

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 15, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER

SUBJECT: BUDGET MEMO #2: CALENDAR YEAR 2004 REAL PROPERTY ASSESSMENT REPORT

ISSUE: The Calendar Year 2004 Real Property Assessment Report for the City of Alexandria.

RECOMMENDATION: That City Council receive this report that shows the results of the annual assessment of real property¹ made pursuant to Section 4.08 of the City Charter.

DISCUSSION: Included in this report are the annual changes in real property assessments from CY 2003 to CY 2004 and historical statistics related to assessment appreciation, new construction and residential sales activities. 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 2003 to CY 2004 are summarized below.

OVERALL CHANGE IN CY 2004 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 property) increased 18.4%, or \$3.53 billion, from \$19.23 billion in 2003 to \$22.76 billion² in 2004 (Attachment 1, page 3, line 68, column 4).

The 18.4% increase is the second year in a row of near 20% increases to the real property tax base. Prior to CY 2003, this type of increase had not been seen since 1990 when the tax base increased almost 20%. For CY 2003, the City's real property tax base increased 19.9%. The increase in CY 2002 was 11.2%, in CY 2001 10.06%, and in CY 2000 9.09%.

¹ Real Property is defined as the interests, benefits, and rights inherent in the ownership of real estate. The Appraisal Foundation, Uniform Standard of Professional Appraisal Practice (2003 Ed.), p.4.

² The 2004 valuation includes the 2003 value of state-assessed public service corporation property. This value is certified by the State Corporation Commission and Virginia Department of Taxation in September 2003.

Table 1 - 10 Year History of Percentage Change in Real Property Tax Base

CY	Percent Change	CY	Percent Change
1995	0.0%	2000	9.1%
1996	0.8%	2001	10.1%
1997	2.2%	2002	11.2%
1998	4.0%	2003	19.9%
1999	5.0%	2004	18.4%

Points of Interest Relating to CY 2004 Assessment Changes

- ◆ Locally assessed real property assessments (which consisted of new construction and appreciation of existing property) increased 18.6%, or \$3.44 billion, from \$18.5 billion in 2003 to \$22.0 billion in 2004 (Attachment 1, page 2, line 44, column 4).
- ◆ Residential property increased 18.2%, or \$2.03 billion, from \$11.2 billion in 2003 to \$13.2 billion in 2004. Commercial property increased 19.2%, from \$7.4 billion in 2003 to \$8.8 billion in 2004.
- ◆ State-assessed public service corporation property assessments increased 12.7%, or \$86.8 million, from \$681.6 million in 2003 to \$768.4 million in 2004 (Attachment 1, page 3, line 66, column 4). The 2003 assessment is the value effective January 1, 2002, which is received in September 2002; the 2004 assessment is the value effective January 1, 2003, which is received in September 2003. 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 value in this manner allows for accuracy in the budget and collection process.
- ◆ Tax exempt real property increased from \$2.6 billion in 2003 to \$3.0 billion in 2004, for a total of \$473.2 million, or 18.5% (Attachment 1, page 4, line 87, column 4).
- ◆ New construction added a total of \$580.6 million for CY 2004, or 16.4% of the total increase of \$3.53 billion; \$144.6 million was in residential new construction and \$436.0 million in new commercial construction. In CY 2003, \$505.8 million was added to the City's real property tax base as a result of new construction. This new construction has added \$1.09 billion to the tax base in the last two years, or 4.8% of the current total tax base.

- ◆ Over the past five years, new construction (apart from its appreciation once completed) has added almost \$3 billion to the tax base, or 13.2% of the current total tax base.
- ◆ Driving the increase from new construction is the U.S. Patent and Trademark Office at Carlyle (USPTO), which increased in value from \$275.9 million in January 2003 to \$639.4 million in 2004, an increase of \$373 million. This increase represents 64.2% of all new construction in the City for 2004. Further increases for CY 2005 will occur due to the value to be added during CY 2004 for the final construction phases.
- ◆ New residential condominiums accounted for a portion of the new construction for CY 2004. These included Main Street Condominium at Cameron Station and Pointe at Park Center (converted to condominiums from the Wyndham Apartments). Increases to sites such as Potomac Greens, Mill Race and the remaining land at Cameron Station (based on development potential) also added significant value to the new construction.
- ◆ Of the \$3.53 billion increase in the tax base, \$2.95 billion, or 15.4%, is the result of value appreciation (Attachment 1, page 3, line 68, column 9). This includes \$1.89 billion, or 16.9%, in residential value appreciation, and \$975.8 million, or 13.3%, in commercial appreciation. This also includes \$86.8 million, or 12.7% appreciation, in non-locally assessed properties. In CY 2003, \$2.71 billion was added as a result of value appreciation.
- ◆ Real property classified as residential property for assessment purposes for CY 2004 represents 58.1% of the total real property tax base; property classified as commercial, vacant land and public service corporations represents 41.9% of the tax base. Distribution of the City's real property tax base between classifications³ of real property is shown in Table 2 below.

³ 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 all vacant land, whether zoned residential, commercial or industrial. Classifications assigned to real property for assessment purposes by concentrate on how a property is viewed from the perspective of informed buyers and sellers.

**Table 2 - Distribution of CY 2004 Real Property Assessments by
Property Classification**

Property Classification	Percentage	CY 2004 Assessments
Residential Single Family	42.8%	\$9,731,907,300
Residential Condominium	15.3%	\$3,492,635,500
Commercial Multi-Family Rental	11.6%	\$2,633,664,400
Commercial Office, Retail & Service	24.2%	\$5,510,877,300
Vacant Land	2.7%	\$ 619,741,000
Public Service Corporation	3.4%	\$ 768,359,800
Total	100.0%	\$22,757,185,300

RESIDENTIAL PROPERTY

Points of Interest Relating to CY 2004 Residential Assessment Changes

- ◆ **The average assessed value for an existing residential property** (consisting of single family homes,⁴ residential condominiums,⁵ and cooperatives⁶) **increased 16.9%**, from **\$308,876 in 2003 to \$361,040 in 2004** (Attachment 1, page 1 line 16, column 7).
- ◆ **The average assessed value for a residential single family home** as of January 1, 2004, increased 16.4%, from \$407,802 to \$474,681.
- ◆ **The average assessed value for a residential condominium** as of January 1, 2004, increased 23.4%, from \$175,503 to \$216,571.
- ◆ New residential construction added \$144.6 million, or 7.1% of the \$2.03 billion total increase in the value of residential property. Appreciation accounted for \$1.89 billion, or 92.9%, of the \$2.03 billion increase.

⁴ 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).

⁵ Residential condominiums include garden units, high-rise units, and town home units located in condominium communities which have legally declared the condominium form of ownership.

⁶ 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 unit, and is obligated to pay a rental rate that represents the proportionate share of operating expenses and debt service on the underlying mortgage.

- ◆ Of the total 36,611 residential properties in the City (excluding cooperatives), **14,308, or 39%, are assessed above \$361,040**, the average assessed value of residential property. The median assessment and the number of parcels by range of assessed value are shown in Table 3 below.

Table 3 - CY 2004 Median Residential Assessments

Assessed Range	Number of Units	Total Assessments	Median Assessment
Less than \$100,000	1,229	\$102,375,500	\$88,200
\$100,000 - \$249,999	12,300	\$2,157,328,700	\$176,000
\$250,000 - \$499,999	16,082	\$5,746,981,100	\$351,100
\$500,000 - \$749,999	5,082	\$3,052,425,900	\$586,700
\$750,000 - \$999,999	1,144	\$971,892,800	\$835,000
\$1,000,000 and over	774	\$1,180,461,500	\$1,242,500

- ◆ **2004 assessed value ranges for single family homes and condominiums** within each small area plan are included as Attachment 2.
- ◆ The **assessment/sales ratio for residential property** (including single family homes and condominium units) for CY 2003 was 82.2%, and for this same period last year the assessment sales ratio was 76.5%. This is a measure of CY 2003 assessments (as of January 1, 2003) against subsequent CY 2003 sales. As a result, with an appreciating market, the AV/sales ratio will be chasing the market. Only arm's length transactions are used for assessment /sales ratio study purposes. 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 1998-2003**

Study Year	Units Sold	Total Sale Price	AV/Sales Ratio	Average AV Change in Yr. after Study
2003	3,516	\$1,144,718,513	82.2%	not available
2002	3,401	934,579,588	76.5%	24.5%
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%

- ◆ Residential Real Property Sales Statistics for 2001, 2002 and 2003, which reflect the dollar volume, number of units sold and average sales price, are included as Attachment 5. These statistics are calculated by the Department of Real Estate Assessments.

COMMERCIAL PROPERTY

Points of Interest Relating to CY 2004 Commercial Assessment Changes

- ◆ **The assessed value of existing locally-assessed commercial property existing on January 1, 2003, increased 13.3%, or \$975.8 million.** This appreciation accounted for 69.1% of the total \$1.41 billion increase in commercial property value (Attachment 1, page 2, line 42, column 7).
- ◆ **New commercial construction added \$436.0 million,** or 30.9% of the total commercial increase.

Office Building Overview

According to Trendlines 2004 (a collaborative publication of Transwestern Commercial Services and Alexandria-based Delta Associates, and authorized by Greg Leisch, CRE), “the demand for office space is under pressure, the cost of capital is at an historic low and likely to remain as such for a while, and the War on Terrorism is here to stay for generations, and Washington is the command center for that war.”

Economic indicators for the commercial office market remained mixed, but were showing signs of improvement. Delta Associates reported that the “Washington metro area office market likely will experience gradual improvement throughout the 1st half of 2004, before gaining momentum during the 2nd half of the year and into 2005.”

In general, we have seen an improved absorption of vacant office space in the City. We continue to see a large demand for smaller office properties well suited to the owner-occupant market, such as trade associations. Grubb and Ellis calculated the City’s office vacancy rate for the first quarter of 2003 at 9.7% and this remained level with the fourth quarter reporting at 10.0%. Overall, existing office assessments in the City increased 8.5% from CY 2003 (Attachment 1, p.2, line 28, column 9).

There were several significant sales of large commercial office properties in the City in CY 2003 that demonstrate a continuing demand for office buildings.

- ▶ The 14 story office building at 4401 Ford Avenue in Park Center sold in December 2003 after a major renovation. The sales price of \$42.2 million equates to \$178 per square foot of building area.

- ▶ Madison Place LLC (Carr Capital) bought 500 Montgomery Street for \$20.1 million or \$175 per square foot of building area in July 2003. The building was 40% vacant at the time of the sale.

The U.S. Patent and Trademark Office began occupying space in late 2003. The total assessed value for January 1, 2004, is \$639 million, which is an increase of \$372.9 million from the original January 1, 2003, assessment. The PTO is scheduled for completion in early to mid 2005. Also in Carlyle, a 140,000 square foot building is under construction at 2051 Jamieson Avenue, directly across the street from the USPTO campus.

Multi-family Overview

In 2003, owners, operators and developers of apartment projects in the City reported some concessions but a stabilization of vacancy rates. These conditions were most prevalent in the higher income tenant properties. However, as the year progressed, these properties were reaching typical absorption levels. There had been concern in the Northern Virginia market about the number of on-coming units in the pipeline which appears not to have grown significantly over the past twelve month period. The area experienced some "condo switches" for the first time in several years. The City experienced this at Wyndham Apartments (King Street at 395), which were converted to condominiums in late 2003 (The Pointe at Park Center). The Pointe at Park Center is reported to be 80% sold out as of the date of this report. The improving economic environment helped to cause some rental increases in certain multi-family properties in the City.

Published sources such as Real Estate Research Corporation reported the lowest capitalization rates for multi-family properties seen in years. The capitalization rates were reported to be below 7% for certain multi-family properties. Lower capitalization rates increase the value of commercial property.

As with the commercial office market, in spite of some higher vacancies and rent concessions, the purchase demand for apartment properties, both large and small, remains strong. There have been two significant transfers of apartment properties in the City which are summarized below:

- ▶ The Jefferson Mill Apartments (just west of the Public Safety Center) is a recently completed 315 unit property. The project sold in June 2003 for \$61.2 million, which equates to \$194,300 per unit.
- ▶ The 226 unit Alexan Apartments (on Eisenhower Avenue, west of Clermont) sold for \$36.2 million, or more than \$165,000 per unit, in January 2003.

Existing multi-family properties appreciated 15.4% for CY 2004 (Attachment 1, p. 2, line 24, column 9). There was not any significant new construction in this area in CY 2003.

Another trend that became evident during 2003 is the interest in mixed-use development with retail space on the first floor and residential units above. The Hennage Property on North Henry Street, the Hopkins Furniture Warehouse on Cameron Street, the WRIT property at 800 South Washington Street, and the current development of Fresh Fields on Duke Street are evidence of this trend.

Hotel Overview

Hotels remained in the past year one of the weakest markets. According to Emerging Trends, published by PricewaterhouseCoopers, "hotels really are at bottom." Existing hotels continued to battle lower occupancy rates, and lack of increase in the average daily room rates. Owners were learning to make money by spending less and cutting corners on services. The one area of continued strength in the hotel market was the long term stay properties which had government contracts and very high occupancy levels. Most owners were holding on to these properties, but there appears to be a lack of optimism in the near future for growth in this category. Existing hotels appreciated less than 3% for CY 2004 (Attachment 1, p.2, line 32, column 9).

The Smith Data Report indicates the average daily room rates for hotels in the City were \$91.57 in December 2002 and \$93.09 in December 2003, remaining relatively flat. However, over the past fall occupancy rates have improved and looking forward hotel managers see an improving situation for the balance of 2004.

Shopping Center Overview

Shopping Centers in the City increased 11.3% above the 2003 assessed values (Attachment 1, p.2, line 30, column 9). The neighborhood shopping centers continued to show moderate increases in rental rates and low vacancy rates. Landmark Mall declined again this year due to a continued high vacancy rate. Power Centers continue to be the highlight of the retail market. The Potomac Yard Retail Center increased due to the continued success of retail sales generating overage rents to the landlord contributing to the overall value of the center to a potential purchaser.

Warehouse Overview

Warehouse properties are in low supply in the City and the demand continues for many users to occupy a limited amount of this type of commercial space. This market continues to be characterized by low vacancy (reported 3.5% by Grubb and Ellis 4th quarter) and increasing rental rates. Assessments continued to increase for existing warehouse properties from 12.5% in CY 2003 to 14.2% in CY 2004 (Attachment 1, p.2, line 31, column 9). Close in warehouse properties which sell are often sold for re-development as seen with the Hennage and Hopkins properties. Also, the rental rates are such that purchasers or current owners can use the income stream to carry the property and allow an interim use until such time that redevelopment seems feasible.

General Commercial Overview

This property class encompasses a wide variety of property types and consists of 704 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. General commercial property sales volume has increased dramatically over the past few years. Owner occupants and mall investors with the availability of cash and low financing rates have contributed to the increase in the sales prices for this type of property. The downtown area has sales at \$200 to \$300 per square foot depending on the condition of the property at the time of the sale. These prices were unprecedented a few years ago and have become the norm. Mt. Vernon Avenue is similar to the downtown area in demand and has prices from \$150 to \$200 per square foot. The 2004 assessed values for this type of property increased 18.6% (Attachment 1, p. 2, line 27, column 9). Many properties increased considerably more than the average based on field inspections performed by staff appraisers reflecting the current conditions and uses of the properties.

ASSESSMENT PROCESS

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. In establishing annual real property assessments, DREA uses mass appraisal methods to estimate the fair market value of real property. Mass appraisals replicate the market for one or more land uses across a wide geographic area, while single-property appraisals represent the market for one kind of land use in a limited area. Mass appraisal builds on the same principles as single-property appraisal. The CY 2004 real property assessments are the result of measuring market indicators from arms'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 2004, 39,854 local taxable properties were assessed. Assessment notices were mailed to the owners of those properties on February 13, 2004. Real estate assessment information was available on the city's web site on February 12, which included the forms needed for the review and appeal process, the 2004 assessments for all locally assessed properties, general assessment information, and our improved data search capability enabling residents to view current sales and sales used to determine their assessment.

The 2004 assessments notices included information about requesting a review of assessment with DREA by April 1 and information about filing an appeal of the assessment with the Board of Equalization and Assessment Review by July 1. Typically less than 2% of owners or 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 1.7% (664) and 0.68% (267), respectively, or the 39,428 locally assessed properties in the City for CY 2003. To date in CY 2004, 111 property owners have requested reviews. This compares to 81 requests for reviews at this time last year which is a 37% increase in the number of reviews to date. This number has increased the last two years with this year approaching numbers we experienced in the early 1990s. This can be attributed to the impact of multiple years of double-digit assessment increases.

STAFF: Department of Real Estate Assessments

Cindy Smith-Page, Director
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Karen Callahan, Real Estate Appraiser I
Jesus Baptista, Real Estate Appraiser I
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Robert Linnenberg, Assessment Records Specialist
Marilyn Brugeuras, Account Clerk III
Jean Monroe, Account Clerk III
Jamie Carden-Levanthal, Records Specialist Assistant
Greg Anderson, Programmer, ITS

ATTACHMENTS:

1. CY 2004 Real Property Assessment Summary Including Appreciation and New Growth
2. Map Showing 2003 to 2004 Residential Property Appreciation by Geographic Area
3. CY 2004 Median Assessments for Single Family Homes and Residential Condominiums (by value ranges and geographical areas)
4. CY 2004 Average Real Property Assessments for Single Family Homes and Residential Condominiums by Geographical Area
5. Residential Sales Statistics (January 2001 through December 2003) Prepared by the Department of Real Estate Assessments
6. "Rising Rates to Slow Some Buyers, But Forecasters Predict a Strong '04," The Washington Post, January 3, 2004

City of Alexandria, Virginia
CY 2004 REAL PROPERTY ASSESSMENT SUMMARY INCLUDING APPRECIATION AND GROWTH
Comparison of 2003 Equalized Assessments (December 31, 2003) to January 1, 2004

Real Property Classification & (Parcel Count)	2003 Equalized Assessments	2004 Assessments	(\$ Amount of Change	% Change	New Growth (\$)	% New Growth	(\$ Amount of Appreciation	% Appreciation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Locally Assessed Taxable Real Property								
Residential Real Property								
Residential Singel Family Detached (9,135)	\$4,332,949,600	\$5,035,314,900	\$702,365,300	16.21%	\$29,276,600	0.68%	\$673,088,700	15.53%
Semi-Detached (5,292)	1,860,517,600	2,185,514,700	324,997,100	17.47%	14,233,100	0.77%	310,764,000	16.70%
Row House (6,075)	2,168,163,300	2,511,077,700	342,914,400	15.82%	10,132,900	0.47%	332,781,500	15.35%
Total Single Family (20,502)	\$8,361,630,500	\$9,731,907,300	\$1,370,276,800	16.39%	\$53,642,600	0.64%	\$1,316,634,200	15.75%
Residential Condominium Garden (8,021)	\$1,365,663,100	\$1,749,392,300	\$383,729,200	28.10%	\$91,001,400	6.66%	\$292,727,800	21.43%
High-rise (7,171)	1,172,520,500	1,403,170,200	230,649,700	19.67%	0	0.00%	230,649,700	19.67%
Residential Cooperative (18)	10,994,600	12,863,700	1,869,100	17.00%	0	0.00%	1,869,100	17.00%
Townhouse (917)	281,041,000	327,209,300	46,168,300	16.43%	0	0.00%	46,168,300	16.43%
Total Residential Condominium (16,127)	\$2,830,219,200	\$3,492,635,500	\$662,416,300	23.41%	\$91,001,400	3.22%	\$571,414,900	20.19%
Total Residential Real Property (36,629)	\$11,191,849,700	\$13,224,542,800	\$2,032,693,100	18.16%	\$144,644,000	1.29%	\$1,888,049,100	16.87%

Attachment 1
7.1

City of Alexandria, Virginia
CY 2004 REAL PROPERTY ASSESSMENT SUMMARY INCLUDING APPRECIATION AND GROWTH
Comparison of 2003 Equalized Assessments (December 31, 2003) to January 1, 2004

Real Property Classification & (Parcel Count)	2003 Equalized Assessments	2004 Assessments	(\$ Amount of Change	% Change	New Growth (\$)	% New Growth	(\$) Amount of Appreciation	% Appreciation
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Locally Assessed Taxable Real Property								
Commercial Real Property								
Commercial Multi-Family Rental								
Garden (219)	\$1,062,129,800	\$1,241,319,600	\$179,189,800	16.87%	\$0	0.00%	\$179,189,800	16.87%
Mid-rise (18)	450,015,700	543,185,200	93,169,500	20.70%	13,656,000	3.03%	79,513,500	17.67%
High-rise (28)	752,775,400	849,159,600	96,384,200	12.80%	6,718,900	0.89%	89,665,300	11.91%
Total Multi-Family Rental (265)	\$2,264,920,900	\$2,633,664,400	\$368,743,500	16.28%	\$20,374,900	0.90%	\$348,368,600	15.38%
Commercial Office, Retail, and Service								
General Commercial (704)	\$751,466,800	\$895,820,500	\$144,353,700	19.21%	\$4,910,700	0.65%	\$139,443,000	18.56%
Office (564)	2,490,850,000	3,088,052,700	597,202,700	23.98%	386,212,400	15.51%	210,990,300	8.47%
Office or Retail Condominium (454)	168,042,200	192,709,600	24,667,400	14.68%	0	0.00%	24,667,400	14.68%
Shopping Center (35)	380,928,900	428,404,800	47,475,900	12.46%	4,292,800	1.13%	43,183,100	11.34%
Warehouse (185)	459,473,500	524,763,400	65,289,900	14.21%	0	0.00%	65,289,900	14.21%
Hotel/Motel and Extended Stay (27)	372,338,200	381,126,300	8,788,100	2.36%	0	0.00%	8,788,100	2.36%
Total Commercial Office, Retail and Service (1,969)	\$4,623,099,600	\$5,510,877,300	\$887,777,700	19.20%	\$395,415,900	8.55%	\$492,361,800	10.65%
Other Commercial Property								
Vacant Residential Land (558)	\$110,132,500	\$163,247,800	\$53,115,300	48.23%	\$0	0.00%	\$53,115,300	48.23%
Vacant Commercial and Industrial Land (433)	354,367,600	456,493,200	102,125,600	28.82%	20,180,600	5.69%	81,945,000	23.12%
Total Other Commercial Property (991)	\$464,500,100	\$619,741,000	\$155,240,900	33.42%	\$20,180,600	4.34%	\$135,060,300	29.08%
Total Commercial Real Property (3,225)	\$7,352,520,600	\$8,764,282,700	\$1,411,762,100	19.20%	\$435,971,400	5.93%	\$975,790,700	13.27%
Total Locally Assessed Taxable Real Property (39,854)	\$18,544,370,300	\$21,988,825,500	\$3,444,455,200	18.57%	\$580,615,400	3.13%	\$2,863,839,800	15.44%

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City of Alexandria, Virginia
CY 2004 REAL PROPERTY ASSESSMENT SUMMARY INCLUDING APPRECIATION AND GROWTH
Comparison of 2003 Equalized Assessments (December 31, 2003) to January 1, 2004

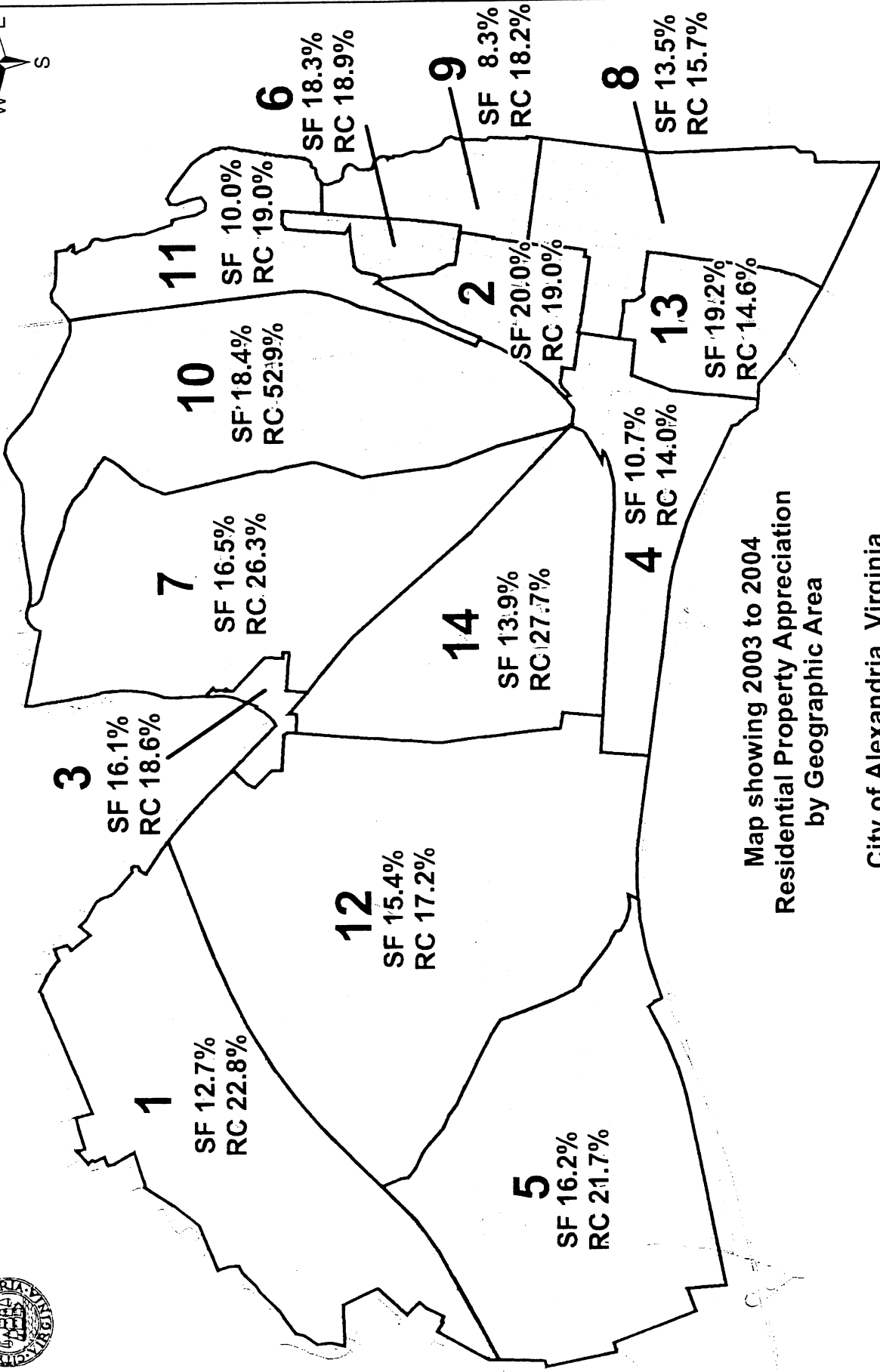
Real Property Classification & (Parcel Count)	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	2003 Equalized Assessments	2004 Assessments	(\$) Amount of Change	% Change	New Growth (\$)	% New Growth	(\$) Amount of Appreciation	% Appreciation	
Non-Locally Assessed Taxable Real Property									
Assessed by State Corporation Commission (SCC)									
Gas & Pipeline Distribution Corporation	\$27,005,300	\$28,819,300	\$1,814,000	6.72%	\$0	0.00%	\$1,814,000	6.72%	
Light & Power Corporation	383,356,600	461,808,800	78,452,200	20.46%	0	0.00%	78,452,200	20.46%	
Telecommunication Company	153,864,900	156,515,900	2,651,000	1.72%	0	0.00%	2,651,000	1.72%	
Water Corporation	30,149,600	33,311,000	3,161,400	10.49%	0	0.00%	3,161,400	10.49%	
Total SCC Assessed Property	\$594,376,400	\$680,455,000	\$86,078,600	14.48%	\$0	0.00%	\$86,078,600	14.48%	
Assessed by Virginia Department of Taxation (VDT)									
Interstate Pipeline Transmission Operating Railroad	\$366,800	\$381,100	\$14,300	3.90%	\$0	0.00%	\$14,300	3.90%	
Richmond, Fredericksburg & Potomac Railway Co.	\$45,708,000	\$47,542,900	\$1,834,900	4.01%	\$0	0.00%	\$1,834,900	4.01%	
Norfolk Southern Railway Co.	41,065,600	39,940,000	(1,125,600)	(2.74%)	0	0.00%	(1,125,600)	(2.74%)	
CSX Transportation, Inc.	38,500	40,800	2,300	5.97%	0	0.00%	2,300	5.97%	
Total Operating Railroads	\$86,812,100	\$87,523,700	\$711,600	0.82%	\$0	0.00%	\$711,600	0.82%	
Total VDT Assessed Property	\$87,178,900	\$87,904,800	\$725,900	0.83%	\$0	0.00%	\$725,900	0.83%	
Total Non-Locally Assessed Taxable Real Property	\$681,555,300	\$768,359,800	\$86,804,500	12.74%	\$0	0.00%	\$86,804,500	12.74%	
Grand Total Taxable Real Property Assessments	\$19,225,925,600	\$22,757,185,300	\$3,531,259,700	18.37%	\$580,615,400	3.02%	\$2,950,644,300	15.35%	

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City of Alexandria, Virginia
CY 2004 TAX EXEMPT REAL PROPERTY ASSESSMENT SUMMARY INCLUDING APPRECIATION AND GROWTH
Comparison of 2003 Equalized Assessments (December 31, 2003) to January 1, 2004

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Real Property Classification & (Parcel Count)	2003 Equalized Assessments	2004 Assessments	(\$ Amount of Change	% Change	New Growth (\$)	% New Growth	(\$ Amount of Appreciation	% Appreciation	
Tax Exempt Real Property									
70									
71									
72									
73									
74									
75									
76									
77									
78									
79									
80									
81									
82									
83									
84									
85									
86									
87									
Governmental									
Federal (17)	\$307,573,500	\$352,280,800	\$44,707,300	14.54%	\$2,926,700	0.95%	\$41,780,600	13.58%	
State (34)	146,080,500	160,291,700	14,211,200	9.73%	(7,390,600)	(5.06%)	21,601,800	14.79%	
Regional (4)	23,423,800	25,730,600	2,306,800	9.85%	0	0.00%	2,306,800	9.85%	
Local (455)	1,245,945,000	1,537,342,800	291,397,800	23.39%	169,913,900	13.64%	121,483,900	9.75%	
WMATA (52)	165,664,300	196,854,700	31,190,400	18.83%	0	0.00%	31,190,400	18.83%	
Total Governmental (562)	\$1,888,687,100	\$2,272,500,600	\$383,813,500	20.32%	\$165,450,000	8.76%	\$218,363,500	11.56%	
Non-Governmental									
Religious (191)	\$244,276,300	\$282,279,300	\$38,003,000	15.56%	\$0	0.00%	\$38,003,000	15.56%	
Charitable (61)	190,847,600	209,281,800	18,434,200	9.66%	(46,000)	(0.02%)	18,480,200	9.68%	
Educational (132)	231,334,500	264,316,500	32,982,000	14.26%	2,471,900	1.07%	30,510,100	13.19%	
Total Non-Governmental (384)	\$666,458,400	\$755,877,600	\$89,419,200	13.42%	\$2,425,900	0.36%	\$86,993,300	13.05%	
Total Tax-Exempt Real Property (946)	\$2,555,145,500	\$3,028,378,200	\$473,232,700	18.52%	\$167,875,900	6.57%	\$305,356,800	11.95%	

Department of Real Estate Assessments, January 29, 2004



Map showing 2003 to 2004
Residential Property Appreciation
by Geographic Area

City of Alexandria, Virginia
Department of Real Estate Assessments
February 2004

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

LEGEND

SF - Single Family Residential
RC - Residential Condominium

NOTES:
Numbers designate the geographic areas of the City that approximate the small areas developed for the Master Plan revision. The 2004 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.

CY 2004 Real Property Assessment Report

2004 MEDIAN ASSESSMENT FOR SINGLE
FAMILY HOMES AND RESIDENTIAL CONDOMINIUMS

Small Area Plan 1

<i>Alexandria West</i>		
Assessed Value Range	No. of Units	Median Value
Less than \$100,000	419	\$87,900
\$100,000 to \$149,999	1,071	120,500
\$150,000 to \$199,999	452	164,900
\$200,000 to \$249,999	266	227,900
\$250,000 and over	1,717	333,200

Small Area Plan 2

<i>Braddock Road Metro Station</i>		
Assessed Value Range	No. of Units	Median Value
Less than \$100,000	1	\$93,300
\$100,000 to \$149,999	9	125,000
\$150,000 to \$199,999	61	195,800
\$200,000 to \$249,999	346	230,600
\$250,000 and over	1,186	380,200

Small Area Plan 3

<i>Fairlington/Bradlee</i>		
Assessed Value Range	No. of Units	Median Value
Less than \$100,000	0	\$0
\$100,000 to \$149,999	0	0
\$150,000 to \$199,999	0	0
\$200,000 to \$249,999	0	0
\$250,000 and over	125	272,400

CY 2004 Real Property Assessment Report

**2004 MEDIAN ASSESSMENT FOR SINGLE
FAMILY HOMES AND RESIDENTIAL CONDOMINIUMS**

Small Area Plan 4

<i>King St./Eisenhower Ave. Metro Station</i>		
Assessed Value Range	No. of Units	Median Value
Less than \$100,000	0	\$0
\$100,000 to \$149,999	0	0
\$150,000 to \$199,999	4	182,000
\$200,000 to \$249,999	80	216,300
\$250,000 and over	652	368,400

Small Area Plan 5

<i>Landmark/Van Dorn</i>		
Assessed Value Range	No. of Units	Median Value
Less than \$100,000	265	\$92,900
\$100,000 to \$149,999	1,609	128,100
\$150,000 to \$199,999	1,665	177,900
\$200,000 to \$249,999	818	214,100
\$250,000 and over	2,178	378,100

Small Area Plan 6

<i>Northeast</i>		
Assessed Value Range	No. of Units	Median Value
Less than \$100,000	0	\$0
\$100,000 to \$149,999	2	145,500
\$150,000 to \$199,999	217	160,100
\$200,000 to \$249,999	117	217,400
\$250,000 and over	622	375,400

CY 2004 Real Property Assessment Report

**2004 MEDIAN ASSESSMENT FOR SINGLE
FAMILY HOMES AND RESIDENTIAL CONDOMINIUMS**

Small Area Plan 7

<i>Northridge/Rosemont</i>		
Assessed Value Range	No. of Units	Median Value
Less than \$100,000	85	\$93,100
\$100,000 to \$149,999	160	125,500
\$150,000 to \$199,999	723	172,000
\$200,000 to \$249,999	749	227,700
\$250,000 and over	3,261	505,700

Small Area Plan 8

<i>Old Town</i>		
Assessed Value Range	No. of Units	Median Value
Less than \$100,000	0	\$0
\$100,000 to \$149,999	7	135,600
\$150,000 to \$199,999	14	186,900
\$200,000 to \$249,999	126	234,000
\$250,000 and over	2,700	634,500

Small Area Plan 9

<i>Old Town North</i>		
Assessed Value Range	No. of Units	Median Value
Less than \$100,000	117	\$68,200
\$100,000 to \$149,999	61	126,100
\$150,000 to \$199,999	161	180,900
\$200,000 to \$249,999	273	221,000
\$250,000 and over	836	378,500

CY 2004 Real Property Assessment Report

**2004 MEDIAN ASSESSMENT FOR SINGLE
FAMILY HOMES AND RESIDENTIAL CONDOMINIUMS**

Small Area Plan 10

<i>Potomac West</i>		
Assessed Value Range	No. of Units	Median Value
Less than \$100,000	47	\$99,800
\$100,000 to \$149,999	306	121,200
\$150,000 to \$199,999	510	187,600
\$200,000 to \$249,999	317	218,000
\$250,000 and over	4,595	355,500

Small Area Plan 11

<i>Potomac Yard/Potomac Greens</i>		
Assessed Value Range	No. of Units	Median Value
Less than \$100,000	0	\$0
\$100,000 to \$149,999	0	0
\$150,000 to \$199,999	0	0
\$200,000 to \$249,999	0	0
\$250,000 and over	273	473,900

Small Area Plan 12

<i>Seminary Hill/Strawberry Hill</i>		
Assessed Value Range	No. of Units	Median Value
Less than \$100,000	295	\$86,700
\$100,000 to \$149,999	440	121,100
\$150,000 to \$199,999	585	180,800
\$200,000 to \$249,999	478	228,400
\$250,000 and over	2,797	354,700

CY 2004 Real Property Assessment Report

**2004 MEDIAN ASSESSMENT FOR SINGLE
FAMILY HOMES AND RESIDENTIAL CONDOMINIUMS**

Small Area Plan 13

<i>Southwest Quadrant</i>		
Assessed Value Range	No. of Units	Median Value
Less than \$100,000	0	\$0
\$100,000 to \$149,999	13	133,400
\$150,000 to \$199,999	86	156,100
\$200,000 to \$249,999	70	237,400
\$250,000 and over	746	381,600

Small Area Plan 14

<i>Taylor Run/Duke Street</i>		
Assessed Value Range	No. of Units	Median Value
Less than \$100,000	0	\$0
\$100,000 to \$149,999	6	135,900
\$150,000 to \$199,999	203	185,200
\$200,000 to \$249,999	295	211,800
\$250,000 and over	1,394	492,500

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

Source: Department of Real Estate Assessments, January 30, 2004
file name: REA\departmental files\excel\cspage\04medrg.xls

City of Alexandria, Virginia
 CY 2004 Real Property Assessment Report

AVERAGE 2004 REAL PROPERTY ASSESSMENTS FOR SINGLE FAMILY HOMES
 AND RESIDENTIAL CONDOMINIUMS BY GEOGRAPHICAL AREA

	(1) Small Area Plan Name	(2) Single Family Homes		(3) Single Family Homes		(4) Residential Condominiums		(5) % Change 2003 to 2004
		2004 Average Assessed Value	% Change 2003 to 2004	2004 Average Assessed Value	% Change 2003 to 2004	2004 Average Assessed Value	% Change 2003 to 2004	
1	Alexandria West	\$375,038	12.7	\$156,898	22.8			
2	Braddock Road Metro Station	392,272	20.0	240,128	19.0			
3	Fairlington/Bradlee	364,977	16.1	270,850	18.6			
4	King St/Eisenhower Ave Metro Station	482,610	10.7	362,997	14.0			
5	Landmark/Van Dorn	446,678	16.2	188,395	21.7			
6	Northeast	376,006	18.3	202,423	18.9			
7	Northridge	570,048	16.5	205,625	26.3			
8	Old Town	792,293	13.5	446,987	15.7			
9	Old Town North	620,088	8.3	260,722	18.2			
10	Potomac West	348,844	18.4	137,428	52.9			
11	Potomac Yard/Potomac Greens	566,181	10.0	391,395	19.0			
12	Seminary Hill/Strawberry Hill	412,978	15.4	159,244	17.2			
13	Southwest Quadrant	422,232	19.2	292,666	14.6			
14	Taylor Run/Duke St	549,533	13.9	198,749	27.7			

City of Alexandria, Virginia
CY 2004 Real Property Assessment Report

RESIDENTIAL REAL PROPERTY SALES STATISTICS FOR CY 2001, 2002, AND 2003

DOLLAR VOLUME

Sales Statistic	(2) CY 2001	(3) CY 2002	(4) Percent of Change 2001 to 2002	(5) CY 2003	(6) Percent of Change 2002 to 2003
Dollar Volume of Sales					
Residential Single Family Detached	\$228,041,449	\$264,947,139	16.18	\$285,439,869	7.73
Semi-Detached	168,625,641	187,411,759	11.14	219,689,021	17.22
Row House	214,633,057	251,710,717	17.27	292,663,142	16.27
Total Single Family	\$611,300,147	\$704,069,615	15.18	\$797,792,032	13.31
Residential Condominium Garden	\$180,468,600	\$216,065,094	19.72	\$230,100,961	6.50
High-Rise	137,780,477	122,019,860	(11.44)	157,006,978	28.67
Residential Cooperative Townhouse	19,913,650	28,600,827	43.62	27,875,460	(2.54)
Total Residential Condominium	\$338,162,727	\$366,685,781	8.43	\$414,983,399	13.17
Total Dollar Volume of Sales	\$949,462,874	\$1,070,755,396	12.77	\$1,212,775,431	13.26

Attachment 5

City of Alexandria, Virginia
CY 2004 Real Property Assessment Report

RESIDENTIAL REAL PROPERTY SALES STATISTICS FOR CY 2001, 2002, AND 2003

NUMBER OF UNITS SOLD

Sales Statistic	(1)	(2)	(3)	(4)	(5)	(6)
		CY 2001	CY 2002	Percent of Change 2001 to 2002	CY 2003	Percent of Change 2002 to 2003
Number of Units Sold						
Residential Single Family Detached		520	545	4.81	552	1.28
Semi-Detached		504	473	(6.15)	501	5.92
Row House		669	649	(2.99)	664	2.31
Total Single Family		1,693	1,667	(1.54)	1,717	3.00
Residential Condominium Garden High-Rise Residential Cooperative Townhouse		1,121	1,168	4.19	1,073	(8.13)
		909	795	(12.54)	825	3.77
		81	87	7.41	78	(10.34)
Total Residential Condominium		2,111	2,050	(2.89)	1,976	(3.61)
Total Number of Units Sold		3,804	3,717	(2.29)	3,693	(0.65)

City of Alexandria, Virginia
CY 2004 Real Property Assessment Report

RESIDENTIAL REAL PROPERTY SALES STATISTICS FOR CY 2001, 2002, AND 2003

AVERAGE SALE PRICE

Sales Statistic	(1)	(2)	(3)	(4)	(5)	(6)
		CY 2001	CY 2002	Percent of Change 2001 to 2002	CY 2003	Percent of Change 2002 to 2003
Average Sale Price						
Residential Single Family Detached		\$438,541	\$486,142	10.85	\$517,101	6.37
Semi-Detached		334,575	396,219	18.42	438,501	10.67
Row House		320,827	387,844	20.89	440,758	13.64
Total Single Family		\$361,075	\$422,357	16.97	\$464,643	10.01
Residential Condominium Garden High-Rise Residential Cooperative Townhouse		\$160,989 151,574 245,848	\$184,987 153,484 328,745	14.91 1.26 33.72	\$201,365 190,311 357,378	8.85 23.99 8.71
Total Residential Condominium		\$160,191	\$178,871	11.66	\$210,012	17.41
Average Sale Price for Residence		\$249,596	\$288,070	15.41	\$328,398	14.00

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 30, 2004
file name: I:\2003av\mstavin\slratio\03YrEnd.xls

SATURDAY, JANUARY 3, 2004

Rising Rates to Slow Some Buyers, But Forecasters Predict a Strong '04

By SANDRA FLEISHMAN
Washington Post Staff Writer

It's time, sadly, to say farewell to the best year ever for the housing market—and the lowest mortgage rates in 45 years. Can it ever be so good again?

And more importantly, what's in store for you in 2004?

The prognosticators say the real estate market nationwide will sag a bit in 2004 as mortgage rates creep back up. Prices won't climb as fast or as high, and higher-end homes will sell more slowly.

But the crystal-ball gazers also promise that 2004 will come in a close second to 2003. And they agree that the Washington area will continue to outperform most of the country.

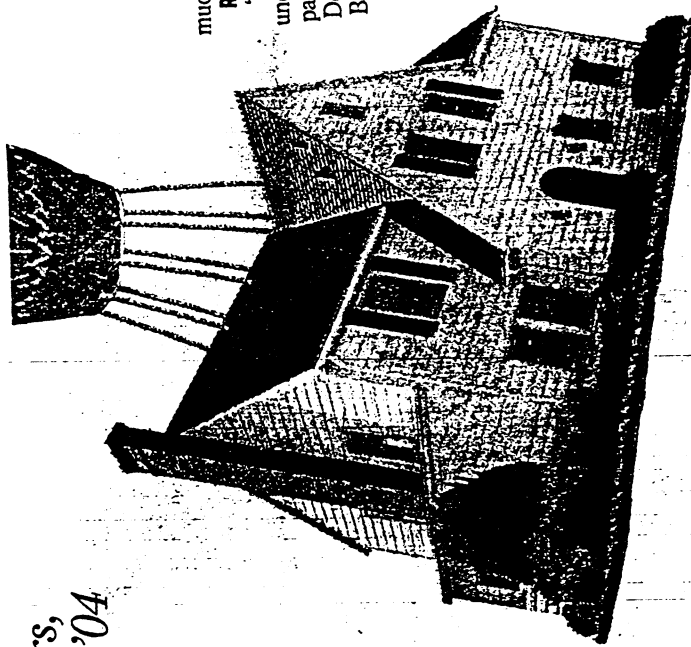
Housing prices here are likely to jump 5 to 8 percent on average this year, compared with 4 to 5 percent nationwide. And properties in close-in neighborhoods, distinguished by great schools and/or Metro access, could approach the double-digit gains of the recent past.

How can prices keep rising? Isn't there a limit to what people will fork over? Whatever happened to that pricing bubble that people worried would pop?

And, bottom line, can that ugly little house just down the block really go for more than anything on your street sold for last year?

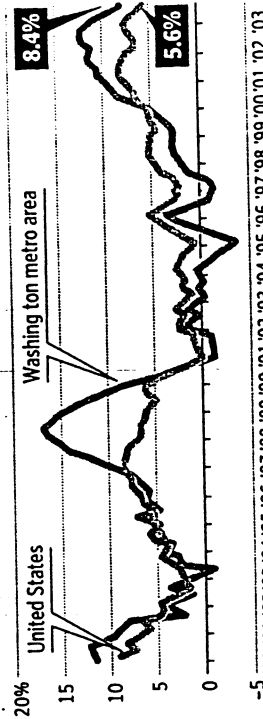
Yes, it can. And, yes, prices will keep escalating here this year, pretty much no matter what, according to interviews with national and local housing gurus.

So, before hearing from the gurus about the details of the coming year, here are the top five reasons your house will be worth more in 2004—unless there's a disaster or you paid way too



Ups and Downs of Home Prices

Year-to-year percent changes in prices of existing homes



SOURCE: Office of Federal Housing Enterprise Oversight

THE WASHINGTON POST

much:

Reason No. 1: Jobs, jobs, jobs.

"The key driver in the Washington area is that unemployment is still very low: 3.2 percent compared to the national average of about 5.9," said Doug Duncan, chief economist for the Mortgage Bankers Association.

With unemployment so low, job-seekers are flocking here from areas where jobs are truly scarce. And they need places to live.

And even more newcomers are expected, because of the belief in:

Reason No. 2: A sense that the economy is turning the corner.

As the national economy rallies, economists predict the job picture here will turn even rosier. The federal government continues to hire for homeland security needs and defense contracts. Local tech firms will bounce back and other industries will feel more confident about hiring, they say.

"Job growth will ramp up next year, and the following year will be even greater," said Stephen S. Fuller, regional economist at George Mason University.

Meanwhile, those who combined households to save money during the recession are likely to go out on their own when the economy picks up, said Duncan. The area's growing immigrant population is also expected to spur demand for rental and for-sale

See FORECAST, F6, Col. 1

Demand Helps Push Up Prices

FORECAST, From F1

units.

All those newcomers generate:
Reason No. 3: An incredible demand for housing.

Fuller's most recent forecast estimates 61,000 net new jobs in the Washington area in 2003, 77,500 in 2004 and 84,700 in 2005. But he sees nowhere near the number of new housing units required to accommodate those new workers.

While 48,400 new units will be needed this year and almost 53,000 units in next year, Fuller expects less than 25,000 units to be built each year. The competition for housing, including pent-up demand from earlier arrivals and from those who haven't been able to move up to bigger spaces, will keep pushing prices up.

But supply can't catch up, said Fuller, because of:

Reason No. 4: Land-use constraints.

Land-use restrictions around Washington that were meant to curb sprawl and protect farmland or natural resources are pushing home buyers farther out in the suburbs or to border states, say builders, unless the purchasers are willing to pay the premium for shorter commutes.

But despite the higher prices close in, many will still want to buy rather than rent in the metro area this year because of:

Reason No. 5: Historically low interest rates.

With rates hovering about 6 percent, the only housing sales that research analyst Debbie Rosenstein and others say will be slow are the multimillion-dollar-plus homes inside the Beltway. Those houses become a truly discretionary buy as interest rates rise.

And now for a closer look at the forecast.

Prices continued climbing last year, with 5.6 percent annualized appreciation nationwide in the third quarter of 2003 and 8.4 percent in the Washington area.

The gains were less than the 8.2 percent record jump nationally in the second quarter of 2001 and less than the Washington area's biggest increase of 12.6 percent in parts of 2002. But the upticks were nothing to sneeze at. Housing was the only engine behind the nation's recovery for much of 2003.

This year housing price growth will be slower, but still steady, say the experts.

"It seems reasonable to expect house prices to decelerate to about 5 percent on a national basis and into the 6 to 7 percent range for the Washington metro area."

—David Seiders
chief economist,
National Association
of Home Builders

"Nationally, prices will rise 3 to 4 percent, down from about 6 percent in 2003. In the D.C. area, it will be a bit higher, averaging 4 to 5 percent."

—Sung Won Sohn
chief economist,
Wells Fargo & Co.

"It's a matter of supply and demand. We've been building a lot of

homes, but finding lots . . . is becoming more difficult and more expensive. Raw land prices, like those for any non-renewable resource, keep going up.

"The municipalities continue to add slow-growth techniques . . . so development takes more time and is therefore more costly. . . . Prices also go up because raw materials and labor costs continue to rise."

—Cory DeSpain
regional senior vice president,
Toll Brothers

"Home price gains are going to remain reasonably good, but the 7 or 8 percent that they've been [nationally] for the past three years is not sustainable because they've outpaced income growth. We expect income growth and house price gains of around 4.5 percent.

"House price gains in the Washington area will continue to be stronger."

—David Berson
chief economist,
Fannie Mae

"Home prices in the Washington area are going to be 8 to 10 percent higher in 2004, but the numbers can vary dramatically by location. The Northern Virginia market is going to be twice as strong as suburban Maryland because supply is so constrained in Maryland.

"The District is going to have substantial price escalation on ownership stock, better than the metro average."

—Stephen S. Fuller
regional economist,
George Mason University

"It's been an exciting year in real estate. The number of sales have outpaced 2002 by 8.9 percent, and average sales prices grew at a rate of 14 percent. It was a pace that we didn't think possible.

"Condos have been the hot ticket.

"[In 2004,] we expect sales will be 5 percent slower because of the interest rates. . . . But we said that in 2002 about 2003 and look what happened."

—Esther Pryor
2003 chairman,
Northern Virginia
Association of Realtors

"2003 was the most active year I've ever seen in real estate in D.C. and Montgomery County. Average prices for single-family homes climbed about \$50,000 in the District, and median prices rose from \$275,000 in November 2002 to \$330,000 in November 2003. . . . Median prices for condos rose from \$224,000 to \$260,200.

"In Montgomery County, median prices for single-family homes went from \$285,500 to \$329,000. Condo prices over the year were rather flat, up about \$20,000 overall during the year. They went from \$139,990 in November 2002 to \$178,000 in November 2003.

"High-end houses are staying on the market longer, maybe twice as long as before. But they're still moving. Instead of 20 days, it's taking a month or two.

"We anticipate 2004 will be the second best year in the housing industry for the District and Montgomery County."

—James K. Kneuss Jr.
2004 president,

"We expect 2003 to be a banner year. . . . Inventory was lower than in 2002 and demand continued, at higher levels. As a result we've had a much tighter market than we've ever had.

"Median prices for a single-family home grew from \$177,500 to \$194,500 over the year, and median condo prices went from \$87,000 to \$100,000.

"We expect to see continuing demand, and a tighter market here because a lot of people are fleeing the more expensive markets."

—Connie M. Stommel
2004 president,
Prince George's County
Association of Realtors

"House prices will continue to appreciate, but at a slower pace. We expect growth of around 4.25 to 4.5 percent. . . . If you segment the market, the area that will see less price appreciation is the high end. . . . We're watching that market segment to see how changes in the tax laws affect them."

—Doug Duncan
chief economist,
Mortgage Bankers Association

"The market is going farther and farther out—to Winchester, Culpeper, Warrentown and Hagerstown. There's just much more looking for lots.

"You can't generalize about price appreciation inside the Beltway versus outside. It truly depends. Inside the Beltway is where the appreciation is always better, but in, say, Loudoun County, where there are constraints on development, there is also good appreciation."

—Debbie Rosenstein
analyst,
Rosenstein Baker Associates

"We see single-family home values up 6 percent in 2004. We don't project on a metro area basis, but we'd expect it to be better than 6 percent in the Washington area because of strong market fundamentals."

—Frank Nothaft
chief economist,
Freddie Mac

"The suburbs are no different. Prices are going up significantly everywhere. There's no way you can go farther out and escape the prices these days."

—Florence L. Daniels
director at large,
Northern Virginia Association
of Realtors

"If you restrict the supply, as is the case in certain markets, and certainly in D.C. . . . you as a home buyer can almost see the price move up. . . . Foremost on anybody's list of why prices will rise is the issue of available product, of supply and demand. This is economics 101."

—Robert Curran
home builder analyst,
Fitch Ratings

"Building and maintaining affordable housing for the District's low-to-moderate-income residents is a tough battle. But we've managed to leverage public dollars to get development projects in fiscal year 2004

See FORECAST, F8, Col. 1

FORECAST, From F6

that will build or rehabilitate approximately 1,058 units of long-term affordable housing."

—Stanley Jackson
director,
D.C. Department of Housing
and Community Development

Mortgage Rates

When 30-year mortgage rates dropped to 5.21 percent and 15-year rates fell to 4.60 percent in June, people thought they were in paradise. While rates seesawed a bit for the next six months, they settled in near 6 percent and 5.2 percent respectively at year's end, still low compared with past decades.

"We believe the Fed is going to stay on the sidelines until at least August. . . . We see the 30-year rate going from 6 percent now to 6.5, 6.7 percent by December 2004, which is still a very good rate."

—Doug Duncan
chief economist,
Mortgage Bankers Association

"The 30-year rate will be in the 6.5 to 7 percent range by the end of 2004.

"The Federal Reserve won't raise the rate until late 2004 or early 2005. The central bank will have to have very good economic justifications for hiking the interest rate in an election year."

—Sung Won Sohn
chief economist,
Wells Fargo & Co.

"By the end of the year, we expect 30-year rates no worse than 6.25 percent."

—Frank Nothaft
chief economist,
Freddie Mac

"We see mortgage rates averaging 6.1 percent in the first quarter, 6.3 percent in the second, 6.5 percent in the third and 6.7 percent in the fourth quarter. . . . We think the Fed will do nothing until after November."

—David Seiders
chief economist,
National Association
of Home Builders

"Being an election year, I think that they're going to want a strong housing market, so they're going to keep the rates down."

—Dee Minich
senior vice president



"We expect sales to fall in 2004, in part because of interest rates ticking up and in part because some people might have bought ahead because of the low rates in 2003."

Doug Duncan
chief economist,
Mortgage Bankers Association



In 2004 "we expect sales will be 5 percent slower. . . . But we said that in 2002 about 2003 and look what happened."

Esther Pryor
2003 Chairman,
Northern Virginia
Association of Realtors



"We see metrowide rents continuing to chug up at 2 to 4 percent."

Gregory H. Leisch
chief executive,
Delta Associates

of sales and marketing
for the Southeast region,
Washington Homes,
a division of K. Hovnanian

Home Sales and Starts

2003 is expected to set the record of all records for home sales, with more than 1 million new homes and 6.07 million existing homes sold.

"We expect sales to fall in 2004, in part because of interest rates ticking up and in part because some people might have bought ahead because of the low rates in 2003. We see sales at about 6.6 million, which is where we were two years ago."

—Doug Duncan
chief economist,
Mortgage Bankers Association

"We're projecting 1.084 million home sales for [2003] as a whole, the first time we've crossed the million-unit threshold, an increase of 11 percent over 2002's record. . . . In '04, we expect sales to be 1.046 million."

—David Seiders
chief economist,
National Association
of Home Builders

"Home sales [nationally] in '04 will decline about 5 percent from its record pace [in 2003]. Higher mort-

gage rates are the primary reason. Affordable homes will sell well, but expensive homes won't move well. Nevertheless, the level of home sales will be very high historically, supported by improving income and employment.

"Home sales in the Washington area will be stronger than the U.S. average because the underlying economic conditions here are stronger. Still, home sales will fall by 2 to 3 percent from the red-hot pace of 2003.

"We see housing starts falling about 5 percent."

—Sung Won Sohn
chief economist,
Wells Fargo & Co.

"We expect housing starts to come down a little bit in 2004 because we can't maintain the level of close to 2 million units. We think starts in 2004 will be about 1.7 million units, about the same as in 2002, which was a great year.

"Home sales will drop . . . to about 6.9 million in 2004. . . . We think we'll see increasing housing affordability issues in the coming year, but as an offset we think economic growth will be quite robust . . . and that will help to push the unemployment rate down and to push family income growth up. . . . In March and April, as families file their 2003 tax returns, they may be getting larger refunds. . . . That may also help to al-



"High-end houses are staying on the market longer, maybe twice as long as before. But they're still moving."

James K. Kneussl Jr.
2004 president,
Greater Capital Area
Association of Realtors



"We've managed to leverage public dollars to get development projects in fiscal year 2004 that will build or rehabilitate approximately 1,058 units of long-term affordable housing."

Stanley Jackson
director, D.C. Department
of Housing and
Community Development

ton and it melts the snow."

—Gopal Ahluwalia
director of research,
National Association
of Home Builders

"Houses are still getting larger, and some of the trends that we're seeing involve conveniences that people want. . . . We're getting requests for larger mud rooms for families, and for organization spaces . . . in garages and laundry rooms. We've just recently started offering valets and drying closets in laundry rooms."

"The other big thing for us is customization. . . . Customers are very definite about what they want these days."

—Nina Goldstein
marketing manager,
Winchester Homes

"People are putting a lot of options in their homes. With interest rates so low they can afford to, they'd just as soon do it now in their mortgage instead of waiting and doing it later."

"We don't expect that to change, if rates stay low as expected. But it depends on how much the rates go up."

"People are putting a lot of money in their kitchens, in granite counters, upgraded appliances, stainless steel. They're even asking for things we don't sell, like . . . warming ovens."

"They're also putting a lot of money into their floors. We have new options for Brazilian cherry floors."

"The biggest thing is that people are watching all the television shows on remodeling and going to the Home Depot Expo [Design] Centers and [Sears's] Great Indoors stores and our design centers, and they know what they want."

—Dee Minich
senior vice president
of sales and marketing,
Southeast region,
Washington Homes,
a division of K. Hovnanian

leviate the pinch."

—Frank Nothaft
chief economist,
Freddie Mac

"Buyers will still have to put two and three offers to get the home of their choice because there are still not enough houses. We just put a house in Alexandria into the computer at 5:30 in the morning, and by 9:30 we got a call from an agent and by 1 o'clock we had a contract. But those people had already written four unsuccessful offers. . . ."

"Even a year that's 95 percent [of 2003] will still be phenomenal."

—Florence L. Daniels
director at large,
Northern Virginia Association
of Realtors

"We expect home sales to fall by somewhere around 5 percent, so it would be the second strongest year ever. In the Washington area, because of strong job growth and immigration, if we do see any declines in home sales it will be less than other areas, and it may be one of those areas that sees an increase in home sales."

—David Berson
chief economist,
Fannie Mae

Home Design

Rooms for family and friends

continue to trump formal spaces, but houses seem to have stopped getting bigger every year.

"The average size of a new house has stabilized at 2,320 square feet over the last three years, and we expect it to remain in this range in 2004. . . ."

"The biggest change over the last few years is that nine-foot or higher ceilings are becoming a standard feature in the average home. It had been eight feet."

"Median lot size is also declining because of growth controls. . . . The median lot size is just below 9,000 square feet. It's dropped slowly in the last 10 years, from 10,000 square feet."

"People want more special features and more quality, such as high-end appliances and structured wiring known as 'CAT 5' wiring. Also, everybody wants low-maintenance materials."

"Larger kitchens adjacent to family rooms are getting more emphasis. And bathrooms are getting larger, with upgraded features. . . . Living rooms are disappearing or shrinking."

"The number one priority, when we ask for specialty rooms, is a laundry room. . . ."

"Heated flooring is coming, for the upscale market. . . . And heated driveways too, where you push a but-

Remodeling

The fix-it market continues to grow, fanned by money from refinancing and by the desires of those who can't find move-up houses.

"We're projecting \$214 billion will be spent on home improvement in 2003, an increase of \$50 billion from 2002. For 2004, we're projecting about 5 percent growth because the

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interest rates are not as great and we expect a tremendous drop in refinancing."

—Gwen Biasi
*director of marketing
and communications,
National Association
of the Remodeling Industry*

"People we see are getting rid of living rooms but keeping the dining rooms and making them much bigger so they can entertain family and friends.

"They want the family room, the master bedroom, the master baths and closets. . . . Adding a laundry room with cabinet space and a folding table also seems to be very popular. Most of the people we work for have three or more children, so getting the dirty clothes closer to where they'll be put away is a high request."

—Tom Gilday
*vice president,
Gilday Design and Remodeling*

"2003 was actually a little slower for growth in remodeling activity than 2002. The growth rate in 2002 was 10 percent, the highest annual rate in some time. In 2003 it was about 6½ percent. . . . We think people might have stopped pulling out as much equity in their houses because maybe they'd taken out all that they'd wanted to and they were a little bit nervous about being overextended.

"Because of low interest rates and cash-out refs, there has been a lot of activity at the higher end of the market, more than in the lower end. This cycle has been kind of backwards because of the low rates. Generally in a recession people aren't spending money, but they were. . . . Now we think there will be more of a return to the basics, more lower-end and mid-level kitchens and basements and more spending on replacement items by middle-income and lower-income households who didn't really participate before.

"We think growth will be about the same in 2004 as in 2003. Spending was about \$250 billion in 2003, and we expect about \$265 billion in 2004."

—Kermit Baker
*director,
Remodeling Futures Program,
Harvard's Joint Center
for Housing Studies*

"The market is still very strong, and we don't see that changing. There may be a difference in the size of projects being undertaken because of the interest rates going up.

"It will still be hard to get a remodeler. Most professionals have a six-month to a year backlog. But that gives you time to do the design and select the materials, so it usually works out fine.

"Kitchens, family rooms and master suites are still big items. . . . Also some clients are thinking more about elevators, not putting them in today but building in a chase [chute] to be converted at a later time. People who want to stay in the area as they get older are really, really thinking about that."

—John Coburn
*vice president,
Bowers Construction Group Inc.*

"The No. 1 requests we get are to put additions on or to remodel to accommodate elderly parents. . . .

"Parents with school-age children are asking for a study room right off the kitchen and family room. A lot of newer homes are being built this way. They also want the room wired to the hilt, so the kids can do their homework while the parents are making dinner.

"Screened porches are being asked for quite a lot. Part of it is the mosquito/West Nile thing, because sitting out on the patio getting bitten by mosquitoes isn't something people want to do. But we're also seeing beautiful detail work in porches, ceramic floors and a new level of sophistication.

"Because of the huge escalation in house value, people have a lot of equity in their house and they want to use it. . . . But rather than go through the hassle of moving, they're staying and renovating to get exactly what they want."

—Steve Larsen
*owner,
Larsen Design/Build Associates*

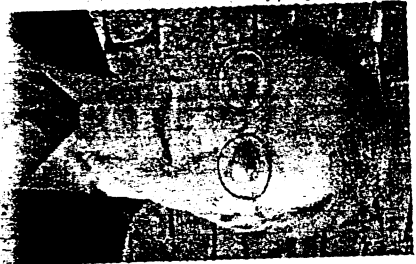
"We're projecting about \$182 billion of residential remodeling activity in 2003 and \$192 billion in 2004."

—David Seiders
*chief economist,
National Association
of Home Builders*



"In 2004, my own view is that an awful lot of would-be rental projects are going to convert to condos."

Stanley Slotter
chief executive,
Paradigm Cos.



"The No. 1 requests we get are to put additions on or to remodel to accommodate elderly parents."

Steve Larsen
owner, Larsen Design/Build
Associates, Alexandria



"The suburbs are no different. Prices are going up significantly everywhere. There's no way you can go farther out and escape the prices these days."

Florence L. Daniels
director at large,
Northern Virginia Association
of Realtors



"People we see are getting rid of living rooms but keeping the dining rooms and making them much bigger so they can entertain family and friends."

Tom Gilday
vice president,
Gillay Design and
Remodeling



"Someday this good market's going to be over. I'm sure, but it's not going to be [this] year."

P. Wesley Foster Jr.
chairman and chief executive,
Long & Foster Cos.

"As the economy picks up, we see a gradual improvement in the rental market. Young people who are rooming together or living with parents will have the financial resources to go out and rent their own place. Stronger economic growth may bring in additional legal immigrants, and [they] start by renting."

—Frank Nothaft
chief economist,
Freddie Mac

"With the upturn in the economy, we project that rents will go up and that the market won't be as soft. The luxury market is seeing the most vacancies. But there must be a need for luxury rentals because everybody's building them."

—Katie Sorota
Montgomery Count
outreach specialist
for Southern Management Corp.

"People moving here tend to have owned houses other places and bring equity with them. Other cities attract renters; we attract buyers."

—Stephen S. Fuller
regional economist,
George Mason University

"We did see rents slide, but the vacancy rate for the Washington metro area at year's end 2003 was only 3.2 percent, the lowest in the United States. In 2002, that number was 2.8 percent."

"We sure built a lot of units in the District, but we didn't get a huge rise in vacancies because, to and behold, we had a lot of tenants come in, and that sure surprised me. The vacancy rate in the District at year's end was 2.1 percent, down from 3.0 percent a

year ago. That's because a lot of product switched from rental to sale.

"Rents did soften because so many units were available. . . . Metrowide, Class A rents were up 2.5 percent over 2002. In the District, they were down 7.8 percent. In Maryland, they increased 4.8 percent, and in Virginia they were up about 2.2 percent."

"Just like the highest-price houses . . . the high-end apartment market has gone dead. . . . It's hit the District hardest, because that's where most of the highest-priced units are."

"The conversion of units from rental to condo, though, has had a positive side. . . . It's kept the vacancy rate lower than it would be and it's keeping the pipeline of new product lower. The pipeline for new

rentals is 1,000 units less than it was a year ago. . . .

"Over the next several years, we see the vacancy rate remaining more or less in the 3-plus percent range, which will remain the lowest vacancy rate in the U.S. The national vacancy rate for Class A and Class B apartments is about 7 percent. . . . We see metrowide rents continuing to chug up at 2 to 4 percent."

—Gregory H. Leisch
chief executive,
Delta Associates

"We did see a lot of people moving out to buy homes throughout the price ranges, but we were able to fill those vacancies. . . . Our rents went up slightly for the most part, though certain submarkets—including

Prince George's Co and Northern Virginia—wered up just a little bit.

"We have changed from rental to condo on three projects, and that's something we've noticed happening elsewhere. But we do expect to deliver four rental buildings during 2004, and our marketing lists are fairly extensive. . . . so we expect them to lease up fairly well.

"We expect rents to be flat or up modestly in 2004.

"A lot of people are concerned with the number of units being delivered in downtown Washington in 2004 and 2005, but if you take it in the context of the whole metro area, which has around 350,000 units, the number is very small."

—Stewart Bartley
managing director,
JBG Cos.

"2003 was not a great year for the rental market. . . . Rents were down probably 4 to 5 percent, half of that in vacancies and half in concessions [such as free month's rent deals]. . . .

"The had market was driven by a bunch of stuff: There was not nearly as much job growth, there was a lot of [apartment] production and there was an active condo market in the District that was all of a sudden competing directly with urban rentals.

"In 2004, my own view is that an awful lot of would-be rental projects are going to convert to condos. There will be an awful lot of for-sale product out there, but the markets for both rental and condos are still strong. . . .

"I'm very bullish on the downtown over time, but 2004 will be an ugly time downtown because there are so many units coming on at the same time."

—Stanley Slotter
chief executive,
Paradigm Cos.