

MARKETBEAT

Fredericksburg, VA

Office Q4 2018



FREDERICKSBURG OFFICE

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Washington DC MSA Employment	2.7M	2.7M	▲
Washington DC MSA Unemployment	3.6%	3.3%	▼
U.S. Unemployment	4.1%	3.7%	▼

Numbers above are quarterly averages; Nov. 2018 data was used to represent Q4 2018

Market Indicators (Overall, All Classes)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	12.4%	11.6%	▼
YTD Net Absorption (sf)	118k	-30k	▼
Under Construction (sf)	40k	30k**	▲
Average Asking Rent*	\$19.32	\$22.55	▲

*Rental rates reflect gross asking \$psf/year
**Not reflective of U.S. Marketbeat table

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

Unemployment for the Fredericksburg region continues to drift downward, from 3.6% a year ago to 3.3% this quarter, staying well below the national unemployment average. Although employment totals have remained flat for the last few years in the DC region, these numbers should rise as Amazon begins hiring for its new HQ2 location in Crystal City. Although this will not directly add jobs in the Fredericksburg region, approximately 60% of area residents commute to Northern Virginia and DC. This could lead to an influx in new regional residents who will make use of local services and businesses.

Market Overview

Year-to-date (YTD) absorption slid to negative 25,000 square feet (sf), losing previous gains made this year. However, Class A office space did end 2018 with positive absorption of 14,000 sf. One office property totaling 30,000 sf broke ground at the end of Q4 2018 and several more are proposed and pre-leased so absorption may continue to trend downwards before we see a correction. At the end of 2018, the vacancy rate continued to hover around 11.5%, down from 12.4% a year ago.

Transactions of note included the lease of 8,800 sf to ManTech International Corp at the Quantico Corporate Center. The U.S. Census Bureau penned a deal for 8,152 sf in the Central Park Corporate Center and Lumbee leased 6,561 sf at 125 Woodstream Blvd in the Stafford Marketplace.

Outlook

With new properties under construction and several new projects proposed, we could see absorption drop and vacancy rise again going into mid-2019 if pre-leasing is not robust. The Federal Reserve is anticipating a slowdown in GDP growth in 2019 but this should be offset locally with the boost that Amazon's HQ2 will give to the region. In addition, the rise in proposed and spec properties shows that developers are viewing the market optimistically. However, a glut of available space could cause the rental rates to dip back to pre-2018 levels.

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