

MARKETBEAT INDUSTRIAL SNAPSHOT

FREDERICKSBURG, VIRGINIA

A Cushman & Wakefield Research Publication

Q3 2014



ECONOMIC OVERVIEW

Despite a slow 3Q, the strength of the recovering national economy and improving unemployment statistics indicate an improving overall economy in the Fredericksburg area.

Wholesale trade, real estate, construction, manufacturing and information still suffered job losses in the area, but health care, social assistance and public administration were positive.

Employment in the region is still expected to increase by 3.2% annually.

THIRD QUARTER LEASING ACTIVITY

Several large industrial leasing transactions were signed in its third quarter. Most notably Hilldrup Moving & Storage leased a 53,000-square foot (SF) warehouse in Stafford County.

The majority of the activities associated with the Fredericksburg market concerning new leases were for individuals looking for smaller spaces (640 sf to 1,800 sf) to rent with lease terms running from 12 to 36 months.

Business owners are deciding to renew leases and are looking for other lease options as the industrial market supply decreases. The Fredericksburg market renewed several industrial leases in the market during the third quarter totaling approximately 10,100 sf of space.

End-user purchasers are showing confidence in the economy as several industrial purchases were made this quarter for warehouse and storage purposes.

The period tripled second quarter leasing activity removing over 150,000 sf from the market. This pushed the vacancy down to 13.2% at the end of Q3.

OUTLOOK

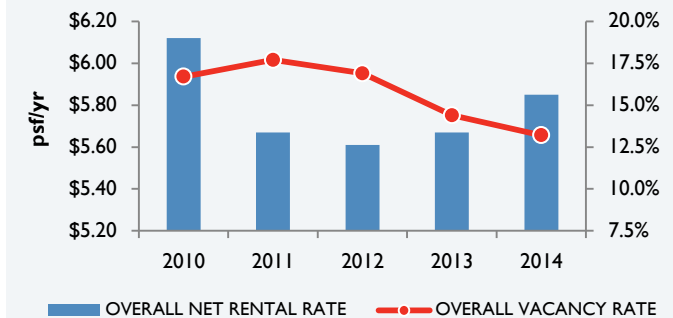
Fredericksburg's industrial property market reported improvement across all indicators during third quarter. This trend should endure through the remainder of 2014. Rental and vacancy rates continue to trend nicely with vacancy dropping and rental rates rising.

Commercial realtors report an uptick in activity for the area. The rate of inquiries is higher than it has been in some time.

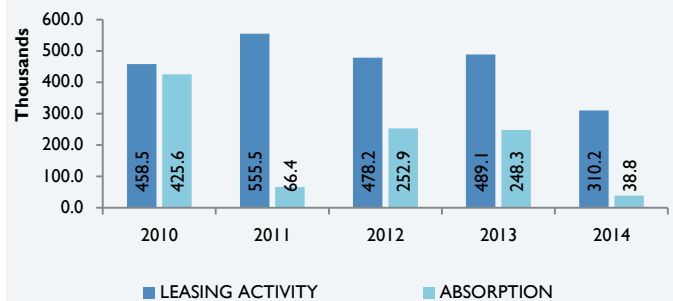
STATS ON THE GO

	Q3 2013	Q3 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	14.4%	13.2%	-1.2pp	▼
Direct Asking Rents (psf/yr)	\$5.66	\$5.84	3.2%	▲
YTD Leasing Activity (sf)	370,762	310,241	-16.3%	▼

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	1,269,462	4.9%	0	0	0	11,200	11,200	\$0.00	\$0.00	\$0.00	\$2.75
King George County	256,290	27.3%	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Fredericksburg City	1,173,783	15.6%	0	0	0	28,012	28,012	\$0.00	\$0.00	\$0.00	\$4.51
Spotsylvania County	5,251,754	13.4%	251,455	0	0	4,058	4,058	\$0.00	\$4.41	\$0.00	\$5.94
Stafford County	3,043,811	14.2%	58,786	0	0	(4,493)	(4,493)	\$0.00	\$6.24	\$0.00	\$6.54
TOTALS	10,995,100	13.2%	310,241	0	15,000	38,777	38,777	\$0.00	\$4.79	\$0.00	\$6.15

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

MARKET HIGHLIGHTS

SIGNIFICANT Q3 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
1199 International Drive	Stafford	Hilldrup Moving & Storage	Industrial	53,000
*11551 Shannon Park Drive	Spotsylvania	Bottling Group LLC	Industrial	41,550
*11900 Main Street	Spotsylvania	XM Satellite Radio	Industrial	20,665
11812 Main Street, Suite B105 A	Spotsylvania	TriCounty Sports	Industrial	12,000
11001 Pierson Drive, Suites D & E	Spotsylvania	Susan Nguyen	Industrial	10,132
5121 Park Drive	Spotsylvania	Valleycrest Landscaping Maintenance	Industrial	10,000
SIGNIFICANT Q3 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
29 Synan Road	Stafford	29 Synan Road LLC	1,040,000 / \$44.25	23,500
11047 Pierson Drive, Unit A	Spotsylvania	Scott & LeeAnne Bergquist	\$165,000 / \$91.66	1,800
SIGNIFICANT Q3 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT Q3 2014 PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS