

**Real Estate Market Analysis - Draft**  
November 5, 2014

**EW** EISENHOWER WEST  
SMALL AREA PLAN



HR&A

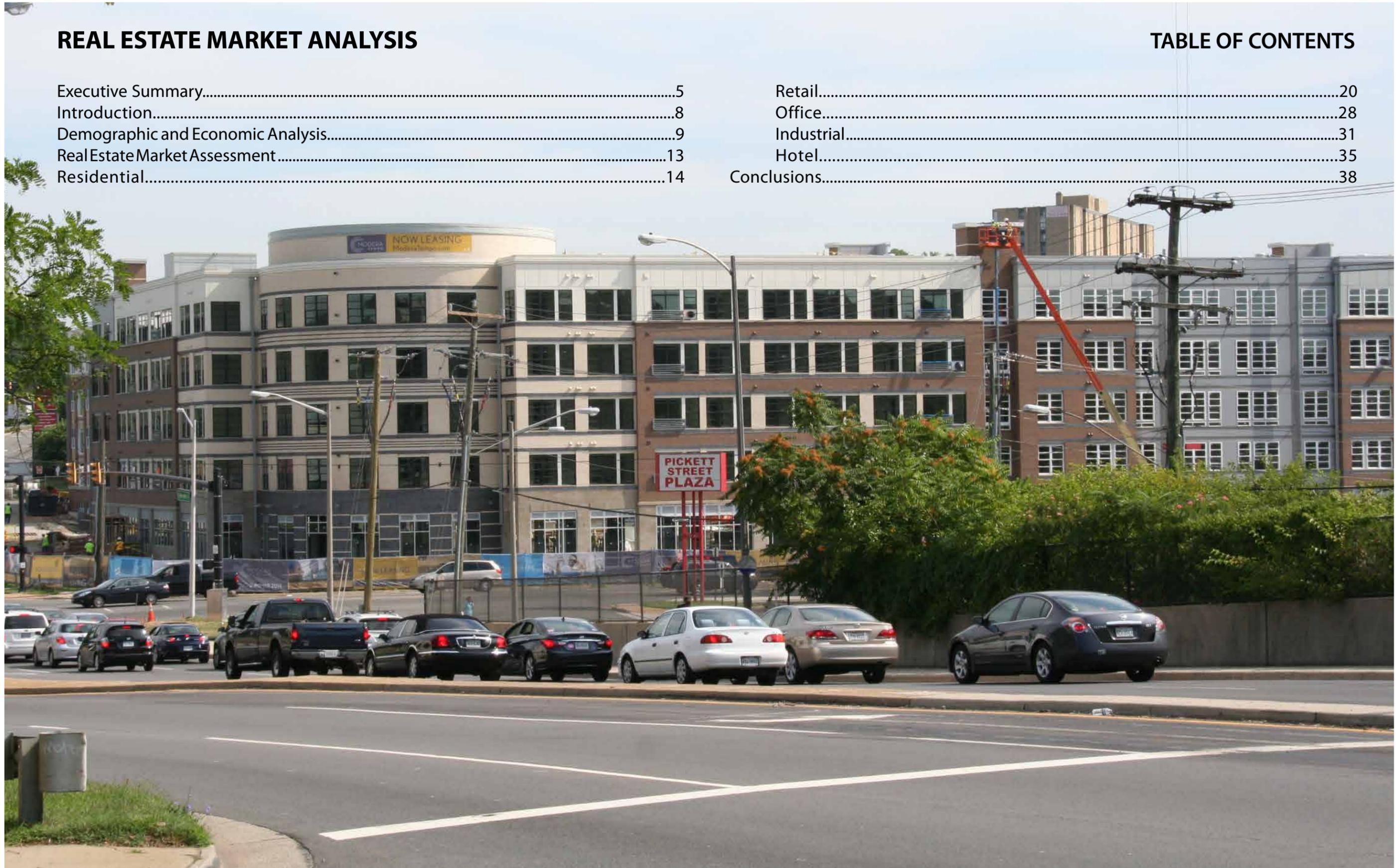


# REAL ESTATE MARKET ANALYSIS

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### Retail

- Retail in Eisenhower West and the surrounding area is primarily characterized by dated shopping malls and car dealerships. With the exception of proposed redevelopment of Landmark Mall, there has been little new retail built in the past 20 years.
- Area residents, rather than workers, are the primary drivers of retail sales in the trade areas, and the introduction of new residential development in the area will continue to drive up demand.
- There is additional unmet demand for new grocery stores, general merchandise stores, and restaurants in Eisenhower West.
- While redevelopment plans for Landmark Mall may absorb some of this demand, the gaps appear substantial enough to support new retail development in Eisenhower West.

### Industrial

- The industrial stock in Eisenhower West is old and out of date. Excluding Restaurant Depot, no new industrial property has been developed since 1985.
- Vacancy in Eisenhower West has increased for both warehouse and flex buildings, a result of tenants either moving to more modern buildings elsewhere, or going out of businesses (as reflected by the decline in employment in key sectors, including wholesale trade and transportation and warehousing).
- Industrial rents in Eisenhower West have been consistently higher compared to the MSA, suggesting a premium due to its location inside the Beltway, despite the older industrial stock. However, new industrial development in this area would be challenging given the comparatively high cost of land.

### Office

- With only 4 office buildings, Eisenhower West is not a major office market in the City of Alexandria. Over 80% of the space is in the 607,000 SF Victory Center, which has been vacant since it was renovated in 2009 due to a building configuration that does not meet current GSA requirements.
- Demand for office space in all markets is stagnant or declining: regional office rents remain flat, and citywide office rents have declined since the recession. In addition, vacancy rates in the City have surpassed those in the region.
- In order to receive financing, the majority of regional office construction is either build-to-suit or significantly pre-leased. In the near term, new office development in Eisenhower West is likely challenging, with the exception of small-scale, locally serving office uses. In the longer term, however, the area does benefit from its proximity to Metro and the Capital Beltway.

### Hotel

- While occupancy rates have remained stable in the context of increasing supply and demand, RevPAR has declined significantly. The regional hotel market is highly competitive. The relative stability in occupancy rates has been achieved at the expense of hotel revenues, which will impact the potential for new development in both the short- and medium-term.
- Hotels in secondary submarkets with flags most likely comparable to what could be supported in Eisenhower West are generally older, particularly in submarkets in western portions of the City and adjacent to the Beltway. There may be an opportunity in Eisenhower West for development of a new, mid-priced hotel that would compete with the older products in other highway adjacent locations.

## Executive Summary (cont'd.)

### Summary of Opportunities and Challenges

HR&A recommends that the area wide development plan consider strategic opportunities around key nodes and be flexible to current and future market conditions.

#### Short Term (0-7 years)

- In the short term, demand for new residential development will likely continue to meet the needs of the region's growing population. The area has already seen some infill residential development and this pattern could continue on key sites.
- New residents will support continued demand for retail and other amenities, supporting new retail development in Eisenhower West even with significant renovations at the Landmark Mall and Van Dorn area.
- In addition, industrial uses in existing buildings will remain viable, as there is still demand from tenants seeking locations inside the Beltway close to consumer and business markets.
- Office development in the near-term is unlikely, except for opportunities where a tenant is readily identified, and for office uses in mixed-use buildings catering to businesses which provide neighborhood services.

#### Medium Term (7-15 years)

- In the medium term, Eisenhower West will be in the midst of a transforming area with implementation of the Van Dorn plan.
- Industrial uses, particularly in rented facilities, may face redevelopment pressure, as a result of increasing residential and retail demand, need for new spaces, and cheaper land elsewhere.
- Office users will still likely still prefer walkable, transit accessible, mixed-use communities, which could be accommodated in Eisenhower West. Assuming a recovered regional market, absorption in transit-accessible areas closer to the region's core, and interested tenants, Eisenhower West may become a more desirable office location.
- The area could also potentially support the development of mid-scale hotels, as either new flags in the market competing with older products nearby or if regional occupancy rates remain stable and revenue trends improve.

#### Long Term (15-30 years)

- Eisenhower West is well situated to support a balance of residential and commercial development. Its Metro Station and proximity to the Beltway will continue to be assets.
- The small area plan should be flexible to be responsive to changing economic conditions. Industrial uses will relocate for cheaper space outside the Beltway.
- Unless owners are incentivized to invest in new industrial facilities or industrial users own their sites, these uses are likely to be converted to residential or other commercial uses if zoning allows.
- There may also be opportunities for new office development as vacant space around stations closer to the region's core is absorbed.
- This will in turn generate more local demand for hotel development, attracting visitors who are conducting business in Eisenhower West and seeking more affordable accommodations with good highway access.
- As hotels and multifamily buildings have similar building envelopes, long-term planning should allow for strategic multifamily sites to accommodate potential future hotel development.

# Introduction

## Plan Overview

The Eisenhower West Small Area Plan Study Area ("Study Area") consists of roughly one square mile located on the southwestern corner of the City bordering Fairfax County. It is bounded by the Yellow Line Metro in the South, the Alexandria/Fairfax County border to the West, McConnell Avenue to S. Pickett Street in the North, and Holmes Run Trail to the East.

## Project Purpose

Eisenhower West has undergone a significant transition in uses, and the last Small Area Plan was completed in 1992. Formerly consisting solely of commercial uses, including light and heavy industrial activities, the area has seen new residential and mixed-use developments which have introduced nearly 5,000 new residents to the area since the first developments were delivered in 1999.

In light of this rapidly changing environment, the City of Alexandria identified the Eisenhower West area as a candidate for a Small Area Plan study. The City retained SmithGroupJJR to conduct this study, who in turn solicited HR&A Advisors, Inc. ("HR&A") to perform a market scan of residential, retail, office, and industrial real estate to determine the future possibilities for Eisenhower West.

HR&A's analysis seeks to inform components of the Small Area Plan study, including:

1. What land uses which are market supportable both in the near term and in the foreseeable future?
2. What might the mix or balance of land uses look like in the Study Area?
3. How can the City seek to encourage population growth while also encouraging job growth?
4. How can the City facilitate transit-oriented development in Eisenhower West?

HR&A's analysis, contains a summary of the real estate inventory in Eisenhower West, how this inventory has changed over time, and how regional demographic, economic, and real estate market dynamics may affect real estate development in the future.



Figure 1: Eisenhower West Small Area Plan Study Area

# Demographic and Economic Analysis

## Demographics

The Study Area's population has growth significantly since 2000 due to extensive new residential development.

- The completion of Cameron Station, The Exchange at Van Dorn, and The Reserve at Eisenhower has added 3,600 residents to Eisenhower West through 2014. As there were only two residential clusters in Eisenhower West prior to 2000 (Summers Grove and portions of Cameron Station), these developments almost tripled the resident population, bringing the total number of residents to nearly 5,000.
- While Eisenhower West only represents 3% of the City's total population, the addition of 3,600 residents from 2000 to 2014 represented 22% of the City's overall growth in this period.

### Households in Eisenhower West are earn higher incomes than households in the City and the Washington MSA overall.

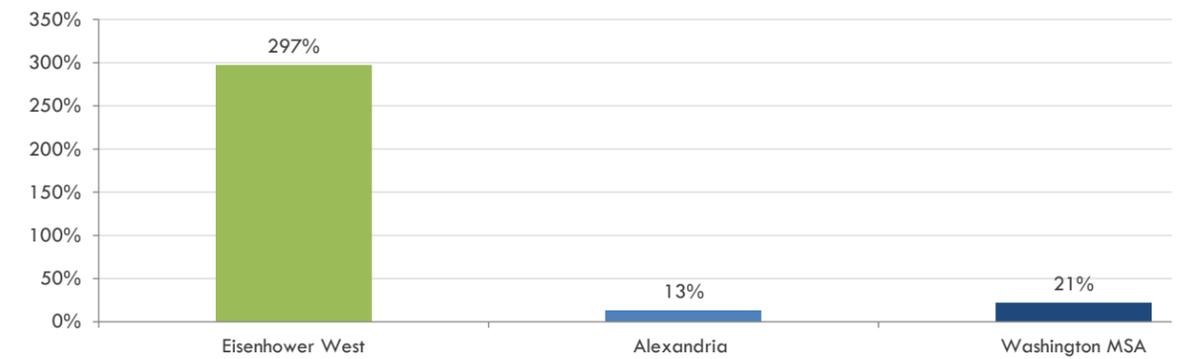
- Median household income in Eisenhower West is 52% higher than the City as a whole, and 39% higher than the Washington MSA (the Region).
- Sixty-nine percent of households in Eisenhower West have annual incomes greater than \$100,000, compared to 42% of households in the City and 46% of all households in the Washington MSA.

Year	Eisenhower West	Alexandria	Washington MSA
2000	1,235	128,283	4,837,430
2010	4,832	139,966	5,636,232
2014*	4,907	144,869	5,874,437

**Figure 2: Total Population**

\*2014 population estimated by Esri. Does not include new residents in the recently delivered Modera Tempo (formerly "Landmark Gateway"), which has only just started leasing new apartment units as of this report.

Source: City of Alexandria; Esri Business Analyst



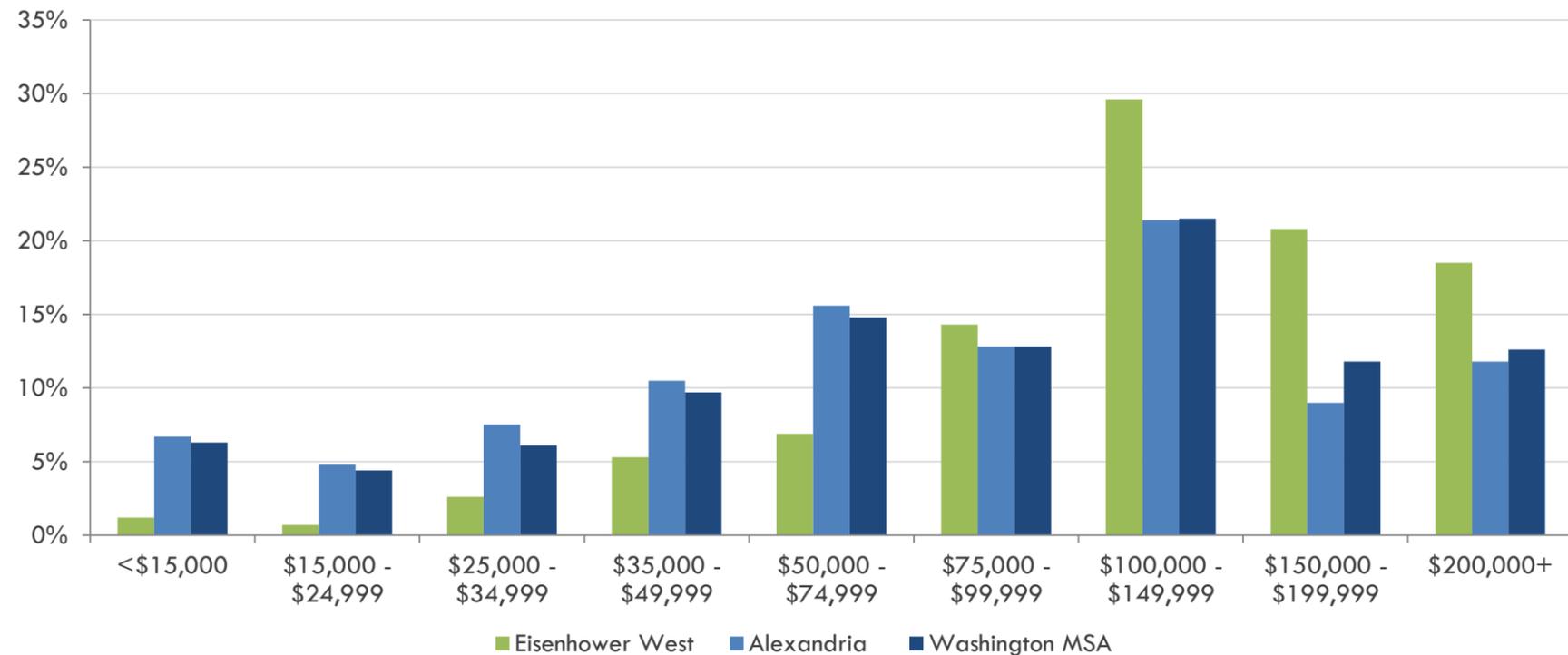
**Figure 3: Percentage Change, Population, 2000-2014**

Source: City of Alexandria; Esri Business Analyst

	Eisenhower West	Alexandria	Washington MSA
Median Household Income	\$125,984	\$83,054	\$90,415

**Figure 4: Median Household Income**

Source: Esri Business Analyst



**Figure 5: Distribution of Household Income, 2014**

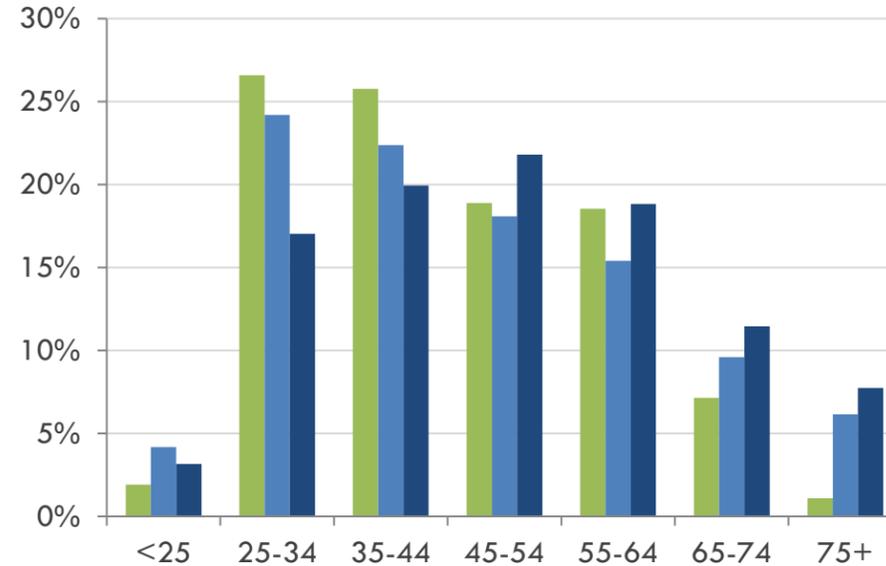
Source: Esri Business Analyst

## Demographic and Economic Analysis (cont'd.)

### Demographics

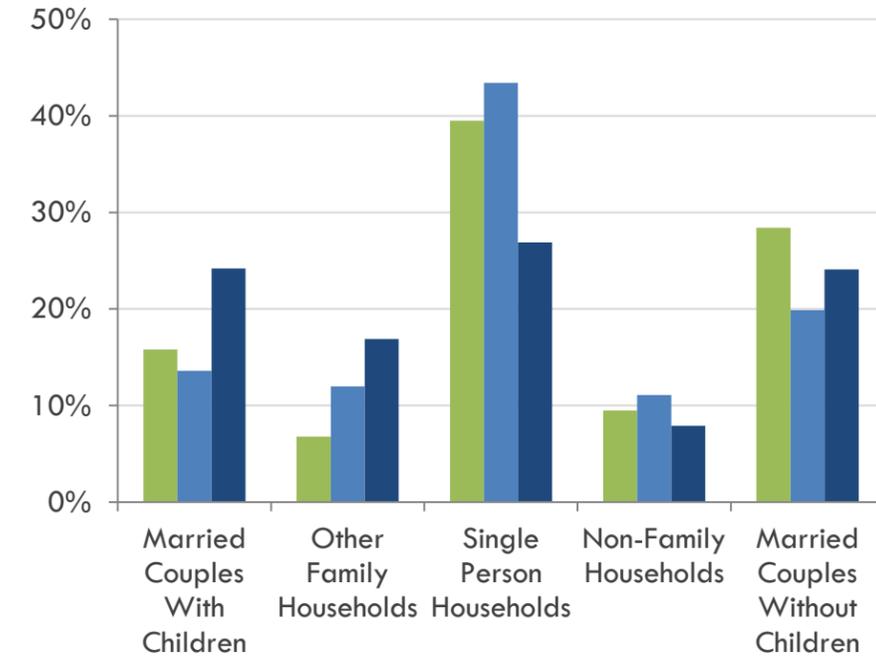
**Households in Eisenhower West tend to be younger and without children.**

- Householders below the age of 45 comprise 55% of all households in Eisenhower West, and 50% in the City of Alexandria. By comparison, these households comprise 40% of all households in the Washington MSA.
- Households in Eisenhower West consists of 40% single-person households, lower compared to the City (43%) and significantly higher compared to the MSA (27%).
- Households in Eisenhower West consists of 28% married couples without children, a higher concentration than both the City (20%) and the MSA (24%).
- As the area matures, households may increase the number of children.



**Figure 6: Percentage of Households by Age of Householder, 2014**

Source: City of Alexandria, Esri Business Analyst



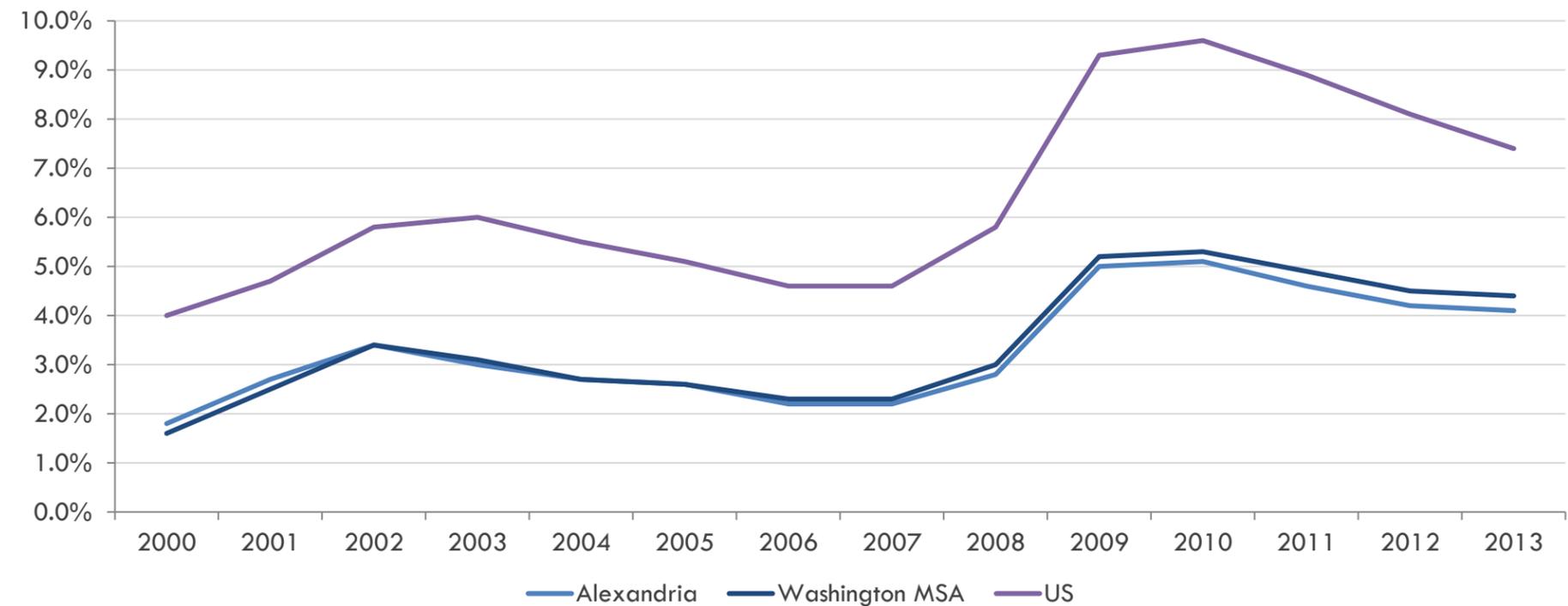
**Figure 7: Percentage of Households by Composition, 2014**

Source: City of Alexandria, Esri Business Analyst

### Economics

**Regional and citywide unemployment rates have remained lower than national unemployment rates prior to and during the recent recession.**

- Historically, the annual unemployment rate in the Region and the City of Alexandria have trended together and have been much lower than national unemployment rate, indicating a strong and stable employment base in the region. On average, from 2000-2013 the City of Alexandria's unemployment rate has been 3 percentage points lower than the national unemployment rate.
- Between 2011 and 2013, local unemployment rates in Alexandria and the Washington MSA did not decline as rapidly as the national rate, possibly as a result of contraction in the federal government.



**Figure 8: Annual Unemployment Rate, 2000-2013**

Source: Bureau of Labor Statistics

## Demographic and Economic Analysis (cont'd.)

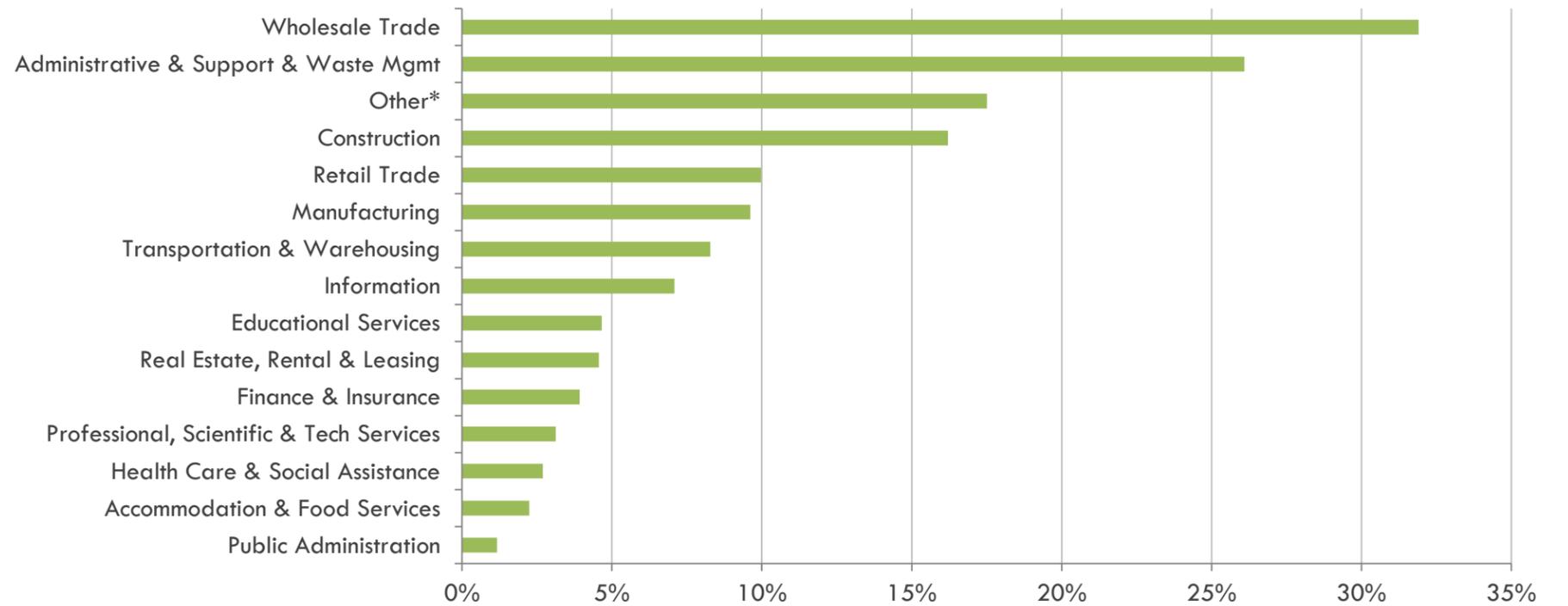
### Economics

Despite its heavily commercial character, Eisenhower West represents only a small portion of the City's total employment.

- The 8,418 jobs in Eisenhower West comprise 8.1% of the City's total jobs (103,724).
- Eisenhower West accounts for 32% of all wholesale trade jobs within the City of Alexandria. This industry comprises those business which sell merchandise to other businesses rather than directly to the public, such as Restaurant Depot.
- In addition, administrative, support, and waste management jobs comprise over 25% of all such jobs within the City. These industries include "back office" support industries such as office administration, human resources, clerical services, security and surveillance services, cleaning, waste disposal, and others.
- The area has only a small number of jobs in traditional office-using industries.

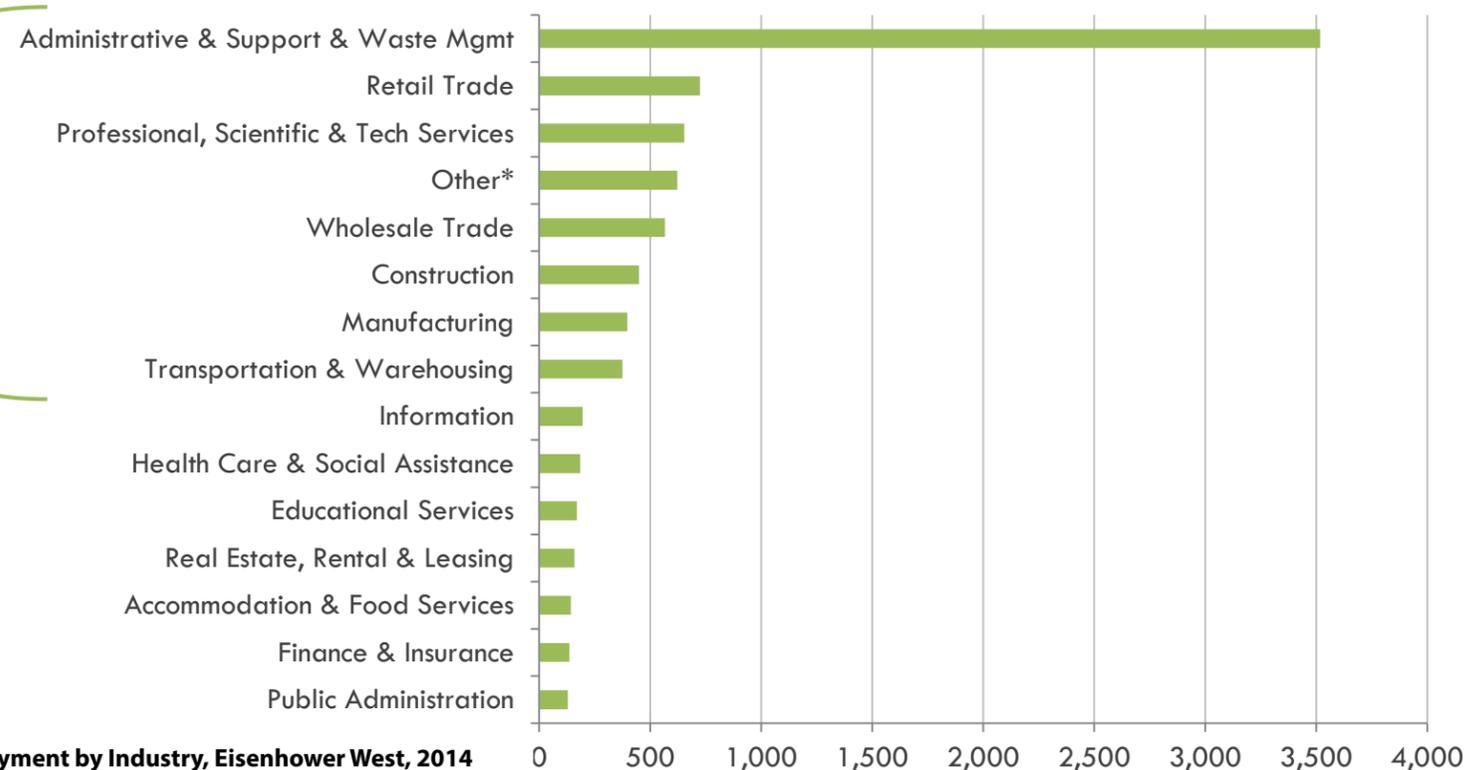
Administrative, support, and waste management industries make up the majority of all jobs in Eisenhower West.

- Just over 3,500, or 42%, of the Study Area's labor force works in administrative, support, and waste management sectors.
- Nearly 3,800, or 45%, of all jobs in Eisenhower West are distributed evenly across retail, professional, scientific, and technical service, wholesale trade, construction, manufacturing, transportation, and other sectors.



**Figure 9: Percentage of Alexandria Employment within Eisenhower West**  
Source: Esri Business Analyst

87% of all jobs in Eisenhower West are in these industries



**Figure 10: Total Employment by Industry, Eisenhower West, 2014**  
Source: Esri Business Analyst

## Demographic and Economic Analysis (cont'd.)

### Economics (cont'd.)

Citywide, many of the industry sectors which make up the majority of Eisenhower West's employment base have declined since 2002.

- Many of the industry sectors which make up the majority of jobs in Eisenhower West, underlined in green in the graph below, experienced city-wide losses between 2002 and 2011, including retail trade, wholesale trade, construction, and transportation and warehousing. In contrast, these industries have grown regionally, with the exception of construction.
- Administrative, support, and waste management remained relatively static Citywide, but has grown throughout the MSA.
- Jobs related to professional/scientific/technical services and manufacturing grew in Alexandria. However, the City did not capture a similar share of professional, scientific, and technical services jobs as the MSA.

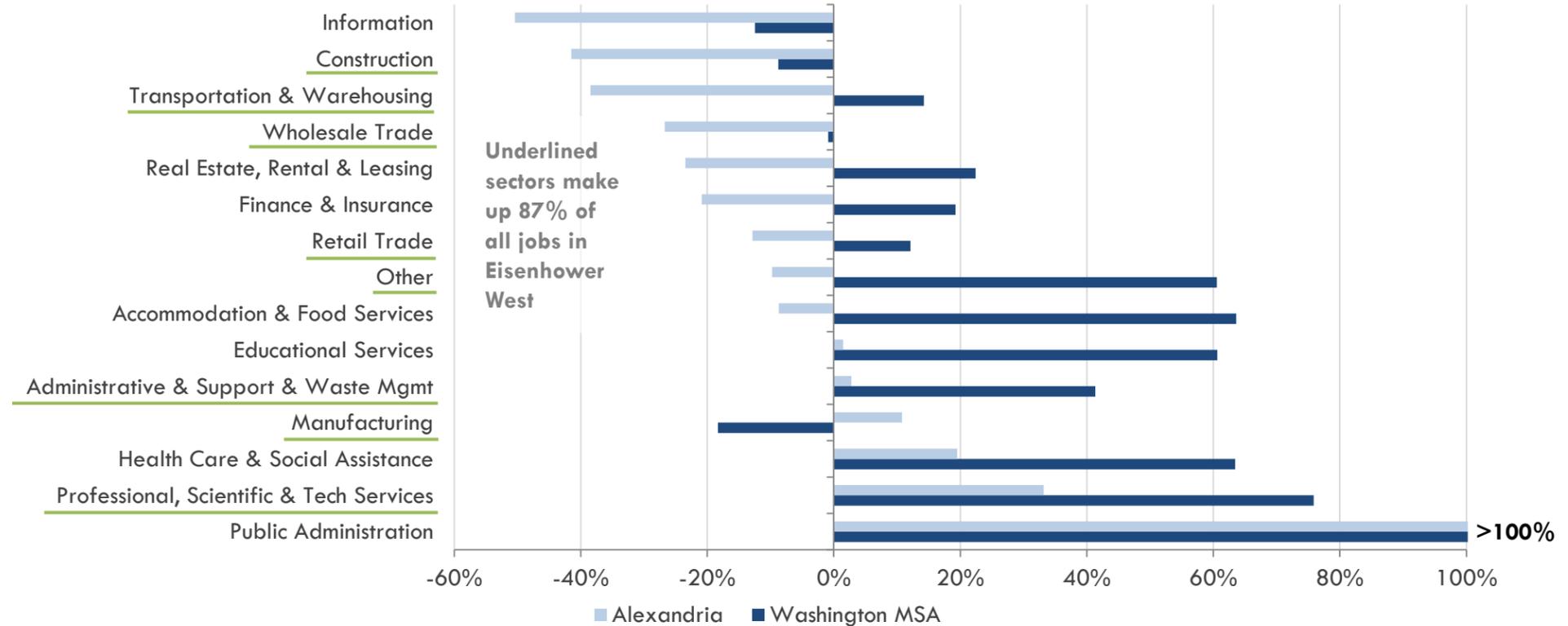
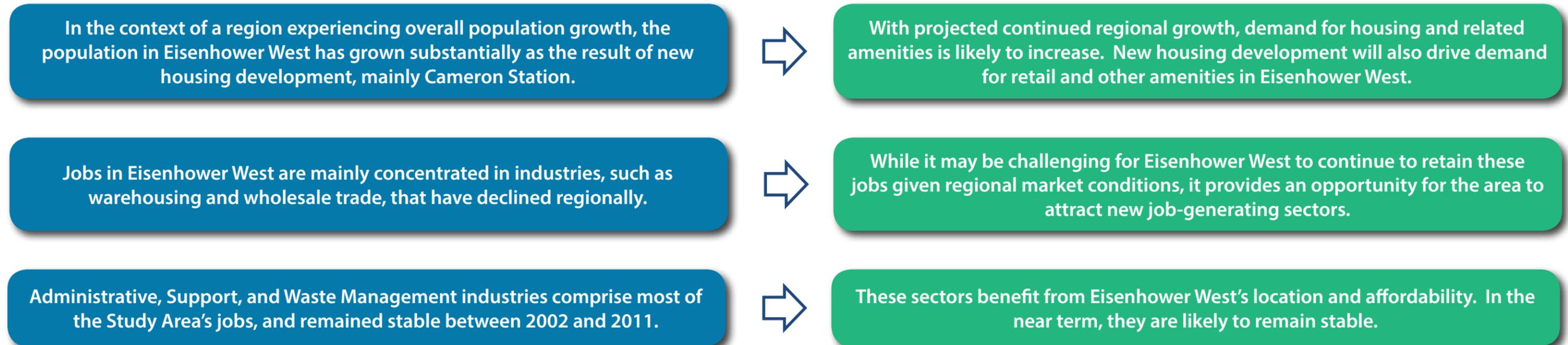


Figure 11: Percentage Change in Employment by Industry, 2002-2011

Source: US Census Bureau; Center for Economic Studies, LEHD

### Conclusions and Implications



# Real Estate Market Assessment

## Real Estate

HR&A assessed the market for the already eclectic mix of residential, retail, office, and industrial properties located within Eisenhower West.

- The Eisenhower West study area is primarily commercial with newer pockets of residential development.
- Industrial properties, including warehouses and flex space, dominates the Study Area, comprising 70% of all non-residential land uses on a square foot basis.
- Many of the commercial buildings are older, with a median age of 34-39 years. Residential development is much newer, with a median age of 13 years.
- Amongst residential properties, there is a mix of multifamily and single-family/townhouse developments. Most of these projects consist of for-sale units in Summers Grove, Cameron Station, and The Renaissance at Eisenhower;
- though there are rental units located within two multifamily developments, The Exchange at Van Dorn and the recently delivered Modera Tempo (formerly, "Landmark Gateway").
- Excluding the operations at Virginia Paving and Vulcan Materials, the industrial stock is made up of small, single-story warehouses and flex space home to a variety of tenants.
- For the most part, retail uses in Eisenhower West consist of auto dealerships, with some big box uses such as Home Depot, and some neighborhood serving retail located in strip/neighborhood centers.
- Most of the office space within the Study Area is located in the 607,000 SF Victory Center. Despite being renovated in 2009, it is 100% vacant as of this report. The area's remaining office space is located in older, single-story buildings.

Land Use	Gross Square Feet/Units	Median Year Built
Office	735,515 SF	1979
Industrial*	3,430,134 SF	1975
Retail	739,194 SF	1977
<b>Total Commercial</b>	<b>4,904,843 SF</b>	
Residential**	3,058 Units	2001

Figure 12: Land Use by Gross Square Feet/ Units

Source: CoStar; City of Alexandria

\*Includes all warehouse and flex; excludes Virginia Paving and Vulcan Materials

\*\*Includes all rental and for-sale multifamily and single family dwelling units in the Study Area

In addition to comparing Eisenhower West to the region, HR&A analyzed the local market for each product type, the boundaries of which differ slightly depending on industry-accepted definitions of local submarkets.

Product Type	Market Analysis Area	Notes
Multifamily Rental	"West Alexandria": N Quaker Lane to the east City limits to the north, south, and west	West Alexandria is the industry-defined market for multifamily rental product comparable to projects in Eisenhower West
Multifamily For-Sale (Condo)	City of Alexandria	The City of Alexandria as a whole is the industry-defined submarket for comparable condos, single-family houses, and townhouses
Single-family/Townhouse		
Retail	One- and three-mile radii from the center of the Study Area	Retail study areas account for the "draw" of potential consumers based on product type and distance
Office	City of Alexandria	The City of Alexandria as a whole is the industry-defined submarket commercial real estate uses
Industrial		

Figure 13: Market Analysis Study Areas

# Residential Real Estate Market Assessment (cont'd.)

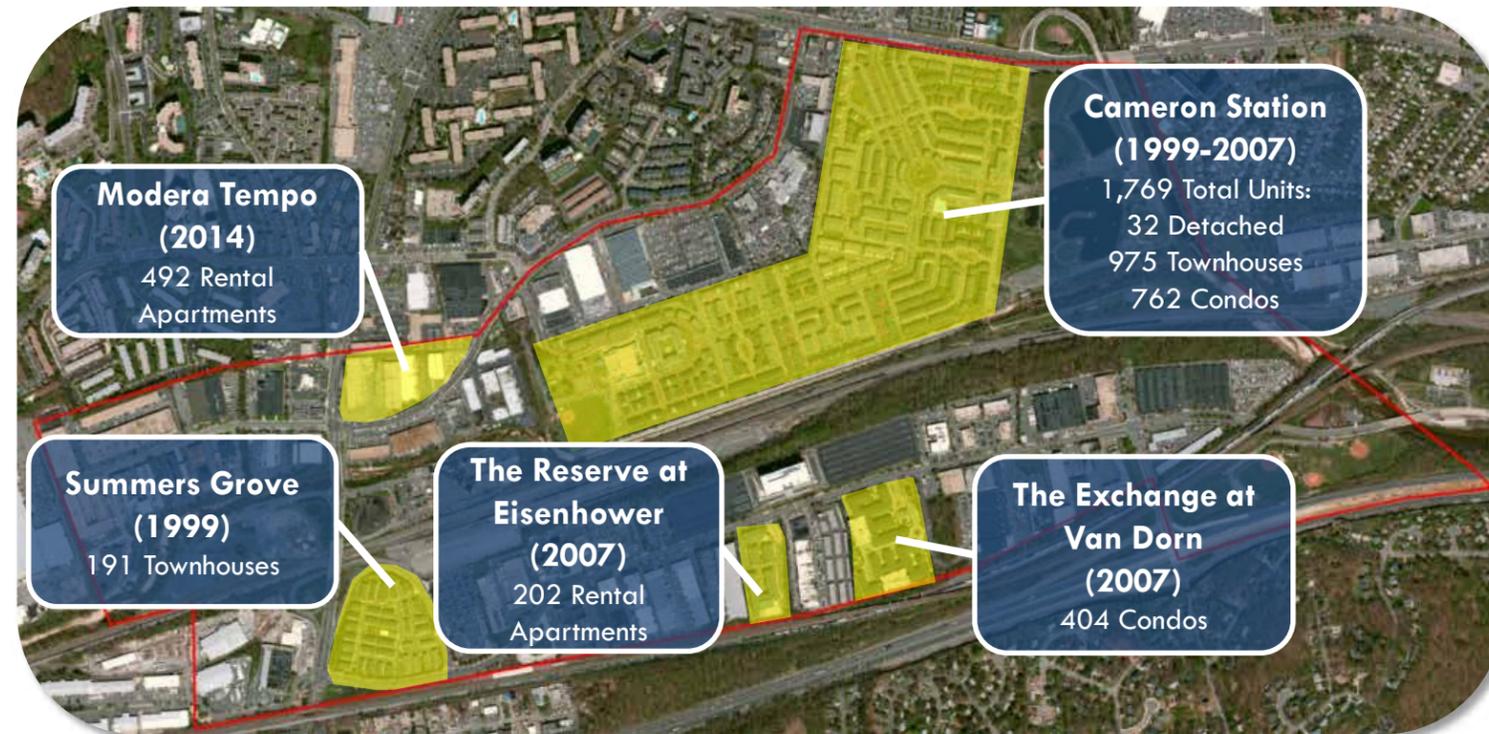
## Residential Overview

Residential development in Eisenhower West is relatively new, and several developments are scattered amongst commercial uses.

- Residential units within Eisenhower West are located across five developments: Summers Grove, Cameron Station, The Reserve at Eisenhower, The Exchange at Van Dorn, and Modera Tempo. Cameron Station is a former army base, while the other developments are redevelopments of former commercial sites.
- All of the residential development has been built within the past 15 years.

Residential product within Eisenhower West consists of a split between single-family<sup>1</sup> and multi-family developments.

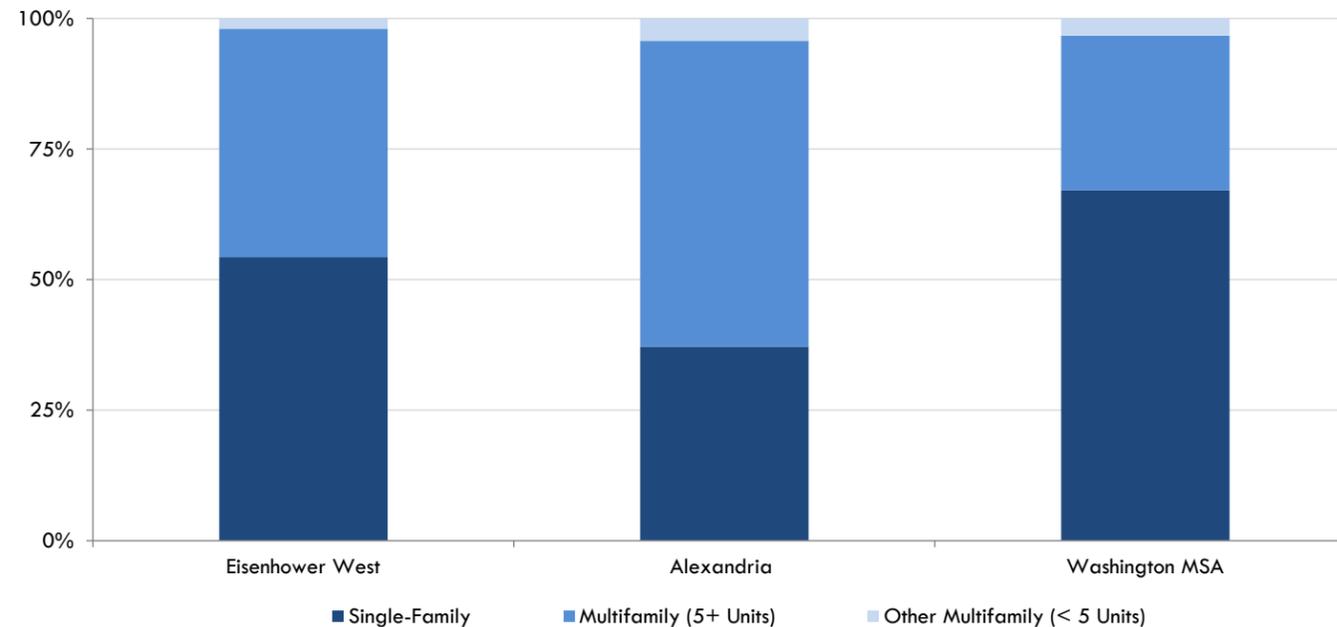
- These developments consist of slightly more single-family homes (54%), including detached homes and attached townhouses, than multi-family units (46%). Though somewhat evenly distributed, there are a greater concentration of single-family homes and townhouses in Eisenhower West compared to the City, and fewer than compared to the MSA.



**Total Units:  
3,058**

**Figure 14: Residential Developments in Eisenhower West**

Source: Zillow; HR&A Advisors, Inc.



**Figure 15: Distribution of Units by Units in Structure, 2014**

Source: Esri Business Analyst

<sup>1</sup> Single-family includes detached homes and townhouses

# Residential Real Estate Market Assessment (cont'd.)

## Residential Overview (cont'd.)

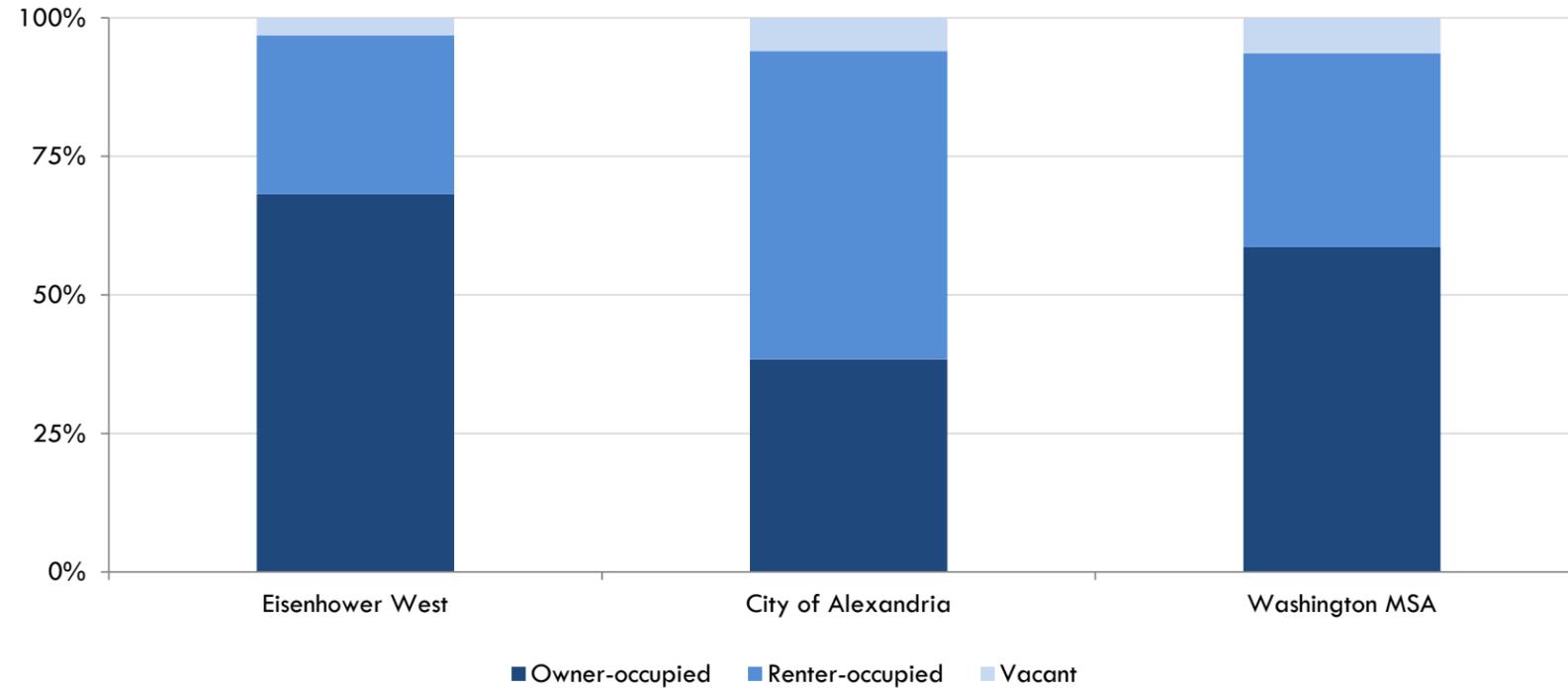
Residential product within Eisenhower West is largely owner-occupied.

- The Study area maintains higher rates of homeownership compared to the City and the MSA. These homeownership rates reflect the large number of single-family homes and condominiums that comprise the four housing developments in Eisenhower West; however, these data do not yet reflect the recent delivery of the 492 rental units at Modera Tempo.

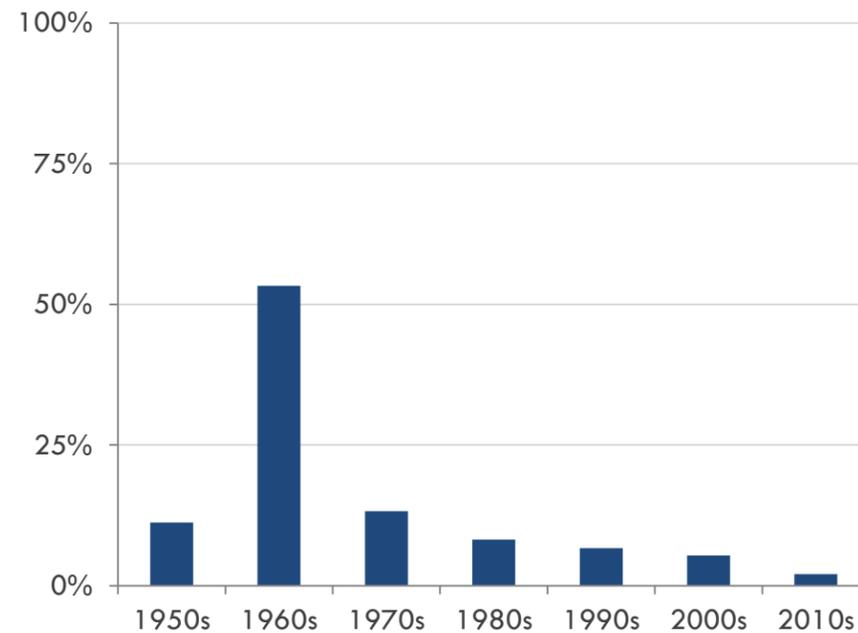
## Residential: Multifamily Rental

In contrast to Eisenhower West, rental buildings within the West Alexandria submarket are much older, with few deliveries in recent years.

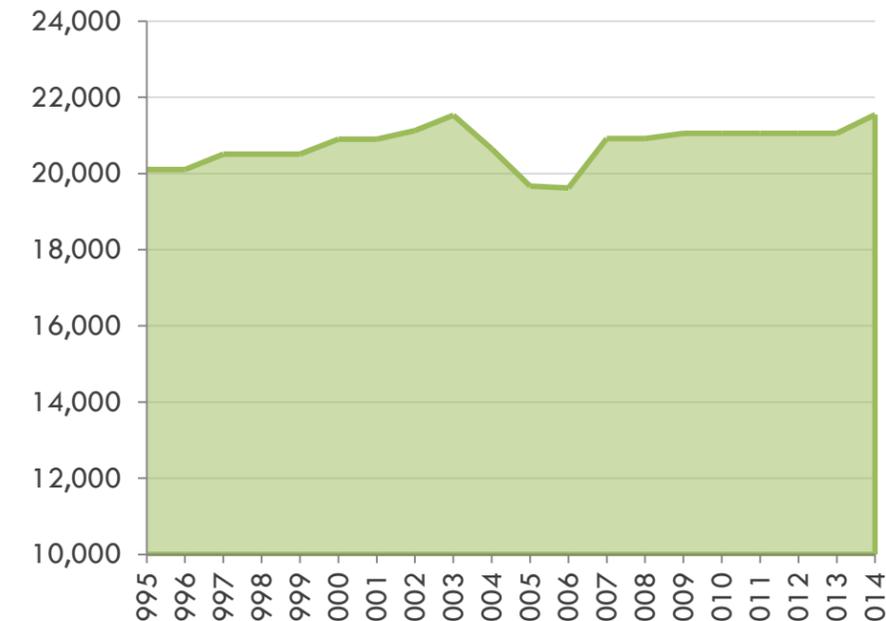
- Over half (53%) of all existing multifamily rental units in the “West Alexandria” submarket were built during the 1960s.
- Out of the 21,547 units within the West Alexandria submarket, 694 units (3%) are located in Eisenhower West within two developments that were completed in the past decade: The Reserve at Eisenhower in 2007 and the Modera Tempo in 2014.
- Developers delivered new apartment units at a rate of approximately 200 units per year through 2003. From 2004-2006, however, over 2,000 units were converted to condos, thus reducing the number of rental units in the area by 9%. The number of total rental units in the area recovered, but remained static until the delivery of Modera Tempo in 2014.



**Figure 16: Housing Tenure, All Housing Units, 2014**  
Source: Esri Business Analyst



**Figure 17: Percentage of Multifamily Units by Decade of Construction, West Alexandria**  
Source: CoStar



**Figure 18: Total Multifamily Rental Inventory (units), West Alexandria, 1995-2014\***  
\*2014 year-to-date, or 2nd quarter as of this report  
Source: CoStar

**Modera Tempo**  
(formerly "Landmark Gateway")  
Developer: Mill Creek Residential

<b>Residential</b>	492 Rental Units
<b>Unit Size</b>	Range from studios (532 SF) to 2-bedroom, 2-bathroom with dens (1,384 SF)
<b>Average Monthly Asking Rent</b>	\$1977/unit 2.72/SF
<b>Retail</b>	15,000 SF



**Residential:  
Multifamily Rental**

With 492 units and leasing expected to start in October, 2014, the Modera Tempo is the first residential development in Eisenhower West since 2007.

Source: Mill Creek Residential Trust

## Residential Real Estate Market Assessment (cont'd.)

### Residential: Multifamily Rental

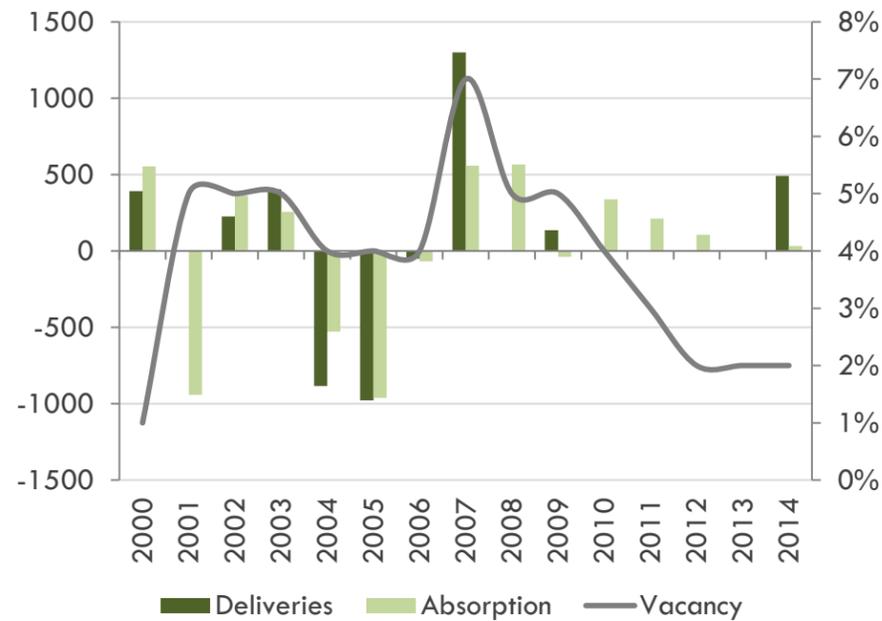
The multifamily rental market appears to be recovering post-recession.

- Due to the conversion of many rentals to condos between 2004 and 2006, and removing them from the available supply of rental units, rental vacancy rates decreased and rents continued to increase.
- Given positive economic conditions and inexpensive financing, nearly 1,300 units came online in 2007. These units took several years to be fully absorbed and contributed to a sharp decline in rents in addition to the impacts of the recession.
- Since this initial decrease in rent, West Alexandria has remained less expensive than the rest of the Northern Virginia market, and the gap continues to widen. However, this relative affordability continues to attract tenants, and vacancy has declined from 5% in 2009 to 2% in 2014 (to date).

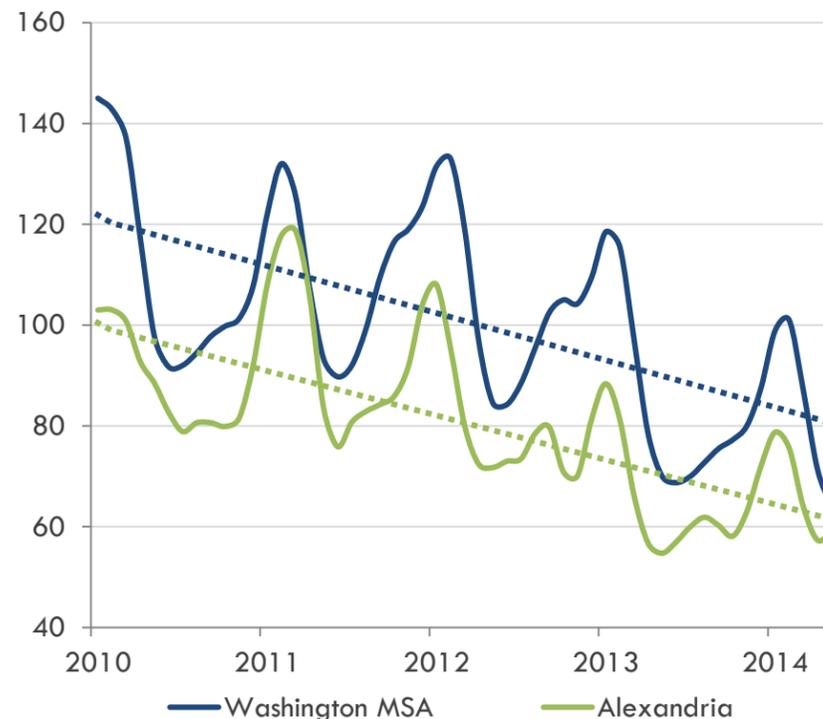
### Residential: For-Sale Housing

The local and regional for-sale housing market is improving.

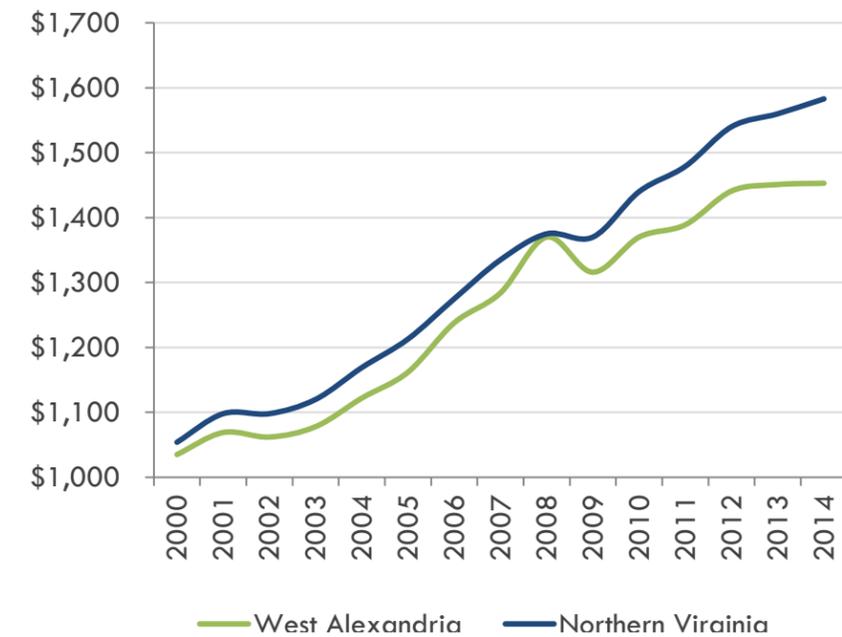
- The average number of days on market in Alexandria declined from 100 to 65 (-35%) between 2010 and 2014. On average, units in Alexandria are on the market 17 fewer days than in the Washington MSA.
- Increased demand reduced the total inventory of houses available for sale throughout the City between late 2010 and mid-2013. The recent increase in homes for sale may indicate a desire on behalf of homeowners to take advantage of these improving market conditions.
- Strong regional demand for for-sale housing is expected to continue, assuming interest rates remain low.



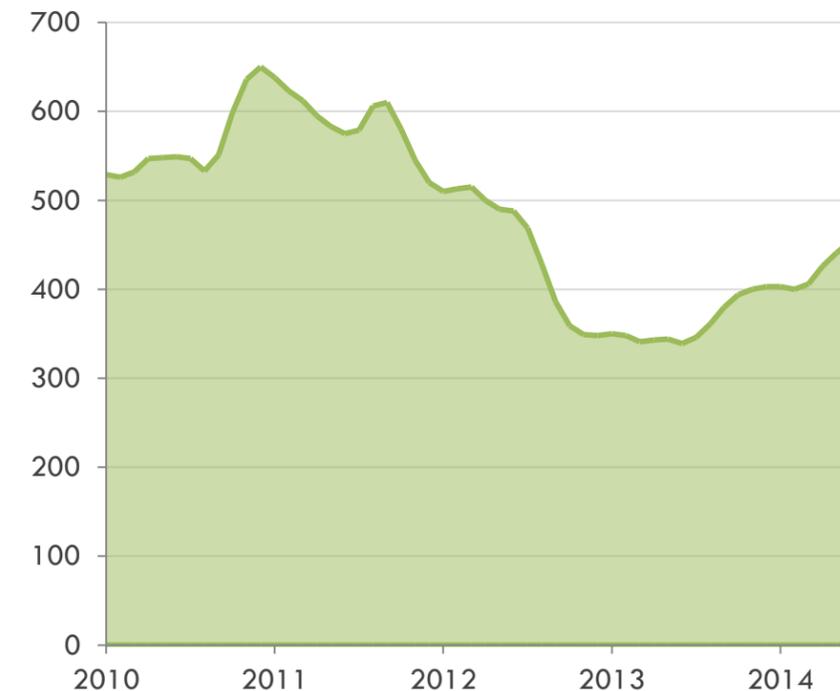
**Figure 19: Deliveries, Absorption, and Vacancy, West Alexandria, 2000-2014\***  
<sup>1</sup> 2014 year-to-date, or 2nd quarter as of this report  
 Source: Reis



**Figure 21: Average Number of Days on Market, 2000-2014\***  
<sup>1</sup> 2014 year-to-date, or 2nd quarter as of this report  
 Source: Zillow.com



**Figure 20: Effective Rent per Unit, 2000-2014\***  
<sup>1</sup> 2014 year-to-date, or 2nd quarter as of this report  
 Source: Reis



**Figure 22: For-Sale Inventory, All Units, Alexandria, 2010-2014\***  
<sup>1</sup> 2014 year-to-date, or 2nd quarter as of this report  
 Source: Zillow.com

# Residential Real Estate Market Assessment

## Residential: For-Sale Housing

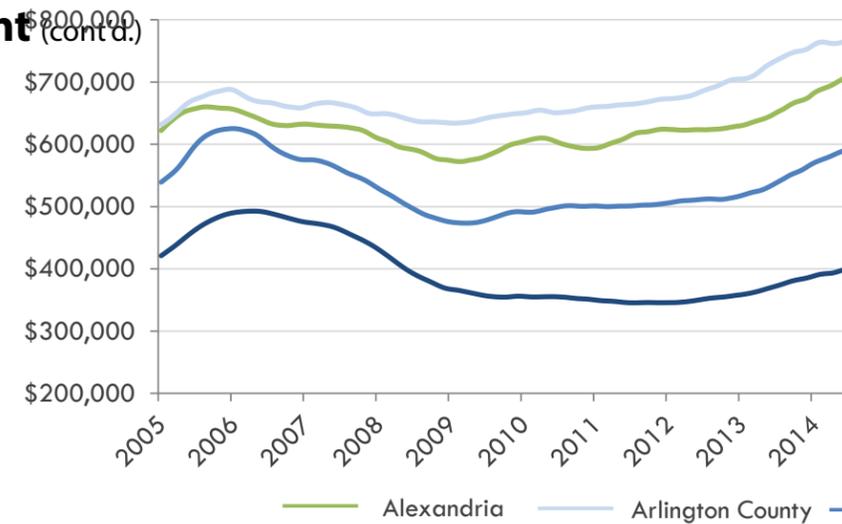
Median home values for all housing types in Alexandria have trailed those in Arlington and Fairfax, but Alexandria remains fairly competitive.

- While lower than Arlington, median single-family home values in Alexandria are higher than in Fairfax County and the Region overall.
- In Alexandria, median values for single-family homes have increased by 23% since the 2009 recession low, and median values for condos have increased by 8% since the 2009 recession low.
- The narrow gap between condominium values throughout the MSA and in Alexandria, Arlington, and Fairfax may indicate that condos in Alexandria are competitive on price. There may be demand for additional condos in Eisenhower West, but prices have grown only 7% (compared to 8% in Arlington and 20% in Fairfax) since their nadir in 2009.
- Additional new housing development in the study area could likely be competitive at the right price point.

## Residential: Pipeline

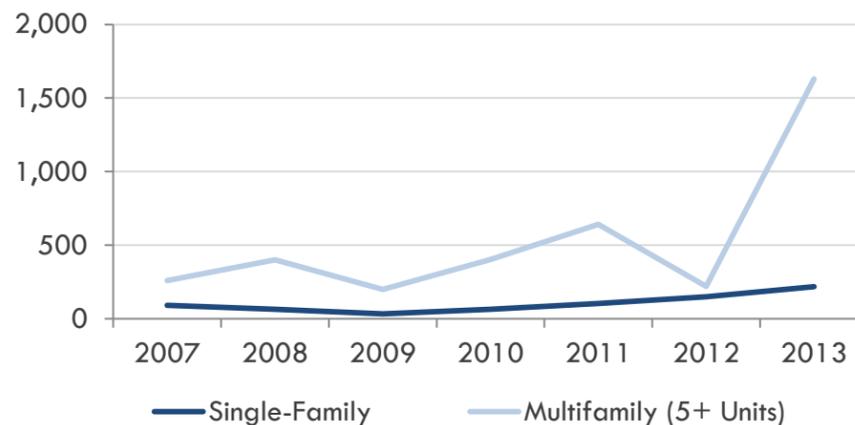
A dramatic increase in new building permits demonstrates positive developer response to strong demand for residential rental and for-sale development.

- Multifamily building permits in the City spiked in 2013 as developers have sought to meet the demand for new rental and condominium buildings.
- Pipeline includes a mix of condo and rental projects, the majority of which are part of larger mixed-use developments.
- This activity may signify additional opportunity for residential development in Eisenhower West, depending on the market timing of existing development in the pipeline.



**Figure 23: Median Home Value, Single-Family\*, 2005-2014\*\***

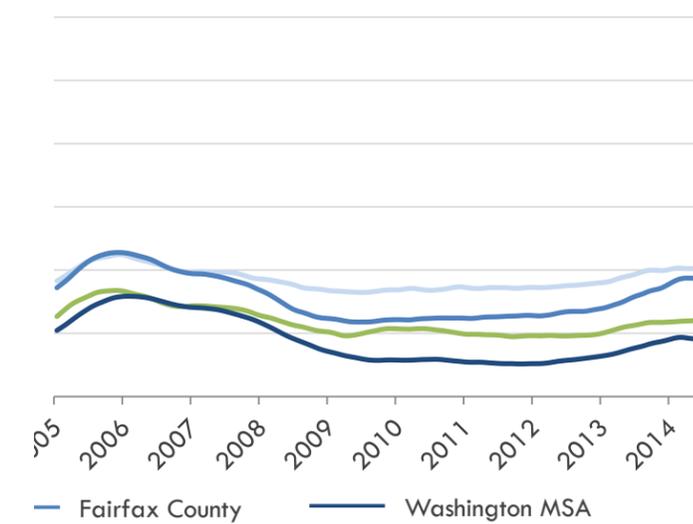
\* Includes all residential structures designed as one dwelling, including townhouses  
 \*\* 2014 year-to-date, or 2nd quarter as of this report  
 Source: Zillow.com



**Figure 25: Building Permits Issued, City of Alexandria, 2007-2013**

	Residential	Type	Other Uses
Landmark Mall	370-400	Multifamily Rental	250,000 – 320,000 SF Retail
Stevenson Ave Condos	121 Units	Multifamily Condo	80,000 SF Office
Washington Suites	219 Units	Multifamily Rental	
Choi Site	300,000 SF	Unknown	500,000 SF Office, 10,000 SF Retail
Van Dorn Plaza	550,000 SF	Unknown	100,000 SF Retail
Millennium/Saul Centers	445,000 SF	Unknown	700,000 SF Office, 125,000 SF Retail

**Figure 27: Nearby Residential Pipeline**



**Figure 24: Median Home Value, Condo, 2005-2014\*\***

\*\* 2014 year-to-date, or 2nd quarter as of this report  
 Source: Zillow.com

	Residential	Type	Other Uses
Cameron Park	457 Units	Multifamily Condo/Rental, Townhouse	36,000 SF Retail
Pickett's Place	48 Units	Townhouse /Stacked Townhouse	
<b>Eisenhower West Total</b>	<b>505 Units</b>		

**Figure 26: Eisenhower West Residential Pipeline**

## Residential Real Estate Market Assessment (cont'd.)

### Residential: Conclusions and Implications

The current supply of housing in Eisenhower West was built since 1999.



Eisenhower West has a new and evolving identify as a residential area.

Several indicators suggest a recovered market for multifamily rental housing, including decreased vacancy, positive net absorption, and a spike in building permits.



Sites in Eisenhower West could be well situated for transit-oriented multifamily developments to capture additional demand due to their location near the Metro and Beltway.

Modera Tempo is comparable to the type of multifamily housing in demand throughout the region.



Eisenhower West could support additional, highly amenitized multifamily rental product which appeals to a younger demographic seeking locations inside the Beltway, priced competitively with newer projects elsewhere.

# Retail Real Estate Market Assessment (cont'd.)

## Retail Overview

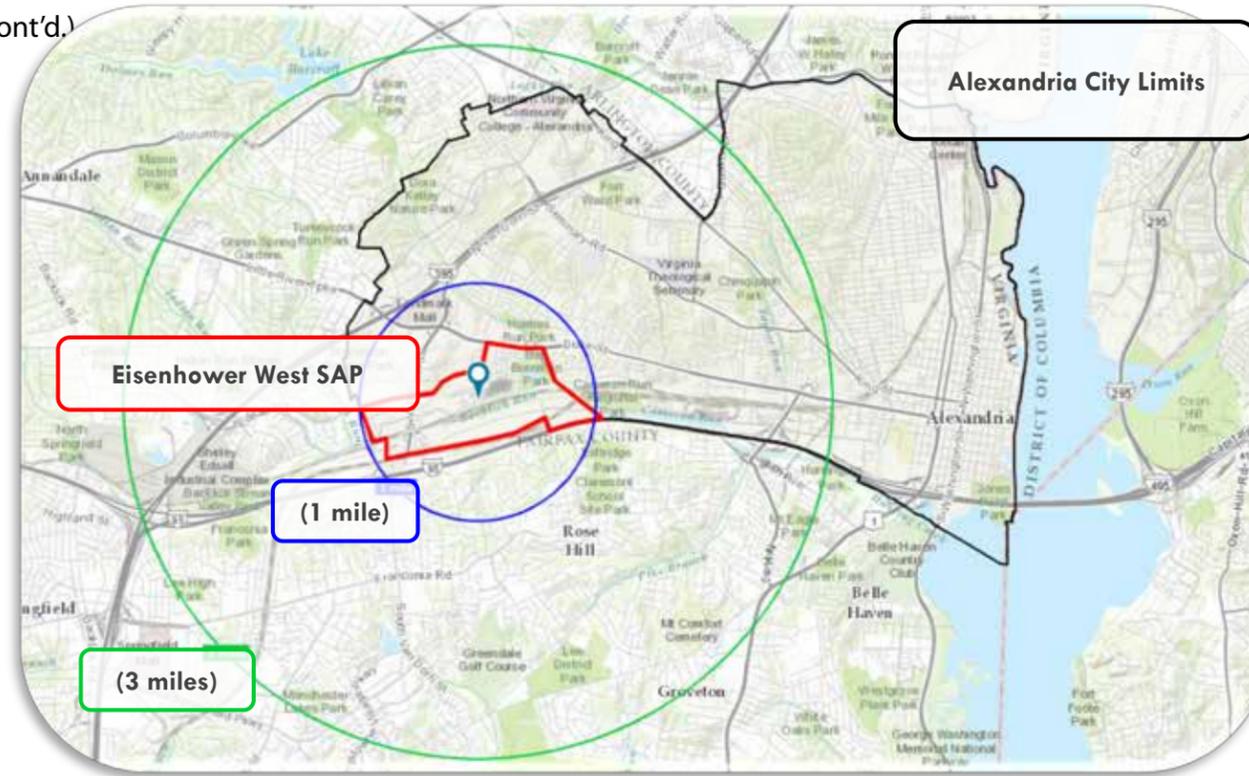
HR&A analyzed the sales volume and demand for retail goods within a one-mile and three-mile radius of Eisenhower West.

- The one-mile trade area includes consumers that are within walking, biking, or driving distance from the center of the Eisenhower West Small Area Plan study area. Consumers typically make frequent trips for day-to-day consumption of “convenience goods” (such as groceries and personal care products) within this radius.
- The three-mile trade area includes consumers within a short drive from the center of the Eisenhower West Small Area Plan study area. Consumers typically make these longer trips to purchase “comparison goods,” including clothing, furniture, electronics, and automobiles. Consumers also travel within this trade area to patronize dining establishments.
- Consumers within both trade areas may not necessarily travel throughout the trade areas, as barriers to travel such as the Beltway and I-95 limit the distance to which consumers may be willing to travel.

## Retail Supply

Retail clusters in the vicinity of Eisenhower West consist of a diverse mix of locally-serving and regionally-serving shopping centers and other businesses.

- Much of the retail within and surrounding the Eisenhower West study area consists of malls, shopping centers, and car dealerships, which serve a regional consumer base.
- There is some level of neighborhood-serving retail in the form of strip centers (such as Van Dorn Station), and ground-floor retail in mixed-use buildings in Cameron Station and Modera Tempo.
- With the exception of Landmark Mall, much of the retail in and around Eisenhower West did not exist until the 1990s.



**Figure 28: Retail Analysis Trade Areas**

Source: HR&A Advisors, Inc.

### 1 mile (Convenience Goods)

Grocery

Personal Care

Miscellaneous

### 3 miles (Comparison Goods)

Home Furnishing

Electronics

Apparel

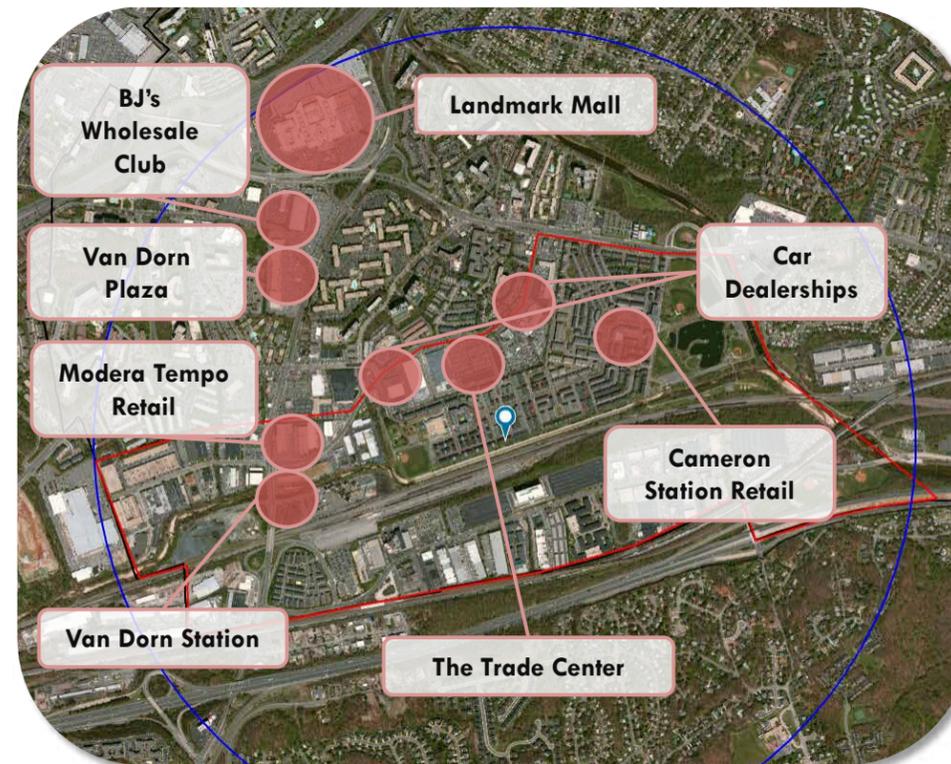
Hobby, Books, Music, Sports

General Merchandise

Building Materials

Dining

**Figure 29: Convenience and Comparison Goods**



**Figure 30: Local Retail Clusters**

Source: Esri Business Analyst, CoStar

## Study Area Primary Retail Clusters

- Landmark Mall (1965).** A 969,000 super-regional shopping center anchored by a Macy’s and a Sears. Has struggled in recent years to retain retailers, and is now the subject of plans for major redevelopment.
- Van Dorn Station (1990).** A small, 27,000 SF cluster of neighborhood-serving retail.
- The Trade Center (1993).** The largest retail cluster in the Study Area. This shopping center contains about 20 stores and is anchored by a Home Depot.
- Cameron Station (1999-2002).** Retail within Cameron Station is located on the ground-floor of mixed-used buildings, totaling 30,000 SF. Tenants include a coffee shop, salon, cleaners and other small stores which provide convenience goods and amenities to residents.
- Modera Tempo (2014).** Ground floor retail in the recently delivered Modera Tempo is still undergoing initial lease-up.

## Retail Real Estate Market Assessment (cont'd.)

### Retail Supply

Regionally-serving retail within Eisenhower West competes with a number of major shopping centers within the three-mile trade area.

- Within three miles of the study area, there are eight major shopping centers totaling 2.8 million SF of retail space.
- These shopping centers offers a range in size from community centers consisting one or two anchors and 15-40 individual stores, to the Landmark Mall, a super-regional mall located within one-mile of Eisenhower West, currently consisting of two anchors (Macy's and Sears) and approximately 30 open stores<sup>1</sup>

The Study Area has a only a few entertainment, sports, and other recreational venues.

- Two establishments focus on providing sports entertainment—US Bowl and Strike Zone Baseball, each located in older warehouses—while remaining uses are a combination of gyms, yoga studios, and a rock climbing gym in various flex and warehouse buildings throughout the one-mile trade area.
- Redevelopment plans for the Landmark Mall include a movie theater.
- US Bowl is the subject of a proposed redevelopment to construct 48 townhouses<sup>2</sup>, which would transform the site from its current use into a residential development. This plan is currently under review by the City.

Source:

<sup>1</sup> Landmark Mall

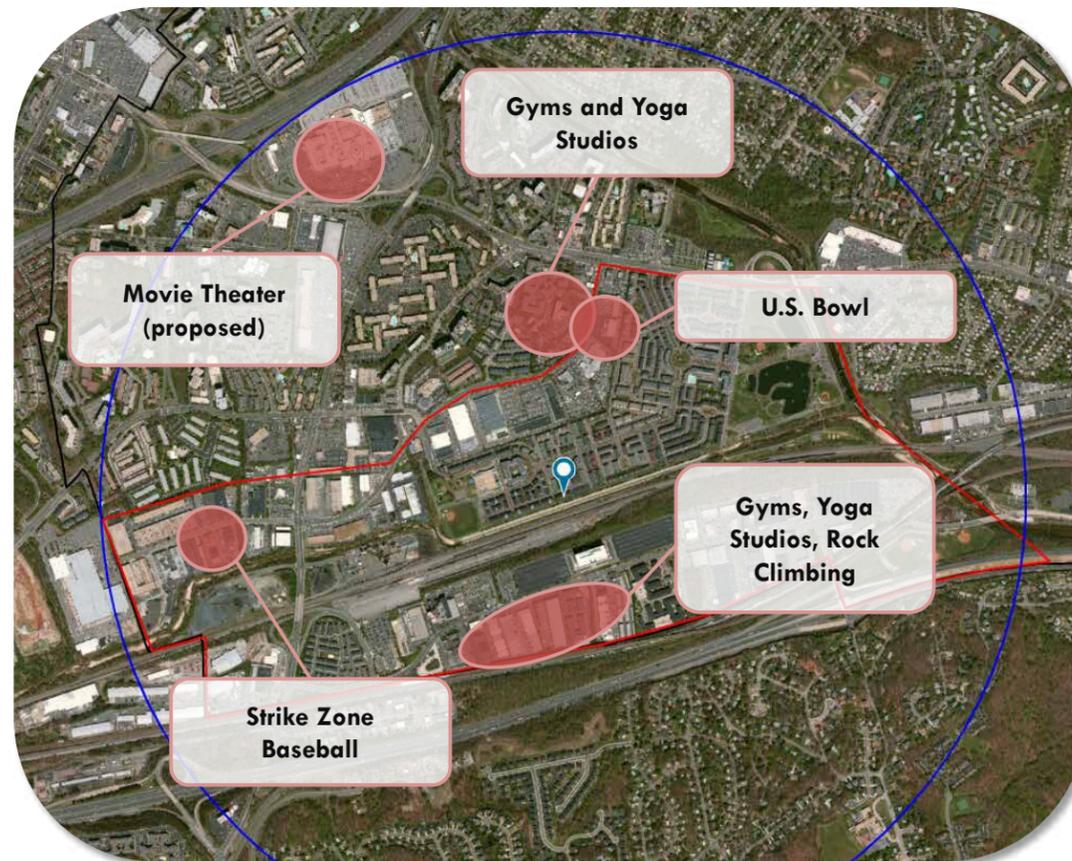
<sup>2</sup> City of Alexandria

Shopping Center	Type*	GLA**
1. Landmark Mall	Super-Regional Mall	969,000
2. Plaza at Landmark	Regional Mall	443,000
3. Beacon Center	Community Center	365,115
4. Crossroads Place	Community Center	336,248
5. Village at Shirlington	Community Center	261,000
6. Kingstowne Towne Center	Community Center	227,359
7. The Trade Center	Community Center	205,837
8. Kings Crossing	Community Center	135,000
<b>Total</b>		<b>2,807,559</b>

**Figure 31: Area Shopping Centers**

\* International Council of Shopping Centers archetypes by total GLA

\*\* Gross Leasable Area



**Figure 32: Local Entertainment Establishments**

Source: Esri Business Analyst, HR&A Advisors, Inc.

# Retail Real Estate Market Assessment (cont'd.)

## Retail Pipeline

The 2009 Landmark/Van Dorn Corridor Plan (“LVDCP”) estimates that parcels near Eisenhower West can support a total of 1.4 million square feet of retail in town centers and mixed-use development.

- Currently, the Landmark/Van Dorn Corridor contains approximately 1.5 million square feet of retail space, located primarily in the Landmark Mall and other various neighborhood centers and freestanding retail buildings.<sup>1</sup> The City envisions that much of this retail space will be replaced with denser, more urban retail in town center-style and mixed-use developments.
- The City envisions properties within the “West End Town Center” as encouraging “regional scale development at this prominent entry into Alexandria,” proposing that these properties in total be redeveloped with, at minimum, 1.0 million SF of retail mainly within town-center style developments. These future developments will absorb much of the demand for regional retail destinations in the area, likely precluding the potential for regional retail destinations in Eisenhower West.
- The City envisions properties within “Pickett Place” as encouraging “a strong community retail center and convenience centers for adjacent residential areas,” proposing a minimum of 359,000 SF of retail be developed on these properties in total. These areas, which the LVDCP proposes should contain more neighborhood-oriented retail uses, are located closer to and in some cases within Eisenhower West.

Near-term development activity may absorb much of this demand, though there still may be some opportunities for a variety of types of retail in Eisenhower West.

- Approved redevelopment plans for the Landmark Mall will replace 640,000 SF of existing retail space with 250,000 to 320,000 SF of retail in a town center-style developments. The Macy’s and Sears will remain, and as a result, the new Landmark Mall will contain 510,000 to 580,000 SF of retail—though this will be less than the 800,000 SF suggested by the LVDCP.
- Two developments—one completed (Modera Tempo) and one approved (Cameron Park)—are located within the Eisenhower West study area. Though Cameron Park will offer more retail than the minimum proposed, the Modera Tempo is only delivering 15,000 SF of retail—though less than the 250,000 SF of retail suggested by the LVDCP.
- The capacity for Eisenhower West Depending on the timing of future developments in the Landmark/Van Dorn Corridor and other submarkets which compete with Eisenhower West for retail spending.

Source: CoStar

Development Block	Land Use	Minimum Retail SF Proposed
<b>West End Town Center</b>		
1. Landmark Mall	Regional Town Center	800,000
2. Choi	Regional Town Center	10,000
3. Millennium/Sal Centers	Regional Town Center	125,000
4. Van Dorn Plaza	Residential/Office Mixed-Use	100,000
Subtotal		1,035,000
<b>Pickett Place</b>		
5. Edsall/Van Dorn North (part)	Residential Mixed-Use	25,000
6. Koons Collision	Residential Mixed-Use	60,000
7. Edsall/Pickett/Van Dorn	Mixed-Use Community Retail Center	250,000
8. Auto Dealer	Residential Mixed-Use	12,000
9. Gateway II Pickett	Residential Mixed-Use	12,000
Subtotal		359,000
<b>Total</b>		<b>1,394,000</b>

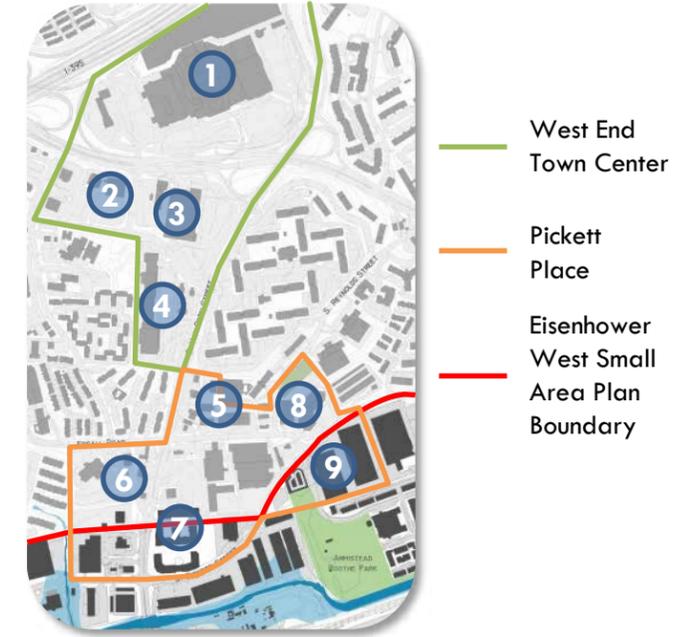


Figure 33: LVDCP Development Blocks

Source: City of Alexandria

Development Block (LVDCP)	Land Use (LVDCP)	Project Name (Actual)	Minimum Retail SF Proposed (LVDCP)	Retail SF Developed or Approved (Actual)
Landmark Mall	Regional Town Center	Landmark Mall	800,000	510,000-580,000
Edsall/Pickett/Van Dorn	Mixed-Use Community Retail Center	Modera Tempo	250,000	15,000
Gateway II Pickett	Residential Mixed-Use	Cameron Park	12,000	36,000
<b>Total</b>			<b>1,062,000</b>	<b>561,000-361,000</b>

Figure 34: Recent and Pending Development Activity on LVDCP Development Blocks

Source: City of Alexandria

## Retail Real Estate Market Assessment (cont'd.)

### Retail Supply

Most retail goods sold within the one-mile trade area of Eisenhower West reflect the Study Area's many car dealerships and auto parts stores.

- As a result of the numerous car dealerships and auto parts stores in Eisenhower West, Motor Vehicles and Parts Dealers comprise 42% (or \$270.2 million) of all retail sales within the one-mile trade area.
- General Merchandise, which includes goods sold in department stores and warehouse clubs, also contributes heavily to local retail sales volume, with goods sold in stores such as Macy's, Sears, and BJ's Wholesale Club responsible for 28% (\$104 million) of all retail sales within the one-mile trade area.
- Twenty-six percent (or \$170.5 million) of retail sales within one mile of Eisenhower West consist of convenience goods, including Personal Care (25%), Grocery (19%), and Miscellaneous Goods (1%).

Within the three-mile trade area, sales of comparison goods exceed other categories, including motor vehicles and parts.

- Within the three-mile trade area, 30% (or \$603.9 million) of retail sales within three miles of Eisenhower West consist of comparison goods, including General Merchandise (20%), Apparel (6%), Electronics (4%), Hobbies etc. (4%), Building Materials (4%), and Home Furnishing (3%).
- These sales exceed sales of goods in Motor Vehicles and Parts Dealers, which comprise 28% (or \$570.5 million) of all retail sales.
- Grocery Store goods are responsible for 21% (\$412.6 million) of all retail sales within the three-mile trade area.

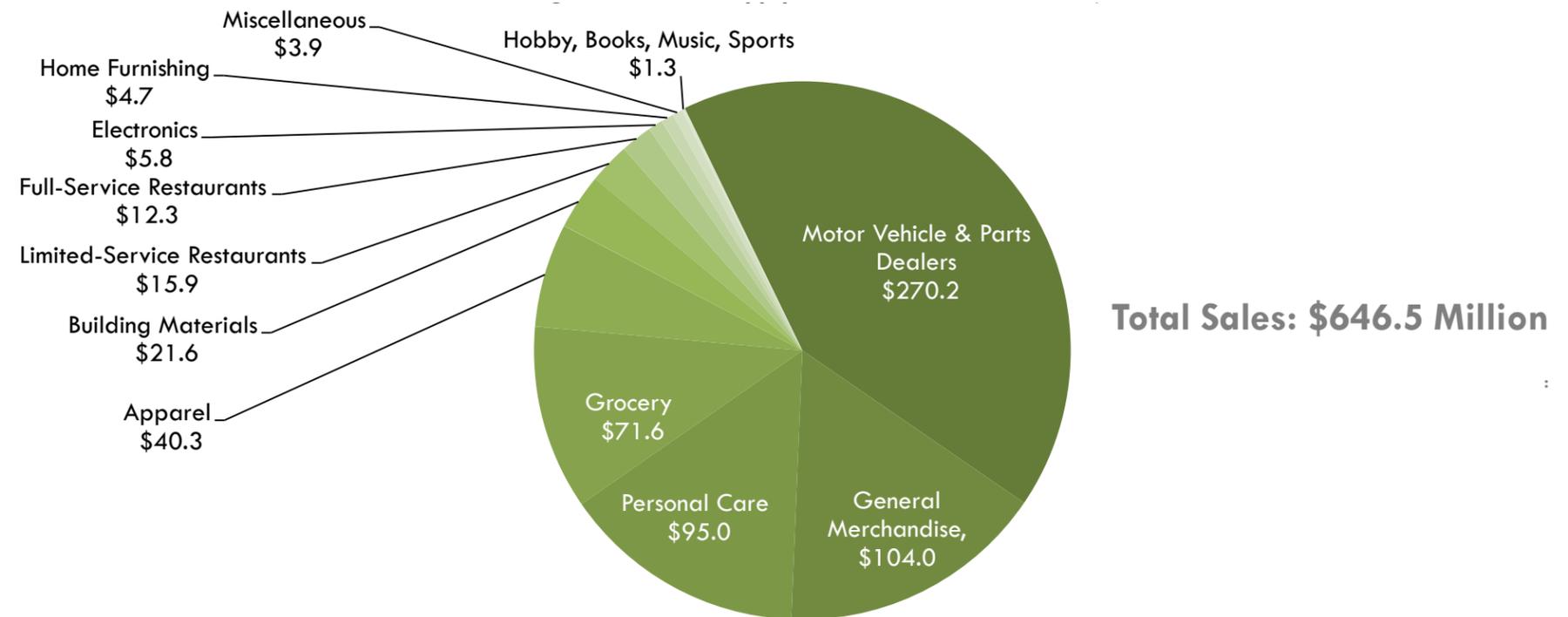


Figure 35: Retail Supply, 1 Mile Trade Area, 2013 (\$ millions)

Source: Esri Business Analyst

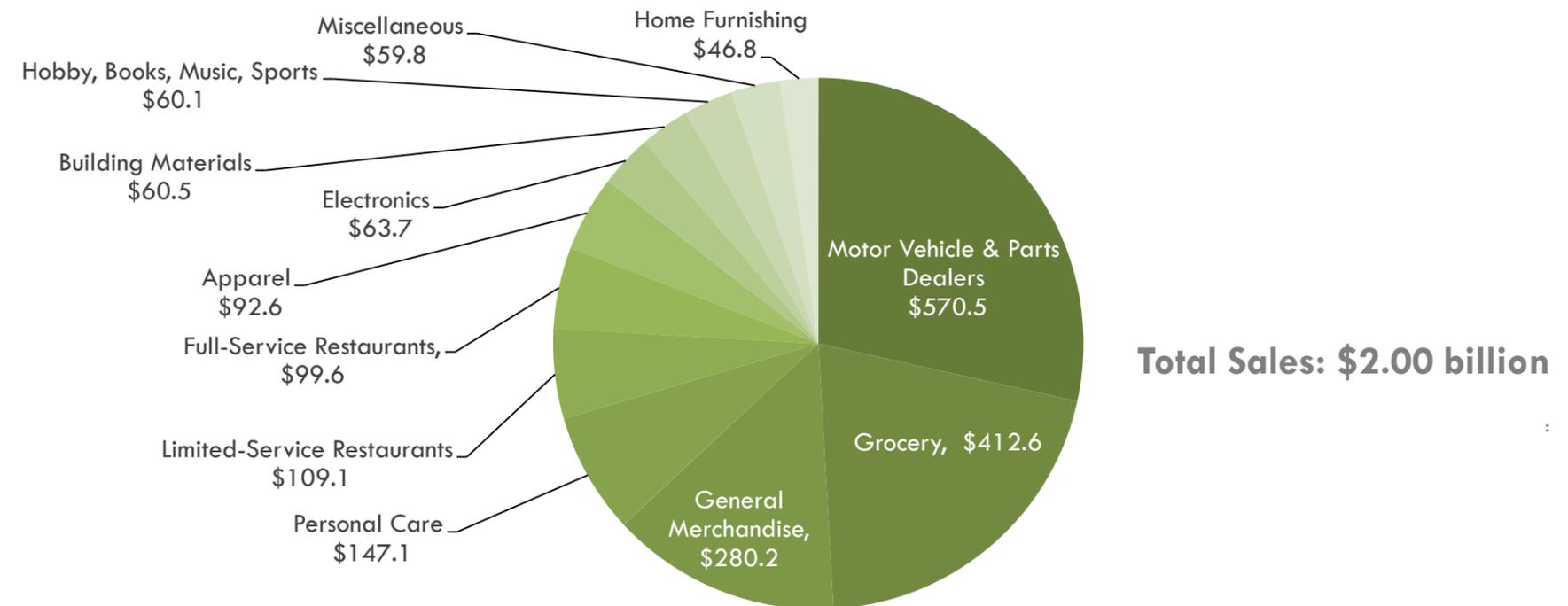


Figure 36: Retail Supply, 3 Mile Trade Area, 2013 (\$ millions)

Source: Esri Business Analyst

## Retail Real Estate Market Assessment (cont'd.)

### Retail Demand

As residential development continues to increase in Eisenhower West, there will be a greater demand for retail goods across all categories.

- Due in part to the larger number of residents than workers at both geographies, residents spend more in retail goods than workers and drive a significant share of retail demand.
- Residents and workers within a one-mile trade area surrounding Eisenhower West purchased \$428.6 million in retail goods across all categories. Residents were responsible for purchasing 80% (\$345 million) of these goods.
- Residents and workers within a three-mile trade area surrounding Eisenhower West purchased \$2.5 billion in retail goods across all categories. Residents were responsible for purchasing 82% (\$2.3 billion) of these goods.

Residents and households within a three-mile trade area spend over \$83 million on entertainment and recreation, including frequent attendance at movies and live theater.

- Out of total spending on entertainment/recreation fees and admission, residents spend 26% of all expenditures (\$21.8 million) on movies, theater, opera, and ballet performances.
- A majority of households in a three-mile trade area (83%) have patronized a movie or live theater performance in the last 12 months.



**Figure 37: Total Retail Demand, 1-Mile Trade Area, 2013 (\$ millions)**

\* Based on a national average of worker spending per retail category  
Source: Esri Business Analyst, International Council of Shopping Centers



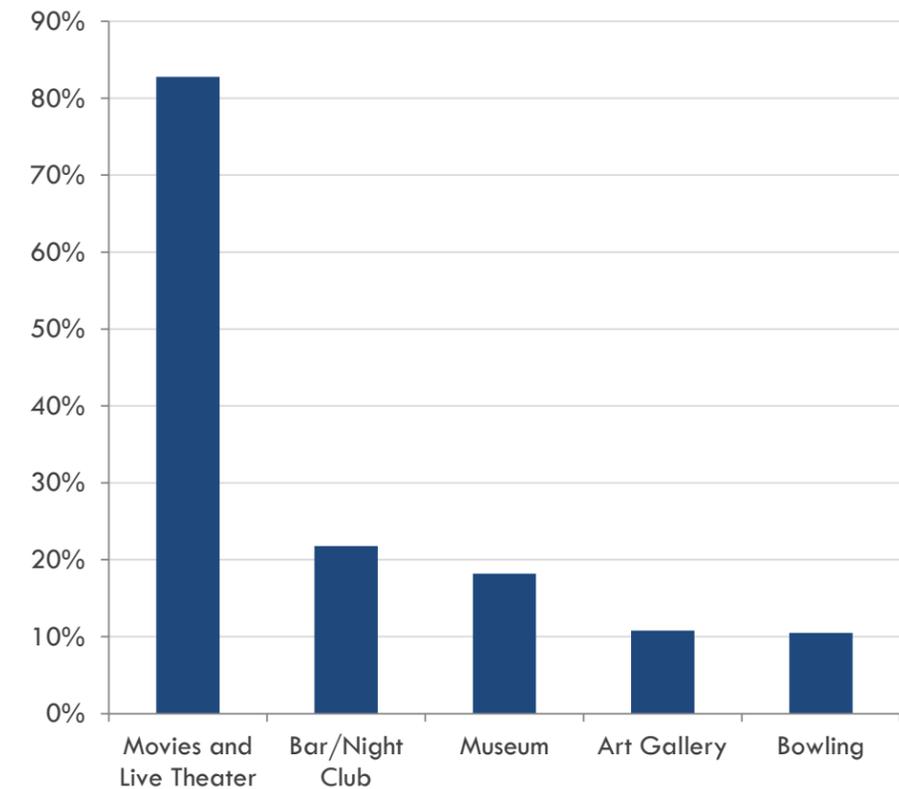
**Figure 38: Total Retail Demand, 3-Mile Trade Area, 2013 (\$ millions)**

\* Based on a national average of worker spending per retail category  
Source: Esri Business Analyst, International Council of Shopping Centers



**Figure 39: Entertainment Demand, 3 Mile Trade Area, Residents, 2013 (\$ millions)**

Source: Esri Business Analyst



**Figure 40: Percentage of all Households Participating in an Activity in the Last 12 months, 3 Mile Trade Area, 2013**

Source: Esri Business Analyst

## Retail Real Estate Market Assessment (cont'd.)

### Retail Demand (cont'd.)

HR&A estimated the potential for retail development in Eisenhower West to meet unmet demand for retail goods.

- This analysis compares the total dollars spent on retail goods by residents and workers to the dollar value amount of existing sales of retail goods within defined trade areas.
- A trade area demonstrates unmet demand for a retail good when the amount of goods purchased by people who live and work in the area exceeds the amount of existing sales – that is, people who live and work in the area are spending their money elsewhere either due to a lack of supply or the presence of more appealing retail offerings outside of the trade area.
- In this case, HR&A used the ESRI Business Analyst retail sales and expenditure database to compare estimates of spending potential for both one- and three-mile trade areas to estimates of existing sales volumes. These numbers reflect the market conditions in 2013.

Eisenhower West may be able to support additional grocery stores and miscellaneous convenience goods.

- Within the one-mile trade area spending potential for grocery stores (\$94M) exceeds existing sales (\$72M), indicating support for additional grocery stores within Eisenhower West.
- The same is true for miscellaneous goods, where spending potential (\$20M) exceeds existing sales (\$4M). Goods in this category include flowers, office supplies, and used merchandise.
- Spending potential for personal care stores (\$44M) is lower than existing sales (\$95M) within the one-mile trade area, indicating there may not be support for more establishments selling these types of goods in Eisenhower West.

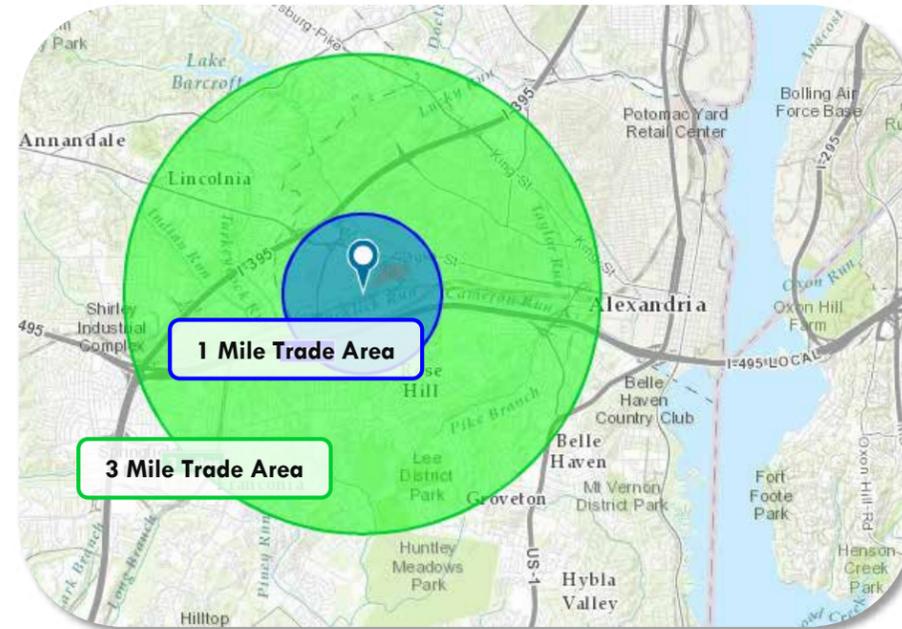


Figure 41: Retail Gap Analysis Trade Areas

**Unmet Demand =**  
Resident and Worker Spending > Existing Sales

	Resident + Worker Spending	Existing Sales	Unmet Spending Potential	Supportable Square Footage
Grocery	\$94M	\$72M	\$22M	150,000 SF
Miscellaneous	\$20M	\$4M	\$16M	70,000 SF
Personal Care	\$44M	\$95M	(\$0)	N/A
<b>TOTAL</b>	<b>\$158M</b>	<b>\$171M</b>	<b>\$38M</b>	<b>220,000 SF</b>

Figure 42: Unmet Spending Potential, Convenience Goods Within a 1-mile Trade Area, 2013

Source: Esri Business Analyst, 2013; Maxim Retail Sales

## Retail Real Estate Market Assessment (cont'd.)

### Retail Demand (cont'd.)

Eisenhower West may be able to support additional establishments in comparison goods across all categories.

- Within the three-mile trade area, total spending potential for comparison goods (\$1.33 billion) exceeds total existing sales (\$605) across all categories, indicating strong support for new establishments selling a range of goods

Eisenhower West may be able to support additional restaurants, including both full- and limited-service.

- Total spending potential for both full-service and limited-service restaurants (\$444M) in the three-mile trade area exceeds total existing sales (\$209M), indicating support for additional restaurants in Eisenhower West.
- As the number of residents in the trade area increases as new residential developments come, spending potential for dining establishments will continue to increase.

	Resident + Worker Spending	Existing Sales	Unmet Spending Potential	Supportable Square Footage
General Merchandise	\$732M	\$280M	\$452M	1,140,000 SF
Apparel	\$231M	\$93M	\$138M	340,000 SF
Electronics	\$106M	\$64M	\$42M	62,000 SF
Building Materials	\$101M	\$61M	\$40M	150,000 SF
Hobby, Books, Music, Sports	\$88M	\$60M	\$28M	90,000 SF
Home Furnishings	\$75M	\$47M	\$28M	140,000 SF
<b>TOTAL</b>	<b>\$1.33B</b>	<b>\$605M</b>	<b>\$728M</b>	<b>1,922,000 SF</b>

Figure 43: Unmet Spending Potential, Comparison Goods Within a 3-mile Trade Area, 2013

Source: Esri Business Analyst, 2013; Maxim Retail Sales

	Resident + Worker Spending	Existing Sales	Unmet Spending Potential	Supportable Square Footage
Full Service Restaurants	\$213M	\$100M	\$113M	264,000 SF
Limited-Service Restaurants	\$231M	\$109M	\$122M	282,000 SF
<b>TOTAL</b>	<b>\$444M</b>	<b>\$209M</b>	<b>\$235M</b>	<b>546,000 SF</b>

Figure 44: Unmet Spending Potential, Dining Establishments Within a 3-mile Trade Area, 2013

Source: Esri Business Analyst, 2013; Maxim Retail Sales

## Retail Real Estate Market Assessment (cont'd.)

### Retail Demand (cont'd.)

Eisenhower West can therefore support additional retail, though it is likely that retail clusters elsewhere are capturing much of this unmet spending potential already.

- Although the analysis demonstrates unmet potential for nearly 3 million square feet of additional retail space, much of this activity is already being absorbed by retail clusters beyond the three-mile trade area radius, ranging from numerous grocery anchored shopping centers to other major malls such as The Fashion Centre at Pentagon City in Arlington, Mosaic District in Fairfax, and Springfield Town Center in Springfield.
- In addition, the Landmark/Van Dorn sector plan estimates that the corridor could support approximately 1.4 million SF of total retail, including retail establishments which currently exist and may be redeveloped in the future. If built out in the near term, this development could capture some of the retail demand projected for Eisenhower West.

## Retail

### Conclusions and Implications

With the exception of the redevelopment of the Landmark Mall and some mixed use development, there has been little new retail built in the areas near Eisenhower West in the past 20 years.

The City has estimated that the Landmark/Van Dorn corridor can support 1.4 million square feet of retail in new projects, though only three developments are imminent.

There is unmet demand for comparison goods within a three-mile trade area, particularly for both general merchandise and dining.

There is unmet demand for grocery stores and miscellaneous convenience goods within a one-mile trade area.



**Figure 45: Total Supportable Retail Square Footage, 2013**

Source: Esri Business Analyst, 2013; Maxim Retail Sales

There is likely demand for retail stores and restaurants in newer facilities.

New retail development may absorb much of the trade areas' existing demand in the near-term depending on the pace, but the addition of new residential units will introduce additional consumers, who may support additional neighborhood-serving retail in Eisenhower West in the future.

Excess demand may justify more general merchandise stores in a variety of formats near-term, and more dining establishments in Eisenhower West; both can be further supported as new residential development is added in the future.

A small grocery store could be supported in the near-term, preferably as part of a mixed use development project, and future residential development can support additional grocery in the long-term.

# Office Real Estate Market Assessment (cont'd.)

## Office Overview

### Eisenhower West lacks a robust office market.

- Eisenhower West contains minimal office space with only 735,515 SF, of which 606,921 SF (83%) is in the vacant Victory Center that was built in 1973, but redeveloped in 2009.
- The City's major office clusters are located in Old Town Alexandria, Carlyle, and along the I-395 Corridor.

## Office Class A

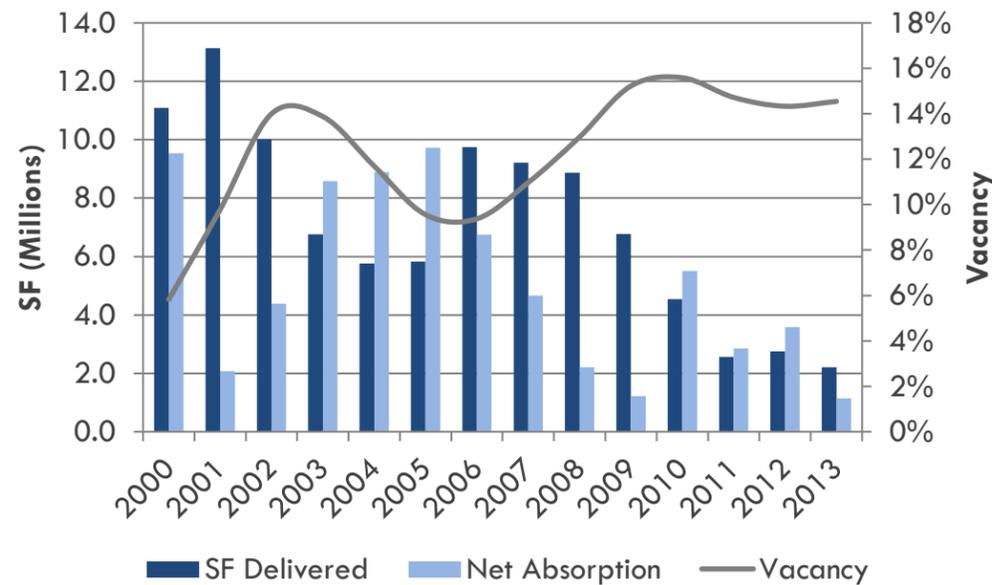
### Developers continue to deliver new office space throughout the region, though these buildings are likely build-to-suit or preleased; little has been built in Alexandria.

- The regional market contains 255 million SF of Class A office space, of which 2.2 million square feet was delivered in 2013.
- Build-to-suit or pre-leased space appears to be driving new office development throughout the MSA, as indicated by consistent levels of positive net absorption. Secondary market reports note that the current office pipeline is 58% preleased, which is slightly above the 10-year average pre-lease rate of 47% and indicates that underwriters are requiring developers attract tenants prior to construction.<sup>1</sup>
- By contrast, the City of Alexandria has experienced negative or very low positive net absorption and steadily increasing vacancy since 2009. This is at least partly, if not wholly, due to federal tenants vacating office space in accordance with 2005 Base Realignment and Closure (BRAC).

Property	Year Built/Renovated	SF
5150 Duke St	1960	9,594
Eisenhower Executive Office Building	1985	49,000
Pickett Center	1988	70,000
Victory Center	1973/2009	606,921
<b>Total</b>		<b>735,515</b>
<b>Total Citywide Office Square Feet*</b>		<b>22,192,871</b>
<b>Eisenhower West as % of City Office Square Feet</b>		<b>3.3%</b>

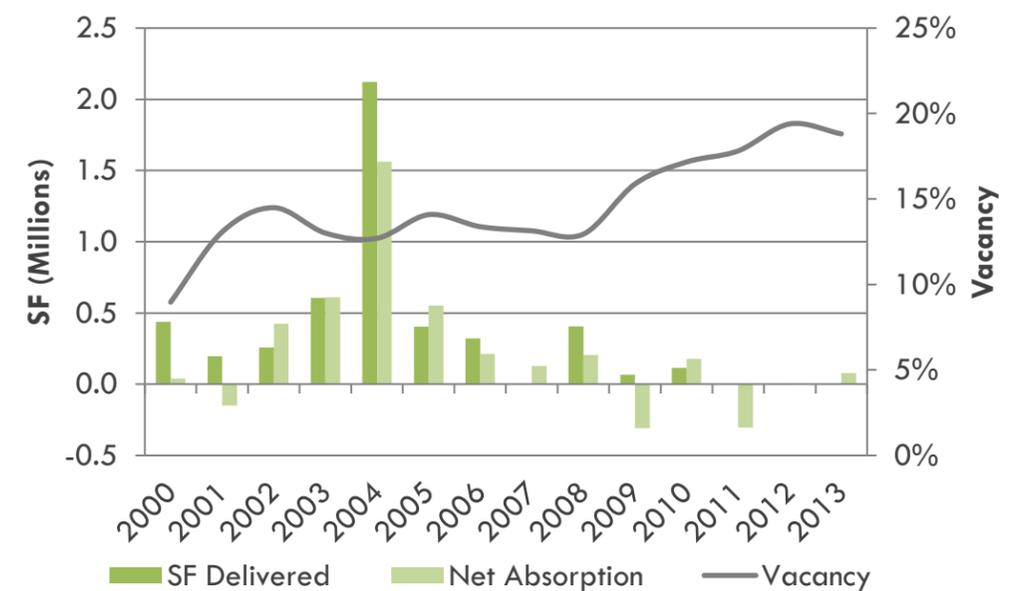
**Figure 46: Eisenhower West Office Inventory**

\*The total inventory noted here includes federally owned office buildings and other owner-occupied office buildings in the City of Alexandria. These buildings are not a part of the market analysis explored herein, which focuses on investor-owned, renter-occupied properties.  
Source: CoStar; City of Alexandria



**Figure 47: Deliveries, Absorption, & Vacancy, Class A Office, Washington MSA, 2000-2013**

Source: CoStar



**Figure 48: Deliveries, Absorption, & Vacancy, Class A Office, Alexandria, 2000-2013**

Source: CoStar

<sup>1</sup> Northern Virginia Office Market, Q2 2014, Transwestern

## Office Real Estate Market Assessment (cont'd.)

### Office Class A (cont'd.)

While low rates of Citywide employment growth may not support new office construction, competitively priced, existing Class A space can attract tenants to the area.

- Since 2009, vacancy rates for Class A office in the City of Alexandria risen more sharply those of the Washington MSA, resulting in declining rates.
- Class A rents in the City of Alexandria declined 10% between 2010 and 2013. However, since 2012, vacancy has started to decrease, which suggests a possible “flight to quality” by tenants attracted to the high quality space at a lower price point.
- In contrast, Class A rents in the Washington MSA have remained largely stable since 2010, and though vacancy rates declined between 2010 and 2012, they began to increase in 2013.

### Office Class B

Both regionally and citywide, Class B rents have remained largely stable since 2007, though citywide vacancy has increased rapidly since 2010.

- Rental rates for Class B office space has remained largely stable. However, regional vacancy rates have steadily increased from 9% in 2006 to 14% in 2010 (a 50% increase).
- Similarly, the City experienced a rapid increase in vacancy from 8% in 2010 to 18% in 2013—a 125% increase in almost half the timeframe when compared to the MSA.

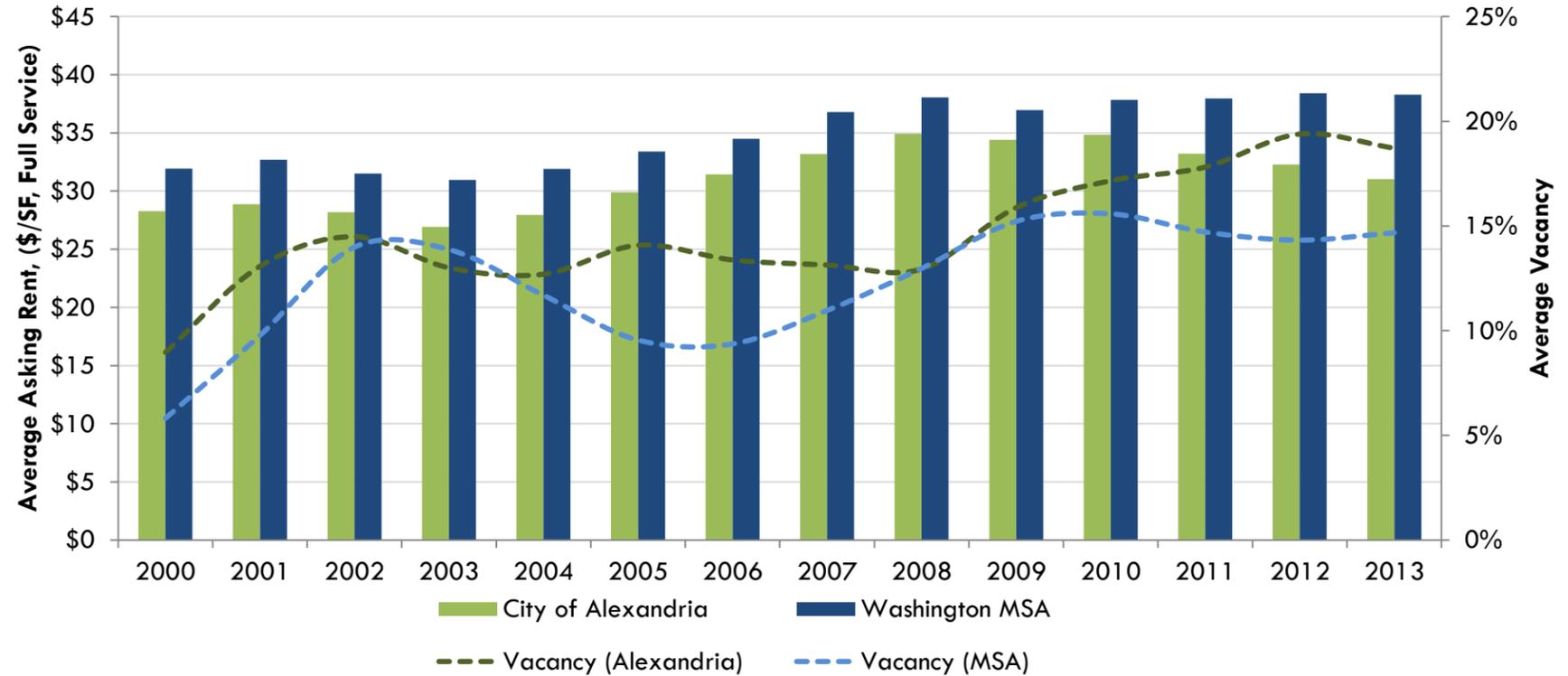


Figure 49: Average Asking Rent and Vacancy, Class A Office, 2000-2013

Source: CoStar

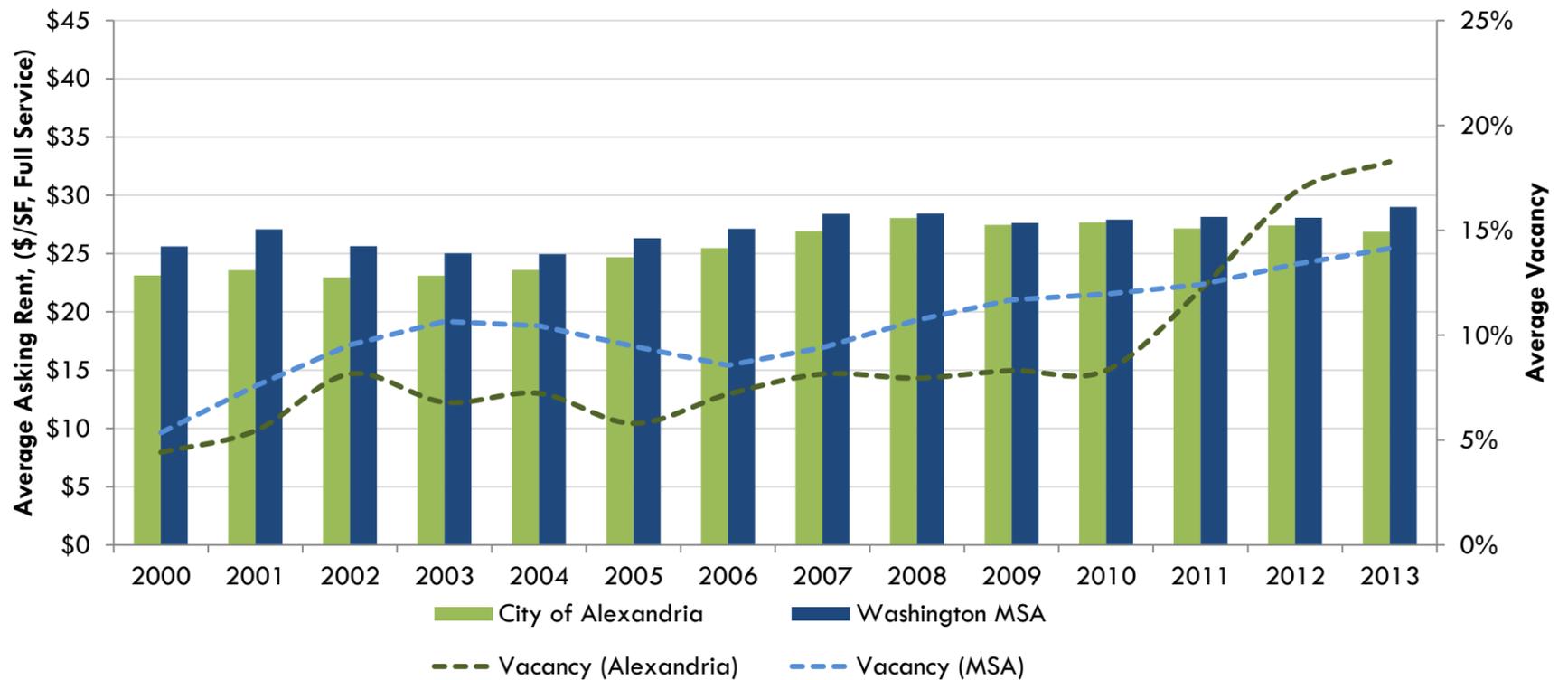


Figure 50: Average Asking Rent and Vacancy, Class B Office, 2000-2013

Source: CoStar

## Office Real Estate Market Assessment (cont'd.)

### Office: Government Activity

The 2005 round of Base Realignment and Closure (BRAC) has resulted in numerous vacant office properties in the City of Alexandria.

- The latest BRAC round resulted in over 265,000 SF of unoccupied office space throughout the City, as of 2014.
- Through 2017, leases for another 200,000 SF of office space are set to expire as a result of BRAC.

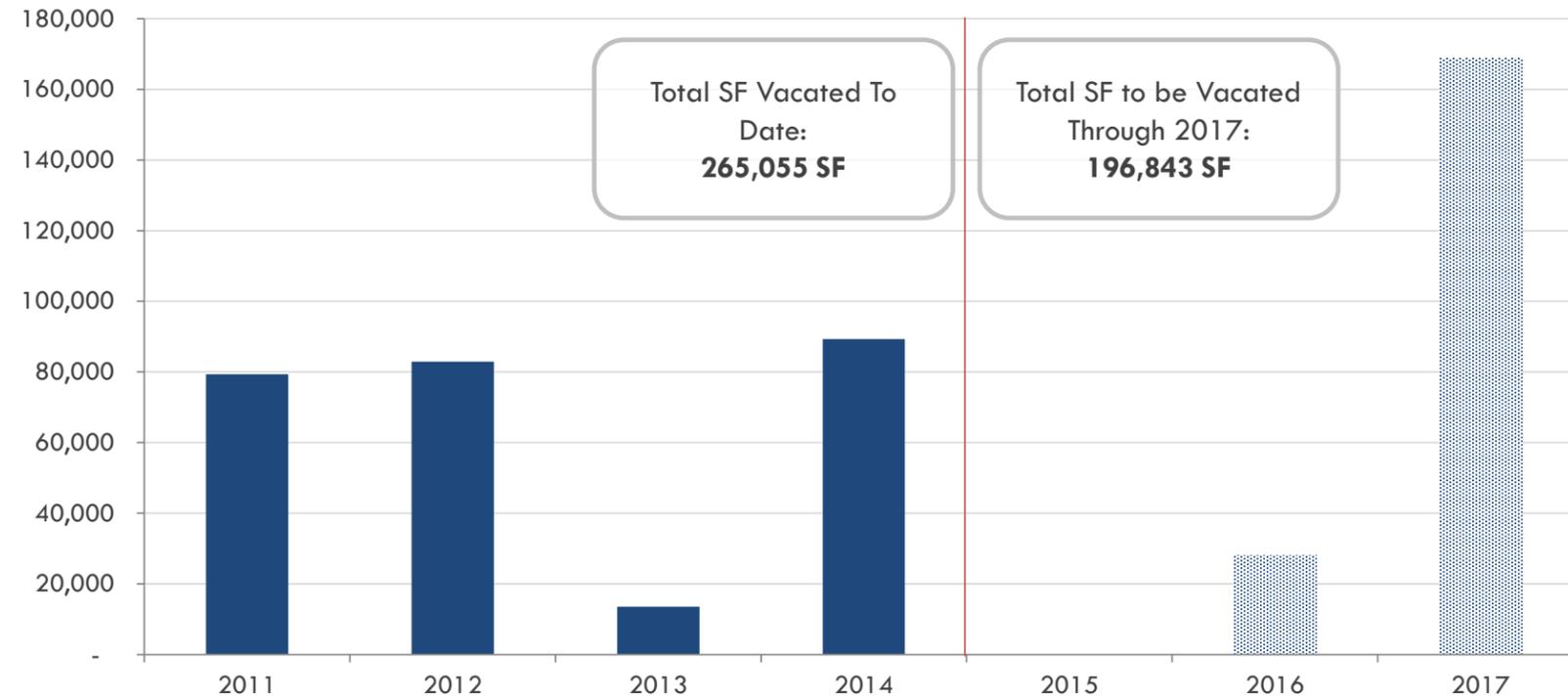


Figure 51: Total Square Feet of Office Space Vacated Due to BRAC,\* City of Alexandria, 2011-2017

\* Excludes buildings which were demolished or re-leased  
Source: City of Alexandria

## Office

### Conclusions and Implications

Eisenhower West only has four office buildings which account for just over 3% of the total office stock in the City of Alexandria.



Eisenhower West is currently not the focus of office activity in the City.

Regional and citywide office rents have remained flat or declined since the recession, and vacancy rates in the City have surpassed those in the region.



In the near-term, the regional and local office market will continue to soften, indicating declining demand for office space in all markets.

Pre-leasing appears to be the most important factor for new office construction across the region.



There may be opportunities for Eisenhower West to accommodate new office development in the near-term, but likely only if a potential tenant is identified beforehand.

Regionally, Class A buildings have higher vacancy rates than Class B buildings, though decreasing Class A rents may begin to attract tenants.



The Victory Center may find a tenant if these trends continue, though will still struggle to compete with more modern Class A buildings elsewhere.

# Industrial Real Estate Market Assessment

## Industrial Overview

The Eisenhower West industrial market makes up the majority of industrial product in the City, and is characterized by older buildings and limited new development.

- Industrial properties within the study area consist of warehouse and flex buildings. These properties account for 78% of all industrial space in the City and drive much of the City's industrial market activity. In interviews with HR&A, brokers note two distinct advantages of Eisenhower West's industrial market: 1) proximity to and location inside the Beltway, and 2) proximity to consumers.<sup>1</sup>
- Brokers also noted, however, that these buildings are older than competitive stock elsewhere, limiting their competitiveness due to higher capital maintenance requirements and obsolete design elements (such as low ceiling heights and narrow column spacing).
- The high concentration of industrial uses also results in a lower job density, which makes it challenging to support retail amenities geared towards workers.

## Industrial Warehouse and Flex

Industrial buildings in Eisenhower West are home to a diversity of tenants in warehouse and flex buildings.

### Warehouse

- Warehouses are used for the warehousing and distribution of inventory. Conventionally, warehouses range from 12,500 SF to 125,000 SF in size and maintain 5% to 20% of the building as office space.<sup>2</sup>
- Warehouses in Eisenhower West account for 88% of all warehouse space in the City of Alexandria. Tenants include food vendors and caterers, home services providers (such as plumbers, HVAC technicians, and flooring specialists), electrical contractors, retail distribution centers,

Warehouse	Total Buildings	Total Square Feet	Median Year Built
Eisenhower West	44	2,852,132	1967
City of Alexandria	115	3,231,257	1965
<b>Eisenhower West as % of City</b>	<b>38%</b>	<b>88%</b>	

Flex	Total Buildings	Total Square Feet	Median Year Built
Eisenhower West	15	578,002	1982
City of Alexandria	62	1,161,167	1966
<b>Eisenhower West as % of City</b>	<b>24%</b>	<b>50%</b>	

Figure 52: Eisenhower West Industrial Inventory

as well as UPS and FedEx truck terminals located on Eisenhower Avenue. There is one large distribution center in the area, the 500,000 SF Plaza 500 building in adjacent Fairfax County, which houses Smoot Lumber and other tenants.

### Flex

- Flex buildings are designed to be versatile, and can include a number of simultaneous activities ranging from office, research and development, sale of retail goods in a non-store setting, industrial, warehousing, and distribution. Flex space is typically at least 50% office space.
- Flex buildings in Eisenhower West account for 50% of all flex space in the City of Alexandria. Tenants are diverse, and include home goods manufacturing with retail frontages (such as paint suppliers and granite/stoneworkers), printers, law firms, art dealers, auto parts distributors, yoga studios, gyms, a rock climbing gym, and many others.

<sup>1</sup> For example, area residents purchasing goods and service from contractors and home service providers (such as plumbers, HVAC technicians, flooring specialists, etc.), and area hotels purchasing food and catering services from vendors and caterers

<sup>2</sup> Source: CoStar



Figure 53: Plaza 500, 6259 Edsall Road  
Source: CoStar



Figure 54: PS Business Park, 4601 Eisenhower Avenue  
Source: PS Business Parks

## Industrial Real Estate Market Assessment (cont'd.)

### Industrial: Warehouse

Though vacancy has continued to climb, there have been only a slight decline in rents both in Eisenhower West and the MSA.

- Though warehouse vacancy in Eisenhower West has increased from 3% to 15% (a 400% increase) between 2008 and 2013 (surpassing the MSA's vacancy rate of 9%), rents have remained largely stable, decreasing from \$9.87/sf NNN to \$8.58/sf NNN in the same period (a 13% decrease).
- These numbers indicate that, while some tenants are leaving Eisenhower West, the area still can command competitive rents which are higher than those in the MSA.

The area has delivered few new industrial properties in recent years and has largely experienced negative absorption since 2009.

- With the exception of a build-to-suit for Restaurant Depot in 2012, there have been no new warehouses built in Eisenhower West since 1983.
- Negative absorption since 2009—with the exception of a slight positive absorption in 2012—has resulted in increased vacancy throughout all warehouse properties in Eisenhower West.

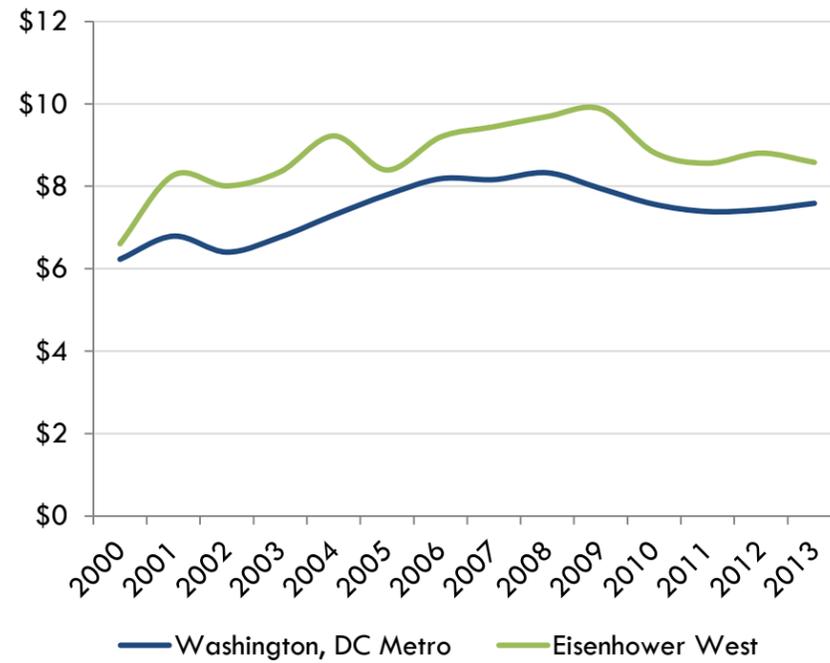


Figure 55: Average Asking Rent, NNN, Warehouse, 2000-2013

Source: CoStar

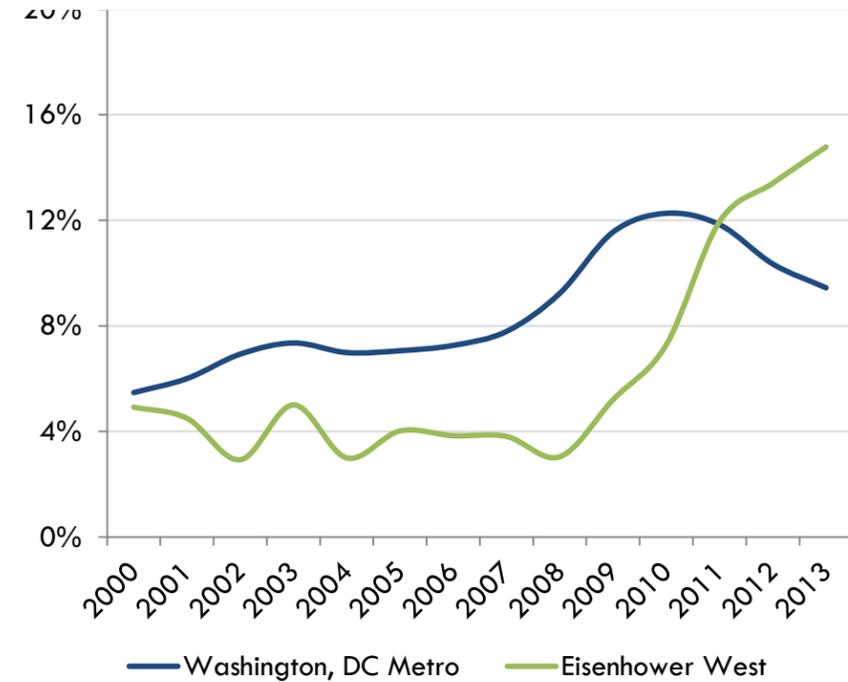


Figure 56: Average Vacancy, Warehouse, 2000-2013

Source: CoStar

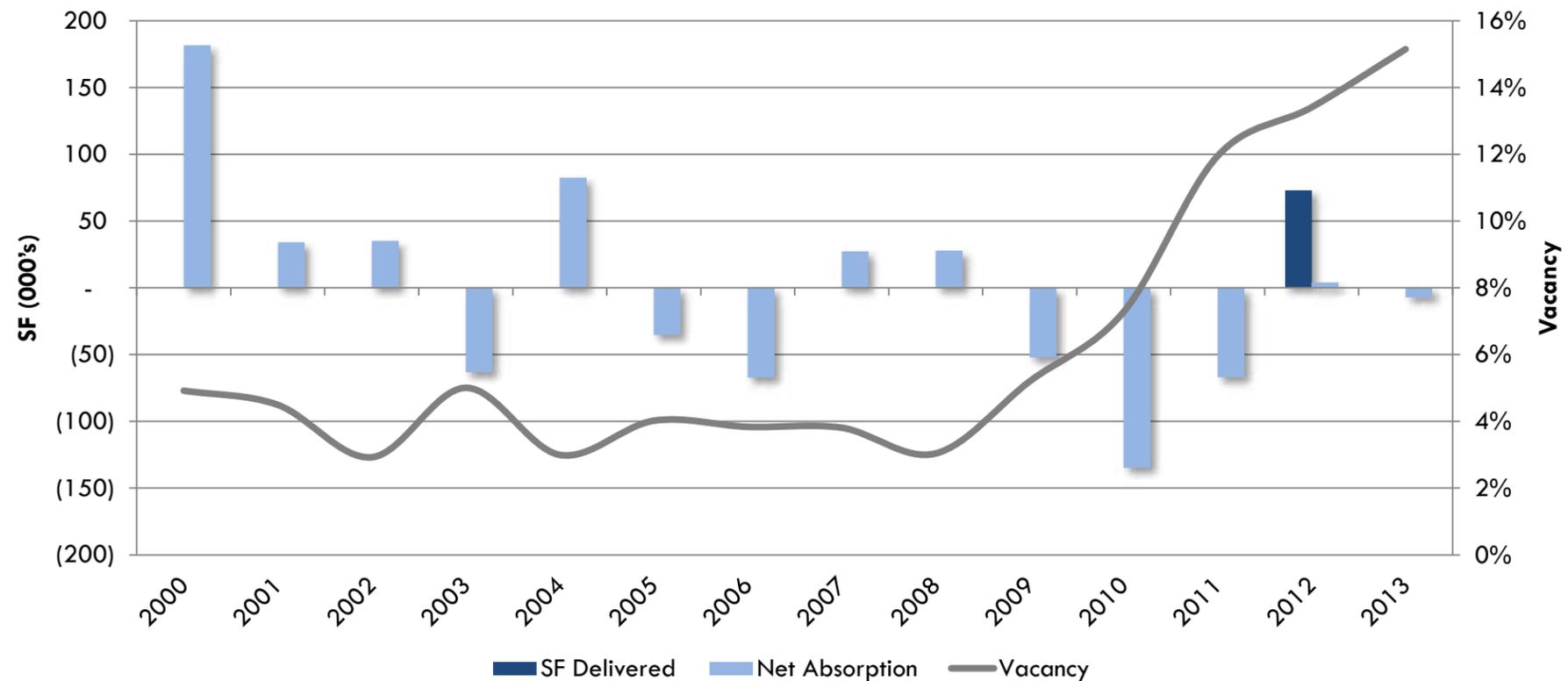


Figure 57: Deliveries, Absorption, & Vacancy, Warehouse, Eisenhower West, 2000-2013

Source: CoStar

# Industrial Real Estate Market Assessment (cont'd.)

## Industrial: Flex

While Flex in Eisenhower West has typically experienced lower vacancy than the City due to lower rents, in recent years vacancy has surpassed that of the City and the MSA.

- Rents for Flex space in Eisenhower West has consistently been higher than rents in the MSA but much lower than rents in the City overall.
- This gap has widened over time. In 2004, rents in Eisenhower West were only \$1.15/sf NNN less than rents in the City overall; however, in 2013, rents in Eisenhower West were \$6.02/sf NNN less than in the City overall.
- Typically, this has translated to lower or equal vacancy rates. However, since their lower point at 3% in 2008, vacancy rates in Eisenhower West have increased to 15% in 2013, and have surpassed those of the City (14%) and the MSA (9%), the latter of which has been declining since 2009.

The area has delivered no new Flex properties in recent years and has largely experienced negative absorption since 2008.

- There have been no new deliveries of warehouse product in Eisenhower West since 1985.
- With the exception of 5,000 square feet in 2010 and 18,000 square feet in 2011, Eisenhower West has experienced negative absorption ranging from -56,000 square feet to -38,000 square per year since 2008.

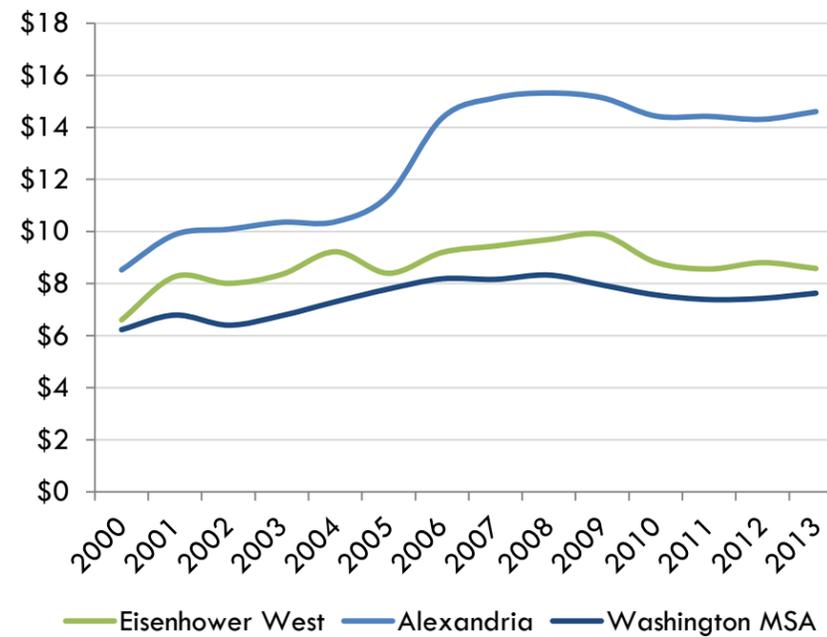


Figure 58: Average Asking Rent, NNN, Flex, 2000-2013

Source: CoStar

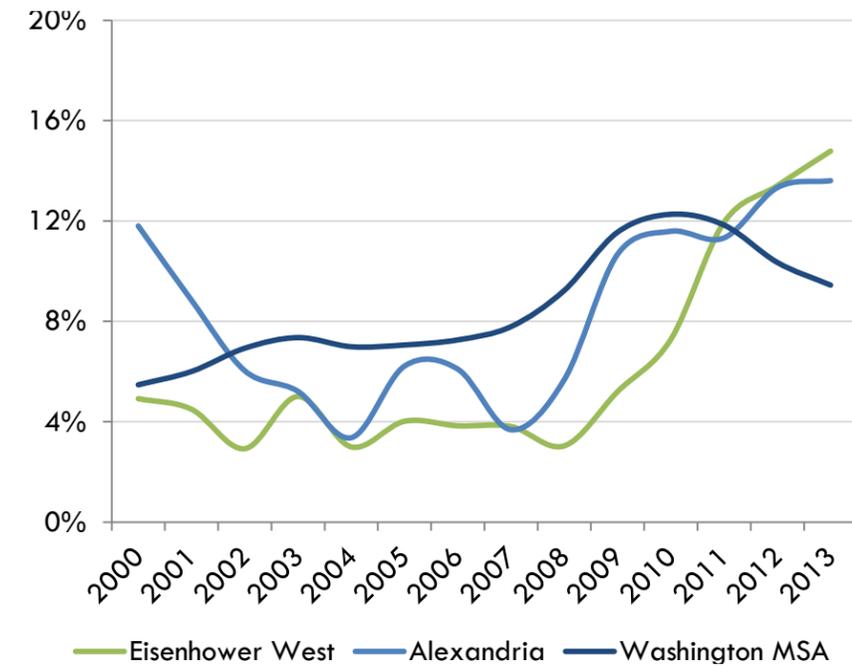


Figure 59: Average Vacancy, Flex, 2000-2013

Source: CoStar

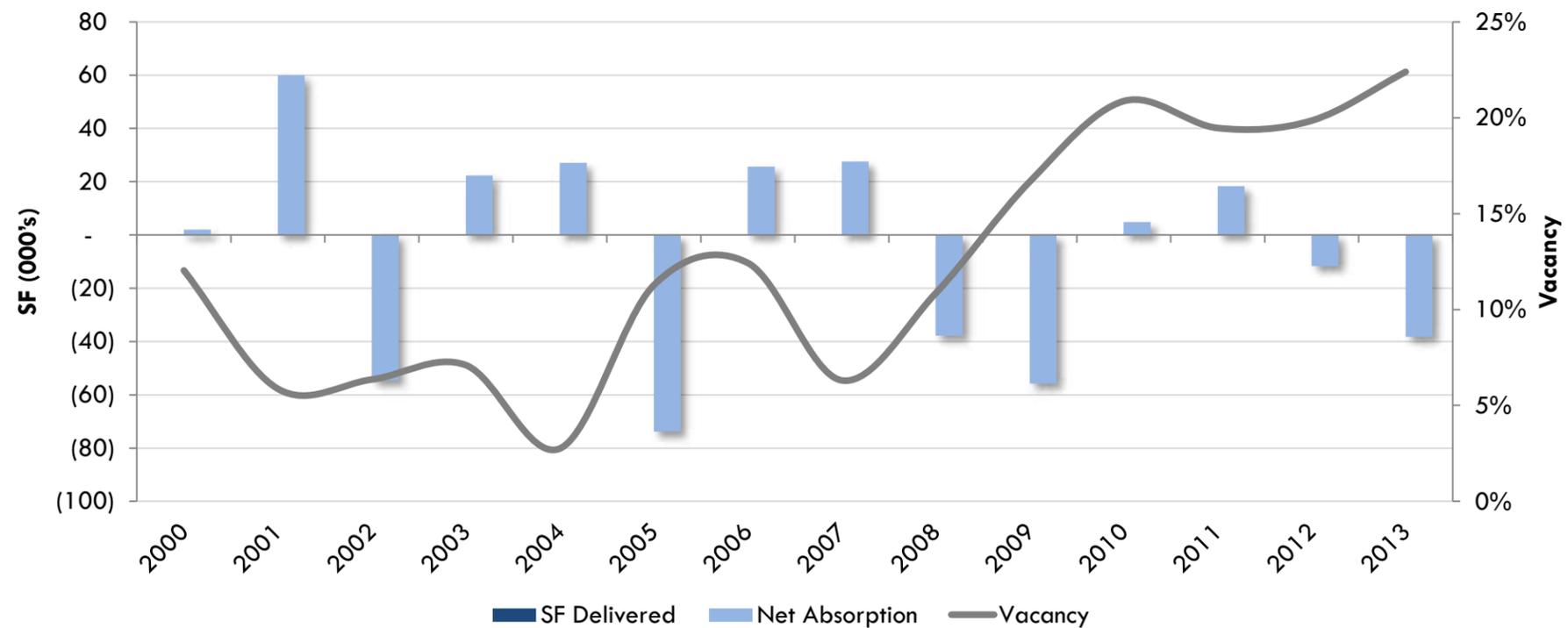


Figure 60: Deliveries, Absorption, & Vacancy, Flex, Eisenhower West, 2000-2013

Source: CoStar

## Industrial Real Estate Market Assessment (cont'd.)

### Industrial

#### Conclusions and Implications

Excluding Restaurant Depot, no new industrial space has been developed since 1985, resulting in a very old and out of date industrial stock.



The age of many of the buildings may be impacting their competitive advantage over properties elsewhere in the region with more modern layouts, which may negatively impact the long-term competitiveness of the area's industrial building stock.

Eisenhower West drives the City's warehouse and flex market, and rents have been consistently higher compared to the MSA.



Eisenhower West will continue to be competitive in the near-term due to its location inside the Beltway and proximity to customers, and this demand may also drive some level of long-term investment in industrial property.

Vacancy in Eisenhower West has increased for both warehouses and flex buildings, reflecting the age of the buildings and decline in key industry sectors.



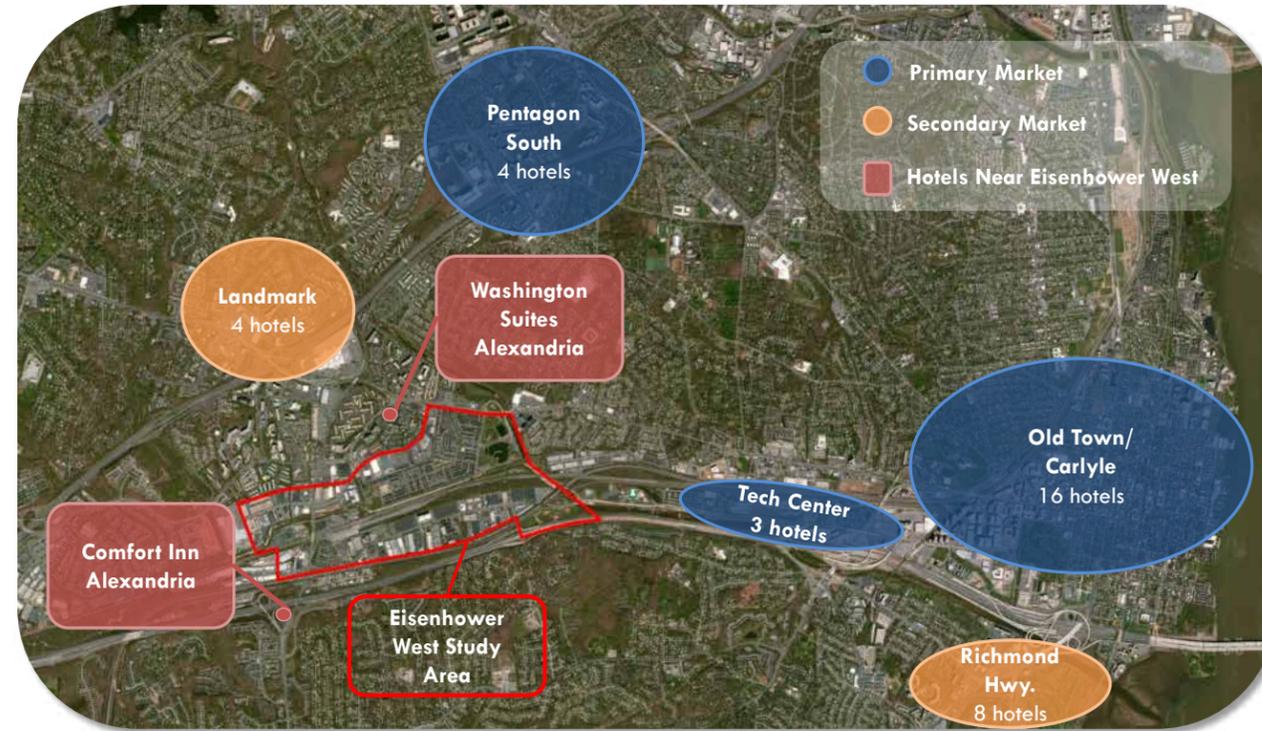
The future of industrial uses in Eisenhower West will depend in the area's ability to continue to attract from growing industries and compete regionally.

# Hotel Real Estate Market Assessment

## Hotel Overview

Eisenhower West currently lacks a robust hotel market.

- HR&A analyzed clusters of hotels in and adjacent to Alexandria and grouped them into “primary” and “secondary” markets of at least three hotels. Single hotels located near the study area were also identified.
- Primary markets consist of hotels in areas that are key office clusters and/or heavily visited by tourists. Secondary markets consist of hotels in areas that do not have office clusters, but are adjacent to primary market areas or are accessible to major highways.
- There are no hotels within Eisenhower West, and there are only two hotels nearby just outside of the study area boundary.



**Figure 61: Regional Hotel Supply**  
Source: Smith Travel Group , HR&A Advisors

## Hotel Supply

Hotels in Eisenhower West are characteristic of those in secondary market areas that offer less expensive accommodations with Beltway access.

- Hotels in primary markets primarily consist of the more expensive upper upscale, upscale, and upper midscale chains.<sup>1</sup>
- Hotels in secondary markets primarily consist of economy and upper midscale chains for customers looking for less expensive options without sacrificing accessibility. The two hotels near Eisenhower West are upper midscale chains and are representative of this group.

<sup>1</sup>Chain scales are grouped based on average room rates. In order of least expensive to most expensive, these groups are: economy, midscale, upper midscale, upscale, upper upscale, and luxury.

Market	Hotels	Total Rooms	Primary Classes	Flags	Customer Base
<b>PRIMARY</b>					
Old Town/Carlyle	16	2,657	Upscale, Upper Upscale	Westin, Kimpton, Hilton, et al	Tourists and business visitors
Pentagon South	4	934	Upper Midscale, Upscale	Hampton Inn, Hilton, et al	Business visitors (Mark Center, Bailey's Crossroads)
Tech Center	3	465	Economy, Upper Midscale	Courtyard by Marriot, Extended Stay, Springhill Suites	Tech Center visitors; customers looking for less expensive options near Old Town/Carlyle
<i>Subtotal</i>	<u>23</u>	<u>4,056</u>			
<b>SECONDARY</b>					
Landmark	4	552	Economy, Upper Midscale	Days Inn, Comfort Inn, et al	Customers looking for less expensive options on the Beltway
Richmond Highway	8	707	Economy, Upper Midscale	Days Inn, Red Roof Inn, Holiday Inn, Springhill Suites, etc.	Customers looking for less expensive options near Old Town/Carlyle
Hotels Near Eisenhower West	2	362	Upper Midscale	Washington Suites, Comfort Inn	Customers looking for less expensive options on the Beltway
<i>Subtotal</i>	<u>14</u>	<u>1,621</u>			
<b>Total</b>	<b>37</b>	<b>5,677</b>			

**Figure 62: Alexandria Hotel Markets**  
Source: Smith Travel Group

## Hotel Real Estate Market Assessment (cont'd.)

### Hotel Supply (cont'd.)

Hotel markets in western portions of Alexandria have delivered no new hotels since the late 1990s, and those near Eisenhower West were delivered even earlier.

- Recent hotel development activity has been concentrated in primary and secondary markets in and around Old Town and Carlyle, where recent construction has delivered nine new hotels since 2000. New construction hotels have included upper midscale chains in secondary markets, such as the Courtyard Alexandria in Tech Center in 2010, upper upscale chains in primary markets, such as the Hilton Garden Inn Old Town in 2014.
- By contrast, hotels in primary and secondary markets in areas to the west have seen no new construction since the late 1990s. The latest new delivery was of the Extended Stay America in Landmark in 1999.
- Near Eisenhower West specifically, new hotel development is even older: the most recent delivery was the Washington Suites Alexandria in 1984.

### Hotel Demand

The hotel market in Northern Virginia has grown, with steadily increasing demand and a similarly increasing supply resulting in a stable occupancy rates since 2008.

- Demand equals the total number of room nights sold in a year. The demand for hotel rooms in Northern Virginia – which includes Alexandria, Arlington County, and Fairfax County – increased by 12.2% between 2008 and 2013. Hotel supply, which is the number of room nights available in a year, has increased at a similar rate (13.5%) in the same time period.
- As a result of the similar rates of increase for both demand and supply, occupancy rates for

hotels in Northern Virginia have remained relatively stable, averaging 69.9%. These dynamics are due in part to the stable employment rates in the city and in the region, combined with tourism to Alexandria.

- However, RevPAR—a measure of hotel financial performance—has decreased over this same time period. This indicates that hotels in Northern Virginia have had to lower average daily room rates in order to attract customers in the competitive market.

Market	Market Type	Primary Classes	Years Built
<b>Old Town/Carlyle</b>			
Old Town/Carlyle	Primary	Upscale, Upper Upscale	1960-2014
Tech Center	Primary	Economy, Upper Midscale	1991-2011
Richmond Highway	Secondary	Economy, Upper Midscale	1954-2010
<b>Western Portions of Alexandria</b>			
Pentagon South	Primary	Upper Midscale, Upscale	1975-1996
Landmark	Secondary	Economy, Upper Midscale	1972-1999
<b>Hotels Near Eisenhower West</b>			
Comfort Inn and Suites	Secondary	Upper Midscale	1965
Washington Suites	Secondary	Upper Midscale	1984

Figure 63: Alexandria Hotel Markets, Years of Construction Activity

Source: Smith Travel Group

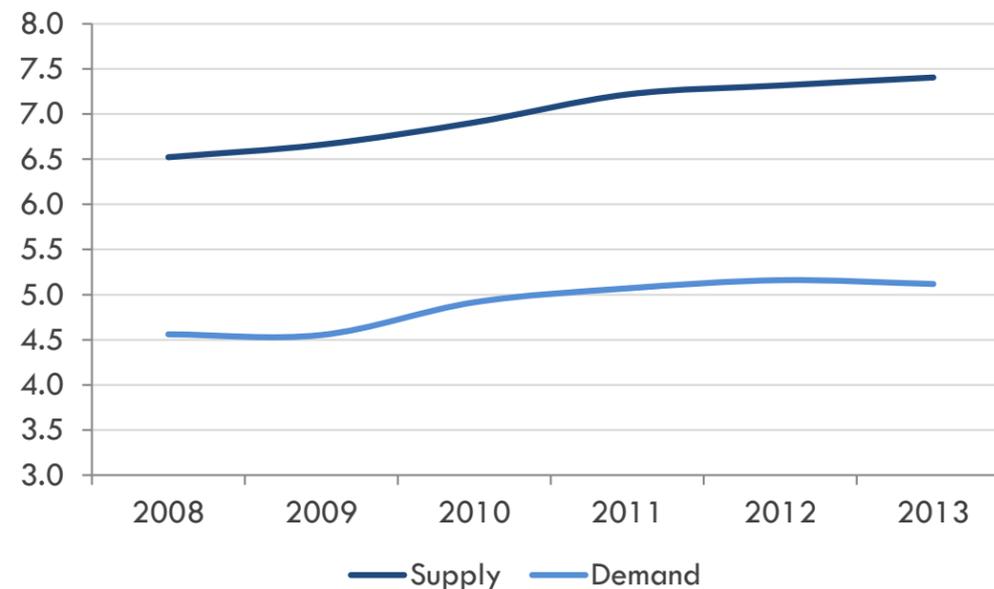


Figure 64: Annual Supply and Demand, Northern Virginia, 2008-2013 (millions of rooms)

Source: Smith Travel Group

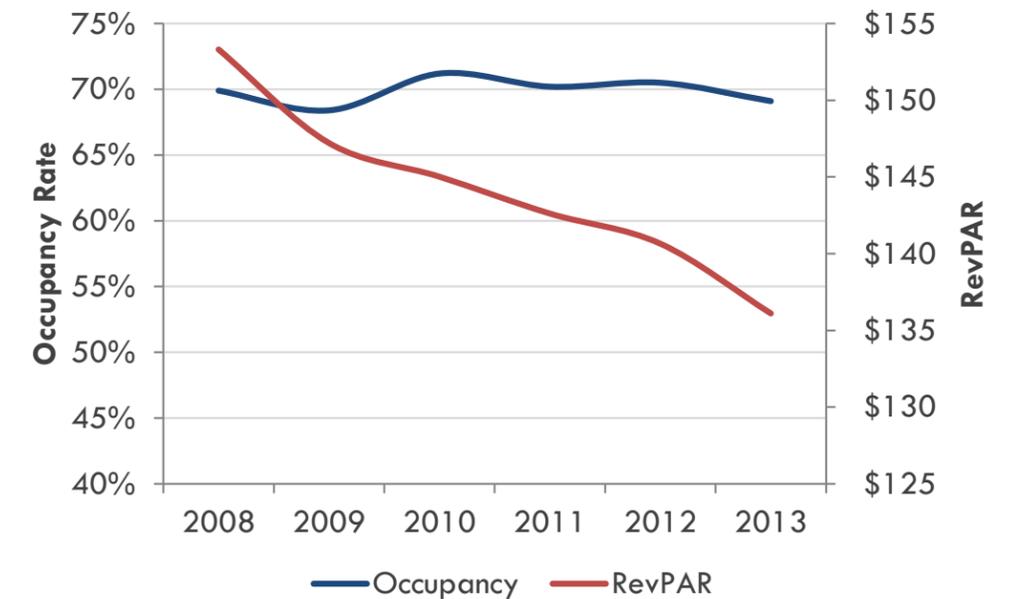


Figure 65: Occupancy Rate and RevPAR\*, Northern Virginia, 2008-2013

Source: Smith Travel Group

\*"RevPAR" refers to "Revenue Per Available Room." This metric is calculated by multiplying the average daily room rate by the percentage occupancy, and represents the financial performance of a sample of hotels. RevPAR does not take into account revenue from other hotel services, such as restaurants.

## Hotel Real Estate Market Assessment (cont'd.)

### Hotel

#### Conclusions and Implications

While occupancy rates have remained stable in the context of increasing supply and demand, RevPAR has declined significantly.



The regional hotel market is highly competitive. The relative stability in occupancy rates has been achieved at the expense of hotel revenues, which will impact the potential for new development in both the short- and medium-term.

Hotels in secondary submarkets with flags most likely comparable to what could be supported in Eisenhower West are generally older, particularly in submarkets in western portions of the City and adjacent to the Beltway.



There may be an opportunity in Eisenhower West for development of a new, mid-priced hotel that would compete with the older products in other highway adjacent locations.

## Conclusions: Opportunities and Challenges

### Short Term (0-7 years)

- Eisenhower West will experience demand for new residential development. The area has already seen some infill residential development and this pattern could continue on key sites.
- There is currently demand for additional retail in Eisenhower West. However, near-term plans for the redevelopment of Landmark Gateway, as well as retail activity elsewhere in the region, may absorb much of the region's demand for comparison goods shopping in the near-term, limiting retail development to neighborhood-oriented retail establishments serving primarily convenience goods, and dining.
- Stable industrial rents indicate there is currently still demand from tenants seeking locations inside the Beltway close to consumer and business markets.
- Any new office development in the near-term will face weak regional and citywide office market dynamics, and new office development in Eisenhower West will be limited to those opportunities when a potential tenant is lined up ahead of time. However, there may be support for new office in mixed-use developments catering to small professional services or medical office spaces developed as part of larger mixed-use projects.
- Near-term prospects for hotel development are challenging, as the recent decline in RevPAR indicates growing competition among all hotels. Due to Eisenhower West's access to major highways, there may be opportunities to develop hotels with flags similar to those found in competitive secondary markets, but market fundamentals may first need to improve.

### Medium Term (7-15 years)

- Residential demand will likely remain strong as millennials (a generation larger than the baby boomers) reach peak household formation years.
- As new residential development is introduced both in Eisenhower West and in nearby neighborhoods, the demand for all types of retail will increase, (particularly for convenience goods), and Eisenhower West can capture some of this demand.
- New or replacement industrial development to replace aging buildings will start to be necessary, but may be challenging given the comparatively high cost of land versus achievable industrial rents. This will increase pressure for conversion of buildings with previously stable industrial tenants.
- The area may also be attractive to institutional users (colleges, medical facilities, cultural uses, etc.) that will value the area's transportation network and access to strong residential neighborhoods.
- Traditional office development will likely remain challenging, unless tenants are identified in advance of new building construction.
- Should RevPAR increase, new hotel development in the medium-term will most likely replace existing rooms, and may not add net new rooms to the market. This may result in few opportunities to develop a new hotel in Eisenhower West, but as in the short term, the area's accessibility to major highways may still justify the development of a lower-cost flag similar to those in comparable secondary markets.

### Long Term (15-30 years)

- Eisenhower West is well positioned for balanced residential and commercial development. A strategic development plan should consider continued residential and commercial development at key nodes.
- In the long term, new industrial development in this area will likely be very challenging as land prices increase and new industrial development seeks cheaper opportunities further away. The expiring of long-term leases will present opportunities to attract new types of development to the area and standardize its commercial and residential character.
- In the future, opportunities for office development may arise as vacant space around Metro stations closer to the region's center is absorbed. The area may also be attractive to institutional users (colleges, medical facilities, cultural uses, etc.) that will value the area's transportation network and access to strong residential neighborhoods.
- Should demand from these users increase, and Eisenhower West begins to more resemble some of the city's other primary office markets, so will demand for a wide range of hotel chains in the area. In addition, as market fundamentals improve over the long-term, new hotel development may be feasible in Eisenhower West. As hotels have similar building envelopes to multifamily buildings, long-term planning efforts should endeavor to identify areas which can remain flexible and accommodate both uses.