

South Capitol Street

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



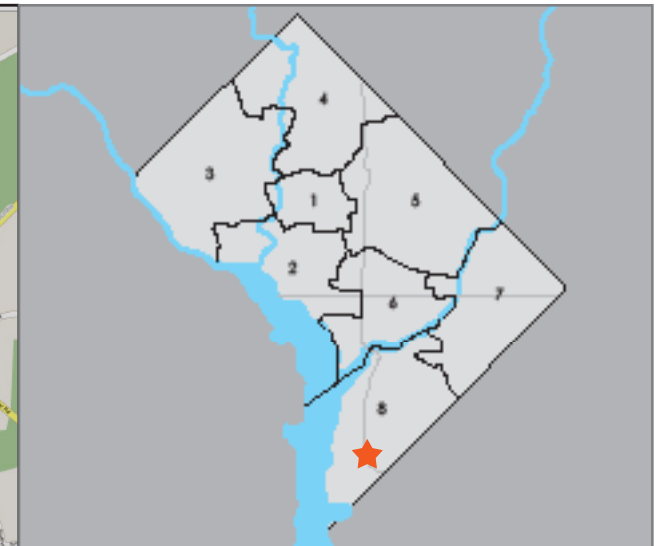
South Capitol Street SWOT Analysis





Overview

This quiet submarket east of the Anacostia River is located on the border of D.C. and Prince George's County, Maryland. Although South Capitol Street is a major D.C. artery with easy access to the Anacostia Freeway, this submarket is more suburban than urban. Its abundance of residences with grassy lawns, as well as the presence of Oxon Run Park, enhances this quality — which sharply contrasts with more intense development such as the Eastover Shopping Center directly across the D.C. border in Maryland. Because there is no easily accessible Metro Station, this submarket is auto-dependent.



Boundaries

Node 1: South Capitol Street, from Chesapeake St SE north to Martin Luther King Jr Ave

Node 2: South Capitol Street, from half block north of Livingston Rd SE south to Southern Ave SE

Zoning

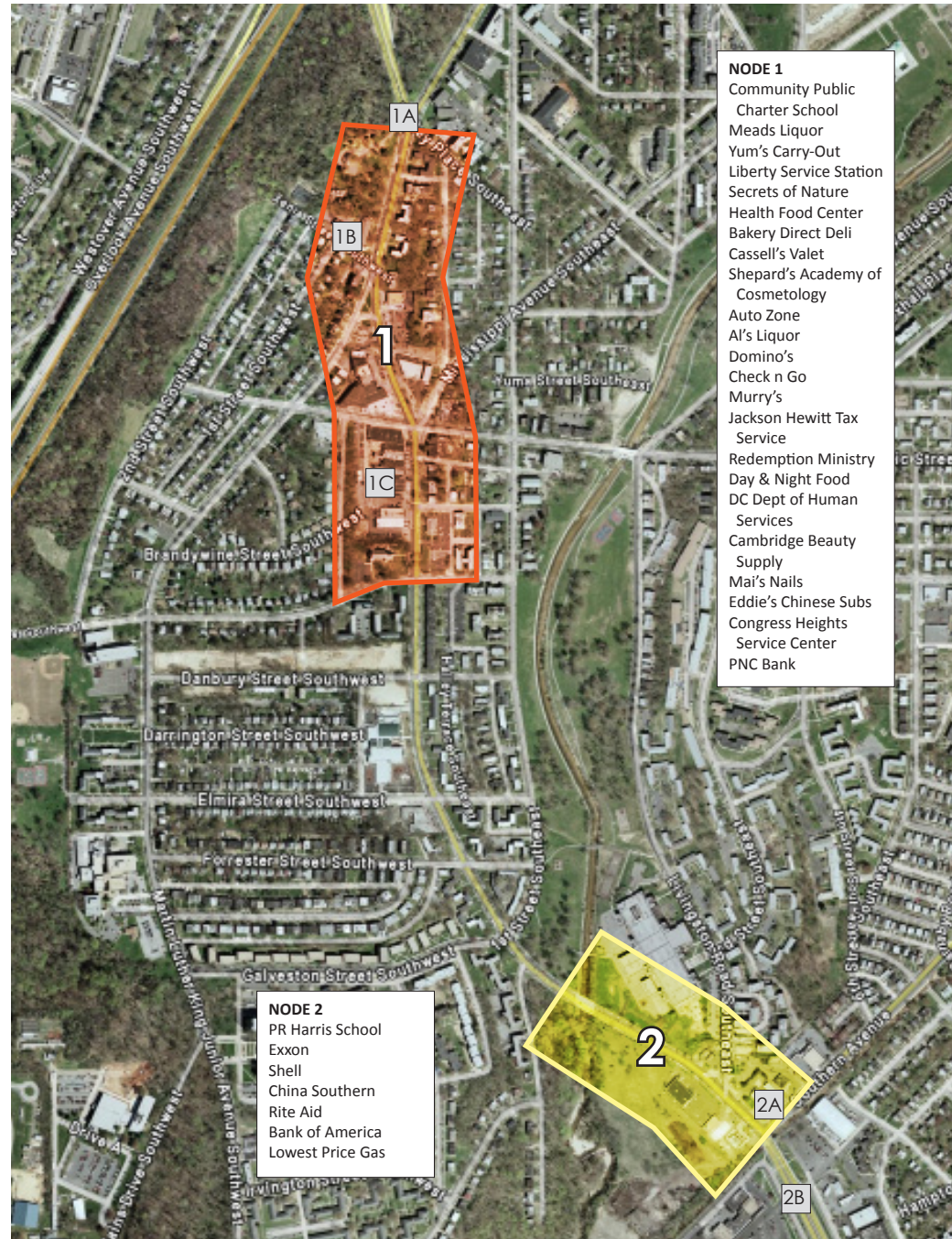
The South Capitol Street district's northern node is a commercial zone that is surrounded mostly by a residential zone that continues eastward. West of the first node is a massive stretch of government-zoned land that includes Shepard Parkway and Bolling Air Force Base. The southern node runs from government-owned Oxon Run Park to the Maryland border, where a very large commercial use, the Eastover Shopping Center, is located.

1 Upper South Capitol Street

Compared to Lower South Capitol Street (see below), this node is much more suburban and neighborhood-serving. Its rolling hills are dotted with apartments and single-family homes, which are serviced by 2 small retail strips near Atlantic Street. The retail center just south of Atlantic Street, the South Capitol Shopping Center, has critical mass that could be redeveloped into a more substantial—but still neighborhood-serving—offering.

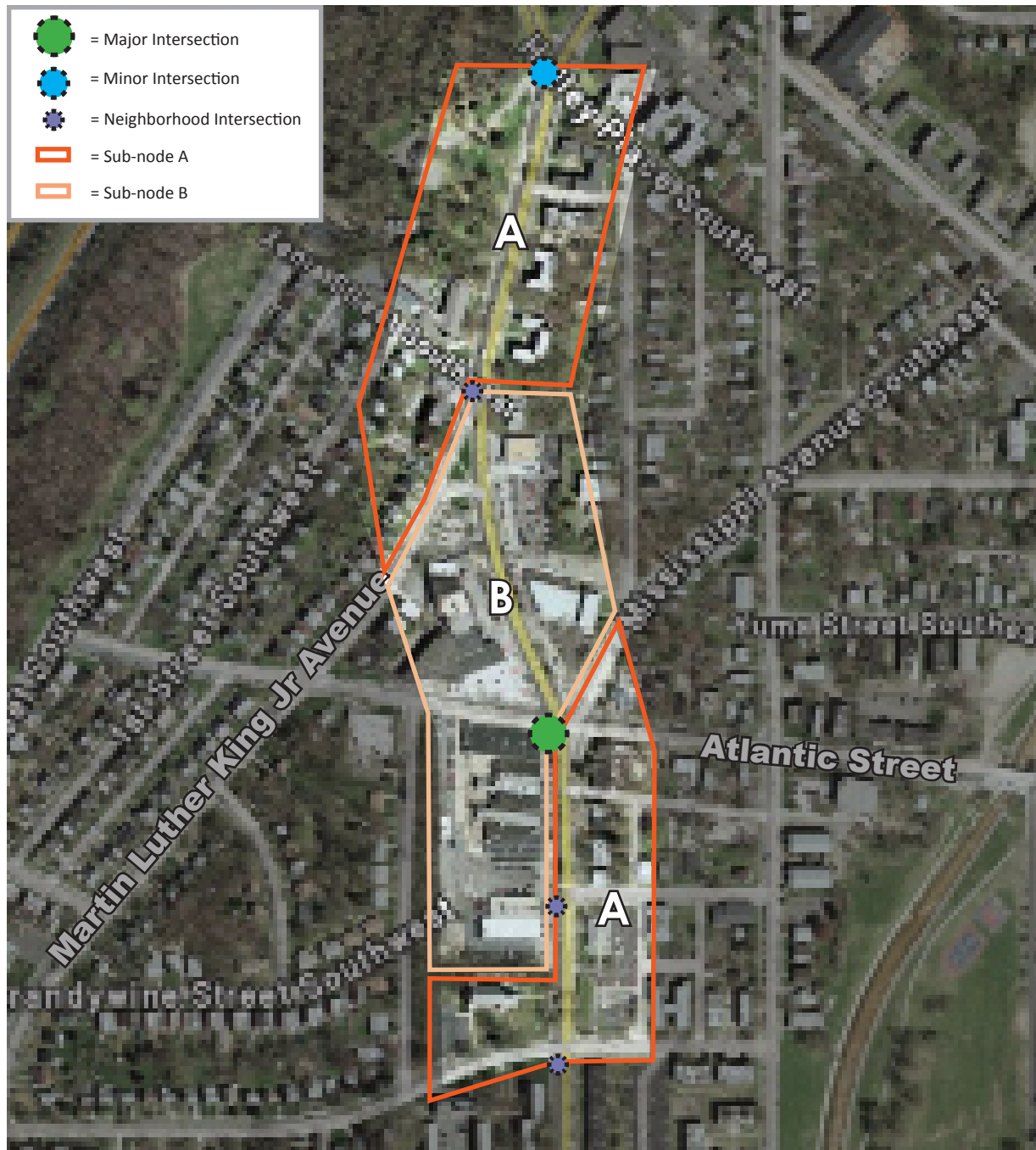
2 Lower South Capitol Street

This gateway node changes radically from north to south, reflecting how South Capitol Street goes from a suburban D.C. road to a major Maryland highway. North of Livingston Road, there is little development because of Oxon Run Park. South of Livingston Road, however, a few retail pads lead up to the massive Eastover Shopping Center in Prince George's County, MD. Retail in this quiet node cannot compete with the scale of this mega-center; however, retail redevelopment efforts should attempt to capitalize upon the energy generated by Eastover and be strategically merchandised to take advantage of retail gaps.



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

Retail Node 1: Upper South Capitol Street



The upper node of South Capitol Street can be divided into 2 sub-nodes: Residences and Neighborhood-Serving Retail.



A - Residences line most of South Capitol Street and reflect its suburban character. The predominant building types are 3- to 4-story garden apartments, as well as single-family homes with yards. Although this submarket has a below-average per capita income, its housing stock is in fair condition and yards are well-kept. This quality, as well as excellent views afforded by the rolling topography, have brought about renewed interest in residential construction, particularly in Congress Heights.



B - Neighborhood-Serving Retail centers around South Capitol Street's intersection with Atlantic Street. North of the intersection is the Atlantic Shopping Center, a strip mall with marginal tenants. South of the intersection is the South Capitol Shopping Center, a cluster of grocery-anchored inline retail. This second shopping center has more potential for redevelopment because of its significant lot depth. It has established infrastructure for service and loading, rear surface parking, and sufficient separation from nearby residences (due to a road and a strip of woods).

Retail Node 2: Lower South Capitol Street



The lower node of South Capitol Street can be divided into 2 sub-nodes: Small Retail Pads and The Eastover Center.



A - Small Retail Pads occupy the northern half of the intersection at South Capitol Street and Southern Ave/Oxon Run Drive. Although this area is a gateway into D.C. from Prince George's County, MD, it is marked by an insignificant cluster of buildings. The scale and range of these offerings pale in comparison to the huge Eastover Center just across the border (see below). While the east side of South Capitol Street is limited by adjacent residences, there is room for expansion on the west side by Oxon Run Park. However, there may not be enough retail demand to create an offering substantial enough to compete with the Eastover Center.



B - The Eastover Center, a 245,000sf shopping center just outside the submarket, overshadows the District's South Capitol Street retail. It has several national tenant anchors, including a grocery store, as well as an expansive surface parking lot and a large service road. Because retail along South Capitol Street cannot compete directly with this large-scale offering, it will have to distinguish itself with an entirely different merchandising strategy.

Streets & Blocks

The spine of the submarket, South Capitol Street dramatically changes character as soon as it crosses the D.C.-Maryland border. Within the submarket, it is a woodsy suburban-scaled road that winds through residences and Oxon Run Park (see image below). There are 2 lanes of traffic in each direction; although South Capitol Street is a major artery in the city, traffic is light. Narrow sidewalks along grassy yards reinforce the submarket's quiet, residential character. However, as soon as South Capitol Street crosses Southern Avenue/Oxon Run Drive into Maryland, it becomes Indian Head Highway, a significantly larger thoroughfare. The highway, which has no sidewalks as it is clearly not a pedestrian zone, ramps up in scale as it approaches the Capital Beltway further south.



Intersections

The most significant intersection occurs at the submarket's southern periphery, where South Capitol Street crosses the D.C.-Maryland border to become Indian Head Highway. This busy intersection's infrastructure is overwhelming, which makes it unlikely that it can be reclaimed for pedestrians. A more promising intersection to anchor the submarket occurs in Node 1 at the intersection of South Capitol Street, Atlantic Street, and Mississippi Avenue (see image below). This intersection is centrally positioned between the submarket's neighborhood-serving retail centers and, while still large, has more of a Main and Main feel. Another significant intersection occurs at the submarket's northern periphery, where South Capitol Street meets Martin Luther King Jr Avenue by Oxon Run Park.



Buildings

This quiet submarket's predominant building type is residential, with a mix of 3- and 4-story garden apartments and single-family homes with yards. These residences, though older, are in fair condition and have excellent views of woodsy Oxon Run Park. These qualities have prompted new residential construction, especially in the Congress Heights neighborhood. There are also several newer schools in good condition. Unlike residences, retail is mostly in poor condition—particularly the 2 single-story, neighborhood-serving strip malls located just north and south of Atlantic Street. Single-story retail pads further south are newer and in better condition, but fail to compete with the regionally drawing Eastover Shopping Center across the border.



Alleys & Service

Because this submarket is sparsely developed from a commercial perspective, there is adequate room to redevelop retail parcels for efficient service and loading. In particular, the South Capitol Shopping Center has significant rear space, which includes underutilized surface parking, that can be expanded and still provide space for service and loading. Residences do not back up directly against this retail, which also provides greater leeway for retail redevelopment.



Strengths

- The submarket's key location at the D.C.-Maryland border gives it added significance and momentum for redevelopment
- South Capitol Street is a major D.C. artery that provides high visibility and easy access to retail; as Southeast continues to develop, this visibility will only increase
- The submarket's significant new residential construction, as well as over 1,150 residential units in the pipeline, will create more retail demand
- The existing housing stock, particularly in nearby Congress Heights, is in decent condition and has excellent views of the woodsy surroundings
- The existing streetscape is in mostly good condition, with clean sidewalks, landscaping, and banners that brand the district; this existing "sense of place" can be embraced and expanded outside of the submarket
- Oxon Run Park beautifies the submarket with expanses of woodland, and adds value to the housing stock as well

Weaknesses

- The submarket is more suburban than urban; because it lacks residential density, there is not enough demand for significant increases in retail density and offerings
- The submarket's built-in population has a below-average per capita income, which limits future retail development; pricepoint-sensitive retail like that currently in the market will continue to be appropriate here
- Retail in the submarket is mostly in poor condition and cannot compete with the regional scale of the nearby Eastover Shopping Center, which has several national credit tenants
- The lack of a nearby Metro station makes the submarket completely auto-depedent
- The Anacostia River has acted as a physical and psychological barrier for consumers and developers alike, though various efforts are underway to overcome this

Opportunities

- Focus efforts on developing and improving neighborhood-serving retail in Node 1
- More specifically, redevelop the South Capitol Shopping Center to take advantage of its good depths and existing infrastructure for parking, service, and loading
- Rather than compete with the Eastover Shopping Center, create a unique merchandising strategy for Node 2 that takes advantage of an underserved niche market as well as energy generated by Eastover's presence; this will distinguish retail in this submarket from the shopping center and potentially even attract Maryland shoppers
- Continue the efforts of the Great Streets initiative to improve the retail environment through public realm and pedestrian enhancements, as well as provided economic development assistance

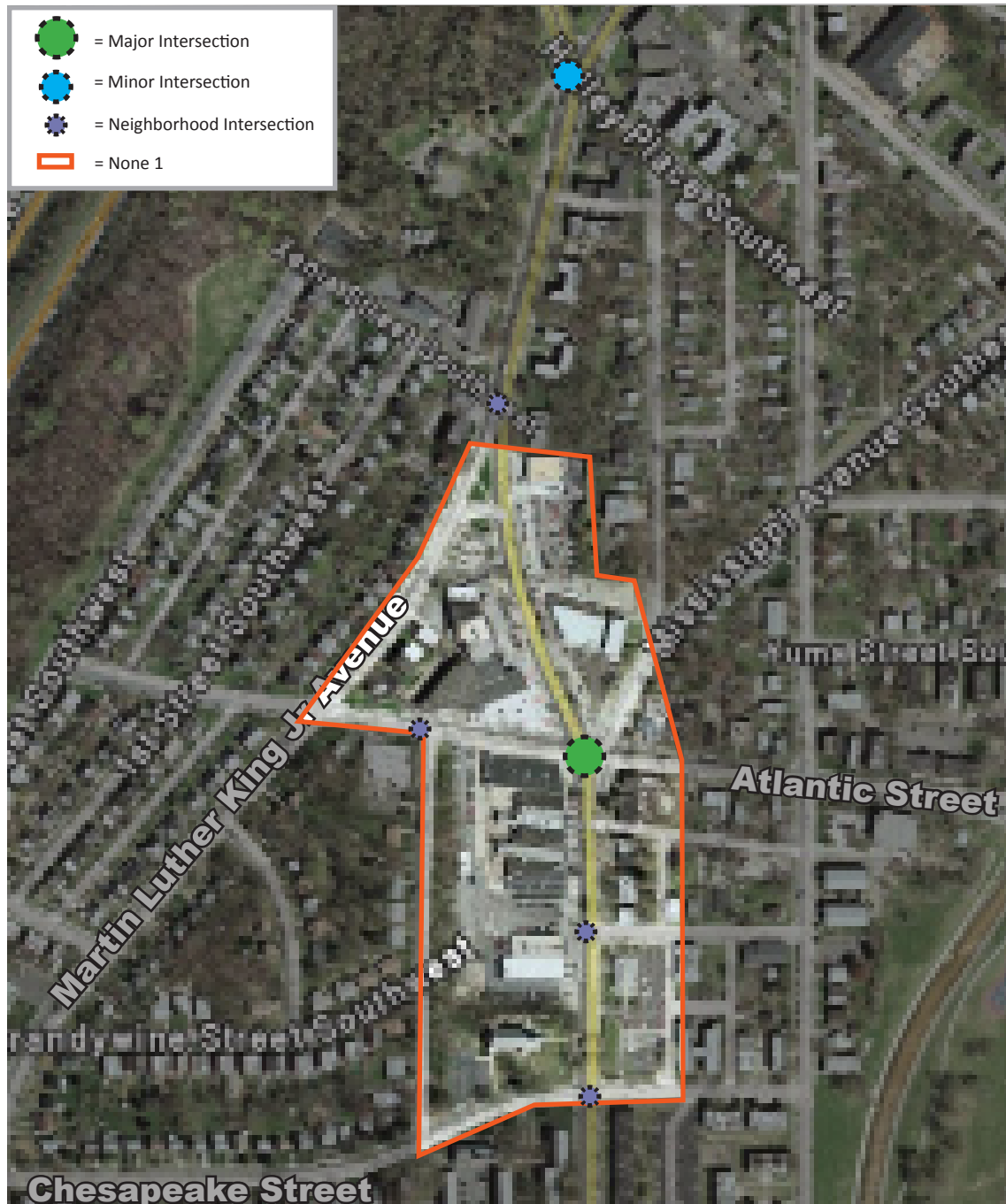
Threats

- The Eastover Shopping Center is an established retail giant just outside the submarket boundaries and easily accessible by shoppers; because it is outside the District's jurisdiction, it will be difficult to address this significant expenditure leakage
- Multiple ownerships in disparate pad buildings and small retail strips might not work together to support the overall merchandising strategy and prepare/engage change
- Nearby mixed-use developments, such as grocery-anchored Camp Simms, may be retail competition

South Capitol Street Preliminary Planning Diagrams



Planning Analysis Node 1: Upper South Capitol Street



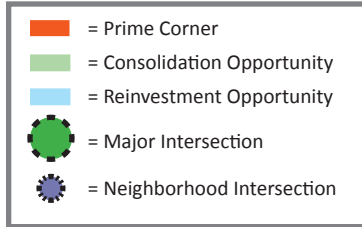
General Observations about Existing Area:

- 1) The existing cluster of retail nestled within the surrounding residential community is well-positioned to be a convenient neighborhood offering.
- 2) A critical mass of retail occupying three of the five corners at the intersection of Atlantic Street, South Capitol Street, and Mississippi Avenue creates a prime retail destination.
- 3) The current building layout caters more to consumers accessing the area by car rather than foot with strip mall-like parking located in front of stores.

Retail Planning Principles:

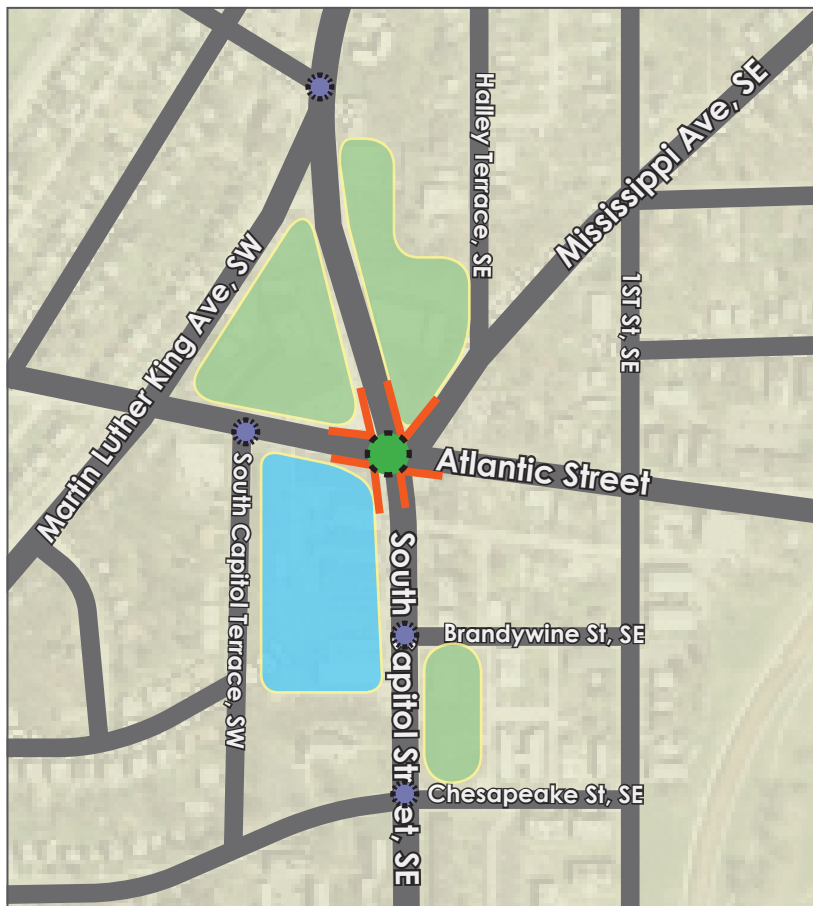
- 1) Merchandise retail to serve the everyday goods and services needs of the surrounding neighborhood.
- 2) Create a distinct shopping experience with unique placemaking elements that define the character of this neighborhood-serving retail destination.
- 3) Occupy the block's edge and activate the sidewalk with a continuous storefront experience.

Planning Concepts Node 1: Upper South Capitol Street



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



CONSOLIDATION OPPORTUNITIES

The intersection of Atlantic Street, South Capitol Street, and Mississippi Avenue has the opportunity to become a unique neighborhood-serving retail node. The current retail presence has established this node as a shopping destination; however, current building layouts are disengaged from the sidewalk and thus do not promote a welcoming pedestrian experience. Consolidating retail of this type and re-orienting building footprints to align with the street will create a more walkable retail environment.

REINVESTMENT/REPOSITIONING OPPORTUNITIES

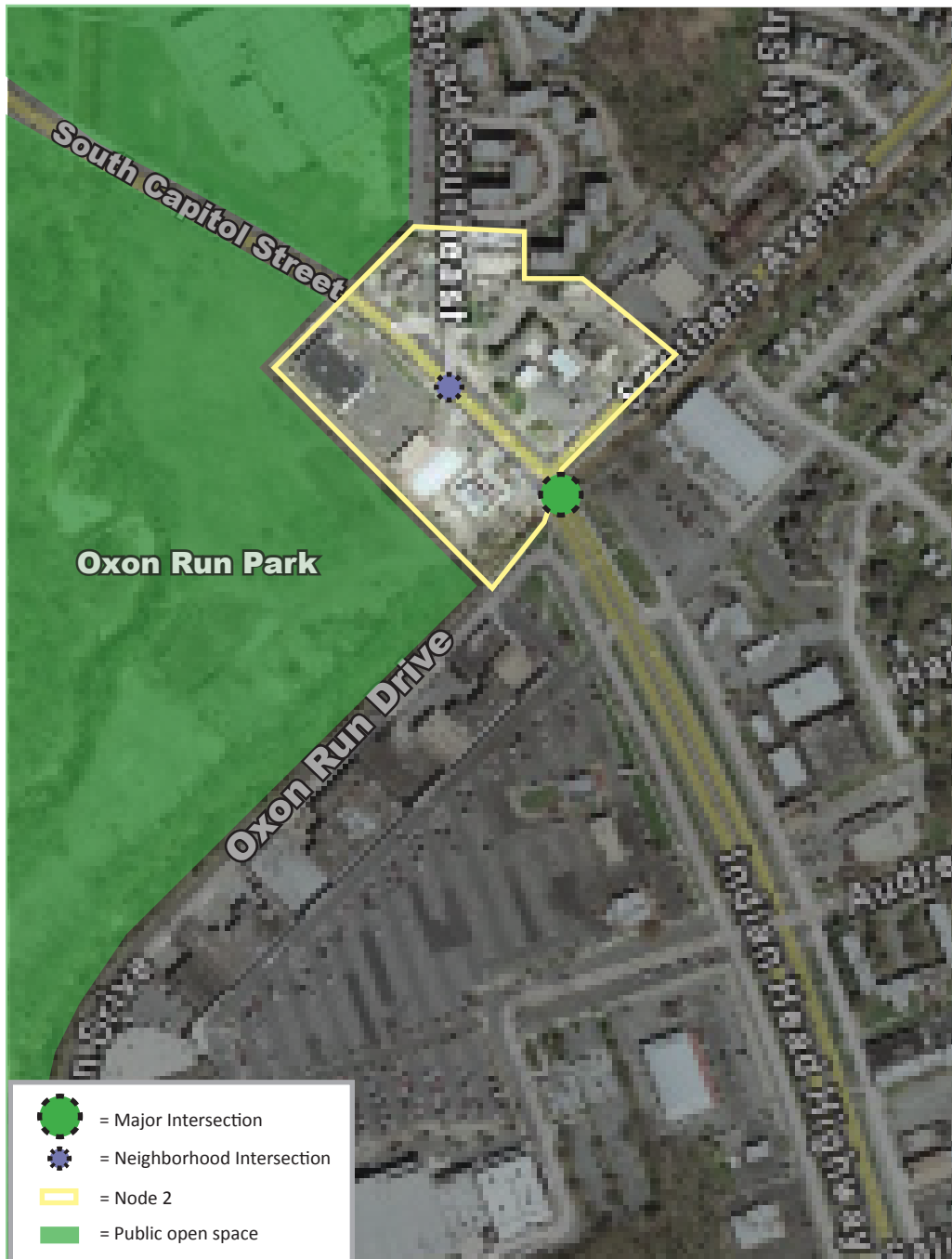
Reinvestment into retail that lines South Capitol Street south of Atlantic Street will reinforce a pedestrian-friendly shopping experience.

Introducing placemaking elements throughout the retail district will add to the unique character of this community.

Placemaking elements can include:

- Public plazas or other open spaces
- Water features
- Public art
- Inviting sidewalks with amenities for retailers
- Signage and wayfinding that includes graphics that brand the shopping district

Planning Analysis Node 2: Lower South Capitol Street



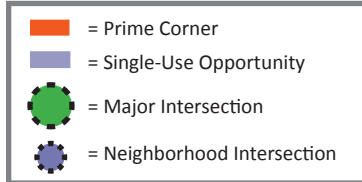
General Observations about Existing Area:

- 1) Retail pad buildings benefit from their proximity to the Eastover Shopping Center, as well as the clear visibility and access at the main intersection of Southern Avenue and South Capitol Street.
- 2) Building layouts cater to the car-dominated corridor with visible and dedicated surface parking for each retail pad. Little consideration has been given to the pedestrian experience.
- 3) New development is confined by Oxon Run Park to the west of South Capitol Street and a post office and residential buildings to the east.

Retail Planning Principles:

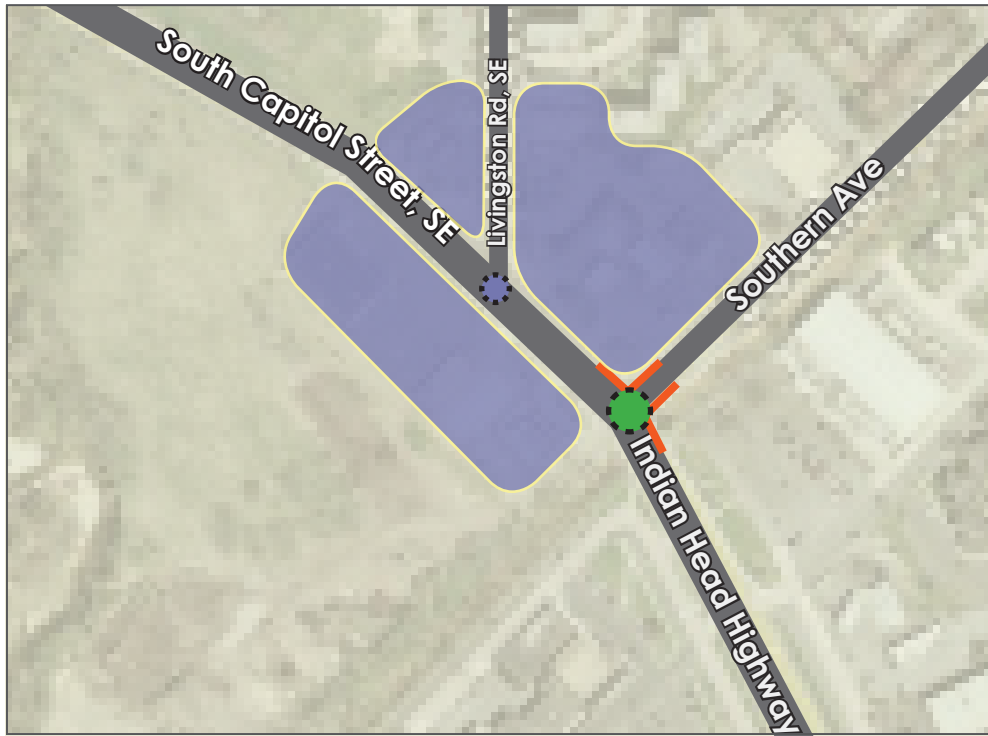
- 1) Feed off the energy created by the Eastover Shopping Center.
- 2) Add complementary pad retailers that will offer the best options for smaller sites in car-dominated markets.
- 3) Investigate retail merchandising that does not exist at the Eastover Shopping Center. New retail can create a niche destination and not compete with the critical mass of retail located at the shopping center.

Planning Concepts Node 2: Lower South Capitol Street



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



LOW-DENSITY, SINGLE-USE DEVELOPMENT OPPORTUNITIES

Attractive, single-story pad retail is most appropriate for this location. Physical opportunities exist to add additional retail if existing pad buildings are reorganized to take better advantage of the site area. While new retail cannot compete in scale with the nearby Eastover Shopping Center, it can take advantage of a niche market with a unique merchandising strategy.

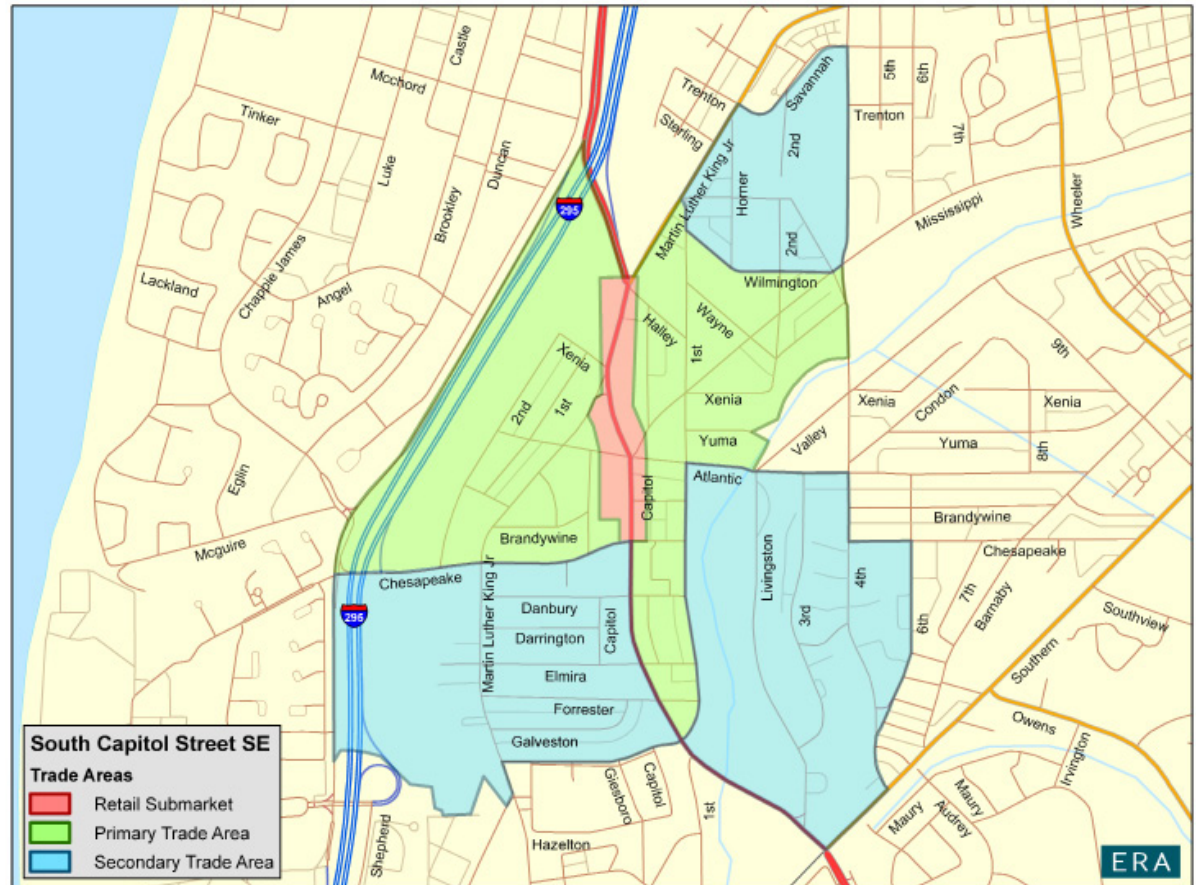
South Capitol Street Retail Demand Analysis



There are two separate nodes in the South Capitol Street trade area: 1) South Capitol Street from Chesapeake St SE north to MLK Jr. ; 2) South Capitol Street from half block north of Livingston Rd SE south to Southern Ave SE

Key Elements

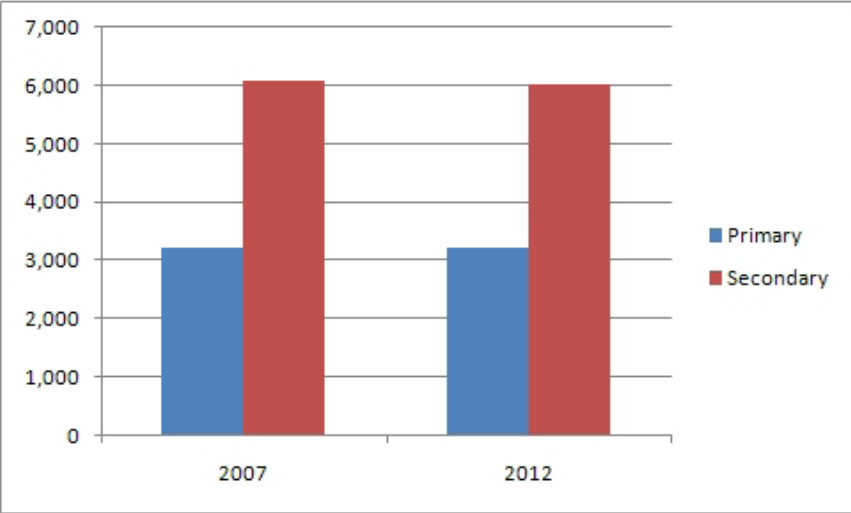
- Trade areas assess residents and other potential customers that could be drawn to the site
- The primary trade area encompasses the block groups within a ¼ mile of the retail submarket; the secondary trade area includes the block groups within a ½ mile of the retail submarket (reasonable walking distances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



The South Capitol Street SE trade area is expected to see slight decreases in population and housing units over the next five years

- The population in the primary South Capitol Street SE trade area is expected to see a slight decrease between 2007 and 2012, from 9,323 to 9,242, a loss of 81 residents
- ESRI expects the number of households in the total market area to decrease by 21, a negative indicator for retail demand
- There are no new residential projects under construction in the South Capitol Street SE trade area, however there are almost 637 units under construction in neighboring Congress Heights

Trade Area Population Growth, 2007 and 2012



Trade Area Household Growth, 2007 and 2012

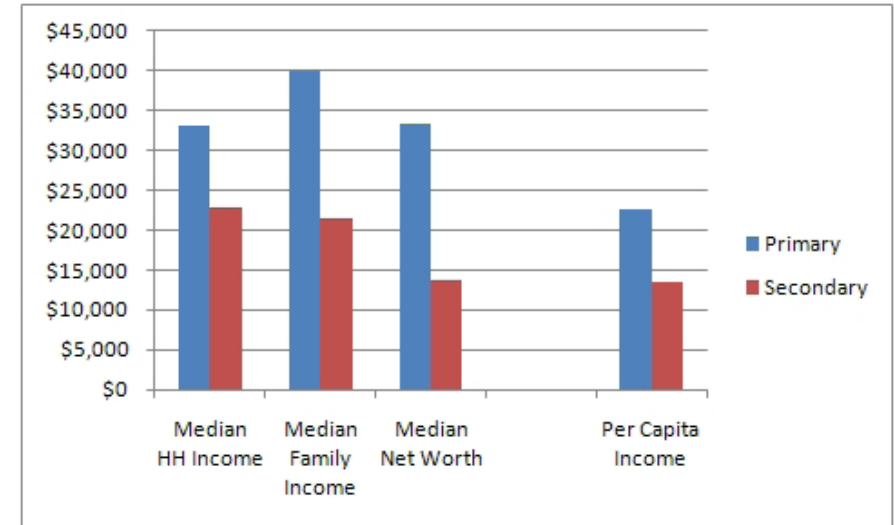
	Estimated 2007	Projected 2012
Primary	1,487	1,491
Secondary	2,275	2,250
Total	3,762	3,741

South Capitol Street Key Demographics: Trade Area Household Profile

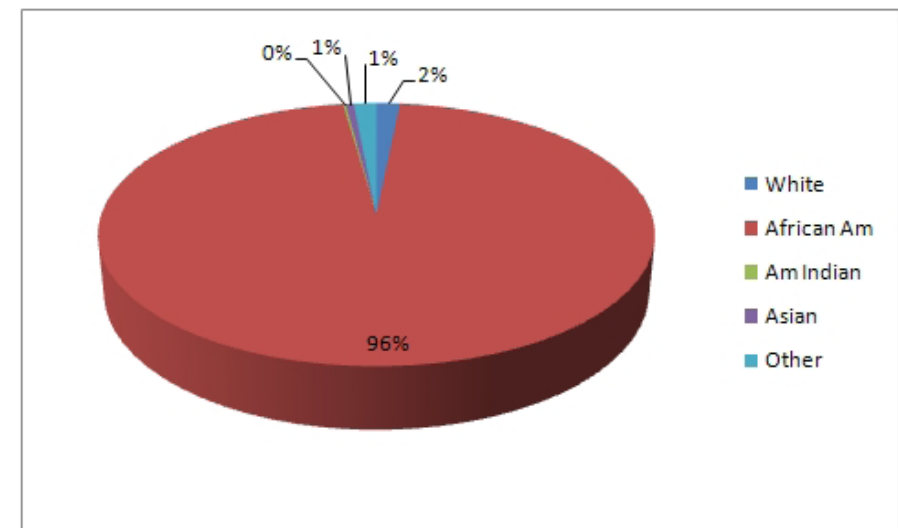
- Median household income in the primary trade area is \$33,076; \$22,750 in the secondary trade area. This difference is also found between the two areas in median family income and median net worth
- The larger difference between the primary and secondary trade areas in median net worth (\$33,365 v. \$13,749) may be a function of home ownership
- The primary trade area households could be categorized as moderate income households; the secondary trade area includes more middle and lower-middle income
- Population in the South Capitol Street trade area is primarily African-American – at 95 %*

*"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



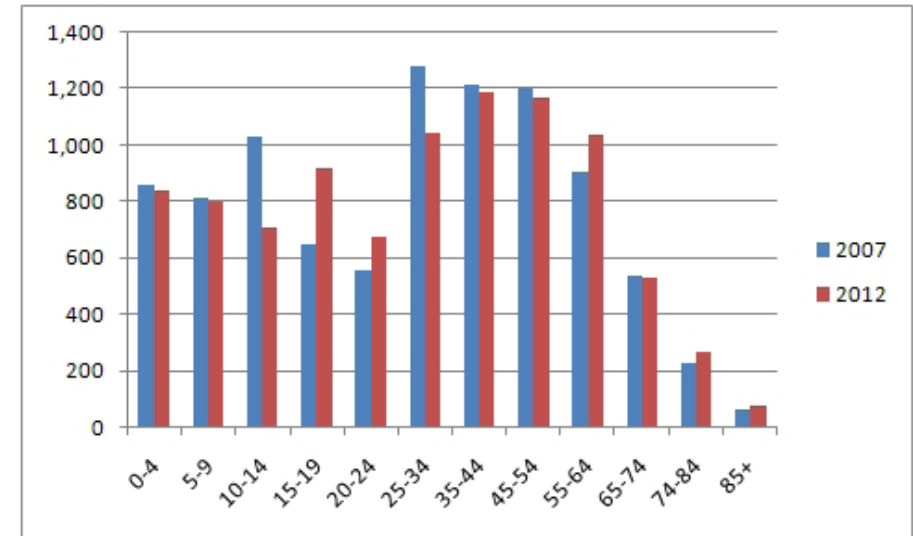
Racial and Ethnic Groups, 2007



The South Capitol Street SE trade area is expected to see the greatest increase in population in young adults over the next five years

- The 25 through 34 age cohort is expected to see a significant decrease in population over the next five years, a negative indicator for residential and retail demand
- Strong population growth among the 15 to 19 and 20 to 24 age cohorts indicates 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
- Age cohort 35 through 44 will see a slight decline in population over the next five years, a negative indicator for residential demand
- Population growth in the 55 to 64 cohort (aging Baby Boomers) will increase demand for goods and services associated w/ "Empty Nesters" and those heading towards retirement

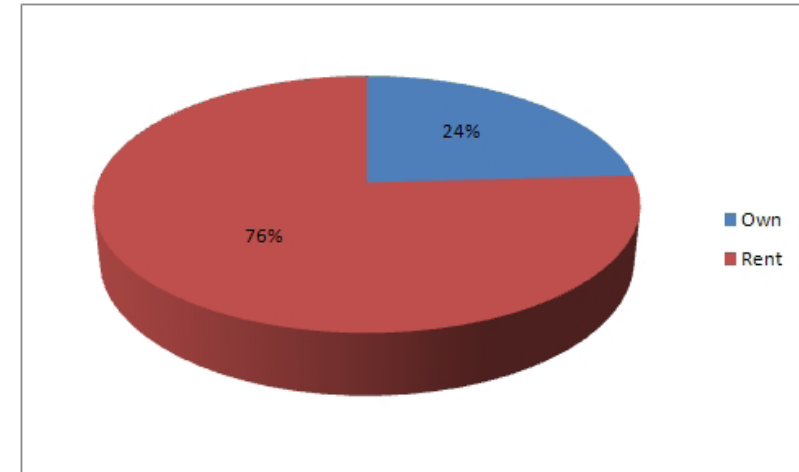
Trade Area Population by Age, 2007 and 2012



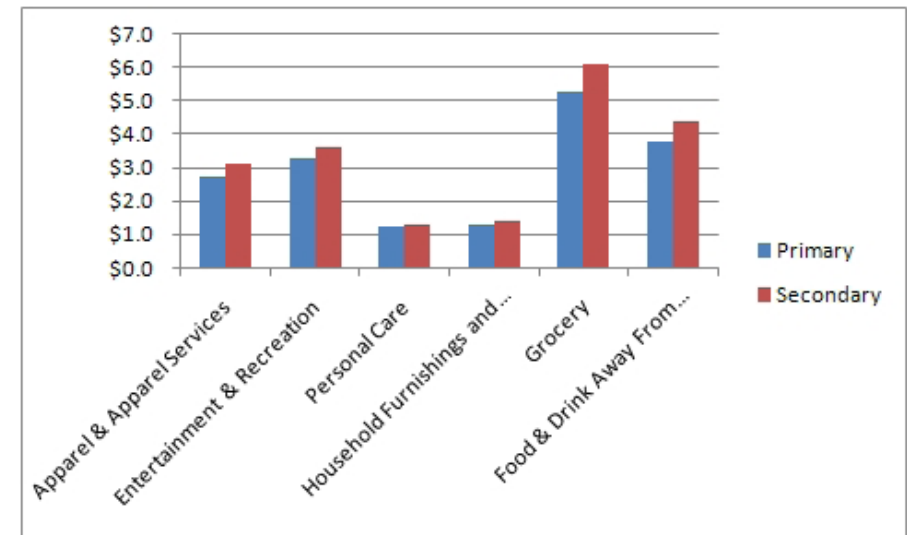
South Capitol Street SE Key Demographics: Trade Area Household Profile

- A majority of households in the South Capitol Street SE trade area rent their homes versus own (76% vs. 24%)
- In order to capture more retail expenditures and attract more retailers to the submarket, the retail submarket needs to be able to capture more of the total expenditures available. Increased population and disposable income is necessary to attract retail growth. A review of household expenditures provides information about which retail categories are supported and offer opportunity in the trade area
- In 2007 trade area residents spent a total of \$37.6 million on products and services in the categories represented on the graph. This is total spending everywhere, not just in the trade area
- Grocery, especially in the secondary trade area, represents the highest expenditures category in the submarket. Increasing the number of available food and drink establishments in the retail submarket may offer an opportunity to increase market share of total available expenditures

Home Ownership, 2007



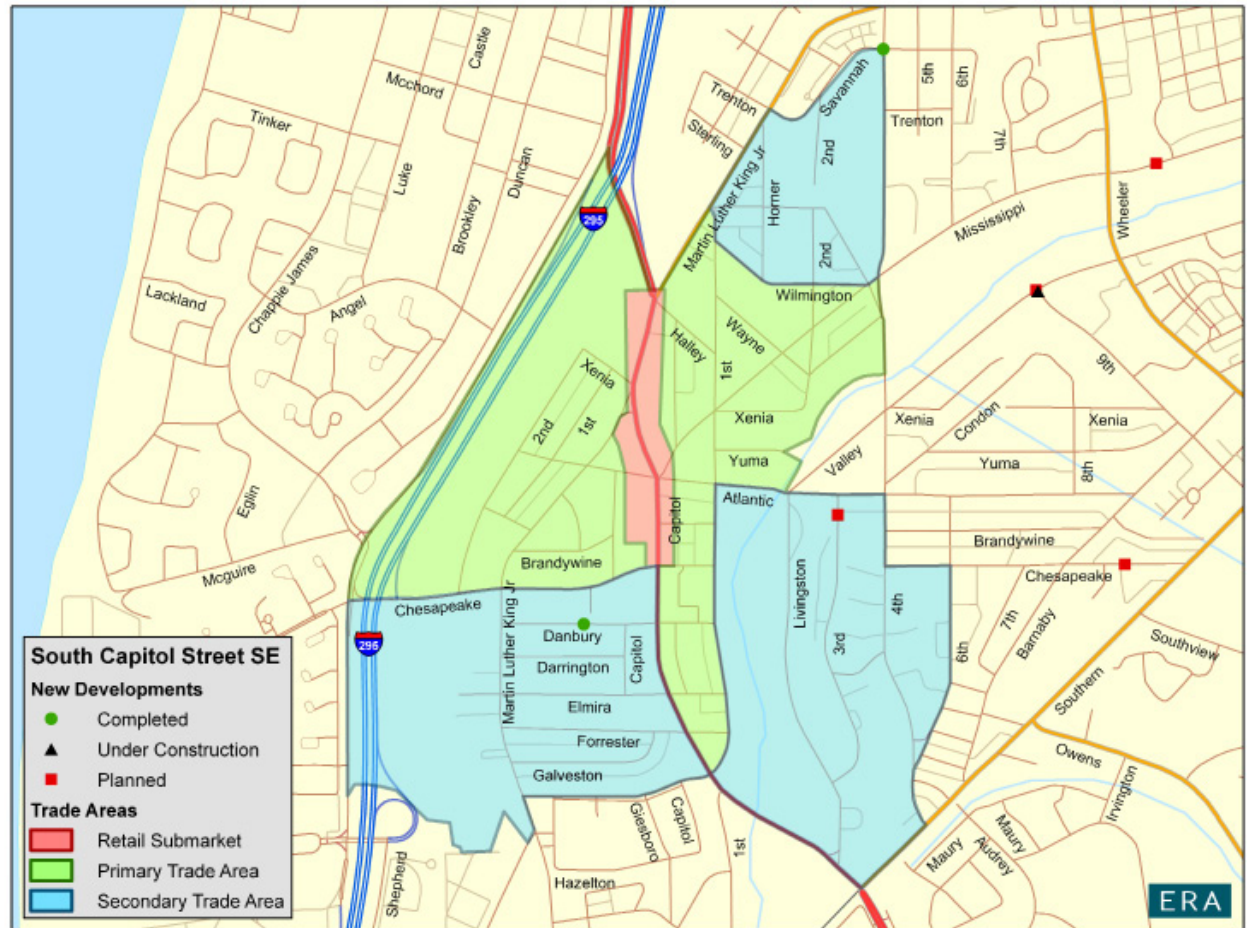
Household Expenditures (In Millions) by Category, 2007



Development Pipeline

Pipeline Projects

- There are no new development projects under construction in the South Capitol Street SE trade area but there is development activity in nearby Congress Heights
- Danbury Station was completed in 2006 in the secondary market area and delivered 125 new residential units
- There is a planned renovation project of 26 residential units at 4010 3rd Street SE, also in the secondary market area
- Neighboring submarket Congress Heights recently added 637 residential units and has three notable projects completed or under construction
 - Parkside Terrace- 316 units
 - Ashford Court- 75 residential units
 - The Shops at Park Village- 114,000 square feet of retail including a 66,000 square foot Giant grocery store and a 5,000 square foot IHOP restaurant



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.

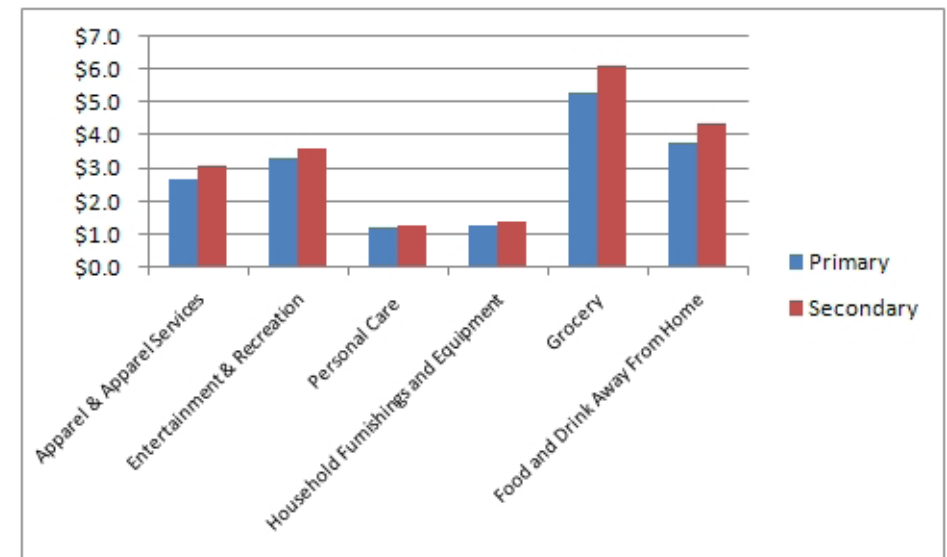
Trade Area Resident Spending

- 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

Source: ESRI Business Analyst; ERA 2007

Trade Area Expenditures By Category (In Millions), 2007

\$37.6 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

South Capitol Street SE Submarket Capture Rates By Category

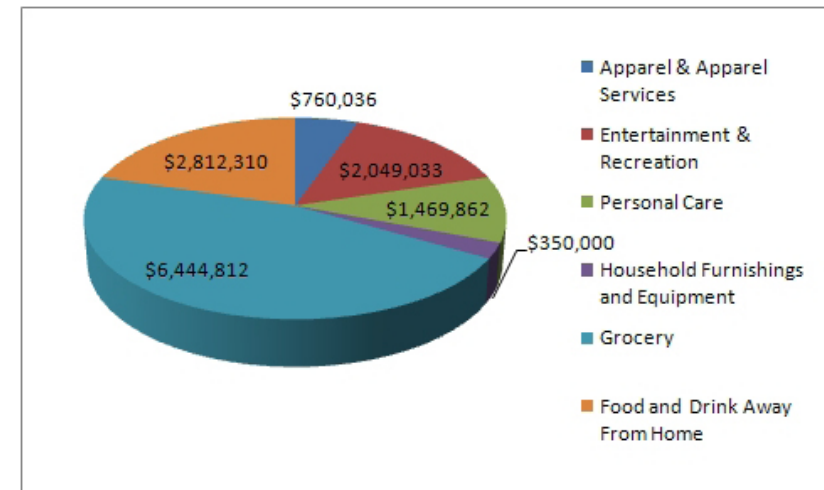
	Primary	Secondary	Inflow
Apparel & Apparel Services	15%	10%	5%
Entertainment & Recreation	35%	20%	10%
Personal Care	60%	40%	15%
Household Furnishings and Equipment	15%	10%	5%
Grocery	60%	40%	15%
Food and Drink Away From Home	35%	25%	15%

Source: ESRI Business Analyst; Economics Research Associates, 2007

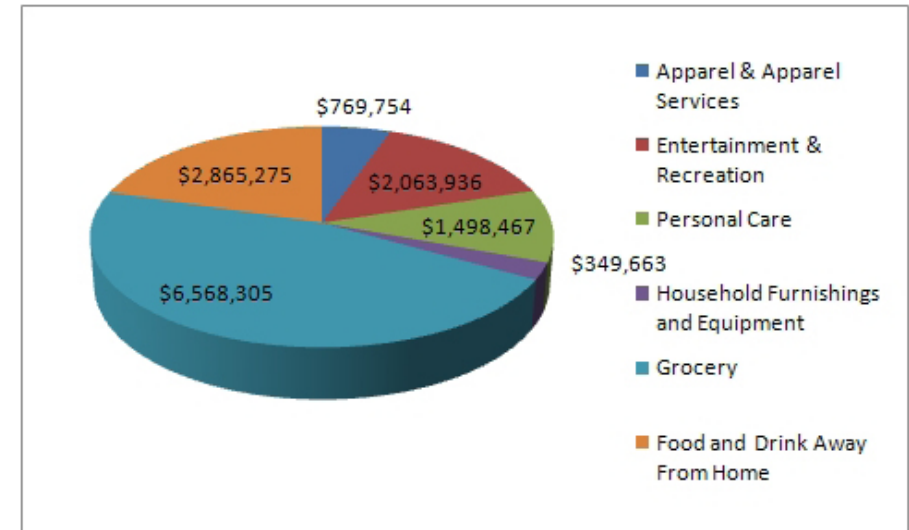
Estimated Captured Spending within the Retail Market

- Captured spending in the retail trade area was estimated to be \$13.8 million in 2007 compared to total trade area spending of \$37.6 million in the same year
- Captured spending in the retail trade area is expected to be \$14.1 million in 2012 compared to total trade area spending of \$37.4 million in the same year
- ERA estimates by 2012 that Grocery spending will account for more than \$6.5 million annually and Food and Drink (away from home) will account for more than \$2.8 million annually
- Captured spending in the retail trade area is expected to increase by \$200,000 between 2007 and 2012, due mostly to minimal changes in population and income levels

Estimated Captured Retail Trade Area Spending, 2007
\$13.9 Million



Estimated Captured Retail Trade Area Spending, 2012
\$14.1 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

Source: ESRI Business Analyst; ERA 2007

South Capitol Street 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	\$ 250	\$ 450
Personal Care	\$ 350	\$ 500
Household Furnishings and Equipment	\$ 300	\$ 450
Grocery	\$ 350	\$ 500
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, the South Capitol Street SE submarket can support between 50,000 and 66,600 square feet of retail in 2007

- The existing retail inventory totals 84,879 square feet within the retail submarket and was discounted to 55,171 square feet due to its low quality

- The retail submarket has a net supportable square foot range between (5,171) and 11,429 in 2007

Estimated Net Supportable Square Feet 2007

Area	Low Range	Site Supportable	High Range
Apparel & Apparel Services	2,700	3,000	3,600
Entertainment & Recreation	7,400	8,200	9,800
Personal Care	5,300	5,900	7,100
Household Furnishings and Equipment	1,300	1,400	1,700
Grocery	23,200	25,800	31,000
Food and Drink Away From Home	10,100	11,200	13,400
Subtotal 2007 Supportable	50,000	55,500	66,600
Less Adjusted Existing Inventory 1/	(55,171)	(55,171)	(55,171)
Total 2007 Net Supportable	(5,171)	329	11,429

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 South Capitol Street SE submarket can support between 39,600 and 52,700 square feet of retail in 2012

- There are 114,000 square feet of retail planned at the Shops at Park Village in neighboring Congress Heights that will effect retail in the trade area. While outside of the trade area, this development has been included in the existing/planned inventory because of its major impact on this submarket

- The existing retail square footage and planned new projects are subtracted from the subtotal to arrive at net supportable square footage for 2012

- The retail submarket has a negative supportable square foot range between (129,571) and (116,471) in 2012

- Neighborhood –serving, convenience retail would be most appropriate

- Significant residential development would be necessary to expand retail offering in the retail submarket

Estimated Supportable Square Feet 2012

Area	Low Range	Site Supportable	High Range
Apparel & Apparel Services	2,800	3,100	3,700
Entertainment & Recreation	7,500	8,300	10,000
Personal Care	3,900	4,300	5,200
Household Furnishings and Equipment	1,100	1,200	1,400
Grocery	16,900	18,800	22,600
Food and Drink Away From Home	7,400	8,200	9,800
Subtotal 2012 Supportable	39,600	43,900	52,700
Less Existing Retail 1/	(55,171)	(55,171)	(55,171)
Less Planned/Under Construction 2/	(114,000)	(114,000)	(114,000)
Total 2012 Supportable	(129,571)	(125,271)	(116,471)

1/ Includes adjusted inventory

2/ Includes retail at The Shops at Park Village

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 84,879 square feet of retail space in the South Capitol Street 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 South Capitol Street retail submarket and concluded that 35% 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

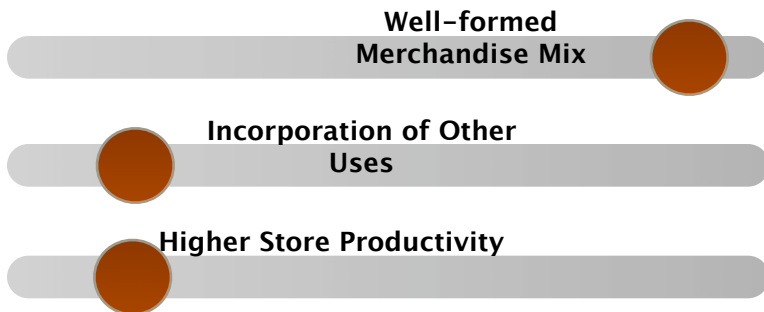
Existing Retail Inventory in Submarket	84,879
Less Discounted Space ("C" Grade)	29,708
Adjusted Existing Inventory	55,171

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

(5,171) SF ← 829 SF → 11,429 SF



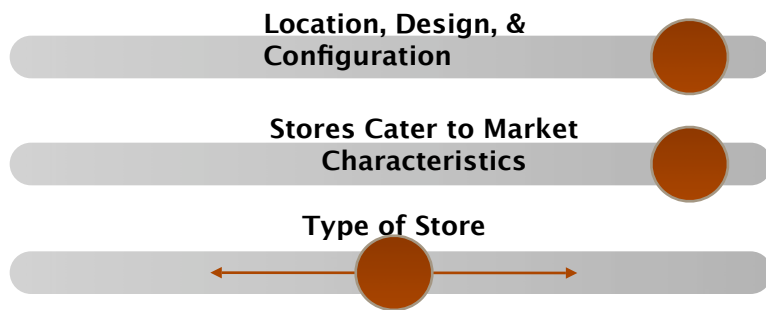
The success and appeal of a retail district is directly linked to its merchandise mix and its function as a destination

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	\$ 409,150	5.8%
Entertainment & Recreation	\$ 1,152,047	16.4%
Personal Care	\$ 744,853	10.6%
Household Furnishings and Equipment	\$ 194,511	2.8%
Grocery	\$ 3,179,453	45.3%
Food and Drink Away From Home	\$ 1,346,037	19.2%
Subtotal	\$ 7,026,051	100.0%
Secondary		
Apparel & Apparel Services	\$ 314,694	6.0%
Entertainment & Recreation	\$ 710,710	13.6%
Personal Care	\$ 533,287	10.2%
Household Furnishings and Equipment	\$ 138,823	2.7%
Grocery	\$ 2,424,731	46.4%
Food and Drink Away From Home	\$ 1,099,450	21.1%
Subtotal	\$ 5,221,696	100.0%
Inflow		
Apparel & Apparel Services	\$ 36,192	2.2%
Entertainment & Recreation	\$ 186,276	11.4%
Personal Care	\$ 191,721	11.7%
Household Furnishings and Equipment	\$ 16,667	1.0%
Grocery	\$ 840,628	51.3%
Food and Drink Away From Home	\$ 366,823	22.4%
Subtotal	\$ 1,638,306	100.0%
All Markets		
Apparel & Apparel Services	\$ 760,036	5.5%
Entertainment & Recreation	\$ 2,049,033	14.8%
Personal Care	\$ 1,469,862	10.6%
Household Furnishings and Equipment	\$ 350,000	2.5%
Grocery	\$ 6,444,812	46.4%
Food and Drink Away From Home	\$ 2,812,310	20.3%
Total	\$ 13,886,053	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	\$ 421,147	6.0%
Entertainment & Recreation	\$ 1,157,163	16.4%
Personal Care	\$ 748,161	10.6%
Household Furnishings and Equipment	\$ 195,374	2.8%
Grocery	\$ 3,193,571	45.2%
Food and Drink Away From Home	\$ 1,352,014	19.1%
Subtotal	\$ 7,067,430	100.0%
Secondary		
Apparel & Apparel Services	\$ 310,120	6.0%
Entertainment & Recreation	\$ 700,380	13.6%
Personal Care	\$ 525,536	10.2%
Household Furnishings and Equipment	\$ 136,805	2.7%
Grocery	\$ 2,389,488	46.4%
Food and Drink Away From Home	\$ 1,083,470	21.1%
Subtotal	\$ 5,145,798	100.0%
Inflow		
Apparel & Apparel Services	\$ 38,488	2.0%
Entertainment & Recreation	\$ 206,394	10.9%
Personal Care	\$ 224,770	11.8%
Household Furnishings and Equipment	\$ 17,483	0.9%
Grocery	\$ 985,246	51.8%
Food and Drink Away From Home	\$ 429,191	22.6%
Subtotal	\$ 1,902,171	100.0%
All Markets		
Apparel & Apparel Services	\$ 769,754	5.5%
Entertainment & Recreation	\$ 2,063,936	14.6%
Personal Care	\$ 1,498,467	10.6%
Household Furnishings and Equipment	\$ 349,663	2.5%
Grocery	\$ 6,568,305	46.5%
Food and Drink Away From Home	\$ 2,865,215	20.3%
Total	\$ 14,115,399	100.0%

South Capitol Street Strategy



South Capitol Street

Introduction

The South Capitol Street submarket is located at the gateway to the District of Columbia along the Southern Avenue boundary with Prince George's County, Maryland. The submarket has an attractive suburban residential character, with grassy lawns and also features Oxon Run Park. The area is more automobile/bus-dependent due to a lack of easily accessible Metrorail stations. South Capitol Street provides easy access to the Anacostia Freeway.

In 2007, there were approximately 3,762 households in the total trade area. Over the next five years the trade area population is not expected to grow and there are no residential projects under construction or in the immediate development pipeline. Annual household income in the primary market area is \$33,076 and \$22,750 in the secondary trade area.

The most viable retail development option for the South Capitol Street SE submarket is to improve the quality of the existing neighborhood-serving retail, primarily by enhancing the shopping district at the intersection of South Capitol Street, Atlantic Street, and Mississippi Avenue. New retail development in the submarket is challenged largely due to the significant competition from the 245,000 square foot Eastover Shopping Center just across the border in Prince George's County. Also, the addition of 114,000 square feet of new retail offerings at the Shops at Park Village on the old Camp Simms site in the nearby Congress Heights neighborhood may further limit the potential for new retail development in this submarket. A significant portion of the existing retail inventory in the submarket is in substandard condition, with about 35% rated Class C, and is considered inadequate for contemporary retailing needs. However, there are opportunities to identify merchandising gaps at the Eastover Shopping center and provide automobile-accessible offerings at the gateway to South Capitol Street.

The positioning strategy for South Capitol Street should focus on upgrading and retaining current retail offerings, rather than attempting to create substantial new retail space in the corridor. The critical mass of retail offerings in neighboring Prince George's County as well as the grocery- anchored Shops at Park Village will provide substantial competition for additional retail in the study area.

Based on the SWOT Analysis, Retail Demand Analysis and Preliminary Planning Diagrams completed as part of this submarket analysis, the most efficient approach to maximizing the value, mix and appropriateness of retail in this submarket is addressed in the following basic assessments of the area and then taking the specific actions listed below.

Merchandising Concepts

The South Capitol submarket is divided into two nodes. Node 1 contains neighborhood-serving retail centers flanked by residential areas; Node 2 includes small retail pad sites immediately across the DC-MD border from the 245,000 square foot Eastover Shopping Center.

Node 1 – Upper South Capitol Street: Particular attention should be given to redeveloping the shopping centers in the Upper South Capitol Street node around the Atlantic Street intersection to enhance the shopping environment and improve the sense of place. This node should focus on improving the quality of neighborhood-serving retail in the area. Given competition from larger shopping centers in Congress Heights and Prince George's County, the merchandising mix should continue to target price point-sensitive retail, while enhancing the quality of the shopping centers where this retail is available.

Node 2 – Lower South Capitol Street: The key to retail success in this node is to identify any merchandising gaps at the Eastover Shopping Center in Prince Georges County and to provide these automobile-accessible offerings at the gateway to South Capitol Street. For example, the Murry's location is small, and could be expanded to better serve convenience grocery needs for nearby residents. The addition of small table service cafes and restaurants such as Guapo's or Ethiopian restaurants in Adams Morgan or U Street neighborhood (typically sized at between 1,500 and 2,500 square feet) would complement the existing Domino's Pizza and carry-out deli. Other established DC food service offerings such as an expansion of Ben's Chili Bowl in an upgraded, smaller retail space would also blend well with the existing retail mix. The possible addition of a bakery/café would serve both area residents and attend to traffic passing along South Capitol. Examples of appropriate bakeries and cafes include Mayorga or Dunkin Donuts, which are typically about 850 to 1,200 square feet in size.

Urban Design

Due to the scale of the buildings, the gateway to the district along the South Capitol Street, does not create much impact. On the eastern side of the street land lots may be too small for significant density, while the western side provides lots with sufficient footprints to accommodate larger structures. The relative lack of retail demand dictates that any new development on these parcels should be mixed-use, with some ground-floor retail that fills gaps in the merchandising of the Eastover Shopping Center.

The key retail intersection in the submarket is the five corner intersection of South Capitol Street, Atlantic Street and Mississippi Avenue. Retail buildings at this intersection are in poor condition and should at the minimum; receive façade improvements if not full redevelopment. To imbue the area with an image as a destination for convenience retail shopping, unique placemaking elements should be incorporated into the Great Streets Initiative's planning effort for the corridor. Such elements could include a public plaza, water feature, public art, sidewalk activities, signage and wayfinding that brand the intersection as a shopping district. These improvements would be in addition to work already completed by DDOT in the commercial and residential areas.

Transportation Improvements

Access to retail at these sites will likely be automobile-dependent (due to the lack of sidewalks on the Prince George's County side) and transportation infrastructure should accommodate evolving needs. Due to the lack of nearby Metrorail stations, transportation improvements should

be focused on improved bus shelters and bicycle lanes. A lack of multiple transportation modes is a limiting factor for area retail, as those who drive may continue to prefer to travel to Eastover Shopping. With a focus in this submarket on serving area residents with convenience shopping, creating a safe walking and biking environment will be an important step to facilitate pedestrian access across major intersections and streets.

Site and Market Capacity

Of the two retail strips at the South Capitol Street intersection with Atlantic Street, the best option for redevelopment is the South Capitol Shopping Center, at the southwest corner. Unlike the Atlantic Shopping Center on the northwest corner, this retail site has sufficient lot depths to accommodate service access and surface parking and a clear buffer from the adjacent residential uses. With the demand analysis indicating that the submarket will be over-retailed upon completion of pending developments, the goal should be to re-merchandise the center with convenience retail that will serve residents preferring not to travel to the larger centers for smaller purchases. The remaining corners of the intersection should also be enhanced to upgrade the overall offerings of this neighborhood center.

Given the lack of residential development in the submarket, the South Capitol Shopping Center site would also be a viable location for a mixed-use redevelopment including residential and commercial uses over enhanced ground floor retail at the site. The residential use would help support for retail re-development on the site.

Retail Support

In addition to accessing Great Streets Initiative funds to improve access to retail centers and provide an enhanced pedestrian experience via improved lighting, signage and parking, the Department of Small and Local Business Development (DSLBD) should provide assistance to existing retailers to help them upgrade their facilities and offerings. In particular, DSLBD should work with the Washington DC Economic Partnership to establish a relationship with the Murry's supermarket chain to implement a citywide effort to improve the quality of its stores in several submarkets.

Supportable Square Footage and Evolving Markets

The South Capitol Street SE study area is a market that (unlike other study areas in the City Retail Strategy) is projected to slightly decrease in resident population by 2012, totally approximately 9,240 residents (on of the smaller consumer markets included among all of the selected Retail Strategy supportable square footage). It is projected that the area will have more retail space than is supportable under existing and near-term market conditions by 2012 with approximately 125,000 more square feet of retail space than the area's primary and secondary resident popula-

tions alone can support. This supportable square footage estimate, sometimes indicated as so-called “negative” square footage, does not indicate that the ‘oversupply’ should be viewed as a permanent condition, but the overall balance could be affected by longer-term growth (beyond the five-year study period) through projects such as the new residential development in neighboring Congress Heights, which is planned to add 637 residential units in the greater trade area; there is no other reported residential development in the pipeline for this area of the city. Available expenditures and the rate at which South Capitol Street can capture a share of those resident-based expenditures will be based on both improvements in median household income levels as well as the quality and quantity of retail uses that are retained and recruited to the corridor’s four nodes.

To put into perspective the incremental resident demand needed to address the under-supported/“negative” space, using a disposable income estimate based on present and projected median household income levels for the primary and secondary trade areas and reasonable capture rates, expenditures from approximately 43,000 additional households would be required to place retail supply and demand in balance. As the resident population base of the area is flat to slightly shrinking, it is apparent that shopper traffic from both resident markets as well as inflow from other sources of market support will be required if the amount of planned retail is completed. Given recent trends, these resident and other market-segment expenditures may originate as inflow from beyond the primary and secondary trade areas, assuming that attractive retail offerings are created.

Based on reasonable percentages of household income spent on retail/dining/consumer services and an assumed rate of capture reflecting a good, typical mix of available offerings, each new resident in a commercial area supports between four and seven square feet of retail space. Each new employee will support between two and five square feet. The tourist/visitor market is less likely to be a major contributor to the South Capitol Street study area; in areas with developed visitor attractions, each visitor supports between one-half and one and one-half square feet of retail across all categories. In all cases, the range of supportable square footage is based on available retail offerings, the quality of the public spaces and continuity of retail within the corridor, and relative proximity to where people live, work, or want to visit an attraction. The relative differences in spending support indicate the importance of the resident and (beyond the five year study period) employee markets to provide incremental sales to support the additional retail space.

Key Recommendations

The Upper South Capitol Street node should focus on enhancing the quality of existing neighborhood-serving retail to meet the needs of residents. To achieve this goal, the following steps should be taken:

1. Support private redevelopment of the South Capitol Shopping Center, at the southwest corner of South Capitol Street and Atlantic Street, perhaps as a mixed-use development with rental housing above retail.

2. Identify support to redevelop the five corner intersection of South Capitol Street, Atlantic Street and Mississippi Avenue, with the intersection improved to facilitate pedestrian access across streets, receiving façade improvements for retail buildings and the addition of unique placemaking elements that 'brand' the intersection as a shopping district and gateway.
3. The Lower South Capitol Street node should identify and fill any gaps in the retail offerings of the Eastover Shopping Center across the District line in Prince George's County.
4. Capitalize on larger parcels on the western side of South Capitol Street to increase the size and scale of buildings at this gateway, with a focus on mixed-use projects with ground-floor retail easily accessible by automobile or bus.
5. Implement pedestrian safety improvements at the main Upper South Capitol Street intersection and improve streetscaping through consistent signage and street furniture.
6. Provide technical assistance to retailers and property owners interested in upgrading their buildings, and assist with façade and sign re-design.