

## FREDERICKSBURG OFFICE

### Economic Indicators

|                                | Q3 15 | Q3 16 | 12-Month Forecast |
|--------------------------------|-------|-------|-------------------|
| Washington DC MSA Employment   | 3176k | 3253k | ▲                 |
| Washington DC MSA Unemployment | 4.3%  | 3.7%  | ▼                 |
| U.S. Unemployment              | 5.2%  | 4.9%  | ▼                 |

### Market Indicators (Overall, All Classes)

|                         | Q3 15   | Q3 16   | 12-Month Forecast |
|-------------------------|---------|---------|-------------------|
| Vacancy                 | 13.9%   | 13.8%   | ▼                 |
| Net Absorption (sf)     | 33k     | 29k     | ▼                 |
| Under Construction (sf) | 0       | 0       | ■                 |
| Average Asking Rent*    | \$22.71 | \$19.45 | ▼                 |

\*Rental rates reflect gross asking \$psf/year

### Overall Asking Rent/Overall Vacancy

#### 4-QTR TRAILING AVERAGE



## Economy

Fredericksburg's unemployment rate reported 4.2% for August 2016, a decrease of 3 basis points (BP) from the third quarter average last year, following the national and state trends. Approximately 1,353 new jobs were added to the area since August 2015. Overall, the economy is showing improvement.

## Market Overview

Leasing activity in the Fredericksburg office market declined 37% from the previous quarter and 27% from Q3 2015. The under 5,000-square feet (SF) listings continue to constitute the majority of the signed transactions with a couple of notable outliers. While the quarter-to-date absorption is below that of Q3 2015, overall, the year-to-date absorption reported 77,250 SF, a 122% increase over the third quarter of last year.

Vacancy still hovers around 14% and is slowly trending downward from the peak in 2015. Combined with a drop in asking rental rates, the demand for office space is demonstrating strength and finally starting to move long time vacancies.

The office market continues to move steadily with the bulk of activity occurring in the defense contracting sector. MLT Systems is expanding to 10,527-SF with the addition of 6,000-SF at 16 Center Street, which is in close proximity to the Quantico Marine Corp Base.

Despite the decrease in activity, one notable transaction is the sale of a 14,900-SF fully leased medical office building at 3310 Fall Hill Ave. to an investment group based out of Northern Virginia.

## Outlook

The office market is expected to maintain a very gradual improvement as the local economy continues to strengthen and grow. Even with the current political maelstrom, the office market is starting to regain traction.

### About Cushman & Wakefield