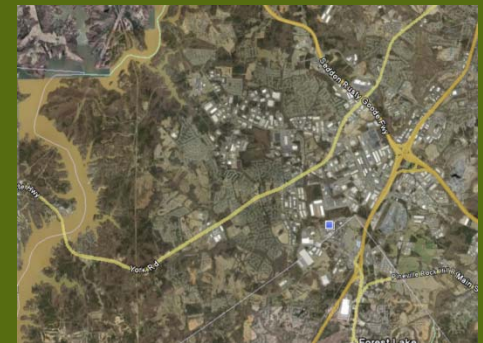


# Charlotte- Mecklenburg Planning Department

## Market Assessment of the Steele Creek Area



# Overview

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

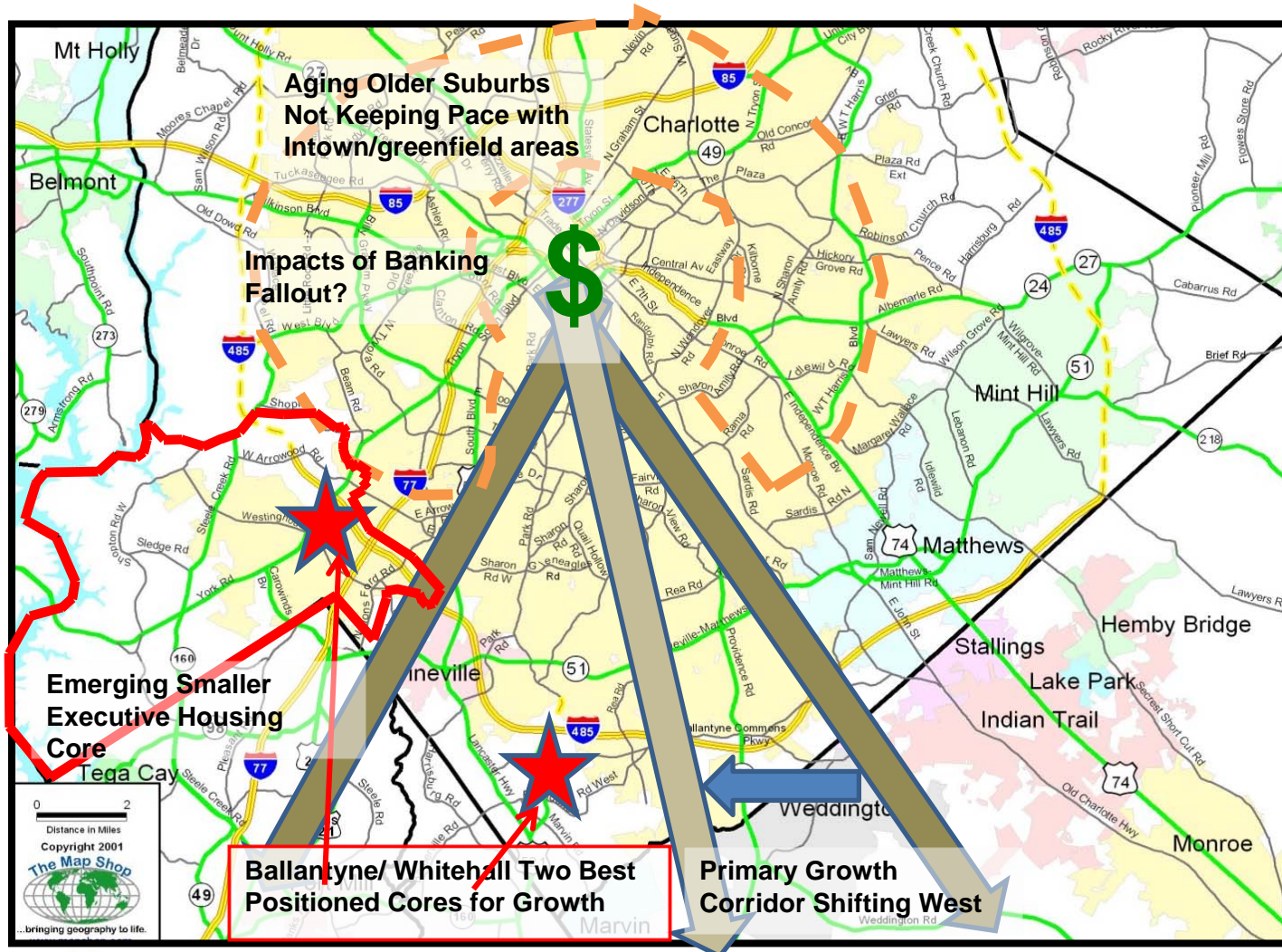
# Macro Trends/Factors

- Opportunities for mixed-use/town centers grow
  - Long-term demographic trends favoring
- 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

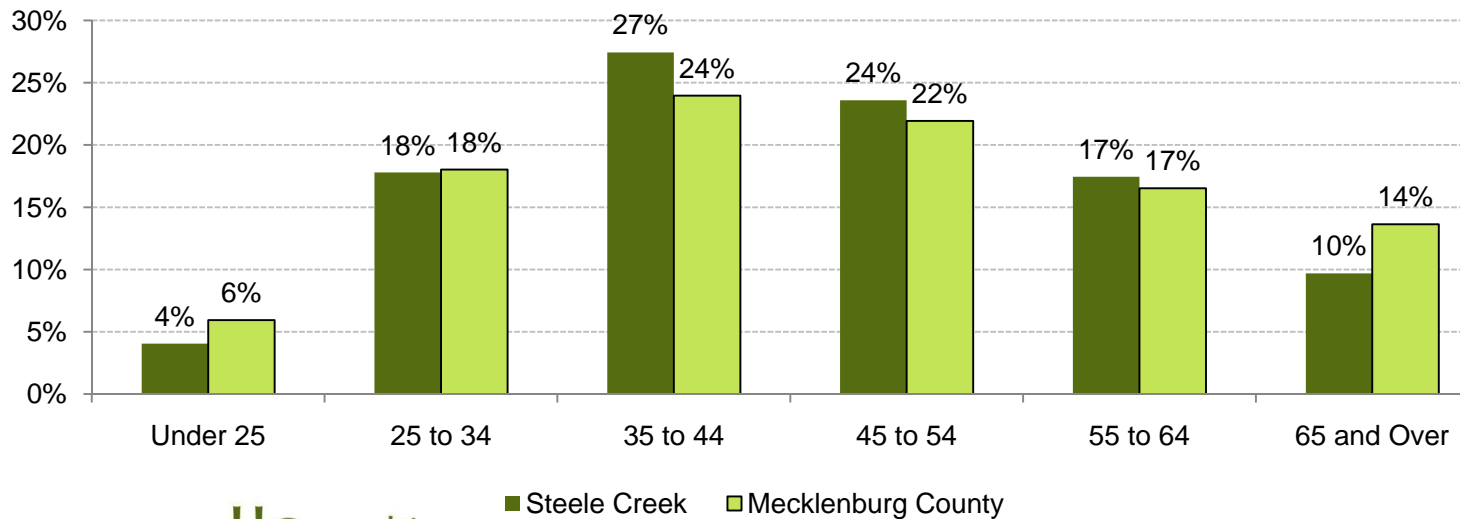
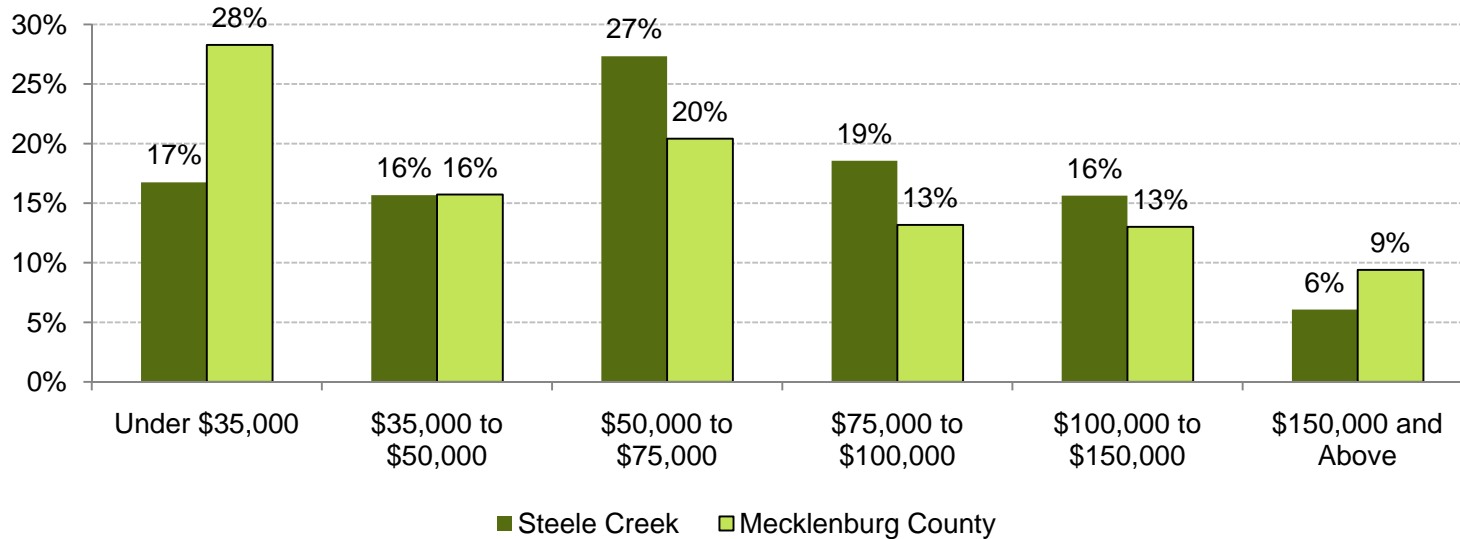




# Regional Context



# Demographic Trends



# Demographic Trends

- Area emerging as a solid middle-class area
- Growth in the area focused in households between \$60,000 and \$150,000
- Households between 35 and 54 years of age

	Age 15 - 24	Age 25 - 34	Age 35 - 44	Age 45 - 54	Age 55 - 59	Age 60 - 64	Age 65 - 69	Age 70 - 74	Age 75 - 79	Age 80 - 84	Age 85+	Total
Under \$25,000	28	-15	32	62	45	39	93	34	31	24	5	378
\$25,000 to \$35,000	62	13	27	68	68	54	28	6	2	10	7	345
\$35,000 to \$50,000	53	6	157	130	117	85	70	29	20	16	10	693
\$50,000 to \$60,000	17	-57	81	86	77	69	39	13	3	-1	-2	325
\$60,000 to \$75,000	18	-73	144	237	193	155	49	23	14	5	2	767
\$75,000 to \$100,000	28	49	290	266	153	120	67	28	0	-1	-1	999
\$100,000 to \$150,000	28	74	325	329	93	78	66	29	3	3	0	1,028
Over \$150,000	48	-2	71	121	63	44	9	2	6	3	0	365
Total	282	-5	1,127	1,299	809	644	421	164	79	59	21	4,900

# Economic Trends

Sector	Industry	Steele Creek Change 2000 - 2007	Meck Change 2000 - 2007	Steele Creek as % of County
<b>Total Growth</b>		<b>16,207</b>	<b>56,950</b>	<b>28%</b>
22----	Utilities	350	1,607	22%
23----	<b>Construction</b>	<b>1,616</b>	<b>997</b>	<b>162%</b>
31----	<b>Manufacturing</b>	<b>1,483</b>	<b>-9,373</b>	<b>-16%</b>
42----	<b>Wholesale trade</b>	<b>697</b>	<b>-4,056</b>	<b>-17%</b>
44----	<b>Retail trade</b>	<b>1,691</b>	<b>2,864</b>	<b>59%</b>
48----	Transportation & warehousing	1,937	7,019	28%
51----	<b>Information</b>	<b>1,375</b>	<b>-2,909</b>	<b>-47%</b>
52----	Finance & insurance	-521	31,634	-2%
53----	Real estate & rental & leasing	377	2,542	15%
54----	<b>Professional, scientific &amp; technical services</b>	<b>699</b>	<b>1,461</b>	<b>48%</b>
55----	Management of companies & enterprises	254	1,860	14%
56----	<b>Admin, support, waste mgt, remediation services</b>	<b>2,276</b>	<b>-4,155</b>	<b>-55%</b>
61----	Educational services	473	3,427	14%
62----	Health care and social assistance	433	15,325	3%
71----	<b>Arts, entertainment &amp; recreation</b>	<b>1,213</b>	<b>3,603</b>	<b>34%</b>
72----	Accommodation & food services	945	11,101	9%
81----	Other services (except public administration)	1,111	-1,884	-59%
95----	Auxiliaries (exc corporate, subsidiary & regional mgt)	-202	-3,502	6%

- Strong job growth relative to Mecklenburg County overall
- Construction, retail, manufacturing, wholesale-- moderate paying jobs
- Office jobs in form of prof. services, information



# Retail Situation

- Strong growth since 2000—tied directly to population and employment growth
  - 1.2 million square feet added
- River, lake, airport constrict ability to draw regionally
- Some newer lifestyle retail coming into area
  - Ayrsley
  - RiverGate (Power Town)
- Market performing relatively well
  - 91% occupied
  - Decent rents
- Little opportunity for mall/mall-type tenants in area
  - Too close to Carolina Place





# Retail Demand

- Market relatively in balance today
  - Roughly 70,000 square feet unmet demand
- Pop. and emp. growth drive demand
- Little inflow from other areas and likely outflow for mall spending
- Demand expected to grow to 2.1 million square feet over the next 21 years

	New Retail Demand	FAR	New Acres
2010 - 2015	650,901	0.30	50
2015 -2020	538,083	0.32	39
2020 - 2025	484,913	0.35	32
2025 - 2030	427,215	0.40	25
<b>Totals</b>	<b>2,101,112</b>	<b>0.33</b>	<b>145</b>

NOTE: Square feet and acres are gross and do not include projects in pipeline. Acres may be newly developed or redeveloped.

# Retail Opportunities

- Challenge: Keeping retail fresh over time
- Pirating of tenants typical in retail as site preferences/concepts change
  - What to do with generic centers as they age?
- While demand for 2.1M square feet exists, locations likely aren't there
  - Opps for several neighborhood centers
    - Including redevelopment of Westinghouse/Tryon
  - Expansion of RiverGate
  - Possible larger center at I-485/Shopton
    - not likely though



# Office Situation

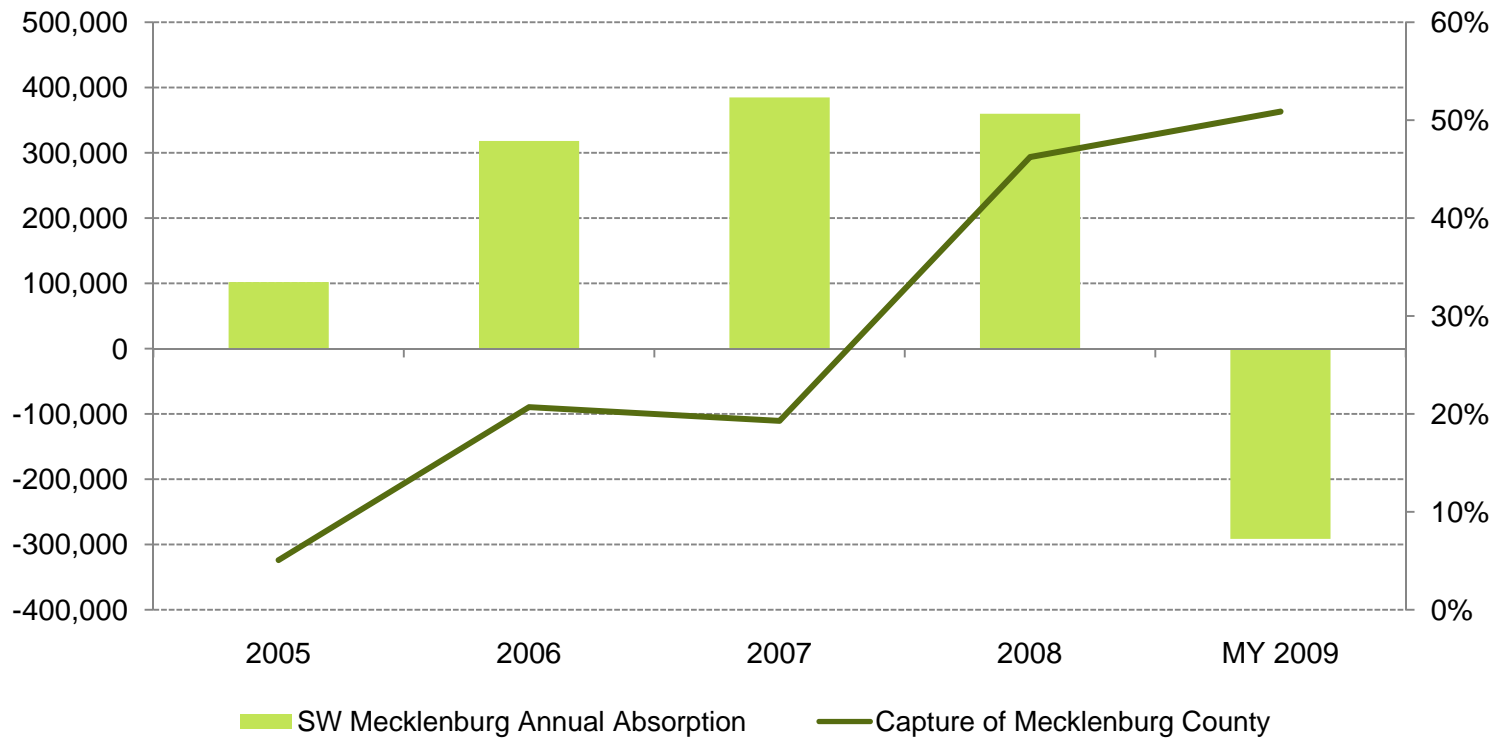
- I-485 opened up Steele Creek for office growth
- Proximate to executives, price-alternative to Ballantyne
  - Attractive to professional services firms seeking great access, better rents
- Usurped Coliseum area position between airport and executive housing
- Currently overbuilt and hit fairly hard by recession
  - Whitehall brought space on as market was tipping
  - Ayrslay still performing well through lifestyle play

<b>Total Estimated Office Square Feet in Steele Creek:</b>	1.3 - 1.4M
<b>Average Annual Absorption, 2005 - 2008</b>	291,125
<b>Share of Absorption Since 2005:</b>	15%
<b>Share of Space, 2004:</b>	3.3%
<b>Typical Lease Rates:</b>	\$18 - \$23/sf (Ballantyne typically around \$22 - \$25/sf)

# Office Situation

- Captures have increased significantly and are expected to remain strong as the office market recovers

Office Absorption, 2005 - 2009





# Office Demand

- Steele Creek area well-positioned to see ongoing demand in coming two decades
  - Can support 4.5 million square feet of space
- No net new demand (new construction) needed 2012 – 2013 in order to absorb vacant space

	2010	2010 - 2015	2015 - 2020	2020 - 2025	2025 - 2030
Mecklenburg County Office Absorption	(582,266)	5,447,427	7,559,508	6,848,496	6,882,013
Southwest Mecklenburg Capture Rate	12%	20%	20%	20%	20%
Southwest Mecklenburg Capture	-69,872	1,089,485	1,511,902	1,369,699	1,376,403
Steele Creek Area Capture	-59,391	926,063	1,285,116	1,164,244	1,169,942
Cumulative Steele Creek Area Capture	-59,391	866,671	2,151,788	3,316,032	4,485,974
Acres Absorbed		30	104	163	217

NOTE: Square feet and acres are gross and do not include projects in pipeline. Acres may be newly developed or redeveloped.

# Office Opportunities

- Greatest potential around I-485
  - Sites with regional accessibility & proximity to executives
- Smaller plays around RiverGate area
  - Likely to be more local-serving office
- Major issue: How to keep Whitehall/ Ayrshire area fresh
  - Avoid the Coliseum Area trap?
- Need to create more vibrant, mixed-use, walkable area
  - Parks? Greenway trails?



# Industrial Situation

- Southwest Mecklenburg largest industrial core in Carolinas
  - Nearly 20 million square feet of space
- Market being fueled by demand for warehouse space
- Area has great regional access via I-485, I-85 and I-77
  - I-85 access is the biggest draw
- Area still gaining market share, accounting for more than half of Charlotte's absorption

	<u>Warehouse</u>	<u>Flex</u>
Total Estimated Leasable Industrial Square Feet in Steele Creek:	13.1M	6M
Average Annual Absorption, 2006 - 2008	523,000	131,000
Share of Absorption Since 2006:	57%	67%
Typical Lease Rates:	\$4.33	\$8.45

# Industrial Demand

- Assuming land availability remains good over time, area should continue to experience strong absorption in the years to come
  - Potential to absorb up to 688 acres of land

	2010	Average , 2010 - 2015	2015 - 2020	2020 - 2025	2025 - 2030
Estimated Demand Potential, Meck	(72,587)	824,706	987,465	791,867	682,065
Estimated Demand Potential, SW Mecklenburg	(48,706)	498,040	530,071	371,940	274,599
Cumulative Flex Space Added, SW Mecklenburg	(48,706)	449,334	979,405	1,351,346	1,625,945
New Acres Demanded	0	0	37	26	19
Cumulative Acres Demanded	0	0	37	63	82
Estimated Demand Potential, Meck	(426,791)	4,849,044	5,806,022	4,655,961	4,010,356
Estimated Demand Potential, SW Mecklenburg	(242,417)	2,478,832	2,638,256	1,851,210	1,366,729
Cumulative Warehouse Space Added, SW Mecklenburg	(242,417)	2,236,414	4,874,671	6,725,881	8,092,610
New Acres Demanded	0	158	202	142	105
Cumulative Acres Demanded	0	158	360	501	606
Total Square Feet Demanded	-291,123	2,685,749	5,854,076	8,077,226	9,718,555
Total Acres Demanded	0	158	396	564	688



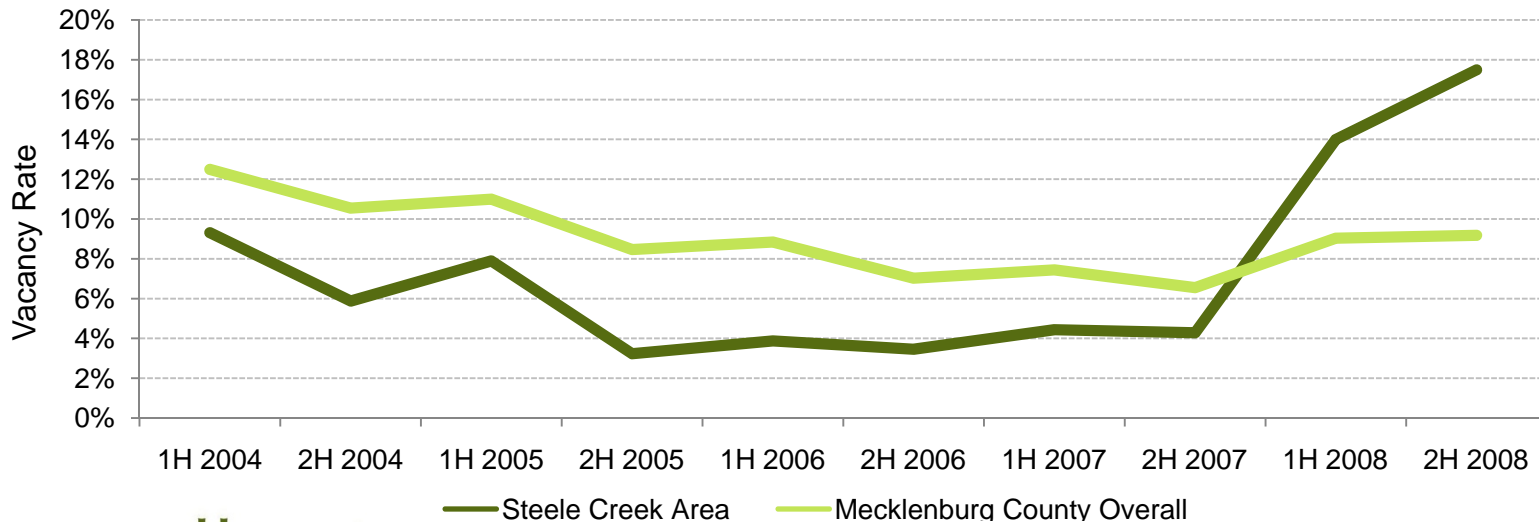
# Industrial Opportunities

- Understanding land availability is the big issue at hand
  - May need more focused assessment to understand true land supply
  - Sites north of I-485 may represent strongest opportunities, although topography may be an issue
    - West of airport not an opportunity due to topo, watershed issues
- Consider amenitizing Westinghouse corridor
  - Provide greenways or other access to parks, amenities for workers
  - Retail core at South Tryon could use redevelopment



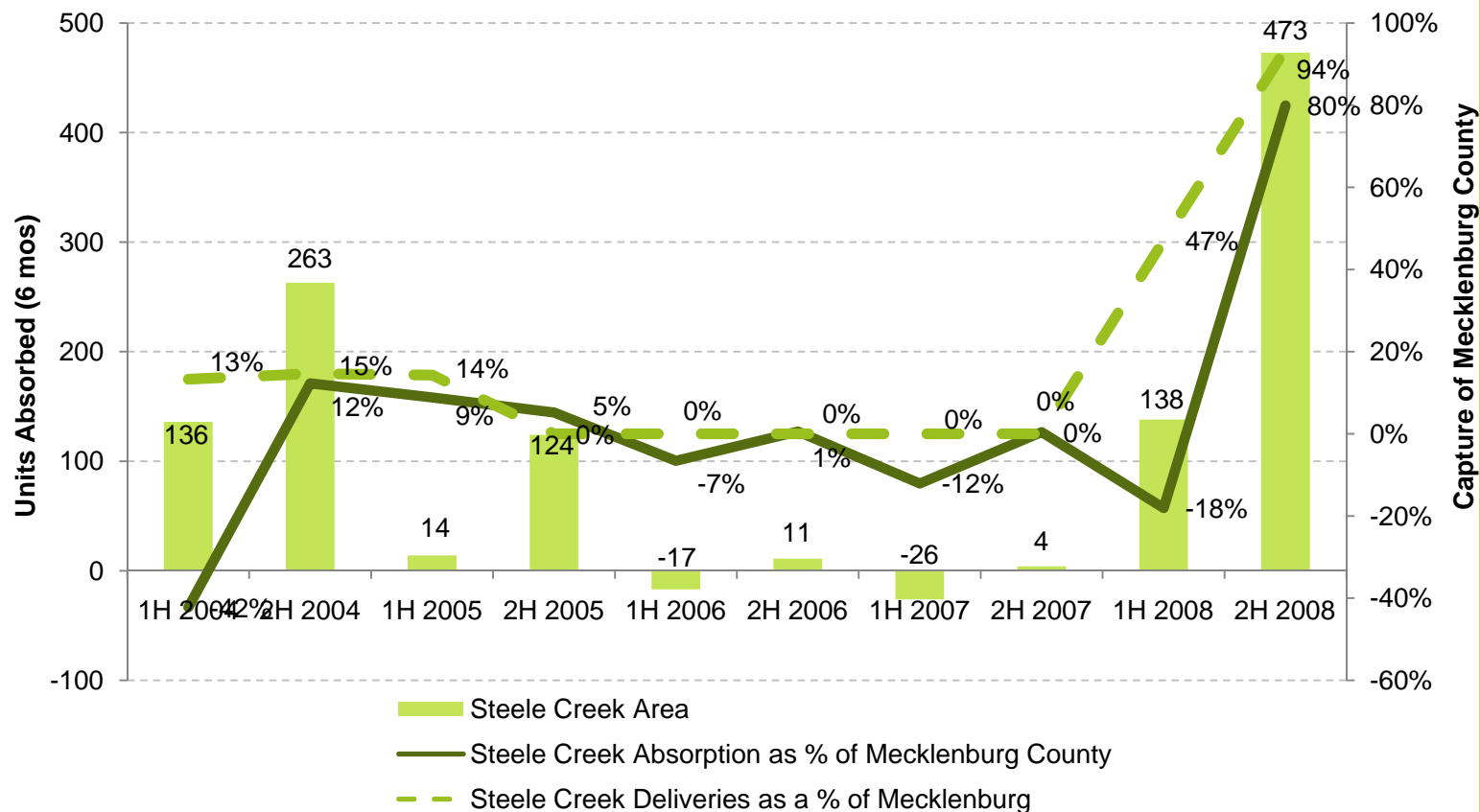
# Rental Apartment Situation

- Area apartment market strong—driven by office, retail growth
  - Steele Creek has added somewhere around 3,000 units in last decade
- In 2008 and 2009 more than 1,000 units were brought on line in response to collapsing for-sale market & employment growth
  - But economic struggles have dampened demand leaving area with very high short-term vacancy rates (18%)
  - Gramercy @ Ayrsey absorbing close to 20/mo with discounts
- Tenants generally singles and some couples, working in SW Mecklenburg (including Whitehall), Ballantyne, and Uptown



# Rental Apartment Situation

- Steele Creek absorption ramped up in 2008 as construction elsewhere subsided, but required sharp discounting.



# Rental Apartment Demand

- With employment growth resuming, apartment demand will again pick up
- Potential to support more than 3,000 units in next 20 years
  - Mix of products in relatively lower-intensity situations and more urban intensities

	New Apartment Demand by Timeframe				Totals
	2010 - 2015	2015 -2020	2020 - 2025	2025 - 2030	2010 - 2030
New 15 - 64 Renter HH Growth	6,692	9,523	9,995	10,074	36,284
Southwest Mecklenburg Capture	14%	14%	14%	14%	14%
New 15 - 64 Renter HH Growth in SW Mecklenburg	937	1,333	1,399	1,410	5,080
Steele Creek Study Area Capture	60%	60%	60%	60%	60%
New 15 - 64 Renter HH Growth in Steele Creek	562	800	840	846	3,048
Cumulative Units Added, 2010 - 2030	562	1,362	2,202	3,048	
New Rental Res. Acreage at 22 DU/Ac.	14	18	13	-	46
New Rental Res. Acreage at 40 DU/Ac.	6	10	14	21	51
<b>Total New Rental Res. Acreage Needed</b>	<b>20.4</b>	<b>28.2</b>	<b>27.0</b>	<b>21.2</b>	<b>96.7</b>

NOTE: Units and acres are gross and do not include projects in pipeline. Acres may be newly developed or redeveloped.



# Rental Apartment Opportunities

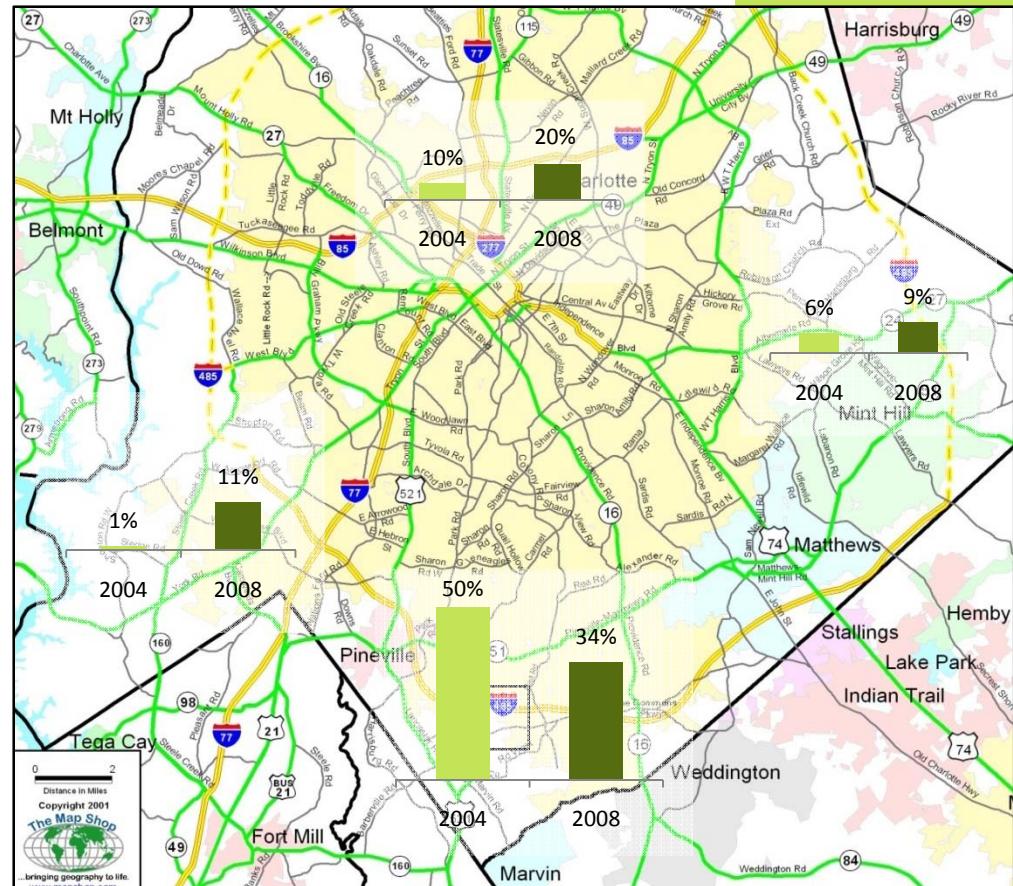
- Demand potential greatest close to I-485 and in activity centers
- Create opportunities for apartments in more mixed-use, walkable environments
  - Apartments can be integral part of mixed-use development
- Higher densities will eventually drive construction costs up (structured parking)
  - Need for structured parking sometime around 2020 – 2025
  - Need to create greatest value for area to transition beyond aging garden product
  - Provide park and greenway access to more intense areas for amenity orientations



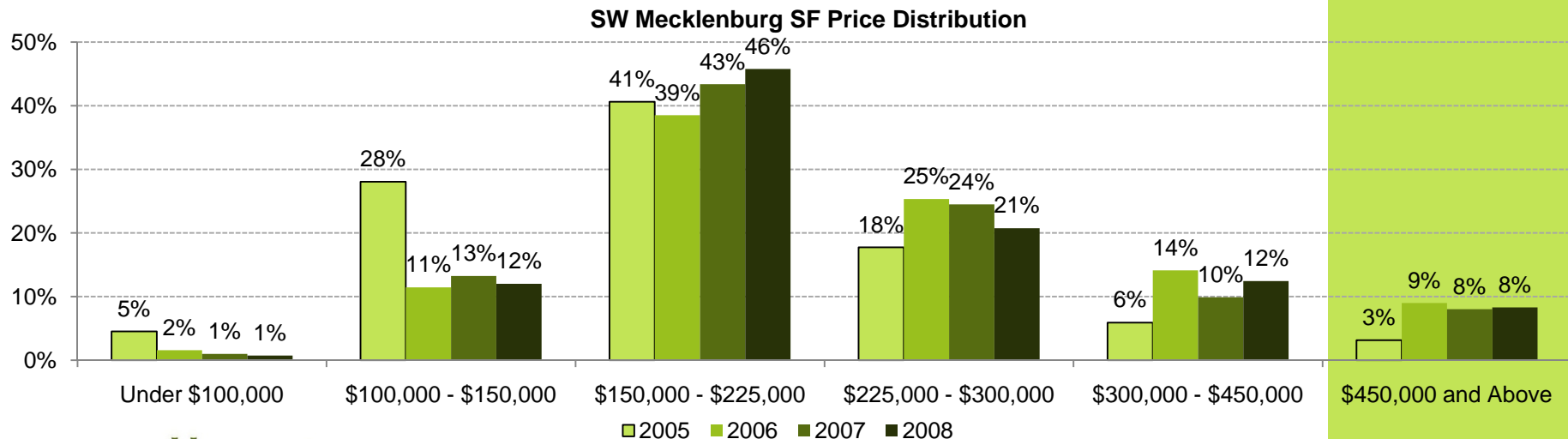
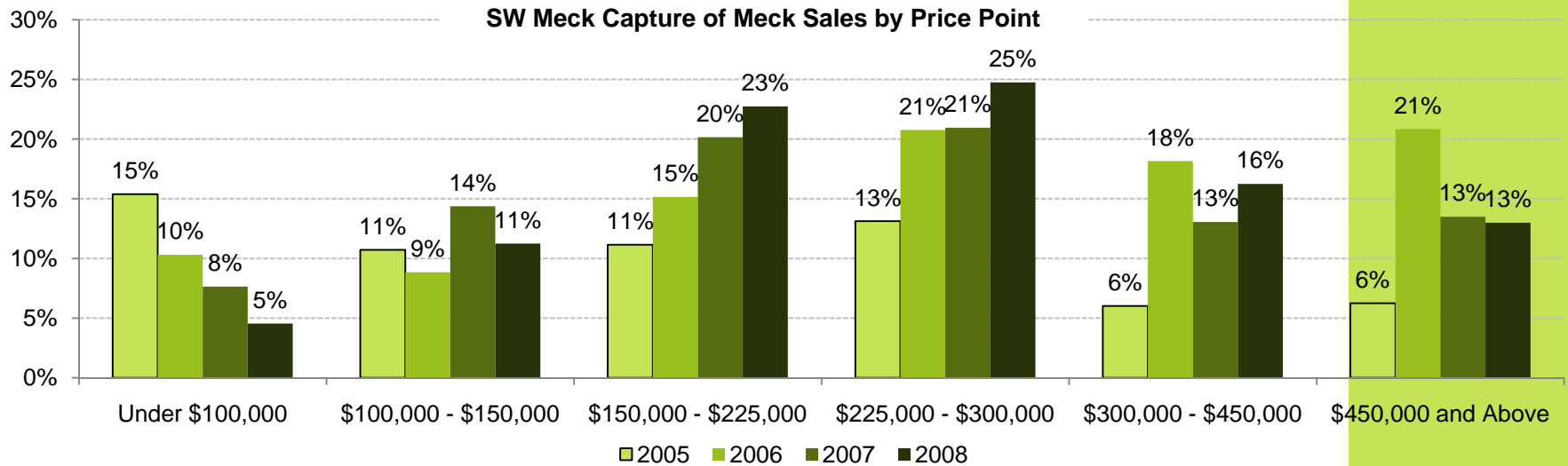
# For-Sale Residential Situation

- Steele Creek area offers broad array of residential products & price points
  - Starter towns up to ultra-luxury estate product
- Accessibility, lake & open space, improving schools all attractive for residential growth
- Capture of Mecklenburg's housing demand increased more than 50% from 2005 to 2008
  - 11% to 18%
  - Share of \$300k+ market way up

Share of Home Sales >\$300,000

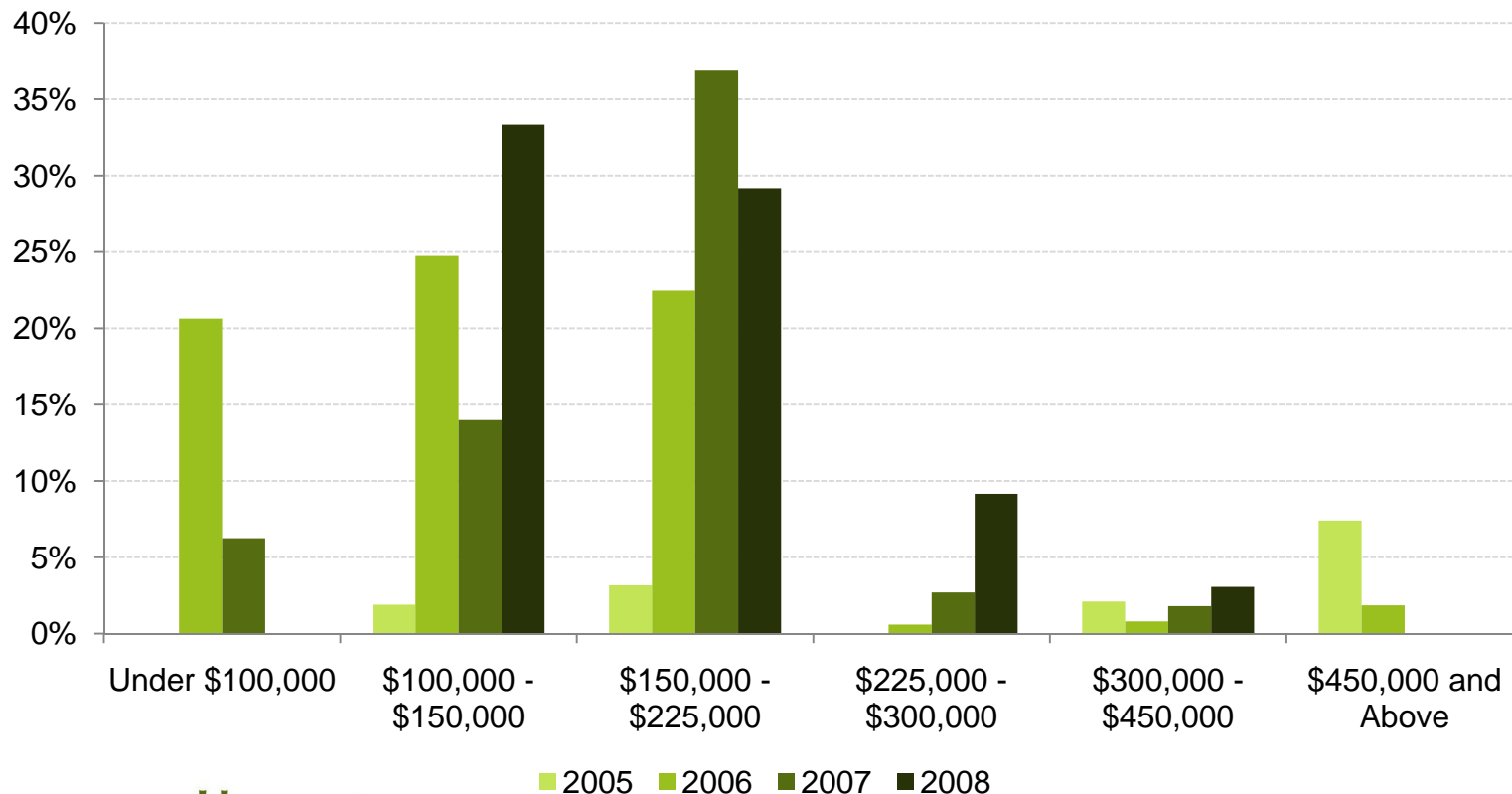


# For-Sale Residential Situation



# For-Sale Residential Situation

- Home price appreciation in area exceeds Mecklenburg County
  - Up 23% since 2004 (Meck: 19%)
- Growth of SFD home prices creating stronger market for attached
  - Townhouses and flats were non-existent, now 22% of new Steele Creek home sales





# For-Sale Residential Situation

- For-sale market struggling currently
  - Sales volume down 43% from 2008
    - In-line with Mecklenburg's 46% drop
  - Foreclosure rates in Steele Creek are high
    - Running 2- 4 times Mecklenburg County rate
  - Failed subdivisions also an issue, although problems pale relative to other areas of country/Southeast
    - Roughly 2.5-year supply of lots
- Short-term ills not likely to be a long-term problem--merit watching



# For-Sale Residential Demand

- Demand in the next 20 years should remain high, exceeding 13,000 units
- Smaller-lot product, attached product will gain further momentum
- Creating value a significant issue over time

	New For-Sale Housing Demand by Timeframe				Totals
	2010 - 2015	2015 -2020	2020 - 2025	2025 - 2030	2010 - 2030
New Steele Creek Study Area Detached Homes	2,110	2,651	2,600	2,137	9,498
New Steele Creek Study Area Acreage	478	625	641	541	2,286
New Steele Creek Study Area Attached Homes	635	1,046	1,247	1,161	4,089
New Steele Creek Study Area Acreage at 15 DU/Ac.	42	70	83	77	273
<b>Total New For-Sale Residential Acreage Needed--2010 - 2030</b>	<b>521</b>	<b>694</b>	<b>724</b>	<b>619</b>	<b>2,558</b>
<b>Cumulative</b>		<b>1,215</b>	<b>1,939</b>	<b>2,558</b>	

NOTE: Units and acres are gross and do not include projects in pipeline. Acres may be newly developed or redeveloped.

# For-Sale Residential Demand

- For-sale residential is the greatest land absorber of all uses
  - More than all others combined, even at higher intensities
- Guiding form and location of higher-intensity development important to future feel of the area
- Focus higher-intensity uses closer to I-485, within close proximity to major employment and retail cores
- Identify opportunities to incorporate residential into mixed-use projects
- Focus park/greenway investments in higher-intensity areas to create value

# Demand Summary

- Over the next 20 years, approximately 3,700 acres will be needed to satisfy growth demands
  - This assumes growth occurring at higher intensities
- Short-term growth (2010 – 2015) needs are lower given overbuilding that currently exists in the market
  - Expect land consumption to pick up steam by 2012 or 2013

	Acres Demanded By Timeframe				Totals	% of New Demand
	2010 - 2015	2015 - 2020	2020 - 2025	2025 - 2030		
Retail	50	39	32	25	145	4%
Office	30	74	59	54	217	6%
Industrial	158	239	168	124	688	19%
Rental Residential	20	28	27	21	97	3%
For-Sale Residential	521	694	724	619	2,558	69%
<b>Total:</b>	<b>778</b>	<b>1,074</b>	<b>1,010</b>	<b>842</b>	<b>3,704</b>	<b>100%</b>
Avg. Annual Acres Demanded	156	215	202	168		

