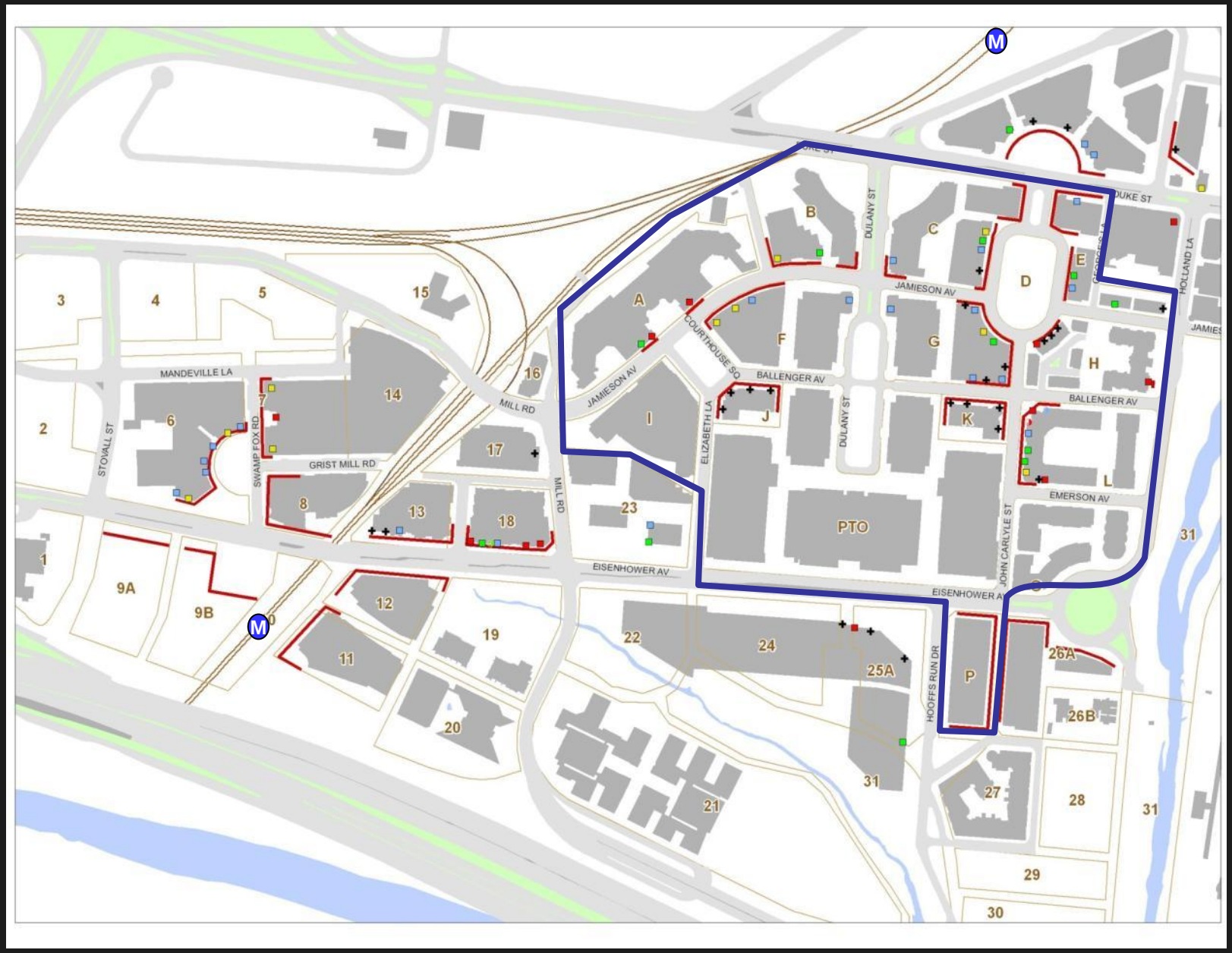
CARLYLE RETAIL STRATEGIES

- Background of Development
- Findings and Recommendations from the Retail Assessment for the Owner of Block P
- Staff Follow-up and Recommendations

Carlyle Retail Strategies

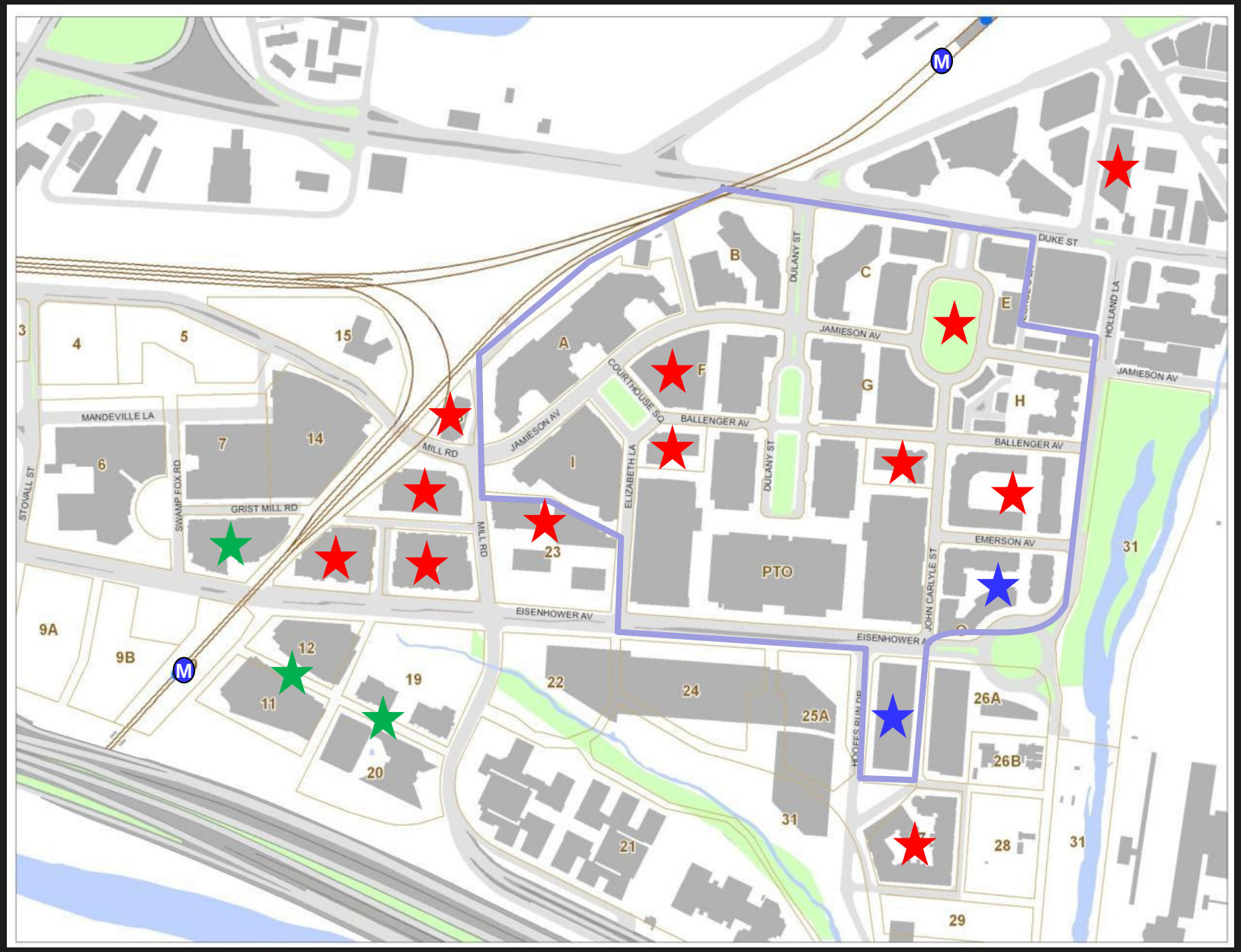


Background

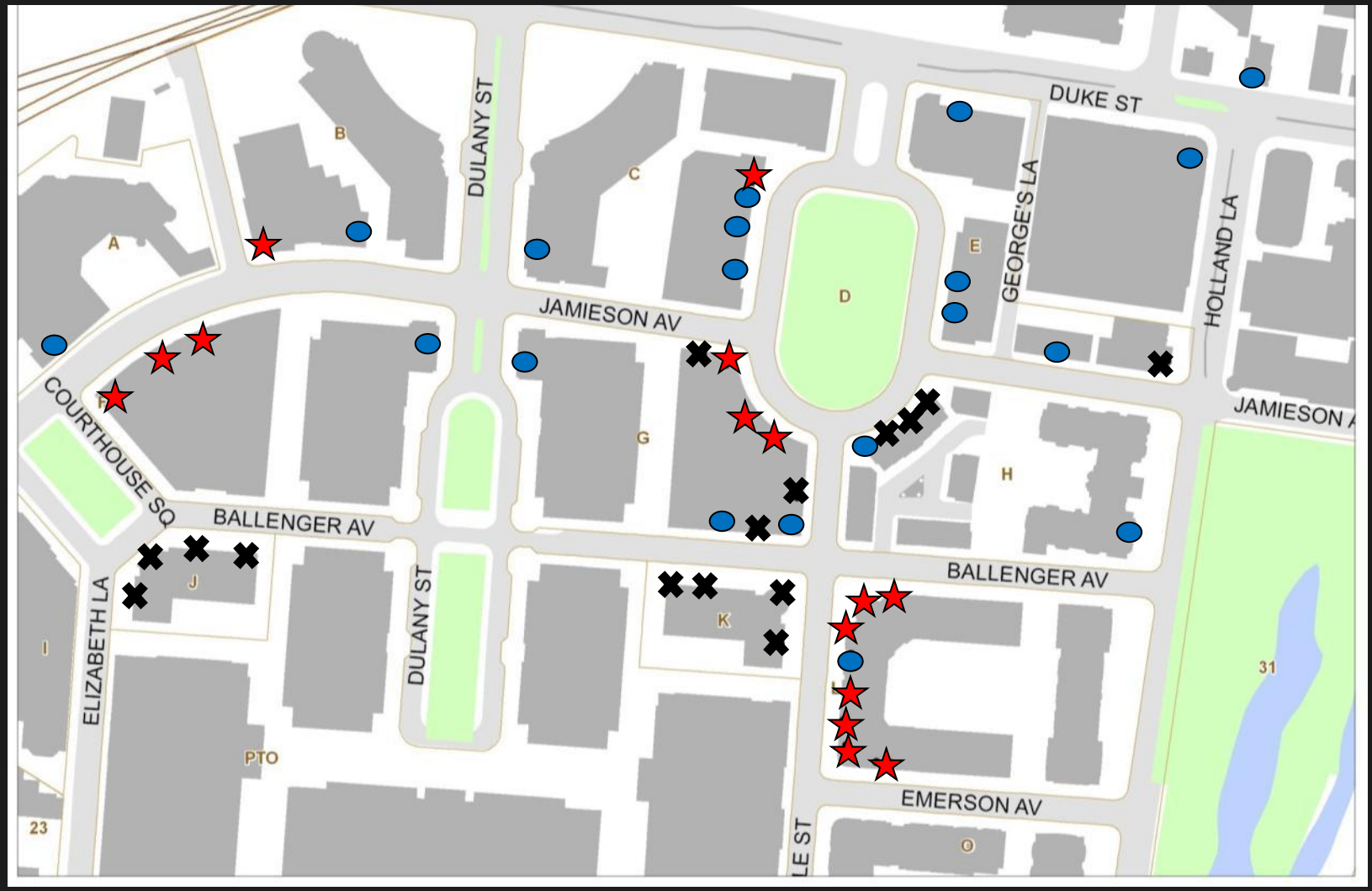
- The Carlyle SUP approved nearly 7,000,000 sf of development
  - 4,000,000 sf of office (58%) PTO is 2.5 million sf
  - 2,025,000 sf of residential (30%) – 1,700 units
  - 230,000 sf of hotel (3%)
  - 235,000 sf of retail (3%)
  - 400,000 sf for the Courthouse (6%)

- All of this has been constructed with the exception of Block O (342,000 sf residential) and Block P (371,000 sf office/retail).

Carlyle Retail Strategies

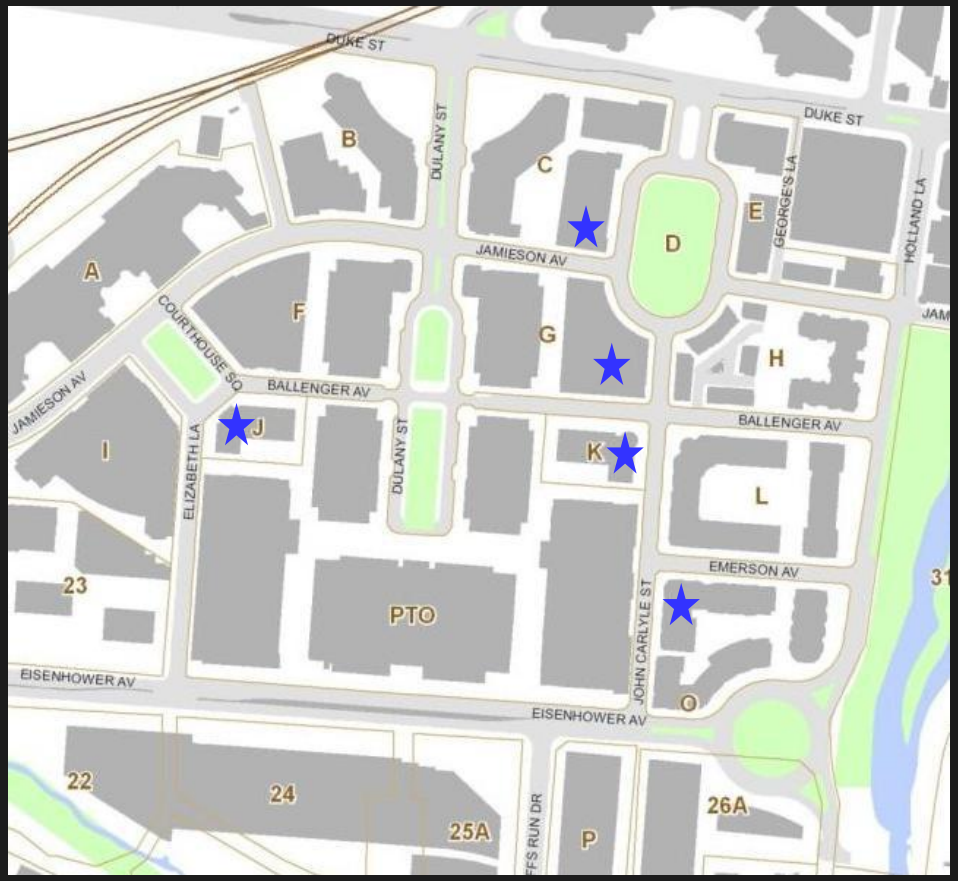


Carlyle Retail Strategies



Why Are We Here?

- Amendments to the Carlyle SUP
  - Block C (333 John Carlyle St) – November 2009
  - Blocks G, J, and K – January 2010
  - Block O – March 2010
- Administrative approvals for flexibility in retail space
- Overall Retail Vacancy



Why Are We Here?

- South Carlyle Planning Strategy
- Retail Assessment by consultant hired by owner of Block P
- More information on this planning strategy will be provided at a later date

EISENHOWER EAST RETAIL ASSESSMENT

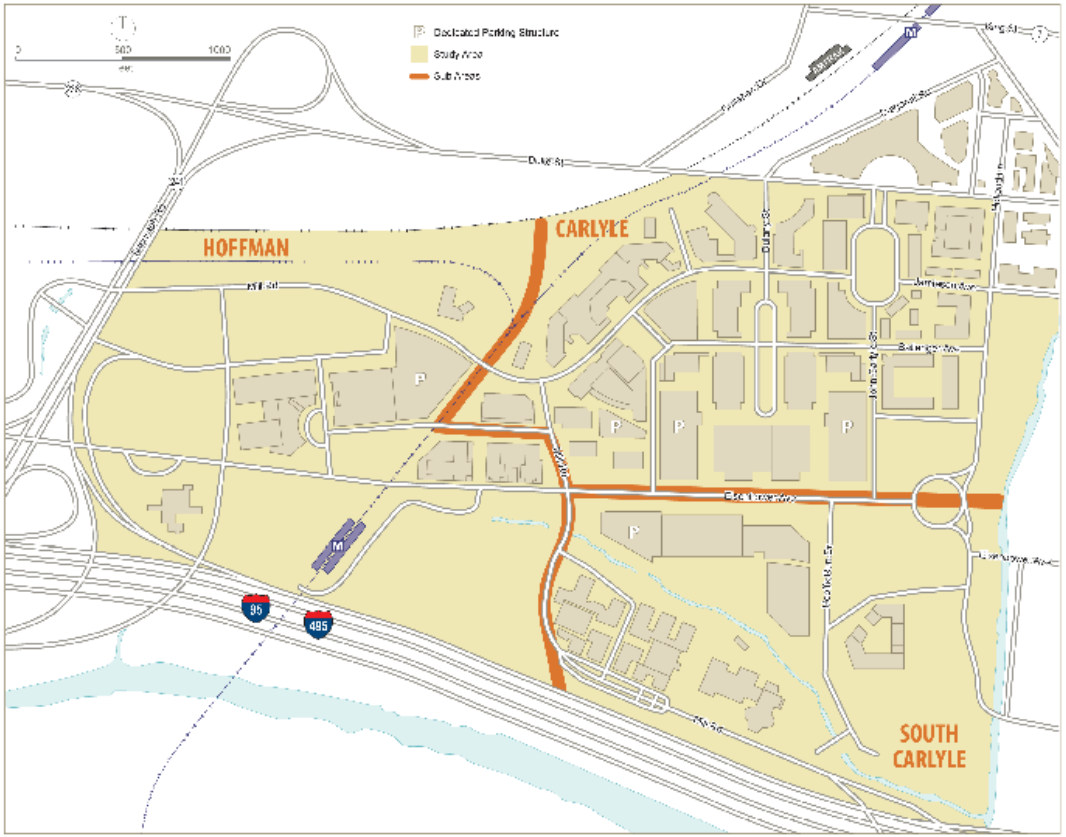
PRESENTATION OF FINDINGS

H. Blount Hunter Retail & Real Estate Research Co.
Chapman Consulting

CONSULTANTS

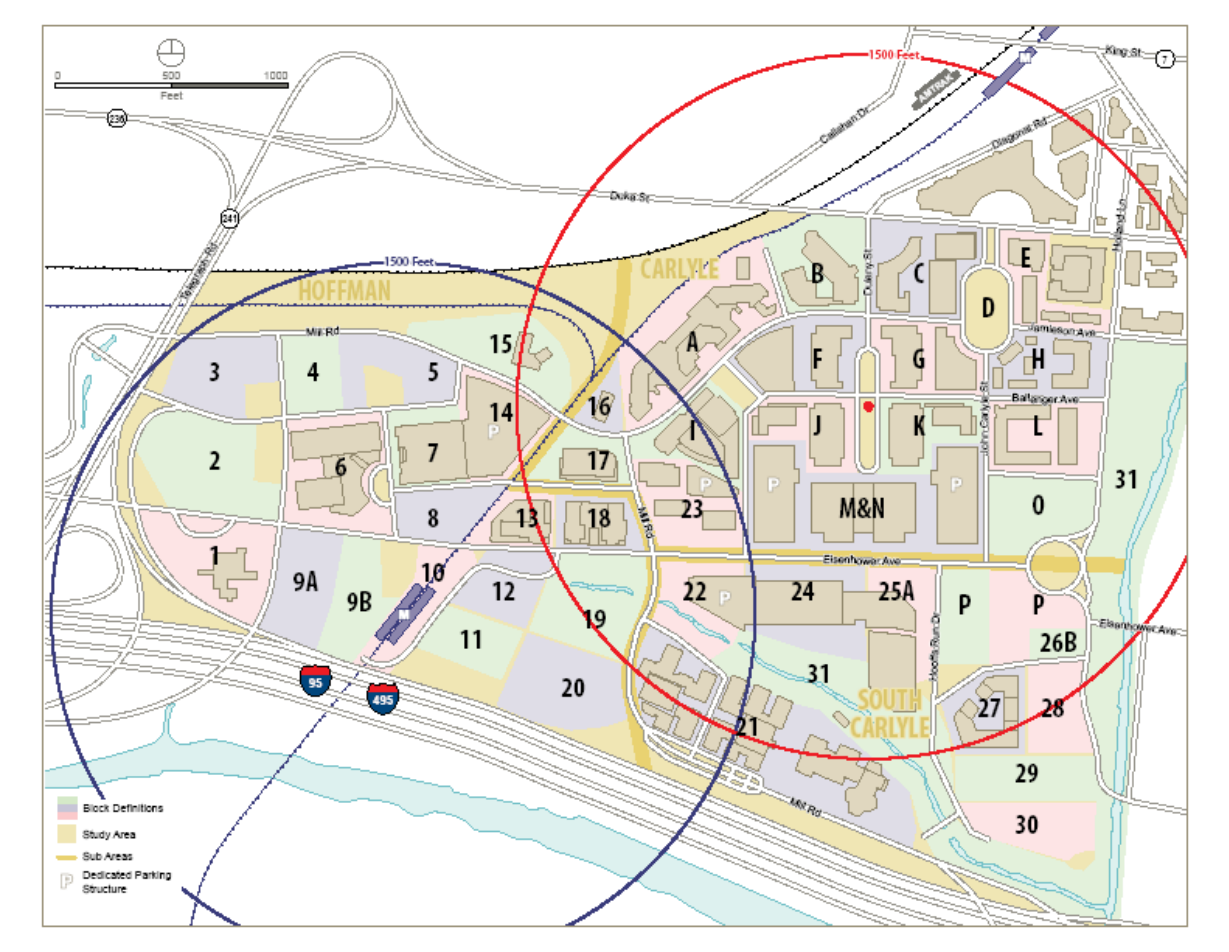
- **BLOUNT HUNTER**
  - 30 years in retail / real estate research
  - The Rouse Company
  - Independent practice since 1996
  - Local assignments: Tysons Corner Center, Dulles Town Center, DC CityCenter, WCCA, Mazza Gallerie
- **JOHN CHAPMAN**
  - 35 years in real estate research
  - The Rouse Company
  - HSG / Gould Associates
  - ICSC (Director of Research)
  - Local assignments: Downtown DC BID, Reston Town Center, Georgetown Park

EISENHOWER EAST STUDY SUBAREAS: Hoffman, Carlyle, South Carlyle

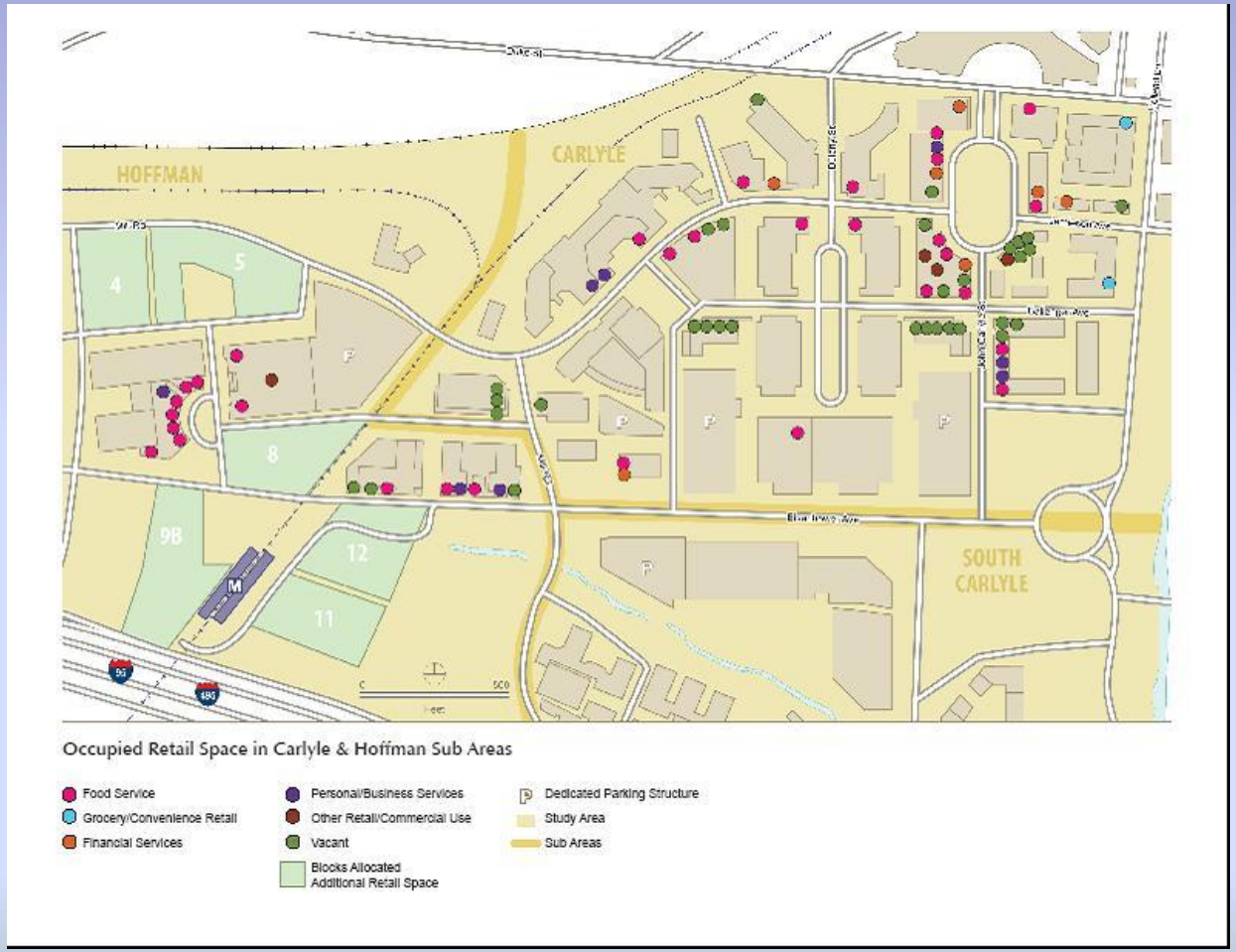


Study Area and Sub Areas

WALKING DISTANCE (1,500 FEET)



DECENTRALIZED RETAIL SPACE



CONCLUSIONS

1. There is too much required “retail” space in Eisenhower East Study Area as a whole and in Carlyle in particular; “retail” space is too decentralized.
2. Demand generators are more likely to support neighborhood-serving food/beverage, “convenience” goods and services than destination “comparison goods.”

CONCLUSIONS

3. Existing “retail” vacancy may be chronic because of the quality and placement of retail spaces.
4. Pending “retail” development plans will not alter the future retail positioning of Eisenhower East.

PHYSICAL CHARACTERISTICS OF GOOD RETAIL SPACE

- Clustered into a critical mass (perception and function)
- Space for anchor(s) with appropriate amount (ratio) of small tenant space
- Retail architecture and appropriately-configured space (windows, bay depth, columns/ceiling height)
- Accessibility to consumer market(s)
- Parking infrastructure, transit access
- Double-loaded blocks, continuous storefronts, contiguous retail blocks, limited length of walking area, strong sightlines

EISENHOWER EAST—CHALLENGES TO RETAILING

1. ***Insular area***—not integrated with Old Town and adjacent areas physically or conceptually despite proximity
2. ***Minor beneficial impact from transit***
3. ***No cohesive retail master plan*** created and executed by a single retail developer
4. ***Retail space (built and planned) exceeds internal support capacity; dependent on external demand that has not materialized (or may never be tapped)***
5. ***Physical limitations of space as located and built***

EISENHOWER EAST / CARLYLE COMPREHENSIVE VIEW

- 446,000 SF existing "retail" space / 129,000 SF vacant (29 percent)
  - ***Existing vacancy is likely "chronic"***
  - Most ***vacancy concentrated in Carlyle Subarea*** which is largely built-out (35 percent current vacancy)
- 684,000 SF total "retail" space at build-out
  - ***Future development will favor Hoffman Subarea and will not provide enough "lift" to fill all retail space built within Carlyle Subarea***
- Current retail SF ***exceeds Pentagon City's specialty GLA***

RECOMMENDATIONS

- **THROUGHOUT EISENHOWER EAST / CARLYLE:**
  - ***Broaden definition*** of allowable "retail" uses to include many types of "active commercial uses"
  - ***Encourage implementation of BID*** for marketing/branding and operations
  - Enhance internal and external ***transit connectivity***
- **HOFFMAN SUBAREA:**
  - ***Adjust expectations*** for retail merchandising direction in light of physical design of retail spaces and grocery store as predominant retail anchor

RECOMMENDATIONS

- **CARLYLE SUBAREA:**
  - Use ***event programming as a strategic tool*** to generate traffic to drive food and beverage sales
- **SOUTH CARLYLE SUBAREA:**
  - Consider ***reallocating "retail" space to other uses***
  - Consider ***increased density*** in this subarea as a means of supporting existing "retail" capacity in Carlyle (especially John Carlyle Street)

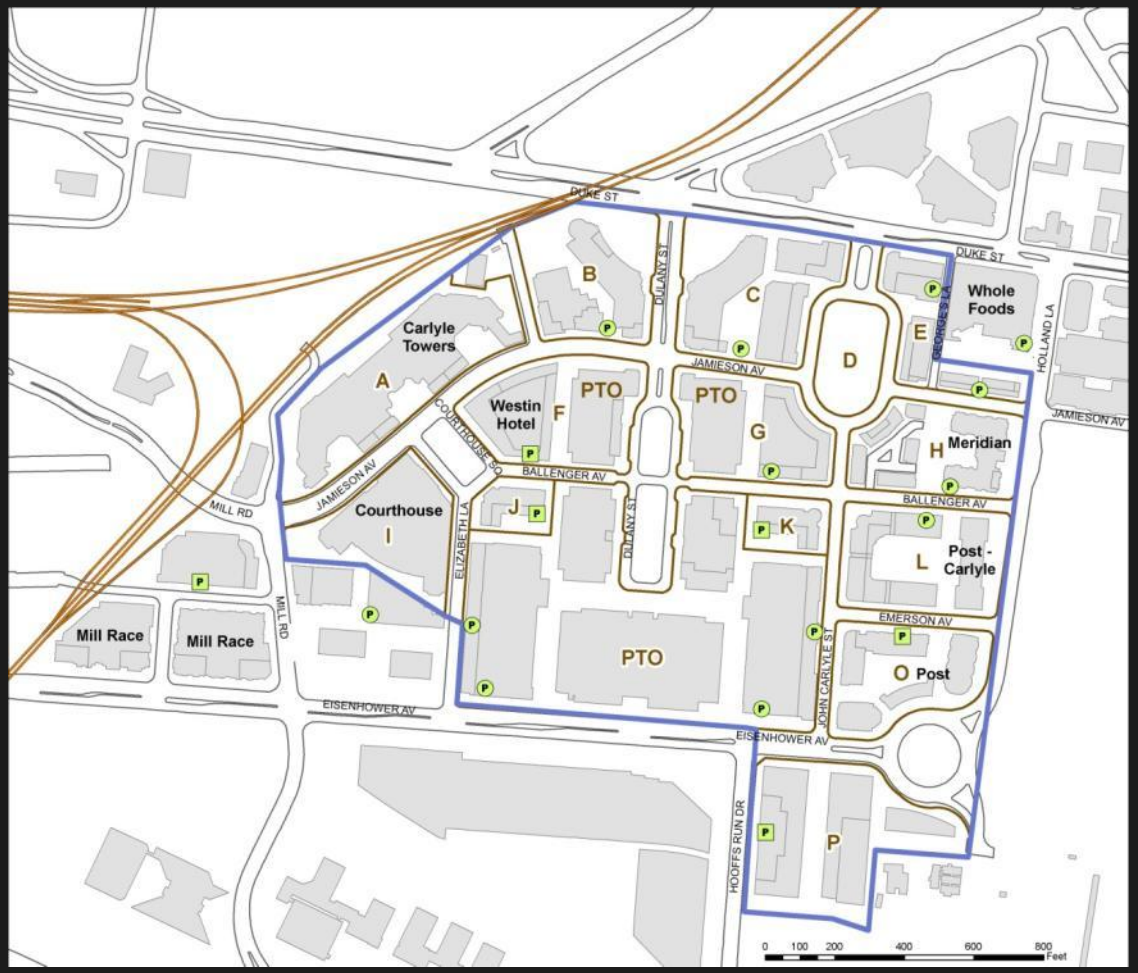
Stakeholder Interviews

- LCOR
- SHRM
- Michael Lane Properties
- JM Zell
- Carlyle Club
- Brandt Properties
- Hoffman Company
- Carr Hospitality
- Edmundson Plaza

Block K – LCOR Office Building

Issues that came out of the Interviews

- Finding parking is still difficult
- Meters have helped, but those hours are only weekdays
- Plenty of parking in garages, but they are hard to find and sometimes not open outside of office hours

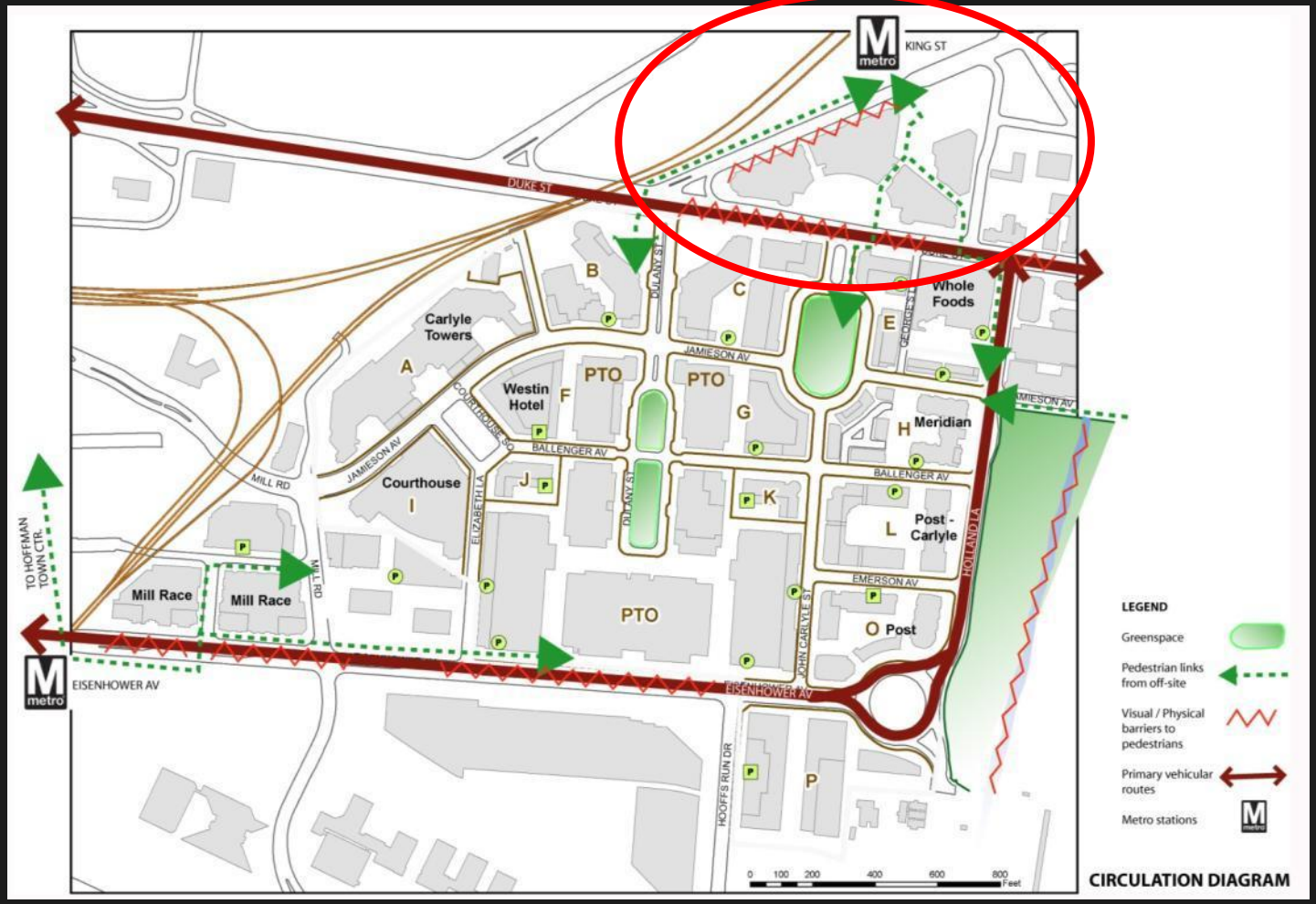


Issues that came out of the Interviews

- No events to draw people in – John Carlyle Square and other parks are underutilized

Issues that came out of the Interviews

- Lack of visibility from metro station and Duke Street

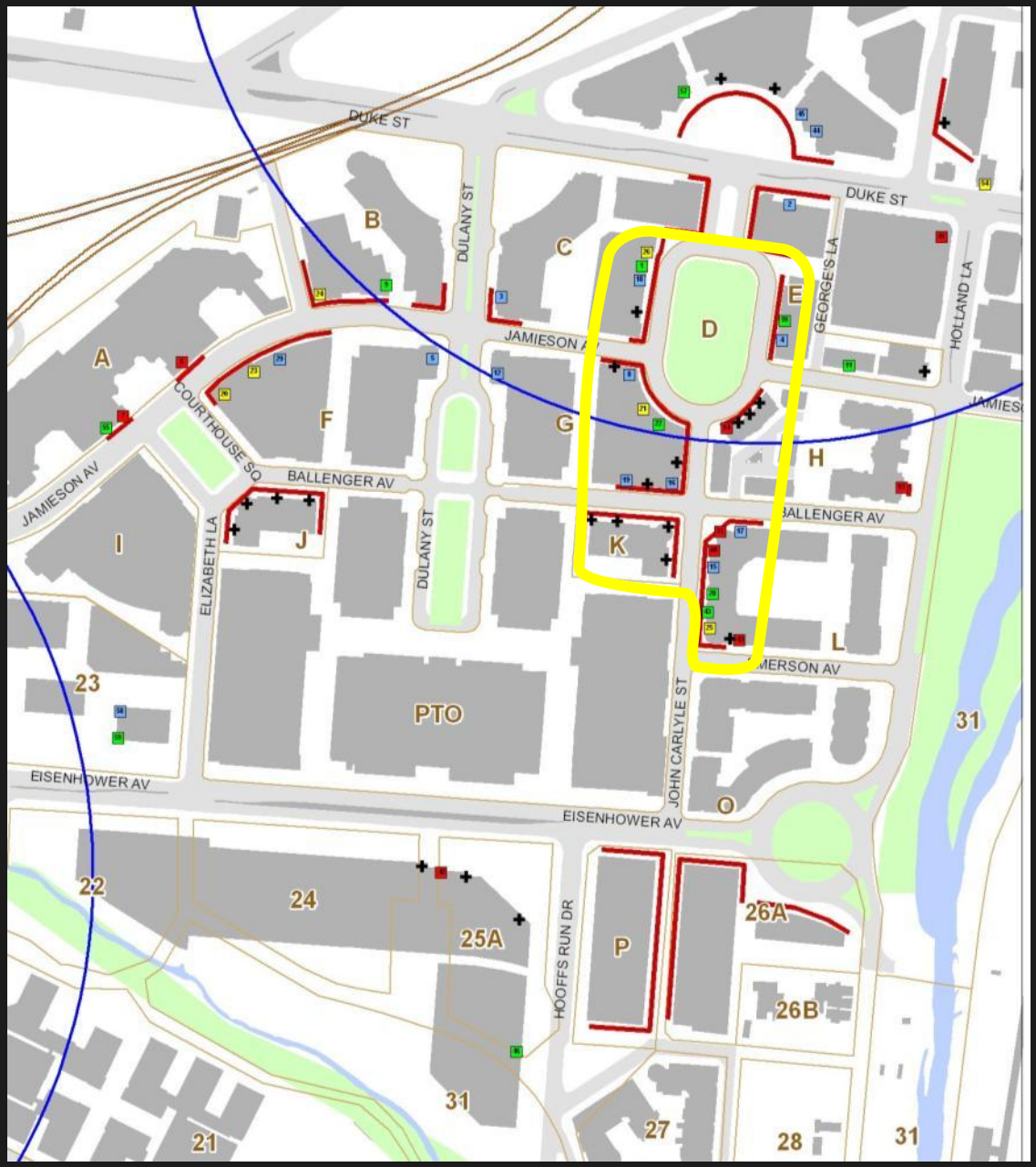


Staff Recommendations for Carlyle Retail

- Regulatory Changes
- Incentives
- Marketing

Regulatory Changes

- Revise the retail definition in the Carlyle SUP
  - Require retail in a focused area
  - Flexibility - Allow retail, office or other uses outside of the focus area



Regulatory Changes

- Revise the retail definition in the Carlyle SUP
  - Allow second floor retail uses in all ground floor retail

  OR

  - Provide a more general, open-ended definition of retail

Block K – LCOR Office Building

Incentives

- Stakeholder interest
- Cost versus benefit
- Research needed as to what might be attractive

Block H Townhouses – John Carlyle Square Frontage

Marketing

- Events in John Carlyle Square
- Signage
- Vending Carts
- Public Art

Next Steps

- Bring forward revisions to the Carlyle SUP
- Research incentives
- Coordination with the CCC
  - Events
  - Parking
  - Signage