

MARKETBEAT

Fredericksburg, VA

Industrial Q4 2018



CUSHMAN & WAKEFIELD

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FREDERICKSBURG INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Washington DC MSA Employment	2.7M	2.7M	■
Washington DC MSA Unemployment	3.6%	3.3%	▼
U.S. Unemployment	4.1%	3.7%	▼

Numbers above are quarterly averages; Dec. 2018 data used to represent Q4 2018

Market Indicators (Overall, All Property Types)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	5.3%	7.6%	■
YTD Net Absorption (sf)	434k	-21k	▲
Under Construction (sf)	0k	31k	■
Average Asking Rent*	\$5.73	\$5.42	▼

*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 3.6% a year ago to 3.3% this quarter, staying well below the national unemployment average. Although D.C.-area employment totals are expected to remain fairly flat for the coming year, these numbers are expected to rise as Amazon begins hiring later in 2019 for its new HQ2 location in Crystal City. The Fredericksburg region should benefit from this, if not in direct employment, but in new residents who may be attracted to the lower cost of living south of the immediate D.C. metro area.

Market Overview

Demand for industrial property has historically been strong throughout the Fredericksburg region and we continue to see robust leasing activity – primarily in spaces under 10,000 square feet (sf) – totaling 465,000 sf for the year. Manufacturing properties saw the largest jump in vacancy this quarter, with all other industrial property types remaining below 7.0%. Asking rents ended the year down 4.4% from Q4 2017.

Transactions of note include Bottling Group, LLC's renewal of 45,000 sf at 11551 Shannon Drive. Southeast Cabinetry & Countertops signed a deal for 14,588 sf at 11900 Main Street, and Christian Youth Theater of Fredericksburg leased 12,192 sf at 56 Joseph Mills Drive.

Outlook

Fredericksburg's strategic location on I-95 between Washington D.C. and Richmond will continue to fuel the demand for industrial space, despite recent downward trends in rental and vacancy rates. Since industrial availability remains fairly limited with only one mid-sized project under construction and nothing set to complete during the first half of 2019, vacancy rates should stabilize in the near future.

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