

MARKETBEAT INDUSTRIAL SNAPSHOT

FREDERICKSBURG, VIRGINIA

A Cushman & Wakefield Research Publication

Q1 2014



ECONOMIC OVERVIEW

The industrial market has remained relatively unaffected by the effects of the turbulent economy. Demand for industrial space has remained steady in the first quarter of 2014. E-commerce is one industry in particular that has driven recent demand. Fredericksburg's overall steady economy has further aided in stabilizing the market. The jobless rate in Virginia dropped below 5 percent during the month of February, the first time this has occurred in over five years and is a positive indicator for future job growth.

The vacancy rate went down slightly and the average direct asking rents dipped to 13.2% and \$5.17 per square foot (psf)/yr respectively.

LEASING ACTIVITY

The first quarter has shown a relatively high level of activity in the leasing realm. Tenants are renewing their leases instead of finding new properties but for longer terms. Vacancy has continued to go down since the same quarter last year. The majority of tenants seem to be primarily concerned with attaining good rates while the market is producing them, thus are more willing to make a long-term investment in the market. Large portions of the market are being transacted at once, resulting in a then mirrored large change in our market, due to its smaller size.

The most notable transaction was the transition of Tru Tech Doors USA Inc. as they leased an additional 41,650 square feet (sf) at the industrial facility at 3010 Mine Road in the McK Business Park. In total, the company's total leased space at the Spotsylvania plant is at 136,842 sf. A part of the Spotsylvania plant circa 2009, Tru Tech took over the operation from the previous tenants Therma-Tru Doors.

OUTLOOK

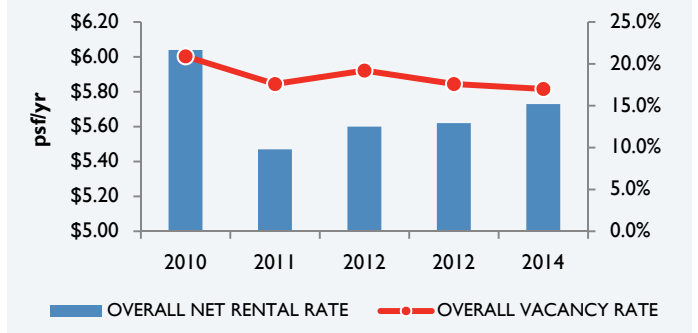
Continuing with the trend in the last quarter of 2013, E-commerce is on the rise, meaning demand should follow suit. Although not a large driver of jobs, e-commerce has a positive impact on warehouse demand. Combined with the fact that new housing starts were up 18% in 2013, construction growth will likely continue as household formation rises and existing inventory is absorbed, pointing to an overall healthier economy.

U.S. retail sales grew 2.1% last quarter and forecasts suggest moderate growth in consumer confidence. As a result, in the near-term the industrial markets should begin to show signs of overall improvement throughout the next two years, as long as consumers continue to buy higher-priced products (including fuel) with more disposable income.

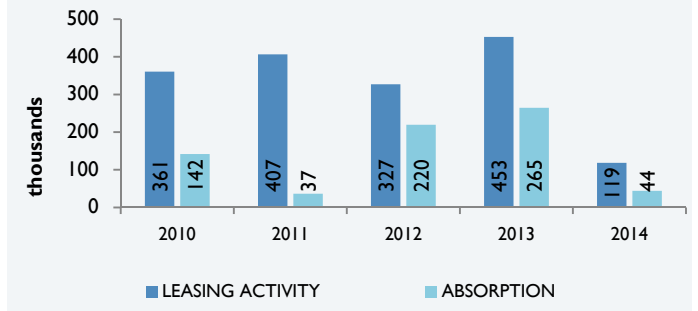
STATS ON THE GO

	Q1 2014	Q1 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	13.2%	16.6%	0.9pp	▼
Direct Asking Rents (psf/yr)	\$5.17	\$5.20	-0.6%	▼
YTD Leasing Activity (sf)	118,605	225,376	16.2%	▼

OVERALL RENTAL VS. VACANCY RATES



OVERALL OCCUPIER ACTIVITY



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	1,248,094	5.0%	0	0	0	0	0	N/A	\$0.00	\$0.00	\$3.29
King George County	331,290	21.1%	0	0	0	0	0	N/A	\$0.00	\$0.00	\$6.95
Fredericksburg City	1,157,210	17.2%	0	0	0	35,080	35,080	N/A	\$0.00	\$9.68	\$5.56
Spotsylvania County	5,415,524	13.9%	85,156	0	0	32,718	32,718	N/A	\$4.05	\$12.89	\$6.06
Stafford County	3,267,915	13.5%	33,449	0	0	(23,561)	(23,561)	N/A	\$5.70	\$13.69	\$7.01
TOTALS	11,420,033	13.2%	118,605	0	0	44,237	44,237	N/A	\$4.98	\$7.25	\$5.87

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

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
3010 Mine Road	Spotsylvania	Tru Tech Doors	Warehouse/Distribution	41,500
5211 Park Drive	Fredericksburg City	Valleycrest Landscaping Maintenance	Warehouse/Distribution	10,000
SIGNIFICANT Q1 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
3427 Jefferson Davis Highway	Fredericksburg	RH SuperCenter	\$3,500,000/\$21	160,300
4406 Overview Drive	Fredericksburg	Concept Foods	\$2,380,000 /\$43	55,000
SIGNIFICANT Q1 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT Q1 2014 PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS