

## **NOTEWORTHY TRENDS IN COMMERCIAL REAL ESTATE**

### **Dynamic Market Shifts**

2022 saw a sharp increase in interest rates and a continued increase in construction costs, which slowed sales and construction. Although some projects in the pipeline have been put on pause, the City still has several large development projects currently under construction or expecting to break ground over the next few years (examples below). This includes repurposing obsolete or chronically vacant projects. In particular, the conversion of office building to multi-family residences has become popular within the City.

#### Victory Center

Stonebridge/Carras purchased this project in May 2019 for \$43,000,000 and subsequently subdivided the parcel into two lots with a 6.89-acre portion being sold to Tri-Pointe Homes for the development of 139 townhouse condominium units. Stonebridge has submitted plans to construct a 9,250 square-foot freestanding retail building on the remaining parcel fronting Eisenhower Avenue. The parcel currently has an existing 11-story office building.

#### North Potomac Yard/Virginia Tech

Lionstone Investments along with its development manager, JBG Smith Properties, have approvals and are in the process of redeveloping 18.77 acres on the east side of Potomac Avenue that is just south of the Arlington County line and now considered part of National Landing. The construction of the two multi-family buildings with over 400 units have been put on hold. The Potomac Yard Metro Station is expected to open in May 2023 and Virginia Tech's first 300,000 square foot Innovation Campus is still expected to have a fall 2024 delivery.

#### Oakville Triangle

The Blackstone Group purchased this 13-acre property along the west side of Richmond Highway across from Potomac Yard in June 2012 for \$43,800,000. The area was industrial and service commercial uses. The redevelopment is currently managed by Stonebridge; it will include 84 conventional townhouses constructed by Tri-Pointe Homes, 571 multifamily units, 37,000 square feet of street-scape retail and a 93,000 square-foot ambulatory care center for Inova. The project broke ground in November 2021 and construction is continuing going into 2023.

#### West End/Landmark Mall

The demolition of the former Landmark Mall began in the second quarter of 2022. The redevelopment of the over 51-acre site is anchored by Inova Health System's/Industrial Development Authority's (IDA) 990,000 square-foot hospital campus with a Level II trauma center. The balance of the site will be developed by a joint venture with Foulger-Pratt, Howard Hughes Corp and Seritage Growth Properties all operating under the name of Landmark Mall LLC. Additional land use includes medical office space, streetscape retail, multi-family residential (both market-rate and affordable) and a new fire station.

**NOTEWORTHY TRENDS IN RESIDENTIAL REAL ESTATE**

In 2022, there was a 26.71% decrease in the volume of single-family property sales and a 12.56% decrease in condominium sales compared to 2021. The median sale price of residential properties in the City of Alexandria declined for a second year from \$588,750 to \$544,875. The median rose from \$517,250 to \$608,000 from 2019 to 2020. The decline is still attributable to a greater number of condominium properties (typically sold for less than single-family properties) in the sales sample than in years prior to 2020.

The average days on the market for residential property in the City of Alexandria reported by BrightMLS changed from 22 to 21 days. However, the average months' inventory for single-family properties increased from 0.65 in 2021 to 1.02 in 2022. The average months' inventory for condominiums decreased from 1.45 in 2021 to 1.13 in 2022.