



DowntownRaleigh

THIRD QUARTER 2007

ECONOMIC DEVELOPMENT, BID REPORT AND REAL ESTATE ANALYSIS

TABLE OF CONTENTS

ECONOMIC DEVELOPMENT REPORT

Highlights	1
Demographics.....	2
Annual Trends.....	3
3rd Quarter Street-Level Business Activity	3
Development in the Planning Stages.....	3
Development Under Construction	4
Multi-Tenant Office Market Inventory* Totals	8

BID SERVICES REPORT

Safety Ambassadors Service Information.....	5
Clean Ambassadors Service Information.....	5

RESIDENTIAL REAL ESTATE ANALYSIS

Geographic Distribution of Sales.....	6
Categorical Distribution of Sales by Unit Size.....	6
Cost per Square Foot Trends	7
Cumulative Geographic Distribution of Sales.....	7
Estimated Multi-Family Residential Product Delivery Timeline	8

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. The Downtown Raleigh Alliance provides economic development, advocacy, marketing, safety, hospitality, and sidewalk cleaning services for the Downtown Raleigh Improvement Business District (BID). The Alliance has also established Raleigh Civic Ventures, a 501(c)(3) tax exempt organization, to receive contributions from businesses and individuals who want to improve Downtown Raleigh, make it a point of pride in the city and leave a legacy for future generations. The information in this report can be considered accurate and reliable, but is not guaranteed. For questions concerning this report, please email info@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 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 third quarter of 2007, one project broke ground and began construction, the Hue. The Hue is a mixed-use residential project on the corner of Dawson and Hargett Streets. The project will have 178 residential units with 8,000 sq. ft. of retail. Hue will bring the total number of residential units in the Warehouse District to 264 or 37% of the total market. Prices begin in the mid \$100,000s and are not expected to exceed \$400,000. The units will range from 700 sq. ft. to 2,600 sq. ft. Opening in September, Marbles Kids Museum is a collaboration between the former Playspace and Exploris Museum and is located at 201 E. Hargett St.

Announcements

The City of Raleigh is moving forward with plans to build a new public safety center. The new building, named after the City's only African-American mayor, Clarence E. Lightner, will rise 15 stories and take the place of the existing building located next to City Hall. When completed in 2010, the safety center will be home to police and fire administrative staff and other city employees. Raleigh's first 'green' skyscrapers could be on the horizon. Early this summer, a local developer announced plans to build the Edison. This mixed-use project will be designed to meet stringent LEED's rating system and will have two towers, one with 38 stories and the other with 24. The developer hopes to begin construction in 2009.

On-Time Construction Schedule

Both the Marriott Hotel and the Convention Center are on schedule and slated to open September of 2008. The Convention Center is over 70% complete and the hotel over 50% complete. Bookings for the

Convention Center have exceeded first estimates and presently booked conventions are expected to absorb over 100,000 hotel rooms. Combined costs for the Convention Center and the Marriott Hotel currently exceed \$306 million.

Ground-Level Business Relocations and Openings

Third quarter shows 14 new business openings including seven new restaurants, and/or bars. Since July of 2006, the Downtown Raleigh Alliance has confirmed 52 new business openings for Downtown Raleigh. The most prevalent places this can be seen is Fayetteville Street and Glenwood South. Since July 2006, 11 of the 13 vacant spaces are now occupied on Fayetteville Street. The Glenwood South District currently has over 50 restaurants, bars and/or cafes. Collectively, downtown is now home to over 155 bars, restaurants and cafes with 22 more expected to open by fourth quarter 2009 bringing the total to over 177 restaurants, bars and/or cafes or 1.6 for each block within downtown.

Office Market

The market for multi-tenant office space in Downtown Raleigh saw a net absorption of 1,039 sq. ft. bringing a five quarter total absorption to 157,297 sq. ft. or about 6% of the surveyed markets total space. The occupancy rate for multi-tenant space at 92.1% for 2007 is currently higher than any other submarket in Raleigh. Unlike the previous five quarters, the office space absorbed occurred throughout downtown and was not concentrated within the Fayetteville Street District. Fayetteville Street District currently contains 71.5% of Downtown Raleigh's total office space.

Downtown Events

The third quarter 2007 brought a record number of events to Downtown Raleigh, including the sequel to Raleigh Wide Open in July. The "Moore Square Movies in the Park" and the summer concert series "Bud Light Downtown Live" ended successfully. The opening of the Marbles Kid Museum and popular Capital City Bike Festival closed out the quarter. In total, Downtown Raleigh hosted over 100 events, ten of those considered major events — drawing over 10,000 visitors each. These events are estimated to have attracted just over 1 million visitors to downtown in third quarter 2007.

www.GoDowntownRaleigh.com Website Statistics

July and August of 2007 showed an estimated 132,404 visits. Of these, 40,567 were unique visits or 30.6% of all visits to the website and averaging 654.3 unique visits per day. Since the launch, the collaboration between the Downtown Raleigh Alliance and the City of Raleigh continues to attract and inform downtown information seekers. Since June 2006 statistics show the website received an estimated average of 1,380 visits per day.

Media Exposure/Accolades

Raleigh generated 11 "top ten cities in America" honors within 2007 including four in the third quarter. Particularly noteworthy, both Forbes.com and *Inc. Magazine* listed Raleigh #1 as the "Best Place for Business in America." According to the Raleigh Police Department, Downtown Raleigh is the safest district throughout the entire city and has been for two years straight.

DEMOGRAPHICS

REAL PROPERTY SQUARE FOOTAGE WITHIN THE BID

<u>Existing Space</u>	<u>Square Feet</u>
Commercial Office	4,806,389
Retail	1,218,398
Governmental Office	5,180,445
Residential	1,246,647
Other (Education, Religious, etc.)	5,248,177
Total Existing Space	17,700,056
<u>Under Construction Space</u>	
Commercial Office	275,000
Retail	35,000
Government/Other	500,000
<u>Planned Space</u>	
Commercial Office	435,000
Retail	156,000
Government/Other	320,000
Total Planned and Under Construction Space	1,741,500
Combined Existing, Planned and Under Construction	19,421,556

HOTEL ROOMS

Existing Rooms	610
Planned and Under Construction Rooms	645

RESIDENTIAL UNITS

Existing Units Inside BID	2,845
Existing Units Inside 1-mile Radius of Downtown Center Point	5,661
Planned and Under Construction (P & CU) Residential Units Inside BID	1,360
P & UC Units Inside 1-mile Radius of Downtown Center Point	1,922
Combined Existing, Planned and Under Construction Units Inside BID	4,205
Combined Existing, P & UC Units Inside 1-mile Radius of Downtown	7,583

POPULATION DESCRIPTIVE STATISTICS

Residents within 1-mile Radius of Downtown Center Point	15,065
Average Household Income Within 1-mile Radius of Downtown	\$58,306
Number of Households Within 1-mile Radius	6,039
Average Household Size Within 1-mile Radius	1.64
% of Residents Within 1-mile Radius With Bachelor's Degree or Higher	48.4%
Median Age for Residents Within 1-mile Radius	34.8 years

3rd QUARTER 2007

Economic Development, BID Report and Real Estate Analysis

ANNUAL TRENDS	1999	2000	2001	2002	2003	2004	2005	2006	2007 to date
Street-Level Business Openings	34	37	24	24	21	26	20	36	27
Street-Level Business Closings	29	24	19	25	13	18	8	25	18
Year-End Office Occupancy	92.7%	96.0%	95.6%	91.8%	88.2%	85.9%	86.6%	89.6%	92%
Projects Announced	8	13	13	9	16	26	34	11	3
Public Investment (millions)	\$47.5	\$78.1	\$27.1	\$0.3	\$3.2	\$237.4	\$330.0	\$0.0	\$21
Private Investment (millions)	\$13.3	\$69.65	\$92.6	\$157.6	\$202.1	\$353.5	\$615.0	\$503.2	n/a
Projects Completed	2	2	2	1	0	2	7	3	5
Public Investment (millions)	\$0	\$0	\$0	\$10.5	\$0	\$0	\$2.0	\$11.5	\$0
Private Investment (millions)	\$21.1	\$8.5	\$12.5	\$0	\$0	\$106.0	\$90.0	\$0.7	\$93

3RD QUARTER STREET LEVEL BUSINESS ACTIVITY

Business Openings:	Address	Month
All Pro Nutrition, Inc.	402 Glenwood Ave.	July
Capital City Grocery	10 W. Franklin St.	July
Seaboard Fitness & Wellness	802 Semart Dr.	July
The Cupcake Shoppe	106 Glenwood Ave.	August
Knockabout	314 Blake St.	August
The Hurricane Sports Bar	327 W. Davie St	August
Blazin Saddles	327 W. Davie St.	August
Soho East	327 W. Davie St.	August
Tookie's Grill	18 Seaboard Ave. Ste 130	August
Dos TaQuitos Centro	106 S. Wilmington St.	September
Deep South Bar	430 N. Dawson St.	September
Fantasy Theatrical Supply	610 Glenwood Ave.	September
Urbana Catering Concepts	201 E. Hargett St.	September
Marbles Kids Museum	201 E. Hargett St.	September
Business Closings:		
Kulture	430 S. Dawson St.	July
Calvert Cafe	333 Fayetteville St.	July
China Market	16 W. Martin St.	August
Playspace	410 Glenwood Ave.	September
Exploris	201 E. Hargett St.	September
Samir	205 Wilmington St.	September
Daniel's Clothing	211-213 Wilmington St.	September

3rd Quarter Totals

Openings: 14

Closings: 7

DEVELOPMENT IN THE PLANNING STAGES

Project Name	Project Type	Construction Cost	Status
City Plaza/Fayetteville St. Phase II	Civic Infrastructure	\$21,000,000	Design Approved by City Council
1 Eleven Seaboard	Mixed-use residential	\$16,000,000	Approved

DEVELOPMENT IN THE PLANNING STAGES (cont'd)

Project Name	Project Type	Construction Cost	Status
Reynolds Tower	Mixed-use Commercial	\$60,000,000	Approved
Blount Street Historic Commons	Mixed-Use	\$80,000,000	Approved
Boylan Flats	Residential	\$3,000,000	Approved
Contemporary Art Museum	Arts & Entertainment	\$15,000,000	Developer Selected
Green Square	Museum/Cultural	\$100,000,000	Proposed
Glen on Peace	Residential	\$5,000,000	Approved
630 North	Mixed-Use Residential	\$24,000,000	Proposed
Site 1	Mixed-Use Residential	\$130,000,000	MOU Approved
Site 4 (Lafayette Hotel)	Mixed-Use Residential	\$70,000,000	Development Agreement Approved
Wake County Wrapped Deck	Mixed-Use Residential	\$50,000,000	Proposed
Total Planned Development		\$574,000,000	

DEVELOPMENT UNDER CONSTRUCTION

Project Name	Project Type	Construction Cost	Status
Progress Energy/Wrapped Deck	Mixed-use parking	\$14,200,000	Under Construction
712 Tucker	Residential	\$25,000,000	Under Construction
222 Glenwood	Mixed-Use Residential	\$40,000,000	Under Construction
Bloomsbury Estates	Residential	\$55,000,000	Under Construction
Chavis Heights Hope VI	Residential	\$33,000,000	Under Construction
Convention Center	Hospitality	\$235,000,000	Under Construction
Marriott Hotel	Hospitality	\$71,000,000	Under Construction
South End Underground Parking Facility	Parking	\$30,000,000	Under Construction
West at North	Mixed-Use Residential	\$70,000,000	Under Construction
RBC Plaza	Mixed-Use	\$100,000,000	Under Construction
Solas	Retail / Restaurant	\$3,000,000	Under Construction
Hue	Mixed-Use Residential	\$60,000,000	Under Construction
Shaw University Science Center	Education	\$4,000,000	Under Construction
Total Development Under Construction		\$740,200,000	

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	3,060	1,378	1,626	1,698	2,529	1,597	4,756	2,888	1,395				20,927
Directions, Assistance, AAA	576	558	986	1,156	1,294	928	1,604	1,096	1,260				9,458
Disturbing the Peace, Trespass, Panhandlers	15	7	17	13	12	16	43	33	30				186
EMS, Fire, Police	3	2	7	4	4	7	7	11	11				56
Establishment/Property Owner Contact	121	99	243	290	349	182	392	397	206				2,279
Escorts	49	31	38	51	48	46	76	63	50				452
Total Personal Interactions	3,824	2,075	2,917	3,212	4,236	2,776	6,878	4,488	2,952				33,358

CLEAN AMBASSADORS SERVICE INFORMATION

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Year to Date
Graffiti Removal (# of instances)	1	13	10	11	12	2	4	0	4				57
Litter / Debris Removed (pounds)	10,117	9,327	6,256	5,123	9,221	6,613	6,580	4,165	8,151				65,553
Sidewalk Sweeper (hours)	71	82	29*	29*	110	66	41*	10*	139				468
Weed Removal (block faces)	4	0	15	8	69	34	12	19	10				171

*Sidewalk Cleaning Machine (Curby) not operational.

RESIDENTIAL REAL ESTATE ANALYSIS

Figure 1

GEOGRAPHIC DISTRIBUTION OF SALES

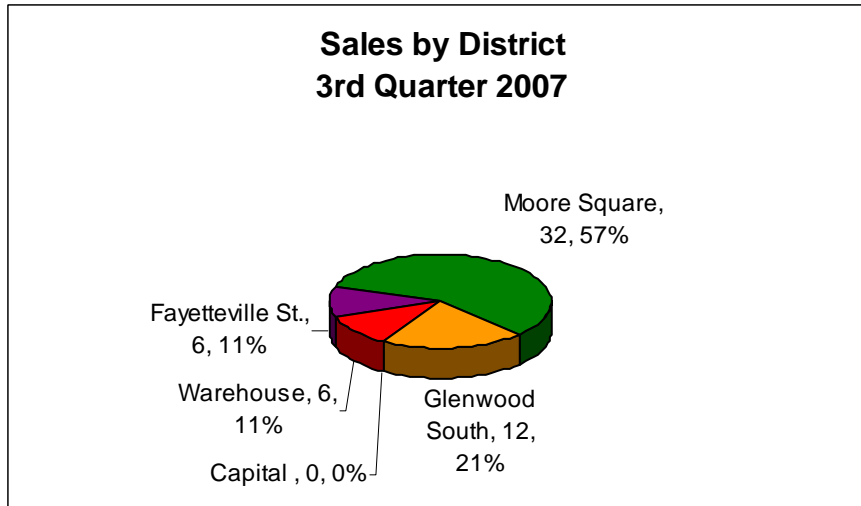


Figure 1 illustrates that during the third quarter of 2007, the sales recorded for downtown residential properties were concentrated in the Moore Square District. The most sales, 28 in all, occurred at the Palladium Plaza at 444 S. Blount Street. All together, the third quarter saw an increase of 37.5% (21 units) from second quarter 2007 sales for a total of 56 residential units sold and 34 of those sales occurring as new construction absorption. The third quarter's other 22 sales were resales that occurred in Founder's Row, Paramount and The Dawson. The third quarter data reflects more

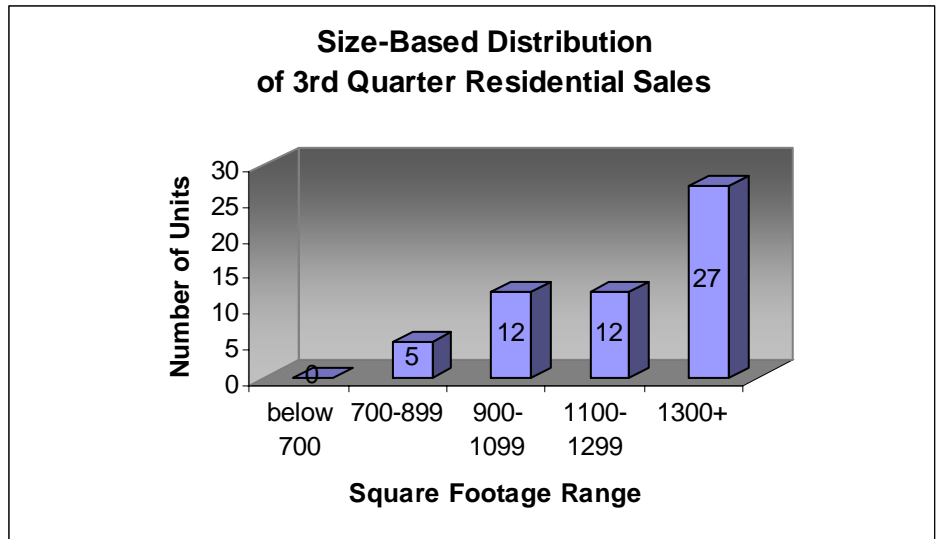
closings than any other quarter to date which exceeds first and second quarter 2007 combined sales (50). The increase in sales volume is attributed to more units of new construction becoming available in Downtown Raleigh, the Palladium, as well as a healthy resale market.

It is important to clarify that these figures represent the actual closings on real estate transactions and do not include the reservations made on planned or under construction projects. At this point, the disparity in sales by district appears to be the result of differing inventories of properties becoming available for sale and occupancy by district rather than a market preference for a particular district within Downtown Raleigh.

CATEGORICAL DISTRIBUTION OF SALES BY UNIT SIZE

Figure 2

The chart in Figure 2 provides a categorical distribution of housing units sold in the third quarter, separated into five 200-sq. ft. categories. Particularly noteworthy in the chart is the sale of units 1,300 sq. ft. or greater. Units over 1,300 sq. ft. accounted for 48.21% of the total amount sold during the third quarter. The market's emphasis toward larger units is most likely a reflection of the available sizes of product offered by new residential projects rather than a market preference as can be seen through the entire 2006-2007 year.

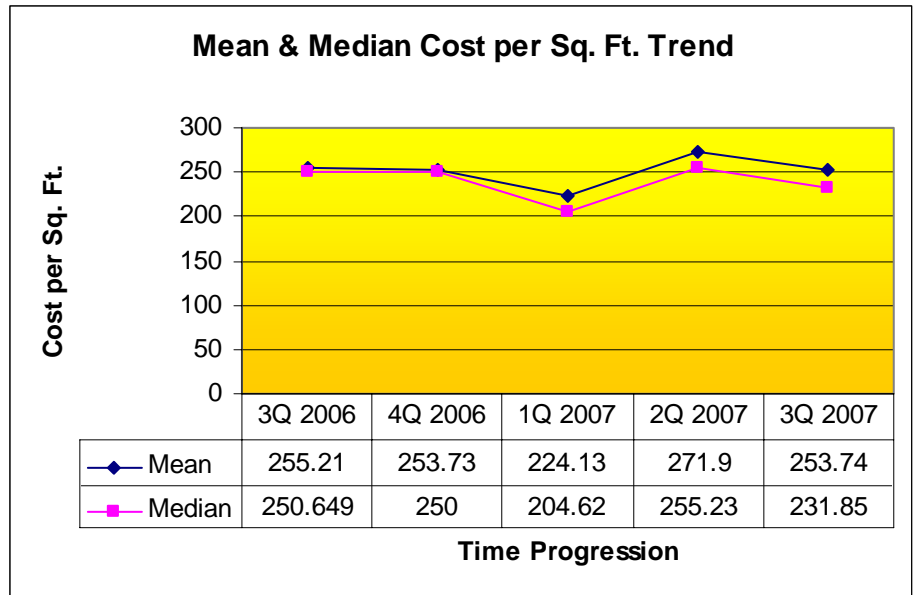


As an example, 250 of the 701 existing condominiums/townhomes in downtown are greater than 1,300 sq. ft. but carry a vacancy rate of 35.7% (44 remain unsold). Units below 700 sq. ft. (158 total), less than 1.0% percent remain for sale (i.e.— only one unit under 700 sq. ft. remains for sale).

COST PER SQUARE FOOT TRENDS

Figure 3

Both the mean and median costs per square foot for residential properties sold in the third quarter declined for the first time in 2007. The third quarter mean is over \$18 per square foot, while the median lost over \$23 per square foot. This downward trend is likely the result of the 22 resale units that sold this quarter. Regarding the highs and lows of the third quarter residential market, the most expensive unit (\$/sq. ft.) sold during third quarter 2007 was a 1,763 sq. ft. unit in the Quorum Center for \$473.63 per sq. ft., while the least expensive was an 1,444 sq. ft. unit at Founder's Row for \$183.51 per sq. ft.



CUMULATIVE GEOGRAPHIC DISTRIBUTION OF SALES

Figure 4

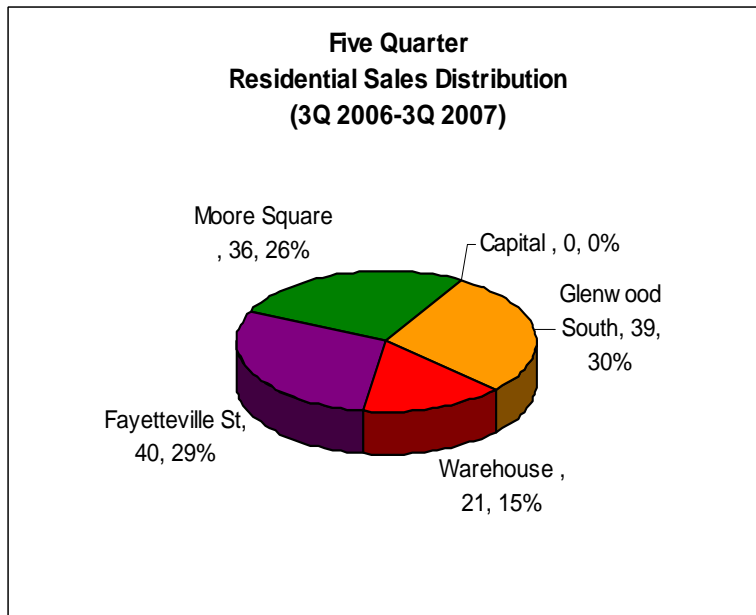


Figure 4 provides a geographic breakdown of residential sales over the last five quarters, beginning with the third quarter of 2006. The chart is more an indication of where product is becoming available for closing and occupancy rather than an indication of consumer preference. Currently, the Glenwood South, Moore Square and Fayetteville Street. Districts all hold 85% of the market's sales. Particularly noteworthy is the even product distribution between the districts with the exception of the Capital District. The chart is expected to show an evenly distributed amount of units within each district with the opening of the Hue in the Warehouse District and Blount Street Commons in the Capital District. Each component of the residential sales data provides the most sound indicator of the residential market's direction, preferences and strength.

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

Total: 2,713,278

Available: 213,397

Absorption -1,039

Vacancy: 7.9%

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	Under Construction	Mixed-income rental	Moore Square	1Q 2008	165
Bloomsbury Estates I	Under Construction	For-sale condos	Warehouse	1Q 2008	55
222 Glenwood	Under Construction	For-sale condos	Glenwood South	3Q 2008	117
Glen on Peace	Planned	For-sale condos	Glenwood South	4Q 2008	18
RBC Plaza	Under Construction	For-sale condos	Fayetteville Street	4Q 2008	140
Blount St. Phase I	Planned	For-sale condos	Capital	4Q 2008	100
				2008 Total	595
West at North	Under Construction	For-sale condos	Glenwood South	1Q 2009	170
CAM	Planned	For-sale condos	Warehouse	2Q 2009	50
Bloomsbury Estates II	Planned	For-sale condos	Warehouse	2Q 2009	55
1 Eleven Seaboard	Planned	For-sale condos	Capital	2Q 2009	52
The Hue	Planned	For-sale condos	Warehouse	2Q 2009	207
712 Tucker	Under Construction	Apartment rentals	Glenwood South	2Q 2009	179
Reynolds Tower	Planned	For-sale condos	Warehouse	3Q 2009	25
630 North	Planned	For-sale condos	Glenwood South	3Q 2009	42
Blount St. Phase II	Planned	For-sale condos	Capital	3Q 2009	100
Lafayette	Planned	For-sale condos	Fayetteville Street	4Q 2009	80
Moore Square Apts.	Planned	Apartment rentals	Moore Square	4Q 2009	175
				2009 Total	1,135
Site One	Planned	For-sale condos	Fayetteville Street	1Q 2010	154
Boylan Flats	Planned	For-sale condos	Glenwood South	1Q 2010	14
Blount St. Phase III	Planned	For-sale condos	Capital	2Q 2010	100
				2010 Total	268
Blount St. Phase IV	Planned	For-sale condos	Capital	1Q 2011	100
				2011 Total	100