

# ALEXANDRIA

## THE STATE OF THE MARKET

MID-YEAR 2018



**ALEXANDRIA**  
ECONOMIC  
DEVELOPMENT  
PARTNERSHIP

Alexandria Economic  
Development Partnership

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Contact us for information on:

- **Development opportunities**
- **Office/retail vacancies**
- **Alexandria/submarket statistics**
- **Questions on economic development topics**

Rendering of the new Ferdinand T. Day Elementary School in the West End

This publication is part of our research and data series on the City of Alexandria. This report is released twice a year and provides 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. 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.



## UPDATES ON DEVELOPMENT IN ALEXANDRIA

1

City Council has recently approved plans to redevelop two high vacancy office properties within **Park Center** into residential apartments. The towers at **3101 Park Center Drive** and **4401 Ford Avenue** total 448,705 sf of office space, which will be converted into 393 multifamily units. Park Center consists of three buildings, which were purchased by **Lowe** and **USAA** in January 2018. The third building at **4300 King Street** will remain for office use but will undergo space improvements and upgrades. Redevelopment plans also include the creation of additional public open space in front of **3101 Park Center Drive**.

2

Park Center is not the only office to residential conversion occurring within the West End. **Monday Properties** recently received approval to demolish the 91% vacant office building at **2000 N Beaugard** and replace it with 295 residential units. The existing 102,090 sf building will be raised and replaced with two apartment buildings that envelop an above-grade parking structure.

3

**Rubenstein Partners, L.P.** has submitted plans to build a 7,780 sf retail building at **2425 Eisenhower Ave**, a vacant parcel which is directly adjacent to Rubenstein's existing 14,255 sf retail strip center at 2451-2459 Eisenhower Ave and their 328,164 sf office tower at 2461 Eisenhower Ave.

4

**CAS Riegler** purchased the 66,000 sf office building at **699 Prince St** in March 2018 from the National Center for Missing and Exploited Children (NCMEC), used as the organization's headquarters. NCMEC is in the process of moving to 63,000 sf at 333 John Carlyle St in the Carlyle submarket. CAS Riegler's plans to convert 699 Prince St back into a hotel, which was the building's original use when it was constructed in 1926, were recently approved. The George Mason hotel is slated to contain 140 rooms and 3,300 sf of ground floor retail.

5

**Trammell Crow Residential** currently has the vacant WMATA bus garage at **600 N Royal St** under contract. The site is slated for redevelopment into a 288-unit multifamily project.

6

**Avanti Holdings** is planning to replace the 19,600 sf auto repair shop at **1200 N Henry St** and adjacent warehouses in North Old Town with a 109-unit apartment building. The eight-story building will be anchored by 20,100 sf of retail space on the ground floor.

7

The former Arlandria Floors location at **1800 Mount Vernon Ave** in Del Ray is being redeveloped by **Brookfield** into a 49-unit multifamily condominium building. The project is slated for delivery during fourth quarter 2018 and will include 2,675 sf of retail space on the first floor.



ALEXANDRIA VIRGINIA

- Metro Station
- Blue Line
- Yellow Line
- King Street Trolley
- VRE / Amtrak Station
- Bus Rapid Transit
- Residential Area
- Ronald Reagan Washington National Airport

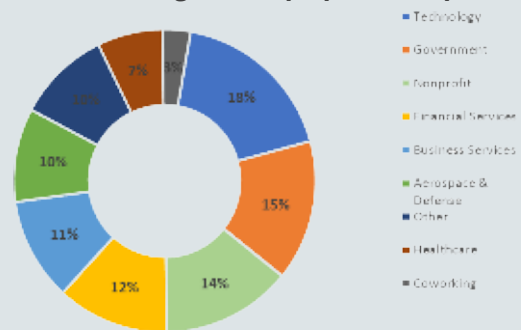


### Regional Office Market:

- Tenant growth within the Washington Metro Area is dramatically increasing. For example, 62% of all tenants that signed leases for over 10,000 sf of space during Q2 2018 were doing so to expand their overall footprint. Most of these tenants were in the technology or coworking sectors.
- Direct vacancy for class A office product within the Washington Metro Area has continued to rise and was at 15.7% by the end of Q2 2018. While historically high concession packages continue to drive tenants towards class A buildings. The roughly 4.5 million square feet of class A office under construction continues to outpace demand. Only 46% of this class A product under construction is pre-leased.

- It is interesting to note that even though the technology sector has generated the highest percentage of office leasing activity during 2018 in Northern Virginia so far, no single industry completely dominates the office leasing market in Northern Virginia. According to CBRE research, technology companies represented 18% of all year-to-date leasing activity, followed by government tenants, who generated 15% of all year-to-date leasing activity.

### YTD 2018 Leasing Activity by Industry Sector



Source: CBRE

## ALEXANDRIA OFFICE MARKET

### Direct Vacancy Rate: 15.2%

This represents a 1.9% decrease from Q4 2017. Total Vacancy (which includes sublets) within the City was 15.6%, which is a 4.3% decrease from Q4 2017.

### YTD Positive Absorption: 7,602 square feet

Absorption for 2018 so far has remained largely flat. One of the contributors to positive absorption in the first half of 2018 was Merrill Lynch, who leased 12,678 sf at 1900 Duke Street.

### Largest Lease Transaction: NCMEC, 64,614 square feet

The largest lease transaction in the City by mid-year 2018 was a lease signed by the National Center for Missing and Exploited Children for 64,614 sf at 333 John Carlyle Ave, which they are slated to occupy by the end of 2018. NCMEC is moving from their longtime headquarters at 699 Prince St, which they sold in March 2018 to CAS Riegler. Another notable lease transaction is Kearney and Company's renewal of their 44,254 sf headquarters space at 1701 Duke St.

### Old Town Average Office Rents Continue to Increase

Average office rents in the Old Town submarket have increased to \$33.75 FS by the end of the second quarter 2018 from \$32.89 FS at the end of the second quarter 2017. This is the first time quarterly average office rents in the submarket have risen above \$33.00 FS since the end of the first quarter 2017.

Source: CoStar Group



333 John Carlyle Street: new 64,614 SF office home for NCMEC after the organization vacates their prior headquarters at 699 Prince Street.



## National and Regional Retail Trends and Forecasts

- There is currently over 1.25 million square feet of retail space under construction in Northern Virginia, and around 7.6 million square feet of planned retail space slated to begin construction soon.
- Emphasis on experiential retail is predicted to have a dramatic effect on the presence of non-traditional retailers within malls as owners attempt to enhance shopper experience and comfort. Over the longer term, traditional retailers are expected to occupy less space within malls and open-air shopping centers, whereas food and beverage locations take on more space. JLL predicts that within ten years, food and beverage users will occupy 26% of all mall space nationally, a 12% increase from today. Other non-traditional retail tenants, such as entertainment, medical and fitness users are similarly projected to increase their overall footprint by 11% within the same time frame, bringing their collective presence within malls to 24% nationwide.

### Regional & National Brands Recently Opened:

- |              |                    |
|--------------|--------------------|
| • Cava Grill | • WarbyParker      |
| • CustomInk  | • Glory Days Grill |
| • Five Guys  | • Brüt Winebar     |
| • &Pizza     |                    |

### Regional & National Brands Coming Soon to Alexandria:

- |                     |                         |
|---------------------|-------------------------|
| • Wegmans           | • Subway Cafe           |
| • JMcLaughlin       | • OrangeTheory Fitness  |
| • Drybar            | • Oak Steakhouse        |
| • Taco Bell Cantina | • Pedego Electric Bikes |
| • Pump It Up        | • Goldfish Swim School  |
| • Dunkin Donuts     | • PNC Bank              |

Sources: JLL, Delta

## ALEXANDRIA RETAIL OPENINGS & CLOSINGS

### LOCAL BRANDS COMING SOON:

- Sancerre Wine Bar
- Urbano 116
- Charlie's On the Avenue
- RuUz Tea Room
- Augie's Mussel House
- Calico Corners
- Misha's (relocation & 2nd location)

### CLOSURES

- Restaurant Eve
- King Street Blues
- Thai Saigon
- Forge
- Geranio's
- Stuart Nordin Designs
- Patrick's of Old Town

### LOCAL BRANDS RECENTLY OPENED:

- People's Drug
- Casa Tequila
- Conte Bikes
- Tequila & Taco
- The Executive Diner
- Get Fit Studio
- Cromwell's Wood Products
- Wag & Brew
- B. Donut
- Pendelton Carryout Co.



Interior of Cromwell Wood Products, a new shop in Old Town, opened in June 2018

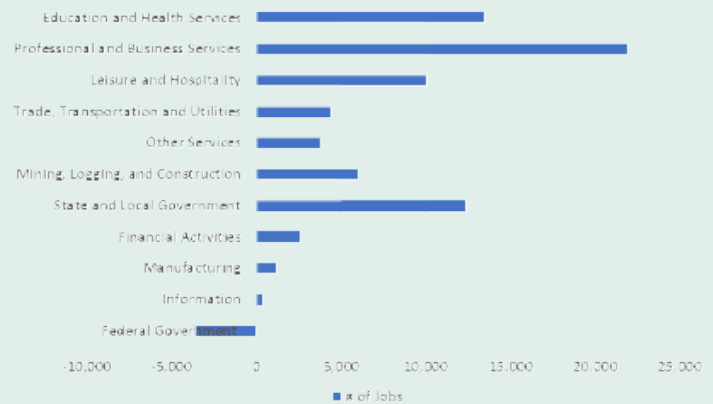
## ECONOMIC TRENDS IN THE D.C. REGION

- The Washington Metro Area added 41,300 new jobs in the twelve-month period ending in May 2018. Payroll job growth continues to be led by the Professional/Business Services and Education/Health sectors. It is important to note that the Retail Trade sector has shown significant historical growth, adding 4,800 new jobs within the same twelve-month period.
- The Washington Metro Area unemployment rate finished out June 2018 at 3.7%, which is unchanged from what was reported since 2016 year over year. Alexandria's unemployment rate was 2.4% at the end of June 2018, which is a 0.5% decrease from June 2017. Out of all major submarkets within the Washington Metro Area, only Arlington County has a lower rate.
- The primary drivers of job growth in the Washington Metro Area continue to be the service-related industries. The strongest job sector was the professional and business services sector, which added about 22,500 jobs to the region from June 2017 to June 2018.
- The federal government continued to downsize in the Washington Metro Area, whereas state and municipal governments continued hiring during the first half of 2018. The federal government downsized by 3,600 jobs from June 2017 to June 2018, while the state and local governments added 12,400 jobs during the same period.
- Recently, at the Washington Region's Economic Future forum, the Stephen S. Fuller Institute for Research on

forecasted continued U.S. economic growth in the near term. This is the result of job growth, consumer confidence, increases in federal spending, and the Tax Cuts and Jobs Act of 2017. The Washington Metro Area's economy also continues to be on the upswing, and it is currently on track to have its strongest performance since 2010. However, the Institute does note that the current national economic growth cycle is the second longest since 1854. Consumer confidence in the U.S. and Washington Metro Area economies have been slightly weakening since February 2018, which may predict diminishing growth in 2019.

### Payroll Job Growth

Washington, D.C. Metro Area, 12 months ending November 2017



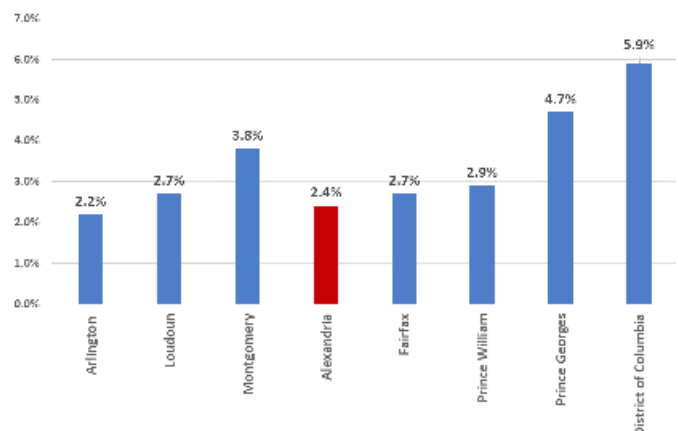
Source: Delta Associates, The Stephen S. Fuller Institute

## ALEXANDRIA ECONOMIC INDICATORS

	Mid-Year 2018	Mid-Year 2017	Change
<b>Unemployment Rate</b>	2.4%	2.9%	-0.5%
<b>Average Weekly Wages</b>	\$1,499	\$1,463	2.4%
<b>Job Count</b>	91,500	92,598	-1.2%

The unemployment rate in Alexandria decreased slightly between mid-year 2017 and mid-year 2018. Unemployment within Northern Virginia, in general, and Washington D.C. decreased as well, although unemployment increased in suburban Maryland.

### D.C. Metro Area Unemployment Rate



Source: Bureau of Labor Statistics

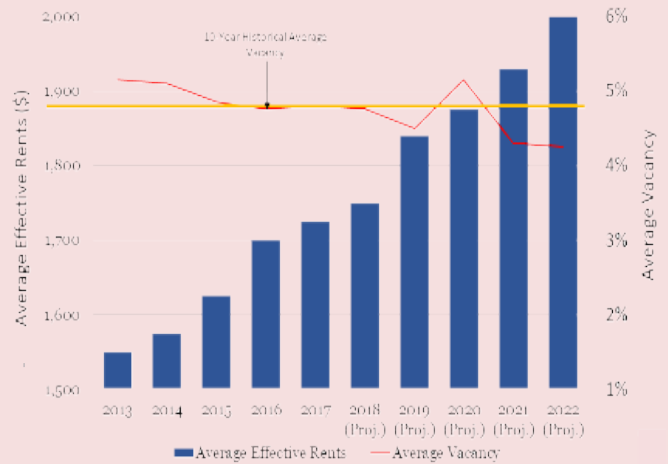


## National and Regional Residential Trends and Forecasts

- Overall, the US multifamily market demonstrated a high level of strength by the end of Q2 2018. During Q2 2018 alone, 82,200 units were completed and there was a net absorption of 134,400 units. These are the highest quarterly numbers for completions and positive absorption recorded in the last 23 years. This trend indicates that there is still a high demand for apartments nationally.
- The 36-month pipeline for apartment construction within the Washington Metro Area projects 37,063 units, which is an increase from last year. Despite all the new inventory being added to the market, so many units are being absorbed upon completion that apartment vacancy remains at a low 4%. This is lower than the national vacancy rate of 4.5%, and is the second lowest level of vacancy out of any major apartment market after Los Angeles.
- The continued high demand for apartments, specifically within the Washington Metro Area, can be partially attributed to a low inventory of homes on the market for sale. This has increased home prices within the region to the highest level on record, with an average sale price of \$525,975 in 2Q 2018.

### 36-month Apartment Pipeline and Rent Growth, Washington, D.C. Metro Area

Source: Delta Associates



Rent growth in the Washington Metro Area has stabilized and even experienced slight negative growth in recent years. This has been accompanied by an increase in the residential development pipeline across the region.

Source: Delta Associates, CBRE, and Transwestern

## ALEXANDRIA RESIDENTIAL MARKET

Source: Delta Associates, Northern Virginia Association of Realtors

### Alexandria Residential Indicators

	Mid-2018	Mid-2017	Change
<b>Average home sale price</b>	\$565,560	\$541,675	+ 4.41%
<b>Average sale price, 1-2 bedroom homes</b>	\$609,006	\$517,892	+ 17.59%
<b>Average sale price, condominiums</b>	\$344,640	\$341,515	+ .91%
<b>Total units sold</b>	1,380	1,325	+ 4.15%
<b>Average days on the market</b>	43	45	- 4.44%

The Alexandria residential market continues to see steady sales growth for single family homes and condominiums.



Rendering of Del Ray Place, a 49-unit condominium building at 1800 Mount Vernon Avenue under construction, and owned by Brookfield Residential.