

MARKETBEAT

Fredericksburg, VA

Industrial Q3 2016



FREDERICKSBURG INDUSTRIAL

Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
Washington DC MSA Employment	3176k	3253k	▲
Washington DC MSA Unemployment	4.3%	3.7%	▼
U.S. Unemployment	5.2%	4.9%	▼

Market Indicators (Overall, All Property Types)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	12.6%	8.1%	▼
Net Absorption (sf)	53k	170k	▲
Under Construction (sf)	0	0	■
Average Asking Rent*	\$5.47	\$5.65	▲

*Rental rates reflect net asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

Fredericksburg's unemployment rate reported 4.2% for August 2016, a decrease of 3 basis points (BP) from the third quarter average last year, following the national and state trends. Approximately 1,353 new jobs were added to the area since August 2015. Overall, the economy is showing improvement.

Market Overview

While the leasing activity in the Fredericksburg industrial market softened compared to the second quarter, year-to-date numbers are 94% stronger this year over Q3 2015. Vacancy declined by 210 basis points since last quarter alone and 450 basis points from a year ago. Absorption continues to report positive numbers re-emphasizing positive trends in the industrial market.

The majority of the Class A industrial space has been absorbed and as the market continues to tighten, previously stagnant Class B and C vacant units are beginning to see a rise in activity. Smaller flex units are experiencing increased activity as well, which is allowing landlords to sign stronger tenants for longer term leases. Several industrial buildings which had minimal activity for the last few years have finally reported movement during the past two quarters.

Notable transactions for this quarter include a 91,504-square foot (SF) manufacturing facility at 3551 Lee Hill Dr. selling to the Cochrane USA company. Radley Automotive at 3600 Mine Rd. renewed its lease for their 24,000-SF facility. The tenant at the 12,000-SF facility at 6404 Jefferson also renewed their lease. A 10-year lease was signed at 309 Central Rd. for a 10,578-SF building to a marble company. Tiny House added 3,300 SF to their already 6,318 SF of industrial space at 11001 Houser Dr. to keep up with rapid growth.

Outlook

Existing high quality product will remain in high demand and interest in older product will strengthen as the vacancy rate continues to decline. The industrial market will continue to tighten with the anticipation of new construction in 2017.

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