

MARKETBEAT INDUSTRIAL SNAPSHOT

FREDERICKSBURG, VA

A Cushman & Wakefield Research Publication

Q3 2013



ECONOMIC OVERVIEW

The economy in Fredericksburg during the third quarter has continued to show signs of strength with positive net absorption. With sequestration causing business and consumer uncertainty, the region's unemployment rate still has managed to remain below the national and state average.

The vacancy rate and average direct asking rents remain relatively flat at 17.5% and \$5.19 per square foot (psf)/yr respectively.

LEASING ACTIVITY

Overall leasing activity has proven to be vigorous, with tenants renewing 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. Developers are dusting off old plans and looking to explore specialized projects more than ever. Tenants, in particular larger corporations, are more willing to pay for top of the line properties, making them not as readily available and lessening their time on the market. The activity has shown that investors are more willing to pay for quality over quantity of square footage.

The most recent and significant addition to this sector is a Maryland-based company, KnifeCenter, which has acquired a 3-acre property at 5201 Lad Land Drive in the Massaponax area. The property includes a 12,000-square foot (sf) warehouse and a 9,000-sf office building. This is a prime example of an increasing trend of outside tenants and companies looking to move to our region this quarter.

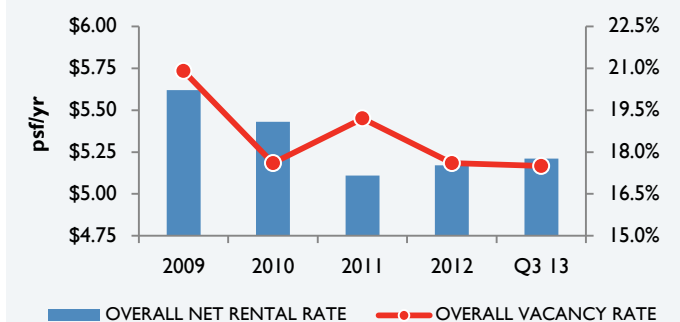
OUTLOOK

With the growing activity from outside investors and consistent interest in top of the line properties, the horizon looks bright for the remainder of the year. With tenants looking to spend more for quality, the overall market demand continues to increase. Combined with the uplifting news from the residential markets and home builders' activity, the industrial sector is expected to maintain a firm foundation despite the economy's flux.

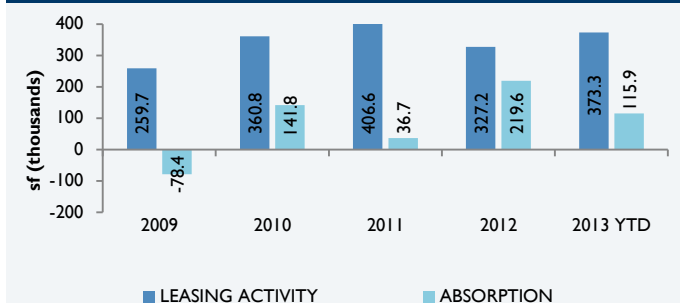
STATS ON THE GO

	Q3 2012	Q3 2013	Y-0-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	18.1%	17.5%	-0.6pp	▼
Direct Asking Rents (psf/yr)	\$5.14	\$5.19	1.0%	◀▶
YTD Leasing Activity (sf)	192,072	373,263	94.3%	▲

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	1,625,758	25.7%	90,061	0	0	85,395	85,395	\$0.00	\$0.00	\$0.00	\$2.24
King George County	368,115	19.9%	0	0	0	3,200	3,200	\$0.00	\$0.00	\$0.00	\$3.28
Fredericksburg City	1,255,384	21.1%	63,673	0	0	15,748	15,748	\$0.00	\$0.00	\$7.25	\$4.59
Spotsylvania County	5,679,216	16.6%	99,797	0	20,000	26,852	26,852	\$10.55	\$4.49	\$9.19	\$5.85
Stafford County	3,580,351	13.7%	119,732	0	0	(14,063)	(15,263)	\$0.00	\$6.24	\$10.49	\$6.32
TOTALS	12,508,824	17.5%	373,263	0	20,000	117,132	115,932	\$10.55	\$5.15	\$9.64	\$4.78

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

MARKET HIGHLIGHTS

SIGNIFICANT Q3 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
11801 Main Street, Lot F	Spotsylvania County	LW Transportation	Lot/Parking	12,960
6404 Jefferson Davis Hwy.	Spotsylvania County	Simms Furniture	Warehouse/Distribution	12,000
SIGNIFICANT Q3 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
5201 Lad Land Dr.	Spotsylvania	Knifecenter Inc.	\$1,475,000/\$123	12,000
SIGNIFICANT Q3 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
11205 New Albany Drive	Spotsylvania County	Trane	Q3 2013	20,000
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS