

Appendix E: Market Analysis

Purpose

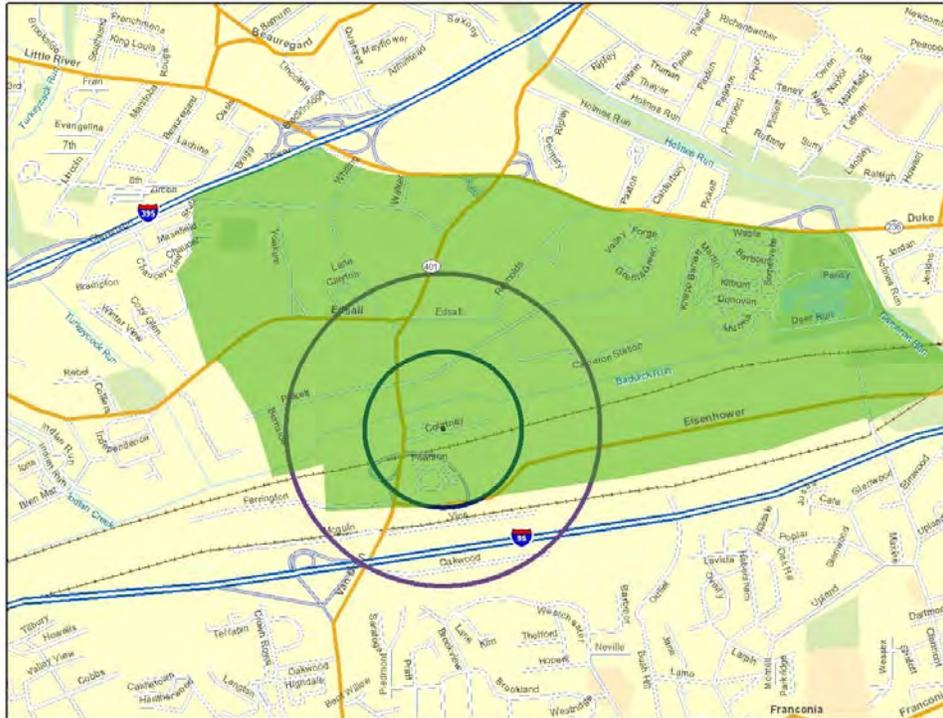
This market analysis explores the past, current and future economic, demographic, and real estate market trends in and around the West End of Alexandria, where the four existing industrial uses are located. The analysis provides information on market opportunities and constraints that inform the potential for future redevelopment of the four existing industrial uses as mixed use, transit-oriented development. The construction of the redevelopment scenario, in its four alternatives, relied upon the long term building needs suggested by the market findings. This analysis also investigates current market conditions, such as occupancy rates and sales prices, that support the revenue assumptions used in developing the financial model that evaluates the financial viability of redevelopment.

This analysis focuses on unmet demand for office and residential space over a relatively long time frame, given the current market conditions and the large size of the site that would be available for redevelopment. The potential for new neighborhood- and transit-serving retail, also a desired component in a mixed use development, is profiled as well.

Market Area Studied

The Market Area is the geographic focus of analysis, the area in which most demand will be generated and where competing office, retail and residential development will be found. The Market Area includes the City of Alexandria, Arlington County, Fairfax County, and the cities of Fairfax and Falls Church. A secondary market area, also known as the metro area, consists of inner-ring jurisdictions of the Washington DC metropolitan area: the City of Falls Church, the City of Alexandria, Fairfax City, Fairfax County, Arlington County in Virginia, as well as Prince George's County and Montgomery County, Maryland, and Washington, D.C. In some instances there is also an analysis of the Study Area, comprising the four subject industrial uses and adjacent residential and commercial uses, consists of Census Tracts 200.401 and 200.402. Figure E-1 delineates the boundaries of the Study Area.

Figure E-1: Study Area



Source: City of Alexandria, 2009; ESRI; BAE, 2009.

Metro Area Demographic and Economic Trends

Regional Growth Forecast

Table E-1 shows the projected increases in population, employment, and households in the Metropolitan, D.C. area, published by the Metropolitan Washington Council of Governments as the Round 7.1 cooperative forecast. The forecast may not take into account the full impact of the current economic downturn; a revised cooperative forecast is expected to be approved in the second half of 2009. The forecast covers the period from 2005 to 2030. The Market Area represents roughly 30 percent of the metro area's jobs, households, and population. Following traditional national planning trends, outer-ring suburbs, such as Loudoun County, Virginia, and Frederick County, Maryland, are expected to experience the highest increase of population, employment, and households. From 2005 to 2030, there is a projected 63 percent increase in the number of households in outer Washington, D.C. suburbs.

Table E-1: Washington Region Jobs, Households, and Population: Trends and Future Forecasts, 2000-2030

Jobs	2000	2005	Change 2000-2005	Percent of Total, 2005	Forecast 2030	Change 2005-2030	Percent Change 2005-2030	Percent of Total, 2030
Market Area (a)	887,130	943,322	56,192	30.9%	1,307,156	363,834	39%	30.9%
<i>City of Alexandria</i>	89,273	105,741	16,468	3.5%	141,496	35,755	34%	3.3%
<i>Study Area (b)</i>	11,726	11,842	116	0.4%	19,629	7,787	66%	0.5%
District of Columbia	743,594	745,300	1,706	24.4%	881,420	136,120	18%	20.9%
Central Jurisdictions (c)	1,015,454	1,045,916	30,462	34.3%	1,281,365	235,449	23%	30.3%
Inner Suburbs (d)	1,427,848	1,490,591	62,743	48.9%	2,095,599	605,008	41%	49.6%
Outer Suburbs (e)	401,589	513,109	111,520	16.8%	848,389	335,280	65%	20.1%
MSA Total	2,844,891	3,049,616	204,725	100%	4,225,353	1,175,737	39%	100%
Population								
Market Area	1,319,323	1,411,517	92,194	28.3%	1,789,491	377,974	27%	27.2%
<i>City of Alexandria</i>	128,283	135,854	7,571	2.7%	171,086	35,232	26%	2.6%
<i>Study Area</i>	16,307	19,240	2,933	0.4%	28,097	8,857	46%	0.4%
District of Columbia	572,059	577,834	5,775	11.6%	714,057	136,223	24%	10.9%
Central Jurisdictions	890,656	912,943	22,287	18.3%	1,127,636	214,693	24%	17.1%
Inner Suburbs	2,682,121	2,867,291	185,170	57.5%	3,513,783	646,492	23%	53.4%
Outer Suburbs	979,119	1,206,662	227,543	24.2%	1,938,368	731,706	61%	29.5%
MSA Total	4,551,896	4,986,896	435,000	100%	6,579,787	1,592,891	32%	100%
Households								
Market Area	511,924	549,249	37,325	29.3%	704,878	155,629	28%	27.8%
<i>City of Alexandria</i>	61,889	66,337	4,448	3.5%	86,950	20,613	31%	3.4%
<i>Study Area</i>	8,241	9,946	1,705	0.5%	15,270	5,324	54%	0.6%
District of Columbia	248,338	253,615	5,277	13.5%	325,748	72,133	28%	12.9%
Central Jurisdictions	397,128	412,178	15,050	22.0%	530,505	118,327	29%	20.9%
Inner Suburbs	976,291	1,045,003	68,712	55.7%	1,319,235	274,232	26%	52.1%
Outer Suburbs	336,982	419,602	82,620	22.4%	684,184	264,582	63%	27.0%
MSA Total	1,710,401	1,876,783	166,382	100%	2,533,924	657,141	35%	100%
Notes:								
(a) Includes the City of Alexandria, Arlington County, Fairfax County, Fairfax City, and the City of Falls Church, Virginia.								
(b) Includes TAZ levels 1376, 1377, 1378, 1379, 1380, 1381, and 1382 in the City of Alexandria.								
(c) Includes the District of Columbia, Arlington County, and the City of Alexandria, Virginia.								
(d) Includes Montgomery County (MD), Prince George's County (MD), Fairfax County (VA), and Fairfax City (VA).								
(e) Includes Frederick County (MD), Loudoun County (VA), Prince William County (VA), the City of Manassas (VA), the City of Manassas Park (VA), Stafford County (VA), Charles County (MD), and Calvert County (MD).								
(f) Forecasts are from Round 7.1 Forecasts.								
Source: Metropolitan Washington COG; City of Alexandria, 2009; BAE 2009.								

Employment growth is expected in the market area from 2005 to 2030, growing from 943,322 jobs in 2005 to 1,307,156 jobs in 2030, and increase of about 364,000 jobs. Of the areas examined, the Study Area is projected to have the highest percentage increase in employment, growing by 66 percent, from 11,842 jobs in 2005 to 19,629 jobs in 2030. This percentage growth slightly exceeds the high growth rate of the outer ring suburbs.

Study Area Trends

Table E-2 below shows the current demographics and trends for the Study Area, the City of Alexandria, the Market Area, and the Metro DC Area. A pattern typical of more urbanized areas is present in the Study Area and Alexandria: smaller household sizes and a higher proportion of renters than suburban and fringe areas in the Metro Area. Since 1990, the median household income grew 69 percent in the Study Area. This is comparable to the Metro Area as a whole. However, income growth in the City of Alexandria was 79 percent. This provides some evidence that the Study Area has been able to attract or retain its more moderate household incomes, while quickly rising incomes in the City as a whole is likely correlated with housing values affordable to fewer households.

Household growth in the Study Area has been rapid since 1990, reflecting the development of large housing projects like Cameron Station and Summers Grove. Homeownership rates have remained fairly steady during that time period.

Commuting Patterns

According to 2000 U.S. Census data, only a small portion of workers residing in the Market Area work in the Study Area, not surprising given its small size. Sixty-three percent live in Market Area jurisdictions, with the greatest percentage, 38 percent, residing in Fairfax County. Table E-3 provides detail on the residence location for Market Area workers.

Table E-4 below presents the workplace of Market Area residents. Similarly, about 60 percent of Market Area residents work in the Northern Virginia Market Area. However, there is also a substantial commutation of residents to Washington DC, a pattern not repeated by DC residents reverse-commuting to the Northern Virginia Market Area in any substantial percentage.

Table E-2: Demographic Trends, 1990-2008

	<u>1990</u>	<u>2000</u>	<u>2008</u>	Annual Average Change 1990-2008
Population				
Study Area (a)	12,052	16,307	20,992	3.1%
City of Alexandria	111,183	128,283	135,581	1.1%
Market Area (b)	1,129,903	1,319,360	1,390,213	1.2%
Metro DC Area (c)	3,223,098	3,566,275	3,759,225	0.9%
Households				
Study Area	6,261	8,241	10,097	2.7%
City of Alexandria	53,280	61,889	63,965	1.0%
Market Area	435,702	511,461	537,508	1.2%
Metro DC Area	1,225,575	1,370,974	1,448,162	0.9%
Average Household Size				
Study Area	1.91	1.97	2.07	0.4%
City of Alexandria	2.04	2.04	2.09	0.1%
Market Area	2.54	2.55	2.56	0.0%
Metro DC Area	2.56	2.54	2.54	0.0%
Homeownership Rate				
Study Area	35.9%	34.4%	35.6%	
City of Alexandria	40.5%	40.0%	39.5%	
Market Area	62.7%	62.4%	61.7%	
Metro DC Area	58.0%	59.9%	60.0%	
Median Household Income (d)				
Study Area	\$41,294	\$54,504	\$69,834	3.0%
City of Alexandria	\$42,562	\$57,551	\$76,088	3.3%
Market Area	\$54,883	\$74,562	\$94,362	3.1%
Metro DC Area	\$47,288	\$64,080	\$80,550	3.0%
Notes:				
(a) Includes Census Tracts 200401 and 200402 in Alexandria, Virginia.				
(b) Includes the City of Alexandria, Arlington County, Fairfax County, the City of Falls Church, and Fairfax City, Virginia.				
(c) Includes the City of Falls Church, the City of Alexandria, Fairfax City, Arlington County, and Fairfax County, VA; Montgomery County, Prince George's County, MD; and the District of Columbia.				
(d) Data used is sample data; it does not include the entire population.				
Source: United States Census, 1990, 2000; Claritas, Inc, 2009; BAE, 2009.				

Table E-3: Place of Residence for Market Area Workers, 2000

	Percent
Virginia	80.1%
Study Area (a)	7.3%
Northern Virginia	62.9%
<i>City of Alexandria</i>	19.9%
<i>Arlington County</i>	4.7%
<i>Falls Church</i>	0.2%
<i>Fairfax County</i>	37.9%
<i>Fairfax City</i>	0.2%
Loudoun County	0.7%
Prince William County	11.0%
<i>Manassas City</i>	0.6%
<i>Manassas Park City</i>	0.0%
Elsewhere in Virginia	4.9%
Maryland	14.8%
District of Columbia	3.7%
Other States/Abroad	1.4%
Total (b)	100%
Workers In-Commuting	92.7%
Notes:	
(a) Includes Census Tracts 200401 and 200402 in Alexandria, Virginia.	
(b) Data used is sample data.	
Source: United State Census Transportation Planning Package, 2000; BAE, 2009.	

Table E-4: Place of Work for Market Area Residents, 2000

	Percent
Virginia	64.0%
Study Area (a)	7.7%
Inside Market Area	60.7%
<i>City of Alexandria</i>	21.0%
<i>Arlington County</i>	16.8%
<i>Falls Church</i>	0.4%
<i>Fairfax County</i>	21.0%
<i>Fairfax City</i>	1.4%
Loudoun County	1.5%
Prince William County	0.9%
<i>Manassas City</i>	0.0%
<i>Manassas Park City</i>	0.0%
Elsewhere in Virginia	1.0%
Maryland	6.8%
District of Columbia	28.2%
Other States/Abroad	1.0%
Total (b)	100%
Workers Out-Commuting	92.3%
Notes:	
(a) Includes Census Tracts 200401 and 200402 in Alexandria, Virginia.	
(b) Data used is sample data.	
Source: United State Census Transportation Planning Package, 2000; BAE, 2009.	

Tables E-5 and E-6 below shows the mode of transportation of Market Area residents and workers. For both data sets, the results are similar: overwhelmingly, people choose to drive alone or carpool, rather than taking public transportation. A noticeable deviation from general market area commuting characteristics is in the commuting patterns of Arlington County workers: 14 percent used public transportation, compared to seven percent of Alexandria workers. The creation of more transit-oriented developments such as Carlyle in Alexandria in recent years may be shifting the modal split towards public transportation for Alexandria residents and workers since 2000.

Table E-5: Mode of Transportation of Market Area Residents Who Work Inside the Market Area, 2000

Place of Work	Drove Alone		Carpooled		Public Transportation		Other		Worked from Home		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
City of Alexandria	37,415	71.2%	5,829	11.1%	3,677	7.0%	2,934	5.6%	2,690	5.1%	52,545	100%
Arlington County	56,850	59.6%	14,750	15.5%	13,309	13.9%	6,617	6.9%	3,890	4.1%	95,416	100%
Falls Church	4,895	75.0%	865	13.3%	201	3.1%	270	4.1%	295	4.5%	6,526	100%
Fairfax County	251,195	78.6%	29,984	9.4%	8,029	2.5%	8,553	2.7%	22,025	6.9%	319,786	100%
Fairfax City	16,515	81.0%	2,158	10.6%	629	3.1%	727	3.6%	350	1.7%	20,379	100%

Notes:
Data used is sample data.

Source: United States Census Transportation Planning Package, 2000; BAE, 2009.

Table E-6: Mode of Transportation of Market Area Workers Who Live Inside the Market Area, 2000

Place of Residence	Drove Alone		Carpooled		Public Transportation		Other		Worked from Home		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
City of Alexandria	30,390	65.9%	5,457	11.8%	4,769	10.3%	2,787	6.0%	2,690	5.8%	46,093	100%
Arlington County	38,610	62.4%	6,342	10.2%	6,574	10.6%	6,480	10.5%	3,890	6.3%	61,896	100%
Falls Church	2,610	71.2%	325	8.9%	203	5.5%	235	6.4%	295	8.0%	3,668	100%
Fairfax County	288,480	77.1%	40,659	10.9%	13,868	3.7%	9,119	2.4%	22,025	5.9%	374,151	100%
Fairfax City	6,780	76.7%	803	9.1%	431	4.9%	480	5.4%	350	4.0%	8,844	100%

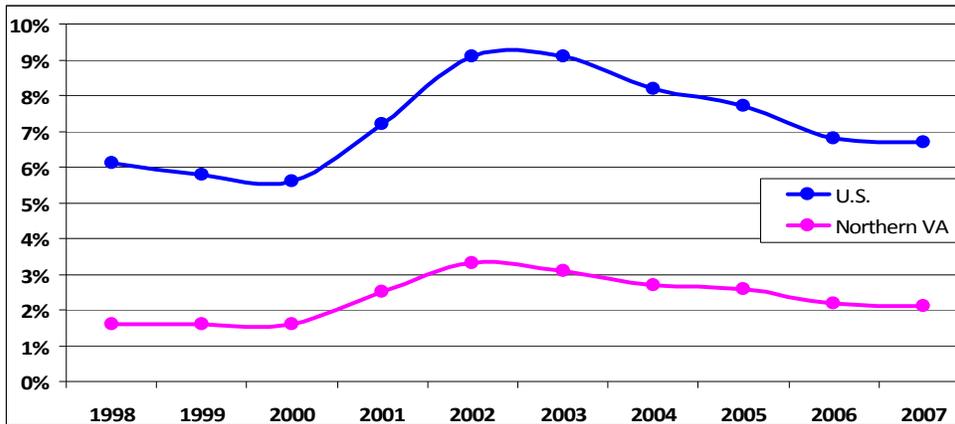
Notes:
Data used is sample data.

Source: U.S. Census Transportation Planning Package, 2000; BAE, 2009.

Employment Trends

While recognizing the cyclical nature of economic growth, and the impact that the current economic downturn has on real estate development, this market analysis focuses on a longer-term view of the regional and economic structure and employment base. Figure E-2 compares the Northern Virginia unemployment rate over a 10 year period ending in 2007 (prior to registering the employment impacts of the current economic downturn).

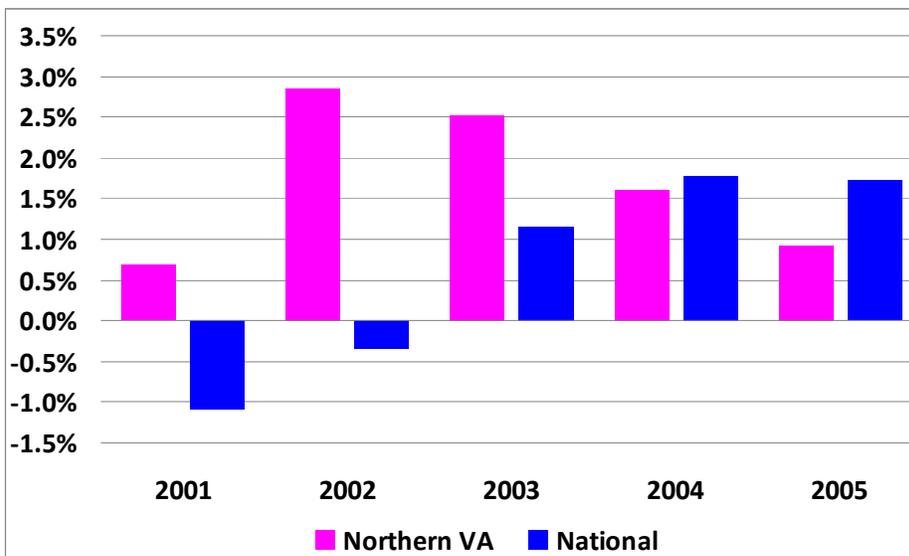
Figure E-2: Unemployment Rate, Northern Virginia & United States



Source: Virginia Employment Commission, 2009; United States Current Population Survey, 2009; BAE, 2009.

A view of the Northern Virginia job base shows a similar pattern as resident-based unemployment statistics, demonstrating the relative stability of the local economy over time. While the percentage of annual job growth did not always meet the national average in the economic expansion occurring since 2003, the area also did not shed as high a percentage of jobs during the previous economic downturn at the start of the decade. See Figure E-3.

Figure E-3: Percent Change in Employment, Northern VA and U.S., 2001-2005



Source: Virginia Employment Commission, 2009; U.S. Bureau of Labor Statistics Quarterly Census of Employment and Wages, 2009; BAE, 2009.

Real Estate Supply

Office Market Conditions

Table E-7 provides statistics on Alexandria’s supply of office space in comparison to the Market Area. Alexandria currently constitutes approximately 12 percent of the Market Area office space, a share of the market area’s office space that has remained relatively constant over time. Since the early part of the decade, Alexandria has regained some of the Market Area share lost in the mid to late 1990’s. Construction and absorption of space in Alexandria has fluctuated widely, but Alexandria has absorbed, on average, 327,000 square feet of rentable square feet net per year. Vacancy in Alexandria office space overall is relatively healthy, at 8.5 percent, an improvement over vacancy rates in recent years.

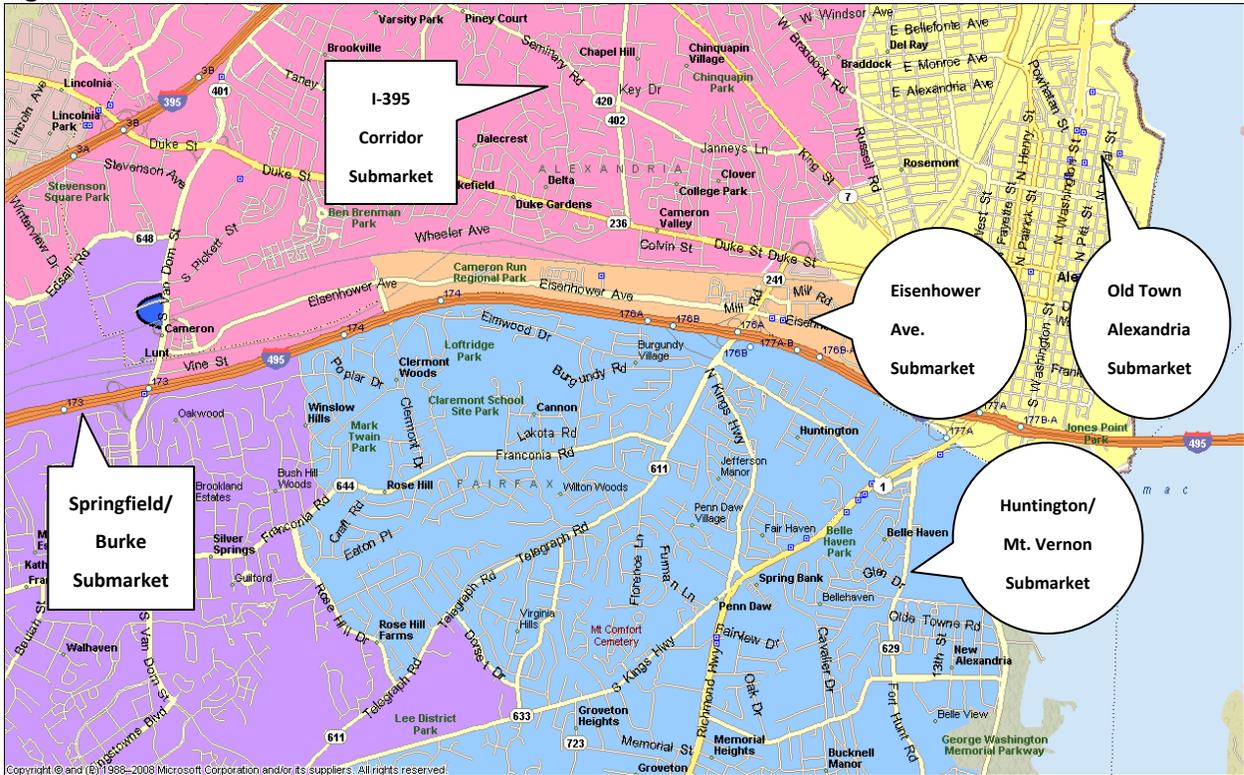
Table E-7: Inventory of Office Space, City of Alexandria and Market Area, 1993-2008

Year	Market Area (a)		City of Alexandria				
	Total RBA	Total Buildings	Total RBA	% of Market Area RBA	Total Buildings	Total Net Absorption	Vacancy Rate, Q4
1993	119,921,591	2,470	15,038,694	12.5%	686	218,217	11.6%
1994	119,965,768	2,474	15,044,706	12.5%	688	140,951	11.0%
1995	121,192,225	2,482	15,048,423	12.4%	689	63,315	9.6%
1996	121,907,381	2,486	15,048,423	12.3%	689	182,639	9.4%
1997	122,513,344	2,493	15,291,330	12.5%	692	492,842	8.4%
1998	126,141,101	2,531	15,583,352	12.4%	696	477,489	4.9%
1999	132,854,970	2,576	15,855,440	11.9%	698	355,071	4.7%
2000	139,548,024	2,628	16,288,264	11.7%	702	10,987	6.4%
2001	146,319,151	2,676	16,483,884	11.3%	704	(403,276)	7.8%
2002	152,106,747	2,710	16,749,334	11.0%	706	278,267	9.4%
2003	153,787,287	2,720	17,372,325	11.3%	710	716,406	9.0%
2004	156,895,092	2,739	19,278,458	12.3%	714	1,414,460	7.6%
2005	158,656,042	2,750	19,611,987	12.4%	715	697,318	8.9%
2006	162,563,994	2,783	19,950,400	12.3%	719	169,092	9.5%
2007	165,865,490	2,812	19,961,942	12.0%	720	153,141	8.8%
2008	170,364,671	2,840	20,432,056	12.0%	724	266,995	8.5%

Notes:
(a) Includes the City of Alexandria, Arlington County, Fairfax County, Fairfax City, and the City of Falls Church, Virginia.
Source: CoStar, 2009; Alexandria Economic Development Partnership, 2009; BAE, 2009.

CoStar, the database of office property data, classifies local office space into several submarkets, some of which extend beyond Alexandria’s borders. The Study Area is located at the western edge of the Eisenhower Avenue submarket, which includes the Eisenhower East/Carlyle area. Other local submarkets that would be most competitive with new office space in the Study Area are the I-395 and Old Town submarkets. Figure E-4 delineates the submarket boundaries in the areas closest to the Study Area.

Figure E-4: Office Submarkets in the Eisenhower West Area



Source: Microsoft, 2009; CoStar, 2009; BAE, 2009.

Table E-8 compares statistics for the Eisenhower, Old Town and I-395 submarkets. Eisenhower is currently the smallest submarket, but it contains the bulk of office space built since 2000, reflecting the redevelopment activity in Carlyle/Eisenhower East. The Eisenhower submarket also has the highest average lease rates and lowest overall vacancy rates, although its Class A space is not as fully occupied as Class A space in the other two submarkets.

Table E-8: Competitive Office Submarkets, First Quarter 2009

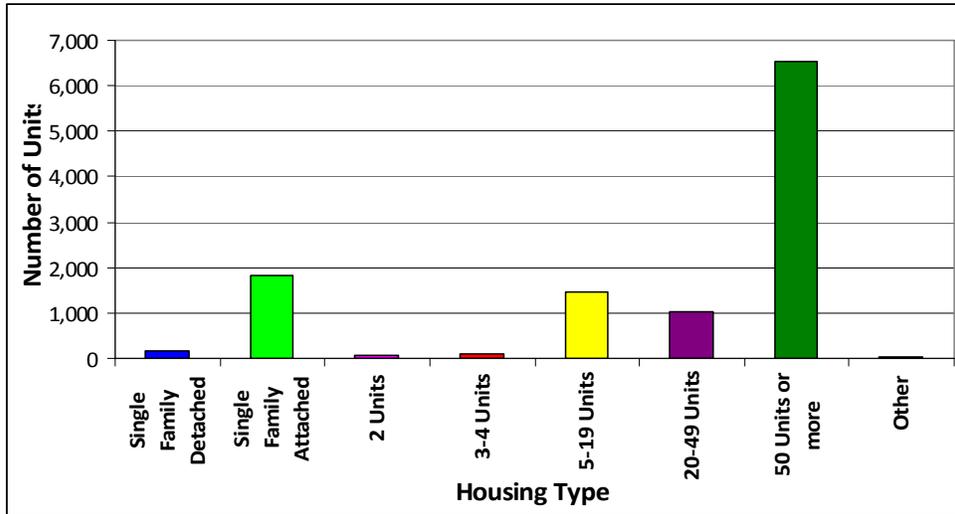
	Total RBA	Current Vacancy Rate	RBA Added Since 2000	Average Lease Rate
I-395				
Class A	4,988,530	6.1%	1,319,622	\$30.03/fs
Class B	3,564,697	21.1%	79,628	\$25.32/fs
Class C	1,017,762	3.0%	0	\$21.13/fs
Total	9,570,989		1,399,250	
Eisenhower				
Class A	3,350,436	10.3%	27,893,508	\$37.64/fs
Class B	1,717,506	2.4%	0	\$24.47/fs
Class C	28,591	0.0%	0	-
Total	5,096,533		27,893,508	
Old Town				
Class A	4,575,441	9.8%	969,106	\$34.80/fs
Class B	4,446,472	8.2%	35,694	\$28.74/fs
Class C	1,466,578	3.4%	1,960	\$26.59/fs
Total	10,488,491		1,006,760	
Source: CoStar, 2009; Alexandria Economic Development Partnership, 2009; BAE, 2009				

For Sale and Rental Housing

Study Area Housing Stock

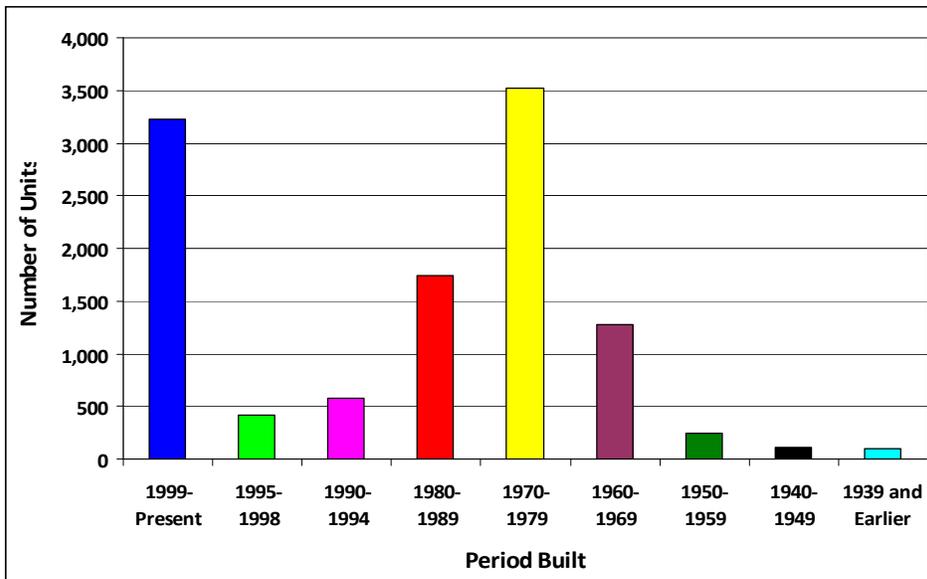
Figures E-5 and E-6 describe the characteristics of existing Study Area housing stock. Housing is diverse, but essentially split into housing built in the past 10 years, and housing built prior to 1980. Most housing units (6,529) are located in buildings of 50 units or more, reflecting the recent large developments such as Cameron Station, or are characterized as single-family attached dwellings. While 31 percent of the housing units in the Study Area were built between 1970 and 1979, almost 30 percent of the units have been built since 1999.

Figure E-5: Housing Types in the Study Area



Source: Claritas, Inc, 2009; BAE, 2009.

Figure E-6: Age of Housing Stock in Study Area



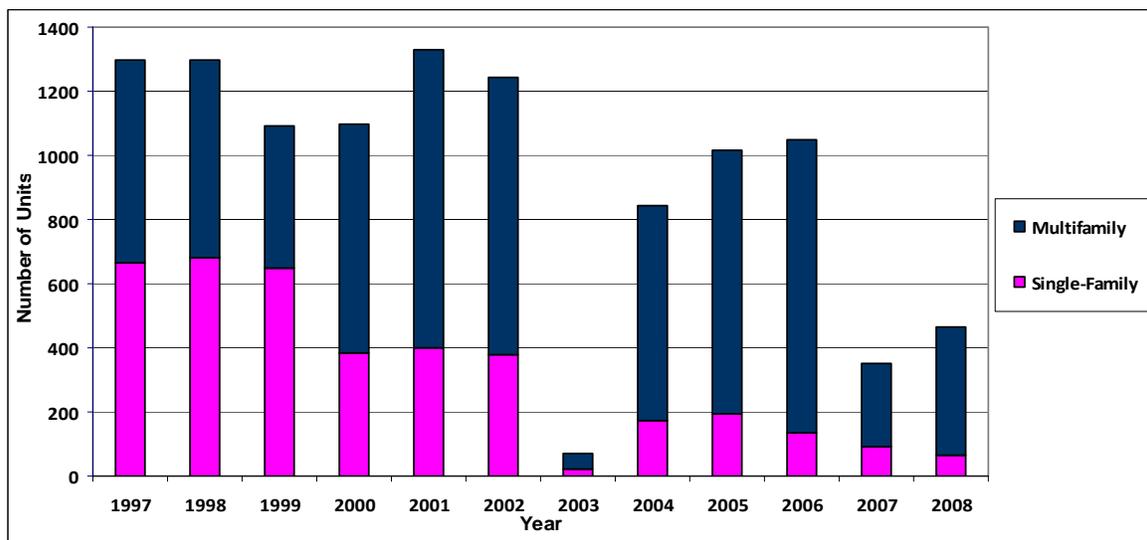
Source: Claritas, Inc., 2009; BAE, 2009.

Historical Building Trends

Building permit data serves as a measurement of development activity in an area. From 1997-2002, the City of Alexandria experienced its highest levels of permits issued of the entire period

studied, including the recent housing boom. Alexandria has been averaging 931 new units permitted annually over the past 12 years, with single-family units representing a smaller percentage of total permits each year. Single-family permits have been fairly steadily declining since 1997. This is to be expected, given Alexandria’s proximity to Washington, D.C., dwindling supply of vacant land, and its long development history. The number of multifamily permits approved each year varies, but has been gradually increasing. In recent years, the increase in multifamily permits can be attributed to, at least part, the significant investment in rental and condominium development in the Carlyle/Eisenhower East area of the City.

Figure E-7: Residential Building Permits Issued, City of Alexandria, 1997-2008



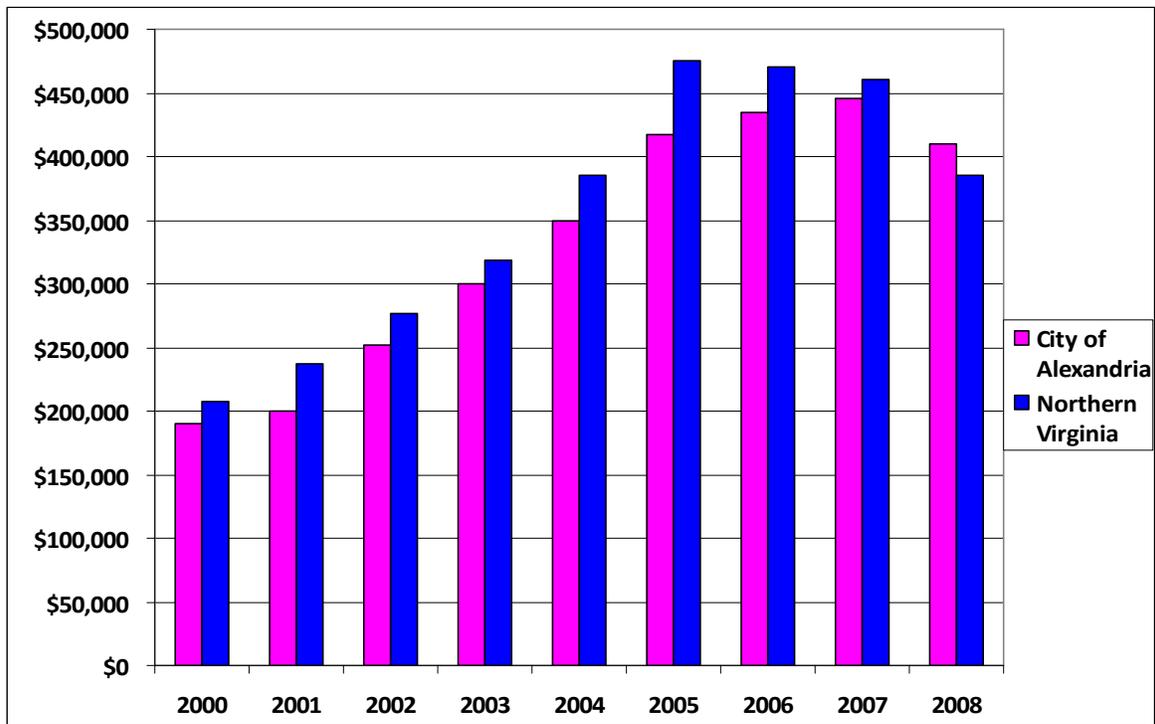
Source: U.S. Department of Housing and Urban Development, 2009; BAE, 2009.

For-Sale Housing Market

Residential sales data for the City of Alexandria, as well as the zip code 22304 in Alexandria, were obtained from Metropolitan Regional Information Systems, the region’s multiple listing service for residential properties. Median sales price in 2008 was \$410,000 in Alexandria, down from \$445,725 in 2007; \$385,000 in 2008 in Northern Virginia, down from \$460,000 in 2007. Overall, Alexandria’s median housing value has lagged behind Northern Virginia, but interestingly, the median value in 2008 topped the Northern Virginia median, suggesting that Alexandria has thus far has had more success in its housing values during the current real estate market decline.

Prices generally peaked in 2005 and have softened since then, but condominiums, 2 bedroom, and 3 bedroom townhouses sell on average for more than twice the price averaged ten years ago.

Figure E-8: Median Housing Value Growth/Decline in the City of Alexandria, 2000-2008



Source: Metropolitan Regional Information Statistics, 2009; BAE, 2009.

Six months of recent housing resale data for zip code 22304, where the Study Area is located, is shown in Table E-9. For comparison purposes, Table E-10 displays home sales in 2007, when the real estate market was in slightly better health than its current condition and the greater number of sales provides a more thorough picture of market activity. During the past six months, most homes sold were condominiums priced below \$250,000. Most single-family homes that were sold, however, had sale prices between \$400,000 and \$600,000. The prevalence of sales below \$250,000 is most likely a sign of uncertainty in the real estate market and the difficulty in obtaining mortgages. In 2007, condominium sales made up the majority of transactions, but there was a fuller range of sales prices among condominiums and single-family homes. Resale prices for three bedroom single-family houses in 2007 clustered between \$500,000 and \$600,000. Some condominiums in the zip code achieved the same price, but the majority of condominium resales were under \$300,000. Current asking prices for Cameron Station units for sale range from \$244 to \$321 per square foot.

Table E-9: Residential Resales for Zip Code 22304, September 2008 to February 2009

Price	All Units		Single-Family Homes			Condominiums
	Number of Units	Percent of Total	2 or Fewer Bedrooms	3 Bedrooms	4 or More Bedrooms	
Under \$250,000	92	43.6%	2	2	0	88
\$250,000-\$299,999	30	14.2%	1	6	2	21
\$300,000-\$349,999	16	7.6%	2	3	1	10
\$350,000-\$399,999	9	4.3%	1	4	0	4
\$400,000-\$449,999	18	8.5%	3	8	1	6
\$450,000-\$499,999	11	5.2%	1	4	1	5
\$500,000-\$599,999	18	8.5%	1	12	4	1
\$600,000-\$699,999	5	2.4%	0	2	3	0
\$700,000-\$799,999	4	1.9%	0	3	1	0
\$800,000-\$899,999	5	2.4%	0	0	5	0
\$900,000-\$999,999	1	0.5%	0	0	1	0
\$1,000,000 or more	2	0.9%	0	0	2	0
Total	211	100%	11	44	21	135

Notes:
Data is for home sales from September 1, 2008 to February 28, 2009.

Source: Metropolitan Regional Information Systems, 2009; BAE, 2009.

Table E-10: Residential Resales for Zip Code 22304, January 1 to December 31, 2007

Price	All Units		Single-Family Homes			Condominiums
	Number of Units	Percent of Total	2 or Fewer Bedrooms	3 Bedrooms	4 or More Bedrooms	
Under \$250,000	106	18.1%	0	0	0	106
\$250,000-\$299,999	102	17.4%	3	1	0	98
\$300,000-\$349,999	56	9.6%	5	0	0	51
\$350,000-\$399,999	45	7.7%	6	13	1	25
\$400,000-\$449,999	36	6.2%	6	8	3	19
\$450,000-\$499,999	51	8.7%	0	22	4	25
\$500,000-\$599,999	97	16.6%	2	68	18	9
\$600,000-\$699,999	39	6.7%	0	31	8	0
\$700,000-\$799,999	15	2.6%	0	4	11	0
\$800,000-\$899,999	15	2.6%	0	2	13	0
\$900,000-\$999,999	10	1.7%	0	2	8	0
\$1,000,000 or more	13	2.2%	0	0	11	2
Total	585	100%	22	151	77	335

Source: Metropolitan Regional Information Systems, 2009; BAE, 2009.

Table E-11: Asking Prices in Cameron Station, May 2009

<u>Address</u>	<u>Asking Price</u>	<u>Square Feet</u>	<u>Price per Square Foot</u>	<u>Type</u>	<u>Number of Bedrooms</u>
4907 John Ticer Drive	\$949,900	3,319	\$286.20	Detached	3
5156 Knapp Place	\$899,500	3,471	\$259.15	Detached	4
130 Tull Place	\$838,000	2,864	\$292.60	Townhome	4
108 Cameron Station Boulevard	\$610,000	2,502	\$243.80	Townhome	3
5106 Grimm Drive	\$545,000	2,116	\$257.56	Townhome	3
417 Cameron Station Boulevard #51	\$439,000	1,516	\$289.58	Condominium	2
400 Cameron Station Boulevard #G10	\$386,200	1,203	\$321.03	Condominium	2

Source: Realtor.com, 2009; BAE, 2009.

Rental Housing Market

There are several apartment complexes in the general vicinity of the industrial uses, many located in the Carlyle/Eisenhower East area of Alexandria. The complexes are of varying age and quality. Table E-12 shows the competitive market rate apartment complexes located near the industrial uses. Complexes located closest to the industrial uses consist mainly of low-rise, garden-style apartments. Carlyle/Eisenhower East complexes generally are newer construction and above seven floors. Community features such as a swimming pool and fitness center are available in all of the complexes surveyed.

Rents ranged from \$1.39 per square foot for a 1,274 square foot unit to \$3.23 per square foot for an 870 square foot unit. The apartment complexes in the Carlyle/Eisenhower East area commanded higher rents per square foot. Apartment complexes in both areas boasted metro accessibility as an advantage. The amount of utilities included varied widely, from no utilities included in the rent, to everything included except for electric and cable television.

Vacancy rates at the complexes were generally healthy, averaging nine percent, indicating a relatively healthy market. Carlyle/Eisenhower East may present a more attractive option to prospective renters, as the average vacancy rate for those complexes was four percent, compared to the ten percent vacancy rate for the apartment complex located immediately near the industrial uses.

Table E-12: Apartment Complexes in Alexandria, Virginia

Project/Address	Number of Units	Floor Plans	Rental Rates (a)	Utilities	Size (in SF)	Price per Square Foot	Vacancy	Comments/Features
Avalon at Cameron Court 2700 Williamsburg Street Alexandria, VA 22314 703.567.5399	460	1 BR/1 BA	\$1,565 - \$1,700	None included.	694 - 828	\$1.89 - \$2.45	N/A	Swimming pool, conference room, fitness center
		1 BR/1 BA/Loft	\$1,885		944	\$2.00		
		1 BR/1 BA/Garage	\$1,890		841	\$2.25		
		2 BR/2 BA	\$1,665 - \$1,810		1,072 - 1,170	\$1.42 - \$1.69		
		2 BR/2 BA/Garage	\$1,895		1,072	\$1.77		
		2 BR/2 BA/Loft	\$1,915		1,250	\$1.53		
The Reserve at Eisenhower 5000 Eisenhower Avenue Alexandria, VA 22304	226	1 BR/1 BA	\$1,440 - \$1,495	Everything included except for for cable and electric	747	\$1.93 - \$2.00	10%	Swimming pool, business center, fitness center
		1 BR/1 BA	\$1,450 - \$2,000		909	\$1.60 - \$2.20		
		1 BR/1 BA	\$1,485		763 - 862	\$1.72 - \$1.95		
		1 BR/1 BA	\$1,495 - \$1,550		792	\$1.89 - \$1.96		
		1 BR/1 BA	\$1,570 - \$1,600		881	\$1.78 - \$1.82		
		1 BR/1 BA	\$1,785		1,016	\$1.76		
		2 BR/2 BA	\$1,450 - \$2,000		1,201 - 1,320	\$1.10 - \$1.67		
		2 BR/2 BA	\$1,620		1,085	\$1.49		
		2 BR/2 BA	\$1,635		1,048	\$1.56		
		2 BR/2 BA	\$1,670		1,115	\$1.50		
		2 BR/2 BA	\$1,680		1,103	\$1.52		
		2 BR/2 BA	\$1,710		1,151	\$1.49		
		2 BR/2 BA	\$1,735		1,110	\$1.56		
		2 BR/2 BA	\$1,750		1,150	\$1.52		
		2 BR/2 BA/Loft	\$1,765		1,274	\$1.39		
		2 BR/2 BA/Loft	\$1,780		1,258	\$1.41		
2 BR/2 BA/Loft	\$1,825		1,275	\$1.43				
2 BR/2 BA/Loft	\$1,885		1,231	\$1.53				
2 BR/2 BA/Loft	\$1,965		1,339	\$1.47				
Carlyle Place Apartments 2251 Eisenhower Avenue Alexandria, VA 22314 703.706.0076	326	1 BR/1 BA	\$1,950 - \$2,175	Everything included except for for cable and electric	791	\$2.47 - \$2.75	6%	Swimming pool, fitness center
		1 BR/1 BA	\$2,000 - \$2,275		826	\$2.42 - \$2.75		
		1 BR/1 BA	\$2,025 - \$2,150		736	\$2.75 - \$2.92		
		1 BR/1 BA	\$2,175 - \$2,200		777	\$2.80 - \$2.83		
		2 BR/1 BA	\$2,250 - \$2,575		1,057	\$2.13 - \$2.44		
		2 BR/1 BA	\$2,300 - \$2,450		1,028	\$2.24 - \$2.38		
		2 BR/2 BA	\$2,225 - \$2,500		1,087	\$2.05 - \$2.30		
		2 BR/2 BA	\$2,525 - \$2,850		1,343	\$1.88 - \$2.12		
		2 BR/2 BA	\$2,550 - \$2,875		1,254	\$2.03 - \$2.29		
		2 BR/2 BA	\$2,600 - \$2,850		1,297	\$2.00 - \$2.20		
		2 BR/2 BA	\$2,775 - \$3,175		1,475	\$1.88 - \$2.15		
		2 BR/2 BA	\$2,775 - \$2,975		1,264	\$2.20 - \$2.35		
		2 BR/2.5 BA	\$3,875 - \$3,950		1,909	\$2.03 - \$2.07		
		3 BR/2 BA	\$3,325 - \$3,850		1,817	\$1.83 - \$2.12		
		3 BR/2 BA	\$3,575 - \$3,625		1,730	\$2.07 - \$2.10		
3 BR/2.5 BA	\$3,000		1,609	\$1.86				
3 BR/2.5 BA	\$3,675 - \$3,875		1,862	\$1.97 - \$2.08				
Meridian at Carlyle 401 Holland Lane Alexandria, VA 22314 866.301.6359 ext. 3434	403	Studio	\$1,385 - \$1,750	Only trash included	550 - 565	\$2.45 - \$3.18	2%	Fitness center, pool, clubhouse
		1 BR/1 BA w/ den	\$1,590 - \$2,000		620 - 870	\$1.83 - \$3.23		
		1 BR/1 BA w/ den	\$1,940 - \$2,200		N/A	N/A		
		2 BR/2 BA	\$2,175 - \$2,700		970 - 1,100	\$1.98 - \$2.78		

Notes:
(a) Rental rates listed are for the week of April 27, 2009.

Source: Avalon Bay, 2009; rent.com, 2009; Telephone Interviews; BAE, 2009.

Retail Supply

The CoStar database reports average rent for retail space at \$31.87 per square foot, triple net (net of taxes, utilities maintenance) in April 2009. A 3.6 percent vacancy rate indicates that the market is very healthy.

The need for additional retail depends upon the growth of consumer demand from additional households and employees in an area. Retail development can also take advantage of existing spending that takes place further away from where households reside, by capturing a greater share of the immediate area's household expenditures.

Several recent planning efforts have produced retail market analyses which look at the area's current and future demand that could support local retail. These reports indicate that the current supply of retail in the West End and Landmark/Van Dorn planning area could be supplemented with additional retail offerings supported from existing demand. RCLCO prepared a City-wide retail market assessment in connection with land bay approvals for Potomac Yard¹. According to the study, in 2008 there was an estimated \$28 million in existing retail demand annually from residents and employees in that could be captured by additional retail development in the West End, and \$290 million annually in leaking expenditures that could be captured within Alexandria. A study prepared by the Gibbs Planning Group² as part of the Landmark/Van Dorn planning process identified specific retail opportunities for new retail development in the Van Dorn corridor. In total, the study estimated that the area could support over one million additional square feet of retail over what exists today from regional demand, drawing consumer expenditures from a potential trade area of over 820,000.

These studies were not prepared specifically to analyze retail opportunities at the Study Site, but support a general argument that there is sufficient retail opportunity for a limited amount of ground floor retail as part of a mixed use development program, even when only existing demand is considered. The redevelopment of the Landmark/Van Dorn area will add more households and employees that will increase demand, as well as provide significantly more retail offerings through new retail construction. Furthermore, the potential redevelopment of the Study site as office and retail uses will generate demand for a limited amount of ground floor retail.

¹ Retail Market Feasibility Study for Planned Retail Developments at Potomac Yard; Alexandria, Virginia. Prepared by RCLCO for RREEF, McCaffrey Interests and MRP Realty, October 2008.

² *Van Dorn Corridor Retail Market Study* by Gibbs Planning Group, November 11, 2008.

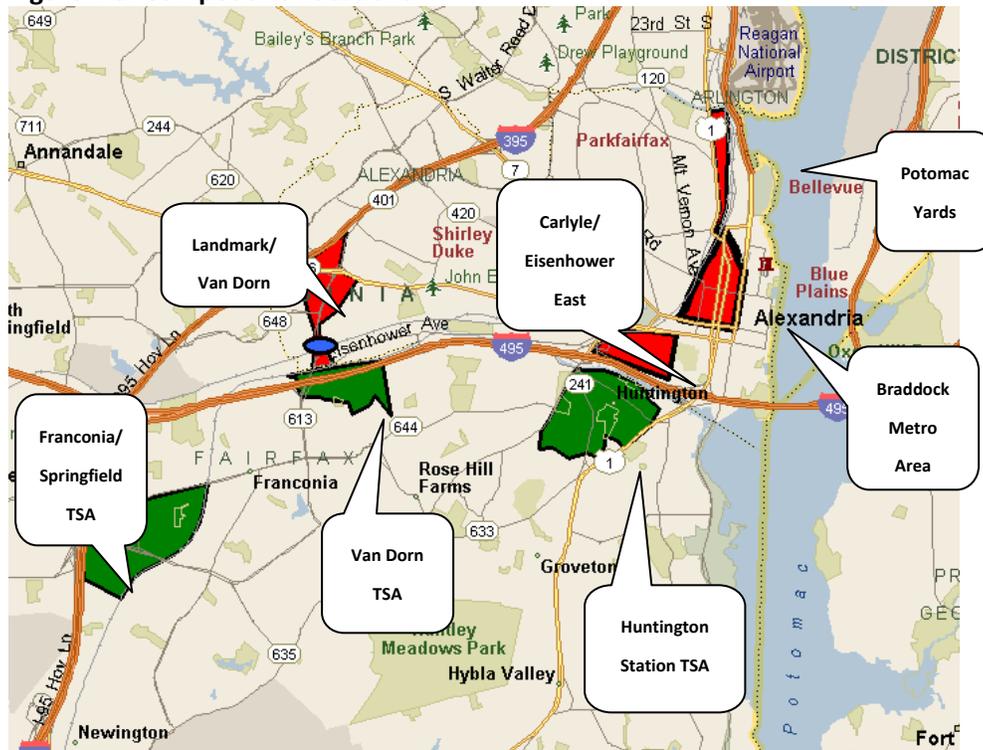
Long Term Competitive Environment

Several areas in Alexandria and in close proximity to the Study Site are available to capture the long term projected growth of households and employment in the area. Figure E-9 identifies four redevelopment areas in Alexandria and three near the Study Site in Fairfax County.

These sites could be considered to be in competition with mixed use development on the Study Site, as the seven areas represent the long-term pipeline of supply that is to meet future demand that will be seeking space in an area close to the Study Site. The impact that the competing future supply represented by these seven areas has on the Study Site's redevelopment depends upon several factors, including:

- The amount and type of future demand and the extent to which demand can be met by the competition;
- The attractiveness of the competing sites, considering their vehicle and transit access, location and adjacent uses, and other factors; and
- The readiness of competing areas to meet demand with development entitlements currently in place.

Figure E-9: Competitive Locations



Source: Microsoft, 2009; City of Alexandria, 2009; Fairfax County, 2009; BAE, 2009.

The strengths and weaknesses of each competing redevelopment area are described below:

Potomac Yard. Potomac Yard encompasses 295 acres of former railroad land which has begun redevelopment. Key to Potomac Yard's attractiveness is its central location on the Alexandria/Arlington County border. It is close to the Pentagon, Crystal City, Ronald Reagan Washington National Airport, and Washington DC, as well as established areas of Alexandria such as Old Town Del Ray. However, Potomac Yard does not currently have Metro access, although the feasibility of adding a station on the blue/yellow line to serve Potomac Yard is currently under study, and it does not have direct highway access. Nevertheless, its strengths put Potomac Yard in a good position to capture short term growth. With land bay approvals in place and recent development activity, momentum is building for future development.

Carlyle/Eisenhower East. This 230 acre area south of Old Town has seen significant redevelopment activity since the early part of the decade, when the Patent and Trademark Office (PTO) moved to the area as an anchor of 2.5 million square feet of office space. Although it is the most established of the competitive development areas, maturing with a mix of both office and residential buildings, it still has the potential to deliver hundreds of new residential units in the future. It is served by Metro access from the King Street and Eisenhower stations. Other strengths include its proximity to Old Town and excellent access to the Capital Beltway. Existing buildings command some of the highest rents and sales prices in the area, and Carlyle is likely to continue to build out and maintain its position as the City's top-tier redevelopment area.

Landmark/Van Dorn. Recognizing the redevelopment opportunities associated with the aging Landmark Mall, the City initiated a small area planning process for this retail-anchored corridor of South Van Dorn Street immediately north of the Study Site. A small area plan was completed in early 2009, and the first site plan approval recently went to the Planning Commission for a multi-family residential development on Pickett Street at the end of the planning area closest to the Study Site. The area has direct access to I-395 and is accessible to the Capital Beltway from South Van Dorn Street. The plan envisions an improved connection to the Van Dorn Metro station through enhanced rubber-tire transit, by express bus, street car or bus rapid transit along South Van Dorn Street. Although located further from the core of Washington DC and the close-in areas of Arlington and Alexandria than either Potomac Yard, Braddock Road Metro area or Eisenhower East, the Landmark/Van Dorn area offers a significant amount of new residential, office, hotel and retail space on redevelopable retail sites to accommodate the City's mid to long term growth.

Braddock Road Metro Station Area. The area around the Braddock Road Metro station has been the subject of transit-oriented redevelopment planning efforts. The Braddock Metro

Neighborhood Plan, completed in 2008, identified infill development opportunities on 17 sites and recommended public space improvements. A subsequent Braddock East planning process further defined the development potential for several public housing sites, envisioned as mixed-income housing, within the Braddock Metro area. The area's close-in location, superior transit accessibility and unique identity make it attractive for redevelopment, and the area can provide the City with thousands of new housing units. The plan envisions a 20-year build out period.

Huntington Transit Station Area (TSA). The area surrounding the Huntington Metro station is one of a number of areas that Fairfax County has considered for transit-oriented redevelopment. The Huntington TSA, located around the Huntington Metro station at the end of the yellow line, is predominantly residential in character but offers some opportunities for higher density development on vacant or underutilized properties. Fairfax County amended its Comprehensive Plan to allow for higher density development, predominantly residential. Given its location, the quality of its transit access and proximity to the Capital Beltway, this area could be directly competitive with the Study Site.

Springfield Franconia TSA. At the terminus of the Metro blue line, this area is another site designated by Fairfax County for future redevelopment as a Transit Station Area (TSA). Currently it is characterized by commercial uses and low density residential. A vision for the area's future, incorporated into the Fairfax County Comprehensive Plan, anticipates the redevelopment of the Springfield Mall into a mixed use town center, and a former GSA warehouse also presents a significant redevelopment opportunity. The site has many strengths, including excellent transit access by Metrorail and VRE and connections to I-95 and other major thoroughfares. Additionally, the site is expected to capture the benefits of the influx of jobs to nearby Fort Belvoir as a result of BRAC activity. Despite its more distant location this redevelopment area could capture growth in the short to mid term.

Van Dorn TSA. This is an area south of the Study Site, adjacent to the Van Dorn Metro station but removed from direct station access by the rail line and the Capital Beltway. The Fairfax County Comprehensive Plan recognizes the value of transit-oriented development in the area, but identifies a number of constraints to the area's redevelopment, including the need for road and highway access improvements and environmentally sensitive lands. The Comprehensive Plan allows development in the TSA at an FAR of 1.0 but does not further define a development program. Vine Street, located north of the Beltway and immediately adjacent to the rail line, is identified as the focal point of any new redevelopment. According to Fairfax County planning staff, development interest in the Vine Street area has prompted an amendment process for the county Comprehensive Plan, expected to occur in Fall 2009.

Table E-13 breaks down the future development envelope available from the competing areas

described above. Because no detailed planning has occurred for the Fairfax County Van Dorn TSA, it is not included.

Table E-13: Future Development Potential of Competitive Redevelopment Areas

Residential Potential	Existing (sf)	Remaining Buildout	
		Low	High
Potomac Yard (a)	641	1,042	1,042
Carlyle/Eisenhower East (b)	2,962	602	602
Landmark/Van Dorn (c)	2,735	1,545	6,153
Braddock (d)	N/A	3,183	3,183
Huntington Transit Station Area	5,184	1,621	2,072
Franconia-Springfield Transit Station Area	1,701	548	967
Total	13,223	8,541	14,019
Remaining Buildout			
Office Potential	Existing (sf)	Low (sf)	High (sf)
Potomac Yard (e)	765,000	1,100,000	1,100,000
Carlyle/Eisenhower East	6,683,075	68,425	68,425
Landmark/Van Dorn	45,136	3,955,000	5,249,000
Braddock (f)	N/A	268,500	293,500
Huntington Transit Station Area	201,298	325,000	645,000
Franconia-Springfield Transit Station Area	563,796	240,000	3,610,000
Total	8,258,305	5,956,925	10,965,925
Remaining Buildout			
Retail Potential	Existing (sf)	Low (sf)	High (sf)
Potomac Yard	795,000	135,000	135,000
Carlyle/Eisenhower East (g)	958,598	61,902	61,902
Landmark/Van Dorn	1,361,767	32,000	463,000
Braddock (h)	N/A	50,000	75,000
Huntington Transit Station Area	108,982	197,924	387,000
Franconia-Springfield Transit Station Area (i)	2,330,709	(469,000)	(469,000)
Total	5,555,056	7,826	652,902
Notes:			
(a) Estimated at an average unit size of 1,100 square feet. Existing includes project under construction.			
(b) All Carlyle existing numbers reflect projects under construction, with final approval, and preliminary approval. Estimated at an average unit size of 1,100 square feet.			
(c) Estimated at an average unit size of 1,100 square feet. Buildout includes redevelopment blocks only.			
(d) Estimated at an average unit size of 1,100 square feet. Includes Braddock East and Braddock Metro areas.			
(e) Existing includes project under construction.			
(f) 405,000 sf of existing office, retail, and light industrial uses.			
(g) Includes hotels.			
(h) 405,000 sf of existing office, retail, and light industrial uses.			
(i) Redevelopment will allow less retail square footage than currently exists.			
Source: Fairfax County, 2009; City of Alexandria, 2009; BAE, 2009.			

Summary of Market Findings

Alexandria, as part of the Northern Virginia jurisdictions that form the Washington DC metropolitan area, is thriving and can expect future development. The potential offered by redevelopment of areas around high quality transit will allow Alexandria to continue to grow in the future, and maintain or exceed its projected share of Northern Virginia's long term employment and household growth.

An analysis of long-term demand and supply in and around Alexandria suggests some conclusions related to the market potential for the Study Site.

- Development potential for the Study Site is likely mid to long term rather than short term. Several other redevelopment areas are more “ripe” for development to meet immediate and short term demand. While a catalyst project like the move of a significant federal agency tenant to the Victory Center on Eisenhower Avenue could create some demand pressure on the Study Site, Potomac Yard and Carlyle/Eisenhower East are more likely to meet upcoming development demand due to their superior locations and existing development momentum. Springfield-Franconia could benefit in the short term from the expansion of Fort Belvoir (which will receive jobs moved out of Alexandria).
- The development envelope represented by competing development areas contains more than an adequate supply of office space to meet Alexandria's anticipated office needs for the next 15 to 20 years at least. Most of the development envelope for office space is within Alexandria, particularly at Landmark/Van Dorn and Potomac Yard. These two areas alone allow for a minimum of five million and a maximum of over 6.2 million square feet of space. It is possible that Alexandria could deliver office space more quickly than its historical net absorption trends suggest (one million square feet every three years), through increasing the pace of job growth or the removal of older, obsolete space from the inventory. Through the planning for substantial new office development opportunities through redevelopment, the City has set the stage to reach its objective of restoring the balance of property tax base between non-residential and residential uses.
- Housing development will lead the future redevelopment of the Study Site. By reviewing historical building permit trends and future household growth projections, the development envelope represents much less of the projected long term housing demand than office demand. Therefore, it is more likely that pressure for new

housing will push the redevelopment of the Study Site more quickly than pressure for office new office construction.

- Consumer demand generated by new households and jobs at and north of the Study Site will generate additional demand for retail space, on top of the unmet demand currently thought to exist in the Eisenhower West area. A limited amount of ground floor retail as part of the potential redevelopment of the study site, intended to provide amenities mainly to occupants of the new development, will be a small portion of the total amount of retail space that will exist in the area.