

# MARKETBEAT OFFICE SNAPSHOT

## FREDERICKSBURG, VA

A Cushman & Wakefield Research Publication



**THALHIMER**  
INDEPENDENTLY OWNED AND OPERATED

Q2 2015



### ECONOMIC OVERVIEW

The unemployment rate for May reported a healthy 5.0% which is a 0.2 percentage point improvement from a year ago. The office vacancy rate for the Fredericksburg region remains in the 13-14% range and decreased slightly from one year ago, a positive trend for the office market.

### LEASING/SALE ACTIVITY

Tenants shed space in the first quarter for a net loss of almost 30,000 square feet (sf) of leased space. This was followed by a net gain in the second quarter of approximately 20,000 sf. Most notable in the Q2 data is the fact that year-to-date leasing activity reported nearly 240,000 sf. This number is impressive compared to 2014 where the total activity for the entire year measured about 230,000 sf. These trends indicate increased churn within the market and correlates with what we are seeing on the street. Tenants continue to improve their position by “buying up” their space or “buying down” their rents. The result is that the best properties in the market are beginning to fill up and class B and C properties are expected to start posting positive absorption in the coming quarters. This churning within the market does not significantly move the vacancy numbers but it should result in increased rents in the near term followed by decreased vacancy.

The bulk of significant leasing occurred in the medical sector with several transactions over 10,000 sf inked. Those transactions all occurred in the Lee’s Hill/Massaponax submarket. Also of note were two defense-related transactions in the North Stafford submarket. Bowen Group signed a new 15,000-sf lease and IPKEYS inked a 20,000-sf lease. It is encouraging to see firm commitment to the area by defense firms as further evidenced by the 59,000-sf lease signed by SimVentions in Riverside Business Park. They were previously in 42,000 sf.

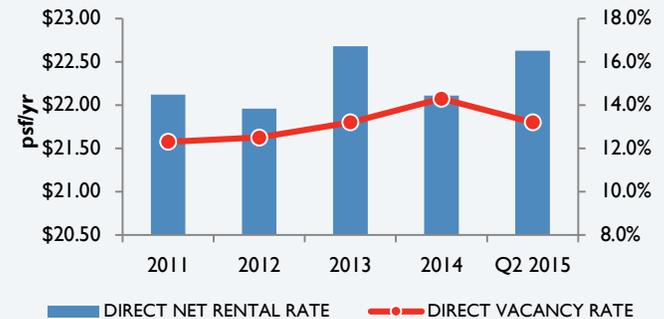
### OUTLOOK

There are more positive signs than negative in the market. Churning has increased as evidenced by increased gross absorption. The very best properties should continue to see the bulk of the activity. As these class A properties lease up we can expect increased leasing activity to trickle down into the class B and C properties.

### STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	14.0%	13.4%	-0.6 pp	▼
Direct Asking Rents (psf/yr)	\$21.95	\$22.63	3.1%	▲
YTD Leasing Activity (sf)	127,541	237,963	86.6%	▲

### DIRECT RENTAL VS. VACANCY RATES



### OVERALL LEASING ACTIVITY VS. ABSORPTION

