This publication kicks off our newest research and data series on the City of Alexandria. Starting in Fall 2013, we will be publishing these reports twice a year and will provide the latest updates on the City’s economy, the status of different development projects, insights into the office and retail markets, and residential sales patterns. Each report will also feature a spotlight section that will go into more depth on a particular topic. With this information, we hope to provide a comprehensive snapshot of the City of Alexandria for real estate professionals, business owners, and the general public. If you would like an update on any of this information between our major publications, please feel free to reach out to us.
Development Trends

- Metro-centric development is in high demand, and Alexandria has substantial opportunities around its four existing Metro stations, in addition to opportunities near the future Potomac Yard Metro station.
- Office space development is primarily build-to-suit for clients like the National Science Foundation in Carlyle and the Institute for Defense Analyses in Potomac Yard.

Cranes around Town

1. Landmark Mall ownership has submitted redevelopment plans to the City. The first phase, which will start in mid-2014, will include the demolition of the existing mall (with the exception of Macy’s and Sears) in order to rebuild a lifestyle center that includes retail and residential.
2. Hoffman Town Center (2461 Eisenhower Ave) is currently undergoing a significant renovation. The 330,000 sf building was taken down to the slab and is being refurbished to meet current office standards. It will deliver in Q2 2014.
3. The Kingsley is under construction and expected to open in early 2014. This development includes 175 apartment units and a 52,000 sf Harris Teeter.
4. Landmark Gateway in the West End started construction in early 2013 and will include 360 residential units and 15,000 sf of retail. The first units are anticipated to deliver in summer 2014.
5. The Potomac Yard Park is currently under construction and will add 21 linear acres of green space to Potomac Yard along the Metro line. It will open in Q4 2013.
6. Hoffman Blocks 11 & 12 have been approved and will include a full-service Harris Teeter with a pharmacy, in addition to 750 residential units. The expected delivery date is 2015.
7. The Park Meridian has been approved for Block 19 in Carlyle. The project will include over 500 units, of which 30–32 have been designated as affordable units.
8. The Delaney was approved and includes 189 apartment units and almost 9,000 sf of retail. Construction is expected to begin in Fall 2013, with an anticipated delivery date of Q4 2014.
9. Yates Corner is under construction and scheduled to deliver 20,000 sf in December 2013. Office and retail/restaurant space is still available.
Office Scoop

- The real vacancy rate in Alexandria (17.9%) is much lower than is often reported by national brokerage firms (>20%), as these companies only report vacancies in office buildings over 20,000–30,000 sf, excluding much of Alexandria’s office stock. Alexandria inventory is 740 buildings and 22M sf.
- Vacancies are expected to rise through the remainder of the year as companies continue to re-evaluate and restructure workspaces to become more efficient and reduce space when appropriate.
- Alexandria’s vacancy rate in Class C office space is much lower than the vacancy rates for Class A and B. Much of the vacant space in Class A office buildings can be attributed to Victory Center. Without Victory Center, the vacancy rate for Class A office buildings in Alexandria would be very similar to the vacancy rate of Class B buildings.
- Alexandria had positive net absorption of 112,000 sf for the first quarter since mid-year 2010.

Owners are reevaluating their properties for their highest and best use, often reinvesting in Class B properties with base building and cosmetic upgrades, along with onsite amenities and energy-saving efficiencies to meet prospects’ needs.

Landlords continue to explore conversions from office to other uses. Two BRAC-related move-outs prompted an owner to sell 601 N Fairfax Street, which is being converted to high-end residential condos by EYA. Matan Realty is currently evaluating converting the former Dyncorp office space (6101 Stevenson Ave on the West End) to medical offices.

Metro core locations in Alexandria are able to maintain rental rates in the $30 FS/sf; properties located farther from the Metro, such as properties in the West End, continue to drop rents and increase concessions to remain competitive.

INVENTORY AND VACANCIES

Alexandria Net Absorption

Alexandria Building Class Comparison

* Net absorption was positive for the first time in three years, an early sign of an improving office market.

* The 2.1M sf of available Class A space offers tenants an opportunity to improve location and quality of office space.
ALEXANDRIA OFFICE UPDATE

NOTABLE LEASE TRANSACTIONS THROUGH MIDYEAR 2013

1. National Science Foundation - 667,000 sf
   2401 Eisenhower Ave
2. Institute for Defense Analyses - 440,000 sf
   Landbay G, Potomac Yard
3. Westwood College - 32,610 sf
   2800 Eisenhower Ave
4. Stratford University - 59,778 sf
   2900 Eisenhower Ave
5. Samueli Institute - 27,084 sf
   1737 King St
6. International Association of Chiefs of Police - 25,919 sf
   44 Canal Center Plaza
7. General Dynamics - 17,500 sf
   2051 Jamieson Ave
8. Intelligent Software Solutions - 10,401 sf
   2051 Jamieson Ave
9. Community Anti-Drug Coalitions of America - 14,052 sf
   625 Slaters Ln
10. Onyx Group - 11,231 sf
    1199 N Fairfax St
11. Reingold - 9,576 sf
    1509 Leslie Ave
12. Rhodeside Harwell - 8,099 sf
    320 King St

OFFICE SALES

Total Number of Office Buildings Sold by Year

- Average annual 2003-2012
- 2013
- Midyear
- Year end
- Forecast *

* Due to investor confidence in the region's office market, Alexandria is on track to exceed office building sales this year.
Retail Scoop

• Vacancy around King Street is 3.4%, and 100 King Street remains the largest vacancy with 7,500 sf available for lease.

• Independents still reign in Old Town, occupying 78% of available space. When regionally-owned chains are included, this occupancy goes to 88%. Newcomers include Coco Blanca and Zoubeck Boutique.

• Apparel-focused national retailers are becoming more active in Old Town, focusing on middle King Street (at the intersection of N.Washington St) as their targeted location.

• The Waterfront Market & Cafe, a new restaurant concept from the owners of Bittersweet, is leasing 3,700 sf at the base of King and Union Street (101 N. Union). The restaurant will host outdoor dining along King St and the waterfront. A Fall 2013 opening is expected.

• Mount Vernon Ave in Del Ray welcomes additional small independent restaurants to the neighborhood; Rosemarino d’Italia and The Sushi Bar recently opened. Emma’s Coffee Shop and Wine Bar plans to open in early 2014, and a permit application has been submitted for Seva Café.

• The Del Ray Variety Store opened in a former church location on E. Custis Street.

• Walgreen’s has announced its long awaited plans to move into the Del Ray neighborhood, replacing several long term independent retailers: Potomac West, Norge Laundry, J&M Electric and Universal Market.

• Rosenthal Automotive, the long term lease holder at the Audi site on Mt Vernon Ave, has yet to announce an automotive replacement on its site once Audi relocates to Columbia Pike.

• Arlandria Floors is currently exploring potential options with a local investor for a future mixed use redevelopment.

• Announcements for several other redevelopments in the Del Ray submarket will be on the horizon for the near future.

• The postal service facility on S. Pickett will soon close, giving back 21,500 sf to the market. The decision to move within this retail center is part of the Postal Service restructuring.

The Grocery Store Spot

• Alexandria regional shopping center vacancy is hovering at 4.5%, up from 3.3% at the beginning of the year. The uptick in vacancy is primarily attributable to grocery store vacancies in the City.

• The Giant on the West End at 1476 Beauregard St closed its 32,000 sf store due to the small footprint.

• Giant also closed at Bradlee Center, but the space was quickly preleased to Fresh Market, which is due to open in early 2014.

• Magruders at Seminary Plaza closed, but brokers are in negotiations with another undisclosed grocer to occupy 20,000 sf.

Expanded Stores:

• The Safeway at Bradlee Center closed its existing 40,000 sf store in order to demolish and rebuild the space, creating a Lifestyle Safeway. The new store is expected to reopen in fall 2014 and will be more than 60,000 sf.

• Giant is expanding its Alexandria Commons location by 10,000 sf.

New Grocery Stores:

• Fresh Market at Bradlee Shopping Center (3680 King St)
• Harris Teeter at The Kingsley in Old Town (500 Madison St)
• Harris Teeter at Carlyle Block 11 & 12 (2210 Eisenhower Ave)
King Street Retail Openings

Types of New Retail (King St)
Composition of new retail opening from 2009 - Present

Over 50 new retail establishments have opened in Old Town since 2009. The graph below shows the breakdown of this new retail by type of store. *(Note: This does not include relocations or expansions)*

*The increase in clothing and food service retailers is an indicator of the positive local economy and increased resident and visitor discretionary income.*
**JOBS AND TAX REVENUE**

Comparison of 2012 Jobs to 2011 Jobs
Source: bls.gov and AEDP

Total jobs were up 4.4% in 2012 over 2011 in the City. Job growth in the government sector (4.2%) was stronger than in the private sector, with almost 950 additional government jobs added.

As of May 2013, the City of Alexandria had a lower unemployment rate (4.4%) than the Virginia or national average. On average, Alexandria's unemployment rate has been 0.4 percentage points lower each month in 2013 than in the same month in 2012.

**Growth in Sales Tax Revenue over 12 Months Ending in May 2013**
Source: VA Department of Taxation

Alexandria’s total sales tax revenue increased by 3.9% in the last year compared to the same period ending in 2012, outpacing growth in sales in Fairfax and Loudoun counties.

**WAGES AND JOBS BY INDUSTRY**

Breakdown of Jobs in Alexandria by Industry, Q1 2013
Source: Virginia Employment Commission

Alexandria has a higher percentage of retail jobs and administrative/support jobs than Arlington or Fairfax, and a lower percentage of professional, scientific, and technical services than Arlington or Fairfax.

Alexandria is the only jurisdiction that has not had any negative wage growth over the last four years.
Noteworthy Trends

- Home sales are up significantly over 2012, with the most dramatic increases being in the number of single family detached homes sold (38% increase).
- Alexandria has seen a significant decrease in the average days on the market for a home, down over 44% since last year.
- Residential development of apartment buildings is slowing, and developers are watching the market carefully for signs of an apartment bubble on the horizon. JM Zell, EYA, WRIT, Paradigm and Hoffman all have residential projects with approved site plans that are poised to begin construction.

Source: Real Estate Business Intelligence, July 2013
On June 7, 2013 the General Services Administration (GSA) announced the execution of a new lease agreement for the National Science Foundation (NSF) headquarters at the Hoffman Town Center in the City of Alexandria. The following information has been compiled from agency documents, federal government sources, real estate documents and real estate databases to describe the impact of the move and details on the new facility and surrounding area.
Who

- Independent federal agency created “to promote the progress of science; to advance the national health, prosperity, and welfare; to secure the national defense…”
- Annual budget of about $7.3 billion (FY 2013)
- Funding source for approximately 20% of all federally supported basic research conducted by America’s colleges and universities
- Employs approximately 2,400 professionals
- Supports about 200,000 scientists, engineers, educators and students at universities, laboratories and field sites all over the United States and throughout the world

What

- Issues limited-term grants to fund specific research proposals that have been judged the most promising by a rigorous and objective merit-review system
- Currently about 12,000 new awards per year, with an average duration of three years
- Most awards go to individuals or small groups of investigators
- Some awards provide funding for research centers, instruments and facilities that allow scientists, engineers and students to work at the outermost frontiers of knowledge

Where

As a result of the newly-executed lease, NSF will move from Ballston to the Eisenhower Avenue area at the end of calendar year 2016. The NSF will occupy a new 660,848 sf LEED Gold-certified, built-to-suit office building which will be developed by Hoffman Development, Inc. The site, known as Hoffman Town Center Block 8, sits on Eisenhower Avenue, directly across from the Eisenhower Avenue Metro Station.

Impact

- Approximately $50 million net in new tax revenue to the City during the initial 15 year lease period
- More than $83 million annually in ongoing direct and indirect benefits from construction spending, post-construction outlays by the NSF and spending by NSF employees, visitors and contractors
- Attract site visits that will add 90,000 hotel room nights annually to hotel room demand in the City
- Spur the development of a 235-room 3-star hotel, 130,000 sf of office space to support contractors, and 130,000 sf of follow-on, non-contractor office space by 2027
- Add 4,273 new jobs to the City’s employment base
- Save federal taxpayers $65 million over the 15-year lease term