Grocers In, Big Box Retailers Out

The Columbia retail market stayed steady between the close of 2016 and the close of the second quarter, with vacancy creeping from 5.1% to 5.3%. Net absorption this quarter was negative 18,174 square feet (SF), compared to a positive 306,581 SF at the close of the fourth quarter 2016.

NAI Avant Director of Retail Services Patrick Palmer, CCIM attributes the negative net absorption to big box retailers closing their doors, making more vacant space available in the market. For example, this quarter, HH Gregg closed its doors and moved out of ±30,396 SF at Village at Sandhill Forum Center, in addition to vacating the chain’s ±69,023 SF location on Bower Parkway.

But the Columbia retail market remains steady and strong. Average rental rates rose from $11.06 SF at the close of 2016, to $11.42 SF at the close of the second quarter 2017. The Central Business District continues to own the highest rental rate at $19.38 SF.

The highlights for the Columbia retail market in the second quarter of 2017 center around major grocery store openings and announcements.

Impact of E-Commerce:

Columbia is no exception to the nationwide reality of big box retailers closing their doors. Nearly every major department store, including Macy’s, Kohl’s, Walmart, and Sears, have closed hundreds of stores due to the rise of e-commerce. In South Carolina, we have seen three Walmarts close their doors, two Sears, and five Karts. The closing of the Sears at Columbia Place Mall on Two Notch Road will leave the Columbia-area without a Sears for the first time since 1955. Many experts credit Sears’ struggles to online sales.

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However, feelings about retail are not all gloom and doom. Not only has high end retail remained strong, but neighborhood/community shopping centers and lifestyle centers are also faring well. The most significant trend downward is with power centers and Class B or C malls. Many experts believe the closing of some of the big box retailers at these malls, who have failed to keep current with consumer trends, is a necessary event in order to allow the properties to be repositioned with inventive uses such as multifamily and/or office components.

Optimists see consumer demand likely to grow with improving consumer confidence. According to the Urban Land Institute’s (ULI) Emerging Trends Report for 2017, retail properties could have a positive outlook. “Investors are focusing on smaller centers, including lifestyle/entertainment, grocery-anchored, and even niche power centers,” says the ULI. That is exactly what we are seeing in the Midlands.

And then there is e-commerce. There is a general consensus that e-commerce will decrease the overall demand for retail space, but experts emphasize it “will not come anywhere close to supplanting it.” E-commerce has already been blamed for the fall of Big Box Power Centers, but research shows that touch still plays a very important role in retail and the retailers that will thrive will be the ones who maximize online sales and the in-store experience.

Grocery-anchored centers have long been popular for their relative stability and immunity to e-commerce. With a strong anchor tenant, mini-anchors and fast-casual restaurants will follow, increasing traffic flow to a center and the resultant cash flow. For example, Jersey Mike’s Subs and Little Caesar’s Pizza announced this quarter it will join the Wildcat Commons shopping center that is anchored by the recently opened Lowe’s Foods. Four other businesses, Lexington Barber Shop, DiVa Nails, Goin’ Postal, and Bottles King Wine & Spirits, have also leased spaces in the now 100% leased center. In the Midlands, we are seeing more shopping centers anchored by specialized grocers, attracting more affluent shoppers and creating an overall pleasant shopping experience.
However, online shopping giant Amazon is shaking up the grocery industry with the $13.7 billion acquisition of Whole Foods, announced in June. The proposed buyout gives Amazon access to more than 460 supermarkets. Experts wonder if this will be the successful beginning of online grocery distribution.

2Q17 Retail Highlights

Harbison (Dutch Fork/Irmo market): This submarket continues to be the premiere shopping corridor in the Columbia market. Making the biggest headline, Dave & Buster’s opened in February at the former Sears store at the Columbiana Center. Haverty’s Furniture also announced plans to relocate from Colonial Life Boulevard to 234 Harbison Boulevard, in the spot vacated by FootAction. FootAction relocated to a shopping center across the street. Crunch Fitness and 9Round fitness also opened new locations in the area.

Off-price domestic goods retailer Tuesday Morning is opening a location in the large, corner space formerly occupied by Hancock Fabrics in the Harbison Court shopping center at 266 Harbison Boulevard. This will be the third Midlands location for Tuesday Morning.

Announcements at the Columbiana Centre mall include: Williams-Sonoma closing its doors after 10 years in business, along with Banana Republic, and Bebe. J. Jill will open late this year in the former Bebe space. Journey Kidz and Sunglass Hut will also open in the mall.

Downtown Columbia: The North Main Street area continues to see rapid growth and is maintaining its status as an emerging retail center in Columbia. Established Columbia restaurateur Kristian Niemei is planning a multi-use complex at 2510 North Main Street, which will include a restaurant, beer garden, bocce courts, and concert hall. A new brewery will also join the neighborhood as Cotton Town Brew Lab is currently under construction. Other newcomers include furniture store Copper Barn, Indah Coffee Co., Curiosity Coffee Bar, Circa Barber Shop, and Cromer’s P-Nuts as they plan to relocate from their Huger Street location to a ±12,000 SF vacant building at 3030 North Main. Developers and business owners are intrigued by the areas historic warehouses and garages.

Eyes continue to be on BullStreet as well, with the announcement that Bone-In Barbecue will open their first brick-and-mortar restaurant at the historic Ensor building. The building is located adjacent to the ball park’s entrance.

For grocery store announcements, boutique grocery store Local Yocal will open a ±3,000 SF location at 1712 Main Street in the summer of 2017. The owner says it will be an “upscale version of a neighborhood market.” In addition, Kroger has pulled out of the project at Capital City Stadium property off of South Assembly Street.

Other significant developments include: Rise Bakeshop closed its location in Five Points and may be connected to the sale of the greater part of the 900 block of Harden Street; Columbia Craft Brewing Co. is renovating a long-empty warehouse on Greene Street, between Pulaski and Huger streets; construction is underway for a six-lane bowling alley and entertainment center in the former Army Navy Store building on Main Street; Camden’s Salud Mexican Kitchen and Tequila Lounge is approaching completion in the Aloft Hotel at Lady and Lincoln streets; two new restaurants are planned for the once abandoned Columbia Fire Department in the Vista; and renovations are underway at the Curtiss-Wright Hangar at Jim Hamilton – L.B. Owens airport in the Rosewood neighborhood. Taking over ±13,000 SF of the hangar, it is set to become Columbia’s newest brewery.

Lexington: Publix Supermarkets, Inc. of Florida officially closed on nine acres of land near the intersection of South
Lake Drive and Platt Springs Road, one of the fastest growing areas in Lexington County.

North Carolina-based grocer Lowes Foods opened May 24th at the corner of Charter Oak Road and Augusta Road in Lexington. This was the first Lexington location to open for the grocery chain. A second Lexington location at the corner of Sunset Boulevard and Hope Ferry Road opened in July at Lexington Square. Surrounding the ±50,000 SF Lowes anchored store is ±27,000 SF of small shop space. Several businesses have already signed leases, including Creative Nail Salon, Hollywood Feed, Sola Salon, Sikuya Japanese Sushi and Steakhouse, and Orangetheory Fitness.

In addition to the two Lowes locations in Lexington, the submarket is a hotbed for growth. Currently, there is ±468,121 SF of retail space under construction in Lexington, the highest of all of the submarkets by far. This includes Lexington Marketplace, which will bring to the area The Fresh Market, Hobby Lobby, Affordables Apparel, MOD pizza, Tijuana Flats, and Ulta Beauty. In addition, a fully renovated Aldi grocery store reopened in late June on Sunset Boulevard and Hope Ferry Road. A ±36,000 SF LiDl supermarket is also underway along Sunset Boulevard in Lexington, expected to open in early 2018.

These announcements have brought the overall vacancy rate in Lexington to 1.8% while the county prepares for more growth.

Other significant transactions include Freddy’s Frozen Custard & Steakburgers staking out another Midlands-area location on Sunset Boulevard across from Lexington Medical Center, and The Casual Pint beer café opening its second Midlands location in a specialty retail center on Sunset Boulevard, behind Mellow Mushroom. Burn Boot Camp will also occupy a suite in the center.

The Golden Triangle:
This area is generally defined from Forest Acres near Trenholm Plaza over to Garners Ferry Road (within the I-77 beltway), stretching also to include the Whole Foods anchored Cross Hill Market and Target anchored Shoppes at Woodhill area.

Lowes Foods announced plans to open its third Midlands location in Forest Acres near the corner of Forest Drive and Trenholm Road. The store, expected to open in mid-2018, will be in the Forest Park Shopping Center at 4711 Forest Drive. Lowes will be moving into about ±52,000 SF of retail space formerly occupied by a Bi-Lo Supermarket.

Another notable development is that a Columbia developer plans to buy property on Trenholm Road near Forest Drive for a prospective village-style shopping center. Details have not been released, but the city has already approved the rezoning of the area to a C-3 commercial district.

Northeast Columbia:
This submarket opened a new Fresh Market on Two Notch Road in May. The new ±22,000 SF structure at Two Notch Road and Fore Avenue sits across from the Village at Sandhill shopping and residential complex.

In addition, Burlington Coat Factory will occupy ±45,000 SF at Sandhill Station. The building is under construction and is expected to open sometime in 2017. Famous Toastery also opened its first of two area locations in January at 119 Sparkleberry Lane.
Vacancy Rates
Even as building deliveries drop by more than 60% from 1Q17, vacancy rates continue to creep upwards.

Rental Rates
Overall, Columbia’s rental rates surge but remain short of the peak reached 2Q16.

Market Activity
Even with several tenants moving out of large blocks of space, YTD net absorption remained positive.
**Submarket Statistics**

**Significant Transactions**

**SOLD**

St. Andrews

SEVEN OAKS SHOPPING CENTER
6169 ST. ANDREWS ROAD
±83,277 SF

Price: $3,625,000

**SOLD**

Dutch Fork/Irmo

RITE AID
7338 BROAD RIVER ROAD
±14,541 SF

Price: $3,250,000
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For more information, contact one of our experienced professionals:

Todd Avant, CCIM  
Chief Executive Officer  
tavant@naiavant.com

Bruce Harper, SIOR  
President, Broker-In-Charge  
bharp@naiavant.com

Patrick Palmer, CCIM  
Director of Retail Services  
ppalmer@naiavant.com

Rob Lapin  
Senior Broker  
rlapin@naiavant.com

Dail Longaker  
Senior Broker  
dlongaker@naiavant.com

Bobby Hathaway  
Senior Broker  
bhathaway@naiavant.com

Laura Kovacich  
Senior Broker  
lkovacich@naiavant.com

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