

MARKETBEAT

Fredericksburg, VA

Office Q4 2016



CUSHMAN & WAKEFIELD

THALHIMER

FREDERICKSBURG OFFICE

Economic Indicators

	Q4 15	Q4 16	12-Month Forecast
Washington DC MSA Employment	2605k	2666k	▲
Washington DC MSA Unemployment	4.3%	4.1%	▼
U.S. Unemployment	5.0%	4.8%	▼

Market Indicators (Overall, All Classes)

	Q4 15	Q4 16	12-Month Forecast
Vacancy	14.4%	13.3%	▼
YTD Net Absorption (sf)	-18k	178k	▲
Under Construction (sf)	0	0	■
Average Asking Rent*	\$20.04	\$19.32	▼

*Rental rates reflect gross asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

The unemployment rate in the Fredericksburg Region continued to show improvement in Q4 declining to 4.0% from 4.2% in Q3 2016. The region added 1,878 net new jobs since November 2015. The area's unemployment rate is in line with the overall rate for Virginia.

Market Overview

The local economy has continued to make steady improvements throughout the year, and overall office leasing remained strong in the fourth quarter with 74,820 square feet (SF) leased, compared to 53,175 SF during the same quarter last year. However, because office leasing was off to a slower start from the previous year, the total amount leased for the year ended at 375,129 SF, which was down from 418,229 SF total in 2015.

The majority of the region's office leases were less than 5,000 SF in size. Some notable transactions include 3,860 SF leased to Abdelkrim Elmouhib at 151 Chatham Heights Road; 3,531 SF leased to Sonalysts, Inc. at 125 Woodstream Boulevard; and 3,410 SF leased to Dominion Youth Services Residential, LLC at 1931 Plank Rd.

As mentioned in Q2, The Free Lance-Star's move to a 18,700-SF office space in Central Park Corporate Center was completed in mid-December. In addition to this new tenant, Central Park Corporate Center experienced strong improvement in overall leasing for 2016. The project reported tenant expansions, including Samson Companies adding 4,331 SF. Another new tenant joining the center is McLean Mortgage which leased 4,060 SF. For this center alone over 30,000 SF was leased during 2016 and, as a result, vacancy fell from over 30% to under 20%.

Because of the area's proximity to several military bases and the nation's capital, government contracting continues to be a strong driver of office leasing. A considerable uptick in new spaces and expansions were reported Q4 in this sector: AECOM leased 6,627 SF at 1671 Jefferson Davis Highway, Stafford Technology & Research Center leased 5,768 SF at 1000 Corporate Dr., JR Integrated Systems leased 5,000 SF at 17021 Combs Dr. and IOMAXIS leased 4,854 SF at 10700 Ballantraye Rd.

Outlook

With consumer confidence at its highest in December since 2001 and the recent presidential election, the office market is expected to strengthen in 2017. The probable increases in defense spending should positively impact the region as new office tenants, especially in the cyber warfare area, enter the market.

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