

# 2Q18:

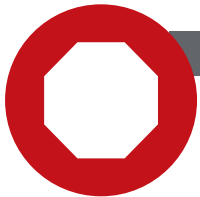
## Columbia Retail Market Report



### VACANCY

5.4%

Rates increased in the second quarter from 5.3%



### NET ABSORPTION

36,767 SF

+234,257 SF in 1Q18



### AVERAGE RENTAL RATE

\$11.89

Down from \$12.07 in 1Q18



### NEW RESTAURANTS

24

New restaurants opened or announced in 2018



### RENTAL RATES: CBD

\$19.65

Highest submarket rental rate

## Dynamic Market: Columbia Retail Reshapes Around National Trends

Like a rollercoaster, the commercial real estate retail scene is delivering an exciting mixture of ups and downs with twists and turns at a rapid pace. As consumer behaviors continually shift to embrace the newest technology-driven lifestyle trends, retailers are scrambling to evolve their sales channels while owners and developers are keeping their eyes firmly on the track to provide the form and function required to meet the needs of modern retail.

On the macro scale of the retail market we are seeing the distressing headlines another widely recognized brand is shuttering stores. Locally, this has added Toys"R"Us & BiLo's Harvey's concept to our list of imploding traditional retailers and has inserted large blocks of vacancy into some of our dominant suburban retail clusters. There are whispers more closures and vacancies are on the horizon but the promising news is Columbia is resilient and maintaining a healthy balance of market activity.

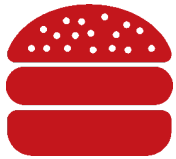
Over the last quarterly cycle, the Columbia retail sector has held steady with moderate but encouraging increases and nominal declines across the board. The first half of 2018 recorded minor fluctuations in the overall vacancy rate from 5.3% in the first quarter to 5.4% in the second quarter. Year to date overall net absorption was positive 271,024 SF recording 234,257 SF in the first quarter and 36,767 SF during the second quarter with single tenant buildings and shopping centers contributing significantly to activity.

Representing a 7% increase from the same time last year, overall average asking rental rates closed out the second quarter at \$11.89 per square foot slipping from \$12.07 per square foot at the end of the first quarter. Despite the quarterly slip, asking rental rates are still inching up in submarkets where population growth is accelerating such as downtown Columbia and Lexington.

Continued on Page 2

### Broker Insight Continued

Continuing to energize the Columbia retail market during the first and second quarter of 2018 is the flurry of restaurant openings and announcements. NAI Avant research has tracked 24 new restaurants during the cycle with asian-themed locations accounting for 16.67% of establishments opened and 4% more on-deck. Leading the pack of establishments on-tap for the second half of 2018 are breweries and fast food restaurants at 12.5% each.



Fast food restaurant activity is brisk and can be tracked throughout the metropolitan area: In northeast Columbia, Steak N Shake is making a comeback by entering the arena at Killian Crossing; to the west, Freddy's Frozen Custard & Steakburgers opened its third market location near the Walmart at Ballentine Market and to the south in Redbank at the Shoppes at White Knoll, local favorite Rush's has planted roots.

Other strong pockets of restaurant activity are in the downtown Columbia area where multiple high-end restaurants and breweries are inserting themselves into the mix. In May, two well-known Charleston-based restaurants, Halls Chophouse and Home Team BBQ announced plans to open locations in Columbia. Replacing the Oak Table & absorbing 8,180 SF of ground floor retail space, Halls Chophouse will be located at 1221 Main Street while Home Team BBQ will be giving new life to the former Harper's restaurant at 700 Harden Street in Five Points.

Branching out across the Congaree River, the first phase of The Brookland development is close to completion and will bring two upscale restaurants, Capital Prime and Black Rooster, to West Columbia. Combining urban design with history, culture and riverfront views, Brookland has transformed the landscape at Meeting and State Streets and embodies the trendy lifestyle developments sweeping the nation.



**...Competition for market share could be fierce but will ultimately provide our growing population centers with the atmosphere, variety and vibrancy they're craving"** -Patrick Palmer, CCIM, Director of Retail Services

"Market activity occurring in Columbia's Central Business District and along its perimeter is generating great excitement. We're starting to see the materialization of all the buzz surrounding destination and experience retail. Competition for market share could be fierce but will ultimately provide our growing population centers with the atmosphere, variety and vibrancy they're craving," said Patrick Palmer, CCIM, NAI Avant's Director of Retail Services.

Intersecting product with event venues to provide unique experiences is also trending well in the Southeast and the local brewery infusion occurring in Columbia is pairing well with revitalization efforts. In Columbia, the Cottontown Brew Lab epitomizes this trend with its planned expansion of their microbrewery on N. Main Street to incorporate a covered, wrap-around deck with tasting room, full kitchen and outdoor entertaining space. At 1649 Main Street, the former Hennessy's Building will feature a new chef driven restaurant and roof top bar named Hendrix.



Back to the Cayce-West Columbia submarket, Steel Hands Brewing is underway with the revitalization of an abandoned industrial site. Scheduled to open during the fourth quarter of 2018, the 10,000 SF brewery will consist of a 30-barrel operation with a 10-barrel expansion capacity to produce a full bottling line complete with an outdoor gathering area, restaurant and taproom to accommodate 150 guests. Located off the beaten retail path on a former brownfield site, the project is site revitalization at its finest and cements its presence as an experiential retail destination.

### Broker Insight Continued

Under construction or renovation at Irmo's shopping and entertainment cluster known as Harbison, three boutique-style hotels are nearing completion with fresh hospitality concepts geared toward attracting young professionals. The new hotels include Home2Suites, Tru by Hilton and Aloft. All three are speckled along Columbiana Drive from Harbison Boulevard to Lake Murray Boulevard and inject a hip vibe to the bustling area.

Even with rising hotels, the Harbison area has witnessed the pitfalls of big box closures this cycle and has some openings to give buildings with dark spaces a tenant facelift. Known as one of the metropolitan area's dominant retail clusters, Harbison is an attractive locale and has demonstrated it has the tolerance for large tenant closures with draws like Dave & Busters in the former Sears space at Columbia Centre. The corridor has a solid track record with well-rounded market activity from residual development to site redevelopment to the leasing of vacancies.

Typically commanding the highest average rental rates in the Columbia market, this cycle marks the first time in years average asking rental rates in Downtown Columbia at \$19.65/SF and Lexington at \$17.69/SF have toppled the giant. Vacancy is tight in all three submarkets with the drop in Harbison's average asking rental rate from \$20.86 in the fourth quarter of 2017 to \$13.42/SF at mid-year in 2018 being easily attributed to additional tenant departures pulling the asking rates down.

The promising news is opportunity exists in general for shopping center owners to create more value for their properties and the communities they reside by carving up vacant big box spaces to court the rising number of e-tailers jockeying for brick and mortar presence. As online retailers work out how to piece it all together, they are recognizing physical stores add an additional layer of visibility and are an effective ingredient to driving sales. It is a simple concept for owners: increase rent, increase value.

In March, Southeastern Grocers, the parent company of Bi-Lo and Harvey's, voluntarily filed bankruptcy and announced the closure of 94 more stores including the three Harvey's stores rebranded in 2016 located on Broad River Road, Decker Boulevard and N. Main Street. "Our communities can take an emotional hit when a traditional brand or retailer disappears. On the upside opportunity abounds to reinvent a property's place in the community by retreating, repurposing or redesigning. Since rental rates are typically in the single digits for 32,000-42,000 SF boxes, one of the biggest challenges landlords may face, statewide, is finding the capital required to subdivide these spaces," said Palmer. In regards to grocery store openings, Lidl opened its first Midlands location in Lexington, Lowes Foods opened its third Midlands location in Forest Acres and Aldi opened yet another Lexington location on Platt Springs Road.



In the current retail climate there are several dynamics in their infancy giving owners, developers & investors pause. Weaving it all together is the next phase of evolution for the modern retailer and it is all about connections. As the e-commerce segment solves its end-game infrastructure by testing technology-inspired solutions to improve delivery and return of goods, developers are cautiously approaching speculative development. This wait and see approach may seem like a development has stalled but is only a small hiccup in the development process. Some developers may go back to the drawing board to evolve their project strategy with e-tailers as they explore having a physical presence and work out the dynamics of their sales channels and supply chains.

From the investment perspective, it is clear physical stores are still profitable and investors are hungry to add retail acquisitions to their portfolios. To identify sound locations for investment, the underwriting and capital side of the process is getting more intense and involves a more detailed analysis of the asset including tenant validation, sales health and historic performance. Segments considered especially attractive are grocery-anchored shopping centers and single-tenant net leased asset types since they provide services and amenities not easily replicated by online retailers. In the Columbia market, properties that traded in these asset types during the cycle include a free-standing Verizon Wireless located at 6118 Garners Ferry Road and two Food Lion anchored shopping centers at Ballentine Market and Lexington Towne Center.

### Overall Market Indicators

Vacancy ▼

Rental Rate ▲

Net Absorption ▲

Construction ▼

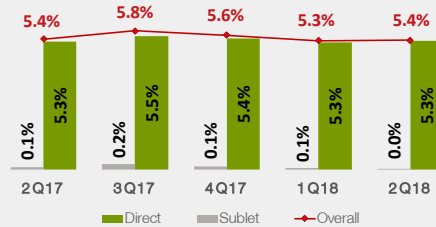
Prior Quarter Indicator | ▲ Up ▼ Down ◀ Flat ▶ Prior Year Indicator | ▲ Up ▼ Down ◀ Flat ▶

### Vacancy Rates

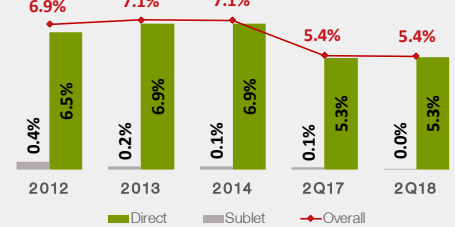
After the first quarter tied a low set in 2016, vacancy rates climb slightly at the mid-year point.

#### Available | Building Type

Single Tenant	3.4%	▲	◀▶
Shopping Center	7.1%	▼	▶
Power Center	2.5%	▼	▶
Malls	12.8%	▼	▶
Total Retail	5.4%	▲	◀▶



Quarterly Overall Trend



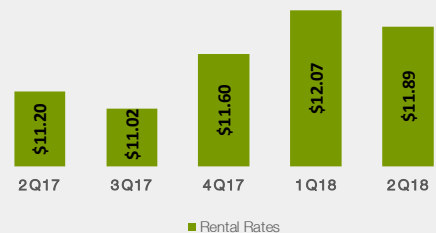
Annual Overall Trend

### Rental Rates

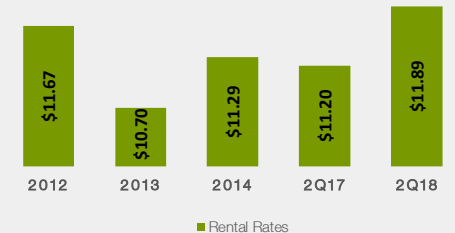
Rental rates take a dip after posting a strong first quarter.

#### Available | Building Type

Single Tenant	\$13.69	▼	▶
Shopping Center	\$11.21	▼	▶
Power Center	\$7.46	▼	▶
Malls	\$10.21	▲	▶
Total Retail	\$11.89	▼	▶



Quarterly Overall Trend



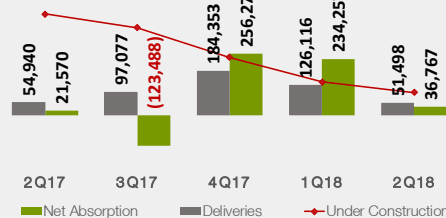
Annual Overall Trend

### Market Activity

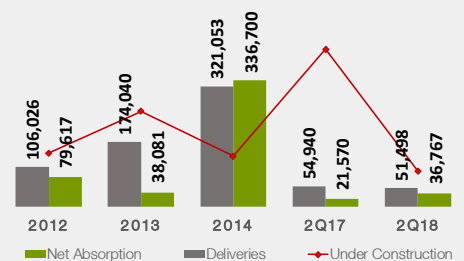
The Dutch Fork/Irmo submarket carries the load as overall net absorption trends downward.

#### Overall Net Absorption | Building Type

Single Tenant	1,589	▼	▶
Shopping Center	23,640	▼	▶
Power Center	2,707	▼	▶
Malls	8,831	▲	▶
Total Retail	36,767	▼	▶



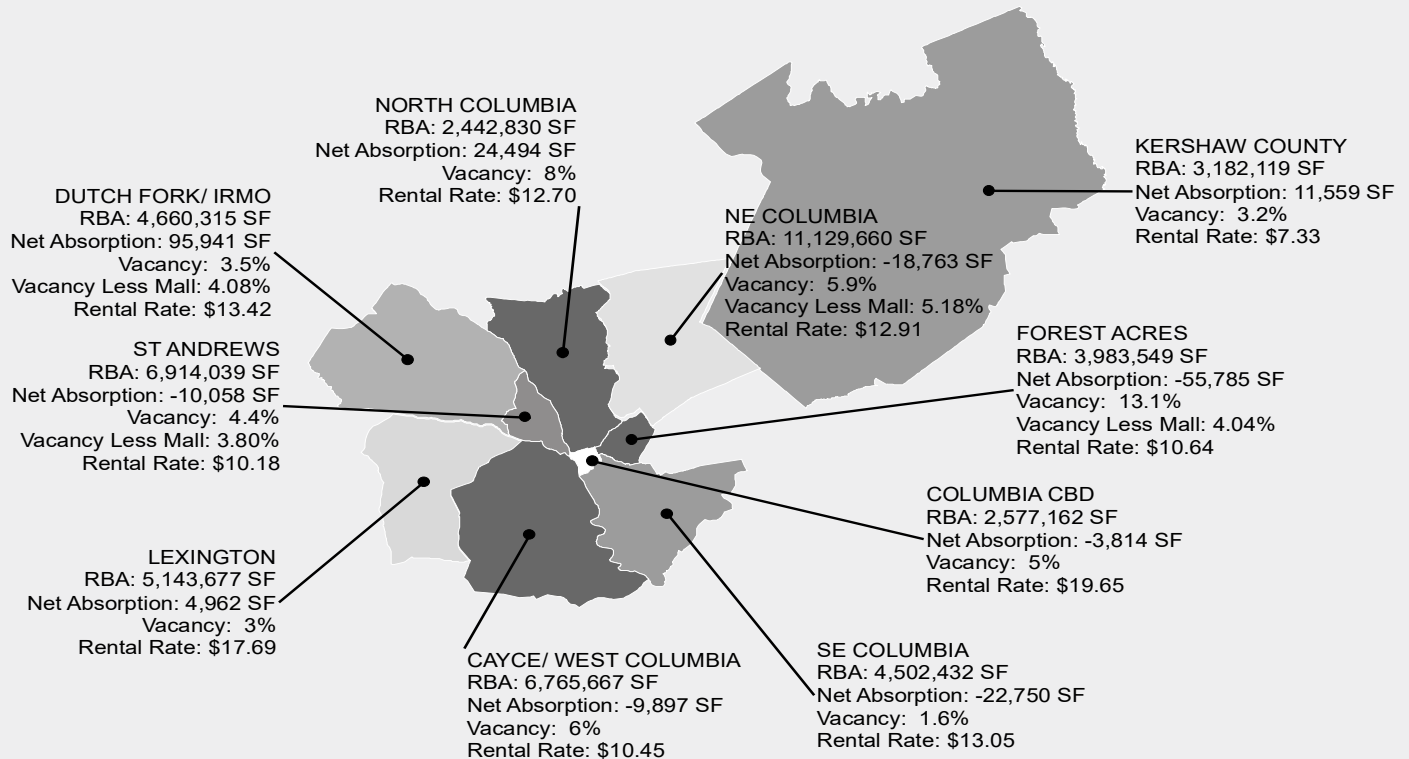
Quarterly Overall Trend



Annual Overall Trend



### Submarket Statistics



### Significant Transactions



**LEXINGTON**  
**LEXINGTON TOWN CENTER**  
912-934 N LAKE DRIVE  
131,809 SF  
MULTI TENANT  
SALE DATE: 5/30/2018

Price: \$12,575,000  
Price per SF: \$95.40  
Actual Cap Rate: 9.25%



**SOUTHEAST COLUMBIA**  
**VERIZON WIRELESS**  
6118 GARNERS FERRY ROAD  
5,010 SF  
SINGLE TENANT  
SALE DATE: 2/16/2018

Price: \$4,950,000  
Price per SF: \$988.02  
Actual Cap Rate: 6.00%



**DUTCH FORK/IRMO**  
**BALLENTINE MARKET**  
1331-1351 DUTCH FORK ROAD  
51,010 SF  
MULTI TENANT  
SALE DATE: 2/1/2018

Price: \$3,775,000  
Price per SF: \$74.01  
Actual Cap Rate: 8.80%

## NAI Avant, At A Glance

Realizing Potential, Delivering Results



For more than 50 years, the NAI Avant team has excelled in delivering superior service and performance for its commercial real estate clients. Through dedicated and knowledgeable professionals backed by quality research, our institutional, corporate, small business and individual clients have achieved maximum results.

As a full-service company, headquartered in Columbia SC, our brokerage, development, management and consulting services are tailor-made to meet the specific needs of each assignment, from single transactions to coordinating the delivery of multiple services over broad geographic areas. As a spin-off of the over \$6 billion EDENS (formerly Edens & Avant), NAI Avant traces its roots back to 1966.

Through our professional and network affiliations, we effectively and efficiently deliver our services at the local, regional, national and global levels.

Creativity and experience combined with quality research and support, have been the hallmark of NAI Avant's brokerage staff that has been South Carolina's leading performer for nearly three consecutive decades.

### Our Depth of Experience Includes

- Investment Sales
- Healthcare Real Estate Services
- Retail Sales and Leasing
- Property and Project Management Services
- Office Sales and Leasing
- Industrial Sales and Leasing
- Special Asset and Receivership Services
- Tenant Representation
- Corporate Advisory Services
- Site Selection and Land Sales
- Fee Development and Build-to-Suit Services
- Mixed-Use Urban Infill

### NAI GLOBAL

NAI Avant is a member of the NAI Global premier network, the largest independent commercial real estate service provider worldwide. NAI Global member firms span worldwide, with 400 offices and more than 7,000 local market experts on the ground. NAI Avant is a recipient of NAI Global's prestigious Eagle Award, recognizing the top firm in the U.S. secondary markets demonstrating the highest levels of achievement through a combination of leadership, capital resources, commitment to quality and global vision.

NAI Global is a wholly owned subsidiary of C-III Capital Partners, LLC (C-III). C-III Capital Partners is a leading commercial real estate services company engaged in a broad range of activities, including primary and special loan servicing, loan origination, fund management and principal investment. C-III is the primary servicer for approximately \$15 billion and the named special servicer for approximately \$160 billion of commercial real estate loans. At NAI Global, we uniquely combine an agile platform with experienced real estate teams, backed by the institutional strength of one of the world's leading property investment companies.



## Featured Listings



FOR LEASE  
Northeast Columbia

SESQUI POINTE AND STATION  
9570, 9600, 9610 TWO NOTCH ROAD  
±383-7,860 SF

Lease Rate: \$12.00-\$15.00 PSF NNN



FOR SALE OR LEASE  
Downtown Columbia

2400 DEVINE STREET  
±5,333 SF OFFICE/RETAIL BUILDING IN  
DESIRABLE DOWNTOWN NEIGHBORHOOD

Price: \$1,300,000 or \$28.00 PSF



FOR SALE  
Cayce/West Columbia

SOUTHERN COMMONS  
12TH STREET AND I-77  
5 OUTPARCELS AVAILABLE

Price: Outparcels range from \$409,500-\$1,045,000



FOR SALE  
LEXINGTON

247 COLUMBIA AVENUE  
±4,247 SF OFFICE/RETAIL BUILDING IN THE  
HEART OF LEXINGTON

Price: \$599,000

For more information, contact one of our experienced professionals:



Todd Avant, CCIM  
Chief Executive Officer  
[tavant@naiavant.com](mailto:tavant@naiavant.com)



Bruce Harper, SIOR  
President, Broker-In-Charge  
[bharper@naiavant.com](mailto:bharper@naiavant.com)



Patrick Palmer, CCIM  
Director of Retail Services  
[ppalmer@naiavant.com](mailto:ppalmer@naiavant.com)



Rob Lapin  
Senior Broker  
[rlapin@naiavant.com](mailto:rlapin@naiavant.com)