

## MARKETBEAT

# Fredericksburg, VA

Industrial Q4 2016



### FREDERICKSBURG INDUSTRIAL

#### Economic Indicators

	Q4 15	Q4 16	12-Month Forecast
Washington DC MSA Employment	2,605k	2,666k	▲
Washington DC MSA Unemployment	4.3%	4.1%	▼
U.S. Unemployment	5.0%	4.8%	▼

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

	Q4 15	Q4 16	12-Month Forecast
Vacancy	12.8%	7.6%	▼
YTD Net Absorption (sf)	311k	434k	▲
Under Construction (sf)	0	0	■
Average Asking Rent*	\$5.53	\$5.67	▲

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

#### Overall Asking Rent/Overall Vacancy

##### 4-QTR TRAILING AVERAGE



## Economy

The unemployment rate in the Fredericksburg Region continued to record slight improvement in Q4 as the rate slipped to 4.1% from 4.2% in Q3 2016. The region added 1,878 net new jobs since November 2015. The area's unemployment rate is in line with the overall rate for Virginia.

## Market Overview

Leasing activity in the Fredericksburg industrial market started very strong in 2016 and finished with a year-to-date (YTD) total of 613,792 square feet (SF), almost doubling the square footage leased in 2015. A majority of the transactions were signed in Q2 2016, then slowing considerably in Q3. The overall vacancy rate fell to 7.6% in Q4 from 8.1% in Q3. This year-end rate is a drastic decline from 12.8% vacancy rate reported Q4 2015. The overall vacancy rate has steadily declined to single digits while rental rates have remained around the \$5 per square foot mark. This trend is in line with the national trend of a multi-year decrease in warehouse vacancy.

As reported in Q3, the majority of the Class A industrial spaces have been absorbed. The lack of available Class A space has led to increased leasing activity in Class B and C facilities. In addition to this trend, landlords are finding they are able to sign stronger tenants for longer-term leases.

The region's largest transaction for this quarter was for a 74,430-SF office/warehouse space leased to BMC WEST at 8520 Jamison Ln. Other notable transactions include 39,800 SF leased to Specialty Coating and Laminating at 10134 Kings Dominion Blvd, 28,800 SF leased to Kaeser Compressors at 3010 Mine Rd., and 22,000 SF leased to The Milby Company at 62 Debruen Ln. Also, New Home Media expanded their space at 11900 Main St., adding 8,167 SF.

## Outlook

Industrial in the Fredericksburg region will continue to improve with ever-shrinking inventory in 2017. Several new buildings are now in the planning stages but awaiting signed deals to move forward. Rents have stabilized and will likely increase for new construction due to higher construction costs.

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