

MARKETBEAT

Fredericksburg, VA

Office Q2 2018



FREDERICKSBURG OFFICE

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Washington DC MSA Employment	2.7M	2.7M	▲
Washington DC MSA Unemployment	3.8%	3.6%	▲
U.S. Unemployment	4.3%	3.8%	▲

Numbers above are quarterly averages; May, 2018 data used to represent Q2 2018

Market Indicators (Overall, All Classes)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	11.0%	11.6%	▲
YTD Net Absorption (sf)	98k	84k	▲
Under Construction (sf)	6k	0	▲
Average Asking Rent*	\$19.74	\$22.83	▲

*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 3.9%. This is a slight increase from the 3.8% unemployment recorded in the first quarter, which industry experts contribute to seasonal downshifts in some sectors. The U.S. economy continues to show marked improvement in employment as hiring, wages and interest rates continue to rise.

Market Overview

Activity in the office market in the Fredericksburg area has been mixed through 2018. Absorption overall was flat by the end of 2017 and improved only slightly in the first quarter 2018 over the previous year at 33,929 square feet (sf). However, the momentum in activity in regional office leasing slowed in the second quarter.

Vacancy rates remained flat from the first quarter of 2018 at 12.1%. That is in line with the five-year average of 12.5%. The majority of leasing transactions consisted of smaller office spaces.

Transactions of note included the sale of a 42,350 sf class A office building at 17739 Main Street to the Town of Dumfries for \$5,125,000. Concord Crossroads LLC, an antiterrorism planning and program management firm, leased 5,739 sf at 2525 Point Center. The United States of America GSA – Department of Census leased 8,152 sf at 10401 Spotsylvania Avenue.

Outlook

The office market continues to show the most activity in the under 5,000 sf range. While leasing has leveled off in the second quarter, several corporations continue to tour spaces throughout the Fredericksburg region. This activity could indicate potential improvement in demand for office product in the third quarter.

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