ALEXANDRIA
STATE OF
THE MARKET

2024
Year-End
Report

OVERVIEW

The office market in Alexandria continues to feel the effects of the pandemic as the trend of remote and hybrid work has led many companies to reduce their office footprint. This has resulted in growing vacancy rates. Recent terminations and layoffs by the Federal Government have also added a layer of uncertainty to the office market. As for the retail sector, the pandemic also shifted it. Successful retailers quickly pivoted to boosting sales transactions online while other more traditional brick-and-mortar shops have struggled with the decline in foot traffic. Dining, however, continues to grow and flourish in the amenity-rich areas of Alexandria.

Developments in the City of Alexandria and the Greater Washington region continue to trend toward office-to-residential conversions. Obsolete buildings are being repurposed into residential and mixed-use developments and in many cases contribute to offsetting higher vacancy rates that continue to be a challenge for Greater Washington. These trends are expected to continue, especially with so much uncertainty surrounding federal office leases and government contracts.

Office jobs are seeing moderate growth, albeit slowly, translating into tenants leasing smaller office footprints, which may have a positive impact on the office market. However, large-scale layoffs in the federal government are likely going to shake up the job market for many months.

NOTEWORTHY DEVELOPMENTS IN THE PIPELINE

Project	Address	Details
Robinson Terminal North (Rooney Properties)	500 & 501 N. Union Street	Proposed multi-family residential buildings with 88 units. It will also include ground-floor retail/restaurants and public open space.
5001 Eisenhower (Stonebridge)	5001 Eisenhower Avenue	Office conversion to multi-family residential with workforce housing. The project includes a total of 827 units with 377 reserved for affordable housing.
Montgomery Center (CarrAmerica)	300 Montgomery Street	Shopping center conversion to multi-family residential, retail, and an arts and cultural venue. The project includes 327 residential units.
901 N. Pitt (Carr Properties)	901 N. Pitt Street	Office conversion to multi-family residential with 234 units proposed. The project will also include retail and an arts and cultural venue.
City Hall/Market Square Renovation	301 King Street	Renovation of Alexandria's City Hall and Market Square.
Oakville Triangle (Stonebridge/Inova/ Tri Pointe Homes)	Richmond Highway and Swann Avenue	Mixed-use development with approximately 900 multifamily residential units, 84 townhomes, self-storage, and retail.
Tidelock (C3 Investments/Whitaker Properties)	1033, 1055, & 1111 N. Fairfax Street	Multi-family residential buildings with a ground floor arts and cultural anchor and an adjacent retail and arts building.
WestEnd Development (Foulger Pratt/Inova)	5801 Duke Street	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.

ALEXANDRIA OFFICE TRENDS

Vacancy Rate	21.1%
Net Absorption	-1,035,822 SF
Inventory	18,921,229 SF

In Alexandria, office leasing activity continues to decline, and office-to-residential conversions continue to offset the high vacancies in the commercial sector. The current vacancy rate of 21.1 percent in Alexandria is a significant increase from the year-end 2023 vacancy rate of 15.3 percent. Vacancy rates this high are unusual for the typically steady Alexandria office market.

This elevated vacancy and million square feet of negative net absorption are partially attributed to the US Patent and Trademark Office (USPTO) shedding space at its headquarters in Carlyle. Office market conditions have the potential to worsen in the long term as the federal government looks to relocate many of its agencies outside the Greater Washington region. The highest vacancies in Alexandria are located in Alexandria's largest office submarket in Carlyle.

As office conversions remain popular, Alexandria has been a leader in this field. The City's flexible policies have led to conversions at a steady pace: Alexandria allows developers to convert office buildings to residential by-right (with no added density), providing an easier path for redevelopment. In the last 10 years, Alexandria has approved conversions of 3.6 million square feet of office space.

Leasing activity continued to remain low, and many tenants have downsized, shedding space to accommodate hybrid and remote work. This trend is expected to continue as tenants re-examine their space needs. The pandemic shifted the office landscape, and for now it appears that hybrid work is here to stay. Tenants are not just evaluating their space needs but also the quality of their office spaces. Many are rightsizing their spaces and upgrading to Class A space with higher quality amenities that are located near popular lunch and coffee spots.

Regional Office Trends

In the Greater Washington region, the office vacancy rate hovered around 21 percent, which was a small increase year-over-year. Office construction in the region continued to decline with 950,000 square feet under construction across five properties. When it comes to construction, most of the region is looking to office-to-residential conversions as a financially attractive means for aiding their struggling office markets. These conversions are not without hurdles, namely the financing market. Furthermore, construction costs remain high, stalling development in some areas.

Future Trends

The continued uncertainty in the federal government makes it difficult to predict the future of the office market. Federal government downsizing could have an immediate and long-term negative impact on the office market. The General Services Administration leases about 44 million square feet in the Greater Washington area. If the federal government begins shedding some of this space regionally, vacancy rates will continue to increase. Vacancy rates already remain high in much of the region due to the lasting impact of the pandemic.

There is good news despite the current unpredictability of the federal government. Developments in Alexandria continue to move forward, providing much-needed new housing and retail in Arlandria, Old Town North and the West End of Alexandria. In Oakville Triangle, the Inova Health Center opened in November 2024 along with 900 new multifamily units and a Founding Farmers restaurant. Tri-Pointe Homes also recently broke ground on 84 townhomes there.

In development delivery news, Virginia Tech celebrated the grand opening of Academic Building One of their Innovation Campus in Potomac Yard. The facility will host graduate studies in computer science and engineering. While uncertainty remains in the office market, continued development points to future growth in other areas.

Notable Office Lease Transactions (over 10,000 SF)

Address	Date	Tenant	SF
3030 Potomac Avenue	December 2024	IACP	35,488
2331 Mill Road	November 2024, January 2025	City of Alexandria	48,378
100 N. Pitt Street (Banker's Square)	November 2024	City of Alexandria	22,076
123 N. Pitt Street and 421 King Street	November 2024	City of Alexandria	12,311
1701 Duke Street	January 2025	Keller Williams (renewal)	11,220
1199 N. Fairfax Street	December 2024	N/A	10,850

Notable Office Sales

Address	Sale Date	Sale Price	Buyer
1901 N. Beauregard Street	August 2024	$3,920,625	Blackstreet Capital Holdings, LLC
123 N. Pitt Street	January 2025	$13,848,698	Melrose Solomon Enterprises
110 N. Royal Street	January 2025	$12,031,212	Melrose Solomon Enterprises
421 King Street	January 2025	$8,561,898	Melrose Solomon Enterprises
132 N. Royal Street	January 2025	$4,408,192	Melrose Solomon Enterprises

ALEXANDRIA RETAIL TRENDS

The retail sector is facing some uncertainty with current economic conditions, but the restaurant sector remains lively, if not thriving. While the prevalence of online retail has hurt many smaller brick-and-mortar shops, restaurants are faring better, as evidenced by the many restaurants and eateries that opened in Alexandria in the past six months.

Along Alexandria's waterfront, there has been a focus on historic preservation. Recently opened on lower Duke Street, Cooper Mill, a former warehouse and Civil War commissary, found new life as a market, tavern, and event space. The 6,400 square foot building is two floors and has a market and casual tavern on the first floor with private event space on the second floor. The project is an excellent example of adaptive reuse in Alexandria, turning an abandoned historic building on Alexandria's waterfront into a celebrated restaurant that benefits the community.

Retail Openings (since July 2024)	Address
Stretch Lab	3960 King Street
Veterinary Emergency Group	4525 Duke Street
Boxwood	1205 King Street
Sunglass Hut	628 King Street
Old Town Books Jr.	130 S. Royal Street
Barg Garments	108 N. Alfred Street
Made in ALX	415 King Street
Eries Interior	101 S. St. Asaph Street
Meraki Head Spa	320 King Street
Salon DeZen	533 Montgomery Street
Old House Provisions	315A Cameron Street
The Dugout	315 Hooffs Run Road

Restaurant Openings (since July 2024)	Address
TomRamen	1468B N. Beauregard Street
Hypergoat Coffee Roasters	215 N. Payne Street
Narman Restaurant	682 N. St Asaph Street
Honeymoon Chicken*	2495 Mandeville Lane
Crumbl Cookies	3618 King Street
Mudhouse Coffee Roasters*	1119 King Street
Spice Life Indian Fare	3614 King Street
Cooper Mill	10 Duke Street

Epicure on King	703 King Street
Paris Baguette	4616 Kenmore Avenue
La Tingeria	3950 Wheeler Avenue
Akeno Sushi Bar & Thai*	611 King Street
Yami Buffet*	555 S. Van Dorn Street
Sharbat Bakery & Cafe	1640 King Street
Shorty's	2016 Mt. Vernon Avenue
Baku Delicious	711 Pendleton Street
Sake Express Japanese Hibachi	3827 Mt. Vernon Avenue

**announced but not yet open*

FUTURE OUTLOOK

The economic outlook for the Greater Washington area remains uncertain as the ramifications of mass layoffs in the federal sector and the termination of federal office leases loom over the region. The Consumer Price Index also rose in January, stoking concerns about an economic downturn that could lead to reduced consumer spending. Consumer confidence in the region decreased again by 11.9 percent from December 2023 to December 2024, continuing a downward trend.

The job market is often a good indicator of the overall economy. As mass layoffs in the federal government begin, many former federal employees will look to the private sector for employment. This may become a significant strain on the recovering job market. The private sector's ability to absorb former federal employees remains unclear. These large-scale layoffs will also impact the government contracting sector. It is estimated that for every federal job lost, two to three regional jobs are lost as well.

Despite this uncertainty, there is some good news for Greater Washington: Return to office in the private sector appears to have stabilized, and office-to-residential conversions are growing. The changing federal government landscape could also provide an opportunity to diversify the private sector in the region. Education, healthcare, and sports tourism are all growing industries that could bring new jobs, new developments, and a fresh direction. These possibilities are still up in the air but do represent some of the opportunities that could arise from this uncertainty.

The office market and economy in the Greater Washington region are facing serious uncertainty as changes in the federal government continue. The pandemic shifted the office landscape considerably, leading companies to reevaluate space and in some cases, vacate buildings altogether. As a result, office conversions have become common. While it is too early to tell, current changes in the federal government may have a similar transformational effect on the regional economy. All these factors make it difficult to predict what is next for the Greater Washington region.

REFERENCES & RESOURCES

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Alexandria Economic Development Partnership

601 Prince Street, Alexandria, VA 22314
703-739-3820 | info@alexandriaecon.org

Alexandria Economic Development Partnership
@alexandriaecon
@alexandriaecon

alexandriaecon.org