

# MARKETBEAT

## Fredericksburg, VA

Industrial Q3 2018



### FREDERICKSBURG INDUSTRIAL

#### Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Washington DC MSA Employment	2.7M	2.7M	▲
Washington DC MSA Unemployment	3.7%	3.4%	▼
U.S. Unemployment	4.4%	3.9%	▼

Numbers above are quarterly averages; Sept. 2018 data used to represent Q3 2018

#### Market Indicators (Overall, All Property Types)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	4.7%	7.0%	▲
YTD Net Absorption (sf)	49k	685k	▲
Under Construction (sf)	900k	0	▼
Average Asking Rent*	\$5.68	\$5.69	▲

\*Rental rates reflect net asking \$psf/year

#### Overall Asking Rent/Overall Vacancy

##### 4-QTR TRAILING AVERAGE



### Economy

Unemployment for the Fredericksburg region continues to drift downward, from 3.7% a year ago to 3.4% this quarter, staying on track with the decline in unemployment that the region has seen since 2014. In addition, the population in this region is expected to grow by about 30% between 2020-2040, which will increase demand for services and goods in the area. Job totals are expected to rise by approximately 60% in the region by 2045. Although the U.S. economy's growth slowed somewhat during this most recent quarter, analysts remain optimistic as hiring, wages and interest rates continue to rise.

### Market Overview

Demand for industrial property has historically been strong throughout the Fredericksburg region. The vacancy rate increased slightly to 7.0% from 6.7% in Q2. However, there were no notable tenant move-outs with the exception of Cellofoam North America, Inc., who consolidated from three locations to two. This is reflected in the small jump in vacancy in the warehouse market to 7.4%, but other industrial property types remain well below 6% vacancy.

Asking rents saw a slight dip this quarter, dropping back to the 3Q 2017 rates. Although office/flex rental rates rose to \$9.07 per square foot (psf), warehouse rates dropped to \$5.77 psf.

Transactions of note include IDX's move into 60,000 square feet (sf) at 3010 Mine Rd and Service Tire Truck Center's lease of 14,400 sf at 4951 Quality Dr. Taj Construction and Millwork inked a deal for 7,320 sf at 497 Lendall Lane, and AT&T Services leased 4,410 sf at 3508 Shannon Park Drive.

### Outlook

Regional absorption is expected to continue to be strong overall throughout 2018. Despite the slight reversal in vacancy rates, Fredericksburg's strategic location on I-95 between Washington D.C. and Richmond will continue to fuel the high demand for industrial space. Coupled with limited industrial availability and no large projects under construction, vacancy rates should trend downward again in the foreseeable future.

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