



The Palisades Main Street Retail Market Analysis



Prepared For:
The Palisades Main Street
DC Department of Small and Local Business Development

Prepared By:
Jon Stover & Associates
August 2022

JS&A Economic
Development
Consultants

Analysis And Report
Created By:

Jon Stover & Associates
www.jonstoverandassociates.com

Study Participants

The Palisades Main Street

The Palisades Main Street spans MacArthur Boulevard NW from the intersection of Loughboro Road NW and Norton Street NW to the intersection with Foxhall Road NW, and Foxhall Road NW from the intersection with Reservoir Road NW to 44th Street NW. The core mission of The Palisades Main Street is to stimulate the commercial corridor in the Palisades neighborhood through encouraging cooperation and building leadership in the business community while promoting it as an exciting, visually appealing, walkable place to live, shop, and invest.

Jon Stover & Associates

Jon Stover & Associates (JS&A) specializes in economic analysis, retail revitalization, and helping public, private, and nonprofit organizations collaborate to meet economic development objectives. JS&A has helped a wide range of clients implement plans and programs that have successfully enhanced urban neighborhoods and commercial corridors.

Dept. of Small and Local Business Development

The DC Department of Small and Local Business Development (DSLBD) supports the development, economic growth, and retention of District-based businesses, and promotes economic development throughout the District's commercial corridors. DSLBD manages the DC Main Street program and provides resources to local programs.

This analysis relies on data provided by the Palisades Main Street, ESRI Community Analyst, CoStar, Mastercard Retail Location Insights (CARTO), local planning and visioning documents, local real estate blogs such as CurbedDC and UrbanTurf, and information from retail brokers. Retail metrics and evaluation criteria correspond with the DC Office of Planning Vibrant Retail Streets Tool Kit. All findings presented in this report reflect the conditions in June 2022.

Defining Retail

For the purposes of this study, retail is defined in three categories that are common in the retail landscape and used by DC's Office of Planning.



Services

Establishments serving residents and workers such as dry cleaners, fresh produce stands, pharmacies, florists, nail salons, barber shops, convenience stores, and more.



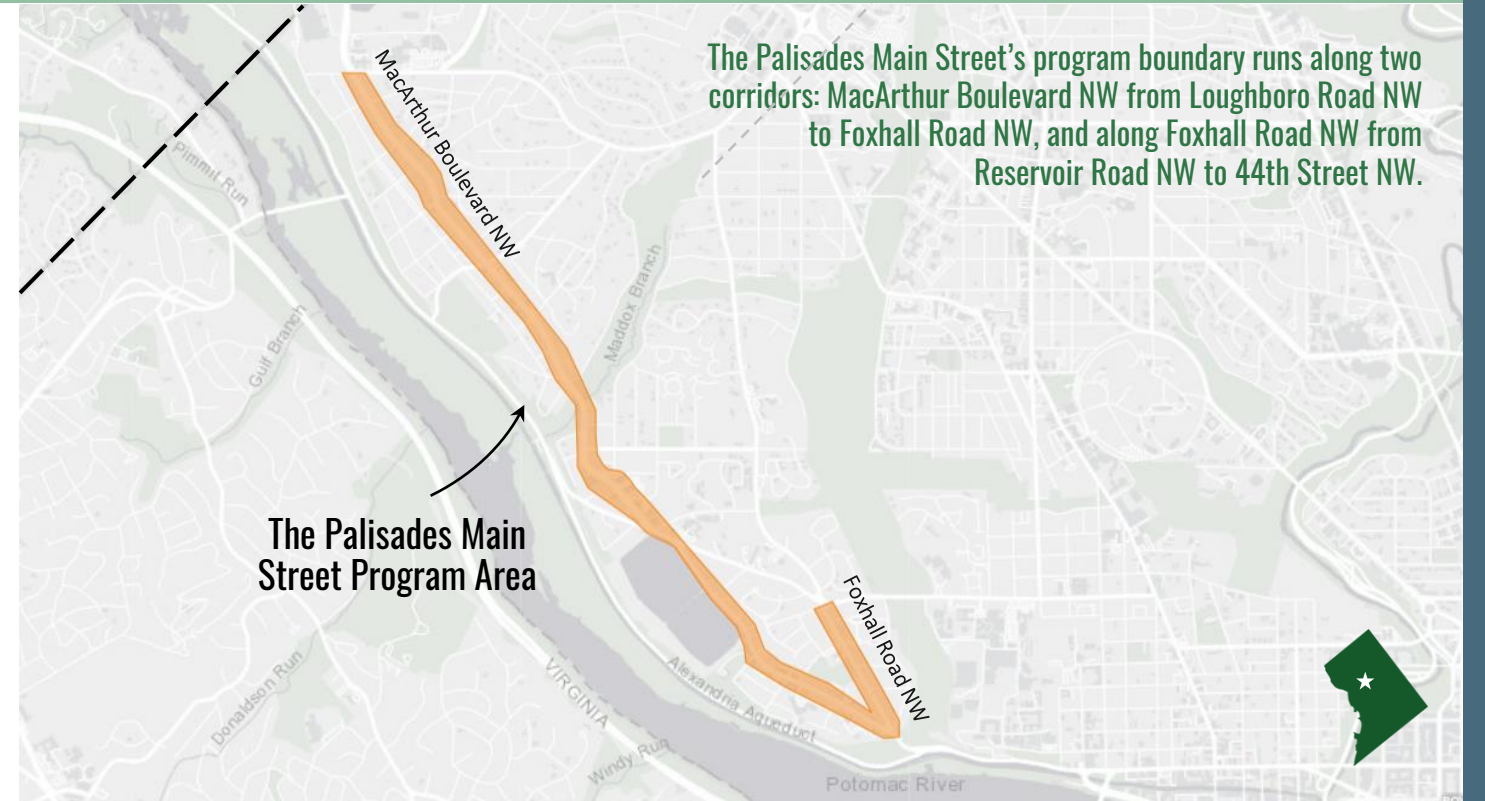
Food & Beverage

Restaurants, cafes, bars, nightclubs, fast-casual dining, take-out establishments, coffee shops, and more.



Merchandise

Businesses selling general merchandise, accessories, furniture, apparel, electronics, and more.



About This Analysis

The Palisades Main Street was formed in December 2021 and is in the process of establishing awareness, understanding its constituency, developing organizational objectives and programs, and building lasting relationships with a variety of stakeholders.

This report summarizes retail market analysis findings for the Palisades Main Street program boundary. The purpose of this study is to help the Main Street understand its neighborhood retail environment within a city-wide context; identify collective preliminary needs, constraints, and concerns of the business constituency; and identify opportunities for the Main Street to capitalize on retail conditions, trends, and projections to play a leading role in helping to serve local businesses.



The Palisades Demographics

Surrounding Residential Population

8,127 residents live within a ¼-mile radius.
 9,610 residents live within a ½-mile radius.
 51,635 residents live within a 1-mile radius.

\$200,001

Median Household Income

Household incomes within a half-mile around The Palisades are significantly higher (114%) than the city-wide median of \$93,516.

38

Median Age

The Palisades population has a slightly higher median age than the rest of DC, 2 years older than the city-wide median of 36.

Daytime Population (Workers + Residents)

8,801 within a ¼-mile radius.
 10,217 within a ½-mile radius.
 72,493 within a 1-mile radius.

Household Summary

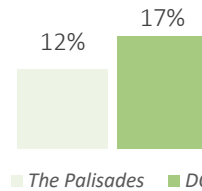


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Average Household Size

The half-mile radius around The Palisades Main Street has a larger average household size than the citywide average of 2.14, reflecting its reputation as a family-friendly neighborhood.

Population Growth Rate (Half-Mile Radius) (Since 2010)



With minimal new commercial development within a half-mile, The Palisades' population has seen less growth over the past decade plus than DC citywide.

Note: Data reflects demographics of a ½ mile buffer from the boundary of The Palisades Main Street unless noted.
 Data Sources: ArcGIS Community Analyst



The Palisades Main Street serves a highly affluent and family-oriented surrounding population. While nearby residents have more disposable income than most areas of DC, a lack of nearby residential development has limited the size and overall spending capacity of the local population.

The Palisades neighborhood is relatively low-density and primarily comprised of detached, single-family homes. A few low-rise apartment buildings along MacArthur Boulevard, particularly towards the southern segment of the Main Street corridor, provide added residential density and retail foot traffic. Though the Palisades commercial corridor does not capture as much commuter spending as other areas, businesses still benefit from moderate vehicular traffic along MacArthur Boulevard and Foxhall Road NW (an average of around 25,000 vehicles per day combined).



On average 15,084 vehicles travel this segment of MacArthur Boulevard and 10,848 vehicles travel Foxhall Road NW daily.

This portion of MacArthur Boulevard NW serves a commuting thoroughfare for drivers traveling between Upper Northwest DC, Bethesda, MD, Northern Virginia, and other areas of southern Montgomery County. This high level of daily vehicular traffic provides businesses along the corridor with enhanced storefront visibility and the opportunity to capture spending from commuters and other drivers.

Data Sources: DDOT (2019)



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Where Are Palisades Customers Coming From?

The Palisades' retail businesses primarily draw customers who live in surrounding neighborhoods. Customer traffic trends toward the northwest and few customers travel from east of Rock Creek Park.

Primary Market Area (20016 and 20007 Zip Codes) Residents who live in the surrounding neighborhoods within the 20016 zip code (Palisades, Spring Valley, Tenleytown, Cathedral Heights, Wesley Heights) and the 20007 zip code (Foxhall Village, Georgetown, Glover Park) account for approximately 52% of Palisades Main Street's customer base.

Secondary Market Area (Northwest DC; Bethesda, Chevy Chase, and Potomac, MD; McLean and Arlington, VA) Palisades MS's secondary market area covers Northwest DC neighborhoods, west of North Capitol Street, as well as areas of Maryland (Bethesda, Chevy Chase and Potomac) and Virginia (McLean and Arlington). This area accounts for an additional 25% of customer traffic in the study area.

Tertiary Market Area (DC, Montgomery County and Northern Virginia) Approximately 23% of retail customers originate from areas of Montgomery County, Northern Virginia and DC outside the study area's primary or secondary market areas.



Customer Base

The Palisades Main Street businesses primarily serve their nearby neighborhood residents.

The Palisades' retail business's customer base closely mirrors the demographics of neighborhoods adjacent to the study area, given the local-serving orientation of most businesses. Customers within the primary and secondary market areas of the Palisades are typically from households with high levels of disposable income and educational attainment.

52% Primary Market Area

The Palisades; Spring Valley; Tenleytown; Cathedral Heights; Wesley Heights; Foxhall Village; Georgetown; Glover Park

Residential Population	Daytime Population	Median Household Income	% w/ Bachelor's Degree
66,532	91,052	\$175,781	88.6%

25% Secondary Market Area

Northwest DC; Bethesda; Chevy Chase; Potomac; Rockville, MD; Arlington, VA; McLean, VA

Residential Population	Daytime Population	Median Household Income	% w/ Bachelor's Degree
685,652	1,037,164	\$150,311	77.9%

23% Tertiary Market Area

Elsewhere in DC, Montgomery County and Northern Virginia

Residential Population	Daytime Population	Median Household Income	% w/ Bachelor's Degree
3,389,941	3,849,046	\$122,533	64.0%

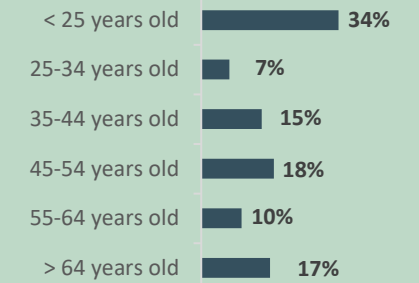
Note: Customer base estimates based on CARTO data. These figures are approximate and should be used to understand the overall composition of customers frequenting the establishments within the Main Street.

Source: CARTO, Esri

Retail Customer Profile

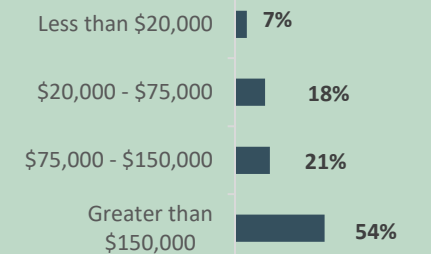
Demographics of all retail customers within the Main Street program area

Customer Age



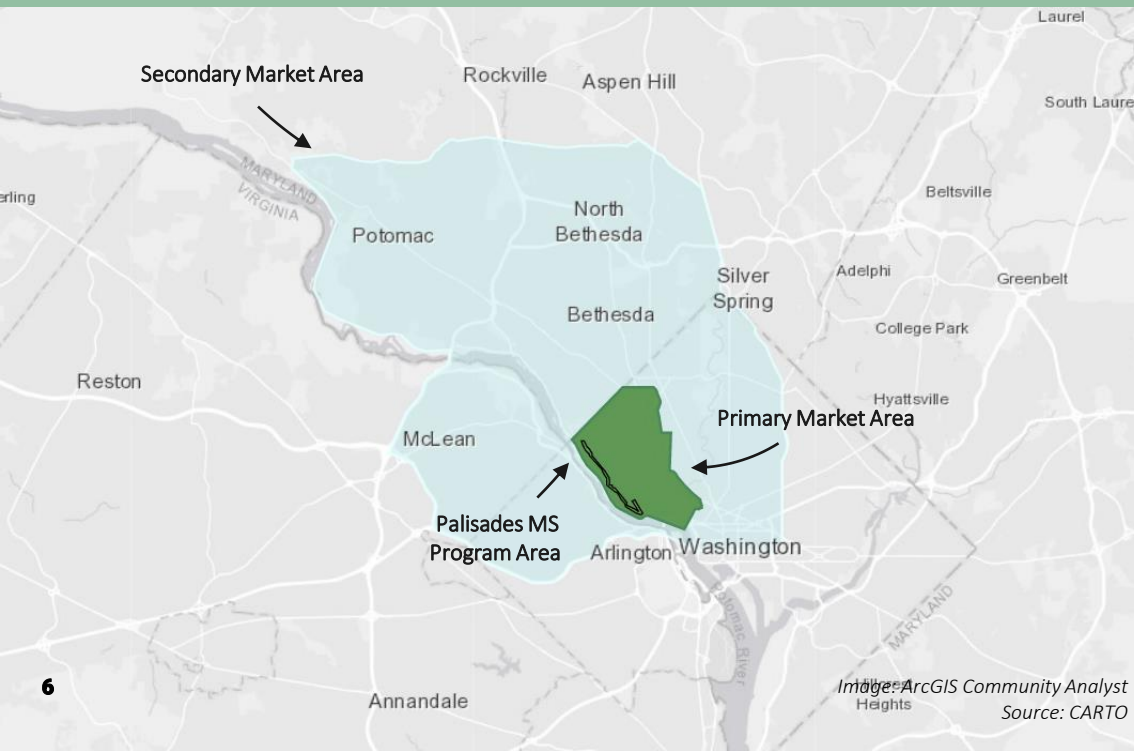
The Palisades' customer base has a notably high share of customers under 25 years old due to its proximity to Georgetown University, American University, and George Washington University's Mount Vernon campus.

Household Income of Customers



The Palisades serves a highly affluent customer base with over 50% of customers living in households with an annual income greater than \$150,000.

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Most Common Customer Zip Codes

38%
20016
(Palisades; Spring Valley; Tenleytown; Cathedral Heights; Wesley Heights)

14%
20007
(Foxhall Village; Georgetown; Glover Park)

7%
20816
(Bethesda, MD – Woodacres; Westmoreland Hills; Westgate)

2%
20814
(Bethesda, MD – Downtown; Bradley Hills)

2%
22101
(McLean, VA; Langley, VA)

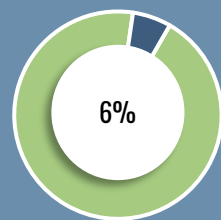
Note: Most common zip codes Source: CARTO

Image: ArcGIS Community Analyst Source: CARTO

Retail Real Estate Conditions

Palisades features a highly stable retail real estate submarket, with low vacancy and moderate rental rates, a reflection of its healthy commercial fundamentals.

The Palisades has consistently featured very low vacancy rates since 2015, a reflection of strong business retention and tenant demand in the area. The area's safe, family-friendly environment and affluent local population drive demand for retail spaces. Demand is also driven by tenant interest in locating within DC, while still easily serving nearby Montgomery County and Northern Virginia markets. However, tenant demand and rental rates are limited by the area's lack of strong public transit access and limited surrounding residential and daytime populations.



Current Retail Vacancy Rate

Only 6% of ground-floor storefronts in the Palisades are currently vacant, reflecting the strong overall health of the local retail market.



\$35 - 50 / SF

Average Retail Rent (NNN)

The Palisades' average triple-net market-rate rent for retail spaces vary based on building age and condition, but typically range from \$35-50/SF.

58,636 SF

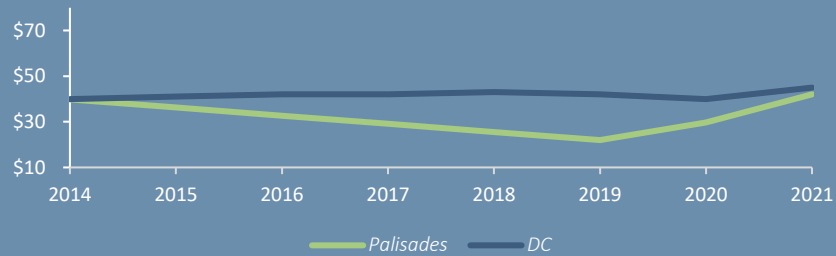
Total Palisades Retail Square Footage

700 - 3,000 SF

Typical Size of Palisades Retail Spaces

Average Market Rents per SF (NNN)

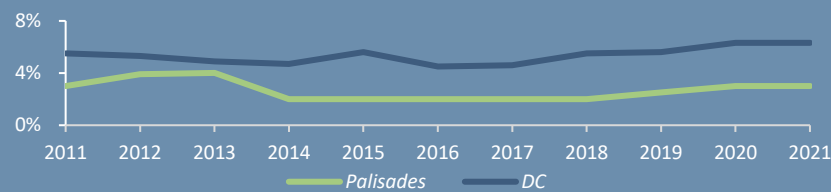
Market-rate rents in the Palisades over the past few years have been slightly lower than the District average (\$45/SF) due to its location away from the center of the city. Rents have been increasing moderately since 2019.



Note: Average Market-Rate Rent reflects rate a property would be expected to command on the open market, as of 2021. Due to data gaps, 2015-2018 rents are estimates.

Historical Vacancy Rate

The Palisades has featured low vacancy levels over the past decade, typically between 2 and 4%. These vacancy rates, consistently lower than the DC average, reflect the area's healthy commercial fundamentals, stable customer base, and strong business performance.

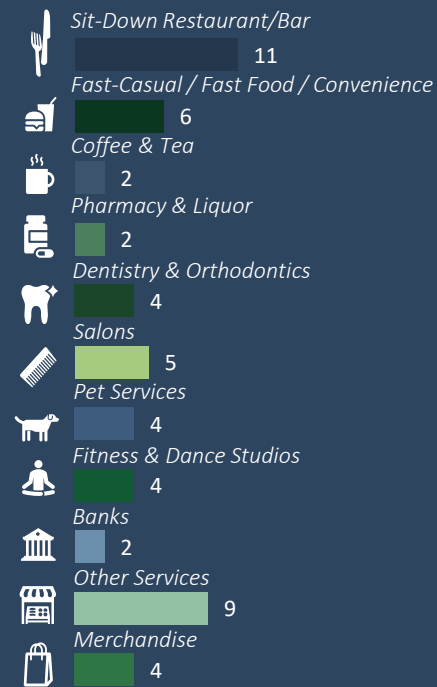


Note: Vacancy rate reflects share of total retail square footage that is vacant. Storefront Occupancy rate (left) reflects share of commercial storefronts that are vacant. Source: Costar

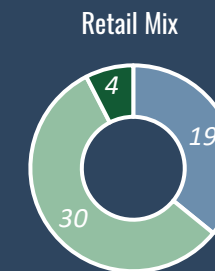
The Palisades is a primarily local-serving and family-friendly retail hub, with a business mix that provides day-to-day amenities along with more specialized goods and services.

The Palisades' features a notably high proportion of boutique goods and services, include multiple salons, pet-related services and upscale sit-down restaurants, reflecting the area's affluent customer base. The area also features a high proportion of dentists and orthodontic offices.

Restaurants in the neighborhood are a combination of upscale dining like Blacksalt and Lupo Verde Osteria and more casual, family-friendly options. In contrast to nearby commercial hubs such as Georgetown, The Palisades features relatively few merchandise retailers. The neighborhood attracts various family-friendly business types such as dance academies, pet-related services and dentists.



53
Total Businesses



Office Snapshot

\$33 / SF

Average Office Rent (Asking NNN)

110,744 SF

Office Sq. Ft.

With office rents averaging around \$33/SF in 2021, office space in the Palisades is an affordable alternative to downtown DC. However, office vacancy in the area has grown in years, accelerated by the COVID-19 pandemic, limiting weekday daytime foot traffic to businesses.

Palisades Retail in the Greater DC Context

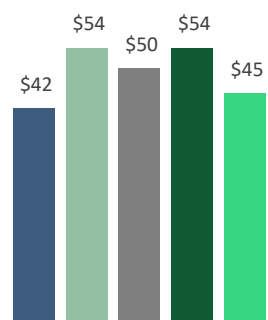
The Palisades offers lower vacancy rates and more affordable retail rents than many other retail clusters in Northwest DC.

Retail rents in The Palisades are on average lower than nearby Chevy Chase, Glover Park, and Georgetown. These competitive areas command higher rates primarily due to their stronger public transit access, ability to attract destination visitors, and higher levels of foot and vehicular traffic. However, the Palisades' low business turnover and strong business performance have resulted in a stable local customer base. Strong retail performance has resulted in less vacancy than most of these competitive clusters. Retail vacancy rates in the neighborhood have been consistently low in recent years, indicating a lower business turnover rate than other neighborhoods in the District and the relative success of the establishments located there.



The Palisades retail market has lower rental rates compared to nearby retail clusters in Upper Northwest DC.

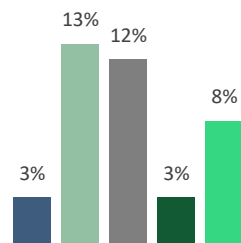
Average Rent
Market-Rate NNN Rent In Comparison Neighborhoods



The Palisades Georgetown Glover Park Chevy Chase Tenleytown

Low business turnover and strong tenant demand have kept most Palisades' retail spaces occupied.

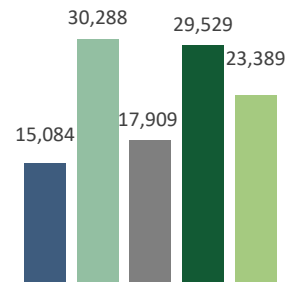
Vacancy Rate
In Comparison Neighborhoods



Note: Tenleytown vacancy and average rent data not available.
Data Sources: DDOT, ESRI, CoStar, Google

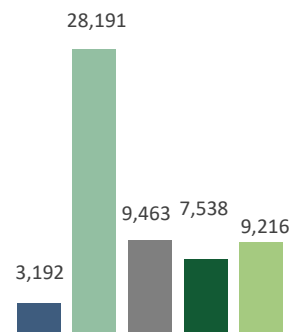
MacArthur Boulevard NW has lower levels of vehicular traffic than other major corridors in DC, providing businesses with less commuter visibility.

Daily Vehicular Traffic Count
In Comparison Neighborhoods



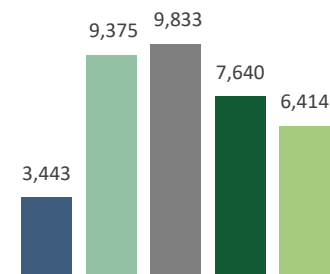
The Palisades' relatively small daytime population makes the area more suited for businesses that can capture strong morning, evening, and weekend customer traffic.

Daytime Population
In Comparison Neighborhoods



The Palisades' low-density surroundings limit the size of its nearby population and overall spending capacity.

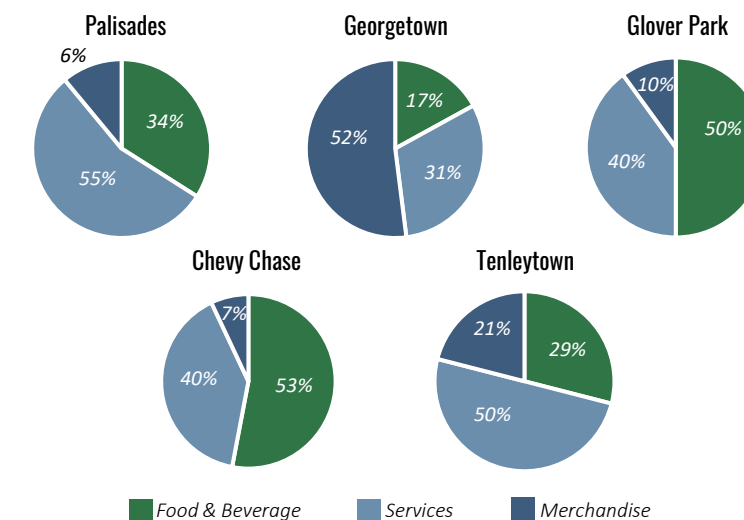
Population Within a 1/2-Mile Radius
In Comparison Neighborhoods



Note: For comparison purposes these population numbers reflect a half-mile radius from the center of the Main Street, instead of a buffer of the entire program area, resulting in numbers that vary from the population figures on page 4.

Business Mix Comparison By Number of Establishments

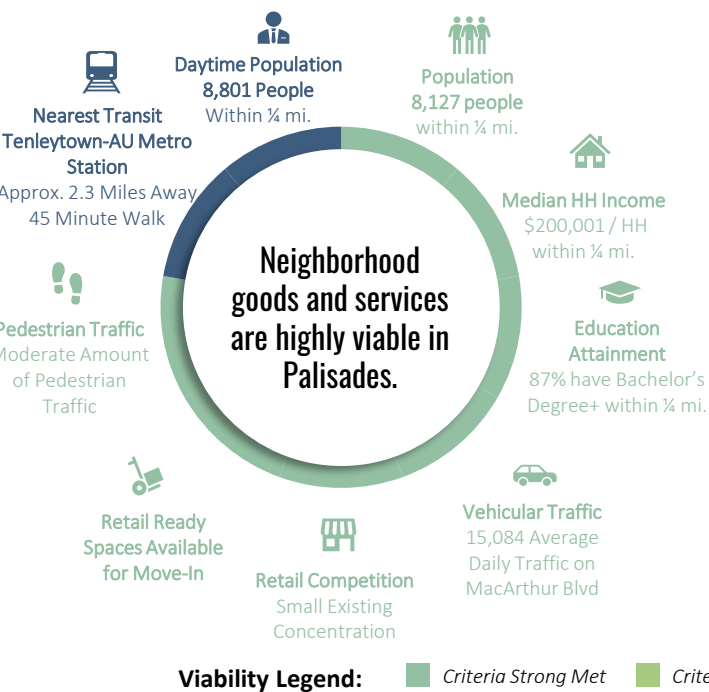
The Palisades' retail mix is more concentrated around goods and services than nearby commercial clusters, reflecting its orientation as a largely neighborhood-serving retail submarket. The Palisades has a slightly lower concentration of dining establishments compared to Chevy Chase or Glover Park. This is likely due to Georgetown capturing a large share of restaurant spending from nearby Palisades residents.



Retail Viability of The Palisades

Neighborhood Goods & Services Viability

As a predominantly local-serving commercial area, with a surrounding residential population with high levels of disposable income, Palisades is ideally positioned for businesses providing day-to-day and specialty goods and services. The area's safe, quiet atmosphere and strong vehicular accessibility also support these uses.



Food & Beverage Viability

Palisades features the local spending capacity, strong neighborhood brand, and aesthetically-friendly environment that many restaurants look for in a location. With a customer base comprised of both affluent families and college students, the area features a mix of casual and sit-down dining. Low projected population growth will likely limit the number of additional restaurants that can be supported in the area.



Merchandise Retail Viability

With limited Metro access and lack of larger floorplates, Palisades is not viable for traditional big-box merchandise retailers. However, the area should continue to be able to support more boutique clothing and other merchandise retailers oriented towards the local customer base.



Note: Data reflects demographics of a radius from the boundaries of the Palisades Main Street corridor. Data Source: ESRI Community Analyst (2022); DC DDOT Street Spatial Database (2019)

Palisades' affluent local customer base and family-friendly atmosphere allow it attract and support a wide range of retail types. However, with limited projected population growth, future business growth will need to be driven by the attraction of additional customers beyond its primary market area.

The Palisades provides a highly stable environment for its businesses – with high levels of disposable income in surrounding neighborhoods and a safe, quiet atmosphere that many businesses of all types look for in a location. The size of the local population is not expected to significantly rise over the next five years. As such, Palisades will need to attract more customers from the area's secondary market area to support a significant number of additional businesses.

Measuring the Viability of Retail

The DC Office of Planning developed a process to evaluate retail conditions in the District called the DC Vibrant Retail Streets Toolkit. This analysis borrows from the Toolkit to evaluate the conditions retailers look for before moving to a location, such as retail viability, and assess how the area satisfies the criteria. The data points on the right follow the conditions that are typically necessary to support three types of retailers: neighborhood goods and services, food and beverage establishments, and general merchandise, apparel, furnishings, and more.





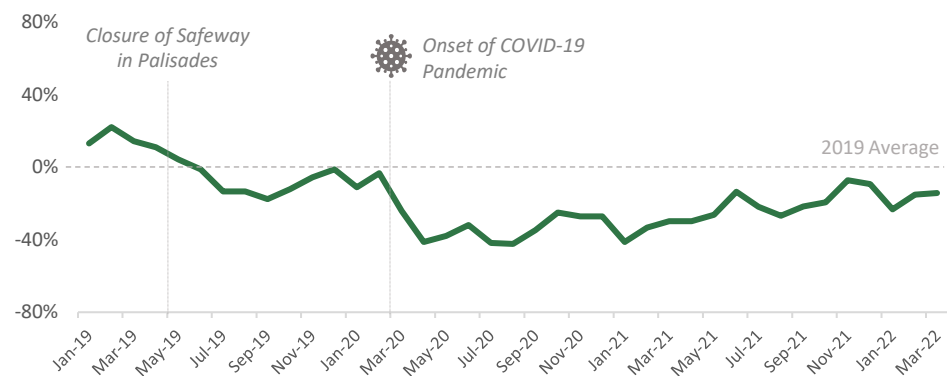
Palisades Retail Sales Trends

Retail sales in The Palisades have been moderately increasing since early 2021, approaching pre-pandemic spending levels.

The closure of the neighborhood’s primary grocery store, along with nationwide changes in spending habits as a result of the pandemic, are factors to consider when looking at consumer spending trends in the Palisades. Retail sales in the neighborhood are stable despite a trend towards lower spending levels over the past three years compared to spending in 2018. The Palisades’ commercial corridor is surrounded by a loyal and extremely affluent customer base that can increase future retail sales in the neighborhood if new businesses open that can attract local customer spending.

Change in Retail Sales

At the onset of the COVID-19 pandemic, The Palisades experienced a moderate decline in retail sales, a trend that aligns with other nearby retail clusters and the District overall. The neighborhood’s consumer spending levels as of early 2022 were still lower than pre-pandemic levels, but sales have been steadily increasing since January 2021. The closure of the Safeway grocery store along Macarthur Boulevard in May 2019 caused overall spending in the area to drop beginning in May 2019.



Note: Chart above reflects Mastercard Retail Location Insights’ Spend Score, an index that reflects change in overall retail spending within a geographic area, benchmarked to 2019 averages.

Source: CARTO

Local Business Trends, Openings and Closings

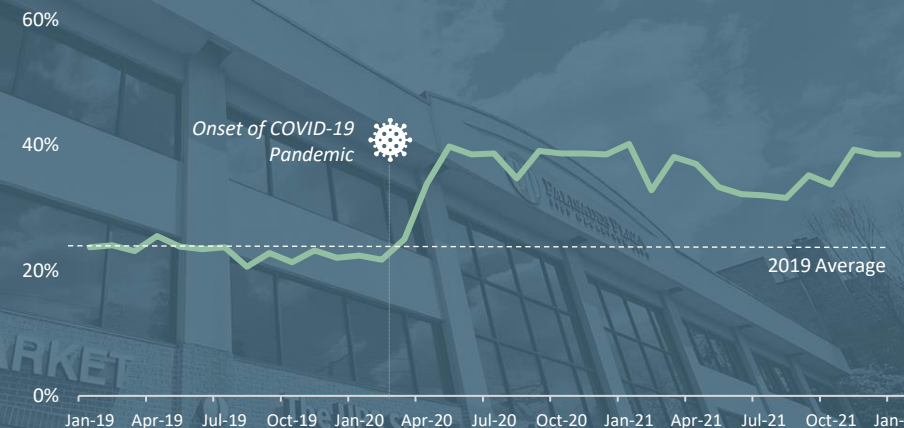
Palisades has seen relatively minimal business turnover over the last two years, a reflection of its stable real estate market and the strong performance of its businesses. Since 2020, the area has attracted four new businesses – three of which have been in the food and beverage sector. These include two new sit-down restaurants, as well as a hybrid café and bicycle shop. Two of these businesses replaced other food and beverage establishments, while the café replaced an oriental rug store.

The Palisades’ stable market and supportive local customer base are also reflected in the area’s supply of several long-running dining establishments. This supply include Bambu, Jetties, Et Voila, and BlackSalt, all of which have been operating for more than 12 years.



Year-to-Year Change in Total Transactions by Local Customers

The Palisades experienced a considerable increase in spending from nearby residents during the pandemic, reflecting a shift in national trends in consumer behaviors and the corridor’s successful orientation around the day-to-day needs of its surrounding community. This helped the neighborhood remain somewhat resilient to the economic impacts of the pandemic.



Source: CARTO

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There is a limited new development is currently planned in the Palisades. As such, the area's demographics and real estate fundamentals are not expected to significantly change in the near-future.

However, the southern portion of the Main Street program area is expected to experience a notable increase in weekday daytime customer traffic as a result of a planned DC public high school in Foxhall Village. The school will tentatively bring over 1,000 students, teachers, and other staff members to the former Georgetown Day School building (4530 MacArthur Boulevard) by Fall 2024. Additional customer traffic will likely be concentrated south of V Street NW at convenience stores and quick-service dining establishments.

Projected Population and Employment Changes in The Palisades Over Next 5 Years

The population within The Palisades Main Street area is projected to increase by over 200 residents, due to two planned residential developments in the neighborhood. Balfour at Palisades will soon deliver 145 senior-living units and ground-floor retail. Additionally, a 17-unit redevelopment of 4457 and 4459 MacArthur Boulevard NW has recently been proposed.



Development Snapshot:

Balfour at Palisades

- 145 residential units
- 5,000 square feet of ground-floor retail

Balfour Senior living in the process of redeveloping the former site of Safeway at 4865 MacArthur Boulevard into a 145-unit luxury senior-living project with ten inclusionary zoning units, designed by Perkins Eastman. This development will feature a mix of studios, one- and two-bedroom units. Construction has begun and these units are expected to deliver in 2023.

The project will include 5,000 square feet of ground-floor retail and will increase the local customer base and spending capacity in the Palisades, while adding new Class A retail space that will likely attract significant tenant interest.



Development Snapshot:

4457 and 4459 MacArthur Boulevard NW

- 17 residential units

Polygon Holdings, LLC has plans to retrofit the current two-story houses at 4457 and 4459 MacArthur Boulevard NW into a three-story, 17-unit residential development.

These plans have evolved from their initial plans to replace these existing structures into a development with more units. With a proposed mix of one and two-bedroom units, this project has the potential to slightly increase the local customer base in the area.

Source: Urban Turf, Balfour Palisades, CBRE



Image: Balfour Palisades

Competitive Advantages

The Palisades features a highly stable, safe, and family-friendly environment, along with a highly affluent base of nearby customers.



9,610

Residents
(½ Mile Radius)



\$200,001

Median Household
Income



87%

Residents with
Bachelor's Degrees



15,084

Average Daily
Traffic Count

Strong Retail Performance

The Palisades' commercial corridor has consistently maintained a below-average retail vacancy rate in recent years, reflecting the strong stability and commercial performance of the area.

Neighborhood Support of Businesses

The Palisades' businesses benefit from the support of its surrounding residents, many of which are longtime residents of the area. Over half of customer traffic in the area is driven by nearby residents – allowing businesses to build deep ties with customers and the greater community.

High Spending Capacity of Nearby Residents

The Palisades Main Street features one of the most affluent local customer bases of any retail node in DC. The median household income within a half-mile radius of the Main Street program area is over \$200,000 – 114% above the citywide median. With such high levels of disposable income, the Palisades is able to support a more overall retail supply, as well as a greater share of upscale/boutique brands than other competitive areas.

Available Off-Street Parking

The Palisades' retail environment includes ample opportunities for parking, a factor that provides challenges for retailers in other DC neighborhoods. Many businesses offer storefront off-street parking, for example at Palisades Plaza and other retailers along MacArthur Boulevard.

Accessibility to a Wide Customer Base

MacArthur Boulevard is often frequented by those travelling in between DC, Montgomery County and Northern Virginia. This bolsters businesses' ability to attract spending from a regional, highly affluent secondary market area to supplement spending from nearby residents.

Customer Traffic Generated by Offices and Institutions

The Palisades, though not widely known as an office hub, features over 100,000 SF of small office spaces. The area is within short driving distance from Georgetown University, American University, and George Washington University's branch campus. The future construction of a new 1,000-student public high school will generate additional customer traffic in Foxhall Village.

Safe, Quiet, and Family-Friendly Atmosphere

Tucked away in the corner of DC, The Palisades is often known for its low crime rate and quaint, tree-filled environment – making it particularly well-suited for businesses that disproportionately serve families and older customers.

Implications for Main Street Programming and Operations

The Palisades Main Street should leverage its cross-jurisdictional geographic reach and the loyalty of its surrounding residential neighborhoods to diversify its business mix and attract new retailers, visitors and residents to the neighborhood.



Prioritize Traditional Main Street Services

The Palisades is predominantly comprised of independently-owned business serving the local community, in a family-friendly atmosphere with clusters of traditional ground-floor storefronts. As such, Palisades Main Street should embrace its traditional Main Street orientation and seek to prioritize core Main Street services during its first several years of operation. These core services include developing relationships with business and property owners, further understanding business needs, and efficiently delivering technical assistance.



Placemaking and Branding on a Long Main Street Corridor

With a lengthy program boundary that spans multiple neighborhoods and retail nodes, the Main Street should prioritize branding and placemaking around its two largest retail clusters: the 4800 and 5100 blocks of MacArthur Boulevard. Such efforts can grow the regional brand of "The Palisades" and attract more visitors from outside the primary market area, strengthening the sustainability of existing and future businesses. Given the dispersed locations of retail south of Reservoir Road, the Main Street should prioritize providing one-on-one services to businesses in this area, as opposed to branding or placemaking initiatives.



Promote Parking Opportunities

MacArthur Boulevard features a large supply of public parking spaces along adjacent side streets. The Main Street provide resources to businesses to promote available nearby parking, in order to capture more customers from outside the immediate area, who may otherwise be hesitant to visit Palisades due to parking difficulties. The Main Street should consider creating a reader-friendly one-page guide and/or online map that details available parking locations.



Help Businesses Develop Websites and Digital Ordering Platforms

The COVID-19 pandemic accelerated the need for businesses of all sizes to have quality websites and online-ordering platforms. As customers increasingly expect to be able to easily order food, schedule appointments, and buy other goods and services on their phone or computer, Palisades Main Street should work to ensure its businesses can adequately adapt to an increasingly digital landscape and offer quality websites, and mobile-friendly ordering/delivery systems.

