

DowntownRaleigh
Alliance

FOURTH QUARTER 2009

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. Our vision is to be recognized as the leader and champion for a dynamic and vibrant downtown. We are the guiding force in shaping a healthy center that anchors the city and region. Our mission is to effectively and efficiently deliver five core services. Through our dedicated Board of Directors and staff, we are responsible for providing the following services in the Business Improvement District (BID): economic development, advocacy and member support, marketing and events, Clean and Safe Ambassador Services, and public space management. 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

City Plaza and The Pavilions at City Plaza were completed in the fourth quarter. This project resulted from a culmination of public sector investment of **\$14,000,000** from the **City of Raleigh** and private sector investment of **\$1,300,000** from **The Simpson Organization**. The project converted the 400 block of Fayetteville Street into a well-designed public gathering space with light towers, a fountain, art pedestals, free WiFi service, and four retail pavilions. Fayetteville Street was opened to vehicular traffic providing access between Lenoir Street and Davie Street.

Announcements

During the fourth quarter, several announcements were released. The **Raleigh City Council** officially named **Chris Counts**, Charlottesville, VA, as the winner of the jury-based **Moore Square Design Competition**. A master plan will be developed, but implementation is contingent on funding from the City of Raleigh and approval by the state of North Carolina who owns the property.

The **Contemporary Art Foundation** announced plans to begin construction of the **Contemporary Art Museum** during the first quarter of 2010. The **20,000 square foot museum** slated for W. Martin Street will have galleries and classrooms. A **\$5,000,000** capital campaign is underway for design and construction costs.

Raleigh City Council approved **\$2,620,000** for an **outdoor amphitheater and festival site**. This project is planned to be constructed on City-owned property on the west side of the Raleigh Convention Center. The City will manage operations and Live Nation Worldwide Inc. will book major music events. The venue is designed to accommodate **5,000 people** and will host a variety of concerts and events. The site is scheduled to open in mid-2010.

The **State Employees' Credit Union (SECU)** announced that its charitable foundation will provide **\$4,000,000** toward the construction of the **Nature Research Center**. SECU's planned office building, as well as the Nature Research Center, are part of the large-scale **Green Square** project being developed with public and private investments of over \$125,000,000.

Office Market

The fourth quarter **occupancy rate** for multi-tenant **office space** (greater than 10,000 square feet in the Business Improvement District) was **90.4%** (Class A: 92.5%; Class B: 92.3%; Class C: 78.6%), and **9.6% vacancy**. The market for multi-tenant office space in downtown Raleigh saw a **net absorption of 54,857 square feet** bringing a five-quarter total absorption to 45,067 square feet or about 1.5% of the surveyed market's total space.

Ground-Level Business Openings and Relocations

In the fourth quarter, downtown welcomed **13 new, ground-level business openings** including five new restaurants/cafés/bars. Two existing businesses moved to new locations downtown.

Since 2006, the DRA has confirmed 157 new business openings downtown. In total, downtown boasts over 150 bars, restaurants, and cafés.

Downtown Events

Thousands of people attended events downtown during the fourth quarter. A few examples included **Triangle Run/Walk For Autism**, **Raleigh Wide Open 4**, **City of Oaks Marathon/Rex Healthcare Half Marathon**, **Raleigh Christmas Parade**, **AT&T Raleigh Winterfest**, and **First Night Raleigh**. Check out the online calendar for information about planned events at www.YouRHere.com.

Media Exposure/Accolades*

Notable rankings for Raleigh during the fourth quarter include: **#3 Best Places to Launch a Business** (Raleigh-Cary) *Fortune Small Business* (October); **#10 Best Performing Cities** (Raleigh-Cary) *Milken Institute* (November); and **11 Restaurants Worth the Money: Southeast** (Poole's Diner) *Gourmet* (October).

*Source: Greater Raleigh Convention and Visitors Bureau

DEMOGRAPHICS

REAL PROPERTY SQUARE FOOTAGE WITHIN THE BID

	<u>Existing Space</u>	<u>Square Feet</u>
Commercial Office		5,211,389
Retail		1,263,698
Governmental Office/Other		5,680,445
Residential		2,301,855
Other (Education, Religious, etc.)		5,280,677
Total Existing Space		19,738,064
 <u>Under Construction/Planned Space</u>		
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

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	1,017
Combined Existing, Planned and Under Construction Units Inside BID	4,674
Existing Units Inside 1-mile Radius of Downtown Center Point	6,334
Planned and Under Construction Inside 1-mile of Downtown	1,428
Combined Existing, P & UC Units Inside 1-mile Radius of Downtown	7,762

POPULATION DESCRIPTIVE STATISTICS*

Residents Within 1-mile Radius of Downtown Center Point	13,187
Average Household Income Within 1-mile Radius of Downtown	\$48,317
Number of Households Within 1-mile Radius	5,719
Average Household Size Within 1-mile Radius	1.91
% of Residents Within 1-mile Radius With Bachelor's Degree or Higher	34.6%
Median Age for Residents Within 1-mile Radius	34 years

(*U.S. Bureau of the Census, 2000; ESRI **forecast** for 2008)

4th QUARTER 2009

Economic Development, BID Report and Real Estate Analysis

ANNUAL TRENDS	2001	2002	2003	2004	2005	2006	2007	2008	2009
Street-Level Business Openings	24	24	21	26	20	36	37	45	39
Street-Level Business Closings	19	25	13	18	8	25	34	20	24
Year-End Office Occupancy	95.6%	91.8%	88.2%	85.9%	86.6%	89.6%	91.5%	91.4%	91.6%
Projects Announced	13	9	16	26	34	11	6	6	3
Public Investment (millions)	\$27.1	\$0.3	\$3.2	\$237.4	\$330.0	\$0.0	\$362.7	\$214	\$2.6
Private Investment (millions)	\$92.6	\$157.6	\$202.1	\$353.5	\$615.0	\$503.2	\$109.9	\$454	\$14
Projects Completed	2	1	0	2	7	3	5	9	10
Public Investment (millions)	\$0	\$10.5	\$0	\$0	\$2.0	\$11.5	\$0	\$312	\$39.3
Private Investment (millions)	\$12.5	\$0	\$0	\$106.0	\$90.0	\$0.7	\$107.2	\$284	\$139.9

4th QUARTER STREET-LEVEL BUSINESS ACTIVITY

Business Openings:	Address	Month
1. Edelweiss Café	317 Blake St.	October
2. Rapid Fitness	509 W. North St.	October
3. The Downtown Sports Bar & Grill	410 Glenwood Ave., Suite 140	October
4. Krav Maga	115 1/2 E. Hargett St.	October
5. The Acupuncture Studio	112-B N. Person St.	October
6. Lee Hansley Gallery, Too (holiday season)	126 Glenwood Ave.	October
7. Krispy Kreme	442 Fayetteville St.	October
8. Shish Kabob	438 Fayetteville St.	November
9. Tantra	310 S. West St.	November
10. Fubar	412 W. Davie St.	November
11. Jimmy John's Gourmet Sandwiches	437 Fayetteville St.	November
12. Isaac Hunter's Oak City Tavern	112 Fayetteville St.	November
13. Crumb (at DesignBox)	323 W. Martin St., Suite 100	December

Business Relocations:		
1. Flanders Gallery	302 S. West St.	October
2. The Collectors Gallery	443 Fayetteville St.	October

Business Closings:		
1. Sin City/LC's Downtown	412 W. Davie St.	October
2. Blue Martini	116 N. West St.	October
3. Stuff Consignment	307 W. Martin St.	November
4. Metro Café	309 Blake St.	December
5. Champa Thai	16 W. Martin St.	December

4th Quarter Totals

Openings: 13
Closings: 5

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
Contemporary Art Museum	Arts & Entertainment	\$5,500,000	Approved
Powerhouse Plaza	Mixed-use Commercial	\$46,000,000	Approved
Clarence Lightner Public Safety Center	Public Sector	\$226,000,000	Design Funding Approved
Wake County Justice Center	Public Sector	\$214,000,000	Approved
Edison	Mixed-use Commercial	\$400,000,000	Approved, Pre-leasing
Bloomsbury Estates (Phase II)	Residential	\$26,000,000	Approved
State Employees Credit Union	Commercial	n/a	Approved
North Carolina State Bar	Commercial	\$14,000,000	Planned
Amphitheater/Festival Site	Arts & Entertainment	\$2,600,000	Approved
Total Planned Development		\$1,119,100,000	

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	\$115,000,000	2011
Total Development Under Construction		\$195,000,000	

MULTI-TENANT OFFICE MARKET INVENTORY (GREATER THAN 10,000 SQ. FT.)

Total: 3,026,163	Absorption: 54,857	Class	Absorption	Vacancy
		A	17,920	7.5%
		B	407	7.7%
Available: 289,048	Vacancy: 9.6%	C	36,530	21.4%

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	3,306	6,187	2,256	2,223	560	2,902	8,853	8,653	13,347	10,342	8,138	11,134	77,901
Directions, Assistance, AAA	925	915	920	1,025	1,091	1,290	1,371	1,282	1,288	1,261	1,263	1,381	14,012
Disturbing the Peace, Trespass, Panhandlers	23	26	13	25	71	53	102	89	67	74	96	72	711
EMS, Fire, Police	2	5	24	5	1	7	12	9	9	8	21	22	125
Establishment/Property Owner Contact	674	566	617	716	672	591	737	629	678	635	532	420	7,467
Escorts	45	63	31	63	60	59	56	83	61	153	75	72	821
Total Personal Interactions	4,975	7,762	3,861	4,057	2,455	4,902	11,131	10,745	15,450	12,473	10,125	13,101	101,037

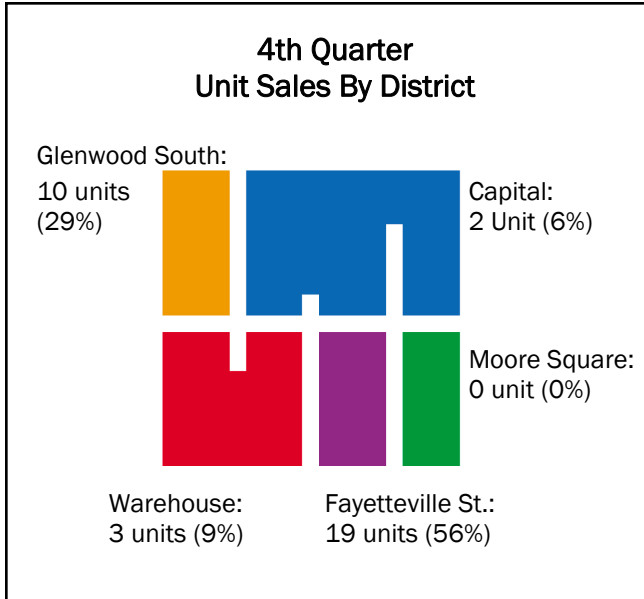
CLEAN AMBASSADORS SERVICE INFORMATION

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Year to Date
Graffiti Removal (# of instances)	5	0	0	40	63	2	14	9	139	17	10	28	372
Litter/Debris Removed (pounds)	5,921	3,045	2,459	3,490	4,089	3,726	4,394	4,058	4,904	7,359	5,578	6,991	56,014
Sidewalk Sweeper (hours)	46	0*	0*	0*	0*	0*	94	96	111	118	63	99	627
Weed Removal (block faces)	0	0	0	16	91	51	55	67	41	30	6	6	363

*Equipment not operational/servicing

RESIDENTIAL REAL ESTATE ANALYSIS

Figure 1



GEOGRAPHIC DISTRIBUTION OF SALES

Figure 1 illustrates that during the **fourth quarter** of 2009, **34 sales** were recorded for downtown residential properties within the Business Improvement District, including **76% new-unit sales**. The main concentrations of sales were in the **Fayetteville Street District (56%)** at The Plaza (RBC) and also in the **Glenwood South District (29%)** primarily at 222 Glenwood and WEST.

The **mean cost per square foot** for residential properties sold in the fourth quarter was **\$273.11**, a \$6.27 decrease from the third quarter. The fourth quarter **median** was **\$253.41**, a decrease of \$16.80 from the third quarter.

Regarding the highs and lows of residential sales during the fourth quarter, the **most expensive unit (\$/sq. ft.)** sold was a **1,832 sq. ft. unit at WEST for \$359.17 per sq. ft.**, while the **least expensive** was a **1,718 sq. ft. unit resale at Hudson for \$145.52 per sq. ft.**

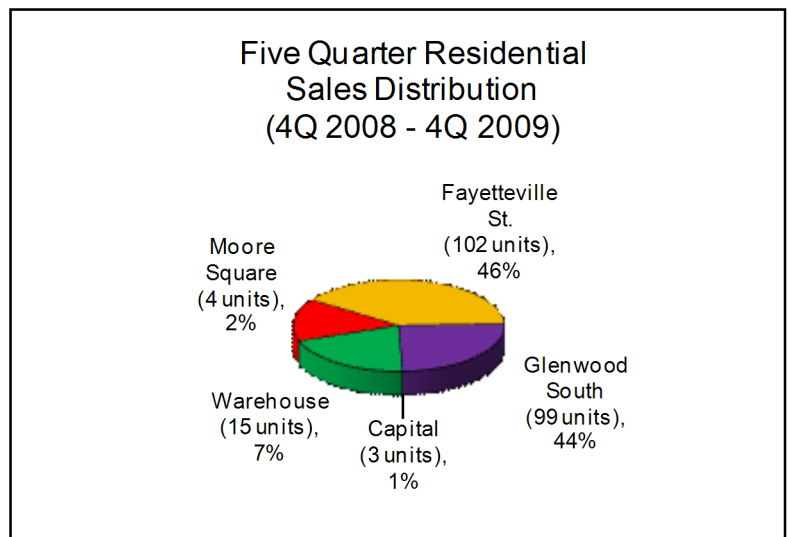
These figures represent the actual closings on real estate transactions and do not include the reservations and contracts made on planned or under construction projects.

CUMULATIVE GEOGRAPHIC DISTRIBUTION OF SALES

Figure 2

Figure 2 provides a **geographic breakdown** of residential sales (223) over the **last five quarters**, beginning with the fourth quarter of 2008. The Fayetteville Street District leads in closings (102).

The chart is more an indication of where product is becoming available for sale rather than an indication of consumer preference. Several projects completed in 2009 will help balance out the geographic distribution and type of residential product in downtown. For example, sales at HUE in the Warehouse District will begin to be documented in 1Q10 and more product is being completed at Blount Street Commons (Phase I) in the Capital District.



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	100
Bloomsbury Estates II	Planned	For-sale condos	Warehouse	2011-2012	55
Charter Square	Planned	For-sale condos	Fayetteville Street	2011-2012	154
Boylan Flats	Planned	For-sale condos	Glenwood South	2011-2012	14
2010-11 Total					323