

## Office Snapshot Q1 2016

Fredericksburg, VA

## FREDERICKSBURG OFFICE

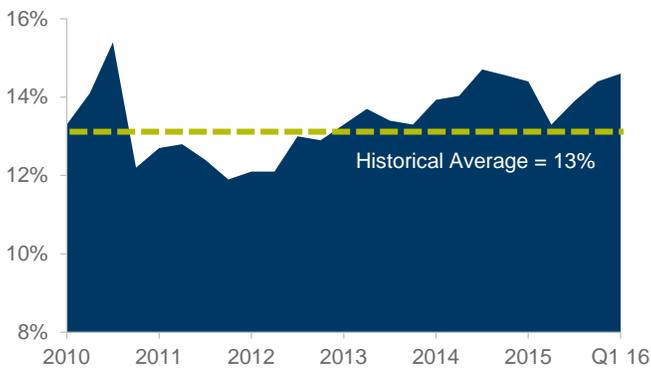
## Economic Indicators

	Q1 15	Q1 16	12-Month Forecast
Washington DC MSA Employment	3,146k	3,204k	▲
Washington DC MSA Unemployment	4.6%	4.2%	▼
U.S. Unemployment	5.6%	4.9%	▼

## Market Indicators (Overall, All Classes)

	Q1 15	Q1 16	12-Month Forecast
Overall Vacancy	14.4%	14.6%	▼
Net Absorption (sf)	-30k	1k	▲
Under Construction (sf)	0	0	■
Overall Average Asking Rent	\$22.72	\$20.09	▼

## Overall Vacancy



## Economy and Market Overview

The U.S. unemployment rate continues to decline with the Washington DC and Fredericksburg markets also reporting further improvement. The local Fredericksburg region's unemployment rate in March was 4.3%, which is nearly a full basis point lower than this time last year and the lowest rate since 2008. Employment is continuing to move in the right direction, which should translate to a continuation of improvements in the office sector.

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Absorption continues to make a gradual climb from its negative position at the same time last year and even from the (52,187) square feet (sf) from Q4 2015. Asking rates are slowly rising after a drop during the previous quarter but have a long way to return to last year's levels. Vacancy remains mostly flat. These trends are also inline with the national office market. The office market is still a tenant's market.

Leasing activity continues to slowly improve with spaces under 5,000 sf making up most of the leases. Fredericksburg City is showing healthy activity with several new leases signed at Central Park Corporate Center, which continues to be the bright spot in the local office market. Other notable leases were signed at 904 Princess Anne St, 2501 Princess Anne St, 2300 Fall Hill Ave, 1011 Charles St and 1931 Plank Rd.

Sales volume also increased as many healthy users are opting to purchase rather than lease. In both sales and leasing, we continue to see a flight to quality. The top tier of the properties are reporting the most activity at the intersection of lower price points and increased demand.

## Key Lease Transactions Q1 2016

PROPERTY	SF	TENANT	CLASS
Stafford Marketplace	5,667	Knowledge Capital	A
Quantico Corporate Center	4,237	Undisclosed	A
The Washington Building	3,751	Balfour Beatty	A
The Town Center at Aquia	3,632	Undisclosed	A

## Outlook

As predicted, 2016 started the year with renewed energy, which was a welcome change from the end of last year. An overwhelming majority of the current prospects in the market are in the home-health, hospice or wellness industry. It will be interesting to see the trend continue as companies compete to serve the aging baby-boomer population. Other active industries are mortgage and real estate as the residential home markets improve. These, along with two big media companies out in the market, will hopefully result in news to report next quarter.

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