

***THE
AMERICAN EXPRESS OPEN
INDEPENDENT RETAIL INDEX***

***WASHINGTON, DC
SUPPLEMENT***

OCTOBER 2011

INTRODUCTION

Civic Economics is pleased to present this community supplement to the American Express OPEN Independent Retail Index, a study of market trends in independent retailing and food and beverage service in 15 major American cities. This document is a supplement to the main study report.

The Index is the first longitudinal market share study, charting the success of independent, local proprietors over a 20-year period, from 1990 to 2009. The data source for sales and employment at retail stores, restaurants, and bars is the NETS Database, built from Dun & Bradstreet business data for every year since 1990. The Index itself is a way of scoring communities based on the vitality of the independent business community in Retail Shopping and Eating & Drinking. *The higher the index, the higher the market share captured by independents.* An index of 100 reflects the average market share in that sector in 2009.

The Index additionally provides localized analysis of those trends in fifteen major cities, studies one or more independent business hot spots in each, and reviews trends in those neighborhoods to identify the impact of those successes. We have provided a supplemental document for each of the study communities.

For more information about the Index and the methodology, please review the primary study document. All study documents are available online at SmallBusinessSaturday.com.

WASHINGTON AND THE INDEX

The District of Columbia, which has the same boundaries as the City of Washington, has a population of 601,723, the smallest population among the 15 study communities; its growth rate of 5.2% over the last decade is nearly average for the group, which is a remarkable achievement for a city that was largely built out decades ago. Though local incomes are high, local retail sales trail the group and national average substantially, reflecting the strong pull from nearby suburban shopping districts.

Washington ranks 3rd in the Combined Rankings, with the 6th best Retail Shopping Index and the 3rd best Eating & Drinking score.

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COMPARISON OF STUDY COMMUNITIES

City	Study Area	Combined Ranking	Growth 2000-2010	Per Capita Income 2009	Retail per Capita 2007	Density (per Square Mile) 2010 *
NEW YORK	Five Boroughs	1	→ 2.1%	\$ 28,516	\$ 9,375	26,980.6
SAN FRANCISCO	San Francisco County	2	→ 3.7%	\$ 44,373	\$ 15,516	17,246.4
WASHINGTON	District of Columbia	3	→ 5.2%	\$ 40,846	\$ 6,555	9,800.0
BOSTON	Suffolk County	4	→ 4.7%	\$ 53,751	\$ 10,381	12,338.1
PHILADELPHIA	Philadelphia County	5	→ 0.6%	\$ 20,882	\$ 7,299	11,296.2
MIAMI	Miami-Dade County	6	↑ 10.8%	\$ 22,619	\$ 14,074	1,282.8
LOS ANGELES	Los Angeles County	7	→ 3.1%	\$ 26,983	\$ 12,336	2,417.9
SEATTLE	King County	8	↑ 11.2%	\$ 37,797	\$ 20,002	908.4
ATLANTA	Fulton County	9	↑ 12.8%	\$ 36,412	\$ 13,363	1,741.3
CHICAGO	Cook County	10	↓ -3.4%	\$ 29,021	\$ 11,571	5,493.1
DETROIT	Wayne County	11	↓ -11.7%	\$ 21,691	\$ 8,720	2,694.4
SAN DIEGO	San Diego County	12	↑ 10.0%	\$ 30,705	\$ 13,009	737.0
MINNEAPOLIS	Hennepin County	13	→ 3.2%	\$ 35,687	\$ 19,646	2,070.4
DALLAS	Dallas County	14	→ 6.7%	\$ 25,703	\$ 13,929	2,692.3
PHOENIX	Maricopa County	15	↑ 24.2%	\$ 27,185	\$ 15,153	414.8
	Study Community Average		5.5%	\$ 32,145	\$ 12,729	6,540.9
	U.S. Average		9.7%	\$ 27,041	\$ 12,990	87.3

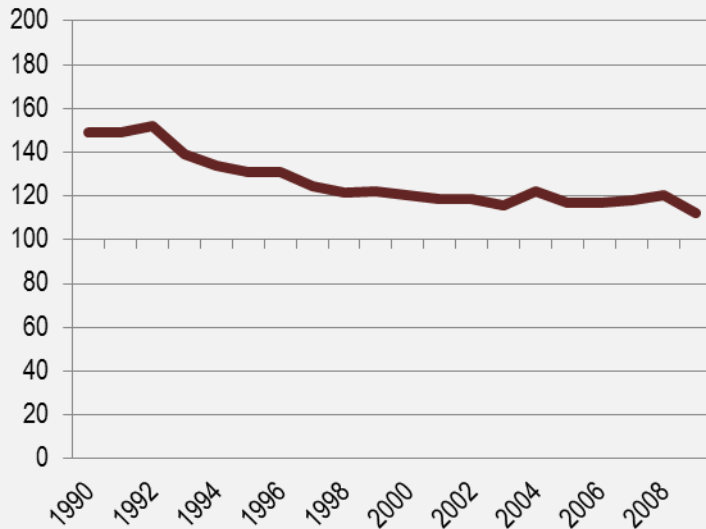
Source: US Census

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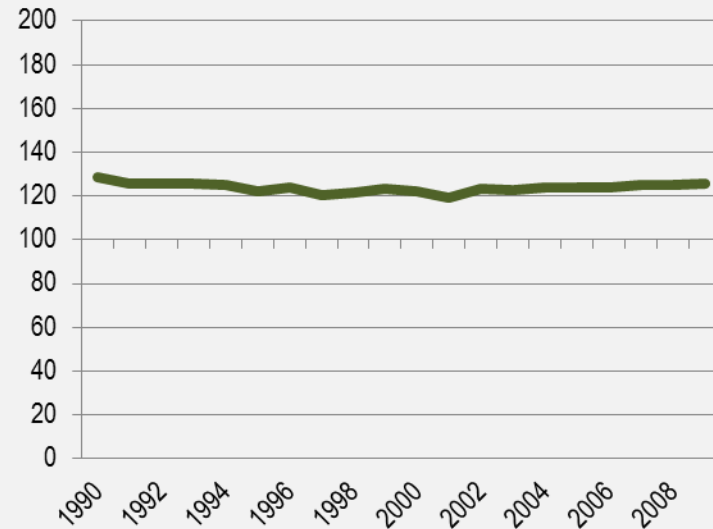
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WASHINGTON, DC

RETAIL SHOPPING INDEX



EATING & DRINKING INDEX



1990 Index: 149 Rank: 2
 2000 Index: 120 Rank: 3
 2009 Index: 112 Rank: 6

1990 Index: 129 Rank: 3
 2000 Index: 122 Rank: 3
 2009 Index: 126 Rank: 3

Combined Ranking, 2009: #3

Source: NETS, Civic Economics, US Census

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OPEN INDEX RANKINGS BY CATEGORY, 2009

SHOPPING RANKINGS			EATING AND DRINKING RANKINGS			COMBINED RANKINGS		
City	Points	Rank	City	Points	Rank	City	Points	Rank
New York	155	1	San Francisco	136	1	New York	287	1
Miami	125	2	New York	132	2	San Francisco	250	2
Boston	116	3	Washington	126	3	Washington	238	3
Los Angeles	115	4	Philadelphia	119	4	Boston	233	4
San Francisco	114	5	Boston	118	5	Philadelphia	224	5
Washington	112	6	Chicago	109	6	Miami	223	6
Philadelphia	105	7	Seattle	108	7	Los Angeles	213	7
Detroit	100	8	Los Angeles	98	8	Seattle	199	8
Atlanta	95	9	Miami	98	9	Atlanta	192	9
Seattle	91	10	Atlanta	97	10	Chicago	191	10
Dallas	89	11	Minneapolis	95	11	Detroit	185	11
San Diego	89	12	San Diego	95	12	San Diego	184	12
Minneapolis	88	13	Detroit	84	13	Minneapolis	184	13
Chicago	82	14	Phoenix	84	14	Dallas	171	14
Phoenix	75	15	Dallas	82	15	Phoenix	159	15

Source: NETS, Civic Economics, US Census

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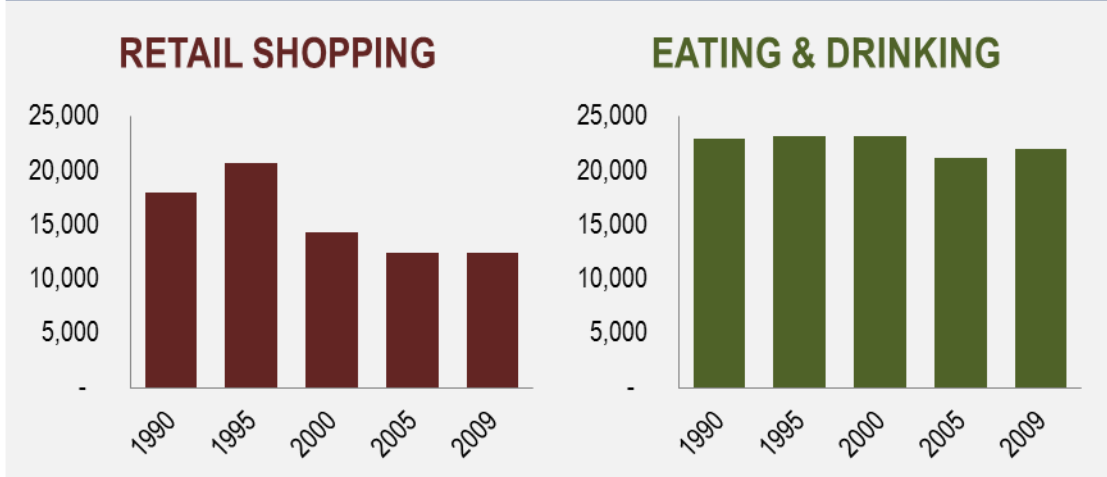
INDEPENDENT BUSINESS IN WASHINGTON

Chart 4, at right, shows the change in employment in Washington Retail Shopping and Eating & Drinking Establishments over the study period.

Collectively, Washington independents provide roughly 35,000 jobs in the county as of 2009, with 13,000 coming in the Retail Shopping category and 22,000 in Eating & Drinking.

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EMPLOYMENT AMONG INDEPENDENT BUSINESSES, 1990-2009



Source: NETS, Civic Economics

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LOCAL INDEPENDENT BUSINESS HOT SPOTS

The Index set out to quantify the health of independent businesses in major American cities over time and in comparison with one another. However, this study would be incomplete without a look within those major cities at the independent business districts that help to define the character of the community and contribute mightily to the vitality of nearby neighborhoods.

For each of the 15 study communities, Civic Economics tied the NETS database of independent retailers, restaurants, and bars to a map produced in Geographic Information System (GIS) software. From the broadest map of the county, we identified a number of hot spots of independent businesses, and zoomed in on them to find each city's most indie-driven business districts.

A note on data: Within the 60 million data points from which Civic Economics built the Index, there are undoubtedly errors and omissions. At progressively smaller geographic levels, such as the neighborhoods discussed below, those may become apparent. However, despite the occasional misplaced business on a map, we believe the data provides a unique and reliable view of the trends at the nation, county, and neighborhood level.

Washington is an unusual city in many respects. Each other city in this study group shows a substantial reversal in home values since 2007, as well as reduced sales in both Retail Shopping and Eating and Drinking. With a broad economic base of government agencies and the private firms that depend on the federal government, Washington experienced a far milder version of the recession that gripped the rest of the nation.

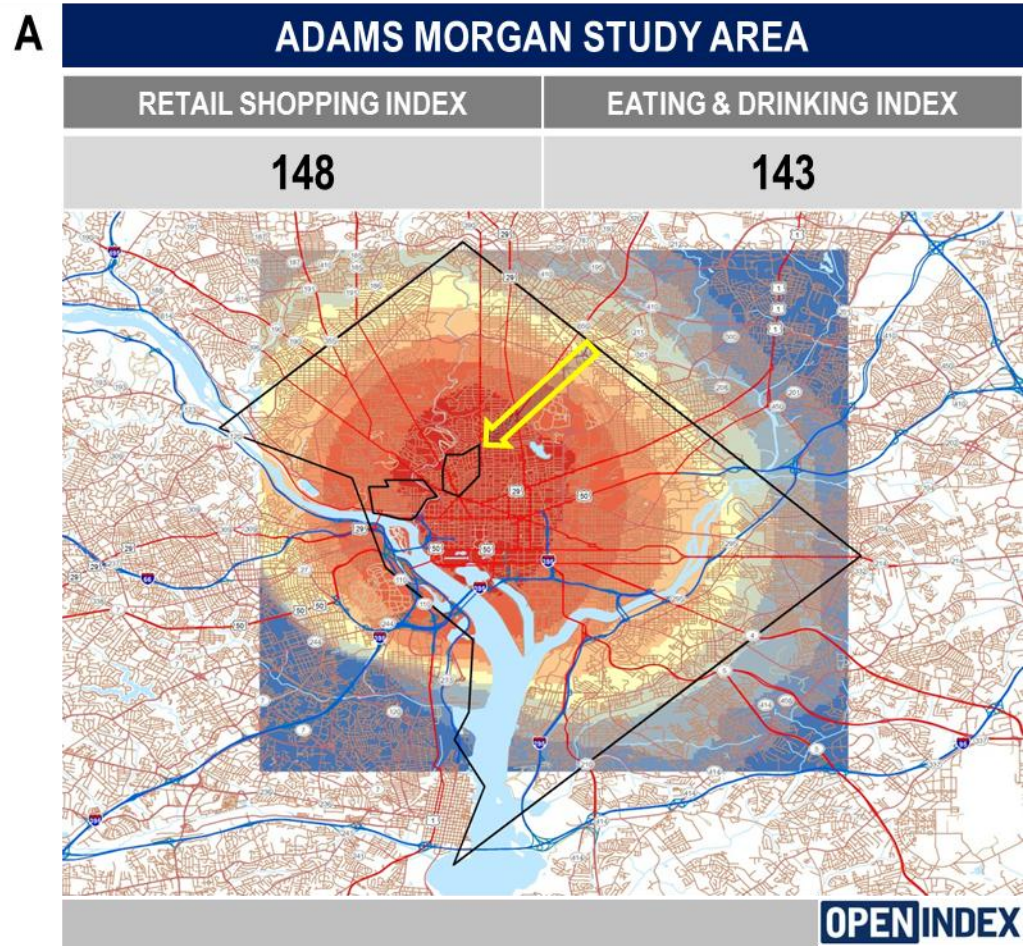
Adams Morgan and Georgetown, both in the Northwest quadrant of the city, present interesting contrasts. The former emerged as a regional shopping and dining destination just before and during the study period. The latter has a long history as a regional destination, which only strengthened during the study period.

ADAMS MORGAN

Adams Morgan (in small box on Map A, at right), is an urban district to the north of Dupont Circle in Northwest Washington. For the purposes of this study, we included commercial corridors above Dupont Circle on both Connecticut and New Hampshire Avenues, since they both service residents of and visitors to Adams Morgan.

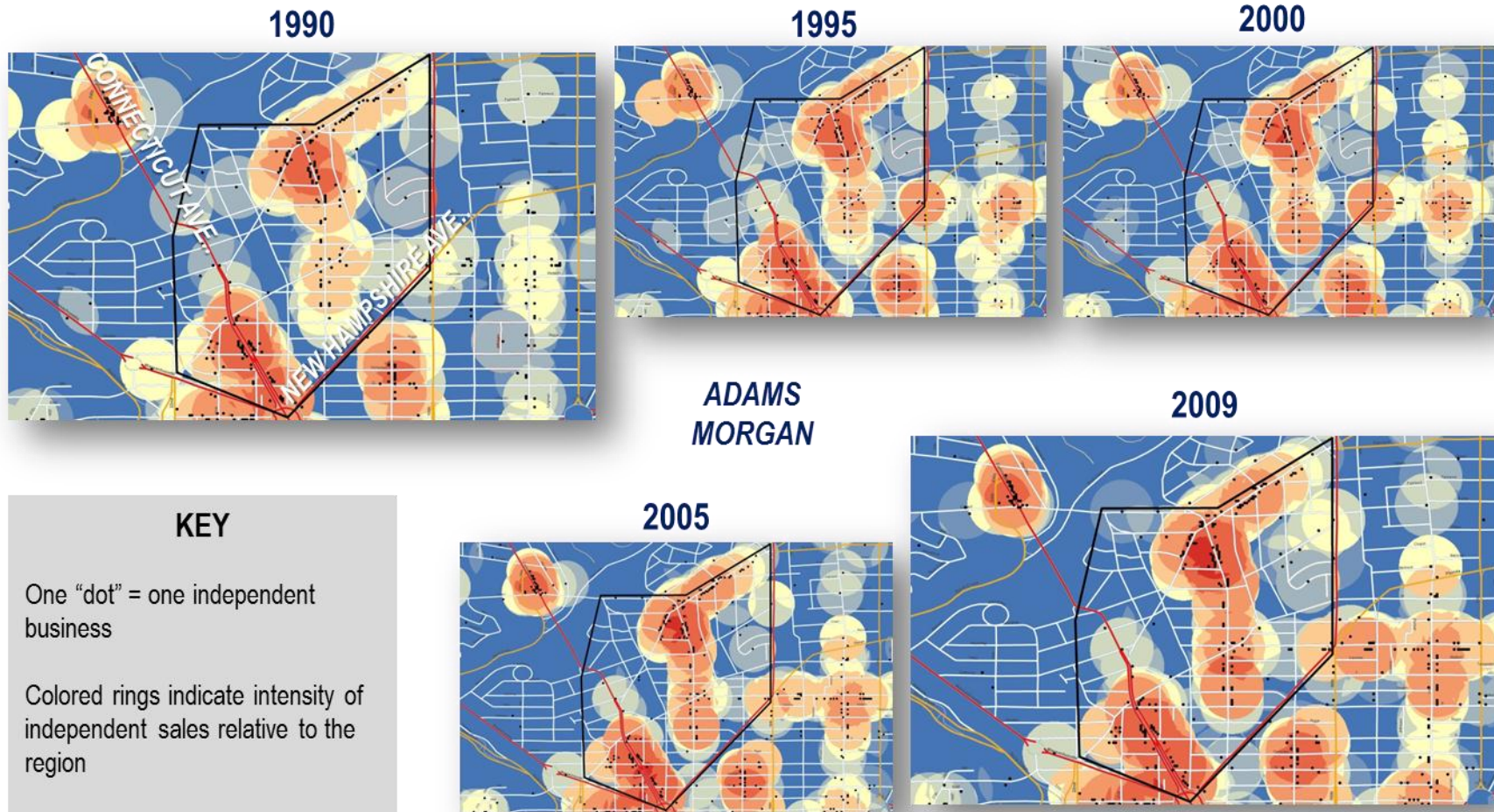
Map B on the following page depicts the evolution of the independent business community in Adams Morgan since 1990. The Dupont Circle edge was well established in 1990. The northern core of the neighborhood, at Columbia and 18th Street, grew substantially in the independent business revenue during the first decade of the study period.

Chart 5 (on page 9) compares the retail and food & beverage markets in Adams Morgan with the broader DC market. Independent restaurants, for which the area is best known, hold a near monopoly on business in the study area while a small number of chain stores, particularly drug stores, have taken root alongside the independent retailers in the neighborhood.



B

EVOLUTION OF AN INDEPENDENT BUSINESS DISTRICT



KEY

One "dot" = one independent business

Colored rings indicate intensity of independent sales relative to the region

Source: NETS, Civic Economics

OPEN INDEX

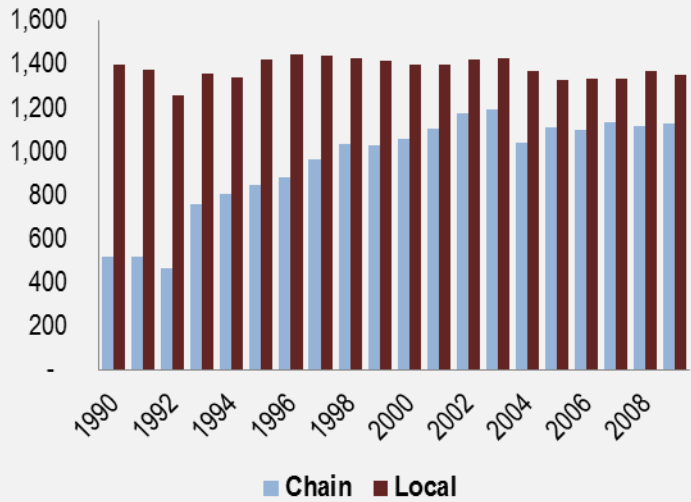
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NEIGHBORHOOD SALES VERSUS COUNTY (\$ Millions)

ADAMS MORGAN



WASHINGTON, DC



Source: NETS, Civic Economics

OPEN INDEX

The Economic Impacts of Adams Morgan

To measure the economic benefits provided by a thriving independent business district, Civic Economics studied two questions in each local business district analyzed.

The first is whether the presence of the district produces strong neighborhoods around it. The left side of Chart 6 below provides one answer to that question, tracking the median sales price in the zip code most closely associated with the district.

The 20009 Zip Code encompasses Adams Morgan and adjacent neighborhoods to the east. Since 1996, the increase in median home sales prices has substantially outpaced the broader DC market, ending with an increase in value 55% higher than the District.

The second question is how many jobs are created by the presence of the district. The right side of Chart 6 below shows job creation at both independent and chain businesses.

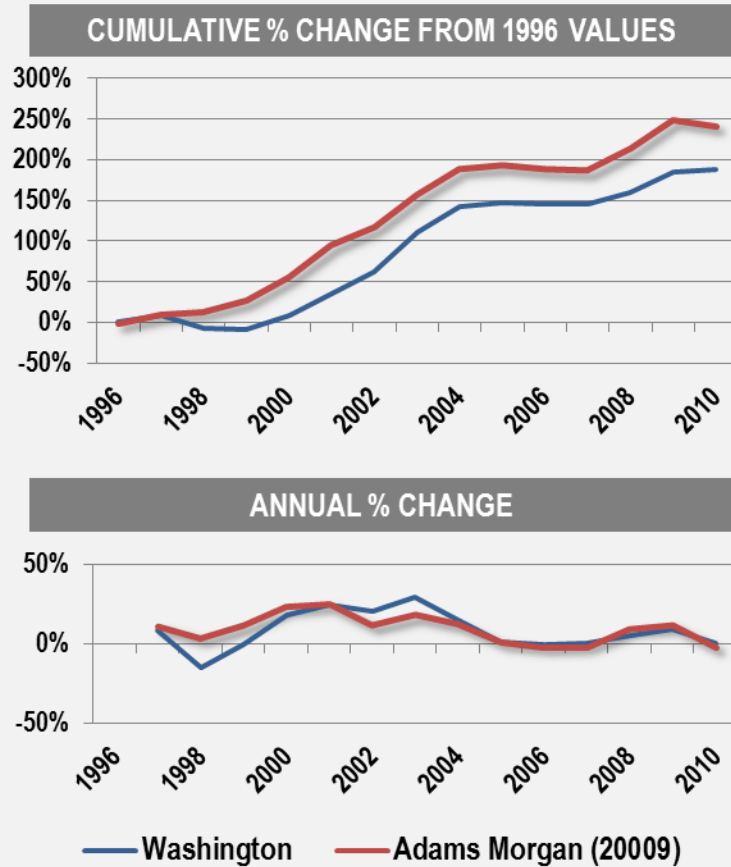
During the period of this study, Adams Morgan businesses added over 1,000 jobs, nearly evenly split between Retail Shopping and Restaurants and Bars and most substantially among independent businesses. As of 2009, these businesses employed roughly 3,000 area residents, making Adams Morgan an economic engine for the region.

Adams Morgan, in both image and reality, is a district of independent, locally-owned businesses. And Washingtonians don't just visit there for the diverse restaurant offerings or interesting shops; they moved there to be near them. In the process, Adams Morgan became an economic anchor, producing large increases in property and sales tax to support the needs of the City of Washington.

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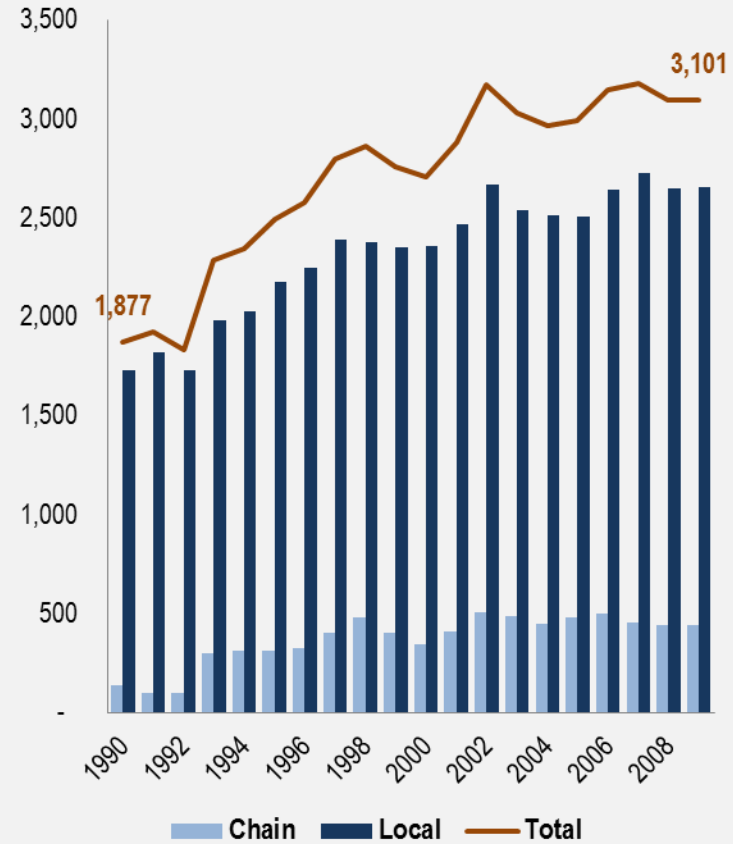
THE ECONOMIC IMPACTS OF AN INDEPENDENT BUSINESS DISTRICT

MEDIAN HOME SALES PRICES



Source: Zillow.com, Civic Economics

JOB CREATION IN THE NEIGHBORHOOD



Source: NETS, Civic Economics

OPEN INDEX

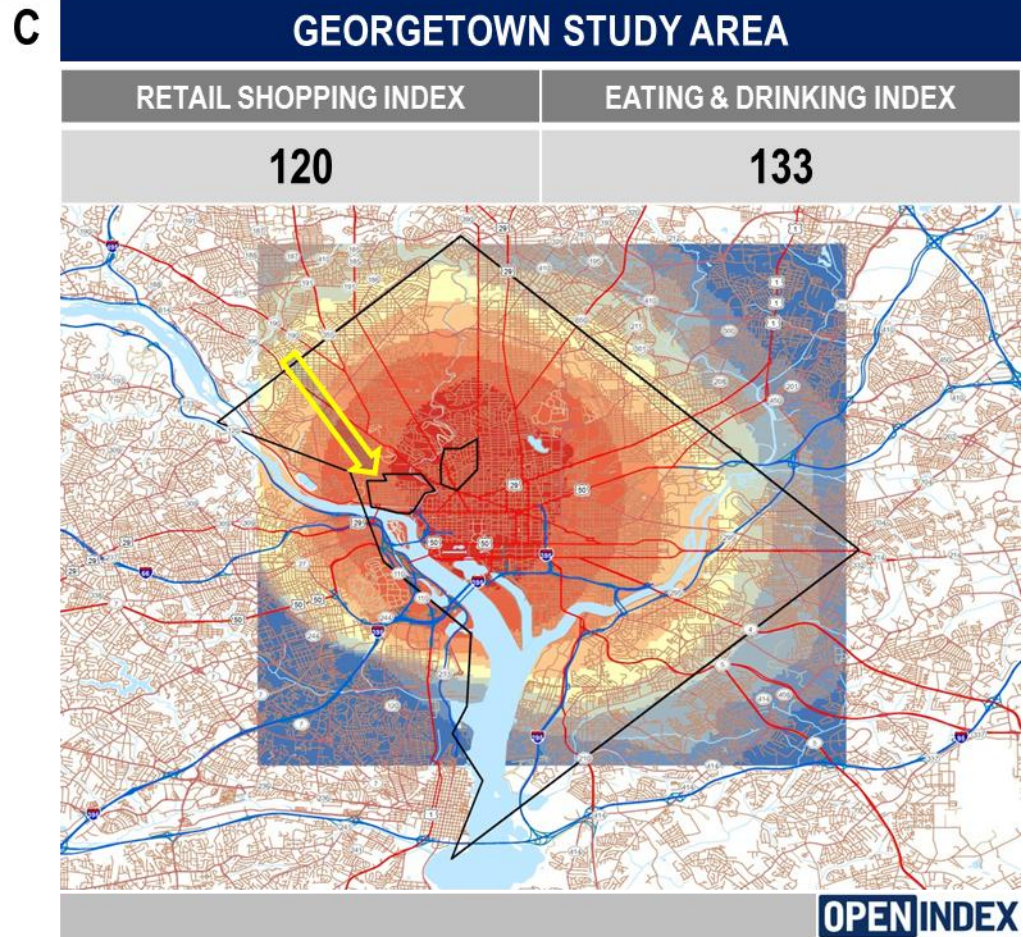
GEORGETOWN

Georgetown (in small box on Map C, at right) is a long-established residential section of Washington west of Rock Creek Park and north of the Potomac River. It is home to two thriving commercial corridors along Wisconsin Avenue and, most famously, along M Street.

Map D on the following page depicts the evolution of the business district since 1990.

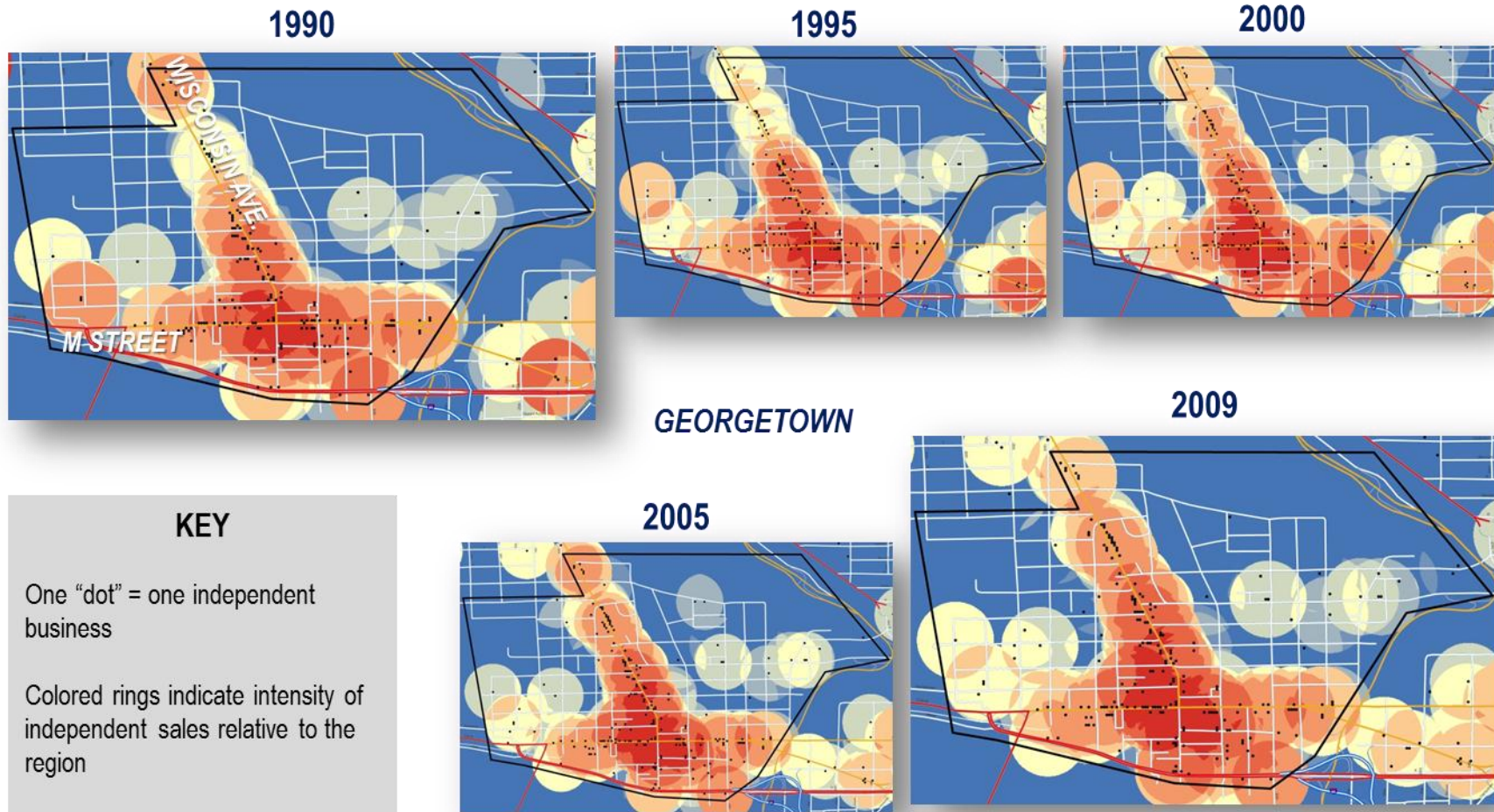
Chart 7 (on page 14) compares the retail and food & beverage market in the neighborhood with the broader market.

While the intensity of independent retail has always been strong along M Street, that strength radiated out from the intersection of M and Wisconsin during the study period, particularly noticeable along the northern portions of Wisconsin within the study area. During the 1990's, chain retailers established a strong base in the area as well. Interestingly, even as chain stores moved in to prime locations, most noticeably along M Street, the independents maintained their revenue levels despite a dramatic reduction in independent market share. Independent restaurants and bars have maintained a strong market share in Georgetown since well before the study period began.



D

EVOLUTION OF AN INDEPENDENT BUSINESS DISTRICT



Source: NETS, Civic Economics

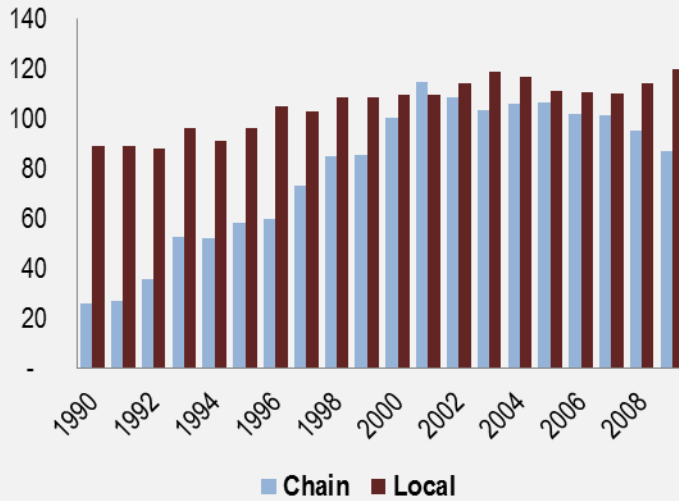
OPEN INDEX

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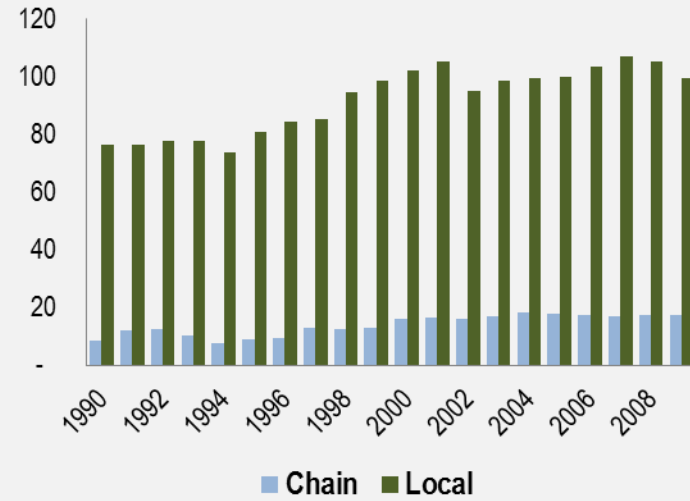
NEIGHBORHOOD SALES VERSUS COUNTY (\$ Millions)

GEORGETOWN

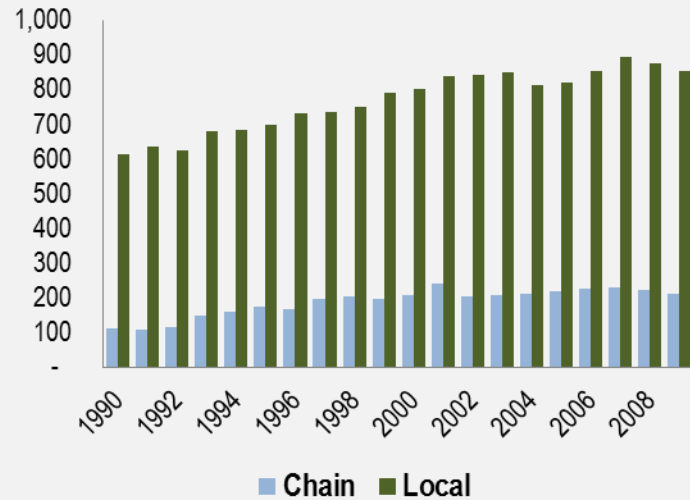
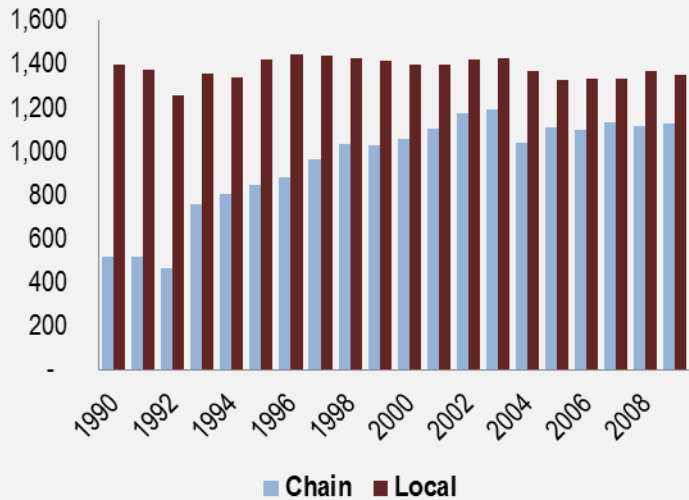
RETAIL SHOPPING



EATING & DRINKING



WASHINGTON, DC



Source: NETS, Civic Economics

OPEN INDEX

The Economic Impacts of Georgetown

To measure the economic benefits provided by a thriving independent business district, Civic Economics studied two questions in each local business district analyzed.

The first is whether the presence of the district produces strong neighborhoods around it. The left side of Chart 8 below provides one answer to that question, tracking the median sales price in the zip code most closely associated with the district.

The 20007 Zip Code includes Georgetown and nearby neighborhoods, all to the west of Rock Creek Park. Real estate prices in the neighborhood have risen and fallen from year to year, due in part to the relatively small sample size of homes that change hands in a given year. Overall, property values in the neighborhood began far higher than in the DC overall and maintained that advantage through the period for which data was available.

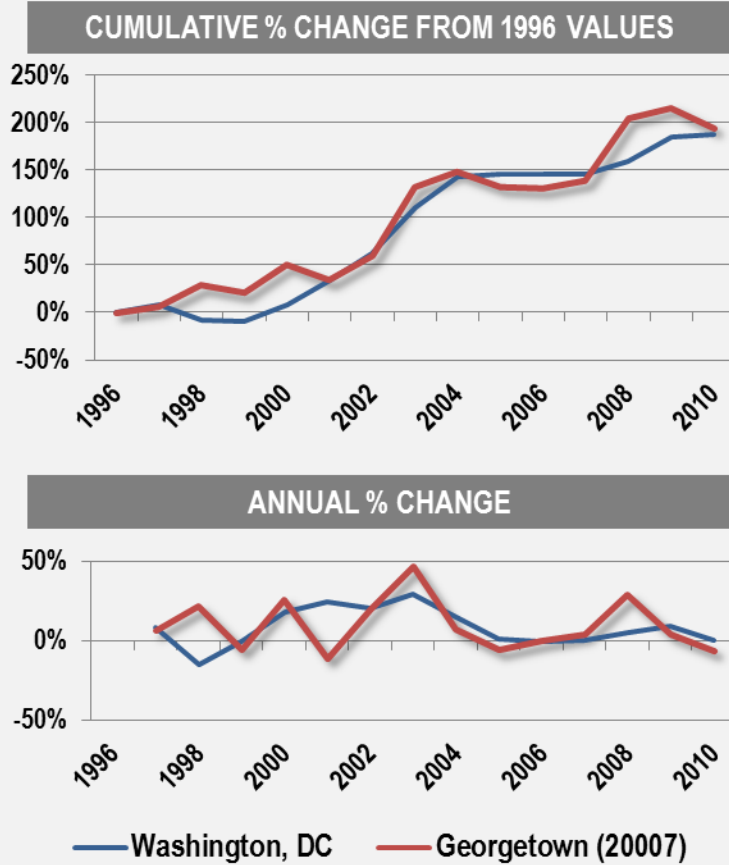
The second question is how many jobs are created by the presence of the district. The right side of Chart 8 below shows job creation at both independent and chain businesses.

Since 1990, businesses in Georgetown have added over 1,000 jobs to exceed 5,000 employees. Workers in these establishments are undoubtedly drawn from the neighborhood and nearby universities as well as from throughout the Washington area.

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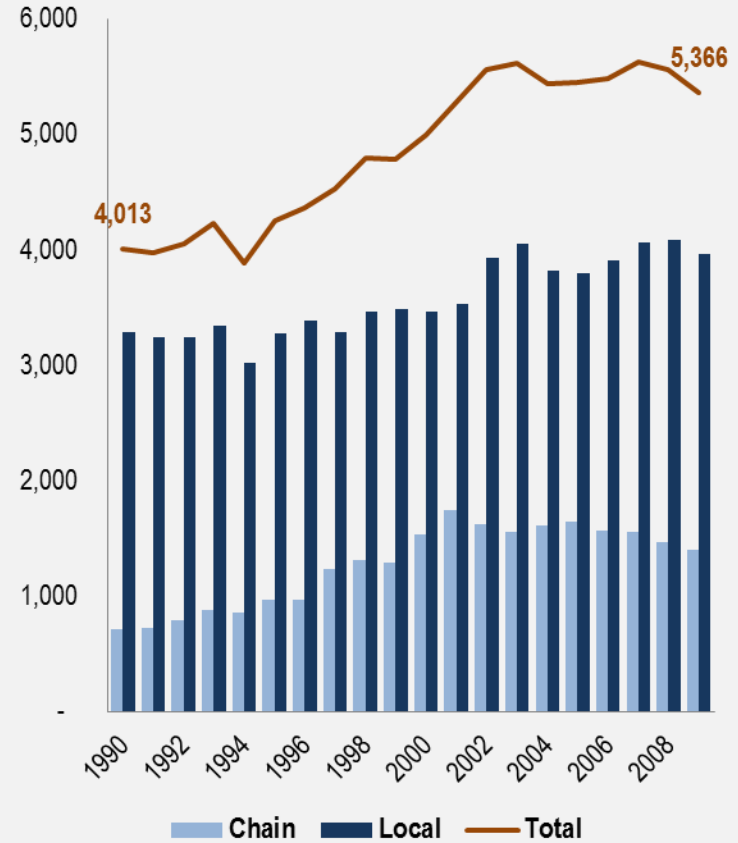
THE ECONOMIC IMPACTS OF AN INDEPENDENT BUSINESS DISTRICT

MEDIAN HOME SALES PRICES



Source: Zillow.com, Civic Economics

JOB CREATION IN THE NEIGHBORHOOD



Source: NETS, Civic Economics

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CONCLUSION

As our nation's capital, Washington is a center of economic development theory and policy. Happily, it is also an exemplary case of developing a locally-owned small business sector that contributes mightily to the health of a regional economy. While transformations like that in Adams Morgan are not without challenges and dislocations, the neighborhood serves as a powerful example of leveraging urban redevelopment to nurture a diverse entrepreneurial class.

CONTACTS

To learn more about the OPEN Index and to download study documents, please visit SmallBusinessSaturday.com.

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Civic Economics is an economic analysis and strategic planning consultancy with offices in Austin and Chicago. Founded in 2002 by Matt Cunningham and Dan Houston, the firm has earned a national reputation for innovative approaches to economic development challenges. Learn more at www.CivicEconomics.com.

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