

MARKETBEAT

Fredericksburg, VA

Industrial Q4 2017



FREDERICKSBURG INDUSTRIAL

Economic Indicators

	Q4 16	Q4 17	12-Month Forecast
Washington DC MSA Employment	2.7M	2.7M	▲
Washington DC MSA Unemployment	3.9%	3.7%	▼
U.S. Unemployment	4.7%	4.1%	▼

Market Indicators (Overall, All Property Types)

	Q4 16	Q4 17	12-Month Forecast
Vacancy	7.6%	5.3%	▼
YTD Net Absorption (sf)	434k	157k	▼
Under Construction (sf)	0	0	▲
Average Asking Rent*	\$5.67	\$5.73	▲

*Rental rates reflect net asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

The Fredericksburg region's unemployment rate continues to trend downward, falling from 3.8% in Q4 2016 to 3.7% in November 2017. The area added 1,924 new jobs for the 12-month period ending November 2017 as the economic recovery continues to accelerate.

Market Overview

56,000 square feet (sf) of industrial space was absorbed in the fourth quarter, almost one-third of the year-end total. The vacancy rate increased slightly from 4.7% in Q3 2017 to 5.3% at the end of the year. The vacancy level is still notably lower than at the end of 2016.

As the economy has improved, so has the demand for warehouse space in the Fredericksburg region. Existing businesses are expanding while new businesses are entering the market. Having demand from both established tenants looking to grow and out-of-market tenants looking to establish a presence in the Fredericksburg area provides a solid base for the industrial market.

Transactions of note from the fourth quarter include a 90,000-sf warehouse leased by Specialty Coating and Laminating at 3010 Mine Road, and Chesapeake Furniture taking 15,000 sf at 11900 Main St. Wal-mart also renewed their lease for 43,000 sf at 3010 Mine Rd.

A 65,000-sf FedEx building at 300 Centreport Parkway was purchased by an investment group for \$8.4 million and PAE Systems purchased the 73,000-sf building at 5160 Lad Land Drive for \$4.9 million.

Several older industrial facilities that should attract the interest of both users and investors are coming on the market for sale.

Outlook

Despite talk of new construction, the banking climate is still restricting the development of new product. Projects typically require 50% pre-leasing before work will begin. With zero speculation, the only new construction anticipated is build-to-suit.

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