

Town of Pineville

Cone Mill Redevelopment

Market Analysis Refresh | Aug 23 2021



SCHOOL OF GOVERNMENT
Development Finance Initiative

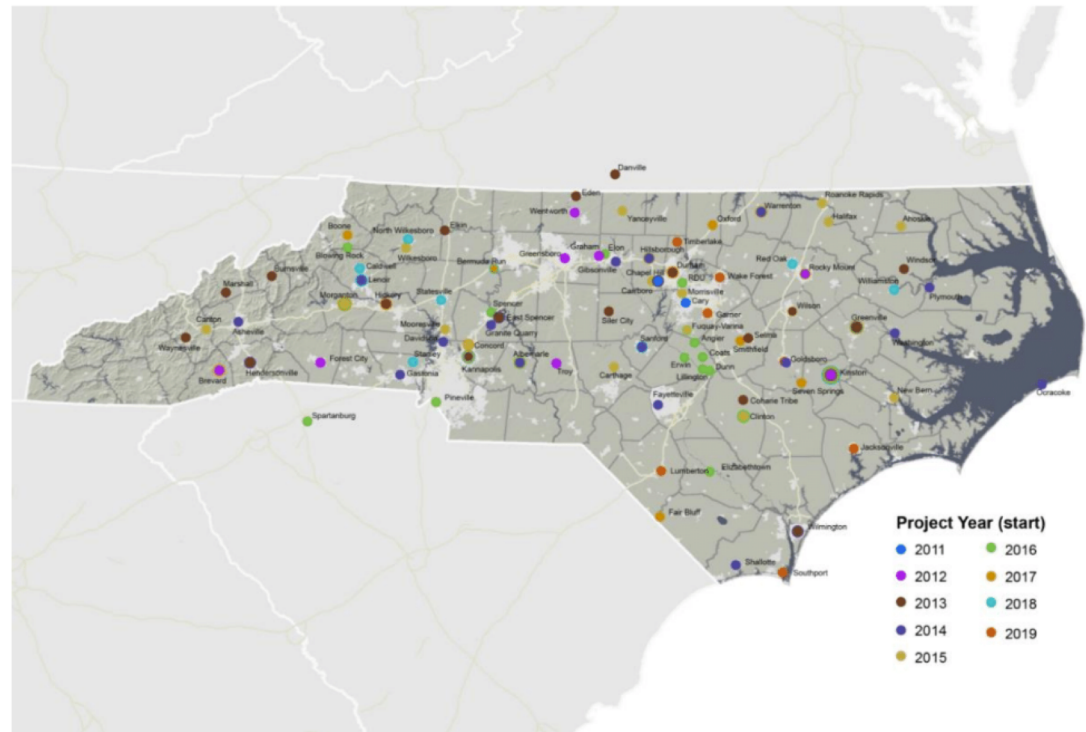
Agenda

- Project Recap
- DFI's Market Analysis Process
- Market Analysis Refresh Findings
 - Office Market
 - Retail Market
 - Multifamily Residential Market
- Discussion Items and Next Steps

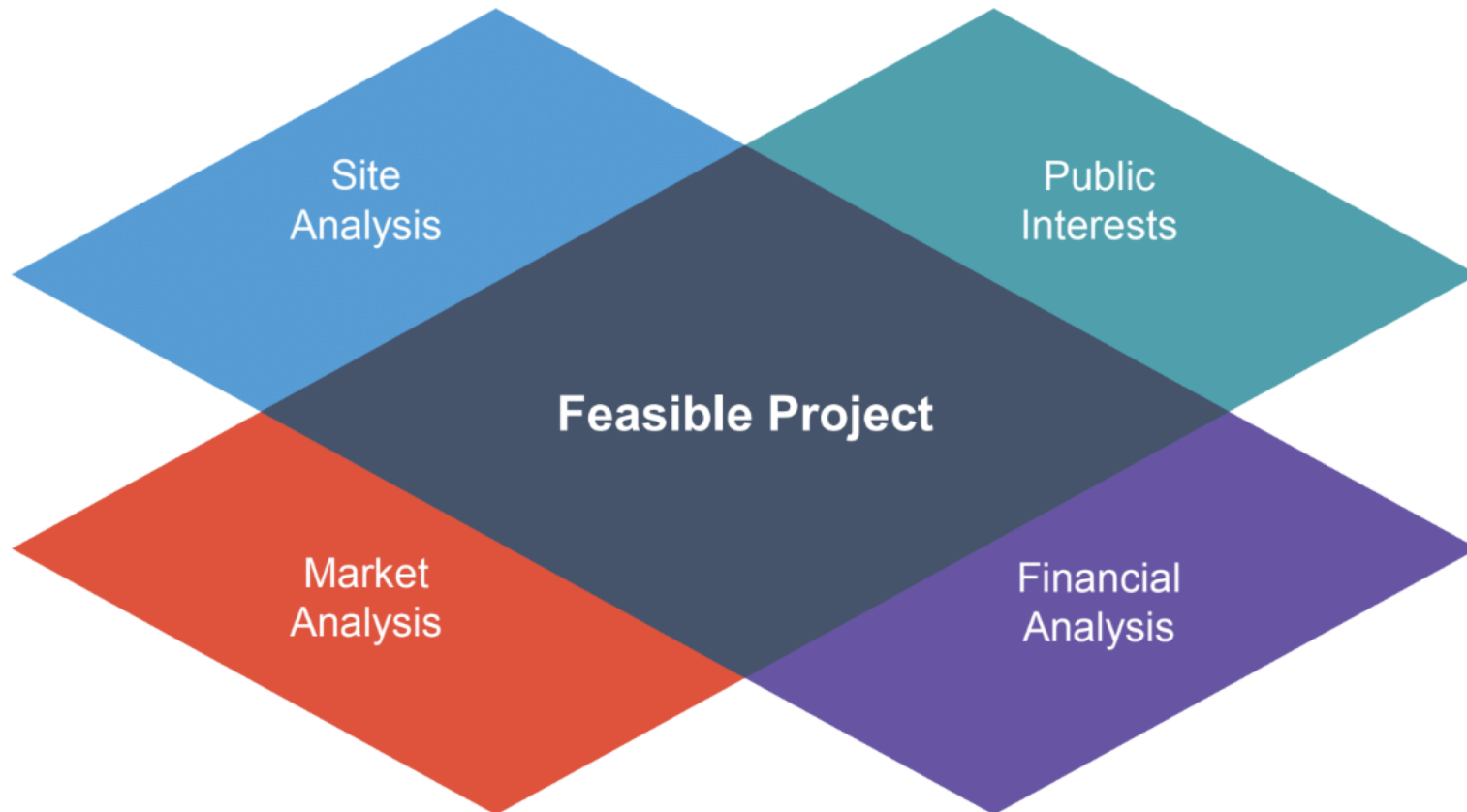
Project Recap

Development Finance Initiative

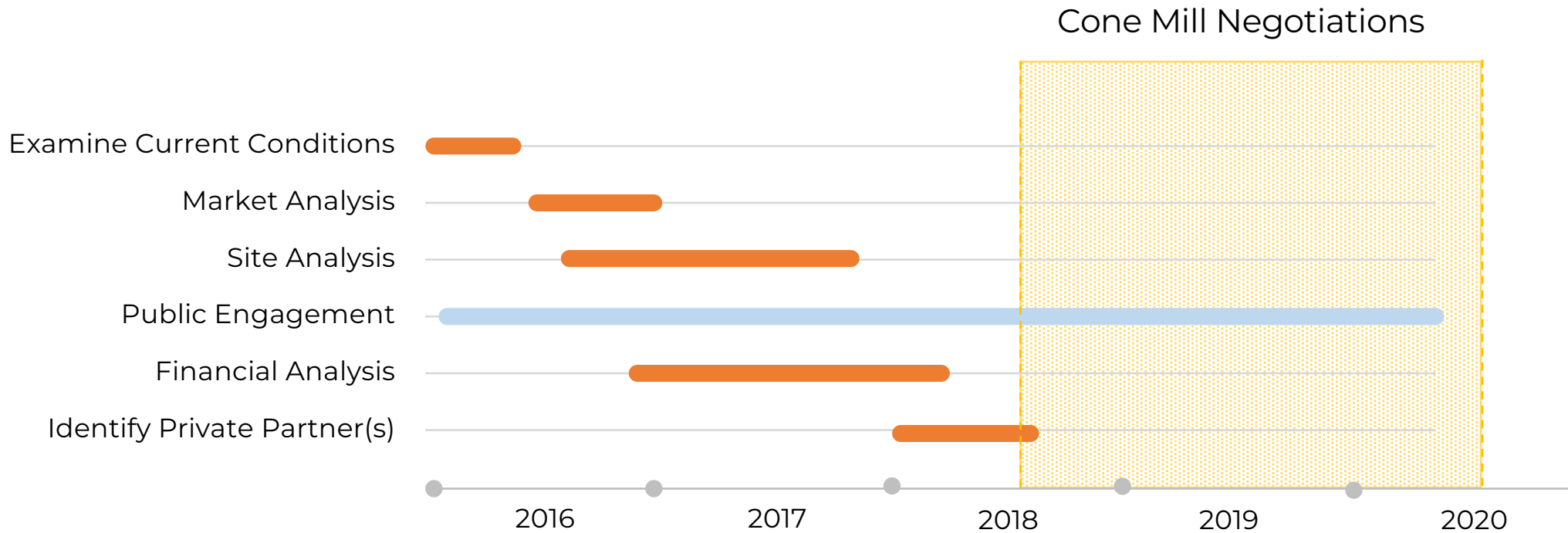
The Development Finance Initiative (DFI) is a program of UNC Chapel Hill's School of Government and collaborates with communities in NC to attract private investment for transformative projects by providing specialized finance and real estate expertise.



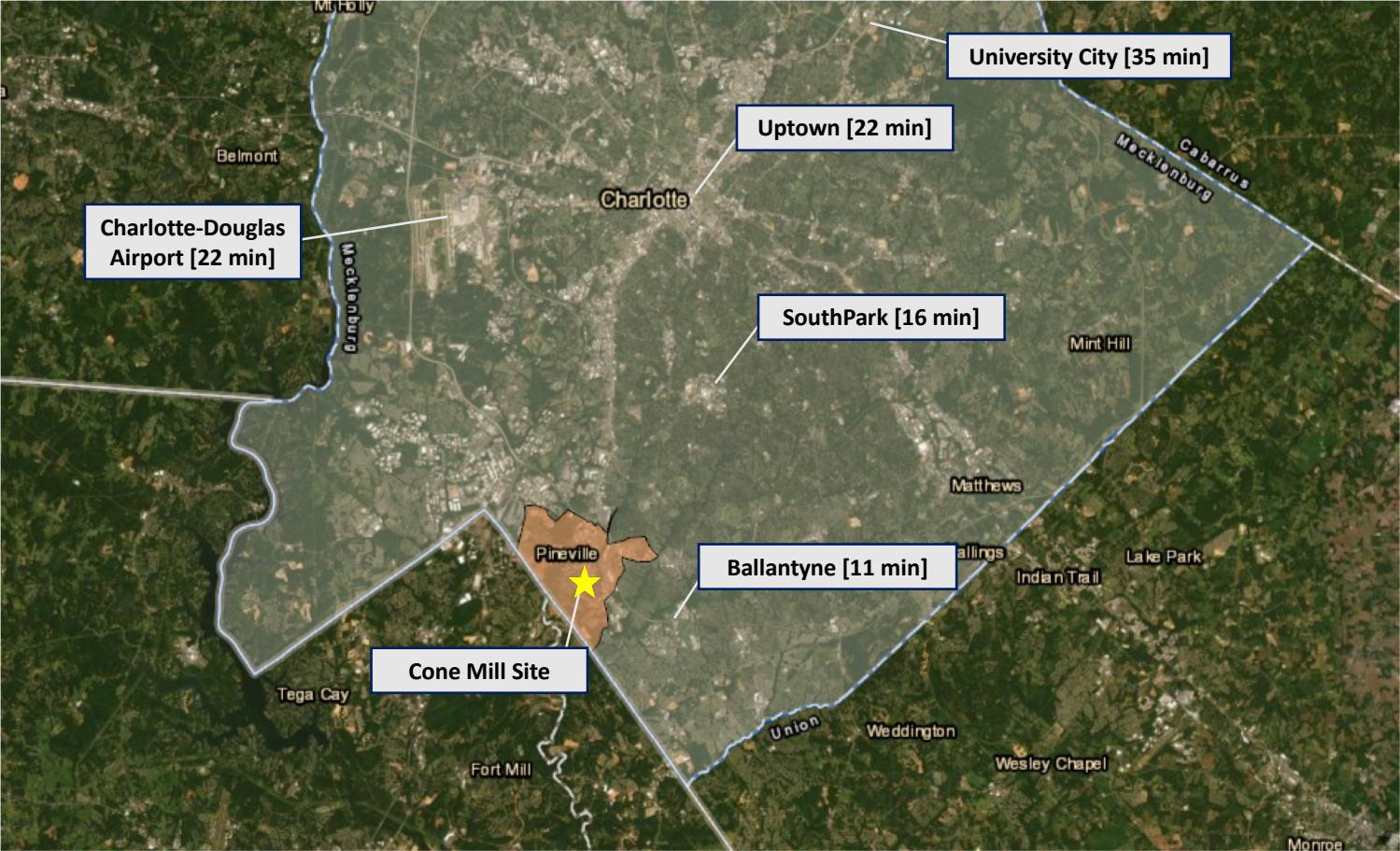
DFI Pre-Development Process



Pre-Development Timeline

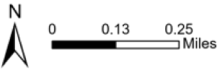


Cone Mill – Area Map

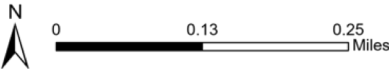


Cone Mill – Development Site

Downtown Pineville Boundary



Cone Mill Site



Revisiting Guiding Public Interests

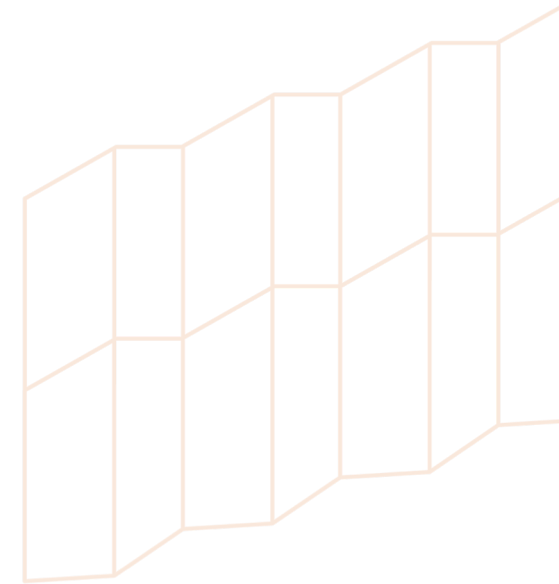
- Increase **diversity of retail and office uses** downtown
- Promote **enhanced evening activity** while maintaining small town feel
- Encourage **multi-family development** that fits with character of downtown and Old Town
- Balance increased activity with **traffic flow** along Main Street
- **Maximize private investment** by leveraging public investment

Market Analysis Process

DFI studied the pre- and post-COVID-19 conditions in and around Pineville and analyzed key market indicators to understand demand for market-rate office, retail, and multi-family housing development.

Each market feasibility analysis includes:

1. Definition of market/trade area
2. Analysis of current market conditions
3. Analysis of demand drivers
4. Estimates of future growth based on projections of historic trends and downtown capture rates



Office Market

Office Market Area



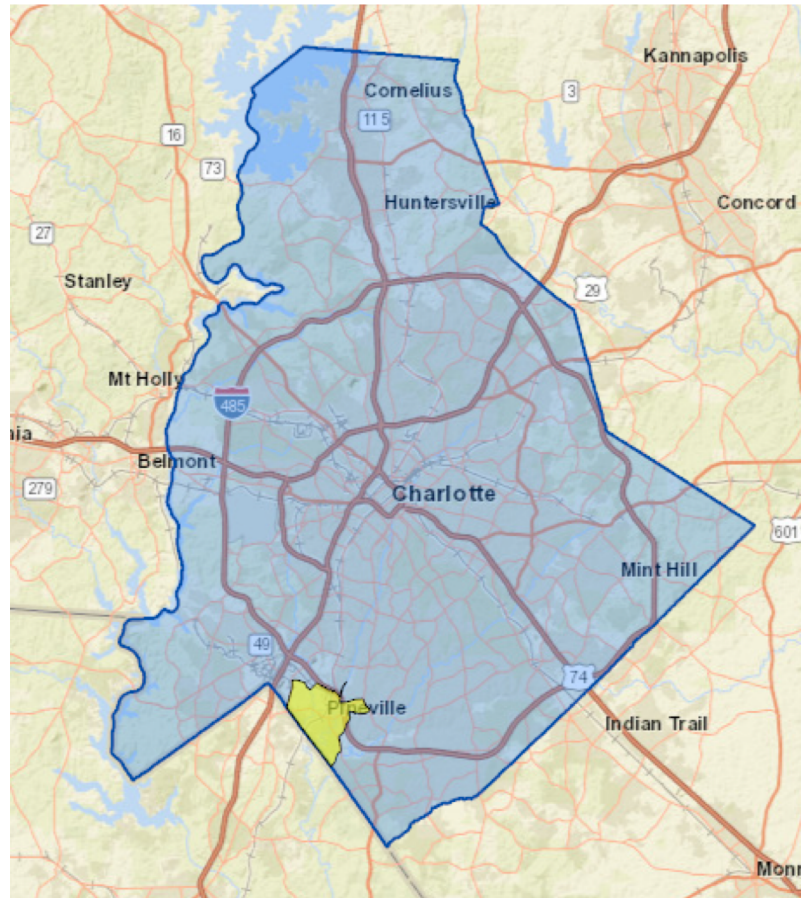
92.7M
Total Square Feet
89.8M SF in 2019



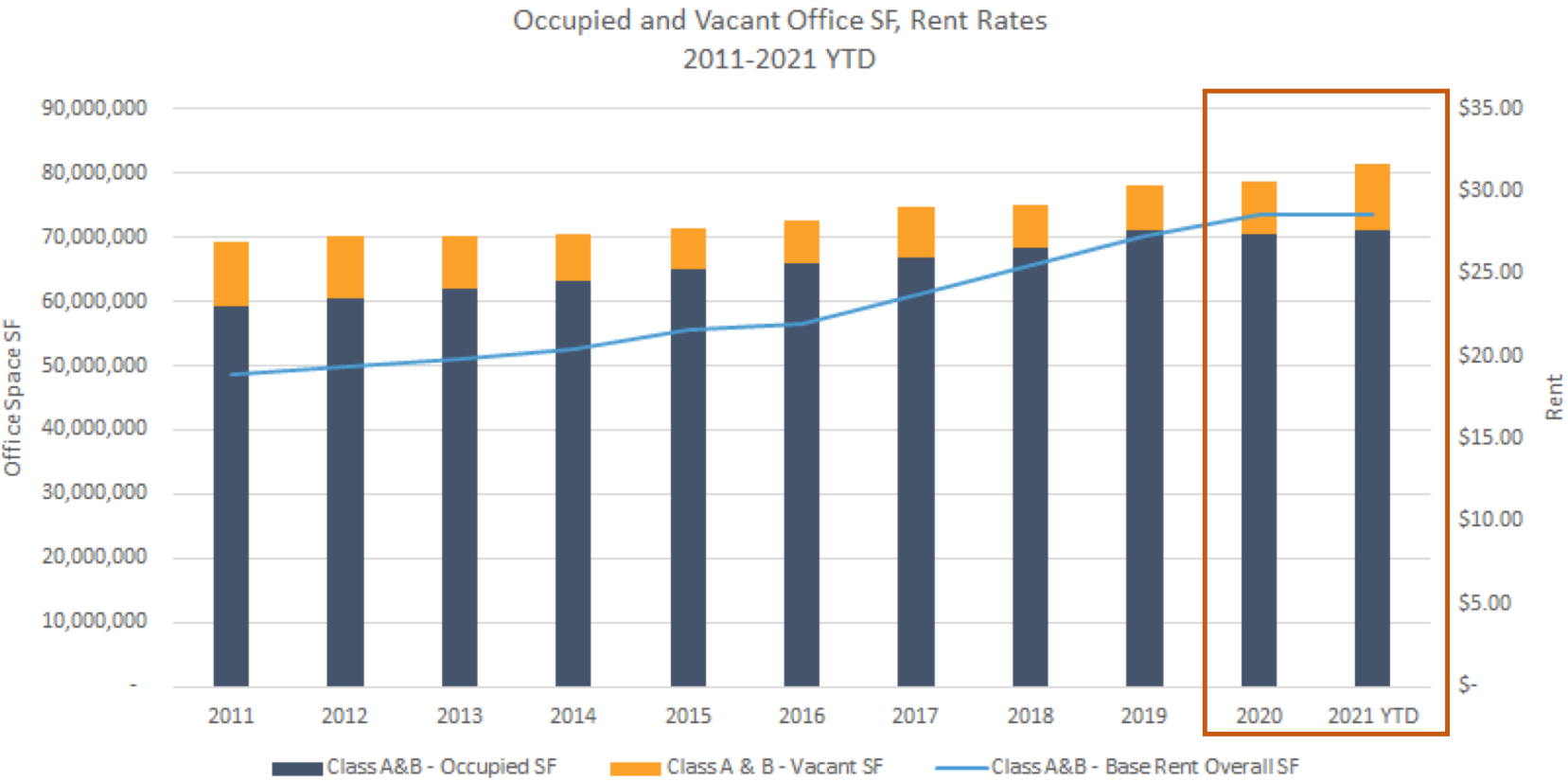
11.5%
Vacancy Rate
8.2% Overall Vacancy in 2019



\$29.70
Average Rent PSF
\$28.04/SF Rents in 2019



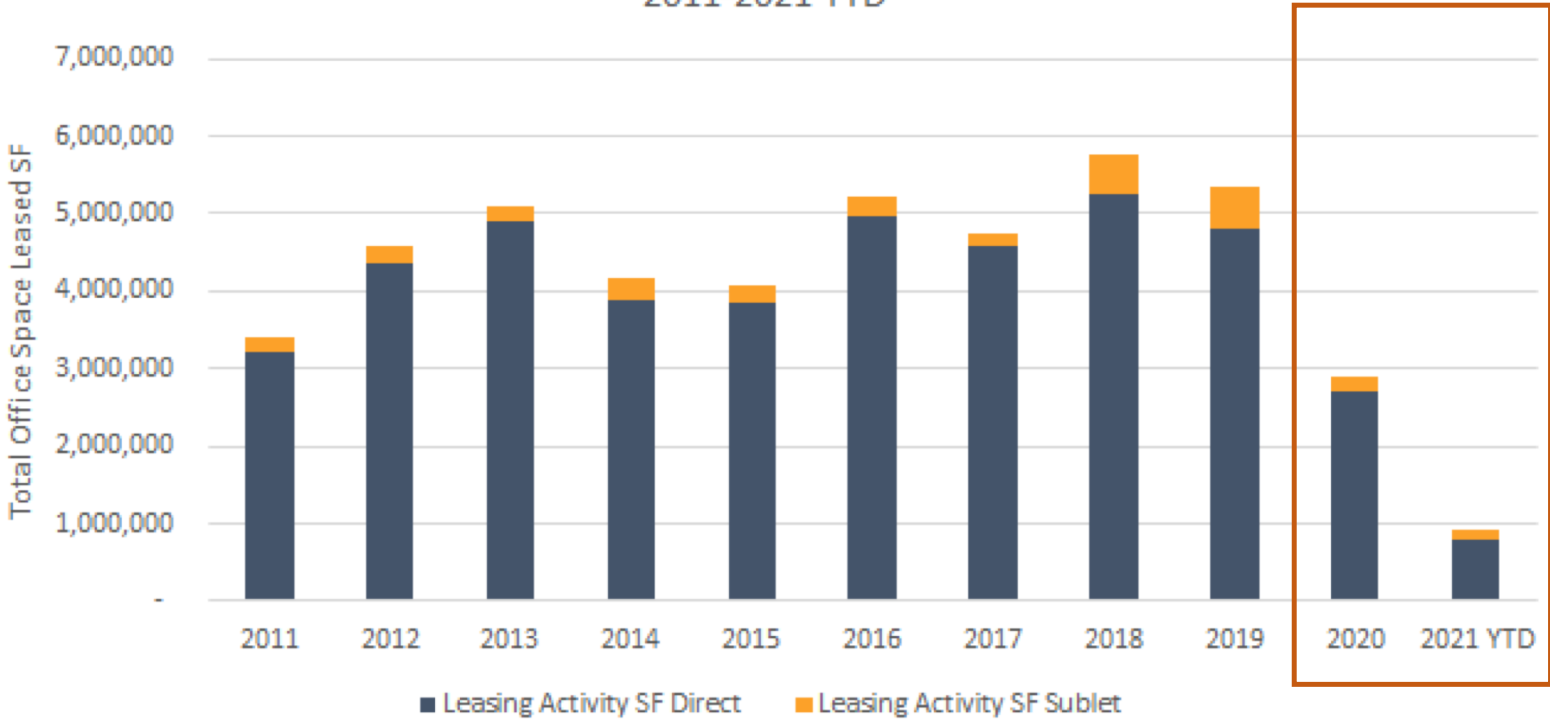
Increased Vacancy, Flat Rents



Vacancy rate is higher than it's been since 2013, though below the national average.

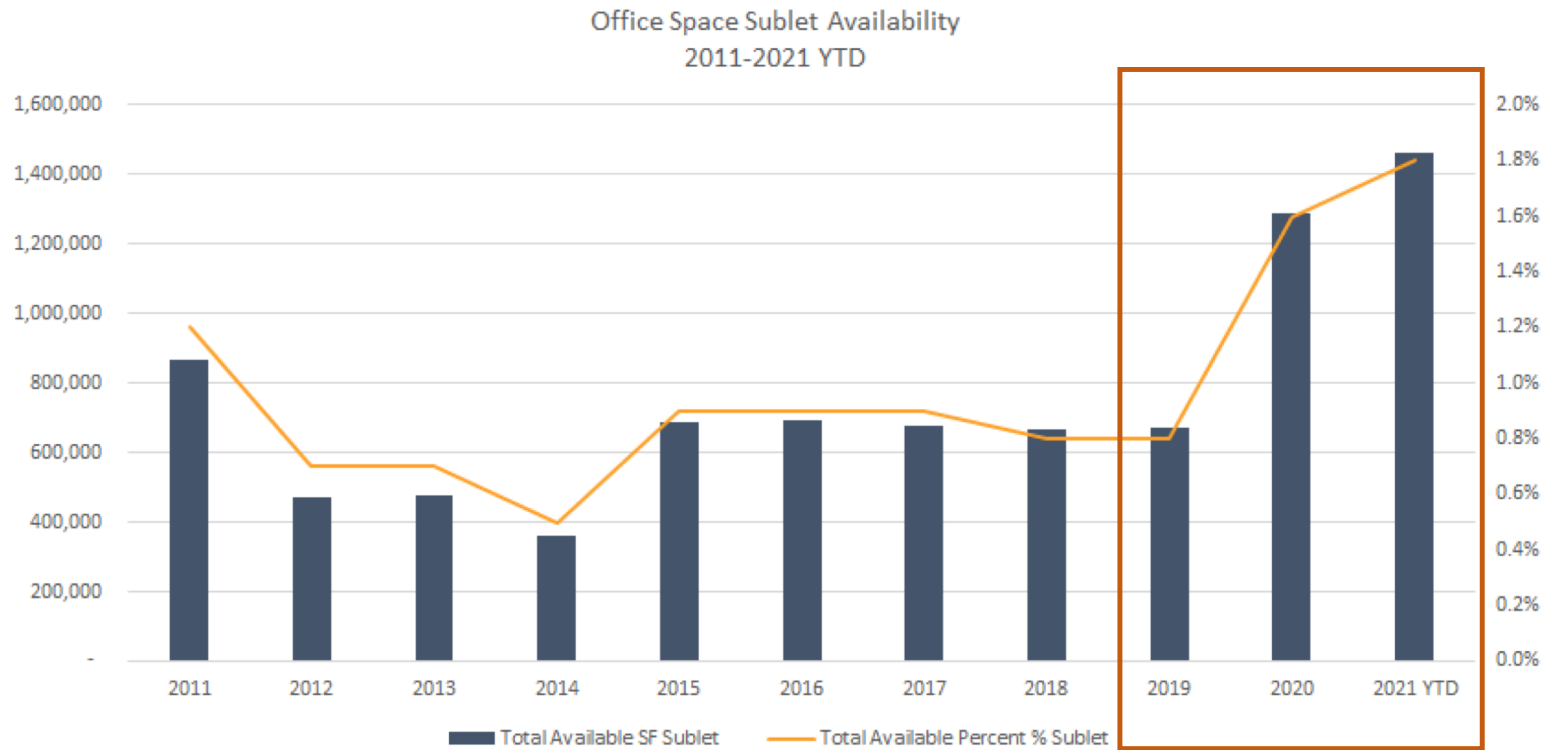
Significant Decline in Leasing Activity

Mecklenburg Office Leasing Activity
2011-2021 YTD



Record decline in leasing activity, with sublet market surpassing 3%.

Increase in Sublet Space Availability



118% growth from 2019 to 2021 YTD in sublet availability.

Office Market Implications



Record levels of supply and the **uncertainty of return to office** arrangements will stall rent growth in the near term, particularly in urban/higher end assets.



Vacancy rate is higher than it's been since 2013 and could increase with large pipeline, though currently below the national average.



Record **decline in leasing** activity, with **sublet market surpassing 3%**, especially for Class A properties and those in the CBD.



Even with expected job growth, there is **no office demand** after current supply and pipeline projects are considered and **pre-leasing space is a challenge**.

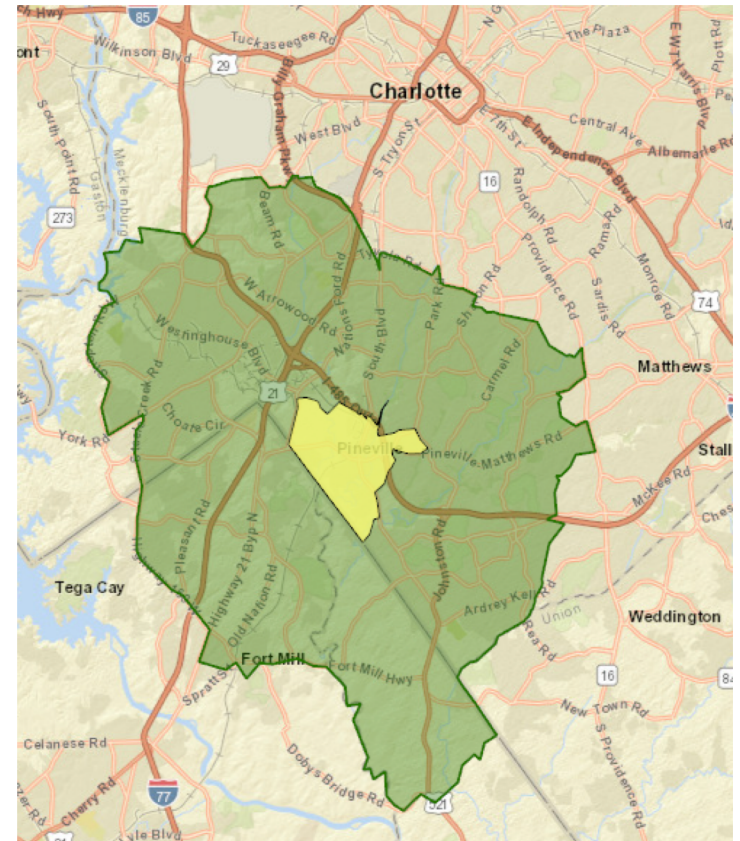
Retail Market

Key Findings for Retail Market

- Market area projects increase in population of roughly **11,000 new residents** in next five years.
- **Static inventory** has allowed for vacancy rates to stabilize and retail absorption rates to rebound.

Site Considerations

- Site is disconnected from Main Street with low traffic counts/lack of visibility.
- New retail will likely be dependent on density of site uses (office or residential).



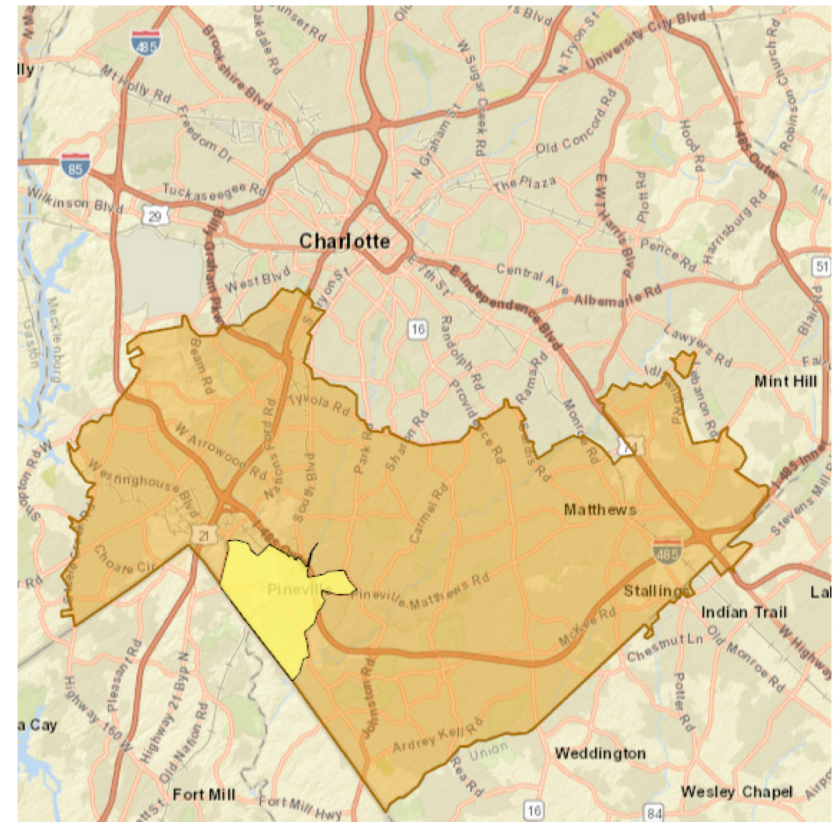
Multifamily Residential Market

Key Findings for Multifamily Market

- Deliveries in 2020 were nearly triple that of 2019 **(1,560 units)**, contributing to a slight vacancy rate increase.

Site Considerations

- BFA does not allow for single-family or subdivision on some of the site.
- Site visibility isn't as critical for multifamily housing.
- Some people may prefer being closer to downtown and the neighborhood
- Multifamily housing is likely a better fit than office for this site



Discussion Items and Next Steps

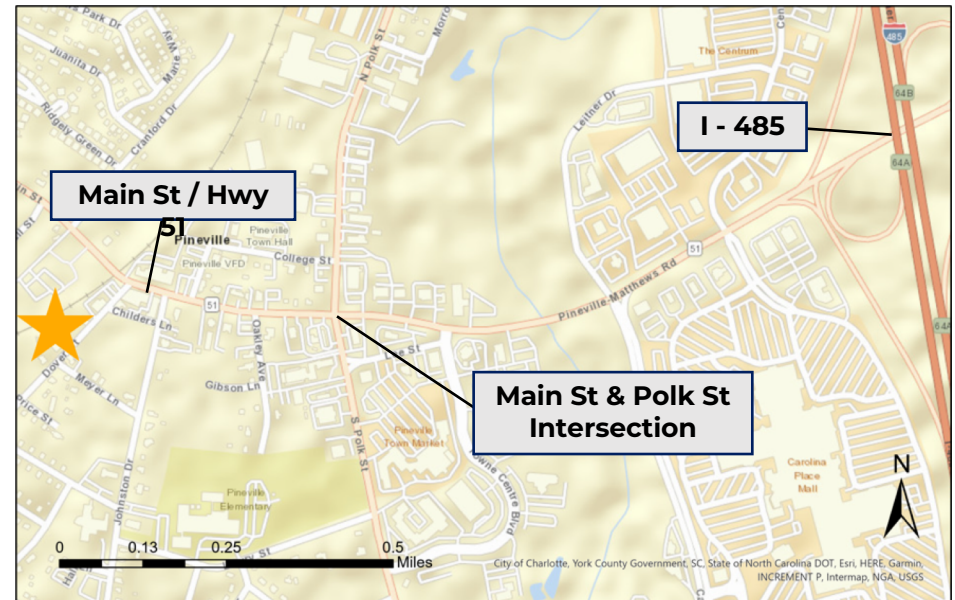
Cone Mill Site Opportunities

- Site is within a growing metro area and has **potential to capture increased market demand.**
- Potential to create a **destination development that extends downtown** Pineville down Dover St.
- Site is in proximity to three major **roadway arteries.**



Traffic and Parking Considerations

- Cone Mill has limited access to major arteries
- Parking for office is typically 4 spaces/1,000 SF & 1.5 spaces/BR for MF residential (depending on code):
 - A 50,000 SF office building would require 200 parking spaces
 - A 50,000 SF multifamily residential building would require 100 spaces



Potential Fire Department Placement

- DFI is not an expert on Fire Department requirements/placement
- Key questions the Town may want to consider:
 - Are roads wide enough?
 - Is there the right type of intersection downtown?
 - Does proximity to major/efficient roadways matter?
 - How does train crossing impact fire trucks?
 - Does the station need a drive through garage?

Development Considerations

	Proceed with solicitation	Shift to recruiting built-to-suit office tenant	Pause on efforts and revisit in 9-12 months
Key Considerations	<ul style="list-style-type: none">• Find the right partner to market site	<ul style="list-style-type: none">• May required hiring third party leasing broker	<ul style="list-style-type: none">• Pushes development timeline which could allow time for office market to change
Town Involvement	<ul style="list-style-type: none">• Option A: Town to master plan the site and attract developer for specific development pads• Option B: Attract a master developer/phased approach	<ul style="list-style-type: none">• Use broker to try and attract a built-to-suite opportunity	<ul style="list-style-type: none">• Potentially begin with Phase 1 (non-office use)



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