

# □ FREDERICKSBURG-VA □

# OFFICE MARKET VANTAGEPOINT

## Strong Leasing Activity with Low Positive Absorption...Why?

The Fredericksburg Region's office market continued its unpredicted path through the third quarter. For Q3 2015 the regional office market experienced a slight improvement as vacancy dropped and rental rates increased.

In the third quarter of 2015 vacancy rates slightly increased by 10 basis points to 14.1%. Vacancy rates have continued an inconsistent trend over the past 5 years. The City of Fredericksburg and Spotsylvania County were the only two submarkets that recorded a drop in vacancy in Q3 2015. Spotsylvania County posted a relatively large drop in vacancy of 1.6%, bringing the county's vacancy rates down to 14.9%. This marks the first time that office vacancy has dropped below 15% in Spotsylvania since 2006. The City of Fredericksburg experienced a slight decrease in vacancy of 20 basis points recording three straight quarters of declining vacancy. Stafford County witnessed a slight increase of 30 basis points, where as King George recorded another quarter with a large jump in vacancy (+4.4%).

Although the office market has been inconsistent, the market is showing signs of improvement as leasing activity is steadily increasing throughout most of the Region. Through 2015 the Region's office market has recorded over 350,000 SF of direct leasing activity. For Q3 2015 over 85,000 SF of direct leasing was posted, but with only 33,219 SF of positive net absorption. Over the past 12 months 490,000 SF of office space has been leased compared to the 5-year average (12 month Leasing) of 431,000

SF. High leasing activity and low absorption numbers can again be attributed to business moving from larger to smaller spaces and consolidating into more efficient, newer office space.

As 2015 is shaping up to be one of the best years for office demand in the past 5 years, the region is beginning to see increased new construction. Stafford County is currently topping the chart of new office construction with approximately 62,000 SF under construction. This includes a new 40,000 SF office building at Quantico Corporate Center planned to be completed early 2016. A 12,000 SF office building is also well underway off Amos Lane in Spotsylvania County near the Spotsylvania Towne Center. The City of Fredericksburg and the counties of King George and Caroline have no new office construction starts or deliveries through the year.

Effective rents in the Region grew by \$0.17 in the third quarter. The counties of Spotsylvania (+\$0.08), Stafford (+\$0.16) Caroline (+\$0.32) and King George (+\$0.25) all posted decent rent increases while office rents in the City of Fredericksburg remained flat. Effective rent growth of 1.3% is quite impressive for King George County with such an elevated vacancy rate. Stafford County has posted two consecutive quarters of strong rent growth and currently holds the highest rents in the region at \$24.00.

Overall recovery is moving fairly slow in the office market, but unless we hit a major downturn in the near future the market should continue to improve and provide new investment opportunities for the Region.

## ELITE Reports

## 2015 Q3



## ELITE

### Fredericksburg Region: Current Stats

|                | Region AVG     | High              | Low              |
|----------------|----------------|-------------------|------------------|
| Rental Rates   | <b>\$22.54</b> | Stafford \$24.00  | Caroline \$16.67 |
| Vacancy        | <b>14.1%</b>   | King George 23.3% | Caroline 6.6%    |
| Inventory (SF) | <b>9.69M</b>   | Stafford 3.78M    | Caroline 0.4M    |

### Vacancy



Overall office vacancy increased by 10 basis points to 14.1% in Q3 2015

### Lease Rates



The Average Effective office rents increased in Q2 2015 for the region.

### Absorption



Overall office Absorption remained positive in Q3 2015

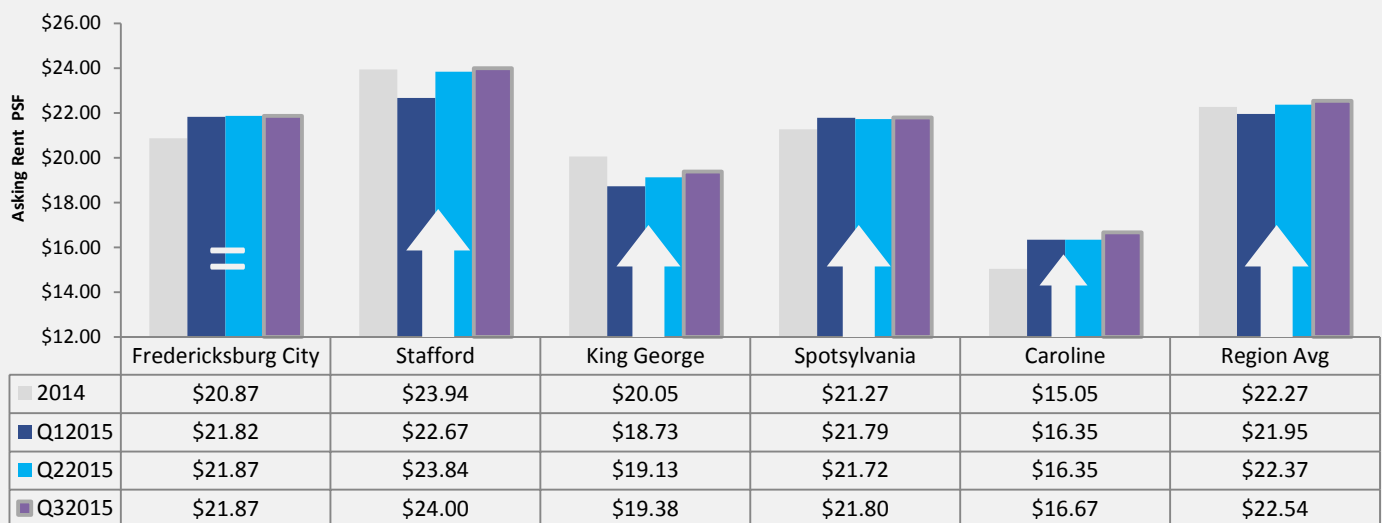
**Demand  
(YTD 2015)**

LEASING ACTIVITY: 356,000 SF  
NET ABSORPTION: 34,500 SF

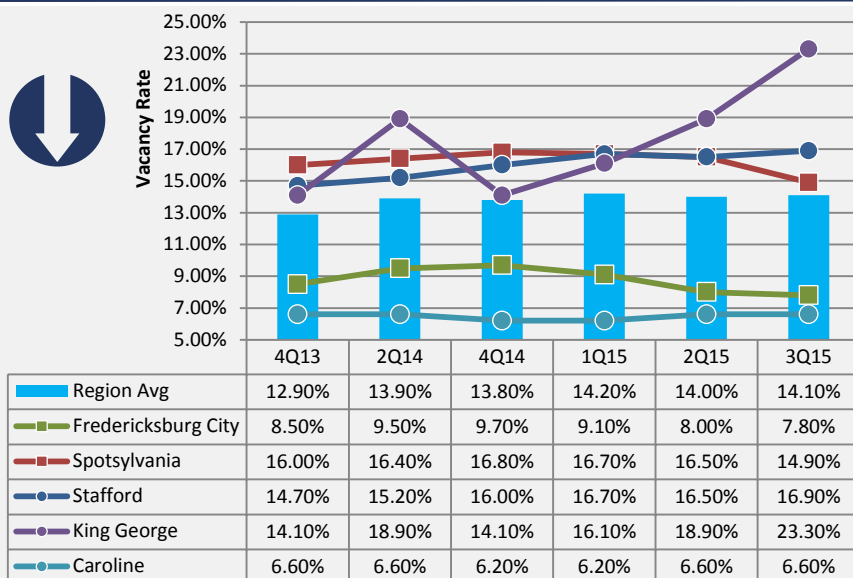
# OFFICE

## MARKET VANTAGEPOINT

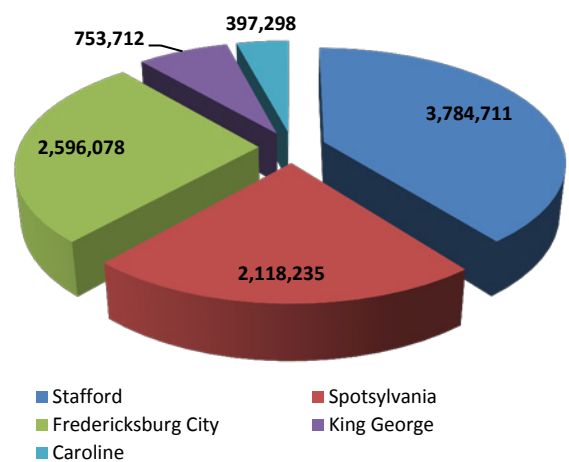
Gross Office Rental Rates, By Year and Sub Market 2014- Q3 2015



Vacancy Rates By Sub Market Q4 2013- Q3 2015



Office Inventory By County/City (Q3 2015)



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**ELITE**  
Reports

2015  
Q3



**COLDWELL  
BANKER  
COMMERCIAL**

**ELITE**

### LEASING ACTIVITY Q3 2015 (3,000 SF +)

| Address or Office Park            | Tenant                               | City/County    | Space Leased |
|-----------------------------------|--------------------------------------|----------------|--------------|
| Bowman Center-3302 Bourbon Street | RACSB                                | Spotsylvania   | 4,115 SF     |
| 4540 Lafayette Blvd.              | Auto's Direct                        | Spotsylvania   | 4,448 SF     |
| 303-305 Caroline St               | Livesay & Meyers                     | Fredericksburg | 5,200 SF     |
| 150 Riverside Drive               | Professional Solutions Delivered LLC | Stafford       | 12,000 SF +  |
| 1529 Old William St               | ARH Electric                         | Fredericksburg | 3,200 SF     |

### LEASING ACTIVITY Q3 2015 (Less Than 3,000 SF)

|  |   |                |          |
|--|---|----------------|----------|
| 11812 Main St- Bowman Center                           | NEI Noble Exteriors                       | Spotsylvania   | 2,400 SF |
| 11907 Main St.- Bowman Center                          | Unclaimed Recoveries                      | Spotsylvania   | 1,595 SF |
| 510 Princess Anne St                                   | Accounting Solutions                      | Fredericksburg | 1,200 SF |
| Block 600-Spotsylvania Courthouse Village              | Edward Jones Investments                  | Spotsylvania   | 1,300 SF |
| 725 Jackson Street-Suite 209                           | Carrell Blanton Ferris & Associates       | Fredericksburg | 1,400 SF |
| 373 Garrisonville Road-Newbury Plaza                   | Allen Bristow Insurance Agency-State Farm | Stafford       | 1,000 SF |
| 912 Princess Anne Street                               | Pillar Global Solutions                   | Fredericksburg | 1,800 SF |
| 306 Garrisonville Road-Brafferton Square Business Park | Heatherman Homes                          | Stafford       | 1,372 SF |
| 4485 Danube Dr.- Bayberry Office Park                  | AB Consultants                            | King George    | 1,100 SF |
| 3920 Plank Road- Wendhurst Commons                     | Shaheen Law Firm, PC                      | Spotsylvania   | 1,018 SF |
| 10709 Spotsylvania Ave                                 | Jennifer Simmons, PLC                     | Spotsylvania   | 1,700 SF |

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