City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 13, 2003

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER

SUBJECT: BUDGET MEMO #1: CALENDAR YEAR 2003 REAL PROPERTY ASSESSMENT REPORT

ISSUE: The Calendar Year 2003 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 (DREA) annually assesses all parcels of real estate in the City at 100% of 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."

In establishing annual real property assessments, DREA uses mass appraisal methods to estimate the fair market value of real property. Mass appraisal and single-property appraisal are systematic methods for arriving at estimates of value. Mass appraisals replicate the market for one or more land uses across a wide geographic area, while single-property appraisals (such as that used for obtaining mortgage financing) represent the market for one kind of land use in a limited area.[2] Mass appraisal builds on the same principles as single-property appraisal. In order to employ mass appraisal techniques, real estate assessments staff gather large amounts of current and

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[1] Real property is defined as the interests, benefits, and rights inherent in the ownership of real estate. The Appraisal Foundation, Uniform Standards of Professional Appraisal Practice (2003 Edition), p.4.

[2] Property Appraisal and Assessment Administration; The International Association of Assessing Officers p.35.

historical market data. The calendar year (CY) 2003 real property assessments are the result of measuring market indicators from arm's length transactions, property income and expense data, and comparable construction cost data. Staff also employs numerous data services and our Computer Assisted Mass Appraisal (CAMA) System to produce equitable values for all properties in the City.

For CY 2003, 39,428 local taxable parcels of real property were assessed. Assessment notices were mailed to the owners of those properties on February 14, 2003. Real estate assessment information was available on the City's web site (ci.alexandria.va.us/city/reasearch) on February 14, which included the forms needed for the review and appeal process, the 2003 assessments for all locally assessed properties, general assessment information, and our improved data search capability enabling citizens to view sales in each assessment neighborhood.

The 2003 assessment notices include information about requesting a review of the assessment with DREA 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 an administrative review of assessment with the department before filing an appeal 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 and the Board must have heard and acted upon the assessment before the property owner may file suit in the Alexandria Circuit Court. Typically, less than 2% of 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 reviews filed with DREA and appeals to the Board represented 1.1% (439) and 0.32% (127), respectively, of the 39,295 locally assessed properties in the City for CY 2002. To date in CY 2003, 81 property owners have requested reviews. This compares to 66 requests for reviews at this time last year, but down from the 1,200 reviews per year the City experienced in the early 1990s. This number has remained stable for the last several years, even in light of the rising assessments. This, I believe, is a result of the citizens of Alexandria being well informed and knowledgeable of the continued strength in the real estate market in the City. Also, as more and better information is available on the City's web site, fewer homeowners appear to have issues with their assessments.

DISCUSSION: Included in this report are the annual changes in real property assessments from CY 2002 to CY 2003 and historical statistics related to assessment appreciation, residential sales activities, and new constructions. Annual assessments have an effective date for valuation purposes of January 1 each year. Assessment reports typically represent data on a calendar year basis. Key changes in the assessed valuation of real property from CY 2002 to CY 2003 are summarized below.

OVERALL CHANGE IN CY 2003 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 19.93%, or $3,215,262,900, from $16,132,987,500 in 2002 to $19,348,250,400[3] in 2003 (Attachment 1, page 3, line 68, column 4).

This 19.93% increase is very similar to 1990 when the City's real property tax base increased 20%. Last year, for the CY 2002 assessments, the City's real property tax base increased 11.2%. The increase in CY 2001 was 10.06%, in CY 2000 it was 9.09%, and in CY 1999 the increase was 5.02%.

Points of Interest Relating to CY 2003 Assessment Changes:

- Changes in the tax base from January 1, 2002, to December 31, 2002, due to assessment reductions, changes in the taxable status, changes due to subdivisions and consolidations had a net reduction in assessed value of $7.4 million[4]. These changes reduced the tax base during CY 2002 by 0.45% (less than ½ of 1%). Attachment 2, page 3 compares the initial CY 2002 assessments (prior to this net reduction) to CY 2003 assessments.

- Locally assessed real property assessments (including new construction and appreciation of existing property) increased $3,196,137,200 from $15,470,557,900 in 2002 to $18,666,695,100 in 2003, or 20.66% (Attachment 1, page 2, line 44, column 4).

- State-assessed public service corporation property assessments increased from $662.4 million in 2002 to $681.6 million in 2003 (Attachment 1, page 3, line 66, column 4). The 2002 assessment is the value effective January 1, 2001 and the 2003 assessment is the value effective January 1, 2002. These values are certified by the State Corporation Commission and the Virginia Department of Taxation in late September of the effective year of the valuation. The City bills the non-locally assessed properties on a fiscal year basis and, therefore, reporting the non-locally assessed in this manner allows for accuracy in the budget and collection process.

- New construction added a total of $505.8 million for CY 2003. $89.6 million was in residential new construction and $416.3 million was added for commercial new construction. Last year, for CY 2002 assessments, $315.3 million was added to the City's real property tax base as a result of new construction.

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[3] The 2003 valuation includes the 2002 value of state-assessed public service corporations property. This is certified by the State Corporation Commission and Virginia Department of Taxation in September 2002.

[4] Attachment 2, page 3, line 68, column 4 minus column 3.

- Over the past five years, new construction (apart from its appreciation once completed) has added $2.07 billion to the City's tax base, or over 10% of the current tax base. Over 63% of this new construction has been of commercial properties.

- Driving the increase from new construction with significant site improvements at the following locations:

  - The real property assessment for the Patent and Trademark Office at Carlyle increased in value from $92.7 million in 2002 to $275.9 million in 2003. This represents the site improvements as well as the partially completed construction value of the
buildings under construction as of January 1, 2003.

  - New apartment communities accounted for another large portion of the new construction for CY 2003. These included the 100% complete Alexan Apartments at 5000 Eisenhower Avenue, the 50% completed Metropolitan Apartments at 4840 Eisenhower Avenue (located just east of the Alexan), and the Jefferson at Carlyle Mill Apartments at 2201 Mill Road , which is 44% complete.

- $2.71 billion, or 16.8% of the increase is the result of value appreciation (Attachment 3, page 3, line 68, column 7). This includes $2.18 billion, or 24.5% in residential value appreciation, and $513.8 million, or 7.8% in commercial appreciation. This also includes $19.1 million, or 2.9% appreciation, in non-locally assessed properties. Last year, for the CY 2002 assessments, $1.37 billion was added as a result of value appreciation.

- Real property classified as residential property for assessment purposes for CY 2003 represents 57.7% of the total real property tax base; property classified as commercial, vacant land and public service corporations, represents 42.3% 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:

[5] Real property classified as residential property for assessment purposes includes single family homes, residential condominiums and cooperatives, but does not include multi-family 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 DREA concentrate on how a property is viewed from the perspective of informed buyers and sellers.

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Table 1 - Distribution of CY 2003 Real Property Assessments by Property Classification

Property Classification	Percent	2003 Assessments
Residential Single Family	43.34%	$8,384,770,700
Residential Condominium	14.32	2,770,577,100
Commercial Multi-family Rental	11.99	2,320,185,500
Commercial Office, Retail, & Service	24.20	4,683,112,100
Vacant Commercial & Industrial Land	2.63	508,049,700
Public Service Corporation	3.52	681,555,300
Total	100%	$19,348,250,400

RESIDENTIAL PROPERTY

Points of Interest Relating to CY 2003 Residential Assessment Changes:

- 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 24.5%, from $248,133 in 2002 to $308,876 in 2003 (Attachment 3 page 1, line 16, column 7).

[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 cooperative. The remaining three parcels are residential cooperative units at the Bank of Alexandria cooperative. For most statistical reporting, cooperatives are included with residential condominiums.

- New residential construction added $89.6 million to the CY 2003 tax base. Last year, for the 2002 assessments, new residential construction added $105.5 million to the tax base. Attachment 5 shows a 10 year new construction history for the City (assessment years 1993 through 2003).

Residential Single Family and Condominium Sales Overview:

- The average sales price for residential property sold in the City during CY 2002 increased 15.4%, from $249,596 for CY 2001 to $288,070 for CY 2002. This 15.4% increase for the City compares to a 13.1% increase in the average sales price of residential property in the Northern Virginia area (Attachment 6, page 3, line 48, column 5).

- The number of residential dwelling units sold in the City decreased 2.3%, from 3,804 in CY 2001 to 3,717 in CY 2002. This compares to a 7.6% increase for the same period in Northern Virginia. It should be noted that in CY 2000 in the City the number of dwelling units sold was 3,449, which would indicate some fluctuations both up and down over the past couple of years. The reason for the fluctuation is the large number of new residential units constructed and sold at Cameron Station during CY 2001. CY 2002 had a fewer number constructed and a fewer number sold. Included in the statistics for the City are 297 newly constructed single family homes and residential condominiums that sold during CY 2002. This is a 56% reduction in the number of new dwelling units. Sales of 135 new single family homes occurred in CY 2002 at Ashton Manor, Backyard Boats, Battery Heights, Braddock Lofts, Cameron Station, Carlyle City Residences, King's Cloister, Old Town Crescent and Wilkes Corner. These 135 new homes contributed $69.8 million of the total $89.6 million in new residential construction. There were 162 new condominium units located at Cameron Station and Old Town Crescent, which contributed $19.8 million to the total $89.6 million in new residential construction.

- Additionally, City residential real estate sales for CY 2002 indicate that both the dollar volume of sales (new and resales) and the average sales price increased compared to CY 2001 City sales, even though the number of dwelling units sold decreased. Table 2 compares these sales statistics for the City to the Northern Virginia area.

Table 2 - City of Alexandria Residential Sales Statistics
Compared to Northern Virginia Area
Change from CY 2001 to CY 2002

Sales Statistic	Alexandria	Northern Virginia Area
Dollar Volume of Sales	+12.8%	+21.7%
Dwelling Units Sold	-2.3%	+7.6%
Average Sales Price	+15.4%	+13.1%

The CY 2002 dollar volume of sales for the City increased 12.8% from $949.5 million in CY 2001 to $1.1 billion in CY 2002. This compares to a 21.7% increase for the same period in Northern Virginia. This lower dollar sales volume reflects fewer dwelling units sold.

Table 3 - City of Alexandria's Market Share of Residential Sales in Northern Virginia Area

Calendar Year Sales	Northern Virginia Sales Volume	Alexandria Sales Volume	City's Market Share
2002	$8,919,757,670	$1,070,755,396	12.00%
2001	7,326,622,487	949,462,934	12.96
2000	6,291,547,013	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

In late February 2003, the National Association of Realtors reported that existing-home sales in the country "clocked in at a seasonally adjusted annual rate of 6.09 million – the best month ever." According to the association's chief economist David Lereah "It's the mortgage rates which continue to be the fuel for the housing engine." The housing market has continued to thrive even as the American economy is still struggling. There is no definitive indication for the future of the housing market. However, indicators reflect that the rate of increase in housing inflation will continue at a more moderate level for as long as the mortgage interest rates remain low. We are likely coming to the end of the latest residential appreciation cycle, but the exact timing of the end of this cycle is unknown.

Assessment Sales Ratio Study Conducted for Residential Properties

The following results of the 2002 ratio study indicate that the 2003 assessments for existing residential single family homes and existing residential condominiums increased for 2003.

Attachment 11 is the assessment/sales ratio summary for residential property (including single family homes, residential condominium units, and cooperatives) related to CY 2002 assessed values and how they compare with CY 2002 sales that took place in the City.

- The assessment/sales ratio for residential properties (includes both single family homes and condominium units) that sold during CY 2002 was 76.5%. The average assessed value for the 3,401 sales studied was $210,174, while the average sale price is $274,796 ($210,174 divided by $274,796 = .765 or 76.5%). This means that, on average, the CY 2002 assessments for residential properties sold during 2002 were 76.5% of the actual prices for which the properties were sold during 2002. Conversely, 2002 sales prices were 131.7% higher than the 2002 beginning year assessments.

- The assessment/sales ratio for residential property for this same period last year (CY 2001) was 78.3%. A summary of prior year assessment/sales ratio results is shown in Table 4 below.

Table 4 - Residential Assessment/Sales Ratio Studies Summary Results for Calendar Years 1997-2002

Study Year	Units Sold	Total Sales Price	AV/Sales Ratio	Average AV Change in Yr. after Study
2002	3,401	$934,579,588	76.5%	not applicable
2001	3,088	732,429,726	78.3%	15.3
2000	2,769	609,111,863	84.2%	10.6
1999	2,339	523,683,563	90.1%	4.59
1998	2,008	439,118,502	93.6%	0.70
1997	1,506	319,281,246	95.8%	0.06

The assessment/sales ratios stated above for each class of residential property indicate the average level of CY 2002 assessments to CY 2002 sales prices Citywide. In practice, Real Estate Assessment staff also determine an assessment/sales ratio for each single family neighborhood and residential condominium community throughout the City, considering the CY 2002 assessments for homes and condominiums that were sold in CY 2002 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 values.

COMMERCIAL PROPERTY

Points of Interest Relating to CY 2003 Commercial Assessment Changes:

- The average assessed value of existing locally-assessed commercial property increased 7.8% (Attachment 3, page 2, line 42, column 7).

- New commercial construction added $416.3 million to the CY 2003 tax base. Last year, for the 2002 assessments new commercial construction added $209.8 million to the tax base. Attachment 5 shows a 10 year new construction history for the City (assessment years 1993 through 2003).

Office Building Overview:

Economic indicators for the commercial office market were mixed, with higher vacancy rates, and stagnant or dropping rents in some areas. However, in the opinion of most market participants, the commercial office market showed slow improvement by the end of CY 2002.

The Alexandria Economic Development Partnership (AEDP) reported the City's office vacancy rate for the first quarter of 2002 at 12.1%, dropping to 10.7% in the third quarter of the year. Third quarter vacancy in Old Town was reported at 8.2%, and 4.1% for commercial office space along Eisenhower Avenue. The overall vacancy rate of 10.7% is heavily influenced by vacancy in the I-95 corridor. In general, the City's vacancy rate is better than all the other Northern Virginia office markets except the Rosslyn-Ballston corridor.

In general, there is a strong purchase demand for larger, investment grade office properties and for smaller office properties well suited to the owner-occupant market, such as trade associations. Market participants we interviewed indicated that supply of these types of property is relatively limited as compared to demand, and that buyers' expected return rates are dropping as real estate investments continue to perform better than alternative investment opportunities. Overall, existing office assessments in the City increased 14.59% from CY 2002 (Attachment 2, p.2, line 28, column 7).

There were several significant sales of large commercial property in the City in CY 2002 that demonstrate a continuing demand for large office buildings with stabilized operating positions.

- Carr Transpotomac V LLC purchased five buildings in the Canal Center with a total of 590,000 square feet of space for $141,500,000, or $240 per square foot.

- Peterson Center at 1737 King Street, containing 141,930 square feet of net leasable area, sold in July for a consideration of $38,400,000, or $271 per square foot.

- On January 10, 2003, Monument Realty announced it had sold the recently completed office building at 1940 Duke Street. This is a 212,000 square foot building fully leased to the patent law firm of Oblon, Spivak, McCelland, Maier & Neustadt, PC. The sales price was $74,750,000, or over $350 per square foot.

Last year LCOR began construction of the Patent and Trademark Office project. The five buildings and two townhouse/parking facilities of the PTO are now well underway. Two associated parcels will be developed with retail/office uses according to concept plans currently under consideration. The PTO project is projected to be complete in May 2005 and will contain a total of 3,628,500 square feet of building area, including the two parking garages and their townhouse facades. The 2003 assessed value of the PTO portion of the project is $226,300,500.

Multi-family Overview:

In 2002, owners, operators and developers of apartment projects in the City reported higher vacancies for this type of property, and that concessions such as periods of free rent and move-in allowances are now necessary to attract qualified tenants. These conditions are particularly evident in the projects aimed at higher income tenants. The higher vacancy levels are generally attributed to two causes, the increase in the supply of apartment units, and that low interest rates allow potential renters to substitute a mortgage payment, and the benefits of ownership, for a rent payment.

In the northwest quadrant of the City, the developers of the Northampton Apartments are moving forward with the approvals process to develop their site on King Street with two high-rise apartment buildings that will contain 572 units. As of January 1, 2003, there are three other large apartment projects that are either complete or partially complete, and in the process of lease-up. All three are located in the Eisenhower Avenue corridor.

- The Alexan Apartments at 5000 Eisenhower Avenue is now 100% complete and approximately 50% leased. This project contains 226 units with structured parking on a 5.17 acre site.

- The Metropolitan Apartments at 4840 Eisenhower Avenue is located just east of the Alexan project. The Metropolitan contains 404 units on a 10.67 acre site. As of January 1, 2003, the project was 50% complete and accepting tenants.

- The Jefferson at Carlyle Mill Apartments is located at 2201 Mill Road. This project will contain a total of 315 units on 7.73 acres. On January 1, 2003, project managers reported the project was 44% complete, with 139 units with certificates of occupancy, and in the process of lease-up.

All three projects reported rent periods of free rent and move-in concessions in place to attract qualified tenants. Vacancy levels are projected to decline as these projects approach stabilized operations. Vacancy levels for moderate to lower income markets were reportedly at 10% to 5% or lower. The assessment of existing multi-family rental properties increased by 15.75% over the 2002 assessment, reflecting net income gains over the last few years.

As with the commercial office market, in spite of higher vacancies and rent concessions, the purchase demand for apartment properties, both large and small, is high, and supply is limited. There have been three significant recent transfers of apartment properties in the City as summarized below:

- The 397-unit Presidential Greens Apartments sold in May 2002 for a consideration of $29,800,000, or $75,000 per unit. This is an older project that the buyers reported they plan to operate "as-is" for the near term future. The buyer is a REIT subsidiary of United Dominion Realty Trust.

- Park Center III is a recently completed 392-unit property, built above a two-level garage. The project sold in November 2002 for $67,000,000, which equates to $171,000 per unit. The buyer is a real estate investment trust associated with Archstone-Smith Trust.

- Finally, the owners and potential buyers of Alexan Apartments (226 units) reported they are negotiating the sale of the property for a purchase price estimated at $35,000,000, or $155,000 per unit.

As with other commercial properties, market participants we interviewed indicated that supply of these types of property is relatively limited as compared to demand, and that expected return rates are dropping as real estate investments continue to perform better than other types of investment opportunities, such as stocks and bonds.

Hotel Overview:

This segment of the commercial real estate market continued to show slow improvement in most segments of the market. A report by PricewaterhouseCoopers indicated "a modest 1.3% increase in demand for hotel rooms" nationally for 2002. A Smith Travel Research report, quoted by AEDP, reports the City's September 2001 Average Occupancy Rates at 54.80% and Average Daily Room Rates at $96.32. For September 2002 these average figures had improved to 66.80% occupancy and $104.10 per room.

In December 2002, the City's 2002 inventory of 3,941 hotel rooms was increased by 240 rooms when the Marriott Residence Inn on Duke Street was completed.

Overall, the 2002 assessments of the City's 27 existing hotel properties increased 11.46% from 2002 assessments. This more than made up last year's 10.64% decline for this class of properties.

Shopping Centers Overview:

The City has a total of 45 properties in this classification. Overall, the market for these properties increased only slightly at 4.32% above CY 2002. This is due to a variety of factors, including the continued relatively poor performance of the Shops at Landmark Mall. The two anchors at this mall (Hecht's and Sears) continue to perform well. Market data we reviewed, including the Korpacz Real Estate Investor Survey, indicates that commercial shopping centers, particularly those anchored by grocery stores, are considered an attractive investment. However, while there is an active market for these properties, there are few willing sellers. There was only one sale of a community shopping center last year.

- In August 2002, the recently constructed Shops on the Avenue at 4118 Mount Vernon Avenue, containing 18,671 square feet of retail space, sold for $4,511,700, or $242 per square foot.

Warehouse Overview:

This is a relatively small market segment that consists of a total of 187 parcels. This market has been characterized by low vacancy (reported by AEDP at 3.97%) and stable to increasing rents. The relatively few sales that took place indicated increasing property values for smaller warehouse/industrial properties. Assessments for the existing warehouse properties increased 12.45% above 2002 levels.

General Commercial Overview:

This property class encompasses a wide variety of property types and consists of a total of 709 parcels. General commercial properties typically have 12,000 square feet or less of building area, and contain uses such as retailers, repair and service establishments, restaurants, financial institutions, and medical buildings. It is not uncommon for an individual general commercial property to contain mixed uses such as a restaurant on the first floor and offices, and/or apartments on upper floors. CY 2003 assessments for existing general commercial properties increased 13.92% from CY 2002. There were several sales of smaller general commercial properties throughout the City, and market participants indicate that there is a strong demand by smaller investors to purchase these properties for investment purposes.

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STAFF: Department of Real Estate Assessments

Cindy Smith-Page, Director
David Gee, Deputy Director
Barbara Allen, Senior Appraiser
Timothy Francis, Senior Appraiser
Cline Hall, Real Estate Appraiser II
Michael Slavin, Real Estate Appraiser II
Ryan Davies, Real Estate Appraiser I
Ryan Davis, Real Estate Appraiser I
Ann Radford, Supervisory Secretary III
Robert Linnenberg, Assessment Records Specialist
Marilyn Brugueras, Support Staff

ATTACHMENTS:

1 - CY 2003 Real Property Assessment Summary (12/31/02 equalized assessments)
2 - CY 2003 Real Property Assessment Summary (includes appreciation and growth)
3 - CY 2003 Real Property Assessment Report (Appreciation for existing properties)
4 - CY 2003 Real Property Assessment Summary (New Growth)
5 - New Construction History for Locally Assessed Properties for CY 1993-2003
6 - Residential Real Property Sales Statistics for CY 200, 2001 and 2002
7 - Northern Virginia Area Homes Sales Report (January 2000 through December 2002)
8 - Map Showing 2002 to 2003 Residential Property Appreciation by Geographic Area
9 - CY 2003 Average Real Property Assessments for Single Family Homes and Residential Condominiums by Geographical Area
10 - CY 2003 Median Assessments for Single Family Homes and Residential Condominiums by value ranges by geographical area)
11 - Residential Assessment Sales Ratio Report for CY 2002
12 - "Washington Area Real Estate Trends," The Washington Post, March 1, 2003
13 - Chuck Hagee, "Today-The Gateway To Tomorrow," The Alexandria Gazette Packet, January 2, 2003
14 - Starter Home Index, The Wall Street Journal, January, 10, 2003
15 - Lew Sichelman, "Condominium Market on Fire," Multifamily Trends, Winter, 2003
16 - Bloomberg News, "Condo Sales Set Record In 2002," The Washington Post, February 8, 2003
17 - Kenneth R. Harney, "Condos Overtake Houses in Price Gains," The Washington Post, September 21, 2002
18 - Transwestern Commercial Services and Delta Associates, "A Run Down on Washington's Submarkets," TrendLines 2003 Trends in Washington/Baltimore Commercial Real Estate, 2/13/03
19 - Ray A. Smith, "Apartment Vacancy Rate Climbed in 2nd Period, but Demand Rose," The Wall Street Journal, July 10, 2002

20 - Transwestern Commercial Services and Delta Associates, "The Washington Metro Area Office Market Outlook," TrendLines 2003 Trends in Washington/Baltimore Commercial Real Estate, 2/13/03
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22 - Congressional and Public Affairs Office, GSA, Construction of patent office ahead of schedule, The Washington Business Journal, September 13-19, 2002
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City of Alexandria, Virginia

CY 2003 REAL PROPERTY ASSESSMENT SUMMARY

Comparison of Equalized Assessments (December 31, 2002) to January 1, 2003

Real Property Classification	Number of 2003 Parcels	2002 Assessments	2002 Equalized Assessments	2003 Assessments	Amount of Change [1]	% Change [1]
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Locally Assessed Real Property						
Residential Real Property						
Residential Single Family						
Detached	9,119	$3,561,211,300	$3,557,383,100	$4,351,358,800	$793,975,700	22.32
Semi-Detached	5,279	1,485,500,100	1,487,660,600	1,864,698,100	377,037,500	25.34
Row House	6,072	1,746,833,700	1,746,051,800	2,168,713,800	422,662,000	24.21
Total Single Family	20,470	$6,793,545,100	$6,791,095,500	$8,384,770,700	$1,593,675,200	23.47
Residential Condominium						
Garden	7,538	$996,903,900	968,862,900	$1,304,859,400	$335,996,500	34.68
High-rise	7,172	895,922,800	895,600,700	1,173,407,200	277,806,500	31.02
Residential Cooperative	18	10,020,400	10,020,400	10,994,600	974,200	9.72
Townhouse	918	197,170,800	223,709,800	281,315,900	57,606,100	25.75
Total Residential Condominium	15,646	$2,100,017,900	$2,098,193,800	$2,770,577,100	$672,383,300	32.05
Total Residential Real Property	**36,116**	**$8,893,563,000**	**$8,889,289,300**	**$11,155,347,800**	**$2,266,058,500**	**25.49**

Attachment 1

City of Alexandria, Virginia

CY 2003 REAL PROPERTY ASSESSMENT SUMMARY

Comparison of Equalized Assessments (December 31, 2002) to January 1, 2003

Real Property Classification	Number of 2003 Parcels	2002 Assessments	2002 Equalized Assessments	2003 Assessments	Amount of Change	% Change
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Commercial Real Property						
Commercial Multi-Family Rental						
Garden	220	$961,810,800	$953,723,700	$1,066,286,800	$112,563,100	11.80
Mid-Rise	18	394,650,500	388,048,000	504,522,700	116,474,700	30.02
High-rise	27	663,370,000	662768300	749,376,000	86,607,700	13.07
Total Multi-Family Rental	265	$2,019,831,300	$2,004,540,000	$2,320,185,500	$315,645,500	15.75
Commercial Office, Retail, and Service						
General Commercial	709	$727,360,100	662,204,700	$754,399,700	$92,195,000	13.92
Office	561	2,142,391,400	2,196,752,800	2,517,194,400	320,441,600	14.59
Office or Retail Condominium	455	164,694,200	164,277,000	172,161,300	7,884,300	4.80
Shopping Center	45	383,984,300	374,667,500	390,851,400	16,183,900	4.32
Warehouse	187	415,732,700	413,078,400	464,501,500	51,423,100	12.45
Hotel/Motel and Extended Stay	27	355,363,700	344,528,300	384,003,800	39,475,500	11.46
Total Commercial Office, Retail, and Service	1,984	$4,189,526,400	$4,155,508,700	$4,683,112,100	$527,603,400	12.70
Other Commercial Property						
Vacant Residential Land	625	$102,408,300	101,581,700	$124,364,600	$22,782,900	22.43
Vacant Commercial and Industrial Land	438	400,896,000	319,638,200	383,685,100	64,046,900	20.04
Total Other Commercial Property	1,063	$503,304,300	$421,219,900	$508,049,700	$86,829,800	20.61
Total Commercial Real Property	**3,312**	**$6,712,662,000**	**$6,581,268,600**	**$7,511,347,300**	**$930,078,700**	**14.13**
Total Locally Assessed Real Property	**39,428**	**$15,606,225,000**	**$15,470,557,900**	**$18,666,695,100**	**$3,196,137,200**	**20.66**

City of Alexandria, Virginia

CY 2003 REAL PROPERTY ASSESSMENT SUMMARY

Comparison of Equalized Assessments (December 31, 2002) to January 1, 2003

Real Property Classification	Number of 2003 Parcels	2002 Assessments	2002 Equalized Assessments	2003 Assessments	Amount of Change 1	% Change 1
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Non-Locally Assessed Real Property						
Assessed by State Corporation Commission (SCC)						
Gas & Pipeline Distribution Corporation		$26,367,100	26,367,100	$27,005,300	$638,200	2.42
Light & Power Corporation		311,385,500 *	373,151,000	383,356,600	10,205,600	2.73
Telecommunication Company		133,227,400	133,227,400	153,864,900	20,637,500	15.49
Water Corporation		29,338,100	29,338,100	30,149,600	811,500	2.77
Total SCC Assessed Property		**$500,318,100**	**$562,083,600**	**$594,376,400**	**$32,292,800**	**5.75**
Assessed by Virginia Department of Taxation (VDT)						
Interstate Pipeline Transmission		$435,400	$435,400	$366,800	($68,600)	(15.76)
Operating Railroad						
Richmond, Fredericksburg & Potomac Railway Co.		$45,617,300	$45,617,300	$45,708,000	$90,700	0.20
Norfolk Southern Railway Co.		54,254,400	54,254,400	41,065,600	(13,188,800)	(24.31)
CSX Transportation, Inc.		38,900	38,900	38,500	(400)	(1.03)
Total Operating Railroads		$99,910,600	$99,910,600	$86,812,100	($13,098,500)	(13.11)
Total VDT Assessed Property		**$100,346,000**	**$100,346,000**	**$87,178,900**	**($13,167,100)**	**(13.12)**
Total Non-Locally Assessed Real Property		**$600,664,100**	**$662,429,600**	**$681,555,300**	**$19,125,700**	**2.89**
Grand Total Real Property Assessments		**$16,206,889,100**	**$16,132,987,500**	**$19,348,250,400**	**$3,215,262,900**	**19.93**

1/ Amount of Change (column 6) and % of Change (column 7) reflect the change in value from December 31, 2002 to January 1, 2003.
2/ $174,194,400 of the Light and Power Corporation 2002 assessment was locally assessed and billed as personal property.
Department of Real Estate Assessments, January 30, 2003
File: j:\123\cindy\CM301151a.123 Tab 2a

City of Alexandria, Virginia

CY 2003 REAL PROPERTY ASSESSMENT SUMMARY

Comparison of January 1, 2002 to January 1, 2003 Land Book
Includes Appreciation and Growth

Real Property Classification	Number of 2003 Parcels	2002 Assessments	2003 Assessments	Amount of Change	% Change
(1)	(2)	(3)	(4)	(5)	(6)
Locally Assessed Real Property					
Residential Real Property					
Residential Single Family					
Detached	9,119	$3,561,211,300	$4,351,358,800	$790,147,500	22.19
Semi-Detached	5,279	1,485,500,100	1,864,698,100	379,198,000	25.53
Row House	6,072	1,746,833,700	2,168,713,800	421,880,100	24.15
Total Single Family	20,470	$6,793,545,100	$8,384,770,700	$1,591,225,600	23.42
Residential Condominium					
Garden	7,538	$996,903,900	$1,304,859,400	$307,955,500	30.89
High-rise	7,172	895,922,800	1,173,407,200	277,484,400	30.97
Residential Cooperative	18	10,020,400	10,994,600	974,200	9.72
Townhouse	918	197,170,800	281,315,900	84,145,100	42.68
Total Residential Condominium	15,646	$2,100,017,900	$2,770,577,100	$670,559,200	31.93
Total Residential Real Property	**36,116**	**$8,893,563,000**	**$11,155,347,800**	**$2,261,784,800**	**25.43**

Attachment 2

City of Alexandria, Virginia

CY 2003 REAL PROPERTY ASSESSMENT SUMMARY

Comparison of January 1, 2002 to January 1, 2003 Land Book
Includes Appreciation and Growth

Real Property Classification	Number of 2003 Parcels	2002 Assessments	2003 Assessments	Amount of Change	% Change
(1)	(2)	(3)	(4)	(5)	(6)
Commercial Real Property					
Commercial Multi-Family Rental					
Garden	220	$961,810,800	$1,066,286,800	$104,476,000	10.86
Mid-Rise	18	394,650,500	504,522,700	109,872,200	27.84
High-rise	27	663,370,000	749,376,000	86,006,000	12.97
Total Multi-Family Rental	265	$2,019,831,300	$2,320,185,500	$300,354,200	14.87
Commercial Office, Retail, and Service					
General Commercial	709	$727,360,100	$754,399,700	$27,039,600	3.72
Office	561	2,142,391,400	2,517,194,400	374,803,000	17.49
Office or Retail Condominium	455	164,694,200	172,161,300	7,467,100	4.53
Shopping Center	45	383,984,300	390,851,400	6,867,100	1.79
Warehouse	187	415,732,700	464,501,500	48,768,800	11.73
Hotel/Motel and Extended Stay	27	355,363,700	384,003,800	28,640,100	8.06
Total Commercial Office, Retail, and Service	1,984	$4,189,526,400	$4,683,112,100	$493,585,700	11.78
Other Commercial Property					
Vacant Residential Land	625	$102,408,300	$124,364,600	$21,956,300	21.44
Vacant Commercial and Industrial Land	438	400,896,000	383,685,100	(17,210,900)	(4.29)
Total Other Commercial Property	1,063	$503,304,300	$508,049,700	$4,745,400	0.94
Total Commercial Real Property	**3,312**	**$6,712,662,000**	**$7,511,347,300**	**$798,685,300**	**11.90**
Total Locally Assessed Real Property	**39,428**	**$15,606,225,000**	**$18,666,695,100**	**$3,060,470,100**	**19.61**

City of Alexandria, Virginia

CY 2003 REAL PROPERTY ASSESSMENT SUMMARY

Comparison of January 1, 2002 to January 1, 2003 Land Book
Includes Appreciation and Growth

Real Property Classification	Number of 2003 Parcels	2002 Assessments	2003 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		$26,367,100	$27,005,300	$638,200	2.42
Light & Power Corporation		311,385,500 1	383,356,600	71,971,100	23.11
Telecommunication Company		133,227,400	153,864,900	20,637,500	15.49
Water Corporation		29,338,100	30,149,600	811,500	2.77
Total SCC Assessed Property		**$500,318,100**	**$594,376,400**	**$94,058,300**	**18.80**
Assessed by Virginia Department of Taxation (VDT)					
Interstate Pipeline Transmission		$435,400	$366,800	($68,600)	(15.76)
Operating Railroad					
Richmond, Fredericksburg & Potomac Railway Co.		$45,617,300	$45,708,000	$90,700	0.20
Norfolk Southern Railway Co.		54,254,400	41,065,600	(13,188,800)	(24.31)
CSX Transportation, Inc.		38,900	38,500	(400)	(1.03)
Total Operating Railroads		$99,910,600	$86,812,100	($13,098,500)	(13.11)
Total VDT Assessed Property		**$100,346,000**	**$87,178,900**	**($13,167,100)**	**(13.12)**
Total Non-Locally Assessed Real Property		**$600,664,100**	**$681,555,300**	**$80,891,200**	**13.47**
Grand Total Real Property Assessments		**$16,206,889,100**	**$19,348,250,400**	**$3,141,361,300**	**19.38**

1/ $174,194,400 of the Light and Power Corporation 2002 assessment was locally assessed and billed as personal property.
Department of Real Estate Assessments, January 30, 2003
File: j:\123\cindy\CM301151a.123 Tab 1

City of Alexandria, Virginia
CY 2003 Real Property Assessment Report

ASSESSMENT APPRECIATION FOR EXISTING PROPERTIES

Real Property Classification	CY 2000 to 2001 Appreciation Amount	CY 2000 to 2001 % Change	CY 2001 to 2002 Appreciation Amount	CY 2001 to 2002 % Change	CY 2002 to 2003 Appreciation Amount	CY 2002 to 2003 % Change
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Locally Assessed Real Property						
Residential Real Property						
Residential Single Family						
Detached	$294,110,300	10.57	$425,211,300	13.65	$774,996,300	21.79
Semi-Detached	115,614,000	10.66	203,861,100	16.32	354,645,300	23.84
Row House	132,574,200	10.65	231,949,100	15.85	394,301,500	22.58
Total Single Family	$542,298,500	10.61	$861,021,500	14.78	$1,523,943,100	22.44
Residential Condominium						
Garden	$43,646,800	6.13	$145,531,300	18.46	$316,176,500	32.63
High-rise	28,882,000	4.07	122,309,200	16.74	277,806,500	31.02
Residential Cooperative	1,105,400	13.60	789,600	8.55	974,200	9.72
Townhouse	11,158,100	6.87	24,242,000	14.02	57,606,100	25.75
Total Residential Condominium	$84,792,300	5.32	$292,872,100	17.22	$652,563,300	31.1
Total Residential Real Property	**$627,090,800**	**9.35**	**$1,153,893,600**	**15.33**	**$2,176,506,400**	**24.48**

City of Alexandria, Virginia
CY 2003 Real Property Assessment Report

ASSESSMENT APPRECIATION FOR EXISTING PROPERTIES

Real Property Classification	CY 2000 to 2001 Appreciation Amount	CY 2000 to 2001 % Change	CY 2001 to 2002 Appreciation Amount	CY 2001 to 2002 % Change	CY 2002 to 2003 Appreciation Amount	CY 2002 to 2003 % Change
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Commercial Real Property						
Commercial Multi-Family Rental						
Garden	$35,317,800	4.56	$96,323,700	11.63	$102,577,600	10.76
Mid-Rise	6,399,600	2.68	30,548,000	11.62	19,760,300	5.09
High-rise	20,871,100	3.79	60,925,200	10.53	70,031,700	10.57
Total Multi-Family Rental	$62,588,500	4.00	$187,796,900	11.25	$192,369,600	9.60
Commercial Office, Retail, and Service						
General Commercial	$45,941,200	7.23	$23,504,000	3.44	$84,754,700	12.80
Office	76,934,800	4.19	65,369,800	3.23	81,776,900	3.72
Office or Retail Condominium	(508,200)	(0.35)	7,546,800	4.81	7,565,300	4.61
Shopping Center	(1,623,800)	(0.43)	(4,491,900)	(1.19)	12,009,500	3.21
Warehouse	30,121,200	8.18	12,656,000	3.14	53,802,100	13.02
Hotel, Motel and Extended Stay	8,234,700	2.23	(40,816,100)	(10.64)	26,944,700	7.82
Total Commercial Office, Retail, and Service	$159,099,900	4.26	$63,768,600	1.58	$266,853,200	6.42
Other Commercial Property						
Vacant Residential Land	13,915,800	12.33	(10,243,600)	(15.70)	27,768,400	27.34
Vacant Commercial & Industrial Land	33,028,600	8.63	(21,650,900)	(5.20)	26,830,200	8.39
Total Other Commercial Property	$46,944,400	9.47	($31,894,500)	(6.62)	$54,598,600	12.96
Total Commercial Real Property	**$268,632,800**	**4.64**	**$219,671,000**	**3.55**	**$513,821,400**	**7.81**
Total Locally Assessed Real Property	**$895,723,600**	**7.17**	**$1,373,564,600**	**10.02**	**$2,690,327,800**	**17.39**

City of Alexandria, Virginia
CY 2003 Real Property Assessment Report

ASSESSMENT APPRECIATION FOR EXISTING PROPERTIES

Real Property Classification	CY 2000 to 2001 Appreciation Amount	CY 2000 to 2001 % Change	CY 2001 to 2002 Appreciation Amount	CY 2001 to 2002 % Change	CY 2002 to 2003 Appreciation Amount	CY 2002 to 2003 % Change
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Non-Locally Assessed Real Property						
Assessed by State Corporation Commission (SCC)						
Gas & Pipeline Distribution Corporation					$638,200	2.42
Light & Power Corporation					10,205,600	2.73
Telecommunication Company					20,637,500	15.49
Water Corporation					811,500	2.77
Total SCC Assessed Property					$32,292,800	5.75
Assessed by Virginia Department of Taxation (VDT)						
Interstate Pipeline Transmission					($68,600)	(15.76)
Operating Railroad						
Richmond, Fredericksburg & Potomac Railway Co.					$90,700	0.20
Norfolk Southern Railway Co.					(13,188,800)	(24.31)
CSX Transportation, Inc.					(400)	(1.03)
Total Operating Railroads					($13,098,500)	(13.11)
Total VDT Assessed Property					($13,167,100)	(13.12)
Total Non-Locally Assessed Real Property					$19,125,700	2.89
Grand Total Real Property Assessments					$2,709,453,500	16.79

Department of Real Estate Assessments, February 11, 2003
File: i:\123\cindy\CM30115a.123 Tab 2

City of Alexandria, Virginia

CY 2003 REAL PROPERTY ASSESSMENT SUMMARY

New Growth

Real Property Classification	New Growth
(1)	(2)
Locally Assessed Real Property	
Residential Real Property	
Residential Single Family	
Detached	$18,979,400
Semi-Detached	22,392,200
Row House	28,360,500

Total Single Family	$69,732,100
Residential Condominium	
Garden	$19,820,000
High-rise	0
Residential Cooperative	0
Townhouse	0

Total Residential Condominium	$19,820,000
Total Residential Real Property	**$89,552,100**

Attachment 4

City of Alexandria, Virginia

CY 2003 REAL PROPERTY ASSESSMENT SUMMARY

New Growth

Real Property Classification	New Growth
(1)	(2)
Commercial Real Property	
Commercial Multi-Family Rental	
Garden	$9,985,500
Mid-Rise	96,714,400
High-rise	16,576,000
Total Multi-Family Rental	$123,275,900
Commercial Office, Retail, and Service	
General Commercial	$7,440,300
Office	238,664,700
Office or Retail Condominium	319,000
Shopping Center	4,174,400
Warehouse	(2,379,000)
Hotel/Motel and Extended Stay	12,530,800
Total Commercial Office, Retail, and Service	$260,750,200
Other Commercial Property	
Vacant Residential Land	($4,985,500)
Vacant Commercial and Industrial Land	37,216,700
Total Other Commercial Property	$32,231,200
Total Commercial Real Property	**$416,257,300**
Total Locally Assessed Real Property	**$505,809,400**

City of Alexandria, Virginia

CY 2003 REAL PROPERTY ASSESSMENT SUMMARY

New Growth

Real Property Classification	New Growth
(1)	(2)
Non-Locally Assessed Real Property	
Assessed by State Corporation Commission (SCC)	
Gas & Pipeline Distribution Corporation	
Light & Power Corporation	
Telecommunication Company	
Water Corporation	
Total SCC Assessed Property	
Assessed by Virginia Department of Taxation (VDT)	
Interstate Pipeline Transmission	
Operating Railroad	
Richmond, Fredericksburg & Potomac Railway Co.	
Norfolk Southern Railway Co.	
CSX Transportation, Inc.	
Total Operating Railroads	
Total VDT Assessed Property	
Total Non-Locally Assessed Real Property	
Grand Total Real Property Assessments	**$505,809,400**

Department of Real Estate Assessments, January 30, 2003
File: j:\123\cindy\CM301151a.123 Tab 2b

City of Alexandria, Virginia

CY 2003 Real Property Assessment Report

NEW CONSTRUCTION HISTORY FOR LOCALLY ASSESSED PROPERTIES FOR CY 1993 - 2003

		Locally Assessed New Construction			Total New as % of Local Assessed Tax Base[1]
	Year	Residential	Commercial	Total	
	(1)	(2)	(3)	(4)	(5)
1	2003	$89,552,100	$416,257,300	$505,809,400	2.71
2	2002	105,493,900	209,829,300	315,323,200	2.02
3	2001	169,779,500	251,595,400	421,374,900	3.02
4	2000	212,525,600	294,411,200	506,936,800	3.81
5	1999	187,855,100	130,892,500	318,747,600	2.62
6	1998	92,622,700	206,356,200	298,978,900	2.58
7	1997	52,443,300	49,187,000	101,630,300	0.91
8	1996	70,730,600	7,715,900	78,446,500	0.72
9	1995	53,728,300	1,545,700	55,274,000	0.51
10	1994	25,845,900	6,751,900	32,597,800	0.30
11	1993	35,351,500	15,779,900	51,131,400	0.46

Notes:

[1] 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.

Department of Real Estate Assessments, February 28, 2003
File: j:\123\cindy\CM301151a.123 Tab 6

City of Alexandria, Virginia
CY 2003 Real Property Assessment Report

RESIDENTIAL REAL PROPERTY SALES STATISTICS FOR CY 2000, 2001 , AND 2002

	Sales Statistic	CY 2000	CY 2001	% Change (2000 to 2001)	CY 2002	% Change (2001 to 2002)
	Dollar Volume of Sales					
1	Residential Single Family					
2	Detached	$197,410,519	$228,041,449	15.52	$264,947,139	16.18
3	Semi-Detached	158,290,327	168,625,641	6.53	187,411,759	11.14
4	Row House	235,407,272	214,633,057	(8.82)	251,710,717	17.27
5		------------------	------------------		------------------	
6	Total Single Family	$591,108,118	$611,300,147	3.42	$704,069,615	15.18
7						
8	Residential Condominium					
9	Garden	$114,977,782	$180,468,600	56.96	$216,065,094	19.72
10	High-rise	66,310,169	137,780,477	107.78	122,019,860	(11.44)
11	Residential Cooperative					
12	Townhouse	18,888,605	19,913,650	5.43	28,600,827	43.62
13		--------------	--------------		--------------	
14	Total Residential Condominium	$200,176,556	$338,162,727	68.93	$366,685,781	8.43
15		--------------	--------------		--------------	
16	**Total Dollar Volume of Sales**	**$791,284,674**	**$949,462,874**	**19.99**	**$1,070,755,396**	**12.77**

Attachment 6

City of Alexandria, Virginia

CY 2003 Real Property Assessment Report

RESIDENTIAL REAL PROPERTY SALES STATISTICS FOR CY 2000, 2001 , AND 2002

Sales Statistic	CY 2000	CY 2001	% Change (2000 to 2001)	CY 2002	% Change (2001 to 2002)
Number of Units Sold					
Residential Single Family					
Detached	547	520	(4.94)	545	4.81
Semi-Detached	566	504	(10.95)	473	(6.15)
Row House	824	669	(18.81)	649	(2.99)
	------	------		--------	
Total Single Family	1,937	1,693	(12.60)	1,667	(1.54)
Residential Condominium					
Garden	819	1,121	36.87	1,168	4.19
High-rise	597	909	52.26	795	(12.54)
Residential Cooperative					
Townhouse	96	81	(15.63)	87	7.41
	------	------		------	
Total Residential Condominium	1,512	2,111	39.62	2,050	(2.89)
	----------	----------		----------	
Total Number of Units Sold	**3,449**	**3,804**	**10.29**	**3,717**	**(2.29)**

City of Alexandria, Virginia
CY 2003 Real Property Assessment Report

RESIDENTIAL REAL PROPERTY SALES STATISTICS FOR CY 2000, 2001 , AND 2002

Sales Statistic	CY 2000	CY 2001	% Change (2000 to 2001)	CY 2002	% Change (2001 to 2002)
Average Sale Price					
Residential Single Family					
Detached	$360,897	$438,541	21.51	$486,142	10.85
Semi-Detached	279,665	334,575	19.63	396,219	18.42
Row House	285,688	320,827	12.30	387,844	20.89
Total Single Family	$305,167	$361,075	18.32	$422,357	16.97
Residential Condominium					
Garden	$140,388	$160,989	14.67	$184,987	14.91
High-rise	111,072	151,574	36.46	153,484	1.26
Residential Cooperative					
Townhouse	196,756	245,848	24.95	328,745	33.72
Total Residential Condominium	$132,392	$160,191	21.00	$178,871	11.66
Average Sale Price for Residence	**$229,424**	**$249,596**	**8.79**	**$288,070**	**15.41**

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, January 31, 2003
File: j:\123\cindy\CM30115a.123 Tab 4

City of Alexandria, Virginia

NORTHERN VIRGINIA AREA HOME SALES REPORT 1/

For period January 1, 2000 through December 31, 2002

Real Property Classification	CY 2000	CY 2001	CY 2002	Percent Of Change 2000 to 2001	Percent Of Change 2001 to 2002	Percent Of Change 2000 to 2002
(1)	(2)	(3)	(4)	(5)	(6)	(7)
SALES VOLUME						
First-Quarter						
January	$283,297,456	$361,827,098	$491,542,697	27.7%	35.9%	73.51%
February	309,699,214	387,345,877	477,565,969	25.1%	23.3%	54.20%
March	449,687,485	514,533,663	646,901,828	14.4%	25.7%	43.86%
Total First-Quarter	**$1,042,684,155**	**$1,263,706,638**	**$1,616,010,494**	**21.2%**	**27.9%**	**54.99%**
Second-Quarter						
April	$449,363,740	$569,887,932	$679,416,569	26.8%	19.2%	51.20%
May	599,765,502	682,927,385	807,093,419	13.9%	18.2%	34.57%
June	766,598,871	840,493,790	991,325,065	9.6%	17.9%	29.31%
Total Second-Quarter	**$1,815,728,113**	**$2,093,309,107**	**$2,477,835,053**	**15.3%**	**18.4%**	**36.47%**
Third-Quarter						
July	$685,255,871	$820,395,616	$963,221,822	19.7%	17.4%	40.56%
August	721,421,446	827,393,441	923,166,119	14.7%	11.6%	27.96%
September	549,050,618	566,130,392	735,914,699	3.1%	30.0%	34.03%
Total Third-Quarter	**$1,955,727,935**	**$2,213,919,449**	**$2,622,302,640**	**13.2%**	**18.4%**	**34.08%**
Fourth-Quarter						
October	$497,522,257	$544,434,460	$740,223,404	9.4%	36.0%	48.78%
November	468,632,419	558,298,969	635,068,423	19.1%	13.8%	35.52%
December	511,252,144	652,953,864	828,317,656	27.7%	26.9%	62.02%
Total Fourth-Quarter	**$1,477,406,820**	**$1,755,687,293**	**$2,203,609,483**	**18.8%**	**25.5%**	**49.15%**
Total Through Fourth-Quarter	**$6,291,547,023**	**$7,326,622,487**	**$8,919,757,670**	**16.5%**	**21.7%**	**41.77%**

Attachment 7

31

City of Alexandria, Virginia

NORTHERN VIRGINIA AREA HOME SALES REPORT 1/

For period January 1, 2000 through December 31, 2002

Real Property Classification	CY 2000	CY 2001	CY 2002	Percent Of Change 2000 to 2001	Percent Of Change 2001 to 2002	Percent Of Change 2000 to 2002
(1)	(2)	(3)	(4)	(5)	(6)	(7)
NUMBER OF UNITS SOLD						
First-Quarter						
January	1,194	1,341	1,673	12.3%	24.8%	40.12%
February	1,225	1,464	1,659	19.5%	13.3%	35.43%
March	1,820	1,907	2,105	4.8%	10.4%	15.66%
	--------	--------	--------			
Total First-Quarter	**4,239**	**4,712**	**5,437**	**11.2%**	**15.4%**	**28.26%**
Second-Quarter						
April	1,898	2,101	2,214	10.7%	5.4%	16.65%
May	2,397	2,475	2,561	3.3%	3.5%	6.84%
June	2,951	2,956	2,942	0.2%	-0.5%	-0.30%
	--------	--------	--------			
Total Second-Quarter	**7,246**	**7,532**	**7,717**	**3.9%**	**2.5%**	**6.50%**
Third-Quarter						
July	2,627	2,914	2,908	10.9%	-0.2%	10.70%
August	2,832	2,826	2,817	-0.2%	-0.3%	-0.53%
September	2,235	2,034	2,328	-9.0%	14.5%	4.16%
	--------	--------	--------			
Total Third-Quarter	**7,694**	**7,694**	**8,053**	**0.0%**	**4.7%**	**4.67%**
Fourth-Quarter						
October	2,026	1,976	2,322	-2.5%	17.5%	14.61%
November	1,863	1,954	1,989	4.9%	1.8%	6.76%
December	1,847	2,087	2,418	13.0%	15.9%	30.91%
	--------	--------	--------			
Total Fourth-Quarter	**5,736**	**6,017**	**6,729**	**4.9%**	**11.8%**	**17.31%**
	--------	--------	--------			
Total Through Fourth-Quarter	**24,915**	**25,955**	**27,936**	**4.2%**	**7.6%**	**12.1%**

City of Alexandria, Virginia

NORTHERN VIRGINIA AREA HOME SALES REPORT 1/

For period January 1, 2000 through December 31, 2002

Real Property Classification	CY 2000	CY 2001	CY 2002	Percent Of Change 2000 to 2001	Percent Of Change 2001 to 2002	Percent Of Change 2000 to 2002
(1)	(2)	(3)	(4)	(5)	(6)	(7)
AVERAGE SALE PRICE						
First-Quarter						
January	$237,268	$269,819	$293,809	13.7%	8.9%	23.83%
February	252,816	264,581	287,864	4.7%	8.8%	13.86%
March	247,081	269,813	307,317	9.2%	13.9%	24.38%
Total First-Quarter	**$245,974**	**$268,189**	**$297,225**	**9.0%**	**10.8%**	**20.84%**
Second-Quarter						
April	$236,756	$271,246	$306,873	14.6%	13.1%	29.62%
May	250,215	275,930	315,148	10.3%	14.2%	25.95%
June	259,776	284,335	336,956	9.5%	18.5%	29.71%
Total Second-Quarter	**$250,584**	**$277,922**	**$321,088**	**10.9%**	**15.5%**	**28.14%**
Third-Quarter						
July	$260,851	$281,536	$331,232	7.9%	17.7%	26.98%
August	254,739	292,779	327,713	14.9%	11.9%	28.65%
September	245,660	278,334	316,115	13.3%	13.6%	28.68%
Total Third-Quarter	**$254,189**	**$287,746**	**$325,631**	**13.2%**	**13.2%**	**28.11%**
Fourth-Quarter						
October	$245,569	$275,524	$318,787	12.2%	15.7%	29.82%
November	251,547	285,721	319,290	13.6%	11.7%	26.93%
December	276,801	312,867	342,563	13.0%	9.5%	23.76%
Total Fourth-Quarter	**$257,567**	**$291,788**	**$327,479**	**13.3%**	**12.2%**	**27.14%**
Total Through Fourth-Quarter	**$252,520**	**$282,282**	**$319,293**	**11.8%**	**13.1%**	**26.4%**

City of Alexandria, Virginia

NORTHERN VIRGINIA AREA HOME SALES REPORT 1/

For period January 1, 2000 through December 31, 2002

Real Property Classification	CY 2000	CY 2001	CY 2002	Percent Of Change 2000 to 2001	Percent Of Change 2001 to 2002	Percent Of Change 2000 to 2002
(1)	(2)	(3)	(4)	(5)	(6)	(7)

Note:

1 Northern Virginia Association of Realtors monthly report titled "Northern Virginia Area Home Sales Report." The data collected for the report is from the counties of Fairfax and Arlington, the cities of Alexandria, Falls Church and Fairfax, and the towns of Vienna, Herndon and Clifton.

Department of Real Estate Assessments, January 27, 2003
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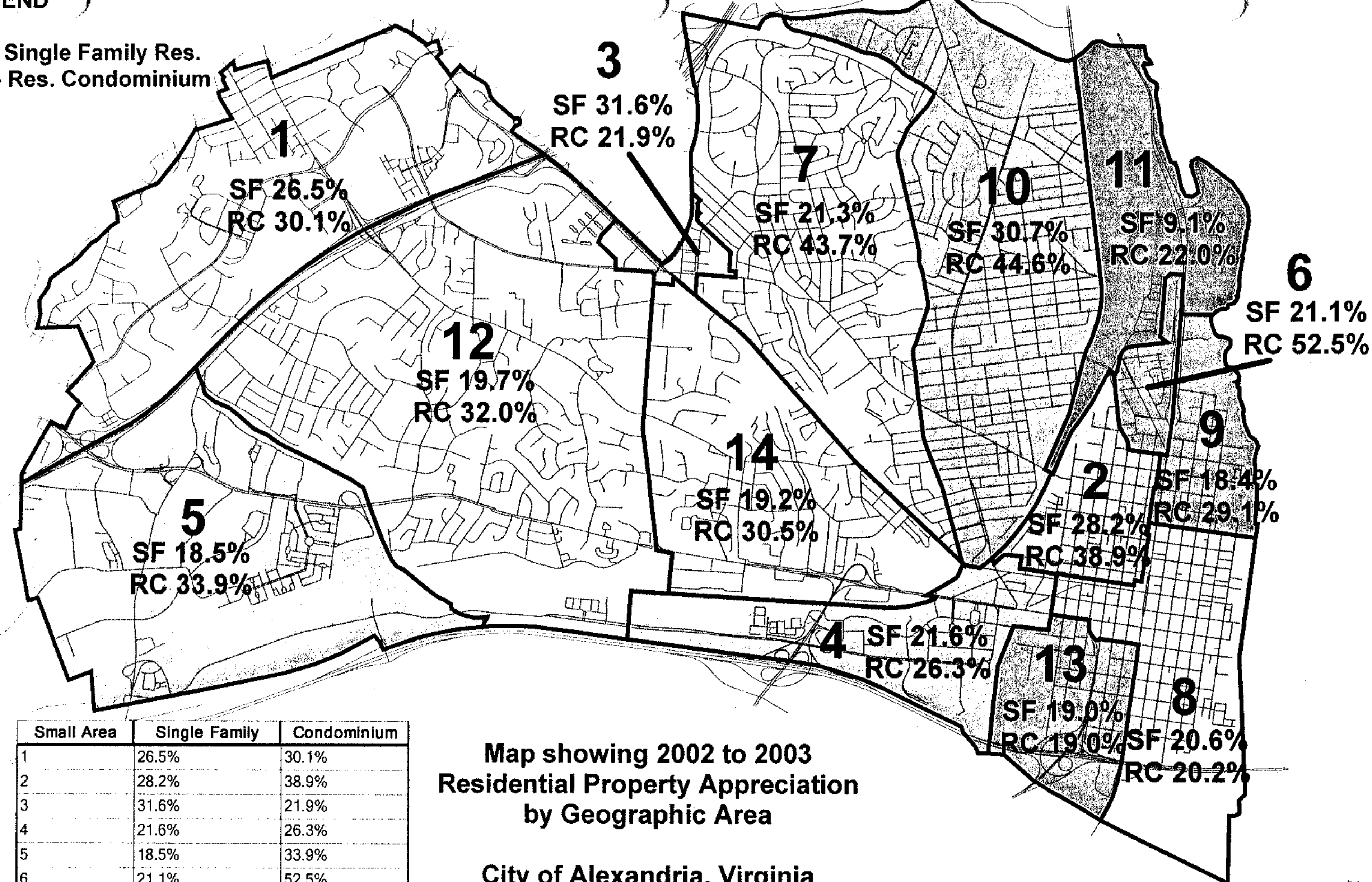

Small Area	Single Family	Condominium
1	26.5%	30.1%
2	28.2%	38.9%
3	31.6%	21.9%
4	21.6%	26.3%
5	18.5%	33.9%
6	21.1%	52.5%
7	21.3%	43.7%
8	20.6%	20.2%
9	18.4%	29.1%
10	30.7%	44.6%
11	9.1%	22.0%
12	19.7%	32.0%
13	19.0%	19.0%
14	19.2%	30.5%

Map showing 2002 to 2003 Residential Property Appreciation by Geographic Area

City of Alexandria, Virginia

Department of Real Estate Assessments
February 2003

Map prepared by the GIS Section of the Department of Planning & Zoning

NOTES:
Numbers encircled designate the geographic areas of the City that approximate the small areas developed for the Master Plan revision. The 2003 Notices of Assessment include the study group number. The first two digits of the study group number will designate the geographic area that corresponds with the map.

Attachment 8

City of Alexandria, Virginia
CY 2003 Real property Assessment Report

AVERAGE 2003 REAL PROPERTY ASSESSMENTS FOR SINGLE FAMILY HOMES AND RESIDENTIAL CONDOMINIUMS BY GEOGRAPHICAL AREA

		Single Family Homes		Residential Condominiums	
	Small Area Plan Name	2003 Average Assessed Value	% Change 2002 to 2003 [1]	2003 Average Assessed Value	% Change 2002 to 2003 [1]
	(1)	(2)	(3)	(4)	(5)
1	Alexandria West	$330,196	26.5	$127,814	30.1
2	Braddock Road Metro Station	320,570	28.2	201,807	38.9
3	Fairlington/Bradlee	314,292	31.6	228,300	21.9
4	King St/Eisenhower Ave Metro Station	447,148	21.6	319,628	26.3
5	Landmark/Van Dorn	380,395	18.5	154,731	33.9
6	Northeast	317,544	21.1	147,481	52.5
7	Northridge	487,036	21.3	162,611	43.7
8	Old Town	704,235	20.6	391,432	20.2
9	Old Town North	560,396	18.4	220,969	29.1
10	Potomac West	293,531	30.7	89,920	44.6
11	Potomac Yard/Potomac Greens	514,863	9.1	329,041	22.0
12	Seminary Hill/Strawberry Hill	356,004	19.7	135,835	32.0
13	Southwest Quadrant	354,036	19.0	255,460	19.0
14	Taylor Run/Duke St	478,149	19.2	155,586	30.5

Department of Real Estate Assessments, March 4, 2003
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Attachment 9

CY 2003 Real Property Assessment Report

2003 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	2,217	$80,500
$100,000 - $149,999	523	125,400
$150,000 - $199,999	47	179,700
$200,000 - $249,999	251	229,700
$250,000 and over	1,395	314,000

Small Area Plan 2

Braddock Road Metro Station

Assessed Value Range	No. of Units	Median Value
Less than $100,000	11	$85,900
$100,000 - $149,999	8	132,100
$150,000 - $199,999	265	180,300
$200,000 - $249,999	380	220,100
$250,000 and over	930	332,400

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	0	0
$200,000 - $249,999	115	224,500
$250,000 and over	10	328,400

2003 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	0	0
$150,000 - $199,999	63	173,600
$200,000 - $249,999	106	228,600
$250,000 and over	556	336,000

Small Area Plan 5

Landmark/Van Dorn

Assessed Value Range	No. of Units	Median Value
Less than $100,000	883	$82,800
$100,000 - $149,999	2,179	122,900
$150,000 - $199,999	1,265	169,900
$200,000 - $249,999	399	217,800
$250,000 and over	1,810	344,900

Small Area Plan 6

Northeast

Assessed Value Range	No. of Units	Median Value
Less than $100,000	0	$0
$100,000 - $149,999	218	133,600
$150,000 - $199,999	118	180,600
$200,000 - $249,999	83	223,400
$250,000 and over	539	330,000

2003 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	215	$76,800
$100,000 - $149,999	741	135,000
$150,000 - $199,999	844	181,300
$200,000 - $249,999	366	208,100
$250,000 and over	2,829	457,000

Small Area Plan 8

OldTown

Assessed Value Range	No. of Units	Median Value
Less than $100,000	0	$0
$100,000 - $149,999	12	119,400
$150,000 - $199,999	51	189,300
$200,000 - $249,999	142	213,100
$250,000 and over	2,644	565,300

Small Area Plan 9

OldTown North

Assessed Value Range	No. of Units	Median Value
Less than $100,000	158	$47,500
$100,000 - $149,999	193	139,400
$150,000 - $199,999	227	168,300
$200,000 - $249,999	207	222,600
$250,000 and over	661	361,900

2003 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	373	$76,000
$100,000 - $149,999	321	138,900
$150,000 - $199,999	434	158,900
$200,000 - $249,999	1,254	224,200
$250,000 and over	3,386	334,800

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	0	0
$250,000 and over	273	425,600

Small Area Plan 12

Seminary Hill/Strawberry Hill

Assessed Value Range	No. of Units	Median Value
Less than $100,000	502	$84,200
$100,000 - $149,999	389	128,400
$150,000 - $199,999	807	168,200
$200,000 - $249,999	740	224,200
$250,000 and over	2,153	333,900

2003 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	0	$0
$100,000 - $149,999	84	116,000
$150,000 - $199,999	84	182,200
$200,000 - $249,999	98	230,600
$250,000 and over	646	336,700

Small Area Plan 14

Taylor Run/Duke Street

Assessed Value Range	No. of Units	Median Value
Less than $100,000	2	$98,200
$100,000 - $149,999	171	133,700
$150,000 - $199,999	331	162,300
$200,000 - $249,999	122	215,100
$250,000 and over	1,267	463,400

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, 2003
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City of Alexandria, Virginia
CY 2003 Real Property Assessment Report

RESIDENTIAL ASSESSMENT/SALES RATIO REPORT FOR CY 2002

	Real Property Classification	No. Sales	Total CY 2002 Assessed Value	Total CY 2002 Sales Price	Ratio [1]
	(1)	(2)	(3)	(4)	(5)
	Locally Assessed Real Property				
	Residential Real Property				
1	Residential Single Family				
2	Detached	471	$176,669,500	$225,764,166	78.25
3	Semi-Detached	408	119,249,400	153,007,141	77.94
4	Row House	560	161,547,900	208,599,870	77.44
5		------	-----------------	------------------	
6	Total Single Family	1,439	$457,466,800	$587,371,177	77.88
7					
8	Residential Condominium				
9	Garden	1,106	$149,243,100	$199,631,441	74.76
10	High-rise	772	86,818,700	119,424,143	72.70
11	Residential Cooperative				
12	Townhouse	84	21,274,500	28,152,827	75.57
13		------	-----------------	------------------	
14	Total Residential Condominium	1,962	$257,336,300	$347,208,411	74.12
15		--------	------------------	------------------	
16	**Total Residential Real Property**	**3,401**	**$714,803,100**	**$934,579,588**	**76.48**

Note:

[1] The assessment/sales ratio is determined by dividing the total CY 2002 assessed value (column 3) by the total CY 2002 sales price (column 4).

Department of Real Estate Assessments, January 31, 2003
File: j:\123\cindy\CM30115a.wk4 Tab 5

Attachment 11

Washington Area Real Estate Trends

The Washington Post regularly tracks housing sales and prices throughout the Washington area each Saturday in the Real Estate section, comparing information collected for each residential Zip code from each time period in 2001 with that for the same time period in 2002.

The chart and map this week compare single-family house and townhouse sales figures in Arlington County and Alexandria from January through September 2001, with those for the same period in 2002, showing the total number of sales, the median prices and the changes in the medians. The median is the point at which half of the sales prices were higher and half lower.

The sales and price information, collected by The Washington Post, is based on actual sales recorded in local government offices. That information is in the chart on the right. It excludes some types of transaction, particularly those that are not at market price.

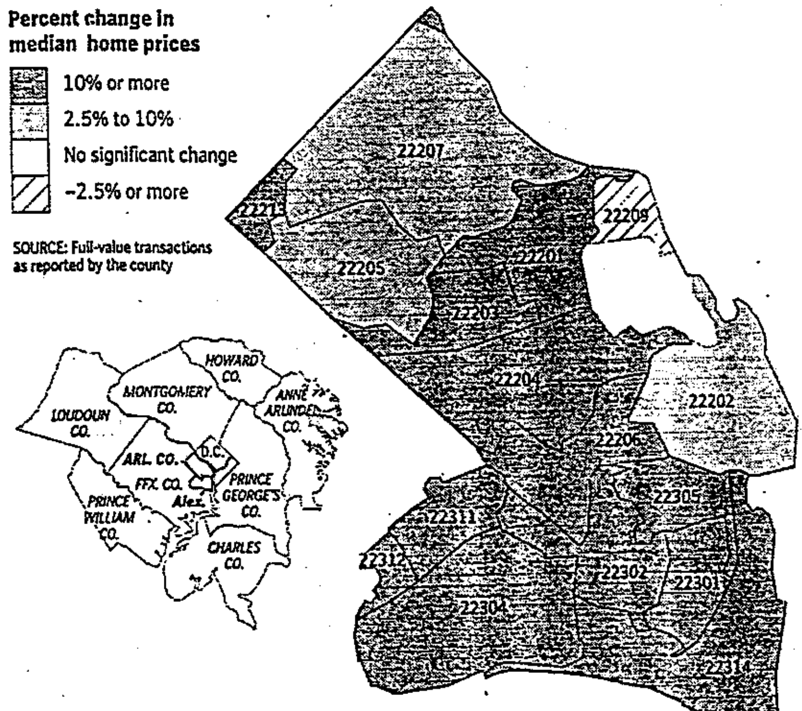
As with any statistical compilation, the greater the number of transactions, the more reliable the statistical trend. Moreover, at any given time there may be more sales activity in certain market niches or price ranges, for instance starter homes or high-priced houses, than at other times, and this may influence a median price from year to year.

The map provides a snapshot of price trends throughout the geographical area covered by each week's information.

Some Zip codes cross county borders. The map of Zip code values shows the trend for the entire Zip code, including transactions outside the county. Those out-of-county transactions are not included in the table.

ON THE WEB

For up-to-date home sales and tax assessments, real estate news and community profiles, visit *www.washingtonpost.com/realestate*



Arlington County

January through September

Zip code	2001 Total homes sold	2001 Median purchase price	2002 Total homes sold	2002 Median purchase price	Change in median price
22201	252	$310,000	341	$452,750	$142,750
22202	81	400,000	73	430,000	30,000
22203	113	324,900	138	370,250	45,350
22204	390	204,950	469	255,000	50,050
22205	225	361,000	238	390,000	29,000
22206	321	195,000	342	219,000	24,000
22207	430	410,800	465	450,000	39,200
22209	67	410,000	85	287,000	-123,000
22213	29	334,000	52	384,500	50,500
TOTAL	1,908	$290,000	2,203	$344,900	$54,900

Alexandria

Zip code	2001 Total homes sold	2001 Median purchase price	2002 Total homes sold	2002 Median purchase price	Change in median price
22206	1	$269,900	-	-	-
22301	189	280,100	160	$342,000	$61,900
22302	93	350,000	80	427,000	77,000
22304	237	260,000	255	349,000	89,000
22305	184	185,000	125	255,000	70,000
22310	-	-	1	399,000	-
22311	58	280,250	51	365,000	84,750
22312	18	254,950	24	310,000	55,050
22314	391	332,500	343	419,000	86,500
TOTAL	1,171	$285,000	1,039	$359,000	$74,000

Washington Post
3/1/03

ALEXANDRIA

Gazette Packet

JANUARY 2, 2003

Attachment 13

44

Today — The Gateway To Tomorrow

BY CHUCK HAGEE
GAZETTE

There's an old Pennsylvania Dutch saying: "Today is the tomorrow we worried about yesterday."

In retrospect, that could well apply to 2002. There were a wide variety of events that occurred or did not occur throughout this first full year of a refocused nation and the communities within it that fit the admonition. They touched on practically every aspect of our daily lives.

On the economic front it was definitely a mixed bag. Retail profits and consumer spending seemed to be on a roller coaster throughout the year. Conversely, real estate, at least in the City of Alexandria and a large portion of the Mount Vernon environs, was on a rocket ride pulling excessive "G" factors, in this case, standing for greenbacks.

Homes sales have soared along with prices in a year when the overall economy has been faltering and the jobless rate climbing. Two of the primary elements driving prices and the brisk market throughout 2002 were the declining stock market with its lack of return on investment and the commuter crunch/quality-of-life factor.

As Dennis Simmons, Coldwell Banker Residential Brokerage, Old Town, put it, "To live close-in becomes a commuting issue. It enhances the quality of life. None of us wants to spend our life in a parking lot."

As for the investment factor, Ann Duff of McEnearney Associates, saw the trend as people wanting "to put their money into something they can trust. Something they can touch, live in, and even hug." This impacted both the condominium and home markets. Sellers, in many cases, were getting well over their asking price and properties were moving in record time throughout the summer and well into autumn.

A prime example were the condos at Belle View which sold not long ago in the $80,000 range and now are in high $100,000 bracket. An indicator of money flowing from the market to housing was the number of properties $800,000 to over $1 million selling at an ever escalating rate. The assessed value of residential prop

SEE EVENTS, PAGE 7

FROM PAGE 3

erty increased from approximately $7.6 billion in 2001 to $8.9 billion in 2002, according to Alexandria Economic Development Partnership (AEDP).

On the economic front the message was mixed. AEDP figures indicate an economic rebound based on what they described as "a dramatic increase in the number of new business licenses awarded." But, overall retail income remains in negative territory prior to the holiday sales season.

As noted by Paula R.W. Riley, AEDP executive director, "The vast majority of the increases have been in the service industry category." And, "A lot of these are contracting businesses dealing with physical repairs or upgrades to property." This could also be a link to the real estate boom.

OTHER ECONOMIC FACTORS have fluctuated throughout the year. Unemployment was stabilizing in the first quarter, then slowed and is now increasing in the region.

Particularly hard hit by the tight job market were teenagers. "Last summer was the worst job market nationwide for teens in 37 years," according to a report by the Center for Labor Market Studies. Teenage unemployment last summer was 38.9 percent.

However, teenagers enrolled in Alexandria's TeensWork program had an employment rate of 77 percent - one of the best results ever recorded in the program's history, according to Barbara Gordon, Alexandria public information officer. Their average wage was $7.83.

Tourism, a major economic generator in both Alexandria and the Mount Vernon District just south of the city has been recovering but, according to Jo Anne Mitchell, executive director of Alexandria Convention and Visitors Association, "We are still below pre 9/11 figures."

Just as tourism was making a resurgence the sniper incident captured the national headlines. "This had a significant impact on everything," Mitchell reported at the time. But, overall, tourism is gradually coming back to its pre 9/11 status. This can be seen in Old Town and at the historic properties in the Mount Vernon District.

Another indicator of Alexandria's improving business climate is the decrease in the office space vacancy rate, according to AEDP. Marc N. Brambut, AEDP economic and marketing specialist, found this to be "Reflective of the city's improving business atmosphere."

THE VACANCY RATE had been creeping up from 5.1 percent in the first quarter of 2000 to a high of 12.1 percent in the same quarter of 2002. The decline commenced in the second quarter with a drop to 11 percent. This was in contrast to Northern Virginia rate of 15.9 percent, according to AEDP statistics.

In September a proposal came before the Alexandria Planning Commission to change the zoning on a portion of King Street allowing older properties to convert from commercial to residential. Some of the properties in question had remained vacant for as long as 15 years.

Eric N. Dobson, AEDP executive director, explained, "The real problem with most of those buildings is there is little or no parking and the property owners have done nothing to make them appealing to potential tenants."

The commencement of this

> "We are still below pre 9/11 figures."
> **Jo Anne Mitchell**

year saw not only the lingering economic impact of Sept. 11, 2001, but also the emotional one. This was particularly evident as the first anniversary of the attacks approached and then enveloped the area's psychic.

In looking back at that fateful day the firefighters recalled their involvement with reluctance coupled with a sense of renewed assurance in their preparedness and dedication. "In a lot of ways it strengthened us for any future incidents because it was a reinforcement of what we have

SEE YEAR, PAGE 28

THE WALL STREET JOURNAL. ONLINE

As of Friday, January 10, 2003

DOW JONES REAL-ESTATE INDEX

FROM THE ARCHIVES: January 10, 2003

Starter Home Index

Here's the average sale price through December in neighborhoods, listed east to west, with high concentrations of young, upwardly mobile professionals and executives. The figures are based on average sales of homes in ZIP Codes with an annual median income of $40,000.

TOWN/ZIP CODE	JAN-DEC 2002	JAN-DEC 2001	CHANGE
Boston (02108)	$754,381	$939,936	-19.7%
New York (10128)	$774,579	$684,629	13.1%
Philadelphia (19106)	$302,525	$287,913	5.1%
Alexandria, Va. (22301)	$331,008	$267,395	23.8%
Raleigh, N.C. (27613)	$226,190	$228,486	-1.0%
Decatur, Ga. (30033)	$218,259	$221,702	-1.6%
Tampa, Fla. (33647)	$207,992	$201,277	3.3%
Phoenix (85044)	$193,338	$177,687	8.8%
San Bruno, Calif. (94066)	$396,692	$395,349	0.3%
Kirkland, Wash. (98033)	$385,797	$353,478	9.1%

Source: First American RES

Conforming Mortgage Rates

Average daily rate for a $150,000 **mortgage** loan.*

	30-YR FIXED	15-YR FIXED	1-YR ARM
THIS WEEK	5.59	5.02	3.81
LAST WEEK	5.53	4.95	3.77
LAST MONTH	5.71	5.12	3.92
LAST YEAR	6.65	6.12	5.13

Jumbo Mortgage Rates

Average daily rate for a $335,000 **mortgage** loan.*

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- Real Estate

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Condominium Market on Fire

Lost amid the euphoria of record house sales and the seemingly never-ending escalation of housing prices is the fact that the condominium market is doing even better. Hot is not a strong enough adjective to describe "condo fever." Even Donald Trump feels the burn. "The market is unbelievable," he said during a recent preview of his latest Manhattan project, the 72-story Trump World Tower, hard by the United Nations building at 48th Street and First Avenue. "It's the strongest I've ever seen."

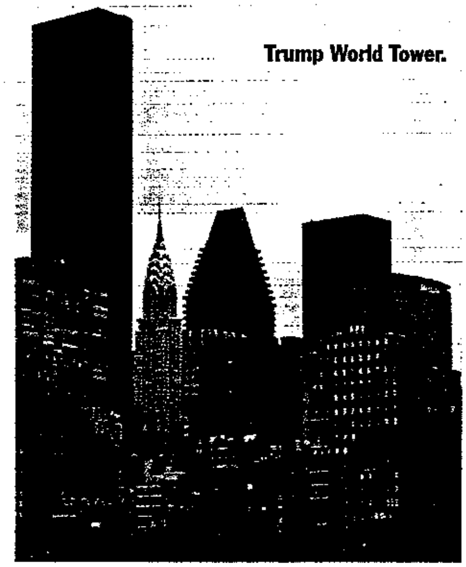
In the three years since the nearly finished building has been on the market, 85 percent of the 374 units have been sold to "mostly cash buyers" at prices ranging from $952,000 to more than $13.5 million. That is a pace that even Trump finds somewhat surprising. "That's a lot of apartments in a very short time," he remarked.

The sizzling condominium market is not confined solely to the Big Apple, though. Trump also lays claim to "the hottest job in south Florida": Trump Grande at Sunny Isles on the beach on Collins Avenue between Miami Beach and Fort Lauderdale. The residential building is only just now coming out of the ground, yet it, too, is 85 percent sold out. Prices begin at $450,000 for a studio and go up to $5 million for a penthouse.

And in Chicago, the 57-story Heritage at Millennium Park is 70 percent sold out and will not be finished for at least two more years. Prices in the 356-unit building range from $275,000 to $2.8 million, yet it is one of the nation's best-selling projects.

But the fuel that is really keeping the condominium fire burning is not the luxury market—just the opposite, according to Ellen Roche, managing director of real estate research at the National Association of Realtors (NAR), based in Washington, D.C. "People in this market, on a sustained basis, are looking for affordability," she says, referring mainly to first-time homebuyers. "They can't afford much, but they can afford a condo."

That is certainly the case in San Diego's 92108 zip code, one of the few places in the country where there are no single-family houses, only condominiums. In Mission Valley, a market where the average price is nearly $350,000, the typical condominium price was about $210,000 this past summer, according to George Lorimer, an agent at RE/MAX Consultants. This is where two-bedroom units went for $85,000 to $90,000 four years ago, mostly to investors who could afford 20 percent down, he says. Now, they fetch $190,000 from owner-occupants, thanks in large measure to low-cost, low downpayment financing that was not available when the places were built.


Trump World Tower.

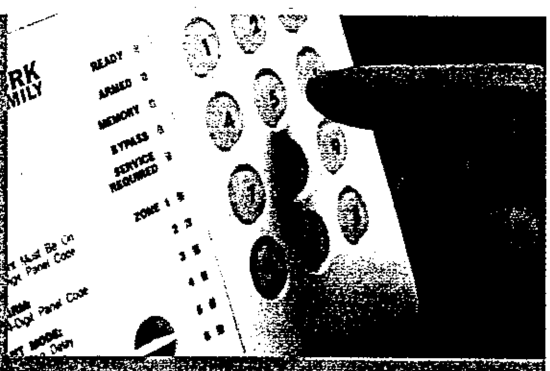
© THE TRUMP CORPORATION

Nationally, according to NAR, the condominium market is "easily" at a pace to set a new record in 2002. As of the second quarter, existing apartment sales were running at a seasonally adjusted annual rate of 831,000 units. That is just 0.7 percent off the record-setting run of 837,000 sales recorded in the first quarter, but it is 12 percent above the 742,000 units sold a year earlier.

NAR's data also show that condominium appreciation is double that of single-family houses. In the second quarter, the median price of existing condos was $139,000, up 14.7 percent from a year earlier. In contrast, the median price of an existing stand-alone house was $157,000, an increase of "only" 7.4 percent from the second quarter of last year.—**Lew Sichelman**

Lew Sichelman is a syndicated housing columnist based in the Washington, D.C., area.

- How long has the provider been involved in the multifamily industry?
- Does the provider have multifamily-specific references?
- What percentage of the business is dedicated to multifamily customers?
- Does the provider have dedicated infrastructure to service the multifamily industry?
- Does the contract include account services and property and resident training?
- Does the service include ongoing marketing support and materials?
- How does the provider handle resident panel code confidentiality issues?
- Will all residents have monitored service?
- Does the provider have its own central monitoring center?



- Is it approved by Underwriters Laboratories, Inc.?
- Does the provider offer indemnification?—**Robyn Anderson**

Robyn Anderson is director of marketing for Irving, Texas–based Network Multifamily Corp., which provides multifamily-specific alarm amenity programs to the industry.

Attachment 16 48

The Washington Post

Condo Sales Set Record In 2002

Median Price Up 11% in a Year

Bloomberg News

Sales of U.S. condominiums and cooperatively owned apartments set a record in 2002 as mortgage rates fell to the lowest levels in almost four decades, according to the National Association of Realtors.

Sales rose 10 percent to 824,000 from the previous record of 746,000 set a year earlier, the Washington-based trade group said. The annualized sales pace in the fourth quarter was 818,000, 14 percent higher than the year-ago period. The 30-year fixed mortgage rate averaged 6.08 percent in the quarter, the lowest recorded by Freddie Mac, the No. 2 buyer of mortgages.

The rise in sales of condominiums, which typically are smaller and less expensive than single-family homes, reflects demand from first-time buyers who wanted to take advantage of the low mortgage rates yet could not afford a house, Cathy Whatley, president of the Realtors group, said in a statement. Because of that demand, condominium prices appreciated at a faster pace than single-family homes.

"The typical condo price has been rising much faster than the typical single-family home price," Whatley said.

The median, or midpoint, price for condominiums was $137,100 in 2002, 11 percent higher than a year earlier. The median price for a single-family home was $158,300, up 7.1 percent from 2001.

The average rate for a 30-year fixed mortgage was 6.54 percent in 2002, down from 6.97 in 2001, according to Freddie Mac. On Jan. 3 the rate hit 5.85 percent, the lowest since 1965, Freddie Mac said.

The Washington Post

September 21, 2002

Kenneth R. Harney

Condos Overtake Houses in Price Gains

In what could be the harbinger of a significant trend, condominiums no longer lag behind traditional houses in appreciation rates. They've now begun gaining in resale value at a faster pace than detached, single-family houses.

According to new research on sales volume and price patterns, the nationwide median price of condominiums in the second quarter was up 14.7 percent from the same period of 2001. That is almost double the 7.4 percent year-on-year increase for detached single-family resale houses that are median-priced.

Condo sales were close to their record pace nationwide during the first two quarters of 2002, according to the National Association of Realtors, and are likely to set a new annual sales volume record by the end of the year. Some regional gains were even more impressive. Median-priced condos rose 15.3 percent in the Southern states and 19.3 percent in the Northeast. In the West and Midwest, condo prices rose 12.5 percent and 12.4 percent, respectively, still well above the increase nationally for median-priced detached houses.

Long regarded as the poor cousins of the home real

See HARNEY, H10, Col. 1

THE NATION'S HOUSING

Demographic Trends Increase Condos' Popularity—and Price Gains

HARNEY, From H1

estate market, condos now appear to be the beneficiaries of several key factors. Tops on the list: pricing and demographic changes.

Condominiums—whether in townhouse or apartment form—tend to be smaller in square feet and cheaper than detached dwellings sitting on their own lots. Condos virtually always consume far less land per improved square foot of interior space than detached units, slashing what often is the largest or second-largest component of home prices.

Lower costs make condos more affordable and attractive to the most dynamic sector of the real estate marketplace: first-time buyers who increasingly have access to low-interest, low-down-payment mortgages. Buying a condominium townhouse or apartment unit is more feasible financially to this segment of consumers than at any time in the past two decades. As a result, they are snapping up entry-level condos, and that demand in turn is exerting upward pressure on prices.

At the other end of the condo spectrum, a different dynamic is underway. Condos are turning into the first choice for downsizing by growing numbers of empty nesters and pre-retirees who do not want to mow lawns, rake leaves or shovel snow. These buyers do not need vacant bedrooms, unused rec rooms or fenced yards for children.

Loaded with equity from sales of their family residences, baby boomers and older seniors are bidding up prices at the upper reaches of the condo market—luxury and super-luxury units. They are transferring some of their winnings from the detached single-family marketplace to high-amenity condos, whether in downtown neighborhoods, such as the Washington market, or warm and sunny resort areas, such as in California, Florida and Arizona.

More than 42 percent of all condominiums are now bought by people older than 50, according to the NAR's national data. Looking ahead for at least the next decade, all the demographic pressure is going to be pointing in that direction: greater demand and higher values for well-located empty-nester condos.

The 2002 appreciation boom undermines some of the traditional beliefs about condominiums. In a nation that idolizes the detached single-family house, condos historically have been seen as a distant and troublesome second choice—tougher to finance, more complicated to sell and the perennial underachiever on resale appreciation.

Even in today's market, giant mortgage finance sources such as Freddie Mac see condominiums as generally riskier bets than traditional homes. Condo projects can indeed present higher risks of default, or even loss of value, when high percentages of the units in a building are rented out by absentee investors rather than lived in by owners. Condo units can also hit their owners with shocking financial surprises, such as the special assessments that are imposed when a major system in the common elements requires replacement.

Condos have other potential drawbacks. Unlike detached units built on separate parcels of land, condos are corporate subdivisions, run by boards of directors. If the board members make bad judgments on maintenance and management, the whole building or development may suffer.

But despite these possible negatives, the latest sales and appreciation data suggest that home buyers are focusing on the positives about condos. Even more important: That focus could well continue for many years.

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

A Run Down on Washington's Submarkets

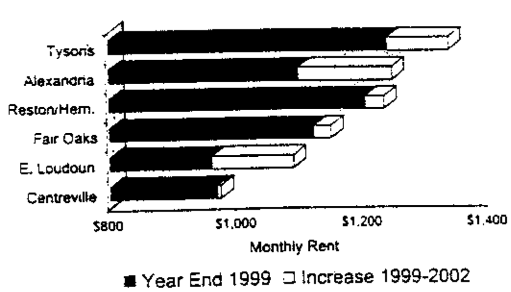
Rents: Rents were mixed during 2002 among all product types and submarkets. Overall, there was a slightl improvement from $1,152 per unit to $1,157 at year-end. Price sensitivity continues to remain a major influence in submarket performance. Annual rental rate growth among garden product was endemic, with Suburban Maryland flat and Northern Virginia sub-markets slightly negative. Price sensitive conditions continue to pressure the region's high-rise product, which experienced negative annual rent growth in all but one submarket.

Northern Virginia gardens fought to maintain their rental rate position over the 12 months ending December 2002 – nearly breaking even, at negative 0.4%. All Fairfax County submarkets continue to maintain deep concessions. These concessions decreased effective annual rent growth since 1993 in Northern Virginia to 3.8% – closer to historic averages. Select close-in submarkets, which were the first to succumb to price sensitivity last year, have displayed initial signs of rebounding. Northern Virginia Class A gardens exhibited the following rent decline pattern during 2002:

Close-in submarkets:	1.0%
Farther-out submarkets:	-1.9%

Average Base Rents 12/99 v. 12/02

Class A Garden Apartments
Northern Virginia



	Annual Increase		
	Past 3 Years	Past 1 Year	Past Qtr
Tysons	2.7%	12.9%	-2.5%
Alexandria	4.5%	-4.0%	-4.0%
Reston/Hern.	0.9%	4.3%	-1.6%
Fair Oaks	0.8%	0.9%	-3.0%
E. Loudoun	4.4%	-1.9%	-5.2%
Centreville	0.2%	-4.5%	-8.6%

Source: Delta Associates; January 2003

THE WALL STREET JOURNAL.

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July 10, 2002

Apartment Vacancy Rate Climbed In 2nd Period, but Demand Rose

By Ray A. Smith

The number of available apartments nationwide continued to grow in the second quarter, but demand increased for the first time in a year, a sign that the apartment market may be stabilizing.

The apartment vacancy rate for the top 50 metropolitan areas in the U.S. rose to 5.8% in the second quarter from 5.6% in the first quarter and 3.4% in the year-earlier quarter, according to soon-to-be-released statistics from Reis Inc., a New York real-estate research firm.

But after suffering three consecutive quarters of negative net absorption—or more tenants leaving apartments than renting them—the trend turned positive, with net absorption at 6,367 units, in the second quarter, Reis said. Rents rose 0.4% to an average of $895 a month in the second quarter, after falling 0.4% in the first quarter and rising 1.1% in the year-earlier quarter.

"From a demand perspective, the second-quarter results indicate some stabilization," said Lloyd Lynford, president of Reis. "The sector isn't out of the woods, but owners of, and lenders to, multifamily should breathe somewhat a sigh of relief."

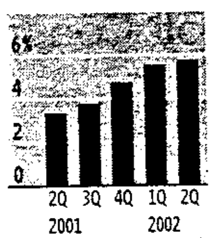
Combining to pummel the apartment sector are: the booming market in single-family-home sales that has been spurred by low interest rates; an anemic demand for apartments due to the struggling economy and job losses; and overbuilding in some regions. Mr. Lynford said the second-quarter's positive absorption doesn't qualify as a complete recovery for the beleaguered sector—he called the latest 6,367-unit absorption figure "paltry." In 2000, absorption ranged between 45,000 and 50,000 units a quarter, he said.

Reis is maintaining its forecast for a 6.4% vacancy rate at the end of the year, up from 4.8% in 2001.

Apartment landlords say they have seen small signs of stabilization in certain markets such as northern California, but nothing widespread enough to claim the worst is over: "When you start seeing less concessions, that's an indication of stabilization," said Thomas W. Toomey, chief executive of **United Dominion Realty Trust** Inc., Richmond, Va., which has decreased concessions in northern California, and Orlando and Tampa, Fla.

More for Lease

Apartment vacancy rate for top 50 U.S. metro areas



Source: Reis

The vacancy rate for **BRE Properties** Inc.'s apartments in the San Francisco Bay area has fallen to about 8.5% from as high as 14% in the fourth quarter, said Frank McDowell, the San Francisco-based company's chief executive. Other areas don't appear to have bottomed out just yet. While **AvalonBay Communities** Inc. has seen an increase in occupancies in the West Coast, the Midwest and the Washington, D.C., area, occupancies continued to fall in the Alexandria, Va., company's tristate New York metropolitan area portfolio.

The Washington Metro Area Office Market Outlook

The outlook for the Washington metro area office market is mixed:

- **Short run weakness to continue for 12 months.** But do not expect to find bargain prices in the meantime.
- **Intermediate and long run prognosis is excellent.** High barriers to entry, together with stronger than average demand, will keep the market tight, with rising rents and sale prices by 2005/6.

In the near-term, vacancy likely will rise a little more and rents will soften a bit further, before stabilizing in late 2003.

By mid-2003, increased demand from GSA, government contractors, and private-sector tenants, fueled by a stronger economic recovery, should improve fundamentals and give rise to a gradually expanding market. **We project the vacancy rate, including sublet space, to decline to the low-11% range two years from now,** compared to 11.6% today.

Building Value / *By Ray A. Smith*

Office-Building Demand Rises Despite Vacancies

P1

OFFICE-BUILDING SALES are defying gravity.

Despite ever-increasing vacancies and historically tough leasing conditions around the country, demand to buy office buildings is actually rising, a study found.

Transaction volume rose 46% in the second quarter to $7.9 billion, from $5.4 billion in the first quarter, due to both higher prices and more buildings being sold, according to a recent report by Real Capital Analytics Inc., a New York-based research firm. Volume in May and June totaled $3.45 billion and $3.30 billion, respectively, the first two consecutive months of volume above $3 billion since December 2000 and January 2001.

And despite concerns over landlords' ability to get terrorism insurance, trophy properties were in demand. Between May and June, 15 assets valued at $100 million or more sold, the most during any 60-day period since 17 such deals were recorded

P2

at the end of 2000, the report said.

The snatching up of office buildings comes at a time when the office market is flooded with vacancies. The national vacancy rate for office space rose to 15.2% in the second quarter, from 14.7% in the first quarter, the highest rate since the end of 1994 when the real-estate industry was still emerging from the last recession, says New York real-estate research firm Reis Inc. And the market is bracing for a flood of more available office space from a number of troubled companies, such as Arthur Andersen LLP and WorldCom Inc.

"Falling rents usually lead to lower prices and decreased investment activity," says Robert M. White Jr., president of Real Capital Analytics, "but the opposite has been true recently."

One reason for the surge in activity is pent-up demand. "There was some hangover of deals that didn't get done after Sept. 11," says Bill Shanahan, executive

P3

director of the financial services group at Cushman & Wakefield Inc., New York. Moreover, the decline in interest rates has made financing acquisitions less costly.

Analysts also point to a general rotation to all things real estate in light of recent corporate scandals that have roiled the stock market.

Yet the $7.9 billion in transaction volume is nowhere near the $13.9 billion recorded in 2000's fourth quarter, when the bull market was on its last legs and sale prices averaged $174 a square foot. In the second quarter, prices were at $168 a square foot.

What's more, the robust activity isn't happening everywhere. "Activity is strong, but it is limited to certain markets like New York and Washington, D.C. and southern California," says John Lutzius, an analyst at Green Street Advisors Inc., Newport Beach, Calif. Outside of those markets, he says, investment activity is

P4

limited to buildings where leases aren't expected to expire for two to three years. Reis estimates that 73% of all U.S. office properties have average in-place rents below the rate they could command on a new lease, because of a run-up in rents that occurred between 1996 and 2000—after many current leases were signed. Investors may be buying office buildings now in anticipation of increasing rents in a few years as existing leases expire.

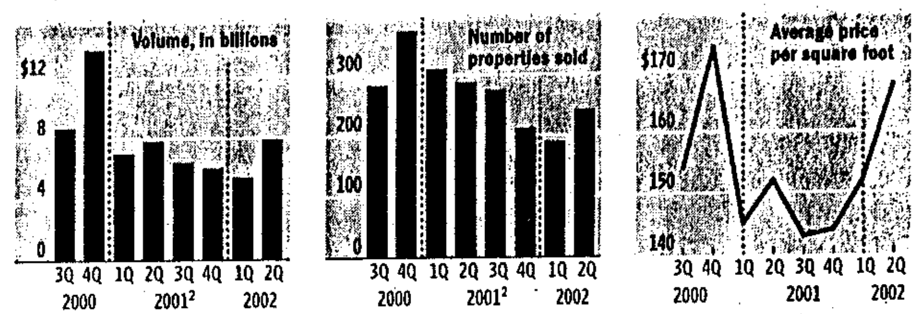
Low-cost financing has played a direct role in propping up prices, which has been good for sellers but tough for buyers. "It's helpful to us in terms of us being able to execute our strategy of selling assets in noncore markets" such as Dallas, Houston, Denver, San Antonio and Phoenix, says Mitchell E. Hersh, chief executive officer of Mack-Cali Realty Corp., a Cranford, N.J., owner of office buildings, primarily in the Northeast. But when it comes to buying opportunities, "it's been a much more challenging environment in which to find product at reasonable pricing levels in better markets throughout the country," he says.

Private firms led buyers, responsible for about 46% of the transactions conducted in the first half of the year, Real Capital Analytics says. They were followed by foreign investors with 20% of the deals, institutional investors with 18% and public real-estate companies with 17%.

Do you have a real-estate investing question? E-mail us at BuildingValue@wsj.com. We'll answer selected questions in future columns.

Surprising Strength

U.S. office building transactions of $5 million or greater.[1] Volume of asset sales fell after September 2001, but picked up dramatically in the second quarter of 2002, despite a deteriorating leasing environment.



[1] Investment sales only, excludes sales of buildings bought with intent to occupy
[2] Figures for 2Q exclude purchase of World Trade Center in April.

Source: Real Capital Analytics

Attachment 21

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Construction of patent office ahead of schedule

A new headquarters complex for the U.S. Patent and Trademark Office (PTO) is under construction and ahead of schedule on an eight-acre site near the Potomac River in Alexandria.

The 2.3 million-square-foot complex is the Washington area's biggest construction project and the largest lease ever executed by the General Services Administration.

Beginning next year, more than 7,000 PTO employees will move to the new headquarters from 18 buildings in Crystal City. The project is expected to be fully occupied by 2005.

GSA's National Capital Region (NCR) "is pleased to provide PTO with this impressive headquarters complex," says Donald C. Williams, regional administrator for NCR. "The close proximity of the buildings in an attractive setting will enhance the PTO's ability to deliver its mission, as well as contribute to Alexandria's innovative redevelopment of the surrounding area."

A, B, C, D, E AND U

The PTO complex, designed by architectural firm Skidmore, Owings & Merrill, consists of five 10-story buildings in a U-shaped configuration, flanked by two parking garages with 3,800 total parking spaces.

At the base of the U, where Dulany Street meets Eisenhower Avenue, a dramatic 10-story atrium will connect the two wings of the signature building, Building A.

In the middle of the U, Dulany Gardens will provide landscaped pedestrian areas and connections with the PTO buildings, parking garages and other mixed-use buildings of the Carlyle complex.

Buildings B, C, D and E will be on either side of Dulany Gardens. All five buildings will be connected by underground walkways. PTO will allow pedestrian access through the signature atrium.

The PTO headquarters is being developed by LCOR as a build-to-suit project.

In 1989, GSA and PTO began exploring ways to consolidate and update PTO's offices. Congress authorized GSA in 1995 to lease about 2 million square feet in Northern Virginia for 20 years.

NCR then issued a solicitation for offers. LCOR's proposal was rated the highest technically and lowest priced, providing the best overall value. The lease with LCOR was executed by NCR in June 2000, at a highly competitive rent fixed for the 20-year life of the lease.

From the Civil War until recently, this site, known as the "Carlyle site," was owned by railroad companies and used as a switching yard. Carlyle Development, a subsidiary of CSX railroad, began marketing the site in the 1980s while adding infrastructure worth more than $120 million.

The city of Alexandria planned the site for a high-density, mixed-use center to include office, retail and residential development, all within walking distance of Metro.

The first development there was the Carlyle Towers condominiums. A federal courthouse was built on adjacent land donated by Carlyle Development.

Other properties in the Carlyle complex include the new Time Life headquarters and its mirror building, now under development and already leased to a group of patent attorneys. Apartments and townhouses also are part of the Carlyle development.

LCOR paid $92 million for the main portion of the Carlyle site. To meet the city's master-plan requirements, LCOR will construct two retail buildings adjacent to the PTO buildings, as well as a row of townhouse offices on the outward-facing facades of the two PTO parking garages.

KEEPING THE ALEXANDRIA AESTHETIC

The PTO project is ahead of schedule as a result of the recent dry weather and the leadership of LCOR's general contractor, Turner Construction.

Up to 500 truckloads of soil per day were removed from the site between December of last year and late July of this year in one of the most complex excavation projects ever undertaken. Weston, the excavation contractor, used high-tech methods — including bar coding and global positioning systems — to catalog, code, and record each truck's load and destination. Weston removed and recycled some 35,000 tires, which had been buried in a portion of the site previously used as a landfill.

Buildings C and E are well under way and expected to top out this month. The 500 workers now on site each day will increase to 1,300 per day over the next few months as more crews are added to work on tenant fit-out.

Buildings A and B, because they are situated on the former landfill area, will be built on concrete pilings driven 30 to 40 feet into the earth.

The exteriors of the buildings will be predominantly red brick, in keeping with the Alexandria aesthetic, with precast inserts and punched windows.

The complex will include not only state-of-the-art workplaces for PTO examiners but also a Patent and Trademark museum, a public search facility (library), child care center, fitness facility and cafeteria with several satellite cafes.

"NCR has signed a lease that is projected to save the federal government more than $200 million in rental payments over the 20 years of PTO occupancy," says Anthony E. Costa, NCR assistant regional administrator for the Public Buildings Service. "We are excited at the prospect of providing the U.S. Patent and Trademark Office with a facility that will meet all of their needs for the foreseeable future."

■ THIS COLUMN WAS PREPARED BY THE CONGRESSIONAL AND PUBLIC AFFAIRS OFFICE, GSA, NATIONAL CAPITAL REGION, PUBLIC BUILDINGS SERVICE. PHONE: 202/708-5891

BUSINESS JOURNAL
SEPTEMBER 13-19, 2002

Attachment 22

THE WALL STREET JOURNAL.

AUGUST 26, 2002

Hotel Industry's Recovery Is Pushed Back

By LISA BANNON

Steep stock-market declines combined with continuing travel jitters are postponing the recovery of the hotel industry until 2004, according to an analysis.

Though many analysts had expected the hotel business to bounce back by next year, the industry is being hit harder than expected, with occupancy levels this year among the lowest in 75 years, according to a report by PricewaterhouseCoopers to be released to clients today.

The New York consulting group lowered its estimates for the second time since January after stock-market declines this summer prompted an additional loss in household wealth. The revision also reflects economists' lowered forecasts of economic growth this year. The inconvenience of air travel and heightened fears of U.S. military action against Iraq also were cited. "Until the confluence of these recent forces on the economy and the lodging sector, this current outlook for lodging had not been warranted," said Bjorn Hanson, chairman of PricewaterhouseCoopers's lodging practice.

Business travel hasn't recovered as expected, the consulting firm found, so the industry has been more dependent on leisure travelers. Leisure customers are reserving trips with shorter lead times, forcing hotels to continue discounting room rates. As a result, consumers continue to postpone reservations, knowing that rates are low. "At some point, discounting ceases to have an incremental effect," Mr. Hanson said. Consumers also are postponing trips, worried about being away from home if the U.S. takes action against Iraq, PricewaterhouseCoopers has found.

Revenue per available room, a standard measure of hotel-room prices and occupancies, is now expected to decline 2.3% this year, down from a previous estimate of 0.7%, the consulting group said. For 2003, revenue per available room is expected to rise only 3.5%, instead of a previously forecast 5%. Not until 2004 will such revenue increase at a more robust 5.6% pace.

It will take until the fourth quarter of 2004 for revenue per available room, adjusted for inflation, to reach 1996 levels, the firm said. Without inflation adjustments, revenue per available room in the fourth quarter of 2004 should reach fourth-quarter 2000 levels.

Mr. Hanson said the terrorist attacks last September caused more lingering effects on the hotel industry than analysts had realized. For example, this year's occupancy levels of 59.5% are the lowest, except for six years during other recessions, in the past 75 years. Consecutive decreases in room rates last year and this year are the first since the Great Depression, when rates declined from 1930 to 1933.

PricewaterhouseCoopers estimates average daily hotel-room prices will decline 1.4% this year to $83.56, compared with previous estimates of a 0.3% decrease. Occupancy is expected to fall 0.5% to 59.5%, instead of 0.3%, as previously pro-

Please Turn to Page A5, Column 1

Hotel Recovery Is Pushed Back

Continued From Page A3

jected. Meanwhile, demand this year will rise 0.9%, tempered by a 1.8% increase in supply.

Industry profits are expected to reach $16.7 billion, up slightly from $16.2 billion last year but far off their peak of $23 billion in 2000. Profit increases this year are due to cost cutting.

In 2003, occupancy will increase by 0.6%. Room rates should increase by 2.5%. "It might sound good in a way, but it follows the discounting of room rates" since Sept. 11, Mr. Hanson said. Demand is expected to rise 2.3%, while supply growth will slow down to 1%.

By 2004, occupancy should rise 1.6% to 61.6%, while room rates are expected to increase 2.9% to $88.07. Demand should rise 3.6% with supply up 1.1%.

The Hotel Market

2002 Was Flat; Since 9/11/01 The Industry Has Looked Forward to 2003

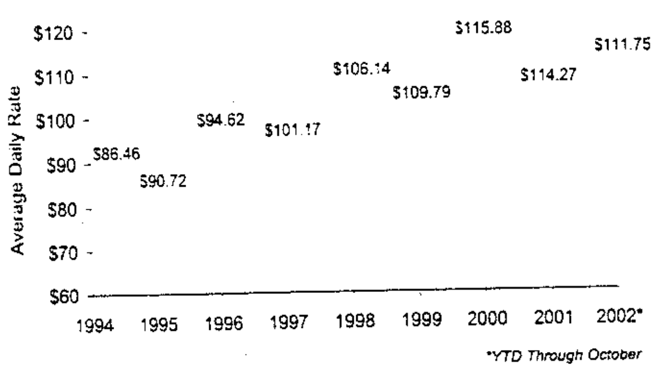
2002 was a flat year, as we saw businesses continue to rein in travel to help generate profits. And visitors have stayed away due to a soft economy. Snipers and terror threats did not help either. But 2002 was a good year compared to the disastrous results of 2001 – which saw the industry lose an estimated $1.2 billion in the 4th quarter following the terrorist attacks and the closing of National Airport.

Here is how the year shaped up:

- **Occupancy** rebounded a bit from 2001 – but at the expense of room rates. Occupancy remains off the cycle high of 73.3% in 2000 – at just 68.4% in 2002.
- **ADRs** (Average Daily Room Rate) edged down further – to $111.75 in 2002. This is 3.6% off year 2000 results – the peak year of this cycle.

Average Daily Room Rates

Washington Metro Area
1994 - 2002

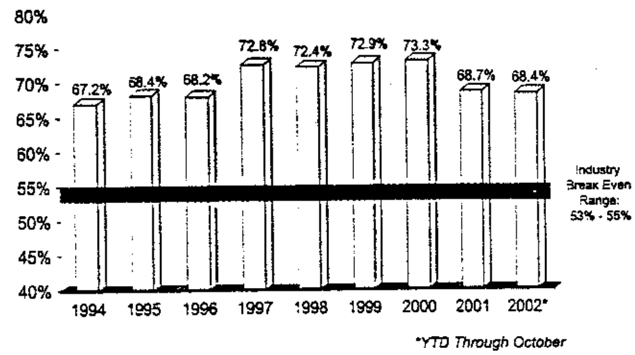


Source: Smith Travel Research, Delta Associates; January 2003

Good news concerning occupancy rates: the break-even range for hotels has declined to the 53%-55% range over the past decade, due to operating efficiencies attributable primarily to technology. This compares to the old industry standard of 60%-65%. At current operating levels the industry has a cushion which we hope and believe it will not need.

Hotel Occupancy Rates

Washington Metro Area
1994 - 2002



Source: Smith Travel Research, January 2003