

MARKETBEAT

Fredericksburg, VA

Retail 3Q 2018



ECONOMIC INDICATORS

| National | Q3 17 | Q3 18* | 12-Month Forecast** |
|--------------------------|-------|--------|---------------------|
| GDP Growth | 2.3% | 3.1% | ▲ |
| CPI Growth | 2.0% | 2.8% | ▲ |
| Consumer Spending Growth | 2.4% | 2.7% | ▲ |
| Retail Sales Growth | 4.5% | 6.1% | ▲ |

* Q3 18 Estimates. Values represent year-over-year % change
 **Forecast by Cushman & Wakefield

| Regional- Washington, DC | Q3 17 | Q3 18 | 12-Month Forecast |
|--------------------------|-----------|-----------|-------------------|
| Household Income | \$179,703 | \$184,838 | ▲ |
| Population Growth | 1.1% | 0.9% | ▼ |
| Unemployment | 3.7% | 3.4% | ▼ |

Source: Moody's Analytics

Rental Rate vs. Overall Vacancy



Economy

Unemployment for the Fredericksburg region continues to drift downward, from 3.7% a year ago to 3.4% in the third quarter of 2018, staying on track with the decline in unemployment that the region has seen since 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. Area jobs in the retail sector increased by almost 2.0% over the past four quarters as household incomes also continued to climb.

Market Overview

Although the pace has slowed, national retailers are still closing their doors. Toys R Us is the most recent to shutter all stores, including its 30,847-square-foot (sf) location in Fredericksburg. Sears also plans to close hundreds of its locations, however the Fredericksburg region was not included on the most recent list of 142 store closures.

Despite the news surrounding these bankruptcies and store closings, the regional retail market remains flat with the vacancy rate at 4.6%. Local and national retailers continue to make use of the space vacated, with some being taken over by other consumable retailers, such as the purchase of the closed Sports Authority in Central Park by Trivett Furniture who opened a 41,216-sf Ashley Outlet Center.

Alternative users are also occupying retail space. The former 29,000-sf Sport & Health Club in Fredericksburg was renovated by QRC Technologies, a data firm, into their headquarters. And just days ago it was announced that part of the vacant Ukrop's in Spotsylvania will be converted into a Planet Fitness.

One other notable transaction in the third quarter was the 11,250-sf deal inked by Dollar General at the Westwood Shopping Center in Fredericksburg.

Outlook

Despite continued warnings that online retailers are out-performing brick and mortar stores, the regional retail sector should remain strong going forward with demand from both large and small tenants. The majority of deals this year have been under 5,000 sf and leased to local tenants, and the average rental rate is on the rise, topping \$16 per square foot for the first time since the first quarter of 2017.

Cushman & Wakefield | Thalhimer
 1125 Jefferson Davis Highway
 Suite 350
 Fredericksburg, VA 22401
thalhimer.com

For more information, contact:
 Jeannine Dudzinski
 Brokerage Services Associate
 Tel: +1 540 373 0600
jeannine.dudzinski@thalhimer.com

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