



# ECONOMIC DEVELOPMENT REPORT

## DOWNTOWN RALEIGH

### Q2-2019



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](http://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.



TABLE OF CONTENTS

ECONOMIC DEVELOPMENT REPORT

Highlights.....1

Real Estate & Population Snapshot .....3

Historic Trends .....4

Second Quarter Street-Level Business Activity.....5

Development Pipeline .....7

Food and Beverage Tax Revenue .....12

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## ECONOMIC DEVELOPMENT REPORT

### Highlights

Downtown's 2nd quarter of 2019 saw new street-level businesses open and strong growth in food and beverage sales. More major construction projects have begun and been announced while others near completion.

#### Development Pipeline:

Projects totaling at least **\$2.1 billion** have been delivered in 2015-2019, are under construction, or were planned/announced for downtown in the near future with several more major projects yet to announce their total investment figures. More than **\$989 million** in projects has been completed since 2015. In addition, there are over **\$701 million** in proposed projects in the pipeline. **\$474 million in construction** is currently underway in downtown Raleigh.

Public investment remains strong as **\$200 million in public projects** are either underway, planned or have been completed in the past three years. This includes the infrastructure investment at **Capital Boulevard/Peace Street** bridges and interchanges, greenspace renovations nearing completion at **Moore Square**, and supporting transit with the completed renovation at GoRaleigh Transit Center and Union Station.

#### Retail & Storefront Market

**The Flourish Market**, a women's clothing and gift boutique, has relocated and expanded into the Warehouse District. This expansion more than double their space, plus locates them near other clothing retailers on W. Martin Street like Father and Son, Urban Outfitters, and Raleigh Denim. Other new retailers have recently opened, including **Ealdwine Gentlemen's Shop** and **Western Dragon Teas and Tisanes**. In 2019, downtown has seen a strong increase in **pop-up shops**, all of which are located in the Fayetteville Street District, including **Slice Pie**, **SweetWater New York Ice**, **Munjo Munjo**, and **Rocket Fizz**. In addition, several new restaurants and bars opened, including **Halcyon** in Glenwood South, **Barcelona Wine Bar** at The Dillon, and **Wye Hill Kitchen & Brewing** in the Warehouse District. Construction continues on **The Tin Roof** bar in Glenwood South. **Weaver Street Market** will open this summer on W. Hargett Street, bringing downtown its first grocery store and continuing the business momentum along that corridor.

During the second quarter and early third quarter, **15 new street-level businesses** opened in downtown. Overall, **150+ storefront businesses** have opened since the start of 2016. At least **20 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 Raleigh Alliance** has partnered with **Wake Tech** for a pop-up program that will bring entrepreneurs to a downtown storefront space with the hope of attracting entrepreneurs from diverse backgrounds.

**\$2.1 Billion**  
Delivered, Under  
Construction, and  
Planned

**\$474 Million**  
Under Construction

**\$989 Million**  
Recently Completed

**\$701 Million**  
Planned

**23**  
New Storefront  
Businesses in 2019

**9**  
New Food Hall  
Vendors in 2019



# ECONOMIC DEVELOPMENT REPORT

## Highlights

### Residential Market

Construction continues on **1,019 residential units**, including Phase I and Phase II of Kane Realty's **Peace/Smoky Hollow** project, which will bring 417 and 283 units to the market, respectively. **FNB Tower** has topped out and has **239 units** currently under construction. **The Fairweather**, downtown's first condominium building since before the Recession, has 45 units under construction. And the second phase of **West + Lenior** recently delivered nine more units to downtown. Since 2015, **2,415 units** have been delivered and more than **1,525 units** are planned for the near future.

**1,019**

Residential units  
under construction

**2,415**

Residential units  
Delivered since 2015

### Dining & Hospitality Market

Downtown Raleigh set a new record in the second quarter of 2019 with **\$66.7 million in sales** with April being the **highest food & beverage sales month ever recorded** in downtown. **Warehouse District** sales alone were **up 74%** in 2nd Q and are up 63% this year over last year. Glenwood South still accounts for the largest portion of downtown's food and beverage sales, bringing in slightly more than 33%. New food halls and restaurants helped drive this growth, as there are now more than **200 restaurants, cafes, and bars/clubs/lounges** in downtown.

**7.3%**

growth in food and  
beverage sales in 2nd  
Quarter 2019 over 2nd  
Quarter 2018

**Origin Hotel**, located in Glenwood South, currently has **126 rooms under construction** and is being joined in Glenwood South by **The Willard**, which is beginning site clearance for a **147-room hotel**. The former Days Inn on the north side of downtown is being renovated into **The Longleaf Hotel**, which will be a 57-room boutique hotel. Eight new rooms opened at the new boutique **Guest House**, near Moore Square and another new boutique hotel project, **Montfort Hall**, will add another ten rooms to the downtown area's hotel inventory.

**\$66 million**

in food and beverage  
sales in 2nd Quarter  
2019, a new record  
for downtown

### Office Market

Office occupancy is high in downtown at **96.2%**, according to JLL. Downtown Raleigh had **28,988 square feet** of total net absorption in Q2 of 2019 and has seen a total net absorption of **77,596 square feet** so far in 2019, according to JLL. Downtown Raleigh had a Class A average asking rate of **\$32.50 per square foot**. Co-working space continues to increase in downtown. **The Locality** opened in June in the Warehouse District as a co-working space specifically for female entrepreneurs. **WeWork** just opened 80,000 square feet at One Glenwood.

**96.2%**

Office occupancy rate

### New Development News

Phase II of the **Smoky Hollow** project in Glenwood South has begun construction. This project brings with it approximately **225,000 square feet of office** and **283 housing units**. **Tower II at Bloc 83** also began construction with **271,000 square feet** of office space to the market. **Pendo** has announced that they will be moving into the planned **301 Hillsborough St** tower by The Fallon Company. Seaboard Station is one step closer to redevelopment as site-review plans were filed for the first phase of a multi-phase project. The first phase calls for a **150 room hotel** and **96 residential units**. **Downtown South** was announced by Kane Realty, Steve Malik, and TradeMark properties. The project would include a **20,000-seat soccer stadium**, **1.6 million square feet of office space**, **1,200 hotel rooms**, **1,750 residential units**, and **125,000 square feet** of retail and restaurant space.

## Downtown Dashboard

### Residential Market and Demographics

<b>10,877</b> Population estimated in downtown	<b>18,826</b> Residents within one mile of downtown core	<b>6,978</b> Downtown Residential Units	<b>2,415</b> Units delivered since 2015	<b>1,019</b> Units under construction
<b>33.8</b> Median Age for resi- dents within 1-mile radius	<b>50</b> % of residents with Bachelor's Degree or Higher	<b>1.75</b> Average household size within 1-mile radi- us	<b>\$68,992</b> Average household income within 1-mile of downtown	<b>1,525</b> Units current- ly planned

### Office Market

<b>48,000</b> Employees estimated in downtown	<b>96.2%</b> Office occupancy rate in 2nd Q 2019 (JLL)	<b>28,988</b> Net absorption square footage in 2nd Q 2019	<b>238,100</b> Square feet of co- working space in downtown	<b>85</b> Employees per acre, densest office market in region
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### Dining & Hospitality Market

<b>\$66 million</b> in food and beverage sales in 2nd Q 2019	<b>214</b> Restaurants and bars in downtown	<b>40+</b> New retailers since 2014	<b>16</b> James Beard Award Nominations since 2010	<b>7.3%</b> Growth in food and bev- erage sales in 2Q 2019 over 2Q 2018
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### Tourism & Hotel Market

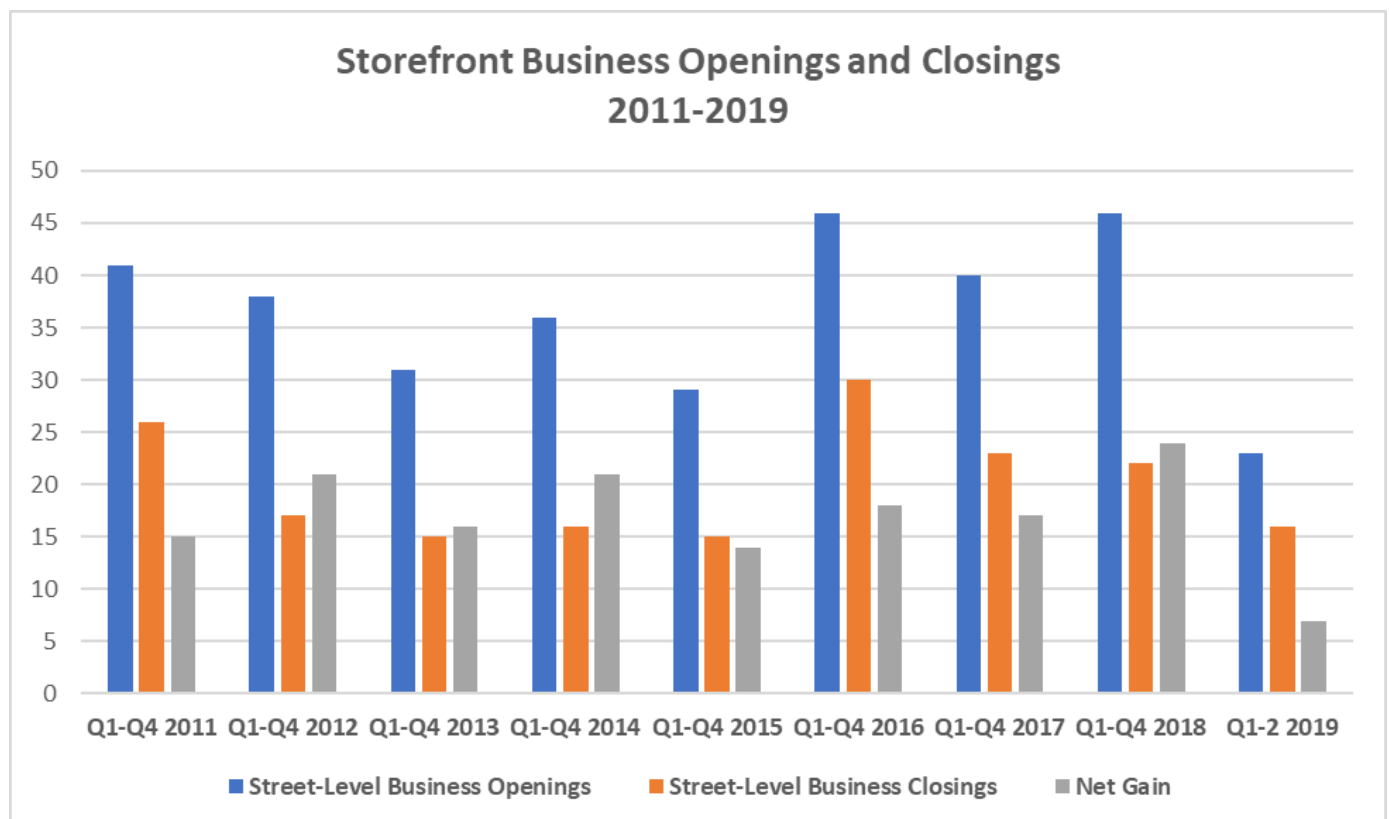
<b>1,266</b> Existing rooms in downtown	<b>330 rooms</b> Rooms under con- struction	<b>70.6%</b> Hotel occupancy in 2018	<b>3.4 million</b> Visitors to top down- town attractions	<b>47%</b> Increase in visitors since 2007
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### Real Property Square Footage Within the Downtown MSD

<b>7,479,214 sf</b> Commercial office space	<b>1,437,194 sf</b> Retail space	<b>6,964,275</b> Government office/ facility space	<b>5,330,977</b> Other: educational, religious, institutional
<b>25,464,393 sf</b> Total existing space	<b>2,154,026 sf</b> Under construction	<b>32,406,199</b> 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-Q2 2019
Street-Level Business Openings	41	38	31	36	29	46	40	46	23
Street-Level Business Closings	26	17	15	16	15	30	23	22	16
Net Gain	15	21	16	21	14	18	17	24	7
Year-End Office Occupancy	89.9%	89.2	93.3	89.9	89.4	88.6	94.7	94.9	95.1
Public Investment started or underway (millions)	\$0	\$205	\$187	\$0	\$91	\$169	\$137	\$137	\$49
Private Investment started or underway but not completed (millions)	\$106	\$117	\$351	\$133	\$261	\$242	\$288	\$290	\$324
Projects Completed	5	5	8	5	15	10	3	14	3
Total Investment completed (millions)	\$22	\$160	\$343	\$115	\$260	\$174	\$75	\$331	\$140



Sources: DRA internal tracking,

## 2nd Quarter Storefront Business Activity

### Business Openings in 2nd Quarter:

<u>Name</u>	<u>Type</u>
1 Ealdwine Gentlemen's Shop	Retail
2 Slice Pie (Pop-Up)	Retail
3 Munjo Munjo (Pop-Up)	Retail
4 Rocket Fizz (Pop-Up)	Retail
5 Western Dragon Teas and Tisanes	Retail
6 South Street Mini Mart	Retail
7 Calavera	Food and Beverage
8 Wye Hill Kitchen	Food and Beverage
9 Barcelona Wine Bar	Bar/Restaurant
10 SweetWater New York Ice (Pop-Up)	Snacks/Desserts
11 Layered Croissanterie	Restaurant

1 Bul Box	Food Hall
2 Chhote's	Food Hall
3 Dank Burritos	Food Hall
4 Mama Crow's Burger and Salad Shop	Food Hall
5 YoHo Hibachi & Sushi Burritos	Food Hall
6 Amitie Macaron	Food Hall

### Business Openings in early 3rd Quarter:

<u>Name</u>	<u>Type</u>
1 Black & White Coffee Roasters	Food and Beverage
2 BREW Coffee Bar	Food and Beverage
3 Square Burger	Food and Beverage

### Business Closings in 2nd Quarter:

<u>Name</u>	<u>Type</u>
1 The Alli	Retail
2 GoodWill	Retail
3 Polished by April	Service
4 Boylan Bridge Brewpub	Food and Beverage
5 Acorn at Oak City	Food and Beverage
6 Benelux Coffee	Food and Beverage
7 18 Seaboard	Food and Beverage

### Business Closings in early 3rd Quarter:

<u>Name</u>	<u>Type</u>
1 Pho Pho Pho	Food and Beverage



See next page for announced businesses coming soon.

## Announced Storefront Businesses (Coming Soon)

1	Weaver Street Market	Retail
2	Publix	Retail
3	PoolSide Pie	Restaurant
4	Hearth Kitchen	Restaurant
5	Tin Roof Restaurant and Bar	Restaurant
6	Rainbow Luncheonette	Restaurant
7	Jolie	Restaurant
8	(ish) Delicatessen	Restaurant
9	Sam Jones BBQ	Restaurant
10	Zamberos	Restaurant
11	The Merchant	Restaurant/bar
12	Yacht Club	Bar/restaurant
13	616 Glenwood	Bar/club
14	The Wallpaper Bar	Bar/club
15	Seagull's Perch	Bar/club
16	Craft Bar	Bar/club
17	Bar and music venue at Devolve	Bar and music venue
18	Wine and Design	Paint, wine, event
19	Sass Nails	Service
20	Shred415	Fitness
21	Iris Coffee Lab	Coffee shop
22	Alimentari at Left Bank	Food Hall





## 2nd QUARTER 2019

In 2019, new projects have delivered residential units, along with Class A office and retail space. Several more projects are nearing completion over the next few months such as Moore Square, FNB Tower, Origin, and several others.

<u>Completed in 2019</u>					
<u>Project Name</u>	<u>Investment</u>	<u>Project type</u>	<u>Square Footage</u>	<u>Housing Units/Hotel</u>	<u>District</u>
Metropolitan Apartments	\$52,500,000	Apartment	274,959	241 units	Glenwood South
West + Lenoir Phase II	\$1,734,216	Townhomes	n/a	9 units	Warehouse
One Glenwood	\$86,000,000	Mixed-use (Office, retail)	219,500 (office)	n/a	Glenwood South
			5,410 (retail)		
			224,910 total		
<b>TOTAL</b>	<b>\$140,234,216</b>		<b>219,500 (office)</b>	<b>250 units</b>	
			<b>5,410 retail</b>		
			<b>499,869 total</b>		



## 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/ Rooms</u>	<u>District</u>
Tower II at Bloc 83	\$108,000,000	Mixed-use (Office, retail)	268,417 (office)	n/a	Glenwood South
			4,850 (retail)		
			273,267 total		
Smoky Hollow Phase 2	Not announced	Mixed-use (Office, residential, retail)	225,000 (office)	283 units	Glenwood South
			51,000 (retail)		
			537,731 total		
Longleaf Hotel	\$6,000,000	Hotel (renovation)	10,000	57 rooms	Capital
The Saint	\$23,000,000	Townhomes	n/a	17 units	Glenwood South
Peace St/Capital Blvd	\$36,900,000	Infrastructure	n/a	n/a	Capital
Origin Hotel	Not announced	Hotel	4,000 (retail)	126 rooms	Glenwood South
			196,000 total		
The Willard	Not announced	Hotel	92,314	147 rooms	Glenwood South
Peace (Smoky Hollow Phase 1)	\$150,000,000	Mixed-use (Residential, retail)	51,960 (retail)	417 units	Glenwood South
			652,500 total		
Moore Square Renovation	\$12,500,000	Park renovation	n/a	n/a	Moore Square
FNB Tower	\$118,000,000	Mixed-use (Office, residential, retail)	152,000 (office)	239 units	Fayetteville St
			5,055 (retail)		
			325,869 total		
107 W. Hargett	\$4,000,000	Retail/office renovation	21,946 (office)	n/a	Fayetteville St
			3,554 (retail)		
			25,500 total		
Tin Roof	\$842,949	Music Venue	7,526	n/a	Glenwood South
The Fairweather	Not announced	Mixed use (Condos/retail)	1,836 (retail)	45 units	Warehouse
			103,250 total		
Sir Walter Apartments (Renovation 144 units + 18 new units)	\$15,000,000	Senior housing	n/a	18 new units	Fayetteville St
911 N. West St	Not announced	Mixed-use (Office, retail)	13,945 (office)	n/a	Glenwood South
			5,355 (retail)		
			19,300 total		
<b>TOTAL</b>	<b>\$474,242.165</b>		<b>684,391 (office)</b>	<b>1,019 units/</b>	
			<b>135,136 (retail)</b>	<b>330 rooms</b>	
			<b>2,224,340 total</b>		

Completed in 2018

<u>Project Name</u>	<u>Investment</u>	<u>Project type</u>	<u>Square Footage</u>	<u>Housing Units/Hotel Rooms</u>	<u>District</u>
Poyner YMCA	\$3,000,000	Service	28,000	n/a	Fayetteville St
The Dillon	\$150,000,000	Mixed-use (Office, residential, retail)	210,000 (office)	260 units	Warehouse
			52,000 (retail)		
10Arros	\$1,805,000	Townhomes	n/a	10 units	Moore Square
Union Station	\$111,400,000	Infrastructure	226,000	n/a	Warehouse
Guest House	\$850,000	Hotel	4,756	8 rooms	Moore Square
Morgan St. Food Hall	\$2,000,000	Infrastructure	22,000	n/a	Warehouse
West + Lenoir	\$2,674,000	Townhomes	24,066	12 units	Warehouse
Junction West	\$4,200,000	Office/event space renovation	9,473	n/a	Warehouse
Revisn	\$6,540,000	Residential	44,250	48 units	Glenwood South
Transfer Co/Stone's	\$19,000,000	Mixed use (Retail/food/residential)	42,000 (retail)	15 units	Moore Square
The Ware					
TOTAL	\$331,738,626		210,000 (office)	362 units/	
			144,000 (retail)	8 hotel rooms	

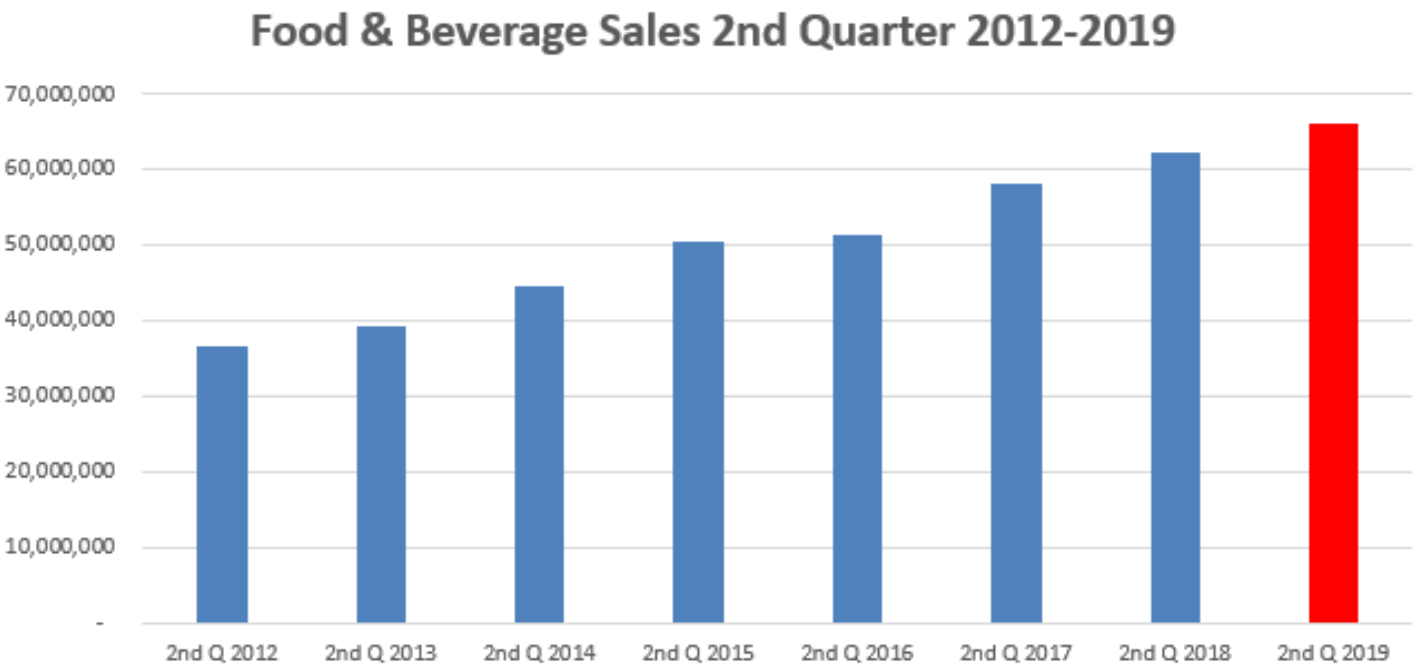
## Proposed

<u>Project Name</u>	<u>Investment</u>	<u>Project type</u>	<u>Square Footage</u>	<u>Housing Units/Rooms</u>	<u>District</u>
The Nexus Phase I	Not announced	Office	320,356 (office)	n/a	Fayetteville St
The Nexus Phase II	Not announced	Mixed (Residential, hotel, retail)	495,808 (residential)	416 units/	
			20,000 (retail)	264 rooms	
			989,761 total		
Seaboard Station Phase I	\$250,000,000	Mixed-use (Office, residential, hotel)	300,000 (office)	96 units/ 150 rooms	Seaboard/Person St.
Seaboard Station Phase II		Mixed-use (Residential, retail)	45,000 (retail)	550 units	
Hilton Garden Inn/Homewood Suites	Not announced	Mixed-use (Hotel, retail)	1,810 (retail) 260,890 total	259 rooms	Fayetteville St
301 Hillsborough	\$160,000,000	Mixed-use (Office, residential, hotel, retail)	287,252 (office)	136 units/	Capital
			17,358 (retail)	169 rooms	
			970,773 total		
Courtyard Marriott	\$30,000,000	Hotel	192,964	192 rooms	Fayetteville St
Wilmington/Lenoir Hotel	Not announced	Hotel	n/a		Fayetteville St
The Edison Office	\$75,000,000	Mixed-use (Office, retail)	242,000 (office)	n/a	Moore Square
			8,300 (retail)		
			418,000 total		
Fourth Ward	Not announced	Townhomes	n/a	10 units	Warehouse
City Gateway	\$70,000,000	Mixed-use (Office, institutional)	144,130 (office)		Fayetteville St
			52,672 (school)		
			355,889 total		
South Street Condos	Not announced	Townhomes	105,084	87 units	Warehouse
400 H	\$100,000,000	Mixed-use (Office, retail)	144,410 (office)	216 units	Glenwood South
			16,395 (retail)		
			560,000 total		
St Mary's Townhomes	Not announced	Townhome		6 units	Glenwood South
Nash Square Hotel	Not announced	Mixed-use (Hotel, retail)	4,000 (retail)	190 rooms	Warehouse
			215,665 total		
Boutique Hotel on Peace	\$16,000,000	Hotel		40 rooms	Glenwood South
City View Townes	Not announced	Townhomes		8 units	Warehouse
Montfort Hall	Not announced	Boutique Hotel	6,162	10 rooms	Warehouse
<b>TOTAL</b>	<b>\$701,000,000</b>		<b>1,438,148 (office)</b>	<b>1,525 units/</b>	
			<b>113,403 (retail)</b>	<b>1,419 rooms</b>	
			<b>4,512,502 total</b>		

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.

2nd QUARTER FOOD AND BEVERAGE SALES IN DOWNTOWN

Food and beverage sales for downtown were up 7.3% for 2nd Quarter 2019 over 2nd Quarter 2018. And sales are up 7.9% year to date versus 2018. Downtown restaurants and bars are continuing their strong performance over the past six years with 2nd Quarter 2019 up 82% over 2nd Quarter 2012.

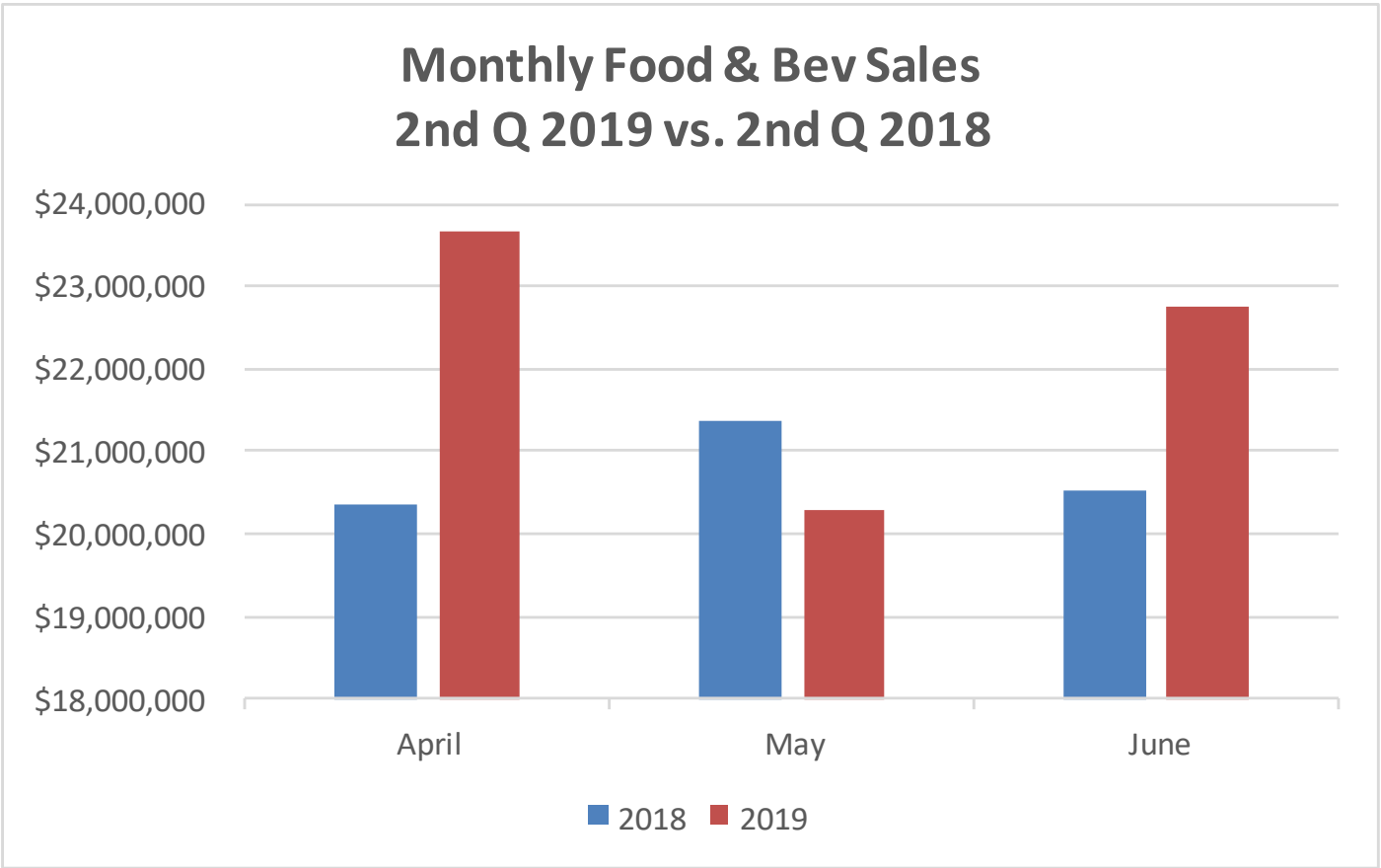


Sources: Wake County Tax Assessor



MONTHLY FOOD AND BEVERAGE SALES IN 2018 AND 2019

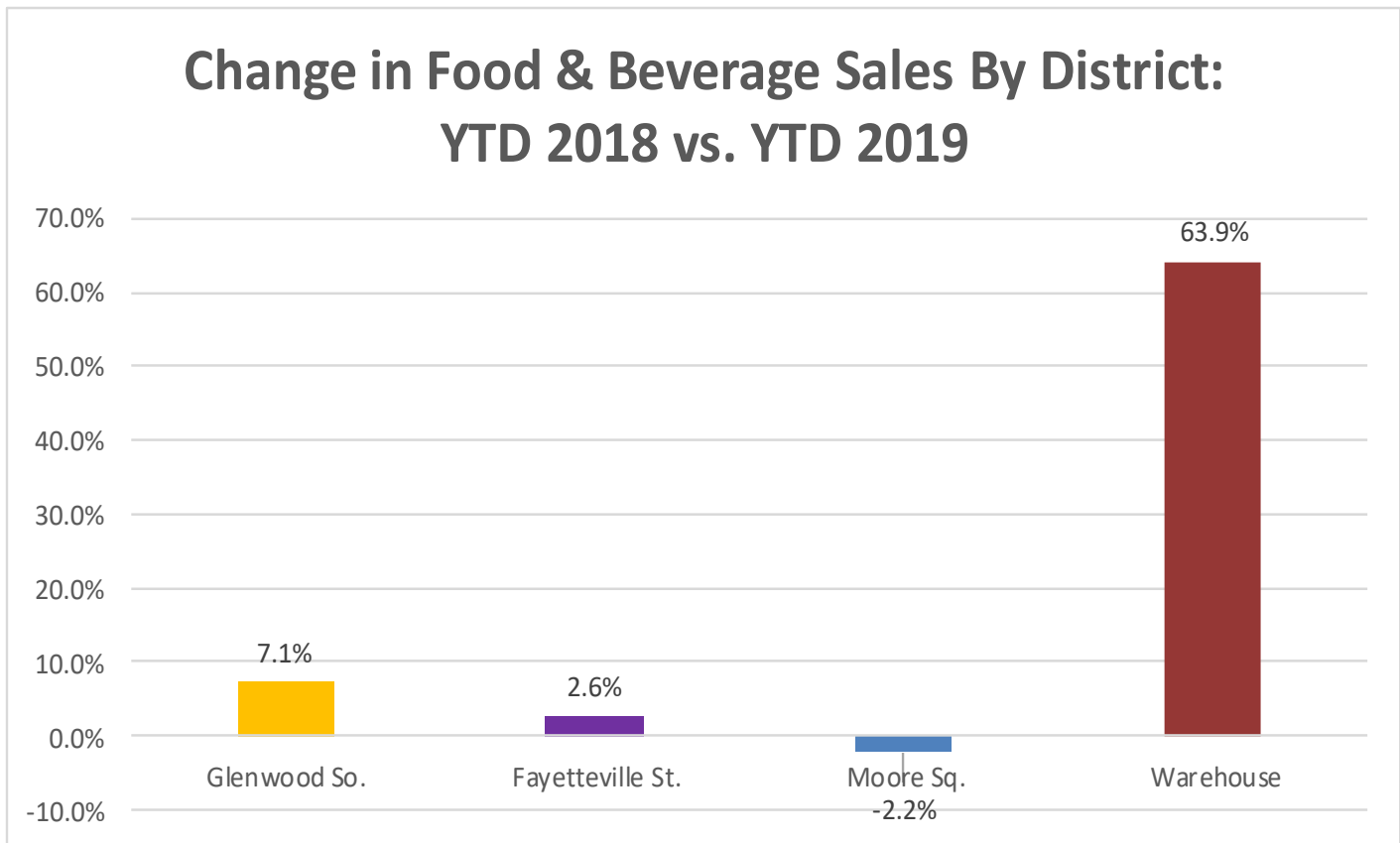
Downtown monthly food and beverage sales continue to steadily grow. **April** has been the highest grossing month in 2019 and **highest sales month ever recorded in downtown**, exceeding \$23 million. May experienced a slight drop in sales, but rebounded to continue that upward trend in June.



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 2019 compared 2018, with the exception of Moore Square. Restaurant turnover in the district, most notably the closing of BuKu, possibly contributed to this change. In the **Warehouse District, sales were up 63.9%** so far in 2019 over 2018. A net gain of fifteen businesses, including Morgan Street Food Hall and new restaurants at The Dillon, likely contributed to this rapid growth in sales.

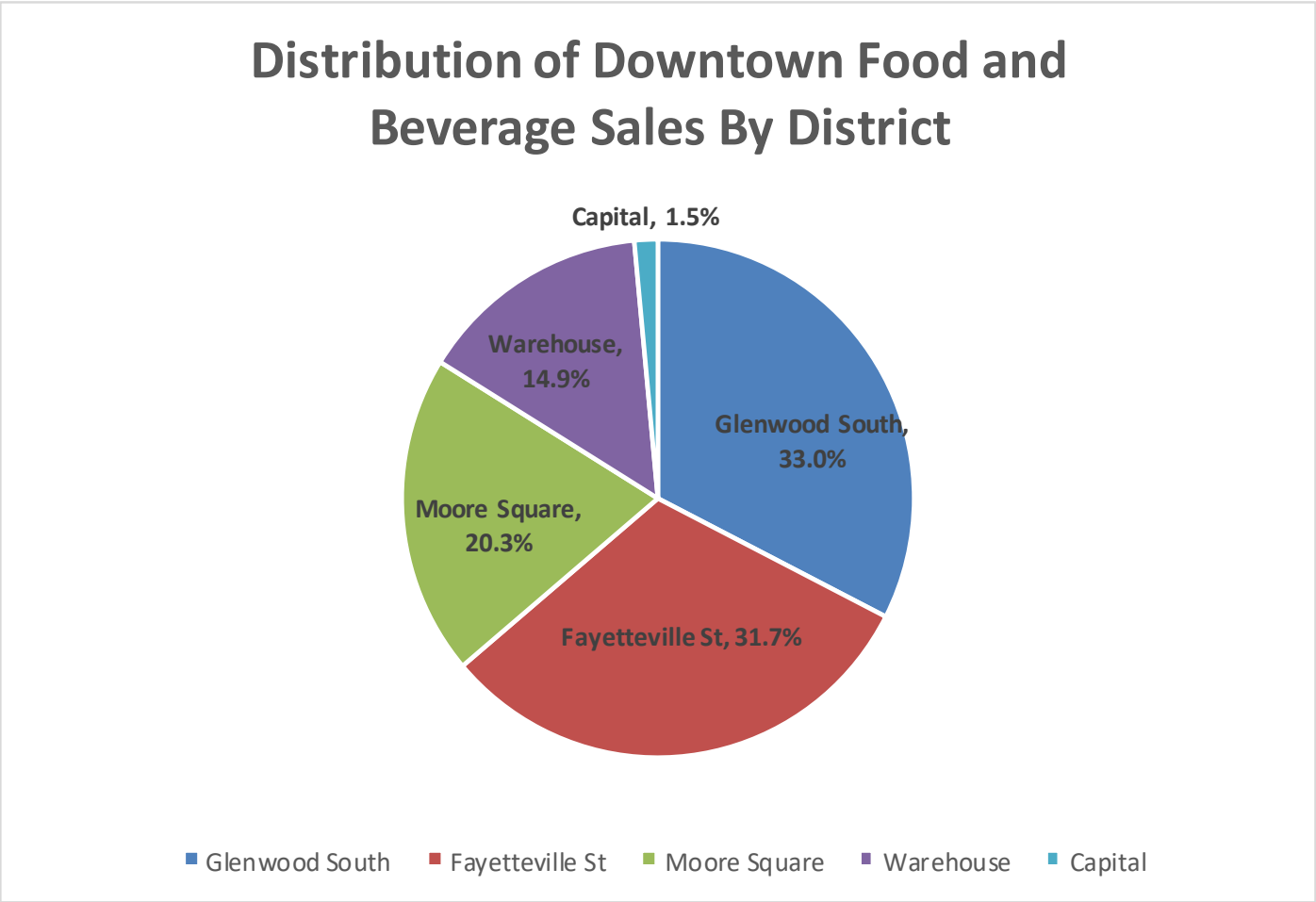


Sources: Wake County Tax Assessor

FOOD AND BEVERAGE SALES DISTRIBUTION BY DISTRICT

Second quarter saw the **Warehouse District** increase its share of downtown’s food and beverage sales **from 8.7% in 1st Quarter of 2019 to 14.9% after the 2nd Quarter of 2019**. Momentum created from the Morgan Street Food Hall and The Dillon, will likely continue to propel this district’s continued growth.

**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.



Sources: Wake County Tax Assessor