purchased from Dick's Sporting Goods since late 2019.

Despite the bankruptcies, vacancies, and a decline in the tourism industry, the Charleston retail market has continued to adapt and evolve. With an uptick in leasing activity and steady investment sales, Avison Young remains optimistic that retailers, entrepreneurs, and investors will continue to flourish in the growing Charleston market.

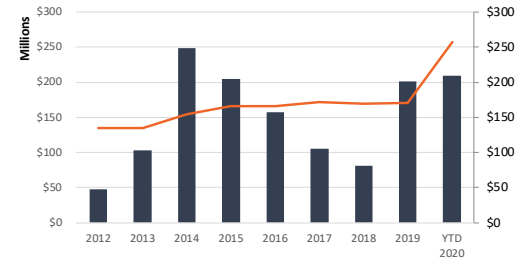
Average asking rental rate
(psf/year/NNN)



Quarterly Absorption



Retail Investments Sales
(in millions)



Select 3Q 2020 Sale Transactions

Property	City	Submarket	Buyer	Seller	Total sf	Sale price	Price/sf
3681 Ladson Rd	Ladson	North Charleston	Richard Morse	Tupelo Holdings	7,700	\$4,850,000	\$629.87
10 Center St	Charleston	James Island/Folly Beach	Follyco	Center Street Associates	10,272	\$2,450,000	\$238.51
1406 Ben Sawyer Blvd	Mount Pleasant	Mount Pleasant	T & M Investments	The Beach Company	7,813	\$2,250,000	\$287.98
2150 Northwoods Blvd	North Charleston	North Charleston	Four Corners Property Trust	Seritage Growth Properties	7,750	\$1,600,000	\$206.45

Select 3Q 2020 Lease Transactions

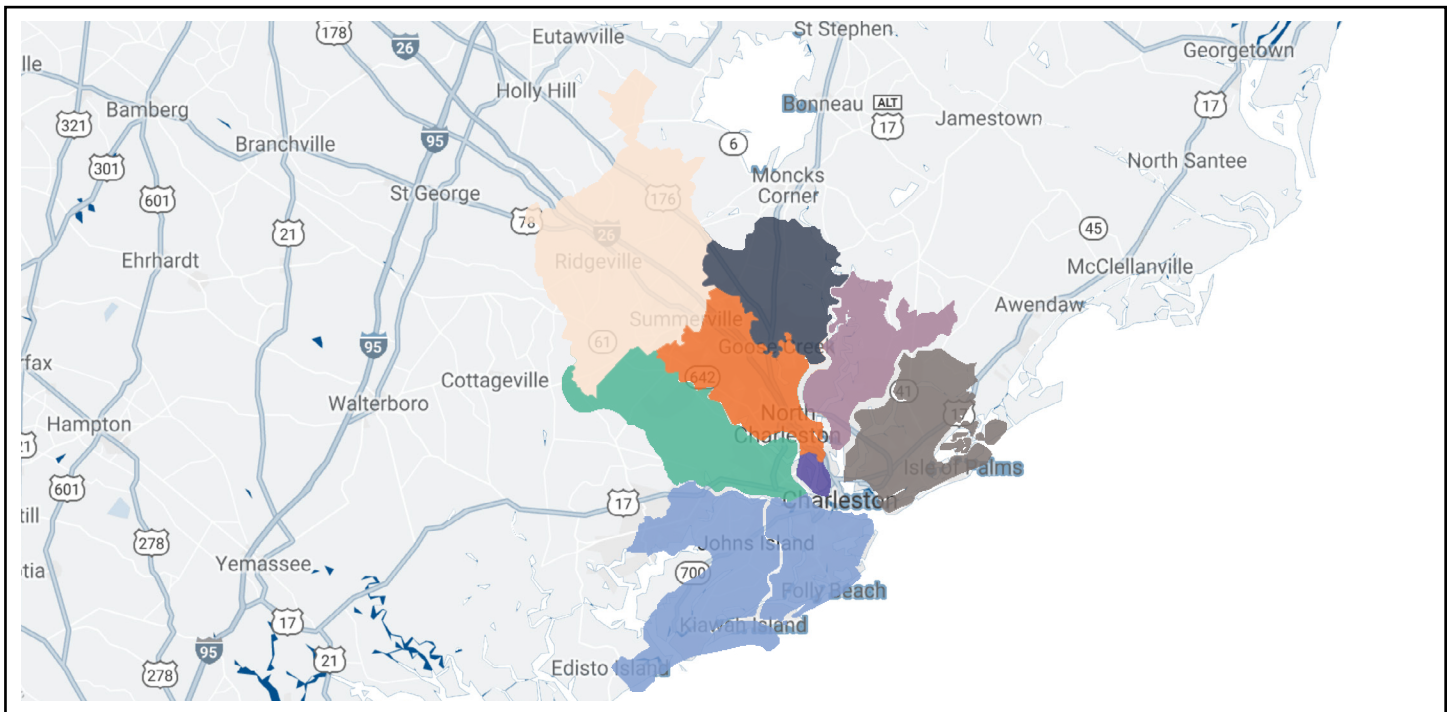
Tenant	Property	Submarket	SF leased
Earth Fare	74-94 Folly Road Blvd	West Ashley	33,412
Dollar General	3886 Savannah Hwy	West Ashley	9,014
Realogy Corporation	1268-1274 Yeamans Hwy	North Charleston/Hanahan	8,000
Antiques Market	604-644 Coleman Blvd	Mount Pleasant	7,200

Select Construction Projects

Property	Submarket	Projected Completion	Total sf
320 Broad St - The Jasper	Downtown Charleston	Fourth Quarter 2020	25,000
8636 Dorchester Rd	North Charleston/Hanahan	Fourth Quarter 2020	18,000
Hwy 17 & Winoing Way	Mt. Pleasant/East Islands	Fourth Quarter 2020	17,814
1142 Sam Rittenburg Blvd	West Ashley	Third Quarter 2021	15,000

Market by the numbers

By Submarket	Inventory	Vacancy Rate	Net Absorption 3Q20	SF Under Construction	Average Asking Rent
Daniel Island/Clements Ferry	189,505	10%	16,366	-	\$30.72
Downtown Charleston	1,990,070	10.5%	(22,780)	24,483	\$42.78
Goose Creek	1,113,110	4.4%	19,375	18,000	\$22.53
Mount Pleasant/East Islands	4,446,877	6.2%	(64,933)	55,200	\$24.56
North Charleston/Hanahan	5,878,920	11.5%	(255,210)	9,627	\$17.28
Summerville/Ladson	4,196,756	3.5%	(2,315)	42,000	\$12.35
West Ashley	3,788,659	5.7%	(104,043)	37,676	\$20.42
West Islands	1,453,353	5.9%	(1,150)	12,700	\$22.89



Charleston Submarket Map

- Summerville/Ladson
- North Charleston/Hanahan
- East Islands/Mount Pleasant
- Goose Creek
- Daniel Island/Clements Ferry
- West Islands
- West Ashley
- Downtown Charleston

Get more market information

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