

MARKETBEAT

Fredericksburg, VA

Industrial Q3 2019



CUSHMAN & WAKEFIELD

THALHIMER

FREDERICKSBURG INDUSTRIAL

Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Fredericksburg Employment	66.0k	66.9kM	▲
Fredericksburg Unemployment	3.0%	3.1%	▲
U.S. Unemployment	3.8%	3.7%	▲

Source: BLS, Moody's Analytics. 2019 Q3 data are based on latest available data.

Market Indicators (Overall, All Property Types)

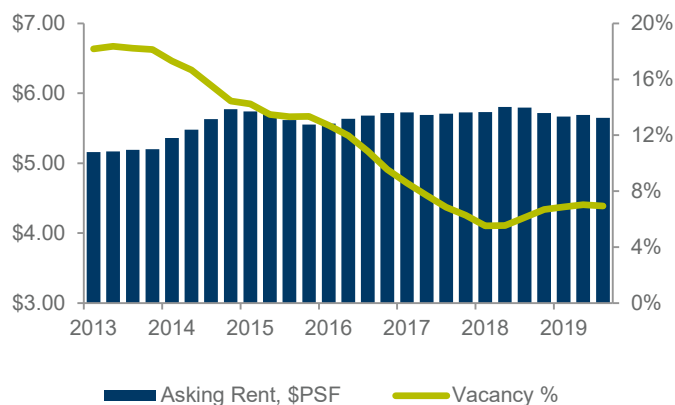
	Q3 18	Q3 19	12-Month Forecast
Vacancy	7.0%	6.7%**	▼
YTD Net Absorption (sf)	685k	236k**	▲
Under Construction (sf)	0k	35k**	■
Average Asking Rent*	\$5.69	\$5.88**	▲

*Rental rates reflect net asking \$psf/year

** Not reflected in national statistics

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

Regional unemployment remains low, ending the quarter at 3.1%, slightly up from 3.0% a year ago but still below the national average of 3.7%. Analysts are predicting slower job growth, which may lead to an overall slowing of the economy, but are reporting that job growth will continue to climb in the short term. More uncertainty is given to the potential for an international tariff war affecting business investments in the long term, particularly in the manufacturing sector.

Market Overview

Industrial properties continue to see modest positive absorption each quarter, with year-to-date (ytd) absorption at 236,677 square feet (sf). We expect to see this growth continue, as only one property delivered to the market in Q3 and only two properties totaling 35,000 sf are expected to deliver before the end of Q4. Demand for warehouse space is driving the industrial market and availability is tightening, with warehouse vacancy rates dropping to 5.3%. Overall vacancies also dropped, ending the quarter at 6.7%. With the tightening of supply, asking rents increased from \$5.70 per square foot (psf) at the end of Q2 to \$5.88 psf in Q3.

As with other property types, smaller spaces account for the majority of new leases. Eighty-five percent of leases closed were for spaces under 10,000 sf and 62% of all leases this quarter were for spaces under 5,000 sf. One larger transaction was Regal Transportation's lease of 11,500 sf at 11765 Capital Ln. There were several acquisitions of note in Q3, including the \$1,568,000 purchase of 6232 Jefferson Davis Highway in Woodford by Lake Enterprises, LLC and the \$1,712,050 acquisition of 107 Juliad Court by Stafford Assocs, LLC.

Outlook

Consumer confidence remains high although analysts are keeping an eye on tariff disputes that could negatively impact the manufacturing sector. In the short term, this should be outweighed by local demand in warehouse space.

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