



Q1 2024

The Southeast Strip Center Report

Prepared by :

Carolina Shopping Center Strategists

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NAI
Columbia
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The Carolina Shopping Center Strategist team tracks publicly marketed, unanchored strip center deals in the states of South Carolina, North Carolina, Virginia, Alabama, Tennessee, and Georgia. Comparable sales with greater than 10 percent vacancy and fewer than three tenants are excluded.



**Price
PSF**



**Ask
Cap
Rate**



**Close
Cap
Rate**



**Days
on
Market**



**WALT
(Weighted
Average
Lease Term)**



**Shop
Lease
Rate**



**Number
of
Deals**

Merchant Builds

- Sold by original developer at stabilization.
- New construction rents.
- Built 2020 or later.
- Prototypical Tenant Mix:
- Chipotle, AT&T, Dentist, Petfolk

1Q 2024

\$567



4Q 2023

\$478

1Q 2024

6.30



4Q 2023

6.36

1Q 2024

6.57



4Q 2023

6.62

209

**8.1
Years**

\$38.14

1Q 2024

5



4Q 2023

5

2nd Generation Centers

- Generally, 2005-2020 vintage.
- Market Rents
- Mix of local, national & franchise credit. Service oriented mix. Usually, 50 percent of tenants were original to center.

1Q 2024

\$286



4Q 2023

\$311

1Q 2024

6.96



4Q 2023

6.87

1Q 2024

7.26



4Q 2023

7.25

160

**3.4
Years**

\$21.94

1Q 2024

9



4Q 2023

15

Old Cash Cows

- Property is 20+ year old and built before Great Recession.
- Shorter lease terms, but strong occupancy history
- Below market rents
- Prototypical Mix: Nail Salon, Barber, Tax prep, local pizza

1Q 2024

\$125



4Q 2023

\$165

1Q 2024

7.74



4Q 2023

7.20

1Q 2024

8.39



4Q 2023

7.51

168

**2.3
Years**

\$11.47

1Q 2024

8



4Q 2023

9

Q1 2024 - SOUTHEAST REPORT

Comp Insights

Our team tracked 22 strip center deals in the 1st quarter of 2024, down from 27 transactions the prior quarter.

Among the “Merchant Build” deals we monitored, cap rate comps remained relatively stable, with the average deal trading at a 6.57 cap rate, with an average spread of 27 basis points between the asking and closing cap. The average lease rate on these deals was \$38.14, which was noticeably higher than the final quarter of 2023. Developers were seemingly willing to wait out the market to achieve desired pricing, as these deals sat on the shelves longer than other sub-sets, with an average time on the market of nearly seven months.

Among the “2nd Generation Centers” comps, which generally include shopping centers built between 2005 and 2020 with rents in the \$20-\$25 range, cap rate data also remained consistent with the prior quarter. The average deal we tracked came out at a 6.96 asking cap rate and closed at a 7.26 cap rate.

Relative to Q3 in the 2024, cap rates in our data set for the older vintage centers was elevated significantly, averaging an 8.39 closing cap. This should largely be attributed to small sample size, and fair market value likely lies somewhere between the Q4 and Q3 averages. This segment also generally shows a larger discrepancy between bid and ask prices, which is logical given the broad range of lease and tenant quality in this shopping center sub-set.



Further Reading

Retail CMBS Distress showed significant signs of improvement in March of 2024, declining 47 basis points over the month according to [Trepp data](#). There continues to be a major discrepancy between the performance of malls, where the number of properties on watchlists remains relatively high, compared to the neighborhood and unanchored centers, where loan performance continues to improve.

According to a [recent poll conducted by ICSC](#), 15.2 percent of e-commerce transactions result in goods being returned, compared to a return rate of just 5.0 percent for in-store transactions.

The small format store trend continues for major retailers like Best Buy, Ikea, and Macy's, according to a [new report by ULI](#).

OUR FIRM



1,144



Total Transactions in 2023

\$887 Million



Total Volume in 2023

Since January 1, 2022



298

Retail Sales



1.5 MSF

SF Retail Sales



461

Retail Leases



2.2 MSF

SF Retail Leases



\$271.4M

\$ Retail Sales



8,126

Total Acres Sold



\$81M

\$ Retail Leases



20.3 MSF

SF Managed

CAROLINA SHOPPING CENTER STRATEGISTS

The Carolina Shopping Center Strategists are driven to help Owners with their occupancy solutions from development, to lease-up, and through disposition. We add value through our knowledge of local zoning/building codes, personal contacts in many municipalities as well as professional vendors to handle any issues that arise. Additionally, by controlling more product in our market than our competitors. Since we represent such a large amount of retail space, we are in constant contact with national, regional and local tenants who are actively looking for space in our markets. We are nimble, and we know how to get deals done with both mom & pop tenants and national brands.



Patrick Palmer, CCIM

Director of Retail Services, Principal

Patrick Palmer is a Principal and Broker with NAI Columbia and has extensive experience across the southeast in brokerage and development. Palmer's primary focus is on retail and general commercial. Before joining NAI Columbia, Palmer served as President and Broker in Charge of IAP Company, a family-owned real estate enterprise that has developed real estate for over 50 years in Columbia. Palmer has been a member of ICSC since 2000, and in 2006, he obtained the prestigious CCIM (Certified Commercial Investment Member) award and subsequently served on several national committees and now has a seat on CCIM's National Board of Directors.



Bobby Balboni, CCIM

Senior Broker

Balboni joined NAI as a brokerage associate in June 2019 after interning with the firm during his junior and senior year at the University of South Carolina. Balboni works alongside Patrick Palmer, Principal and Director of Retail Services. Their team's focus is on retail and general commercial properties in the Midlands. Balboni specializes in landlord and tenant representation, site selection and investment sales. During 2021 he transacted over 225,000 square feet of retail lease transactions.