

Executive Summary of Commercial Market Study and Economic Development Strategy

Streetsense, in partnership with RCLCO, conducted a comprehensive commercial diagnostic that will help inform the Town's zoning update and development of the Town's seminal Economic Development Strategy. The following summary is only intended as an introductory document to the full report and Town Council presentation that will be made on May 10. It highlights key findings from Phase 1 (Immersion & Discovery) and Phase 2 (Diagnostic/Commercial Market Study) of this engagement. Phase 3 (Strategy) will commence in May 2021 for expected completion in July 2021.

For more detailed information, please refer to the full report which will be made available on the Town's website.

Understanding the Ecosystem

1. **Economic Development is reliant on an ecosystem that offers businesses the full suite of amenities and conditions necessary for success.** Attention must be paid to the each of the various uses – retail, office, residential, hospitality – that contribute to this ecosystem.
 - a. For example, business location decisions are often predicated on access to convenient and accessible housing for a growing workforce and likewise, retail is increasingly dependent on spending from a strong resident customer base.
2. The Town of **Vienna operates within a much larger and competitive commercial landscape**, which affects the Town's ability to retain market share.
 - a. Competitors range from strip-style centers offering local convenience goods and services on highly visible corridors (e.g. Oakton Shopping Center, Fairfax Plaza) to regional destination-oriented commercial districts that serve Northern Virginia including downtown Main Streets and highly activated lifestyle centers (e.g. Tysons Corner, Mosaic District, Reston Town Center). **Many of these centers are also new or recently renovated and therefore offer businesses the benefit of highly visible and well-amenitized spaces.**

Summary of Findings for Retail, Office, Residential, Industry and Hospitality

A. Overview of Retail Market

1. **Current Supply:** There is approximately 1,051,000 square feet of existing retail-appropriate space within the Town of Vienna, of which 832,000 square feet (88%) is occupied by retail tenants.
 - o The Town of Vienna is a **predominantly neighborhood serving market**. Neighborhood Goods & Services¹ tenants make up the majority of retail spaces within the Town at 41%, or 336,000 SF, of the total retail-occupied inventory.
 - o **Only 1 in 5 retail business in the Town of Vienna is a national chain.** The business mix of the Town of Vienna truly reflects its small town character with a large share of businesses being locally-grown. National chains, however, occupy larger spaces and measure about one-third of total retail supply (284,330 SF), of which most are located on Maple Avenue (84%).
2. **Projected Demand:** By 2031, assuming current rate of household growth and spending, the Town may expect an increase in total retail demand of 27,000-35,000SF (*current demand: 544,000-724,000 SF to projected demand: 571,000-759,000SF*). **When compared with existing supply, the Town is projected to have an oversupply of retail space.**
 - o The Town's **oversupply in retail is largely driven by limited demand in General Merchandise, Apparel, Furnishings & Other (GAFO)**, a category of retail that is particularly at risk from on-line spending and regional competition.

B. Overview of Office Market

1. **Current Supply:** There is nearly 2.1 million square feet of existing office supply in the Town of Vienna, with a higher than national average occupancy rate of 93.0%. However, 11% of office space is currently occupied by non-office tenants, particularly retail.

¹ NG&S retailers rely on spending from nearby residents, students, and employees. NG&S is "convenience-based" retail (e.g. grocery store, drug store/pharmacy, nail and hair salon, etc.) that must be located within proximity to a customer's place of work or home with easy access (by foot/bike/transit, private vehicle) and/or convenient parking. Generally, customers will travel to the nearest NG&S offering available to them.

- Of 1.9 million square feet of space that are occupied by office users, the **majority of tenants are professional offices** (69.2%) that are **neighborhood- and service-oriented**, as well as medical providing direct services to the local household base.
- 2. **Employment Trends:** The employment base in Vienna is very specialized compared to the employment base in Fairfax County as a whole. **Vienna has significantly less than its “fair share”² of Professional & Business Services jobs in Fairfax County**, despite rapid growth in other jurisdictions.
- 3. **Projected Demand – “Status Quo Scenario”** in which there are no strategies targeted at attracting businesses: If Vienna continues to capture regional employment across various sectors at the same rate as it has historically, by 2040, the Town may expect to **add 419 new office-using jobs, creating demand for 84,000 SF of new office space.**
- 4. **Projected Demand – “Upside Scenario”:** If Vienna is proactive in attracting new businesses in the target industry ‘Professional & Business Services’, by 2040, the Town may expect to **add 1,709 new office-using jobs, creating demand for 342,000 SF of new office space.**

C. Overview of Industrial Market

1. **Current Supply:** There is approximately 320,000 square feet of existing industrial space in the Town of Vienna.
 - Industrial spaces in the Town are generally **well-occupied, though often by office and retail users instead of industrial ones.** The industrial utilization rate is therefore low (58.2%).
 - Similar to office users, most **industrial users in the Town of Vienna are consumer-facing, providing production and repair services to the local community** and necessitating space that allows for some interaction with customers.
2. **Employment Trends: Manufacturing industry in Fairfax County has declined significantly**, and it is now less than half the size it was at the start of 2000.
 - **Contraction due to automation and land cost pressures** that have resulted in businesses relocating to lower cost submarkets.
3. **Projected Demand – “Status Quo Scenario”:** Aligned with regional trends, Vienna will likely see continued **reduction in its industrial base leading to net reduction of -37,000 SF** without intervention.
4. **Projected Demand – “Upside Scenario”:** If Vienna is proactive in preserving existing industrial businesses, as well as attracting a small portion of existing industrial-using jobs from elsewhere in Fairfax County, it may be able to **backfill the existing 37,000 SF of vacant industrial space.**
5. Please note that upon further research, the Town is found to be an unlikely suitable site for data centers, specifically. This is primarily due to high land costs. Most data centers in the region are currently located out in Loudoun County or further south where commercial land values range \$500k-\$1-1.5million per acre, compared with Vienna’s \$7-8 million per acre.

D. Overview of Residential Market

1. **Current Supply:** Of existing housing units, the Town only has 534 multi-family units or 9% of total housing units – compared with 45% in Falls Church, 33% in Herndon, and 25% in Fairfax City.
 - The Town’s **current approach to housing places it in a distinct regional disadvantage in growing commercial development.** Shortage of attainable housing options places limitations on the households that can live, work and shop in Vienna.
 - 83% of existing housing options in Vienna are single-family detached homes, leading to **challenges in housing affordability** (in 2020, only 34% of home sales in Vienna were below \$750,000 compared with 48% in Falls Church, 75% in Fairfax and 88% in Herndon)
2. There is an **unmet need for more diverse and attainably priced housing options** in the Town of Vienna, particularly for **empty nester/retiree population and young professionals**, as well as **households making between \$50,000-\$150,000.**
 - **The Town of Vienna will require between 1,600 and 2,400 additional multifamily units just to “catch up”** to other nearby jurisdictions such as Falls Church, Herndon and Fairfax City.

²“Fair share” refers to the proportionate capture of each industry, calculated as the percent of the overall job base that the industry represents in Vienna divided by the percent of the overall job base that it represents in Fairfax County as a whole.

E. Overview of Hospitality Market (Long-Term Opportunity)

1. **Boutique hotel development with up to 150 keys is likely an opportunity for the mid to long term (10 years+)**, once the hospitality industry has recovered from the pandemic, and once the existing amenity base in Vienna has been further strengthened.
 - o **Maple Ave/Church Street (proposed Avenue Center District) appear to be the most attractive locations for boutique hotel development** due to proximity to employment base, retail, dining and amenities.

Principles for Discussion: Town of Vienna Economic Development Strategy

1. Support mixed use redevelopment at Avenue Center district*
2. Actively preserve industrial businesses on Mill St*

Other Principles that will guide the Town of Vienna Economic Development Strategy

1. Invest in place and create a park-once-and-walk environment
2. Create business-friendly regulatory and permitting frameworks
3. Attract creative office users

**Key areas of discussion with Town Council*