

QUARTERLY MARKET REPORT

HILLSBOROUGH STREET Q1 2017



Key Takeaways

> Hillsborough Street continues to see impressive food and beverage sales growth with Q1 sales significantly outperforming the three-year average ('14-'16).

> Business openings and closings were net neutral both in the number of establishments and the net change in total square feet occupied.

> Net absorption for the quarter was positive for both office and retail space. For the year, net absorption was slightly negative for office space.

> Office (2.7%) and Retail (1.7%) vacancy on Hillsborough Street remained low this quarter and continues to remain significantly lower than West Raleigh and the City of Raleigh as a whole.

Market Indicators

\$11.22 M

Gross Prepared Food & Beverage Sales in Q1

+1.26%

Growth Year over Year in Q1 F&B Sales

3

Business Openings in Q1

3

Business Closings in Q1

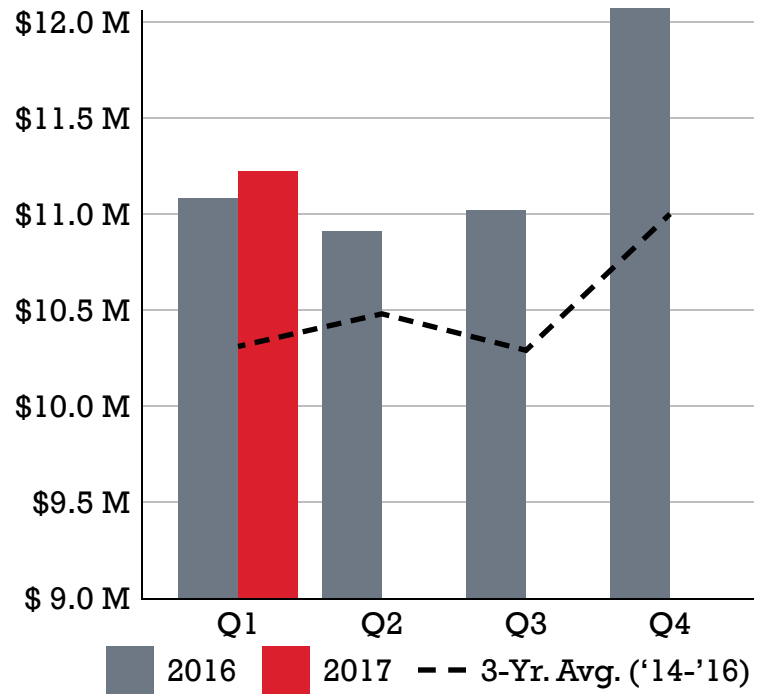
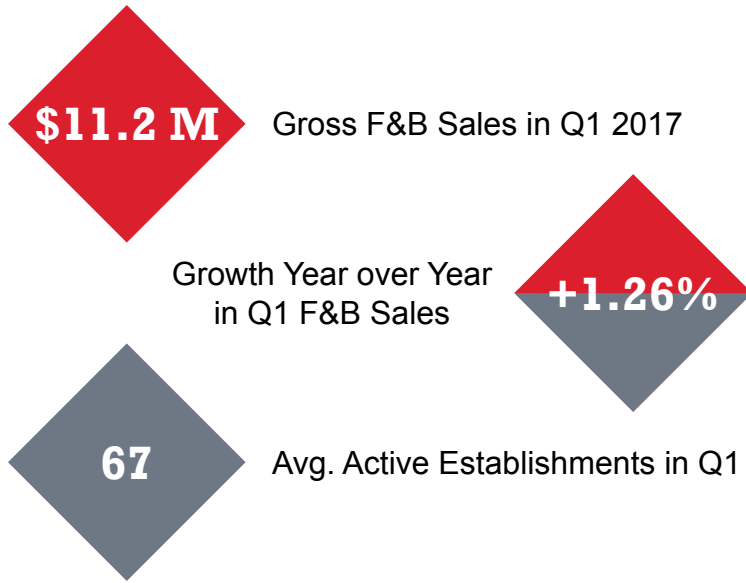
+5,360 SF

Combined Office & Retail Net Absorption in Q1

1.69%

Retail Vacancy in the Hillsborough St. MSD in Q1

Prepared Food & Beverage Sales



Q1 gross sales on Hillsborough Street were higher than gross sales in Q1 of 2016. The average gross sales per establishment in Q1 2017 grew to \$167,462 from \$163,744 in Q1 2016. Gross sales for Q1 2017 were \$11.22M while the three-year average for Q1 is \$10.31M meaning this quarter outperformed the average by \$0.91M. February and March were the two highest months for gross sales in a first quarter within the last three years.

Business Openings & Closings

Q1 2017

Openings	Address	Type	SF	Month
Hillsborough Mart	1301 Hillsborough St.	Convenience Store	1,492 SF	February
Raleigh French Bakery	1213 Hillsborough St.	Food Retailer	1,770 SF	February
Mama Jee - Sushi Thai Bar	105 Friendly Dr.	Restaurant	3,600 SF	February
Closings	Address	Type	SF	Month
Smoker Friendly	3411 Hillsborough St.	Fuel / Tobacco	1,760 SF	January
P.G. Werth's Restaurant & Market	927 West Morgan St.	Restaurant	2,958 SF	February
Red Cup Bar & Arcade	2919 Hillsborough St.	Bar / Entertainment	2,100 SF	March

Q1 included three closings and three openings. The openings included a convenience store, food retailer and restaurant and the closings included a fuel/tobacco, restaurant and bar/entertainment business. In the month of February there were three closings and one opening, while January and March each saw one opening. In Q1, due to openings and closings, total occupied sq. ft. increased by 44 square feet for roughly a net of zero.

Commercial Space Inventory

	Hillsborough St. MSD		Hillsborough St. MA*		West Raleigh MA		City of Raleigh	
Leasable SF	2017 Q1		2017 Q1		2017 Q1		2017 Q1	
Office - Class A	N/A		958,681 SF		4,772,885 SF		16,575,746 SF	
Office - Class B	129,382 SF		530,528 SF		4,056,646 SF		17,883,869 SF	
Office - Class C	229,601 SF		575,558 SF		1,672,375 SF		6,446,584 SF	
All Office	358,983 SF		2,064,767 SF		10,501,906 SF		40,908,599 SF	
All Retail	378,320 SF		1,471,877 SF		3,553,236 SF		32,737,966 SF	
Net Absorption	Past Qtr.	Past Year	Past Qtr.	Past Year	Past Qtr.	Past Year	Past Qtr.	Past Year
Office - Class A	N/A	N/A	1.12%	-2.54%	1.92%	3.86%	2.46%	3.92%
Office - Class B	0.00%	1.66%	0.00%	3.87%	1.14%	2.10%	0.10%	0.82%
Office - Class C	1.57%	-1.57%	0.63%	-0.71%	0.48%	0.67%	0.27%	0.93%
All Office	1.00%	-0.41%	0.69%	-0.38%	1.39%	2.67%	1.09%	2.09%
All Retail	0.47%	0.23%	-0.30%	-2.68%	-0.40%	-1.14%	-0.05%	0.95%
Vacancy	2016 Q4	2017 Q1	2016 Q4	2017 Q1	2016 Q4	2017 Q1	2016 Q4	2017 Q1
Office - Class A	N/A	N/A	8.67%	7.55%	7.29%	7.40%	8.13%	8.08%
Office - Class B	0.00%	0.00%	0.76%	0.76%	5.39%	4.25%	4.70%	4.60%
Office - Class C	5.75%	4.18%	2.51%	1.88%	2.35%	1.87%	3.21%	2.94%
All Office	3.68%	2.67%	4.92%	4.23%	5.75%	5.30%	5.83%	5.75%
All Retail	2.16%	1.69%	3.57%	3.88%	2.32%	2.72%	3.33%	3.43%

* 1.25-Mile Radius from MSD Centerpoint

Source: CoStar

Business & Development News



First Annual Development Report Released

Live it Up! Hillsborough Street released its first annual Development Report in January. The report showcases all of the private and public projects that have been completed, started, or planned in and around the district since its creation in 2009. Be sure to check out all the details in our Development Report [here](#).

Sonorous Road Productions Relocating on Hillsborough St.

Sonorous Road Theatre & Film Studio has moved to a 4,400 square foot space in the Royal Building, located at 3801 Hillsborough Street, which is right next to Meredith College. Sonorous is a local production company that offers production services, classes, space and opportunities for film production and theater. Learn more [here](#).



Real Estate For Sale & Lease



1301 Hillsborough

Location: 1301 Hillsborough St.

Type/Use: For Lease - Retail

Available Space: 2,245 SF

Ground floor retail space available. Warm shell condition delivery. Walking distance to NCSU... [See More](#)



The Hillsborough

Location: 2304 Hillsborough St.

Type/Use: For Lease - Retail

Available Space: 1,500 - 6,000 SF

2 Floors of Retail. Direct Access to I-440 & NC State's Campus. Minutes from Downtown and CV... [See More](#)



2702 Hillsborough

Location: 2702 Hillsborough St.

Type/Use: For Lease - Retail or Office

Available Space: 6,000 SF

Directly across from NC State, the property is in the heart of NC State Campus, and minutes... [See More](#)



2811 Hillsborough

Location: 2811 Hillsborough St.

Type/Use: For Lease - Retail

Available Space: 1,695 SF

Immediately adjacent to Stanhope, Valentine Commons and University Towers... [See More](#)



Stanhope

Location: 3001 Hillsborough St.

Type/Use: For Lease - Retail

Available Space: 1,150 - 6,150 SF

Ground floor retail available including the corner space. Multi-story student housing & retail complex... [See More](#)

About This Report

The goal of this report is to track the market of Raleigh's Hillsborough Street Municipal Service District with data and metrics on a quarterly basis. This report includes trends in food and beverage sales, businesses openings and closings, commercial space inventory, business and development news and highlights properties for sale or lease.

This is the first quarterly report that Hillsborough Street Community Service Corporation has produced and distributed in this format. Going forward we plan to produce and distribute a report like this every quarter to allow the public to view the progression and success of their community.

To view the most current version of the this report visit: www.hillsboroughstreet.org/development/

About Hillsborough Street C.S.C.

The Hillsborough Street Community Service Corporation (HSCSC) is an independent, 501(c)(3), not-for-profit, municipal service district created in the fall of 2009 by the City of Raleigh in partnership with N.C. State University and the property owners, merchants and residents on and around Hillsborough Street.

The HSCSC territory is a 3-mile long corridor that runs on both sides of Hillsborough Street, from St. Mary's School to the I-440 Beltline, including W. Morgan Street and a few side streets. The territory connects to, but does not include, Cameron Village. The territory includes a diverse collection of businesses, organizations, institutions and residential options.

The organization's mission is to make the Hillsborough Street community a distinct destination in Raleigh by providing services and programs that improve the economic sustainability of the territory's businesses and increase the market value of its properties.

