

Local bricks-and-mortar key in the emerging omni-channel retail landscape

Crystal Baker Research Coordinator | South Carolina

Key Takeaways

- There are two buildings under construction in downtown Greenville which, upon, completion, will add 145,000 square feet of retail space to the area.
- Bricks-and-mortar shops are necessary to enhance online sales and keep up with customers' omni-channel shopping preferences.
- The weighted rental rates averages dropped considerably over the past 12 months due to higher quality space being absorbed; when new construction is delivered to the market, the rental rates are expected to rise.

Bricks-and-mortar retail is necessary

The general nature of retail has been changing for several years and a new trend bypassing all others is omni-channel retail. Bigcommerce.com generally defines omni-channel retail as multi-channel retailers with both a digital and a physical presence. The recent evolution of retail began several years ago, with Millennials preferring to shop online. Today, retail is evolving further as consumers from all generations are catered to based on their shopping patterns. Omni-channel retailers are successful in their brick-and-mortar shops and their online outlets because they are in tune as their clients' preferences change. Some consumers prefer to browse products in a store so they are able to touch an item to measure its quality, true sizing or texture. The same consumer may then become a repeat customer through the store's online channel. Others prefer to have paper goods delivered, yet pick up fresh produce and meat in a grocery store. Still other consumers prefer to order online for curbside pick-up. Whatever the shopping preference may be, bricks-and-mortar stores are a crucial channel contributing to the success of a retailer.

Market Indicators

Relative to prior period

Q1 2019

Q2 2019*

VACANCY	↑	↓
NET ABSORPTION	—	+
CONSTRUCTION	↑	↔
RENTAL RATE	↑	↔

Note: Construction is the change in Under Construction.

Summary Statistics

Q1 2019 Greenville-Spartanburg Retail Market

Core

Non-Core

Vacancy Rate	4.89%	12.19%
Change From Q1 2018 (basis points)	+14	-14
Quarterly Absorption (Thousand Square Feet)	-28.49	0.35
New Construction (Thousand Square Feet)	-	11.7
Under Construction (Thousand Square Feet)	145.00	21.5

Asking Rents

Per Square Foot Per Year

Core

Non-Core

Shopping Center (Small Shop Space)	\$17.00	\$11.77
Change From Q1 2018	-44.34%	-1.57%
Urban Retail	\$22.55	

Market Conditions

The Greenville-Spartanburg retail market is comprised of 17,065,015 square feet of retail space within 26 submarkets. The market posted a net negative absorption of 28,136 square feet of retail space this quarter, and the vacancy rate increased from 9.80% during the fourth quarter of 2018 to 9.97% during the first quarter of 2019. Most of the positive absorption occurred within the non-core submarkets of White Horse Road/Berea, East Spartanburg and the East Side, while the core submarkets posted a net negative absorption of 28,487 square feet. Average triple net weighted shop space rental rates are increasing across most non-core submarkets: non-core rental rates rose from \$9.81 per square foot last quarter to \$11.77 per square foot during the first quarter of 2019. Conversely, core rental rates decreased from \$16.44 per square foot during the fourth quarter of 2018 down to \$15.00 per square foot this quarter. There are two new mixed-use downtown buildings currently under construction which, upon completion, will add 145,000 square feet to the downtown retail market. When these projects are complete, the average market asking rental rates will rise due to the high quality of the space.

Shopping Center Market

Woodruff Road

The Woodruff Road corridor is comprised of 2.1 million square feet of core retail space and is the largest submarket in the region. This submarket posted a net negative absorption of 5,873 square feet during the first quarter of 2019 and the vacancy rate increased from 5.79% during the fourth quarter of 2018 to 6.07% this quarter. The average triple net shop space rental rates in this submarket dropped from \$16.45 per square foot last quarter to \$14.50 per square foot during the first quarter of 2019 for the remaining available retail shop space.

Clemson Boulevard

Clemson Boulevard is the primary retail corridor in the Anderson region and has 979,631 square feet of retail space within the submarket. A net negative absorption of 30,400 square feet was posted during the first quarter of 2019, all of which was within the Boulevard Market Fair building located at 3801 Clemson Boulevard. Due to the negative absorption, the vacancy rate jumped from 7.25% during the fourth quarter of 2018 to 10.35% this quarter. However, the average triple net shop space rental rate increased from \$11.46 per square foot during the fourth quarter of last year to \$11.95 per square foot this quarter.

Greer

The Greer submarket is composed of approximately 729,617 square feet of retail space. This submarket absorbed 5,400 square feet this quarter, and all of the positive absorption in Greer occurred in the Piedmont Market Place. Due to the positive absorption, the Greer

Definitions

This report includes two distinct types of data.

Shopping Center Retail is defined as all retail shopping centers except for regional shopping centers that are 20,000 square feet or larger, designed to accommodate at least one anchor or junior anchor tenant. This is further divided into core and non-core retail nodes.

A **core retail** center is in an amalgamation that draws shoppers from across the region. It will have a mix of anchor, junior anchor and shop space tenants and will include a variety of food service and soft goods retailers that exist only in core retail markets.

A **non-core** retail center will be one that is located at the edge of a submarket. It is generally designed with a single retail anchor and attracts shoppers from the surrounding neighborhoods only.

Anchor space is typically 25,000 square feet or greater and is designed to accommodate a single tenant.

Junior anchor space is typically 10,000 to 25,000 square feet and is designed for a single tenant. It can anchor a shopping center but is generally paired with an anchor and shop space.

Shop space is typically less than 10,000 square feet and is generally attached to a center with an anchor, junior anchor or both.

Urban Retail is defined as a street-oriented retail district where the primary way the tenant approaches the property is as a pedestrian. It typically has a mix of luxury retailers not found in traditional shopping centers and is found in urban locations. It is usually the street level or first level of a multistory building in a highly urbanized area.

Drayton Mills Marketplace 1802 Drayton Road | Spartanburg, SC



Source: CoStar

vacancy rate dropped from 3.39% during the last quarter of 2018 to 2.65% during the first quarter of 2019. The core and non-core vacancy rates are comparable to one another in Greer; the non-core vacancy rate is 2.33% and the core vacancy rate is 2.91%. The overall Greer average triple net shop space rental rate remained unchanged from last quarter to this quarter, at \$11.00 per square foot.

Haywood–Pleasantburg

The Haywood–Pleasantburg submarket is comprised of 1.37 million square feet of retail space, including space on the Haywood, Pleasantburg and Laurens Road corridors. This submarket posted a net negative absorption of 21,454 square feet during the first quarter of 2019, and, consequently, the vacancy rate rose from 8.87% during the fourth quarter of last year to 10.43% this quarter. Nevertheless, the average triple net shop space rental rate increased from \$11.22 per square foot during the fourth quarter of 2018 to \$12.30 per square foot during the first quarter of 2019.

West Spartanburg

West Spartanburg includes retail centers along Blackstock Road, W. O. Ezell Boulevard, John B. White Sr. Boulevard and Reidville Roads and is comprised of 152 million square feet. Core retail space in this submarket absorbed 2,206 square feet, while non-core space posted a net negative absorption of 1,000 square feet, which was within Camelot Center.

The submarket vacancy rate dropped minimally from 4.67% during the fourth quarter of 2018 to 4.59% during this quarter. The West Spartanburg triple net shop space rental rate remained unchanged at \$12.00 per square foot from the middle of last year through the first quarter of 2019.

Pelham Road

The Pelham Road retail submarket consists of 312,856 square feet of retail space, and this submarket had no activity this quarter. There was no absorption, therefore the vacancy rates and rental rates remained constant from the fourth quarter of 2018 through the first quarter of 2019.

Urban Retail

The urban retail market is divided into five subareas: the West End, the Village of West Greenville, Augusta Street, Downtown Greenville and the Main and Stone area, and the urban retail square feet being tracked totals approximately 2.37 million square feet. Overall, urban retail vacancy rates are decreasing quarter-over-quarter and the overall average urban market rental rate is higher due to strong demand to be within walkable urban retail space. Downtown Greenville is the largest of the urban sectors, followed by the West End. Average triple net weighted rental rates in the Augusta Street region remained constant at \$31.50 per square foot, while the average downtown Greenville weighted rental rates decreased slightly from \$23.31 per square foot last quarter to \$23.26 per square foot during the first quarter of 2019.

Gross Retail Sales & Employment

Per the Bureau of Labor Statistics’ most recent data from February of 2019, non-farm employment added 9,200 jobs from February of 2018 to February of 2019 within the Greenville-Spartanburg-Anderson Metropolitan Statistical Area (MSA), and there were a total of 590,700 non-farm employees. Data from the South Carolina Department of Revenue states gross retail sales in the Greenville-Spartanburg-Anderson region increased by 6.97% and reached approximately \$54.44 billion from January through December 2018.

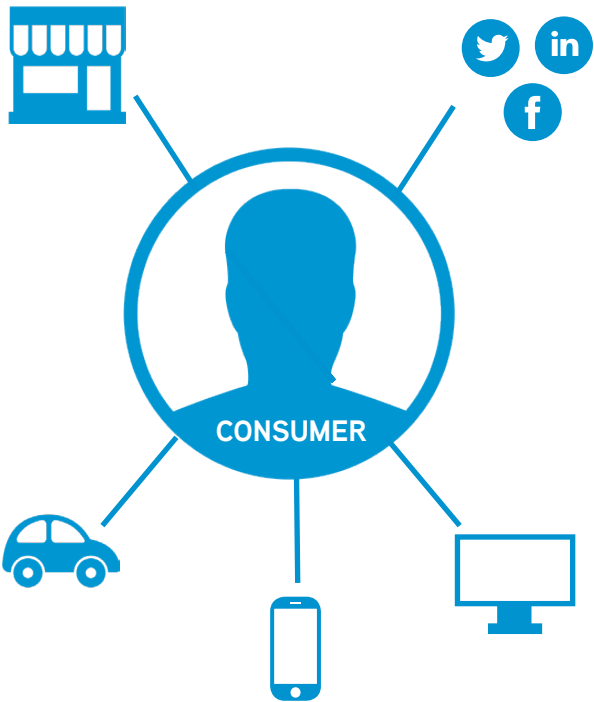
Significant Transactions

The retail sector within the Greenville-Spartanburg-Anderson market reported 127 retail sales to CoStar during the first quarter of 2019. In addition, 100 leases were signed during the same period, many by undisclosed tenants.

Sales

- > For \$5.23 million, United States Beef Corporation purchased a 5,729-square-foot convenience store located at 1302 West Wade Hampton Boulevard.
- > United States Beef Corporation also purchased the convenience store located at 7840 White Horse Road in Greenville for \$4.59 million.
- > 8150 Warren H. Abernathy Highway, a 50,024-square-foot retail building in Spartanburg, was purchased for \$4.5 million by Naeem Haider.

Omni-channel Retail



Leases

- > A 30,000-square-foot retail shop located at 441 North Duncan Highway in Union was leased by Goodwill.
- > Dollar Tree signed a lease for a 12,000-square-foot retail space located at 525 College Avenue in Clemson.

Construction Pipeline

Under Construction

- > Northpointe, at Stone Avenue and Church Street in downtown Greenville, currently has approximately 75,000 square feet of retail space under construction
- > The Camperdown project has approximately 70,000 square feet of retail space under construction at Broad Street and Main Street in downtown Greenville.
- > Legacy Square, in Greenville, has approximately 15,000 square feet of retail space under construction.
- > In Greer, at Riverside Crossing, located at 850 East Suber Road, a 6,500-square-foot retail shop is currently under construction.

Market Forecast

As the nature of retail shopping further diversifies to use both bricks-and-mortar and online channels to satisfy consumer demands, non-core retail spaces near densely-populated residential areas will be absorbed. Convenience and efficiency are retail consumer drivers, and local shops with a strong online presence will be successful in adapting to the changing consumer demands while attracting new clients and retaining current ones. New construction deliveries in Greenville will likely raise the overall average rental rates due to the high quality of the new space.

Around South Carolina

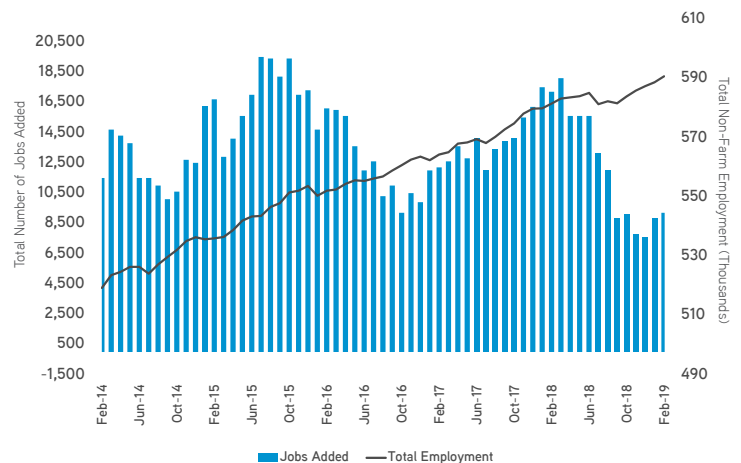
Charleston, SC

- > The Charleston market had no new retail buildings delivered to the market during the first quarter of 2019. The market posted a net negative absorption of 90,387 square feet this quarter, which was almost equally split between core and non-core retail shops. There are currently 133,771 square feet of retail space under construction throughout the Charleston submarkets and another 187,880 square feet proposed to be built. The overall market vacancy rate increased from 5.53% during the fourth quarter of last year to 6.17% this quarter.

Columbia, SC

- > Overall absorption in the Columbia retail market was positive; non-core retail is out-performing core retail centers. Submarkets, such as Lexington, with a dense residential population are expected to perform well. Overall shop space weighted rental rates for the remaining available space increased to \$15.15 per square foot this quarter.

Greenville-Spartanburg, SC MSAs Employment Trends



Source: South Carolina Bureau of Labor Statistics

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



Q1 2019 Retail Market Summary Statistics | Greenville - Spartanburg, SC

SHOPPING CENTERS	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)
BELTON - HONEA PATH								
Non Core	260,281	10.03%	-	-	-	-	26,100	\$6.50
Belton - Honea Path Total	260,281	10.03%	-	-	-	-	26,100	\$6.50
BOILING SPRINGS								
Non Core	569,850	32.33%	131,260	\$4.00	-	-	53,000	\$7.76
Boiling Springs Total	569,850	32.33%	131,260	\$4.00	-	-	53,000	\$7.76
CHERRYDALE - TR								
Non Core	500,171	10.71%	-	-	-	-	53,573	\$15.30
Cherrydale - TR Total	500,171	10.71%	-	-	-	-	53,573	\$15.30
CLEMSON BLVD								
Core	790,222	5.02%	34,500	-	-	-	5,200	\$14.23
Non Core	189,409	32.58%	48,912	-	-	-	12,800	\$11.02
Clemson Blvd Total	979,631	10.35%	83,412	-	-	-	18,000	\$11.95
CLEMSON PENDLETON								
Non Core	380,437	10.85%	34,928	-	-	-	6,360	\$10.29
Clemson Pendleton Total	380,437	10.85%	34,928	-	-	-	6,360	\$10.29
DOWNTOWN GREENVILLE								
Non Core	169,726	11.08%	-	-	15,000	\$10.00	3,814	\$12.00
Downtown Total	169,726	11.08%	-	-	15,000	\$10.00	3,814	\$12.00
DUNCAN - LYMAN								
Non Core	219,302	1.94%	-	-	-	-	4,260	-
Duncan - Lyman Total	219,302	1.94%	-	-	-	-	4,260	-
EASLEY								
Non Core	1,168,870	11.75%	90,716	\$14.00	17,000	-	29,581	\$11.50
Easley Total	1,168,870	11.75%	90,716	\$14.00	17,000	-	29,581	\$11.50
EAST SIDE								
Non Core	1,171,395	12.13%	33,000	-	47,404	\$11.00	61,688	\$8.58
East Side Total	1,171,395	12.13%	33,000	-	47,404	\$11.00	61,688	\$8.58
EAST SPARTANBURG								
Non Core	1,061,468	15.82%	104,869	\$10.00	14,892	-	48,115	\$12.00
East Spartanburg Total	1,061,468	15.82%	104,869	\$10.00	14,892	-	48,115	\$12.00
GREER								
Core	407,363	2.91%	-	-	-	-	11,860	-
Non Core	322,254	2.33%	-	-	-	-	7,500	\$11.00
Greer Total	729,617	2.65%	-	-	-	-	19,360	\$11.00
HAYWOOD - PLEASANTBURG								
Core	354,902	8.62%	-	-	13,800	-	16,792	\$18.53
Non Core	1,021,373	11.06%	27,000	-	36,926	\$8.66	49,036	\$10.16
Haywood - Pleasantburg Total	1,376,275	10.43%	27,000	-	50,726	\$8.66	65,828	\$12.30
HIGHWAY 81								
Non Core	175,362	10.14%	-	-	-	-	17,775	\$10.00
Highway 81 Total	175,362	10.14%	-	-	-	-	17,775	\$10.00
INMAN - LYMAN								
Non Core	222,836	24.78%	34,928	-	17,572	\$4.95	2,718	\$12.12
Inman - Lyman Total	222,836	24.78%	34,928	-	17,572	\$4.95	2,718	\$12.12

MAULDIN								
Non Core	410,608	4.80%	-	-	-	-	19,713	\$19.75
Mauldin Total	410,608	4.80%	-	-	-	-	19,713	\$19.75
OCONEE								
Non Core	741,796	6.98%	-	-	38,000	\$7.25	13,745	\$8.12
Oconee Total	741,796	6.98%	-	-	38,000	\$7.25	13,745	\$8.12
PELHAM ROAD								
Core	189,471	1.23%	-	-	-	-	2,337	-
Non Core	123,385	33.23%	38,003	-	-	-	3,000	\$22.00
Pelham Road Total	312,856	13.85%	38,003	-	-	-	5,337	\$22.00
PICKENS - LIBERTY								
Non Core	204,720	0.59%	-	-	-	-	1,200	-
Pickens - Liberty Total	204,720	0.59%	-	-	-	-	1,200	-
POWDERSVILLE								
Non Core	141,000	14.37%	-	-	-	-	20,260	\$20.38
Powdersville Total	141,000	14.37%	-	-	-	-	20,260	\$20.38
SIMPSONVILLE								
Core	405,281	4.61%	-	-	14,105	\$15.00	4,560	\$19.00
Non Core	292,064	0.51%	-	-	-	-	1,500	-
Simpsonville Total	697,345	2.89%	-	-	14,105	\$15.00	6,060	\$19.00
SOUTH SIDE								
Non Core	159,418	0.00%	-	-	-	-	-	-
South Side Total	159,418	0.00%	-	-	-	-	-	-
WEST ANDERSON								
Non Core	854,072	19.83%	34,928	\$6.00	60,801	-	73,669	\$10.69
West Anderson Total	854,072	19.83%	34,928	\$6.00	60,801	-	73,669	\$10.69
WEST SPARTANBURG								
Core	939,549	2.46%	-	-	-	-	23,071	-
Non Core	582,414	8.03%	28,695	\$12.00	-	-	18,080	\$12.00
West Spartanburg Total	1,521,963	4.59%	28,695	\$12.00	-	-	41,151	\$12.00
WHITE HORSE RD - BEREA								
Non Core	777,987	7.40%	-	-	22,500	-	35,048	\$11.86
White Horse Rd - Berea Total	777,987	7.40%	-	-	22,500	-	35,048	\$11.86
WOODRUFF MOORE								
Non Core	145,400	4.62%	-	-	-	-	6,720	-
Woodruff Moore Total	145,400	4.62%	-	-	-	-	6,720	-
WOODRUFF RD								
Core	2,112,629	6.07%	58,907	-	11,112	-	58,219	\$14.50
Woodruff Rd Total	2,112,629	6.07%	58,907	-	11,112	-	58,219	\$14.50
MARKET TOTALS								
Core	5,199,417	4.89%	93,407	-	39,017	\$15.00	122,039	\$17.00
Non Core	11,865,598	12.19%	607,239	\$9.35	270,095	\$8.28	569,255	\$11.77
Total Shopping Center Market	17,065,015	9.97%	700,646	\$9.35	309,112	\$9.13	691,294	\$12.20
URBAN RETAIL								
Downtown Greenville	868,190	6.67%						\$23.26
West End	647,083	12.54%						\$21.35
Augusta Street	432,338	8.46%						\$31.50
Stone Avenue	197,447	12.28%						-
Village of West Greenville	227,023	15.27%						\$13.60
Urban Retail Total	2,372,081	9.89%						\$22.55

400 offices in
68 countries on
6 continents

\$3.3

billion in
annual revenue

2

billion square feet
under management

17,000+

professionals
and staff



FOR MORE INFORMATION:

David Feild, CCIM
Market President | Greenville
+1 864 527 5428
David.Feild@colliers.com

Liz H. McCary
Vice President, Marketing | South Carolina
+1 803 401 4269
Liz.McCary@colliers.com

Crystal Baker
Research Coordinator | South Carolina
+1 803 401 4230
Crystal.Baker@colliers.com

GREENVILLE-SPARTANBURG RETAIL PROFESSIONALS:

Frank Hammond, CCIM, CPM
Senior Principal
+1 864 527 5451
Frank.Hammond@colliers.com

Lyn Tyner
Principal & Brokerage Associate
+1 864 527 5431
Lyn.Tyner@colliers.com

Scott Burgess
Brokerage Associate
+1 864 527 5434
Scott.Burgess@colliers.com

Lance Byars
Brokerage Associate
+1 864 527 5404
Lance.Byars@colliers.com

Hector Mendoza
Brokerage Associate
+1 864 527 5445
Hector.Mendoza@colliers.com

D. Ralph Settle, II
Brokerage Associate
+1 864 527 5452
Ralph.Settle@colliers.com

Colliers International | Greenville
55 E. Camperdown Way, Suite 200
Greenville, South Carolina | USA
+1 864 297 4950

Colliers International | Spartanburg
145 W. Main Street, Suite 300
Spartanburg, South Carolina | USA
+1 864 297 4950

About Colliers International

Colliers International (NASDAQ, TSX: CIGI) is a leading global real estate services and investment management company. With operations in 68 countries, our 14,000 enterprising people work collaboratively to provide expert advice and services to maximize the value of property for real estate occupiers, owners and investors. For more than 20 years, our experienced leadership team, owning more than 40% of our equity, have delivered industry-leading investment returns for shareholders. In 2018, corporate revenues were \$2.8 billion (\$3.3 billion including affiliates), with more than \$26 billion of assets under management.

Learn more about how we accelerate success at corporate.colliers.com, [Twitter@Colliers](https://twitter.com/Colliers) or [LinkedIn](https://www.linkedin.com/company/colliers-international).

www2.colliers.com

Copyright © 2019 Colliers International.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.



Accelerating success.