

MARKETBEAT OFFICE SNAPSHOT



FREDERICKSBURG, VIRGINIA A Cushman & Wakefield Research Publication

Q2 2014



ECONOMIC OVERVIEW

The second quarter showed positive employment data for the national economy, which keeps the slow but steady economic recovery moving forward. The U.S. Bureau of Labor Statistics reports that over 217,000 new jobs were added in May, which sent the overall employment numbers the highest seen since the last recession. This is the fourth month in a row that the economy has added over 200,000 new jobs, a key sign of continued economic recovery.

The national job growth allowed unemployment rates to continue to hover around 6.3 percent—the lowest in the past five years. Compared to the national numbers, our area continues to outperform. Unemployment in the Fredericksburg area is a full percentage point lower than the national average at 5.3 percent. This is a 0.6 percentage point decline from this time in 2012.

According to the research company REIS, national office space net absorption registered its highest quarterly increase since late 2007, with occupied stock rising by 9.8 million square feet (msf). This compares favorably with the quarterly absorption of 7.1 msf in 2013.

LEASING ACTIVITY

Activity within the office market continues to be relatively flat in terms of absorption. In an effort to save in a still recovering economy, tenants are choosing to lease smaller spaces and favoring quality over quantity in terms of square footage. This is still very much a tenant's market as they continue to trade up to spaces that are now more attainable.

Professional medical and technological services are the main drivers of demand in the region. The Stafford and Quantico area continue to stand out as the top growing areas of the office market. The only significant new office developments in recent history have come on line in this area.

The overall vacancy rate is at 14.0% and direct asking rents are currently at \$21.76 per square foot—both numbers are a slight increase from last year at this time. Leasing activity continues to hold its ground.

OUTLOOK

Despite any significant changes in vacancy rates, absorption, or asking rates, the office market is expected to steadily improve. With metrics

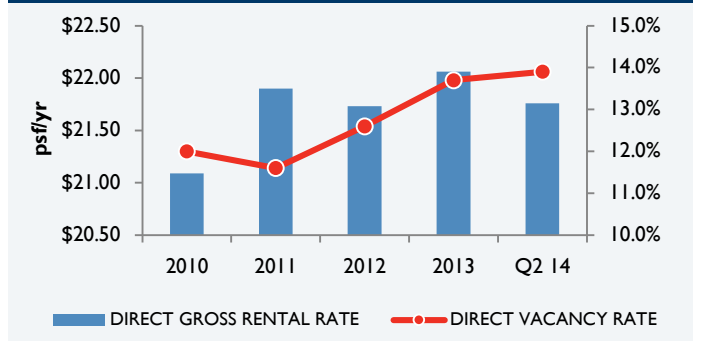
such as unemployment and consumer confidence shifting in a positive direction, the office market should follow.

As job growth continues, the forecast for asking rents includes a national increase around 3.0 percent during 2014. According to research by REIS, there were no major setbacks in Q2 2014 that should deter the original positive outlook that was predicted.

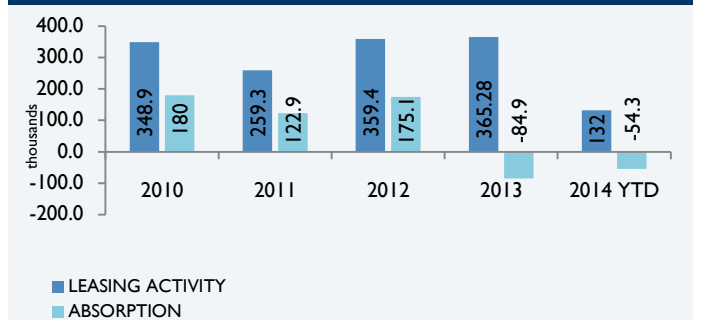
STATS ON THE GO

	Q2 2013	Q2 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	14.0%	14.0%	0.0pp	◀▶
Direct Asking Rents (psf/yr)	\$21.65	\$21.76	0.5%	▲
YTD Leasing Activity (sf)	176,427	132,255	-25.0%	▼

DIRECT RENTAL VS. VACANCY RATES



OVERALL 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	2,642,876	9.3%	9.2%	22,015	0	0	(28,091)	(30,689)	\$21.59	\$22.89
Stafford	3,517,287	14.0%	13.6%	42,437	0	0	17,502	6,595	\$23.18	\$25.87
Spotsylvania	2,074,557	16.7%	16.7%	32,719	0	0	(3,226)	(7,359)	\$21.29	\$25.57
Caroline	395,152	10.3%	10.3%	0	0	0	200	200	\$15.10	\$0.00
King George	692,456	15.3%	13.8%	35,084	0	0	(20,586)	(23,038)	\$17.89	\$0.00
TOTALS	9,321,901	14.0%	13.9%	132,255	0	0	(45,201)	(54,291)	\$21.78	\$25.75

* 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
609 Jefferson Davis Highway	Fredericksburg	Nephrology Medical Associates	A	1,702
500 Lafayette Blvd, Suite 200	Fredericksburg	Office Dispatch, LLC	B	1,375
1320-1440 Central Park Blvd, Suite 106	Fredericksburg	ProHealthcare Serving, LLC	A	840
SIGNIFICANT 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
601A Jefferson Davis Highway, Suite A	Fredericksburg	HBMG Holdings LLC	\$333,000/\$15.00	750
SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS