

# MARKETBEAT

# Fredericksburg, VA

Office Q1 2018



## FREDERICKSBURG OFFICE

### Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
Washington DC MSA Employment	2.7M	2.7M	▲
Washington DC MSA Unemployment	3.8%	3.7%	▲
U.S. Unemployment	4.7%	4.1%	▲

Numbers above are quarterly averages; Feb. 2018 data used to represent Q1 2018

### Market Indicators (Overall, All Classes)

	Q1 17	Q1 18	12-Month Forecast
Vacancy	12.9%	12.1%	▲
YTD Net Absorption (sf)	30k	34k	▲
Under Construction (sf)	6k	40k	▲
Average Asking Rent*	\$19.31	\$20.12	▲

\*Rental rates reflect gross asking \$psf/year

### Overall Asking Rent/Overall Vacancy

#### 4-QTR TRAILING AVERAGE



## Economy

Unemployment for the Fredericksburg region remains below 4.0%, currently hovering at 3.8% with a strong addition of 4,574 jobs added from January of 2017 to January 2018. The U.S. economy is showing marked improvement with hiring, rising wages and rising interest rates.

## Market Overview

Fredericksburg area leasing activity in the first quarter of 2018 was 52,645 square feet (sf), a slight decline from the first quarter of 2017. There was a significant increase in buildings under construction compared to first quarter 2017. Absorption overall was flat by the end of 2017 and improved slightly in the first quarter 2018 over the previous year at 33,929 sf.

Vacancy rates continued to decrease with a 2.0% drop from fourth quarter 2017 to 12.1%. Asking Rents increased 4.0% from a year ago.

Transactions of note included Dovetail Cultural Resources Group lease of 7,383 sf at 11905 Bowman Drive and Marems, LLC acquisition of a 6,500 sf office building in Elkwood, VA at 13318 Airpark Drive.

## Outlook

The office market continues to show the most activity in the under-5,000-sf range. Several corporations are touring spaces throughout the Fredericksburg region, which indicates potential strong improvement on the demand side in the second quarter.

The HUBZone program was extended for the City of Fredericksburg until 2020, which will make an impact for some federal contractors and is a positive designation for the city.

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