Wheaton Urban District Market Analysis: Part I Report

Submitted To:
Maryland Department of Transportation

January 2010

Executive Summary

Summary of Market Findings

1. How much new development could Wheaton capture in the short term and the long term?

Development trends, County wide growth projections, and supporting information inform estimates of Wheaton's growth in commercial and residential real estate. The market analysis recognizes that a revitalization strategy could, and should, change the trajectory of development in Wheaton. The summary below bifurcates the likely market potential that Wheaton could achieve under current conditions (baseline potential), as well as under conditions where a revitalization strategy is implemented and successful ("catalytic" potential).

- **Current Trends.** Wheaton has added an average of 127 units of new housing units per year over the last five years. With respect to office construction, there have not been any significant new office deliveries in the Kensington/Wheaton submarket since 2003, and there have been no office deliveries in the Wheaton Urban District in nearly a decade. Additionally, the submarket has seen a trend towards negative absorption of space in recent years.

- **Baseline Growth Projection: Office and Residential.** The baseline projection shown in Table ES-1 recognizes Wheaton's strong residential growth in recent years, but adjusts the office job growth to reflect the amount that Wheaton would need to add in order to keep its current share of office employment (1.1 percent) as the County's office employment grows.

Table ES-1: Cumulative Office and Residential Development Opportunity - Baseline

Baseline	0 - 10 Years	10 - 20 Years	Total
Office Space (SF)	134,000 - 150,000	141,000 - 150,000	275,000 - 300,000
Residential (Units)	1,000 - 1,300	400 - 500	1,400 - 1,800

Source: BAE, 2009.

- **Catalytic Projection: Office and Residential.** The catalytic projection shown in Table ES-2 considers a scenario in which revitalization activities in the Wheaton Urban District are successful. Catalytic office demand assumes a higher than fair share capture of County forecasted office employment. The low end assumes a two percent capture and the high end of the range assumes a 3.5 percent capture (compared to 1.1 percent in the baseline scenario). This scenario would require aggressive intervention in the Wheaton Urban

District, by successfully drawing a major office tenant to anchor a new office building, and/or making other significant public investments in Wheaton that significantly increase its attractiveness for development of new office buildings.

TableES-2: Cumulative Office and Residential Development Demand - Catalytic

Catalytic	0 - 10 Years	10 - 20 Years	Total
Office Space (SF)	243,000 - 426,000	256,000 - 449,000	499,000 - 875,000
Residential (Units)	1,100 - 1,500	2,300 - 2,600	3,400 - 4,100

Source: BAE, 2009.

- **Projections for Retail Growth.** The growth in households and jobs in the scenarios presented above will increase demand for retail. In both scenarios, retail opportunity is bolstered by the incremental addition of office space and residential units, and assumes that every 10,000 square feet of office space will yield demand for 350 additional square feet of retail, based on analysis performed by the International Council of Shopping Centers. Residential demand is based on expenditure patterns of existing households, based on data from Claritas, and assumes an additional 3,200 square feet for every 100 households.

Table ES-3: Baseline and Catalytic Retail Development Demand

Retail (SF)	0 - 10 Years	10 - 20 Years	Total
Baseline	37,000 - 47,000	18,000 - 21,000	55,000 - 68,000
Catalytic	44,000 - 63,000	83,000 - 99,000	127,000 - 162,000

Source: BAE, 2009.

- **Projections for New Hotel Development.** Assuming that in Wheaton, hotel demand will be driven primarily by business activity as opposed to tourism, future hotel opportunity is gauged as a factor of new office absorption in the area.

Table ES-4: Baseline and Catalytic Hotel Development Demand

Hotel (Rooms)	0 - 10 Years	10 - 20 Years	Total
Baseline	34 - 38	36 - 38	70 - 76
Catalytic	62 - 108	65 - 114	127 - 222

Source: BAE, 2009.

2. **What are the strategic opportunities and challenges that will define the success of Wheaton in achieving its potential for new development, particularly for commercial development? Under what conditions is office development likely?**

- This market analysis follows on earlier analyses and studies of Wheaton which have highlighted Wheaton's strengths and challenges, including its diversity, affordability, and eclectic mix of ethnic restaurants and retail offerings. Wheaton Urban District's strategic location and excellent transportation access are also seen as strengths.

- Wheaton's proximity to several job centers, such as Rockville and Silver Spring, as well as its accessibility to job locations in Washington DC, makes Wheaton attractive to many dual-worker households who are increasingly seeking a convenient location with an urban feel.

- However, Wheaton's new developments have been positioned as a value alternative to competitive product in the nearby urban centers of Silver Spring and Bethesda, and neighborhoods in Washington D.C. The success of this type of housing in Wheaton provides a proven path for redevelopment, but both high-rise, higher-density housing and new office development are not feasible on most sites given current achievable rents/pricing.

- Even with a kickstarting of the office market with significant public intervention, the use of catalytic projects to spur private sector commercial development faces substantial challenges that pose risks to the strategy's success. Both short term and long term, excess supply of office space around the County and region is, and is expected to continue to be, plentiful. One way to demonstrate the size of the available supply is to compare the pipeline of office space approved (Table 11) to recent trends in office space absorption in the County. By this measure, it would require about 50 years to absorb the Table 11 pipeline.

- Wheaton faces additional challenges in its retail environment and the potential scale of redevelopment. Furthermore, a revitalization strategy will need to confront the challenges presented by an existing retail environment that does not currently encourage a shopper to visit multiple stores, and does not currently support the vision of Wheaton as a destination rather than a convenient stop on the way to somewhere else.

- Because the Wheaton Urban District is largely built out, only a limited number of sites that can be redeveloped fairly easily will be able to contribute to Wheaton's revitalization strategy.

3. What are Wheaton's strengths and weaknesses as a job center? Can it become a key economic driver for Montgomery County, similar to Bethesda or Silver Spring?

- As mentioned above, accessibility to employees may be the most attractive feature of Wheaton for office development; however, the availability of attractive office sites in the county and region with more development momentum are a significant obstacle to increasing employment concentration in Wheaton.

- Using data from MWCOG from its Round 7 cooperative forecasts shows that Wheaton would have to see an unlikely increase in office space in order to achieve the jobs density of other County jobs centers. Achieving 80 jobs per acre for the Wheaton sector plan area, similar to densities in Bethesda or Silver Spring, would require about 30,000 more jobs. If all of those jobs were office based, over seven million square feet of new offices would be required.

Recommendations: Leveraging Wheaton's Unique Assets

Part of the vision for Wheaton's revitalization, expressed by stakeholders, is its transformation into a destination. In other words, Wheaton needs to evolve to a place where a visitor parks a car and enjoys multiple attractions over a longer period of time, rather than just stopping to patronize a single store; a place recognized as a central spot, with a public space used as a meeting space and for people watching.

A destination strategy could perhaps be best supported by unique retail and entertainment offerings or programmed community gathering spaces that leverage Wheaton's particular assets and ultimately draw visitors from beyond the nearby surrounding area. One characteristic that defines Wheaton and makes it unique in the region is its eclectic ethnic restaurant, retail, and food concentration. Building a destination strategy that draws on this asset, such as a public market that incorporated ethnic retail, food stalls, related events, and support for entrepreneurs in these businesses, could be a worthwhile strategy to pursue. Further study of the feasibility of this concept would be needed in order to define them in terms of location, space requirements, and activity programming. These concepts would require some level of public support for their construction and ongoing operation, in addition to public investment in placemaking amenities and infrastructure that support a destination strategy. Benefits that would accrue include greater market interest in development as Wheaton becomes better known for its assets, potentially attracting higher value residential development and office development. Transit is a major asset that can support this strategy, but a focus on provision of public parking in appropriate locations was also mentioned as a need for Wheaton as it revitalizes.

Table of Contents

Introduction and Background

The following Summary Report highlights BAE's key findings from Tasks 2 and 3 of Part I of the Wheaton Urban District Market and Financial Analysis. Part I addresses the market opportunities for Wheaton based on key supply and demand conditions for residential, office, retail, and hospitality land uses.

Key questions answered include:

- How much new development can Wheaton capture in the short term (5-10 years) and long term (2020 to 2030)?
- What are the strategic opportunities and challenges that will define the success of the Wheaton Station Area?
- In particular, under what conditions can office development occur? What are Wheaton's strengths and weaknesses as a job center?

Part I defines the market opportunities for Wheaton with the goal of revitalization in mind, and addresses strategies to leverage the area's strengths and mitigate its weaknesses to fully capitalize on identified market opportunities.

Geographic Areas Studied

The following describes the local geographic areas for which data is analyzed to understand physical, demographic, economic, and market conditions in Wheaton.

Wheaton

Wheaton has been defined differently by different organizations. For reference, throughout this report, the relevant jurisdictions are defined as follows:

- "Wheaton Central Business District (CBD)" – The 76-acre urban core of Wheaton where the majority of commercial development exists

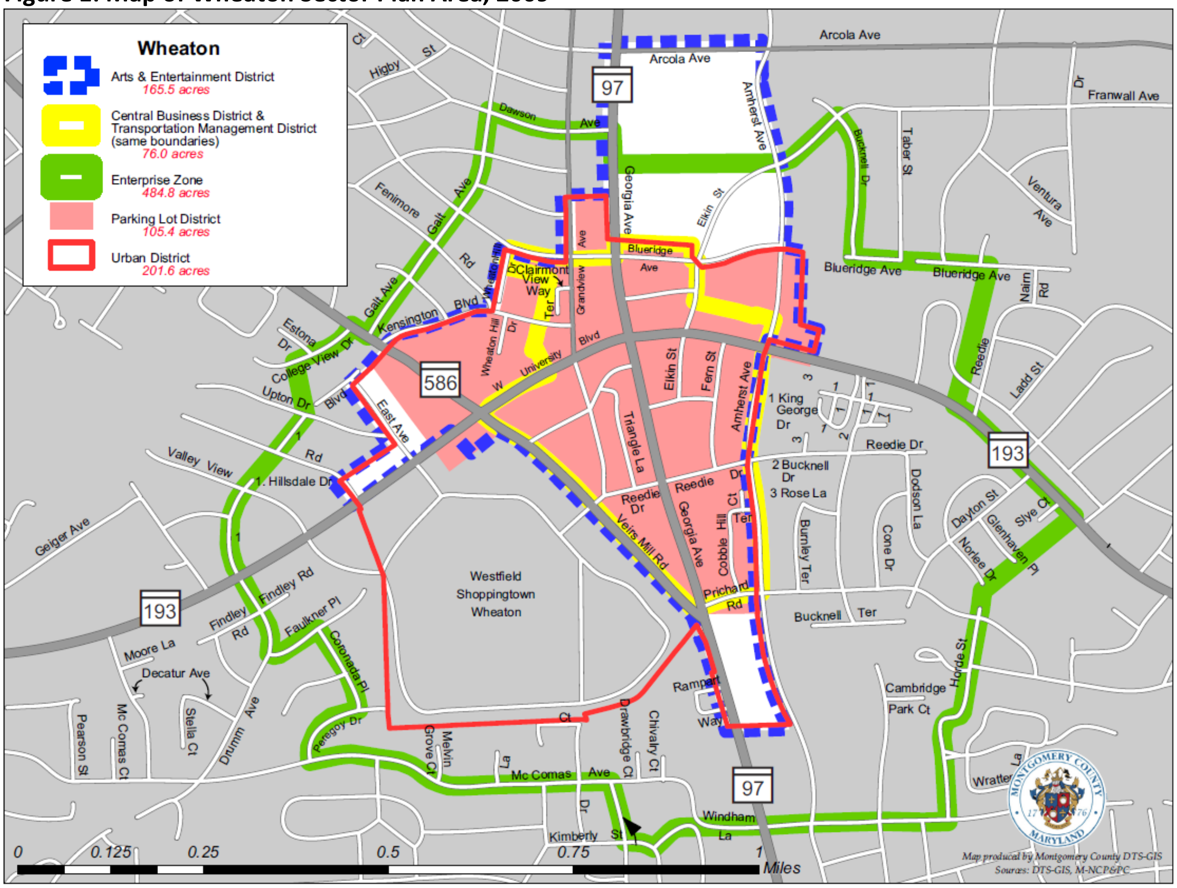
- "Wheaton Urban District" – a defined improvement district that includes the CBD plus some additional area, including the Westfield Wheaton ShoppingTown complex.

- "Wheaton" – the 485-acre sector plan area as defined by Montgomery County

These areas are shown in the following map, with the green Enterprise Zone reflecting the defined sector plan area. The sector plan covers an area within a reasonable walking distance of the Wheaton Metro station, most of it within a one half mile radius.

The focus of the study and its recommendations is the sector plan area. References to Wheaton pertain to the sector plan's geographic area, unless otherwise described.

Figure 1: Map of Wheaton Sector Plan Area, 2009

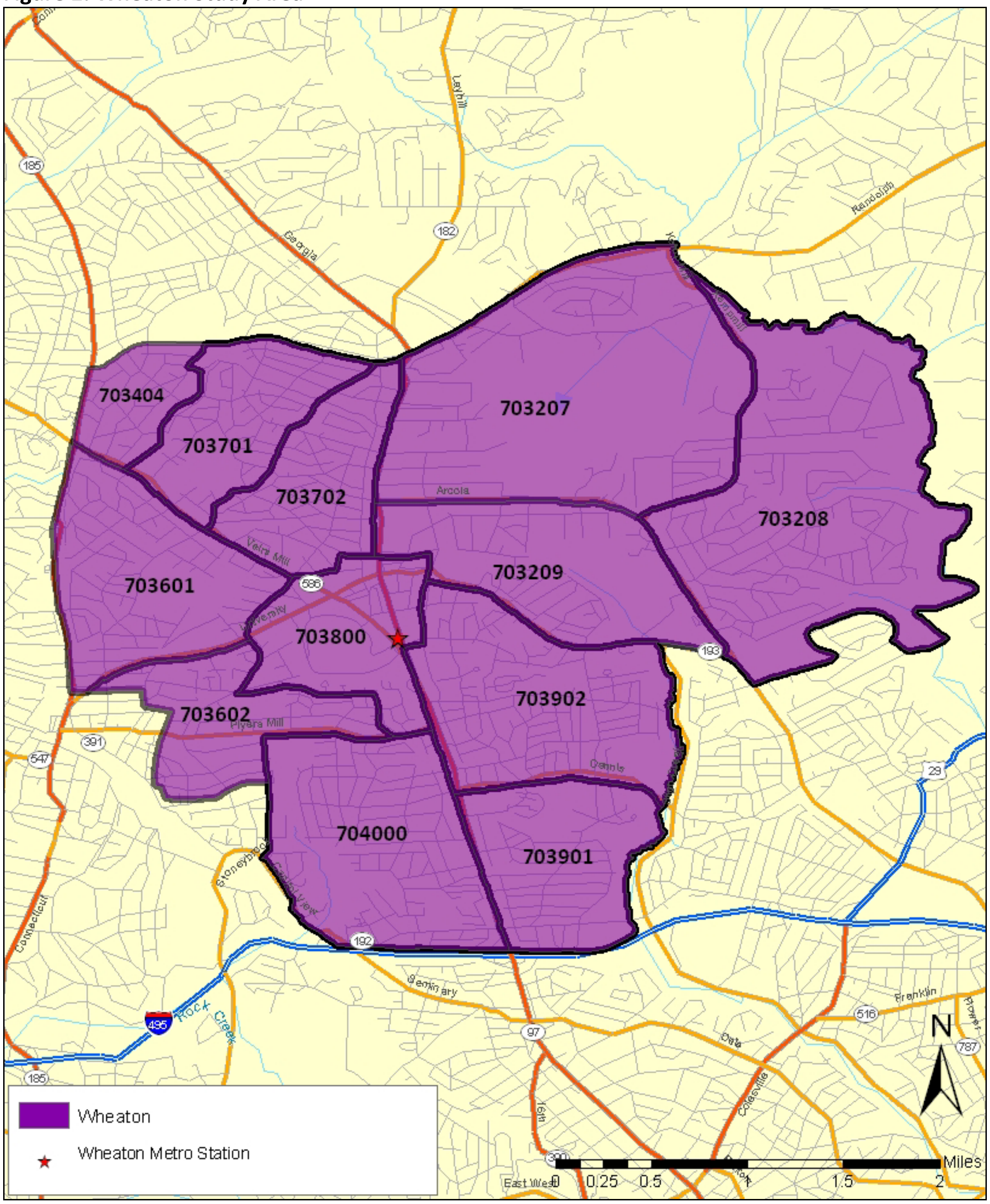


Source: Montgomery County Department of Economic Development, 2009; Maryland-National Capital Park and Planning Commission, 2009; BAE, 2009.

Wheaton Neighborhood Study Area

Figure 2 depicts the geographic area (the Study Area) that is the focus of the demographic profile. This Study Area generally is within about a two mile radius from the Wheaton Urban District. It represents the residential neighborhoods surrounding the Wheaton Urban District, within a short bike or bus ride, drive or walk to the Metro and retail and other amenities and services that are or could be located there. The Study Area shapes the residential character and identity of Wheaton and the Urban District with characteristics that are distinct in some respects from overall County-wide demographic patterns. In the demographic profile, the characteristics of the Study Area are often compared to County-wide statistics to provide context.

Figure 2: Wheaton Study Area



Source: Maryland-National Capital Park and Planning Commission, 2009; ESRI; BAE, 2009.

The Wheaton/Kensington Submarket

Office space in the Wheaton Urban District is part of the Wheaton/Kensington submarket. Submarkets are typically used to track office market trends, and are often defined in a way that allows them to incorporate a sufficient amount of properties to provide meaningful aggregate data. The Wheaton/Kensington submarket includes the area highlighted on the map in Appendix B. Submarkets are geographic divisions of the larger market that are generally recognized by the business community and real estate industry by the names given to the areas. Submarkets are defined by "specific geographic boundaries that serve to delineate core areas that are competitive with each other and constitute a generally accepted primary competitive set of areas."[1] While it is useful to analyze the specific buildings comprising the relatively small office market in the Wheaton Urban District, using customized small areas below the submarket level can result in less meaningful aggregate data for comparison to other areas. As such, more meaningful trend analysis and comparisons are typically made on the submarket level.

Methodology and Report Organization

This market analysis evaluates *demand* for new space, compares demand to current and future *supply* trends within the area likely to be competitive with Wheaton in attracting new residents, workers and shoppers, and considers local conditions that could impact Wheaton's ability to attract future growth. This report is organized in a manner to highlight key information from the analysis up front and provide more information within the body of the report. The report follows the following sequence of chapters:

Summary of Market Findings. Using the analysis of office, residential and retail markets, this chapter addresses the three key questions that are the focus of the study. This chapter evaluates growth potential given demand and supply trends described in subsequent chapters, and evaluates the opportunities and challenges that define market potential in Wheaton.

Market potential is expressed as the rate of growth that Wheaton may be able to achieve over the next 20 years, or the share of Montgomery County's projected growth that Wheaton could reasonably capture during that time period. Market potential takes into account existing growth projections for Wheaton as well as market characteristics that could have the most impact on Wheaton's growth patterns.

- Office market potential is expressed as the share of projected County-wide growth that Wheaton might reasonably capture. Given Wheaton's lack of office development in recent years, this method represents a deviation from recent trends but ties office

[1] Source: CoStar, 2009

employment growth in Wheaton to a share of County growth proportionate with Wheaton's existing office employment. Employment growth is translated to office square footage using an assumption that 235 square feet is needed on average for each new worker[2].

- Residential market potential uses recent development trends (average units per year built) as a base for projecting continued residential growth. The analysis considers the projected rate of growth in comparison to County growth trends and the history of growth in other centers of revitalization within the County.
- Retail market potential considers opportunities for increasing retail space in Wheaton as a result of additional demand brought by residential and office development.

The market findings recognize that a deviation from the existing development trajectory in Wheaton is desirable. The summary in this chapter discusses a "catalytic" path of growth, essentially an accelerated rate of growth for each land use, and makes basic recommendations on actions needed to achieve catalytic growth.

Demographic and Economic Profile. This chapter provides context on existing demographic and economic characteristics of Wheaton and adjacent areas, often comparing the characteristics of Wheaton to Montgomery County. This chapter describes current growth projections for the County and Wheaton, and discusses Metro ridership to complete this background overview.

Office Market Overview. More detail regarding office market conditions in Wheaton is provided in this chapter. The chapter describes existing inventory and gauges the strength of the Wheaton/Kensington submarket through a comparison of its supply conditions to other Montgomery County submarkets, including the available pipeline of County office space approved for construction. Demand trends are discerned through a qualitative analysis of the strengths of office-using industry sectors in Wheaton and projected industry sector growth in the County.

Residential Market Overview. This chapter explores residential market conditions in detail, looking at the strength of Wheaton through supply conditions such as building permit trends and recent construction. Demand characteristics likely to underpin market growth are evaluated by looking at projected demographics of household segments for a three-jurisdiction area including Montgomery County, Prince George's County, and Washington DC, the jurisdictions from which residents are currently attracted to new developments in Wheaton.

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2 As found through an analysis of office space in the Metro Washington DC area by HVS. Source: Fuller, David P., Greg Otten and Caitlin McKenna. *The HVS Employment-Hotel Growth Index: A New Tool for Projecting Hotel Room Night Demand.* August 2008.

Retail Market Overview. This chapter examines key components of Wheaton's existing retail market, including the existing use of retail space in the Urban District and the characteristics of the Kensington/Wheaton submarket that describe its health in comparison to the County overall. Although the presence of the Westfield Mall and certain retail destinations within the Urban District draw shoppers from much wider areas, the analysis focuses on the spending patterns of the neighborhoods immediately surrounding the Urban District.

To do so, the chapter explores opportunities for a more diverse retail base using a retail "leakage" analysis methodology that compares estimated spending power of the Study Area in various retail categories to the estimated sales by retail category within the Study Area. The analysis identifies retail categories where neighborhood expenditures exceed local sales, indicating a "leakage" of spending that is not captured by local stores. Neighborhood expenditure estimates are adjusted to reflect assumptions about how much spending could reasonably be expected to happen close to home, versus purchases that shoppers are likely to comparison shop over a broader geographic area. Similarly, in retail categories where estimated sales exceed estimated local spending power, this "surplus" of sales indicates the presence of stores that are drawing shoppers from a wider geography and serving as a destination that draws shoppers from a wider geography. This chapter provides more detail on the steps of this analysis, which aids in understanding how retail offerings could diversify to meet more local needs *and* strengthen the base for a more attractive destination shopping district.

The impact of residential and employment growth on retail demand in Wheaton is also evaluated in this chapter. Statistics on office worker spending patterns, in addition to the existing household expenditure patterns used for the retail gap analysis, are the basis for metrics that estimate increased retail demand from new office and residential development.

Summary of Market Findings

This chapter summarizes the key findings of the market analysis and the opportunities and challenges that market conditions present for Wheaton, and assesses the likely market potential for Wheaton. The market analysis described in subsequent chapters of this report presents current and forecasted conditions that provide the foundation of a market-based revitalization strategy for Wheaton. The analysis also includes some general recommendations on a revitalization strategy that will allow Wheaton to achieve the potential of the catalytic market scenario.

Key Findings and Conclusions

1. How much new development could Wheaton capture in the short term and the long term?

Development trends, County wide growth projections, and supporting information inform estimates of Wheaton's growth in commercial and residential real estate. The market analysis recognizes that a revitalization strategy could, and should, change the trajectory of development in Wheaton. The summary below bifurcates the likely market potential that Wheaton could achieve under current conditions (baseline potential), as well as under conditions where a revitalization strategy is implemented and successful ("catalytic" potential).

Current Trends

Wheaton has added an average of 127 units of new housing per year over the last five years. This level of building has caused Wheaton's household growth to increase at a rate of about four percent per year, a healthy rate above the county average and on par with other urban centers. With respect to office construction, there have not been any significant new office deliveries in the Wheaton Urban District since 1986. Within the larger submarket there have been no significant new deliveries since 2003. There have been no office deliveries in the Wheaton Urban District in nearly a decade. Additionally, the submarket has seen a trend towards negative absorption of space in recent years.

Baseline Growth Projection: Office and Residential

The baseline projection recognizes Wheaton's strong residential growth in recent years, but adjusts the office job growth to reflect the amount that Wheaton would need to add in order to keep its current share of office employment as the County's office employment grows.

Table 1: Cumulative Office and Residential Development Opportunity - Baseline

Baseline	0 - 10 Years	10 - 20 Years	Total
Office Space (SF)	134,000 - 150,000	141,000 - 150,000	275,000 - 300,000
Residential (Units)	1,000 - 1,300	400 - 500	1,400 - 1,800
Source: BAE, 2009.			

Currently, Wheaton holds 1.1 percent of the County's office employment, according to Metropolitan Washington Council of Governments (MWCOG) data. Applying Wheaton's fair share capture of County office employment growth yields an average of 13,400 square feet of office demand per year over the next 10 years. Using another measure, the fair share of Wheaton/Kensington submarket's historical County net absorption of office space yields a similar figure: 15,000 square feet of demand per year. While these figures are stronger than recent historical trends in Wheaton, calculating a fair share capture details the amount of space Wheaton needs just to keep up with county growth trends. This level of office growth is modest and fits into a scenario where small scale office development occurs ancillary to residential or retail development, perhaps through the development of second story space suitable for medical, professional and service-related offices.

Residential growth estimates for the next 10 years take into account historical trends in Wheaton new residential delivery, which align with MWCOG forecasts of 130 units per year. One-hundred and thirty units per year represents an average annual growth rate of four percent per year, which is far stronger than the county forecast of 1.1 percent of year but on pace with other county CBDs. The 10 to 20 year estimate is also based on the MWCOG forecast and assumes that residential development momentum tapers off in the longer term. This assumption fits with a scenario where Wheaton continues to benefit from the momentum of residential development in the short term, but where momentum perhaps tapers off without the support of catalytic activity that sustains interest in Wheaton as a residential location.

Catalytic Projection: Office and Residential

The catalytic projection considers a scenario in which revitalization activities in the Wheaton Urban District are successful, leading to a repositioning and market acceptance of Wheaton as a successful downtown that supports its surrounding neighborhoods and also serves as an attractive destination for a wider market of visitors.

Table 2: Cumulative Office and Residential Development Demand - Catalytic

Catalytic	0 - 10 Years	10 - 20 Years	Total
Office Space (SF)	243,000 - 426,000	256,000 - 449,000	499,000 - 875,000
Residential (Units)	1,100 - 1,500	2,300 - 2,600	3,400 - 4,100
Source: BAE, 2009.			

Catalytic office demand assumes a higher than fair share capture of county forecasted office employment. The low end assumes a 2 percent capture and the high end of the range assumes a 3.5 percent capture (compared to 1.1 percent in the baseline scenario). This scenario would require aggressive intervention in the Wheaton Urban District, by successfully drawing a major office tenant to anchor a new office building, and/or making other significant public investments in Wheaton that significantly increase its attractiveness for development of new office buildings. While this scenario faces considerable challenges and does not follow the most likely path of redevelopment in Wheaton, particularly given current market and economic conditions, total new office development under this scenario still represents only a small amount of the total office employment growth in the county over the next 20 years.

The residential projection in the first 10 years applies the baseline residential opportunity, which is healthy to begin with, and assumes that 10 percent of the increase in office employees will demand a residential unit within walking distance of their jobs. In the next 10 years, the household growth rate expands to five percent annually. While this assumption is aggressive, it is on par with the estimated residential growth experienced in Downtown Silver Spring from 2005 to 2010 (5.2 percent) after major revitalization. Again, this scenario relies upon a significant intervention in Wheaton's revitalization to create a more attractive downtown that offers amenities appealing to new residents, resulting in increasing demand for new multifamily residential units, supporting higher rents and sales prices for these units and spurring denser residential development.

Projections for Retail Growth

The growth in households and jobs in the scenarios presented above will increase demand for retail.

Table 3: Baseline and Catalytic Retail Development Demand

Retail (SF)	0 - 10 Years	10 - 20 Years	Total
Baseline	37,000 - 47,000	18,000 - 21,000	55,000 - 68,000
Catalytic	44,000 - 63,000	83,000 - 99,000	127,000 - 162,000
Source: BAE, 2009.			

In both scenarios, retail opportunity is bolstered by the incremental addition of office space and residential units, and assumes that every 10,000 square feet of office space will yield demand for 350 additional square feet of retail, based on analysis performed by the International Council of Shopping Centers. Residential demand is based on expenditure patterns of existing households, based on data from Claritas, and assumes an additional 3,200 square feet of demand for every 100 households. Given currently high retail occupancy rates, meeting this additional demand would require new retail construction. However, the redundancy of many of the current retail offerings and the potential loss of some retailers through increasing competition may reduce the need for a net increase in retail space.

Projections for New Hotel Development

Assuming that in Wheaton, hotel demand will be driven primarily by business activity as opposed to tourism, future hotel opportunity is gauged as a factor of new office absorption in the area.

Table 4: Baseline and Catalytic Hotel Development Demand

Hotel (Rooms)	0 - 10 Years	10 - 20 Years	Total
Baseline	34 - 38	36 - 38	70 - 76
Catalytic	62 - 108	65 - 114	127 - 222

Source: BAE, 2009.

There is existing office inventory in the area and currently no hotel rooms, which implies some demand is already leaking to surrounding areas. However, the above figures reflect strictly the incremental hotel demand based on new office delivery scenarios described above.

2. **What are the strategic opportunities and challenges that will define the success of Wheaton in achieving its potential for new development, particularly for commercial development? Under what conditions is office development likely?**

Wheaton's Strengths and Weaknesses

This market analysis follows on earlier analyses and studies of Wheaton which have highlighted the Wheaton's strengths and challenges, including its diversity, affordability, and eclectic mix of ethnic restaurants and retail offerings. The Wheaton Urban District's strategic location and excellent transportation access are also seen as key strengths: accessible by Metro and a major bus transfer point for the area, it also has excellent automobile access to other parts of the County and close proximity to three interchanges with I-495.   The Metro station could be an attractive feature of Wheaton to employers seeking greater commuting choices for employees, and targeting businesses seeking Metro access to fulfill sustainability objectives and/or meet employee preferences could be the basis of an office attraction strategy.

Its location between the region's core in the District of Columbia and other job centers in Montgomery County makes Wheaton attractive to many dual-worker households who are increasingly seeking value and a convenient location with an urban feel. These strengths have contributed to the recent success that Wheaton has had in attracting new residential development, and position Wheaton to capture a healthy share of the County's and the region's projected household growth moving forward.

However, Wheaton's recent success in residential development also underscores its limitations without intervention to spur greater revitalization. Wheaton's new developments have been positioned as a value alternative to competitive product in the nearby urban centers of Silver Spring or Bethesda, and neighborhoods in Washington D.C. The success of this type of housing in Wheaton provides a proven path for redevelopment, but both high-rise, higher-density housing and new office development are considered infeasible on most sites given current achievable rents/pricing.

Wheaton faces additional challenges in its retail environment and the potential scale of redevelopment. Wheaton's retail, although presenting a healthy picture through low vacancy rates and relatively high rents, suffers from a lack of long term focus and organization among the many owners of retail space. Struggling merchants may not currently be equipped to succeed in the long term, especially in the face of redevelopment. Furthermore, a revitalization strategy will need to confront the challenges presented by an existing retail environment that does not encourage a shopper to visit multiple stores, and does not support the vision of Wheaton as a destination rather than a convenient stop on the way to somewhere else. Because the Wheaton Urban District is largely built out, only a limited number of sites that can be redeveloped fairly easily will be able to contribute to Wheaton's revitalization strategy.

The Challenge of New Office Development

It is clear that Wheaton has not been as attractive for office development as residential development. Kickstarting the office market will require active intervention of Montgomery County and/or other public sector involvement. Measures needed would include the relocation of government office space as an anchor to new office development, and/or the use of significant subsidies to lower the cost of building occupancy, in addition to investments that make Wheaton a more attractive location that is pedestrian friendly and oriented around Metro.

Even then, the use of catalytic projects to spur private sector commercial development faces additional challenges that pose significant risks to the success of this public investment strategy. Excess office space around the County and region will compete aggressively for new demand in the short term. At the end of the third quarter of 2009, there were 8.7 million square feet of space throughout Montgomery County identified in CoStar as vacant and available for lease (9.3 million square feet total vacant). Furthermore, a looming crisis in financing commercial development is expected to hinder new office opportunities even in the strongest office submarkets. Longer term, the strength of the Washington, D.C. metropolitan region will create the demand for new construction, but supply will also be plentiful. One way to demonstrate the size of the available supply is to compare the pipeline of office space approved but not yet built (Table 11) to recent trends in office space absorption in the County. By this measure, it would require about 50 years to absorb the Table 11 pipeline, if it were all built. In addition to the pipeline of approved projects in the County, Wheaton will be competing against attractive locations around the region that are transit supported and zoned for office development.

3. What are Wheaton's strengths and weaknesses as a job center? Can it become a key economic driver for Montgomery County, similar to Bethesda or Silver Spring?

To summarize, accessibility to employees may be the most attractive feature of Wheaton for office development; however, the availability of attractive office sites in the county and region with more development momentum are a significant obstacle to increasing employment concentration in Wheaton. Due to a lack of growth in office space in Wheaton, the Urban District and the Wheaton/Kensington submarket have both seen a decline in their share of the County's growing supply of office space.

Wheaton as a Jobs Center

How much office development would Wheaton need to attract in order to become a jobs center for the County? One measure might be a comparison of Wheaton's employment density to other developed centers in the region. Using data from MWCOG from its Round 7.0 cooperative forecasts, the following table shows the job and household density for various closer-in mixed-use activity centers in the region, as defined by MWCOG, and compares them to jobs and housing densities found in Wheaton.

The growth in office space that would be needed for Wheaton to reach the employment density of many of the listed centers makes Wheaton's transformation into a jobs center unlikely. Achieving 80 jobs per acre for the Wheaton sector plan area, similar to densities in Bethesda or Silver Spring, would require about 30,000 more jobs. If all of those jobs were office based, over seven million square feet of new offices would be required;[3] retail employment would require more space since it is occupied by fewer employees per square foot.   Given that a considerable

[3] The amount of office square footage assumes 235 square feet of space per employee.

portion of Wheaton is built out with homes that are not anticipated to redevelop, a comparison to centers on the lower end of density may be more appropriate. In order to reach the density of Downtown Alexandria as calculated by MWCOG, over one million square feet of new office would need to be built in Wheaton (see Table 5). It should be noted that Wheaton also would need to grow significantly in households to achieve the household densities found in these urban centers; the housing units needed to reach the eight units per acre gross average density of Downtown Alexandria could be roughly achieved in 20 years of the baseline growth scenario and 10 years of the catalytic scenario.

Table 5: Selected Urban Activity Centers, Washington, D.C. Region

Location	Acres	Jobs	Gross Job Density	Households	Gross Household Density
Ballston/Virginia Square	533.6	33,077	62.0	9,003	16.9
Bethesda CBD	407.0	34,833	85.6	6,720	16.5
Clarendon/Court House	452.6	20,142	44.5	4,761	10.5
Downtown Alexandria	1436.9	39,423	27.4	11,593	8.1
Friendship Heights	820.1	28,320	34.5	10,903	13.3
Pentagon City	255.0	9,261	36.3	4,041	15.8
Silver Spring CBD	367.0	29,741	81.0	5,646	15.4
Totals	*4272.2*	*194,797*	*45.6*	*52,667*	*12.3*
Minimum	*255.0*	*9,261*	*27.4*	*4,041*	*8.1*
Maximum	*1436.9*	*39,423*	*85.6*	*11,593*	*16.9*
Median	*452.6*	*29,741*	*44.5*	*6,720*	*15.4*
Wheaton Sector Plan Area	**484.8**	**8,755**	**18.1**	**2,172**	**4.5**

Source: Metropolitan Washington Council of Governments, 2007; Maryland-National Capital Park and Planning Commission, 2009; BAE, 2009.

Table 6: Comparison of Lower Density Areas to Current Wheaton Density

Location	Acres	Jobs	Gross Job Density	Households	Gross Household Density
Wheaton Sector Plan Area	484.8	8,755	18.1	2,172	4.5
Target Based on Minimum Densities	484.8	13,301	27.4	3,911	8.1
Difference		4,546		1,739	

Source: BAE, 2009.

The MWCOG centers only represent larger, denser, mixed-use areas in the region (and the centers above do not include employment-heavy centers such as Tysons Corner). There are examples of successful smaller-scale, transit-oriented urban revitalization projects that do not have a large-scale office presence. An example in the Washington D.C. metro area is the redevelopment adjacent to the Columbia Heights Metrorail stop. An area that struggled for 40 years after the riots of the late 1960s, the introduction of Washington D.C.'s only Target store anchors DC USA, a new retail development, and several mixed-income housing projects.

Recommendations

Successful revitalization of Wheaton can be defined in many ways. Market forces have been shaping Wheaton towards more urban residential development at its core, but have not been providing Wheaton with the type of mixed use, pedestrian-oriented environment that many stakeholders envision for the area. Part of the vision for Wheaton's revitalization, expressed by stakeholders, is its transformation into a destination. In other words, Wheaton needs to evolve to a place where a visitor parks a car or arrives by Metro and enjoys multiple attractions over a longer period of time, rather than just stopping to patronize a single store; a place recognized as a central spot, with a public space used as a meeting space and for people-watching.

Leveraging Wheaton's Unique Assets as Part of a Catalytic Destination Strategy

A destination strategy could perhaps be best supported by unique retail and entertainment offerings or programmed community gathering spaces that leverage Wheaton's particular assets and ultimately draw visitors from beyond the nearby surrounding area.

One concept that defines Wheaton and makes it unique in the region is its eclectic ethnic restaurant, retail, and food concentration. Building a destination strategy on this concept, such as a public market that incorporated ethnic retail, food stalls, related events, and support for entrepreneurs in these businesses, could be a worthwhile strategy to pursue. Further study of the feasibility of these concepts would be needed in order to define them in terms of location, space requirements and activity programming. This initiative would require some level of public support for construction and ongoing operation, in addition to public investment in placemaking amenities and infrastructure that support a destination strategy. Benefits that would accrue include greater market interest in development as Wheaton becomes better known for its assets, potentially attracting higher value residential development and office development. Transit is a major asset that can support this strategy, but a focus on provision of centralized parking was also mentioned as a need for Wheaton as it revitalizes.

Background: Economic and Demographic Profile

The following is an overview of current economic and demographic conditions in Wheaton. This chapter describes the households in and surrounding the Wheaton Urban District, as well as the businesses found in Wheaton and the economic climate impacting demand for space. Characteristics of Wheaton are compared to Montgomery County in its entirety, to show similarities and differences in between the two geographies and to provide context for Wheaton's position within the county. A brief summary of available data on commuters using the Wheaton Metrorail station is also included. This overview forms a foundation for understanding the current strengths and weaknesses of Wheaton in attracting future development, as well as the base of demand for future office, retail and residential space.

Demographic Overview

Table 7 shows general population and household trends for the Wheaton Study Area, using 1990 and 2000 Census data. Demographic trends are estimated to the current year and 2014 by Claritas, a private data provider. The Wheaton Study Area's population grew at half the rate of Montgomery County during the 1990 to 2000 period, and its average larger household sizes compared to the County contribute to more modest household growth. As the County's rates of population and household growth are estimated to have slowed since 2000, so has estimated growth in the Wheaton Study Area. However, it is important to note that the rate of household growth estimated by Claritas for the Wheaton Study Area may not correspond to the growth likely to have occurred through the construction of several housing projects in the past several years.

Income levels are lower in Wheaton, as indicated by a comparison of median household incomes in Table 7. The Wheaton Study Area has a different ethnic and racial makeup than Montgomery County as a whole. The percentage of Hispanic individuals in the Study Area (31 percent) is twice that of the County as a whole (see Appendix Table A-1).

Table 7: Population and Household Trends

	Wheaton (a)						
	1990	2000	Annual Average Change 1990-2000	2009	Annual Average Change 2000-2009	2014	Annual Average Change 2009-2014
Population	46,431	49,724	0.7%	50,503	0.2%	51,106	0.2%
Households	17,353	17,924	0.3%	18,053	0.1%	18,180	0.1%
Avg. Household Size	2.64	2.74		2.76		2.78	
HH Median Income	$48,530	$61,952		$78,432		$87,007	
Median Age	34.5	36.9		39.1		39.9	
Household Tenure							
Renter	32.9%	30.3%		30.9%		31.1%	
Owner	67.1%	69.7%		69.1%		68.9%	
	Montgomery County						
	1990	2000	Annual Average Change 1990-2000	2009	Annual Average Change 2000-2009	2014	Annual Average Change 2009-2014
Population	757,027	873,341	1.4%	938,774	0.8%	974,037	0.7%
Households	282,228	324,565	1.4%	347,634	0.8%	360,261	0.7%
Avg. Household Size	2.65	2.66		2.67		2.68	
HH Median Income	$54,089	$72,138		$92,851		$104,023	
Median Age	33.9	36.8		39.2		40.1	
Household Tenure							
Renter	32.1%	31.3%		31.1%		31.0%	
Owner	67.9%	68.7%		68.9%		69.0%	

Notes:
(a) Includes Census Tracts 703404, 703701, 703702, 703601, 703800, 703602, 704000, 703901, 703902, 703209, 703207, and 703208 in Montgomery County, MD.

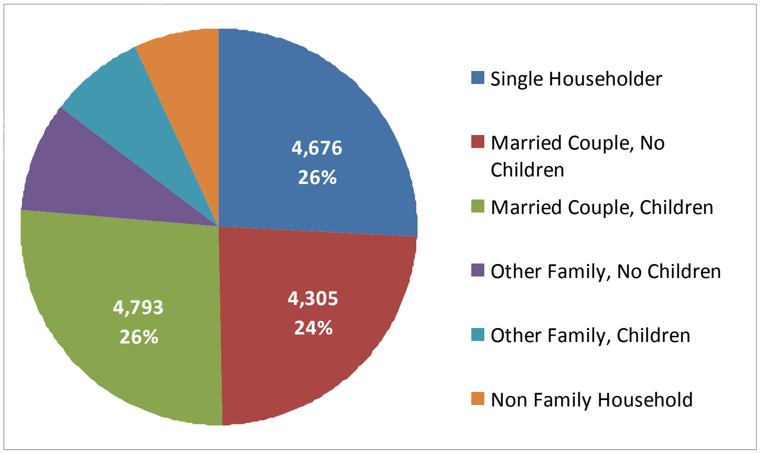
Source: United States Census, 2000; Claritas, Inc., 2009; BAE, 2009.

Household Type and Size

Figure 3 shows the makeup of households by family type in the Wheaton Study Area. Over half of households do not have children. Compact transit-oriented development is often attractive to households without children, such as young singles and couples, as well as older residents who may be looking to downsize from a larger home.

The majority of households (56 percent) in Wheaton consist of one or two persons. This is similar to Montgomery County as a whole. In addition to small households, Wheaton also contains a fair number of households with five or more persons (15 percent). See Appendix Table A-3.

Figure 3: Household Type in Study Area, 2009

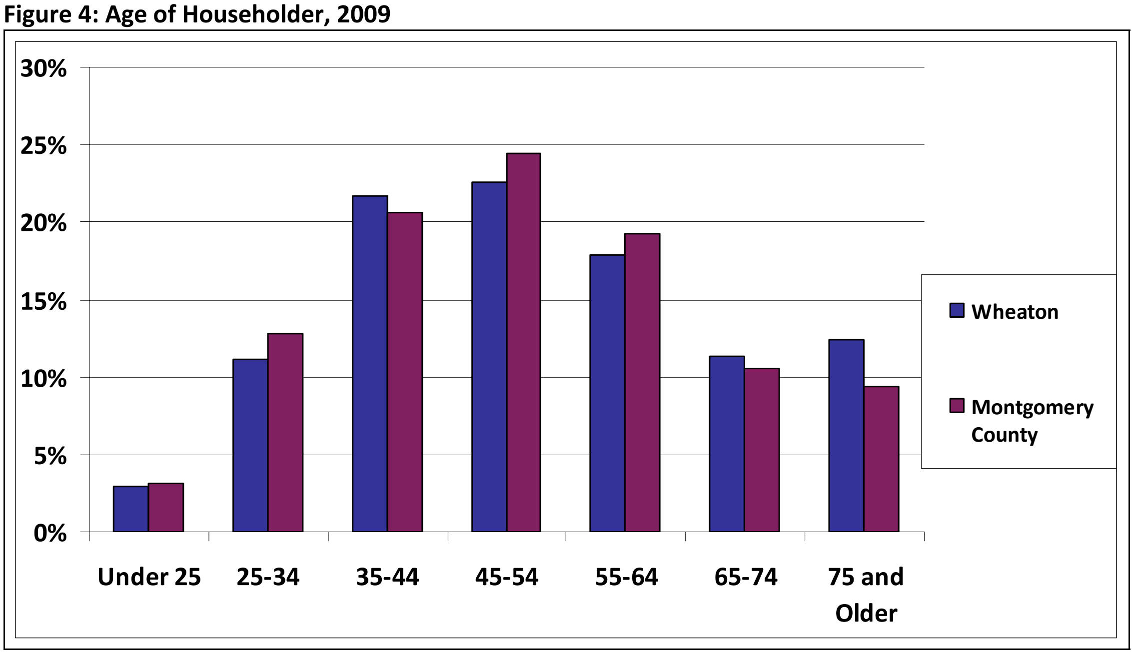


Note:
Study area is defined in Figure 2 and Table 7.
Source: Claritas, Inc., 2009; BAE, 2009.

Age of Householder

Wheaton has a slightly larger proportion of householders over the age of 65, compared to Montgomery County overall (Figure 4). Wheaton, however, has a lower percentage of householders in peak earning years. A large percentage (42 percent) of Wheaton householders are 55 years or older.

Figure 4: Age of Householder, 2009

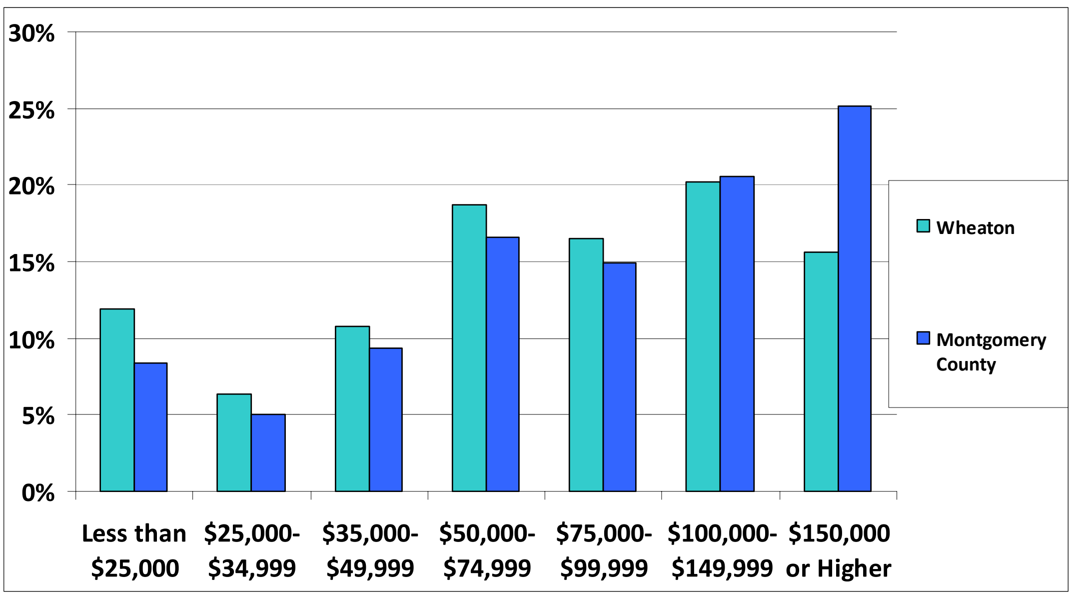


Source: Claritas, Inc., 2009; BAE, 2009.

Overall Household Income Characteristics

Figures 5 and 6 show the household income characteristics of Wheaton households overall, and the median household income by Census tract. Most households (55 percent) in Wheaton earn between $50,000 and $150,000 per year. Within Wheaton, most high income areas are located farther from the Urban District, in areas characterized predominantly by lower density single-family residential development. The Census tracts closest to the Wheaton Urban District have the lower median household incomes, while the tracts located further out generally have a median household income over $100,000. Much of this geographic pattern is likely driven strictly by housing type, as income qualifications are substantially higher for purchasers of single-family detached homes relative to those purchasing the smaller townhomes or renting units closer to the core of the Urban District.

Figure 5: Household Income, 2009

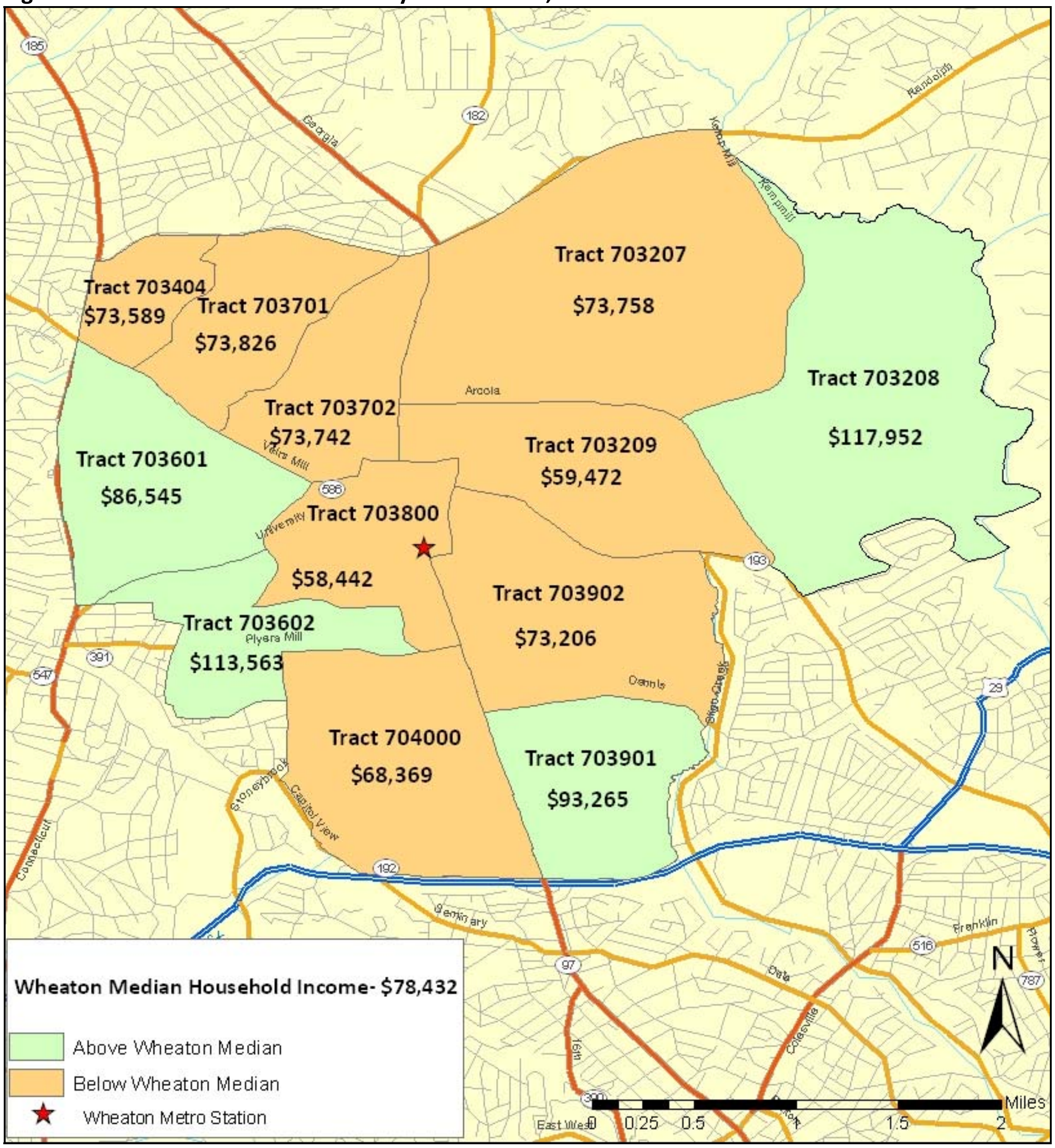


Notes:

Study area is defined in Figure 2 and Table 7.

Source: Claritas, Inc., 2009; BAE, 2009.

Figure 6: Median Household Income by Census Tract, 2009



Source: Wheaton Redevelopment Program, 2009; U.S. Census Bureau, 2000; Claritas, Inc., 2009; BAE, 2009.

Household Income by Race of Householder

In Wheaton, 41 percent of white households earn over $100,000 per year (see Appendix Table A-6 for a detailed breakout of income patterns by race). This is in contrast to only 28 percent of African American households. The stratification in incomes by race is even more noticeable at the lower end of income distribution. While only nine percent of white households earn less than

$25,000 per year, 18 percent of African American households and 17 percent of households of two or more races earned less than $25,000 per year. Ten percent of households in Wheaton that identified their ethnicity as Hispanic earned less than $25,000 per year, in contrast with 12 percent of non-Hispanic households.

Economic Overview

Employment by Industry

The large amounts of retail space in the Urban District dominate its employment base, with 41 percent of its jobs found in the retail sector, according to Dun and Bradstreet data. Table 8 depicts the concentration of employment by industry sector using this data source, and compares the industry makeup of the Urban District to the county.[4]

In addition to the high concentration of jobs in the retail sector, Table 8 shows the high percentage of jobs in the Urban District that are in the health care industry, as well as various other service-oriented industries. The Administrative and Waste Services industry sector contains almost ten percent of the Urban District's employment. This industry represents a diverse range of personal and business services, including travel agencies and employment placement agencies to janitorial services and landscaping. Further industry-specific analysis of both Wheaton and the County shows that nearly all establishments in this industry sector are in administrative services.[5] "Other Services" includes a similarly wide variety of businesses, from personal care businesses such as nail salons and pet care that are typically housed in retail space, to repair services, to professional, labor and political associations.

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[4] The comparison of Urban District employment by industry to Montgomery County employment by industry uses Dun and Bradstreet records for Urban District businesses and Quarterly Census of Employment and Wages (QCEW) data (available from the United States Bureau of Labor Statistics) for Montgomery County as a whole. QCEW is based on unemployment claims records and does not include self employed persons or employment not covered by unemployment insurance, such as members of the military. Dun and Bradstreet data is obtained through a self-reporting collection method proprietary to Dun and Bradstreet, which may include some public sector establishments within different sectors.

[5] This broad industry sector is comprised of two primary subsectors: Administrative and Support Services, and Waste Management and Remediation Services. U.S. Census data provides more detail within this broad industry sector for different geographies. The Census Bureau's *Zip Code Business Patterns* shows that for Wheaton's 20902 ZIP Code, there were 54 establishments in 2007 that fell into the larger Admin/Waste sector. Of those 54 businesses, 53 were classified under the Administrative and Support Services subsector. A similar pattern (98% of establishments) was found in Montgomery County through the Census Bureau's *County Business Patterns* in 2007.

The Urban District's employment is less prevalent in Professional and Technical Services, Education Services, and Information. The Professional and Technical Services sector, including legal services, engineering, testing labs, and information technology as examples, is about six percent of Urban District employment, compared to nearly 14 percent of all County jobs in this sector. Also noteworthy is the small proportion of Urban District jobs found in Arts and Entertainment, comprising less than one percent of Urban District employment.

Table 8: Employment by Industry of Wheaton Urban District, Compared to Montgomery County, 2008

	Wheaton Urban District		Montgomery County	
Industry	**Number**	**Percent**	**Number**	**Percent**
Agriculture, Forestry, Fishing, and Hunting	0	0.0%	496	0.1%
Mining	0	0.0%	375	0.1%
Utilities	0	0.0%	731	0.2%
Construction	122	2.5%	28,546	6.2%
Manufacturing	23	0.5%	14,455	3.2%
Wholesale Trade	52	1.1%	10,017	2.2%
Retail Trade	2,035	41.2%	46,685	10.2%
Transportation and Warehousing	42	0.9%	3,638	0.8%
Information	36	0.7%	14,342	3.1%
Finance and Insurance	190	3.8%	21,770	4.8%
Real Estate and Rental and Leasing	175	3.5%	12,363	2.7%
Professional and Technical Services	300	6.1%	63,297	13.8%
Management of Companies and Enterprises	0	0.0%	7,886	1.7%
Administrative and Waste Services	484	9.8%	31,287	6.8%
Educational Services	21	0.4%	9,141	2.0%
Health Care and Social Assistance	627	12.7%	51,305	11.2%
Arts, Entertainment and Recreation	31	0.6%	7,256	1.6%
Accomodation and Food Services	400	8.1%	30,940	6.8%
Other Services, Except Public Administration	312	6.3%	21,925	4.8%
Government	N/A (a)	N/A	80,587	17.6%
Public Administration	89	1.8%	N/A	N/A
Total	**4,939**	**100%**	**457,042**	**100%**

Notes:
(a) Indicates unavailable data..

Source: Dun & Bradstreet, 2009; Wheaton Redevelopment Program, 2009;
U.S. Bureau of Labor Statistics, 2009; BAE, 2009.

Household and Employment Projections

Table 9 demonstrates growth projections from the Metropolitan Washington Council of Governments (MWCOG) cooperative forecast Round 7.2, for the Wheaton Sector Plan area (described as the Wheaton CBD) and Montgomery County as a whole. The forecast projects that Wheaton will outpace the County's rate of growth in households and population over the next 20 years, to 2020, and then grow at a more modest pace in the subsequent 20 years. Employment in Wheaton is projected to grow more slowly than the County's pace over the next 30 years, although the projection factors in short term gains in Wheaton employment. Wheaton currently is estimated to comprise about 1.7 percent of the County's total jobs, shrinking to about 1.5 percent in 2030 due to slower growth relative to the County. Given the concentration of retail in Wheaton, the Sector Plan area comprises a smaller share of the County's office employment – currently estimated at 1.1 percent of the County's total jobs.

Table 9: Wheaton Policy Area and Montgomery County Growth Projections, 2005-2040

Area	2005	2010	Average Annual Change 2005-2010	2020	Average Annual Change 2010-2020	2030	Average Annual Change 2020-2030	2040	Average Annual Change 2030-2040
Number of Households									
Wheaton CBD	2,172	2,629	3.9%	3,904	4.0%	4,309	1.0%	4,433	0.6%
Montgomery County	347,000	362,000	0.8%	408,000	1.2%	440,000	0.8%	460,000	0.4%
Number of Retail Employees									
Wheaton CBD	5,267	5,750	1.8%	5,783	0.1%	5,867	0.1%	5,909	0.1%
Montgomery County	88,836	90,294	0.3%	99,216	0.9%	106,879	0.7%	113,001	0.6%
Number of Office Employees									
Wheaton CBD	2,907	2,830	-0.5%	2,995	0.6%	3,598	1.9%	3,887	0.8%
Montgomery County	254,591	256,702	0.2%	308,510	1.9%	363,058	1.6%	396,052	0.9%

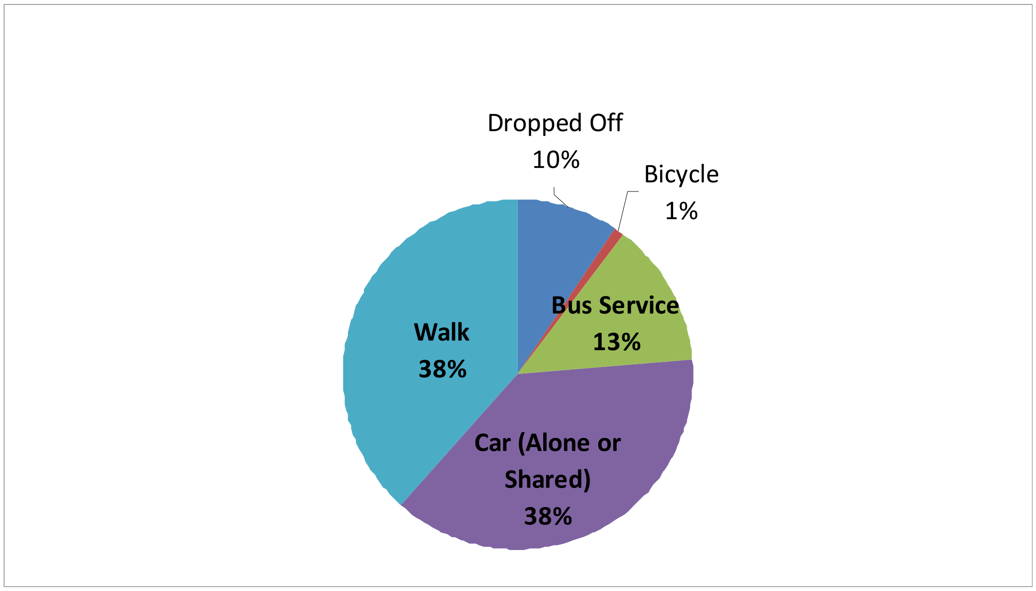
Source: Maryland-National Capital Park and Planning Commission Round 7.2 Projections, 2009; BAE, 2009.

Transit Profile

Figure 7 shows the various modes of transportation that commuters use to access the Wheaton Metro station. Over half arrived at the Wheaton Metro station by automobile or bus, with 38 percent of those individuals driving by themselves and parking at the station, as is typical of Metrorail stations located near the end of a route.

One of only four Metro stations in the Eastern part of Montgomery County is located in the Wheaton Urban District, giving it an advantage over many other central areas in the County. As shown in Figure 7, an equal number of users of the Wheaton Metro either walk or drive to the Metro. At peak travel times (weekday mornings and evenings) Wheaton Metro parking garages are at approximately 60 percent capacity, suggesting an underutilization of the station from a commuter standpoint.

Figure 7: Mode of Arrival to Wheaton Metro Station



Source: Maryland Department of Transportation, 2009; Washington Metropolitan Area Transit Authority, 2009; BAE, 2009.

Office Market Analysis

The following section provides an overview of supply and demand conditions (with detailed market data located in Appendix B), followed by a variety of analyses designed to estimate future demand for office space in Wheaton under different scenarios.

Key Findings

Wheaton's office rents and building types support service oriented and professional offices. Rents in the Urban District, averaging about $25 per square foot, are lower than the county's average of $29 but higher than the submarket's average of about $23. The rent structure and older buildings make Wheaton attractive to smaller professional services tenants such as doctors and lawyers seeking a value over rents charged in nearby submarkets. This tenant mix provides stability to Wheaton's office market in changing economic conditions. However, Wheaton faces a challenge in supporting new office development, which will require higher rents than currently achievable in Wheaton unless a significant financing gap can be bridged.

Wheaton's office space is dispersed, without a core, presenting challenges to marketing Wheaton as an office center. The Wheaton Urban District's office market contains about 400,000 square feet of space, about half of it found in two buildings on the mall property. However, either by driving through the center of Wheaton on its major thoroughfares or by emerging from the Metro, the lack of a cluster of buildings makes it is easy to miss that there is any significant office space in Wheaton.

The Kensington/Wheaton submarket is relatively healthy but is not growing. The performance of office space in Wheaton can be tracked over time through statistics available for a larger geographic area known as the Wheaton/Kensington submarket. The submarket has added no new office space since 2003. Its current vacancy rate, at 9.5 percent, is lower than the vacancy rate of other suburban submarkets that are farther from the core of Washington DC. However, as vacancy rates have increased since 2007, there has been negative net absorption of space with no new office deliveries.

Current market conditions do not favor development of office space in the short term. In addition to the challenges facing Wheaton in attracting a pioneering new anchor tenant to an office building at a rent well above the levels in existing buildings, current economic conditions do not favor new office development. A backlog of 2.9 million square feet is currently available in

Montgomery County to meet new demand in the short-term, and attractive alternatives to Wheaton exist to meet long term demand.

Supply Conditions

Wheaton Urban District Inventory

According to CoStar and representatives from Westfield, the Wheaton Urban District, which includes the Westfield property, has approximately 360,000 square feet of office space. Of this space, 100,000 square feet, or 28 percent, is Class A, 98,000, or 27 percent, is Class B, and the remaining 161,000, or 45 percent, is Class C space (see Table 10). The Urban District represents a small fraction of the office space in Montgomery County and is not considered on its own to be an office submarket. Office space in the Wheaton Urban District represents 0.5 percent of all of the County's rentable office supply reported by CoStar.

Table 10: Summary of Wheaton Urban District Office Inventory, 3rd Quarter, 2009.

Inventory (Class)	Square Feet	Vacancy	Avg. Rent
CBD Total Inventory (primarily Class C)	187,603	14.4%	$22.82
Westfield North Building (Class A)	100,000	9.2%	$29.00
Westfield South Building (Class B)	72,000	17.8%	$25.00
Total/Wtd. Avg.	**359,603**	**13.6%**	**$24.98**

Source: CoStar, 2009; BAE, 2009.

Of the existing inventory in the Wheaton Urban District, close to half of it (48 percent) is comprised of the two office buildings on Westfield's property shown in Table 10. Of the remaining 187,000 square feet, about 120,000 of that is in two other buildings. No significant new office space has been added to the Urban District's inventory since 1986.

Figure 8: Photo of Westfield North, Class A space in the Wheaton Urban District; Average Rent: $29.00; Current Vacancy of Westfield North: 9.2 percent

Source: Data: CoStar, 2009; Photo: BAE, 2009.

The remaining balance is scattered among numerous smaller buildings. Notably, these buildings are not concentrated in any one area, suggesting not only a lack of supply, but a lack of a cohesive core for office. This physically separated patchwork of office further detracts from the perception of Wheaton as an office submarket.

At 13.6 percent among all classes of office buildings, vacancy in the Urban District is higher than the larger Wheaton/Kensington defined submarket vacancy of 9.5 percent, and just slightly higher than the County average of 13.1 percent. Although the Urban District's vacancy is somewhat higher than that of the larger submarket, it is achieving a slightly higher average rent of $24.98 versus $23.13 for the submarket.

Figure 9: Photo of the "Computer Building," 87,000 square feet of Class C space in the Wheaton Urban District. Current Vacancy: 19.5 percent

Source: CoStar, 2009.

Corresponding with the employment data in the previous section, private sector tenants occupying space in the Wheaton Urban District are almost exclusively service oriented, including medical, legal, insurance, accounting, and tax service providers (Appendix Table B-3).

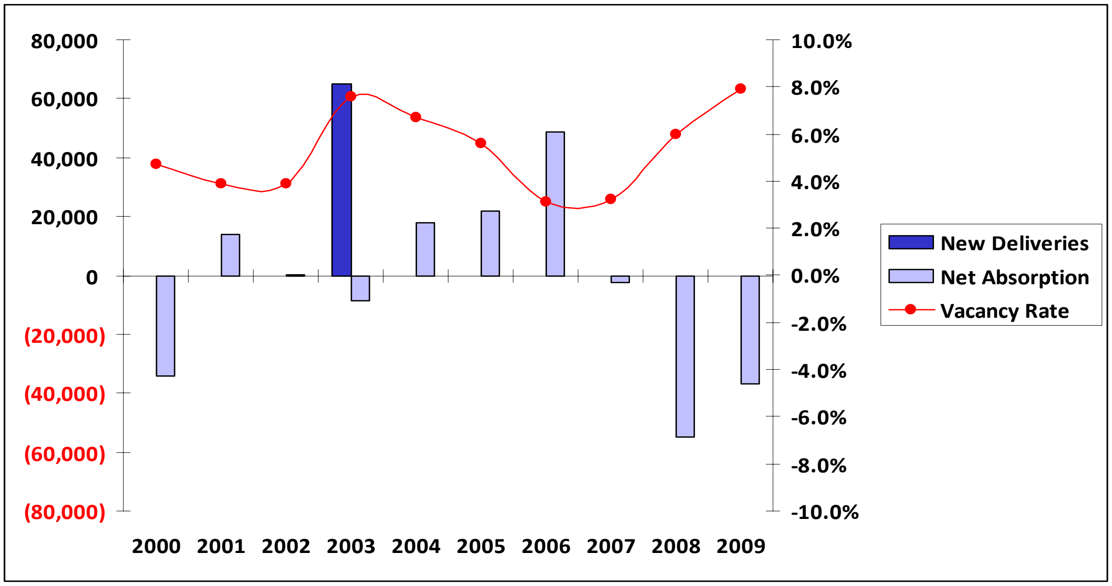
Submarket Trends

Analysis of the Wheaton/Kensington submarket allows a better understanding the larger context of the local Wheaton Urban District office market. The following section describes the characteristics of the submarket in comparison to other office submarkets in Montgomery County and the region, and details of the Wheaton Urban District's office inventory are shown in a later section.

Historical trends for the Wheaton/Kensington submarket show very little activity in the way of new deliveries. Sixty-five thousand square feet of new construction occurred in the submarket, outside of the Urban District in 2003, with negative net absorption over the past three years resulting in a steadily increasing vacancy rate (Figure 10).

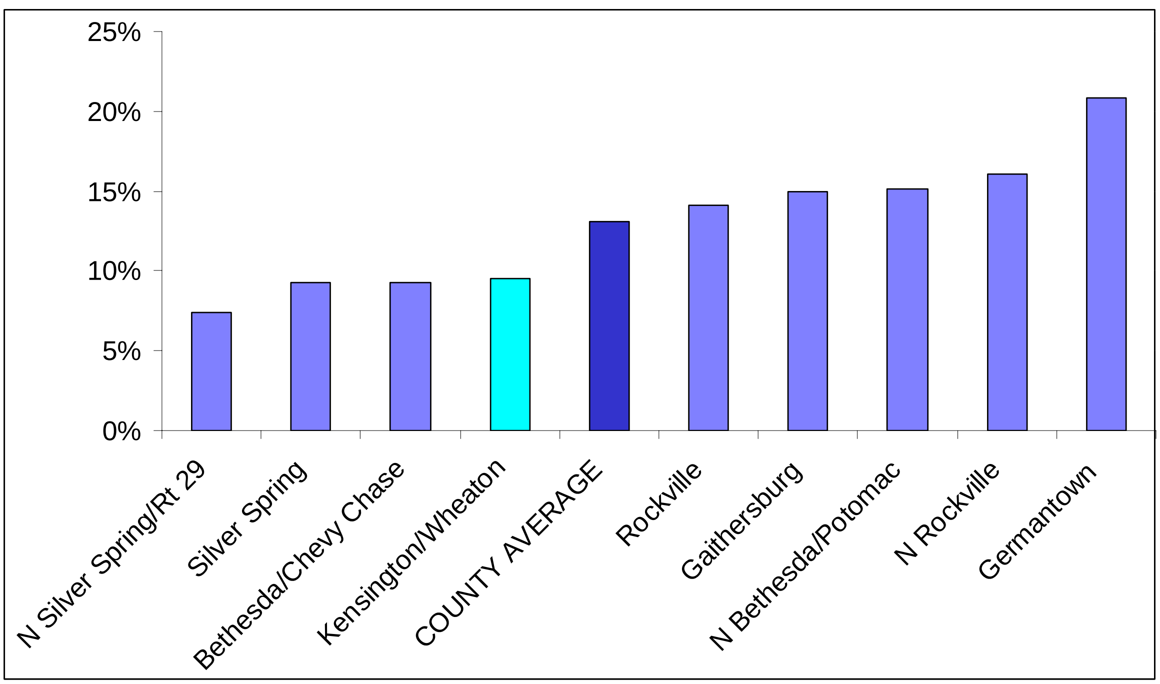
Although the vacancy rate has gradually increased in recent years, the submarket is still faring well relative to many other county submarkets (Figure 11), and is on par with the nearby submarkets of Silver Spring and Bethesda/Chevy Chase. Total available vacant space in the county amounts to over 8.7 million square feet. Assuming the 10-year average of 8.5 percent vacancy for the county represents market equilibrium, roughly 2.9 million square feet of vacant space needs to be absorbed to reach equilibrium.

Figure 10: Historical Trends in the Wheaton/Kensington Office Submarket, 2000-2009



Source: CoStar Group, 2009; BAE, 2009.

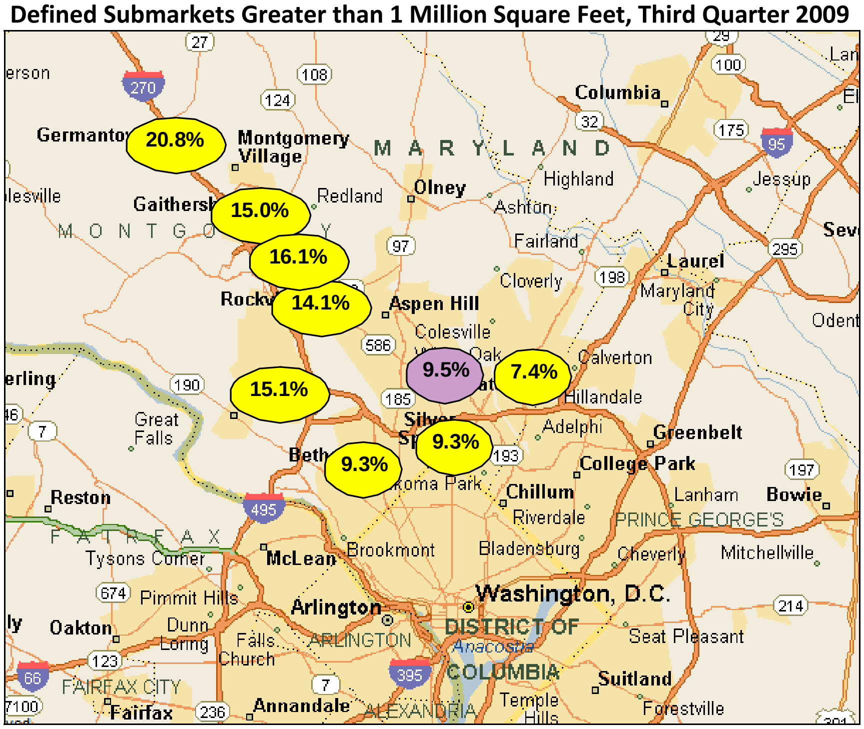
Figure 11: Available Vacant Office Space, Montgomery County Defined Submarkets Greater than 1 Million Square Feet, Third Quarter 2009



Source: CoStar Group, 2009; BAE, 2009.

As shown in Figure 12, submarkets inside and along the Capital Beltway have lower vacancy rates than submarkets radiating out from the Beltway along I-270. This pattern supports the notion that closer-in commercial submarkets with good access to the region's core are generally more resilient during downturns. It also supports the idea that Wheaton's key strength is its location and accessibility.

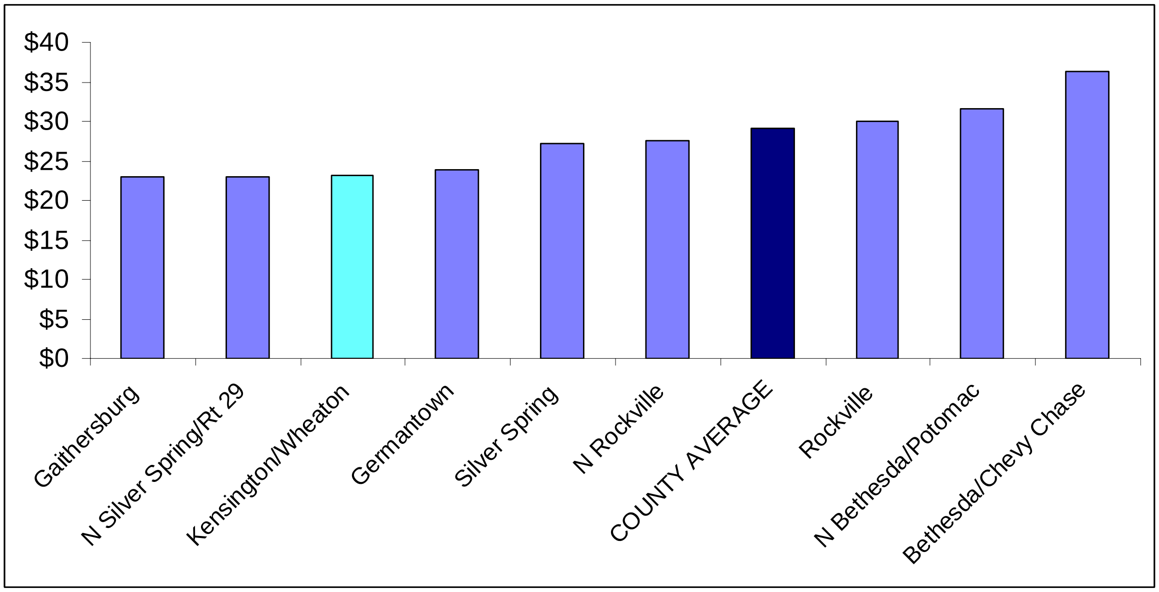
Figure 12: Map of Submarket Vacancies by Location, Montgomery County
Defined Submarkets Greater than 1 Million Square Feet, Third Quarter 2009



Source: CoStar Group, 2009; BAE, 2009.

Achievable rents in the Wheaton/Kensington submarket fall into the lower tier of rents in the county, suggesting an office market positioned as a discount to the county's stronger submarkets shown in Figure 13.

Figure 13: Average Annual Rents, Montgomery County Defined Submarkets Greater than One Million Square Feet, Third Quarter 2009



Source: CoStar Group, 2009; BAE, 2009.

The Kensington/Wheaton submarket's relatively small amount of inventory and lower-tier rents also help explain its resilience (in the form of lower vacancies) during this economic cycle compared to other "established" office submarkets that have generally been overbuilt in recent years.

Planned, Proposed, and Inventory Under Construction

There is a large amount of commercial space planned, proposed, and under construction in the county to go along with its weakened fundamentals. Although large amounts of space have been approved, current conditions suggest that much of this development has been put on hold or delayed. There are currently about 33 million square feet approved, although much of this space could be many years away from being developed. The following table indicates that the majority of this approved space is concentrated on the I-270 corridor, in farther out submarkets.

Table 11: Commercial Space Approved in Montgomery County by Defined Policy Area as of August 2009

	Total SF Approved			
Policy Area	**Single-Use Office**	**Mixed-Use Office (a)**	**Other Commercial**	**Total**
Rockville City	2,267,165	2,148,570	750,985	**5,166,720**
Gaithersburg City	1,571,971	1,634,159	620,877	**3,827,007**
Clarksburg	2,001,639	907,000	283,720	**3,192,359**
Fairland/White Oak	2,473,532	32,909	317,806	**2,824,247**
North Bethesda	446,593	1,492,398	225,162	**2,164,153**
Germantown East	0	1,772,743	6,792	**1,779,535**
Germantown West	1,566,900	108,483	48,609	**1,723,992**
White Flint	0	1,366,250	236,949	**1,603,199**
Montgomery Village/Montgomery Airpark	26,500	1,268,211	0	**1,294,711**
Potomac	0	850,000	596,480	**1,446,480**
Friendship Heights	295,743	464,312	0	**760,055**
Silver Spring CBD	302,716	419,497	82,613	**804,826**
Research & Development Village	7,231	574,184	1,950,400	**2,531,815**
Bethesda CBD	223,300	340,428	220,439	**784,167**
Derwood	343,300	0	63,493	**406,793**
Rural	34,105	295,821	287,998	**617,924**
Bethesda/Chevy Chase	117,660	181,363	0	**299,023**
Twinbrook	0	258,915	76,914	**335,829**
Germantown Town Center	0	139,000	6,217	**145,217**
Silver Spring/Takoma Park	9,000	77,100	97,200	**183,300**
North Potomac	40,000	0	0	**40,000**
Kensington/Wheaton	1,800	18,320	232,854	**252,974**
Cloverly	3,172	0	223,148	**226,320**
Damascus	3,162	0	0	**3,162**
Aspen Hill	0	0	62,986	**62,986**
Glenmont	0	0	8,585	**8,585**
Grosvenor	0	0	0	**0**
Olney	0	0	579,755	**579,755**
Shady Grove	0	0	6,400	**6,400**
Wheaton CBD	0	0	4,000	**4,000**
Total	**11,735,489**	**14,349,663**	**6,990,382**	**33,075,534**

Notes:
(a) Includes any mixed-use development where office is included.

Source: Maryland-National Capital Park and Planning Commission, 2009; BAE, 2009.

The majority of the 11.7 million square feet of approved single-use office development is located in the policy areas of Rockville, Gaithersburg, Clarksburg, Fairland/White Oak, and Germantown West.

Demand Analysis

Continuing employment growth in the County and region will be the basis of demand that supports any new office space that gets built in Wheaton in the future. The analysis below focuses on anticipated County job growth and the potential for this job growth to occur in Wheaton.

Wheaton's current share of the county's office employment is 1.1 percent, based on MWCOG analysis. The current MWCOG forecast projects minimal growth in office employment in Wheaton.

Office Demand: Sector-Specific Forecasts

Data from Woods and Poole divide projected employment growth by sector over the next 10 years, as shown in Table 12.

Of the 22 sectors, over half of the county's job growth will be comprised of the top four sectors, Health Care & Social Assistance, Professional & Technical Services, Administrative & Waste Services, and Construction. High growth categories include sectors where Wheaton could potentially capture growth, given its existing industry concentrations. An economic development strategy for Wheaton is not in the scope of this market and financial analysis engagement. However, the current makeup of establishments in Wheaton and the characteristics of Wheaton's office market suggest it is fairly well positioned to capture portions of this growth in the following areas:

Health Care and Social Assistance: The largest share of County growth, nearly 17 percent of estimated new jobs, will be in this sector. 12.7 percent of the Wheaton Urban District's employment is made up of this category, comparable to 11.2 percent of the County as a whole. According to Census County Business Patterns data, over half of these establishments are comprised of physicians (37 percent) and dentist offices (21 percent).

Table 12: Non-Farm Employment Growth by Sector, Montgomery County, 2010 - 2019

Rank	Sector	Job Growth	Share of Total
1	Health Care & Social Assistance	14,100	16.8%
2	Professional & Technical Services	12,400	14.8%
3	Admin. & Waste Services	9,890	11.8%
4	Construction	7,120	8.5%
5	Real Estate, Rental, Leasing	6,230	7.4%
6	State & Local Gov't	5,690	6.8%
7	Educational Services	5,590	6.7%
8	Other Services Except Pub. Admin.	4,210	5.0%
9	Finance & Insurance	3,860	4.6%
10	Information	3,600	4.3%
11	Mgmt of Companies	2,920	3.5%
12	Arts, Ent. & Recreation	2,170	2.6%
13	Retail Trade	1,750	2.1%
14	Trans. & Warehousing	1,610	1.9%
15	Federal Gov't - Civilian	1,400	1.7%
16	Wholesale Trade	1,300	1.5%
17	Accom. & Food Services	470	0.6%
18	Federal Gov't - Military	60	0.1%
19	Mining	60	0.1%
20	Forestry, Fishing, Related	10	0.0%
21	Utilities	-80	-0.1%
22	Manufacturing	-350	-0.4%
	Total	**84,020**	**100%**

Source: Woods and Poole, 2009; BAE, 2009.

Professional and Technical Services: This sector represents the second largest category of employment growth, estimated to contribute about 15 percent of the County's new jobs in this period. Representing 6.1 percent of Urban District employment, this sector shows a weaker concentration compared to the 13.8 percent County wide presence. The sector contains lawyers, accountants, technology professionals and other consultants, and includes larger office users that would be typical users of new office space currently absent from Wheaton. This group of industries could be a challenge to target for Wheaton; however, highlighting Wheaton's strategic location in the region, as a midpoint between the District and County employment concentrations such as Rockville to the north, is one way to attract potential establishments in this sector and capture some of this sector's growth moving forward, particularly for users who are seeking a Metro-supported location.

Administrative and Waste Services: With 9.8 percent of employment in this sector versus 6.8 percent for the County as a whole, this sector is also expected to experience strong growth that Wheaton can leverage given the prevalence of employment in currently in this sector. This sector represents a diverse range of businesses, from travel agencies, executive search firms and court reporters to janitorial services and landscaping. Attracting employment in some of these categories may not bolster demand for office space that will help spur revitalization, but could increase Wheaton's employment base.

Office-Based Demand for Hotel Rooms

Hospitality represents a secondary land use that will likely result from the addition of other land uses, in this case new office. Currently there are no hotels in Wheaton. According to the HVS Employment-Hotel Growth Index[6], historically, there are typically 0.22 hotel rooms per 1,000 square feet of office inventory in the region. Applying this ratio to the Wheaton CBD office inventory (400,000 square feet) implies existing demand for 88 rooms that presumably gets met by the nearest hotels in Silver Spring. However, this ratio assumes a broad range of office users, instead of the somewhat narrow range of service-oriented office tenants comprising the Wheaton office market. Nevertheless, delivering additional office space to the area will yield increased hotel demand at this 0.22 ratio. Using occupied space as opposed to total rentable area, the historical ratio of occupied inventory to occupied room nights has been 16.6 SF/room night. Using the above fair-share absorption demand scenario, hypothetical new office absorption of 86,000 square feet from now through 2015 should yield demand for approximately 20 additional hotel rooms in the area in the next five years (assumes 65 percent occupancy). This increased demand, coupled with existing pent up demand, indicates that a small-scale hotel could be feasible as office gets absorbed in the area. This estimate can be adjusted in accordance to actual new delivery and absorption of office space in the market.

[6] Fuller, David P., Greg Otten and Caitlin McKenna. *The HVS Employment-Hotel Growth Index: A New Tool for Projecting Hotel Room Night Demand.* HVS, August 2008.

Residential Market Analysis

The following section provides an overview of residential supply and demand conditions (with detailed market data located in Appendix C), and a basic demand analysis designed to estimate future demand for residential units in Wheaton from various segmented market audiences.

Key Findings

Wheaton's housing stock offers a variety of high quality, reasonably priced units across the spectrum of product types, attracting a diverse base of middle income households. The residential neighborhoods surrounding the Wheaton Urban District display a healthy mix of household sizes and types. The area's concentration of Hispanic/Latino households makes it poised to capture a good amount of this demographic going forward, which is projected to grow more rapidly in Montgomery County and the region than other household segments.

Wheaton has been successful in delivering high quality, reasonably priced, low rise rental multifamily at its core. Unlike the office market, Wheaton has a recent track record of success that it can build upon going forward. New rental projects close to the Metro are at healthy levels of occupancy. Rental product successfully competes for demand from renters seeking Metro access, a close-in location, and value relative to higher priced Washington DC submarkets.

Wheaton currently has the opportunity to attract entry-level buyers and renters, and keep them in Wheaton as their housing needs change. Several conditions position Wheaton to capitalize on this opportunity. A mix of new multifamily housing, townhomes, and older single-family detached housing stock can support households as they age, grow, and become more affluent. Wheaton's location between the D.C. core and the areas of Montgomery County where current and future jobs are situated makes it attractive as a value location for many dual worker households that commute in two directions. Wheaton also appears poised to have greater housing turnover in coming years, with a higher proportion of households headed by persons over 65 compared to the County. A revitalized core will further strengthen Wheaton's position as a desirable collection of neighborhoods that are highly accessible to both D.C. and its northern suburbs, and combine to make a place where households want to stay.

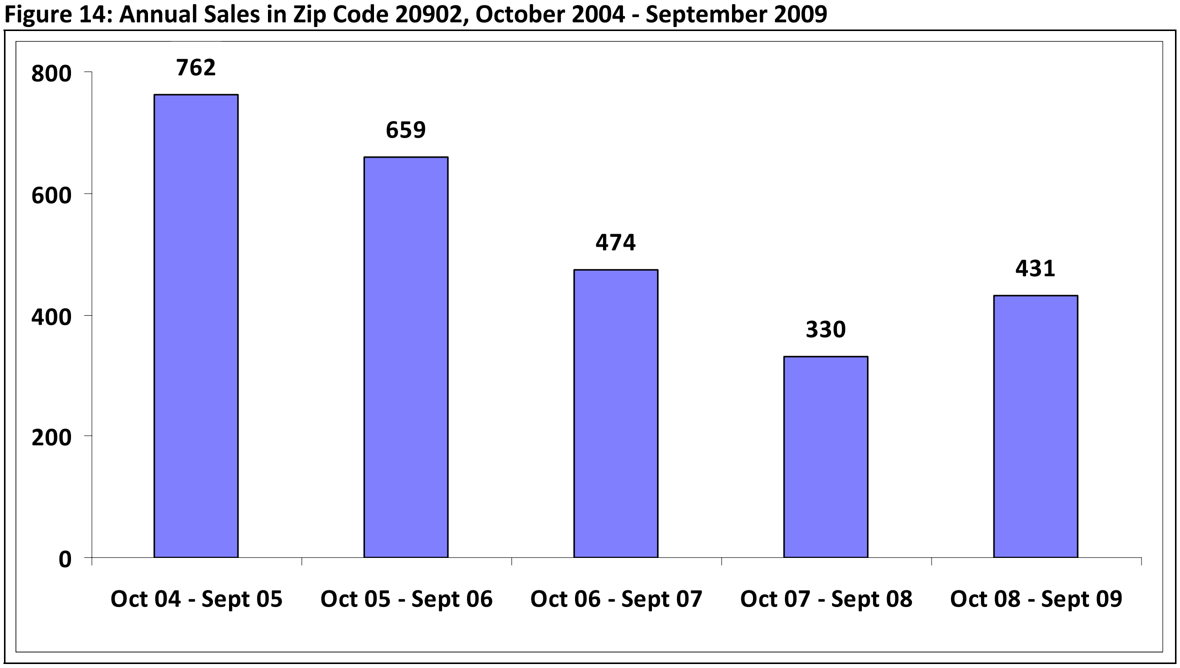
Higher density housing will likely result from the Wheaton Urban District's revitalization, and will allow it to capture a more affluent segment of households. Wheaton's success in providing housing at a price point that supports low-rise construction will be the starting point in its revitalization strategy, as it competes with places like College Park and Greenbelt for the deep pool of households seeking value in a close-in, transit supported location. As Wheaton's core is strengthened and it becomes even more desirable as a residential location, rents and sales prices will more broadly support the higher density construction similar to mixed-use development currently contemplated at the Safeway site, in addition to increasing housing values in surrounding neighborhoods. Higher values will then position Wheaton to capture a more affluent segment of households. In particular, Wheaton could then be attractive to the growing segment of aging, downsizing, smaller households found in the County and the region.

Supply Conditions

Sales Volume

Like most of the region and nation, residential sales volume in Wheaton declined precipitously from 2004 to the present, with annual volumes less than half of what they were during the peak of sales volumes (Figure 15). Despite this sharp decline, the most recent 12 months do show a substantial 30 percent increase in volume over the previous 12-month period.

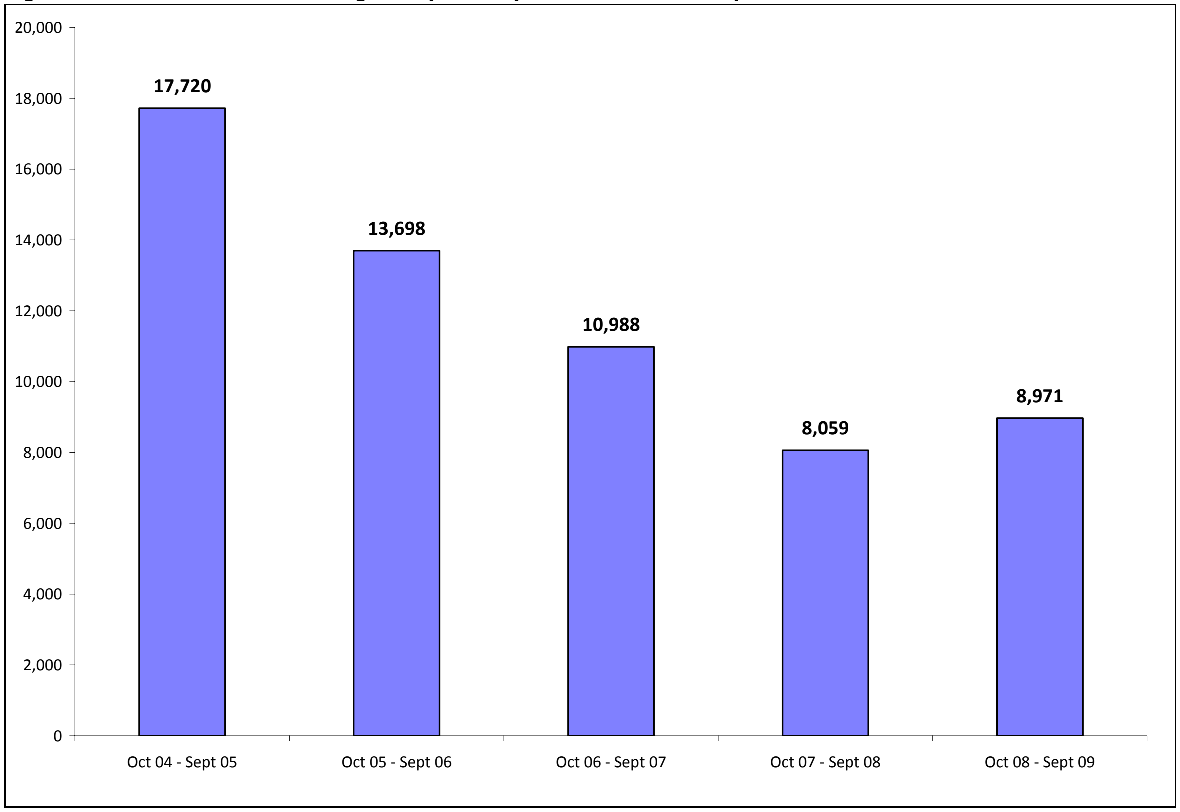
Figure 14: Annual Sales in Zip Code 20902, October 2004 - September 2009



Source: Metropolitan Regional Information Statistics, 2009; BAE, 2009.

This historical pattern is similar to that of the county, which has demonstrated a similar pattern:

Figure 15: Annual Sales in Montgomery County, October 2004 - September 2009



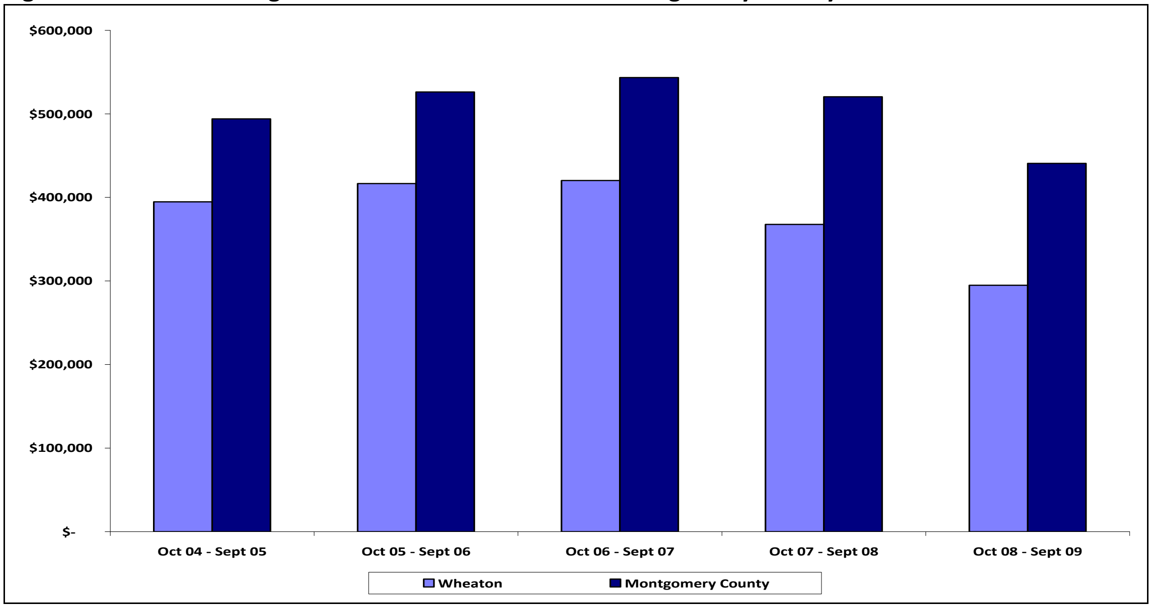
Source: Metropolitan Regional Information Statistics, 2009; BAE, 2009.

The county also experienced a sharp decline in volume, with a more recent uptick in sales, although the most recent 12 month period did not experience as much of an increase in volume as the Wheaton ZIP Code did (11 percent versus 31 percent). Over this five year period, the 20902 ZIP Code has represented a share of 4.5 percent of all county sales, with a range of 4.1 to 4.8 percent.

Pricing

Average prices in Wheaton have historically been at a discount to those of the county, and both the Wheaton and the county show a similar pattern with respect to pricing trends, peaking in 2006-2007 and declining since (Figure 17).

Figure 16: Annual Average Sales Price in Wheaton and Montgomery County

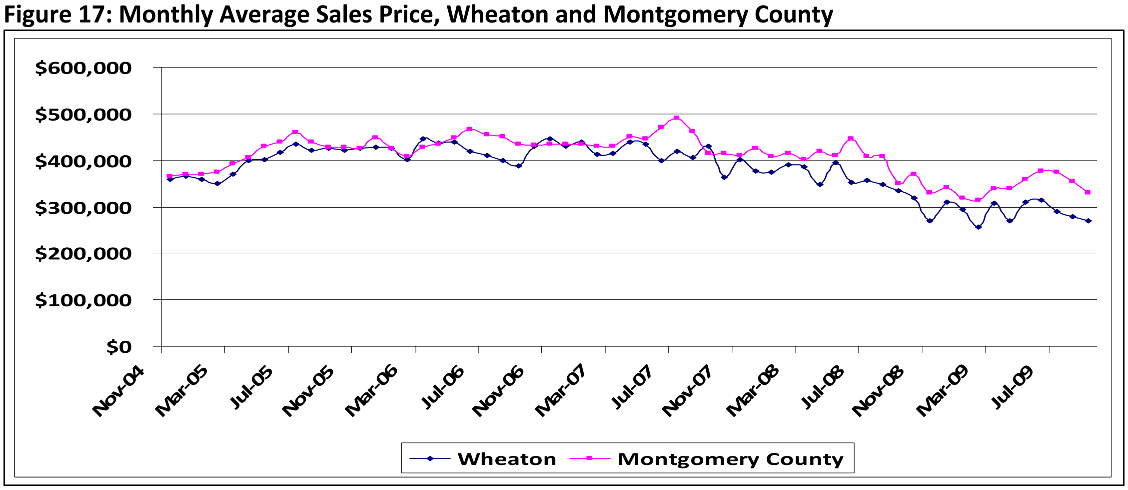


Note: Wheaton is represented by ZIP Code 20902.

Source: Metropolitan Regional Information Statistics, 2009; BAE, 2009.

The county as a whole has been more resilient in terms of price declines, with the average price down 19 percent from the peak while Wheaton's are down 30 percent. The median price in Wheaton is somewhat closer to that of the county as a whole, although in the most recent period the gap between the median price in Wheaton and the county has widened.

Figure 17: Monthly Average Sales Price, Wheaton and Montgomery County



Note: Wheaton is represented by zip code 20902.

Source: Metropolitan Regional Information Statistics, 2009; BAE, 2009.

In Downtown Wheaton, there are currently no new for-sale projects. The most recent project, Leesborough, which consists of townhomes and condominiums, is still under construction, but all available lots have been sold. More lots are planned for sale but their development has been delayed because the developer (John Laing Homes) has filed for Chapter 11 bankruptcy. The sold out units (sold by Centex) were bought primarily by households from the surrounding area, and most were drawn by the proximity to Metro.

Planned and Proposed Development

Table 13 shows the approved number of attached units for the policy areas in Montgomery County. Most of the approved development is concentrated in the western areas of the county, in the policy areas of Gaithersburg City and Clarksburg. While the Kensington/Wheaton policy area contains seven percent of the County's approved pipeline of attached units, the Wheaton CBD policy area only contains 180 approved multifamily units.

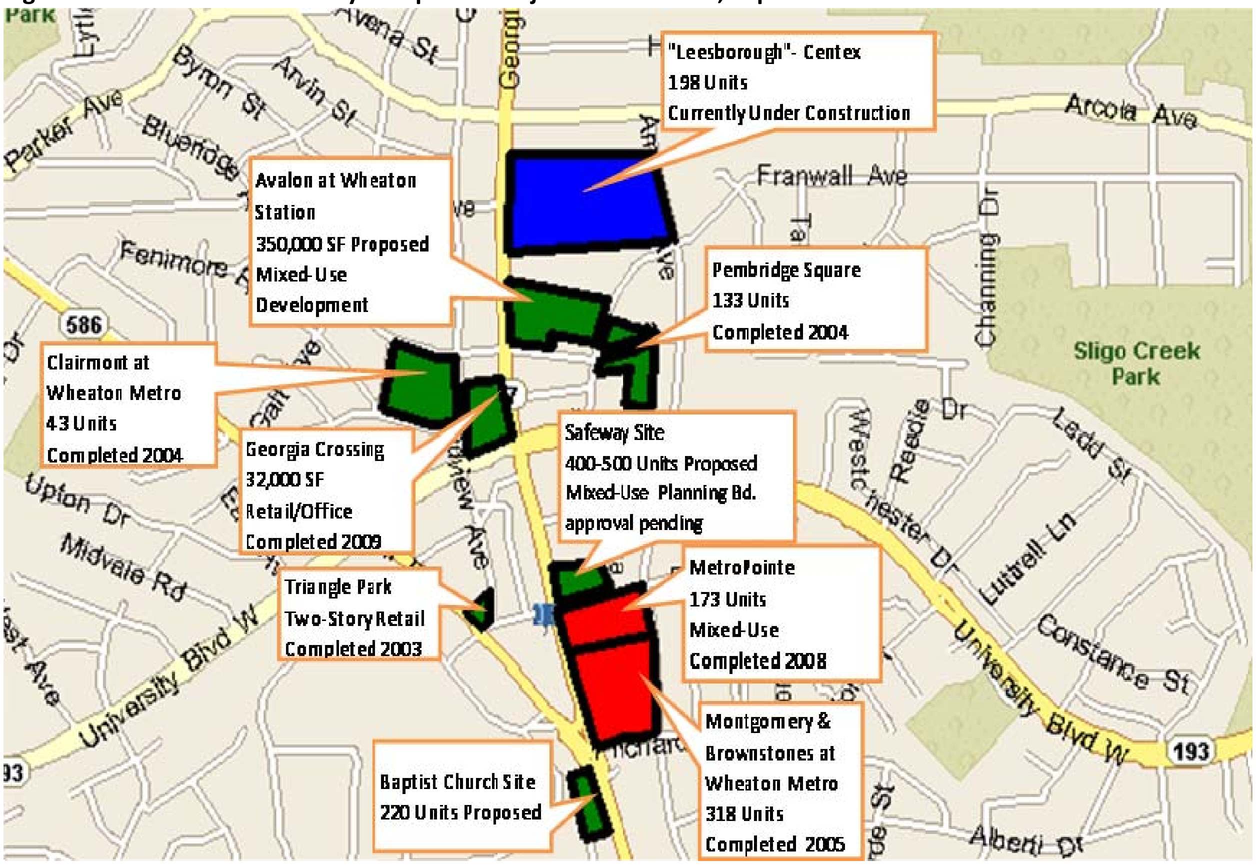
It should be noted that while there are few *approved* units, there are multiple projects that are in the initial development stages. Figure 18 shows the planned residential projects in the Wheaton CBD. In addition to the increase in transit-oriented development by local developers, Montgomery County has begun an effort to focus County development on areas accessible to transit.

Table 13: Attached Building Permits Approved, July 2009

	Total Attached Units Approved			
	Townhouse		Multifamily	
Policy Area	**Number**	**Percent**	**Number**	**Percent**
Aspen Hill	54	0	46	0.2%
Bethesda CBD	12	0.2%	1,477	7.0%
Bethesda/Chevy Chase	39	0.6%	-	0.0%
Clarksburg	2,577	41.3%	2,361	11.3%
Cloverly	-	0.0%	-	0.0%
Damascus	52	0.8%	-	0.0%
Derwood	20	0.3%	-	0.0%
Fairland/White Oak	386	6.2%	-	0.0%
Friendship Heights	200	3.2%	733	3.5%
Gaithersburg City	1,220	19.6%	4,609	22.0%
Germantown East	143	2.3%	-	0.0%
Germantown West	214	3.4%	-	0.0%
Germantown Town Center	-	0.0%	604	2.9%
Glenmont	-	0.0%	-	0.0%
Grosvenor	112	1.8%	-	0.0%
Kensington/Wheaton	446	7.2%	45	0.2%
Montgomery Village/Montgomery Airpark	-	0.0%	-	0.0%
North Bethesda	-	0.0%	1,250	6.0%
North Potomac	85	1.4%	-	0.0%
Olney	198	3.2%	285	1.4%
Potomac	165	2.6%	547	2.6%
Research & Development Village	-	0.0%	168	0.8%
Rockville City	47	0.8%	3,516	16.8%
Shady Grove	36	0.6%	-	0.0%
Silver Spring CBD	-	0.0%	2,990	14.3%
Silver Spring/Takoma Park	121	1.9%	169	0.8%
Twinbrook	-	0.0%	-	0.0%
Wheaton CBD	-	0.0%	180	0.9%
White Flint	-	0.0%	1,973	9.4%
Rural	109	1.7%	-	0.0%
Total	**6,236**	**100%**	**20,953**	**100%**

Source: Maryland-National Capital Park & Planning Commission, 2009; BAE, 2009.

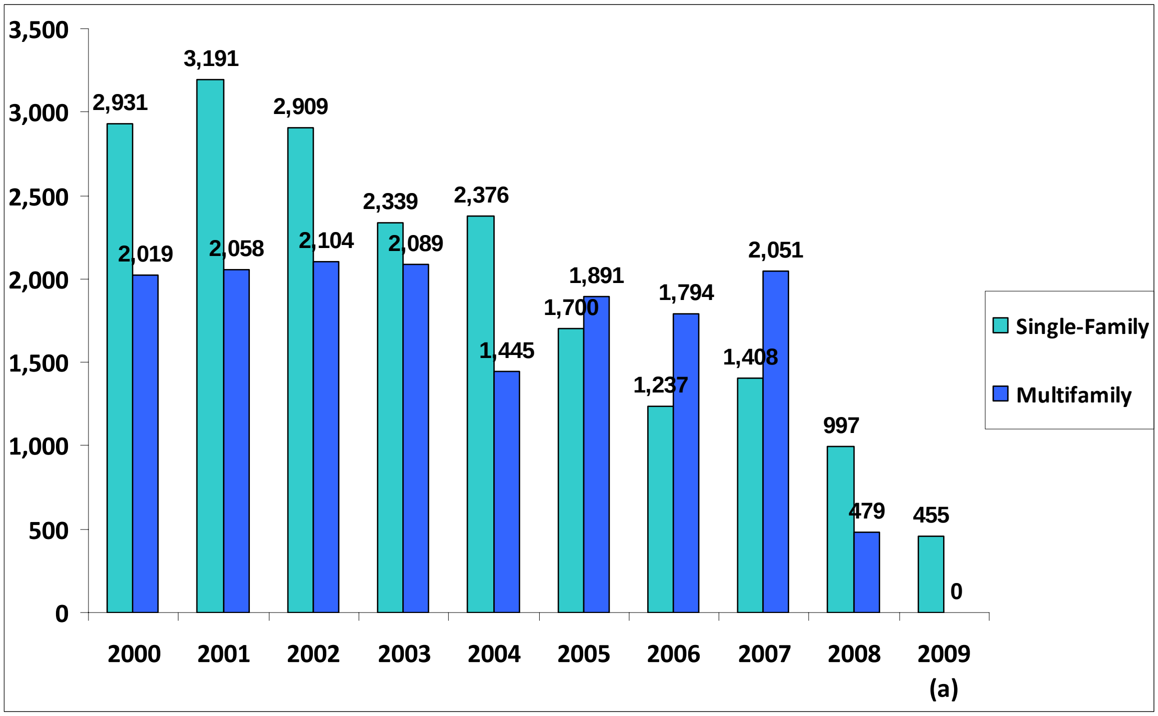
Figure 18: Planned and Recently Completed Projects in Wheaton, September 2009



Source: Wheaton Redevelopment Program, 2009; BAE, 2009.

Historical permitting trends indicate a gradual decline in new detached units from a peak in 2001, with multifamily permits maintaining a steady annual rate until 2008, when activity dropped substantially. From 2000 to 2007, the county averaged over 1,900 multifamily permits per year, but in 2008 there were fewer than 500.

Figure 19: Residential Building Permits Issued in Montgomery County, 2000 - July 2009



Notes:

(a)2009 is July year-to-date data.

Source: US Department of Housing and Urban Development, 2009; BAE, 2009.

Rental Market

Multifamily rental units near the Wheaton Metro station are currently achieving an average of 95 percent occupancy. Of the two properties located closest to the station, the newer property is operating at 97 percent occupancy, even with high rents when compared to other properties in the area. While there are older, more affordable options available in Downtown Wheaton, two new communities have been developed in direct proximity to the Metro station, attracting many people from outside of the area.

- **Metropointe** –The 173 unit community was completed in 2008 and reached stabilized occupancy in May 2009. Units range in size from 560 square feet (studio) to 1,411 square feet (three bedrooms) and monthly rents (effective rents, which include current specials) range from $1,158 to $2,154. Effective rent ranges from $1.53 per square foot for a one bedroom unit with a loft or a three bedroom to $2.02 per square foot for a studio unit.

Tenants are drawn to the direct access to the Wheaton Metro station and the business center and fitness rooms. Currently, Metropointe is offering two months of free rent.

- **Archstone Wheaton Station** – The 243 unit project was completed in 2005, and is currently undergoing significant renovation. Monthly rents range from $1,523 to $1,910 and unit sizes are from 560 to 1,411 square feet. Rents per square foot range from $1.47 for a two bedroom unit with a loft or den, to $1.96 per square foot for a studio. Amenities available are similar to those offered at Metropointe: a fitness center, pool, and business center.

Demand Projections

In recent years, Wheaton has experienced healthy demand for existing and new residential units, as evidenced by new for-sale and residential projects and resale volume. MWCOG data forecasts that the sector area will grow by an average of almost 130 households per year over the next 10 years, yielding a 4.0 percent average annual growth rate. This rate is strong compared to overall County growth, projected to at a 1.1 percent annual average over the same time period. The projection reflects thinking that denser growth will occur around transit stations, and that Wheaton's development will be dominated by residential construction, as supported by recent trends. Table 9 above provides a comparison of MWCOG projections for Montgomery County and the Wheaton CBD policy area to 2040.

Based on interviews with leasing offices and brokers, those households considering Wheaton also searched other closer-in, Metro-accessible Maryland locations, including Silver Spring, College Park, and Hyattsville, generally seeking an urban location, but at prices below the DC market. Many potential renters and buyers also considered Wheaton because of its strategic location between the District of Columbia and Rockville. Some households from outside of the region that have selected Wheaton are comprised of dual-income couples, with one member having found a job in a Maryland location like Rockville, and the other still seeking work.

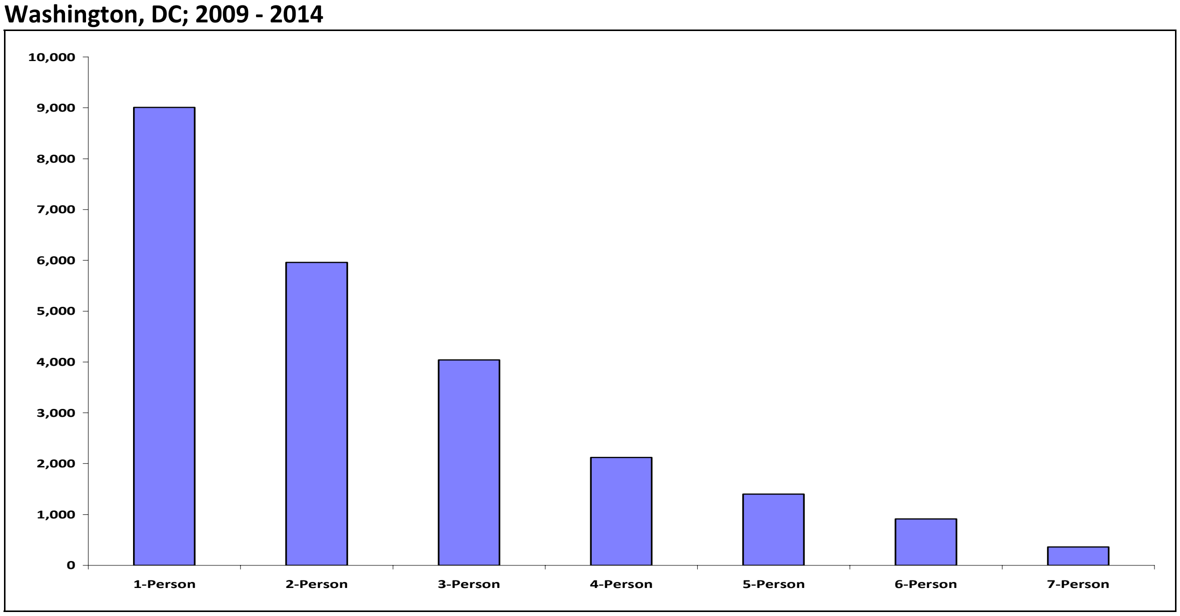
Based on Wheaton's strengths for residential development and demonstrated track record of new residential construction, the MWCOG forecast is a reasonable baseline estimate of future household growth. Given the continued improvements to the area, Wheaton could be poised to capture a higher amount of new households, and absorb new housing units at a faster rate. Future demographic trends indicate that new multifamily housing in Wheaton is well positioned to target growing market audiences in smaller and empty-nester households.

Wheaton's Housing Opportunities from Emerging Demographic Shifts

The growth of smaller households and Hispanic households represent two trends that suggest a positive outlook for Wheaton's capacity to capture a larger share of household growth in the future. Five-year demographic estimates from Claritas reflect how these trends, seen also on a national level, may impact local housing needs. The household trends discussed below are presented for a regional sub-market area including Montgomery County and two nearby areas – Prince George's County and the District of Columbia - from which market research suggests households may be drawn. Although the estimates from Claritas may not accurately reflect the impact of economic cycles on household growth trends in the short term, they are based on patterns already seen in the region and likely to continue.

From a regional perspective, Washington, DC, Montgomery County, and Prince George's County are forecasted to grow by a combined 23,800 households in the next five years. Of this growth, 80 percent will be in households with three or fewer persons, and 63 percent two or fewer (Figure 20). This household size trend converges with the multifamily housing product most suitable for the core of Wheaton.

Figure 20: Growth in Households by Household Size for Montgomery County, Prince George's County, and Washington, DC; 2009 - 2014



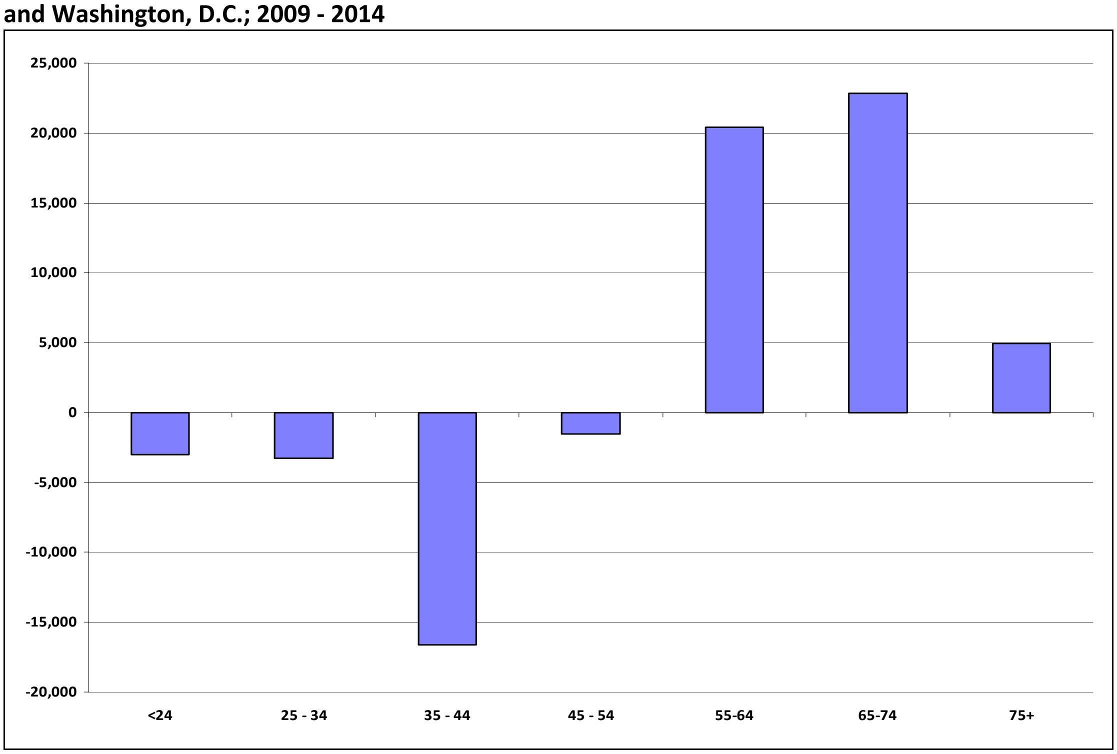
Source: Claritas, Inc., 2009; BAE, 2009.

Age and life stage will also be important with respect to positioning residential product and targeting various market segments. Of this 23,800 households of estimated growth, there will be net losses in younger age brackets with substantial growth in older age brackets as the Baby

Boomer generation continues to age (Figure 21). Households in the 55-74 age bracket will have an estimated increase of over 43,000 in the next five years. Although the housing needs of households within this group will vary, as a group they will be more likely to be seeking a smaller house in their next move than other age groups, given their life stage. Therefore they represent an ideal target for multifamily housing given their growing numbers and likely needs.

As indicated in Figure 21, younger households aged 25 to 44 will decrease in size and represent a smaller share of the County's households. However, this householder age groupwill still be significant in size, representing over one third of the County's households: 16 percent in between 25 and 34 years of age, and 18 percent in the 35 to 44 year old age group. The needs of these two groups may be different: older households will generally be in their peak earning years, younger households, particularly in the 25-34 years age segment, will generally be less affluent.

Figure 21: Growth in Households by Age of Householders in Montgomery County, Prince George's County, and Washington, D.C.; 2009 - 2014

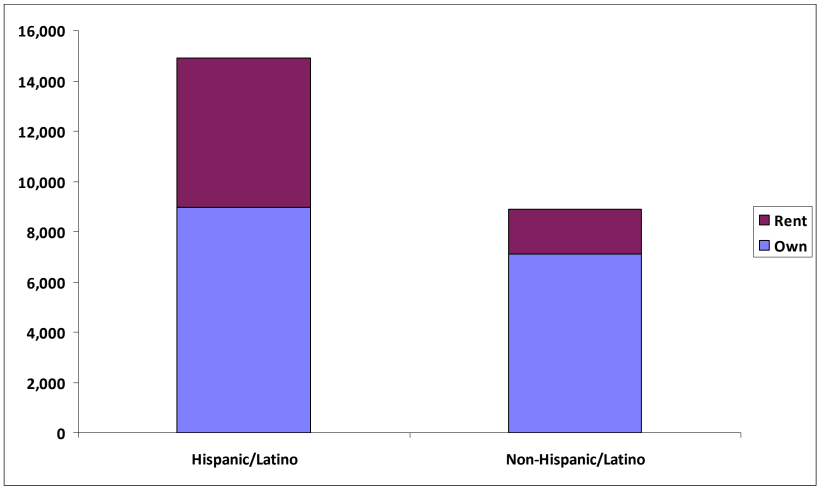


Source: Claritas, Inc., 2009; BAE, 2009.

Of all the new households Claritas forecasts for the District, Montgomery County, and Prince George's County, 63 percent will be Hispanic/Latino. Of these, 40 percent are expected to be renter occupied households, and 60 percent will be owner occupied. This renter propensity is double that of the new non-Hispanic/Latino households, which is forecasted to be 20 percent.

These trends suggest that rental demand could be stronger in the future relative to historical trends, and that strong opportunity may exist to develop rental apartments.

Figure 22: New Household Growth by Ethnicity and Tenure, Montgomery County, 2009-2014



Source: Claritas, Inc., 2009; BAE, 2009.

In summary, demographic shifts evident locally (and reflecting shifts taking place nationally) are likely to continue into the future, and continue to influence demand trends on a long term basis. Increased demand for housing resulting from these demographic shifts are very well aligned with the multifamily product that the Wheaton Urban District can offer. Positioning new residential in Wheaton to target smaller, 1- and 2-person households, younger (under 35) and older (55+) age groups should yield strong sales and leasing performance.

Retail Market Analysis

The following section provides 1) an overview of retail market supply conditions, and 2) a demand analysis designed to estimate retail opportunities supported local residents surrounding the retail core. These households represent consumers most easily captured by the Wheaton Urban District, households who would consider the area as their neighborhood shopping district. The opportunities presented by local workers and commuters are also considered. Detailed market data supporting this analysis is found in Appendix D.

Key Findings

Retail statistics for Wheaton are strong. Measured by average rents and vacancy rates, Wheaton is stable and healthy. It has some of the lowest vacancy rates in Montgomery County, with rents competitive to those in other submarkets.

However, the character of Wheaton's storefront retail creates a challenging environment for its merchants. The lack of focus on the layout of retail in the CBD does not support an environment where customers can easily browse and enjoy a walk through a shopping district. Instead, retail is oriented towards quick stops to one store by customers in cars. Duplication in the types of retail offered and the presence of multiple landlords create further challenges to a unified retail environment. Many merchants struggle in these conditions, evidenced by high turnover and few customers.

The local residential market offers good opportunities for certain types of retail development. An analysis of local expenditures compared to local sales confirmed that local stores are not capturing the household expenditures of the surrounding neighborhoods in many retail categories. This unmet demand points to opportunities for several types of stores that are characteristic of urban neighborhood shopping districts. Examples include a hardware store; pharmacies or health/personal care stores; a florist; and specialty housewares, gifts, cards and stationery stores, as examples. These types of businesses could be targeted in an effort to establish a retail environment more attractive to local households, which can then be the base for supporting additional retail offerings that support the growth of Wheaton as a destination.

Certain Wheaton retailers are destinations. The leakage shows that sales in certain retail categories far exceed what is supported by neighborhood households. Not surprisingly, the data show that Chuck Levin's Washington Music Center draws from a much wider area, as do the clothing outlets at the mall. The reported sales from the many restaurants in Wheaton indicate that while customers may be coming from longer distances to patronize these restaurants, revenues are low.

Growth in households and workers in Wheaton will increase demand, supporting a relatively modest amount of retail square footage. Using current local consumer expenditures as a guide, every new household in or around the Urban District will support an estimated 32 square feet of additional retail. Given estimated worker expenditures and typical sales per square foot, every 10,000 square feet of additional office space is estimated to support approximately 350 square feet of additional retail. In other words, one hundred new households will bring an estimated 3,200 square feet of additional demand that Urban District can tap into, and every 100,000 square feet of new office construction will likely increase demand potential for retail space by an estimated 3,500 square feet.

Supply Characteristics

Inventory

The Wheaton retail inventory is comprised of 2.2 million square feet of space divided between the Westfield Wheaton Shopping Town and stores adjacent to the mall (comprised of 1.4 million square feet), and neighborhood serving centers scattered throughout the downtown area. The mall complex includes a Target, a health club, and other offerings that draw from a wider area than the immediately surrounding neighborhoods.

Outside of the mall complex, the retail mix is characterized by a wide variety of independent retailers, many with an ethnic theme and character, as well as multiple traditional neighborhood serving retailers such as CVS Pharmacy and Safeway. Appendix Table D-1 details the mix of tenants located in Wheaton.

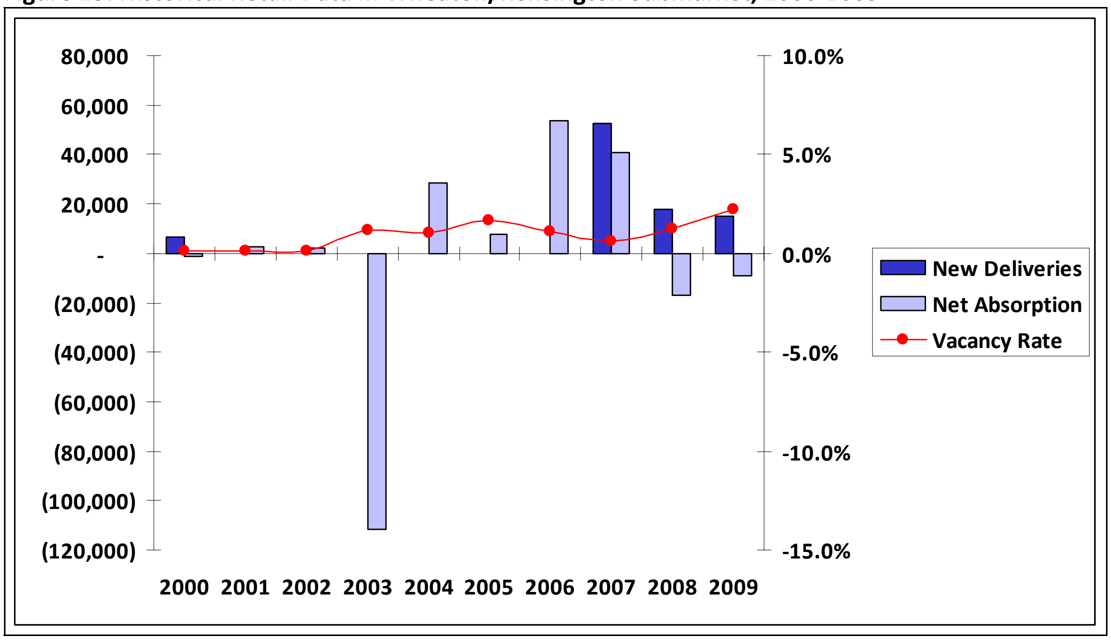
Retail Vacancy and Rents

Retail in the Wheaton/Kensington submarket is stable, as shown in Figure 23. Currently, the vacancy is reported at 3.9 percent, with vacancy reported at less than one percent in many quarters since 2000. Vacancy rates over time have generally been slightly better than the County average, currently at 4.1 percent. Asking rents in the submarket have increased significantly since 2000, from $12.00 per square foot in the fourth quarter of 2000, to $27.77 in the second quarter of 2009. Within the Wheaton/Kensington submarket, there are 13 buildings located in the Wheaton Urban District.

Character of Wheaton's Shopping District

Although statistics demonstrate that retail is relatively healthy in the submarket, anecdotal evidence suggests that some independent retailers in the storefront shopping district are struggling, with frequent turnover of space and insufficient customers, particularly during the day. Several factors may be contributing to this condition. The physical condition and layout of stores in the Urban District, outside the mall, do not support customer browsing of storefronts and a pleasant pedestrian experience. Parking in many parts of the district is not sufficient for retailer needs, particularly since it is a car-oriented retail environment where customers want to park in front of the building of the single business they intend to patronize. There are multiple owners of retail space, challenging the presentation of a coordinated approach to merchandising, tenant selection, and signage that can be found in retail environments with a single or few landlords.

Figure 23: Historical Retail Data in Wheaton/Kensington Submarket, 2000-2009



Source: Montgomery County Department of Economic Development, 2009; CoStar Group, 2009; BAE, 2009.

Demand Analysis

Demand for retail goods and services in the Wheaton Urban District comes from many sources and is shaped by a variety of shoppers. The following demand analysis looks at the extent to which local demand can support a greater variety of retail space in Wheaton. In addition, the analysis examines the impact that new residents and workers could have on retail offerings in the Urban District.

Capture of Local Demand

The primary purpose of this analysis is to understand the role that local expenditures can play in shaping retail offerings in the Urban District. The analysis undertakes the following steps:

- Annual expenditures made by households within the Wheaton Study Area are estimated, broken down into retail categories coded using the North American Industry Classification System (NAICS).
- Those expenditures are compared to estimated sales by retail category within the Wheaton Urban District.
- If expenditures in a category exceed sales, there is a demand surplus (a "leakage") that could potentially be captured within the Urban District.
- If sales in a retail category exceed expenditures, then Urban District stores in that category are being supported by more sales than local expenditures support, and the stores in that category are successfully drawing in customers from a larger market area than the Study Area.

An analysis of retail expenditure leakage indicates that there is unmet demand potential from local residents, with close to half of that potential in the Building Materials, Garden Equipment, and Supplies category. Table 14 provides a comparison of retail sales and estimated consumer expenditure data in the Wheaton Study Area, for categories of expenditures where the analysis indicates that leakages exist. Expenditure categories are coded by the North American Industry Classification System (NAICS). There is additional demand in the categories of Health and Personal Care, Furniture, and Food Services & Drinking Places (Table 15).

Table 14: Retail Demand by NAICS Category

NAICS Code	Store Category	Leakage	Potential Capture	Potential Sales	Sales/SF	SF Potential
4421	Furniture Stores	7,365,342	50%	3,682,671	$400	9,207
4422	Home Furnishing Stores	4,155,461	50%	2,077,731	$300	6,926
442	**Furniture & Home Furnishing Stores**	**11,520,803**			**$359**	**16,132**
4441	Bldg Material & Supplies Dealers	55,497,140	75%	41,622,855	$450	92,495
4442	Lawn & Garden Equipment & Supplies Stores	6,047,101	75%	4,535,326	$400	11,338
444	**Bldg Materials, Garden Equipment & Supplies**	**61,544,241**			**$400**	**103,834**
4452	**Specialty Food Stores**	**1,322,375**	50%	661,188	**$400**	**1,653**
446	**Health and Personal Care Stores**	**18,643,867**	75%	13,982,900	**$700**	**19,976**
4511	**Sporting Goods/Hobby**	**4,973,934**	75%	3,730,451	**$375**	**9,948**
4531	Florists	791,274	75%	593,456	$300	1,978
4532	Office Supplies, Stationery, and Gift Stores	423,257	75%	317,443	$250	1,270
4539	Other Miscellaneous Stores	3,603,474	75%	2,702,606	$300	9,009
453	**Miscellaneous Store Retailers**	**4,818,005**			**$271**	**12,257**
7221	Full-Service Restaurants	870,438	50%	435,219	$425	1,024
7222	Limited-Service Eating Places	5,510,124	50%	2,755,062	$450	6,122
7224	Drinking Places (Alcoholic Beverages)	3,790,205	50%	1,895,103	$350	5,415
722	**Food Services & Drinking Places**	**10,170,767**			**$432**	**12,561**
					Total	**176,360**

Source: Claritas, Inc., 2009; BAE, 2009.

The analysis is based on an assumption that there can be a higher capture of local resident demand for convenience categories versus comparison categories where buyers are more likely to shop beyond the local market. For this analysis, it is assumed that convenience categories could capture 75 percent of local resident demand, and comparison categories could capture 50 percent of local resident demand. It is important to note that the above square footage figures do not necessarily translate directly to square feet of opportunity for retail, as each category is contingent on identifying a specific physical location within the market area that fits specific site selection criteria (e.g., desired tenant size/footprint, traffic counts, tenant co-location, etc.). As such, although there is a total of 176,000 square feet of retail potential from local residents, much of this potential may not represent a strong fit within an urban center. For example, over 100,000 square feet of the space is in the Building Materials, Garden Equipment, and Supplies category, but the physical retail format of a large-scale home improvement center (e.g., Home Depot or Lowes) is simply not a good fit in the CBD. Therefore, the focus should be on categories that represent a better fit with the area.

This basic analysis suggests gaps in retail offerings that purchases from the surrounding neighborhoods could likely support, even without purchases from a consumers drawn to Wheaton as a destination. Examples would include:

- A small, independent *home furnishings store* that might include a selection of home accessories (lamps, clocks, picture frames), unique housewares, and/or a selection of used/antique furniture.

- A *local hardware store* similar to a Strosniders, or an Ace or True Value affiliated store, that sells traditional hardware merchandise as well as housewares and small appliances.
- An additional pharmacy, beauty supply or health food store (*health or personal care stores*).
- Small, specialized retailers that offer a focused line of high quality, relatively inexpensive merchandise considered convenience retail purchases, such as a *florist*, or a shop offering *cards, gifts and/or stationery.*

Because the analysis includes the mall, there may be additional opportunities for the types of merchandise that households would seek out from stores serving a local customer base, covered in the categories that include retailers drawing from a larger area. One example might be a wine shop, covered in the grocery category where area stores are drawing a surplus of sales outside what local households are purchasing. It is also important to note that the demand analysis only covers retail goods, and not demand for services such as banking, insurance, or hair and nail salons.

Introduction of stores in these categories into downtown Wheaton could be a first step in supporting other retail offerings, as they can capture local household purchases that are currently happening elsewhere. In addition, they would be attractive to area workers and Metro commuters, provided that they were in locations visible and convenient to these groups. A foundation of attractive small storefronts catering to strong demand from these groups can then lay the groundwork for the introduction of additional stores that draw from a larger area.

Certain categories of retail also demonstrate large surpluses over expected local area spending, confirming that Wheaton is a major draw beyond local residents for certain store types.

Table 15: Retail Surplus Categories

Store Category	Surplus
Electronics & Appliances	13,518,427
Food & Beverage (including Grocery)	52,650,221
Clothing & Clothing Accessories	82,252,541
Musical Instruments & Supplies	13,525,649

Source: Claritas, Inc., 2009; BAE, 2009.

Although these categories may not represent opportunities for future retail space, they do shed light on why shoppers from outside of the local area come to Wheaton. There is potential to emphasizing these concentrations as strengths and reasons to visit Wheaton in marketing efforts.

Other Sources of Demand

Office workers. Office workers are often seen as a key component of a strong retail market, as their expenditures can supplement those made by local households. Office worker spending is also beneficial because it supports retailers during the day, complementing purchases by area households that often occur in the evenings and on weekends. A survey of office workers in 2003 by the International Council of Shopping Centers (ICSC) provided insight into most expenditures that office workers make per week in downtowns with ample and limited retail services, as well as in suburban office centers. ICSC estimated that the average worker in an area with ample retail services spent $2,861 annually near work. This figure includes an average of $1,257 spent annually on lunches[7]. Workers in downtowns with limited retail spent an estimated $2,630 on average. Adjusted to 2009 dollars[8], workers with ample amenity retail spend an estimated $3,260 near their office on average.

Assuming an average of 235 square feet per worker[9], each additional 10,000 square feet of office space could yield $138,723 in office worker expenditures to Wheaton annually, including $60,977 in lunch expenditures. Opportunities for capturing lunch spending by employees are greatest in convenience and carry out offerings, as ICSC notes a shift in its 2003 survey results compared to its earlier (1987) survey towards less social, more convenience-driven, and shorter lunch hours.

New residents. The ongoing addition of new residents to the Wheaton area will generate more demand for retail as well. These residents will likely demonstrate relatively similar expenditure patterns to those existing households in the area. However, if the target market audiences comprising residential demand in the long term serve to change the demographic landscape dramatically over time, these expenditure patterns are likely to change. Nevertheless, for the purposes of this analysis, new households added to the area are assumed to demonstrate generally similar expenditure patterns. Based on this assumption, the addition of every 100 new households to the area yields around $3 million in additional retail expenditures. Assuming typical sales per square foot thresholds and a local capture of 50 percent of this spending, an additional 3,200 square feet of retail would be supportable in the CBD for every 100 new households.

Transit riders. A more vibrant Wheaton urban center could attract more Metrorail riders to make retail purchases as they pass through the Metro station in the mornings and evenings. SmarTrip

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[7] *Office Worker Spending Patterns.* International Council of Shopping Centers, 2004.

[8] Based on a 14 percent change in the Consumer Prince Index (CPI), All Urban Consumers, between the 2003 annual figure and August 2009.

[9] Based on ratio of net new jobs to net absorption of office space in the metropolitan Washington DC area. Source: BLS, CoStar, HVS, 2008

information available from WMATA from a recent weekday during the school year found a concentration of commuters who use the Metro parking lot come from within the residential Study Area, but also from a further distance, particularly from the south. Although the number of commuters arriving at the Wheaton station by car or bus outside the residential study area is difficult to quantify precisely, they can add support to convenience retail offerings such as prepared foods, banks, and florists as well as dining and comparison shopping offerings that would be part of a revitalized destination in the Wheaton Urban District.

Tenant Opportunities

Although a key component of Wheaton's character is its unique mix of local retailers, the health of the retail outside of the mall might benefit from businesses with proven business models. Surprisingly, despite current weak economic conditions and very weak retail fundamentals, over 100 different national retail and restaurant establishments are currently seeking to expand. Of this group over 70 have a presence in the Washington DC region. Although some of these retailers already exist in Wheaton, most do not. Of those firms without a presence in Wheaton, the list was filtered further to identify those retailers and restaurants that might be a good fit for Wheaton using various qualitative and quantitative criteria:

- Typical size
- Typical target demographics
- Whether or not the store/brand character mesh well with the character of Wheaton and despite a national brand, can still maintain Wheaton's authenticity

Around 15 to 20 of these businesses fell into the category of potential opportunities to explore further and include restaurants such as Five Guys. General retail categories that show strong potential for a location in Wheaton included clothing stores and specialty grocery stores. Although there are supply surpluses in these categories because of the mall, there may be opportunities for tenants who specifically prefer to co-locate within proximity to malls but not necessarily inside them. The complete set of these retailers and restaurants is presented in Appendix Table D-3. This list is not meant to be interpreted as a recommendation to convert Wheaton's retail from local to national. However, adding a few selected national tenants that have proven successful business models, complement the current tenant mix, and do not detract from the authenticity of Wheaton, can help optimize the overall Wheaton retail mix.

Appendix A – Economic and Demographic Overview Supporting Data

Table A-1: Racial and Ethnic Distribution, 2009

	Wheaton Study Area (a)		Montgomery County	
Type	**Number**	**Percent**	**Number**	**Percent**
Non-Hispanic White	19,427	39.6%	497,814	54.5%
Non- Hispanic African American	9,094	18.5%	147,268	16.1%
Non-Hispanic Asian	4,914	10.0%	125,446	13.7%
Non-Hispanic Other	329	0.7%	5,357	0.6%
Hispanic	15,275	31.1%	138,301	15.1%
Two or More Races	1,464	3.0%	24,588	2.7%
Total	**49,039**	**100%**	**914,186**	**100%**

Notes:
(a) Study area is defined in Figure 2 and Table 7.

Source: Claritas, Inc., 2009; BAE, 2009.

Table A- 2: Study Area Household Type, 2009

	Wheaton Study Area (a)		Montgomery County	
Type	**Number**	**Percent**	**Number**	**Percent**
Single Householder	4,676	25.9%	85,427	24.6%
Married Couple, No Children	4,305	23.8%	95,690	27.5%
Married Couple, Children	4,793	26.5%	96,839	27.9%
Other Family, No Children	1,629	9.0%	22,506	6.5%
Other Family, Children	1,401	7.8%	25,127	7.2%
Non Family Household	1,249	6.9%	22,045	6.3%
Total	**18,053**	**100%**	**347,634**	**100%**

Notes:
(a) Study area is defined in Figure 2 and Table 7.

Source: Claritas, Inc., 2009; BAE, 2009.

Table A- 3: Study Area Household Size, 2009

	Wheaton Study Area (a)		Montgomery County	
Size	**Number**	**Percent**	**Number**	**Percent**
1 Person	4,676	25.9%	85,427	24.6%
2 Persons	5,467	30.3%	107,874	31.0%
3 Persons	2,916	16.2%	59,643	17.2%
4 Persons	2,362	13.1%	53,890	15.5%
5 Persons	1,314	7.3%	24,764	7.1%
6 or More Persons	1,318	7.3%	16,036	4.6%
Total	**18,053**	**100%**	**347,634**	**100%**

Notes:
(a) Study area is defined in Figure 2 and Table 7.

Source: Claritas, Inc., 2009; BAE, 2009.

Table A- 4: Study Area Age of Householder, 2009

	Wheaton Study Area (a)		Montgomery County	
Age Distribution	**Number**	**Percent**	**Number**	**Percent**
Under 25	534	3.0%	10,792	3.1%
25-34	2,015	11.2%	44,358	12.8%
35-44	3,914	21.7%	71,569	20.6%
45-54	4,078	22.6%	84,900	24.4%
55-64	3,231	17.9%	66,796	19.2%
65-74	2,047	11.3%	36,664	10.5%
75 and Older	2,234	12.4%	32,555	9.4%
Total	**18,053**	**100%**	**347,634**	**100%**

Notes:
(a) Study area is defined in Figure 2 and Table 7.

Source: Claritas, Inc., 2009; BAE, 2009.

Table A- 5: Study Area Household Income, 2009

	Wheaton Study Area (a)		Montgomery County	
Income Distribution	**Number**	**Percent**	**Number**	**Percent**
Less than $25,000	2,146	11.9%	29,265	8.4%
$25,000-$34,999	1,153	6.4%	17,374	5.0%
$35,000-$49,999	1,950	10.8%	32,523	9.4%
$50,000-$74,999	3,370	18.7%	57,734	16.6%
$75,000-$99,999	2,971	16.5%	51,706	14.9%
$100,000-$149,999	3,651	20.2%	71,489	20.6%
$150,000 or Higher	2,812	15.6%	87,543	25.2%
Total	**18,053**	**100%**	**347,634**	**100%**

Notes:
(a) Study area is defined in Figure 2 and Table 7.

Source: Claritas, Inc., 2009; BAE, 2009.

Table A- 6: Study Area Household Income by Race of Householder, 2009 (a)

	White		African American		Asian		Some Other Race		2 or More Races	
Income Distribution	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
Under $25,000	955	9.2%	636	17.8%	242	15.9%	184	10.4%	129	16.9%
$25,000-$34,999	601	5.8%	240	6.7%	112	7.4%	134	7.6%	66	8.6%
$35,000-$49,999	961	9.2%	435	12.1%	190	12.5%	277	15.7%	87	11.4%
$50,000-$74,999	1,813	17.4%	665	18.6%	282	18.5%	432	24.4%	178	23.3%
$75,000-$99,999	1,832	17.6%	605	16.9%	211	13.9%	197	11.1%	126	16.5%
$100,000-$124,999	1,415	13.6%	382	10.7%	199	13.1%	209	11.8%	40	5.2%
$125,000 or Higher	2,838	27.2%	620	17.3%	287	18.8%	334	18.9%	139	18.2%
Total	**10,415**	**100%**	**3,583**	**100%**	**1,523**	**100%**	**1,767**	**100%**	**765**	**100%**

Notes:
(a) Study Area is defined in Figure 2 and Table 7.

Source: U.S. Census Bureau, 2009; Claritas, 2009; BAE, 2009.

Table A-7: Study Area Household Income by Ethnicity, 2009 (a)

	Non-Hispanic		Hispanic	
Income Distribution	Number	Percent	Number	Percent
Under $25,000	1,778	12.3%	368	10.3%
$25,000 - $34,999	859	5.9%	294	8.2%
$35,000 - $49,999	1,405	9.7%	545	15.2%
$50,000 - $74,999	2,493	17.2%	877	24.5%
$75,000 - $99,999	2,397	16.6%	574	16.0%
$100,000 - $124,999	1,856	12.8%	389	10.8%
$125,000 or Higher	3,679	25.4%	539	15.0%
Total	**14,467**	**100%**	**3,586**	**100%**

Notes:
(a) Study area is defined in Figure 2 and Table 7.

Source: U.S. Census Bureau, 2009; Claritas, Inc., 2009; BAE, 2009.

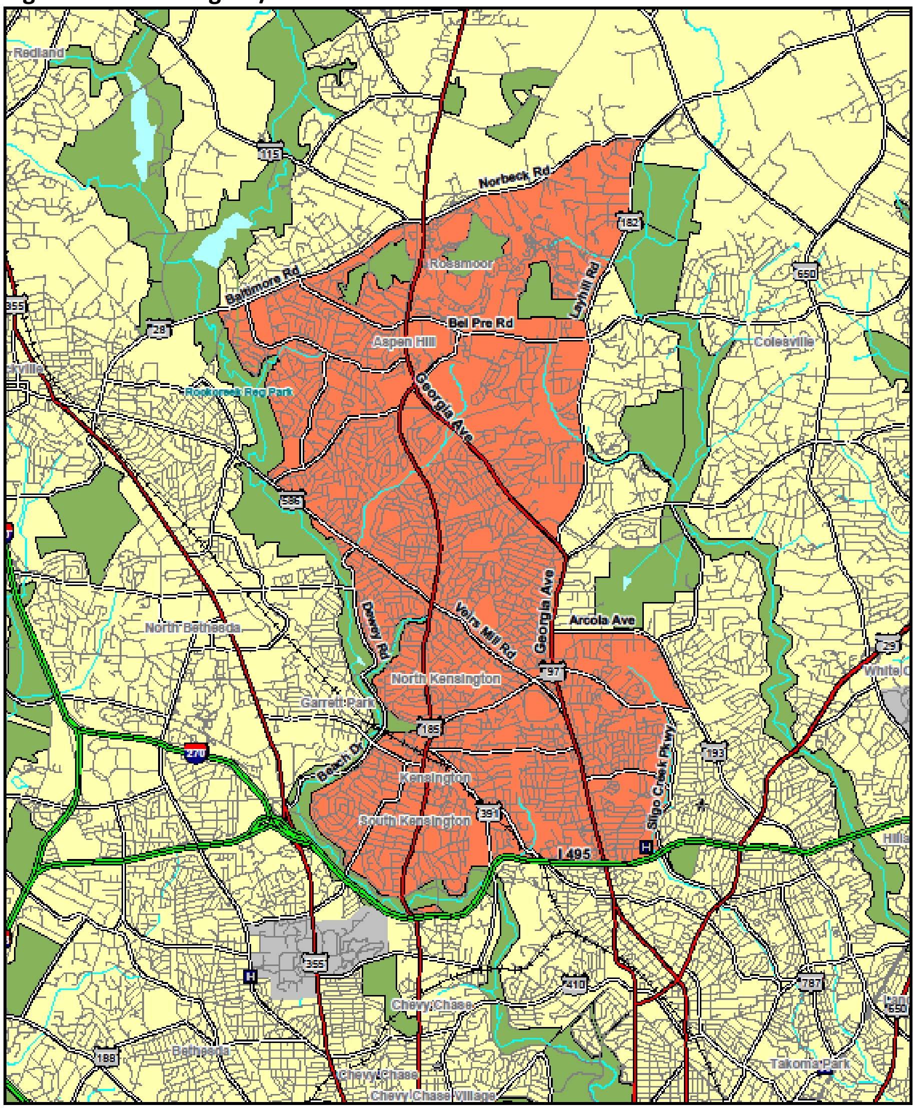
Table A- 8: Mode of Transportation to Wheaton Metro Station for Metrorail Riders

Mode of Transportation	Number	Percent
Dropped off by someone	458	9.5%
Bicycle	33	0.7%
DC Circulator	8	0.2%
Drove a Car	1,757	36.6%
Metrobus	391	8.1%
Montgomery Ride-On	222	4.6%
Other Bus Service	16	0.3%
Rode with someone who parked	74	1.5%
Walked	1,836	38.3%
Total	**4,796**	**100%**

Source: Maryland Department of Transportation, 2009; Washington Metropolitan Area Transit Authority, 2009; BAE, 2009.

Appendix B – Office Market Overview Supporting Data

Figure B- 1: Kensington/Wheaton Office Submarket



Source: CoStar Group, 2009; BAE, 2009.

Table B- 1: Office Market Characteristics, 2000-2009

	Kensington/Wheaton				Montgomery County			
Year (a)	Average Rent (fs)	Net Absorption	New Deliveries (sf)	Vacancy Rate	Average Rent (fs)	Net Absorption	New Deliveries (sf)	Vacancy Rate
2000	$19.49	(34,379)	0	4.7%	$28.35	1,352,536	1,305,689	5.6%
2001	$20.81	14,049	0	3.9%	$28.13	(334,117)	2,295,873	9.9%
2002	$20.75	156	0	3.9%	$27.24	508,623	1,920,282	11.7%
2003	$28.21	(8,698)	65,000	7.6%	$26.28	1,645,701	1,791,061	11.6%
2004	$24.07	17,693	0	6.7%	$25.62	1,813,319	1,353,583	10.6%
2005	$23.47	21,621	0	5.6%	$25.70	1,282,127	296,238	9.0%
2006	$24.05	48,563	0	3.1%	$27.32	934,857	410,999	8.1%
2007	$24.48	(2,367)	0	3.2%	$29.63	105,504	991,818	9.4%
2008	$24.15	(54,702)	0	6.0%	$29.63	(130,499)	889,848	10.8%
2009	$23.67	(36,630)	0	7.9%	$28.84	(679,825)	875,368	12.4%

(a) Data represents the fourth quarter of each year for net absorption and vacancy rate, except for 2009, which represents the second quarter.

Source: Montgomery County Dept. of Economic Development, 2009; CoStar, 2009; BAE, 2009.

Table B- 2: Office Inventory, Current Achievable Rents, and Vacancy by Submarket, Third Quarter 2009

Submarket	Inventory	Rent	Vacancy	SF Vacant
I-270 Corridor North	558,907	$21.11	0.8%	4,471
College Park (a)	18,600	$21.32	22.7%	4,222
Gaithersburg	6,080,436	$22.94	15.0%	912,065
N Silver Spring/Rt 29	3,223,549	$23.01	7.4%	238,543
Kensington/Wheaton	1,971,820	$23.13	9.5%	187,323
Germantown	2,767,688	$23.94	20.8%	575,679
Outlying Montgomery County East	549,340	$24.78	6.4%	35,158
Silver Spring	7,010,760	$27.28	9.3%	652,001
N Rockville	11,929,866	$27.60	16.1%	1,920,708
COUNTY AVERAGE		$29.15	13.1%	
Rockville	9,092,707	$29.97	14.1%	1,282,072
N Bethesda/Potomac	10,781,181	$31.59	15.1%	1,627,958
Outlying Montgomery County West	807,770	$33.15	24.2%	195,480
Bethesda/Chevy Chase	11,886,709	$36.33	9.3%	1,105,464
Total/Weighted Average	**66,679,000**	**$29.15**	**13.1%**	**8,741,000**

Notes:
(a) College Park is included due to its proximity to the Study Area.

Source: Montgomery County Department of Economic Development, 2009; CoStar, 2009; BAE, 2009.

Table B- 3: Inventory of Westfield Office Tenants, September 2009

Name	Building	Type
Kia Tae Lee, CPA	Westfield North	Accountant
W.T.I. Financial Services, Inc.	Westfield North	Accountant
H&R Block Premium Tax Services	Westfield South	Accountant
Leibowitz & Band	Westfield North	Attorney
Law Office of Stanton J. Levinson	Westfield North	Attorney
The Law Offices of Paul A. Samakow	Westfield North	Attorney
Skirble, Joel Atlas	Westfield North	Attorney
Jezic, Krum & Moyse, LLC	Westfield North	Attorney
Montgomery Works	Westfield South	Career/Workforce Counseling
Educational Opportunities Center	Westfield South	Career/Workforce Counseling
Development & Continuing Education- Montgomery College	Westfield South	Career/Workforce Counseling
The Professional Development Institute, Administrative Offices	Westfield North	Career/Workforce Counseling
The Professional Development Institute, Classroom	Westfield North	Career/Workforce Counseling
The Professional Development Institute, Classroom	Westfield North	Career/Workforce Counseling
Workforce Solutions Group	Westfield South	Career/Workforce Counseling
Rehabilitation Experts of MD	Westfield South	Doctor/Mental Health
Mark Hirschfield	Westfield South	Doctor/Mental Health
Martha Mervens	Westfield South	Doctor/Mental Health
Linda Gordon	Westfield South	Doctor/Mental Health
Mary Boylen Wichansky	Westfield South	Doctor/Mental Health
Reed, Matthew, M.P.T.	Westfield North	Doctor/Mental Health
Matsumoto, M.D., Alan K	Westfield North	Doctor/Mental Health
Montgomery Foot & Ankle Association	Westfield North	Doctor/Mental Health
Montgomery Women's Fertility Center	Westfield North	Doctor/Mental Health
Riosenberg, Robert, M.D.	Westfield North	Doctor/Mental Health
Sapin Linda PhD.	Westfield North	Doctor/Mental Health
Siegel, Evan L., MD	Westfield North	Doctor/Mental Health
Spector, Adam K. DPM	Westfield North	Doctor/Mental Health
Total Health Services	Westfield North	Doctor/Mental Health
Urological Consultants, P.A.	Westfield North	Doctor/Mental Health
Eric M. Jeffries, MD	Westfield North	Doctor/Mental Health
NRH/Suburban Regional Rehab	Westfield North	Doctor/Mental Health
Oncology Care Associates, P.A.	Westfield North	Doctor/Mental Health
Orlitan, Eric A., M.D.	Westfield North	Doctor/Mental Health
Osteoporosis Assessment Center	Westfield North	Doctor/Mental Health
pH Advantage, LLC	Westfield North	Doctor/Mental Health
Wheaton Dental Partners	Westfield North	Doctor/Mental Health
Avin, Brian H, M.D.	Westfield North	Doctor/Mental Health
Cheryl A. Aylesworth, M.D.	Westfield North	Doctor/Mental Health
Baraf, Herbert, S.B., MD	Westfield North	Doctor/Mental Health
Bloom, Leonard S., MD	Westfield North	Doctor/Mental Health
Linda M. Burrell, MD	Westfield North	Doctor/Mental Health
The Center for Rheumatology and Bone Research	Westfield North	Doctor/Mental Health
Wellington-Goldsmith, Anne, M.P.T	Westfield North	Doctor/Mental Health
Linda R. Frey, M.D.	Westfield North	Doctor/Mental Health
Goldman, Robert L, MD	Westfield North	Doctor/Mental Health
Holy Cross Anesthesiology Associates	Westfield North	Doctor/Mental Health
Advanced Chiropractic & Rehab Center	Westfield North	Doctor/Mental Health
Allergy Care Centers	Westfield North	Doctor/Mental Health
Arthritis & Rehabilitation Therapy Services	Westfield North	Doctor/Mental Health
Silver Spring/Wheaton Chiropractic Center	Westfield North	Doctor/Mental Health
Paul J. DeMarco, MD	Westfield North	Doctor/Mental Health
Eckmann, Kenneth W. M.D.	Westfield North	Doctor/Mental Health
Famuyiwe, Yemi, M.D.	Westfield North	Doctor/Mental Health
Institute for Asthma & Allergy	Westfield South	Doctor/Mental Health
Sign Language Associates, Inc.,	Westfield South	Doctor/Mental Health
Office of Administrative Hearings	Westfield North	Government
Division of Rehabilitation Services	Westfield South	Government
Allstate Insurance	Westfield South	Insurance
State Farm Insurance	Westfield North	Insurance
State Farm Insurance	Westfield South	Insurance
AAA Insurance Agency	Westfield North	Insurance
Ewing, Hines, & Associates	Westfield South	Insurance
Acosta Services, Inc.	Westfield South	Miscellaneous/Unknown
Barrera & Co.	Westfield North	Miscellaneous/Unknown
JMP Associates, Inc.	Westfield North	Miscellaneous/Unknown
Equipo Atlas	Westfield North	Miscellaneous/Unknown
National City Mortgage Company	Westfield North	Mortgage Broker
Westfield	Westfield North	Property Management
TeleSec CORESTAFF	Westfield North	Staffing

Source: BAE, 2009.

Appendix C– Residential Market Overview Supporting Data

Table C- 1: Annual Sales in Zip Code 20902 and Montgomery County, October 2004 - September 2009

Time Period	Zip Code 20902	Montgomery County
October 2004-September 2005	762	17,720
October 2005-September 2006	659	13,698
October 2006-September 2007	474	10,988
October 2007-September 2008	330	8,059
October 2008-September 2009	431	8,971

Source: Metropolitan Regional Information Statistics, 2009; Statistics, 2009; BAE, 2009.

Table C- 2: Annual Average Price in Zip Code 20902 and Montgomery County, October 2004 - September 2009

Time Period	Zip Code 20902	Montgomery County
October 2004-September 2005	$394,776	$494,019
October 2005-September 2006	$416,653	$526,271
October 2006-September 2007	$420,243	$543,394
October 2007-September 2008	$367,725	$520,539
October 2008-September 2009	$294,885	$440,666

Source: Metropolitan Regional Information Statistics, 2009; BAE, 2009.

Table C- 3: Average Monthly Sale Price, November 2004 - September 2009

Time Period	Zip Code 20902	Montgomery County
Nov-04	$358,500	$365,000
Dec-04	$365,000	$369,900
Jan-05	$360,000	$369,925
Feb-05	$350,000	$375,000
Mar-05	$370,200	$393,450
Apr-05	$400,000	$405,000
May-05	$401,000	$429,900
Jun-05	$417,500	$440,000
Jul-05	$435,000	$460,000
Aug-05	$421,500	$439,000
Sep-05	$425,000	$429,000
Oct-05	$420,700	$429,000
Nov-05	$426,000	$427,000
Dec-05	$427,600	$449,000
Jan-06	$425,000	$425,000
Feb-06	$401,000	$407,250
Mar-06	$445,000	$427,500
Apr-06	$437,900	$435,000
May-06	$438,850	$449,000
Jun-06	$420,000	$467,000
Jul-06	$410,000	$455,000
Aug-06	$400,000	$450,000
Sep-06	$388,500	$435,000
Oct-06	$430,000	$432,000
Nov-06	$445,000	$435,000
Dec-06	$430,000	$435,600
Jan-07	$440,000	$435,000
Feb-07	$412,500	$429,750
Mar-07	$414,000	$430,000
Apr-07	$440,000	$449,750
May-07	$435,000	$445,000
Jun-07	$400,000	$470,000
Jul-07	$420,000	$490,000
Aug-07	$405,000	$462,000
Sep-07	$430,000	$415,000
Oct-07	$364,500	$415,000
Nov-07	$401,750	$410,000
Dec-07	$377,500	$425,500
Jan-08	$375,000	$409,000
Feb-08	$390,000	$415,000
Mar-08	$385,000	$402,500
Apr-08	$349,000	$419,500
May-08	$395,000	$410,000
Jun-08	$352,500	$445,000
Jul-08	$357,500	$408,000
Aug-08	$347,500	$408,000
Sep-08	$335,000	$350,000
Oct-08	$318,700	$370,000
Nov-08	$269,450	$330,000
Dec-08	$309,000	$341,750
Jan-09	$293,450	$319,000
Feb-09	$255,500	$315,500
Mar-09	$307,500	$339,000
Apr-09	$271,000	$337,975
May-09	$310,000	$358,117
Jun-09	$315,000	$376,900
Jul-09	$289,250	$375,000
Aug-09	$279,900	$355,000
Sep-09	$270,000	$330,000

Source: Metropolitan Regional Information Statistics, 2009; BAE, 2009.

Table C- 4: Historic Building Permit Trends, 2000 - 2009

	Montgomery County	
Year	Single-Family	Multifamily
2000	2,931	2,019
2001	3,191	2,058
2002	2,909	2,104
2003	2,339	2,089
2004	2,376	1,445
2005	1,700	1,891
2006	1,237	1,794
2007	1,408	2,051
2008	997	479
2009 (a)	455	0

Notes:
(a) Includes building permits issued through July 2009.

Source: U.S. Department of Housing and Urban Development, 2009; BAE, 2009.

Table C- 5: Growth in Households by Household Size in Montgomery County, Prince George's County and Washington, D.C.; 2009 - 2014

Household Size	Number	Percent
1-Person	9,010	37.9%
2-Person	5,960	25.0%
3-Person	4,040	17.0%
4-Person	2,120	8.9%
5-Person	1,400	5.9%
6-Person	910	3.8%
7-Person	360	1.5%
Total	**23,800**	**100%**

Source: Claritas, Inc., 2009; BAE, 2009.

Table C- 6: Growth in Households by Age of Householders in Montgomery County, Prince George's County and Washington, D.C, 2009 - 2014

Age	Change
Under 25	-3,018
25-34	-3,261
35-44	-16,604
45-54	-1,537
55-64	20,395
65-74	22,852
75 and Older	4,968

Source: Claritas, Inc., 2009; BAE, 2009.

Table C- 7: Growth by Tenure of Householder in Montgomery County Prince George's County and Washington, D.C., 2009 - 2014

Tenure	Hispanic/ Latino	Non-Hispanic/ Latino
Rent	5,956	1,751
Own	8,964	7,124

Source: Claritas, 2009; BAE, 2009.

Table C- 8: Population Growth by Race/Ethnicity (in 1,000s) for Montgomery County, 2000 - 2040

Year	White Non-Hispanic	Black Non-Hispanic	Asian American	Hispanic/ Latino
2000	531.8	136.7	105.0	101.8
2001	535.5	139.8	109.5	108.0
2002	535.7	142.1	114.0	114.2
2003	534.1	144.0	118.0	118.9
2004	531.1	145.8	121.0	123.0
2005	529.4	148.1	123.6	126.9
2006	526.4	150.7	125.8	130.9
2007	523.6	152.1	128.7	134.8
2008	520.9	154.7	132.1	140.7
2009	513.9	158.0	136.0	148.0
2010	507.0	161.1	139.8	155.4
2011	500.0	164.2	143.7	162.9
2012	493.0	167.1	147.6	170.7
2013	486.0	170.1	151.5	178.6
2014	479.0	172.9	155.3	186.7
2015	471.9	175.7	159.1	195.0
2016	464.7	178.4	163.1	203.6
2017	457.3	181.1	167.0	212.4
2018	449.9	183.6	170.8	221.5
2019	442.4	186.1	174.7	230.8
2020	434.7	188.5	178.5	240.4
2021	426.8	190.8	182.3	250.3
2022	418.8	193.1	186.2	260.5
2023	410.7	195.3	189.9	270.9
2024	402.3	197.4	193.6	281.7
2025	393.9	199.4	197.4	292.7
2026	385.3	201.3	201.2	303.9
2027	376.4	203.2	204.9	315.4
2028	367.5	205.0	208.6	327.3
2029	358.4	206.7	212.3	339.3
2030	349.3	208.2	216.1	351.5
2031	340.0	209.6	219.7	364.0
2032	330.8	210.9	223.4	376.6
2033	321.5	212.1	227.2	389.3
2034	312.4	213.3	230.8	402.0
2035	303.2	214.3	234.5	414.9
2036	294.1	215.2	238.2	427.9
2037	284.9	216.1	241.7	441.2
2038	275.7	216.9	245.1	454.7
2039	266.7	217.4	248.4	468.3
2040	257.9	217.9	251.7	481.9
Total Change	**-273.9**	**81.1**	**146.7**	**380.1**

Source: Woods and Poole, 2009; BAE, 2009.

Appendix D– Retail Market Overview Supporting Data

Table D- 1: Wheaton Retail Business Inventory, September 2009

Business Name	Type
Dippin' Dots	Foodservice and Drinking Places
Acapulco Restaurant	Foodservice and Drinking Places
Alchemy Caterers	Foodservice and Drinking Places
Baja Bistro	Foodservice and Drinking Places
Baskin Robbins	Foodservice and Drinking Places
Best Chicken	Foodservice and Drinking Places
Bourbon Street Café	Foodservice and Drinking Places
Brazilian Market	Foodservice and Drinking Places
Brothers Restaurant and Carry-Out	Foodservice and Drinking Places
Bubble Tea	Foodservice and Drinking Places
Buffalo Wings & Beer	Foodservice and Drinking Places
Cabanita Restaurant	Foodservice and Drinking Places
Candy World	Foodservice and Drinking Places
Caramelo Bakery	Foodservice and Drinking Places
Catering by Anna Saint John	Foodservice and Drinking Places
Charley's Grilled Subs	Foodservice and Drinking Places
Chicago Bakery Inc	Foodservice and Drinking Places
Chicken Basket	Foodservice and Drinking Places
The Chicken Place	Foodservice and Drinking Places
Christina's Italian Ristorante	Foodservice and Drinking Places
Country Chicken/Pollo Sabroso	Foodservice and Drinking Places
Crisp & Juicy	Foodservice and Drinking Places
Dae Sung Kwan	Foodservice and Drinking Places
DeJaBel Café	Foodservice and Drinking Places
Dunkin Donuts	Foodservice and Drinking Places
Dunkin Donuts	Foodservice and Drinking Places
Dusit Thai Cuisine	Foodservice and Drinking Places
El Boqueron Restaurant	Foodservice and Drinking Places
El Pollito	Foodservice and Drinking Places
El Pollo Kiki Riki	Foodservice and Drinking Places
El Pollo Rico	Foodservice and Drinking Places
El Puente de Oro	Foodservice and Drinking Places
Full Key Restaurant	Foodservice and Drinking Places
Good Fortune Restaurant	Foodservice and Drinking Places
Granja de Oro	Foodservice and Drinking Places
Grill Cancun	Foodservice and Drinking Places
IHOP	Foodservice and Drinking Places
Intipuqueno	Foodservice and Drinking Places
Irene's Pupusas	Foodservice and Drinking Places
Irene's Pupusas 3	Foodservice and Drinking Places
Jose's Grill Fine American Cuisine	Foodservice and Drinking Places
Juanita's Kitchen	Foodservice and Drinking Places
Kantutas	Foodservice and Drinking Places
Kenny's Sub Shop	Foodservice and Drinking Places
Kentucky Fried Chicken/Taco Bell	Foodservice and Drinking Places
La Antigua	Foodservice and Drinking Places
Ledo Pizza	Foodservice and Drinking Places
Los Cobanos Restaurant	Foodservice and Drinking Places
Lucia's Authentic Italian Deli	Foodservice and Drinking Places

Matamoros Restaurant	Foodservice and Drinking Places
Max's Kosher Café	Foodservice and Drinking Places
McDonald's	Foodservice and Drinking Places
Mi Peru	Foodservice and Drinking Places
Paul Kee Restaurant	Foodservice and Drinking Places
Pho Heip Hoa Restaurant	Foodservice and Drinking Places
Pollo Campero	Foodservice and Drinking Places
Provisions LLC Catering	Foodservice and Drinking Places
Rock Creek Catering	Foodservice and Drinking Places
Ruan Thai Restaurant	Foodservice and Drinking Places
Samantha's Diner and Bakery	Foodservice and Drinking Places
Subway	Foodservice and Drinking Places
Super Chicken Pio Pio	Foodservice and Drinking Places
Suporn Thai Restaurant	Foodservice and Drinking Places
Telvis Restaurant	Foodservice and Drinking Places
Umberto's	Foodservice and Drinking Places
Won City	Foodservice and Drinking Places
Wong Gee	Foodservice and Drinking Places
Woomi Restaurant	Foodservice and Drinking Places
Arby's	Foodservice and Drinking Places
Dippin' Dots	Foodservice and Drinking Places
Hollywood East Café	Foodservice and Drinking Places
Honeybee Bakery	Foodservice and Drinking Places
Ice Berry	Foodservice and Drinking Places
Ice Ice Baby	Foodservice and Drinking Places
Green Leaf Grille/Bananas	Foodservice and Drinking Places
Hershey's Ice Cream	Foodservice and Drinking Places
McDonald's	Foodservice and Drinking Places
Ming Tree	Foodservice and Drinking Places
PJ's Rice Bistro Bar & Sushi	Foodservice and Drinking Places
Popeye's	Foodservice and Drinking Places
Quizno's Subs	Foodservice and Drinking Places
Ruby Tuesday	Foodservice and Drinking Places
Sarku Japan	Foodservice and Drinking Places
Sbarro	Foodservice and Drinking Places
Starbucks	Foodservice and Drinking Places
Starbucks	Foodservice and Drinking Places
The Steak Escape	Foodservice and Drinking Places
Subway	Foodservice and Drinking Places
Alamo Grill Tex-Mex	Foodservice and Drinking Places
Cabanita Peruvian Restaurant	Foodservice and Drinking Places
DeJaBel Café	Foodservice and Drinking Places
El Pugarcito del Callao	Foodservice and Drinking Places
Ferdinand's Restaurant	Foodservice and Drinking Places
Los Chorros Restaurant	Foodservice and Drinking Places
Marchones Italian Specialties	Foodservice and Drinking Places
Moby Dick Sushi	Foodservice and Drinking Places
Nava Thai	Foodservice and Drinking Places
Nick's Diner	Foodservice and Drinking Places
Nut House Pizza	Foodservice and Drinking Places

Royal Mile Pub	Foodservice and Drinking Places
Sergio's Place Restaurant	Foodservice and Drinking Places
Saigonese Restaurant	Foodservice and Drinking Places
Song Phat Noodle Grill	Foodservice and Drinking Places
Caramelo Bakery	Foodservice and Drinking Places
Gail's Vegetarian Catering	Foodservice and Drinking Places
GiraMondo Win e Adventures	Foodservice and Drinking Places
Dessie Ethiopian Restaurant & Market	Foodservice and Drinking Places
Auntie Anne's	Foodservice and Drinking Places
Auntie Anne's II	Foodservice and Drinking Places
Baja Fresh	Foodservice and Drinking Places
Candy World	Foodservice and Drinking Places
Dunkin Donuts	Foodservice and Drinking Places
Mrs. Field's	Foodservice and Drinking Places
Texas BBQ Factory	Foodservice and Drinking Places
Legends	Foodservice and Drinking Places
Banner's Hallmark	Miscellaneous Store Retailers
Dollar Ocean	Miscellaneous Store Retailers
Office Depot	Miscellaneous Store Retailers
Rainbow Image	Miscellaneous Store Retailers
UPS Store	Miscellaneous Store Retailers
Wheaton Newsstand	Miscellaneous Store Retailers
Four J's Party Supply	Miscellaneous Store Retailers
Instant Sign Center	Miscellaneous Store Retailers
Bennett's House of Flowers	Miscellaneous Store Retailers
V.A. Bag	Miscellaneous Store Retailers
Taramina Invitations, Favors & Accessories	Miscellaneous Store Retailers
The Little Bitts Shop	Miscellaneous Store Retailers
A-One Cash	Miscellaneous Store Retailers
The Four J's Party Supplies	Miscellaneous Store Retailers
The Gallery Flower and Gifts	Miscellaneous Store Retailers
Borders Express	Sporting Goods, Hobby, Book, Music Stores
Champs Sports	Sporting Goods, Hobby, Book, Music Stores
Sports Zone	Sporting Goods, Hobby, Book, Music Stores
Yankee Candle	Sporting Goods, Hobby, Book, Music Stores
Chuck Levin's Washington Music Center	Sporting Goods, Hobby, Book, Music Stores
Z7	Sporting Goods, Hobby, Book, Music Stores
Zodiac	Sporting Goods, Hobby, Book, Music Stores
Wild Bird Center	Sporting Goods, Hobby, Book, Music Stores
Wheaton Cycles Inc.	Sporting Goods, Hobby, Book, Music Stores
Video 95 by Nite	Sporting Goods, Hobby, Book, Music Stores
Video Liquidators	Sporting Goods, Hobby, Book, Music Stores
Uno Billiards	Sporting Goods, Hobby, Book, Music Stores
Thai Asian Tape	Sporting Goods, Hobby, Book, Music Stores
Tienda Sula y Musica	Sporting Goods, Hobby, Book, Music Stores
New Mya Video	Sporting Goods, Hobby, Book, Music Stores
The Official Washington Redskins Store	Sporting Goods, Hobby, Book, Music Stores
La Musica Record	Sporting Goods, Hobby, Book, Music Stores
Elli-Chai's One Stop Judica Shop	Sporting Goods, Hobby, Book, Music Stores
Emanuel Christian Bookstore	Sporting Goods, Hobby, Book, Music Stores
Dae Sung Video	Sporting Goods, Hobby, Book, Music Stores
Cadmus II Video Newstand	Sporting Goods, Hobby, Book, Music Stores
Billio Billiards	Sporting Goods, Hobby, Book, Music Stores
Barbarian Book Shop	Sporting Goods, Hobby, Book, Music Stores
Artistic Framing and Gallery	Sporting Goods, Hobby, Book, Music Stores

Wheaton Studio of Dance	Sporting Goods, Hobby, Book, Music Stores
Ray Picture Frame	Sporting Goods, Hobby, Book, Music Stores
The Toy Exchange	Sporting Goods, Hobby, Book, Music Stores
American Beauty Academy	Health and Personal Care Stores
Bath & Body Works	Health and Personal Care Stores
Bally Total Fitness	Health and Personal Care Stores
Bubbles	Health and Personal Care Stores
Carol's Daughter	Health and Personal Care Stores
Custom Tailors	Health and Personal Care Stores
CVS Pharmacy	Health and Personal Care Stores
Elle Braiding	Health and Personal Care Stores
Eterna Day Spa	Health and Personal Care Stores
General Nutrition Center	Health and Personal Care Stores
Hair Cuttery	Health and Personal Care Stores
Lenscrafters	Health and Personal Care Stores
Health Magic	Health and Personal Care Stores
JC Penney Optical	Health and Personal Care Stores
JC Penney Salon & Day Spa	Health and Personal Care Stores
Lovely Hair & Nails	Health and Personal Care Stores
Mastercuts	Health and Personal Care Stores
The Nail Bar	Health and Personal Care Stores
Perfumania	Health and Personal Care Stores
Piercing Pagoda	Health and Personal Care Stores
Regis Hairstylists	Health and Personal Care Stores
Scents & Such	Health and Personal Care Stores
Trade Secret	Health and Personal Care Stores
Vitamin World	Health and Personal Care Stores
CVS Pharmacy	Health and Personal Care Stores
Derrick and Darren's Barber Shop	Health and Personal Care Stores
AT&T Wireless	Electronics and Appliance Stores
AT&T Wireless	Electronics and Appliance Stores
Best Buy Mobile	Electronics and Appliance Stores
Digital Wireless Solutions	Electronics and Appliance Stores
F.Y.E. For Your Entertainment	Electronics and Appliance Stores
GameStop	Electronics and Appliance Stores
ID Communications	Electronics and Appliance Stores
Mobile Solutions	Electronics and Appliance Stores
Mobile Solutions	Electronics and Appliance Stores
Nextel Wireless	Electronics and Appliance Stores
PCC Wireless	Electronics and Appliance Stores
Radio Shack	Electronics and Appliance Stores
Ritz Camera One Hour Photo	Electronics and Appliance Stores
Simply Wireless	Electronics and Appliance Stores
Sprint	Electronics and Appliance Stores
Verizon FIOS	Electronics and Appliance Stores
Wireless Champs	Electronics and Appliance Stores
Washington Professional Systems	Electronics and Appliance Stores
TCS Associates	Electronics and Appliance Stores
Smart Computer Company	Electronics and Appliance Stores
Johanna's Vacuum Sales and Service	Electronics and Appliance Stores

WISE Comprehensive Solutions LLC	Electronics and Appliance Stores
Best Buy	Electronics and Appliance Stores
Choice Electronics	Electronics and Appliance Stores
Cingular Wireless	Electronics and Appliance Stores
ProTech	Electronics and Appliance Stores
Radio Shack	Electronics and Appliance Stores
Mobile One	Electronics and Appliance Stores
Jcomputers	Electronics and Appliance Stores
International Media Academy	Electronics and Appliance Stores
Da Lounge	Electronics and Appliance Stores
Cricket Wireless	Electronics and Appliance Stores
America Wireless	Electronics and Appliance Stores
Aeropostale	Clothing and Clothing Accessories Stores
Aldo	Clothing and Clothing Accessories Stores
American Eagle Outfitters	Clothing and Clothing Accessories Stores
Aria Collection	Clothing and Clothing Accessories Stores
Ashley Stewart	Clothing and Clothing Accessories Stores
Baker's Shoes	Clothing and Clothing Accessories Stores
Boardwalk	Clothing and Clothing Accessories Stores
Body Basic	Clothing and Clothing Accessories Stores
Chameleon	Clothing and Clothing Accessories Stores
Charlotte Russe	Clothing and Clothing Accessories Stores
The Children's Place	Clothing and Clothing Accessories Stores
CJ Watch & Jewelry Repair	Clothing and Clothing Accessories Stores
Claire's	Clothing and Clothing Accessories Stores
Deb & Deb Plus	Clothing and Clothing Accessories Stores
DSW Shoes	Clothing and Clothing Accessories Stores
DTLR	Clothing and Clothing Accessories Stores
Dynamix	Clothing and Clothing Accessories Stores
Easy Spirit	Clothing and Clothing Accessories Stores
Ego Vanity	Clothing and Clothing Accessories Stores
Elite Gold & Diamonds	Clothing and Clothing Accessories Stores
Express/Express Men	Clothing and Clothing Accessories Stores
Express Shoes	Clothing and Clothing Accessories Stores
Fashion Time	Clothing and Clothing Accessories Stores
Finish Line	Clothing and Clothing Accessories Stores
Footaction	Clothing and Clothing Accessories Stores
Foot Locker	Clothing and Clothing Accessories Stores
Forever 21	Clothing and Clothing Accessories Stores
G by Guess	Clothing and Clothing Accessories Stores
Gold Palace	Clothing and Clothing Accessories Stores
Gymboree	Clothing and Clothing Accessories Stores
Hat Shack	Clothing and Clothing Accessories Stores
Heritage Jewelers	Clothing and Clothing Accessories Stores
Hollister	Clothing and Clothing Accessories Stores
Hot Topic	Clothing and Clothing Accessories Stores
Journeys	Clothing and Clothing Accessories Stores
Kay Jewelers	Clothing and Clothing Accessories Stores
Kid's Footlocker	Clothing and Clothing Accessories Stores
Lady Footlocker	Clothing and Clothing Accessories Stores

Laila Rowe	Clothing and Clothing Accessories Stores
Lane Bryant	Clothing and Clothing Accessories Stores
Last Stop	Clothing and Clothing Accessories Stores
Lids	Clothing and Clothing Accessories Stores
Lucaya	Clothing and Clothing Accessories Stores
LVLX	Clothing and Clothing Accessories Stores
Man Alive	Clothing and Clothing Accessories Stores
Men's Wearhouse and Tux	Clothing and Clothing Accessories Stores
Milano	Clothing and Clothing Accessories Stores
Modern Image	Clothing and Clothing Accessories Stores
Motherhood Maternity	Clothing and Clothing Accessories Stores
New York & Co.	Clothing and Clothing Accessories Stores
Nine West	Clothing and Clothing Accessories Stores
Old Navy	Clothing and Clothing Accessories Stores
Pac Sun	Clothing and Clothing Accessories Stores
Payless Shoe Source	Clothing and Clothing Accessories Stores
Rave	Clothing and Clothing Accessories Stores
Ruby Jewelers	Clothing and Clothing Accessories Stores
Shaw's Jewelry	Clothing and Clothing Accessories Stores
Shoe City	Clothing and Clothing Accessories Stores
Shoe Department	Clothing and Clothing Accessories Stores
Stride Rite	Clothing and Clothing Accessories Stores
Sunglass Hut	Clothing and Clothing Accessories Stores
Sun's Jewelry & Clock	Clothing and Clothing Accessories Stores
Underground Station	Clothing and Clothing Accessories Stores
Up Against the Wall	Clothing and Clothing Accessories Stores
Victoria's Secret	Clothing and Clothing Accessories Stores
Zales Jewelers	Clothing and Clothing Accessories Stores
The Athlete's Foot	Clothing and Clothing Accessories Stores
Wilson's	Clothing and Clothing Accessories Stores
Whitehall Jewelers	Clothing and Clothing Accessories Stores
Washington Uniforms	Clothing and Clothing Accessories Stores
The Arc of Montgomery County Thrift Store	Clothing and Clothing Accessories Stores
Triangle Watch Repair	Clothing and Clothing Accessories Stores
Royal Jewelry	Clothing and Clothing Accessories Stores
Lindo Jewelry & Gifts	Clothing and Clothing Accessories Stores
Le Jewelry & Gifts	Clothing and Clothing Accessories Stores
Gold Center	Clothing and Clothing Accessories Stores
Gold Mine	Clothing and Clothing Accessories Stores
Diamond Jewelers	Clothing and Clothing Accessories Stores
Concord Jeweler	Clothing and Clothing Accessories Stores
Accent Jewelers	Clothing and Clothing Accessories Stores
Waldman and Diamond, Chartered	Clothing and Clothing Accessories Stores
Renegade T-Shirts	Clothing and Clothing Accessories Stores
Wheaton Body Shop	Motor Vehicle and Parts Dealers
Central Auto Care	Motor Vehicle and Parts Dealers
Giant Food	Food and Beverage Stores
Filipino Home Baking and Grocery Store	Food and Beverage Stores
Hung Phat Grocery	Food and Beverage Stores
La Salvadorenita Grocery	Food and Beverage Stores

Thomas Market	Food and Beverage Stores
Safeway	Food and Beverage Stores
Elbe's Beer and Wine	Food and Beverage Stores
Wheaton Winery	Food and Beverage Stores
Wheaton Natural Health Foods	Food and Beverage Stores
The Brazilian Market	Food and Beverage Stores
Sandy's Sweet Shop	Food and Beverage Stores
Shalom Strictly Kosher Market Deli	Food and Beverage Stores
Montgomery County Liquor Store	Food and Beverage Stores
Little Bitts Shop	Food and Beverage Stores
Mangos Market	Food and Beverage Stores
Partytime Beer & Wine	Food and Beverage Stores
Latin & American Market	Food and Beverage Stores
Latin-America Plaza Market	Food and Beverage Stores
Latino Market	Food and Beverage Stores
Le International Market	Food and Beverage Stores
Ethiopia Plus Market	Food and Beverage Stores
Brazilian Market	Food and Beverage Stores
Asian Food Inc	Food and Beverage Stores
Cheese & Wine Shoppe	Food and Beverage Stores
7-Eleven	Food and Beverage Stores
JC Penney	General Merchandise Stores
Macy's	General Merchandise Stores
Target	General Merchandise Stores
Mattress City	Furniture and Home Furninshing Stores
Mattress Discounters	Furniture and Home Furninshing Stores
Mattress Warehouse	Furniture and Home Furninshing Stores
All Eco Center	Building Material, Garden Equipment Store

Source: Westfield, 2009; Wheaton Redevelopment Program, 2009; BAE, 2009.

Table D- 2: Wheaton/Kensington Retail Submarket Trends, 2000 - 2009

	Kensington/Wheaton			
Year (a)	Average Rent (fs)	Net Absorption	New Deliveries (sf)	Vacancy Rate
2000	$12.00	(1,203)	6,647	0.1%
2001	$9.00	2,860	0	0.2%
2002	$9.00	1,981	0	0.1%
2003	$13.04	(111,565)	0	1.2%
2004	$26.26	28,651	0	1.1%
2005	$31.39	7,535	0	1.6%
2006	$27.29	53,848	0	1.1%
2007	$29.52	40,862	52,644	0.6%
2008	$30.84	(16,674)	18,000	1.3%
2009	$27.77	(9,144)	14,756	2.3%

(a) Data represents the fourth quarter of each year for net absorption and vacancy rate, except for 2009, which represents the second quarter.

Source: Montgomery County Dept. of Economic Development, 2009; CoStar, 2009; BAE, 2009.

Table D- 3: Expanding Retailers and Restaurants, 2009

Retailer or Restaurant	Typical Size Range (SF)	Targeting Region? (a)	Fit with Wheaton? (b)	In Wheaton Already?
Carter's/OshKosh	2,000-4,000	Yes	Strong	No
Citi Trends	5,000	Yes	Strong	No
Cost Cutters	900-1,200	Yes	Strong	No
Gamer Doc	80-1,500	Yes	Strong	No
H&M	10,000-40,000	Yes	Strong	No
Rainbow	5,000	Yes	Strong	No
Sprouts Organic Grocery	20,000-30,000	Yes	Strong	No
Sylvan Learning Centers	1,600-2,500	Yes	Strong	No
The Avenue	4,500	Yes	Strong	No
Boston Market	Up to 3,500	Yes	Moderate	No
Einstein's/Noah's	Up to 2,500	Yes	Moderate	No
Extreme Pita	1,000-2,000	Yes	Moderate	No
Extreme Pizza	Up to 2,500	Yes	Moderate	No
Jimmy John's	Up to 1,500	Yes	Moderate	No
Johnny Rockets	Up to 3,500	Yes	Moderate	No
Julie's Thin Crust	Up to 2,500	Yes	Moderate	No
L&L Hawaiian BBQ	Up to 2,500	Yes	Moderate	No
Maos Vegetarian	1,000	Yes	Moderate	No
Marco's Pizza	Up to 1,400	Yes	Moderate	No
Pho Hoa	2,000-4,000	Yes	Moderate	No
Pinkberry	Up to 2,000	Yes	Moderate	No
Pizzeria Venti	2,500	Yes	Moderate	No
Popeye's Chicken	2,500	Yes	Moderate	No
Red Mango	Up to 1,200	Yes	Moderate	No
Sandella's Flatbread	Up to 1,500	Yes	Moderate	No
Shakey's Pizza	Up to 4,000	Yes	Moderate	No
Smashburger	1,800	Yes	Moderate	No
Spicy Pickle	Up to 1,800	Yes	Moderate	No
Submarina	Up to 2,500	Yes	Moderate	No
ToGo's	Up to 2,400	Yes	Moderate	No
Bad Ass Coffee	Up to 1,800	Yes	Strong	No
Churro Station	800	Yes	Strong	No
Cici's Pizza	Up to 4,200	Yes	Strong	No
El Pollo Loco	Up to 3,500	Yes	Strong	No
Five Guys Burgers & Fries	1,000-2,000	Yes	Strong	No
Panera Bread	Up to 4,500	Yes	Strong	No
Sonoma Chicken Coop	5,000-8,000	Yes	Strong	No
Wing Stop	1,500	Yes	Strong	No

(a) The region is defined as the greater Washington, DC-Baltimore region.
(a) Fit with Wheaton factors in quantitative criteria such as typical size and target demographics as well as qualitative criteria such as fit with Wheaton's character.

Source: Colliers, International, 2009; Metrovation, 2009; BAE, 2009.