

SEMIANNUAL MARKET REPORT

HILLSBOROUGH STREET Q3 & Q4 2019



Key Takeaways

> Prepared food and beverage sales for the year reached its biggest total ever, 51.7 million in gross sales. That is an increase year-over-year of 8.86%, a gross increase of 4.2 million or the equivalent of an entire extra month of sales.

> Business openings and closings netted four new businesses in the second half of 2019. Despite the net gain, six-month net absorption was -7,536 square feet in combined office and retail space.

> Hillsborough Street retail vacancy continues to remain at an extremely low level (1.8%).

> Two major construction projects were completed in Q3 and Q4. Construction continues with another 1.2 million square feet planned or under construction.

Market Indicators

\$51.7M

2019 Gross
Food & Beverage Sales

+8.86%

Change Year-over-Year
in F&B Sales

7

Business Openings
in Q3 & Q4

3

Business Closings
in Q3 & Q4

-7,536 SF

Combined Office & Retail Net
Absorption (6-Month)

1.8%

Retail Vacancy in the
Hillsborough St. MSD

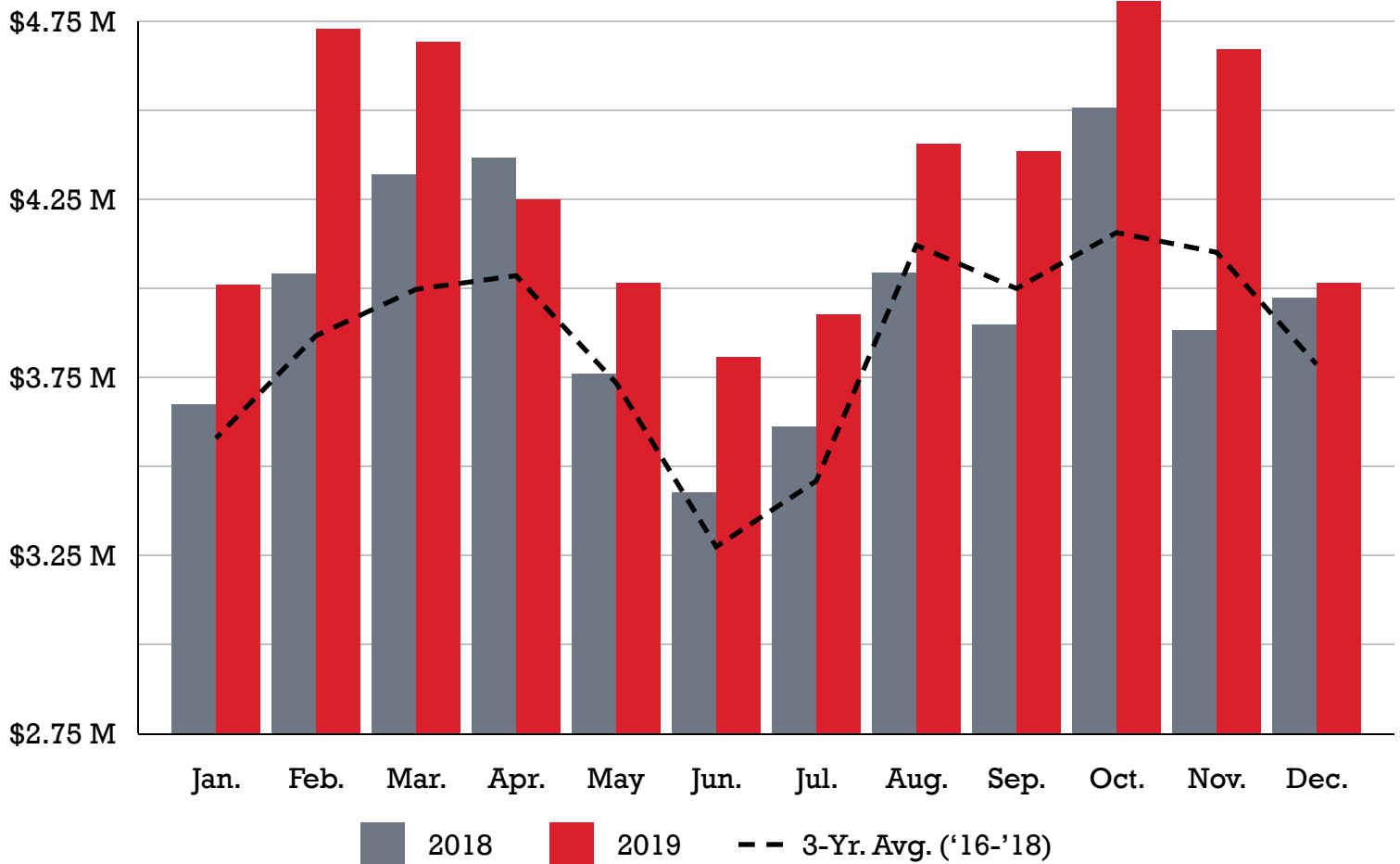
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Major Construction Projects
Completed in Q3 & Q4

1.2M SF

Planned or Under
Construction Projects

Prepared Food & Beverage Sales



\$51.7M

2019 Gross F&B Sales

Gross Increase in F&B Sales

+\$4.2M

+8.86%

Change Year-over-Year in F&B Sales

Q3 continued the strong pace set by the beginning of 2019. All three months in Q3 outperformed the 3-year average, while being up 10.1% overall from the Q3 of 2018. Q4 began with record October sales (\$4.81M), up +6.3% in comparison to 2018. All three Q4 months outperformed both the 3-year average and last year's sales.

A strong second half of the year resulted in every month surpassing 2018 figures. As a whole gross sales continue to trend upwards with the year-over-year growth rate at +8.86% (+\$4.2M gross). To put that in context, the gross increase amounted to the equivalent of an extra month of sales for the year.

Overall, Hillsborough Street saw 51.7 million dollars in gross sales in 2019 (the biggest total ever) and a continuation of the multi-year trend of positive year-over-year growth.

Business Openings & Closings

Q3 & Q4 2019

Openings	Address	Type	SF	Month
Rush Bowls	2811-105 Hillsborough St.	Specialty Snack Restaurant	750 SF	July
Logan & Chamberlain	102 Logan Ct.	Apartment	114,650 SF	August
Uncommon Raleigh Leasing Office	2304 Hillsborough St.	Apartment - Leasing Office	2,800 SF	September
Mezeh Mediterranean Grill	2316-106 Hillsborough St.	Fast Casual Restaurant	1,900 SF	November
Pure Life Theatre	3801-113 Hillsborough St.	Entertainment	4,000 SF	December
Moge Tee	2304-101	Coffee / Tea Restaurant	1,600 SF	December
Cha House	3001-108 Hillsborough St.	Coffee / Tea Restaurant	2,350 SF	December
Closings	Address	Type	SF	Month
CityBar Raleigh	901 Tryon Hill Dr.	Bar	5,800 SF	September
Eastern Gate Cafe	3625 Hillsborough St.	Coffee / Tea Restaurant	4,950 SF	October
Sonorous Road	3801-113 Hillsborough St.	Entertainment	4,000 SF	December
Other	Address	Type	SF	Month
Kabab & Curry (Relocation)	2412 Hillsborough St.	Full Service Restaurant	4,000 SF	July
Shrimp Cage (Rebrand)	2908 Hillsborough St.	Fast Casual Restaurant	2,000 SF	September
Mulan Ice Cream (Rebrand)	3001-120 Hillsborough St.	Specialty Snack Restaurant	1,450 SF	October

Q3 and Q4 saw 7 business openings and 3 closings for a net gain of 4 new business openings. We also tracked 1 relocation (Kabab & Curry) and 2 rebrandings (Shrimp Cage / Mulan Ice Cream & Boba Tea).

Business & Development News



NCSU Memorial Belltower Renovations

The NCSU Memorial Belltower is in the middle of a \$6.5 million renovation project. Plans include replacing the current speaker system with a series of 55 bells and other quality of life improvements. The surrounding area will be adapted to be more accessible, especially to those in wheelchairs. Renovations are expected to complete Q1 2021. For more info about this, click [here](#).

Hillsborough Street Pedestrian Counters Update

Starting in 2018 Hillsborough Street rolled out automated pedestrian counters on the street. Two counters have now been in operation for over a year. Some preliminary findings include that foot traffic on the south side of the street decreases by just over 50% during the summer months and that 80% of foot traffic happens between 11AM and 9PM, peaking at 12PM... Read more [here](#).

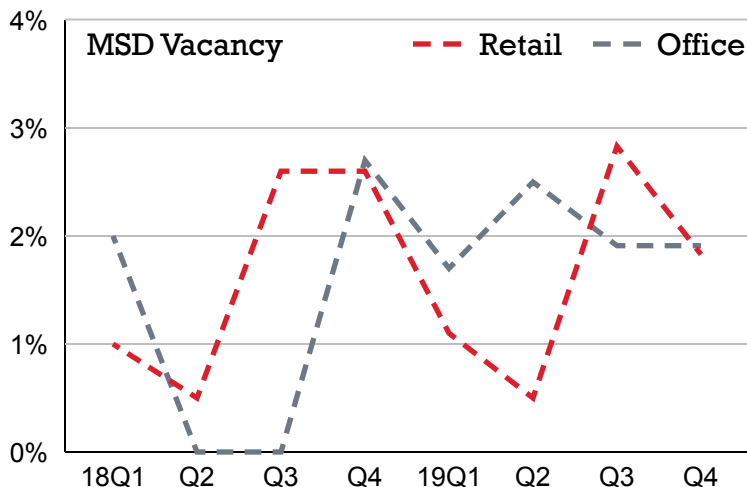


Commercial Space Inventory

	Hillsborough St. MSD*		Hillsborough St. MA**		West Raleigh MA		City of Raleigh	
Leasable SF	2019 Q4		2019 Q4		2019 Q4		2019 Q4	
Office - Class A	N/A		975,970 SF		5,202,489 SF		17,158,924 SF	
Office - Class B	87,951 SF		624,816 SF		4,546,975 SF		19,605,274 SF	
Office - Class C	226,155 SF		540,770 SF		1,652,434 SF		6,358,801 SF	
All Office	314,106 SF		2,141,556 SF		11,401,898 SF		43,185,629 SF	
All Retail	429,104 SF		1,477,940 SF		3,455,281 SF		34,011,704 SF	
Net Absorption (SF)	2019 Q3	2019 Q4	2019 Q3	2019 Q4	2019 Q3	2019 Q4	2019 Q3	2019 Q4
Office - Class A	N/A	N/A	0 SF	0 SF	8,939 SF	2,476 SF	-23,212 SF	116,986 SF
Office - Class B	2,585 SF	0 SF	16,973 SF	-7,755 SF	80,328 SF	-5,676 SF	122,548 SF	-125,683 SF
Office - Class C	-6,000 SF	0 SF	-3,700 SF	-200 SF	-10,271 SF	-705 SF	-34,999 SF	-6,169 SF
All Office	-3,415 SF	0 SF	13,273 SF	-7,955 SF	78,996 SF	-3,905 SF	64,337 SF	-14,866 SF
All Retail	-8,416 SF	4,295 SF	-21,875 SF	5,395 SF	28,519 SF	14,393 SF	383,515 SF	313,235 SF
Vacancy (%)	2019 Q3	2019 Q4	2019 Q3	2019 Q4	2019 Q3	2019 Q4	2019 Q3	2019 Q4
Office - Class A	N/A	N/A	1.8%	1.8%	5.2%	5.2%	3.5%	4.5%
Office - Class B	0.0%	8.6%	1.8%	3.0%	3.8%	3.8%	4.1%	4.7%
Office - Class C	2.7%	0.0%	1.1%	1.1%	1.3%	1.3%	1.9%	2.0%
All Office	1.9%	1.9%	1.6%	2.0%	4.1%	4.1%	3.6%	4.3%
All Retail	2.8%	1.8%	3.6%	3.3%	2.6%	2.3%	3.4%	2.9%
Market Rent per SF	2019 Q3	2019 Q4	2019 Q3	2019 Q4	2019 Q3	2019 Q4	2019 Q3	2019 Q4
Office - Class A	N/A	N/A	\$35.85	\$36.15	\$32.13	\$32.38	\$32.17	\$32.43
Office - Class B	\$25.29	\$25.38	\$27.27	\$27.38	\$26.93	\$27.06	\$24.79	\$24.91
Office - Class C	\$24.79	\$24.89	\$24.73	\$24.80	\$25.03	\$25.09	\$23.14	\$23.18
All Office	\$24.93	\$25.02	\$30.54	\$30.72	\$29.03	\$29.20	\$27.46	\$27.63
All Retail	\$23.70	\$23.83	\$27.61	\$28.14	\$24.64	\$24.86	\$21.80	\$22.26

* See back page for MSD boundary. ** 1.25-mile radius from MSD centerpoint.

Source: CoStar



Overall, vacancy rates for both office and retail space along Hillsborough Street continue to sit at low levels in general (1.9% and 1.8%) and in comparison to the City of Raleigh as a whole (4.3% and 2.9%). This is despite the six-month net absorption of -7,536 square feet of combined office and retail space on the street.

Market rents across asset classes continued their upward trend - with office rents in particular seeing significant appreciation.

Construction Activity

2

Major Projects Completed in Q3 & Q4

Bedrooms added in Q3 & Q4

+305

1.2M SF

Planned or Under Construction



Featured Project: **Uncommon Raleigh**

Purpose-built student apartments under construction next to Cup-A-Joe and on the former East Village block. Plans for the 246,350 SF apartment include 142 units with 326 bedrooms. Construction is expected to be completed in Q3 2020. The apartment will include a resort-style pool, a fitness center, basketball court and ground-floor retail space.

Planned	Address	Size	Units (BRs)	Est. Completion
The Wilkes Condominiums	101 Enterprise St.	101,700 SF	51 (89 BRs)	TBD
BR-HS Grade Separation Proj.	Blue Ridge & Hillsborough St.	N/A	N/A	Q3 2022
Under Construction	Address	Size	Units (BRs)	Est. Completion
I-440 Widening Project	Walnut St. to Wade Ave.	N/A	N/A	Q3 2023
NCSU Memorial Belltower (Reno.)	2011 Hillsborough St.	N/A	N/A	Q1 2021
Pullen Art Center (Renovation)	105 Pullen Rd.	21,500 SF	N/A	Q4 2020
103 Park (Apts.)	103 Park Ave.	14,400 SF	15 (27 BRs)	Q3 2020
104 Ashe (Apts.)	104 Ashe Ave.	18,050 SF	16 (31 BRs)	Q3 2020
The Standard at Raleigh (Apts.)	3101 Hillsborough St.	509,000 SF	232 (671 BRs)	Q3 2020
Uncommon Raleigh (Apts.)	3020 Hillsborough St.	246,350 SF	142 (326 BRs)	Q3 2020
NCSU Global Courtyard	Adjacent to Primrose Hall	N/A	N/A	Q2 2020
Trilogy Cameron Village (Apts.)	305 Oberlin Rd.	237,650 SF	203 (265 BRs)	Q2 2020
Clark Townhomes	2307-2329 Clarke Ave.	27,500 SF	11 (33 BRs)	Q2 2020
Completed	Address	Size	Units (BRs)	Completion
Logan & Chamberlain (Bldg. 1)	102 Logan Ct.	73,450 SF	81 (192 BRs)	August 2019
Logan & Chamberlain (Bldg. 2)	113 Chamberlain St.	41,150 SF	42 (113 BRs)	August 2019

Q3 and Q4 delivered two major projects that added a total of 114,627 SF and another 305 bedrooms to the market. The development outlook for Hillsborough Street continues to be very positive. The current development pipeline of planned or under construction projects includes nine major projects (1.2 million SF) that will add another 1,409 bedrooms.

Real Estate For Sale & Lease



The Standard at Raleigh

Location: 3101 Hillsborough St.

Type/Use: For Lease - Retail

Available Space: 6,150 SF

New construction mixed-use student housing project on the doorstep of North Carolina State University... [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](#)



2812 Hillsborough St.

Location: 2812 Hillsborough St.

Type/Use: For Lease - Retail

Available Space: 1,750 SF

1,760 square foot building, 16 on-site parking spaces. Potential for outdoor seating, retail space in a dynamic... [See More](#)



Valentine Commons Deck

Location: 3101 Stanhope Ave.

Type/Use: For Lease - Office or Retail

Available Space: 1,950 - 4,100 SF

Partial 2nd floor and full 3rd floor office/retail space available. Numerous amenities within walking distance.... [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, business and development news, commercial space, construction activity and properties for sale or lease.

Going forward, we plan to produce and distribute this report semiannually to allow our stakeholders the ability to view the progress and success of their community.

To view the most current version of this report, visit:

www.hillsboroughstreet.org/doing-business

This information has been secured from sources we believe to be reliable, but Hillsborough Street Community Service Corporation (HSCSC) makes no representations or warranties, expressed or implied, as to the accuracy of the information.

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.

