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2018

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# GEORGETOWN RETAIL MARKET REPORT

GEORGETOWN★DC

BUSINESS IMPROVEMENT DISTRICT



**This annual market report includes information about the Georgetown retail market, including openings, closings, market fundamentals, pedestrian traffic, and insights about the past and future performance of the market.**

## **2018 MARKET HIGHLIGHTS**

- + Diversity of experience continues to define Georgetown as a destination, with a mix of local and national retailers, full service and fast casual restaurants, salons, fitness studios, entertainment, culture, and recreation.
- + Georgetown gained 14 net new retailers and restaurants, filling several large and highly-visible vacant spaces.
- + The retail vacancy rate was lower than it appeared but higher than average. Several empty storefronts have signed leases and are actively going through renovations.
- + The Georgetown restaurant market went through a major transformation, with 21 restaurant openings, including:
  - two beer halls (Church Hall, The Berliner)
  - multiple local fast casual operators
  - four new coffee shops, cementing Georgetown's status as the caffeine capital of DC
  - a new restaurant from up-and-coming chef Johnny Spero (Reverie)
  - the first Georgetown location for celebrity chef Jose Andres (America Eats Tavern)
- + Some longstanding restaurants also closed, including the Capital Restaurant Concepts portfolio of J. Paul's, Old Glory BBQ, and Paolo's.
- + Several national, international, and online retailers opened their first DC locations in Georgetown. Brokers report that Georgetown remains a highly desirable neighborhood for new retailers entering the DC market.
- + Grace Street continued to be the hottest side street in Georgetown, with new retailers and restaurants including Neopol Savory Smokery, Rapha Cycling Club, Reverie, and The Wine Outlet.
- + Patagonia relocated from 1048 Wisconsin, taking over the former Mr. Smith's space at 3104 M Street and filling a high-profile vacancy.





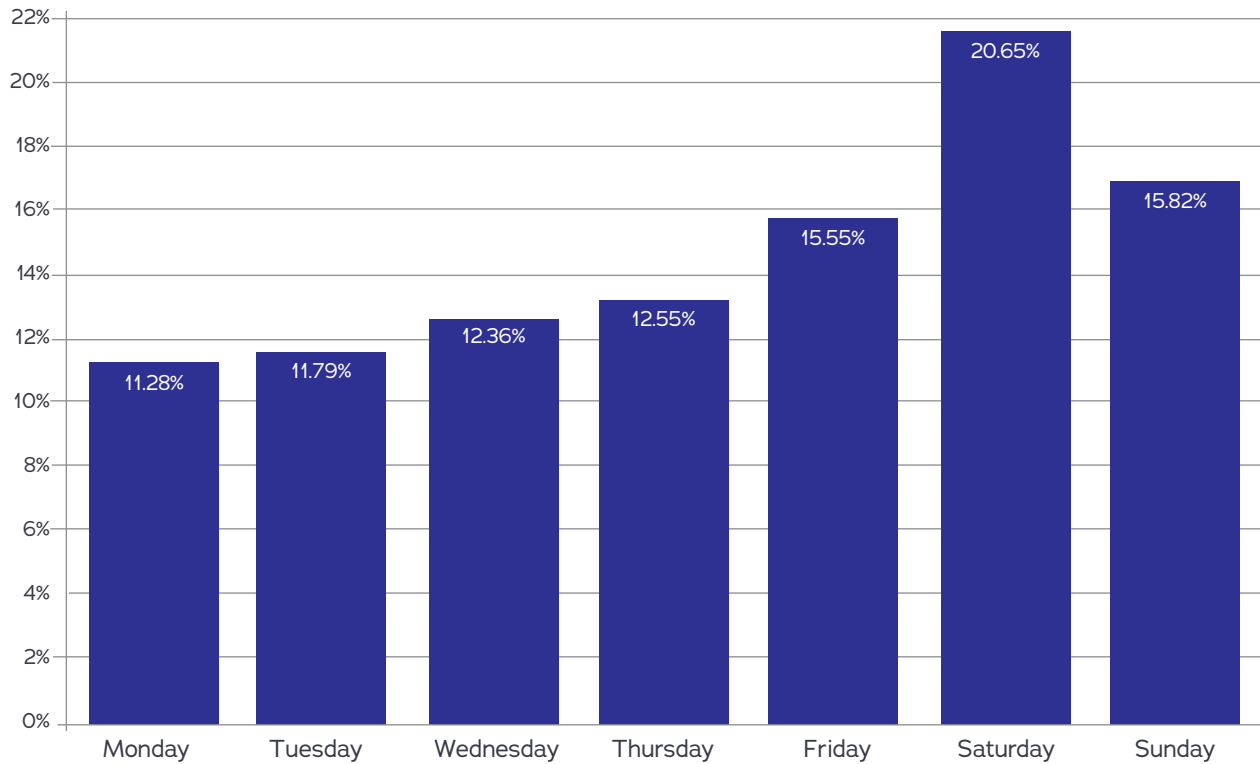
## GEORGETOWN MARKET FUNDAMENTALS<sup>1</sup>

<b>Total Retail Inventory (BID area)</b>	<b>2,100,000 SF</b>
Georgetown Retail Vacancy Rate (2018 year-end)	7.1%
DC Region Retail Vacancy Rate	6.0%
Georgetown High Retail Rent	\$300/SF
DC Region High Retail Rent (7th Street NW)	\$400/SF
<b>Total Retailers and Restaurants</b>	<b>477</b>
Retail Stores	246
Full Service Restaurants (includes live entertainment)	63
Quick Service Restaurants (includes coffee/sweets)	67
Spas and Salons	61
Gyms and Fitness Studios	14
Retail Services	26
<b>Total Office Inventory</b>	<b>3,400,000 SF</b>
<b>Total Hotel Rooms</b>	<b>731</b>
<b>Georgetown Resident Population (0.5 mile from M &amp; Wisconsin)</b>	<b>9,459</b>
<b>Median Household Income (0.5 mile from M &amp; Wisconsin)</b>	<b>\$150,279</b>



## PEDESTRIAN COUNT TRENDS

Pedestrian Traffic by Day of Week as a Percent of Weekly Total<sup>ii</sup>



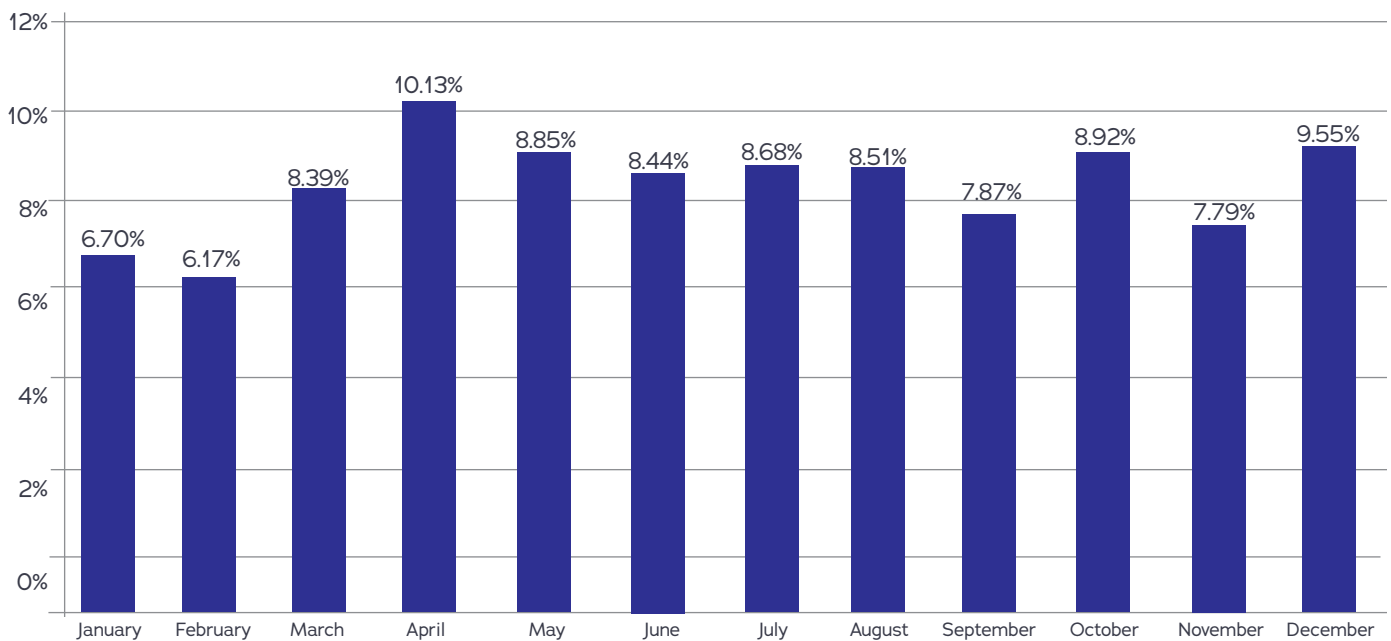
Foot traffic in Georgetown is highest Friday through Sunday, reflecting the significant number of regional and national customers who visit Georgetown on weekends and the daytime employees who work in Georgetown during the week. The peak hour on weekends is 3pm, and peak hours during the week are 1pm and 6pm, tracking visitor and commute patterns.





## PEDESTRIAN COUNT TRENDS

**Pedestrian Traffic by Month as a Percent of Annual Total<sup>iii</sup>**



Throughout the year, pedestrian traffic typically peaks in the spring (April/May) and in the fall (October), which tracks the academic year calendar for nearby universities and major events in Georgetown and DC. In 2018, pedestrian counts were higher than average in December because of record attendance at Georgetown GLOW, the BID's annual outdoor public light art experience.

Since Georgetown is an outdoor commercial district, weather has a significant impact on pedestrian traffic. 2018 was the wettest year on record in DC, recording a total of 66.28 inches of rain,<sup>iv</sup> surpassing the previous record of 61.33 inches set in 1889<sup>v</sup> and the average rainfall of 39.74 inches per year.<sup>vi</sup> Pedestrian counts were down year-over-year in February and from May through November, months when rainfall was well above average. Many retailers reported lower traffic and sales during these months.





## 2018 RETAIL OPENINGS AND CLOSINGS

CATEGORY	OPENINGS (39)	CLOSINGS (25)
<b>Retail</b> 12 openings 10 closings	Amazon Books Aritzia DC Glass Gallery James Allen Modern Trousseau Outdoor Voices Rapha Cycling Reformation Roots South Moon Under The Tavern The Wine Outlet	Alex and Ani american/holiday Coach Hitched Restoration Hardware Sports Zone Elite The Walking Company Tresor Interior Trunk and Drawer Zara
<b>Full Service Restaurants</b> 7 openings 6 closings	1310 Kitchen and Bar America Eats Tavern Angolo Dyllan's Raw Bar Grill Guapo's High Street Cafe Reverie	J. Paul's Maxime Steak Frites Morton's the Steakhouse Old Glory BBQ Paolo's Ristorante Pier 2934 Cajun Seafood
<b>Limited Service Restaurants</b> 14 openings 8 closings	90 Second Pizza Bharati Bluestone Lane Cafe Georgetown Church Hall Corridor Coffee Insomnia Cookies Neopol Savory Smokery Pica Taco Say Cheese! Starbucks Coffee Sugar Lab The Berliner The Dough Jar	Beard Papa's Chinese Disco Domino's Pizza Simit and Smith The Bean Counter The Best Sandwich Place TJ's Deli Wingo's (temporary)
<b>Retail Services</b> 6 openings 1 closing	Georgetown Barbershop Co. Highland Ink and Microblading Own Your Wonder The Beauty Gurus By Lisa The Capital Tailor The Skincare Studio by Claudia Duran	Grace Custom Cleaners of Georgetown
<b>Pop-ups</b> 4 pop-ups	Cynthia Rowley Laiik M2057 by Maria Pinto State & Liberty	
<b>Relocations</b> 4 relocations	Fuel Body Lab Georgetown Olive Oil Company MAJOR Patagonia	



## RETAIL ACTIVITY BY MARKET SIZE

Activity	Local/Regional	National/ International
Opened 2018	28	12
Closed 2018	17	8
Opening 2019 (expected)	10	7

## FIRST-TO-MARKET RETAIL OPENINGS

Retailer	Address	Type	Home Location
Amazon Books	3040 M Street	Books	Seattle
Aritzia	3210 M Street	Women's Apparel	Canada
Cynthia Rowley (pop-up)	3306 M Street	Women's Apparel	New York City
James Allen	3109 M Street	Jewelry	New York City/Online
Laiik (pop-up)	1037 33rd Street	Men's and Women's Footwear	DC/Online
Maria Pinto (pop-up)	1254 Wisconsin Avenue	Women's Apparel	Chicago
Outdoor Voices	3025 M Street	Women's Apparel	Texas
Rapha Cycling Club	3210 Grace Street	Cycling Apparel and Clubhouse	Australia
Reformation	3033 M Street	Women's Apparel	California
State & Liberty (pop-up)	1065 Wisconsin Avenue	Men's Apparel	Michigan

## RETAIL PROPERTY SALES

Nine retail buildings sold in Georgetown in 2018, totaling \$50.8 million in sales volume. The average sales price per square foot was \$919.19, driven by the sales of 1222 Wisconsin Avenue (Wawa), 3030 M Street (CUSP), and 3217 P Street (JPMorgan Chase), which averaged over \$1,400/SF. In the prior three years, the average sales price per square foot for retail buildings was \$786.23, excluding the sale of 3150 M Street to Capital One, which exceeded \$5,700/SF. Four other mixed-use buildings, including Washington Harbour, sold in 2018, representing \$438.7 million in sales volume. Average sale price per square foot for these buildings was \$672.08.<sup>vii</sup>



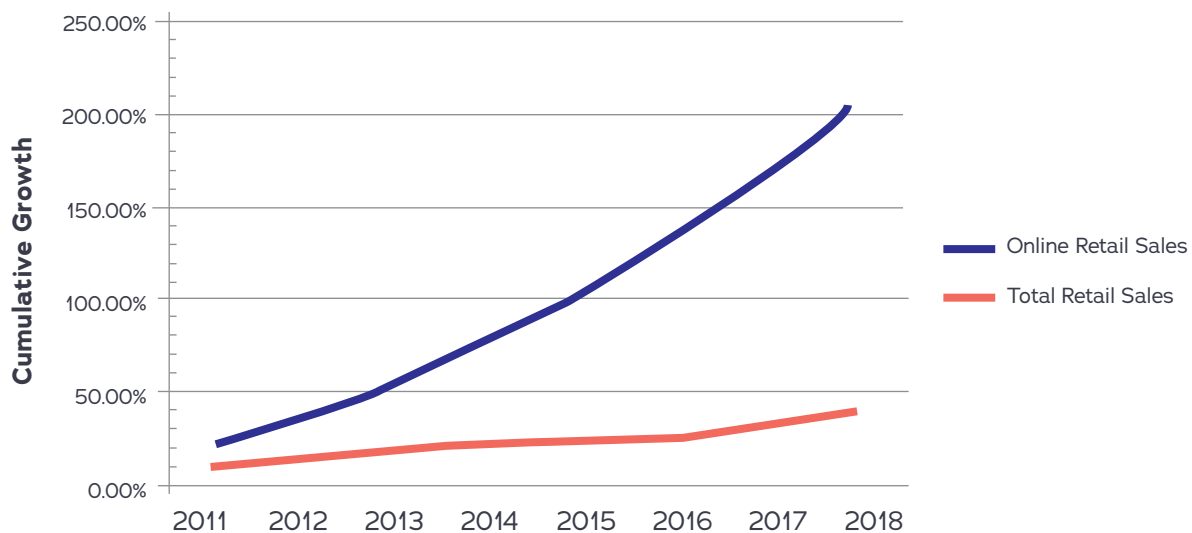
## RETAIL VACANCY AND THE STATE OF RETAIL

Retail vacancy in Georgetown was higher than average in 2018 but lower than the number of empty storefronts would suggest. At the end of 2018, there were 48 empty storefronts totaling 214,000 square feet, or about 10.1% of total retail space. Of those spaces, 15 had signed leases, totaling 61,500 square feet, or about 3% of total retail space. This means the true vacancy rate at the end of 2018 was 7.1%, lower than it appeared, but higher than the five-year historical average of 5.4%.<sup>viii</sup>

Brick-and-mortar retail continues to face headwinds from online shopping and upheaval in the retail industry, which can impact Georgetown retail vacancy and force retailers and property owners to adapt their models and expectations. As of Q2 2018, online retail sales accounted for 9.6% of total national retail sales but the growth rate of online sales is significantly higher, increasing more than 200% since 2010 compared to 40% for all retail.<sup>ix</sup>



**Cumulative Growth of Total Retail Sales and Online Retail Sales, 2011-2018**



Several national brands declared bankruptcy in 2018, including Claire's, David's Bridal, Nine West, Sears, Toys R Us, and The Walking Company. While these stores are not all in Georgetown, these and many other retailers are facing challenges of declining in-store traffic, heavy debt loads, corporate turnover, and product misses. Retailers are becoming more cautious about the number and location of stores they open and are less willing to pay the highest billboard rents on prime retail corridors.

Some Georgetown retail property owners are becoming more creative with lease deals, offering shorter terms and a lower base rent plus a percentage of sales, with the option to convert to a longer term at market rent after a period of performance. Retail owners will need to continue offering competitive deals to sign tenants. The Georgetown BID will continue investing in public space improvements, mobility solutions, marketing and events, and regulatory changes that keep Georgetown a desirable place to visit, shop, and do business.



## LOOKING AHEAD TO 2019

At least 17 retailers and restaurants are expected to open in 2019 and other announcements are pending. Four banks will open, three of which are taking iconic locations at Wisconsin and M in the former Nathan's; at 3140 M Street in the former Sports Zone; and at Wisconsin and P in the former Neam's Market. DC's second Capital One Café will open at Wisconsin and M, a new banking concept that integrates banking with a coffee shop and co-working space. The other locations are more traditional retail bank branches. The former Zara building at 1238 Wisconsin is expected to sell and undergo renovations, bringing activity back to a key Wisconsin Avenue corner.

## ANTICIPATED RETAIL & RESTAURANT OPENINGS 2019

(See map on the following page)

Retailer	Address	Type	Location
JPMorgan Chase	3217 P Street	Bank	1
TBA	1436 Wisconsin Avenue	Salon	2
Mono Diner	1424 Wisconsin Avenue	Full Service Restaurant	3
Compass Coffee	1351 Wisconsin Avenue	Coffee Shop	4
Wells Fargo Express Center	1329 Wisconsin Avenue	Bank	5
Chanterelle	3251 Prospect Street	Full Service Restaurant	6
Capital One Cafe	3150 M Street	Bank, Coffee Shop, and Work Space	7
JPMorgan Chase	3140 M Street	Bank	8
Reren Lamen & Bar	1073 Wisconsin Avenue	Quick Service Restaurant	9
Bandoola Bowl	1069 Wisconsin Avenue	Quick Service Restaurant	10
Taim	1065 Wisconsin Avenue	Quick Service Restaurant	11
TBA	1065 Wisconsin Avenue, 2nd floor	Retail Tenant	12
Cut by Wolfgang Puck	1050 31st Street	Full Service Restaurant	13
TBA	1033 31st Street	Quick Service Restaurant	14
Georgetown Social	2920 M Street	Quick Service Restaurant	15
TBA	2917 M Street	Full Service Restaurant	16
TBA	2915 M Street	Full Service Restaurant	17



## ANTICIPATED RETAIL & RESTAURANT OPENINGS 2019

 = The Georgetown BID Area



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While all data in this report were produced by the BID or gathered from the sources cited, the BID does not guarantee the accuracy of the data presented in this publication. The staff welcomes opportunities and partnerships to refine existing data.

The Georgetown BID area comprises the commercial corridors along Wisconsin Avenue between M Street and R Street; M Street between 27th Street and 37th Street; the commercial areas of Prospect Street; and the commercial areas south of M Street to the Potomac River.

Every year the BID publishes market reports on the Georgetown economy. This report, all prior reports, and other research are available under the Georgetown BID section at [georgetowndc.com](http://georgetowndc.com).

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### ENDNOTES:

<sup>i</sup> Data in this table come from various sources: Total retail inventory and retail vacancy rate: Costar and Georgetown BID; Georgetown high retail rent, DC region retail vacancy rate, and DC regional high retail rent: Dochter & Alexander DC Retail Market Report Spring-Summer 2018; Total retailers and retailers by category: Georgetown BID; Total office space: Costar; Hotel rooms: STR; Resident population and median household income: Esri Business Analyst Online, 2019.

<sup>ii</sup> Georgetown BID, 2018 data collected using Eco-Counter pedestrian counters

<sup>iii</sup> Ibid

<sup>iv</sup> Weather Underground, 2018 historical weather data recorded at Ronald Reagan Washington National weather station.

<sup>v</sup> "Drenched city: 2018 is now Washington's wettest year ever recorded." The Washington Post. December 15, 2018

<sup>vi</sup> "DC and Baltimore have received almost a year's worth of rain, with five months to go in 2018." The Washington Post. July 31, 2018.

<sup>vii</sup> DC Office of Tax and Revenue Recorder of Deeds

<sup>viii</sup> Georgetown BID and Costar (2019)

<sup>ix</sup> U.S. Census Bureau, Retail Indicators Branch. Quarterly E-Commerce Sales Report, adjusted quarterly sales for 2011-2018. Q2 is used as the baseline quarter for this comparison, the most recently revised quarter of data.



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