

MARKETBEAT

Fredericksburg, VA

Office Q2 2017



FREDERICKSBURG OFFICE

Economic Indicators

	Q2 16	Q2 17	12-Month Forecast
Washington DC MSA Employment	3225k	3270k	▲
Washington DC MSA Unemployment	3.8%	3.7%	▼
U.S. Unemployment	4.9%	4.4%	■

Economy

The Fredericksburg region's unemployment rate dropped to 3.8% in the second quarter from 4.2% reported first quarter. This rate remains unchanged from second quarter 2016 and is in line with state numbers and below national numbers. Nearly 4,000 jobs were added over 12 months from May 2016.

Market Overview

The office leasing market recorded marked improvement in the second quarter through the Fredericksburg region as the area hit its best overall vacancy rate in several quarters. The vacancy rate fell to 11.4% in Q2 2017 from 12.9% in Q1 2017 and down from 14% reported Q2 2016.

Market Indicators (Overall, All Classes)

	Q2 16	Q2 17	12-Month Forecast
Vacancy	14.0%	11.4%	▼
YTD Net Absorption (sf)	43k	98k	▲
Under Construction (sf)	0	6k	▲
Average Asking Rent*	\$19.52	\$19.74	▼

*Rental rates reflect gross asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



As the office market begins to tighten, two construction projects broke ground during second quarter. Vagos, a local real estate developer, started development on a three-story, 36,000-square-foot (sf) office building in Spotsylvania County. Two of the three floors have already been pre-leased. In affiliation with Kaiser Permanente, the Stafford Medical Pavilion broke ground on an expansion for an additional 30,000 sf.

While all sectors of the office market reported an increase in leasing activity, much of the growth was driven by defense and service tenants. Some notable transactions include Dovetail Cultural Resource Group, which leased 6,538 sf at 450 Solomon Drive in Stafford County. Valkyrie Enterprises, LLC, a systems engineering and design firm which provides services to the U.S. Navy and Department of Defense, leased 4,073 sf at 16543 Commerce Drive in King George near the Naval Surface Warfare Center, Dahlgren Division. Flatter and Associates, a business management consulting company serving the U.S. Marine Corps, purchased a 6,741-sf building located at 10707 Spotsylvania Avenue in Spotsylvania County. Also, Salem Fields Investments purchased a 4,800-sf building at 7119 Salem Fields Boulevard in Spotsylvania County.

Outlook

The area's positive growth is expected to continue throughout the third quarter as construction proceeds on several new properties.

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