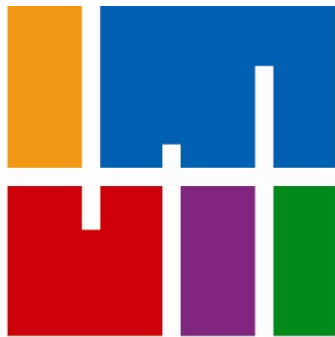


ECONOMIC DEVELOPMENT REPORT—DOWNTOWN RALEIGH

SECOND QUARTER 2014



DowntownRaleigh
Alliance

The Downtown Raleigh Alliance produced this quarterly report. The Alliance is an award-winning nonprofit organization whose mission is to continue to revitalize Raleigh's downtown by enhancing its quality of life and contributing to its economic success (For more information, visit www.youRhere.com). The DRA is also contracted by the City of Raleigh to enhance its tax base by generating new jobs, supporting existing businesses, and attracting new businesses—in particular storefront businesses—to Raleigh's downtown.

For questions concerning this report, please email info@downtownraleigh.org.

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RETAIL MARKET ANALYSIS

Disclaimer – The information contained herein has been obtained from sources deemed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty, or representation about it.

ECONOMIC DEVELOPMENT REPORT

HIGHLIGHTS

Downtown's second quarter was marked by a boom in residential development construction, which will bring more residents, workers, and customers to downtown and continue the district's strong momentum. Major projects, such as the Edison, the Lincoln, and Link Apartments joined other projects already under construction such as the L and Skyhouse, all of which will dramatically alter downtown and make into a more vibrant place to live. Many of these developments include both residential and retail spaces, allowing for more street level stores to enter downtown. Also, the forthcoming Citrix headquarters and Charter Square tower will add substantial numbers of employees and office space to downtown. In total, downtown Raleigh saw \$243 million in construction start during the second quarter of 2014 for a total of \$375 million in current construction in the business improvement district.

Announcements

The City of Raleigh Economic Development department launched a redesign of its website, raleigh4u.com, to support economic development and innovation in the city. The website includes a video showcasing the city's assets, along with news, business assistance, and other economic development-related information.

Work continues on the Downtown 2025 Master Plan and preliminary recommendations will be presented publicly on September 11th at 6:00pm at Marbles Children's Museum.

Construction Boom

Over **\$688.65 million** in projects are currently under construction (\$375 million) or in planning (\$313.65 million). More announcements are expected by the end of the year. Each district of downtown has projects under construction or planned.

Office Market

Construction of the Charter Square office tower, began at the end of March. This project consists of over 225,000 square feet of Class-A office space on Fayetteville Street and is aiming for a spring 2015 completion.

Office vacancy for the second quarter in downtown was 7.4% for Class A and Class B office space (Source: Jones Lang Lasalle).

Retail & Storefront Market

During the second quarter, at least **6 new street-level businesses opened** in downtown—clothing store, bakery, medical services, and several restaurants. At least **11 new street-level businesses have been announced** and are expected to open during the third quarter of 2014. As such, downtown Raleigh is slated to surpass last year's total of new street-level businesses during the third quarter of this year.

Also, **no street-level businesses closed in downtown Raleigh this quarter**, as part of trend towards fewer closings in downtown over the past seven years.

Since 2008, the DRA has confirmed a net gain of over 150 new street-level business openings in downtown.

Our analysis of current retail vacancies show an **average asking rent of \$18 per square foot**, an **average size of listing at 2,960 square feet** with a range of available spaces between 800-13,000 square feet.

Residential Market

There are eight residential projects under construction, which will bring hundreds of new residents to downtown. Currently, **1,109 units are under construction** with more planned to being in the near future. The hope is that downtown will soon reach a critical mass of residents, which in turn will attract more retailers. While most projects are apartment products, there is also townhome development in downtown as well.

Dining & Hospitality Market

Food and beverage **tax collections are up 12%** for downtown Raleigh over the second quarter 2013 and overall, are up 13% for the year to date versus 2013.

In total, there are 166 restaurants, cafes, and bars/clubs/lounges in the business improvement district.

In other news, the 900 square foot, \$2 million expansion of Marbles Kids Museum opened on June 2nd.

REAL ESTATE & POPULATION SNAPSHOT**REAL PROPERTY SQUARE FOOTAGE WITHIN THE BID**

<u>Existing Space</u>	<u>Square Feet</u>
Commercial Office	6,653,335
Retail	1,350,374
Governmental Office/Other	6,964,275
Residential	3,076,539
Other (Education, Religious, etc.)	5,305,977
Total Existing Space	23,350,400
<u>Under Construction/Planned Space</u>	
Residential	2,128,623
Commercial Office	523,598
Retail	160,362
Government/Other	26,000
Total Under Construction and Planned Space	2,838,583

DOWNTOWN HOTEL ROOMS

Existing Rooms	1,136
Planned	150

RESIDENTIAL UNITS

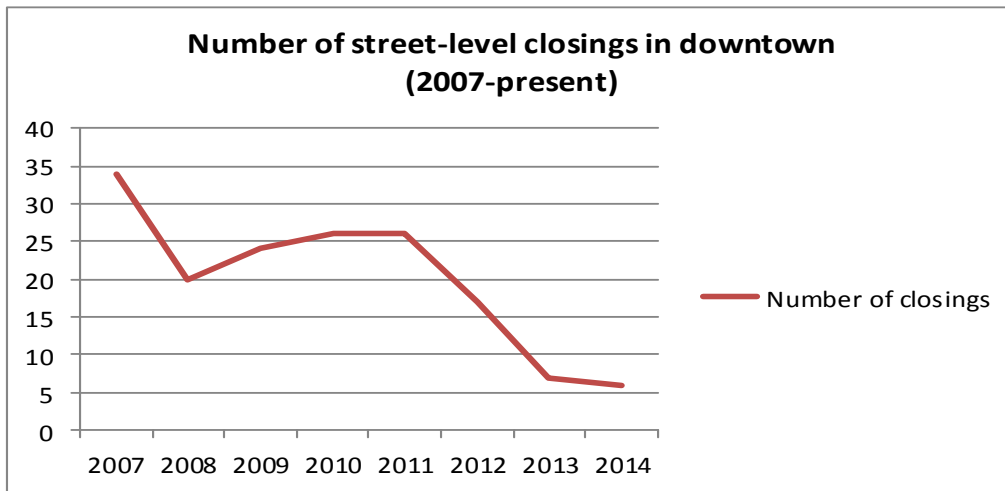
Existing Units Inside Business Improvement District (BID)	2127
Planned and Under Construction (P & UC) Residential Units Inside BID	1,821
Combined Existing, P & UC Units Inside BID	3,949

POPULATION DESCRIPTIVE STATISTICS*

Residents Within 1-mile Radius of Downtown Center Point	14,438
Average Household Income Within 1-mile Radius of Downtown	\$50,717
Housing Units Within 1-mile Radius	6,858
Average Household Size Within 1-mile Radius	1.80
% of Residents Within 1-mile Radius With Bachelor's Degree or Higher	39%
Median Age for Residents Within 2-mile Radius	30.5 years

Sources: DRA Internal Tracking, Karnes, ESRI Business Analyst projections for 2013.

HISTORICAL TRENDS	2008	2009	2010	2011	2012	2013	2014 to date
Street-Level Business Openings	45	39	54	41	38	20	19
Street-Level Business Closings	20	24	26	26	17	7	6
Year-End Office Occupancy	91.4%	91.6%	89.6%	89.9%	89.2%	93.3%	92.6%
Projects Announced	6	3	2	5	6	4	3
Public Investment (millions)	\$214	\$2.6	0	0	\$75	\$187	\$0
Private Investment (millions)	\$454	\$54	\$9.6	\$106.5	\$117.5	\$351	\$121
Projects Completed	9	10	3	5	5	8	3
Public Investment (millions)	\$312	\$39.3	\$2.5	0	\$130	\$88	\$0
Private Investment (millions)	\$284	\$139.9	\$7.4	\$22.3	\$29.8	\$156	\$43



2nd QUARTER 2014 STREET-LEVEL BUSINESS ACTIVITY

Business Openings:

Name	Type
1. DeMo's Pizzeria & Deli	Restaurant
2. Bittersweet	Cafe
3. MedFirst Medical Center	Medical office
4. Raleigh Sundries and Deli	Restaurant and Convenience Shop
5. Honor Raleigh	Clothing
6. Happy + Hale	Healthy Juices and Food

Business Closings:

None for this quarter.

Sources: DRA internal tracking, Karnes

DOWNTOWN RALEIGH DEVELOPMENT INVESTMENT

<u>Project Name</u>	<u>Investment</u>	<u>Project Type</u>	<u>Sq. Ft.</u>	<u>Res. Units</u>	<u>District</u>
<u>UNDER CONSTRUCTION</u>					
Blount Street Commons—Elan	\$ 50,000,000	Apartments	n/av	n/av	Capital
Peace Street Townes	\$ 5,000,000	Townhomes	20,000	17	Capital
200 S. Salisbury	\$ 3,000,000	Mixed Use	10,903	n/a	Fayetteville Street.
227 Fayetteville St.	\$ 8,000,000	Office	101,439	n/a	Fayetteville Street
Boylan Pearce Bldg.	\$ 5,500,000	Mixed Use	31,820	1	Fayetteville Street
Charter Square	\$ 54,000,000	Office	243,379	n/a	Fayetteville Street
Link Apartments	\$ 30,000,000	Apartments	276,119	203	Moore Square
The L	\$ 17,000,000	Apartments	110,000	83	Warehouse
Carolina Ale House	\$ 7,500,000	Dining & Bar	37,048	n/a	Glenwood South
The Lincoln	\$ 40,000,000	Apartments	318,000	224	Moore Square
Edison Apartments	\$ 40,000,000	Apartments	290,000	239	Moore Square
SkyHouse Raleigh	\$ 60,000,000	Apartments	358,986	320	Moore Square
Citrix	\$ 25,000,000	Office	166,000	n/a	Fayetteville Street
The Devon 425	\$ 35,000,000	Mixed Use	227,400	261	Glenwood South
TOTAL UNDER CONSTRUCTION	\$ 375,000,000		2,196,094	1,109	
<u>PLANNED</u>					
Residence Inn by Marriott	\$ 20,000,000	Hotel	150,000	145	Fayetteville Street
220 The Saint	\$ 7,000,000	Apartments	40,000	49	Glenwood South
513 W. Peace St.	\$ 250,000	Commercial	2,000	n/a	Glenwood South
The Beer Garden	\$ 1,000,000	Bar	8,670	n/a	Glenwood South
The Gramercy	\$ 30,000,000	Apartments	168,398	209	Glenwood South
West Apartments	\$ 20,000,000	Apartments	270,000	153	Glenwood South
West Apartments II	\$ 25,000,000	Apartments	286,480	170	Glenwood South
Edison Office	\$ 120,000,000	Office	315,000	n/a	Moore Square
Moore Square Renovation	\$ 15,000,000	Park	n/a	n/a	Moore Square
The Ten at South Person	\$ 2,400,000	Townhomes	16,824	10	Moore Square
Union Station	\$ 73,000,000	Transportation	26,000	n/a	Warehouse
TOTAL PLANNED	\$ 313,650,000		1,599,374	967	
PLANNED + UNDER CONSTRUCTION	\$ 688, 650,000				

Sources: DRA internal tracking

RETAIL VACANCY ANALYSIS

Figure 1



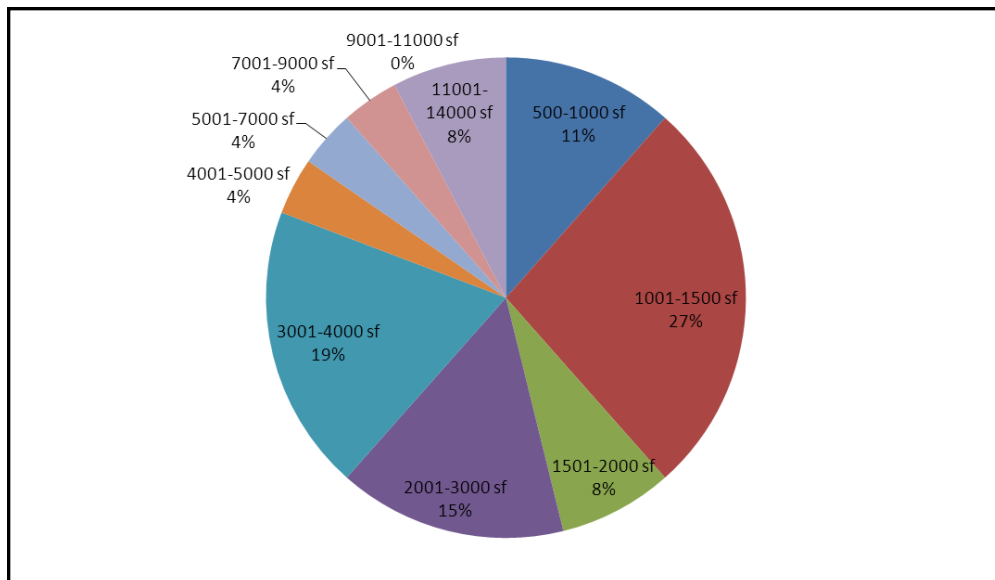
SIZE/SQUARE FOOTAGE SUMMARY

Using commercial real estate listing services, such as Tacquire and Triangle Commercial Property Exchange, as well conversations with local brokers, DRA conducted an analysis of active retail space listings to provide a snapshot of the current market for this type of real estate in downtown. In our analysis, we found:

- Average size of retail listings: 2,960 sf.
- Range of listings: 800-13,000 sf
- 35% of all listings are between 1,001-2000 sf with 69% of all listings between 1,001-4,000sf.

DISTRIBUTION OF SIZE OF LISTINGS

Figure 2



Analysis by DRA using Tacquire, Triangle Commercial Property Exchange

RETAIL VACANCY ANALYSIS

Figure 3

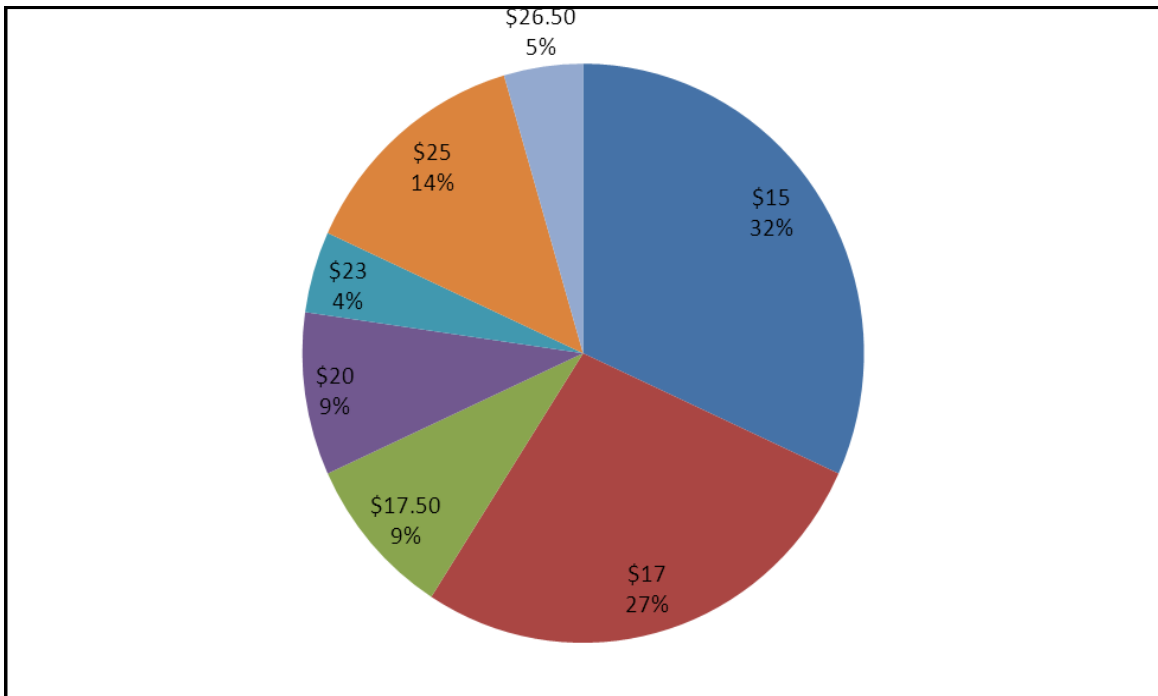
RENT SUMMARY

Our analysis also examined the current asking rents for retail properties in downtown Raleigh. We found:

- Average rent for all listings: \$18 per sf.
- Range of rent: \$9.50-\$25.
- Only one listing is below \$15 per sf.
- 77% of available listings range between \$15-\$20.

ASKING RENTS FOR RETAIL LISTINGS

Figure 4



Analysis by DRA using Tacquire, Triangle Commercial Property Exchange