

MARKETBEAT OFFICE SNAPSHOT

FREDERICKSBURG, VA

A Cushman & Wakefield Research Publication

Q4 2013



ECONOMIC OVERVIEW

The economy in Fredericksburg during the fourth quarter has followed a pattern of continued improvement. Although unemployment rates for the region were under the state and national average for most of the year, the 16-day government shutdown in October put a negative spin on numbers. Specifically, it seems as if Stafford County felt the impact the most, due to the number of federal employees that resided within the area. According to reports, over the region the jobless rate rose .5 percent during this quarter, making the October jobless number the same as the state's. As a whole, our region continued to have a lower rate than the nation's, which has held steady at 7 percent.

Those numbers point to an underlying economic strength in the area, regardless of the recent government unsteadiness. Hopes are that the economy will be on an upswing in the coming months.

The overall vacancy rate is currently at 13.3%, higher than at the same time last year. Direct asking rents have actually increased and are now at \$22.04 per square foot.

LEASING ACTIVITY

This quarter, the majority of tenant activity has flat-lined. Mirroring last quarter's activity, outside tenants are on the rise. Corporations from large cities are flocking to the area, adding an overall impact of positive energy.

A reflection of the economy, net absorption has remained negative, a factor of tenants choosing to move within the market instead of expanding to new larger spaces. Businesses are flocking to lower-priced properties, thus making the base rate rise.

OUTLOOK

In the same vein as the third quarter report, there is a resilience within the area's economy. Despite the flux of the government, the region has been able to hold a relatively steady rate of employment. Further, car sales and retail sales were up, pointing to the consumer's ability to continue to spend money. Reports reflected that economic growth was actually faster than originally estimated last quarter; the economy grew at a faster rate than originally predicted at 3.6 percent, from the previous 2.8 percent.

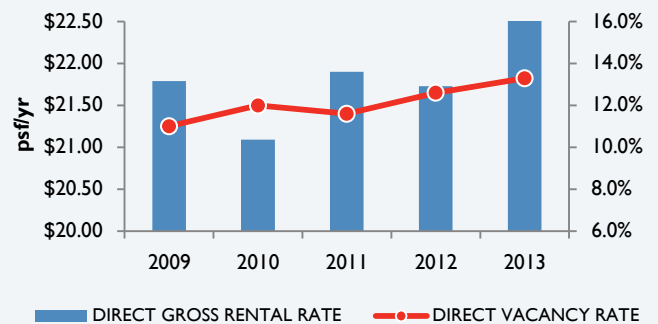
Hopes are that as the region continues to grow and expand, the economy will do the same. The addition of a baseball stadium and

children's museum in the coming year will most likely help to propel us in the right direction. Further, as the region's residential market has shown, improvement in sales is another positive sign within our field. National vacancy rates for 2014 are expected to dip 0.2 percentage points (pp) in the office market, 0.6 pp in industrial, and 0.5 pp for retail real estate.

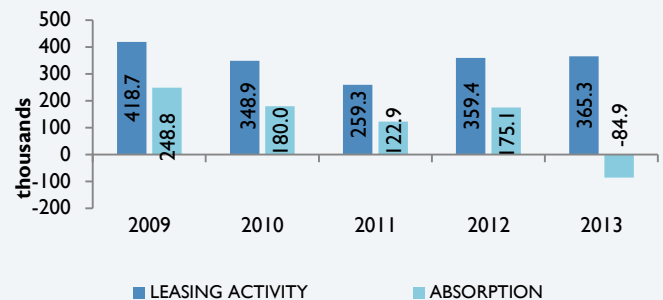
STATS ON THE GO

	Q4 2012	Q4 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	12.9%	13.3%	0.4pp	◆
Direct Asking Rents (psf/yr)	\$21.90	\$22.04	0.6%	▲
YTD Leasing Activity (sf)	220,738	365,281	65.5%	▲

DIRECT RENTAL VS. VACANCY RATES



LEASING ACTIVITY VS. ABSORPTION



FREDERICKSBURG, VA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG. ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Fredericksburg	2,689,837	18.3%	18.3%	117,139	0	0	(12,026)	6,416	\$21.95	\$22.74
Stafford	3,420,598	14.3%	14.3%	93,612	46,000	58,177	(80,945)	54,883	\$23.08	\$25.74
Spotsylvania	2,051,577	16.5%	16.5%	116,975	1,266	10,800	(24,780)	12,349	\$20.64	\$28.42
Caroline	394,958	9.5%	9.5%	300	0	0	3,548	(46,836)	\$16.43	\$0.00
King George	688,456	18.7%	18.6%	37,255	0	0	(37,235)	(2,838)	\$18.73	\$0.00
TOTALS	9,245,426	13.3%	13.0%	365,281	47,266	68,977	(84,950)	23,974	\$22.04	\$25.63

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Lee's Hill II	Spotsylvania	Career Training Solutions	A	25,451
10300 Spotsylvania Avenue*	Spotsylvania	Excelis, Inc.	A	23,384
4701 Carr Drive	Spotsylvania	EIOR Technologies	B	10,000
4505 Carr Drive, Building 4	Fredericksburg City	Fresenius	B	10,000
608 William Street, Suite 101	Fredericksburg City	Neuropsychology & Complementary Medicine, P.C.	B	2,400
312 Progress Street, Suite 101	Fredericksburg City	Paragon Autism Services, LLC	B	1,500
SIGNIFICANT 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
800 Corporate Drive	Stafford County	JMC Holdings	\$40,000,000/\$295	135,732
10 Chatham Heights Road	Stafford County	Willis-Falkenburg Eye Care	\$3,400,000/\$121	28,000
9763 Courthouse Road	Spotsylvania County	Salem Courtland Properties, Inc.	\$3,600,000 / \$200	18,000
544 Jefferson Davis Highway	Fredericksburg City	TD&G	\$1,200,000 / \$150	8,000
SIGNIFICANT 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
1245 Courthouse Road	Stafford	Stafford County	Q1 2013	12,177
Courtland Medical Center	Spotsylvania	Preferred Pediatrics	Q1 2013	10,800
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
95 Dunn Road	Stafford	N/A	Q1 2014	40,000
450 Garrisonville Road	Stafford	N/A	Q1 2014	40,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS