

SEMIANNUAL MARKET REPORT Q1 & Q2 | 2023

Hillsborough Street Community
Service Corporation



SUMMARY

The first half of 2023 shows Hillsborough Street on stable footing across sectors. Extensive residential development continues, with 15 major projects proposed, in progress, or recently completed, totaling over 2,200 new residential units. Despite the influx of housing supply, fundamentals remain strong, with rents on par with the city and occupancy exceeding county and city rates.

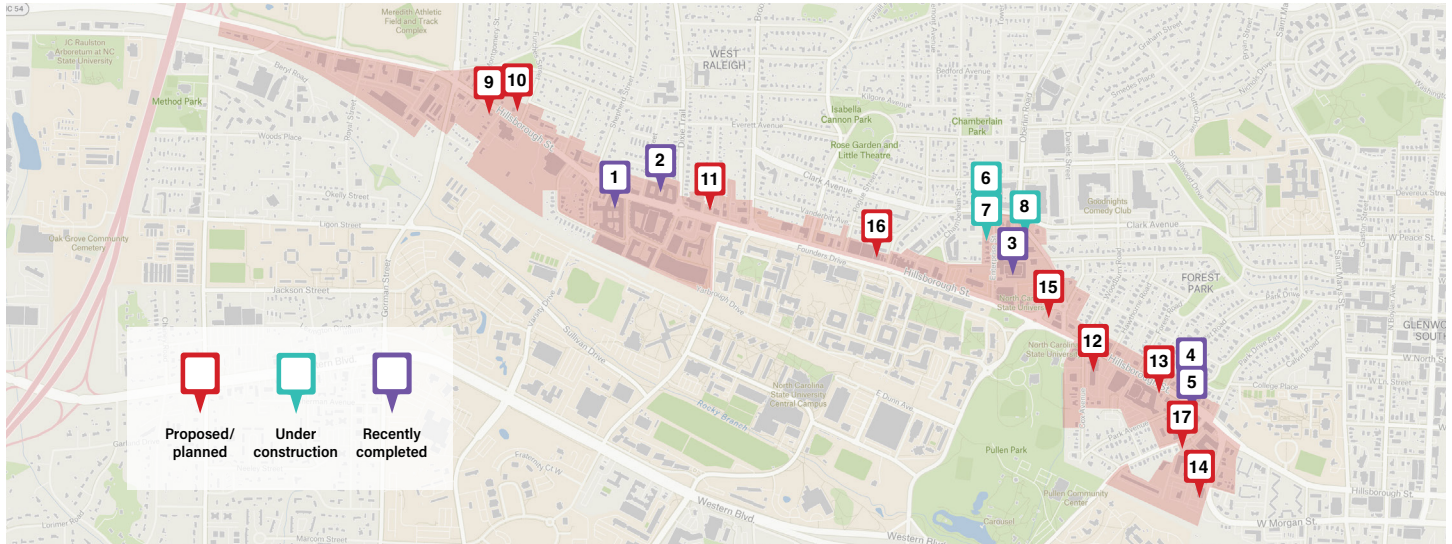
In retail, high rents surpassed city averages, but occupancy lagged the market. Lingering vacancies persist despite new leases from Playa Bowls, Gussie's, and Crumbl Cookies. The small but strong office market boasts lower rents and vacancies than the overall city; office leases in the first half included Site Collaborative's 3,000 SF and Triangle ABA's 6,500 SF leases.

Hillsborough Street drew over 3 million visits from 641,000 individuals in the first half of 2023, up 11.5% YOY - evidence of its popularity among students, though dependent on their schedules. Visitors' high education levels and incomes outpace state averages. In the food and beverage category, YTD sales growth of 10.81% trails Wake County's 14.2% rate, while May saw a 9.6% decline, signaling a potential slowing of momentum despite stabilization post-pandemic. Seasonal peaks and valleys continue, with over \$4M monthly sales in late summer/fall and \$2M-\$4M in winter months.

Overall, with continued investment and development momentum, as well as strong fundamentals across sectors, Hillsborough Street remains well-positioned for long-term growth and vitality, though near-term headwinds like potentially slowing sales and lingering retail vacancies may present challenges for the second half 2023.



2023 DEVELOPMENT MAP



Recently completed (since 2020)

#	Year	Address/Name	Investment	SF	Units	Type
1	2020	3101 Hillsborough St - The Standard	\$69,095,072	258,000	234	Apartments - Student/Retail
2	2020	3020 Hillsborough St - Uncommon	\$31,547,538	226,806	132	Apartments - Student/Retail
3	2020	305 Oberlin Rd - The Edition on Oberlin	\$45,495,837	168,387	203	Apartment
4	2020	103 Park Ave - Live on Hillsborough	\$2,011,687	10,902	20	Apartments - Student
5	2020	104 Ashe Ave - Live on Hillsborough	\$2,110,995	12,281	16	Apartments - Student
TOTAL			\$150,261,129	676,376	605	

Under construction

#	Year	Address/Name	Investment	SF	Units	Type
6	2024	101 Enterprise St - The Lansing	Not announced	20,000	53	Condos
7	2024	29 Enterprise St - 29 Enterprise	Not announced	32,867	31	Condos
8	2024	307 & 311 Oberlin Rd - Pinnacle Bank	\$7,350,000	11,500	NA	Office/Retail
TOTAL			\$21,888,425¹	64,367	84	

Proposed, planned or in site preparation

#	Year	Address/Name	Investment	SF	Units	Type
9	TBD	3411 Hillsborough St - The Turnhill	Not announced	180,000	180	Apartments
10	TBD	3402 Hillsborough St	Not announced	71,000	106	Apartments
11	TBD	2812 Hillsborough St	Not announced	150,000	138	Apartments
12	TBD	1707 Hillsborough St - Hub on Campus	Not announced	1,019,178	661	Apartments - Student
13	TBD	1415 Hillsborough St	\$7,000,000	22,600	100	Apartments - Student
14	TBD	865 W Morgan St	Not announced	438,856	401	Apartments
15	TBD	1912 Hillsborough St	Not announced	54,000	35	TBD
16	TBD	2510 Hillsborough St	Not announced	18,400	NA	Retail
17	TBD	105 Ashe Ave	Not announced	26,000	8	Condos
TOTAL			\$445,217,783¹	1,980,034	1,629	

¹ Totals based on investment estimates

Source: CoStar

RETAIL MARKET HIGHLIGHTS

Hillsborough Street's retail submarket saw mixed results in the first half of 2023. The market rent per square foot reached \$29.84, surpassing the citywide average of \$25.96. However, the retail occupancy rate of 94.9% fell below Raleigh's rate of 96.9%. Net absorption was negative at -16,800 square feet, leaving 30,800 square feet currently vacant. Despite this, Hillsborough Street attracted new leases in H1. At 2526 Hillsborough St., Playa Bowls leased 1,600 SF and Crumbl Cookies leased 1,300 SF. In April, Gussie's signed for 2,958 SF at 927 W. Morgan St.

The high rents and absorption reflect the continued desirability of Hillsborough Street for national retail brands, though lingering vacancies indicate challenges filling space.



2300-2400 Block of Hillsborough Street (top) and Reader's Corner

Key Performance Indicators

\$29.84

Market Rent/SF

608K SF

Total Inventory

94.9%

Occupancy Rate

5.1%

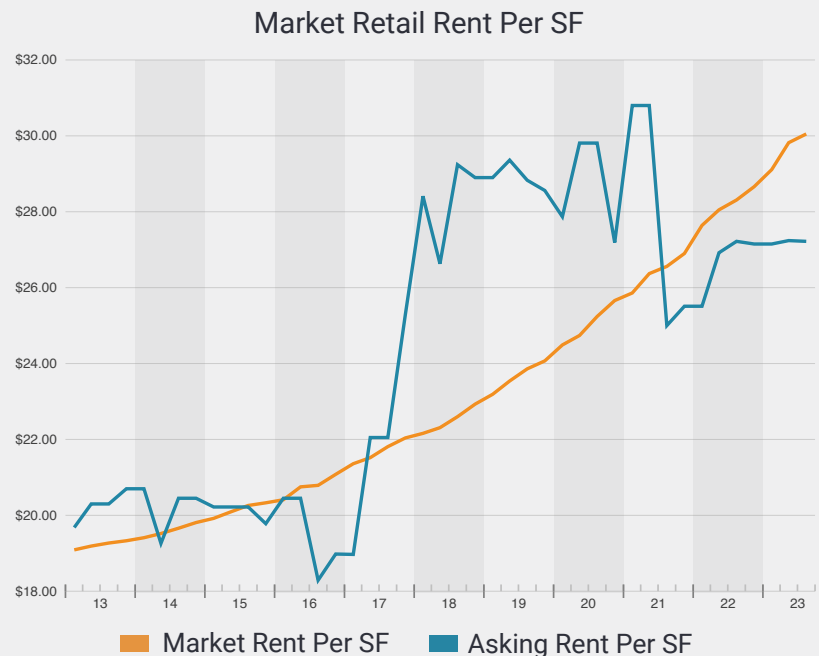
Vacancy Rate

(16.8K)

12 Mo. Net
Absorption SF

30.8K

Vacant SF



Source: CoStar

OFFICE MARKET HIGHLIGHTS

The Hillsborough Street office market is a small but strong sub-market. With a total inventory of just 300,000 square feet, it makes up less than 1% of Raleigh's office space. Rents of \$24.20 per square foot are well below the citywide average of \$29.77, but the vacancy rate of 2.3% is far lower than Raleigh's 10% rate.

In the first half of 2023, leasing activity included Site Collaborative, Inc.'s 3,000 SF lease at 1620 Hillsborough and Triangle ABA, LLC's 6,500 SF lease at 1600 Hillsborough. Despite its small size, the Hillsborough Street office market boasts solid fundamentals of low vacancy and competitive rents.



105 Brooks Ave.

Key Performance Indicators

\$24.20

Market Rent/SF

299K SF

Total Inventory

97.7%

Occupancy Rate

2.3%

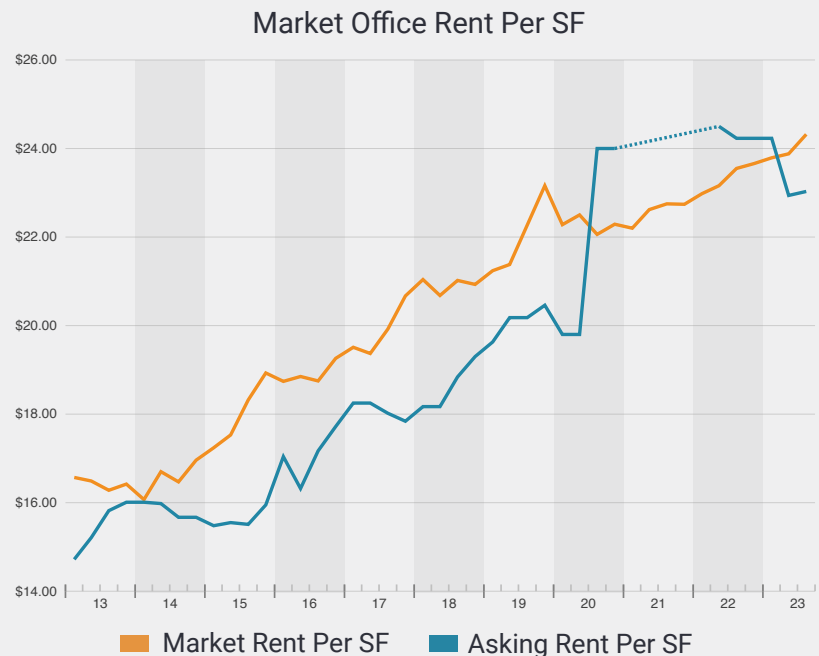
Vacancy Rate

(2.3K)

12 Mo. Net
Absorption SF

6.8K

Vacant SF



Source: CoStar

RESIDENTIAL MARKET HIGHLIGHTS

Hillsborough Street continues to see extensive residential development, with nine major projects in various stages of progress. These include The Lansing condos (53 units), 3402 Hillsborough St. (106 units), The Turnhill (180 units), 2812 Hillsborough St. (138 units), 29 Enterprise St. condos (31 units), Hub on Campus Core Spaces (661 units), and 1415 Hillsborough St. (100 units), 865 Morgan St. (401 units), and 105 Ashe Ave. (8 units).

Despite the influx of new supply, fundamentals remain strong. The average asking rent for a 1-bedroom unit is \$1,469, on par with the citywide average of \$1,426. The Hillsborough Street multi-family occupancy rate of 94.8% exceeds Wake County (91%) and the City of Raleigh (91.4%). Robust developer interest coupled with solid rents and occupancy indicates Hillsborough Street's strength as a residential submarket, though the market will be tested as new projects deliver through 2023.



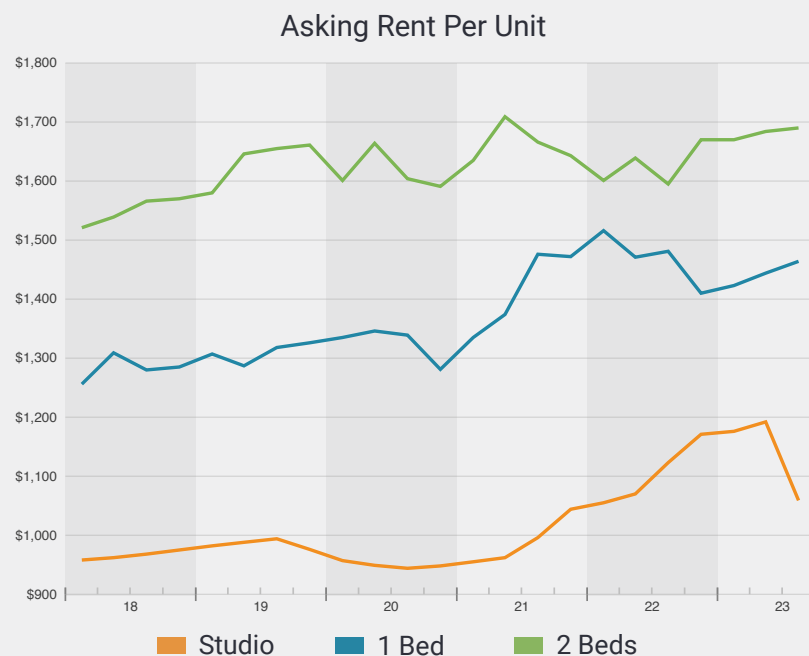
The Standard at Raleigh

Key Performance Indicators

\$1,469
Avg. 1 Bedroom
Asking Rent

2,534
Total Units

94.8%
Occupancy Rate



Source: CoStar

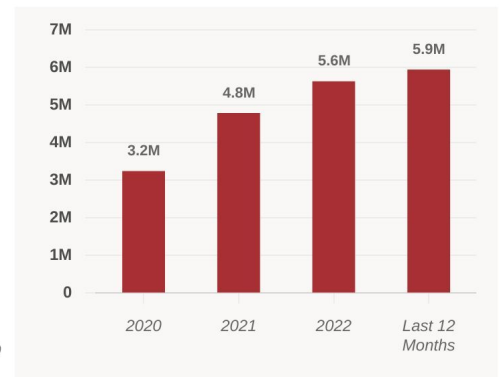
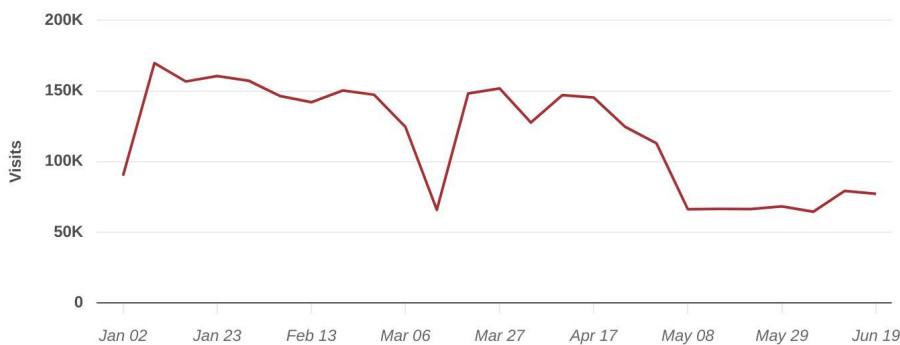
VISITOR TRENDS

In the first half of 2023, Hillsborough Street experienced an 11.5% increase in visitors compared to H1 2022, with over 3 million visits by 641,000 unique visitors. The corridor benefits from and is dependent on the student population, evidenced by dips during spring break in March and the onset of summer vacation in May. The week of January 9 saw the most visitors at 170,000, coinciding with NC State and Meredith students' return to campus. Overall visitation trends point to Hillsborough Street's popularity among the sizable local college-educated population. The median household income of visitors is \$73,500, and 60.5% of visitors hold a bachelor's degree or higher - both metrics far exceed state averages. Hillsborough Street's strong visitation growth demonstrates its draw as an essential district for college students and young professionals.



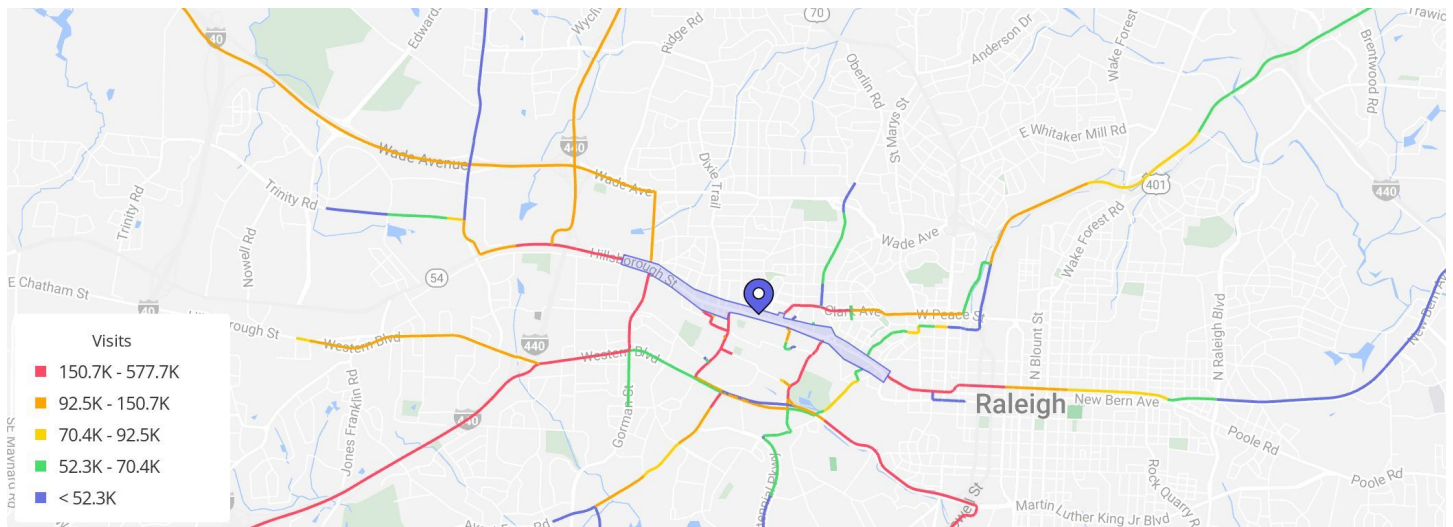
Hillsborough Street \$4 Food Walk

Weekly Visitors to Hillsborough Street | Jan. 1 - June 30, 2023



Source: Placer

Vehicle Routes to Hillsborough Street | Jan. 1 - June 30, 2023



Source: INRIX and Placer

FOOD & BEVERAGE TRENDS

While Hillsborough Street's prepared food and beverage (F&B) year-to-date growth remains positive at 10.81%, May 2023 saw a 9.6% decline from the prior year, potentially indicating slowing momentum.

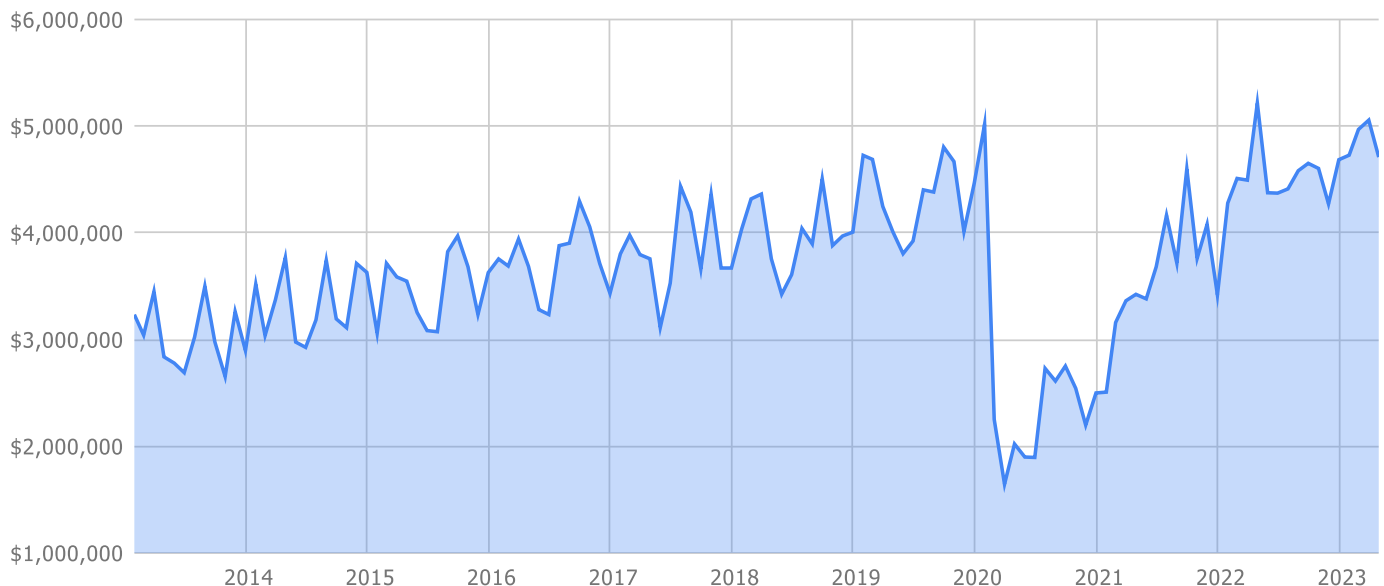
After sales bottomed out in April-May 2020 during pandemic closures and restrictions, Hillsborough Street's food and beverage sector rebounded to pre-pandemic levels by mid-2021. However, seasonal peaks and valleys remain evident in the monthly data. Monthly F&B sales typically reach over \$4M in late summer and fall, dropping to \$2M-\$4M monthly in winter.

The 2023 year-to-date F&B sales for Wake County were up 14.2% from 2022.



Blend Raleigh

Hillsborough Street Prepared F&B Sales | 10-Year Trend



Source: Wake County Government

FOR SALE PROPERTIES

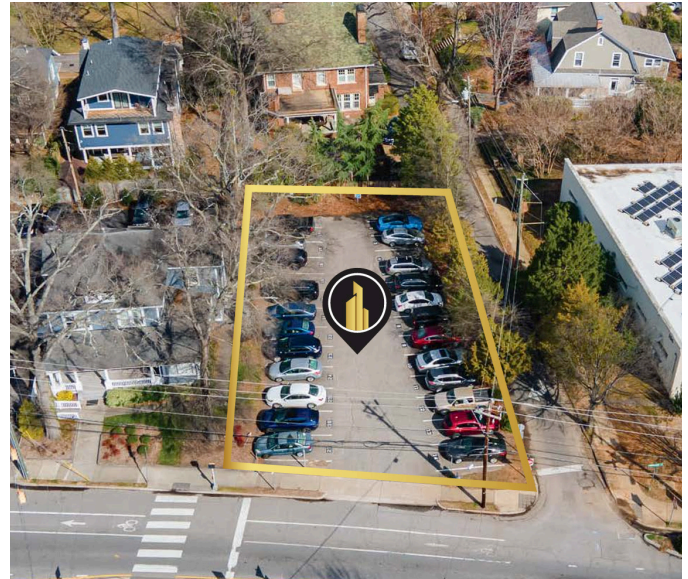


2600 HILLSBOROUGH ST

±3,967 SF | 0.62 AC

JAMES MATTOX | 919.576.2696

James.Mattox@foundrycommercial.com



1302 HILLSBOROUGH ST

\$1,500,000 | Multi-Family | 0.21 AC

NIKITA ZHITOV | 919.888.1285

nikita@cityplat.com



1313 HILLSBOROUGH ST

\$2,620,000 | 2,346 SF | 0.29 AC

BRIAN WALLACE | 919.645.2773

brianwallace@yorkproperties.com



1406 HILLSBOROUGH ST

Multi-Family | 12,000 SF

COLLIERS

919.582.7930

FOR LEASE RETAIL

The Standard at Raleigh - 3101 Hillsborough St Raleigh, NC 27607 - North Carolina State University



BUILDING

Type:	Mid-Rise Apartme...
Year Built:	2020
Missing ID:	426,539 SF
Floors:	12

AVAILABILITY

Min Divisible:	2,711 SF
Max Contig:	6,172 SF
Total Available:	6,172 SF
Asking Rent:	Withheld

SPACES

Floor	Suite	Use	Type	SF Avail	Fir Contig	Bldg Contig	Rent	Occupancy	Term
P 1st	1	Retail	Direct	2,711	6,172	6,172	Withheld	30 Days	Negotiable
P 1st	2	Retail	Direct	3,461	6,172	6,172	Withheld	30 Days	Negotiable

2020 Hillsborough St Raleigh, NC 27607 - West Raleigh Submarket



BUILDING

Type:	Retail
Center Type:	Strip Center
Tenancy:	Multiple
Year Built:	1955; Renov 1974
GLA:	3,900 SF
Floors:	1
Typical Floor:	3,900 SF
Docks:	None

AVAILABILITY

Min Divisible:	1,772 SF
Max Contig:	1,772 SF
Total Available:	1,772 SF
Asking Rent:	\$28.00/NNN

SPACES

Floor	Suite	Use	Type	SF Avail	Fir Contig	Bldg Contig	Rent	Occupancy	Term
P 1st	101	Retail	Direct	1,772	1,772	1,772	\$28.00/NNN	Vacant	Negotiable

FOR LEASE RETAIL

3020 Hillsborough St

Raleigh, NC 27607 - West Raleigh Submarket



BUILDING

Type:	Retail
Subtype:	Freestanding
Year Built:	2020
GLA:	204,828 SF
Floors:	1
Typical Floor:	8,000 SF

AVAILABILITY

Min Divisible:	2,669 SF
Max Contig:	4,255 SF
Total Available:	10,568 SF
Asking Rent:	\$30.00/NNN

EXPENSES

Taxes:	\$2.23 (2021)
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SPACES

Floor	Suite	Use	Type	SF Avail	Fir Contig	Bldg Contig	Rent	Occupancy	Term
P 1st	16	Retail	Direct	3,644	3,644	3,644	\$30.00/NNN	Vacant	Negotiable
P 1st	17	Retail	Direct	2,669	2,669	2,669	\$30.00/NNN	Vacant	Negotiable
P 1st	18	Retail	Direct	4,225 - 4,255	4,255	4,255	\$30.00/NNN	Vacant	Negotiable

3801 Hillsborough St - Royal Bakery Shopping Center

Raleigh, NC 27607 - West Raleigh Submarket



BUILDING

Type:	Retail
Subtype:	Storefront
Center Type:	Neighborhood Ce...
Tenancy:	Multiple
Year Built:	1930
GLA:	28,640 SF
Floors:	1
Typical Floor:	28,640 SF
Docks:	None

AVAILABILITY

Min Divisible:	4,579 SF
Max Contig:	4,579 SF
Total Available:	4,579 SF
Asking Rent:	\$20.00/NNN

EXPENSES

Taxes:	\$1.10 (2021)
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SPACES

Floor	Suite	Use	Type	SF Avail	Fir Contig	Bldg Contig	Rent	Occupancy	Term
P 1st	113	Retail	Direct	4,579	4,579	4,579	\$20.00/NNN	Vacant	Negotiable

FOR LEASE RETAIL

2526 Hillsborough St

Raleigh, NC 27607 - West Raleigh Submarket



BUILDING

Type:	Retail
Subtype:	Storefront Retail/O...
Tenancy:	Multiple
Year Built:	1980; Renov 2004
GLA:	43,436 SF
Floors:	3
Typical Floor:	14,479 SF
Docks:	None

AVAILABILITY

Min Divisible:	2,114 SF
Max Contig:	3,531 SF
Total Available:	8,065 SF
Asking Rent:	Withheld

EXPENSES

Taxes:	\$1.34 (2021)
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SPACES

Floor	Use	Type	SF Avail	Fir Contig	Bldg Contig	Rent	Occupancy	Term
P 1st	Retail	Direct	2,420	2,420	2,420	Withheld	30 Days	Negotiable
P 1st	Retail	Direct	2,114	2,114	2,114	Withheld	30 Days	Negotiable
P 1st	Retail	Direct	3,531	3,531	3,531	Withheld	30 Days	Negotiable

2510 Hillsborough St

Raleigh, NC 27607 - West Raleigh Submarket



BUILDING

Type:	Retail
Subtype:	Storefront
Tenancy:	Multiple
Year Built:	1948
GLA:	18,400 SF
Floors:	1
Typical Floor:	3,400 SF
Docks:	None

AVAILABILITY

Min Divisible:	1,500 SF
Max Contig:	10,900 SF
Total Available:	10,900 SF
Asking Rent:	Withheld

EXPENSES

Taxes:	\$0.74 (2021)
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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 Andrew Stricklin, HSCSC Director of Economic Development and Planning, at andrews@hillsboroughstreet.org.