

DEVELOPMENT POTENTIAL ALONG TRANSIT CORRIDORS

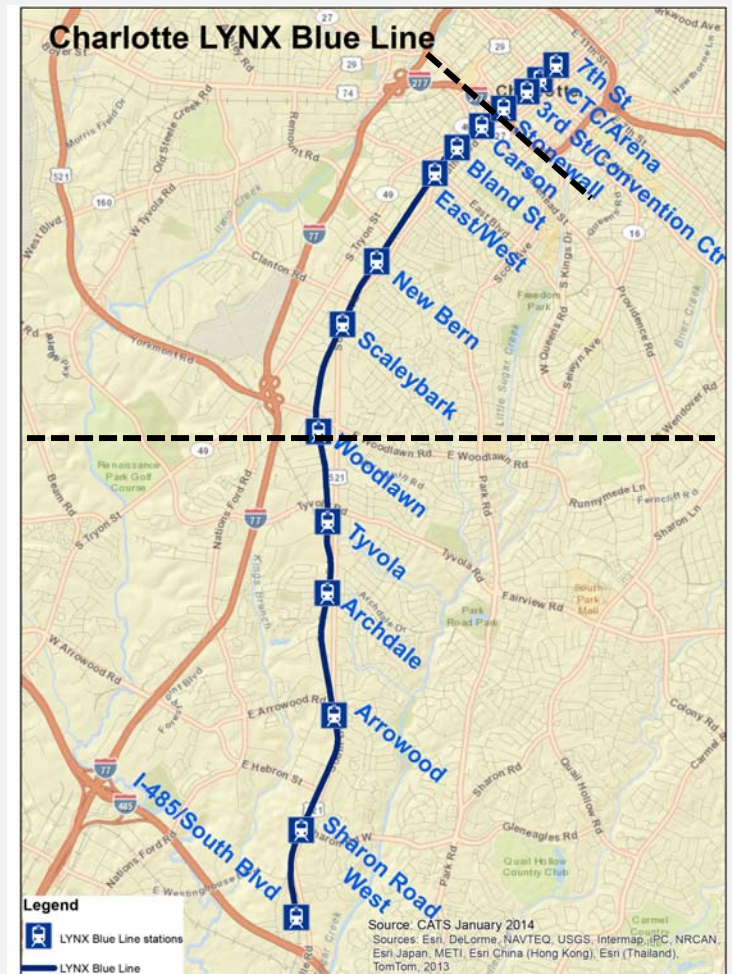
City of Charlotte

Fall, 2018



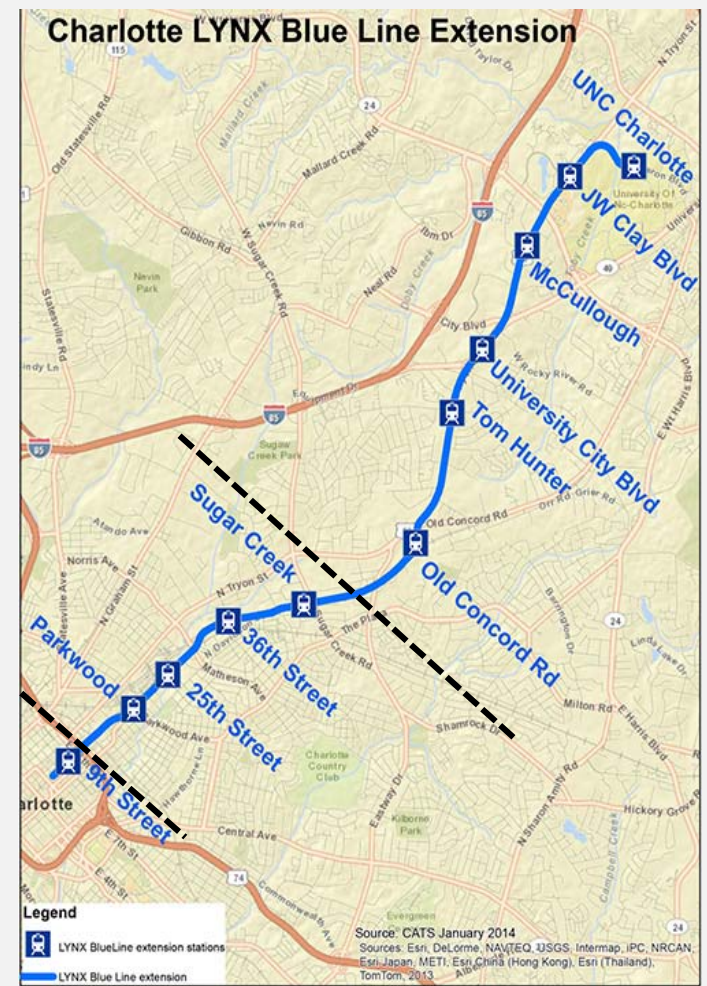
RENTAL APARTMENT DEMAND BLUE LINE

- Apartment demand will remain strong in the coming decade and beyond
- Transit-oriented areas, urban cores—those with higher-walkability--command premiums
- Blue Line captures:
 - 2000 – 2020: 13.6% of Charlotte Sphere
 - 2021 – 2045: 15.9%
- Demand strongest around station areas in the Central District vs. those in the South
 - Particularly in South End Stations
 - Walkability, convenience, rents supporting greater redevelopment
 - Central District stations have accounted for 94% of rental apartment units developed to date
- South Station areas will more attractive for redevelopment
 - Models will be different, however.



RENTAL APARTMENT DEMAND BLUE LINE EXTENSION

- BLE capture responding very well to LRT service
 - Increasing from 3% - 4% from 2000 – 2015 to 15% in the current five-year cycle
- NCG forecast keeps this consistent at around 15% going forward
- Development dynamics are somewhat similar to the South, yet also quite different
 - Central stations: close to 2,000 units from '16 – '20
 - Northeast stations: more than 1,500 units
 - The presence of the university and I-85 adjacency have allowed for more suburban growth
- Going forward, demand and development will be generally split, with Northeast stations accounting for 60% of demand
- Product offerings/densities, will vary significantly given vast differences in the areas, though.



KEY CHALLENGES FOR BLUE LINE/BLE APARTMENT DEVELOPMENT

- New midrise development w/ structured parking:

- \$2.00/SF or so to become feasible
- Today need around \$1.70 - \$1.80

- Garden-Urban, which has surface parked:







- \$1.60 or so

- Elevator-served garden:

- More in the \$1.40 range for feasibility

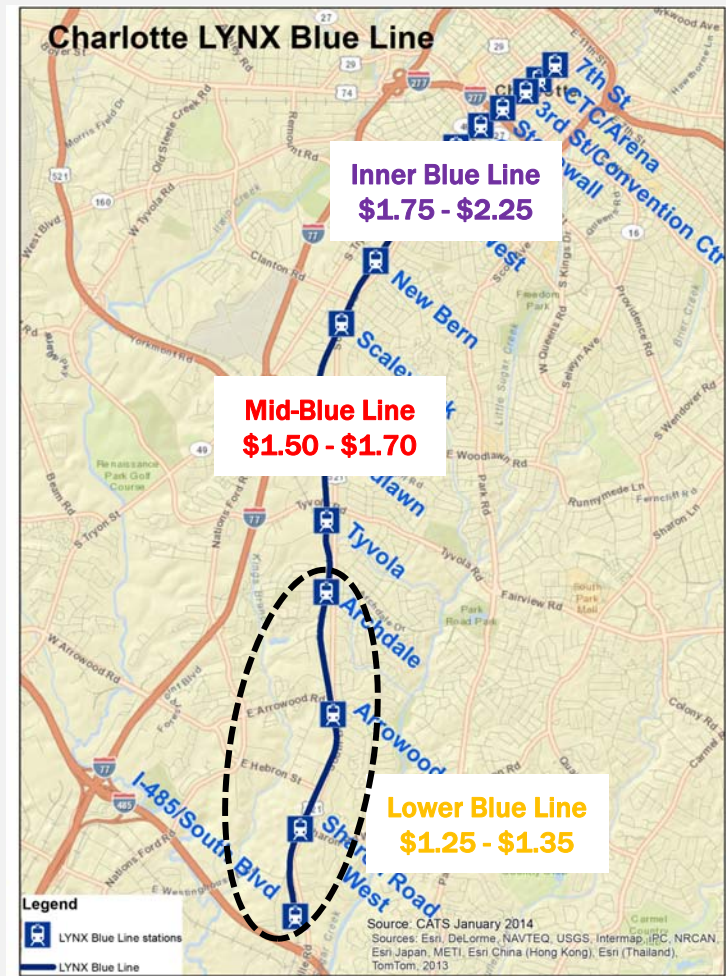
- Conventional garden:

- \$1.35+/-

Product Type	Example	Description	Typical Units/Acre	PSF Rent Needed	Average Value Per Unit	Typical Dev. Cost Per Unit	Typical Land Value Per Unit	Typical Land Value Per Acre
High Rise		>12 Stories, but realistically any Type I (Concrete or Steel Structure)	>150	\$2.50+	\$360,000	\$290,000	\$36,000	\$5M+
Podium		6-12 Stories, but most are 6-7 to remain wood frame above 1-2 floors of parking podium	100-150	\$2.20+	\$310,000	\$250,000	\$31,000	\$3-4M
Wrap		4-5 Stories, around or adjacent to structured parking	60-100	\$2.00+	\$285,000	\$225,000	\$28,500	\$2-3M
Garden-Urban		3-4 Stories, surface parked, typically with elevators	40-60	\$1.60+	\$200,000	\$165,000	\$20,000	\$1M
Garden With Elevators		3-4 Stories, surface parked	30-40	\$1.40+	\$180,000	\$150,000	\$18,000	\$600k
Garden Without Elevators		2-3 Stories, surface parked	10-30	\$1.35+	\$155,000	\$140,000	\$15,500	\$300k

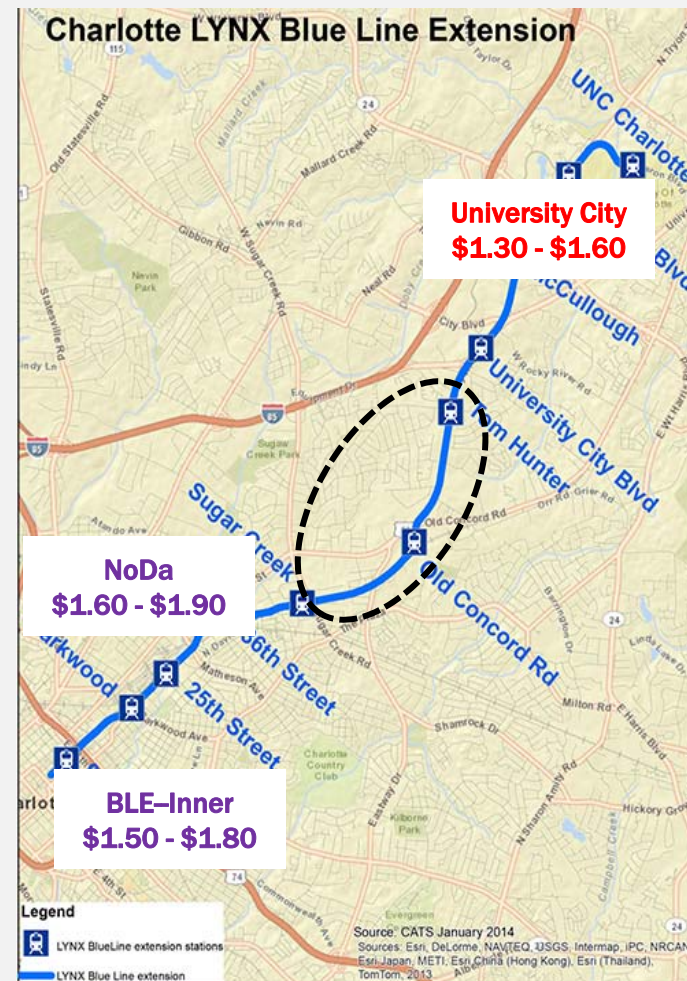
PRODUCT FEASIBILITY BECOMES THE CHALLENGE TO DEVELOPMENT

- South End and New Bern—
 - MR & HR construction (MR only in New Bern)
- Scaleybark, Woodlawn & Tyvola
 - Likely garden-urban, but midrise possible in larger mixed-use deals
 - Redevelopment of is borderline and can support garden-urban product and, as part of a mx-d-use project, perhaps midrise
- Rest of corridor is likely conventional or elevator-garden
 - Potential rents, walkability, convenience all diminished from closer in
 - Doesn't support ground-floor retail
- Critical factor remains creating value via parks, open space, trails, sidewalks, etc.



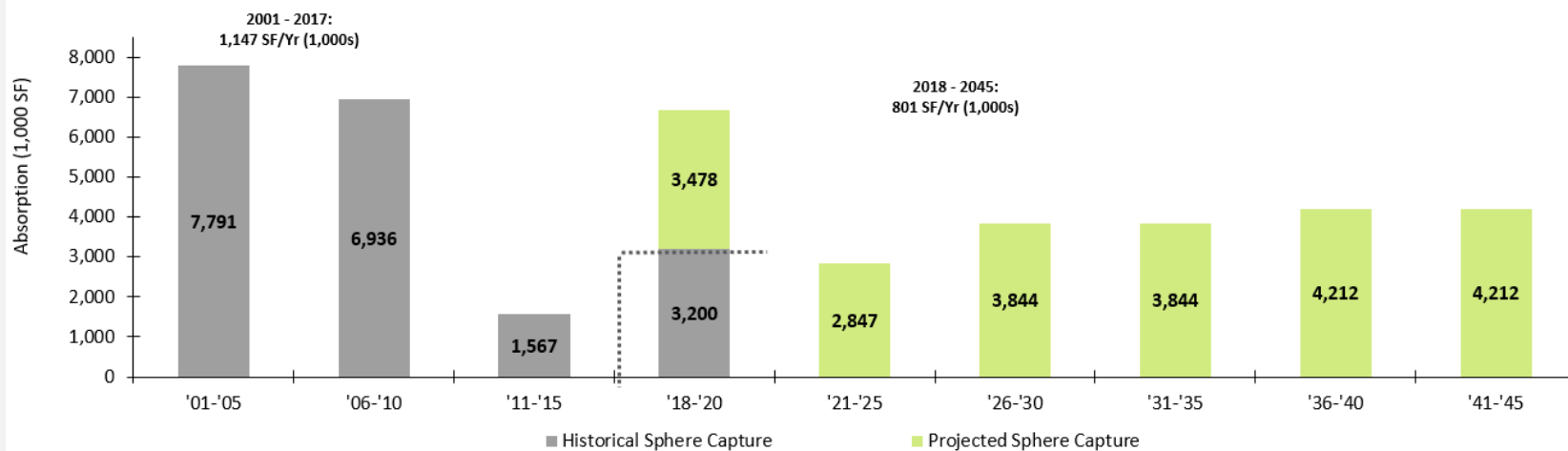
PRODUCT FEASIBILITY BECOMES THE CHALLENGE TO DEVELOPMENT

- Center City to NoDa
 - Rents/dynamics support midrise and urban garden product
 - Retail can be on first floor of some
- Sugar Creek to Tom Hunter
 - Really tough dynamics that only support conventional, maybe elevator garden product
- University City
 - Varies: Stand-alone deals likely garden-elevator or maybe garden-urban
 - A redeveloped University Place deal may get into midrise territory
- Again, how to create value to boost rents becomes a big challenge.



OFFICE DEMAND

- As noted, overall office demand is expected to be more moderate in the coming decades
 - Moderating economy
 - Reduced employees/SF will temper absorption
 - Coworking formats being more broadly applied
- As noted, office locations are shifting significantly
 - Old model following bosses/executive housing moderating
 - New model following young talent (Millennials) on the rise
 - 50% to 60% or more value mixed-use, car-optional locations



INFILL OFFICE DEVELOPMENT ALONG THE BLUE LINE/BLE

- Much of the Blue Line and BLE lack both executive housing adjacency and freeway frontage
 - Blue Line capture, 2000s: 2% - 3%
 - 2011 – 2020: 11% - 13%
 - 2021 – 2045: 10%+/-
 - BLE capture, 2000s: 0.4% - 1.2%
 - 2011 – 2020: 1.9%
 - 2021 – 2045: 7% +/-
- Midrise to High-Rise Office (5 – 10 stories, deck parked)
 - South End
 - Perhaps Woodlawn & Tyvola long-term in MXD
 - Perhaps NoDa longer-term, maybe North Davidson
 - Perhaps University Place in MXD
- Low-Rise Office (1 – 5 Stories, surface parked)
 - North Davidson
 - Outer Blue Line Stations
 - Outer BLE Stations

