

MARKETBEAT

Fredericksburg, VA

Office Q3 2017



FREDERICKSBURG OFFICE

Economic Indicators

	Q3 16	Q3 17	12-Month Forecast
Washington DC MSA Employment	2.6M	2.7M	▲
Washington DC MSA Unemployment	4.0%	3.8%	▼
U.S. Unemployment	4.9%	4.4%	▼

Market Indicators (Overall, All Classes)

	Q3 16	Q3 17	12-Month Forecast
Vacancy	13.8%	12.2%	▼
YTD Net Absorption (sf)	116k	23k	▼
Under Construction (sf)	0	6k	▲
Average Asking Rent*	\$19.45	\$19.57	▲

*Rental rates reflect gross asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

Fredericksburg's economy reported strong improvement for the year. The area added 5,883 jobs between August 2016 and August 2017. The region's unemployment rate ticked up 1 basis point from last quarter, but at 3.9% was still lower compared to 4.4% recorded third quarter of 2016.

According to the Virginia Employment Commission's most recent Quarterly Census of Employment and Wages, the Fredericksburg region added 77 net businesses in the first quarter 2017. This is the most recent quarterly data available.

Market Overview

While vacancy trended downward for the year, third quarter vacancy increased to 12.2% in 2017, up from 11.4% reported last quarter. This rate is still below the 13.8% rate recorded in third quarter of 2016.

Because of the area's close proximity to the nation's capital, defense users continued to drive leasing activity in third quarter in the Fredericksburg market. Medical users also leased office space in the third quarter. Transactions of note include 4,000 square feet (sf) leased at 11903 Bowman Drive to RPI, a defense contractor. Rosner Motors leased 5,160 sf at 11901 Bowman Drive. The Oncology Associates of Fredericksburg leased 7,048 sf at 125 Woodstream in Stafford.

In addition to increased leasing activity, an 11,800-sf office building currently used as a dental practice is also under contract for purchase.

Outlook

Another office building is underway at Stafford Hospital, providing additional medical space to serve the area and increasing the availability rate. Local real estate developer Vakos broke ground on an office building just off Interstate 95 next to Carmax and another project under construction near the Spotsylvania County Courthouse. Leasing activity for fourth quarter is expected to slow as a result of the holiday season.

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