

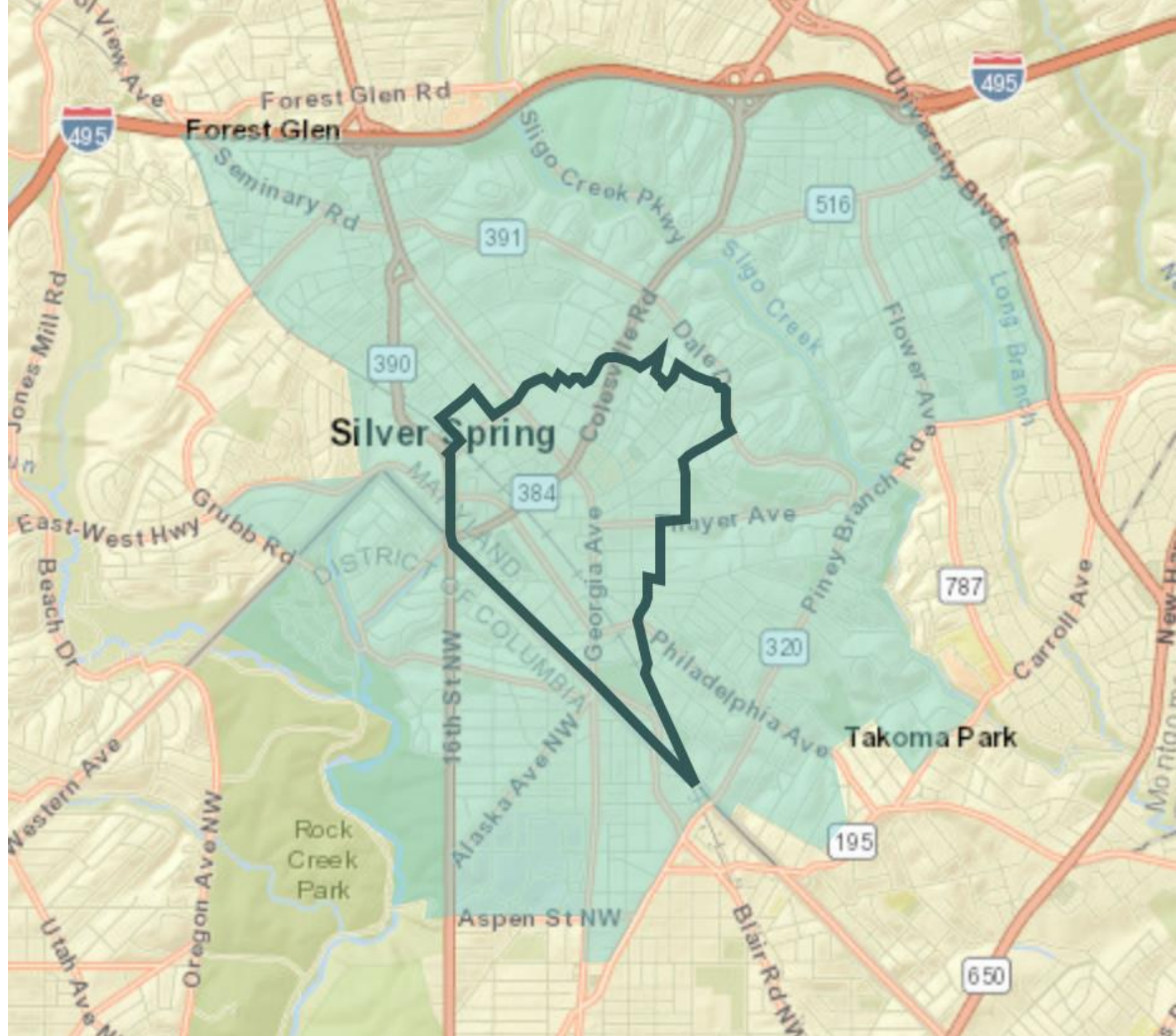
DOWNTOWN SILVER SPRING & ADJACENT COMMUNITIES MARKET ANALYSIS

Partners for Economic
Solutions
February 25, 2020

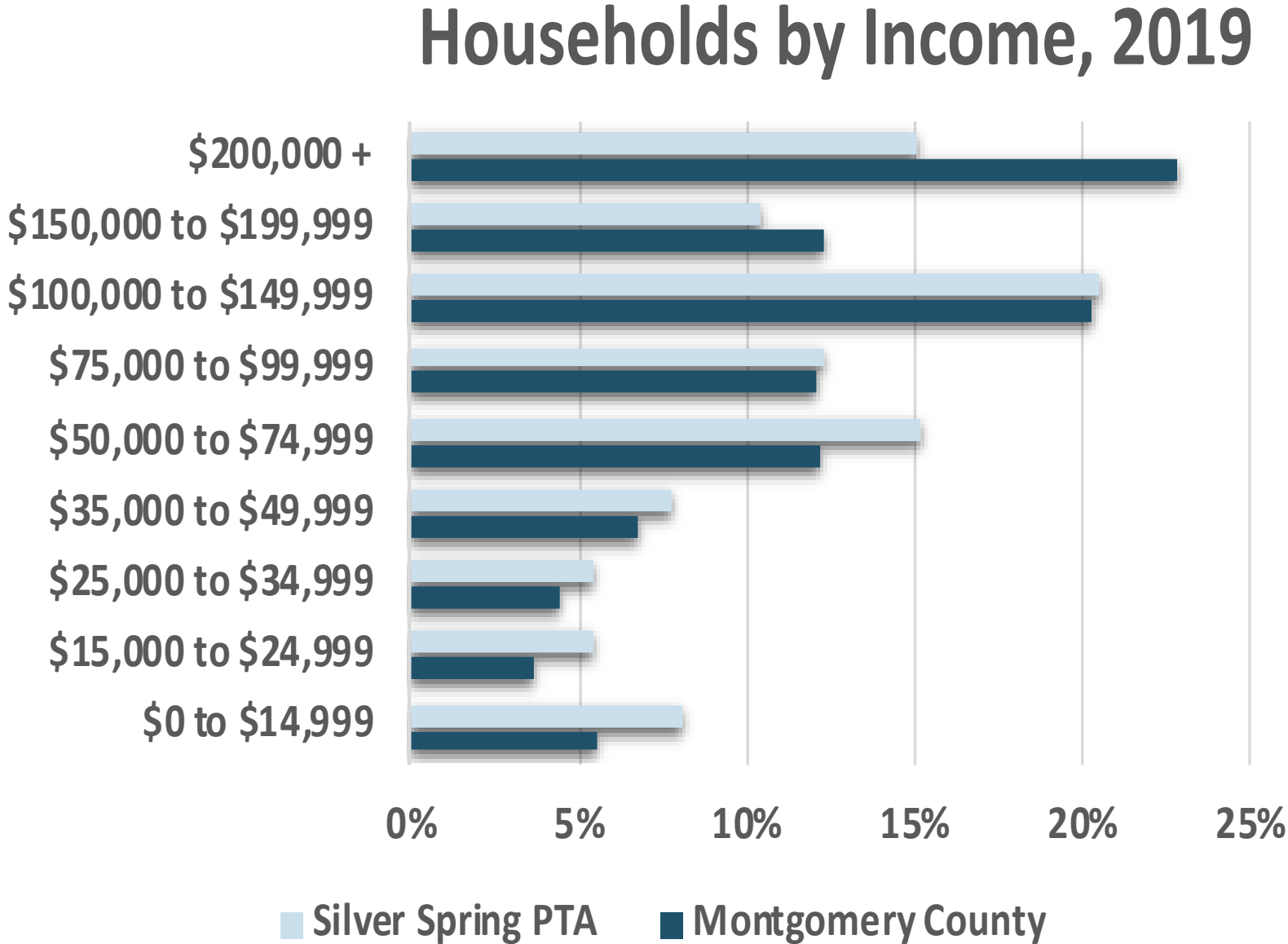
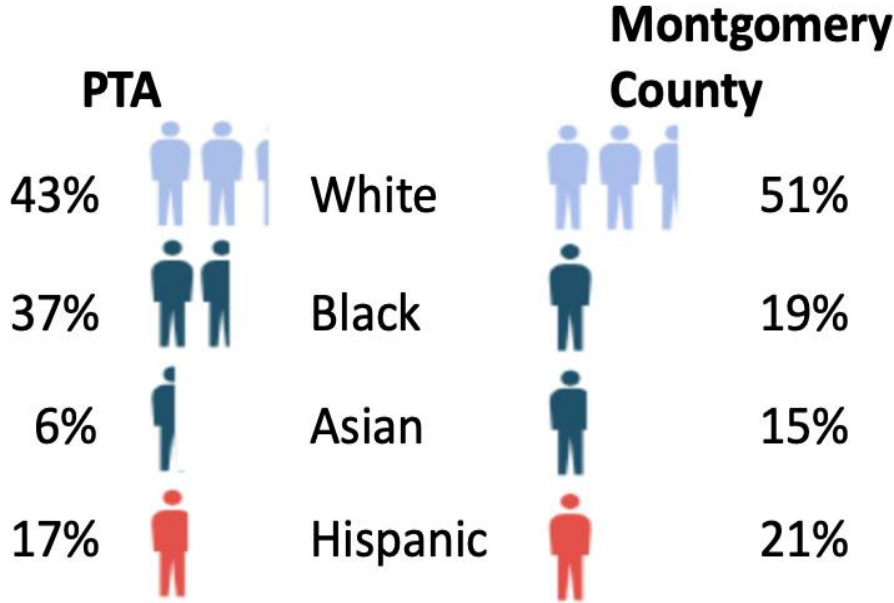


PRIMARY TRADE AREA DEMOGRAPHICS

- Office, retail, arts, entertainment, hotels and urban living
- Major regional hub
- 20,000+ workers
- Serving 60,000 residents
- \$90,000 median household income

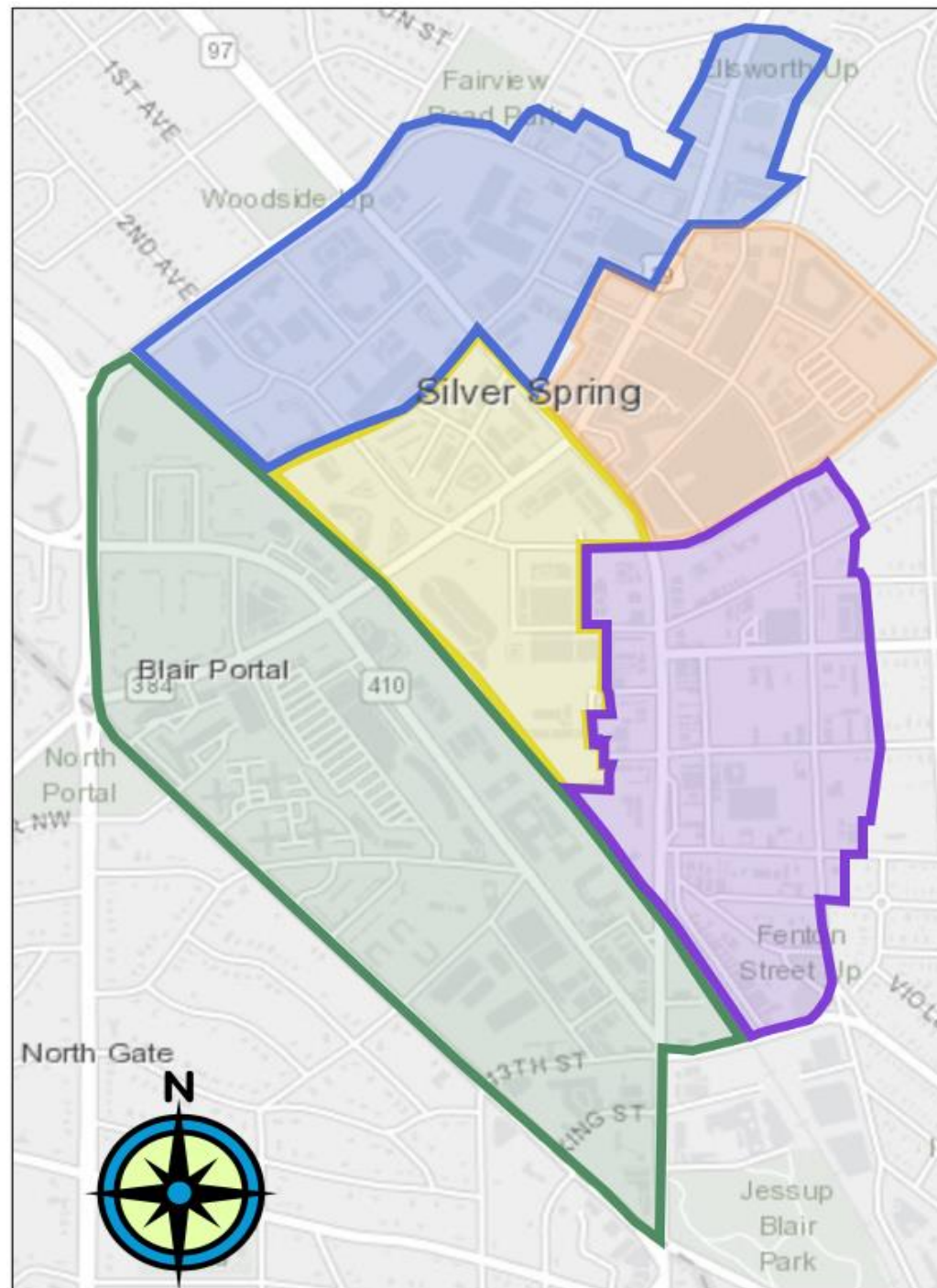







ETHNICALLY AND ECONOMICALLY DIVERSE POPULATION



SUBAREAS

- Ellsworth District retail
- Georgia Avenue/Fenton Village small businesses
- Metro Center office
- West of the Railroad NOAA and retail
- North Silver Spring housing and United Therapeutics



LEGEND	
	North Silver Spring
	Ellsworth District
	Metro Center
	Fenton Village
	West of Railroad

RETAIL MARKET

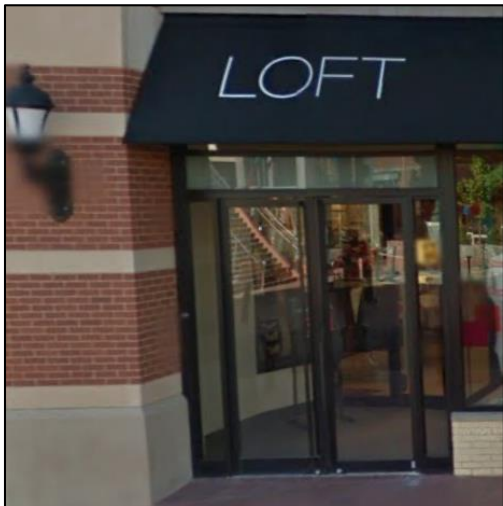
- 1.03 million SF occupied retail space



Neighborhood Goods & Services

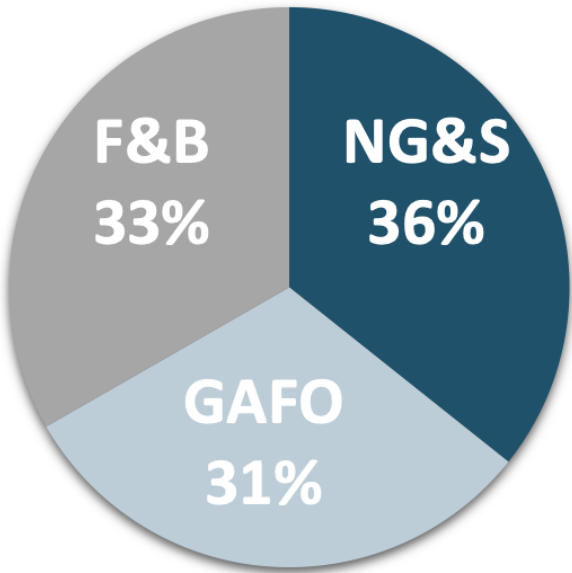


Food & Beverage

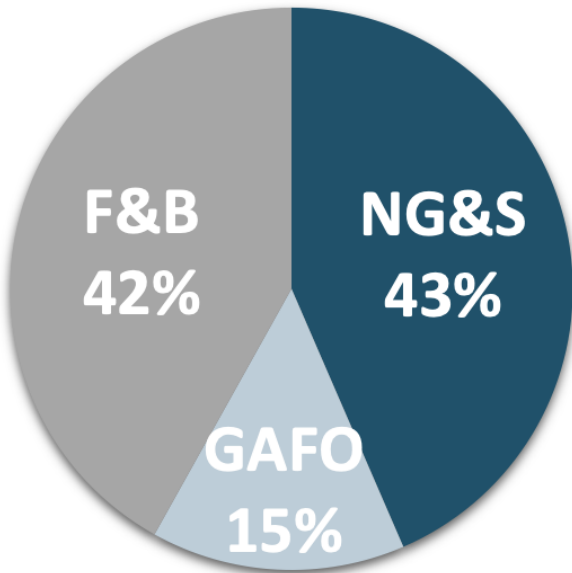


General, Apparel, Furniture, Other

Retail Square Feet by Type

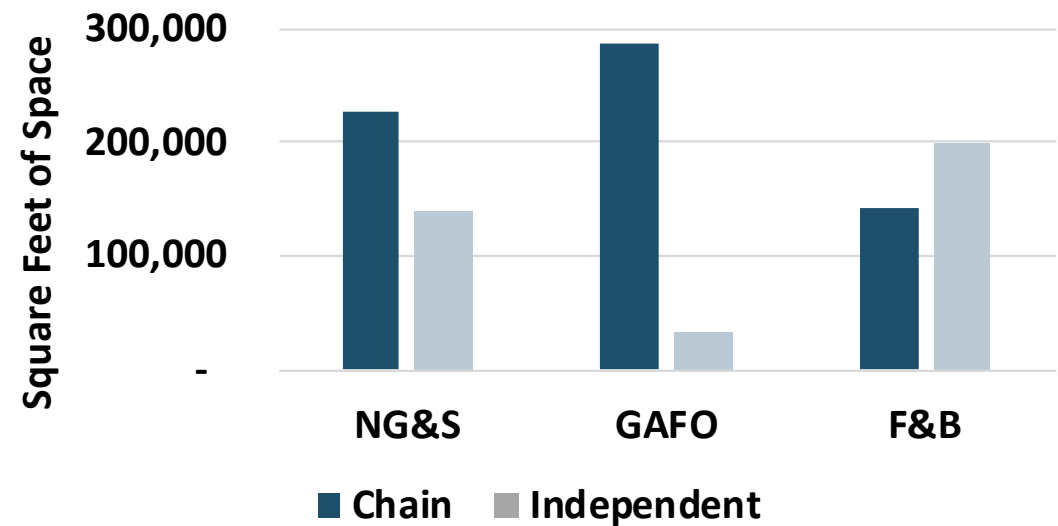


Number of Retail Spaces by Type



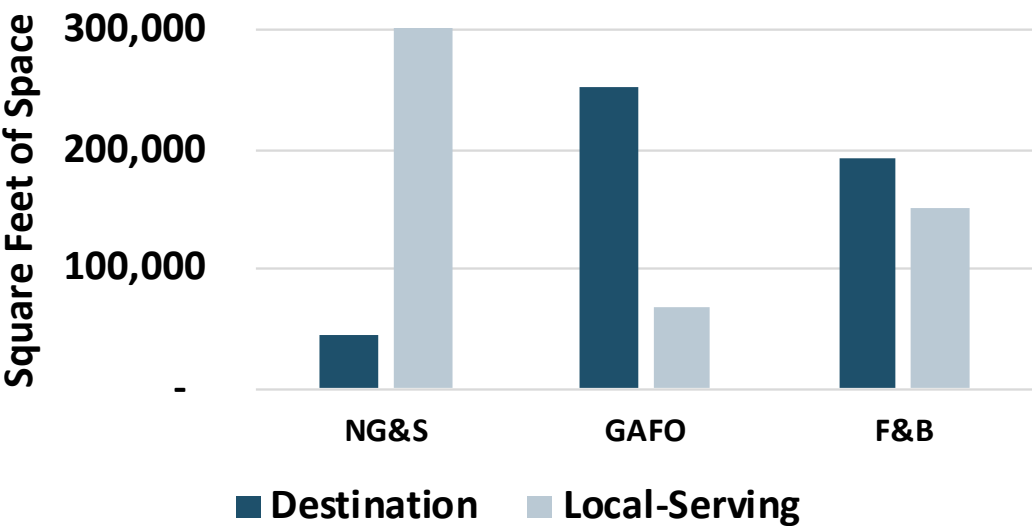
WELL-BALANCED RETAIL MIX

Chain vs. Independent Operations



Chains: 33% of stores
64% of space

Destination vs Local-Serving Retailers

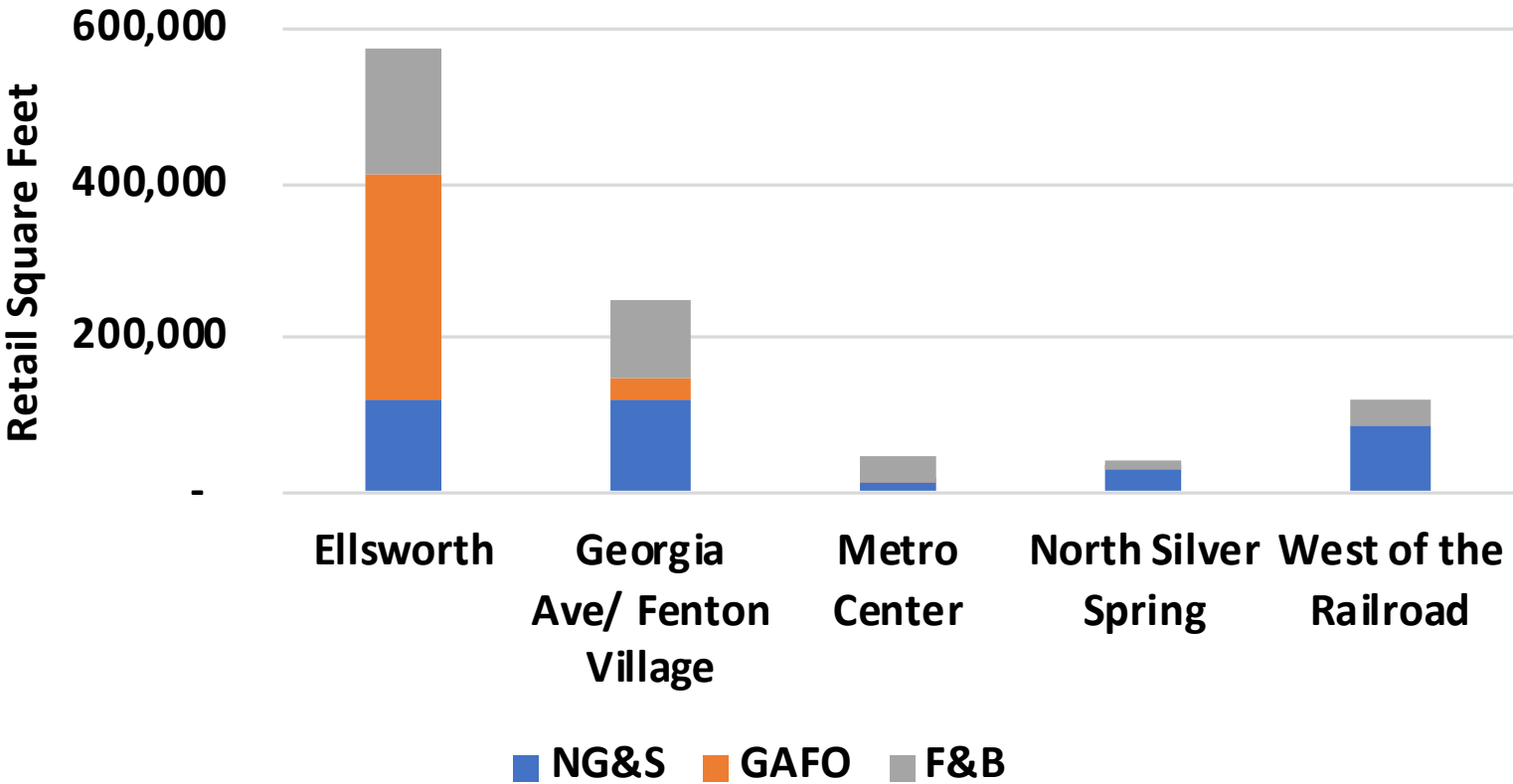


Destination: 23% of stores
47% of space

RETAIL IS FOCUSED IN ELLSWORTH DISTRICT

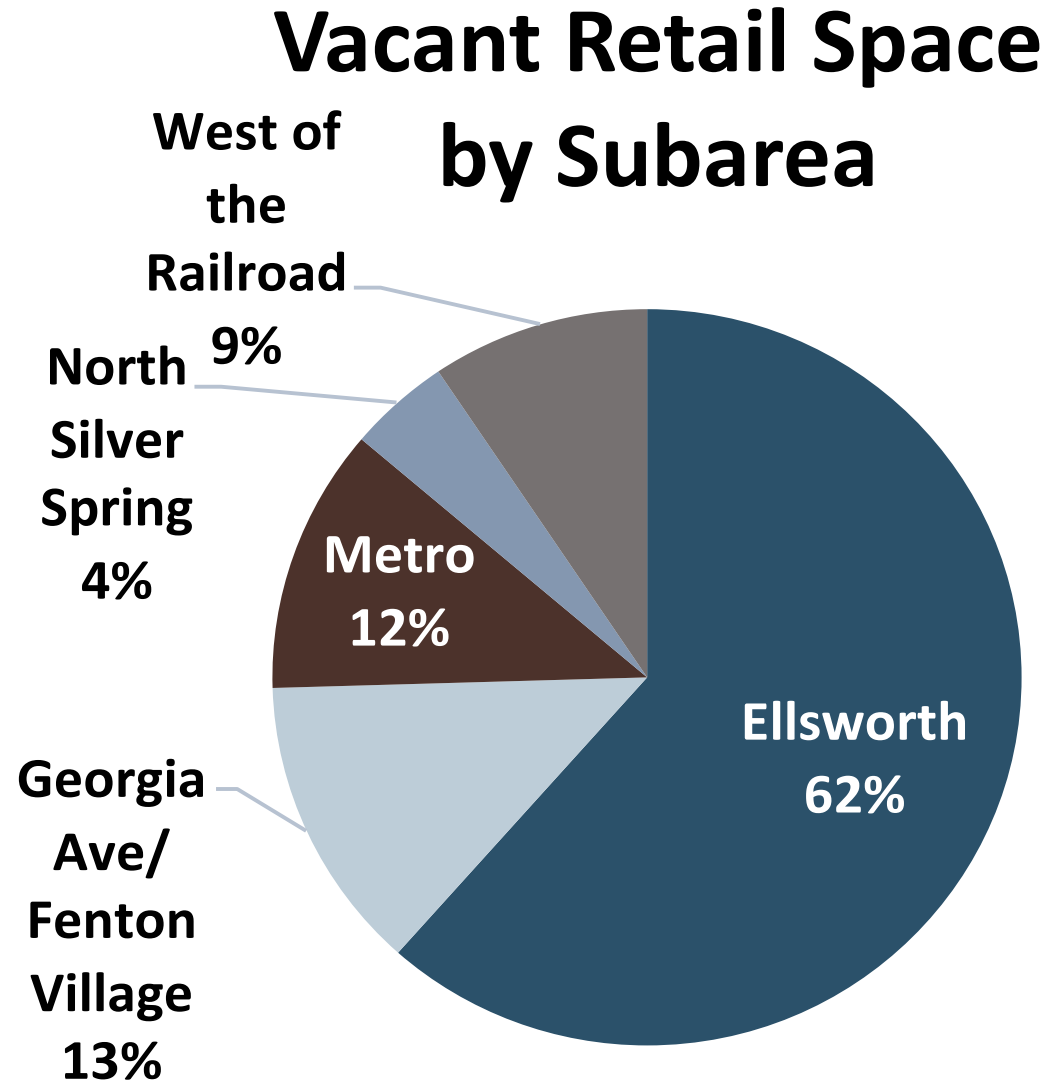
- Ellsworth District
 - 56% of all retail
 - 90% of all GAFO space
- Georgia Avenue/Fenton Village
 - 24% of all retail
- West of the Railroad
 - 11% of all retail

Retail Space by Subarea



VACANCIES ARE ALSO FOCUSED IN ELLSWORTH DISTRICT

- 143,000 SF vacant space
- 11.0% vacancy rate
- 62% in Ellsworth District
- New retail spaces in Fenton Village not yet filled
- Metro Center spaces suffer from limited foot traffic

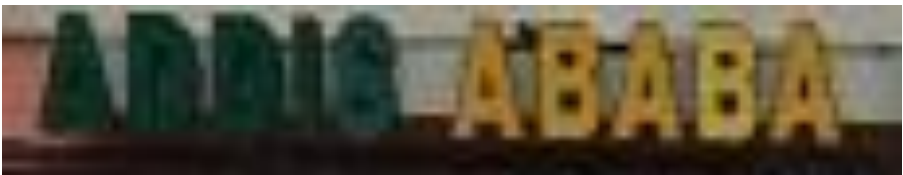


METRO CENTER VACANCIES ARE PROBLEMATIC

- 21.9% vacancy rate
- Spaces suffer from limited foot traffic
- Some spaces lack visibility from the street



SEVERAL CLOSURES



NEW YORK & COMPANY



NEW STORES AND RESTAURANTS

- Spice Street Indian Restaurant
- &Pizza
- Dog Haus Biergarten
- XOA Lifestyle
- Don Pollo
- Koite Grill
- Sweeteria Dessert Café
- Sweet Sweet Kitchen
- Lifestyles Nail Bar
- MOM's Organic Market

&pizza®



MULTIPLE ARTS & ENTERTAINMENT VENUES

- American Film Institute
- The Fillmore
- Regal Majestic Theater & IMAX
- Black Box Theater
- Civic Building/Veterans Plaza
- Montgomery College Cultural Arts Center



UNCAPTURED ENTERTAINMENT SPIN-OFF

- Limited late-night food & drink offerings
- Mid-week shows
- Distance between entertainment venues and restaurants
- Cutbacks in late-night Metro service



ONGOING ISSUES

- Post-pandemic recovery
- E-commerce competition
- Late-night restaurants/bars impacting new residential
- Purple Line construction
- Loss of small stores suited to start-up businesses



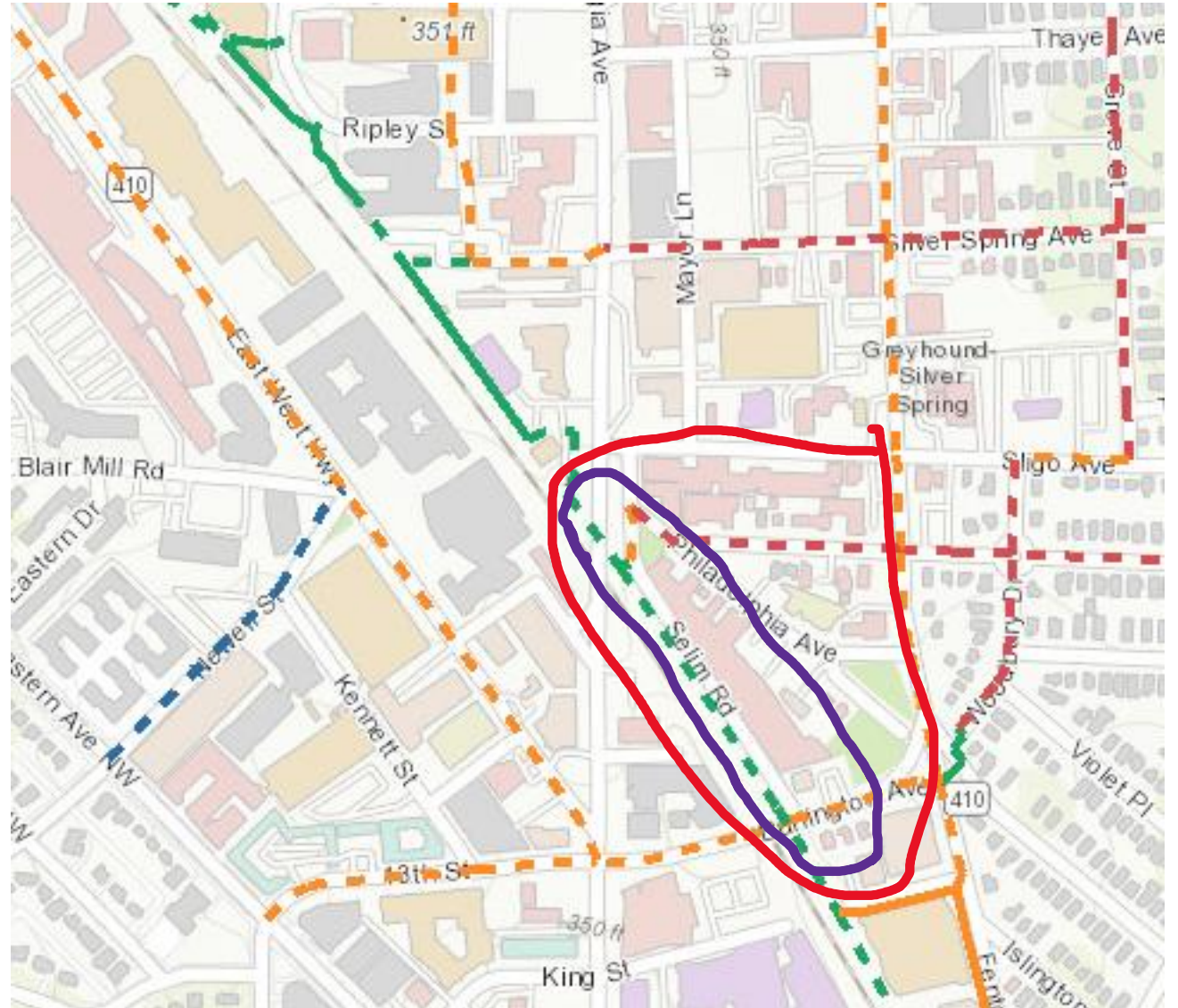
IMPACT OF THE HOMELESS POPULATION

- Pandemic's impact on incomes and housing
- Larger homeless population
- Exacerbated by the closure of public buildings
- Increased street presence
- Some with mental health issues
- Public urination and defecation
- Need for additional outreach services and social workers
- Public restrooms



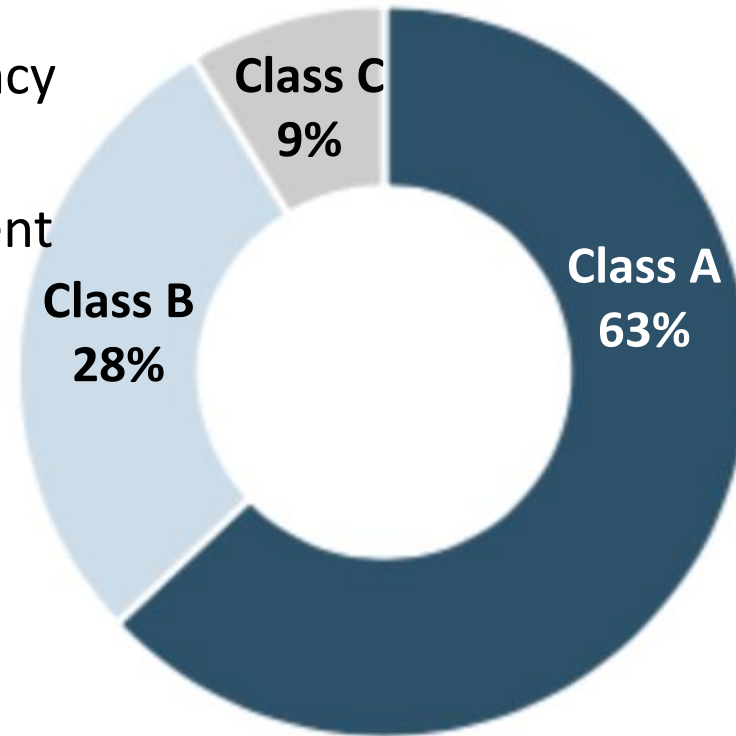
SERVICE/INDUSTRIAL USES MAY BE SQUEEZED OUT

- Fenton Village
 - 14 auto service businesses
 - 74 employees
- On-street parking is integral to their operations
- Metropolitan Branch will remove 10 parking spaces on Selim Road
- Need alternative parking and protection from residential encroachment

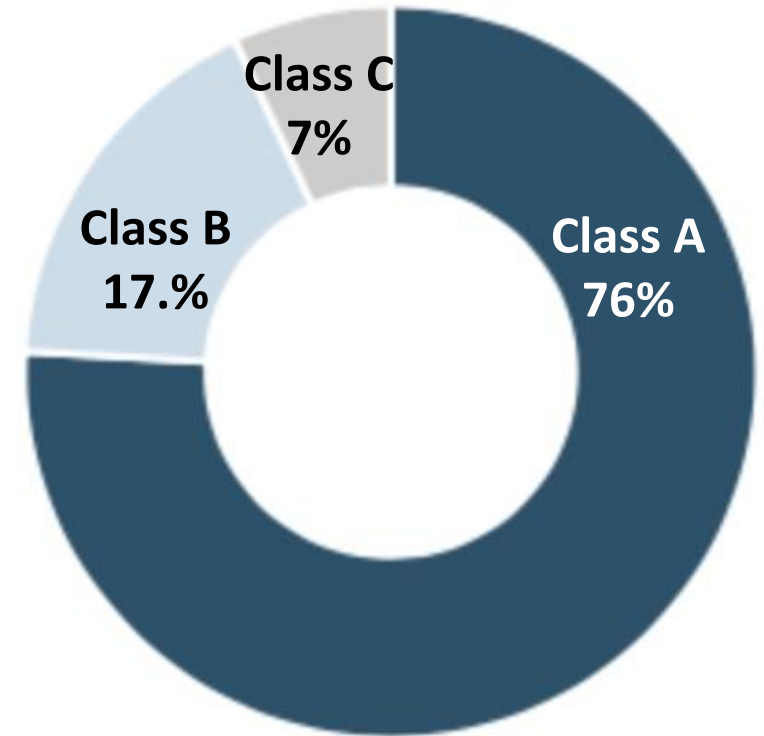


OFFICE MARKET

- 6.75 million SF total space
- 1.15 million SF vacant space
- 17.0% vacancy rate
- 22.5% multi-tenant vacancy rate
- \$32/SF Class A average rent
 - \$44 in Bethesda
 - \$40 in Tysons
- Uncertain future



Total Space

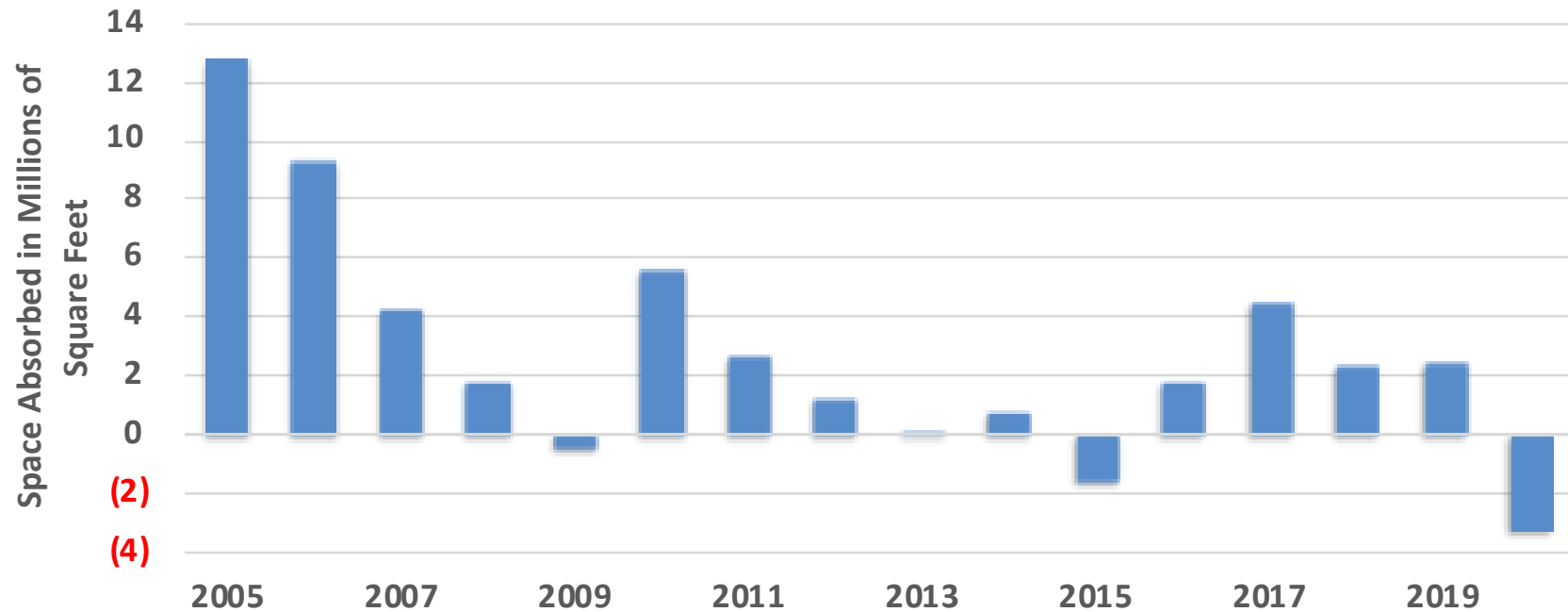


Vacant Space

REGIONAL OFFICE DEMAND LAGGED

- Square feet per employee down 10% to 15%
- Federal initiatives reduced private space leasing
- Base Realignment and Closure Act relocated Defense operations

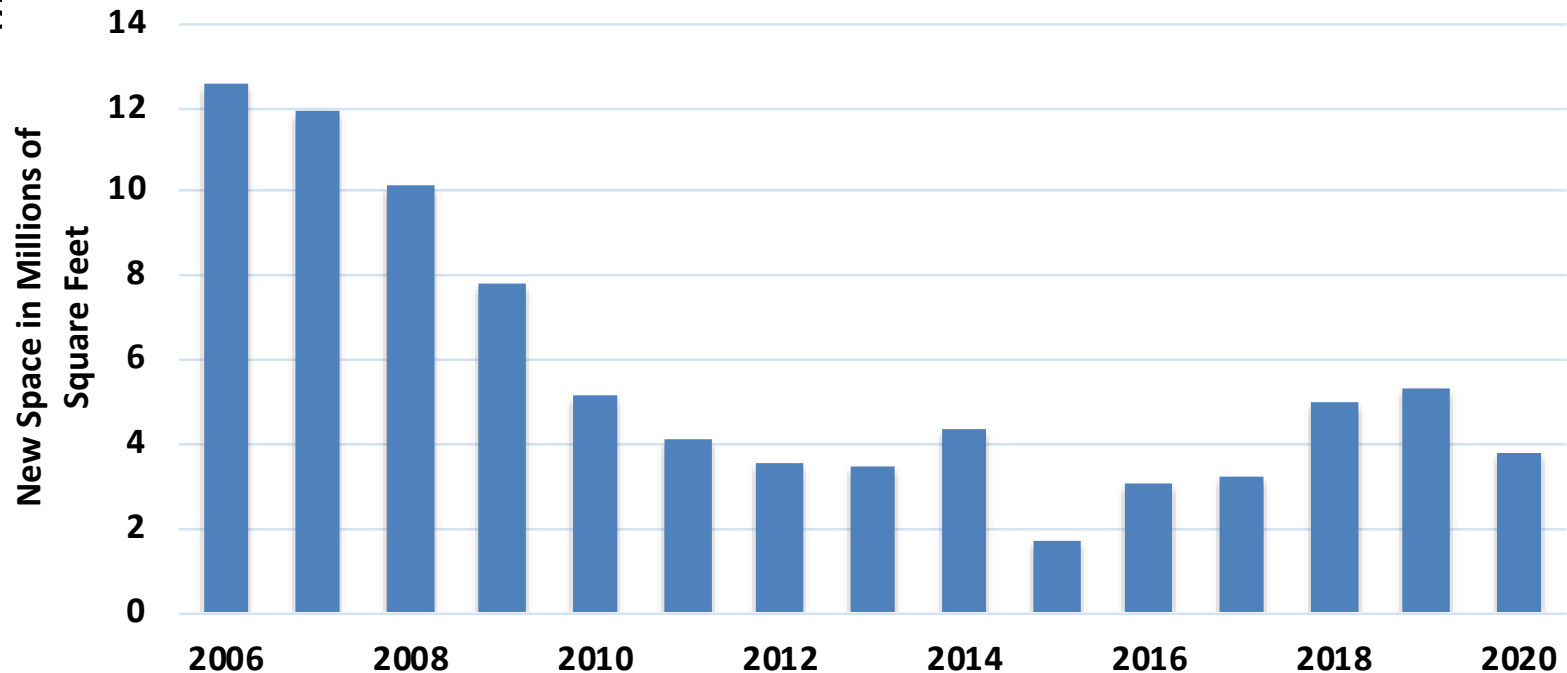
Washington Metro Area Net Office Absorption



OFFICE DEVELOPMENT SLOWED

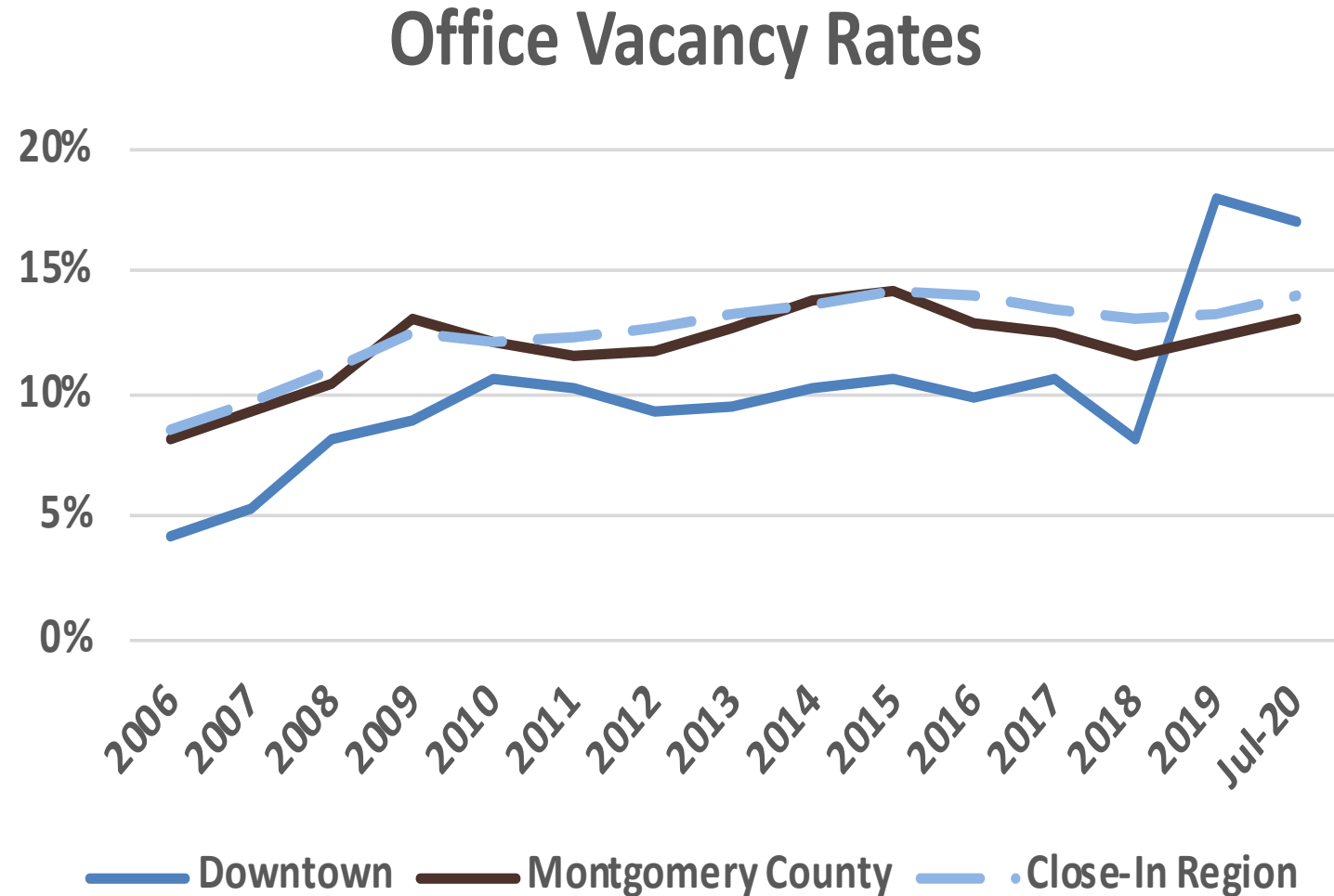
- Much less development after Great Recession
- Buildings already under construction boosted vacancies
- Regional vacancies rose from 5.7% in 2001 to 12.8% in 2009 and remained high

Washington Metro Area New Office Deliveries



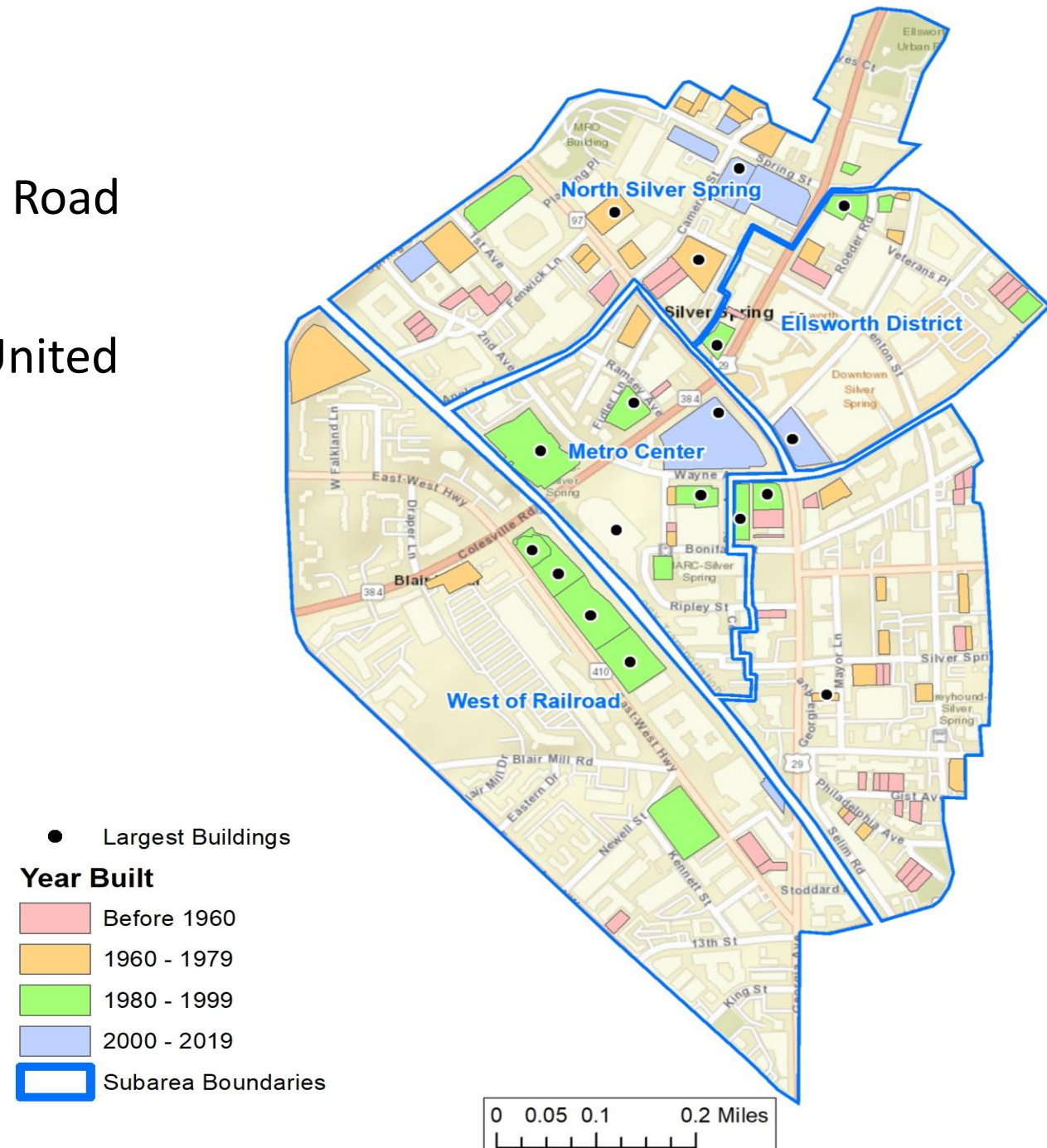
DOWNTOWN OUT-PERFORMED OTHER MARKETS

- Little speculative construction after 2000
- Mixed-use vibrancy
- Competitive rents
- Discovery
 - Major force until mid 2010s
 - Relocated HQ to NYC
 - Vacated building in 2017



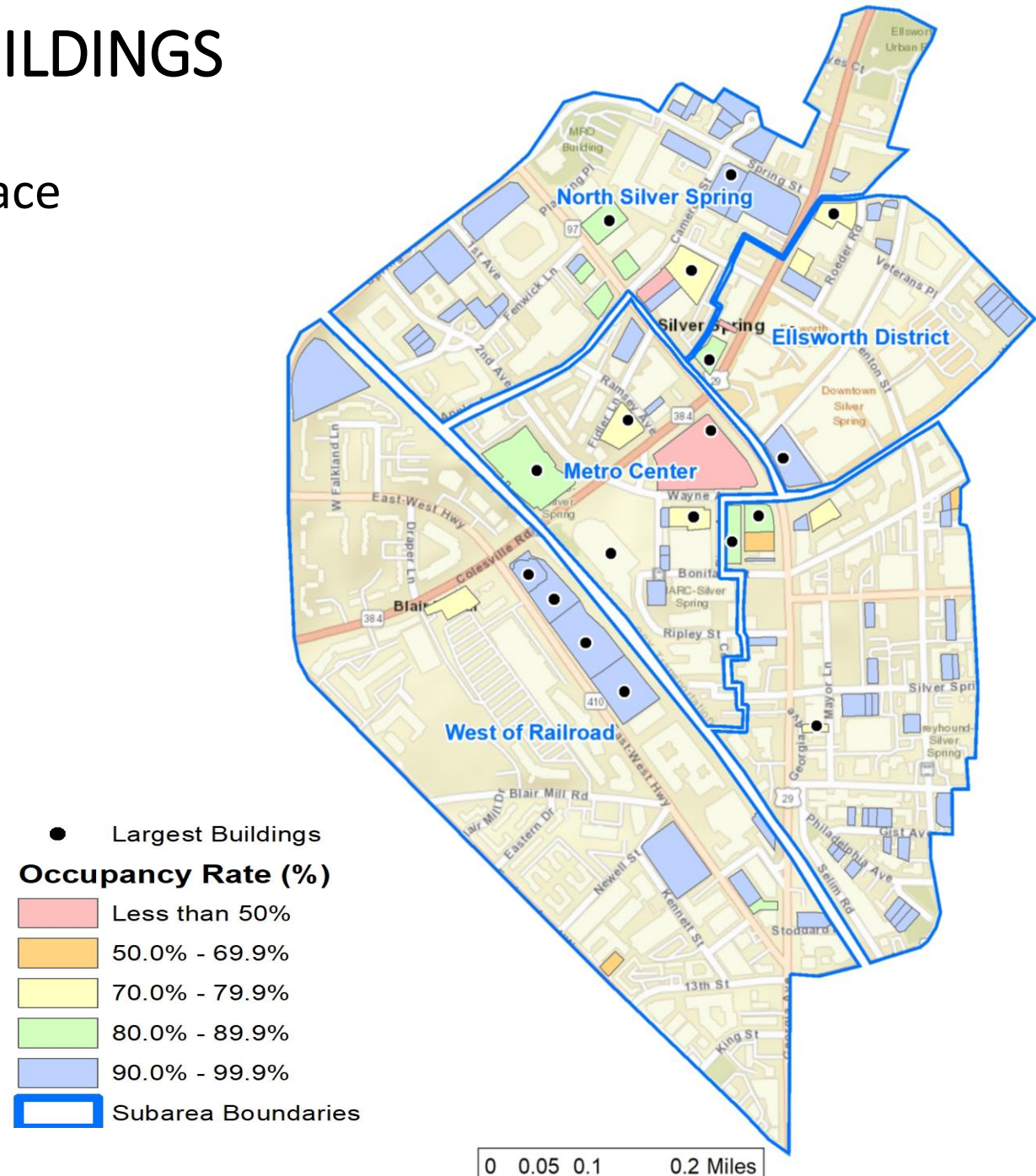
OFFICE DEVELOPED IN WAVES

- 1960s and 1970s largely north of Colesville Road
- 1980s focused on Metro
- 2000s and 2010s primarily Discovery and United Therapeutics



HIGH VACANCIES IN A FEW MAJOR BUILDINGS

- Inventa Towers still backfilling Discovery space
- Major buildings from 1970s and 1980s
- Guardian Building converting to housing



MAJOR CHALLENGES AHEAD

- COVID-19 impacts
- Uncertain market response
- Conversions to residential use
- Competitive rents not enough
- Could take 10+ years to reach 9% vacancies
- Downtown needs focused marketing and management
- Need for incentives, recruitment

