

Pennsylvania Avenue SE

SWOT Analysis, Retail Demand Analysis, Strategy and Preliminary Planning Diagrams



Pennsylvania Avenue SE SWOT Analysis





Boundaries

Node 1: Pennsylvania Ave from Fairlawn Ave to 27th St, SE

Node 2: Pennsylvania Ave from Branch Ave to 33rd Place, SE; Pennsylvania Ave to P Street, SE

Node 3: Pennsylvania Ave from Alabama Ave to Forth Davis St, SE to R St, SE

Zoning

Pennsylvania Avenue is zoned as commercial in the Retail Action Strategy's three different nodes, which are separated by residential neighborhoods. The first node is adjacent to a small area of commercial-light manufacturing low bulk by the Anacostia Freeway. Across the freeway to the west of the three nodes, Pennsylvania Avenue continues as a commercial corridor. Fort Dupont and Fort Davis Parks snake their way through the largely residential area as a government-zoned property.

Overview

This submarket east of the Anacostia River runs along Pennsylvania Avenue, one of the District's signature boulevards with direct access to Capitol Hill, the Anacostia Freeway, and the Capitol Beltway. It is anchored by 3 major nodes: L'Enfant Square, Branch Avenue, and Alabama Avenue. These nodes, which vary greatly in character, offer pockets of retail that serve the surrounding residences. Pedestrian access to this retail, as well as other community amenities such as parks, is currently limited because of Pennsylvania Avenue's auto-oriented nature.

1 L'Enfant Square

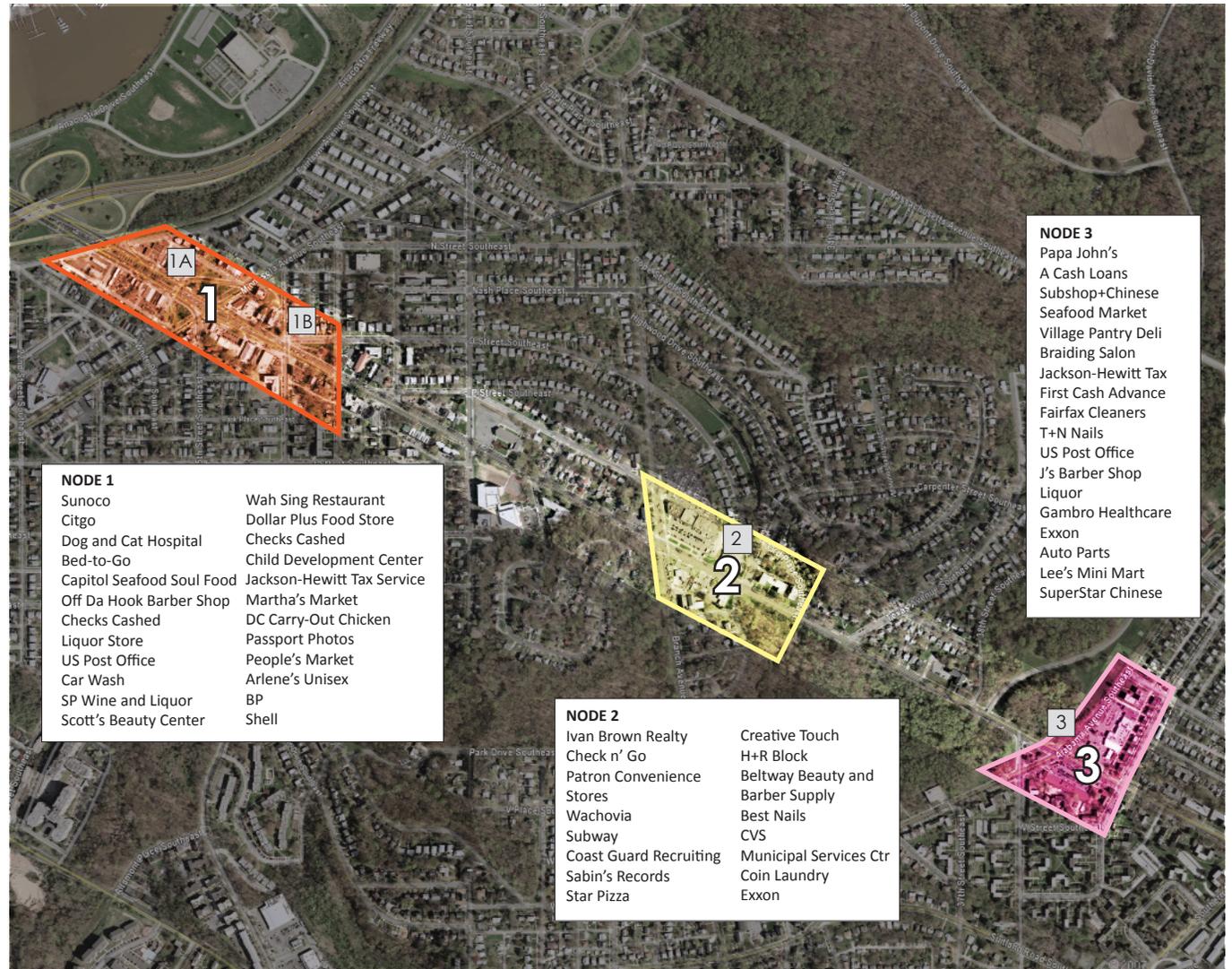
This node is overwhelmingly defined by the Anacostia Freeway. While proximity to the highway is an asset in many ways, it also makes this area unsuited for retail (other than existing highway-oriented retail like gas stations) at present. Infrastructure must be made less hostile to pedestrians in order for other retail types to thrive here. Traffic congestion and adjacent housing also imposes limitations on development.

2 Branch Avenue

Without the infrastructural constraints of the first node, this woody node is more appropriately positioned for retail development. Its Penn Branch Shopping Center, a 2-story suburban-style strip mall with subprime tenants, is the largest retail offering in the submarket. It has excellent potential to be redeveloped into an improved, centrally located community offering.

3 Alabama Avenue

This node contains 2 small auto-oriented shopping centers, Fairfax Village and Fort Davis. Its vast parkland suggests that the area is suited more to residential than commercial expansion; however, there is room for retail development across from Fort Davis Park.



Note: Tenant lists do not include all businesses located in the submarket.



Retail Node 1: L'Enfant Square

This "L'Enfant Square" node can be divided into 3 sub-nodes: The Anacostia Freeway, Marginal Retail, and Residences.



A - The Anacostia Freeway necessitates this node's overwhelming infrastructure. At its widest, Pennsylvania Avenue has 10 lanes of traffic surrounded by land with a significant grade change. This infrastructure limits the potential for any building, including retail development.



B - Marginal Retail in poor condition lines both sides of Pennsylvania Avenue, although it appears to be single-loaded because of the street's width and median. The southern side dominates with denser retail and a small strip mall. In general, retail here is redundant, with an over-representation of gas stations and liquor stores. L'Enfant Square itself is inactive because it is bisected by cars and not utilized by residents.



C - Residences characterize this quieter section. Although residential lots have the most depth here, there is minimal retail; however, a large triangular lot between Minnesota Ave and 27th Street has potential to become a local anchor. To the east, civic buildings mark the submarket's residential beginning and transition to a smaller, 5-lane-total street.

Retail Node 2: Branch Avenue

The Branch Avenue node contains 3 sub-nodes: Residences, Penn Branch Shopping Center, and Other Retail.



A - Residences bookend the Branch Avenue node. Single-family homes in excellent condition line the woody area west of Branch Avenue, and a large mosque occupies the northwest corner of this intersection. The easternmost section of this node has 3- to 4-story apartment buildings.



B - Penn Branch Shopping Center, a 90,000sf local-tenant strip mall with a Municipal Services Center in the rear, has the most critical mass of any retail offering in this submarket. Its expansive surface parking, subprime tenants, and outdated facade/structure make it suited to major redevelopment. The adjacent laundromat lot has potential to be a more substantial neighborhood offering with its prime location next to Penn Branch and opposite other retail (see below). However, the dramatic grade change of this site is a challenging constraint.

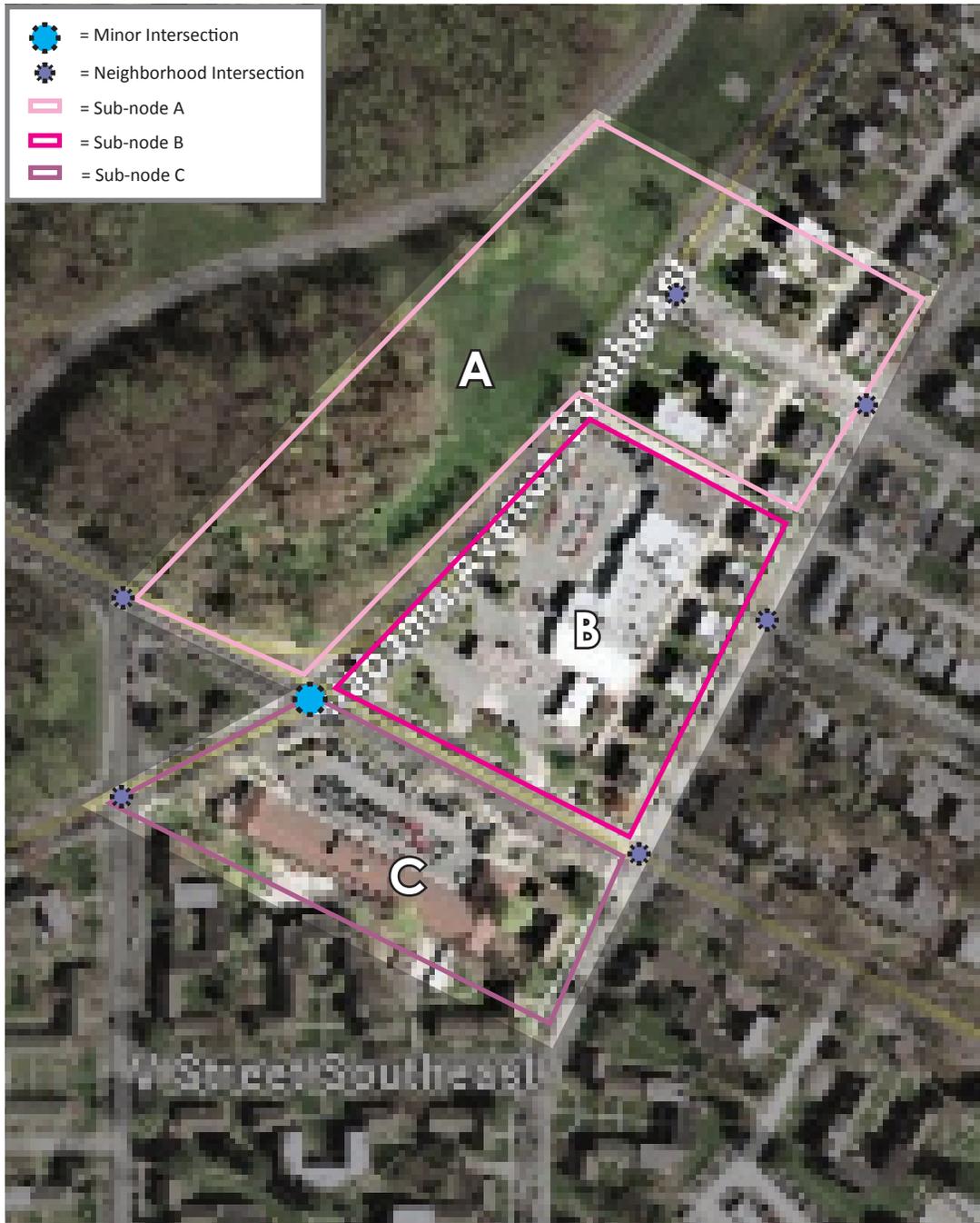


C - Other Retail across from Penn Branch includes a small strip mall and gas station. This strip mall has less critical mass than Penn Branch (it abuts a church and apartment), making it suited to its current inventory of neighborhood retail and offices.



Retail Node 3: Alabama Avenue

The Alabama Avenue node contains 3 sub-nodes: Fort Davis Park, Fort Davis Center, and Fairfax Village Shopping Center.



A - Fort Davis Park enhances the residential feel of this node of Pennsylvania Avenue. Parkland occupies the area west of Alabama Avenue; single-family homes and apartments occupy the east side across the park (north of Fort Davis Center).



B - Fort Davis Center is a small strip mall across Alabama Avenue from Fort Davis Park. It has good depth and is well-positioned, with good visibility and access. These qualities give it more potential than the Fairfax Village Shopping Center (see below) to be redeveloped into a more significant community offering if the demand for retail increases.



C - Fairfax Village Shopping Center is a small strip mall directly off Pennsylvania Avenue. Its context makes its scale and merchandising appropriate—tenants here include a post office, Papa John's, Fairfax Cleaners, Checks Cashed, and Potomac Seafood; limited depth due to adjacent mid-rise apartments makes it unlikely to expand. Efforts should be focused on improving parking (perhaps additional space could be added below grade or at the rear), as well as ensuring that it is used by customers rather than commuters.

Retail Infrastructure

Streets & Blocks

Pennsylvania Avenue drastically changes character within this submarket. In its westernmost section, it is essentially a fast-paced highway that is clearly auto-dominant. The pedestrian experience is secondary to the functional demands of its proximity to the Anacostia Freeway, which require numerous lanes and on-ramps. A wide median divides the two sides of the street, alienating their storefronts from each other, while the extensive, concrete sidewalks are poorly maintained. East of 27th Street, however, Pennsylvania Avenue becomes a much smaller, scenic street that passes through hilly, residential neighborhoods. This residential quality is enhanced by the woody setting of Fort Davis Park, which snakes through the two eastern nodes of the submarket.



Intersections

The largest intersections occur in the westernmost node near the Anacostia Freeway; the sheer number of lanes make all intersections here quite large and hostile. Subdivisions of each street and numerous one-way on-ramps expand the intersections. Instead of the usual two roads coming together, for example, the intersection of Pennsylvania Avenue and Minnesota Avenue becomes 6 separate, one-way streets. This multiplicity of streets should be reconsidered to make Pennsylvania Avenue's infrastructure more manageable and conducive to retail development. The introduction of a traffic circle could make the surrounding land more usable from a retail perspective. Outside of the first node, Pennsylvania Avenue's other major intersections at Branch and Alabama Avenues mark the second and third nodes.



Buildings

Most buildings by the Anacostia Freeway are either gas stations or inline retail shops with marginal goods and services tenants. Buildings here tend to be in poor condition and are often covered in graffiti. The easternmost section of this node begins to turn residential as retail peters out and single-family homes take over. Past 27th Street, this submarket is largely residential. Single-family homes in good condition, as well as a few mid-rise apartments, characterize the second and third nodes. There are also several larger civic buildings amidst the residential neighborhoods, such as churches, mosques, and schools. Strip malls in decent condition, including the Penn Branch, Fort Davis, and Fairfax Village shopping centers, sit near the major intersections of these residential neighborhoods.



Alleys & Service

This heavily residential area is not as densely developed as other submarkets, so there is generally more room between buildings with which to work. The retail areas in the first node, for example, are separated from adjacent residences by a street that creates a half block. Although this back area is currently not utilized well, there is room for service and loading; parking remains problematic. However, back door areas are not well-oriented for the existing strip malls, and dumpsters sit visibly in the parking lots. Overall, the lack of rear loading/service space makes expanding these strip malls unlikely, with the exception of Penn Branch Shopping Center.



Strengths

- This submarket has a key location directly off of the Anacostia Freeway, giving it easy access and good visibility for commuters
- There is a built-in residential population (about ¼ of whom are well-off empty nesters), as much of the area is surrounded by good-quality housing and institutional uses such as a firehouse, mosque, schools, and churches
- Fort Davis Park beautifies much of the submarket with expanses of woodland and mature trees
- A looser urban fabric offers enough critical mass of undeveloped land for potential retail redevelopment in certain areas
- Redevelopment along the river's edge (ie. Baseball district, Poplar Point) is encouraging this upstream neighborhood to change
- The underserved nature of this community creates demand for enhanced retail options

Weaknesses

- The lack of a nearby Metro station reinforces the auto-dependence of this submarket, which subsequently prevents it from being a pedestrian-friendly environment
- Existing infrastructure near the Anacostia Freeway (e.g. wide lanes, expansive intersections) is hostile to pedestrians and confusing for drivers
- Open spaces carved by infrastructure are not functional; although they are grassy and park-like, they are bisected by cars and not utilized by residents as a meaningful gathering space; their odd shape also makes building and providing parking inefficient
- Retail properties tend to be in poor physical condition, especially in the L'Enfant Square node (e.g., limited depths, insufficient parking, and marginal tenants)
- Penn Branch Shopping Center has awkward visibility, significant grade change, and a shortage of parking
- Fairfax Village strip mall has a crowded, awkward parking lot with barriers and dumpsters impeding flow of traffic

Opportunities

- Improve intersections in the L'Enfant Square node to make them less overwhelming, perhaps by considering a traffic circle as per the Great Streets Framework Plan
- Focus on the Penn Branch Shopping Center and adjacent lot (near the laundromat) as the main retail offering because of its critical mass and central position in the submarket
- Cluster retail offerings at strategic nodes to create defined retail centers with the potential for increased success
- Improve retail options and accessibility in order to capture additional spending from commuter traffic
- Transform marginal retail near Fort Davis Park into higher-density (4-5 stories) mixed use development, with ground floor retail that takes advantage of views to the park
- Improved access to a transformed waterfront and adjacent neighborhoods as well as a cleaner natural environment will enhance this submarket
- Leverage Great Streets Initiative, including public realm investments and economic development assistance, as well as the Corridor Development Draft Plan already completed for this submarket

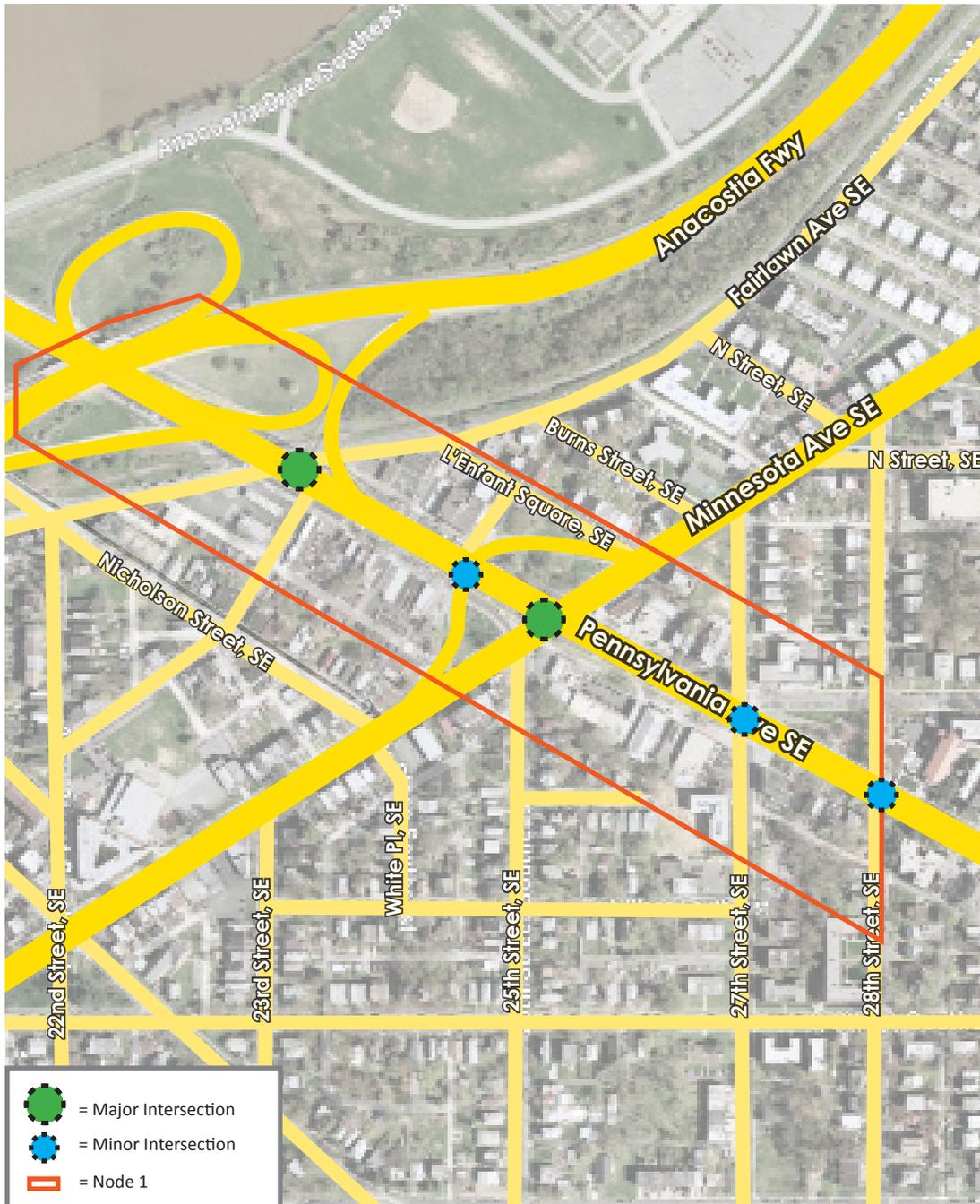
Threats

- Most of the existing retail space is leased to marginal tenants and, in many cases, vacant space (which is particularly abundant in the L'Enfant Square node) is too small for national retailers; therefore, it is often challenging to get credit tenants to look at opportunities east of the River
- The poor condition of existing retail space will necessitate complete redevelopment in order to attract national tenants; however, high development costs require dense, mixed-use product types, which this market cannot support at this time
- The transportation of L'Enfant Square into a high-quality pedestrian environment presents a challenge considering the node's heavy infrastructure and traffic patterns
- New development will only marginally increase traffic due to the commuter-oriented nature of this corridor; as such, new development should attempt to take advantage of the vehicular traffic patterns while also encouraging new pedestrian traffic from the adjacent residential neighborhoods
- Tension and differing expectations between the community and developers may make any meaningful change here difficult to achieve
- The presence of 3 nodes (i.e., L'Enfant Square, Branch Avenue, and Alabama Avenue) along one commercial corridor creates a challenge in terms of promoting distinct district identities and retail differentiation/viability
- New development around the Potomac Avenue Metro stop and Poplar Point may shift attention and investment west and south of this submarket, respectively

Pennsylvania Avenue SE Preliminary Planning Diagrams



Planning Analysis Node 1: L'Enfant Square



General Observations about Existing Area:

- 1) This node's proximity to the Anacostia Freeway presents a challenge to it becoming a successful community offering. It is overwhelmed by large-scale infrastructure related to the freeway's high volume of traffic in and out of the city. The 10 lanes of traffic (in excess of 200 feet) create a hostile pedestrian environment with large gaps in the streetscape, which currently prevents this submarket's retail from thriving.
- 2) It is also important to consider that this node (and greater submarket) is primarily neighborhood-serving despite its location next to a regional road network, as many D.C. residents do not go east of the Anacostia River for goods and services.

Retail Planning Principles:

- 1) Focus retail redevelopment in Southeast submarkets to best serve local residents.
- 2) Explore street calming techniques and intersection improvements that will create a more pedestrian friendly experience.
- 3) There are redevelopment opportunities in other nodes along this corridor with more potential to effectively serve this Pennsylvania Avenue community.

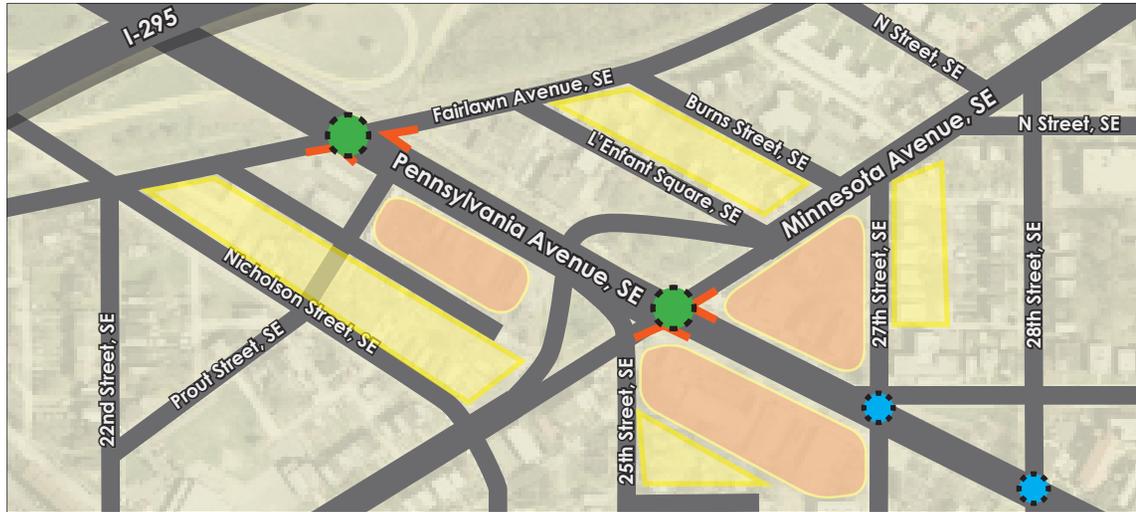
Planning Concepts Node 1: L'Enfant Square

-  = Prime Corner
-  = Mixed-Use Opportunity
-  = Sensitive Low-Scale Residential Adjacencies
-  = Major Intersection
-  = Minor Intersection

The following concept diagrams are intended to be used as a general guide for retail improvement opportunities. Actual building configurations and mix of uses should be reviewed on a case-by-case basis.

Two redevelopment options explore a varying degree of programming.

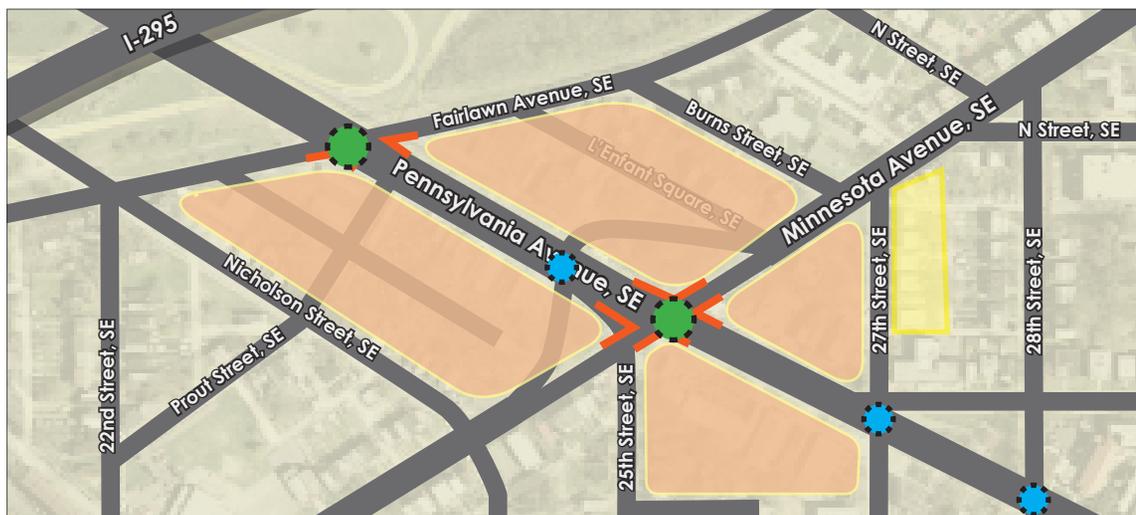
Redevelopment Option 1



HIGH-DENSITY, MIXED-USE DEVELOPMENT OPPORTUNITIES

Without major infrastructure adjustments, the L'Enfant Square node is limited to highway retail. Redevelopment opportunities exist; however, they are constrained by adjacent residential uses, high traffic volumes, and awkwardly shaped blocks that make for inefficient parking scenarios.

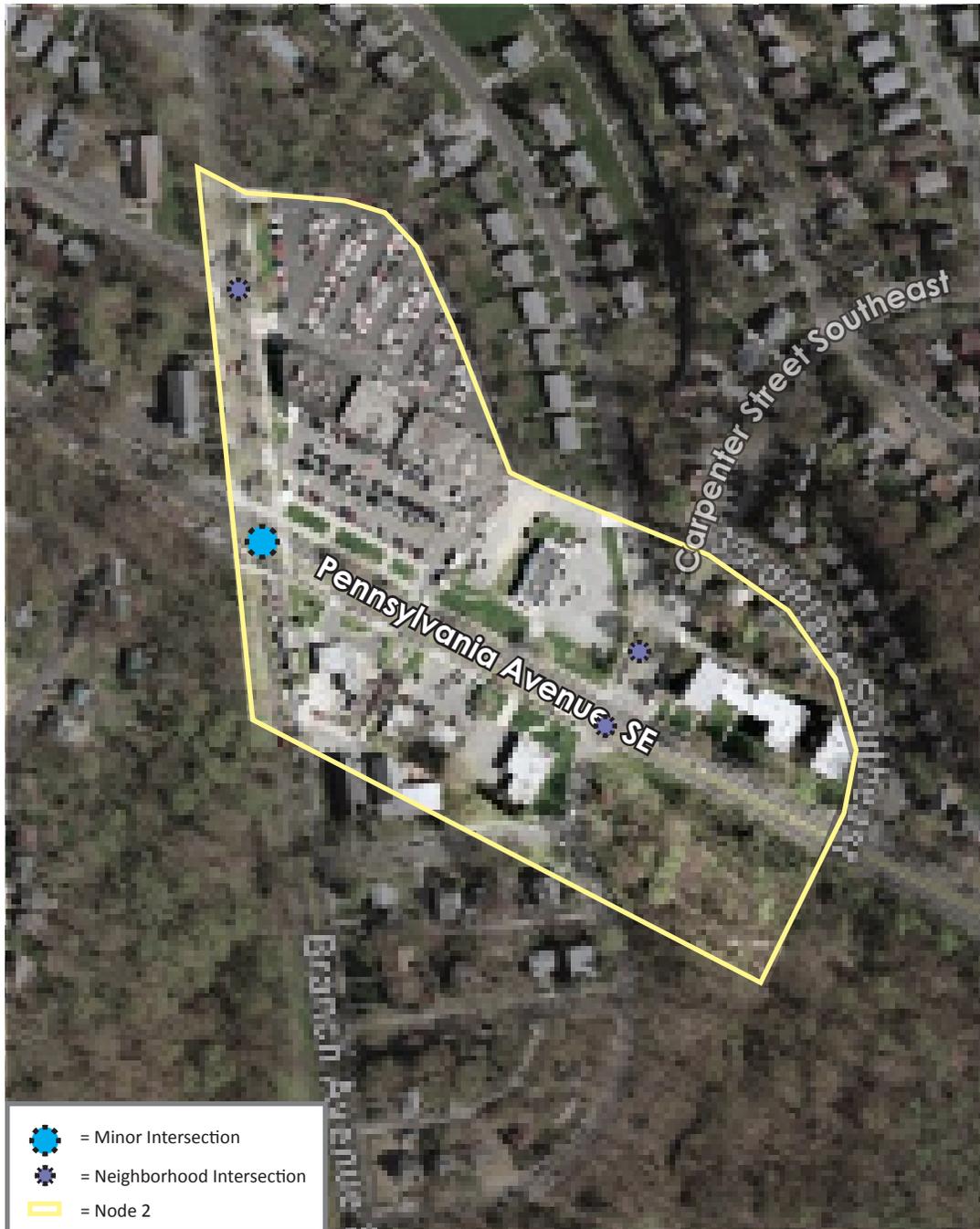
Redevelopment Option 2



HIGH-DENSITY, MIXED-USE DEVELOPMENT OPPORTUNITIES

Significant mixed-use opportunities that include enhanced retail options, as suggested by the Great Streets Framework Plan, could arise with the consolidation of properties and shallow blocks, as well as major infrastructural changes to mitigate hostile intersections. Any major development will need to consider traffic impacts as well as the degree of development the infrastructure can support. However, because this node will require significant long-term infrastructure improvements in order to become a more accessible and high-quality pedestrian environment, we recommend focusing shorter range efforts on Nodes 2 and 3, which are better positioned to serve the community in the near term.

Planning Analysis Node 2: Branch Avenue



General Observations about Existing Area:

1) Compared to the L'Enfant Square node, the Branch Avenue node has more potential to offer improved community-serving retail in the short to medium term. Its central position in the submarket (nestled among its critical mass and largest lots, but away from overwhelming traffic), makes it the most viable place for a significant retail offering.

Retail Planning Principles:

- 1) Focus energy on repositioning and re-appropriating retail.
- 2) Concentrate especially on reconfiguring the existing Penn Branch Shopping Center and adjacent laundromat lot.
- 3) Look to single-owned properties for consolidation and mixed-use opportunities.

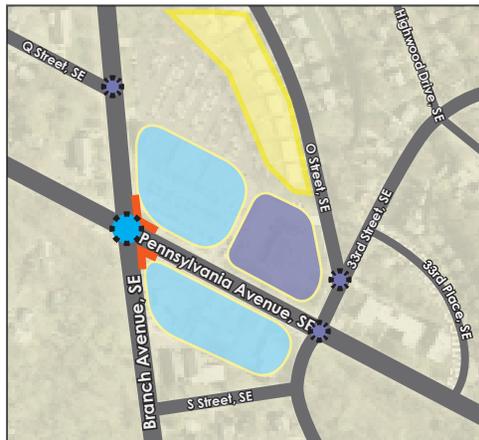
Planning Concepts Node 2: Branch Avenue

- = Prime Corner
- = Mixed-Use Opportunity
- = Reinvestment Opportunity
- = Single-Use / Transitional
- = Sensitive Low-Scale Residential Adjacencies
- = Minor Intersection
- = Neighborhood Intersection

The following concept diagrams are intended to be used as a general guide for retail improvement opportunities. Actual building configurations and mix of uses should be reviewed on a case-by-case basis.

Three redevelopment options explore a varying degree of programming.

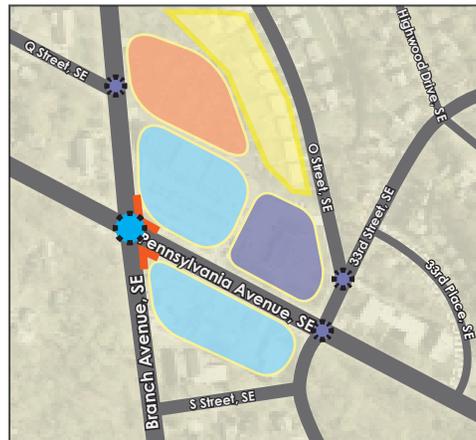
Redevelopment Option 1



REINVESTMENT/REPOSITIONING OPPORTUNITIES

The Penn Branch Shopping Center is well-positioned as a local retail offering. Implementing a more defined signage and merchandising strategy will increase the quality of the center. In addition, the existing laundromat parcel should be redeveloped to take full advantage of its proximity to the successful shopping center.

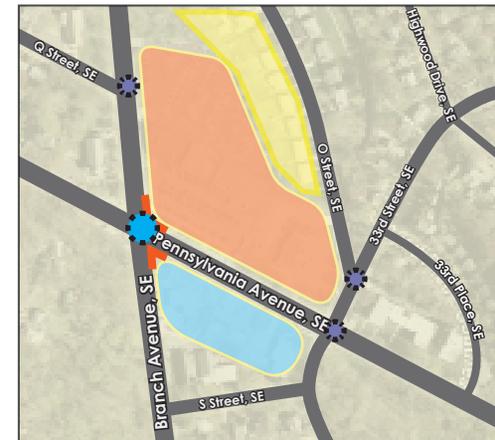
Redevelopment Option 2



MIXED-USE DEVELOPMENT OPPORTUNITIES

A more ambitious redevelopment effort should consider additional program at the Municipal Services Shopping Center parking lot. Either residential or office uses are appropriate in this location, whereas retail would suffer from a lack of visibility.

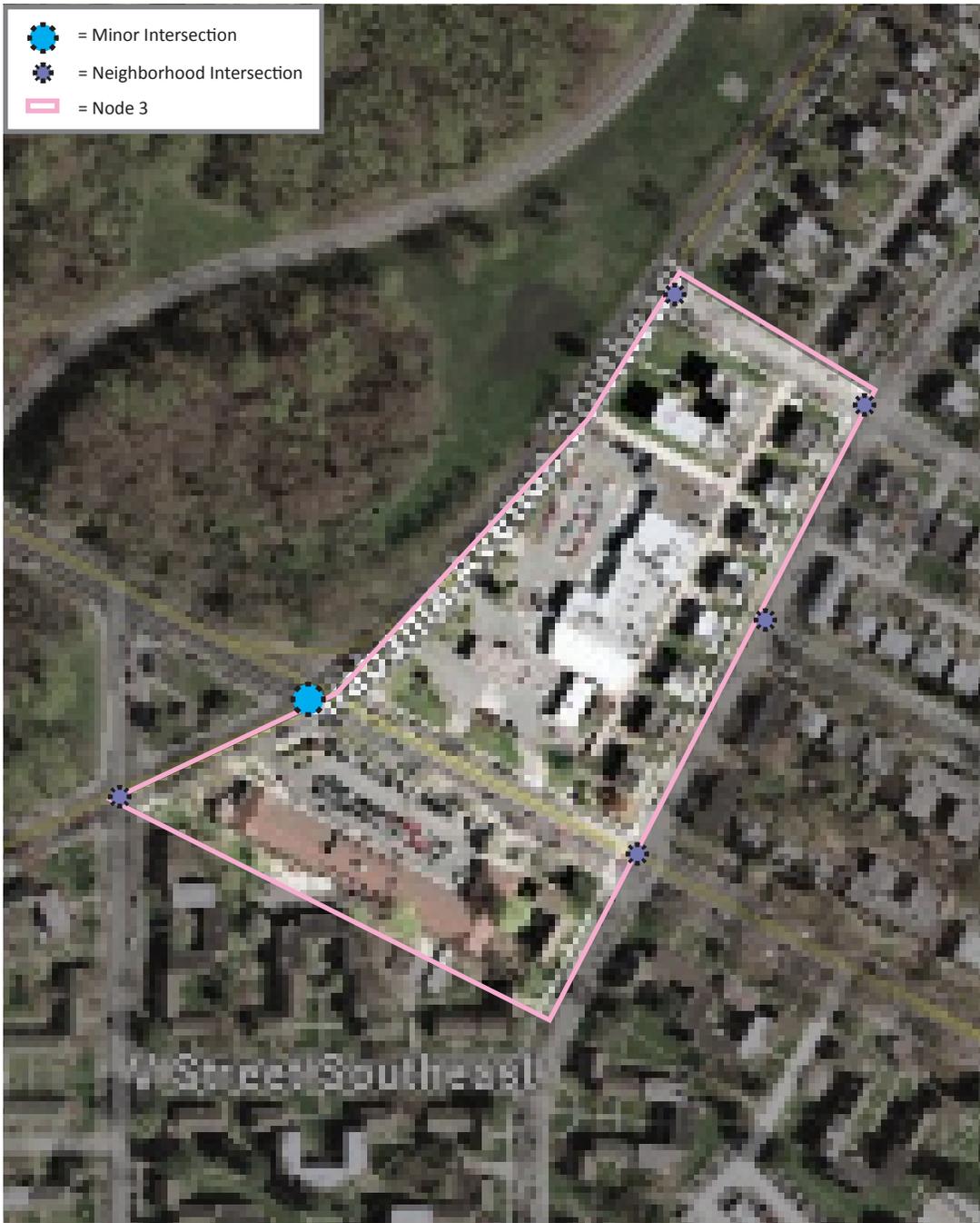
Redevelopment Option 3



MIXED-USE DEVELOPMENT OPPORTUNITIES

Centrally located and flanked by two of the District's major corridors, this node has all the right ingredients for an integrated neighborhood village. A new development should integrate a mix of office, residential, and retail uses. Significant grades at this site pose challenges for development and creative repositioning will be required.

Planning Analysis Node 3: Alabama Avenue



General Observations about Existing Area:

- 1) Similar to the Branch Avenue node, the Alabama Avenue node is strategically located within the local community and, as such, has the potential to become an improved neighborhood-serving retail environment.
- 2) The open space of Fort Davis Park, as well as decent depths in the Fort Davis strip mall lot, translate into an opportunity for a neighborhood village. However, it is important to examine whether the retail demand actually exists in the current market for this kind of development.

Retail Planning Principles:

- 1) Limit retail expansion due to better opportunities in nearby centers.
- 2) Concentrate reinvestment efforts on improving existing retail offerings.

Planning Concepts Node 3: Alabama Avenue

- = Prime Corner
- = Mixed-Use Opportunity
- = Reinvestment Opportunity
- = Single-Use Transitional
- = Sensitive Low-Scale Residential Adjacencies
- = Minor Intersection
- = Neighborhood Intersection

The following concept diagrams are intended to be used as a general guide for retail improvement opportunities. Actual building configurations and mix of uses should be reviewed on a case-by-case basis.

Two redevelopment options explore a varying degree of programming.

Redevelopment Option 1



REINVESTMENT/REPOSITIONING OPPORTUNITIES

Current market indicators do not show a need for additional retail in this trade area. Limited depths and parking deficits also limit retail expansion. Focusing retail efforts in the Fairfax Village Shopping Center will add more significance to this shopping destination.

SINGLE-USE DEVELOPMENT OPPORTUNITIES

Repositioning the Fort Davis Center to a higher-density residential use that takes advantage of similar residential adjacencies and attractive park views should also be considered.

Redevelopment Option 2



MIXED-USE DEVELOPMENT OPPORTUNITIES

If market conditions change, a mixed-use development strategy is feasible within the Fort Davis Center block, which has better lot depths for redevelopment than the Fairfax Village Shopping Center. Consolidating some of the surrounding properties is advised to allow for optimal property depths and an overall more successful development.

Pennsylvania Avenue SE Retail Demand Analysis

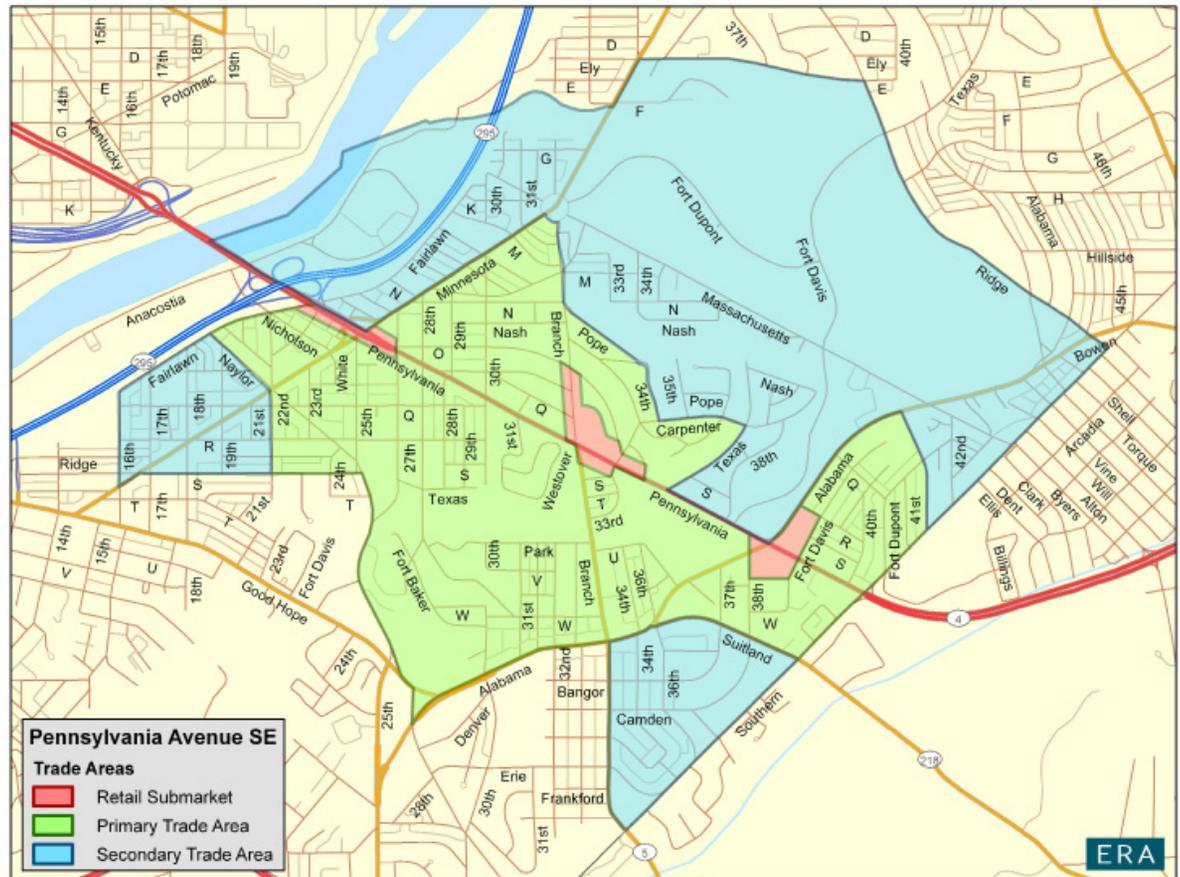


The Pennsylvania Avenue SE submarket has three separate nodes:

- 1) PA Ave. from Fairlawn Avenue to 27th, SE
- 2) PA Ave. from Branch Ave to 33rd PI SE; PA Ave. to P Street, SE
- 3) PA Ave. from Alabama Ave to Fort Davis St SE; Alabama Ave to R Street, SE

Key Elements

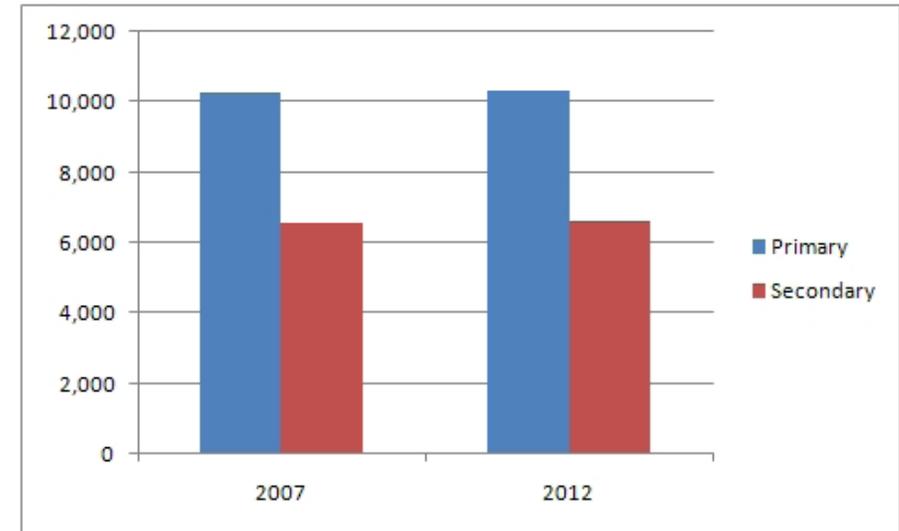
- Trade areas assess residents and other potential customers that could be drawn to the site
- The primary trade area encompasses the block groups within a ¼ mile of the retail submarket; the secondary trade area includes the block groups within a ½ mile of the retail submarket (reasonable walking distances for pedestrian shopping)
- Primary trade area residents are expected to be frequent customers, with a focus on those living closest to the site; secondary trade area residents are expected to be consistent, but not frequent customers
- Potential customers who are not primary or secondary trade area residents are accounted for by an “inflow” factor; this is a percentage applied to potential expenditures at the site



Slight increases are projected in population and housing units in the Pennsylvania Avenue SE trade area over the next five years

- The population in the primary Pennsylvania Avenue SE trade area is expected to increase by 72 people over the next five years – from 10,282 in 2007 to 10,354 by 2012
- Population in entire trade area will increase by 113 people
- The total trade area is expected to add 99 households over the next five years

Trade Area Population Growth, 2007 and 2012



Trade Area Household Growth, 2007 and 2012

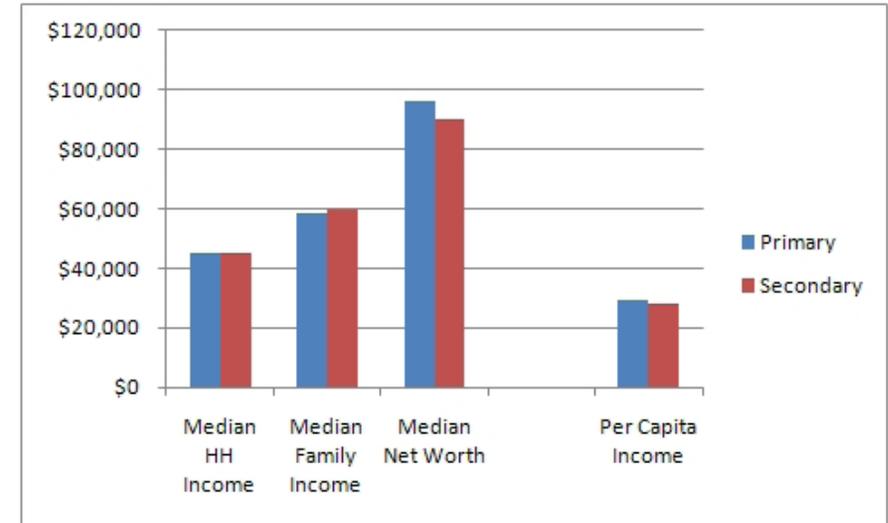
	Estimated 2007	Projected 2012
Primary	4,757	4,818
Secondary	2,921	2,959
Total	7,678	7,777

Pennsylvania Avenue SE Key Demographics: Trade Area Household Profile

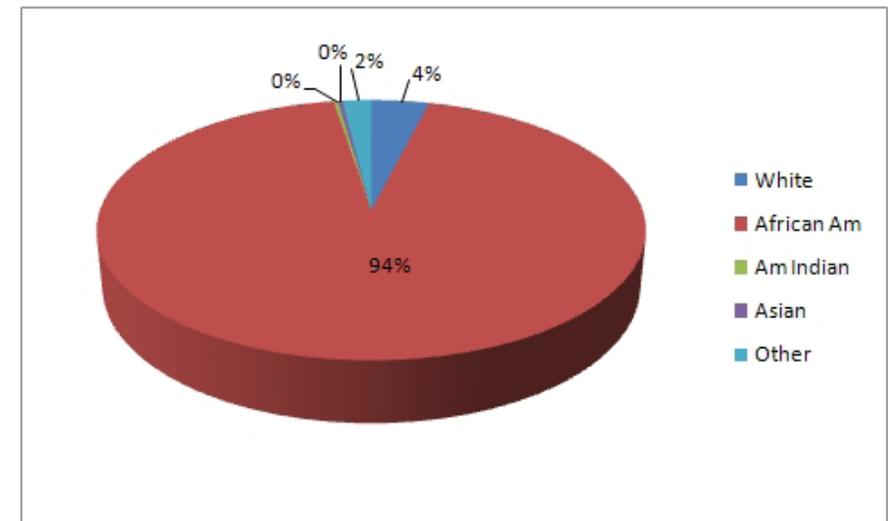
- The Pennsylvania Ave SE trade area has a solidly middle-income base
- The median household income in the primary trade area is \$45,203 and is \$45,268 in the secondary trade area
- Racially and ethnically, the trade area is mostly African-American (94%). The next largest group is identified as "White" at 4% of the population of the total trade area. Latino and Hispanic households may identify as black, white, or other in census data*

*"Other" includes mixed racial populations or self-identified as such. The group may include Latinos or Hispanics who do not identify with another race. Latino and Hispanic are ethnic groups, not racial, but may include people of several racial groups

Income Statistics, 2007



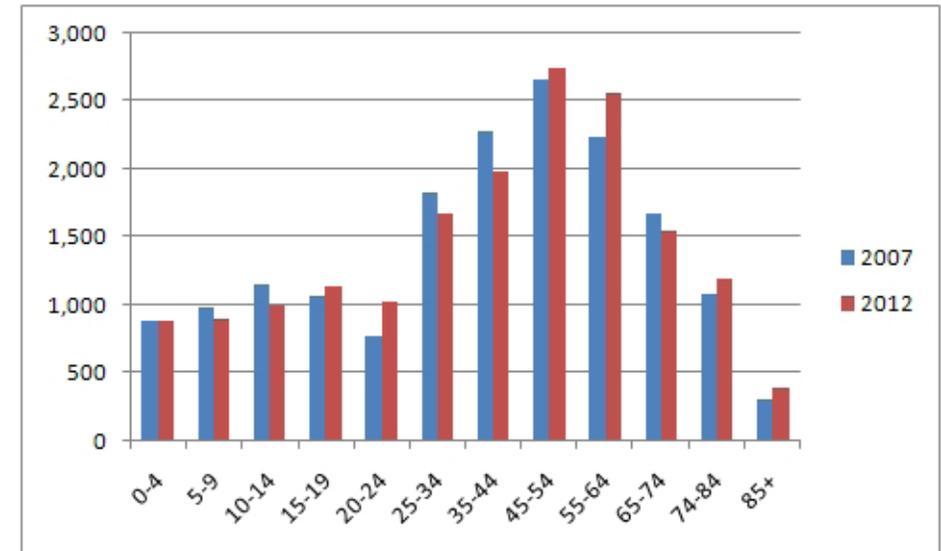
Racial and Ethnic Groups, 2007



Moderate projected population change among young adults and empty-nesters present retail opportunities

- Age cohorts 25 through 44 will see a decline in population over the next five years, a negative indicator for residential demand
- Population growth in the 55 to 64 cohort will increase demand for goods and services associated w/ "Empty Nesters" and those heading towards retirement; decreases expenditures associated with forming households
- Growth in population among the 15 to 19 and 20 to 24 age cohorts indicate a continued demand for family-oriented goods and services and young adult household formation-oriented items such as inexpensive furniture, quick service restaurants, bars, and pre-prepared foods at supermarkets

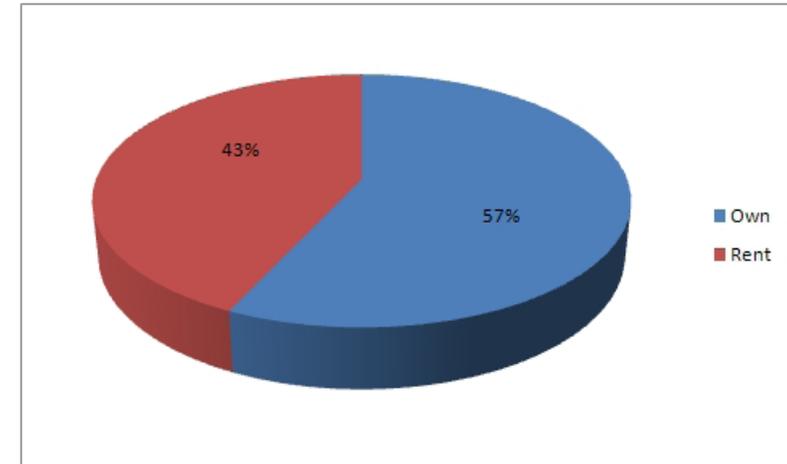
Area Population by Age, 2007 and 2012



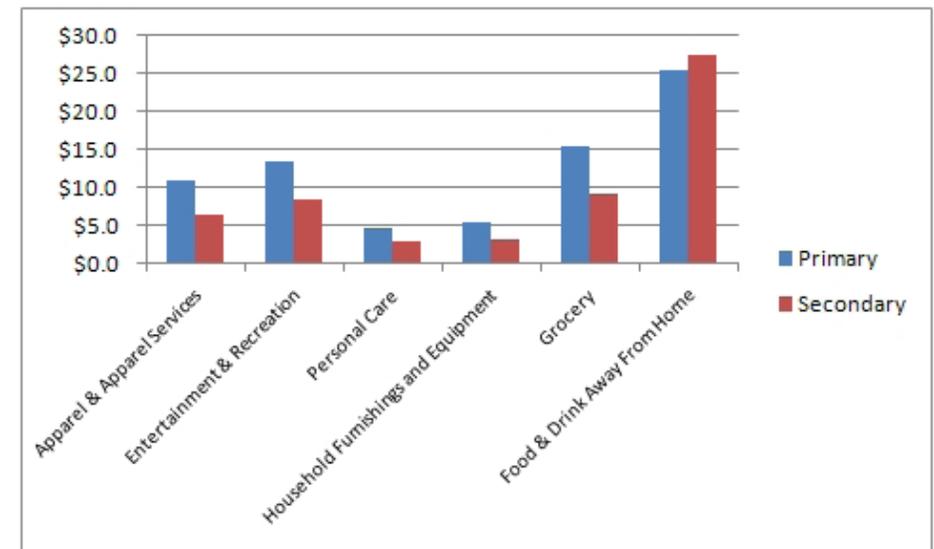
Pennsylvania Avenue SE Key Demographics: Trade Area Household Profile

- The 5% difference between “own” vs. “rent” in the total Pennsylvania Avenue SE trade area is small in comparison to many other areas, indicating similar levels of demand for both types of residential product and a diverse group of existing residents
- Reviewing the trade area’s household expenditures provides a “snapshot” of how households spend their disposable dollars. In order to increase opportunities for retail sales in the community, the retail submarket needs to be able to capture more of the total expenditures available
- In 2007 trade area residents spent a total of \$115million on products and services in the categories represented on the graph. This is total spending everywhere, not just in the trade area
- Food and drink away from home, especially in the secondary trade area, represents the highest expenditures category in the total trade area. Increasing the number of available food and drink establishments in the submarket may offer an opportunity to increase market share of total available expenditures

Home Ownership, 2007



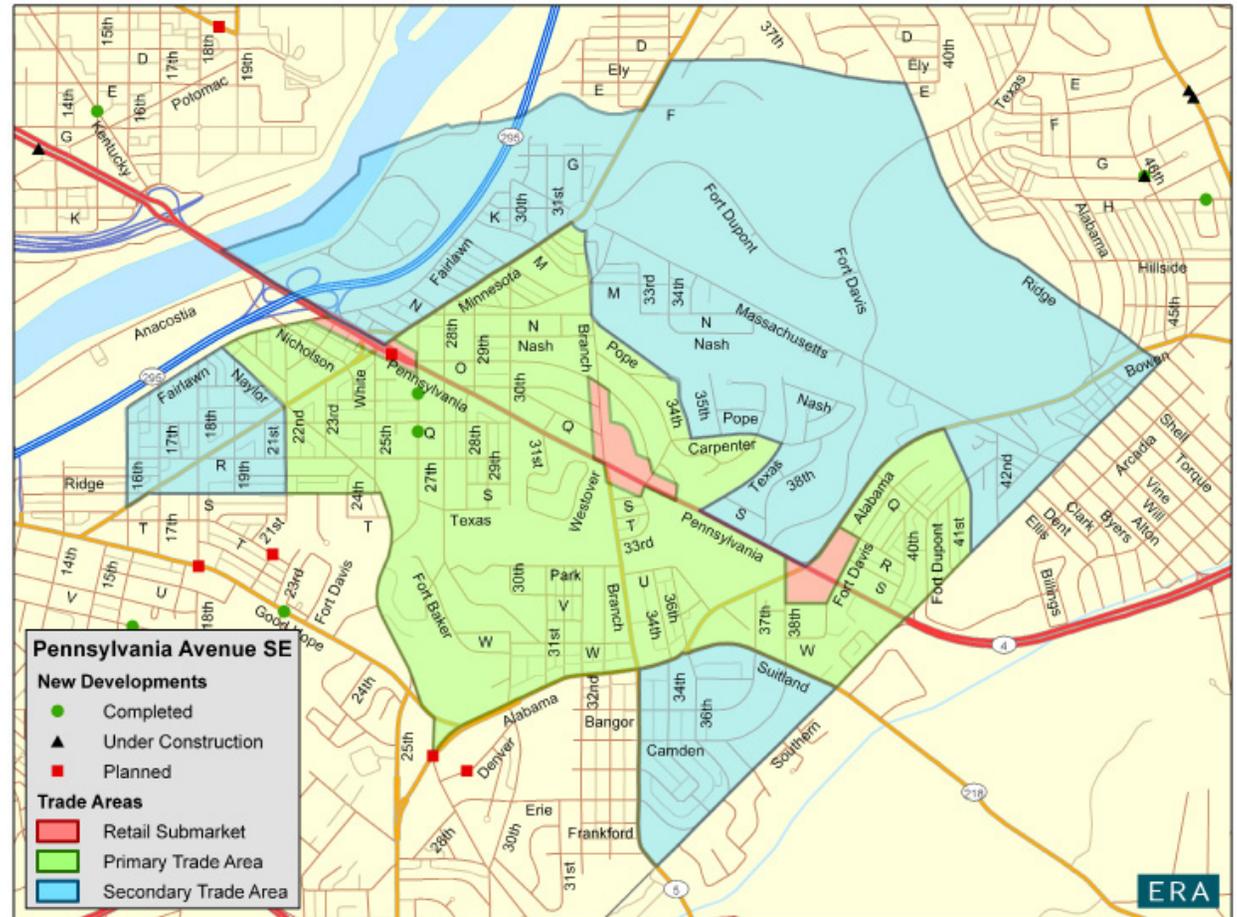
Household Expenditures (In Millions) by Category, 2007



Development Pipeline

Pipeline Projects

- There are multiple new developments in the Pennsylvania Avenue SE Avenue trade area that will deliver retail space within mixed-use projects
- The proposed development at 2300 Pennsylvania Avenue would add 115 residential units and 8,500 square feet of retail space
- Penn Circle Condominiums delivered 36 residential units; the Town Houses of Randle Heights delivered 10 residential units
- Twining Place, a planned development will have 10 new residential units



Overview of Market Demand Analysis

The purpose of the market analysis is to provide quantitative data that, combined with qualitative analysis in the Strengths-Weaknesses-Opportunities-Threats (SWOT) section, inform the retail development strategy for the submarket and provide a tool to DC government, private developers, retailers, and community organizations for developing retail business opportunities.

Developing Estimates of Supportable Square Footage

A key component of the quantitative analysis is the determination of the quantity of retail space supportable in each submarket. To calculate this, retail demand or spending within the trade area along with an estimate of the spending that the submarket could capture are measured. Various factors are taken into account in developing submarket capture rates, such as the quality of existing retail offerings and trade area competition. Retail spending potential for each major retail category (Convenience Retail, Specialty Retail and Food & Beverage/Restaurants other Food Service) is divided by the retail industry standard for sales-per-square foot (sometimes called retail sales productivity) to arrive at an estimate of retail square footage that the submarket can support. Submarket demand is compared to supply by subtracting the existing retail inventory to determine the net supportable square feet for retail space.

For potential future development in 2012, pipeline residential and commercial projects, and associated increases in trade area expenditures, are factored into future demand. On the supply side, the pipeline of "under construction" and "planned" retail projects is subtracted from the estimate of supportable retail space, as it is assumed that the new space will absorb an equivalent amount of space at the threshold productivity levels.

Generally speaking, retail market demand analysis should not be considered conclusive, as it combines "typical" and "industry average" performance measures with professional judgment based on local conditions and knowledge of the market and retail industry. There are several factors that will determine the success or failure of any individual retail business; that is why the industry is constantly changing. This analysis is intended to guide the Retail Action Strategy to opportunities to recruit potential successful retail categories based on estimated demand potential.

*Estimated retail spending potential is based on household spending patterns, household income and household composition as reported by the Consumer Expenditure Survey prepared by the US Census for the US Bureau of Labor Statistics. For retail sales productivity rates, ERA used a range of retail industry-based sales per square foot estimates based on the company's experience in urban commercial districts similar to each individual submarket, as shopping center industry standards do not always reflect comparable performance in either market orientation or financial structure by locally-owned businesses or by smaller/older commercial buildings.

Retail Demand: Primary Trade Area Supportable Retail Space

Retailers measure business success by comparing their sales per square foot or productivity against their costs and revenue objectives as well as reported retail industry standards for comparable types of stores. The amount retailers can afford to spend for rent is also determined by annual sales (both the total amount and sales per square foot per year). Retail rents usually range between 8 percent and 12 percent of total annual sales. This industry standard is a benchmark by which retail performance can be determined.

Local retailers whose sales fall below these industry standards may be considered to be underperforming; the reasons for underperformance may be a result of the size of the market, stronger competitors with better merchandise, merchandising, and/or better pricing, or undercapitalization. Underperforming retailers may cause the analysis of supportable square footage to be underestimated. The higher performing operators can capture market share from existing retailers as well as new customers not currently patronizing a commercial district. When considering a commercial location or district such as the submarkets included in this analysis, retailers often review the levels of rent achieved by property owners as an indication of the level of sales that other retailers are generating.

Lower average rent levels also influence the amount that property owners can afford to invest in property improvements to retain existing tenants or recruit new ones. If property owners are unable to offer tenant improvements because rents are too low, the retailers are then required to increase the amount they must spend to prepare a building to become a store, café, or consumer service business. The greater the amount the retailer is required to invest in space improvements, the greater the financial risk, resulting in additional financial pressures during the early years while the retailer is becoming established and building a customer base. Districts presenting a higher risk of failure have difficulty attracting well managed, well capitalized businesses.

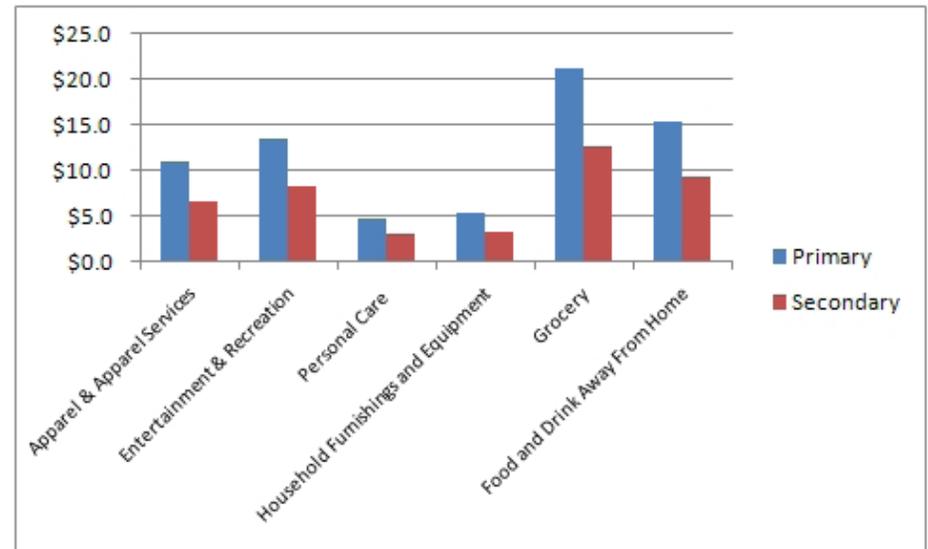
This relationship establishes the connection between the total sales that retailers can achieve, the amount they can afford to pay in rent, and whether the property owners will be willing (or able) to invest in major needed building upgrades (electrical systems, HVAC, or tenant improvements) to attract or retain retail tenants.

Trade Area Resident Spending

- Retail opportunities are measured using trade area retail expenditures, which describe consumer spending patterns
- Expenditures typically cover resident spending, but have been adjusted to include worker, visitor, and other spending, as appropriate
- Key categories include:
 - Apparel and Apparel Services
 - Entertainment and Recreation
 - Personal Care
 - Household Furnishing and Equipment
 - Grocery
 - Food and Drink Away from Home
- Entertainment and Recreation includes expenditures such as fees and admissions, TV/video/sound equipment, pets, toys, recreational vehicles, sports equipment, photo accessories, and reading
- Personal Care includes stores such as, drugstores (excluding prescription drugs) cosmetic stores, and services (nail salons, hair salons, shoe repair, etc.)
- Grocery (food and drink for consumption at home) absorbs the most expenditures for the households in the trade area

Trade Area Expenditures By Category (In Millions), 2007

\$115 Million Total



Capture rates are applied to total trade area expenditures in order to estimate potential expenditures within the retail submarket

A capture rate is calculated as a percentage of sales expected from households or inflow shoppers in the entire trade area.

The rate is developed by examining the trade area's existing retail offerings, quality of retailers, the potential for increased sales with improved retail operations, size of the trade area and a professional judgment considering nearby competition and other available retail purchasing opportunities for customers.

The analysis utilizes capture rates specific to the trade area to calculate likely on-site spending within the retail submarket. For example:

- A 10% capture rate = \$10 of every \$100 spent will occur in the retail submarket
- Note that 100% capture rate is not possible, as the rate reflects all retail purchasing opportunities available to the shoppers in the trade area
- The capture rate is generally a major determinate of a retail submarket's viability

Pennsylvania Avenue SE Submarket Capture Rates By Category

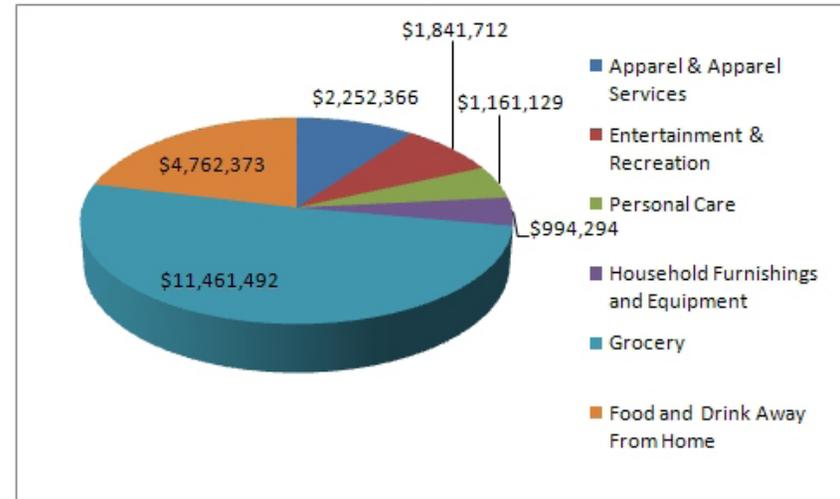
	Primary	Secondary	Inflow
Apparel & Apparel Services	15%	8%	3%
Entertainment & Recreation	10%	5%	4%
Personal Care	20%	5%	3%
Household Furnishings and Equipment	15%	5%	2%
Grocery	35%	20%	15%
Food and Drink Away From Home	25%	7%	5%

Source: ESRI Business Analyst; Economics Research Associates, 2007

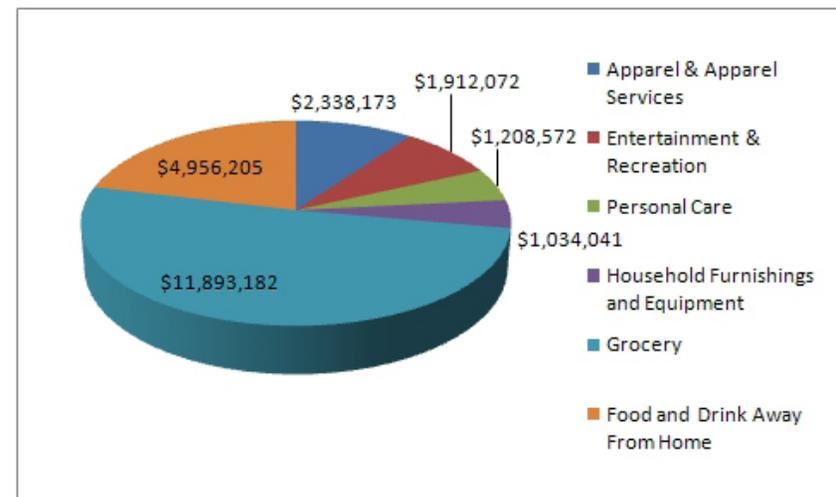
Estimated Captured Spending within the Retail Market

- Captured spending in the Pennsylvania Avenue SE trade area was estimated to be \$22.4 million in 2007 compared to total trade area spending of \$115 million in the same year
- Captured spending in the Pennsylvania Avenue SE trade area is expected to be \$23.3 million in 2012 compared to total trade area spending of \$119 million in the same year
- ERA estimates by 2012 that Grocery spending will account for approximately \$11.9 million annually and Food and Drink (away from home) will account for more than \$4.9 million annually
- Captured spending in the retail trade area is expected to increase by almost \$900,000 between 2007 and 2012, due mostly to changes in population and income levels

Estimated Captured Retail Trade Area Spending, 2007
\$22.5 Million



Estimated Captured Retail Trade Area Spending, 2012
\$23.3 Million



Productivity and Typical Store Size

- A calculation of store productivity is typically based on optimal performance of quality retailers, not actual operators
- However the lower quality of the retail space available in this retail submarket requires that a lower than “optimal” productivity rate must be used to adjust the supportable square footage calculation
- The square footage of retail type does not indicate number of stores since stores sizes vary

“Typical” stores sizes might be:

- Apparel 3,500 SF
- Accessories 2,000 – 10,000 SF
- Personal Care 2,000 – 10,000 SF
- Household Furnishings 3,500 – 10,000 SF
- Grocery Stores- 30,000 to 65,000
- Restaurants 3,000 – 6,000+ SF
- Quick Service food 1,200 – 3,500 SF
- The retail submarket offerings could be anchored by a supermarket, a collection of restaurants and neighborhood-focused goods and services

Source: ESRI Business Analyst; ERA 2007

Pennsylvania Avenue SE Submarket Comparable Productivity

- The best way to estimate a site’s productivity is to assess annual sales per square foot for comparable projects
- The type of retail often impacts the sales per square foot (i.e. jewelry versus furniture)

Category	Sales per Square Foot	
	Low	High
Apparel & Apparel Services	\$ 250	\$ 350
Entertainment & Recreation	\$ 200	\$ 300
Personal Care	\$ 350	\$ 550
Household Furnishings and Equipment	\$ 200	\$ 350
Grocery	\$ 450	\$ 550
Food and Drink Away From Home	\$ 350	\$ 450

1/ International Council of Shopping Centers, Dollars & Cents of Shopping Centers 2006

Source: Economics Research Associates, 2007

While the productivity rates used for this submarket were based on national averages as reported by the International Council of Shopping Centers (ICSC), ERA used the lower national rates to reflect space limitations and likely performance in the submarket. The rate still reflects the minimum productivity that would be needed for a quality retail operation return on investment.

2007 Net Supportable Square Feet

- Based on the current and projected level of households spending in the market area, Pennsylvania Avenue SE trade area can support between 59,300 and 78,700 square feet of retail in 2007

- The existing retail inventory totals 199,753 square feet within the retail submarket and was discounted to 55,931 square feet due to its low quality

- The retail submarket has a net supportable square foot range between 3,369 and 22,769 in 2007

- Based on typical store size and spending patterns, the site can support a small grocery stores, one to two small restaurants, and one small entertainment/recreation store such as a gym or book store

- While there is evidence suggesting support for one or two apparel stores, such businesses perform best in a larger cluster

Estimated Net Supportable Square Feet 2007

Area	Low Range	Site Supportable	High Range
Apparel & Apparel Services	8,300	9,000	10,800
Entertainment & Recreation	8,300	9,200	11,000
Personal Care	3,000	3,300	4,000
Household Furnishings and Equipment	4,500	5,000	6,000
Grocery	23,000	25,500	30,600
Food and Drink Away From Home	12,200	13,600	16,300
Subtotal 2007 Supportable	59,300	65,600	78,700
Less Adjusted Existing Inventory 1/	(55,931)	(55,931)	(55,931)
Total 2007 Net Supportable	3,369	9,669	22,769

1/ Inventory adjusted for condition

Source: ESRI Business Analyst; Economics Research Associates, 2007

2012 Net Supportable Square Feet

- Based on estimated trade area expenditures and capture rates, the Pennsylvania Avenue SE submarket can support between 61,600 and 81,900 square feet of retail in 2012
- There is approximately 8,500 square feet of new retail planned for the trade area including retail at 2300 Pennsylvania Avenue SE
- The existing retail square footage and planned new projects are subtracted from the subtotal to arrive at net supportable square footage for 2012
- At most there is approximately 17,469 square feet of net supportable demand by 2012

Estimated Supportable Square Feet 2012

Area	Low Range	Site Supportable	High Range
Apparel & Apparel Services	8,500	9,400	11,300
Entertainment & Recreation	8,600	9,600	11,500
Personal Care	3,200	3,500	4,200
Household Furnishings and Equipment	4,700	5,200	6,200
Grocery	23,800	26,400	31,700
Food and Drink Away From Home	12,800	14,200	17,000
Subtotal 2012 Supportable	61,600	68,300	81,900
Less Existing Retail 1/	(55,931)	(55,931)	(55,931)
Less New Projects 2/	(8,500)	(8,500)	(8,500)
Total 2012 Net Supportable	(2,831)	3,869	17,469

1/ Existing retail inventory based on Bay Area Economics and Retail Compass 2007 TIF Study.

2/ New projects include retail at 2300 Pennsylvania SE

Source: ESRI Business Analyst; Economics Research Associates, 2007

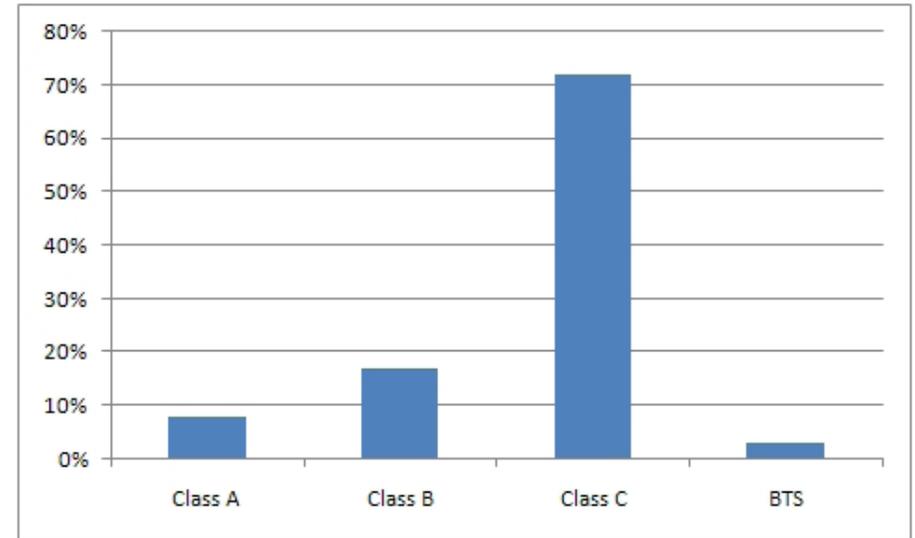
Commentary on the Current Retail Inventory

According to CoStar Group Real Estate Information Services, there is 199,753 square feet of retail space in the Pennsylvania Avenue SE retail submarket. To determine net supportable square feet, the existing retail space is subtracted from the gross supportable square feet. One major determinant of opportunity relies on the quality of the existing space – how competitive is the space relative to the rest of the trade area and other competitive districts?

A recent study of Great Streets neighborhood retail for the Office of the Deputy Mayor for Planning & Economic Development studied the quality of the existing retail space in several commercial districts to determine the feasibility of a tax increment finance (TIF) district, including Pennsylvania Avenue SE. While the study area did not coincide directly with the trade area, the assessment of the relative quality of the existing building stock suggests the general condition of the property inventory in the area.

The study concluded that 72% of the retail inventory in the trade area was Grade “C”, or inadequate, for contemporary retailing needs. It also stated that 3% of space was classified as “build to suit” (BTS), meaning space constructed for a specific purpose or tenant in such a manner that makes conversion to another use or tenant impractical. Only 8% and 17% were rated Class A and B, respectively. In order to calculate supportable square footage, the existing space was discounted by removing the Grade “C” inventory from the equation.

Retail opportunities are limited in the retail submarket partially due to poor quality of existing retail space, limited household incomes, and a lower concentration of households.



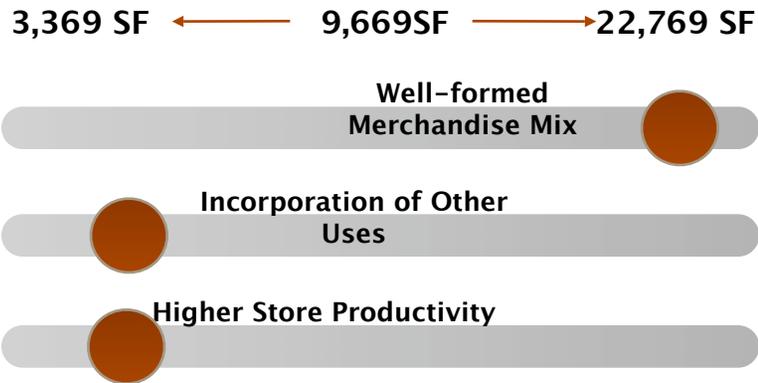
Inventory Adjustment

Existing Retail Inventory in Submarket	199,753
Less Discounted Space ("C" Grade)	143,822
Adjusted Existing Inventory	55,931

Source: DC Office of Deputy Mayor for Planning & Economic Development

Multiple factors will ultimately affect the supportable square feet and success of the retail sub-market's offerings over the long-term

Factors Affecting Store Supportable Square Feet, 2007



The success and appeal of a retail district is directly linked to its merchandise mix and its function as a destination

Incorporating other uses and programs may limit retail space, but complement overall project

The trade areas are capable of spending a certain amount. If more \$\$ are spent in one store less \$\$ will be spent elsewhere

Factors Affecting Store Productivity



A store's size, placement within the district, interior and storefront design are part of total appeal for customers

Price-points and merchandise should accurately reflect the demographics and lifestyle characteristics of the customers

Merchandise quality/price positioning/merchandising/mark-up relative to cost of goods, as well as store size and other operating factors, influence a retailers' profitability (Sales / SF)

Detailed captured retail spending on site by category and market

2007 Potential Captured Spending on Site

Retail Categories By Market	Potential Spending Captured On-Site	Expenditure Distribution by Category
Primary		
Apparel & Apparel Services	\$ 1,660,054	10.3%
Entertainment & Recreation	\$ 1,351,389	8.4%
Personal Care	\$ 971,461	6.0%
Household Furnishings and Equipment	\$ 808,020	5.0%
Grocery	\$ 7,406,089	46.1%
Food and Drink Away From Home	\$ 3,881,786	24.1%
Subtotal	\$ 16,078,800	100.0%
Secondary		
Apparel & Apparel Services	\$ 526,709	11.7%
Entertainment & Recreation	\$ 419,488	9.4%
Personal Care	\$ 155,849	3.5%
Household Furnishings and Equipment	\$ 166,778	3.7%
Grocery	\$ 2,560,425	57.1%
Food and Drink Away From Home	\$ 653,807	14.6%
Subtotal	\$ 4,483,056	100.0%
Inflow		
Apparel & Apparel Services	\$ 65,603	3.4%
Entertainment & Recreation	\$ 70,835	3.7%
Personal Care	\$ 33,819	1.8%
Household Furnishings and Equipment	\$ 19,496	1.0%
Grocery	\$ 1,494,977	78.2%
Food and Drink Away From Home	\$ 226,780	11.9%
Subtotal	\$ 1,911,510	100.0%
All Markets		
Apparel & Apparel Services	\$ 2,252,366	10.0%
Entertainment & Recreation	\$ 1,841,712	8.2%
Personal Care	\$ 1,161,129	5.2%
Household Furnishings and Equipment	\$ 994,294	4.4%
Grocery	\$ 11,461,492	51.0%
Food and Drink Away From Home	\$ 4,762,373	21.2%
Total	\$ 22,473,366	100.0%

2012 Potential Captured Spending on Site

Retail Categories By Market	Potential Spending Captured On-Site	Expenditure Distribution by Category
Primary		
Apparel & Apparel Services	\$ 1,734,064	10.3%
Entertainment & Recreation	\$ 1,411,638	8.4%
Personal Care	\$ 1,014,772	6.0%
Household Furnishings and Equipment	\$ 844,043	5.0%
Grocery	\$ 7,736,273	46.1%
Food and Drink Away From Home	\$ 4,054,847	24.1%
Subtotal	\$ 16,795,637	100.0%
Secondary		
Apparel & Apparel Services	\$ 536,007	11.7%
Entertainment & Recreation	\$ 426,893	9.4%
Personal Care	\$ 158,600	3.5%
Household Furnishings and Equipment	\$ 169,723	3.7%
Grocery	\$ 2,605,625	57.1%
Food and Drink Away From Home	\$ 665,349	14.6%
Subtotal	\$ 4,562,196	100.0%
Inflow		
Apparel & Apparel Services	\$ 68,102	3.4%
Entertainment & Recreation	\$ 73,541	3.7%
Personal Care	\$ 35,201	1.8%
Household Furnishings and Equipment	\$ 20,275	1.0%
Grocery	\$ 1,551,285	78.2%
Food and Drink Away From Home	\$ 236,010	11.9%
Subtotal	\$ 1,984,414	100.0%
All Markets		
Apparel & Apparel Services	\$ 2,338,173	10.0%
Entertainment & Recreation	\$ 1,912,072	8.2%
Personal Care	\$ 1,208,572	5.2%
Household Furnishings and Equipment	\$ 1,034,041	4.4%
Grocery	\$ 11,893,182	51.0%
Food and Drink Away From Home	\$ 4,956,205	21.2%
Total	\$ 23,342,247	100.0%

Pennsylvania Avenue SE Strategy



Pennsylvania Avenue SE

Introduction

This submarket is a series of three nodes along Pennsylvania Avenue SE, a major thoroughfare in the District of Columbia. Node 1 (“L’Enfant Square”) includes Pennsylvania Avenue from Fairlawn Avenue to 27th Street SE; Node 2 represents Pennsylvania Avenue from Branch Avenue to 33rd Place SE; Node 3 includes Pennsylvania Avenue from Alabama Avenue to Fort Davis Street SE and R Street SE. Each of the three nodes – L’Enfant Square, the section east of Branch Avenue SE, and the intersection at Alabama Avenue SE – offer neighborhood-serving retail in an primarily automobile-oriented environment. Overall advantages of the area include easy access to the Anacostia Freeway and opportunity to capture commuters, stable neighborhoods, and the recreational amenities of Fort Davis Park. The neighborhoods are generally underserved by the existing retail in the area, and opportunities exist to improve current retail offerings and to expand the business mix. Of the three nodes, the central one at Branch Avenue presents the best opportunity. Traffic and adjacent uses limit the retail potential of the other nodes, though commuter routes could be better positioned to capture potential shoppers driving through.

The Market Demand Analysis estimates that there will be relatively low growth in households between 2007 and 2012 (in 2007 there were 7,678 households in the trade area and 7,777 households are projected for 2012). Median household income in the primary trade area is estimated at \$45,203. The demand for additional retail space in 2012 is estimated to be up to 17,469 square feet. Grocery and food service (dine-in or carry-out) opportunities may be the most likely opportunities for retail expansion.

The positioning strategy for Pennsylvania Avenue SE should focus on improvement and limited expansion of primarily neighborhood resident-serving uses. Because 75% of the existing retail space is considered “Class C” or specific-use-oriented, a program to attract capital reinvestment in existing buildings paired with selective recruitment will be required to foster upgraded space to draw new retailers. Apparel/apparel services (such as custom tailoring and clothing repair/re-weaving, shoe repair, etc.), and personal services (hair care and nail salons) offer specific niches that can be filled by specialty uses. Other locally-owned businesses with community connections are more likely recruitment targets for relatively small resident population bases.

Based on the SWOT Analysis, Retail Demand Analysis, and Preliminary Planning Diagrams completed as part of this submarket analysis, maximizing the value of retail in this submarket requires acknowledging the following basic assessments of the area and then taking the specific actions listed below.

Merchandise Niches

Node 1. The L’Enfant Square node is best suited for auto commuter-oriented retail and should concentrate on high quality quick service food and convenience services. Potential tenants could be a convenience grocer such as Yes! Organic Market and independent neighborhood and drive-through food service (like Dunkin’ Donuts, sized up to 4,400 square feet with eat-in services). Ideally, these operators would be located in the central area of Node 1 in redeveloped or rehabilitated buildings. Balancing the mix of businesses would supply a more complete retail node, potentially

through, over time, reducing the number of liquor stores in the area while adding other services like food and grocery. Once DDOT's long-term, planned improvements to the streetscape, traffic circulation and pedestrian infrastructure are in place, the retail merchandising concept for Node 1 may allow a business mix that balances automobile and commuter-oriented businesses with neighborhood serving retail that residents can access through walking.

Node 2. The Branch Avenue intersection, including Penn Branch Shopping Center and adjacent properties, can improve its performance as a neighborhood-serving retail center. A few retail options that could serve as anchors to attract other personal services include convenience grocery markets with prepared foods for carry-out (sized up to a total of 25,000 square feet), or a pharmacy such as a CVS, Rite-Aid (sized at approximately 6,000 to 8,000 square feet). Personal services that complement these retail options could include a fitness center or a bank.) Additional neighborhood-serving retail may be possible if a village-like retail center can be developed. A typical tenant might be a locally-owned hardware store affiliated with a national brand such as Ace Hardware or True-Value Hardware (typically occupying from 2,000 to 4,500 square feet, assuming that adequate parking and loading areas are available). Many typical tenants of a village center already exist in the Penn Branch Center, such as a laundry, a pharmacy, hair and nail salons, bank and a convenience store.

Node 3. The node at Alabama Avenue near Fort Davis Park should remain neighborhood-serving convenience retail based around personal services (hair salons, barber shops, shoe repair etc., usually sized at 850 to 1,200 square feet of space each) and food services (ethnic and carry out foods such as asian cuisine, chicken, or seafood at about 750 to 1,000 square feet each). Should the number of households and retail demand increase in the future, there is opportunity to develop additional retail at the Fort Davis Center with larger format stores. Should a grocery store not locate in Node 2, the Ft. Davis Center location may be an alternative location. In the location across from Penn Branch, small professional offices such as a doctor or dentist could complement the neighborhood convenience mix.

Urban Design

The L'Enfant Square area is currently not conducive to walking or biking due to its proximity to the Anacostia Freeway. Efforts have begun to change that, and significant redesign is needed to foster retail at this node. The traffic impacts at this node dictate that retail development would be better focused at the Branch Avenue intersection. Traffic calming and intersection improvements at the Minnesota Avenue intersection can make L'Enfant Square more pedestrian-friendly. The Corridor Development Plan for the area offers a range of improvements to upgrade the pedestrian environment.

The shopping centers in each node need attention to maintenance for and an upgraded appearance. A fresh façade can improve the visibility of stores and re-introduce businesses to the community. If market changes allow, multi-story, mixed-use buildings with first floor retail should be introduced at Fort Davis Park.

Transportation Improvements

In addition to streetscape improvements included in the Corridor Development Plan and Great Streets improvements, expansion of transporta-

tion modes should be a priority. By improving bus service and bus shelters and by providing bicycle lanes, the submarket can tone down the auto-orientation it now has. This also includes developing the pedestrian infrastructure planned for the area at main intersections to help residents reach neighborhood-serving retail.

Site Capacity

The market demand analysis suggests that some modest additional retail expansion is possible in the Pennsylvania Avenue submarket. The node with the greatest capacity for improvement within the submarket is Branch Avenue. The Penn Branch Shopping Center within this node has sufficient area for redevelopment and could serve as an improved neighborhood retail center. The surrounding area could support additional retail drivers in the form of mixed-use retail, residential and office development. This additional residential and office use will be important to ensure the node can increase its capacity to support additional retail space.

Retailer support should be provided in the form of assistance with merchandising, business planning, and physical improvements for signs and fixtures. Much of the retail in the submarket is in privately-owned strip shopping centers, and training sessions on these topics for retailers and property owners may be appropriate.

Key Recommendations

1. The L'Enfant Square node should focus on physical improvements. Consider developing a traffic circle as suggested in the Great Streets Framework Plan. The DC Department of Transportation (DDOT), as part of the Great Streets Initiative, should implement pedestrian safety improvements at the main intersections.
2. Efforts at the Branch Avenue node should emphasize enhancing the quality of existing neighborhood-serving retail to meet the needs of residents. To achieve this goal, the following steps should be taken:
 - a. Focus on replacing non-retail uses with neighborhood-serving retail businesses to expand the offerings of goods and services;
 - b. Support private redevelopment and reconfiguring of the Penn Branch Shopping Center and the adjacent laundromat lot.
 - c. Continue to encourage redevelopment of a mixed-use neighborhood village with neighborhood-serving retail, residential, and office uses.
3. Encourage improving existing retailers and retail space at Alabama Avenue, working with viable existing retailers and property owners.
4. DSLBD and WDCEP should provide technical assistance to retailers and property owners interested in upgrading their properties and business practices.