

MARKETBEAT

Fredericksburg, VA

Industrial Q1 2019



CUSHMAN & WAKEFIELD

THALHIMER

FREDERICKSBURG INDUSTRIAL

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Washington DC MSA Employment	2.7M	2.7M	■
Washington DC MSA Unemployment	3.6%	3.3%	▼
U.S. Unemployment	4.1%	3.8%	▼

Numbers above are quarterly averages; Feb. 2019 data used to represent Q1 2019

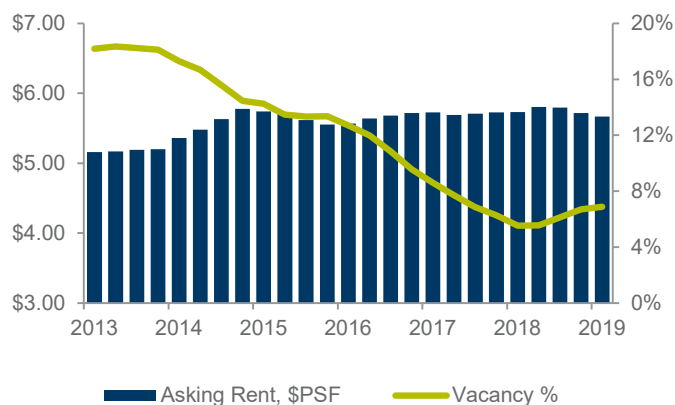
Market Indicators (Overall, All Property Types)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	5.5%	6.2%	▼
YTD Net Absorption (sf)	-57k	173k	▲
Under Construction (sf)	0k	45k	■
Average Asking Rent*	\$5.79	\$5.59	▼

*Rental rates reflect net asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

Unemployment for the Fredericksburg region remains below the national average and is holding steady at 3.3% from Q4 2018. Employment has made modest gains year over year. The regional economy added approximately 20,300 jobs over the last four quarters.

Market Overview

Demand for warehouse space is driving the Industrial market this quarter with a net 172,699 square feet (sf) of absorption. Vacancy saw a jump to 7.9% at the end of 2018 but declined to 6.2% in Q1. If Industrial demand remains strong and absorption continues to be positive, vacancy will continue to drop.

Two notable Q1 acquisitions include the sale of 50 Joseph Mills Drive, a 40,000-sf warehouse that sold for \$2,596,000 as a leased investment. 3000 Mine Road Building A, a 57,600-sf warehouse, sold for \$2,016,000 to Fortress Door, who will relocate here from leased space in the Battlefield Industrial Park. For all Industrial sales this quarter, price per square foot averaged \$48.01.

Asking rents continue to push downward, from a high of \$6.01 in Q2 2018 to \$5.59 this quarter. The majority of leases signed in Q1 were in spaces under 5,000 sf and almost exclusively in warehouse properties. Lease transactions of note include Specialty Coating and Laminating's renewal of 32,500 sf at 3010 Mine Road. Hilldrup Properties signed Cornerstone Moving into 29,218 sf at 1175 International Parkway and Capital Tristate Electrical renewed 13,256 sf at 11001 Houser Drive.

Outlook

The Federal Reserve is anticipating a modest 1.9% growth in GDP in 2019. Future tax cuts announced by the current administration could bolster that number, providing more leverage for companies to expand. In 2019, we are already seeing strong absorption and demand for warehouse space. Increased economic incentives should strengthen this demand.

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