



ECONOMIC DEVELOPMENT REPORT DOWNTOWN RALEIGH

Q1-2020



DowntownRaleigh
Alliance

Downtown Raleigh Alliance produced this quarterly report. DRA 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.downtownraleigh.org). The City of Raleigh is a key partner of 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.



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ECONOMIC DEVELOPMENT REPORT

Highlights

In the first quarter of 2020 Downtown Raleigh saw continued new street-level business openings as well as strong food and beverage sales performance through February. While the COVID-19 pandemic has altered the landscape of the global economy, Downtown Raleigh is showing signs of resilience. New construction projects continue to be announced with several major construction projects getting underway and other projects nearing completion.

Development Pipeline

Since the start of 2015, projects totaling over **\$2.6 billion** have been delivered, are currently under construction, or have been planned/announced for downtown in the near future. More than **\$1.2 billion** in projects have been completed since 2015. Projects under construction in Downtown Raleigh currently total **\$520 million** and over **\$898 million** in projects have been announced. Additionally, there are also several major development projects that have not yet announced their total investment figures. Projects completed in Q1 totaled an estimated **\$29 million** in value.

Public sector investment remains an important part of downtown's growth, as more than **\$200 million in public projects** are underway, planned, or have been completed in the past three years. **City Plaza** is currently being renovated and the **Capital Boulevard/Peace Street** bridges and interchanges project is also progressing.

Retail & Storefront Market

Downtown saw several storefront businesses open in Q1 of 2020. **City Market Artist Collective**, a gallery and maker space, opened on Blake Street. **UNC Family Medicine at Downtown Raleigh** has opened on Fayetteville Street, enhancing the services available to downtown employees and residents.

Downtown has remained a hotspot for prominent chefs and entrepreneurs. **Zambrero**, a fast-casual restaurant which is expanding in the U.S. from Australia, opened in One Glenwood. **Blowfish**, which specializes in tacos and tequila, and **Lady Luck**, a new chef-driven restaurant and craft cocktail bar, have opened on Glenwood Avenue. **Peggy's Whiskey & Cocktails** is now open at Hibernian Pub. **The Longleaf Lounge**, offering beer, wine, and craft cocktails, is now open inside the newly completed Longleaf Hotel. **Bean Sprouts**, a healthy restaurant catering to children, opened in Marbles Kids Museum.

In retail news, **The Vault**, a retro sports apparel retailer out of Greenville, South Carolina, will be coming soon to an underground space on the 200-block of Fayetteville Street.

During the first quarter, **10 new street-level businesses** opened in downtown. Overall, **191 storefront businesses** have opened since the start of 2016. At least **20 additional street-level businesses** have been announced and are expected to open later this year, including retail, restaurants, bars, and services.

\$2.6 Billion
Delivered, Under
Construction, and
Planned

\$1.2 Billion
Recently Completed

\$520 Million
Under Construction

\$898 Million
Announced

10
New Storefront Busi-
nesses in Q1 of 2020

ECONOMIC DEVELOPMENT REPORT

Highlights

Residential Market

Construction progresses on **786 residential units** in downtown. The **Fairweather** has **45 units** under construction and serves as downtown's first condominium project since before the 2008 recession. Phase I and Phase II of the **Smoky Hollow** project are both underway. Phase I will bring **417 units** to the market and Phase II will add another **283 units**. **Cameron Crest Townhomes** has **six units** under construction on St. Mary's Street. Since 2015, **2,665 residential units** have been delivered. Proposed projects currently call for an additional **2,938 units**.

2,665

Residential units
Delivered since 2015

2,938

Residential units
proposed

Dining & Hospitality Market

Prepared food and beverage sales in the first two months of Q1 2020 were over **5.6% greater than** the first two months of 2019. March figures saw a year-over-year reduction in volume likely due to decreased activity as a result of the COVID-19 pandemic. **Warehouse District** sales were up **19.2%** in Q1 of 2020 over Q1 of 2019. Overall, **Glenwood South** still accounts for the largest portion of downtown's food and beverage sales, bringing in nearly **33%** of all sales. There are now more than **200 restaurants, cafes, and bars/clubs/lounges** in downtown.

19.2%

growth in food and beverage sales for Warehouse District in Q1 of 2020 over Q1 of 2019

In the hotel market, **Origin Hotel**, located in Glenwood South, opened its doors at the end of Q1 and offers **126 rooms**. The **Longleaf Hotel**, which transformed the former Days Inn on N. Dawson Street into a **56-room** boutique hotel, has also opened and has additional work ongoing. Progress continues at the site for **The Willard**, which will bring a **147-room hotel** to Glenwood Avenue.

65.7%

growth in food and beverage sales in Q1 of 2020 over Q1 of 2012

Office Market

Office occupancy continues to be strong in downtown at **93.2%**, according to JLL. Downtown Raleigh saw a slightly negative net absorption in Q1, with a net rate of **less than of -1%**. Downtown Raleigh has a Class A average asking rate of **\$38.11 per square foot** and an overall asking rate of **\$37.12 per square foot**.

93.2%

Office occupancy rate

New Development News

Dominion Realty Partners has announced plans for **Salisbury Square**, a multi-tower project at the corner of W. South and S. Salisbury streets. The project includes a 20-story mixed-use tower; a 20-story multi-family tower; a six-story, **150-room hotel**, and a four-story **workforce housing development** and parking deck. The mixed-use tower will feature **242 apartments** on top of **175,000 square feet of commercial office and retail space**. The residential tower will feature **270 apartments** complete with a rooftop pool. Plans also include **63 workforce housing units** wrapping around a shared parking structure.

Hoffman & Associates filed site plans for **Seaboard Station – Block B**, which calls for **449,554 square feet of mixed-use space** set to feature **299 apartments** as well as retail and restaurant space. The Block B site is one of two parcels that make up the first phase of the Seaboard Station project. Site clearance for two downtown hotel projects are nearly finished. Across from **Nash Square**, a **190-room hotel** with approximately **4,000 square feet** of restaurant space is anticipated. Around the corner, a **Hilton Garden Inn** is slated to be built at the corner of Davie and Dawson with more than **250 rooms** and **1,800 square feet** for restaurant or retail.

Downtown Dashboard

Residential Market and Demographics

11,341 Population estimated in downtown	18,931 Residents within one mile of downtown core	7,128 Downtown Residential Units	2,665 Units delivered since 2015	786 Units under construction
2,938 Units currently planned	54.8% of residents with Bachelor's Degree or Higher	1.72 Average household size within 1-mile radius	\$78,759 Average household income within 1-mile of downtown	33.7 Median Age for residents within 1-mile radius

Office Market

48,000 Employees estimated in downtown	93.2% Office occupancy rate in Q1 2020 (JLL)	-0.7% Net absorption in 2020 (JLL)	269,100 Square feet of co-working space in downtown	85 Employees per acre, densest office market in region
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Dining & Hospitality Market

\$262.7 million in food and beverage sales in 2019	228 Restaurants and bars in downtown	49 New retailers since 2014	17 James Beard Award Nominations since 2010	9.4% Growth in food and beverage sales in 2019 over 2018
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Tourism & Hotel Market

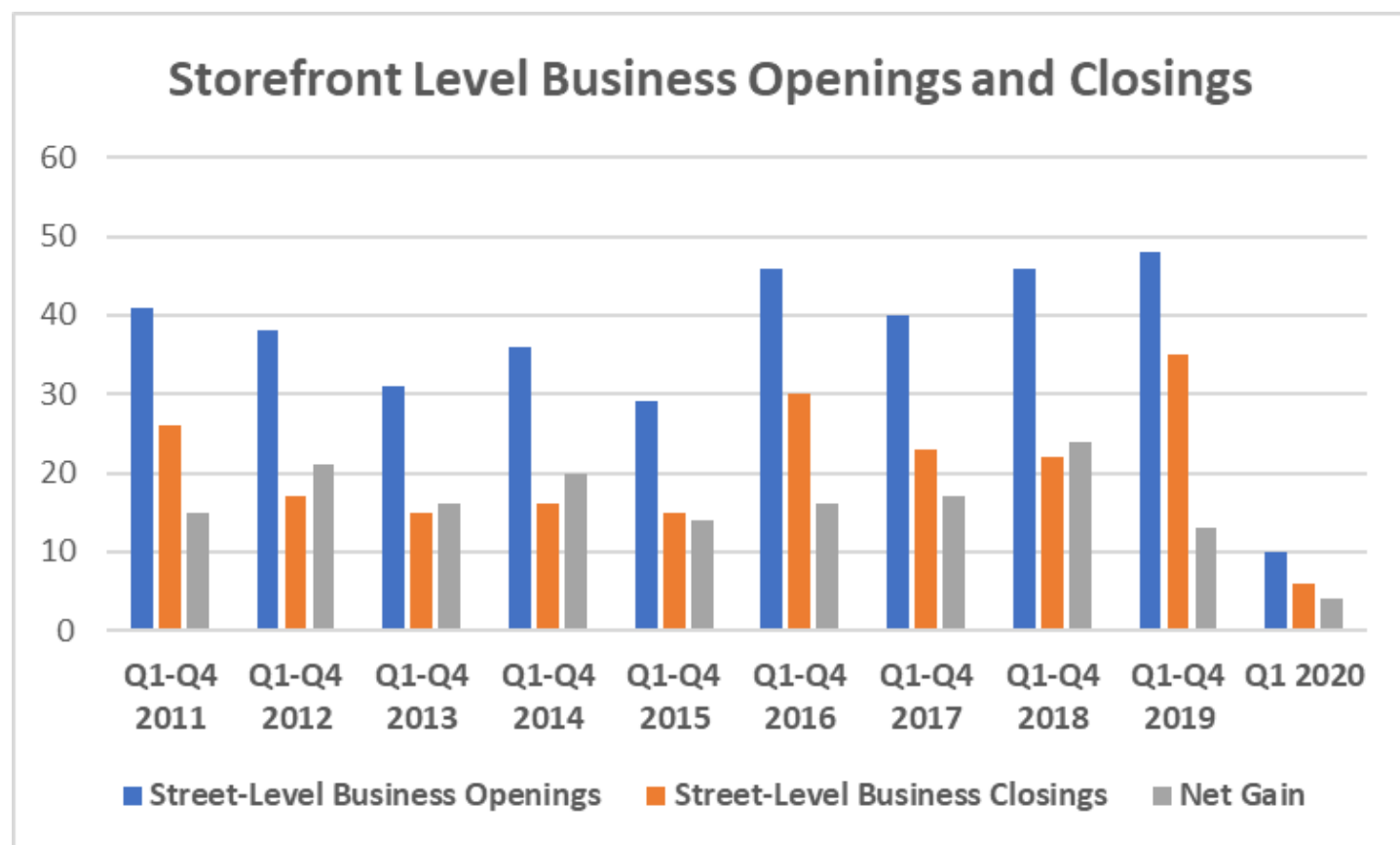
1,448 Existing rooms in downtown	147 rooms Rooms under construction	74.9% Hotel occupancy	3.4 million Visitors to top downtown attractions in 2018	47% Increase in visitors since 2007
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Real Property Square Footage Within the Downtown MSD

8,341,212 Commercial office space	1,664,594 Retail space	6,964,275 Government office/ facility space	5,335,977 Other: educational, religious, institutional
29,033,335 Total existing space	2,288,308 Under construction	34,915,514 Combined existing, under construction and planned	Sources: DRA, U.S. Census, Greater Raleigh CVB, STB Travel, CBRE Raleigh

Storefront and Development Trends

Historical Trends	Q1-Q4 2011	Q1-Q4 2012	Q1-Q4 2013	Q1-Q4 2014	Q1-Q4 2015	Q1-Q4 2016	Q1-Q4 2017	Q1-Q4 2018	Q1-Q4 2019	Q1 2020
Street-Level Business Openings	41	38	31	36	29	46	40	46	48	10
Street-Level Business Closings	26	17	15	16	15	30	23	22	35	6
Net Gain	15	21	16	20	14	16	17	24	13	4
Year-End Office Occupancy	89.9%	89.2%	93.3%	89.9%	89.4%	88.6%	94.7%	94.9%	93.9%	93.2%
Public Investment started or underway (millions)	\$0	\$205	\$187	\$0	\$91	\$169	\$137	\$137	\$37	\$40
Private Investment started or underway but not completed (millions)	\$106	\$117	\$351	\$133	\$261	\$242	\$288	\$290	\$502	\$502
Projects Completed	5	5	8	5	15	10	3	14	8	2
Total Investment completed (millions)	\$22	\$160	\$343	\$115	\$260	\$174	\$104	\$298	\$278	\$29



First Quarter Storefront Business Activity

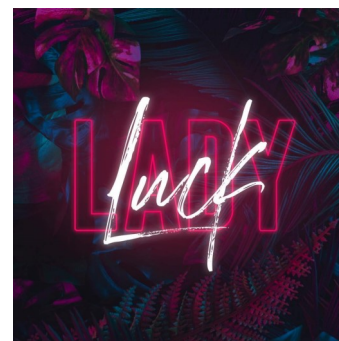
Business Openings in 1st Quarter:

<u>Name</u>	<u>Type</u>
1 Stop N Shop	Convenience Store
2 City Market Artist Collective	Gallery/Maker Space
3 Zambrero	Fast Casual Restaurant
4 Bean Sprouts	Restaurant
5 Lady Luck	Restaurant/Bar
6 Good Day Good Night	Restaurant/Bar
7 Blowfish	Bar
8 The Longleaf Lounge	Bar
9 Peggy's Whiskey & Cocktails	Bar
10 UNC Family Medicine at Downtown Raleigh	Family Medicine



Business Closings in 1st Quarter:

1 Marbles Café	Restaurant
2 Calavera	Restaurant
3 Seoul 116	Restaurant
4 Donatos Pizza	Restaurant
5 Riddle Raleigh	Restaurant
6 Tapworks	Restaurant



See next page for announced businesses coming soon.

Announced Storefront Businesses (Coming Soon)

1	Publix	Retail
2	The Vault	Retail
3	Saxapahaw General Store	Retail
4	Hunky Dory	Retail/Taproom
5	Rainbow Luncheonette	Restaurant
6	(ish) Delicatessen	Restaurant
7	Sam Jones BBQ	Restaurant
8	Rush Bowls	Restaurant
9	Luang Prabang Laotian Grill and Garden Bar	Restaurant
10	Flying Mayan	Restaurant
11	Friendship BBQ	Restaurant
12	Askew House	Restaurant
13	Element Plant-Based Gastropub	Restaurant
14	Standard Beer and Food	Restaurant/Bar
15	The Merchant	Restaurant/Bar
16	The Pink Boot	Bar
17	Killjoy	Bar
18	Vault Craft Beer	Brewery
19	Iris Coffee Lab	Coffee Shop
20	Current Wellness	Service
21	Arch & Edge	Service
22	FastMed	Service



Downtown Raleigh Development and Investment

Under Construction					
<u>Project Name</u>	<u>Investment</u>	<u>Project type</u>	<u>Square Footage</u>	<u>Housing Units/Hotel Rooms</u>	<u>District</u>
Peace St/Capital Blvd	\$36,900,000	Infrastructure	n/a	n/a	Capital
The Saint	\$23,000,000	Townhomes	n/a	17 units	Glenwood South
Peace (Smoky Hollow Phase 1)	\$150,000,000	Mixed-use (Residential, Retail)	51,600 (retail)	417 units	Glenwood South
107 W. Hargett St.	\$4,000,000	Retail/Office Renovation	17,634 (office)	n/a	Fayetteville St
			3,780 (retail)		
The Fairweather	\$12,679,746	Mixed-use (Residential, Retail)	1,836 (retail)	45 units	Warehouse
Sir Walter Apartments (Renovation)	\$15,000,000	Senior Housing	20,000 (retail)	18 new units	Fayetteville St
Tower II at Bloc 83	\$108,000,000	Mixed-use (Office, Retail)	241,750 (office)	n/a	Glenwood South
			30,000 (retail)	n/a	
Smoky Hollow Phase II	Not Announced	Mixed-use (Office, Residential, Retail)	225,000 (office)	283 units	Glenwood South
			41,142 (retail)		
Raleigh Crossing Phase 1	\$160,000,000	Mixed use (Office, Retail)	287,252 (office)	n/a	Capital
			12,500 (retail)		
The Willard	Not Announced	Hotel	3,860 (retail)	147 rooms	Glenwood South
Wells Fargo Capitol Center (Renovation)	\$7,000,000	n/a	n/a	n/a	Fayetteville St
Cameron Crest	Not Announced	Residential	n/a	6 units	Warehouse
S. Dawson St. Retail (Renovations)	\$471,857	Retail	9,746 (retail)	n/a	Warehouse
City Plaza Renovation	\$3,100,000	Public Space	n/a	n/a	Fayetteville St
Total	\$520,151,603		771,636 (office)	786 Units	
			174,464 (retail)	147 Rooms	

Downtown Raleigh Development and Investment

Completed in 2020

<u>Project Name</u>	<u>Investment</u>	<u>Project type</u>	<u>Square Footage</u>	<u>Housing Units/Hotel Rooms</u>	<u>District</u>
Longleaf Hotel	\$6,500,000	Hotel	20,812	56 rooms	Capital
Origin Hotel	\$22,702,726	Hotel	4,000 (retail)	126 rooms	Glenwood South
	\$29,202,726		4,000 (retail)	182 rooms	

Downtown Raleigh Development and Investment

Completed in 2019

<u>Project Name</u>	<u>Investment</u>	<u>Project type</u>	<u>Square Footage</u>	<u>Housing Units/Hotel Rooms</u>	<u>District</u>
Metropolitan Apartments	\$52,500,000	Apartment	274,959	241 units	Glenwood South
One Glenwood	\$86,000,000	Mixed-use (Office/Retail)	212,500 (office) 14,914 (retail)	n/a	Glenwood South
West + Lenoir Townhomes Phase II	\$1,734,216	Residential	13,349	9 units	Warehouse
Moore Square Renovation	\$13,000,000	Park renovation	n/a	n/a	Moore Square
Rainbow Upholstery Building	\$2,859,105	Retail/Office renovation	13,540 (office) 5,760 (retail)	n/a	Glenwood South
Tin Roof	\$842,949	Restaurant, Music Venue	7,526 (retail)	n/a	Glenwood South
FNB Tower	\$118,000,000	Mixed-use (Office/Residential/Retail)	152,000 (office) 11,010 (retail)	239 units	Fayetteville St
Blount-Person St. Corridor Improvement Project Phase I	\$3,260,000	Infrastructure	n/a	n/a	Seaboard/Person St.
Total	\$278,196,270		378,040 (office) 39,210 (retail)	489 units	



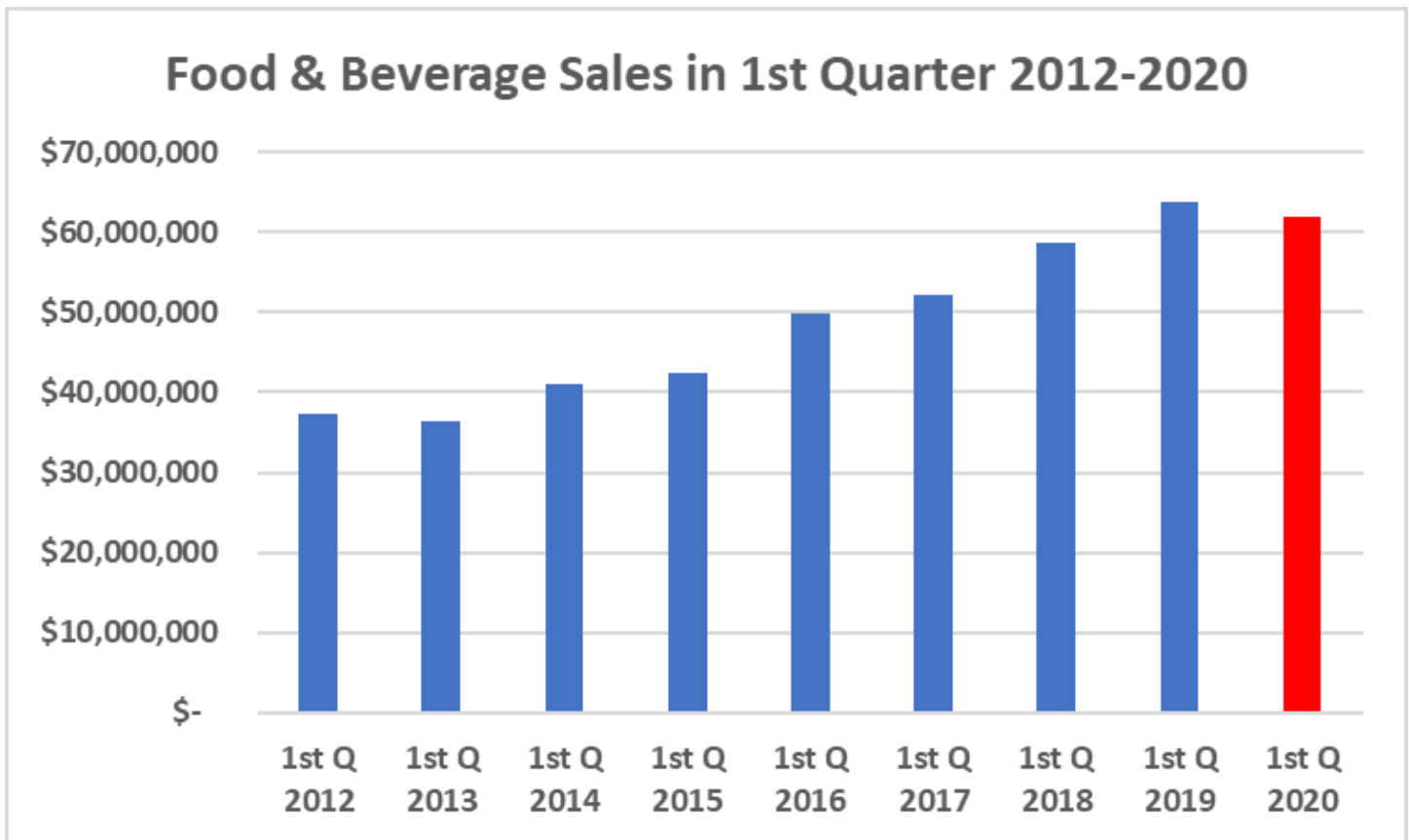
Downtown Raleigh Development and Investment

Proposed					
<u>Project Name</u>	<u>Investment</u>	<u>Project type</u>	<u>Square Footage</u>	<u>Housing Units/Hotel Rooms</u>	<u>District</u>
The Nexus	Not announced	Mixed-use (Office, Retail, Residential, Hotel)	327,375 (office) 29,718 (retail)	414 units/ 264 rooms	Fayetteville St
The Lynde	Not announced	Residential	n/a	32 units	Warehouse
Seaboard Station Phase 1	\$250,000,000	Mixed-use (Residential, Retail, Hotel)	12,000 (retail)	96 units/ 150 rooms	Seaboard/ Person St.
Seaboard Station Phase 2		Mixed-use (Residential, Retail)	45,000 (retail)	549 units	
Hilton Garden Inn/ Homewood Suites	\$35,102,906	Hotel	1,810 (retail)	259 rooms	Fayetteville St
Raleigh Crossing Phase 2	Not announced	Mixed (Residential, Hotel, Retail)	7,000 (retail)	136 units 169 rooms	Capital
Courtyard Marriott	\$30,000,000	Hotel	n/a	179 rooms	Fayetteville St
Home2 + Tru Raleigh	Not announced	Hotel	n/a	190 rooms	Fayetteville St
The Edge	\$75,000,000	Mixed-use (Office, Retail)	242,000 (office) 8,300 (retail)	n/a	Moore Square
Fourth Ward	Not announced	Residential	n/a	10 units	Warehouse
City Gateway	\$70,000,000	Mixed-use (Office, School)	144,130 (office) 52,672 (school)	n/a	Fayetteville St
South Street Condos	Not announced	Residential	n/a	Not announced	Warehouse
400 H	\$100,000,000	Mixed-use (Office, Retail, Hotel)	144,410 (office) 16,935 (retail)	216 units	Glenwood South
Nash Square Hotel	\$28,776,737	Hotel	4,224 (retail)	190 rooms	Warehouse
City View Townes	Not announced	Residential	n/a	8 units	Warehouse
121 Fayetteville	Not announced	Mixed-use (Office, retail)	375,000 (office) 10,242 (retail)	n/a	Fayetteville St
Peace Street Condos	Not announced	Residential	1,500 (retail)	24 units	Glenwood South
Blount-Person St. Corridor Improvement Project Phase II	\$9,400,000	Infrastructure	n/a	n/a	Seaboard/ Person St.
Civic Campus Phase I	Not announced	Government	420,000	n/a	Fayetteville St
Civic Campus Phase II			180,000		
West Cabarrus Warehouses	Not announced	Mixed (Office, Retail)	289,261 (office) 14,306 (retail)	329 units	Warehouse
Salisbury Square Phase I	\$300,000,000	Residential	n/a	333 units	Fayetteville St
Salisbury Square Phase II		Mixed (Residential, Hotel, Retail)	175,000 (office)	242 units 150 rooms	
Total	\$898,279,643		1,697,176 (office)	2,389 Units	
			151,035 (retail)	1,551 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.

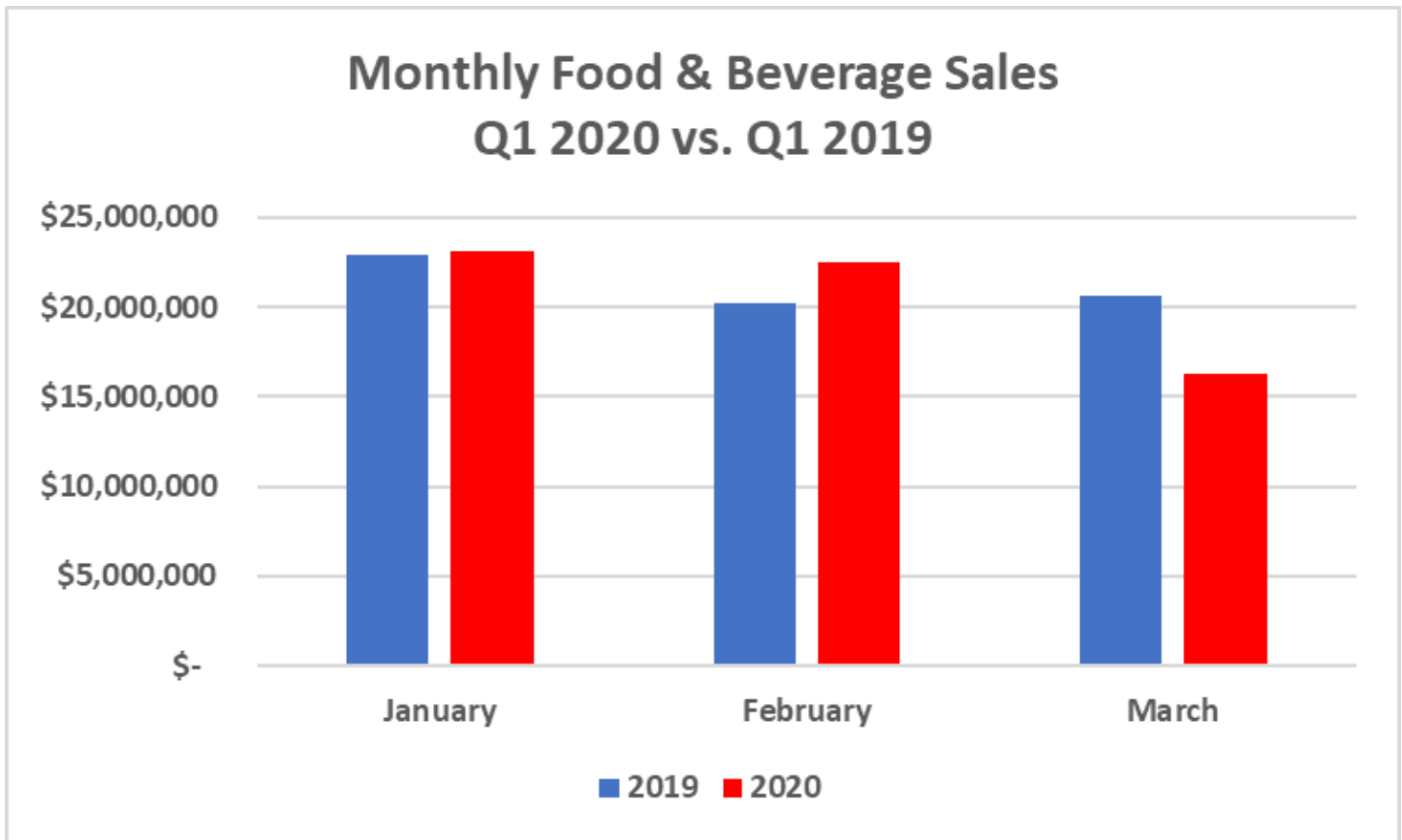
FIRST QUARTER FOOD AND BEVERAGE SALES IN DOWNTOWN

Food and beverage sales for downtown were **down 3.0% for Q1 of 2020 compared to Q1 of 2019**. However, despite a decline in year-over-year March sales due to the COVID-19 pandemic, downtown restaurants and bars continued their strong performance of the past several years with **Q1 2020 up 65.4% over Q1 2012**.



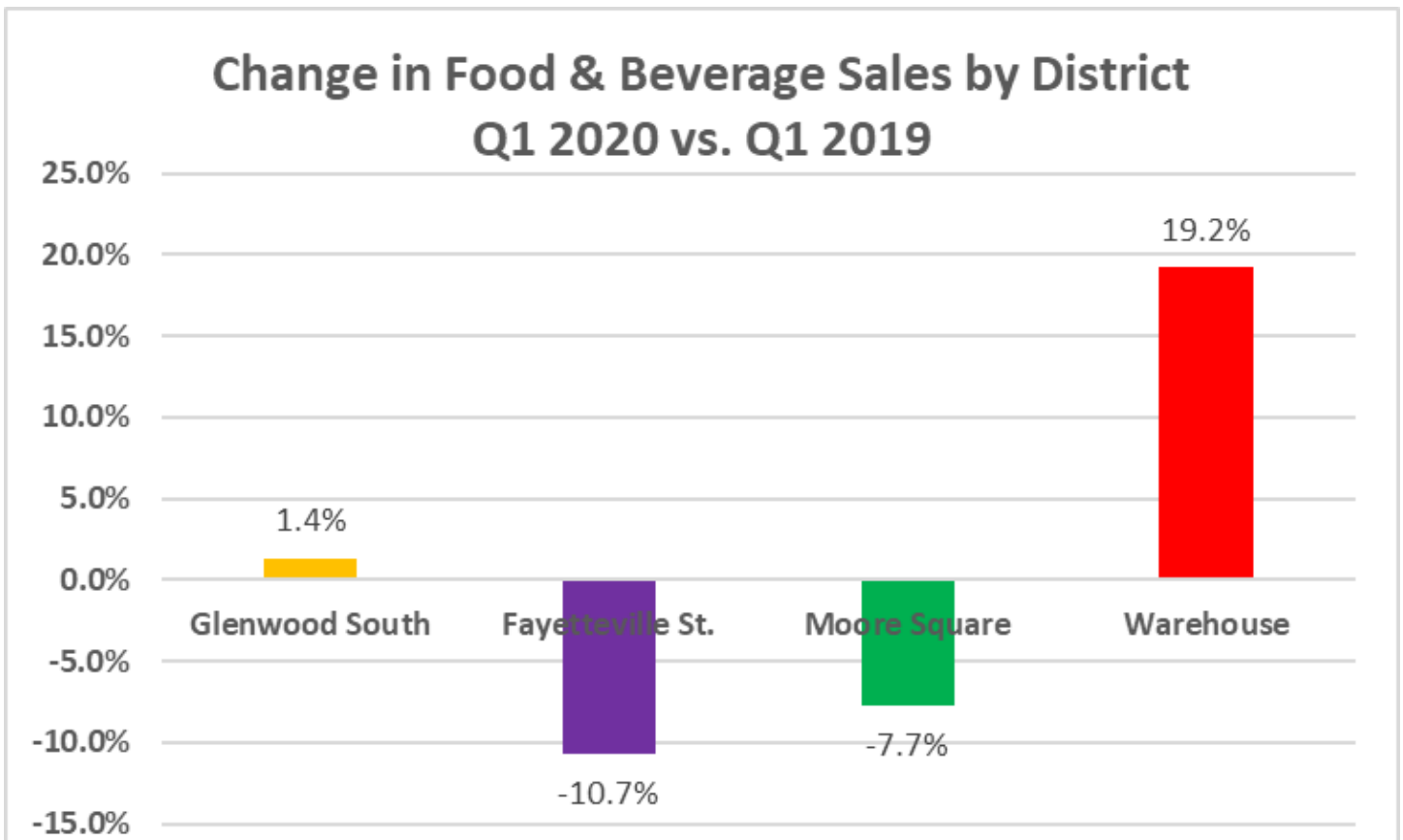
MONTHLY FOOD AND BEVERAGE SALES IN 2019 AND 2020

Sales in the first two months of Q1 of 2020 were over **5.6% greater** than the first two months of 2019. March figures, however, were down 21% compared to 2019 sales. This noticeable decline is likely due to the onset of the COVID-19 pandemic, which forced restaurants and bars to close except for takeout and delivery services.



FOOD AND BEVERAGE SALES GROWTH BY DISTRICT

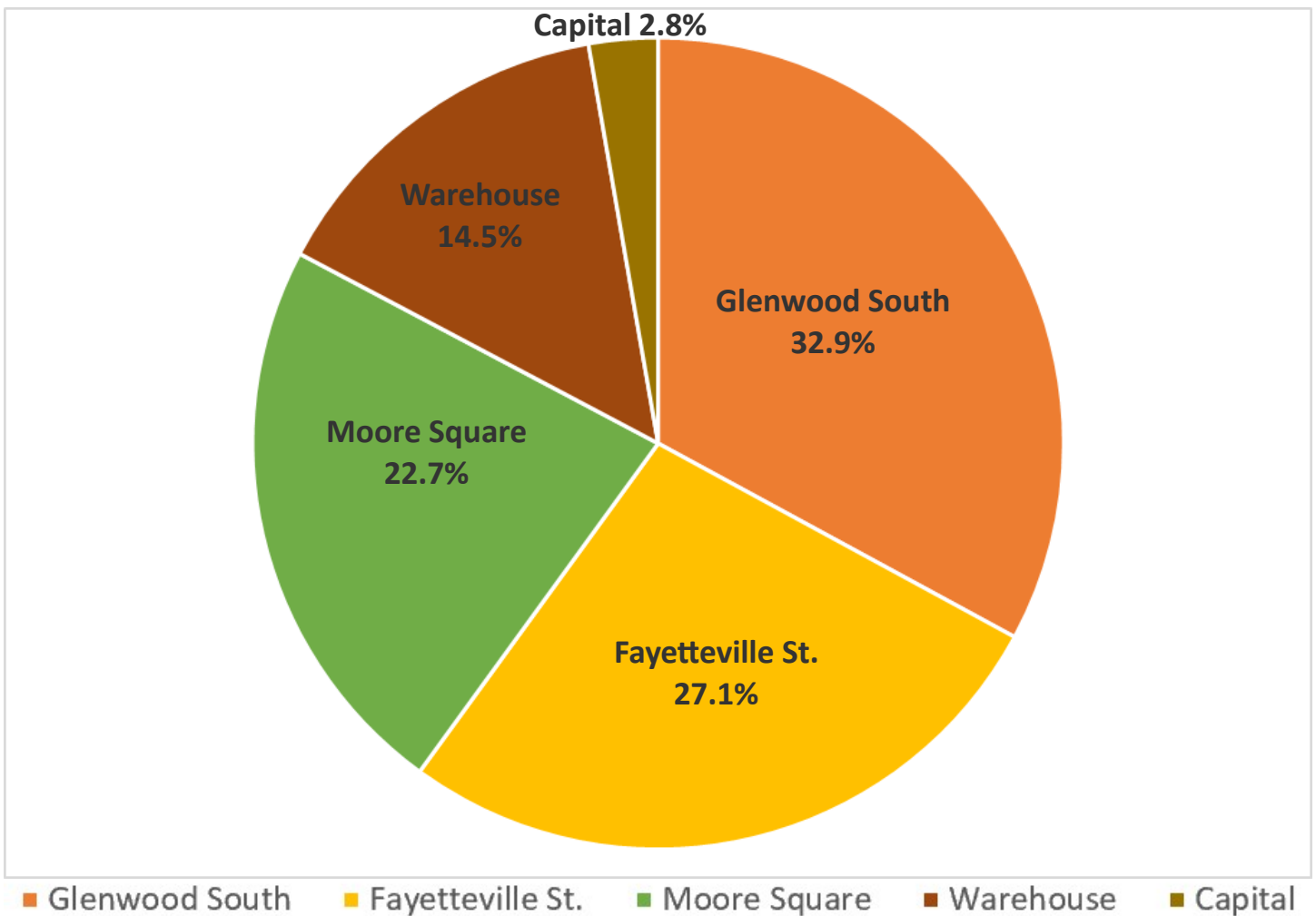
Fayetteville Street and Moore Square Districts saw a decrease in year-over-year Q1 food and beverage sales. However, in the **Warehouse District**, sales were up **19.2%** in Q1 of 2020 over Q1 2019. Glenwood South also experienced a **growth of 1.4%** in Q1 2020 compared to Q1 2019.



FOOD AND BEVERAGE SALES DISTRIBUTION BY DISTRICT

In the first quarter the **Warehouse District** increased its share of downtown's food and beverage sales from 13.9% in 2019 to 14.5% in 2020. **Glenwood South** remains the district with the largest share of downtown sales. **Fayetteville Street** follows closely with the second largest share of downtown sales.

Distribution of Downtown Food & Beverage Sales By District



Source: Wake County Tax Assessor