

MARKETBEAT OFFICE SNAPSHOT

FREDERICKSBURG, VA A Cushman & Wakefield Research Publication

Q2 2013



ECONOMIC OVERVIEW

The economy in Fredericksburg during the second quarter has continued to show signs of strength with decreasing unemployment. The Region's unemployment continues to be below the National average and even that of the State average. While sequestration has certainly shown signs of its affect in the government sectors, the overall economy of the region remains strong.

The second quarter 2013 vacancy rate was slightly up year over year to 14% but the general feel from activity in the market is that of improvement. Average direct asking rents remain flat at \$21.65 psf/yr.

LEASING ACTIVITY

Tenants continue trading-up to spaces that were previously unobtainable. It is still a Tenant's market and they have been taking advantage of it. This may be changing as supply tightens and demand increases. Despite the lack of large new office users moving into the market the leasing activity has relatively good energy.

Due to uncertainty in the government contracting industry, coupled with sequestration, we have seen a number of large office users exercising their rights' to terminate leases before their natural expiration. This has caused many office users to contract and consolidate into much less space than historically occupied. There have also been numerous relatively large office transactions pulled at the last minute because the government contract that created the need for such space was pulled by the government.

OUTLOOK

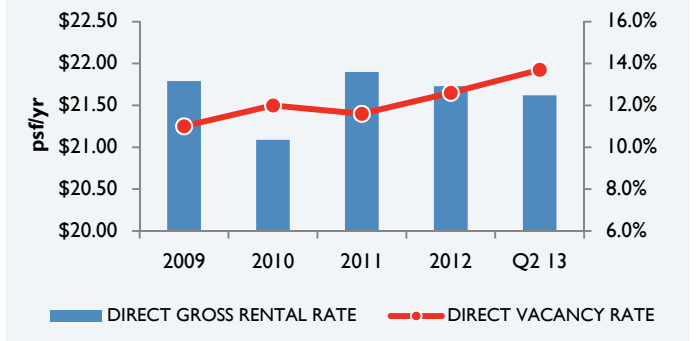
Despite bad news, thankfully there is also equal and counter good news that will keep the office market at status quo or slightly better into the third quarter. The metric that will turn the tide in the office market is job growth, which the region has yet to see in significant amounts. The regional residential market and taxable sales have continued to improve and as these are great leading indicators for

our industry, continued improvement is forecasted for the quarters to come.

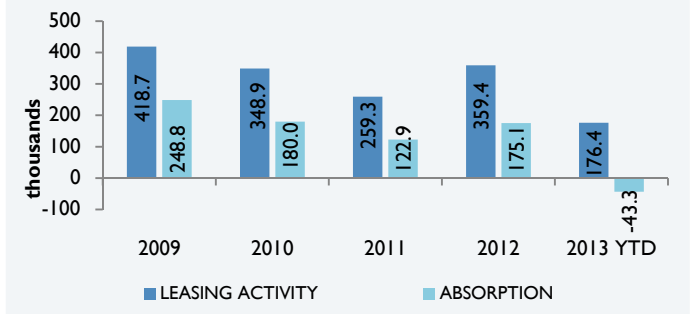
STATS ON THE GO

	Q2 2012	Q2 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	12.1%	14.0%	1.9pp	▼
Direct Asking Rents (psf/yr)	\$21.84	\$21.65	-0.9%	◀▶
YTD Leasing Activity (sf)	199,609	176,427	-11.6%	▲

DIRECT RENTAL VS. VACANCY RATES



LEASING ACTIVITY VS. ABSORPTION



FREDERICKSBURG, VA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG. ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Fredericksburg	2,719,006	8.4%	8.4%	59,189	0	0	47,396	47,396	\$19.65	\$26.01
Stafford	3,385,239	15.2%	14.4%	32,931	46,000	12,177	(47,922)	(45,141)	\$23.44	\$26.15
Spotsylvania	2,080,323	18.9%	18.9%	77,422	0	10,800	(23,063)	(23,063)	\$21.46	\$27.68
Caroline	378,556	9.9%	9.9%	300	0	0	(850)	(850)	\$15.13	\$0.00
King George	688,904	17.6%	17.6%	6,585	0	0	(29,875)	(21,631)	\$19.41	\$0.00
TOTALS	9,252,028	14.0%	13.7%	176,427	46,000	22,977	(54,314)	(43,289)	\$21.65	\$26.61

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
4701 Carr Drive	Spotsylvania County	EOIR Technologies	B	10,000
805 Lyons Boulevard	Stafford County	Dawning Point	B	5,000
500 Lafayette Boulevard	Fredericksburg City	Rappahannock Legal Services	B	4,879
SIGNIFICANT Q2 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
800 Corporate Drive	Stafford County	JMC Holdings	\$40,000,000 / \$295	135,732
10 Chatham Heights Road	Stafford County	Willis-Falkenburg Eye Care	\$3,400,000 / \$121	28,000
SIGNIFICANT Q2 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
446-456 Garrisonville Road	Stafford	N/A	Q3 2013	40,000
963 Garrisonville Road	Stafford	N/A	Q3 2013	6,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS