

# FREDERICKSBURG-VA

# INDUSTRIAL MARKET VANTAGEPOINT

ELITE  
Reports

2015  
Q1



ELITE

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## Market Overview

With no new deliveries in Q1 2015, Industrial space in the Fredericksburg Region remained around 12,759,000 SF. Over the past few years new supply growth has dropped, ultimately supporting occupancy and driving vacancy rates down to pre recession rates.

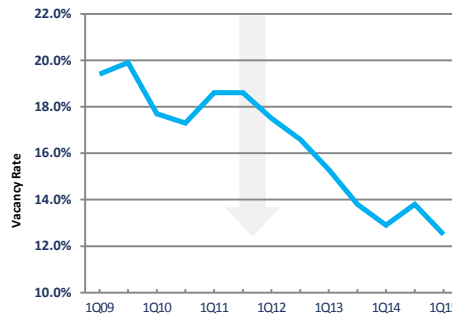
Though there has been a slump in construction activity, the trajectory of net absorption has not followed suit. The first quarter 2015 enjoyed the highest positive net absorption in the past 6 quarters at over 90,000 sq. ft. This represents 170% increase over the previous quarter which witnessed negative net absorption, and a 31% increase over the same quarter in 2014.

Rental Rates for industrial space have remained relatively flat since 2011, hovering in the high to mid \$5/SF range. Rents declined by a mere 3% in the first quarter of 2015. Limited availability of new space is assisting the flat, relatively unchanged course of industrial rents, but with the continued drop in vacancy rents we should begin to see rates climb.

## Industrial Vacancy Hits 7 year Low

The industrial market continues to improve as vacancy rates dropped again in the first quarter of 2015. This marks over 7 years of continuous decline in vacancy rates which reached an all time high at 20.2% in 2008 to the current rate of 12.5%. Pre Recession rates inched as low as 5.5% in Q1 of 2007, which was followed by a steep climb. The current vacancy rates in the industrial market are the lowest the Fredericksburg Region has seen in 30 consecutive quarters.

Industrial Vacancy-Fredericksburg Region



Spotsylvania and Stafford Counties topped the performance charts for Q1 of 2015, both with positive rent growth, absorption and major decline in vacancy. Spotsylvania currently holds the lowest vacancy rates in the region at 11.6%, with a drop of 150 basis points from the last quarter. Stafford County also experienced a large drop in vacancy of 100 basis points in Q1 of 2015. Stafford and Spotsylvania combined make up over 75% of the region's inventory, and have the most substantial effect of the health of the overall industrial market.

On the other end of the spectrum, Caroline County witnessed a nearly 2% increase in vacancy following two quarters of weak leasing activity and negative net absorption.

No significant transactions were recorded in the first quarter of 2015, but a trend is emerging with smaller more frequent lease transaction being completed. Industrial market forecasts show similar trends of increasing strength through Q2 of 2015, and as vacancy rates continue to drop market rents will soon increase.

## Fredericksburg Region: Current Stats

|                       | Region | High              | Low                |
|-----------------------|--------|-------------------|--------------------|
| <b>Rental Rates</b>   | \$5.66 | Stafford \$6.92   | Caroline/KG \$3.75 |
| <b>Vacancy</b>        | 12.5%  | King George 18.7% | Spotsylvania 11.6% |
| <b>Inventory (SF)</b> | 12.7M  | Spotsy 5.89M      | King George 0.39M  |

## LOWEST VACANCY RATES IN OVER 7 YEARS

### Vacancy



Overall industrial vacancy dropped by over 80 basis, in Q1 of 2015.

### Lease Rates



The Average Effective lease rate in Q1 of 2015 slightly decreased for the region.

### Absorption

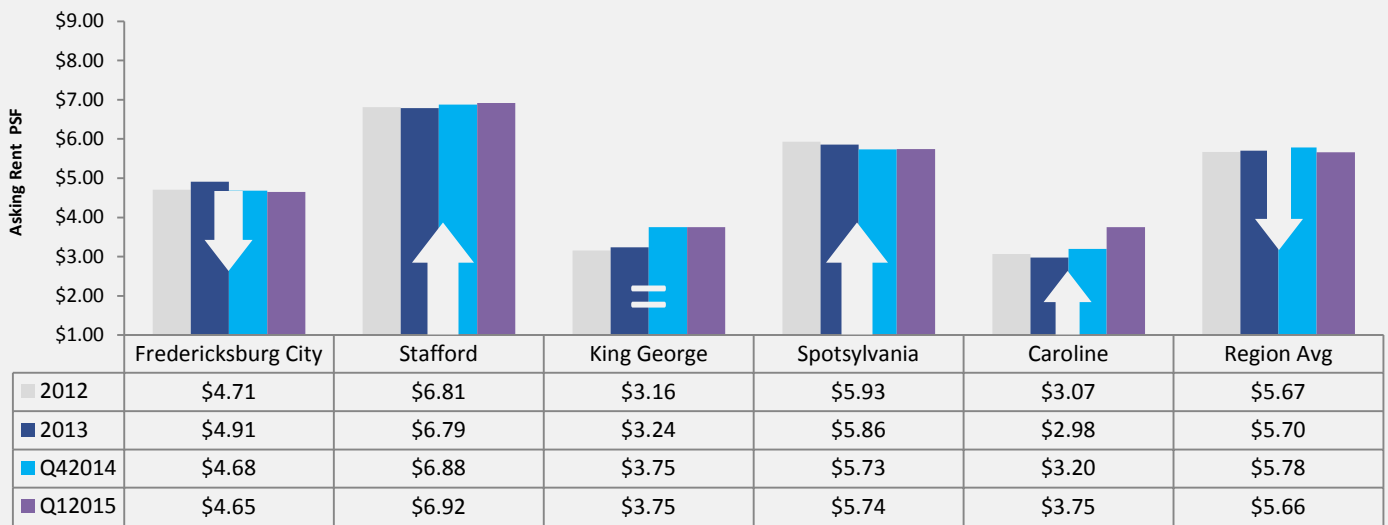


Net absorption in Q1 of 2015 was 90,646 SF of existing space, no new deliveries.

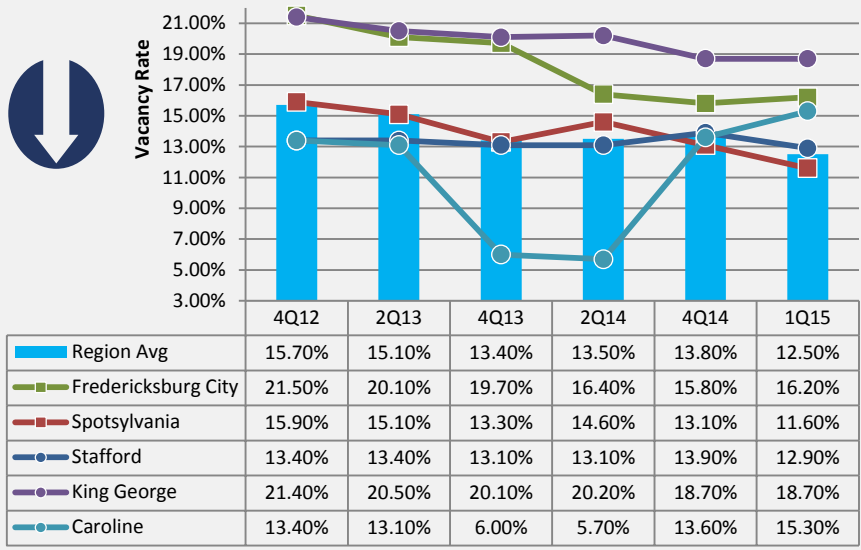
# INDUSTRIAL

## MARKET VANTAGEPOINT

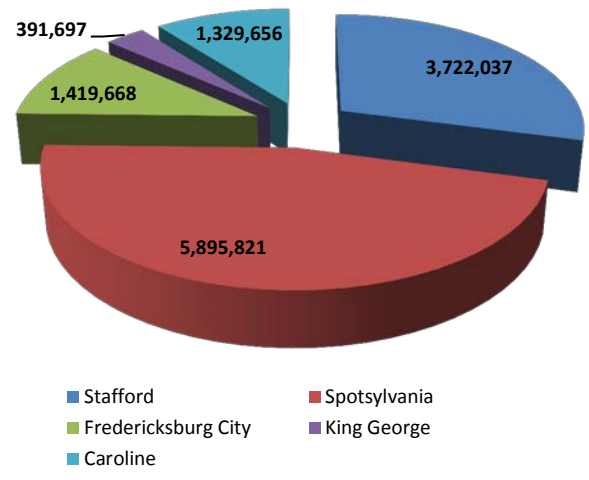
Effective Industrial Rental Rates, By Year and Sub Market 2012-Q1 2015



Vacancy Rates By Sub Market Q2 2012- Q4 2014



Industrial Inventory By County/City (2014)



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