

MARKETBEAT

Fredericksburg, VA

Office Q1 2017



CUSHMAN & WAKEFIELD

THALHIMER

FREDERICKSBURG OFFICE

Economic Indicators

	Q1 16	Q1 17	12-Month Forecast
Washington DC MSA Employment	2621k	2667k	▲
Washington DC MSA Unemployment	4.2%	3.9%	▼
U.S. Unemployment	4.9%	4.8%	■

Market Indicators (Overall, All Classes)

	Q1 16	Q1 17	12-Month Forecast
Vacancy	14.6%	12.9%	▼
YTD Net Absorption (sf)	26k	25k	▼
Under Construction (sf)	0	65k	▲
Average Asking Rent*	\$20.09	\$19.31	▼

*Rental rates reflect gross asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

The economy continued its modest improvement in the first quarter of 2017. The Fredericksburg regional unemployment rate remains below 5% with a downward trend to 4.2% in the first quarter, compared to 4.4% for the same quarter in 2016. That number is on par with Virginia's overall unemployment rate of 4.2%. This decrease translates to an additional 3,099 jobs added throughout the Fredericksburg region in 2016.

Market Overview

The office sector is off to a strong start in 2017 throughout the Fredericksburg region. Office tenants leased 81,302 square feet (SF) in Q1 which is up 48% over the same quarter last year and 9% higher compared to 74,820 SF leased in the last quarter of 2016. Absorption remains positive and only slightly down from absorption reported a year ago.

While the defense contractor segment is a typical driver in office leasing throughout the region due to its proximity to the national government as well as several area military bases, other segments have also ramped up activity contributing to more square footage leased overall. Some notable transactions this quarter include Germanna Community College, which leased 8,046 SF in Central Park Corporate Center. VxL Enterprises, a security services organization, leased 6,266 SF at 701 Kemore Avenue. DaVita – Renal Treatment Centers leased 7,957 SF at 4701 Spotsylvania Pkwy. And Tactical Engineering & Analysis leased 4,100 SF at 4621 Carr Dr.

Also, as additional potential interest rate hikes loom, buyers are moving to close on purchases sooner and capitalize on lower interest rates. For example, a 6,741-SF office is currently under contract by a government contractor and is expected to close one month prior to its scheduled closing date.

Outlook

This uptick in various sectors is expected to continue, which could lead to sustained growth in office leasing activity in the second quarter of 2017. Vacancy rates have steadily declined since Q1 2016 and are expected to continue falling.

Cushman & Wakefield | Thalhimer
1125 Jefferson Davis Highway
Suite 350
Fredericksburg, VA 22401
thalhimer.com

For more information, contact:
Timothy Morris,
Brokerage Services
Tel: +1 540 373 0600
tim.morris@thalhimer.com

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. Our 43,000 employees in more than 60 countries help investors and occupiers optimize the value of their real estate by combining our global perspective and deep local knowledge with an impressive platform of real estate solutions. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$5 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

Copyright © 2017 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy. Alliance firms are independently owned and operated.