



# ECONOMIC DEVELOPMENT REPORT DOWNTOWN RALEIGH

## Q3-2018



DowntownRaleigh  
Alliance

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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.



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# ECONOMIC DEVELOPMENT REPORT

## Highlights

Downtown's third quarter saw new street-level businesses open and more major construction projects begin and continue, along with strong growth in food and beverage sales.

### Strong Year for Completed Projects

With **over \$305 million in completed projects** this year, 2018 already has seen the most development completed, in terms of investment, since 2013 when \$343 million was completed.

At least **\$1.75 billion** in projects are under construction, were delivered in 2015-2017 or planned/announced for downtown in the near future with several more major projects yet to announce their total investment figures.

Public investment is strong with **\$200 million in public projects** either underway, planned or completed including the **newly opened Raleigh Union Station** along with ongoing work at Moore Square and the Capital Boulevard/Peace Street bridges and interchanges. Raleigh's Bike Share system, **Citrix Cycling**, will launch later this year. Overall, \$510 million in construction is currently underway in downtown Raleigh.

### Retail & Storefront Market

Several new retailers opened along or near the Hargett St. and Martin St. corridors including **Apex Outfitter**, **The ZEN Succulent**, **The Devilish Egg**, **Brovelli Oils**, **Vinegars & Gifts**, and **Urban Outfitters**. Additionally, **DECO Raleigh** expanded and moved two doors down to 207 S. Salisbury St. to a larger location. These stores joined other recently opened nearby retailers in this corridor such as **Petale**, **Short Walk Wines**, **House of Swank**, and **Eyecarecenter**. And in early 2019, **Weaver Street Market** will open on W. Hargett St.

During the third quarter, **17 new street-level businesses opened** in downtown with **four more already open in early 4th quarter**. This year has seen the highest net gain in businesses since 2010. Included in that total are new retailers, along with new restaurants. Overall, **120 storefront businesses** have opened since the start of 2016. This quarter saw the opening of **Morgan Street Food Hall**, which has 18 food vendors and 12 retailers.

At least **25 more street-level businesses have been announced or confirmed** and are expected to open during the next few months including retail, restaurants, and bars.

**\$1.75 Billion**  
Delivered, Under  
Construction, and  
Planned

**\$510 Million**  
Under Construction

**\$820 Million**  
Recently Completed

**\$500+ Million**  
Planned

**39**

**Storefront Businesses  
Have Opened in 2018**



THE ZEN  
Succulent

# ECONOMIC DEVELOPMENT REPORT

## Highlights

### Residential Market

Construction continues on another **994 residential units** including The Metropolitan and several townhome projects throughout downtown. **FNB Tower**, a 22-story building on Fayetteville St, began construction in May with 239 units. Since 2015, **2,102 units have been delivered** and more than **670 units** are planned for the near future, including recently announced phase 2 of Kane Realty's Peace/Smokey Hollow. Multi-family vacancy is now in single-digits with **more than 95%** of downtown's Class A rental units occupied, according to Integra Realty Resources.

**95%**

**Class A Multi-family  
occupancy rate**

### Dining & Hospitality Market

Food and beverage sales continue to climb with 3rd quarter 2018 up 7% over the same quarter last year and downtown overall up **8.5%** vs. first three quarters of 2017. **Moore Square** is the biggest standout with **26.6% growth** in sales over this time last year. In total, there are now more than **200 restaurants, cafes, and bars/clubs/lounges** in downtown.

**8.5%** growth in  
food and beverage  
sales over 2017 YTD in  
2018

**\$223 million**  
in food and beverage  
sales in 2017

Currently, **134 rooms under construction**, including **Origin**, located near Glenwood South and Warehouse District, and eight rooms in the boutique **Guest House**, near Moore Square. A new hotel project was announced adjacent to **Nash Square**, which will add 190 rooms.

### Office Market

**Office occupancy has been near a historic high** with a decrease in vacancy from 11.4% at the start of 2017 to a mere **7.8%** at the end of 3rd quarter 2018. Downtown saw a **net absorption of 42,064 square feet** in 3rd quarter 2018 and has seen 271,417 sf net absorption in 2018 overall, which continues 2017's trend and is a considerable improvement on the net absorption of 66,854 sf in 2016, illustrating a strengthening office market in downtown Raleigh with more supply coming soon. (Source: Avison Young).

**92.2%**  
**Office occupancy rate**

Spring 2018 saw an increase in new supply coming into the market with the opening of the class A tower, **The Dillon**, which is already **96% occupied**. Under construction tower, One Glenwood, is more than **80% pre-leased**, while **FNB Tower** is more than **60% pre-leased** with more than a year until delivery. New office projects were announced this quarter including **Two Glenwood**, a 275,000 sf tower by Heritage Properties, and Kane Realty's **Smokey Hollow Phase 2** which includes a 225,000 sf office tower.

Expansions and new leases in downtown include **Arch Capital**, which will occupy 104,000 sf in The Dillon. That tower is already home to **FMI Corporation**, **Stewart Engineering**, and **Spaces**. Law firm **McGuire-Woods** announced it will move to FNB Tower and occupy 42,073 sf. **Capital Bank** will be consolidating its various offices across the city into 53,553 sf in One Glenwood, where it will also have signage on the building's facade. They will be joined at One Glenwood by **Sepi Engineering** as well as **WeWork**, the national co-working space, which will occupy 81,032 square feet in the tower as well.

## Downtown Dashboard

### Residential Market and Demographics

<b>8,700</b> Population estimated in downtown	<b>16,978</b> Residents within one mile of downtown core	<b>5,505</b> Downtown Residential Units	<b>2,102</b> Units delivered since 2015	<b>994</b> Units under construction
<b>32.8</b> Median Age for resi- dents within 2-mile radius	<b>47%</b> % of residents with Bachelor's Degree or Higher	<b>1.8</b> Average household size within 1-mile radi- us	<b>\$51,687</b> Average household income within 1-mile of downtown	<b>3,757</b> Units deliv- ered, under construction, planned since 2015

### Office Market

<b>47,000</b> Employees estimated in downtown	<b>92.2%</b> Office occupancy rate in 3rd Q 2018 (JLL)	<b>271,417</b> Net absorption square footage in 2018	<b>156,600</b> Square feet of co- working space in downtown	<b>77</b> Employees per acre, densest office market in region
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### Dining & Hospitality Market

<b>\$223 million</b> in food and beverage sales in 2017	<b>204</b> Restaurants and bars in downtown	<b>31</b> New retailers since 2014	<b>13</b> James Beard Award Nominations since 2010	<b>8.5%</b> growth in food and bev- erage sales over 2017
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### Tourism & Hotel Market

<b>1,255</b> Existing rooms in downtown	<b>126rooms</b> Rooms under con- struction	<b>71.3%</b> Hotel occupancy in 2017	<b>3.4 million</b> Visitors to top down- town attractions	<b>46%</b> Increase in visitors since 2007
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### Real Property Square Footage Within the Downtown MSD

<b>7,259,714 sf</b> Commercial office space	<b>1,422,280 sf</b> Retail space	<b>6,964,275</b> Government office/ facility space	<b>5,330,977</b> Other: educational, religious, institutional
<b>25,237,393 sf</b> Total existing space	<b>2,702,865 sf</b> Under construction	<b>30,651,747</b> Combined existing, under construction and planned	Sources: DRA, U.S. Census, Greater Raleigh CVB, STB Travel



## Storefront and Development Trends

### HISTORICAL TRENDS

	2011	2012	2013	2014	2015	2016	2017	2018
Street-Level Business Openings	41	38	31	36	29	46	40	39
Street-Level Business Closings	26	17	15	16	15	30	23	14
Net Gain	15	21	16	21	14	18	17	25
Year-End Office Occupancy	89.9%	89.2%	93.3%	89.9%	89.4%	88.6%	94.7%	92.2%
Public Investment started or underway	\$0	\$205	\$187	\$0	\$91	\$169	\$137	\$137
Private Investment started or underway but not completed (millions)	\$106.5	\$117.5	\$351	\$133	\$261	\$242	\$288	\$290
Projects Completed	5	5	8	5	15	10	3	12
Total Investment completed (millions)	\$22.3	\$160	\$343	\$115	\$260	\$174	\$75	\$305



## 3rd Quarter Storefront Business Activity

### Business Openings:

<u>Name</u>	<u>Type</u>
1. The ZEN Succulent	Retail
2. DECO Raleigh (expanded to new location)	Retail
3. Brovelli Oils, Vinegars & Gifts	Retail
4. Urban Outfitters	Retail
5. Dogwood Country Club	Retail
6. Herb Farmacy	Retail
7. The Devilish Egg	Retail
8. Kaiju Bowl and Bao	Restaurant
9. Glenwood Seafood	Restaurant
10. Tapworks	Restaurant/Bar
11. Gigi's Pizza	Restaurant
12. Mojito Lounge	Bar/Lounge
13. Junction West	Bar/Event Venue
14. Anise Pho	Restaurant
15. Morgan Street Food Hall	Restaurants
16. Two Roosters Ice Cream	Ice Cream
17. Bardot Beauty Lounge	Personal Service

THE ZEN  
Succulent



### Business openings in early 4th Quarter

<u>Name</u>	<u>Type</u>
1. Local Pop-up Market	Retail/Coffee
2. Apex Outfitter	Retail
3. Heirloom Brewshop	Restaurant
4. O-Ku Sushi	Restaurant

### Business closings in 3rd Quarter + early 4th Quarter

<u>Name</u>	<u>Type</u>
1. Tulum	Restaurant
2. Oak and Dagger	



See next page for announced businesses coming soon.

## Announced Storefront Businesses (Coming Soon)

1. Poolside Pie	Restaurant
2. Oak Steakhouse	Restaurant
3. Hearth Kitchen	Restaurant
4. Barcelona Wine Bar	Restaurant/Bar
5. Rainbow Luncheonette	Restaurant
6. Layered Croissant	Restaurant
7. Jolie	Restaurant
8. Calavera Empanada and Tequila (re-opening in new location)	Restaurant
9. Papa Shogun	Restaurant
10. The Merchant	Restaurant/Bar
11. 616 Glenwood	Bar
12. Craft Bar	Bar
13. Social 113	Bar
14. Davie Street Pub	Bar
15. Atlantic Lounge	Bar
16. Mojito Lounge	Bar
17. PLUS Dueling Piano Bar	Bar
18. Bar/Venue at 304 Glenwood	Bar/Music Venue
19. Tin Roof Restaurant and Bar	Live music venue
20. Sass Nails	Personal Service
21. Legree Fitness	Personal Service
22. Weaver Street Market	Retail
23. Publix	Retail
24. Ealdwine Gentleman's Shop	Retail
25. Transfer Co.	Retail/Food Hall





## Downtown Raleigh Development and 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>					
Capital Blvd bridges/interchanges	\$36,900,000	Infrastructure	n/a	n/a	Capital
107 W. Hargett Street	Not announced	Office/Retail	25,000	n/a	Fayetteville
Transfer Co. (Stone's Warehouse)	\$19,000,000	Retail	42,000 (retail)	n/a	Moore Square
The Ware	Included above	Residential	n/a	15	Moore Square
The Saint	\$23,000,000	Townhomes	66,000	17	Glenwood South
Revisn	Not announced	Apartments/Extended Stay	44,250	48	Glenwood South
FNB Tower	\$118,000,000	Mixed Use	157,000 (office) 389,702 total	239	Fayetteville St.
Restaurant at 502 W. Lenoir	Not announced	Restaurant	4,583	n/a	Warehouse
One Glenwood	\$86,000,000	Office/mixed use	219,500 (14,500 retail)	n/a	Glenwood South
Origin Hotel	Not announced	Hotel/parking structure	331,008	126 hotel rooms	Glenwood South
Metropolitan Apartments	\$52,000,000	Apartments/Retail	274,959	241	Glenwood South
Moore Square renovation	\$12,600,000	Infrastructure	4-acre park	n/a	Moore Square
Peace	\$150,000,000	Mixed Use	652,500	417	Glenwood South
West at Lenoir Phase II	\$1,734,216	Townhomes	24,066	9	Warehouse
<b>TOTAL UNDER CONSTRUCTION</b>	<b>\$ 510,274,216</b>		<b>1,742,560</b>	<b>994 units</b>	

## Downtown Raleigh Development and Investment

<u>Project Name</u>	<u>Investment</u>	<u>Project Type</u>	<u>Sq. Ft.</u>	<u>Units</u>	<u>District</u>
<b>PLANNED</b>					
Two Glenwood	\$90,000,000	Office/Retail	275,000		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.
Fourth Ward	Not announced	Residential	n/a	10	Warehouse
Exploris School Gateway	\$65,000,000	Educational institution	355,889	n/a	Fayetteville St./ Gateway
The Fairweather	Not announced	Mixed use/residential	103,250	45	Warehouse
611 West South	Not announced	Residential	80,300	88	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, resi- dential, retail	n/a	n/a	Capital
St. Mary's Subdivision	Not announced	Residential	n/a	6	Glenwood South
The Willard	Not announced	Hotel/residential	n/a	25 units/125 rooms	Glenwood South
Peace Street streetscape project	\$2,000,000	Infrastructure	n/a	n/a	Glenwood South
Blount/Person St. conversion	Not announced	Infrastructure	n/a	n/a	Capital/Moore Square
Peace/Smokey Hollow Phase 2	Not announced	Office/Residential/ Retail	537,731 total including 225,000 office	280	Glenwood South
W. Cabarrus St. Mixed Use Develop- ment	Not announced	Office/Residential/ Retail	n/a	n/a	Warehouse
Nash Square Hotel	Not announced	Hotel	196,387	190 rooms	Warehouse
<b>TOTAL PLANNED</b>			<b>670 residential units</b>		<b>956 hotel rooms</b>

Note: these projects are subject to change and should be considered estimates based on public information. Additionally, sev-

## Downtown Raleigh Development and Investment

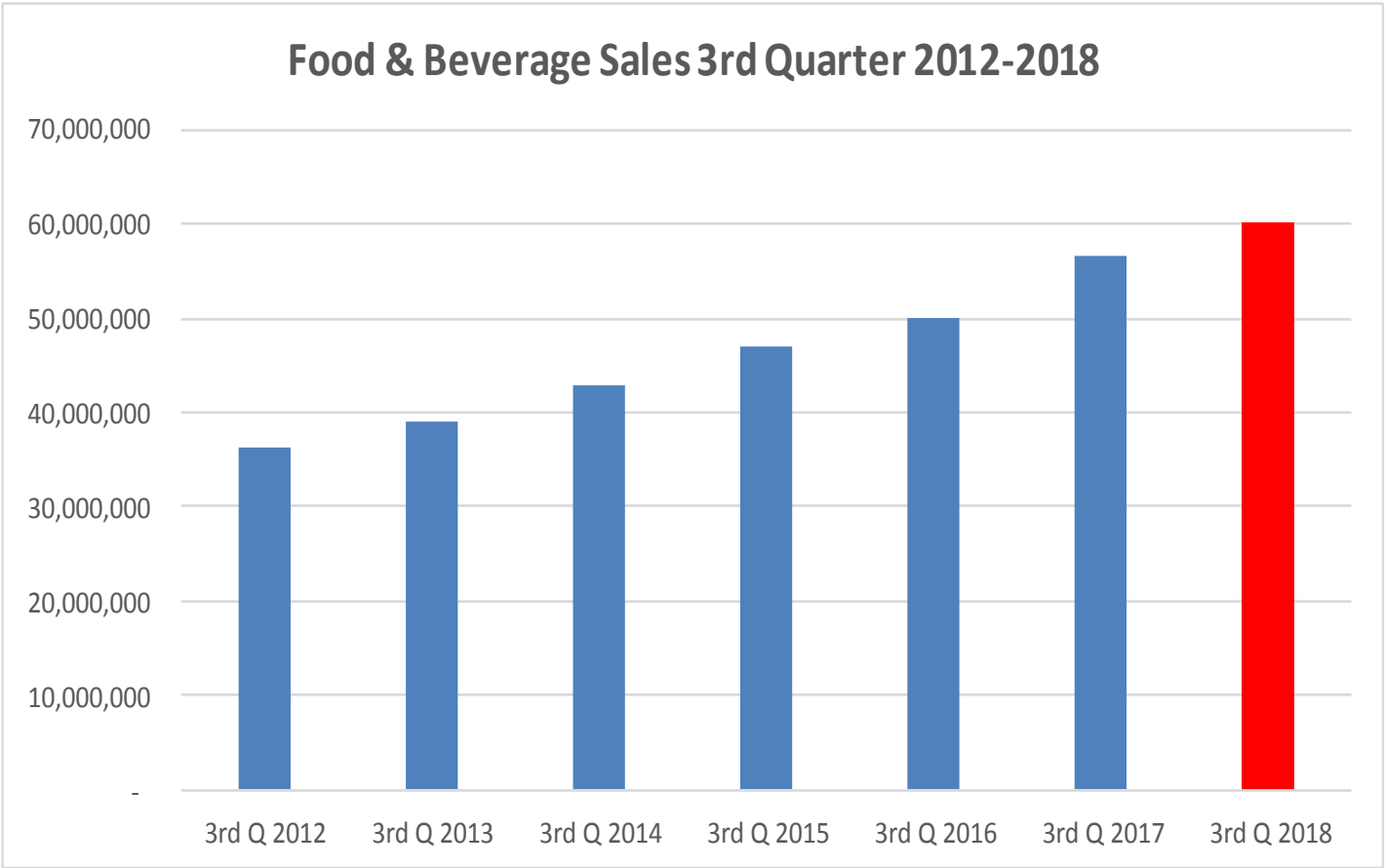
<u>Project Name</u>	<u>Investment</u>	<u>Project Type</u>	<u>Sq. Ft.</u>	<u>Res. Units</u>	<u>District</u>
<u>COMPLETED Since Start of 2018</u>					
Union Station	\$111,400,000	Infrastructure	42,000	n/a	Warehouse
The Dillon	\$150,000,000	Mixed Use	210,000 (office), 40,000 (retail), 541,000 total	260	Warehouse
West at Lenoir	\$2,674,000	Townhomes	24,066	12	Warehouse
Poyner YMCA	\$3,000,000	Fitness Center	28,000	n/a	Fayetteville St
Capital Boulevard Self Storage	\$6,749,736	Storage	123,000	n/a	Seaboard/Capital
211 S. Wilmington St. renovation	\$1,058,500	Renovation	3,270		Moore Square
Junction West	\$4,200,000	Office/event space	12,000	n/a	Warehouse
Self Storage Facility	\$7,873,000	Storage	123,000	n/a	Warehouse
Hargett Place	\$14,000,000	Townhomes	44,256	17	Moore Square
10Arros	\$1,805,000	Townhomes	n/a	10	Moore Square
Morgan Street Food Hall	\$2,200,000	Food Hall/Retail	22,000	n/a	Warehouse
Guest House	\$875,000	Hotel	3,993	8 rooms	Moore Square
<b>TOTAL DELIVERED</b>	<b>\$305,835,236</b>		<b>964,585</b>	<b>299 residential units</b>	

## Downtown Raleigh Development and Investment

<u>Project Name</u>	<u>Investment</u>	<u>Project Type</u>	<u>Sq. Ft.</u>	<u>Res. Units</u>	<u>District</u>
<b>COMPLETED 2015-2017</b>					
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	203	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>\$ 515,820,000</b>		<b>2,788,214</b>	<b>1,803</b>	

3rd QUARTER FOOD AND BEVERAGE SALES IN DOWNTOWN

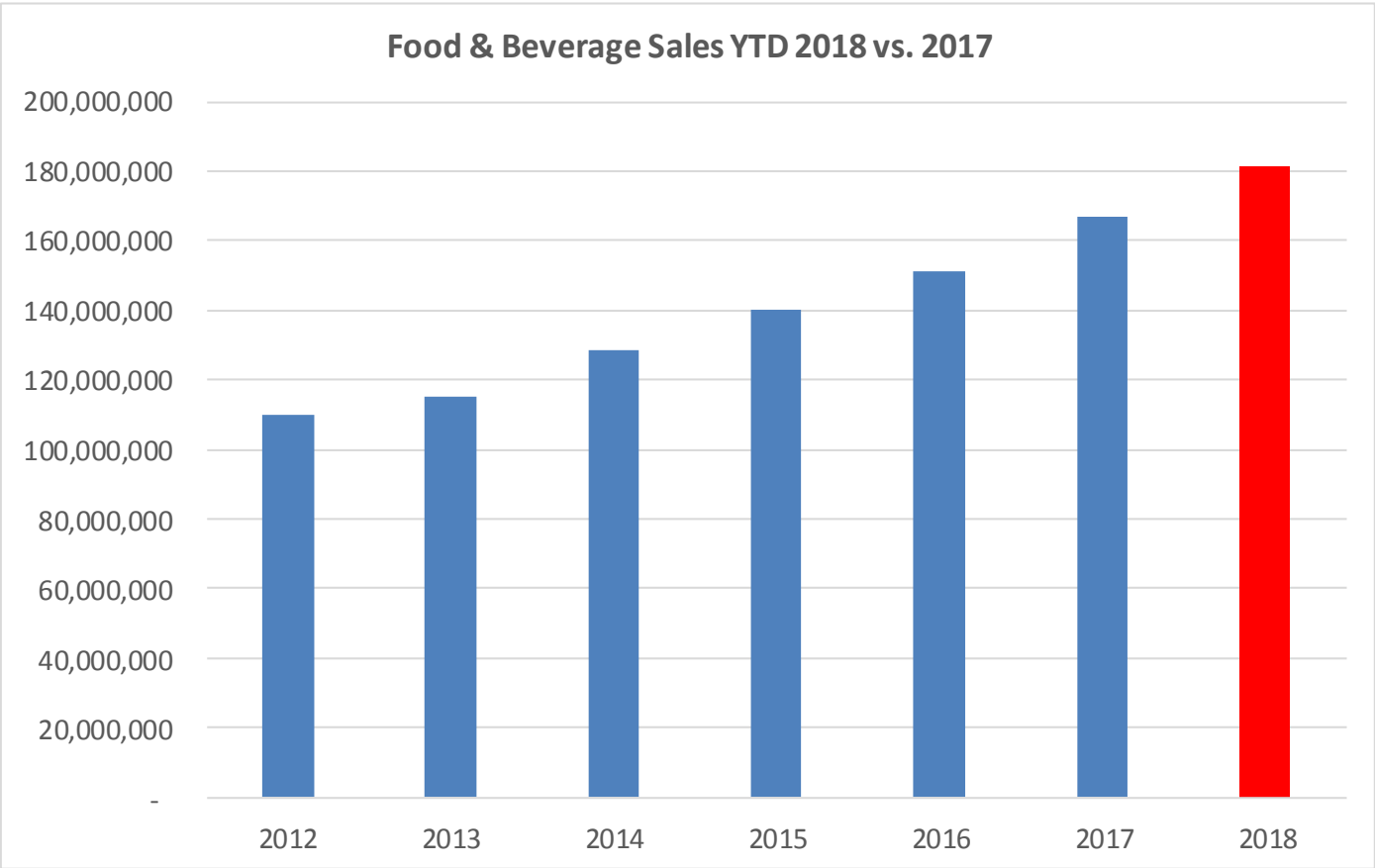
Food and beverage sales for downtown were **up 6.4% for 3rd Quarter 2018 versus 3rd Quarter 2017**. Downtown restaurants and bars are continuing their strong performance over the past six years with 3rd Quarter 2018 **up 67% over 3rd Quarter 2012**.



Sources: Wake County Tax Assessor

YEAR TO DATE FOOD AND BEVERAGE SALES IN DOWNTOWN

Food and beverage sales for downtown are **up 8.5% for 2018 versus the first three quarters of 2017**. Downtown restaurants and bars are continuing their strong performance over the past six years with 3rd Quarter 2018 up 67% over 3rd Quarter sales in 2012.

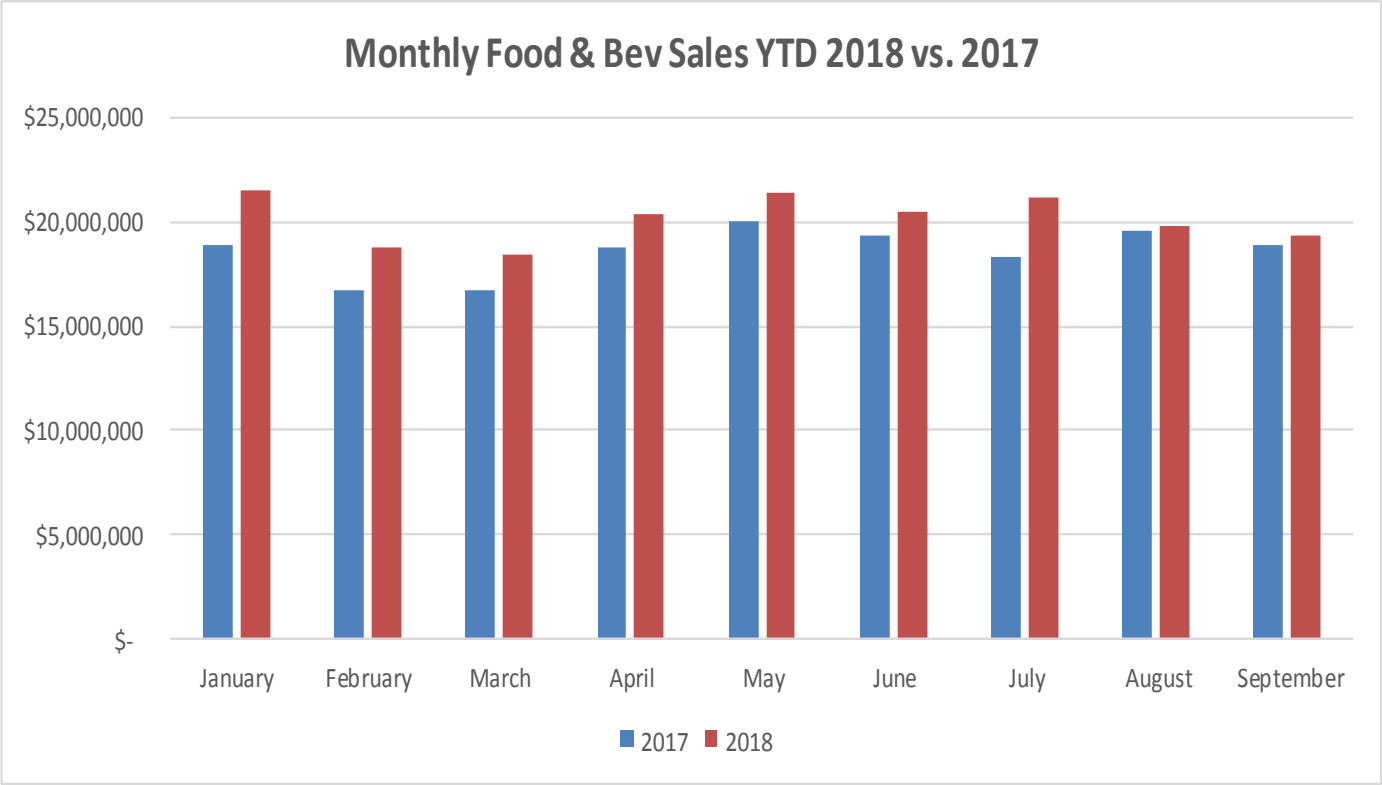


Sources: Wake County Tax Assessor



MONTHLY FOOD AND BEVERAGE SALES IN 2017 AND 2018

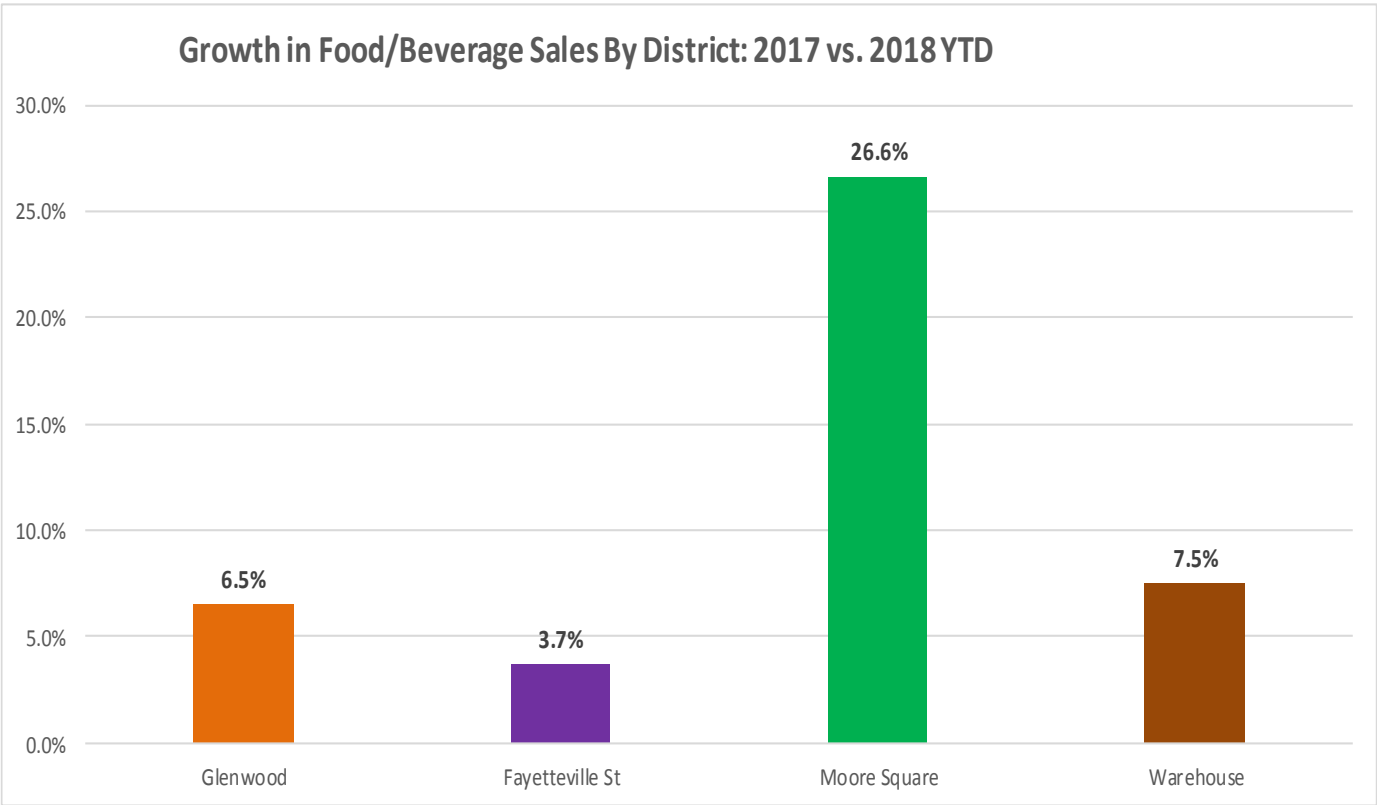
Downtown monthly food and beverage sales outpaced last year’s sales with **January being the highest grossing month** so far in 2018 followed closely by May. **Sales in January, April, May and June topped \$20 million**, which had not previously happened in any month in downtown history before this year. For example, monthly sales average \$12.3 million per month in 2012 and \$18.4 million in 2017, whereas monthly sales are averaging \$20.14 million in 2018. This quarter, **sales in July were up 16% over last year’s July.**



Sources: Wake County Tax Assessor

FOOD AND BEVERAGE SALES GROWTH BY DISTRICT

All of the main commercial districts in downtown have seen growth in food and beverage sales in 2018 versus 2017 with **Moore Square seeing the most dramatic growth with a 26.6% gain over 2017’s first three quarters**. This possibly is attributed to new restaurants and bars such as Brewery Bhavana, St. Roch Fine Oysters + Bar, Watts and Ward, Tonbo Ramen, Growler USA, and several other businesses opening over the past year.

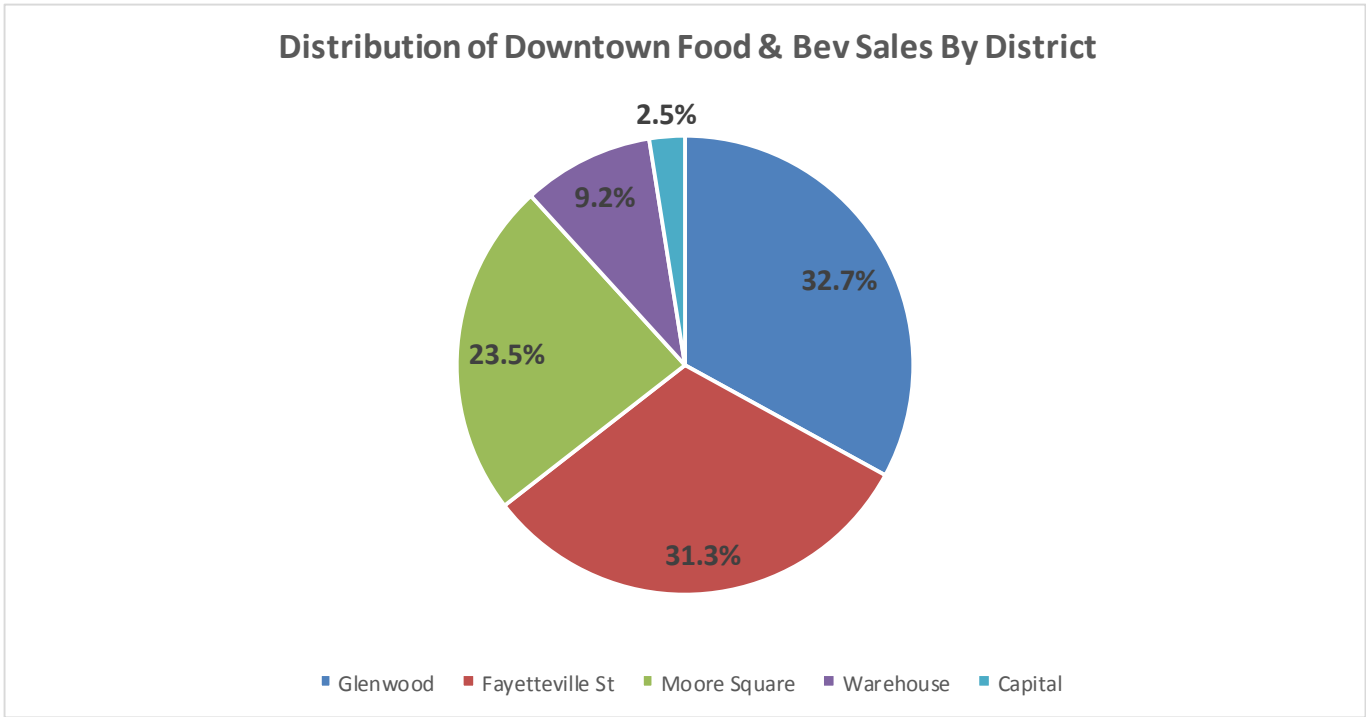


Sources: Wake County Tax Assessor

FOOD AND BEVERAGE SALES DISTRIBUTION BY DISTRICT

**Warehouse District** made the largest gain in share with an increase from 8.7% to 9.2% of all downtown food and beverage sales with Morgan Street Food Hall opening during this quarter. This year also saw **Moore Square** increase its share of downtown’s food and beverage sales rise from 21% for all of 2017 to now 23.5% . A year ago, Moore Square only accounted for 21% of downtown’s sales in 3rd quarter 2017. This increase can be attributed to several new businesses opening in the district over the past year including Brewery Bhavana, St. Roch Fine Oyster + Bar, Watts and Ward, Tonbo Ramen, Growler USA, and several other businesses.

Glenwood South remains the district with the largest share of downtown sales, narrowly edging Fayetteville Street district. Both districts saw positive gains in sales this quarter.



Sources: Wake County Tax Assessor