

MARKETBEAT

Fredericksburg, VA

Retail Q1 2019



ECONOMIC INDICATORS

National	Q1 18	Q1 19*	12-Month Forecast**
GDP Growth	2.6%	2.9%	▲
CPI Growth	2.2%	1.6%	▲
Consumer Spending Growth	2.4%	3.2%	▲
Retail Sales Growth	4.9%	4.2%	▲

* Q1 19 Estimates. Values represent year-over-year % change
 **Forecast by Cushman & Wakefield

Regional - Washington, DC	Q1 18	Q1 19*	12-Month Forecast
Average Household Income	\$187,874	\$191,840	▲
Population Growth	.9%	0.7%	■
Unemployment	3.7%	3.3%	▼

Source: Moody's Analytics

Rental Rate vs. Overall Vacancy



Economy

Unemployment for the Fredericksburg region has held steady at 3.3% since the fourth quarter of 2018. As expected, National GDP growth has slowed, followed by a similar softening in retail sales growth nationwide. In the Washington DC area, household incomes continue to rise year over year and local retail sales rose by 5.0% from the first quarter of 2018. Despite the growth in retail spending, retail employment fell by 3.0% over the last four quarters.

Market Overview

By the end of the first quarter, at least ten national retailers had announced they would be closing locations in 2019. Included on this list are JCPenney, Family Dollar, Victoria's Secret, Ann Taylor and Macy's. Payless ShoeSource declared bankruptcy and is shuttering all of its stores. Old Navy is splitting off from the Gap to form its own company, putting 230 Gap stores on the chopping block.

The regional vacancy rate has remained at 4.7% for the past two quarters. Absorption has been modestly positive at a net 31,245 square feet (sf) and rental rates have also risen, ending the first quarter at an average of \$17.11 per square foot (psf) for the region. The highest rental rates are found in Fredericksburg City, where average asking rents are \$18.39 psf.

Nine retail properties traded hands during the reporting period, with the most notable on a price psf basis being the sale of 1002 Caroline Street, trading at \$444 psf. All sales during the quarter averaged \$194 psf, compared to \$111 psf during the first quarter of 2018. In leasing, Pottery Barn Warehouse signed a permanent deal in Central Park. They had opened a pop-up store in the fourth quarter of 2017 on Carl D. Silver Parkway but renewed their 33,179-sf space for five years in January, 2019. Other national tenants expanding their footprints include Mattress Warehouse in Spotsylvania, Ave Laurene Bridal in Fredericksburg City and Dairy Queen and Kobe in Stafford.

Outlook

It appears that the local retail market should remain solid for 2019. Despite news of brick-and-mortar closures, other retailers continue to expand their footprint in the area, and new construction is limited to one 25,000-sf building in Stafford County. Although up slightly from a year ago, vacancy rates are well below the national average while asking rents continue to climb.

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