

ECONOMIC DEVELOPMENT REPORT—DOWNTOWN RALEIGH

THIRD QUARTER 2016



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 City of Raleigh is a key partner of the DRA in its economic development efforts to revitalize downtown. DRA receives a grant from the city to enhance its tax base by generating new jobs, supporting existing businesses, and attracting new businesses—in particular storefront businesses.

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

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ECONOMIC DEVELOPMENT REPORT

HIGHLIGHTS

Downtown's third quarter saw new street-level businesses open, more major construction projects, and several new buildings completed or near completion.

- An estimated **3,400+ residential units** are either under construction, planned to begin construction in the next year or already opened in 2015 and 2016. Downtown now has over **4,000 residential units** completed.
- At least **\$1.1 billion** in projects are under construction, were delivered in 2015 or planned/announced for downtown in the near future with several more major projects yet to announce their total investment figures.
- Over **4 million square feet** of space is in development, planned or recently delivered, including over **800,000 square feet** currently under construction and over **2.3 million** square feet has been delivered since the start of 2015.
- In the 3rd quarter, **14 new street-level businesses opened** ranging from soft goods retail to restaurants and bars with **three more already open** in early 4th quarter and a total of **23 more street-level businesses on the way**. Downtown has already surpassed its 2015 total of street-level openings.
- Food and beverage sales are up **8.1% in 2016** for downtown over the first two quarters of 2015.

Announcements

Over **1.1 billion** in projects are currently **under construction (\$328.7 million) completed construction (\$400.9 million)** or in **planning (\$295 million)**. More investment is certain, as investment figures are not yet available for some announced projects. Each district of downtown has projects under construction or planned. Also, public investment is strong with **\$132 million in public projects** either underway or soon to be starting construction.

Office Market

Construction is underway on The Dillon, a 17-story office tower in the Warehouse District. Other forthcoming buildings include Charter Square II, the News & Observer redevelopment, 301 Hillsborough St., and One Glenwood, which will all feature significant office allocations.

HQ Raleigh will be adding more space to incubate more companies downtown, while The Nest opened at 414 Fayetteville St. to house start ups that are outgrowing incubator spaces.

Companies either moving to or recently expanding in/to downtown in recent months include CloudGenix, WalkMe, Google Fiber, Personify, Pendo, CBRE, Kimley Horn.

Office vacancy is 11% with Class A at 13.3% and Class B 4.1% office space for 3rd Quarter. (Source: JLL)

Retail & Storefront Market

During the second quarter, **14 new street-level businesses opened** in downtown. Included in that total are a new pharmacy and market to Glenwood Avenue, clothing retailer, vintage furniture, bridal, and several new restaurants and bars. Retail had a strong quarter with **four new store openings** in 3rd quarter, **three more stores** in early 4th quarter and **four additional stores** on the way.

At least **23 more street-level businesses have been announced or confirmed** and are expected to open during the next few months including retail, restaurants, and bars.

New retail space is being added to downtown at The Edison Lofts and future projects like The Dillon, 301 Hillsborough St. and News & Observer sites.

Residential Market

Downtown now has **over 4,000 residential units** with the recent delivery of The Gramercy, Edison Lofts, Link, and Elan City Center. Construction continues on another **522 units with 914 more units announced as planned** with more coming. **3,400+ units** will be delivered this past year, under construction, or planned for the near future.

Dining & Hospitality Market

Food and beverage **sales are up 8.1% year-to-date for downtown vs. 2015**, showing strong growth for downtown's restaurants and bars. Warehouse District has the highest gain in 2016 with over **17% more revenue** versus 2015, while Glenwood South is up **11.2%**. The Fayetteville Street district saw a **21% rise** in sales in September 2016 vs. September 2015. In total, there are **nearly 200 restaurants, cafes, and bars/clubs/lounges** in the MSD.

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

<u>Existing Space</u>	<u>Square Feet</u>
Commercial Office	7,245,714
Retail	1,422,280
Governmental Office/Other	6,964,275
Residential	4,542,147
Other (Education, Religious, etc.)	5,330,977
Total Existing Space	25,223,393
Total Under Construction Space	868,324
Combined Existing, Under Construction and Planned	26,407,717

DOWNTOWN HOTEL ROOMS

Existing Rooms	1,136
Under Construction	175
Planned (announced # rooms)	419

RESIDENTIAL UNITS

Existing Units Inside Downtown	4,157
Planned and Under Construction (P & UC) Residential Units	1,436
Combined Existing, P & UC Units	5,593

P = Planned, UC = Under Construction, A = Announced

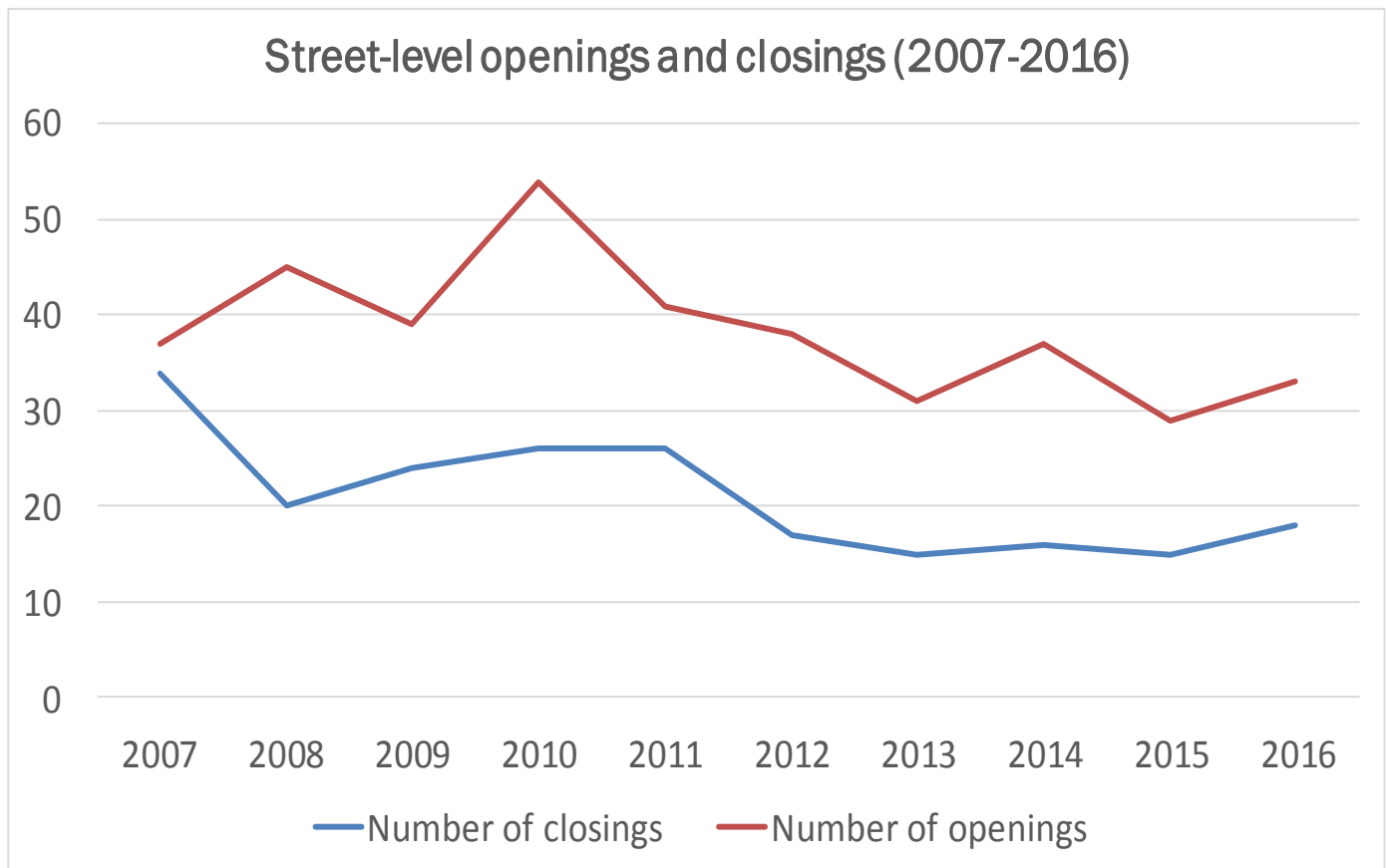
POPULATION DESCRIPTIVE STATISTICS

Residents Within Just the MSD Boundaries (estimate)	7,100
Residents Estimated Within Downtown	8,012
Residents Within 1-mile Radius of Downtown Center Point	15,240
Average Household Income Within 1-mile Radius of Downtown	\$51,687
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	43%

Sources: DRA Internal Tracking, U.S. Census

HISTORICAL TRENDS

	2010	2011	2012	2013	2014	2015	2016
Street-Level Business Openings	54	41	38	31	36	29	33
Street-Level Business Closings	26	26	17	15	16	15	18
Year-End Office Occupancy	89.6%	89.9%	89.2%	93.3%	89.9%	89.4%	89%
Public Investment started or underway	\$2.5	\$0	\$205	\$187	\$0	\$91	\$120
Private Investment started but not completed (millions)	\$9.6	\$106.5	\$117.5	\$351	\$133	\$261	\$177
Projects Completed	3	5	5	8	5	15	7
Private Investment completed (millions)	\$7.4	\$22.3	\$29.8	\$156	\$115	\$260	\$148



Sources: DRA internal tracking,

3rd QUARTER 2016 STREET-LEVEL BUSINESS ACTIVITY

Business Openings:

<u>Name</u>	<u>Type</u>
1. 42 & Lawrence	Coffee shop
2. Café Lucarne	Restaurant
3. Parkside	Restaurant
4. Whiskey Kitchen	Restaurant/Bar
5. Living Kitchen	Restaurant
6. Carroll's Kitchen	Restaurant
7. Bare Bones	Restaurant/Bar
8. Oak and Dagger Public House	Restaurant/Bar
9. Dram and Draught	Bar
10. Little City Provisions	Brewpub/Bodega
11. Glenwood Pharmacy and Market	Retail
12. Finds	Retail
13. The Art of Style	Retail
14. Gilded Bridal	Retail

Business Openings in Early 4th Quarter

<u>Name</u>	<u>Type</u>
1. Deco Home	Retail
2. Craft Habit (pop-up store)	Retail
3. Wylde Flowers	Retail

Business Closings in 3rd + 4th Quarter

<u>Name</u>	<u>Type</u>
1. Troy Mezze	Restaurant
2. San Lorenzo Bistro	Restaurant
3. Nuovonivo	Retail
4. High Cotton	Retail
5. Crisp	Restaurant
6. Dickey's BBQ	Restaurant
7. Bolt Bistro (concept change)	Restaurant

3rd QUARTER 2016 STREET-LEVEL BUSINESS ACTIVITY

Business Announcements (Coming Soon)

1. Brewery Bhavana	Restaurant/Retail/Brewery
2. Poolside Pie	Restaurant
3. Vidrio	Restaurant
4. Crawford and Son	Restaurant
5. Royale	Restaurant
6. Wahlburgers	Restaurant
7. Tolum	Restaurant
8. Pizza La Stella	Restaurant
9. The District	Restaurant
10. City Market Sushi	Restaurant
11. Tobacco Road Sports Cafe	Restaurant/Bar
12. The Outpost	Restaurant/Bar
13. Amorino Gelato Cafe	Gelateria
14. Emily & Co.	Retail
15. Flourish Market	Retail
16. Raleighwood Provisions	Retail
17. Oak City Market	Retail
18. Morgan Street Food Hall	Retail/Food hall
19. Gabriel Ryder Salon	Personal Services
20. Speakeasy	Bar
21. Watts and Ward	Bar
22. 616 Glenwood	Bar
23. The Cardinal	Bar

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>					
Union Station	\$79,800,000	Infrastructure	26,000	n/a	Warehouse
The Dillion (Kane redevelopment)	\$125,000,000	Mixed Use	210,000 (office)	262	Warehouse
Capital Blvd bridges/interchanges	\$36,000,000	Infrastructure	n/a	n/a	Capital
Metropolitan Apartments	\$52,000,000	Apartments/Retail	Not available	241	Glenwood South
Residence Inn by Marriott	\$20,000,000	Hotel	150,000	175 rooms	Fayetteville St.
Dr. Pepper Warehouse	\$3,000,000	Office	14,000	n/a	Warehouse
Google Fiber office	\$3,000,000	Office	9,926	n/a	Glenwood
GoRaleigh Transit Center renovation	\$9,900,000	Infrastructure	n/a	n/a	Moore Square
Hargett Place	Not announced	Townhomes	n/a	19	Moore Square
TOTAL UNDER CONSTRUCTION	\$ 328,700,000		868,324	522	
<u>PLANNED</u>					
301 Hillsborough St	\$160,000,000	Mixed Use	1.18-acre site	250	Capital/Warehouse
Moore Square renovation	\$12,900,000	Infrastructure	4-acre park	n/a	Moore Square
News and Observer Site	Not Announced	Mixed Use	3-acre site	n/a	Fayetteville St
Charter Square II	Not Announced	Mixed Use	250,000 (office)	247	Fayetteville St.
Edison Office	Not announced	Office	Not announced	n/a	Moore Square
HQ Raleigh expansion	Not announced	Office	Not Announced	n/a	Warehouse
One Glenwood	Not Announced	Office/mixed use	Not Announced	n/a	Glenwood South
220 The Saint	\$7,000,000	Apartments	66,000	17	Glenwood South
Kane Development (Peace and West St)	\$100,000,000	Mixed Use	Not Announced	400	Glenwood South
Hilton Garden Inn/Homewood Suites	Not Announced	Hotel	Not Announced	244 rooms	Fayetteville St.
Hotel at Wilmington and Lenoir Streets	Not Announced	Hotel	Not Announced	Not Announced	Fayetteville St.
Hotel at Enterprise site	Not Announced	Hotel	Not Announced	175 rooms	Fayetteville St.
Moore Square renovation	\$12,000,000	Park	n/a	n/a	Moore Square
Boylan Pearce Bldg.	Not announced	Mixed Use	31,820	n/a	Fayetteville Street
Peace Street streetscape project	\$2,000,000	Infrastructure	n/a	n/a	Glenwood South
Morgan Street Food Hall	\$2,000,000	Food Hall/Retail	22,000	n/a	Warehouse
TOTAL PLANNED	\$ 295,900,000			914 (res.)	
PLANNED + UNDER CONSTRUCTION	\$ 624,600,000				

Note: Several projects are announced or close to announcement, but have not publicly released their final development plans, so the Planned development section is subject to change and should be considered an estimate based on public information.

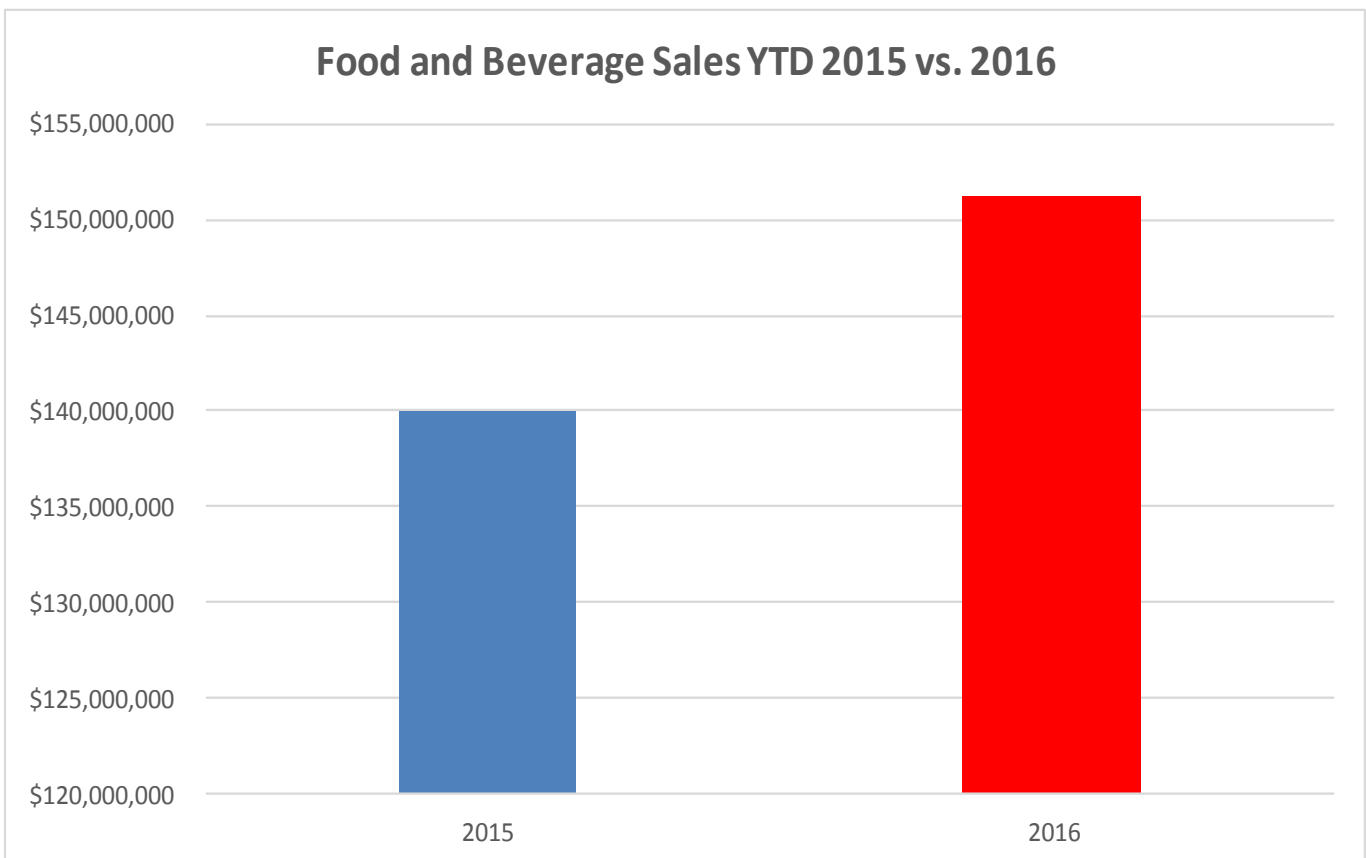
See next page for information on recently completed projects.

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>COMPLETED Since Start of 2015</u>					
The Edison Lofts	\$40,000,000	Apartments/Retail	290,000	223	Moore Square
The Ten at South Person	\$2,400,000	Townhomes	16,824	10	Moore Square
Bank of America Plaza renovation	\$11,000,000	Office	Renovation	n/a	Fayetteville St
The Lincoln	\$35,000,000	Apartments	318,000	224	Fayetteville Street
107 Fayetteville St.	\$1,220,000	Office	13,000	n/a	Fayetteville Street
Holy Trinity Anglican Church	\$11,000,000	Place of Worship	25,000	n/a	Capital
Raleigh Beer Garden	\$2,000,000	Bar	8,670	n/a	Glenwood South
Charter Square	\$63,000,000	Office	243,379	n/a	Fayetteville St
SkyHouse Raleigh	\$60,000,000	Apartments	358,986	320	Moore Square
The L	\$17,000,000	Apartments	110,000	83	Fayetteville St
200 S. Salisbury (Death and Taxes)	\$3,000,000	Restaurant	10,903	n/a	Fayetteville St
Four25 Devon	\$35,000,000	Mixed Use/residential	227,400	261	Glenwood South
Carolina Ale House	\$7,500,000	Dining & Bar	37,048	n/a	Glenwood South
Peace Street Townes	\$5,000,000	Townhomes	20,000	17	Capital
McClatchy Interactive office renovation/ expansion	\$3,600,000	Office	30,000	n/a	Fayetteville St
Taverna Agora	\$4,200,000	Restaurant	4,900	n/a	Capital
Elan City Center Apartments	\$30,000,000	Apartments	241,293	213	Capital
Link Apartments	\$30,000,000	Apartments	276,119	203	Glenwood South
Exchange and Market Plazas renovation	\$2,000,000	Civic Space	n/a	n/a	Fayetteville St.
227 Fayetteville St.	\$8,000,000	Office	101,439	n/a	Fayetteville Street
Blount St. Commons	\$8,000,000	Townhomes	Not available	46	Capital
The Gramercy	\$30,000,000	Apartments/Retail	168,398	203	Glenwood South
TOTAL DELIVERED	\$ 400,920,000		2,397,918	1,803	

3rd QUARTER TAX REVENUE FROM FOOD AND BEVERAGE ESTABLISHMENTS IN DOWNTOWN

Wake County collects a 1% tax on all food and beverage sales in the county. Tax revenue generated by food and beverage establishments in downtown Raleigh is **up 8.1% year to date over 2015**. Also, downtown was **up 5.7% overall** in food and beverage sales for 3Q 2016 versus 3Q 2015.



3rd QUARTER TAX REVENUE FROM FOOD AND BEVERAGE ESTABLISHMENTS IN DOWNTOWN

Warehouse District leads all downtown districts in food and beverage sales growth for 2016 versus the first two quarters of 2015 with over **17% growth** in food and beverage sales. Glenwood South continues its strong growth, as well with a **11.2% gain** over last year.

Moore Square improved this quarter to 0.6% gain in sales for 2016 versus this time last year, but the district is just saw new restaurants open with Café Lucarne, 42 & Lawrence, and new concepts coming such as Brewery Bhavan, Royale, The Outpost, Watts and Ward, Oak City Market, and Raleighwood Provisions. Additional restaurants also are expected at the newly completed Edison Lofts, as well as Amorino Gelato Café. Given the influx of new restaurants, Moore Square is expected to also see major growth in food and beverage sales over the later half of 2016 and early 2017.

