

King Street Retail Study

Workshop No. 3 Market Findings

The Process

Workshop No. 1 (Nov)

- Overview
- Sub Area Concept
- Base Data
 - Existing Land Uses
 - Vacancies
 - Parking
- Business Mix
- Stakeholder Input
- Economic Trends
- **COMMITTEE INPUT**

Workshop No. 2 (Jan)

- Regulatory Controls
 - Residential
 - Commercial
 - Historical
- Restaurants
 - Quantity/Quality
- Retail Chains v. Local
- **INPUT ON STRATEGIES**

Concerns/
Strategies

Workshop No. 3 (Feb)

- Sales Trends
- Tourism Trends
- Consumer Study
- Market Findings
- Marketing Themes
- **MARKET INPUT**

Planning
&
Strategic
Options
March

We are
here
tonight

King Street Retail Study

Purpose of the Meeting

To Understand the Market
Forces Driving King Street





■ King Street Market Findings



King Street Work Group Meeting

Alexandria, Virginia

February 11, 2004

Randall Gross / Development Economics



■ Market Presentation

1. Purpose & Brief Review of Past Findings
2. Citywide & King Street Sales Trends
3. Citywide Tourism Trends
4. Consumer Intercept Survey
5. Market Findings
6. Retail Marketing Themes & Concepts
7. Your Input & Next Steps

1. REVIEW: Existing Inventory

Findings presented November 2003

- King Street: **Very Successful Retail District**
- Total Retail Space: 833,000 square feet
 - Similar Size to Ballston Common Mall
- 300+ stores
- **Healthy Existing Mix of Uses** (but No Entertainment)
- Ground Floor Retail Space: 638,000 square feet
 - Unoccupied: 11% (71,000 s.f.)
- 1996-2003 Change:
 - Slight Shift to Office Use
 - Few more chains

REVIEW: Business Interviews

Findings presented November 2003

- 25 Sample businesses
- Average Sales: \$350 per square foot
 - Georgetown: \$400+, Pentagon City: \$700, Potomac Mills: \$330, Tysons: \$600
- Sales Increasing by +1.2%/year
- Average Rent: \$30 per square foot
- Lack Consistent Closing Hours
- Key Issues:
 - Marketing
 - Parking (Customers & Employees)
 - Regulatory Environment

2. King Street Sales Trends:

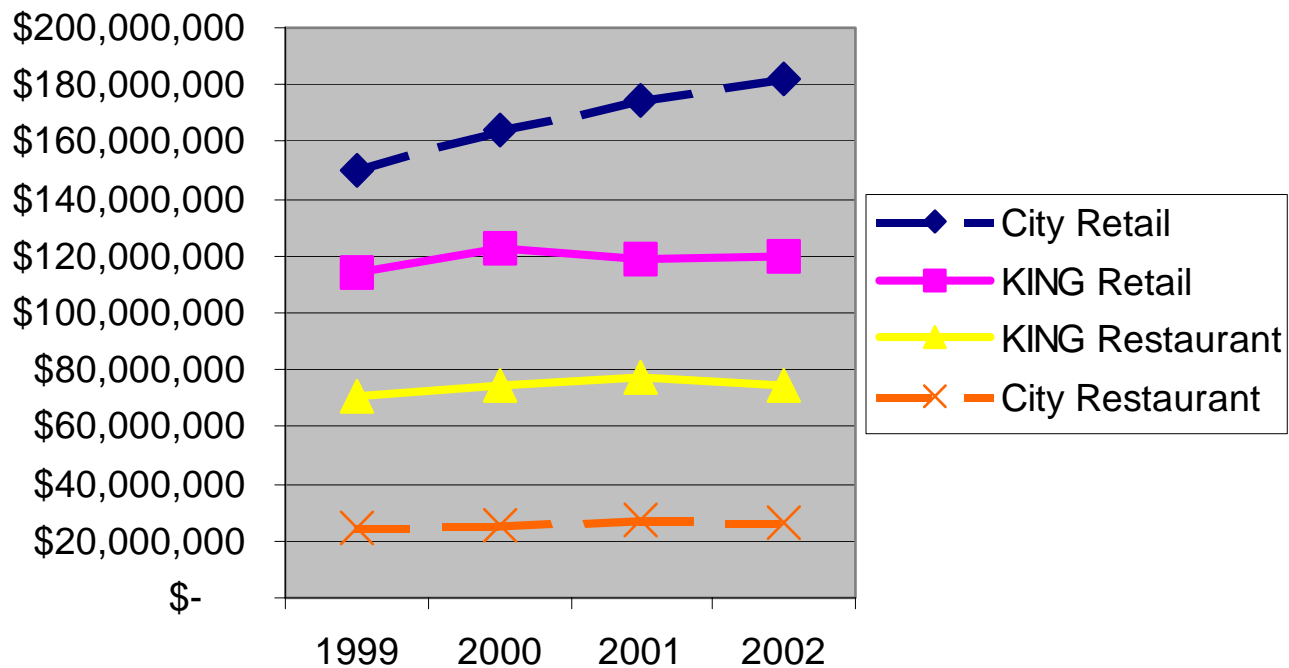
King Street stagnant while other retail blooms

Growth Rates: RGDE Business Survey: 1.2%. King Data: 1.3%. Citywide: 4.8%

King Street Sales vs Citywide Sales Trends

Note: Citywide sales shown at 10% of actual amount

Sources: City of Alexandria and Randall Gross / Development Economics

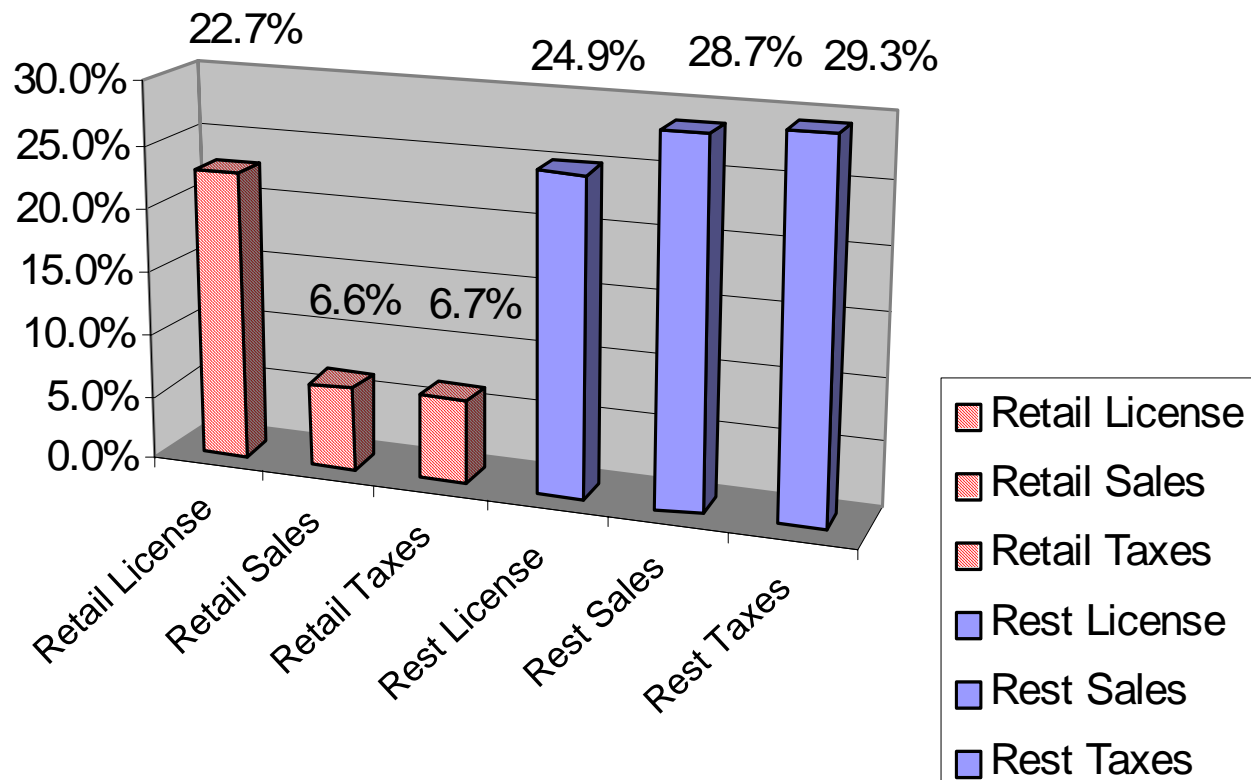


King Street Sales - Share of City

Many retailers-small tax impact. Few restaurants-large tax impact

King St Share of Citywide Business & Tax Base

Sources: City of Alexandria and Randall Gross / Development Economics



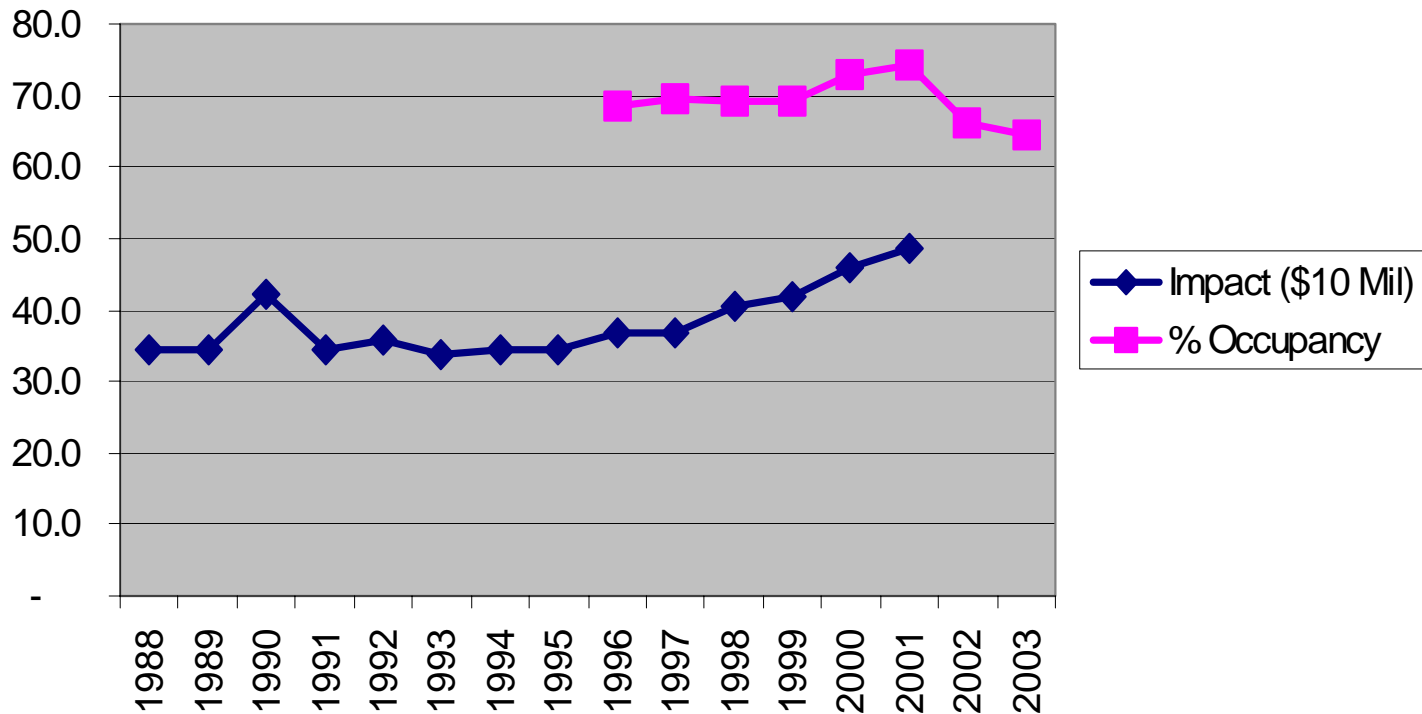
3. Alexandria Tourism Trends

Accelerating Growth Until 9-11.

Impact Felt Through mid-2003, but Occupancy Improving

Alexandria Tourism Trends (\$ Impacts & Hotel Occupancy)

Sources: Virginia Tourism Commission, Alexandria CVB, and Randall Gross / Development Economics



4. Consumer Intercept Survey

- 150 Consumers in Non-Scientific Sample
- Consumer Sources:
 - Local / Alexandria: 53%
 - Other Metro DC Resident: 32%
 - Tourist: 15%
- 48% of Consumers Walk to King Street
- Reasons for Visiting King Street:
 - Shopping: 26%
 - Work: 26%
 - Eat Lunch or Dinner: 17%
 - Visit Family/Friends: 12%
 - Sightseeing: 4%
 - Other: 15%

Consumer Survey (Cont)

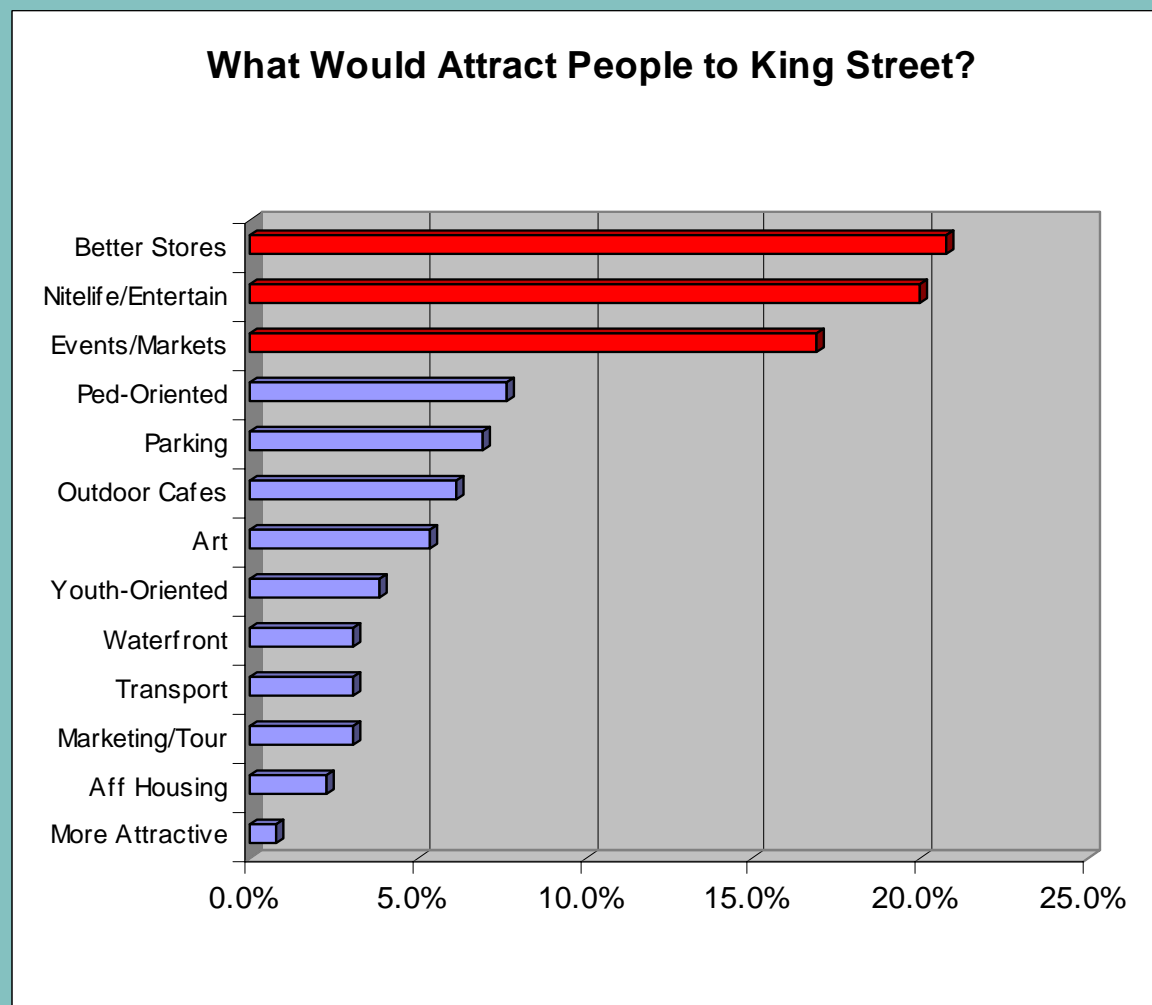
- King Street Consumer Demographics
 - Over 50% Are Age 20-35
 - Almost 25% Have HH Incomes Below \$30,000
 - About 18% Have HH Incomes Above \$100,000
 - Shopper Incomes Lower Than Average Resident
- King Street Consumer Expenditures
 - Number of Trips & Expenditures Vary
 - Local Residents Have the Greatest Impact

Consumer Survey (cont).

- King Street Shoppers Want More:
 - Groceries
 - Entertainment
 - Hardware
- Consumers Like King Street's "Charming, Historic, Walkable, Small-Town Feel."
- Consumers Dislike the Lack of Free/Visible Parking, Things to Do, Affordable Merchandise/Food, and Youth-Oriented Apparel.
- Competitors Include the Malls, Boxes, & Specialty Districts

Consumer Survey (cont):

What Would Attract People to King St???



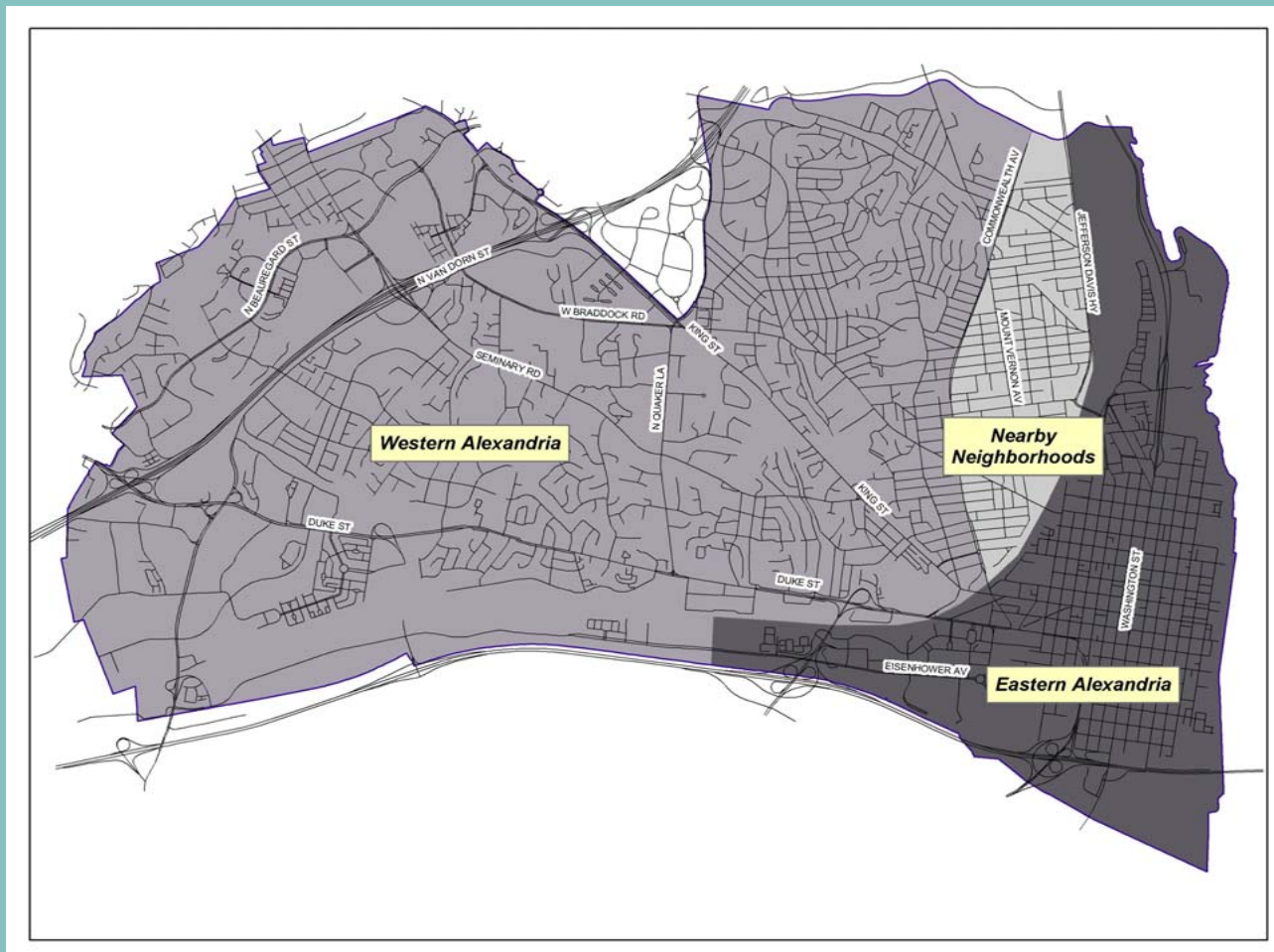
■ 5. Market Findings

- Consumer Mix & Trade Areas
- Demographics
- Expenditure Potentials
- Competitive Framework
- Warranted Demand
- Recommended Mix

Market Findings: Consumer Mix & Trade Areas

- Households (Residents)
 - Trade Area A = Eastern Alexandria
 - Trade Area B = Nearby Neighborhoods
 - Trade Area C = Remainder of Alexandria
 - Arlington, DC, Fairfax County, Maryland & Inflow
- Workers
- Tourists & Other Visitors

Primary Trade Area



Market Findings: Household Demographics 2003-08

- Eastern Alexandria
 - Increasing Household Base & Very High Incomes (\$122,000)
- Nearby Neighborhoods
 - Increasing Household Base & High Incomes (\$96,000)
- Remainder of Alexandria
 - Increasing Household Base & High Income (\$85,000)
- Secondary & Inflow Areas
 - Arlington, Fairfax growing rapidly.
 - Maryland moderate growth
 - DC household base increasing
 - Fairfax County is largest overall market

Market Findings: 2008 HH Expenditure Potentials

- Primary Trade Area Total Household Income: \$7.4 Billion
 - Retail Expenditure Potential: \$2.1 Billion
 - 2003-2008 Increase of \$324 Million
- Eastern Alexandria Total HH Income: \$1.9 Billion
 - Expenditure Potential: \$472 Million
 - 2003-2008 Increase of \$82 Million
- Nearby Neighborhoods Total HH Income: \$2.4 Billion
 - Expenditure Potential: \$712 Million
 - 2003-2008 Increase of \$106 Million
- Remainder Alexandria Total HH Income: \$3.1 Billion
 - Expenditure Potential: \$930 Million
 - 2003-2008 Increase of \$136 Million

Market Findings: 2008 Worker Demographics & Expenditure Potentials

■ Employment Base:

■ Primary

- King Street Area 14,600 Employees
- PTO 8,000

■ Other Nearby 25,400

■ Average Expenditures/Trip:

- Eating/Drinking \$13
- Retail \$26

■ Primary Employee Retail Expenditure Potential:

- 2003: \$69 Million
- 2008: \$107 Million
- Increase: 55%

Market Findings: Tourist Demographics & Expenditure Potential

■ Tourist / Meeting Visitor Base

- Weighted Annual 2008 Forecast: 20%
- Number of King Street Tourists: 835,300

■ Average Expenditures / Trip

- Eating / Drinking: \$42
- Retail: \$59

■ Total Tourist Expenditure Potential

- 2003 \$48 Million
- 2008 \$57 Million
- Increase: 20%

Market Findings:

Existing & Future Competitive Framework:

Competition Impacts on King Street's Capture

- 16 Million Square Feet in Key Competitors
- The Malls
 - Pentagon City, Tysons Corner, Springfield, Landmark, Potomac Mills, Crystal City “Main Street”
- The Boxes & Stores
 - Potomac Yard, Whole Foods, Target
- The Specialty & Destination Centers
 - Georgetown, National Harbor, Clarendon, Shirlington, Hoffman Town Center, Reston Town Center
- Neighborhood Nodes
 - Del Ray / Mt Vernon Avenue, PTO/Carlyle

Market Findings: Warranted Retail Demand

**Table 2. WARRANTED RETAIL DEMAND IN SQUARE FEET
BY USE, KING STREET STUDY AREA, ALEXANDRIA, 2003-2008**

Type of Good	Gross Demand		Existing Uses	Warranted Demand	
	2003	2008		2003	2008
Convenience	124,000	116,300	38,600	85,400	77,700
Shoppers Goods	435,400	508,900	370,700	64,700	138,200
Eating & Drinking	195,600	230,000	224,300	(28,700)	5,700
Entertainment	38,800	45,600	-	38,800	45,600
Personal Services	50,200	58,700	46,400	3,800	12,300
TOTAL	844,000	959,500	680,000	164,000	279,500
<i>Existing Vacant</i>			<i>152,400</i>		
Net New Demand				11,600	127,100

Source: Randall Gross / Development Economics.

Market Findings: Warranted Demand for Selected Uses (2008)

■ Convenience Food:	11,900 SF
■ Department Store:	33,200
■ Mass-Market Grocery/Pharmacy	40,000
■ Apparel:	5,700
■ Shoe Stores:	19,700
■ Home Furnishings:	11,900
■ Hardware:	2,300
■ Misc SG (book/CD, hobby):	23,500
■ Restaurants (no bar):	-24,000
■ Bar/Pub:	29,700
■ Cinema, related entertainment:	45,600

Summary of Key Market Findings

- King Street is Successful Because It Benefits from Three Strong & Diverse Markets:
 - Large, Affluent & Growing Household Base
 - Large & Growing Employment Base
 - Large & Growing Tourist Base
- The Local Household Base is Important:
 - It Has the Biggest Current Impact on Sales
 - Highest Likely Capture
 - Least Likely to Be Influenced by Competition
 - But Specific Needs Must Be Addressed (I.e., convenience, income demographics, activity base) – Why Aren't Income Residents Shopping in King Street?

Recommendations to Add/Strengthen Retail Mix

- Strengthen Diversity & Local Base
- Enhance Quality Choices For All Incomes
- Key Additions & “Tweaking” Merchandise Mix
 - Convenience food stores – Preference for locals
 - Apparel & shoe stores – Youth-Orientation, Footwear
 - Quality, Outdoor / “Artists cafés,” Local Diner
 - Specialty / Art-house cinema
 - Artist supplies & related specialty goods
 - Musical instruments, music/CD & related goods
 - Controlled pub/dancing entertainment venue (Waterfront)
 - Controlled license neighborhood “British” pub
 - Specialty Electronics / Game stores

6. Integrated Marketing Themes

- A. Cafés & Street Life
- B. Arts & Music
- C. Active Waterfront
- D. Walkable, Historic Small Town
- E. Local, Independent & Diverse
- F. Live / Work / Shop & Play

■ Theme A. Cafés & Street Life

- Outdoor Dining
- Nighttime Activity
- Later, More Consistent Store Hours
- Regular Outdoor Programming –
 - Street Festivals, Events, & Shows
 - Holidays
 - Farmers markets
 - Live music

■ Theme B. Arts & Music

- Torpedo Factory
 - Art Competitions
 - Art-on-Street
- Regional Artist Supply Center
- Art Shows
- Music Festivals
- Public Art & Access

Theme C. Active Waterfront

- Public Access
- Marina / Sailboats / Tall Ships
- Event & Regular Activity Programming
- Entertainment Venue Anchor
- Integrated Street Life
- Integrated Recreation
 - Open Space,
 - Trails, Dog Walking
 - Recreation Programming

Theme D.

Walkable, Historic Small Town

- Pedestrian Accommodations
- Attention to Small-Scale, “Urban”
- Architecture Marketing, Competitions
- Walking Tours
- History-Festivals, Diversity/Ethnicity

Theme E.

Local, Independent, and Diverse

- Independent & Local Businesses
 - Promotions
 - Economic incentives
 - Parking programs
 - Associations
- Business Diversity
 - Monitor Balance of Indies/Chains
 - Monitor Balance of Categories & Merchandising
- Use Diversity
 - Balance Housing, Retail, Entertainment, & Employment

Theme F. Live-Work-Shop-Play

Appeal to Local Youth, Metro Professionals & Empty Nesters

- Housing – Strengthen Primary Market Base
 - New, Mixed Use
 - Price Range / Mix
 - Upper-Floor Apartments
- Entertainment & Recreation
- Retail - Local-Serving Base & Destination Mix
 - Funky, Specialty Destination & Tourist Appeal
 - Local-Serving Affordable Convenience
- Office - Will Take Care of Itself
- Visitor Attractions – Museum?

7. Your Input & Next Steps

- Your input
- Marketing Strategy
 - Refine Marketing Concepts for Sites & Sub-Areas
 - Merchandising strategies
 - Advertising Concepts
 - Design Recommendations
 - Programming
 - Tourism Development
 - Outreach
- Strategic Management Plan
 - Business Organizing
 - Policy & Zoning Inputs
- Implementation Action Plan

The Process



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March 18