

SEMIANNUAL MARKET REPORT Q1 & Q2 | 2026

Hillsborough Street Community
Service Corporation



SUMMARY

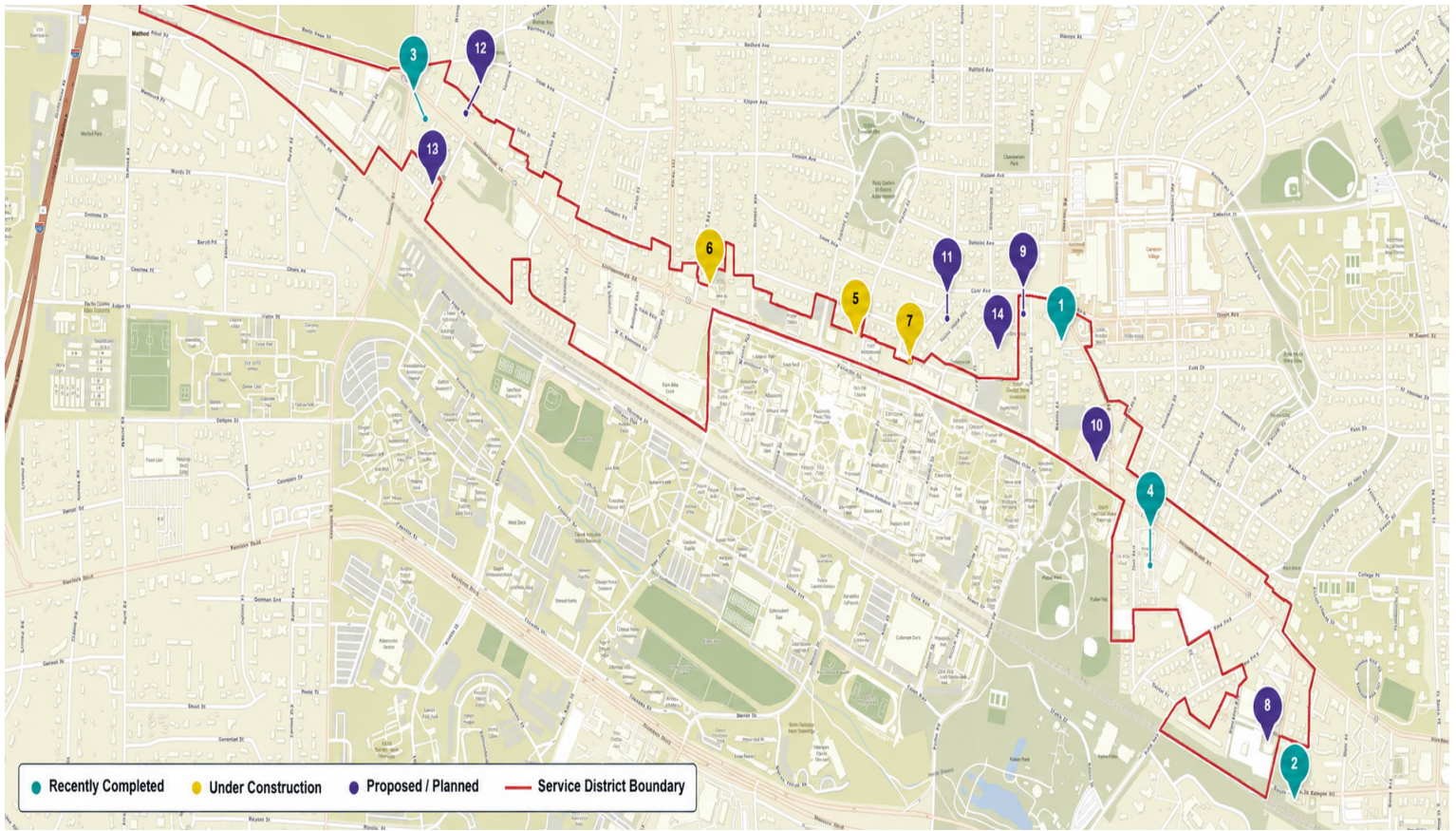
Hillsborough Street remained active during the first half of 2026, supported by growing visitation. The corridor recorded 5.7 million visits from 1.2 million visitors, a 5.9% year-over-year increase. Visitor engagement remained strong, with an average dwell time of 97 minutes, while food and beverage sales were higher year over year in four of the first six months of 2026.

Real estate conditions were mixed but healthy. Retail remained tight, averaging 98.4% occupancy and asking rents of \$32.12 per square foot. Office occupancy averaged 96.6%, with asking rents at \$27.45 per square foot and net absorption averaging positive 570 square feet. Residential performance softened to 90.0% occupancy, with asking rents averaging \$1,660 per unit and effective rents below the same period in 2025.

Development activity continues to shape the corridor's outlook, with nearly 2.0 million square feet and 1,368 residential and hotel units listed as under construction or proposed. Growing visitor activity and continued development interest signal long-term confidence in Hillsborough Street. However, elevated residential vacancy and uneven quarterly leasing activity remain important indicators to monitor during the second half of 2026.



2026 DEVELOPMENT MAP



Recently Completed (Since 2021)						
#	Year	Address/Name	Investment	SF	Units	Type
1	2024	307 Oberlin Rd - Pinnacle Bank	\$7,350,000	11,500	N/A	Office/Rental
2	2024	853 W Morgan St - The Bend Bar	Not Announced	6,900	N/A	Bar
3	2026	3417 Hillsborough St	Not Announced	2,400	N/A	Retail
4	2026	1707 Hillsborough St - The Hub on Campus	\$220,000,000	1,000,000	663	Apartments - Student/Retail
TOTAL			\$227,350,000	1,020,800	663	
Under Construction						
#	Year	Address/Name	Investment	SF	Units	Type
5	2027	Heyday Raleigh	\$21,361,918	110,000	110	Apartments
6	2027	Brickside	\$22,609,000	141,067	147	Apartments - Student
7	2027	2510 Hillsborough Street	\$3,000,000	7,800	N/A	Retail
TOTAL			\$46,970,918	258,867	257	
Proposed, planned or in site preparation						
#	Year	Address/Name	Investment	SF	Units	Type
8	2027	865 W Morgan St	\$16,000,000	433,609	400	Apartments - Student/Retail
9	2027	101 Enterprise St - Enterprise Town Homes	\$54,000,000	75,000	14	Town Homes
10	2029	Graduate Hotel Raleigh	Not Announced	70,000	93	Hotel
11	TBD	Horne and Clark Apartments	\$5,600,000	259,224	130	Apartments - Student
12	TBD	3402 Hillsborough Street	Not Announced	350,554	213	Apartments - Student
13	TBD	3411 Hillsborough Street	Not Announced	546,710	261	Apartments - Student
14	TBD	2216 Garden Place	Not Announced	N/A	N/A	Apartments
TOTAL			\$75,600,000	1,735,097	1,111	

Source: CoStar

RETAIL MARKET HIGHLIGHTS

The Hillsborough Street retail submarket remained exceptionally tight during the first half of 2026. Averaging 317,115 square feet across 56 buildings, the sector maintained 98.4% occupancy and 1.6% vacancy. This improved from 96.9% occupancy and 3.1% vacancy during the same period in 2025, demonstrating limited available inventory.

Vacant space averaged only 5,085 square feet, roughly half the prior-year level. Across Q1 and Q2, net absorption averaged -1,585 square feet, indicating some tenant movement despite overall scarcity. Leasing activity totaled approximately 3,772 square feet during the period. Asking rents averaged \$32.12 per square foot, while market rents reached \$33.80. No new retail space was delivered during the period; however, construction began at the 2510 Hillsborough Street site beside Target. The 7,800-square-foot project will introduce two new commercial tenants.



Coco Bongo

Key Performance Indicators

\$32.12
Asking Rent/SF

\$33.80
Market Rent/SF

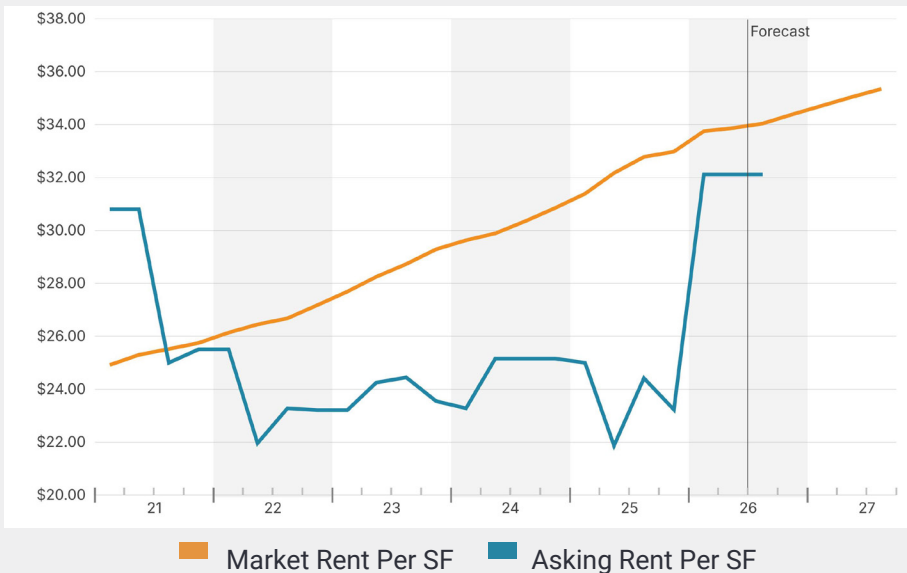
317K SF
Total Inventory

1.60%
Vacancy Rate

(1.6K)
6 Mo. Net
Absorption SF

5.1K
Vacant SF

Market Retail Rent Per SF



Source: CoStar

OFFICE MARKET HIGHLIGHTS

The tracked office inventory totaled 346,614 square feet across 48 properties. Occupancy averaged 96.6%, up from 95.4% in Q3-Q4 2025, while vacant inventory averaged 11,763 square feet, keeping availability limited.

Demand shifted between quarters. Q1 gained 7,412 square feet, while Q2 lost 6,272 square feet, producing average net absorption of 570 square feet and leaving first-half demand near balance. Asking rents rose from \$25.37 per square foot in Q3-Q4 2025 to \$27.45 in Q1-Q2 2026, an increase of approximately 8.2%.

With limited availability and no new construction, the rent increase may reflect supply constraints and changes in the mix of marketed spaces. Overall, conditions remained stable despite uneven quarterly demand.



3101 Stanhope Ave

Key Performance Indicators

\$27.45

Asking Rent/SF

\$27.18

Market Rent/SF

346.6K

Total Inventory

3.4%

Vacancy Rate

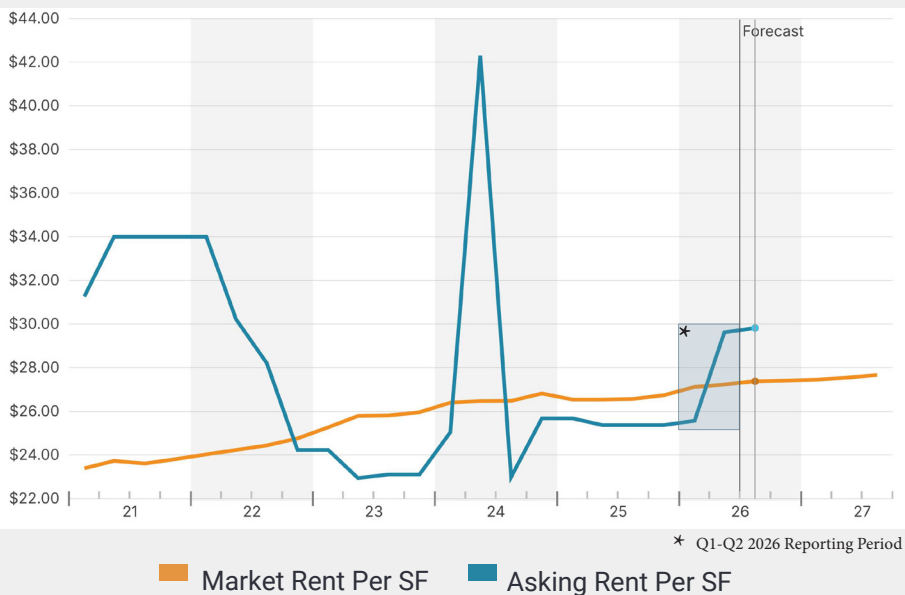
570

6 Mo. Net
Absorption SF

8.87%

Cap Rate

Market Office Rent Per SF



Source: CoStar

RESIDENTIAL MARKET HIGHLIGHTS

The Hillsborough Street residential market softened during the first half of 2026. Across 696 units in 15 buildings, asking rents averaged \$1,660 per unit, or \$1.90 per square foot, up about 1% from Q3-Q4 2025. Occupancy declined from 93.2% to 90.0%, while average vacant units increased from 39 to 57.

Net absorption averaged -8.5 units, compared with -4.5 during the previous half. Effective rents averaged \$1,478 per unit, remaining nearly unchanged from the \$1,472 average recorded in Q3-Q4 2025.

The recently completed Hub on Campus added 663 student housing units. Another 257 units are under construction at 2600 and 2810 Hillsborough Street, while five proposed residential projects account for more than 1,000 additional units. This pipeline signals continued developer confidence but could place additional pressure on occupancy as projects open.

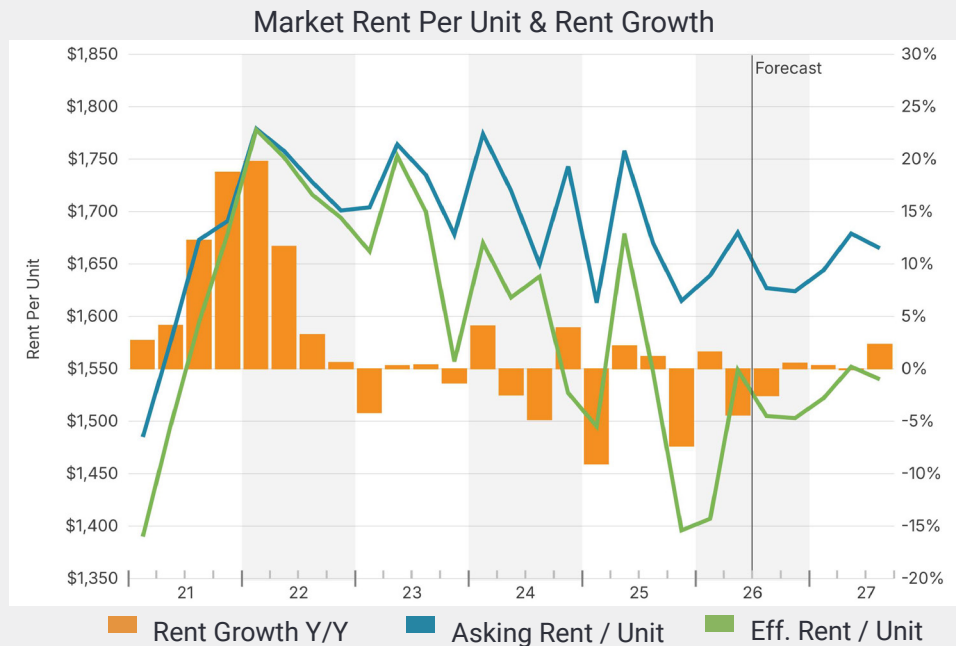


Key Performance Indicators

\$1,660
Asking Rent/unit

57
Vacant Units

90.0%
Occupancy Rate



Source: CoStar

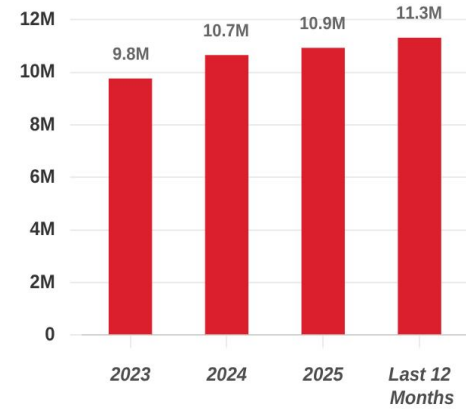
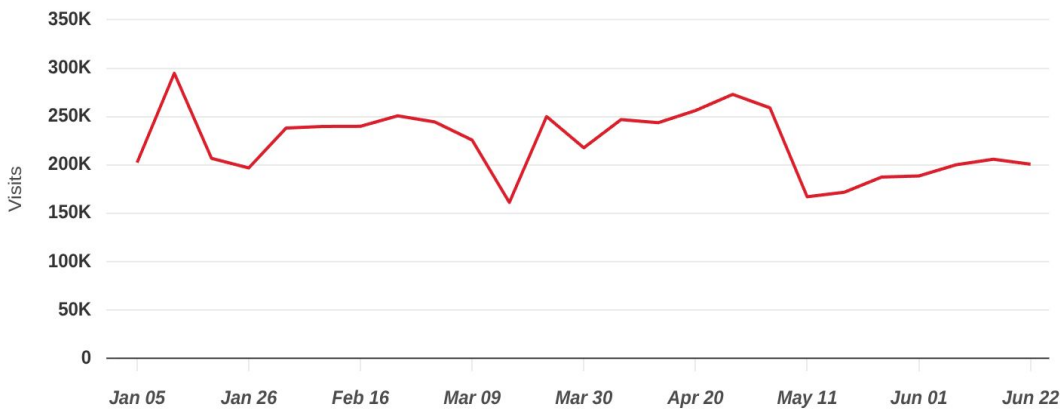
VISITOR TRENDS

During the first half of 2026, Hillsborough Street recorded 5.7 million visits from 1.2 million visitors, a 5.9% year-over-year increase. Visits were also 8.9% higher than two years ago and 20.5% higher than three years ago. Weekly visitation generally ranged from 200,000 to 250,000 visits, and the average visit to the Hillsborough Street district lasted 97 minutes. The rolling 12-month total reached 11.3 million visits, reinforcing Hillsborough Street's position as a growing destination.



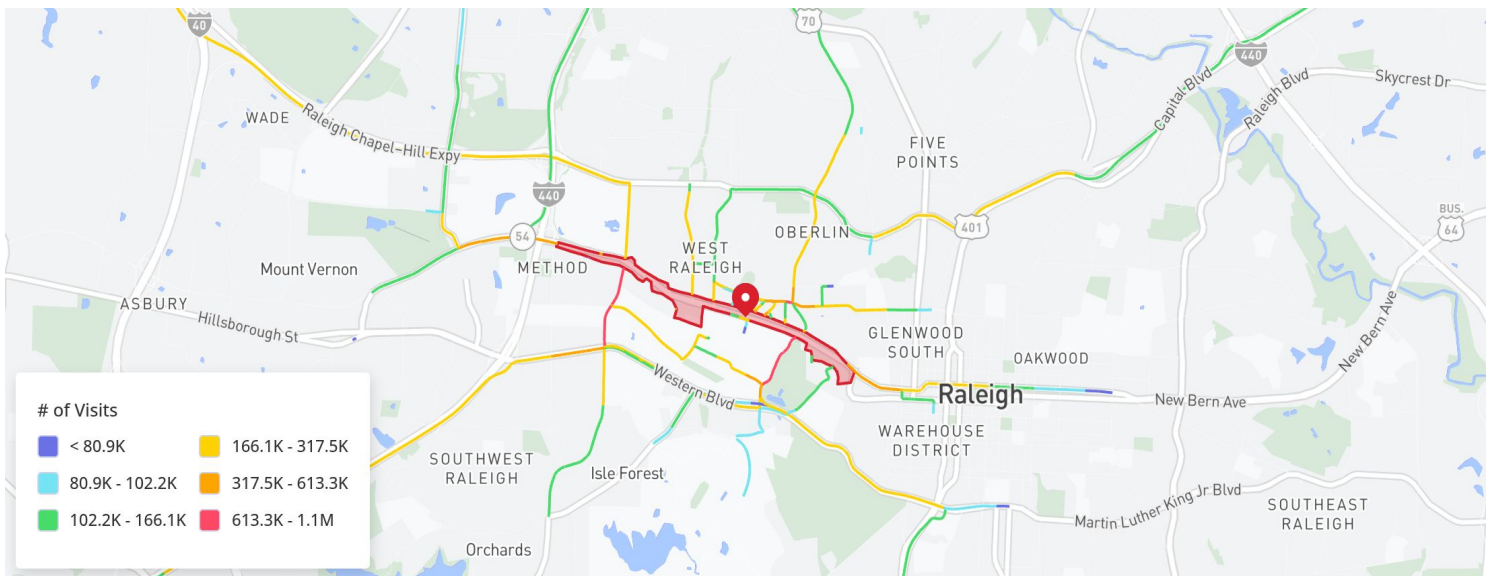
Raising Canes Ribbon Cutting

Weekly Visitors to Hillsborough Street | Jan 1 - June 30, 2026



Source: Placer

Vehicle Routes to Hillsborough Street | Jan 1 - June 30, 2026



Source: INRIX and Placer

FOOD & BEVERAGE TRENDS

Hillsborough Street prepared food and beverage sales totaled a reported \$32.87 million during the first half of 2026, compared with \$29.28 million during the same period in 2025. This represented a reported increase of 12.3%. Active establishments averaged 77, up from approximately 74, and reached 78 in June.

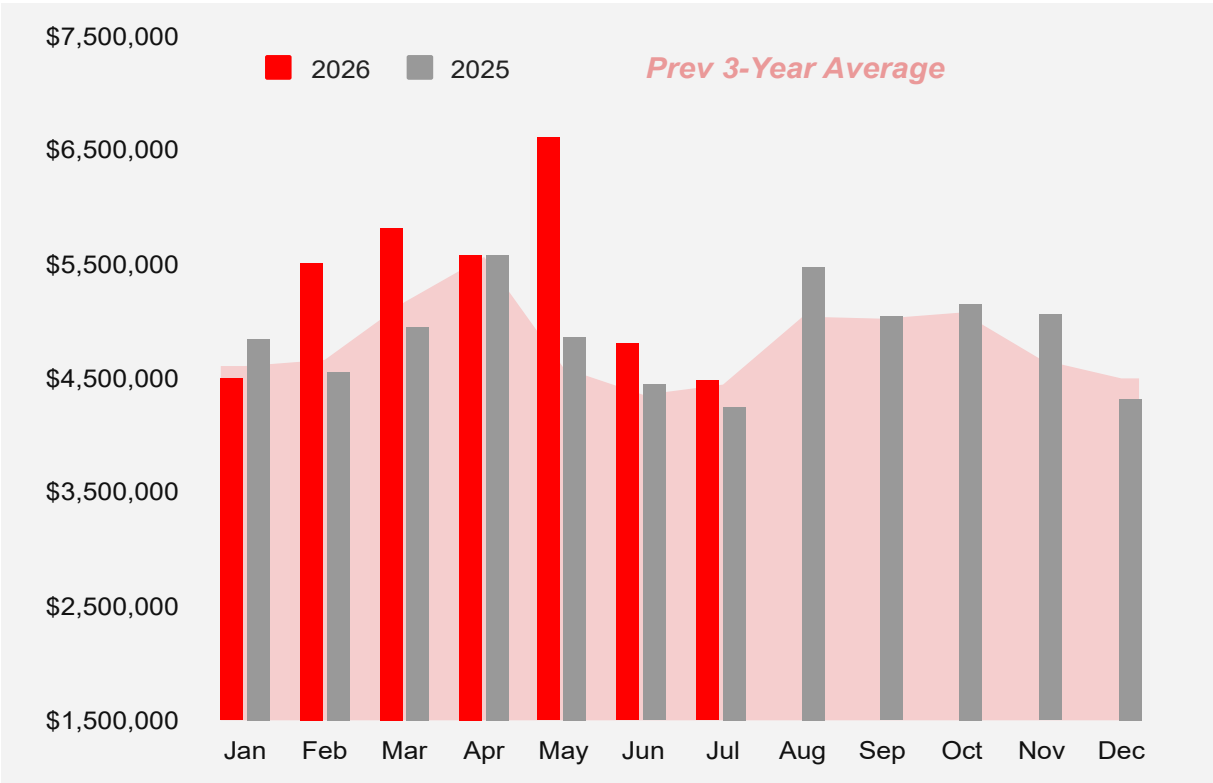
Food and beverage sales exceeded prior-year levels in four of the first six months of 2026. Despite some month-to-month variation, performance showed generally positive momentum during the first half of the year.

The higher reported total and expanding establishment base reflect continued activity across the corridor. Food and beverage businesses remain an important part of the district's economy and visitor experience.



Beignets & Brew

Hillsborough Street Prepared Food & Beverage Sales | Q1 & Q2 2026



FOR LEASE RETAIL

2406-2418 Hillsborough St

Raleigh, North Carolina 27607 (Wake County) - West Raleigh Submarket



Retail

Property Summary

GLA (% Leased)	19,615 SF (86.7%)
Built	1945
Tenancy	Multiple
Available	2,614 SF
Max Contiguous	2,614 SF
Asking Rent	\$20.00 SF/Year/NNN
Frontage	101' on Hillsborough St St



Available Spaces

Floor	Suite	Use	Type	SF Available	Floor Contiguous	Building Contiguous	Rent/SF/Year	Occupancy	Term
P 2	-	Retail	Direct	2,614	2,614	2,614	\$20.00 NNN	Vacant	Negotiable

Property Details

Land Area	0.31 AC (13,504 SF)	Zoning	C
Building FAR	1.45	Parcel	0794.20-81-6864-000

3625 Hillsborough St

Raleigh, North Carolina 27607 (Wake County) - West Raleigh Submarket



Retail

Property Summary

GLA (% Leased)	4,942 SF (0.0%)
Built	1991
Tenancy	Single
Available	4,942 SF
Max Contiguous	4,942 SF
Asking Rent	\$40.00 SF/Year/NNN
Frontage	81' on Elizabeth St
Frontage	155' on Gorman St
Parking Spaces	10.00/1,000 SF; 63 Surface Spaces



Available Spaces

Floor	Suite	Use	Type	SF Available	Floor Contiguous	Building Contiguous	Rent/SF/Year	Occupancy	Term
E 1	-	Retail	Direct	4,942	4,942	4,942	\$40.00 NNN	Vacant	Negotiable

Property Details

Land Area	0.95 AC (41,382 SF)	Zoning	IND-2
Building FAR	0.12	Parcel	0794.14-33-4719-000

FOR LEASE OFFICE

2526 Hillsborough St

Raleigh, North Carolina 27607 (Wake County) - West Raleigh Submarket



Office

Property Summary

RBA (% Leased)	43,366 SF (84.1%)
Built/Renovated	1940/2004
Stories	3
Elevators	None
Typical Floor	14,455 SF
Tenancy	Multiple
Available	1,932 - 8,832 SF
Max Contiguous	4,200 SF
Asking Rent	Withheld
Parking Spaces	0.60/1,000 SF; 26 Surface Spaces



Available Spaces

Amenities

	Suite	Use	Type	SF Available	Floor Contiguous	Building Contiguous	Rent/SF/Year	Occupancy	Term
P 1		Retail	Direct	1,932	1,932	1,932	Withheld	09/2026	Negotiable
P 2		Retail	Direct	2,700	2,700	2,700	Withheld	Vacant	Negotiable
P 3		Retail	Direct	4,200	4,200	4,200	Withheld	Vacant	Negotiable

Property Details

Land Area	0.53 AC (23,087 SF)	Zoning	Commercial
Building FAR	1.88	Parcel	0794.20-82-0092-000
Owner Occupied	No		

112 Cox Ave

Raleigh, North Carolina 27605 (Wake County) - West Raleigh Submarket



Office

Property Summary

RBA (% Leased)	17,642 SF (100%)
Built	1974
Stories	2
Typical Floor	8,821 SF
Tenancy	Multiple
Available	138 - 420 SF
Max Contiguous	282 SF
Asking Rent	Withheld
Parking Spaces	2.32/1,000 SF; 7 Covered Spaces; 34 Surface Spaces



Available Spaces

	Suite	Use	Type	SF Available	Floor Contiguous	Building Contiguous	Rent/SF/Year	Occupancy	Term
P 2	213	Office	Coworking	282	282	282	\$24.00 FS		
P 2	206	Office	Coworking	138	138	138	\$24.00 FS		

Property Details

Land Area	0.60 AC (26,136 SF)	Owner Occupied	No
Building FAR	0.68	Zoning	O&I-2
Slab to Slab	11'	Parcel	1704.17-00-4586-000

FOR LEASE OFFICE

916 W Morgan St

Raleigh, North Carolina 27603 (Wake County) - West Raleigh Submarket



Office

Property Summary

RBA (% Leased)	2,340 SF (0.0%)
Built	1930
Stories	2
Typical Floor	1,170 SF
Tenancy	Multiple
Available	1,170 - 2,340 SF
Max Contiguous	2,340 SF
Asking Rent	\$27.00 SF/Year/NNN
Parking Spaces	5.56/1,000 SF; 13 Surface Spaces



Available Spaces

Suite	Use	Type	SF Available	Floor Contiguous	Building Contiguous	Rent/SF/Year	Occupancy	Term
P 1	Office	Direct	1,170	1,170	2,340	\$27.00 NNN	Vacant	Negotiable
P 2	Office	Direct	1,170	1,170	2,340	\$27.00 NNN	Vacant	Negotiable

Property Details

Land Area	0.21 AC (9,148 SF)	Zoning	O&I-1
Building FAR	0.26	Parcel	1703.05-29-2690-000
Owner Occupied	No		

3344 Hillsborough St - Hillsborough Row

Raleigh, North Carolina 27607 (Wake County) - West Raleigh Submarket



Office

Property Summary

RBA (% Leased)	15,537 SF (85.8%)
Built	1994
Stories	3
Elevators	None
Typical Floor	5,180 SF
Tenancy	Multiple
Available	2,200 - 4,716 SF
Max Contiguous	4,716 SF
Asking Rent	\$25.75 SF/Year/FS
Parking Spaces	4.00/1,000 SF; Covered Spaces Available; 70 Surface Spaces



Available Spaces

Suite	Use	Type	SF Available	Floor Contiguous	Building Contiguous	Rent/SF/Year	Occupancy	Term
P 1 100	Office/Medical	Direct	2,516	4,716	4,716	\$25.75 FS	30 Days	Negotiable
P 1 150	Office	Direct	2,200	4,716	4,716	\$25.75 FS	Vacant	Negotiable

Property Details

Land Area	0.95 AC (41,382 SF)	Owner Occupied	No
Building FAR	0.38	Zoning	BC
Slab to Slab	9'	Parcel	0794.14-43-4487-000

FOR LEASE OFFICE

920 W Morgan St

Raleigh, North Carolina 27603 (Wake County) - West Raleigh Submarket



Office

Property Summary

RBA	1,600 SF
Built/Renovated	1920/1923
Stories	2
Elevators	None
Typical Floor	800 SF
Available	1,550 SF
Max Contiguous	1,550 SF
Asking Rent	\$22.00 SF/Year/MG
Parking Spaces	10.00/1,000 SF; 20 Surface Spaces



Available Spaces

Floor	Suite	Use	Type	SF Available	Floor Contiguous	Building Contiguous	Rent/SF/Year	Occupancy	Term
P 1		Office	Direct	1,550	1,550	1,550	\$22.00 MG	Vacant	Negotiable

Property Details

Land Area	0.49 AC (21,253 SF)	Zoning	Commercial
Building FAR	0.08	Parcel	1703.05-29-2686-000



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 NC State University and the property owners, merchants, and residents on and around Hillsborough Street. The HSCSC territory is a 3-mile long corridor 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 includes diverse 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.

The information in this report has been secured from sources HSCSC believes to be reliable. However, HSCSC makes no representations or warranties, expressed or implied, as to the accuracy of the information.

Questions or comments? Contact Matt Smith, HSCSC Economic Development Research Assistant or Clay Rightmyer, HSCSC Economic Development & Planning Manager.