



# Friendship Heights



SNAPSHOT

# Market Conditions & Opportunities in Friendship Heights



**JUNE 2022**

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# Contents

STATEMENT OF OPPORTUNITY.....	4
FRIENDSHIP HEIGHTS NEIGHBORHOOD CONTEXT .....	5
DEMOGRAPHIC AND POPULATION TRENDS .....	8
REAL ESTATE CONDITIONS & TRENDS .....	10
STRATEGIC RECOMMENDATIONS .....	17



## ABOUT THIS REPORT

This report was developed by the Friendship Heights Alliance to help understand and communicate current real estate, economic, and demographic conditions in Friendship Heights, and identify key opportunities for the neighborhood to become a more dynamic, resilient, and inclusive place. This information is intended to inform stakeholders and help guide decision-making through major upcoming planning and redevelopment efforts that will significantly shape the future of Friendship Heights.

This report defines Friendship Heights as bounded by the following streets: Oliver Street and the Little Falls Branch trail to the north, River Road NW to the west, 27th Street NW and Cedar Parkway to the east, and Fessenden Street NW to the south.



## STATEMENT OF OPPORTUNITY

Friendship Heights is one of the most interesting locations in the District of Columbia and Montgomery County from a real estate and planning perspective. The neighborhood offers many of the characteristics both jurisdictions and their stakeholders value most: it is transit-oriented and walkable, dense and mixed-use, slated for significant additional investment and housing development, and has strong name recognition.

On the other hand, Friendship Heights typifies some of the most pressing planning challenges the District and Montgomery County will face in the upcoming years. As one of the few office and large-floor plate merchandise retail centers outside of the downtown core, its high levels of commercial vacancy reflect an increasingly outdated model of urban land use. In addition, the neighborhood is characterized by lower levels of demographic diversity and a less affordable housing stock than elsewhere in DC or Montgomery County.

The repositioning of Friendship Heights is a major opportunity for local stakeholders, the Montgomery County government, and the DC government to be creative and ambitious as they help shape the future of non-downtown urban office and retail centers. Importantly, the opportunity exists to adjust the brand identity, physical environment, and commercial orientation of Friendship Heights to better serve its existing residents, property owners, and businesses, while establishing itself as a preeminent residential and commercial destination in the years moving forward.

## ABOUT THE FRIENDSHIP HEIGHTS NEIGHBORHOOD

Friendship Heights has a unique location that spans both DC and Montgomery County.

The neighborhood's commercial core is centered around the intersection of Wisconsin Avenue NW and Western Avenue NW, the latter of which forms the border between DC and between Montgomery County, MD. This cross-jurisdictional location necessitates close collaboration between DC and Montgomery County municipalities and other stakeholders.





## HISTORY AS A SHOPPING DESTINATION

**Friendship Heights is the only location in DC with a long-standing history as a transit-oriented, dense shopping destination, office hub, and residential neighborhood.**



Friendship Heights began emerging as a commercial destination in 1959 when the now-shuttered Lord & Taylor opened on Western Avenue. Investment and customer traffic were further catalyzed by the opening of the Mazza Gallerie shopping center in 1978 and the Friendship Heights Metro station in 1984. For the following several decades, retail in the neighborhood was anchored by four department stores: Lord & Taylor, Neiman Marcus (in Mazza Gallerie) on the DC side, and Woodward & Lothrop (now Bloomingdale's) and Saks Fifth Avenue on the Maryland side. As of June 2022, only Bloomingdale's and Saks Fifth Avenue remain open, and both still serve as commercial anchors.

The Chevy Chase Collection shopping center opened in 2005, featuring a wide range of luxury merchandise brands. The center underwent a rebrand in 2019, shifting its tenant mix towards more local-serving restaurants and services. The Shops at Wisconsin Place, an open-air shopping center within a larger mixed-use complex, opened in 2007. The center features 135,000 SF of retail space and is anchored by a Bloomingdale's department store. The center will soon feature a new food hall ("The Heights Food Hall"), which is expected to open in fall 2022.



*Mazza Gallerie closed in 2021, after struggling with tenant attraction and retention for most of its history due to its irregular interior layout and street-level accessibility. Several mixed-use projects are planned in the area, including the redevelopment of Mazza Gallerie and Friendship Center, a 119,000 SF shopping center at 5333 Wisconsin Avenue NW.*

## A WELL-CONNECTED COMMUNITY

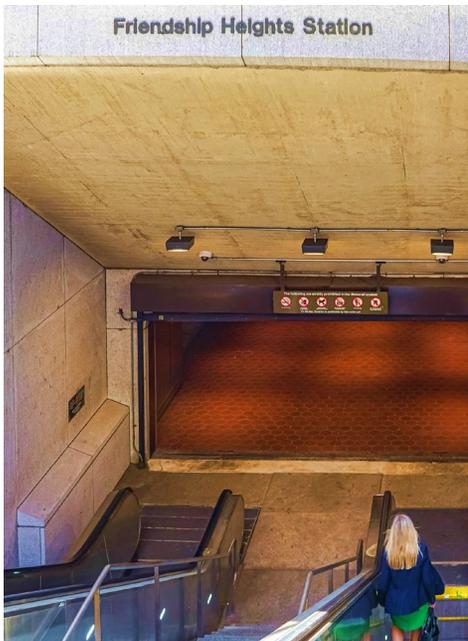
### Friendship Heights features robust access to a wide range of transit options, including the Friendship Heights Metro Station.

Friendship Heights features a Metro station with five entrances, 13 Metro bus routes, and 3 bikeshare docking stations. Wisconsin Avenue NW intersects Friendship Heights and brings approximately 23,000 vehicles through the neighborhood each day. The neighborhood also features several parking lots and garages, totaling approximately 4,000 spaces, though many facilities lack quality signage and only serve a single building or shopping center.



### Continued streetscape investments and placemaking will provide much-needed improvements to the vibrancy and comfort of the pedestrian experience.

Friendship Heights is characterized by a dense cluster of commercial and multifamily buildings in the neighborhood's core, surrounded by detached single-family homes. The commercial core is characterized by several "superblocks" that feature one or two commercial buildings on each block. It also features multiple indoor mall structures with a limited number of street entrances. This current lack of street-facing retail frontage detracts from the pedestrian experience along portions of Wisconsin Avenue NW. The GEICO corporate office site, WMATA bus barn, and several surface parking lots also break up the pedestrian experience throughout the commercial core.



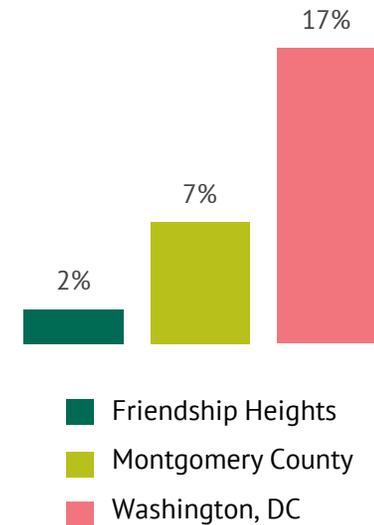
## POPULATION TRENDS

### Friendship Heights has not kept up with the pace of population growth in the region and lacks the diversity of DC and Montgomery County.

With a population growth rate of 2% compared to DC's 17% and Montgomery County's 7%, Friendship Heights has not attracted many new residents over the past decade.

Friendship Heights is an affluent neighborhood with a relatively high median age. While the neighborhood is home to a diverse range of people, its socioeconomic demographics do not reflect those of the region – particularly along age, household income, race, and educational attainment. Around three-quarters of Friendship Heights residents are white, more than half of the population (ages 25+) have a Master's degree and over 45% of households have a household income of over \$150,000.

#### POPULATION GROWTH RATE (2010-2021)



*The demographics above reflect the residential population within a half-mile buffer from the center of Friendship Heights, the intersection of Wisconsin Ave and Western Ave. Source: Esri Community Analyst (2022)*

## DEMOGRAPHIC SNAPSHOT

### 10,222 people live within a half-mile of the center of Friendship Heights.

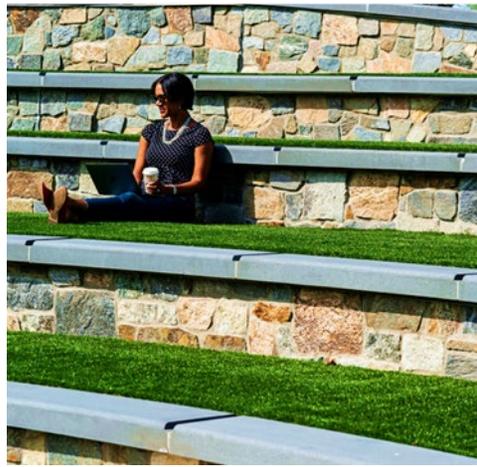
Nearly half of this collective Maryland and DC population live in large multifamily buildings in Friendship Village, MD. The remaining half is largely comprised of families living in detached single-family homes.

### Friendship Heights' median age is 10+ years older than the District overall, and almost a third of its residents are over 65.

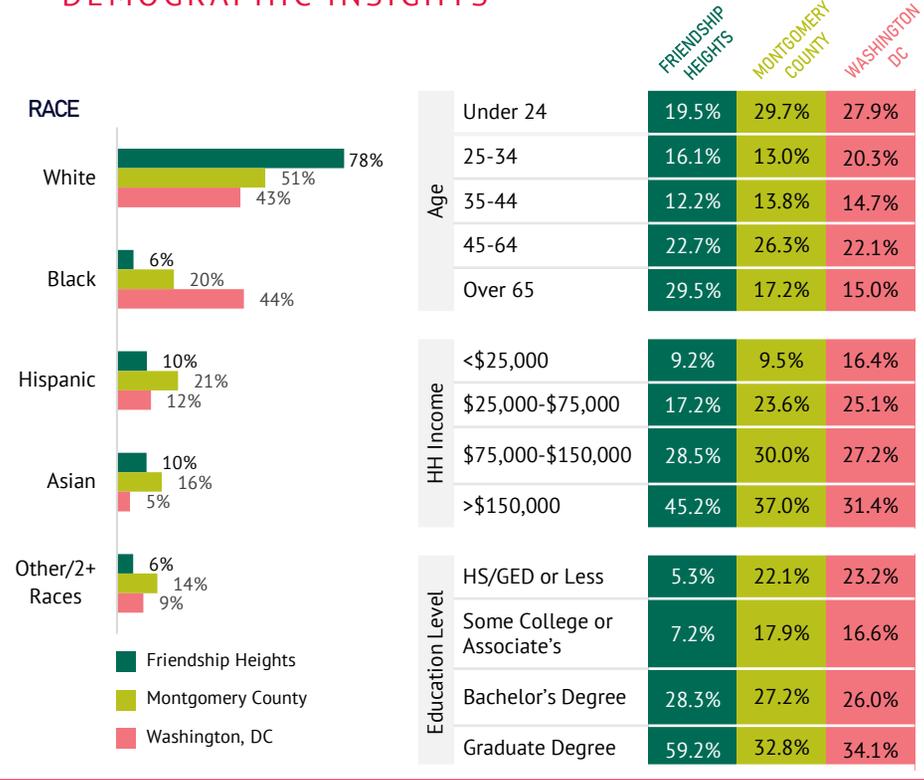
The median age of Friendship Heights residents (47) is much higher than DC's median age of 36. Nearly 30% of the neighborhood's population is over the age of 65, almost double the overall share of the same demographic in DC and Montgomery County.

### Friendship Heights's residents have higher household incomes than the District and Montgomery County medians.

The median household income in Friendship Heights (\$132,097) far exceeds the DC median of \$93,516 and Montgomery County median of \$111,812.

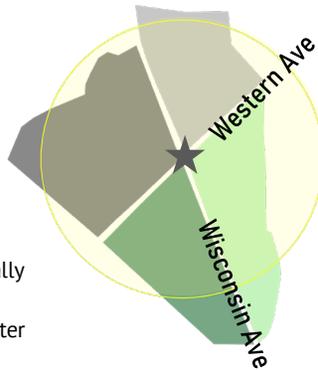


## DEMOGRAPHIC INSIGHTS



## DEMOGRAPHICS BY LOCATION

Friendship Heights' two major commercial corridors, Western Avenue NW and Wisconsin Avenue NW, divide the neighborhood into four quadrants. These quadrants feature varying population density, incomes, and ages. The Maryland side of the neighborhood west of Wisconsin Avenue NW is significantly more residentially dense than the rest of the neighborhood, given its cluster of high-rise multifamily buildings in Friendship Village.



LOCATION	MAJOR DEVELOPMENTS AND RETAIL ANCHORS	GEOGRAPHIC CONTEXT	POPULATION	DAYTIME POPULATION	HOUSING UNITS	MEDIAN HOUSEHOLD INCOME	MEDIAN AGE
DC - East of Wisconsin Ave.	Chevy Chase Pavilion, Friendship Center, Embassy Suites	Borders Chevy Chase and Tenleytown	1,767	3,376	736	\$189,825	45.8
DC - West of Wisconsin Ave.	Mazza Gallerie, Chevy Chase Metro Center, WMATA Western Bus Division, Rodmans	Borders Tenleytown	1,109	2,116	426	\$170,842	38.7
MD - East of Wisconsin Ave.	Saks Fifth Avenue, Amazon Fresh	Borders Chevy Chase	593	1,737	228	\$200,000	51.6
MD - West of Wisconsin Ave.	Wisconsin Place, Whole Foods Market, Courtyard by Marriott, Multifamily Apts.	Friendship Village/ Brookdale Neighborhoods	6,436	9,977	4,395	\$112,922	49.8

Source: Esri Community Analyst (2022)

## RESIDENTIAL HOUSING SUPPLY

Friendship Heights' housing supply has not kept up with the significant population growth within DC and Montgomery County over the last two decades. However, several mixed-use residential projects are proposed, reflecting strong demand for multifamily housing in the neighborhood.

Friendship Heights' housing supply features predominately large-scale multifamily buildings along the commercial corridors, but single-family detached homes and townhomes also span the neighborhood. Despite pent-up demand, Friendship Heights' housing supply only grew 2% between 2010 and 2021, which is significantly less than housing growth in both DC (17%) and Montgomery County (7%).

The area's residential market is healthy, with rising rents, low vacancy, and well above-average home values providing evidence that the neighborhood can support a significant amount of new market-rate housing. This aligns with growing regional and national housing demand, particularly in areas that are walkable, safe, and transit-accessible. DC's Department of Housing and Community Development released a Request for Applications for Tax Abatements for Affordable Housing in High-Needs Areas (HANTA) in February 2022 to address housing needs in areas like Ward 3.

### ZONING INSIGHT

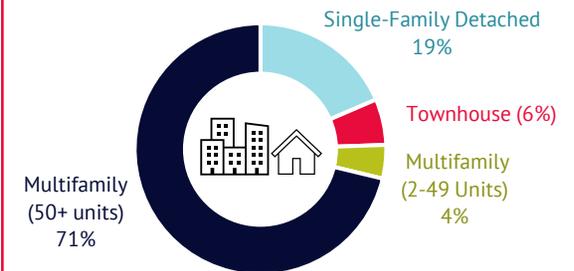
Currently, the DC side of Friendship Heights is zoned as MU-7 which allows for a matter-of-right maximum height of 65 feet and a PUD maximum height of 90 feet. In 2021, DC amended its Comprehensive Plan with proposed future land-use changes for Friendship Heights which enables increased density and building heights up to 130 feet.

### HOUSING SUPPLY OVER TIME



Source: 2015-2019 ACS Estimate

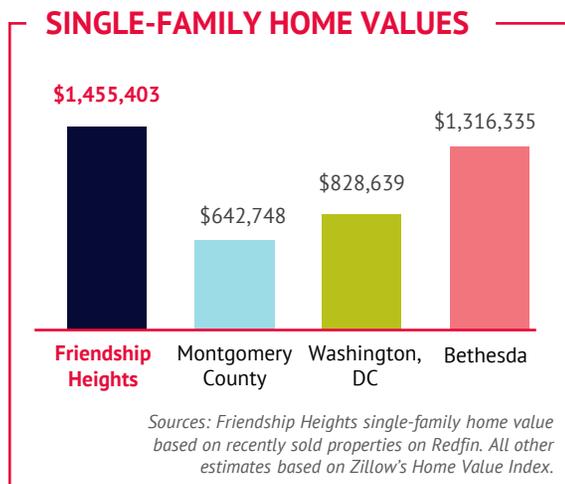
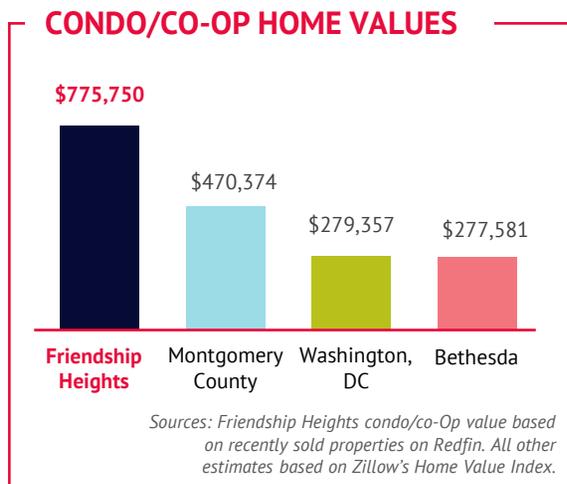
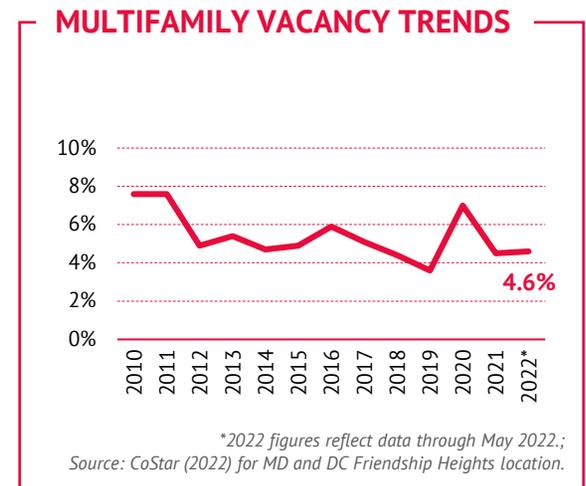
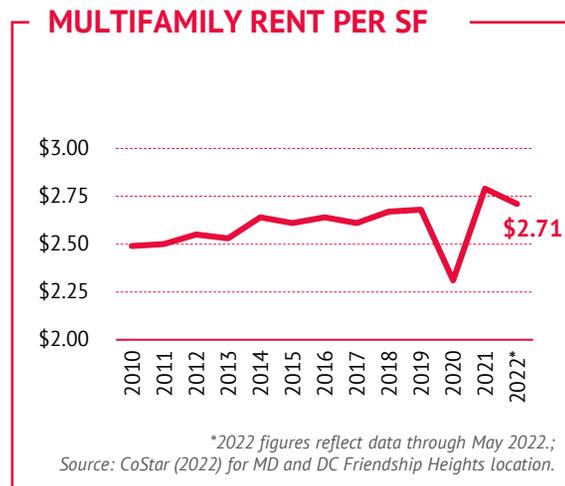
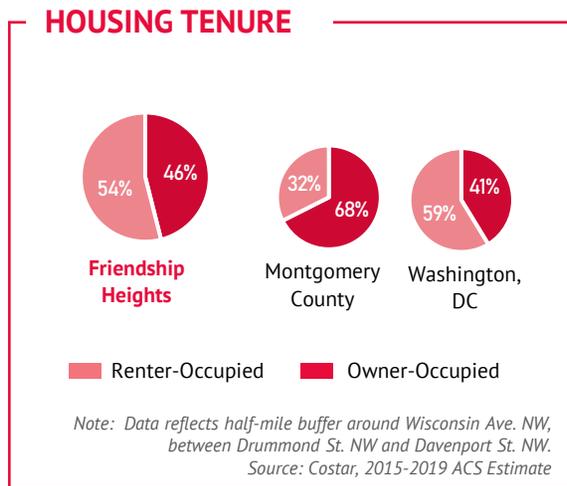
### A MIX OF HOUSING TYPES



Source: 2015-2019 ACS Estimate

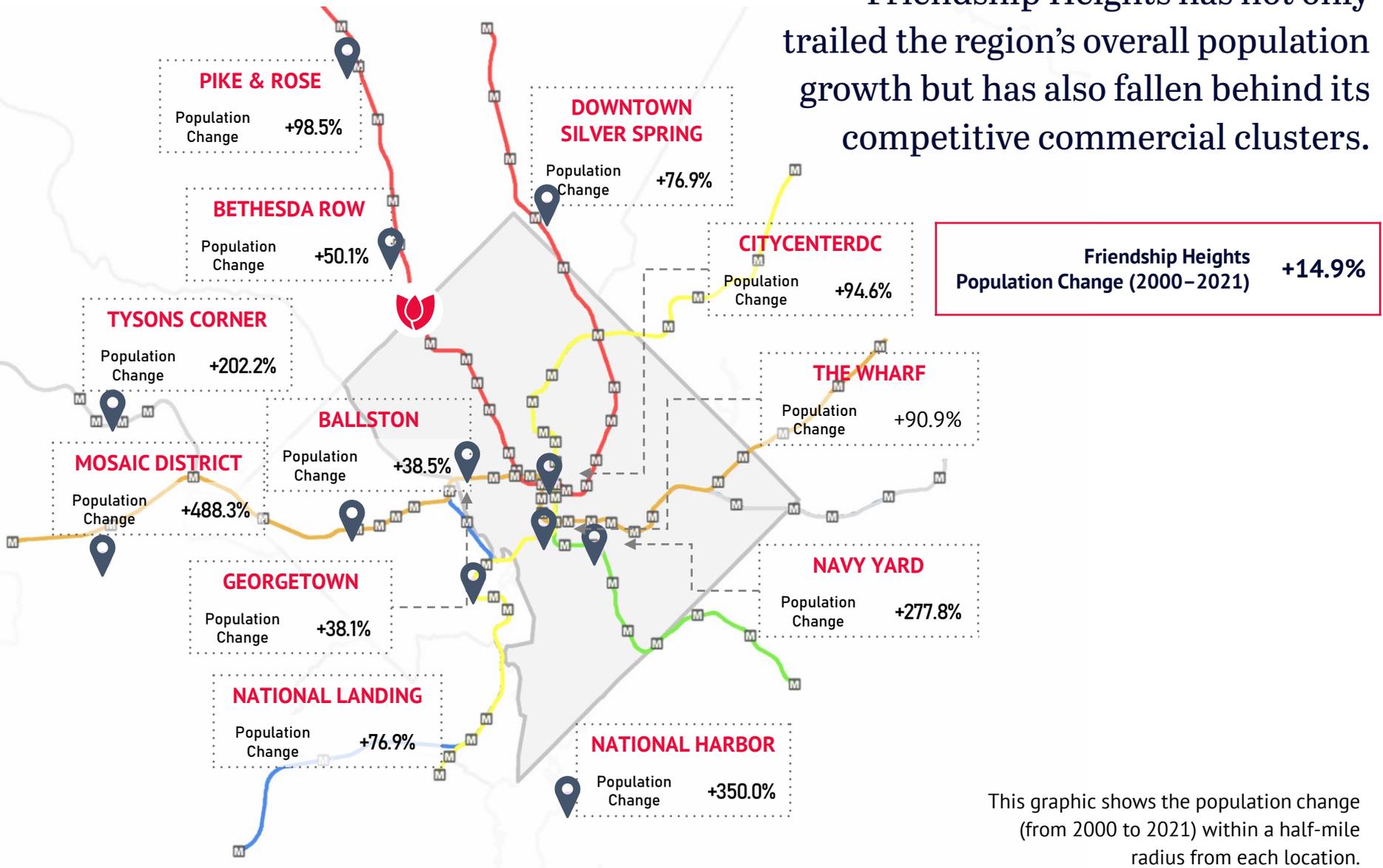
# RESIDENTIAL HOUSING MARKET

Friendship Heights has a strong housing market characterized by low vacancy rates, high rents and home values, and a balanced mix of renters and homeowners.



POPULATION CHANGE IN THE COMPETITIVE CLUSTERS

Friendship Heights has not only trailed the region's overall population growth but has also fallen behind its competitive commercial clusters.



This graphic shows the population change (from 2000 to 2021) within a half-mile radius from each location.

Source: Esri Community Analyst (2022)

## RESIDENTIAL DEVELOPMENT PIPELINE

Multiple new developments are proposed in Friendship Heights, which would bring approximately 1,250 new residential units and a considerable amount of new retail space to the neighborhood.

This includes the redevelopment of the now-closed Mazza Gallerie shopping center, which will add 350 additional residential units and help reactivate the heart of Friendship Heights at the intersection of Western Avenue NW and Wisconsin Avenue NW. Proposed projects are expected to improve retail viability by generating pedestrian traffic and helping improve the brand of Friendship Heights as a more vibrant mixed-use neighborhood.

### PLANNED AND PROPOSED DEVELOPMENTS

- **5500 Wisconsin Avenue** | MD
  - 380 Residential Units
  - 15,000 Retail SF
  - 45-57 Affordable Units
- **5333 Wisconsin Avenue** | DC
  - 12,000 Retail SF
  - 46 Affordable Units
- **5151 Wisconsin Avenue** | DC
  - 210 Residential Units
  - 1,700 Retail SF
  - 21 Affordable Units
- **Mazza Gallerie Redevelopment** | DC
  - 350 Residential Units
  - 26,000 Retail SF



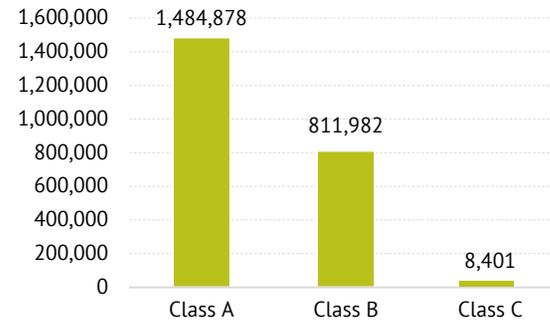
## OFFICE MARKET

Friendship Heights' 2.3 million square feet of office space provides more affordable rents and easier regional access than downtown DC, but vacancy has escalated in recent years.

Office vacancy rates have nearly tripled since 2014. Friendship Heights' office vacancy rate, though higher than the DC average, is similar to downtown DC's rate of around 16% in 2022. In Friendship Heights, gross office rent prices have been relatively stagnant and consistently lower than the DC average since 2010.



### OFFICE SF BY BUILDING CLASS



Friendship Heights' office market is predominately Class A office space in large office buildings. Major tenants include GEICO, Microsoft, Wedding Wire, and WTOP as well as several coworking spaces.

Source: Costar

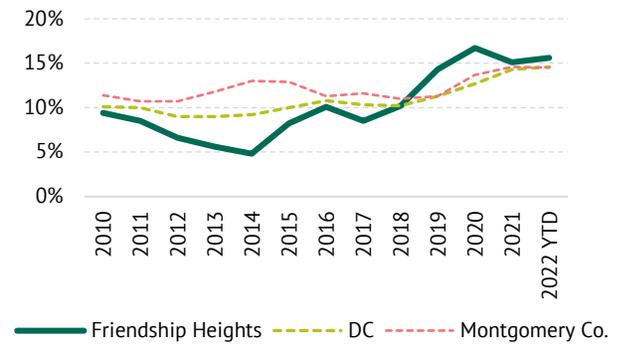


### OFFICE RENT TRENDS



Source: Costar

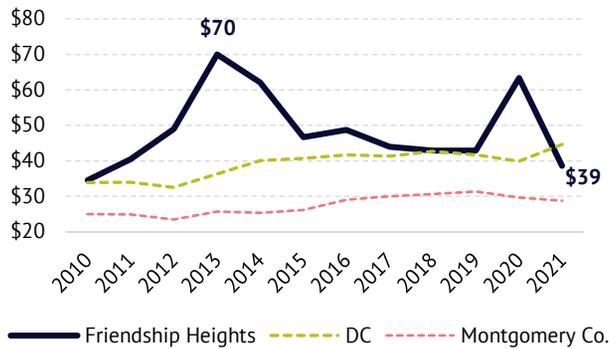
### VACANCY RATE TRENDS



Source: Costar



### RETAIL ASKING RENT TRENDS



There has been a gradual reduction in retail rents since 2013 when asking rents averaged \$70/SF – far below the current range

*Note: Retail asking rents reflect NNN rents except 2020 and 2021 which reflect all retail rent types.  
Source: CoStar (2022)*

### RETAIL MARKET

Despite its strong retail history, Friendship Heights has struggled with retail vacancy for decades, a challenge exacerbated by the pandemic and closures of Mazza Gallerie and Lord & Taylor.

The closures of Mazza Gallerie and Lord & Taylor added 467,000 SF in vacant retail space in 2021. Excluding the vacant Lord & Taylor and Mazza Gallerie buildings, Friendship Heights' retail vacancy rate is 14%, more than double the DC average of 6%. Of Friendship Heights' vacant retail space, 53% is currently undergoing redevelopment with the planned redevelopment of Mazza Gallerie.

Leasing activity in Friendship Heights has been limited in recent years, with only 5,000 - 60,000 SF typically leased annually. As of 2022, retail rents typically range from \$15 to \$25/SF for large retail spaces and between \$40 and \$60/SF for smaller spaces.

### NET ABSORPTION



Friendship Heights has experienced negative retail absorption every full year since 2017. Since 2012, it has seen a net decline of 581,617 SF of leased retail space.

*Source: CoStar (2022)*





## RETAIL MARKET

**Retail in Friendship Heights is undergoing a reorientation from big-box retailers and national chains to smaller, street-facing spaces with more local and experiential brands.**

Retail spaces in Friendship Heights, particularly indoor shopping centers, have struggled to attract visitors and tenants in recent years. Several national merchandise and restaurant brands have left the neighborhood, including large anchor tenants like Neiman Marcus, Lord & Taylor, and H&M. The neighborhood's growing vacancy is largely reflective of a nationwide trend of declining consumer and tenant interest in indoor shopping centers over the last several decades. The decline of customer traffic and tenant interest are also attributable to the lack of consistent street-facing storefronts, a decline in nearby daytime office workers due to the rise of remote work, and a lack of new residential development that has limited the growth of the local customer base.

In response, developers and asset managers in Friendship Heights are beginning to right-size retail spaces to be smaller and target experiential types of retail, such as fast-casual dining, health and wellness, and entertainment, in order to attract more tenant interest and customer traffic. Leasing strategies have also shifted away from targeting national brands, with an increasing preference for local and regional brands that can be more appealing to a millennial customer base. An upcoming food hall and new street-facing ground-floor retail spaces at planned mixed-use projects are expected to help the area become more aligned with current consumer desires.



## KEY OPPORTUNITIES

The challenges faced by Friendship Heights are emblematic of the nationwide struggle to reimagine urban commercial nodes. A forward-thinking vision and well-executed redevelopment strategy could help Friendship Heights become a national model for how to pivot a struggling shopping and employment center into a more resilient, dynamic mixed-use neighborhood aligned with market needs and consumer preferences.

IMMEDIATE GOAL:

**Reinvigorate the neighborhood's brand to attract more commercial tenants, support existing businesses, and attract more destination visitors.**

**Champion future projects and planning efforts that help grow the local customer base, enhance the public realm, and allow for creative, adaptable commercial uses.**

LONG-TERM VISION:

**Establish Friendship Heights as a mixed-use neighborhood that meets the needs of both new and existing residents and visitors from the broader region.**



# Strategic Recommendations

## FOR FRIENDSHIP HEIGHTS ALLIANCE & LOCAL STAKEHOLDERS

### Encourage More Housing and Residential Density

- Encourage the development of additional housing at all income levels to help meet established citywide housing supply goals, grow local spending capacity, and bring a new generation of residents to Friendship Heights. The neighborhood has the land area, developer interest, and zoning that will allow for more market-rate and affordable housing to be built.

### Re-orient the Retail Environment to Be More Engaging and Cohesive

- Champion future placemaking efforts and public space enhancements that help make Friendship Heights a place where people want to spend time – not just park, visit one business, and leave.
- Support infill development that grows the local customer base, closes gaps in street-level activity, and adds more street-facing storefronts.
- Support the ongoing shift towards street-facing and smaller floorplate retail that can attract a wider range of retail tenants and be better suited for more local-serving uses than larger, big-box spaces.

### Strengthen Placemaking and Connectivity Efforts

- Continue to improve the perceptions and experience of Friendship Heights through strategic placemaking efforts, public space activations, and branding/marketing campaigns.
- Invest in improved wayfinding and encourage parking facility operators to consider the use of shared parking agreements and parking apps to make parking in Friendship Heights an easier, smoother experience.
- Improve visibility and aesthetic quality of Metro entrances to create a more inviting streetscape and welcoming neighborhood introduction for visitors.

### Adjust for Changing Office Market Landscape

- Lean into Friendship Heights' unique location along the DC/MD border that allows easy access to both DC and Bethesda markets to accommodate nearby hybrid or remote workers that prefer office space closer to where they live.
- Support potential office-to-residential conversions to right-size local office supply given the rise of remote/hybrid work and declining demand for traditional office space.
- Embrace creative and adaptive uses that utilize commercial spaces in accordance with rapidly shifting retail and office leasing trends, and accommodate for additional community amenities like entertainment, recreation, healthcare, and education uses.

### Create Sustainable Implementation Capacity

- Transition the Friendship Heights Alliance into a Business Improvement District to lead the coordination and implementation of these efforts.
- Develop a well-funded and well-managed BID to manage ongoing marketing, branding, and placemaking efforts and coordinate between residents, tenants, property owners, city officials, and other partners.





# Friendship Heights

## About the Alliance

The Friendship Heights Alliance (FHA) is a property owner collaborative focused on the transformation of Friendship Heights through placemaking, place branding and place-based economic development.

The Friendship Heights Alliance is a 501(c)6 organization created in 2021 to increase collaboration amongst property owners as development throughout the corridor continues; focus on public space management and coordination; increase marketing and promotion of the neighborhood; and conduct outreach to residents and businesses.

### CONTACT

For more information or to get involved, email us at [info@friendshipheight.com](mailto:info@friendshipheight.com) or visit our website at [www.friendshipheightsalliance.com](http://www.friendshipheightsalliance.com).



