

QUARTERLY MARKET REPORT

HILLSBOROUGH STREET Q2 2017



Key Takeaways

> Hillsborough St. prepared food & beverage sales declined year-over-year in Q2 (-2.22%) while still outperforming the three-year average ('14-'16).

> Business openings and closings netted 4 new businesses in Q2 with the change in square feet occupied being a positive 2,630 SF.

> Vacancy along Hillsborough St. continues to trend lower, with retail vacancy reaching 1.08%. Overall, Hillsborough St. vacancy in Q2 remained lower than West Raleigh and the City of Raleigh.

> Year-over-year net absorption was strongly positive (+5,910 SF) for combined office and retail space in the Hillsborough St. MSD in the second quarter.

Market Indicators

\$21.89 M

Year-to-Date Gross
Food & Beverage Sales

-2.22%

Change Year over Year
in Q2 F&B Sales

5

Business Openings in Q2

1

Business Closings in Q2

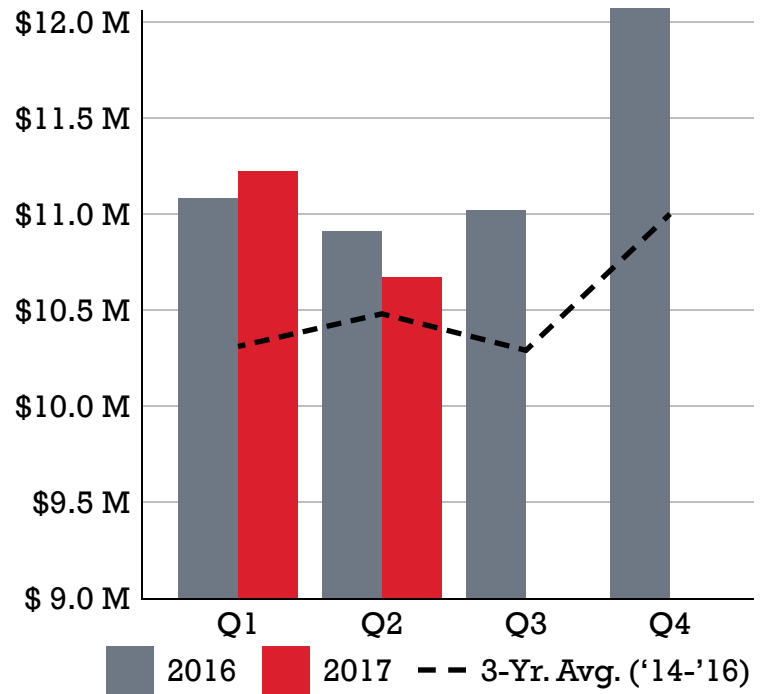
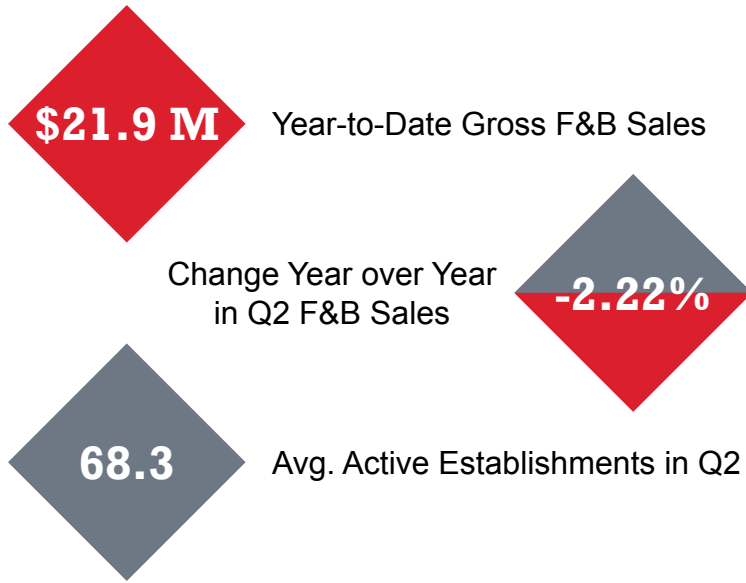
+5,910 SF

Combined Office & Retail Net
Absorption in Q2

1.08%

Retail Vacancy in the
Hillsborough St. MSD in Q2

Prepared Food & Beverage Sales



Gross sales for Q2 2017 declined from Q2 2016. The average number of establishments increased from 67 in Q1 to 68.33 in Q2. Even though Q2 2017 decreased from Q2 2016, sales were still above the three-year average for Q2 (\$9.86M). Traditionally, June is a low sales mark for the district in its yearly sales cycle. June 2017 was not an exception, with June 2017's low monthly sales noticeably pulling down Q2 2017 versus Q2 2016.

Business Openings & Closings

Q2 2017

Openings	Address	Type	SF	Month
D'Elia Family Solutions	1405-206 Hillsborough St.	Professional Office	600 SF	April
Phone Repair Zone	3116-100 Hillsborough St.	Professional Service-Tech-	1,460 SF	April
Estate Creative Agency & Showroom	2900 Hillsborough St.	Specialty Retailer-Clothing	600 SF	May
Coco Bongo Mexican Restaurant	2400 Hillsborough St.	Full Service Restaurant	2,430 SF	June
Bocci Italian Trattoria and Pizzeria	2412 Hillsborough St.	Full Service Restaurant	4,300 SF	June
Closings	Address	Type	SF	Month
H-Street Kitchen	2420 Hillsborough St.	Full Service Restaurant	6,000 SF	May
Relocations	Address	Type	SF	Month
Sonorous Road Theatre & Film Studio	3801-113 Hillsborough St.	Entertainment	4,410 SF	June

Q2 ended with five openings, one closing, and one relocation. The openings included two full service restaurants, a phone repair shop, professional office, and a specialty retailer. Sonorous Road Theatre & Film Studio relocated in June to the Royal Bakery Building from Oberlin Road.

Commercial Space Inventory

	Hillsborough St. MSD		Hillsborough St. MA		West Raleigh MA		City of Raleigh	
Leasable SF	2017 Q2		2017 Q2		2017 Q2		2017 Q2	
Office - Class A	N/A		966,431 SF		4,895,283 SF		16,690,271 SF	
Office - Class B	129,382 SF		534,484 SF		4,040,943 SF		17,881,674 SF	
Office - Class C	229,601 SF		574,638 SF		1,671,426 SF		6,449,984 SF	
All Office	358,983 SF		2,075,553 SF		10,607,652 SF		41,024,329 SF	
All Retail	378,320 SF		1,471,877 SF		3,553,236 SF		33,039,213 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	1.77%	-0.53%	1.19%	5.08%	0.61%	4.07%
Office - Class B	0.00%	3.66%	0.00%	3.58%	0.13%	1.43%	-0.12%	0.92%
Office - Class C	1.57%	0.00%	0.63%	0.43%	0.11%	1.86%	0.37%	1.34%
All Office	1.00%	1.32%	1.00%	0.79%	0.61%	3.18%	0.25%	2.27%
All Retail	0.61%	0.08%	-1.15%	-3.13%	0.01%	-0.98%	0.14%	1.80%
Vacancy	2017 Q1	2017 Q2	2017 Q1	2017 Q2	2017 Q1	2017 Q2	2017 Q1	2017 Q2
Office - Class A	N/A	N/A	7.55%	5.72%	7.40%	8.76%	8.08%	8.22%
Office - Class B	0.00%	0.00%	0.76%	0.75%	4.25%	3.70%	4.60%	4.37%
Office - Class C	4.18%	2.61%	1.88%	1.26%	1.87%	1.41%	2.94%	2.40%
All Office	2.67%	1.67%	4.23%	3.21%	5.30%	5.67%	5.75%	5.62%
All Retail	1.69%	1.08%	3.88%	5.02%	2.72%	2.75%	3.43%	3.22%

* 1.25-Mile Radius from MSD Centerpoint

Source: CoStar

Business & Development News



Raleigh Little Theatre Renovation Breaks Ground

Renovation of the Gaddy-Goodwin Teaching Theatre is underway! After 30 years of use, RLT has contracted with In Situ Studios, a local architecture group, to begin the remodel. A groundbreaking ceremony was held on September 7, 2017 to kick off a remodel of the 150 seat theatre. Be sure to check out the details in our Business & Development Blog [here](#).

LimeBike comes to Hillsborough Street

LimeBike has launched at NC State! LimeBike is a bike sharing company that provides cheap and convenient alternatives to driving and ride sharing. LimeBike launched 300 bikes at NC State in August and will continue to add more bikes as needed. They are very user-friendly with only three steps to ride. Learn more [here](#).



Real Estate For Sale & Lease



The Hillsborough

Location: 2304 Hillsborough St.
Type/Use: For Lease - Retail
Available Space: 2,200 - 5,300 SF
2 Floors of Retail. Direct Access to I-440 & NC State's Campus. Minutes from Downtown and CV... [See More](#)



Target Bldg. - Retail Space

Location: 2512 Hillsborough St.
Type/Use: For Lease - Retail
Available Space: 2,600 SF
Retail space underneath the new Target on Hillsborough Street. Directly across the street from NC State's campus... [See More](#)



2811 Hillsborough

Location: 2811 Hillsborough St.
Type/Use: For Lease - Retail
Available Space: 850 - 1,700 SF
Immediately adjacent to Stanhope, Valentine Commons and University Towers... [See More](#)



2910 Hillsborough St.

Location: 2910 Hillsborough St.
Type/Use: For Lease - Retail / Office
Available Space: 2,100 SF
Property has recently been renovated to a vanilla shell space. Space has potential for all sorts of tenants... [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 properties for sale or lease.

This is the second 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.

