

RETAIL

MARKET VANTAGEPOINT

FREDERICKSBURG REGION, VIRGINIA

ELITE
Reports

2017
Q1



ELITE

Major Store Closings Mask Retail Market Strength

The Fredericksburg Region's retail market remains stable, despite the rash of recent closings. Retail net absorption took a dip in Q1-2017, pushing vacancy rates to their highest mark since Q2-2014 where rates hit 6.0%. These changes can be directly attributed to the closing of a few more Big Box retailers. Despite negative indicators, the retail market is experiencing continued rent growth, and an impressive increase in new construction.

As of Q1-2017 there is over 200,000 sq. ft. of new retail construction underway in the Fredericksburg Region. The largest new retail shopping center that is currently under construction is the redevelopment of Aquia Towne Center in Stafford County, which broke ground in October 2016.

New Retail Construction Booming Despite Increase in Vacancy

The retail vacancy rates in the Region increased by 40 basis points to 5.4% in Q1-2017. The City of Fredericksburg was the only locality to record a decline in retail vacancy during the first quarter, with a decrease of 10 basis points to 5.0%.

At the other end of the spectrum, King George County experienced the steepest increase in retail vacancy rates during the first quarter, jumping up 1.6% from 3.9% in Q4-2016 to 5.5%. This increase can be partly attributed to the closing of Rue 21 at King George Gateway, who vacated their space during the first quarter.

Spotsylvania County also recorded a fairly large increase in vacancy of 40 bps, from 5.5% in Q4-2016 to 5.9% in Q1-2017. Spotsylvania experienced the closing of two (2) big box retail stores, Kmart and Dick's Sporting Goods, contributing to the County's rise in vacancy. Despite these closures the market is still showing signs of strength with new construction and expansion. One major opening/expansion of note

was the opening of a new 20,000+ sq. ft. Planet Fitness gym in a vacant, former Staples building.

New construction can be a great indicator of market strength and investor sentiment. This is evident with over 60,000 sq. ft. of new retail space under construction in Spotsylvania. New retail construction includes a 35,000 +/- sq. ft. retail building at Harrison Crossing, and a new 85,000 sq. ft. mixed-use building at Spotsylvania Courthouse Village that will contain 35,000 sq. ft. of retail space.



Stafford County is experiencing similar trends in vacancy and new construction. Vacancy rates in Stafford rose by 30bps from 4.9% in Q4-2016 to 5.2% in Q1-2017. Regardless of the rise in vacancy there is over 130,000 sq. ft. of new retail under construction in Stafford. This includes the construction of development anchors at Aquia Towne Center, Harris Teeter and Petco that will total 91,100 sq. ft. in size. At completion, Aquia Towne Center will contain over 166,000 sq. ft. of retail space and will feature the first Harris Teeter store location in the Region. Also, construction of the Region's first Walmart Neighborhood Grocery store is well underway at a new development at Garrisonville Rd. & Furnace Rd in northern Stafford County.

In addition to new retail construction that is currently underway, there are a few major projects planned in the Region. These include a major mixed-use development in Stafford and two redevelopment projects in downtown Fredericksburg.

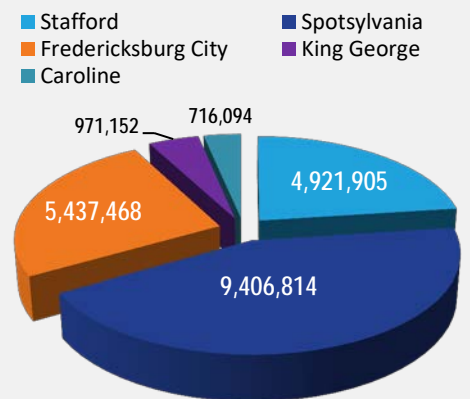
Regional Retail Stats (Q1-2017)

| | Region | High | Low |
|----------------|---------|---------------------|-----------------|
| Rental Rates | \$16.57 | King George \$18.37 | Caroline \$8.73 |
| Vacancy | 5.4% | Spotsylvania 5.9% | Caroline 2.7% |
| Inventory (SF) | 21.50M | Spotsylvania 9.43M | Caroline 0.71M |

RENTAL RATES INCREASED 7.6%

The Average NNN Retail Rents increased by 7.6% (+ \$1.17) from \$15.40 in Q1-2016 to \$16.57 in Q1-2017

Existing Retail Inventory (SF) By Locality (Q1 2017)



RETAIL

MARKET VANTAGEPOINT

FREDERICKSBURG REGION, VIRGINIA

ELITE
Reports

2017
Q1

cont.

The Garrison at Stafford is the proposed mixed-use project, slated for up-to 500,000 sq. ft. off Garrisonville Road. They have secured one major tenant to date, Regal Cinemas, who is relocating from Aquia Towne Center and plans to build a 57,000 sq. ft. state of the art theater

Liberty Place, one of the two new redevelopment projects in the City of Fredericksburg, is planned to break ground sometime this year and is slated to contain over 70,000 sq. ft. of retail and office space.

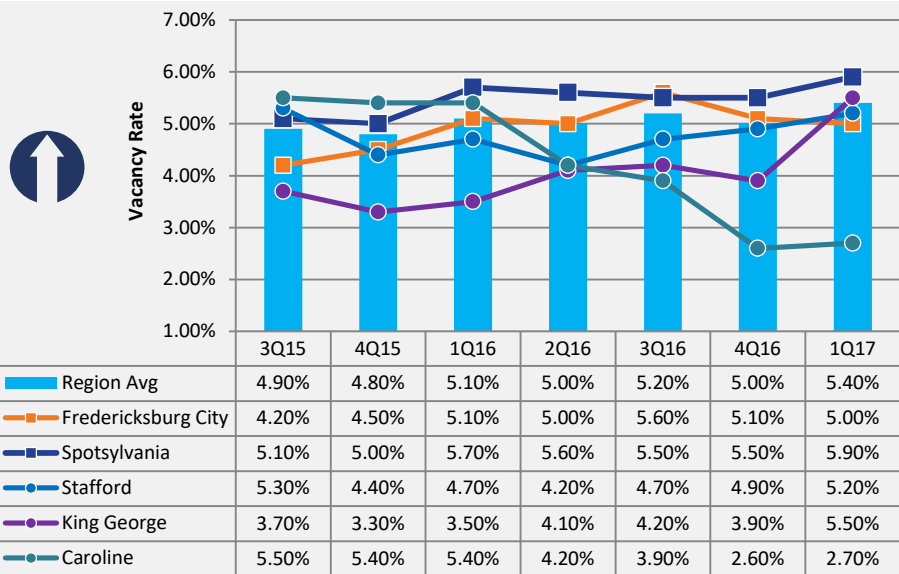
As a whole, the Region's retail market is performing fairly well with over 90,000 sq. ft. in leasing activity and 30,000 sq. ft. delivered during the first quarter. Also, as mentioned earlier, there is over 200,000 sq. ft. of new retail construction underway as of Q1-2017, as well as 500,000+ sq. ft. planned for the region.

Rents

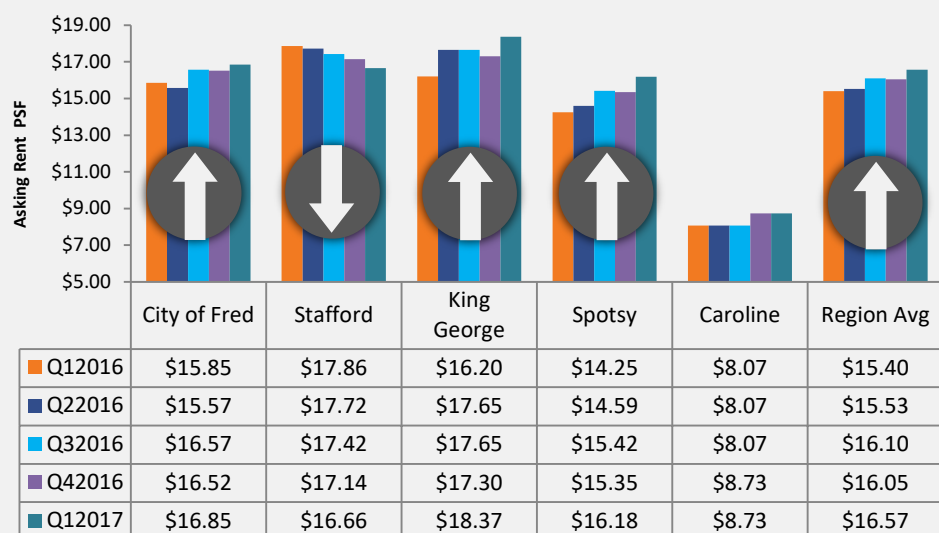
Overall NNN effective retail rents for the Region increased by 3.2% from \$16.05 in Q4-2016 to \$16.57 in Q1-2017. Year-over-year rents are up 7.6%, in comparison to Q1-2016 (\$15.40). Every locality experienced rent growth except Stafford County, where rents dropped for the 4th consecutive quarter. Stafford's retail rents dropped by \$0.48 (-2.8%) in Q1-2017, and year-over-year rents have now dropped by \$1.20 (-6.7%). Spotsylvania (+5.4%) and King George (+6.2%) experienced the largest rent growth, and Fredericksburg (+2%) recorded decent growth in Q1-2017. The Region has experienced strong rent growth year-over-year, with Spotsylvania leading the way, recording over 13.5% growth from \$14.25 in Q1-2016 to \$16.18 in Q1-2017. King George (+13.4%) followed closely in year-over-year rent growth along with the City of Fredericksburg (+12%).

Effective rent growth is the strongest it has been since 2007. The region should continue to see relatively solid rent growth through 2017 with the influx of new retail space hitting the market.

Vacancy Rates By Sub Market Q3 2015- Q1 2017



NNN Retail Rents PSF, By Quarter and Sub Market Q1 2016 – Q1 2017



RETAIL

MARKET VANTAGEPOINT

FREDERICKSBURG REGION, VIRGINIA

ELITE
Reports

2017
Q1



ELITE

Q1 RETAIL NEWS RE-CAP

Planet Fitness Opens 2nd Regional Location in former Staples Building



Planet Fitness recently opened their second regional location in the former Staples space at 9723 Jefferson Davis Hwy in Spotsylvania County. The 20,388 sq. ft. space, located in the Cosner's Corner shopping center, was vacated by Staples in Feb-2016 during a company-wide restructuring.

Bill Asbell, who owns the local franchise of Planet Fitness opened their first regional location at the Eagle Village shopping center, in the City of Fredericksburg, in September of 2013.

Virginia Credit Union to open new branch location in Cosner's Corner



Virginia Credit Union purchased a 1.88 Acre retail pad site for \$1.424 million during the first quarter of 2017. The parcel is located within the Cosner's Corner Power Center at the entrance to the new Silver Collection apartments, directly across from Spotsylvania Regional Medical Center.

Virginia Credit Union, Inc. plans to build a free standing, full service bank with a drive thru. Virginia Credit Union will relocate from their current location in a multi-tenant building at 9951 Jefferson Davis Hwy in the Cosner's Corner shopping center.

Restaurant Round-Up | New Openings, Under construction, or planned around the Region

There are a few new restaurants that recently opened, are under construction or planned in the Fredericksburg Region. BJ's Restaurant and Brewhouse broke ground late last year at the former Bailey's restaurant location in Central Park. The former Bailey's building was demolished and BJ's restaurant is well underway with their new building. Also, in Central Park, Great American Buffet has leased the former Ryan's Buffett building and have started renovations. In Stafford, IHOP is moving forward at the former Perkin's restaurant building off Route 17. IHOP plans to complete renovations of the building and open the location in May 2017.

Tim's Mart Redevelopment moving forward in Downtown Fredericksburg



The redevelopment of the former Tim's Mart building in downtown Fredericksburg is moving forward. In March, The Architectural Review Board (ARB) unanimously approved the exterior design plans for redevelopment of 1010 Caroline Street in downtown Fredericksburg.

The buildings were combined and renovated in 1955 for a Leggett department store, and most recently occupied by Tim's Mart since 1985. The mixed-use redevelopment project will feature 26,000 square-feet of Class A office, restaurant, and retail space. Sean Haynes, president and owner of Rappahannock Development Group (RDG), hopes to have the project completed in November 2017.

BJ's Restaurant & Brewhouse (formerly Bailey's) Central Park, Fredericksburg, VA



IHOP (formerly Perkins) Route 17 - Simpson Ln | Stafford County, VA



O'Reilly Auto Parts at Harrison Crossing Spotsylvania County, VA (Delivered Q1-2017)



O'Reilly Auto Parts opened their 2nd store Regional store at Harrison Crossing

RETAIL

MARKET VANTAGEPOINT

FREDERICKSBURG REGION, VIRGINIA

ELITE
Reports

2017
Q1



COLDWELL
BANKER
COMMERCIAL

ELITE

CONSTRUCTION COMPLETIONS/DELIVERIES Q1-2017

| Address or (shopping center) | Tenant(s) | City/County | Building Size |
|--|-----------------------|--------------|---------------|
| Harrison Crossing- Plank Road | O'Reilly's Auto Parts | Spotsylvania | 6,300 SF |
| Southpoint II 10002 Southpoint Pkwy | BetterMed Urgent Care | Spotsylvania | N/A |
| Cosner's Corner 10010 Jefferson Davis Hwy | Autozone | Spotsylvania | 8,000 SF +/- |

CONSTRUCTION UNDERWAY/ STARTS Q1-2017

| | | | |
|---|-----------------------------|----------------|---------------|
| Spotsylvania Courthouse Village Hanover House | N/A | Spotsylvania | 35,000 SF |
| Aquia Towne Center | Harris Teeter & Petco | Stafford | 91,105 SF |
| Central Park | BJ's Restaurant | Fredericksburg | 7,500 SF |
| Furnace Road & Garrisonville Road (Rt.610) | Walmart Neighborhood Market | Stafford | 42,000 SF +/- |
| 1221 Warrenton Road | Royal Farms | Stafford | 5,500 SF |
| Harrison Crossing | Multi-Tenant Building | Spotsylvania | 35,000 SF +/- |

CONSTRUCTION PLANNED

| | | | |
|----------------------|-----------------------|----------------|------------|
| Garrison at Stafford | Regal Cinemas | Stafford | 57,000 SF |
| Ladysmith Road | Walmart Supercenter | Caroline | 160,000 SF |
| Harrison Crossing | New Multi-Tenant | Spotsylvania | 8,250 SF |
| Cosner's Corner | Bojangles | Spotsylvania | N/A |
| Cosner's Corner | Virginia Credit Union | Spotsylvania | N/A |
| Liberty Place | Multi-Tenant | Fredericksburg | 25,000+ SF |

*New 35,000 SF Multi-Tenant Retail
Harrison Crossing | Spotsylvania County*



**216,000
SQURE FEET
NEW RETAIL
CONSTRUCTION
UNDERWAY**

*AutoZone @ Cosner's Corner
Spotsylvania County, VA (Delivered Q1-2017)*

