



The State of Retail in DC

April 24, 2009

Presented by:
Sandy Paul
National Research Director
Delta Associates





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TODAY'S AGENDA

The State of Retail in DC

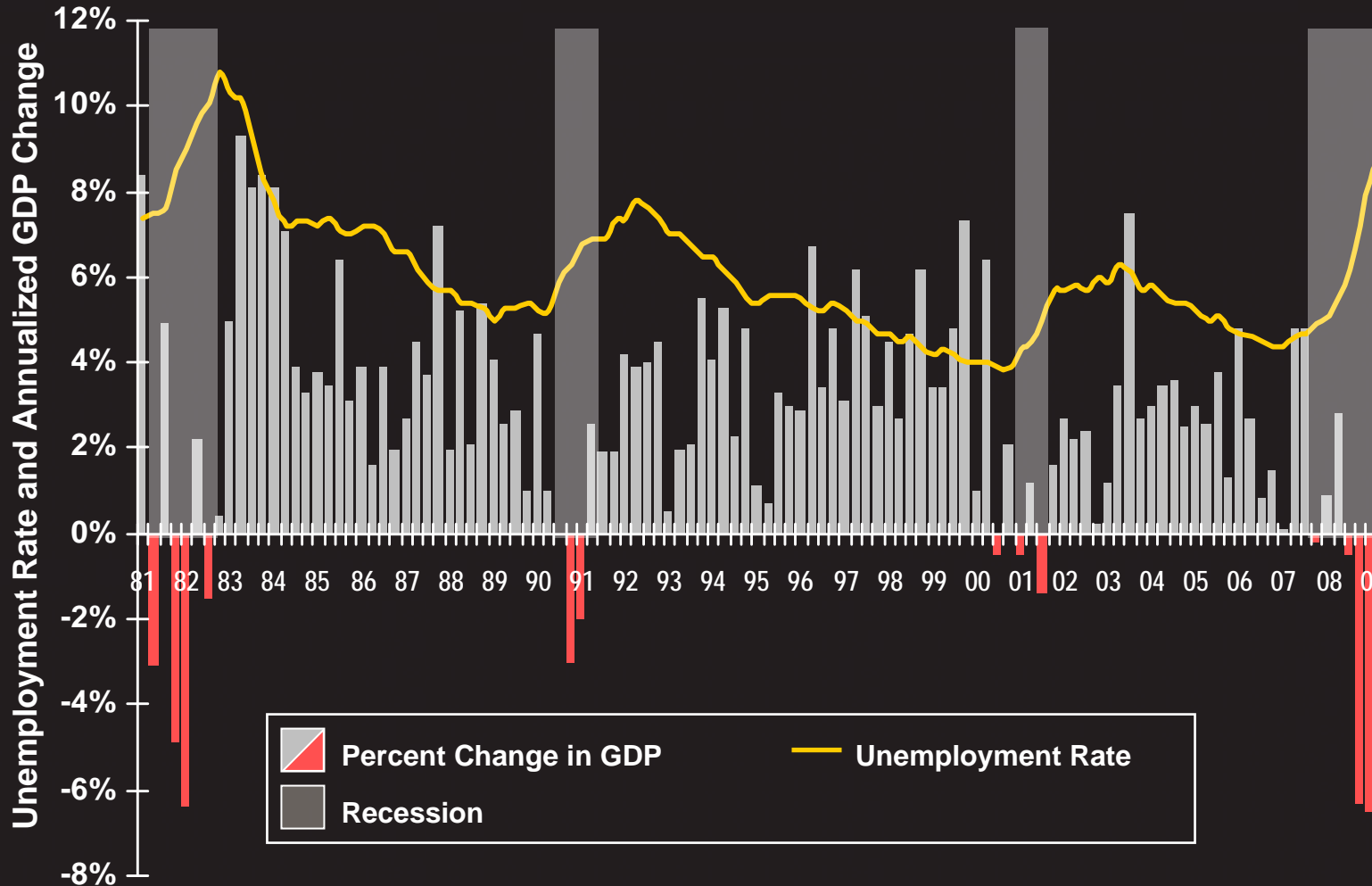
- The Economy and Its Impact on Retail
- Washington Retail Market Performance: Past and Future
- Washington Office Market Performance and Its Effect on Retail
- When Will Markets Transition?



The Economy and Its Impact on Retail

THE ECONOMY AND ITS IMPACT ON RETAIL

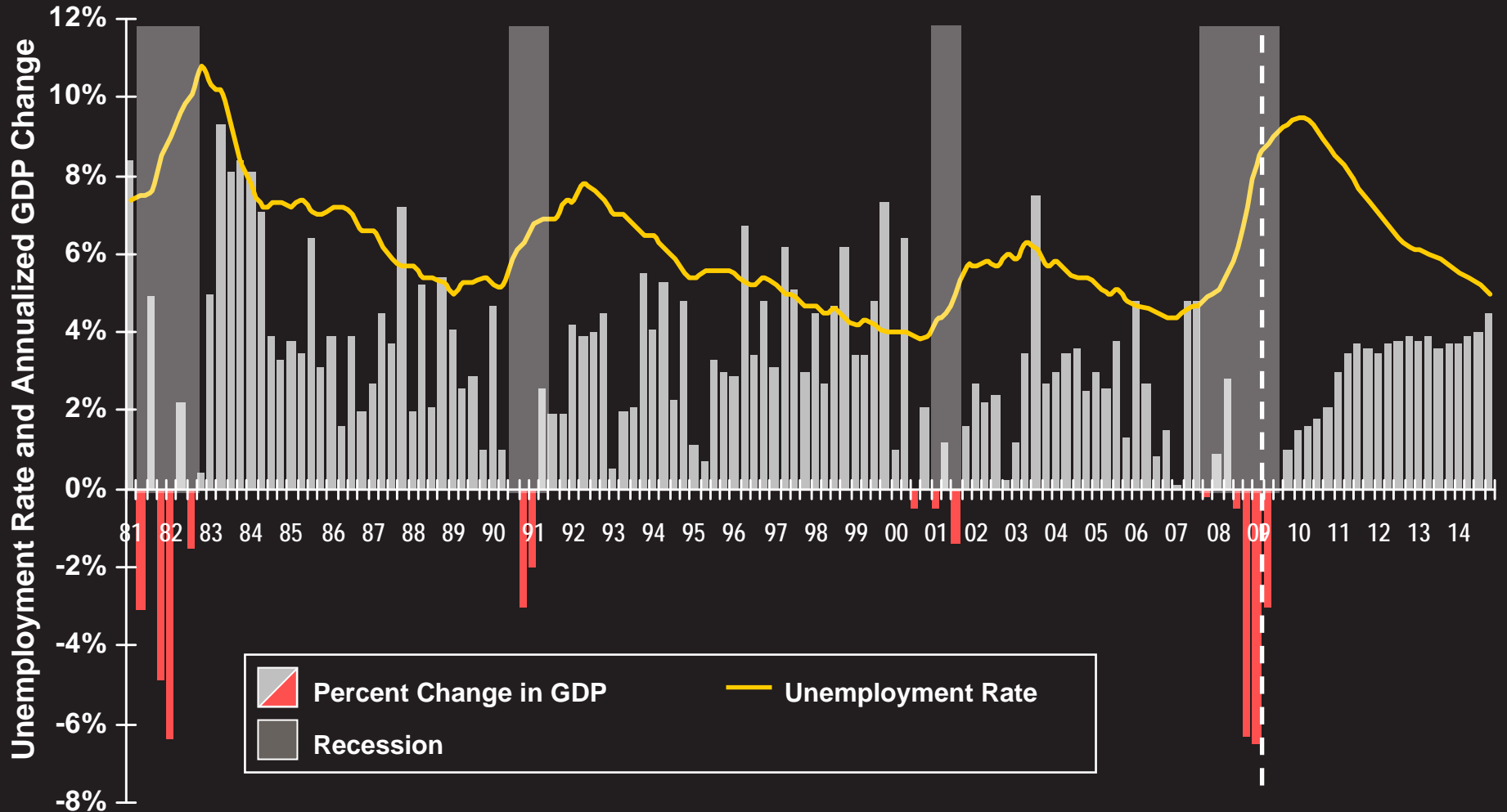
U.S. Economic Trends and Forecast



Source: Bureau of Labor Statistics, Bureau of Economic Analysis, Delta Associates; April 2009.

THE ECONOMY AND ITS IMPACT ON RETAIL

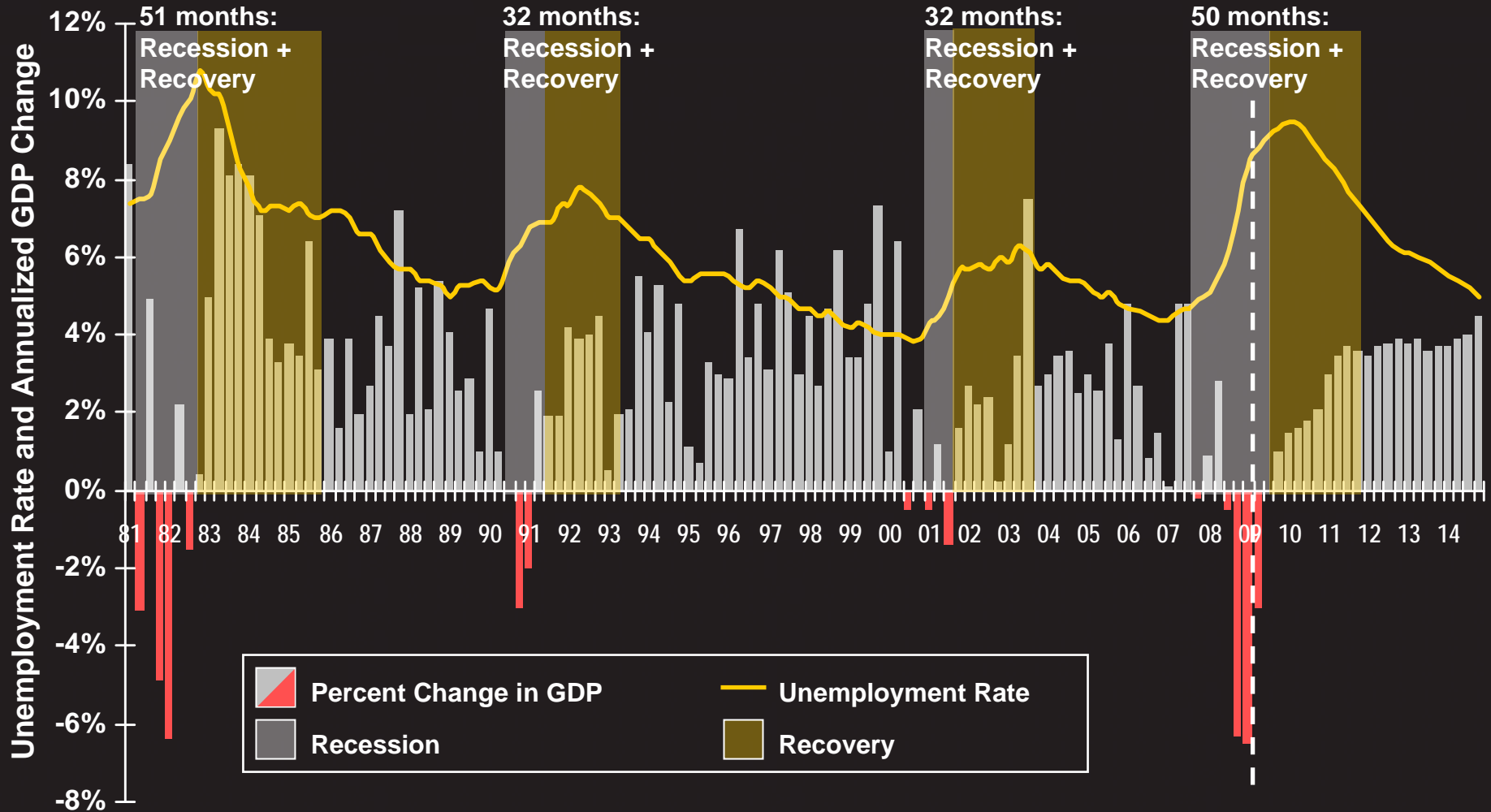
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THE ECONOMY AND ITS IMPACT ON RETAIL

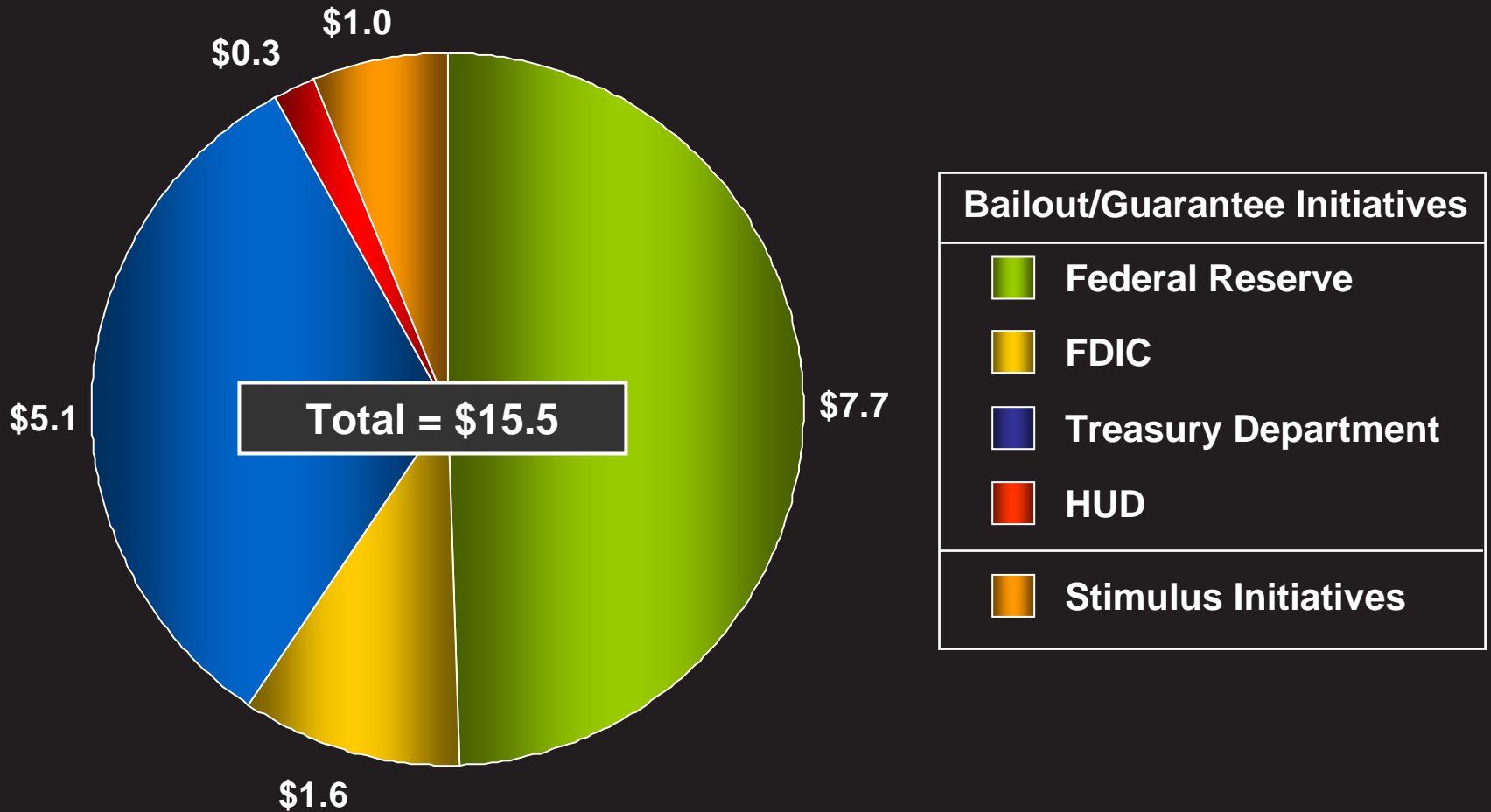
U.S. Economic Trends and Forecast



Source: Bureau of Labor Statistics, Bureau of Economic Analysis, Delta Associates; April 2009.

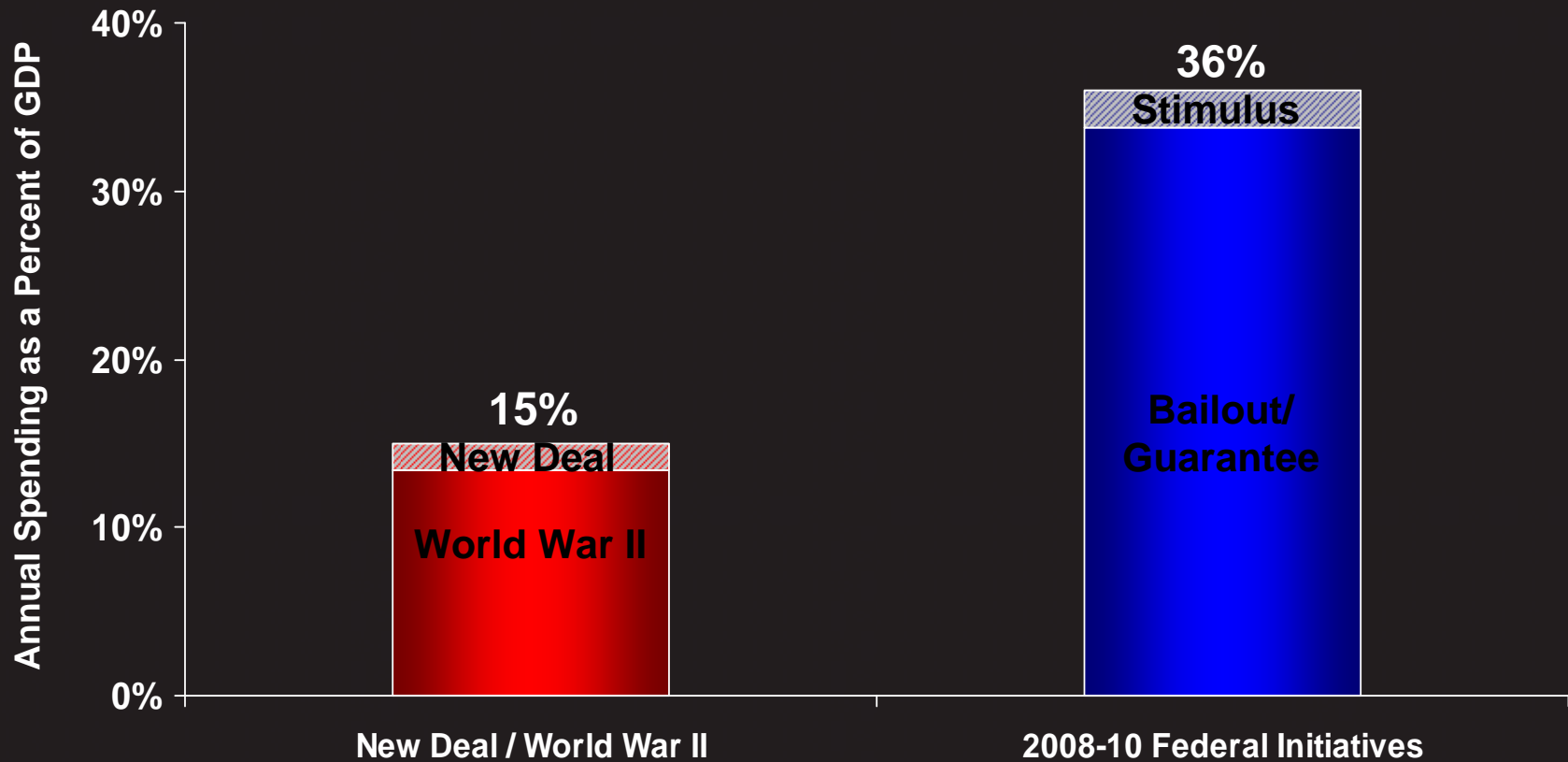
THE ECONOMY AND ITS IMPACT ON RETAIL

Federal Bailout/Guarantee Initiatives Trillions of Dollars



THE ECONOMY AND ITS IMPACT ON RETAIL

Annual Value of Programs as a Share of the U.S. Economy

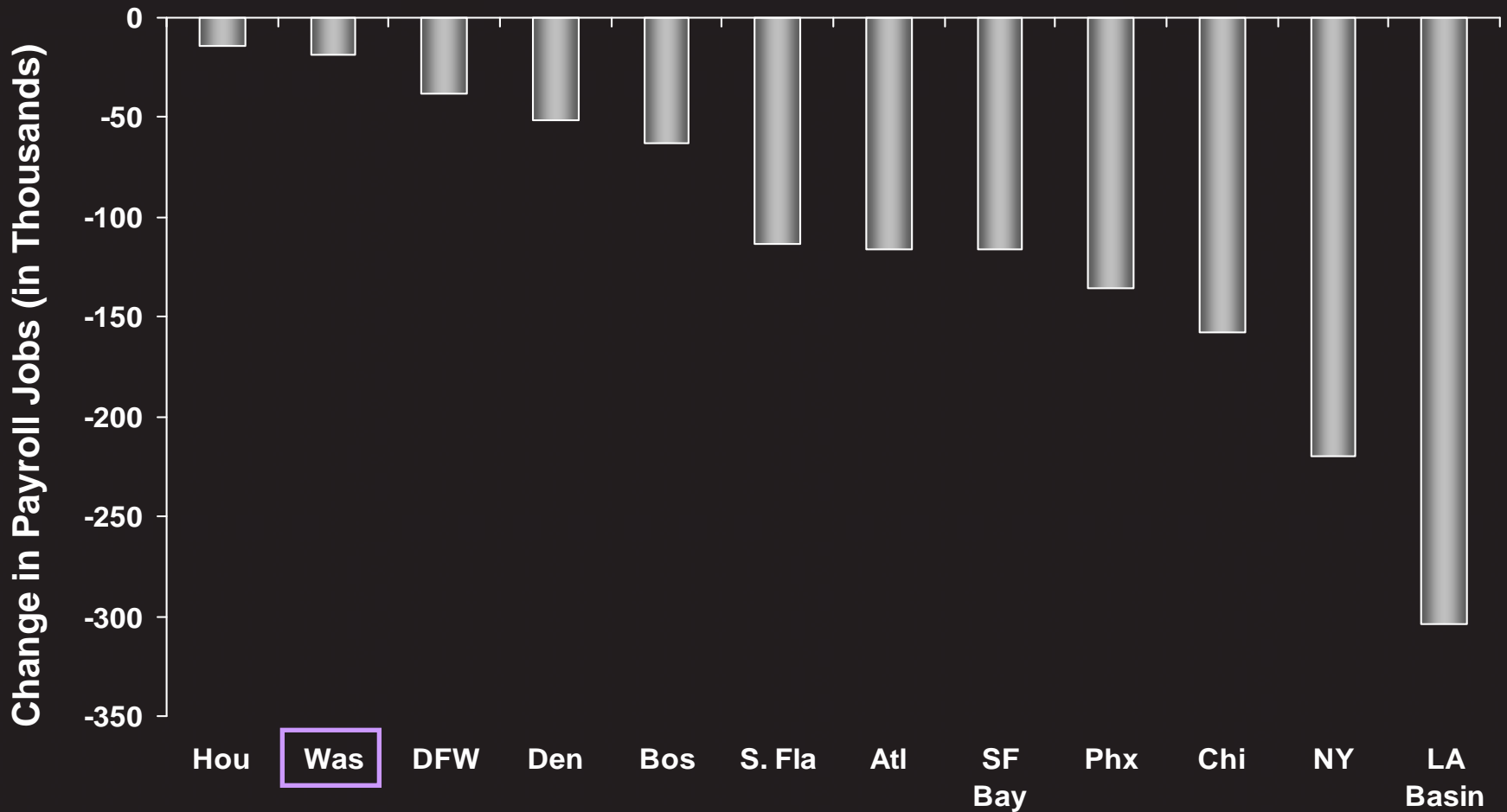


Note: Inflation-adjusted.

Source: Bianco Research, Deutsche Bank, CNN, MSNBC, Bloomberg, New York Times, Delta Associates; April 2009.

THE ECONOMY AND ITS IMPACT ON RETAIL

Payroll Job Change Large Metro Areas 12 Months Ending March 2009



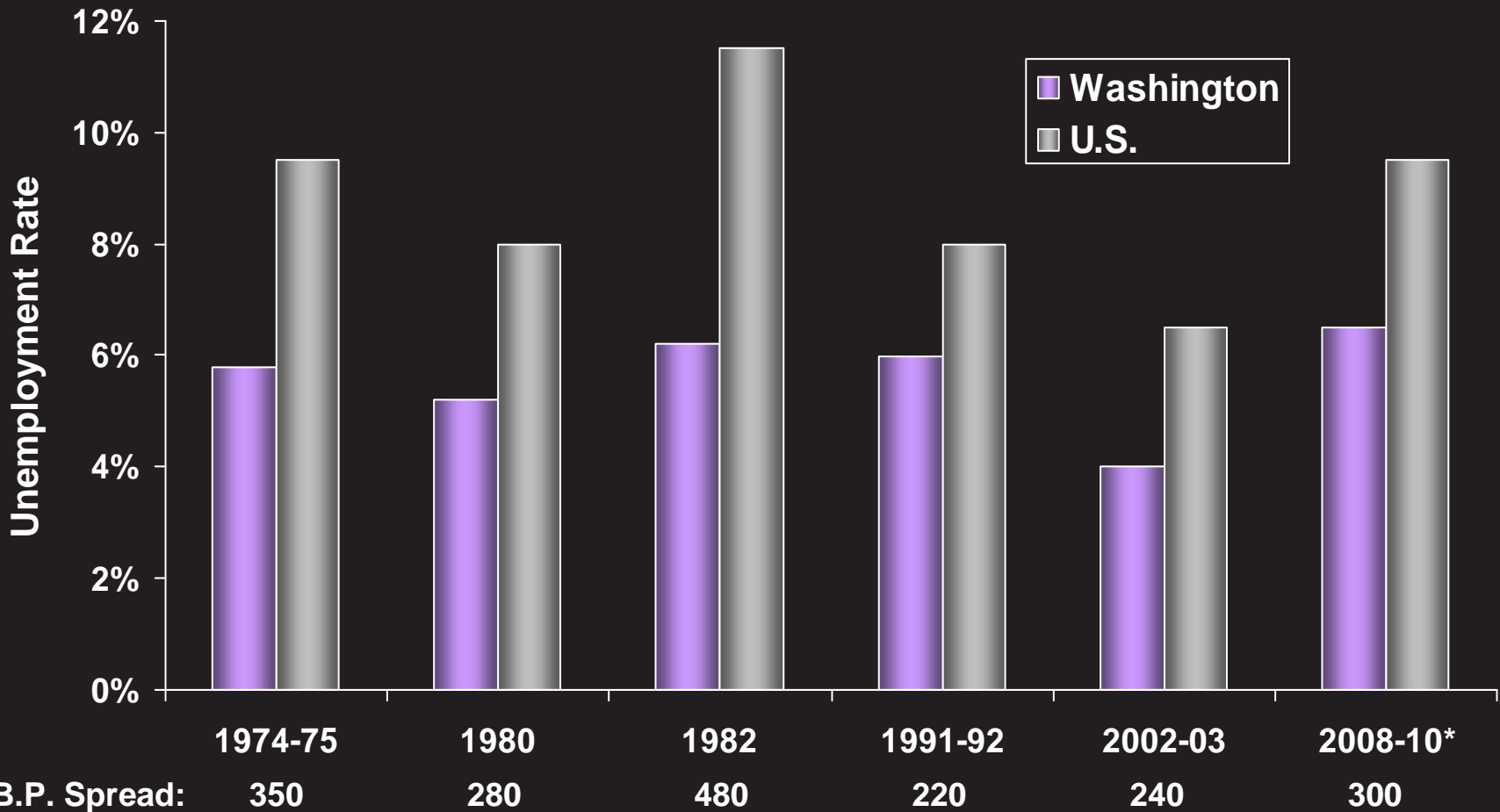
THE ECONOMY AND ITS IMPACT ON RETAIL

Core Industries Washington Area 2008

Core Industries	% GRP
Federal Government	32%
<i>(Federal Procurement = 15% of total GRP)</i>	
Technology	16%
Building Industry	6%
International Business	5%
Tourism / Hospitality	<u>2%</u>
Total Core Industries	61%
Other	39%
Total GRP	100%

THE ECONOMY AND ITS IMPACT ON RETAIL

Peak Recessionary Unemployment Rates

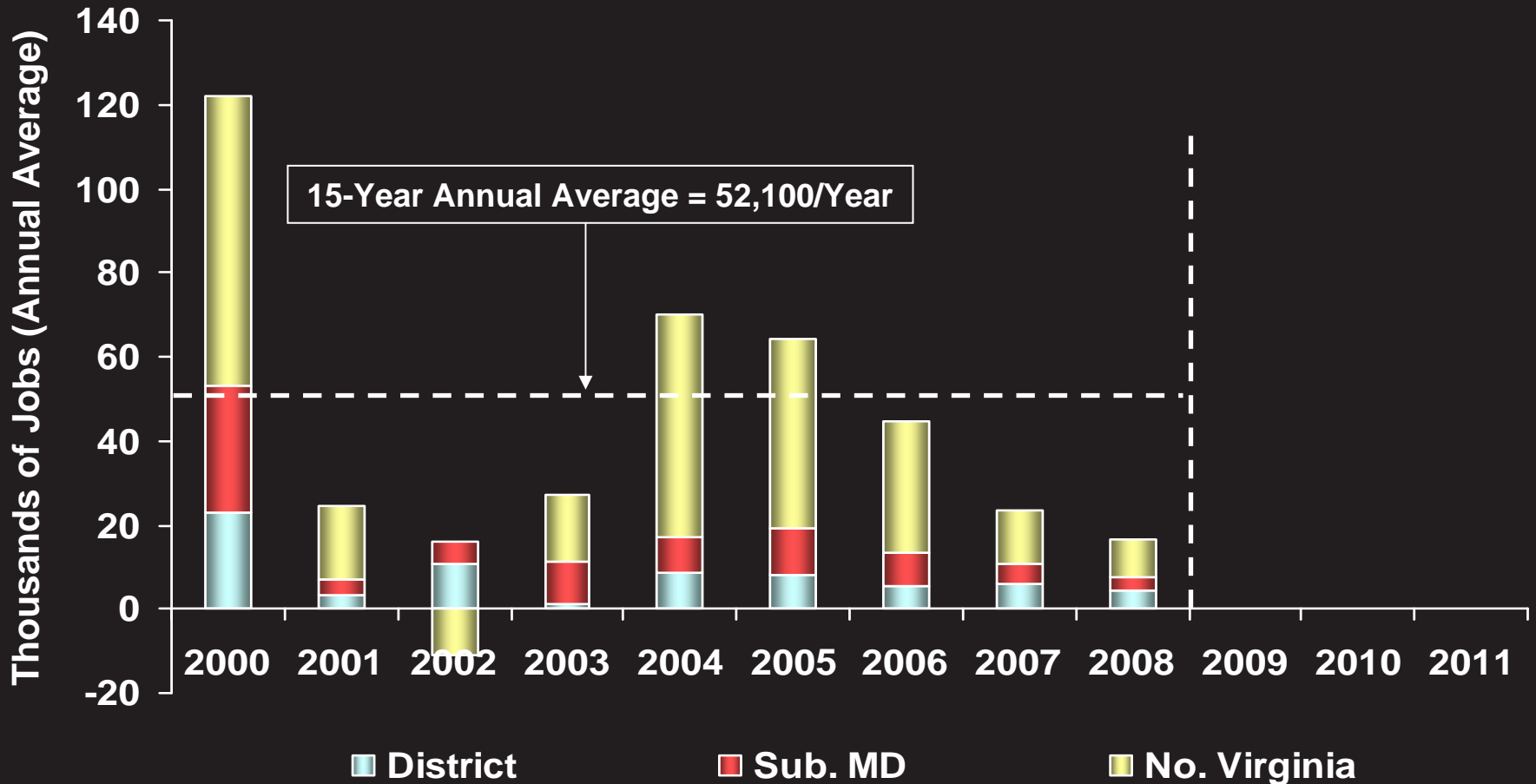


Source: Dr. Stephen Fuller, Delta Associates; April 2009.

*Projection.

THE ECONOMY AND ITS IMPACT ON RETAIL

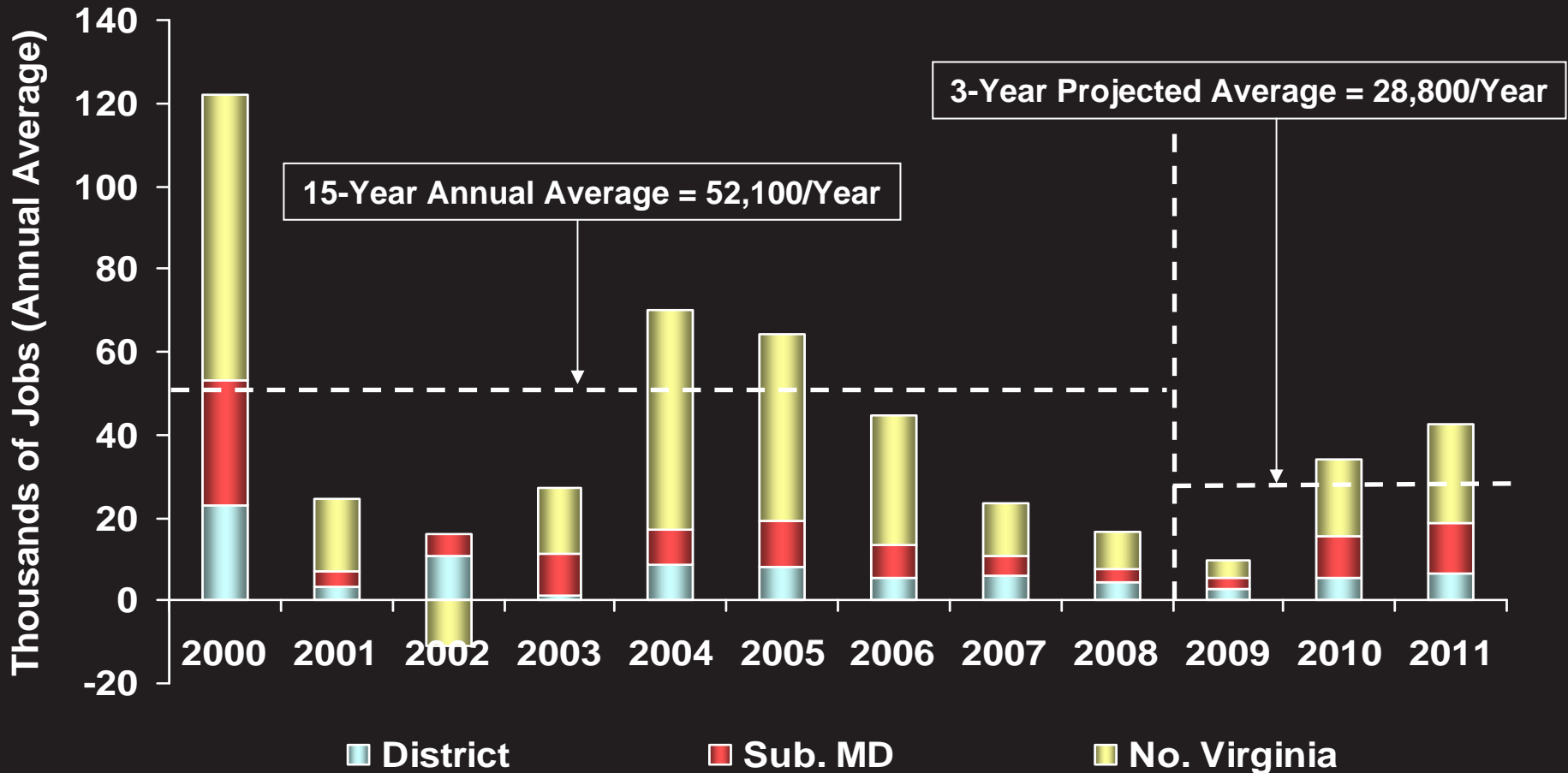
Payroll Job Change Washington Area



Source: Dr. Stephen Fuller, Delta Associates; April 2009.

THE ECONOMY AND ITS IMPACT ON RETAIL

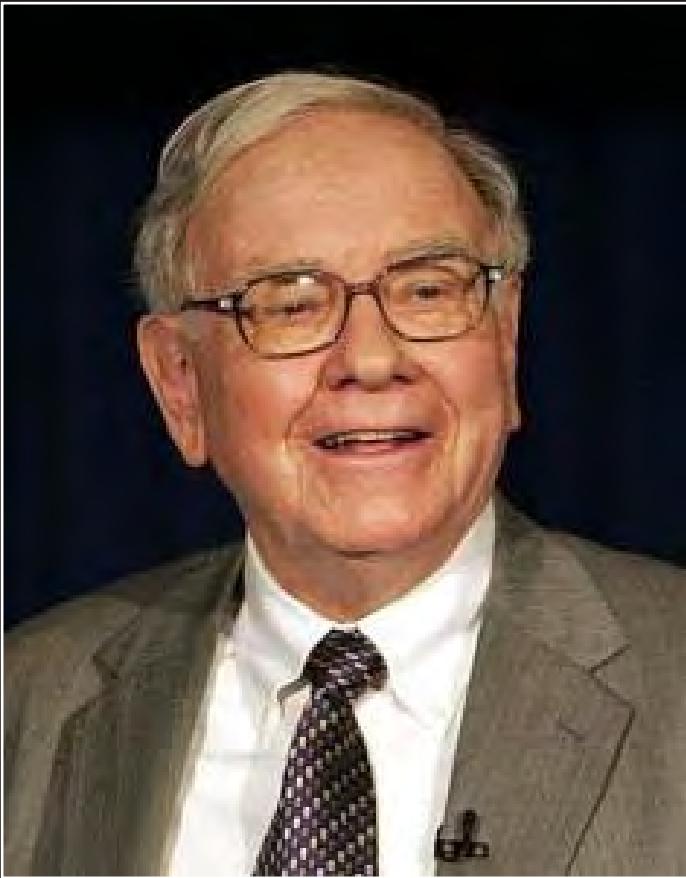
Payroll Job Change Washington Area



Source: Dr. Stephen Fuller, Delta Associates; April 2009.

THE ECONOMY AND ITS IMPACT ON RETAIL

Where Do We Go From Here?



**“Be fearful when
others are greedy,
and be greedy when
others are fearful.”**

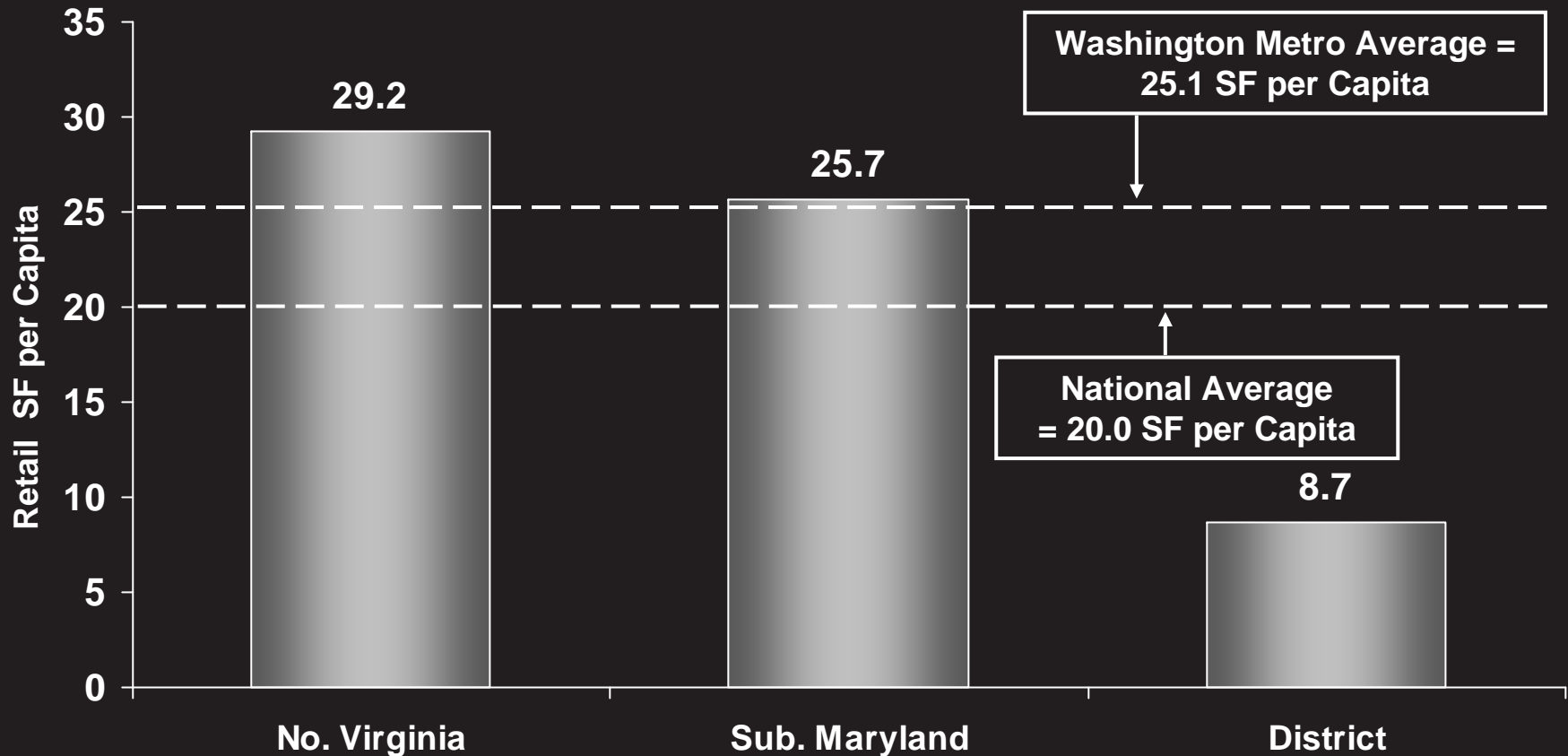
- *Warren Buffett*



Washington Retail Market Performance: Past and Future

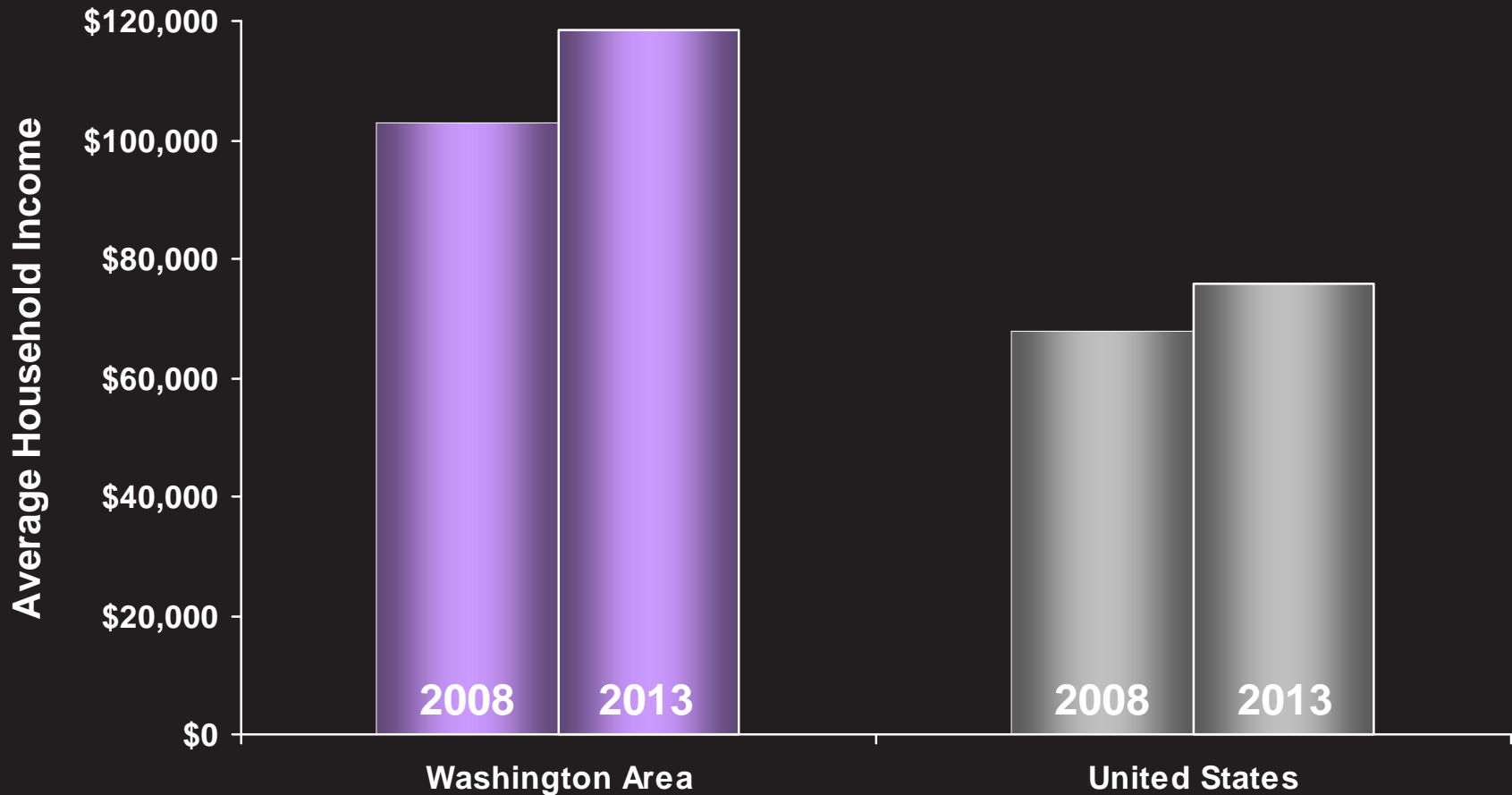
WASHINGTON RETAIL MARKET PERFORMANCE

Retail Space per Capita Washington Metro Area 2009



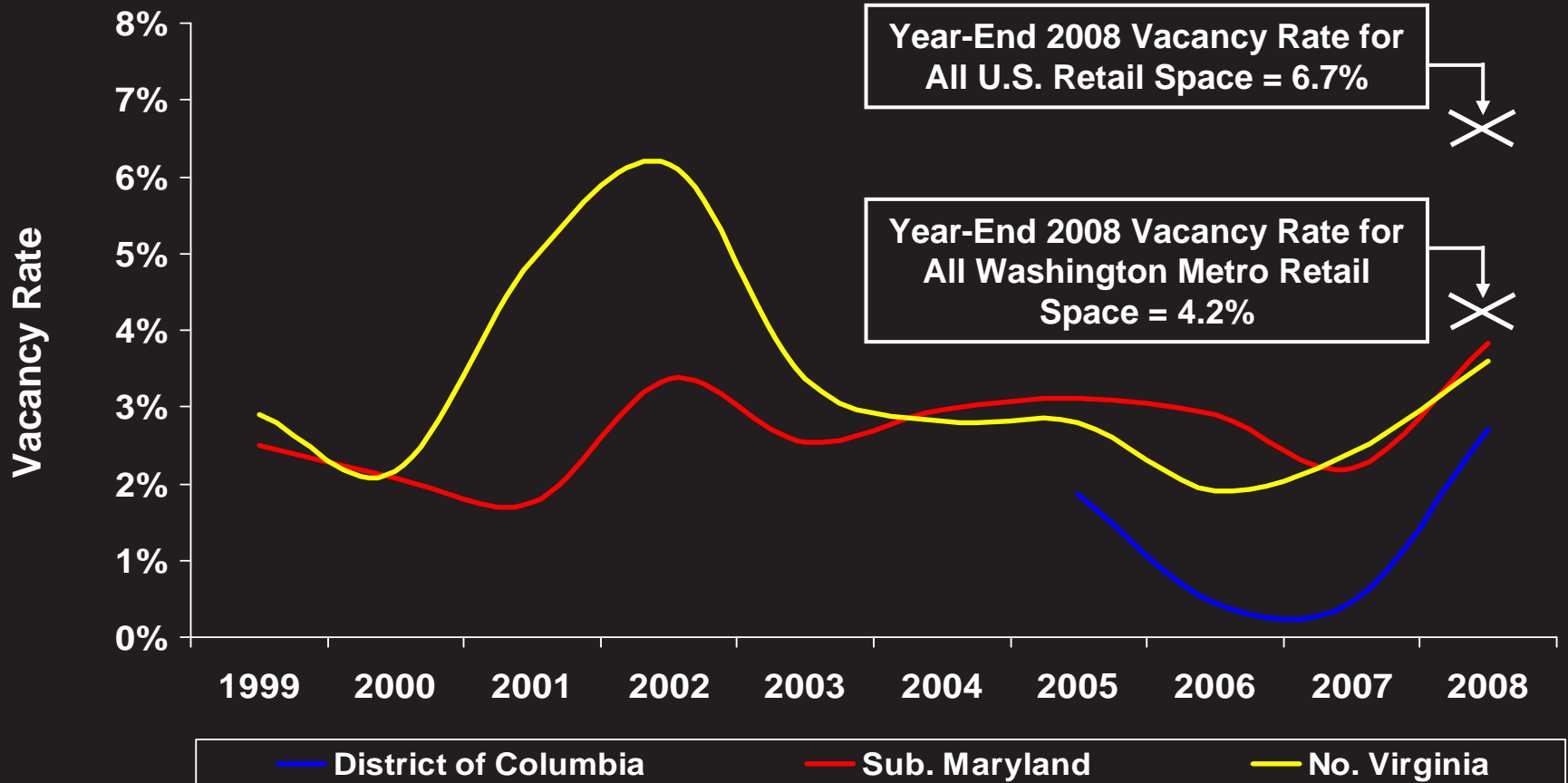
WASHINGTON RETAIL MARKET PERFORMANCE

Average Household Income Washington Area vs. U.S. 2008 vs. 2013



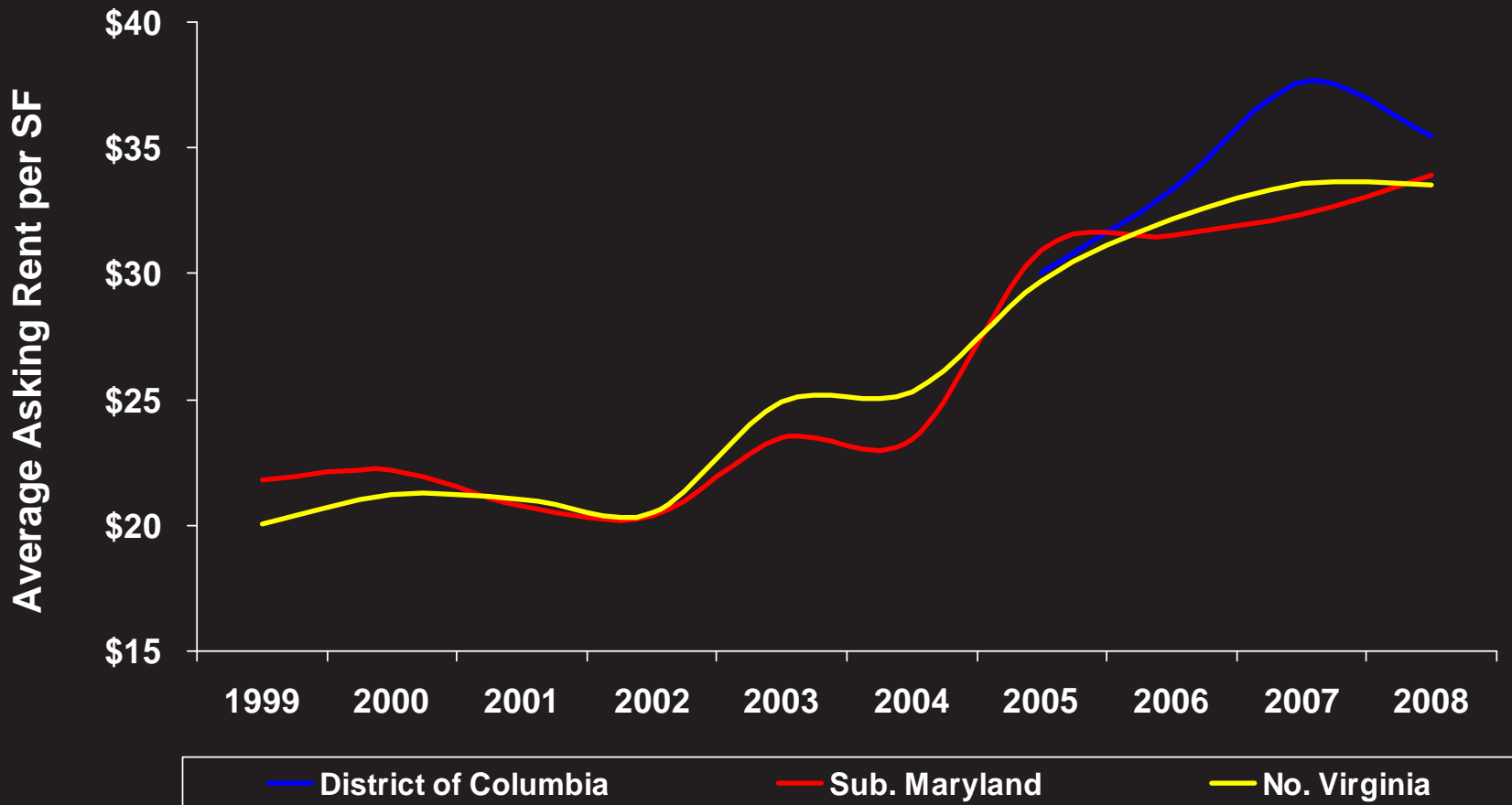
WASHINGTON RETAIL MARKET PERFORMANCE

Neighborhood Shopping Center Vacancy Rate



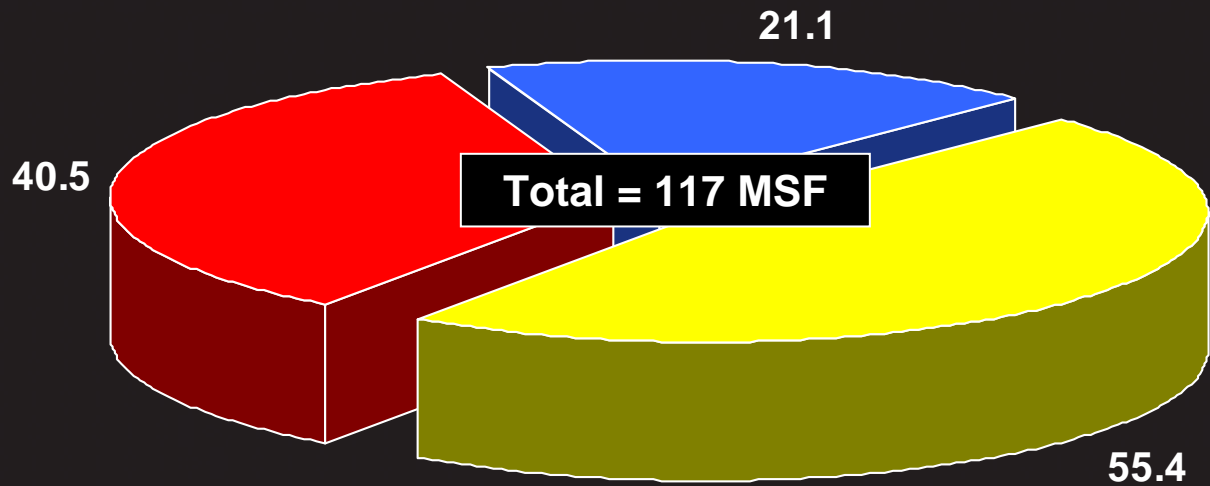
WASHINGTON RETAIL MARKET PERFORMANCE

Neighborhood Shopping Center Asking Rent



WASHINGTON RETAIL MARKET PERFORMANCE

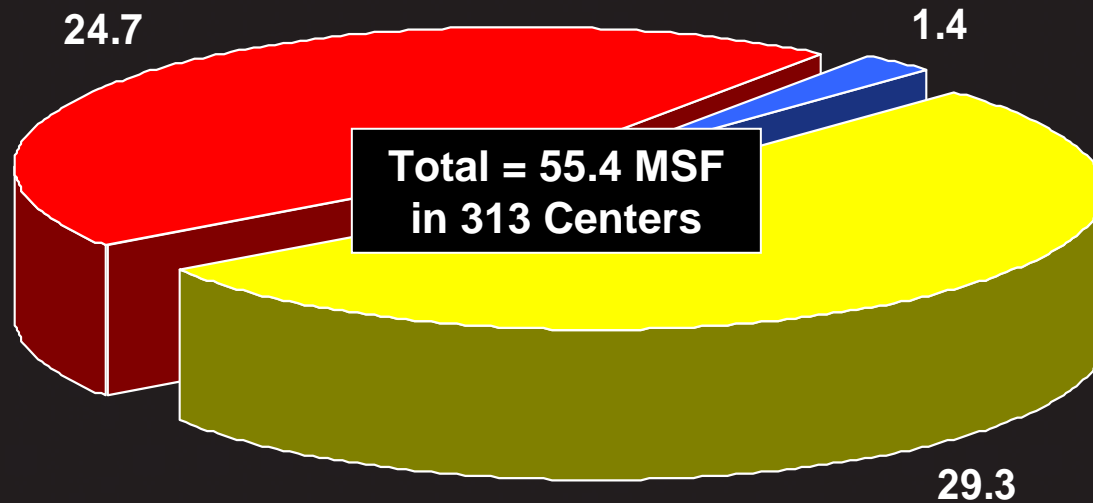
Shopping Center Inventory Washington Metro Area 2009



- Neighborhood Shopping Centers
- Super-Regional Centers
- Other*

WASHINGTON RETAIL MARKET PERFORMANCE

Neighborhood Shopping Center Inventory Washington Metro Area 2009



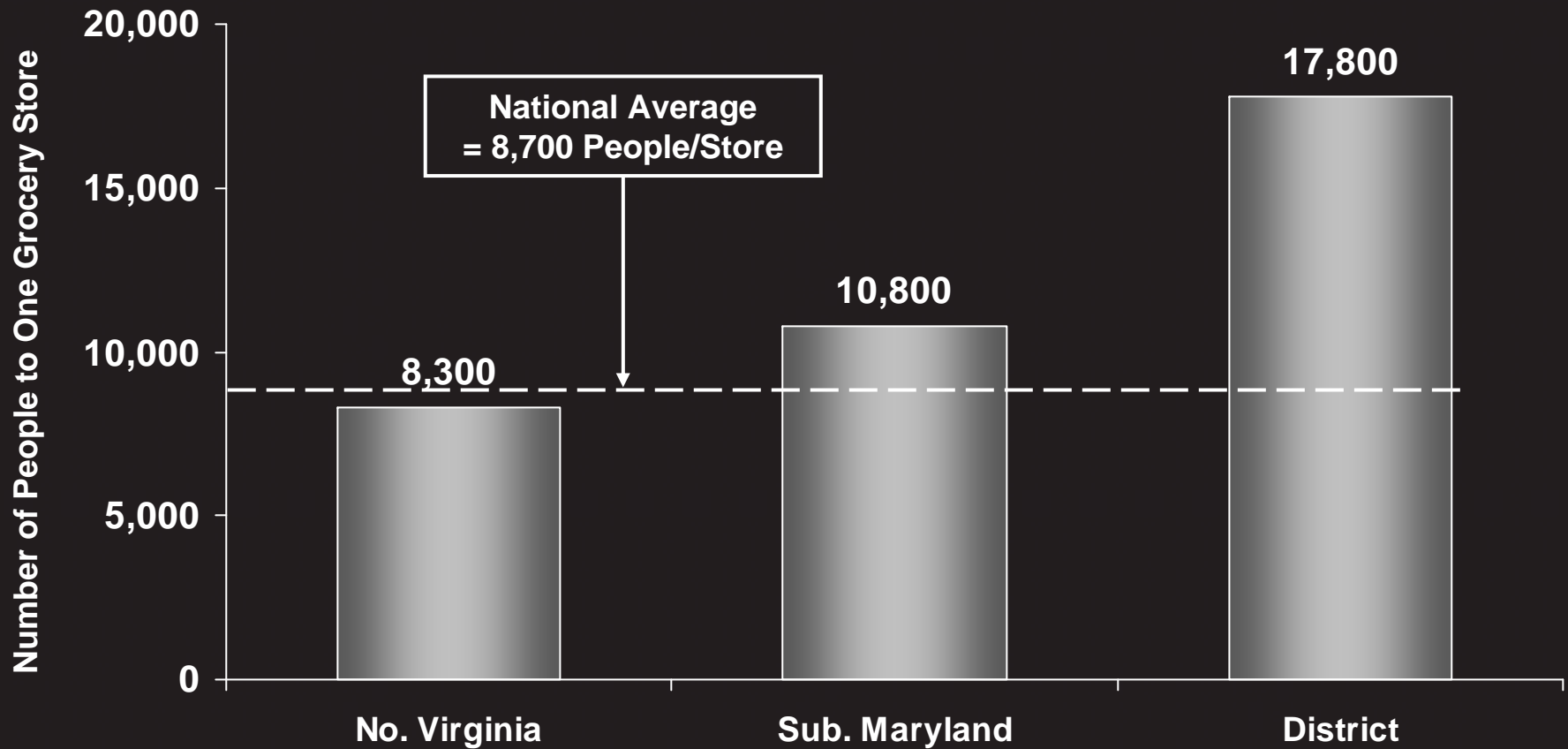
■ No. Virginia

■ Sub. Maryland

■ District

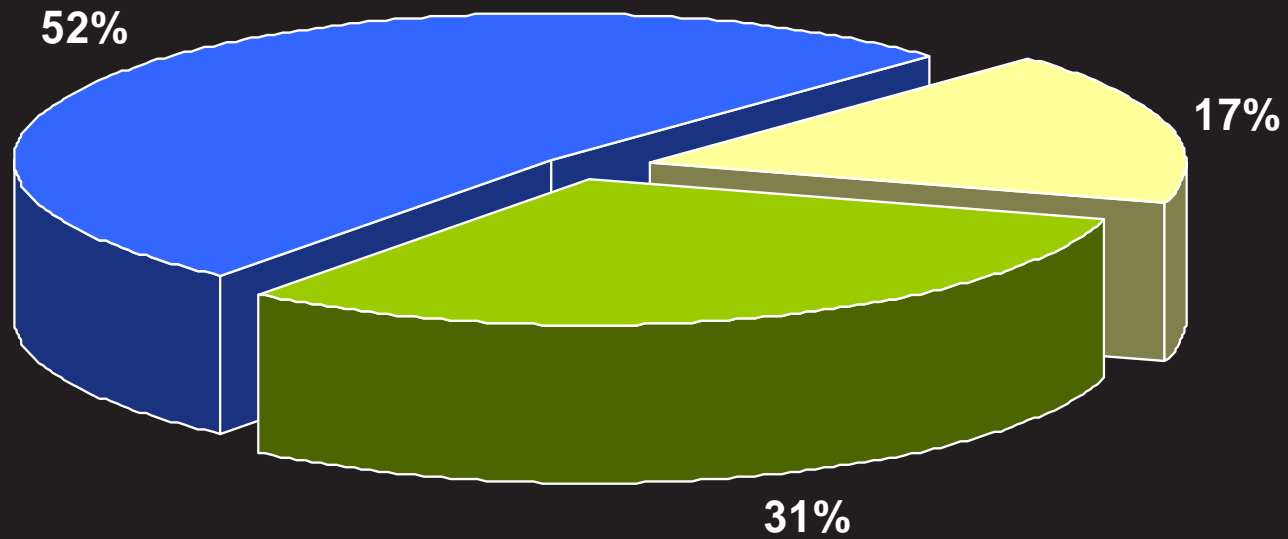
WASHINGTON RETAIL MARKET PERFORMANCE

Development Opportunity in the District of Columbia Year-End 2008



WASHINGTON RETAIL MARKET PERFORMANCE

Shopping Center Age Distribution 2009



■ 10 Years or Younger

■ 11-25 Years

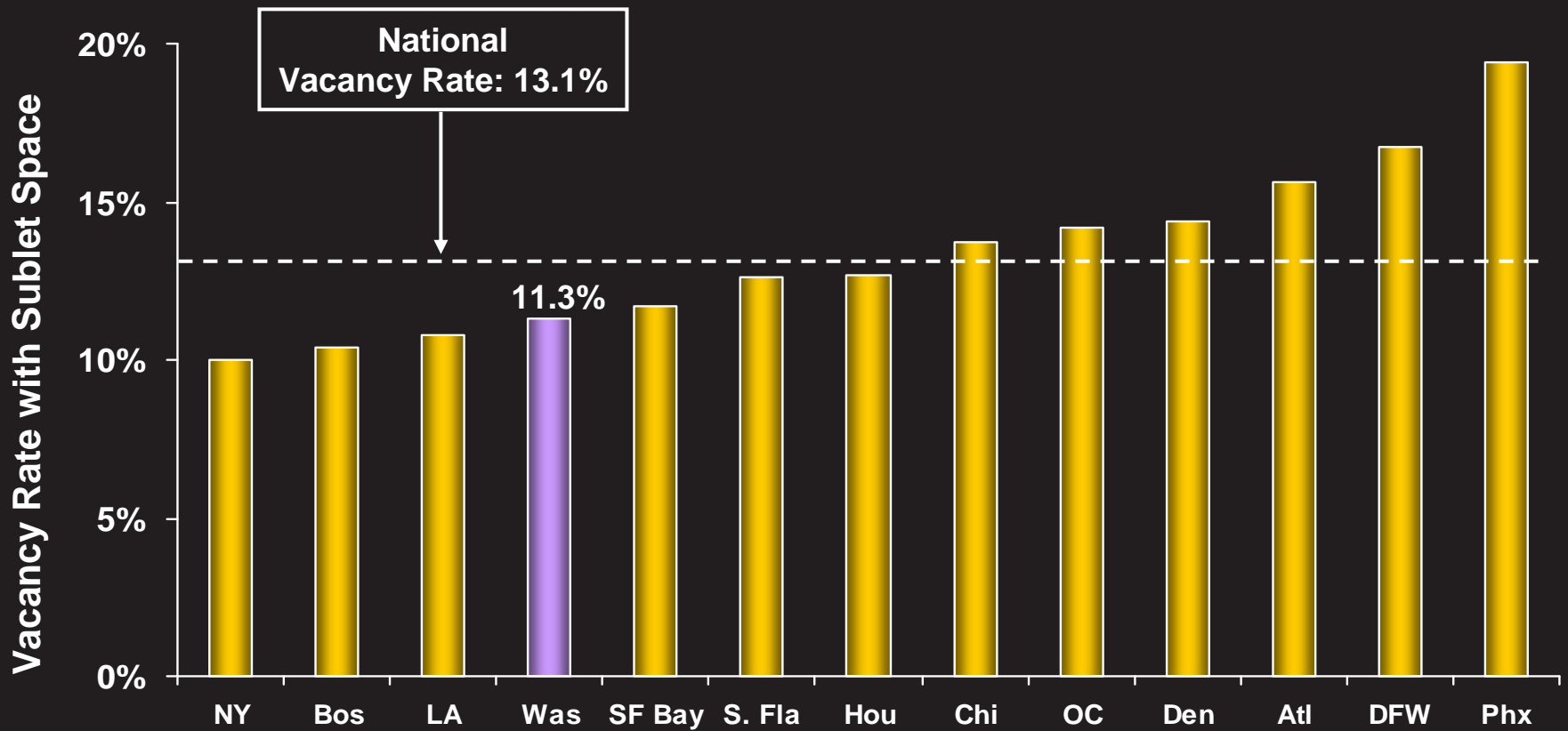
■ 26 Years or Older



Washington Office Market Performance and Its Effect on Street-Level Retail

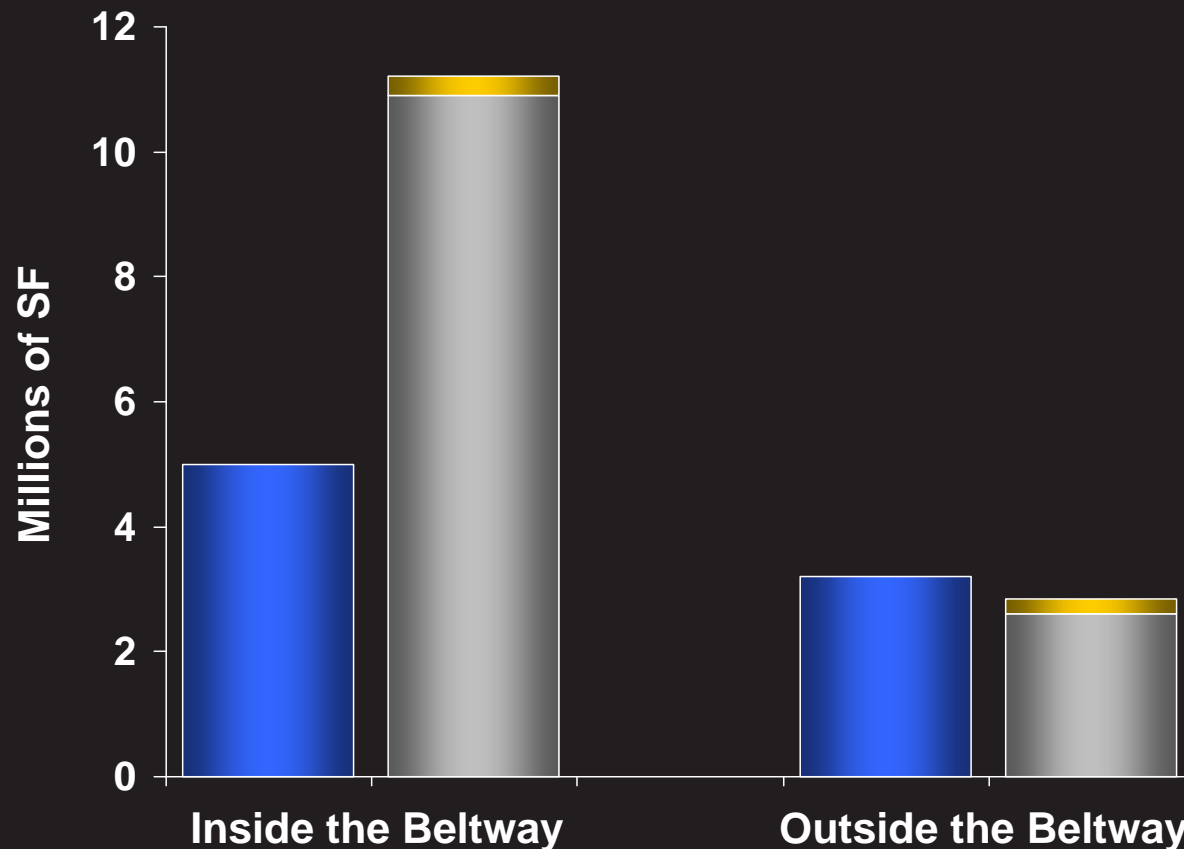
WASHINGTON AREA OFFICE MARKET


Overall Vacancy Rate Select Metro Areas 1st Quarter 2009





WASHINGTON AREA OFFICE MARKET

Demand and Deliveries 24 Months Ending March 2011

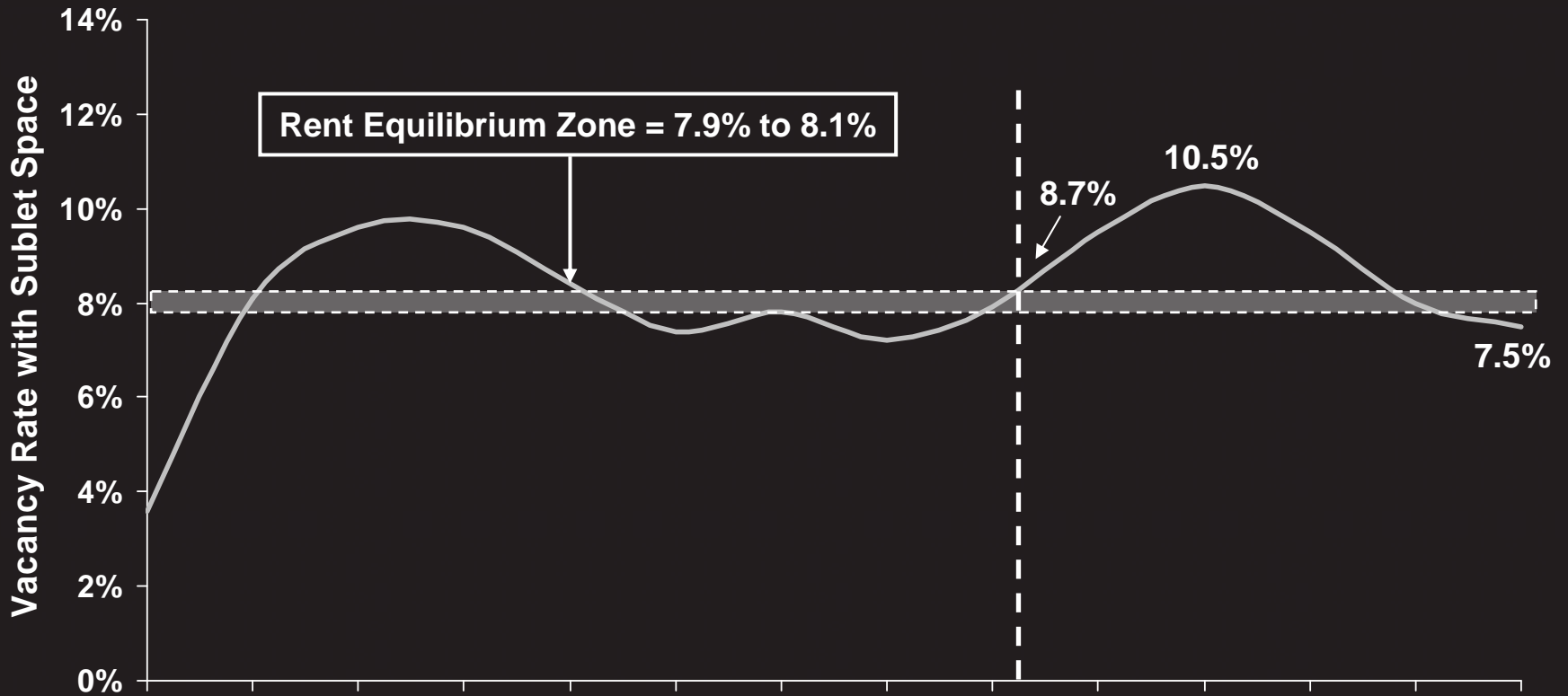


Demand	
	= 8.2 million SF

Deliveries	
	= Planned and may deliver by 3/11: 550,000 SF
	= Under construction: 13.5 million SF
Total = 14.1 million SF	

WASHINGTON AREA OFFICE MARKET

Overall Vacancy Rate Inside the Beltway

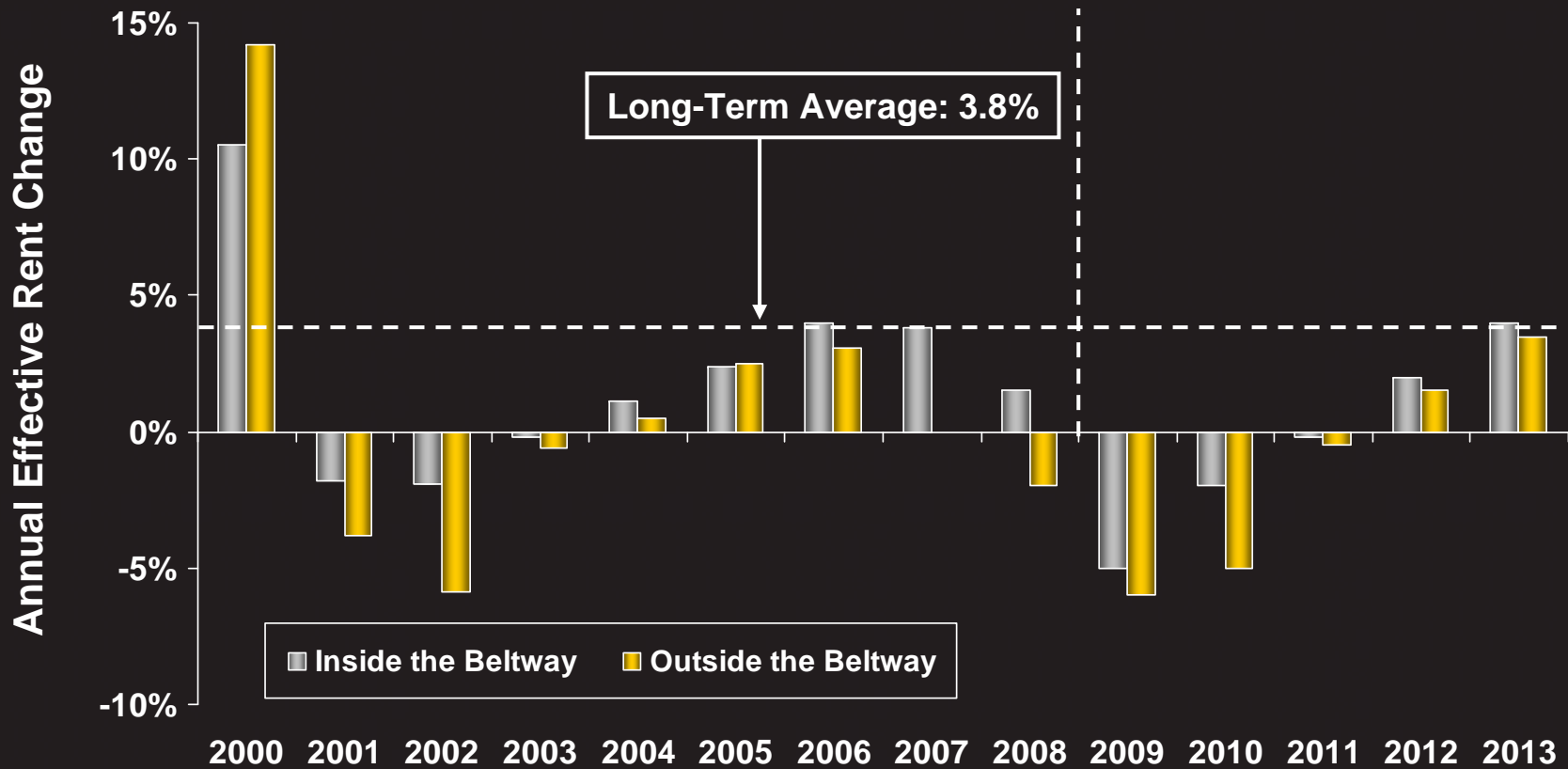


Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Wash. Area Vacancy	4.3%	9.6%	11.6%	11.2%	9.2%	7.9%	8.5%	9.1%	10.5%	12.3%	11.9%	10.3%	8.8%	8.0%

Source: Delta Associates; April 2009.

WASHINGTON AREA OFFICE MARKET

Annual Rent Change





WASHINGTON AREA OFFICE MARKET

Implications for Street-Level Retail

- Depends on overhead occupancy to produce street-level action; office occupancy will decline over next two years as tenants remain tentative
- Street-level retail performance will lag, as landlords focus on leasing office space, a greater income-generator
- Inside-the-Beltway submarkets that will outperform the market average:
 - CBD and East End
 - Georgetown
 - Rosslyn-Ballston Corridor
 - Bethesda/Chevy Chase



When Will Markets Transition?

WHEN WILL MARKETS TRANSITION?

Washington Area

	2009	2010	2011	2012	2013
Office	Red	Red	Yellow-Red	Yellow-Green	Green
Neighborhood SC	Red	Yellow-Red	Yellow	Yellow-Green	Green



= Tenant Market











= Market Transition



= Landlord Market

WHEN WILL MARKETS TRANSITION?

Recommended Development Activities in the Washington Area

	2009	2010	2011	2012
Office				
Neighborhood SC				



= Planning



= Site Assembly



= Construction



= Delivery



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