

MARKETBEAT INDUSTRIAL SNAPSHOT

FREDERICKSBURG, VA

A Cushman & Wakefield Alliance Research Publication

Q4 2011



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 climbed to 19.2%, up from 17.6% in 2010, but still below the peak vacancy rate in 2009. The estimated national average is 12.0%, but a majority of the vacancy in the Fredericksburg area is attributable to a few large empty warehouses. Absorption was positive for the second year in a row, although gains were not enough to clearly impact the industrial market in the area.

LEASING REMAINS ENERGETIC

Despite the slow market, there were quite a few leases during 2011, mostly centered in the Spotsylvania submarket. The largest lease was 52,200 square feet (sf) of warehouse space at 10848 Houser Drive, followed by an approximately 45,000-sf lease at 11900 Main Street by Walmart. There continues to be many leases for national tenants in the area, with the focus tending towards distribution centers due to the central location of the Fredericksburg market. Brokers are happy to see a constant stream of new users in the area, and are hopeful that this is a sign of renewed confidence in the economy on the part of tenants.

Rental rates are down 6.2% from last year, showing that landlords are willing to negotiate with tenants in order to secure deals.

SALES ACTIVITY

Sales for the year were led by the purchase of the 73,340-sf distribution center at 9351 Northeast Drive during the third quarter. Other significant sales for the year include the property at 107 Juliad Court in Stafford and 400 Lansdowne Road, which transferred during the second and fourth quarter, respectively. The continued increase in sales activity in the area is highly correlated to owners' realistic view of the current market and competitive pricing.

OUTLOOK

The Fredericksburg area continues to see mixed signals in the industrial market. While the leasing activity seems to be improving, the vacancy rate is still higher than preferred, indicating economic uncertainty overall.

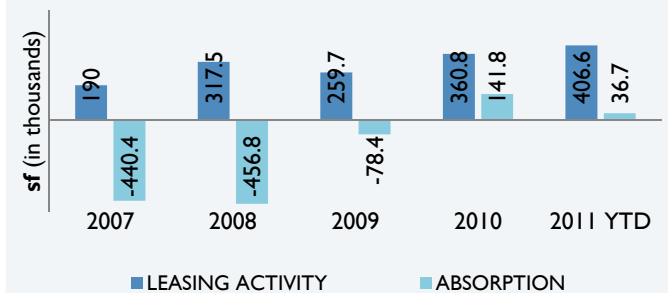
A further indicator of uncertainty - there are no plans for significant construction projects in the area, demonstrating that companies are waiting for a solid indicator of an improving market. Absorption should stay positive in the next year due to this slowing of construction.

On a positive note, the government contractor TAI, formerly known as Tridex Associates Inc., is expected to relocate from Woodbridge to Stafford, bringing many high-paying jobs to the area.

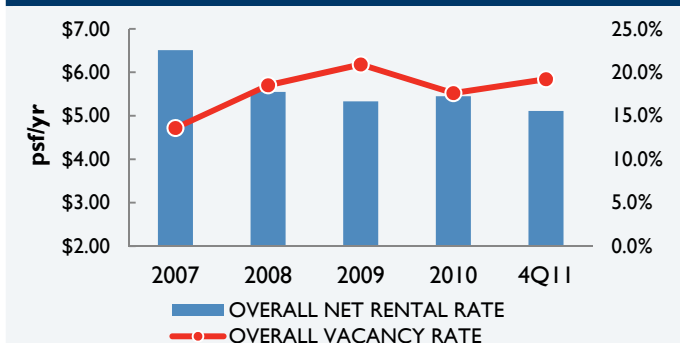
STATS ON THE GO

	4Q10	4Q11	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	17.6%	19.2%	1.6pp	↕
Direct Asking Rents (psf/yr)	\$5.45	\$5.11	-6.2%	↕
YTD Leasing Activity (sf)	360,808	406,562	12.7%	▲

LEASING ACTIVITY VS. ABSORPTION



OVERALL NET RENTAL VS. OVERALL VACANCY RATES



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FREDERICKSBURG, VA

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			
								HT	MF	OS	W/D
Caroline County	1,159,605	45.1%	0	0	0	303,650	303,650	\$0.00	\$0.00	\$7.00	\$2.52
King George County	218,693	35.8%	0	0	0	(145,154)	(145,154)	\$0.00	\$0.00	\$0.00	\$2.98
Fredericksburg City	1,158,114	34.9%	54,696	0	0	66,800	66,800	\$0.00	\$0.00	\$5.00	\$7.62
Spotsylvania County	5,858,064	16.7%	203,959	0	0	(225,514)	(225,249)	\$10.25	\$4.68	\$8.52	\$6.51
Stafford County	3,844,472	12.3%	147,907	0	0	33,372	36,672	\$7.45	\$6.46	\$10.04	\$4.25
TOTALS**	12,238,948	19.2%	406,562	0	0	33,154	36,719	\$7.65	\$4.75	\$9.86	\$4.51

* RENTAL RATES REFLECT ASKING \$PSF/YEAR HT= HIGH TECH MF = MANUFACTURING OS = OFFICE SERVICE W/D = WAREHOUSE/DISTRIBUTION

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MARKET HIGHLIGHTS

SIGNIFICANT 2011 LEASE TRANSACTIONS	SUBMARKET	TENANT/BUYER	PROPERTY TYPE	SQUARE FEET
10848 Houser Drive	Spotsylvania	N/A	Warehouse/Distribution	52,500
11900 Main Street	Spotsylvania	Walmart	Warehouse/Distribution	44,917
1320 Alum Springs Road	Fredericksburg City	United Welding	Warehouse/Distribution	29,000
11900 Main Street*	Spotsylvania	Chesapeake Furniture	Warehouse/Distribution	16,549
11001 Houser Drive	Spotsylvania	Capital Tristate Electrical	Warehouse/Distribution	13,200
SIGNIFICANT 2011 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
9351 Northeast Drive	Spotsylvania	TandT Properties, LLC	\$2,800,000	73,340
107 Juliad Court	Stafford	N/A	\$1,900,000	6,000
400 Lansdowne Road	Spotsylvania	Lansdowne LLC	\$1,825,000	85,000
1115 Tyler Street	Fredericksburg City	N/A	\$1,525,000	61,000
SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A				

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

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