

MARKETBEAT OFFICE SNAPSHOT



FREDERICKSBURG, VIRGINIA

A Cushman & Wakefield Research Publication

Q3 2014



ECONOMIC OVERVIEW

There are some concerns in the Northern Virginia market regarding the loss of almost 4,000 private sector office-using jobs over the course of the last two years. Thankfully, this loss was countered with the addition of almost 1,800 jobs in the second and third quarters of this year. The trend of federal contraction, which has offset the private sector gains in recent years, may be starting to reverse as 446 federal government jobs have been added thus far in the third quarter 2014. The U.S. Bureau of Labor Statistics report showed positive employment data for the national economy as the current unemployment rate of 5.9% is now back to the pre-recession levels of mid-2008. The steady economic recovery is holding up while still weathering the unsteady fluctuation of the job market.

LEASING ACTIVITY

The Northern Virginia office market leasing activity suffered a third quarter stall. Questions were also raised about the negative net absorption after years of mostly positive net absorption in the Fredericksburg market. A recent article in the Washington Post reports that conditions in the Northern Virginia commercial real estate market being “as bad as they have been in a quarter of a century”. Fortunately decent leasing activity in the Fredericksburg market has offset the negative net absorption. Stafford County and the Quantico area helped the market maintain a balance. Brokers representing office owners are being approached mostly by technology and professional medical service companies looking for vacancies. Government contractors aided somewhat in the balance.

The overall vacancy rate for office is 14.5% and direct asking rents are currently \$22.01 per square foot— both numbers are a slight increase from last year at this time.

The office buildings at Lee’s Hill I & II are almost full which is good for the Professional Plaza of Lee’s Hill available space, a medical office building relatively new to the market.

OUTLOOK

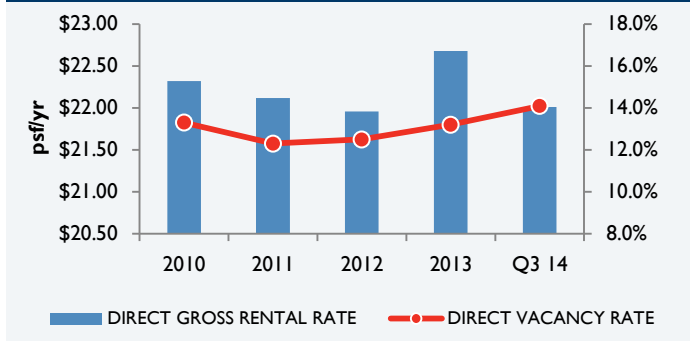
Despite the close proximity to the office vacancy woes being felt just up the road in the Washington, DC area, Fredericksburg still remains

the Commonwealth’s fastest-growing locality with a 15% gain, as report by the U.S. Census Bureau.

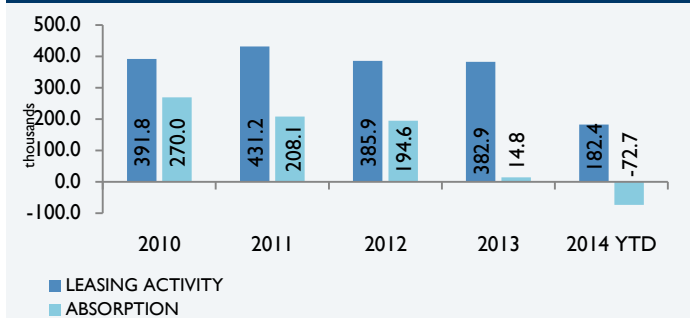
STATS ON THE GO

	Q3 2013	Q3 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	13.5%	14.5%	1.0 pp	▲
Direct Asking Rents (psf/yr)	\$22.68	\$22.01	-3.0%	▼
YTD Leasing Activity (sf)	279,860	182,385	-34.8%	▲

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	2,279,229	9.9%	9.9%	34,843	0	0	(25,659)	(25,659)	\$21.92	\$22.83
Stafford	3,382,110	16.7%	15.9%	52,899	0	0	9,842	13,616	\$23.13	\$25.95
Spotsylvania	1,883,416	18.1%	18.1%	48,356	0	0	(58,699)	(58,699)	\$21.38	\$25.73
Caroline	366,182	9.3%	9.3%	0	0	0	0	0	\$14.86	\$0.00
King George	647,209	12.5%	11.0%	46,287	0	0	8,001	(1,939)	\$19.54	\$0.00
TOTALS	8,558,146	14.5%	14.1%	182,385	0	0	(66,515)	(72,681)	\$22.02	\$25.44

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

Methodology was updated 1Q 2014

Market Highlights

SIGNIFICANT 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
1320-1440 Central Park Blvd, Suite 1320-310	Fredericksburg	United Methodist Family Services	A	4,182
1320-1440 Central Park Blvd, Suite 1440-20	Fredericksburg	Cogent Solutions	A	2,600
417 Chatham Square Office Park, Suite 417	Fredericksburg	Paragon Autism Services, LLC	B	2,500
SIGNIFICANT 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
N/A				
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