



# LEGAT

— COMMERCIAL REAL ESTATE, LLC —

 PRICING: \$11,500,000.00

 RATE: 7.54% Proforma CAP Rate



## INVESTMENT OFFERING MEMORANDUM (PUBLIC VERSION)

5510 Cherokee Ave. | Alexandria, VA22312

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# TABLE OF CONTENTS

**I** Executive Summary

**II** Property Description

**III** Non-recourse Financing

**IV** Aerial, Map, Photos and Floorplans

**V** Demographics

**VI** Rental Rate Forecast

**VII** Market Information Summary

**VIII** Market Information Summary

## I. EXECUTIVE SUMMARY

Legat Commercial Real Estate, LLC., as the exclusive representative for the owner, is pleased to present for sale the 100% fee simple interest in Cherokee Business Center II, a 54,453 SF office building located at 5510 Cherokee Avenue in Alexandria, Fairfax County, Virginia (the “Property”). This stable investment has several new long-term tenants in place and will provide the investor with strong in-place yield with upside as the rents escalate.

Currently, the Property is approximately 96.7% leased to 9 tenants with an average lease term of 9+ years and an average in-place rent of approximately \$23 PSF. The ownership recently completed two brand new 15-year leases, one with a daycare, Little River Day School, on the first floor and the other with the GSA to serve the Social Security Administration on the second floor of the building. The lease with Little River Day School will provide the area with much-needed child-care services and will serve as a great amenity for the building as office workers may desire to bring their children to work with them.

This lease with the US Government provides the building with a core tenant that provides long term stability and unbeatable tenant creditworthiness. Another relevant byproduct of the GSA lease is the commitment of the current ownership to upgrade the building to meet certain energy efficiency standards such as switching to LED lighting fixtures.

The ownership also recently leased 14,633 SF on the third floor to an executive suite concept, Perfect Office Solutions. This executive suite concept will provide a stable long term tenancy as well as a “feeder system” of small tenants that may “graduate” to needing larger traditional office suites in the building.

Furthermore, future capital needs are limited due to a long history of proactive maintenance and the near turn-key condition of the majority of the interior suite buildouts. The Property’s location near the intersection of I-395, I-495 and I-95 (the “mixing bowl”) provides exceptional vehicular access and is ideally positioned between the Pentagon and Ft. Belvoir. This location is ideal for defense contractors and services providers that will benefit from the proposed increases in the defense budget.

The zoning for the building is I-6 (Heavy Industrial District), which is one of the most flexible business zoning within the Fairfax County Zoning Ordinance for planned developments. This unique zoning has allowed the building to have excellent flexibility of proposed uses to the end user and to prospective tenants.

With an average household income of \$126,000 within a one-mile radius, the stellar demographics, strategic location, first class office construction and interior finishes, this property will continue to be a very solid long-term investment, which should steadily increase in value as any tenants with below market rental rates escalate and the local real estate market strengthens.

- 15-year lease with GSA commenced October 2021
- 15-year lease to Little River Day School commenced August 2021
- 11-year lease to Perfect Office Solutions commenced September 2021
- Efficient management has controlled expenses

## II. PROPERTY DESCRIPTION

### ADDRESS

5510 Cherokee Ave., Alexandria, VA22312

LEGAL ADDRESS:

Fairfax County Tax Map Number: 0811 01 0024B

### DIRECTIONS

West from Washington, DC take I-395 South for approximately 9.5 miles, take exit 2B on to Edsall Road west (VA 648) take the first right on to Cherokee Ave. The building is the first building on the left.

### YEAR BUILT/RENOVATED

Built in 1985 and renovated extensively in 2004

### LOT SIZE

2.42 AC

### BUILDING DESCRIPTION & MEASUREMENTS

Three story, office building, totaling approximately 54,453 rentable square feet. The building has extensive parking well above the required minimums.

The building has brick and glass curtain windows on steel and poured concrete construction. The premises has surface parking with cross easement access to adjacent parcel in the

development. The building has ample signage opportunity and exposure to Cherokee Ave. The combination of building aesthetics, quality construction and access to area amenities makes this one of the most attractive office purchase opportunity in the marketplace.

### PARKING

206 parking spaces (3.75/1000 Parking Ratio)

### ZONING

I-6 (Heavy Industrial)

### 2023 ESTIMATED REAL ESTATE TAXES

\$62,866.69

### TENANCY

The property will be delivered approximately 96.7% leased

### MASS TRANSIT

The Metro Bus service stop is located within one block of the property. The building is a short drive to both the Van Dorn and Springfield Metro Stations.

### RENOVATIONS

The building was extensively renovated in 2004. Renovation items include: Common area restrooms Elevator cabs Common area flooring, wall covering and paint Lighting and ceiling grid improvements within the common areas Landscaping upgrades Upgraded front entrance

### STRUCTURAL SYSTEM

Brick with steel frame with glass ribbon windows and poured slab.

### ROOF

Built-up assemblies with tar gravel cover and parapet walls

### PLUMBING

All levels have ADA-compliant restrooms and janitor closets. Many of the office suites have kitchenettes.

### ELECTRICAL SYSTEM

The building has 4000 amp, three phase, four wire, 277/480 volt electrical service.

### HVAC

Variable air volume (VAV) system with baseboard electric heaters. Each floor is serviced by two air handler units located on the rooftop.

## II. PROPERTY DESCRIPTION



### ELEVATOR

Two Dover hydraulic ADA compliant elevators



### FIRE PROTECTION

Fully Sprinklered, wet system, monitored.



### SECURITY

The building has surveillance cameras, off-site monitoring, and controlled card entry.



### INTERIOR FINISHES

The building has high-end finishes throughout.



### EGRESS

Two separate stairwells for egress.



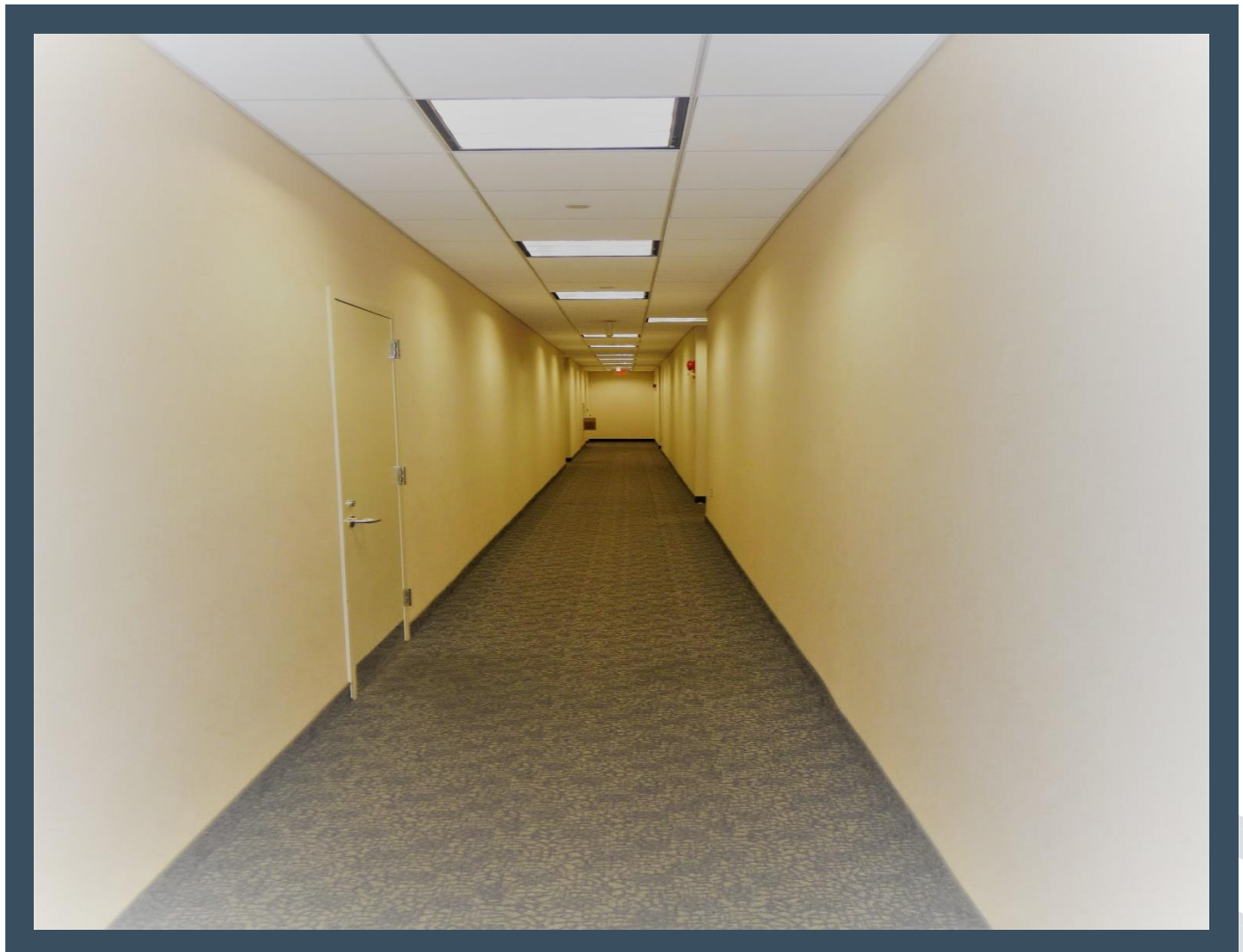
### ADA

The building is ADA accessible and has ADA restrooms.



### INTERNET PROVIDER

The building currently has Verizon Fios as well as Cox Communications.



### III. FULL RECOURSE AND NON-RECOURSE FINANCING

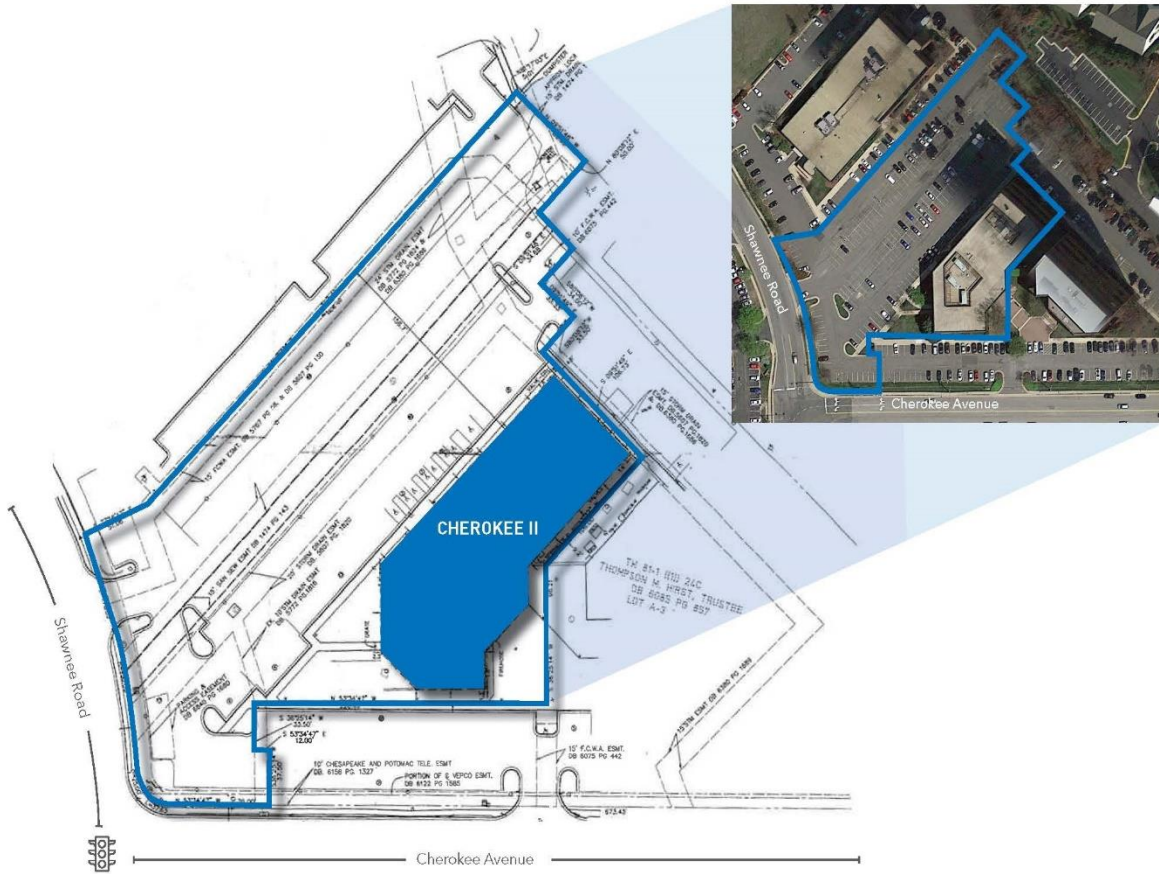
#### FINANCING

With good credit, the prospective purchaser could qualify for either Recourse or nonrecourse financing for a 20-25 year loan term with approximately 7% interest rate fixed for a five year fixed period. Multiple lenders are available upon request.



## IV. PROPERTY AERIALS AND MAPS

SITE PLAN WITH AERIAL

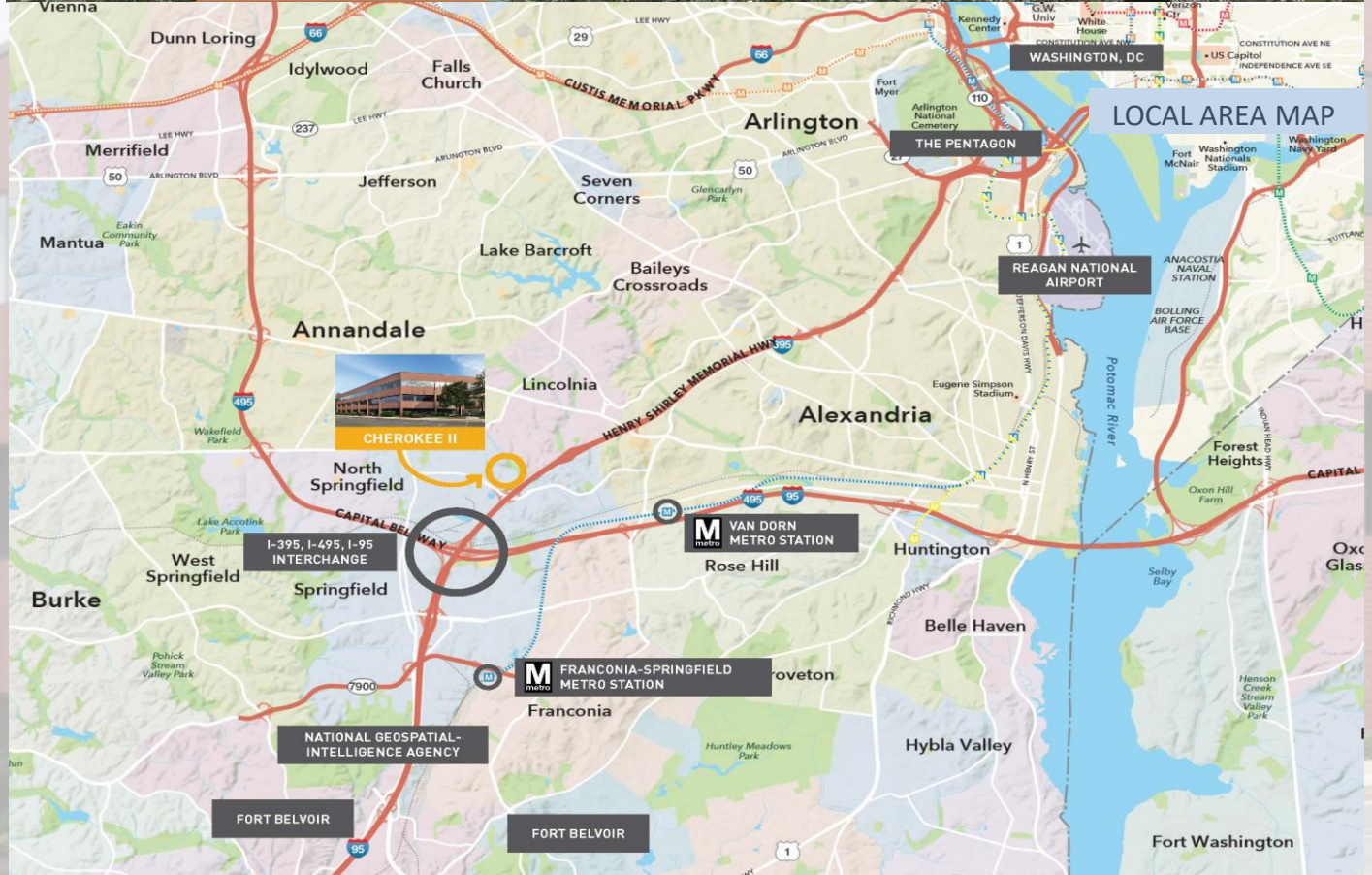


LOWER AERIAL



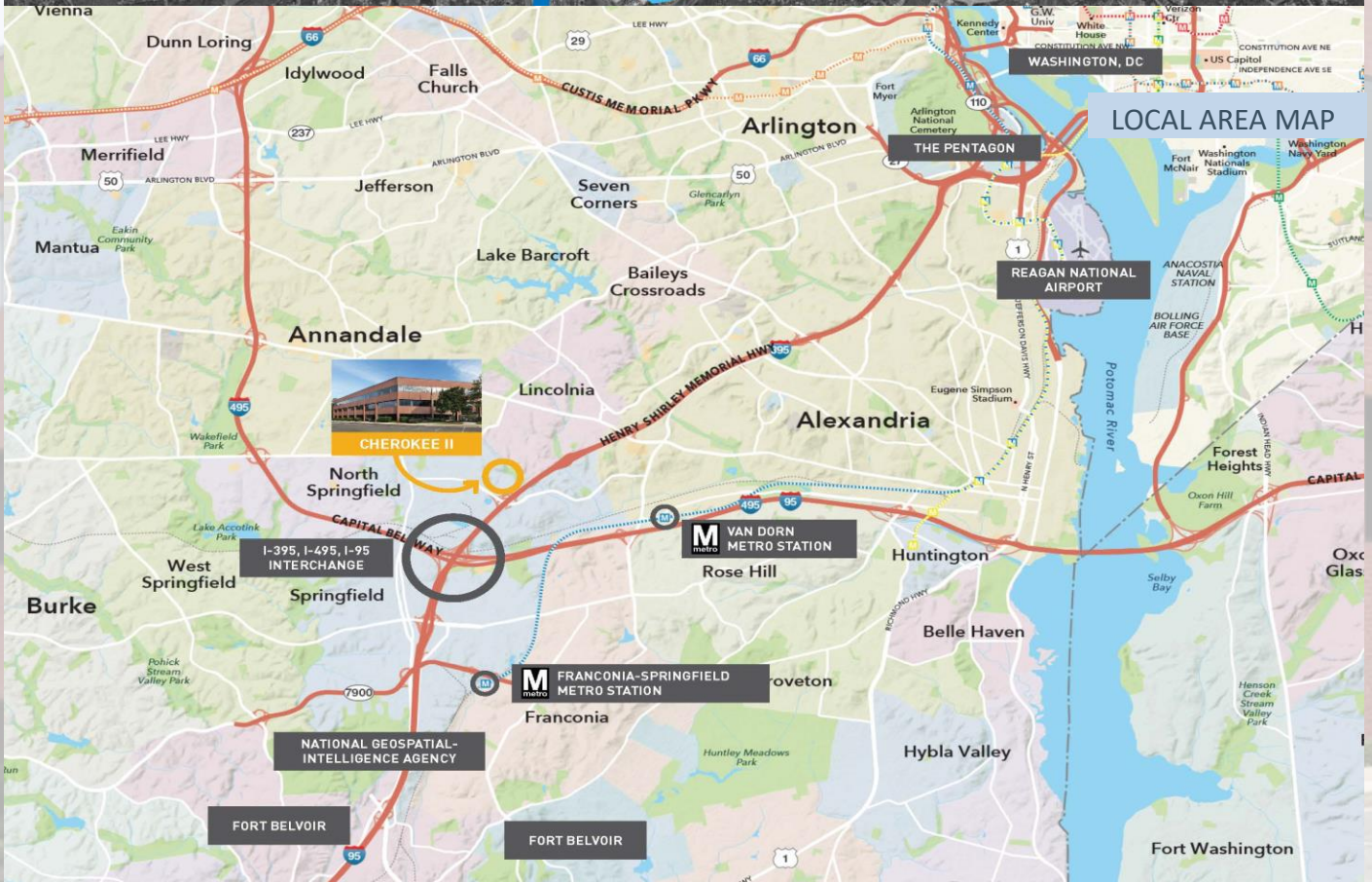
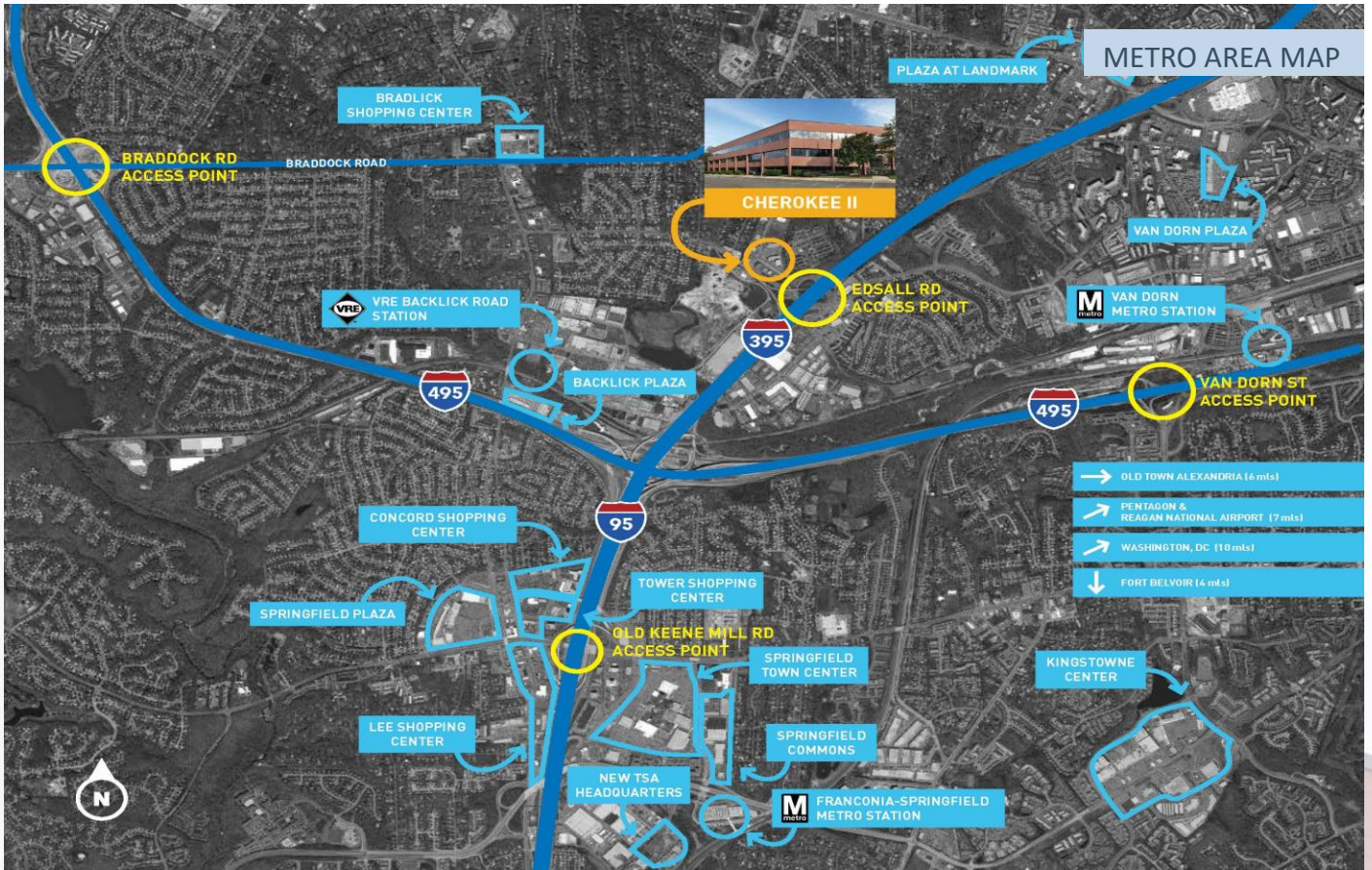
AMENITY MAP

LANDMARK MALL



LOCAL AREA MAP





## PROPERTY PHOTOS



Renovated Lobby



Third Floor Lobby



Renovated Restrooms



Renovated Elevator Cab

## PROPERTY PHOTOS



Front Walkway

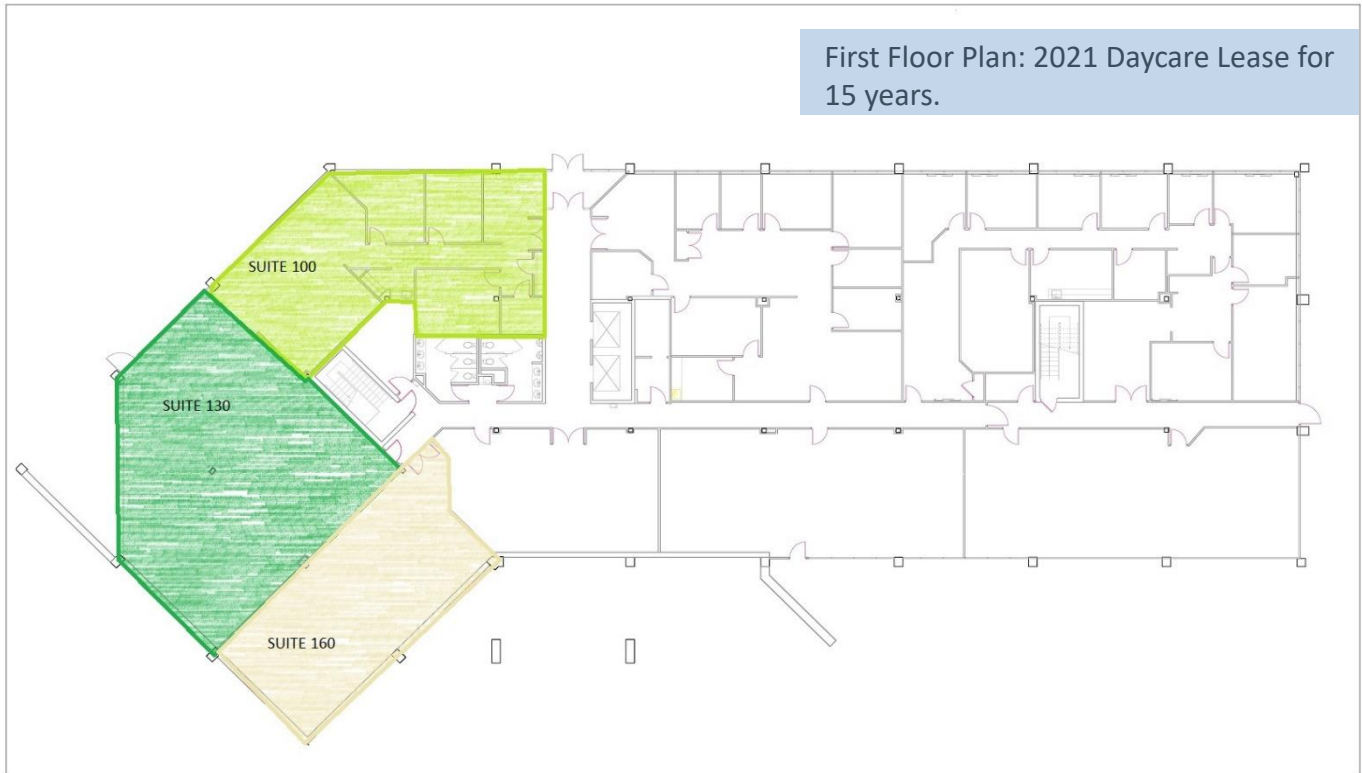


Café Entrance



Café Interior

## IV. FLOOR PLANS



5510 CHEROKEE AVENUE  
ALEXANDRIA, VIRGINIA



FIRST FLOOR  
22 JANUARY 2019

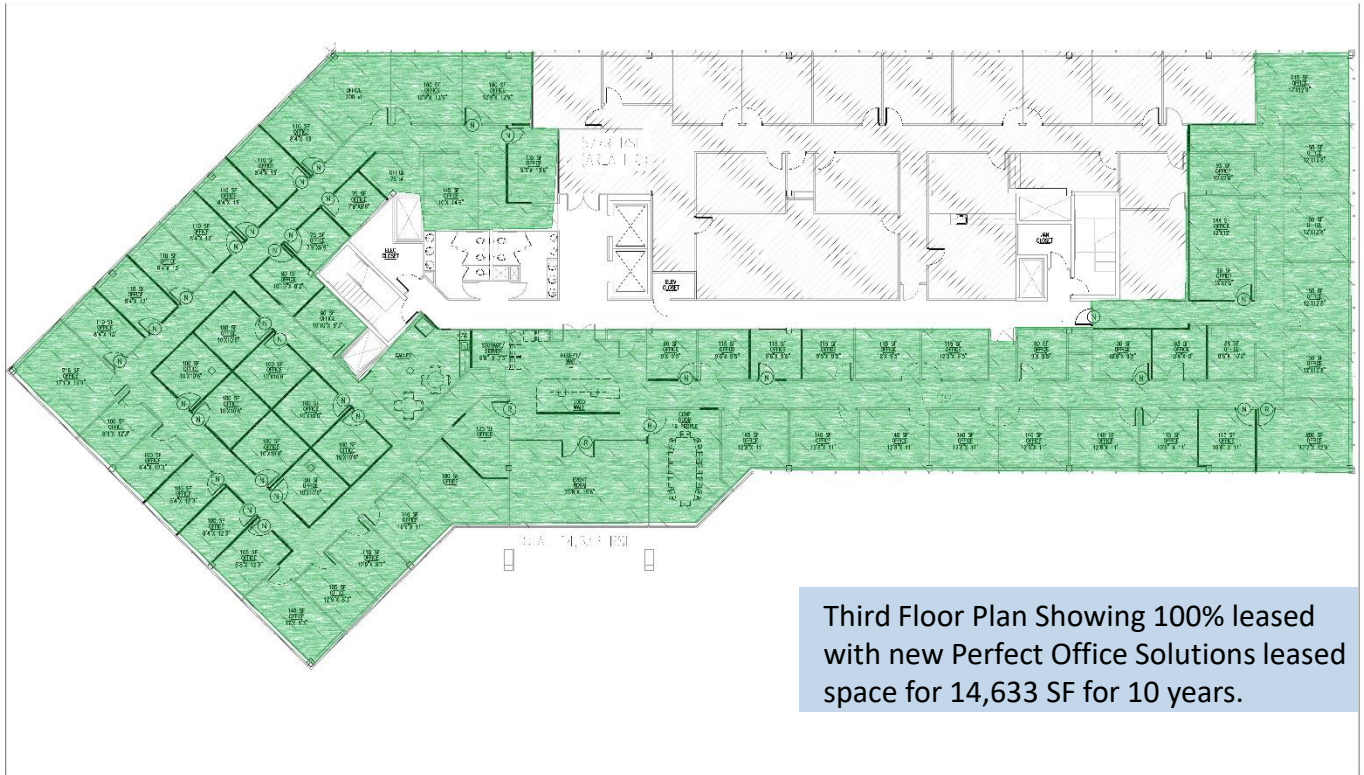


5510 CHEROKEE AVENUE  
ALEXANDRIA, VIRGINIA



SECOND FLOOR  
01 MAY 2019

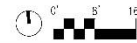
## IV. FLOOR PLANS



Third Floor Plan Showing 100% leased with new Perfect Office Solutions leased space for 14,633 SF for 10 years.



5510 CHEROKEE AVENUE  
ALEXANDRIA, VIRGINIA



THIRD FLOOR

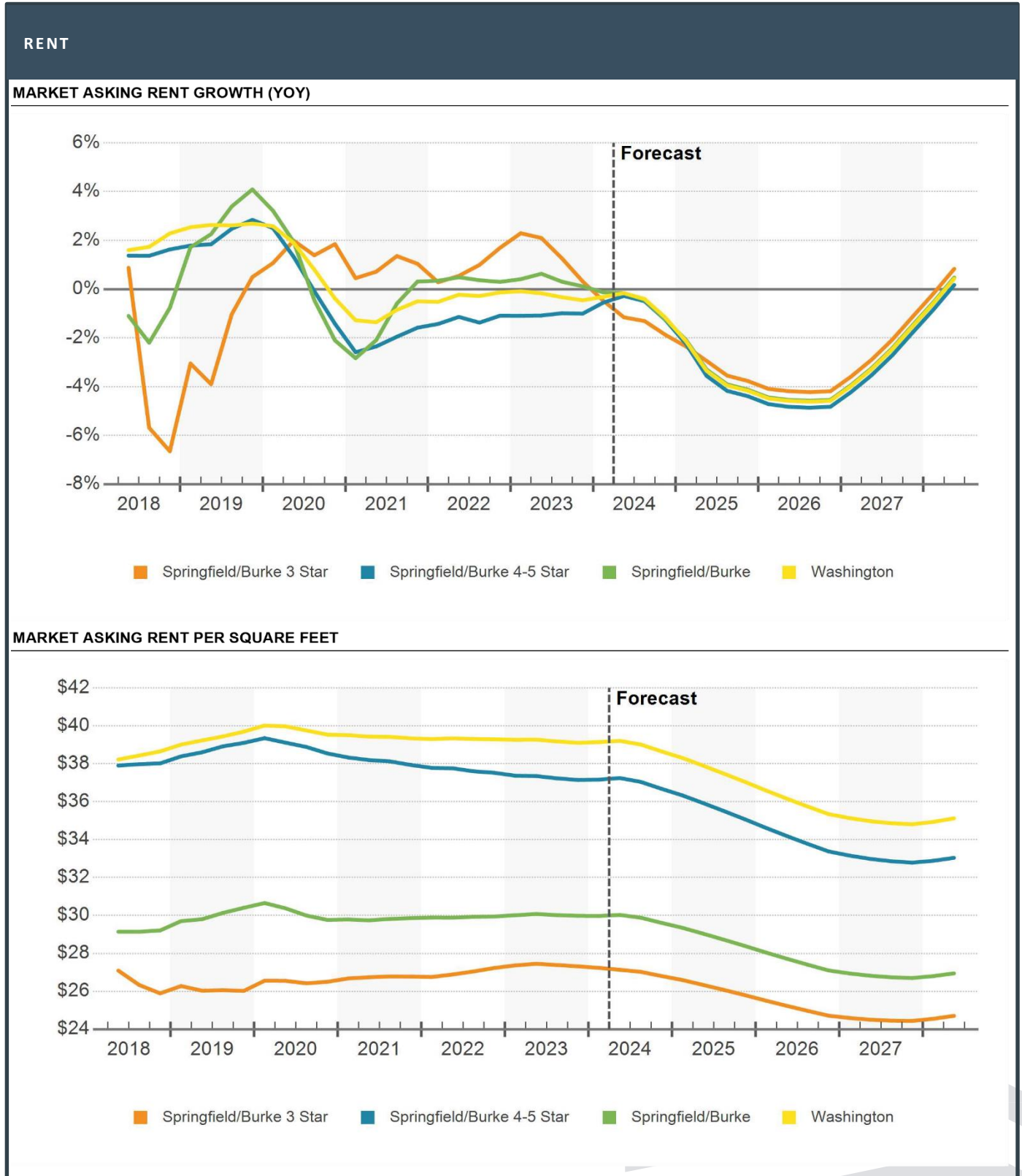
## V. DEMOGRAPHICS

Radius	1 Mile		3 Mile		5 Mile	
<b>2023 Population by Occupation</b>	<b>9,784</b>		<b>173,628</b>		<b>468,372</b>	
Real Estate & Finance	298	3.05%	5,332	3.07%	14,180	3.03%
Professional & Management	3,562	36.41%	59,680	34.37%	169,126	36.11%
Public Administration	489	5.00%	10,394	5.99%	30,509	6.51%
Education & Health	927	9.47%	16,018	9.23%	43,047	9.19%
Services	1,063	10.86%	17,934	10.33%	45,160	9.64%
Information	120	1.23%	1,927	1.11%	5,354	1.14%
Sales	787	8.04%	14,813	8.53%	38,253	8.17%
Transportation	422	4.31%	11,153	6.42%	32,942	7.03%
Retail	462	4.72%	7,448	4.29%	18,300	3.91%
Wholesale	41	0.42%	663	0.38%	1,544	0.33%
Manufacturing	42	0.43%	1,789	1.03%	5,151	1.10%
Production	320	3.27%	7,060	4.07%	16,226	3.46%
Construction	681	6.96%	7,695	4.43%	20,176	4.31%
Utilities	219	2.24%	4,332	2.49%	9,347	2.00%
Agriculture & Mining	17	0.17%	123	0.07%	361	0.08%
Farming, Fishing, Forestry	0	0.00%	30	0.02%	140	0.03%
Other Services	334	3.41%	7,237	4.17%	18,556	3.96%
<b>2023 Worker Travel Time to Job</b>	<b>5,102</b>		<b>87,446</b>		<b>232,211</b>	
<30 Minutes	2,577	50.51%	38,100	43.57%	102,125	43.98%
30-60 Minutes	2,143	42.00%	38,705	44.26%	101,166	43.57%
60+ Minutes	382	7.49%	10,641	12.17%	28,920	12.45%
<b>2010 Households by HH Size</b>	<b>3,378</b>		<b>60,523</b>		<b>161,265</b>	
1-Person Households	937	27.74%	18,513	30.59%	50,334	31.21%
2-Person Households	1,097	32.47%	18,311	30.25%	48,933	30.34%
3-Person Households	494	14.62%	9,049	14.95%	24,176	14.99%
4-Person Households	405	11.99%	7,292	12.05%	19,737	12.24%
5-Person Households	229	6.78%	3,720	6.15%	9,522	5.90%
6-Person Households	97	2.87%	1,817	3.00%	4,402	2.73%
7 or more Person Households	119	3.52%	1,821	3.01%	4,161	2.58%
<b>2023 Average Household Size</b>	<b>2.60</b>		<b>2.50</b>		<b>2.50</b>	
<b>Households</b>						
2028 Projection	3,342		60,241		164,273	
2023 Estimate	3,394		61,499		167,030	
2010 Census	3,378		60,524		161,265	
Growth 2023 - 2028	-1.53%		-2.05%		-1.65%	
Growth 2010 - 2023	0.47%		1.61%		3.57%	

## V. DEMOGRAPHICS

OVERVIEW							
12 Mo Deliveries in SF	12 Mo Net Absorption in SF	Vacancy Rate		Market Asking Rent Growth			
<b>0</b>	<b>(64K)</b>	<b>15.4%</b>		<b>0%</b>			
<p>The Springfield/Burke office submarket has a vacancy rate of 15.4%. This vacancy rate is 1.3% lower than it was this time last year. There was 64,000 SF of negative absorption and demolition removed 200,000 SF of inventory.</p> <p>Average rents are approximately \$30.00/SF, which is the same figure as it was 12 months ago. Nothing is under construction in the Springfield/Burke office submarket. In the past year, there have been 26 sales, which have traded for approximately \$27.1 million in volume and 230,000 SF in stock.</p> <p>Vacancy is 18.9% in 4 &amp; 5 Star buildings, and there has been 25,000 SF of negative absorption in this asset class over the past year. Within 3 Star buildings, vacancy is 9.5% and there has been 55,000 SF of negative absorption. Currently, 18.6% of 1 &amp; 2 Star space is vacant, and 16,000 SF has been absorbed in this space type over the past 12 months.</p>				<p>Of the 26 sales in the past year, 2 were of 4 &amp; 5 Star buildings, 10 were of 3 Star buildings, and 14 were of 1 &amp; 2 Star buildings.</p> <p>Current vacancy is lower than its trailing three-year average of 16.6%, and higher than the 15.6% trailing three-year average of the Washington market as a whole. The submarket is approximately 220,000 SF smaller than it was three years ago. Demolitions have accounted for the entirety of this decrease. Rents have increased by 0.7% over the past three years, higher than the Washington market average of -0.8%. There have been 105 sales over the past three years, amounting to \$137 million in volume and 910,000 SF of inventory.</p> <p>CoStar's estimated cap rate for Springfield/Burke has averaged 8.7% over the past three years, which is lower than the current estimated cap rate of 9.7%.</p> <p>The total Springfield/Burke office submarket comprises 7.6 million SF of inventory.</p>			
KEY INDICATORS							
Current Quarter	RBA	Vacancy Rate	Market Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
4 & 5 Star	2,865,779	18.9%	\$37.22	22.5%	1,536	0	0
3 Star	2,736,364	9.5%	\$27.17	13.2%	(3,199)	0	0
1 & 2 Star	1,964,283	18.6%	\$23.42	12.1%	1,000	0	0
<b>Submarket</b>	<b>7,566,426</b>	<b>15.4%</b>	<b>\$30</b>	<b>16.4%</b>	<b>(663)</b>	<b>0</b>	<b>0</b>
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-1.3%	12.8%	20.7%	22.1%	2014 Q3	3.2%	1999 Q2
Net Absorption SF	(64K)	95,690	(120,213)	622,056	2020 Q3	(156,290)	2015 Q1
Deliveries SF	0	124,158	31	773,762	2012 Q3	0	2024 Q1
Market Asking Rent Growth	0%	2.1%	-1.9%	11.1%	1997 Q4	-4.5%	2013 Q4
Sales Volume	\$27.4M	\$31.8M	N/A	\$327.2M	2007 Q1	\$0	2002 Q3

## VI. RENTAL RATE FORECAST





## VII. MARKET INFORMATION SUMMARY

The Washington, DC metropolitan area is one of the most desirable real estate investment markets in the world. Partly due to the Federal Government's presence, the region boasts an impressive unemployment rate and one of the strongest demographic profiles in the entire country. Greater Washington, DC is the sixth most populous metropolitan area in the U.S., trailing only New York City, Los Angeles, Chicago, Dallas, and Houston.

The region is composed of more than 375 million square feet of office space in three jurisdictions: District of Columbia, Northern Virginia, and Suburban Maryland. The region outperforms the nation in many key economic indications, including employment statistics and housing growth. The DC MSA has experienced an impressive 34% population growth since 2000, emerging as the Mid-Atlantic hub for millennials.

The region boasts one of the highest percentages of college graduates, as half of DC's population over the age of 25 hold at least a Bachelor's degree, versus 30% nationwide. This educated workforce carries an astounding average household income of \$106,277, nearly \$50,000 higher than the country's average of \$54,149. Insulated by the government, the Washington, DC area is well-positioned for continued growth and expansion.

## VIII. RENT ROLL

Unit	Remaining Lease Term (Years)	Current Tenant	Lease Start Date	Intended Lease End Date	Monthly Amount	Lease (Fixed) Escalation %/yr	Annual Amount	Annual % of	Net Rent Income	Cap Rate
<b>2020 Industrial Drive, Fairfax, VA 22030</b>										
101	3.00 7.00	WALCOT	10/1/2002	11/30/2007	\$4,875.00	\$1.00	\$58,500.00	\$23.00		3.0%
102	3.00 9.00	CCS	8/1/2008	10/1/2007	\$4,019.00	\$2.00	\$44,208.00	\$18.00		3.0%
200	3.00 4.75	Laffer Pallets LLC	8/1/2014	3/28/2020	\$7,300.00	\$2.00	\$87,840.00	\$35.00	1/1/20	3.0%
201	3.00 7.25	VACANT			\$8,000.00		\$96,000.00	\$39.00		
202	3.00 4.75	VACANT			\$8,700.00		\$104,400.00	\$42.00		
203	1.00 4.00	Flow Barnwell	8/1/2008	4/30/2007	\$4,277.00		\$51,324.00	\$20.00	10/1/20	3.0%
204	1.00 3.00	Academy LLC	8/1/2008	3/31/2024	\$1,000.00	\$2.00	\$14,400.00	\$5.71	8/1/20	3.75%
204	1.25 4.00	Alloy Box	10/1/2014	10/1/2019	\$1,500.00	\$1.00	\$18,000.00	\$7.40		4.0%
207	1.00 3.00	Hall & Weaver LLC	8/1/2014		\$4,000.00	\$2.00	\$48,000.00	\$19.61	8/1/20	3.0%
208/209	6.25 15.25	Planet Mfg & Service	8/1/2008	3/31/2024	\$14,275.00	\$2.00	\$171,360.00	\$69.40	8/1/20	3.0%
201	3.00 4.00	Perdue and Huber	8/1/2008	3/31/2020	\$4,825.00	\$2.00	\$57,912.00	\$23.00	8/1/20	3.325%
208	1.00 4.00	Fisher Family	8/1/2008	3/28/2020	\$2,700.00		\$32,400.00	\$13.00	8/1/20	4.0%
210	3.00 1.75	Fisher	8/1/2008	3/28/2020	\$1,275.00		\$15,300.00	\$6.00	8/1/20	4.0%
200	3.00 1.00	VACANT			\$8,700.00		\$104,400.00	\$42.00		
200	3.00 1.00	Planet Mfg & Service	8/1/2008	3/31/2024	\$1,000.00	\$2.00	\$12,000.00	\$4.80	8/1/20	
200	3.00 1.00	Planet Mfg & Service	8/1/2008	3/31/2024	\$275.00	\$2.00	\$3,300.00	\$1.30	8/1/20	
200	3.00 1.00	CCS - Sublease	8/1/2008	3/31/2007	\$136.21	\$1.00	\$1,634.52	\$0.60	10/1/19	
200	3.00 1.00	INSURANCE STORAGE								
200	3.00 1.00	Planet Mfg & Service	8/1/2008	3/31/2024	\$175.00	\$2.00	\$2,100.00	\$0.80	8/1/20	
TOTAL	14.00 10%				175,490.40		\$210,618.00			

Please execute the NDA for full financial details

## IX. EXPENSES AND ANALYSIS

OPERATING EXPENSES	PSF	
Real Estate Taxes	\$2.38	\$75,901
Water and Sewer	\$0.27	\$8,807
Electricity	\$1.40	\$44,750
Phone - HD SD Cameras	\$0.01	\$400
Trash Removal	\$0.26	\$8,230
Maint - HVAC	\$0.08	\$2,540
Maint - Misc	\$0.08	\$2,530
Elevator	\$0.07	\$2,207
Insurance	\$0.17	\$5,360
Fire Alarm & Security	\$0.10	\$3,150
Pest Control		\$071
Landscaping	\$1.08	\$3,390
Cleaning Service	\$1.02	\$32,000
Reserve	\$0.17	\$5,300
Business License - City	\$0.04	\$1,400
<b>TOTAL OPERATING EXPENSES</b>	<b>\$5.96</b>	<b>\$190,594</b>
<b>TOTAL GROSS RENT</b>		<b>\$</b>
<b>OPERATING EXPENSES</b>		<b>\$190,594.00</b>
<b>NOI</b>		<b>\$555,243.00</b>
<b>APPLY 7.0% CAP RATE</b>		<b>\$7,244,400.00</b>

Please execute the NDA for full financial details