FREDERICKSBURG INDUSTRIAL

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Washington DC MSA Employment	2.7M	2.7M	▬
Washington DC MSA Unemployment	3.8%	3.6%	▼
U.S. Unemployment	4.3%	3.8%	▼

Numbers above are quarterly averages; May 2018 data used to represent Q2 2018

Market Indicators (Overall, All Property Types)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	6.6%	6.7%	▼
YTD Net Absorption (sf)	60k	728k	▲
Under Construction (sf)	900k	0	▼
Average Asking Rent*	$5.68	$5.97	▲

*Rental rates reflect net asking $psf/year

Overall Asking Rent/Overall Vacancy
4-QTR TRAILING AVERAGE

Legend: Asking Rent, $PSF — Vacancy %

Economy

Unemployment for the Fredericksburg region remains below 4.0%, currently hovering at 3.9%. This is a slight increase from the 3.8% unemployment recorded in the first quarter, which industry experts contribute to seasonal downshifts in some sectors. The U.S. economy continues to show marked improvement in employment as hiring, wages and interest rates continue to rise.

Market Overview

Demand for industrial property remains very strong throughout the Fredericksburg region. With demand high and no new industrial projects currently under construction, the amount of available product continues to be limited. Vacancy has remained below 6.0% since Q1 2017 and is currently at 5.7% in the industrial sector. This is nearly half of the 5-year average.

Asking rents for industrial/flex properties are starting to gradually rise as demand increases and available space declines. Area rates have edged up to an average of $6.94 per square foot ("sf") compared to a 5-year average of $6.16 per sf.

Transactions of note include Kaeser Compressors' lease of 28,800 sf at 3010 Mine Road. Two restoration companies signed leases: GKS Restoration leased 9,900 sf at 11001 Houser Road, and Heaven's Best leased 7,400 sf at 400 Nelms Court. C&R Carpet and Rugs, a retailer with three local stores, leased 6,720 SF of industrial/flex space at 311 Central Road.

Outlook

Regional absorption is expected to continue to be very strong throughout 2018. High demand for industrial space coupled with the limited availability will drive a further decline in vacancy rates. Recent tax law changes in Stafford County lowered the inventory tax being charged on buildings of 100,000 sf or larger, which should also increase demand for industrial space. However, no new projects are currently under construction.