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City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 15, 2002

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER PS

SUBJECT: BUDGET MEMO #1: CALENDAR YEAR 2002 REAL PROPERTY ASSESSMENT REPORT

ISSUE: The Calendar Year 2002 Real Property Assessment Report for the City of Alexandria, Virginia.

RECOMMENDATION: That City Council receive this report that shows the results of the annual assessment of real property[1] made pursuant to Section 4.08 of the City Charter.

BACKGROUND: 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 (the "Department") annually assesses all parcels of real estate in the City at 100% of estimated fair market value. The fair market value of real property is defined by the Supreme Court of Virginia as "the price which it will bring when it is offered for sale by one who desires, but is not obligated, to sell it, and bought by one who is under no necessity of having it." This definition reflects the concept of an "arm's length transaction."

In establishing annual real property assessments, the Department uses generally accepted mass appraisal methods to estimate the fair market value of real property. In order to employ these mass appraisal methods, Real Estate Assessments staff gather large amounts of current and historical market data. The calendar year (CY) 2002 real property assessments are the result of measuring market indicators in the form of arm's length transactions, property income and expense data,[2] and comparable construction cost data. Not only do Real Estate Assessments staff utilize typical appraisal methodologies, they also employ numerous data services and software packages to assist in the assimilation of these data in order to ultimately make accurate estimates of value.

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[1] Real property is defined as the interests, benefits, and rights in the ownership of real estate. The Appraisal Foundation, Uniform Standards of Professional Appraisal Practice (Washington, D.C.: The Appraisal Foundation, 2000), p. 12.

[2] Each year, the Department (pursuant to Title 58.1-3294 of the Code of Virginia and Alexandria City Code Section 3-2-186) asks owners of income-producing property to furnish the Department, no later than May 1, with income and expense information related to the previous calendar year.

For CY 2002, 39,295 local parcels of real property were assessed. Assessment notices were mailed to the owners of those properties on February 15, 2002. Real estate assessment information was made available on the City's web site (ci.alexandria.va.us/city/reasearch) on February 16 which included the forms needed for the review and appeal process, the 2002 assessments for all locally assessed properties and the preliminary general assessment information.

The 2002 assessment notices include information about requesting a review of the assessment with the Department by April 15 and information about filing an appeal of the assessment with the Alexandria Board of Equalization (the "Board") by July 15. A property owner does not have to first request a staff review of the assessment in order to file with the Board. However, the Board prefers that property owners try to resolve differences with the Department. A property owner is required to appeal to the Board before filing suit in the Alexandria Circuit Court. A property owner whose assessment appeal has been acted upon by the Board may file suit in the Alexandria Circuit Court within three years of the year acted upon by the Board. Typically, less than 2% of the owners of real property challenge the assessed value of their property through the annual assessment review and appeal process. The number of requests for assessment review filed with the Department and appeals to the Board represented 0.87 % (337) and 0.27% (103), respectively, of the 38,792 locally assessed properties in the City for CY 2001. This was a lower number than in prior years. This was in part the result of the continued strength in the real estate market throughout CY 2001. It also resulted from information on all City properties being available on the City's web site for property owners to review and compare with their own property assessment.

DISCUSSION: Included in this report are the annual accounting of changes in real property assessments from 2001 to 2002 and historical statistics related to assessment appreciation, residential sales activities, and new construction. Annual assessments have an effective date for valuation purposes of January 1 each year. Assessment reports typically represent data on a calendar year (CY) basis. Key changes in the assessed valuation of real property from CY 2001 to CY 2002 are summarized below.

OVERALL CHANGE IN 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 properties) increased 11.21%, or $1,640,330,500, from $14,632,349,200 in 2001 to $16,272,679,700[3] in 2002 (Attachment 1, page 3, line 68, column 4). As part of the FY 2002 budget process a year ago, it was estimated that the real property tax base for CY 2002 would increase by 5%.

This 11.21% increase represents the largest increase in the City's real property tax base since 1990 when it increased 20%. It reflects a real estate market that is valuing quality urban

[3] The 2002 valuation estimates the 2002 value of state-assessed public service corporations property, based upon the values for 2001 that were certified by the State Corporation Commission and Virginia Department of Taxation in September 2001. The final 2002 values for state-assessed public service corporations property will not be certified until September 2002.

properties. Last year, for the CY 2001 assessments, the City's real property tax base increased 10.06%.

- In the area of new construction, $315.3 million was added for CY 2002 ($105.5 million [33.5%] in residential construction and $209.8 million [66.5 %] in commercial construction). $1.4 million in assessed value was added for CY 2002 to reflect expected new value at state-assessed public service corporation properties. Last year, for the CY 2001 assessments, $421.4 million was added to the City's real property tax base as a result of total new construction.

- Changes in the taxable status of property resulted in a $49.9 million loss in taxable assessed value. This was primarily the result of the purchase of the Hunting Terrace and Hunting Towers apartments by the Virginia Department of Transportation as part of the replacement Woodrow Wilson bridge project.

- Leading the changes in assessed value from 2001 to 2002 were value appreciation, new construction, partially complete structures[4], and site improvements at the following locations:

  - ☐ The real property assessments for the 100 acre site known as **Cameron Station** increased $134 million, from $308.4 million in 2001 to $442.4 million in 2002. Major changes include value added for newly completed and partially completed single family homes (in phases 1, 2, 3, 4 and 5) and residential condominiums at Carlton Place, Cameron Station Boulevard, Main Street, Oakland Hall, and Woodland Hall.

  - ☐ The real property assessments for the 76 acre site known as the **Carlyle** development increased $94.9 million, from $409.8 million in 2001 to $504.7 million in 2002. Major changes include value added for the Carlyle Towers condominiums, Crescent office building (the former Monument office building is now 35% complete), Meridian apartments and the second Society for Human Resource Management office building. The real estate assessments for approximately 15 acres of land at the Carlyle site slated for the U.S. Patent and Trademark Office (PTO) increased $21.5 million, from $79.6 million in 2001 to $101.1 million for 2002.

  - ☐ The assessed value for the **Winkler Tract** increased $24.3 million, due to the completion of the Mark Center Plaza A-1-4 office building and Millbrook II apartments. The Plaza A-1-4 office building was 30% complete and Millbrook II apartments 75% complete for last year's 2001 assessed values at the Winkler Tract.

- $1.37 billion, or 84% of the increase (after netting out $50.0 million in classification changes) in the total real property tax base, is the result of value appreciation ($1.15 billion

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[4] Structures that were partially complete as of January 1, 2002, were assigned increased assessments that reflected new construction at varying stages of partial completion, typically between 10% and 90% complete.

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[84%] in residential value appreciation and $219.7 million [16%] in commercial value appreciation). Last year, for the CY 2001 assessments, $895.7 million was added to the City's real property tax base as a result of value appreciation.

- Locally assessed real property assessments (including new construction and appreciation of existing property) increased by $1,638,913,300, or 11.73%, from $13,967,311,700 in 2001 to $15,606,225,000 in 2002 (Attachment 1, page 2, line 44, column 4).

- State-assessed public service corporation property assessments are expected to increase approximately $1.4 million, or 0.2%, from $665 million in 2001, to $666.5 million in 2002 (Attachment 1, page 3, line 66, column 4). Real Estate Assessments staff estimate the assessments for state-assessed property each year at this time after considering final value changes for the last several years. Final CY 2002 assessments for state-assessed properties will not be certified by the agencies who perform these assessments until September 2002.

- Real property classified as residential property for assessment purposes for CY 2002 represents 54.7% of the real property tax base; property classified as commercial, vacant land and public service corporations, represents 45.3% of the tax base. Distribution of the City's real property tax base allocated between classifications[5] of real property for assessment purposes is shown in Table 1 below:

Table 1 - Distribution of CY 2002 Real Property Assessments by Property Classification

Property Classification	Percent	2002 Assessments
Residential Single Family	41.75%	$6,793,545,100
Residential Condominium	12.90	2,100,017,900
Commercial Multi-family Rental	12.41	2,019,831,300
Commercial Office, Retail, and Service	25.75	4,189,526,400
Vacant Residential Land	0.63	102,408,300
Vacant Commercial & Industrial Land	2.46	400,896,000
Public Service Corporation	4.10	666,454,700
Total	**100.00%**	**$16,272,679,700**

[5] Real property classified as residential property for assessment purposes includes single family homes, residential condominiums, and cooperatives, but does not include multi-family rental apartments or vacant residentially-zoned land. Real property classified as commercial property for assessment purposes includes multi-family rental apartments; office, retail, and service properties; public service corporation properties assessed by the state; and vacant residential, commercial and industrial land. Classifications assigned to real property for assessment purposes by the Department concentrate on how a property is viewed from the perspective of informed buyers and sellers.

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RESIDENTIAL PROPERTY

General

- The average assessed value for an existing residential property (including single family homes[6], residential condominiums[7], and cooperatives[8], but excluding multi-family rental apartments and vacant residential land) in the City increased 15.33%, from $215,523 in 2001 to $248,563 in 2002 (Attachment 2, page 1, line 16, column 7).

- New residential construction added $105.5 million to the CY 2002 tax assessment base. Last year, for the 2001 assessments, new residential construction added $169.8 million to the tax base. Attachment 6 shows the new construction history for the City for assessment years 1992 through 2002.

Residential Sales Generally

High consumer demand (aided by low interest mortgage rates) coupled with near-record tight supply caused residential property values to appreciate at a faster rate than at any other time since the period from 1988 to 1989, when the City's residential real estate assessments increased 20.9%. High demand for residential property speaks well for the City's quality of life and vibrant economy. A comparison of sales statistics for the City of Alexandria and the Northern Virginia area[9] served by the Northern Virginia Association of Realtors indicates that the City's market share of the total dollar volume of residential sales (new and resales) in Northern Virginia increased from 12.58% in CY 2000 to 12.96% in CY 2001. An increase in the number of homes sold reflects a low supply of homes listed and marketed for sale during this time period, as well as the increased demand for homes (particularly condominiums) in the City. Also, it is important to note that the City's market share of Northern Virginia residential sales first topped 10% in CY 1997. The Department has tracked the City's market share since CY 1991 sales, when the City's market share was 7.72% of the total residential dollar volume of sales for the Northern Virginia area. The City's market share of residential sales for the last five years is shown on Table 2.

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[6] Single family homes include detached homes, semi-detached homes (duplexes and end town home units), and row houses (town homes that are generally interior units).

[7] Residential condominiums include garden condominium units (typically less than four story buildings), high-rise units (four story buildings and higher), and town home units located in condominium communities which have legally declared the condominium form of ownership.

[8] Cooperative is defined as a form of ownership in which each owner of stock in a cooperative community or housing corporation receives a proprietary lease on a specific apartment or unit and is obligated to pay a rental rate that represents the proportionate share of operating expenses and debt service on the underlying mortgage. The Arlandria/Chirilagua 282-unit cooperative is located on 15 of the 18 properties in the City that are classified as cooperatives. The remaining three parcels are cooperative units at the Bank of Alexandria cooperative. For most statistical reporting, cooperatives are included with residential condominiums.

[9] Northern Virginia Association of Realtors reports include data for the counties of Arlington and Fairfax, the cities of Alexandria, Fairfax, and Falls Church, and the towns of Clifton, Herndon, and Vienna.

Table 2 - City of Alexandria's Market Share of Residential Sales in Northern Virginia Area

Calendar Year Sales	Northern Virginia Sales Volume	Alexandria Dollar Volume of Sales	City's Market Share
2001	$7,326,622,487	$949,462,934	12.96%
2000	6,291,547,023	791,284,674	12.58%
1999	5,721,044,024	805,326,844	14.08%
1998	5,069,648,502	651,986,020	12.86%
1997	3,613,766,893	388,235,255	10.74%

Additionally, City residential real estate sales for CY 2001 indicate that dollar volume of sales (new and resales), number of dwelling units sold, and the average sales price increased compared to CY 2000 City sales. Table 3 compares these sales statistics for the City to the Northern Virginia area.

Table 3 - City of Alexandria Residential Sales Statistics Compared to Northern Virginia Area

	Change from CY 2000 to CY 2001	
Sales Statistic	Alexandria	Northern Virginia Area
Dollar Volume of Sales	20.0%	16.5%
Dwelling Units Sold	10.3%	4.5%
Average Sales Price	8.8%	11.4%

The CY 2001 dollar volume of sales for the City increased 20%, from $791.3 million in CY 2000 to $949.5 million in CY 2001. This compares to a 16.5% increase, from $6.29 billion to $7.33 billion, for the same period for the Northern Virginia Area.

The number of residential dwelling units sold in the City increased 10.3%, from 3,449 units sold in CY 2000, to 3,804 units sold in CY 2001. This compares to a 4.5% increase, from 24,915 units to 26,035 units, for the same period for the Northern Virginia Area. Included in the statistics for the City are 670 newly constructed single family homes and residential condominiums that sold during CY 2000 at Cameron Station, Commonwealth Crossing, Kensington Courts, Mt. Vernon Court, Old Town Greens, and Townes of Cameron Parke, and 696 newly constructed single family homes and residential condominiums that sold during CY 2001 at Cameron Station, Carlyle Towers III, Carlyle City Residences, King's Cloister, Mt. Vernon Court and Townes at Cameron Parke.

The average sales price for residential property sold in the City during CY 2001 increased 8.8%, from $229,424 for CY 2000 to $249,596 for CY 2001. This 8.8% increase for the City compares to a 11.4% increase in the average sales price of residential property in the Northern Virginia Area. It should be noted that the "average sales price" statistic can be misleading because often the make-up of homes sold and included in this average does not mirror the make-up of the City's entire single family housing stock.

Statistics that show how single family sales activity differed from residential condominium sales activity are included later in this report under the heading for each type of residential property.

Assessment/Sales Ratio Study Conducted for Residential Properties

Attachment 5 is the assessment/sales ratio summary for residential property (including single family homes, residential condominium units, and cooperatives) related to CY 2001 assessed values and how they compare with CY 2001 sales that took place in the City. The overall ratio comparing 2001 assessed values for single family homes to sales prices for the same homes that were sold during the period from January 1, 2001, through December 31, 2001, is 79%. This means that, on average, the CY 2001 assessments for single family residential properties sold during 2001 were 79% of the actual prices for which the properties were sold. The overall ratio comparing residential condominium unit assessments to sales prices for units sold during the same period is 76.84%. No residential cooperatives sales are shown because transfers of owner stock in a cooperative community or housing corporation are not recorded. Real Estate Assessments staff contact representatives of cooperative communities each year to discuss the indicated value of owner stock for cooperative units.

The assessment/sales ratios stated above for each class of residential property indicate the average level of CY 2001 assessments to CY 2001 sale prices citywide. In practice, Real Estate Assessments staff also determine an assessment/sales ratio for each single family neighborhood and residential condominium community throughout the City, considering the CY 2001 assessments for homes and condominiums that were sold in CY 2001 for these same areas.

Only arm's length transactions are used for assessment/sales ratio study purposes. Real Estate staff verify transactions that do not appear to be arm's length sales, excluding sales that are not indicative of fair market value. Some property assessments cannot be compared to an otherwise arm's length transaction to determine an assessment/sales ratio because physical changes have taken place. For example, comparing the assessment for a vacant lot as of January 1, 2001, to a sale taking place on October 1, 2001 that represents the same lot with a newly constructed home would not be a true indication of the average ratio of assessed values to sales. The sale used in this example would not be included in an assessment/sales ratio study to indicate general assessment changes for the neighborhood or geographical study area of the City where it is located, but the sale would be considered as a factor in the value of the subject property as well as for similar new construction.

Residential Single Family Homes - - Assessments

The average assessed value of existing residential single family homes increased 14.78%, from \$290,436 in 2001 to \$333,362 in 2002 (Attachment 2, page 1, line 6, column 7). Last year, the assessed value for the average existing single family home increased 10.61%. The average assessed value for a single family home increased 47% during the period from 1992 to 2002, with about one-third of this increase occurring from 2001 to 2002, and about two-thirds occurring since 2000. The average assessed value for a single family home was \$226,793 in 1992 and \$260,907 in 2000.

New construction of single family homes in CY 2001 added \$56.1 million to the CY 2001 real property tax base, including newly completed and partially competed homes at Ashton Manor, Backyard Boats, Cameron Station (phases 1, 2, 3, 4 and 5), Carlyle City Residences, Dartmouth Place, Fox Haven, Highpointe at Stonegate (Pulte), King's Cloister, Mt. Vernon Court, Old Town Crescent (former Old Town Mews), Townes at Cameron Parke, Townes of Joseph (formerly known as Sunnyside East), Townes of Sara (formerly known as Sunnyside West), and Wilkes Corner.

Although the following developments had necessary approvals, new value associated with these properties is included as site improvements in the residential vacant land class, as no structures had been completed for the 2002 assessments: Battery Heights, Braddock Lofts, Carlyle development site, Potomac Yard/Potomac Greens site, and Wheaton Grove (former Metzger site at 3750 Duke Street).

Attachment 3, page 1-2, column 6 shows the new construction amount for each class of locally assessed property for the CY 2002 assessments. The amount of residential single family new construction included in last year's 2001 assessment report was \$128.6 million. The timing of a development's completion is key to the amount of new construction added, since real estate assessments are generally determined each January 1.

Residential Single Family Home - - Sales

Attachment 4 shows residential single family home sales statistics for the City of Alexandria for CY 1999, 2000 and 2001. The following statistics highlight changes in single family homes sales for CY 2000 and CY 2001.

Single family home sales:

increased by 3.4% in dollar volume of sales, from \$591.1 million in CY 2000 to \$611.3 million in 2001;

declined by 12.6% in the number of dwelling units sold, from 1,937 units sold in 2000 to 1,693 units sold in 2001; and

increased by 18.3% in the average sale price, from $305,167 in 2000 to $361,075 in 2001.

Included in the statistics above are 530 newly constructed single family homes that sold during CY 2000 at Cameron Station, Commonwealth Crossing, Kensington Courts, Mt. Vernon Court, Old Town Greens, and Townes at Cameron Parke and 264 newly constructed single family homes that sold during CY 2001 at Cameron Station, Carlyle City Residences, King's Cloister, Mt. Vernon Court, and Townes of Cameron Parke.

Because the 1,693 single family homes sold during CY 2001 do not represent the same mix of the total 20,380 homes assessed for 2002 in the City, changes in the average sales price and changes in the average assessed value of existing residential homes will differ.

It is important to note that the above-mentioned sales statistics include all residential single family home sales that took place in the City regardless of whether or not the sale was an arm's length transaction. By including all sales in this section of the report, the market trends for residential property in the City can be compared to similar published trends for other local communities or the region as a whole. For example, the residential sales statistics compiled and reported monthly by the Northern Virginia Association of Realtors include all sales that took place during the reported time period. However, only arm's length transactions are used for the assessment/sales ratio study for the City.

Residential Condominiums - - Assessments

The average assessed value of the existing residential condominium (including cooperatives) increased 17.22%, from $115,721 in 2001 to $135,648 in 2002 (Attachment 2, page 1, line 14, column 7). Average assessed values for existing residential condominiums had declined eight consecutive years, from 1992 through 1999. Last year (2001), the assessed value for the average existing residential condominium increased 5.32%. During the period from 1992 to 2002, the average assessed value for a residential condominium increased 25.29%, with all of this increase occurring since 2000. The average assessed value for a residential condominium was $108,269 in 1992.

New construction of residential condominiums added $49.4 million to the 2002 real property tax base, including newly completed and partially completed condominium units at the Cameron Station site (Carlton Place, Condominiums at Cameron Station Boulevard, Main Street Condominiums, Oakland Hall Condominiums, and Woodland Hall Condominiums, the Carlyle development site (Carlyle Towers Phase III), and Old Town Crescent (formerly known as Old Town Mews). The amount of residential condominium new construction included in last year's CY 2001 assessment report was $41.2 million.

Increases in the value of existing residential condominium units are partly a function of dramatic increases in rental rates for apartments in the region during CY 2001, coupled with attractive mortgage interest rates available to purchasers, which motivated buyers, especially first time buyers.

Residential Condominium - - Sales

Attachment 4 shows residential condominium sales statistics for the City of Alexandria for CY 1999, 2000 and 2001. The following statistics highlight changes in residential condominium sales for CY 2000 and CY 2001.

Residential condominium unit sales:

increased by 68.9% in dollar volume of sales, from $200.1 million in 2000 to $338.1 million in 2001;

increased by 39.6% in the number of condominium units sold, from 1,512 units sold in 2000 to 2,111 units sold in 2001; and

increased by 21% in the average sale price, from $132,392 in 2000 to $160,191 in 2001.

Included in the statistics above are 140 newly constructed residential condominium units that sold during CY 2000 at Cameron Station and Old Town Greens and 432 newly constructed condominium units that sold during CY 2001 at Cameron Station and Carlyle Towers III.

Because the 2,111 residential condominiums sold during CY 2001 do not precisely represent the same mix of the total 15,484 condominium units assessed for 2002 in the City, changes in the average sales price and changes in the average assessed value of existing units will differ.

The above-mentioned sales statistics include all residential condominium sales that took place in the City regardless of whether or not the sale was an arm's length transaction. By including all sales in this section of the report, the market trends for residential condominium properties in the City can be compared to similar published trends for other local communities or the region as a whole.

COMMERCIAL PROPERTY

General

- The overall value of the City's commercial real estate tax base (which includes multi-family rental apartments, vacant land, and state-assessed public service corporation properties) increased 4.54%, or $320.7 million, from $7,058,452,600 in 2001 to $7,379,116,700 in 2002. State-assessed commercial property consists of public service corporation property (i.e., gas, electrical, water, and telecommunication companies) assessed by the Virginia State

Corporation Commission and interstate pipelines and operating railroad property assessed by the Virginia Department of Taxation.

- The value of locally assessed commercial property increased $319.2 million, or 4.99%, from 2001 to 2002 (Attachment 1, page 2, line 42, column 6). New commercial construction (including site improvements and infrastructure construction of $34.4 million) accounted for $209.8 million, or 65.7% of this increase.

- The average assessed value of existing locally-assessed commercial property increased 3.55%, from an assessed value of $1,751,621 in 2001 to $1,813,804 in 2002 (Attachment 2, page 3, line 45, column 7). During the period from 1992 to 2002, the average assessed value for a commercial property in the City increased 30.1%.

- New construction of locally-assessed commercial property added $209.8 million to the 2002 real property tax base, which includes newly completed and partially completed commercial properties at Alexan at Eisenhower Avenue multi-family apartments (40% complete), Alexandria Toyota, Arlandria Shopping Center (85% complete), the Carlyle development site (Crescent office building that was formerly known as the Monument building at 35% complete and the completed Meridian apartments and Society for Human Relations Management office phase 2), Eisenhower Self Storage phase 2, Hampton Inn, the Hoffman development site (Hoffman Town Center Theaters), Jack Taylor's Hyundai (Mt. Vernon Ave.), Jefferson at Mill Road apartments (15% complete), Lord and Taylor's at Landmark Mall, Marriot Residence Inn (30% complete), Metropolitan apartments (formerly Bush-Hill apartments at 40% complete), Park Center apartments phase 3, Potomac Club apartments (50% complete), the Reserve at Potomac Yard apartments, Tavern Square complex (completed renovation) and the Winkler development site (IDA building at 95% complete and Millbrook II apartments).

- Although the following developments had necessary approvals, no structures had been completed for the 2002 assessments: Alexandria Tech Center, parts of the Carlyle development site, Lindsay Cadillac addition.

- The CY 2001 increase of $209.8 million for new commercial construction is the third largest increase in assessed value related to commercial construction since 1990. Last year, for the 2001 assessments $251.6 million in new commercial construction, while $294.4 million in new commercial construction was added for CY 2000. The timing of a development's completion is key to the amount of new construction added, since real estate assessments are generally determined each January 1. However, with the ability to assess completed structures during the calendar year the City does receive additional revenues. Attachment 6 shows the new construction history for the City for assessment years 1992 through 2002.

Commercial Multi-Family Rental Property

Real estate assessments for existing multi-family rental apartments increased 11.25% from 2001 to 2002 (Attachment 2, page 2, line 25, column 7). The Department relies on income and expense statements provided by property owners to determine the January 1 assessment each year for the majority of commercial properties. For January 1, 2002, the Department relied on CY 2000 income and expense data that were reported by property owners to the Department by the May 1, 2001, deadline. While the Real Estate Assessments staff trended the CY 2000 income and expense information to indicate the fair market value as of January 1, 2002, actual income and expense levels that the property experienced and were achieved during CY 2000 were given considerable weight. The rental rates of multi-family properties have increased significantly over the past several years, and with vacancy rates in the City remaining below 5 percent, these properties have continued to have an increase in net operating income. The Department anticipates that the increased rental rates and lower vacancy rates reported by real estate reporting services during CY 2001 will mean value appreciation will continue in this market sector for the next several assessment years (i.e., actual income and expense experience for CY 2001 will be reflected in CY 2003 assessments and the CY 2002 actuals will carry over to 2004 assessments). This expected appreciation could be tempered if market capitalization rates increase in the next few years based on the supply and demand of the product, in conjunction with the availability of capital to investors..

Commercial Office, Retail, and Service Property

Real estate assessments for existing office, retail, and service properties increased at an average rate of 1.58%, from 2001 to 2002 (Attachment 2, page 2, line 35, column 7). Typically the majority of these properties are the smaller general commercial (under 12,000 square feet) properties. These properties trade in the marketplace base on a sales comparison approach and not solely on the income streams generated. The sales along with relatively flat income and expense data held the assessments of these properties level with 2001 values. Last year the assessments for these same properties increased an average of 4.26%. While some increase is expected in the upcoming year these properties generally do not fluctuate as readily as larger investor grade properties.

The assessed value for the average existing office property increased 3.23% from 2001 to 2002 (Attachment 2, page 2, line 29, column 7). According to Grubb & Ellis, an international real estate services firm, office vacancy (including sub-lease space) for the City for the fourth-quarter of 2001 was 9.1%. According to the same source, the fourth-quarter 2000 office vacancy rate for the City was 7.0%. This is the first time that office vacancies have exceeded 10% since 1992. Vacancy rates that averaged nearly 20% when the demand for commercial office space dropped during the period from 1990 to 1992. The office market vacancy fluctuation was a result of the volume of space which was available for re-let, which ultimately impacted the rental rates for newly negotiated leases.

The assessed value for the average existing shopping center in the City declined 1.19% from 2001 to 2002 (Attachment 2, page 2, line 31, column 7). This decline is primarily due to reductions in the original CY 2001 assessments for Landmark Mall by the Board of Equalization and a further reduction in the Landmark Mall assessment for January 1, 2002. Landmark Mall struggled with high turnover and high vacancy throughout the mall in 2001, with the new Lord & Taylor coming on line late in 2001. Potomac Yard Retail Center continues to have a strong place in the market with the 2002 assessment remaining flat with no significant changes in the income and expenses generated by the existing leases.

The assessed value for the average hotel, motel, and extended stay facility declined 10.64% from 2001 to 2002 (Attachment 2, page 2, line 33, column 7). The hotel market had softened slightly prior to the events of September 11, and continued a downward turn post September 11. While the time period immediately after the events of September 11 was heavily impeded with very high vacancies, by year-end 2001 the City hotel market had begun to improve but was still below the prior year's occupancy levels. Last year, for the 2001 assessments, the assessed value for the average hotel, motel, and extended stay facility increased 2.23%.

Vacant Land

Real estate assessments for vacant land declined 6.62% from 2001 to 2002 (Attachment 2, page 3, line 41, column 7). This decline reflects reductions in CY 2001 assessments through the assessment review and appeal process. The reduction in the assessment for vacant land is solely due to the reduction in the 2001 assessed value for Potomac Yard. Crescent Resources purchased Potomac Yard in March, 2001 for $122,815,000 which included the land area in Alexandria and Arlington County, as well as the Potomac Greens site. The sales price was allocated between the City and Arlington based on the development density approved in each jurisdiction. Based on the sales price and new information on development costs, Alexandria's value was $49.6 million (which included $15.2 million for the Greens site), and the assessment for the property was reduced by $41.9 million. Considering this reduction in the assessed value which has carried forward to the 2002 assessment, the remainder of vacant land in the City remained at the same level as 2001, or increased slightly, depending on the area and development potential of the property. Last year, for the initial 2001 assessments, the assessed value for the average vacant land parcel increased 9.47%. As land continues to become more scarce the demand should increase, hence the value should also continue an upward turn.

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ATTACHMENTS:

1 - CY 2002 Real Property Assessment Summary
2 - Assessment Appreciation for Existing Properties (CY 1999 to CY 2002)
3 - Reconciliation of Valuation Changes from CY 2001 to CY 2002
4 - Residential Real Property Sales Statistics for CY 1999, 2000 and 2001
5 - Residential Assessment/Sales Ratio Report for CY 2001
6 - New Construction History for Locally Assessed Properties for CY 1992 to CY 2002 Assessments
7 - CY 2002 Median Assessments for Single Family Homes and Residential Condominiums by Value Ranges by Geographical Area (with General Location Map)
8 - CY 2002 Average Real Property Assessments for Single Family Homes and Residential Condominiums by Geographical Area
9 - Neil Irwin, "House Sales Hit Record In 2001," The Washington Post, 26 January, 2002
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City of Alexandria, Virginia

CY 2002 Real Property Assessment Report

Schedule AV - 1

REAL PROPERTY ASSESSMENT SUMMARY

(includes changes in assessed values from CY 2001 to CY 2002 from all sources)

Real Property Classification	Number of 2002 Parcels	2001 Assessments	2002 Assessments	Amount of Change	% Change
(1)	(2)	(3)	(4)	(5)	(6)
Locally Assessed Real Property					
Residential Real Property					
Residential Single Family					
Detached (100)	9,099	$3,117,785,700	$3,561,211,300	$443,425,600	14.22
Semi-Detached (110)	5,245	1,249,206,500	1,485,500,100	236,293,600	18.92
Row House (120)	6,036	1,463,216,900	1,746,833,700	283,616,800	19.38
	------------	------------------------	---------------------	------------------------	
Total Single Family	20,380	$5,830,209,100	$6,793,545,100	$963,336,000	16.52
Residential Condominium					
Garden (130)	7,388	$807,350,000	$996,903,900	$189,553,900	23.48 [1]
High-rise (140)	7,172	753,560,000	895,922,800	142,362,800	18.89
Residential Cooperative (145)	18	9,230,800	10,020,400	789,600	8.55
Townhouse (150)	906	173,546,700	197,170,800	23,624,100	13.61
	------------	------------------------	---------------------	------------------------	
Total Residential Condominium	15,484	$1,743,687,500	$2,100,017,900	$356,330,400	20.44
	------------	------------------------	---------------------	------------------------	
Total Residential Real Property	**35,864**	**$7,573,896,600**	**$8,893,563,000**	**$1,319,666,400**	**17.42**

Attachment 1

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City of Alexandria, Virginia

CY 2002 Real Property Assessment Report

Schedule AV - 1

REAL PROPERTY ASSESSMENT SUMMARY

(includes changes in assessed values from CY 2001 to CY 2002 from all sources)

Real Property Classification	Number of 2002 Parcels	2001 Assessments	2002 Assessments	Amount of Change	% Change
(1)	(2)	(3)	(4)	(5)	(6)
Commercial Real Property					
Commercial Multi-Family Rental					
Garden (310)	242	$871,185,000	$961,810,800	$90,625,800	10.40
Mid-Rise (320)	17	262,981,100	394,650,500	131,669,400	50.07 [2]
High-rise (330)	27	600,058,900	663,370,000	63,311,100	10.55
	---------	---------------------	-------------------	--------------------	
Total Multi-Family Rental	286	$1,734,225,000	$2,019,831,300	$285,606,300	16.47
Commercial Office, Retail, and Service					
General Commercial (400)	705	$690,742,600	$727,360,100	$36,617,500	5.30
Office (487)	555	2,045,418,800	2,142,391,400	96,972,600	4.74
Office or Retail Condominium (160)	455	156,877,400	164,694,200	7,816,800	4.98
Shopping Center (488)	45	379,830,900	383,984,300	4,153,400	1.09 [3]
Warehouse (486)	191	404,402,700	415,732,700	11,330,000	2.80
Hotel/Motel and Extended Stay (470)	28	383,778,900	355,363,700	(28,415,200)	(7.40) [4]
	------------	---------------------	-------------------	--------------------	
Total Commercial Office, Retail, and Service	1,979	$4,061,051,300	$4,189,526,400	$128,475,100	3.16
Other Commercial Property					
Vacant Residential Land (910)	713	$139,833,300	$102,408,300	($37,425,000)	(26.76)
Vacant Commercial and Industrial Land (941)	453	458,305,500	400,896,000	(57,409,500)	(12.53)
	---------	---------------------	-------------------	--------------------	
Total Other Commercial Property	1,166	$598,138,800	$503,304,300	($94,834,500)	(15.85) [5]
	---------	---------------------	-------------------	--------------------	
Total Commercial Real Property	**3,431**	**$6,393,415,100**	**$6,712,662,000**	**$319,246,900**	**4.99**
	------------	---------------------	-------------------	--------------------	
Total Locally Assessed Real Property	**39,295**	**$13,967,311,700**	**$15,606,225,000**	**$1,638,913,300**	**11.73**

Attachment 1

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City of Alexandria, Virginia

CY 2002 Real Property Assessment Report

Schedule AV - 1

REAL PROPERTY ASSESSMENT SUMMARY

(includes changes in assessed values from CY 2001 to CY 2002 from all sources)

Real Property Classification	Number of 2002 Parcels	2001 Assessments	2002 Assessments	Amount of Change	% Change
(1)	(2)	(3)	(4)	(5)	(6)
Non-Locally Assessed Real Property					
Assessed by State Corporation Commission (SCC)					
Gas & Pipeline Distribution Corporation (612)		$29,044,000	$27,026,200	($2,017,800)	(6.95)
Light & Power Corporation (610)		362,145,400	369,878,200	7,732,800	2.14
Telecommunication Company (614)		141,564,900	138,563,200	(3,001,700)	(2.12)
Water Corporation (616)		31,953,400	29,631,500	(2,321,900)	(7.27)
Total SCC Assessed Property		**$564,707,700**	**$565,099,100**	**$391,400**	**0.07**
Assessed by Virginia Department of Taxation (VDT)					
Interstate Pipeline Transmission (602)		$468,400	$446,300	($22,100)	(4.72)
Operating Railroad (600)					
Richmond, Fredericksburg & Potomac Railway Co.		44,422,900	$46,073,500	$1,650,600	3.72
Norfolk Southern Railway Co.		55,396,400	54,796,900	(599,500)	(1.08)
CSX Transportation, Inc.		42,100	38,900	(3,200)	(7.60)
Total Operating Railroads		$99,861,400	$100,909,300	$1,047,900	1.05
Total VDT Assessed Property		**$100,329,800**	**$101,355,600**	**$1,025,800**	**1.02**
Total Non-Locally Assessed Real Property		**$665,037,500**	**$666,454,700**	**$1,417,200**	**0.21**
Grand Total Real Property Assessments		**$14,632,349,200**	**$16,272,679,700**	**$1,640,330,500**	**11.21**

Department of Real Estate Assessments, March 14, 2002
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City of Alexandria, Virginia
CY 2002 Real Property Assessment Report

REAL PROPERTY ASSESSMENT SUMMARY

1 Increase of 23.48% includes $24.9 million in new garden condominium construction and an additional $14.6 million in assessed value for properties that were reclassified for CY 2002. The average existing residential garden condominium unit in the City appreciated 18.46% from 2001 to 2002.

2 Increase of 50.07% includes $48.7 million in new mid-rise multi-family rental construction and an additional $52.4 million in assessed value for properties that were reclassified for the CY 2002 assessments. The average existing multi-family rental property appreciated 11.62% from 2001 to 2002.

3 Increase of 1.09% includes $4.5 million in new shopping center construction and an additional $4.2 million in assessed value for properties that were reclassified for the CY 2002 assessments. The average existing shopping center property declined 1.19% from 2001 to 2002 as a result of reductions to original 2001 assessed values as part of the assessment review and appeal process.

4 Decline of 7.4% includes $8.2 million in new hotel construction and $4.1 million that resulted from the reclassification of properties for CY 2002 assessments. The average existing hotel, motel, and extended stay property declined 10.64% from 2001 to 2002.

5 Decline of 15.85% reflects the reclassification of $91.2 million in assessed value to various improved residential property classes for the CY 2002 assessments and $34.4 million in new value for land improvements at various sites. The average existing vacant land parcel in the City declined 6.62% from CY 2001 to CY 2002.

6 The 2001 assessments shown in column 3 for non-locally assessed property reflect the amounts estimated by the Department of Real Estate Assessments as of January 1, 2001, for the CY 2001 Real Property Assessment Report. The 2002 assessments estimated by the Department of Real Estate Assessments as of January 1, 2002, for the CY 2002 Real Property Assessment Report consider the final 2001 assessments. The final 2002 assessed values for public service corporation properties will not be issued by the State Corporation Commission (SCC) and Virginia Department of Taxation (VDT) and certified as such to the City until September 2002.

City of Alexandria, Virginia
CY 2002 Real Property Assessment Report

Schedule AV - 2

ASSESSMENT APPRECIATION FOR EXISTING PROPERTIES

	Real Property Classification	CY 1999 to 2000 Appreciation Amount	CY 1999 to 2000 % Change	CY 2000 to 2001 Appreciation Amount	CY 2000 to 2001 % Change	CY 2001 to 2002 Appreciation Amount	CY 2001 to 2002 % Change
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Locally Assessed Real Property						
	Residential Real Property						
1	Residential Single Family						
2	Detached	$161,456,600	6.23	$294,110,300	10.57	$425,211,300	13.65
3	Semi-Detached	48,771,300	4.98	115,614,000	10.66	203,861,100	16.32
4	Row House	54,177,000	4.99	132,574,200	10.65	231,949,100	15.85
5		--------------		--------------		--------------	
6	Total Single Family	$264,404,900	5.68	$542,298,500	10.61	$861,021,500	14.78
7							
8	Residential Condominium						
9	Garden	$8,989,300	1.36	$43,646,800	6.13	$145,531,300	18.46
10	High-rise	5,171,800	0.76	28,882,000	4.07	122,309,200	16.74
11	Residential Cooperative	(874,200)	(9.60)	1,105,400	13.60	789,600	8.55
12	Townhouse	4,944,900	3.14	11,158,100	6.87	24,242,000	14.02
13		--------------		--------------		--------------	
14	Total Residential Condominium	$18,231,800	1.21	$84,792,300	5.32	$292,872,100	17.22
15		--------------		--------------		--------------	
16	**Total Residential Real Property**	**$282,636,700**	**4.59**	**$627,090,800**	**9.35**	**$1,153,893,600**	**15.33**

Attachment 2

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City of Alexandria, Virginia

CY 2002 Real Property Assessment Report

Schedule AV - 2

ASSESSMENT APPRECIATION FOR EXISTING PROPERTIES

Real Property Classification	CY 1999 to 2000		CY 2000 to 2001		CY 2001 to 2002	
	Appreciation Amount	% Change	Appreciation Amount	% Change	Appreciation Amount	% Change
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Commercial Real Property						
Commercial Multi-Family Rental						
Garden	$31,174,300	4.20	$35,317,800	4.56	$96,323,700	11.63
Mid-Rise	23,836,200	10.94	6,399,600	2.68	30,548,000	11.62
High-rise	19,285,300	3.93	20,871,100	3.79	60,925,200	10.53
Group Quarters	($1,438,400)	(3.02)	na	na	na	[1]
	---------------		---------------		---------------	
Total Multi-Family Rental	$72,857,400	5.01	$62,588,500	4.00	$187,796,900	11.25
Commercial Office, Retail, and Service						
General Commercial	$22,476,000	3.77	$45,941,200	7.23	$23,504,000	3.44
Office	136,914,400	8.51	76,934,800	4.19	65,369,800	3.23
Office or Retail Condominium	1,922,100	1.36	(508,200)	(0.35)	7,546,800	4.81
Shopping Center	6,166,300	1.71	(1,623,800)	(0.43)	(4,491,900)	(1.19)[2]
Warehouse	12,399,400	3.60	30,121,200	8.18	12,656,000	3.14
Hotel, Motel and Extended Stay	47,521,600	19.26	8,234,700	2.23	(40,816,100)	(10.64)[3]
	---------------		---------------		---------------	
Total Commercial Office, Retail, and Service	$227,399,800	6.90	$159,099,900	4.26	$63,768,600	1.58

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City of Alexandria, Virginia

CY 2002 Real Property Assessment Report

Schedule AV - 2

ASSESSMENT APPRECIATION FOR EXISTING PROPERTIES

	CY 1999 to 2000		CY 2000 to 2001		CY 2001 to 2002	
Real Property Classification	**Appreciation Amount**	**% Change**	**Appreciation Amount**	**% Change**	**Appreciation Amount**	**% Change**
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Other Commercial Property						
Vacant Residential Land	8,770,400	8.34	13,915,800	12.33	(10,243,600)	(15.70)
Vacant Commercial & Industrial Land	16,348,900	4.83	33,028,600	8.63	(21,650,900)	(5.20)
Total Other Commercial Property	$25,119,300	5.66	$46,944,400	9.47	($31,894,500)	(6.62)[4]
Total Commercial Real Property	**$325,376,500**	**6.26**	**$268,632,800**	**4.64**	**$219,671,000**	**3.55**
Total Locally Assessed Real Property	**$608,013,200**	**5.35**	**$895,723,600**	**7.17**	**$1,373,564,600**	**10.02**

Department of Real Estate Assessments, March 14, 2002
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City of Alexandria, Virginia
CY 2001 Real Property Assessment Report

ASSESSMENT APPRECIATION FOR EXISTING PROPERTIES

1 No figures are shown for CY 2001 because properties previously classified as group quarters were reclassified as multi-family rental and extended stay facilities for the CY 2000 assessments.

2 This decline of 1.19% for shopping center properties is primarily due to reductions in the original CY 2001 assessments for Landmark Mall by the Board of Equalization and a further reduction in the Landmark Mall assessment for January 1, 2002

3 The assessed value for the average hotel, motel, and extended stay facility declined 10.64% from 2001 to 2002. The hotel market had softened slightly prior to the events of September 11, and continued a downward turn post September 11. While the time period immediately after the events of September 11 was heavily impeded with very high vacancies, by year-end 2001 the City hotel market was approaching levels similar to pre-September 11.

4 Real estate assessments for vacant land declined 6.62% from 2001 to 2002. This decline reflects reductions in CY 2001 assessments through the assessment review and appeal process. The reduction in the assessment for vacant land is solely due to the reduction in the 2001 assessed value for Potomac Yard.

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City of Alexandria, Virginia
CY 2002 Real Property Assessment Report

Schedule AV - 3

RECONCILIATION OF VALUATION CHANGES FROM CY 2001 TO CY 2002

Real Property Classification	Original CY 2001 AV	Administrative Change [1]	Reductions: Taxable Status [2]	Additions: Taxable Status [2]	New Construction [3]	Appreciation [4]	Original CY 2002 AV
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Locally Assessed Real Property							
Residential Real Property							
Residential Single Family							
Detached	$3,117,785,700	$1,019,800		$2,072,800	$15,121,700	$425,211,300	$3,561,211,300
Semi-Detached	1,249,206,500	16,980,000			15,452,500	203,861,100	1,485,500,100
Row House	1,463,216,900	26,118,900			25,548,800	231,949,100	1,746,833,700
Total Single Family	$5,830,209,100	$44,118,700		$2,072,800	$56,123,000	$861,021,500	$6,793,545,100
Residential Condominium							
Garden	$807,350,000	$14,611,300			$29,411,300	$145,531,300	$996,903,900
High-rise	753,560,000	(20,000)		114,000	19,959,600	122,309,200	895,922,800
Residential Cooperative	9,230,800					789,600	10,020,400
Townhouse	173,546,700	(617,900)				24,242,000	197,170,800
Total Residential Condominium	$1,743,687,500	$13,973,400		$114,000	$49,370,900	$292,872,100	$2,100,017,900
Total Residential Real Property	**$7,573,896,600**	**$58,092,100**		**$2,186,800**	**$105,493,900**	**$1,153,893,600**	**$8,893,563,000**
Commercial Real Property							
Commercial Multi-Family Rental							
Garden	$871,185,000	($28,896,000)	($6,445,100)		$29,643,200	96,323,700	$961,810,800
Mid-Rise	262,981,100	52,428,000			48,693,400	30,548,000	394,650,500
High-rise	600,058,900		(21,553,100)		23,939,000	60,925,200	663,370,000
Total Multi-Family Rental	$1,734,225,000	$23,532,000	($27,998,200)		$102,275,600	$187,796,900	$2,019,831,300

Attachment 3

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City of Alexandria, Virginia

CY 2002 Real Property Assessment Report

Schedule AV - 3

RECONCILIATION OF VALUATION CHANGES FROM CY 2001 TO CY 2002

Real Property Classification	Original CY 2001 AV	Administrative Change [1]	Reductions Taxable Status [2]	Additions Taxable Status [2]	New Construction [3]	Appreciation [4]	Original CY 2002 AV
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Commercial Office, Retail, and Service							
General Commercial	690,742,600	($1,862,800)			$14,976,300	$23,504,000	$727,360,100
Office	2,045,418,800	3,655,400	(17,262,500)		45,209,900	65,369,800	2,142,391,400
Office or Retail Condominium	156,877,400				270,000	7,546,800	164,694,200
Shopping Center	379,830,900	4,178,600			4,466,700	(4,491,900)	383,984,300
Warehouse	404,402,700	(1,326,000)				12,656,000	415,732,700
Hotel, Motel and Extended Stay	383,778,900	4,142,000			8,258,900	(40,816,100)	355,363,700
Total Commercial Office, Retail, and Service	$4,061,051,300	$8,787,200	($17,262,500)		$73,181,800	$63,768,600	$4,189,526,400
Other Commercial Property							
Vacant Residential Land	$139,833,300	($56,743,400)			$29,562,000	($10,243,600)	$102,408,300
Vacant Commercial & Industrial Land	458,305,500	(34,429,000)	(6,139,500)		4,809,900	(21,650,900)	400,896,000
Total Other Commercial Property	$598,138,800	($91,172,400)	($6,139,500)		$34,371,900	($31,894,500)	$503,304,300
Total Commercial Real Property	**$6,393,415,100**	**($58,853,200)**	**($51,400,200)**		**$209,829,300**	**$219,671,000**	**$6,712,662,000**
Total Locally Assessed Real Property	**$13,967,311,700**	**($761,100)**	**($51,400,200)**	**$2,186,800**	**$315,323,200**	**$1,373,564,600**	**$15,606,225,000**

Department of Real Estate Assessments, March 1, 2002
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Attachment 3

City of Alexandria, Virginia
CY 2002 Real Property Assessment Report

RECONCILIATION OF VALUE CHANGES FROM CY 2001 TO CY 2002

1 Administrative changes reflect the reclassification of property for assessment purposes, the subdivision and consolidation of land, damage to property that is beyond the control of the owner, and similar changes in the physical characteristics of property, except for new construction, which is reported separately (column 6).

2 Column 4 shows reductions in assessed value as a result of properties qualifying for tax exempt status. Column 5 shows additions to assessed values that are a result of formerly tax exempt properties changing to a taxable status. The tax exempt status of real property is governed by the provisions in the Constitution of Virginia and the Code of Virginia. The tax exempt status of real property is determined annually by the Director of the Department of Real Estate Assessments, who typically seeks the opinion and advise of the City Attorney in these matters.

3 New construction includes buildings completed during CY 2001 (known as supplemental assessments), buildings that were 100% complete and buildings that were partially complete (typically between 10% and 90% complete) as of January 1, 2002, for the CY 2002 assessments. New construction values shown for vacant land categories reflect site improvements and infrastructure where development was approved and commenced (i.e., site excavation, water, sewer and other utility service installations, streets, costs associated with development planning, engineering, etc.)

4 Adjustments reflect changes to prior year assessments (CY 2001) that are a result of assessment reviews and appeals and revisions to assessments to reflect 100% of estimated fair market value as of January 1, 2002, for the CY 2002 assessments, as required by State tax law.

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Schedule AV - 4

RESIDENTIAL REAL PROPERTY SALES STATISTICS FOR CY 1999, 2000 AND 2001

	Sales Statistic	CY 1999	CY 2000	% Change (1999 to 2000)	CY 2001	% Change (2000 to 2001)
	(1)	(2)	(3)	(4)	(5)	(6)
	Dollar Volume of Sales					
1	Residential Single Family					
2	Detached	$206,080,582	$197,410,519	(4.21)	$228,041,449	15.52
3	Semi-Detached	162,910,438	158,290,327	(2.84)	168,625,641	6.53
4	Row House	236,996,539	235,407,272	(0.67)	214,633,057	(8.82)
5		-------------------	---------------------		---------------------	
6	Total Single Family	$605,987,559	$591,108,118	(2.46)	$611,300,147	3.42
7						
8	Residential Condominium					
9	Garden	$116,933,273	$114,977,782	(1.67)	$180,468,600	56.96
10	High-rise	63,703,895	66,310,169	4.09	137,780,477	107.78
11	Residential Cooperative					
12	Townhouse	18,702,117	18,888,605	1.00	19,913,650	5.43
13		---------------	------------------		------------------	
14	Total Residential Condominium	$199,339,285	$200,176,556	0.42	$338,162,727	68.93
15		---------------	---------------		------------------	
16	**Total Dollar Volume of Sales**	**$805,326,844**	**$791,284,674**	**(1.74)**	**$949,462,874**	**19.99**

City of Alexandria, Virginia
CY 2002 Real Property Assessment Report

Schedule AV - 4

RESIDENTIAL REAL PROPERTY SALES STATISTICS FOR CY 1999, 2000 AND 2001

Sales Statistic	CY 1999	CY 2000	% Change (1999 to 2000)	CY 2001	% Change (2000 to 2001)
(1)	(2)	(3)	(4)	(5)	(6)
Number of Units Sold					
Residential Single Family					
Detached	634	547	(13.72)	520	(4.94)
Semi-Detached	609	566	(7.06)	504	(10.95)
Row House	854	824	(3.51)	669	(18.81)
Total Single Family	2,097	1,937	(7.63)	1,693	(12.60)
Residential Condominium					
Garden	731	819	12.04	1,121	36.87
High-rise	504	597	18.45	909	52.26
Residential Cooperative					
Townhouse	98	96	(2.04)	81	(15.63)
Total Residential Condominium	1,333	1,512	13.43	2,111	39.62
Total Number of Units Sold	**3,430**	**3,449**	**0.55**	**3,804**	**10.29**

City of Alexandria, Virginia
CY 2002 Real Property Assessment Report

Schedule AV - 4

RESIDENTIAL REAL PROPERTY SALES STATISTICS FOR CY 1999, 2000 AND 2001

Sales Statistic	CY 1999	CY 2000	% Change (1999 to 2000)	CY 2001	% Change (2000 to 2001)
(1)	(2)	(3)	(4)	(5)	(6)
Average Sale Price					
Residential Single Family					
Detached	$325,048 [1]	$360,897	11.03	$438,541	21.51
Semi-Detached	267,505	279,665	4.55	334,575	19.63
Row House	277,514	285,688	2.95	320,827	12.30
Total Single Family	$288.978	$305,167	5.60	$361,075	18.32
Residential Condominium					
Garden	$159,963	$140.388	(12.24)	$160,989	14.67
High-rise	126,397	111,072	(12.12)	151,574	36.46
Residential Cooperative					
Townhouse	190,838	196,756	3.10	245,848	24.95
Total Residential Condominium	$149,542	$132,392	(11.47)	$160,191	21.00
Average Sale Price for Residence	**$234,789**	**$229,424**	**(2.28)**	**$249,596**	**8.79**

Note:

[1] 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).

Department of Real Estate Assessments, March 1, 2002
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City of Alexandria, Virginia

CY 2002 Real Property Assessment Report

Schedule AV - 5

RESIDENTIAL ASSESSMENT/SALES RATIO REPORT FOR CY 2001

	Real Property Classification	No. Sales	Total CY 2001 Assessed Value	Total CY 2001 Sales Price	Ratio [1]
	(1)	(2)	(3)	(4)	(5)
	Locally Assessed Real Property				
	Residential Real Property				
1	Residential Single Family				
2	Detached	469	$156,350,800	$197,590,313	79.13
3	Semi-Detached	412	107,258,200	136,215,097	78.74
4	Row House	499	122,636,500	155,121,927	79.06
5		------	------------------	------------------	
6	Total Single Family	1,380	$386,245,500	$488,927,337	79.00
7					
8	Residential Condominium				
9	Garden	874	$98,399,100	$128,386,838	76.64
10	High-rise	753	73,494,000	95,201,901	77.20
11	Residential Cooperative	0			
12	Townhouse	81	15,216,000	19,913,650	76.41
13		------	------------------	------------------	
14	Total Residential Condominium	1,708	$187,109,100	$243,502,389	76.84
15		--------	------------------	------------------	
16	**Total Residential Real Property**	**3,088**	**$573,354,600**	**$732,429,726**	**78.28**

Note:

[1] The assessment/sales ratio is determined by dividing the total CY 2001 assessed value (column 3) by the total CY 2001 sales price (column 4).

Department of Real Estate Assessments, January 29, 2002
File: j:\123\richard\CM20121a.wk4 Tab 5

Attachment 5

City of Alexandria, Virginia
CY 2002 Real Property Assessment Report

Schedule AV - 6

NEW CONSTRUCTION HISTORY FOR LOCALLY ASSESSED PROPERTIES FOR CY 1992 - 2002

		Locally Assessed New Construction			Total New as % of Local Assessed
	Year	Residential	Commercial [1]	Total	Tax Base [2]
	(1)	(2)	(3)	(4)	(5)
1	2002	$105,493,900	$209,829,300	$315,323,200	2.02
2	2001	169,779,500	251,595,400	421,374,900	3.02
3	2000	212,525,600	294,411,200	506,936,800	3.81
4	1999	187,855,100	130,892,500	318,747,600	2.62
5	1998	92,622,700	206,356,200	298,978,900	2.58
6	1997	52,443,300	49,187,000	101,630,300	0.91
7	1996	70,730,600	7,715,900	78,446,500	0.72
8	1995	53,728,300	1,545,700	55,274,000	0.51
9	1994	25,845,900	6,751,900	32,597,800	0.30
10	1993	35,351,500	15,779,900	51,131,400	0.46
11	1992	27,522,600	24,642,100	52,164,700	0.46

Notes:

1 Does not include new value added as a result of improvements to state-assessed public service corporation properties.

2 Total locally assessed new construction (column 4) expressed as a percentage of the total locally assessed real property tax base for the City for the current assessment year. CY assessment reports before 2001 compared total new construction to the total locally assessed real real property tax base for the previous CY.

Department of Real Estate Assessments, February 14, 2002
File: j:\123\richard/CM20121a.123 Tab 6

Attachment 6

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2002 MEDIAN ASSESSMENTS 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	1,588	$63,200
$100,000 - $149,999	200	104,500
$150,000 - $199,999	283	184,900
$200,000 - $249,999	672	217,400
$250,000 and over	690	293,500

Small Area Plan 2

Braddock Road Metro Station

Assessed Value Range	No. of Units	Median Value
Less than $100,000	19	$70,500
$100,000 - $149,999	343	135,500
$150,000 - $199,999	386	168,100
$200,000 - $249,999	259	231,600
$250,000 and over	551	303,400

Small Area Plan 3

Fairlington/Bradlee

Assessed Value Range	No. of Units	Median Value
Less than $100,000	0	0
$100,000 - $149,999	0	0
$150,000 - $199,999	92	$183,000
$200,000 - $249,999	35	201,900
$250,000 and over	6	276,000

(for map showing locations, see page 6)

Attachment 7

CY 2002 Real Property Assessment Report

2002 MEDIAN ASSESSMENTS 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	0
$100,000 - $149,999	61	$131,500
$150,000 - $199,999	118	181,200
$200,000 - $249,999	220	222,700
$250,000 and over	326	309,600

Small Area Plan 5

Landmark/Van Dorn

Assessed Value Range	No. of Units	Median Value
Less than $100,000	2,426	$79,900
$100,000 - $149,999	1,854	115,300
$150,000 - $199,999	431	161,700
$200,000 - $249,999	570	229,900
$250,000 and over	1,094	326,100

Small Area Plan 6

Northeast

Assessed Value Range	No. of Units	Median Value
Less than $100,000	219	$88,400
$100,000 - $149,999	80	118,200
$150,000 - $199,999	120	168,200
$200,000 - $249,999	185	233,500
$250,000 and over	327	297,800

2002 MEDIAN ASSESSMENTS 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	892	$83,800
$100,000 - $149,999	895	126,800
$150,000 - $199,999	386	160,100
$200,000 - $249.999	109	214,400
$250,000 and over	2,703	384,200

Small Area Plan 8

OldTown

Assessed Value Range	No. of Units	Median Value
Less than $100,000	8	$89,200
$100,000 - $149,999	95	146,400
$150,000 - $199,999	120	182,100
$200,000 - $249,999	145	229,700
$250,000 and over	2,480	489,400

Small Area Plan 9

OldTown North

Assessed Value Range	No. of Units	Median Value
Less than $100,000	280	$72,100
$100,000 - $149.999	322	123,300
$150,000 - $199,999	184	174,200
$200,000 - $249,999	150	236,800
$250,000 and over	510	319,300

CY 2002 Real Property Assessment Report

2002 MEDIAN ASSESSMENTS 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	687	$65,400
$100,000 - $149,999	1,020	135,300
$150,000 - $199,999	1,009	177,000
$200,000 - $249,999	1,019	224,400
$250,000 and over	2,044	308,600

Small Area Plan 11

Potomac Yard/Potomac Greens

Assessed Value Range	No. of Units	Median Value
Less than $100,000	0	0
$100,000 - $149,999	0	0
$150,000 - $199,999	0	0
$200,000 - $249,999	38	$241,500
$250,000 and over	235	385,600

Small Area Plan 12

Seminary Hill/Strawberry Hill

Assessed Value Range	No. of Units	Median Value
Less than $100,000	719	$71,700
$100,000 - $149,999	746	124,800
$150,000 - $199,999	941	165,000
$200,000 - $249,999	702	225,400
$250,000 and over	1,468	337,300

CY 2002 Real Property Assessment Report

2002 MEDIAN ASSESSMENTS 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	40	$90,900
$100,000 - $149,999	124	125,000
$150,000 - $199,999	134	177,600
$200,000 - $249,999	168	229,900
$250,000 and over	443	323,000

Small Area Plan 14

Taylor Run/Duke Street

Assessed Value Range	No. of Units	Median Value
Less than $100,000	64	$95,100
$100,000 - $149,999	430	121,000
$150,000 - $199,999	133	168,100
$200,000 - $249,999	173	235,700
$250,000 and over	1,093	413,500

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

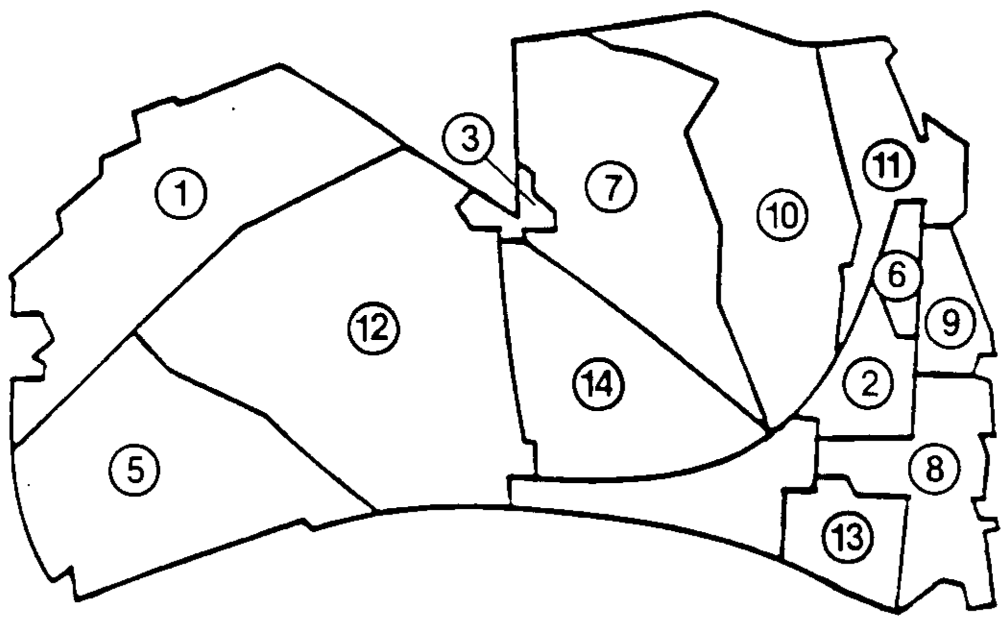
Source: Department of Real Estate Assessments, January 29, 2002
File: i:\123\barbara\02medrg.wk4

Attachment 7

CITY OF ALEXANDRIA, VIRGINIA

Prefix Numbers for Residential Neighborhood Study Groups Identifying the Geographical Areas of the City that Approximate the Small Area Plans

(arranged in alphabetical order by name of small area plan)



01	Alexandria West
02	Braddock Road Metro Station
03	Fairlington/Bradlee
04	King St./Eisenhower Ave. Metro Station
05	Landmark/Van Dorn
06	Northeast
07	Northridge/Rosemont
08	Old Town
09	Old Town North
10	Potomac West
11	Potomac Yard/Potomac Greens
12	Seminary Hill/Strawberry Hill
13	Southwest Quandrant
14	Taylor Run/Duke Street

Source: Department of Real Estate Assessments

Last revised: March 12, 1999

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City of Alexandria, Virginia
CY 2002 Real property Assessment Report

AVERAGE 2002 REAL PROPERTY ASSESSMENTS FOR SINGLE FAMILY HOMES AND RESIDENTIAL CONDOMINIUMS BY GEOGRAPHICAL AREA

		Single Family Homes			Residential Condominiums		
	Small Area Plan Name	2002 Average Assessed Value	% Change 2001 to 2002	1	2002 Average Assessed Value	% Change 2001 to 2002	1
	(1)	(2)	(3)		(4)	(5)	
1	Alexandria West	$260,439	10.36		$98,326	14.74	
2	Braddock Road Metro Station	247.695	13.64		145,262	16.78	
3	Fairlington/Bradlee	247,303	1.52	2	187,275	12.88	
4	King St/Eisenhower Ave Metro Station	358.689	40.47	3	253,217	37.37	4
5	Landmark/Van Dorn	312.072	31.46	4	116,634	18.98	4
6	Northeast	259.223	17.00		107,373	28.38	5
7	Northridge	402.420	11.53		113,153	20.65	
8	Old Town	576,371	16.88		361,138	16.78	
9	Old Town North	463.794	11.71		171,037	15.04	
10	Potomac West	224.839	15.81		50.693	8.93	6
11	Potomac Yard/Potomac Greens	472,059	16.80		269,736	18.69	
12	Seminary Hill/Strawberry Hill	296,732	11.92		102.899	17.49	
13	Southwest Quadrant	297,515	16.76		214.592	16.67	
14	Taylor Run/Duke St	401.136	16.51		119,322	18.04	

Notes:

1 - Percent of change from 2001 to 2002 includes assessment appreciation, depreciation, new construction, classification changes, and change in the tax exempt status of single family homes and residential condominiums.

2 - Increase includes the demolition of four hourses on Peach Street.

3 - Increase includes new construction at Carlyle City Residences.

4 - Increase includes new construction activity at Cameron Station.

5 - Increase includes new construction activity at Old Town Crescent.

6 - More than 10% of the condominium units in this study group sold during calendar year 2001 indiating an average assessment/sales ratio of 94.5%.

Department of Real Estate Assessments, January 29, 2002
file name: I:\excel\ballen\02sapchg.xls Tab A

The Washington Post

SATURDAY, JANUARY 26, 2002

House Sales Hit Record In 2001

Milder Recession Credited to Trend

By NEIL IRWIN
Washington Post Staff Writer

Americans bought more existing homes last year than ever before, defying an economy in recession and helping to explain why that recession has proved relatively mild.

A record 5.25 million existing homes were sold in 2001, compared with 5.11 million in 2000, the National Association of Realtors reported yesterday. The organization also said that in December sales of existing homes slipped slightly, to a 5.19 million annualized pace, from 5.23 million in November. Some economists attributed the late-year slump to rising mortgage rates.

The government is scheduled to release figures on sales of new homes on Monday; through November, though, those sales were outpacing the previous year's sales.

In many past recessions, the housing market has suffered mightily. In some cases, overbuilding of houses and apartment buildings has led the economy into recession. Not so this time.

"Compared to a typical recession, we're doing just great," said David Seiders, chief economist of the National Association of Home Builders. "This has been really kind of an unprecedented performance for the housing sector in the midst of an official economic recession."

He and other economists cite a variety of reasons for the strength in home sales. Mortgage rates have remained low—around 7 percent for 30-year fixed-rate mortgages—for most of 2001 and into 2002. And unlike 1990, when free-lending banks gave developers the money to build more housing than there was demand for, lenders have been more careful this time, and the supply of housing remains relatively tight.

The resulting strength in the housing market, some economists say, is a big reason this recession has proved shallow compared with earlier ones.

"The housing sector really put the economy on its shoulders," said David Lereah, chief economist of the National Association of Realtors. "Without it, the economy would be in a much deeper recession and would take much longer to get into recovery."

He said the biggest difference between this recession and the past 11 recessions is that interest rates have been low this time around, helping keep demand for houses stable.

Because 20 percent of the na-

Low Rates Propel Sales

HOUSING, *From E1*

tion's economic output is related to housing, he said, its strength helps explain why the economy has drifted downward rather than collapsed.

The western United States, unlike the nation as a whole, did not post record existing-home sales. Part of the reason, Lereah said, is that major housing markets there, including Northern California and Seattle, were most dramatically affected by the technology-sector collapse that helped drive the nation into recession.

Counterintuitively, however, the Midwest did set a record for existing-home sales in a year, even though the other major sector of the economy that drove the nation into recession, manufacturing, is disproportionately based there. But Seiders said new-home sales, unlike existing-home sales, do appear to be lagging in some Midwestern industrial cities.

The Washington Post

SATURDAY, NOVEMBER 3, 2001

THE NATION'S HOUSING

Kenneth R. Harney

Extra Care Urged in Valuing Homes

Reacting to market uncertainties in the wake of Sept. 11, the nation's principal professional society for real estate appraisers has instructed its 20,000 members to take extraordinary new precautions in valuing homes and commercial properties.

The Appraisal Institute wants members to make clear to their clients—banks, home mortgage lenders and individual consumers—that it may still be too early to properly assess the effects of the terrorist acts and economic aftershocks on the market values of real estate.

The institute suggests that appraisers consider going beyond their customary searches for "comparable" recent sales data in valuing properties and talk with "market participants" such as real estate agents and builders to identify factors that could

See HARNEY, H14, Col. 1

Caution Urged in Valuing Homes

HARNEY, From H1

affect local values. The institute also urges appraisers to include a "prominent" disclosure to their clients that, to the extent the sales data used in the report is from transactions preceding Sept. 11, the valuation may not reflect market changes following the terrorist attacks.

Stephanie Coleman, the institute's national director of standards, says the group's unusual advisory to members does not imply that real estate values may decline because of the attacks. To the contrary, she emphasized in an interview last week, "what we're saying is that we simply don't know yet" what impact there may have been, including ongoing ripple effects from fears about anthrax, Postal Service disruptions, air travel problems and high-profile buildings.

The impact, if any, is likely to be strongest in areas or types of properties directly touched by terrorist attacks. In Manhattan, for example, there are widespread concerns about the long-term effect of the World Trade Center tragedy on the values of commercial real estate. If tenants no longer want to pay high rents for offices in landmark buildings, or consider the city too risky, the market values of properties could be severely reduced. Similar fears have been expressed elsewhere around the country about high-profile properties that could be terrorist targets.

Beyond those situations, though, appraisers say, there are uncertainties about the post-Sept. 11 national economy. Coleman noted that even Federal Reserve Chairman Alan Greenspan has told Congress that "we do not know" how businesses and consumers will be affected by the aftershocks. In certain industries—airlines, travel, restaurants and hotels—the signs are not good.

Unemployment, already on the rise nationally before Sept. 11, can have rapid and serious effects on real property values. In local economies with unusually large layoffs, home values could flatten and even decline, especially if they had ballooned far beyond national norms in recent years.

The Appraisal Institute's advisory to members serves to focus attention on the challenges facing real estate appraisers. In residential property transactions, appraisers typically search for comparable home transactions in the immediate vicinity over the prior six to 12 months. Then they make adjustments based on a wide range of factors, from square footage to property location and condition.

The problem faced by appraisers now is that Sept. 11 constitutes an "extraordinary" valuation event, much like an earthquake, hurricane or flood, in terms of potential impact on real property values. "Comparables" from the months preceding Sept. 11 may—or may not—have the same reliability for appraisal purposes as they normally would.

"If the date of [the valuation] is later than Sept. 11," said the institute, then until there are more post-attack sales transactions, "it will be extremely difficult to measure the effect of the event."

In such cases, the appraiser can render a value opinion with a prominent proviso that Sept. 11 and its aftermath are assumed to have no effect on value— an "extraordinary assumption" in appraisal lingo. But the client should be "cautioned that if this extraordinary assumption is incorrect, the value opinion and other conclusions expressed in the [appraisal] could be significantly different."

What's the upshot for home buyers, sellers and refinancers? For starters, be aware that the only thing appraisers can do is interpret the market, and the real estate market is still sorting out the effects of Sept. 11.

The odds are strong that the value of your house has not been radically affected by the attacks. But by the same token, if unemployment rises in your community—either because of economic disruptions or declines in consumer spending—then you should be concerned about potential effects on your home value.

But keep this in mind: Through wars and recessions, owning a home in America historically has been a very solid bet. Terrorists won't be able to change that.

Harney's e-mail address is kenharney@aol.com.

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Attachment 11

THE WALL STREET JOURNAL.

WEDNESDAY, DECEMBER 19, 2001

Building of New Homes Increases 8.2%, Led by Surge in Multifamily Construction

By PATRICK BARTA
Staff Reporter of THE WALL STREET JOURNAL

The housing market continued to show its resilience in November as home-construction activity rebounded to pre-Sept. 11 levels.

The Commerce Department said builders broke ground on homes at a seasonally adjusted annual pace of 1.65 million units in November, an 8.2% increase over October and the busiest month for home construction since July.

The gain was led primarily by a 28.4% surge in multifamily construction. But starts for single-family homes, a larger and more important part of the housing sector, were also stronger than expected, rising 3.2% after a 3.4% drop in October. Meanwhile, permits for new homes, a good indicator of future construction activity, rose 5.3% in November to a seasonally adjusted annual rate of 1.56 million units.

"There's very little evidence of a downturn in housing," said David Berson, the chief economist at Fannie Mae. Indeed, despite recent fears that the market was poised to fall apart after Sept. 11, "housing is holding up," said Gerald Cohen, a senior economist at Merrill Lynch.

Economists said warm weather helped to boost the numbers, as did the recent uptick in interest rates, which appears to be encouraging some home shoppers to buy now before rates go higher.

The average rate for a 30-year fixed-rate mortgage bottomed out at 6.45% in early November, according to Freddie Mac; last week, the average rate was 7.09%, which is still low by historical standards. Many economists say they expect home sales to slow a bit as the weather gets colder, but the current consensus is that sales will remain relatively strong well into next year.

The healthy housing starts data are only the latest in a steady stream of encouraging reports on the housing market in recent days. On Monday, the National Association of Home Builders said its monthly survey of builder sentiment rose eight points in December, the largest monthly increase since 1998. Meanwhile, applications for mortgages to purchase homes have shot upward in recent weeks to levels not seen since this summer, when home sales were running at a record pace, the Mortgage Bankers Association of America said.

Grubb & Ellis.
Property Solutions Worldwide

Office Vacancy and Net Absorption
Alexandria

Metropolitan Washington, DC > Northern Virginia > Alexandria

						Available						Rolling Net Absorption	
Year	Qtr	Stat Type		Bldgs	Inventory SF	Direct SF	%	Sublet SF	%	Total SF	%	1 Qtr	1 Year
2001	4	Class	A	38	4,103,383	564,910	13.8%	155,977	3.8%	720,887	17.6%	-55,195	-108,454
2001	4	Class	B	69	4,426,670	126,249	2.9%	98,386	2.2%	224,635	5.1%	-756	-78,792
2001	4	Class	C	37	3,012,006	88,365	2.9%	16,798	0.6%	105,163	3.5%	8,601	11,321
2001	4	Own Occ	N	103	9,185,928	683,889	7.4%	227,209	2.5%	911,098	9.9%	-20,599	-203,661
2001	4	Own Occ	Y	41	2,356,131	95,635	4.1%	43,952	1.9%	139,587	5.9%	-26,751	27,736
2001	**4**	**TOTAL**		**144**	**11,542,059**	**779,524**	**6.8%**	**271,161**	**2.3%**	**1,050,685**	**9.1%**	**-47,350**	**-175,925**
2001	3	Class	A	38	4,103,383	528,869	12.9%	136,823	3.3%	665,692	16.2%	-106,975	70,373
2001	3	Class	B	69	4,426,670	101,559	2.3%	122,320	2.8%	223,879	5.1%	-16,127	-102,455
2001	3	Class	C	37	3,012,006	88,123	2.9%	25,641	0.9%	113,764	3.8%	3,737	5,222
2001	3	Own Occ	N	103	9,185,928	647,544	7.0%	242,955	2.6%	890,499	9.7%	-125,254	-69,275
2001	3	Own Occ	Y	41	2,356,131	71,007	3.0%	41,829	1.8%	112,836	4.8%	5,889	42,415
2001	**3**	**TOTAL**		**144**	**11,542,059**	**718,551**	**6.2%**	**284,784**	**2.5%**	**1,003,335**	**8.7%**	**-119,365**	**-26,860**
2001	2	Class	A	38	4,100,295	435,852	10.6%	119,777	2.9%	555,629	13.6%	34,787	284,029
2001	2	Class	B	69	4,426,670	70,475	1.6%	137,277	3.1%	207,752	4.7%	6,616	-54,100
2001	2	Class	C	37	3,012,006	91,165	3.0%	26,336	0.9%	117,501	3.9%	-13,744	30,717
2001	2	Own Occ	N	103	9,182,840	524,707	5.7%	237,450	2.6%	762,157	8.3%	9,262	240,720
2001	2	Own Occ	Y	41	2,356,131	72,785	3.1%	45,940	1.9%	118,725	5.0%	18,397	19,926
2001	**2**	**TOTAL**		**144**	**11,538,971**	**597,492**	**5.2%**	**283,390**	**2.5%**	**880,882**	**7.6%**	**27,659**	**260,646**
2001	1	Class	A	37	4,028,823	447,108	11.1%	71,836	1.8%	518,944	12.9%	18,929	198,768
2001	1	Class	B	69	4,423,073	78,410	1.8%	132,361	3.0%	210,771	4.8%	-68,525	-4,044
2001	1	Class	C	37	3,011,080	91,357	3.0%	11,474	0.4%	102,831	3.4%	12,727	7,389
2001	1	Own Occ	N	103	9,177,638	561,429	6.1%	204,788	2.2%	766,217	8.3%	-67,070	154,307
2001	1	Own Occ	Y	40	2,285,338	55,446	2.4%	10,883	0.5%	66,329	2.9%	30,201	47,806
2001	**1**	**TOTAL**		**143**	**11,462,976**	**616,875**	**5.4%**	**215,671**	**1.9%**	**832,546**	**7.3%**	**-36,869**	**282,113**
2000	4	Class	A	37	4,030,051	421,338	10.5%	117,763	2.9%	539,101	13.4%	123,632	276,901
2000	4	Class	B	69	4,423,073	74,467	1.7%	67,779	1.5%	142,246	3.2%	-24,419	47,537
2000	4	Class	C	37	3,011,080	108,058	3.6%	7,500	0.2%	115,558	3.8%	2,502	-18,193
2000	4	Own Occ	N	103	9,178,866	557,936	6.1%	142,439	1.6%	700,375	7.6%	113,787	322,981
2000	4	Own Occ	Y	40	2,285,338	45,927	2.0%	50,603	2.2%	96,530	4.2%	-12,072	-16,736
2000	**4**	**TOTAL**		**143**	**11,464,284**	**603,863**	**5.3%**	**193,042**	**1.7%**	**796,905**	**7.0%**	**101,715**	**306,245**
2000	3	Class	A	35	3,840,065	397,013	10.3%	75,734	2.0%	472,747	12.3%	106,681	91,253
2000	3	Class	B	69	4,425,931	88,142	2.0%	32,543	0.7%	120,685	2.7%	32,228	114,098
2000	3	Class	C	37	3,011,080	108,447	3.6%	9,613	0.3%	118,060	3.9%	29,232	504
2000	3	Own Occ	N	101	8,991,738	548,283	6.1%	78,751	0.9%	627,034	7.0%	184,741	181,867
2000	3	Own Occ	Y	40	2,285,338	45,319	2.0%	39,139	1.7%	84,458	3.7%	-16,600	23,988
2000	**3**	**TOTAL**		**141**	**11,277,076**	**593,602**	**5.3%**	**117,890**	**1.0%**	**711,492**	**6.3%**	**168,141**	**285,855**
2000	2	Class	A	33	3,534,065	214,135	6.1%	59,293	1.7%	273,428	7.7%	-50,474	216,773
2000	2	Class	B	69	4,428,914	99,162	2.2%	56,734	1.3%	155,896	3.5%	56,672	47,868
2000	2	Class	C	37	3,011,080	140,053	4.7%	7,239	0.2%	147,292	4.9%	-37,072	-18,580
2000	2	Own Occ	N	99	8,684,721	394,431	4.5%	110,327	1.3%	504,758	5.8%	-77,151	180,764
2000	2	Own Occ	Y	40	2,289,338	58,919	2.6%	12,939	0.6%	71,858	3.1%	46,277	65,297
2000	**2**	**TOTAL**		**139**	**10,974,059**	**453,350**	**4.1%**	**123,266**	**1.1%**	**576,616**	**5.3%**	**-30,874**	**246,061**
2000	1	Class	A	33	3,534,065	209,040	5.9%	13,914	0.4%	222,954	6.3%	97,062	216,147
2000	1	Class	B	69	4,435,266	152,653	3.4%	66,267	1.5%	218,920	4.9%	-16,944	-27,342
2000	1	Class	C	37	3,015,313	108,714	3.6%	5,739	0.2%	114,453	3.8%	-12,855	5,803
2000	1	Own Occ	N	100	8,723,632	403,258	4.6%	63,260	0.7%	466,518	5.3%	101,604	169,495
2000	1	Own Occ	Y	39	2,261,012	67,149	3.0%	22,660	1.0%	89,809	4.0%	-34,341	25,113
2000	**1**	**TOTAL**		**139**	**10,984,644**	**470,407**	**4.3%**	**85,920**	**0.8%**	**556,327**	**5.1%**	**67,263**	**194,608**

Source: Grubb & Ellis Research and Client Services

Attachment 13

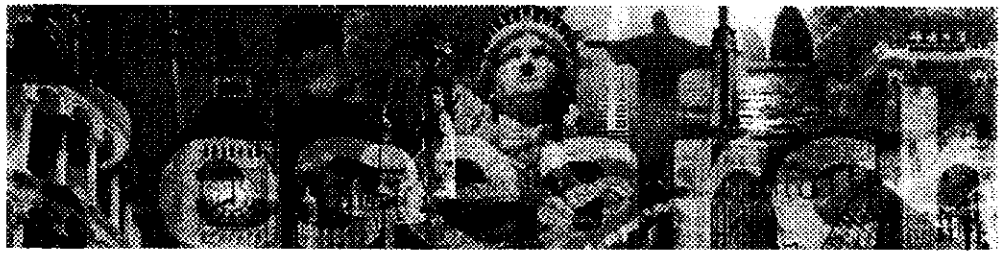
Trends
Sales Statistics
Office Statistics

National Statistics

By Region

C&W Locations Worldwide

Media Contacts



Real Estate Trends

Northern Virginia - Fourth Quarter 2001

- Because Northern Virginia is the hotbed of the East Coast high technology industry, from telecommunications to Internet, it has been greatly affected by both the recent downturn in this sector and the poor performance of the economy as a whole.

- The repercussions of the slowdown have affected the high-tech intensive markets along the Dulles Toll Road and other outer markets most significantly, while closer-in markets, particularly those along the metro corridor in Arlington, have fared much better.

- All this being said, many analysts are now suggesting that a strong economic recovery will come in the second half of 2002, while locally defense spending and, more generally, government contracting are being touted as accelerators to the recovery in this region.

- Vacancy rates in Northern Virginia have been on the rise all year with the direct vacancy rate still considered healthy at 7.8 percent. However, the overall vacancy rate has increased dramatically over the same period to 13.4 percent, more than a 200 percent increase.

- As a result of current market conditions, most submarkets in Northern Virginia experienced a decrease in direct asking rental rates in 2001. Dramatic increases in sublet availabilities, coupled with new delivery have placed downward pressure on rental rates all year.

Grubb&Ellis®
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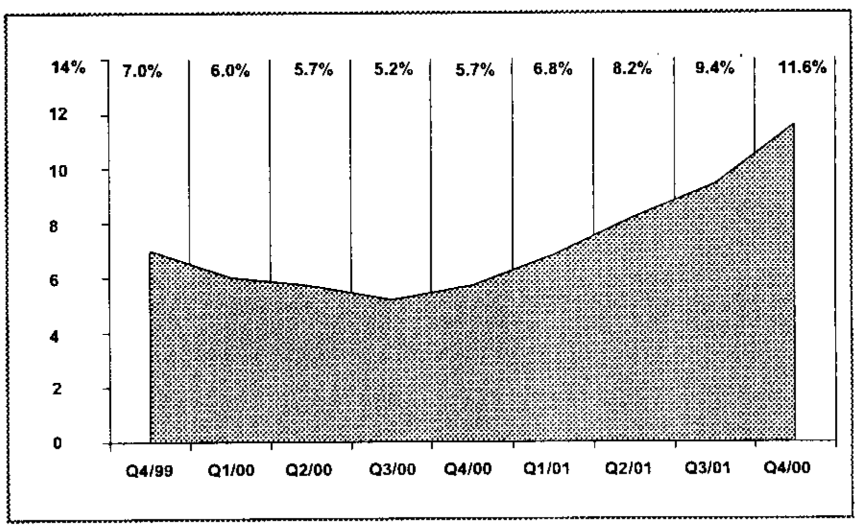
trends
Washington, DC Office

Washington Weathers the Storm

Downtown Washington performs well despite recession, while suburban markets hope the worst is over.

Executive Summary

The Washington area office market is poised to stabilize after a tumultuous 2001. For landlords, especially in Northern Virginia, the emptying out of the construction pipeline will offer needed relief. For tenants, on the other hand, 2002 may offer even better opportunities than exist now, as not everyone is convinced we have yet hit the bottom of the recession. Both Northern Virginia and Suburban Maryland still have excess, new space coming to market, while the District of Columbia continues to post positive demand and shows extremely healthy levels of pre-leasing in new office construction. This report reviews the 2001 office market performance of all three jurisdictions, highlights important trends and offers opinions on the direction of the market during 2002.



Metropolitan Washington DC Office Vacancy Rate
** All Classes of Space*

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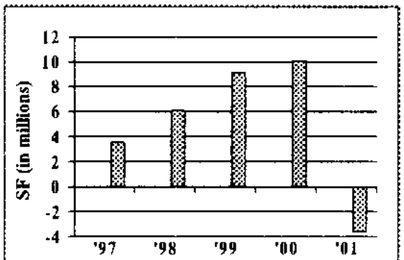
COMMENT

Overview

The District records positive demand for the 16th consecutive quarter.

CONTENTS



Metropolitan Washington
Historical Net Absorption

District of Columbia

The District of Columbia managed to post a very respectable net absorption figure of 1,288,974 square feet for the year, with overall vacancy topping out at just 6.9 percent. Deceleration in leasing velocity was quite apparent, but minimal compared to what has been seen in the suburbs. The District managed to post positive demand throughout the year, even without the onslaught of government leasing that many predicted for the fourth quarter. Vacancy rates rose in all three building classes, indicating an overall decline in demand (as contrasted with such phenomena as 'flight to quality').

Washington saw fourteen buildings, totaling 3.29 million square feet, deliver in 2001. The vacant portion of this new space accounted for the majority of the 2.0 percentage point increase in vacancy rate over the course of the year. There remains 2.49 million square feet in the construction pipeline, about half of which was pre-leased by the end of the year. Though the market has softened, perspective must be maintained in that vacancy rates are still hovering near historical lows.

Statistics for the Central Business District submarket may seem rather grim at first blush. Yet placed in context, most of the submarket's negative absorption is due to the relocation of tenants to other submarkets within the city. A prime example is Morgan, Lewis & Bockius' relocation from 1800 M Street to 1111 Pennsylvania Avenue, accounting for 250,000 square feet of the CBD's negative net absorption, and almost 330,000 square feet of positive net absorption in the neighboring East End. Nevertheless, the submarket did realize an increase in vacancy, with Class A space, including owner-occupied product, crossing over the 10 percent mark for the first time since 1996.

Suburban Maryland

Montgomery County continued to feel the impact of the downturn in the economy. Over 1.6 million square feet of new product delivered during 2001, much of which was unable to be absorbed by tenant demand. The office vacancy rate in the Bethesda submarket rose to 12.9 percent, the highest rate since mid-1996. Chase Tower and 7501 Wisconsin Avenue delivered during the fourth quarter, adding 267,689 square feet of unoccupied space to the Bethesda submarket and increasing the Class A vacancy rate to over 16 percent.

The Twinbrook/Rockville submarket continued to get hammered in the wake of the declining economy.

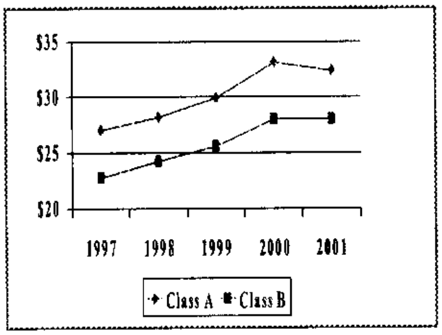
The amount of vacant space in Northern Virginia has more than tripled in one year.

Rising to 27.4 percent, the Class A vacancy rate is almost six times what it was at the end of 2000. The delivery of 11 North Washington made matters worse, adding an additional 70,000 square feet to the stock of vacant space.

On the year, Suburban Maryland's average asking rental rates actually increased by approximately 1 percent for Class A space, and 2 percent for Class B. The submarkets with the most construction were the same that suffered drops in asking rates, proving that demand for new space has, for the time being, dried up considerably.

Northern Virginia

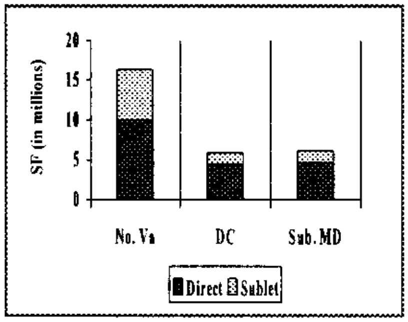
The Northern Virginia office market closed 2001 with a vacancy rate of 15.4 percent, which represents 16.3 million vacant square feet, a 303 percent increase over the end of 2000. Making matters worse was the fact that the construction pipeline was nowhere near empty as the economy limped along. 6.6 million square feet delivered in 2001, and 4.6 million square feet remained in the pipeline at year-end, of which approximately 41 percent was pre-leased.



Metropolitan Washington
Average Full Service Asking Rental Rates

The weak economy shrank demand for space by over 2 million square feet in the fourth quarter alone, the worst single quarter performance in well over a decade. More than half of the negative demand can be attributed to the Tysons Corner submarket in Virginia's Fairfax County. Even with the delivery of the 800,000 square foot build-to-suit for Gannett, the poor performance of several notable tenants pushed net absorption to negative 1.1 million square feet for the fourth quarter, and almost 2.3 million square feet for the year.

The Dulles Toll Road submarkets of Reston and Herndon ended 2001 much like they began; with a shrinking tenant base and growing inventory. After briefly dipping below 20 percent in vacancy, Herndon finished the year at a dismal 24.3 percent. The good news for Herndon is that the construction pipeline has finally emptied out. Proposed projects have been shelved with hopes that any industry sector, and especially high-technology, will rebound in the coming months. Large blocks of Class A space remained available despite owners dropping their asking rates by an average of 16 percent during the year. Reston, the more mature of the two submarkets, has eight buildings remaining in the pipeline, totaling 1.5 million square feet, 30 percent of which is pre-committed. While Reston's vacancy rate increased to just over 19 percent, some comfort can be found in that the amount of sublease space did not increase significantly between the third and fourth quarters.



Available Space by Type

COMMENT Forecast

Smooth sailing for the District of Columbia

The District's construction pipeline will deliver a very manageable 4 million square feet to the market through 2003, indicating that Washington, DC is well-positioned to capitalize on the inevitable market turnaround. Several rehab projects may get underway, as there are precious few developable sites remaining.

Much was made in early 2001 of the fact that a good portion of the net absorption being posted was a result of deals signed in 2000. That the market managed to make it through all 12 months of 2001 with positive net absorption clearly indicates that demand did not fully evaporate as had been feared. With early indications of a rise in consumer confidence, overall economic health has seen its first signs of improvement. It seems plausible that the worst may have already passed, and the District of Columbia may have outperformed nearly every major market in the nation.

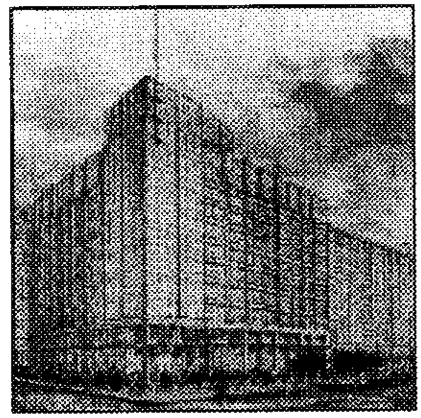
Bethesda should be first to recover in Suburban Maryland

Although developers maintained restraint on most new, speculative projects, there is still almost 700,000 square feet of uncommitted product on deck for 2002. Demand in Bethesda remains limited and what was once the most constrained market in Suburban Maryland has become a tenant's market. Sublease space will continue to be a major issue in Bethesda, with almost half of all available space consisting of sublet opportunities. However, Bethesda is still considered the crown jewel of Montgomery County. Its leasing activity should be the first to pick up as the economy begins to turn around, and we expect most Montgomery County submarkets to follow.

Northern Virginia May be Bottomed-Out

The importance of Northern Virginia's diverse tenant base will become increasingly evident as growth is sparked by both GSA leasing and new tech-sector requirements. Within the first few weeks of 2002, news of expansion requirements for BAE, rumors of CIA interest in Tysons Corner and deals signed by the GSA, have pointed the office market in the right direction. Furthermore, most would argue that the fiscal strain, that permeated all business sectors in the region, has already done most of its damage. As 2001 came to a close, the velocity of corporate layoffs and consolidations had slowed and the construction pipeline was finally in check. 2002 could see the beginnings of a most welcome recovery in Northern Virginia.

COMMENT Opportunities & Challenges



Rendering of 1899 Pennsylvania Avenue, a major renovation project in the CBD, and one of the last development sites on world-famous Pennsylvania Avenue.

Tenants: Move now or wait, in hopes of a better deal?

In the District of Columbia, the uninterrupted growth of rental rates has finally succumbed to the economic realities of the market. Rates through all three building classes fell by an average of 30 basis points, with Class A rates falling roughly half a percentage point, during the fourth quarter. This trend appears set to continue for the first half of 2002. Spreads between sublet and direct space may increase slightly and there could be a mild increase in concession packages offered by landlords. But, with the District continuing to prove its relative immunity to recession, large tenants are unlikely to benefit by postponing major real estate decisions, as rental rate growth could easily begin again in earnest.

Suburban Maryland, a Tale of Two Counties

Ironically, Prince George's County, which saw very little construction in the economic upswing, now enjoys a vacancy rate lower than that of Montgomery County and little downward pressure on rents. Prince George's County is as close to an equilibrium market as one can find in metropolitan Washington.

Montgomery County, on the other hand, has a mild case of over-construction in certain submarkets, but is by no means on the verge of collapse. Rental rates flattened out in most cases and saw significant declines in projects that may have been too aggressively priced. Considerable tenant demand from the biotech industry is a real possiblity in 2002, but even without it, Suburban Maryland enjoys a diverse tenant base and is insulated by its government and world-class educational facilities.

Northern Virginia's Struggle

Northern Virginia is in need of conservative approaches to development, and must look for its submarkets inside the Beltway to lead the way back to market stability. Major submarkets, such as Reston, Herndon and Tysons Corner, are belived to have hit bottom and hope to attract bargain-hunting tenants and increased activity in 2002. High-technology brought Northern Virginia to a peak never before seen, and left a severe market downturn in the wake of its upheaval. With increased negotiating power now lying with tenants, landlords will need to be especially observant and diligent.