

# □ FREDERICKSBURG-VA □

# INDUSTRIAL MARKET VANTAGEPOINT

ELITE  
Reports

2016  
Q1



ELITE

## Market Overview

The Fredericksburg Region's industrial market continued on a strong path through the first quarter of 2016. The industrial market recorded another drop in vacancy rates, paired with decent rent growth. The region's overall industrial inventory stands at 13.02M SF with Spotsylvania County remaining the inventory leader with over 46% (6.01M SF) of the total.

Industrial Vacancy rates dropped 10 basis points to 10.6% in the first quarter of 2016. Although Vacancy rates have gone up and down from quarter to quarter they have been ultimately trending downward since 2009. In comparison to the previous year (Q1-2015) vacancy rates are down 1.9%. Current vacancy rates (10.6%) for the region are now at their lowest point since 2007 and down over 9.8% since its peak of 20.4% in 2009.

Stafford County recorded the largest drop in vacancy with a decline of 120 basis point (bps) to 11.7% in the first quarter. Vacancy rates in Spotsylvania County dropped 20 bps to 8.4%, representing the lowest vacancy rate in the region. The City of Fredericksburg was the only locality to record an increase during the quarter with rates jumping 300 bps to 10.9%. Caroline and King George remained flat with no change in vacancy; this marks the 5<sup>th</sup> consecutive quarter with no activity for King George's industrial market.

Demand remained fairly strong to start the year with positive net absorption increasing and leasing activity on par

with the previous quarter. Strong demand for industrial space has continued to drive net absorption upward, with 12 month totals now at 249,000 SF of space absorbed. Over 53,000 SF of space was leased in the first quarter with the average size around 4,400 SF/deal. Stafford County experienced the largest share of the first quarter activity, recording over 43,000 in net absorption while the City of Fredericksburg witnessed the complete opposite (-43,480 SF net absorption). With no new deliveries over the past 4 quarters paired with strong leasing activity, vacancy rates have continued to decrease. What the market hasn't yet witnessed is solid rent growth, until now.

Regional industrial rents grew by 350 bps to \$5.69 psf in the first quarter. Over the past 5 years rents have remained fairly flat in the mid-\$5 range, fluctuating up and down from quarter to quarter. For the first time in the past five years, the region has recorded two consecutive quarters of positive rent growth. Although this may not be a long enough span of time to say that rents are finally trending upward, we are moving in the right direction. Spotsylvania County recorded the largest rent growth at 8.3%, and although Stafford witnessed a minor decline of (-0.8%) it still holds the highest rents at \$6.71 psf.

As net absorption remains at robust levels, pushing vacancy downward, the market environment is becoming more competitive and should ultimately increase rent growth throughout 2016.

## Fredericksburg Region: Current Stats

	Region	High	Low
Rental Rates	\$5.69	Stafford \$6.71	Caroline \$3.61
Vacancy	10.6%	King George 18.70%	Spotsylvania 8.4%
Inventory (SF)	13.02M	Spotsylvania 6.01M	King George 0.39M

## VACANCY DROPS TO 10.6%

### Vacancy



Overall industrial vacancy for the region dropped by 10 basis, in Q1 2016.

### Lease Rates



Effective Industrial Rent grew by 350 bps in Q1 2016.

### Absorption

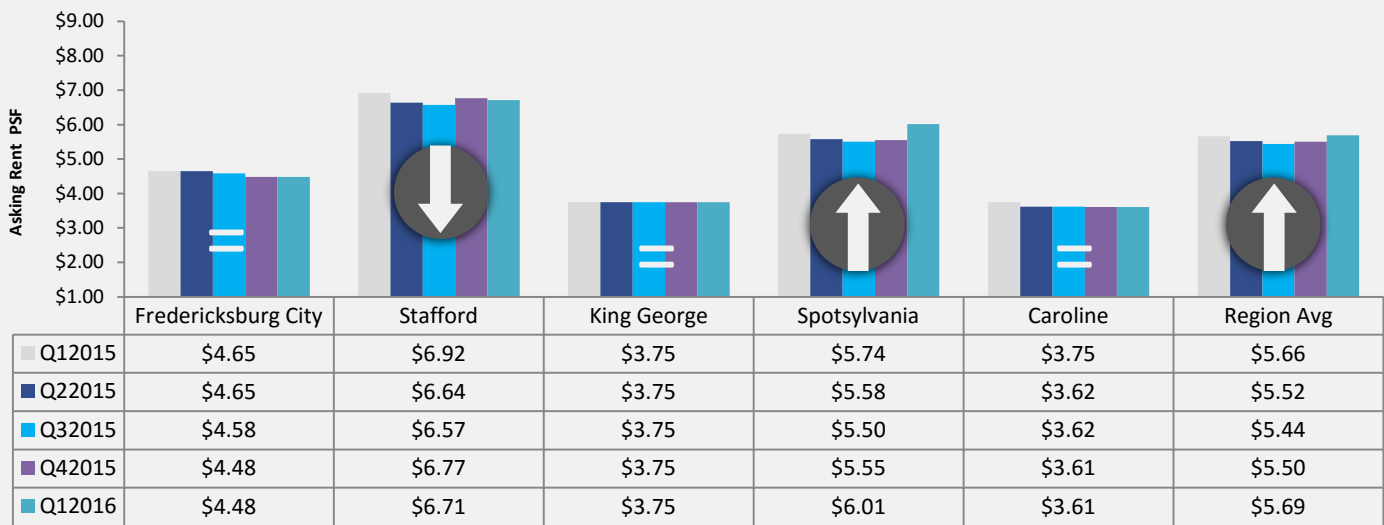


Total Net Absorption was positive in Q1 2016

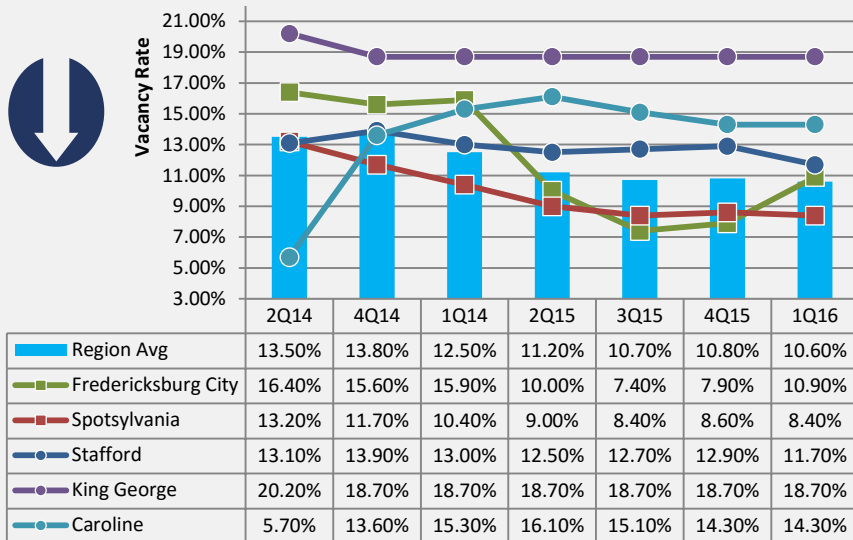
# INDUSTRIAL

## MARKET VANTAGEPOINT

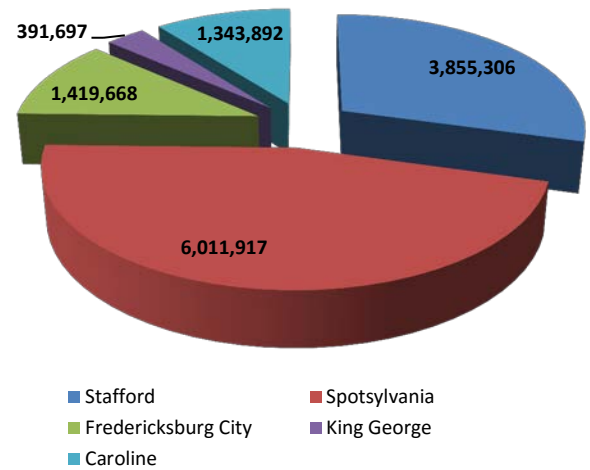
Effective NNN Industrial Rental Rates, By Year and Sub Market Q1 2015 – Q1 2016



Vacancy Rates By Sub Market Q2 2014 - Q1 2016



Industrial Inventory By County/City (2016)



Data contained herein has been obtained from third party sources deemed reliable; no warranty, expressed or implied, is made regarding the accuracy, adequacy, completeness, legality, reliability or usefulness of any information. List of Sources are available upon request.

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## Q1 INDUSTRIAL NEWS

### Construction on Lidl's 1MM SF Distribution Facility Pushing Forward



Construction on Lidl's Mega Distribution facility in Spotsylvania County is moving along quickly. Lidl broke ground last October on their 1MM SF facility and to date, nearly all of the buildings exterior walls, roof and other major structural components have been completed. Lidl plans to have the facility completed by the middle of 2017, but at the current pace it seems that they might deliver sooner.

### M&M Auto Parts Expanding in Fredericksburg Battlefield Industrial Park



M&M Auto Parts recently purchased a 5 acre parcel in Battlefield Industrial Park to expand their storage capabilities at the Fredericksburg facility.

### Capital Textile Service Plans \$6M Facility in Stafford County

Virginia Linen Service of Petersburg which owns Capital Textile Service, purchased 12.46 Acres on Centerport Parkway in Stafford County. Capital Textile Service plans to invest \$6 million into an automated laundry facility that will initially employ 50 people.



## 2.5 Million SF

OF INDUSTRIAL SPACE CURRENTLY UNDER CONSTRUCTION, APPROVED, OR IN THE PIPELINE FOR THE GREATER FREDERICKSBURG REGION. THIS INCLUDES LIDL'S DISTRIBUTION FACILITY AND THE APPROVED 1.5MM SF HARRIS TEETER FACILITY PLANNED/ APPROVED IN CAROLINE COUNTY.



*Lidl Distribution Facility, Spotsylvania County*

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**COLDWELL  
BANKER  
COMMERCIAL**

**ELITE**

**MAJOR LEASING ACTIVITY Q1 2016 (3,500 SF +)**

Address or Office Park	Tenant	City/County	Space Leased
1117 Tyler St.	Greenbrier Percussion, LLC	Fredericksburg	10,000 SF
30 Blackjack Rd	Camber Corporation	Stafford	7,500 SF
11001 Pierson Drive	Jenspy, Inc.	Spotsylvania	6,250 SF

**LEASING ACTIVITY Q1 2016 (Less Than 3,500 SF)**

11819 Main St-Bowman Center	Central Park Fun-Land, Inc	Spotsylvania	1,160 SF
11901 Bowman Drive-Deep Run	RYA Medical USA	Spotsylvania	3,000 SF
11900 Main St.	Gakure Group Internationl	Spotsylvania	1,555 SF
3312 Bourbon St.   Bowman Center	Colonial Painting & Home Enhancement	Spotsylvania	1,510 SF
2313 Airport Ave	Circle Partners, LLC	Spotsylvania	3,000 SF
497 Lendall Ln	Taj Construction and Millwork	Stafford	3,000 SF
101 Juliad Ct.	Off Leash K9 Training	Stafford	2,000 SF
11047 Pierson Drive	United Air Temp	Spotsylvania	1,400 SF

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