

# MARKETBEAT

# Fredericksburg, VA

Office Q1 2019



## FREDERICKSBURG OFFICE

### 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 was used to represent Q1 2019

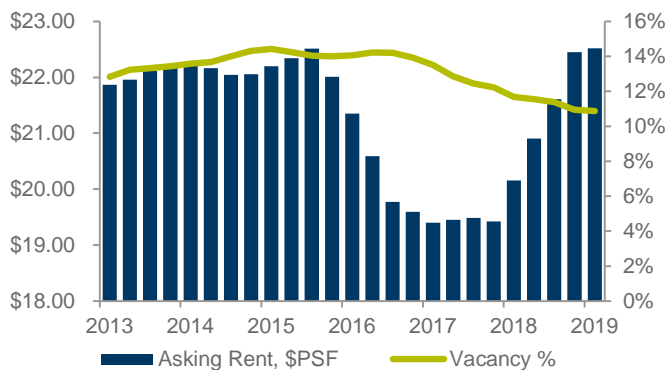
### Market Indicators (Overall, All Classes)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	12.1%	10.1%	▲
YTD Net Absorption (sf)	-1,039	29k	▲
Under Construction (sf)	0	30k	▲
Average Asking Rent*	\$20.12	\$22.52	▲

\*Rental rates reflect gross asking \$psf/year

### Overall Asking Rent/Overall Vacancy

#### 4-QTR TRAILING AVERAGE



## Economy

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

## Market Overview

Quarter-to-date (QTD) absorption saw a gain of 29,000 square feet (sf), an improvement over Q1 2018. With only one new building under construction in Stafford County, the region should not see an influx of vacant space hitting the market in 2019. While we anticipate office absorption to rise during the year, there are several proposed office properties in pre-leasing that could cause absorption to trend downward if they break ground before Q3 2019. The vacancy rate decreased from 12.1% in Q1 2018 to 10.1% in Q1 2019. Class A properties saw the largest drop in vacancy rates of 3.0%, but are still at 16.0% vacant.

Notable lease transactions included the lease of 8,399 sf to American Life League at 11905 Bowman Drive. Pro Shield Financial inked a deal at 513 Prince Edward Street for 7,933 sf, and ThriveWorks leased 4,100 sf at 415 Wolfe Street.

Reported office sales were down this quarter from one year ago. The most notable deal was the portfolio sale at 4820 Southpoint Drive for \$1,784,000. Overall quarterly sales averaged \$80.53 per square foot (psf) with an 8.8% average cap rate. In Q1 2018, sales were at \$363.09 psf with a 6.09% cap rate.

## Outlook

With 30,000 sf under construction and several new projects proposed, we could see absorption drop and vacancy rise going into late 2019 if those developers break ground with projects still in spec status. The Federal Reserve is anticipating a modest 1.9% growth in GDP but future tax cuts announced by the current administration could boost that number, providing more leverage for companies to expand.

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