

Office, Industrial & Retail Land Use Trend Reports Policy Plan Committee

December 5, 2024



PLANNING & DEVELOPMENT



Policy Plan Amendment Agenda

- 1 Introduction
- 2 Office
- 3 Industrial
- 4 Retail
- 5 Questions and Discussion



Introduction

2023 State of the Plan (SOTP)



Key Takeaways: The overriding themes among Plan amendments is increased flexibility due to changes in market and economic forces; focus on transit and multi-modal options; and options for a variety of residential and residential mixed-uses.

The SOTP described several notable conversions of commercial uses to residential, mainly office and retail to residential.

Introduction

Goal of the Papers



To review office, industrial, and retail land use trends to determine whether, considering projected demand, if land planned, zoned, and used for office, industrial, and retail should be retained or converted to other uses.

Office Land Use Trends

Clarion Report 2024

Fairfax County Planning & Development

Office

Trends in Office NATIONALLY



Lingering Impact of Covid-19

- The national office vacancy rate reached its highest level in 30 years.
- Triggered by work-from-home policies implemented during the Covid-19 pandemic.
- Office occupancy rates have been slow to recover as remote work has continued post pandemic.

Office

Trends in Office NATIONALLY



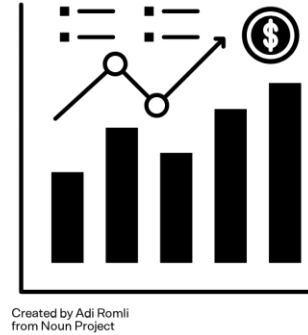
Flight to Quality

- Increased demand for premium locations and preference for amenity-rich spaces in downtown areas and near high-frequency transit.
- Hybrid work reduces the overall space needs, enabling tenants to choose smaller, higher-quality offices.
- Employers seek high-quality office space to encourage in-office attendance.
- Submarkets with trophy Class A office near transit, restaurants, retail, and entertainment are expected to perform well.



Office

Trends in Office NATIONALLY

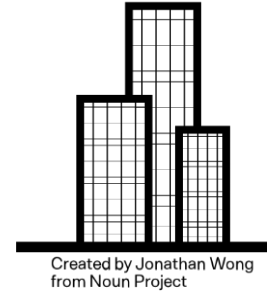


Economic Conditions

- Fear of worsening economic conditions has impacted the office vacancy rate.
- Rising interest rates and economic uncertainty have discouraged new leases or expansions.
- High interest rates and construction costs deter office-to-residential conversions.

Office

Trends in Office NATIONALLY



Oversupply of Office Space

- Driven by a rapid depreciation of commercial property value from a 1981 change to the tax code.
- The pandemic accelerated the impact of the oversupply of office space.
- Especially pronounced in older Class B and Class C office space.

Office vacancy rate in Fairfax County mirrors national trends.

- Overall vacancy rate at mid-year 2023 - **17.1%**.
- Oversupply of office space with little to no near-term demand (5-10 years).
- Low demand for Class B and Class C office, especially for older structures requiring costly renovations.
- Tenants moving toward high-quality space near amenities and rail, reduced demand for single use suburban office parks.
- Submarkets not served by rail experiencing significantly higher vacancy rates.

Barriers to Office Conversion



- Class B and Class C office space with a low occupancy rate is often located in suburban, car-dependent locations, limiting repurposing or revitalization potential.
- Interest in conversion of office to residential remains, but there are barriers to redevelopment.
- In some cases, demolition and new construction for alternative uses are more cost-effective than renovation.

Opportunities for Office Conversion

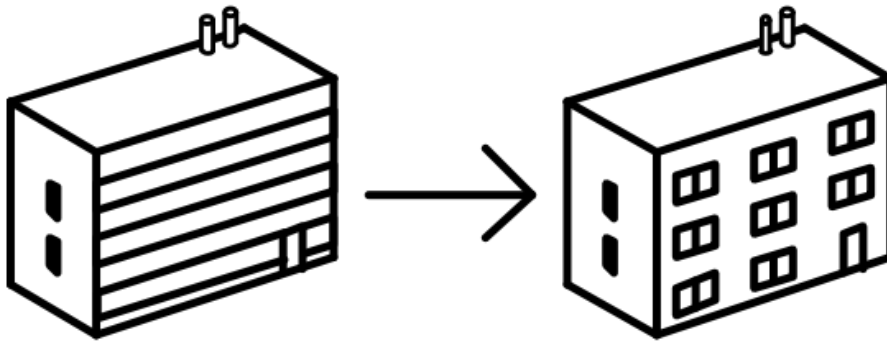


- Vacant office spaces and housing shortage present an opportunity for conversion to residential use.
- There has been an increase in planned and completed office to residential conversions in recent years.
- Office to industrial or warehouse conversions are also becoming more common.
- Fairfax County has adopted new Policy Plan guidance and zoning changes to increase flexibility for conversions.

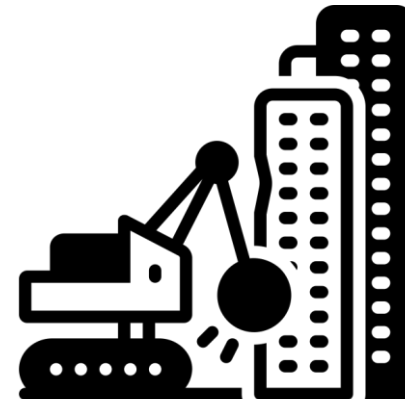
Office Recommendations



- Office conversions to alternative uses include two scenarios:
 - Adaptive reuse of an existing building.
 - Demolition and replacement of an existing building.



Created by Simon Georg Fiedler
from Noun Project



Created by WEBTECHOPS LLP
from Noun Project

- Existing guidance in Appendix 13 is consistent with national best practices.
- High demand for housing, and low demand for office, support more proactive and detail driven approach for office conversions.
- Amend Appendix 13 to provide additional criteria to assess requests for repurposing and redevelopment of office.
 - Criteria could be used when reviewing Comprehensive Plan amendments.
 - Changes to site-specific Plan recommendations for residential and non-residential use mix.
 - Replace office use recommendations with alternative uses.
 - Criteria could be used to evaluate proposals that include repurposing existing office buildings with another use and additional gross floor area.

Proposed amendments to criteria in Appendix 13 of the Land Use Element of the Policy Plan.

- Location
- Class/Age of Office Space
- Proximity to Rail Transit
- Proximity to Amenities/Necessities
- Revitalization Area
- Affordable and Workforce Units
- Re-use or Replacement

Industrial Land Use Trends

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Industrial

Trends in Industrial NATIONALLY



- **Pre-pandemic:** Demand was steady
- **2020:** Significant increase in demand due to e-commerce
- **2022:** 30 percent increase in demand over 2021
- **4th Quarter 2022:** Slower growth
- **Mid-Atlantic:** 4.4 percent of overall demand, 26 percent increase

Industrial

Trends in Industrial NATIONALLY



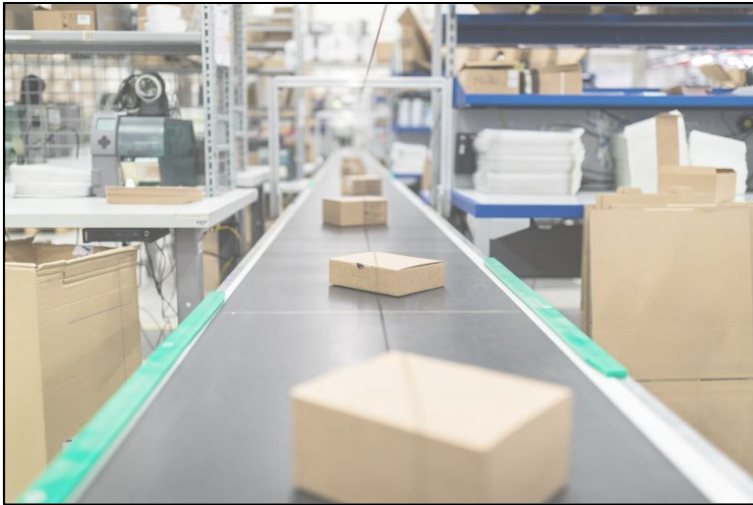
Primary industries seeking industrial space in 2023:

- **Warehouse and Distribution**
–22% of the total demand
- **Auto Industry**
–156% increase in demand since 2021
- **Construction, Machinery and Materials**
–41% increase in demand
- **Reshoring**
–240 million SF increase in demand for ports in the Southeast

Industrial

Trends in Industrial LOCALLY

Warehousing & Distribution Space

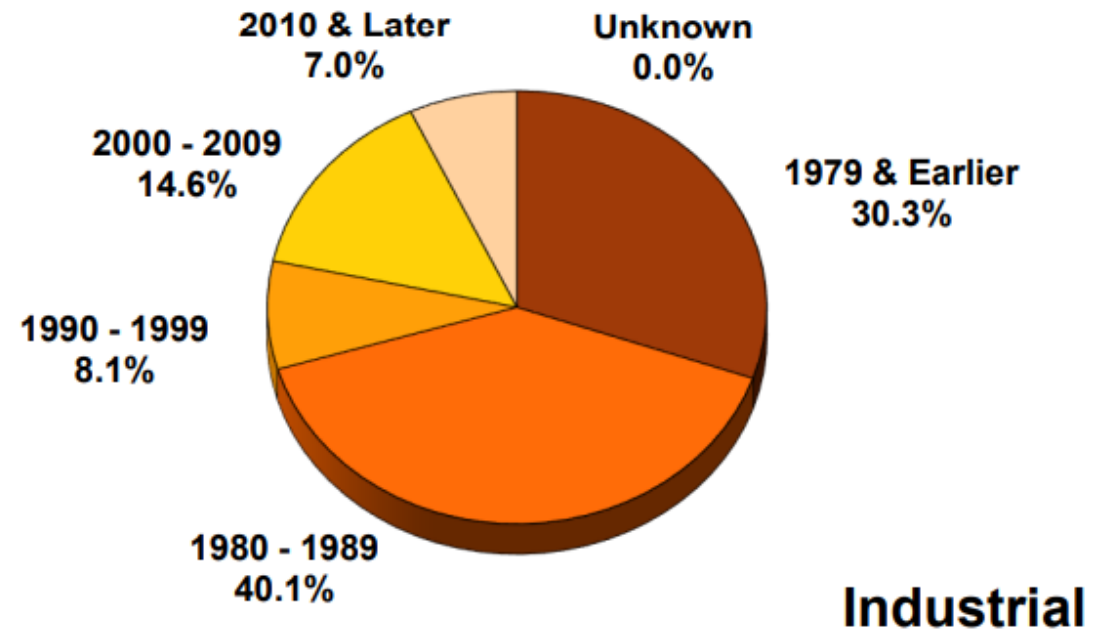


Data Centers



Industrial Trends in Industrial LOCALLY

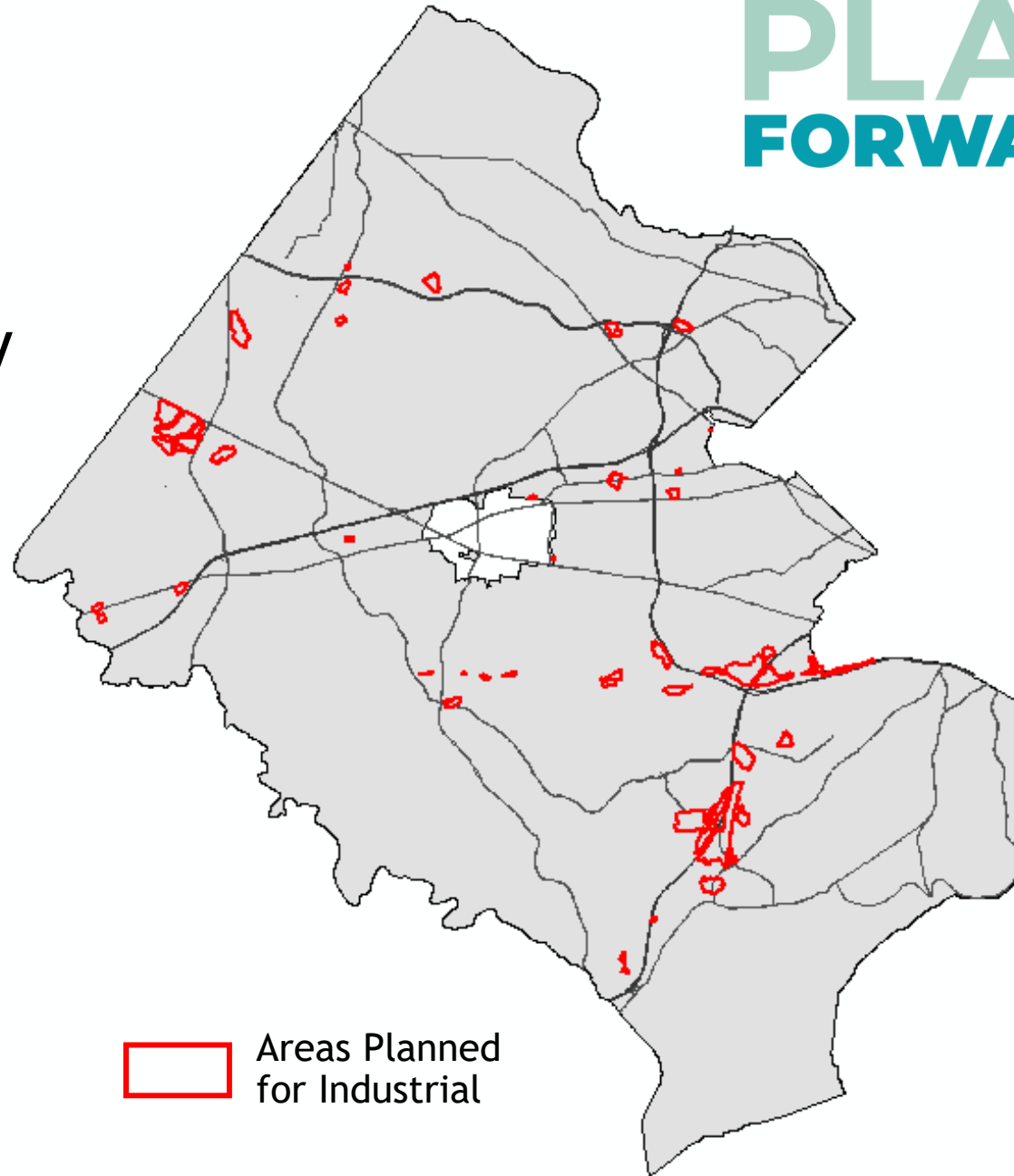
Industrial Floor Area Inventory
by Year Built
Fairfax County, January 2023



Industrial Planned Industrial

3,712 Acres, 1.53% of County

- Beltway South
- I-95 Corridor
- Ravensworth
- Other areas



Industrial

Most Desired Industrial Areas



- I-95 Corridor
 - Access to major transportation corridors and the Metro DC area
- West Fairfax/Chantilly Submarkets
 - Proximity to Dulles Airport
 - Access to Prince William and Loudoun Counties
 - Major Gov't Contractor Suppliers
 - Dulles Discovery Center campus
 - Mixed-used development near the Innovation Center Metrorail Station

Industrial

Zoned Industrial



- 8,274 Acres
- 250 Acres of Vacant Industrially Zoned Land, 67 parcels

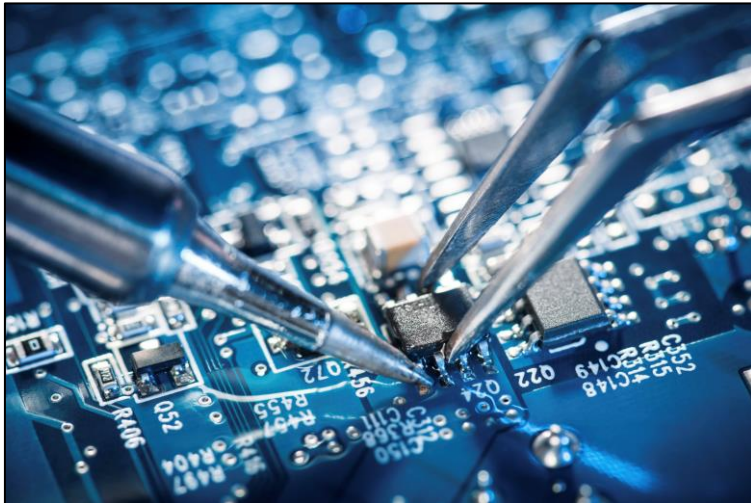
Table 2: Vacant Land Zoned for Industrial		
Zoning	Number of Parcels	Approximate Acreage
I-1, Industrial Institutional	1	12.91
I-3, Light Intensity Industrial	4	20.2
I-4, Medium Intensity Industrial	9	42.07
I-5, General Industrial	40	121.57
I-6, Heavy Industrial	13	53.25
Totals	67	250
Source: Fairfax County Department of Management and Budget, January 2022		

Industrial Evolving Needs for Industrial

Manufacturing Space for Emerging Industries



Hi-tech manufacturing



Micro-industry or MAKER Movement



Industrial

Evolving Needs for Industrial



Heavy Industrial



Industrial Parks



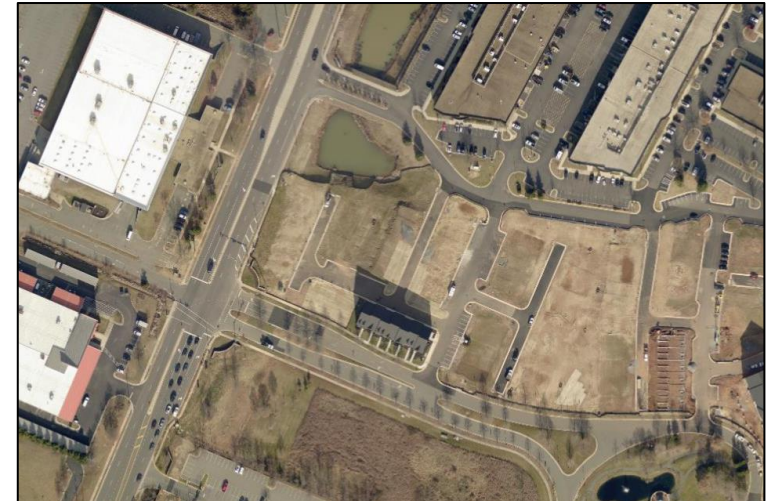
Industrial

Evolving Needs for Industrial

Mixture of Uses



Industrial Demand vs. Housing Needs



Industrial Recommendations

Retain existing industrial land in designated industrial areas to the extent practicable.

- Limited industrial land and smaller parcels
- Expand permissions for light industrial with limited outdoor storage
- Areas Designated as Industrial in the CFD
- Conversion of industrial to residential

Industrial Recommendations



Retain existing industrial land in designated industrial areas to the extent practicable.

Potential Plan Amendment

Beltway South, I-95 Corridor, and Ravensworth Industrial Areas

- Review and update policies to discourage the conversion of industrial land for residential uses.

Industrial Recommendations



Review and Consider Updates to Special Planning Areas with Concentrations of Industrial Uses.

- 1** Clarify if intent is to maintain and preserve these concentrations or **2** Encourage them to convert to other uses

Tysons Urban Center

- Industrial is out of character with development in the area

Dulles Suburban Center

- Mix of uses vs. employment center/industrial land

Orange a Silver Line Transit Station Areas (TSAs)

- Planned for mixed use and transit-oriented mixed use and residential development

Industrial Recommendations



Review and Consider Updates to Special Planning Areas

Potential Plan Amendment

- Clarify the land use vision and policy guidance for Special Planning Areas that have concentrations of industrial uses/industrial zoning
- Determine the concentrated areas of industrial use/zoning in the Dulles Suburban Center, Merrifield, Reston Town Center, Herndon, Wiehle Reston East, and Innovation Center that are desirable to retain.
- Clarify the land use vision and policy guidance to discourage conversion of industrial lands outside of TSAs. Designate desirable areas as Industrial Areas in the CFD. Land Units H and I of the DSC should be a priority.

Industrial Recommendations



Expand criteria for requests to replan industrial land for residential development.

Housing Element, Objective 1, Policy d.

Do not approve residential rezoning applications above the low end of the Plan range, unless an appropriate commitment of land, dwelling units, and/or a cash contribution to the Housing Trust Fund is provided. For further guidance, see the Residential Development Criteria.

Industrial Recommendations



Expand criteria for requests to replan industrial land for residential development.

Potential Plan Amendment

Amend the policy to ensure that Plan amendment nominations to replan industrial land for residential use should be tied to commensurate community benefits being provided.

- Plan amendments should meet the high end of the density range rather than the low end.
- Plan amendments should be subject to additional criteria

Retail Land Use Trends

Clarion Report 2024

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Retail

Key Findings



Demand for *some* **types of retail** space has experienced a recovery post-pandemic.

1 Growth has been significantly tied to particular types of retail

2 Lack of new retail construction has created market constraints for new retail establishments

Retail

Trends in Retail NATIONALLY



1 National retail vacancy rates are at their **lowest level in two decades** – peaked during pandemic (2020-2021).



2 Neighborhood & Community Retail has the **highest** vacancy rate of all types, while Power & Regional Centers have the **lowest** vacancy rates of all types.



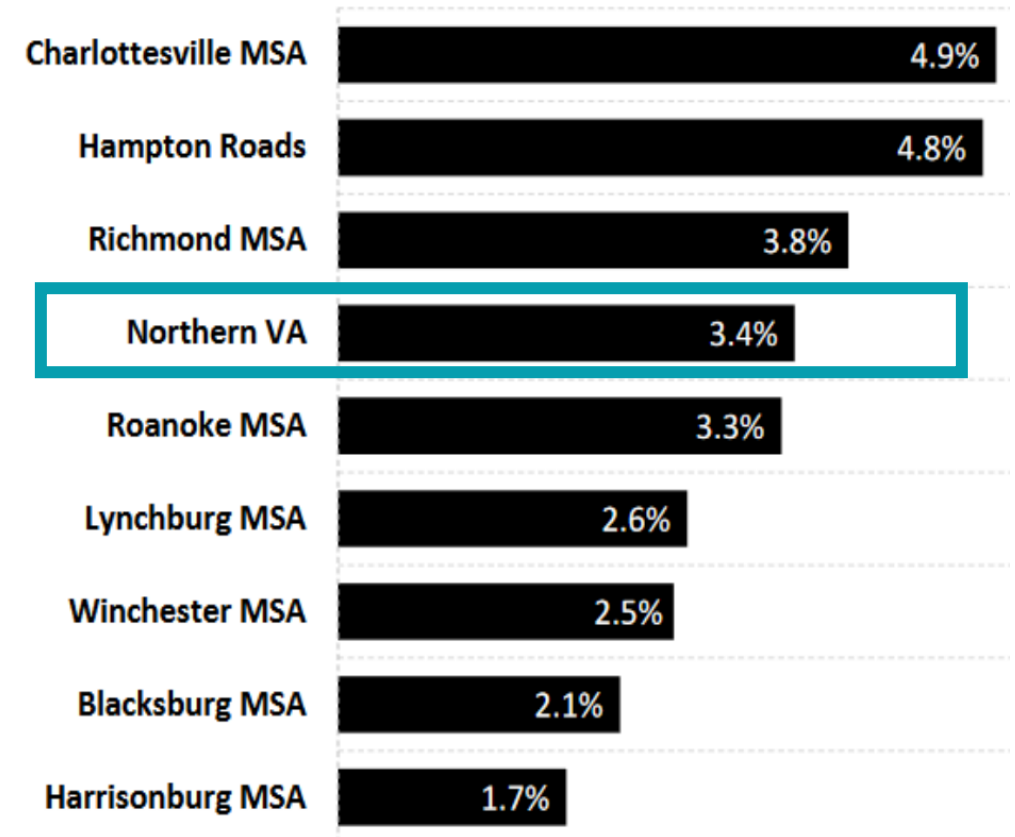
Retail

Trends in Retail LOCALLY

- 1** Statewide, retail vacancy rates (3.8%) are lower than the national average (4.1%).
- 2** In Virginia, Small & Neighborhood Retail vacancy rates (1.9%) were lower than big-box vacancies (5%).
- 3** Northern Virginia retail vacancies are lower than both the national and state averages at 3.4%.



Q2-2024 Retail Vacancy Rate by MSA



Retail

Contributing Factors to Retail Vacancy



Lingering Impacts of Covid-19

- Growth of online retail services
- Retail anchored by the presence of office impacted by underutilized office space

Retail

Contributing Factors to Retail Vacancy

Evolving Location and Structure Demand

Enclosed shopping malls, Stand-alone Big-box stores, and Strip Shopping Centers (*outside of Power Centers*) are in decline.



Rate of Change

Retail trends and demand evolve more quickly than building lifespans

Location

Stand-alone big-box retailers are succumbing to the convenience of power centers

Age

Aging structures makes reinvestment less economical, impacting older retail centers

Retail

Contributing Factors to Retail Vacancy

Over-Retailing and Market Saturation

- (1) Aging, over-built highway commercial retail strips, and
- (2) requirements for ground floor retail without market consideration.

PLAN
FORWARD

RETAIL SPACE
FOR LEASE

GROUND FLOOR:

2,713 S

• IMMEDIATE POSSESSION
• ALL USES CONSIDERED

Retail

Contributing Factors to Retail Vacancy

Construction Pipeline

Retail construction has not rebounded since the pandemic with new starts at historical lows leading to supply constraints.

(New construction expected to focus on types of retail in demand. Supply constraints are expected to continue for other types.)



New Retail Construction Starts

0.2

percent

Growth nationally and
in northern VA between
2023 and 2024

Retail

Considerations for Repurposing Retail Structures



Ground floor retail considerations should account for existing conditions and future **conditions that will support success.**



Retail

Considerations for Repurposing Retail Structures



Consider **alternative uses** that can take advantage of the retail space format.
(ex. big box format to warehousing and distribution center, etc.)

Does the existing retail use format meet a **unique or defined community need**?



Consider uses that are otherwise difficult to locate
Light Industrial & Warehousing, Self-storage, Education
and/or Medical Offices

Retail Conversions

Retail to Experiential Uses

- Food Halls and Markets
- Entertainment Complexes
- Fitness and Wellness Centers
- Cultural and Artistic Venues
- Public and Community Spaces



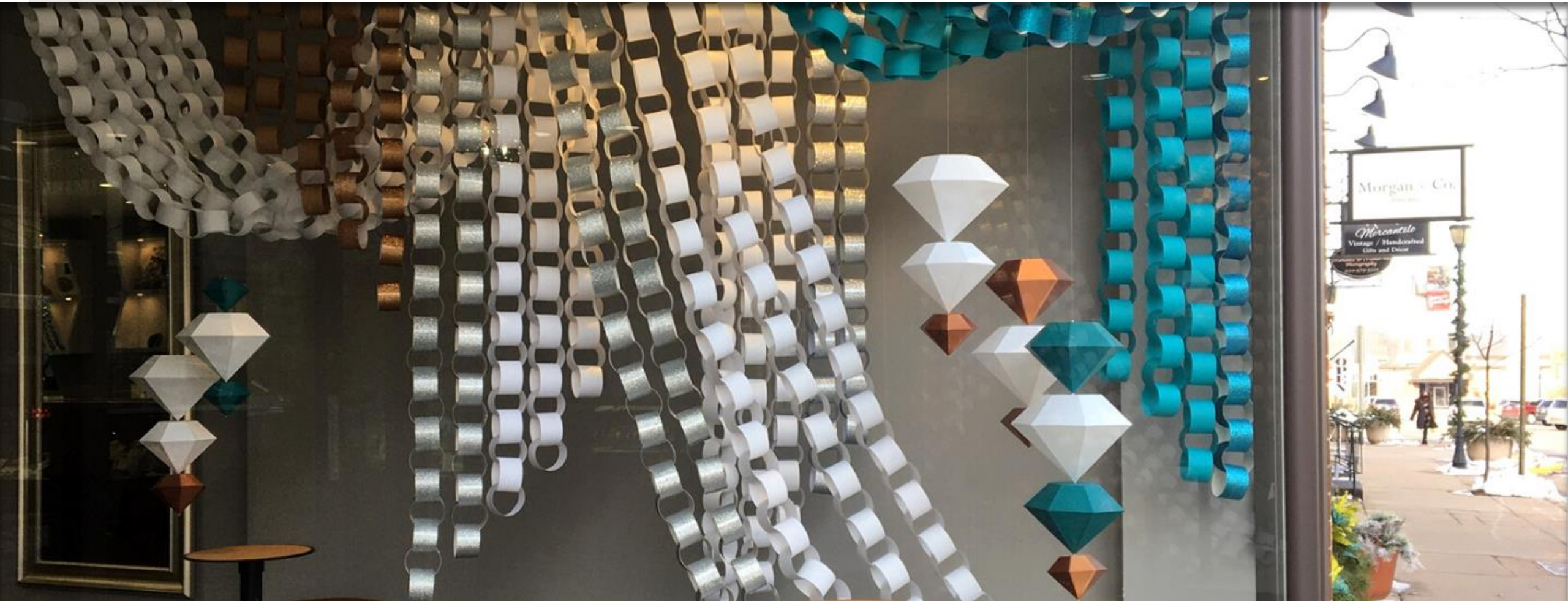
Retail

Report Recommendations



- 1** Explore the Use of Agreements and Incentives to Preserve Existing Retail
- 2** Clarify Priority Location for Ground Floor Retail
- 3** Expand Allowable Uses to Align with Updated Policies, if needed
- 4** Encourage Retail Conversions that Conform with Expanded Performance Criteria Guidelines

Policy Plan Amendment Questions and Discussion



Policy Plan Amendment

Anticipated Milestones 2025



- **January** - Publish Remaining White Papers; Discuss Parks and Community Health with PC/BOS Committees
- **February** - Community Meetings (postponed from November)
- **March** - Release Community Feedback Report; Discuss Introduction and Equity with PC/BOS Committees
- **April** - Discuss Community Feedback Report and Environment with PC/BOS
- **May** - Discuss Land Use and Transportation with PC/BOS
- **June** - Development of Staff Report Begins

Policy Plan Amendment

Contact Information



- To learn more about the project, visit our project webpage:
[Plan Amendment 2022-CW-2CP | Planning Development \(fairfaxcounty.gov\)](https://fairfaxcounty.gov/planning-development/plan-amendment-2022-cw-2cp)
- To review the current Policy Plan, please visit: [Policy Plan \(encodeplus.com\)](https://encodeplus.com/policy-plan)
- To take the Plan Forward Survey, please visit:
[Plan Forward: The Countywide Policy Plan Update - PublicInput \(fairfaxcounty.gov\)](https://fairfaxcounty.gov/publicinput/plan-forward-the-countywide-policy-plan-update)
- To provide comments or potential policy considerations please contact:
PlanForwardFFX@PublicInput.com
- For general questions, please contact:
Corinne.Bebek@fairfaxcounty.gov



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