

MARKETBEAT

Fredericksburg, VA

Industrial Q2 2017



CUSHMAN & WAKEFIELD

THALHIMER

FREDERICKSBURG INDUSTRIAL

Economic Indicators

	Q2 16	Q2 17	12-Month Forecast
Washington DC MSA Employment	3225k	3270k	▲
Washington DC MSA Unemployment	3.8%	3.7%	▼
U.S. Unemployment	4.9%	4.4%	■

Market Indicators (Overall, All Property Types)

	Q2 16	Q2 17	12-Month Forecast
Vacancy	10.2%	6.6%	▼
YTD Net Absorption (sf)	70k	60k	▼
Under Construction (sf)	0	900k	■
Average Asking Rent*	\$5.83	\$5.68	▼

*Rental rates reflect net asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

The Fredericksburg region's unemployment rate dropped to 3.8% in the second quarter from 4.2% reported first quarter. This rate remains unchanged from second quarter 2016 and is inline with state numbers and below national numbers. Nearly 4,000 jobs were added over 12 months from May 2016.

Market Overview

Demand for industrial property remains strong. Despite unchanged asking rents, the vacancy rate continues to fall year-over-year dropping 35% from Q2 2016 and 22% from Q1 2017. Rental rates remain consistently in the upper \$5 per square foot range with newer properties moving quickly and older spaces continuing to fill. This increased demand has allowed landlords to replace lower-credit tenants with better qualified tenants.

Transactions for second quarter 2017 include 80,000 square feet (sf) at 11700 Shannon Dr to the manufacturer, Una-dyn. A Walmart expansion at 3010 Mine Rd for 46,530 sf. Zenith Aviation leased 18,000 sf at 11800 Main St. Sirius XM renewed their 20,662-sf lease at 11812 Main St. Liberty Roofing leased 20,000 sf at 5117 Commonwealth Dr.

The largest lease is the roughly 107,450-sf property at 3550 Lee Hill Dr to a building materials manufacturer.

Most vacancies now seem to be in buildings under 50,000 sf. There is a trend in the market of many firms growing rapidly and taking larger spaces which makes their smaller spaces available. There is still have no new product being built.

Outlook

The industrial market should continue to strengthen for the remainder of the year. Market rates have stabilized and should begin to gradually increase as vacancy continues to fall.

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