

MARKETBEAT INDUSTRIAL SNAPSHOT

FREDERICKSBURG, VA A Cushman & Wakefield Research Publication

Q1 2015



ECONOMIC OVERVIEW

As of February, the most recent data available, the unemployment rate measured 5.4%. This rate is up 20 basis points over one year ago and largely unchanged over the past few years. The economy in the Fredericksburg region is relatively healthy, buoyed by defense spending and health care. The unemployment rate is slightly below the national average of 5.5%, and only slightly above that of the Commonwealth.

VACANCY DECLINES

The demand for industrial space in the Fredericksburg region was again steady in the first quarter and we expect to see some new build-to-suit and even speculative development by the end of the year. Despite a small list of completed deals in the first quarter, vacancy rates continue to trend downward year-over-year, although it did increase over last quarter. Availability in larger spaces has gradually declined, tightening the market for the remaining demand.

Net absorption continues to move in the right direction. Large class A spaces are very tough to find. The biggest deal of the quarter was a 19,000-square-foot (sf) lease to Digital Impressions on Juliad Court in Stafford County. Other even larger users are in the market but having a difficult time finding the right fit in the available properties. All of this leads us to believe new construction is not far off.

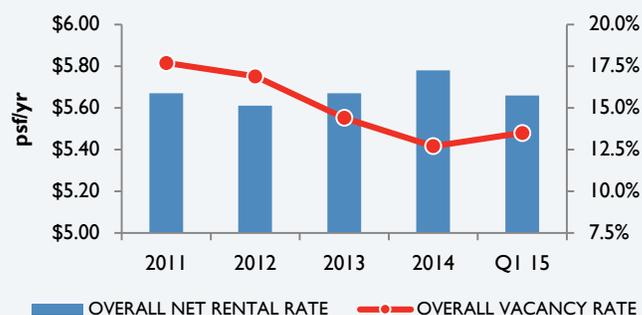
OUTLOOK

Our prediction for the rest of 2015 is continued increase in demand with some new supply breaking ground by year end. Until that time, we foresee continued positive absorption and a strong market, especially for higher class buildings. Industrial call volume is up, which we expect to continue throughout the year. The industrial market is often a leading indicator, which may lead to a continued recovery of other sectors of the market. Low interest rates should create opportunities for purchasers along with consumer confidence to encourage consumer spending and stimulate economic activity.

STATS ON THE GO

	Q1 2014	Q1 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	15.7%	13.5%	-2.2 pp	▲
Direct Asking Rents (psf/yr)	\$5.78	\$5.68	-1.7%	▼
YTD Leasing Activity (sf)	117,555	34,259	-70.9%	▲

OVERALL RENTAL VS. VACANCY RATES



LEASING ACTIVITY VS. OVERALL ABSORPTION

