

# MARKETBEAT OFFICE SNAPSHOT



## FREDERICKSBURG, VIRGINIA A Cushman & Wakefield Research Publication

Q1 2014



### ECONOMIC OVERVIEW

The first quarter of 2014 brought slow but steady economic improvement. Virginia's overall employment rate remains below the national average. Currently, the jobless rate in Virginia is below 5 percent during the month of February, the first time this has occurred in over five years, spurring hopes of improvement. Aside from improving unemployment figures, there are other indicators of economic growth. Area leaders met during the first quarter to discuss the local economy, and focused on the addition of the Children's Museum and proposed baseball stadium, and housing developments as bright spots for the area. The overall consensus was that new research numbers point to an underlying economic strength in the area, regardless of the recent government turbulence. Hopes are that the economy will continue to show signs of a slow but steady upswing as the year progresses.

### LEASING ACTIVITY

Mirroring last quarter, activity within the office market has been a direct reflection of the economy. Businesses are doing more with less people, thereby decreasing the demand for larger space. Tenants are choosing to then re-size and get a better space at a lower rate, creating a relatively flat line in terms of absorption.

Tenant demand continues to be driven by professional services, including medical, law and financial services firms. Despite the flux in activity, our market's location puts us in a unique niche. Specifically, Stafford has stood out as one of the top growing markets in the area.

With few large deals being signed and an assortment of small- and medium-sized deals filling empty space, the vacancy rate remains flat. Businesses are flocking to lower-priced properties, thus making the base rate rise.

The overall vacancy rate is at 13.9% and direct asking rents are currently at \$22.86 per square foot, both an increase from last year at this time.

### OUTLOOK

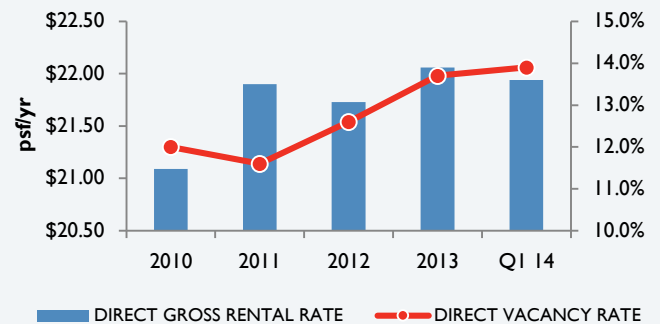
Although the office market will most likely be the last to see a substantial amount of growth, as economic improvements steadily occur more leasing and sale activity will be a direct result. With the discussion of increased rooftops in the residential market, hopes are optimistic to see new growth in the coming year

As mentioned in the tail-end of last quarter, area leaders predict that with the new large developments to the area, increased economic activity will be forthcoming. In particular, the addition of a baseball stadium and children's museum this year will help to push us in the right direction. The national vacancy rate during the quarter was 16.8 percent, which is down from a post-recession peak of 17.6 percent in 2010, but it is still well above the 12.5 percent rate recorded at this time in 2007.

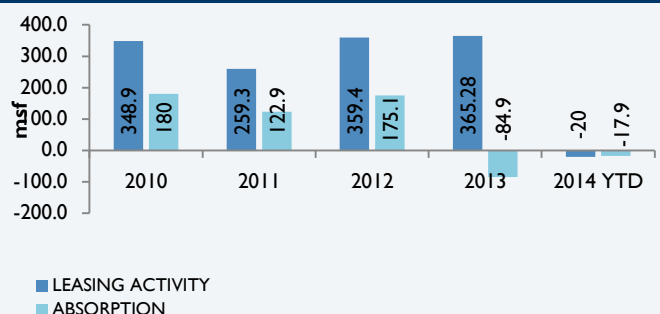
### STATS ON THE GO

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	13.7%	13.9%	0.2pp	▼
Direct Asking Rents (psf/yr)	\$21.92	\$21.94	0.2%	▲
YTD Leasing Activity (sf)	108,409	85,316	-21.3%	▲

### DIRECT RENTAL VS. VACANCY RATES



### OVERALL OCCUPIER ACTIVITY



## 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	2,252,049	18.3%	18.2%	10,362	0	0	(21,676)	(22,689)	\$20.95	\$22.65
Stafford	3,120,598	14.3%	14.3%	20,824	40,000	0	(25,361)	(42,952)	\$23.08	\$25.14
Spotsylvania	2,051,577	16.2%	16.5%	19,046	0	7,266	12,010	12,838	\$20.64	\$28.23
Caroline	384,958	9.5%	9.5%	0	0	0	0	0	\$16.43	\$0.00
King George	668,456	18.7%	18.6%	35,084	0	0	(24,235)	(30,827)	\$18.73	\$0.00
<b>TOTALS</b>	<b>8,477,638</b>	<b>13.9%</b>	<b>13.4%</b>	<b>85,316</b>	<b>40,000</b>	<b>7,266</b>	<b>(71,272)</b>	<b>(83,630)</b>	<b>\$22.04</b>	<b>\$25.90</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

Methodology was updated 1Q 2014

### Market Highlights

SIGNIFICANT 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
16156 Dahlgren Road	King George	URS Federal Services	A	35,084
4540 Plank Road, Suite E	Fredericksburg	Tiny Toes Daycare	B	3,650
1320-1440 Central Park Blvd, Suite 106	Fredericksburg	Community Bank of the Chesapeake	A	3,300
SIGNIFICANT 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
392 Garrisonville Road, Suite 101	Stafford County	Dominion Care Properties LLC	\$587,500/\$235	2,500
SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
3351 Shannon Drive	Spotsylvania	Teakwood Solar	2014	7,266
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
95 Dunn Road	Stafford	N/A	Q1 2014	40,000

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS