



# A SOUTH CAROLINA, particularly Charleston Retail & Restaurant RECOVERY OVERVIEW

As we enter into the third month of quarantine and social distancing restrictions in South Carolina, we will look at who is allowed to re-open today, and what remains closed. I will further outline the efforts of retailers and restaurants who reopen and at what capacity and cost.

## WHAT IS OPEN NOW

As of May 18, retail stores, restaurants, and “close contact businesses” (salons, gyms, swimming pools) beaches, boat ramps and State parks are permitted to open provided they observe CDC Guidelines and particular business specific requirements.

## WHAT REMAINS CLOSED

Businesses classified as entertainment venues are not allowed to open. This includes theaters, museums, amusement parks and bowling alleys. All K-12 Schools statewide will remain closed through the end of the school year. While State Parks are open, parks’ group facilities remain closed in order to limit groups larger than three people.



## RETAIL BUSINESS AND RESTAURANT PHASE I REOPENING

All retail businesses are permitted to be open, provided they follow CDC guidelines. The guidelines include daily employee health checks, encouraging (not requiring) employees to wear cloth face coverings in the workplace, implementing policies and practices for social distancing and improving building ventilation systems. Additional measures to maintain a healthy work environment include rigorous cleaning and disinfection routines, incentives for avoiding mass public transportation and flexible sick leave and supportive policies and practices to flatten the curve. Additionally, we have seen best practices of designating one door for entry, and the other for exit and while in a store (especially grocers) aisles are clearly marked for “one way” travel to improve flow and minimize exposures for employees and customers.

### CONTACT:

JOHN ORR, CCIM  
843 906 0043  
JOrr@Lee-Associates.com

ELYSE WELCH, CCIM  
404 358 4259  
EWelch@Lee-Associates.com

LINDSEY HALTER  
864 270 2089  
LHalter@Lee-Associates.com

 **LEE &  
ASSOCIATES**  
COMMERCIAL REAL ESTATE SERVICES

 **CRE**  
CAROLINA RETAIL EXPERTS

## RESTAURANT RETAIL (Phase II) May 11th

Restaurants are allowed to be open with limited indoor dining. In addition to the CDC guidelines, table condiments such as salt, pepper, ketchup, etc. should be removed from the tables and replaced with single use condiments and if possible disposable utensils. Space tables at least 6 feet apart in order to keep diners at least 6 feet from other tables, or in the alternative seat tables in rotation such that diners are always 6 feet apart. No more than eight customers at any one table. Reduce seating and dining rooms so that occupancy may not exceed 50% and remove barstool seating to maintain 6 feet distance. Additional back of the house food safety, staff safety and customer safety plans are also in place.

Throughout the quarantine Drive-through only restaurants have been able to remain open. Restaurants were required to close dining rooms until Phase II. Many of these operators indicated sales declines of 30% - 50% during this time with sales beginning to return with Phase II rules allowing customers to return to the dining room.

Fast casual restaurants are seeing customers return, especially those with outdoor seating options. Most are reporting sales declines of 50% or greater. Labor continues to be a challenge with this wage earner receiving more from unemployment than their typical work wages. This is forcing some employers to increase pay just to staff their restaurant, causing further increasing costs on a marginally profitable 50% open dining room.

Casual dining and contemporary casual (Olive Garden, LongHorn, etc.) have been slower to reopen with most planning re-openings by early June.



Family style & buffet restaurants (China Super Buffet, Golden Coral, etc.) are mostly open for takeout, not dining room services. Phase II requires any Buffets and self-service stations be dispensed by staff, or discontinue these services. It remains to be seen when or how this genre will reasonably reopen this type service until there is a vaccine. I believe this is the highest risk restaurant group in danger of going out of business.



Fine dining restaurants are re-opening under the Phase II Guidelines. The smaller units seem to be able to afford to open with the limited seating capacity rules at a break-even proposition especially with alcohol sales. Discussions with various fine dining operators lead me to believe the sweet spot is around 2500 ft.<sup>2</sup>. Restaurants larger than 2500 ft.<sup>2</sup> have additional staff, inventory and other expenses that require close to 80% occupancy in order to break-even. These larger restaurants also typically have a brisk bar service with high alcohol sales by the drink that further contribute to the profit. The Phase II guidelines impact the bar service dramatically.

One trend which has come to the forefront is Ghost Restaurants or Ghost Kitchens. As certain concepts have grown their delivery and take away businesses, they have also discovered that once the dining room opens to full capacity, they will not be able to service this portion of the business from the current facility. A few operators are in the early stages of looking for second Row industrial space where they can install a ghost kitchen for takeout and delivery of 3 to 10 different menus. This is a decided shift in consumer behavior driving these restauranters to investigate ghost kitchens in smaller markets while they have been prominent in the more dense MSAs for the last few years.

### CONTACT:

JOHN ORR, CCIM  
843 906 0043

[JOrr@Lee-Associates.com](mailto:JOrr@Lee-Associates.com)

ELYSE WELCH, CCIM  
404 358 4259

[EWelch@Lee-Associates.com](mailto:EWelch@Lee-Associates.com)

LINDSEY HALTER  
864 270 2089

[LHalter@Lee-Associates.com](mailto:LHalter@Lee-Associates.com)

 LEE &  
ASSOCIATES  
COMMERCIAL REAL ESTATE SERVICES

 CRE  
CAROLINA RETAIL EXPERTS

## CLOSE CONTACT BUSINESSES

Close Contact businesses are the most recent to have restrictions lifted (May 18th).

A couple notable requirements are that all providers and customers will wear facemasks to the extent possible and appropriate PPE will be made available and worn when deemed necessary. Similar to restaurant dining rooms, 6 feet are required between seats in any waiting area or service area. Linens are required to use bleach or an EPA registered disinfectant laundry additive. I have spoken to a few hair salon owners who tell me they struggle with re-opening because their employees are receiving unemployment, and also moonlighting cutting hair in their kitchen. I believe the unemployment ends in the next couple of weeks, and when that does salon owners expect to see employees return to work. This is the same situation encountered within the restaurant industry to motivate labor to return to work.

For gyms and fitness centers staff members must utilize one-way entrance and exit, temperatures taken immediately upon entering the facility and must be below 100.4° in order to be allowed to enter. Gym capacity is limited to five people (staff and members) per 1000 SF or 20% capacity (whichever is less). Class sizes are limited to 10 participants, even if space permits more in order to decrease the number of people congregating before and after class. Equipment sharing and contact training (such as Boxing) are prohibited. Other restrictive uses at these facilities prohibit basketball, or any shared ball sports, no towel service, only every other piece of cardio equipment may be used and no drinking directly from water fountains but only water bottle filling. Locker rooms will be open, but showers will be unavailable and social distancing must be observed.



As a practical example Orange Theory is open at reduced occupancy. Classes are limited to 10 members plus one instructor and full staff (reception, disinfectant staffer) in the facility. You must register online for classes, and they ask that you to not arrive more 5 minutes before class. As you arrive, staff will take and log your temperature before you are allowed to enter. Staff will assign you a station for your use and only you touch that station number. Classes are limited to 45 minutes, with 15 minutes between classes for staff to deep clean and sanitize equipment.

## WHAT LIES AHEAD



Many hotels are preparing to open later this week in advance of Memorial Day, with others waiting until June. There doesn't seem to be a great rush to reopen the high-end hotels. There are additional restrictions on hotels mostly revolving around cleanliness and social distancing.

As retailers and especially restaurants reopen and get back to work it remains to be seen just how confident the consumer is at returning. Early indications are that customers are cautiously returning to soft goods retailers such as TJ Maxx and HomeGoods while practicing social distancing and mask wearing. Restaurants are taking the guidelines very seriously, which has led to a high degree of customer confidence and early indications are that the customers will return to the dining room as long as these guidelines are observed. Each day that passes where we have more safe interactions will instill consumer confidence and get businesses back to work!

### CONTACT:

JOHN ORR, CCIM  
843 906 0043

[JOrr@Lee-Associates.com](mailto:JOrr@Lee-Associates.com)

ELYSE WELCH, CCIM  
404 358 4259

[EWelch@Lee-Associates.com](mailto:EWelch@Lee-Associates.com)

LINDSEY HALTER  
864 270 2089

[LHalter@Lee-Associates.com](mailto:LHalter@Lee-Associates.com)

