

INDUSTRIAL MARKET VANTAGEPOINT

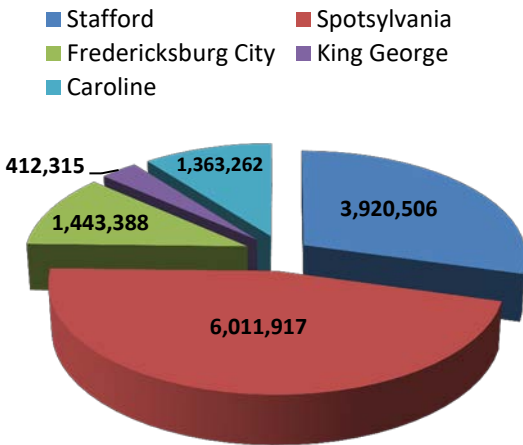
Rise in Industrial Demand Continues to Drive Vacancy Down

Demand for industrial space remained strong in the third quarter, driving vacancy rates down nearly 1%. Through the first three quarters (9 months) of 2016, total net absorption has already surpassed the normal 12 month average and we are beginning to experience some sustained rent growth.

Vacancy

In the third quarter of 2016, industrial vacancy rates declined of 90 basis points to 8.2%. Vacancy rates are down nearly 3% year-over-year from 11.10% in Q3-2015. Vacancy rates declined in almost every locality during the third quarter with Spotsylvania County recording the only increase at +20bps. The City of Fredericksburg (-3.5%) recorded another massive drop in vacancy in Q3-2016. Industrial Vacancy rates in The City of Fredericksburg have now dropped a total of 7% of the last 2 quarters and are down 3.9% in comparison to Q3-2015.

Industrial Inventory (SF) By Locality (Q3 2016)



Fredericksburg also holds the lowest vacancy rates at 3.8%. With only 1.44M sq. ft. of total inventory, the city has a mere 65,000 sq. ft. of vacant industrial space available on the market.

Caroline County (-6.8%) recorded the largest decrease in vacancy, with 94,400 sq. ft. of vacant space absorbed in the third quarter. With demand on the rise, Stafford's industrial market continued to improve in Q3-2016, recording a -1.4% drop in vacancy. Year-over-year vacancy in Stafford is down -2.90% in comparison to Q3-2015 (11.80%). The increase in demand for industrial space is evident as absorption continues to outpace the average seen in previous years.

Demand – Absorption & Leasing

In the third quarter the Region's industrial market recorded over 184,000 sq. ft. of net absorption, bringing the Year-to-date total over 294,000 sq. ft. for 2016. In the third quarter 77,902 sq. ft. was leased in comparison to the 300,000+ sq. ft. leased in Q2, meaning much of the absorption was accumulated from leasing activity in previous quarters. Each locality experienced strong demand in the third quarter with Caroline County recording the largest share of net absorption at 94,400 sq. ft., raising it's YTD total to 103,600 sq. ft. Stafford County recorded the second most absorption in Q3 at 52,000 SF and leads the way in 2016-YTD total at 122,000 sq. ft. Through the first three quarters of 2016, Stafford's net absorption is up over 22% in comparison to the total for all 4-quarters of 2015. *(cont. on next page)*

ELITE Reports

2016 Q3



ELITE

Regional Industrial Current Stats

	Region	High	Low
Rental Rates	\$5.76	Stafford \$6.76	Caroline \$3.61
Vacancy	8.2%	King George 17.4%	City of Fred 3.8%
Inventory (SF)	13.13M	SPOTSY 6.01M	King George 0.39M

VACANCY RATES ARE DOWN



2.2% YTD

Overall industrial vacancy for the region dropped by 80 bps (0.8%) in Q3 2016.

184,400 square feet POSITIVE NET ABSORPTION

184,600 sq. ft. net absorption & 77,900 sq. ft. of was leased in Q3-2016

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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With 49,800 sq. ft. absorbed in Q3, The City of Fredericksburg has now recorded 100,400 sq. ft. of positive net absorption over the past 2 consecutive quarters.

No new construction starts nor deliveries for the industrial market have been recorded in 2016. Lidl's distribution facility, which broke ground in Q4-2015, is under construction in Spotsylvania County and at 1 Million sq. ft. it equates to 16.6% of the County's current industrial inventory. The facility is scheduled for completion in early 2017.

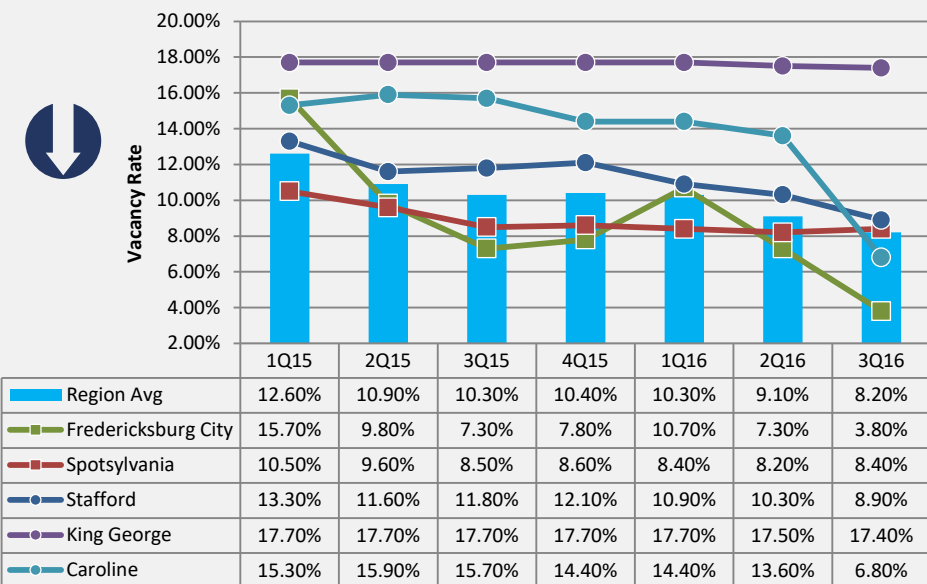
Rents

Regional industrial rents grew by 3.0% to \$5.76 psf in the third quarter. This marks the fifth consecutive quarter with positive rent growth and a year-over-year change of +5.90% from Q3-2015. Stafford (+1.65%) and Spotsylvania County (+1.96%) recorded the most substantial rent growth in the third quarter. Fredericksburg (+0.7%) recorded minor rent growth in the third quarter but rents remain over 10% lower in comparison to the year previous. Spotsylvania & Stafford are also the only localities that have seen positive rent growth year-over-year. Rent growth should remain slow and steady as vacancy continues to decline and the region pushes for more business investment.

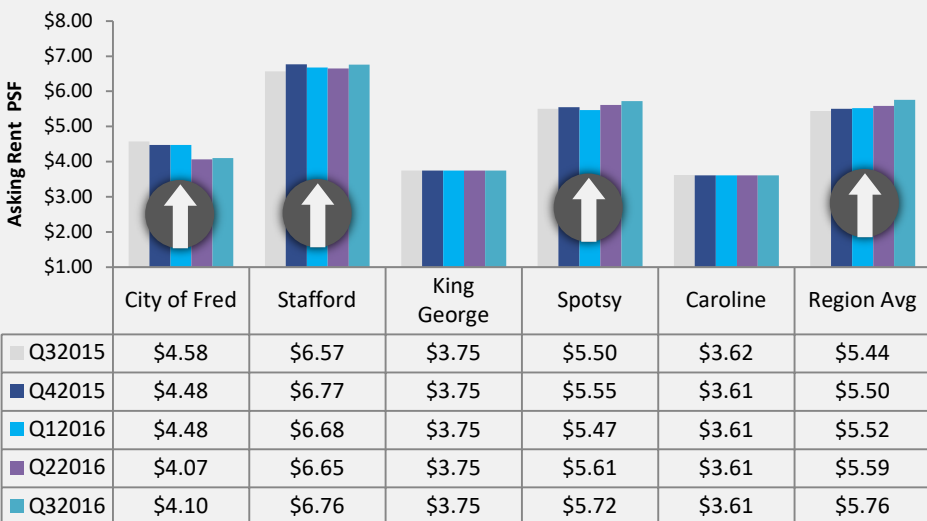
RENTAL RATES  **INCREASED 3.0%**

The Average Effective NNN industrial rents increased by 3.0% to \$5.76 in Q3 2016.

Industrial Vacancy Rates By Sub Market Q1 2015- Q3 2016



NNN Industrial Rental Rates, By Sub Market Q3 2015 - Q3 2016



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Q3 INDUSTRIAL NEWS

A Look Into the Region's Two Industrial Mega Projects

Two Mega Projects were announced in 2015 that will have substantial effects on the Fredericksburg Region. One of these projects, the 1 million SF Lidl Distribution Facility in Spotsylvania County, is near completion. The second, which has yet to be started, is the 1.5 million SF Harris Teeter distribution facility planned for Caroline County.

These projects will not only be two of the largest industrial facilities to be built in the Region, but would represent two of the largest industrial investments in Virginia. For this reason, both projects received tremendous support from both County and State officials to include a total of roughly \$16 million in county incentives and state grants combined.

Lidl's facility, which broke ground in Oct-2015 in Spotsylvania County, is situated on 82 acres, which the company purchased in 2015 for \$2.1 million. The distribution center is expected to be completed mid 2017, but could be delivered even sooner. The facility will cost roughly \$125 million and supply over 200 jobs. Spotsylvania County approved \$9.7 million incentive package for the Lidl's project that includes property tax rebates, sales tax rebates, and funding for infrastructure improvements.

Caroline County approved the rezoning of 190 acres for a 1.5 million SF Harris Teeter distribution center. Construction on the first phase of the project is not expected to begin until 2017 and will be at least 650,000 SF.

The value of the project will likely exceed \$200 million by completion and will employ over 400 people. This will surpass Caroline County's largest economic investment of \$50 million spent by McKesson Corp to open a nearby distribution center nearby.

Caroline County has committed about \$3.4 million for the project for infrastructure, land acquisition, and construction costs while also receiving a \$650,000 grant from the Commonwealth's Opportunity Fund to assist with the project.

ABC Dieselz Leases 22,000 sq. ft. in Spotsylvania



ABC Dieselz has leased 22,000 sq. ft. of industrial warehouse space at 8505 Jamison Ln. in Spotsylvania County. The space, previously leased by Mosaic Tile Company, features 2,000 sq. ft. of office and 20,000 sq. ft. of conditioned warehouse space with 28 ft. ceilings, 3 dock high doors, and 1 roll up door. ABC Dieselz (previously Autos by Choice) will use the space as a service shop specifically catered towards diesel trucks. They will also use the warehouse for storage and shipping of a variety of basic & custom truck parts.



ELITE
Reports

2016
Q3



ELITE

2.5 Million SF

OF INDUSTRIAL SPACE CURRENTLY UNDER CONSTRUCTION, APPROVED, OR IN THE PIPELINE FOR THE GREATER FREDERICKSBURG REGION. THIS INCLUDES LIDL'S 1MM SF DISTRIBUTION FACILITY AND THE APPROVED 1.5MM SF HARRIS TEETER FACILITY PLANNED/ APPROVED IN CAROLINE COUNTY.



Lidl Distribution Facility, Spotsylvania County

3711 Lafayette Blvd, Fredericksburg, VA 22408



This 18,526 Flex Warehouse Building was previously occupied by RC Lee Carpet. The property was purchased and renovated to offer multiple flex suites for smaller individual users. The building renovation was completed in July 2016 and is already 82% occupied by 6 new tenants.

INDUSTRIAL

MARKET VANTAGEPOINT



MAJOR LEASING ACTIVITY Q3 2016 (4,000 SF +)

Address or Industrial Park	Tenant	City/County	Space Leased
3705 Lafayette Blvd	Fredericksburg Judo Club	Spotsylvania	4,591 SF
8505 Jamison Ln	ABC Diesalz	Spotsylvania	22,000 SF

LEASING ACTIVITY Q3 2016 (Less Than 4,000 SF)

11001 Houser Dr.	Tiny House of Virginia	Spotsylvania	3,300 SF
3713 Lafayette Blvd.	Illusion Wraps	Spotsylvania	2,000 SF
4900 Trade Center Dr. Fred II Warehouses	Judo Gear USA, LLC	Spotsylvania	1,500 SF
101 Juliad Ct.	Gaspar Custom Cabinets	Stafford	2,000 SF
1009 Tyler St.	Lookout Safety Company	Fredericksburg	1,000 SF
4937 Commerce Dr.	Guardian Pest Services	Fredericksburg	1,200 SF
21 Commerce Pkwy.	S. Tawafsha	Stafford	1,500 SF