

Commercial Market Study and Economic Development Strategy

Diagnostic

Presentation to Town Council
(May 10, 2021)

Project Goals/Objectives

- 1 *Give the Town direction to utilize its resources to help revitalize Maple Avenue and other nodes*
- 2 *Determine supportable commercial uses in the Town to inform new zoning districts*
- 3 *Determine competitive advantage/disadvantages in order to generate tax revenue*
- 4 *Understand how to better assist businesses in locating and thriving in Vienna (post-pandemic business retention and attraction)*
- 5 *Improve place qualities that help make the Town an attractive place to live and do business*

Town of Vienna | Study Area

Key Commercial Nodes:

Mill Street

Church St

Follin Lane

Maple Ave



Project Phases

Diagnostic



Strategy

Supply



Physical Environment



Business Environment

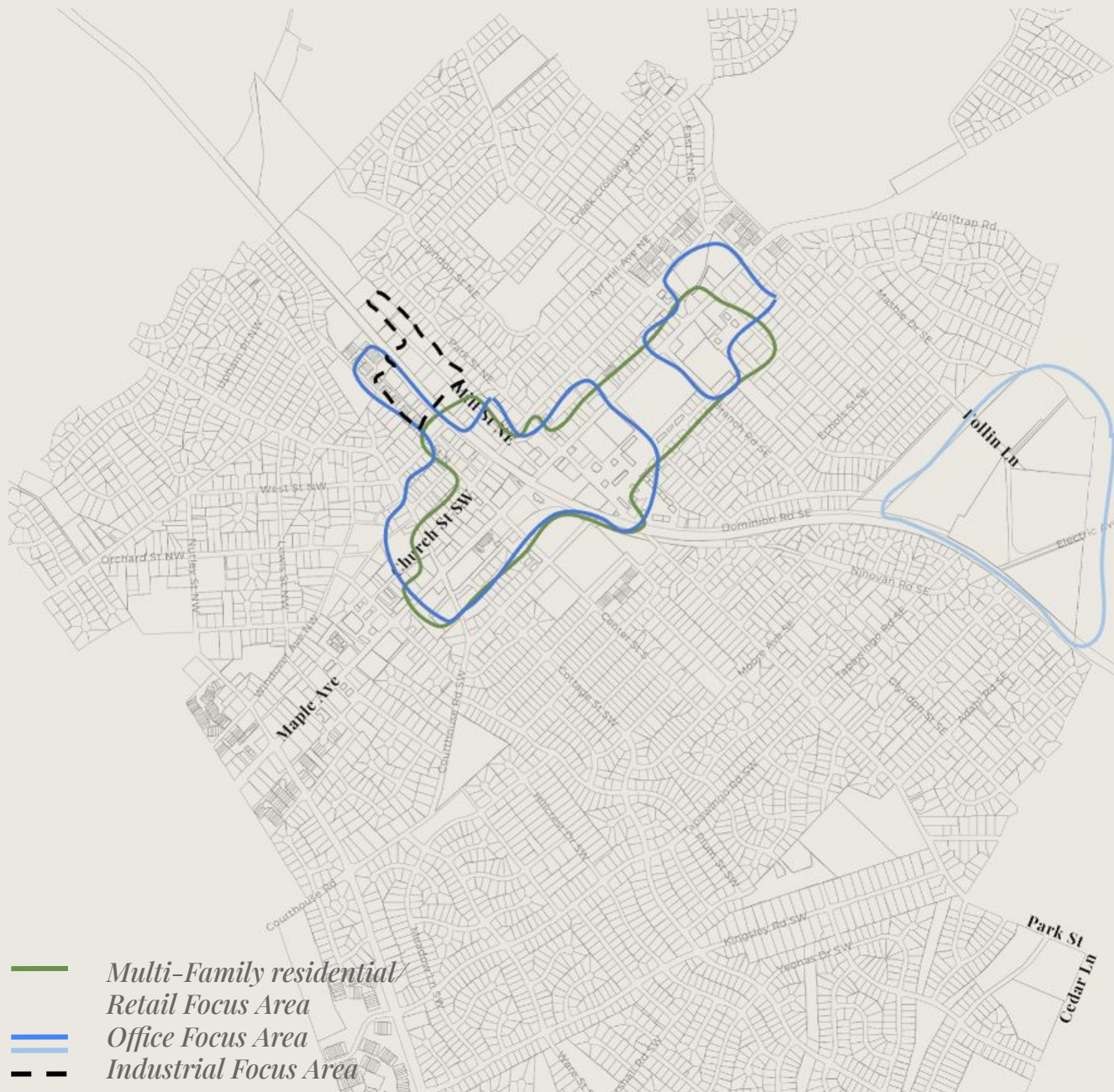


Admin Capacity



Market Data

Demand



Summary of Findings

Residential

- Diversify housing stock and focus on walkable Avenue Center District

Retail:

- Rightsize retail on Maple Avenue
- Enhance Class B spaces at Avenue Center district

Office

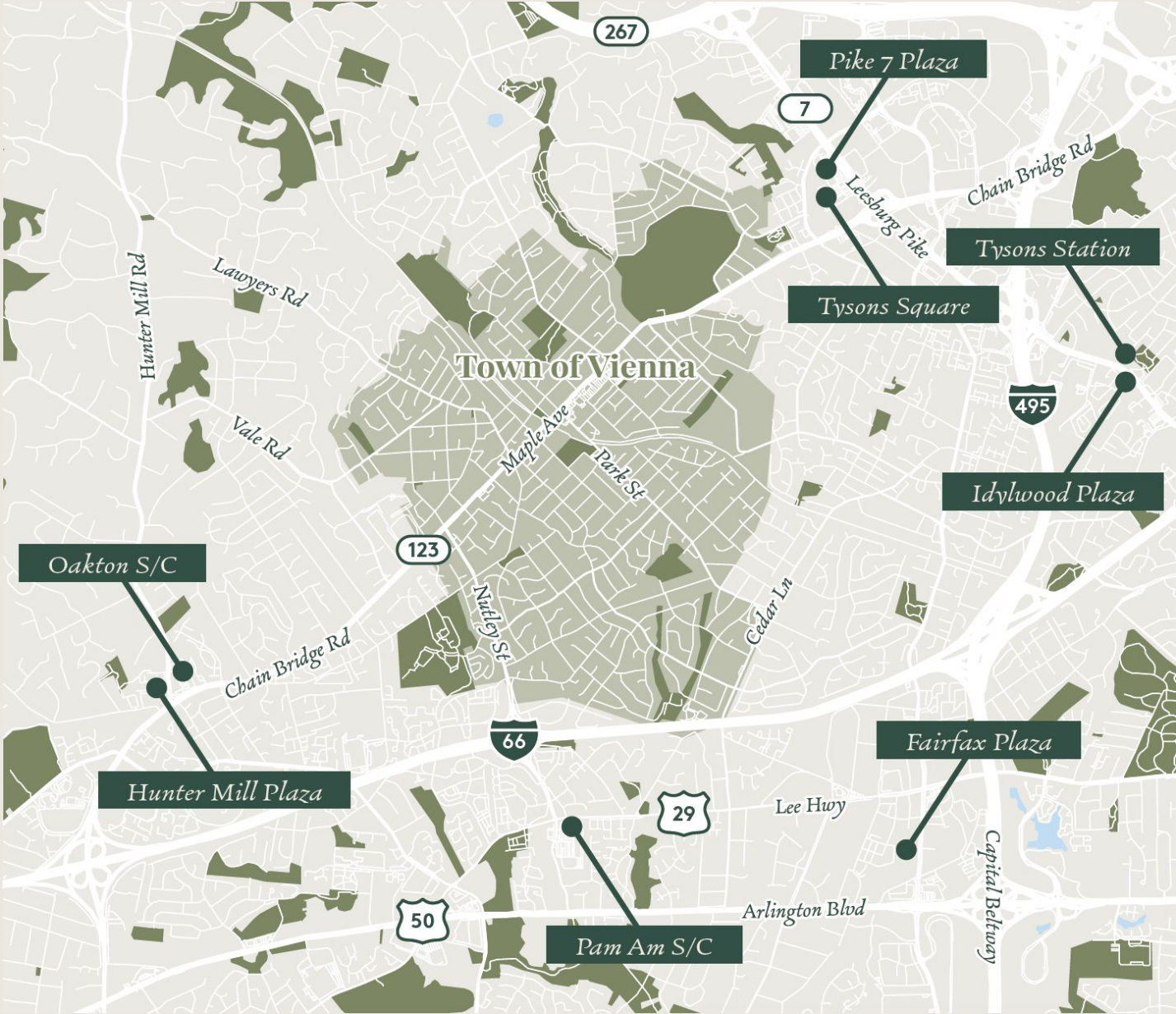
- Create attractive, amenitized Class A office spaces for professional & business services

Industrial

- Preserve and intervene, or decline?

Understanding the ecosystem

Local Competitors

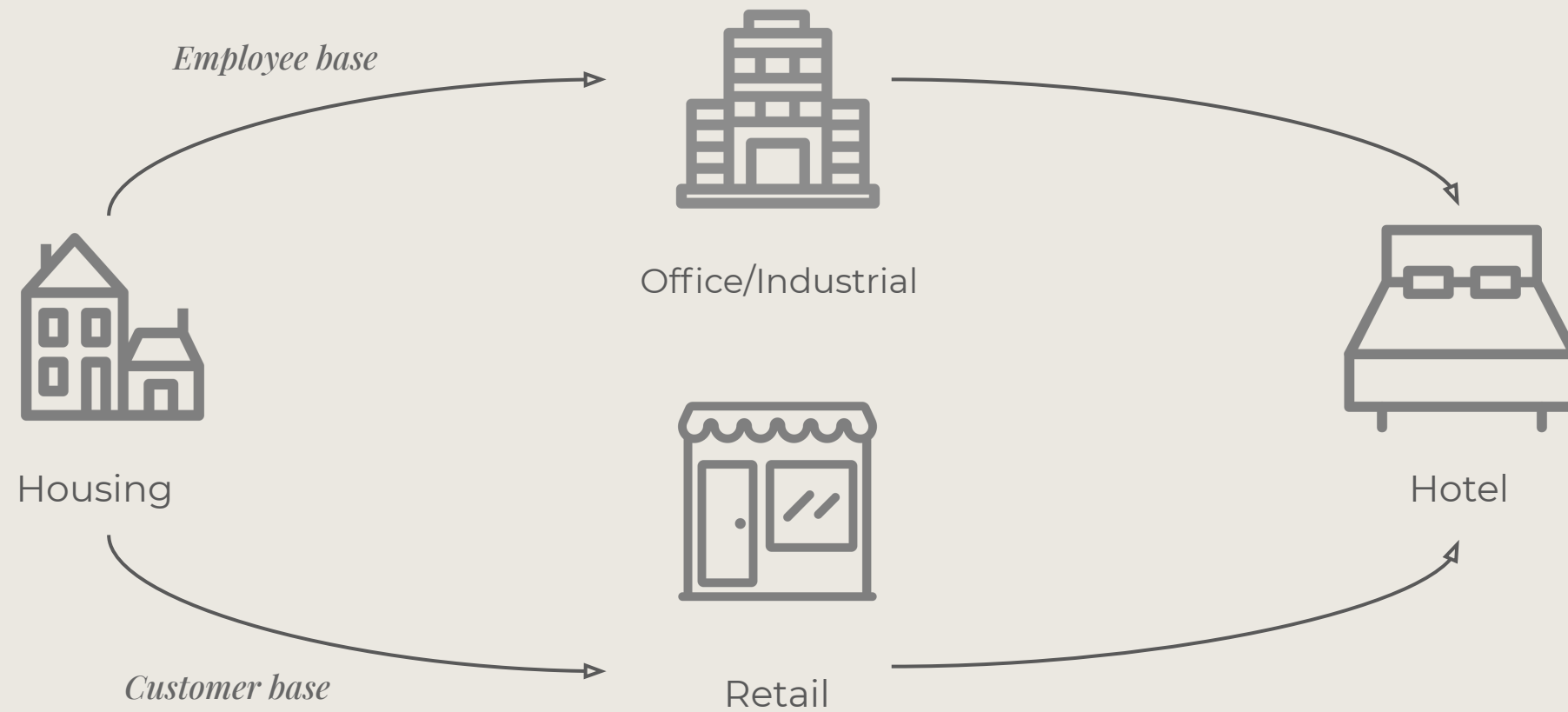


The Town of Vienna exists within a competitive market.



Regional Competitors

Economic development is driven by an entire ecosystem of uses.



Retail

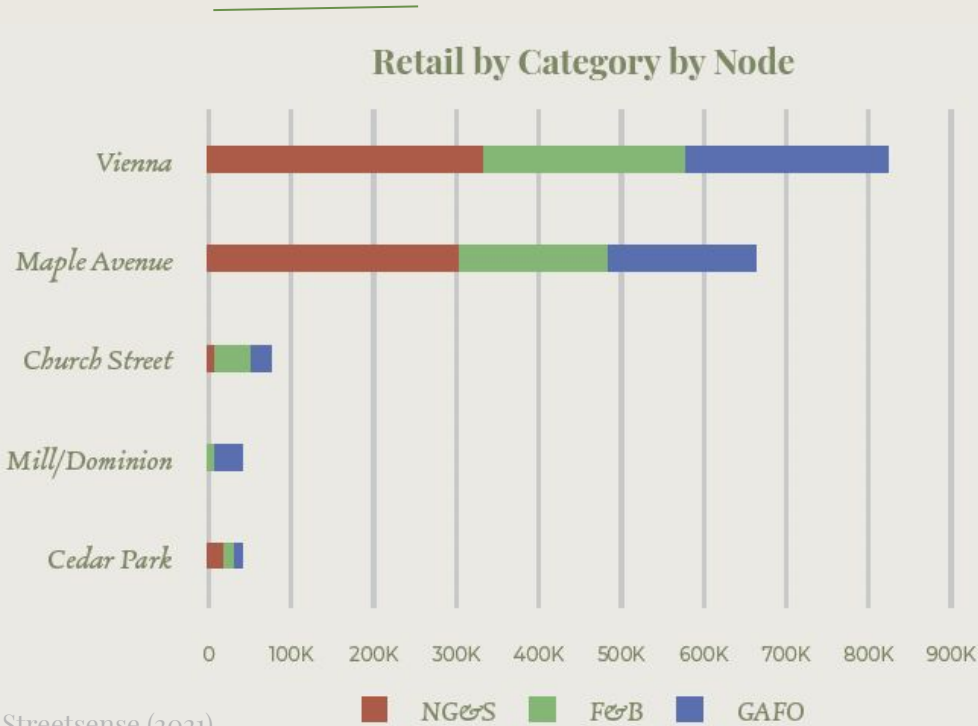
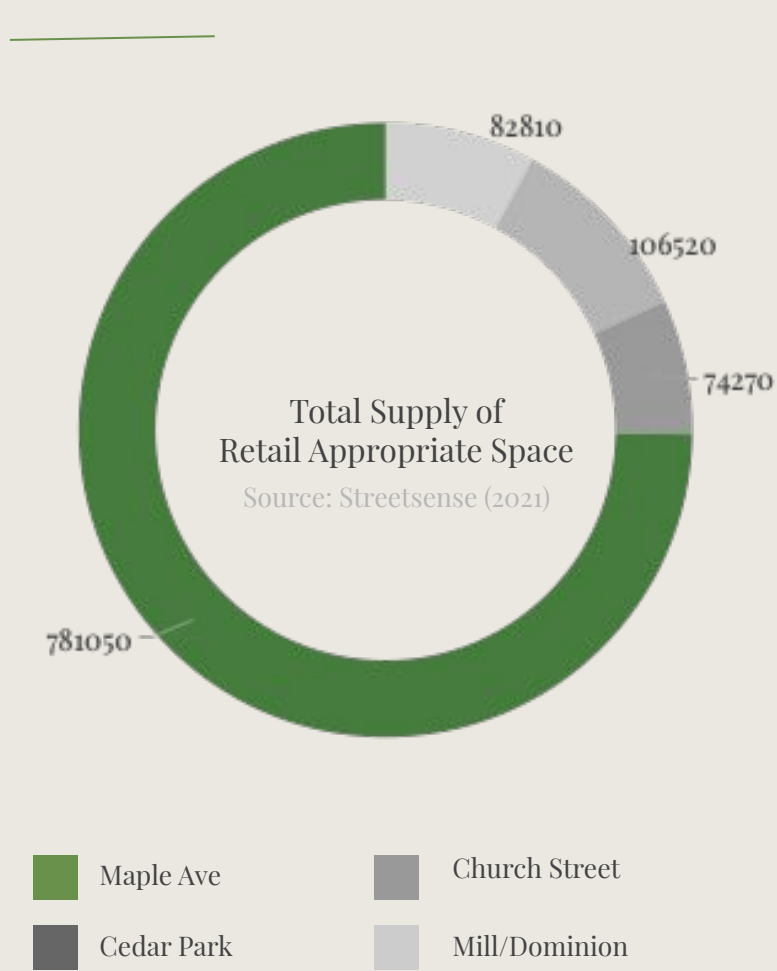
Retail

**Not included in retail demand analysis. These businesses make location decisions based on factors other than sales potential.*

Retail Category	Examples
Neighborhood Goods & Services (NG&S)	Grocery Store, Convenience Store/Bodega Butcher/Delicatessen Pharmacy/Drug Store Dry Cleaner/Laundromat Tailor/Clothing Repair Nail And Hair Salon, Barber Shop, Spa Pet Food Store & Groomers Printer/ Mail Services
Food & Beverage (F&B)	Full-Service, Sit-Down Restaurant Quick Service, Fast Casual Restaurant Fast Food, Carry-Out Restaurant Snacks: Ice Cream/Coffee Shop/ Cafe Bar/ Brewpub
General Merchandise, Apparel, Furnishings, & Other (GAFO)	Apparel/Clothing Store Electronic Equipment & Supplies Furniture Store Book/Music Store Sports Equipment Hobby/Craft Store Antique Store Gift Shop
Retail- Complementary Uses *	Gym Fitness/Martial Arts/Dance Studio Acupuncturist Banks Education/Learning Center

There is over 1 million SF of retail-appropriate space in the Town.

Only 78% is occupied by retail tenants.



Source: Streetsense (2021)

825,000+ SF of existing retail offerings compared with 576,000+ SF in Mosaic District

- 41% Neighborhood Goods, and Services (NG&S)
- 30% Food & Beverage (F&B)
- 30% General Merchandise, Apparel, Furnishings & Others (GAFO)

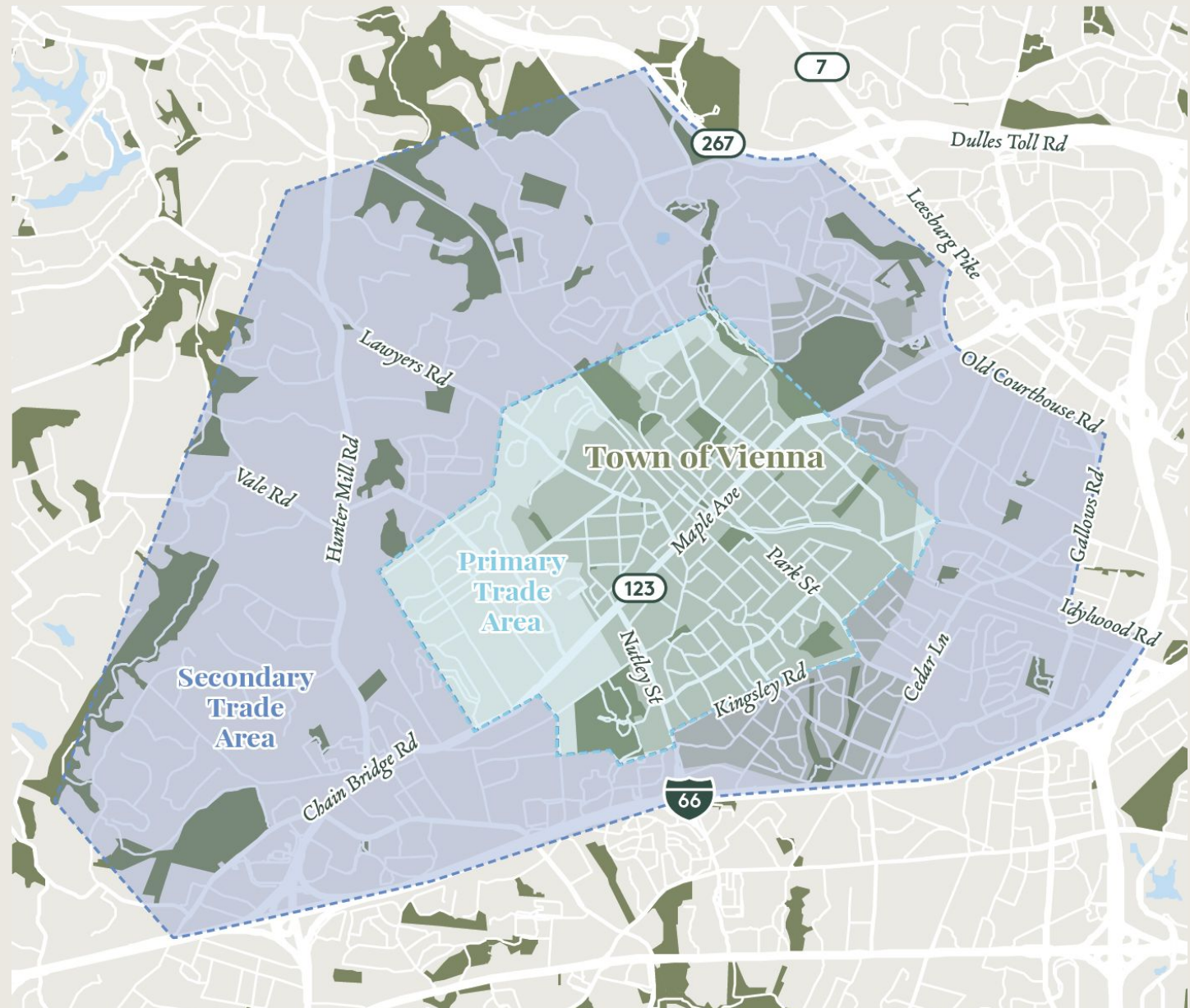
The customer base for retailers in Vienna is limited due to high levels of retail competition.

Primary Trade Area (PTA):

Customers who are expected to patronize “Downtown” Vienna at least once, if not many, times weekly. These customers contribute between 60-80% of store sales.

Secondary Trade Area (STA):

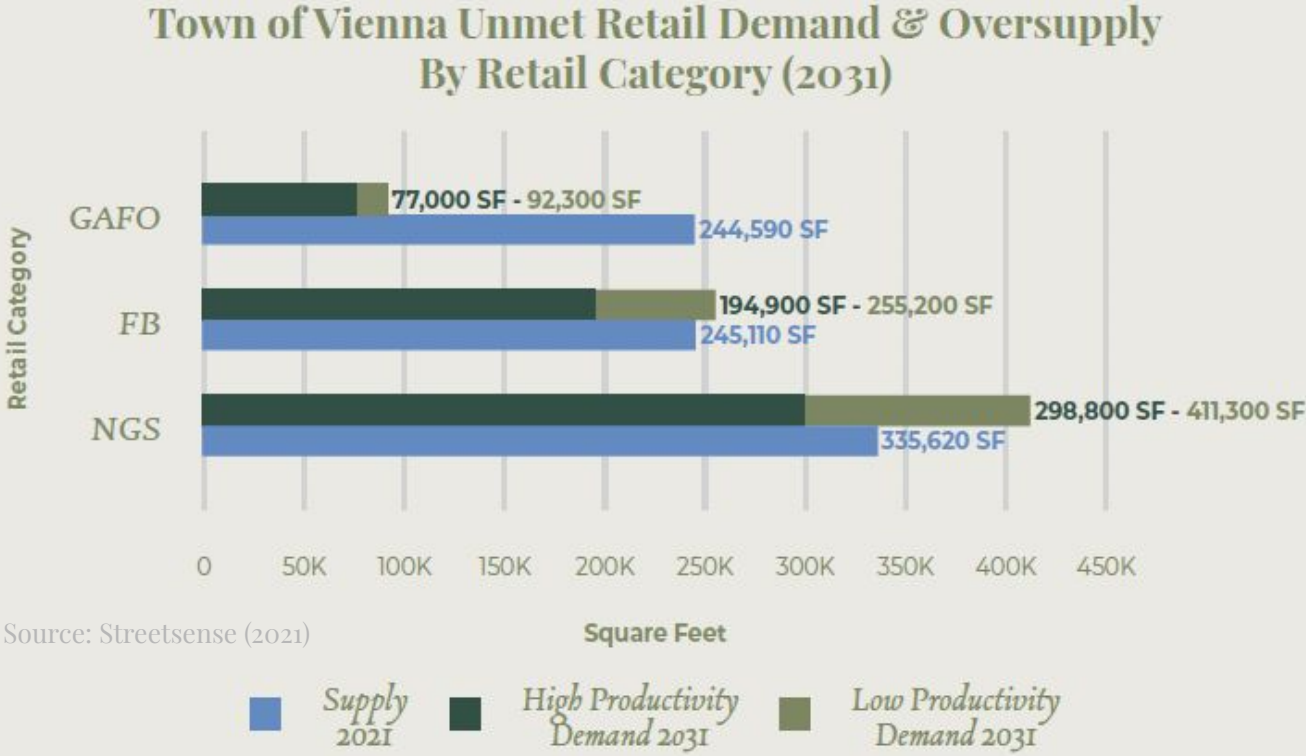
Customers in this area have convenient options closer to home, but are expected to patronize onsite retail on an occasional basis for experienced-based shopping and destination trips.



Local residents within both trade areas are the largest contributors of spending given high income households.

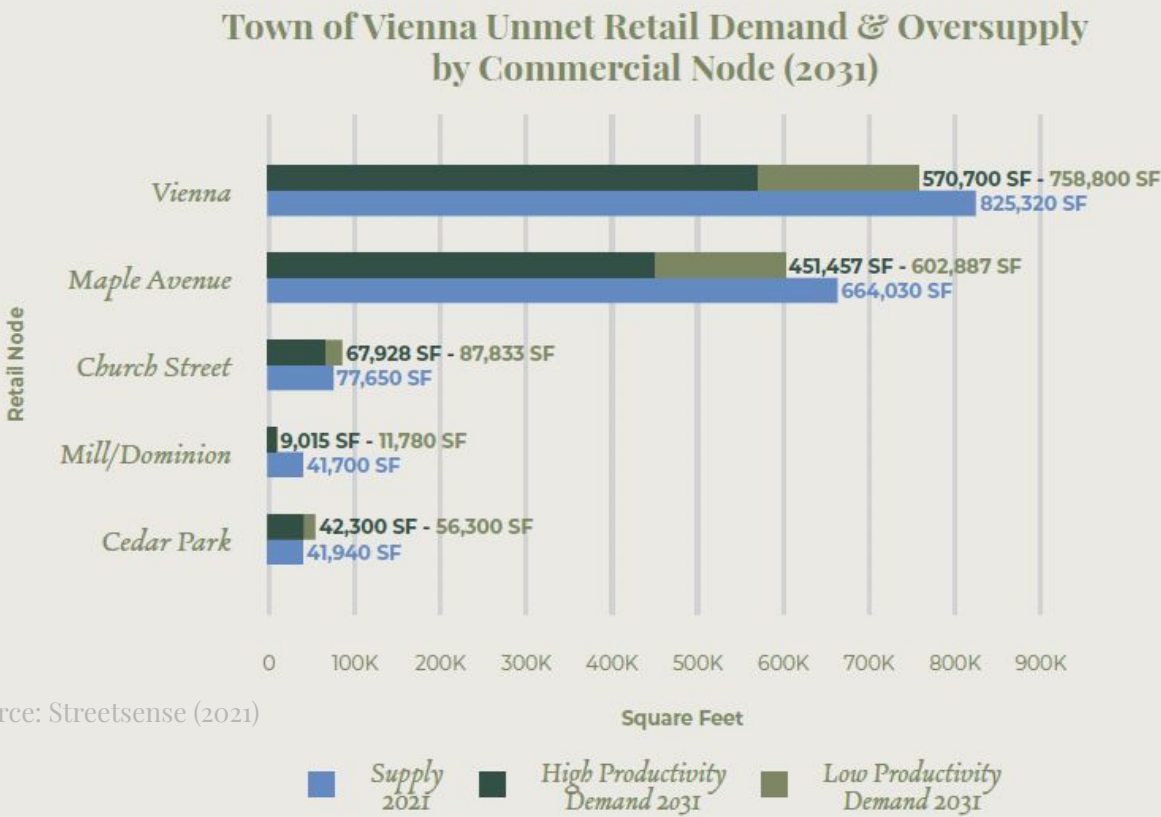
2021 Estimates	Primary Trade Area	Secondary Trade Area
Total Population	18,839	45,6844
Total Households	6,608	16,046
Average Size of Household	2.79	2.74
Median Household Income	\$168,257	\$160,152
Average Annual Expenditures per Household	\$34,998	\$33,938
Total Captured Retail Expenditures	\$96,535,611	\$113,408,314

When total captured spending is converted to supportable sales PSF, there is currently only demand for 544,000–724,000 square feet of retail in the Town of Vienna.

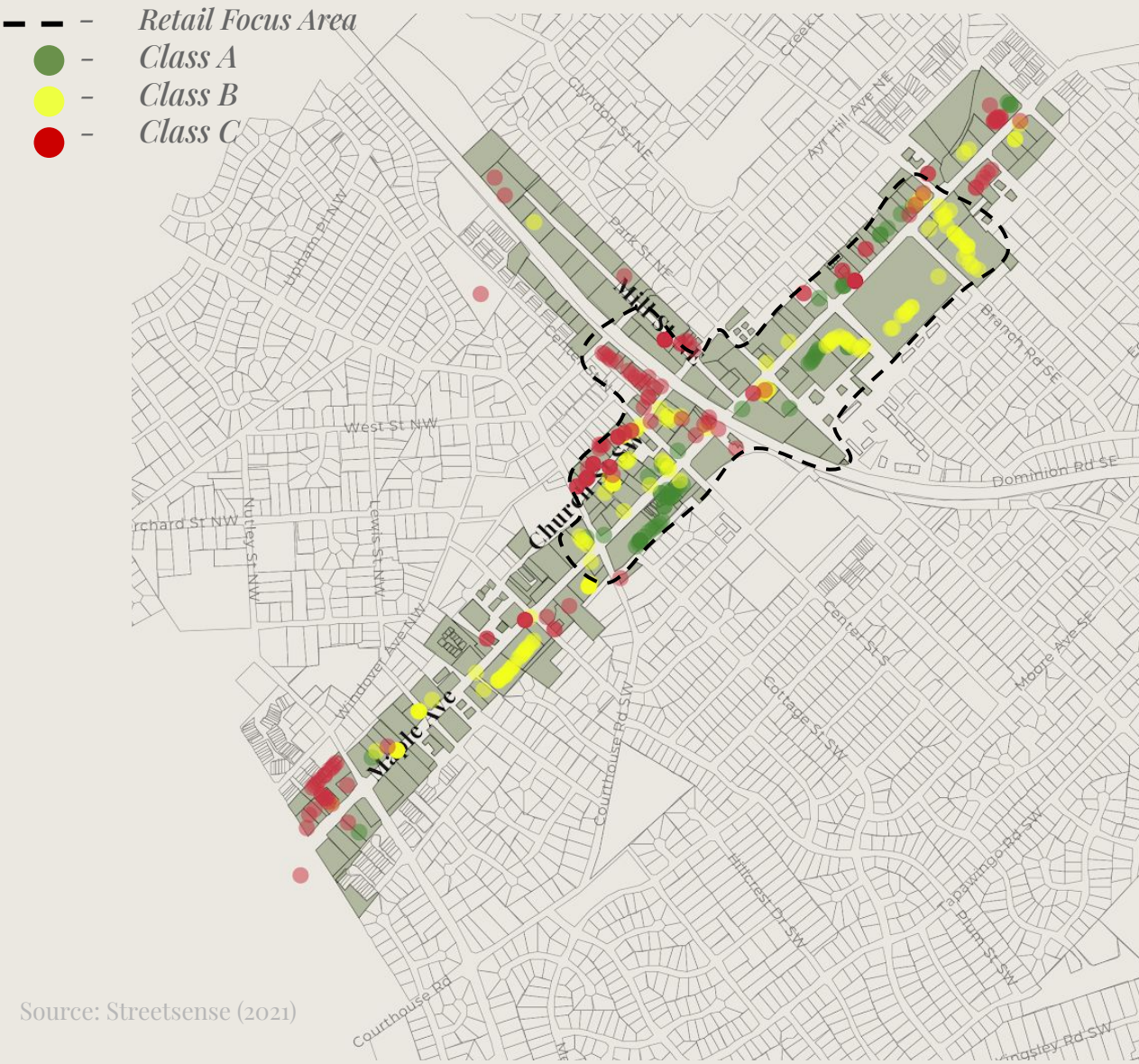


The retail category with greatest opportunity for growth is Neighborhood Goods and Services where there is approximately 75,000SF of unmet demand.

When total captured spending is converted to supportable sales PSF, there is currently only demand for 544,000–724,000 square feet of retail in the Town of Vienna.



To better match demand to supply, the Town will need to rightsize its retail offerings along Maple Avenue where there is currently an oversupply of retail space of between 67,000 -255,000 SF.



In order to better match retail supply to projected demand for the town over the next decade, Maple Avenue will need to focus on retail success at the core of town where Class A spaces are currently located and where the Avenue Center District is proposed.

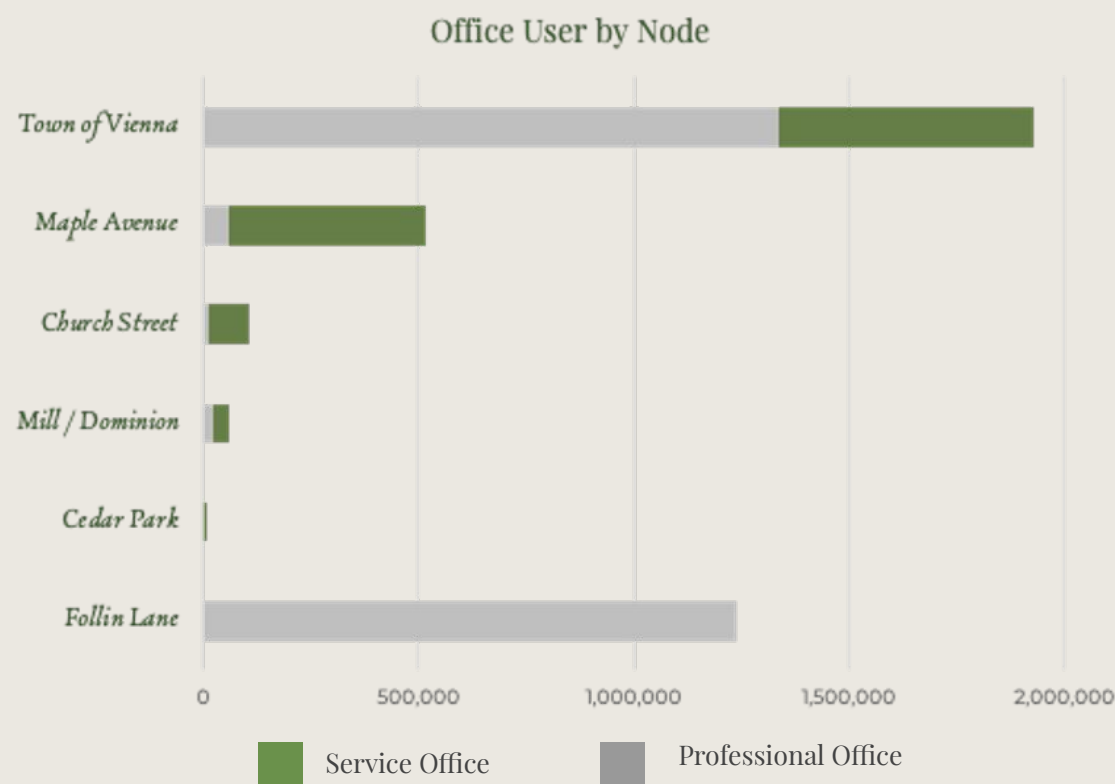
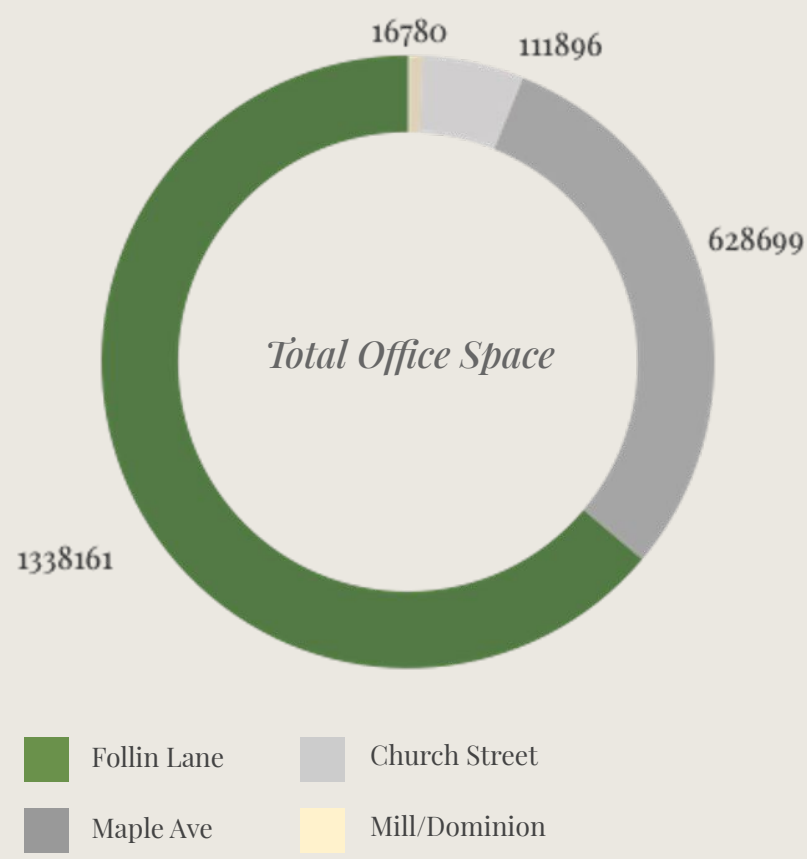
Maple Avenue is oversupplied by 67,000-225,000 retail SF.

Office

Office Sectors

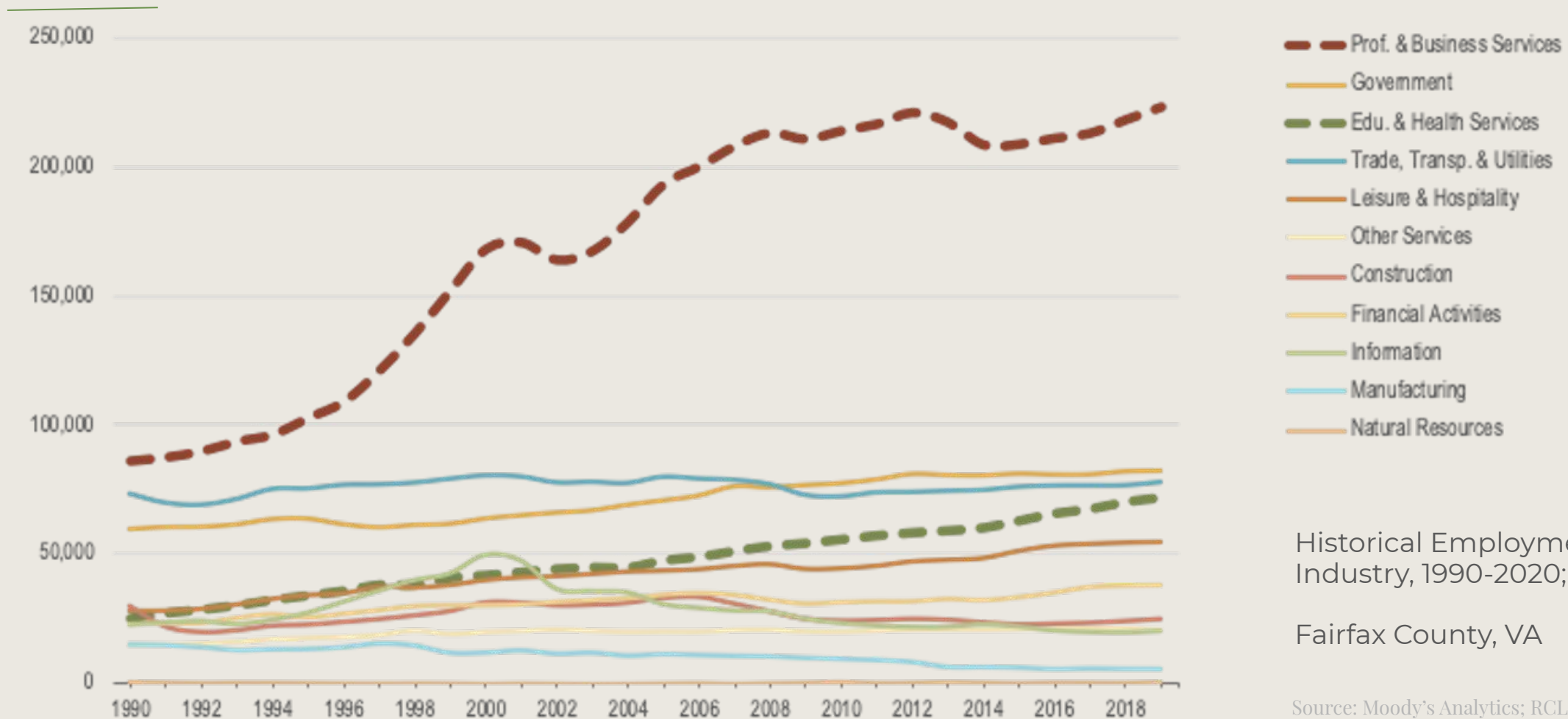
Sector	Examples
Professional & Business Services	Legal services Accounting, tax preparation, and payroll services Scientific research and development services Architectural and engineering services Management consulting services Advertising, public relations, and related services Administrative and support services
Financial Activities	Commercial banking Credit unions Credit intermediation and related activities Insurance agencies and brokerages Investment advice Lessors of real estate Offices of real estate agents and brokers
Education & Health Services (medical, wellness)	Offices of physicians, dentists, mental health care practitioners Offices of physical, occupational, and speech therapists Educational support services Exam preparation and tutoring Automobile driving schools
Other Sectors	Newspaper publishers Social advocacy organizations Art dealers Electronic repair and maintenance Death care services

There is nearly 2.1 million square feet of existing office supply in the Town of Vienna. Office tenants are primarily resident-serving/ consumer-facing.



Excluding Navy Federal, office uses are primarily consumer-facing services, incl. medical and wellness

Regional employment grew rapidly in the last decade with 47,000+ new jobs in Fairfax County, primarily in Professional & Business Services industry.



To bolster office demand, it will be important for Vienna to appeal to the growing Professional & Business Services industry.

Source: Moody’s Analytics; Metropolitan Washington Council of Governments; U.S. Census Bureau; RCLCO

CUMULATIVE OFFICE DEMAND FORECAST, 2019-2040				“STATUS QUO” BASED ON HISTORICAL		"UPSIDE" WITH TARGET INDUSTRIES	
	JOB FORECAST IN FAIRFAX COUNTY	SHARE OF JOBS REQUIRING OFFICE SPACE	OFFICE-USING JOB FORECAST IN FAIRFAX COUNTY	VIENNA CAPTURE	NEW OFFICE-USING JOBS IN VIENNA	VIENNA CAPTURE	NEW OFFICE-USING JOBS IN VIENNA
Natural resources and mining	57	0%	0	0.0%	0	0.0%	0
Construction	-3,520	3%	-88	0.0%	0	0.0%	0
Manufacturing	-4,806	5%	-240	2.1%	-5	2.1%	-5
Trade, Transportation, & Utilities	1,205	5%	60	1.6%	1	1.6%	1
Information	-4,040	60%	-2,424	0.1%	-2	0.1%	-2
Financial Activities	20,443	90%	18,399	0.5%	85	0.5%	85
Professional & Business Services	79,433	80%	63,546	0.5%	326	2.5%	1,616
Educational & Health Services	14,399	20%	2,880	1.3%	36	1.3%	36
Leisure & Hospitality	1,235	5%	62	3.4%	2	3.4%	2
Other Services	-4,846	20%	-969	2.6%	-25	2.6%	-25
TOTAL	99,559		81,225		419 (or 84k SF*)		1,709 (or 342k SF*)

The opportunity to grow local office base in the Vienna will be dependent on its ability to target other, faster-growing industries, not currently present in the Town today.

- Firms that provide specialized services (e.g., legal, architectural, design, consulting, advertising, etc.)
- Firms smaller in size (e.g., fewer than 50 employees)





These tenants tend to prefer smaller office spaces and buildings in pedestrian-oriented environments with strong access to retail and other neighborhood amenities.

The rehabilitation or development of new office spaces should be focused in areas with greatest nexus to retail, dining, and amenities at the core of Town.

Source: Streetsense (2021)

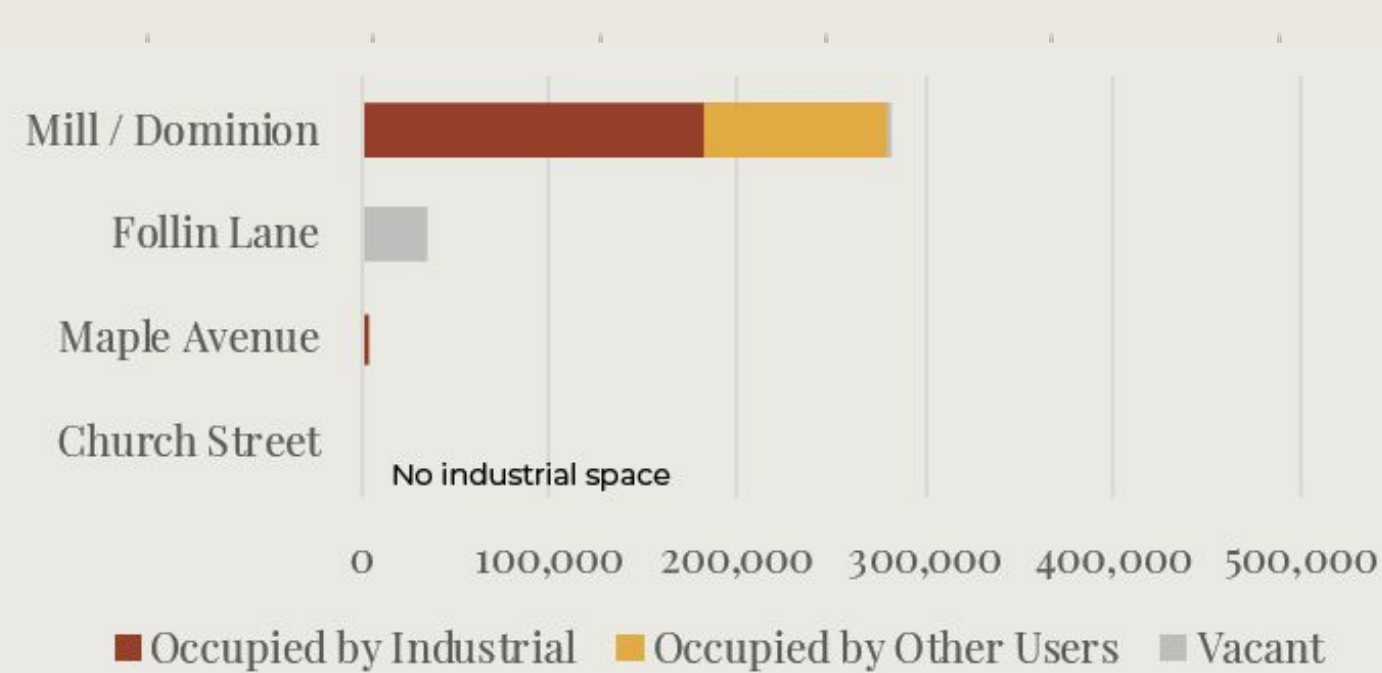
- Navy Federal
- Office Focus Area
- NGS
- GAFO
- FB

Industrial

Industrial Sectors

Sector	Examples
Trade, Transportation & Utilities	Motor vehicle and parts dealers Lawn and garden equipment and supplies stores Building material and supplies dealers Warehousing and storage Postal service Electric power generation Water, sewage, and other systems
Professional & Business Services	Carpet and upholstery cleaning services Exterminating and pest control services Janitorial services Waste collection Security systems services Testing laboratories
Manufacturing	Food manufacturing Beverage manufacturing Retail bakeries Computer and electronic product manufacturing Printing and related support activities Furniture and related product manufacturing
Other Sectors	Wired and wireless telecommunications carriers Data processing, hosting, and related services Building equipment contractors Utility system construction

88% of the Town’s 320,000SF of industrial space is located on Mill/Dominion. However, one-third of these spaces are now occupied by non-industrial uses.



Mill/Dominion:

182,648 SF occupied by industrial users
96,528 SF occupied by other users
2,130 SF of vacant space

Follin Lane:

35,000 SF vacant space

Maple Avenue:

3,549 SF occupied by industrial users

Source: CoStar; CBRE; Fairfax County; Streetsense; RCLCO

Without intervention, Vienna will see a continued reduction in its industrial base leading to net reduction of -37,000 SF.

Automation is continuing to replace jobs in the Manufacturing industry, and many of the remaining jobs are either having or choosing to relocate to lower-cost markets and submarkets.

Source: Moody’s Analytics; Metropolitan Washington Council of Governments; U.S. Census Bureau; RCLCO

CUMULATIVE INDUSTRIAL DEMAND FORECAST, 2019-2040			“STATUS QUO” BASED ON HISTORICAL		
	JOB FORECAST IN FAIRFAX COUNTY	SHARE OF JOBS REQUIRING OFFICE SPACE	INDUSTRIAL-USING JOB FORECAST IN FAIRFAX COUNTY	VIENNA CAPTURE	NEW INDUSTRIAL-USING JOBS IN VIENNA
Natural resources and mining	57	0%	0	0.0%	0
Construction	-3,520	5%	-176	0.0%	0
Manufacturing	-4,806	80%	-3,845	2.1%	-80
Trade, Transportation, & Utilities	1,205	40%	482	1.6%	8
Information	-4,040	20%	-808	0.1%	-1
Financial Activities	20,443	0%	0	0.5%	0
Professional & Business Services	79,433	5%	3,972	0.5%	20
Educational & Health Services	14,399	0%	0	1.3%	0
Leisure & Hospitality	1,235	0%	0	3.4%	0
Other Services	-4,846	0%	0	2.6%	0
TOTAL	99,559		-375		-53

-37,000 SF Industrial*

*Assuming 700SF per job

To backfill the potential loss of industrial SF, the Town will need to pursue a strong industrial preservation strategy that attracts jobs from elsewhere in the County.

Source: Moody’s Analytics; Metropolitan Washington Council of Governments; U.S. Census Bureau; RCLCO

CUMULATIVE INDUSTRIAL DEMAND FORECAST, 2019-2040

			“STATUS QUO” BASED ON HISTORICAL			“UPSIDE” WITH PULL FROM EXISTING JOBS ELSEWHERE		
	JOB FORECAST IN FAIRFAX COUNTY	SHARE OF JOBS REQUIRING OFFICE SPACE	INDUSTRIAL-USING JOB FORECAST IN FAIRFAX COUNTY	VIENNA CAPTURE	NEW INDUSTRIAL-USING JOBS IN VIENNA	EXISTING INDUSTRIAL-USING JOBS IN FAIRFAX COUNTY	ADDITIONAL JOBS NEEDED TO FILL AND MAINTAIN EXISTING SPACE	NEW INDUSTRIAL-USING JOBS IN VIENNA
Natural resources and mining	57	0%	0	0.0%	0	0	0	0
Construction	-3,520	5%	-176	0.0%	0	1,168	0	0
Manufacturing	-4,806	80%	-3,845	2.1%	-80	4,786	+ 80 (1.7% Capture)	0
Trade,Transportation, & Utilities	1,205	40%	482	1.6%	8	29,720	+ 20 (<0.1% Capture)	28
Information	-4,040	20%	-808	0.1%	-1	3,390	0	-1
Financial Activities	20,443	0%	0	0.5%	0	0	0	0
Professional & Business Services	79,433	5%	3,972	0.5%	20	9,714	+ 5 (<0.1% Capture)	25
Educational & Health Services	14,399	0%	0	1.3%	0	0	0	0
Leisure & Hospitality	1,235	0%	0	3.4%	0	0	0	0
Other Services	-4,846	0%	0	2.6%	0	0	0	0
TOTAL	99,559		-375		-53	48,778	105 (0.2% Capture)	52
					-37,000 SF Industrial	37,000 SF Industrial		



Source: Streetsense (2021)

- Industrial Focus Area
- Dense Cluster of Manufacturing
- Mixed Cluster of Manufacturing, Retail, Civic & Office

Preservation of Mill/Dominion as a purely industrial district will have to rely largely on the Town's ability to provide a home for Manufacturing jobs that are at risk in other locations in the region.

Food manufacturing

- Grain and Oilseed Milling
- Sugar and Confectionery Products
- Fruit and Vegetable Preserving and Specialty Food Manufacturing
- Dairy Product
- Bakeries and Tortilla Manufacturing
- Animal Food

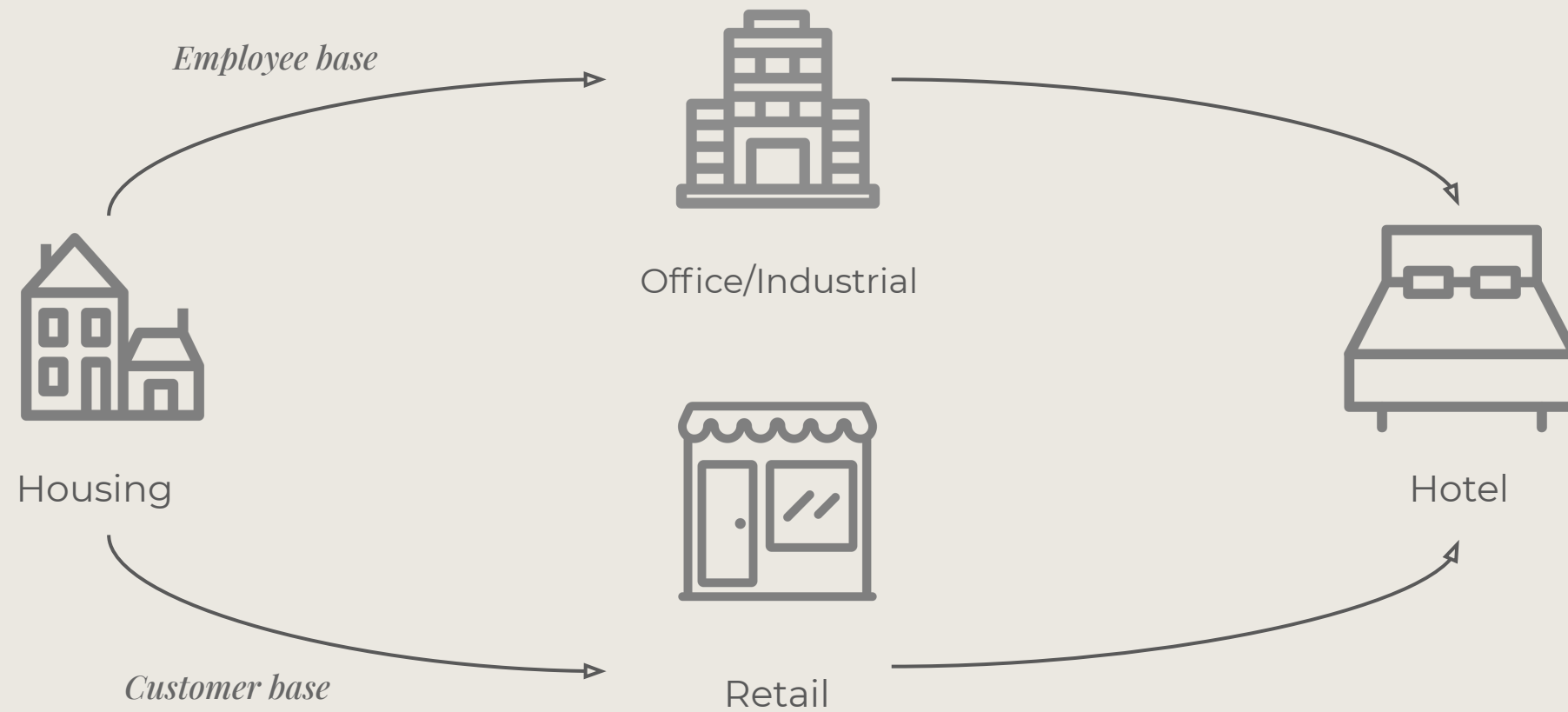
Miscellaneous manufacturing/ 'Makers' (small-scale production)

- Medical equipment and supplies
- Jewelry
- Sporting goods, toys, and office supplies

Residential:

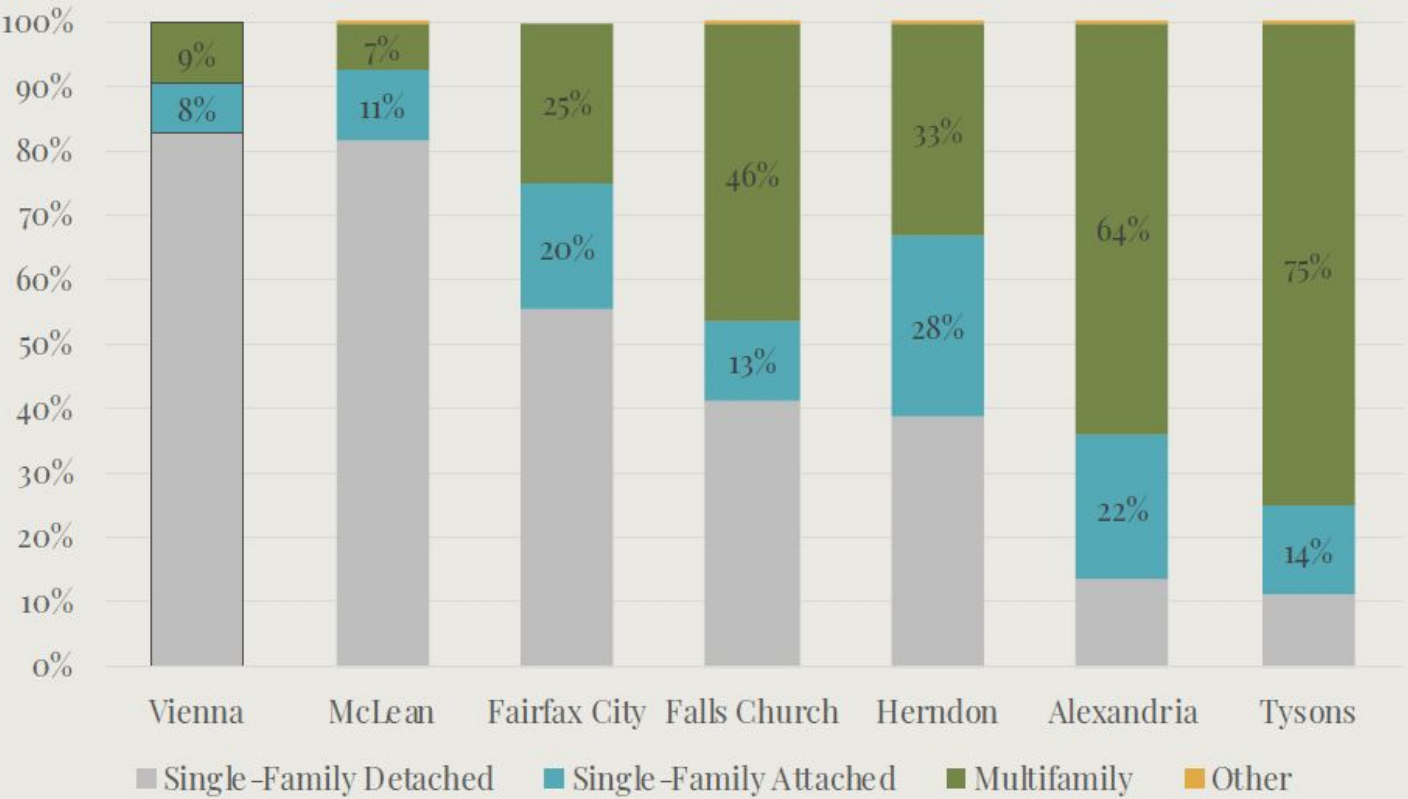
Growing an employee
and customer base

Economic development is driven by an entire ecosystem of uses.



The Town’s shortage of attainable housing options places limitations on the households that are able to live in Vienna, and therefore work and shop in Vienna.

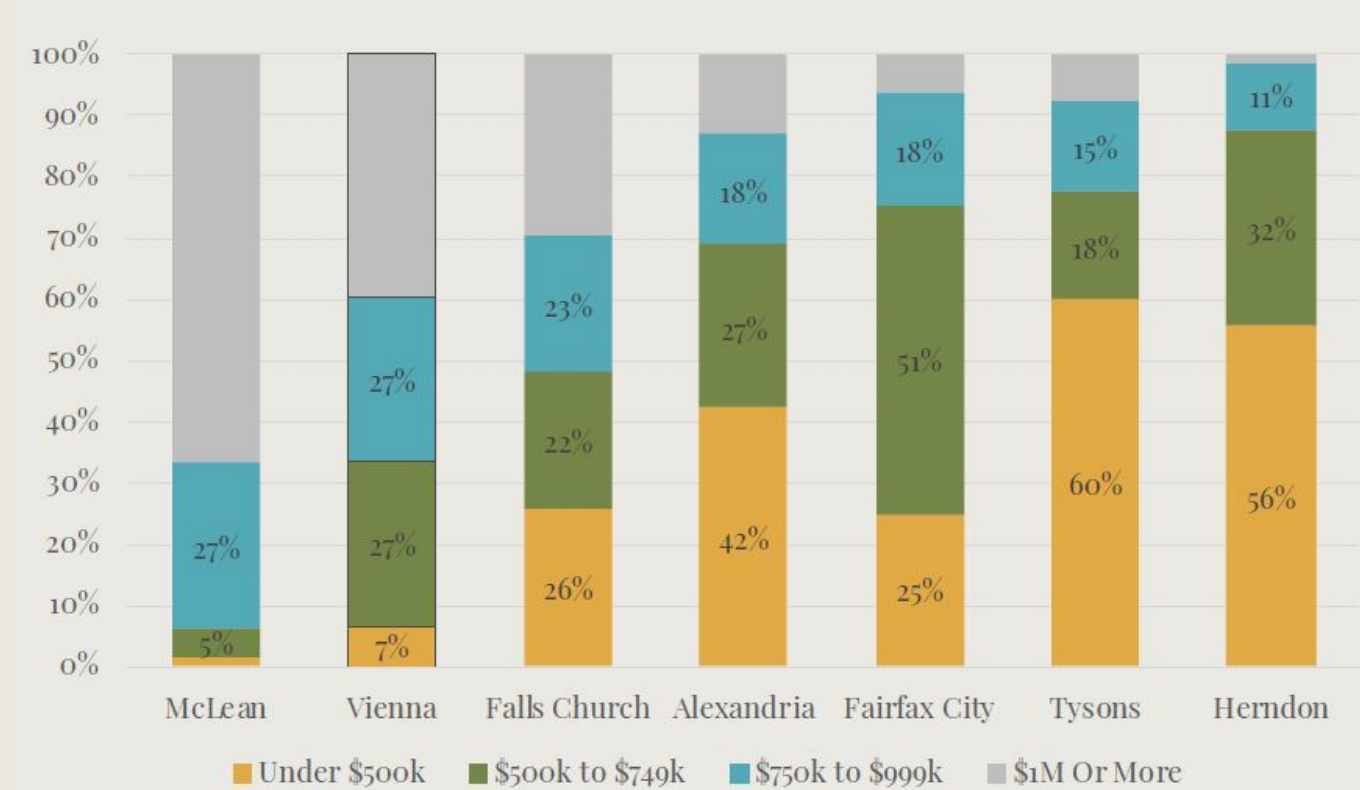
Source: Esri; Redfin; CoStar; RCLCO



Only 9% of housing units are multifamily compared with 46% in Falls Church, 33% from Herndon, and 25% in Fairfax City.

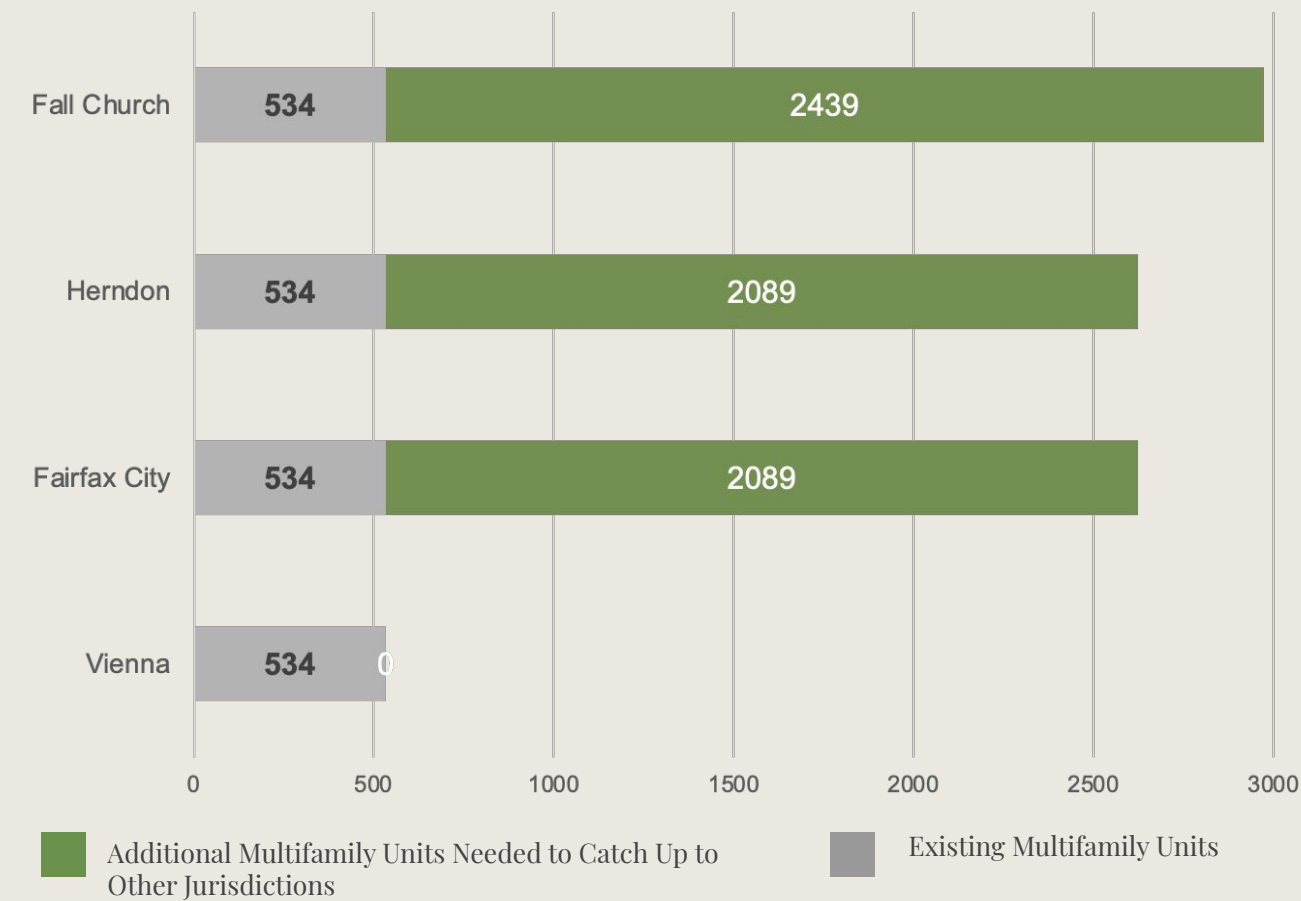
The Town’s shortage of attainable housing options places limitations on the households that are able to live in Vienna, and therefore work and shop in Vienna.

Source: Esri; Redfin; CoStar; RCLCO



Only 34% of home sales in Vienna took place at price points below \$750,000 compared with 48% in Falls Church, 75% in Fairfax City and 88% in Herndon.

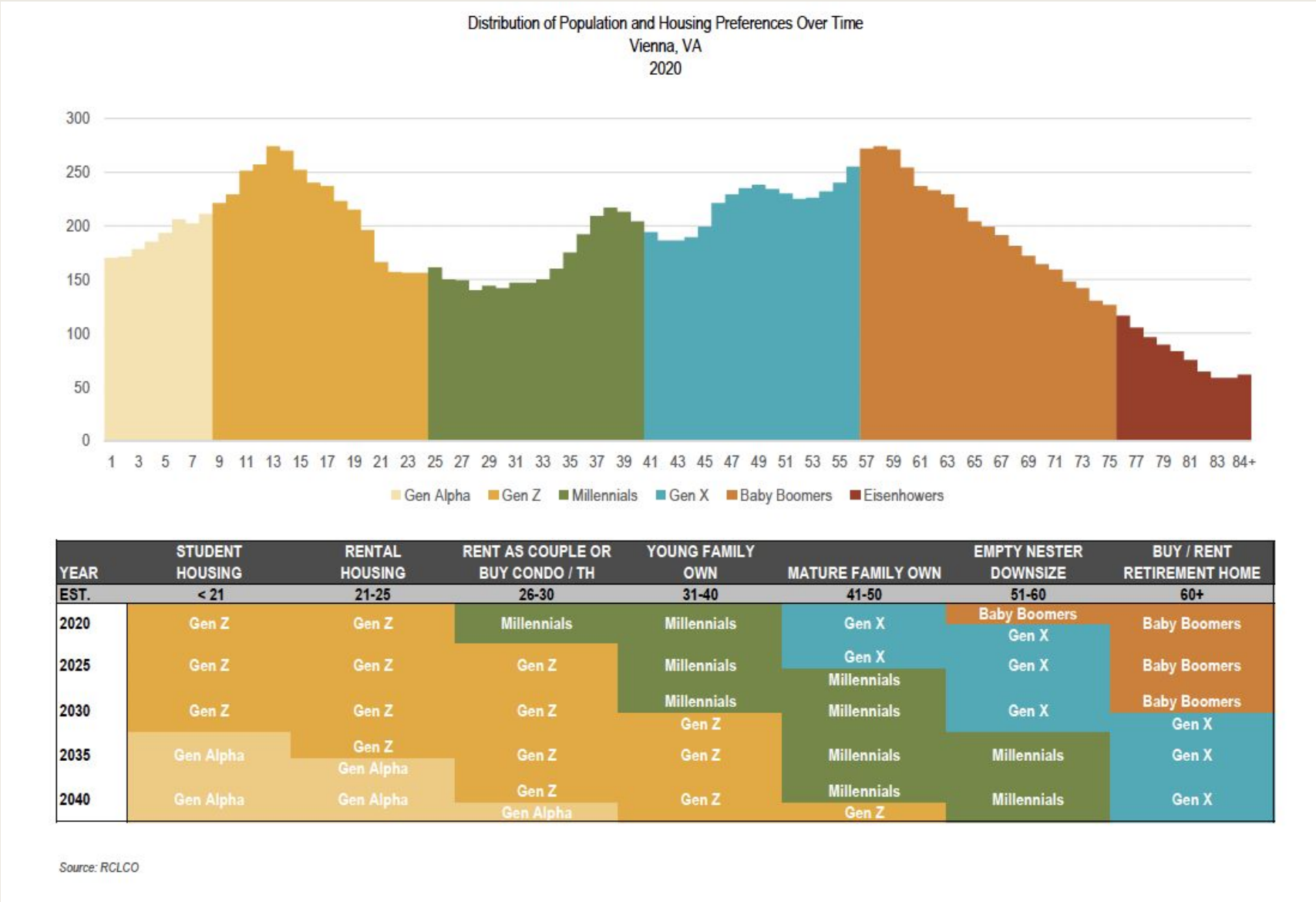
To be competitive with other jurisdictions in Northern Virginia, the Town will need to support the diversification of residential product and pricing.



To catch up with competitive districts, the Town of Vienna requires between **2,000 and 2,400 additional multifamily housing units.**

Housing gap in Vienna is in multi-family units and townhomes.

This demand is largely driven by households headed by **Gen Z/Millennials aged below 35** and **middle-income households making between \$50,000-\$150,000**, including **early professionals and retirees**.



Given high land values and development costs in the region, a minimum density of 100 units per acre for rental apartment development is required to make projects feasible.

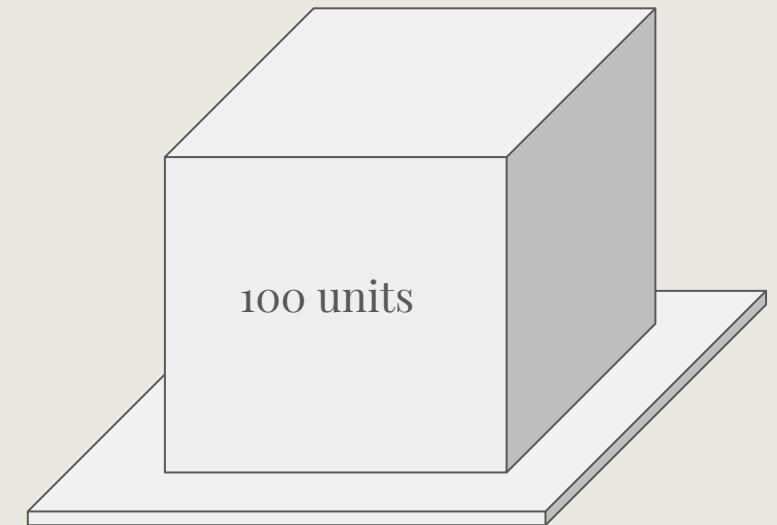
\$4-6 million per acre
Average land sale
transactions in Vienna.



- + Legal/Entitlement Costs (average \$2 million)
- + Project design and construction
- + Construction Hard Cost
- + Furniture, Fixtures & Equipment
- + Architecture & Engineering
- + Taxes
- + Operating Reserve
- + etc.



\$30,000-\$40,000 per unit
Supportable value for rental
apartment development.



Sample housing products in competitive markets are meeting the needs of young professionals and empty nesters.



Junction Square, Herndon
Townhome 20 units (3-4 BR)
Average Price: \$728,426



Mayfair on Main
Townhome 25 units (3 BR)
Average Price: \$793,121



The Kensington, Falls Church
Assisted Living Apartments 103 units
(Studio-1 BR)
Average Rent: \$6,706

Despite height and density of new developments, competitive markets have found other ways to maintain quality of place.



Pitt St, Alexandria
Building height: 6 storeys
Sidewalk width: 10'+
Road width: 35'
On-Street parking: Yes
No. of moving traffic lanes: 2
 (bi-directional)



District Avenue, Mosaic
Building height: 5 storeys
Sidewalk width: 10'+
Road width: 40'
On-Street parking: Yes
No. of moving traffic lanes: 2
 (bi-directional)



Broad Street, Falls Church
Building height: 6 storeys
Sidewalk width: 6-8'
Road width: 56'+
On-Street parking: No
No. of moving traffic lanes: 4
 (bi-directional)

Long-Term Hospitality

Factors that boutique and branded lifestyle hotels consider in selecting sites

Demand

100-150 keys

Location

Dense, walkable, urban with high foot traffic and/or connections to transit and major highways

Differentiated “experience”

Greater amenity base, including retail options and multifamily housing unit within 0.25 miles

Site

Historic site and a unique vision

In the long term (10+year), the Town may support a 150-key boutique hotel operator.

Given the long-term impacts of COVID-19 on the hospitality industry nationally, boutique hospitality development is likely a long-term opportunity for Vienna. Experienced operators are currently seeking tried-and-tested markets.

	The Esquire Hotel Ascend Hotel Collection	The Harpeth Franklin Downtown, Curio Collection By Hilton	Grand Hotel	The Mayton Inn	Vienna - Intersection Of Maple & Center
HOTEL CHARACTERISTICS					
City	Gastonia	Franklin	McKinney	Cary	Vienna
Metro Area	Charlotte, NC	Nashville, TN	Dallas, TX	Raleigh, NC	Washington, DC
Sleeping Rooms	35	119	46	45	
DEMOGRAPHICS & ECONOMICS					
Total Households (1-Mile Radius)	3,098	3,027	4,585	4,336	4,527
% Under 35	18%	19%	24%	18%	9%
% 35 to 54	33%	35%	39%	36%	36%
% 55+	49%	47%	37%	46%	55%
Total Employment (1 Mile Radius)	6,545	6,838	7,202	5,231	6,150
LOCATION CHARACTERISTICS					
Retail SF (1-Mile Radius)	1,377,695	1,327,180	824,834	1,067,918	894,241
Multifamily Units (1-Mile Radius)	440	927	477	615	14
Walk Score	61	57	90	62	88
Bike Score	48	57	67	51	78
Traffic Count (AADT)	5,000	20,747	7,715	8,180	30,000
Nearest Highway (Miles Driving)	1.6	2.9	1.5	2.2	1.8

Recap



Summary of Findings

Residential

- Diversify housing stock and focus on walkable Avenue Center District

Retail:

- Rightsize retail on Maple Avenue
- Enhance Class B spaces at Avenue Center district

Office

- Create attractive, amenitized Class A office spaces for professional & business services

Industrial

- Preserve and intervene, or decline?

Discussion



What if the Town does not diversify housing stock and grow its resident base?

- Retail demand/spending does not change - sales for businesses in Town remain limited
- Attracting professional businesses and their employees will be challenging as these sectors prefer locations with easy access to housing for young professionals

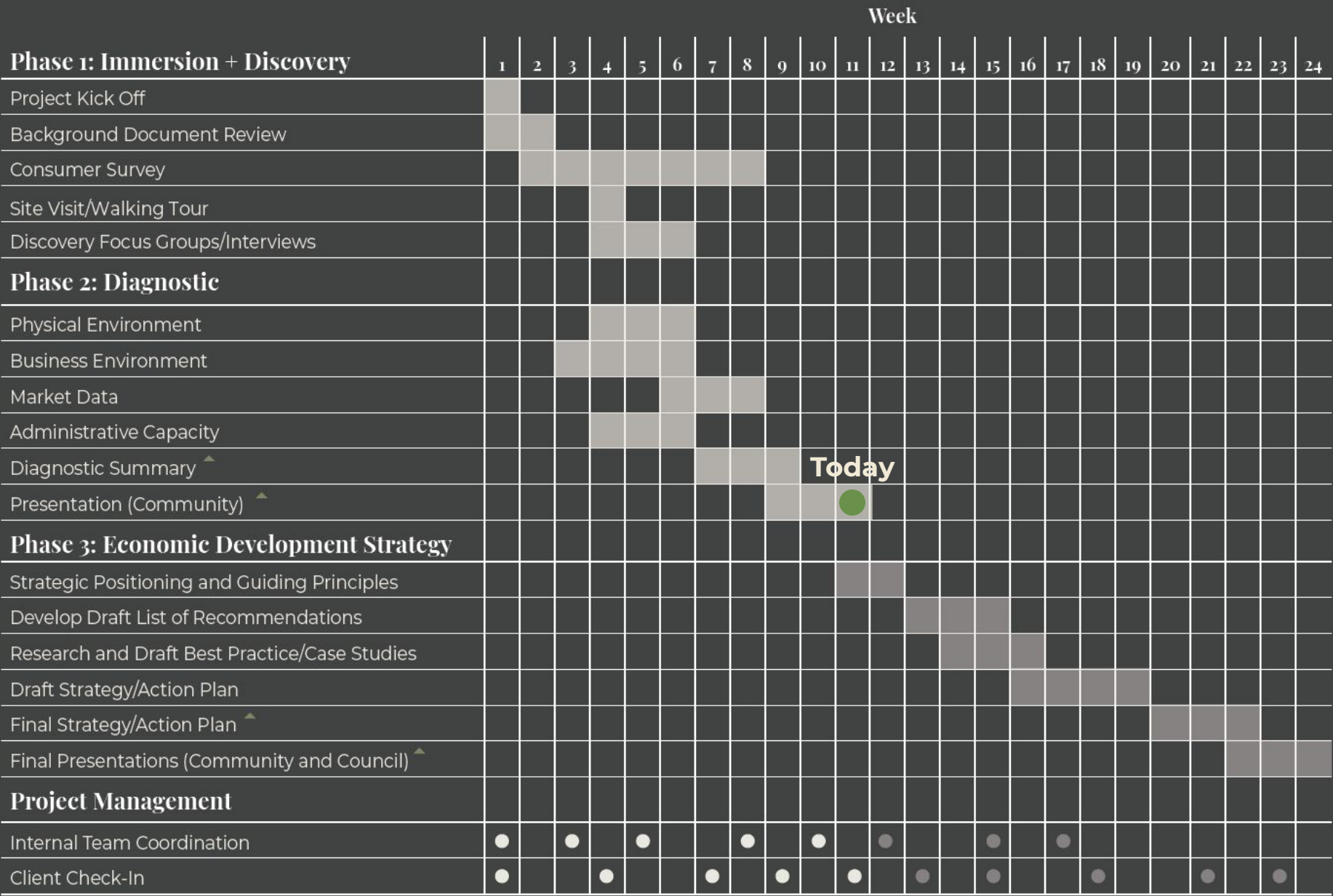


What if the Town does not actively preserve industrial tenants?

- Occupancy of industrial spaces will continue to lean non-industrial uses such as retail, office, and other tenants that are retail-adjacent (gyms, studios, etc.) - pricing out industrial tenants

Next Steps

Projected Schedule



Appendix

Retail

**Not included in retail demand analysis. These businesses make location decisions based on factors other than sales potential.*

Retail Category	Examples
Neighborhood Goods & Services (NG&S)	Grocery Store, Convenience Store/Bodega Butcher/Delicatessen Pharmacy/Drug Store Dry Cleaner/Laundromat Tailor/Clothing Repair Nail And Hair Salon, Barber Shop, Spa Pet Food Store & Groomers Printer/ Mail Services
Food & Beverage (F&B)	Full-Service, Sit-Down Restaurant Quick Service, Fast Casual Restaurant Fast Food, Carry-Out Restaurant Snacks: Ice Cream/Coffee Shop/ Cafe Bar/ Brewpub
General Merchandise, Apparel, Furnishings, & Other (GAFO)	Apparel/Clothing Store Electronic Equipment & Supplies Furniture Store Book/Music Store Sports Equipment Hobby/Craft Store Antique Store Gift Shop
Retail- Complementary Uses *	Gym Fitness/Martial Arts/Dance Studio Acupuncturist Banks Education/Learning Center

Office Users

Sector	Examples
Professional & Business Services	Legal services Accounting, tax preparation, and payroll services Scientific research and development services Architectural and engineering services Management consulting services Advertising, public relations, and related services Administrative and support services
Financial Activities	Commercial banking Credit unions Credit intermediation and related activities Insurance agencies and brokerages Investment advice Lessors of real estate Offices of real estate agents and brokers
Education & Health Services (medical, wellness)	Offices of physicians, dentists, mental health care practitioners Offices of physical, occupational, and speech therapists Educational support services Exam preparation and tutoring Automobile driving schools
Other Sectors	Newspaper publishers Social advocacy organizations Art dealers Electronic repair and maintenance Death care services

Industrial Sectors

Sector	Examples
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Manufacturing	Food manufacturing Beverage manufacturing Retail bakeries Computer and electronic product manufacturing Printing and related support activities Furniture and related product manufacturing
Other Sectors	Wired and wireless telecommunications carriers Data processing, hosting, and related services Building equipment contractors Utility system construction