

## ECONOMIC DEVELOPMENT REPORT—DOWNTOWN RALEIGH

# FOURTH 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](http://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](mailto:billking@downtownraleigh.org).

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# ECONOMIC DEVELOPMENT REPORT

## HIGHLIGHTS

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

- An estimated **3,641 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** in existence, including **1,803 units delivered** since the start of 2015.
- At least **\$1.1 billion** in projects are under construction, were delivered in 2015/2016 or planned/announced for downtown in the near future with several more major projects yet to announce their total investment figures.
- For the first time ever, downtown saw **over \$200 million in food and beverage sales** in 2016, a **77% increase** since 2009 and **7.4% increase** over 2015.
- In the 4th quarter, **14 new street-level businesses opened** ranging from soft goods retail to restaurants and bars with **three more already open** in early 1st quarter and a total of **19 more street-level businesses on the way**. Downtown also far surpassed its 2015 total of street-level openings with the second most openings in the past decade with **47 new street level businesses opening in 2016**.

### Announcements

Over **1.1 billion** in projects are currently **under construction (\$380.1 million) completed construction (\$408.5 million)** or in **planning (\$315.9 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 **\$169 million in public projects** either underway or soon to be starting construction, including greenspace renovation at Moore Square and transit centers at Union Station and the renovated GoRaleigh Transit Center near Moore Square.

### Office Market

**Citrix**, a software company with offices in downtown, announced the addition of **400 more employees** to its downtown headcount. The company already has **over 900 employees** based in the Warehouse District.

Construction continues on The Dillon, a 17-story office tower in the Warehouse District. Other forthcoming buildings include City Centre/301 Hillsborough St., and One Glenwood, which will all feature significant office allocations.

HQ Raleigh is expanding its footprint with the addition of more space to incubate companies in downtown.

Companies either moving to or recently expanding in/to downtown in recent months include BDO, Morningstar Law Firm, CloudGenix, WalkMe, Pendo, and Personify.

**Office vacancy is 11.4%** with Class A at 14.1% and Class B at 3.8% vacancy for the 4th Quarter. (Source: JLL)

### Retail & Storefront Market

During the second quarter, **14 new street-level businesses opened** in downtown. Included in that total are new home furnishings retailers, women's clothing, furniture, flowers, and a pop-up store. Retail had a strong quarter with **four new store openings** and several more stores on the way, including gourmet goods, books, and convenience items. Deco Home, Emily & Co., Wylde Flowers and pop-up store, Craft Habit all opened this quarter.

At least **19 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, City Centre/301 Hillsborough St. and One Glenwood.

### 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** at The Metropolitan Apartments and The Dillon with **1,336 more units planned** and **1,803 units delivered** in the past two years. **3,661 units** will be delivered these past two years, under construction, or planned for the near future.

### Dining & Hospitality Market

Food and beverage **sales in 2016 surpassed \$200 million for the first time ever**. Warehouse District has the highest gain in 2016 with over **13%** more revenue versus 2015, while Glenwood South was up **8.9%**. In total, there are **now more than 200 restaurants, cafes, and bars/clubs/lounges** in downtown.

Hotel development is ramping up downtown with **175 rooms under construction** and **922 more rooms planned**. Recent announcements of include a 259-room Hilton Garden Inn/Homewood Suites, a 192-room Courtyard Marriott next to the Convention Center, a 150-room hotel at Two Glenwood, and a 176-room hotel at City Centre/301 Hillsborough.

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

<u>Existing Space</u>	<u>Square Feet</u>
Commercial Office	7,259,714
Retail	1,422,280
Governmental Office/Other	6,964,275
Residential	4,542,147
Other (Education, Religious, etc.)	5,330,977
<b>Total Existing Space</b>	<b>25,237,393</b>
<b>Total Under Construction Space</b>	<b>1,199,324</b>
<b>Combined Existing, Under Construction and Planned</b>	<b>30,651,747</b>

**DOWNTOWN HOTEL ROOMS**

Existing Rooms	1,136
Under Construction	175
Planned (announced # rooms)	922

**RESIDENTIAL UNITS**

Existing Units Inside Downtown	4,157
Planned and Under Construction (P & UC) Residential Units	1,858
Combined Existing, P & UC Units	6,015

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

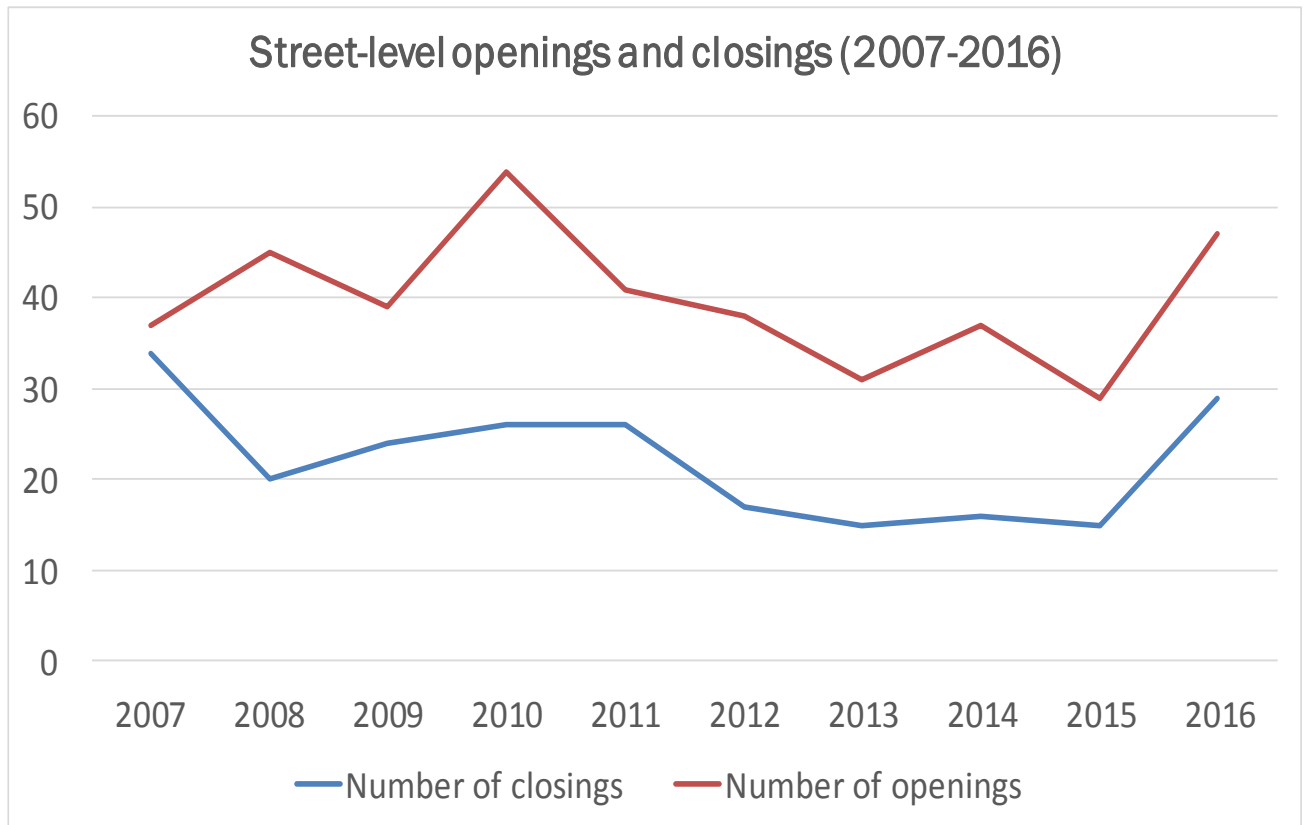
**POPULATION DESCRIPTIVE STATISTICS**

Residents Within Just the MSD Boundaries (estimate)	7,326
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	47
Street-Level Business Closings	26	26	17	15	16	15	30
Year-End Office Occupancy	89.6%	89.9%	89.2%	93.3%	89.9%	89.4%	88.6%
Public Investment started or underway	\$2.5	\$0	\$205	\$187	\$0	\$91	\$169
Private Investment started or underway but not completed (millions)	\$9.6	\$106.5	\$117.5	\$351	\$133	\$261	\$242
Projects Completed	3	5	5	8	5	15	10
Private Investment completed (millions)	\$7.4	\$22.3	\$29.8	\$156	\$115	\$260	\$174



Sources: DRA internal tracking,

## 4th QUARTER 2016 STREET-LEVEL BUSINESS ACTIVITY

### Business Openings:

<u>Name</u>	<u>Type</u>
1. Deco Home	Retail
2. Flourish Market	Retail
3. Emily & Co	Retail
4. Wylde Flowers	Retail
5. Craft Habit	Pop-up Retail
6. Crawford and Son	Restaurant
7. Amorino Gelato Cafe	Restaurant
8. Pizzeria La Stella	Restaurant
9. City Market Sushi	Restaurant
10. The District	Restaurant/Bar
11. The Outpost	Bar
12. The Cardinal	Bar
13. West Social Club	Bar
14. Gabriel Ryder Salon	Personal Services

### Business Openings in Early 1st Quarter 2017

<u>Name</u>	<u>Type</u>
1. Tobacco Road Sports Cafe	Restaurant
2. Vidrio	Restaurant
3. Trophy Brewing and Tap Table	Restaurant/Bar

**See next page for announced businesses coming soon.**

### Business Closings in 4th Q. 2016 + 1st Q 2017

<u>Name</u>	<u>Type</u>
1. Dickey's BBQ	Restaurant
2. Bolt Bistro (concept change)	Restaurant
3. Askew Taylor	Retail
4. Peace Camera	Retail
5. Shelton's Furniture	Retail
6. Hamlin Drug	Retail
7. 510 Tavern	Restaurant
8. Raleigh Roadhouse	Restaurant
9. Café Helios	Restaurant
10. Joule	Restaurant
11. Indio	Restaurant
12. Busy Bee (concept change)	Restaurant
13. Finch's	Restaurant
14. Fifteen	Bar
15. Southland Ballroom	Music Venue

## STREET-LEVEL BUSINESS ACTIVITY

### Business Announcements (Coming Soon)

1. Brewery Bhavana	Restaurant/Retail/Brewery
2. Poolside Pie	Restaurant
3. St. Roch Oyster + Bar	Restaurant/Bar
4. La Santa	Restaurant
5. Wahlburgers	Restaurant
6. Tolum	Restaurant
7. Cortez Restaurant	Restaurant
8. MOFU Shoppe	Restaurant
9. Growler USA	Restaurant/Bar
10. Sir Walter Coffee	Restaurant/cafe
11. Raleighwood Provisions	Retail
12. Oak City Market/House of Fresh	Retail
13. Read With Me	Retail
14. DGX Dollar General	Retail
15. Harris Teeter	Retail
16. Morgan Street Food Hall	Retail/Food hall
17. Speakeasy	Bar
18. Watts and Ward	Bar
19. 616 Glenwood	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>
<b><u>UNDER CONSTRUCTION</u></b>					
Union Station	\$79,800,000	Infrastructure	26,000	n/a	Warehouse
The Dillon (Kane redevelopment)	\$125,000,000	Mixed Use	210,000 (office), 40,000 (retail), 541,000 total	262	Warehouse
Capital Blvd bridges/interchanges	\$36,900,000	Infrastructure	n/a	n/a	Capital
Metropolitan Apartments	\$52,000,000	Apartments/Retail	274,959	241	Glenwood South
Residence Inn by Marriott	\$20,000,000	Hotel	150,000	175 rooms	Fayetteville St.
Morgan Street Food Hall	\$2,000,000	Food Hall/Retail	22,000	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	44,256	19	Moore Square
Albermarle Building renovation	\$42,000,000	State office renovation	192,370	n/a	Capital
HQ Raleigh expansion	\$9,500,000	Incubator expansion	21,681	n/a	Warehouse
707 N. West St./Spectraforce/Cardinal	Not announced	Renovations	24,000 total	n/a	Glenwood
<b>TOTAL UNDER CONSTRUCTION</b>	<b>\$ 380,100,000</b>		<b>1,199,324</b>	<b>522 residential units</b>	
				<b>175 hotel rooms</b>	

**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.**



<b>DOWNTOWN RALEIGH DEVELOPMENT INVESTMENT</b>					
<b>Project Name</b>	<b>Investment</b>	<b>Project Type</b>	<b>Sq. Ft.</b>	<b>Units</b>	<b>District</b>
<b>PLANNED</b>					
City Centre/301 Hillsborough St	\$160,000,000	Mixed Use	220,000 (office), 40,382 retail. 1,121,576 total	242 + 176 hotel rooms	Capital/Warehouse
Moore Square renovation	\$12,900,000	Infrastructure	4-acre park	n/a	Moore Square
Charter Square II	Not announced	Mixed Use	250,000 (office) 489,702 total	247	Fayetteville St.
One Glenwood	Not announced	Office/mixed use	219,500 (14,500 retail)	n/a	Glenwood South
Two Glenwood	Not announced	Hotel/parking structure	331,008	150 hotel rooms	Glenwood South
220 The Saint	\$7,000,000	Apartments	66,000	17	Glenwood South
Smokey Hollow (Peace and West St)	\$100,000,000	Mixed Use	652,500	445	Glenwood South
The Edison (Office)	Not announced	Office/retail	303,000	n/a	Moore Square
400H	Not announced	Office/retail/residential	125,000 (office), 16,000 (retail)	220	Glenwood South
Hilton Garden Inn/Homewood Suites	Not announced	Hotel	260,890	259 hotel rooms	Fayetteville St.
Hotel at Wilmington and Lenoir Streets	Not announced	Hotel	Not announced	145 hotel rooms	Fayetteville St.
Courtyard Marriott	Not announced	Hotel	192,964	192 hotel rooms	Fayetteville St.
Transfer Co./Stone's Warehouse	\$14,000,000	Mixed use (retail/residential)	42,000 (retail)	16	Moore Square
Exploris School Gateway	\$20,000,000	Educational institution	355,889	n/a	Fayetteville St./ Gateway
Boylan Flats	Not announced	Apartments	44,250	48	Glenwood South
522 S. Harrington St.	Not announced	Mixed use/residential	103,250	47	Warehouse
611 West South	Not announced	Residential	80,300	42	Warehouse
West Street Townhomes	Not announced	Townhomes	Not announced	12	Warehouse
Unnamed Restaurant at 502 W. Lenoir	Not announced	Restaurant	4,583	n/a	Warehouse
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
<b>TOTAL PLANNED</b>	<b>\$ 315,900,000</b>		<b>4,467,232</b>	<b>1,336 residential units</b>	
				<b>922 hotel rooms</b>	
<b>PLANNED + UNDER CONSTRUCTION</b>	<b>\$ 696,000,000 *</b>				

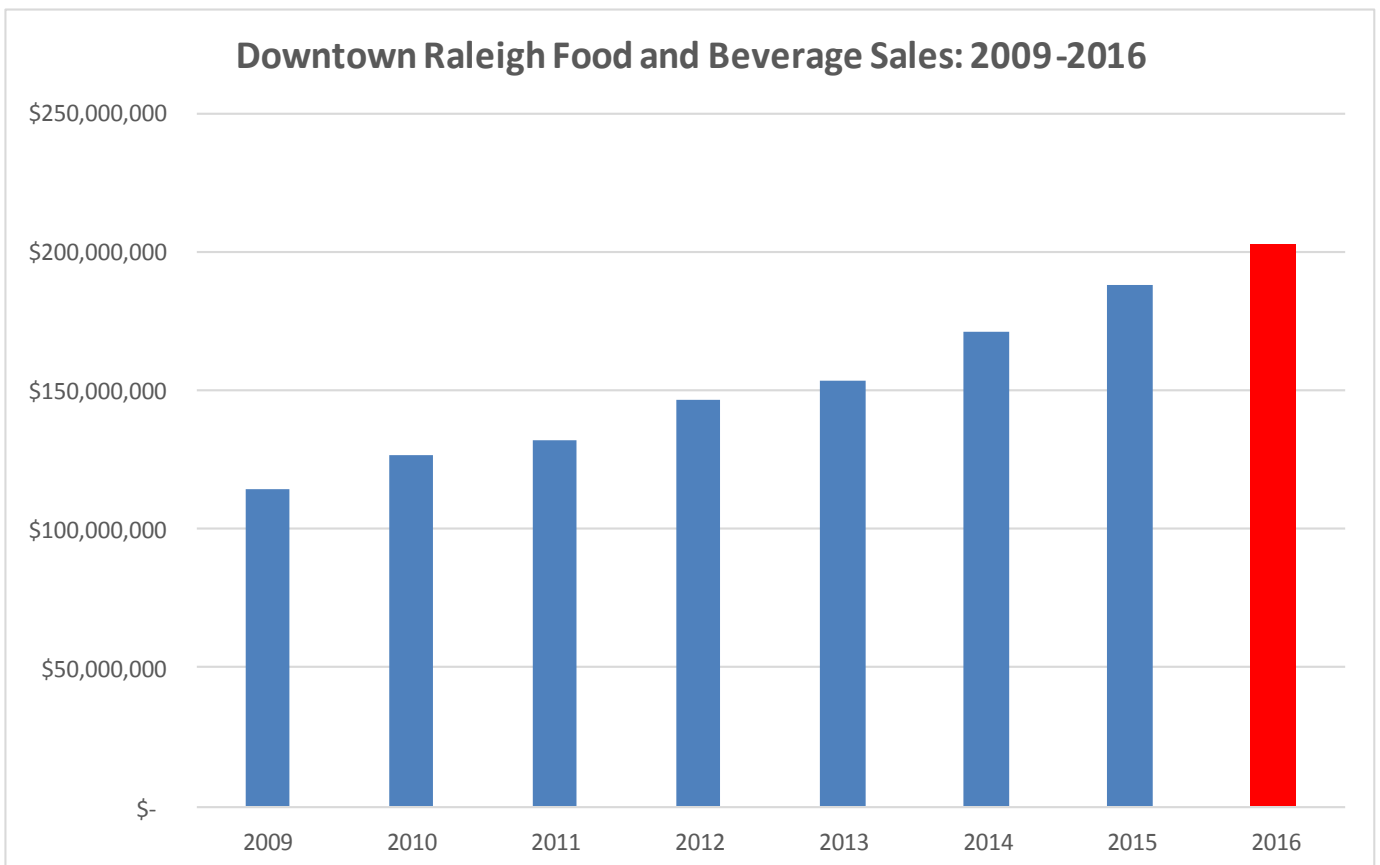
\* These projects are subject to change and should be considered estimates based on public information. Additionally, several projects have not finalized their investment total. As such, planned investment is likely higher.

<b><u>DOWNTOWN RALEIGH DEVELOPMENT INVESTMENT</u></b>					
<b><u>Project Name</u></b>	<b><u>Investment</u></b>	<b><u>Project Type</u></b>	<b><u>Sq. Ft.</u></b>	<b><u>Res. Units</u></b>	<b><u>District</u></b>
<b><u>COMPLETED Since Start of 2015</u></b>					
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
Dr. Pepper Warehouse	\$3,200,000	Office	14,000	n/a	Warehouse
Christ Church addition	\$4,500,000	Place of Worship addition	n/a	n/a	Capital
<b>TOTAL DELIVERED</b>	<b>\$ 408,520,000</b>		<b>2,411,918</b>	<b>1,803</b>	

## FOOD AND BEVERAGE SALES IN DOWNTOWN: 2009-2016

Food and beverage sales in downtown Raleigh have **grown 77% since 2009** with sales now **topping \$200 million in 2016** for the first time ever. Downtown now has **over 200 restaurants, cafes, and bars**, which makes downtown one of the most vibrant dining and nightlife destinations in the region and state.

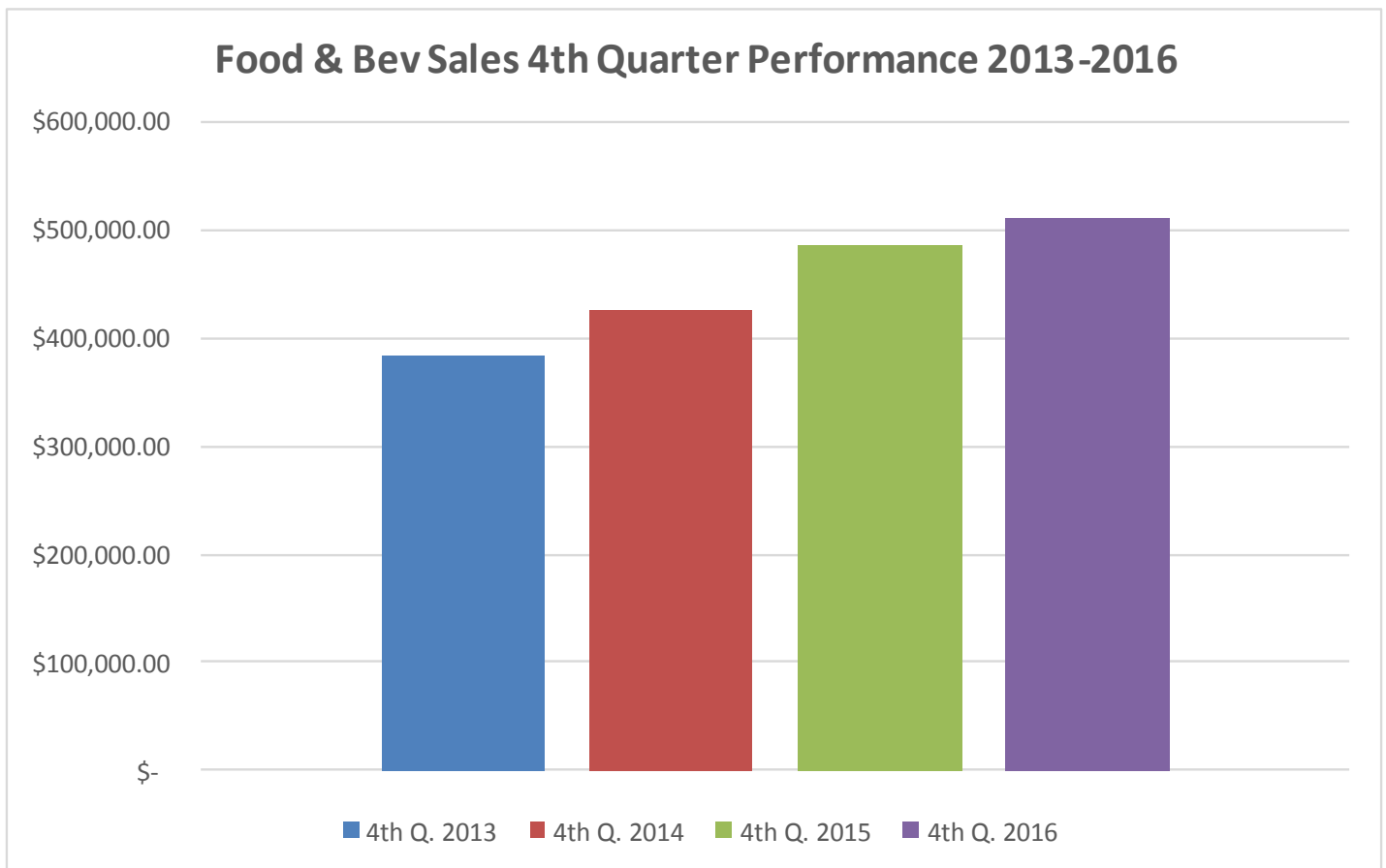
Food and beverage sales also were **up 7.4% in 2016 versus 2015**, continuing a trend of growth each year in this sector.



Sources: Wake County Tax Assessor

### 4th 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, which provides an estimate of overall food and beverage sales. Tax revenue generated by food and beverage establishments in downtown Raleigh was **up 7.4%** in 4th Quarter 2016 vs. 4th Quarter 2015. Downtown has seen **33% growth** in food and beverage sales for 4th Q 2016 vs. 4th Q 2013.

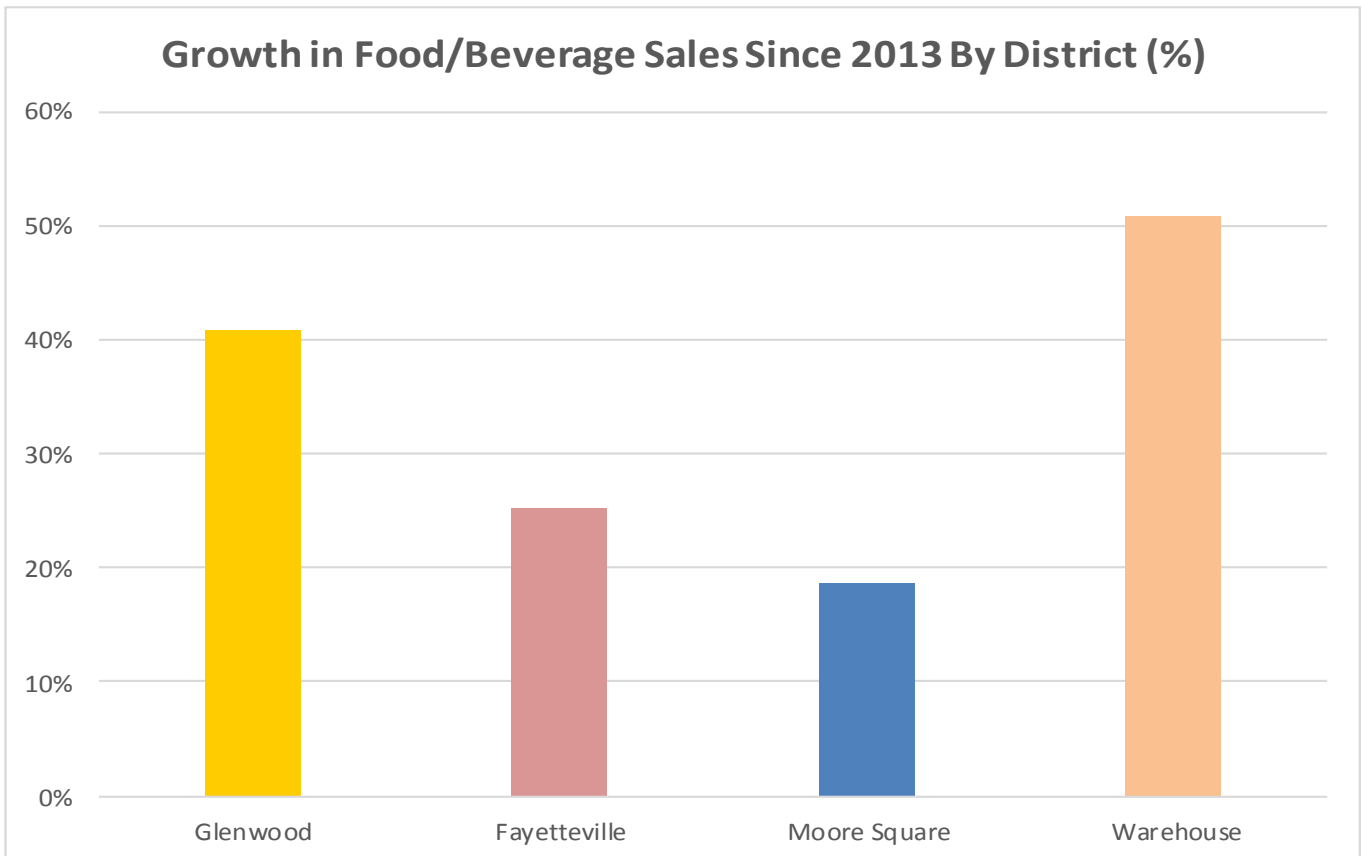


Sources: Wake County Tax Assessor

## FOOD AND BEVERAGE SALES GROWTH BY DISTRICT

Warehouse District leads all downtown districts in food and beverage sales growth since 2013 with a **51% gain** in sales, while Glenwood South had a 41% gain, Fayetteville Street with 25%, and Moore Square saw 19% growth.

Moore Square also had the slowest growth over the past year, but is expected to see much stronger gains in 2017, as the fourth quarter alone saw the opening of Royale, City Market Sushi, The Outpost, and Amorino Gelato. New concepts are coming in early 2017 such as Brewery Bhavana, Watts and Ward, Oak City Market/House of Fresh, Raleighwood Provisions and others.



## FOOD AND BEVERAGE SALES GROWTH BY DISTRICT

Glenwood South continues to lead all downtown districts in share of food and beverage sales. The district includes both an active nightlife with Raleigh Beer Garden, C Grace, Hibernian, Carolina Ale House, and many others, along with a vibrant restaurant scene including The Rockford, 42nd St. Oyster Bar, Sullivan's and more.

Fayetteville Street is a close second, followed by Moore Square and Warehouse District. With more restaurants opening in Moore Square in late 2016 and 2017 and the likelihood of more being added to the Warehouse District in 2018, the share of food and beverage revenue may shift in future years.

