DRAFT - NOT FOR DISTRIBUTION -

ERA JAIR LYNCH DEVELOPMENT PARTNERS streetsense

DC Retail Action Strategy

DRAFT

Friendship Heights

Strategic Area Retail Assessment

Table of Contents

Submarket Summary

Approach and Typology

Definition of Boundaries

Demographics of Submarket Trade Area

Strategic SWOT Analysis

- Introduction
- Retail Opportunity
- Retail Infrastructure
- SWOT Analysis

Strategy Recommendations and Implementation

Submarket Summary

Friendship Heights/Chevy Chase in the District of Columbia (and the adjacent area in Montgomery County, Maryland) is a well-established retail, residential and office use district and a major luxury goods shopping destination. The northernmost section of the submarket that borders Montgomery County includes large retail centers, Mazza Gallerie and Chevy Chase Pavilion, and Chevy Chase Metro Plaza, as well as a Lord & Taylor Department Store. The southern section of the submarket includes the Metrobus Western Division offices. Additional retail and service businesses line the southern end of Wisconsin Avenue within the submarket.

To the north of the DC – Maryland border lies significant luxury retail at The Collection at Chevy Chase and Wisconsin Place. While these shopping centers are not in the District, they help shape consumer perceptions and expectations of the area as a whole. Shoppers tend to view the Friendship Heights and Chevy Chase shopping area as one without making jurisdictional distinctions.

The adjacent residential areas on both sides of the DC-Maryland border are composed of high income households. As a result, Friendship Heights is considered a prime retail location for national chains and independent retailers.

Approach and Typology

Approach

The DC Retail Action Strategy assessed five submarkets that are established commercial districts with recognized market positions, but which may be in transition. The assessment was intended to address key strategic issues such as underperformance and positioning, with a view to protecting, maintaining and/or enhancing market share.

Some of these submarkets have been the subject of past studies, so the additional, in-depth demand analysis was considered unnecessary.

The strategic area retail assessments include:

➢A definition of boundaries for the commercial district ("submarket")

➢Demographic and economic information about the immediate residential markets ("trade areas"). Primary trade areas generally represent one quarter-mile from the submarket; secondary trade areas generally represent one half-mile from the submarket. Census block group baseline data were assigned to the primary and secondary areas.

➢Characterization of the type of district, how it functions and its positioning within the market

➢An identification of strategic issues – strengths weaknesses, opportunities and threats

➢Recommendations for physical, policy and zoning, merchandising, organizational, and development strategies to support the submarket.

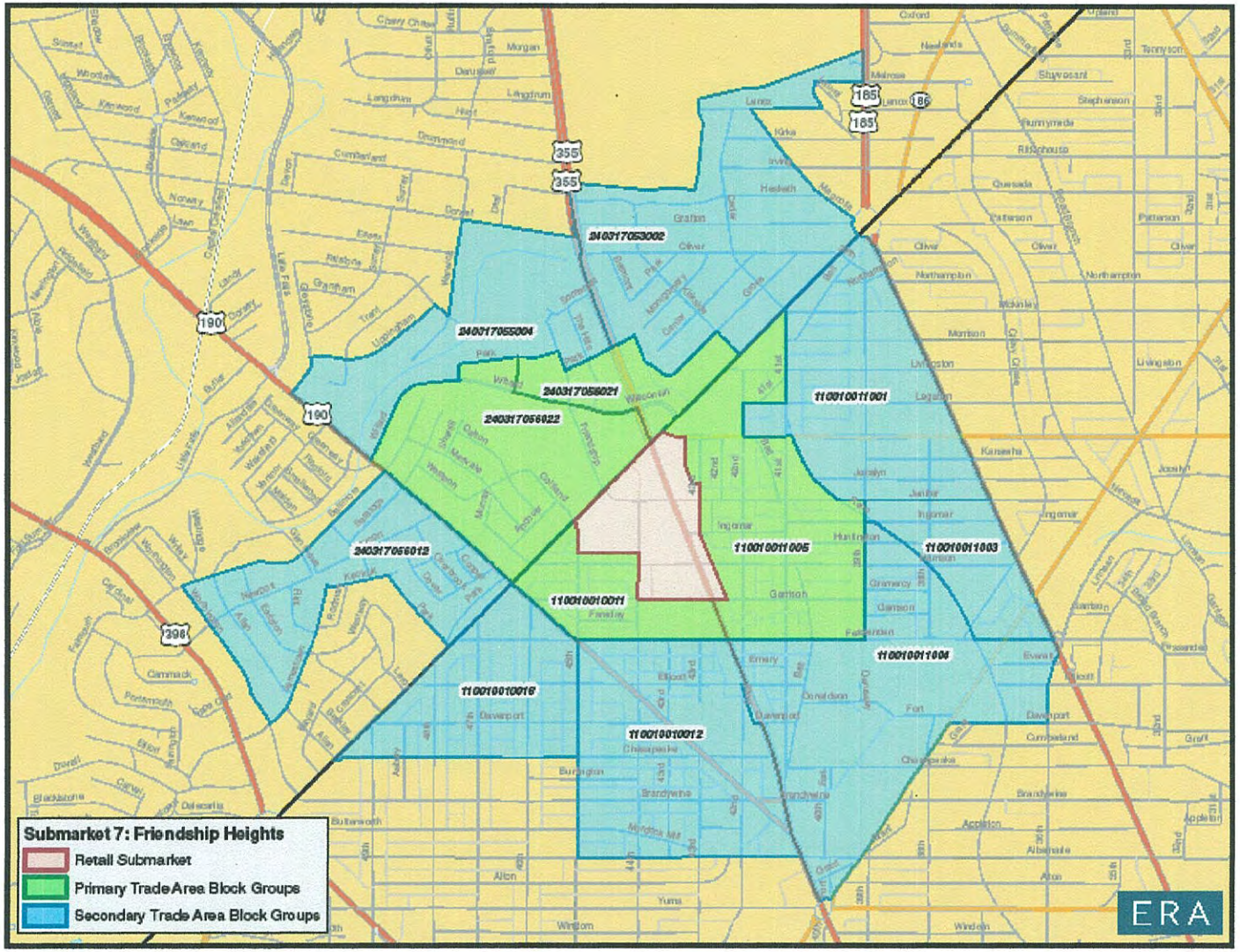
Typology

The Friendship Heights submarket nodes may be classified as regional-serving retail or neighborhood-serving retail. The retail mix includes luxury, general mid-priced, and large format retail:

1. Regional-serving retail and restaurants - Many of the businesses in the northern node, including tenants located in Mazza Gallerie and Chevy Chase Pavilions, include major national retailers such as Neiman Marcus, Lord & Taylor, Williams-Sonoma, and Pottery Barn and theme restaurants such as The Cheesecake Factory and Maggiano's. This node draws customers from the metropolitan region.

2.South of Jenifer Street, businesses tend to be mixed with non-retail, retailers and services such as banks, a florist, restaurants and kitchen supplies.

The submarket is located in Ward 3 and extends along Wisconsin Avenue NW from Garrison to Western Avenue; Western Avenue from Wisconsin Avenue to Jenifer Street then south on 44th Street to Harrison Street and then east to Wisconsin Avenue



Friendship Heights Trade Areas Household & Population Growth Trends, 2007 and 2012

Trade Area Population Notes

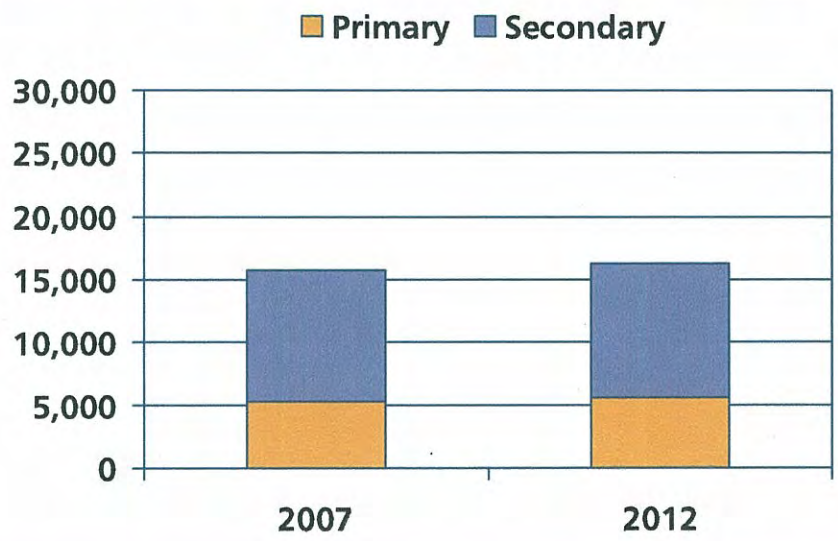
The chart and table representing household and population figures include the entire primary and secondary market areas in DC and Maryland. The submarket trade area has a relatively small resident market population. Population in the primary residential market area is estimated to grow by 352 persons; from 5,277 to 5,629 by 2012. By 2012, population in the secondary residential market area is projected to grow from 10,440 to 10,716. Households in the primary residential market area are projected to increase by 165 over the next five years; in the secondary residential market area by 139 households.

Average household size is 1.79 and 2.1 persons respectively in the primary and secondary residential market areas. The household size reflects the large number of single-person and two-person households living in the area.

The median age in the primary area is 43.7; 43.9 in the secondary area, reflecting middle-aged households past typical household-formation purchasing life stages.

Source: ESRI Business Analyst; ERA 2007

Trade Area Population Growth, 2007 and 2012



Trade Area Household Growth, 2007 and 2012

	2007	2012
Primary Trade Area	2,887	3,052
Secondary Trade Area	4,920	5,059
Totals	7,807	8,111

Friendship Heights Trade Area Population Age Cohorts, 2007 and 2012

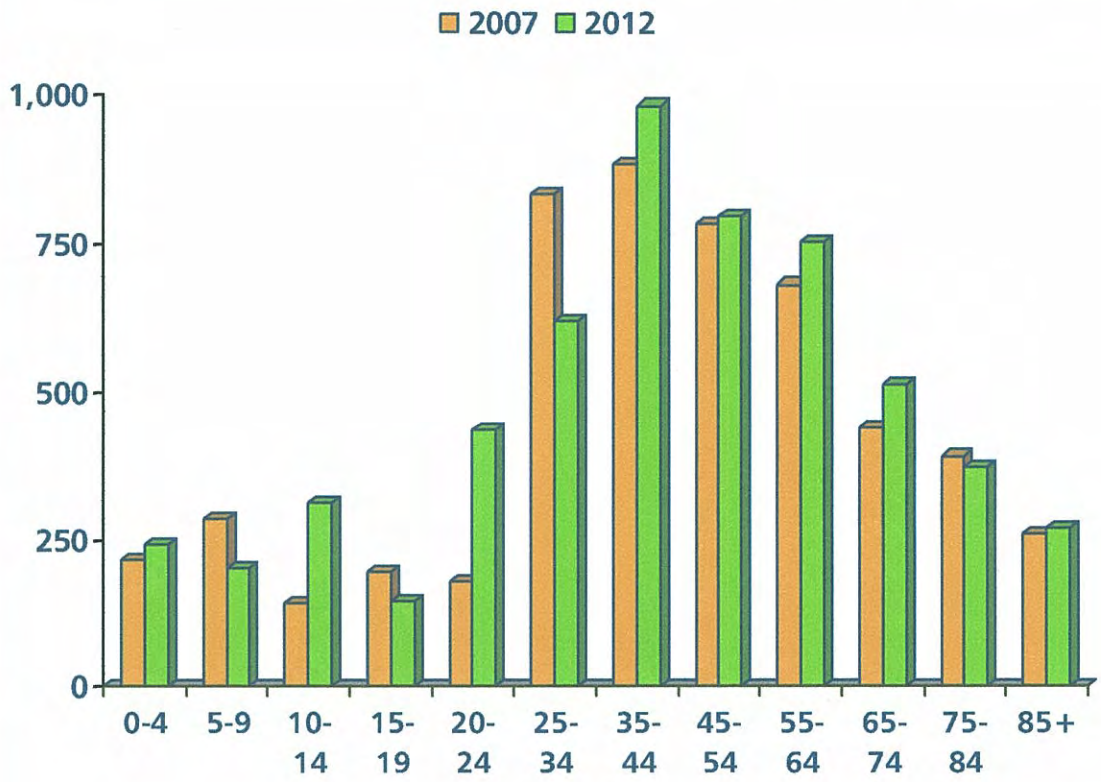
Population Trends

The trade area population is comprised generally of middle-aged adults with few children. The higher number of children under age ten suggests second families with older parents and young children. Households tend to be older at peak-earning ages to be able to afford homes and apartments in the trade area.

Trends show a decline in the estimated 25-34 cohort reflecting an aging population, consistent with national demographic trends. An estimated increase in 20-24 age cohort reflects the "Baby Boomlet" and aging children of the middle-aged population.

There is a significant number of retirees in the submarket. As these residents are no longer forming households, they have more disposable income for nondurable goods. Although they may be retired, these residents have sufficient net income to continue to afford a comfortable lifestyle and may continue to support spending for apparel, food and food service retail, and personal services.

Trade Area Population by Age, 2007 and 2012



Source: ESRI Business Analyst; ERA 2007

Friendship Heights Trade Area Key Demographics- Total Trade Area Household Profile

Household Characteristics of Note

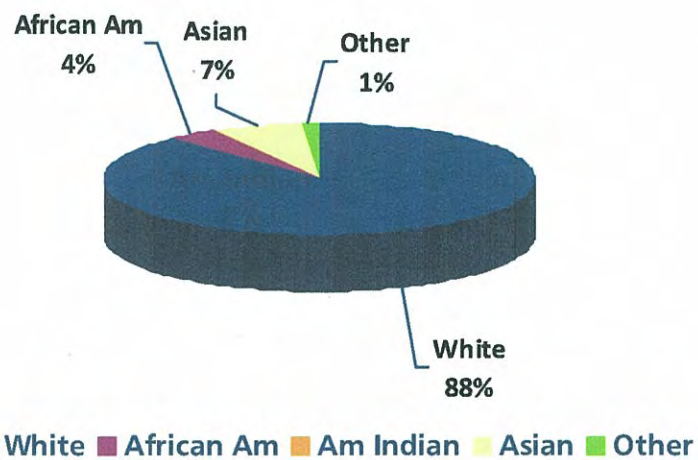
Homeownership patterns in the total submarket trade area indicate that the majority – 63% of households – own their homes, while 37% of households rent. Viewed in the context of age patterns and other housing and employment data, many trade area residents may be characterized as middle-aged adults in 1-2 person households in single family houses and condominiums. The ownership pattern and pricing suggests that households are relatively stable, moving from high-value single family homes to "empty-nest" condos as they age or change lifestyles. The luxury retail and specialty foods offerings are appropriate for the market.

The resident market is majority White (88%) with African-American residents making up 4% and Asian residents making up 7% of the community.

*Note that Latino or Hispanic residents may be self-identified as any of a number of racial groups. 1,107 residents are self-identified as of Hispanic-origin.

Trade Area Home Ownership, 2007

Trade Area Race/ Ethnicity, 2007



Source: ESRI, ERA 2007

Friendship Heights Key Demographics- Trade Area Household Income and Spending Profile

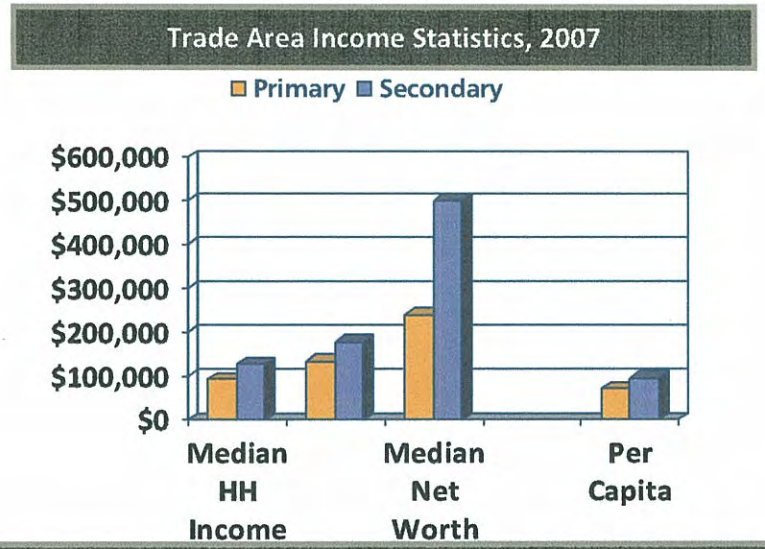
Income and Spending

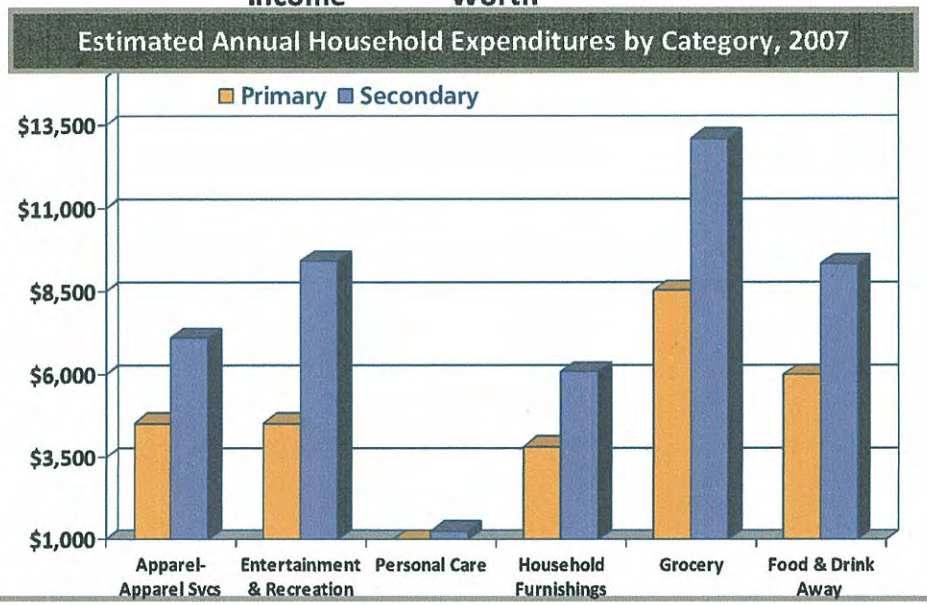
The Friendship Heights area residential market median household income is $93,106 in the primary area and $127,221 in the secondary area. Households in the trade area have high disposable incomes.

Household expenditures in the trade areas show lower amounts being spent for personal care; the stronger performing categories are groceries, entertainment, and food & drink away from home. Although residents are preparing meals for relatively small households, grocery costs are higher due to purchases of pre-prepared items, specialty foods and an interest in gourmet cooking.

Food and drink purchased for consumption away from home represents a larger portion of household expenditures than might be found in an area with more families with young children or working-class groups.

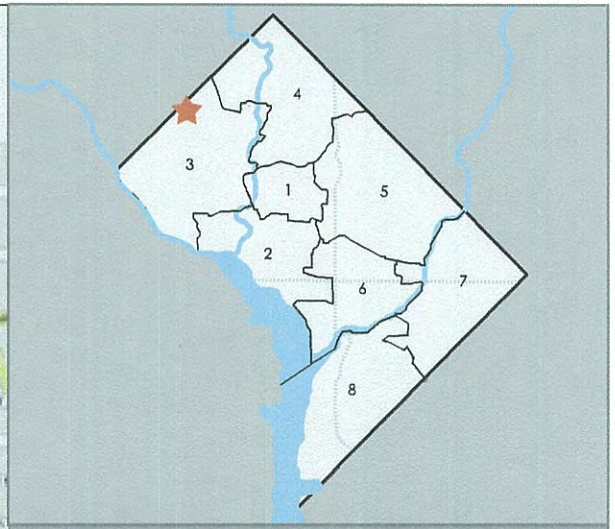
Market positioning of retailers in the submarket are consistent with the spending and income for the households in the market area. This suggests a strategy of upscale local and national stores.





Source: ESRI, ERA 2007

Friendship Heights Strategic SWOT Analysis



Boundaries

Wisconsin Avenue NW from Garrison to Western Avenue; Western Avenue from Wisconsin Avenue to Jenifer Street, then south on 44th Street to Harrison Street and then east to Wisconsin Avenue

Zoning

Friendship Heights is a dense commercial zone surrounded by residences. The submarket is zoned primarily as a community business center with medium to medium-high density. However, the western side of Wisconsin Avenue near the DC-Maryland border (currently Mazza Gallerie) is zoned as a medium-bulk major business and employment center. The residential area immediately surrounding the submarket is zoned as moderate-density general residence; moving further away from the submarket, the zoning switches to one-family, semi-detached dwellings and row dwellings.

Overview

The Friendship Heights submarket is an established shopping district on the DC-Maryland border. It is defined by 2 large shopping centers (Mazza Gallerie and Chevy Chase Pavilion), as well as upscale department stores and moderate/discount chains. Friendship Heights is a regional shopping destination for residents of Northwest DC and central Montgomery County, and benefits from the area's affluence. The area also supports numerous offices, including the corporate headquarters of Geico. Its main street, Wisconsin Avenue, is an important commuter corridor; the submarket also has easy access to the Friendship Heights Metro station.

1 Significant Retail

This node, anchored by Mazza Gallerie and Chevy Chase Pavilion, is the submarket's center of retail. These 2 large shopping centers define the block between Western Avenue and Jenifer Street as the submarket's liveliest corridor; its mix of pricepoints distinguishes it from the cluster of exclusively upscale boutiques just north of the DC-Maryland border. Other areas in this node, such as the Lord & Taylor parking lots and the Chevy Chase Metro Plaza are underutilized from a retail perspective and should be considered for redevelopment.

2 Non-Retail

South of Jenifer Street, the submarket contains large areas that lack retail and pedestrian activity. The Western Division Metrobus lot is well-positioned but underutilized; along with areas in Node 1, this prime real estate could dramatically alter the submarket if mixed-use redevelopment goes through as envisioned. The lower part of Wisconsin Avenue is a neighborhood-serving corridor that can evolve once this area is better activated.

Retail Node 1: Significant Retail

The Significant Retail node at Friendship Heights can be divided into 2 sub-nodes: A) Retail Anchors and B) Other Established Retail.

A - <u>Retail Anchors</u> Mazza Gallerie and Chevy Chase Pavilion line both sides of the submarket's main block. These 2 large offerings define the one-block corridor between Western Avenue and Jenifer Street as the area's major shopping strip. Together, these centers represent over 440,000 square feet of retail and restaurants that are accessible from the street and are also part of an enclosed mall. This densely developed area is the liveliest part of the submarket and has its own cohesive identity separate from the rest of Friendship Heights.

B - <u>Other Large-Format Retail</u>, while not as substantial as Mazza Gallerie or Chevy Chase Pavilion, occupies much of Node 1. These other retail offerings include a freestanding Lord & Taylor department store with 2 underutilized parking lots and the Chevy Chase Metro Plaza, which is anchored by TJ Maxx and occupies the southwest corner of the important intersection of Wisconsin Avenue and Jenifer Street. Along with the Western Division Metrobus lot (see Node 2), these lots could be redeveloped into significant offerings centered around Jenifer Street.

Retail Node 2: Non-Retail

The Non-Retail node at Friendship Heights can be divided into 2 sub-nodes: A) Metrobus Western Division and B) Neighborhood Goods and Services.

A - The **Metrobus Western Division** south of Mazza Gallerie does not take advantage of its good depths, access to the Metro, or its proximity to successful retail. This expansive bus lot and office, which is fenced in by a brick wall, is notably underutilized for an area that is suited for, and has the required depths for, transit-oriented development. However, it is slated for redevelopment—along with the adjacent Chevy Chase Metro Plaza (see Node 1) and the ABC Radio office building just west of 44th Street, this area has potential to become a neighbor that is appropriate in scale to the Retail Anchors in Node 1.

B - **Neighborhood Goods and Services** that serve surrounding residences line Wisconsin Avenue south of Jenifer Street, and stand in sharp contrast to the Retail Anchors to the north. These sporadic shops have created many "gaps" in the streetscape, which makes for a disconnected retail experience. However, because adjacent residences limit the potential for expansion, redevelopment is difficult here without consolidation. Major efforts to enhance retail in this node should be focused on the large Metrobus Western Division lot.

Streets & Blocks

Wisconsin Avenue, a major DC artery, is the submarket's spine. High levels of traffic are common along this road, which has 2 lanes of thru traffic in each direction and one lane of parking. The streetscape here is in excellent condition; the sidewalk is large and inviting, with new paving, regular plantings and benches, and globe lampposts. South of Jenifer Street, Wisconsin's streetscape (like its buildings) becomes more suburban-scaled. Western Avenue, the DC-Maryland border, is another significant road. Compared to Wisconsin Avenue, it is more of a back-of-house road; however, it will become more active with the Wisconsin Place development. Jenifer Street also has potential to become a more important retail street if the Metrobus lot is redeveloped.

Intersections

The largest intersection in the submarket occurs right on the DC-Maryland border, where Western Avenue crosses Wisconsin Avenue. These infrastructure-heavy roads create a very large intersection that presents challenges for pedestrian flow; however, with the completion of Wisconsin Place, this intersection will likely become more active. One block south, the intersection of Wisconsin Avenue and Jenifer Street is the submarket's liveliest intersection. However, as it currently marks the shift from retail anchors to neighborhood-serving shops, the intersection's northern half is much more dominant than its southern half; redevelopment of the Metrobus lot would make it more balanced. The submarket's other intersections, even those along Western Avenue, are relatively minor.

Buildings

Large-format inline retail shops, such as those in Mazza Gallerie and the Chevy Chase Pavilion, characterize the submarket. Similarly, department stores that anchor these centers like Saks Fifth Avenue and Neiman Marcus, as well as freestanding stores like Bloomingdale's and Lord & Taylor, are also a common building type. In addition to these larger shops, a variety of neighborhood-serving retail (ranging from kitchen accessories to auto shops) lines Wisconsin Avenue south of Jenifer Street. Several large office buildings with ground-floor retail also dot the submarket; these offices include Geico's headquarters, as well as studios for broadcast media giants WMAL and WTTG Fox 5. Townhouses and single-family homes in good condition surround the submarket.

Alleys & Service

As many of the submarket's buildings are larger-format shops or freestanding department stores, there are designated rear areas for service and loading. These service areas often are located next to entrances for underground parking (see image below). In areas with small, neighborhood-serving shops, there are clearly defined rear alleys. There is also a surprising amount of surface parking for an area that is proximate to the Metro and has high land values.

Strengths

- Friendship Heights is an established one-of-a-kind shopping destination that has super-regional anchors, including a cluster of high-end boutiques directly north of the submarket in Chevy Chase, MD
- The submarket's existing retail is diverse and represents local, regional, and national retailers; it also has a variety of pricepoints, from discount chains like Loehmann's to upscale department stores like Neiman Marcus
- The submarket has an affluent built-in population (including Montgomery County residents) whose spending power is significantly higher than the District mean; this is one of the most viable areas in the District for high-end retail
- The streetscape is in good condition, with wide sidewalks, new paving, regular plantings, benches that face each other, and globe lampposts
- The submarket is a multi-modal transit hub with easy access to public transportation; it is also located along 2 major corridors, Wisconsin and Western Avenues
- Friendship Heights is the District's only 4-portal station; both Mazza Gallerie and the Chevy Chase Pavilion have direct access from their interiors
- There are several large parking structures for the large-format retail stores; similarly, neighborhood-serving shops along Wisconsin Avenue have substantial surface parking
- Consolidated ownership makes it easier to manage the submarket from a local governance standpoint and implement change

Weaknesses

- There is little "sense of place" in the submarket; although the streetscape is in good condition, the main retail corridor lacks a memorable gathering space and is not cohesive with the rest of the submarket
- The existing retail caters primarily to an older, female crowd; this lack of customer diversity limits the potential for a dynamic and varied shopping experience
- Although the DC-Maryland border is not very perceptible, there is a significant price differential between Chevy Chase, MD and Chevy Chase, DC; this disparity encourages higher-end retailers to locate on the Maryland side, adding to the already robust sales tax generated just outside the District in Chevy Chase, MD
- While there are several parking structures that provide ample parking, they are difficult to find and navigate; similarly, the 4 Metro entrances are difficult to find
- The Western Division Metrobus lot deadens a large part of the submarket south of Jenifer Street; similarly, gaps in the streetscape make this area uninviting for pedestrians

Opportunities

- Create a district identity by connecting the disparate blocks of retail and branding them under a singular image
- Redevelop the Western Division Metrobus lot as a scale-appropriate T.O.D. offering that takes advantage of its prime location by the submarket's liveliest intersection and Metro
- Similarly, reconsider parcels near the Metrobus lot, such as the Chevy Chase Metro Plaza and especially the Lord & Taylor parking lot; these underutilized parcels offer long-term opportunities to reposition the area's retail and make it more competitive (i.e., through 3+ stories of retail)
- Reconfigure parking lots and improve wayfinding to make them easier to navigate; similarly, make entrances to Metro stations more prominent
- Take advantage of existing critical mass of high-end national fashion tenants to attract a complementary mix of independent or local clothing boutiques to new retail space in the submarket
- Redeveloping underutilized parcels proximate to the Friendship Heights Metro station could help bolster the submarket's identity as a vibrant, pedestrian-oriented commercial district

Threats

- The expansive Geico's headquarters site represents a great opportunity for retail redevelopment; however, its location may increase retail leakage from the District into Maryland and further increase competition for retail tenants, depending on the timing of the redevelopment effort
- Similarly, the 1.1 million sf Wisconsin Place project, which is currently under construction, will almost certainly draw consumers from the District into Maryland as a result of its appealing mix of specialty retail/restaurant tenants and high-end anchors (e.g., Bloomingdale's, Whole Foods)
- Friendship Heights' ability to compete with Bethesda and Chevy Chase, MD's leasing and taxation rates is unclear; also unclear is whether or not Friendship Heights will be able to compete successfully for tenants with these more upscale/nationally-renowned retail nodes
- Redeveloping underutilized parcels around Jenifer Street could worsen traffic on Wisconsin Avenue, especially during the morning and evening rush

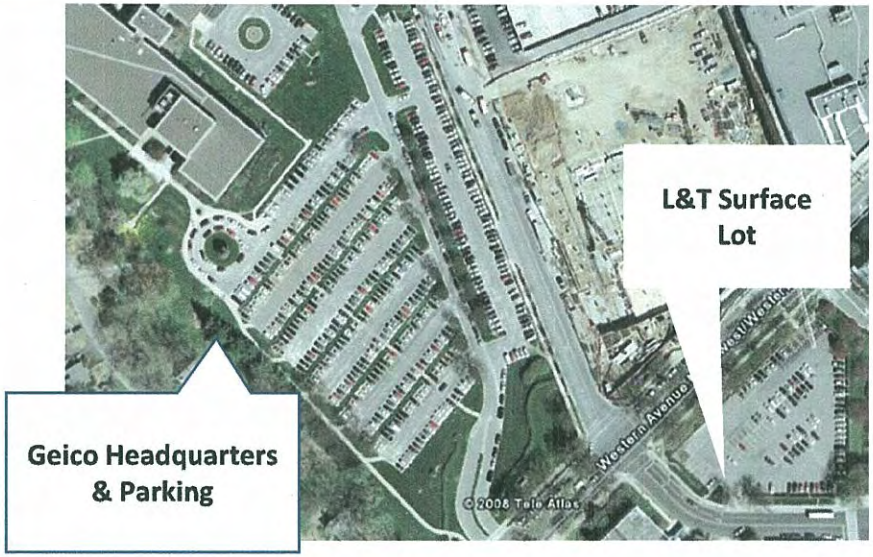
Strategy Recommendations: Redevelopment Potential

There are two potential development locations in the northern node of the submarket that offer an opportunity to increase the retail offerings. One of the sites – the Geico Headquarters site – is in Maryland; one is in DC – the Lord and Taylor surface parking lot.

Should the Geico site be developed first with significant retail, major tenants that might have considered the DC site (and their related sales, sales taxes and jobs) would become unavailable. The Wisconsin Place development along Western Avenue (Maryland side) will draw customers across the border.

During the course of discussions with potential department stores for downtown, the District may want to consider duel negotiations that also involve location of a store in Friendship Heights to reinforce the District side of the Friendship Heights/Chevy Chase commercial area.

In the southern node, the Metro Bus Western Division parking lot represents a large, underutilized site that could be developed for mixed-uses, with retail adjacent to the street. In this neighborhood-serving node, smaller independent retailers could be added to the business mix along the valuable street frontage along Wisconsin Avenue. In order to realize this retail development site's potential, an alternative location may be necessary for Metro Bus, but It may also be possible to redevelop a portion of the lot by using air rights, accommodating the Metro Bus facilities in some form as well as new, quality-designed, line retail space at the street edge.



Strategy Recommendations and Implementation

Merchandising Strategies

The Friendship Heights submarket retail mix includes upscale, luxury retailers north of the DC-Maryland border, fashion, fashion accessories and well-known chain retailers such as Neiman Marcus and Filene's Basement in the large retail developments and large-format retailers south of Jenifer Street. Customers do not tend to distinguish between Chevy Chase, Maryland The strategies to support and enhance the submarket require supporting the critical mass of quality retail and food service along the border at Western Avenue NW and along Wisconsin Avenue south of Jenifer Street.

The submarket serves an upscale regional and resident market. Consumer expenditure data reveals spending support for restaurants. The submarket already has successful chain restaurants such as Cheesecake Factory and Maggiano's. A restaurant cluster developed at the Metro Bus lot might include restaurants with compatible pricing and customer profiles such as Il Fornaio, Red Rock Canyon Grill, Bonefish Grill or a a concept from Great American Restaurants (a successful regional group that includes Carlyle Café and Mike's American Grill).

Another retail category that may have success in this submarket would be a high-end garden and home store such as Smith and Hawken or a similar locally-owned specialty store. Such a business may fit in the underdeveloped gaps along Wisconsin Avenue.

Physical Improvements

The mix of building types – large, internally focused malls and retail developments, small, freestanding storefronts and nonretail uses with gaps in the retail line does not provide a "sense of place" for the submarket. Although the current streetscape is in good condition and should be extended along the west side of the street where the Metro Bus lot is located.

Freestanding and/or inline retail stores should be encouraged to maintain quality storefronts with attractive signs and awnings.

Organizational

As much of the retail in Friendship Heights is single-owner controlled, large developments, such a situation suggests considering a Business Improvement District (BID) as an organizational structure. A Friendship Heights BID would be responsible for branding the submarket, working with property owners and DMPED to redevelop key opportunities sites.

Implementation: Key Actions

1. Encourage the redevelopment of Lord & Taylor parking lot and Metro Bus Western Division lot, Each site will require expertise to package a development program that can work for current owners and help maximize the opportunities the locations present.
   - Develop a package of incentives that may link the Lord & Taylor lot development to other desirable retail development locations in the District such as Downtown DC.
   - Open discussions about development potential of the Metro Bus lot, exploring the potential use of air rights along Wisconsin Avenue.
2. Study the feasibility of and gauge support for a Friendship Heights Business Improvement District. Identify a leadership group among current owners and open a dialog about the potential role a BID would play in the submarket.
3. Coordinate with any BID or streetscape efforts on the Maryland side of the submarket to present a cohesive shopping district between the two jurisdictions.
   - If a BID is formed on the Maryland side of the submarket, coordinate retail marketing to create a total submarket brand strategy.
   - Coordinate any urban design changes on both sides of the border to provide a total Friendship Heights/Chevy Chase brand.

Summary of Issues and Actions

Issue	Proposed Strategy		Comments	Type of Action	Responsible Party	Timeframe	Priority
Key sites development	a	Initiate discussion of development of L&T and WMATA lots	Lord & Taylor lot may need to be "bundled" with other sites in DC WMATA Metrobus lot will need to be replaced elsewhere	Development Development	DMPED Lord & Taylor Private Development WMATA WDCEP	Short-to-Mid term Mid-term	High Middle-to-High
Organization	a	BID	Explore development of BID for Friendship Heights	Organization	DMPED OP WDCEP	Mid term	Middle
Urban Design	a	Coordinated streetscape	Coordinate streetscape with Maryland section to provide cohesive image	Infrastructure Management	DDOT BID (if formed)	Mid-term	Low