

MARKETBEAT RETAIL 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.

The retail market closed 2011 with negative absorption in the Fredericksburg area, the first time in over five years that this figure did not recover by year-end. Direct rental rates remained flat, with an average \$16.42 per square foot (psf) rate from last year's \$16.43 psf average. Vacancy rates were also flat, closing out the year at 6.8% from 6.7% at the end of 2010.

LEASING ACTIVITY

Tenants continue to take advantage of competitive lease rates in high traffic centers. Both Little Caesars and Blackstone Coffee signed new leases in Spotsylvania during the fourth quarter. Panda Garden Chinese Restaurant plans to open a 3,000-square foot (sf) location in Stafford, a 1,800 sf Sweet Frog is expected to open in March at Eagle Village, and Fantasi Hair Salon is newly opened in the area. Additionally, the Harrisburg, PA-based Ollie's discount store is taking over the former Sport & Health space in the Four Mile Fork Shopping Center, and is expected to open in March.

Many expansion deals occurred during the fourth quarter pointing to optimism in the market. Access Eye Centers, Country Cookin, M.C. Dean Inc., Navy Federal Credit Union, Backyard America, and Merchant's Tire and Auto Centers all expanded their local presence.

SALES ACTIVITY

Retail sales remained steady during the fourth quarter in the Fredericksburg area. Rappahannock Goodwill purchased an 83,790-sf building which will house a new Goodwill store and office. They also plan to offer other like-minded organizations space in their facility. The end-of-year \$1.68 million sale of The Shoppes at Salem Run exhibits the still fragile state of the market - the property was previously purchased for approximately \$4.4 million.

OUTLOOK

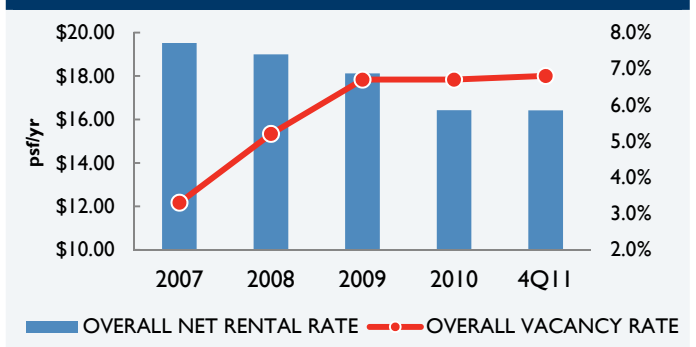
2011 proved to be another difficult year for the retail market in Greater Fredericksburg, with inventory up and rents down. Despite some of the disappointing figures, brokers overall feel that the area is on the upswing. New retail projects in the underserved Dahlgren area will bring many new tenants to the area, and the successful holiday shopping season points to the slow return of consumer confidence.

ECONOMIC INDICATORS

NATIONAL	2010	2011F	2012F
GDP Growth	3.0%	1.8%	2.6%
CPI Growth	1.6%	3.2%	2.1%
Consumer Spending Growth	2.0%	2.2%	2.3%
Retail Sales Growth	6.4%	8.3%	6.1%
REGIONAL	2010	2011F	2012F
Household Income	\$86,127	\$88,605	\$90,816
Population Growth	2.1%	1.3%	1.2%
Unemployment	6.2%	5.9%	6.2%

Source: Moody's Analytics

OVERALL RENTAL VS. VACANCY RATES



Source: Property & Portfolio Research Inc

FREDERICKSBURG SUBMARKET STATISTICS*

SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	ASKING RENT	RENT GROWTH	ABSORPTION
Caroline County	461,366	0	7.9%	424,716	\$12.68	1.7%	(10,200)
Fredericksburg City	5,611,109	143,743	3.6%	5,410,028	\$15.08	(1.8%)	19,170
King George County	517,672	0	9.3%	459,522	\$13.46	(2.3%)	8,400
Spotsylvania County	8,493,995	2,200	8.2%	7,799,805	\$16.51	1.9%	(21,247)
Stafford County	4,844,808	0	8.1%	4,451,818	\$17.28	(0.1%)	(7,479)
TOTAL MARKET	19,928,950	145,943	6.9%	18,545,889	\$16.42	0.6%	(11,356)

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT 2011 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
3427 Jefferson Davis Highway	Spotsylvania	Rosner Motors	General Retail	17,913
39 Town and Country Drive	Stafford	Rappahannock Goodwill	General Retail	12,228
308 Worth Avenue	Spotsylvania	Hibachi Seafood Buffet	General Retail	9,000
3801 Plank Road	Spotsylvania	Plow and Hearth	General Retail	8,035
SIGNIFICANT 2011 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
4701 Market Street	Spotsylvania	Rappahannock Goodwill	\$3,300,000	83,790
Former Borders	Spotsylvania	Mark Doherty & Jeremy McCommons	\$2,200,000	24,000
3711 Lafayette Boulevard	Spotsylvania	Brava Enterprises, LLC	\$1,250,000	22,200
The Shoppes at Salem Run	Spotsylvania	Mohtasham Mobarakeh	\$1,680,000	15,200
29 Banks Ford Parkway	Stafford	Daedong America LLC	\$2,850,000	13,810
11458 Kings Highway	King George	American Realty Capital	\$5,200,000	13,250
SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
16375 Merchant Lane	King George	Walmart	3Q11	152,000
11458 Kings Highway	King George	CVS	1Q11	13,250
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
5527 Plank Road	Spotsylvania	Firestone	4Q12	12,500
Route 301 & Commerce Drive	King George	N/A	1Q12	9,600
James Madison Parkway	King George	N/A	1Q12	3,000
James Madison Parkway	King George	N/A	1Q12	2,000