DowntownRaleigh Alliance

# SECOND QUARTER 2010

ECONOMIC DEVELOPMENT, BID REPORT AND REAL ESTATE ANALYSIS

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The Downtown Raleigh Alliance is a non-profit corporation, organized pursuant to Section 501(c)(6) of the IRS Code. It is a membership organization open to any person, association, corporation or partnership. It is the official non-profit organization designated to manage and promote downtown as a regional center of commerce, tourism, and livability. Through its dedicated Board of Directors and professional staff, the Alliance team provides a comprehensive array of programs designed to build on the strengths of the Business Improvement District (BID). The programs are categorized into five main areas: Clean & Safe Ambassadors, Marketing & Events, Economic Development, City Plaza Management, and Advocacy. The Alliance was created in 1996 by a coalition of community advocates, corporate leaders, and government officials. The Alliance website is www.YouRHere.com. Raleigh Civic Ventures is the charitable arm of the Downtown Raleigh Alliance. It is designated as a 501(c)(3) tax-exempt organization allowing individuals or businesses to make tax deductible contributions which fund downtown projects. The information in this report can be considered accurate and reliable, but is not guaranteed.
For questions concerning this report, please email economic@downtownraleigh.org.

*To protect the commercial interests of property owners and managers who submit confidential information for the purpose of generating market-level analysis, the detailed section of the multi-tenant office market inventory is included only in the version of this report submitted to the City of Raleigh public officials.

# ECONOMIC DEVELOPMENT REPORT

## HIGHLIGHTS

### Developments

During the second quarter 2010, the City of Raleigh opened the **Raleigh Amphitheater and Festival Site** located on the west side of the Raleigh Convention Center. The project cost was $2.5M and the venue can accommodate a variety of events with a capacity to seat 5,500 people. The city owns the venue and has a booking agreement with Live Nation to program 12-15 major events annually.

Two groundbreaking ceremonies took place during the second quarter. First, the **Wake County Justice Center** (576,996 square feet) is under construction in the 200 block of S. Salisbury Street, and is scheduled to be completed in 2013, with total project costs estimated at $190M. Second, the **Contemporary Art Museum** (20,000 square feet) is under construction in the 400 block of W. Martin Street. Historic and New Market Tax Credits were secured to subsidize approximately half of the $5.5M redevelopment costs of an existing warehouse, and is scheduled for completion at the end of 2010.

### Announcements

The city's **Development Services Department** opened a cross-departmental **Customer Service Center** at One Exchange Plaza. The center provides the development community with a one-stop-shop approach to plan submission and review processes. Public and private sector members of the Development Services Advisory Committee worked collaboratively to recommend best practices systems that could effectively streamline services.

The Triangle Game Initiative hosted the second **Triangle Game Conference** during the second quarter, bringing over 50 participating companies and 900 attendees to the Raleigh Convention Center and Raleigh Marriott City Center. The conference is the leading East Coast event for developers and professionals working in the interactive entertainment and serious game industries. The Downtown Raleigh Alliance exhibited at the conference for the second year to promote downtown as a prime location to do business for gaming- and industry-related companies.

### Office Market

The second quarter **occupancy rate** for multi-tenant **office space** (greater than 10,000 square feet in the Business Improvement District) was **90.2%** (Class A: 92.5%; Class B: 91.8%; Class C: 75.6%), and **9.8% vacancy**. The market for multi-tenant office space in downtown Raleigh saw a **net absorption of -993 square feet** bringing a five-quarter total absorption to 53,425 square feet or about 1.7% of the surveyed market's total space.

### Street-Level Business Openings

During the second quarter **nine street-level businesses opened** or **re-opened** downtown. The majority of them are either restaurants or bars/clubs/lounges.

Since 2006, the DRA has confirmed over 175 new business openings downtown. In total, downtown has over 155 restaurants, cafes, and bars/clubs/lounges.

### Downtown Events

Thousands of people attended downtown events during the second quarter. A few examples include Earth Day, World Beer Festival, Raleigh Downtown Farmers Market, Downtown Raleigh Home Tour, and Artsplosure. Check out the online calendar for information about planned events at www.YouRHere.com.

### Media Exposure/Accolades*

Notable rankings for Raleigh during the second quarter include:
**#1 Quality of Life in America—Major Metros** (Raleigh-Cary) *Portfolio.com/bizjournals* (May); **#3 Most Innovative City** (Raleigh) *Forbes.com* (May); **#3 Best Place for Business and Careers** (Raleigh-Cary) *Forbes.com* (April); **#8 Best Place to Live** (Raleigh-Cary) *RelocateAmerica.com* (April).

*Source: Greater Raleigh Convention and Visitors Bureau

# DEMOGRAPHICS

## REAL PROPERTY SQUARE FOOTAGE WITHIN THE BID

| Existing Space | Square Feet |
|---|---|
| Commercial Office | 5,228,389 |
| Retail | 1,263,698 |
| Governmental Office/Other | 5,680,445 |
| Residential | 2,301,855 |
| Other (Education, Religious, etc.) | 5,263,677 |
| Total Existing Space | 19,738,064 |
| Under Construction/Planned Space | |
| Commercial Office | 1,020,000 |
| Retail | 206,500 |
| Government/Other | 1,207,000 |
| Total Under Construction and Planned Space | 2,433,500 |
| Combined Existing, Under Construction and Planned | 22,171,564 |

## DOWNTOWN HOTEL ROOMS

| | |
|---|---|
| Existing Rooms | 1,010 |
| Planned | 515 |

## RESIDENTIAL UNITS

| | |
|---|---|
| Existing Units Inside BID | 3,657 |
| Planned and Under Construction (P & UC) Residential Units Inside BID | 201 |
| Combined Existing, Planned and Under Construction Units Inside BID | 3,858 |

## POPULATION DESCRIPTIVE STATISTICS*

| | |
|---|---|
| Residents Within 1-mile Radius of Downtown Center Point | 13,668 |
| Average Household Income Within 1-mile Radius of Downtown | $46,647 |
| Number of Households Within 1-mile Radius | 6,725 |
| Average Household Size Within 1-mile Radius | 1.91 |
| % of Residents Within 1-mile Radius With Bachelor's Degree or Higher | 35.3% |
| Median Age for Residents Within 1-mile Radius | 34 years |

(*U.S. Bureau of the Census, 2000; ESRI **forecast** for 2009)

## ANNUAL TRENDS

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 to-date |
|---|---|---|---|---|---|---|---|---|---|
| Street-Level Business Openings | 24 | 21 | 26 | 20 | 36 | 37 | 45 | 39 | 22 |
| Street-Level Business Closings | 25 | 13 | 18 | 8 | 25 | 34 | 20 | 24 | 11 |
| Year-End Office Occupancy | 91.8% | 88.2% | 85.9% | 86.6% | 89.6% | 91.5% | 91.4% | 91.6% | 90.2% |
| Projects Announced | 9 | 16 | 26 | 34 | 11 | 6 | 6 | 3 | 0 |
| Public Investment (millions) | $0.3 | $3.2 | $237.4 | $330.0 | $0.0 | $362.7 | $214 | $2.6 | 0 |
| Private Investment (millions) | $157.6 | $202.1 | $353.5 | $615.0 | $503.2 | $109.9 | $454 | $54 | 0 |
| Projects Completed | 1 | 0 | 2 | 7 | 3 | 5 | 9 | 10 | 1 |
| Public Investment (millions) | $10.5 | $0 | $0 | $2.0 | $11.5 | $0 | $312 | $39.3 | $2.5 |
| Private Investment (millions) | $0 | $0 | $106.0 | $90.0 | $0.7 | $107.2 | $284 | $139.9 | 0 |

## 2nd QUARTER STREET-LEVEL BUSINESS ACTIVITY

| Business Openings: | Address | Month |
|---|---|---|
| 1. Club Raleigh Live | 411 W. Morgan St. | April |
| 2. La Volta | 411 Fayetteville St. | May |
| 3. Mirage Night Club and Sushi Lounge | 400 N. West St., Suite 110 | May |
| 4. Liquid Nightclub | 311 S. Harrington St. | May |
| 5. Still Life Nightclub and Ultra Lounge | 400 N. West St., Suite 120 | June |
| 6. Capital Club 16 | 16 W. Martin St. | June |
| 7. The Union | 327 W. Davie St., Suite 114 | June |

| Business Re-openings: | | |
|---|---|---|
| 1. Capitol City Barber Shop | 115 E. Hargett St. | April |
| 2. The Rockford | 320 1/2 Glenwood Ave. | June |

| Business Closings: | | |
|---|---|---|
| 1. Mosquito | 311 S. Harrington St. | April |
| 2. Get Dressed | 600 N. West St. | May |
| 3. Ess Lounge | 327 W. Davie St. | June |
| 4. Pharaoh's | 170 E. Davie St. | June |

2nd Quarter Totals

Openings/Re-openings: 9

Closings: 4

## DEVELOPMENT IN THE PLANNING STAGES

| Project Name | Project Type | Construction Cost | Status |
|---|---|---|---|
| Charter Square | Mixed-Use Commercial | $130,000,000 | Approved, Pre-leasing |
| L Building | Mixed-Use Commercial | $26,000,000 | Approved, Pre-leasing |
| AIA NC Center for Architecture & Design | Commercial | $4,500,000 | Approved |
| 111 Seaboard | Mixed-use Commercial | $1,500,000 | Planning Process |
| Overlook (Seaboard) | Residential | $20,000,000 | Approved |
| Boylan Flats | Residential | $3,000,000 | Approved |
| Powerhouse Plaza | Mixed-use Commercial | $46,000,000 | Approved |
| Clarence Lightner Public Safety Center | Public Sector | $205,000,000 | Design Funding Approved |
| Edison | Mixed-use Commercial | $400,000,000 | Approved, Pre-leasing |
| Bloomsbury Estates (Phase II) | Residential | $26,000,000 | Approved |
| North Carolina State Bar | Commercial | $14,000,000 | Planned |
| Total Planned Development | | $876,000,000 | |

## DEVELOPMENT UNDER CONSTRUCTION

| Project Name | Project Type | Construction Cost | Estimated Timeline |
|---|---|---|---|
| Blount Street Commons (Phase 1) | Mixed-Use Residential | $80,000,000 | 2009-2012 (Phases) |
| Green Square | Museum/Cultural/Office | $115,000,000 | 2011 |
| Contemporary Art Museum | Arts & Entertainment | $5,500,000 | 2010 |
| State Employees Credit Union | Commercial | $40,000,000 | 2011 |
| Wake County Justice Center | Public Sector | $190,000,000 | 2011 |
| Total Development Under Construction | | $430,500,000 | |

## MULTI-TENANT OFFICE MARKET INVENTORY (>10,000 SQ. FT.)

Total: 3,062,663 | Absorption: -993

Available: 300,010 | Vacancy: 9.8%

| Class | Absorption | Vacancy |
|---|---|---|
| A | -20,141 | 7.5% |
| B | 21,850 | 8.2% |
| C | -2,702 | 24.4% |

# BID SERVICES REPORT

## SAFETY AMBASSADORS SERVICE INFORMATION

| | Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. | Year to Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Maps, Brochures, Downtown Guides | 14,296 | 11,728 | 11,641 | 14,235 | 13,100 | 8,399 | | | | | | | 73,399 |
| Directions, Assistance, AAA | 1,072 | 1,281 | 1,700 | 1,588 | 2,039 | 1,866 | | | | | | | 9,546 |
| Disturbing the Peace, Trespass, Panhandlers | 149 | 172 | 146 | 126 | 202 | 199 | | | | | | | 994 |
| EMS, Fire, Police | 21 | 14 | 15 | 12 | 10 | 13 | | | | | | | 85 |
| Establishment/Property Owner Contact | 522 | 578 | 554 | 616 | 659 | 617 | | | | | | | 3,546 |
| Escorts | 42 | 51 | 51 | 47 | 43 | 55 | | | | | | | 289 |
| Total Personal Interactions | 16,102 | 13,824 | 14,107 | 16,624 | 16,053 | 11,149 | | | | | | | 87,859 |

## CLEAN AMBASSADORS SERVICE INFORMATION

| | Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. | Year to Date |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Graffiti Removal (# of instances) | 41 | 35 | 26 | 19 | 22 | 35 | | | | | | | 178 |
| Litter/Debris Removed (pounds) | 4,405 | 4,222 | 4,327 | 4,591 | 5,433 | 4,487 | | | | | | | 27,465 |
| Sidewalk Sweeper (hours) | 101 | 77 | 86 | 132 | 138 | 78 | | | | | | | 612 |
| Weed Removal (block faces) | 0 | 0 | 0 | 0 | 9 | 37 | | | | | | | 46 |

# RESIDENTIAL REAL ESTATE ANALYSIS

## GEOGRAPHIC DISTRIBUTION OF SALES

Figure 1

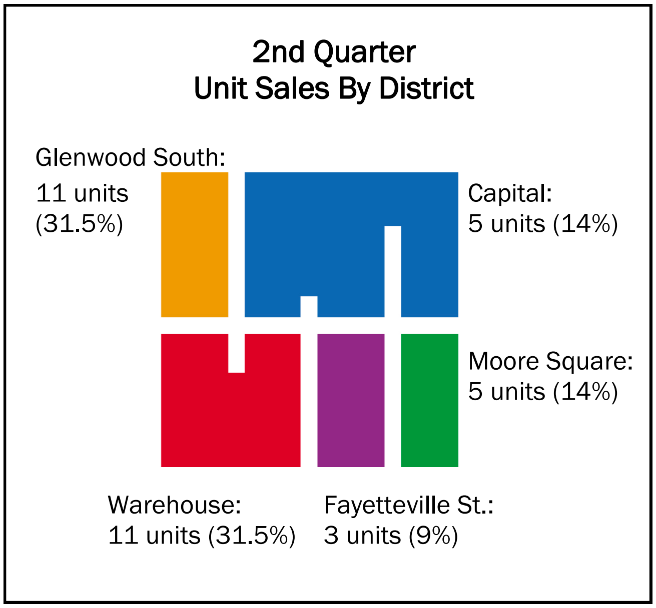



Figure 1 illustrates that during the **second quarter** of 2010, **35 sales** were recorded for downtown residential properties including **69% new-unit sales.** The main concentrations of new sales were in the **Glenwood South District (31.5%)** primarily at WEST and 222 Glenwood, and the **Warehouse District (31.5%)** primarily at Bloomsbury Estates.

The **mean cost per square foot** for residential properties sold in the second quarter was **$241.83**, a $38.08 decrease from the first quarter. The second quarter **median** was **$243.06**, a decrease of $17.36 from the first quarter.

Regarding the highs and lows of residential sales during the second quarter, the **most expensive unit ($/sq. ft.)** sold was a **1,536 sq. ft.** condo at The Plaza (RBC) for **$353.19 per sq. ft.**, while the **least expensive unit** sold (resale) was a **1,370 sq. ft.** condo at Park Devereux for **$151.09 per sq. ft.**

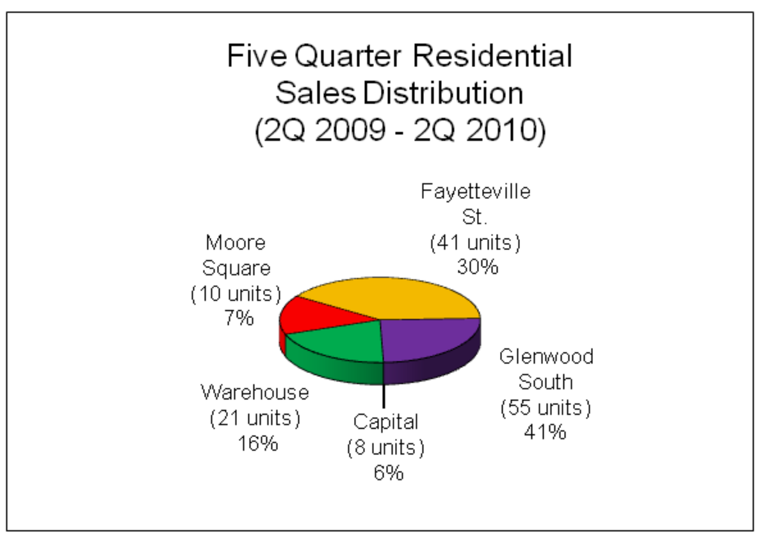
**These figures represent the actual closings on real estate transactions and do not include the reservations and contracts made on planned or under construction projects.**

## CUMULATIVE GEOGRAPHIC DISTRIBUTION OF SALES

Figure 2

Figure 2 provides a **geographic breakdown** of **residential sales (135)** over the **last five quarters**, beginning with the second quarter of 2009. The Glenwood South District leads in closings (55).

The chart is more an indication of where product is becoming available for sale rather than an indication of consumer preference. Several projects that began or were completed in 2009 will help balance out the geographic distribution and type of residential product in downtown. For example, more product will be coming available at Blount Street Commons (Phase I) in the Capital District during 2010-2011.



## ESTIMATED MULTI-FAMILY RESIDENTIAL PRODUCT DELIVERY TIMELINE

| Project Name | Completed/Planned/ Under Construction | Product Type | District | Project Completion Date | # of units |
|---|---|---|---|---|---|
| Carlton Place | Completed | Mixed-income rental | Moore Square | 1Q 2007 | 81 |
| Quorum Center | Completed | For-sale condos | Glenwood South | 1Q 2007 | 37 |
| Palladium Plaza | Completed | For-sale condos | Moore Square | 2Q 2007 | 66 |
| | | | | **2007 Total** | **184** |
| Chavis Heights Hope VI | Completed | Mixed-income rental | Moore Square (East) | 1Q 2008 | 168 |
| 222 Glenwood | Completed | For-sale condos | Glenwood South | 3Q 2008 | 117 |
| RBC Plaza | Completed | For-sale condos | Fayetteville Street | 4Q 2008 | 139 |
| WEST | Completed | For-sale condos | Glenwood South | 4Q 2008 | 170 |
| | | | | **2008 Total** | **594** |
| Bloomsbury Estates I | Completed | For-sale condos | Warehouse | 2Q 2009 | 56 |
| 712 Tucker | Completed | Apartment Rentals | Glenwood South | 2Q 2009 | 179 |
| HUE | Completed | For-sale condos | Warehouse | 3Q 2009 | 208 |
| | | | | **2009 Total** | **443** |
| Blount Street Phase I | Under Construction | For-sale condo/town | Capital | 2010 | 15 |
| Blount Street Phase II | Planned | For-sale condo/town | Capital | 2011 | 186 |
| | | | | **2010-11 Total** | **201** |