

# MARKETBEAT

# Fredericksburg, VA

Office Q4 2017



## FREDERICKSBURG OFFICE

### Economic Indicators

	Q4 16	Q4 17	12-Month Forecast
Washington DC MSA Employment	2.7M	2.7M	■
Washington DC MSA Unemployment	3.9%	3.7%	▼
U.S. Unemployment	4.7%	4.1%	▼

### Market Indicators (Overall, All Classes)

	Q4 16	Q4 17	12-Month Forecast
Vacancy	13.3%	12.4%	▼
YTD Net Absorption (sf)	178k	0	▼
Under Construction (sf)	0	40k	▲
Average Asking Rent*	\$19.32	\$19.07	▼

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

### Overall Asking Rent/Overall Vacancy

#### 4-QTR TRAILING AVERAGE



## Economy

The Fredericksburg region's unemployment rate continues to trend downward, falling from 3.8% in Q4 2016 to 3.7% in the fourth quarter of 2017. The area added 1,924 new jobs for the 12 months ending November 2017.

## Market Overview

Leasing activity for the region reached almost 100,000 square feet (sf) for Q4 2017, with 94,000 sf of leases executed during the final three months of the year. Overall net absorption for 2017 was flat, as a 41,000-sf increase in the amount of vacant space in the fourth quarter offset gains from earlier in the year. The main factor behind the negative absorption late in the year was tenants looking for smaller, more efficient spaces. The area's vacancy rates ticked slightly higher at the end of 2017, with the 12.4% year-end rate 90 basis-points lower than the rate at end of 2016. The general state of the market remains favorable for tenants.

A couple of large leases penned in Q4 went to defense contractors. QRC Technology leased 29,000 sf at 1191 Central Park Boulevard and BAE Systems leased 15,000 sf at 50 Tech Parkway.

Notable office sales included 10340 Spotsylvania Avenue, a 15,000-sf building, sold to Hendifar Properties, and 1300 Thornton Street, a 11,000-sf building, sold to MDC71, LLC. Both properties were purchased as investments.

## Outlook

For 2018, there may be a continuation of slow improvement. Despite the negative absorption, the office market is continuing to move. And while spaces of 5,000 sf and less make up a majority of deals there are a growing number of expansions that imply improvement from various sectors such as medical and education.

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