

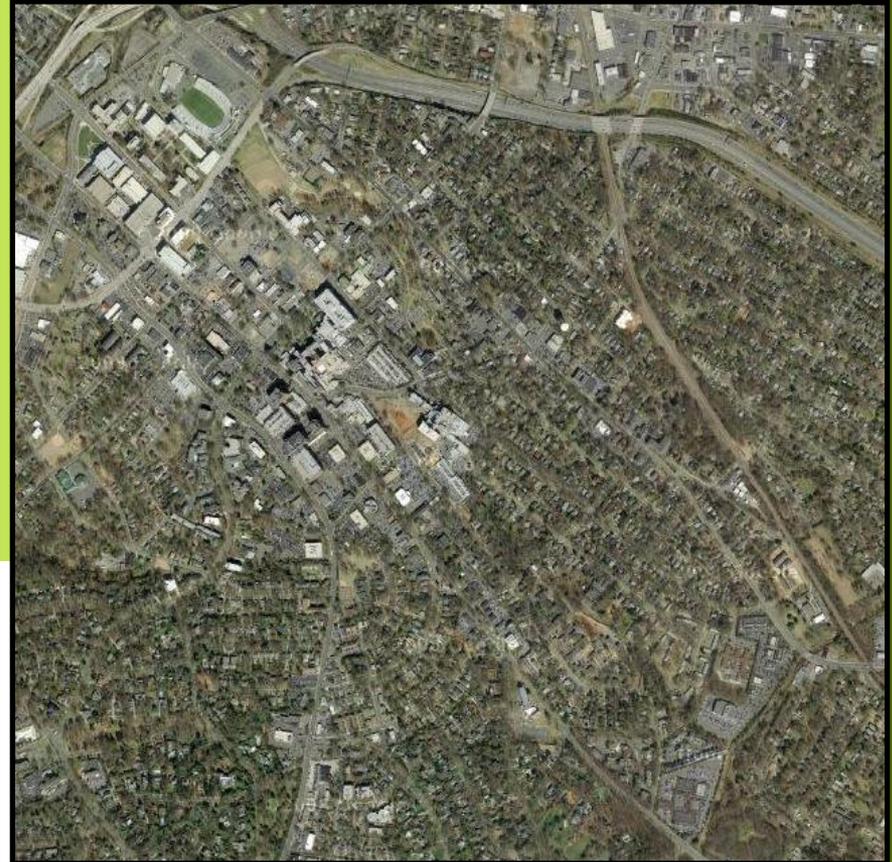
Charlotte- Mecklenburg Planning Department

Market Assessment of the Elizabeth Study Area

March 23, 2010

Based on report from Nov 2009

Noell Consulting
Group



Overview

- Noell Consulting Group was retained by the City to:
 - Understand long-term trends affecting future land use and development in Elizabeth
 - Gauge demand potential for for-sale and rental residential, office, and retail in the area through 2030
 - Identify key issues and opportunities likely to emerge in the area
- Results of market analysis are not the land plan—intended to inform planning process

Overview

- Process:
 - Understand macro and local trends impacting near-term and long-term opportunities;
 - Understand who is driving demand today and in the future
 - Estimate their depth relative to supply
 - Place Elizabeth in the context of larger trends & conditions and estimate realistic captures of demand
 - Identify key issues, opportunities, and challenges facing the study area in the coming decades
 - Utilized local and national demos & economics, secondary data, interviews, analyses

National Macro Trends/Factors

- Opportunities for intown areas, neighborhood cores continues to grow
 - Long-term demographic trends favoring inner city
- Push towards convenience already ongoing
 - Supported now by greater need to live efficiently – location matters more and more
- Huge growth in singles and childless couples
 - Greater acceptance of attached and small lot homes
 - Empty nesters now living for themselves – kids gone
- Generation Y (and X) focused on walkable environments
 - Seeking social interaction/sense of community
 - Favor sense of authenticity
- Retail becoming more experiential
 - Lifestyle, town centers gaining favor
- Growth in small, entrepreneurial firms
 - Value office locations that improve overall quality of life



Intown Charlotte Trends

- Mirroring those of seen in other US cities
- Residential
 - Demand high for all types of housing—for-sale and rental, attached & detached
 - Quality of life, convenience, lifestyle proposition critical factors
 - Intown holding up better than suburbs
 - South End, Dilworth, NoDa offering different value propositions to Uptown



Intown Charlotte Trends

- Retail
 - Retailers discovering the high value of intown locations
 - Large population nearby, as well as office workers, conventioners, tourists, etc
 - Reworking concepts to fit in urban locations
 - Lowe's South End, Metropolitan Midtown examples
 - Grocery stores in residential buildings
 - Focus not only on stores, but lifestyle



Intown Charlotte Trends

- Office
 - Emergence of inner-ring office market in South End, Midtown
 - Gaining market share relative to Uptown
 - Price-alternative to Uptown with greater neighborhood feel
 - Attractive to smaller firms, including creative
 - Most under 10,000 sf
 - Also those related to hospitals/medical



Elizabeth Highly Attractive

- Study area features two very distinct components
 - Stable, authentic neighborhood
 - Some infill residential opportunities
 - More commercial areas to west
 - More accessible & visible
 - Around demand generators (hospitals, CPCC, Uptown)
 - Independence Park could be a big plus
 - Potential for both commercial and residential uses
- Potential synergies



Retail Situation

- As noted, intown retail growth strong
 - Includes neighborhood and big box
- Elizabeth features little retail today
- To that, most of the study area not suitable for major retail
 - Access, trade area, visibility issues
- Greatest potential near demand generators, major t-fares, bigger parcels



Retail Demand

- Multiple audiences fueling demand in the area

Center City residents	69,000 within 2.5 miles of Elizabeth
Intown office workers	40,000+ office workers, additional 54,000+ in other sectors
Convention center/sports venues	500,000 convention visitors, 2M sports attendees
Other audiences	includes hospital visitors, CPCC/Kings students, other hotel visitors, suburban residents

- Estimated demand potential from 2.5-mile residents, area office workers, convention & sports visitors
- Grew key audiences over time using array of methodologies
- Netted out existing SF and provided captures of demand for Elizabeth area
 - Based on other potential locations in market, proximity to major sources

Retail Demand

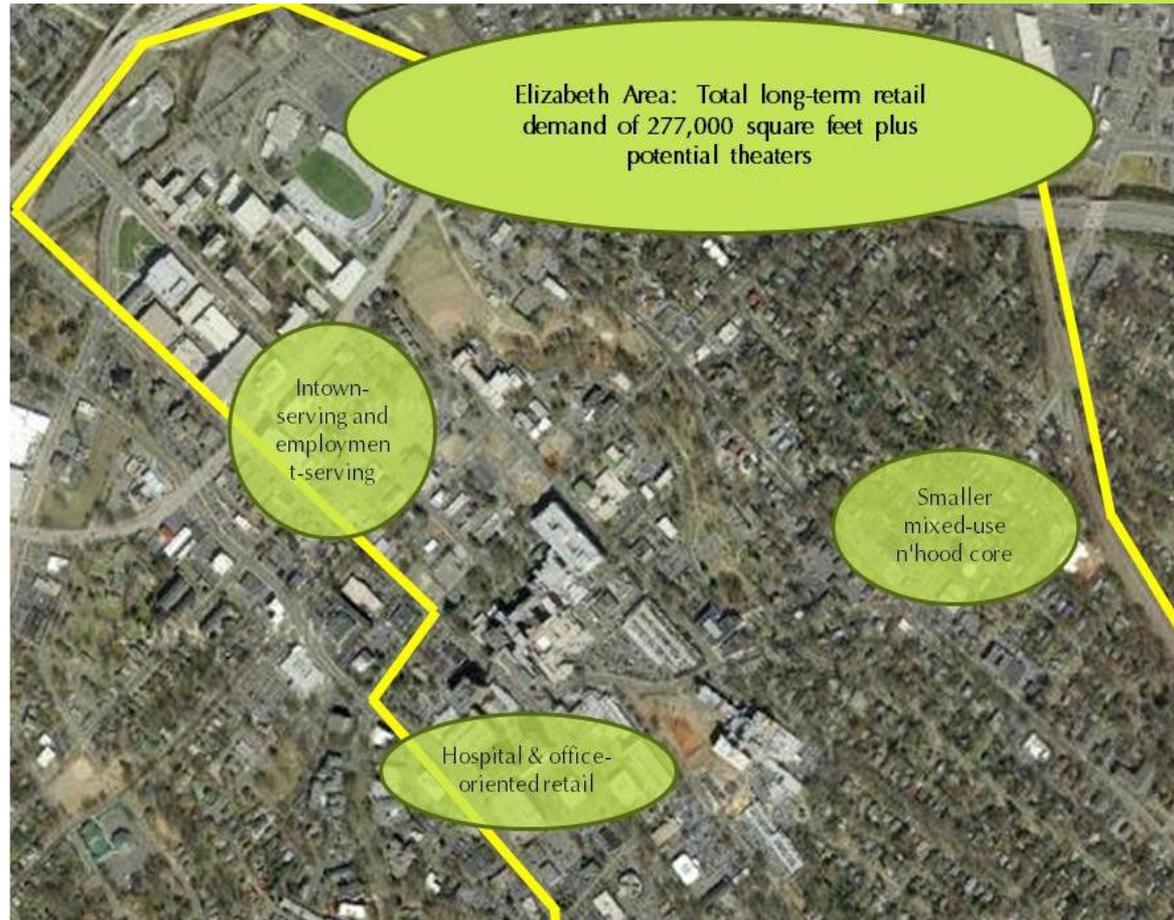
- Net demand is estimated to be significant in coming two decades intown

Year	Intown	Elizabeth
2010	863,627	129,957
2015	995,978	154,350
2020	1,269,669	197,580
2025	1,540,674	240,465
2030	1,774,794	277,118

- Elizabeth capture could be around 277,000 square feet over two decades
 - 13,000 square feet annually through 2030
- In addition, demand potential for up to six theater screens during this timeframe

Retail Opportunities

- Intown, employment- serving retail closer to the west
 - Local-serving, dining
- Neighborhood core, infill at key 7th intersections
- Hospital, office-serving along Randolph



Office Situation

- Emergence of an Inner Ring office market
- Can compete both on price and “lifestyle”
 - Average 84,000 sf net absorption annually
- Uptown overbuilt in the short-term—will temper demand for intown ring for 3 – 5 years.
- Elizabeth area office demand historically driven by smaller firms (under 5,000 sf) and medical offices (up to 10,000 sf +)
 - Local medical office demand satiated for now

Office Demand

- Demand estimates based on historic relationships of job growth to office absorption
- Used adopted Planning/MUMPO numbers for employment growth & translated to office demand
- Utilized capture trends for “inner ring”/ Midtown submarket and Elizabeth
 - Does not include hospital medical space

	2010	2010 - 2015	2015 - 2020	2020 - 2025	2025 - 2030
Mecklenburg Employment Growth	-5,048	63,722	85,835	78,666	79,051
Estimated Office Job Growth	-4,856	19,117	25,751	23,600	23,715
Scenario One	(477,542)	6,028,509	8,120,540	7,442,307	7,478,730
Scenario Two	(1,287,021)	5,066,611	6,824,842	6,254,826	6,285,438
Estimated Office Demand (Square Feet)	(882,281)	5,547,560	7,472,691	6,848,567	6,882,084
Midtown Capture Rate	7.0%	6.0%	9.0%	10.0%	10.0%
Estimated Midtown Office Demand (SF)	-61,760	332,854	672,542	684,857	688,208
Elizabeth Capture Rate (Based on Deliveries)	10.0%	12.5%	15.0%	20.0%	17.0%
Estimated Elizabeth Office Demand (SF)	-6,176	41,607	100,881	136,971	116,995

Office Opportunities

- Short-term opportunities very limited by Uptown & potential Presbyterian MOB
- Most significant longer-term opportunities:
 - Regional-Serving & Larger Medical:
 - Between hospitals and Uptown
 - Smaller Medical:
 - Along Randolph
 - Smaller Non-Medical:
 - 1st or 2nd floor offices in mixed-use or res. bldgs at key 7th Street intersections

Rental Residential Situation

- Struggling land use for much of this decade given low mortgage rates
- Balance shifted back to renting, but as economy was fading
- Heavy level of development as Charlotte's economy faltered
 - 800+ units delivered in 2009—most in South End
 - 1,300 more units planned or u/c creates short-term oversupply

Projects Under Construction:

1225 Church: 196 units u/c

Circle at South End: 238 u/c

Millennium at South End: 269 u/c

Spectrum (South End): 331 units u/c

Elizabeth Square II: 237 units soon u/c

Projects in Lease-Up

Elizabeth Square I: 86 leased at \$1.06

Ashton South End: 90 leased at \$1.18

Circle at South End: 20+/- leased at \$1.34

Study Area Rental Res Situation

- Study area highly attractive
 - Proximity to jobs
 - Regional access
 - Neighborhood QOL
- Little new product in the study area
 - Eliz. Square in lease-up & performing relatively well
 - Potential Winter site on 7th and Grubb-Elizabeth Ave projects
- Numerous audiences logical for the study area
 - Uptown workers
 - Hospital employees
 - CPCC students
 - Seniors housing



Rental Demand/Opportunities

- Demand tempered for the next few years by slow economy, existing supply—then picks up again

	New Apartment Unit Demand by Timeframe				Totals
	2010 - 2015	2015 -2020	2020 - 2025	2025 - 2030	2010 - 2030
New Renter HH Growth in Central Meck.	2,743	4,736	3,922	3,953	15,355
Intown Ring Area Capture	50%	50%	50%	50%	50%
New Renter HH Growth in Intown Ring	1,372	2,368	1,961	1,976	7,677
Elizabeth Area Capture	30%	30%	30%	30%	30%
New Renter HH Growth in Elizabeth	411	710	588	593	2,303
Annualized	82	142	118	119	115

- Opportunities in Elizabeth:
 - Apartments in mixed-use projects along 3rd, Elizabeth, near CPCC
 - Mid-rise product around Independence Park
 - Redevelopment of aging properties, possibly as seniors product

For-Sale Residential Situation

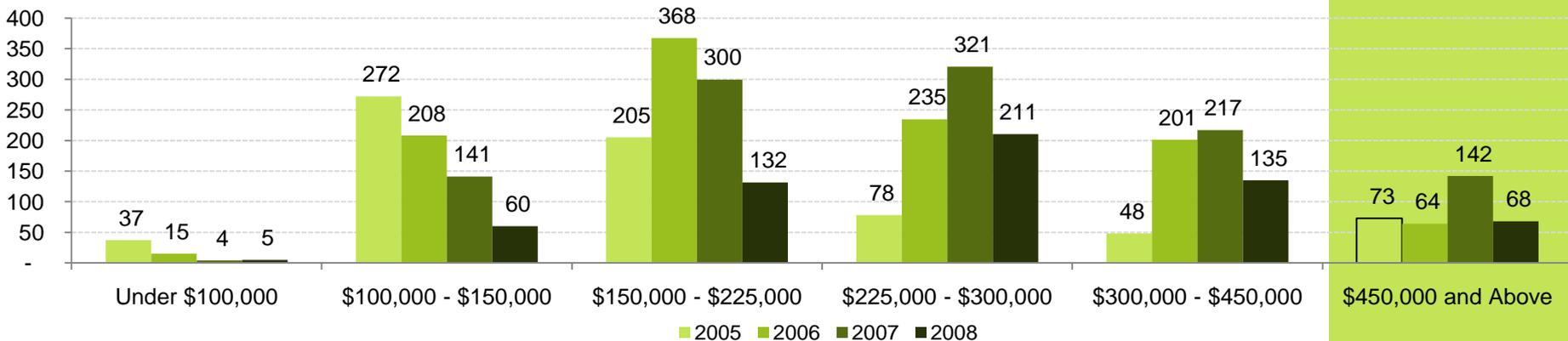
- Residential demand remains strong in the long-term for all products intown
 - Short-term demand badly constrained by lending practices and the economy
- Condo supply Uptown tough—1,100 to 1,400 units to work way through system
 - Will take several years to unwind
- Prices intown down around 11% to 14% and foreclosures low, so area ready to rebound with economy

ZIP/Area	Current Foreclosure Rate	Current Average Home Price	Year-Over-Year Price Change
28204/Eliz.	0.06%	\$271,000	-12%
28207/Eliz. & Myers Park	0.09%	\$638,000	-14%
28202/Uptown	0.27%	\$244,000	-15%
28203/S. End	0.18%	\$296,000	-11%
Mecklenburg County	0.25%	\$159,000	-11%

For-Sale Residential Situation

- Elizabeth has seen little residential infill—most deals are very small
 - Flat product largely in the \$200s
 - Townhouse product in the \$200s and \$300s
- Younger working professional singles and couples are target audiences, empty nesters a growing audience
- Realtors report few hospital employees living in the area—missed opportunity

New Attached Sales, Central District



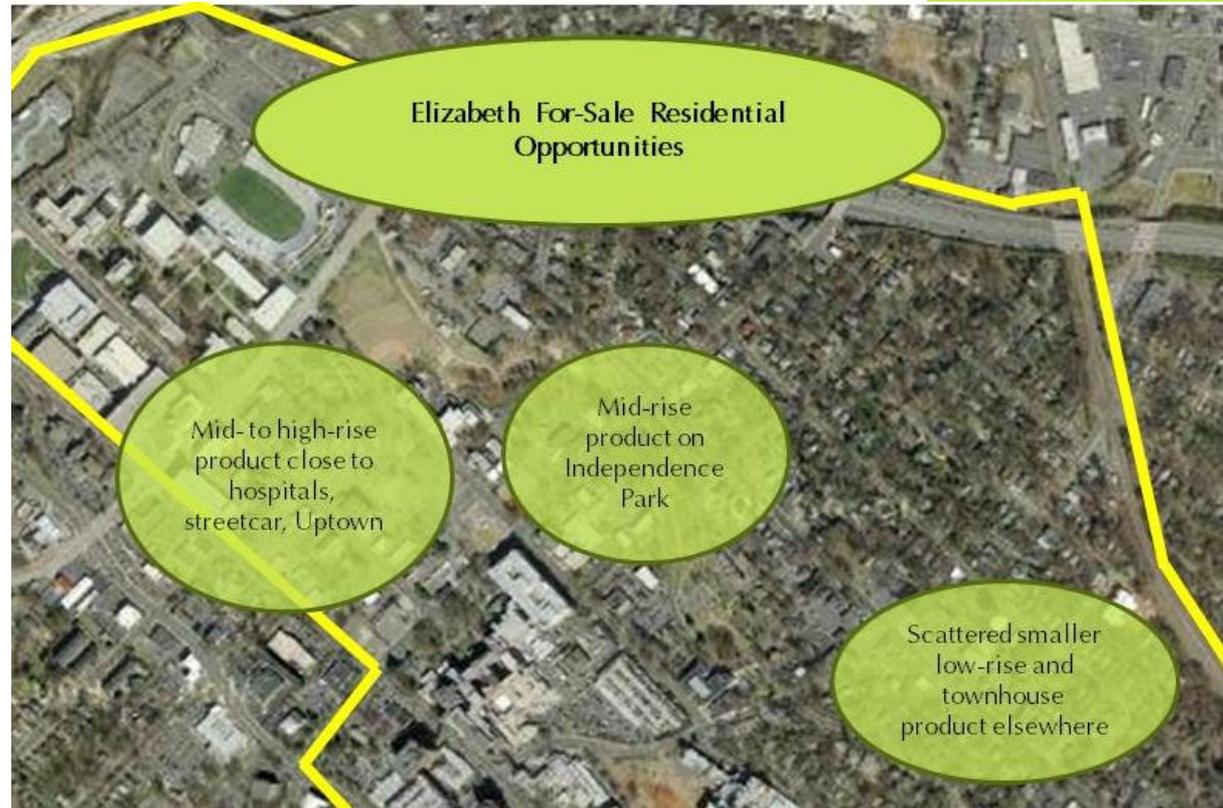
For-Sale Residential Demand

- Short-term for-sale demand to be tempered by economy and Uptown supply
- Demand for attached products picks up to average around 30 units +/- over next few years
 - Project size main constraint
- Single-family detached demand very limited—tempered by lack of available sites (note demand is net of lost units)

	New For-Sale Housing Demand (Units) by Timeframe				Totals
	2010 - 2015	2015 -2020	2020 - 2025	2025 - 2030	2010 - 2030
<u>Intown Ring Area Capture</u>					
Attached Homes	30%	30%	33%	33%	32%
New Intown Ring Attached Homes	492	695	850	766	2,804
Detached Homes	10%	10%	10%	10%	10%
New Intown Ring Detached Homes	90	111	104	85	391
<u>Elizabeth Area Capture</u>					
Attached Homes	15%	20%	20%	20%	19%
New Elizabeth Attached Homes	74	139	170	153	536
Detached Homes	10%	10%	10%	10%	10%
New Elizabeth Detached Homes	9	11	10	9	39

For-Sale Residential Opportunities

- Three major opportunities exist for new for-sale product in Elizabeth:
 - Mixed-use product between hospitals and Uptown
 - Mid-rise product surrounding Independence Park
 - Low-rise/TH product on infill properties to east



Demand Summary

- Demand in Elizabeth quite strong in coming two decades
- Intensities will be high given land/construction costs, so acreage absorbed will be small—71 total acres
- Residential will account for 51 of 71 acres
- Commercial comprises the remaining 20 acres

Land Use	Metric	Average Annual	21-Year Totals
Retail	Square Feet	13,856	277,118
	Acres	.6	11.8
Office, inc. Hospitals	Square Feet	51,973	1,039,455
	Acres	.4	7.9
Rental Residential	Units	115	2,562
	Acres	1.7	33.9
For-Sale Detached	Units	2	39
	Acres	.3	5.6
For-Sale Attached	Units	27	536
	Acres	.6	12.2
Total	Square Feet	65,829	1,316,573
	Units	144	3,137
	Acres	3.6	71.3

NOTE: Retail average annual includes existing pent-up demand.

Big Picture

- Elizabeth area highly attractive today and likely to remain so in the coming years
- Longer-term, how can it stay relevant and build on that attractiveness going forward?
 - Preserve neighborhood quality, character, scale that makes it so attractive in the first place
 - Maintain authenticity
 - Build on that neighborhood character with:
 - Smaller walkable neighborhood cores on 7th Street
 - Extend neighborhood to west as mixed-use, more urban neighborhood
 - Where demand generators already exist
 - Ability to walk to work
 - Maximize access to parks & greenways

