HR&A Analyze. Advise. Act.

Pennsylvania Avenue Initiative

ECONOMIC AND REAL ESTATE MARKET ANALYSIS

March 2016

TABLE OF CONTENTS

Executive Summary	2
Introduction	10
Demographic and Economic Analysis	14
Culture and Entertainment	29
Real Estate Market Conditions	39
Office	41
Retail	56
Hotel	76
Residential	82
Conclusions	95
Appendix	101

Executive Summary

On behalf of the National Capital Planning Commission and Sasaki, HR&A completed a real estate market analysis to inform an Economic and Urban Design Framework Plan for Pennsylvania Avenue. The following is an overview of HR&A's key findings and recommendations.

Study Objectives

HR&A's analysis provides a baseline assessment of current and projected market conditions along Pennsylvania Avenue approximately between 3rd Street and 15th Street NW ("the Study Area"). The goal of this work is to inform the Economic and Urban Design Framework Plan, considering:

- How do market conditions impact prospects for investment and development along the Avenue?
- What are the economic strengths and weaknesses of Pennsylvania Avenue?
- What is the mix of uses along Pennsylvania Avenue and which uses are supportable in the near- and long-term?

Executive Summary

Comparative Advantages

- **The Pennsylvania Avenue Study Area is a central and accessible location.** Located in the heart of Washington, DC, the Study Area benefits from its downtown location adjacent to the central business districts, government offices, the National Mall, Capitol Hill, and the White House. The Study Area is directly served by five of the six Metrorail lines, providing strong regional transit accessibility to the Corridor in addition to its connection to major road networks.
- **The concentration of cultural destinations and historic significance of the Avenue attract significant numbers of visitors.** Building on the proximity to Smithsonian museums and the White House, the Newseum, National Archives, and White House Visitor Center are among the most visited destinations in Washington. The cluster of hotels on the west end of the Avenue further supports the tourism industry. Finally, as home to the National and Warner Theaters and close to other downtown entertainment venues, the area attracts strong visitation from city and regional residents going to these venues.
- **Government is the key driver of economic activity by office users.** Approximately 51% of employees in the study area are government workers. The majority of the remaining workers are in government-serving organizations, including law firms, lobbyists, and trade associations. The proximity to government offices drives office demand by tenants who value the accessibility.
- **Preference for downtown living will continue to drive demand for residential space in the Study Area.** Millennials and baby-boomers, which make up a significant percentage of the population, continue to migrate to urban, walkable locations such as the Study Area. High residential rents and low vacancy along the Avenue reflect this trend.
- **As the number of centrally-located, large scale redevelopment opportunities in DC is limited, the redevelopment of the FBI site could be transformative for the Avenue.** The opportunity for redevelopment of a parcel of that size in such a central downtown location is rare and will likely be on the same scale as CityCenterDC. Redevelopment of the Hoover Building site has to potential to help catalyze investment along Pennsylvania Avenue.

Executive Summary

Comparative Disadvantages

- **Real estate in the Study Area is expensive.** Space along Pennsylvania Avenue is among the most costly in the District. Office tenants, residents, and retailers that are price conscious seek out locations in other neighborhoods due to the cost of space along the Avenue. Though rents for office space may decrease slightly in the short term to address elevated vacancy in the area, they are still likely to be on the high end relative to space elsewhere in the District.
- **There is limited opportunity to build new space in the Study Area.** The Study Area is largely built out, with little room for new construction. Additionally, the District's height limit makes it difficult to increase the density of the Study Area beyond what exists now. While sites such as the Hoover Building will provide opportunity for redevelopment in coming years, this type of ground up development is not common in the Study Area. Most buildings will rely on renovations to update and modernize space to remain attractive to prospective tenants. However, buildings with outdated floor plates or other design features that are difficult to alter may face challenges.
- **The Study Area lacks a distinctive, defining identity relative to other District neighborhoods.** Despite a concentration of cultural amenities and other notable features, the Study Area does not have an identity or recognizable brand in the way that other areas such as Chinatown, Georgetown, or 14th Street do. Further, growth in emerging neighborhoods, such as NoMa and the Southwest, is positive for the District overall, but creates more competition for Pennsylvania Avenue.
- **The urban design of Federal office buildings in the Study Area negatively impacts economic activity along Pennsylvania Avenue.** Security measures and other design features of Federal facilities hinders commercial activity along the southern side of Pennsylvania Avenue and reduces pedestrian activity in that portion of the Study Area.

Executive Summary

Demographic and Economic Trends

- The population of the Pennsylvania Avenue Study Area has grown 90% since 2000, but with only 1,500 residents it makes up only a small percentage of the total population Downtown. Growth in the study area has been muted in recent years due to no new residential construction. Households in the Study Area tend to have higher household incomes, be younger (25-34 years old), and are more likely to be a single person household than in the District overall.
- The Federal Government employs more than half of the workers in the Study Area. As a result, any actions by the Federal Government regarding space use or employment along Pennsylvania Avenue will have a significant impact on the corridor.
- Regionally, the Federal Government's share of economic activity in the region is decreasing. As the region becomes more economically diversified, it will be important to consider how Pennsylvania Avenue can remain an attractive location for private sector jobs.
- The Study Area benefits from the numerous cultural and entertainment attractions within and adjacent to its boundaries. The increasing tourism trend offers an opportunity for the Study Area to capitalize on that growth.
- A strong transportation system allows for regional accessibility to the Study Area . There are two Metro stations in the Study Area that together provide direct access to five of the six Metrorail lines.

Executive Summary

Office

- Regional office market demand has been sluggish in recent years due to sequestration, low job growth, and limited government activity. However, recent job growth numbers have been strong, which is spurring some office demand.
- The majority of new office space is being built in emerging neighborhoods, such as NoMa and Capitol Riverfront. Tenants seeking new space that are price sensitive are looking to those locations. Tenants, such as law firms and lobbyists that are less price sensitive will pay more to remain Downtown, but that market is competitive.
- Office vacancy in the Study Area is elevated due to the relocation of several major tenants to other neighborhoods. Despite having higher vacancy than comparable neighborhoods, the Study Area is maintaining higher rents. This may be a product of landlords not willing to accept a lower rent when re-leasing space. Any decision to lower asking rents will be building and owner specific, dependent on many variables.

Retail

- Out-of-town visitors and workers are the primary drivers of demand for retail in the Study Area. Residents and regional visitors make up a smaller portion of total demand. Retail in the Study Area is primarily characterized by food and beverage establishments.
- Due to the relatively low number of residential units, primarily residential serving retail such as grocery stores may be difficult to support in the Study Area.
- There is unmet demand for all retail categories in the Study Area, particularly for categories patronized by office workers and visitors, including limited and full service dining, health and personal care, and miscellaneous retailers (florists, gift stores, etc.)
- However, a lack of connectivity to surrounding areas of activity and poor continuity of retail space along Pennsylvania Avenue prevent the Study Area from reaching its full retail potential.

Executive Summary

Hotel

- Downtown hotels have outperformed hotels in the District with both higher occupancy and higher average daily rates. Given the central location of the Study Area and strong performance of downtown hotels, there may be potential for additional hotel space to be built in the Study Area in the future should an appropriate site become available.
- Pennsylvania Avenue has a fairly significant concentration of high end hotels, which will increase with the opening of the Trump International Hotel in 2016.

Residential

- The Pennsylvania Avenue Study Area contains 1,420 residential units, all of which were built between 1991 and 2007. As a result, the population grew rapidly in that time. The number of owned units is slightly greater than the number of rented units (53% versus 47%).
- Residential space is concentrated in the eastern end of the Study Area around Market Square. There is no residential space west of 9th Street.

- Low vacancy and high rents relative to other neighborhoods in the District suggest that there is additional demand for residential space in the Study Area. However, market fundamentals still favor the construction of office space, with office space being more valuable than residential space. As a result, construction of new residential space or conversion of offices to residential space are unlikely to occur without some type of policy or incentive.
- The majority of new residential units in the District are being built in emerging neighborhoods such as NoMa and Capitol Riverfront.

Executive Summary

Implications for the Future of the Study Area

- **IN THE SHORT TERM (1-5 years):** ***The Study Area will continue to be a major visitor destination and central office location.*** The opening of the Trump International Hotel and reopening of the Old Post Office Observation Deck will bring publicity to the Avenue that will help attract more visitors. The office market will seek to overcome elevated vacancy in the face of weak regional demand through renovation and re-tenanting of existing inventory. Although, for this to be successful, landlords may also need to pay more attention to the type of retail and amenities required to be attractive to tenants. While demand exists for new residential development, the difference in value between office space and residential will not support the development or conversion of new residential uses without some type of policy or incentive, unless the residential development is at the very high end of the market. Potential exists to strengthen the existing nodes of vibrancy such as Market Square and the Willard/W hotels through smaller scale initiatives such as activating public spaces, increasing connectivity to adjacent areas and the Mall, and better facilitating events to support existing retail. Additionally, there is potential to better define the Avenue's identity by leveraging cultural assets through branding or other small scale actions.

- **IN THE MEDIUM TERM (5-15 years):** ***The office market should strengthen but will require redevelopment or extensive renovations to aging office buildings to remain a prime location for tenants.*** Any changes to employment density or uses in Federal Government Buildings (i.e. reduction in leased space or densification of office space) will have significant impact on the environment along the Avenue. Redevelopment of the Hoover Building could supply new retail amenities and help activate the corridor, building on its relationship to Market Square to extend that node of vibrancy along the Avenue. Encouraging residential development on the Hoover site would also significantly impact activity on that block. The District will continue to have demand for new residential development from population growth. Should residential values increase to match office values on a dollars per square foot basis, there may be opportunities for residential conversion in the Study Area.

Executive Summary

Implications for the Future of the Study Area

- **IN THE LONG TERM (15+ years):** ***The Study Area's central location in the District will always be an asset that supports a base of visitors, workers, and residents.*** Pennsylvania Avenue will remain an important office location for organizations that do business with or seek to influence the Federal Government. While there is potential for a live, work, and play environment that creates a vibrant corridor, the long term potential of this depends on the relative strengths of the office and residential markets impacting landlord economics and the decision to convert or redevelop buildings. Office rents will need to decrease in existing buildings relative to new competition in order for redevelopment to be attractive. The location of culture and entertainment venues within the Study Area will drive visitors to the area and support strengthening the connection between the Avenue and adjacent areas of visitor activity. All of this will require an economic framework with flexibility that can adapt to changing economic conditions and suit Pennsylvania Avenue as it continues to evolve and grow.

Introduction

Introduction

Study Area Overview

The Pennsylvania Avenue Study Area ("Study Area") is the area being considered in the Economic and Urban Design Framework Plan. It consists of roughly a quarter square mile located at the southern end of Downtown Washington, DC and is bounded by the National Mall to the South, the White House and Ellipse to the West, Third Street to the East, and Downtown to the North. These boundaries match the Pennsylvania Avenue Development Corporation Plan Area plus the addition of Federal Triangle south of Pennsylvania Avenue.

Figure 1: Pennsylvania Avenue Proposed Inventory Area

Introduction

Project Purpose

In 2014, the National Capital Planning Commission ("NCPC"), General Services Administration, and National Park Service launched the Pennsylvania Avenue Initiative, a project seeking to study the near- and long-term needs of Pennsylvania Avenue ("the Avenue") and surrounding neighborhoods, identify a governance framework, and develop a vision for how the Avenue can meet local and national needs in a 21st century capital city.

NCPC, in conjunction with its partner agencies, solicited Sasaki Associates, Inc. ("Sasaki") and HR&A Advisors, Inc. ("HR&A") to develop an economic and urban design framework to guide the future of Pennsylvania Avenue. As a first step in that process, HR&A has undertaken an economic and real estate market analysis of the Pennsylvania Avenue Study Area. HR&A's analysis in this phase will inform future phases of work on the project and establish a baseline understanding of the Avenue's economic potential by addressing the following:

1. How do market conditions, both along Pennsylvania Avenue and in the broader region, impact prospects for investment and development along the Avenue?
2. What are the Study Area's economic strengths and weaknesses? How does it compare to other neighborhoods in the District?
3. What is the mix of uses in the Study Area and which uses are market supportable both in the near term and in the foreseeable future? What might the future mix or balance of land uses look like?

HR&A's analysis, included herein, contains a summary of the real estate inventory in the Pennsylvania Avenue Study Area, how this inventory has changed over time, and how regional demographic, economic, and real estate market dynamics may affect real estate development in the future.

Introduction

Project Purpose

Economic and Real Estate Market Analysis

- Research and analysis of existing economic and real estate market conditions.
- Evaluation of the economic potential of Pennsylvania Avenue.
- Foundation on which strategy and concept work in later phases will be built.

Economic Development Strategies

Urban Design Strategies

Urban Design Concepts

Demographic and Economic Analysis

Demographics

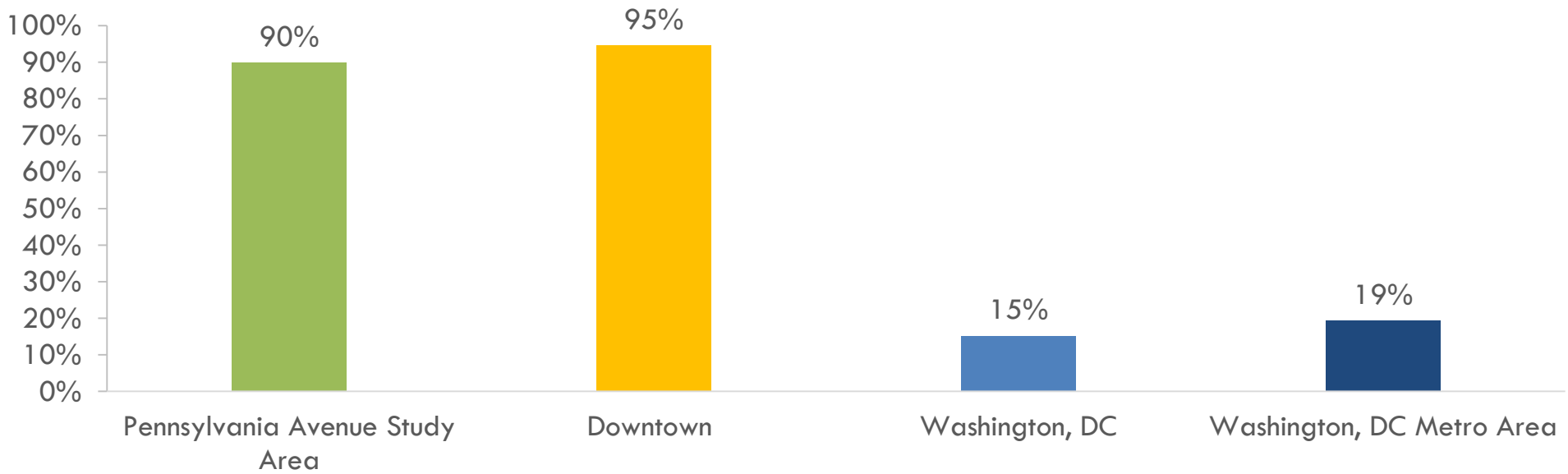
Though the population of the Pennsylvania Avenue Study Area has grown since 2000, it makes up a relatively small percentage of the total population both Downtown and across the District.

- After years of population loss in the District, there has been significant growth there since 2000.
- The Study Area population makes up 16% of the total current population Downtown, but makes up 27% of Downtown land.
- Downtown population makes up just 1.5% of the District's total population.

Figure 1: Total Population

Year	Penn Avenue Study Area	Downtown	Washington, DC	Washington DC Metro Area
2000	805	5,067	572,046	4,796,183
2010	1,585	8,703	601,723	5,636,232
2015	1,529*	9,858	658,893	5,949,859

Figure 2: Percentage Change in Population, 2000 - 2015



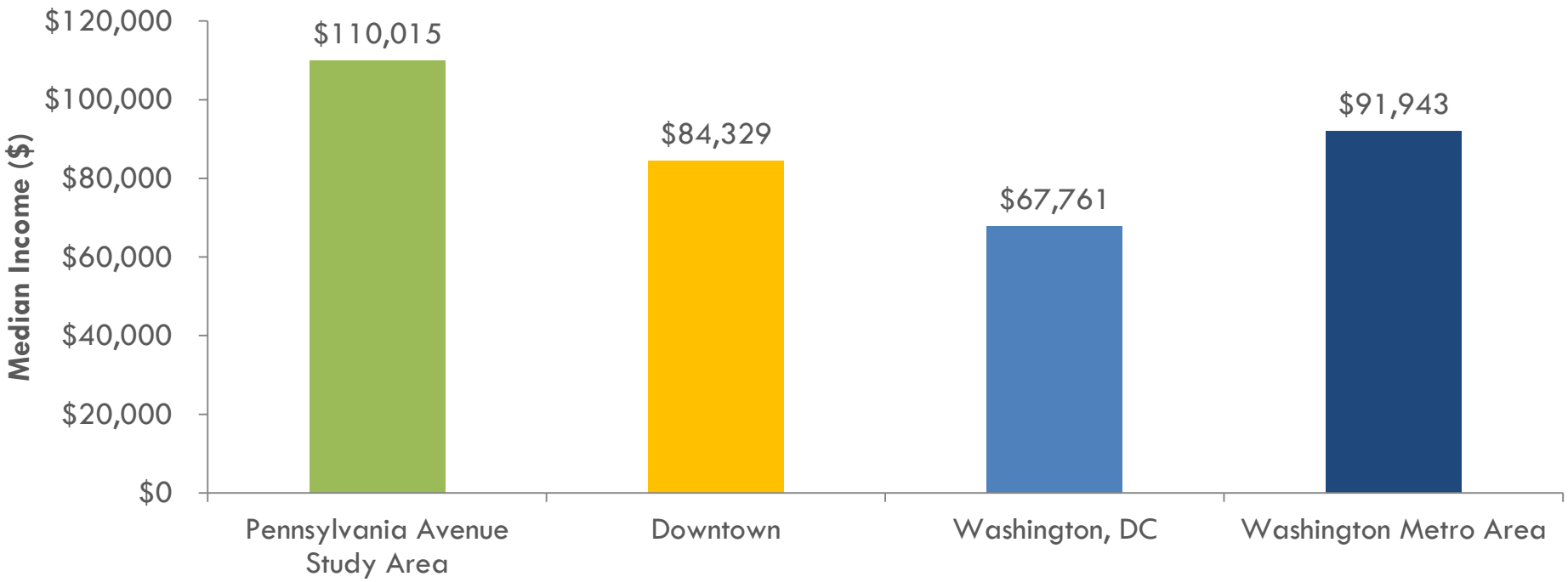
** There has been no change in the number of residential units in the Study Area since 2010. It is possible that the change between 2010 and 2015 is a sampling error.*
Note: Downtown is defined using the boundaries of the Downtown DC Business Improvement District, which includes the Pennsylvania Avenue Study Area.
Source: ESRI Business Analyst, US Census Bureau

Demographics

Study Area residents are on average wealthier than downtown and the region overall.

- Forty percent of households income in the Pennsylvania Avenue study area have annual incomes greater than $100,000, compared to 17% of households in the City as well as in the Washington MSA.
- Median household income in the Pennsylvania Avenue study area is 62% higher than the City as a whole, and 27% higher than the Washington, DC Metro Area.

Figure 3: Median Household Income, 2015



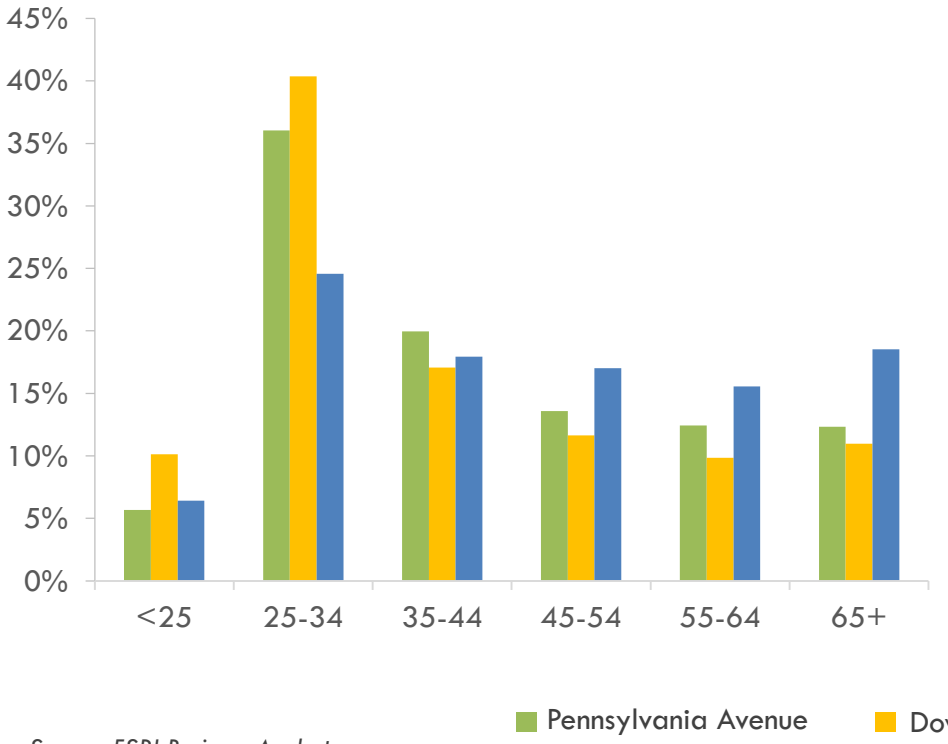
Source: ESRI Business Analyst

Demographics

Households in the Pennsylvania Avenue Study Area tend to be younger and are more likely to be a single person household compared to the District as a whole.

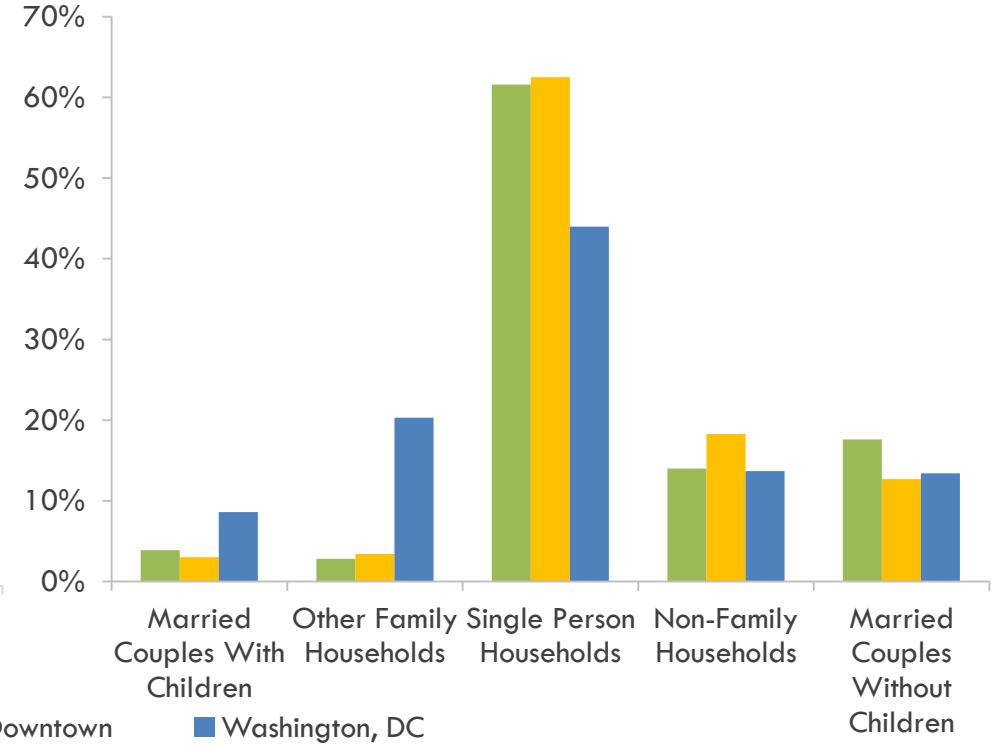
- More than 60% of residents in the Study Area are single person households.
- Residents in both the Study Area and Downtown are much more likely to be young and part of a single person household than the District as a whole.
- The average age of residents in the Study Area is slightly higher than Downtown.

Figure 4: Percentage of Households by Age of Householder, 2010



Source: ESRI Business Analyst

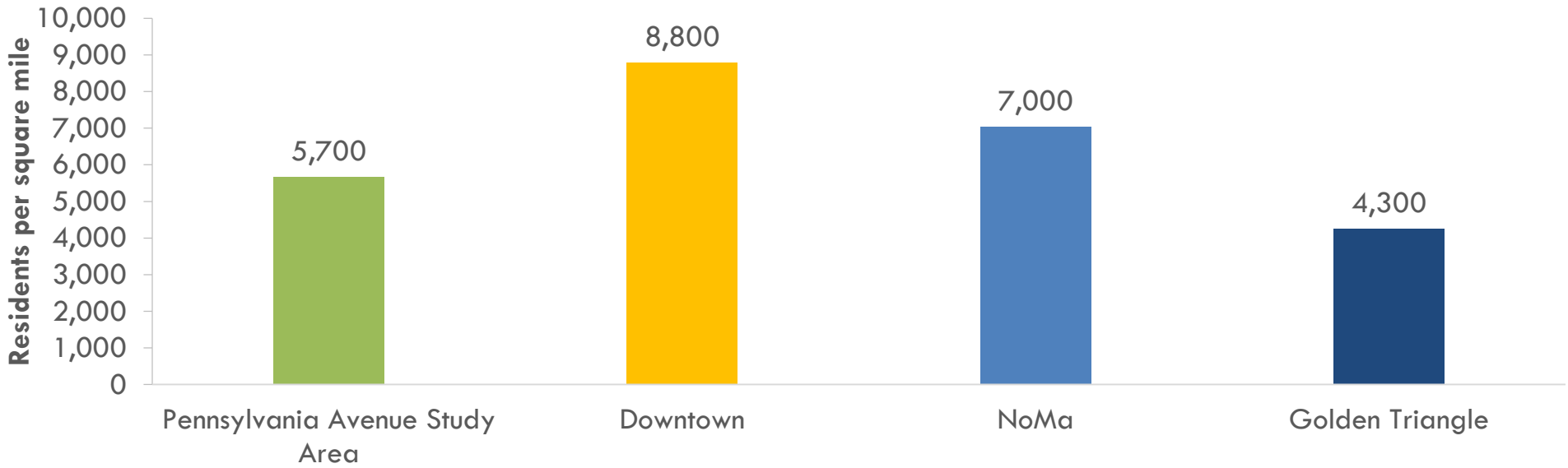
Figure 5: Percentage of Households by Composition, 2010



Demographics Residential density in the Study Area is not as high as Downtown.

- Residential density in the Study Area is just below 5,700 people per square mile. While this is higher than the density of the Golden Triangle, it is well below the density of Downtown and NoMa.
- NoMa, which has seen a large increase in residential housing in recent years, now has higher residential density than the Study Area.
- Residential serving retail may be more difficult to support in the Study Area than in other parts of Downtown or in NoMa.

Figure 6: Residents Per Square Mile, 2015



	Pennsylvania Avenue Study Area	Downtown	NoMa	Golden Triangle
Area (Sq. Miles)	**0.27**	**1.01**	**0.37**	**0.29**

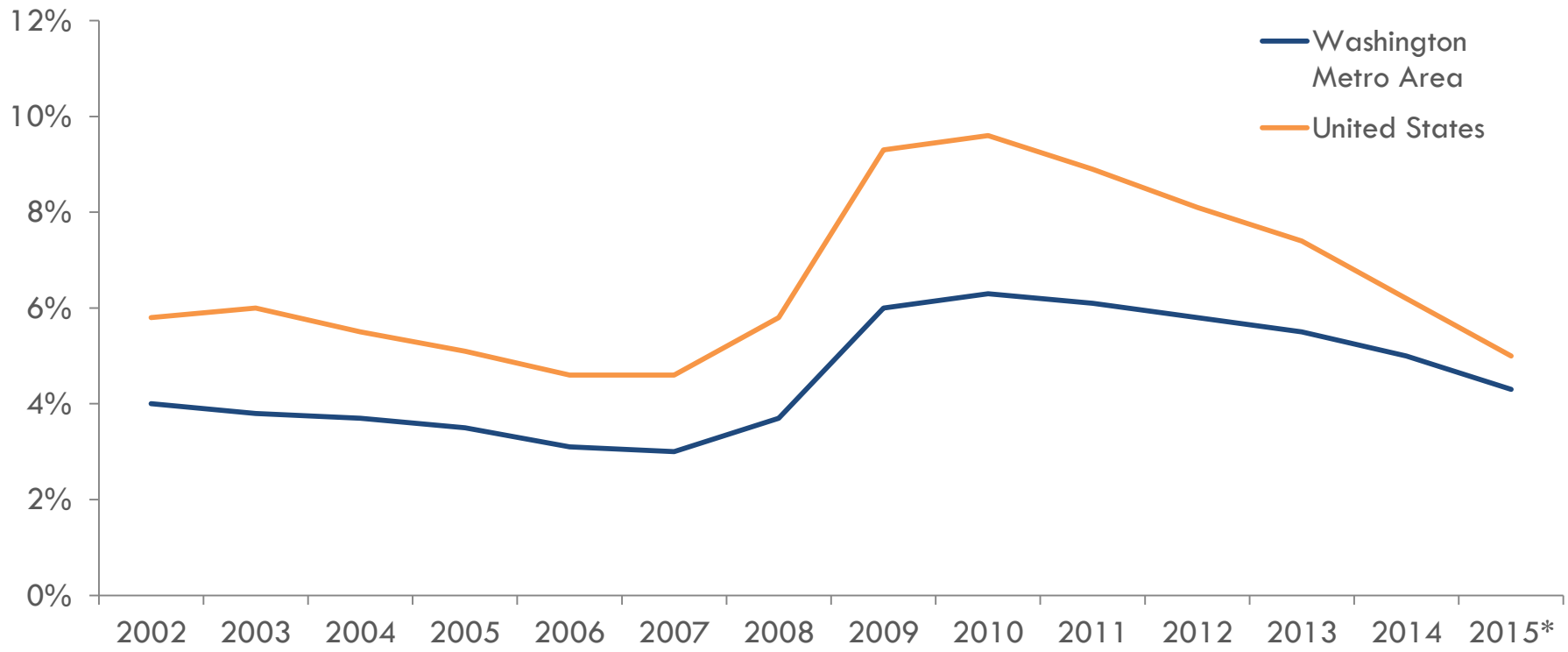
Note: Neighborhoods aside from the Study Area are defined by their BID boundaries.
Source: ESRI Business Analyst, US Census Bureau

Economics

Unemployment in the Washington region has fallen each year since 2010 and is consistently below the national average.

- Unemployment in the Washington region was 4.3% as of September 2015, down from a high of 6.3% in 2010.
- Historically, Washington has been buffered from high unemployment by the stability provided by the Federal Government. Despite cuts in Federal spending in recent years, unemployment has remained below the national average.

Figure 7: Unemployment Rate in the Washington Metro Area and United States, 2002 - 2015



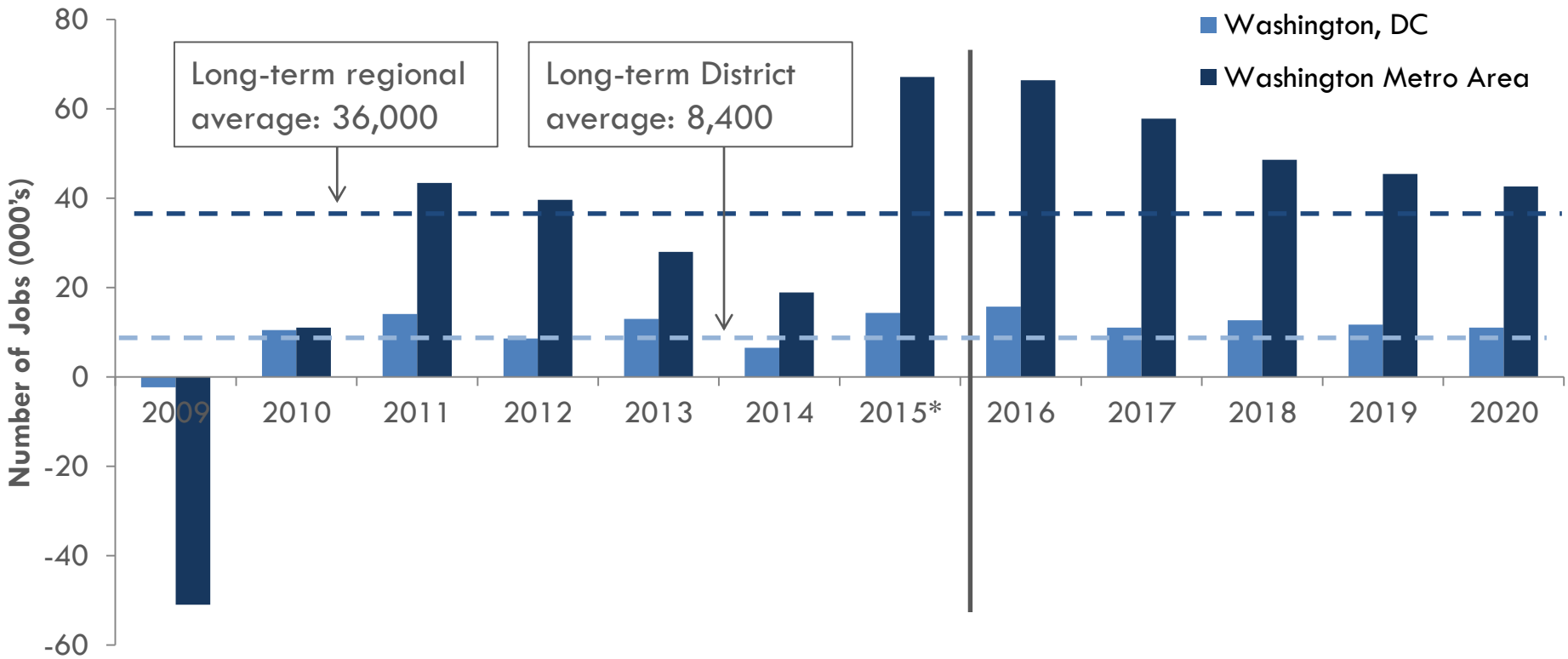
** October 2015*
Source: Bureau of Labor Statistics

Economics

Annual job growth in the region strengthened in 2015 and rose above the long-term average. It is expected to remain above average through 2020.

- Job growth in 2013 and 2014 was constrained by government sequestration, which cut Federal spending and led to reduced work for government contractors. As a result, annual job growth in the region was below the long-term average in those years.
- The District's share of regional job growth was 21% as of October 2015, in line with the long-term average share of 23%.

Figure 8: Job Growth, 2013-2020



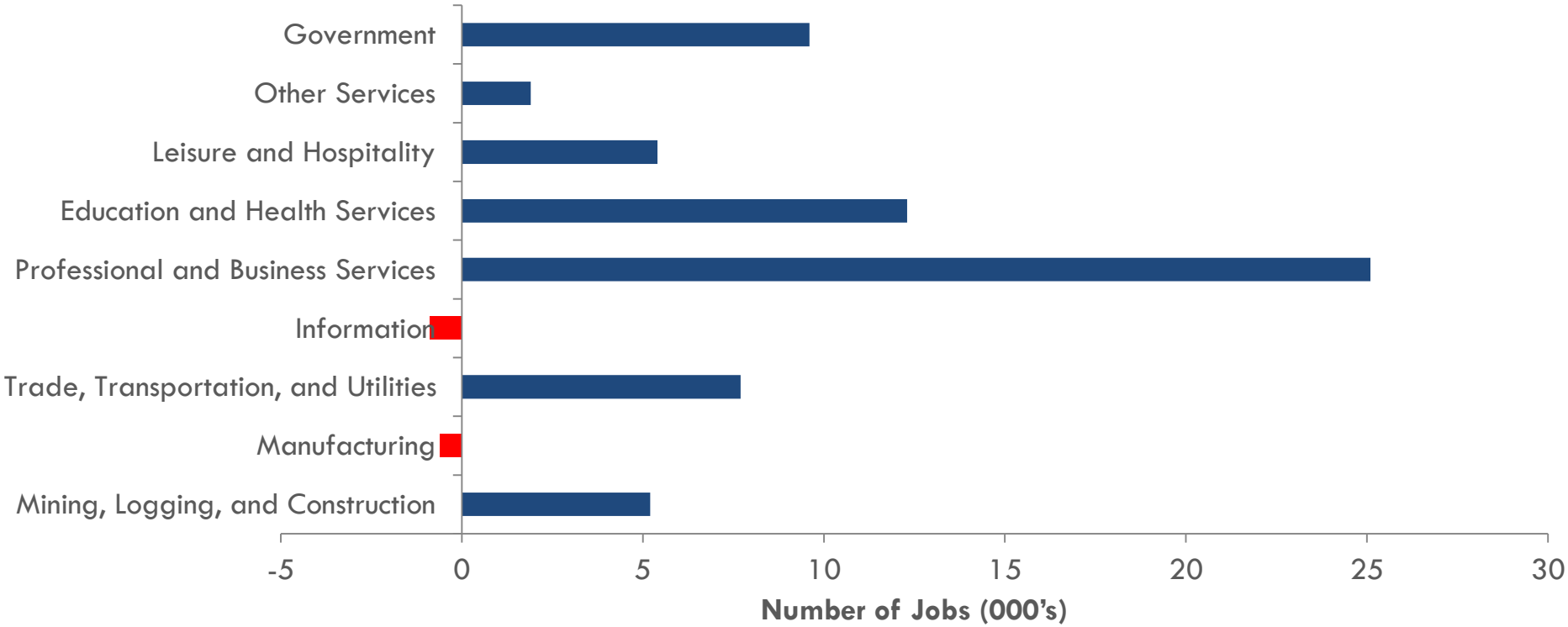
**12 months ending October 2015*
Source: George Mason University Center for Regional Analysis

Economics

Recent job growth is being driven by the professional & business services and education & health services sectors, which consist largely of high-wage professions.

- Jobs in professional and business services sector increased by more than 25,000 in the Washington region in the 12 months ending October 2015, accounting for 38% of total job growth. Jobs in this sector are primarily office using jobs, which could benefit the office market.
- The only sectors to lose jobs in the region over the past year were manufacturing and information.

Figure 9: Job Growth in the Washington Metro Area, October 2014 – October 2015



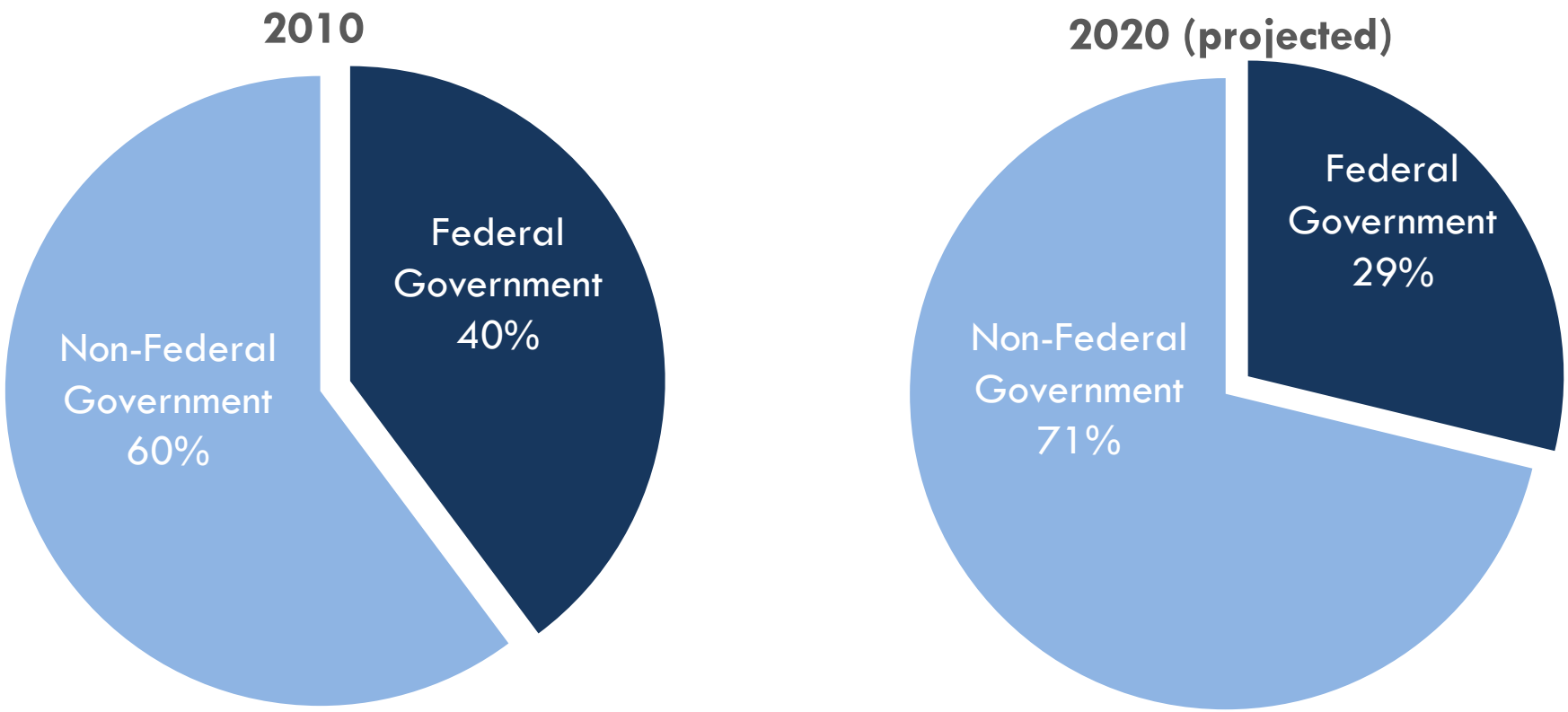
Source: U.S. Bureau of Labor Statistics

Economics

While the Federal government is still the largest component of the greater Washington economy, the regional economy is expected to diversify.

- The share of economic activity in the Washington region made up by the Federal government is expected to decrease from 40% in 2010 to 29% in 2020, signifying diversification of the Washington economy.
- Although the regional economy is diversifying, Federal government will still continue to make up the largest share of economic activity.

Figure 10: Structure of the Greater Washington Economy by Spending ($), 2010 and 2020



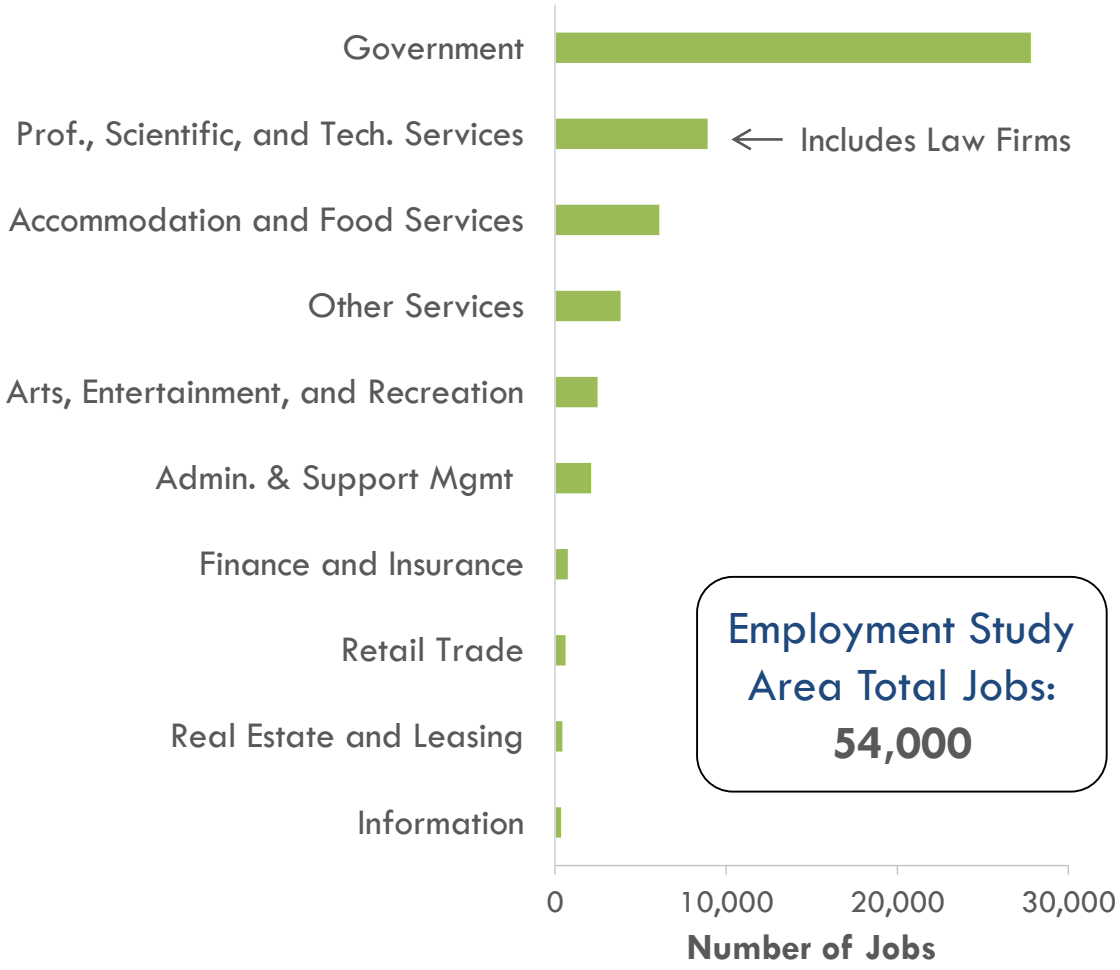
Source: George Mason University Center for Regional Analysis

Economics

Employment near Pennsylvania Avenue is highly government oriented.

- Of the 54,000 employees in the Employment Study Area, more than half are public sector employees. Another 11,000 workers are in the professional services sector, which includes professions affiliated to government services.
- The accommodation and food services industry is the third largest employer. In addition to hotels and attractions in the Study Area, proximity to the National Mall supports tourist activity.
- The three largest industries together make up almost 80% of employment. As a result, any changes in these industries will have a large impact on the Avenue.

Figure 11: Top Employment by Industry, Zip Code 20004, 2015



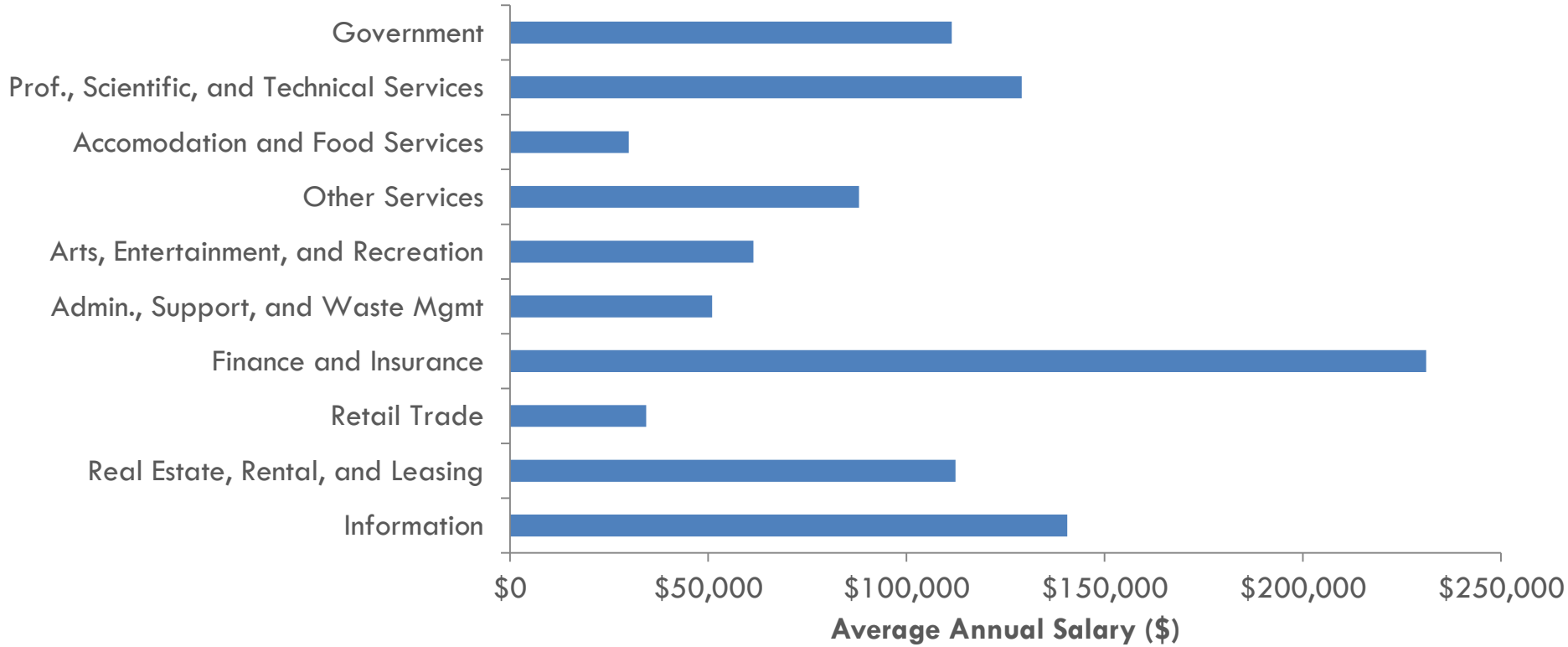
Source: Economic Modeling Specialists International (EMSI)

Economics

The industry mix in the employment study area consists of a wide range of salaries.

- Average salaries vary significantly across industries in the corridor. However workers in both the government and professional, scientific, and technical services industries, which make up 68% of total employment study area employment, both average annual salaries above $100,000.
- The high average income of a large percentage of workers benefits the retail potential of the employment study area.

Figure 12: Average Annual Salary by Largest Employment Sectors in the Pennsylvania Avenue Study Area, 2015



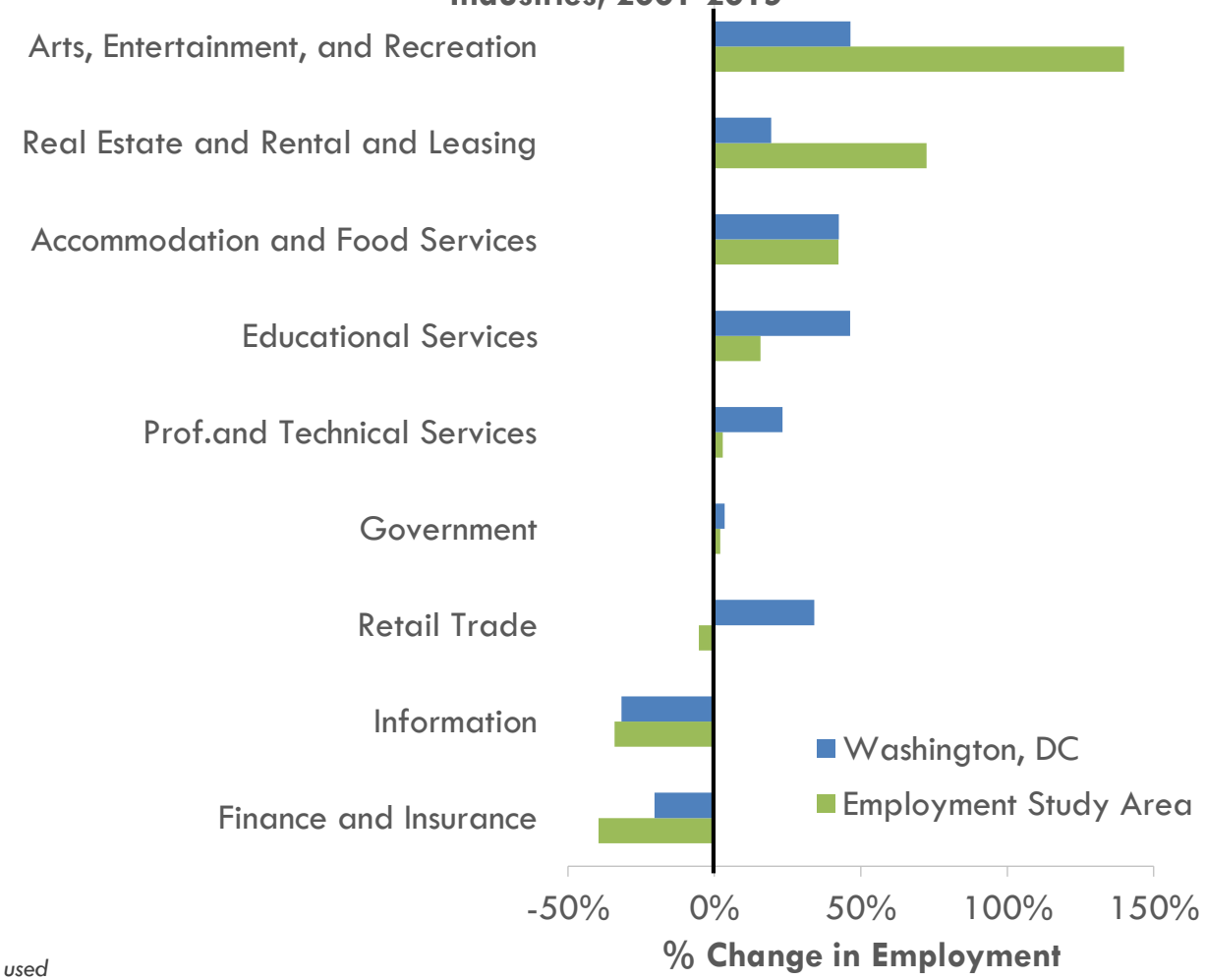
Note: Average salary for each industry is for all of Washington, DC
Source: Bureau of Labor Statistics Quarterly Census of Employment and Wages

Economics

Government employment in the employment study area has changed little since 2001, while employment in the arts, entertainment, and recreation and accommodation and food services sectors has grown significantly.

- Although government makes up the largest share of employment in the employment study area and the City, growth in the sector has been minimal since 2001. In the wake of sequestration, this muted growth is likely to continue.
- The finance & insurance and information industries, both high-paying sectors, have decreased employment in the City and employment study area since 2001.
- Despite growth in retail trade employment by 34% in the District, retail employment in the employment study area decreased by 5%. This is likely a product of significant new retail space being built across the City in that time, while Pennsylvania Avenue is largely built out from in its current form from a retail perspective.

Figure 13: Percentage Change in Employment in Select Industries, 2001-2015



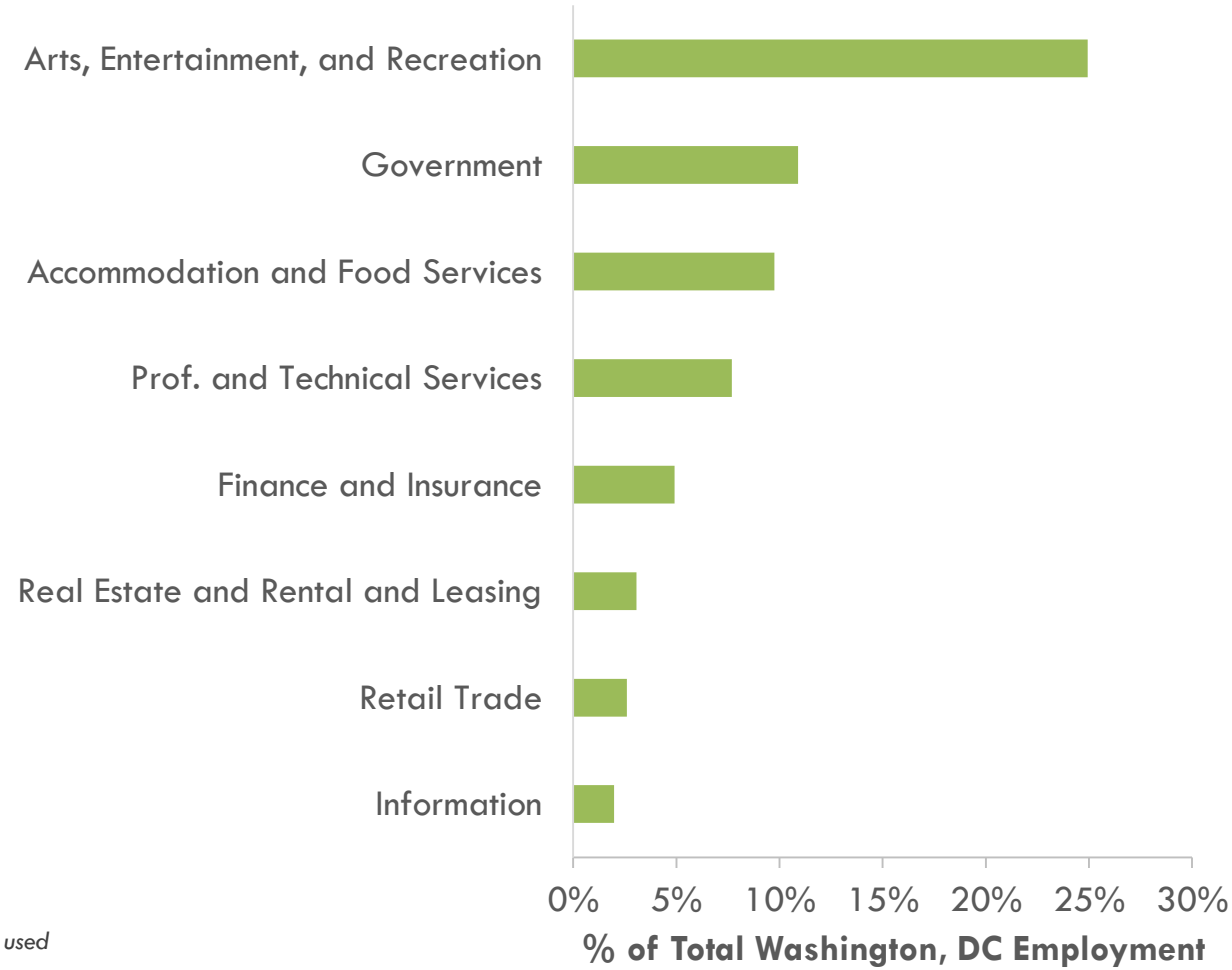
Note: Employment is calculated by zip code. The 20004 zip code is used approximates the Study Area boundaries.
Source: Economic Modeling Specialists International (EMSI)

Economics

The employment study area contains 7% of the City's total jobs, but 25% of the total jobs in the arts, entertainment, and recreation sector and 11% of government jobs.

- Tourist attractions in and adjacent to the Study Area such as the Newseum, Spy Museum, Smithsonian museums, and the National Theater contribute to the large share of arts, entertainment, and recreation employment in zip code 20004. While the Spy Museum is planning to relocate out of the Study Area in coming years, growth in Smithsonian offerings will likely make up for any employment losses in this sector.
- Additionally, 2,000+ hotel rooms and several restaurants support the large share of accommodation and food services employment.
- Government employees make up 11% of total government employment in the District.

Figure 14: Percentage of Washington, DC Employment Within the Employment Study Area



Note: Employment is calculated by zip code. The 20004 zip code is used approximates the Study Area boundaries.
Source: Economic Modeling Specialists International (EMSI)

Economics

Employment growth in established areas such as Pennsylvania Avenue and the Golden Triangle has been slower than elsewhere in the District.

- The number of workers in the employment study area increased 9% between 2001 and 2015 to 54,000.
- Because the historic business districts in Washington are largely built out, there is less opportunity for the addition of new space to accommodate additional workers. However, as older office space with high average space per employee is retrofitted to be more efficient, employment in established areas increases.

Figure 15: Total Employment by Zip Code, 2001-2015

% Change	**9%**	**8%**	**13%**	**21%**	**17%**	**29%**

Note: Employment is calculated by zip code. The 20004 zip code is used approximates the Study Area boundaries.
Source: Economic Modeling Specialists International (EMSI)

Demographics and Economics

Conclusions and Implications

Downtown population growth rate is greater than regional growth due to preference for living in urban walkable locations.	Projected continued regional growth will drive demand for housing and related amenities. However, the small residential population of the Study Area leaves portions of the Avenue feeling like a nine to five environment.
The Federal Government is the largest employer in the Study Area, making up more than half of total employment.	Because of its large presence, any actions by the Federal Government regarding space use or employment along Pennsylvania Avenue will have a significant impact on the corridor.
The Federal Government's share of economic activity in the region is decreasing.	As the region becomes less reliant on Government jobs, it will be important to consider how Pennsylvania Avenue can remain an attractive location for private sector jobs.
The Pennsylvania Avenue corridor has high salary jobs and high income residents.	The high income of both workers and residents in the Study Area suggests that there may be purchasing power to support additional retail if the stores are connected to key nodes and well-positioned.

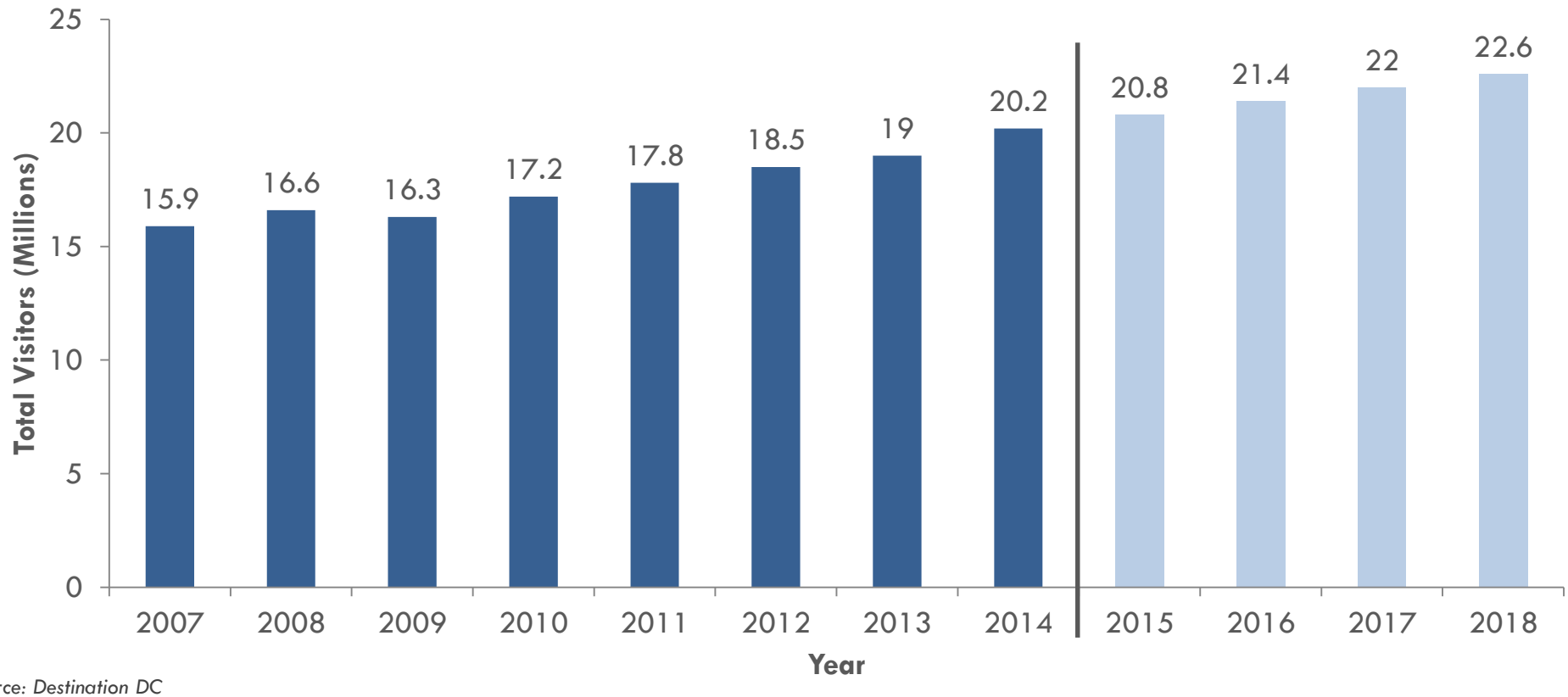
Culture and Entertainment

Culture and Entertainment

Hospitality is an important and growing industry in the District. A record number of visitors came to Washington, DC in 2014.

- The number of tourists visiting Washington, DC has increased each year since 2009. In 2014, the total number of visitors to the District surpassed 20 million for the first time.
- Growth in the number of visitors coming to Washington, DC is expected to continue through at least 2018, with 22.6 million visitors projected for that year. This trend bodes well for Washington's tourism and hospitality sector.

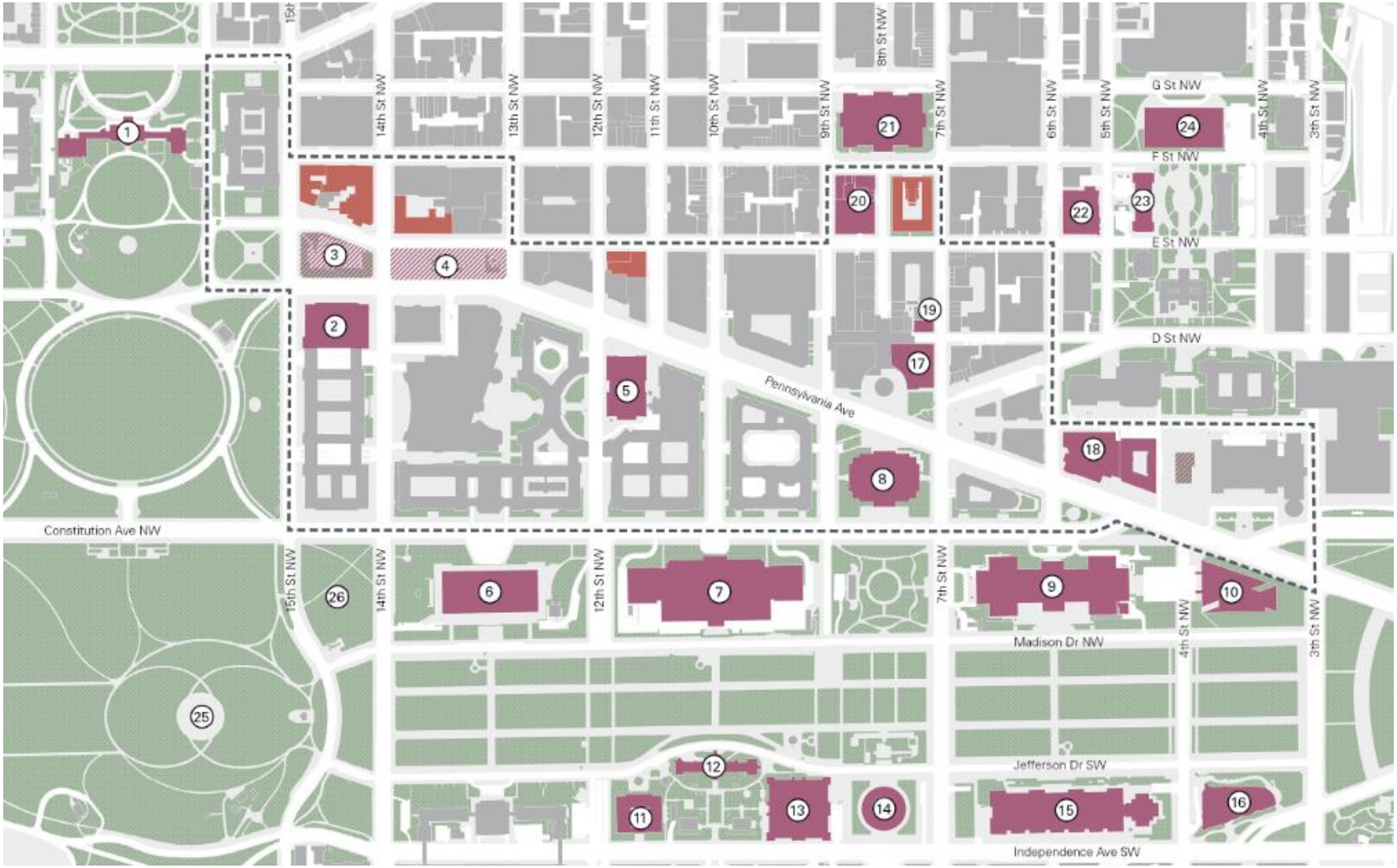
Figure 16: Total Visitors to Washington, DC, 2007-2018 (Projected)



Source: Destination DC

Culture and Entertainment

The Pennsylvania Avenue study area is centrally located in the heart of tourist activity in the District and is home to many cultural attractions.



Culture
Hotel

1. The White House
2. White House Visitor Center
3. Pershing Park
4. Freedom Plaza
5. Old Post Office
6. National Museum of American History
7. National Museum of Natural History
8. National Archives
9. National Gallery of Art
10. National Gallery of Art
11. Freer Gallery
12. Smithsonian Institution
13. Arts and Industries Future Building
14. Hirshhorn Museum
15. National Air and Space Museum
16. National Museum of the American Indian
17. Navy Memorial + Naval Heritage Center
18. Newseum + Canadian Embassy
19. National Law Enforcement Memorial Center
20. International Spy Museum
21. National Portrait Gallery/American Art Museum
22. Marian Koshland Science Museum
23. National Law Officers Memorial
24. National Building Museum
25. Washington Monument
26. National Museum of African American History

Culture and Entertainment

Attractions in and adjacent to the Study Area are among the most visited in Washington and drive a significant number of visitors to the area.

- Seven of the most visited attractions in Washington, DC are located within or immediately adjacent to the Pennsylvania Avenue Study Area, making the corridor a hub for tourist activity.

- The two most visited private museums in the District, the Newseum and the International Spy Museum, are located in the Pennsylvania Study Area. However, the Spy Museum is planning to move to L'Enfant Plaza in 2017.

- In addition to the attractions listed, the Study Area also contains the United States Navy Memorial, The Old Post Office, and the planned World War I Memorial at Pershing Park.

Note: The Old Post Office is currently closed while the Trump International Hotel is under construction. However, when it was last open in 2013, it attracted 258,000 visitors. With the opening of the hotel, visitation will likely increase.
Source: National Park Service, Washington Business Journal

Figure 17: Most Visited Sites in Washington, DC, 2013

Attractions	Annual Visitation
National Museum of Natural History	8,000,000
National Air and Space Museum	7,000,000
Lincoln Memorial	6,550,000
National Museum of American History	4,900,000
National Gallery of Art	4,300,000
Vietnam Veterans Memorial	4,140,000
World War II Memorial	3,930,000
Korean War Veterans Memorial	3,210,000
Martin Luther King Jr. Memorial	3,210,000
Franklin Delano Roosevelt Memorial	2,840,000
Thomas Jefferson Memorial	2,610,000
U.S. Capitol Visitors Center	2,500,000
National Zoo	2,000,000
United States Holocaust Museum	1,730,000
National Museum of the American Indian	1,400,000
National Portrait Gallery	1,300,000
Smithsonian Institution Building	1,300,000
National Archives	906,000
Basilica of the National Shrine	885,000
Newseum	800,000
Hirshhorn Museum	645,000
International Spy Museum	602,000

Culture and Entertainment

The Study Area is home to the two largest private museums in the District by attendance, the Newseum and the International Spy Museum.

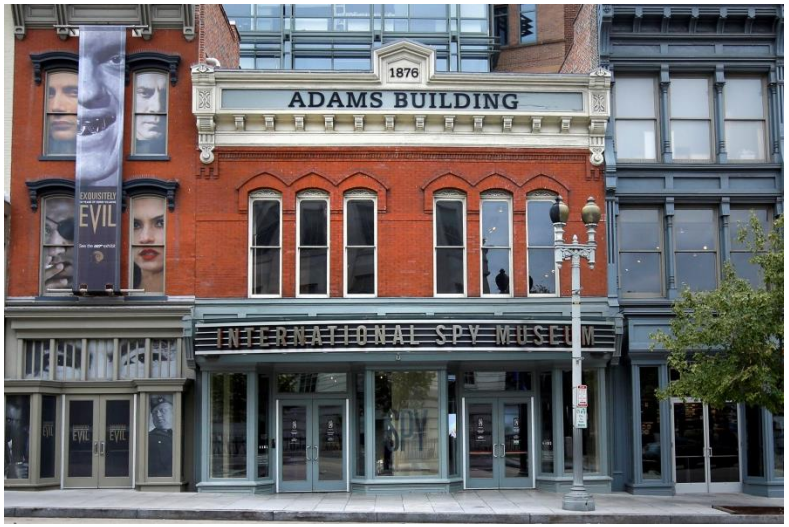
- While the District has many museums with free admission, private museums offering content that is distinct from the content of free museums have been able to attract a large number of visitors.

- Despite its status as the most popular private museum in the District, the Newseum has faced financial difficulties in recent years, largely due to expenses associated with construction of its current location.

- The International Spy Museum, which occupies more modest space than the Newseum, has been financially successful. As a product of its success, the Spy Museum is currently planning to relocate in coming years to a new freestanding building outside of the Study Area in L'Enfant Plaza.

Source: Washington Business Journal. The Washington Post

The cost to construct the Newseum building, which totaled $477 million when it was completed in 2008, has created a significant financial burden for the Museum.



The International Spy Museum occupies 64,000 SF of space in the Study Area, but is planning to relocate to L'Enfant Plaza in coming years.

Culture and Entertainment

In addition to existing attractions, there are a number of organizations seeking space to build new museums in Washington.

- There are at least three museums currently seeking space in Washington, DC: The Smithsonian National Latino Museum, the National Women's History Museum, and the National Museum of the American People.

- Efforts to attract these museums or other destinations to the Study Area could help further build the identity of Pennsylvania Avenue as a cultural destination and also drive additional foot traffic to the corridor.

NWHM NATIONAL WOMEN'S HISTORY MUSEUM

National Museum of the American Latino

COALITION FOR THE NATIONAL MUSEUM OF THE AMERICAN PEOPLE

Source: National Capital Planning Commission

Culture and Entertainment

The Study Area and adjacent neighborhoods are also home to numerous entertainment destinations that attract regional visitors.

Entertainment
Hotel

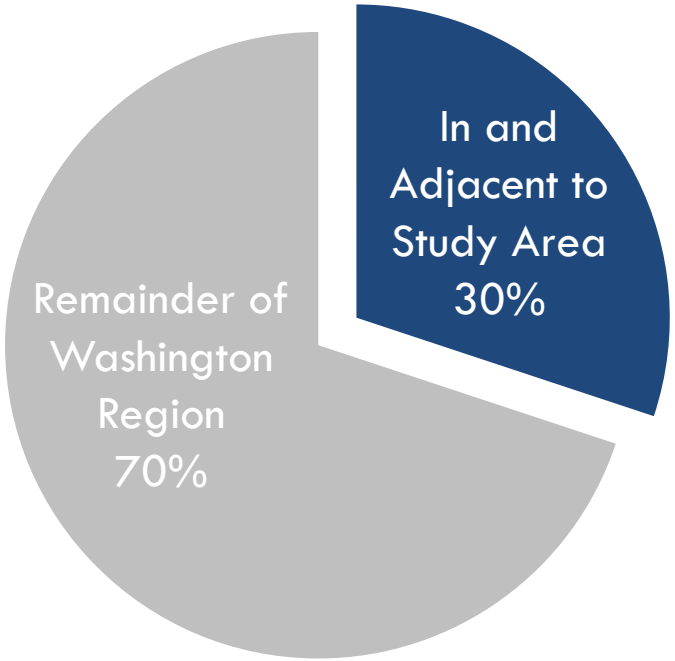
1. The Hamilton Concert Venue
2. National Theatre
3. Capitol Steps
4. Warner Theatre
5. E Street Cinema
6. Ford's Theatre and Museum
7. Madam Tussaud's
8. Shakespeare Theatre
9. Hill Country Concert Venue
10. Wooly Mammoth Theatre
11. Shakespeare Theatre Company
12. Verizon Center
13. Regal Cinemas Gallery Place
14. Marshall Park

Culture and Entertainment

Theatres in and near the Study Area also draw a significant number of attendees to the area.

- Theatres in and near the Study Area make up almost one third of total theatre attendance in the Washington region.
- Approximately 647,000 people attended shows at theatres in and near the Study Area in 2014.
- Given the concentration of theaters in the Study Area, attendance is likely driven by regional or out-of-town visitors.

Figure 18: Share of Theatre Attendance in and Near the Study Area vs. Washington Region, 2013*



** Most recent year that data is available*
Note: Mellon Auditorium is not included in this analysis since almost all events there are private events.
Source: DowntownDC Business Improvement District, General Services Administration

Figure 19: Attendance at Theatres in and near the Study Area (000's), 2012-2014

	2014	2013	2012	Average 2012-2014
Warner Theatre	157	155	122	**145**
National Theatre	102	66	86	**85**
Sidney Harman Hall	93	148	103	**115**
Lansburgh Theatre	91	79	78	**83**
Ford's Theatre	91	83	103	**92**
The Hamilton Live	67	70	65	**67**
Woolly Mammoth Theatre	34	42	36	**37**
Amphitheater – Ronald Regan Building	12	n/a	n/a	**12**
Total	647	643	593	**636**

Culture and Entertainment

Pennsylvania Avenue is also a popular location for events. There have been an average of 40 events per year along the Avenue between 2013 and 2015, ranging in type and attendance.

- Events draw people to the Study Area, particularly during non-business hours that are typically quieter otherwise.
- Events are varied in nature and include festivals, races, parades, and special events.
- Attendance ranges from as little as 180 people for some races to well over 250,000 people for festivals such as the Capital Pride Festival and special events.

Figure 20: Events Held Along Pennsylvania Avenue by Type, 2013-2015

	2013	2014	2015*	Average 2013-2015
Festival	7	5	6	**6**
Special Event	8	11	10	**10**
Walk/Run/Race	20	23	19	**21**
Parade	5	4	2	**4**
Total	40	43	37	**40**

*May not include some events held in December.
Source: National Capital Planning Commission

Culture and Entertainment

Conclusions and Implications

Washington, DC, and Pennsylvania Avenue in particular, is a center for tourist activity and visitors. Growth in the tourism industry is expected to continue in coming years.

The Study Area benefits from the numerous cultural and entertainment attractions within and adjacent to its boundaries. Increasing tourism offers an opportunity for the Study Area to capitalize on that growth.

In addition to out-of-town-visitors, entertainment venues and a regular schedule of events draw regional visitors to the Study Area.

Attractions and events help drive regional visitors to the Study Area. Looking forward, it will be important to consider how the Study Area can better capture additional activity from the foot traffic generated by these attractions and events.

Real Estate Market Conditions

Real Estate

Land use along Pennsylvania Avenue varies by location, changing the character of the Avenue from one end to the other.

Pennsylvania Avenue West
Made up primarily of office and hotel space. All but one of the hotels in the Study Area are located in this portion.

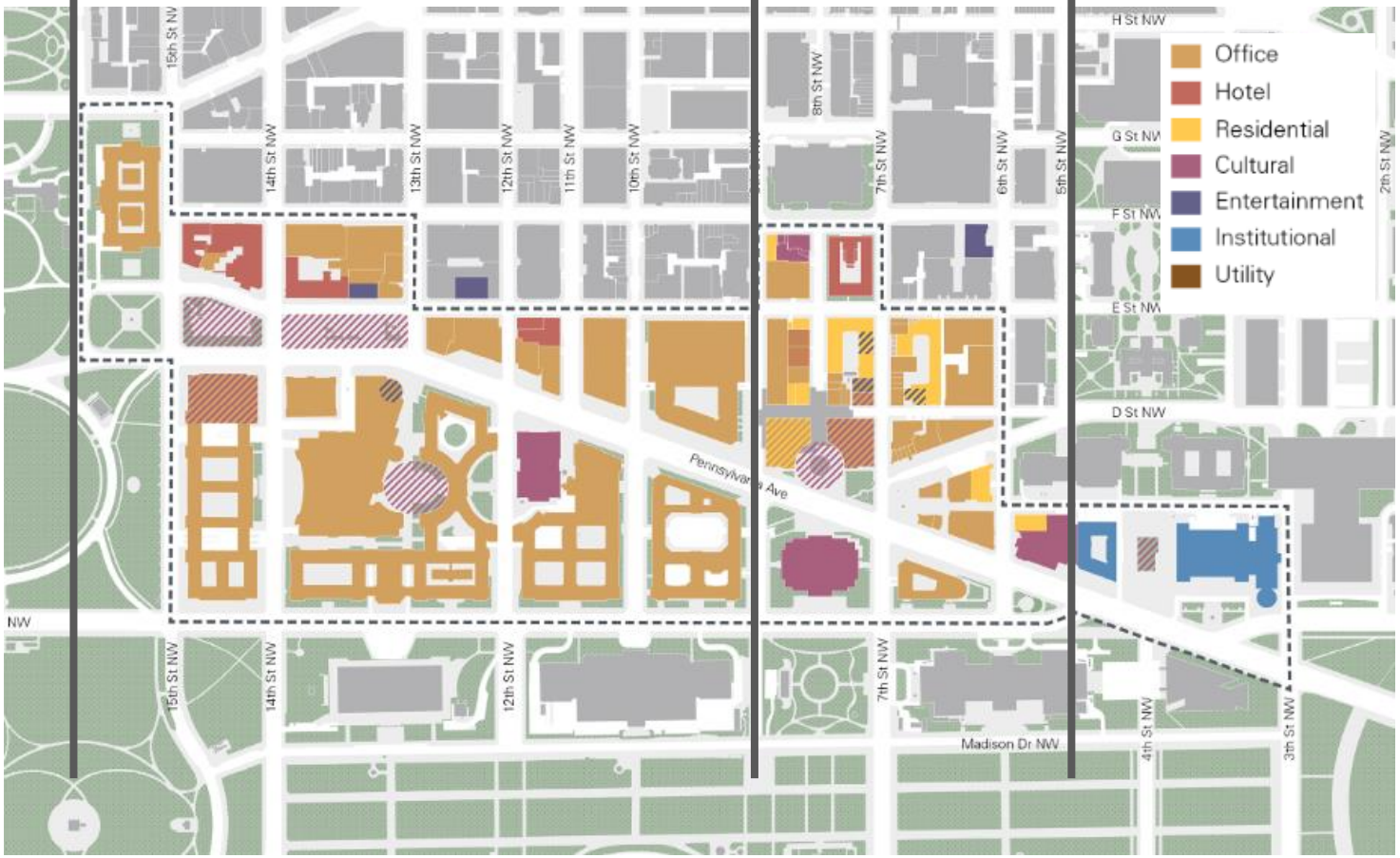
Penn Quarter
Highest mix of uses, including all residential space in the Study Area.

Pennsylvania Avenue East
Made up by institutional uses that generate little activity or foot traffic.

Figure 21: Land Use by Gross Square Feet/Units

Property Type	Gross Square Feet/Units
Office	9,900,000
Government*	8,841,000
Retail	572,000
Hotel	2,127 Rooms
Residential	1,420 Units

With the highest mix of uses, the Penn Quarter area also exhibits the highest degree of vibrancy in the study area.



*Government-owned office space.
Source: National Capital Planning Commission

OFFICE MARKET ASSESSMENT

RETAIL MARKET ASSESSMENT

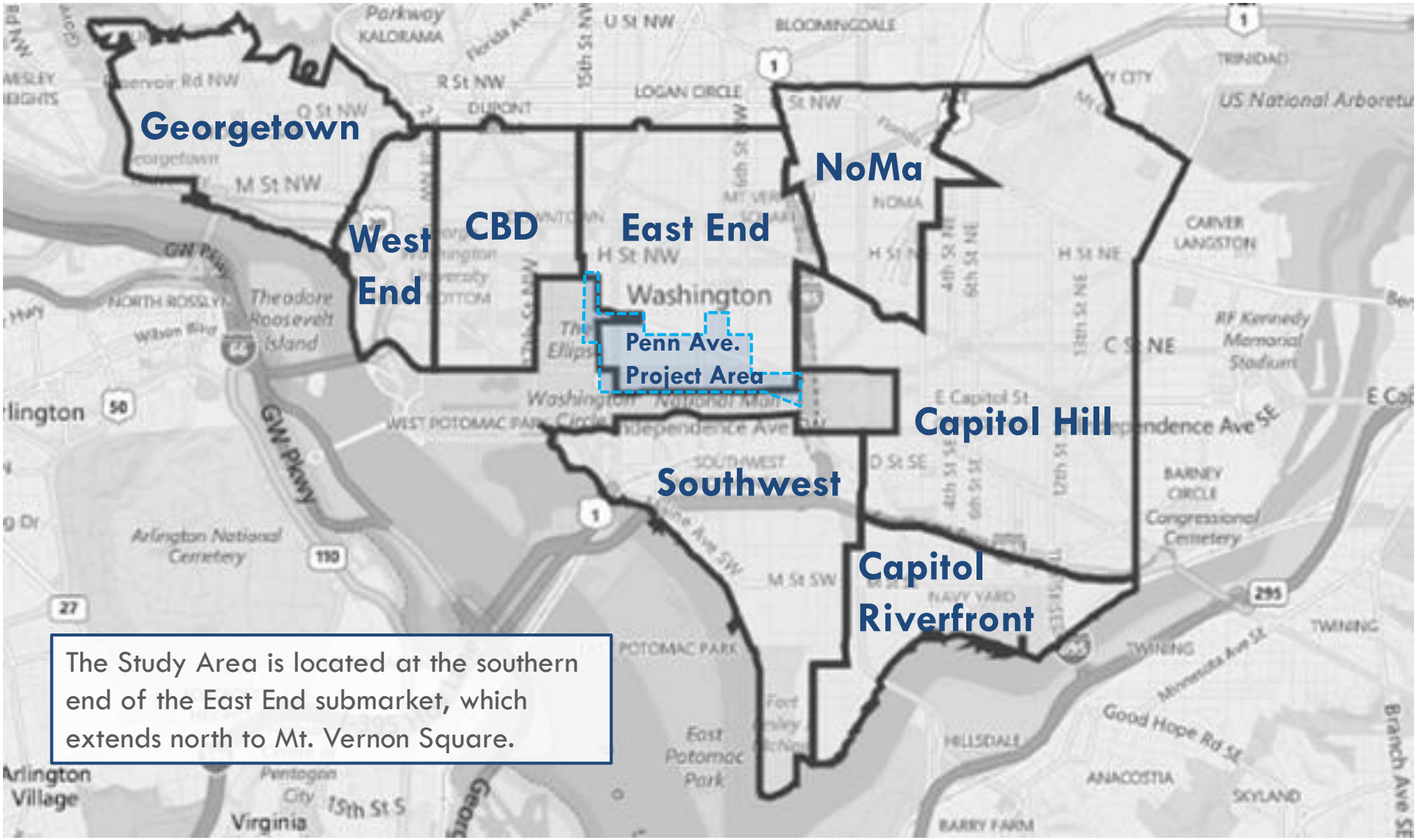
HOTEL MARKET ASSESSMENT

RESIDENTIAL MARKET ASSESSMENT

CONCLUSIONS

Office

In addition to comparing the Study Area to the region, HR&A analyzed data by submarket to better understand the positioning of the Study Area.



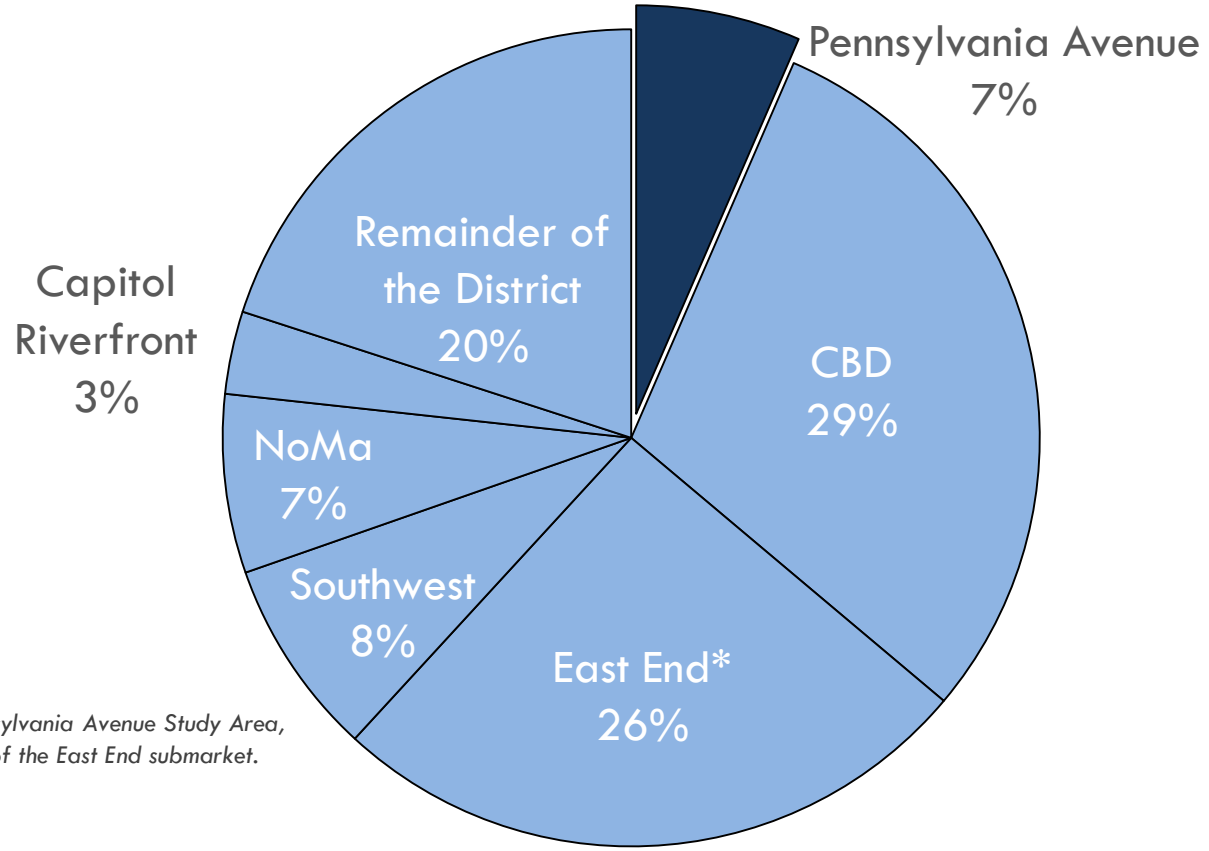
Source: CoStar

Office

There are 152 million SF of privately-owned office space in the District, 7% of which is located in the Pennsylvania Avenue Study Area.

- The Study Area has 9.9 million square feet of office space, about 7% of total office space in the District. The emerging submarket of NoMa now has an equal amount of space to the Study Area.
- When taking in account Government owned space, total office space in the Study Area increases to 18.7 million SF.
- The Study Area contains 18% of total Government office space (both leased and owned) in the District, meaning Government space is more concentrated in the Study Area relative to the District.

Figure 22: Office Space in Study Area as a Share of Total Space in the District, 2015



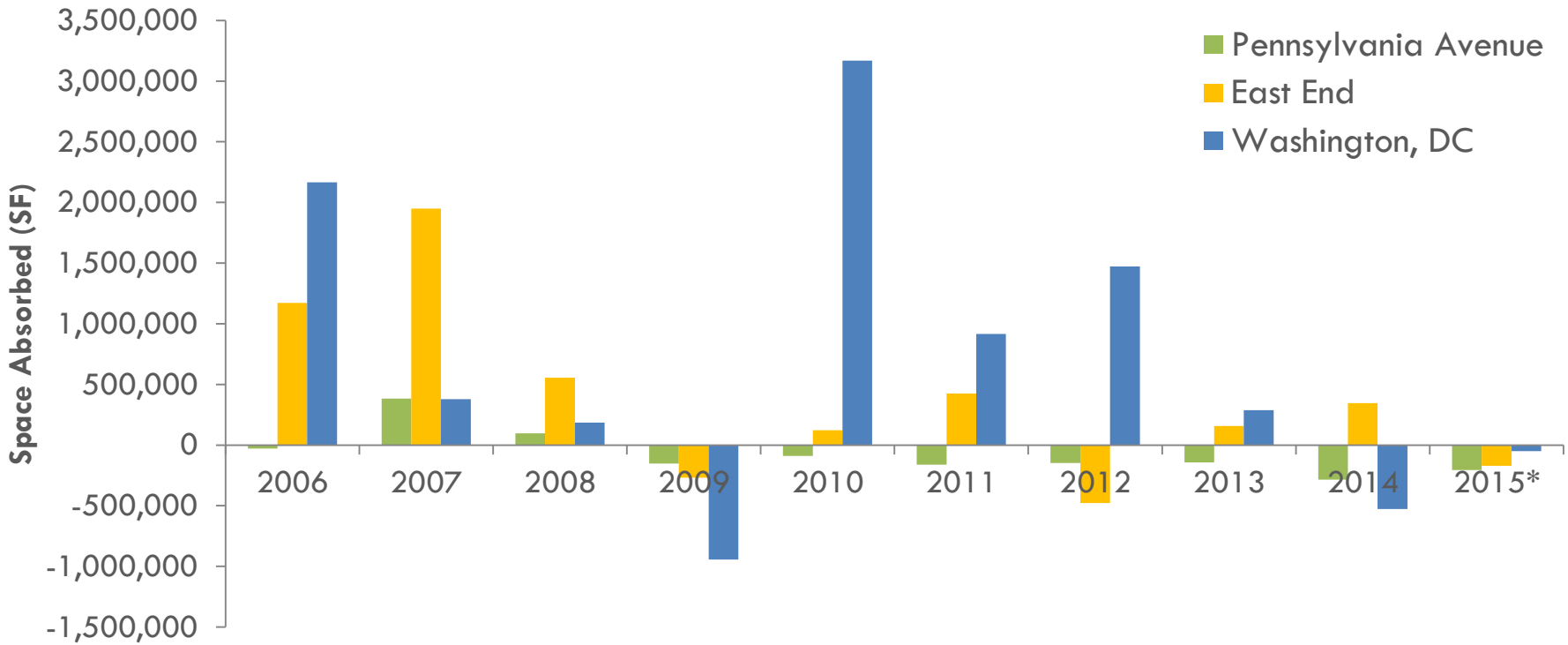
** Excludes office space in the Pennsylvania Avenue Study Area, which is normally included as part of the East End submarket.*
Source: CoStar

Office

Office space absorption has been low in the District since 2013.

- Office space absorption, defined as the change in occupancy of space, was low in the District 2013 and went negative in 2014 for the first time since 2009. This is primarily a result of cutbacks in Federal spending related to sequestration and subsequent low job growth in the public sector and related industries.
- Although absorption in Washington, DC is not positive for 2015, conditions appear to be improving somewhat from 2014 as hiring has picked up.

Figure 23: Office Space Absorption, 2006-2015



** Through October*
Source: CoStar

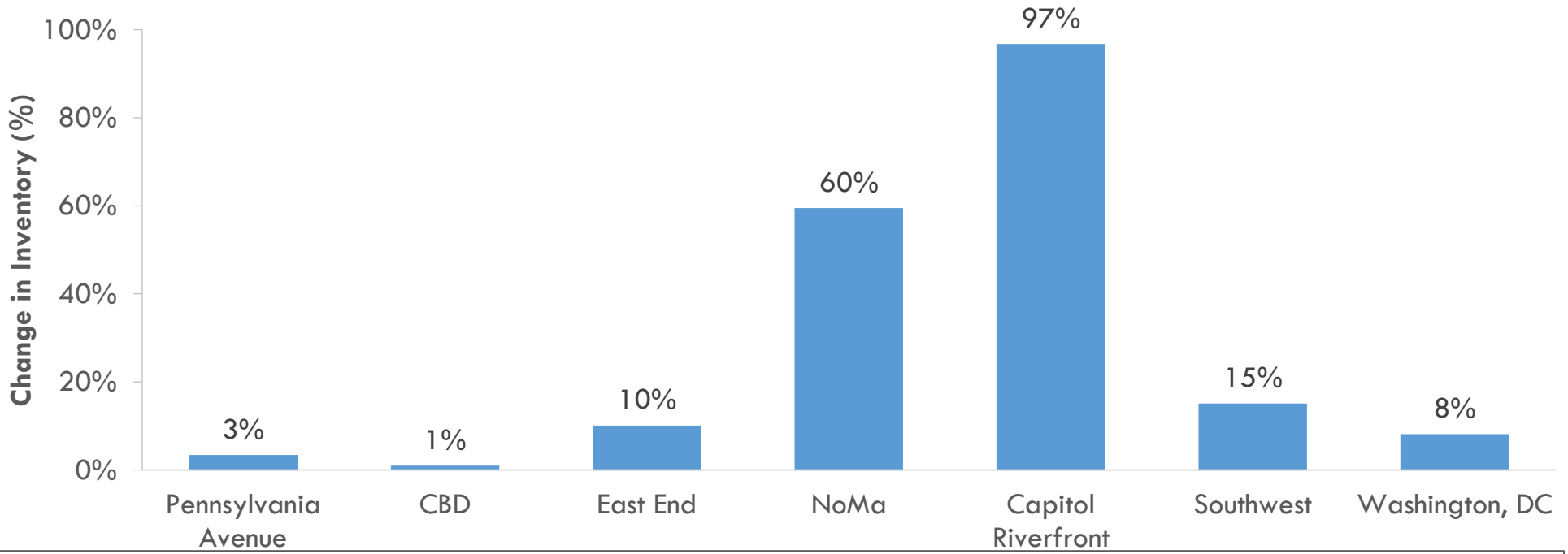
Note: Absorption is defined as the change in occupancy of space over a given period of time.

Office

The pace of new office construction is higher in emerging submarkets such as Capitol Riverfront and NoMa, because established neighborhoods are largely built out.

- The average Class A building in the Study Area is 27 years old. Only one office building, 500 8th Street, has been built in the Study Area since 2006.
- In the same time, 2.5 million SF of office space has been built in Capitol Riverfront and 4.0 million SF has been built in NoMa. These neighborhoods offer the option of new office space proximate to Downtown.
- Tenants seeking new space who are financially conscious are likely to look to these neighborhoods.

Figure 24: Change in Office Market Inventory by Submarket, 2006-2015



	Pennsylvania Avenue	CBD	East End	NoMa	Capitol Riverfront	Southwest	Washington, DC
Total SF (Millions)	9.9	45.1	49.1	10.7	5.0	11.9	152.3
SF Growth (Millions)	0.3	0.4	4.5	4.0	2.5	1.6	11.5

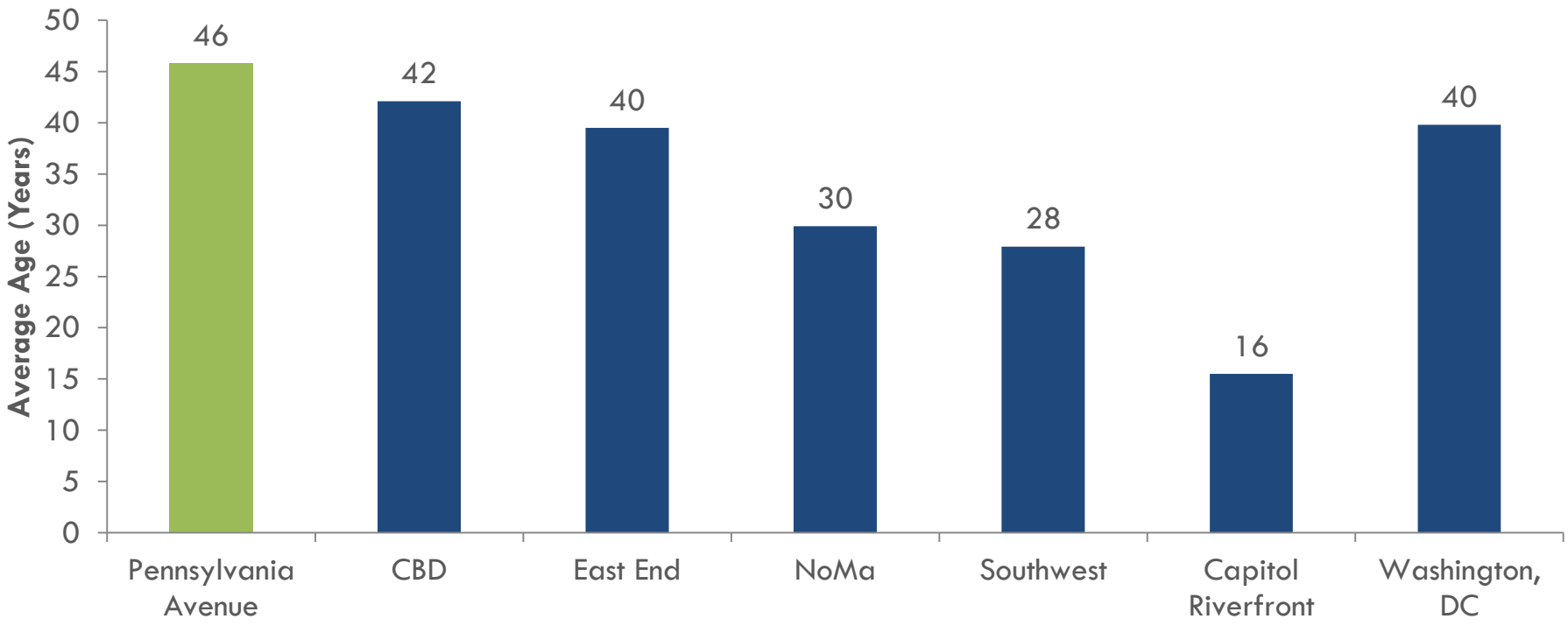
Source: CoStar

Office

Office space in the Study Area is aging.

- The average age of office space in the Study Area is 46 years, higher than any other submarket in the District.
- The lower average age of space in emerging neighborhoods is indicative of the supply of new office space in those areas.
- As buildings in the Study Area age, they will likely require renovation and updating to meet modern office needs and remain attractive to prospective tenants. Renovations underway at Market Square and 1201 Pennsylvania suggest that market conditions are strong enough to support renovation costs.

Figure 25: Average Building Age by Submarket, Office Buildings Larger than 50,000 SF, 2015



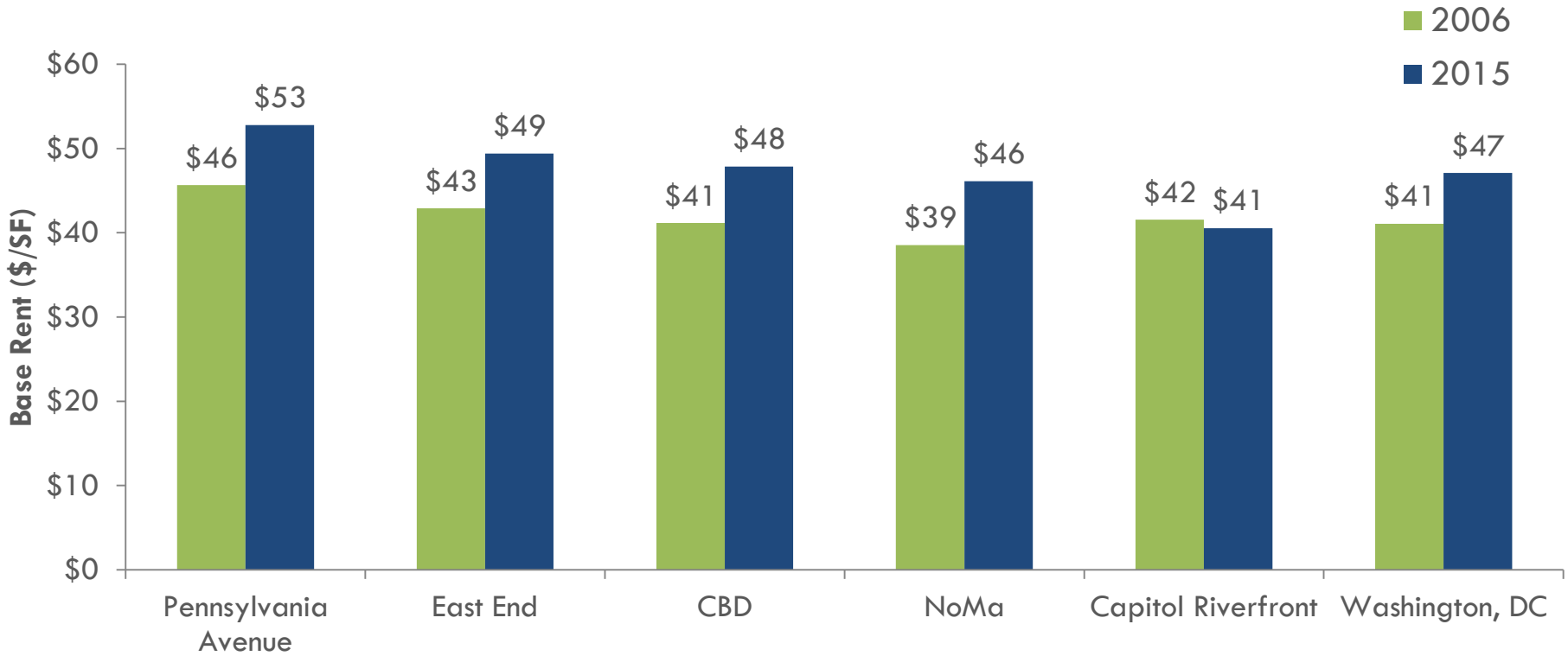
Source: CoStar

Office

Pennsylvania Avenue has higher rents than any submarket in the District.

- Office rents in the Study Area are $53 per square foot as of October 2015.
- Since 2006, average rents have increased by 16%. This is comparable to other neighborhoods, with only rents in NoMa growing at a faster pace.

Figure 26: Change in Office Rent by Neighborhood, 2006-2015



% Change	16%	15%	16%	20%	-2%	15%

Note: Rents listed are Full Service.
Source: CoStar

Office

Four of the ten office buildings with the highest asking rent in Washington, DC are located along Pennsylvania Avenue between the Capitol Building and the White House.

- 601 Pennsylvania Avenue has the highest asking rent for office space in the District, $73.83 per square foot.
- While high asking rents could indicate a premium associated with having a Pennsylvania Avenue office address, it could also indicate that the corridor is overpriced since these spaces are not yet leased.

Figure 27: Buildings with Highest Asking Rent in Washington, DC , February 2015

Building	Average Asking Rent ($/SF)	Vacancy
601 Pennsylvania Avenue – North Building	$73.83	7%
1701 Pennsylvania Avenue	$73.26	35%
1455 Pennsylvania Avenue	$70.92	7%
601 Pennsylvania Avenue – South Building	$70.49	6%
815 Connecticut Avenue	$66.36	24%
500 New Jersey Avenue	$64.81	13%
1776 Eye Street	$64.52	20%
1201 Pennsylvania Avenue	$64.00	79%
750 17th Street	$63.65	26%
1700 New York Avenue	$62.50	3%

- Building is located in the Study Area

Source: CoStar, BisNow

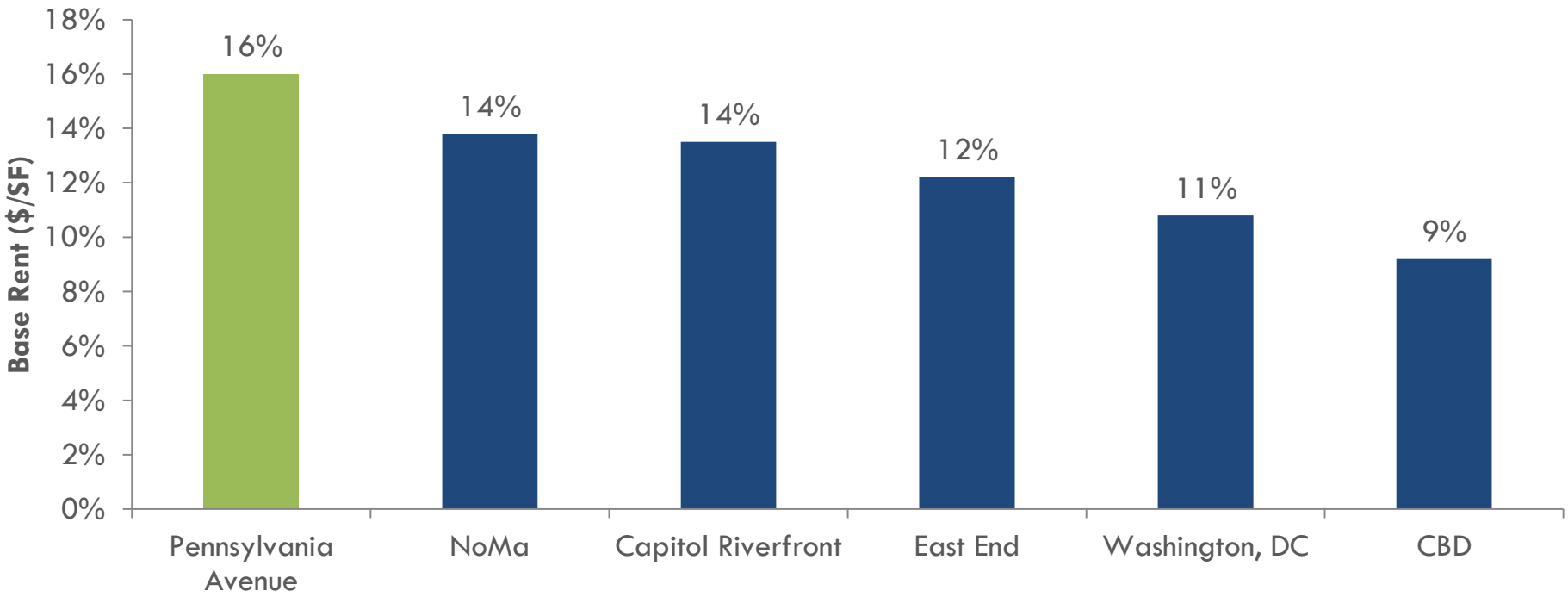
601 Pennsylvania Avenue has the highest asking rent in the District.

Office

However, although Pennsylvania Avenue has the highest office rents of any neighborhood in the District, it also has the highest office vacancy rate.

- Much of the vacant space in the Study Area is in large blocks of space that have been vacated by anchor tenants such as Covington & Burling (2014), Norton Rose Fulbright (2015), Nixon Peabody (2015), and Miller & Chevalier (2015). There are six buildings with more than 100,000 square feet available for lease.
- Space vacated by the four anchor tenants above that has yet to be backfilled is responsible for 480 basis points of vacancy in the Study Area.
- High vacancy with simultaneous high asking rents could be a product of unwillingness on the part of landlords to accept lower rents when re-leasing space.

Figure 28: Office Vacancy by Neighborhood, November 2015



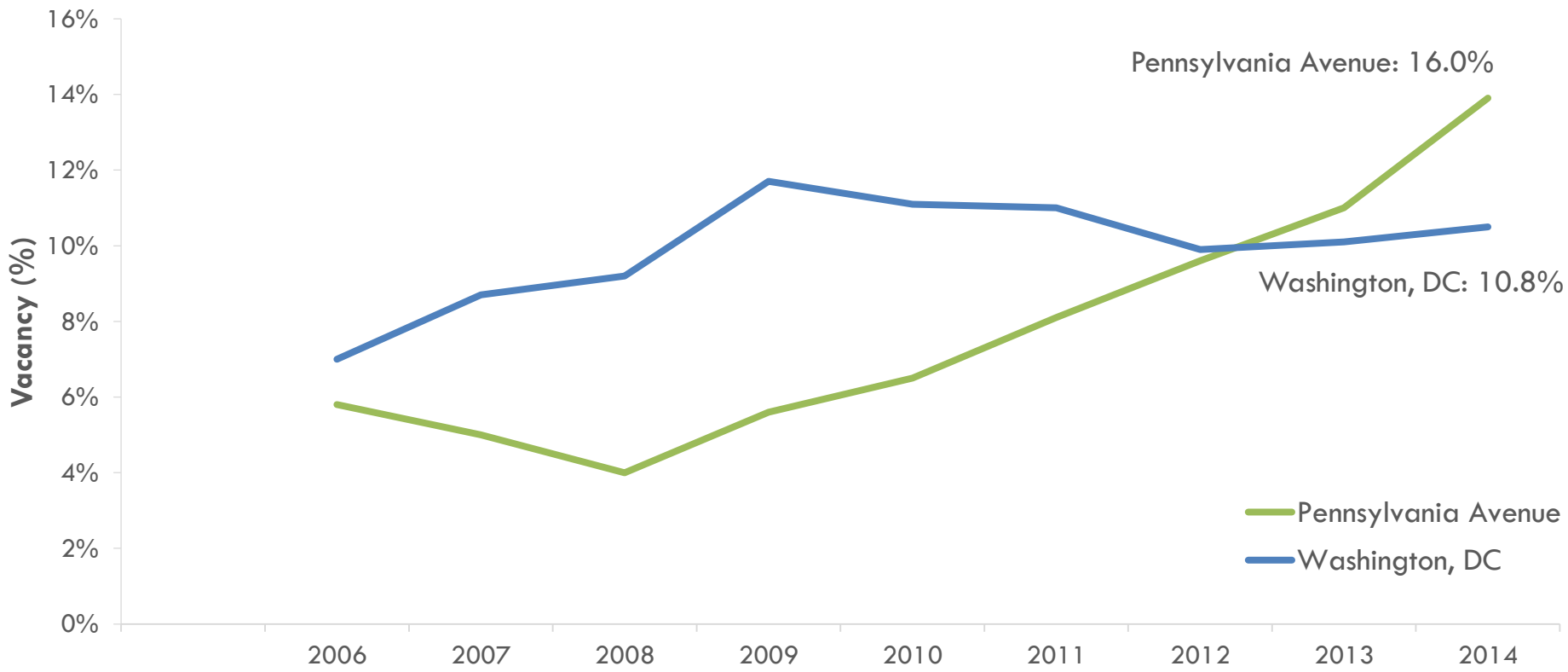
Source: CoStar

Office

Office vacancy in the Study Area rose above the District average in 2013 and is currently 520 basis points higher than the citywide average.

- Historically, vacancy along the Avenue has been lower than the overall District vacancy.
- The small size of the Study Area means that individual changes have a higher impact on data such as the vacancy rate. However, the elevated vacancy of the Avenue is still notable.
- Owners may soon face pressure to lower asking rents in order to reduce vacancy in the Study Area. However, this pressure will vary by building and owner and is dependent on specific investment conditions.

Figure 29: Change in Office Vacancy Rates From 2006-2015



Source: CoStar

Office

The Federal Government occupies 10.4 million square feet of office space in the Study Area, more than the total amount of privately-owned office space.

- The Federal Government occupies 1.6 million SF of privately owned space and 8.8 million SF of Government owned space in the Study Area.
- Ongoing efforts to consolidate workers in leased space to Government owned space as a cost saving measure could potentially reduce the amount of leased space the government occupies in coming years.
- However, at the same time, initiatives to reduce the space allocated per worker could potentially result in an increase in the number of employees working in owned buildings.

Figure 30: Government Owned Office Buildings in the Study Area, 2015

Building	Location	Occupiable SF for Office
Herbert Hoover Building (Commerce)	1401 Constitution Avenue, NW	990,00
E. Barrett Prettyman Courthouse	333 Constitution Avenue, NW	454,000
Court of Military Appeals	450 E Street, NW	19,000
Federal Trade Commission	600 Pennsylvania Avenue, NW	164,00
IRS	1111 Constitution Avenue, NW	689,000
Robert F. Kennedy Building (DOJ)	950 Pennsylvania Avenue, NW	597,000
William J Clinton Building (EPA)	1200 Pennsylvania Avenue, NW	487,000
J. Edgar Hoover Building (FBI)	935 Pennsylvania Avenue, NW	1,779,000
Ronald Reagan Building	1300 Pennsylvania Avenue, NW	3,100,000
EPA East	1200 Pennsylvania Avenue, NW	284,000
EPA West	1301 Constitution Avenue, NW	278,000
	Total	8,841,000

Source: GSA, National Capital Planning Commission

Office

Law firms make up the largest private employers in the Study Area. However, in recent years, a number of law firms have relocated to other parts of downtown, such as City Center.

Key factors affecting tenant decisions to leave the Avenue:

- Floor plates in many buildings along Pennsylvania are larger and deeper than modern office needs require. Many back office operations that typically filled interior spaces have moved off-site. As a result, tenants are interested in smaller floor plates.
- Renovating in place is challenging due to the age of the buildings and need for swing space. Thus, it is more cost effective for tenants to move to get the new, modern build outs they desire.
- New construction buildings generally have more glass and light than older building on Pennsylvania Avenue.
- Some property owners in the Study Area have been unwilling to renovate outdated space.
- Tenants are attracted to highly amenitized areas that offer places for workers to eat and shop.

Covington & Burling moved from 1201 and 1275 Pennsylvania Avenue to the new City Center development located at 11th and H Streets NW. The development includes more than 190,000 square feet of high-end shops and restaurants.

Figure 31: Recent Law Firm Tenants Moving Away from Pennsylvania Avenue

Attractions	Space Vacated (SF)	Space Backfilled (SF)*	Old Address	New Address	Date of Move
Covington & Burling	390,000	136,000	1201/1275 Penn. Ave, NW	One City Center	Dec. 2014
Miller & Chevalier	118,000	0	655 15th Street, NW	900 16th Street, NW	Dec. 2015
Norton Rose Fulbright	109,000	69,000	801 Penn. Ave, NW	799 9th Street, NW	2015
Nixon Peabody	92,000	33,000	401 9th Street, NW	799 9th Street, NW	June 2015
Total:	709,000	238,000			

**As of December 2015*
Source: Savills Studley, Jones Lang Lasalle, Washington Post

Office

Property owners are reinvesting in the Avenue when the economics are compelling.

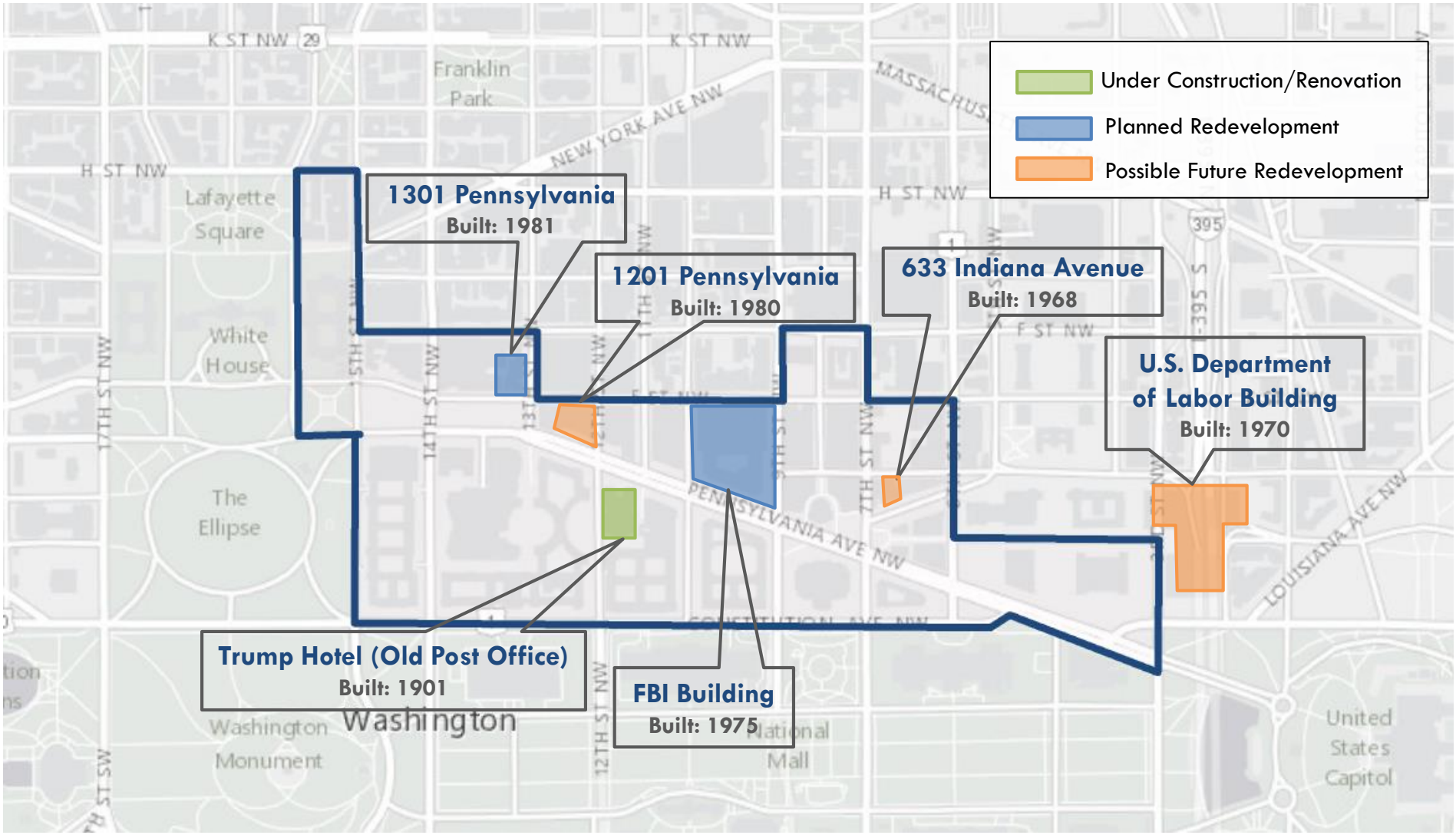
When complete 1301 Pennsylvania will be the first building with a glass façade on the Avenue.

Source: Washington Business Journal, Cushman & Wakefield

- The 1301 Pennsylvania Avenue office building is scheduled to begin redevelopment in the first quarter of 2016.
- When complete, the new building will be 283,000 square feet and have an entirely glass façade, the first such building along the Avenue.
- The building will be anchored by law firm Kirkland & Ellis. The firm will occupy 186,000 square feet, or about 66% of the total space in the building.
- Kirkland and Ellis is relocating from 655 15th Street, just outside the Study Area boundary near the White House.
- New development provides an opportunity to address many of the factors affecting tenants decisions to leave the Avenue.

Office

The Study Area has several current and future redevelopment opportunities.



Note: Buildings included under the possible future redevelopment category were done so based on age and vacancy or specific knowledge that the site is under consideration fro redevelopment.

Office

Conclusions and Implications

Regional office market demand has been sluggish in recent years due to sequestration, low job growth, and limited government activity. However, recent job growth numbers have been improving.	Office space in the near-term will face weak regional office market dynamics. New development or renovation of older space will likely be limited to opportunities where a potential tenant is secured ahead of time. Recent job growth may help spur some demand in the office market.
Office vacancy in the Study Area is elevated due to the move of select high profile tenants to other neighborhoods, but it still has the highest asking rents in the District.	Landlords may be forced to cut rents or upgrade buildings in order to re-lease space in their buildings and return vacancy to historical levels.
Pennsylvania Avenue is built out, leaving few opportunities for the construction of new office space.	The majority of new office space is being built in emerging neighborhoods adjacent to Downtown. Tenants seeking new space that are financially driven will likely look to those locations. Tenants such as law firms and lobbyists that value location will pay more to remain Downtown, but that market is competitive.
Much of the Pennsylvania Avenue office stock is aging and not up to date with current tenant preferences related to floor plate size, layout, general aesthetics, and amenities.	Aging buildings in the Study Area may struggle to compete with more modern Class A buildings elsewhere without some degree of renovation to modern office standards. Renovations taking place at Market Square and 1201 Pennsylvania suggest that there is market support for re-tenanting through renovation.

OFFICE MARKET ASSESSMENT

RETAIL MARKET ASSESSMENT

HOTEL MARKET ASSESSMENT

RESIDENTIAL MARKET ASSESSMENT

Retail

Almost all retail space along Pennsylvania Avenue is located on the northern side of the street. Exceptions to this are the retail space located in the Ronald Reagan Building and retail planned to open in the Trump Hotel in 2016.

Source: National Capital Planning Commission

Retail

Portions of Pennsylvania Avenue, notably Market Square and the area around the Willard and W hotels, have active retail and pedestrian activity. However, other parts of the Avenue lack an active and engaging environment.

The Newseum (left) as well as The Willard Hotel (right) represent areas of the Avenue that engage pedestrians and promote vibrancy along the Avenue.

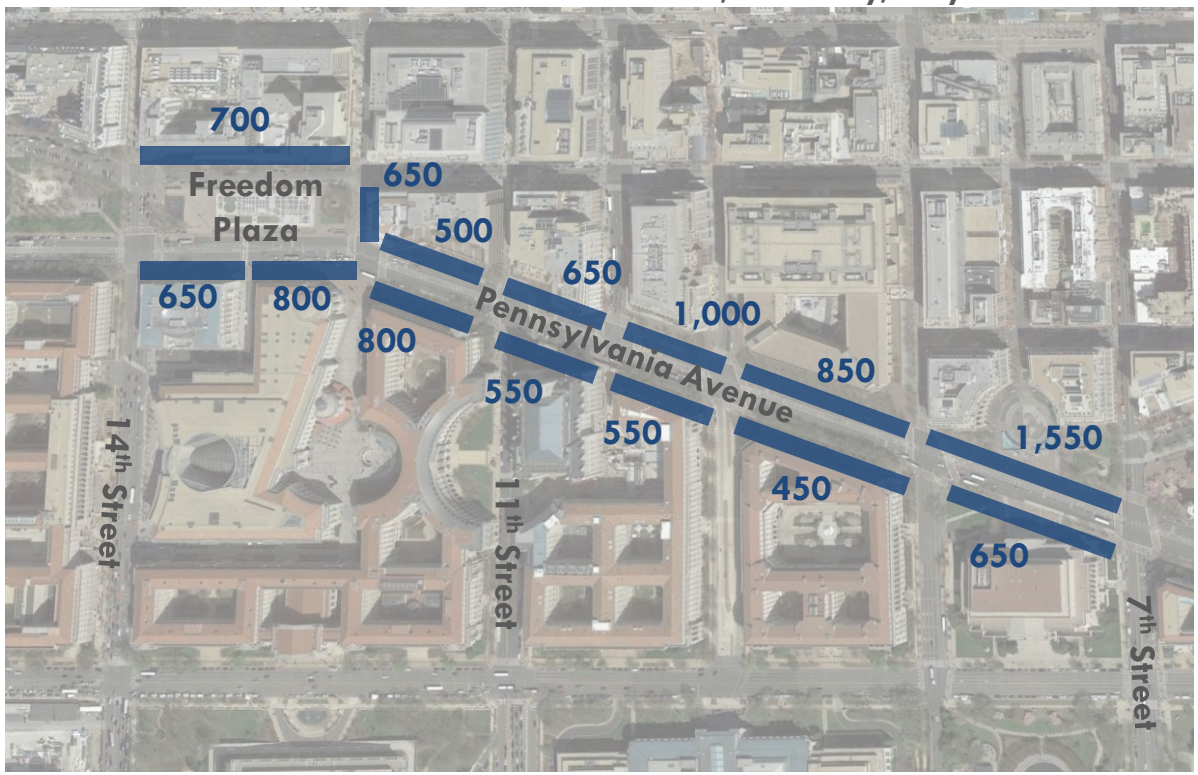
Other portions of the Avenue lack retail space that engages pedestrians and as a result, create discontinuity in activity along the Avenue.

Retail

Pedestrian activity along Pennsylvania Avenue is highest near Market Square and other nodes of retail activity.

- At peak times, there are approximately 1,550 pedestrians per hour at Market Square. This is well above surrounding areas of the Avenue and likely a product of successful retail and Metro station access there.
- Pedestrian counts along Pennsylvania Avenue are much lower than prime commercial corridors in the District. For example, during peak times, pedestrians passing through the intersection of 7th & H Street in Chinatown are just shy of 4,000 per hour and at Wisconsin & M Street in Georgetown are about 3,500 per hour.

Figure 32: Peak Hourly Pedestrians Per Block, Pennsylvania Avenue Between 7th Street and 14th Street, Weekday, July 2015



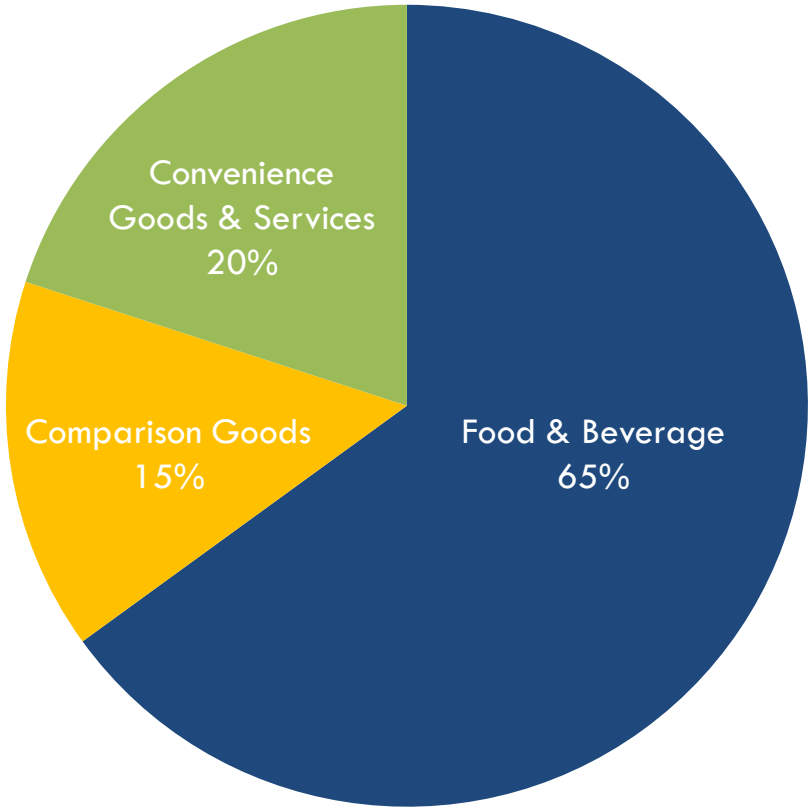
Note: Pedestrian counts for Pennsylvania Avenue were conducted by NCPC between the hours of 8am and 8pm and therefore do not include pedestrians on the Avenue in the early morning or late evening. Counts are rounded to the nearest 50.
Source: National Capital Planning Commission, District of Columbia Department of Transportation

Retail

The 572,000 square feet of retail space in the Study Area is dominated by food & beverage uses.

- The Study Area has been a successful location for restaurants, but struggles to attract a more diversified retail tenant base
- Food & beverage tenants account for 65% of total retail space in the Study Area, compared to 50% in all of Downtown.

Figure 33: Retail Space by Type, Study Area, 2015



Source: DowntownDC BID

Retail

High-end restaurants make up the largest retail type in the Study Area.

- There is 113,000 square feet of retail space in the Study Area occupied by high-end restaurants, or about 20% of the total retail space. These restaurants largely cater to surrounding office workers and some visitors.

Figure 34: Food & Beverage by Type, Study Area, 2015

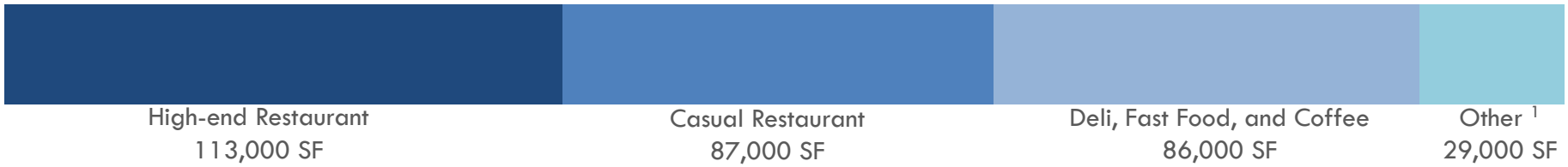


Figure 35: Comparison Goods by Type, Study Area, 2015

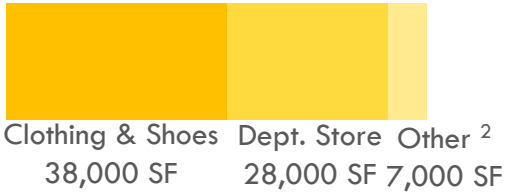
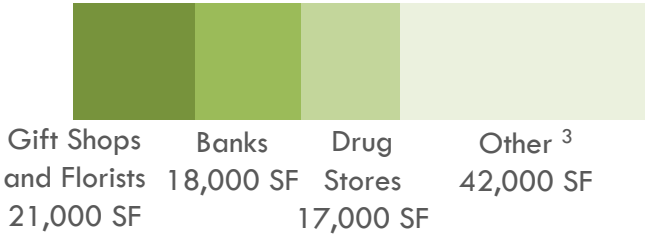


Figure 36: Convenience Goods and Services by Type, Study Area, 2015



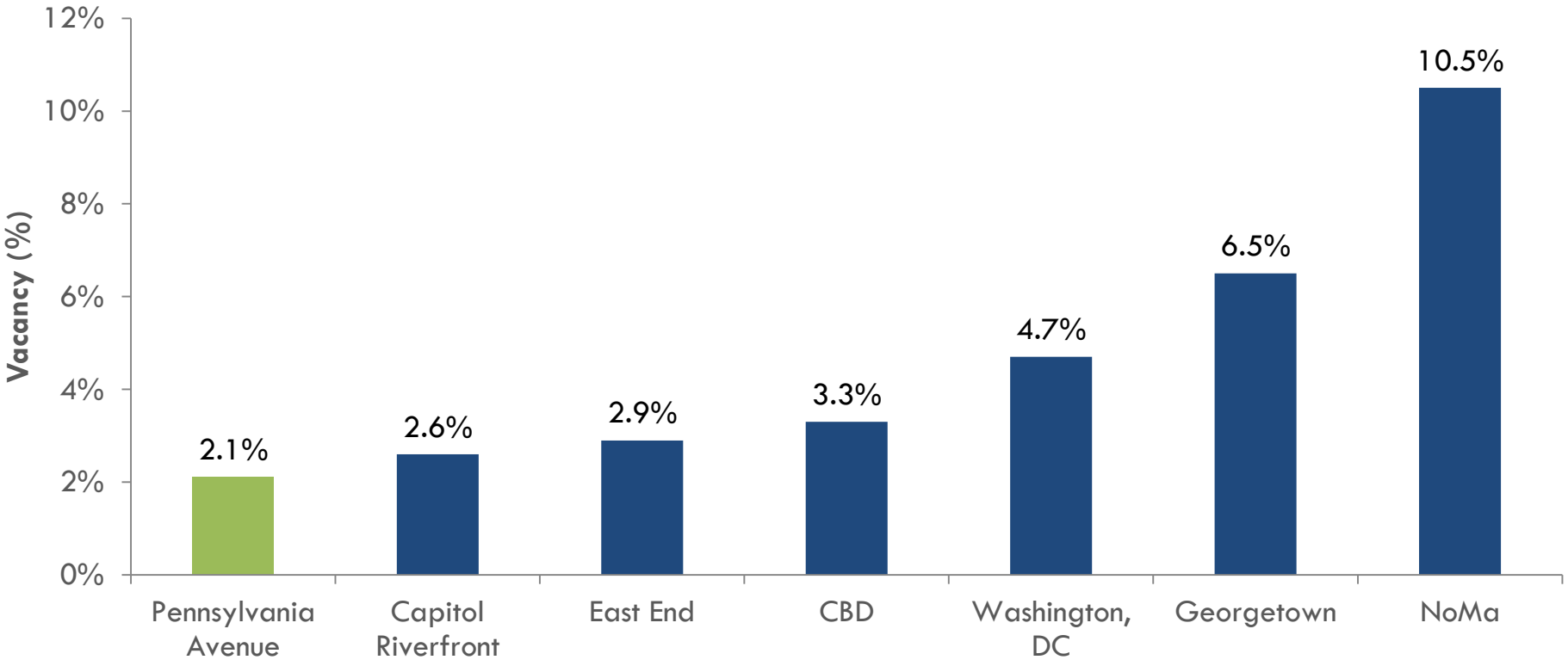
1 Includes bars, liquor stores, and food retail
2 Includes electronics stores, jewelry stores, and specialty stores
3 Includes hair salons, drycleaners, car rentals, and other services
Source: DowntownDC BID

Retail

Retail space in the Study Area is limited and vacancy is among the lowest in the District.

- Retail vacancy in the Study Area is 2.1% as of October 2015, well below the 4.7% vacancy of the District as a whole.
- The low vacancy rate may be partially a result of the limited amount of retail space in the Study Area relative to other submarkets.

Figure 37: Retail Vacancy Rate, October 2015



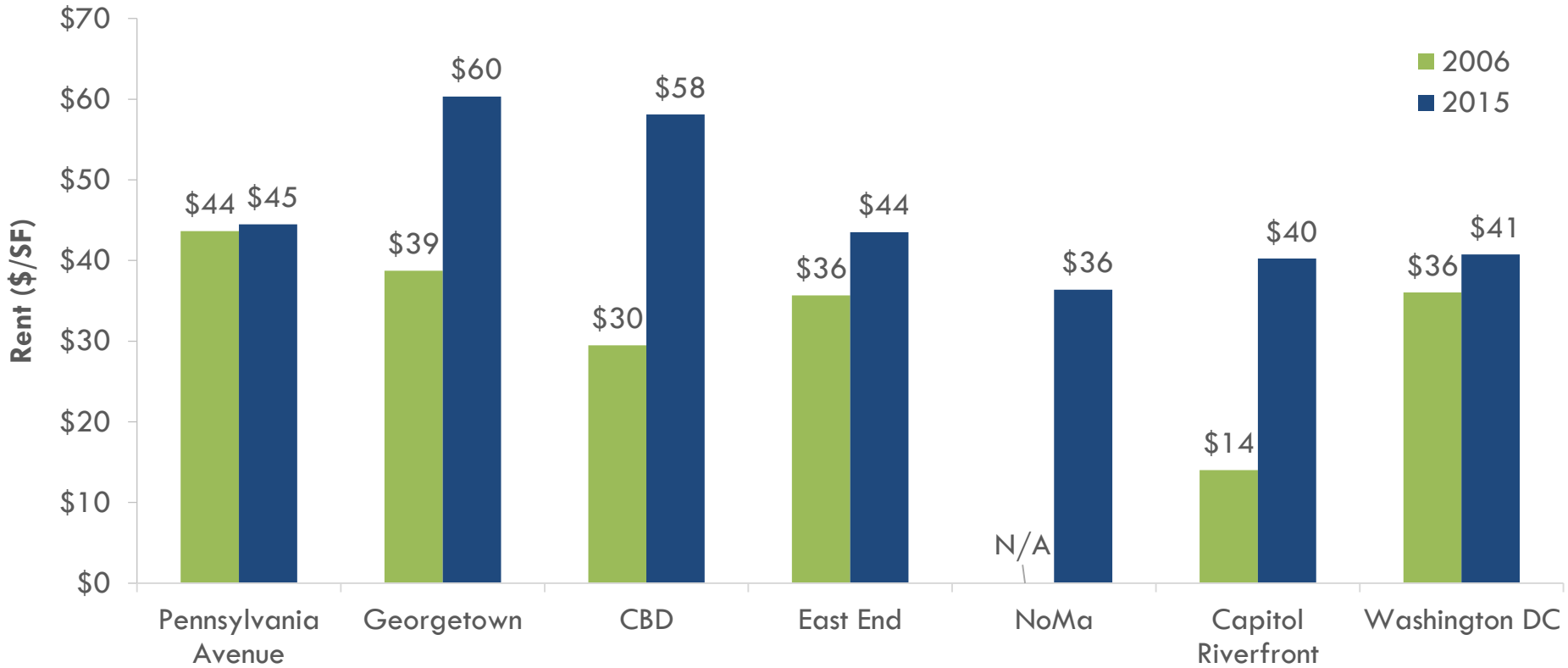
Note: Retail inventory data comes from CoStar, which may not include all retail development in its inventory total.
Source: CoStar

Retail

Retail rent growth along Pennsylvania Avenue has been flat since 2006, while rents have grown rapidly in other neighborhoods.

- Pennsylvania Avenue had higher average retail rents than any neighborhood in 2006, but now lags behind Georgetown and the CBD. Retail rents in Georgetown are now 33% higher than Pennsylvania Avenue and rents in the CBD are 29% higher.
- The pace of new retail construction is highest in emerging submarkets such as Capitol Riverfront and NoMa, where rents have grown rapidly in recent years.

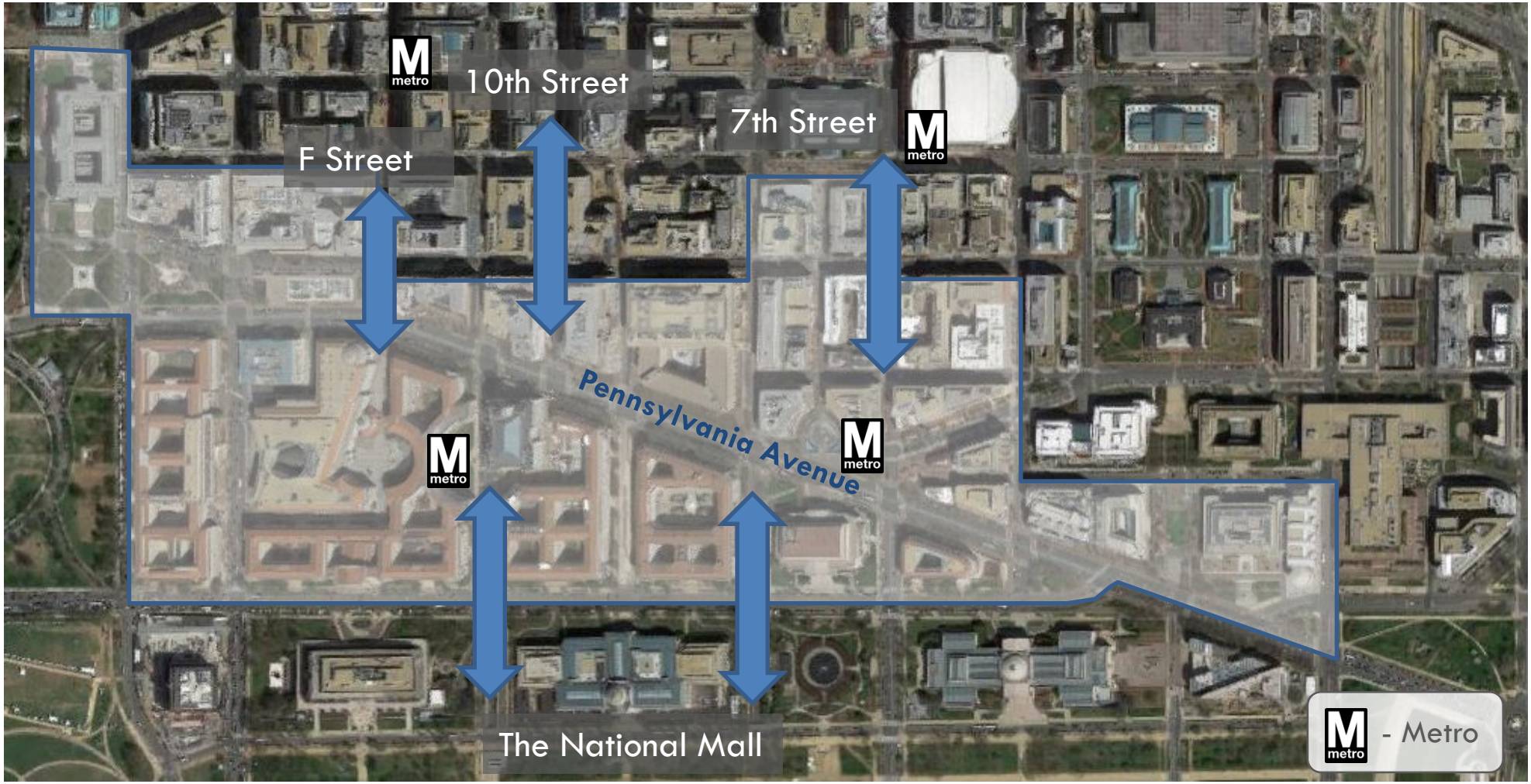
Figure 38: Comparison of Retail Rent Per Square Foot, 2006 and 2015



Note: Retail rents listed are NNN.
Source: CoStar

Retail

Pennsylvania Avenue is located in close proximity to successful commercial corridors and active nodes and has the potential to strengthen its linkages to surrounding areas.

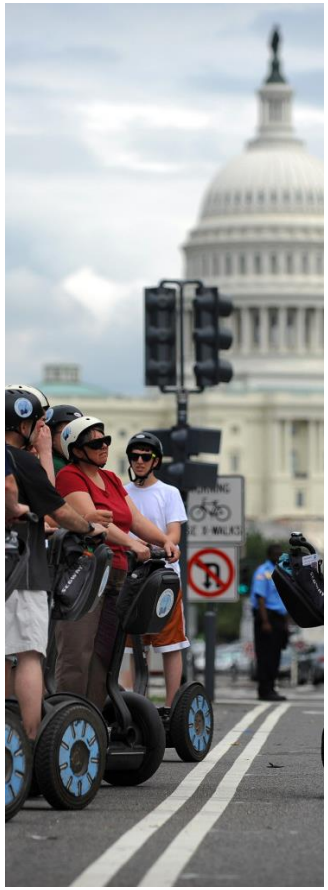


Retail Demand

Total retail spending in the Pennsylvania Avenue Study Area comes from four groups within or near the Avenue

Office Workers

Tourists/ Visitors



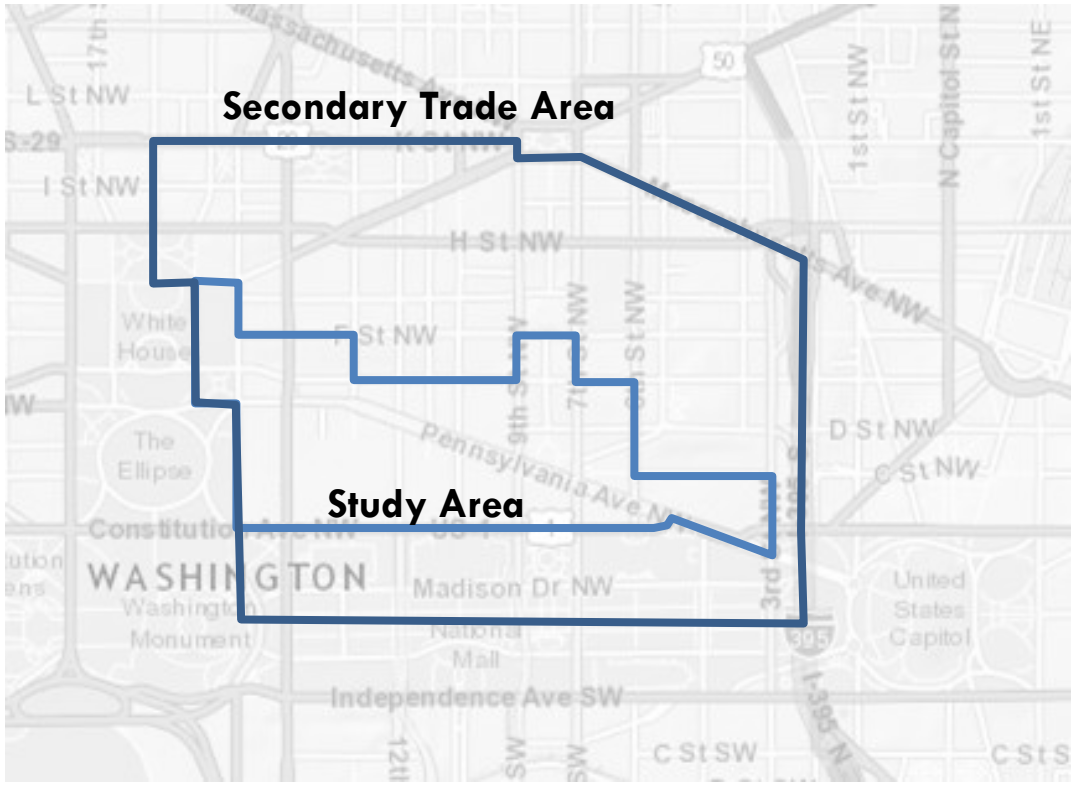
Downtown Residents

Regional Residents/ Daytrippers

Retail Demand

Potential office worker and resident shoppers for Pennsylvania Avenue retail are located in close proximity to the Study Area boundaries.

- The Study Area is used to define the trade area for "convenience goods" such as personal care stores or groceries that are more local in nature. Consumers typically make frequent trips for day-to-day consumption of convenience goods close to their place of home or work.
- An expanded Secondary Trade Area, defined by the boundaries of the National Mall to the south, White House to the west, K Street and Massachusetts Avenue to the north, and I-395 to the east, make up the market for "comparison goods" such as clothing, furniture, and electronics that draw people from beyond the local neighborhood. Consumers typically will make longer trips to purchase these goods. Consumers also travel this trade area to patronize full-service dining establishments. Because Downtown consumers have many options for comparison goods, this trade area is only slightly larger than the Study Area.



Study Area – Convenience Goods

- Health/Personal Care
- Grocery
- Limited Service Eateries
- Miscellaneous

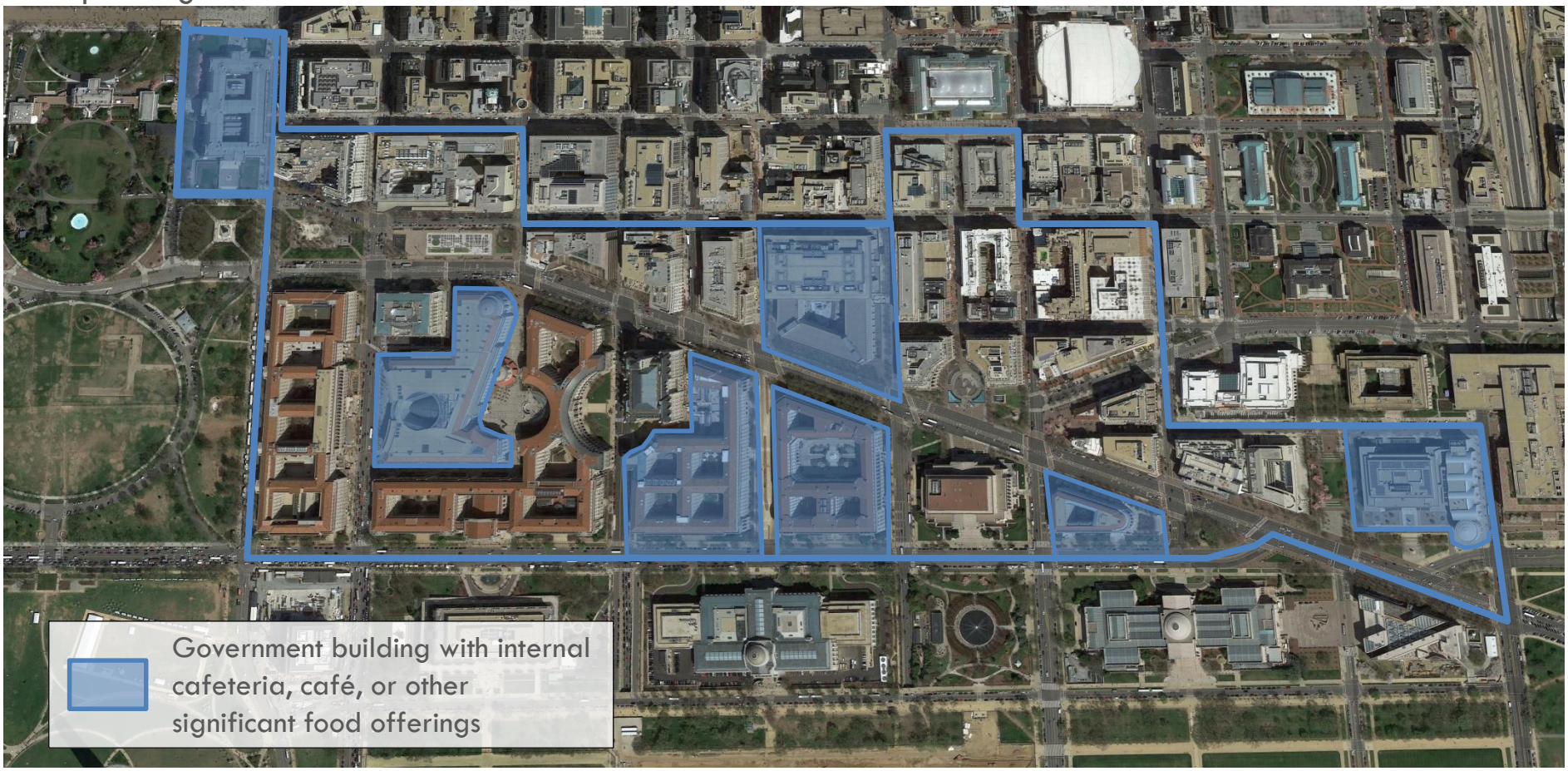
Secondary Trade Area

- Full-Service Restaurants
- Apparel
- Hobby, Books, Music, Sports
- General Merchandise
- Home Furnishing
- Electronics

Retail Demand

Workers: Retail demand by workers is reduced by cafeterias and other food and convenience services provided within Federal office facilities.

- Federal workers make up more than half of 54,000 workers in the Study Area.
- There are seven Federal buildings with full service cafeterias or cafes in the Study Area. Additionally, remaining Federal buildings in the Study Area have snack bars and other food offerings.
- The Reagan Building is the only Federal facility with food services open to the public.
- While additional data is required, it is likely that these capture a meaningful share of worker food spending.



Retail Demand

Residents: The secondary trade area for retail includes more than 6,400 residents.

- Residents in the retail trade area are wealthy and have a higher median income than the city as a whole. Median household income is more than $98,000 per year.
- In addition to being wealthy, trade area residents are also highly educated. Eighty-one percent of residents have at least a college degree and 50% have a masters or professional degree.
- The trade area is comprised primarily of "Metro Renters," a demographic group characterized as highly educated, single, mobile renters who value urban life.

Secondary Trade Area

Residential Characteristics, 2015	
Population	6,448
Households	3,997
Median Household Income	$98,229
Median Age	33.5
% With College Degree or Higher	81%

Segmentation Profile, 2015	
Metro Renters	66%
Laptops & Lattes	24%

Source: ESRI Business Analyst

Retail Demand

Visitors: Proximity to national attractions make visitors an important component of spending potential in the Study Area.

15.2 Million

Total Individual Visitors to the eastern end of the National Mall in 2014

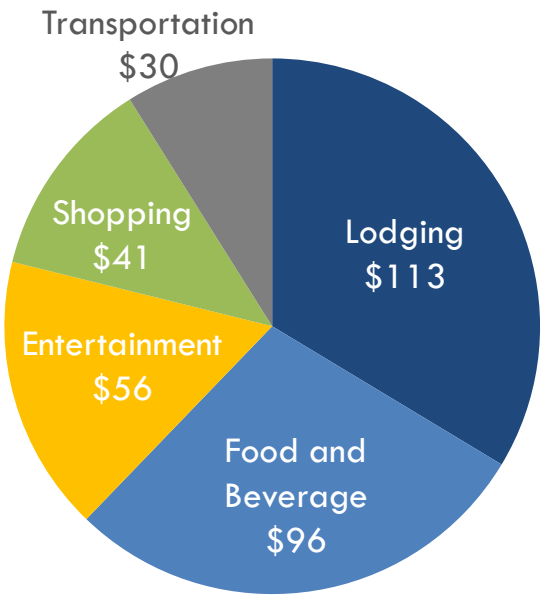
12.3 Million

Overnight Visitors

2.4 Million

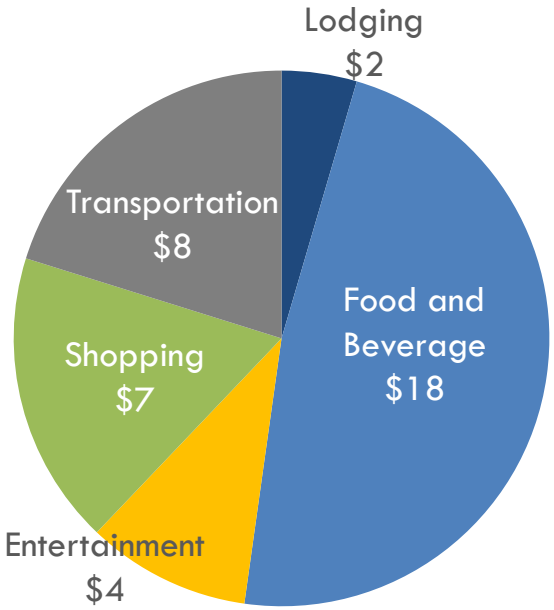
Regional Resident / Daytrip Visitors

Figure 39: Average Spending Per Overnight Visitor, 2014



Total Spending Per Visitor = $337

Figure 40: Average Spending Per Daytrip Visitor, 2014



Total Spending Per Visitor = $39

Note: Individual visitation to the National Mall is estimated by HR&A using National Park Service survey data and annual attendance at sites on the Mall
Source: Destination DC, National Park Service

Retail Demand

The combined annual retail spending potential of all consumer groups in the Pennsylvania Avenue trade area is $2.2 Billion.

Visitors	Workers	Residents	Regional/ Daytrippers
12.3 Million $1,693 Million	98,700 $354 Million	6,400 $78 Million	2.4 Million $71 Million

Total Pennsylvania Avenue Spending Potential

$2.2 Billion Spending Potential

Total Pennsylvania Avenue Spending

$217 Million Existing Sales

Total Retail Gap

$2.0 Billion

Retail Demand

Looking more closely at the retail gap, spending potential exceeds sales numbers by a large margin in a number of food related categories. The largest retail gap is in food services categories, which are driven by visitors and workers.

Retail Category	Spending Potential (Millions)	Existing Sales (Millions)	Retail Gap (Millions)	Primary Driver	Secondary Driver
Full Service Dining	$717.6	$94.4	$623.2	Visitors	Workers
Limited Service Dining	$643.5	$29.1	$614.4	Visitors	Workers
Grocery Stores	$71.0	$4.9	$66.1	Workers	Residents
Bars and Drinking Places	$10.1	$1.9	$8.2	Workers	Residents
Beer, Wine, & Liquor Stores	$1.1	$0	$1.1	Residents	Workers

Retail Demand

All non-food related retail categories in the Study Area have a retail gap, with the largest seen in health & personal care stores and clothing & accessories stores.

Retail Category	Spending Potential (Millions)	Existing Sales (Millions)	Retail Gap (Millions)	Primary Driver	Primary Driver
Clothing & Accessories	$228.5	$19.2	$209.3	Visitors	Workers
General Merchandise	$122.4	$33.1	$89.3	Workers	Visitors
Sporting Goods, Hobby, Books, & Music	$129.8	$4.2	$125.6	Visitors	Workers
Furniture & Home Furnishings	$8.0	$0.5	$7.5	Residents	
Miscellaneous Store Retailers	$91.8	$5.9	$85.9	Visitors	Workers
Health & Personal Care Stores	$170.2	$10.1	$160.2	Visitors	Workers

Retail Demand

Applying conservative capture rates, HR&A found significant support for new food related retail in the Study Area, particularly in full service and limited service dining.

			Supportable Retail Square Feet	
Retail Category	Retail Gap (Millions)	Capture Rate	Low	High
Full Service Dining	$623.2	4% - 8%	45,000 SF	89,000 SF
Limited Service Dining	$614.4	3% - 8%	39,000 SF	105,000 SF
Grocery Stores	$71.0	5% - 10%	4,000 SF	7,000 SF
Bars and Drinking Places	$8.2	5% - 10%	1,000 SF	1,000 SF
Beer, Wine, and Liquor Stores	$1.1	5% - 10%	0 SF	0 SF
Total Square Footage			89,000 SF	202,000 SF

Capture rates are a blended rate of potential demand from all shopping groups within the Pennsylvania Avenue study area.

Retail Demand

Applying conservative capture rates, HR&A found significant support for additional retail in the Study Area across a range of categories.

Retail Category	Retail Gap (Millions)	Capture Rate	Supportable Retail Square Feet	
			Low	High
Clothing and Clothing Accessories	$209.3	5% - 10%	16,000 SF	33,000 SF
General Merchandise	$89.3	3% - 8%	13,000 SF	34,000 SF
Sporting Goods, Hobby, Books and Music	$125.6	4% - 8%	21,000 SF	42,000 SF
Furniture and Home Furnishings	$7.5	5% - 10%	2,000 SF	4,000 SF
Miscellaneous Store Retailers	$85.9	10% - 15%	41,000 SF	61,000 SF
Health and Personal Care Stores	$160.2	10% - 15%	20,000 SF	30,000 SF
Total Square Footage			133,000 SF	204,000 SF

Retail

Conclusions and Implications

Retail vacancy along the Avenue is low, but rent growth has been flat and no new retail space has been built in recent years. At the same time, retail offerings have expanded significantly in other neighborhoods which has given consumers more options.	To compete, retail along Pennsylvania Avenue needs to be differentiated in the market and be highly visible.
Retail on Pennsylvania Avenue is concentrated around Market Square and, to a lesser extent, around the Willard. The lack of retail on the southern side of Pennsylvania Avenue contributes to lower pedestrian traffic and a feeling a discontinuity in commercial activity along the corridor.	The width of the Avenue will always be challenging. Retail should be clustered at key nodes. The addition of retail in the south side could help, but it will need to be highly visible.
There is unmet demand for all retail categories in the Study Area, particularly for food services and other miscellaneous store types that market to workers and tourists. However, physical constraints and a lack of connectivity to surrounding nodes of activity prevent the Study Area from reaching its full retail potential.	Given the size of the tourist market, the area could support more stores attractive to tourists such as clothing, books, hobbies, and general merchandise.
Cafeterias and other food services within government buildings on the Avenue aside from the Reagan Building are not open to the public and may deter workers from buy lunch outside their offices.	Changing the structure and accessibility of food services to target workers and tourists could drive activity and spending along Pennsylvania Avenue.

OFFICE MARKET ASSESSMENT

RETAIL MARKET ASSESSMENT

HOTEL MARKET ASSESSMENT

RESIDENTIAL MARKET ASSESSMENT

Hotel

The Study Area is a major hotel destination, with 20% of Downtown rooms. Hotels in the Study Area are high-end and among the most expensive in the District.

- Daily rates at hotels in the Study Area can push upwards of $550 during peak times. However, at the Hotel Harrington, which caters to a different market than other hotels in the Study Area, daily rates start as low as $140.

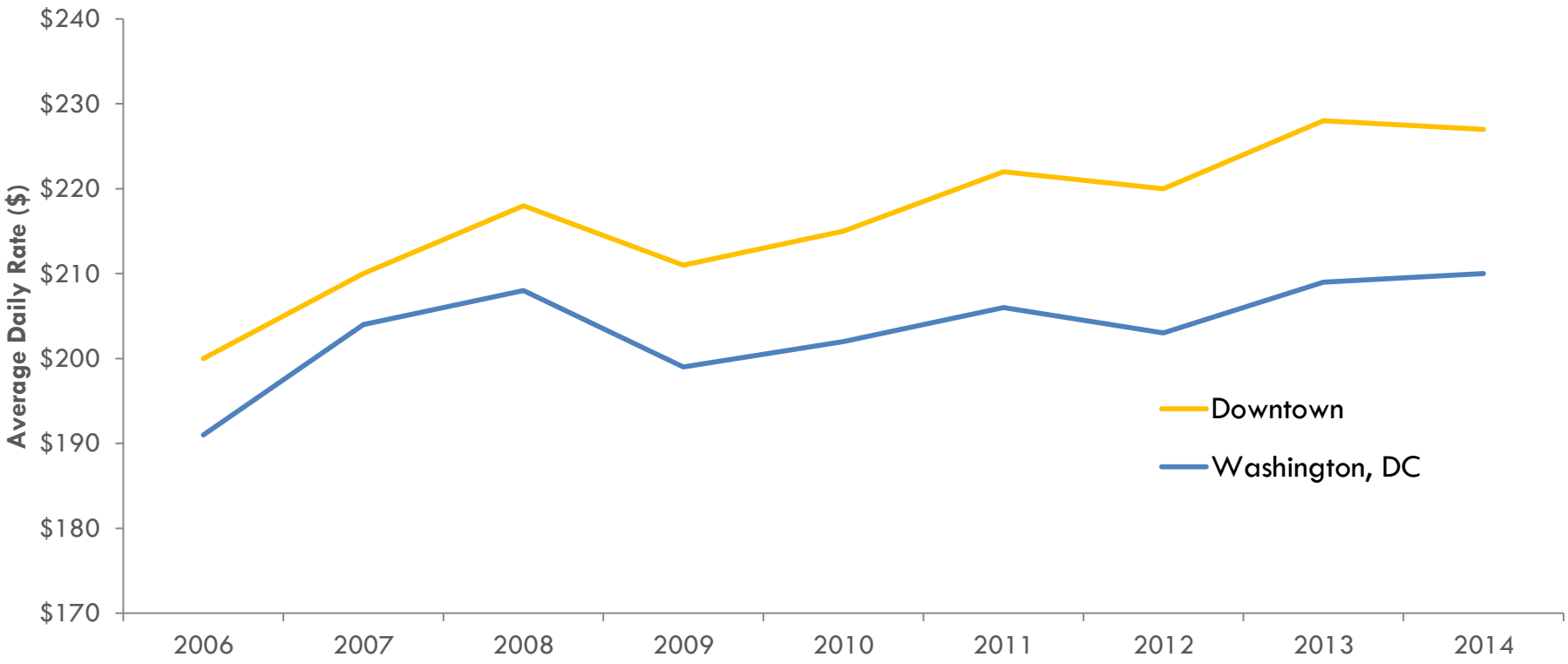
Note: Total rooms in the Study Area includes the Trump International Hotel under construction now and planned to open in 2016.
Source: Downtown DC BID, Smith Travel Research

Hotel

The average daily rate for hotel rooms is higher Downtown than for the District as a whole.

- The average rate for Downtown hotel rooms was $228 per night in 2014, about even with rates in 2013 and well above the $200 per night average in 2006.
- Since 2006, the average daily rate has been slightly higher Downtown than in the District as a whole. The gap has widened in recent years, with the Downtown room average outpricing the city average by $ 17.

Figure 41: Average Daily Room Rate, Downtown and Washington, DC, 2006-2015



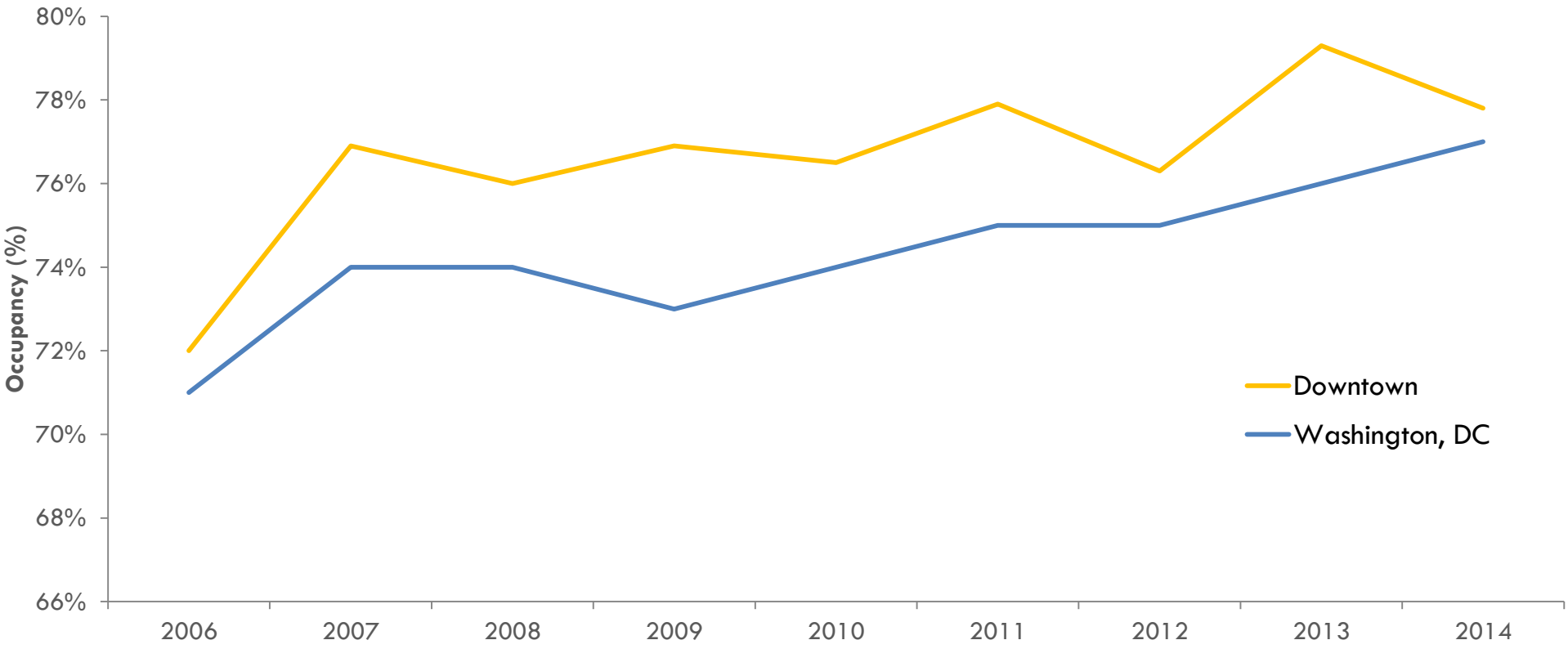
Note: Downtown is defined using the boundaries of the DowntownDC Business Improvement District
Source: Smith Travel Research, Downtown DC Business Improvement District, Destination DC

Hotel

Average hotel occupancy Downtown and in the District has steadily increased since 2006.

- Hotel occupancy was 78% in Downtown hotels in 2014. Although this is a slight decrease from 2013, when occupancy was 79%, occupancy has been an upward trend since 2006.
- Since 2006, occupancy has been slightly higher Downtown than in the District as a whole, enabling these hotels to command higher daily rates than the citywide average.

Figure 42: Average Hotel Occupancy, Downtown and Washington, DC, 2006-2015



Note: Downtown is defined using the boundaries of the DowntownDC Business Improvement District
Source: Downtown DC Business Improvement District, Smith Travel Research

Hotel

The Trump International Hotel, planned to open in 2016, will bring an additional 270 high-end hotel rooms to Pennsylvania Avenue.

- When it opens, the Trump Hotel will be the first building on the southern side of Pennsylvania Avenue not used primarily for government functions. Guests and visitors to the hotel will help to increase foot traffic on that side of the Avenue.

- Two restaurants will occupy space on the ground floor of the building, which will also help to increase foot traffic and enliven the streetscape. In total, the building will have 37,000 square feet of retail and food & beverage space.

- Average room rates in the hotel are expected to be among the highest in the city, attracting a high-end clientele to the Avenue. This could further bolster the potential for high-end retail on the Avenue.

Renderings show what the Old Post Office building will look like when it reopens as a hotel in 2016.

Source: Trump Hotel Collection

Hotel

Conclusions and Implications

Pennsylvania Avenue has a fairly significant concentration of high end hotel rooms, which will increase with the opening of the Trump International Hotel in 2016.

The opening of a new hotel along Pennsylvania Avenue affirms the Study Area as an important location in Washington, DC for visitors given its proximity to the White House and the Capitol Building.

Downtown hotels have outperformed hotels in the District with both higher occupancy and higher average daily rates.

Given the central location of the Study Area and strong performance of downtown hotels, there is potential for additional hotel space to be built in the future should space become available.

OFFICE MARKET ASSESSMENT

RETAIL MARKET ASSESSMENT

HOTEL MARKET ASSESSMENT

RESIDENTIAL MARKET ASSESSMENT

Residential

There are 1,420 residential units in the study area in nine properties.

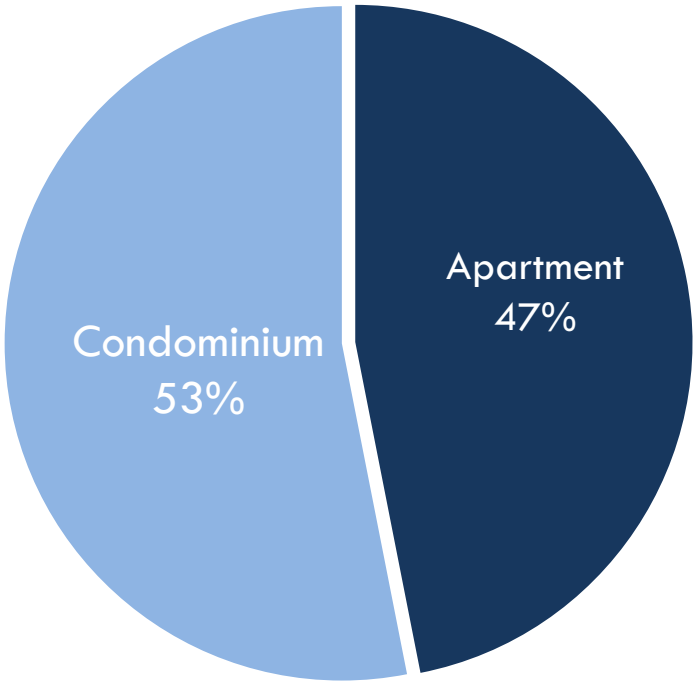
- Residential units within the Study Area are located in nine properties and consist of a mix of rental apartments and for-sale condo units.
- There are slightly more (53%) owned condominium units in the Study Area than rental apartment units (47%).
- All housing in the Study Area was built between 1991 and 2007.

Figure 43: Summary of Multifamily Units in the Study Area

Building	Type	Units
Newseum Residences	Apartment	135
The Lansburgh	Apartment	385
The Lexington at Market Square	Apartment	137
The Residences at Historic Row	Apartment	9
Residences at Market Square East	Condo	105
Residences at Market Square West	Condo	105
The Clara Barton	Condo	255
The Lafayette	Condo	179
The Pennsylvania	Condo	110
Total		1,420

Source: CoStar

Figure 44: Ownership Structure of Residential Units in the Study Area

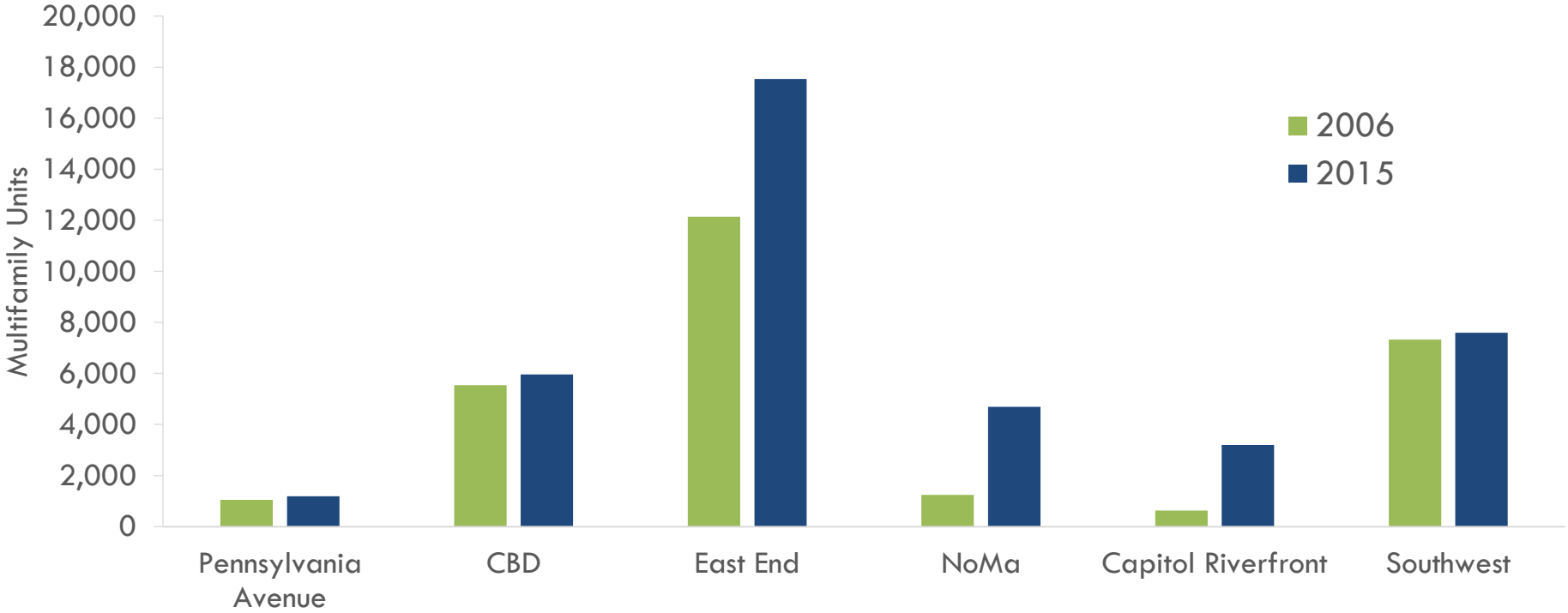


Residential

Residential growth has shifted to emerging submarkets adjacent to Downtown.

- The only units built in the Study Area since 2006 are the Newseum Residences, which opened in 2007.
- The CBD, which like Pennsylvania Avenue is primarily viewed as an office district and is largely built out, also saw little construction of residential space in the past ten years.
- The East End submarket, which includes neighborhoods such as Chinatown, Mt. Vernon Triangle, and parts of Logan Circle and Shaw, has seen total residential inventory increase by almost 5,400 units since 2006. This is the most of any submarket in the District.

Figure 45: Inventory of Multifamily Units by Submarket, 2006 and 2015



New Units Built:	135	428	5,399	3,456	2,572	264

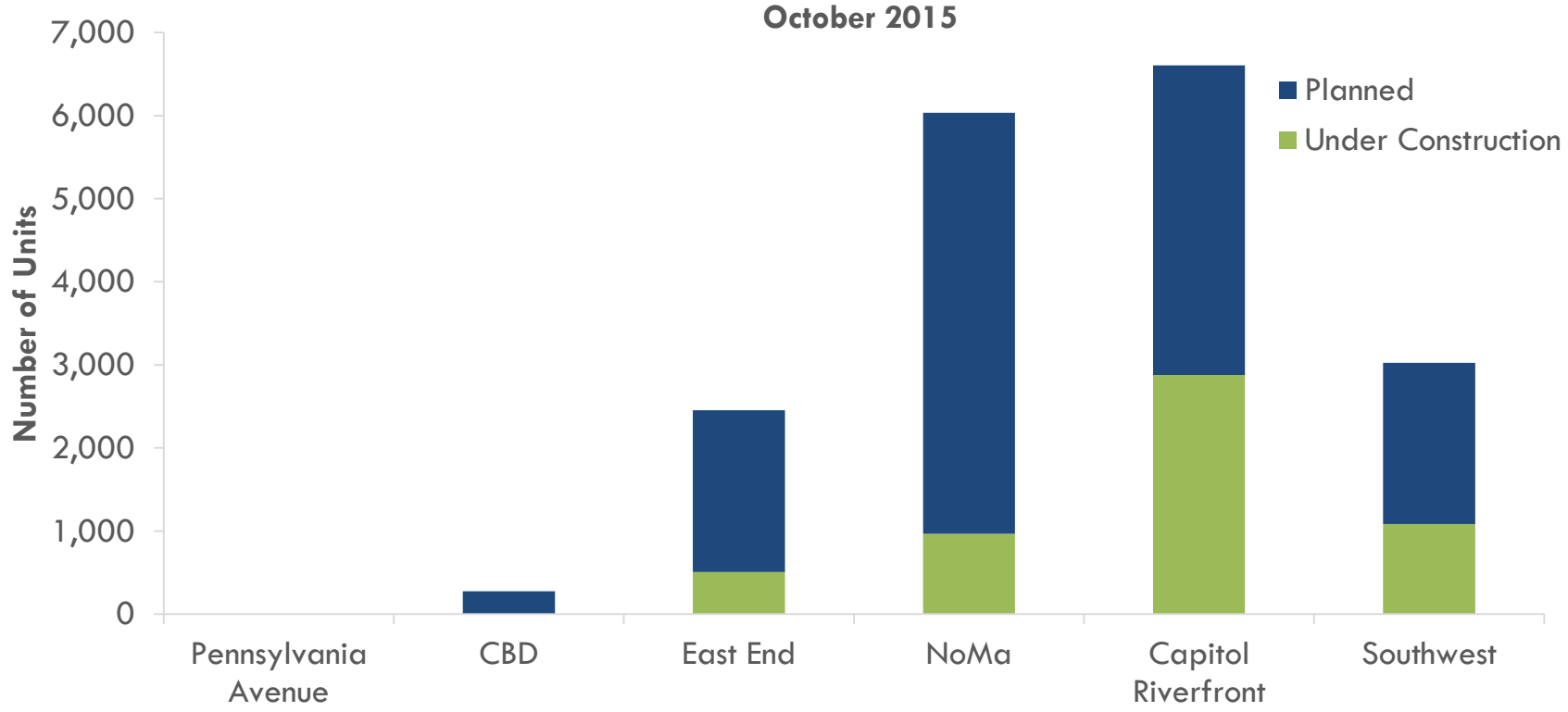
Source: CoStar

Residential

There are no residential units under construction or planned in the Study Area.

- As is true with buildings constructed in recent years, the majority of new and planned construction is taking place in emerging submarkets adjacent to Downtown.
- Almost all units under construction and planned in the East End are located north of Massachusetts Avenue, the traditional boundary of Downtown. Little future residential construction is planned for Downtown.
- There are more the 6,600 units in Capitol Riverfront and 6,000 units in NoMa that are under construction or planned, well above the total for any other submarket.

Figure 46: Residential Units Under Construction and Planned by Submarket, October 2015



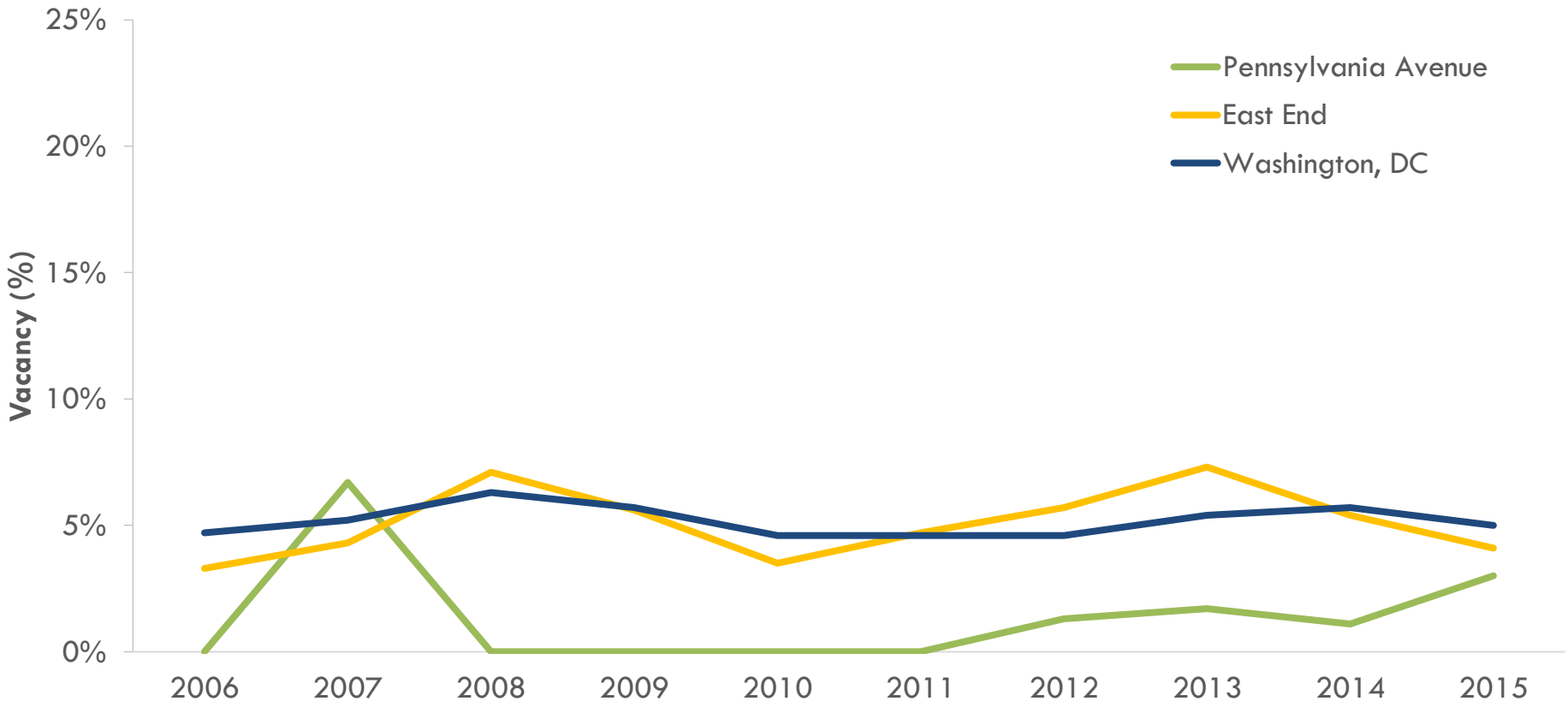
Source: CoStar

Residential

Apartment vacancy rates have been very low in the Study Area since 2008, suggesting there is demand for additional residential space.

- Vacancy in the Study Area is 3.0% as of October 2015. Although vacancy has risen slightly between 2011 and 2015, it is still below the citywide average
- At many points in recent years, there has been 0% vacancy in the Study Area.
- Vacancy rates in the Study Area have been below vacancy rates in the larger East End submarket in every year except for 2007.

Figure 47: Apartment Vacancy Rates 2006-2015



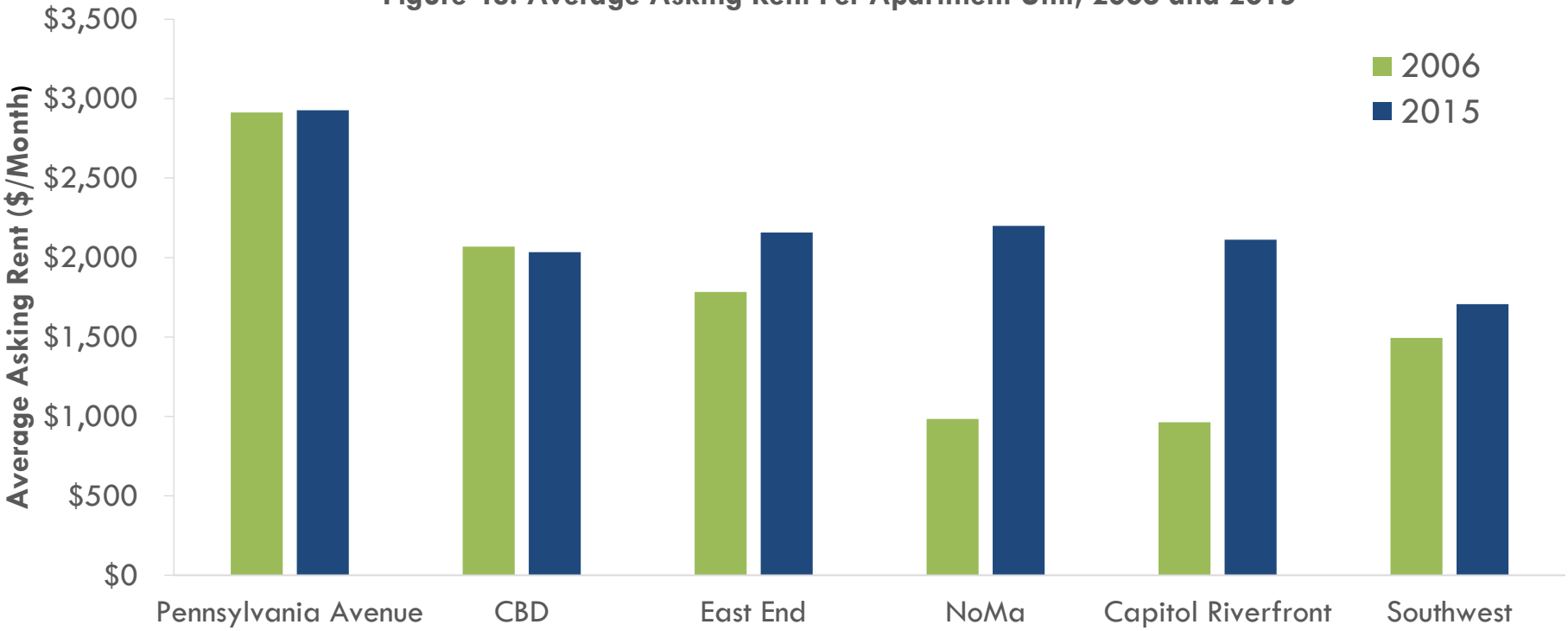
Source: CoStar

Residential

Rents along Pennsylvania Avenue are high but have not changed since 2006.

- Rent growth in the Study Area has been flat since 2006 while other submarkets have seen significant growth in pricing.
- Although rents have changed little since 2006, apartments in the Study Area still garner higher rents than any submarket in the District, averaging $2,900 per month per unit.
- The NoMa submarket has had the highest rent growth since 2006, increasing 124% to an average rent of $2,200 per month per unit.

Figure 48: Average Asking Rent Per Apartment Unit, 2006 and 2015



% Change:	0.5%	-2%	21%	124%	119%	14%

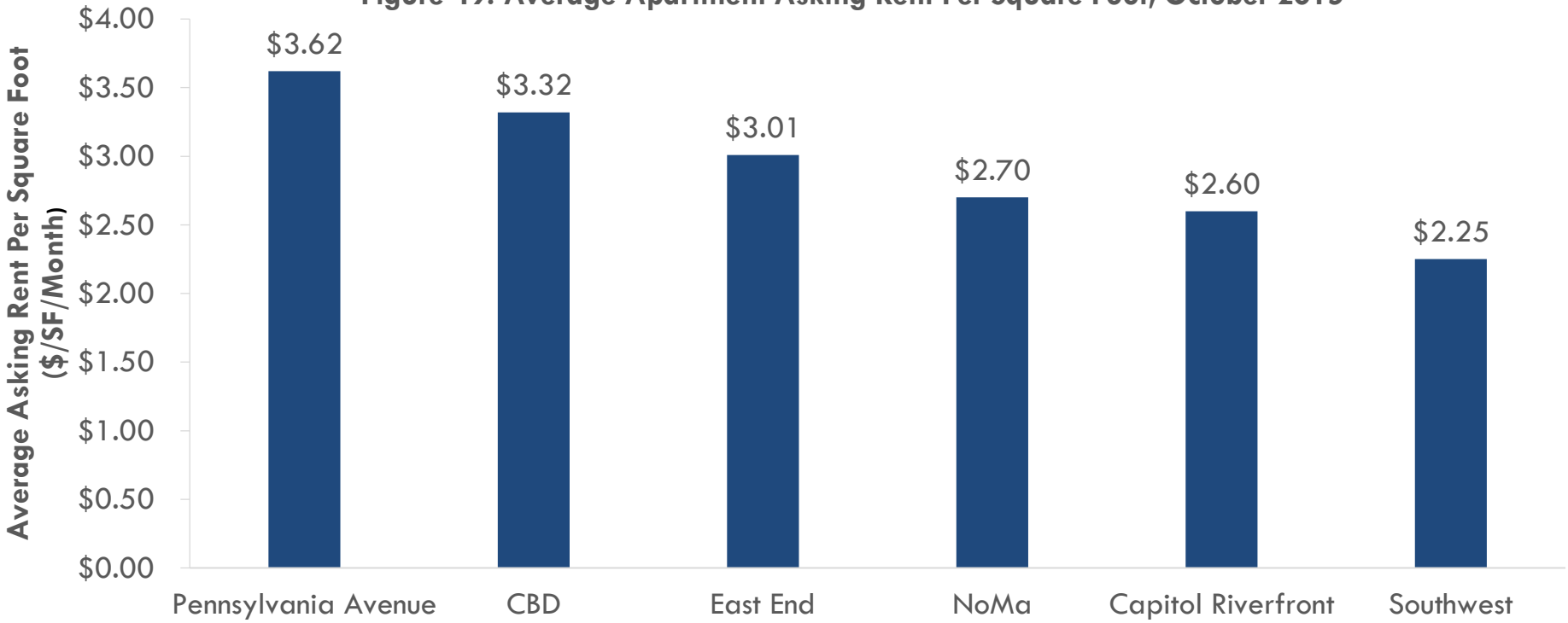
Source: CoStar

Residential

The Study Area has the highest asking rent per square foot in the District.

- Current asking rent per square foot averages $3.62 in the Study Area, higher than any other submarket in the District.
- High rents in the Study Area are likely a product of limited supply and a desire by residents for urban downtown living. Residents are willing to pay a premium to live in the Study Area.

Figure 49: Average Apartment Asking Rent Per Square Foot, October 2015



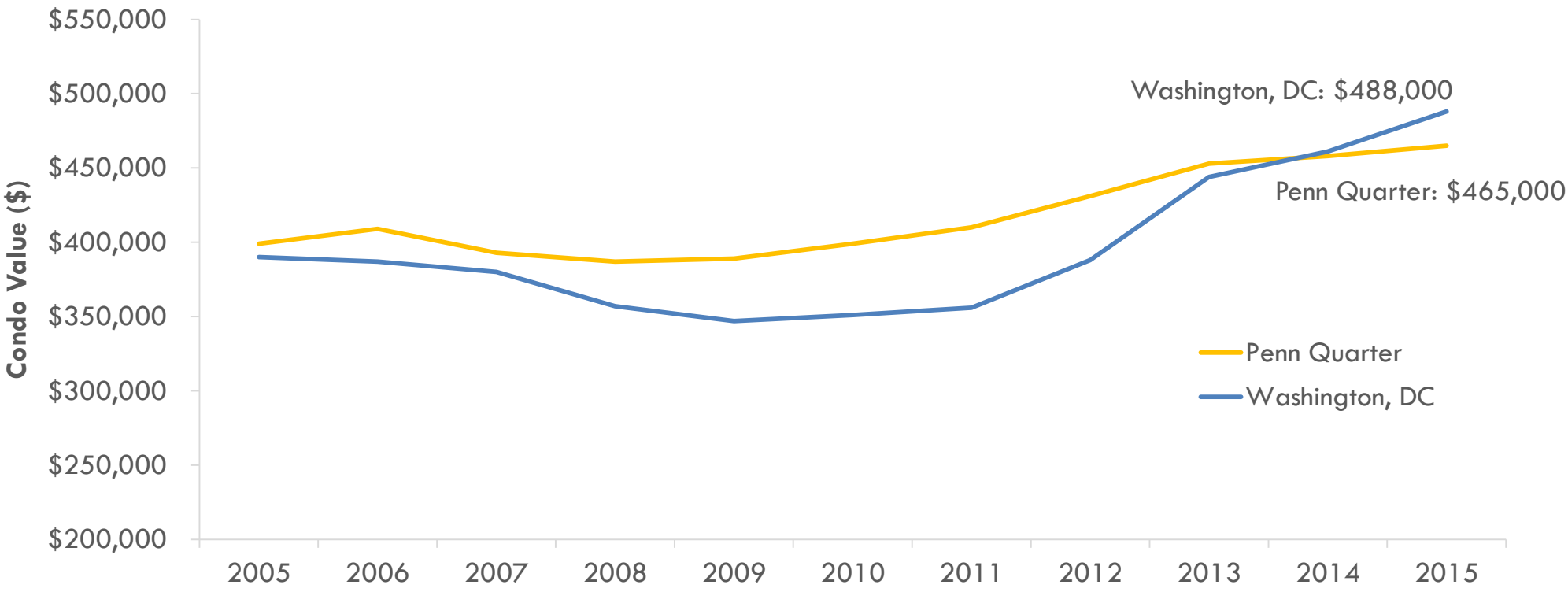
Source: CoStar

Residential

Median condo value in Penn Quarter, which includes all buildings in the Study Area as well as others nearby, have been outpaced by the District as a whole in 2015.

- After seeing a decline in value during the Great Recession, for-sale home values have risen continuously in Penn Quarter since 2009. The median home value in the neighborhood is $465,000 as of October 2015.
- Value gains in Penn Quarter in recent years have been outpaced by the district as a whole, where for the value of for sale condo units averaged $488,000 as of October 2015.

Figure 50: Median Housing Value, Condo, 2006 - 2015



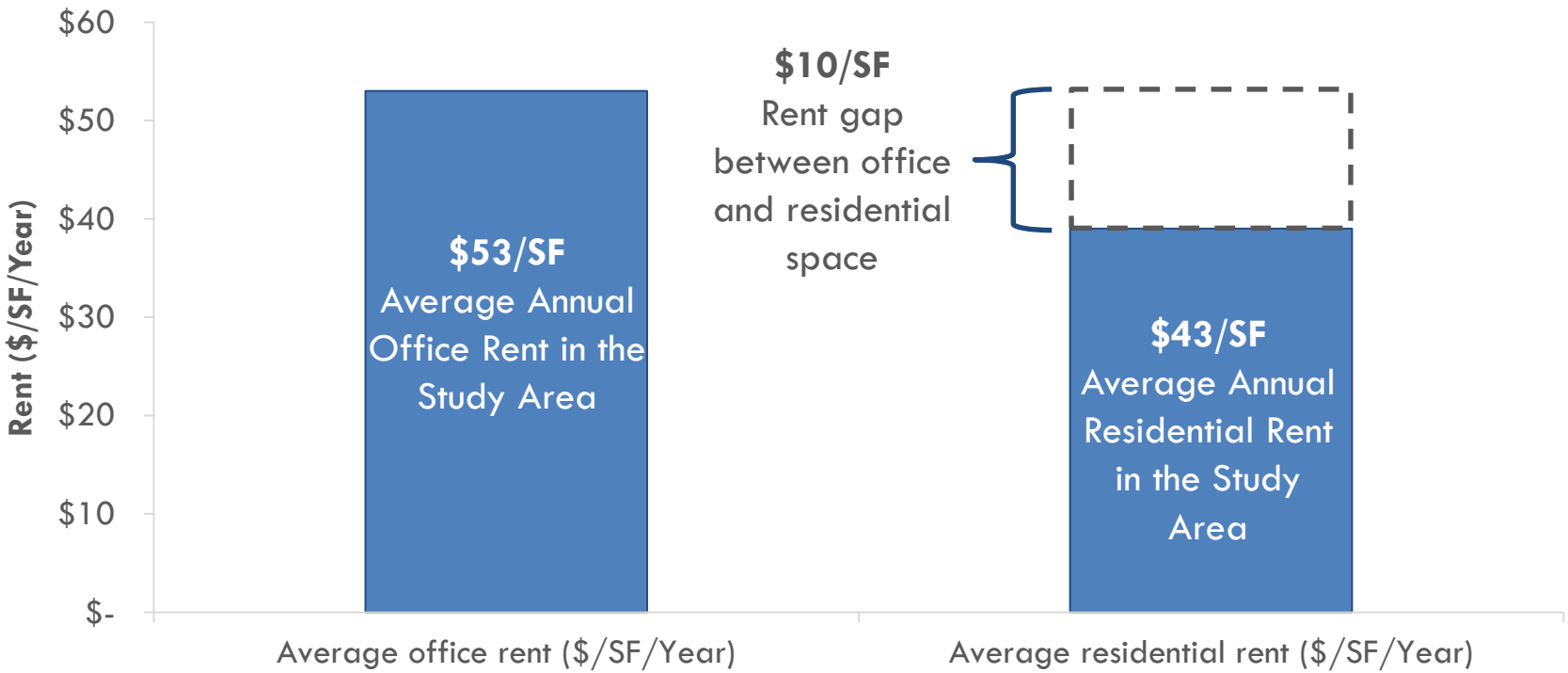
Source: Zillow

Residential

Current Downtown market conditions favor the construction or renovation of office space, which makes the construction or conversion of residential space difficult without some type of incentive or policy.

- Average office rents are $10/SF higher than residential rents in the Study Area. The decreased profitability, as well as necessary costs to renovate a space for conversion, make residential conversion unlikely to occur organically under market conditions.
- Aside from economic forces, some variables such as building design and building floor plate size can also pose challenges to residential conversion.
- The only financially viable residential would be at the very high end of the market, similar to The Residences at City Center.

Figure 51: Value Difference in Office and Residential Properties in the Study Area, October 2015



Source: CoStar

Residential

While there are some office to residential conversions taking place in areas that have a smaller gap between residential and office values, market conditions in the Study Area prohibit this type of activity.

1255 22nd Street
Current: 109,000 SF of office space
Planned: 80 apartment units

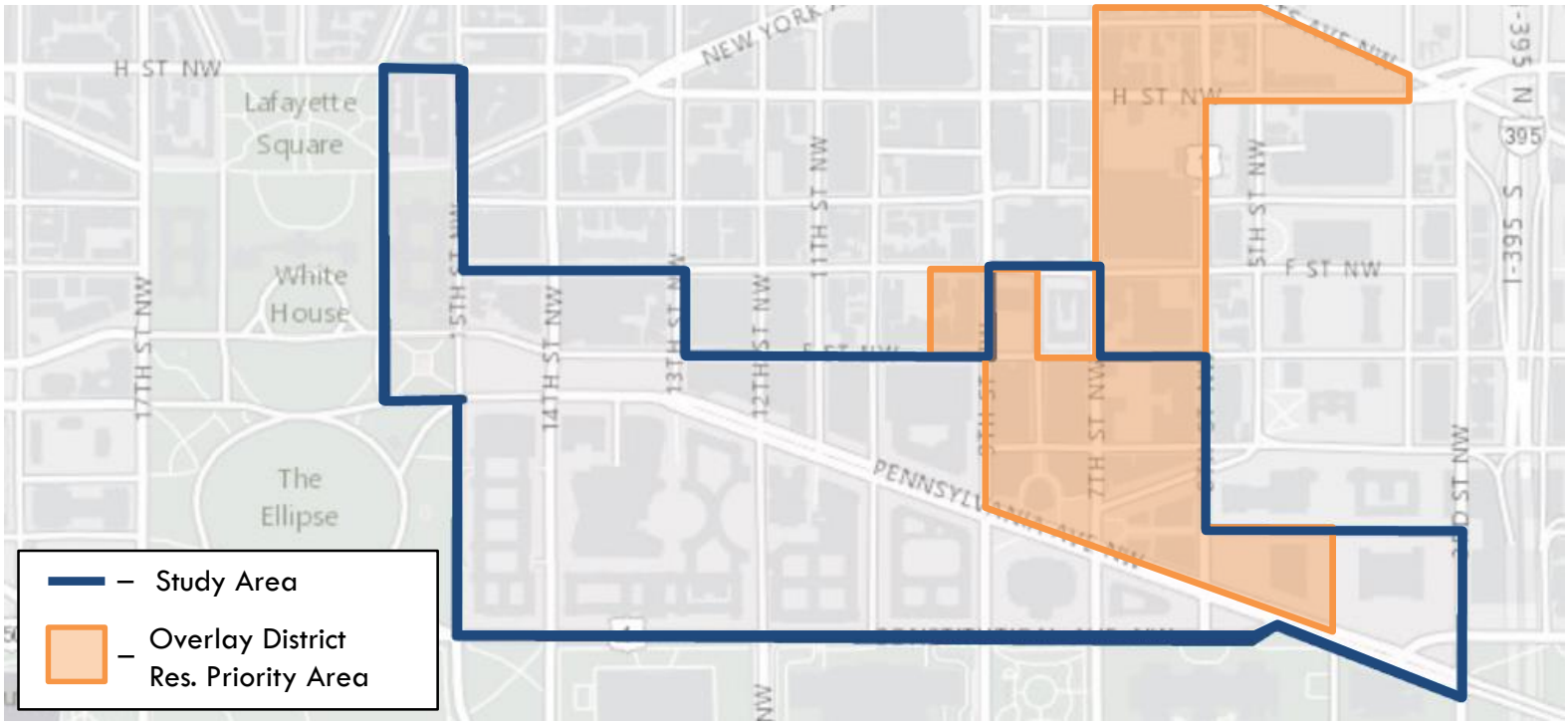
2501 M Street
Current: 100,000 SF of office space
Planned: 60 condo units and 11,000 SF of retail

Source: Washington Business Journal, UrbanTurf

Residential

Much of the existing residential space in the Study Area was built as a result of the Downtown Development Overlay District, which requires the construction of residential space in certain portions of Downtown.

- Codified within city zoning as part of the Downtown Development Overlay District and still in place today, the residential priority area was established in 1991 by the DC Office of Zoning with the goal fostering a mix of uses in downtown properties and creating a "living downtown".
- Eastern portions of the Study Area around Market Square lie within the Housing Priority Area of the Overlay District.
- Without these requirements, much of the residential space in the Study Area would likely not have been built.
- The portions of the Study Area that include residential space are also the most vibrant spaces in the corridor, suggesting that the Overlay District was successful in its goals.



Residential

While the Downtown Development Overlay District requires residential space to be built in designated housing priority areas, it also provides incentives to make development of residential space more financially attractive.

- Parcels in the residential priority area are required to allocate a Floor Area Ratio (FAR) of 3.5 to residential space in any newly constructed building. All residential requirements must be met either on-site or off-site at another location within the Overlay District.
- All incentives from the District with this policy are density based. In exchange for building residential space, the Overlay District grants bonus density and transfer development rights (TDR's) to developers for the residential space they build.
- All residential space built in the Study Area generates two SF of TDR's for the builder for every one SF of residential space built. The TDR's can then be applied as bonus density to designated receiving zones within the City.

Market Square (above), which contains residential space on upper floors, and The Clara Barton (below) were both constructed within the Housing Priority Area of the Downtown Development Overlay District.

Note: Further information on this policy will be included as part of the economic framework strategies task.
Source: DC Office of Zoning

Residential

Conclusions and Implications

Multifamily market fundamentals in the study area are strong. Vacancy is low and rents are high relative to other neighborhoods in the District. There are currently no residential units under construction or planned for the Study Area

Market fundamentals in the multifamily market suggest that there is additional demand for residential space downtown that is not currently being met. However, higher profitability from other uses and lack of space in the Study Area prevents additional units from being built.

Although residential asking rents for apartments are high relative to the rest of the District, they cannot match office rents. Market factors still favor the construction of office space.

Construction of new residential space or conversion of office space to residential is unlikely in the Study Area unless the units are at the very high end of the market.

The majority of residential units in the Study Area are a product of housing requirements and incentives put in place with the Downtown Development Overlay District. Without the Overlay District, there would likely be little residential use at all within the Study Area.

Any desire for additional residential use elsewhere in the Study Area will likely require a similar type of policy to be put in place.

CONCLUSIONS

Key Real Estate Products/ Assessment	Office	Retail	Residential	Hotel	Culture/ Entertainment
Key findings on economic conditions in the Pennsylvania Avenue Study Area	The departure of a few large tenants has resulted **in high vacancy, but landlords have not yet lowered asking rents** to attract tenants.	The Study Area struggles as a retail district due to **lack of connectivity to nearby nodes of activity** due to long blocks and non-continuous retail spaces. Additionally, there is limited existing space along the Avenue to build critical mass.	The **residential market is a small component of the study area real estate portfolio**, but what is there performs better than average for comparable products.	The Study Area is a **desirable hotel location** due to its centrality to business and tourist destinations. Average daily rates and occupancy of downtown hotels are higher than the District as a whole.	The Study Area **has a concentration of cultural venues serving regional residents and tourists that is a strong anchor.** These venues attract visitors to parts of the area in evenings and on weekends.
Drivers of demand for economic activity	Prospective tenants are seeking updated spaces and modern layouts. Primary tenants in the Study Area include **law firms, government affairs offices, trade associations, and the Federal government.**	Retail demand is primarily **driven by out of town visitors and nearby workers.** Spending potential suggests demand for an additional 220,000-400,000 SF of retail space, if positioned correctly.	The continuing preference for downtown living by millennials and empty nesters, which comprise a significant percentage of the population, supports **continued strong demand for residential.**	Metrics such as average occupancy and daily room rate indicate healthy demand for hotel rooms in the Study Area, **driven by business travelers and tourists.**	**Record numbers of tourist visits and a growing city and regional population** area provide strong demand for cultural and entertainment uses.
Real estate supply	There is **little space available for new construction due to the Study Area being built out.** However, some renovations to outdated buildings are occurring to make them more attractive to tenants.	Retail supply and tenanting is limited by lack of area identity. The existence of significant unmet spending potential in the Study Area with limited new retail supply planned suggests that there is also **a lack of *perceived* demand** for new space. This may be a product of low pedestrian counts in certain segments of the area.	Residential supply is **constrained by market dynamics favoring development of office space.** Though residential rents are high, they cannot match office rents in the area. As a result, without a policy to incentivize or require residential space, it is more profitable to build office space in the area.	Hotel rooms in the Study Area are **primarily high-end**, with the exception of Hotel Harrington. Total inventory will increase with the opening of the Trump International Hotel in 2016.	There is an **existing concentration of cultural attractions in the Study Area** including attractions such as the Newseum, Old Post Office, and White House Visitor Center. Additionally, the Corridor is home to entertainment venues such as the National Theatre, among others. A number of Smithsonian museums are located just outside the Study Area on the National Mall.
Impact of public realm	**Metro accessibility from five lines** at the Federal Triangle and Archives-Navy Memorial-Penn Quarter Metro stations makes the Study Area more attractive as a location for office space.	Retail uses are **inhibited by the wide street, long blocks, and lack of storefronts on the south side** of the Avenue.	Parts of the Study Area with residential space are **among the most active and vibrant locations.**	Open space near the Willard and W hotels **promotes street activity** at the western end of the Study Area.	A **lack of wayfinding** or clear signage hinders the ability of people, particularly visitors, to navigate between destinations in and adjacent to the Study Area.
Location along Pennsylvania Avenue	The **south side of Pennsylvania Avenue is predominantly government-owned office.** Private office space is spread throughout the remainder of the Study Area north of the Avenue.	There are **nodes of retail activity at Market Square, near the Willard and W hotels, and at the International Trade Center.** All three nodes are made up primarily by food and beverage offerings.	Residential space is currently **concentrated on the eastern end of the Study Area** near Market Square and the Newseum.	Hotels are **concentrated in the western end of the Study Area** close to the White House.	Attractions in the Study Area build on proximity to Smithsonian museums and the White House, with a **cluster of cultural and entertainment destinations surrounding Pershing Park and Freedom Plaza.** The Newseum serves as a cultural anchor on the east end of the Avenue.

Implications for the Future of the Study Area

Short Term (1-5 years)

- Because the Study Area is largely built out, actions involving new building construction or redevelopment will likely be limited to the medium and long term.
- There is currently demand for additional retail in the Study Area. However, physical constraints and poor linkages to surrounding areas limit the ability of the area to support this demand.
- Any new office development in the near-term will face challenging regional and citywide office market dynamics. The office market in the Study Area will seek to overcome elevated vacancy in the face of weak regional demand through renovation and re-tenanting of existing inventory.
- While demand exists for new residential development, it is unlikely that market dynamics between office space and residential space will support the development of new residential space without some type of policy or incentive.
- Pennsylvania Avenue is a very important visitor destination, supported by a cluster of hotels and proximity to the White House, Capitol Building, and other attractions. Near-term demand for hotel space will likely be met by the opening of the Trump International Hotel in 2016, which will add 270 upscale rooms to hotel inventory in the Study Area.
- There are successful existing nodes of vibrancy in the Study Area such as Market Square and the Willard/W hotels. Expanding retail in the Study Area requires building on these successes and seeking more opportunities to engage pedestrians.

Implications for the Future of the Study Area

Medium Term (5-15 years)

- As office buildings in the Study Area continue to age, redevelopment or conversion of outdated buildings will be necessary. Ensuring buildings meet the needs of tenants from a layout and design perspective will be critical in maintaining a strong office tenant base.
- With the ongoing diversification of the local economy, the attractiveness of the corridor to non-government or government-affiliated tenants may become more important.
- Given the large concentration of government employment, any actions by the Federal Government regarding space use or employment in the area will have a significant long term impact on the Avenue. For example, given efforts to reduce office footprints and locate in owned space, it is possible that the Government may lease less space in the Study Area. However, at the same time, it is possible that owned space in the Study Area may be occupied more densely as a result of these same efforts.
- Redevelopment of the Hoover Building could supply new retail amenities and help activate the corridor, building on its relationship to Market Square to extend that node of vibrancy along the Avenue. The addition of new residential uses at the Hoover site would also have significant impacts.
- Should the strong performance of downtown hotels continue, the Study area may be able to support additional hotel space in the future given the growing visitor market and its central location in the District.
- Residential demand will likely remain strong as projections indicate continued growth in the District's population in years to come. Should the market dynamics between office space and residential space become more level over time, there may be opportunity for residential development in the Study Area at the high end of the market.

Implications for the Future of the Study Area

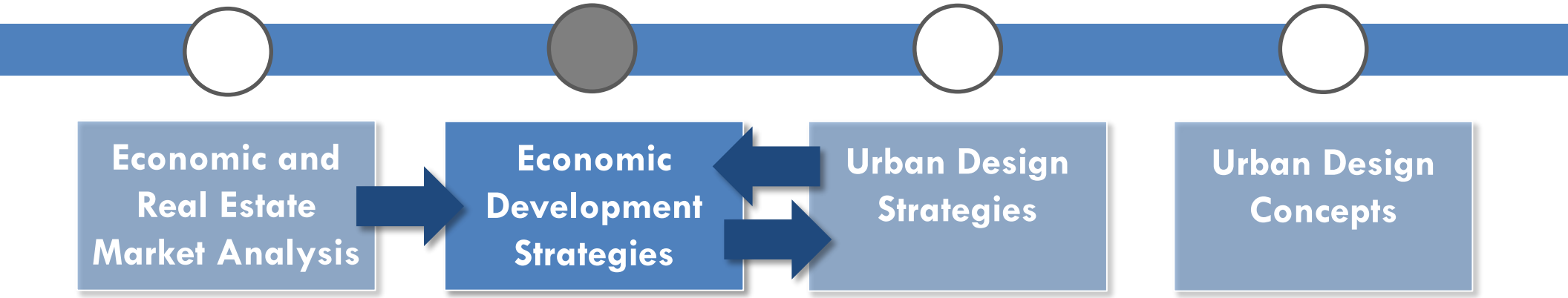
Long Term (15+ years)

- In the long term, office market prospects are strong. The Study Area's central location close to Capitol Hill, the White House, and downtown amenities make it an attractive location for office tenants that do business with or seek to influence the Federal Government.
- While there is potential for a live, work, and play environment that creates a vibrant corridor, the long term potential of this depends on the relative strengths of the office and residential markets impacting landlord economics and the decision to convert or redevelop buildings. Office rents will need to decrease in existing buildings relative to new competition in order for redevelopment to be attractive.
- The location of culture and entertainment venues within the Study Area will drive visitors to the area and support strengthening of the connection between the Avenue and adjacent areas of visitor activity.
- **The Economic Framework for the Avenue should provide flexibility to adapt to changing economic conditions over time because market conditions will continue to evolve.**

Next Steps

The goal of HR&A and Sasaki is to develop an economic and urban design framework that provides a vision for the future of Pennsylvania Avenue. With the information presented in this report as a foundation, HR&A will guide the development and recommendation of approaches for enhancing economic development prospects along the Avenue.

The development of economic development strategies will involve a collaborative approach based not only on the work presented in this report, but also with the initial design ideas from Sasaki.

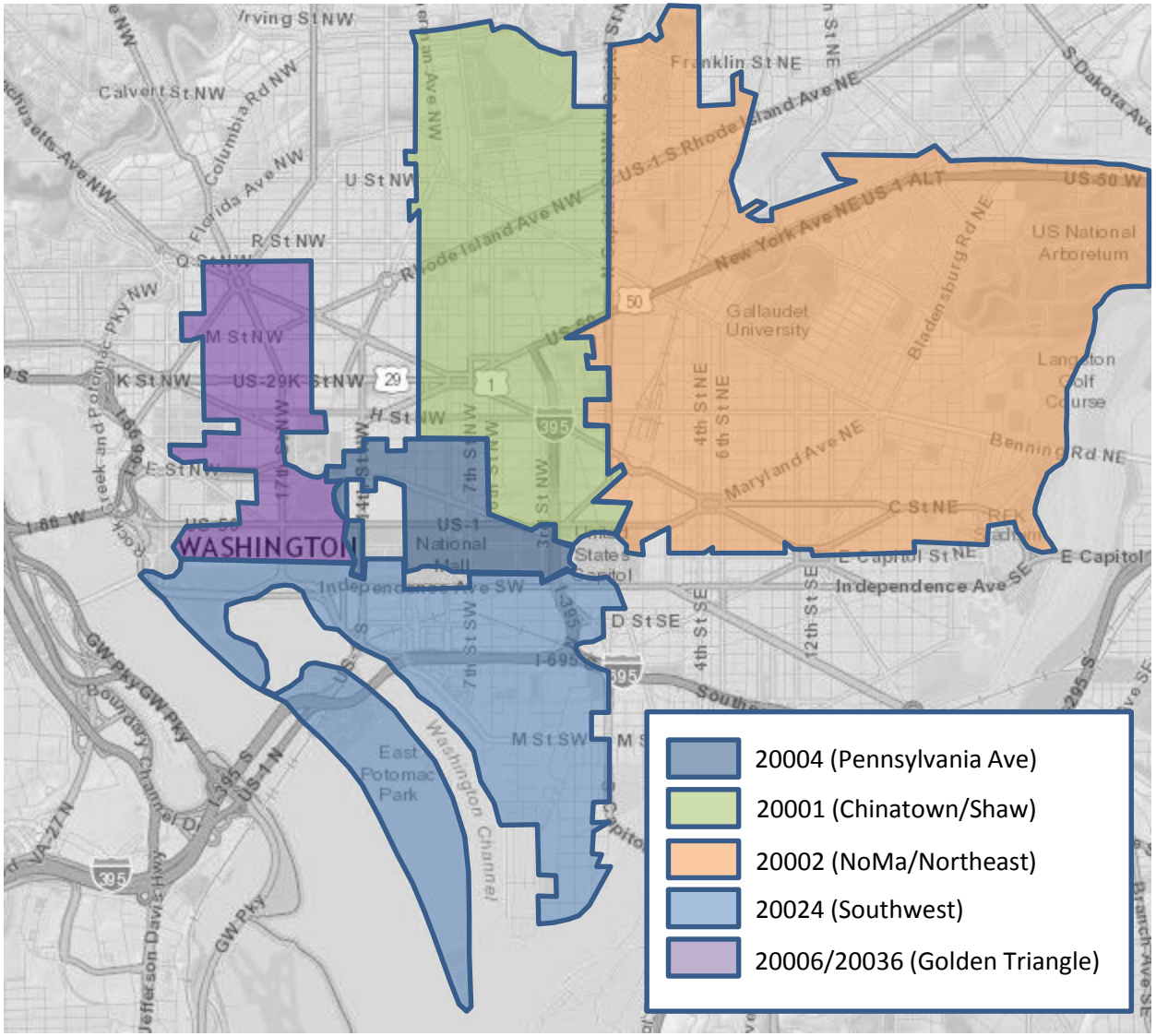


- Development and recommendation of strategies to enhance economic development efforts in the Study Area, taking into account findings of market analysis and initial urban design ideas.

APPENDIX

Appendix

Zip Code Map



Source: CoStar

Appendix

Retail spaces in the Study Area

Retail Occupant	Address	Category
The Occidental	1475 Pennsylvania Avenue NW	Dining
Café du Parc	1401 Pennsylvania Avenue NW	Dining
Pinea	515 15th Street NW	Dining
POV	515 15th Street NW	Dining
Round Robin Bar	1401 Pennsylvania Avenue NW	Dining
Greenworks Inc.	1455 Pennsylvania Avenue NW	Retail
Chas. Schwartz Jewelers	1400 F Street NW	Retail
The Willard Gift Shop	1401 Pennsylvania Avenue NW	Retail
Bliss Spa	515 15th Street NW	Service
Allous Salon	1424 F Street NW	Service
Vacant	1455 Pennsylvania Avenue NW	Vacant
Vacant (formerly Pershing Park Café)	14th & Pennsylvania Ave NW	Vacant
Avenue Grill	1331 Pennsylvania Avenue NW	Dining
Vacant (formerly Chef Geoff's Downtown)	1301 Pennsylvania Avenue NW	Vacant
The Corner Bakery	529 14th Street NW	Dining
1331	1301 Pennsylvania Avenue NW	Dining
Chicken Pl. Express	1331 Pennsylvania Avenue NW	Dining
Starbucks	1301 Pennsylvania Avenue NW	Dining
Starbucks	1301 Pennsylvania Avenue NW	Dining
5 Guys	1331 Pennsylvania Avenue NW	Dining
Moe's Southwestern Grill	1331 Pennsylvania Avenue NW	Dining
Press Liquors	527 14th Street NW	Dining
Hudson Deli	1301 Pennsylvania Avenue NW	Dining
A Slice of Italy Pizzeria	1331 Pennsylvania Avenue NW	Dining
Quiznos	1331 Pennsylvania Avenue NW	Dining
Grill Kabob	1331 Pennsylvania Avenue NW	Dining
Meiwah Express	1331 Pennsylvania Avenue NW	Dining
Takorean Tacon Grill	1331 Pennsylvania Avenue NW	Dining
Esprinto Café	1331 Pennsylvania Avenue NW	Dining
Kabuki Sushi and Teriyaki	1331 Pennsylvania Avenue NW	Dining
Dress Barn	1331 Pennsylvania Avenue NW	Retail
Marshall's	529 14th Street NW	Retail
Men's Wearhouse	529 14th Street NW	Retail

Source: DowntownDC Business Improvement District

Appendix

Retail spaces in the Study Area

Retail Occupant	Address	Category
Verizon Wireless	1331 Pennsylvania Avenue NW	Retail
JW Marriott Gift Shop	1301 Pennsylvania Avenue NW	Retail
Stars and stripes	1331 Pennsylvania Avenue NW	Retail
Today's News	1331 Pennsylvania Avenue NW	Retail
PNC Bank	1331 Pennsylvania Avenue NW	Service
D&D shoe repair	429 14th St NW	Service
Wells Fargo	1301 Pennsylvania Avenue NW	Service
Mario's Barber Shop	529 14th Street NW	Service
Tresses by Tris	529 14th Street NW	Service
Eve's Custom Tailor	529 14th Street NW	Service
Vacant	529 14th Street NW	Vacant
Vacant (formerly Soho Café)	1331 Pennsylvania Avenue NW	Vacant
Vacant	1331 Pennsylvania Avenue NW	Vacant
Vacant (formerly Office)	529 14th Street NW	Vacant
Vacant (formerly Dambine/Soho)	1331 Pennsylvania Avenue NW	Vacant
Vacant	1331 Pennsylvania Avenue NW	Vacant
Vacant (formerly PJ's Deli)	529 14th Street NW	Vacant
Aria Trattoria	1300 Pennsylvania Avenue NW	Dining
Au Bon Pain	1300 Pennsylvania Avenue NW	Dining
Market to Market	1300 Pennsylvania Avenue NW	Dining
Bassett's Original Turkey	1300 Pennsylvania Avenue NW	Dining
City Lights of China	1300 Pennsylvania Avenue NW	Dining
14th St. Deli	1300 Pennsylvania Avenue NW	Dining
California Tortilla	1300 Pennsylvania Avenue NW	Dining
Everything Yogurt & Salad	1300 Pennsylvania Avenue NW	Dining
Flamers	1300 Pennsylvania Avenue NW	Dining
Gelatissimo	1300 Pennsylvania Avenue NW	Dining
Great Wraps	1300 Pennsylvania Avenue NW	Dining
Kabuki	1300 Pennsylvania Avenue NW	Dining
Kelly's Cajun Grille	1300 Pennsylvania Avenue NW	Dining
Larry's Cookies and Ice Cream	1300 Pennsylvania Avenue NW	Dining
Quick Pita	1300 Pennsylvania Avenue NW	Dining
R & B Steak and Grill	1300 Pennsylvania Avenue NW	Dining

Source: DowntownDC Business Improvement District

Appendix

Retail spaces in the Study Area

Retail Occupant	Address	Category
Sbarro	1300 Pennsylvania Avenue NW	Dining
Smoothie King	1300 Pennsylvania Avenue NW	Dining
Subway	1300 Pennsylvania Avenue NW	Dining
Nook	1300 Pennsylvania Avenue NW	Dining
Saxby's Coffee	1300 Pennsylvania Avenue NW	Dining
UPS Store	1300 Pennsylvania Avenue NW	Retail
Variety Shop	1300 Pennsylvania Avenue NW	Retail
Connie's Nails	1300 Pennsylvania Avenue NW	Retail
One Stop News	1300 Pennsylvania Avenue NW	Retail
City Gifts & Souvenirs	1300 Pennsylvania Avenue NW	Retail
Segs in the City	1300 Pennsylvania Avenue NW	Service
Betty Brite Dry Cleaners	1300 Pennsylvania Avenue NW	Service
Vacant (formerly Quiznos)	1300 Pennsylvania Avenue NW	Vacant
Del Frisco's Grille	1201 Pennsylvania Avenue NW	Dining
Elephant & Castle	1201 Pennsylvania Avenue NW	Dining
Café Phillips	1275 Pennsylvania Avenue NW	Dining
Washington Wine & Liquor	1275 Pennsylvania Avenue NW	Dining
CVS	1275 Pennsylvania Avenue NW	Retail
Vacant (formerly United Bank)	1275 Pennsylvania Avenue NW	Vacant
Vacant	1275 Pennsylvania Avenue NW	Vacant
Fogo de Chao	1101 Pennsylvania Avenue NW	Dining
Harry's	432 11th Street NW	Dining
Harriet's Family Restaurant	432 11th Street NW	Dining
Ollie's Trolley	425 12th Street NW	Dining
West Wing Café	605 12th Street NW	Dining
Gift Shop	432 11th Street NW	Retail
Bright Horizons Child Care	1111 Pennsylvania Avenue NW	Service
Announced - BLT (Trump International Hotel)	1100 Pennsylvania Avenue NW	UC
Announced - Mar-a-Lago Spa (Trump International Hotel)	1100 Pennsylvania Avenue NW	UC
Trump International Hotel (Old Post Office Building) - UC	1100 Pennsylvania Avenue NW	UC
Central	1001 Pennsylvania Avenue NW	Dining
Tadich Grill	1001 Pennsylvania Avenue NW	Dining
Cosi	1001 Pennsylvania Avenue NW	Dining

Source: DowntownDC Business Improvement District

Appendix

Retail spaces in the Study Area

Retail Occupant	Address	Category
Au Bon Pain	1001 Pennsylvania Avenue NW	Dining
White Apron	445 11th Street NW	Dining
Peet's Coffee & Tea	1001 Pennsylvania Avenue NW	Dining
Coup de Foudre	1008 E Street NW	Retail
Newstand	1001 Pennsylvania Avenue NW	Retail
Bank of America	1001 Pennsylvania Avenue NW	Service
Cachet Hair Design	429 11th Street NW	Service
Dry Bar	1001 Pennsylvania Avenue NW	Service
FedEx Kinko's	419 11th Street NW	Service
Vacant (formerly Elisir)	427 11th Street NW	Vacant
Vacant (The Local Vine Cellar)	425 11th Street NW	Vacant
Vacant	421 11th Street NW	Vacant
Penn Social	505 9th Street NW	Dining
NoPa	800 F Street NW	Dining
Shake Shack	800 F Street NW	Dining
Bruegger's Bagel Shop	505 9th Street NW	Dining
Minibar	505 9th Street NW	Dining
Barmini	505 9th Street NW	Dining
Spy Museum Store	810 F Street NW	Retail
Social Reform fka Caucus Room	401 9th Street NW	Dining
Teaism	400 8th Street NW	Dining
Cedar	822 E Street NW	Dining
Teaism Shop	400 8th Street NW	Dining
Bank of Georgetown	822 E Street NW	Service
Vacant	860 E Street NW	Vacant
Vacant	840 E Street NW	Vacant
Plan B Burger	801 Pennsylvania Avenue NW	Dining
Protein Bar	701 Pennsylvania Avenue NW	Dining
Chop't	801 Pennsylvania Avenue NW	Dining
Market Square Cleaners	801 Pennsylvania Avenue NW	Service
Vacant	701 Pennsylvania Avenue NW	Vacant
Vacant	801 Pennsylvania Avenue NW	Vacant
701 Restaurant	701 Pennsylvania Avenue NW	Dining

Source: DowntownDC Business Improvement District

Appendix

Retail spaces in the Study Area

Retail Occupant	Address	Category
Pua Naturally	444 7th Street NW	Retail
Capitol One Bank	701 Pennsylvania Avenue NW	Service
Freeds Optical	801 Pennsylvania Avenue NW	Service
Navy Memorial Visitor's Center	701 Pennsylvania Avenue NW	Retail
Paul Bakery	801 Pennsylvania Avenue NW	Dining
Vacant	801 Pennsylvania Avenue NW	Vacant
Wells Fargo	801 Pennsylvania Avenue NW	Service
Poste Moderne Brasserie	555 8th Street NW	Dining
Hill Country BBQ	410 7th Street NW	Dining
Announced - China Chilcano	418 7th Street NW	Dining
Jaleo	480 7th Street NW	Dining
Red Apron Butchery	709 D Street NW	Dining
Austin Grill	750 E Street NW	Dining
The Partisan	709 D Street NW	Dining
MBK	405 8th Street NW	Dining
SEI	444 7th Street NW	Dining
CVS	435 8th Street NW	Retail
Illuminations Inc	415 8th Street NW	Retail
Dental Bug	703 D Street NW	Service
Golden Nails	700 7th Street NW	Service
Shakespeare Theatre Company	450 7th Street NW	Service
Vacant (formerly 8th Street Deli)	719 D Street NW	Vacant
Carmine's	425 7th Street NW	Dining
Oyamel	401 7th Street NW	Dining
Rasika	633 D Street NW	Dining
Taylor Gourmet	624 E Street NW	Dining
Starbucks	443 7th Street NW	Dining
Pitango Gelato	413 7th Street NW	Dining
Luke's Lobster	624 E Street NW	Dining
Merzi	415 7th Street NW	Dining
Saint Germain	439 7th Street NW	Service
Body Bronze	625 D Street NW	Service
Vacant (formerly Bo-Dogs)	600 E Street NW	Vacant

Source: DowntownDC Business Improvement District

Appendix

Retail spaces in the Study Area

Retail Occupant	Address	Category
Potbelly	637 Indiana Avenue NW	Dining
Starbucks	325 7th Street NW	Dining
Grand Trunk	641 Indiana Avenue NW	Dining
Jack's Famous Deli	625 Indiana Avenue NW	Dining
Penn Quarter Sports Tavern	639 Indiana Avenue NW	Dining
Au Bon Pain	625 Indiana Avenue NW	Dining
FedEx Kinko's	325 7th Street NW	Service
Just Us Kids Childcare	625 Indiana Avenue NW	Service
Capital Grille	601 Pennsylvania Avenue NW	Dining
Cosi	601 Pennsylvania Avenue NW	Dining
Fiola	601 Pennsylvania Avenue NW	Dining
Johnny's Deli	601 Pennsylvania Avenue NW	Dining
National Council of Negro Women	633 Pennsylvania Avenue NW	NonRetailService
PNC Bank	601 Pennsylvania Avenue NW	Service
Vacant	301 Indiana Avenue NW	Vacant
The Source	575 Pennsylvania Avenue NW	Dining
Newseum Cafeteria	555 Pennsylvania Avenue NW	Dining
Newseum Retail	555 Pennsylvania Avenue NW	Retail

Source: DowntownDC Business Improvement District