

Washington, D.C. Metro

Retail Market Trends

VIEWPOINT

Retailers and restaurateurs continue to seek prime mixed-use neighborhoods amidst post-pandemic changes in demand.

CBRE RESEARCH
FALL 2023



Retail Market Trends

Washington, D.C. Metro

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- Washington, D.C.
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 - CBD
 - 14th Street/Shaw: Logan Circle, 14th Street, U Street
 - NoMA/Union Market
- Northern Virginia
 - Tysons
 - Arlington
- Suburban Maryland
 - Bethesda Row

State of the Market

Retail sales remain on the rise, a bright spot in an otherwise challenged economic climate with inflation. Strength in consumer spending has translated to strong demand for retail space. CBRE recently reported on national trends stating “...the sector is projected to grow this year by a net total of 2,400 stores, accounting for approximately 40 million sq. ft. of retail absorption. Retailers absorbed more than 81 million sq. ft. of space last year, the second-highest annual total since 2016.”

The Mid-Atlantic retail market is reflective of this positive trend as over 143 select retail openings have nearly doubled the select 72 closings since the beginning of 2023. These openings do not include many of the highly anticipated grocery stores and restaurants that have already been announced to open later in the year in key submarkets, such as growing international grocer Lidl in Tysons and Pastis, a New York favorite from restaurateur Stephen Starr, slated for a December opening at the Union Market district.

While return to office numbers have stabilized in recent months throughout Washington D.C., Downtown submarkets (the CBD and East End) have shown some of the greatest improvement in office vacancy. In turn, the increased foot traffic in these areas has helped keep the restaurant scene resilient. With celebrity chefs and original concepts coming to market, Downtown has proven to be a popular destination for diners. Though other neighborhoods –particularly those like Georgetown with a high mix of uses—showed stronger post-pandemic foot traffic numbers, Downtown held its own in terms of average monthly visitors and restaurant openings, inching closer to pre-pandemic marks in 2023.

Historically, retailers in Downtown have relied upon the weekday daytime population to drive sales. During the pandemic, as employees worked remotely, many restaurants and retailers closed their doors – notably over 170 locations since 2020. In comparison, more than 90 opened during the same time frame. Of the 90 openings, more than 65% were restaurants. Since the beginning of 2023, however, that narrative has flipped as there have been more than double the number of restaurants to open compared to closed in Downtown. As many businesses resumed office or hybrid work, along with continuingly increasing tourism and spending, the downtown DC restaurant scene has turned a corner.

Select 2023 Retail Openings

143

Select 2023 Retail Closings

72

Kastle Return to Office Barometer:
Washington DC*

42%

Median Household Income:
Washington, D.C. Metro

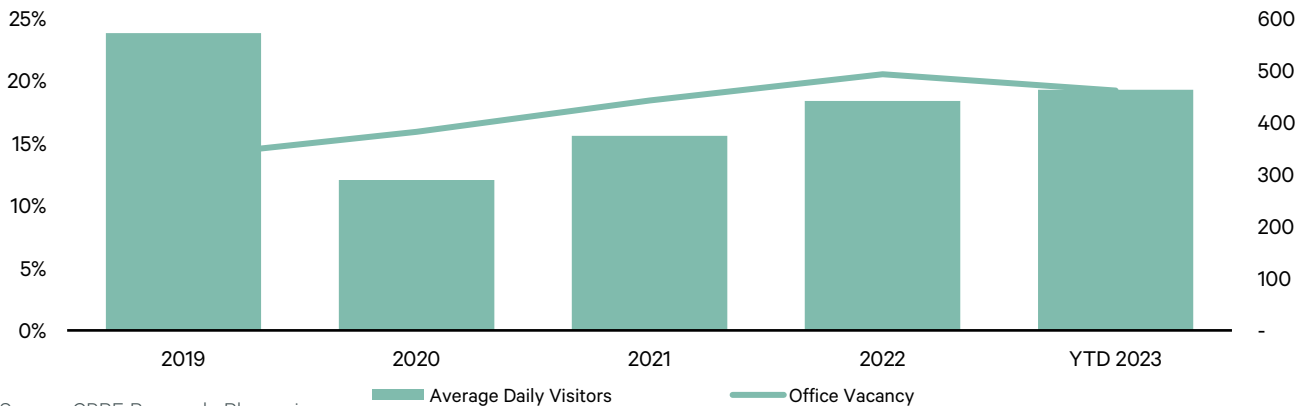
\$113,353

Residential Population,
Washington, D.C. Metro

6,535,041

*Percentage of Kastle Key Card
office swipes, indexed to Feb. 2020

Figure 1: Washington DC Office Vacancy v. Average Daily Visitors



Malls and Shopping Centers

Nationwide, Class A malls are booming as vacancy is low and foot traffic is high. Class B malls and lower grade centers, however, are less fortunate. Often, despite being well located, these malls are outdated, underutilized or obsolete. Redevelopment has become a common choice by owners to make use of these once sought after destinations.

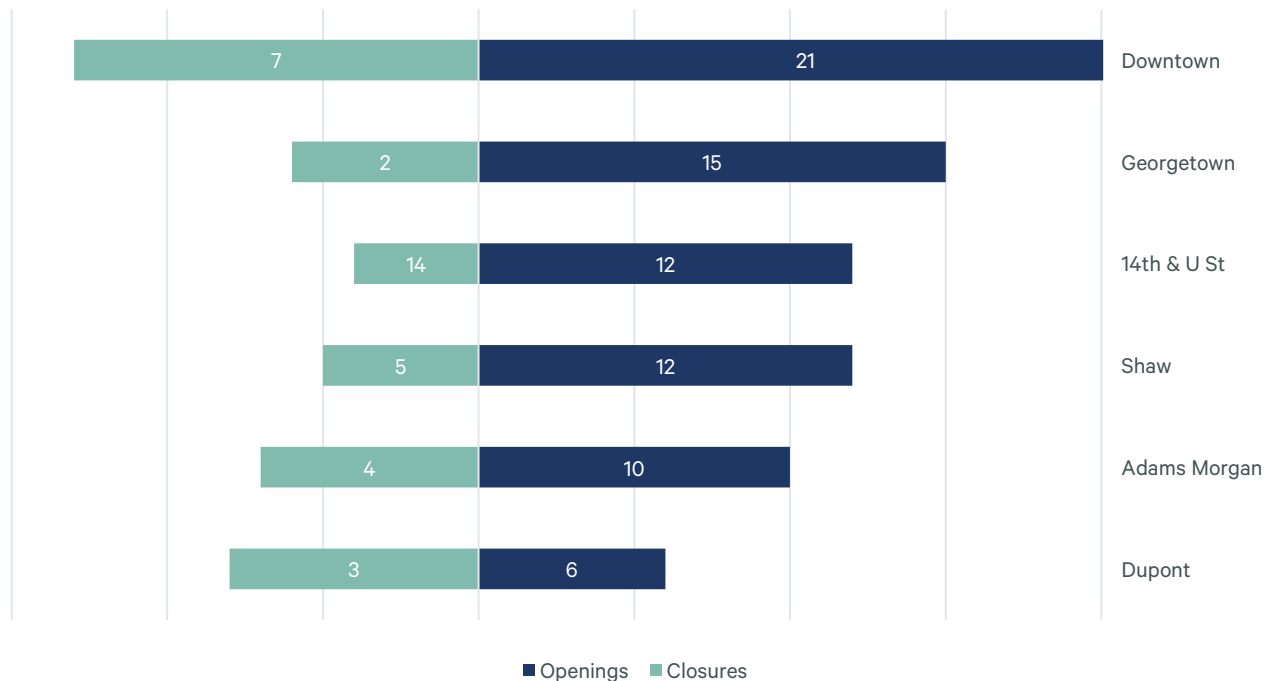
These trends are reflective in the Mid-Atlantic. Malls such as Tysons Corner Center, Tysons Galleria, the Fashion Centre at Pentagon City and Montgomery Mall have seen excellent rebounds reaching pre-pandemic foot traffic levels.

Meanwhile, Mazza Gallerie in Friendship Heights, a once prominent mall that could not survive through the pandemic, has recently begun its demolition phase for the incoming redevelopment, which will bring 90,000 square feet of retail below 320 apartments.

Year of the Food Hall

During 2023 to date, several food halls have or will soon open their doors in the market. Love, Makoto, an all Japanese food hall consisting of four different dining options, opened at the Capitol Crossing development in the East End in May. The Square, a 25,000 sq. ft. food hall with at least nine different vendors, opened this fall in the heart of the CBD. Luna Hall in Chinatown held a soft opening early this summer and will fully open once more vendors are brought to market. The Heights, powered by local celebrity chefs Kevin Tien and Priya Ammu, will bring a full-service restaurant, a full-service bar, a speakeasy and eight other food vendors to Chevy Chase. The project has seen delays in its opening, but is scheduled to open in October.

Figure 2: Select 2023 Retail Openings & Closures by Submarket



Source: CBRE Research

Capital Markets

More than \$824 million of retail sales have transacted across the Mid-Atlantic region in 2023 to date, trailing behind the 2022 year-end total of more than \$2.1 billion. Investors remain attracted to properties occupied by quick service restaurants, grocery stores, and other essential goods and service sectors that thrived in the pandemic. Of the 47 investment sales that have executed thus far in 2023, more than 34% included at least one quick service restaurant or grocery store tenant. Retail cap rates in the region currently average 6.6%, worsening from the average 2022 level of 5.6%, as the increased cost of lending caused investment sales to fall.

Tourism

Tourism in the Mid-Atlantic continues a steady upward trajectory since coming out of the pandemic. According to the most recent data available, tourism spending on retail in Washington DC improved 50% from 2021 to 2022¹, after dipping to all-time lows in 2020. By 2022, air travelers coming in and out of the main three Washington airports, Ronald Reagan Washington National Airport, Dulles International Airport and Baltimore-Washington International Thurgood Marshall Airport, all saw passenger numbers that resembled pre-pandemic figures. Rail passengers have been slower to return, however they have steadily been increasing their figures every year since 2020.

Trending similarly, hotel traffic suffered in Washington during the pandemic as occupancy dropped as low as 32% in 2020. However, hotels in Washington reached occupancy levels of 63%, just shy of the pre-pandemic mark of 73%. CBRE's Hotel Horizons forecasts that Washington hotels will reach 69% occupancy by the end of 2023, ahead of the US average of 64.8%.

1: Has DC tourism rebounded since the pandemic? WTOP. <https://wtop.com/business-finance/2023/05/dc-domestic-tourism-within-9-of-pre-pandemic-where-dc-is-marketing-now/>

Figure 3: Regional YTD 2023 Notable Investment Sales

Project	Address	City	SF	Sale Price	Cap Rate	Notable Tenants	Buyer
Stonebridge at Potomac Town Center	14900 Potomac Town Center	Woodbridge	545,342	\$172.5M	7.3%	Apple, Wegmans, OneLife Fitness, DSW, Cava	Kimco
Largo Town Center	806 Largo Center Dr	Upper Marlboro	277,104	\$70M	7.1%	Marshalls, Burlington Coat Factory, Shoppers Food Warehouse, Urban Air	Singh Capital Partners
Spring Valley Shopping Center	4820 Massachusetts Ave NW	Washington	93,565	\$47.5M	6.7%	Crate & Barrel, Bluestone Lane, Millie's, Small Door Veterinary	PRP

Source: RCA

Figure 4: Regional Transportation Figures (# of Passengers)

Airport	2019	2020	2021	2022	YTD 2023
DCA	23.9M	7.6M	14M	23.9M	10.2M
IAD	24.8M	8.3M	15M	21.2M	9.3M
BWI	26.9M	11.2M	18.9M	22.8M	10M
Rail	2019	2020	2021	2022	YTD 2023
WMATA	179M	51.3M	42.9M	71.2M	67.4M
VRE	4.5M	1.1M	500K	1.2M	800K
MARC	8.9M	2.4M	1.4M	2.8M	1.8M

Source: MWAA, BWI, WMATA, MTA, NoVa Transit

GEORGETOWN

Market Trends

- Georgetown has risen to be the area's premier retail location in a post-pandemic economy. It is a mixed use, high density neighborhood known for its mix of college students and high-income residents. The neighborhood also attracts tourism and DC locals during non-work hours.
- Demand for retail space is tight, available space is very competitive, and strong consumer demand has driven rental rates up.
- The submarket has become attractive to direct-to-consumer brands seeking brick-and-mortar locations within the city to showcase products.

Notable Retailers

Apple
Rag & Bone
Baked & Wired
Georgetown Cupcake
Lululemon
Pinstripes

DEMOGRAPHIC AND CONSUMER SPENDING

Total Retail Units	470	Foot Traffic (monthly visits) (Along Wisconsin & M Streets NW)	783,840
Avg. Spending on Clothing and Accessories	\$5,704	Median Household Income	\$173,794
Avg. Spending on Food and Beverage	\$24,963	Residential Population	4,801
Total Business, Including Office	1,244	Median Age of Residents	29.7

SIGNIFICANT DEALS

Tenant	Address	Signed	Type	Square Feet
Gold's Gym	3222 M St NW	1/30/23	New Lease	24,000
Mejuri	3223 M St NW	6/27/22	New Lease	3,640
Tatte Bakery	1545 Wisconsin Ave NW	7/28/23	New Lease	3,000

EAST END/CITY CENTER

Market Trends

- Anchored by CityCenter, DC's luxury retail hub, the East End has quickly redefined itself, honing in on shoppers with increased discretionary income. Along with high-end retail, the area has historically been a popular destination for high-end restaurants and cocktail bars.
- Notably, the Capital One Arena, home to the Washington Capitals, Washington Wizards, Georgetown University's Men's Basketball team, as well as regularly used as a concert and entertainment venue, resides in the East End, making pre- and post-game foot traffic advantageous to retailers.

Notable Retailers

barmini by Jose Andres
Chanel
Cranes
Giorgio Armani
Hermes
Rasika

DEMOGRAPHIC AND CONSUMER SPENDING

Total Retail Units	510	Foot Traffic (monthly visits) (CityCenter)	121,220
Avg. Spending on Clothing and Accessories	\$3,759	Median Household Income	\$112,554
Avg. Spending on Food and Beverage	\$16,954	Residential Population	31,507
Total Business, Including Office	6,371	Median Age of Residents	35

SIGNIFICANT DEALS

Tenant	Address	Project Name	Signed	Type	Square Feet
District E	701 7 th St NW		1/15/22	New Lease	14,000
Scanlan Theodore	875 10 th St NW	CityCenter	3/3/22	New Lease	2,872
Brioni	978 I St NW	CityCenter	3/30/22	New Lease	2,872

WASHINGTON DC CBD

Market Trends

- Known as the central hub to some of the biggest law and consulting firms in the world, retailers in the CBD look to cash in on the daytime working population. With many quick service restaurants and coffee shops on seemingly every block, there is also a plethora of steakhouse and American full service restaurants offering many after-work hour options for CBD employees.
- Home to two newly opened food halls: The Square and Western Market.

Notable Retailers

BLT Steak
 Bobby Van's Steakhouse
 Grazie Grazie
 Joe's Seafood
 Morton's The Steakhouse
 Nordstrom Rack

DEMOGRAPHIC AND CONSUMER SPENDING

Total Retail Units	426	Foot Traffic (monthly visits) (Farragut North Metro Station)	14,260
Avg. Spending on Clothing and Accessories	\$2,913	Median Household Income	\$84,904
Avg. Spending on Food and Beverage	\$13,098	Residential Population	11,583
Total Business, Including Office	7,521	Median Age of Residents	27.3

SIGNIFICANT DEALS

Tenant	Address	Signed	Type	Square Feet
Sixty Vines	2200 Pennsylvania Ave NW	9/30/22	New Lease	10,231
Fusion Day Spa	1100 17 th St NW	3/10/22	Extension	2,973
Colada Shop	1900 N St NW	1/13/22	New Lease	1,876

14TH STREET/SHAW

Market Trends

- One of D.C.'s premier nightlife corridors, the 14th Street Corridor, in tandem with the Shaw neighborhood, is a go-to for trendy restaurants and bars.
- A population of mostly young adults, these neighborhoods are mostly residential, making for a popular destination for service based retailers such as barber shops, dry cleaners and pet daycare and grooming shops.

Notable Retailers

Aslin Beer Company
 Barcelona Wine Bar
 Death & Co.
 Le Diplomate
 Unconventional Diner
 Whole Foods Market

DEMOGRAPHIC AND CONSUMER SPENDING

Total Retail Units	182	Foot Traffic (monthly visits) (14 th Street Corridor)	612,240
Avg. Spending on Clothing and Accessories	\$4,848	Median Household Income	\$149,517
Avg. Spending on Food and Beverage	\$21,602	Residential Population	21,738
Total Business, Including Office	1,170	Median Age of Residents	36.5

SIGNIFICANT DEALS

Tenant	Address	Signed	Type	Square Feet
Tatte Bakery	1400 W St NW	4/29/22	New Lease	4,151
Bar Japonais	1520 14 th St NW	5/26/23	New Lease	2,830
Madison Reed	1460 P St NW	9/23/22	New Lease	1,590

NOMA/UNION MARKET

Market Trends

- Amongst the most actively developing neighborhoods in the city, NOMA and the Union Market District has over 3,500 multifamily units under construction, with more than 1,000 more planned. The area has recently delivered more than 2,200 multifamily units in the last few years.
- Known for the Union Market food hall, the surrounding blocks are starting to attract famous multi-market restaurants led by celebrity chefs, including popular New York eateries such as Pastis and Minetta Tavern.

Notable Retailers

El Presidente
Herman Miller
Le Clou
REI
Scotch & Soda
St. Anslem

DEMOGRAPHIC AND CONSUMER SPENDING

Total Retail Units	223	Foot Traffic (monthly visits) (Union Market)	283,840
Avg. Spending on Clothing and Accessories	\$2,915	Median Household Income	\$84,252
Avg. Spending on Food and Beverage	\$13,244	Residential Population	67,572
Total Business, Including Office	2,226	Median Age of Residents	37.4

SIGNIFICANT DEALS

Tenant	Address	Project Name	Signed	Type	Square Feet
Ted's Bulletin	175 L St NE		5/1/22	New Lease	4,875
Crooked Run Fermentation	550 Morse St NE	Union Market District	11/9/22	New Lease	2,163
Van Leeuwen's	416 Morse St NE	Union Market District	5/1/22	New Lease	1,400

TYSONS

Market Trends

- Known for being the home to Tysons Corner Center and Tysons Galleria, the Tysons submarket is not limited to mall retail, with operators sprawled across Route-7 and its side streets.
- Advantageously located with access to the three major highways in Northern Virginia, Tysons sees shoppers from across the Mid-Atlantic on a regular basis.
- Acting as a suburban haven, retailers remain diverse. They range from groceries, to fine dining, to service-based operators, and many others.

Notable Retailers

Best Buy
 Patsy's American
 The Palm
 Tiffany's
 Wegmans
 Whole Foods Market

DEMOGRAPHIC AND CONSUMER SPENDING

Total Retail Units	742	Foot Traffic (monthly visits) (Tysons Corner Center)	1,210,000
Avg. Spending on Clothing and Accessories	\$4,326	Median Household Income	\$145,764
Avg. Spending on Food and Beverage	\$19,984	Residential Population	60,946
Total Business, Including Office	4,735	Median Age of Residents	39.3

SIGNIFICANT DEALS

Tenant	Address	Project Name	Signed	Type	Square Feet
Founding Farmers	1800 Tysons Blvd		7/5/23	Renewal	12,795
Sandbox VR	1656 Silver Hill Dr	The Boro	11/28/22	New Lease	7,508
Chef's Island	8270 Greensboro Dr		1/6/22	New Lease	1,611

ARLINGTON

Market Trends

- Located just across the Potomac River, Arlington offers a city living alternative to Washington D.C. for young professionals and young families.
- Retailers span the Rosslyn-Ballston (R-B) Corridor, often on the ground floor of many multifamily and office buildings.
- Clarendon serves as the mid-point on the R-B Corridor, and is a hybrid of food and beverage locations along with grocers and other service-based retailers.

Notable Retailers

Apple
Crate & Barrell
Life Time
Target
Trader Joe's
Whole Foods Market

DEMOGRAPHIC AND CONSUMER SPENDING

Total Retail Units	477	Foot Traffic (monthly visits) (The Crossing Clarendon)	235,110
Avg. Spending on Clothing and Accessories	\$4,215	Median Household Income	\$128,160
Avg. Spending on Food and Beverage	\$18,909	Residential Population	76,760
Total Business, Including Office	4,200	Median Age of Residents	34.4

SIGNIFICANT DEALS

Tenant	Address	Project Name	Signed	Type	Square Feet
Wagamama	2950 Clarendon Blvd		3/28/22	New Lease	5,100
Immigrant Food	4245 Fairfax Dr		7/20/23	New Lease	3,167
Colada Shop	1440 N Edgewood St	Clarendon Crossing	6/23/23	New Lease	2,312

BETHESDA/CHEVY CHASE

Market Trends

- The Bethesda/Chevy Chase submarket is anchored by three premier retail districts. Bethesda Row has quickly become an attractive destination for direct-to-consumer brands launching brick-and-mortar formats. Whereas, the Collection at Chevy Chase and Shops at Wisconsin Place have transitioned to offer a mix of luxury retailers along with The Heights, a highly anticipated food hall set to open later this year.
- The Bethesda/Chevy Chase submarket is comprised of mature, affluent families that take advantage of the many retailers within striking distance.

Notable Retailers

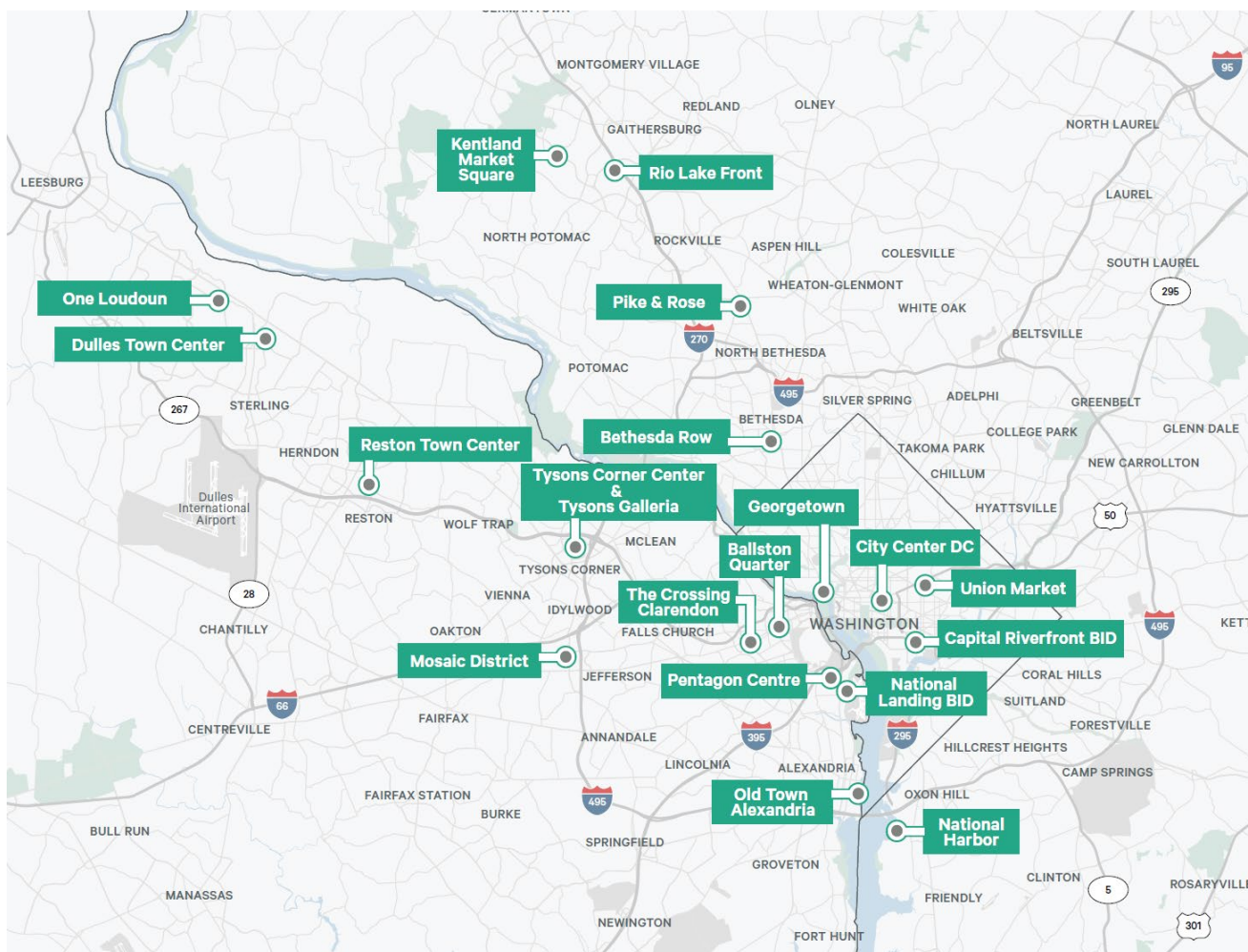
Apple
 Bloomingdale's
 Lululemon
 Nike Well Collective
 Saks Fifth Avenue
 Vuori

DEMOGRAPHIC AND CONSUMER SPENDING

Total Retail Units	507	Foot Traffic (monthly visits) (Bethesda Row)	421,400
Avg. Spending on Clothing and Accessories	\$5,387	Median Household Income	\$183,695
Avg. Spending on Food and Beverage	\$24,811	Residential Population	101,444
Total Business, Including Office	5,761	Median Age of Residents	45.5

SIGNIFICANT DEALS

Tenant	Address	Project Name	Signed	Type	Square Feet
Joy From Seven Reasons	5471 Wisconsin Ave	The Collection at Chevy Chase	6/2/22	New Lease	4,961
Porsche	5471 Wisconsin Ave	The Collection at Chevy Chase	4/19/23	New Lease	3,756
DIG	4733 Elm St		3/17/23	New Lease	2,040



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