

MARKETBEAT OFFICE SNAPSHOT

FREDERICKSBURG, VA

A Cushman & Wakefield Research Publication



THALHIMER
INDEPENDENTLY OWNED AND OPERATED

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.

Despite a healthy unemployment rate that is slightly below the national average of 5.5%, and only slightly above that of the Commonwealth, the overall vacancy rate in Fredericksburg continues to creep upwards.

LEASING/SALE ACTIVITY

The demand for office space in the Fredericksburg region reported some sign of improvement in the first quarter. Vacancy rates continue to trend upward despite some welcome activity from the defense contractor community. In first quarter, the market recorded four defense contractor related leases totaling over 30,000 square feet (sf), with announcements of more on the horizon. Despite this news, availability is slowly increasing while absorption is still roughly flat, as a few new build-to-suit buildings have come on-line.

Net absorption is trending in the right direction, which is encouraging. Spaces under 5,000 sf continue to be in the highest demand. A big deal long in the making was finally signed this quarter with Regus Executive Offices for over 12,000 sf, which is a sizable lease in this market. Regus leased space in the Central Park Corporate Center, one of the bright spots of the local office market. There are a few medical leases in progress that will take some long vacant space off the market and may be a sign of more to come. Also of significance is the full occupancy of the Eagle Village office building with the addition of Movement Mortgage, who is experiencing tremendous success with the improving housing market and took the remaining 3,530 sf.

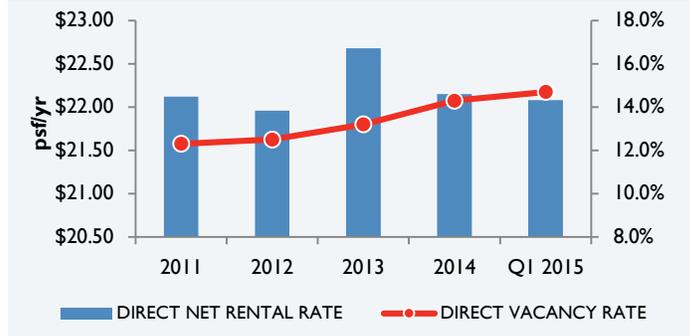
OUTLOOK

Our prediction for the rest of 2015 is continued slight improvement in demand and with limited new supply, which should result in positive absorption and strengthening market fundamentals heading into 2016. Call volume is up and the market is slowly showing signs of improvement. However, the office market will struggle through this recovery period and will be the last to improve after industrial and retail. Thankfully, 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	13.9%	14.9%	1.0 pp	▼
Direct Asking Rents (psf/yr)	\$22.05	\$22.08	0.1%	◄►
YTD Leasing Activity (sf)	95,500	105,095	10.0%	▲

DIRECT RENTAL VS. VACANCY RATES



OVERALL LEASING ACTIVITY VS. ABSORPTION

