

# ECONOMIC DEVELOPMENT REPORT—DOWNTOWN RALEIGH

## FIRST QUARTER 2017



### 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 first quarter saw new street-level businesses open, more major construction projects, and several new buildings completed or near completion.

- An estimated **3,672 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 **5,000 residential units** in existence, including **1,804 units delivered** since the start of 2015.
- At least **\$1.75 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 **4.9% increase** in the 1st quarter over the 1st quarter in 2016.
- In the 1st quarter, **9 new street-level businesses opened** ranging from soft goods retail to restaurants and bars with **four more already open** in early 2nd quarter and a total of **19 more street-level businesses on the way**. Since the start of 2016, Downtown has **59 new street level businesses**.

### Announcements

Over **1.75 billion** in projects are currently **under construction (\$332 million) completed construction (\$544 million) or in planning (\$875 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 **\$200 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., The Edison, 400H, Charter Square II, 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 at both the Capital Club building and next to the current HQ Raleigh building.

**Office vacancy improved to 10.2%** with Class A at 12.7% and Class B at 2.5% vacancy for the 1st Quarter. (Source: JLL)

### Retail & Storefront Market

During the first quarter, **9 new street-level businesses opened** in downtown. Included in that total are new grocery/local gourmet goods, tailor's shop, convenience store, and a pop-up art store. Retail had a strong quarter with **four new store openings** and more opening in early 2nd quarter including Read With Me, a children's bookstore.

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 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 **324 units** including The Dillon with **1,544 more units planned** and **1,804 units delivered** in the past two years. **3,672 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**. And sales are **up 4.9% in 1st quarter 2017 vs. 1st quarter 2016**. Warehouse District has the highest gain in 2017 with over **16%** more revenue versus this quarter in 2016, while Fayetteville Street was up **12.6%**. 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.

See more detail statistics in our State of Downtown Raleigh report on our website.

**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	1,072
Under Construction	175
Planned (announced # rooms)	922

**RESIDENTIAL UNITS**

Existing Units Inside Downtown	5,546
Planned and Under Construction (P & UC) Residential Units	1,869
Combined Existing, P & UC Units	7,415

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

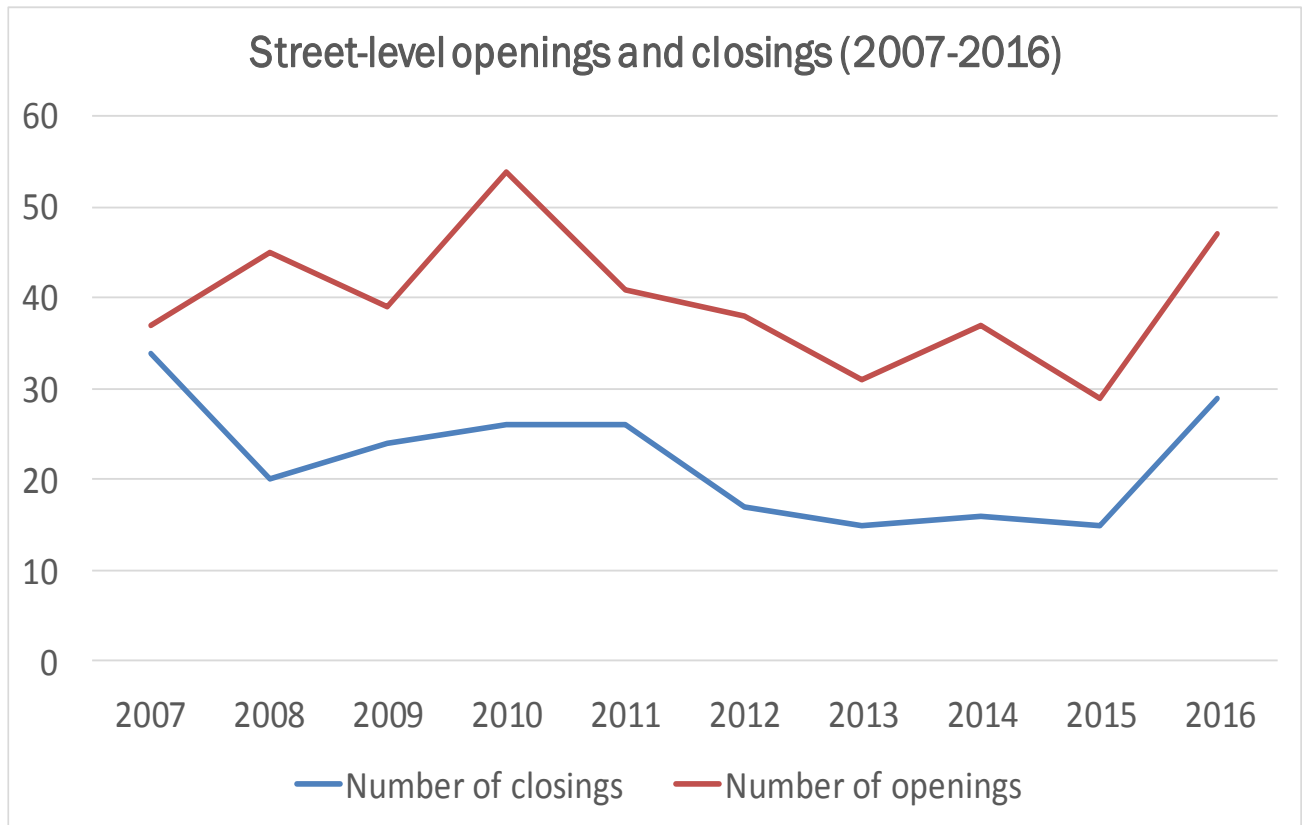
**POPULATION DESCRIPTIVE STATISTICS**

Residents Estimated Within Downtown	8,212
Residents Within 1-mile Radius of Downtown Center Point	16,550
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%
Median Age for Residents Within 2-mile Radius	32.8 years

Sources: DRA Internal Tracking, U.S. Census

**HISTORICAL TRENDS**

	2010	2011	2012	2013	2014	2015	2016	2017
Street-Level Business Openings	54	41	38	31	36	29	47	13
Street-Level Business Closings	26	26	17	15	16	15	30	9
Year-End Office Occupancy	89.6%	89.9%	89.2%	93.3%	89.9%	89.4%	88.6%	89.8%
Public Investment started or underway	\$2.5	\$0	\$205	\$187	\$0	\$91	\$169	\$169
Private Investment started or underway but not completed (millions)	\$9.6	\$106.5	\$117.5	\$351	\$133	\$261	\$242	\$382
Projects Completed	3	5	5	8	5	15	10	2
Private Investment completed (millions)	\$7.4	\$22.3	\$29.8	\$156	\$115	\$260	\$174	\$45



Sources: DRA internal tracking,

## 1st QUARTER 2017 STREET-LEVEL BUSINESS ACTIVITY

### Business Openings:

<u>Name</u>	<u>Type</u>
1. Tobacco Road Sports Cafe	Restaurant
2. Vidrio	Restaurant
3. Trophy Brewing and Tappable	Restaurant
4. DGX Dollar General	Retail
5. Unique Tailor	Retail
6. Twisted Oak	Retail (pop-up)
7. Raleigh Provisions	Retail
8. Sir Walter Coffee	Restaurant
9. Brewery Bhavana	Restaurant/Retail

### Business Openings in Early 1st Quarter 2017

<u>Name</u>	<u>Type</u>
1. Read With Me	Retail
2. Mulino Italian Kitchen and Bar	Restaurant
3. Watts and Ward	Bar
4. Trolley Pub Beer Shop	Retail

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

### Business Closings in 1st Q 2017

<u>Name</u>	<u>Type</u>
1. Cold Off the Press	Restaurant
2. Café de los Muertos	Restaurant
3. Babylon	Restaurant
4. Busy Bee (concept change)	Restaurant
5. Finch's	Restaurant
6. Shelton's Furniture	Retail
7. Hamlin Drug	Retail
8. Loud City	Retail
9. Gather	Retail

## STREET-LEVEL BUSINESS ACTIVITY

### Business Announcements (Coming Soon)

1. Poolside Pie	Restaurant
2. St. Roch Oyster + Bar	Restaurant/Bar
3. La Santa	Restaurant
4. Wahlburgers	Restaurant
5. Tolum	Restaurant
6. Cortez Seafood and Cocktail	Restaurant
7. MOFU Shoppe	Restaurant
8. Growler USA	Restaurant/Bar
9. Oakwood Pizza Box	Restaurant
10. Dominos Pizza	Restaurant
11. Tama Tea	Restaurant
12. Benny Cappella's	Restaurant
13. Oak City Market	Retail
14. Harris Teeter	Retail
15. Morgan Street Food Hall	Retail/Food hall
16. Speakeasy	Bar
17. The Parliament	Bar
18. 616 Glenwood	Bar
19. YMCA	Fitness

**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	\$87,950,000	Infrastructure	42,000	n/a	Warehouse
The Dillon	\$150,000,000	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
Residence Inn by Marriott	\$20,000,000	Hotel	150,000	175 rooms	Fayetteville St.
Morgan Street Food Hall	\$2,200,000	Food Hall/Retail	22,000	n/a	Warehouse
Transfer Co./Stone's Warehouse	\$19,000,000	Mixed use (retail/ residential)	42,000 (retail)	16	Moore Square
GoRaleigh Transit Center renovation	\$9,900,000	Infrastructure	n/a	n/a	Moore Square
Hargett Place	Not announced	Townhomes	44,256	19	Moore Square
10Arros	Not announced	Townhomes	N/A	10	Moore Square
HQ Raleigh expansion (Capital Club)	Not announced	Incubator expansion	14,000	n/a	Fayetteville St.
The Saint	\$7,000,000	Apartments	66,000	17	Glenwood South
<b>TOTAL UNDER CONSTRUCTION</b>	<b>\$ 332,950,000</b>		<b>921,256</b>	<b>324 resi- dential</b>	
				<b>175 hotel rooms</b>	

\*Note that The Metropolitan Apartments were under construction, but destroyed by a fire in March. The developers have indicated a desire to rebuild, but no timetable has been set, so the development has been moved to Planned.

**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.**



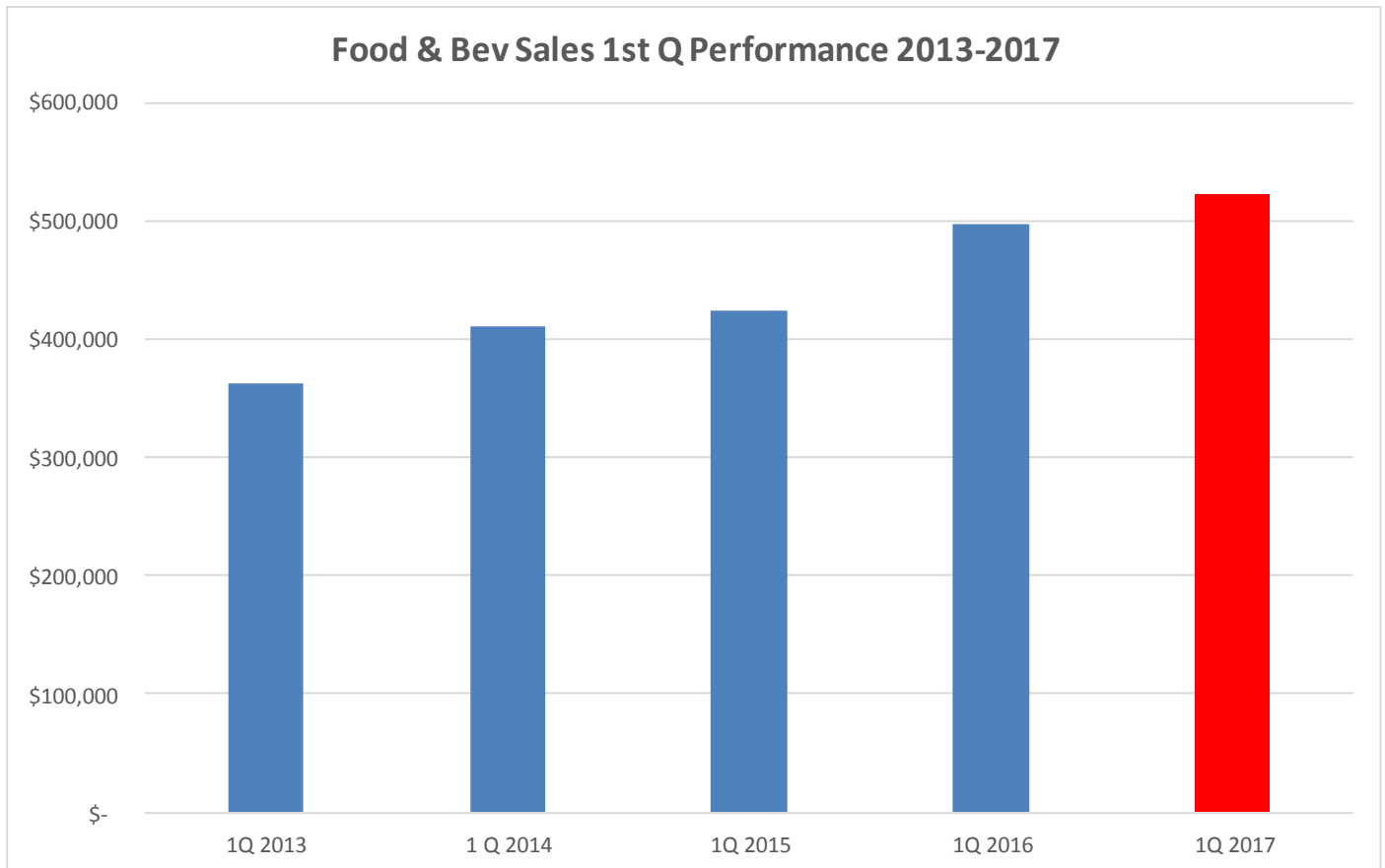
<b>DOWNTOWN RALEIGH DEVELOPMENT INVESTMENT</b>					
<u>Project Name</u>	<u>Investment</u>	<u>Project Type</u>	<u>Sq. Ft.</u>	<u>Units</u>	<u>District</u>
<b>PLANNED</b>					
City Centre/301 Hillsborough St	\$160,000,000	Mixed Use	220,000 (office), 40,382 retail. 1,121,576 total	242 + 176 hotel rooms	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
Metropolitan Apartments**	\$52,000,000	Apartments/Retail	274,959	241	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.
HQ Raleigh expansion (new building)	Not announced	Office	25,000	n/a	Warehouse
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>1,544 residential units</b>	
				<b>922 hotel rooms</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. \*\* Damaged in fire.

<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	\$55,000,000	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	204	Glenwood South
Exchange and Market Plazas renovation	\$2,000,000	Civic Space	n/a	n/a	Fayetteville St.
227 Fayetteville St.	\$9,000,000	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	\$7,500,000	Place of Worship addition	n/a	n/a	Capital
Albermarle Building renovation	\$42,000,000	State office renovation	192,370	n/a	Capital
Google Fiber office	\$3,000,000	Office	9,926	n/a	Glenwood
N. West St. Development	\$5,300,000	Renovations	24,000 total	n/a	Glenwood
<b>TOTAL DELIVERED</b>	<b>\$ 485,800,000</b>		<b>2,638,214</b>	<b>1,804</b>	

### 1st QUARTER TAX REVENUE FROM FOOD AND BEVERAGE ESTABLISHMENTS IN DOWNTOWN

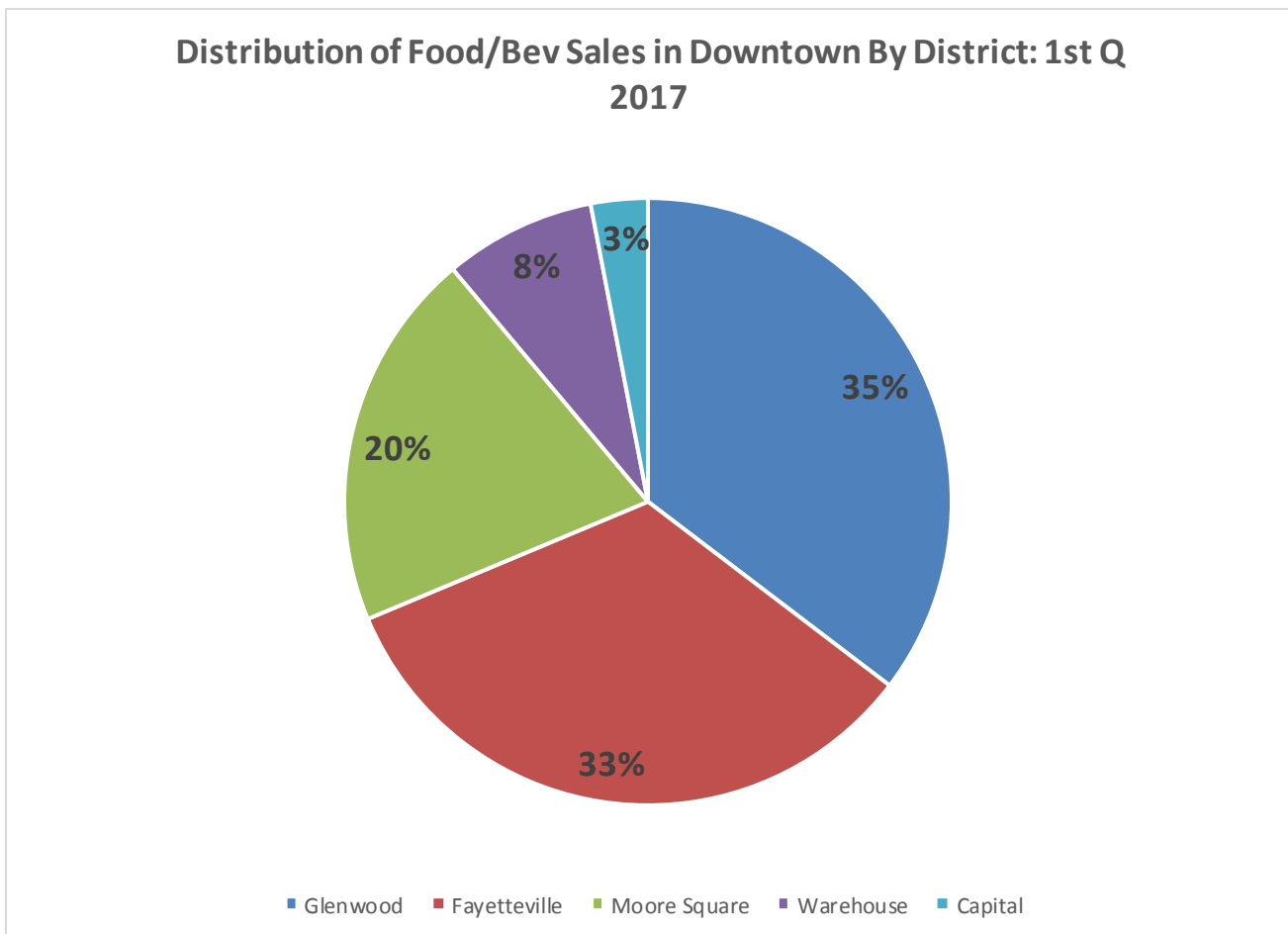
Wake County collects a 1% tax on all food and beverage sales in the county, which provides an estimate of overall food and beverage sales. Tax revenue generated by food and beverage establishments in downtown Raleigh was **up 4.9%** in 1st Quarter 2017 vs. 1st Quarter 2016. Downtown has seen **44% growth** in food and beverage sales for 1st Q 2017 vs. 1st Q 2013.



## 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.

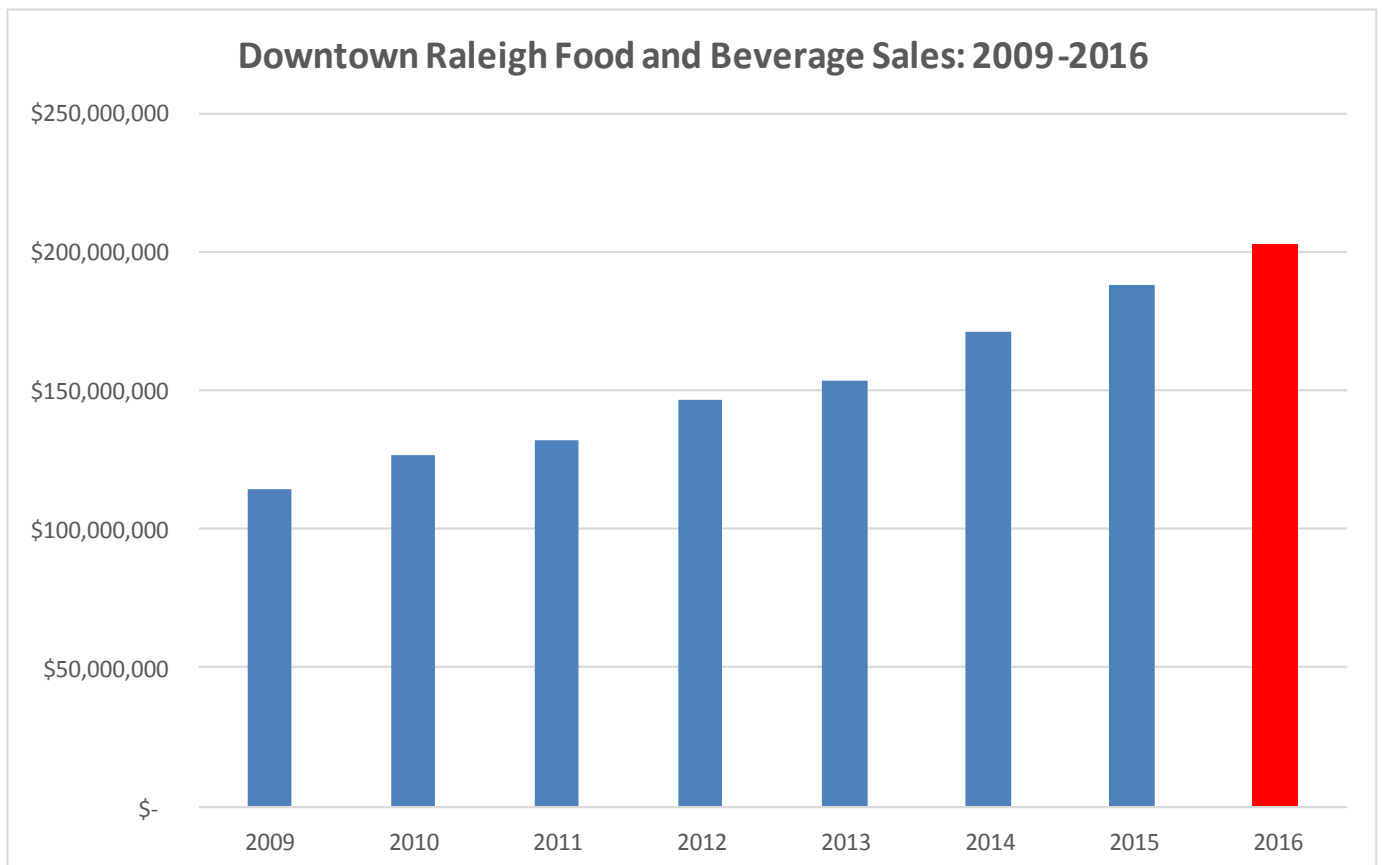
Fayetteville Street is a close second, followed by Moore Square and Warehouse District. With more restaurants opening in Moore Square in late 2016 and 2017 and the likelihood of more being added to the Warehouse District in 2018, the share of food and beverage revenue may shift in future years. Additionally, Wake County now provides sales data for the Capital district.



## 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 4.9% in 1st Q 2017 versus 1st Q 2016**, continuing a trend of growth each year in this sector.



Sources: Wake County Tax Assessor