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## MIXED-USE DOMINATES MID-ATLANTIC PIPELINE

Developers are attracted to long-term growth prospects of metro D.C. area, Baltimore.

By Katie Sloan



Port Covington in Baltimore will include up to 18 million square feet of retail, office, entertainment, hotel and residential space, as well as 40 acres of green space.

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year-over-year driven by the education and health services sector, has fostered greater spending power in the region, which helps bolster the retail sector.

Retail vacancy remains tight in and around the District at 4.5 percent at the end of the third quarter of 2017, the same rate from third-quarter 2016, according to the latest Marcus & Millichap retail report. In that same time frame, asking rents at \$26.97 per square foot were a modest 1.7 percent increase year-over-year. The report projected that both the high occupancy and increases in rent will continue through 2018.

The development pipeline for Washington, D.C., has slowed to 1.7 million square feet under construction at the close of the third quarter, down from 2.5 million square feet a year prior. Developers seem to be looking to build a smaller amount of projects of a higher caliber, with an increased focus on premier mixed-use spaces.

### Development in D.C.

Massive mixed-use projects are currently underway in and around Washington, D.C., the largest being The Wharf, Madison Marquette and PN Hoffman's \$2.3 billion waterfront project. Phase I of The Wharf opened in October, delivering two office buildings, two apartment towers, two luxury condominium buildings and three hotels, as well as restaurants and retail space.

The Wharf's current retailers include CVS/pharmacy, as well as fitness concepts DC Row and Yoga Factory. Other tenants include services like The Press, Bella Moda Salon and Spa, Blink Optical and Blush. Entertainment space at the development comprises four piers stretching into the Potomac River, as well as Anthem, a 6,000-seat concert hall.

The Wharf stretches across 24 acres of land and more than 50 acres of water, and upon completion will feature 3.5 million square feet of new residential, office, hotel, retail, marina and public uses, including waterfront parks, promenades, piers and docks.

A groundbreaking for Phase II of the development is expected to occur this year, with completion scheduled for 2022. This phase will include an additional 1.15 million square feet of mixed-use space, including office, residential, a hotel, marina, retail space and parks.

On Wisconsin Avenue, Roadside Development and North America Sekisui House are busy redeveloping the former Fannie Mae headquarters. The joint venture has inked a deal with New York-based supermarket chain Wegmans to anchor the redevelopment, which includes the origi-



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nal brick buildings that were constructed by Equitable Life Co. in 1958 and 1962, as well as nearly 10 acres surrounding the buildings.

Upon completion, the site will feature retail, residential, cultural arts, hospitality and commercial space. The development team includes Shalom Baranes Associates and Michael Vergason Landscape Architects.

Outside of downtown, Saul Centers Inc., a Bethesda, Maryland-based REIT and shopping center owner, has secured a \$157 million construction loan for 750 North Glebe, a mixed-use project under construction in Arlington, Virginia, roughly five miles west of Washington, D.C.

The development is set to feature 491 residential units and 62,000 square feet of retail space, anchored by a 41,000-square-foot Target store and a Silver Diner eatery. Construction is underway, with completion projected for 2020. The property is located across the street from the Ballston Common Mall, which is currently undergoing redevelopment by Forest City.

The redeveloped enclosed mall — to be rebranded Ballston Quarter — will feature Quarter Market, a food hall featuring 18 restaurants including Bartaco, Buredo, Cucina Al Volo, Ice Cream Jubilee, Mi & Yu Noodle Bar, Pinch Dumplings, Rice Crook, Swizzler and Timber Pizza Co.

### Building Up Baltimore

The proliferation of mixed-use projects is also occurring in metropolitan Baltimore, with Sagamore Development's Port Covington redevelopment taking the spotlight.

Port Covington is a 235-acre mixed-use redevelopment located on Baltimore's waterfront adjacent to Interstate 95. At completion, the 25-year project will include up to 18 million square feet of retail, entertainment, office, hotel and residential space. In addition, the project will encompass 2.5 miles of restored waterfront and 40 acres of parks and green space.

With a tight labor market and payroll growth, the retail sector in and around Washington, D.C., is flourishing. In December 2017, the unemployment rate in the metropolitan area dropped to 3.3 percent — the lowest rate seen since the recession in 2008, according to the U.S. Bureau of Labor Statistics (BLS).

Employment in the Nation's Capi-

tal was steady over the course of 2017. The metro area posted a 1.7 percent increase in total employment due to the creation of 55,000 new jobs from December 2016 to December 2017, according to the BLS.

This growth, coupled with a roughly 3 percent increase in payroll

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A 22-story building titled Liberty Harbor East is currently under construction on the property, which will feature a 50,000-square-foot Whole Foods Market flagship and 282 luxury apartments with 35 condominiums above.

"The new Liberty Harbor East building is currently under construction and is slated to open in spring 2019," says Tim O'Donald, president of developer Harbor East Management Group. "The new Whole Foods Market space will replace the existing Whole Foods Harbor East location, and will more than double its current square footage."

The new store will feature café seating on the second floor terrace overlooking Baltimore's Inner Harbor, and a complementary retailer will occupy approximately 3,500 square feet in the building. As far as future plans for the project, Harbor East Management plans to add approximately 44,000 square feet of retail at the "D Center" parcel, located one block north of Liberty Harbor East.

Elsewhere in the metro, St. John Properties has continued its work on Greenleigh, a master-planned development, construction of which began in the mid-2000s. The development — located in the White Marsh/Middle River area — features a mix of uses including office, residential, restaurants and retail.

Developers like Sagamore and St. John Properties are confident in their developments, betting on Baltimore's long-term growth and demand generators.

"The market around Baltimore is healthy, provided that your retail development is relative to demand," says Bill Holzman, vice president of retail leasing at St. John's Properties.

O'Donald seconds this sentiment. "Our perception is that the metropolitan area is quite healthy," he says. "Quality shopping venues that are well-positioned and well-maintained across all retail categories are well-occupied." ■



Liberty Harbor East in Baltimore's Harbor East development will feature a 50,000-square-foot, flagship Whole Foods Market and 282 luxury apartments.