

MARKETBEAT



FREDERICKSBURG INDUSTRIAL REPORT

1Q11

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Overview

As of January, the latest month that data is available, unemployment in the Fredericksburg area is 6.4%. This is lower than it was one year ago when it was 7.4%, and 2.1 percentage points lower than the national average of 9.5%. However, the recovery continues to be a slow one. The current unemployment rate is up over previous months, and at its highest since June 2010.

Absorption and Leasing Activity

The majority of the negative absorption for this quarter is attributable to the previously announced closing of Quad Graphics' direct mail facility at 4333 Davenport. The 165,000-square foot (sf) building was closed because of an acquisition and consolidation of operations. Approximately 300 employees were impacted by the closure.

Although not yet reflected in the absorption numbers, once the GM Powerplant on Tidewater Trail is sold by General Motors, another 280,000 sf of manufacturing space will be returned to the market. Hilco Industrial was hired to auction off all of the equipment and personal property. Originally Hilco announced that the auction was to occur in the first quarter of 2011, but according to sources there, the auction is in a holding pattern.

Leasing activity for the quarter was focused in Spotsylvania County. Although light, it was comparable to last year at this time. The most significant lease was a renewal of 12,000 sf by G&K services at 230 Industrial Drive.

Sales Activity

While leasing activity was focused in Spotsylvania, Stafford county saw the only significant sales activity, with two properties on Perchwood Drive transferring ownership. Most sales activity is still limited to owner/users, with only a small amount of interest from investors.

The first Perchwood Drive sale was an 8,000 sf building on 2.1 acres purchased by CSCQ-VA, LLC for \$1.1 million. They will be using the property to expand a trucking business.

Three separate flex properties were purchased on another parcel on Perchwood. Two of the buildings are 3,600 sf and designed to be single tenant, while the third is 7,200 sf and is divisible. The \$850,000 sale price works out to approximately \$59.00 per square foot (psf).

Outlook

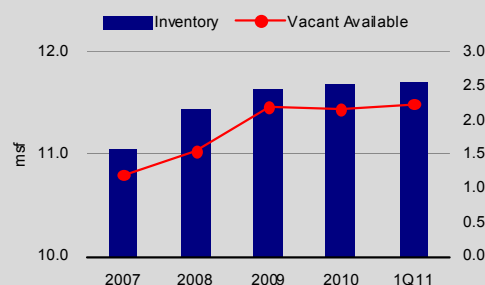
Despite the large negative absorption this quarter, absorption in smaller properties should remain positive. Leasing activity is anticipated to increase throughout the year. There are a number of national tenants in the 10,000 to 15,000 sf range actively looking in the market.

Rents will remain relatively flat, and no new significant construction is anticipated. Vacancy rates have held within a range for the past few years, and will remain between 18% to 22% throughout the year.

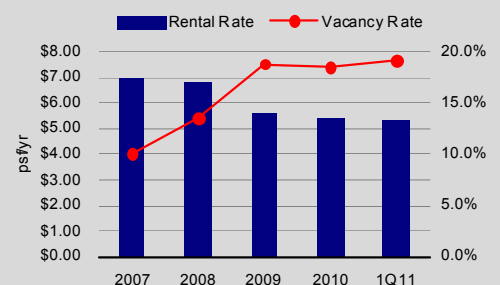
Stats on the Go

	1Q10	1Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	19.6%	19.1%	-0.5 pp	◀▶
Overall Asking Rents	\$4.90	\$5.30	8.1%	◀▶
YTD Leasing Activity (sf)	41,319	33,677	-18.5%	▲

Total Inventory vs. Vacant Available Space



Overall Rental vs. Vacancy Rates



Market/Submarket Statistics

Submarket	Inventory	Overall Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Direct Net Absorption	YTD Overall Net Absorption	Direct Weighted Average Net Rental Rate*		
								MF	OS	W/D
Caroline County	784,948	57.0%	0	0	0	7,100	7,100	\$0.00	\$0.00	\$2.52
King George County	217,990	34.4%	0	0	0	0	0	\$0.00	\$0.00	\$2.99
Fredericksburg City	1,167,705	18.7%	0	0	0	(43,566)	(43,566)	\$0.00	\$8.43	\$4.43
Spotsylvania County	5,661,403	17.3%	29,717	0	15,000	(173,298)	(173,298)	\$5.05	\$12.23	\$5.27
Stafford County	3,865,513	13.5%	3,960	0	0	(7,933)	(7,933)	\$4.50	\$10.32	\$6.38
FREDERICKSBURG TOTAL	11,697,559	19.1%	33,677	0	15,000	-217,697	-217,697	\$4.65	\$9.78	\$4.67

* Rental rates reflect asking \$psf/year.

HT= High Tech MF=Manufacturing OS= Office Service W/D = Warehouse/Distribution

Market Highlights

SIGNIFICANT 1Q11 LEASE TRANSACTIONS

BUILDING	MARKET	TENANT	SQUARE FEET	PROPERTY TYPE
230 Industrial Drive	Spotsylvania	G&K Services	12,000	Warehouse/Distribution
*11900 Main Street	Spotsylvania	Ephesus Marble and Granite	8,167	Warehouse/Distribution
*11900 Main Street	Spotsylvania	New Home Media	7,917	Warehouse/Distribution
11001 Houser Drive	Spotsylvania	Onsite Health	6,318	Warehouse/Distribution

* Renewal – not included in Leasing Activity Statistics

SIGNIFICANT 1Q11 SALE TRANSACTIONS

BUILDING	MARKET	BUYER	SQUARE FEET	PURCHASE PRICE
34 Perchwood Lane	Stafford	CSCQ-VA	8,000	\$1,100,000
28,30, 32 Perchwood Lane	Stafford	Synan Road Investors, LLC	14,400	\$850,000

SIGNIFICANT 1Q11 CONSTRUCTION COMPLETIONS

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
11720 Main Street	Spotsylvania	N/A	15,000	1Q11

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
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N/A