

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

- An estimated **3,670 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.
- Food and beverage sales are **up 9% in 2017** versus the first half of 2016 with sales already **topping \$100 million** this year and on pace to break last year's record of \$202 million in downtown food and beverage sales.
- In the 2nd quarter, **12 new street-level businesses opened** ranging from soft goods retail to restaurants and bars with a **three more businesses** already open in 3rd quarter and at least **12 more street-level businesses on the way**. Since the start of 2016, downtown has seen **69 new street level businesses open**.

Announcements

North Carolina FC, the Triangle's professional soccer team, announced a plan to build a **stadium and mixed use development** on land in the state government complex in downtown. The stadium would seat 22,000 fans and include new towers for state employees, retail, and residential units, as part of the club's bid for a top division, Major League Soccer franchise.

Over **1.75 billion** in projects are currently **under construction (\$312 million) completed construction (\$512 million) or in planning (\$875 million+)**. More investment is certain, as investment figures are not yet available for some announced projects. Also, public investment is strong with **\$200 million in public projects** either underway, planned or completed including greenspace renovation at Moore Square and transit centers at Union Station and the recently renovated GoRaleigh Transit Center.

Office Market

FNB Bank announced their re-location to downtown where they will occupy space at FNB Tower, a planned 22-story mixed use development on Fayetteville Street. **VitalSource**, a tech company located on Fayetteville Street, announced an expansion that will bring more jobs and requires

leasing another floor of office space, bringing their footprint to 33,151 sf. Downtown company, **Pendo**, has raised **\$45 million** in capital since December 2016, as the company continues to grow rapidly.

Construction continues on The Dillon, a 17-story office tower in the Warehouse District. Other forthcoming buildings include 400H 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 the Capital Club Building, Centerline headquarters in Glenwood South, and next to the current HQ Raleigh building.

Office vacancy improved with a decrease into single digits at 8.9% with Class A at 11% and Class B at 2.3% vacancy for the 2nd quarter. (Source: JLL)

Retail & Storefront Market

During the first quarter, **12 new street-level businesses opened** in downtown. Included in that total are new grocery/bodega, children's bookstore, and five new restaurants. Retail has had a strong 2017 with **seven new store openings** and more on the way.

At least **12 more street-level businesses have been announced or confirmed** and are expected to open during the next few months including retail, restaurants, and bars.

Downtown's first national clothing retailer, **Urban Outfitters**, announced their new location opening in 2018 at The Dillon in the Warehouse District.

Residential Market

Construction continues on another **425 units** including The Dillon and several townhome projects throughout downtown. Since 2015, **1,804 units have been delivered** and more than **1,400 units** are planned for the near future.

Dining & Hospitality Market

Food and beverage sales are **up 9% in 2017 vs. 2016 YTD**. Fayetteville Street and Warehouse districts have the highest gains in 2017 with over **17% and nearly 15%** more sales respectively versus the first two quarters of 2016. In total, there are now more than **240 restaurants, cafes, and bars/clubs/lounges** in downtown.

Residence Inn by Marriott opened their \$30 million, **175 room hotel** this month, which are the **first new hotel rooms in downtown since 2012**. Additionally, **982 more rooms are planned**.

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
Total Existing Space	25,237,393
Total Under Construction Space	1,170,455
Combined Existing, Under Construction and Planned	30,651,747

DOWNTOWN HOTEL ROOMS

Existing Rooms	1,247
Planned (announced # rooms)	982

RESIDENTIAL UNITS

Existing Units Inside Downtown	5,546
Planned and Under Construction (P & UC) Residential Units	1,866
Combined Existing, P & UC Units	7,412

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

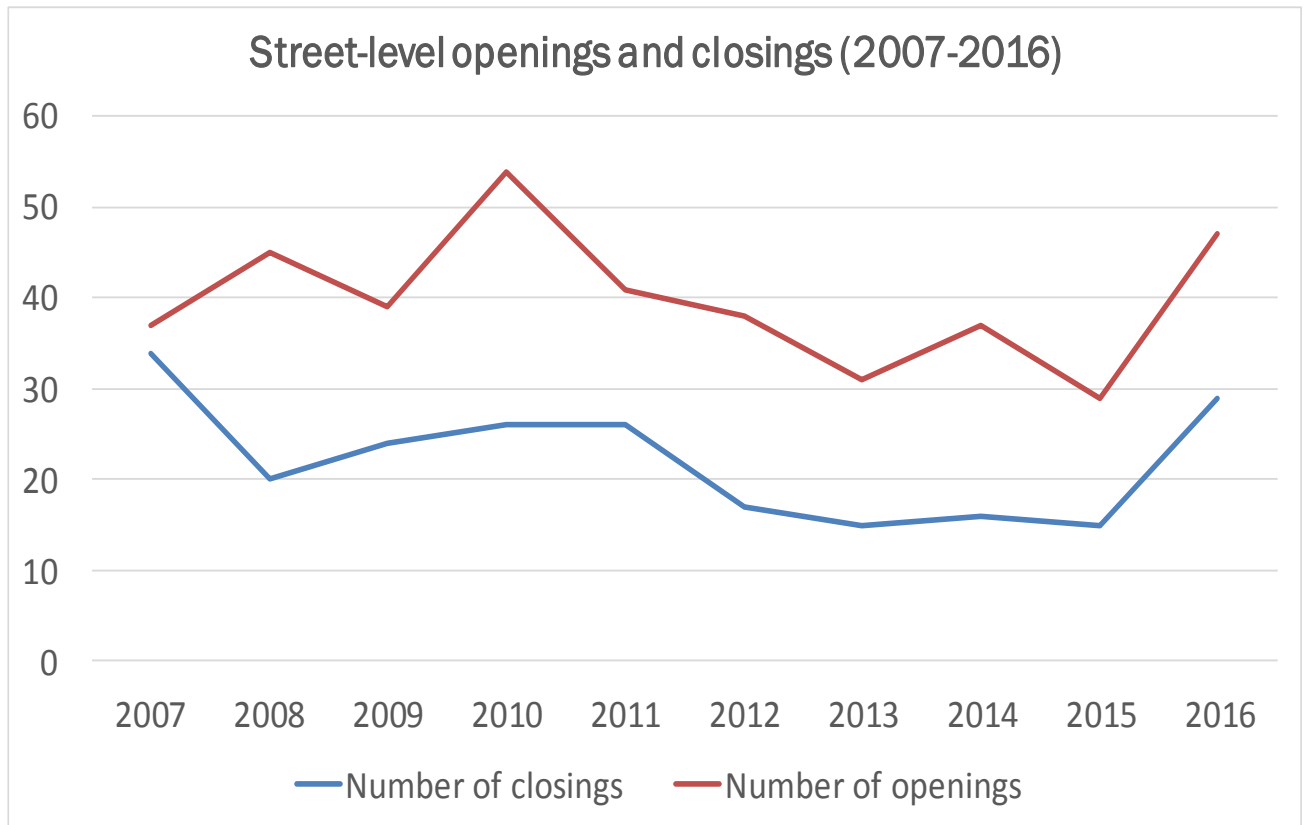
POPULATION DESCRIPTIVE STATISTICS

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 With Bachelor's Degree or Higher	46%
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	23
Street-Level Business Closings	26	26	17	15	16	15	30	15
Year-End Office Occupancy	89.6%	89.9%	89.2%	93.3%	89.9%	89.4%	88.6%	91.1%
Public Investment started or underway	\$2.5	\$0	\$205	\$187	\$0	\$91	\$169	\$125
Private Investment started or underway but not completed (millions)	\$9.6	\$106.5	\$117.5	\$351	\$133	\$261	\$242	\$188
Projects Completed	3	5	5	8	5	15	10	3
Total Investment completed (millions)	\$7.4	\$22.3	\$29.8	\$156	\$115	\$260	\$174	\$75



Sources: DRA internal tracking,

2nd QUARTER 2017 STREET-LEVEL BUSINESS ACTIVITY

Business Openings:

<u>Name</u>	<u>Type</u>
1. Read With Me	Retail
2. Trolley Pub Beer Shop	Retail
3. Oak City Market	Retail
4. Voda Boutique	Retail
5. Chisel Studio	Fitness
6. La Santa	Restaurant
7. St. Roch Oyster + Bar	Restaurant
8. Mulino Italian Kitchen and Bar	Restaurant
9. Dominos Pizza	Restaurant
10. Cortez Seafood & Cocktail	Restaurant
11. Watts and Ward	Bar
12. The Parliament	Bar

Business openings in early 3rd Q 2017

<u>Name</u>	<u>Type</u>
1. MOFU Shoppe	Restaurant
2. Benny Capitale's	Restaurant
3. Tulum Restaurante & Bar	Restaurant

Business closings in 2nd Q 2017

<u>Name</u>	<u>Type</u>
1. Quiznos	Restaurant
2. More.	Restaurant
3. Mosaic	Bar
4. Office Tavern	Bar
5. Dogwood Collective	Retail
6. Rollins' Economy Cleaners	Personal Service

See next page for announced businesses coming soon.

STREET-LEVEL BUSINESS ACTIVITY

Business Announcements (Coming Soon)

1. Poolside Pie	Restaurant
2. Wahlburgers	Restaurant
3. Growler USA	Restaurant/Bar
4. Oakwood Pizza Box	Restaurant
5. Tama Tea	Restaurant
6. Urban Outfitters	Retail
7. Harris Teeter	Retail
8. Morgan Street Food Hall	Retail/Food hall
9. Speakeasy	Bar
10. 616 Glenwood	Bar
11. 5 Lounge & Discotorium	Bar
12. 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>
<u>UNDER CONSTRUCTION</u>					
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
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)	15	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	Not announced	Apartments	66,000	17	Glenwood South
Boylan Flats	Not announced	Apartments	44,250	48	Glenwood South
Capital Boulevard Self Storage	Not announced	Storage	123,000	n/a	Seaboard/Capital
West at Lenoir	Not announced	Townhomes	24,066	12	Warehouse
611 West South	Not announced	Residential	80,300	42	Warehouse
Self Storage Facility	Not announced	Storage	123,000	n/a	Warehouse
Restaurant at 502 W. Lenoir	Not announced	Restaurant	4,583	n/a	Warehouse
TOTAL UNDER CONSTRUCTION	\$ 312,950,000		1,170,455	425 resi- dential units	

*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, as such the development has been moved to Planned. Repairs are ongoing to several nearby buildings, too.

DOWNTOWN RALEIGH DEVELOPMENT INVESTMENT					
<u>Project Name</u>	<u>Investment</u>	<u>Project Type</u>	<u>Sq. Ft.</u>	<u>Units</u>	<u>District</u>
PLANNED					
City Centre (301 Hillsborough St.)	\$160,000,000	Mixed Use	220,000 (office), 40,382 retail. 1,121,576 total	242 + 176 hotel rooms	Glenwood/Warehouse
Moore Square renovation	\$12,600,000	Infrastructure	4-acre park	n/a	Moore Square
FNB Tower	\$110,000,000	Mixed Use	150,000 (office) 389,702 total	240	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	144,000 (office), 16,000 (retail)	216	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
522 S. Harrington St.	Not announced	Mixed use/residential	103,250	47	Warehouse
Fourth Ward	Not announced	Residential	19,302	10	Warehouse
Boutique hotel at 615 W. Peace St.	Not announced	Hotel	Not announced	60	Glenwood South
Boylan Pearce Bldg.	Not announced	Mixed Use	31,820	n/a	Fayetteville Street
North Carolina FC Stadium	Not announced	Stadium, office, residential, retail	n/a	n/a	Capital
Peace Street streetscape project	\$2,000,000	Infrastructure	n/a	n/a	Glenwood South
TOTAL PLANNED				1,441 residential units	
				982 hotel rooms	

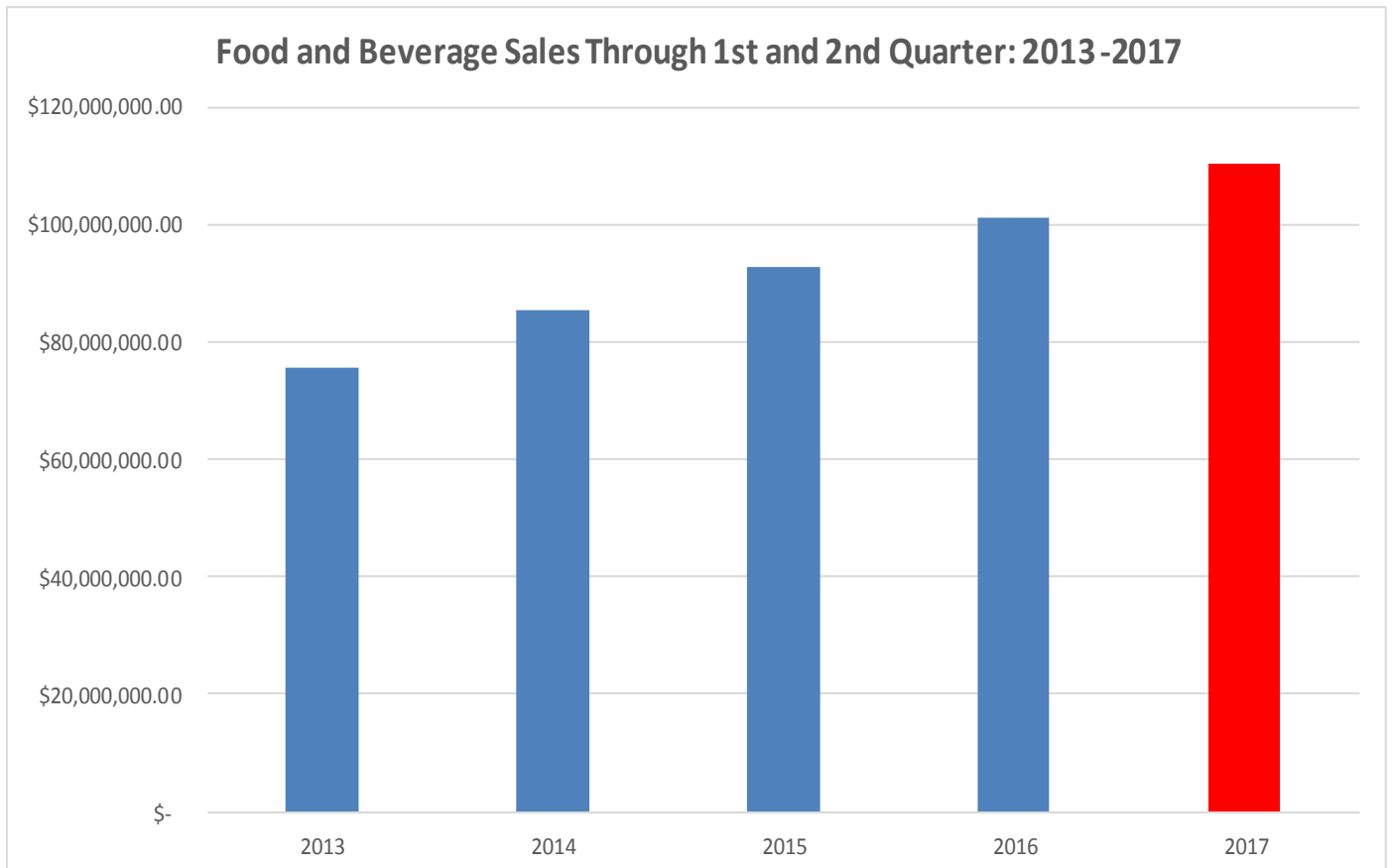
Note: these projects are subject to change and should be considered estimates based on public information. Additionally, several projects have not finalized their investment total. As such, planned investment dollars are likely higher and project costs likely to change.

** Damaged in fire, plans to rebuild.

<u>DOWNTOWN RALEIGH DEVELOPMENT INVESTMENT</u>					
<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>					
GoRaleigh Transit Center renovation	\$9,900,000	Infrastructure	n/a	n/a	Moore Square
Residence Inn by Marriott	\$20,000,000	Hotel	150,000	175 rooms	Fayetteville St.
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
Devon Four25	\$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
TOTAL DELIVERED	\$ 515,820,000		2,788,214	1,804	

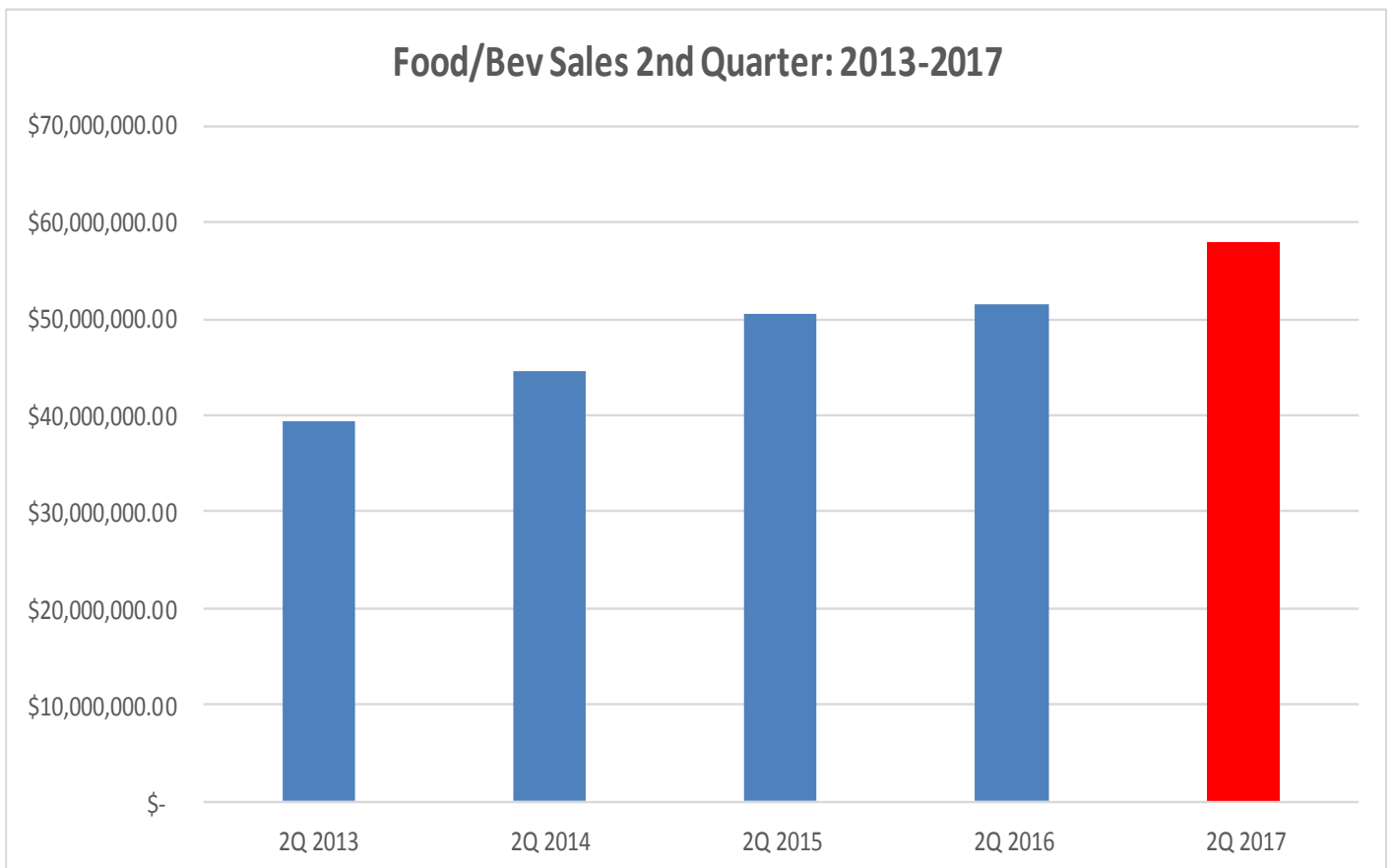
2017 YTD FOOD AND BEVERAGE SALES IN DOWNTOWN

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. Sales at food and beverage establishments in downtown Raleigh are **up 9%** through the first two quarters of 2017 vs. 2016. Downtown has seen **46% growth** in food and beverage sales for first half of 2017 vs. the first half of 2013.



2nd QUARTER FOOD AND BEVERAGE SALES IN DOWNTOWN

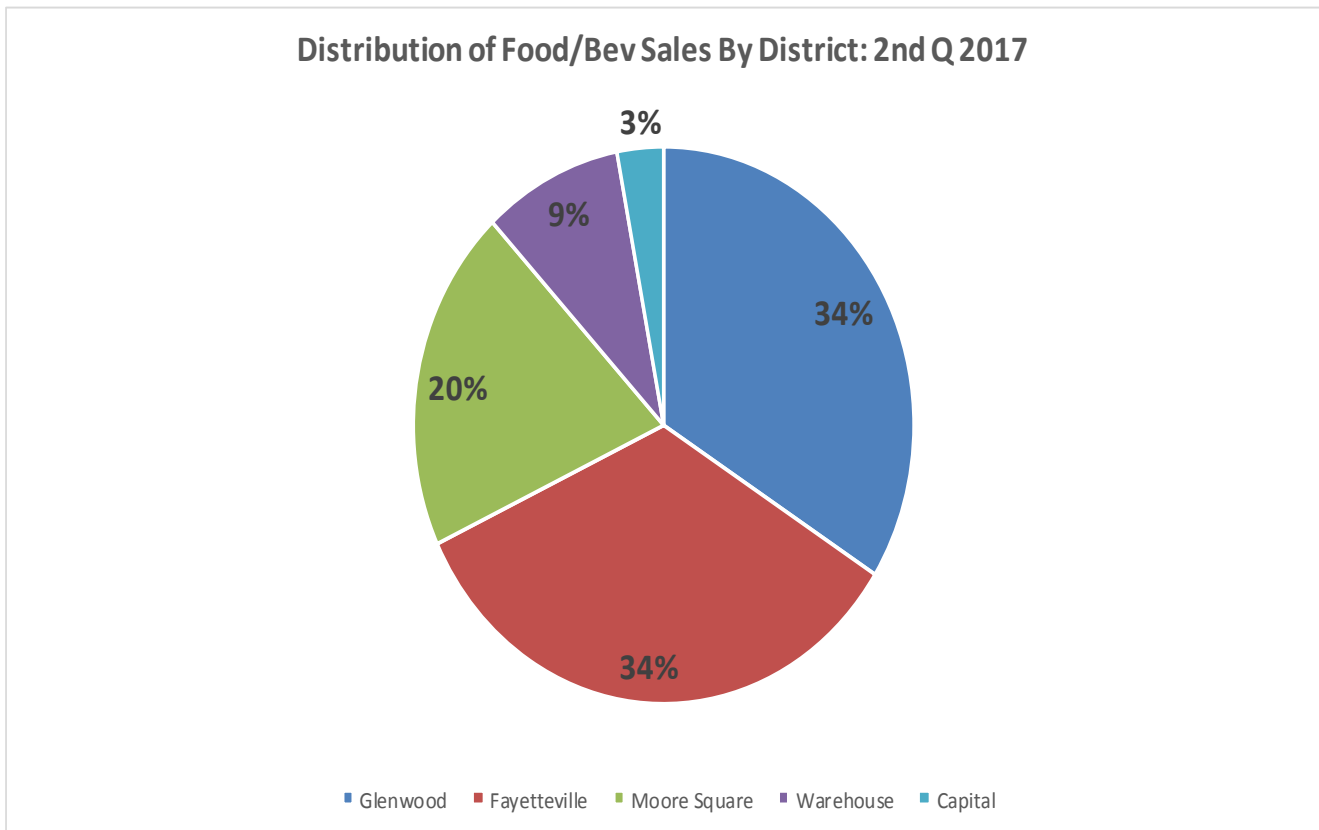
Food and beverage sales for downtown were **up 13% for 2nd quarter 2017 versus 2nd quarter 2016**. Downtown restaurants and bars are continuing their strong performance from 2016 when they topped \$200 million in sales for the year.



Sources: Wake County Tax Assessor

FOOD AND BEVERAGE SALES DISTRIBUTION BY DISTRICT

Due to strong sales this year, Fayetteville Street district is now even with Glenwood South in share of food and beverage sales. Fayetteville Street district has seen a **17.6% growth in sales in 2017**. Warehouse district has seen the second largest growth with sales up **14.9%** over last year and now holds a 9% share of sales, which is an increase from the previous quarter. Moore Square remains 20% of downtown food and beverage sales, while Wake County now provides data on the Capital district which has 3% of downtown's sales.



FOOD AND BEVERAGE SALES GROWTH BY DISTRICT

All districts in downtown have seen substantial growth in food and beverage sales since 2013 with the Warehouse district seeing the largest percentage gains with over 50% more sales in the past four years.

