

**NATIONAL PERSPECTIVE OF COMMERCIAL MARKET
RELATIVE TO CY 2026 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.

Stabilized interest rates and increasing investor confidence in many segments of commercial real estate led to increased arm's-length commercial sales transactions in the region in 2025. Five large multi-family rental projects, seven office buildings, three warehouses, two hotels, and approximately fourteen general commercial properties transferred in 2025. 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 2026. Most commercial property classes saw moderate increases in assessment for 2026. Shopping Centers, general commercial, and hotels showed strong growth and offices stabilized.

OFFICE MARKET OVERVIEW

- This year, the City's overall equalized commercial office property tax base (Attachment 2) increased 0.59%, or \$15,822,490, from \$2.702 billion in CY 2025 to \$2.718 billion in CY 2026.
- There were seven sales of office buildings in 2025. One was a bankruptcy auction sale and bought by the tenant. 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 for the first time in 2025:
 - 1900 N Beauregard Street is planned for 345 rental units.
 - 2051 Jamieson Avenue is planned for 187 units.
 - 601 Wythe Street is planned for 18 condominium units.
 - 333 N Fairfax Street is planned for 32 townhouses.
 - 2525 Mt Vernon Avenue is planned for mixed use with commercial and 30 short-term rentals.

The following office conversions have been proposed:

- 732 N Washington Street
- 415 N Alfred Street

HOTEL MARKET OVERVIEW

- The operating statistics summarized for hotels reflect continued increases in travel from 2024 to 2025, though recovery in business travel is still lagging. On an equalized basis, the assessed value base for this property type (Attachment 2) increased by 14.19%, or approximately \$86.6 million, from \$610.6 million in CY 2025 to \$697.2 million for CY 2026.
- There are 25 hotels in the City with a total of 4,511 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 2025 hotel sales in the City of Alexandria and 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 Hyatt Centric in Old Town sold for \$25,278,233 in January and Residence Inn Old Town South on Mill Road sold in July for \$31,330,000.

SHOPPING CENTER MARKET OVERVIEW

- The base for shopping center properties between 2025 and 2026 increased 14.55%. It increased by \$92.6 million, from \$636.2 million in CY 2025 to \$728.8 million for CY 2026.
- 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 2025 shopping center sales in the City of Alexandria but there were a few shopping center sales in the surrounding jurisdictions in 2025.

MULTI-FAMILY MARKET OVERVIEW

- Multi-family rental assessed values increased overall 0.94%, or \$89.99 million, from \$9.56 to \$9.65 billion. During 2025 rents increased moderately and capitalization rates were stable. The forecast for 2026 is for rents to continue to increase and vacancies decrease.
- There were five sales of large multi-family rental properties in 2025 used for assessment. Four of the properties have garden-style units and one was a high-rise. There were another three sales of small apartments (less than ten units each).
- Large affordable multi-family rental projects are making progress. The Sansa & Naja and Witter Place are under construction and expected to start leasing in the course of 2026. The Samuel Madden project has broken ground and the Heritage is under construction.
- The market trend of office to multi-family conversion continues. Several projects have anticipated delivery in 2026 including CityHouse, Current at TideLock, and Waterman Residences. Even more office conversion projects are upcoming. 1201 E Abingdon Dr, 301 N Fairfax, Montgomery Center, Landmark Overlook, 6101 Stevenson Avenue, 1900 N Beauregard, and the former Victory Center building are under construction or have finalized site plans.

WAREHOUSE MARKET OVERVIEW

- There are 124 properties in the City classified as warehouses for assessment purposes for CY 2026. 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.

- There were three significant sales of large warehouses or self-storage facilities in the City. 3901 Wheeler Avenue sold for \$10.3 million, or \$199.89 per square foot (SF) of gross building area, to be used as a moving facility. 950 S Pickett Street sold for \$19.5 million (206.46/SF), to be used as industrial coworking space. 405 Fannon Street sold for \$6.1 million (\$344,36/SF) to be interim storage space used by the nearby INOVA facility.
- Warehouse/industrial assessments saw an overall equalized increase of \$63.85 million from 2025 to 2026. Warehouse and industrial properties are still in high demand by owner-occupants, e-commerce operations, and endpoint distribution facilities. Redevelopment pressure and the less-restrictive industrial zoning in locations near major highways and population centers add to the demand for these properties. The Alexandria market saw rising net operating incomes and stable vacancy. The average assessment of warehouse properties over 10,000 square feet is \$225.16 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 5.53%, or approximately \$107.5 million, from \$1.94 billion in CY 2025 to \$2.0 billion in CY 2026.
- The recent economic conditions have resulted in gradual demand for general commercial properties across most areas of the City. Market trends indicate a gradual recovery in general commercial properties, highlighted by lower vacancy rates and upward on asking rents throughout the City's submarkets. Properties located in both pedestrian-oriented and automobile-oriented submarkets have continued to show signs of improvement over the past year. Property uses that outperformed others during this period include small retailers, convenience stores, fast-food restaurants, and repair and service garages.
- Several notable general commercial property transactions occurred in 2025. The largest was the sale of 115 S Washington St for \$3,000,000, with the sale of 115 N Washington St for \$2,800,000 also representing a significant transaction. In Old Town, overall transaction activity remained subdued, as elevated interest rates continued to moderate buyer demand. During the year, fourteen small office and retail properties changed hands, with sale prices ranging from \$500,000 to \$4.7 million.
- 2025 retail openings include Old House Provisions, Old Town Books Junior and Eries Interiors. Numerous restaurants and cafes opened in 2025 in Old Town and Del Ray including Mudhouse Coffee, Sharbat Bakery & Café, Café Du Soleil (2nd location), The Parlour/Madame Coco's Chocolates, Papatella Neapolitan Pizza, and Del Rey Farmhouse Market & Garden.