

NATIONAL PERSPECTIVE OF COMMERCIAL MARKET RELATIVE TO CY 2025 ASSESSMENT CHANGES

- The City divides the commercial real estate market into the following classes of property: conventional office buildings; hotels/motels; traditional shopping centers; multi-family rental apartments; industrial warehouses; and general commercial.
- Commercial real estate is viewed as a more predictable investment asset, unlike stocks, bonds, and other paper assets which tend to be more volatile and react swiftly to economic sentiment. While commercial real estate performance is also sensitive to economic shifts, changes typically happen slowly. Since the pandemic, however, the commercial real property has demonstrated considerable downside risk. This is particularly evident in the office market where high vacancy, inflated tenant fit-up costs, and significant increases in capitalization rates have been detrimental to values.
- Due to increased interest rates and continuing uncertainty in the market, there were few arm's-length commercial sales transaction in 2024. However, those that did occur were adequate to judge market sentiment. Three large rental apartment projects, one office buildings, two hotels, and approximately ten general commercial properties transferred in 2024. The transactions in all property classes were a mixture of performing assets, value-add, and buildings that involve a conversion in land use.
- The rate of change to the total residential tax base outpaced that of the commercial tax base again in 2025. Most commercial property classes saw moderate decreases in assessment for 2025. Shopping Centers, general commercial, and warehouses saw slight increases in value, and hotels showed strong growth.

OFFICE MARKET OVERVIEW

- This year, the City's overall equalized commercial office property tax base decreased 10.28%, or \$322,373,983, from \$3.14 billion in CY 2024 to \$2.81 billion in CY 2025.
 - There were four sales of office buildings in 2024. Three of these sales were foreclosures. The fourth sale was not a foreclosure but sold in an auction sale. At the time of the sales, there was no indication of conversion to other uses for any of these properties; all are to remain as traditional office buildings.
 - Many vacant buildings are in the process of being repurposed and converted into multi-family rental buildings or residential condominiums. The following offices were classified as conversion projects in 2024:
 - 1201 E Abingdon Drive is planned for 136 residential units.
 - 901 N Pitt Street is planned for 237 multifamily rental units.
 - 125 & 107 West Street is planned for 13 Townhomes.
- The following office conversions have been proposed:
- 301 N Fairfax Street
 - 720 N St Asaph Street
 - 1900 N Beauregard Street

HOTEL MARKET OVERVIEW

- The operating statistics summarized for hotels reflects increases in travel from 2023 to 2024, though recovery in business travel is still lagging behind pre-pandemic levels. On an equalized basis, the assessed value base for this property type increased by 23.75%, or approximately \$122.7 million, from \$516.4 million in CY 2024 to \$639.1 million for CY 2025.
- There are 25 hotels in the City with a total of 4,579 rooms. Additionally, there is the 88-room Fairfield time share located near the King Street Metro. The City's hotels are scattered throughout the jurisdiction with the largest concentrations located in the Landmark/Van Dorn and Old Town/Old Town North areas.
- There were two valid 2024 hotel sales in the City of Alexandria and a several sales occurred in Washington DC, Montgomery County, Prince George's County, Fairfax County, and Arlington County. These sales indicate growth in the hospitality market as travel increases. In the City, the Lorien Hotel in Old Town sold for \$20,017,000 in July and was rebranded as the Archer Hotel. The Holiday Inn on Eisenhower Avenue sold in July for \$17,500,001.
- Work on the Hotel Heron, located at 699 Prince Street was completed in 2024. The construction on the Holiday Inn Express at 808 N. Washington Street has fallen through and the property is being repositioned to condominium use.

SHOPPING CENTER MARKET OVERVIEW

- The base for shopping center properties between 2024 and 2025 increased 5.69%. It increased by \$34.3 million, from \$602.5 million in CY 2024 to \$636.8 million for CY 2025.
- The city has 20 properties classified as shopping centers. Except for the Potomac Yard Center, the City's inventory is primarily comprised of traditional neighborhood multi-tenant shopping centers with a grocery anchor.
- There were no valid 2024 shopping center sales in the City of Alexandria and very few shopping center sales in the surrounding jurisdictions in 2024 that did not involve adverse circumstances.

MULTI-FAMILY MARKET OVERVIEW

- Despite rent growth, another increase in capitalization rates caused a decline in apartment assessments. There was over \$180 million in new growth to help soften the overall decline to 1% from approximately \$9.66 billion to \$9.56 billion
- New construction 2024 deliveries included: Meridian 2250 (2250 Dock Lane), the Oakville Ives & Raeburn (2601 Oakville St & 400 Swann Ave) as well as the age restricted property known as The Alate (1112 First St).

- The trend of office to multi-family conversion continues with multiple projects including: 1201 E Abingdon Dr, 1101 King St (now CityHouse) expected to open in late 2025, and 1801 N Beauregard (now Essen Apartments) opening in January 2025.
- There were three valid sales of large apartments within the City during 2024. All three properties were older garden style apartments which yielded sale prices right around \$191,000 per unit.

WAREHOUSE MARKET OVERVIEW

- There are 125 properties in the City classified as warehouses for assessment purposes for CY 2025. The City does not have a conventional industrial inventory. Many valid warehouse sales are based on their redevelopment potential, indicating that the inventory warehouse space will still decline in the coming years. Redevelopment pressure and the less-restrictive industrial zoning in locations near major highways and population centers sustain the demand for these properties. The number of properties classified as warehouses decreased by one from the prior year.
- There was one sale of a large warehouse or self-storage facilities in the City. 4601 Eisenhower which operates as an industrial business park sold for \$12 million, or \$182.65 per square-foot of gross building area, with long-term development plans. It is zoned OCM(100). Shortly after the sale, the property was approved for a special use “umbrella” permit which allows for uses that do not comply with the zoning for 15 years.
- Warehouse/industrial assessments saw an overall equalized increase of \$9.03 million from 2024 to 2025. Warehouse and industrial properties are still in high demand by owner-occupants, e-commerce operations, and endpoint distribution facilities. The Alexandria market saw rising net operating incomes and stable vacancy, but rising capitalization rates. Overall, the equalized value of warehouse and self-storage space increased 0.83%. The average assessment of warehouse properties over 10,000 square feet is \$210.29 per square-foot of gross building area.

GENERAL COMMERCIAL OVERVIEW

- The general commercial property classification includes uses such as small retailers, restaurants, supermarkets, convenience stores, pharmacies, gas stations, repair and service garages, junior office buildings less than 12,000 square feet, financial institutions, auto dealerships, funeral homes, veterinary clinics, and nursing homes.
- The equalized base for this property type increased by 5.10%, or approximately \$93.2 million, from \$1.83 billion in CY 2024 to \$1.92 billion in CY 2025.
- The post-pandemic economy has resulted in tepid demand for general commercial properties in most areas of the City. Vacancy rates and asking rents remained largely flat in most Alexandria submarkets. Properties located in both pedestrian and automobile-oriented submarkets have continued to show signs of improvement over the past year. Property uses which outperformed others during the past year include small retailers, convenience stores, fast food restaurants, and repair and service garages.

- There were a few notable general commercial sales in 2024. The largest transaction was the sale of the West Marine building at 601 S Patrick St for \$5,500,000. The sale of the former Red Lobster location at 555 S Van Dorn St for \$4.7 million was also significant; the building will be expanded and reopen as Yami Buffet in 2025. In Old Town, transaction activity remained sluggish as high interest rates continued to dampen buyer interest, only 10 small office and retail properties traded hands at prices ranging from \$662,500 to \$5.5 million.
- Notable 2024 retail openings include Old House Provisions, American in Paris, Made in ALX, Eries Interiors, and two bookstores, Friends to Lovers and Old Town Books Junior. Numerous restaurants and cafes opened in 2024 in Old Town and Del Ray including Tatte Bakery & Café, Call Your Mother, Benny Diferza's Pizza, Thanida Thai Restaurant and Bar, Ben'YaYs, Mystic BBQ & Grill, Hypergoat Café, and Frankie's Kitchen & Cocktail Bar. Additionally, Atlas Brew Works opened a 6,000 square-foot brewery and tap room in Carlyle Crossing.