



# Washington D.C.

## DEALER TOUR



Photos by Jake Orness

## Government, Schools Supply Steady Revenue Stream

**M** STREET IN GEORGETOWN, JUST OVER Washington's Key Bridge, is home to Bicycle Pro Shop, a retail fixture there since 1958. Two doors down is the original location of the powerhouse Revolution Cycles chain that opened 12 years ago.

It is unusual to see two longstanding and successful shops in such close proximity, let alone on the same city block. But a convoy of bike commuters flowing into the nation's capital over the Key Bridge provides ample business to go around.

The stores sit at the nexus of the popular C&O Canal Trail and the Mt. Vernon Trail, which we experienced riding around the district during the three-day BRAIN

Dealer Tour last month.

Riding into the city from the outlying Virginia suburb of Alexandria each day, we joined a sizeable group of bike commuters from the suburbs of Virginia and Maryland.

A mid-size city, Washington, D.C., has a population of close to 592,000 people. During the workweek, however, commuters from the outlying suburbs into the city swells the District's population by over 70 percent, to a daytime population of more than one million people.

That creates a healthy commuter market for city shops that service an increasing number of people opting to travel into the city by bike. "That segment

is growing—we see more and more commuter bikes," said Tony Leongini, manager of Bicycle Pro Shop.

Nearby, CycleLife USA is situated on another major commuter artery, the Capital Crescent Trail. General manager Travis Coleman said an average of 500 to 600 bike commuters passed by on Bike to Work Day in May.

And retailers point to infrastructure improvements (see story page DT-15) that have improved bikeability within the city. That has created an even more robust utility market for shops like City Bikes, which service the urban cyclist.

"People use bikes to get around the city," said merchandising manager Eric Welp.

Continued on DT-14



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# Government...

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## Roller-Coaster Ride.

That dedicated, year-round commuter clientele has provided some stability to shops in D.C. during the economic recession. While it has been a rocky two years, storeowners say the metropolitan area is more recession-resistant than other parts of the country.

A high transient population of students from local universities, temporary government contractors and

hovering around 6 percent.

"Even though the federal government is not the largest part of the economy, it's still a backstop," said Bob Fadel, co-owner of the four-store Virginia chain Spokes Etc.

Still, Spokes Etc. has seen wild swings in the market over the past 18 months that make it hard to predict sales. "The big challenge is the market is volatile," said co-owner Jim Strang. "We'll be rolling 40 percent over one month, then the next month we're off 20 percent. We see these swings."

While the economy certainly played a role, much of the blame for dramatic sales spikes this year can be attributed to subnormal temperatures and record snowfall over the winter. Area retailers got pummeled at the start of the year as Mid-Atlantic states received multiple snowstorms in February, producing more than 70 inches of snow.

Retailers consistently reported sales that were dramatically off in the first two months of the year, in worst cases by as much as 40 percent in January and as much as 60 percent in February. Mike Sendar, owner of Big Wheel Bikes, called February his worst month ever in 39 years in business.

Conte's of Alexandria, Virginia lost 10 days of business in February. But Conte's co-owner Scott McAhren said the upside was that customers had raging spring fever. "The great news was the ferocity with which business came back," he said.

Local retailers across the board reported stellar



Conte's owners Jody Bennett and Scott McAhren discuss how they are revamping their franchise model.



Our group found respite from a sudden afternoon storm inside Revolution Cycles' Arlington, Virginia, store.

political staffers transitioning with the presidential administration provides a constantly revolving base of new customers.

And the high number of government employees and government contractors has kept unemployment low,

sales in March and April that more than made up for the losses. "March and April were off the hook," said Spokes Etc.'s Fadel.

## Real Estate Wrinkles.

While dealers in the D.C. market have many trends working in their favor, the high price of real estate poses a problem for many storeowners. Many parts of the downtown area have been revitalized over the past 10 years, causing rents to skyrocket.

When Denise D'Amour opened Capitol Hill Bikes in 2000, she paid just \$13 per square foot for a prime location on 8<sup>th</sup> Street near the Hill. "It was really cheap. The owner didn't know what else to do with it," D'Amour said. But after the street was revitalized and landscaped in 2002, bringing bars and restaurants into the neighborhood, her rent climbed to \$50 per square foot.

Her sales kept pace with increasing rents, peaking at \$2 million in 2007, but then the recession hit. "High-end sales dried up and we couldn't support the space," she said.

Downsizing allowed her to cut overhead by close to half and sales have since stabilized. "It's been a great spring. We're just about where we were last year with less cost," she said.

While in other major markets successful retailers subsidize their retail income by owning buildings, that's not the case here. Commercial real estate inventory is low and good locations are difficult to find in the suburbs that ring the Potomac River.

Spokes Etc.'s Fadel said it's hard to find good properties in the Virginia suburbs and real estate is expensive. "Prices are out of whack for purchasing," he said. Instead, Spokes looks for long-term leases of locations on major thoroughfares.

Fadel said the lack of available real estate is a barrier to entry for new retailers coming into the market.

McAhren learned that even once you find a good location, it may not be easy to negotiate a lease agreement. It took him nine months to find a retail space in Arlington, Virginia, and once he did, he needed someone to guarantee the lease.

"The reason we went with the franchise was we needed help securing the lease. It was hard for a lot of people in real estate to understand our vision for the shop," said McAhren, who opened his store as a Conte's franchise in December 2006. He has since bought out the franchise. —Megan Tompkins



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