Market Assessment Briefing Book

SB FRIEDMAN DEVELOPMENT ADVISORS, LLC | AUGUST 2024

LCRT TRANSIT ORIENTED DEVELOPMENT

BCDCOG

Contents

Executive Summary

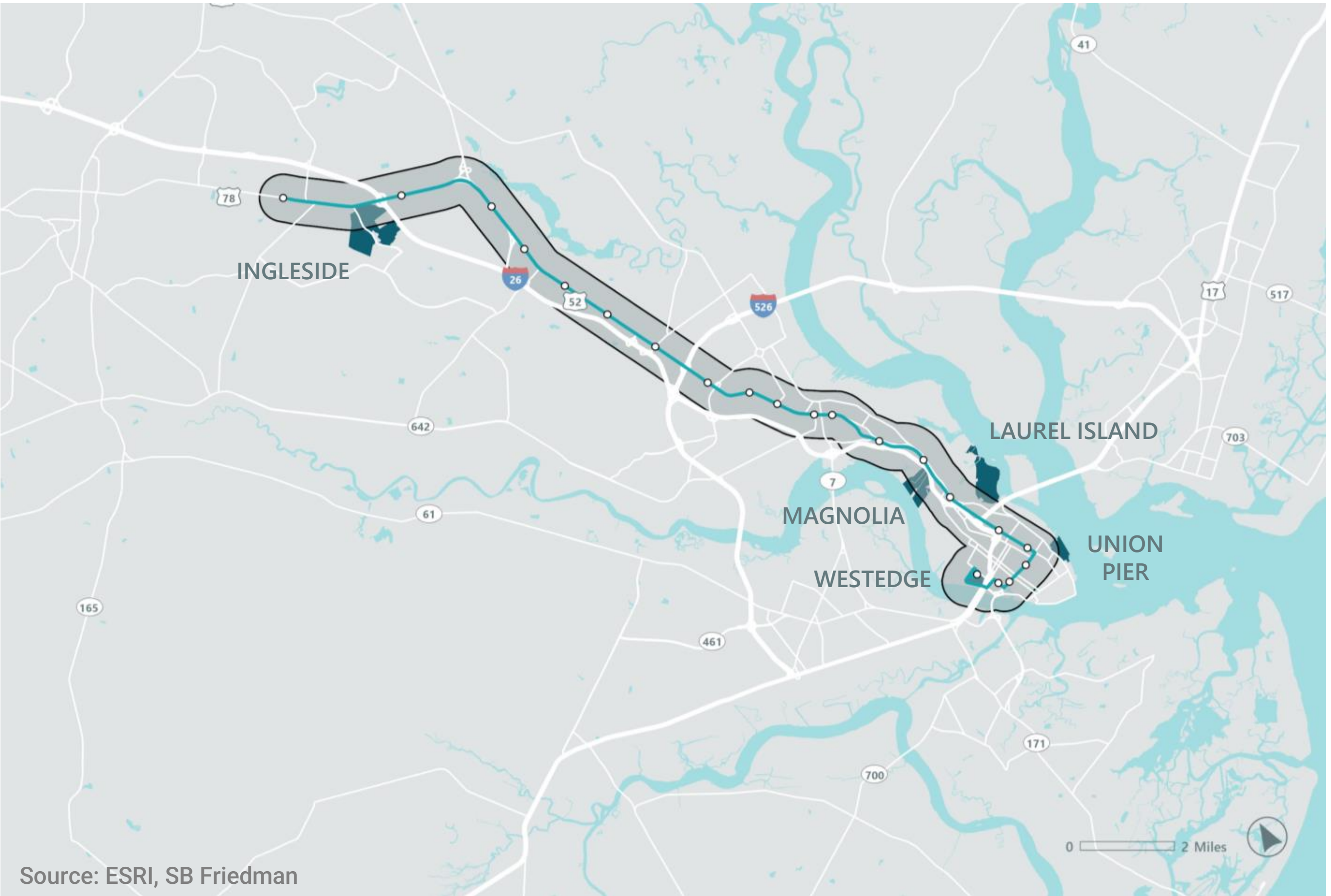
LCRT Corridor Overview

The LCRT system will be the first premium transit route in South Carolina. The route extends 21 miles from the heart of the Charleston Peninsula to Exchange Park at the far western extent of Charleston County. While still in planning and design, the region has begun to plan for the market impacts associated with this massive infrastructure investment. The LCRT Corridor (the “Corridor”) includes the area within one-half mile of the proposed alignment of the LCRT system.

Despite accounting for less than 1% of the regional land area, the Corridor is home to 62,300 residents (4% of the regional population) and 81,700 jobs (25% of regional employment).

The Berkeley-Charleston-Dorchester Council of Governments (BCDCOG) has led recent planning efforts to ensure that the potential development impacts of the catalytic investment in the LCRT system benefit current and future residents within the BCD region. This market assessment:

1) Details recent development trends in the BCD region and Corridor; and
2) Utilizes feedback from the local development community, municipal planning staff, affordable housing advocates, and quantitative analyses to project Corridor development activity through 2045.



Source: ESRI, SB Friedman

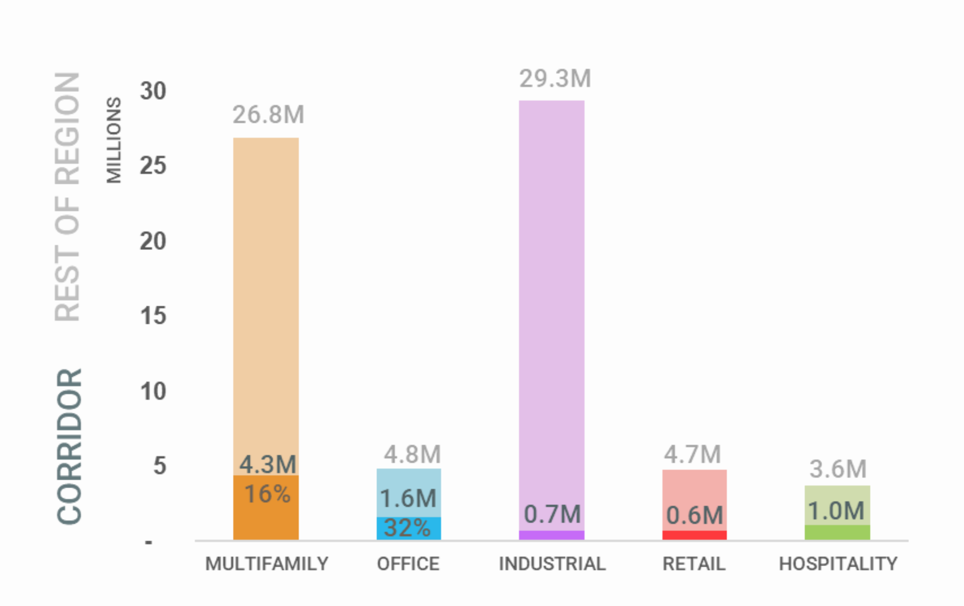
Market Analysis Approach

SB Friedman's market analysis approach consists of five core components: regional context, demand, supply, interviews and case study research. The combined output of the analysis is a development program, with specific projections for the square-foot or unit increase by land use in the BCD region and LCRT Corridor from 2020 to 2045.

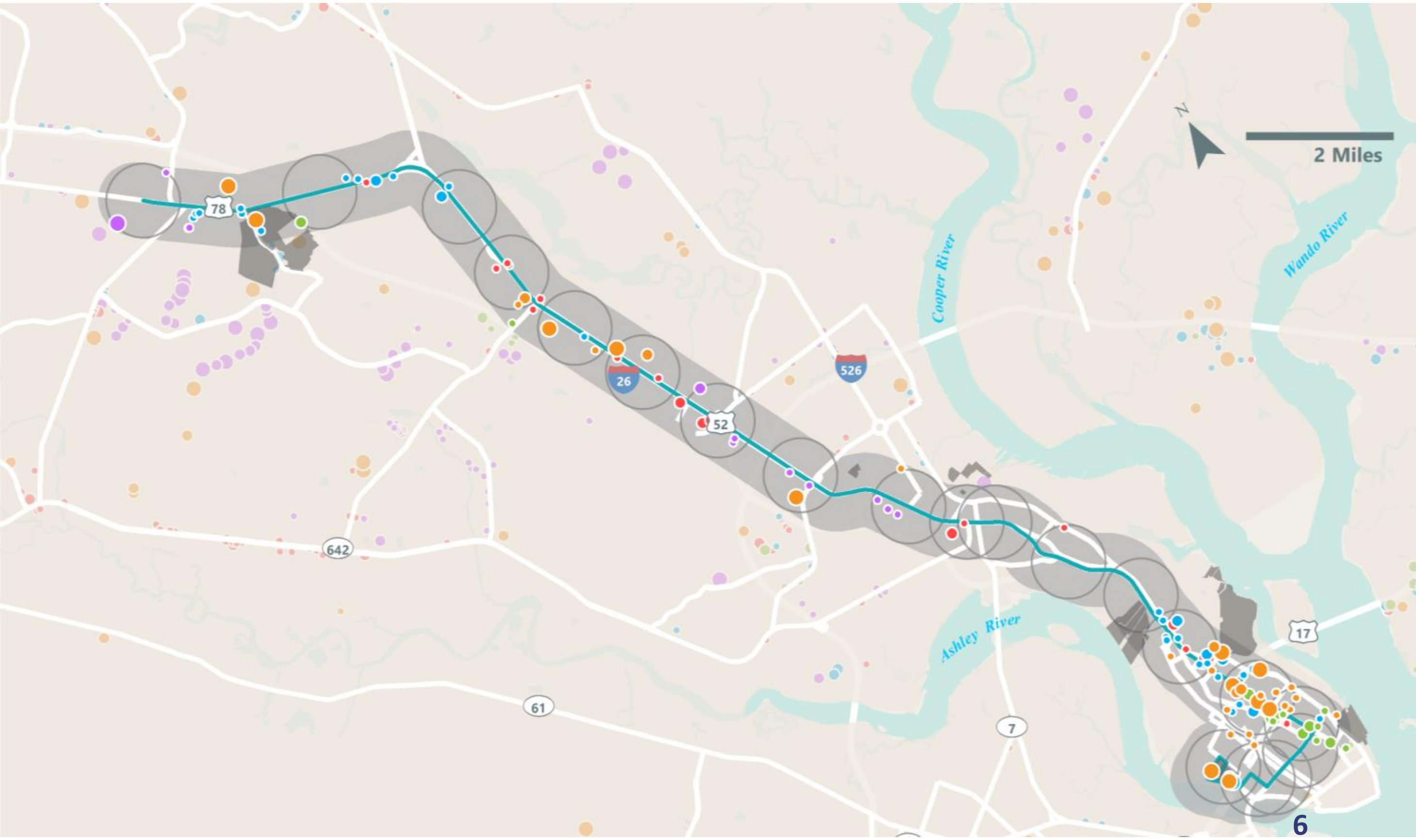
Overview of Recent Corridor Development Activity

12% of total regional development captured in the Corridor

Since 2015, there has been a substantial amount of development within the BCD Region – primarily industrial and multifamily residential. Together, they account for over 75% of the 73.5M square feet (SF) developed regionally. The Corridor has captured 12% of all regional development, despite accounting for only 1% of the land area. The Corridor accounts for 32% of regional office development, 28% of hospitality development, and 16% of multifamily residential development.



Source: CoStar, ESRI, SB Friedman

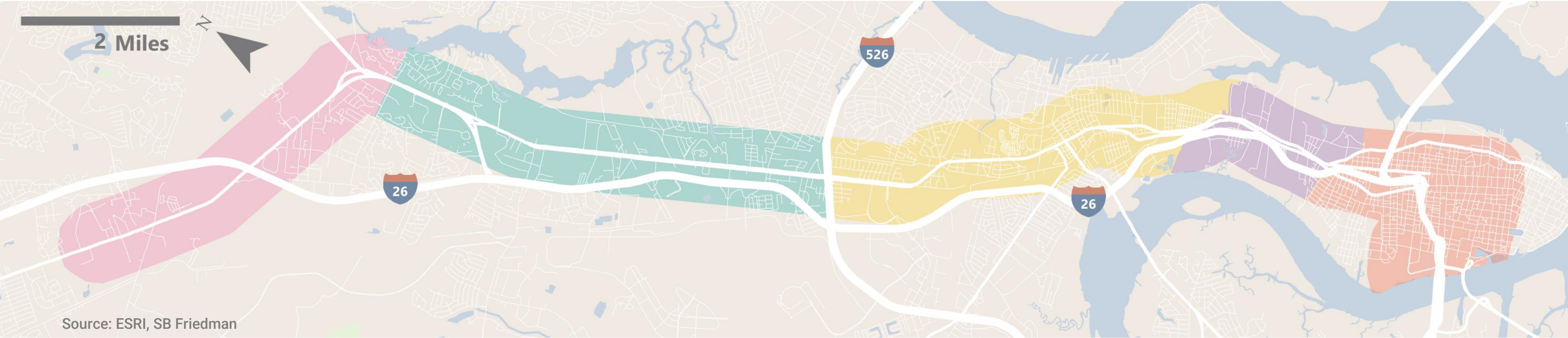


Zooming Into the Corridor: Five Subareas

The Corridor includes distinct subareas whose characteristics range from urban to exurban

Five subareas were identified in the Corridor based on jurisdictional boundaries and the unique market context within each jurisdiction. These subareas are used as the primary analytical geographies throughout the market assessment. The Peninsula contains the majority of historic downtown Charleston, including historic arterials like Meeting and King Street along with newer development zones like WestEdge. The Neck is a rapidly emerging submarket in Charleston comprised of historic single-family neighborhoods but is also home to much of the recent Corridor office and retail development. Lower North Charleston is primarily single-family neighborhoods, but also includes legacy industrial clusters due to proximity to I-26, I-526 and the historic Navy shipyard. Upper North Charleston includes most of the big box retail in the Corridor, including Northwoods Mall. The Northern Segment is less developed than the other Corridor subareas but includes the master-planned Ingleside development that is anticipated to deliver new residential, hospitality, retail and office to the Corridor.

NORTHERN SEGMENT | UPPER NORTH CHARLESTON | LOWER NORTH CHARLESTON | THE NECK | THE PENINSULA



Source: ESRI, SB Friedman

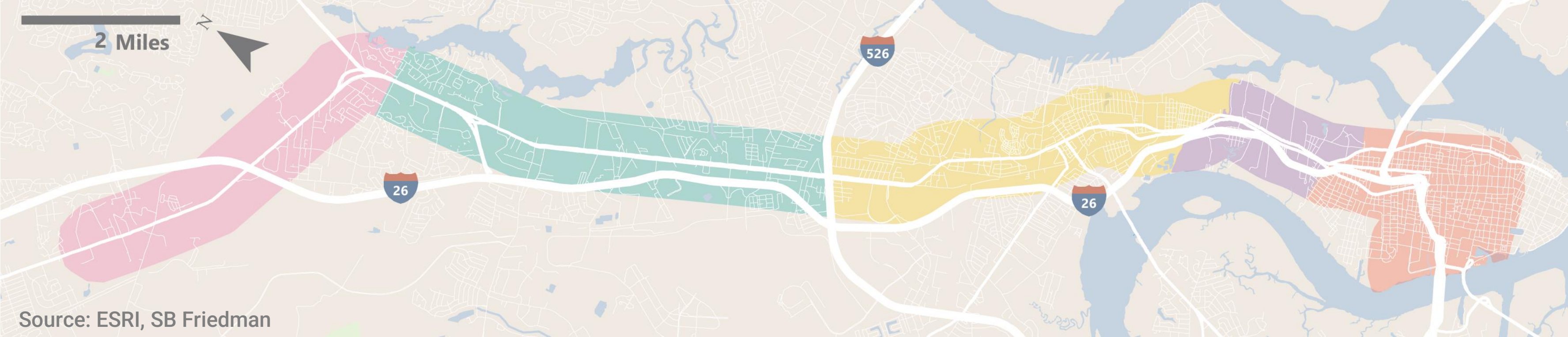
Market Demand Forecast

The Corridor is forecasted to see demand for thousands of residential units and millions of SF of commercial

SB Friedman's market forecast projected demand for residential, retail, office and hotel land uses in the Corridor. Overall demand was then allocated into each of the subareas. The allocation of demand is based on historic development activity and anticipated growth zones.

Projected population growth drives the demand for substantially more residential units in the Corridor. Retail demand is similarly anticipated to respond to population growth. Office demand is limited as the market continues to stabilize post-pandemic. A rebound in annual visitors to the Region is anticipated to drive demand for additional hospitality development.

Most of the residential and office demand is anticipated to be in the Neck and Peninsula. Retail development is projected to continue in Upper North Charleston and the Peninsula which contain existing retail clusters that have a regional draw. Hotel demand is the highest in the Peninsula due to its proximity to tourism attractions and destinations.



	Northern Segment	Upper North Charleston	Lower North Charleston	The Neck	The Peninsula	Total Demand
Residential	1,700	1,700	3,400	4,200	5,700	16,700 UNITS
Retail	200,000	480,000	200,000	290,000	410,000	1.6M SF
Office	540,000	130,000	540,000	810,000	680,000	2.7M SF
Hospitality	170	170	500	660	2600	4,100 KEYS

Market Demand

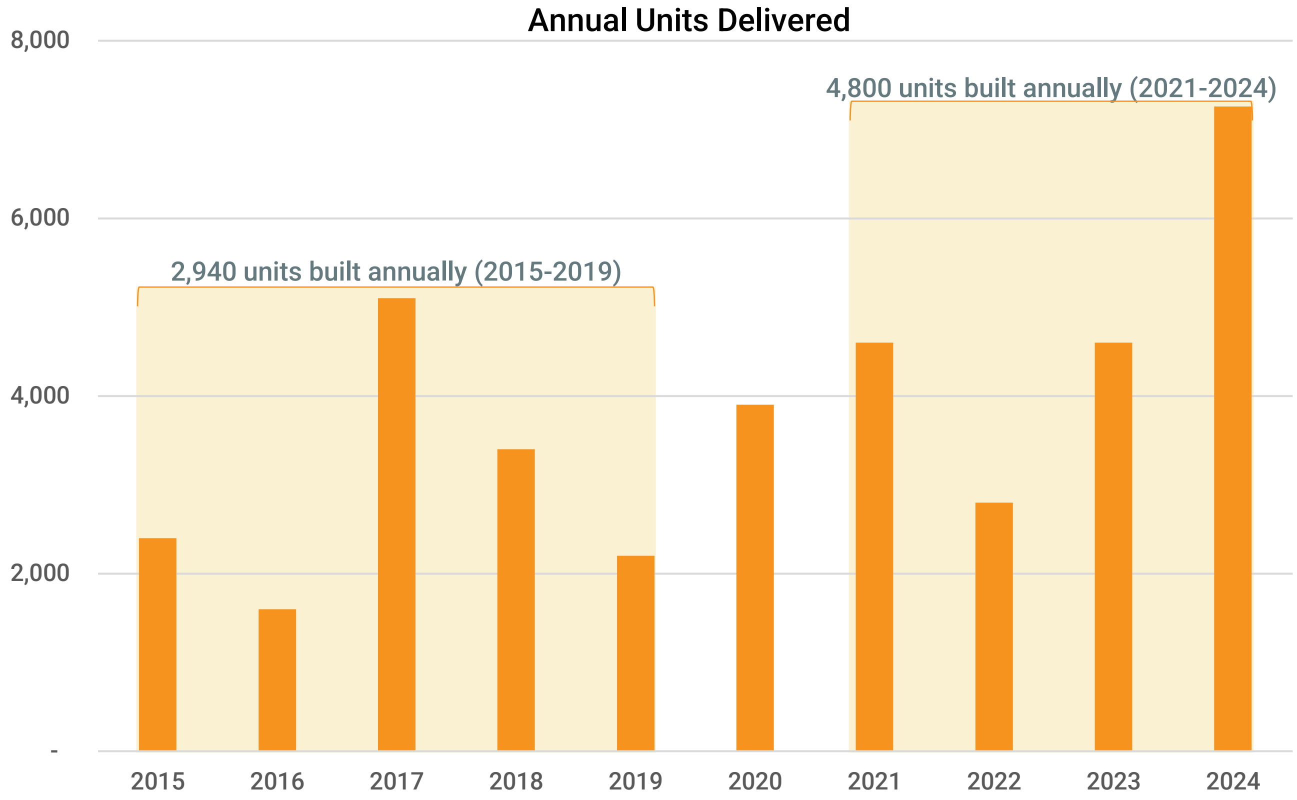
BCDCOG


Residential

Pandemic Impacts on Regional Multifamily Development

More multifamily units are being delivered annually since the pandemic compared to before

While the pandemic has adversely impacted real estate markets for specific land uses, the multifamily market in Charleston has remained strong and is showing signs of increased strength since the pandemic. Prior to the pandemic, an average of 2,940 units were built annually, but since 2020 the annual average has increased to 4,800 units. 2024 is anticipated to be another strong year for multifamily deliveries, with more units delivered and in the pipeline than any year in recent history.

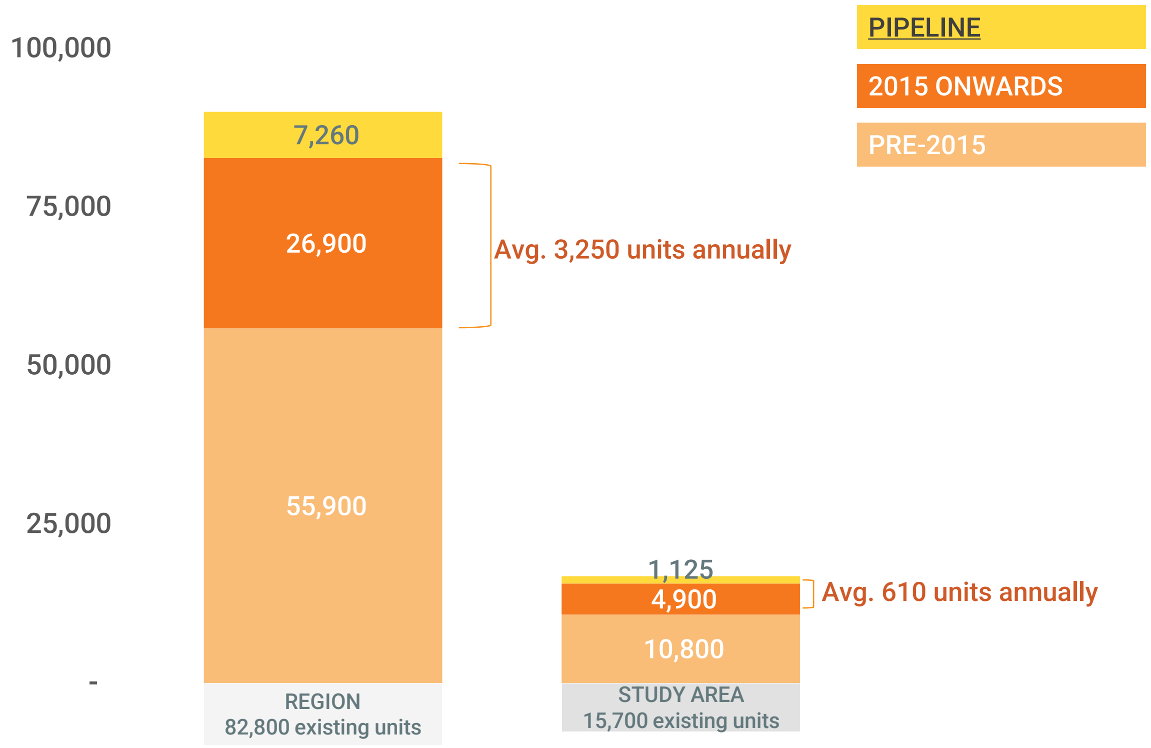


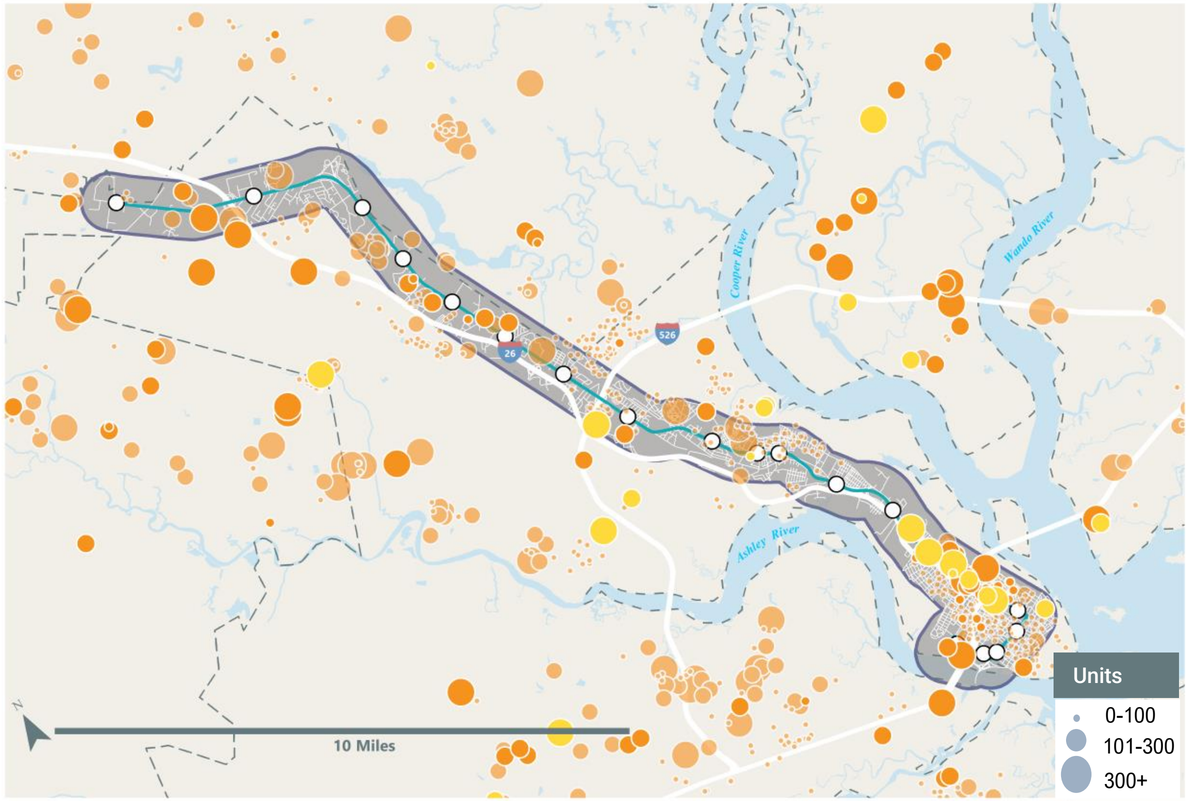
Source: CoStar, SB Friedman

Corridor Capture of Regional Multifamily Development

Corridor capture of multifamily development has increased since 2015

Regional multifamily inventory has increased by 26,900 units since 2015. Although regional multifamily development remains strong, there is a greater concentration of development outside of the urban core. The Corridor has captured 18% of regional multifamily development since 2015 and 15% of the 9,100 units in the regional development pipeline.



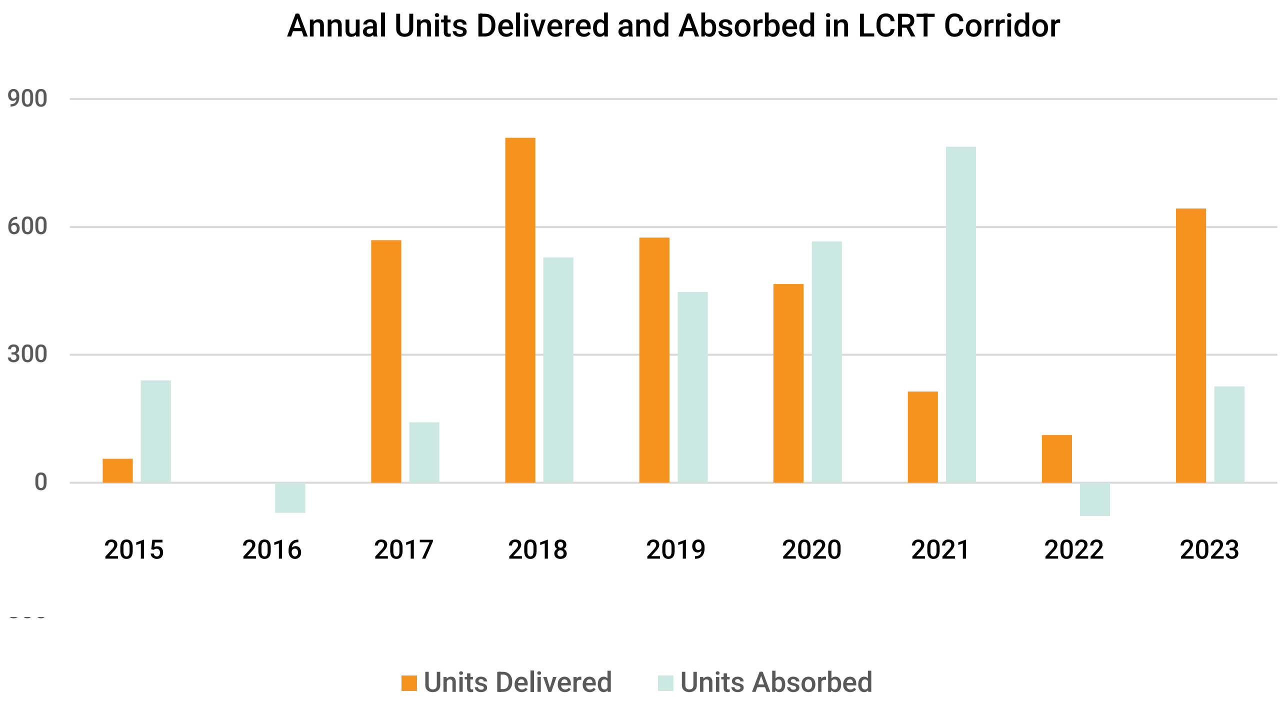


Source: CoStar, ESRI, SB Friedman

Historic Multifamily Absorption in Corridor

Multifamily units are being absorbed at a steady rate within the Corridor

The strong absorption rate of new multifamily units in the LCRT Corridor indicates that the multifamily market remains strong, and that there continues to be multifamily demand within the Corridor. From 2015 to 2023, the Corridor added 3,450 new multifamily units, and absorbed 2,800 units – absorbing 81% of the added inventory to date. The current (2024 Q2) vacancy rate for multifamily units added between 2015 and 2022 in the Corridor is 6.2% reflecting that these units have successfully stabilized.

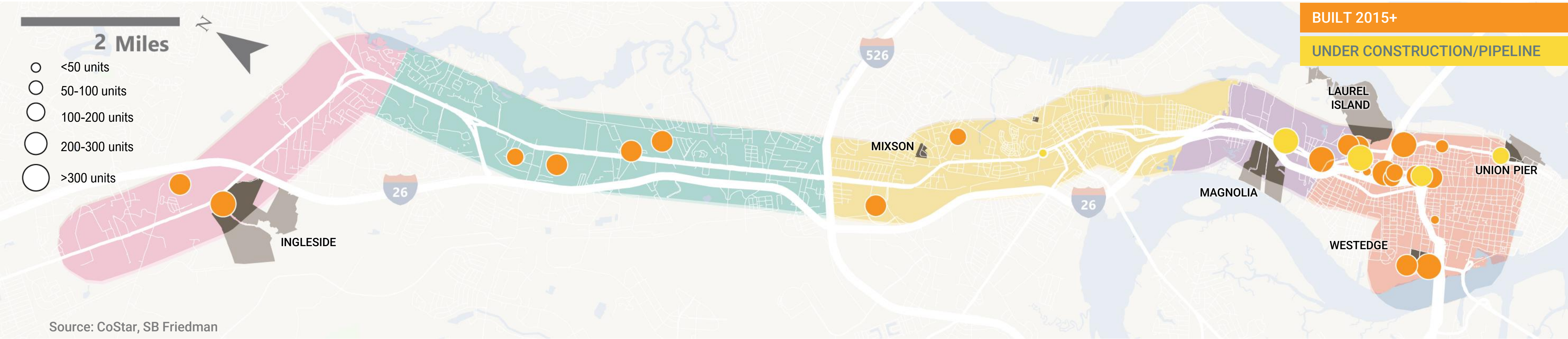


Source: CoStar, SB Friedman

Multifamily Development by Subarea

The Peninsula has been the primary location for new multifamily development in the Corridor since 2015

Since 2015, nearly 5,000 rental units have been developed throughout the Corridor. The Peninsula continues to show strong multifamily growth, accounting for 45% of new multifamily development and 66% of pipeline units in the Corridor. Multifamily development throughout the Corridor varies in height and density. Recent multifamily developments in the Peninsula are typically 6–8 stories while new deliveries elsewhere in the Corridor are often 3–4-story walk-up buildings with surface parking.



	NORTHERN SEGMENT	UPPER NORTH CHARLESTON	LOWER NORTH CHARLESTON	THE NECK	THE PENINSULA	TOTAL
UNITS BUILT SINCE 2015	564	870	500	810	2,225	**4,970**
PIPELINE UNITS*	0	0	50	331	745	**1,125**

*Includes units associated with under-construction projects and projects in final planning. Pipeline information reflects CoStar data as of September 2023.

Recent Multifamily Developments

Charleston benefits from strong multifamily market fundamentals; supports feasibility of higher density projects

Multifamily developments constructed since 2015 represent a spectrum of development typologies. The location of projects impacts the rent and density that can be supported. Developments in the Peninsula command the highest rents – over $3 per square foot. Recent residential development in the Peninsula has greater diversity in residential density, with larger-scale projects with structured parking and smaller-scale projects on smaller sites both being financially feasible. In contrast, developments across much of the remainder of the Corridor have lower rents – $2.00 per square foot or less – and historically have not financially supported structured parking. These subareas require larger-scale projects for developers to achieve economies of scale, and larger sites to provide surface parking, both of which impact project density.

MOSBY INGLESIDE
312 units | 23 units/acre | $1.64/SF

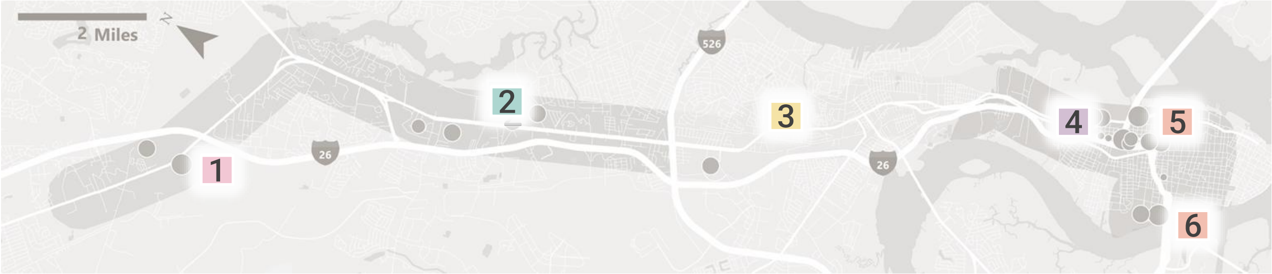
ATLANTIC ON THE AVENUE
202 units | 29 units/acre | $1.88 per SF

PARK CIRCLE VILLAGE
200 units | 12 units/acre | $1.86 per SF

CORMAC
303 units | 107 units/acre
$2.66 per SF | 13,000 retail SF

655 EAST BAY
51 units | 52 units/acre | $2.68 per SF

10 WESTEDGE
350 units | 152 units/acre
$3.35 per SF | 52,600 retail SF



Source: CoStar, ESRI, SB Friedman

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Corridor Housing Demand Considerations

Corridor housing demand is driven by regional population and housing trends, and historic corridor capture

To project residential housing demand within the Corridor, SB Friedman's combined regional population growth projections prepared by BCDCOG with several factors, including:

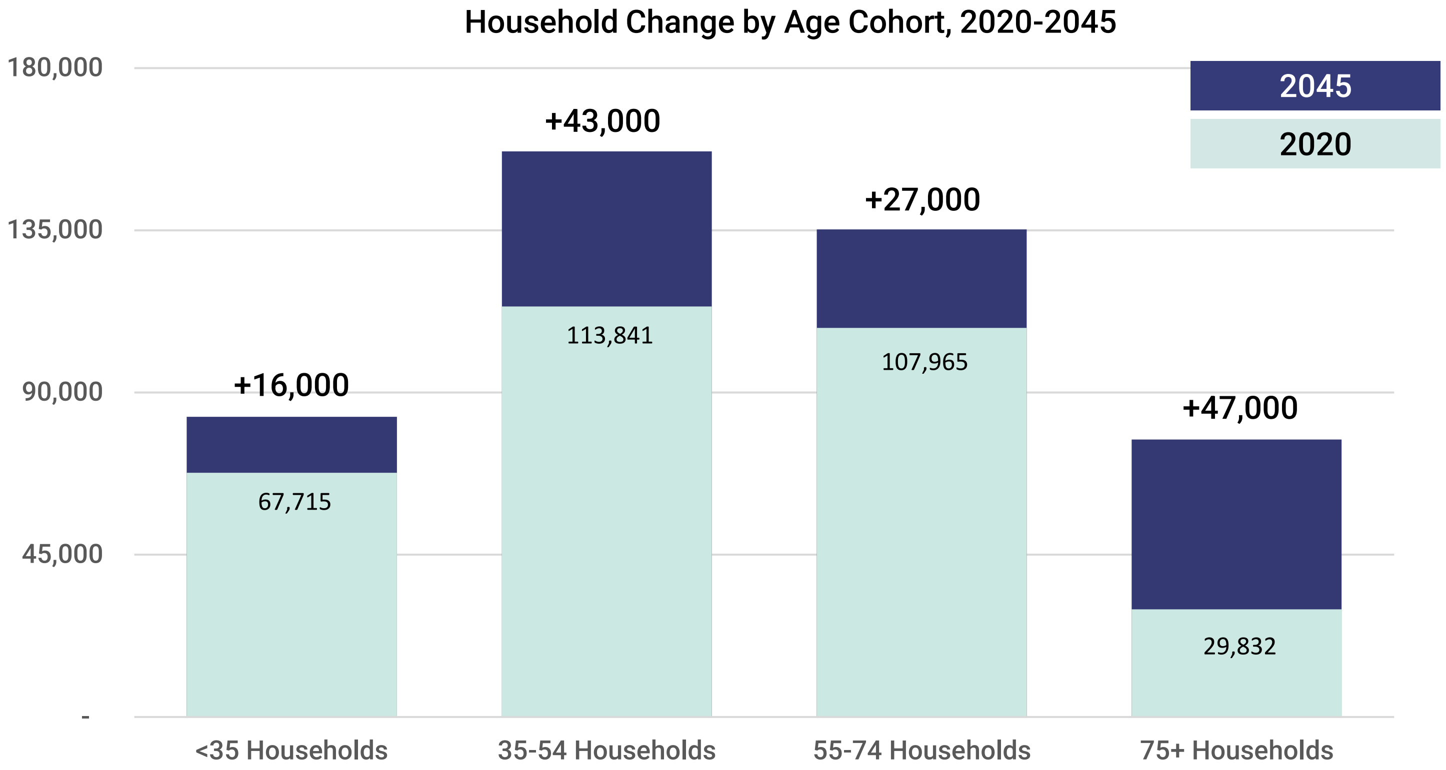
Population Growth	How fast is the market area growing? Who is moving in?
Headship Rate	How are living patterns changing?
Housing Tenure	Do people want to rent or own?
Vacancy Rate	How constrained is the current market? How many units need to be replaced?
Housing Preferences	What sort of housing typologies are desired? How are those preferences evolving?
Area Capture	What share of regional market demand can an area capture?

Regional Household Growth

The BCD region is expected to add 133,000 net new households by 2045

Forecasted household change is the primary driver of housing demand in the BCD region. The region grew by 59,000 households from 2010 to 2020. A high quality of life, national perception of affordable housing relative to higher-cost markets, and workforce opportunities are anticipated to continue to drive household growth through 2045. Regional demand forecasts estimate the region will add another 133,000 households from 2020 to 2045, a 1.4% compound annual growth rate (CAGR).

The most growth is expected in the 75+ year old household cohort, which lines up with national demographic trends. The householders between ages 35-54 is also expected to grow significantly as Millennials, the largest age cohort in history, continue to grow into their “Family Years.”



Source: BCDCOG, U.S. Census Bureau, SB Friedman

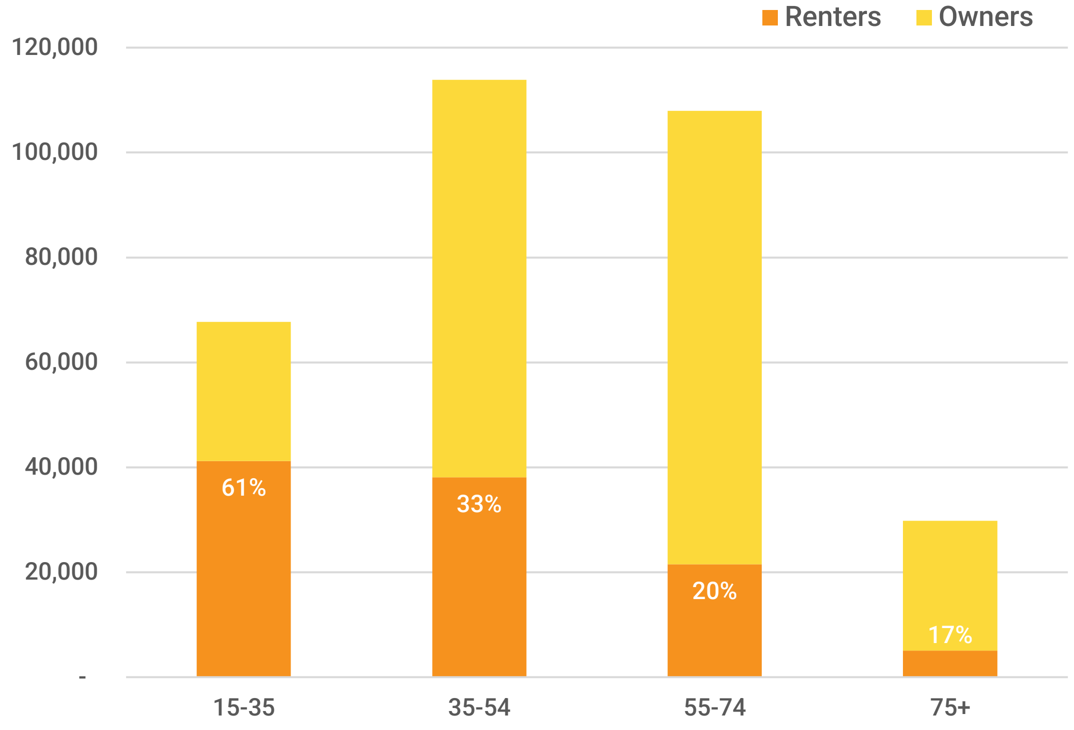
Tenure by Age Cohort

Homeownership increases as age of householders increase

Homeownership varies significantly by age cohort in the BCD region. Households under the age of 35 are much more likely to rent than older age cohorts, with over 61% of households in the youngest age cohort reportedly renting. The largest age cohorts as of 2020, those ages 35-54 and 55-75, are 33% and 20% renters respectively.

The regional household demand forecast reflects existing homeownership patterns and marginal forecasted change. Based on national research on changing homeownership patterns, the homeowner rate is expected to continue to see a gradual decline for households under the age of 35 and over the age of 75; as housing affordability continues to be a central issue. Homeownership is anticipated to marginally increase for households ages 55-74 and hold constant for ages 35-54.

Tenure by Age Cohort, 2020



Source: BCDCOG, U.S. Census Bureau, SB Friedman

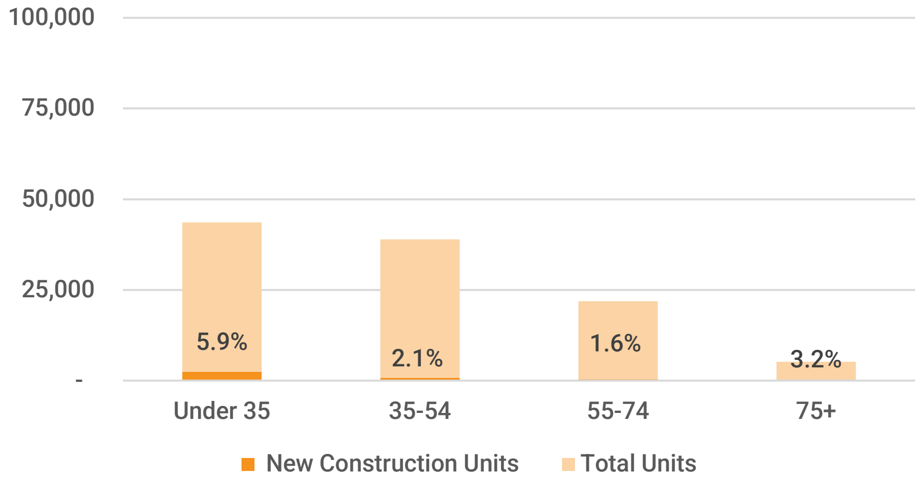
Propensity for New Housing

Younger households are more likely to live in new housing, driving the housing market

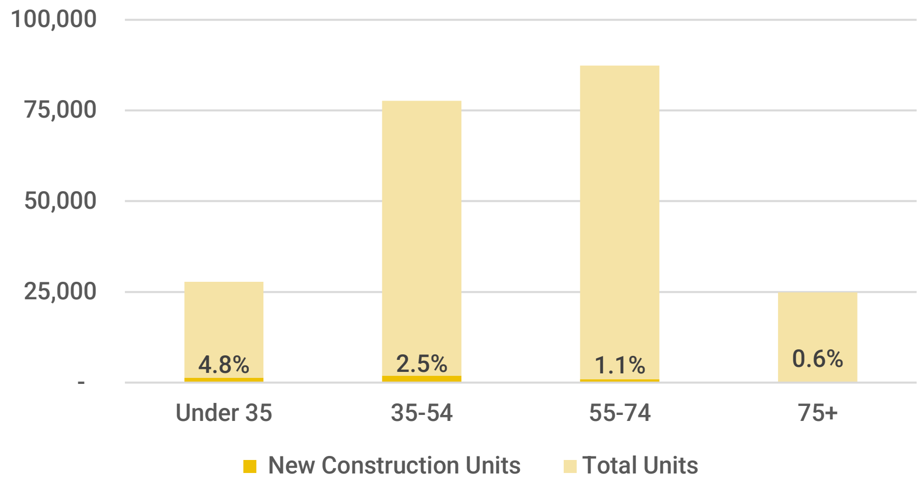
Despite most household growth occurring in Young Families (ages 35-54) and Seniors (ages 75+), there is not necessarily alignment between forecasted household growth and the demographic cohorts driving demand for new construction. Census data on households currently living in housing inventory built from 2010-2020 in the region shows that renters under the age of 35 are over 3x more likely to live in new construction than renters aged 35-74. Similarly, young owner households are more likely to live in new construction than any other age segment, with 4.8% of all owner households under the age of 35 living in new construction versus 0.5%-2.5% for all other age cohorts.

Given the higher likelihood of a younger household living in new construction, demand for specific housing typologies should reflect those of younger households which have a higher market penetration rate.

Renter % Living In New Construction



Owner % Living In New Construction



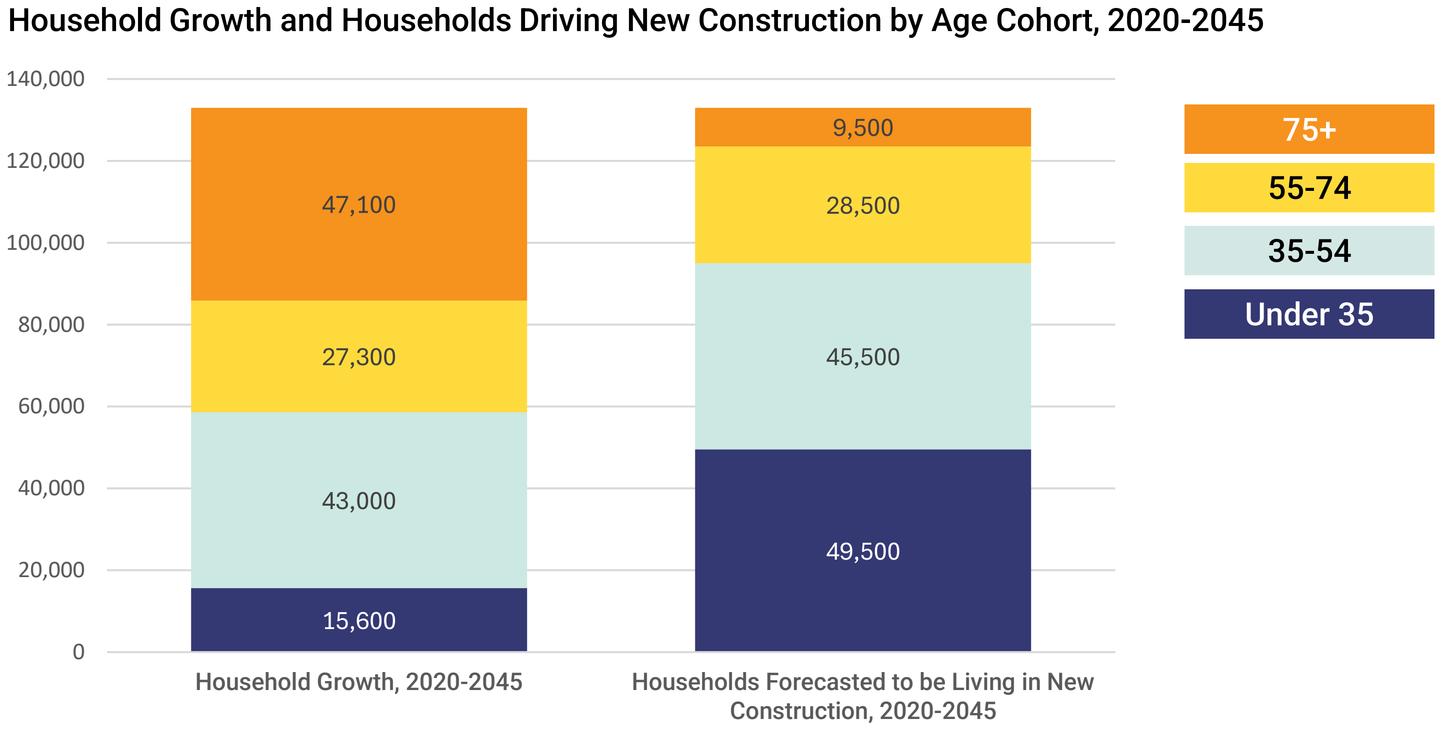
Source: BCDCOG, U.S. Census Bureau, SB Friedman

Households Driving Demand for New Housing

Most households forecasted to live in new construction units will be under age 55

Despite the largest growth in households occurring for ages 35-54 and ages 75+, younger households are forecasted to drive a greater share of the demand for new housing.

Based on historic propensity rates, households under age 35 expected to comprise over 35% of all households living in new construction in 2045 (49,500 households living in the inventory built from 2020 to 2045). Over 70% of households moving into newly constructed units will be under age 54.



Housing characteristics for new construction need to align with younger household preferences who are more likely to live in new construction

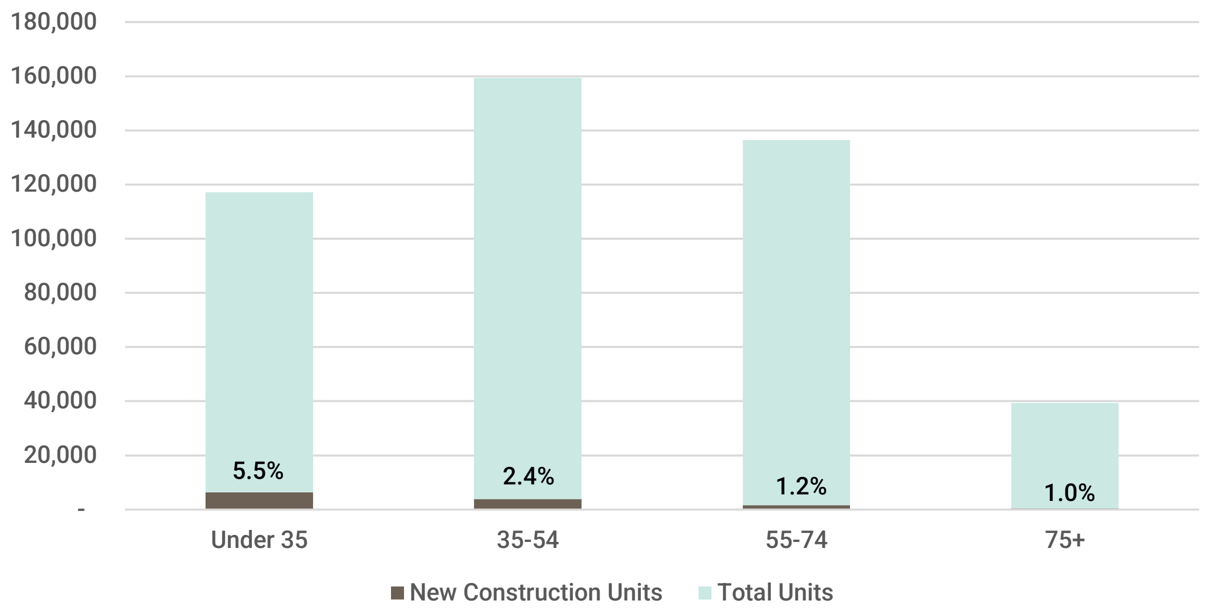
Source: U.S. Census Bureau, SB Friedman

Households Driving Demand for New Housing

The share of alternative ownership housing types are projected to grow by 2045

Despite the largest growth in households occurring for ages 35-54 and households ages 75+, younger households are forecasted to drive a greater share of the demand for new housing. Based on historic propensity rates, 6,400 households, or over half of the 12,300 households expected to live in new construction in 2045 will be under age 34.

Propensity for New Construction Among Region Households by Age, 2045



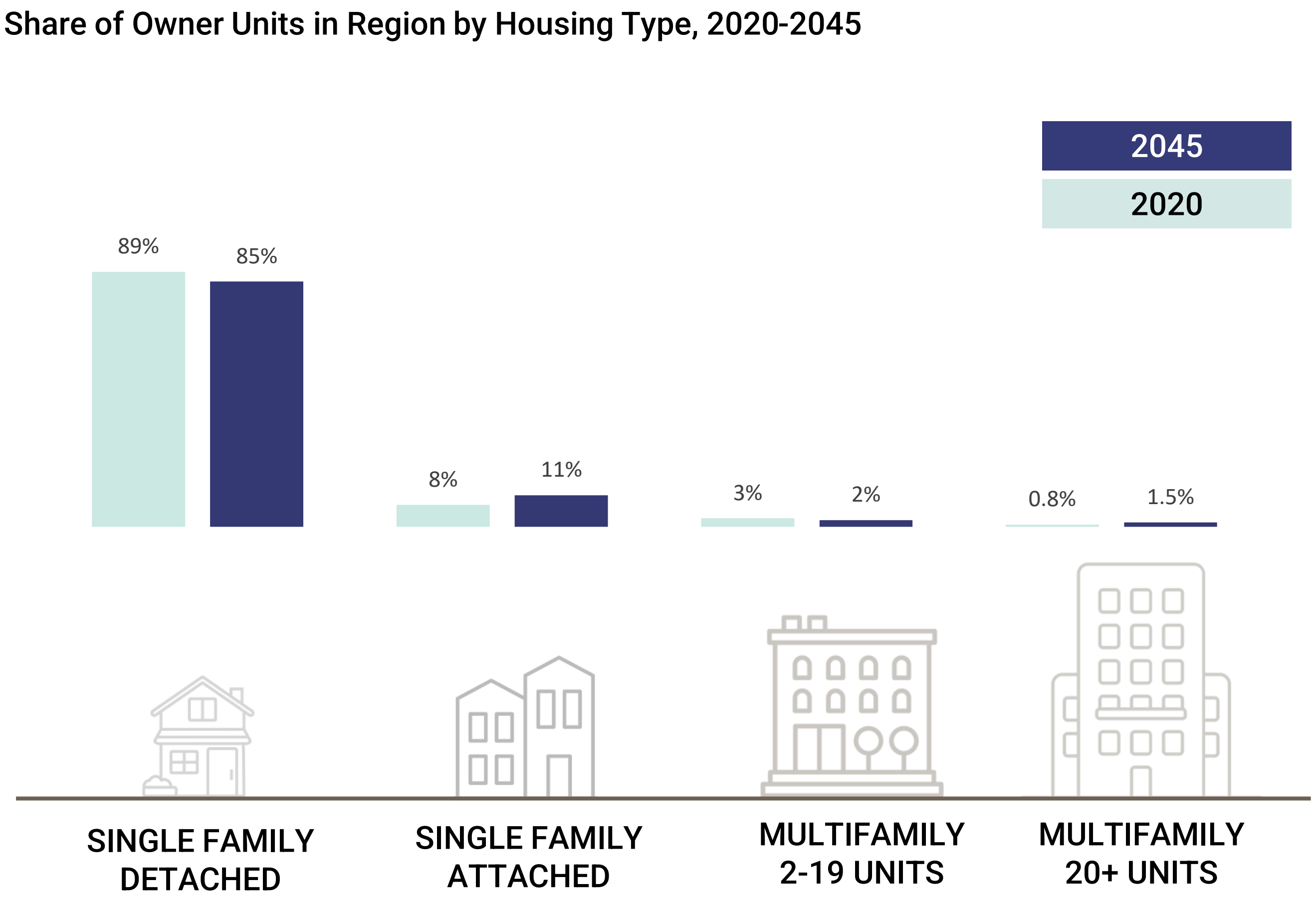
Housing characteristics for new construction need to align with younger household preferences; who are more likely to live in new construction

Source: U.S. Census Bureau, SB Friedman

Distribution of New Units by Age Cohort - Owner

The share of alternative ownership housing types are projected to grow by 2045

Most new owner-occupied units built in the region will be single-family detached homes, consistent with the historic trend in the region and nationwide. Still, alternative owner housing types, including single-family attached (townhome) and multifamily condominium units, are expected to account for an increasing share of newly built owner units in the region. Householders under age 35 and between ages 55 and 74 are more likely to live in townhome and condo units.



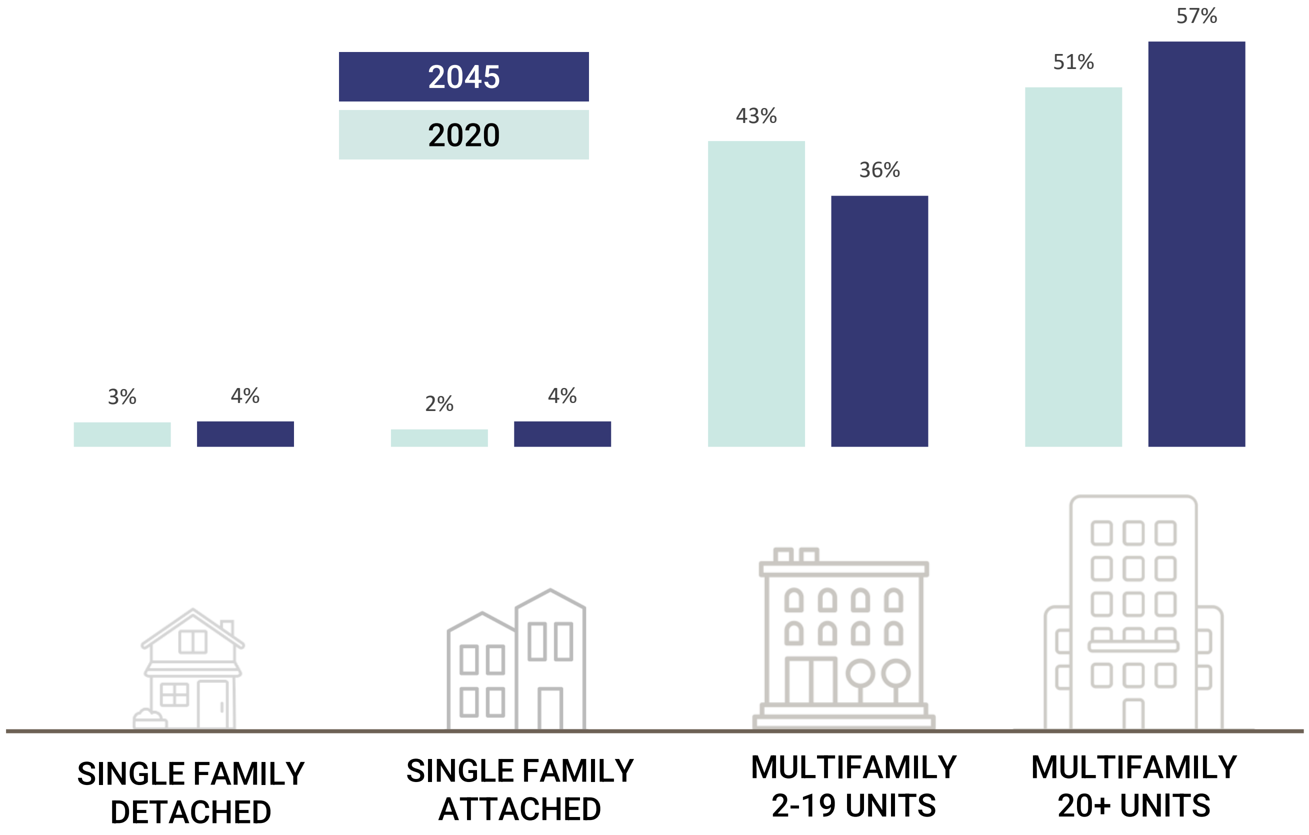
Source: U.S. Census Bureau, SB Friedman

Distribution of New Units by Age Cohort - Renter

Most new rental units will continue to be in multifamily buildings, while single-family rental units will increase

Most new renter units in the region will continue to be associated with new multifamily apartment buildings, though a higher share of new renters through 2045 will reside in single-family units relative to the characteristics of new rental units added in recent years. Householders between ages 35 and 54, who often are seeking family-sized units, are most likely to reside in single-family rentals.

Share of Rental Units in Region by Housing Type, 2020-2045



Source: U.S. Census Bureau, SB Friedman

Regional Demand Forecast (2020-2045)

Projected demand for new residential development in the region is nearly 150,000 housing units

To meet housing demand, the region needs to add nearly 150,000 housing units from 2020 to 2045. This includes approximately 85,000 new single-family units (both detached and attached), and 63,000 multifamily units. Each housing type incorporates both owner-occupied and rental units.

SINGLE FAMILY DETACHED	SINGLE FAMILY ATTACHED	MULTIFAMILY 2-19 UNITS	MULTIFAMILY 20+ UNITS
+74,100	+9,900	+26,400	+36,200
UNITS	UNITS	UNITS	UNITS

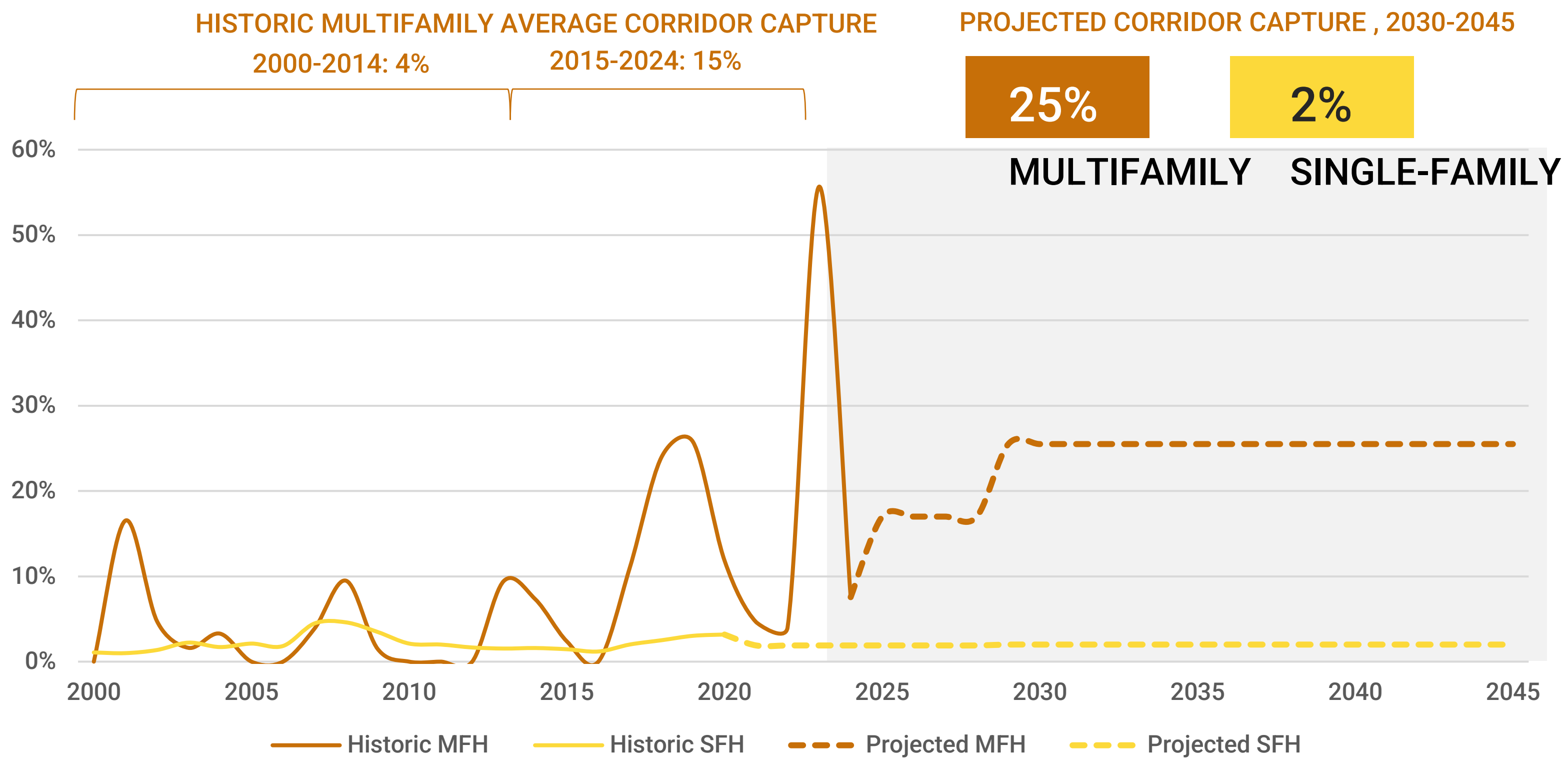
Source: U.S. Census Bureau, SB Friedman

Historic & Projected Corridor Capture

The Corridor is projected to capture 20-25% of all multifamily regional development, 2% of single-family

SB Friedman forecasts demand for housing within the LCRT Corridor based on adjusted historic capture rates by product type. The Corridor has captured an increasing share of regional multifamily production over the past decade. From 2000-2014, the Corridor only captured 4% of all multifamily development. From 2015 through 2024, the Corridor capture rate for multifamily development increased to 15%. Capture of regional development is only anticipated to further increase following development of the LCRT. Research SB Friedman conducted indicates there is a multiplier effect on the market driven by investments in transit. Given the multiplier and historic capture rates, SB Friedman assumes the Corridor will capture 25% of all multifamily development in the region following BRT implementation.

The Corridor has historically captured 2% of all single-family development within the region. SB Friedman assumes the Corridor will continue to capture 2% of single-family development, which is less driven by transit investment compared to multifamily development.



Source: Charleston County Assessor, Costar, Census Bureau, SB Friedman

Corridor Demand Forecast (2020-2045)

Based on projected capture rates, the Corridor has demand for an additional 16,700 housing units by 2045

Most of the housing development forecasted for the Corridor is multifamily – nearly 15,000 units – including a mix of smaller- and larger-scale buildings. There is limited potential, around 1,900 units, for single-family detached and attached housing due to the limited land availability in the Corridor. Infill development of townhomes or small-lot single-family may make sense in some station areas, but most development should be higher density typologies.

SINGLE FAMILY DETACHED	SINGLE FAMILY ATTACHED	MULTIFAMILY 2-19 UNITS	MULTIFAMILY 20+ UNITS
+1,400	+460	+6,200	+8,600
UNITS	UNITS	UNITS	UNITS

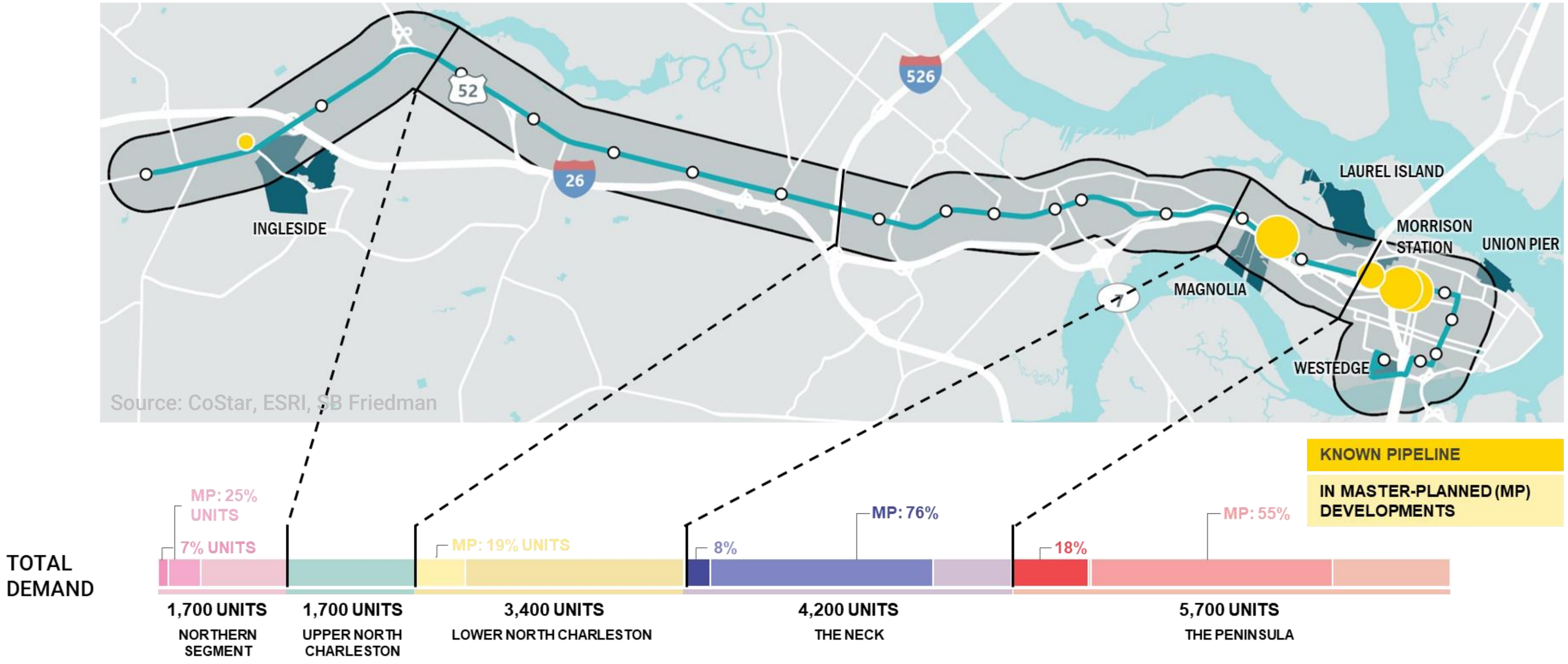
Source: SB Friedman

Residential - Allocation by Corridor Subarea

Most new residential development is projected to occur in Charleston

SB Friedman allocated the Corridor residential demand forecast into the five subareas. The demand allocation accounts for all known development in the pipeline – including individual buildings and master-planned communities. The Peninsula and the Neck have thousands of units already accounted for within planned developments in Union Pier, WestEdge, Laurel Island, Magnolia and Morrison Station.

Remaining demand – or demand not already known to the market – was allocated across the subareas based on recent capture rates by subarea and opportunity site availability. The greatest share of units are allocated to the Peninsula, however all Corridor market segments are anticipated to grow by over 1,500 multifamily units by 2045.

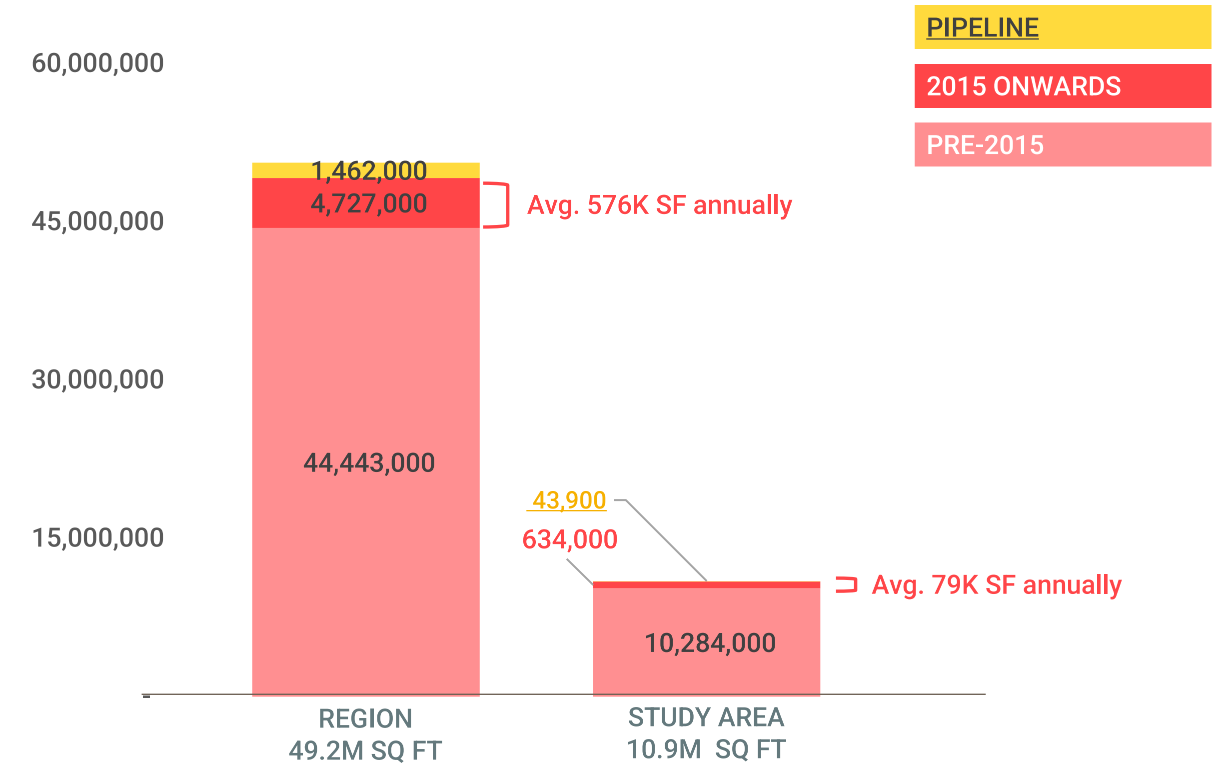


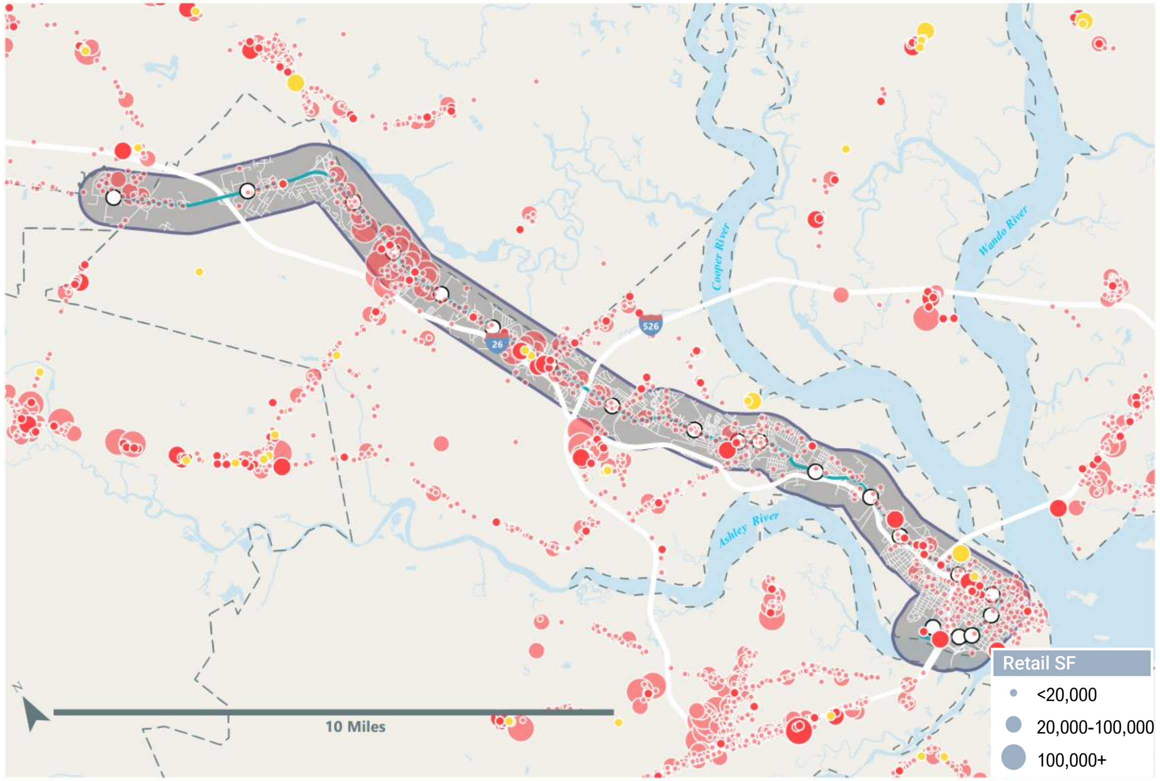
Retail

Corridor Capture of Regional Retail Development

Most recently developed retail is adjacent to new residential development outside of the Corridor

The region has experienced limited growth in retail since 2015, adding 4.7M SF from 2015 to 2023, or 576K SF annually. The LCRT Corridor has captured approximately 13% of the regional development – 79K SF on average annually from 2015 to 2023. For both the LCRT Corridor and the region, there is relatively limited retail in the pipeline.





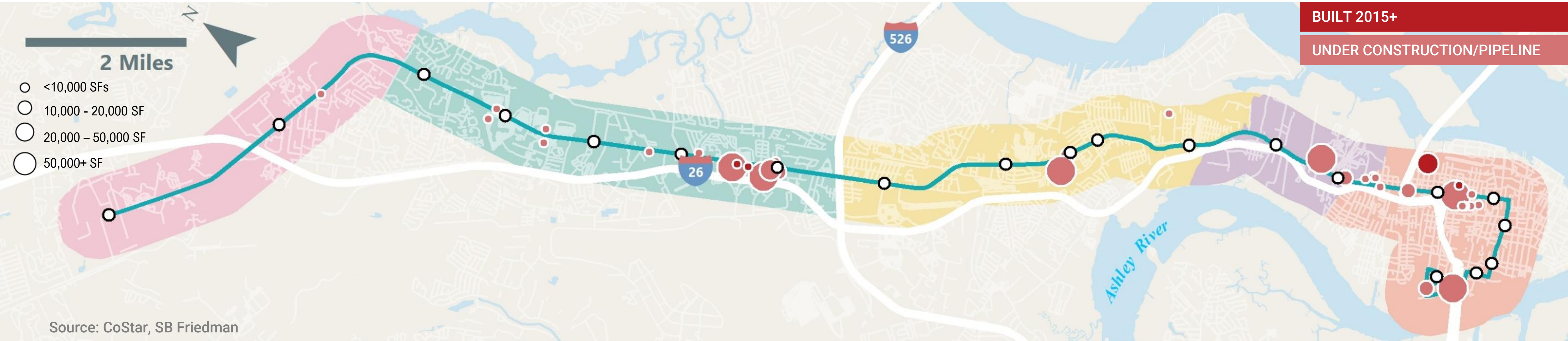
Source: CoStar, ESRI, SB Friedman

LCRT BCDCOG

Retail Development by Subarea

Recent retail development has occurred around existing regional retail clusters

Since 2015, more than 600,000 SF of new retail has been developed. Approximately two-thirds of new retail has been built in the Peninsula and Upper North Charleston. Pipeline retail development represents less than 10% of the recently delivered retail and is currently only anticipated in the Peninsula and Upper North Charleston subareas.



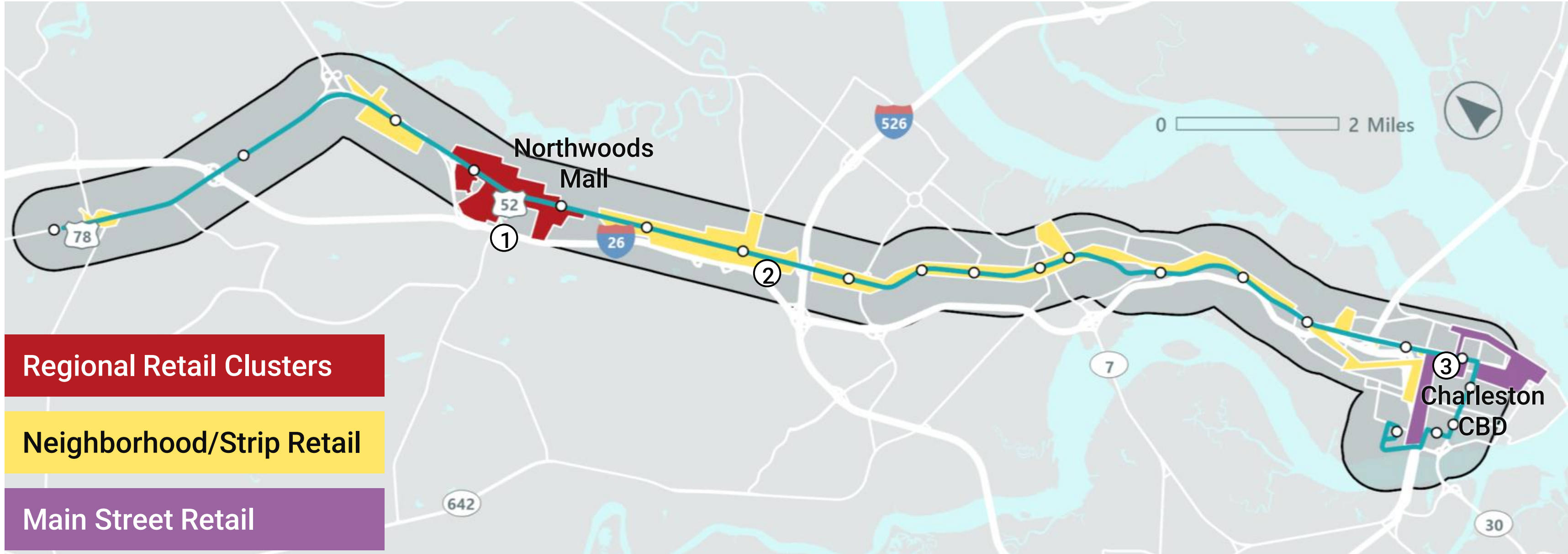
	NORTHERN SEGMENT	UPPER NORTH CHARLESTON	LOWER NORTH CHARLESTON	THE NECK	THE PENINSULA	TOTAL
SF BUILT SINCE 2015	2,000	243,300	88,300	70,600	229,800	**634,000**
PIPELINE SF*	0	13,200	0	0	30,700	**43,900**

*Includes units associated with under-construction projects and projects in final planning

Corridor Retail Clusters

Existing retail clusters serve a variety of needs; have different market reaches

Existing retail within the Corridor represents various typologies and serves different consumer needs. Main Street retail is often conducive to mixed-use environments, representative of more walkable shopping districts. Neighborhood and strip retail are typically in auto-oriented locations. Regional retail, often large malls, consolidate big box and other department stores that draw a broader market.



Source: CoStar, ESRI, LoopNet, SB Friedman

Recent Retail Developments

Residential development patterns influence the typology of recent retail developments

Retail developments constructed since 2015 represent include freestanding retail, strip retail, and mixed-use development typologies. The location of recent development impacts the retail typology, as residential developments that include structured parking can also accommodate ground-floor retail. In other Corridor subareas where residential developments have surface parking and development patterns are more auto-oriented, the recently delivered retail conforms to surface-parked strip or freestanding retail typologies.

8945 University Blvd
1,960 SF | Freestanding Retail

2135 Ashley Phosphate Rd
9,500 SF | Strip Retail

6029 Rivers Ave
70,000 SF | Freestanding Big Box

3600 Meeting St
65,000 SF | Freestanding Big Box

1310 Meeting St
12,700 SF | Mixed-use Retail

838 Morrison Dr
27,200 SF | Mixed-use Retail

Source: CoStar, ESRI, SB Friedman

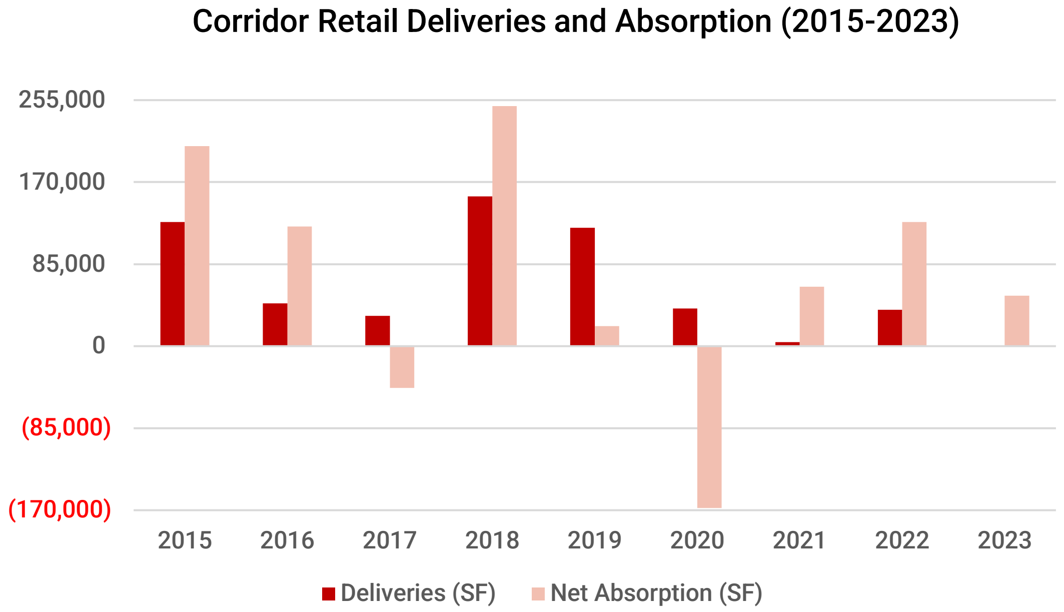
LCRT BCDCOG

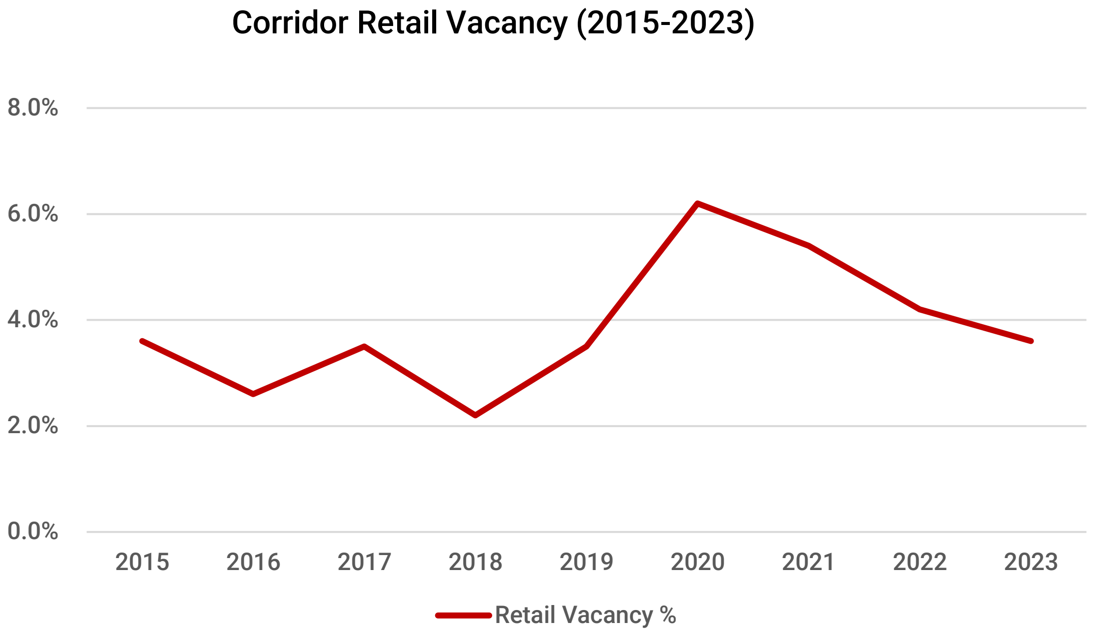
Retail Absorption in the Corridor

Retail deliveries and absorption have slowed down; but overall vacancy has decreased since 2020

Retail development within the Corridor has slowed since the pandemic – only 41,000 new SF has been built and there have been no deliveries in 2023. The average annual retail SF delivered post-pandemic (13,900) is less than 20% of the average annual retail SF delivered in the five years prior to 2020.

Negative absorption in 2020 reflects the dramatic spike in vacancy seen in the same year. The relative lack of deliveries since then has allowed for existing product to be absorbed and the overall vacancy in the Corridor has decreased from 6.2% in 2020 to 3.6% in 2023, equal to the vacancy rate in 2015.





Source: CoStar, SB Friedman

Retail – Demand Forecast

Corridor population growth and spending patterns inform projected retail demand

Demand for new retail in the Corridor will primarily be driven by Corridor population growth and the capture of non-Corridor resident retail spending. Generally, as the Corridor population increases and the LCRT system improves access to existing retail clusters, demand will also grow. However, the demand driven by additional households will in part be offset by shifting retail patterns over the past decade – the share of retail spending that occurs online growing substantially, reducing the need for certain types of brick-and-mortar retail. The SB Friedman demand forecast accounts for the growing Corridor and regional population alongside broader market trends.

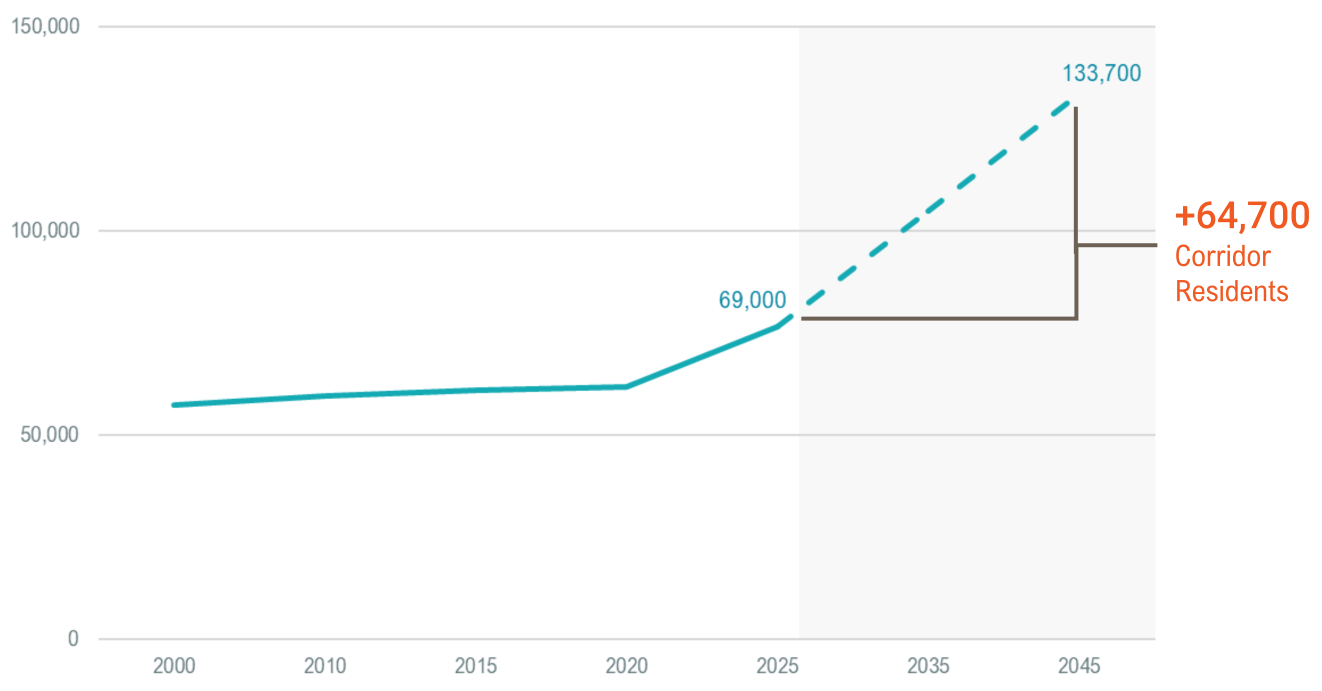
Projected Corridor Population Growth → **Future Spending Patterns** → **Retail SF Demand**

Corridor Population Growth

The Corridor residential population is projected to nearly double by 2045

It is assumed that individuals living within the Corridor will primarily satisfy their retail needs at stores within the Corridor. Corridor retail demand is therefore driven largely by population growth. SB Friedman forecasts based on the regional BCDCOG population projections estimate that the Corridor population will double by 2045. The addition of approximately 64,700 residents would substantially increase the spending power within the Corridor and contribute to an increased demand for retail.

LCRT Corridor Projected Population Growth



Source: BCDCOG, U.S. Census Bureau, SB Friedman

Retail Spending Per Capita

Most retail spending still occurs in brick-and-mortar stores; higher growth in e-commerce spending

Existing Corridor residents are estimated to drive demand for $1.14B in retail sales, equivalent to around $16k per capita. Retail purchases are not entirely attributable to brick-and-mortar retail stores; there is an increasing percentage of sales that occur online.

The largest share of retail spending per capita is for daily-needs retail: spending within grocery stores, general merchandise stores and food services/drinking places. Daily-needs retail is well suited for the Corridor and is especially suitable for walkable TOD station areas.

The US Census Bureau Annual Retail Trade Survey reports retail spending per capita in two categories: brick-and-mortar retail and online spending. The data shows retail spending online or via omni-channel alternatives has increased from 4% in 2010 to 13% in 2021.

2023 Corridor Per Capita Spending

Retail Category	Brick-and-Mortar[1]	E-Commerce[1]
Grocery Stores	$3,050	$450
General Merchandise Stores	$2,375	$350
Food Services & Drinking Places	$2,325	$350
Motor Vehicles and Parts Dealers	$1,550	$225
Gasoline Stations	$1000	-
Clothing and clothing accessories stores	$700	$100
Building materials and garden equipment and supplies stores	$650	$100
Furniture and home furnishings stores	$525	$75
Miscellaneous store retailers	$300	$50
Sporting goods, hobby, book, and music stores	$250	$25
Health and personal care stores	$200	$25
Electronics and appliance stores	$100	$25
Non-store retailers	-	$225
Total Spending	$13,025	$2,000

[1] Values rounded to nearest $25
Source: ESRI Business Analyst, U.S. Census Bureau, SB Friedman

Projecting Future Retail Spending Patterns

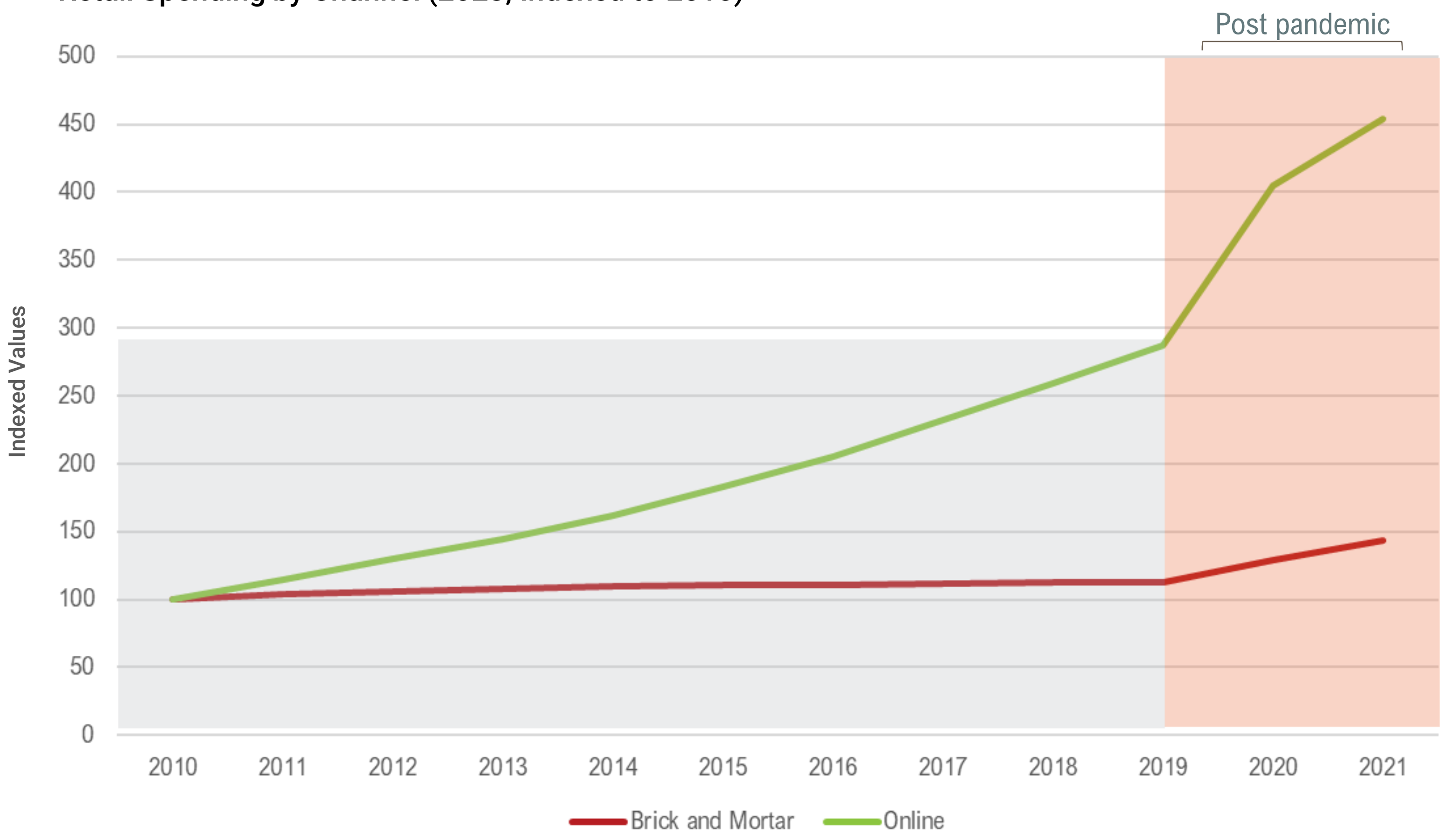
Recent growth in online spending has outpaced spending in brick & mortar stores

The share of total retail spending that occurs online has been consistently growing over the past decade. Even before the pandemic, e-commerce spending increased at a greater rate than spending in traditional brick-and-mortar settings. Between 2010 and 2019, online retail spending grew at a CAGR of 12.4% while brick-and-mortar spending increased by 1.4% annually.

Since 2019, online spending has grown at more than double the rate of brick-and-mortar spending. E-commerce grew by 25% during the pandemic and higher levels of online spending are anticipated to continue, resulting in a shift in spending that has reduced demand for brick-and-mortar retail.

Source: U.S. Census Bureau, SB Friedman

Retail Spending by Channel (2023, Indexed to 2010)



LCRT BCDCOG

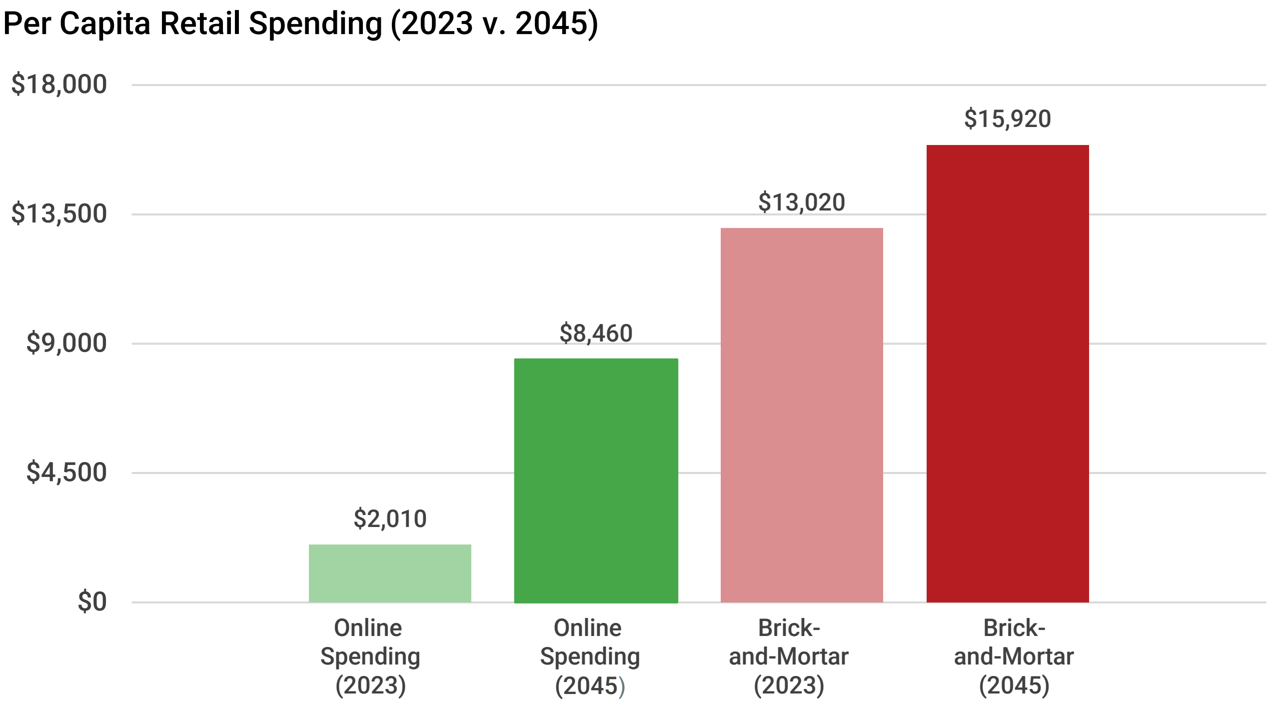
Projected Retail Spending Per Capita

Online sales will continue growing, but are not assumed to exceed 35% of per capita retail spending

Historic growth rates in retail spending were used to project future spending behavior. Based on the rapid growth of e-commerce during the past decade, the CAGR of e-commerce by retail category between 2010 and 2019 was used to grow online spending annually through 2045. However, overall e-commerce spending was limited to 35% of total retail spending.

Similarly, brick-and-mortar spending in 2045 was projected based on the CAGR of brick-and-mortar spending between 2010 and 2019. Due to the decrease in brick-and-mortar demand in several sectors, the projected share of per capita brick-and-mortar spending in 2045 is significantly lower than current levels.

Total per-capita spending was projected to be $24,380, 65% being spent in brick-and-mortar settings ($15,920) and roughly 35% was spent online ($8,460).

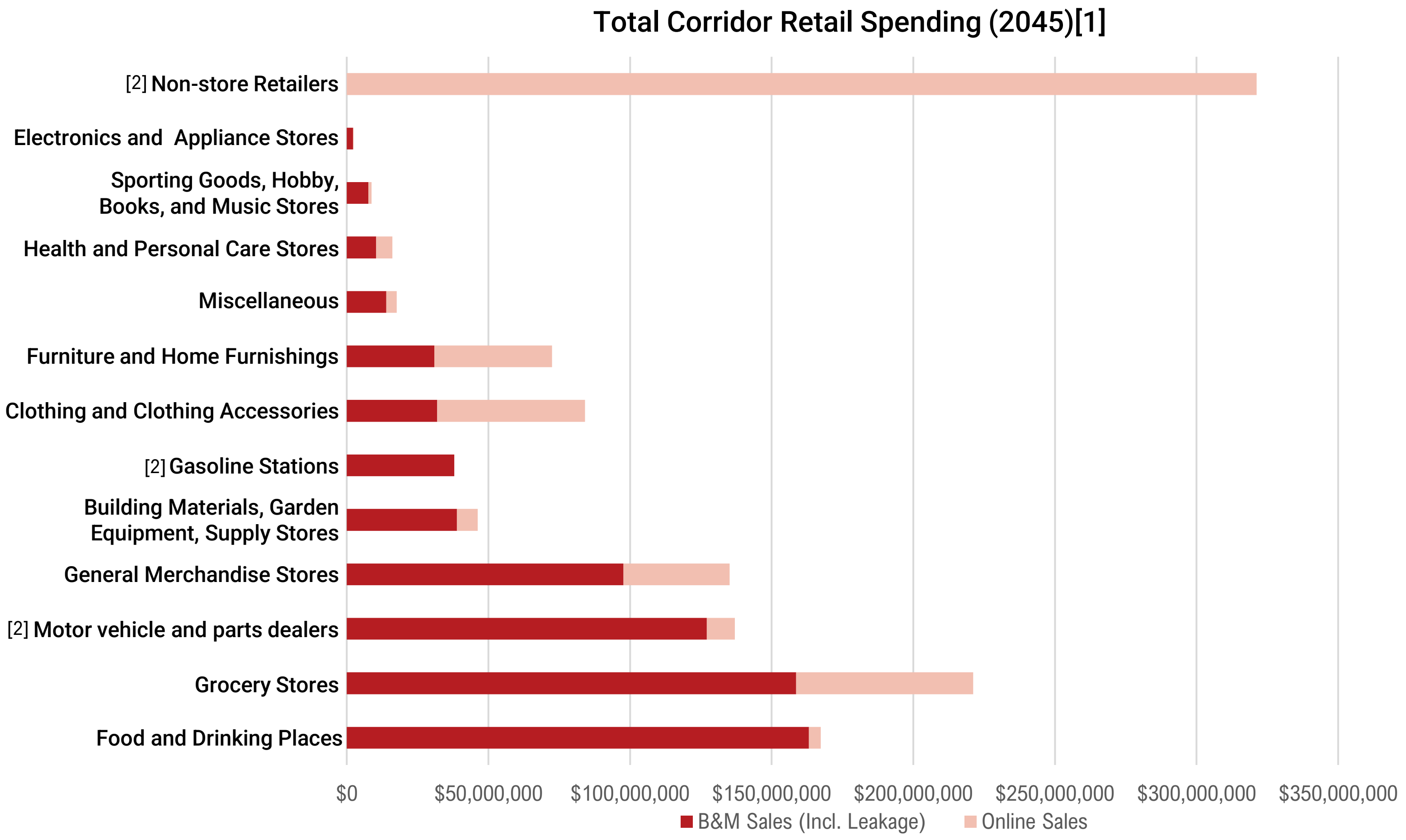


Source: ESRI, U.S. Census Bureau, SB Friedman

Projected Total Corridor Retail Spending

Total Corridor retail spending is projected to double by 2045

Annual retail spending of Corridor residents was projected to increase by $1.27B by 2045, after accounting for retail leakage (retail spending by Corridor residents outside of the Corridor). The spending associated with brick-and-mortar retail is $720.6M. Most of the brick-and-mortar retail spending is projected to occur within retail categories less impacted by e-commerce, including Food and Drinking Places, Grocery Stores, Motor Vehicle and Parts Dealers, and General Merchandise retail sectors.



[1] Projections assume 30% of retail leakage Corridor-wide.
[2] Certain retail types do not contribute to brick-and-mortar demand or are not otherwise compatible with TOD and are excluded from the projection of future retail demand
Source: U.S. Census Bureau, SB Friedman

LCRT BCDCOG

Converting Retail Spending to Real Estate Demand

Typical sales volume by retail type translates retail spending into physical space requirements

To convert retail spending into demand for retail real estate, SB Friedman estimated sales per square foot for each retail category. Sales per square foot varies by use. Retailers like groceries and health and personal care stores are highly efficient and report over $1,000 per square foot of retail space in annual sales, per SEC 10-K filings. Other retailers, such as clothing or electronic stores report lower sales per square foot performance.

Daily Needs Retail Spending (2022)

Retail Category	Daily Needs Retail Spending	Weighted Average Sales/SF
Furniture and home furnishings stores	$30,920,800	$550
Electronics and appliance stores	$2,240,300	$675
Building materials and garden equipment and supplies stores	$38,901,000	$585
Grocery stores	$158,681,600	$1,015
Health and personal care stores	$10,372,100	$2,100
Clothing and clothing accessories stores	$31,966,400	$430
Sporting goods, hobby, book, and music stores	$7,582,300	$370
General merchandise stores	$97,733,800	$495
Miscellaneous store retailers	$13,969,400	$205
Food services & drinking places	$163,172,500	$730

Source: Securities and Exchange Commission 10-K filings (2022), SB Friedman

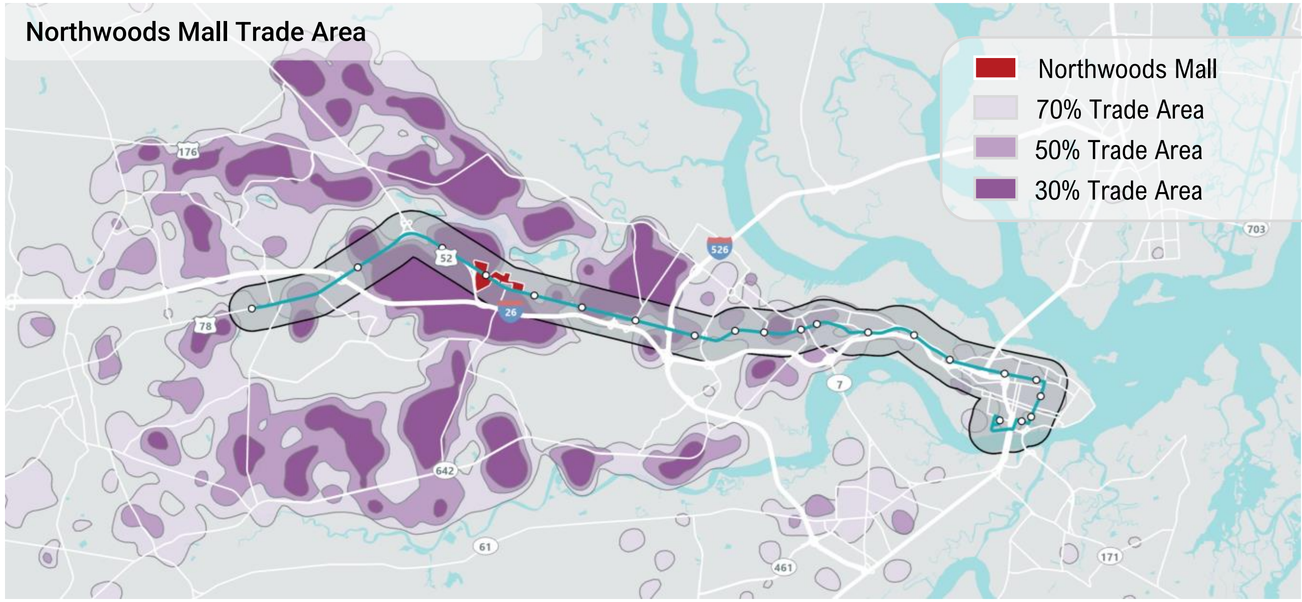
Non-Corridor Retail Demand

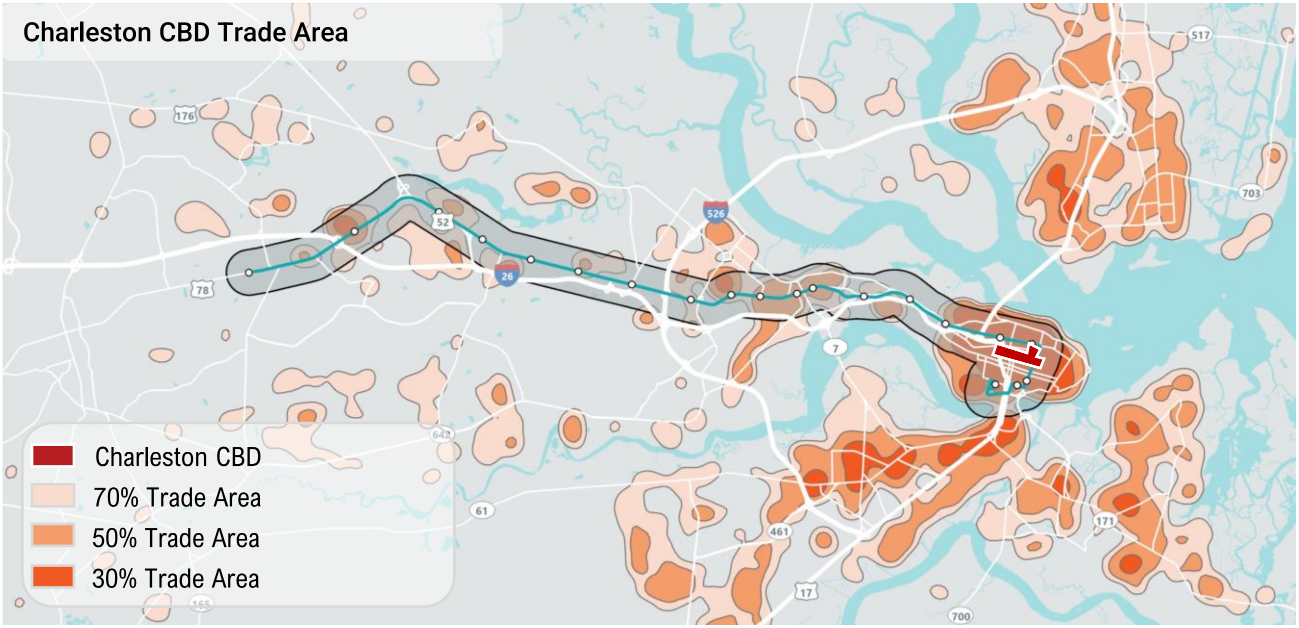
Spending from non-Corridor residents generates additional demand for retail

In addition to the demand for retail from Corridor residents, regional retail clusters within the Corridor have the potential to capture retail spending from individuals living outside the Corridor.

Placer.ai collects consumer travel data to generate trade areas for retail locations. The trade area displays the approximate home location of visitors that account for a certain share of total visits to a location. For example, the 30% trade area represents the location of the visitors that represent 30% of total visits (in other words, the most frequent visitors). As seen in both trade area figures, a significant share of visits (and therefore spending) at Northwoods Mall and within the Charleston Peninsula can be attributed to individuals that do not live in the Corridor.

Northwoods Mall and other regional retail locations (such as retail districts in the Peninsula) can attract visitors and spending to the Corridor, increasing demand for new retail.





Source: ESRI, Placer.ai, SB Friedman

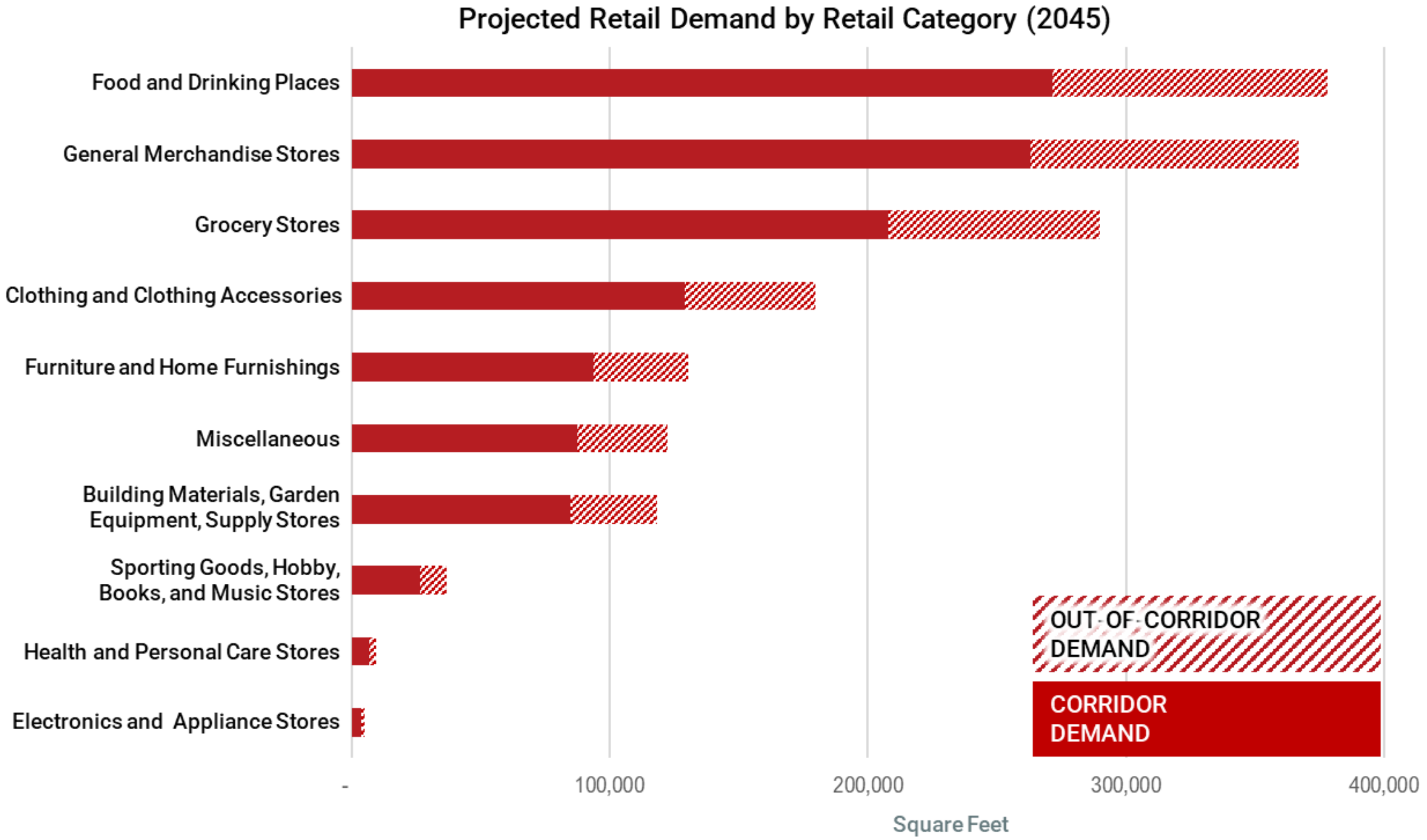
LCRT BCDCOG

Over 1.5M SF of Retail Demand for the LCRT Corridor through 2045

Projected demand for 1.6M SF of additional retail by 2045

Approximately 60% of projected retail demand is attributed to spending by Corridor residents, while the remaining 40% is due to the attraction of consumers living outside of the Corridor.

Several other factors impact the volume of new retail development, including the occupancy of retail space by non-retail tenants, retail space that is built but remains vacant, and the need for additional brick-and-mortar space to satisfy omni-channel retail.



Source: SB Friedman

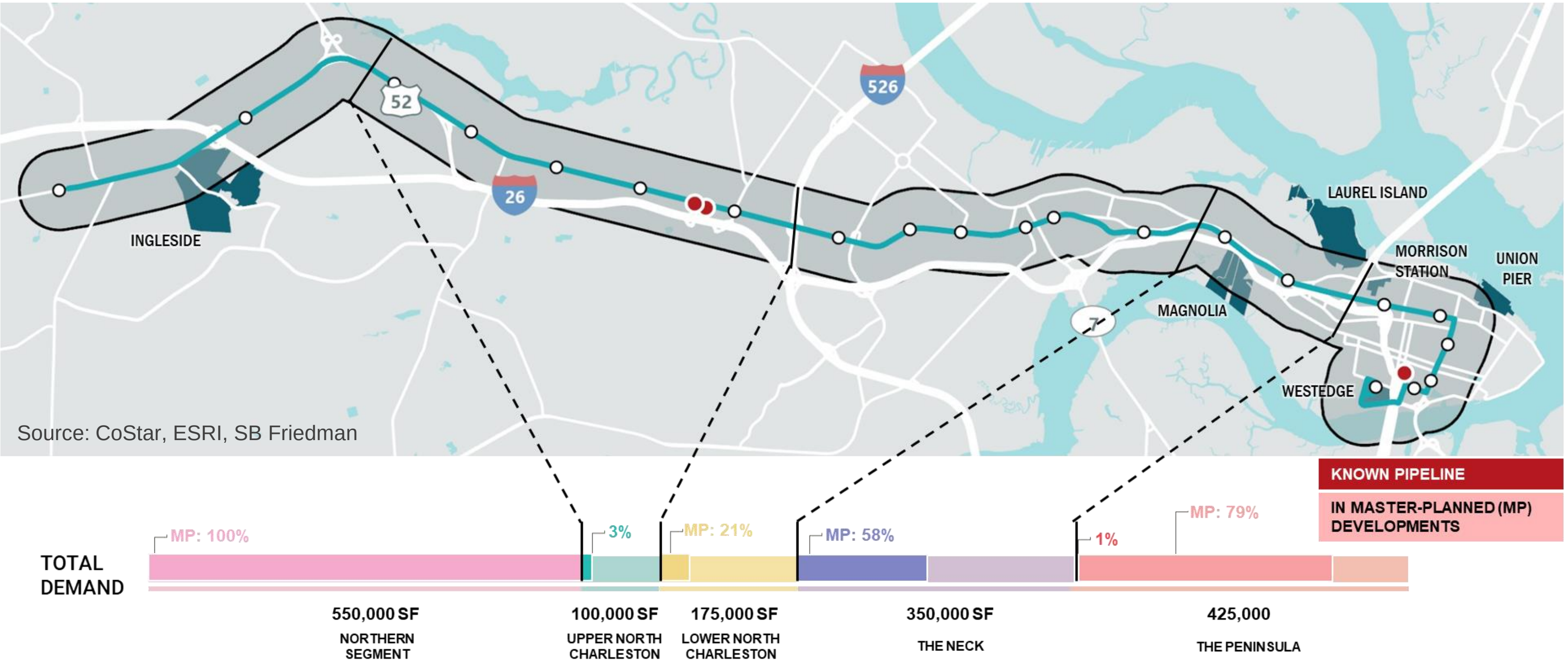
Retail Allocation by Corridor Subarea

Future retail demand is influenced heavily by master-planned projects and existing regional retail clusters

The Peninsula and the Northern Segment are anticipated to have significant amounts of retail developed in them as part of planned developments in Union Pier, WestEdge, Laurel Island, Morrison Station, and Ingleside.

Remaining demand was allocated across the subareas based on recent capture rates by subarea, opportunity site availability, projected residential development, and the intensification of retail around existing regional retail clusters like King Street in the Peninsula and Northwoods Mall in North Charleston.

Further engagement with TOD advocacy partners – such as the Charleston Metro Chamber of Commerce – is an important component to helping small businesses realize the potential for TOD and unlocking Corridor development opportunities.



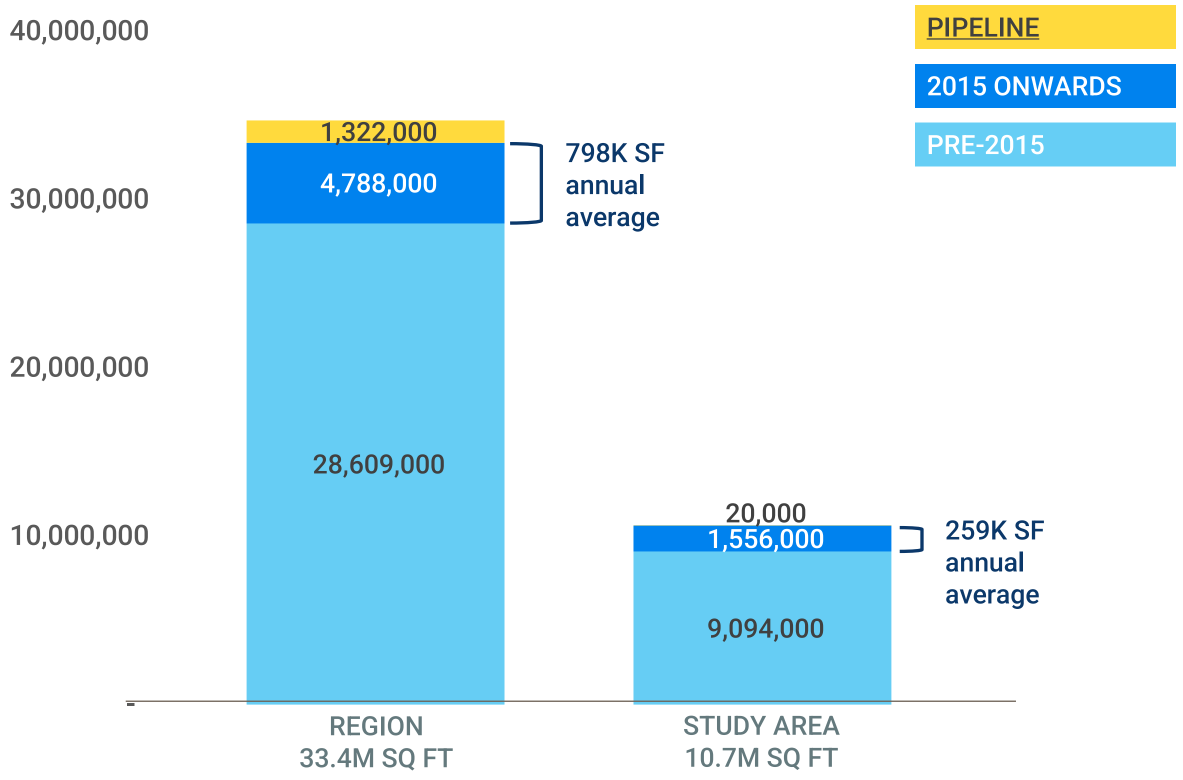
Source: CoStar, ESRI, SB Friedman

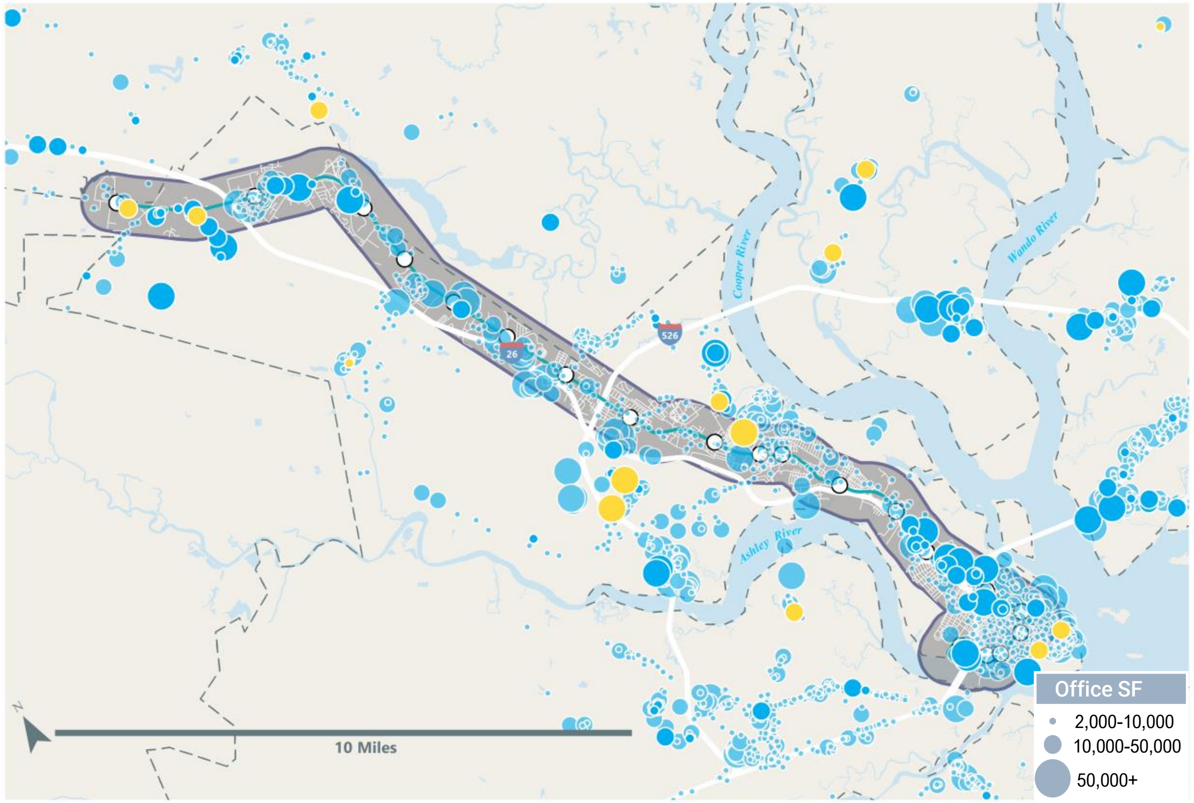

Office
22

Corridor Capture of Regional Office Development

Capture of pipeline office projects is substantially lower than historic capture of regional development

More than 4.7M SF of office has been built in the region since 2015. The Corridor captured nearly 33% of office development during this period. However, only 2% of the office development in the pipeline is currently planned for the Corridor. This drop-off in near-term capture is attributable to an overall limited pipeline following the pandemic.





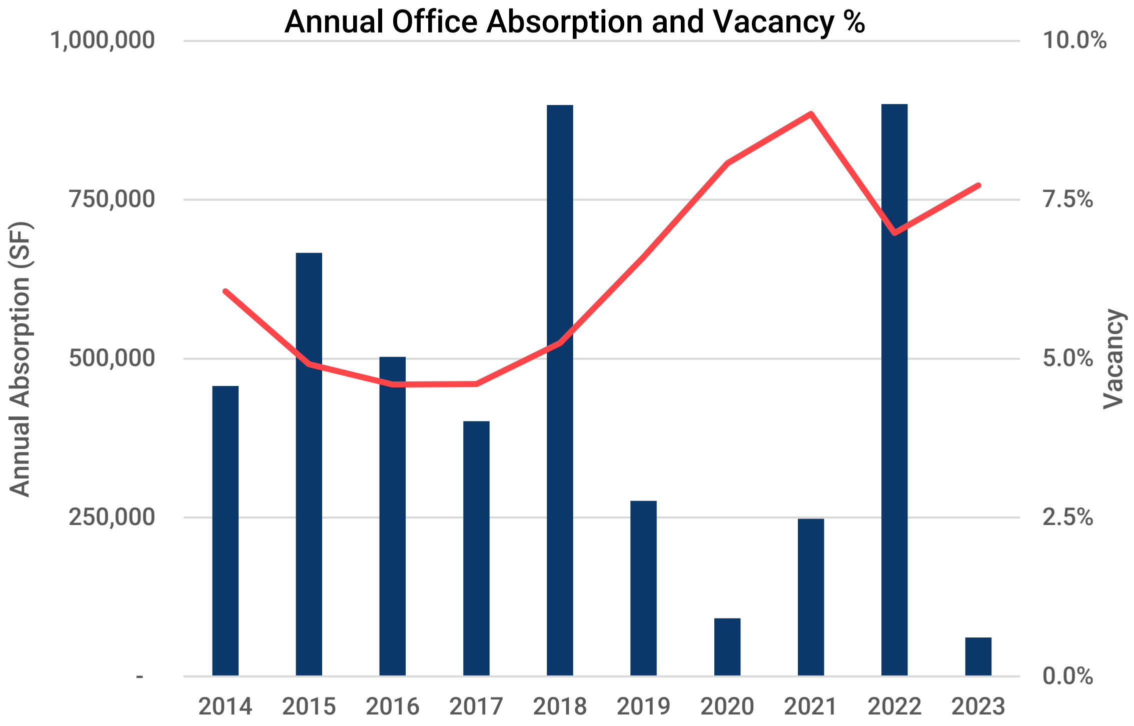
Source: CoStar, ESRI, SB Friedman

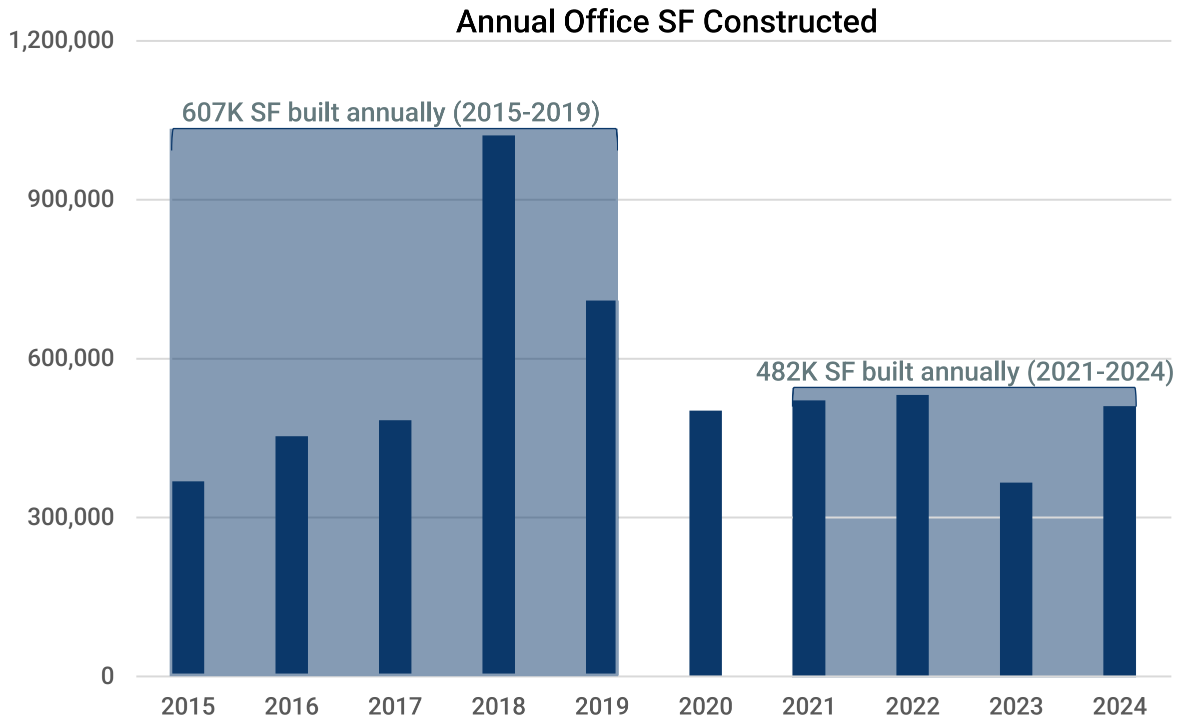
LCRT BCDCOG

Pandemic Impacts on Regional Office Development

Increased vacancy post-pandemic has slowed absorption of office SF and development of new office

The pandemic impact on the office real estate market has been well documented since 2020. In-office occupancy has generally decreased, and the pace of development has slowed as demand for physical office space is in flux. In the BCD region, annual office development has been consistent since 2020, averaging slightly below 500,000 square feet annually. The absorption of office space has decreased significantly over this same period (except for 2022) as vacancy has increased in the office market.



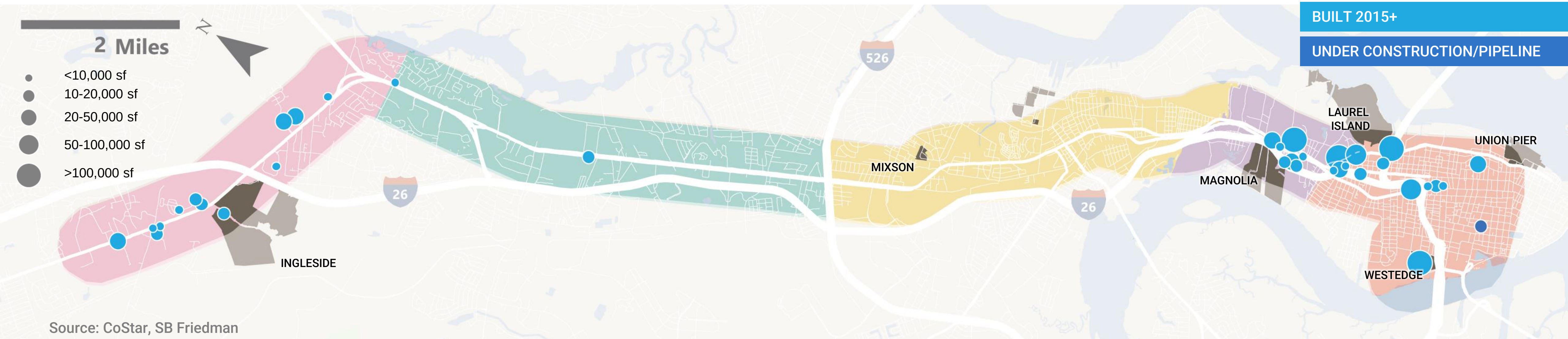


Source: CoStar, SB Friedman

Recent Office Development by Subarea

Office development activity has picked up significantly in the Neck

Since 2015, 1.14M square feet of office has been built in the Corridor. Most development has primarily occurred in the two Charleston market segments and the Northern Segment. Over half of new office space is in the Peninsula, and 30% is in the Neck. The remainder of new office space is primarily in the Northern Segment, except for one 18,000 square foot office project in Upper North Charleston. The Corridor office pipeline is limited to one 20,000 square foot building in the Peninsula.



Source: CoStar, SB Friedman

	NORTHERN SEGMENT	UPPER NORTH CHARLESTON	LOWER NORTH CHARLESTON	THE NECK	THE PENINSULA	TOTAL
RBA BUILT SINCE 2015	207,000	18,000	0	351,000	565,000	1.14M
PIPELINE*	0	0	0	0	20,000	20,000

*Pipeline information reflects CoStar data as of September 2023.

Recent Office Development Typologies

New office development density varies based on subarea

The office developments constructed since 2015 also represent a spectrum of development typologies. The location of projects impacts the rent and density that can be supported. Developments in Charleston command the highest rents – $40 per square foot – compared to the rest of the Corridor and surrounding submarkets in Daniel Island ($33), Mt. Pleasant ($31), and West Ashley ($25). In the Peninsula, most projects are new-construction and built at Floor-to-Area Ratios (FAR) over one. In the Neck, there are multiple new office developments are adaptive reuse projects of former industrial buildings, resulting in lower density office development. Developments further north in the Corridor have rents under $30 per square foot and are generally smaller-footprint new construction buildings with FARs under 0.5.

1

8887 OLD UNIVERSITY
9,000 SF | 0.28 FAR | $24 per SF

3

THE REFINERY
45,000 SF | 0.27 FAR | $36 per SF

5

CHARLESTON TECH CENTER
90,000 SF | 1.1 FAR | $35 per SF

2

7053 RIVERS AVE
12,000 SF | 0.25 FAR | $32 per SF

4

PACIFIC BOX AND CRATE
20,000 SF | 0.25 FAR | $45 per SF

6

MORRISON YARD
123,000 SF | 1.0 FAR | $53 per SF

Source: CoStar, ESRI, SB Friedman

Office Demand Model

Regional office employment projections are the baseline for additional office demand

Corridor office demand is driven by employment growth among office-based sectors. BCDCOG employment projections are the foundation of the SB Friedman office demand model. The SB Friedman model uses the relationship between historic office employment and occupied office space to forecast demand for office real estate in the future. Corridor capture rates are used to identify office demand specific to the LCRT Corridor.

PROJECTED REGIONAL OFFICE EMPLOYMENT

REGIONAL DEMAND FOR OFFICE

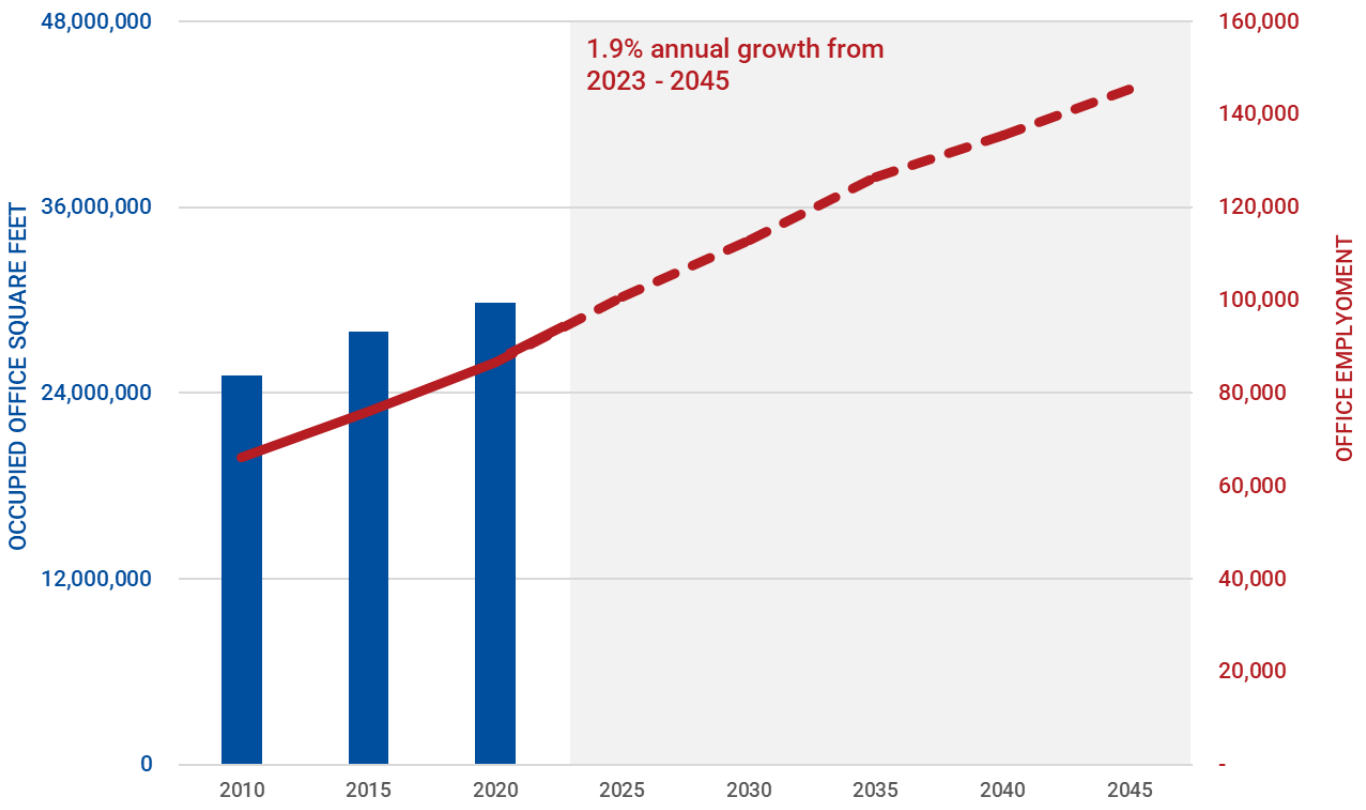
CORRIDOR OFFICE CAPTURE

Regional Office Employment Projections

Regional employment projections anticipate nearly 2% annual growth in office sector employment

Generally, as additional office jobs are created in the region, occupied office space has also increased to accommodate the growing workforce. Office employment includes sectors such as real estate, finance, insurance, professional, scientific and technical services. In 2020, there were approximately 86,600 jobs in office sectors. BCDCOG regional employment projections anticipate office employment sectors will grow by 1.9% annually. Assuming this rate remains constant through 2045 produces an office employment projection of 145,360 jobs.

Projected Regional Office Employment



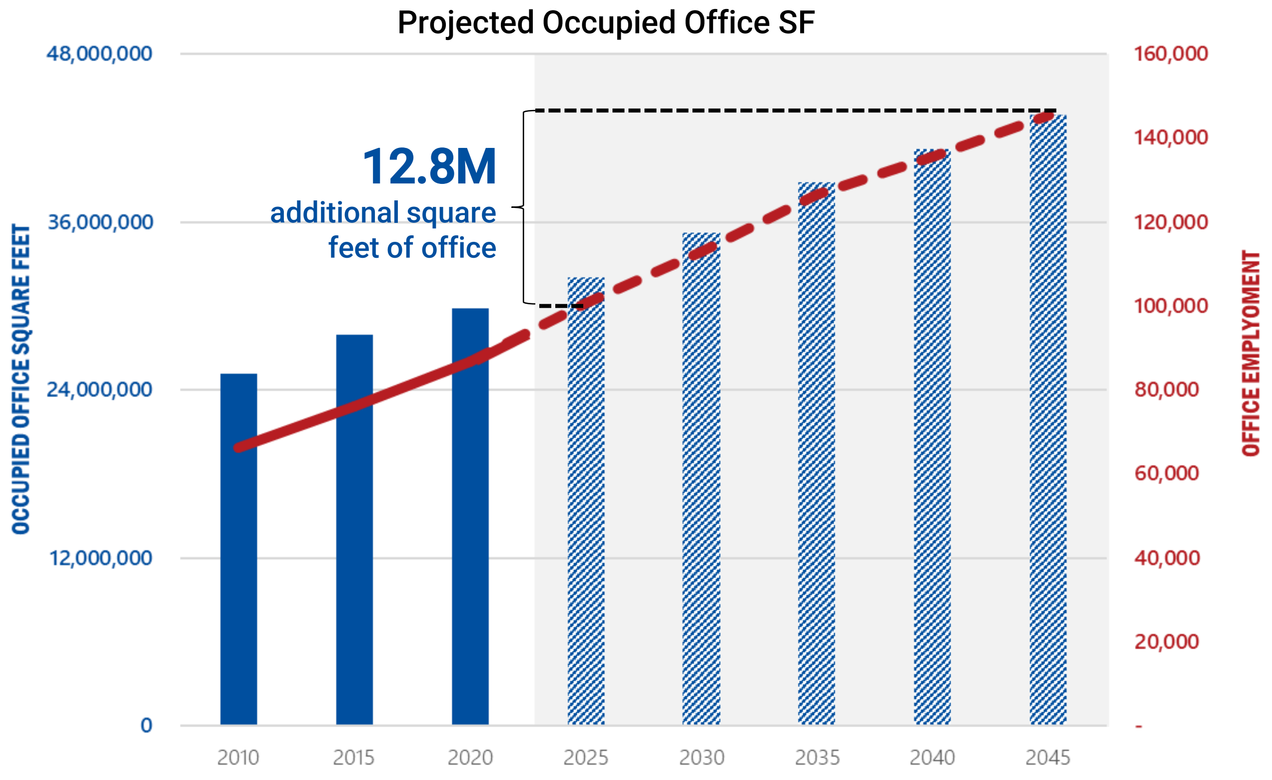
Source: BCDCOG, CoStar, SB Friedman

Regional Occupied Office SF Projection

Regional office real estate is projected to increase by 12.8M square feet

Total occupied office space over the next 20 years was estimated based on the total office employment projection and a standard square feet per employee assumption. Currently, there is about 335 SF of office per office employee in the BCD region. That ratio is projected to decrease over the next 20 years to 300 SF per office employee, resulting in demand for 43.7M total SF of office regionally.

The total regional demand for office space in 2045 is projected to result in the development an additional 12.8M SF of office, or approximately 600,000 SF annually. This projection includes an assumed annual demolition rate of 0.1%, based on historic rates, to account for obsolete office that is no longer competitive in the market. A vacancy factor, based on historic regional vacancy rates, was also applied to the occupied SF projection to account for unoccupied space in new office developments.



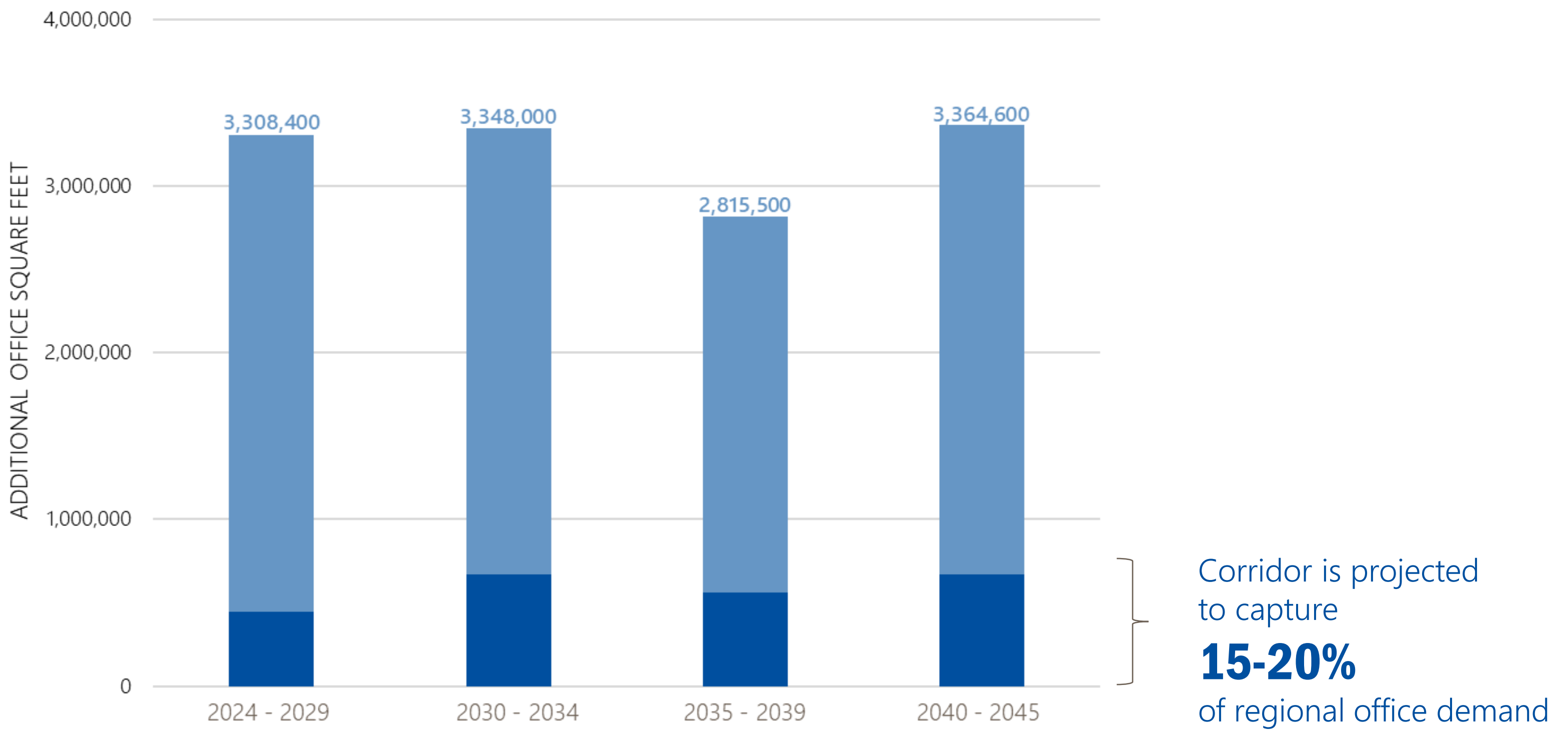
Source: BCDCOG, CoStar, LEHD, SB Friedman

Corridor Capture of Regional Office Demand

The Corridor is estimated to capture 15-20% of regional office development

Of the 12.8M square feet of office developed regionally by 2045, it is assumed that the share of new development occurring in the Corridor will increase as the LCRT system becomes operational. Therefore, the future capture rate of office development in the Corridor increases from 15% in the near term to 20% by 2045.

The projected capture of new office development in the Corridor is estimated to be 2.7M SF through 2045, or approximately 130,000 SF annually.



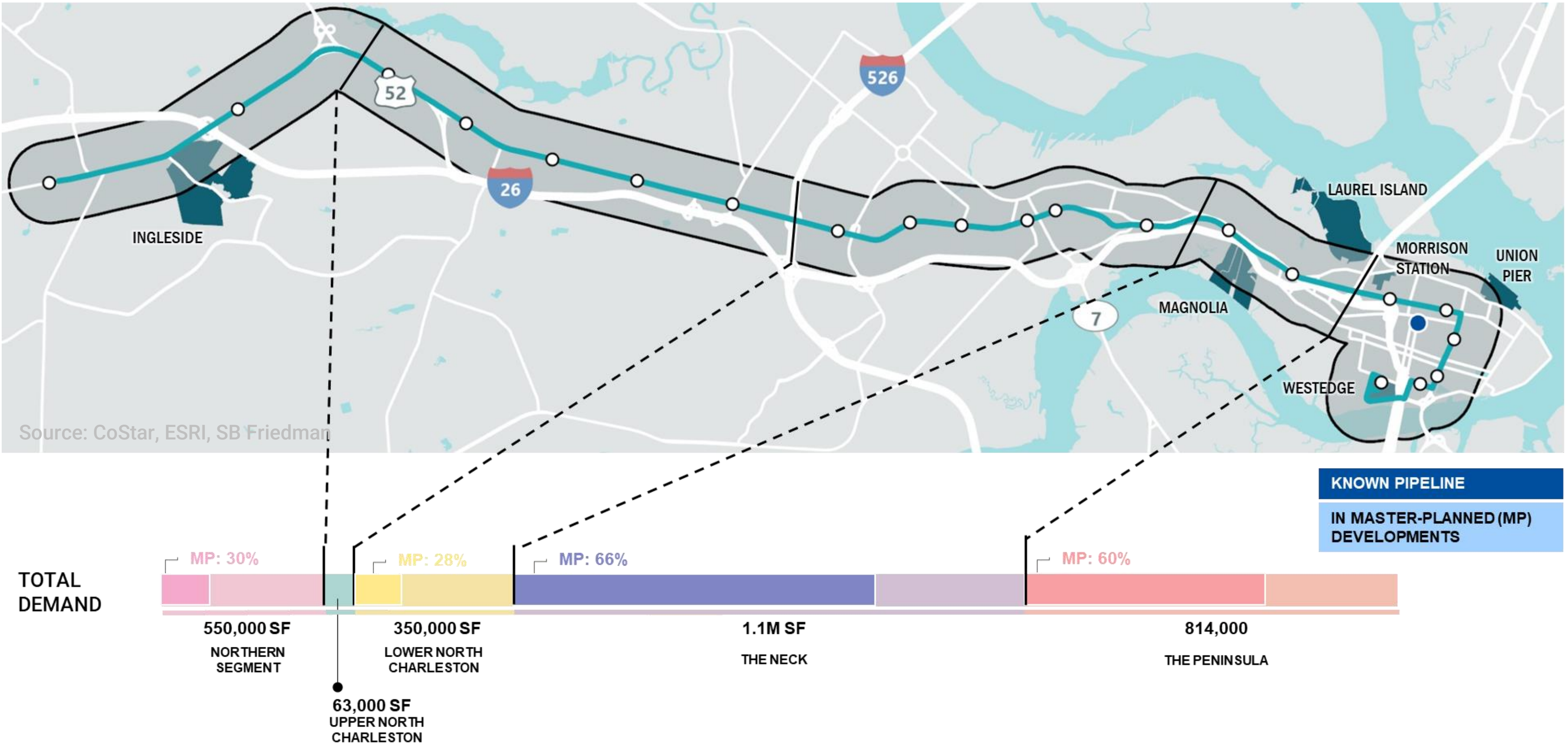
Source: BCDCOG, CoStar, LEHD, SB Friedman

Office Allocation by Corridor Subarea

Office development activity is anticipated to continue spreading into the Neck

Most master-planned developments along the Corridor include a substantial share of office. The planned developments in the Peninsula and Neck – including large office development planned for WestEdge and Magnolia - account for approximately 60% of projected demand in each subarea.

The Neck has emerged as a high-activity development zone as opportunity sites in the Peninsula decrease. This recent shift in development patterns resulted in the allocation of nearly 50% of total projected office demand to the Neck.

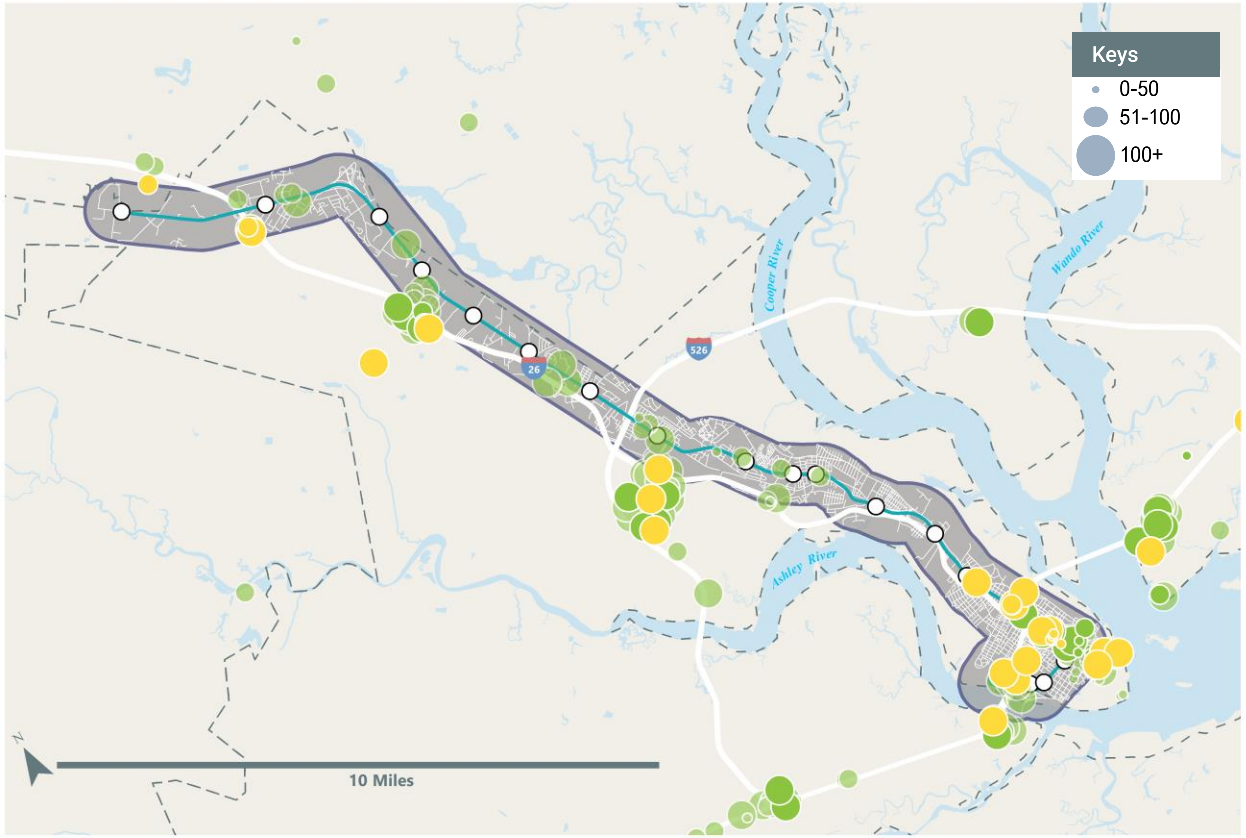


Hospitality

Corridor Capture of Recent Hospitality Development

The Corridor continues to capture a significant share of regional hospitality developments

An additional 5,400 hotel keys have been built in the region since 2015. Approximately 25% of recent development has been captured by the Corridor. More than half of the hospitality developments in the pipeline are expected to be built in the Corridor.

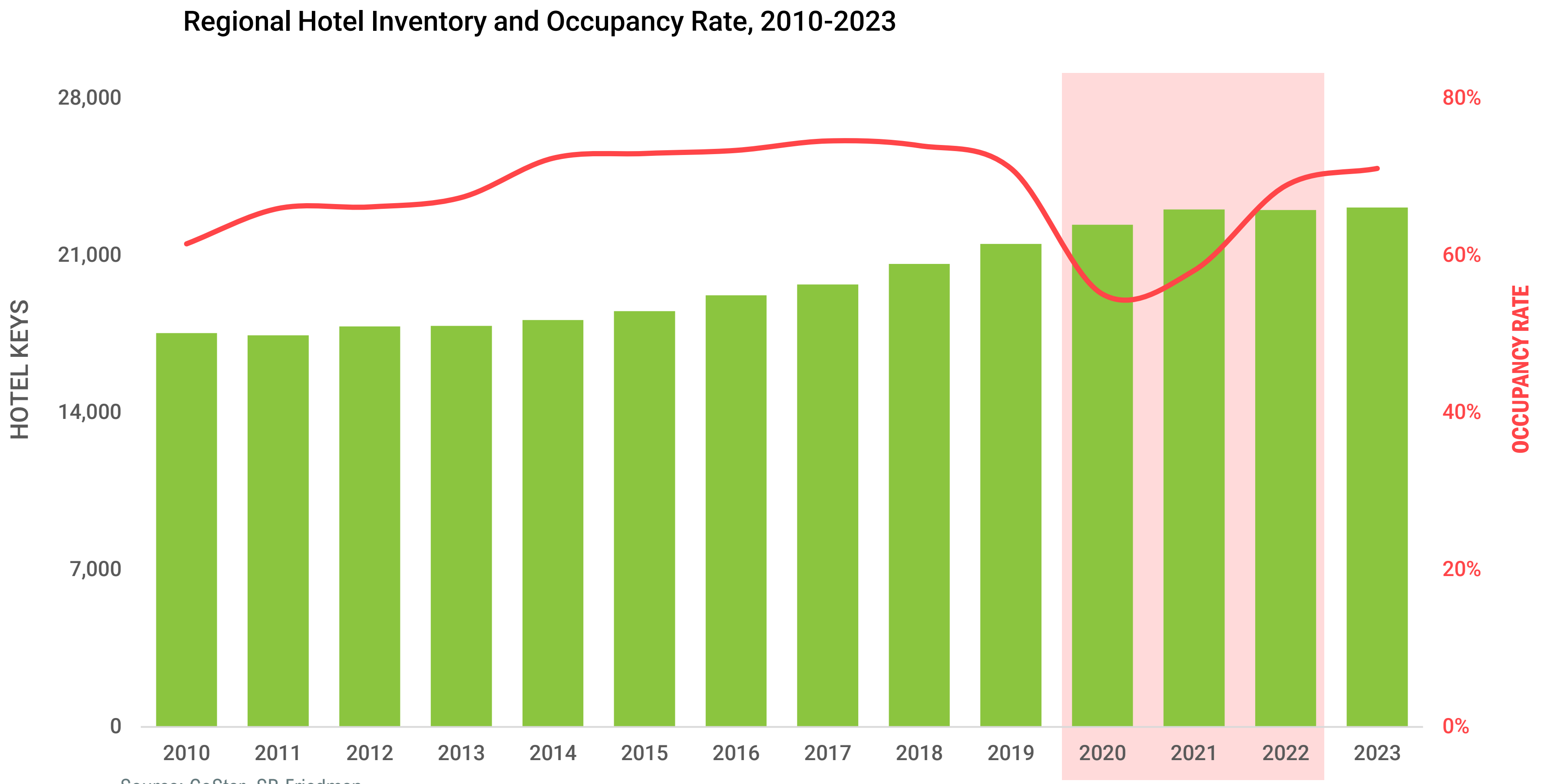


Source: CoStar, ESRI, SB Friedman

Historic Regional Hotel Inventory and Occupancy Rate

Hotel development and occupancy trends in the Region remain strong despite the COVID-19 pandemic

As of January 2024, the region had 23,000 total hotel keys. The region has experienced strong hotel growth, adding 580 hotel keys annually since 2015. The occupancy rate was approximately 72% to 75% leading up to the onset of the COVID-19 pandemic. The pandemic sharply impacted hotel performance nationally, and occupancy rates in the Region dropped to 55% in 2020. Occupancy rates have since rebounded to healthy levels- over 70% in 2023.

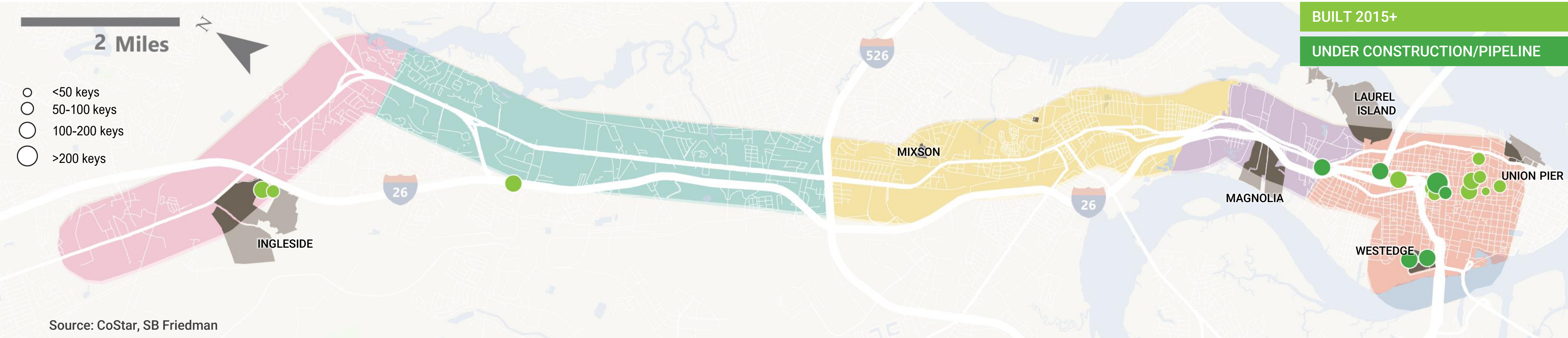


Source: CoStar, SB Friedman

Hospitality Development by Subarea

The region has added 1,500 new hotel rooms since 2015, primarily in the Peninsula

Since 2015, 1,500 hotel rooms have been built in the Corridor, 80% of which were built in the Peninsula. The remaining 20% were built in Upper North Charleston and the Northern Segment. Total hotel keys in the pipeline represent two-thirds of the volume delivered since 2015. 85% of pipeline hotel development in located in the Peninsula and two developments are in the pipeline in the Northern Segment.



Source: CoStar, SB Friedman

	NORTHERN SEGMENT	UPPER NORTH CHARLESTON	LOWER NORTH CHARLESTON	THE NECK	THE PENINSULA	TOTAL
KEYS BUILT SINCE 2015	177	100	0	0	1,191	**1,468**
PIPELINE KEYS*	0	0	0	0	988	**988**

Recent Hotel Development

The Peninsula is attracting the widest range of recent hotel development, including luxury class hotels

Similar to other land uses, hotel development in the Peninsula achieves higher FARs (from one to seven), compared to other subareas. In contrast, FARs of hotels in North Charleston tend to be under one. The Peninsula's strong hotel market, given the proximity to tourism attractions and destinations in the historic city center, also translates to a wider array of hotel product types, as full-service and luxury class hotels have been developed in addition to hotels at midscale and upscale class levels.

In contrast, recently developed hotels in North Charleston, which are more oriented toward convenience to freeways and the airport, are limited-service hotels in the midscale-to-upscale class range.

HOME2 SUITES NORTH CHARLESTON
103 keys | 0.9 FAR | $106 avg. rack rate

HOMEWOOD SUITES NORTH CHARLESTON
100 keys| 0.9 FAR | $147 avg. rack rate

MOXY CHARLESTON DOWNTOWN
131 keys | 5.0 FAR | $233 avg. rack rate

HOTEL BENNETT CHARLESTON
179 keys | 7.0 FAR | $562 avg. rack rate

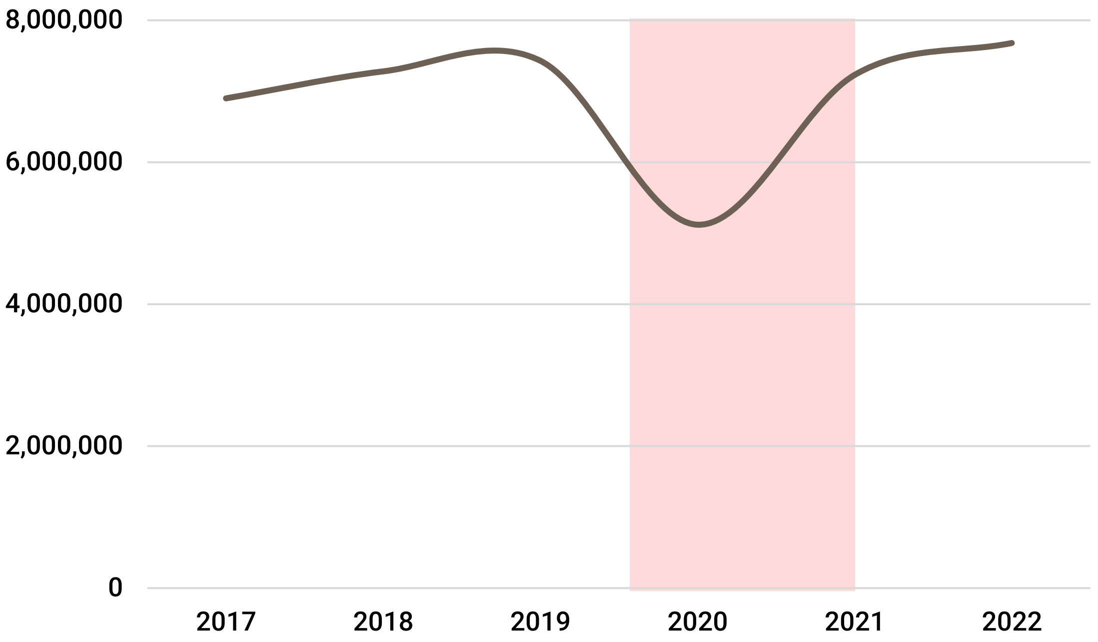
Source: CoStar, ESRI, SB Friedman

Hotel Demand Model

Strong growth in annual visitors drive future hotel demand projections

As visitors to the region grow, more hotel rooms will be needed to accommodate them. Relying on annual visitor trends data through 2022 from the College of Charleston's Office of Tourism Analysis, as reported by HVS, shows steady visitor growth from 2017 to 2022. In this time period, the number of total annual visitors grew from 6.9 million to 7.7 million, which reflects an annual growth rate of 2.2%. This indicates a full visitor recovery from the COVID-19 pandemic.

Annual Visitors to the Region, 2017-2022



Source:, Htrends, PBS, College of Charleston, SB Friedman

Regional Visitors, 2017-2045

The region will likely see 250,000 net new visitors each year

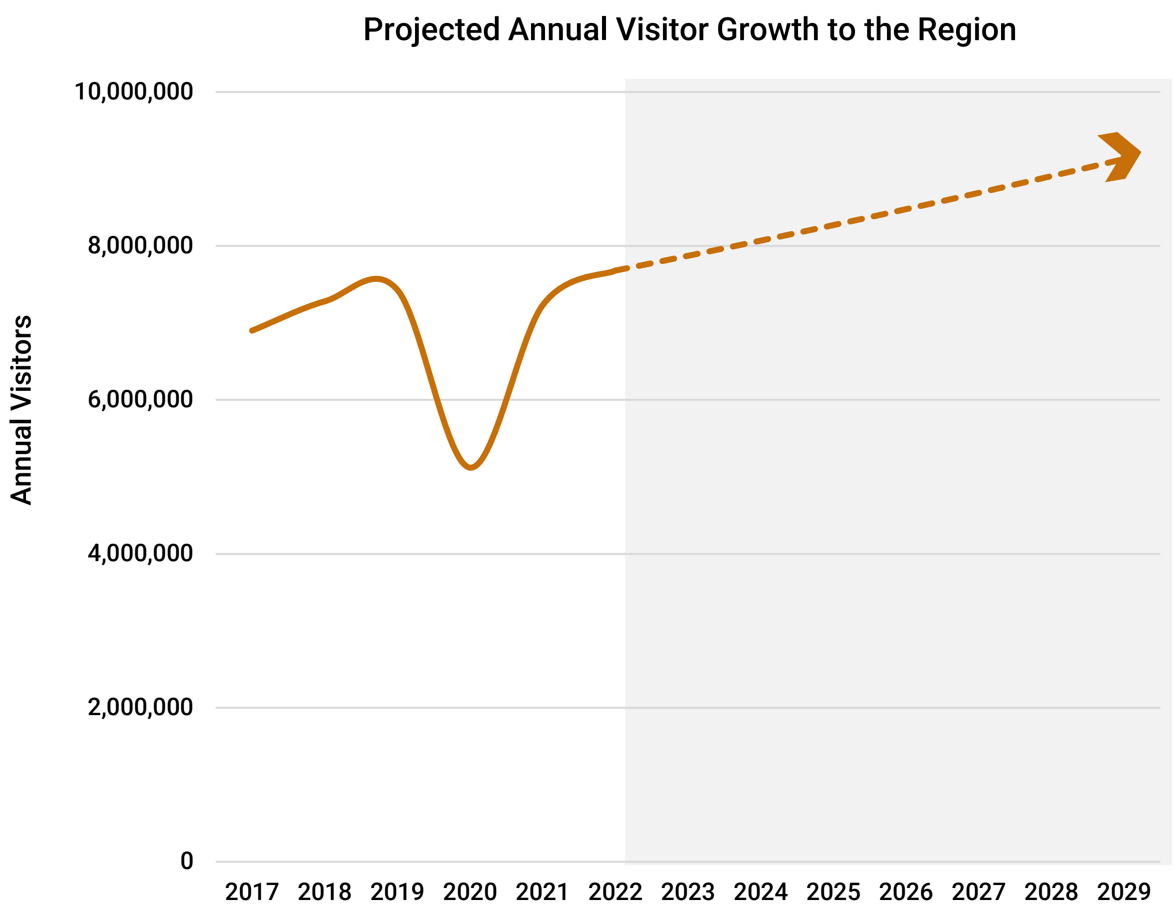
It is expected that regional visitor growth through 2045 could exceed visitor growth from the 2017-2022 period. SB Friedman projected that the region would see annual visitor growth of 2.5% from 2022 to 2045. Charleston has increasingly become a popular national tourist destination (Conde Nast, 2023). Approximately 250,000 net new visitors are expected to visit Charleston each year.

2.2%

CAGR, 2017-2022

2.5%

PROJECTED CAGR, 2022-2045

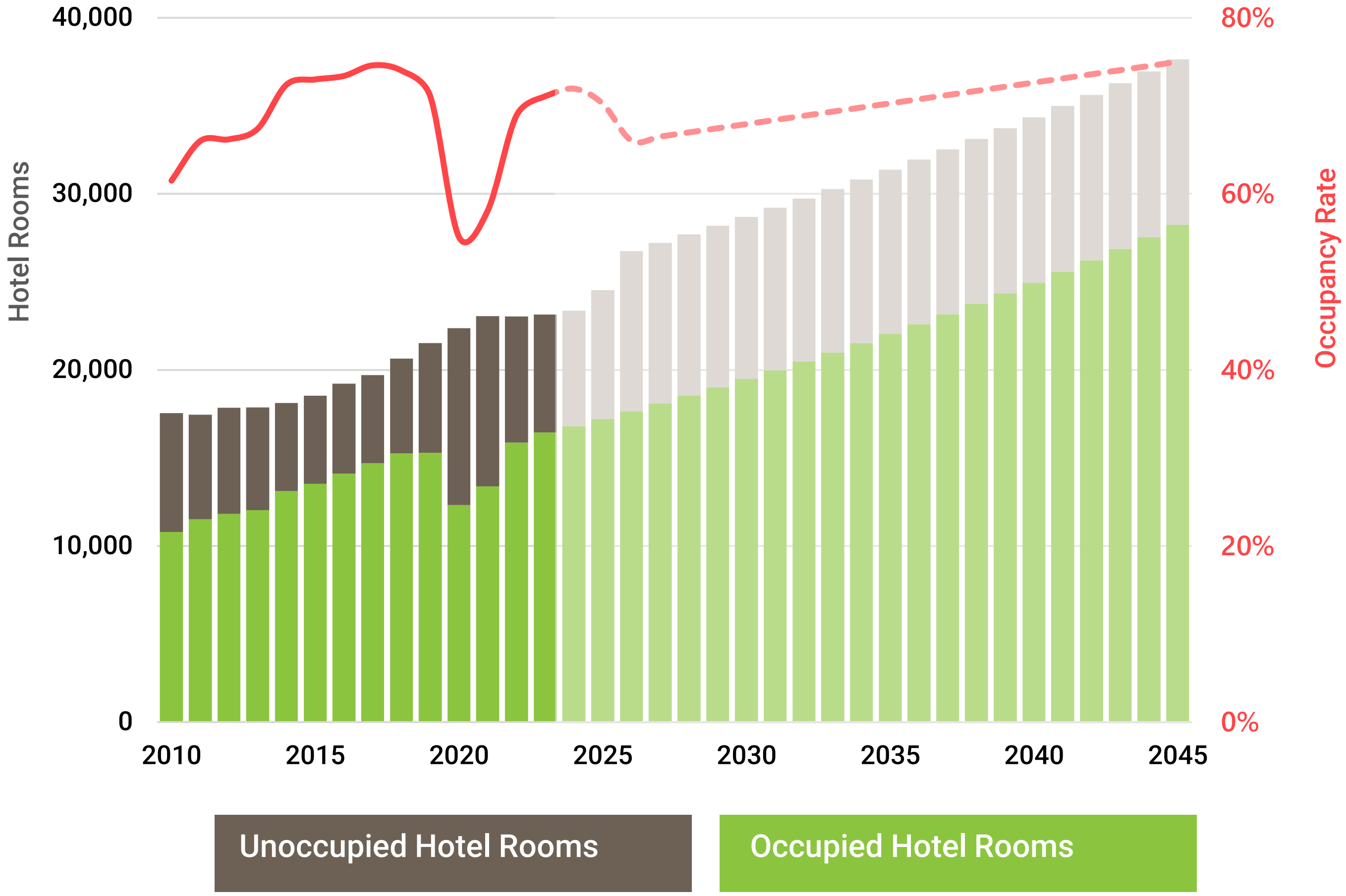


Source:, Htrends, PBS, College of Charleston, SB Friedman

Projected Occupancy Rate and Hotel Room Demand

Projected visitor growth translates to 650 net new hotel rooms in the Region annually

The number of annual visitors in the region directly relates to the number of occupied hotel rooms. Projected visitor growth translates to demand for an additional 560 net occupied hotel rooms each year. After accounting for occupancy rates, the region should aim to add 650 new hotel rooms annually, or 15,000 new hotel rooms by 2045 to meet this demand.



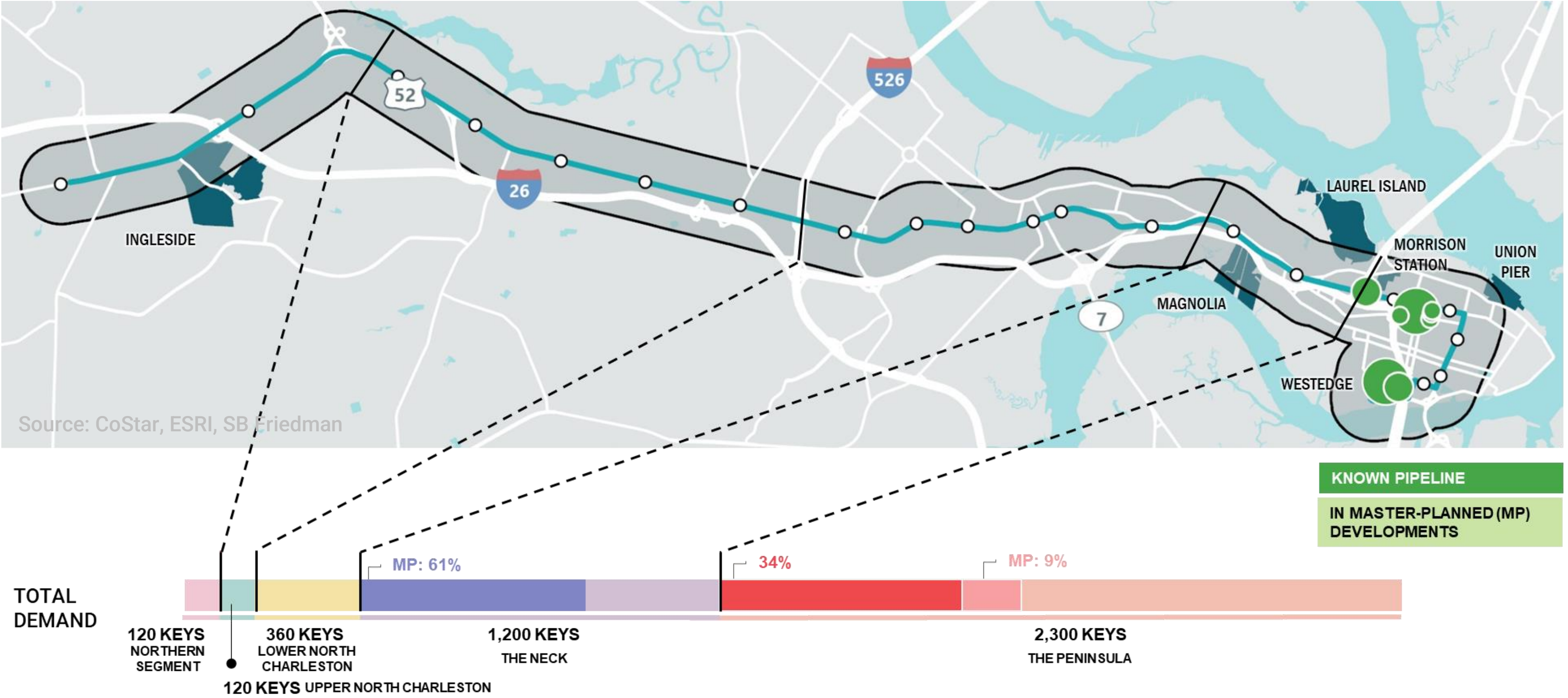
Source:, Htrends, PBS, College of Charleston, CoStar, SB Friedman

Hotel Allocation by Corridor Subarea

Most new hotel rooms within the Corridor will be in the Peninsula

Near term hotel developments in the Peninsula account for roughly one-third of projected demand in that subarea. Existing master plans for sites within the Neck also account for a share of the hotel demand.

The majority of demand allocated by SB Firedman was allocated to the Peninsula and Neck based on proximity to tourist attractions and destinations and historic development patterns.



Market Demand Summary

Market Demand Summary

Significant demand across all land uses will drive development within the LCRT Station Areas

Analysis of recent development patterns, interviews with the real estate community and regional demographic and employment projections all point to continued demand for all major land uses within the LCRT Corridor. There continues to be demand for residential, largely driven by in-migration from other regions, and hotels, given the longstanding strength of the tourism economy. Recent market changes due to the ongoing impacts of the pandemic have slightly moderated the growth potential for land uses such as office and retail – due to the rise in teleworking and e-commerce. Local business owners indicated pandemic impacts on the retail market and the anticipated demand for new retail could adversely impact small businesses within the Corridor. Future market studies should further assess the impact of LCRT and new development on small businesses and provide strategies to mitigate displacement risks. Publicly available plans for larger sites within the Corridor – such as Laurel Island, Magnolia, and WestEdge – will absorb some of the forecasted demand. However, even after master planned developments and near-term buildings already under construction or permitted, there is substantial demand that is likely to occur within the LCRT Station Areas.

PROJECTED CORRIDOR DEMAND (THROUGH 2045)

	RESIDENTIAL	RETAIL	OFFICE	HOTEL
	16,700 UNITS	1.6 M SQUARE FEET	2.7 M SQUARE FEET	4,100 KEYS
KNOWN PROJECTS IN PIPELINE	8% (1,440 UNITS) OF PROJECTED DEMAND	1% (16,200 SF) OF PROJECTED DEMAND	<1% (6,700 SF) OF PROJECTED DEMAND	19% (790 KEYS) OF PROJECTED DEMAND
MASTER-PLANNED DEVELOPMENTS	49% (8,240 UNITS) OF PROJECTED DEMAND	93% (1.5 M SF) OF PROJECTED DEMAND	60% (1.6 M SF) OF PROJECTED DEMAND	5% (200 KEYS) OF PROJECTED DEMAND