



ECONOMIC DEVELOPMENT REPORT DOWNTOWN RALEIGH

Q4-2018



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.downtownraleigh.org). 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 fourth 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 \$329 million in completed projects** last year, 2018 saw the most development completed, in terms of investment, since 2013 when \$343 million was completed.

At least **\$2 billion** in projects are under construction, were delivered in 2015-2018 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 **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 Cycle**, 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 Devilish Egg**, and **Bella Vita Downtown Market**. These stores joined other recently opened nearby retailers in this corridor such as **The ZEN Succulent**, **Petale**, **Short Walk Wines**, **Brovelli Oils, Vinegars & Gifts**, **Urban Outfitters**, and existing retailers that moved or expanded in this corridor such as **DECO Raleigh**, **House of Swank**, **Father and Son**, and **Eyecarecenter**. And in spring 2019, **Weaver Street Market** will open on W. Hargett Street to continue the retail momentum along that corridor.

During the fourth quarter, **12 new street-level businesses** opened in downtown with **two more already open in early 1st 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, **146 storefront businesses** have opened since the start of 2016. This quarter saw the opening of **Transfer Co.**, which includes vendors such as **Locals Oyster Bar**, **Burial Beer Co.**, and **Che Empenadas**.

At least **21 more street-level businesses** have been announced or confirmed and are expected to open during the next few months including retail, restaurants, and bars.

\$2 Billion

Delivered, Under Construction, and Planned

\$439 Million

Under Construction

\$897 Million

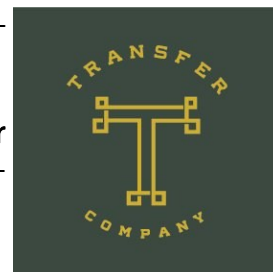
Recently Completed

\$750+ Million

Planned

45

Storefront Businesses Opened in 2018



ECONOMIC DEVELOPMENT REPORT

Highlights

Residential Market

Construction continues on another **682 residential units** including **Peace** and several townhome projects throughout downtown. **The Metropolitan** opened in late January with 241 units. **FNB Tower**, a 22-story building on Fayetteville St, began construction in May with 239 units. Downtown's first condominium building since pre-Recession begins in early 2019 with 45 units at **The Fairweather**. Since 2015, **2,405 units have been delivered** and more than **1,314 units** are planned for the near future, including recently announced the second phase of Kane Realty's Peace/Smokey Hollow. Multi-family vacancy in 2018 was in single-digits with **more than 95%** of downtown's Class A rental units occupied, according to Integra Realty Resources.

2,405

Residential units added since 2015

Dining & Hospitality Market

Downtown Raleigh **set a new record in 2018** in food and beverage sales with over **\$240 million** in sales **up 7.6% over 2017**. Two districts saw double-digit growth in 2018 with **Moore Square** and **Warehouse District** as the biggest standouts with more than **18% growth** in sales over the previous year in each district. During the 4th quarter, **Warehouse District sales were up 53% in 4th Q 2018 over 4th Q 2017**. New food halls and restaurants helped drive this growth in both districts. In total, there are now more than **200 restaurants, cafes, and bars/clubs/lounges** in downtown.

7.6% growth in

food and beverage sales in 2018 over 2017

\$240 million in

food and beverage sales in 2018, new record for downtown

Currently, **126 rooms under construction**, including **Origin**, located near Glenwood South and Warehouse District, with eight new rooms recently opened at the new boutique **Guest House**, near Moore Square. A new hotel project was announced adjacent to **Nash Square**, which will add 190 rooms and the Days Inn on the north side of downtown will be renovated into **The Longleaf Hotel**, which will be a 57-room boutique hotel.

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 **6.8%** at the end of 2018, (Source: *CBRE Raleigh*). Downtown saw a **net absorption of 42,064 square feet** in 4th Quarter 2018 and saw **218,688 sf net absorption in 2018** overall, according to CBRE Raleigh, 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.

93.2%

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**. Additionally, One Glenwood is nearly complete and 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 recently 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. Law firm **McGuireWoods** 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 **We-Work**, the national co-working space, which will occupy 81,032 square feet in the tower as well.

Downtown Dashboard

Residential Market and Demographics

8,700 Population estimated in downtown	16,978 Residents within one mile of downtown core	5,505 Downtown Residential Units	2,405 Units delivered since 2015	682 Units under construction
32.8 Median Age for resi- dents within 2-mile radius	47% % of residents with Bachelor's Degree or Higher	1.8 Average household size within 1-mile radi- us	\$51,687 Average household income within 1-mile of downtown	3,757 Units deliv- ered, under construction, planned since 2015

Office Market

47,000 Employees estimated in downtown	93.2% Office occupancy rate in 3rd Q 2018 (JLL)	218,688 Net absorption square footage in 2018	156,600 Square feet of co- working space in downtown	77 Employees per acre, densest office market in region
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Dining & Hospitality Market

\$240 million in food and beverage sales in 2017	204 Restaurants and bars in downtown	34 New retailers since 2014	13 James Beard Award Nominations since 2010	7.6% growth in food and bev- erage sales over 2017
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Tourism & Hotel Market

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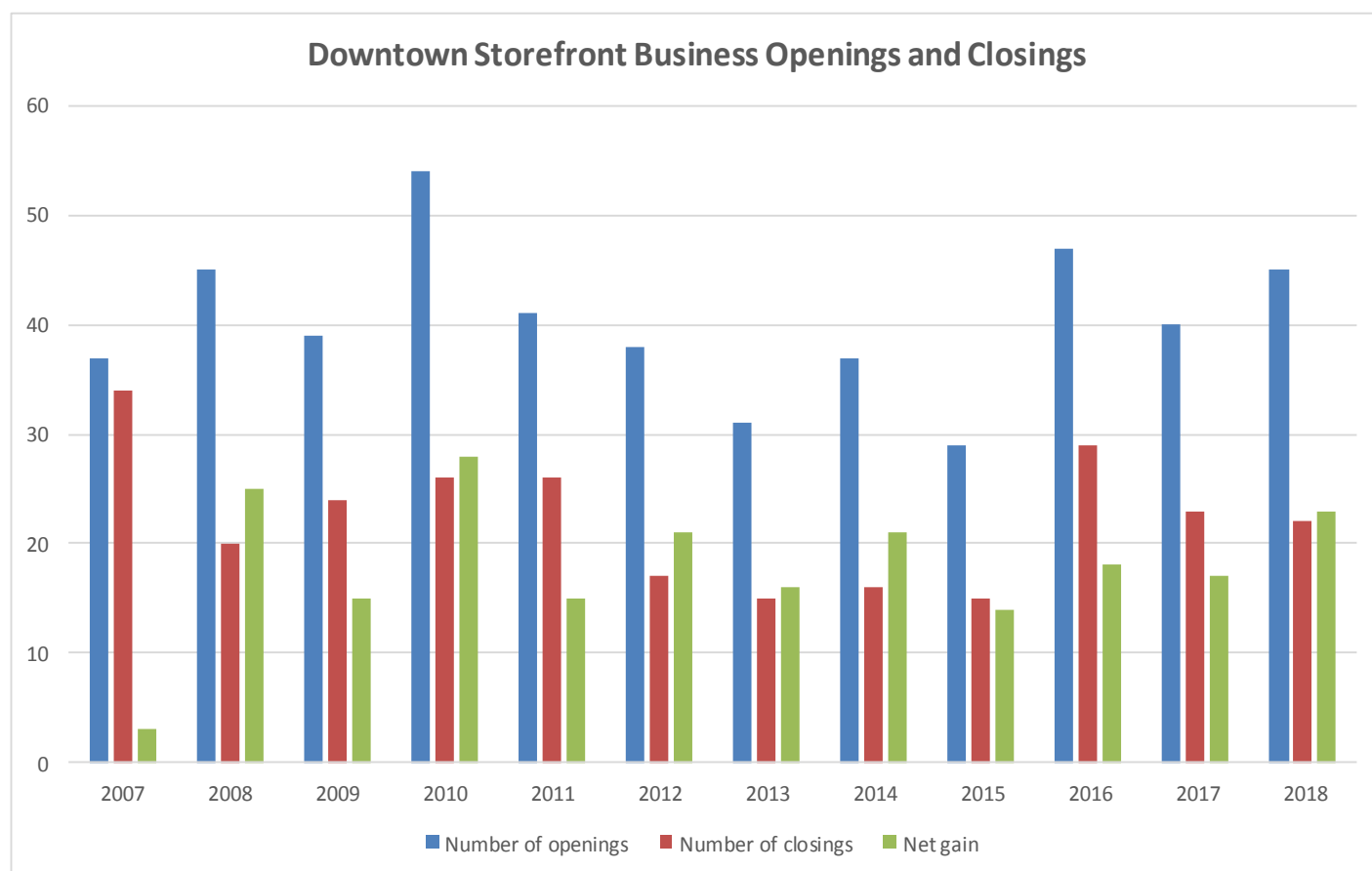
Real Property Square Footage Within the Downtown MSD

7,259,714 sf Commercial office space	1,422,280 sf Retail space	6,964,275 Government office/ facility space	5,330,977 Other: educational, religious, institutional
25,237,393 sf Total existing space	1,423,351 sf Under construction	30,651,747 Combined existing, under construction and planned	Sources: DRA, U.S. Census, Greater Raleigh CVB, STB Travel, CBRE Raleigh

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	45
Street-Level Business Closings	26	17	15	16	15	30	23	22
Net Gain	15	21	16	21	14	18	17	23
Year-End Office Occupancy	89.9%	89.2%	93.3%	89.9%	89.4%	88.6%	94.7%	93.2%
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	14
Total Investment completed (millions)	\$22.3	\$160	\$343	\$115	\$260	\$174	\$75	\$329



Sources: DRA internal tracking,

4th Quarter Storefront Business Activity

Business Openings:

<u>Name</u>	<u>Type</u>
1. Apex Outfitter	Retail
2. The Devilish Egg	Retail
3. Heirloom Brewshop	Tea/Coffee Shop
4. O-Ku Sushi	Restaurant
5. 222 Fusion	Restaurant
6. Papa Shogun	Restaurant
7. Aperro Raleigh	Restaurant/Bar
8. PLUS Dueling Piano Bar	Bar
9. Atlantic Lounge	Bar/Lounge
10. Junction West	Bar/Event Space
11. Transfer Co.	Food Hall
12. Local Pop-up Market at The Assembly	Pop-up Retail



Business openings in early 1st Quarter

<u>Name</u>	<u>Type</u>
1. The Davie	Bar
2. Bella Vita Downtown Market	Retail

Business closings in 4th Quarter

<u>Name</u>	<u>Type</u>
1. Chick Fil A	Restaurant
2. Oak and Dagger	Brewery/Restaurant
3. Glenwood Seafood	Restaurant
4. Lucarne	Bar/Restaurant
5. Wahlburgers	Restaurant
6. BuKu	Restaurant
7. Deep South	Bar/Live Music Venue
8. Firestone Complete Auto Care	Auto care



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. The Merchant	Restaurant/Bar
10. Budacai Boba Bar	Restaurant
11. 616 Glenwood	Bar
12. Craft Bar	Bar
13. Social 113	Bar
14. Bar/Venue at 304 Glenwood	Bar/Music Venue
15. Tin Roof Restaurant and Bar	Live music venue
16. Sass Nails	Personal Service
17. Legree Fitness	Personal Service
18. Weaver Street Market	Retail
19. Publix	Retail
20. Ealdwine Gentleman's Shop	Retail
21. Wine and Design	Art and event space



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>UNDER CONSTRUCTION</u>					
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
The Saint	\$23,000,000	Townhomes	66,000	17	Glenwood South
301 N. West St.	N/A	Office/Retail	14,000	N/A	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
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
TOTAL UNDER CONSTRUCTION	\$ 439,274,216		1,381,351	682 units	

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
Revisn	\$6,500,000	Apartments/Extended Stay	44,250	48	Glenwood South
The Ware	\$2,403,390	Residential	30,950	15	Moore Square
Transfer Co.	\$17,000,000	Retail	42,000 (retail)	n/a	Moore Square
TOTAL DELIVERED	\$329,335,236		1,081,785	362 residential units	
<u>COMPLETED Since Start of 2019</u>					
The Metropolitan Apartments	\$52,000,000	Apartments/Retail	274,959	241	

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>
COMPLETED 2015-2017					
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
TOTAL DELIVERED	\$ 515,820,000		2,788,214	1,803	

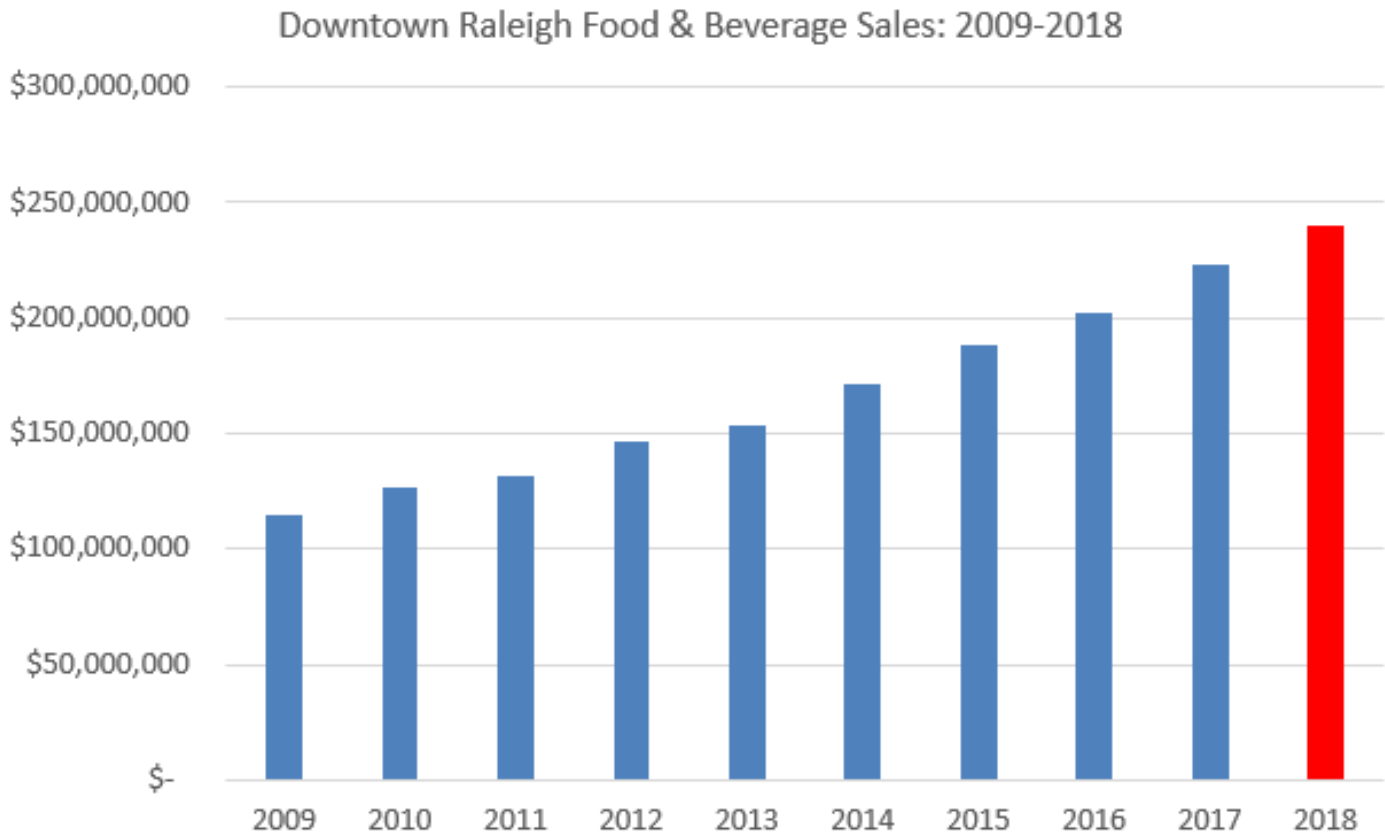
Downtown Raleigh Development and Investment

<u>Project Name</u>	<u>Investment</u>	<u>Project Type</u>	<u>Sq. Ft.</u>	<u>Units</u>	<u>District</u>
PLANNED					
Two Glenwood	\$90,000,000	Office/Retail	275,000	n/a	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	44 rooms	Glenwood South
The Longleaf Hotel	Not announced	Hotel	Renovation	57 rooms	Capital
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
Seaboard Station expansion	\$250,000,000	Residential/Hotel/ Retail	850,000	650 units, 150 rooms	Seaboard/Person St
TOTAL PLANNED			1,314 residential units	1,162 hotel rooms	

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

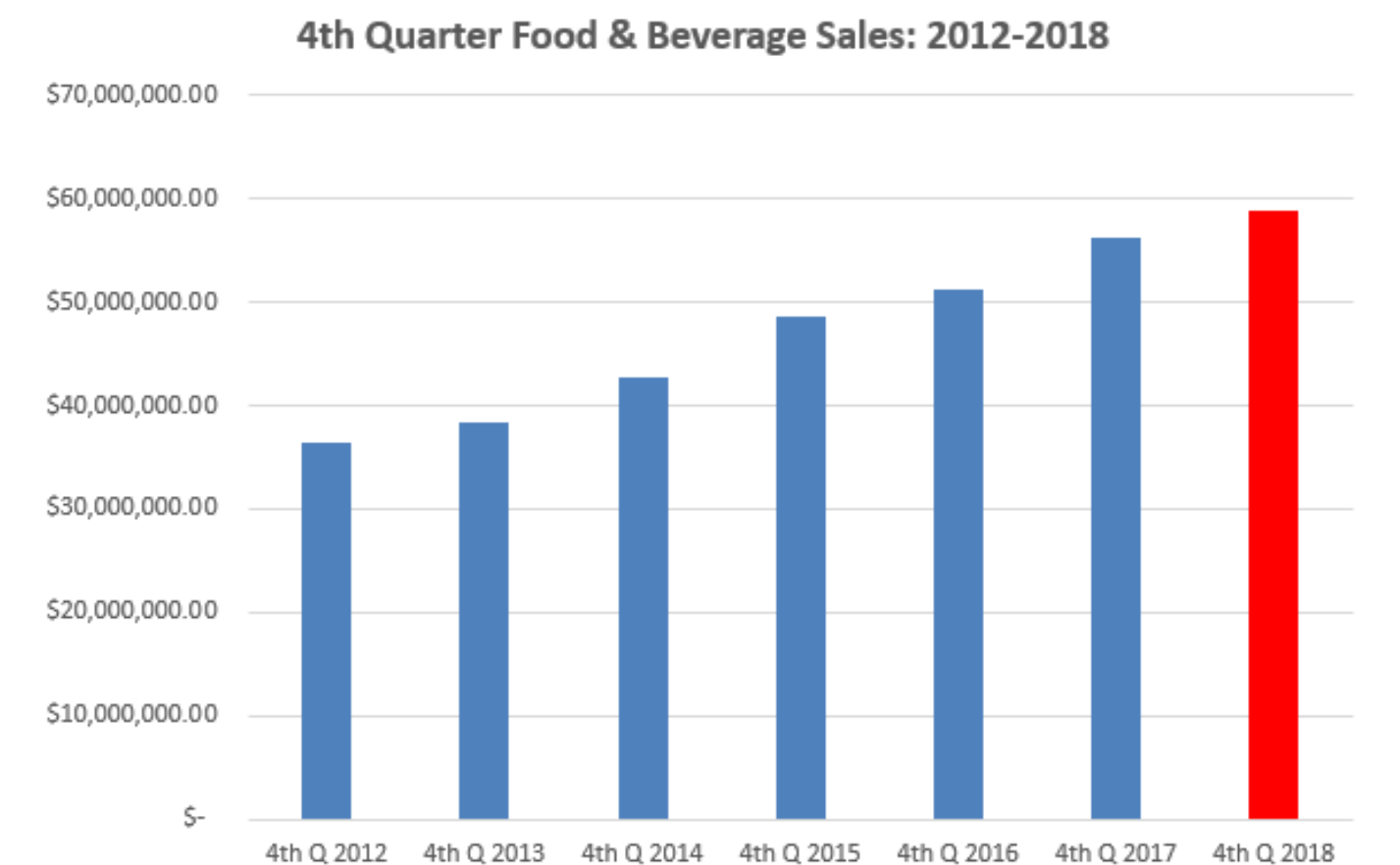
YEAR TO DATE FOOD AND BEVERAGE SALES IN DOWNTOWN

Food and beverage sales for downtown **set a new record** with over **\$240 million** in sales, topping the previous record set last year of \$223 million. Sales were **up 7.6% for 2018 versus 2017**. Downtown restaurants and bars are continuing their strong performance over the past six years with sales in 2018 **up 64% over sales in 2012**.



4th QUARTER FOOD AND BEVERAGE SALES IN DOWNTOWN

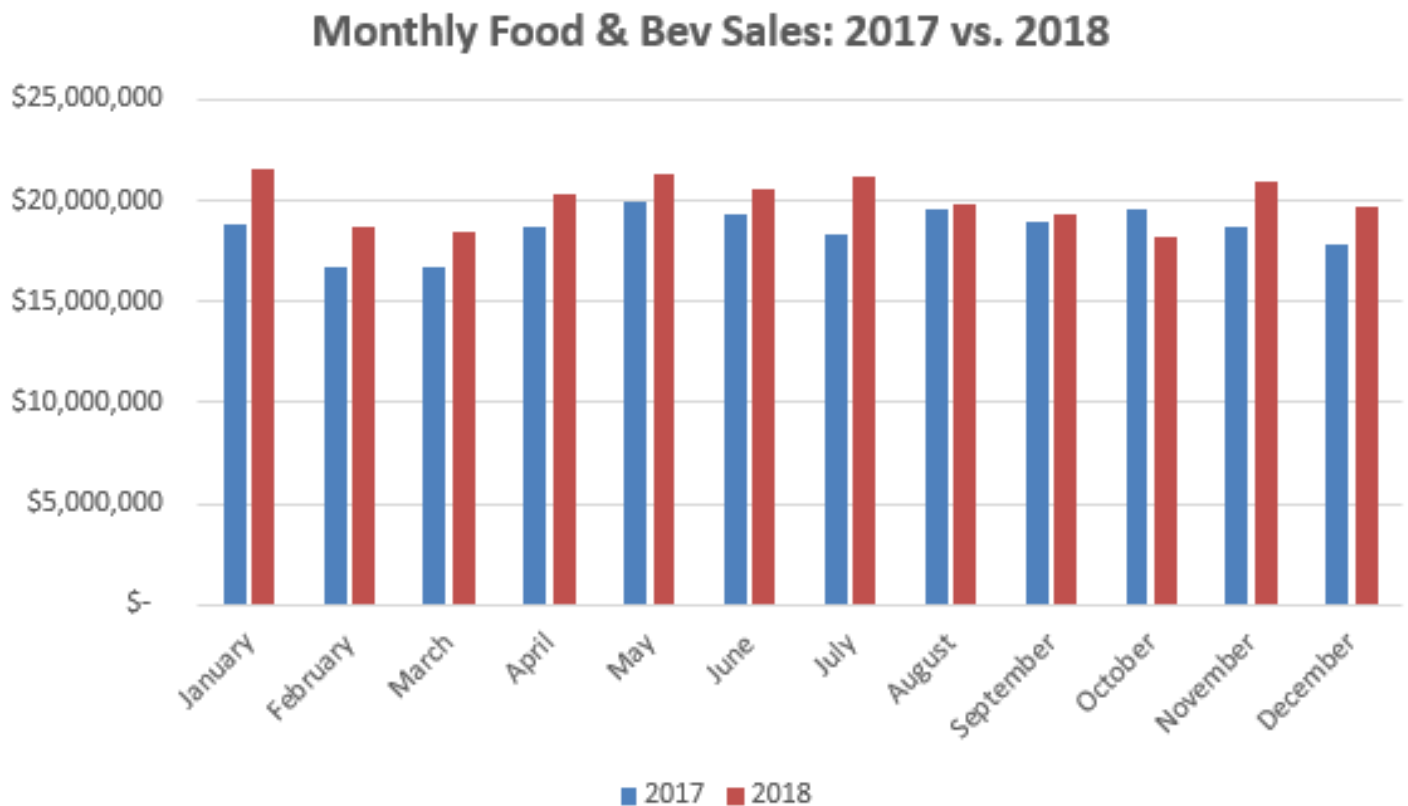
Food and beverage sales for downtown were **up 4.7% for 4th Quarter 2018 over 4th Quarter 2017**. Downtown restaurants and bars are continuing their strong performance over the past six years with 4th Quarter 2018 **up 62% over 4th Quarter 2012**.



Sources: Wake County Tax Assessor

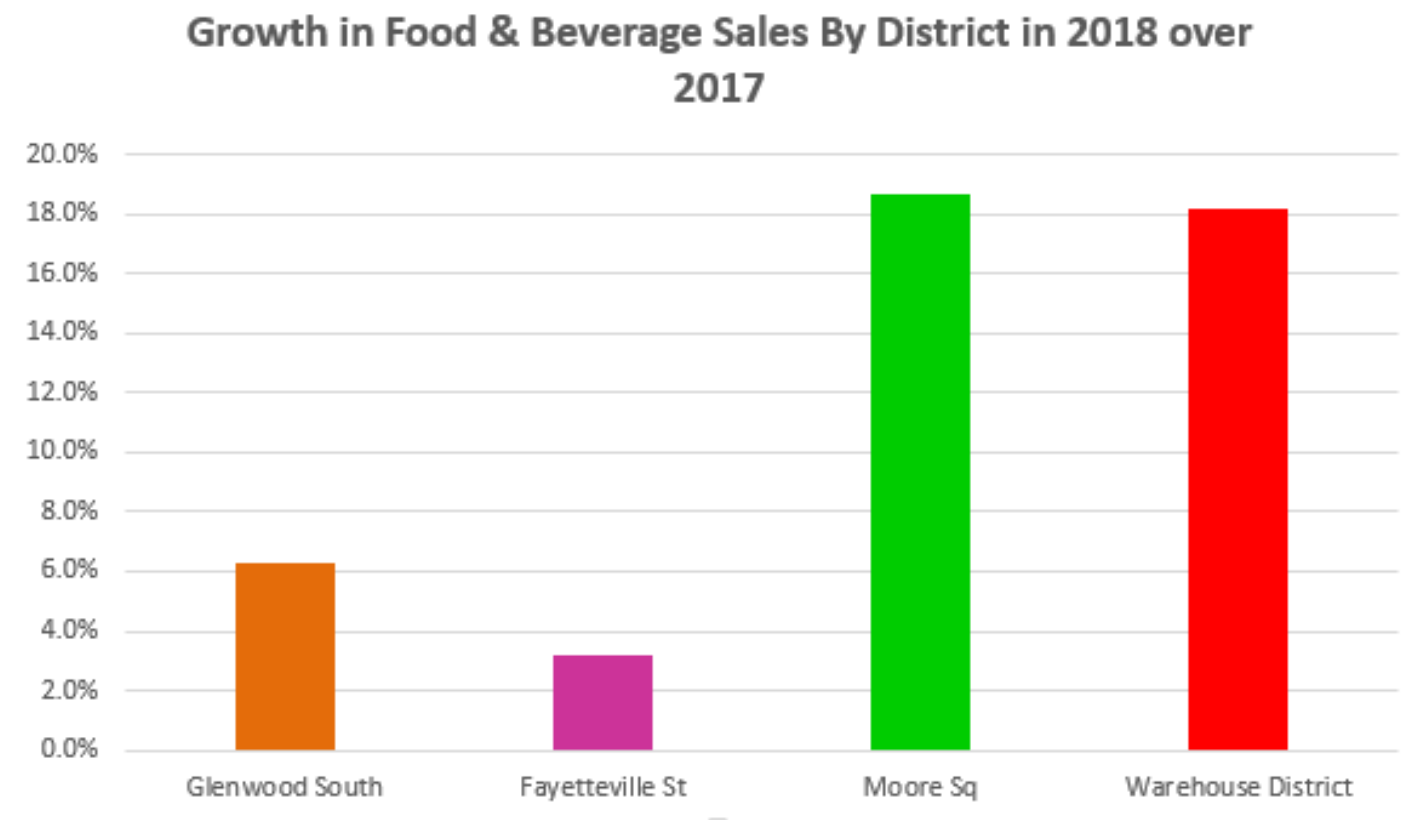
MONTHLY FOOD AND BEVERAGE SALES IN 2017 AND 2018

Downtown monthly food and beverage sales outpaced last year’s sales with **January being the highest grossing month** in 2018 followed closely by May. **Sales in January, April, May, June and November 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 \$20.1 million in 2018. This quarter, **sales in November were up 12%** over last year’s November.



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 and Warehouse District seeing the most dramatic growth with each district seeing more than 18% growth in sales over 2017**. This possibly is attributed to new restaurants and bars in the Moore Square district over the past year and a half such as Brewery Bhavana, Tonbo Ramen, and MOFU Shoppe. In the Warehouse District, **sales were up 53%** in the 4th Quarter 2018 over 4th Quarter 2017. Morgan Street Food Hall and new restaurants at The Dillon likely contributed to this rapid growth in sales.



FOOD AND BEVERAGE SALES DISTRIBUTION BY DISTRICT

Warehouse District made the largest gain in share with an increase from 8.7% of sales to 10% of all downtown food and beverage sales with Morgan Street Food Hall, Junction West, and restaurants at The Dillon opening this year. 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 23.1% . A year ago, Moore Square only accounted for 21% of downtown’s sales in 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, and several other businesses.

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

Distribution of Food & Beverage Sales By District

