

## MARKETBEAT

# Fredericksburg, VA

Office Q2 2019



CUSHMAN & WAKEFIELD

THALHIMER

### FREDERICKSBURG OFFICE

#### Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Fredericksburg Employment	6.5M	6.6M	▲
Fredericksburg Unemployment	3.2%	2.9%	▼
U.S. Unemployment	3.9%	3.6%	▼

Numbers above are quarterly averages; June 2019 data was used to represent Q2 2019

#### Market Indicators (Overall, All Classes)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	11.6%	10.0%	▼
YTD Net Absorption (sf)	24K	11K	■
Under Construction (sf)	10K	30k	■
Average Asking Rent*	\$22.83	\$22.34	■

\*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 of 3.3%, dipping down to 2.9% this quarter. Fredericksburg also saw larger gains in jobs added during the last four quarters, compared to the Washington DC market. Local job growth averaged 2%, double the growth in the overall DC market. Fredericksburg saw a 3% increase in household income over the last year and local population growth remained flat.

## Market Overview

Year-to-date (YTD) absorption has remained flat, at a positive 11,000-square-foot (sf) at the end of Q2. No new construction was started this quarter and only about 10% of the 30K under construction has been pre-leased. Although the vacancy rate has improved modestly since Q2 2018, it has remained flat YTD at 10%. Vacancy in Class A properties rose to 17.1%.

85% of new lease deals signed in Q2 were under 5,000 sf. Notable lease transactions included the lease of 10,058 sf to the U.S. Department of Veterans Affairs at 75 Barrett Heights Road. Man Tech inked a deal at 800 Corporate Drive in the Quantico Corporate Center for 8,210 sf and Trijcon leased 5,297 sf at 39 Tech Parkway.

The most notable trade was the portfolio sale of 925 and 1000 Corporate Drive, which sold to an undisclosed buyer for \$33M, according to the seller's SEC filings. Combined quarterly sales averaged \$123 per square foot (psf), a significant increase over Q1 2019.

## Outlook

Although there is over 678,000 sf of available space in proposed projects, only a small percentage is pre-leased. With no announcements of large openings or government office moves, the landscape should remain dominated by smaller businesses leasing new space, leaving the market relatively flat, at least for the next few quarters.

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