

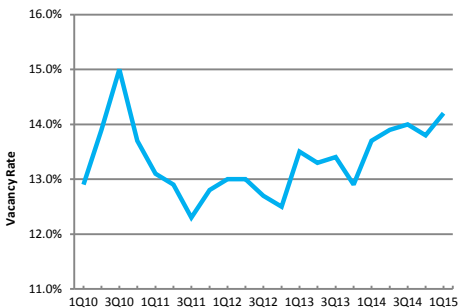
□ FREDERICKSBURG-VA □

OFFICE MARKET VANTAGEPOINT

Vacancy & Absorption Up-and-Down

The regional office Market is remaining fairly stagnant for now with a slight increase in vacancy and minor decrease in rental rates in the first quarter of 2015. The national averages are witnessing the opposite as overall vacancy dropped by 10 basis points to 16.6%, its lowest level since 2009 according to REIS. National asking and effective rents witnessed its eighteenth consecutive quarter of growth. Office market statistics for the Fredericksburg Region still remain fairly stronger as vacancy sits over 2% lower than national averages.

Office Vacancy-Fredericksburg Region



In the first quarter of 2015 vacancy rates slightly rose 40 basis points to 14.2%, an increase of 50 basis points from the same quarter 2014. Vacancy rates have been slowly climbing but inconsistent over the past 5 years where vacancy rates were 12.9% Q1 2010. The rates have jumped up and down from quarter to quarter and year to year. In 2012 vacancy declined over 50 basis points before jumping back up through 2013-2014.

Vacancy rates in the City of Fredericksburg and Spotsylvania County both dropped while rents increased in the first quarter 2015. While Caroline County holds the lowest vacancy rates at 6.2% it also has the least amount of office inventory at a mere 397,000 SF.

The City of Fredericksburg's office inventory is currently 2.96M, with vacancy rates of 9.1% and the 2nd highest rents, it can be considered the best performing submarket. The counties of Stafford and Spotsylvania currently hold the highest vacancy rates at 16.7%.

The region also witnessed a decrease in absorption, with negative net absorption of -27,632, but performed somewhat better than the same quarter of the previous year. The up-and-down trend for vacancy and absorption can be attributed to companies, specifically government contractors abandoning large floor space and seeking more efficient layouts.

One of the key issues for the office market will be employment growth. Will employment growth continue to recover? Since 2010, employment in Northern Virginia has increased year after year and is continuing to trend upward. As employment growth continues so will the need for space, but with companies shifting to smaller floor plans absorption will continue to fluctuate.

ELITE
Reports

2015
Q1



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Each Office is Independently Owned & Operated

Fredericksburg Region: Current Stats

	Region AVG	High	Low
Rental Rates	\$21.95	Stafford \$22.67	Caroline \$16.35
Vacancy	14.2%	Stafford 16.7%	Caroline 6.2%
Inventory (SF)	9.57M	Stafford 3.78M	Caroline 0.4M

Vacancy



Overall office vacancy increased by 40 basis points to 14.2% in Q1 2015

Lease Rates



The Average Effective office lease rate decrease slightly in Q1 2015 for the region.

Absorption

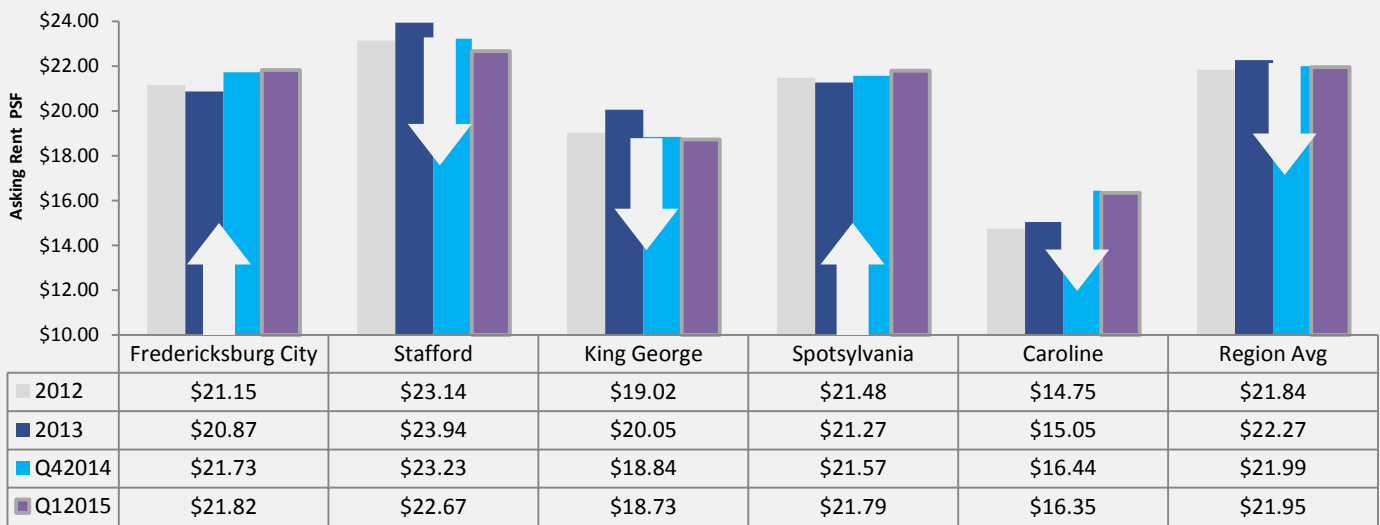


Overall office Absorption decreased in the first quarter of 2015

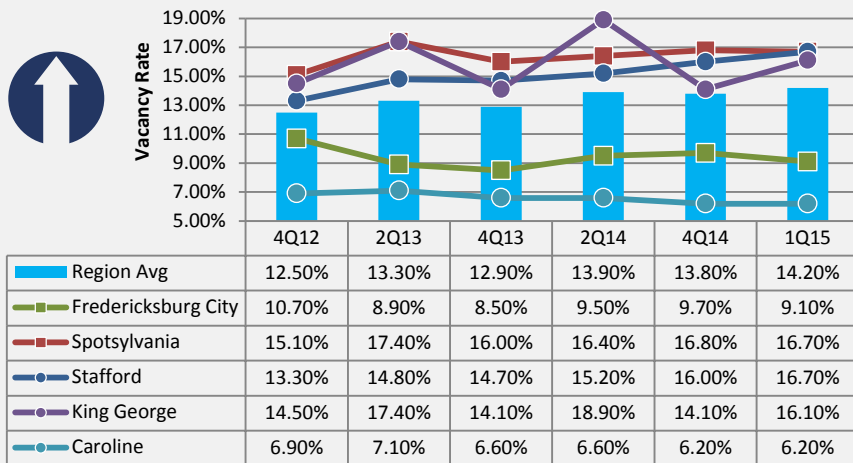
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MARKET VANTAGEPOINT

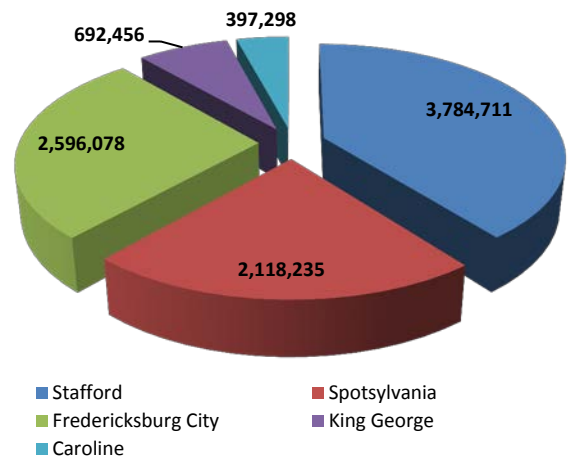
Asking Annual Office Rental Rates, By Year and Sub Market 2012-2015



Vacancy Rates By Sub Market Q2 2012- Q1 2015



Office Inventory By County/City (Q1 2015)



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