



11
2-12-08

CALENDAR YEAR 2008 REAL PROPERTY ASSESSMENTS





CY 2008 OVERALL CHANGES

Real Property assessments increased 4.02%
or \$1.37 billion;

68% was due to appreciation (\$941.0 million)

32% was new construction (\$433.5 million)



CY 2008 OVERALL CHANGES (cont'd)

Residential Tax Base = - 1.1%

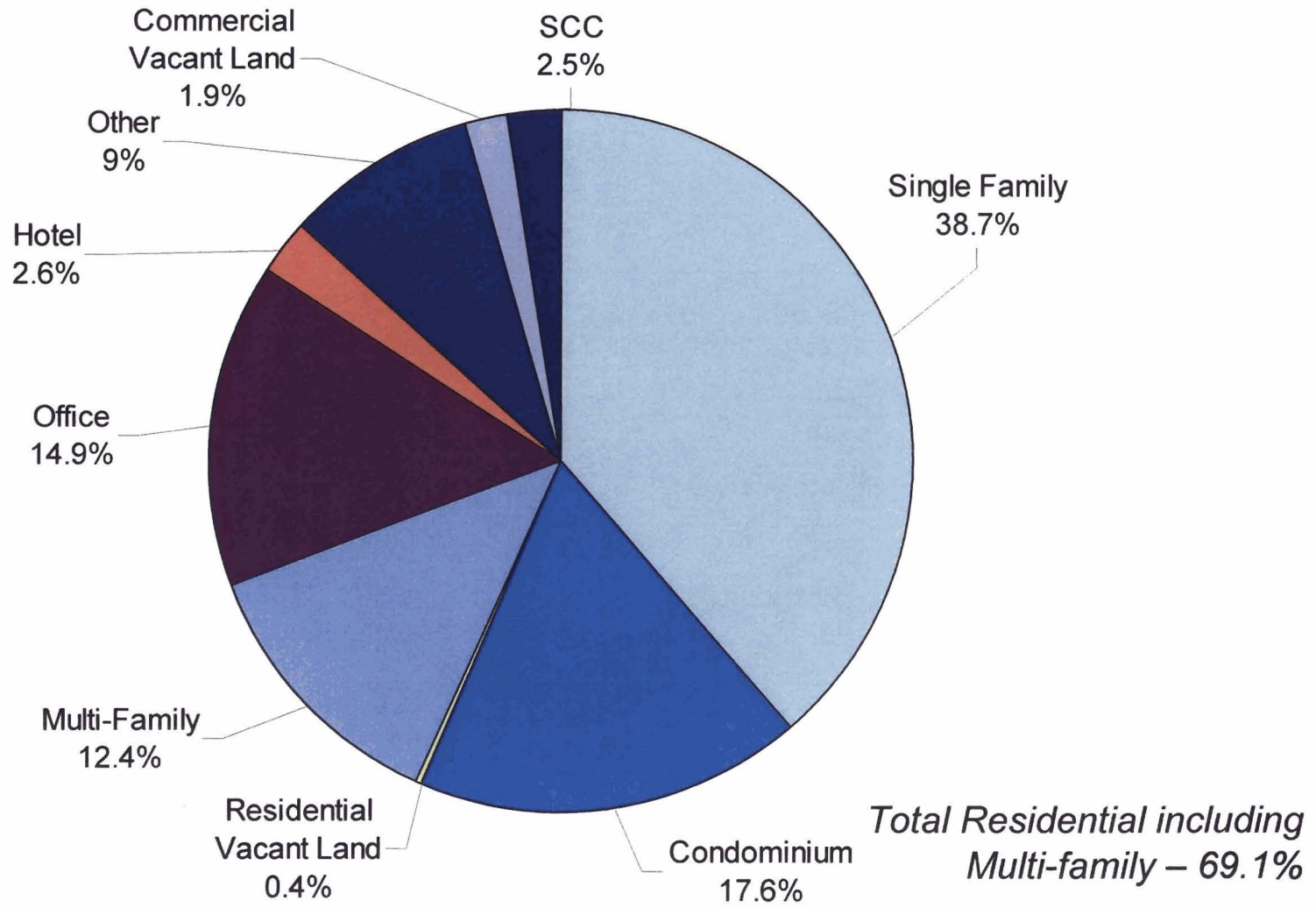
Commercial Tax Base = + 12.1%

SCC Tax Base = + 4.5%

New Growth = + 1.27% or \$433.5 million



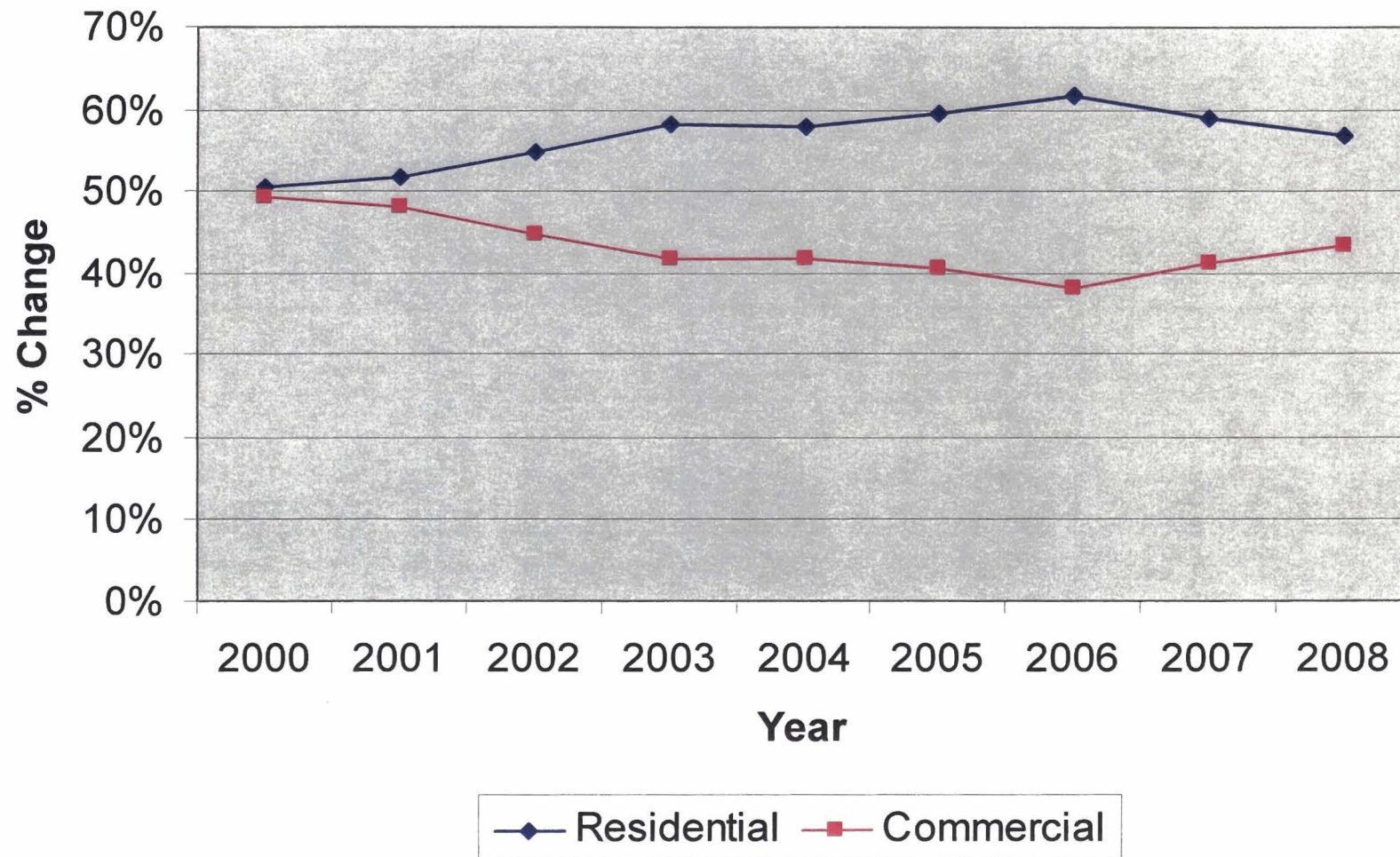
2008 Real Estate Tax Base





Real Estate Tax Base

Distribution CY2000 to CY2008





CY 2008 RESIDENTIAL PROPERTY

Residential properties decreased by 1.1%

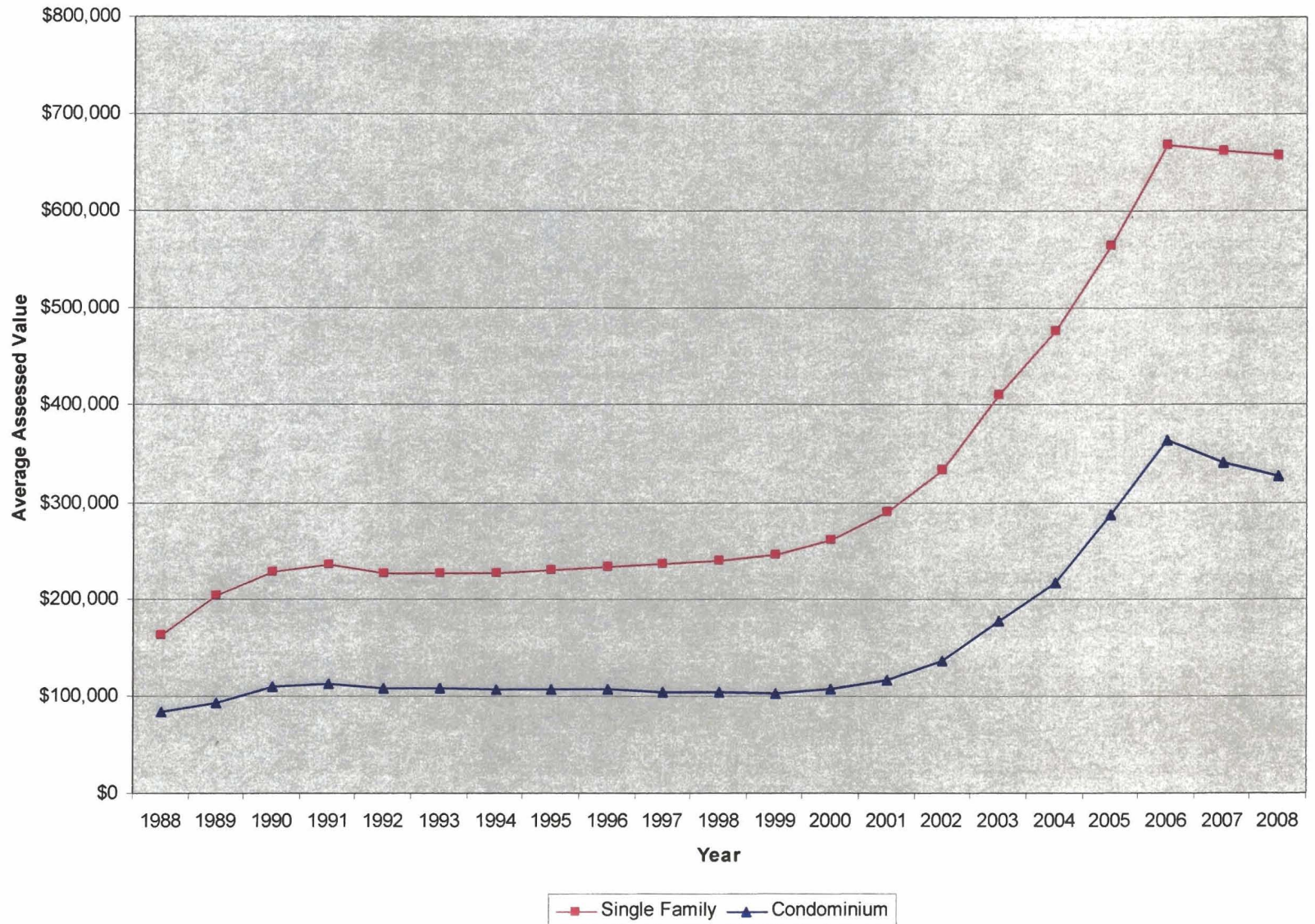
Avg. SF & Condo = \$498,670 = - 1.9%

Avg. SF = \$656,984 = - 0.86%

Avg. Condo = \$326,026 = - 4.3%

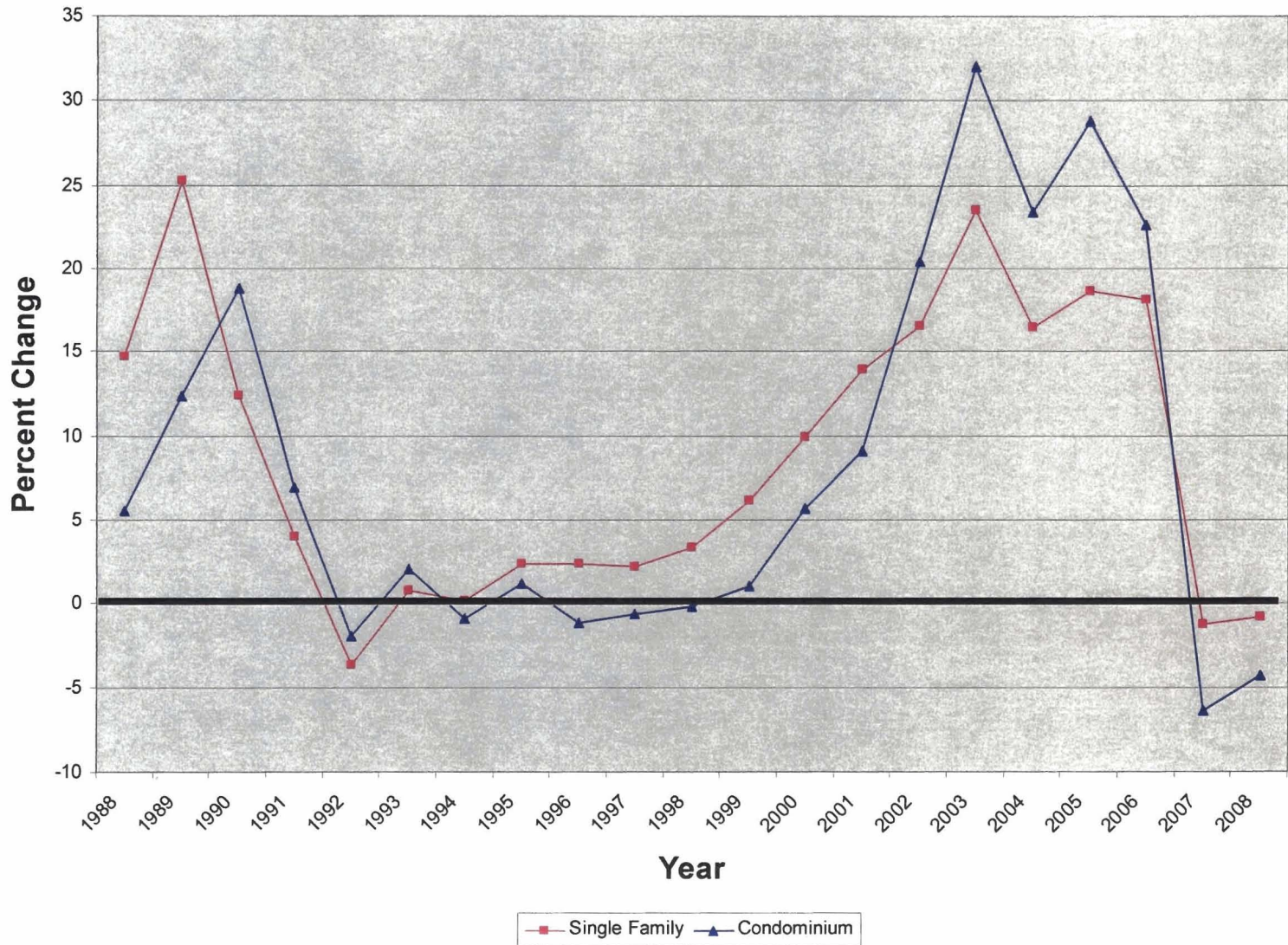


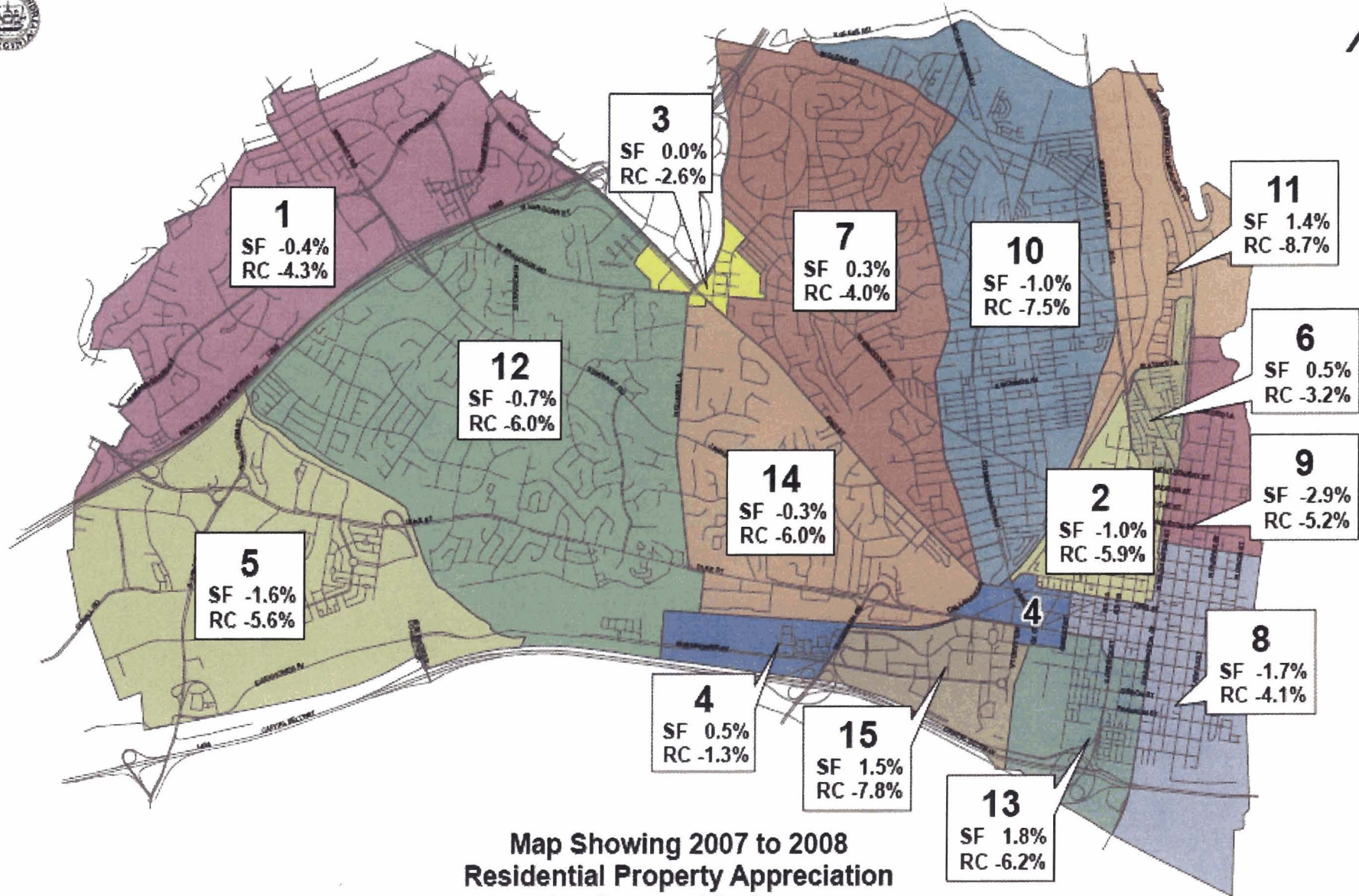
Average Residential Assessed Value





Percentage Change in Residential Assessed Value





Map Showing 2007 to 2008 Residential Property Appreciation by Geographic Area

City of Alexandria, Virginia
Department of Real Estate Assessments
February 2008
Map prepared by the GIS Section of
the Department of Planning and 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 2008 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 2008 COMMERCIAL PROPERTY

Commercial tax base increased 12.1%

Commercial properties increased 9.95% on average (Hotels 16.8%; office 13.5%)

New construction = \$276.2 million



CITY OF *Alexandria* VIRGINIA

REAL ESTATE ASSESSMENTS INFORMATION

ASSESSMENT INFORMATION AND APPEALS

Assessments mailed: February 12

Departmental Review: April 1

Board of Equalization: July 1

DREA Phone 703.838.4646

Web site: alexandriava.gov/realestate

11
2-12-08

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 12, 2008
TO: THE HONORABLE MAJOR AND MEMBERS OF CITY COUNCIL
THROUGH: JAMES K. HARTMANN, CITY MANAGER
FROM: CINDY SMITH-PAGE, DIRECTOR
DEPARTMENT OF REAL ESTATE ASSESSMENTS
SUBJECT: CY 2008 REAL PROPERTY ASSESSMENT INFORMATION

The Department of Real Estate Assessments has completed the annual assessment of all real property for tax year 2008, and assessment notices were mailed to property owners today. The following information is presented as an overview of real property assessment changes. A copy of Calendar Year (CY) 2008 Notice of Assessment and general information insert are included as Attachments 1 and 2.

Overall Changes in Real Property Tax Base

For CY 2008, the overall assessed value of real property, including both locally assessed real property and state assessed public service corporation properties increased 4.02 %, or \$1.37 billion from \$34.18 billion in CY 2007 to \$35.55 billion in CY 2008 (Attachment 3). Approximately 31.5% of this \$1.37 billion increase, or \$433.5 million, is the result of new construction, while the remaining 68.5%, or \$941 million, is the result of property appreciation. The overall increase for CY 2008 reflects the market slowdown in the residential sector during 2007, more than offset by the increases in the commercial market sectors.

For CY 2008 residential real property represents 56.65% of the total real property base, while commercial and State Corporation Commission property represent the remaining 43.35 percent. The residential percentage contribution was 59.01% in CY 2007. The residential percentage reached a peak of 61.8% of the real property tax base in 2006 after six consecutive years of increases. This year represents the second year of a decline in the residential percentage leading towards greater equilibrium in the tax base.

Changes in the Residential Real Property Tax Base

The overall value of the City's residential real property tax base decreased in CY 2008 by 1.12%, or \$228.6 million, from \$20.37 billion in CY 2007 to \$20.14 billion in CY 2008. Overall, residential depreciation totaled \$386 million, or -1.9 percent. The depreciation was partially offset by residential new construction which added \$157.36 million, or 0.77 percent, to the base, resulting in a decline in the total assessment change for residential property of slightly over 1%.

The average assessed value for an existing residential home (single-family and residential condominiums) decreased 1.98%, from \$508,743 in 2007 to \$498,670 in 2008.

- The average assessed value for a residential single-family home as of January 1, 2008, is \$656,984. This is a decrease of \$5,699, or 0.86% from the previous year.
- The average assessed value for an existing residential condominium as of January 1, 2008, is \$326,026. This is a decrease of \$14,685, or 4.31%, from 2007.

Attachments 4a and 4b chart a 21-year history of the average assessed values, and annual percentage rate increases for single-family homes and residential condominiums in the City. Attachment 4a traces residential assessments and their performance over time. Perhaps most revealing is the strength of the City's residential market during the runup from 2001 through 2006. Using average assessed values as of January 1 of each calendar year, single-family assessments increased at an average annual rate of 18% over this 5 year period, while condominium assessments increased at an annual average rate of 25% over the same period. During the last two assessment years, however, the residential market has been experiencing a sustained correction due to prices outpacing the ability to pay, supply and demand factors, and liquidity problems in the mortgage debt market. From 2006 to 2008, assessments have decreased 1.5% for single-family dwellings and 10% for condominiums over this 2 year period. Attachment 4b illustrates that the changes in condominium assessments, both increases and decreases, have been more pronounced over the last eight years when compared to single-family homes. The difference can be attributed to price, supply and demand factors, and the City's general demographic profile which is characterized by a high percentage of single person households.

Attachment 5 is a map of the City showing the appreciation and/or depreciation percentage changes from 2007 for both single-family homes and residential condominiums that occurred in the City's 15 Geographic Small Areas. These percentages reflect the compilation of the individual neighborhoods within each small area, and show no major differences in trends among the 15 areas.

Changes in the Commercial Real Property Tax Base

The overall value of the City's commercial real property tax base (Attachment 3) increased in 2008 by 12.08%, or \$1.57 billion, from \$12.95 billion in 2007 to \$14.52 billion in CY 2008. New construction accounted for \$276.2 million of this increase, while appreciation accounted for the balance of \$1.29 billion. Existing commercial properties, including multifamily rental increased 9.95% on average for 2008. Excluding the multifamily rental properties the remaining commercial properties appreciated on average 11.7%, from 2007 to 2008. Double digit percentage increases are reported for office, hotel/motels and warehouses. Appreciation reported for 2008 reflects a nominal decrease of 0.8% from the previous year. The value of new construction decreased 5.3% from \$291.7 million in 2007 to \$276.2 million in 2008. This was attributed to partially completed projects in 2007 reaching completion by the end of 2007, and fewer new construction starts as of January 1st.

Real Property Classifications

We have revised the 2008 Notices of Assessment mailed today to all property owners to reflect the residential classification and the commercial/industrial classification consistent with Section 58.1-3221.3 of the Code of Virginia. All properties will reflect the values as all residential, all commercial/industrial or a combination of the two classifications, for mixed-use properties. We will work with property owners to ensure that our classifications are correctly reflected. Additionally, our website has been revised to show the total assessment for each property. You may also view the values applied to each classification for individual properties.

Additional Information

We will have more detailed information regarding the performance of the real property market over the last 12 months in the City as part of the early FY 2009 budget materials. In the meantime, if you have any questions regarding the assessments, please give me a call. Attachment 2 is an insert to the 2008 assessment notice containing general information about assessment changes, as well as important web links for real estate data, review and appeal information, the City Manager's proposed budget and the City Council budget schedule.

Attachments

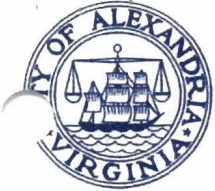
Attachment 1: Sample CY 2008 Notice of Assessment

Attachment 2: Insert of General Information sent with the CY 2008 Notices of Assessment

Attachment 3: CY 2008 Real Property Assessment Summary Including Appreciation and Growth

Attachment 4: (a) Average Single-Family and Residential Condominium Assessments CY 1988 to Present, and (b) Percentage Change in Single-Family and Residential Condominium Assessments 1988 to Present

Attachment 5: Map of Residential Single-Family and Residential Condominium CY 2008 Appreciation/Value Loss



CITY OF ALEXANDRIA
 DEPARTMENT OF REAL ESTATE ASSESSMENTS
 301 KING STREET, CITY HALL, ROOM 2600
 ALEXANDRIA, VIRGINIA 22314

NOTICE OF 2008 REAL ESTATE ASSESSMENT

THIS IS NOT YOUR TAX BILL

WEBSITE: alexandriava.gov/realestate

GENERAL INFORMATION: 703.838.4646

REVIEW & APPEAL FORMS: 703.838.4576

NAME OF
OWNER
GUARDIAN
OR
TRUSTEE

NOTICE OF ASSESSMENT CHANGE		MAP NO.	BLOCK	LOT	ACCOUNT NUMBER
2007 ASSESSED VALUE	2008 ASSESSED VALUE	LAND AREA			STUDY GROUP
		PROPERTY ADDRESS			

LEGAL DESCRIPTION

CLASSIFICATION OF 2008 REAL PROPERTY ASSESSMENT

	LAND	BUILDING	TOTAL
RESIDENTIAL USE			
COMMERCIAL / INDUSTRIAL USE			
2008 Total Assessment			

Dear Property Owner:

Your real property assessment has been revised as of January 1, 2008, to the assessed value indicated on this Notice. The total assessed values for 2007 and 2008 are reflected in the Notice of Assessment Change. By law, the assessed value is required to be 100% of the estimated fair market value as of January 1 of the tax year. For 2008, Section 58.1-3221.3 of the Code of Virginia established real property used for commercial and industrial uses, but not residential uses, as a separate class of property for real estate tax purposes. The commercial and residential assessments reflected on this Notice allocate the total assessed value for this parcel between property classifications.

Additionally, to ensure the accuracy and equity of assessments, property records have been updated to reflect any new buildings, additions, remodeling, land divisions, etc. If you no longer own the subject property, Section 58.1-3330 of the Code of Virginia requires that you forward this Notice to the owner immediately. If it would be more convenient, you may return the Notice to the Department of Real Estate Assessments.

The 2008 tax rate, which will apply to the 2008 assessed value, will be set by City Council on May 5, 2008. For information regarding the fiscal year (FY) 2009 Budget Process and related Public Hearings on the real estate tax rate, please refer to the section "Real Estate Taxes & Public Hearings" on the reverse side of this Notice.

Our office is committed to providing the best customer service possible and we welcome your comments.

Cynthia A. Smith-Page, ASA, Director
 Department of Real Estate Assessments

Contact our Office

Activity in the residential real estate market remains slow as compared to earlier years, and you are encouraged to review your assessment as soon as possible. City appraisers are available to discuss the assessed value of your property, describe the assessment process, and to explain the review and appeal procedures. You may visit our office in City Hall, 301 King Street, Room 2600, Alexandria, Virginia, on Monday through Friday, between 8:00 a.m. and 5:00 p.m. You may send correspondence to the Department of Real Estate Assessments, P.O. Box 178, Alexandria, Virginia 22313; e-mail us at realestate@alexandriava.gov; or telephone the Department at 703.838.4646. We also invite you to visit our website at www.alexandriava.gov/realestate to view real estate assessments, property information, and sales information.

We are continually striving to achieve the most accurate assessments based on the best data available. We encourage you to contact our office, if you believe that your assessed value above appears to be significantly different than you would anticipate as the fair market value of your property, or if you believe the classification of your property is inaccurate.

It is Important That You Review Your Assessment Immediately

If you feel your property is assessed above market value as of January 1, 2008, or that your assessment is not equitable with surrounding properties, or is otherwise erroneous, you may wish to have the Department of Real Estate Assessments review the assessment, or file an appeal with the Alexandria Board of Equalization.

Request for Departmental Review Must be Filed by April 1, 2008

To have the Department of Real Estate Assessments review the assessment, please file a *Request for Review of Real Estate Assessment* form no later than April 1. Property owners are encouraged to file a request for a review with the Department prior to filing an appeal, but this is not a requirement. Often differences may be resolved prior to the filing of an appeal.

Appeals to the Board of Equalization Must be Filed by July 1 for Assessments effective January 1, 2008

To file an appeal with the Board of Equalization you need to submit an *Appeal of Real Estate Assessment* form. Only those forms postmarked by the United States Postal Service on or before July 1 will be accepted. The five-member Board of Equalization is appointed by the Alexandria Circuit Court (three members) and City Council (two members). The City Council does not hear appeals of real estate assessments.

Requests for Forms and Additional Information

Please call 703.838.4646 for general information related to the review and appeal process, or 703.838.4576 to have forms sent to you. Forms may also be printed from the City's website at alexandriava.gov/realestate by clicking on Real Estate Assessment Review and Appeal. Please be advised that all data that supports a request for review or appeal must be submitted when the form is filed.

Tax Relief Programs

See the enclosed insert for details on all real estate tax relief programs.

Real Estate Taxes and Public Hearings

The 2008 tax rate which will apply to the 2008 assessed value on this Notice is scheduled to be set by City Council on May 5. Until the tax rate is established, the amount of taxes to be levied for the year cannot be determined. The City Manager will transmit the Proposed Fiscal Year (FY) 2009 Operating Budget to City Council on February 12, 2008. There will be a Public Hearing on the FY 2009 Proposed Operating Budget on April 14, 2008 starting at 4:00 p.m. in Council Chambers located at 301 King Street, Alexandria, VA. There will be a Public Hearing on the Effective Real Estate Tax Rate on April 22, at 7:00 p.m. during City Council's regular legislative meeting. Any additional public hearings, legislative meetings, or work sessions relating to the FY 2009 Operating Budget and the real estate tax rate will be posted on the City's website at www.alexandriava.gov. Real Estate taxes are billed by the Department of Finance in two installments due June 16 and November 17. **A pending review by the Department or appeal to the Board of Equalization does not change the due date for real estate taxes.**

Una traducción de este documento está disponible en nuestro sitio de la red: alexandriava.gov/realestate. También hay copias disponibles en nuestra oficina, 301 King Street, City Hall, oficina 2600.



CITY OF *Alexandria* VIRGINIA
REAL ESTATE ASSESSMENTS INFORMATION



Residential Market Declined Slightly and the Commercial Market Remained Strong

While some areas in the Washington, D.C. regional residential real estate market experienced substantial decline in value over the past year, residential values in the City of Alexandria were more stable and declined only slightly. Prices of homes remained strong due to the City's close-in location, as well as the City's being viewed as a desirable place to live, work and to visit. The commercial market in the City continued to show strength during 2007 in all property sectors. This positive commercial property valuation trend may change direction in 2008, depending on how the local economy weathers the influence of national economic pressures.

For calendar year 2008, the total real estate tax base increased by 4% over the previous year. The 2008 assessments for all property types are effective as of January 1, and reflect actual sales and other market activity that occurred throughout calendar year 2007. Overall, single-family and residential condominiums decreased in value on average 1.9%. Much of this decrease was attributable to residential condominiums, which declined an average of 4.3%, while single family dwellings decreased on average 1%. Commercial property including office buildings, multi-family apartments, hotels,

shopping centers, warehouses and vacant land increased 12%, including new growth of \$276 million. The largest increases in value were in office buildings, hotels, and multi-family apartments.

Notices of Assessment are sent annually to all property owners in the City of Alexandria. The enclosed notice is our appraisal of the fair market value of your property as of January 1, 2008. Please review this assessment carefully to ensure that your property data is correct, and further, that the assessed value is representative of comparable property sales in your neighborhood. To view the information used to assess your property, including the property sales in your market area, visit our web site at alexandriava.gov/realestate and click "Search Property & Sales Data."

As required by law, the City annually reassesses real property at 100% of fair market value. The enclosed Notice of Assessment is not a tax bill. After completion of the budget process, the real property tax rate will be set by the City Council on May 5, 2008 at the end of the City's FY 2009 budget process.

REAL ESTATE ASSESSMENTS

301 King Street, Room 2600
 Alexandria, VA 22314
 703.838.4646 voice
 703.706.3979 fax
 email: realestate@alexandriava.gov
 Monday - Friday, 8 a.m. - 5 p.m.
alexandriava.gov/realestate

REVIEW & APPEAL DEADLINES

*Request for Review
 of Assessment*
 April 1, 2008
*Appeal of Assessment to
 Board of Equalization*
 July 1, 2008

FY 2009 BUDGET PROCESS

Office of Management & Budget
 703.838.4780 voice
alexandriava.gov/budget
Budget Public Hearing
 Monday, April 14, 4 p.m., City Hall
*Effective Real Estate Tax Rate Public
 Hearing*
 Tuesday, April 22, 7 p.m., City Hall

Explanation of Property Classifications

In 2007, the General Assembly approved a number of new transportation funding options. This included granting Northern Virginia local governments the option to levy an add-on real estate tax of up to 25-cents per \$100 of assessed value on commercial and industrial properties, provided that any funds raised by this special levy are 100% dedicated to funding transportation projects including mass transit. The commercial and industrial property classification, under this new state law, includes office buildings, retail shops, restaurants, hotels, warehouses, industrial buildings, other general commercial properties, as well as property zoned to permit commercial or industrial uses. Residential uses such as single family homes, townhouses, condominiums, cooperatives and apartments were not included in this definition of commercial property, and would not be subject to this special levy. The classification breakdown for your property is noted on the enclosed notice of assessment. If you believe your property is incorrectly classified, please contact our office to request a review of your classification.

A decision on whether or not to levy this new add-on real estate tax on commercial and industrial properties for transportation purposes has not been made by the Alexandria City Council. This decision will be made in early May in conjunction with the City budget process, and will come after Council receives a report from a special study committee. Information on this add-on tax option can be found on the City web site at www.alexandriava.gov/budget.

2008 REAL ESTATE TAX RELIEF & ASSISTANCE PROGRAMS

Elderly or Disabled Persons

If you are at least 65 years of age, or permanently and totally disabled by November 15, 2008, you may qualify for a full or partial exemption and/or deferral from your 2008 real estate taxes. The following limits are currently in effect:

- To qualify for a full tax exemption in 2008, your household's gross combined income may not have exceeded \$40,000 in 2007.
- To qualify for a partial exemption equal to 50% of the taxes owed for the year, your household's gross combined income may not have exceeded \$55,000 in 2007.
- To qualify for a partial exemption equal to 25% of the taxes owed for the year, your household's gross combined income may not have exceeded \$72,000 in 2007.
- To qualify for a deferral of non-exempt taxes, your household's gross combined income may not have exceeded \$72,000 in 2007.
- Gross combined income includes the income of both spouses, and/or other owners living in the house, as well as the income of other relatives living in the house that exceeded \$10,000 in 2007.
- To qualify for any exemption or deferral, your household assets may not exceed \$540,000. This excludes the house and up to two acres of property on which the house is located.

Applications are available from the following agencies, or online at alexandriava.gov/finance.

Completed applications must be filed with the Tax Services Branch by April 15, 2008.

Department of Human Services/Office of Adult Services
2525 Mt. Vernon Avenue, Alexandria, VA 22301
703.838.0920

Senior Services of Alexandria
121 N. St. Asaph Street, Alexandria, VA 22314
703.838.4414

Department of Finance/Tax Services Branch
City Hall, Room 1700
301 King Street, Alexandria VA 22314
703.838.4572

Affordable Homeownership Preservation Grant Program (AHOP)

City Council established the Affordable Homeownership Preservation (AHOP) Grant Program to assist City homeowners in maintaining affordable homeownership. The application deadline for the 2008 AHOP Grant Program is September 2, 2008. If awarded, the grant amount is deducted from the second half real estate tax. The grant amounts, which vary based on income and eligibility criteria, will be determined in May 2008.

For additional information, or to add your name to the program mailing list for 2008, please contact:

Taxpayer Services
City Hall, Room 1700
301 King Street, Alexandria, VA 22314
703.838.4570

e-mail: taxrelief@alexandriava.gov or ahop@alexandriava.gov

City of Alexandria, Virginia
CY 2008 REAL PROPERTY ASSESSMENT SUMMARY INCLUDING APPRECIATION AND GROWTH
Comparison of 2007 Equalized Assessments (December 31, 2007) to January 1, 2008

Real Property Classification & (Parcel Count)		2007 Equalized Assessments	2008 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									
1	Residential Single Family								
2	Detached (9,122)	\$6,974,416,056	\$6,989,049,771	\$14,633,715	0.21%	\$22,872,868	0.33%	-\$8,239,153	-0.12%
3	Semi-Detached (5,463)	3,197,263,707	3,148,598,481	-48,665,226	-1.52%	5,793,603	0.18%	-54,458,829	-1.70%
4	Row House (6,342)	3,661,582,553	3,611,062,059	-50,520,494	-1.38%	5,730,594	0.16%	-56,251,088	-1.54%
5		-----	-----	-----	-----	-----	-----	-----	-----
6	Total Single Family (20,927)	\$13,833,262,316	\$13,748,710,311	-\$84,552,005	-0.61%	\$34,397,065	0.25%	-\$118,949,070	-0.86%
7									
8	Residential Condominium								
9	Garden (10,392)	\$3,341,757,101	\$3,239,681,405	-\$102,075,696	-3.05%	\$32,253,279	0.97%	-\$134,328,975	-4.02%
10	High-rise (7,837)	2,559,668,671	2,523,429,966	-36,238,705	-1.42%	84,639,375	3.31%	-120,878,080	-4.72%
11	Residential Cooperative (18)	21,354,800	21,302,200	-52,600	-0.25%	0	0.00%	-52,600	-0.25%
12	Townhouse (943)	489,087,791	472,025,841	-17,061,950	-3.49%	4,015,285	0.82%	-21,077,235	-4.31%
13		-----	-----	-----	-----	-----	-----	-----	-----
14	Total Residential Condominium (19,190)	\$6,411,868,363	\$6,256,439,412	-\$155,428,951	-2.42%	\$120,907,939	1.89%	-\$276,336,890	-4.31%
15									
16	Total Vacant Residential Land (724)	\$126,907,217	\$138,253,574	\$11,346,357	8.94%	\$2,055,785	1.62%	\$9,290,572	7.32%
17		-----	-----	-----	-----	-----	-----	-----	-----
18	Total Residential Real Property (40,841)	\$20,372,037,896	\$20,143,403,297	-\$228,634,599	-1.12%	\$157,360,789	0.77%	-\$385,995,388	-1.89%

City of Alexandria, Virginia
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3 Semi-Detached (5,463)	3,197,263,707	3,148,598,481	-48,665,226	-1.52%	5,793,603	0.18%	-54,458,829	-1.70%
4 Row House (6,342)	3,661,582,553	3,611,062,059	-50,520,494	-1.38%	5,730,594	0.16%	-56,251,088	-1.54%
5	-----	-----	-----	-----	-----	-----	-----	-----
6 Total Single Family (20,927)	\$13,833,262,316	\$13,748,710,311	-\$84,552,005	-0.61%	\$34,397,065	0.25%	-\$118,949,070	-0.86%
7								
8 Residential Condominium								
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11 Residential Cooperative (18)	21,354,800	21,302,200	-52,600	-0.25%	0	0.00%	-52,600	-0.25%
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16 Total Vacant Residential Land (724)	\$126,907,217	\$138,253,574	\$11,346,357	8.94%	\$2,055,785	1.62%	\$9,290,572	7.32%
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18 Total Residential Real Property (40,841)	\$20,372,037,896	\$20,143,403,297	-\$228,634,599	-1.12%	\$157,360,789	0.77%	-\$385,995,388	-1.89%

City of Alexandria, Virginia
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(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
43 Non-Locally Assessed Taxable Real Property								
44								
45 Assessed by State Corporation Commission (SCC)								
46 Gas & Pipeline Distribution Corporation	\$31,361,305	\$32,078,405	\$717,100	2.29%	\$0	0.00%	\$717,100	2.29%
47 Light & Power Corporation	533,685,645	546,916,872	13,231,227	2.48%	0	0.00%	13,231,227	2.48%
48 Telecommunication Company	127,929,859	136,073,048	8,143,189	6.37%	0	0.00%	8,143,189	6.37%
49 Water Corporation	38,923,866	43,834,643	4,910,777	12.62%	0	0.00%	4,910,777	12.62%
50								
51 Total SCC Assessed Property	\$731,900,675	\$758,902,968	\$27,002,293	3.69%	\$0	0.00%	\$27,002,293	3.69%
52								
53 Assessed by Virginia Department of Taxation (VDT)								
54 Interstate Pipeline Transmission	\$310,744	\$299,719	-\$11,025	-3.55%	\$0	0.00%	-\$11,025	-3.55%
55 Operating Railroad								
56 Richmond, Fredericksburg & Potomac Railway Co.	\$58,806,099	\$65,071,553	\$6,265,454	10.65%	\$0	0.00%	\$6,265,454	10.65%
57 Norfolk Southern Railway Co.	63,001,308	67,734,403	4,733,095	7.51%	0	0.00%	4,733,095	7.51%
58 CSX Transportation, Inc.	44,165	45,355	1,190	2.69%	0	0.00%	1,190	2.69%
59								
60 Total Operating Railroads	\$121,851,572	\$132,851,311	\$10,999,739	9.03%	\$0	0.00%	\$10,999,739	9.03%
61								
62 Total VDT Assessed Property	\$122,162,316	\$133,151,030	\$10,988,714	9.00%	\$0	0.00%	\$10,988,714	9.00%
63								
64 Total Non-Locally Assessed Taxable Real Property	\$854,062,991	\$892,053,998	\$37,991,007	4.45%	\$0	0.00%	\$37,991,007	4.45%
65								
66 Grand Total Taxable Real Property Assessments	\$34,180,411,185	\$35,554,958,198	\$1,374,547,013	4.02%	\$433,528,068	1.27%	\$941,018,945	2.75%

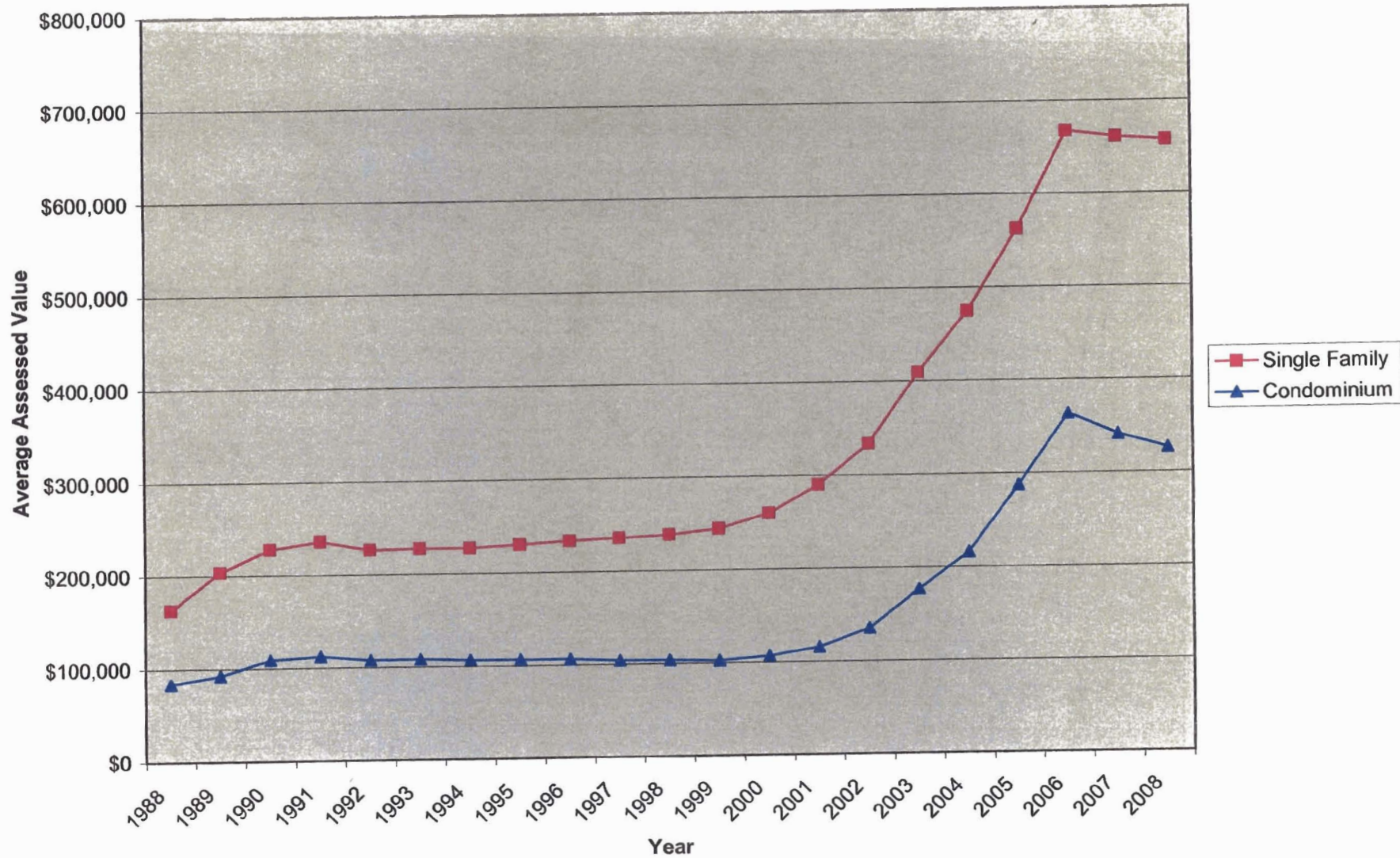
Department of Real Estate Assessments, February 6, 2008

City of Alexandria, Virginia
CY 2008 TAX EXEMPT REAL PROPERTY ASSESSMENT SUMMARY INCLUDING APPRECIATION AND GROWTH
 Comparison of 2007 Equalized Assessments (December 31, 2007) to January 1, 2008

Real Property Classification & (Parcel Count)	2007 Equalized Assessments	2008 Assessments	(\$ Amount of Change	% Change	New Growth (\$)	% New Growth	(\$ Amount of Appreciation	%
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
67 Tax Exempt Real Property								
68								
69 Governmental								
70 Federal (17)	\$514,567,607	\$574,638,875	\$60,071,268	11.67%	\$0	0.00%	\$60,071,268	11.67%
71 State (32)	245,847,197	261,005,080	15,157,883	6.17%	0	0.00%	15,157,883	6.17%
72 Regional (4)	37,480,842	40,142,970	2,662,128	7.10%	0	0.00%	2,662,128	7.10%
73 Local (485)	2,400,729,971	2,549,734,734	149,004,763	6.21%	5,047,583	0.21%	143,957,180	6.00%
74 WMATA (52)	303,412,648	325,871,539	22,458,891	7.40%	315,939	0.10%	22,142,952	7.30%
75	-----	-----	-----		-----		-----	
76 Total Governmental (590)	\$3,502,038,265	\$3,751,393,198	\$249,354,933	7.12%	\$5,363,522	0.15%	\$243,991,411	6.97%
77								
78 Non-Governmental								
79 Religious (197)	\$436,316,514	\$466,935,252	\$30,618,738	7.02%	\$0	0.00%	\$30,618,738	7.02%
80 Charitable (58)	265,750,797	276,617,858	10,867,061	4.09%	0	0.00%	10,867,061	4.09%
81 Educational (134)	371,440,631	392,371,136	20,930,505	5.63%	0	0.00%	20,930,505	5.63%
82	-----	-----	-----		-----		-----	
83 Total Non-Governmental (389)	\$1,073,507,942	\$1,135,924,246	\$62,416,304	5.81%	\$0	0.00%	\$62,416,304	5.81%
84	-----	-----	-----		-----		-----	
85 Total Tax-Exempt Real Property (979)	\$4,575,546,207	\$4,887,317,444	\$311,771,237	6.81%	\$5,363,522	0.12%	\$306,407,715	6.70%

Department of Real Estate Assessments, February 6, 2008
 cspage2 \ CY 2008 Assessment Summary 2.c

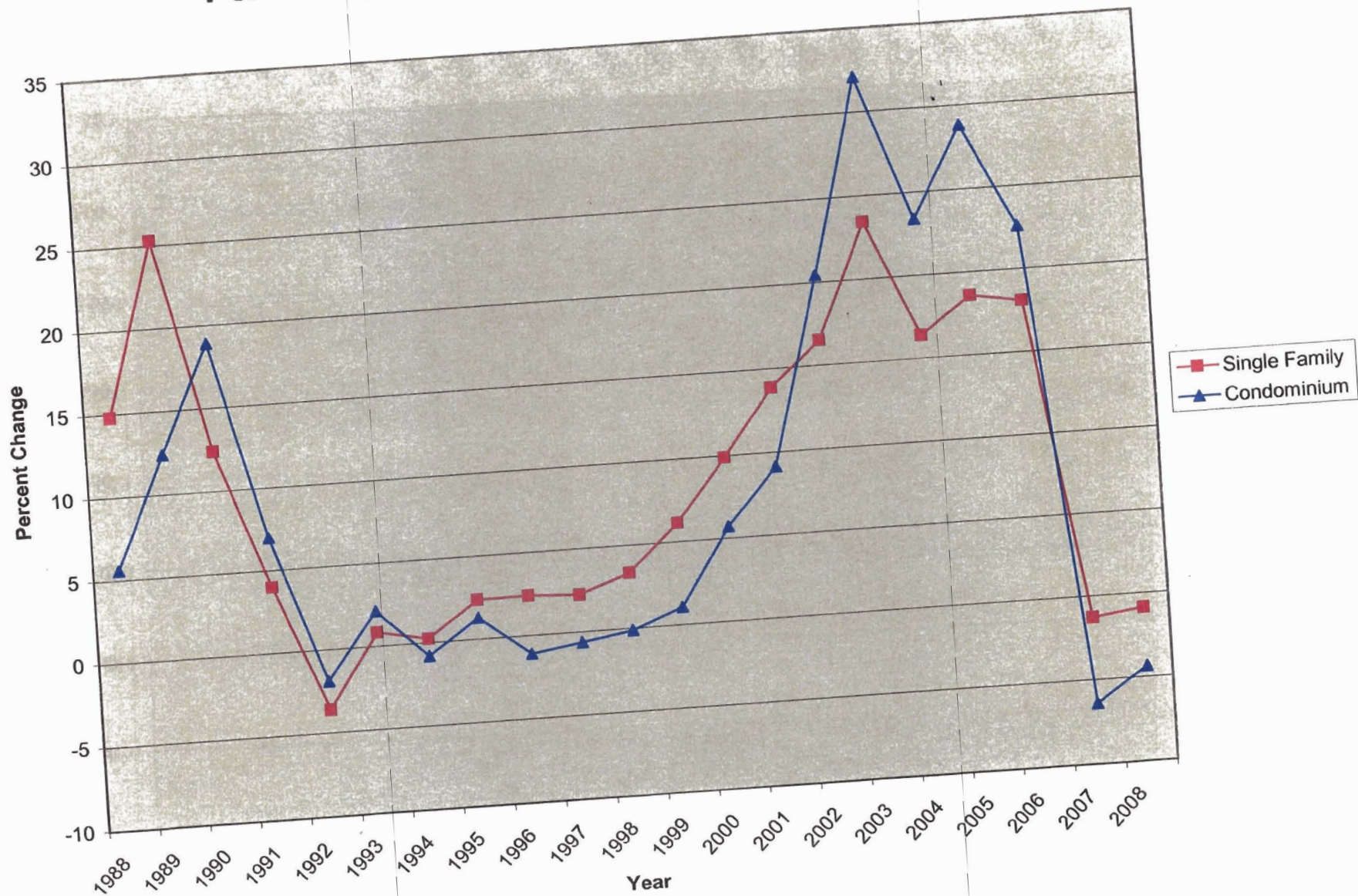
Average Residential Assessed Value



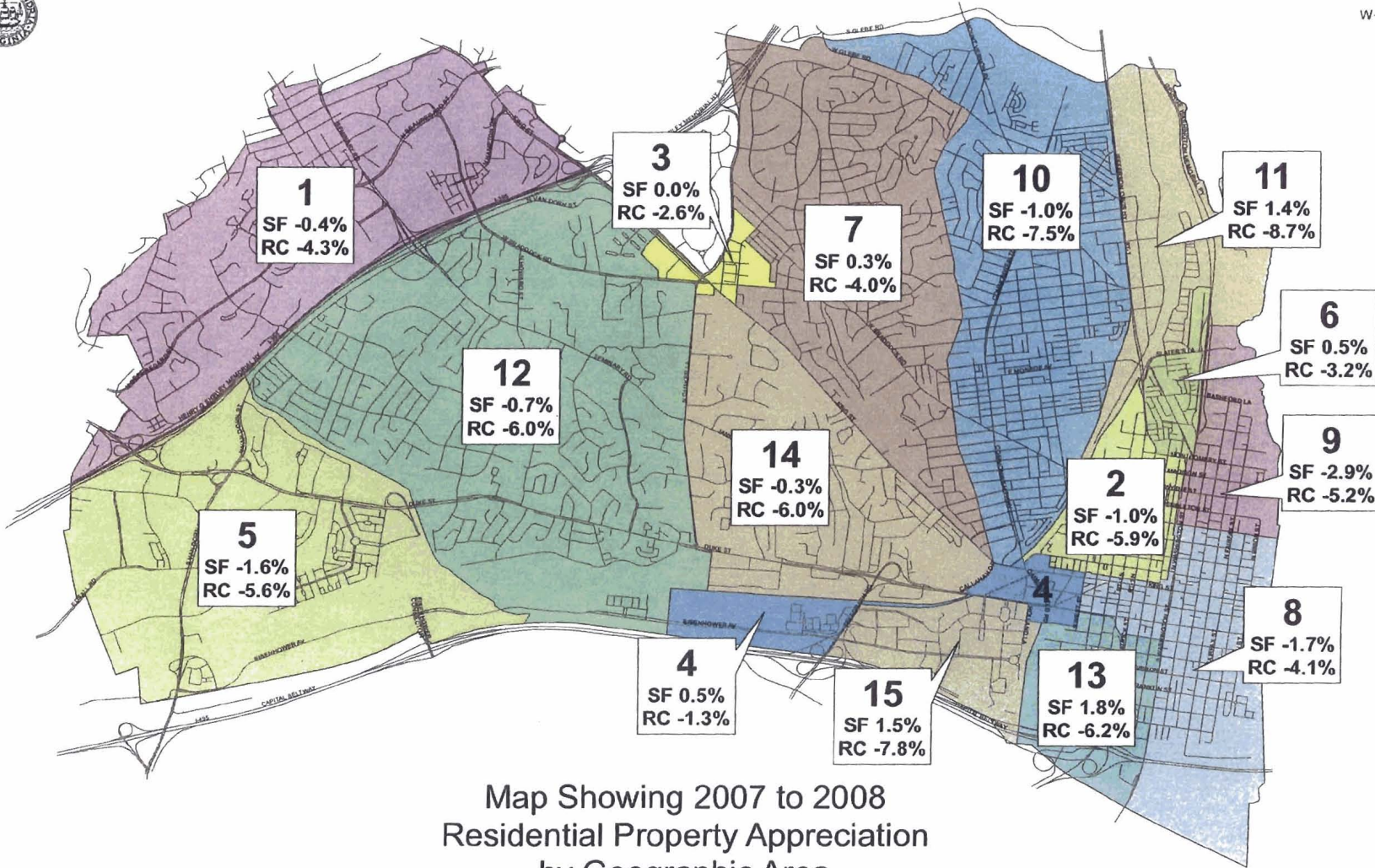
Source: Department of Real Estate Assessments, Last updated: January 31, 2008

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Percentage Change in Residential Assessed Value



Source: Department of Real Estate Assessments, Last updated: January 31, 2008
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**Map Showing 2007 to 2008
Residential Property Appreciation
by Geographic Area
City of Alexandria, Virginia**

LEGEND
SF - Single Family Residential
RC - Residential Condominium

Department of Real Estate Assessments
February 2008
Map prepared by the GIS Section of
the Department of Planning and Zoning

NOTES:
Numbers designate the geographic areas of the City that approximate the small areas developed for the Master Plan revision. The 2008 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.

11
2-12-08

City of Alexandria, Virginia

MEMORANDUM

DATE: FEBRUARY 12, 2008
TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: JAMES K. HARTMANN, CITY MANAGER
SUBJECT: BUDGET MEMO #2: CALENDAR YEAR 2008 REAL PROPERTY ASSESSMENT REPORT

ISSUE: The Calendar Year 2008 Real Property Assessment Report for the City of Alexandria.

RECOMMENDATION: That City Council receive this report showing 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 2007 to CY 2008 and historical statistics related to assessment appreciation, new construction, and residential sales activities. For valuation purposes, annual assessments have an effective date of January 1. Assessment reports typically represent data on a calendar year basis. Key changes in the assessed valuation of real property from CY 2007 to CY 2008 are summarized below.

OVERALL CHANGE IN CY 2008 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 4.02%, or \$1.37 billion from \$34.18 billion in CY 2007 to \$35.55 billion² in CY 2008 (Attachment 1, Page 3, Line 66, Column 4).

While the tax base change is positive, 4.02% is a slight decrease from CY 2007 when annual growth of 4.43% was reported, and represents the smallest gain in 10 years, since CY 1998 when the base increased 4.0%. Two consecutive years of single-digit growth represents a significant change from the preceding four years (2003 - 2006) when the real property tax base increased by an average of 19.98% per year. Refer to the table on the following page for a 10-year history of the City's property tax base.

¹Real 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.

²The 2008 valuation includes the 2007 value of state-assessed public service corporation property. This value is certified by the State Corporation Commission and Virginia Department of Taxation in September 2007.

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

CY	Percent Change	CY	Percent Change
1999	5.0%	2004	18.4%
2000	9.1%	2005	21.2%
2001	10.1%	2006	20.4%
2002	11.2%	2007	4.4%
2003	19.9%	2008	4.0%

Points of Interest Relating to CY 2008 Assessment Changes:

- ☞ Locally assessed real property assessments (which consisted of new construction and appreciation of existing property) increased 4.01%, or \$1.34 billion, from \$33.3 billion in 2007 to \$34.7 billion in 2008 (Attachment 1, Page 2, Line 42, Column 5).
- ☞ Residential property decreased 1.12%, or \$228.6 million, from \$20.37 billion in 2007 to \$20.14 billion in 2008 (Attachment 1, Page 1, Line 18, Column 5). The overall value of the City’s commercial real property tax base increased in 2008 by 12.08%, or \$1.56 billion, from \$12.95 billion in 2007 to \$14.52 billion in 2008 (Attachment 1, Page 2, Line 40, Column 5).
- ☞ State-assessed public service corporation property assessments increased 4.45%, or \$38 million, from \$854.1 million in 2007 to \$892.1 million in 2008 (Attachment 1, Page 3, Line 64, Column 5). The 2008 assessment is the value effective January 1, 2007, which is received in September 2007. These values are certified by the State Corporation Commission (SCC) and the Virginia Department of Taxation (VDoT) in late September of the effective year of the valuation. The City bills all non-locally assessed properties on a fiscal year basis which allows for accuracy in the budget and collection process.
- ☞ Tax exempt real property assessments increased from \$4.6 billion in 2007 to \$4.9 billion in 2008. This equates to an increase of 6.8%, or \$311.8 million (Attachment 1, Page 4, Line 85, Column 5).
- ☞ New construction added a total of \$433.5 million for CY 2008, or 31.5% of the total increase of \$1.37 billion. Residential construction accounted for \$157.3 million of the new growth, while the commercial sector accounted for the balance of \$276.2 million. In CY 2007, \$715.7 million in new residential and commercial growth was added to the City’s real property tax base in the form of new construction. Overall, \$1.15 billion in new construction has been added to the tax base over last two years. This equates to approximately 3.2% of the current total taxable base.

- ☛ Over the last five-year period, new construction (apart from its appreciation once completed) has added \$3.0 billion to the tax base, or 8.5% of the current total tax base.
- ☛ Based on data compiled by the Department of Planning and Zoning, a total of 2,940 residential units in 24 projects of all types were in the construction phase during CY 2007. Of these, 43.6% were designated for owner-occupancy, while the balance of 1,659 units were being constructed as rentals. Overall, 1,079 residential units of all types were completed in CY 2007. Of these, 377, or 35% were for owner-occupancy, while the balance of 702 were designated as rental units.
- ☛ Residential projects currently under construction and planned for completion during CY 2008 include: Potomac Greens (227 single-family attached), Cameron Station, Phase VI (97 single-family attached), Quaker Ridge (23 single-family attached), Gibbon Row/Old Club (4 single-family attached and 4 condominium), Beauregard Station (41 condominium townhouse), Abington Row (53 low-rise condominium flats), Clayborne Apartments (75 low-rise apartments), and Ellsworth Places (24 single-family attached)
- ☛ Of the \$1.37 billion increase in the tax base, \$941 million, or 68.5% of the total increase is the result of appreciation. This includes a reduction of \$386 million in the residential market, and appreciation of \$1.29 billion in the various commercial markets including \$246 million in multi-family property. The balance of \$37.99 million is accounted for in the non-locally assessed taxable real property.
- ☛ Real property classified as residential for assessment purposes for CY 2008 represents 56.65% of the total real property tax base, while property classified as commercial, and public service corporations, represents 43.35% of the base. Distribution of the City's real property tax base allocated between classifications³ of real property is shown in Table 2 at the top of the following page.

³ Historically, and consistent with the practice of other Northern Virginia jurisdictions, real property classified as residential property for assessment purposes includes single-family homes, residential condominiums and cooperatives, vacant residential land, but does not include multi-family apartments. Real property classified as commercial property for assessment purposes includes multi-family rental apartments, office, retail and service properties, vacant commercial and industrial land, and public service corporation properties assessed by the State. Classifications assigned to real property for assessment purposes concentrate on how a property is viewed from the perspective of informed buyers and sellers.

Table 2: Distribution of CY 2008 Real Property Assessments by Property Classification

Property Classification	Percentage	CY 2008 Assessments
Residential Single-Family	38.7%	\$13,748,710,311
Residential Condominium	17.6%	\$6,256,439,412
Residential Vacant Land	0.4%	\$138,253,574
Commercial Multi-Family Rental	12.4%	\$4,431,653,668
Commercial Office, Retail & Service	26.5%	\$9,419,337,508
Commercial & Industrial Vacant Land	1.9%	\$668,509,727
Public Service Corporation	2.5%	\$892,053,998
Total	100.00%	\$35,554,958,198

RESIDENTIAL PROPERTY

Points of Interest Relating to CY 2008 Residential Assessment Changes:

- ☞ The average assessed value for an existing residential property (consisting of single-family homes⁴, residential condominiums⁵, and cooperatives⁶) decreased 1.98%, from \$508,743 in 2007 to \$498,670 in 2008 (Attachment 1, Page 1, Lines 6 and 14, Column 3).
- ☞ The average assessed value for a residential single-family home as of January 1, 2008, decreased a nominal 0.86%, from \$662,683 in 2007 to \$656,984 in 2008.
- ☞ For 2008, 59% of all single-family homes decreased in value, 2% did not change, and 39% increased in value.
- ☞ The average assessed value for a residential condominium as of January 1, 2008, decreased 4.31%, from \$340,711 in 2007 to \$326,026 in 2008.

⁴Single-family homes include detached homes, semi-detached homes (duplexes and end town home units), and row houses (town homes that are generally interior units).

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

⁶Cooperative 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.

- ☞ For 2008, 83% of all residential condominiums decreased in value, 4% did not change, and 13% increased in value.
- ☞ The median assessment and the number of parcels by range of assessed value are shown in Table 3 below. The number of properties valued under \$250,000 grew from 4,728 in CY 2007 to 6,094 in CY 2008 reflecting a 28.9% increase. From 2006 to 2007, the number of properties under \$250,000 increased by 18.2%, reflecting an increase of 47% over the past 2 years. Likewise, the number of properties assessed over \$500,000 decreased from 15,690 in CY 2007 to 15,241 in CY 2008. This represented a decrease of 2.9%. For CY 2008, 38.2% of all improved residential properties are valued at \$500,000 or greater.

Table 3: CY 2008 Median Residential Assessments

Assessment Range	Number of Units	Total Assessments	Median Assessment
Less than \$100,000	10	\$717,432	\$79,687
\$100,000 - \$249,999	6,084	\$1,277,875,456	\$217,300
\$250,000 - \$499,999	18,523	\$6,727,176,684	\$355,000
\$500,000 - \$749,999	9,695	\$5,871,334,457	\$597,700
\$750,000 - \$999,999	3,637	\$3,106,065,963	\$844,500
\$1,000,000 - \$1,999,999	1,689	\$2,164,826,659	\$1,204,500
\$2,000,000 +	220	\$583,513,634	\$2,410,800

- ☞ The 2008 assessed value ranges for single-family homes and condominiums within each study group are included as Attachment 4 to this memo.
- ☞ The assessment/sales ratio for residential property (including single-family homes and condominium units) for CY 2007 was 98.11%, and for this same period the previous year the assessment sales ratio was 97.43%. This statistic is simply a measure of CY 2007 assessments (as of January 1, 2007) against subsequent CY 2007 sales. In a market that is characterized as stable or moderately declining, an AV/sales ratio of 98.11% would indicate that the days of pursuing escalating transaction prices are over for the foreseeable future. It should be noted that 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 at the top of the following page.

**Table 4: Residential Assessment/Sales Ratio Studies Summary
Results for Calendar Years 2000-2007**

Calendar Year	Units Sold	Total Sale Price	AV/Sales Ratio	Average Assessed Value % Change In Year After Study
2007	2,120	\$1,059,816,576	98.1%	N/A
2006	2,376	\$1,182,106,929	97.4%	-2.9%
2005	3,252	\$1,556,139,684	80.8%	19.5%
2004	3,746	\$1,476,487,148	78.9%	21.3%
2003	3,516	\$1,144,718,513	82.3%	16.9%
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%

- ☞ Residential Real Property Sales Statistics for 2005, 2006, and 2007 which reflect the dollar volume, the number of units sold, and the average sales price are included as Attachment 5. These statistics were compiled by the Department of Real Estate Assessments.

- ☞ According to a recent *Washington Post* article, the slump in home sales and prices is continuing to impact the entire metropolitan region. In fact, data indicated that every jurisdiction experienced a period during 2007 when prices were declining. The article cited statistics detailed within the *Case-Schiller Home Price Index* that indicated prices for single-family homes fell 7.7 percent during the third quarter of 2007 compared with the same period one-year earlier. The effects are worse in those jurisdictions located outside the Capital Beltway (I-495). In the Northern Virginia area these would include Stafford, Prince William, and Loudoun Counties which have a considerable amounts of vacant developable land that was the target of developers and homebuilders during the market expansion that occurred from 2001 through 2005. With the slowdown in the market, builders have been forced to discount their existing and near-term completion units to levels that effectively compete with the existing housing stocks. Unlike our more distant neighbors, prices in the City of Alexandria and Arlington County have reported price declines of 2 percent or less. This phenomenon illustrates the dramatic regional variations where some areas prosper while others struggle with precipitous declines. In general, jurisdictions located closest to the District, and without significant new competing “for sale” housing, will continue to command existing prices. According to data compiled by the Metropolitan Regional Information System (MRIS), median sale prices in December 2007 were up 3 percent in the District and 1.2 percent in the City of Alexandria compared to the same month in 2006. Refer to the table on the following page for a comparison of sales activity.

**Table 5: Market Characteristics for The City of Alexandria
December 2006 and 2007**

Category	2007	2006	% Change
Total Dollar Volume	\$74,066,577	\$100,090,331	-26.00%
Average Sold Price	\$510,804	\$505,507	+1.05%
Median Sold Price	\$440,000	\$435,000	+1.15%
Total Units Sold	145	198	-26.77%
Average Days on Market	92	81	+13.58%
Average List Price For Solds	\$548,710	\$543,169	+1.02%
Average Sale Prices As % Of List Price	93.09%	93.07%	N/A
Source: Metropolitan Regional Information Systems, Inc. - MLS Resale Data			

- ☛ In December 2007, the number of active listings in the City totaled 657. These had asking prices that ranged from \$129,900 to \$3,495,000, with an average of \$522,841. There were 93 units identified as being under contract with an average list price of \$531,982. Area Realtors project that the overhang inventory will be reduced during the course of 2008, and that home selection will subsequently become more limited, but that may not occur until early 2009.
- ☛ According to statistics compiled by the **George Mason University's Center for Regional Economic and Public Policy Analysis** the current prognosis for the region's housing market is "bleak to stable;" particularly for those jurisdictions located outside the Capital Beltway (I-495). The number of foreclosures and short sales are projected to increase as sub prime and a multitude of other creative loan instruments continue to cycle. With the number of days on the market increasing, bloated inventories will need to be substantially absorbed before any market correction is sustainable. There is currently a nine to ten month supply of homes available in the Northern Virginia area.
- ☛ According to Doug Duncan, Chief Economist of the Mortgage Bankers Association, there are currently good values in the market for residential condominiums, particularly those that target the entry level purchaser. Duncan indicates that mortgage loans above the \$417,000 conforming level, otherwise known as jumbo loans, will require greater rate spreads to offset market risk, and that underwriting practices will be more stringent. Currently, jumbo mortgages command a 100 basis point extra interest rate cost when compared to the \$417,000 conforming loan interest rates. However at the end of last week, Congress approved the economic stimulus measure that allows Fannie Mae and Freddie Mac to buy

loans worth as much as \$729,750 (made between July 31, 2007 and Dec. 31, 2008), a move that will help homeowners refinance large mortgages at a lower interest rate. Additionally, this measure also allows The Federal Housing Administration to insure loans as high as \$729,750.

Over the short-term, decreases in the Federal Reserve's discount rate will provide banks the opportunity to access credit, but will not necessarily impact long-term debt rates. Current projections are that the housing correction should bottom out during the third quarter of 2008 in the Northern Virginia area. New home cancellation rates have recently escalated to 38% in the region, and the builders will have to burn off any surplus inventory before any sustained improvement will be seen in this sector of the housing market. The positive news is that the condominium market appears to be at or approaching bottom.

Current statistics indicate that one out of four foreclosures nationwide involve an investor. Regionally, the greater risk for these types of properties exist in the outer suburbs, or those areas located outside of the Capital Beltway (I-495) which also experienced the highest rates of appreciation from 2003 through 2006. On a positive note, the sub prime market represents a small percentage of the total mortgage debt. The sub prime market in Northern Virginia only represents approximately 5.5 percent of all mortgage debt. Maryland and the District of Columbia are slightly higher at 7.1 percent and 5.9 percent, respectively. According to statistics compiled by *Delta Associates*, as of January 2008 there were approximately 136 homes in the City that were in foreclosure. Foreclosure activity in the City totaled 23 in 2006, and 140 in 2007. Job growth and low unemployment in the area will help preclude foreclosure rates increasing beyond current levels. Refer to the following table for the foreclosure activity in the City of Alexandria for 2006 and 2007 by land use.

**Table 6: Foreclosures In The City of Alexandria
By Property Type 2006 and 2007**

Property Type	Residential Condominium		Single-Family		Commercial		Vacant Land	
	2006	2007	2006	2007	2006	2007	2006	2007
1 st Qtr.	0	7	0	4	0	0	0	1
2 nd Qtr.	4	19	0	10	0	0	0	0
3 rd Qtr.	4	28	1	18	0	0	0	0
4 th Qtr.	13	29	0	24	1	0	0	0
Total	21	83	1	56	1	0	0	1
Source: Department of Real Estate Assessments								

- ☛ According to Dr. Stephen Fuller, 1st quarter 2008 housing activity is projected to be weak, but not negative, indicating slow growth for the year. Despite procurement and federal government contract out source spending expected to level off over the next four years, the federal government will remain the foundation as well as a primary source of economic stimulus (albeit at significantly slower growth rates) for the region. Consumer confidence will also play a large role in any market reversal. Notwithstanding the foregoing, the region's employment picture is still better than most being third in the nation in terms of new job creation. A regional unemployment rate of approximately 3 percent also compares favorably with the national average of 5 percent. The challenge over the long-term will be how to replace decreasing government spending with other businesses if current levels of reduced consumer spending are sustained. These considerations will ultimately have an impact on housing prices. Price and income will also play a large role relative to demand over the long-term. In other words, salaries associated with new jobs will have to be commensurate with price in order maintain overall affordability.

In conclusion, the single family market is in transition from the growth years (2002-2006) to the declining years (2006-2007), and it remains to be seen if the market will remain flat or continue to slowly decline (particularly if national trends go negative), or will it start to pick up again.

COMMERCIAL PROPERTY

Points of Interest Relating to CY 2008 Commercial Assessment Changes:

- ☛ The assessed value of existing locally-assessed commercial property existing on January 1, 2008, increased 12.08%, or \$1.57 billion. Appreciation accounted for 82.4% of the increase, or \$1.29 billion (Attachment 1, Page 2, Line 40, Column 8).
- ☛ New commercial construction added \$276.2 million, or 17.6% of the increase in the commercial tax base.
- ☛ According to the Fourth Quarter 2007 *Korpacz Real Estate Investor Survey*, a publication of PriceWaterhouseCoopers, property and geographical preferences among investors changed little in 2007. Despite the underlying fundamentals remaining sound in most of the commercial sector, turmoil in the capital markets has resulted in the pricing gaps between buyers and sellers. As a result, deals are in danger of unraveling, loan terms change on a daily basis, and offerings have been delayed until market conditions can stabilize. Just how far these conditions will extend into 2008 remains to be seen, but investors are predicting fewer transactions, more stringent underwriting standards, extended marketing periods, lower property values, and higher rates of capitalization. The impact on individual markets and specific property types will vary based on a region's underlying fundamentals and property characteristics. Secondary markets and those considered to be third tier will likely

experience declining values and higher capitalization rates compared to primary markets which are more dynamic and self-supporting. Commercial markets such as those that characterize the Washington metropolitan area are expected to experience mild adjustments. Notwithstanding, the real challenge for market participants in 2008 will be dealing with price corrections. After months of easy debt acquisition and compressed capitalization rates which emphasized upside potential, risk evaluation is once again playing a significant role in purchase decisions.

- ☛ Local economic indicators for all segments of the City's commercial real estate market continued to strengthen over the course of 2007. As a result, there were double-digit assessment increases in several classes of commercial property. The City's commercial real estate market is characterized by new development, redevelopment, and changes in use within older existing properties. In 2007, there generally was upward price pressure on existing commercial buildings due largely to a limited supply of properties that were marketed.

In conclusion, while 2008 commercial assessments reflect a strong 2007 market, the tightening credit mandates on real estate, like higher capitalization rates, higher office vacancy rates, a slowing regional economy, coupled with the extraordinary prices paid for commercial property over the last few years, points to the potential for flat or declining commercial property assessments for 2009.

Land Values

As unimproved land remains a scarce commodity, developers continued to purchase improved property for the purpose of redevelopment more commensurate with increased densities and recommendations detailed within the Small Area Plans.

Perhaps the most notable land sale in the City occurred in May 2007, when RP MRP Potomac Yard LLC (MRP Realty) purchased 13.279 acres (Land Bay G and Part of H) in the Town Center area of Potomac Yard for \$70,000,000. This equates to \$12.02 per square foot of land, or \$32.16 per FAR.

In November 2007, Carlyle Center LP (% Trammel-Crow Residential) purchased 2.8362 acres located on the east side of Hooffs Run Drive south of Eisenhower Avenue for \$18,000,000. This equates to a price of \$145.70 per square foot, \$131.36 per FAR, or \$64,286 per unit based on 280 multifamily units within two mid-rise buildings with structured parking.

In August 2007, WRIT-MBA LLC (Washington Real Estate Investment Trust) purchased 34,998 square feet of land located at the northwest quadrant of the intersection of Seminary Road and

Kenmore Avenue for \$3,750,000, or \$107.15 per square foot. Demolition of an existing restaurant and redevelopment with a 70,000 square-foot medical office building is currently proposed.

New and Proposed Construction Activity

There is a significant number of new construction projects currently under development, approved but not started, or in various stages in the approval process. A number of these developments are mixed-use projects which contain various combinations of office, retail, and residential. Some of the more significant new and proposed construction projects are summarized in Table 7 located below and on the following page.

Table 7: Selected New Construction and Approved Projects

Project Name Property Address	Map/Lot/Block	% Complete As of 1-1-08	Comments
Marriott Residence Inn 2345-2347 Mill Road	072-04-02-10	15%	180-room hotel containing 125,000 square feet. The building will be 15 stories with structured parking.
Clayborne Apartments WashREIT 801 S. Washington Street 800 S. Columbus Street	80.04-03-25	Shopping Center 100% Apartments 80%	75 multi-family rental apartment units and the renovation of an existing neighborhood shopping center.
Ellsworth Place a/k/a W. Glebe Townhouses 800-910 W. Glebe Road	006.01-02-02	Townhouse Units 17% Site Development 100%	24 single-family townhouse units. Home construction is in progress.
Abington Row a/k/a Postmasters 1023 N. Royal Street	055.01-03-18	80%	53 residential condominium units.
Beauregard Station 520 Armistead Street	037.02-01-16	Townhouse Units 15% Site Development 100%	41 townhouse condominium units.
Mill Race Office Building 2201 Eisenhower Avenue	072.04-03-20	70%	High-rise office building containing a gross floor area of 262,108 square feet and a net floor area of 227,479 square feet.

Table 7: Selected New Construction and Approved Projects (Continued)

Project Name Address	Map/Lot/Block	% Complete As of 1-1-08	Comments
Carlyle, Block J 2050 Ballenger Avenue	073.03-02-17	Excavation In Progress	This building will contain 52,037 square feet of office space and 16,319 square feet of street level retail.
Carlyle, Block K 1900 Ballenger Avenue	073.03-02-22	Excavation In Progress	This building will contain 52,037 square feet of office space and 16,319 square feet of street level retail.
Eisenhower Avenue III 2320 Mill Road	073.03-01-07	40%	This building will contain 98,618 square feet of gross floor area and 5,812 square feet of street level retail.
DSF/Long King Street 1514-1520 King Street	063.04-09-21	Excavation IN Progress Facade Stabilized	107-room hotel containing 121,670 square feet. The building will be 6 stories with structured parking.
Alexan a/k/a Carlyle Center 310 Hoofs Run Drive	079.02-01-11	Site Demolition Complete	280 multifamily rental apartments within two, 5-story buildings containing a gross floor area of 293,944 square feet
Fannon Oil Site 1300 Duke Street	074.01-13- 1 thru 4 074.03-01-01 & 02	Site Demolition Complete	58 residential condominium flats (40)and townhouses (18).
Potomac Yard, Land Bay H 2501 Jefferson Davis Hwy	025.03-03-01 & 04	Land Bay Condition Site Infrastructure Work Only	103 fee single-family townhouses, 113 low-rise condo flats, 51,616 square feet of office, and 4,851 square feet of street level retail.
Mount Vernon Commons 3105 Mt. Vernon Avenue	015.04-07-01 & 02 024.02-02-03 - 10	Work Has Not Been Started.	141multifamily rental apartments within 3 and 4 story low-rise buildings.
Carlyle, Block O 601 Holland Lane	073.04-01-03	Land Bay Condition With Off-Site Infrastructure	332 rental apartment units and 5,946 square feet of retail within mid- and high-rise buildings.
Victory Center 5001 Eisenhower Avenue	068.04-01-05	Existing Building Striped Down To Structural Shell	Completely renovated office building containing 532,903 square feet of gross floor area.
Carlyle, Block P Carlyle Plaza 1800 Eisenhower Avenue	079.01-01-14	Land Bay Condition With Off-Site Infrastructure	Office building containing a gross floor area of 364,761 square feet, and 29,724 square feet of street level retail.
Source: Department of Planning and Zoning, Development Activity in Alexandria, Fourth Quarter 2007			

Office Market Overview

This property class is segmented by size and includes both large office buildings and junior office buildings. The base for this property type increased 15.4%, or approximately \$708.9 million, from \$4.6 billion in CY 2007 to \$5.3 billion for CY 2008 (Attachment 1, Page 2, Line 30, Column 5). Of this, 87.8%, or \$622.2 million is attributable to appreciation, while the balance of \$86.8 million, or 12.2% is derived from new growth. Overall, office building construction contributed 20% of the new growth for 2008.

Despite general stability in the Northern Virginia office market during 2007, changing economic conditions have begun to impact some of the region's submarkets going into 2008. Dominated by pre-leased deliveries, absorption in 2007 was below average and vacancy rates began inching upward. Even in the face of these negative indices, rents increased at a modest rate as construction starts slowed in an effort to absorb overhang inventory. It only stands to reason that the residual speculative space is likely to push overall vacancy rates upward over the near-term. With construction costs increasing, the development of new office space has become an expensive venture requiring full service rents in excess of \$40 per square-foot. Given market conditions which are pointing to a moderate decline, new development should drop off as it becomes more difficult to command threshold rents.

According to statistics compiled by *Delta Associates*, rental rates grew at a 0.7% rate in Northern Virginia during 2007. This compares to a growth rate of 3.7% during 2006. It should be noted, however, that several submarkets outperformed others. Better performing submarkets included the Old Town Submarket where office rents increased 2.2% during the period from December 2006 to December 2007. Current projections are that rents should increase 1% to 2% in 2008 in the Northern Virginia submarkets located inside the Capital Beltway (I-495), and decrease in those submarkets outside.

According to a report prepared by *Delta Associates*, the overall office vacancy rate in Northern Virginia stood at 10.3% by the end of the 3rd quarter 2007. This was an increase of 0.4% from the previous quarter, and an increase of 1.2% from the previous year. The overall office vacancy rate is expected to increase to 11.1% by the end of 2009, with supply outpacing demand by approximately 2.3 million square feet over the next two years despite continued job growth. Even though most investors have lowered value and appreciation expectations, many still desire office building assets given their proven ability to weather market downturns.

According to data compiled by the Fourth Quarter 2007 *Korpacz Real Estate Investor Survey*, overall capitalization rates in the Northern Virginia office market ranged from 5% to 9% with an average of 6.83%. This represents a decrease of 16 basis points from the same period one year earlier when the average rate was 6.99%. Changes in market rents increased from 0% to 4% with an average of 2.94%. Corresponding expenses grew between 3% and 3.5% with an average of 3.06%. Based on data averages, capitalization rates generally continued to compress even when operating expense increases offset any potential gains from higher rents.

According to *CoStar* statistics, the City has an existing industrial inventory slightly in excess of 19 million square feet with a corresponding vacancy rate, depending on the data source and sample size, ranging between 5.5% and 6.5%. Full service office space rents range from \$15.00 per square-foot to \$46.00 per square-foot with an average \$30.90 per square-foot. Office building sales that occurred in 2007 are summarized in Table 8 below.

Table 8: 2007 Office Building Sales

Property Location	Sale Date	Bldg. Size In Sq.Ft. Net Leaseable Area	Consideration	Price/Sq.Ft. of NLA
3101 Park Center Drive	9-18-2007	218,943	\$73,000,000	\$333.42
2000 Duke Street	6-13-2007	149,665	\$87,000,000*	\$581.30
1725 Duke Street	6-14-2007	146,693	\$80,540,000*	\$549.04
1940 Duke Street	6-13-2007	205,300	\$130,000,000*	\$633.22
1555 King Street	7-18-2007	28,519	\$11,600,000	\$406.75
* Trophy Class Investment Grade Property				

Multi-Family Apartment Market Overview

The multi-family (rental) property base increased 9% for CY 2008 (Attachment 1, Page 2, Line 26, Column 5) to \$4.4 billion. This was significantly less than CY 2007 when this class increased 22% over the previous year. Overall, there is a \$367.8 million increase for CY 2008, of which, 66.9% (\$246 million) is attributable to appreciation. The balance of \$121.8 million was new growth.

Notwithstanding the impact of the shadow market (condominium conversions to rental and single-family homes), investors still favor the rental apartment market as the sector can provide competitive long-term returns. As indicated by *Emerging Trends in Real Estate 2008*, apartment demand is projected to increase due an influx of young adult professionals, immigrants, prospective future home buyers, and “mortgage market compromised homeowners.”

Overall, the Washington metropolitan area continues to be one of the top apartment markets due to continued employment growth and a highly transient workforce. Additional support is provided by a poorly performing condominium sector where potential purchasers are waiting out the market. In 2007, however, the market was impacted by the introduction of single-family rentals, condominium project reversions, additional pipeline development, and moderating job growth.

According to statistics compiled by *Delta Associates* the 36-month Northern Virginia pipeline has the potential of delivering 17,120 units. Therefore, if developed, it stands to reason that the area supply will exceed projected demand over the next 24 months and vacancy rates will increase. The affects were illustrated using historical data collected over the last 21 months where as inventory increased rent growth either slowed or decreased.

According to the Fourth Quarter 2007 *Korpacz Real Estate Investor Survey*, overall multi-family capitalization rates ranged from 3.5% to 8% with an average of 5.75%. Changes in market rents increased from 0% to 8% with an average of 3.54%. Corresponding expenses grew between 2% and 3.75% with an average of 2.91%. Based on this data, operating expense increases significantly offset any potential gains from increased rents.

The shadow market phenomenon is considered to be short-term by many analysts, and will last only as long as the current housing market remains cool. In the event of a sustained correction, apartment seekers may possibly see lower rents. A summary of the projects in the City that initially were started as condominium or condominium conversions, but switched to rental is presented in Table 9 below.

Table 9: Condominiums That Switched to Rental Projects

Project Name	Location	Project Type	Number of Units
Halstead Tower at Park Center (New Construction)	4380 King Street	High-Rise	173
Mill Race (New Construction)	2251 Eisenhower Avenue	High-Rise	326
Tuscany at Landmark (New Construction)	240 Yoakum Parkway	Mid-Rise	104
The Monarch (New Construction)	500 N Henry Street	Mid-Rise	168
Park Center II (Apartment Conversion)	2701 Park Center Drive	High-Rise (540) & Townhouse (34)	574

Selected 2007 multi-family apartment project sales where the intent was to remain as rental are summarized in Table 10 at the top of the following page.

Table 10: 2008 Multi-Family Rental Apartment Sales

Property Location Project Name	Sale Date	Number of Units	Consideration	Price/Unit
Kingsport Apartments 3800 Florence Drive	7-31-2007	416	\$64,000,000	\$153, 846
Hampton Court Apartments 435 N Armistead Street	12-19-2007	307	\$38,000,000	\$123,778
250 S Whiting Street Foxwood Place	7-23-2007	228	\$35,100,000	\$153,947
Halstead Towers* 4380 King Street	1-18-2007	173	\$76,000,000	\$439,306
Northampton II 4390 King Street	7-6-2007	275	\$97,500,000	\$354,545
* Originally developed a condominiums and subsequently converted to rental.				

Warehouse Market Overview

The City’s warehouse properties are in low supply (176 parcels), and demand continues by many users to occupy the limited amount of space. The industrial warehouse property tax base increased 10.3% for CY 2008 (Attachment 1, Page 2, Line 33, Column 5) to \$786.4 million. This is consistent with CY 2007 with the industrial based increased 9.8%, or \$65 million, to \$726.8 million. Of the total CY 2008 increase, 94.6% was attributable to appreciation. There is no new industrial development taking place in the City. As commercial land in the City becomes more scarce, market evidence suggests that large warehouse properties will continue to sell for the purposes of redevelopment. Current uses, however, will be retained on an interim basis pending approvals necessary to redevelop with alternative uses at greater densities.

According to the Fourth Quarter 2007 *Korpacz Real Estate Investor Survey*, overall industrial capitalization rates ranged from 5% to 8% with an average of 6.48%. Changes in market rent increased from 0% to 10% with an average of 3.23%. Corresponding expenses grew between 2% and 3.5% with an average of 3%.

Developers are building warehouse and distribution type buildings in Northern Virginia. This is in direct response to a growing number of tenants that require these type of facilities. However, given current land prices none of this activity is occurring within the City limits. In Northern Virginia, industrial development is mostly being pushed out to the Dulles Corridor in eastern Loudoun County and along the Route 234 Bypass off of Interstate 66 in western Prince William County.

According to *CoStar* statistics, the City has an existing industrial inventory slightly in excess of 6 million square feet with a corresponding vacancy rate, depending on the data source and sample size, ranging between 5% and 6%. Triple net asking rents for industrial space range from \$7.95 per square-foot for larger space increments to \$16.50 per square-foot for smaller spaces with a higher percentage of finish. The average was \$10.08 per square-foot. The most recent improved industrial property sales in the City are summarized in Table 11 below.

Table 11: 2007 Industrial Building Sales

Property Location	Sale Date	Bldg. Size In Sq.Ft. Gross Floor Area	Consideration	Price/Sq.Ft. of GFA
430-450 S Pickett Street	1-8-2007	181,166	\$23,000,000	\$126.96
725 S Pickett Street	2-28-2007	54,000	\$6,500,000	\$120.37
801 S Pickett Street	4-3-2007	43,400	\$5,875,000	\$135.37
631-641 S Pickett Street	1-8-2007	144,626	\$18,000,000	\$124.46
3025 Colvin Street	10-10-2007	6,350	\$1,500,000	\$236.22
100 Telegraph Road*	6-6-2007	110,443	\$14,850,000	\$134.46
* Multi-story mini-warehouse building.				

Hotel Market Overview

The base for this property type increased 17.8%, or approximately \$137.6 million, from \$772 million in CY 2007 to \$909.6 million for CY 2008 (Attachment 1, Page 2, Line 34, Column 5). Of this, 94.2%, or \$129.7 million is attributable to appreciation, while the balance of \$7.9 million is derived from new growth. The CY 2007 percentage increase is less than those in CY 2007 and CY 2006 when the hotel tax base increased 27.4% and 30.2%, respectively.

The hotel market has improved over the last several years, as a result of improving average daily room rates (ADR's) and somewhat increasing occupancy levels. According to a February 2, 2007, article in the *Washington Post*, money is pouring into the hotel sector, particularly for existing facilities. In the top markets, this is being attributed to high land costs and increasing construction costs that make the acquisition of existing buildings approximately 70% of what would be incurred to construct new. That would indicate that the introduction of additional rooms is unlikely at a time characterized by sustained demand and when room rates have been increasing at double-digit increments over the last several years. The economic hotel cycle, however, is demonstrating signs of reaching its peak with rooms rates beginning to flatten and record amounts of new construction in the pipeline. Analysts still project that approximately two years remain in the cycle.

According to the Third Quarter 2007 *Korpacz Real Estate Investor Survey*, average capitalization rates for this sector, depending on the type of facility (full service, economy, luxury upscale or extended stay), ranged from 8.3% for full service to 10.75% for extended stay. The overall range of rates (low to high) was 4% for luxury upscale to 14% for economy. Average daily rate changes also exceeded expense increases by an average of 1.3%. The overall range of the differential (low to high) was 0.5% for extended stay to 2.1% for luxury upscale.

Unlike trends in other sectors, two economic indicators for hotels in the City have generally been improving over time. Refer to Table 12 below detail these measures over a five-year period.

Table 12: Average Occupancy and Daily Room Rates FY 2004 - FY 2007

Measure	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Average Occupancy	64.6%	67.7%	71.9%	71.1%	66.7%
Average Daily Room Rate	\$99.64	\$101.92	\$107.86	\$117.56	\$126.52
Source: Alexandria Convention and Visitors Association FY 2004 - FY 2008					

During the 5-year period, the average occupancy rate increased 2.1% despite several new hotels coming on-line over the period. Also during this period, the average daily room rate increased 27%. New hotel construction in the City includes the Westin in Carlyle which is a 312 room full service facility completed in 2007, and the 180-room Marriott Residence Inn located at 2345 Mill Road. Recent hotel sales in the City are summarized in Table 13 below.

Table 13: 2007 Hotel Property Sales

Name Property Location	Sale Date	No. of Rooms	Consideration	Price/Room
Marriott Duke Street 1460 Duke Street	4-25-2007	240	\$79,100,000	\$329,583
Sheraton 801 N. St. Asaph Street	6-7-2007	247	\$69,000,000	\$279,352
Crown Plaza 901 N. Fairfax Street	5-10-2007	253	\$56,440,000	\$223,083
Holiday Inn North Old Town 515 First Street	5-10-2007	178	\$37,460,000	\$210,449
Comfort Inn 6254 Duke Street	4-4-2007	150	\$13,667,300	\$91,115
Days Inn 110 Bragg Street	4-4-2007	200	\$11,320,400	\$56,602

Shopping Center Market Overview

Although the Landmark Mall has continued to struggle, the performances of the City's 28 neighborhood centers and the Potomac Yard Power Center (as it heads towards total redevelopment of its 55 acres) continued to be strong with high occupancies and stable operating positions. The base for this property type increased 5.62%, or approximately \$30.7 million, from \$546.8 million in CY 2007 to \$577.5 million for CY 2008 (Attachment 1, Page 2, Line 32, Column 5). All of the increase was attributable to appreciation. Based on data compiled by the Department of Finance and the Virginia Department of Taxation, retail 3rd quarter 2007 gross retail receipts totaled \$608,212,627. This was a 2.7% decrease from the previous quarter, and a decrease of 3.3% from the same period in 2006. Reduced consumer spending due to uncertainties about the overall economy may impact future shopping center vacancy rates.

According to the Fourth Quarter 2007 *Korpacz Real Estate Investor Survey*, capitalization rates for this property type ranged from 5.8 to 9% with an average of 7.24%. During all of 2007, capitalization rates for this asset class ranged from 5.7% to 9% with an average of 7.29%. Changes in market rent increased from 1.2% to 3.9% with an average of 2.86%. Corresponding expenses grew between 3% and 4% with an average of 3.10%. Based on this data, operating expense increases offset any potential gains from increased rents.

Nationally, a decrease in consumer spending and an increase in vacancy rates is making investors cautious. According to *Emerging Trends in Real Estate 2008*, centers of interest will be those in desirable infill locations with demographic characteristics that include high disposable incomes and high income earners. Above average incomes of Washington metro area residents are more than adequate to support most types of retail development. According to statistics compiled by *Delta Associates*, the average household income in the metro area is projected to be \$110,300 by 2012. This compares to the projected national average of \$73,700. Over the period from 2000 to 2007, average household income increased 36.9%, while individual income increased by 21.8%. Due to the area's low unemployment rate, companies have used high salaries as a lure to attract qualified individuals. As of 3rd quarter 2007, the City's unemployment rate stood at 2.1%, which compared favorably with Virginia's 2.8%, and the nation's 4.5%. Despite much more moderate growth, the Washington metro area economy is projected to remain healthy in 2008 with improvement expected over the next two years compared to 2007. As of year-end 2007, grocery store anchored centers in the City had an average vacancy rate of 2.8%

The general strength of the retail sector in Alexandria is the city's high household incomes, and the lack of a contemporary regional shopping mall filled with name national retailers, all point to the viability of a totally redeveloped Landmark mall site. Once Sears and Macy's both agree to the redevelopment, the owner of Landmark Mall (General Growth Properties, the second largest mall owner in the United States) will proceed with redevelopment.

The most recent shopping center sale in the City is summarized in Table 14 below.

Table 14: 2007 Shopping Center Sales

Center Name Property Location	Sale Date	Bldg. Size In Sq.Ft. Leasable Floor Area	Consideration	Price/Sq.Ft. of LFA
Van Dorn Plaza* 201 S Van Dorn Street	1-10-2007	127,764	\$30,214,000	\$236.48
* A representative of the grantee indicated that the property was purchased for redevelopment with a mixed-use project in 5 to 7 years, and that the existing rents are adequate to carry the property during the interim period.				

General Commercial Overview

General Commercial properties typically contain uses such as small retailers, repair and service establishments, restaurants, and financial institutions. This property type is broadly defined as commercial properties that contain less than 12,000 square feet of space. The market for smaller, leased and owner-occupied commercial space continued to be very strong as reflected in the sales prices for these types of properties. With the exception of service station and repair garage facilities, the range of sale prices in 2007 were for the most part similar to those reported the previous year. These properties also have the highest percentage of owner-occupied properties of all the commercial use groups. Typical purchasers of these properties are motivated by such considerations as expense stabilization, tax benefits, and security of occupancy.

The base for this property type increased 7.5%, or approximately \$100 million, from \$1.3 billion in CY 2006 to \$1.4 billion for CY 2007 (Attachment 1, Page 2, Line 29, Column 5). Of the total increase, 94.4%, or \$94.4 million is attributable to appreciation, while the balance of \$5.6 million is derived from new growth. During CY 2007, we continued to see steady increases in rental rates. Smaller properties (less than 3,000 square feet GFA) are typically purchased by owner-occupants at price levels that are somewhat higher than what an investor seeking a competitive rate of return would consider.

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. 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. Notwithstanding the relative difference, mass appraisal builds on the same principles as single-property appraisal.

The CY 2008 real property assessments are the result of measuring market indicators from arms's length transactions, property income and expense information, 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 2008, 43,532 local taxable properties were assessed. Also assessed on an annual basis are 971 tax exempt parcels. Assessment notices were mailed to property owners today, and assessment information is now available on the city's web site in conjunction with the City Council presentation. Information about the forms needed for the review and appeal process, the 2008 assessments for all locally assessed properties, general assessment data, and recent sales used to determine individual assessment is also available.

The 2008 assessment 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. In 2007, the number of requests for assessment reviews filed with DREA and appeals to the Board represented 1.07% (460) and 0.54% (234), respectively, of the 42,988 locally assessed properties in the City.

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ATTACHMENTS:

- Attachment 1: CY 2008 Real Property Assessment Summary Including Appreciation and New Growth
- Attachment 2: Map Showing 2007 to 2008 Residential Property Appreciation by Geographic Area
- Attachment 3: CY 2008 Median Assessments for Single Family Homes and Residential Condominiums (by value ranges and small area plan)
- Attachment 4: CY 2008 Average Real Property Assessments for Single Family Homes and Residential Condominiums by Geographical Area
- Attachment 5: Residential Sales Statistics (January 2005 through December 2007) Prepared by the Department of Real Estate Assessments
- Attachment 6: Map of 2007 Foreclosed Properties
- Attachment 7: "Region's Home Prices Continue To Fall: Some Pockets Thrive," The Washington Post, January 20, 2008
- Attachment 8: "How Low Will It Go? Well, Where Do You Live," The Washington Post, July 7, 2007
- Attachment 9: "2008 Will See Further Correction In Housing Market," The Alexandria Times, January 17-24, 2008
- Attachment 10: "Local Home Foreclosures On The Rise," The Washington Post, December 10, 2007
- Attachment 11: "Brokers Fell Sting Of Low Absorption," Washington Business Journal, July 6-12, 2007