



DowntownRaleigh

FOURTH QUARTER 2007

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. The Downtown Raleigh Alliance provides economic development, advocacy, marketing, safety, hospitality, and sidewalk cleaning services for the Downtown Raleigh Business Improvement District (BID). 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 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

As part of the City's *Livable Streets Downtown Plan*, the Raleigh City Council approved final designs for Phase I of converting Lenoir and South streets from one-way traffic to two-way traffic. The conversion is to be completed in coordination with the opening of the Convention Center in September 2008.

The City Council awarded Holder Construction Company a contract to complete Phase II of the Fayetteville Street Renaissance Project. This project entails extending Fayetteville Street to Lenoir Street and constructing a pedestrian connector between Fayetteville and Salisbury streets.

Announcements

In October, Campbell University announced it will move its 350-student Norman Adrian Wiggins School of Law from Harnett County to 225 Hillsborough Street in downtown Raleigh by Fall 2009.

The City of Raleigh began updating its 20-year Comprehensive Plan including conducting the first of three rounds of public input workshops. The process is expected to take approximately 18 months. The plan will serve as the policy framework for decision making on issues such as land use, development patterns, urban design, and public investment priorities.

Optimal Technologies US Inc. moved its headquarters from Canada to Raleigh during the fourth quarter, initially bringing 18 jobs. The company has committed to creating 325 new jobs in the next three years to meet the grant requirements awarded by the One North Carolina Fund in the amount of \$325,000. A matching grant from the City of

Raleigh was also awarded in the amount of \$325,000, and Optimal Technologies will invest \$2.4 million over the next three years. The company's main product is a network management tool that can improve electricity flow over utility transmission lines. The new headquarters is located at Two Progress Plaza in downtown Raleigh.

On-Time Construction Schedule

Both the Marriott Hotel and the Convention Center are on schedule and slated to open in July and September of 2008, respectively. 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

The fourth quarter welcomed 10 new downtown business openings including seven new restaurants, and/or bars. Since July of 2006, the Downtown Raleigh Alliance has confirmed 62 new business openings for Downtown Raleigh. The most prevalent places this can be seen is in the Glenwood South and Fayetteville Street Districts.

Office Market

The market for multi-tenant office space in Downtown Raleigh saw a net absorption of 67,086 sq. ft. bringing a five quarter total absorption to 216,977 sq. ft. or about 8% of the surveyed market's total space. Fourth quarter occupancy rate for multi-tenant space was 89.8%, and the overall occupancy rate for 2007, was 91.5%.

Major contributors to the fourth quarter change was the absorption of 58,608 square feet in the Old Wachovia Building at 227 Fayetteville Street, and 21,885 square feet at the Carolina Trust Building at 230 Fayetteville Street.

Downtown Events

During the fourth quarter 2007, downtown Raleigh hosted over 15 events, including the Road Race for Autism, Capital City Cheers, City of Oaks Marathon, Veterans Day Parade, and the Christmas Parade. The First Night celebration alone had an estimated attendance of 50,000 people.

www.GoDowntownRaleigh.com Website Statistics

During the fourth quarter, the Downtown Raleigh Alliance website received 114,953 hits, averaging 1,249 daily. The collaboration between the Downtown Raleigh Alliance and the City of Raleigh continues to attract and inform downtown information seekers by providing updated information via the web.

Media Exposure/Accolades

Raleigh generated 13 "top ten cities in America" honors during 2007. In the fourth quarter Raleigh received several notable rankings, including Top Research Science Park (NC State University Centennial Campus by The Association of University Research Parks), #7 Top Appreciating Metro Area (by *Money*), #10 Economic Development Hot Spot (includes Durham and Chapel Hill by National Policy Research Council), and Top 25 Places for Retirement Jobs (includes Durham by *MarketWatch*).

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	1,721,000
Combined Existing, Planned and Under Construction	19,421,056

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 & UC) 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

4th QUARTER 2007

Economic Development, BID Report and Real Estate Analysis

ANNUAL TRENDS	1999	2000	2001	2002	2003	2004	2005	2006	2007
Street-Level Business Openings	34	37	24	24	21	26	20	36	37
Street-Level Business Closings	29	24	19	25	13	18	8	25	34
Year-End Office Occupancy	92.7%	96.0%	95.6%	91.8%	88.2%	85.9%	86.6%	89.6%	91.5%
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	\$21.7
Private Investment (millions)	\$13.3	\$69.65	\$92.6	\$157.6	\$202.1	\$353.5	\$615.0	\$503.2	\$29.9
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

4TH QUARTER STREET-LEVEL BUSINESS ACTIVITY

Business Openings:	Address	Month
Globe	510 Glenwood Ave.	October
Catch 22	320 Glenwood Ave.	October
The Bassment	407 Glenwood Ave.	October
The Pouch	407 Glenwood Ave.	October
The Pit (formerly Nana's Chophouse location)	328 W. Davie St.	November
FWV Distilled, LLC	112 E. Hargett St.	November
311 W. Martin Galleries & Studios	311 W. Martin St.	November
Smoking Times	16 E. Hargett St.	December
Post Pro	612 N. West St.	December
The George (formerly April & George location)	414 Glenwood Ave. Suite 101	December

Business Closings:	Address	Month
Aura Lounge	407 Glenwood Ave.	October
Rush Lounge	407 Glenwood Ave.	October
April & George	414 Glenwood Ave. Suite 101	November
Nana's Chophouse	328 W. Davie St.	November
The Hurricane	327 W. Davie St.	November
Blazin' Saddles	327 W. Davie St.	November
SoHo East	321 W. Davie St.	November
Fantasy Theatrical Supply	610 Glenwood Ave.	December
Raleigh Printing	105 E. Martin St.	December
Tony's Coffee & Wine	309 Blake St.	December
Vignettes	315 Blake St.	December
6 Studio Hair Design	610 Glenwood Ave.	December
Firefly	605 Glenwood Ave.	December
Bickett Gallery	319 Fayetteville St.	December

4th Quarter Totals

Openings: 10

Closings: 14

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
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
Total Planned Development		\$524,000,000	

DEVELOPMENT UNDER CONSTRUCTION

Project Name	Project Type	Construction Cost	Status
L Building	Mixed-use Commercial	\$26,000,000	Under Construction
Parking Deck (Wake Co. / L Building)	Mixed-use parking	\$23,000,000	Under Construction
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		\$789,200,000	

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	2,401	1,162	4,049	28,539
Directions, Assistance, AAA	576	558	986	1,156	1,294	928	1,604	1,096	1,260	779	724	906	11,867
Disturbing the Peace, Trespass, Panhandlers	15	7	17	13	12	16	43	33	30	23	13	11	233
EMS, Fire, Police	3	2	7	4	4	7	7	11	11	27	10	7	100
Establishment/Property Owner Contact	121	99	243	290	349	182	392	397	206	143	274	561	3,257
Escorts	49	31	38	51	48	46	76	63	50	37	46	44	579
Total Personal Interactions	3,824	2,075	2,917	3,212	4,236	2,776	6,878	4,488	2,952	3,410	2,229	5,578	44,575

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	17	2	4	0	4	3	6	17	88
Litter / Debris Removed (pounds)	10,117	9,327	6,256	5,123	9,221	6,613	6,580	4,165	8,151	5,187	6,471	6,568	83,779
Sidewalk Sweeper (hours)	71	82	29*	29*	110	66	41*	10*	139	92	97	94*	860
Weed Removal (block faces)	4	0	15	8	69	34	12	19	10	21	7	43	242

*Sidewalk Cleaning Machine (Curby) not operational.

RESIDENTIAL REAL ESTATE ANALYSIS

Figure 1

GEOGRAPHIC DISTRIBUTION OF SALES

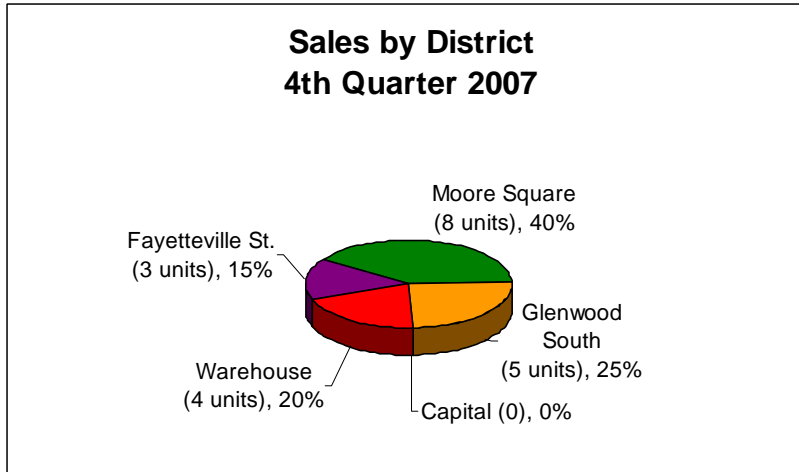


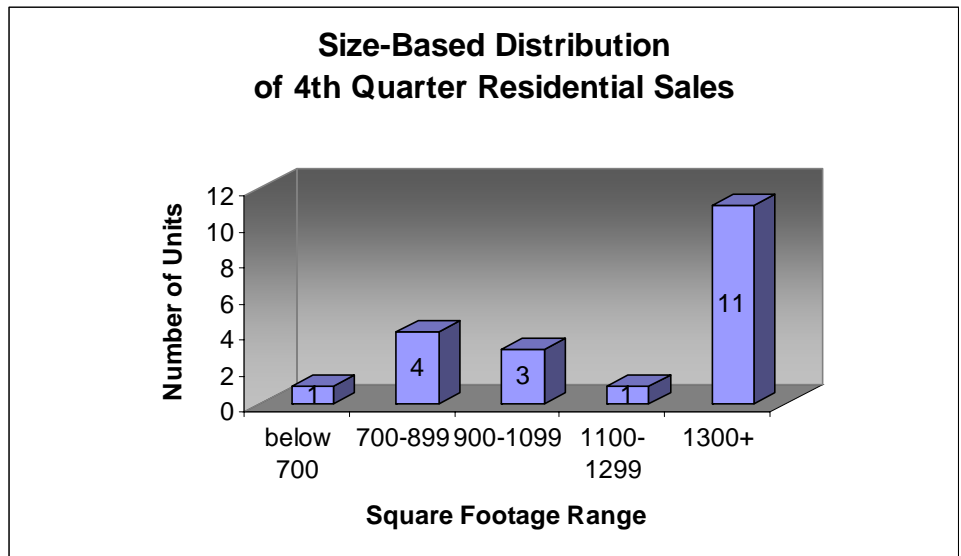
Figure 1 illustrates that during the fourth quarter of 2007, the sales recorded for downtown residential properties were concentrated in the Moore Square District. The most sales, 8 in all, occurred at the Palladium Plaza at 444 S. Blount Street. All together, the fourth quarter saw a decrease of 64% (36 units) from third quarter 2007 sales for a total of 20 residential units sold and 9 of those sales occurring as new construction absorption. The fourth quarter's other 11 sales were mainly resales that occurred in The Paramount, The Hudson, The Dawson, and Park Devereux.

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 fourth quarter 2007, 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 55% of the total amount sold during the fourth 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 five quarters ending with fourth quarter 2007.

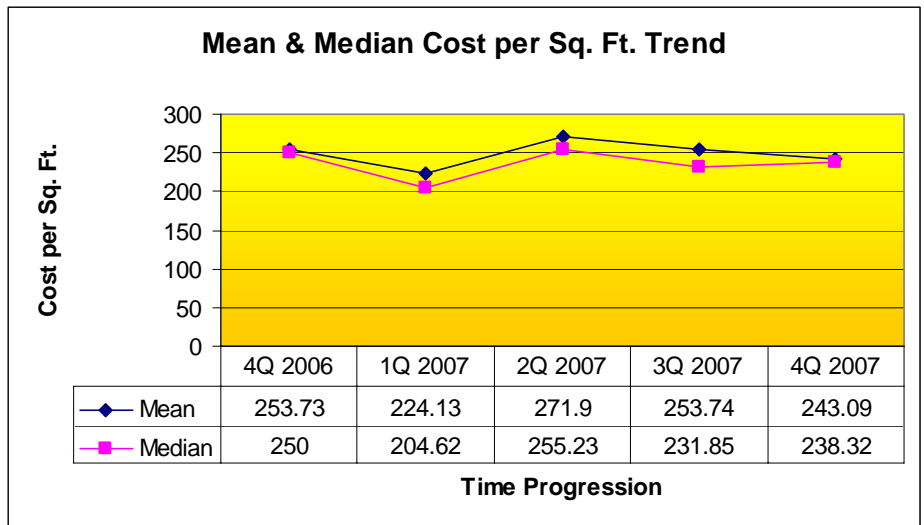


COST PER SQUARE FOOT TRENDS

Figure 3

The mean costs per square foot for residential properties sold in the fourth quarter declined \$10 per square foot from the third quarter while the median increased \$6 per square foot from the third quarter.

Regarding the highs and lows of the fourth quarter residential market, the most expensive unit (\$/sq. ft.) sold during fourth quarter 2007 was a 1,464 sq. ft. unit in the Quorum Center for \$354.17 per sq. ft., while the least expensive was an 1,435 sq. ft. unit at Palladium Plaza for \$188.50 per sq. ft.



CUMULATIVE GEOGRAPHIC DISTRIBUTION OF SALES

Figure 4

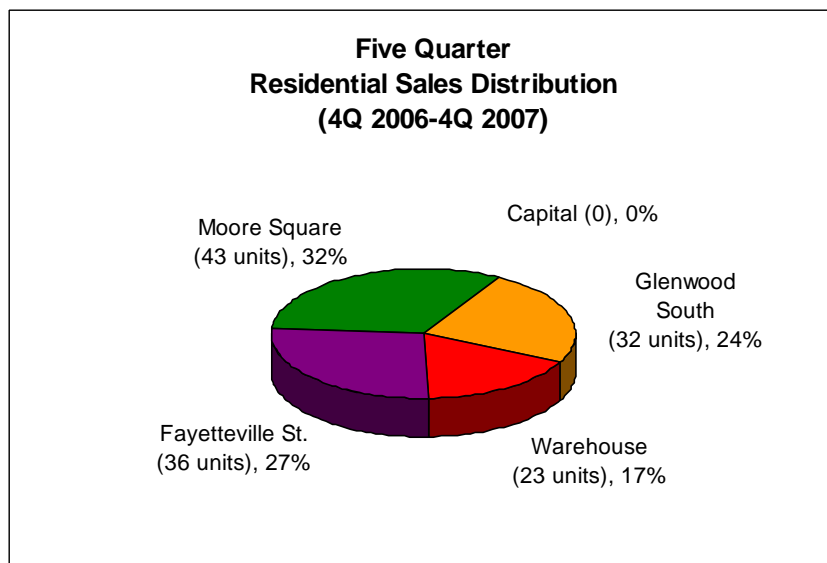


Figure 4 provides a geographic breakdown of residential sales over the last five quarters, beginning with the fourth quarter of 2006. The chart is more an indication of where product is becoming available for closing and occupancy rather than an indication of consumer preference. Currently, the Glenwood South, Moore Square and Fayetteville Street districts all hold 83% 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: 2,750,163

Available: 280,528

Absorption:-67,086

Vacancy:10.2%

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