

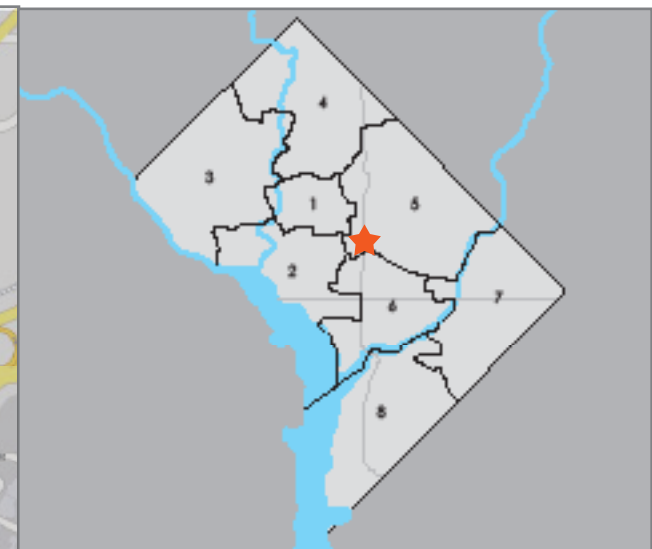
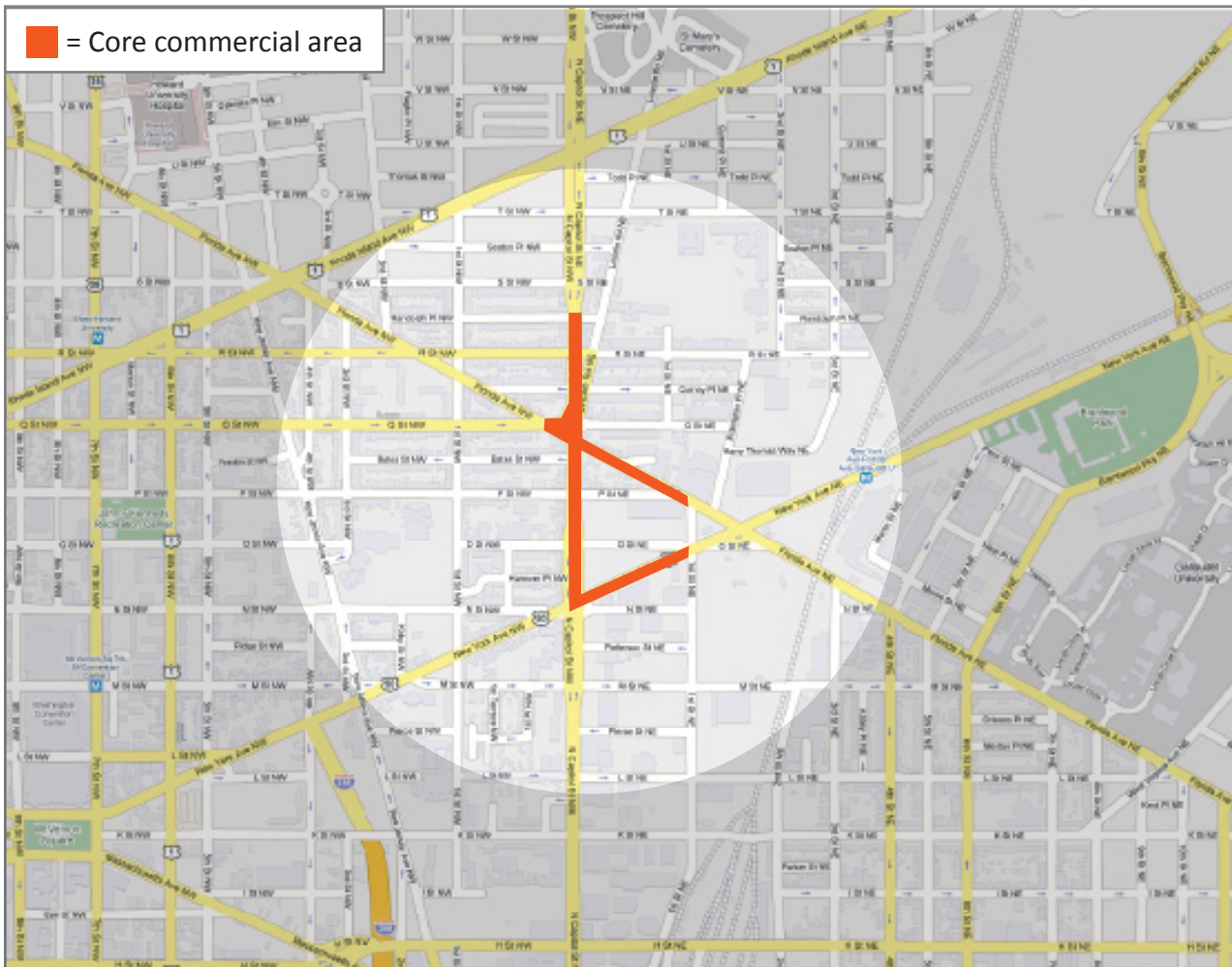
North Capitol Street

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



North Capitol Street SWOT Analysis





Boundaries

North Capitol Street from Randolph Place south to New York Avenue; Florida Avenue from 1st Street, NE to half block west of North Capitol Street; New York Avenue from North Capitol Street east to 1st Street, NE

Zoning

Most of the submarket is zoned as commercial; specifically, it is zoned as a high-bulk business and employment center. This large commercial zone covers all of North Capitol Street and stretches east and south. Florida Avenue is similarly zoned, although the area to the north is zoned as an industrial district (medium-bulk commercial-light manufacturing). West of North Capitol Street, the submarket is residential. The study area's small strip of New York Avenue is zoned as medium-high density residential, while the surrounding area is zoned primarily as row dwellings, conversions, and apartments.

Overview

North Capitol Street, which is lined by quaint rowhouses with ground-floor retail and tracts of underutilized land, defines this submarket. Just east of this busy corridor, a former industrial area dubbed NoMa is now transitioning into a business hub where major employers are establishing office headquarters. Three major thoroughfares make the submarket well-connected to other parts of the city, and the regional transportation hub Union Station is just south. It also has easy access to the recently constructed New York-Florida Ave-Gallaudet University Metro station.

1 North Capitol Street

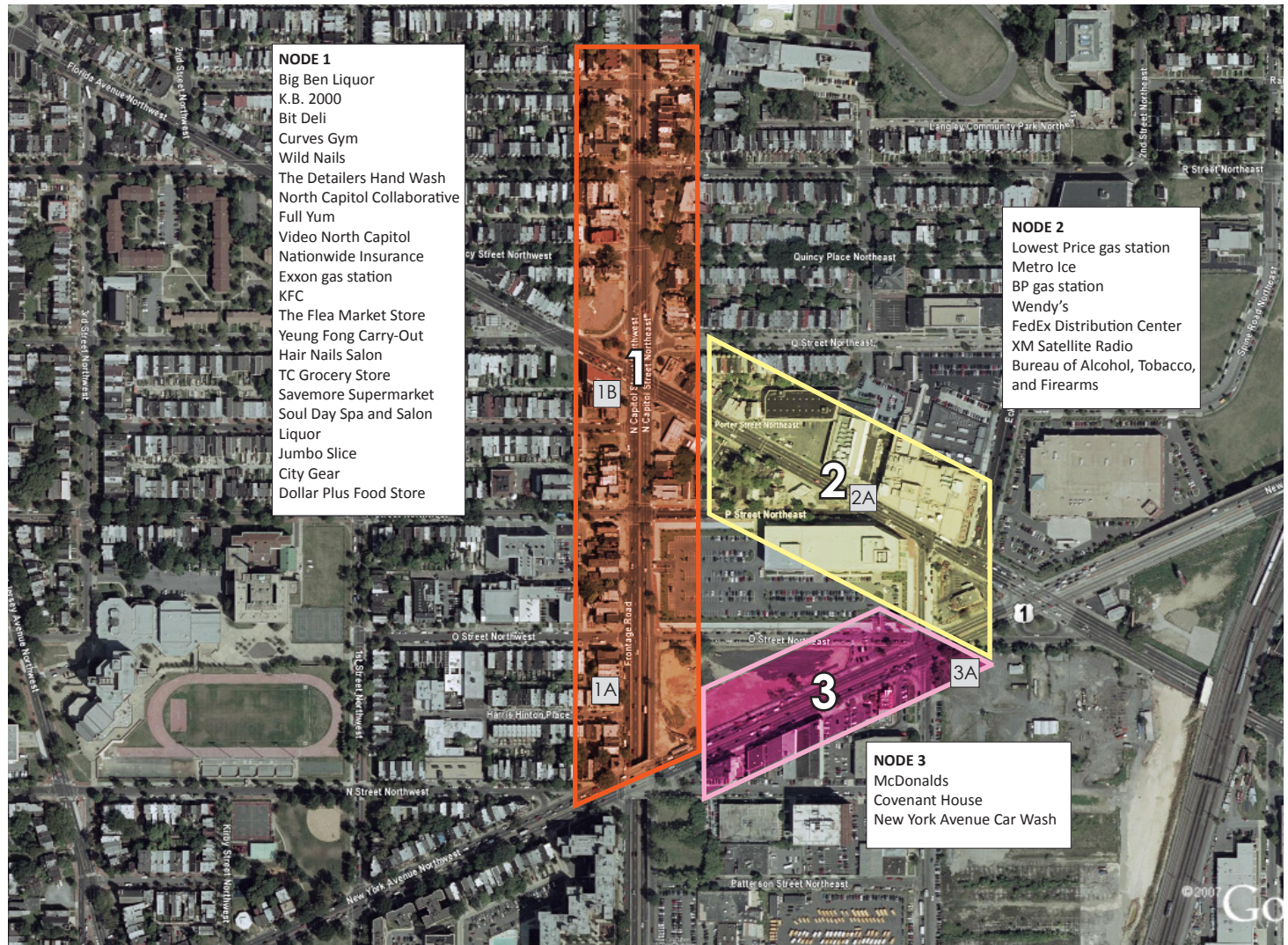
This major artery functions as the submarket's primary retail corridor, with small shops on the ground-floor of historic rowhouses. However, the split-level road infrastructure at North Capitol Street's southern end makes it feel more like a highway than a 2-sided Main Street. Expansive open lots near the intersection with New York Avenue have excellent potential for redevelopment.

2 Florida Avenue

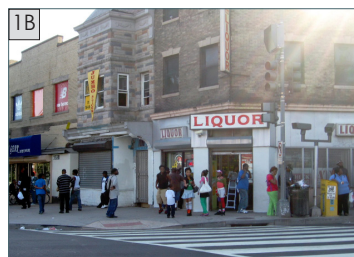
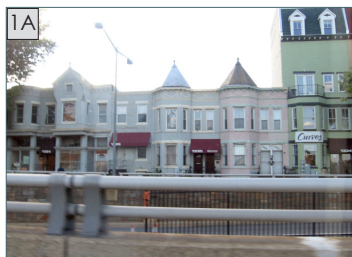
West of North Capitol Street, residential uses are mixed with commercial uses along Florida Avenue. East of North Capitol Street, Florida Avenue is more commercial—here the submarket's transition into a business hub is most apparent. The intersection of Florida Avenue and North Capitol Street itself is underutilized.

3 New York Avenue

The busiest street in this submarket, New York Avenue functions as a major arterial. It is lined industrial buildings east of North Capitol Street; however, this area is slated for mixed-use development.

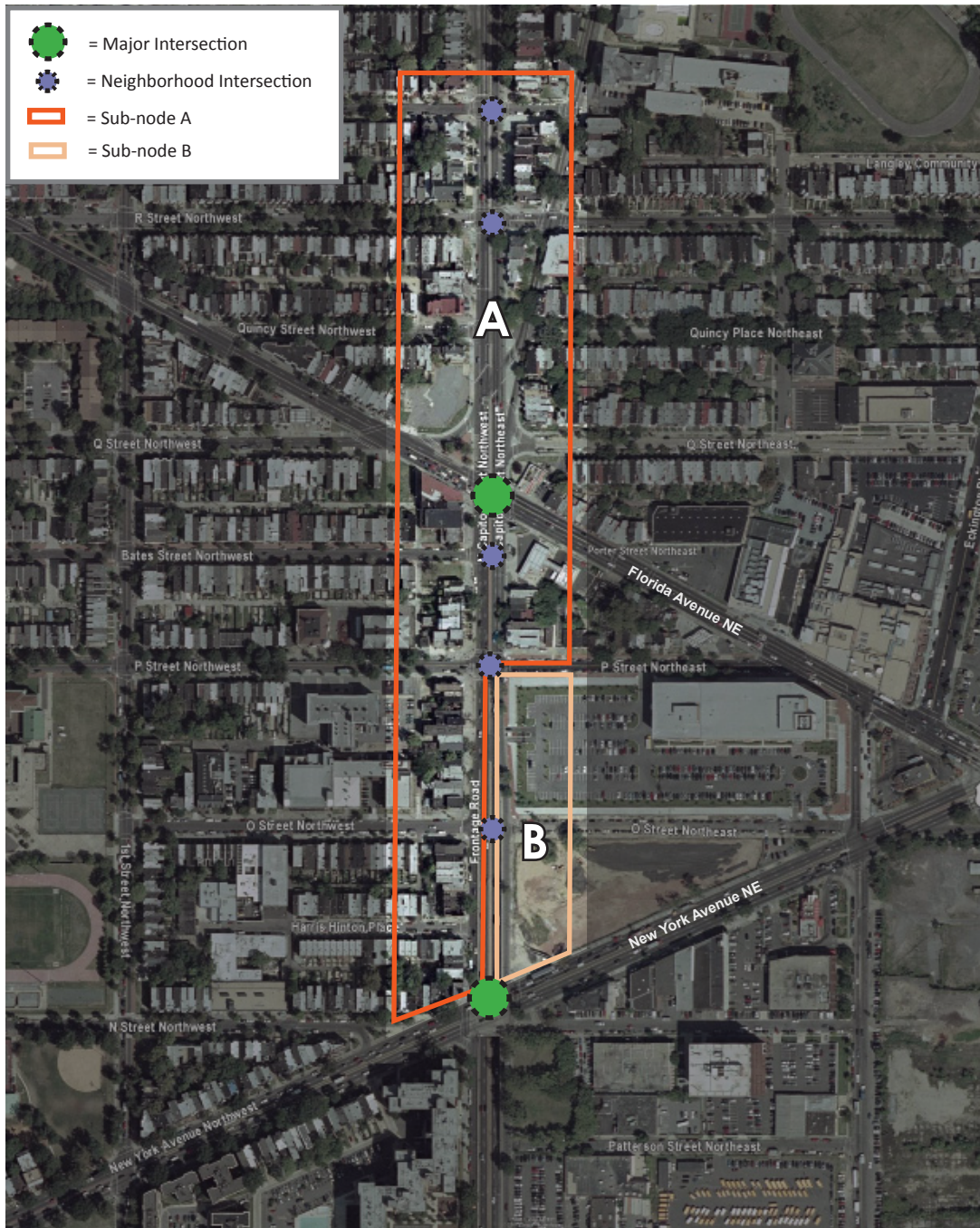


Note: Tenant lists do not include all businesses located in the submarket.



Retail Node 1: North Capitol Street

North Capitol Street can be divided into 2 sub-nodes: Rowhouse Retail and Open Land.

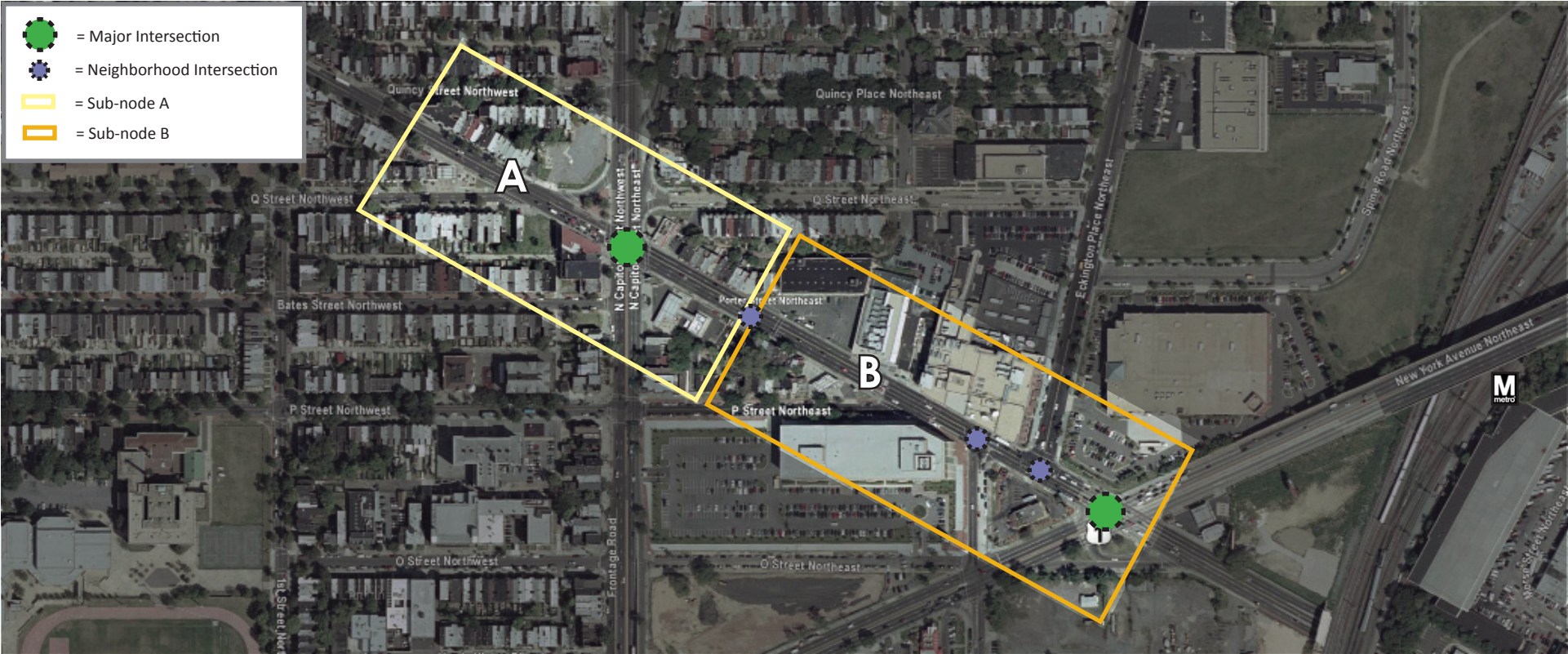


A - Rowhouse Retail lines most of North Capitol Street, making it a distinct neighborhood-serving retail corridor. Its ground-floor shops (located in 2- or 4-story historic rowhouses) tend to have marginal tenants like liquor stores and nail salons. For the most part, these older buildings are in poor condition and do not create a welcoming pedestrian experience. Many are covered with graffiti or boarded-up and vacant, and windows and doors lack transparency because of security bars and screens. However, this area has potential to become an improved small-scale offering with cosmetic improvements and a better defined merchandising strategy. In addition to its unique building stock, a clearly defined rear alley separates these shops from adjacent residences, giving them adequate space for service and loading.



B - Open Land, which occupies a surprisingly large area east of North Capitol Street, is underutilized for its prime location. However, it has excellent potential for redevelopment and could dramatically transform the submarket. A huge triangular lot fronting New York Avenue has great visibility and could anchor North Capitol Street's southern end; similarly, the sprawling parking lot in front of the People's Building to the north could free up land with the introduction of structured parking.

Retail Node 2: Florida Avenue



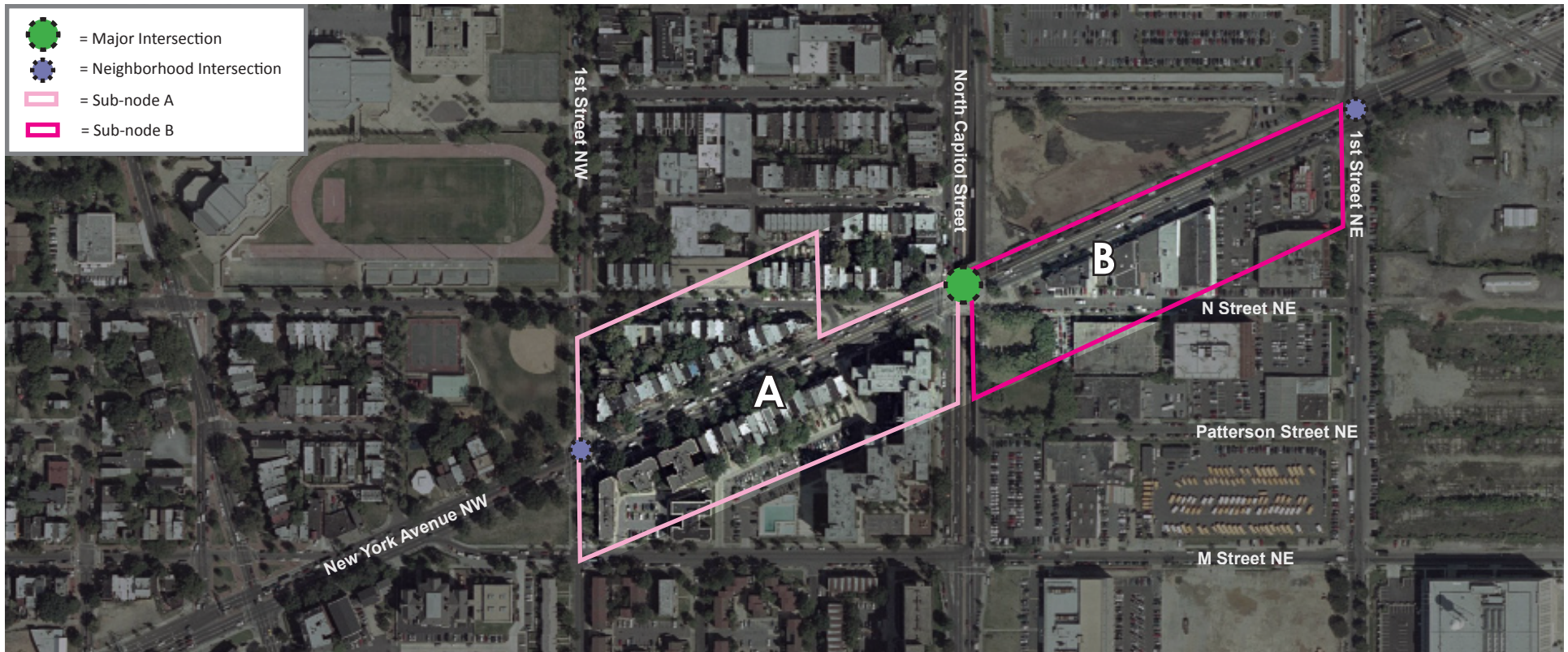
Florida Avenue can be divided into 2 sub-nodes: Rowhouses and Large-Format Buildings.



A - Rowhouses give some of Florida Avenue a quieter, more residential feel. West of its intersection with North Capitol Street, a bike lane and a single, one-way of auto traffic in each direction make it a pedestrian-oriented street. Although, east of the intersection with North Capitol Street there are also rowhouses, this part of Florida Avenue feels less residential and has noticeably more traffic with 2 lanes in each direction. The street’s character and scale changes altogether at Porter Street—see section 2.

B - Large-Format Buildings east of tiny Porter Street are representative of this submarket’s transition into a business hub. Small rowhouses give way to massive buildings, including warehouse-like Metro Ice, the People’s Building, a FedEx Distribution Center, and headquarters for XM Satellite Radio and the Bureau of Alcohol, Tobacco, and Firearms (ATF). These major buildings mark this area as the submarket’s center of activity and anchor it with a significant daytime population of workers.

Retail Node 3: New York Avenue



New York Avenue can be divided into 2 sub-nodes: Sursum Corda Cooperative and Industrial Buildings.



A - Sursum Corda Cooperative, just west of the submarket boundary, is a low-income cooperative housing complex that occupies the area south of New York Avenue (between 1st Street, North Capitol Street, and K Street). This area is slated for a major mixed-use development called Northwest One that will bring 220,000sf of office, 40,000sf of retail, 1,500 residential units, and a 21,000sf health clinic. This development, along with NoMa to the east, will help the submarket transition into an integrated neighborhood with a mix of uses that will be more scale-appropriate to New York Avenue.



B - Industrial Buildings line the south side of New York Avenue in the area dubbed NoMa east of North Capitol Street. These buildings are remnants of the submarket's past as an isolated industrial area. Like the vast tract of open land on the north side of New York Avenue (see Retail Node 1), this area is underutilized given its key location in the submarket. It is poised to become significantly redeveloped, and has adequate depths to support large-format buildings that complement newer buildings here (e.g., Union Station, headquarters for ATF and XM Satellite Radio, etc).

Streets & Blocks

Three major streets define this submarket: North Capitol Street, Florida Avenue, and New York Avenue. North Capitol Street acts as the submarket's spine because it divides the residential- and business-oriented east side. The infrastructure of North Capitol Street often negates its Main Street quality; there are 3 lanes of traffic in each direction which split when express lanes pass underneath New York and Rhode Island Avenues. Its sidewalks are wide in places and stark, although historic buildings and regular plantings enliven the street. New York Avenue is equally busy with 3 lanes of traffic in each direction, but feels more like a highway. Florida Avenue is smaller and more residential, with 2 lanes of traffic in each direction east of North Capitol Street and only 1 lane in each direction to the west.



Intersections

Within the submarket, there are 2 major intersections. The first occurs at Florida Avenue, North Capitol Street, Q Street, and Lincoln Road; this starburst intersection feels disjointed because of its different surrounding uses, which include a small park area, residences, rowhouse retail, a gas station, a vacant lot and fast food. Another large intersection occurs at North Capitol Street and New York Avenue; this intersection is hostile to pedestrians because its dual-grade lanes essentially turn New York Avenue into a bridge over North Capitol Street. The most significant intersection occurs just east of the submarket at Florida and New York Avenues. Significant infrastructure converges at this intersection; it is also surrounded by new, large-scale office buildings that mark it as a hub of redevelopment.



Buildings

There are many building types in this rapidly evolving submarket. Residential buildings predominate west of North Capitol Street, although the Sursum Corda Cooperative is slated to become a mixed-use development. Historic buildings along North Capitol Street, which are mostly rowhouses with ground-floor retail but also include a 108-year-old firehouse, give the street distinctive charm. However, almost all these buildings are in poor condition. The NoMa area east of North Capitol Street (especially near Florida Ave) is rapidly redeveloping into a business hub, which is evident in new large-scale office buildings like the headquarters for XM Satellite Radio and ATF. South of New York Avenue, warehouses and distribution centers are remnants of the submarket's industrial past.



Alleys & Service

Well-defined rear alleys run parallel to North Capitol Street and service its ground-floor rowhouse retail. Although there are densely packed residences directly behind these shops, these alleys provide adequate separation and room for basic service and loading. Expanding these shops into larger-scale offerings, however, is not an option because of limited space. Newer, large-scale buildings near the major intersection of Florida and New York Avenues have individual service and loading areas.



Strengths

- This submarket has an excellent location just north of Capitol Hill and Union Station, making it attractive to both businesses and residents
- Three major thoroughfares define the submarket (North Capitol Street, New York Avenue, and Florida Avenue) and make it well-connected to other parts of the District
- NoMA—the area directly east of the submarket (near the intersection of New York and Florida Avenues)—already has momentum for significant redevelopment as a business hub, with over 15 million square feet of possible development in the pipeline
- Major employers who have located their office headquarters in NoMA, such as XM Satellite Radio and the Bureau of Alcohol, Tobacco, and Firearms, and many others that plan to locate here, such as the Department of Justice and National Public Radio, will anchor the submarket with a large daytime population that will increase demand for goods and services
- The recently constructed New York Ave-Florida Ave-Gallaudet University Metro station is a catalyst for redevelopment and makes the submarket accessible to pedestrians
- Historic rowhouses with ground floor retail define North Capitol Street as a unique corridor
- Gallaudet University, just east of the submarket, gives the submarket a student presence with an enrollment of 1,800
- The submarket was recently designated a Main Street program, which offers many resources to support existing businesses and improve the retail environment.

Weaknesses

- The submarket's 3 major streets, which are in close proximity to each other, represent an overwhelming amount of infrastructure and traffic; this creates a fast-paced auto-dominant environment that is hostile to pedestrians
- None of the 3 major intersections currently offer an authentic community gathering spot; they all suffer from too much infrastructure and are disjointed with different uses at their corners
- The most significant momentum for redevelopment is just east of the immediate submarket
- North Capitol Street drops down as an underpass to cross New York Avenue, while its buildings and outer lanes remain at grade; this split-level street acts as a highway rather than a 2-sided Main Street and makes it even more hostile to pedestrians
- With the exception of new development to the east, most properties are in poor condition, especially along North Capitol Street
- The proximity of single-family homes to shops along North Capitol Street limits potential for expanding retail offerings here
- Retail along North Capitol Street is redundant, with a disproportionate number of liquor stores, hair/nail salons, and checks cashed shops

Opportunities

- In contrast to new large-scale development east of the submarket, allow North Capitol Street to remain a local-serving neighborhood offering; reinforce this difference with a separate merchandising strategy and district branding
- Large lots near the People's Building offer an opportunity to anchor the submarket with a significant mixed-use offering; this development should stand up in scale to the large buildings near the intersection of New York and Florida Avenues but also be mindful of smaller-scale buildings near North Capitol Street

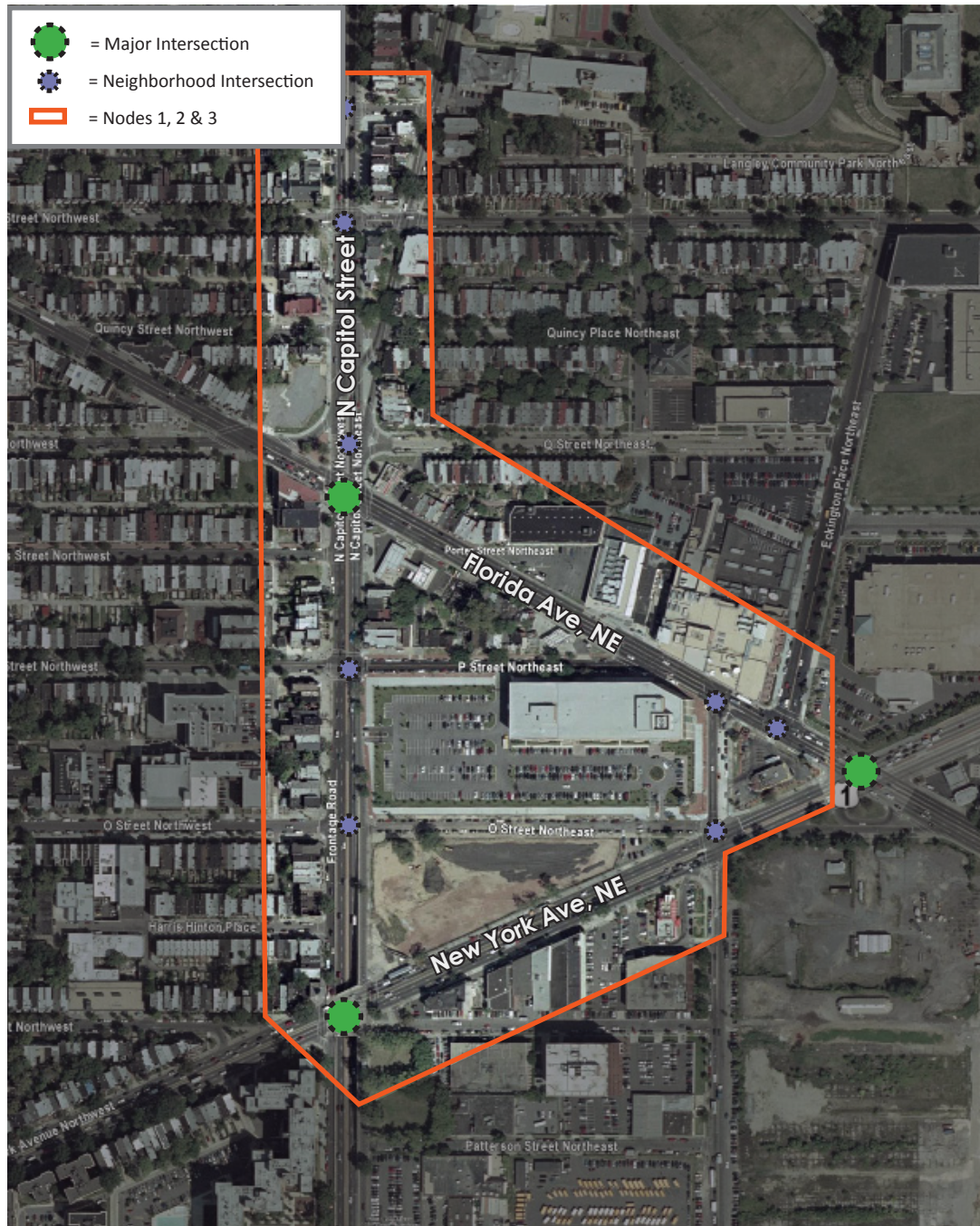
Threats

- Quickly redeveloping submarkets nearby with new neighborhood retail options (such as Rhode Island Station, Shaw-Convention Center, and H Street NE) may provide competition
- Union Station is an established retail center and its shops (often national retailers) could be in direct competition with local retailers if this submarket sells similar goods
- Heavy infrastructure (and awkward dual-grade streets) cannot be easily remedied; lack of funding and concerted action may keep this submarket permanently auto-dominant

North Capitol Street Preliminary Planning Diagrams



Planning Analysis Nodes 1, 2 & 3: North Capitol Street, New York and Florida Aves



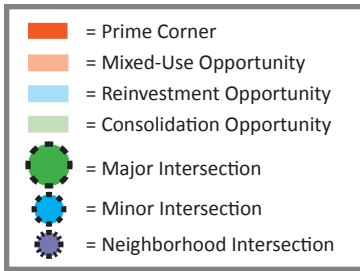
General Observations about Existing Area:

- 1) Existing street corridors are thoroughfares for large volumes of vehicular traffic; although this provides high visibility for retail development, these streets are currently hostile to pedestrians.
- 2) Major new office developments have brought a daytime population to this area that has specific needs for nearby retail services.
- 3) People living in adjacent residences could use more retail services in the immediate area.
- 4) Significant congestion at the intersection of New York and Florida Avenues due to high traffic volumes and awkward geometry negatively affect the blocks and turning radii where the diagonal streets converge.

Retail Planning Principles:

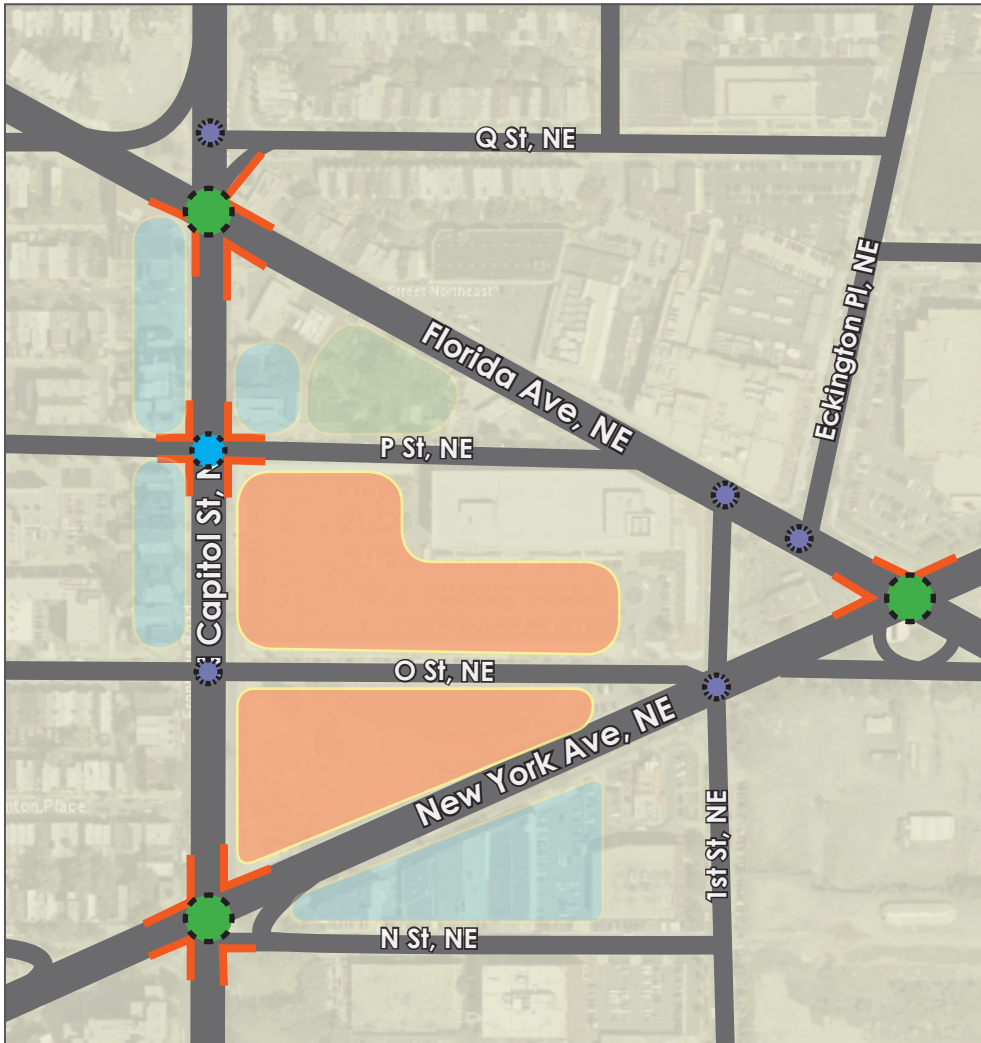
- 1) Program new retail development to attract the daytime workforce that now populates the northern NoMA area.
- 2) Enhance the pedestrian environment in order to encourage use of retail by the daytime workforce and by neighboring residents.
- 3) Investigate infrastructure changes, such as a traffic circle, to relieve congestion at the intersection of New York and Florida Avenues.

Planning Concepts Nodes 1, 2 & 3: North Capitol Street, New York and Florida Aves



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

Redevelopment Option 1



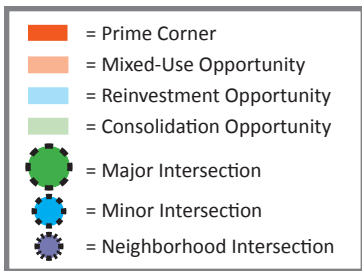
HIGH-DENSITY, MIXED-USE DEVELOPMENT OPPORTUNITIES

Where new development opportunities exist along the major corridors of New York Avenue, Florida Avenue, and North Capitol Street, a thoughtful planning strategy is essential to lessening the impact of busy traffic on the pedestrian experience.

Large surface parking lots and vacant parcels are significant opportunities for high-density mixed-use development. These developments could consist of office and/or residential uses above street-level retail uses.

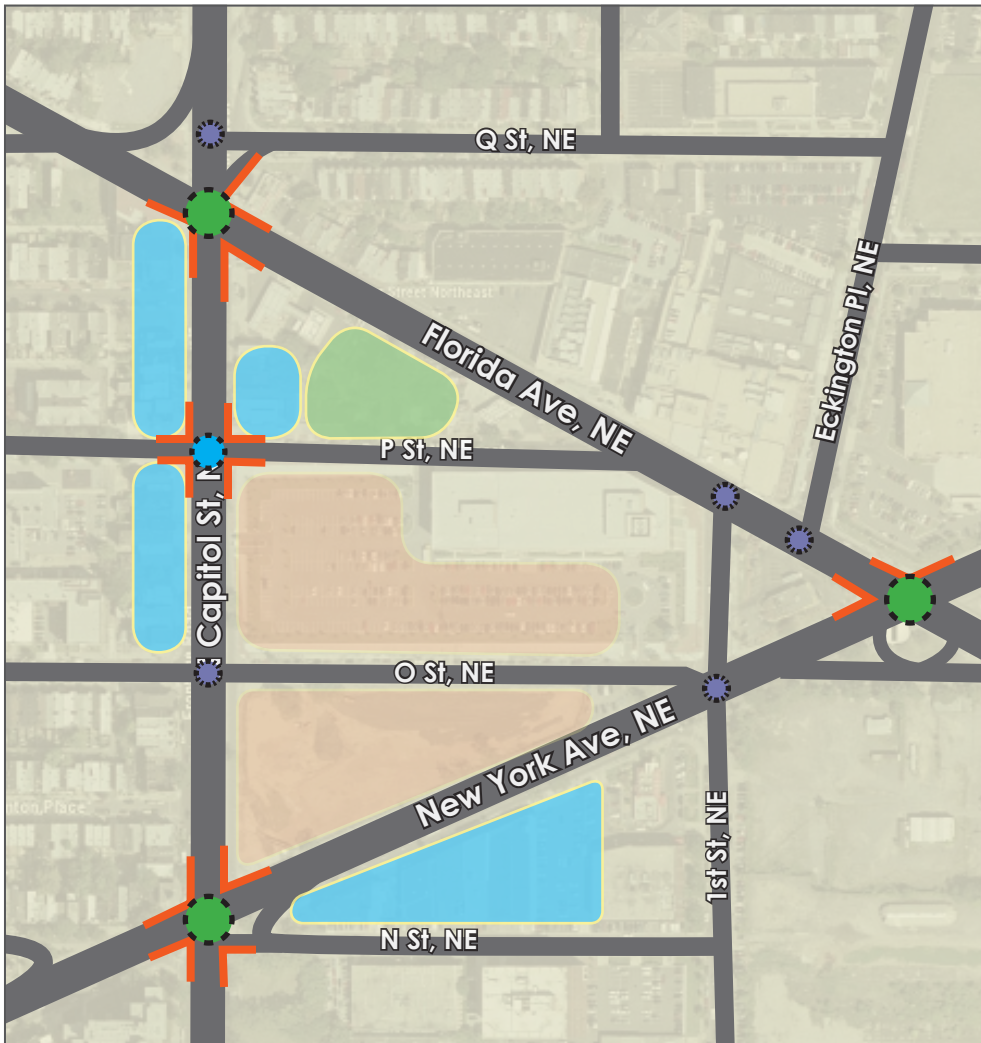
New mixed-use development on these blocks could create a pedestrian-friendly streetscape by providing an active and vibrant retail environment along New York Avenue, North Capitol Street, and P Street. O Street could become an ideal service street, providing parking access and loading for all uses (retail, office, and residential).

Planning Concepts Nodes 1, 2 & 3: North Capitol Street, New York and Florida Aves



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

Redevelopment Option 1



REINVESTMENT/REPOSITIONING OPPORTUNITIES

Where new retail will be located in close proximity to office uses, a merchandising strategy that includes quick-bite restaurants and casual dining will best serve the daytime office community.

Retail west of North Capitol Street should focus on meeting the needs of the surrounding residential community with shops that provide basic neighborhood goods and services (ie., a convenience store, drycleaners, bakery, housewares).

CONSOLIDATION OPPORTUNITIES

Consolidating residential buildings within the block bordered by Florida Avenue NE and P Street NE will create an opportunity for a mixed-use building.

A critical mass of new development within this block and across P Street (directly to the south), in tandem with the reinvestment of existing retail along the P Street corridor, will provide a prime neighborhood-serving retail intersection at P Street and North Capitol Street.

This prime retail corner provides many of the key elements for a successful and vibrant retail environment:

- A location for “gateway” elements and a sense of place
- A focus for pedestrian activity
- Public plazas or other open spaces
- High visibility for larger retail tenants

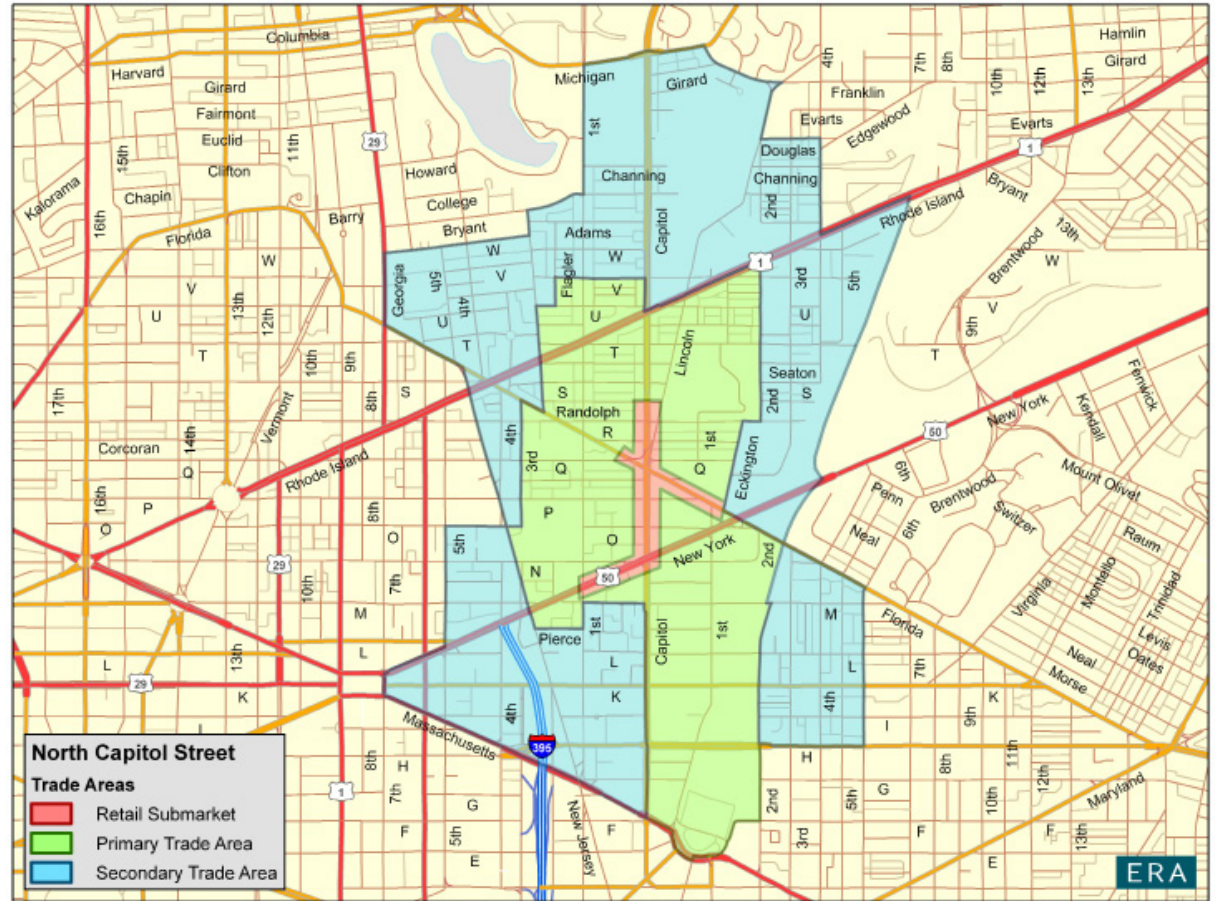
North Capitol Street Retail Demand Analysis



The retail submarket is located on North Capitol Street from Randolph Place south to New York Avenue; Florida Avenue from P Street NE to half block west of North Capitol; New York Avenue from North Capitol east

Key Elements

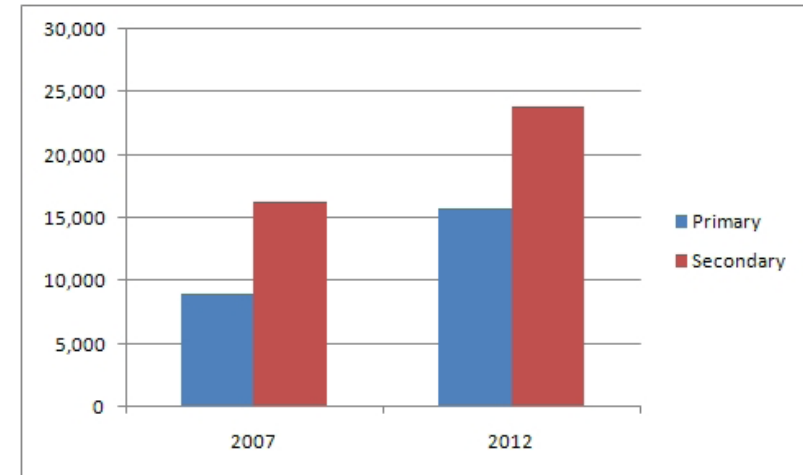
- Trade areas assess residents and other potential customers that could be drawn to the site
- The primary trade area encompasses the block groups within a ¼ mile of the retail submarket; the secondary trade area includes the block groups within a ½ mile of the retail submarket (reasonable walking distances 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



Significant increases are projected in population and households in the North Capitol Street trade area over the next five years

- New residential projects may add 5,763 households or approximately 14,370 new residents (based on average household size in each trade area) in addition to projections by ESRI
- ERA accounted for this addition in the 2012 figures for population and households
- Total population in the trade area is projected to increase from 25,262 in 2007 to 39,632 in 2012; an average annual growth rate of 9.4 percent
- Major new projects include Constitution Square, Republic Square, 77 K Street, City Vista, Union Place, and other various projects

Trade Area Population Growth, 2007 and 2012



Trade Area Household Growth, 2007 and 2012

	Estimated 2007	Projected 2012
Primary	3,184	5,709
Secondary	6,428	9,666
Total	9,612	15,405

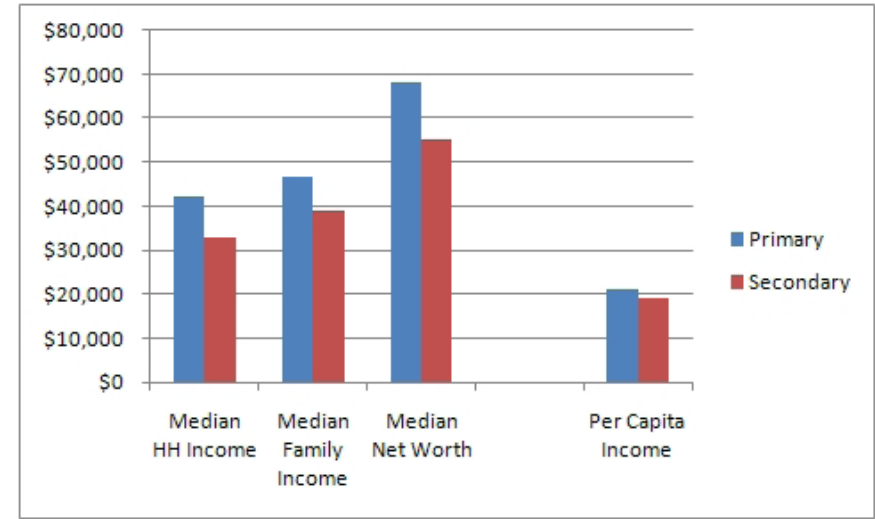
North Capitol Street Key Demographics- Trade Area Profile Summary

Income and Ethnicity

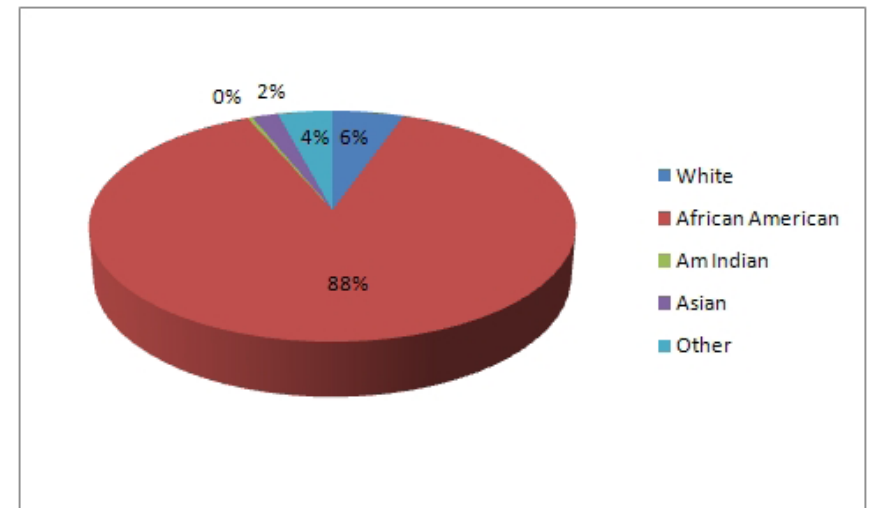
- The North Capitol Street trade area is comprised of mostly lower-mid- dle income households
- The median household income in the primary trade area is \$42,191 and is \$32,806 in the secondary trade area
- Per Capita income in both the primary and secondary trade areas are below the national average- \$20,978 and \$19,232 vs. \$27,916
- The trade area is primarily African-American (89%) followed by White (5%) and Asian (2%)*

*"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

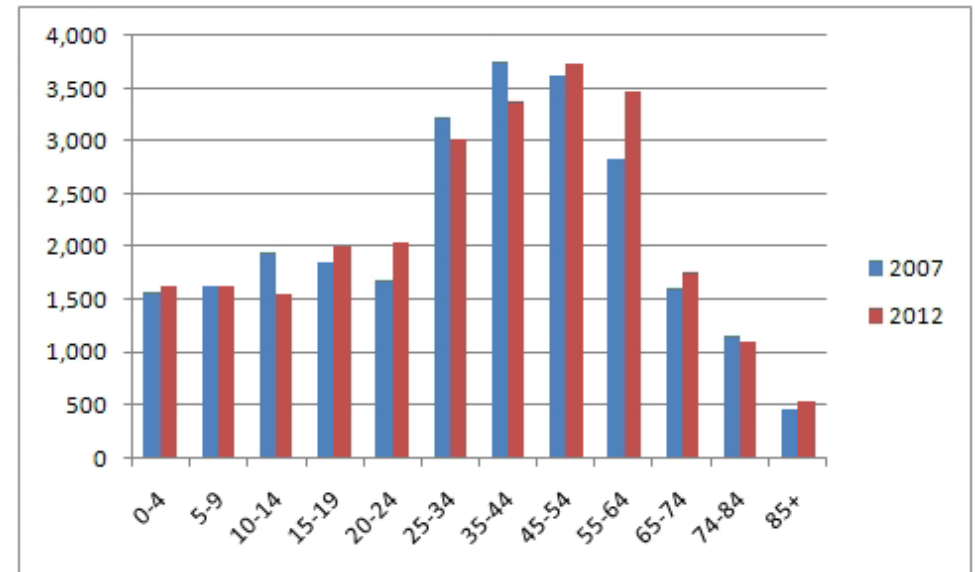


The North Capitol Street market area is expected to see the greatest increase in population within the 55 to 64 age cohort over the next five years

Discussion

- Age cohorts 25 to 34 and 35 to 44 will see a decline in population over the next five years, a negative indicator for residential demand, as these cohorts typically begin forming households. This decline will decrease demand for some types of housing product, thus reducing demand for furniture and household goods
- Population growth in the 55 to 64 age cohort will increase demand for goods and services associated w/ "Empty Nesters", including personal care (pharmacy and foodservice, for example)
- Moderate population growth among the 15 to 19 and 20 to 24 age cohorts indicate continued demand for families with teenage children goods and services and young adult household formation-oriented items such as inexpensive furniture, quick service restaurants, bars, and pre-prepared foods at supermarkets

Trade Area Population by Age, 2007 and 2012

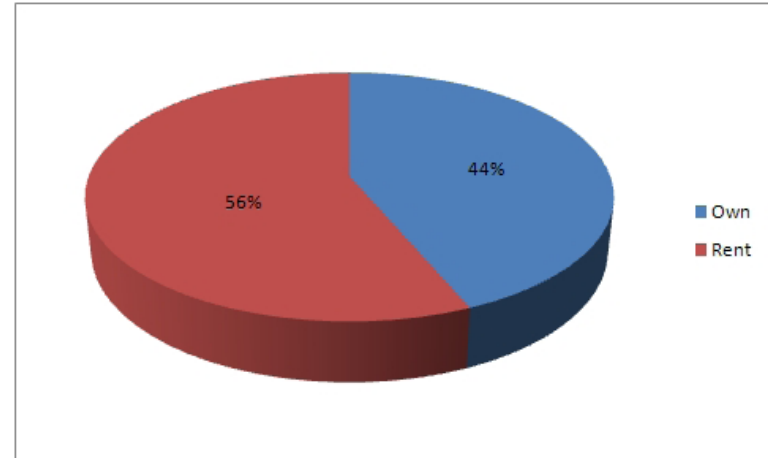


North Capitol Street Key Demographics- Trade Area Profile Summary

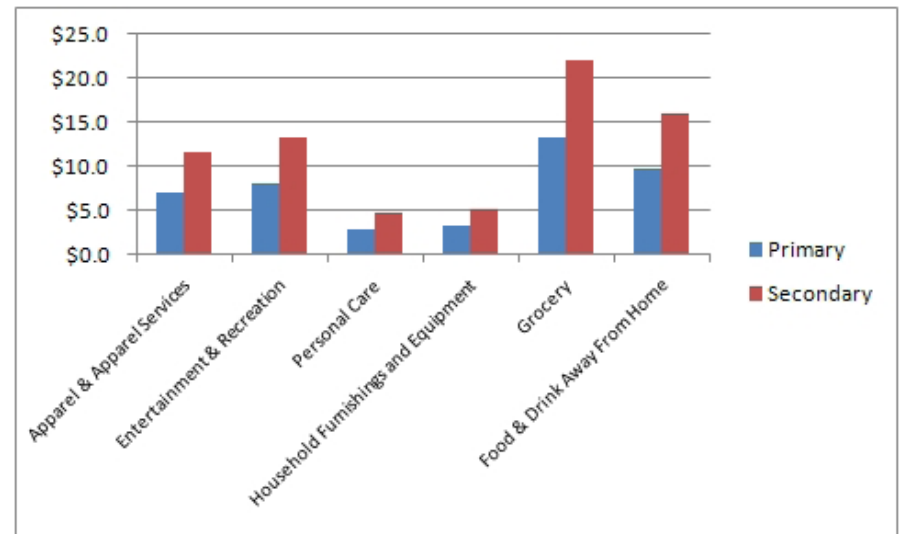
Discussion

- Homeownership patterns in the trade area are about evenly split, with 56% of households renting their homes and 44% of households owning their residences. A significant number of homeowners is generally considered a positive indicator of neighborhood stability. Home ownership rates also impact the median household net worth
- In 2007 trade area residents spent a total of \$118 million on products and services in the categories represented on the graph. This is total spending everywhere, not just in the trade area
- Household expenditures in the trade area show lower amounts being spent on personal care and household furnishings. The stronger performing categories are grocery, entertainment and food & drink away from home. As previously noted, projected age cohort changes will continue to support entertainment and foodservice businesses, but personal care may increase as the area includes more “empty nest” households

Home Ownership, 2007



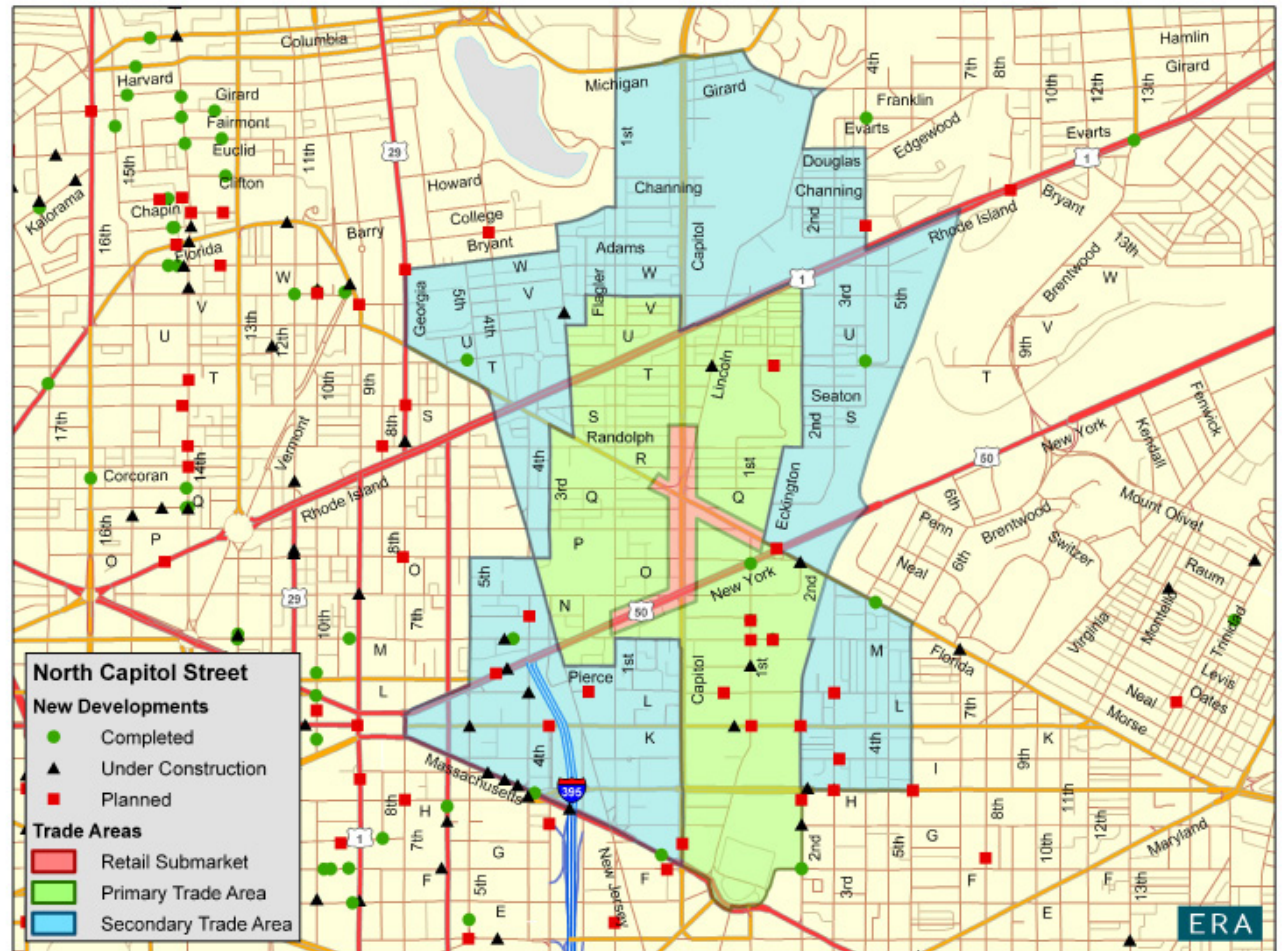
Household Expenditures (In Millions) by Category, 2007



Development Pipeline

Pipeline Projects

- A significant number of new developments are expected to add retail square footage and new households in the trade area
- Developments under construction in the trade area are scheduled to deliver 163,000 square feet of retail space and 2,176 new households
- Developments in the planning stages may deliver up to 227,378 square feet of retail and 3,280 new households
- Major developments include City Vista, Constitution Square, Union Place, Capitol Plaza, and multiple other projects



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

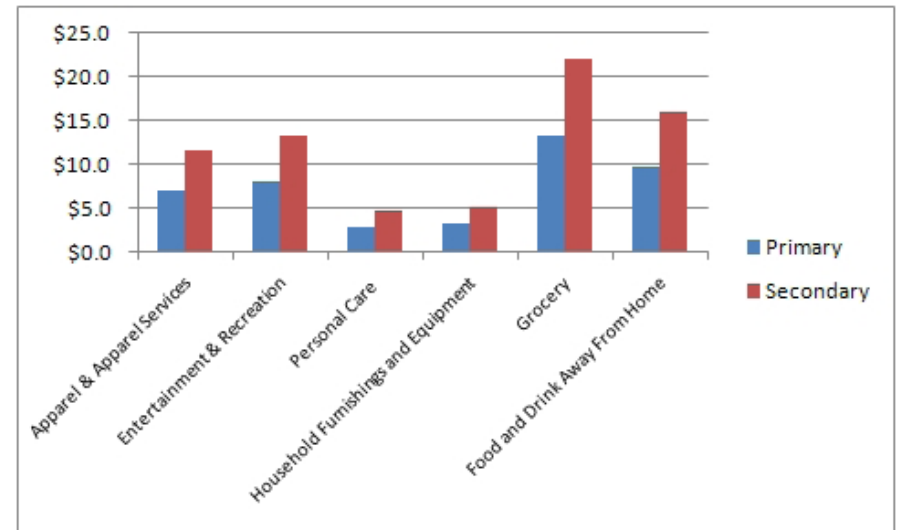
- Entertainment and Recreation includes expenditures such as fees and admissions, TV/video/sound equipment, pets, toys, recreational vehicles, sports equipment, photo accessories, and reading

- 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

\$118 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

North Capitol Street Submarket Capture Rates By Category

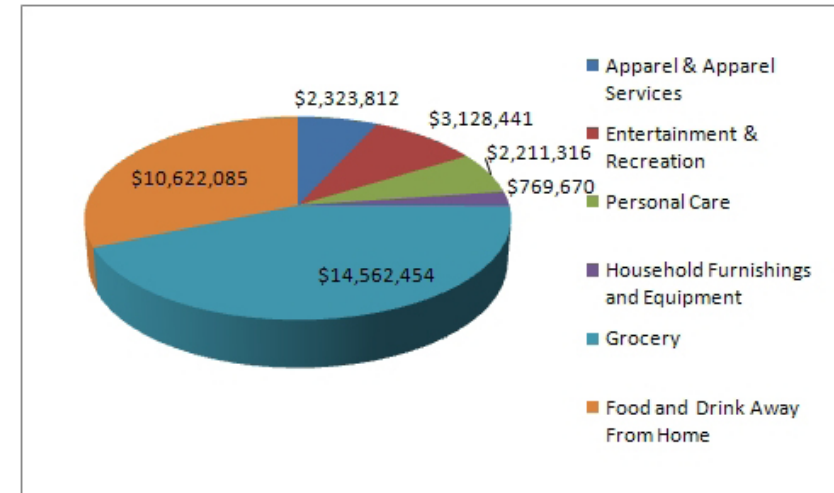
	Primary	Secondary	Inflow
Apparel & Apparel Services	15%	10%	5%
Entertainment & Recreation	20%	10%	5%
Personal Care	35%	20%	10%
Household Furnishings and Equipment	10%	8%	3%
Grocery	45%	30%	15%
Food and Drink Away From Home	45%	30%	15%

Source: ESRI Business Analyst; Economics Research Associates, 2007

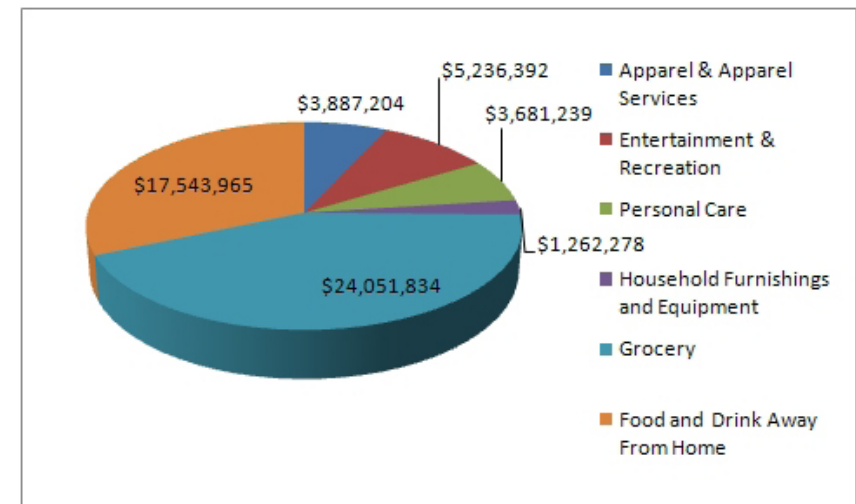
Estimated Captured Spending within the Retail Market

- Captured spending in the North Capitol Street retail trade area was estimated to be \$33.6 million in 2007 compared to total trade area spending of \$118 million in the same year
- Captured spending in the North Capitol Street retail trade area is expected to be \$55.8 million in 2012 compared to total trade area spending of \$191.7 million in the same year
- ERA estimates in 2012 that Grocery spending will account for more than \$24 million annually and Food and Drink (away from home) will account for more than \$17.5 million annually
- Captured spending in the retail trade area is expected to increase by \$22 million between 2007 and 2012, due mostly to significant changes in population and income levels

Estimated Captured Retail Trade Area Spending, 2007
\$33.6 Million



Estimated Captured Retail Trade Area Spending, 2012
\$55.8 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

North Capitol Street 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	\$ 450
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 in the trade area and their spending patterns, the North Capitol Street trade area can support between 88,000 and 117,400 square feet of retail in 2007

- The existing retail inventory totals 66,757 square feet within the retail submarket. In order to take into account the lower quality space it was discounted to 20,027 square feet

- The retail submarket has a net supportable square foot range between 67,973 and 97,373 in 2007

- Based on typical store size and spending patterns, the site can support a grocery store, multiple restaurants, and one or more entertainment/recreation stores such as a gym or bookstore

- While there is evidence suggesting support for a couple of 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	8,400	9,300	11,200
Entertainment & Recreation	14,000	15,600	18,700
Personal Care	5,700	6,300	7,600
Household Furnishings and Equipment	3,400	3,800	4,600
Grocery	29,200	32,400	38,900
Food and Drink Away From Home	27,300	30,300	36,400
Subtotal 2007 Supportable	88,000	97,700	117,400
Less Adjusted Existing Inventory 1/	(20,027)	(20,027)	(20,027)
Total 2007 Net Supportable	67,973	77,673	97,373

1/ Includes adjusted inventory

Source: ESRI Business Analyst; Economics Research Associates, 2007

2012 Net Supportable Square Feet

- Based on estimated trade area expenditures and capture rates, the North Capitol Street submarket can support between 146,000 and 194,400 square feet of retail in 2012
- There is approximately 390,387 square feet of new retail planned for the trade area, including space at City Vista, Union Place, Constitution Square, and Washington Gateway
- The existing retail square footage and planned new projects are subtracted from the subtotal to arrive at net supportable square footage for 2012
- Due to the large amount of retail planned or under construction in the submarket, there is approximately (248,814) net negative square feet of supportable demand by 2012

Estimated Supportable Square Feet 2012

Area	Low Range	Site Supportable	High Range
Apparel & Apparel Services	14,000	15,600	18,700
Entertainment & Recreation	23,700	26,300	31,600
Personal Care	9,500	10,500	12,600
Household Furnishings and Equipment	5,700	6,300	7,600
Grocery	48,200	53,600	64,300
Food and Drink Away From Home	45,300	50,300	60,400
Subtotal 2012 Supportable	146,400	162,600	195,200
Less Existing Retail 1/	(20,027)	(20,027)	(20,027)
Less Planned/Under Construction 2/	(390,387)	(390,387)	(390,387)
Total 2012 Incremental Supportable	(264,014)	(247,814)	(215,214)

1/ Includes adjusted inventory

2/ Includes retail at Constitution Square, City Vista, Union Place, Marriott Courtyard, Washington Gateway, Capitol Plaza, Capitol Place and various new residential developments

Source: ESRI Business Analyst; Economics Research Associates, 2007

What Does Negative Supportable Square Feet Mean?

- Negative supportable square feet indicates that, at a certain point in time, there may be more retail space than the current market expenditure potential can support
- Many existing retailers in Washington DC
 - (a) operate in lower priced spaces that can be considered functionally inefficient/obsolete (too small, too shallow, in poor condition, etc.) or
 - (b) are not well capitalized to compete in an improved environment. ERA has 'discounted' the square footage of these retailers in many areas to reflect the qualitative/competitive differences in operating capacity
- Markets evolve and shift as the amount and type of available retail changes; what today may appear to be oversupply can attract new spenders from outside the immediate trade area and become positive over time (such as Adams-Morgan or downtown Washington near the Verizon Center). A 'negative' supportable square footage estimate in 2012 does not mean an area is permanently oversupplied
- Retail submarkets may have a store mix imbalance and unfulfilled retail potential. These areas may have too much of one kind of retail and not enough of other types. An improved retail mix could increase demand and reduce the perceived oversupply of space.
- The retail submarket strategies will include programs and incentives to assist local retailers operating in growth/expanding markets where substantial new retail is being introduced

Commentary on the Current Retail Inventory

According to CoStar Group Real Estate Information Services, there is 100,682 square feet of retail space in the Anacostia 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?

ERA analyzed the existing retail along the North Capitol Street retail submarket and concluded that 70% of the retail inventory in the trade area was Grade “C”, or inadequate, for contemporary retailing needs. In order to calculate supportable square footage, the existing space was discounted by removing the Grade “C” inventory from the equation.

Inventory Adjustment

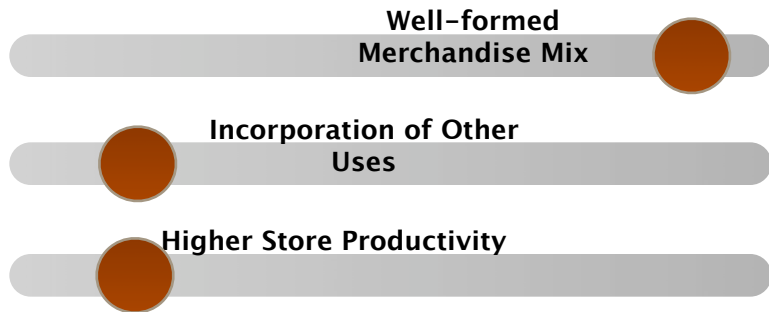
Existing Retail Inventory in Submarket	66,757
Less Discounted Space ("C" Grade)	46,730
Adjusted Existing Inventory	20,027

Source: CoStar; Economics Research Associates, 2008.

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

67,973 SF ← 77,673 SF → 97,373 SF



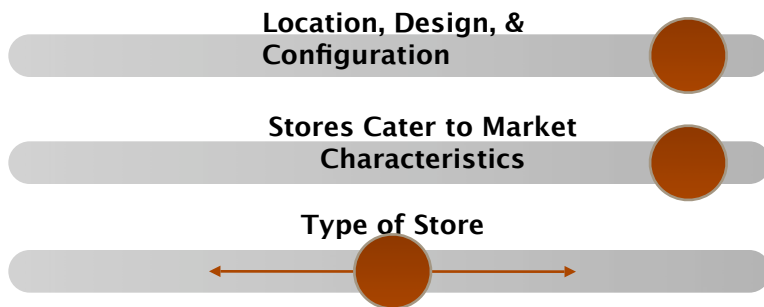
The success and appeal of a retail district is directly linked to its merchandise mix and its function as a destination

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

Low Sales / SF ← High Sales / SF



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	\$ 1,054,694	7.3%
Entertainment & Recreation	\$ 1,649,013	11.4%
Personal Care	\$ 1,049,520	7.2%
Household Furnishings and Equipment	\$ 326,280	2.2%
Grocery	\$ 6,037,561	41.6%
Food and Drink Away From Home	\$ 4,404,425	30.3%
Subtotal	\$ 14,521,492	100.0%
Secondary		
Apparel & Apparel Services	\$ 1,158,461	7.6%
Entertainment & Recreation	\$ 1,330,455	8.7%
Personal Care	\$ 960,767	6.3%
Household Furnishings and Equipment	\$ 420,972	2.7%
Grocery	\$ 6,625,442	43.2%
Food and Drink Away From Home	\$ 4,832,171	31.5%
Subtotal	\$ 15,328,268	100.0%
Inflw		
Apparel & Apparel Services	\$ 110,658	2.9%
Entertainment & Recreation	\$ 148,973	4.0%
Personal Care	\$ 201,029	5.3%
Household Furnishings and Equipment	\$ 22,418	0.6%
Grocery	\$ 1,899,451	50.4%
Food and Drink Away From Home	\$ 1,385,489	36.8%
Subtotal	\$ 3,768,017	100.0%
All Markets		
Apparel & Apparel Services	\$ 2,323,812	6.9%
Entertainment & Recreation	\$ 3,128,441	9.3%
Personal Care	\$ 2,211,316	6.6%
Household Furnishings and Equipment	\$ 769,670	2.3%
Grocery	\$ 14,562,454	43.3%
Food and Drink Away From Home	\$ 10,622,085	31.6%
Total	\$ 33,617,778	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	\$ 1,958,694	7.4%
Entertainment & Recreation	\$ 2,988,660	11.3%
Personal Care	\$ 1,902,143	7.2%
Household Furnishings and Equipment	\$ 591,349	2.2%
Grocery	\$ 10,942,438	41.5%
Food and Drink Away From Home	\$ 7,982,551	30.3%
Subtotal	\$ 26,365,835	100.0%
Secondary		
Apparel & Apparel Services	\$ 1,753,644	7.6%
Entertainment & Recreation	\$ 2,014,003	8.7%
Personal Care	\$ 1,454,382	6.3%
Household Furnishings and Equipment	\$ 637,256	2.7%
Grocery	\$ 10,029,401	43.2%
Food and Drink Away From Home	\$ 7,314,798	31.5%
Subtotal	\$ 23,203,483	100.0%
Inflw		
Apparel & Apparel Services	\$ 185,617	3.0%
Entertainment & Recreation	\$ 250,133	4.0%
Personal Care	\$ 335,652	5.4%
Household Furnishings and Equipment	\$ 36,858	0.6%
Grocery	\$ 3,145,776	50.3%
Food and Drink Away From Home	\$ 2,294,602	36.7%
Subtotal	\$ 6,248,639	100.0%
All Markets		
Apparel & Apparel Services	\$ 3,897,955	7.0%
Entertainment & Recreation	\$ 5,252,796	9.4%
Personal Care	\$ 3,692,177	6.6%
Household Furnishings and Equipment	\$ 1,265,462	2.3%
Grocery	\$ 24,117,614	43.2%
Food and Drink Away From Home	\$ 17,591,952	31.5%
Total	\$ 55,817,956	100.0%

North Capitol Street Strategy



North Capitol Street

Introduction

The North Capitol Street submarket is comprised primarily of three major roadways – North Capitol Street, Florida Avenue and New York Avenue. This intensive transportation infrastructure creates an auto-centric dynamic and scale that greatly inhibits pedestrian activity, as well as prevents the creation of a two-sided retail corridor. At the core of the submarket is the North of Massachusetts (NoMA) neighborhood, which is in the midst of development, with many office and some retail opportunities coming on-line now and into the coming years (though the economic slowdown has left a substantial amount of vacant space in the area). The area is projected to grow by nearly 40,000 residents between 2007 and 2012, and has already seen the addition of resident-serving retail uses such as the restaurant and shopping area at City Vista, which includes a 25,000 square foot Safeway Pavilion, the chain's urban grocery store model.

There is significant retail space planned or proposed in the submarket, mostly in the southern trade areas and on its borders; almost 400,000 square feet of retail space is planned or approved within the total North Capitol Street trade area. The characteristics of the new residents in these projects will raise both total available spending power as well as expectation levels over current offerings. At the southwestern part of the secondary trade area, the NoMa district has introduced a younger more affluent resident market, as well as carefully planned retail concentrations of food and beverage and consumer services uses (such as the Safeway Pavilion urban grocery store, Busboys and Poets, and Taylors Deli at the City Vista project). The northern and eastern parts of the submarket are changing more slowly, and will experience greater impact after the five-year study period included in this report has passed.

Challenges to retail development along the North Capitol Street retail corridor include a lack of retail density and a large amount of retail space located in substandard row house storefronts. This dispersed retail environment coupled with some redundant offerings in lower quality spaces causes some over retailing in the area. New retail development should be directed to fill gaps in retail demand, improve the business mix and retail space to better serve residents, and attract the growing daytime workforce. An important component to effectively position neighborhood-serving retail is to enhance the pedestrian environment. This will help ensure shopper access from the same side of the street while facilitating access across roadways where possible.

The market position approach to North Capitol Street is determined by both its physical characteristics as well as the emerging development opportunities around the southern part of the submarket. Retail development opportunities in the northern part of Node 1 are limited due to the residential nature, including historic architecture. With the exception of select corner stores and space-constrained basement retail uses, most of the new growth should be clustered in the southern triangle (incorporating the redevelopment of the parking areas between Nodes 1, 2, and 3). The scale of incremental supportable space is limited, and should focus on businesses that serve residents and are under-represented such as food service near the XM Satellite Radio and office spaces at the eastern end of the triangle. The existing Wendy's, McDonald's and BP stations are highly auto-oriented, and do not encourage pedestrian-friendly circulation. Street-related retail along pedestrian routes will better reinforce a neighborhood character, and balance the volume of auto traffic with pedestrian-oriented consumer service and convenience uses. Potential retail uses include quick service food shops that serve both residents and office workers. These are more likely to be included in newer developments in the southern portion of the study area.

Merchandising Concepts

The North Capitol Street retail submarket is primarily neighborhood-serving, and lacks the land area and demand to be considered a retail destination. This is partly due to its proximity to the highly competitive retail mall at Union Station. As such, the submarket should focus on improving the products, services and retail environment to attract residents and the daytime office worker population. The west side of North Capitol Street is set up well to provide services that residents need such as a convenience store (Seven-Eleven), a drycleaners or a bakery - these uses will benefit from existing alley access. On the east side of North Capitol Street, where there will be a greater concentration of office development, the most appropriate options include quick-bite restaurants and casual dining that meets the daytime demands of office workers (examples include Julia's Empanada's, Five Guys Hamburgers, Vapiano Pizza and Pasta, or Potbelly Deli). These uses typically require 1,200 to 1,800 square feet each, and prefer locations that are both accessible by pedestrians and adjacent high volume auto traffic. Other resident and worker serving retail uses include a drug store such as CVS or Walgreens (typically 6,000 to 8,000 square feet), dry cleaners and hair care shops for men and women (dry cleaning stores range in size from 650 square feet for a drop-off only location to up to 3,000 square feet for a dry cleaning store with a cleaning facility included).

The stretch of Florida Avenue east of North Capitol Street could see an increase in the already large daytime office worker population if more intensive development is introduced. Convenience retail would be appropriate on the ground floor of new developments here, though the amount of retail coming online should match, and not exceed, area demand. Ground floor space could also be occupied by retail-complimenting services such as day-care or yoga studios. It is important to note that the width of New York Avenue is a deterrent to the easy flow of pedestrians from the north and south. There is an opportunity to redesign this part of New York Avenue to better link office uses on the southern part of the submarket to retail uses on the north side.

Site Capacity for Improvement

Large surface parking lots (including the Peoples Building lot fronting on North Capitol Street) and vacant parcels could allow for higher-density mixed-use development along the east side of North Capitol Street between New York Avenue and P Street, on both sides of O Street and along the north side of New York Avenue between North Capitol and 1st Street. This increased density would provide for a concentration of retail offerings that could serve residents and office workers throughout the submarket. This could help complement existing, smaller retail spaces. If parking is changed from surface lots to structured parking, any edges of garages should be activated at the ground floor with small-space retail users located along sidewalks; examples include dry cleaning service drops, coffee bars, or other snack foods. If possible, the ground floor level of future parking structures should be created with 10 to 12 foot ceiling heights (building the ground level at more than the minimum parking requirement) to accommodate retail uses. The actual need for parking should take into consideration the high amount of public transportation in the area, including bus and metro, that may decrease the perceived amount of required parking.

Urban Design & Transportation Improvements

Assuming it is not possible to narrow North Capitol Street or eliminate the multi-level infrastructure at the New York Avenue intersection, the best remaining scenario is to activate the sidewalks, make pedestrian safety improvements at key intersections, and improve streetscaping via consistent signage and street furniture. The unique feel of North Capitol Street's historic row house infrastructure should be maintained; even with the proposed development of NoMA's 1st Street as a pedestrian-friendly traditional Main Street style retail corridor, North Capitol Street retailers will be able to distinguish the location via its architecture. The newly designated Main Street program will be an important leader to make this happen.

Rather than dispersing retail too sparsely along the corridors, the submarket should attempt to develop storefront retail in clusters, with residential and small office uses filling in between. The intersection of North Capitol Street and P Street has the greatest potential to be developed as the submarket's 100% corner, with neighborhood-serving retail. Such development will require land assemblage that will allow for high-density, mixed-use buildings with ground floor retail.

Where rowhouse retail will remain, it is important that the quality of the buildings be improved. Improvements could be facilitated by restore DC's façade improvement program, but the amount of work required for some structures warrants an intensive effort help property owners with physical improvements to the buildings. One vehicle for this would be a coordinated effort by the Department of Small and Local Business Development (DSLBD) to facilitate connections between property owners and lenders implementing the U.S. Small Business Administration's (SBA) 504 loan program. The Main Street program should also encourage recruitment of businesses to flesh out the retail mix along North Capital street. For existing businesses, small business partners in the city should focus on ongoing technical support with selective use of financial incentives as possible.

Supportable Square Footage and Evolving Markets

As described in the market analysis, the North Capitol Street study area is a large and evolving urban residential market that (when pipeline projects are taken into account) will have more retail space than is supportable under existing and near-term market conditions. This estimate, sometimes indicated by so-called "negative" square footage, should not be viewed as a permanent condition, and will be affected by both near-term improvements as well as longer-term (beyond the five-year study period) growth in new projects such as Constitution Square, City Vista, Republic Square and Union Place, representing millions of square feet of new residential and office space. Available expenditures and the rate at which the North Capitol Street subdistrict can capture a share of those expenditures will be based on both changes in median household income levels (as they translate into disposable incomes available for retail expenditures) as well as the quality and quantity of retail uses that are retained and recruited to the corridor's emerging urban mixed use zones in the primary and secondary trade areas, such as the rapidly changing NoMa district. Much of the study area's new development is located within the secondary trade area south of the core study corridor.

Key Recommendations

1. Merchandising should focus on improving the business mix and providing neighborhood-serving retail that supports residents and the daytime office worker population, including a convenience store, drycleaners, bakery, quick-bite restaurants and casual dining.
2. Planning for new retail should carefully take into consideration the limited retail demand in the submarket so as not to over-supply and overwhelm existing businesses. Retail implemented incrementally will help balance the changing market and ensure existing and new retail is successful at serving residents and attracting new shoppers.
3. Vacant and underutilized parcels should be considered for higher density and mixed uses. The NoMA Business Improvement District could work with landowners to encourage use of large surface parking lots (including the Peoples Building lot fronting on North Capitol Street) and vacant parcels along the east side of North Capitol Street between New York Avenue and P Street, on both sides of O Street and along the north side of New Work Avenue between North Capitol and 1st Street.
4. Implement pedestrian safety improvements at intersections and improve streetscaping via consistent signage and street furniture. This could be part of the Great Streets initiative, and support through the Main Street program.
5. Work with retailers and property owners to encourage storefront retail development in clusters along North Capitol Street, with residential and small office uses filling in between. Seek to activate vacant storefronts while seeking new investments. A façade improvement program would greatly help existing businesses to attract shoppers and for an overall improved retail streetscape.
6. The intersection of North Capitol Street and P Street has the greatest potential to be developed as the submarket's 100% corner, with neighborhood-serving retail.

North Capital: Summary of Issues and Actions

Issue	Proposed Strategy	Comments	Type of Action	Responsible Party	Timeframe	Priority
Expanded consumer base needed to support retail space	a.	Development of additional residential units	Development	Private development sector in collaboration with DMPED, OP. Partnership with WDCEP	Mid-to-Long term	High
	b.	Development of additional offices/ employment centers	Development			
	c.	Consider limiting retail components of PUD requests	Planning	DMPED, OP,	Near-to-mid term	Middle
Excess of buildings in below-average condition	a.	Class A space increases through infill	Development	Private sector	Near-to-mid-term	Middle-to-High
	b.	Class B space rehabilitation	Market Financial	Public (DMPED)		
	c.	Class C space may require redevelopment	Development Market Financial	DMPED, WDCEP, OP, DSLBD		
Pedestrian safety	a.	Pedestrian safety improvements at intersections and streetscape improvements	Infrastructure	DDOT Great Streets	Mid-to-Long Term	Middle