

MARKETBEAT OFFICE SNAPSHOT

FREDERICKSBURG, VA

A Cushman & Wakefield Research Publication

Q3 2013



ECONOMIC OVERVIEW

The economy in Fredericksburg during the third quarter has continued along a steady road to recovery after a bumpy start to the year. Unemployment rates in the region are still below both the state and the national average, which puts a positive outlook on the horizon. Despite the impact of sequestration and the recent furloughs, the area's overall economy has held up amidst the turmoil. Hopes are that it will steadily improve if the furloughs come to a closure in the coming months.

The overall vacancy rate is up to 13.4%, a slight percentage higher than at the same time last year. Despite this increase, direct asking rents have actually increased year-over-year, up almost 2.0% to \$22.26 per square foot.

LEASING ACTIVITY

Tenant activity for the office sector has been relatively flat this quarter. However, compared to previous months, this quarter has shown a large increase in tenants and tenant interest from outside of the area. Inquiries from outside corporations has picked up particularly within the last 30 days, creating a shift in positive energy.

Mirroring the economy, net absorption has remained low, a result of companies moving within the market or contracting instead of expanding and taking more space. Tenants are price point sensitive, preferring to choose properties in a lower price range, thus pushing the base rate up. This quarter, July proved to be stronger than usual. Hopes are that this is predictive of a steady climb in the overall market.

OUTLOOK

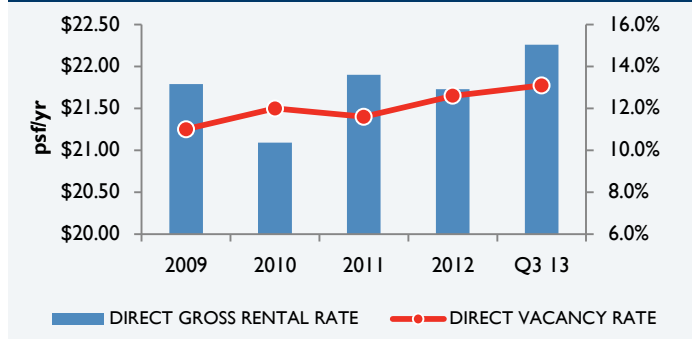
As predicted in the second quarter report, the office market has been stable and continues to show signs of improvement. Even among such volatile events within the economy such as sequestration, which had and is continuing to generate a large ripple effect based on the high amount of government workers within our region, news isn't entirely negative. As exhibited in the past, the growth of job opportunities and decline of unemployment will remain the largest factor in improving the overall regional outlook. The consistent metric that will rotate the axis in the office market will be the growth of jobs and increase in employment opportunities. The area's residential market has shown

steady improvement, which is another positive sign for our industry. Further, the upcoming additions to the area, such as the recent acquisition of a minor league baseball team, will bring more economic activity to the area.

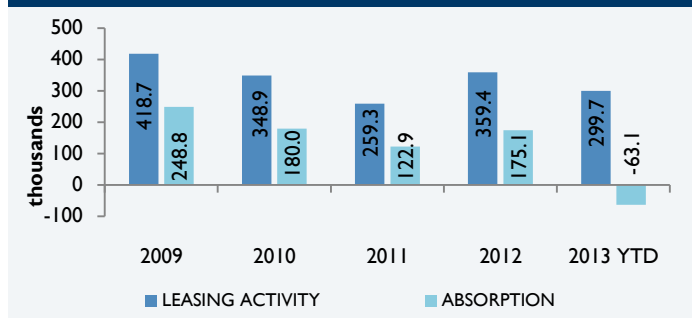
STATS ON THE GO

	Q3 2012	Q3 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	13.0%	13.4%	0.4pp	◆
Direct Asking Rents (psf/yr)	\$21.84	\$22.26	1.9%	▼
YTD Leasing Activity (sf)	220,738	299,691	35.7%	▲

DIRECT RENTAL VS. VACANCY RATES



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	2,658,386	8.1%	8.1%	96,549	0	0	54,462	54,462	\$19.86	\$23.26
Stafford	3,419,605	14.3%	14.3%	68,612	46,000	12,177	(70,945)	(50,364)	\$23.16	\$26.36
Spotsylvania	2,045,956	16.5%	16.5%	96,975	41,266	6,000	(21,475)	(41,475)	\$21.81	\$27.47
Caroline	394,958	9.5%	9.5%	300	0	0	3,548	3,548	\$15.09	\$0.00
King George	688,904	18.7%	18.7%	37,255	0	0	(37,235)	(29,291)	\$20.21	\$0.00
TOTALS	9,207,809	13.4%	13.1%	299,691	87,266	18,177	(71,645)	(63,120)	\$22.35	\$26.02

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q3 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
1320-1440 Central Park Blvd	Fredericksburg City	Obsidian Solutions Group	B	3,841
725 Jackson Street, Suite 213	Fredericksburg City	Sands Anderson Marks & Miller, P.C.	B	2,905
111 Park Hill Drive	Woodbridge	Bio-Medical Applications of Virginia, Inc.	B	2,500
SIGNIFICANT Q3 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
9763 Courthouse Road	Spotsylvania County	Salem Courtland Properties, Inc.	\$3,600,000 / \$200	18,000
544 Jefferson Davis Highway	Fredericksburg City	TD&G	\$1,200,000 / \$150	8,000
SIGNIFICANT Q3 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
95 Dunn Road	Stafford	N/A	Q1 2014	40,000
450 Garrisonville Road	Stafford	N/A	Q4 2013	40,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS