

MARKETBEAT

FREDERICKSBURG INDUSTRIAL REPORT

Overview

The Greater Fredericksburg industrial market saw a slight improvement for the second quarter in a market that has been nationally stagnant. Unparalleled disaster in Japan took billions of dollars in parts and automotive manufacturing offline across the nation, slowing the economic recovery process in both residential and commercial areas. The increase in industrial activity has been attributed to more realistic views from parties on both sides of the table and more aggressive pricing in order to move properties.

Leasing Activity Gains

Several large leases in the area served to offset the large negative absorption seen in the first quarter. Wal-Mart leased nearly 45,000 square feet (sf) of warehouse space in the Fredericksburg Center.

Although WalMart was the most substantial lease for the quarter, others rounded out the activity to help fill out the vacancy numbers previously seen. Fairground Industrial leased a single unit for 5,200 sf in addition to multiple leases 3,000 sf and lower.

Renewal activity also contributed to the numbers seen this quarter with tenants willing to renew on properties that offered attractive leasing options and rates.

Sales Activity on the Rise

While leasing activity was focused mainly in Spotsylvania, Stafford, Fredericksburg and Spotsylvania all saw a fair amount of sales activity toward the end of the second quarter. Juliad Business Park in Stafford County comprised the largest transaction of the quarter. The business park sold for \$1.9 million and is currently a leased building

with strong tenants. Prime Source Building Products sold the 48,000-sf warehouse at 5112 Park Drive in Spotsylvania County for \$1.2 million. In late June, a 61,000-sf building at 1115 Tyler Street in Fredericksburg City sold for \$1.5 million.

The three sales from the second quarter combined nearly tripled the sales amount seen in the first quarter. Again, the pick-up in sales has been credited to owners who have taken a more realistic view of the marketplace and are willing to price property more aggressively in order to sell.

Outlook

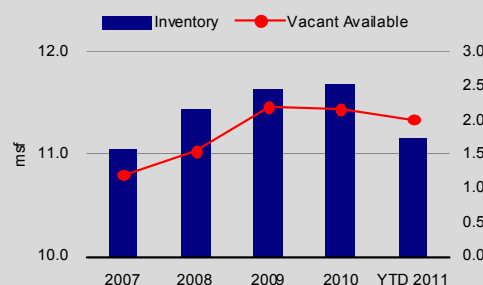
A host of factors, ranging from the tsunami in Japan to higher oil prices, have conspired to weaken the outlook for the overall U.S. economy, yet the manufacturing sector continues to forge ahead, according to the Manufacturers Alliance/MAPI U.S. Industrial Outlook (ER-723), a quarterly report that analyzes 27 major industries.

“The positive momentum of a 2% reduction in payroll taxes this year and 100% expensing of equipment and software investments has been more than offset by higher oil prices, and Japanese automakers in the U.S. faced a parts shortage as a result of the tsunami,” said Daniel J. Meckstroth, Ph.D., Chief Economist for the Manufacturers Alliance/MAPI and author of the analysis. “Manufacturing, though, is currently well positioned for growth. There is pent-up demand for consumer durables, firms are profitable and need to spend more for both traditional and high-tech business equipment, and strong growth in emerging economies is driving U.S. exports.”

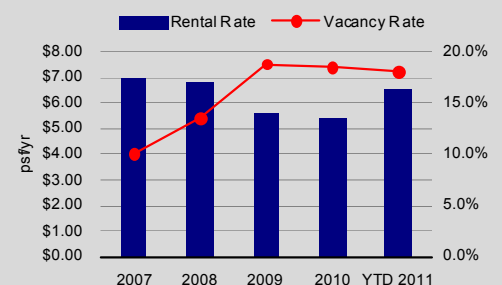
Stats on the Go

	2Q10	2Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	18.9%	18.1 %	-0.8 pp	◀▶
Overall Asking Rents	\$7.15	\$6.50	-9.1%	◀▶
YTD Leasing Activity (sf)	93,072	76,861	-17.4%	▲

Total Inventory vs. Vacant Available Space



Overall Rental vs. Vacancy Rates



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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	800,178	55.9%	0	0	0	19,600	19,600	\$0.00	\$7.00	\$2.52
King George County	142,990	0.0%	0	0	0	70,000	70,000	\$0.00	\$0.00	\$2.99
Fredericksburg City	1,062,749	18.5%	5,216	0	0	(44,150)	(44,150)	\$0.00	\$4.65	\$3.56
Spotsylvania County	5,527,905	16.5%	67,685	0	0	(117,856)	(117,591)	\$5.05	\$12.23	\$5.27
Stafford County	3,616,029	12.1%	3,960	0	0	32,457	32,457	\$4.50	\$10.32	\$6.38
FREDERICKSBURG TOTAL	11,149,851	18.1%	76,861	0	0	(39,949)	(39,684)	\$4.69	\$9.33	\$4.47

* Rental rates reflect asking \$psf/year.

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

Market Highlights

SIGNIFICANT 2Q11 LEASE TRANSACTIONS

BUILDING	MARKET	TENANT	SQUARE FEET	PROPERTY TYPE
11900 Main Street	Spotsylvania	Wal-Mart	44,917	Warehouse/Distribution
102 C Truslow Road	Stafford	Fredericksburg Powder Coating	5,423	Flex
2111 Airport Ave.	Fredericksburg City	Edward John Nimeth, II	5,216	Warehouse/Distribution

SIGNIFICANT 2Q11 SALE TRANSACTIONS

BUILDING	MARKET	BUYER	SQUARE FEET	PURCHASE PRICE
107 Juliad Court	Stafford	N/A	6,000	\$1,900,000
1115 Tyler Street	Fredericksburg City	N/A	61,000	\$1,525,000
5112 Park Drive	Spotsylvania	N/A	48,196	\$1,200,000

SIGNIFICANT 2Q11 CONSTRUCTION COMPLETIONS

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
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N/A

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
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N/A