

MARKETBEAT

RETAIL SNAPSHOT

FREDERICKSBURG, VIRGINIA

A Cushman & Wakefield Research Publication

Q2 2014



ECONOMIC OVERVIEW

The retail market has seen marked signs of improvement throughout this quarter. Following suit with Virginia's economic recovery, retail vacancies are down 0.2 percentage points.

Much of this improvement is due to increased consumer confidence. *The Free Lance Star* reports that "the Fredericksburg region...showed marked improvement from this time last year and last quarter, as well as being higher than the state average."

According to Virginia Employment Commission data, the jobless rate for the Fredericksburg area is at 5.3 percent, down from last year's 5.6 percent.

Local events such as civil war reenactments and the Marine Corp marathon have also done their part to aid the area's economy, further boosting local leader's confidence that recovery will continue to occur.

RETAIL MARKET OVERVIEW

Overall, bigger name tenants have shown increased interest in the Fredericksburg area. Central Park, our region's biggest Power Center, is boasting activity that is at a five-year high.

As consumer spending rises, so do retail sales. The Commerce Department said that retail sales gained 0.3 percent this quarter. Although this was below the predictions of Wall Street, April sales were revised higher to show a 0.5 percent increase, helping to keep growth forecasts intact.

Tenants are willing to take on longer lease terms than this time last year. Spotsylvania and Fredericksburg are seeing more activity, potentially due to a spilling over of the success in Stafford.

Cowboy Jack's, a popular Minnesota-based chain restaurant, opened in the 5,925 square foot space at 2312 Plank Road in the beginning of April and has already seen much success.

The Children's Museum, which opened in May in Eagle Village, has generated much excitement. Convenience stores are proving to be of increased interest, with several new Sheetz locations being developed at various locations throughout the area.

OUTLOOK

Although e-commerce is on the rise, consumers are still continuing to spend. Vacancy rates are slowly declining with the Stafford market still in the lead.

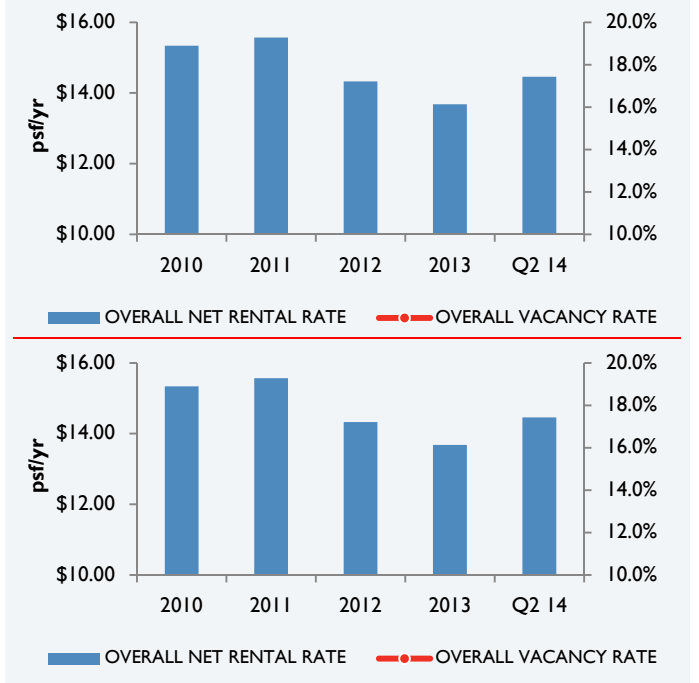
Housing developments and rezoning proposals by national and regional home builders continue to be presented to local administrators, shedding light on the interest investors have in the region—a sign of positive economic activity to come in future months.

ECONOMIC INDICATORS

NATIONAL	2013	2014F	2015F
GDP Growth	1.9%	1.7%	3.7%
CPI Growth	1.5%	1.9%	2.2%
Consumer Spending Growth	2.0%	2.4%	3.8%
Retail Sales Growth	4.2%	4.1%	5.8%
REGIONAL	2012	2013	2014F
Household Income	\$90,164.44	\$91,042.80	\$91,789.83
Population Growth	1.6%	1.5%	1.3%
Unemployment	5.5%	5.4%	4.9%

Source: Moody's Analytics

OVERALL RENTAL VS. VACANCY RATES



Source: Property & Portfolio Research Inc.

SUBMARKET STATISTICS (TOP FIVE)

SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	ASKING RENT	RENT GROWTH	ABSORPTION
Caroline County	490,416	41,755	6.9%	456,469	\$8.65	0%	0
Fredericksburg City	5,447,416	1,116	4.5%	5,245,491	\$14.78	(0.3%)	28,075
King George County	821,946	14,650	3.3%	787,306	\$15.64	4.5%	61,000
Spotsylvania County	9,230,420	37,543	6.8%	8,614,334	\$14.04	(1.5%)	18,733
Stafford County	4,752,476	30,640	7.0%	4,407,903	\$15.43	0.3%	24,692
TOTAL MARKET	20,742,497	42,017	6.2%	19,511,503	\$14.46	(4.6%)	77,600

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

**THIS TABLE INCLUDES FREDERICKSBURG'S TOP FIVE SUBMARKETS BY INVENTORY SIZE. THE FREDERICKSBURG AREA TOTAL INCLUDES THE OVERALL FREDERICKSBURG MARKET.

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Eagle Village, 1243 – 1289 Jefferson Davis Highway	Fredericksburg	Children's Museum of Richmond	Museum	11,600
2312 Jefferson Davis Highway	Fredericksburg	Cowboy Jack's	Restaurant	5,925
U.S. 17 and Hospital Boulevard	Spotsylvania	Sheetz	Convenience Store	6,000
U.S. 1 and Massaponax Church Road	Fredericksburg	Sheetz	Convenience Store	5,550
SIGNIFICANT Q2 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
3435-3455 Jefferson Davis Hwy	Spotsylvania	Rink Realty, LLC	\$1.25 million/\$22.07	56,628/1.3 acres
1821 Dixon Street	Fredericksburg	Colony Mitchell	\$270,000/\$11.25	2,400
SIGNIFICANT Q2 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
50 White Oak Road	Stafford	Walgreens	Q2 2014	14,820
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A				

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS