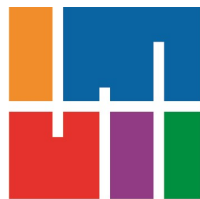




# ECONOMIC DEVELOPMENT REPORT DOWNTOWN RALEIGH

## Q1-2019



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.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.



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Cover photo by Flyboy Aerial Photography

*Disclaimer – The information contained herein has been obtained from sources deemed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty, or representation about it.*

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# ECONOMIC DEVELOPMENT REPORT

## Highlights

Downtown’s first quarter of 2019 saw new street-level businesses open and more major construction projects begin and continue, along with strong growth in food and beverage sales.

### Development Pipeline:

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. More than **\$1 billion** has been completed since 2015. In addition, there are over **\$765 million** in proposed projects in the pipeline.

### Current development figures:

Public investment is strong with **\$200 million in public projects** either underway, planned or completed including the greenspace renovations under construction at Moore Square, ongoing work at Capital Boulevard/Peace Street bridges and interchanges, along with the completed renovation at GoRaleigh Transit Center and Union Station. Also, 1st Quarter 2019 saw the launch of Raleigh’s Bike Share system, **Citrix Cycle**. Overall, **\$367 million in construction** is currently underway in downtown Raleigh.

### Retail & Storefront Market

Exciting new retailers have recently opened, including **Bella Vita Downtown Market** and **Ealdwine Gentlemen’s Shop**. Also, **The Flourish Market** will be relocating and expanding into the Warehouse District. **Pop-up shops** have opened in the Fayetteville St. District, including **Slice Pie**, **SweetWater New York Ice**, **Munjo Munjo**, and **Rocket Fizz**. In addition, several new restaurants opened, including **Oak Steakhouse** and **Barcelona Wine Bar** at the Dillon, **Acorn at Oak City** and **Budacai Boba Bar** in the Moore Square District. **Weaver Street Market** will open on W. Hargett Street to continue the retail momentum along that corridor.

During the first quarter, **8 new street-level businesses opened in downtown** with an additional 6 new street-level businesses already open in 2nd Quarter 2019. Included in that total are new retailers, along with new restaurants. Overall, **148 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.

**\$2 Billion**  
Delivered, Under  
Construction, and  
Planned

**\$367 Million**  
Under Construction

**\$1 Billion**  
Recently Completed

**\$765 Million**  
Planned

**14**  
Storefront Businesses  
Opened in 2019



# ECONOMIC DEVELOPMENT REPORT

## Highlights

### Residential Market

Construction continues on another **745 residential units** including **Peace** and several townhome projects throughout downtown. **The Metropolitan** opened in late January with **241 units**. **FNB Tower** has **239 units** currently under construction. Downtown's first condominium building since pre-Recession began in early 2019 with 45 units at **The Fairweather**. Since 2015, **2,421 units have been delivered** and more than **1,785 units** are planned for the near future, including the second phase of Kane Realty's Peace/Smokey Hollow.

**745**  
Residential units  
under construction

### 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**. That momentum has continued during the 1st quarter, as **Warehouse District sales were up 52% in 1st Q 2019**. New food halls and restaurants helped drive this growth, as there are now more than **200 restaurants, cafes, and bars/clubs/lounges** in downtown.

**9.1%**  
growth in food and  
beverage sales in 1st  
Quarter 2019 over 1st  
Quarter 2018

Currently, **126 rooms are under construction** at **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 is being renovated into **The Longleaf Hotel**, which will be a 57-room boutique hotel.

**\$63 million**  
in food and beverage  
sales in 1st Quarter  
2019, a new record for  
downtown

### Office Market

Office occupancy in downtown is at **95.5%**. Downtown saw a net absorption of 48,608 square feet in 1st Quarter 2019, including 17,288 of Class A space, according to JLL Raleigh. Preleasing rates illustrate a strong office market in downtown Raleigh with more supply coming. **The Dillon** is 100% leased and **One Glenwood** is nearing fully leased. Co-working space continues to increase in downtown. WeWork will be the largest tenant at One Glenwood with more than 80,000 square feet. Spaces launched their first office in downtown Raleigh at The Dillon and The Locality has been announced in the Warehouse District as a co-working space for women entrepreneurs. (Source: CBRE).

**95.5%**  
Office occupancy rate

### Development News

The former News & Observer building will be redeveloped into **The Nexus**, a mixed-use complex, on the 3.3-acre property on South McDowell Street. The first phase will be a 20-story tower that will face Salisbury Street. Fifteen floors of the building will be for office and five stories will be for parking. The project will have more than **1.5 million square feet of total space**, including more than **300,000 square feet of office space and retail**. The next phases of the project, according to renderings, would include **two 20-story residential buildings as well as a 13-story hotel** that would be attached to the office building. Also, development at **301 Hillsborough** is slated to bring a new mix of uses. The plans submitted by The Fallon Co. show that the 20-story tower's uses would include **300,000 square feet of office space, 169 hotel rooms, and 136 residential units**.

## 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>6,092</b> Downtown Residential Units	<b>2,421</b> Units delivered since 2015	<b>745</b> Units under construction
<b>33.8</b> Median Age for resi- dents within 1-mile radius	<b>47%</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>1,785</b> Units current- ly planned

### Office Market

<b>47,000</b> Employees estimated in downtown	<b>95.5%</b> Office occupancy rate in 1st Q 2019 (JLL)	<b>48,608</b> Net absorption square footage in 1st Q 2019	<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>\$63 million</b> in food and beverage sales in the 1st Quar- ter of 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>9.1%</b> Growth in food and bev- erage sales in 1Q 2019 over 1Q 2018
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### Tourism & Hotel Market

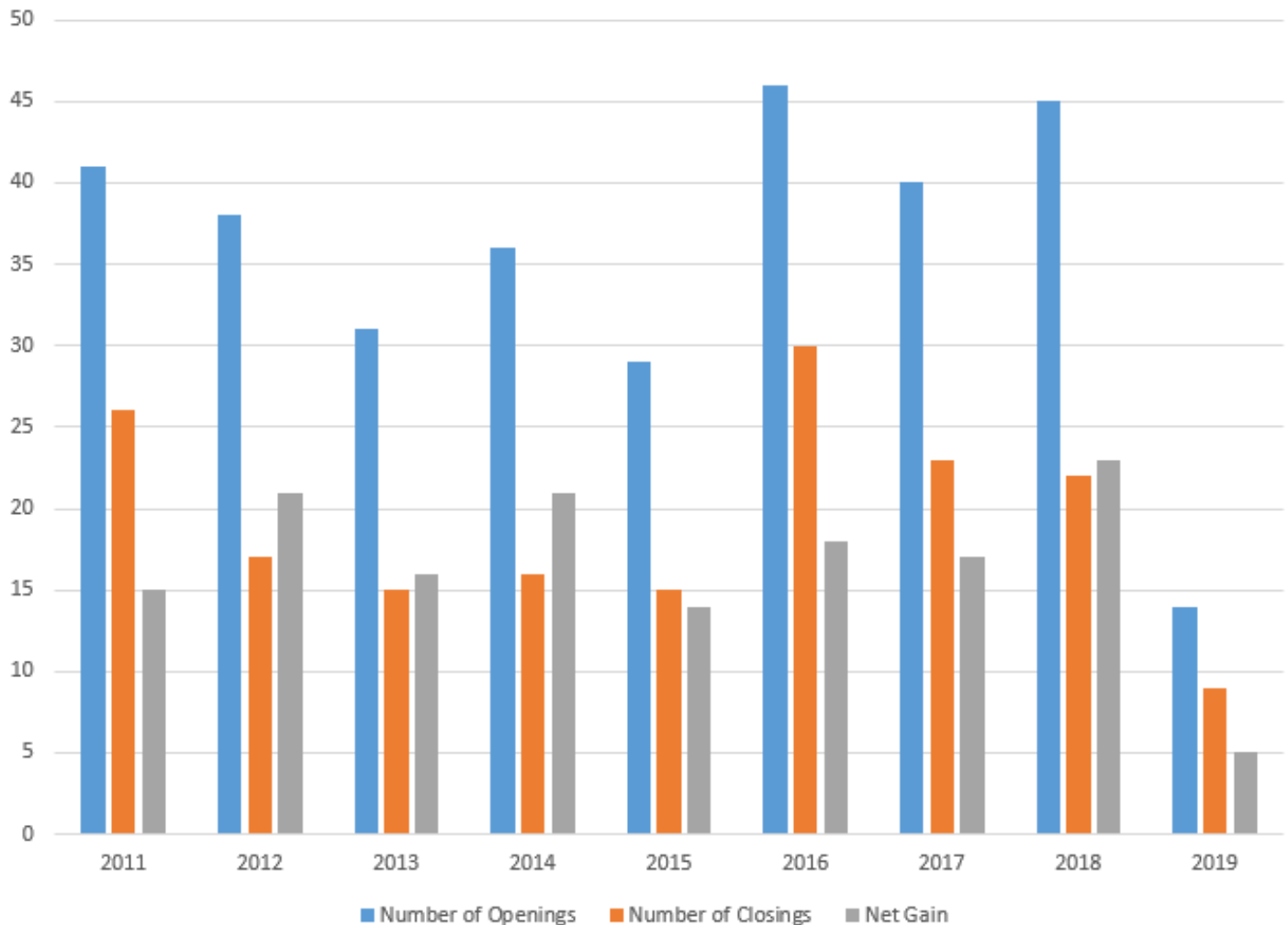
<b>1,266</b> Existing rooms in downtown	<b>126 rooms</b> Rooms under con- struction	<b>70.6%</b> Hotel occupancy in 2018	<b>3.4 million</b> Visitors to top down- town attractions	<b>47%</b> Increase in visitors since 2007
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### Real Property Square Footage Within the Downtown MSD

<b>7,479,21 sf</b> Commercial office space	<b>1,429,780 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>1,339,945 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, 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 2019
Street-Level Business Openings	41	38	31	36	29	46	40	46	14
Street-Level Business Closings	26	17	15	16	15	30	23	22	9
Net Gain	15	21	16	21	14	18	17	24	5
Year-End Office Occupancy	89.90%	89.2	93.3	89.9	89.4	88.6	94.7	94.9	95.5
Public Investment started or under-way (millions)	\$0	\$205	\$187	\$0	\$91	\$169	\$137	\$137	\$49
Private Investment started or under-way but not completed (millions)	\$106.50	\$117.50	\$351	\$133	\$261	\$242	\$288	\$290	\$318
Projects Completed	5	5	8	5	15	10	3	14	2
Total Investment completed (millions)	\$22.30	\$160	\$343	\$115	\$260	\$174	\$75	\$329	\$368



Sources: DRA internal tracking,

## 1st Quarter Storefront Business Activity

### Business Openings in 1st Quarter:

<u>Name</u>	<u>Type</u>
1. Oak Steakhouse	Restaurant
2. Bella Vita Downtown Market	Retail
3. Hemp Times	Retail
4. The Tower Escape	Entertainment
5. Budacai Boba Bar	Restaurant
6. Acorn at Oak City	Restaurant
7. Social 113	Bar
8. The Davie	Bar



### Business Openings in Early 2nd Quarter:

1. Ealdwine Gentlemen's Shop	Retail
2. Barcelona Wine Bar	Bar/Restaurant
3. Slice Pie (Pop-Up)	Retail
4. SweetWater New York Ice (Pop-Up)	Snacks/Desserts
5. Munjo Munjo (Pop-Up)	Retail
6. Rocket Fizz (Pop-Up)	Retail



### Business closings in 1st Quarter

<u>Name</u>	<u>Type</u>
1. Kaiju Bao and Bowl	Restaurant
2. Moonlight Pizza	Restaurant
3. Feel Goodz	Retail
4. 222 Fusion	Restaurant
5. Holy Rose	Retail
6. Finds	Retail
7. Stitch & Holly Aiken	Retail
8. The Alli	Retail
9. Dechen Collections	Retail



See next page for announced businesses coming soon.

## Announced Storefront Businesses (Coming Soon)

- |                                 |                     |
|---------------------------------|---------------------|
| 1. PoolSide Pie                 | Restaurant          |
| 2. 616 Glenwood                 | Bar/club            |
| 3. Weaver Street Market         | Retail              |
| 4. Publix                       | Retail              |
| 5. The Wallpaper Bar            | Bar/club            |
| 6. Seagull's Perch              | Bar/club            |
| 7. Hearth Kitchen               | Restaurant          |
| 8. Craft Bar                    | Bar/club            |
| 10. Sass Nails                  | Personal service    |
| 11. Tin Roof Restaurant and Bar | Restaurant/music    |
| 12. Calavera (reopen)           | Restaurant          |
| 13. Rainbow Luncheonette        | Restaurant          |
| 14. Layered Croissant           | Restaurant          |
| 15. Jolie                       | Restaurant          |
| 16. The Merchant                | Restaurant/bar      |
| 17. Tin Roof                    | Bar and music venue |
| 18. Wine and Design             | Paint, wine, event  |
| 19. (ish) Delicatessen          | Restaurant          |
| 20. Shred415                    | Fitness             |
| 21. South Street Mini Mart      | Retail              |





## Downtown Raleigh Development and Investment

<u>Project Name</u>	<u>Investment</u>	<u>Project type</u>	<u>Square Footage</u>	<u>Housing Units/ Rooms</u>	<u>District</u>
<b>Under construction</b>					
Longleaf Hotel	\$6,000,000	Hotel	10,000	57	Capital
The Saint	\$23,000,000	Townhomes	n/a	17	Glenwood South
Peace St/Capital Blvd	\$36,900,000	Infrastructure	n/a	n/a	Capital
Origin Hotel	Not announced	Hotel	196,000	126	Glenwood South
West + Lenoir Phase II	\$1,734,216	Residential	n/a	9	Warehouse
Peace (Smokey Hollow Phase 1)	\$150,000,000	Mixed use (Housing, Retail)	652,500	417	Glenwood South
Moore Square Renovation	\$12,500,000	Park renovation	n/a	n/a	Moore Square
FNB Tower	\$118,000,000	Mixed (Office, Housing, Retail)	325,869	239	Fayetteville St
107 W. Hargett	\$4,000,000	Retail/office Reno	25,500	n/a	Fayetteville St
Tin Roof	\$842,949	Music Venue	7,526	n/a	Glenwood South
The Fairweather	Not announced	Mixed (Housing, Retail)	103,250	45	Warehouse
Sir Walter Apartments (Renovation - 18 new units)	\$15,000,000	Senior Housing	n/a	18	Fayetteville St
911 N. West St	Not announced	Retail, office	19,300	n/a	Glenwood South
<b>TOTAL</b>	<b>\$367,977,165</b>		<b>1,339,945</b>	<b>745 units 183 rooms</b>	

## Downtown Raleigh Development and Investment

<u>Project Name</u>	<u>Investment</u>	<u>Project Type</u>	<u>Square Footage</u>	<u>Housing Units/Rooms</u>	<u>District</u>
<b><u>COMPLETED Since Start of 2018</u></b>					
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	n/a	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	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	n/a	Moore Square
<b>TOTAL</b>	<b>\$331,738,626</b>		<b>1,083,785</b>	<b>362 units 8 rooms</b>	
<b><u>COMPLETED Since Start of 2019</u></b>					
The Metropolitan Apartments	\$52,000,000	Apartments/Retail	274,959	241	Capital
One Glenwood	\$86,000,000	Office/Retail	227,000	n/a	Glenwood South

## Downtown Raleigh Development and Investment

<u>Project Name</u>	<u>Investment</u>	<u>Project type</u>	<u>Square Footage</u>	<u>Housing Units/Rooms</u>	<u>District</u>
<b>Completed Since Start of 2015</b>					
Citrix	\$40,000,000	Office	166,000	n/a	Warehouse
The Devon Four25	\$35,000,000	Apartment	227,400	261	Glenwood South
Carolina Ale House	\$7,500,000	Bar/restaurant	37,048	n/a	Glenwood South
McClatchy Interactive renovation/expansion	\$3,600,000	Office	30,000	n/a	Fayetteville St
200 S. Salisbury (Death and Taxes)	\$3,000,000	Restaurant	10,903	n/a	Fayetteville St
Charter Square	\$63,000,000	Office	243,379	n/a	Fayetteville St
The Lincoln	\$35,000,000	Apartment	318,000	224	Moore Square
The L	\$17,000,000	Apartment	110,000	83	Fayetteville St
SkyHouse Raleigh	\$60,000,000	Apartment	358,986	320	Moore Square
Raleigh Beer Garden	\$2,000,000	Bar/restaurant	8,670	n/a	Glenwood South
The Ten at South Person	\$2,400,000	Townhomes	16,824	10	Moore Square
Holy Trinity Anglican	\$11,000,000	Church	25,000	n/a	Capital
Taverna Agora	\$4,200,000	Restaurant	4,900	n/a	Glenwood South
Bank of America Plaza	\$11,000,000	Office renovation	n/a	n/a	Fayetteville St
Link Apartments	\$30,000,000	Apartment	276,119	203	Glenwood South
Edison Apartments	\$55,000,000	Apartment	290,000	223	Moore Square
Elan City Center	\$30,000,000	Apartment	n/a	213	Capital
Blount St. Commons	\$13,100,000	Townhomes	n/a	46	Capital
Exchange and Market Plazas	\$2,000,000	Public space renovation	n/a	n/a	Fayetteville St
Spectraforce (Renovation)	\$5,300,000	Office renovation	13,016	n/a	Glenwood South
707 N. West	Not announced	Office/Retail	10,939	n/a	Capital

(Continued)

## Downtown Raleigh Development and Investment

<u>Project Name</u>	<u>Investment</u>	<u>Project type</u>	<u>Square Footage</u>	<u>Housing Units/Rooms</u>	<u>District</u>
<b>Completed Since 2015</b>					
<b>(Continued)</b>					
The Cardinal	Not announced	Restaurant	4,792	n/a	Glenwood South
Dr. Pepper Warehouse	\$3,200,000	Office	14,000	n/a	Warehouse
Christ Church addition	\$4,500,000	Place of worship expansion	n/a	n/a	Capital
The Gramercy	\$30,000,000	Apartment	168,398	203	Glenwood South
227 Fayetteville	\$8,000,000	Office	101,439	n/a	Fayetteville St
Albemarle Building (Renovation)	\$42,000,000	Renovation	192,370	n/a	Capital
Google Fiber	\$3,000,000	Office	9,926	n/a	Glenwood South
GoRaleigh transit center	\$9,900,000	Infrastructure	n/a	n/a	Moore Square
Residence Inn	\$20,000,000	Hotel	n/a	175	Fayetteville St
Peace St. Townes	\$5,000,000	Townhomes	20,000	17	Capital
West + Lenoir	Not announced	Residential	n/a	12	Warehouse
Poyner YMCA	\$3,000,000	Fitness	n/a	n/a	Fayetteville St
The Dillon	\$150,000,000	Mixed use	250,000	260	Warehouse
10Arros	\$1,805,000	Townhomes	n/a	10	Moore Square
Union Station	\$111,400,000	Infrastructure	42,000	n/a	Warehouse
Morgan St. Food Hall	\$2,000,000	Infrastructure	n/a	n/a	Warehouse
Junction West	\$4,200,000	Office/event space renovation	12,000	n/a	Warehouse
Storage Facility	\$6,749,736	Storage	n/a	n/a	Capital
Hargett Place	\$14,500,000	Townhomes	n/a	17	Moore Square
Revisn	\$6,540,000	Residential	44,250	48	Glenwood South
Storage Facility	\$7,873,000	Storage	123,000	n/a	Warehouse
Boylan Pearce	\$5,500,000	Mixed use renovation	26,040	n/a	Fayetteville St
The Ware	Not announced	Townhomes	n/a	15	Moore Square
One Glenwood	\$86,000,000	Mixed use/office	227,000	n/a	Glenwood South
Transfer Co/Stone's	\$19,000,000	Mixed use (Retail, food, housing)	42,000	15	Moore Square
Metropolitan Apartments	\$52,500,000	Apartment	274,959	241	Glenwood South
<b>TOAL</b>	<b>\$1,026,767,736</b>		<b>3,683,358</b>	<b>2421 units 175 rooms</b>	

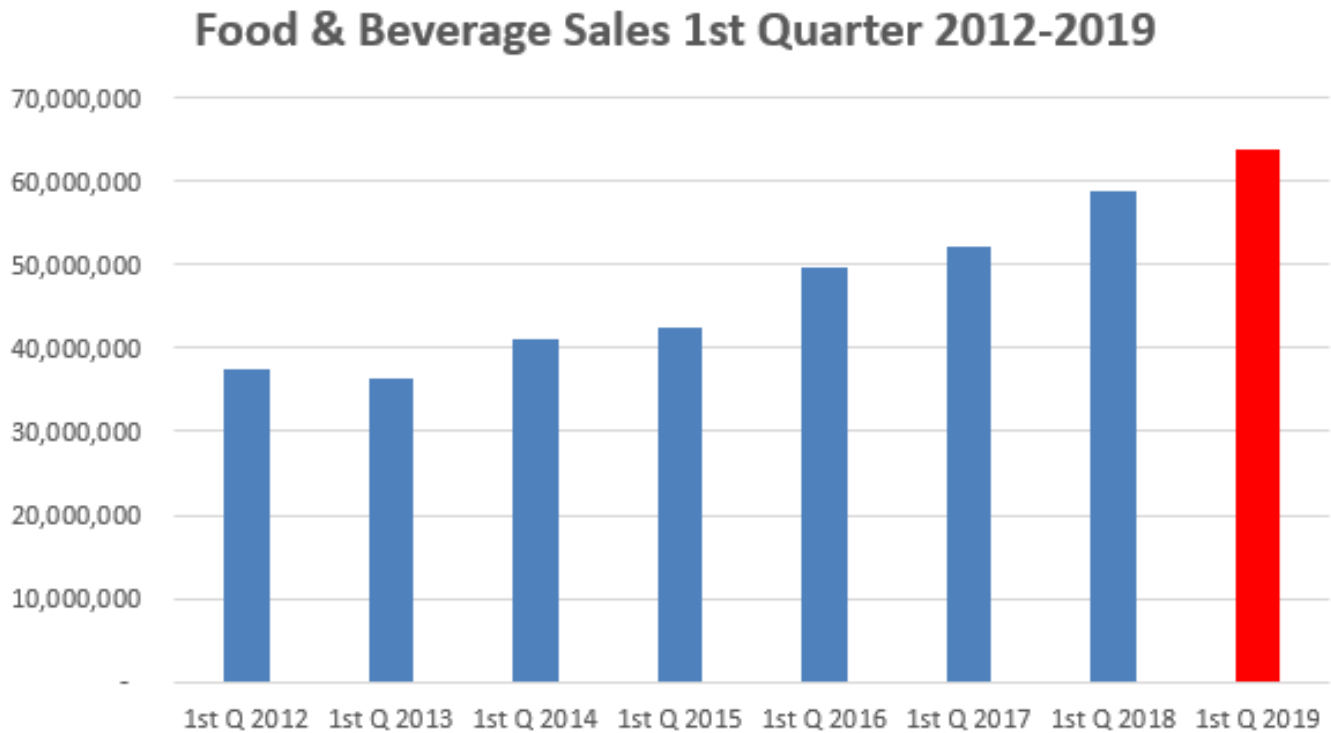
## Downtown Raleigh Development and Investment

<u>Project Name</u>	<u>Investment</u>	<u>Project type</u>	<u>Square Foot- age</u>	<u>Housing Units/ Rooms</u>	<u>District</u>
<b>Proposed</b>					
The Nexus Phase 1	Not announced	Mixed	325,000	n/a	Fayetteville St
The Nexus Phase 2	Not announced	Mixed	20,000	400/250	Fayetteville St
Seaboard Station	\$250,000,000	Mixed	850,000	650/150	Seaboard Station
Hilton Garden Inn/ Homewood Suites	Not announced	Hotel	260,890	259	Fayetteville St
301 Hillsborough	\$160,000,000	Hotel	1,000,000	136/169	Capital
Courtyard Marriott	Not announced	Hotel	192,964	192	Fayetteville St
Wilmington/Lenoir Element	Not announced	Hotel	n/a	145	Fayetteville St
Edison Office	\$75,000,000	Office	303,000	n/a	Moore Square
Fourth Ward	Not announced	Townhomes	n/a	10	Warehouse
Exploris School Gateway SE	\$65,000,000	School	355,889	n/a	Fayetteville St
Two Glenwood	\$90,000,000	Hotel	331,008	150	Glenwood South
611 West South	Not announced	Townhomes	105,084	87	Warehouse
HQ Raleigh	\$9,500,000	Incubator/office	n/a	n/a	Warehouse
400 H	\$100,000,000	Mixed	560,000	216	Glenwood South
502 W. Lenoir	Not announced	Restaurant	4,583	n/a	Warehouse
The Willard	Not announced	Hotel	n/a	150	Glenwood South
St Mary's Townhomes	Not announced	Townhome	n/a	6	Glenwood South
Smokey Hollow Phase 2	Not announced	Mixed use	537,731	280	Glenwood South
Smokey Hollow Phase 3	Not announced	Office	n/a	n/a	Glenwood South
Nash Square Hotel	Not announced	Hotel	196,387	190	Warehouse
Boutique Hotel on Peace	\$16,000,000	Hotel/condo	n/a	45	Glenwood South
<b>TOTAL</b>	<b>\$765,500,000</b>		<b>5,042,536</b>	<b>1785 units 1695 rooms</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.

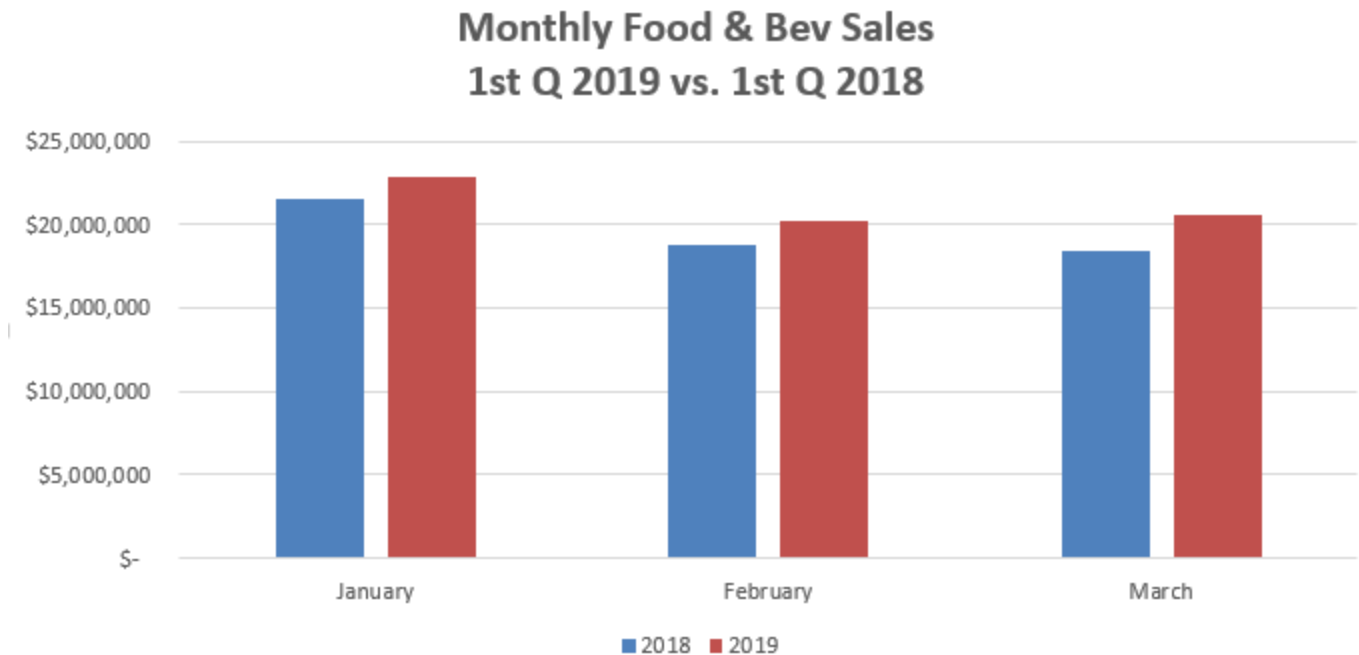
1st QUARTER FOOD AND BEVERAGE SALES IN DOWNTOWN

Food and beverage sales for downtown were **up 9.1% for 1st Quarter 2019 over 1st Quarter 2018**. Downtown restaurants and bars are continuing their strong performance over the past six years with **1st Quarter 2019 up 70% over 1st Quarter 2012**.



### MONTHLY FOOD AND BEVERAGE SALES IN 2018 AND 2019

Downtown monthly food and beverage sales continue to steadily grow. January has been the highest grossing month so far in 2019. **Sales in January exceeded \$20 million.** February and March have continued that upward trend.

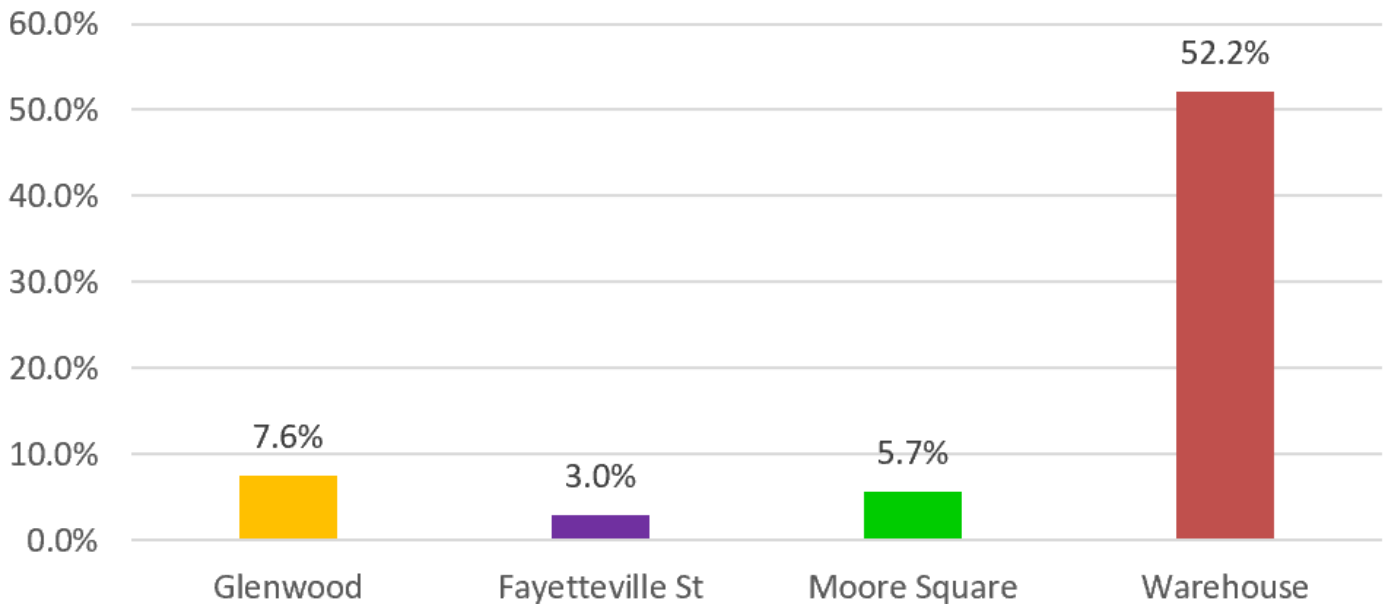


Sources: Wake County Tax Assessor

## FOOD AND BEVERAGE SALES GROWTH BY DISTRICT

All of the main commercial districts in downtown have seen growth in food and beverage sales in the 1st Quarter of 2019 versus 2018. The total number of businesses in each district has increased. **In the Warehouse District, sales were up 52%** in the 1st Quarter 2019 over 1st Quarter 2018. A number of new businesses, including Morgan Street Food Hall and new restaurants at The Dillon likely contributed to this rapid growth in sales.

### Growth in Food/Beverage Sales By District: 1st Q 2018 vs 1st Q 2019





## FOOD AND BEVERAGE SALES DISTRIBUTION BY DISTRICT

First quarter saw the **Warehouse District** increase its share of downtown's food and beverage sales from 8.4% in 1st Quarter of 2018 to 11.8% after the 1st 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.

### Distribution of Downtown Food & Bev Sales By District

