Mt. Pleasant Market Analysis

Prepared For:

District of Columbia
Office of Planning

By: PES/Retail Compass

September, 2009

Contents

Introduction

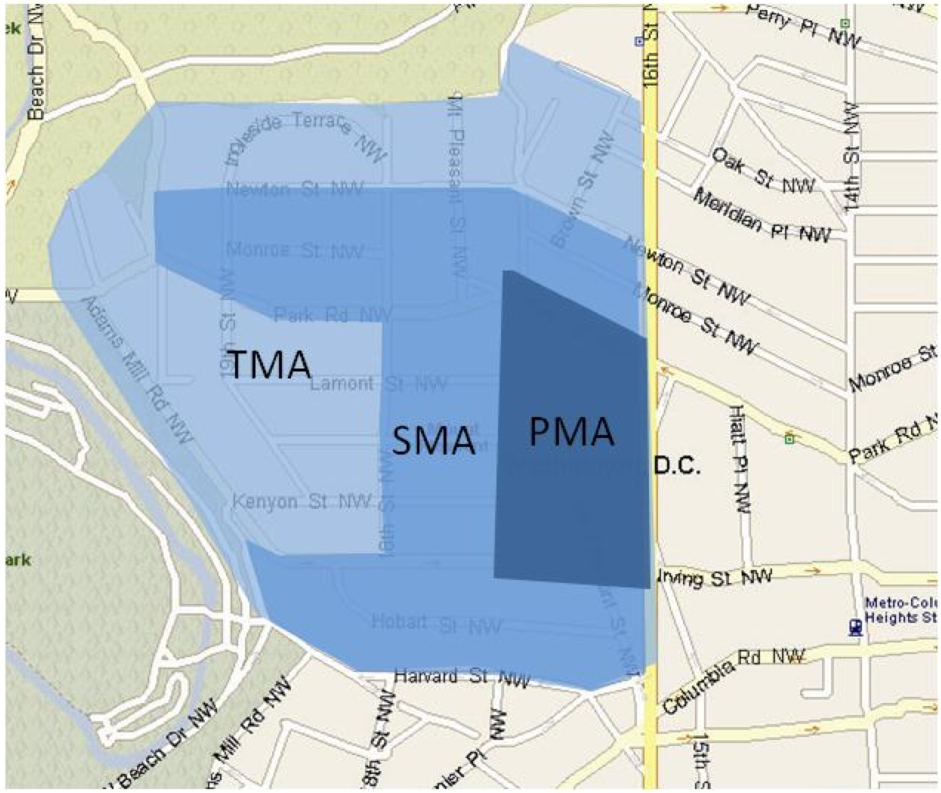
The Mount Pleasant Main Street area is a five-block retail district in the heart of Northwest Washington, DC. This area was impacted significantly by the riots of the late 1960's and has seen several generations of residents over the next four decades. Initially a primarily African American neighborhood, in the 1970's and 1980's the influence of the Central American community became evident in the residents and store management. More recently in the mid 1990's, middle-class white singles and childless couples began to settle in the area and property values rose significantly along with the rest of Northwest DC.

Downturns in the national economy coupled with several local changes to the existing conditions have impacted the Mt. Pleasant Street neighborhood. These recent changes include:

- Completion of the Columbia Heights Metro Station – 1999
- District of Columbia Redevelopment Authority's (DCRA) redevelopment of Metro station land which resulted in a new retail center. DC USA, a mere three blocks from Mt. Pleasant Street includes a Target, Staples, Best Buy, Marshalls, Giant Food Store, Starbucks and other supporting retail – 2008
- Destruction of the Deauville building, which housed an estimated 250 to 300 residents – March 2008
- Several businesses closed resulting in new vacancies, although not at an unreasonably high level along Mt. Pleasant Street.

Mount Pleasant Street has always been a local retail street and has had some difficulty attracting all of its residents – all ethnicities and income groups – to its retail strip. Many of the businesses were developed to serve one component of the community. As the neighborhood has become more diverse overall, they have not changed in a significant way. Check cashing stores, Latino supermarkets, Central American restaurants and stores selling Central American merchandise dominate the street. Interspersed are some businesses that serve several components of the community: a video store; a coffee shop and bakery; convenience stores; a wine and liquor store; a pharmacy; and a hardware store. The changes in the surrounding area and the additional purchasing options close by have affected Mount Pleasant Street, and business attrition has been occurring at a significant rate.

Demographic Profile



The demographic profile provides a foundation for understanding the residential and commercial characteristics of the Mt. Pleasant neighborhood within the context of the District of Columbia and Metro Area.

The Primary Market Area (PMA) consists of a very tight area with approximately 2,300 residents. The broader Secondary Market Area (SMA) captures a larger base of residents and reflects more of the District-wide trends for population and household growth over the last decade and half.

The PMA experienced modest population growth of 0.7 percent in the last nine years, based on a current population estimate by ESRI, a national data provider, though that estimate may not properly reflect the loss of households due to the Deauville fire. The District stemmed its population losses of the 1990s with an estimated 3.2-percent gain from 2000 to 2009. During the same time period, the metro area population increased by 13.6 percent.

In total there are an estimated 2,300 residents in the PMA and 4,800 in the SMA. The broader Tertiary Market Area (TMA) includes an estimated 3,700 residents. The PMA households and those in the SMA vary somewhat in their demographic profile data. In contrast, the TMA residents exhibit much greater differences as these households include more homeowners living in single-family homes with higher incomes than the PMA renters.

Within only a ten-minute walk of the Mount Pleasant neighborhood area, the overall density increases and supports an estimated 30,000 residents, according to the DC Economic Partnership. This larger area includes portions of Adams Morgan, Columbia Heights and northern sections of Dupont Circle.

Compared with the District-wide age distribution, residents in the PMA tend to be younger with an overall higher percentage of residents age 25 to 34. Within the PMA more than 40 percent of residents are between the ages of 20 to 34 compared with 29 percent in the SMA and one-quarter in the District.

The relatively large household sizes reflect the large Hispanic and Central American immigrant population in Mount Pleasant with an average of 2.51 persons per household in the PMA and 2.37 in the SMA compared to only 2.13 in the city as a whole. These household size likely are underestimated due to an undercounting of Hispanic and Latin American residents in the decennial Census.

Table 1. Population, Age Distribution, Households by Type and Mobility, 2009

	Mt. Pleasant PMA		Secondary MA		Tertiary MA		DC		Metro Area	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Population Trends										
1990	2,147		4,997		3,872		606,900		4,122,914	
2000	2,302		4,839		3,723		572,059		4,796,183	
2009	2,317		4,843		3,762		590,484		5,448,329	
1990-2009 Change	170	7.9%	(154)	-3.1%	(110)	-2.8%	(16,416)	-2.7%	1,325,415	32.1%
1990-2000 Change	155	7.2%	(158)	-3.2%	(149)	-3.8%	(34,841)	-5.7%	673,269	16.3%
2000-2009 Change	15	0.7%	4	0.1%	39	1.0%	18,425	3.2%	652,146	13.6%
Population by Age (2009)	**2,317**		**4,843**		**3,762**		**590,484**		**5,448,329**	
Under 20 Years	494	21.3%	843	17.4%	621	16.5%	139,354	23.6%	1,487,394	27.3%
20 to 24 Years	315	13.6%	315	6.5%	271	7.2%	52,553	8.9%	348,693	6.4%
25 to 34 Years	642	27.7%	1,099	22.7%	974	25.9%	96,839	16.4%	746,421	13.7%
35 to 44 Years	329	14.2%	949	19.6%	700	18.6%	80,306	13.6%	839,043	15.4%
45 to 54 Years	285	12.3%	673	13.9%	493	13.1%	82,077	13.9%	855,388	15.7%
55 to 64 Years	167	7.2%	450	9.3%	312	8.3%	66,725	11.3%	615,661	11.3%
65 to 74 Years	51	2.2%	262	5.4%	181	4.8%	36,610	6.2%	305,106	5.6%
75 to 84 Years	16	0.7%	155	3.2%	113	3.0%	24,210	4.1%	174,347	3.2%
85 Years and Over	16	0.7%	102	2.1%	94	2.5%	11,810	2.0%	76,277	1.4%
Median Age	29.5		36.6		35.2		35.8		36.7	
Households (2009)	**920**		**1,966**		**1,404**		**261,188**		**2,038,084**	
Average Household Size	2.51		2.37		2.55		2.13		2.63	

Note: PMA consists of Census Tract 27.02- Block Group 1. Secondary Market Area Includes Census Tract 27.02 - Block Group 2 and 27.01 Block Group 1. Metro Area includes all those jurisidictions within the Washington DC-MD-VA-WV Primary Metropolitan Statistical Area
Source: ESRI, 2009; Partners for Economic Solutions, 2009.

In the Mount Pleasant area, access to vehicles reflects an urban lifestyle with ample access to transit options. Only one-third of households within the PMA have access to vehicles compared with the typical 62 percent of households in the SMA and District of Columbia as a whole. This underscores the demographic differences between the PMA and other geographies and the willingness of residents to live without vehicles.

In 2009, ESRI estimated the PMA's median household income at $41,126, not much more than half that of the TMA with a median income of $76,756. Twenty-four percent of PMA households had 2009 incomes of less than $25,000 versus 14 percent of TMA households. On the higher end, 17 percent of PMA households and 38 percent of SMA households had incomes of $75,000 or more. The more affluent TMA households captures more residents earning in excess of $75,000 with slightly more than half (51 percent) in this group.

Table 2. Household Incomes, 2009								
	Mt. Pleasant PMA		Secondary MA		DC		Metro Area	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Household Income, Total Households (2009)	**920**	**100%**	**1,966**	**100%**	**261,188**	**100%**	**2,038,084**	**100%**
Less than $15,000	139	15.1%	283	14.4%	44,924	17.2%	122,285	6.0%
$15,000 to $24,999	81	8.8%	122	6.2%	21,679	8.3%	91,714	4.5%
$25,000 to $34,999	186	20.2%	179	9.1%	25,335	9.7%	112,095	5.5%
$35,000 to $49,999	149	16.2%	261	13.3%	34,999	13.4%	216,037	10.6%
$50,000 to $74,999	208	22.6%	362	18.4%	45,969	17.6%	358,703	17.6%
$75,000 to $99,999	82	8.9%	265	13.5%	30,298	11.6%	336,284	16.5%
$100,000 to $149,999	47	5.1%	285	14.5%	28,992	11.1%	444,302	21.8%
$150,000 to $199,999	22	2.4%	134	6.8%	13,843	5.3%	183,428	9.0%
$200,000 or More	6	0.7%	75	3.8%	15,410	5.9%	173,237	8.5%
Median Household Income	$41,126		$56,138		$51,491		$82,080	
Mean Household Income	$50,989		$77,520		$76,381		$105,008	

Note: PMA consists of Census Tract 27.02- Block Group 1. Secondary Market Area Includes Census Tract 27.02 - Block Group 2 and 27.01 Block Group 1. Metro Area includes all those jurisdictions within the Washington DC-MD-VA-WV Primary Metropolitan Statistical Area
Source: ESRI, 2009; Partners for Economic Solutions, 2009.

Throughout the SMA, District and Metro Area each jurisdiction shows a relatively high level of educational attainment with more than 45 percent of the population aged 25 or over holding a bachelor's or higher degree. Within the PMA 41.4 percent of residents aged 25 or over have not earned a high school degree (or GED), and only one-third have a college degree.

Table 3. Educational Attainment, 2009								
	Mt. Pleasant PMA		Secondary MA		DC		Metro Area	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Educational Attainment, Population Aged 25+	**1,509**	**100%**	**3,688**	**100%**	**398,477**	**100%**	**3,612,513**	**100%**
Less than 9th Grade	509	33.7%	527	14.3%	23,909	6.0%	137,275	3.8%
9th to 12th Grade, No Diploma	116	7.7%	291	7.9%	38,652	9.7%	220,363	6.1%
High School Graduate (Includes GED)	192	12.7%	546	14.8%	83,282	20.9%	744,178	20.6%
Some College, No Degree	143	9.5%	262	7.1%	55,388	13.9%	632,190	17.5%
Associate's Degree	54	3.6%	111	3.0%	13,548	3.4%	213,138	5.9%
Bachelor's Degree	294	19.5%	782	21.2%	82,883	20.8%	895,903	24.8%
Graduate or Professional Degree	201	13.3%	1,165	31.6%	101,213	25.4%	769,465	21.3%

Note: PMA consists of Census Tract 27.02- Block Group 1. Secondary Market Area Includes Census Tract 27.02 - Block Group 2 and 27.01 Block Group 1. Metro Area includes all those jurisdictions within the Washington DC-MD-VA-WV Primary Metropolitan Statistical Area
Source: ESRI, 2009; Partners for Economic Solutions, 2009.

The household characteristics unique to the PMA and distinct from the SMA include household size, tenure and mobility of households. Nearly one-quarter of families consist of single-parent households in the PMA. The lowest incidence of single-person households occurs in the PMA, estimated at only 35.6 percent compared with 39 percent in the SMA and 44 percent in the District of Columbia as a whole.

The number of owner-occupied housing units increases three-fold between the PMA and the SMA and TMA. ESRI's 2009 estimates suggest only nine percent of PMA housing units are owner occupied compared with 36 percent in both the SMA and TMA. This is perhaps one of the more notable trends and reflects the large number of PMA residents living in rental housing units.

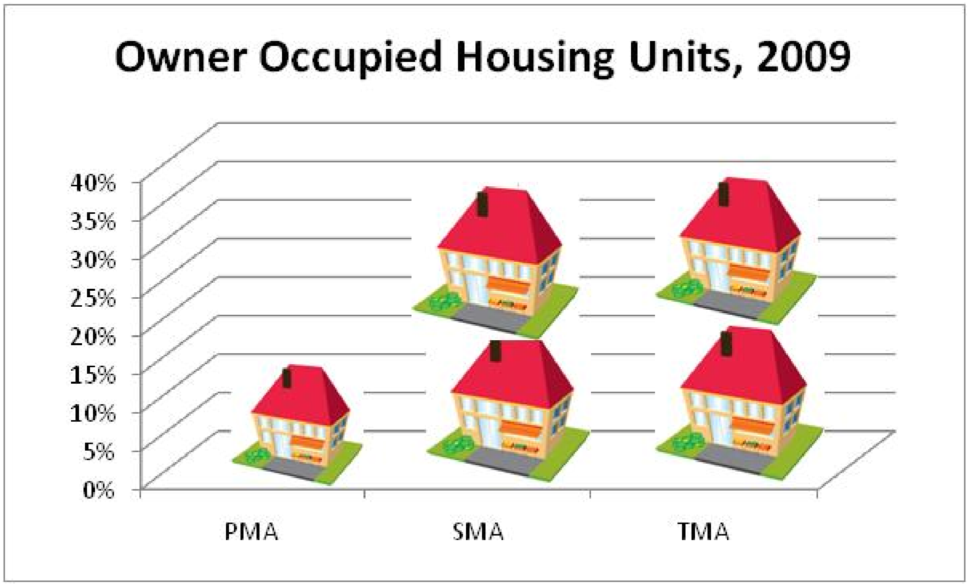


Table 4. Household Characteristics, 2009								
	Mt. Pleasant PMA		Secondary MA		DC		Metro Area	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Housing Unit Tenure, 2009	**972**	100%	**2,056**	100%	**290,886**	100%	**2,181,332**	100%
Owner Occupied Units	90	9.3%	740	36.0%	112,282	38.6%	1,308,799	60.0%
Renter Occupied Units	830	85.4%	1,225	59.6%	148,934	51.2%	728,565	33.4%
Vacant Housing Units	52	5.3%	90	4.4%	29,670	10.2%	143,968	6.6%
Households by Size, 2000	**915**	**100%**	**1,945**	**100%**	**248,338**	**100%**	**1,800,263**	**100%**
1 Person Household	326	35.6%	759	39.0%	108,772	43.8%	477,070	26.5%
2 Person Household	223	24.4%	486	25.0%	68,293	27.5%	554,481	30.8%
3-4 Person Household	253	27.7%	482	24.8%	51,903	20.9%	568,883	31.6%
5+ Person Household	112	12%	216	11%	19,370	8%	199,829	11%
Housing Units by Units in Structure, 2000	**1,001**	100%	**2,017**	100%	**274,845**	100%	**1,890,037**	100%
1, Detached	8	0.8%	77	3.8%	36,280	13.2%	882,647	46.7%
1, Attached	55	5.5%	619	30.7%	72,559	26.4%	364,777	19.3%
2	37	3.7%	137	6.8%	8,245	3.0%	18,900	1.0%
3 or 4	38	3.8%	119	5.9%	21,988	8.0%	52,921	2.8%
5 to 9	58	5.8%	99	4.9%	21,713	7.9%	113,402	6.0%
10 to 19	144	14.4%	131	6.5%	28,309	10.3%	177,663	9.4%
20+	661	66.0%	837	41.5%	84,927	30.9%	262,715	13.9%
Mobile Home	-	0.0%	-	0.0%	275	0.1%	17,010	0.9%
Households by Year Householder Moved in, 2000	**948**	100%	**1,927**	100%	**248,338**	100%	**1,800,263**	100%
Moved in 1999 to Mar. 2000	251	26.5%	476	24.7%	56,869	22.9%	383,456	21.3%
Moved in 1995 to 1998	453	47.8%	690	35.8%	74,005	29.8%	554,481	30.8%
Moved in 1990 to 1994	104	11.0%	266	13.8%	32,532	13.1%	295,243	16.4%
Moved in 1980 to 1989	73	7.7%	214	11.1%	33,029	13.3%	295,243	16.4%
Moved in 1970 to 1979	58	6.1%	152	7.9%	23,344	9.4%	147,622	8.2%
Moved in 1969 or Earlier	9	0.9%	133	6.9%	28,311	11.4%	124,218	6.9%
Median Year Householder Moved In		1997		1996		1995		1995

Note: PMA consists of Census Tract 27.02- Block Group 1. Secondary Market Area Includes Census Tract 27.02 - Block Group 2 and 27.01 Block Group 1. Metro Area includes all those jurisidictions within the Washington DC-MD-VA-WV Primary Metropolitan Statistical Area
Source: ESRI, 2009; Partners for Economic Solutions, 2009.

The DC 2006 Comprehensive Plan suggests that growth in the Mid-City area will increase population by 16 percent with the addition of more than 6,400 new residents by 2025. This growth includes much of the development planned in the U Street corridor, Columbia Heights and Adams Morgan as the Mid-City Area is much broader than just Mt. Pleasant.

Data provided by the DC Economic Partnership helps to capture the type of development occurring in Ward 1. This development tends to include residential and retail components but over the last several years no projects have included commercial office space or hotels.

Table 5. New Development - Mount Pleasant Area		
Project Status	Residential Units	Retail Sq. Ft.
Currently Under Construction	470	22,812
Planned Projects	157	22,000
Proposed Projects	563	1,200
Source: DC Economic Partnership; PES, 2009.		

Recently completed projects such as the $2 million Astonia project by Manna, which included 12 residential units and an estimated 1,600 square feet of retail, represent smaller scale opportunities in Mount Pleasant. Development is occurring at a less frequent pace in Mount Pleasant as compared to Columbia Heights and other immediate neighborhoods.

Residential Conditions

The Primary Market Area (PMA) represents a tight-in area surrounding Mount Pleasant Street. It includes a large share of the existing base of rental apartments in multi-family buildings. To the west of this area, the residential character shifts to single-family attached residential units and the value of property rises as proximity to Rock Creek Park increases and those properties east of 16th Street climb in value as they approach 14th Street/ the heart of Columbia Heights.

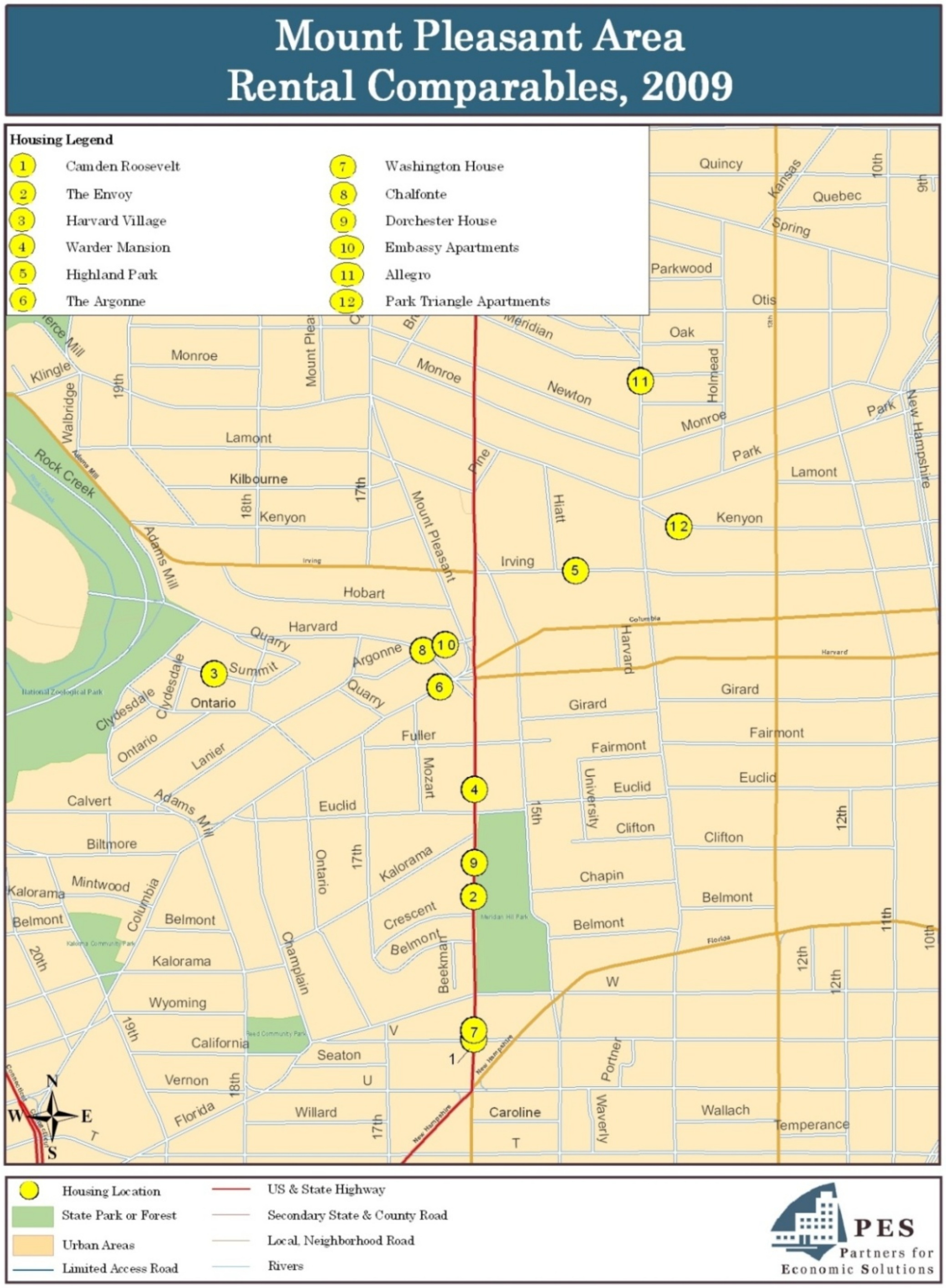
Rental Residential

The existing supply of rental properties within this area includes small- to mid-scale buildings mostly less than six stories. In the immediate area, the buildings include The Park Regency, Parklee and Parkfair Apartments along Park Road; Park Pleasant Apartments on Mount Pleasant Street; and Park Monroe and the Majestic Apartments along 16th Street. Within this smaller apartment enclave, the housing units are much smaller with sizes of less than 400 square feet for efficiencies and a more reasonable, but still small, 550 to 700 square feet for one-bedroom units. The rents range from $1.60 to $2.80 per square foot reflecting the low vacancy rates at most buildings below three percent. Efficiencies rent for $965 to $1,250 per month while monthly rents for one-bedroom units are generally $1,400 to $1,795. Typically, occupancy rates of 95 percent or higher represent healthy rental market conditions.

The rental community within Mt. Pleasant attracts clients from out of the area through regular listings on Craigslist, local newspaper ads and word of mouth from existing tenants. Many of the area's property managers highlight the low turnover for renters in larger units and the high demand.

Within the broader rental market, there are several competitive complexes that offer more modern amenities and features. The following map shows those selected apartment comparables in the broader area. These neighboring apartment complexes include many of the same type of historic mid-rise apartment structures with relatively small units. The rents outside of the Mt. Pleasant enclave range from $1.80 to $3.25 per square foot. Efficiencies rent for $1,100 to $1,500 per month while monthly rents for one-bedroom units are generally $1,250 to $2,800. These properties offer more options for larger units with a greater number of two-bedroom units, which rent from $1,800 to $3,800 per month depending on the unit.

The Allegro apartment building at 3460 14th Street represents the high end of the residential rental market. This building offers all of the modern features with options like washers and dryers in units, an on-site concierge, controlled access and underground parking at no additional fee. Rents in this building exceed the average prices in the local market.



For-Sale Residential

Prospective homebuyers consider a range of choices when selecting the appropriate housing unit for their needs. These factors include but are not limited to price, housing unit sizes, design, proximity to public transportation, accessibility to services and entertainment, quality of schools, neighborhood amenities, quality of life (e.g., parks, street lighting, etc.), and distance to relatives and churches.

The existing stock of condominium units involves primarily renovated apartment buildings converted to condominiums. These units range in size from 400 to 500 square feet for a one bedroom to 600 to 1,000 square feet for a two-bedroom unit. Most units have modern amenities including high speed internet access, but the availability of parking varies greatly by building.

Local realtors suggest the condominium market still has potential to attract many young professionals due to the area's affordable prices when considering its close proximity to Rock Creek Park, ample transit access, DC USA retail operations and the general success of the Mt. Pleasant Main Street area.

Information provided by the Metropolitan Regional Information Systems, Inc. (MRIS) offers historical average sales prices for the District of Columbia. The following table illustrates that the condominium market remains at a standstill after a decline marked in 2006 with a 4.8-percent drop in average sales price from the previous year's $425,742 average sale price. Attached townhouses held on through 2007, showing a drop from the 2006 average price of 2.9 percent, which likely reflects the strength of the District's more affluent neighborhoods. The single-family detached homes experienced the largest decline in average prices with a decline of more than $31,000 from 2007 to 2008. However, these declines are relatively small when compared with price declines in some of the region's outer suburbs.

Table 6. Historical DC Residential Sales Prices

Housing Type	Average Sales Price		
	2006	2007	2008
Condominium	$406,220	$406,425	$411,094
Townhouse	$853,450	$949,960	$922,791
Single Family	$532,736	$581,180	$549,821

Source: MRIS, 2009; Partners for Economic Solutions, 2009.

Based on data provided from the DC Office of Tax and Revenue in March of 2008, for-sale residential units within the immediate Mt. Pleasant Street area sold for an average of $400 per square foot in late 2006 to 2007. In the first six months of 2009, prices continued to climb and in some instances exceeded $450 per square foot, though sales activity slowed significantly. At this point in time listings for single-family units remain steady with an average listing price of $430 per square foot. Although the time each unit sits on the market continues to lengthen. In 2007, units remained on the market an average of 44 days within the 20010 zip code. In 2008, that increased to 71 days, with an even longer marketing period of 98 days as of July of 2009.

Data provided by MRIS reflects trends in the 20010 zip code, which extends beyond the Mt. Pleasant neighborhood and captures activity in Adams Morgan, Columbia Heights and Dupont Circle as well. Condominium units in the immediate area range in sale prices from more affordable units at the mid to upper $200,000 mark to roughly $400,000. A natural market segmentation occurs among condominiums; units available on the top floor or penthouse area command premium pricing of at least 10 percent. A recent review of listings in the Washington Post suggests that these types of units sell for more than $510 per square foot.

Commercial Conditions

Office

Within the Metropolitan Washington DC region, the District of Columbia has a strong core of emerging office submarkets outside the downtown office market. The nearly built out downtown office market thrives with officer users in need of space close to the government center and the Capitol. These tenants include accountants, consultants, lawyers, lobbyists and many other professional office users. Beyond the downtown office market other successful or emerging office submarkets include Capitol Hill, Dupont Circle, Wisconsin Avenue, Upper Connecticut and recently North of Massachusetts (NoMa) and Southeast (near Navy Yard). In these submarkets, office tenants in search of more affordable office space who do not require a prestigious address may opt to locate outside the downtown core. Typically these submarkets house neighborhood serving businesses but they are able to attract other tenants as well due to their retail amenities, access to transit, reputation for quality housing and other features.

The Dupont Circle submarket and 16th Street corridor extending up to Mt. Pleasant offers office space for many of DC's institutional non-profit research institutions, associations and other organizations. In the late 1990's and early 2000's these non-profit institutions left the downtown office market for neighboring areas (either in the suburbs or in other DC neighborhoods). Often these non-profits retained minimal space close in to the Capitol for advocacy purposes. This market segment represents an important audience for the greater Mt. Pleasant area, as many non-profits often seek locations accessible to their often low-paid employees through transit and/or nearby affordable housing.

Rents vary dramatically among these DC submarkets with the highest rents in prominent downtown office locations. As would be expected, new office products demand higher rents upwards of $52 per square foot. In the Dupont Circle submarket and along 16th Street average rents for office space range from $40 to $42 per square foot depending greatly on location, amenities and the terms of each individual deal. As the vacancy rate continues at a rate of 14 percent these rents will likely fall slightly. It is important to note that these office market dynamics do not extend far off 16th Street.

Within the 20009 and 20010 zip codes there is an estimated 4.2 million square feet of rentable building area for office space. The majority of this space consists of Class B office space, with 1.9 million square feet in approximately 86 buildings. The Class C office space in an estimated 130 buildings includes slightly less space (1.13 million square feet) than in the six Class A office buildings with 1.15 million square feet of space. In this area office vacancy rates have lingered below 6 percent for the last five years. Most recently in the second quarter of 2009 vacancy rates reached a low of 3.7 percent. These lower vacancy rates reflect the strength of the Class B office market along 16th Street, in Dupont Circle, and, to a lesser extent, in Columbia Heights.

In Mt. Pleasant the major office development clusters are located along major thoroughfares such as 16th Street. The tenants of these offices tend to include non-profits, embassies or other more institutional organizations. For example, the American Clergy Leadership Conference at Park and 16th Street has available two floors of office space totaling 8,000 square feet and hopes to lease this space at $30 per square foot to a non-profit tenant. The building already houses a charter school and the ACLC's headquarter operations.

Office or service commercial spaces along Mt. Pleasant Street itself consist of second-story or rear office options for neighborhood-serving businesses such as business services, tax preparation or medical offices.

Other Non-Retail Commercial

This category of commercial space includes three distinct types of user groups; community; recreation; and service related operations. These types of operations pay more affordable rents and co-exist with other commercial office and retail users. Distinct from neighborhood office services and retail operations, their rent structure and term often extend beyond standard terms.

The community-based non-retail commercial operations might include a community center, which fills an unmet need in the neighborhood. The existing DC Department of Transportation Streetscape office currently occupies ground level space within the Mt. Pleasant Street corridor, falling into the same type of category.

A recreation-based non-retail operation might include a dance studio. These spaces tend to reflect particular destination qualities and may attract audiences from outside the immediate neighborhood. Other types of recreational tenants could include billiard halls, children play centers (e.g. Gymboree), and fitness clinics with nutritionists.

The service based non-retail commercial would include child care operations or similar types of non-office users. These types of users tend to require unique features. For example, the child care operation would require access to outdoor space. However, they tend to be great daytime users of space with lot of activity.

Retail Conditions

Mt. Pleasant Street is a remarkable retail district that exists against conventional wisdom. Located two to three blocks west of DC USA/Columbia Heights, one of the largest retail clusters in the District, Mt. Pleasant Street thrives in relative obscurity.

Traffic patterns from 16th Street and Park Street allow Mt. Pleasant's retail area to be easily missed. The topography and street alignment of the neighborhood, as well as locations of major throughways, create an insular, self-sustaining atmosphere. Known as "the Village in the City," Mt. Pleasant's independence and loyalty has supported a restaurant and shopping district that would have disintegrated against retail competition in most other DC neighborhoods.

Retailers along Mt. Pleasant Street suffer the ebb and flow of spending more acutely than other neighborhood retail streets might. The trade areas that represent their most dedicated customer base are small – minor changes in household expenditures can have major impacts on local retail businesses. Conversely, Mt. Pleasant's "buy local" shopping attitude essentially guarantees a baseline of retail demand that is immune from nearby retail growth and emerging competition.

The strength of Mt. Pleasant Street's retail environment and future potential begins with an inventory of the existing stores and restaurants.

The retail inventory within the neighborhood can be broadly grouped in three categories: Neighborhood Goods and Services (NG&S); Food and Beverage and General Merchandise, Apparel, Furniture and Other (GAFO).

Retail Categories

Food and Beverage (F&B): This category includes establishments that serve food and/or alcohol consumed outside the home. Tenant types in the F&B category include sit-down restaurants, cafes, bars, coffee shops, sandwich shops, ice cream shops, "quick-bite" establishments, fast-food restaurants, and similar.

Examples of F&B retailers along Mt. Pleasant Street include Raven Grill, Radius Pizza, Haydee's Restaurant, Heller's Bakery & Café, and Dos Gringos Café & Ice Cream.

General Merchandise, Apparel, Furnishings and Other (GAFO): This category includes establishments such as clothing stores, furniture stores, bookstores, jewelry stores, stationery stores, gift boutiques, pet stores, sporting goods stores, home goods stores, craft stores, music stores, antique shops, camera stores, electronics stores, auto parts stores, and similar.

Examples of GAFO retailers include Dollar Star, Eli West Boots & Clothing Store, Rose Jewelry, Amani yu Juu, and Tarjetas Del Dia De Las Madre.

Neighborhood Goods and Services (NG&S): This category includes establishments that depend upon the patronage of local residents and workers. Examples of these types of tenants include grocery stores, drugstores, florists, bakeries, specialty food stores, delicatessens, butchers, dry cleaners, tailors, laundromats, hair salons, nail salons, day spas, printers, pet salons, machine repair shops, shoe repair and shine shops, hardware stores, gyms, and similar.

Examples of NG&S retailers include Bestway, Ramona's Day Spa, Bodega Los Primos, African Hair Gallery and Lee-Irving Liquors.

Size of Space

Sizes of existing spaces were determined through one of three approaches: (1) information derived from leasing plans, (2) estimation by the survey team, and (3) measurement of space by a measured increment (i.e. ceiling tile, floor tile, window bay, etc.). Because exact measurements could not be assured in all circumstances, sums related to total areas are expressed as "approximate" or within a reasonable margin of error for the purposes of this report.

Class of Space

Class A: Space that meets the requirement for a Class A rating typically has the following attributes: located at an end-cap or prominently situated among in-line establishments, floor-to-ceiling clear height of 14 feet or higher, storefront width of 20 feet or more, well-maintained, clearly visible from primary roadways, constructed with quality materials, properly lit exterior and display spaces, clear pedestrian and vehicular access, and served by associated parking.

Class B: Space that meets the requirements for a Class B rating typically has the following attributes: well-situated among in-line establishments, floor-to ceiling clear height of approximately 12 feet or higher, storefront width of 15 feet or more, well-maintained, and diminished representation of any factors listed for Class A space.

Class C: Space that meets the requirements for a Class C rating typically has the following attributes: located among in-line establishments, floor-to-ceiling clear heights of less than 12 feet, storefront width of less than 15 feet, and diminished representation of any factors listed for Class A or B space.

Findings

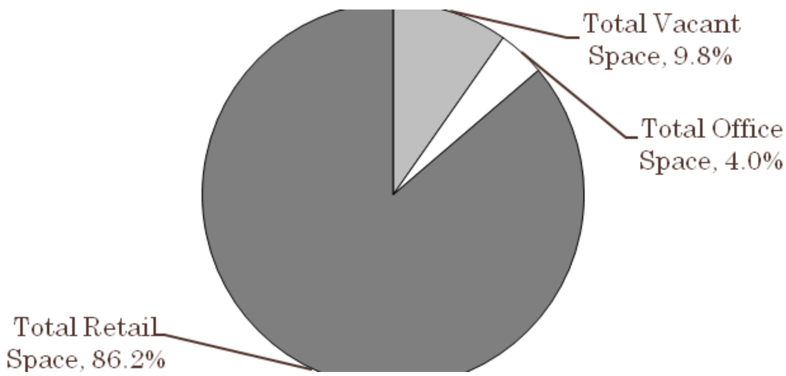
For the Mt. Pleasant Street Existing Retail Inventory, a total of 75 locations were surveyed and recorded in July and August, 2009. This total included 65 retail establishments and 10 retail-appropriate spaces that are currently occupied by a non-retail use.

The total amount of retail-appropriate space along Mt. Pleasant Street is an estimated 98,470 square feet.

Of the total amount of retail-appropriate space, approximately 3,950 square feet (4.0 percent) are currently occupied by office users. An additional estimated 9,600 square feet (9.8 percent) are vacant. Combined, these two figures constitute an "underutilized space rate" of 13.76 percent. More precisely, approximately 12,950 square feet of retail-appropriate space located along Mt. Pleasant Street is not leased or owned by retail users.

The total amount of space currently occupied by retail establishments is approximately 84,920 square feet.

Graph 1. Distribution of Retail-Appropriate Space



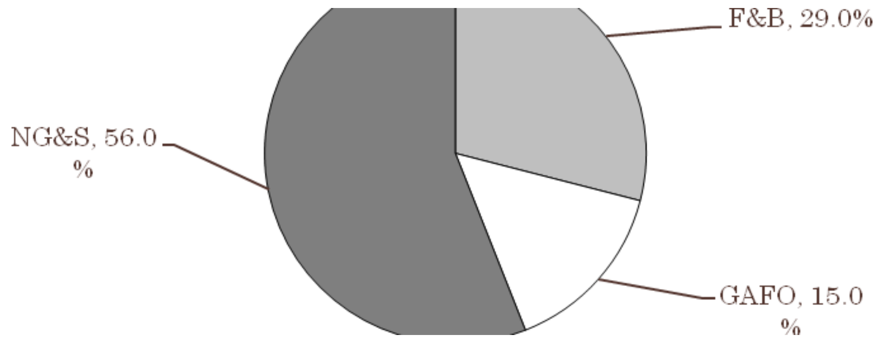
Source: Mt. Pleasant Street Retail Inventory (July/August 2009)

Of the 65 retail-occupied spaces, 19 establishments are included in the F&B category. Contributing approximately 24,520 square feet, F&B retailers constitute 29 percent of the existing inventoried retail space.

In the GAFO category, 12 establishments were identified. Accounting for approximately 12,600 square feet, GAFO retailers occupy 15 percent of existing inventoried retail space.

The largest number of retail establishments is included in the NG&S category. The 34 NG&S retailers total approximately 47,800 square feet or 56 percent of existing inventoried retail space.

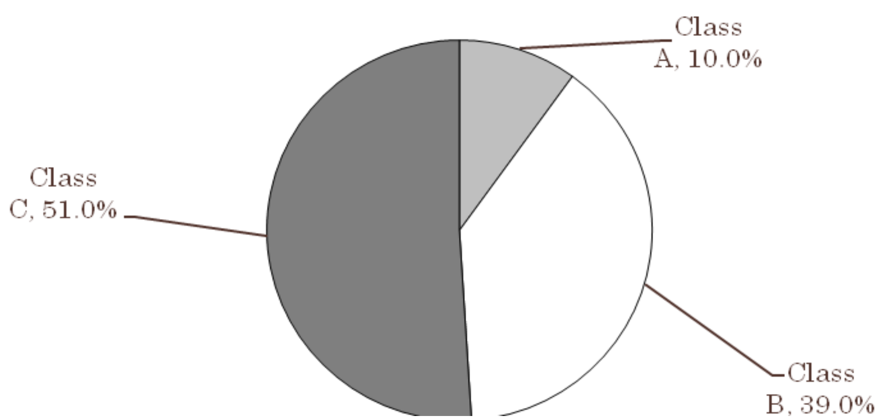
Graph 2. Distribution of Retail Space by Retail Category



Source: Mt. Pleasant Street Retail Inventory (July/August 2009)

Of the inventoried, retail-occupied space, 8,500 square feet are rated Class A, 33,000 square feet are rated Class B, and 43,420 are rated Class C.

Graph 3. Distribution of Retail Space by Class of Space



Source: Mt. Pleasant Street Retail Inventory (July/August 2009)

Determining the "Modified Inventory" of Retail Supply

The total amount of existing retail space does not provide the most accurate market depiction. In most urban neighborhoods, retail establishments maintain operations in substandard spaces and locations. As new, better quality space is constructed, the substandard space is often replaced or converted to a non-retail use.

To account for possible changes in the retail supply caused by changing demand, new construction and/or stronger competition, a percentage of probability is assigned to each class of retail space. This percentage assumes the likelihood that retail space currently in the existing supply will remain. As retail markets improve, the overall quality of space also improves.

The estimated "modified inventory" for the retail supply along Mt. Pleasant Street is approximately 62,433 square feet. This figure was determined by assigning a probability percentage of 90 percent for Class A space, 82 percent for Class B space, and 65 percent for Class C space.

Table 7. Modified Inventory Supply Calculation

Class of Space	Total Amount (SF)	Efficiency	Modified Inventory (SF)
A	8,500	90%	7,150
B	33,000	82%	27,060
C	43,420	65%	28,223
Total	1,124,040		62,433

Source: Mt. Pleasant Street Retail Inventory (July/ August 2009); Retail Compass, 2009.

Retail Demand for Mt. Pleasant Street

Retail demand is quantified by evaluating three distinct factors that impact customers' habits and capacity to patronize retailers:

- Competition from nearby retail centers and businesses
- Established local and regional shopping patterns
- Existing and projected expenditures by local households.

From the analysis of these conditions, the total amount of retail expenditures that could potentially be captured along Mt. Pleasant Street is determined. This calculation determines the basis for the total amount of supportable retail space.

The total amount of retail demand for Mt. Pleasant Street is estimated to range between 39,979 and 58.833 square feet. Regular expenditures that serve as a foundation for supportable retail along the street originate from two principle groups: residents in the primary, secondary and tertiary market areas and employees in the primary market area.

Table 8: Household-Based Retail Demand					
Category	Total Captured Expenditures	Retail Sales per SF (Low)	Total Demand-Low Productivity (SF)	Retail Sales per SF (High)	Total Demand-High Productivity (SF)
Neighborhood Goods & Services					
Groceries, Sundries and Similar	$5,931,191	$258	23,021	$422	14,063
Alcohol at Home	$407,139	$185	2,196	$283	1,440
Personal/Household Care Products and Services	$1,488,195	$190	7,833	$243	6,113
NG&S Subtotal	**$7,826,526**		**33,050**		**21,615**
Food & Beverage					
Food Away from Home	$2,759,786	$225	12,266	$329	8,390
Alcohol Away from Home	$211,018	$115	1,830	$138	1,525
F&D Subtotal	**$2,970,804**		**14,096**		**9,916**
General Merchandise, Apparel, Furniture & Furnishings & Other Shoppers Goods					
Apparel, Accessories and Similar	$293,298	$200	1,466	$269	1,092
Reading Materials, Music and Similar	$132,325	$161	820	$204	648
Home Furnishings and Décor and Similar	$206,304	$163	1,262	$205	1,006
Electronics, Technology and Similar	$64,695	$325	199	$453	143
Jewelry, Leather Goods and Similar	$21,726	$275	79	$344	63
Hobby and Gift Stores and Similar	$77,809	$122	638	$198	393
Other GAFO	$57,627	$186	310	$225	256
GAFO Subtotal	**$853,783**		**4,775**		**3,601**
Total Household-Based Retail Demand	**$11,651,113**		**51,920**		**35,132**
Source: ESRI; Retail Compass; Partners for Economic Solutions, 2009.					

Total retail demand generated by residents in the primary, secondary and tertiary market area is between 35,132 square feet and 51,920 square feet, based on a range of low and high productivity sales figures (i.e., annual sales per square foot of space).

Table 9: Workplace-Based Retail Demand					
Non-Resident Workplace Population in Trade Areas:	691				
Category	Total Captured Expenditures	Retail Sales per SF	Total Demand (SF)	Retail Sales per SF	Total Demand (SF)
Neighborhood Goods and Services	$684,850	$211	3,246	$316	2,167
Food and Alcohol Away from Home	$536,492	$170	3,156	$234	2,293
GAFO	$104,935	$205	512	$271	387
Total Demand by Office Population	**$1,326,278**		**6,913**		**4,847**
Source: ESRI; Retail Compass; Partners for Economic Solutions, 2009.					

Total retail demand generated by employees in the primary market area is between 4,847 square feet and 6,913 square feet, based on a range of low and high productivity sales figures.

Table 10: Mount Pleasant Street Cumulative Retail Demand		
Category	Total Demand-Low Productivity (SF)	Total Demand-High Productivity (SF)
Neighborhood Goods and Services	36,296	23,782
Food and Beverages	17,251	12,208
GAFO	5,286	3,989
Total Estimated Retail Demand	**58,833**	**39,979**
Source: ESRI; Retail Compass; Partners for Economic Solutions, 2009.		

Based on community input, the impact of spending by households located between 14th Street, Spring Street, 16th Street, and Hardvard Street was also analyzed. Identified as an "area of influence" regarding Mt. Pleasant Street, retail expenditures by residents of this zone increase retail demand by 2,000 to 3,000 square feet. However, the amounts of additional retail demand per specific retail category are too small to make affect cumulative demand totals.

Unmet Retail Demand

The gap between the modified inventory (supply) and the estimated retail demand equals the unmet retail demand for Mt. Pleasant Street. For the purposes of this analysis, figures generated using the "high productivity" model were used to represent demand. Unmet demand is also referred to as retail development potential, as it indicates the amount of additional retail that can be supported.

Table 11. Total Unmet Retail Demand				
	NG&S	F&B	GAFO	Total Demand
Total Demand (high)	23,782	12,208	3,989	39,979
Total Demand (low)	36,296	17,251	5,286	58,833
Total Supply	34,393	18945	9,095	62,433
Unmet Demand (high)	-10,611	-6,737	-5,106	-22,454
Unmet Demand (low)	1,903	-1,694	-3,809	-3,600
Source: Retail Compass, 2009.				

Rather than conclude that the area is "overretailed" with a negative unmet demand, the authors of this report assert that the "informal economy" in Mt. Pleasant Street is responsible for the difference. There are several indications of the presence of an informal economy in the Mt. Pleasant Street primary market area, including:

- One traditional banking center with six check cashing, money transfer outlets;
- The concentration of Latin American immigrants in Mt. Pleasant. In March 2009, the Brookings Institute estimated that one-third of new Hispanic immigrants who entered the country since 2000 were undocumented.

- Although the official estimate of the number of individuals displaced as a result of the Deauville fire was approximately 200 residents, the unofficial figure may be twice as high, if not greater. The discrepancy is explained, in part, by the concentration of residents who were not listed on leases and did not come forth to seek assistance due to their illegal status.

To date, the U.S. Census Bureau and related agencies do not collect or distribute information regarding the population or concentration of unauthorized immigrants. Consequently, retail expenditures by undocumented immigrants are not officially estimated or known.

However, the unmet demand conclusions of this report's data analysis do not match the conditions observed on the street. The data analysis indicates that Mt. Pleasant Street's supply exceeds its demand by almost 40 percent. If accurate, Mt. Pleasant Street's retail environment would be significantly and obviously different – restaurants would be nearly empty at peak hours; few prescriptions would be filled at the pharmacy, grocery or convenience stores; and store merchandise would very rarely turnover (if ever). Additionally, new store openings would be unlikely to occur and storefronts would show signs of neglect and disrepair.

On the contrary, for most of Mt. Pleasant Street's retail sites, vacancies are quickly filled and storefronts are well-maintained. During site visits that occurred at a variety of times on different days of the week, restaurants, stores and service-businesses had patrons or shoppers.

The scope of this analysis and the magnitude of the task do not permit intensive study of the amount and type of expenditures that are generated by the informal economy in Mt. Pleasant. Based on our site observations, we have concluded that the street's retail market approaches equilibrium – where demand equals supply.

Spending by undocumented immigrants contributes to Mt. Pleasant Street's retail economy. This contribution of this sector could be as high as 15 to 20 percent of total local retail demand.

Niche Market Analysis

Many neighborhoods throughout DC are searching for unique ways to brand their retail districts. These efforts are based on the principle that highly-specialized and clustered stores and possibly restaurants can attract customers from wider trade areas. Essentially, a niche retail district becomes a destination.

As a component of this analysis, Mt. Pleasant Street was evaluated for its potential to support a niche retail strategy. Several obstacles to this approach were identified.

Mt. Pleasant Street is difficult to access. East-west access to the district requires prior knowledge of local streets and the retail district's existence. It is not easily "discovered." Access from northbound 16th Street is achieved through a left turn across a highly-trafficked route prior to reaching Mt. Pleasant Street's entrance. Although 16th Street southbound has the easiest access, Mt. Pleasant Street remains hidden to everyone except those who seek to find it. As an urban neighborhood center, this is Mt. Pleasant Street's greatest asset. As a niche market destination, it is a practically insurmountable hurdle.

Mt. Pleasant Street's customer base has distinctive and diverse cultural and socio-economic groups. From the Hispanic community to the young, middle-class families to long-time rowhouse residents, Mt. Pleasant Street's trade areas include a wide range of customers. A targeted retail strategy that appeals to only one of these groups (i.e., kid-centered clothing and entertainment, Hispanic art, or upscale shopping) has little chance of success. The size and character of Mt. Pleasant Street's trade areas require retail tenanting that appeals to nearly everyone – grocery, pharmacy, basic goods, quick-bite food, sit-down restaurants, neighborhood services. These retailers are needed by the majority, almost regardless of cultural background, family composition and household income.

Mt. Pleasant Street does not currently have a niche anchor that would support formation of a district. Successful niche districts are created from the existing and natural inclinations of area. Typically, a theater might spark the arts district. A billiards hall could anchor an entertainment district. A large-scale antiques market builds confidence in creation of an antiques row. The absence of an anchor makes the task of forming a niche retail district quite risky and more improbable.

Mt. Pleasant Street does not have the infrastructure necessary to serve as a destination retail location. As a neighborhood route, Mt. Pleasant Street does not have the dimensions or the capacity to support destination-oriented traffic. Parking concerns, including limited site availability for new parking construction, would also place severe limitations on the street's ability to draw from and serve a larger trade area.

Looking to the future, it is critically important to recognize the current and potential strength of Mt. Pleasant Street as a one-of-a-kind neighborhood retail center. The district fits this model so completely that it even meets the Urban Land Institute's definition – a grocery-anchored retail center of less than 100,000 square feet.

Commitment of time, funds and energy to implementing a niche market strategy is not recommended. These resources will be better allocated to enhancing and improving the neighborhood-serving elements of this retail district.

Conclusions

Within the Mt. Pleasant market there is demand for more residential and non-retail commercial uses. The anticipated demand analysis considers potential new household growth, household turnover, and the area's ability to compete with other new development and capture households. The following table details this anticipated demand.

Table 12. Anticipated Demand for Mt. Pleasant			
	Short-Term 2010-2015	Long-Term 2015-2025	Total
Residential (Units)			
Multi-family (Mid-rise)	350	750	**1,100**
Townhouse	25	25	**50**
Total Residential	375	775	**1,150**
Non-Retail Commercial (SF)			
Office	1,000	2,500	**3,500**
Other Non-Retail	1,500	1,500	**3,000**
Total Commercial (Non-Retail)	2,500	4,000	**6,500**

Source: Partners for Economic Solutions, 2009.

Recommended Residential Unit Mix and Tenure

The Mt Pleasant neighborhood has excellent attributes for additional residential development including its close proximity to transit, strength of the surrounding neighborhood, access to parks and other civic amenities. Mt Pleasant is an ideal location for new for-sale and rental housing options. A mix of apartments, condominiums and for-sale townhouses would meet needed demand discussed above.

The review of competitive developments suggests neighboring areas continue to target empty nesters, young urban professionals and the move-up market of renters converting to home ownership. Product offerings include new townhouse infill projects, condominiums in converted houses or medium to high-rise scale projects and, to a lesser extent, larger scale mixed product offerings with condominiums and townhouses mixed with commercial development. These competitive developments proceed with the developer also building the housing units and typically hiring a private company to sell the units.

The success of these redeveloped and revitalized neighborhoods can be attributed to the strength of the market segment attracted to newly built or rehabbed housing in the District. Empty nesters, young urban professionals and smaller mature households have been attracted to condominiums with less upkeep and more amenities. In addition, some families interested in living in the District to reduce their commute find newly built townhouses with two parking spaces worth the high prices.

The fastest-growing market segment in the nation is owner households with householders aged 45 to 64. As these baby boomers age, their housing needs change. During this stage of their lives, their children are leaving home, allowing many "empty nester" households to downsize their homes and simplify their lives by letting someone else handle their lawn maintenance and exterior maintenance.

Young urban professional households with two incomes also represent a key potential market already moving quickly into the Mt. Pleasant neighborhood. These professionals include many of the non-profit sector workers already working along 16th Street or in Dupont Circle's non-profit/association based offices. These professionals may be just starting out in their career, working long hours and thus hoping to minimize their time away from home by living only a short distance from work. These types of homebuyers often leave the rental market looking for a good first investment and are willing to move into new developments in unproven areas.

The recommended unit mix and tenure combinations present the best mix of floor plans based on the nature of recent residential activity and other market conditions including existing developments and prevailing household incomes.

Table 13. Mt. Pleasant Area Residential Potentials

Units	Square Feet			Mix	Price/Rent Per Sq Ft			Sale Prices/ Rents		
For-Sale Market Potentials										
Condominium										
1 BR	700	-	900	50%	$480	-	$485	$336,000	-	$432,000
2 BR	1,000	-	1,250	50%	$465	-	$472	$465,000	-	$581,250
Townhouse										
2 BR/ DEN	1,200	-	1,350	35%	$435	-	$460	$522,000	-	$587,250
3 BR	1,475	-	1,550	50%	$410	-	$430	$604,750	-	$635,500
4 BR	1,600	-	1,775	15%	$400	-	$425	$640,000	-	$710,000
Rental Market Potentials										
Studio	535	-	645	20%	$2.60	-	$2.85	$1,390	-	$1,840
1 BR	750	-	950	45%	$2.50	-	$2.70	$1,880	-	$2,570
2 BR	990	-	1,200	35%	$2.35	-	$2.45	$2,330	-	$2,940

Source: Partners for Economic Solutions, 2009.

The suggested sales prices of condominiums at $325,000 to $570,000 will require homebuyer incomes of at least $95,000 to $110,000 given mortgage interest rates of 6.5 percent or less. ESRI projects for the identifies more than 58,000 income-qualified households in the District of Columbia (including 29,000 with incomes of $150,000 or more) and a larger pool of approximately 800,000 households in the Metro region (including

356,000 with incomes of $150,000 or more). An estimated 20 percent of District and Metro region homeowner households move annually.

This means that the Mt. Pleasant area will compete with other new and existing housing developments for a potential group of 11,000 District homebuyers and 160,000 regional homebuyers each year.

During 2008 more than 2,700 condominiums were sold within the District of Columbia, including re-sales and newly-built condominiums, as estimated by Metropolitan Region Information Systems, Inc. This results in an estimated annual absorption of 225 condominiums per month District-wide. Competitive condominium developments in comparable District neighborhoods have monthly absorptions of 5 to 10 units per month. These prices and moderate pace of absorption of the new infill housing products brought to the market in other transition areas suggest that demand for additional housing units will continue, especially if appropriate products can be added to the housing stock. Given its locational advantages relative to employment centers projected absorption ranges from 3 to 5 units per month or more conservatively 36 units per year.

Recommended Office and Non-Retail Commercial

The DC office market as a whole continues to gain Class A office space in the downtown core, increasing the vacancy rate. While tenants search for more competitive pricing Class B office space becomes increasingly difficult to find. The Mt. Pleasant area's office market currently provides insufficient office space for the neighborhood-serving office users with limited Class B and C office space. At this time, rents for those buildings average $28 to $30 per square foot, full service. Unfortunately, this rent level will not support new construction due to the rising cost to build modern office space. Additional office space might only be appropriate to infill existing ground level retail outside the designated retail core.

The non-retail commercial space should include an estimated four to five spaces available on the ground level or second floor office space within the designated retail core. These users may require additional subsidy to meet fit out needs for improving each space but should be able to pay reasonable rents to landlords. In the long-term these users may occupy ground level, formerly retail, spaces outside or within the retail core.

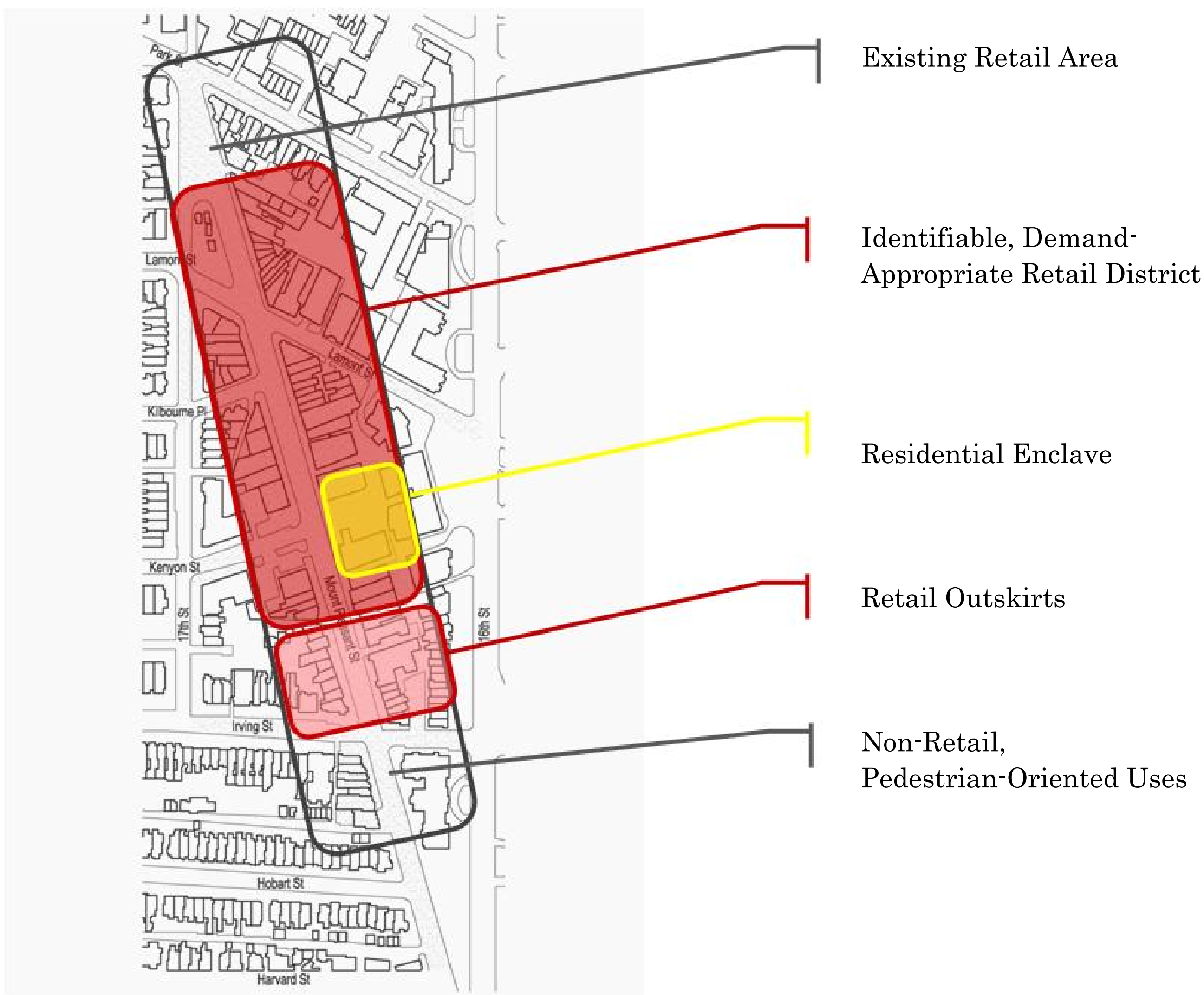
Recommended Retail Strategy

Mt. Pleasant Street is a vibrant retail street that has endured despite unbelievable obstacles. The fact that this shopping district even exists, much less prospers on any level, requires suspension of many conventional rules of retail markets.

The reasons for its continued existence are fragile and complicated. Setting aside the traffic and wayfinding difficulties, attracting a larger customer base will compromise the small, local customer base. Retail character and clientele will become less “Mt. Pleasant-oriented” and less special. The foundation of the street’s prosperity would almost certainly be compromised by clogged roadways and parking lots.

Efforts spent marketing Mt. Pleasant Street to regional and national retailers will go unanswered, as more established and concentrated retail centers compete for these tenants – especially in the current economic climate where vacancies reduce lease rates to more affordable levels.

Closing Mt. Pleasant Street to vehicular traffic, either full- or part-time, would be disastrous for restaurants that have no other access point for loading and servicing. Non-food retailers would not able to weather the diminution of visibility caused by this radical alteration.



Mount Pleasant would benefit from a concentrated retail district that clustered retail uses close together where shoppers would be encouraged to patronize more than one store. The amount of retail space that exists up and down Mount Pleasant Street exceeds the amount that can be supported long term. This analysis suggests that retail activity should be concentrated between Park and Kenyon streets, focusing on ground-level spaces primarily.

Non-retail commercial users should be encouraged to locate in the area south of Irving Street to take advantage of existing first-floor space without undermining the activity levels needed to sustain a vibrant retail district. This should include a cluster of professional offices providing services to local residents and businesses.