Alexandria
Economic
Development
Partnership

CITY OF
ALEXANDRIA

MID-YEAR MARKET REPORT 2025

OVERVIEW

As of the second quarter of 2025, Alexandria's office market is facing the same challenges shared by many neighboring jurisdictions. Lower than average leasing activity, high vacancy rates, and uncertainty surrounding federal government changes are creating barriers for an office market still trying to adjust to the "new normal" of hybrid work after the COVID-19 pandemic. While these factors can be an obstacle, they also present an opportunity for creative solutions.

The foresight to adapt has cemented Alexandria's reputation for reimagining obsolete office space. Over the last 10 years, the City has continued to be a recognized leader in office-to-residential conversions, with 3.7 million square feet either approved or converted into thriving residential and mixed-use developments—some even incorporating community needs such as elementary schools. Despite continued high construction costs, the pipeline for additional developments remains strong.

Alexandria also benefits from its lively and thriving retail sector. In the Old Town submarket, retail opportunities are the tightest they have been in many years, with numerous new retail stores and restaurants opening and expanding their footprint. Both regional and independent retailers are choosing Alexandria, influenced by the volume of foot traffic from visitors and residents. Visits to Old Town are up 4.6 percent year-over-year, and Del Ray saw a growth in its resident population from 2022 to 2023. These signs all point to a healthy market for retail and restaurants across the City.

4.6%
YEAR-OVER-YEAR VISITOR GROWTH

OFFICE UPDATE
REGIONAL OFFICE TRENDS

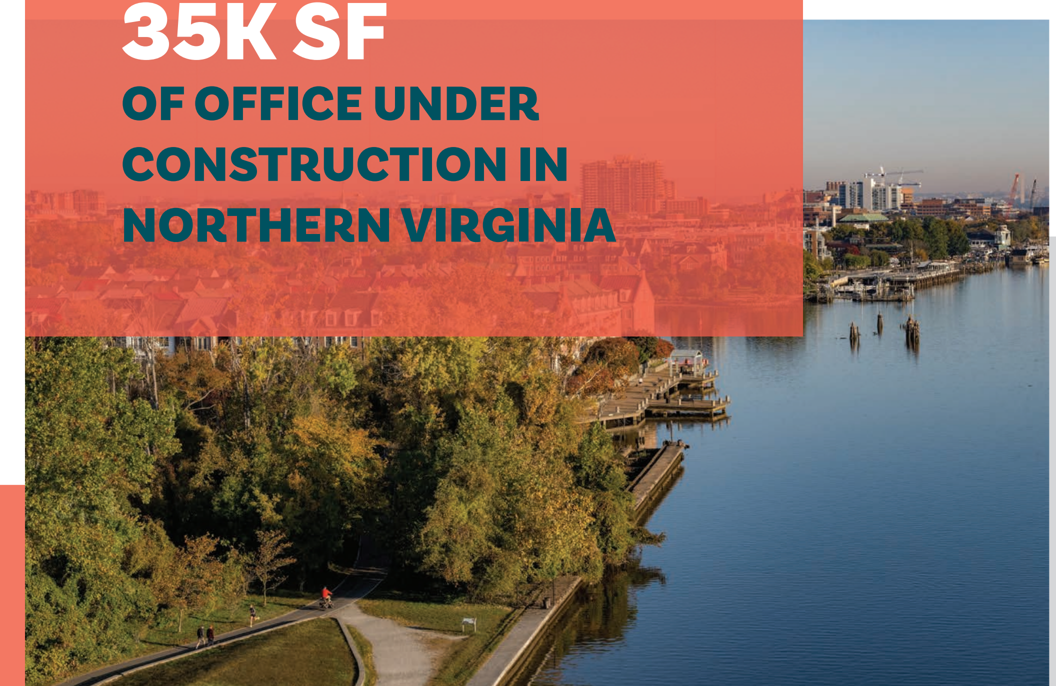
In Northern Virginia, the office market is facing headwinds from lower-than-normal office leasing activity. Uncertainty surrounding the economy and government decisions continues to drive decision-making. While the federal government signed two new leases in Northern Virginia in the second quarter of of 2025, totaling over 100,000 square feet, it also terminated 24 leases—1.8 million square feet—in the Washington, DC, Metropolitan Statistical Area.

One bright spot, aerospace and defense contractors appear to be renewing leases and expanding their footprint in the region, likely due to the continuing stream of defense contracts. That said, it's still too early to tell how these federal government changes will impact the office market in Northern Virginia. Private sector tenants in the technology and business services sectors were also active in Q2, making up 38 percent of all leasing activity.

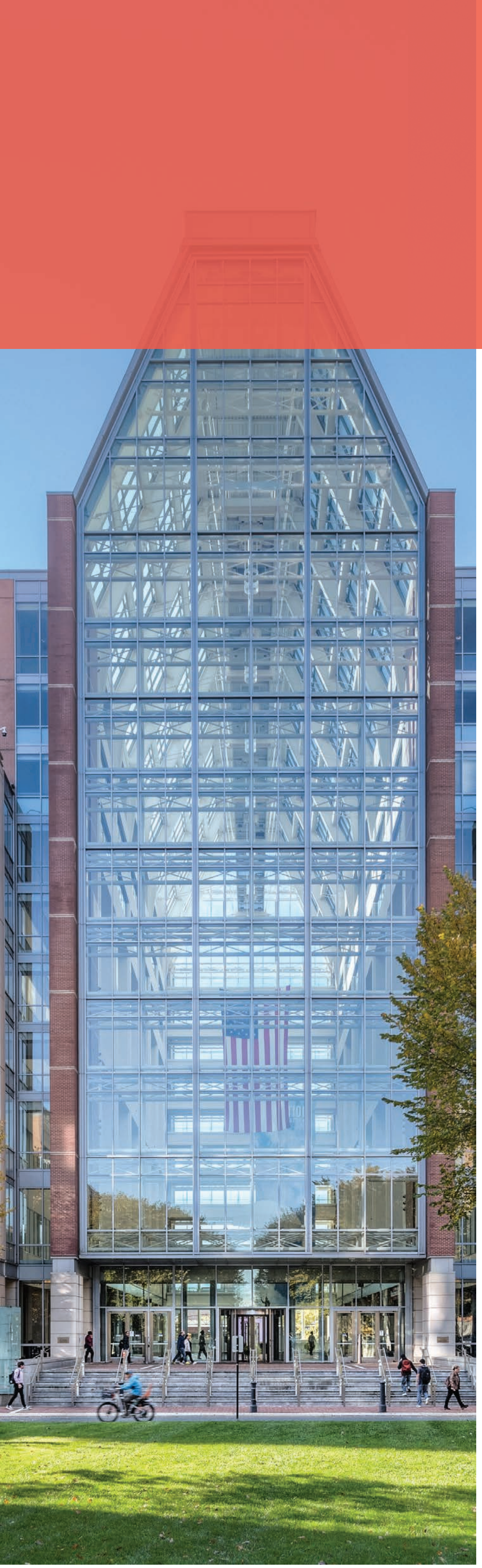
The Northern Virginia region's vacancy rate reached 23 percent in Q2, an increase of 30 basis points from Q1, largely due to the delivery of vacant trophy space in Reston. Trophy office space that is highly amenitized continues to achieve the highest leasing volume over other Class A product. This uptick in activity is driving up the average asking rent to $37.70 per square foot, full service. Redevelopment of Class B and C office spaces into other uses remains consistent and is helping moderate vacancy rates.

Construction activity in Northern Virginia remains low, with fewer projects in the pipeline and almost no new office deliveries. Office building developments in the pipeline are primarily for trophy office space. However, construction and financing costs are still high and continue to pose a significant hurdle for any new development to break ground in the region.

35K SF
OF OFFICE UNDER CONSTRUCTION IN NORTHERN VIRGINIA



Sources: Newmark, CBRE



OFFICE UPDATE

ALEXANDRIA OFFICE TRENDS

In Alexandria, growing office vacancies persist, and leasing activity for larger office blocks is limited or non-existent. Federal government changes have impacted the City in a variety of ways.

The Patent and Trademark Office has been shedding its leased space, leading to higher-than-normal vacancy rates for the Carlyle submarket. However, the Department of Housing and Urban Development is planning its relocation to Alexandria, intending to occupy the building that currently houses the National Science Foundation. While this move will not impact the Carlyle submarket vacancy rate, it marks the first time a cabinet-level agency will locate in the City.

Each of Alexandria's submarkets tells its own story. The vacancy rate in the Carlyle submarket remains high due to government compression, while Old Town's attractive live, work, and play atmosphere keeps vacancy lowest in the City. Potomac Yard has virtually no options available for lease, a reflection of its limited office inventory, which totals less than a million square feet. Several proposed office developments in the area stand to benefit from the Potomac Yard Metro station, which could create more office opportunities in the future.

Sources: Avison Young, JLL, Costar

OFFICE UPDATE

Alexandria Office Market Statistics
Q2 2025

Vacancy Rate	21.6%
Net Absorption	-29,313 SF
Inventory	18,923,031 SF

Alexandria Office Market Statistics by Submarket
Q2 2025

SUBMARKET	VACANCY RATE	NET ABSORPTION	INVENTORY
Old Town	14.3%	-26,860 SF	7,670,164 SF
Carlyle	29.1%	32,377 SF	1,881,912 SF
Potomac Yard	0.9%	33,488 SF	991,041 SF
West End	18.6%	-12,630 SF	1,894,861 SF

Notable Lease Transactions (over 10,000 SF)

ADDRESS	SIGN DATE	TENANT	SF LEASED
1940 Duke Street	May 2025	Alexandria Economic Development Partnership	10,131
515 King Street	April 2025	Conservative Political Action Conference (CPAC)	12,585
209 Madison Street	March 2025	Olson Group	13,766

OFFICE UPDATE

Notable Office Sales

ADDRESS	SALE DATE	SALE PRICE	BUYER
2800 Eisenhower Avenue	March 2025	$9,800,000 ($82/SF)	Washington University of Science & Technology
2001 N. Beauregard Street	June 2025	$29,300,000 ($122.11/SF)	Systems Planning and Analysis, Inc.

CONVERSIONS

Alexandria remains a nationally recognized leader in office conversions through its work to encourage redevelopment of obsolete office buildings into residential or other uses. In 2017, the City performed a fiscal impact analysis that proved certain office-to-residential conversions would positively impact the City's tax revenue. Since then, the City streamlined zoning and permitting processes and amended zoning regulations to facilitate these conversions.

Historically, Alexandria zoning permitted developers to redevelop any commercial building to residential use by-right. Recognizing the positive trend for conversion to residential, City planners began developing plans to incentivize developers with density bonus approvals in exchange for including affordable housing units and/or contributing funds toward the creation of affordable housing throughout Alexandria.

OFFICE UPDATE

CONVERSIONS

The Foundry is just one example of an office conversion that garnered regional awards for adaptive reuse. The 13-story, 600,000-square-foot government office building was transformed into a mixed-use residential building with 520 units that included ramped parking on the first three floors and additional density to incorporate some affordable and workforce housing units.

Since the site was zoned for commercial use, changing the use from business occupancy to a mixed-use, residential multi-family did not require significant rezoning. This project benefited from close cooperation with the City of Alexandria's Department of Planning & Zoning which exempted the project from certain parking requirements. The Foundry building's design earned it NAIOP Northern Virginia's 2020 Award for Best Building, Adaptive Re-Use, and ENR Mid-Atlantic's 2021 Best Projects Award of Merit in Renovation/Restoration.

3.7M SF

OFFICE SPACE APPROVED FOR CONVERSION OVER THE PAST 10 YEARS

Sources: Cooper Carry

OFFICE UPDATE

AFFORDABLE HOUSING SPOTLIGHT

The City's latest planning approvals are expanding affordable housing opportunities through adaptive reuse projects, such as the Samuel Madden Homes redevelopment. Built in 1940 as military housing, the site later became 66 units of affordable housing.

The proposed redevelopment will feature a six-story, 295,000 square foot multi-family building. Once complete, the two-phase project will create 532 affordable units for families earning between 30 to 80 percent of Area Median Income (AMI). Planned amenities include a creative studio, game room, courtyard, and a community food hub operated by the nonprofit ALIVE! Alexandria.

Developer Fairstead is partnering with the City of Alexandria and the Alexandria Redevelopment and Housing Authority (ARHA) to include pieces of local history in the project. The project is also financed through several partners, including the City of Alexandria. Construction began in May, and the project is expected to be delivered by Fall 2027.

81%
OF BUSINESSES ARE LOCALLY OWNED

RETAIL UPDATE

RETAIL TRENDS

The retail sector in Alexandria, particularly in Old Town, is seeing strong growth and lower vacancies. In Spring 2025, the retail vacancy rate for Old Town Alexandria was 5.8 percent out of an inventory of over 200 storefronts. By comparison, Washington, DC's retail vacancy rate is at 12.3 percent.

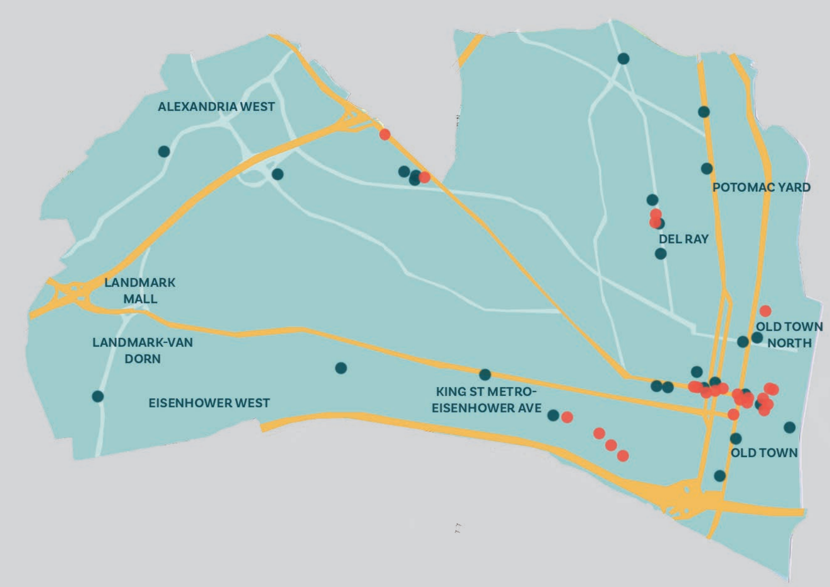
Along King Street, empty storefronts are rare. Restaurants are especially flourishing along the 100 and 200 blocks, which are now pedestrian-friendly thanks to a pandemic-era street closure program. King Street also has a healthy mix of independent, local, and national retailers, with independent and local businesses making up an impressive 81 percent of all storefronts—reflecting Alexandria's strong small business community.

Old Town remains a popular destination for both tourists and residents, drawing over four million visitors, and growing 4.6 percent year-over-year. Foot traffic is also climbing in Alexandria's Del Ray neighborhood, as evidenced by a 6.3 percent increase year-over-year.

Retail and Restaurant Openings in the Last Four Quarters

RETAIL

RESTAURANT



Sources: The Conference Board, Placer

RETAIL UPDATE

RETAIL OPENINGS & ANNOUNCEMENTS

BUSINESS NAME	ADDRESS	STATUS
Cornerstone Craftsman	2111 Eisenhower Avenue	Open
Cowo & Crèche	2034 Eisenhower Avenue	Open
CityVet	3600 King Street	Opening September 15
The Dog Park	705 King Street	Expansion
Eliana Curated Jewelry	1003 King Street	Open
Friends to Lovers Bookstore	301 Cameron Street	Open
King's Beauty Center	1102 King Street	Open
Livewell Animal Hospital	277 S. Washington Street	Coming soon
Local Infusion	4611 Duke Street	Open
Lowery's Dial	1225 King Street	Open
Lumos Collective	106 S. Saint Asaph Street	Open
Molly's Dog Care	2403 Mandeville Lane	Open
Stardust Vintage + Gift	1003 King Street	Open
Studio Del Ray	2016 Mt. Vernon Avenue	Open

RESTAURANT OPENINGS & ANNOUNCEMENTS

BUSINESS NAME	ADDRESS	STATUS
Café du Soleil	720 Jefferson Street	Open
Chipotle	3672 King Street	Open
Del Ray Farmhouse Market & Garden	1913 Mt. Vernon Avenue	Open
Eclarions	430 S. Washington Street	Open
El Fogón	7554 Telegraph Road	Open
Flavor Hive	3314 Richmond Highway	Coming soon
Flipside Speakeasy	2218 Mt. Vernon Avenue	Open
Founding Farmers	461 Swann Avenue	Open
Homegrown	1600 King Street	Open
LaPluma Coffee & Wine	1000 Cameron Street	Open
Life Alive Organic Café	400 King Street	Opening Winter 2025
Pak Soii Izakaya & Bar	1909 Mt. Vernon Avenue	Open
The Parlour	115 S. Royal Street	Open
Saigon Rolls	606 King Street	Open
Salad Topia	1506 Mt. Vernon Avenue	Open
Spicelife Indian Fare	3616 King Street	Open
Umiya	3006 Duke Street	Open
Van Leeuwen Ice Cream	400 King Street	Coming soon

DEVELOPMENTS IN THE PIPELINE

ROBINSON TERMINAL NORTH
Rooney Properties

ADDRESS

500 & 501 N. Union Street

DESCRIPTION

Proposed multi-family residential buildings with 88 units. It will also include ground-floor retail/ restaurants and public open space.

DEVELOPMENT PHASE

Approved in June 2025.

CITY HALL/MARKET SQUARE RENOVATION

ADDRESS

301 King Street

DESCRIPTION

Renovation of Alexandria's City Hall and Market Square.

DEVELOPMENT PHASE

Approved. Construction begins in spring 2026.

MONTGOMERY CENTER
CarrAmerica

ADDRESS

300 Montgomery Street

DESCRIPTION

Shopping center/office conversion to multi-family residential, retail, and an arts and cultural venue. The project includes 327 residential units.

DEVELOPMENT PHASE

Approved in 2024.

DEVELOPMENTS IN THE PIPELINE

901 N. PITT STREET
Carr Properties

ADDRESS

901 N. Pitt Street

DESCRIPTION

Office conversion to multi-family residential with 234 units proposed. The project includes retail and an arts and cultural venue.

DEVELOPMENT PHASE

Under construction with target completion in late 2026.

5001 EISENHOWER AVENUE
Stonebridge

ADDRESS

5001 Eisenhower Avenue

DESCRIPTION

Office conversion to multi-family residential with workforce housing. The project includes a total of 827 units with 377 reserved for affordable housing across all project phases. Later development phases include townhomes and a daycare facility.

DEVELOPMENT PHASE

Approved in April 2025.

TIDELOCK
C3 Investments/Whitaker Properties

ADDRESS

1033, 1055, & 1111 N. Fairfax St.

DESCRIPTION

Office conversion to multi-family residential buildings with a ground floor arts and cultural anchor and an adjacent retail and arts building. The project includes 169 residential apartments and 65 luxury condominiums.

DEVELOPMENT PHASE

Under construction with target completion in 2026/2027.

DEVELOPMENTS IN THE PIPELINE

INOVA/WESTEND DEVELOPMENT
Foulger Pratt

ADDRESS

5801 Duke Street

DESCRIPTION

Mixed-use redevelopment of the former Landmark Mall into a hospital with surrounding residential, retail, and medical office space. The project includes over 1,000 residential units and 110 townhomes.

DEVELOPMENT PHASE

The Inova hospital is currently under construction, while other phases of the development have been approved by the City.

OAKVILLE TRIANGLE
Stonebridge

ADDRESS

Richmond Highway and Swann Ave.

DESCRIPTION

Mixed-use development anchored by 100,000-square-foot Inova Health Center with approximately 900 multi-family residential units, 84 townhomes, self-storage, and retail to include Founding Farmers restaurant.

DEVELOPMENT PHASE

The project has fully delivered with the exception of the proposed public open space.

VULCAN SITE DEVELOPMENT
Lennar Corporation/Potomac Land Group II

ADDRESS

701 S. Van Dorn Street

DESCRIPTION

Conversion of the former Vulcan Materials site from a gravel processing site to 204 condominium units, 88 back-to-back family units, and 31 townhomes. A 256-room hotel is also planned fronting Van Dorn Street.

DEVELOPMENT PHASE

Approved in April 2024.

ECONOMIC INDICATORS & FUTURE OUTLOOK

The local economy is holding steady, with Alexandria's May 2025 unemployment rate at 3.4 percent, up from 2.7 percent last year but still below the national average of 4.1 percent. Federal job cuts have not fully impacted the market yet, so regional unemployment numbers will likely increase in future quarters. However, office-using jobs are seeing a rebound to pre-pandemic levels despite the ongoing uncertainty over future federal job cuts across the region. In May, the Washington, DC MSA's Consumer Price Index reported inflation was at 1.9 percent year-over-year.

Despite some of these trends providing a more hopeful outlook, consumer confidence fell by 5.4 points in June. This dip may have influenced a slight decrease of 0.1 percent in consumer spending—a shift that, in the long term, can have a negative impact on the economy.

Looking ahead, the region's commercial real estate market will continue to wrestle with the long-term impacts of hybrid work and federal changes. The pandemic shook up the office scene with the rise of hybrid work, leading companies to scale back their office requirements or remove them altogether. Even with difficulties, Alexandria's track record demonstrates that such changes can also open the door to innovative solutions and lasting growth.

Higher vacancy rates can be moderately offset by office conversions, which present new opportunities for other uses and the potential for industry diversification. Office-to-residential conversions increase residential density and, in some projects, allow for more affordable and workforce housing in the City. While challenges continue to impact the commercial market, the theme in Alexandria has been one of creativity and collaboration—finding unique solutions and working with our local and regional partners to make it happen.

Sources: U.S. Bureau of Labor Statistics, Dochter & Alexander

Alexandria Economic Development Partnership

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