

MARKETBEAT

Fredericksburg, VA

Retail 4Q 2018



ECONOMIC INDICATORS

National	Q4 17	Q4 18*	12-Month Forecast**
GDP Growth	2.5%	3.3%	▲
CPI Growth	2.1%	2.3%	▲
Consumer Spending Growth	2.7%	2.7%	▲
Retail Sales Growth	5.9%	4.6%	▲

* Q4 18 Estimates. Values represent year-over-year % change
 **Forecast by Cushman & Wakefield

Regional - Washington, DC	Q4 17	Q4 18*	12-Month Forecast
Average Household Income	\$185,368	\$190,613	▲
Population Growth	1.0%	0.9%	■
Unemployment	3.6%	3.3%	▼

Source: Moody's Analytics

Rental Rate vs. Overall Vacancy



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. Area jobs in the retail sector increased by 5.0% over the past four quarters and household incomes also continued to climb. Spending may flatten out this coming year as the Fed is expecting a slowdown in overall GDP growth.

Market Overview

National retailers continue to shutter their stores. At the end of the quarter, Sears was facing a final bankruptcy ruling and had announced almost 150 store closings. This has prompted several mall owners to re-invent the space vacated by Sears into complementary concepts such as movie theaters, hotels, or retail incubators. Lowe's and Mattress Firm have also announced they will be closing locations. Lowe's is reducing its brick and mortar stores in order to compete with e-commerce. Mattress Firm is seeking bankruptcy protection.

The vacancy rate has risen slightly during the year to end 2018 at 4.7%, but this could be due more to new construction deliveries rather than store closings; most major retailers who are closing stores have not shuttered locations in the Fredericksburg area. Rental rates have also risen, ending the quarter on an annual high of \$16.80 per square foot (psf) and averaging \$15.87 psf for the year.

Discount retailers are expanding around the country and were a main contributor to leasing activity during the fourth quarter. Save-A-Lot Liquidators leased 16,408 square feet (sf) at 5099 Jefferson Davis Highway in Four Mile Fork and Dollar General signed two deals this quarter. The first in a newly delivered 9,026-sf building at 1348 Courthouse Road in Stafford and they also took over a 17,735-sf sublease at 1095 International Parkway in Fredericksburg.

Outlook

While we may see slowing US GDP that could shake consumer confidence slightly, retail sales and services should continue to be stable into 2019. To date, the major retail store closings have not affected the Fredericksburg area. Following an active year of deliveries, with more than 124,000 sf completed, development activity is expected to slow in 2019 as new inventory gets absorbed.

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

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.