Raleigh/Durham Airport (RDU), NC

March 16-21, 2014

An Advisory Services Panel

Urban Land Institute

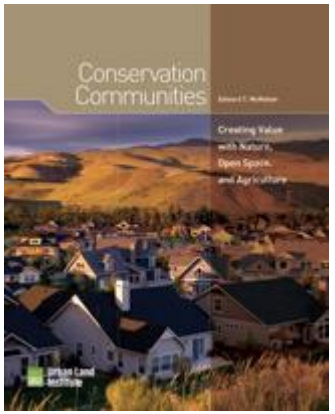
Advisory Services Program

ABOUT THE URBAN LAND INSTITUTE

- The mission of the Urban Land Institute is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

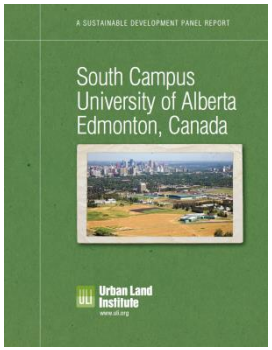
- ULI is a membership organization with nearly 30,000 members, worldwide representing the spectrum of real estate development, land use planning and financial disciplines, working in private enterprise and public service.

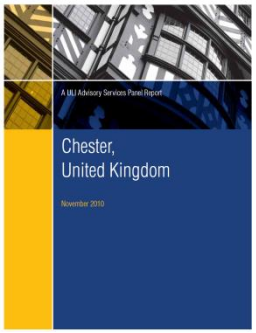
- What the Urban Land Institute does:
  - Conducts Research
  - Provides a forum for sharing of best practices
  - Writes, edits and publishes books and magazines
  - Organizes and conducts meetings
  - Directs outreach programs
  - Conduct Advisory Services Panels

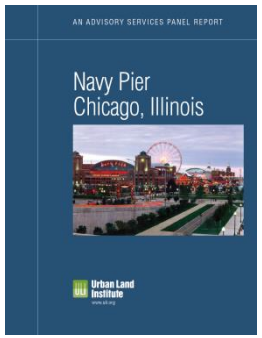


THE ADVISORY SERVICES PROGRAM

- Since 1947
- 15 - 20 panels a year on a variety of land use subjects
- Provides independent, objective candid advice on important land use and real estate issues
- Process
  - Review background materials
  - Receive a sponsor presentation & tour
  - Conduct stakeholder interviews
  - Consider data, frame issues and write recommendations
  - Make presentation
  - Produce a final report







THE PANEL

Chair

- John Walsh

Panelists

- Mulu Birru
- Kate Collignon
- Rob Dower
- April Anderson Lamoureux
- Klaus Philipsen
- Mark Troen

Staff

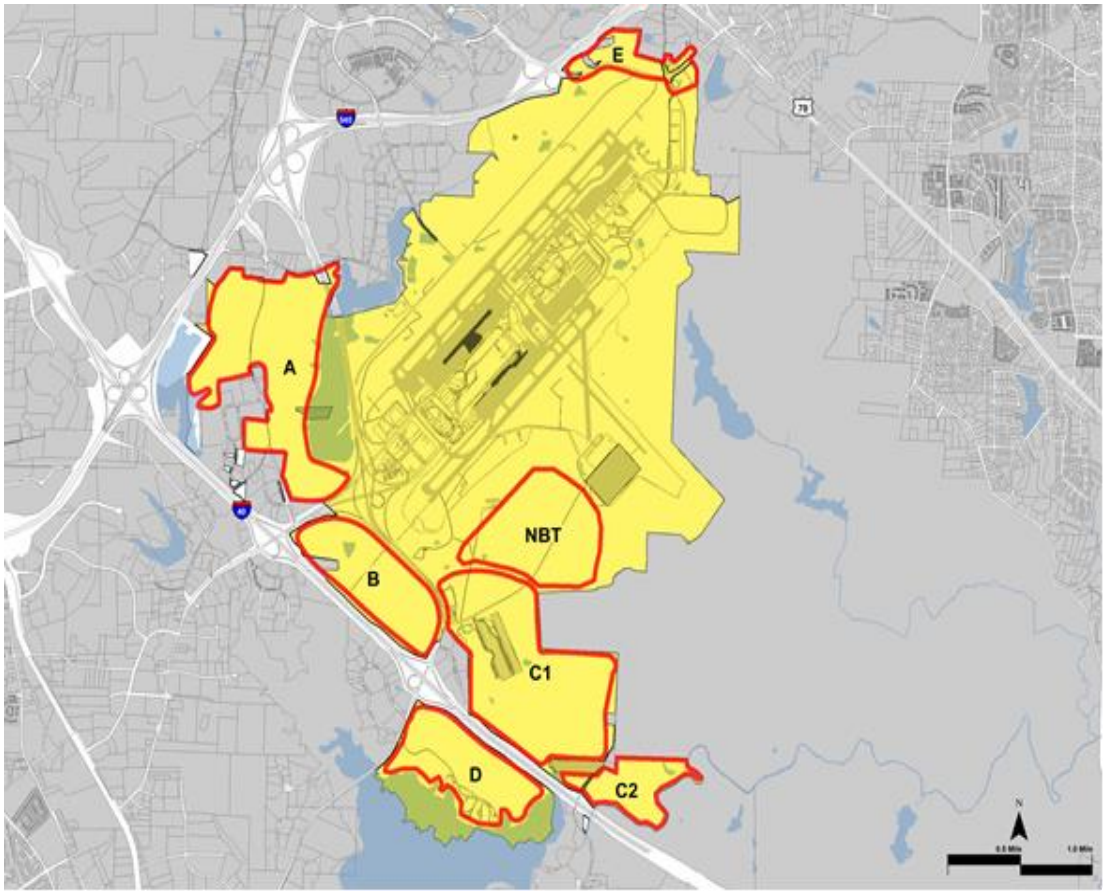
- Gayle Berens
- Rose Kim
- Natasha Hilton

SPONSOR

RDU

ASSIGNMENT

Assess how the Raleigh-Durham Airport Authority should responsibly use airport land that may not be required for future aeronautical purposes in a manner that benefits the region, provides additional long-term revenue to the Airport Authority, and complements the operation of the Airport



CONTEXT

- RDU Center of Region
- Neutrally Positioned
- Interdependent with Region
- Want to create First Class Passenger Experience
- Changing Airline Industry
- Changing Revenue Sources

PROCESS

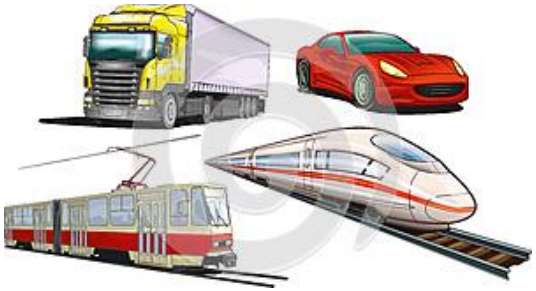
- Met Sunday
- Briefing and Tour on Monday
- 85 Interviews on Tuesday
- Work sessions all week to examine key elements of report
- Writing on Wednesday and Thursday
- Presentation Today

KEY FINDINGS

- RDU is a Leading Peer Group Airport
- Real Estate Opportunities are significant
- RDU is a Major Regional Leader
- Opportunity and burden come with Growth
- Leadership in Region is important

PROJECTED AVIATION GROWTH

- Between 2010 and 2029
- Due to continued globalization
- Passenger traffic from 4.6 billion to 11 billion
- Air Cargo makes up 30% of world trade – will triple

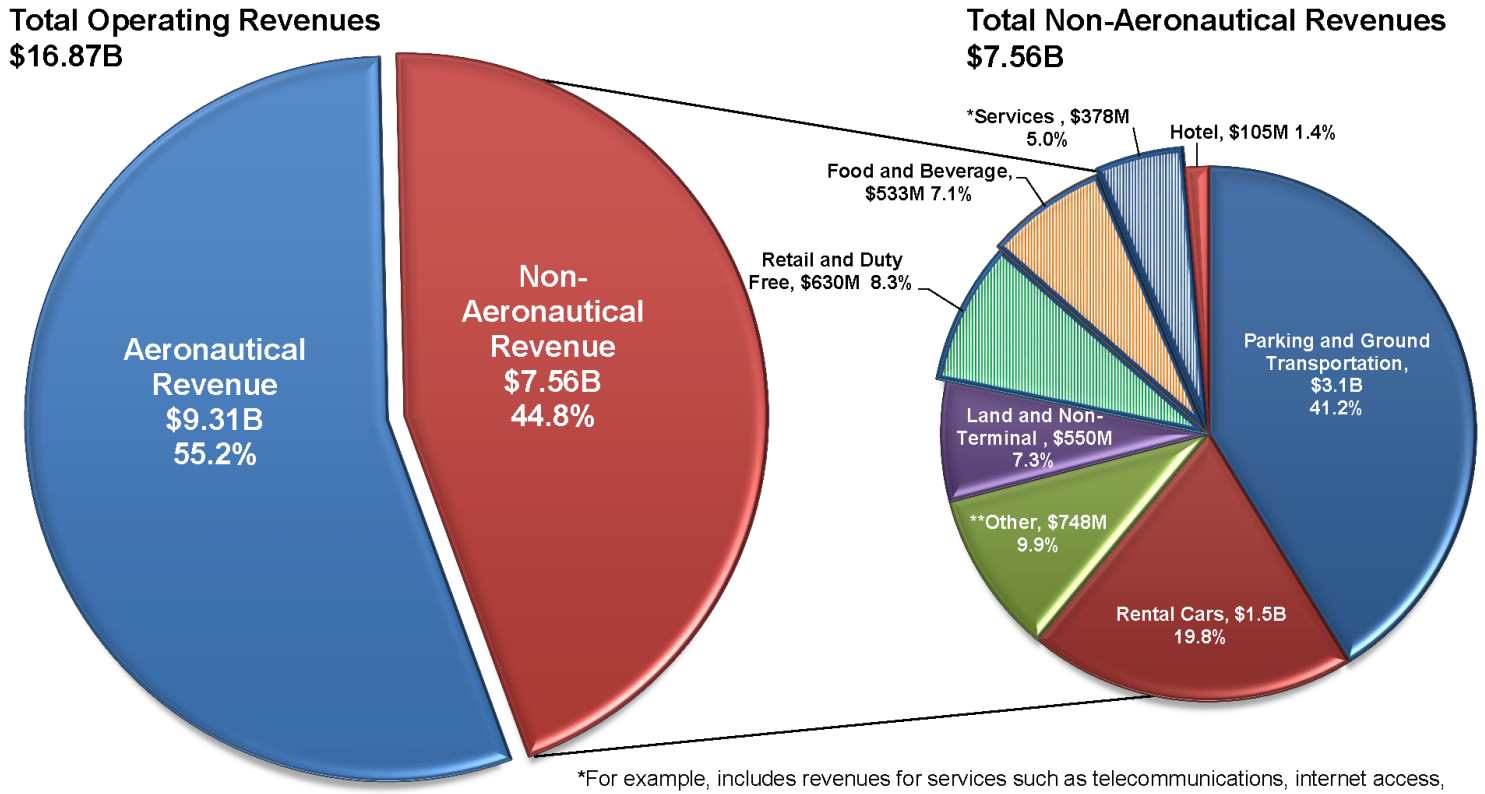


AIRLINE RESTRUCTURING IMPACTING AIRPORTS

- Pressure to Diversify Non-Aeronautical Revenue
- Airports as Excess Property Developers

Big Picture of U.S. Airports
Aeronautical vs. Non-Aeronautical Revenue

FAA 2012 Summary – Revenue to U.S. Airports



*For example, includes revenues for services such as telecommunications, internet access, advertising, barbershops, shoeshine stands, spas.
**All other non-aeronautical operating revenues earned from the non-aeronautical use of the airport

Source: FAA, ASS-400: CATS: Report 127

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INNOVATIONS IN NON-AERONATICS REVENUES

- Hotels as Virtual Offices/Meeting Centers
- Airside and Landside Opportunities
- Airports as Malls – Maximize Sq.ft revenues

REAL ESTATE DEVELOPMENT OPPORTUNITIES

- Complement, Not Compete with Urban Core
- Aviation-Driven Development
- Cargo and Cargo-driven Developments

COMPLEMENTARY REAL ESTATE DEVELOPMENTS

- General Business Park
- Hospitality Cluster
- R&D Park – Anchored by Center of Excellence

ENHANCING THE IMAGE OF AIRPORTS

- Airports – Major Gateway to Regions
- Smart Airports – Ultimate Passenger Experience
- High Development Standards – Green Technology

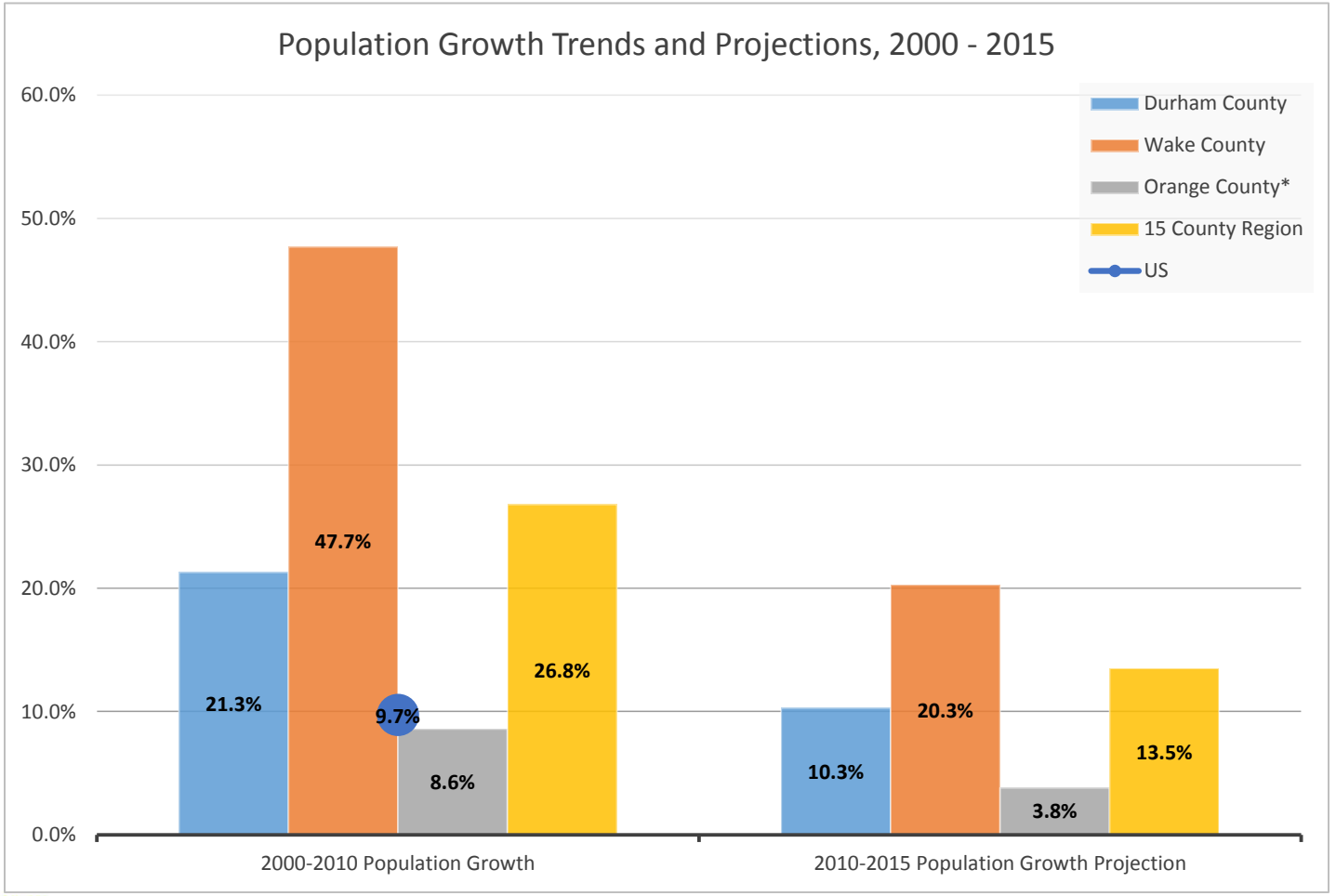
CONNECTIVITY TO AIRPORTS

- Multi-Modal Connectivity
- Transit Connectivity

DEMOGRAPHIC AND INDUSTRY SNAPSHOT

Population Overview

- Explosive growth 2000-2010
- Strong growth projections 2010-2015



DEMOGRAPHIC AND INDUSTRY SNAPSHOT

Population Overview

- Highest level of in-migration in US (2013)
- Population trends young
- Lower unemployment than national averages
- High educational attainment
- Lower than average cost of living
- Income growth

3rd fastest growing area for 20-34 year olds

DEMOGRAPHIC AND INDUSTRY SNAPSHOT

Industry Sector Analysis

- **Strength in the "Knowledge Economy"**
  - Professional & Business
  - Education & Health
  - Information
- **Emerging Sectors**
  - CleanTech
  - Advanced Manufacturing
- **Fastest Growing Occupations (Durham by 2018):**
  - Biomedical Engineers 77%
  - Network Systems & Data Communications Analysts 45.3%
  - Medical Scientists 45.2%

DEMOGRAPHIC AND INDUSTRY SNAPSHOT

Conclusions: What does this mean to RDU?

- As population grows, demand is increased for goods and services
  - New economic investment for RDU
- As incomes grow, spending grows
  - Increased passenger trips for RDU
- As knowledge economy grows, higher demand for real estate
  - Parcel development at RDU
- As population gets younger, real estate market changes
  - Innovative site design to attract highest and best use of site
  - Promote sustainability & connectivity

REAL ESTATE MARKET

Products Evaluated

- Multipurpose/Industrial
- Office
- Residential (Multifamily)
- Hotel
- Retail

Opportunities

- High growth region
- Large footprints
- Natural assets
- Vehicular access
- Airport / transit access

Constraints

- Noise
- Wetlands
- Competing sites in established locations
- Long-term airport flexibility

REAL ESTATE MARKET: MULTIPURPOSE (FLEX/WAREHOUSE)

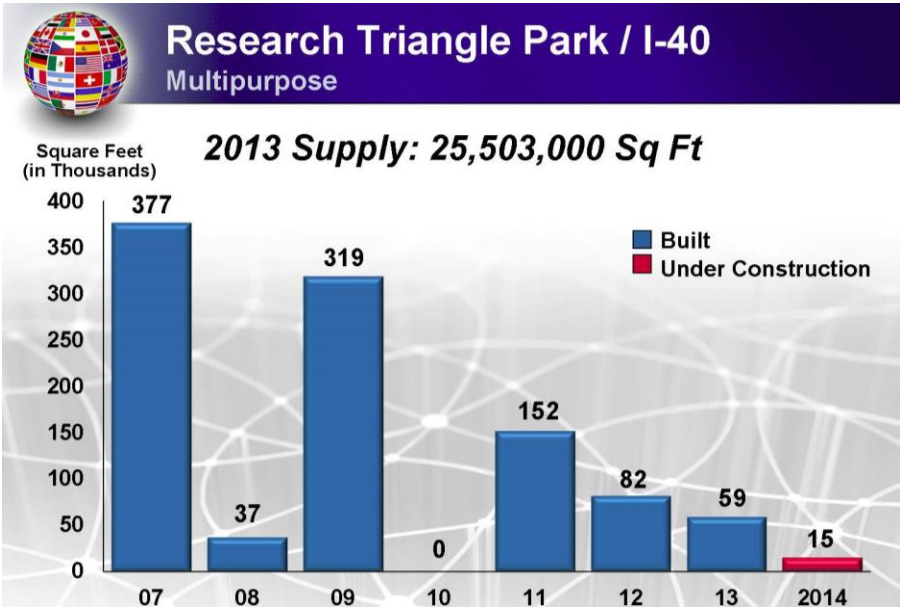
Mid-Term Potential, Esp. for Air Cargo

Current

- Limited construction/growth
- Declining vacancy rates

Future

- Scarcity of sites in RTP/I-40 submarket
- Air cargo



REAL ESTATE MARKET: OFFICE

Long-Term Potential; Amenities & Ready Sites Essential

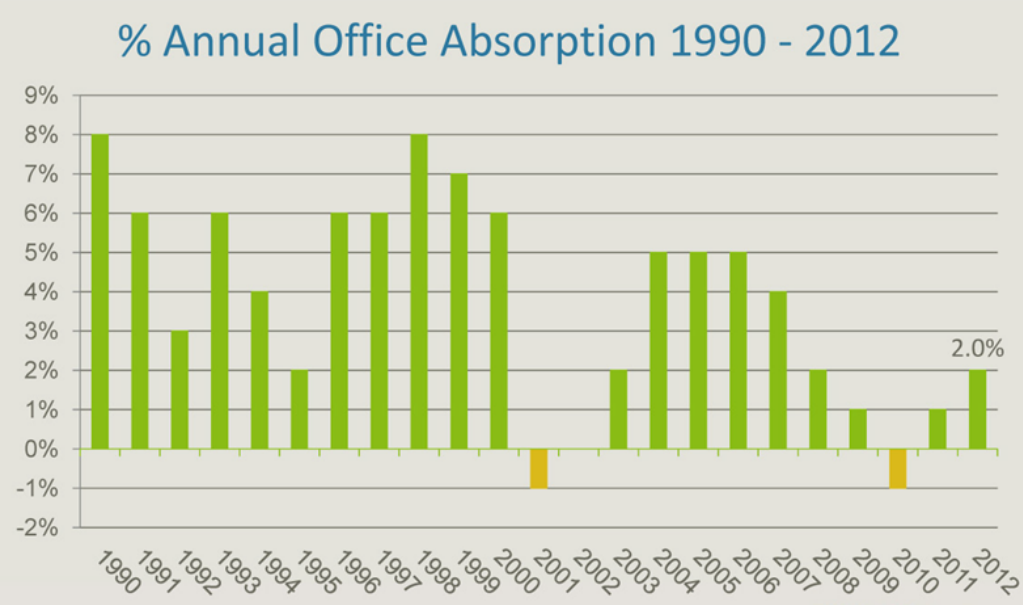
Current

- Top 20 development market (ULI)
- Declining vacancy following recession; high vacancy persists at RTP
- Retail/dining amenities essential; CBD market outpaces suburban
- Built-to-suit prevalent

Future

- 80,000 new jobs by 2017

(Moody's)



Source: Carolantic Realty Inc.

REAL ESTATE MARKET: MULTIFAMILY

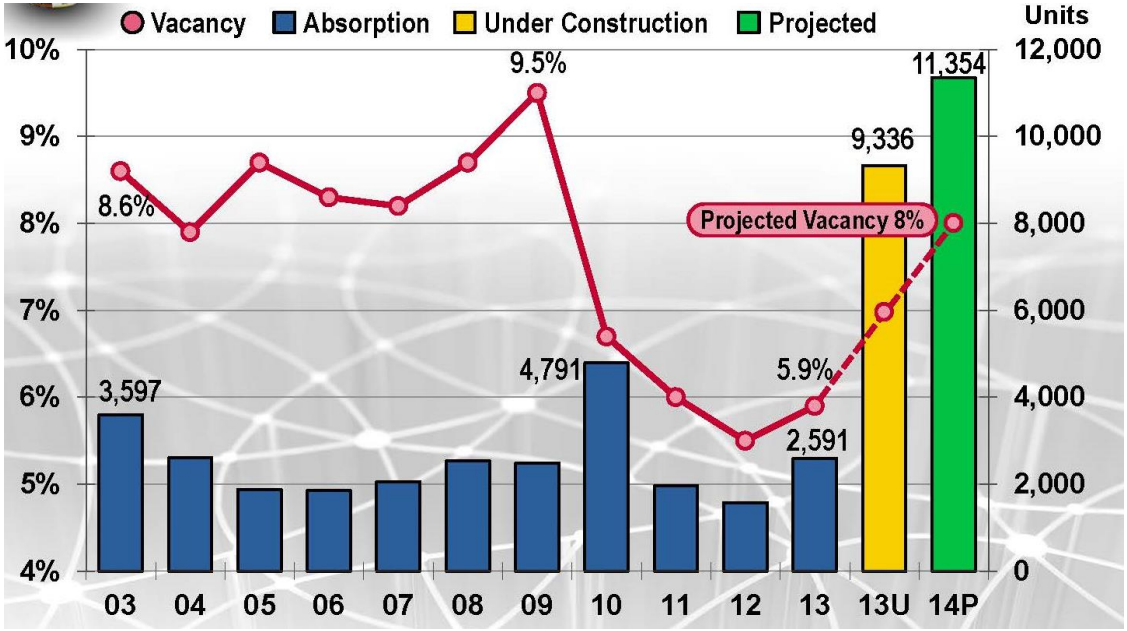
Questionable Site Fit

Market

- Low vacancy; minimal construction since recession
- 20,000 units now under construction / planned
  - Vacancy to rise

Site Considerations

- Natural amenities an asset
- Transit hub appeal
- Noise a constraint
- Challenge to RDU flexibility



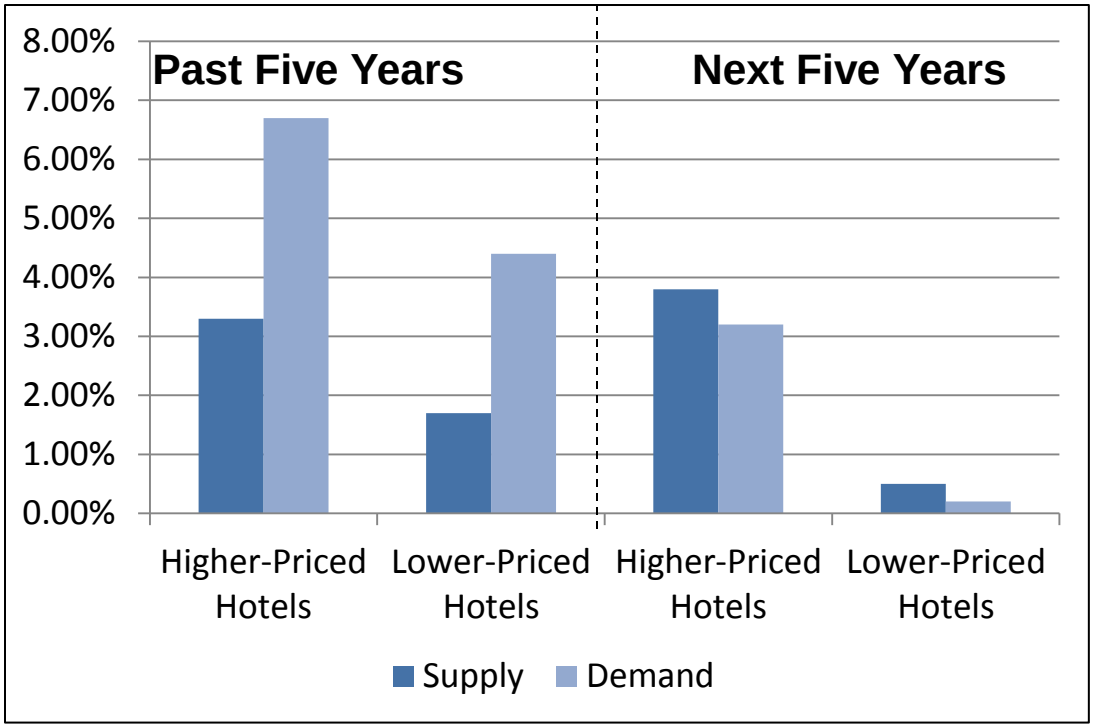
Source: NAI Carolantic Realty Inc., Triangle Apartments Association, Karnes Research Company

REAL ESTATE MARKET: HOTEL

Strong Near-Mid Term Potential for Higher-Price Hotel

- Demand has outpaced supply
  - Growth slowing
- Emphasis on higher-price hotels
  - Now 51% of RTP/ Airport submarket
- 3,100 units under construction / in pipeline
  - 6 years of supply at historic rates
- Business hotel opportunity
  - Walking distance to early morning flights
  - Land side

Demand outpaced supply, but slowing



Source: PKF Hospitality Research LLC

REAL ESTATE MARKET: RETAIL

No Stand Alone

Current

- Required amenity for office or multifamily
- Not recommended as stand alone
  - Traffic
  - Market / Competing sites

Future

- Land side opportunity, with hotel

REAL ESTATE MARKET: SUMMARY FINDINGS

Market Potential

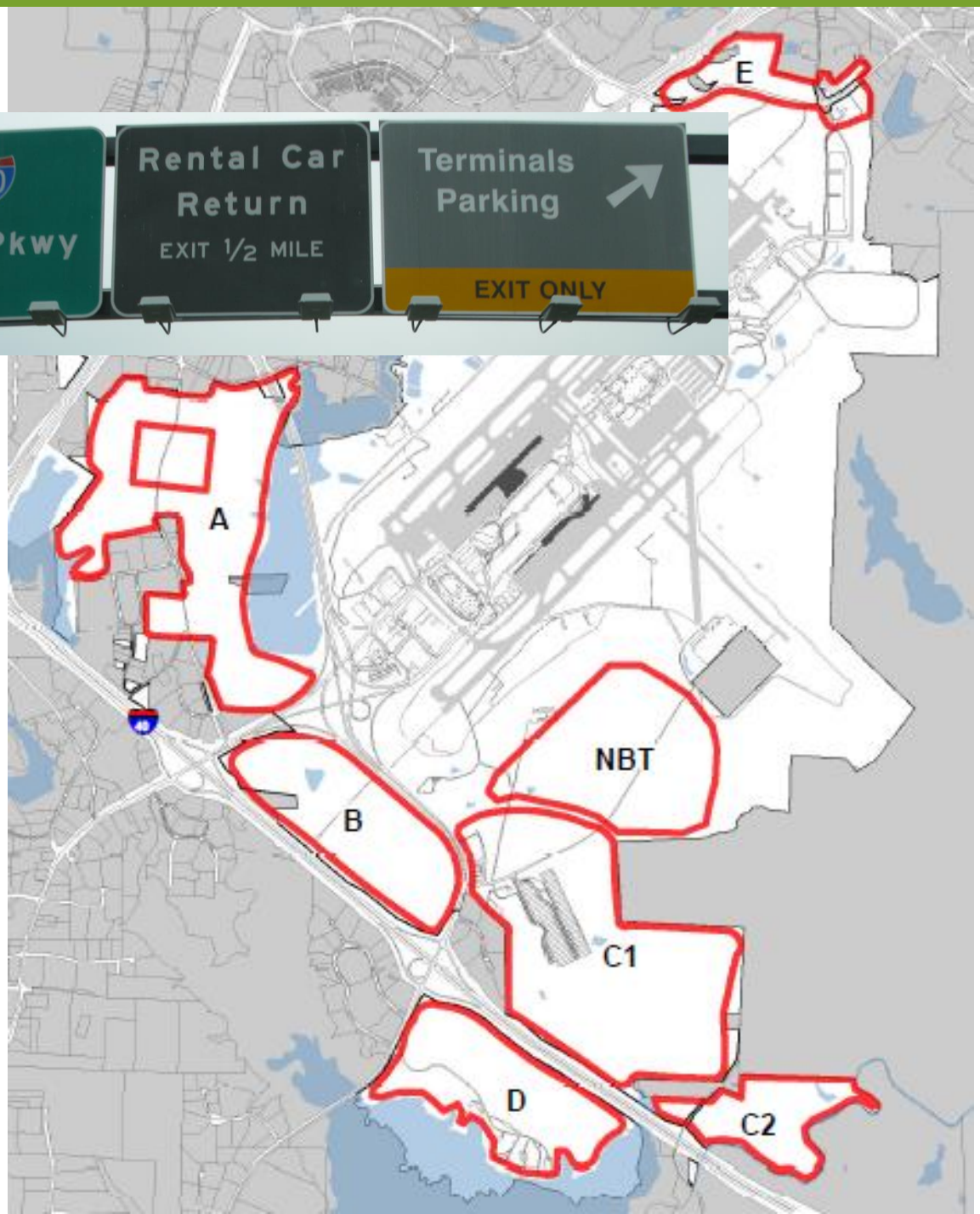
- Land Side Business Hotel (Near-Mid-Term)
- Multipurpose / Flex / Warehouse (Mid-Term)
- Amenitized office (Long-Time)
  - Requires building value through initial development

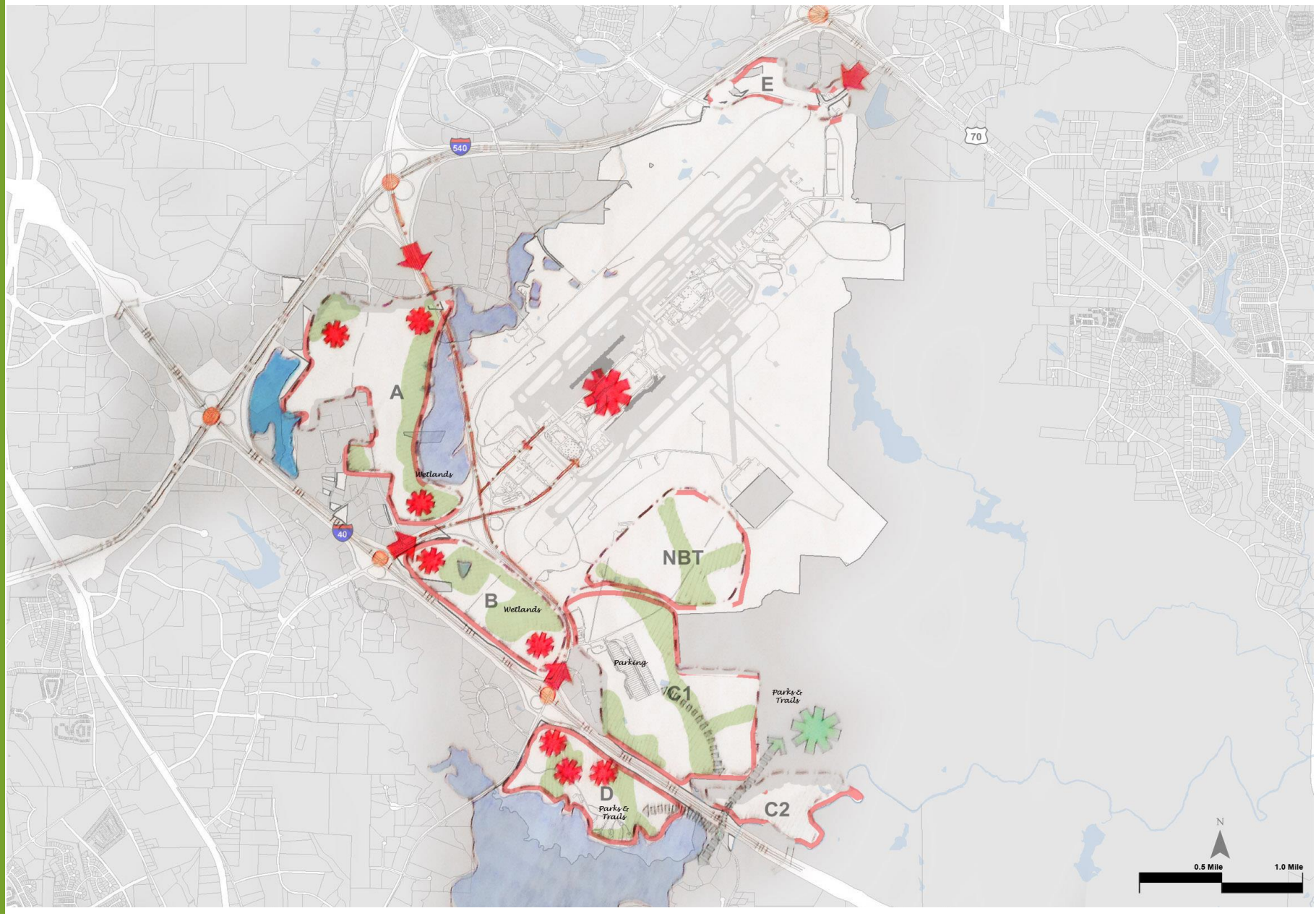
Additional Concepts Noted

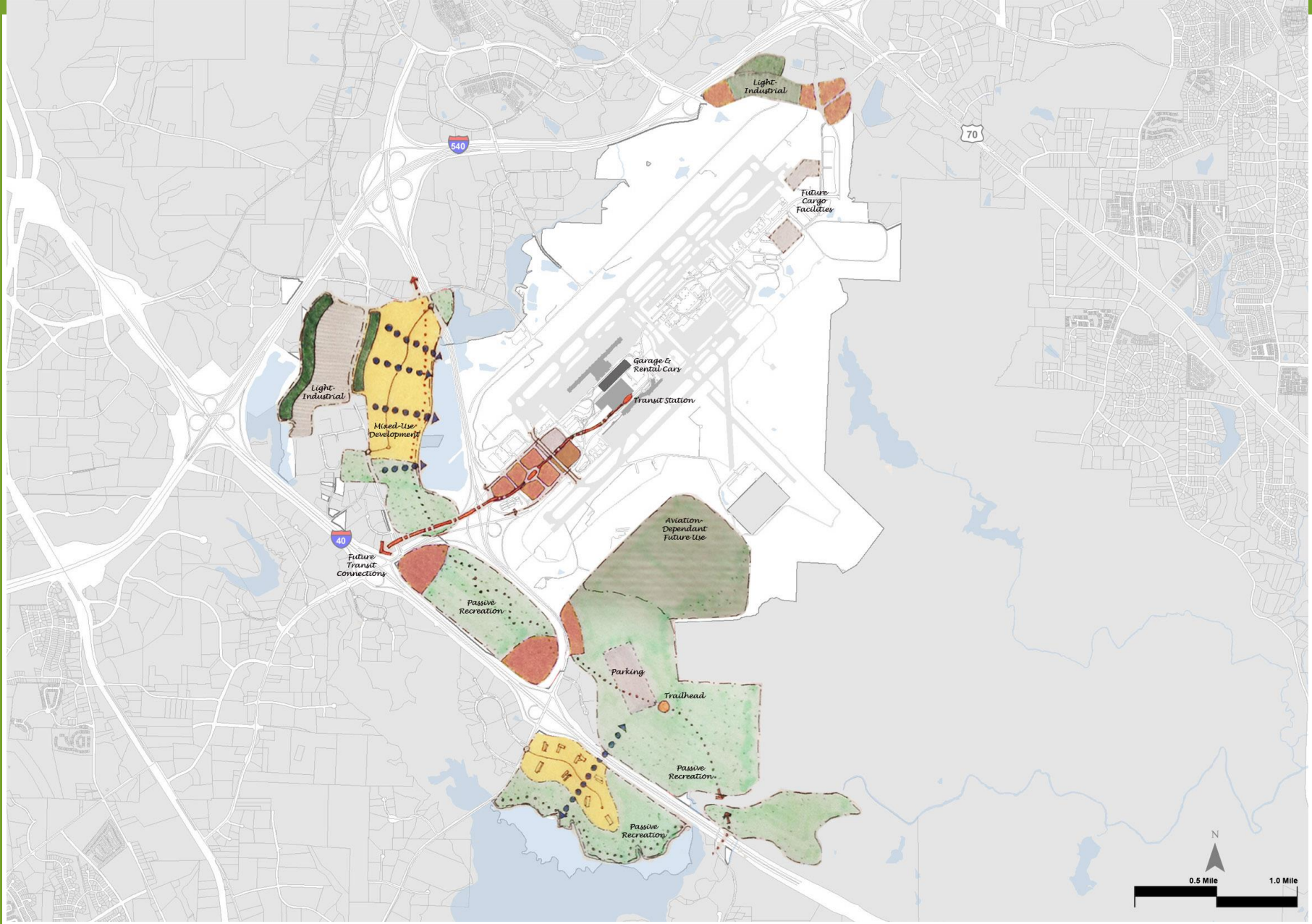
- Aviation museum
- Regional EMS training
- Aerospace education
- Defense uses
- Learn-to-fly
- Community sports (fields, multipurpose recreation center/arena, youth basketball facility)
- High tech amusement / water park
- Support services for military personnel
- Events (marathon, etc)

All Require Planning to Prepare & Build Value

Land Use and Land Analysis




E
A
Wetlands
B
Wetlands
NBT
Parking
C1
Parks & Trails
D
Parks & Trails
C2
540
40
70
N
0.5 Mile
1.0 Mile


Light-Industrial
540
70
Future Cargo Facilities
Garage & Rental Cars
Transit Station
Light-Industrial
Mixed-Use Development
40
Future Transit Connections
Passive Recreation
Aviation-Dependant Future Use
Parking
Trailhead
Passive Recreation
Passive Recreation
N
0.5 Mile
1.0 Mile

INTERSTATE-40
PLEASANT GROVE CHURCH ROAD
REALIGNED PLEASANT GROVE CHURCH ROAD
A1: 31.4 ac.
A2: 65.5 ac.
A3: 11.7 ac.
A4: 18.3 ac.
A5: 20.1 ac.
A6: 29.7 ac.
A7: 61.4 ac.
AVIATION PARKWAY
Parcel A
Key
Source: J Davis Architects, PLLC
LEGEND:
Developable Areas
Parcel Boundary (247.2 ac.)
Topographic Contour (2-ft. interval)
Stream Channels
Neuse River Buffer
Wetlands and Open Water
RDU Flyway

Exhibit 3

A: GROSS PARCEL	Development Area	GBA
425 AC	210 AC	4,8 million sf

Source: J Davis Architects, PLLC

Developable Areas

LEGEND:

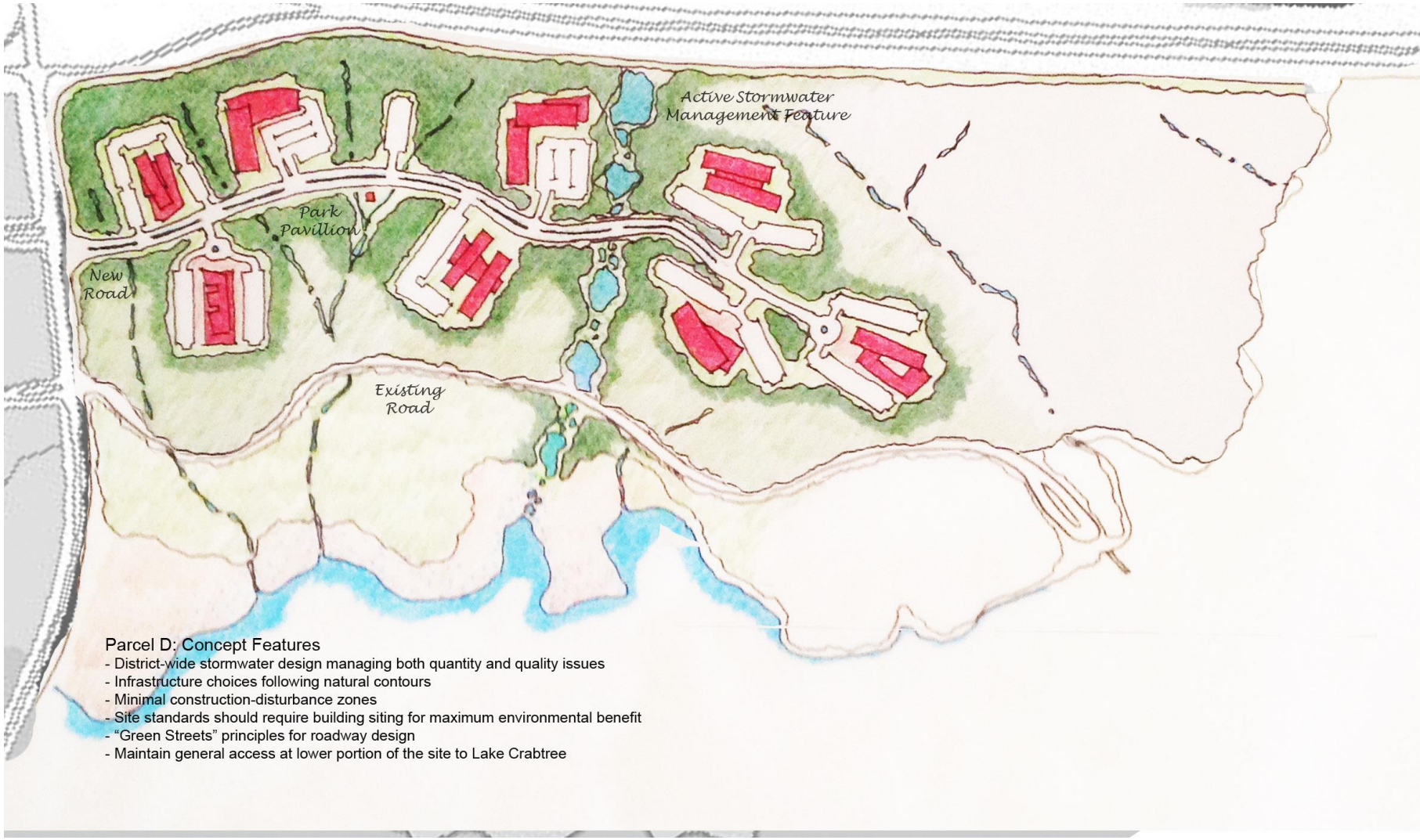
- Parcel Boundary (332.0 ac.)
- Topographic Contour (2-ft. nterval)
- Stream Channels
- Colonial Pipeline Easement
- Neuse River Buffer
- Wetlands
- 100 Year Flood Plain

Exhibit 8

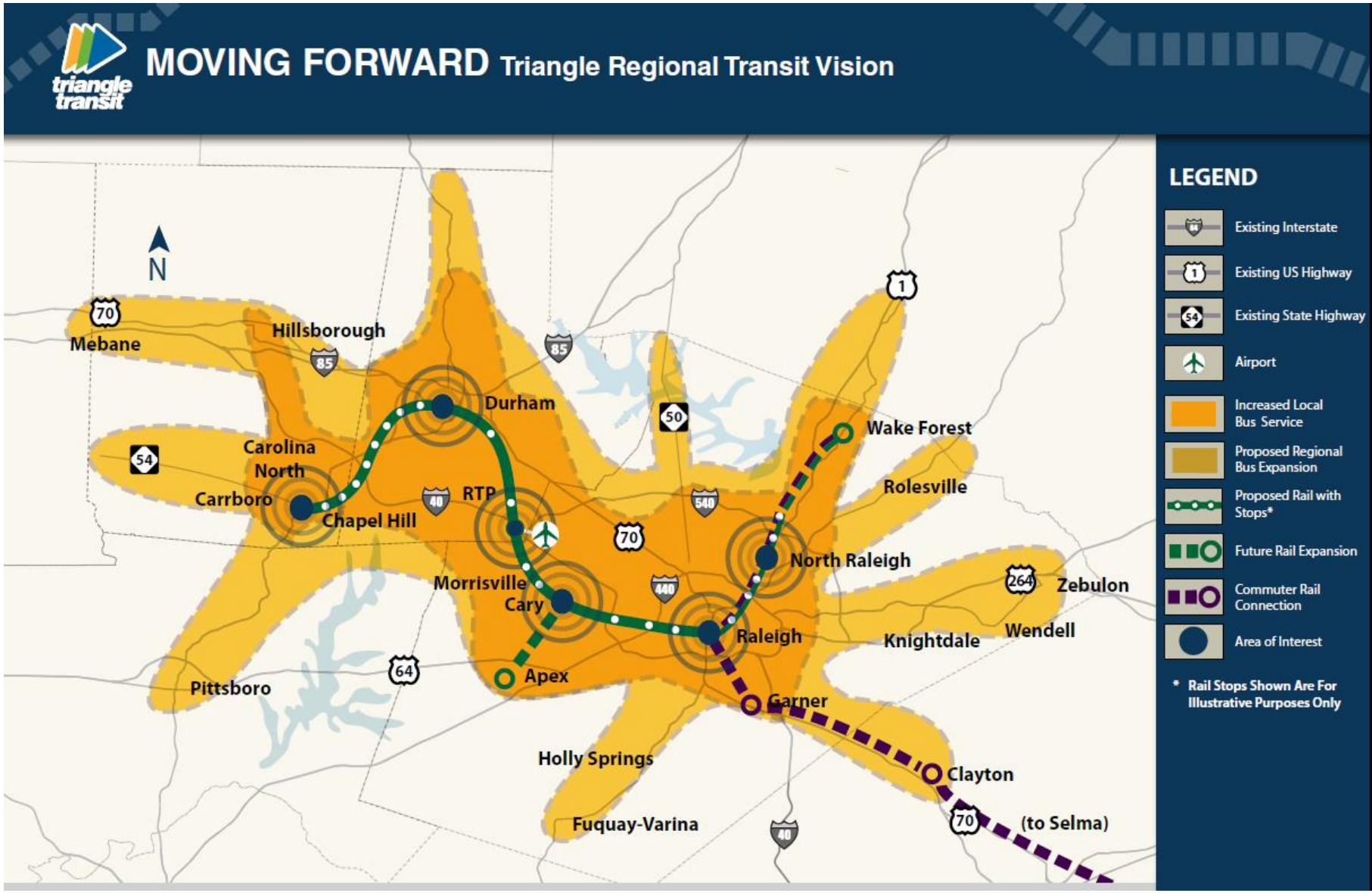
0 500 1,000

north

PARCEL D SITE SUITABILITY



D: GROSS PARCEL	Development Area	GBA
222 AC	98 AC	1.2 million sf


triangle transit
MOVING FORWARD Triangle Regional Transit Vision
N
Mebane
Hillsborough
Durham
Carolina North
Carrboro
Chapel Hill
RTP
Morrisville
Cary
Apex
Pittsboro
Holly Springs
Fuquay-Varina
Wake Forest
Rolesville
North Raleigh
Raleigh
Zebulon
Knightdale
Wendell
Garner
Clayton
(to Selma)
70
85
54
40
64
50
540
440
1
264
LEGEND
Existing Interstate
Existing US Highway
Existing State Highway
Airport
Increased Local Bus Service
Proposed Regional Bus Expansion
Proposed Rail with Stops*
Future Rail Expansion
Commuter Rail Connection
Area of Interest
* Rail Stops Shown Are For Illustrative Purposes Only

Heathrow

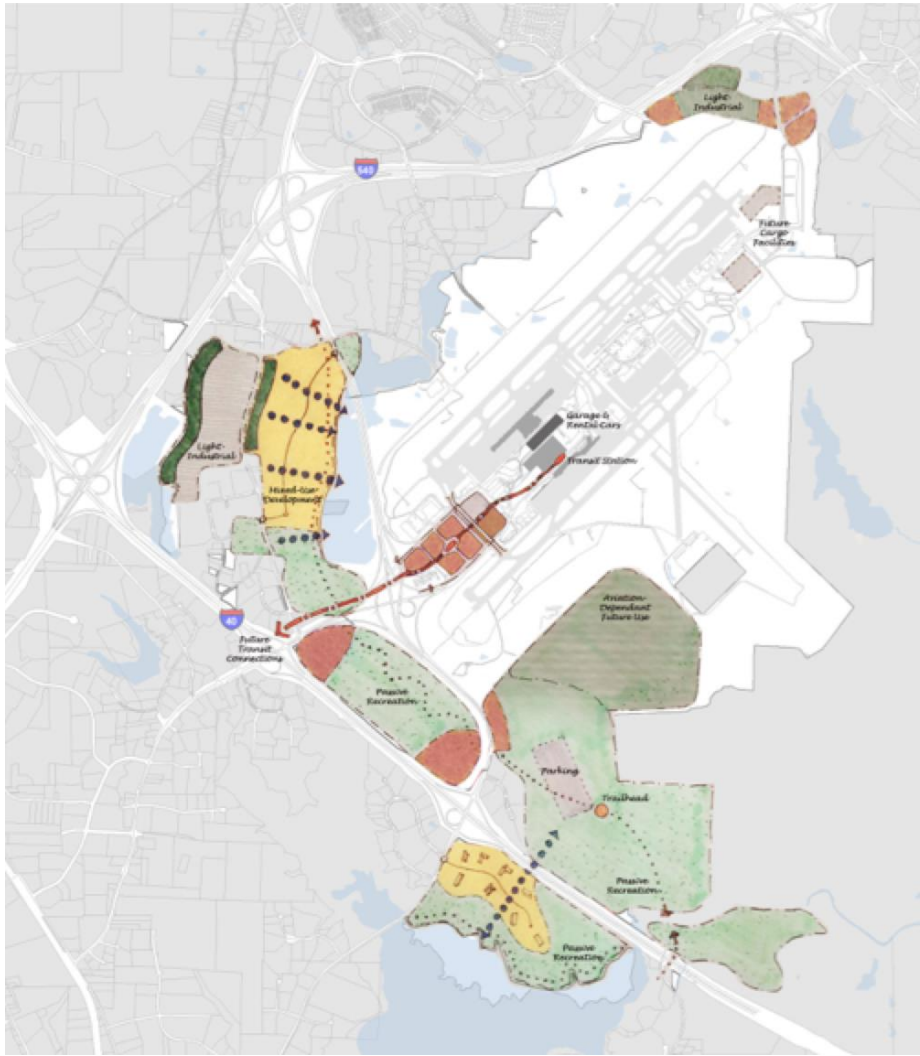
TERMINAL 2
Loop Road
FUTURE GARAGE
EXISTING GARAGES
Potential Transit Station
TERMINAL 1
Central Energy Plant
Height-restricted Potential Development Site
Potential Development Site
Potential Transit Station
Potential Development Site
Potential Development Site
Potential Development Site
Potential Development Site
Loop Road "Out"
Admin. Offices
Loop Road "In"

Parcel	Raw Area (acres)	Proposed Developable Area (acres)	Proposed Building Area (if applicable)	General Description
Parcel A (east)	425 acres	210 acres	4,800,000 gsf	High-performance Office Campus
Parcel A (west)	included above	57 acres	not specified	Warehouse/Distribution
Parcel B	227 acres	93 acres	not specified	
Parcel C-1	552 acres	0	0	Find tenant for pad-ready sites adjacent to the Sheetz
Parcel C-2	114 acres	0	0	
Parcel D	222 acres	98 acres	1,200,000 gsf	High-performance Office Campus
Parcel E	96 acres	57 acres	not specified	Warehouse/Distribution
Parcel NBT	290 acres	0	0	Hold parcel for future aeronautical-related user
	1,926 acres	515 acres	6,000,000+ gsf	
Pacrel F	41 acres	20.5 acres	not specified	

DEVELOPMENT STRATEGY AND IMPLEMENTATION

Section Outline

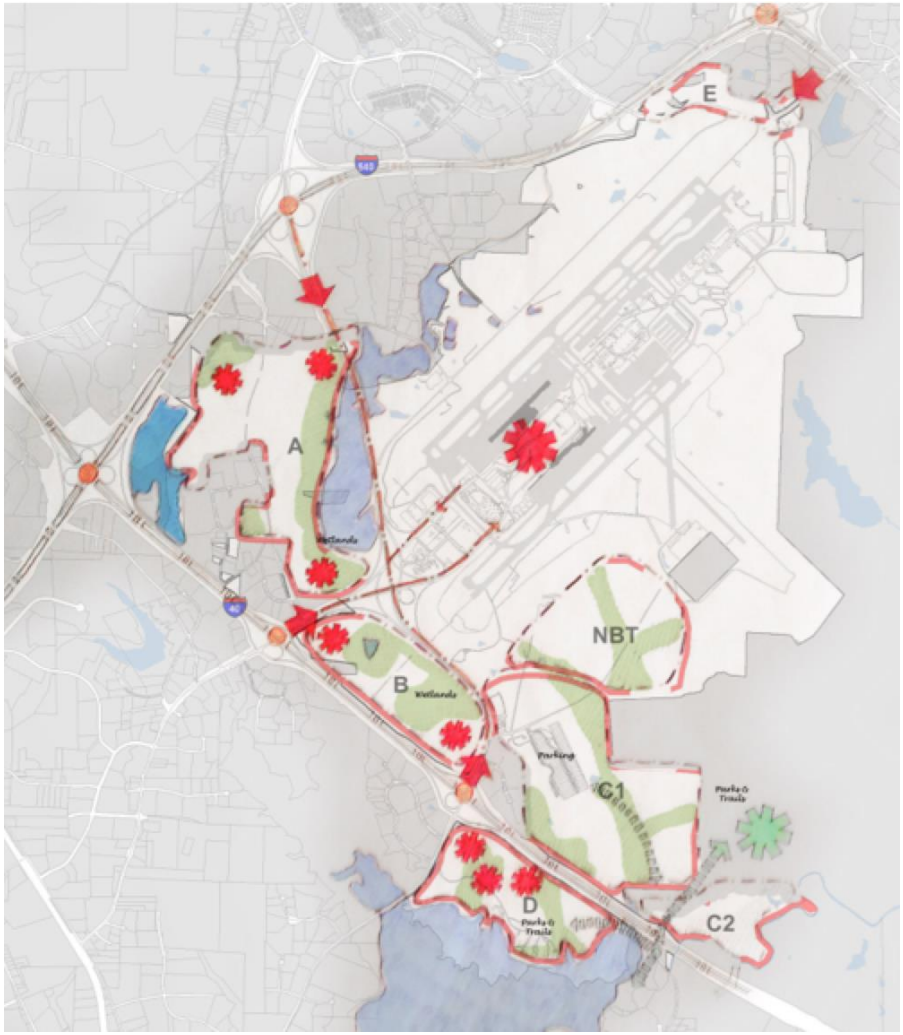
- Development Approach
- Vision and Objectives
- Master Developer Role / Pre-Development Tasks
- Development Strategy & Playbook
- Key Partners & Stakeholders
- Communication Efforts
- Team Implementation
- Conclusion



DEVELOPMENT STRATEGY AND IMPLEMENTATION

Development Approach

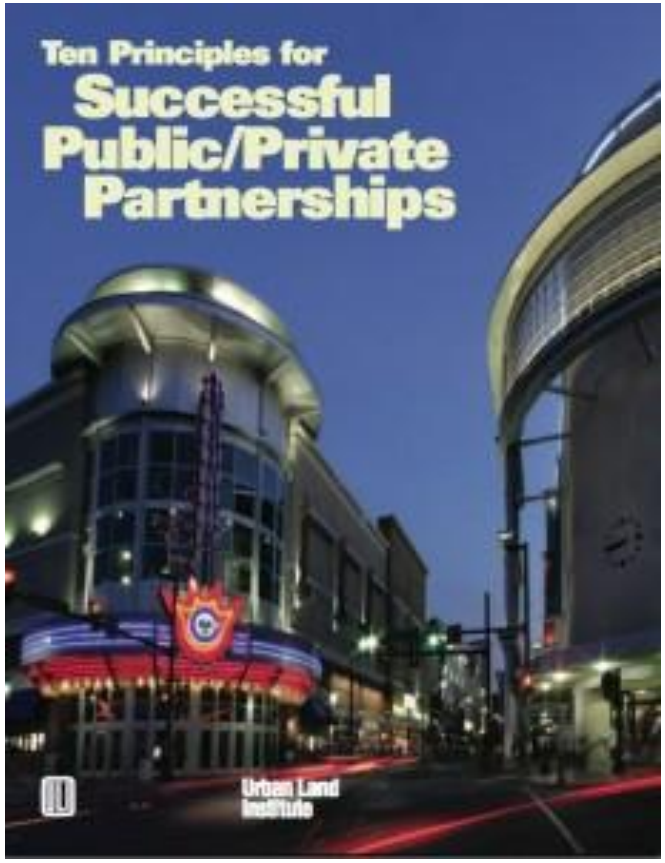
- Realize highest returns and best results
- Think and behave as a real estate developer
- Adopt a strategic framework
- Targeted approach
- Communicate the “story”
- Goal: create shovel-ready sites



DEVELOPMENT STRATEGY AND IMPLEMENTATION

Vision and Objectives

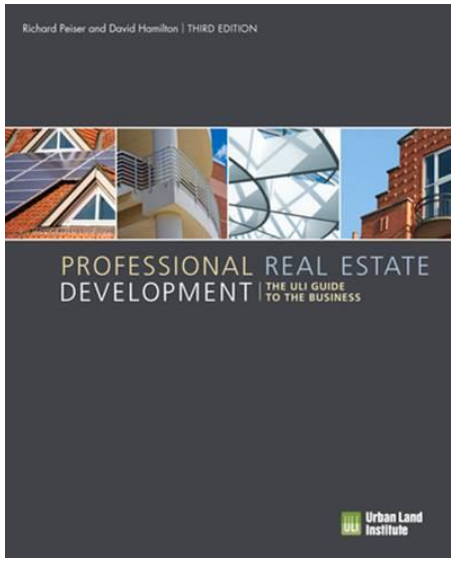
- Create a positive relationship to aeronautical assets
- Position real estate as key part of asset portfolio
- Understand risks and rewards
- Establish a level playing field
- Adhere to PPP key principles



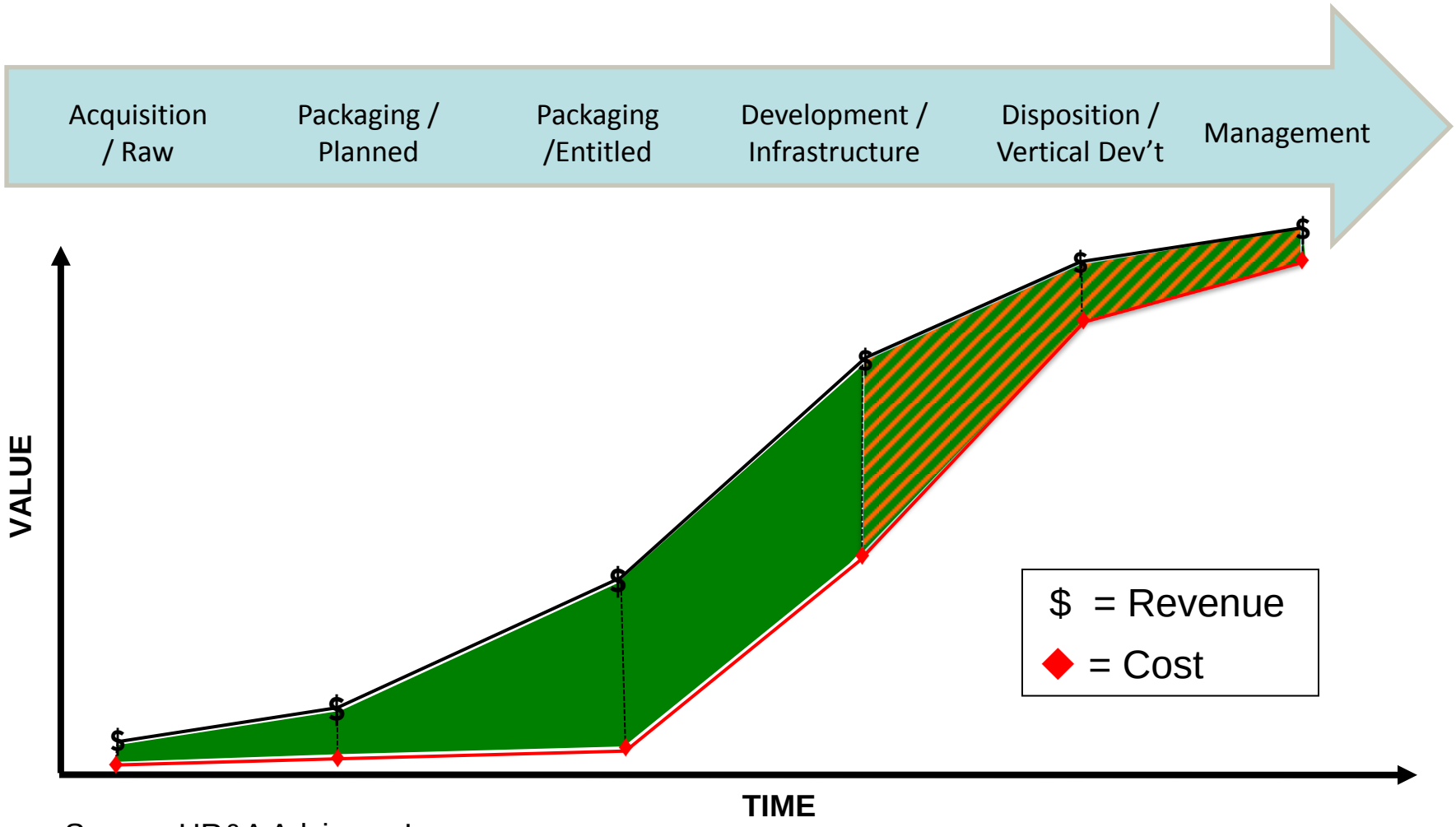
DEVELOPMENT STRATEGY AND IMPLEMENTATION

Master Developer Role

- All aspects of the development process
- Role redefined with land assets
- Acquisition
- Land packaging
- Land development
- Disposition



DEVELOPMENT VALUE BY ROLE

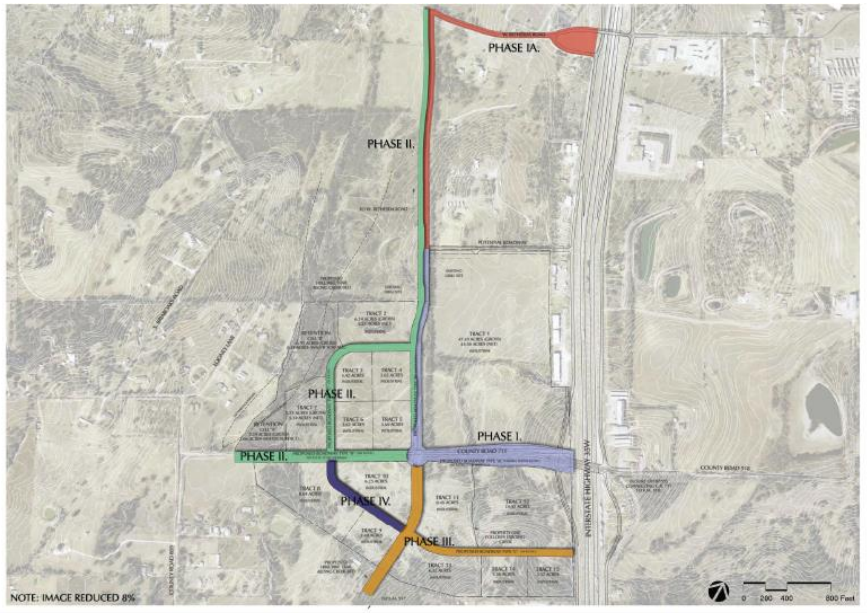


Source: HR&A Advisors, Inc.

DEVELOPMENT STRATEGY AND IMPLEMENTATION

Pre-Development Tasks

- Physical and site capacity studies
- Environmental investigations
- Geotechnical studies
- Market studies & marketability assessments
- Zoning and permitted /allowable uses
- Preliminary concept plans & designs
- Infrastructure planning & cost estimates
- Financial analyses & feasibility studies



DEVELOPMENT STRATEGY AND IMPLEMENTATION

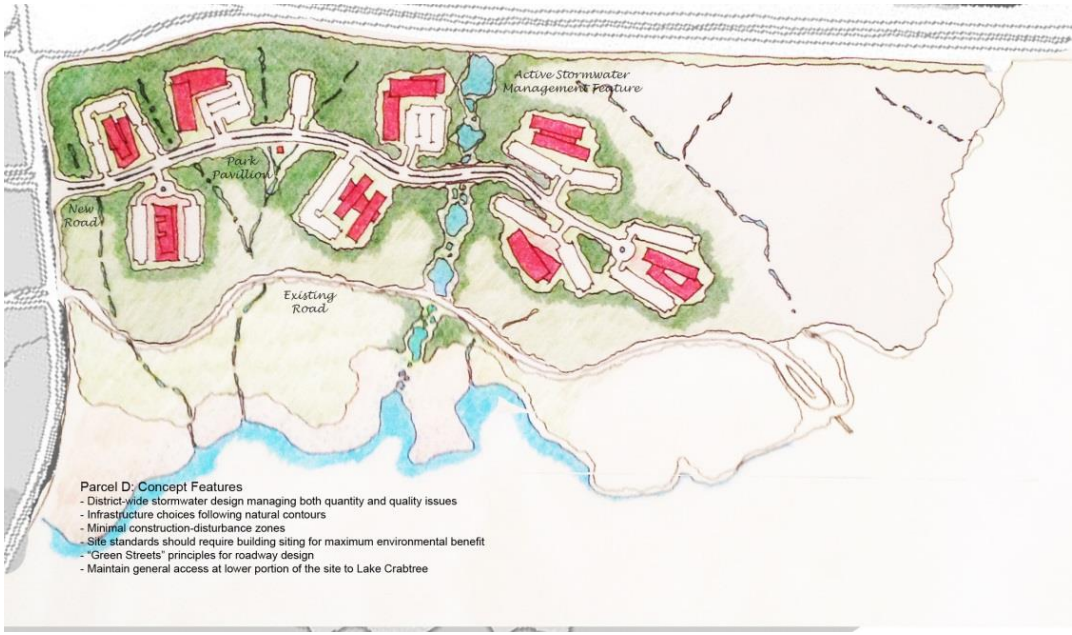
Development Strategy and Playbook

- Emphasize land packaging role
- Evaluate relative revenue and return opportunities
- Prepare assets for shovel-ready status
- Roadmap for decision-making
- Perform pre-development tasks
- Assemble resources and project team

DEVELOPMENT STRATEGY AND IMPLEMENTATION

Development Strategy and Playbook - Templates

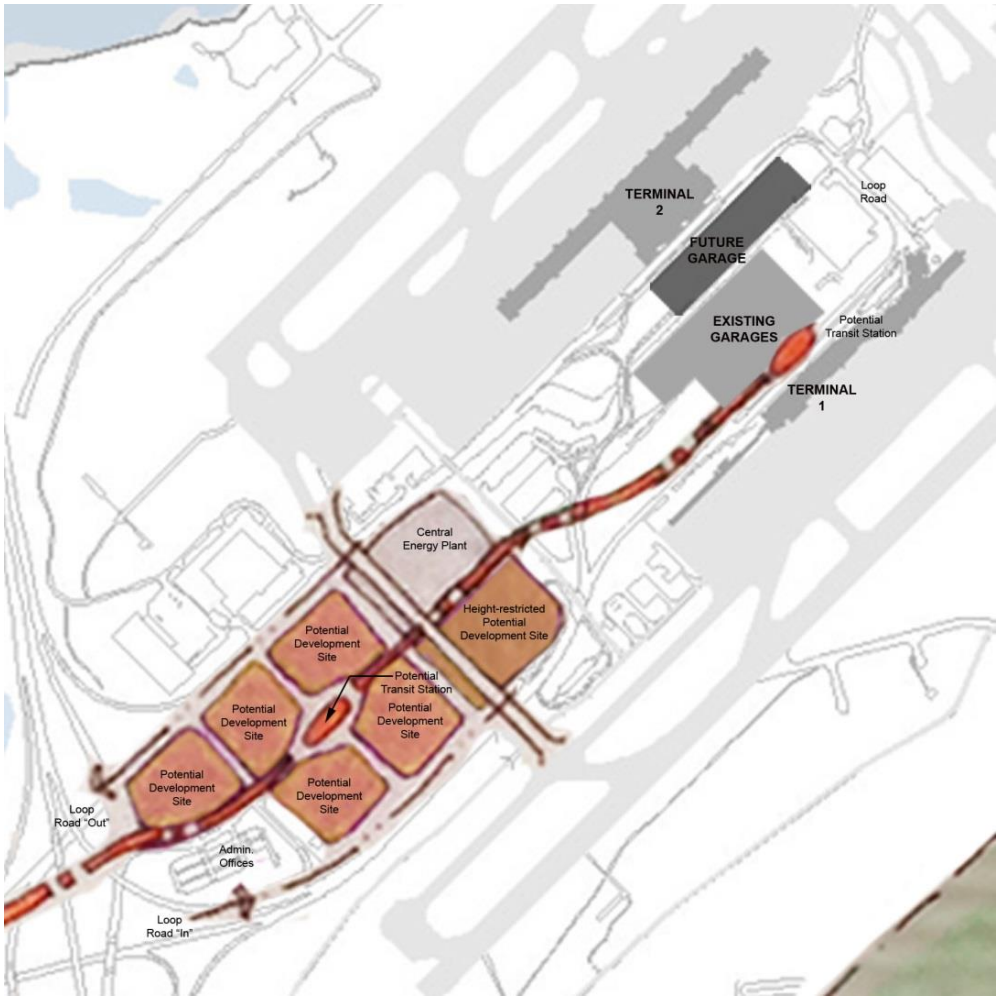
- Land lease formula
- Schedule/timeline formula
- Jobs generated formula
- Return guidelines
- Capital fundraising guidelines
- Execution guidelines



DEVELOPMENT STRATEGY AND IMPLEMENTATION

Key Partners and Stakeholders

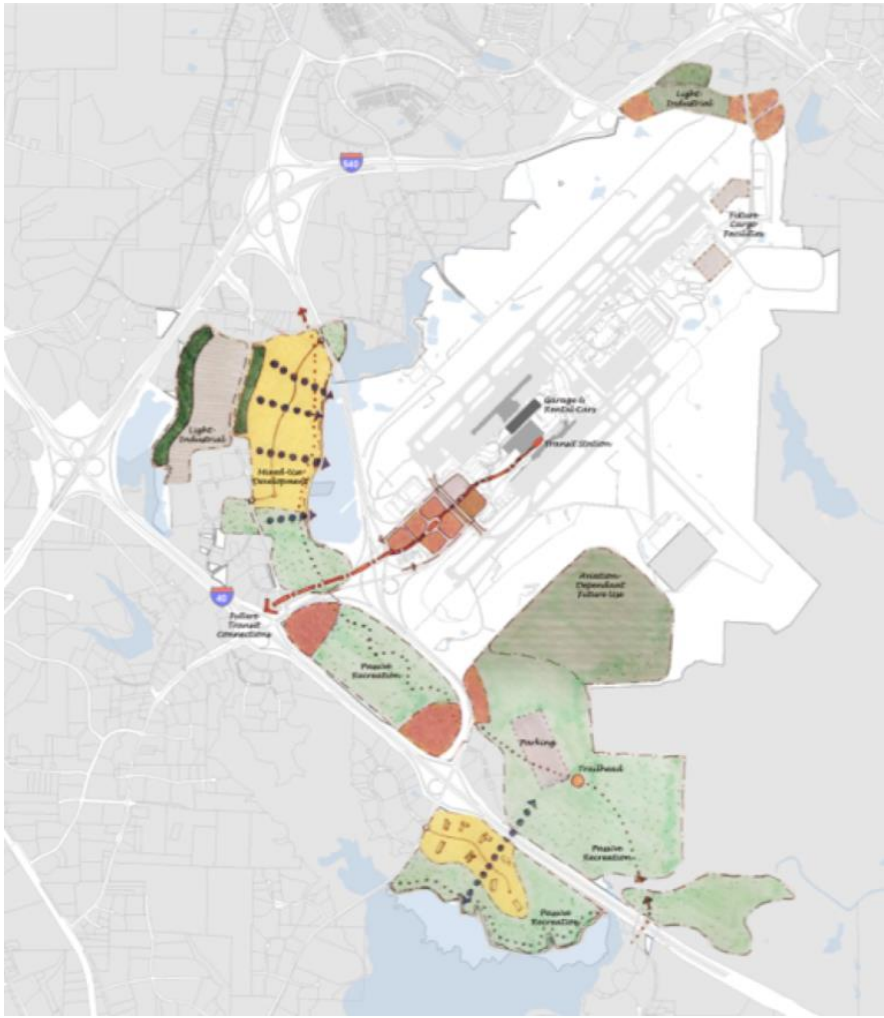
- Tenants at RDU
- Customers at RDU
- Business community at large
- Adjacent property owners
- Umstead State Park
- Surrounding jurisdictions
- Research Triangle Park
- GOs / NGOs
- Econ Development
- Educational Institutions
- Transit Partners



DEVELOPMENT STRATEGY AND IMPLEMENTATION

Communications

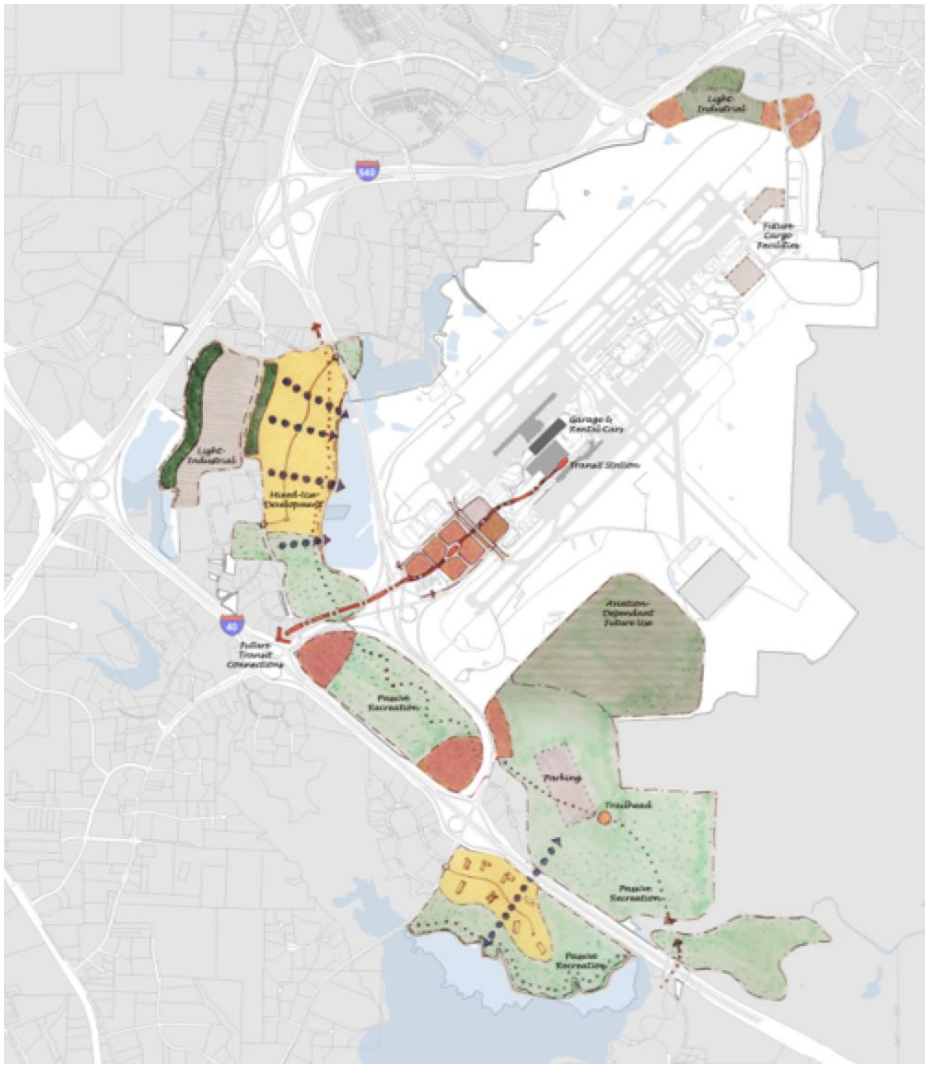
- Focus on market positioning & awareness
- Promote the brand and development story
- Emphasize role as master developer
- Highlight economic development benefits



DEVELOPMENT STRATEGY AND IMPLEMENTATION

Team Implementation

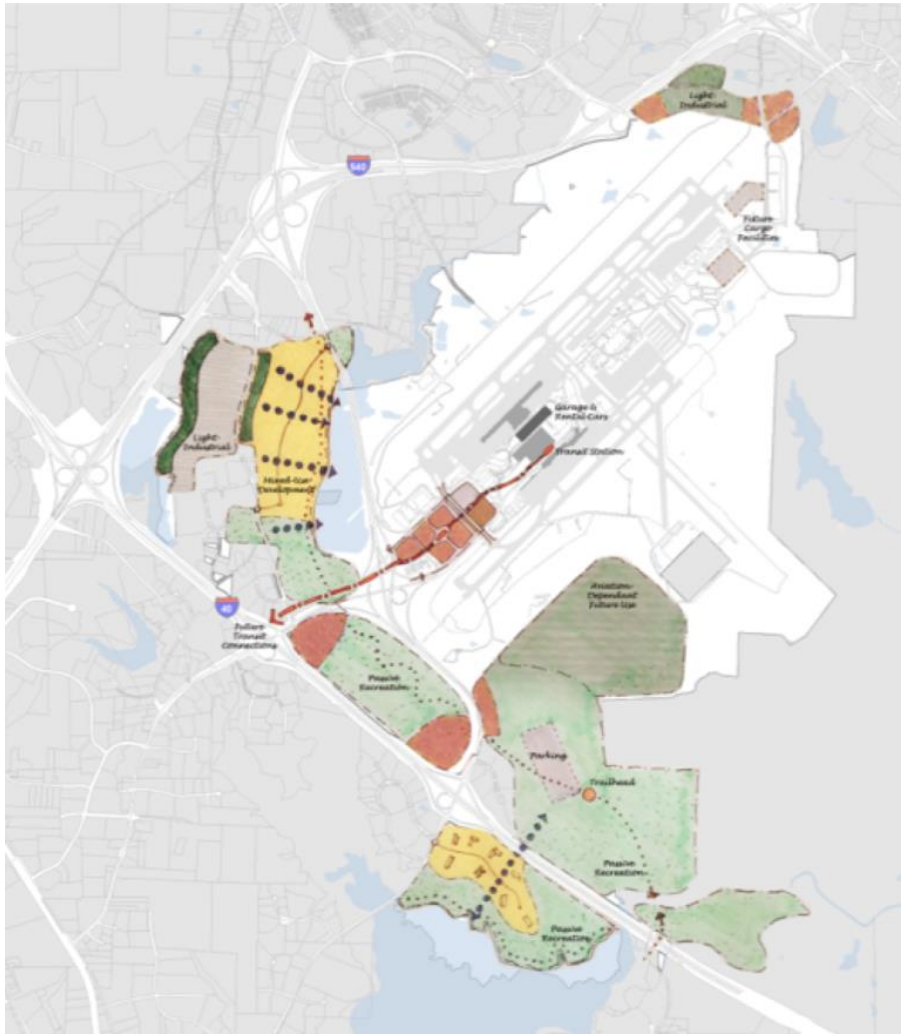
- Non-aero business and revenue model
- Team structure and leadership
- Internal or external function



DEVELOPMENT STRATEGY AND IMPLEMENTATION

Conclusion

- Add economic energy to the community
- Create diverse range of jobs and more
- Provide for local, regional, statewide needs
- Serve as an innovative development template



THANK YOU!!

QUESTIONS?

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