

MARKETBEAT INDUSTRIAL SNAPSHOT

FREDERICKSBURG, VA

A Cushman & Wakefield Alliance Research Publication

Q1 2013



ECONOMIC OVERVIEW

2013 began as many hoped- with an improving economy and employment figures. The Virginia state-wide figure is 5.7%, and a 5.9% unemployment rate was reported in the Fredericksburg area as of January 2013.

Overall, Stafford County is faring the best with a 5.0% rate, followed by Spotsylvania at 5.3%.

Beyond unemployment figures, there are other indicators of economic growth. Area leaders met during the first quarter to discuss the local economy, and sited new investments in utilities, transportation, and housing developments as bright spots for the area. They also said that although the fast-growth seen a decade ago is not present, economic activity is improving.

FIRST QUARTER ACTIVITY

Fredericksburg saw an increase in leasing activity during the first quarter, with a 102% increase over the 44,252 square foot (sf) figure from the same time last year. Vacancy rates have also improved, coming in at 17.4% overall. Direct asking rents improved slightly from last quarter, at \$5.15 up from \$5.11.

The largest transaction that occurred during the first quarter was 30,000 sf leased to KS Group, who moved from 14,400 sf at 4951 Quality Drive to the bigger space at 1017 Tyler Street. Other lease deals include 7,000 sf leased to Flowers Baking Company at 230 Industrial Drive, 6,000 sf to Sherwin-Williams at 51 Baron Park Road, 2,200 sf to John Jewell Architectural Metals & Welding at 11812 Main Street, and 1,000 sf leased to Jacob Walters Millworks at 1005 Tyler Street.

Construction is underway on the Trane Building at 11205 New Albany Drive in Spotsylvania. This 20,000 sf property will serve as an air conditioning equipment distribution center, with plans in place for a future 15,000 sf expansion if needed.

RENEWALS LEADING THE MARKET

Many of the prominent first-quarter deals in Fredericksburg were renewals. These transactions include 17,169 sf renewed by Chesapeake Furniture at 11900 Main Street, 12,000 sf by G&K Services, 8,167 sf by Brien A Miller Painting at 450 Nelms Circle, 8,167 sf by Ephesus Marble And Granite at 11900 Main Street, and 6,795 sf renewed by High Temperature Linings, also at 11900 Main Street. While renewals are certainly positive, brokers are hopeful that as the economy improves, tenants will expand their footprint in the market.

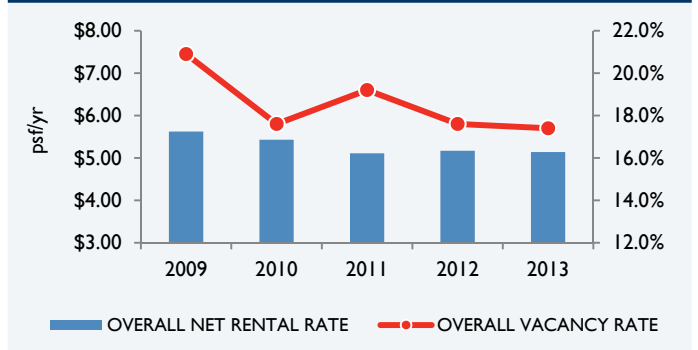
OUTLOOK

The success of the housing market during the first quarter in the Fredericksburg area is a hugely positive indicator for the industrial market. As of February, there was a 7.3% increase sales price and 16.3% increase in transactional volume over the same time last year. This upturn in the housing market will help to fuel the demand for industrial space as the need for goods and services in the area grows. The Fredericksburg industrial market should see slow but steady progression over the course of 2013 and into coming years.

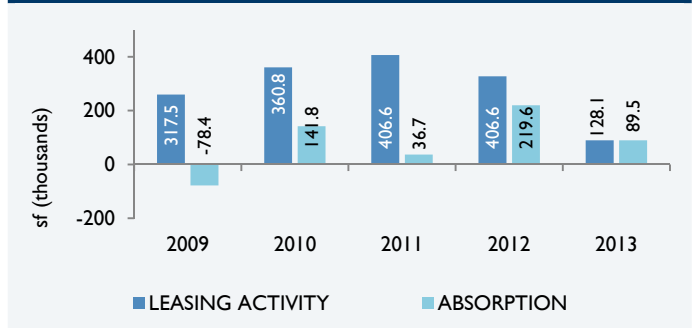
STATS ON THE GO

	Q1 2012	Q1 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	18.3%	17.4%	-0.9pp	▼
Direct Asking Rents (psf/yr)	\$5.14	\$5.15	0.2%	◀▶
YTD Leasing Activity (sf)	44,252	89,523	102.3%	▲

OVERALL RENTAL VS. VACANCY RATES



LEASING ACTIVITY VS. ABSORPTION



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	1,682,601	30.6%	0	0	0	(5,638)	(5,638)	\$0.00	\$0.00	\$0.00	\$2.50
King George County	305,515	24.0%	0	0	0	3,200	3,200	\$0.00	\$0.00	\$0.00	\$6.35
Fredericksburg City	1,111,108	21.4%	46,918	0	0	7,498	7,498	\$0.00	\$10.27	\$3.92	\$4.53
Spotsylvania County	5,702,097	15.9%	25,359	20,000	0	45,420	45,420	\$10.25	\$4.53	\$9.85	\$5.91
Stafford County	3,736,251	12.0%	17,246	0	0	(28,984)	(28,984)	\$0.00	\$6.24	\$10.60	\$6.43
TOTALS	12,537,572	17.4%	89,523	20,000	0	21,496	21,496	\$10.25	\$5.10	\$10.38	\$4.72

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

MARKET HIGHLIGHTS

Significant Q1 2013 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
1017 Tyler Street	Fredericksburg City	KS Group	Warehouse/Distribution	30,000
11900 Main Street*	Spotsylvania	Chesapeake Furniture	Manufacturing	17,169
230 Industrial Drive*	Spotsylvania	G&K Services, Co.	Warehouse/Distribution	12,000
Significant Q1 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
N/A				
Significant Q1 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Trane Building	Spotsylvania	Trane	Q3 2013	20,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS