WEST ASHLEY
ECONOMIC DEVELOPMENT STRATEGY
PHASE I: REGIONAL POSITIONING

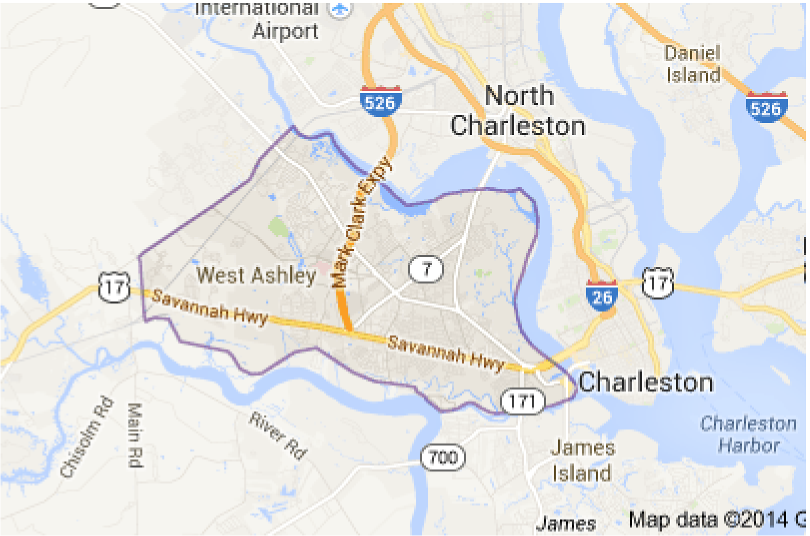

DISCUSSION DRAFT

prepared for city of charleston   april 2014
prepared by permar inc.

STUDY OBJECTIVES

Phase 1: West Ashley regional positioning

- Review regional economic and demographic fundamentals
- Review regional market indicators for office and retail primarily, other uses implicitly
- Identify expected regional demand for commercial uses in the next 10 years
- Analyze implications for West Ashley



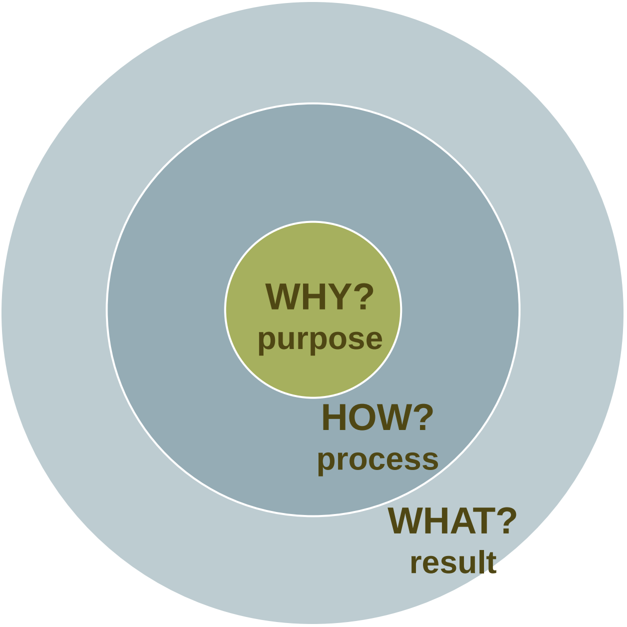
STUDY OBJECTIVES

The Golden Circle: start with “why” to inspire cooperation, trust & change

Most people communicate from the outside in

Why?
How?
What?

The Golden Circle



Source : Simon Sinek, “*Start with Why: How Great Leaders Inspire Everyone to Take Action*.”

STUDY OBJECTIVES

Start with Why?

People don't buy what you do, they buy why you do it

STUDY OBJECTIVES

Why – A pragmatic roadmap for sustainable economic growth

The purpose of this endeavor is to create a vision for West Ashley to make it a better place to live and to work, the way people want to live and work today…to make it a visibly economically sustainable part of the city…to define its natural role in the region.

MACRO TRENDS: DEMOGRAPHICS

Emerging importance of quality of life

Demographics accelerating a trend already underway

- Generations/dominant age cohorts – Boomers & Gen Y both demand greater convenience, walkability, nearby amenities
- Smaller household size, increase in non-traditional households & trends like delaying marriage, postponing children, etc.— without nuclear family, primary motive to move to “the ‘burbs” is diminished
- Homeownership declining

Source : pbworld.com.

MACRO TRENDS: WALKABILITY

Walkability is increasingly important to how people evaluate places

Recent CEOs for Cities study shows walkability increases home values

Health & Well-being

- Average resident of a walkable neighborhood weighs 6-10 pounds less
- Estimate that for every 10 minutes in a daily car commute, time spent in community activities falls by 10%.

Environment

- Feet are zero-pollution transportation
- 82% of CO_2 emissions are from burning fossil fuels

Finances

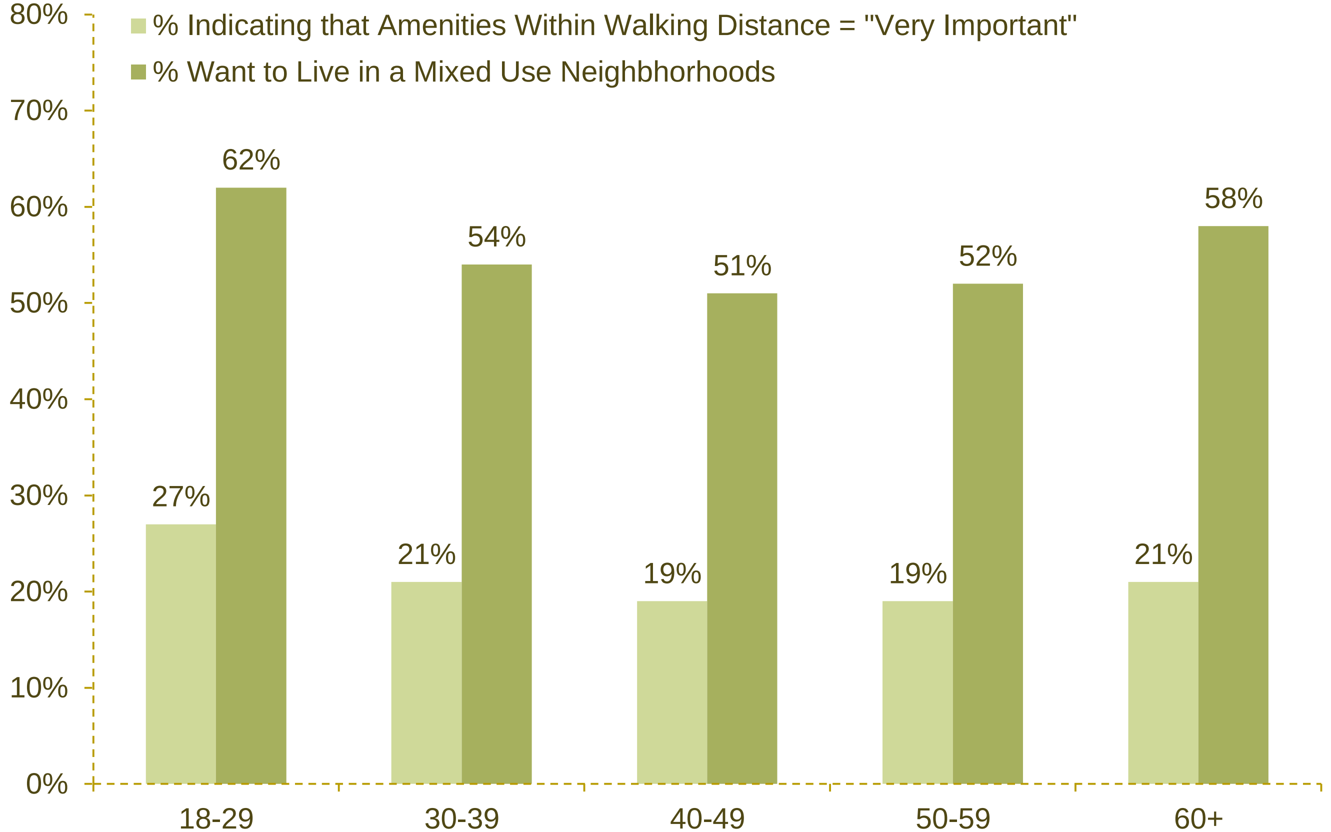
- Cars are the second largest household expense in the US
- 1 point increase in WalkScore correlates to increase in residential value (from 2% in Dallas to 12% in Charlotte)

Source: WalkScore.com; Permar, Inc.; April 2013.

MACRO TRENDS: WALKABILITY

Demand for greater convenience & accessibility

Especially for Boomers/Retirees & Gen Y



Source: National Association of Home Builders; The Demand Institute; The Conference Board; Permar, Inc.; April 2013.

MACRO TRENDS: RETAIL

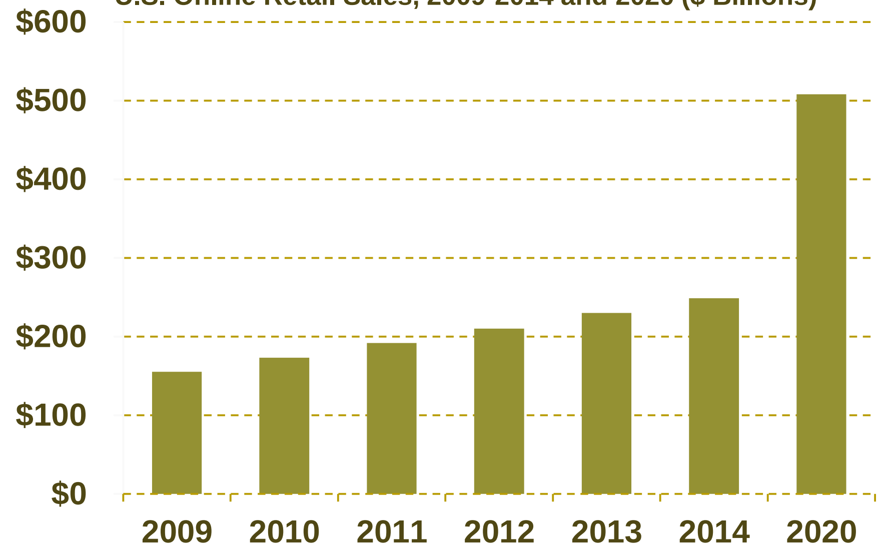
Growth in online retail sales

Reducing demand for real estate

Elevates importance of the shopping experience; less utilitarian; more experiential; 61% of Gen Y view shopping as an entertainment

Mixed-use destinations with eating & drinking places, parks, Wi-Fi-enabled are more resilient; less susceptible to online competition

U.S. Online Retail Sales, 2009-2014 and 2020 ($ Billions)



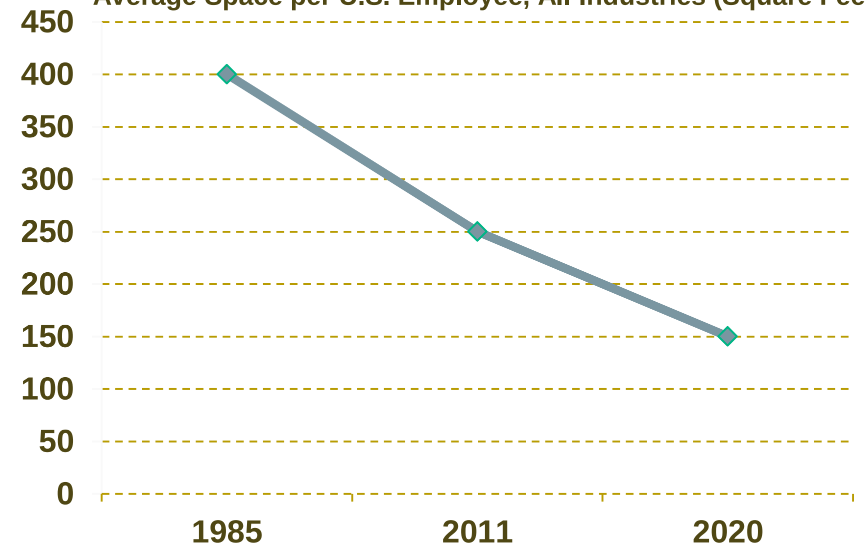
Source: NRF Foundation; Forester Research; IBM; NYU Stern School of Business;
Note: Online retail sales is defined as purchasing items via a web transactions.

MACRO TRENDS: OFFICE

Traditional office square footage requirements decreasing

Office space demand lagging office employment growth

- Traditional office users maximizing space
  - Space/worker declining
  - Forecast to drop ~ 14% from 2012 to 2017
- Locational amenities important to attracting talent; place-based recruitment (e.g. RTP struggling to retain/recruit talent)
- Emergence of non-traditional office environs; location-independent work
  - Less expensive to be independent than it used to be
  - Rise of 1099 economy
  - Co-working, collaborative work spaces

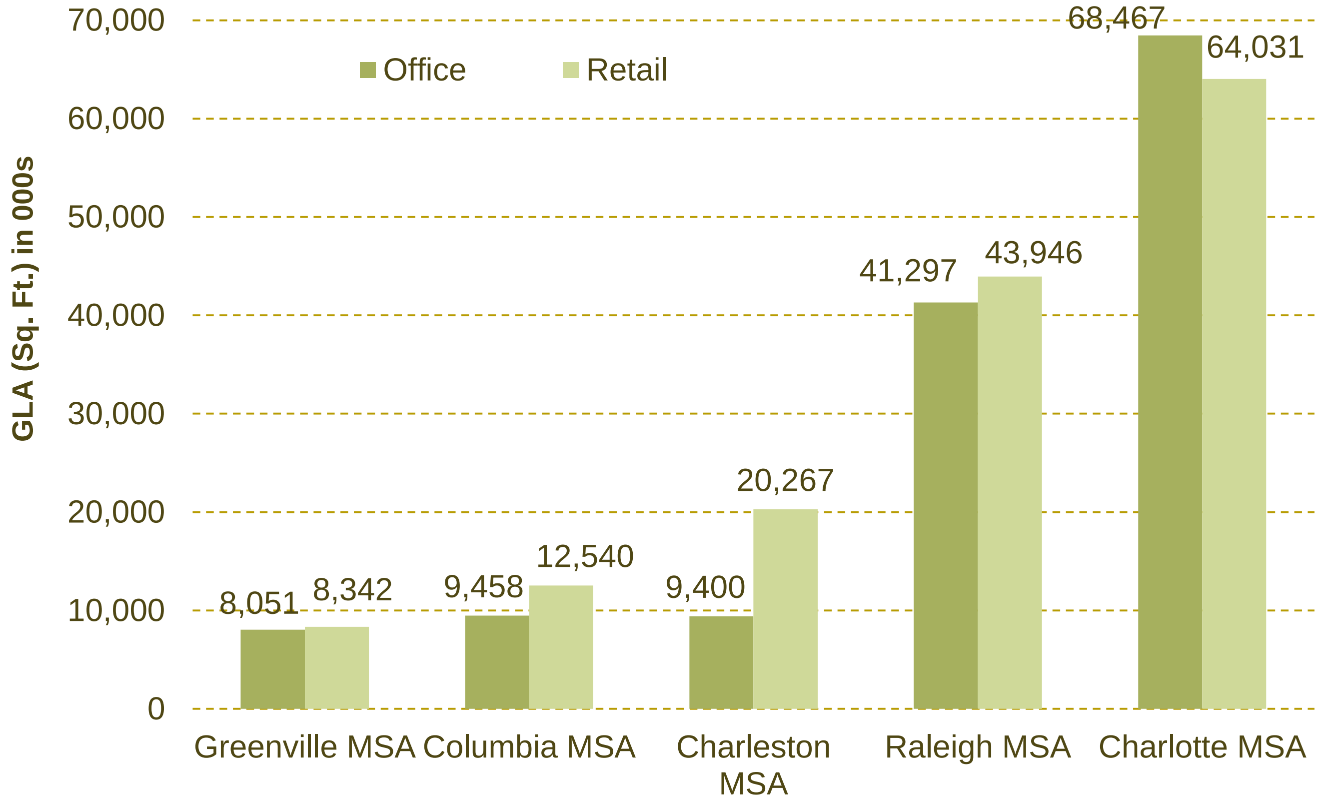


Source: Jones Long LaSalle.

REGIONAL CONTEXT

Charleston commercial inventory

Raleigh is about 3x & Charlotte is nearly 5x bigger than Charleston



Source: Avison Young; Colliers International; Permar Inc;; February 2014..

REGIONAL CONTEXT

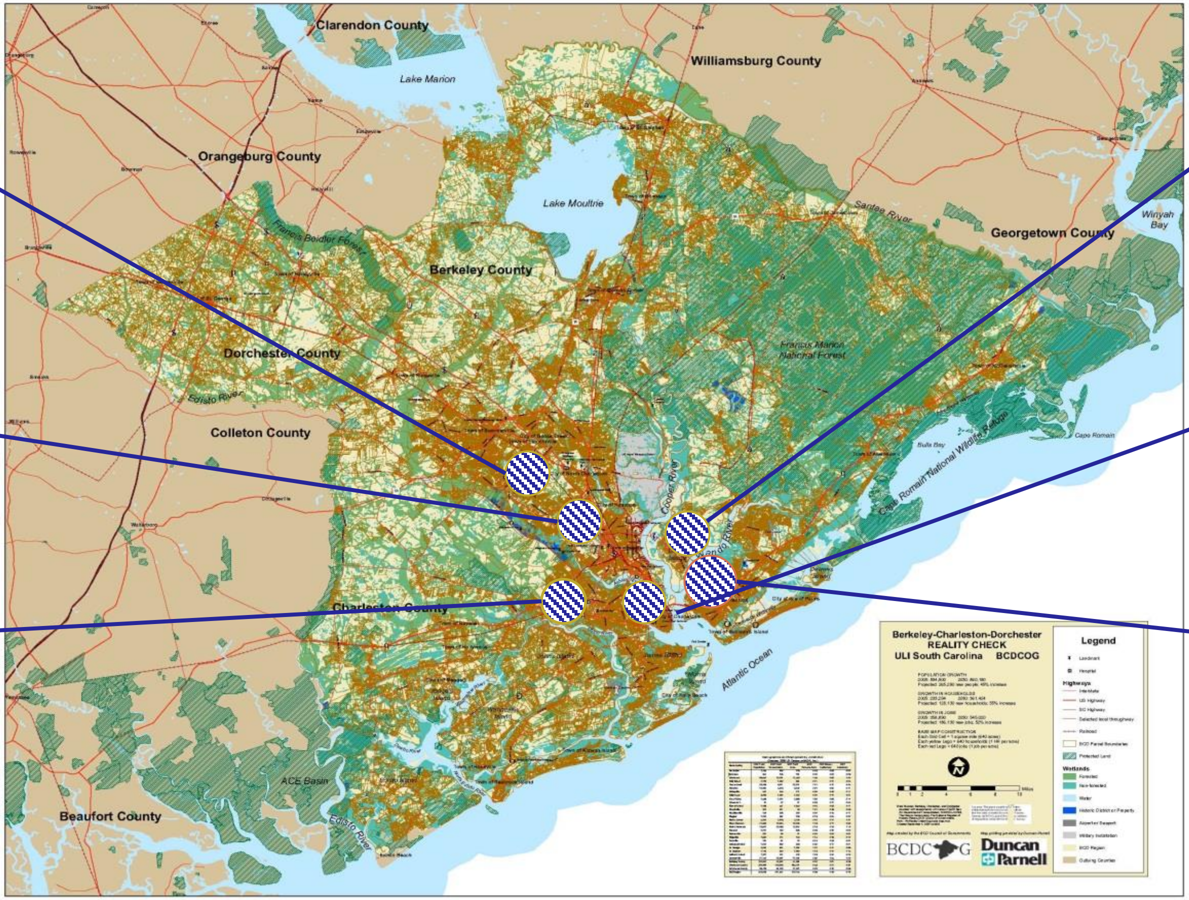
Commercial development has followed residential & employment growth

Follows infrastructure from downtown out highway 17 in both directions & up I-26

Summerville
Office: na
Share: na
Retail: 2.8M
Share: 14%

North Charleston
Office: 3.7M
Share: 40%
Retail: 5.7M
Share: 28%

West Ashley
Office: 1.2M
Share: 13%
Retail: 4.5M
Share: 22%



Daniel Island
Office: 1.2M
Share: 13%
Retail: na
Share: na

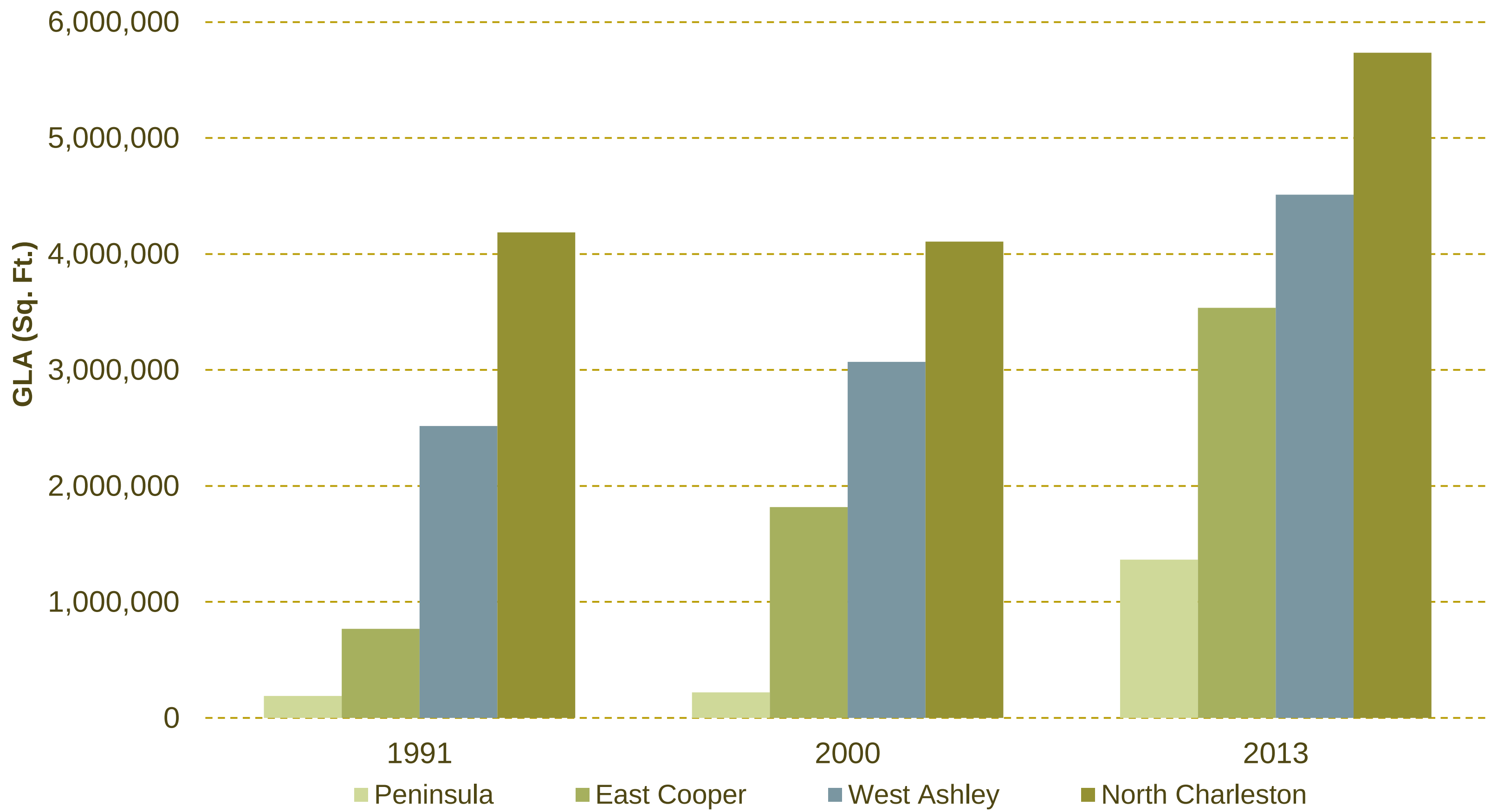
Downtown
Office: 1.7M
Share: 18%
Retail: 1.4M
Share: 17%

Mount Pleasant
Office: 1.6M
Share: 17%
Retail: 3.5M
Share: 17%

Source: Avison Young; Q4 2013; Permar Inc; February 2014.

Charleston MSA retail inventory: 20M SF

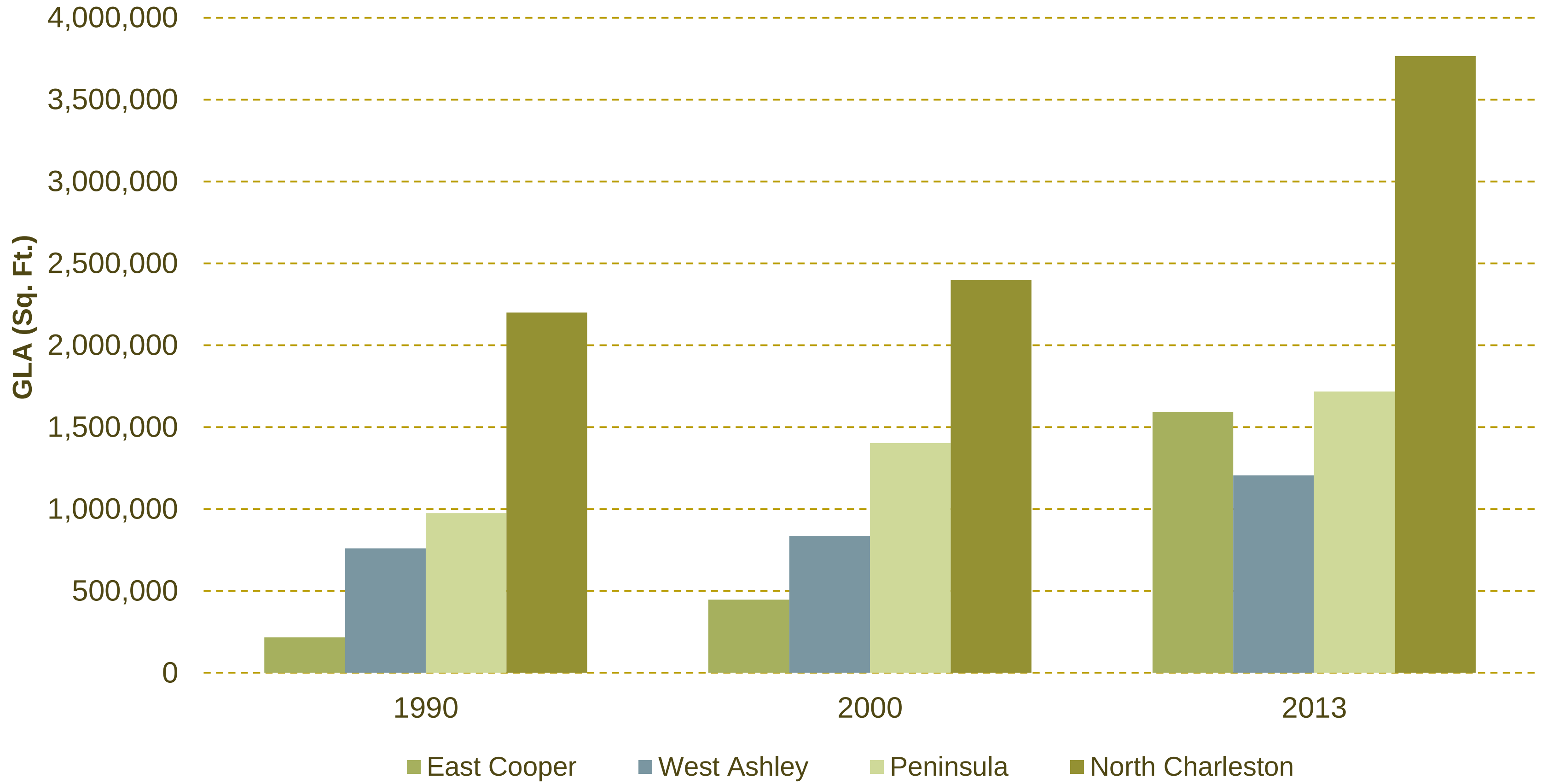
West Ashley share: 4.5M; 20% of the region



Source: Avison Young; Permar Inc., February 2014.

Charleston MSA office inventory: 9.4M SF

West Ashley office inventory: 1.2M; 13% of the region



Source: Avison Young; Permar Inc., February 2014.

REGIONAL CONTEXT

Charleston has four suburban retail centers, totaling 3M SF

Comparative demographics within 6-miles

	Citadel Mall	Northwoods Mall	Tanger Outlets	Mt. Pleasant Town Center
Population, 2013	167,800	187,600	170,000	91,600
Household Growth, 2013 - 2018	5,100	6,500	4,800	3,200
% Change, 2013 - 2018	8%	10%	7%	9%
Average HH Income, 2013	$69,700	$65,100	$61,600	$135,000
Owner	50%	60%	50%	70%
Renter	50%	40%	50%	30%

Source: ESRI Business Analyst; Permar Inc., February 2014.

REGIONAL CONTEXT

Charleston regional centers: geographic reach of 6-mile radii

Significant competition for population surrounding Citadel Mall

Citadel Mall

Region's largest & 2nd oldest mall

Competes with Downtown, Tanger, & lower suburbs

Mount Pleasant Town Center

Captive audience with high HHI

Little immediate competition

Tanger Outlets

Direct Interstate access & visibility

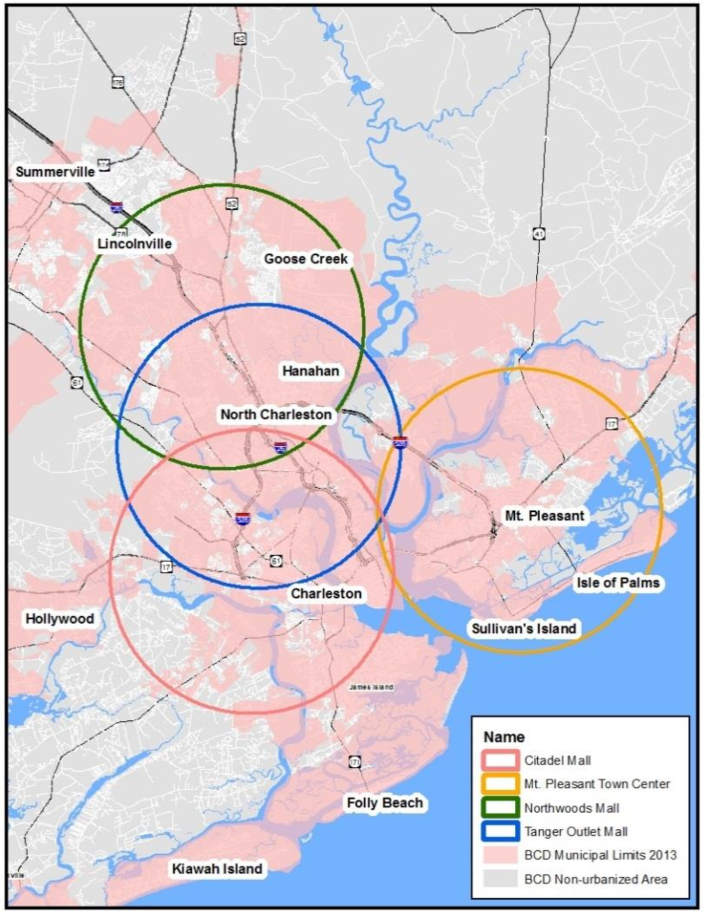
Located in middle of region/employment center

Northwoods Mall

Center of suburban population

Less competition from Downtown, Mt. Pleasant

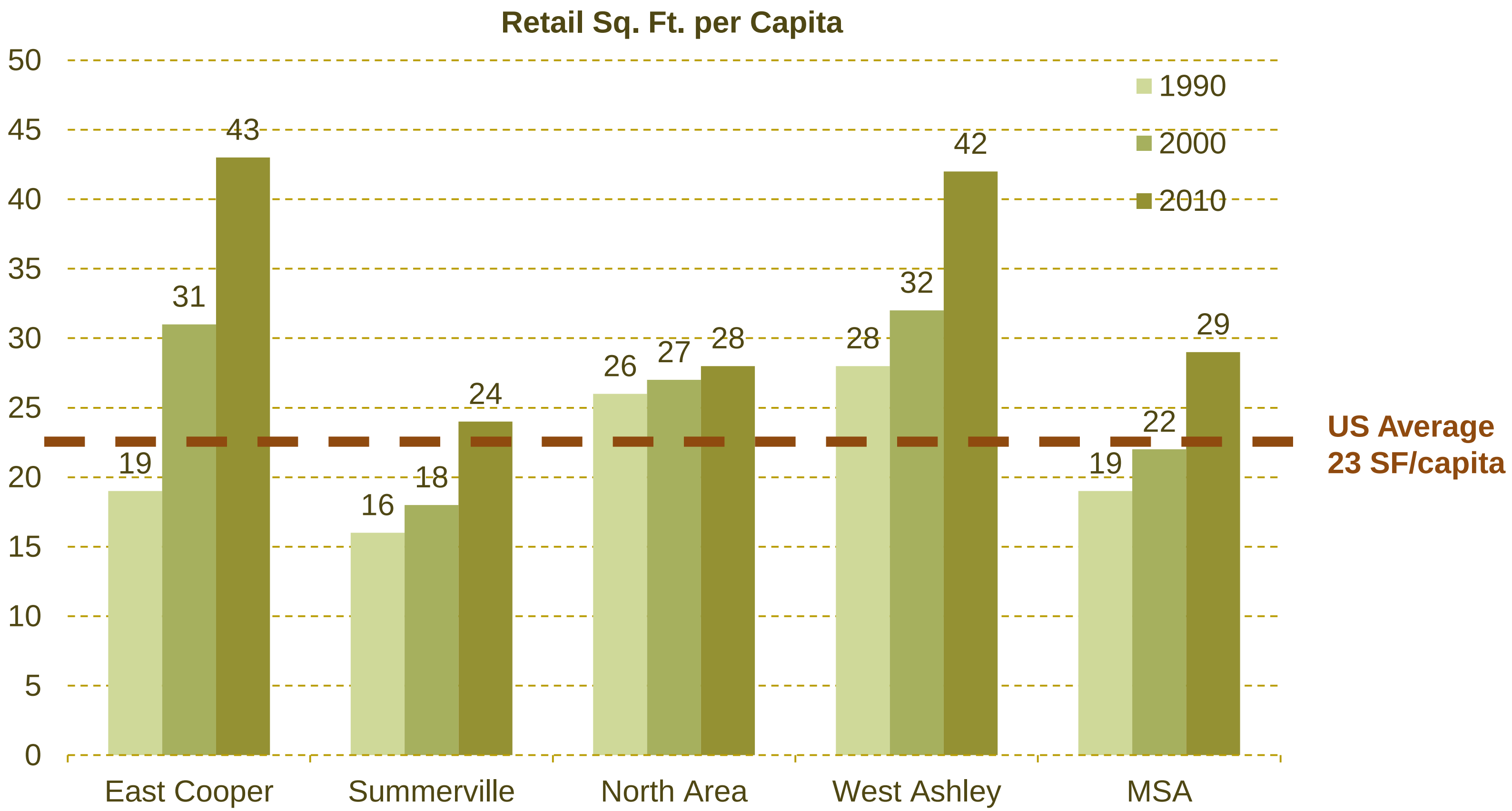
Close to suburban employment



REGIONAL CONTEXT

Charleston retail SF per capita is high compared to the US (23 SF/capita)

West Ashley among the highest retail SF per capita in the region

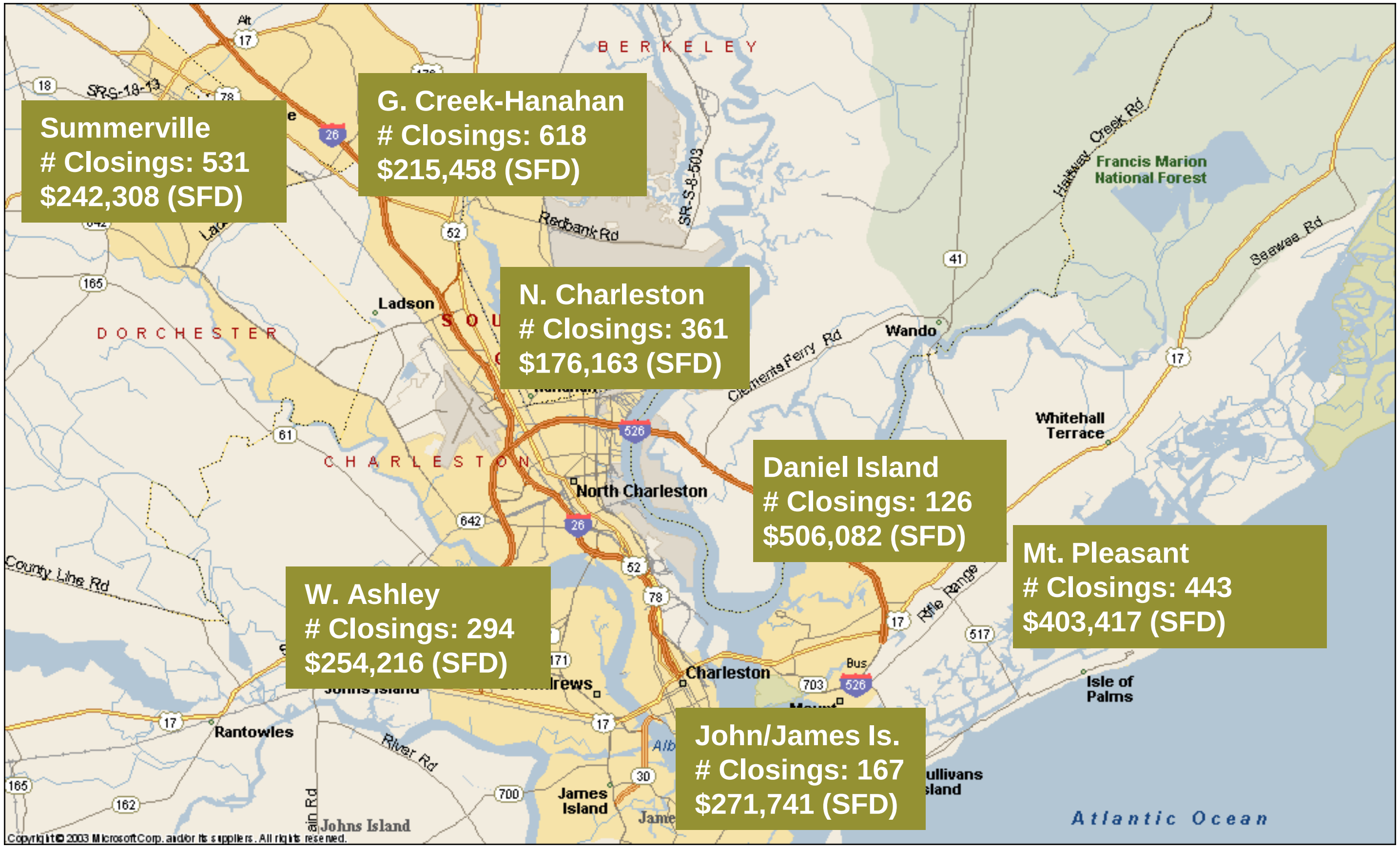


Source: US Census; Planning Areas prepared by BCD Council of Governments; Permar Inc., February 2014.

REGIONAL CONTEXT

Residential submarkets

Newly constructed, single-family home closings LTM Q4 2013



Source: Market Opportunity Research Enterprises; Permar Inc.; December 2013.

Residential growth continues to move up I-26

Household growth is a key indicator for future commercial development

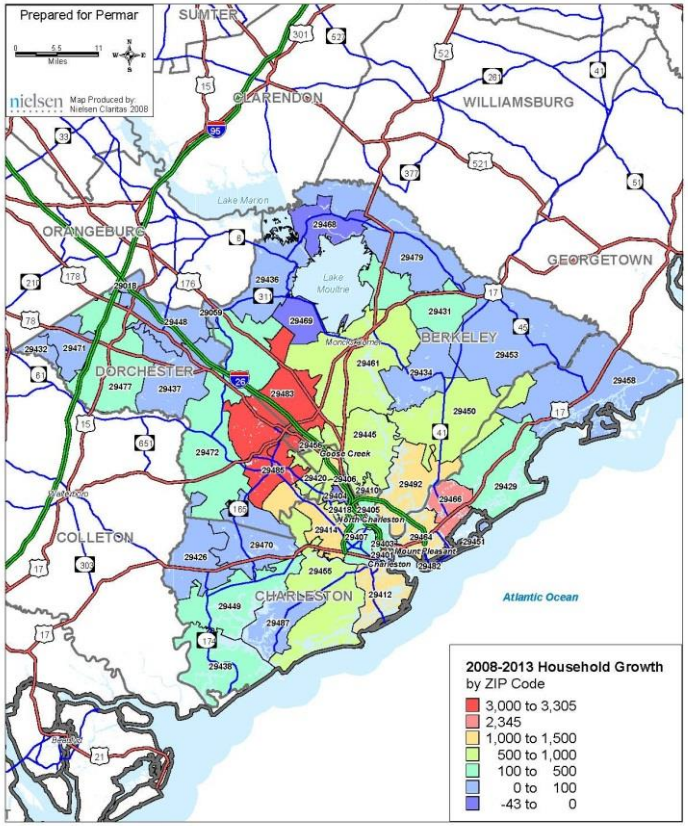
Retail demand locational criteria

- Concentration of disposable income (residents, employees, visitors)
- Strong visibility & road frontage
- Clear competitive edge & market identity

Office demand locational criteria

- Access to qualified labor pool
- Nearby convenience; supporting retail & services
- Pedestrian-scale amenities

Charleston - North Charleston, SC Metorpolitan Statistical Area
2008-2013 Household Growth by ZIP Code



Source: Nielsen Claritas; Permar Inc., February 2014.

DEMAND POTENTIALS: OFFICE

Industry standard approach: demand from "office workers"

Estimated demand: +/- 3M SF office over the next 10 years; approx. 300,000 SF/ year

Industry	Employment Growth 2014 - 2024	% Office Users[1]	Estimated SF/User [1]	Projected Regional Demand
Finance	3,199	80%	150	383,880
Professional Services	9,359	87%	150	1,221,350
Information	790	65%	150	77,025
Real Estate	3,351	80%	150	402,120
Management	835	87%	150	108,968
Administration	7,293	87%	100	634,491
Education Services	1,662	52%	100	86,424
Health Services	12,819	52%	100	666,588
Subtotal				3,580,845
Total Demand with Adjustments [2]				3,043,718
Annual Average SF				304,372

[1] Based on industry standards.

[2] Adjustments for: Frictional Vacancy, +5%
Replacement Demand, +10%
Work-from-home/Self-employed, -30%

Source: Woods & Poole Employment Forecast; Permar Inc.; February 2014.

DEMAND POTENTIALS: RETAIL

Industry standard approach: demand from new HH buying power

Estimated demand: +/- 4M SF retail over next 10 years; approx. 400,000 SF / year

	Existing Households 2014	**New Households 2014 - 2024**
Households	287,270	57,072
Avg. HH Income	$65,112	$65,112
Gross HH Income	$18,704,724,240	$3,716,072,064
% Spending, Retail Goods & Services	27%	27%
Sales/SF	$250	$250
Supportable SF	20,201,102	4,013,358
Current Regional GLA, 2013	20,226,824	-
Projected Retail Demand, 2014 - 2024		
Total Retail SF		4,013,358
Average Annual		401,336

Source: Neilson Claritas; BLS Consumer Expenditures Survey; Permar Inc.; February 2014.

DEMAND POTENTIALS: RETAIL & OFFICE

Regional timeline approach: “ground-truth” theoretical

Retail demand: +/- 4.6M SF over next 10 years; approx. 460,000 SF/year

Office demand: +/- 2.7M SF over next 10 years; approx. 270,000 SF/year

	Historic Growth 1991 - 2013		Projected 2014 - 2024	
	Total	**Avg. Annual**	**Total**	**Avg. Annual**
Population & HHs				
Population	182,600	8,300	125,500	12,600
Households	95,500	4,400	57,100	5,700
Employment				
Total Employment	133,600	6,100	77,000	7,700
Payroll Employment	95,000	5,200	38,400	3,800
Commercial GLA (SF)				
Retail	10,407,100	473,000	4,565,800	456,600
Office	5,438,700	247,200	2,685,200	268,500

Source: Avison Young; Woods & Poole Economics; Moody's Analytics; Permar Inc.; February 2014.

DEMAND POTENTIALS: WEST ASHLEY

West Ashley's "fair share" of regional demand

Discussion: induce better quality growth & influence where it goes perhaps more important than capturing more SF

	Demand Potentials 2014 - 2024	
	Office	**Retail**
Regional Demand	3M GLA +/- 300,000 per year	4.5M GLA +/- 460,000 per year
West Ashley Capture	300,000 – 360,000 SF +/- 30,000 – 36,000 per year	400,000 – 480,000 SF +/- 40,000 – 48,000 per year

Source: Permar Inc.; February 2014.

OBSERVATIONS: CORRIDORS

Focus on improving key corridors

West Ashley corridors: Highways 17, 61, 7 & 171

- Establish a process for evaluating existing conditions & for structuring, prioritizing potential actions
- Identify unique attributes of each corridor; develop vision to clearly differentiate each corridor
- Update & strengthen signage, landscape & building form guidelines/ordinances
- Develop strategies/policies that encourage consolidation & redevelopment of retail & office uses
- Identify areas for potential visible greenways & bikeways

OBSERVATIONS: GENERAL

West Ashley lives better than it presents itself from major highways

In general, quality of the neighborhoods exceeds the quality of commercial areas

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West Ashley includes many of the components that facilitate how people want to live their lives today.

It is comfortable, convenient, relaxed, close to peninsular Charleston, great trees & is home to significant public assets.

It is also the gateway to the Historic Plantation District and one of the gateways to Historic downtown Charleston.

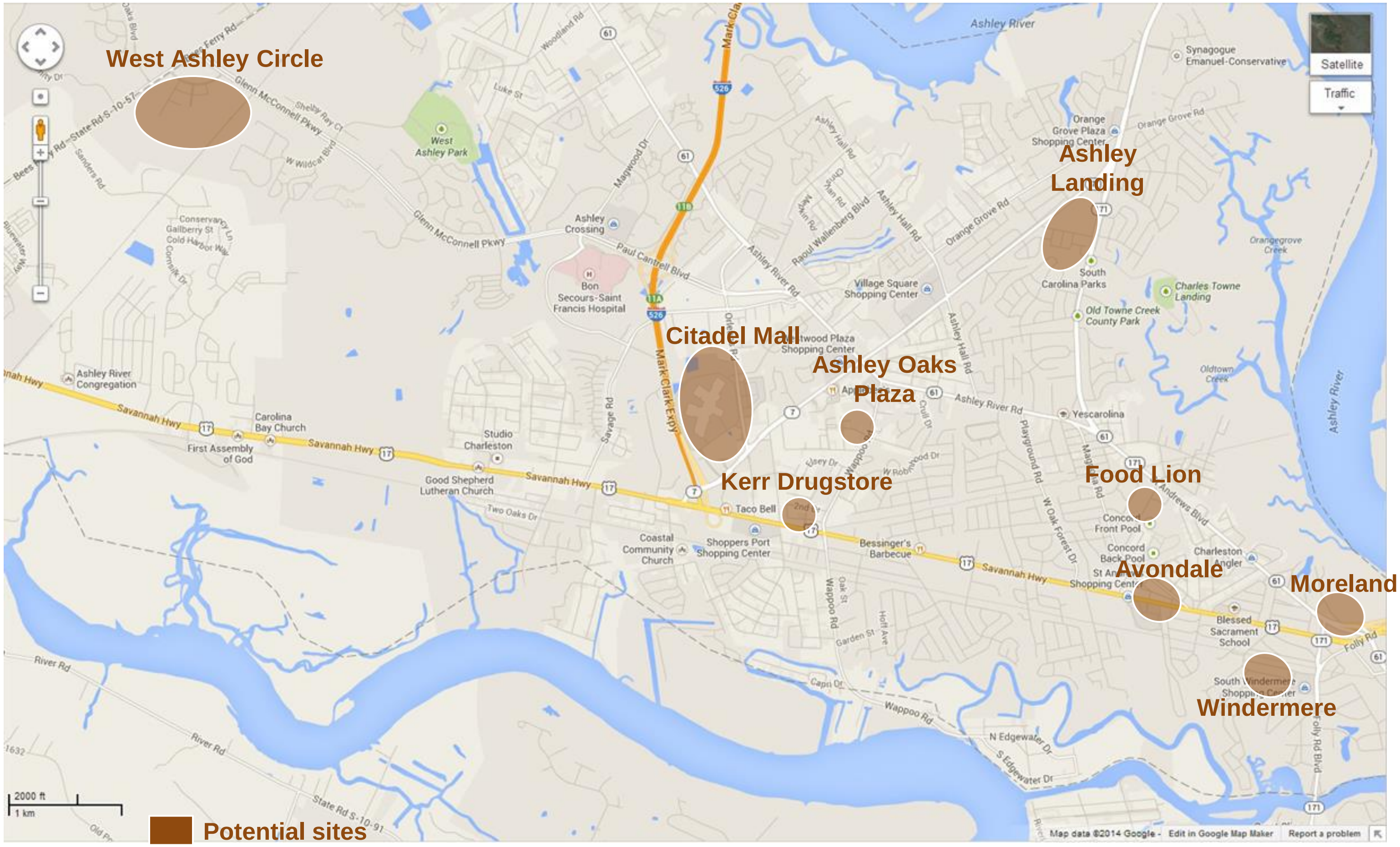
The immediate need is to create a narrative for the future that will help owners/developers to attract high quality tenants and businesses.

The vision will create a pragmatic roadmap for quality growth, public private partnerships and citizen participation to <u>create places that are inviting, integrated, walkable, resilient—great places and pride points for West Ashley</u> residents and residents and visitors from throughout the region.

NEXT STEPS

Site-specific analysis

Identify investment ready places & prioritize



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