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POSITIVELY Penn Quarter

A downtown Washington, DC, neighborhood offers a taste of city life that transcends politics.

It all started with Jack and Jackie. On Inauguration Day 1961, the new President and his elegant First Lady traveled down Pennsylvania Avenue to the White House. President Kennedy noticed the pawnshops, souvenir stores and boarded-up buildings. He asked his advisors, "Can't we do something?"

It took some time, as these things do in Washington, DC, but by 1965, Pennsylvania Avenue was designated a National Historic Site. Congress formalized revitalization in 1972 by creating the

Pennsylvania Avenue Development Corporation.

Today, Penn Quarter is DC's "it" neighborhood, sitting in the eastern end of downtown. The area is bounded by Pennsylvania Avenue on the south, 15th Street on the west, New York and Massachusetts avenues to the north and it is growing to the east.

Landmark buildings anchor the area, explains Jim Dinegar, President and CEO of the Greater Washington Board of Trade. "It has buildings designed by some of the world's best architects," he notes. "Norman Foster designed the glass canopy at the Smithsonian's Reynolds Center, and Michael Graves and

Associates designed the U.S. Courthouse Annex. The Verizon Center, celebrating its 10th year, is home to the NBA Wizards, WNBA Mystics, NHL Capitals and Georgetown University Hoyas — and has a full schedule of concerts and other events."

Each landmark has been a catalyst for new residences, shops and more. "I feel like I won the lottery when I moved to Penn Quarter," says Andrew Etter, who had been living near Annapolis, MD, when he moved to the Residences at Gallery Place in 2005. "I was drawn by the ongoing buzz, activity and amenities."

Counting on Residential Development

Buzz was one thing Penn Quarter didn't have decades ago. "There had been no housing built here for a hundred years; people were ready for downtown living," says Jo-Ann Neuhaus, an expert on all things Penn Quarter in her role as board member of its neighborhood association and an urban planner.

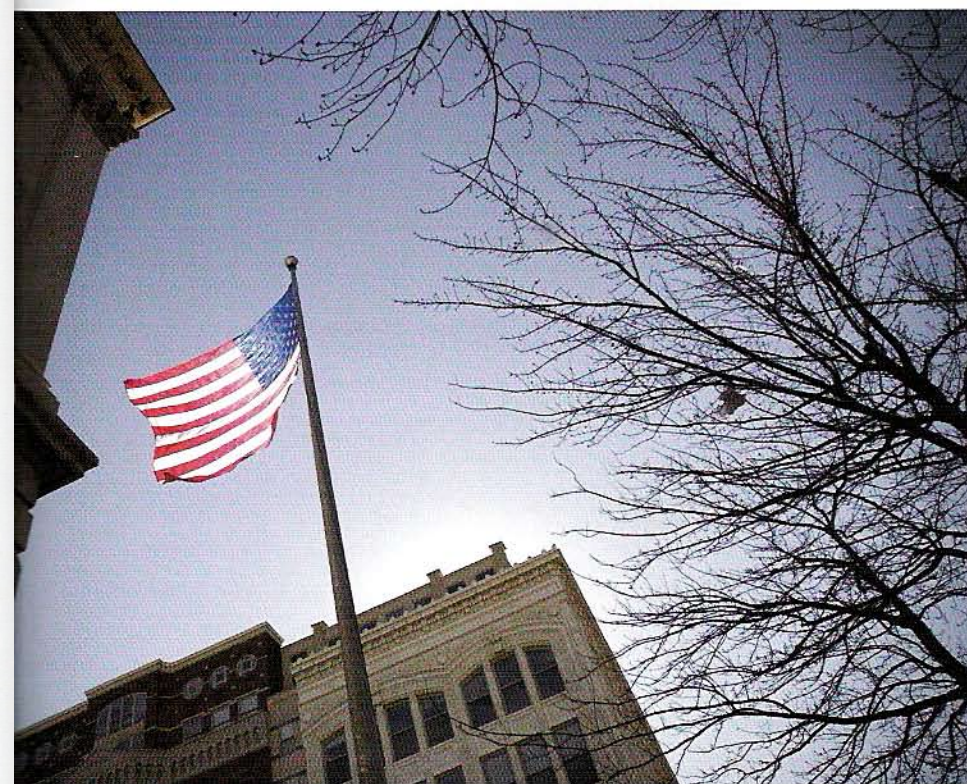
Numbers prove that readiness. Real estate data from January 2008 reported DC condo and single-family home sales are up in price by 11 percent, though down in volume 37 percent. Average days on market increased to 87.

"Condo sales may have slowed in general, but Penn Quarter is an area of strong demand and pricing is staying competitive," says Realtor Chris Sanders of Zip Realty. "It's just taking longer" from listing to contract.

"I don't think it has reached its peak. It's the closest thing DC has to New York City life, popular with young professionals without kids," says real estate agent Chana Sky.



Above: A couple strolls through the Navy Memorial in monument-rich Washington, DC. Pages 14 and 15: The Newseum on Pennsylvania Avenue offers an interactive history of five centuries of news reporting.



Clockwise from top: modern styling at Ventana condominiums; Zola restaurant takes decorating inspiration from the International Spy Museum next door; charming 19th-century architecture at the corner of Eighth and E streets.



“Penn Quarter has been a vibrant visual arts community since the 1800s,” says Stuart Gosswein, an artist and sculptor with a live/work studio in an historic Penn Quarter building.

Prices are holding for the most part, increasing in some cases, says Long & Foster Realtor Loic Pritchett. She references a report that five two-bedrooms at the Lafayette (631 D Street) recently sold for an average of \$620,000, up more than 22 percent from 2006. At the Clara Barton (616 E Street), a pair of two-bedrooms sold at an average of \$671,000, up more than 27 percent from 2006.

“Penn Quarter has only come into its own in the past five or six years,” says real estate agent Chana Sky. “I don’t think it has reached its peak. It’s the closest thing DC has to New York City life, popular with young professionals without kids.”

Sky says the market offers one-bedrooms at about \$325,000. At the Artisan, 915 E Street, a 550-square-foot studio is listed for less than \$300,000. This 160-unit building, two blocks from the Verizon Center, sold out pre-construction.

Sky says the best-kept secret in Penn Quarter is Sixth Street Flats (809 Sixth Street), where \$550,000 buys an 1,100-square-foot, two-bedroom, two-bath condo. The 30 units have 10-foot ceilings, huge living rooms, hardwood floors and share a rooftop terrace. Deeded garage space, which can be bought or rented, runs \$35,000.

It’s Artistic and Historic

As so often happens with the process of gentrification, artists played an important part in the area’s revitalization. Painter and sculptor Stuart Gosswein moved downtown in 1996, persuaded by the area’s strengths. “Penn Quarter has been a vibrant visual arts community since the 1800s; early American portraitist Gilbert Stuart worked here, and so did Civil War photographer Mathew Brady,” he says.

Gosswein lives in one of 12 live/work studios in the Mather Building. Built in 1917, the Gothic-style structure has an ornate white terra cotta façade. The interiors are startlingly modern. The

open lofts have brushed steel doors, exposed ducts and stained concrete floors.

Historic preservation adds to Penn Quarter today. Tersh Boasberg, Chair of the DC Historic Preservation Review Board, explains, “Preservation adds flavor and life to an area. Most of the historically preserved façades you see in Penn Quarter are not just one brick deep. They can run 20 to 40 feet deep.”

The Hotel Monaco, opened in 2002, is a notable success. Once DC’s General Post Office building, it sat empty for decades. Today, it pops with color and style while highlighting original 1842 architecture. Diners enter its Poste Moderne Brasserie through an old carriage passage.

Drawing Diners

Poste isn’t the only restaurant giving the neighborhood flavor. Star chef José Andrés owns Jaleo, Café Atlántico, Minibar, Zaytinya and Oyamel here.

“Fifteen years ago, when my colleagues Roberto Alvarez, Rob Wilder and I opened Jaleo, the Penn Quarter neighborhood was very different,” Andrés recalls. “It was a place for big office buildings, live music and not much else. After business hours, the streets were deserted and almost no one lived down here.

“But the neighborhood was very convenient, right in the heart of the city, and the Verizon Center was coming,” Andrés continues. “We, especially Roberto, knew there was a future here.”

The area’s restaurants eventually drew visitors who saw the appeal of the neighborhood and wanted to stay longer. “One night I was having dinner at Jaleo and wondered what it would be



Opposite page: A diner descends the stairs inside the popular and elegant Café Atlántico. Above: Zaytinya serves Mediterranean-inspired dishes including this octopus Santorini.

“Investing in residential or commercial real estate anywhere in the Central Business District, which includes Penn Quarter, is relatively secure,” says Wachovia’s Doug Vigen.

like to live in Penn Quarter,” says Mark Otto. In 2005, he left the suburbs for the Lafayette, a 12-story, 173-unit building just off Seventh Street. “From my balcony I can see the top of the Capitol Dome and look down at the activity on D Street.”

Commercial Development

“I’ve been involved in commercial real estate finance for over 25 years,” says Doug Vigen, a commercial real estate lender with Wachovia in McLean, VA. “When I started in real estate, very little was being developed east of 15th Street. It was virtually a no-man’s land.”

Today, he says, the future for investors is far from speculative. “Investing in residential or commercial real estate anywhere in the Central Business District, which includes Penn Quarter, is relatively secure.”

Vigen explains some reasons for the change. “The District government is cooperative with developers/investors, while not giving away the store. It wants to create a ‘living downtown,’ and increase its commercial tax base,” he says.

Still, without enterprising developers, government support wouldn’t matter nearly as much. Douglas Development was instrumental in the birth of Penn Quarter. Company Vice President Norman Jemal believes “investing is a gamble, and you can be conservative or daring. We choose to be daring. When we started on Seventh Street in 1995, the Verizon Center was still in the planning stages. The Hotel Monaco was years away,”

Jemal explains. “People thought we were crazy, but we saw opportunity.”

Douglas Development brought in District Chophouse & Brewery, the International Spy Museum and, in the Woodward & Lothrop Building, retailers H&M, West Elm and Zara.

Leases for office and retail space in Penn Quarter are currently \$55 to \$100 per square foot, depending on location and total square footage.

What’s Next in Penn Quarter?

There are no signs of a slowdown in this exciting part of town. At 10th and G streets, PN Hoffman Inc. will construct an eight-story glass office building above the First Congregational United Church of Christ and share some of the new space with the church.

New development will occur in the void at the site of the old convention center. And the Board of Trade’s Dinegar predicts, “For commercial investors, one of the big upcoming opportunities will be across from the Verizon Center: Metro headquarters might move, and that would free up a lot of real estate.”

Such development, if planned carefully, can only add to the area’s existing vitality. The residents who enjoy Penn Quarter are the real experts on the neighborhood’s strengths.

“I’m a city person: location, location, location,” chants Cheryl Fine, a transplanted New Yorker who lives and works from her condo at the Residences at Gallery Place. “Even though there is a broad range of ages, from 20s to 60s, we have formed a real community. No matter their age, people here have a lot of energy.” R

Ann Cochran frequently writes on lifestyle topics such as travel and home design trends.

Washington, DC-based Sean McCormick photographs for Fortune Small Business, among others.



Above: view from the loft of a condo at Ventana. Opposite page: The National Portrait Gallery at Eighth and F streets is a landmark in Penn Quarter and home to nearly 20,000 portraits of American icons.