City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 16, 2010

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #3: CALENDAR YEAR 2010 REAL PROPERTY ASSESSMENT REPORT

Included in this report are the annual changes in real property assessments from CY 2009 to CY 2010 and historical statistics related to assessment appreciation/depreciation, new construction, and residential sales activities. For valuation purposes, annual assessments have an effective date of January 1. Assessment reports typically represent data on a calendar year basis. Key changes in the assessed valuation of real property from CY 2009 to CY 2010 are summarized below.

OVERALL CHANGE IN CY 2010 REAL PROPERTY TAX BASE

This year, the City's overall real property tax base (including both locally assessed real property and state-assessed public service corporation property) from January 1, 2009 to January 1, 2010, decreased 7.45%, or $2.56 billion from $34.38 billion in CY 2009 to $31.82 billion[1] in CY 2010 (Attachment 1, Page 2).

In Attachment 2 we report the change in the tax base from a starting point of the Equalized Assessments. The equalized assessment represents the year ending 2009 assessments (As of December 31, 2009). The equalized assessment includes changes that occurred throughout 2009 such as administrative reviews, appeals to the Board of Equalization, supplemental assessments, subdivisions, consolidations and demolitions. The decline in the tax base from the equalized assessments at year-end to January 1, 2010, is 6.32% from $33.96 billion in 2009 to $31.82 billion in 2010 (Attachment 2, Page 3, line 66). The reduction of 6.32% in the tax base represents the second year in a row the total tax base has declined. This decline reflects the continuation of the downward trend in all sectors of the real estate market. The following represents a 10-year history of the City's property tax base after equalization.

[1] The 2010 valuation includes the 2009 value of state-assessed public service corporation property. This value was certified by the State Corporation Commission and Virginia Department of Taxation in September 2009.

Table 1: 10-Year History of Percentage Change in Real Property Tax Base

CY	Percent Change	CY	Percent Change
2001	10.1%	2006	20.4%
2002	11.2%	2007	4.4%
2003	19.9%	2008	4.0%
2004	18.4%	2009	(-2.1%)
2005	21.2%	2010	(-6.3%)

Attachment 3 illustrates a 30-year history of percentage changes in the real property tax base. The trends over the 30-year period are indicative of what we are forecasting for future assessment years.

Points of Interest Relating to CY 2010 Assessment Changes:

- **Locally assessed real property** assessments decreased 6.50% (which consists of new construction and loss in value of existing property), or $2.15 billion, from $33.1 billion in 2009 to $30.9 billion in 2010 (Attachment 2, Page 2, Line 42, Column 5).

- **Residential property** decreased 4.95%, or $948.6 million, from $19.2 billion in 2009 to $18.2 billion in 2010 (Attachment 2, Page 1, Line 18, Column 5).

- The **commercial property** tax base decreased in 2010 by 8.63%, or $1.2 billion, from $13.9 billion in 2009 to $12.7 billion in 2010 (Attachment 2, Page 2, Line 40, Column 5).

- **State-assessed public service corporation property** assessments increased 0.73%, or $6.4 million, from $877.0 million in 2009 to $883.4 million in 2010 (Attachment 2, Page 3, Line 64, Column 5). The 2010 assessment is the value effective January 1, 2009. These values are certified by the State Corporation Commission (SCC) and the Virginia Department of Taxation (VDoT) in late September of the effective year of the valuation. The City bills all non-locally assessed properties on a fiscal year basis which allows for accuracy in the budget and collection process.

- **Tax exempt real property** assessments decreased 4.97%, or $251.6 million, from $5.06 billion in 2009 to $4.8 billion in 2010 (Attachment 2, Page 4, Line 85, Column 5). Property depreciation of $325.3 million was offset by $73.7 million of new growth. The new growth was driven by the Dash Facility, INOVA Alexandria Hospital, the gymnasium at Episcopal High School, and the Fire Station at Potomac Yard.

- **New construction** activity added $176.2 million for CY 2010. Residential construction accounted for $40.9 million of the new growth, while the commercial sector which includes multi-family rental, accounted for $135.3 million. In CY 2009, $268.4 million in new residential and commercial growth was added to the City's tax base. Overall, $444.6 million in new construction has been added to the tax base over the last two years. This equates to approximately 1.4% of the current total taxable base. The dollars added to the tax base and the percentage change to the total tax base continues to decline and is anticipated to continue at a slower pace for the next several years.

- Based on data compiled by the Department of Planning and Zoning, a total of 937 residential units in 14 projects of all types were in the construction phase during CY 2009. Of these, 60% were designated for owner-occupancy, while the balance of 370 units, or 40%, were being constructed as rental housing. Symptomatic of residential real property markets and financial sectors, the total number of units under construction represents a 56% decline from the previous year when 2,130 units were under construction. In 2009, we experienced a decline of 28% from the previous year indicating further and continued hesitancy in the residential market.

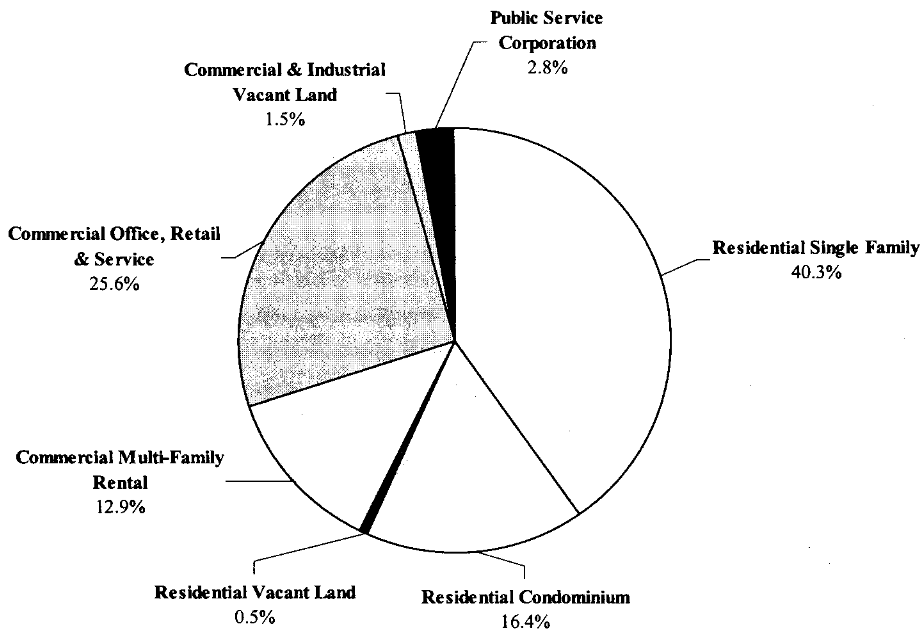
- Residential projects currently under construction and planned for completion during CY 2010 include: The Duke Old Towne (16 townhouse condominium and 40 mid-rise condominium flats), 900 North Washington Street Condominiums (54 mid-rise condominium flats and 3 townhouse condominiums), Del Ray Central (141 low-rise rental apartments), and Alexandria Crossing (82 affordable garden-style apartments and workforce townhouses).

- Real property classified as residential for assessment purposes for CY 2010 represents 57.21% of the total real property taxable base, while property classified as commercial, and public service corporations, represents 42.79% of the base. Distribution of the City's real property tax base allocated between classifications of real property for assessment purposes follow in Tables 2A and 2B.

Table 2A: Distribution of CY 2010 Real Property Assessments by Property Classification

Property Classification	Percentage	CY 2010 Assessments
Residential Single Family	40.3%	$12,827,907,263
Residential Condominium	16.4%	$5,224,522,374
Residential Vacant Land	0.5%	$151,493,607
Commercial Multi-Family Rental	12.9%	$4,113,298,216
Commercial Office, Retail & Service	25.6%	$8,147,205,775
Commercial & Industrial Vacant Land	1.5%	$471,448,674
Public Service Corporation	2.8%	$883,389,793
Total	100%	$31,819,265,702

Table 2B: Distribution of CY 2010 Real Property Assessments by Property Classification



RESIDENTIAL PROPERTY

Points of Interest Relating to CY 2010 Residential Assessment Changes:

- The average assessed value for an existing residential property (consisting of single-family homes, residential condominiums) decreased 5.16%, from \$472,241 in 2009 to \$447,873 in 2010 (Attachment 2, Page 1, Lines 6 and 14, Column 8).

- The average assessed value for a residential single-family home as of January 1, 2010, decreased 4.03%, from \$638,480 in CY 2009 to \$612,749 in CY 2010.

- The average assessed value for a residential condominium as of January 1, 2010, decreased 7.83%, from \$292,606 to \$269,695.

- For CY 2010, 89.3% of existing residential properties decreased in value, 3.3% no changed, and 7.4% increased in value.

- The median assessment and the number of parcels by range of assessed value are shown in Table 3 below. The number of properties valued under \$250,000 grew from 8,323 in CY 2009 to 10,420 in CY 2010 reflecting a 25.2% increase. Likewise, the number of properties assessed over \$500,000 decreased 5.7% from 13,856 in CY 2009 to 13,063 in CY 2010. For CY 2010, 67.4% of all residential properties are valued at \$500,000 or less.

Table 3: CY 2010 Median Residential Assessments

Assessment Range	Number of Units	Total Assessments	Median Assessment
Less than $100,000	266	$23,268,929	$88,739
$100,000 - $249,999	10,154	$1,853,848,710	$182,645
$250,000 - $499,999	16,588	$6,160,433,152	$371,673
$500,000 - $749,999	8,427	$5,098,914,626	$598,856
$750,000 - $999,999	3,022	$2,561,623,446	$836,005
$1,000,000 - $1,999,999	1,434	$1,840,930,860	$1,209,605
$2,000,000+	180	$513,134,682	$2,428,880

- The assessment/sales ratio for residential property (including single-family homes and condominium units) for CY 2010 was 97.98%, and for this same period the previous year the assessment sales ratio was 99.04%. This statistic is simply a measure of CY 2009 assessments (as of January 1, 2009) against subsequent CY 2009 sales. It should be noted that only validated arm's-length transactions are used for assessment/sales ratio study purposes. A summary of prior year assessment/sales ratio results is shown in Table 4.

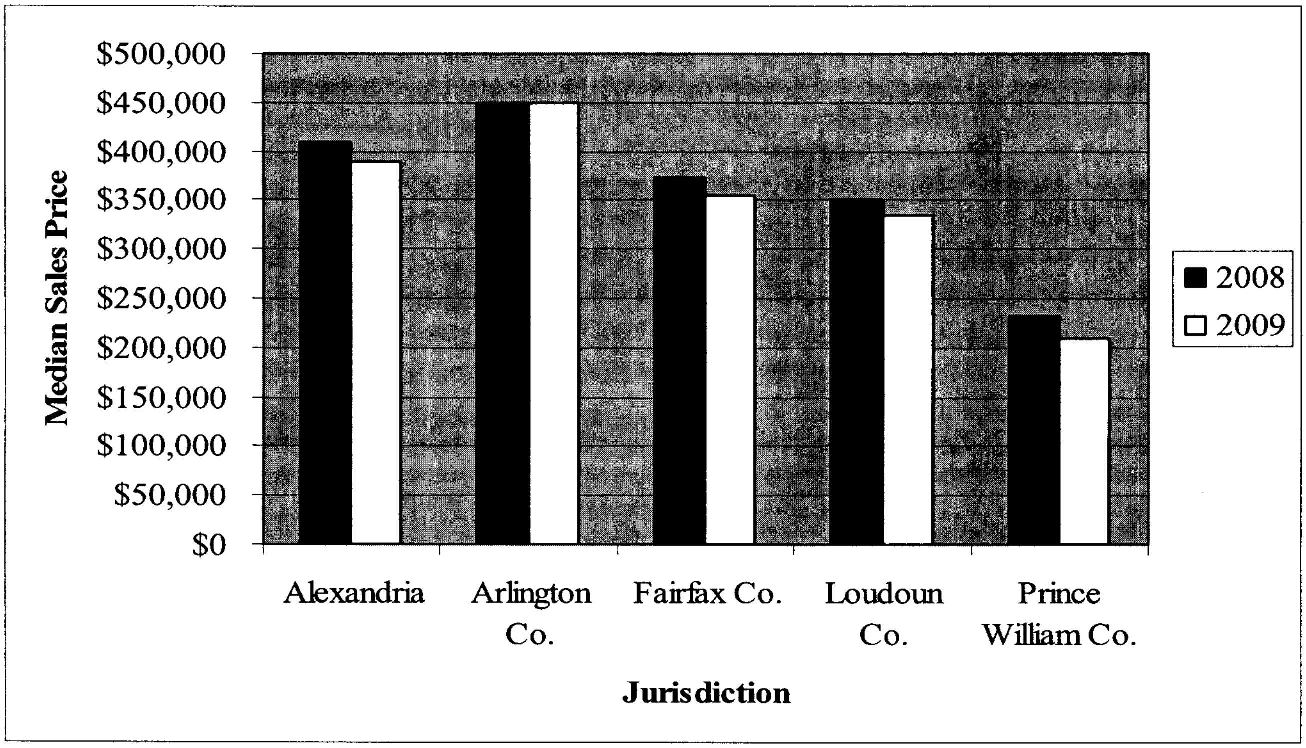
Table 4: Residential Assessment/Sales Ratio Studies Summary Results for Calendar Years 2000-2009

Calendar Year	Units Sold 2	Total Sale Price	AV/Sales Ratio	Average Assessed Value % Change in Year After Study
2009	1,410	$688,648,446	98.0%	N/A
2008	1,382	$705,104,165	99.0%	-4.7%
2007	2,120	$1,059,816,576	98.1%	-1.9%
2006	2,376	$1,182,106,929	97.4%	-2.9%
2005	3,252	$1,556,139,684	80.8%	19.5%
2004	3,746	$1,476,487,148	78.9%	21.3%
2003	3,516	$1,144,718,513	82.3%	16.9%
2002	3,401	$934,579,588	76.5%	24.5%
2001	3,088	$732,429,726	78.3%	15.3%
2000	2,769	$609,111,863	84.2%	10.6%

2 It should be emphasized that the units sold represent those transfers that satisfied certain criteria for use in the State's Annual Sales Ratio Study, and does not include the total number of transfers that occurred during the calendar year. For example, there were a total of 1,979 residential property sales in the City during 2009. This represents a 2.99% decrease from 2008 when 2,040 sales were reported, and a decrease of 29.5% from 2007 when 2,806 were reported.

➢ Table 5 compares 2008 and 2009 median sales prices in the City of Alexandria to those reported in other Northern Virginia jurisdictions. It should be noted that these statistics are compiled for individual months and fluctuations do occur based on the inventory available and settled within that month. Sales prices appear to be stabilizing, with most jurisdictions experiencing declines of roughly 4% to 5%. Prince William County and Arlington County are exceptions to this trend, with Arlington prices climbing slightly and Prince William prices decreasing nearly 10%.

Table 5: 2008 and 2009 Sales Price Comparison For
Selected Northern Virginia Jurisdictions

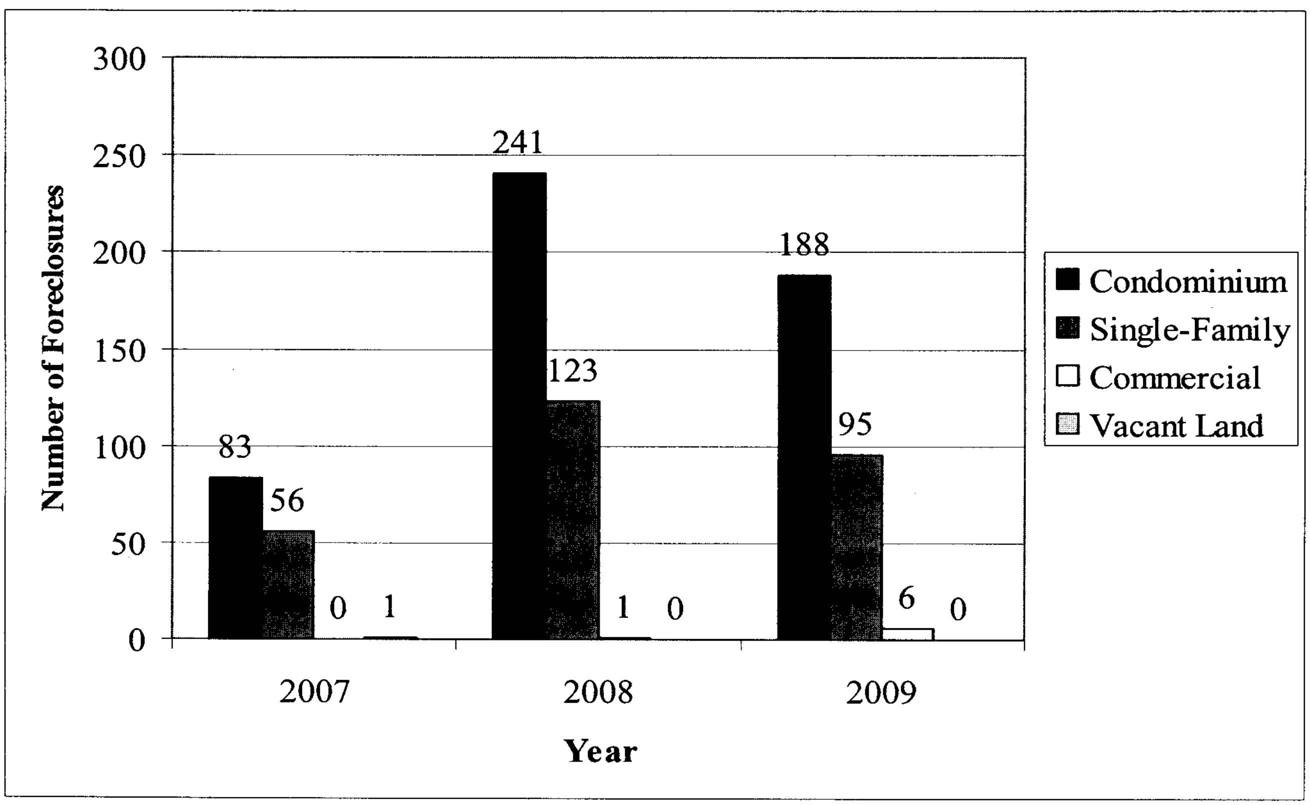


➢ Residential Real Property Sales Statistics for 2007, 2008, and 2009 which reflect the dollar volume, the number of units sold and the average sales price are included as Attachment 6. These statistics were prepared by the Department of Real Estate Assessments. Based on validated arms-length transfers, the average sale price for a single-family dwelling decreased 4.47% from the previous year to $580,438. Condominiums decreased 4.4% to $287,865 in 2009. Combined, the average price decreased 5.34% from $463,527 in 2008 to $438,766 in 2009.

➢ According to a November 2009 article in the *Wall Street Journal*, home prices nationwide have continued to decline as the heavily discounted properties that had previously been foreclosed upon continue to weight the market down. According to statistics compiled by the *National Association of Realtors* distress sales in the form of foreclosures and short sales accounted for approximately 30 percent of the transactions during the 3rd quarter of 2009. Median prices of existing homes in 123 of 153 metropolitan areas during the period fell 11.2% from the same period one-year earlier to $177,900. Bankers and economists attribute the country's continued high unemployment rate and resets associated with subprime mortgages as the main culprits behind the estimated 1.8 million borrowers that lost their homes in 2009. Overall, the Federal government's foreclosure prevention efforts will find it far more difficult to help those who have lost a paycheck compared to those whose mortgage payments are unaffordable because of rate reset.

- Based on an October 2009 article in *Washington Post*, the number of area homeowners that were in the process of foreclosure more than doubled from the previous year. Approximately 2.7% of all local borrowers were in the process of foreclosure where lenders had initiated the legal process to take the property back. Being located in what is considered the inner core, the problem in the City of Alexandria is significantly less severe with only 1.5% of existing mortgages 90 or more days delinquent. This compares favorably with the Northern Virginia jurisdictions of Fairfax County (2.5%), Loudoun County (3.3%), Prince William County (5.5%), and the City of Manassas (6.3%). In fact, the number of recorded foreclosures in the City totaled 289 during 2009, a decrease of 20.8% from the previous year when there were 365 foreclosures. Refer to the following table for a three-year history of recorded foreclosure activity in the City broken down into single-family, condominium, commercial, and vacant land. This is the first year Alexandria has experienced foreclosures in the commercial sector.

Table 6: Foreclosures in the City of Alexandria by Property Type 2007-2009



- According to several articles from local and national publications, residential sales volume increased in 2009 both nationally and locally, and median sales prices continued to decline. Sales prices fell to a lesser degree in the Northern Virginia and Washington DC metropolitan regions in comparison to the national housing market. There is some uncertainty whether these positive trends emerging in late 2009 will continue into 2010.

- Housing experts differ on the effects of rising mortgage rates, the expiration of the tax credit for first-time home buyers and the presence of large numbers of foreclosure properties in the market. Also, observers of the housing market have noted that the sales volume and prices of properties in the higher price ranges, over a million dollars, will continue to be affected by stricter lending standards. This trend would certainly be felt in the City, given the large numbers of relatively expensive residential properties. Additionally, new and stricter lending standards have been proposed for FHA mortgages. Overall, the jurisdictions inside the Beltway, the City of Alexandria, Arlington County and Washington DC, have experienced increases of sales volume throughout 2009 compared to 2008 without the large decreases of average and median sales prices which occurred earlier in some of the Northern Virginia jurisdictions outside the Beltway.

- According to Delta Associates Year-End 2009 Trends in Housing publication "prices are showing signs of a moderate recovery. Prices will likely gain traction in 2010, as buyer and seller expectations continue to move closer to a balance."

In conclusion, the Washington area housing market is in the early phases of recovery. Based on year-end 2009 metro area trends, housing prices are tending to stabilize, days on the market continue to decline, and the gap between buyer and seller demands is closing. However, concerns about the economy and job security continue to affect the confidence of potential purchasers. A continuing surge in home refinancing is characterized by borrowers seeking to lower monthly payments, as opposed to cash out deals where home equity was used to fuel consumer spending. Overall, the impact of federal programs such as the first time buyer tax credit and a recovering labor market will continue to spark market gains, but the pace of the recovery will be uneven in 2010 with the inner ring jurisdictions performing better than those outside the Capital Beltway. In addition, the potential impact of higher interest rates may put a damper on the recovery of the residential market. Overall market conditions, though promising, are uncertain at best, with a long road back before a sustained recovery is readily apparent.

COMMERCIAL PROPERTY

Points of Interest Relating to CY 2010 Commercial Assessment Changes:

- The value of existing locally assessed commercial property decreased 8.63%, or $1.2 billion, from $13.93 billion in 2009 to $12.73 billion as of January 1, 2010 (Attachment 2, Page 2, Line 40, Column 5). New growth of $135.26 million, which is significantly lower than past years.

- Every sector of the commercial real estate market suffered declines in value during 2009. The most seriously affected markets were the city's hotels, which lost $115.84 million dollars in value for a decline of 12.85%, and the office market, which declined $516.1 million or 10.45%. Reductions in value of the other commercial segments (multi-family rental, shopping centers, general commercial, and warehouses) were in the single digits as a whole, with individual properties changing at different rates depending on the income performance of individual properties.

- Economic conditions in the area have resulted in various negative influences on the value of commercial real estate, such as, stagnant or declining net operating incomes; increasing vacancy and collection losses; increasing concessions to keep tenants in place; increasing overall capitalization rates and, higher loan to value ratios, and much higher equity participation required by lenders.

- Although widely predicted, several write downs, defaults and work outs have yet to become prevalent as lenders appear to prefer to extend the loans of assets that are covering debt service. Some pundits refer to this strategy as "amend, extend and pretend". These may become problematic in 2010 as bankers and regulators seek to clear their books of seriously under performing commercial assets.

- The banking and real estate industries are not out of the woods yet. Specifically, weak tenant demand and lack of liquidity are affecting the real estate industry. The ongoing turmoil in the banking industry has impeded the sources of financing for both acquisitions and refinances. The signs of recovery may not be sustainable as the Federal government expenditures on health care reform and additional "bailouts", the outbreak of additional disease pandemics, future terrorist attacks, or other unexpected disruptions could pose disastrous impacts on the economy causing the country to slip into another recession.

- Among the evidence of the continuing instability in the commercial marketplace is the lack of significant sales volume in any category in commercial real estate. In 2009 in the City, there was only one sale of a multi-tenant office building of over 12,000 square feet. There were no significant sales of shopping centers in the area, and no hotel sales in the City. There were only two significant sales of warehouse properties that were not motivated by redevelopment. There were a few sales of smaller general commercial properties, but they typically traded between owner-occupants or from owners to tenants.

- The Korpacz Real Estate Investor Survey for the Fourth Quarter of 2009 begins its letter to its readers as follows.

  > *Even though the employment numbers for November 2009 were far stronger than expected, the unemployment rate remains in double digits and underscores the fragility of both the U.S. economy and the commercial real estate industry. Given the significant number of jobs lost during the recession and the fact that many consumers continue to rein in spending, a slow-paced economic recovery is anticipated.*

However, almost all knowledgeable market participants report that the "inside the Beltway" commercial market is somewhat shielded by the presence and spending by the Federal government. The same publication referenced above makes the following comments about the Northern Virginia Office Market.

> *While some tenants are vacating and there is limited leasing activity among non-government firms, the Northern Virginia Office Market continues to benefit from the leasing of office space by the General Services Administration.*

- There are some optimistic predictions regarding the end of the recession. Delta Associates publication: The Washington Area Economy and Retail Market at Year-End 2009, makes the following observation:

> *The most recent data available suggests the recession in the Washington metro area ended during the first quarter of 2009 – coming out of this downturn ahead of (the) nation. Although conditions remain sluggish, the worst conditions are behind us and a slow recovery is underway.*

Investors' in the commercial real estate industry are cautious about market fundamentals and bracing themselves for further impact in 2010 and beyond. As commercial real estate is generally considered to be a lagging indicator, it is reasonable to predict further market deterioration.
The challenge for market participants in 2010 will be dealing with price corrections and the lack of available financing. In addition to increasing vacancy, falling rents, and higher capitalization rates, the market also has to contend with the lack of a readily available supply of debt capital. With investment banking and commercial mortgage-backed securities no longer playing a dominant role as financing mechanisms, commercial property owners are now faced with finding sources of new funding as existing loans mature. Property owners of office buildings, shopping centers, hotels and multi-family rental apartments are scrambling to secure new funding. This is proving increasingly difficult in a credit market that is virtually frozen. In addition, banks are now requiring larger equity positions and personal recourse. Until the lending crises facing the market are resolved, there will likely be continued erosion of commercial real estate.

Land Values

Unimproved land remains a scarce commodity in the City of Alexandria. Uncertainty about the timing of a sustained recovery has resulted in fewer land sales over the last year. Other than scattered residential lot sales, there were two land transfers of interest during 2009.

On October 20, 2009, 4600 Eisenhower Avenue LLC transferred 5.3 acres to the JMDH Real Estate of Alexandria LLC for a recorded consideration of $13.25 million. This equates to $57.63 per square foot of ground, or $183.18 per FAR based on a proposed distribution warehouse containing 72,333 square feet of floor area. In the process of confirming the sale, we found that the buyer was willing to pay a premium for the site due to the close proximity to their existing operations at 4700 Eisenhower and the long-term holding period planned by the buyer.

On March 31, 2009, Alexandria Tech Center Associates transferred 2.04 acres to Apple Nine Hospitality Ownership Inc., for a recorded consideration of $5.2 million. This equates to $33,548 per room. The purchase was subject to DSUP approval for a 108,000 square foot hotel consisting of 155 rooms. Based upon this, the purchase price equates to $48.15 per approved FAR

New Construction Activity

New construction activity continues to show signs of slowing for projects that are currently being developed as well as for new starts. Some of the more significant new construction projects are summarized below in Table 7.

Table 7: Selected New Construction Projects

Project Name Property Address	Land Use	% Complete as of 1-1-2010	Comments
The Duke Old Towne 1300 Duke Street	Residential Condominium Flats and Townhouses	80%	40 mid-rise condominium flats and 16 townhouse units with structured parking.
Edmonson Plaza 1701 Duke Street	Commercial Office and First Floor Retail	60%	101,108 square feet of office space and 27,800 square feet of retail with structured parking that is core and shell complete.
900 N. Washington Street Condo 900 N. Washington Street	Residential Condominium Flats and Townhouses	85%	54 mid-rise condominium flats and 3 townhouse units with structured parking.
Victory Center 5001 Eisenhower Avenue	Commercial Office	60%	512,089 square feet of office space with interim surface parking that is core and shell complete.
Beauregard Station 520 Armistead Street	Residential Townhouse Condominiums	100%	41 townhouse condominium units. Project is built out.
Alexan Carlyle Apartments 800 John Carlyle Drive	Residential Rental Apartments	95%	280 mid-rise apartment flats with structured parking.
Del Ray Central f/k/a Mount Vernon Commons 3015 Mt. Vernon Avenue	Residential Rental Apartments	70%	141 low-rise apartment flats and 3,000 square feet of ground floor retail with structured parking
INOVA Alexandria Hospital 4320 Seminary Road	Public Hospital Tax-Exempt	100%	4-story addition containing 66,784 square feet of space devoted to state of the art emergency treatment facilities.
Episcopal High School and Seminary 1200 N. Quaker Lane	Private Educational Facility Tax-Exempt	50%	Gymnasium addition totaling 60,808 square feet and renovations to the existing 38,236 square-foot facility.
The William B. Hurd Transit Facility 3000 Business Center Drive	City Government Building Tax-Exempt	100%	Dash office and maintenance facility containing 157,522 square feet, and rooftop garage containing 94,924 square feet.
Potomac Station 2100 Main Line Boulevard	Affordable Residential Rental Apartments City Fire Station	100%	64 affordable rental apartments in a mid-rise building that includes a city-owned fire station and retail unit on the first floor.

Office Market Overview

This property class is segmented by size and includes both large office buildings and junior office buildings. The base for this property type decreased 10.45%, or approximately $516 million, from $4.9 billion in CY 2009 to $4.4 billion for CY 2010 (Attachment 2, Page 2, Line 30, Column 5). The net increase to the base was the result of $81.9 million in new growth offset by $598 million in property depreciation.

Typical exposure time for an income-producing office property to sell in the current market is between six and twelve months. If the market continues to show signs of distress, the marketing period will increase.

The proximity to Washington, DC, which is consistently viewed as one of the top real estate markets in the United States, partially insulates the City from large swings in demand and price levels. Although rental rates dipped in 2009, this trend is expected to be temporary. The City's vacancy remained among the lowest in the metropolitan area and in the United States.

The City's office market experienced declining values and was negatively impacted from the economic downturn which started during the fourth quarter of 2008 and continued into 2009. The office market is contending with declining demand and increasing vacancy and concessions. Areas located inside the Capital Beltway (I-495) continue to outperform their counterparts outside the ring. Generally, the diversified tenant base and continued demand from the Federal government provide an element of stability. Sub-markets inside I-495 have performed better and maintained tight dynamics as market participants (especially buyers of office buildings) show a preference for close-in submarkets. The office market in Alexandria and neighboring Arlington County show signs of stabilizing with lower vacancy and stable rents compared to western Fairfax and eastern Loudoun Counties, where an over-supply exists.

There was only one large office building sale in the City during 2009. On June 17, 2009, the Landmark Medical Building at 5249 Duke Street sold for a recorded consideration of $10,831,000, or $174.09 per square-foot of net leasable floor area.

In addition to the relatively small number of sales that have occurred in the City over the last several years, the Department of Real Estate Assessments has also researched and relied on recent sales of office building sales that occurred in neighboring Arlington County and the District of Columbia. For the CY 2010 valuation, the sales that occurred in the City and neighboring Arlington County possess the most comparable market characteristics.

Capitalization rates trended upward and this is expected to at least stabilize into 2011. The level of risk rises as the volume declines. According to data detailed in the 4th Quarter 2009 *Korpacz Real Estate Investor Survey*, overall capitalization rates in the Northern Virginia Office Market ranged from 5.0% to 11.0%. In an analysis completed for the City, the range of capitalization rates for typical office properties is 7.5% to 9.00%.

According to statistics compiled by the *CoStar Group*, the City of Alexandria, as of January 1, 2010, contained 19.3 million square feet of office space. At this time, direct vacancy averaged 11% (excluding Victory Center). This compares with a direct vacancy rate in Northern Virginia of 18%. Full service office space rents in the city average $32.19 per square foot. The average asking rent remained the same between 2008 and 2009.

Multi-family Market Overview

The multi-family rental apartment market tax base decreased 7.43%, or \$329.9 million, from \$4.4 billion in CY 2009 to \$4.1 billion in CY 2010.

According to the MRIS publication titled *Trends In Housing Year-End 2009*, the Washington metro area apartment market continues to be one of the strongest in the nation. This was attributable to a job market that continues to add higher wage earners, a transient work force that rent by choice, and a general economic trend that is transforming potential purchasers into renters. This was confirmed in a January 2010 article in the Washington Business Journal where the CEO of the *Washington Real Estate Investment Trust* (WRIT) said that their Northern Virginia multifamily properties located inside the Capital Beltway were performing well with occupancies in the mid-90 percent range.

Despite strong market conditions compared to others parts of the nation, recent multi-family studies have indicated that the metro area is still coping with a competitive environment due to deliveries that have outpaced demand over the last 18 months. However, the pipeline continues to decline from its peak in the 4th quarter of 2007. According to statistics compiled by *Delta Associates*, annualized absorption of Class A product exceeded 7,900 units in 2009 which was the highest of any metro market in the nation.

Overall, the 2009 performance of the region's multi-family apartment market was mixed. While the stabilized vacancy rate for investment grade (First and Second Tier) product is 4.3%, which compares favorably to a national rate of 7.6%, rents have continued to moderately decline over the last 12 months and concessions in the form of free rent have continued to move higher. Average concessions during the 4th quarter of 2009 were 7.2% of face rent compared 5.7% during the same period one year earlier. This trend was tempered by high-rise first tier product located inside the Capital Beltway where average rents only decreased 0.3%. It should be noted that the 4.3% vacancy rate is one of the lowest of any metro area in the nation.

According to the Regional Apartment Market discussion detailed in the 4th Quarter 2009 edition of the *Korpacz Real Estate Investor Survey*, many investors believe that the apartment market fundamentals in the Washington metro area will outperform other markets given the stabilizing influence of the Federal government. Based on the Korpacz survey, regional overall rates during the 4th quarter ranged from 5.75% to 10.0%. In an analysis completed for the City the capitalization rates range from 5.75% to 6.75% as these properties are continuing to be the most sought after commercial investments in the nation.

There were four sales of larger multi-family projects in the City during 2009. All were either garden or mid-rise properties with certain affordable housing restrictions. The sales prices ranged from \$91,379 per unit (The Fields at Landmark) to \$139,280 per unit (Old Towne West DIP II). In addition to the limited number of sales that have occurred in the City over the last several years, the Department of Real Estate Assessments has also researched and relied on recent sales of multi-family rental apartments that occurred in neighboring Arlington County and Fairfax County. For the CY 2010 valuation of City properties, the most emphasis was given to the recent and adjusted historical sales that occurred in the City as well as those that occurred in neighboring jurisdictions.

In conclusion, while several quarters of weaker performance are projected for the Washington Metro area, the foundation is in place for stronger market conditions in late 2011 and into 2012 with the possibility of product shortages in select submarkets in 2013. Additional support for a general recovery in the multi-family rental sector is provided a November 2009 survey conducted by *Jones Lang LaSalle* which indicated that investors are seeking to purchase multi-family rental property in 2010 believing that it will outperform other sectors of the commercial market by as much as 30 percent.

Warehouse Market Overview

The industrial warehouse property tax base decreased $51.3 million, or 7.1%, for CY 2010 (Attachment 1, Page 2, Line 33, and Column 5) to $670.6 million. This is significantly less than CY 2009 when this class increased $5.3 million, or 0.7%.

No new warehouse development occurred in the City during 2009. There is one planned warehouse expansion project in the city at present. Restaurant Depot, currently operating at 4700 Eisenhower Avenue recently purchased property at 4600-4602 Eisenhower Avenue. The current tenants have leases in place that expire in 2011. The buyers have an approved DSUP for a 72,333 square-foot distribution warehouse.

As commercial and mixed-use land in the City becomes more scarce, market evidence suggests that large warehouse properties will continue to sell in the future for the purposes of redevelopment. Current uses, however, will be retained on an interim basis pending more favorable economic conditions.

According to the CoStar Group statistics, the City has an overall direct vacancy rate of 7.9%. Triple net asking rents for industrial space average $10.48 per square-foot. Fortunately for Alexandria, the Federal government is a big user of warehouse space. They continue to renew leases in the area and seek out additional space as their operations expand and require more space. This protects the region from the excessive downward pressure on rent and vacancy that other parts of the country have experienced. Overall, average rents in the City are down 10% and vacancy is up 2.25% from a year ago.

According to data detailed in the Fourth Quarter 2008 Korpacz Real Estate Investor Survey, overall industrial capitalization rates ranged from 6.5% to 12.0%, with an average of 8.80%. Again, Alexandria would be at the low end of this range as these properties are not typical industrial properties.

Hotel Market Overview

Hotels experienced the largest loss in value of all the commercial property classifications in the City. The tax base for hotels decreased 12.85%, or approximately $115.8 million, from $901.4 million in CY 2009 to $785.6 million for CY 2010 (Attachment 2, Page 2, Line 34, Column 5).

A multitude of economic challenges during 2009 had a negative effect on the demand for lodging. A portion of the Publishers Message in the 2009 Trends in the Hotel Industry reads as follows:

> *According to Smith Travel Research (STR) year–over-year demand levels through the first quarter of 2009 declined during eight of the preceding 11 quarters, commencing in 2006 III. Revenue per Available Room (RevPAR), second only to demand as a measure of industry*

health, began to contract in 2008 III, and is expected to continue this trend well beyond the end of 2009. Adding to the economic ills that have driven the current downturn is the unprecedented involvement of the Federal government into various areas of the private sector. Uncertainty in the market place seems to be reaching extraordinary levels.

However, the Washington area will probably be less impacted than the national market due to the presence of the Federal government, and Alexandria's convenient inside the Beltway location will help temper the likely drop in hotel room demand.

Changes in Occupancy, Average Daily Room Rate (ADR) and RevPAR over the last three years are summarized on the table below.

Table 12: Occupancy %, ADR, and RevPAR
City of Alexandria CY 2007 - CY 2009

Measure	2007	2008	2009
% Occupancy	67.8%	68.4%	66.9%
ADR	$144.50	$154.12	$151.73
RevPAR	$97.95	$105.46	$101.5
Source: Smith Travel Research - December 2009			

As demonstrated in Table 12, Occupancy, ADR and RevPar all declined between 2008 and 2009. While these declines do not appear to be significant compared to the drop in the assessed values, the capitalization rates have increased significantly and this property type is no longer deemed to be one of the most desirable investment types.

Decreasing ADR's and RevPAR's placed significant upward pressure on capitalization rates. According to data detailed in the 2009 Korpacz Real Estate Investor Survey, National Full-Service Lodging capitalization rates ranged from 6.5% to 14.0% with an average of 9.84%, the National Luxury/Upper-Upscale Lodging capitalization rates ranged from 7.0% to 12.0%, the National Economy/Limited-Service lodging segment ranged from 9.0% to 14.0%, and finally, the National Extended-Stay lodging segment capitalization rates ranged from 9.0% to 13.0%. All of these varying types of hotels showed fairly significant increases from last year.

The outlook for the 2010 hotel market is unclear at best, but recent data with respect to occupancy and average daily room rates is not promising. Market participants interviewed indicated that it is likely that a deepening recession would adversely affect the hospitality industry in this area. As noted previously, they report that the City's inside the Beltway location and its proximity to the Federal government may mitigate the effects of a declining economy as compared to hospitality market in other parts of the country. As of the date of valuation, it is uncertain how the local hospitality market will fare if economic conditions continue to deteriorate, with expectations of weakening values for hotel properties widely reported.

The CoStar Group's Hotel Performance report dated June 24, 2009, summarizes hotel market place conditions as follows:

> *As unemployment goes up, lodging demand goes down. Based on the latest employment forecasts, the new expectation is for RevPAR to decline 17.5% in 2009, followed by another 3.5% decline in 2010.*
> *The good news is that the bottom of the current cycle for the U.S. hotel industry is soon to arrive. The bad news is that 2009 will be the weakest year on record for the domestic lodging industry, and 2010 is going to be disappointing as well.*

Shopping Center Market Overview

The base for shopping center properties decreased 7.7%, or approximately $45.0 million, from $584.6 million in CY 2009 to $539.6 million for CY 2010 (Attachment 2, Page 2, Line 32, Column 5). The decrease was entirely attributable to property depreciation. There was no new growth in 2009 for this land use.

Based on the Washington Area Retail Outlook Year-End 2009 report published by Delta Associates, the Washington metro area led the nation by emerging out of the recession during the 1st quarter of 2009, but sluggish conditions remain with a slow growth recovery envisioned. Despite recent job losses, the Washington metro area compares favorably with other large metro areas as it maintains one of the strongest economic bases in the nation with relatively low unemployment. As of September 2009, the regions' unemployment rate stood at 6.2% compared to the national rate of 9.8%. By the end of October, the national unemployment rate stood at 10.2%. According to the *United States Department of Labor, Bureau of Labor Statistics*, the unemployment rate in the City of Alexandria decreased from 4.8% in September to 4.6% in October. With unemployment higher than in the past and continued economic uncertainty the retail markets remain the most volatile.

At the end of the 3rd quarter 2009, the Washington metro area boasted the lowest shopping center vacancy rate among large metro areas at 5.6%. This compared favorably with the national rate of 9.4%. According to analysts at *Delta Associates*, the regions' low vacancy is attributable to steady population growth, high incomes, and the fact that fewer people have lost jobs when compared to other metro areas.

The demand for groceries is sustained at all points of the economic cycle. Therefore, it is not unusual that grocery-anchored shopping centers are more stable investments when compared to other retail property types. By year-end 2009, rental rates for grocery-anchored centers in Northern Virginia declined 6.6% from the previous year to $31.29 per square-foot. Core submarkets reported a decline of only 2.5% with average asking rents of $37.05 per square-foot. Despite the superior performance reported by the core submarkets, landlords are still coping with retaining tenants by renegotiating existing leases and offering concessions in the form of free rent and above standard fit-up allowances. This translates to lower investor returns and higher capitalization rates to offset market risk.

Based on data reported in the 4th Quarter 2009 Korpacz Real Estate Investor Survey, overall capitalization rates for the National Neighborhood Shopping Center Market ranged from 7.25% to 11.0%.

According to data compiled by the *CoStar Group* at year-end 2009, the City of Alexandria had an overall retail vacancy rate of 3.5%. Net of a nominal sublet inventory, the direct vacancy rate was 3.4%. The average asking rent was $32.72 per square-foot on a triple net basis. Notwithstanding the current situation, a moderate increase in the City's overall retail vacancy rate should be anticipated during 2010 as the credit markets continue to constrain the available supply of capital to smaller non-credit retailers who will be unable to replenish depleted inventories. Also, with unemployment expected to increase in 2010, consumers will remain conservative with preference towards bargain goods in an effort to save money.

Although Landmark Mall has continued to struggle, the City's 28 neighborhood centers, including the 589,905 square-foot Potomac Yard Center, have continued to perform well with high levels of occupancy and stable operating positions. Most of these centers have a grocery and/or drug store anchor. It should be noted that the owners of the highly successful Potomac Yard Center are planning for the future redevelopment of the property with a 7.5 million square-foot, mixed-use project. There were no shopping center sales in the City during 2009.

General Commercial Overview

General Commercial properties typically contain uses such as small retailers, repair and service establishments, restaurants, fast food sites, and financial institutions. This property type is broadly defined as commercial properties that contain less than 12,000 square feet of space. The market for these properties has experienced a significant decline in sales volume beginning in 2008 and continuing into 2009. Of the few sales that occurred, the majority were of single tenant and owner occupied properties. There have been very few sales of larger, multi-tenant sales in the past two years.

The base for this property type decreased 7.15%, or approximately $10 million, from $1.4 billion in CY 2009 to $1.3 billion for CY 2010 (Attachment 2, Page 2, Line 28, Column 5). The past several years have seen rental rates lagging behind what an investor would expect based on the market transactions relative to a competitive rate of return. During CY 2009, rental rates remained stable with slight declines.

The King Street/Old Town Business District has experienced some first floor vacancies throughout 2009, with many of the spaces being filled relatively quickly. The outlook for the smaller commercial properties is that they may see a decline again in 2010 as more owners and tenants may be forces to either sell properties or vacate due to difficult economic conditions for their businesses. With the lack of sales volume, in the past we anticipate that the worst for this property class may not have been seen to date.

ASSESSMENT PROCESS

The legislation enabling and requiring the City to annually assess real property for local taxation is found in the Virginia Constitution, Code of Virginia, Charter of the City of Alexandria and Alexandria City Code. The Department of Real Estate Assessments (DREA) annually assesses all parcels of real estate in the City at 100% of fair market value. In establishing annual real property assessments, DREA uses mass appraisal methods to estimate the fair market value. Mass appraisals replicate the market for one or more land uses across a wide geographic area, while single-property appraisals represent the market for one kind of land use in a limited area. Notwithstanding the relative difference, mass appraisal builds on the same principles as single-property appraisal. The CY 2010 real property assessments are the result of measuring market indicators from arm's length transactions, property income and expense information, and comparable construction cost data. Staff also employs numerous data services and our Computer Assisted Mass Appraisal (CAMA) System to produce equitable values for all properties in the City.

For CY 2010, 43,635 local taxable properties were assessed. Also assessed on an annual basis were 1,090 tax exempt parcels. Assessment notices were mailed to property owners on February 16, 2010. Real estate assessment information was available on the city's web site on February 16th in conjunction with the City Council presentation, which included the information about the forms needed for the review and appeal process, the 2010 assessments for all locally assessed properties, general assessment information, and our improved data search capability on the real estate portion of the City's web site enabling residents to view recent sales data, as well as the sales used to determine their assessment.

The 2010 assessment notices included information about requesting a review of assessment with DREA by April 1, and information about filing an appeal of the assessment with the Board of Equalization and Assessment Review by July 1. Typically less than 2% of owners or real property challenge the assessed value of their property through the annual assessment review and appeal process. In 2009, the number of requests for assessment reviews filed with DREA and appeals to the Board represented 1.46% (638) and 1.03% (446), respectively, of the 43,529 locally assessed properties in the City. For 2010, there were significantly more commercial appeals to the Board of Equalization as the Charter requires the Board to have heard and acted upon an assessment before the property owner has the right to file an appeal to the Circuit Court. With a declining market and remaining uncertainty of the future, many commercial property owners will continue to file appeals to protect their appeal rights. Property owners may file with the Circuit Court for the current assessment year and three prior years.

STAFF: Department of Real Estate Assessments

Cindy Smith-Page, Director
William Bryan Page, Deputy Director
Jeffrey Bandy, Appraisal Division Chief
Tim Francis, Senior Appraiser
Michael Slavin, Senior Appraiser
Ryan Davies, Senior Appraiser
Clare Knauss, Real Estates Appraiser II
Stephanie Wilson, Real Estate Appraiser II
Annwyn Milnes, Real Estate Appraiser I
Ann Radford, Supervisory Secretary III
Robert Linnenberg, Assessment Records Specialist
Jamie Carden-Leventhal, Assessment Records Specialist
Marilyn Brugueras, Account Clerk III

ATTACHMENTS:

Attachment 1:	CY 2010 Real Property Assessment Land Book
Attachment 2:	CY 2010 Real Property Assessment Summary Including Appreciation and New Growth
Attachment 3:	30 Year History of Percentage Change in Real Property Tax Base
Attachment 4:	CY 2010 Median Assessments for Single Family Homes and Residential Condominiums (by value ranges and small area plan)
Attachment 5:	CY 2010 Average Real Property Assessments for Single Family Homes and Residential Condominiums by Geographical Area
Attachment 6:	Residential Sales Statistics (January 2007 through December 2009) Prepared by the Department of Real Estate Assessments

City of Alexandria, Virginia

CY 2010 REAL PROPERTY ASSESSMENT SUMMARY

Land Book

Comparison of January 1, 2009 to January 1, 2010
Includes Appreciation and Growth

Real Property Classification	Number of 2010 Parcels	2009 Assessments	2010 Assessments	Amount of Change	% Change
(1)	(2)	(3)	(5)	(6)	(7)
Residential Real Property					
Residential Single Family					
Detached	9,117	$6,804,569,686	$6,492,691,113	($311,878,573)	(4.58)
Semi-Detached	5,610	3,120,875,848	3,029,307,322	(91,568,526)	(2.93)
Row House	6,208	3,405,725,362	3,305,908,828	(99,816,534)	(2.93)
Total Single Family	20,935	$13,331,170,896	$12,827,907,263	($503,263,633)	(3.78)
Residential Condominium					
Garden	10,450	$3,063,305,258	$2,827,725,173	($235,580,085)	(7.69)
High-Rise	7,917	2,260,406,869	1,924,911,975	(335,494,894)	(14.84)
Cooperative	18	22,148,200	20,581,980	(1,566,220)	(7.07)
Townhouse	987	457,386,436	451,303,246	(6,083,190)	(1.33)
Total Residential Condominium	19,372	$5,803,246,763	$5,224,522,374	($578,724,389)	(9.97)
Other Residential Property					
Vacant Residential Land	674	$121,488,192	$151,493,607	$30,005,415	24.70
Total Other Residential Property	674	$121,488,192	$151,493,607	$30,005,415	24.70
Total Residential Real Property	**40,981**	**$19,255,905,851**	**$18,203,923,244**	**($1,051,982,607)**	**(5.46)**
Commercial Real Property					
Commercial Multi-Family Rental					
Garden	207	$1,925,135,230	$1,720,754,668	($204,380,562)	(10.62)
Mid-Rise	30	836,675,362	812,520,190	(24,155,172)	(2.89)
High-Rise	33	1,654,996,572	1,580,023,358	(74,973,214)	(4.53)
Total Multi-Family Rental	270	$4,416,807,164	$4,113,298,216	($303,508,948)	(6.87)
Commercial Office, Retail, and Service					
General Commercial	680	$1,397,045,497	$1,289,775,153	($107,270,344)	(7.68)
Office	560	5,035,097,189	4,421,104,408	(613,992,781)	(12.19)
Office or Retail Condominium	566	484,830,105	440,567,460	(44,262,645)	(9.13)
Shopping Center	32	608,632,620	539,591,992	(69,040,628)	(11.34)
Warehouse	163	780,107,914	670,595,299	(109,512,615)	(14.04)
Hotel/Motel and Extended Stay	29	993,321,007	785,571,463	(207,749,544)	(20.91)
Total Commercial Office, Retail, and Service	2,030	$9,299,034,332	$8,147,205,775	($1,151,828,557)	(12.39)
Other Commercial Property					
Vacant Commercial and Industrial Land	354	$530,430,624	$471,448,674	($58,981,950)	(11.12)
Total Other Commercial Property	354	$530,430,624	$471,448,674	($58,981,950)	(11.12)
Total Commercial Real Property	**2,654**	**$14,246,272,120**	**$12,731,952,665**	**($1,514,319,455)**	**(10.63)**
Total Locally Assessed Taxable Real Property	**43,635**	**$33,502,177,971**	**$30,935,875,909**	**($2,566,302,062)**	**(7.66)**

City of Alexandria, Virginia

CY 2010 REAL PROPERTY ASSESSMENT SUMMARY

Land Book

Comparison of January 1, 2009 to January 1, 2010

Includes Appreciation and Growth

Real Property Classification	Number of 2010 Parcels	2009 Assessments	2010 Assessments	Amount of Change	% Change
(1)	(2)	(3)	(5)	(6)	(7)
Non-Locally Assessed Taxable Real Property					
Assessed by State Corporation Commission (SCC)					
Gas & Pipeline Distribution Corporation		$32,372,712	$32,592,862	$220,150	0.68
Light & Power Corporation		553,793,202	559,910,619	6,117,417	1.10
Telecommunication Company		102,894,042	100,129,038	(2,765,004)	(2.69)
Water Corporation		45,615,229	48,879,910	3,264,681	7.16
Total SCC Assessed Property		$734,675,185	$741,512,429	$6,837,244	0.93
Assessed by Virginia Department of Taxation (VDT)					
Interstate Pipeline Transmission		$321,039	$310,566	($10,473)	(3.26)
Operating Railroad					
Richmond, Fredericksburg & Potomac Railway Co.		68,772,942	68,906,474	133,532	0.19
Norfolk Southern Railway Co.		73,170,393	72,614,969	(555,424)	(0.76)
CSX Transportation, Inc.		45,355	45,355	0	0.00
Total Operating Railroads		$141,988,690	$141,566,798	($421,892)	(0.30)
Total VDT Assessed Property		$142,309,729	$141,877,364	($432,365)	(0.30)
Total Non-Locally Assessed Taxable Real Property		**$876,984,914**	**$883,389,793**	**$6,404,879**	**0.73**
Grand Total Taxable Real Property Assessments		**$34,379,162,885**	**$31,819,265,702**	**($2,559,897,183)**	**(7.45)**

City of Alexandria, Virginia

CY 2010 REAL PROPERTY ASSESSMENT SUMMARY

Land Book

Comparison of January 1, 2009 to January 1, 2010

Includes Appreciation and Growth

Real Property Classification	Number of 2010 Parcels	2009 Assessments	2010 Assessments	Amount of Change	% Change
(1)	(2)	(3)	(5)	(6)	(7)
Locally Assessed Tax Exempt Property					
Governmental					
Federal	18	$665,349,921	$608,345,395	($57,004,526)	(8.57)
WMATA	53	325,871,539	306,030,567	(19,840,972)	(6.09)
State of Virginia	32	261,267,860	243,905,113	(17,362,747)	(6.65)
Regional	4	40,106,863	37,429,324	(2,677,539)	(6.68)
Local					
Public Schools	22	$559,758,666	$517,763,317	($41,995,349)	(7.50)
City Park	208	887,532,508	864,474,785	(23,057,723)	(2.60)
City Buildings	105	376,214,125	412,346,767	36,132,642	9.60
City-Owned Vacant Land	13	44,996,426	11,148,414	(33,848,012)	(75.22)
City Parking	16	15,469,316	14,838,985	(630,331)	(4.07)
Sanitation Authority	7	307,431,808	278,258,176	(29,173,632)	(9.49)
Hospitals	2	169,546,341	197,509,866	27,963,525	16.49
ARHA	221	272,306,263	254,834,427	(17,471,836)	(6.42)
Total Governmental	701	$3,925,851,636	$3,746,885,136	($178,966,500)	(4.56)
Non-Governmental					
Religious					
Cemeteries Private	24	$100,161,503	$95,314,572	($4,846,931)	(4.84)
Cemetery Public	1	2,240,585	2,128,555	(112,030)	(5.00)
Churches	153	350,559,337	328,417,467	(22,141,870)	(6.32)
Residences	22	21,437,917	19,761,272	(1,676,645)	(7.82)
Charitable	57	273,388,705	254,858,785	(18,529,920)	(6.78)
Private Schools	72	326,079,191	306,967,791	(19,111,400)	(5.86)
Faculty Housing	60	56,519,569	52,926,609	(3,592,960)	(6.36)
Total Non-Governmental	389	$1,130,386,807	$1,060,375,051	($70,011,756)	(6.19)
Total Tax Exempt Property	**1,090**	**$5,056,238,443**	**$4,807,260,187**	**($248,978,256)**	**(4.92)**
Grand Total Real Property Assessments (Taxable and non-taxable)	**44,725**	**$39,435,401,328**	**$36,626,525,889**	**($2,808,875,439)**	**(7.12)**

Attachment 2

City of Alexandria, Virginia
CY 2010 REAL PROPERTY ASSESSMENT SUMMARY INCLUDING APPRECIATION AND GROWTH
Comparison of 2009 Equalized Assessments (December 31, 2009) to January 1, 2010

	Real Property Classification & (Parcel Count)	2009 Equalized Assessments	2010 Assessments	($) Amount of Change	% Change	New Growth ($)	% New Growth	($) Amount of Appreciation	% Appreciation
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Locally Assessed Taxable Real Property								
	Residential Real Property								
1	Residential Single Family								
2	Detached (9,117)	$6,807,358,570	**$6,492,691,113**	-$314,667,457	**-4.62%**	$14,482,058	0.21%	-$329,149,515	-4.84%
3	Semi-Detached (5,610)	3,127,515,187	**3,029,307,322**	-98,207,865	**-3.14%**	4,797,621	0.15%	-103,005,486	-3.29%
4	Row House (6,208)	3,408,220,458	**3,305,908,828**	-102,311,630	**-3.00%**	3,112,510	0.09%	-105,424,140	-3.09%
5									
6	Total Single Family (20,935)	$13,343,094,215	**$12,827,907,263**	-$515,186,952	**-3.86%**	$22,392,189	0.17%	-$537,579,141	-4.03%
7									
8	Residential Condominium								
9	Garden (10,450)	$3,069,773,040	**$2,827,725,173**	-$242,047,867	**-7.88%**	$14,227,796	0.46%	-$256,275,663	-8.35%
10	High-rise (7,917)	2,095,924,681	**1,924,911,975**	-171,012,706	**-8.16%**	0	0.00%	-171,012,706	-8.16%
11	Residential Cooperative (18)	21,302,200	**20,581,980**	-720,220	**-3.38%**	0	0.00%	-720,220	-3.38%
12	Townhouse (987)	461,100,581	**451,303,246**	-9,797,335	**-2.12%**	4,305,775	0.93%	-14,103,110	-3.06%
13									
14	Total Residential Condominium (19,372)	$5,648,100,502	**$5,224,522,374**	-$423,578,128	**-7.50%**	$18,533,571	0.33%	-$442,111,699	-7.83%
15									
16	Total Vacant Residential Land (674)	$161,322,778	**$151,493,607**	-$9,829,171	**-6.09%**	$0	0.00%	-$9,829,171	-6.09%
17									
18	**Total Residential Real Property (40,981)**	**$19,152,517,495**	**$18,203,923,244**	**-$948,594,251**	**-4.95%**	**$40,925,760**	0.21%	**-$989,520,011**	**-5.17%**

City of Alexandria, Virginia
CY 2010 REAL PROPERTY ASSESSMENT SUMMARY INCLUDING APPRECIATION AND GROWTH
Comparison of 2009 Equalized Assessments (December 31, 2009) to January 1, 2010

Real Property Classification & (Parcel Count)	2009 Equalized Assessments	2010 Assessments	($) Amount of Change	% Change	New Growth ($)	% New Growth	($) Amount of Appreciation	% Appreciation
(1)	(2)	**(3)**	(4)	**(5)**	(6)	(7)	(8)	(9)
Locally Assessed Taxable Real Property								
Commercial Real Property								
Commercial Multi-Family Rental								
Garden (207)	$1,854,163,260	**$1,720,754,668**	-$133,408,592	**-7.20%**	$0	0.00%	-$133,408,592	-7.20%
Mid-rise (30)	849,338,498	**812,520,190**	-36,818,308	**-4.33%**	51,665,897	6.08%	-88,484,205	-10.42%
High-rise (33)	1,739,728,229	**1,580,023,358**	-159,704,871	**-9.18%**	0	0.00%	-159,704,871	-9.18%
Total Multi-Family Rental (270)	$4,443,229,987	**$4,113,298,216**	-$329,931,771	**-7.43%**	$51,665,897	1.16%	-$381,597,668	-8.59%
Commercial Office, Retail, and Service								
General Commercial (680)	$1,389,157,821	**$1,289,775,153**	-$99,382,668	**-7.15%**	$1,187,240	0.09%	-$100,569,908	-7.24%
Office (560)	4,937,222,040	**4,421,104,408**	-516,117,632	**-10.45%**	81,910,874	1.66%	-598,028,506	-12.11%
Office or Retail Condominium (566)	467,381,858	**440,567,460**	-26,814,398	**-5.74%**	500,000	0.11%	-27,314,398	-5.84%
Shopping Center (32)	584,587,636	**539,591,992**	-44,995,644	**-7.70%**	0	0.00%	-44,995,644	-7.70%
Warehouse (163)	721,914,086	**670,595,299**	-51,318,787	**-7.11%**	0	0.00%	-51,318,787	-7.11%
Hotel/Motel and Extended Stay (29)	901,406,911	**785,571,463**	-115,835,448	**-12.85%**	0	0.00%	-115,835,448	-12.85%
Total Commercial Office, Retail and Service (2,030)	$9,001,670,352	**$8,147,205,775**	-$854,464,577	**-9.49%**	$83,598,114	0.93%	-$938,062,691	-10.42%
Total Vacant Commercial and Industrial Land (354)	489,795,576	**471,448,674**	-18,346,902	**-3.75%**	0	0.00%	-18,346,902	-3.75%
Total Commercial Real Property (2,654)	**$13,934,695,915**	**$12,731,952,665**	**-$1,202,743,250**	**-8.63%**	**$135,264,011**	**0.97%**	**-$1,338,007,261**	**-9.60%**
Total Locally Assessed Taxable Real Property (43,635)	**$33,087,213,410**	**$30,935,875,909**	**-$2,151,337,501**	**-6.50%**	**$176,189,771**	**0.53%**	**-$2,327,527,272**	**-7.03%**

City of Alexandria, Virginia
CY 2010 REAL PROPERTY ASSESSMENT SUMMARY INCLUDING APPRECIATION AND GROWTH
Comparison of 2009 Equalized Assessments (December 31, 2009) to January 1, 2010

	Real Property Classification & (Parcel Count)	2009 Equalized Assessments	2010 Assessments	($) Amount of Change	% Change	New Growth ($)	% New Growth	($) Amount of Appreciation	% Appreciation
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
43	**Non-Locally Assessed Taxable Real Property**								
44									
45	**Assessed by State Corporation Commission (SCC)**								
46	Gas & Pipeline Distribution Corporation	$32,372,712	**$32,592,862**	$220,150	**0.68%**	$0	0.00%	$220,150	0.68%
47	Light & Power Corporation	553,793,202	**559,910,619**	6,117,417	**1.10%**	0	0.00%	6,117,417	1.10%
48	Telecommunication Company	102,894,042	**100,129,038**	-2,765,004	**-2.69%**	0	0.00%	-2,765,004	-2.69%
49	Water Corporation	45,615,229	**48,879,910**	3,264,681	**7.16%**	0	0.00%	3,264,681	7.16%
50									
51	**Total SCC Assessed Property**	**$734,675,185**	**$741,512,429**	**$6,837,244**	**0.93%**	**$0**	**0.00%**	**$6,837,244**	**0.93%**
52									
53	**Assessed by Virginia Department of Taxation (VDT)**								
54	Interstate Pipeline Transmission	$321,039	**$310,566**	-$10,473	**-3.26%**	$0	0.00%	-$10,473	-3.26%
55	Operating Railroad								
56	Richmond, Fredericksburg & Potomac Railway Co.	$68,772,942	**$68,906,474**	$133,532	**0.19%**	$0	0.00%	$133,532	0.19%
57	Norfolk Southern Railway Co.	73,170,393	**72,614,969**	-555,424	**-0.76%**	0	0.00%	-555,424	-0.76%
58	CSX Transportation, Inc.	45,355	**45,355**	0	**0.00%**	0	0.00%	0	0.00%
59									
60	Total Operating Railroads	$141,988,690	**$141,566,798**	-$421,892	**-0.30%**	$0	0.00%	-$421,892	-0.30%
61									
62	**Total VDT Assessed Property**	**$142,309,729**	**$141,877,364**	**-$432,365**	**-0.30%**	**$0**	**0.00%**	**-$432,365**	**-0.30%**
63									
64	**Total Non-Locally Assessed Taxable Real Property**	**$876,984,914**	**$883,389,793**	**$6,404,879**	**0.73%**	**$0**	**0.00%**	**$6,404,879**	**0.73%**
65									
66	**Grand Total Taxable Real Property Assessments**	**$33,964,198,324**	**$31,819,265,702**	**-$2,144,932,622**	**-6.32%**	**$176,189,771**	**0.52%**	**-$2,321,122,393**	**-6.83%**

Department of Real Estate Assessments, January 16, 2010

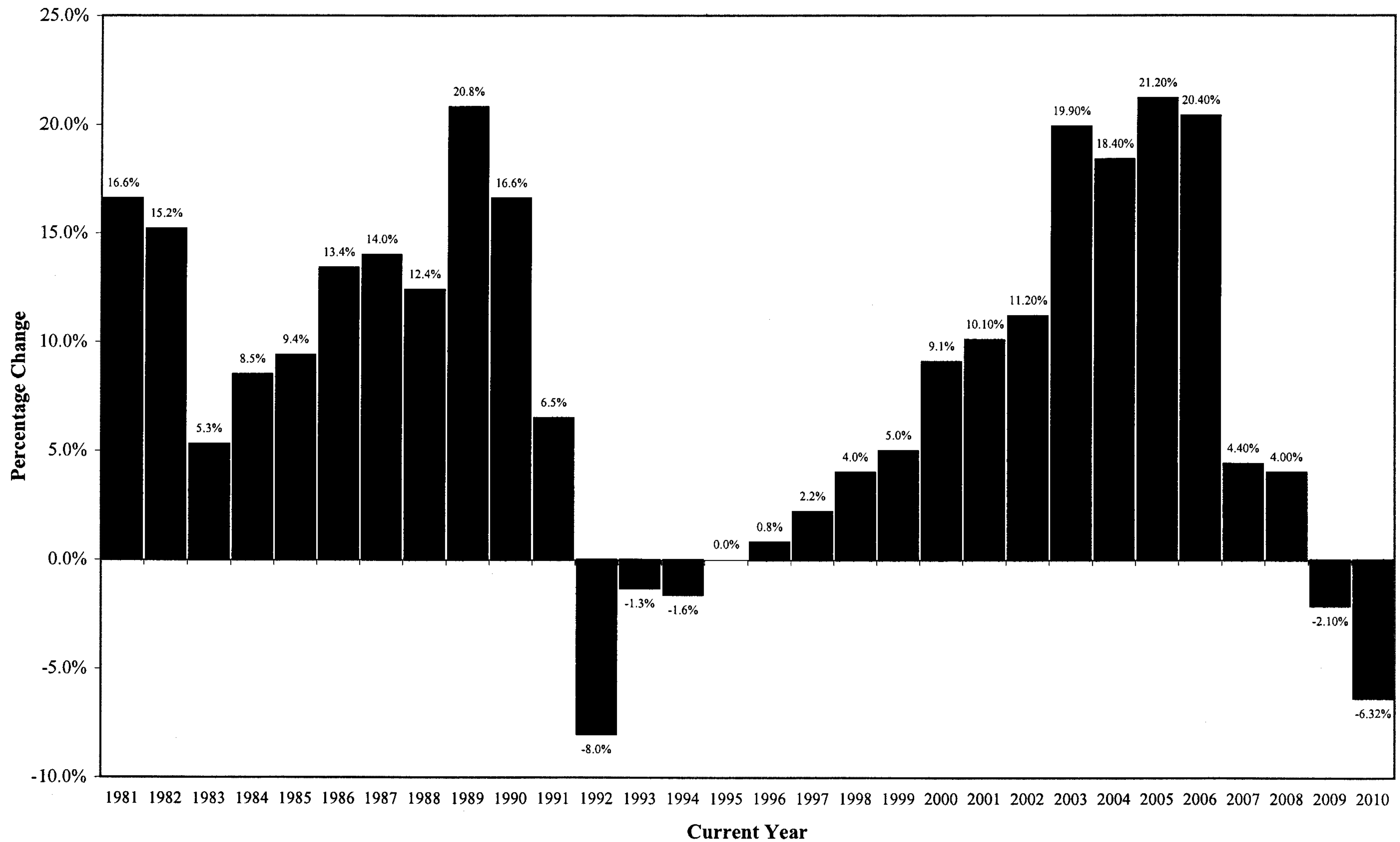
City of Alexandria, Virginia
CY 2010 TAX EXEMPT REAL PROPERTY ASSESSMENT SUMMARY INCLUDING APPRECIATION AND GROWTH
Comparison of 2009 Equalized Assessments (December 31, 2009) to January 1, 2010

Real Property Classification & (Parcel Count)	2009 Equalized Assessments	2010 Assessments	($) Amount of Change	% Change	New Growth ($)	% New Growth	($) Amount of Appreciation	% Appreciation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Tax Exempt Real Property								
Governmental								
Federal (18)	$665,349,921	**$608,345,395**	-$57,004,526	**-8.57%**	$0	0.00%	-$57,004,526	-8.57%
State (32)	261,005,080	**243,905,113**	-17,099,967	**-6.55%**	0	0.00%	-17,099,967	-6.55%
Regional (4)	40,106,863	**37,429,324**	-2,677,539	**-6.68%**	0	0.00%	-2,677,539	-6.68%
Local (594)	2,635,237,551	**2,551,174,737**	-84,062,814	**-3.19%**	68,104,988	2.58%	-152,167,802	-5.77%
WMATA (53)	325,871,539	**306,030,567**	-19,840,972	**-6.09%**	0	0.00%	-19,840,972	-6.09%
Total Governmental (701)	**$3,927,570,954**	**$3,746,885,136**	**-$180,685,818**	**-4.60%**	**$68,104,988**	**1.73%**	**-$248,790,806**	**-6.33%**
Non-Governmental								
Religious (200)	$474,284,629	**$445,621,866**	-$28,662,763	**-6.04%**	$0	0.00%	-$28,662,763	-6.04%
Charitable (57)	274,369,292	**254,858,785**	-19,510,507	**-7.11%**	951,419	0.35%	-20,461,926	-7.46%
Educational (132)	382,598,760	**359,894,400**	-22,704,360	**-5.93%**	4,654,520	1.22%	-27,358,880	-7.15%
Total Non-Governmental (389)	**$1,131,252,681**	**$1,060,375,051**	**-$70,877,630**	**-6.27%**	**$5,605,939**	**0.50%**	**-$76,483,569**	**-6.76%**
Total Tax-Exempt Real Property (1,090)	**$5,058,823,635**	**$4,807,260,187**	**-$251,563,448**	**-4.97%**	**$73,710,927**	**1.46%**	**-$325,274,375**	**-6.43%**

Department of Real Estate Assessments, January 16, 2010
cspage2 \ CY 2010 Assessment Summary 2.c

Attachment 3

30-Year History of Percentage Change in Real Property Tax Base



2010 MEDIAN ASSESSMENT FOR SINGLE FAMILY HOMES AND RESIDENTIAL CONDOMINIUMS

Small Area Plan 1

Alexandria West		
Assessed Value Range	**No. of Units**	**Median Value**
Less than $100,000	143	$ 79,489
$100,000 to $249,999	2,441	153,533
$250,000 to $499,999	1,620	377,015
$500,000 to $749,999	412	538,718
$750,000 to $999,999	8	832,941
$1,000,000 to $1,999,999	1	1,185,592
$2,000,000 and over	0	0

Small Area Plan 2

Braddock Road Metro Station		
Assessed Value Range	**No. of Units**	**Median Value**
Less than $100,000	4	$ 91,000
$100,000 to $249,999	19	147,390
$250,000 to $499,999	1025	382,476
$500,000 to $749,999	655	562,237
$750,000 to $999,999	120	837,014
$1,000,000 to $1,999,999	24	1,139,912
$2,000,000 and over	1	2,750,000

Small Area Plan 3

Fairlington/Bradlee		
Assessed Value Range	**No. of Units**	**Median Value**
Less than $100,000	0	$ -
$100,000 to $249,999	0	0
$250,000 to $499,999	121	349,444
$500,000 to $749,999	4	538,644
$750,000 to $999,999	0	0
$1,000,000 to $1,999,999	0	0
$2,000,000 and over	0	0

CY 2010 Real Property Assessment Report

2010 MEDIAN ASSESSMENT FOR SINGLE FAMILY HOMES AND RESIDENTIAL CONDOMINIUMS

Small Area Plan 4

King St./Eisenhower Ave. Metro Station

Assessed Value Range	No. of Units	Median Value
Less than $100,000	0	$ -
$100,000 to $249,999	0	0
$250,000 to $499,999	115	319,147
$500,000 to $749,999	42	575,727
$750,000 to $999,999	2	911,864
$1,000,000 to $1,999,999	1	1,089,156
$2,000,000 and over	0	0

Small Area Plan 5

Landmark/Van Dorn

Assessed Value Range	No. of Units	Median Value
Less than $100,000	68	$ 89,482
$100,000 to $249,999	4,481	183,136
$250,000 to $499,999	2,158	355,711
$500,000 to $749,999	817	554,204
$750,000 to $999,999	79	818,812
$1,000,000 to $1,999,999	0	0
$2,000,000 and over	0	0

Small Area Plan 6

Northeast

Assessed Value Range	No. of Units	Median Value
Less than $100,000	0	$ -
$100,000 to $249,999	219	217,988
$250,000 to $499,999	496	425,619
$500,000 to $749,999	260	541,455
$750,000 to $999,999	12	814,307
$1,000,000 to $1,999,999	0	0
$2,000,000 and over	1	12,556,301

CY 2010 Real Property Assessment Report

2010 MEDIAN ASSESSMENT FOR SINGLE FAMILY HOMES AND RESIDENTIAL CONDOMINIUMS

Small Area Plan 7

Northridge/Rosemont		
Assessed Value Range	**No. of Units**	**Median Value**
Less than $100,000	0	$ -
$100,000 to $249,999	796	245,045
$250,000 to $499,999	1,523	306,259
$500,000 to $749,999	1,642	628,944
$750,000 to $999,999	679	834,256
$1,000,000 to $1,999,999	295	1,252,084
$2,000,000 and over	41	2,429,794

Small Area Plan 8

Old Town		
Assessed Value Range	**No. of Units**	**Median Value**
Less than $100,000	0	$ -
$100,000 to $249,999	112	226,592
$250,000 to $499,999	579	402,487
$500,000 to $749,999	861	636,920
$750,000 to $999,999	707	861,921
$1,000,000 to $1,999,999	665	1,209,605
$2,000,000 and over	94	2,545,230

Small Area Plan 9

Old Town North		
Assessed Value Range	**No. of Units**	**Median Value**
Less than $100,000	4	$ 52,116
$100,000 to $249,999	359	221,011
$250,000 to $499,999	789	341,498
$500,000 to $749,999	441	620,624
$750,000 to $999,999	99	797,322
$1,000,000 to $1,999,999	42	1,187,263
$2,000,000 and over	1	5,331,120

CY 2010 Real Property Assessment Report

2010 MEDIAN ASSESSMENT FOR SINGLE FAMILY HOMES AND RESIDENTIAL CONDOMINIUMS

Small Area Plan 10

Potomac West		
Assessed Value Range	**No. of Units**	**Median Value**
Less than $100,000	0	$ -
$100,000 to $249,999	643	203,130
$250,000 to $499,999	3,086	405,741
$500,000 to $749,999	1,773	593,274
$750,000 to $999,999	341	828,823
$1,000,000 to $1,999,999	69	1,097,739
$2,000,000 and over	2	2,652,400

Small Area Plan 11

Potomac Yard/Potomac Greens		
Assessed Value Range	**No. of Units**	**Median Value**
Less than $100,000	0	$ -
$100,000 to $249,999	0	0
$250,000 to $499,999	86	440,316
$500,000 to $749,999	186	615,828
$750,000 to $999,999	205	814,886
$1,000,000 to $1,999,999	0	0
$2,000,000 and over	0	0

Small Area Plan 12

Seminary Hill/Strawberry Hill		
Assessed Value Range	**No. of Units**	**Median Value**
Less than $100,000	47	$ 98,066
$100,000 to $249,999	911	149,684
$250,000 to $499,999	2,976	355,229
$500,000 to $749,999	452	593,027
$750,000 to $999,999	399	829,890
$1,000,000 to $1,999,999	131	1,272,195
$2,000,000 and over	16	2,275,055

CY 2010 Real Property Assessment Report

2010 MEDIAN ASSESSMENT FOR SINGLE FAMILY HOMES AND RESIDENTIAL CONDOMINIUMS

Small Area Plan 13

Southwest Quadrant		
Assessed Value Range	**No. of Units**	**Median Value**
Less than $100,000	0	$ -
$100,000 to $249,999	82	244,077
$250,000 to $499,999	515	438,155
$500,000 to $749,999	194	569,340
$750,000 to $999,999	87	850,058
$1,000,000 to $1,999,999	40	1,096,274
$2,000,000 and over	1	26,223,500

Small Area Plan 14

Taylor Run/Duke Street		
Assessed Value Range	**No. of Units**	**Median Value**
Less than $100,000	0	$ -
$100,000 to $249,999	73	244,162
$250,000 to $499,999	803	350,413
$500,000 to $749,999	537	601,089
$750,000 to $999,999	238	870,203
$1,000,000 to $1,999,999	166	1,304,532
$2,000,000 and over	23	2,221,476

Small Area Plan 15

Eisenhower East		
Assessed Value Range	**No. of Units**	**Median Value**
Less than $100,000	0	$ -
$100,000 to $249,999	18	229,793
$250,000 to $499,999	696	380,019
$500,000 to $749,999	151	587,675
$750,000 to $999,999	46	796,208
$1,000,000 to $1,999,999	0	0
$2,000,000 and over	0	0

The median assessed value is the point within the stated range at which half of the assessments are higher and half are lower.

City of Alexandria, Virginia
CY 2010 Real Property Assessment Report

AVERAGE 2010 REAL PROPERTY ASSESSMENT PERCENTAGE CHANGES RESIDENTIAL SINGLE FAMILY AND CONDOMINIUMS BY GEOGRAPHICAL AREA

	Small Area Plan Name	Single Family 2010 Assessed Values	Single Family % Change 2009 to 2010	Residential Condominium 2010 Assessed Values	Residential Condominium % Change 2009 to 2010
	(1)		(2)		(3)
1	Alexandria West	$461,984	**-7.9%**	$203,554	**-14.0%**
2	Braddock Road Metro Station	$539,669	**0.0%**	$368,873	**-4.6%**
3	Fairlington/Bradlee	$476,772	**-2.1%**	$347,671	**-3.5%**
4	King St/Eisenhower Ave Metro Station	$514,981	**-2.3%**	$398,900	**-0.2%**
5	Landmark/Van Dorn	$538,809	**-5.1%**	$223,202	**-11.0%**
6	Northeast	$486,575	**1.7%**	$276,090	**-2.1%**
7	Northridge	$741,552	**-5.4%**	$271,753	**-4.5%**
8	Old Town	$951,756	**-3.4%**	$516,816	**-5.4%**
9	Old Town North	$758,778	**-5.2%**	$366,135	**-3.7%**
10	Potomac West	$486,932	**-2.4%**	$231,216	**-2.4%**
11	Potomac Yard/Potomac Greens	$732,793	**-2.9%**	$461,476	**-4.8%**
12	Seminary Hill/Strawberry Hill	$525,232	**-7.0%**	$227,746	**-8.8%**
13	Southwest Quadrant	$570,983	**0.2%**	$384,746	**-4.8%**
14	Taylor Run/Duke St	$690,961	**-4.5%**	$277,396	**-2.9%**
15	Eisenhower East	$794,499	**-4.9%**	$420,365	**-3.8%**

Department of Real Estate Assessments, January 26, 2010

City of Alexandria, Virginia
CY 2009 Real Property Assessment Report

RESIDENTIAL REAL PROPERTY SALES STATISTICS FOR CY 2007, 2008, AND 2009

DOLLAR VOLUME

Sales Statistic	CY 2007	CY 2008	Percent of Change 2007 to 2008	CY 2009	Percent of Change 2008 to 2009
(1)	(2)	(3)	(4)	(5)	(6)
Dollar Volume of Sales					
Residential Single Family					
Detached	$336,660,199	$235,064,807	(30.18)	$240,791,922	2.44
Semi-Detached	196,653,986	152,796,802	(22.30)	152,027,680	(0.50)
Row House	229,733,311	181,428,413	(21.03)	176,590,547	(2.67)
Total Single Family	**$763,047,496**	**$569,290,022**	**(25.39)**	**$569,410,149**	**0.02**
Residential Condominium					
Garden	$207,399,831	$144,033,341	(30.55)	$160,854,858	11.68
High-Rise	119,590,497	84,143,691	(29.64)	82,852,505	(1.53)
Residential Cooperative					
Townhouse	33,730,950	22,049,300	(34.63)	21,416,100	(2.87)
Total Residential Condominium	**$360,721,278**	**$250,226,332**	**(30.63)**	**$265,123,463**	**5.95**
Total Dollar Volume of Sales	**$1,123,768,774**	**$819,516,354**	**(27.07)**	**$834,533,612**	**1.83**

City of Alexandria, Virginia
CY 2009 Real Property Assessment Report

RESIDENTIAL REAL PROPERTY SALES STATISTICS FOR CY 2007, 2008, AND 2009

NUMBER OF UNITS SOLD

Sales Statistic	CY 2007	CY 2008	Percent of Change 2007 to 2008	CY 2009	Percent of Change 2008 to 2009
(1)	(2)	(3)	(4)	(5)	(6)
Number of Units Sold					
Residential Single Family					
Detached	447	331	(25.95)	357	7.85
Semi-Detached	345	276	(20.00)	301	9.06
Row House	393	330	(16.03)	323	(2.12)
	--------	--------		--------	
Total Single Family	**1,185**	**937**	**(20.93)**	**981**	**4.70**
Residential Condominium					
Garden	626	481	(23.16)	563	17.05
High-Rise	395	304	(23.04)	314	3.29
Residential Cooperative					
Townhouse	64	46	(28.13)	44	(4.35)
	--------	--------		--------	
Total Residential Condominium	**1,085**	**831**	**(23.41)**	**921**	**10.83**
	--------	--------		--------	
Total Number of Units Sold	**2,270**	**1,768**	**(22.11)**	**1,902**	**7.58**

City of Alexandria, Virginia
CY 2009 Real Property Assessment Report

RESIDENTIAL REAL PROPERTY SALES STATISTICS FOR CY 2007, 2008, AND 2009

AVERAGE SALE PRICE

Sales Statistic	CY 2007	CY 2008	Percent of Change 2007 to 2008	CY 2009	Percent of Change 2008 to 2009
(1)	(2)	(3)	(4)	(5)	(6)
Average Sale Price *					
Residential Single Family					
Detached	$753,155	$710,166	(5.71)	$674,487	(5.02)
Semi-Detached	570,012	553,612	(2.88)	505,075	(8.77)
Row House	584,563	549,783	(5.95)	546,720	(0.56)
Total Single Family	**$643,922**	**$607,567**	**(5.65)**	**$580,438**	**(4.47)**
Residential Condominium					
Garden	$331,310	$299,446	(9.62)	$285,710	(4.59)
High-Rise	302,761	276,788	(8.58)	263,861	(4.67)
Residential Cooperative					
Townhouse	527,046	479,333	(9.05)	486,730	1.54
Total Residential Condominium	**$332,462**	**$301,115**	**(9.43)**	**$287,865**	**(4.40)**
Average Sale Price for Residential	**$495,052**	**$463,527**	**(6.37)**	**$438,766**	**(5.34)**

Notes:

* Average sale price for each class of residential property and the average residence is calculated by dividing the dollar volume of sales (page 1) by the number of units sold (page 2). For the purposes of this report, sales of apartments converted into condominium units or newly constructed condominium or townhouse properties throughout the City were not included in the 2007, 2008 and 2009 sales totals.

Department of Real Estate Assessments, January 28, 2010
file name: rea:\2009av\MSlavin\SLSRPRTS\09YrEnd.xls