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?

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

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 CO2 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

- % Indicating that Amenities Within Walking Distance = "Very Important"
- % Want to Live in a Mixed Use Neighborhoods

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

Source: NRF Foundation; Forrester 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

Average Space per U.S. Employee, All Industries (Square Feet)

Source: Jones Long LaSalle.
REGIONAL CONTEXT

Charleston commercial inventory

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

<table>
<thead>
<tr>
<th>MSA</th>
<th>Office GLA (Sq. Ft.)</th>
<th>Retail GLA (Sq. Ft.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenville MSA</td>
<td>8,051</td>
<td>8,342</td>
</tr>
<tr>
<td>Columbia MSA</td>
<td>9,458</td>
<td>12,540</td>
</tr>
<tr>
<td>Charleston MSA</td>
<td>9,400</td>
<td>20,267</td>
</tr>
<tr>
<td>Raleigh MSA</td>
<td>41,297</td>
<td>43,946</td>
</tr>
<tr>
<td>Charlotte MSA</td>
<td>68,467</td>
<td>64,031</td>
</tr>
</tbody>
</table>

Source: Avison Young; Colliers International; Permar Inc.; February 2014.
Commercial development has followed residential & employment growth
Follows infrastructure from downtown out high way 17 in both directions & up I-26

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

west ashley economic development strategy, april 2014
REGIONAL CONTEXT

Charleston MSA retail inventory: 20M SF
West Ashley share: 4.5M; 20% of the region

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

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

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

Charleston regional centers: geographic reach of 6-mile radii

Significant competition for population surrounding Citadel Mall

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**Citadel Mall**
Region’s largest & 2nd oldest mall
Competes with Downtown, Tanger, & lower suburbs

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**Mount Pleasant Town Center**
Captive audience with high HHI
Little immediate competition

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**Tanger Outlets**
Direct Interstate access & visibility
Located in middle of region/employment center

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**Northwoods Mall**
Center of suburban population
Less competition from Downtown, Mt. Pleasant
Close to suburban employment
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

REGIONAL CONTEXT

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

Source: Nielsen Claritas; Permar Inc., February 2014.
Industry standard approach: demand from “office workers”
Estimated demand: +/- 3M SF office over the next 10 years; approx. 300,000 SF/year

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

(1) Based on industry standards.
(2) Adjustments for: Frictional Vacancy, +5%
Replacement Demand, +10%
Work-from-home/Self-employed, -30%

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>Historic Growth</th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1991 - 2013</td>
<td>2014 - 2024</td>
</tr>
<tr>
<td></td>
<td>Total Avg. Annual</td>
<td>Total Avg. Annual</td>
</tr>
<tr>
<td>Population &amp; HHs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>182,600</td>
<td>125,500</td>
</tr>
<tr>
<td>Households</td>
<td>95,500</td>
<td>57,100</td>
</tr>
<tr>
<td>Employment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Employment</td>
<td>133,600</td>
<td>77,000</td>
</tr>
<tr>
<td>Payroll Employment</td>
<td>95,000</td>
<td>38,400</td>
</tr>
<tr>
<td>Commercial GLA (SF)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>10,407,100</td>
<td>4,565,800</td>
</tr>
<tr>
<td>Office</td>
<td>5,438,700</td>
<td>2,685,200</td>
</tr>
</tbody>
</table>

Source: Avison Young; Woods & Poole Economics; Moody’s Analytics; Permar Inc.; February 2014.
West Ashley’s “fair share” of regional demand
Discussion: induce **better quality growth & influence where it goes** perhaps more important than capturing more SF

<table>
<thead>
<tr>
<th></th>
<th>Office</th>
<th>Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Demand</td>
<td>3M GLA</td>
<td>4.5M GLA</td>
</tr>
<tr>
<td></td>
<td>+/- 300,000 per year</td>
<td>+/- 460,000 per year</td>
</tr>
<tr>
<td>West Ashley Capture</td>
<td>300,000 – 360,000 SF</td>
<td>400,000 – 480,000 SF</td>
</tr>
<tr>
<td></td>
<td>+/- 30,000 – 36,000 per year</td>
<td>+/- 40,000 – 48,000 per year</td>
</tr>
</tbody>
</table>

Source: Permar Inc.; February 2014.
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.

- 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 create places that are inviting, integrated, walkable, resilient—great places and pride points for West Ashley residents and visitors from throughout the region.
NEXT STEPS

Site-specific analysis
Identify investment ready places & prioritize

Potential sites:
- West Ashley Circle
- Citadel Mall
- Ashley Landing
- Ashley Oaks Plaza
- Kerr Drugstore
- Food Lion
- Avondale
- Moreland
- Windermere