Retail Market Analysis

Introduction

The Market Analysis section of the Friendship Heights Area Retail Study presents the amount of retail space that is supportable in a market area, given two demand components. The market area is that geographic area from which a given retail location will draw its customers. The boundaries of the market area are determined by many factors, including the size, quality and location of competing centers; accessibility and physical barriers. The two demand generators are households and employees. Supportable space is the amount of retail space that the area households and employees demand given their income, number and an assumed shopping pattern.

This study estimates supportable square feet of supermarket/drug stores and comparison retailers. The supermarket usually anchors a neighborhood retail center, which serves the immediate area residents with their day-to-day consumer purchases. Because convenience to consumers is important, the supermarket retail market is geographically small compared to other types of retail markets, such as for comparison goods. Comparison goods, also referred to as primary and secondary goods, are those goods and services that consumers "shop around" to get a better price or to find exactly what they want. Sometimes, these items have higher ticket prices and consumers are concerned about getting their product at a competitive price. Comparison retailers offer goods such as general merchandise goods, clothing, jewelry, cameras, furniture and appliances. A majority of the retail space in regional malls consists of comparison retail tenants. Because consumers are willing to travel longer distances to do their comparison shopping, the market area is much larger geographically, than the supermarket market area. For this study, comparison goods also includes entertainment-related services, such as theaters and restaurants. Additionally, comparison goods includes neighborhood-oriented goods and services normally found in a grocery store anchored neighborhood retail center, such as a liquor store, florist and card shop.

Overview of Retail Model

The estimates of supportable square feet presented in this analysis are a result of both objective and subjective information. The amount of supermarket and comparison goods space supportable by a defined market area are estimated using income, number of households and average household size data, in addition to assumptions regarding shopping behavior. Based on average Montgomery County spending per household, per capita, and by income level, the Research Division's retail model provides reference estimates, not precise predictions, for the Friendship Heights area.

The retail model calculates space needs by using three different approaches. An average of the three methods is the estimated amount of retail space supportable by market area households and employees. The three approaches used to calculate supportable square feet (household demand) are the income, household and per capita methods.

The first approach, the income method, determines the amount of retail space supportable given the percent of income spent by households in the County on retail goods and services. Market area average household income as a percent of average County income is used to estimate market area spending under this approach. The result is divided by the dollars spent per square foot of grocery/drug store space or comparison goods space (based on data from Urban Land Institute) to derive supportable space.

15

The second method used in calculating supportable square feet uses the County average spending per household. The third approach uses County average dollars spent per person to calculate per capita supportable square feet.

An average of the three approaches is the estimated supportable square feet of retail space. The averaging of three calculations simulates the observed retail spending behavior of lower income households spending a higher portion of their income on retail consumption and higher income households spending a lower portion of their income on retail purchases. It also simulates smaller households spending less in total but more per person than larger households.

In estimating employee demand, an average expenditure of $15 per week is used for the Friendship Heights area. The number of employees in the study area is 11,700, generating about $9 million in sales volume in Friendship Heights.

## Grocery Store Analysis

Introduction

This section evaluates the support for grocery and drug store space by area residents. The amount of space existing in the market area is compared to what the market can support today, given the market area population, households and income. Currently, the Friendship Heights study area contains a Giant grocery and a CVS Pharmacy, located at the Chevy Chase Center at the northeast corner of Wisconsin and Western Avenues.

The Grocery Store Market Area

Households will normally shop at stores closest to them, all other things being equal (quality and size of store). But, all other things are not normally equal. Adjustments are made to the market area based upon competing stores and their size and quality of space to better identify the market for Friendship Heights grocery goods. (See Map 2 for the grocery/drug store market area for Friendship Heights.)

1. The location, size, quality and accessibility of the existing supermarkets help identify the market area boundary in Friendship Heights.

Having a supermarket nearby does not in itself mean that nearby households will shop there. Sometimes, shoppers are attracted to larger stores because of the better product selection. Normally, a larger store indicates more product breadth and depth. More products and better selection within a product line normally attract shoppers. Accessibility is also a determinant of shopping behavior. Accessibility refers to the road network around the store, any physical barriers to the store, the ingress and egress to it, as well as the circulation within the parking lot. These accessibility characteristics play a role in a shopper's decision of where to shop. All of the above characteristics were evaluated in delineating the Friendship Heights market for grocery goods.

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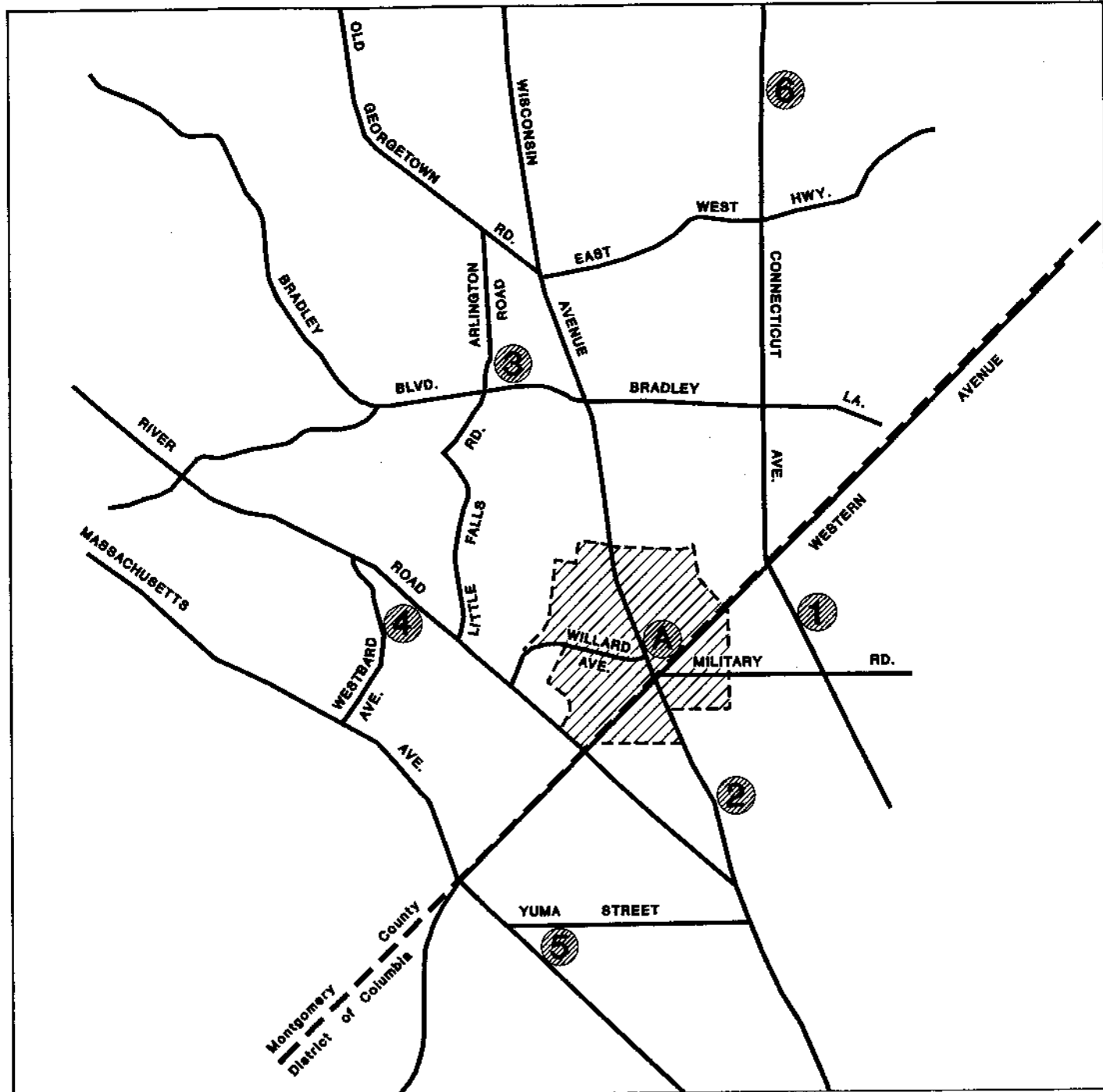
L E G E N D

———————	MAJOR ROADS
— — — — —	MARKET AREA
Ⓐ	FRIENDSHIP HEIGHTS
①	CONNECTICUT/ McKINLEY
②	WISCONSIN/ ELLICOTT
③	SOUTH BETHESDA
④	WESTBARD
⑤	MASSACHUSETTS/ YUMA
⑥	CHEVY CHASE LAKE CENTER

North

SCALE:
1' = 3250'

2. The Friendship Heights market area for grocery/drug store space encompasses the multi-family apartments on the west side of Wisconsin Avenue as well as single-family residences in Montgomery County and the District of Columbia.

As shown on Map 2, the grocery/drug space market area for Friendship Heights extends southward to Harrison Street in the District of Columbia and Merivale Road in Montgomery County. The boundary follows Somerset Town Park to the west, Cumberland Avenue and the Chevy Chase Country Club to the north, and Cedar Parkway and 41st Street NW to the east.

3. Six competing grocery/drug stores or clusters of stores surround the Friendship Heights area.

Within a one-mile radius of the Friendship Heights Giant grocery are the Safeway and Magruders grocery stores at Connecticut Avenue and McKinley Street and the Safeway at Ellicott Street and Wisconsin Avenue. The two largest grocery/drug store space concentrations are within a one-and-one-half-mile radius of Friendship Heights. These are the Westbard commercial area, which contains a Giant and a Fresh Fields Market, and the southern part of downtown Bethesda, which includes a Safeway and a Giant. The remaining grocery/drug stores affecting the Friendship Heights market area are the Chevy Chase Lake Center, located on Manor Road and Connecticut Avenue and the SuperFresh at Yuma Street and Massachusetts Avenue.

4. Accessibility to the Friendship Heights Giant grocery is via Wisconsin and Western Avenues.

While access to the Giant grocery parking is available from both Wisconsin and Western Avenues, the perception of increased congestion as one nears the built-up area and a gated parking facility is said to be a deterrent to some shoppers who might otherwise patronize the store. Based upon the transportation network, the Westbard commercial area seems more attractive to residents living west of Somerset Town Park and the GEICO property because of limited eastward road access to the Friendship Heights Giant. Shoppers who must travel on River Road are apt to head northwest to Westbard. The strength of the Westbard market is reinforced by the size of the Giant grocery, offering a greater selection of products and abundant parking.

Market Area Demographics

5. As of 1992, there were an estimated 3,800 households in the Friendship Heights market area.

The market area population is 6,700. The average household size is 1.76 and the mean annual income is $83,600. On average, Friendship Heights market area households spend an estimated $5,100 annually on grocery/drug related goods and services, or 6.1 percent of household income. Aggregate spending by the trade area for grocery/drug is estimated at $19.2 million.

Supply and Demand Analysis

6. The market area can support another 15,000 square feet of grocery/drug store space.

The market area currently offers a total of 22,700 square feet of grocery/drug space. The Giant store is 16,700 square feet and the CVS pharmacy is 6,000 square feet. The market area could support a total of 38,000 square feet of grocery/drug store space, or approximately an additional 15,000 square feet.

Opportunities and Constraints

1. Redevelopment of the Chevy Chase Center offers the opportunity to expand the grocery store.

Citizen Advisory Committee discussions regarding potential redevelopment of the Chevy Chase Land Company site include a new 35,000-square-foot grocery to replace the existing smaller Giant store. Initial drawings show the new store at the southeast corner of the property; the area is currently used for parking. Existing leases, the existing zoning envelope and parking requirements represent constraints to redevelopment of this site.

2. Neighborhood retail at Chevy Chase Center caters to the day-to-day needs of area residents.

While most of the retailing in Friendship Heights caters to general merchandise and comparison shopping, a large portion of the retail space at the Chevy Chase Center is geared towards the day-to-day shopping needs of area residents. Stores typically found at a neighborhood shopping center that are also found at the Chevy Chase Center include a video store, grocery, bakery, pharmacy, dry cleaner, cafe and bank. A larger, more modern grocery would add to the neighborhood character of the center and strengthen other stores, which would benefit from the drawing power of the grocery.

3. A larger grocery store would increase the market area.

The market area would be expected to increase by an additional 400 households with an expanded grocery. The stronger draw from the new store would pull shoppers from Montgomery County south of River Road and from the District of Columbia. In addition to the households that shop at the Giant grocery, area employees also make purchases not measured by the model, but which provide additional support for space.

Comparison Goods Analysis

Comparison Goods include general merchandise, apparel, furniture, home furnishings, and other products such as appliances and hardware. For the purpose of this study, comparison goods also includes neighborhood-serving retailers, except the grocery and drug store. This section of the analysis identifies the market area for comparison goods, the supply of comparison goods in Friendship Heights, and the amount of comparison goods supportable by the market.

The Comparison Goods Market Area for Friendship Heights

1. The Friendship Heights comparison goods market is segmented into three geographic areas: the primary, secondary and tertiary markets.

The primary market is the geographic area having the largest percentage of households (of the three markets) that shop for comparison goods in Friendship Heights. This market area was the easiest of the three to identify. Interviews with Friendship Heights retailers and management yielded information that most shoppers came from an area east to Rock Creek Park in the District of Columbia, and west to the I-495 beltway. Fewer customers travel from north of the Beltway, mainly because of their proximity to Montgomery Mall, Rockville Pike, White Flint Mall, Wheaton Plaza and Tysons Corner Center via the Beltway.
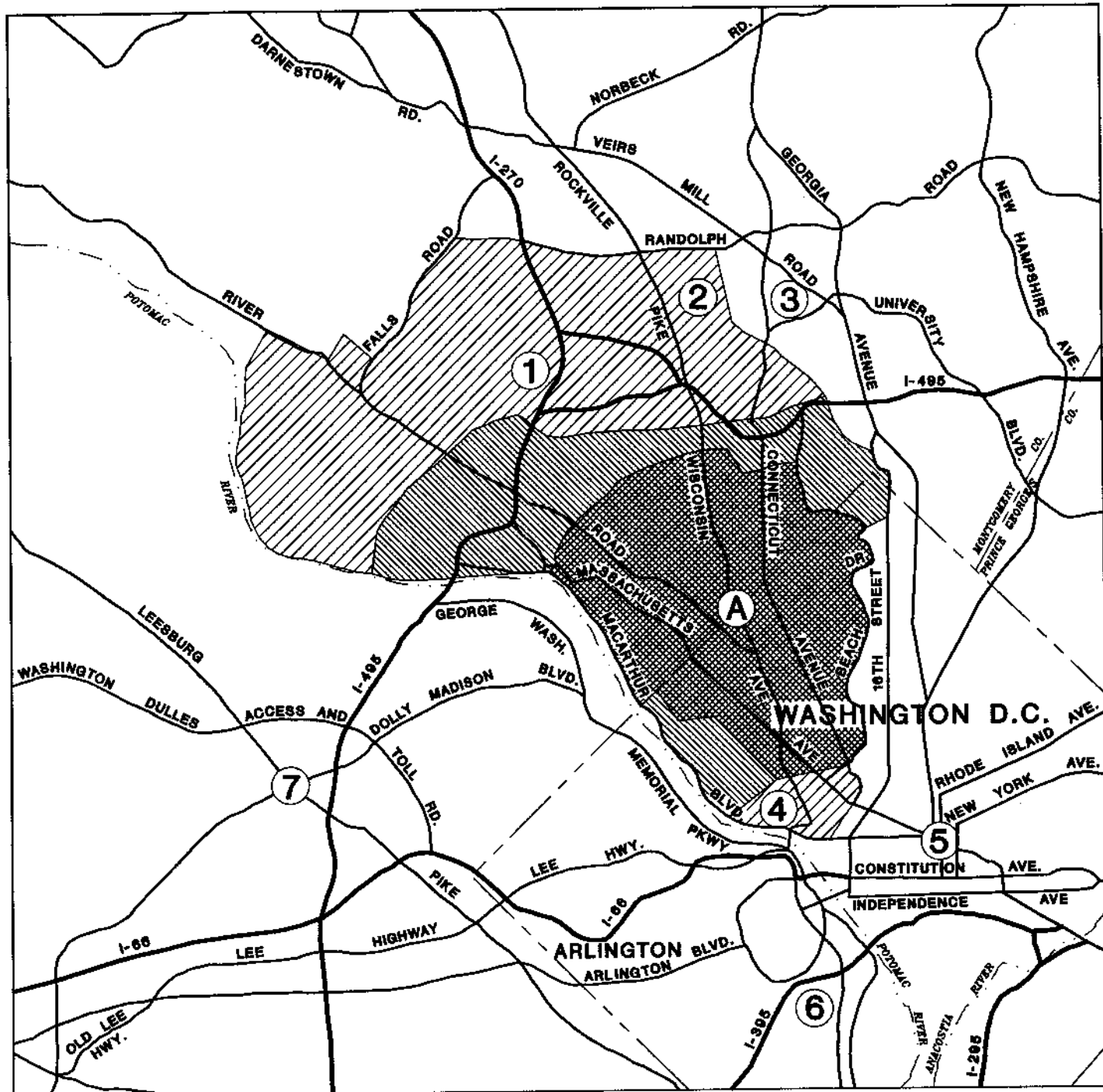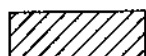
LEGEND

- ▦ PRIMARY MARKET AREA
- ▨ SECONDARY MARKET AREA
- ▨ TERTIARY MARKET AREA
- Ⓐ FRIENDSHIP HEIGHTS
- ① MONTGOMERY MALL
- ② WHITE FLINT MALL/ ROCKVILLE PIKE
- ③ WHEATON PLAZA
- ④ GEORGETOWN PARK
- ⑤ METRO CENTER
- ⑥ PENTAGON CITY
- ⑦ TYSONS CORNER

North

SCALE:
.8″ = 2 mile

2. For the most part, the primary trade area falls within a three-to-four mile radius of Friendship Heights.

Rock Creek Park creates a natural eastern boundary to the primary market area. The northern boundary is influenced by Montgomery Mall, White Flint and Wheaton Plaza. To the south, Georgetown influences the boundary (especially Georgetown Park Mall) as well as Pentagon City in Northern Virginia.

3. The secondary market area generally extends north to I-495 Beltway.

Fewer households from the secondary market area are expected to shop in Friendship Heights because of their proximity to I-495 and Montgomery Mall, Tysons Corner Center and Fairfax Square in Tysons Corner (very high-end shopping).

4. The tertiary market reaches farther into the Potomac neighborhoods, to the west, and into North Bethesda.

Only five percent of these households are expected to shop in Friendship Heights because of the other comparison shopping opportunities and distance from the Friendship Heights shopping area. (See the Comparison Goods Market Area, Map 3, for the boundaries of the three market areas.)

5. Access to Friendship Heights is along Wisconsin and Western Avenues.

Wisconsin Avenue plays a major role as a commuter thoroughfare for central Montgomery County and the northwest part of the District of Columbia. Heavily traveled during the rush hour, Wisconsin Avenue is a main connection for suburban residents who work within the District of Columbia. Western Avenue provides a major east-west route as well as connections to River Road and Connecticut Avenue.

6. Friendship Heights is about four miles from the Capital Beltway via Wisconsin Avenue and about 5 miles via River Road.

The closest freeway to Friendship Heights is the Capital Beltway, roughly 15 minutes by car along Wisconsin Avenue and about 10 minutes along River Road. Travel times can be greatly increased during rush hour, as drivers navigate the busy Bethesda CBD or the Westbard commercial area.

Additional major roads linking Friendship Heights and its market area include: Connecticut Avenue, to the east; Massachusetts Avenue to the west, East-West Highway to the north and Military Road to the south. A number of smaller local roads, used as short cuts by area residents most familiar with the area, complete the area road network.
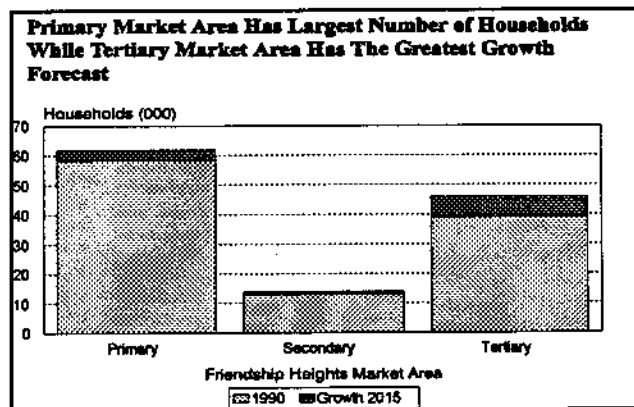
Comparison Goods Market Area Demographics

The typical Friendship Heights shopper is between 25 and 55 years of age, is college educated and has a household income above $75,000.

1. The 1990 market area population was almost 248,603 and the number of households totaled 110,305.

The majority of the market area population is in Montgomery County. Roughly 63 percent or 157,081 persons are from Montgomery County. The remaining 37 percent or 91,522 are from the District of Columbia.

Estimates of 1993 population, households and household income are used to assess support for retail space in Friendship Heights. Approximately 85 percent of the Friendship Heights retail purchases are expected to come from shoppers living in the primary market area, 10 percent from the secondary market and 5 percent from the tertiary market.

Population and household growth provides support for additional retail space. In the three market areas, modest population growth of roughly 28,000 persons is expected between 1990 and 2015. The bulk of the growth is expected within the tertiary market area (17,098 additional people), which has the greatest development potential. The primary and secondary markets represent developed areas of Montgomery County and the District of Columbia, where limited future population and household growth is expected. In the three market areas, households are projected to increase by 11,788 or 10.7 percent between 1990 and 2015.

Primary Market Area Has Largest Number of Households While Tertiary Market Area Has The Greatest Growth Forecast

Households (000)

Friendship Heights Market Area
1990   Growth 2015

Trade Area Population Growth

	Pop 1990	Pop 1993	Pop 2015	# Change 1990-2015	% change 1990-2015
Primary	117,866	118,667	127,848	9,982	8.5%
Secondary	35,223	35,414	36,443	1,220	3.5%
Tertiary	95,514	96,660	112,612	17,098	17.9%
Total	248,603	250,741	276,903	28,300	11.4%

Trade Area Household Growth

	HH 1990	HH 1993	HH 2015	# Change 1990-2015	% Change 1990-2015
Primary	58,169	59,660	62,013	3,844	6.6%
Secondary	13,100	13,414	14,007	907	6.9%
Tertiary	39,036	41,052	46,073	7,037	18.0%
Total	110,305	113,797	122,093	11,788	10.7%

Source: 1990 U.S. Census and Research Division, Montgomery County Planning Department Cooperative Forecast.

2. Retailers are attracted by the above average incomes of area households.

The 1993 average household income for the market area is estimated at $99,600, 57 percent higher than the Washington Metropolitan Statistical Area average household income of $63,300. While the primary market has some of the region's most affluent neighborhoods, the average household income of $93,900 is the lowest of the three sub-markets. The lower household income results from a large concentration of multi-family apartments along lower Wisconsin Avenue and in the Friendship Heights and Bethesda CBD's.

Trade Area Household Income	
	Average Household Income (1993)
Primary	$93,900
Secondary	$111,700
Tertiary	$104,100
Total	$99,600

Market Area Income Almost 60 Percent Higher Than Washington MSA Household Income

Household Income (in thousands of dollars)
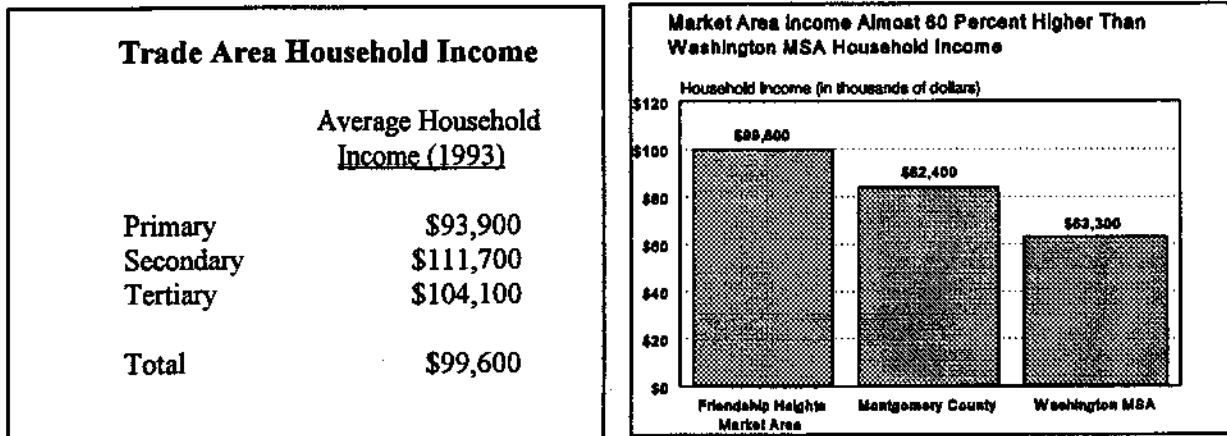
The secondary market and tertiary market average household incomes are $111,700 and $104,100, respectively. Higher incomes in the secondary market result from predominantly single-family housing and the inclusion of affluent areas of northwestern District of Columbia, Potomac and western Chevy Chase.

Distribution of Area Household Incomes (1990)	
	% of Households
Less than $50,000	45.1%
$50,000-74,999	17.6%
$75,000-$99,999	12.2%
$100,000-$149,999	13.0%
$150,000 Plus	12.1%
Total	100.0%
Source: 1990 U.S. Census	

Roughly 55 percent of the market area households have incomes over $50,000. According to the upscale retailers, their customers have household incomes exceeding $75,000, which represent 37 percent of the market area households.

3. Most shoppers are between 25 and 55 years old.

Shoppers at the upscale shops tend to be a little older, while shoppers at the more moderately-priced stores, such as The Limited at the Chevy Chase Pavilion and the Gap, tend to be younger. The amount of shopping purchases tends to drop off for persons over 55 years of age. The share of market area residents between the ages of 25 and 55 represents almost half the market area residents. The distribution varies very little between the sub-markets. While the population is expected to age over the next 20 years, the change is subtle and should not affect the consumption patterns.

Trade Area Population by Age Distribution, 1990					
Market	1-17	18-24	25-55	55+	Total
Primary	14.6%	10.4%	47.4%	27.6%	100.0%
Secondary	14.4%	10.6%	47.6%	27.5%	100.0%
Tertiary	14.7%	10.3%	47.2%	27.8%	100.0%
Total	14.6%	10.4%	47.4%	27.6%	100.0%

Source: 1990 U.S. Census.

Comparison Goods Supply and Demand Analysis

Today, the Friendship Heights comparison goods market is close to equilibrium; the amount of space existing in Friendship Heights closely matches what the primary, secondary and tertiary markets can support.

For the purpose of this report, Friendship Heights refers to retailers in both Montgomery County and in the District of Columbia. The Friendship Heights study area is often called the Chevy Chase retailing area.

1. About 1.25 million square feet of comparison goods space exist in the Friendship Heights study area.

This estimate of existing square footage of retail space includes all apparel stores, shoe stores, gift shops, and other retailers offering general merchandise goods. It does not include the Giant grocery store and CVS pharmacy in the Chevy Chase Center, banks, and auto-related goods and services. Much of the comparison goods space is located in two interior malls, Mazza Gallerie and the Chevy Chase Pavilion, both located in the District of Columbia. Additionally, Wisconsin Avenue offers street-fronting retail extending from the northern boundary of the study area at Oliver Street to the southern edge at Harrison Street. Finally, the 1.25 million square feet includes three stand-alone department stores-Lord and Taylor, Woodies (Hecht's), and Saks Fifth Avenue-and Neiman Marcus at Mazza Gallerie. (See the Appendix of this report for a more detailed listing of study area retailers.)

2. Through modeling, interviews and analysis of demographic data, it is estimated that the Friendship Heights market area can support approximately 1.35 million square feet of comparison goods and services.

The Research Division's retail model estimates the number of square feet of comparison goods space that is supported by market area households, population and their income. In addition, employees in the study area also support retail space. Overwhelmingly, residents in the market area are the biggest generator of the need for space.

3. The amount of space supportable by the market area just about equals the amount of space existing in the study area.

When this occurs, the market is said to be in equilibrium. That's not to say, however, that other retailers could not survive in this market. By filling a niche with a product or service that is not currently offered in the study area, a retailer could capture some of the retail dollars that are being spent outside of Friendship Heights.

4. The amount of space supportable well into the future is less clear than what is supportable today.

Many of the factors used to estimate space needs today are uncertain in the future. Retail models can estimate future comparison goods needs, but because the number of assumptions are so great and can widely vary, the estimate of future need is less reliable. Estimates of household and population growth are available but are dependent on a wide array of economic assumptions. Additionally, spending patterns, (the percentage of income spent on comparison goods) can change over the next 20 years. The entire retailing industry can undergo significant changes in the way people shop. Therefore, changes in these parameters can diminish the reliability of the retail model forecasts over the long-term.
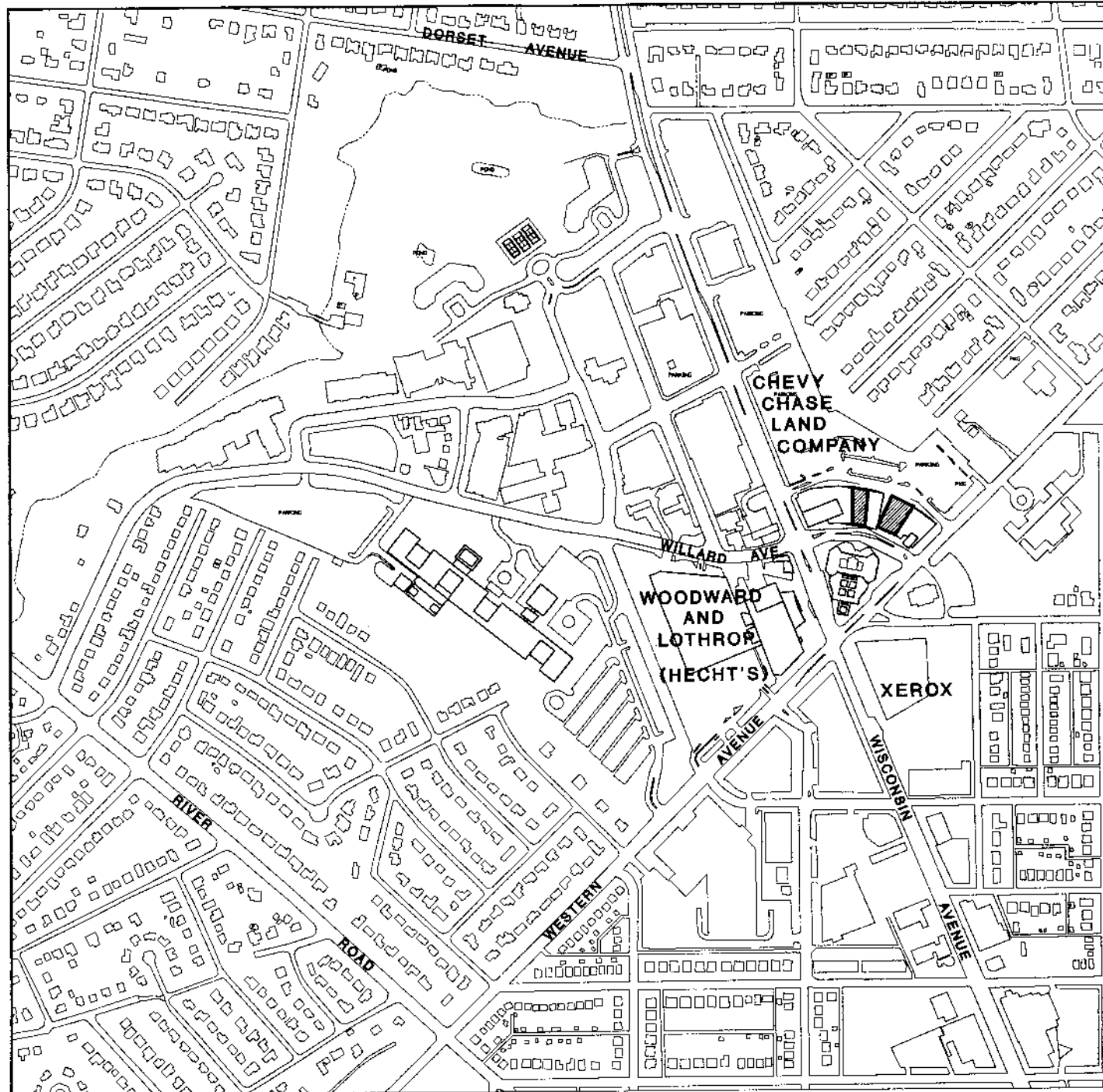
5. Because of economic variability and uncertainties of future retailing and shopping behavior, flexibility should be provided in the Sector Plan to enable retail development to occur that would capitalize on filling market niches and solidify the existing retail agglomeration.

Interviews with retail management consistently yielded the view that additional retail would benefit the existing retail in the area. Chevy Chase Pavilion management stated that additional retail development would not jeopardize business. They believed it would help by bringing more people into the study area. The "massing of retail" is what makes malls so attractive. "Friendship Heights could only benefit from additional retail space."
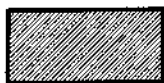
Observations, Opportunities and Constraints

The Woodward and Lothrop (Hecht's) Site

A significant portion of the Woodward and Lothrop (Hecht's) site is currently being used as a parking lot/garage for the department store. Development or redevelopment of this site presents opportunities to improve Friendship Heights retailing. Additional retail space at this site could enhance existing retail and strengthen its vitality.

DORSET AVENUE

CHEVY
CHASE
LAND
COMPANY

WILLARD AVE

WOODWARD
AND
LOTHROP

(HECHT'S)

XEROX

AVENUE

WISCONSIN

RIVER

ROAD

WESTERN

AVENUE

L E G E N D

EXISTING GROCERY/ DRUG SPACE

North

SCALE:
1" = 600'

The question as to how much retail should be allowed to develop at this site is more dependent on transportation capacity, compatibility issues and appropriate density than on retail model results. Aggregation and consolidation are important to successfully functioning retail nodes. Friendship Heights could benefit from additional space strengthening its appeal.

The downside to development of the Woodies (Hecht's) site is the possibility of added congestion and the reduction of parking. Some retailers feel the area roads are already too congested and parking is perceived as a problem by many of the area's retail shoppers. Friendship Heights shoppers often use the various available surface parking lots when visiting other retailers that do not offer parking. Any lessening of the number of spaces in the study area would negatively affect shoppers' perceptions of available parking in Friendship Heights. Other parking options for shoppers should be explored in the Friendship Heights Sector Plan process. (See Map 4 for the location of Woodward and Lothrop [Hecht's], Chevy Chase Center and Xerox sites.)

Chevy Chase Land Company Site

Redevelopment of the Chevy Chase Center, including additional Wisconsin Avenue street-fronting retail, would be viewed as having a positive affect on adjoining retail by creating a link between Saks Fifth Avenue and retail areas to the south. A proposal for expanding the existing Giant grocery store would also be supported by the defined market area, as discussed earlier.

The Xerox Site

Potential exists for a major mixed-use development at the Xerox site, adjacent to the Chevy Chase Pavilion in the District of Columbia. Even partial development of the Xerox site as retail space could preempt large scale development in other parts of the Friendship Heights area, including the Woodward and Lothrop (Hecht's) site.

Impact of Metro on Friendship Heights Retail

The type of retailer in the study area influences Metro ridership. Specifically, moderate-price retailers, like Banana Republic and The Gap, attract younger customers who are more apt to use Metro to do their shopping. Shoppers at the value-retailers recently introduced to the Friendship Heights market (TJ Maxx and Filene's Basement) are normally more cost-conscious and would be more apt to use Metro, compared to shoppers at the higher-end of the spectrum. Customers shopping at the higher-end shops normally do not use Metro. However, tourists use Metro to get from their hotels in Friendship Heights to the District of Columbia attractions.