

MARKETBEAT

Fredericksburg, VA

Office Q3 2018



CUSHMAN & WAKEFIELD

THALHIMER

FREDERICKSBURG OFFICE

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Washington DC MSA Employment	2.7M	2.7M	▲
Washington DC MSA Unemployment	3.7%	3.4%	▼
U.S. Unemployment	4.4%	3.9%	▼

Numbers above are quarterly averages; Sept. 2018 data used to represent Q3 2018

Market Indicators (Overall, All Classes)

	Q3 17	Q3 18	12-Month Forecast
Vacancy	12.2%	11.8%	▼
YTD Net Absorption (sf)	23k	101k	▲
Under Construction (sf)	6k	0	▼
Average Asking Rent*	\$19.57	\$22.46	▲

*Rental rates reflect gross asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

Unemployment for the Fredericksburg region continues to drift downward, from 3.7% a year ago to 3.4% this quarter, staying on track with the decline in unemployment that the region has seen since about 2014. In addition, the population in this region is expected to grow by about 30% between 2020-2040, which will increase demand for services and goods in the area. Job totals are expected to rise by approximately 60% in the region by 2045. Although the U.S. economy's growth slowed somewhat during this most recent quarter, analysts remain optimistic as hiring, wages and interest rates continue to rise.

Market Overview

Activity in the office market in the Fredericksburg area has been fairly uneventful but steady through 2018. Year-to-date (YTD) absorption is at 101,000 square feet (sf), which is well above the 2017 YTD absorption of 23,000 sf. Although most spaces leased have been smaller than 5,000 sf, this was offset by very few large vacancies coming onto the market and no spec projects expected to complete in 2018. Therefore, absorption should continue to trend upwards. The vacancy rate has risen slightly to 11.8% this quarter from 11.6% in Q2 2018. However, it remains lower than the average a year ago of 12.2% and the five-year average of 13.3%.

Transactions of note included the lease of 6,500 sf to the Vascular Institute of Virginia at the Central Park Corporate Center. Empower Behavioral Services expanded into an additional 5,814 sf at 11905 Bowman Drive and AT&T Services, Inc. inked a lease for 4,500 sf at 3508 Shannon Park Drive.

Outlook

Leasing is keeping pace quarter over quarter thus far in 2018. Although the slight slowdown in the U.S. economy may indicate that small businesses could be hesitant to expand, moderate growth in all areas is still expected. This should support a continuing healthy office market.

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