

MARKETBEAT RETAIL SNAPSHOT

FREDERICKSBURG, VIRGINIA

A Cushman & Wakefield Research Publication

Q4 2014



ECONOMIC OVERVIEW

Post-holiday retail reports were very positive from retailers in the Fredericksburg market. Downtown Fredericksburg retailers reported experiencing the best retail holiday season in several years.

The retail sales tax revenue fell during mid-2014, but later rebounded to finish the year 1.9% higher at \$2,609,781, compared to the 2013 total of \$2,561,443. While the area as a whole saw an increase, the City of Fredericksburg experienced a drop in their revenue during the same period from \$903,100 in 2013 to \$892,300 this past November. For 2014 there was an increase of 1.8% in meals tax revenue compared to 2013, finishing Q4 at \$2,589,892. Lodging tax increased 15.4% to a total of \$374,919 in 2014. Lower occupancy reports by area hotels drove down the average room rate by 1.5% from \$86.90 per room to \$85.60 per room according to a November report by the Free Lance-Star.

RETAIL MARKET OVERVIEW

The retail market experienced a boom in new business openings in 2014, twice the amount of openings as compared to 2013. Brokers felt the encouraging retail activity of the second and third quarters of 2014 did not carry over into the fourth quarter. The market saw an influx of leases in the personal health sector for spas, barber, and beauty shops. Anytime Fitness leased 5,100 square feet (sf) of space in the Stafford Tech Center in the fourth quarter as the North Stafford retail market remains tight.

New construction in the food service industry remained steady. Recent openings in the Harrison Crossing area of Route 3 of a Taco Bell, a Wendy's and a McDonalds added to the activity. A La-Z-Boy facility was just completed in the mall area of Route 3. The Cowan Crossing development is progressing with the addition of Chipotle.

The Southpoint and Cosner Corner areas off of Jefferson Davis Highway (south of Fredericksburg) continue to struggle as Staples recently announced it will close as well as another popular restaurant, Mimi's Cafe. Goodyear developed a new auto retail center opening soon at the Route 1/Spotsylvania County Parkway intersection. New construction of another food service facility, Cook Out, will be opening near the I-95/Route 1 interchange at Exit 126.

OUTLOOK

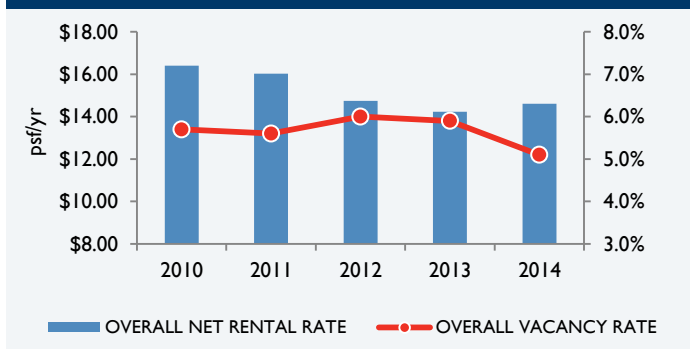
The slow and steady progress of the retail market improvement should be the norm for 2015. Local municipalities have started surveying business owners and residents for their input on what types of new business they want established in the local market. The concept is gaining momentum as new retailers including Chipotle, a Verizon Smart Store, Panera Bread, Starbucks, and On The Ranch Tex Mex Grill & Sports Bar have recently opened. More retailers are expected to open later this year.

ECONOMIC INDICATORS

NATIONAL	2013	2014F	2015F
GDP Growth	2.2%	2.4%	3.7%
CPI Growth	1.5%	1.7%	1.1%
Consumer Spending Growth	2.4%	2.5%	3.8%
Retail Sales Growth	4.2%	4.1%	4.8%
REGIONAL	2013	2014	2015F
Household Income	\$91,414.81	\$91,089.19	\$92,929.26
Population Growth	1.5%	1.3%	1.2%
Unemployment	5.44%	5.00%	4.83%

Source: Moody's Analytics

OVERALL RENTAL VS. VACANCY RATES



Source: CoStar

SUBMARKET STATISTICS (TOP FIVE)

SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	ASKING RENT	RENT GROWTH	ABSORPTION
Caroline County	501,437	0	5.9%	471,761	\$8.44	(0.5%)	2,901
Fredericksburg City	5,461,638	0	4.0%	5,245,076	\$15.01	0.2%	(9,684)
King George County	818,466	0	3.7%	788,569	\$16.46	0.5%	7,043
Spotsylvania County	9,253,070	0	5.6%	8,738,682	\$13.75	0.0%	51,517
Stafford County	4,803,486	0	5.6%	4,533,419	\$16.68	0.0%	50,302
TOTAL MARKET	20,838,097	0	5.1%	19,807,507	\$14.61	0.1%	102,079

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Eagle Village, 1243 Jefferson Davis Highway	Fredericksburg	Children's Museum of Richmond	Retail/Direct	11,600
15 Tech Parkway	Stafford	Barley Naked	Retail/Direct	10,364
3940 Plank Road, Suites R2, R3 & R4	Spotsylvania	Office Products Inc	Retail/Direct	10,200
US 17 and Hospital Boulevard	Spotsylvania	Sheetz	Retail/Direct	6,000
2312 Jefferson Davis Highway	Fredericksburg	Cowboy Jack's	Retail/Direct	5,925
US 1 and Massaponax Church Road	Spotsylvania	Sheetz	Retail/Direct	5,550
25 Tech Parkway	Stafford	Anytime Fitness	Retail/Direct	5,100
225 Garrisonville Road	Stafford	Fatty's Crab House, Inc	Retail/Direct	5,066
4256-4276 Plank Road	Fredericksburg	Dreamy Puppy LLC	Retail/Direct	4,492
1273 Central Park Boulevard	Fredericksburg	Comfort Medical Supply Inc	Retail/Direct	4,400
SIGNIFICANT 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
503-543 Jefferson Davis Highway	Fredericksburg	Kanha LLC	\$10,250,000 / \$24	102,254
3435-3455 Jefferson Davis Highway	Spotsylvania	Rink Realty, LLC	\$1,250,000 / \$22	56,628/1.3 acres
2306 Plank Road	Fredericksburg	RED Legacy LLC	\$1,500,000 / \$218	6,873
971 Garrisonville Road	Stafford	Kamco, LLC	\$515,000 / \$141	3,646
14878 George Washington Memorial Highway	Caroline	Get & Zip Convenience Store	\$585,000 / \$20	2,875
1821 Dixon Street	Fredericksburg	Colony Mitchell	\$270,000 / \$11	2,400
SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
50 White Oak Road	Stafford	Walgreens	Q2 2014	14,820
9 S Gateway Drive	Stafford	Wawa	Q1 2014	3,824
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A				