

# ▣ FREDERICKSBURG-VA ▣

# RETAIL MARKET VANTAGEPOINT



ELITE  
Reports

2016  
Q2



ELITE

## Overview

The Fredericksburg Region's Retail market is continuing to stabilize, making minor improvements in the second quarter of 2016. Retail vacancy rates have hovered around 5% for the past year while rental rates remain on a solid growth pattern. The region's current retail inventory is 21.24M sq. ft. while over 900,000 sq. ft. is planned or approved for construction.

Other than the planned Walmart Supercenter in Caroline County, the majority of newly planned retail growth is happening in Stafford County. Over the past 12 months existing projects are gaining traction and other new projects have been announced. Pence recently announced plans for a new mixed use development on Route 610 in Stafford that could feature up-to 450,000 SF of retail. The growth in Stafford County comes as no surprise when looking at the stats. In comparison to Spotsylvania County with 126,000 residents and 9.4MM sq. ft. of retail, Stafford County is well behind with 136,000 residents and only 5MM sq. ft. of retail. As residential growth continues to boom in Stafford, new retail & business growth will follow.

## Vacancy

The retail vacancy rates in the Region decreased by 10 basis points to 5.0% in the second quarter. Over the past year retail vacancy rates have held around 5% in the Fredericksburg Region as net absorption has been slightly outpacing new construction.

During the second quarter of 2016, retail vacancy rates decreased in every locality in the Region excluding

King George County, which witnessed a slight uptick and the City of Fredericksburg which remained unchanged. Stafford County experienced the largest decrease in vacancy from 4.6% to 4.2%. Although Spotsylvania recorded a drop in vacancy of 20 basis points, the county is still holding the highest rate at 5.5%. Stafford County is continuing to top the chart in year-over-year change with a 1.2% decline from Q2-2015.

The Region's retail market recorded over 32,000 SF of positive net absorption and no new deliveries in the second quarter. Net absorption continues to slightly outpace new construction on a consistent basis which is slowly pushing vacancy down. Between Q1-2015 and Q2-2016 there were 133,428 SF of new construction deliveries compared to net absorption of 161,222 SF. Although net absorption is trending upward, it is not consistent, causing the minor vacancy fluctuations quarter-to-quarter.

## Rents

Overall NNN effective retail rents for the Region grew by 0.9% to \$15.53 during the second quarter. King George County recorded the largest quarter-to-quarter rent growth with a 8.9% increase. Spotsylvania County was the only other locality that experienced rent growth (+2.3%) during the second quarter. Stafford (-0.7%) and Fredericksburg (-1.4%) each experienced a decrease in rental rates while Caroline County remained unchanged. Rent growth depends entirely on demand driving down vacancy and without a strong increase in absorption rent growth will continue to be sluggish.

## Fredericksburg Region: Current Stats

	Region	High	Low
Rental Rates	\$15.53	Stafford \$17.72	Caroline \$8.07
Vacancy	5.0%	Spotsylvania 5.5%	King George 4.1%
Inventory (SF)	21.24M	Spotsylvania 9.43M	Caroline 0.68M

## Vacancy



Retail vacancy decreased by 10 basis points to 5.0% in Q2-2016

## Lease Rates



The Average Effective rents grew by 0.9% (\$0.14) in Q2 2016

## Absorption



Net Absorption was positive for the second quarter recording 32,747 SF

Industry	Demand (Potential) in Billions	Supply (Sales) in Billions	Retail Gap in Billions
Retail Trade	\$4.257	\$3.273	<b>\$0.983</b>
Food & Drink	\$0.479	\$0.343	<b>\$0.136</b>
Totals	\$4.737	\$3.617	<b>\$1.119</b>

**\$1.12B TOTAL RETAIL GAP**

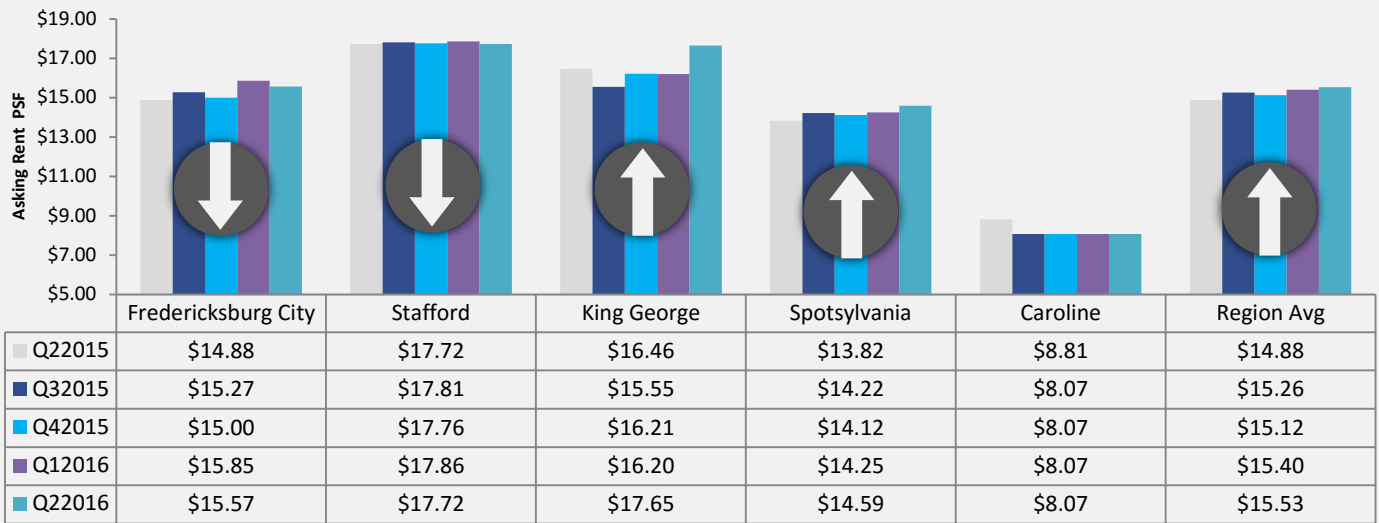
Source: ESRI

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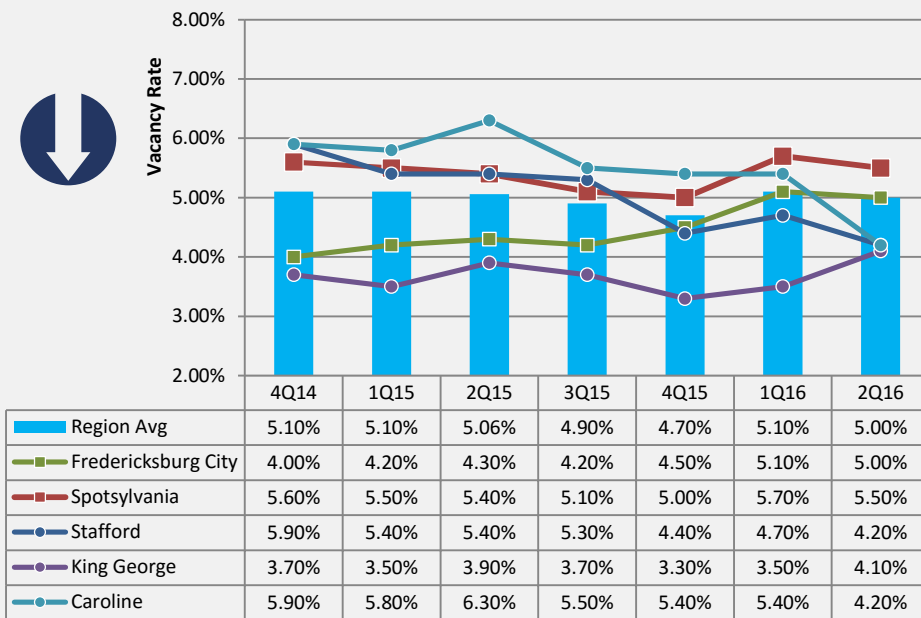
# RETAIL

## MARKET VANTAGEPOINT

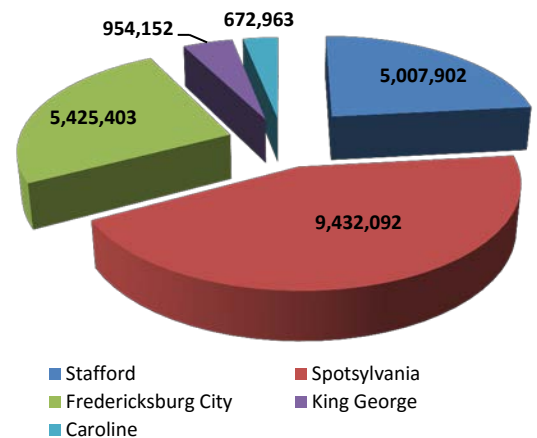
NNN Retail Rents Per SF, By Quarter and Sub Market Q2 2015 – Q2 2016



Vacancy Rates By Sub Market Q4 2014- Q2 2016



Retail Inventory (SF) By County/City (Q2 2016)



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#### Q2 RETAIL NEWS RE-CAP

##### The Pence Group Introduces The Garrison at Stafford



The Pence Group has announced plans to develop a mixed-use project, Stafford Village Center, that could include up to 450,000 +/- SF of retail, 200,000 +/- SF of office, and 453 multifamily units. In March, Pence purchased the 12 acre tract located on the south side of Garrisonville Road at the intersection with Travis Lane for \$3.7 million. Pence recently announced



their first secured tenant to anchor the development, Regal Entertainment Group (Regal Cinemas), who plans to build a 50,539-square-foot, 12-screen theater. Regal will be relocating from their current location at Aquia Towne Center in North Stafford to make way for Harris Teeter. The Garrison at Stafford will be Pence's second major commercial development in Stafford County, the first being Stafford Marketplace, a 750,000 SF center located at the intersection of I-95 & Route 610 which is anchored by Lowe's, Kohl's, Shopper's and Target.

##### New Stores open at King George Gateway



An 8,200 SF Multi-Tenant Building was recently completed at King George Gateway. The multi-tenant building is 100% Leased to Starbucks, Tropical Smoothie and Sleepy's. This will be both Starbucks' and Tropical Smoothie's first locations in King George County. Also, a Murphy's Oil convenience store and fueling station, and an 80 room Holiday Inn Express and Suites are underway at the development.

##### BJ's Brewhouse coming to Central Park



BJ's Brewhouse closed a deal to locate at the former Bailey's Pub & Grille in Central Park and plans to demolish the existing building and construct a new 7,500 SF restaurant. BJ's currently has three locations in Virginia including Gainesville, Vienna, and Richmond.

##### Lidl completed construction of first U.S. store in Spotsylvania

Lidl completed construction of their first regional store location and first U.S. store location on Plank Road/Route 3 in Spotsylvania County. Lidl plans to open the store once their 1M SF distribution warehouse is completed which is also located in Spotsylvania.



#### Construction & Expansion Highlights Q2 2016

Starbucks broke ground on a new free standing store on Route 17 in Stafford

A new 35,000 +/- SF multi-tenant retail building is under construction at Harrison Crossing in Spotsylvania County

O'Reilly Auto Parts is underway on their first location in the Region on Mine Rd in Spotsylvania

Virginia Partner's Bank is near completion with the renovation and opening of their new location on Route 3 in Spotsylvania

AutoZone broke ground on their new store on White Oak Road in Stafford

Cook Out is near completion on their 2<sup>nd</sup> location in the Region at Cosner's Corner

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**Leasing & New Opening  
Highlights Q2 2016**

Harry's Ale House signed a lease for 6,500 SF at Harrison Crossing. They will occupy the former Bridge's Restaurant space and adjacent vacant space

Paisano's Pizza signs 3,000 SF lease in Central Park and will occupy the former Crave Frozen yogurt space

Oishi Sushi King opened in the former Cheeseburger in Paradise restaurant space in Central Park this May

**CONSTRUCTION COMPLETIONS Q2-2016**

Address or (shopping center)	Tenant(s)	City/County	Building Size
5455 Plank Road	LIDL	Spotsylvania	36,000 SF +/-
King George Gateway	Starbucks, Sleepy's, Tropical Smoothie	King George	8,200 SF

**CONSTRUCTION UNDERWAY/ STARTS Q2-2016**

Cosner's Corner 5410 Jefferson Davis Hwy	Cook-Out	Spotsylvania	3,000 SF +/-
Harrison Crossing	N/A	Spotsylvania	35,000 SF +/-
Howard Johnson Redevelopment	Raceway Gas	Spotsylvania	5,000 SF +/-
Route 17 & McWhirt Loop	Starbucks	Stafford	1,800 SF
King George Gateway	Murphy Oil	King George	1,200 SF
Route 17 & Village Parkway	Royal Farms	Stafford	N/A



*(Opened May-2016) Oishi Sushi King,  
Central Park - Fredericksburg, VA*

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