

**NATIONAL PERSPECTIVE OF COMMERCIAL MARKET  
RELATIVE TO CY 2023 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. Commercial real estate performance is also sensitive to economic shifts. Changes tend to happen more slowly with assets usually encumbered with long-term leases which allow commercial assets to better weather downside risk.
- Due to the pandemic, there were fewer valid commercial arms-length transactions used for the assessment in 2022. However, those that did occur were adequate to judge market sentiment. Three large rental apartment projects, seven office buildings, four large warehouses, and approximately forty-two general commercial properties transferred in 2022. 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 2023. Most commercial property classes saw moderate increases in assessment for 2023. Multi-family rental apartments, warehouse/industrial, general commercial and vacant land increased more than 5%. Office values decreased.

**OFFICE MARKET OVERVIEW**

- This year, the City's overall equalized commercial office property tax base decreased 1.82% from the original January 1, 2022, assessment to January 1, 2023, or \$66,181,534 from \$3.65 billion in CY 2022 to \$3.58 billion in CY 2023.
  - There were seven sales of office buildings in 2022. Of those sales one traditional commercial office building indicated intentions of conversion to residential development, while another plans to upgrade the current office building. 1801 Beauregard with 135,087 SF reportedly intends to convert its space into 95 to 105 rental units. 515 King St, with 82,800 SF intends to add additional amenities and develop coworking spaces.
  - Many vacant buildings are in the process of being repurposed and converted into multi-family rental buildings or residential condominiums. The following offices were converted to other uses in 2023:
    - 801 N Fairfax Street converted into 54 condominium units.
    - 625 and 635 Slaters Lane converted into 80 condominium units.
    - 4900 Seminary Road converted into 212 multifamily rental units.
- The following office conversions have been proposed:
- 901 N Pitt Street
  - Transpotomac Plaza
  - 1101 King Street

### **New Construction Activity**

- WMATA's headquarter building at 2393 Mill Road was mostly complete for 2023.

### **HOTEL MARKET OVERVIEW**

- The operating statistics summarized for hotels reflects a recovering market as more travel occurs following the Covid-19 pandemic. On an equalized basis, the assessed value base for this property type increased by 2.57%, or approximately \$12.8 million, from \$497.5 million in CY 2022 to \$510.3 million for CY 2023.
- There are 22 hotels in the City with a total of 4,439 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 no valid 2022 hotel sales in the City of Alexandria but a number of hotel sales occurred in Washington DC, Montgomery County and Arlington County. These sales indicate continued recovery in the hospitality market as travel increases after years of reduced travel during the Covid-19 pandemic.
- Two new hotels are currently under construction, The Hotel Heron located at 625 S. Washington Street and a Holiday Inn Express at 808 N. Washington Street. Additionally, the former Holiday Inn on First Street is being renovated and reflagged under the AKA brand with an anticipated open date in Spring 2023.

### **SHOPPING CENTER MARKET OVERVIEW**

- The base for shopping center properties between 2022 and 2023 increased 4.21% as the retail sector continued to stabilize from the effects of the COVID-19 pandemic. It increased by \$23.8 million, from \$565.3 million in CY 2022 to \$589.1 million for CY 2023.
- 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 2022 shopping center sales in the City of Alexandria but several shopping center properties in Fairfax County and Arlington County sold in 2022.

### **MULTI-FAMILY MARKET OVERVIEW**

- The equalized multi-family rental apartment market base increased 5.38% for CY 2023 to over \$9.89 billion. New growth of approximately \$302,656,840 was complemented by \$202,537,652 in appreciation.

- The City's multi-family had another considerable amount of new growth between CY 2022 and 2023. There were many recent deliveries and projects near completion, such as: The Platform (1100-1200 N Fayette St.), The Blake (2000 N Beauregard St.), Park + Ford (4401 Ford), Sinclair on Seminary (4900 Seminary) and Dylan, Reese, and Easton (all three currently under the address of 2424 Mill Rd).
- The City's multi-family inventory will continue to grow over the next few years. In addition to the aforementioned projects, there are several additional market-rate and affordable projects currently under construction and in the pipeline, such as: The Grayson (1200 N Henry St.), The Aspire (1112 First St.), Witter Place (2712 Duke St.), AHDC projects on both Mt Vernon Ave and on W. Glebe, Tidelock (1033, 1055 and 1111 N Fairfax), Landmark (5801 Duke St), an office to apartment conversion at 901 N Pitt, and the redevelopment of Heritage at Old Town (431 Columbus St.).
- There was a total of three valid 2022 large apartment sales within the City. The properties sold for sale prices per unit between \$255,102 up to \$471,726 for a newer construction project.

### **WAREHOUSE MARKET OVERVIEW**

- There are 126 properties in the City classified as warehouses for assessment purposes for CY 2023. 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. However, for the first time in several years, the number of properties classified as warehouses remained the same as the prior year.
- There were four sales of a large warehouse or self-storage facilities. 4551 Eisenhower Avenue, a self-storage facility, sold for \$36,500,000, or \$360.29 per square-foot of gross building area. 4900 Eisenhower Avenue, also a self-storage facility, sold for \$29,500,000, or \$384.74 per square-foot. 701 N Henry Street sold for \$8,775,000, \$630.61 per square-foot, to be redeveloped into residential. 400 Calvert Avenue sold for \$5,500,000, or \$248.58 per square foot, in an off-market transaction.
- There was an overall increase of \$54.16 million in warehouse assessments from 2022 to 2023. Warehouse and industrial properties are in high demand by owner-occupants, e-commerce operations, and endpoint distribution facilities. Most warehouse property assessed values increased due to higher net operating incomes and less vacancy. Overall, the equalized value of warehouse and self-storage space increased 5.23%. The average assessment of warehouse properties over 20,000 square feet increased to \$210.07 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

## Attachment 9: Analysis of the Commercial Market

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 5.37%, or approximately \$95.4 million, from \$1.78 billion in CY 2022 to \$1.87 billion in CY 2023.
- The waning of the COVID-19 pandemic has resulted in modest increases in demand for general commercial properties in most areas of the City. Vacancy rates have declined and asking rent has risen in most Alexandria submarkets, particularly Del Ray and the west side of Alexandria. Properties located in both pedestrian and automobile-oriented submarkets have shown continued signs of improvement over the past year. Property uses which outperformed others during the pandemic include small retailers, supermarkets, restaurants, convenience stores, gas stations and service garages.
- There were several notable general commercial sales in 2022. Most significant among them was the sale of the Whole Foods Market at 1700 Duke St. for \$27 million. The sale of the CVS/Pharmacy at 2602 Main Line Blvd. for \$11,182,870 set a record for the chain in Alexandria. In Old Town, transaction activity picked up sharply with over 30 small office and retail properties trading hands at prices ranging from \$650,000 to \$8.6 million.