

MARKETBEAT OFFICE SNAPSHOT

FREDERICKSBURG, VIRGINIA

A Cushman & Wakefield Research Publication

Q4 2014



ECONOMIC OVERVIEW

The influence of government contractors downsizing in the greater Fredericksburg market continues to be felt throughout the local commercial real estate community. Vacancies are at an all-time high of 18.4% in the

Northern Virginia region, up from the 2013 rate of 17.6%.

The demand for office space in the local market decreased again in the fourth quarter. The overall vacancy rate rose 0.2 percentage point from the previous quarter to 14.6%. Office availability is slowly increasing while absorption is still negative, both as a result of the sluggish local office market. Net absorption is trending in the right direction and improving when compared to this time last year.

There is no significant new construction to report in the area.

Federal employment numbers showed positive gains during the final quarter, which hopefully indicates a potential recovery is in progress.

LEASING/SALE ACTIVITY

The flat absorption trend of the previous quarters continued for the remainder of 2014. Small spaces, under 5,000 square feet (sf), were the norm for new leases and renewals. Sales, in contrast, recorded larger office space totals for the fourth quarter 2014. Multi-building space of 19,766 sf was purchased by Creative Color Real Estate LLC for their downtown Fredericksburg location on Caroline and Princess Anne Streets. Two former bank branch buildings were also sold at the end of the quarter adding 9,000 sf of purchased office space.

The demand that is present in the market seeks out the top quality sites first, leaving secondary and tertiary sites vacant.

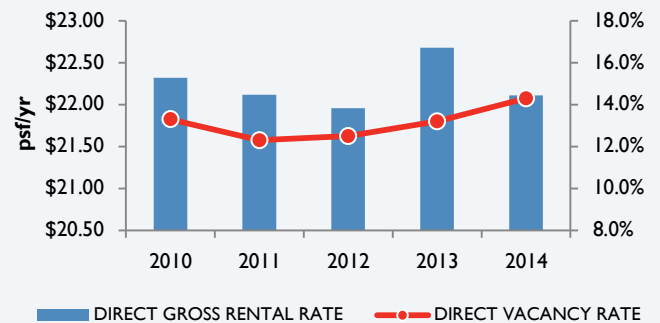
OUTLOOK

The prediction for 2015 shows more of the same, with a slight improvement in demand progressing into 2016. With more call activity than in the previous quarter, the market is slowly showing signs of improvement and brokers are optimistic. However, the office market will continue to struggle through this recovery period and will be the last to improve. Low interest rates and lower gas prices should create consumer confidence, encourage consumer spending and stimulate economic activity.

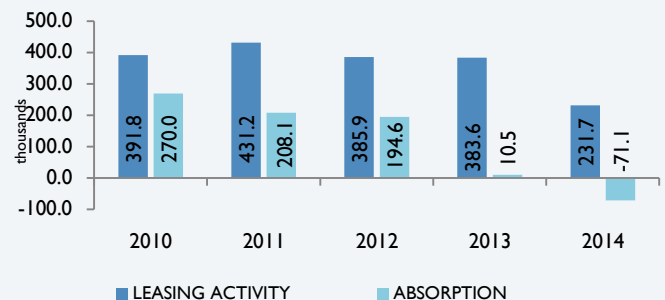
STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	13.4%	14.6%	1.2 pp	▲
Direct Asking Rents (psf/yr)	\$22.04	\$22.11	0.03%	▲
YTD Leasing Activity (sf)	237,455	231,709	-2.4%	▼

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	2,289,531	10.2%	10.1%	55,329	0	0	(25,901)	(25,901)	\$21.94	\$23.04
Stafford	3,382,110	17.1%	16.8%	61,045	0	40,000	(30,671)	(13,413)	\$23.13	\$26.00
Spotsylvania	1,883,195	17.2%	16.5%	71,760	0	7,266	(29,785)	(29,785)	\$21.55	\$25.73
Caroline	366,182	9.3%	9.3%	0	0	0	0	0	\$16.32	0
King George	647,209	12.5%	12.5%	43,575	0	0	7,959	(1,981)	\$19.38	\$23.83
TOTALS	8,568,227	14.6%	14.3%	231,709	0	47,266	(78,398)	(71,080)	\$22.07	\$25.49

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

Methodology was updated 1Q 2014

MARKET HIGHLIGHTS

SIGNIFICANT 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
923 Maple Grove Drive	Fredericksburg	Central VA Public Access TV Corp	B	5,286
4540 Plank Road, Ste C	Spotsylvania	The Church of Pentecost, USA, Inc	B	4,350
11 Hope Road	Stafford	Q Café	C	3,150
211 Park Hill Drive, Ste B	Fredericksburg	CVR Management, LLC	B	2,010
SIGNIFICANT 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
1410-1414 Caroline St & 1409/1411 Princess Anne St	Fredericksburg	Creative Color Real Estate, LLC	\$1,925,000 / \$97	19,776
4210 Plank Road	Spotsylvania	Global General Properties, LLC	\$1,600,000 / \$348	4,585
4540 Lafayette Blvd	Spotsylvania	WEK LLC	\$740,000 / \$166	4,448
SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
95 Dunn Road	Stafford	Unknown	Q1 2014	40,000
3351 Shannon Drive	Spotsylvania	Teakwood Solar	Q1 2014	7,266
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS