

Subject: COR- Restaurant Closings by Zip Code

**FY 2018 Proposed Budget
Budget Work Session Follow-up**

4/7/2017

The following information is provided in response to a request made by Mr. Jay Fisette and Ms. Katie Cristol at the work session on 3/3/2017, regarding data on restaurant closures over the last three years by zip code and requesting a comparison of restaurant closures to other localities.

The data provided below provides some important context to understanding the current state of the restaurant market in Arlington. Specifically, the data shows:

- 1) Restaurant Growth: The total number of restaurants in Arlington has grown since 2013, and even in the last years where the amount of closures saw an increase, the total number of establishments has remained relatively stable;
- 2) Pace of Restaurant Growth: The pace of restaurant growth since 2013 in Arlington has been 4%, however, is significantly behind Fairfax County (17%);
- 3) Closures: The closures from 2014 to 2016 represent an average attrition rate (percent of existing restaurants that closed) of approximately 11%, with increases each year since 2013;
- 4) Attrition: This level of attrition represents a modest sign of market weakness, but is generally consistent with the volatile nature of the restaurant industry, and appears only slightly higher than the results from neighboring jurisdictions; and,
- 5) Data: The data provides no definitive sense that any particular neighborhood is more affected than others by restaurant closures.

Given Arlington's strong demographics, significant daytime employment, and excellent transportation options, the County continues to be one of the strongest locations for restaurants in the region. As noted above, the market disruption in the restaurant industry the County is now observing is relatively modest, and the overall strength of the market is being proven by how quickly most closed restaurant locations are being filled with new restaurant concepts. In addition, every closure has its own unique story, so wholesale conclusions about broader trends can be challenging. With that said, Arlington Economic Development (AED) has found that a confluence of broader market factors are having an impact on the restaurant market:

- 1) Competition within Arlington: The strength of the market leads naturally to hyper-competition, which provides great consumer choice and value, but also

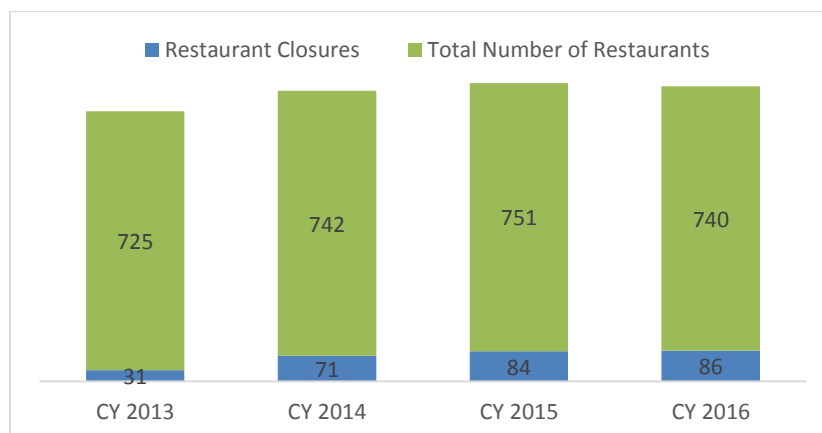
Subject: COR – Restaurant Closings by Zip Code

quickly expels failed restaurant concepts and creates volatility due to shifting consumer demands;

- 2) Competition outside of Arlington: Emergence of destination restaurant locations such as Mosaic to the west, and the continued emergence of food-driven retail neighborhoods in the District, compete for Arlington consumer dollars;
- 3) Commercial space sizes: Many ground-floor commercial spaces in Arlington’s mixed-use corridors are large (6,000 – 8,000 square feet), which makes it very difficult for restaurants to control overhead costs, particularly in this hyper-competitive environment; and,
- 4) Redevelopment and repositioning efforts: While not a new trend, full-scale redevelopments or property owner repositioning efforts often require significant business closures, and recent years have seen major redevelopment projects such as Ballston Quarter require the closure of a group of restaurant establishments.

AED will monitor these and other identifiable trends affecting the restaurant sector, and if necessary, propose to the County Manager any identified impediments or challenges that the County is able to remove or mitigate.

The table below shows a summary of the total number of restaurants and restaurant closures since calendar year (CY) 2013. ⁱ



Subject: COR – Restaurant Closings by Zip Code

The table below outlines restaurant closures over the last 4 years by zip code.

Area/Neighborhood	CY 2013	CY 2014	CY 2015	CY 2016	TOTAL
Pentagon	1	0	1	2	4
National Airport	1	14	13	6	34
22201 Courthouse, Clarendon	9	12	13	18	52
22202 Pentagon City, Crystal City	4	14	18	14	50
22203 Ballston	7	10	12	26	55
22204 Columbia Pike	1	7	7	6	21
22205 Westover, Bluemont	1	2	0	0	3
22206 Shirlington	3	5	6	5	19
22207 Cherrydale	0	0	9	1	10
22209 Rosslyn	4	6	4	7	21
22213 Williamsburg Village	0	1	1	1	3
TOTAL Number of Closures	31	71	84	86	272
TOTAL Number of Restaurants in Arlington	725	742	751	740	-

For comparison, the Commissioner of Revenue was able to gather the following limited data from neighboring jurisdictions. ⁱⁱ

Other Jurisdictions	Total Number of Restaurants on 7/1/13	Total Number of Restaurants on 12/31/16	Total Closures from 7/1/13-12/31/16
Fairfax	1809	2108	530
Falls Church	131	135	not provided
Alexandria	not provided	390	130

ⁱ Arlington County Commissioner of Revenue Business Tax Database

ⁱⁱ Source: Fairfax County: Department of Tax Administration
 City of Falls Church: Office of the Commissioner of Revenue
 City of Alexandria: Department of Finance