

# MARKETBEAT

## OFFICE SNAPSHOT

### FREDERICKSBURG, VA

A Cushman & Wakefield Alliance Research Publication



#### ECONOMIC OVERVIEW

Unemployment in the Fredericksburg region was 5.8% in October, the latest month for which figures are available. This is not far off the Virginia unemployment rate, which was reported at 5.7% in November. These numbers

have improved from last year by 0.3 and 0.8 percentage points, respectively.

Vacancy rates stayed in the same range the past three years, concluding the fourth quarter at 11.9%, which is only slightly higher than the estimated national average of 11.0%.

#### LEASING ACTIVITY

The last quarter of 2011 in the Fredericksburg office market saw an increased amount of leasing activity, mirroring the pattern from earlier in the year. Despite this, leasing activity still was not on par with 2010, exhibiting the hesitation of office users to commit to long term leases.

Direct asking rents remained fairly steady at \$21.90 per square foot (psf) during the fourth quarter of 2011, with a slight increase over last year's \$21.09 psf average. Brokers and landlords remain optimistic that this will eventually lead to the return of pre-downturn rental rates.

#### STRONG SALES

2011 closed with a number of strong sales during the year exhibiting the gradual return of office users who are taking advantage of competitive pricing in the Fredericksburg market. The sale of 1000 Falls Run Drive to NGP V, LLC was the top sale of the year, valuing just over \$30 million. This sale, along with other high value office sales during 2011, are perfect examples of the gradual return of optimism and investment in the Fredericksburg region with office users looking to position themselves for the return of better economic times.

#### OUTLOOK

Following the completion of several significant office projects in Stafford and Fredericksburg City in 2011, the New Year looks to be a year for growth in the Fredericksburg office market. The Eagle Village office and retail development is now fully built-out, and plans for a luxury hotel in the center have just emerged, further exhibiting the overall optimism in the market.

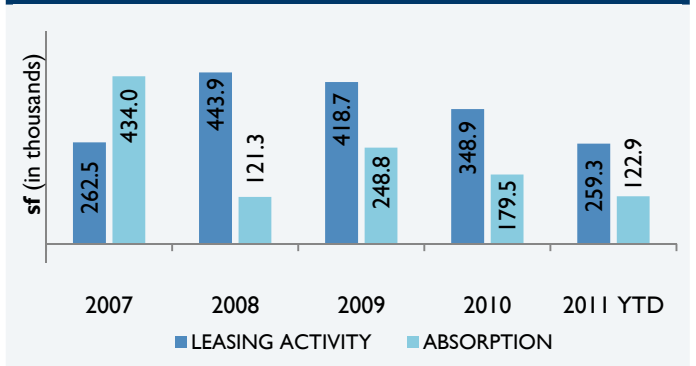
In the first quarter of 2012, three projects are scheduled for delivery, bringing with them the opportunity for job creation. The 10,800 sf project at 130 Executive Center Parkway will be the area's first LEED certified building. Additionally, two smaller scale medical office projects are in the works in Spotsylvania- a 6,000 sf facility that will house the Rappahannock Women's Health Center and a 10,800 sf facility expected to house Preferred Pediatrics among others.

The prospect of advancement in the Fredericksburg area is strong, led by the BRAC expansion project in Stafford. The potential downfall lies with the possible government spending cuts that will greatly impact the many government workers in the area if enacted.

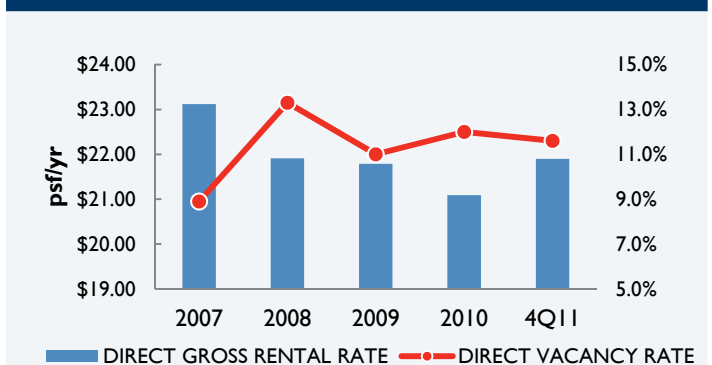
#### STATS ON THE GO

	4Q10	4Q11	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	12.2%	11.9%	-0.3pp	▼
Direct Asking Rents (psf/yr)	\$21.09	\$21.90	+3.8%	◄►
YTD Leasing Activity (sf)	348,991	259,342	-25.7%	▲

#### LEASING ACTIVITY VS. ABSORPTION



#### DIRECT RENTAL VS. VACANCY RATES



## FREDERICKSBURG, VA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Fredericksburg City	3,442,002	9.0%	9.0%	49,693	10,800	40,000	8,050	8,050	\$21.33	\$23.46
Stafford	3,036,133	12.4%	13.4%	139,375	170,000	726,000	21,009	(1,341)	\$22.90	\$25.03
Spotsylvania	2,045,381	15.6%	15.6%	46,340	0	0	116,350	124,662	\$21.62	\$27.28
Caroline	297,854	6.2%	6.2%	0	0	0	0	0	\$13.33	\$0.00
King George	617,894	11.1%	11.1%	23,934	0	0	(8,402)	(8,402)	\$20.05	\$0.00
<b>TOTALS</b>	<b>9,439,264</b>	<b>11.9%</b>	<b>11.6%</b>	<b>259,342</b>	<b>180,800</b>	<b>766,000</b>	<b>137,007</b>	<b>122,969</b>	<b>\$21.89</b>	<b>\$25.32</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

SIGNIFICANT 2011 LEASE TRANSACTIONS		SUBMARKET	TENANT/BUYER	PROPERTY TYPE	SQUARE FEET
Quantico Corporate Center- Building III		Stafford	QinetiQ	Office	75,000
51 Barrett Heights		Stafford	Metrostar Systems	Office	11,500
130 Executive Center		Fredericksburg City	Veterans Administration	Office	10,400
SIGNIFICANT 2011 SALE TRANSACTIONS		SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
1000 Falls Run Drive		Stafford	NCP V, LLC	\$30,268,337	164,898
10304 Spotsylvania Avenue		Spotsylvania	Rubenstein Partners, LP	\$10,120,000	157,819
4701 Market Street		Spotsylvania	Rappahannock Goodwill	\$3,300,000	83,790
4103 – 4107 Lafayette Boulevard		Spotsylvania	Lafayette Boulevard Properties, LLC	\$3,000,000	18,714
1985 Jefferson Davis Highway		Spotsylvania	Talial, LLC	\$1,630,000	9,066
SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS		SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Russell-Knox Building		Stafford	Quantico- Defense Agency	4Q11	716,000
1500 Dixon Street		Fredericksburg City	Surgi-Center of Central Virginia	3Q11	40,000
481 Garrisonville Road		Stafford	Garrisonville Dental	3Q11	10,000
SIGNIFICANT PROJECTS UNDER CONSTRUCTION		SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
800 Corporate Drive		Stafford	QinetiQ	1Q12	140,000
525 Corporate Drive		Stafford	Patricio Enterprises	1Q12	30,000
130 Executive Center Parkway		Fredericksburg City	General Services Administration	1Q12	10,800