

MARKETBEAT RETAIL SNAPSHOT

FREDERICKSBURG, VIRGINIA

A Cushman & Wakefield Research Publication

Q3 2014



ECONOMIC OVERVIEW

In the retail market, the increase in sales tax revenue is typically a good indicator of a recovering recession. The Virginia Department of Taxation recently released their sales tax revenue intake figures for the market area for August 2014. The total for Spotsylvania County increased to \$1.395 million which was up from \$1.315 million during the same period in 2013. Fredericksburg's increase rose to \$854,201, up compared to the past year amount of \$836,241. King George County reported an increase in revenue of \$11,884, up from \$173,416 in 2013 to \$185,300 in 2014. In Caroline County sales tax intake was \$129,762 in 2013 and augmented to \$171,272 in 2014. Stafford County improved their revenue to \$968,000 from \$911,163 year-to-year. Consumer confidence continues to improve.

RETAIL MARKET OVERVIEW

Third quarter statistics are sometimes offsetting with the influx of Halloween/Holiday stores leasing for the season. The number of "Vape" Shops (Vapor shops specializing in juice vendors, oxygen aromatherapy, smoke-free alternatives and other vape products) opening in the region is also on the rise. Most retail owners have concerns leasing space to them due to their short term history.

Downtown retail occupancy increased to 97% as reported in the second quarter report from the Fredericksburg Department of Economic Development and Tourism. Only four retail spaces are currently unoccupied on Caroline and William Streets. In the previous quarter, executed leases for the area totaled 27,489 square feet (SF) with 41,111 SF of retail space opening. The Route 610 area of Stafford is the strongest submarket, reporting nearly 100% retail occupancy along the corridor.

Over 22,000 visitors have called on the Children's Museum of Richmond/Fredericksburg since opening their doors in Eagle Village on May 10. The Eagle Village center continues to draw retail activity as Planet Fitness reports 9,500 members since opening a year ago. Another recent tenant is The Popcorn Bag which leased 1,320 sf in September.

OUTLOOK

The outlook is encouraging and holiday sales are expected to be merry for retail establishments, per the National Retail Federation's 10/7/14 report. Consumers recently laid-off or others looking for employment currently have about 207 retail jobs to choose from that are available in Fredericksburg. Employers are hiring immediately. Retail trade continues to be the most dominant employment sector with approximately 16,189 employed in the Fredericksburg area.

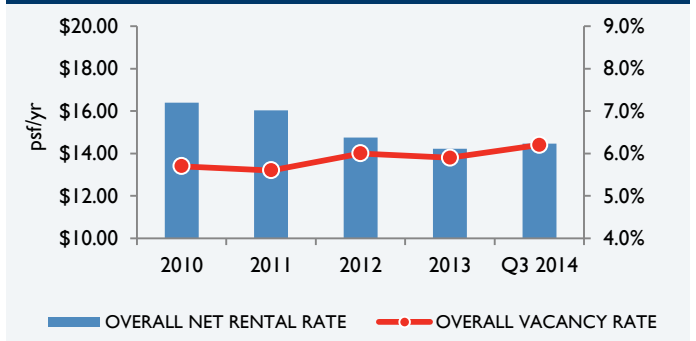
The positive outlook for the commercial/retail real estate market will continue to improve through 2014, but the pace will be slow.

ECONOMIC INDICATORS

NATIONAL	2013	2014F	2015F
GDP Growth	2.2%	2.2%	3.5%
CPI Growth	1.5%	1.8%	2.1%
Consumer Spending Growth	2.4%	2.4%	3.6%
Retail Sales Growth	4.2%	4.1%	6.1%
REGIONAL	2012	2013	2014F
Household Income	\$90,201.41	\$90,054.18	\$92,521.36
Population Growth	1.5%	1.3%	1.2%
Unemployment	5.44%	4.98%	4.57%

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	533,350	42,934	7.7%	499,714	\$8.91	0%	1,211
Fredericksburg City	5,446,516	-1,900	5.4%	5,224,696	\$14.64	(0.3%)	(22,072)
King George County	826,043	4,097	5.6%	799,203	\$15.64	4.5%	8,300
Spotsylvania County	9,267,143	36,723	7.3%	8,707,787	\$13.70	(1.5%)	51,530
Stafford County	4,744,072	-8,404	7.0%	4,461,386	\$16.66	0.3%	47,827
TOTAL MARKET	20,816,124	73,450	6.6%	19,511,503	\$13.91	(4.6%)	86,796

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

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

MARKET HIGHLIGHTS

SIGNIFICANT Q3 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
3940 Plank Road, Suites R2, R3, & R4	Spotsylvania	Office Products Inc.	Retail	10,200
1273 Central Park Blvd	Fredericksburg	Comfort Medical Supply Inc	Retail	4,400
2378 Plank Road	Spotsylvania	Habitat for Humanity	Retail	3,800
1320-1440 Central Park Blvd, Suite 106	Fredericksburg	Community Bank of The Chesapeake	Retail	3,300
SIGNIFICANT Q3 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
2306 Plank Road	Fredericksburg	RED Legacy LLC	1,500,000/\$218.24/SF	6,873
971 Garrisonville Road	Stafford	Kamco, LLC	515,000/\$141.25/SF	3,646
SIGNIFICANT Q3 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A				

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS