

MARKETBEAT

Fredericksburg, VA

Retail Q2 2019



ECONOMIC INDICATORS

National	Q2 18	Q2 19*	12-Month Forecast
GDP Growth	2.9%	2.6%	▼
CPI Growth	2.7%	1.8%	▲
Consumer Spending Growth	4.7%	4.75%	▼
Retail Sales Growth	5.6%	3.3%	▲

Regional	Q2 18	Q2 19*	12-Month Forecast
Median Household Income	\$80,300	\$82,700	▲
Population Growth	1.3%	0.9%	■
Unemployment	3.4%	3.1%	▲

* 2019 Q2 data are based on latest available data. Growth rates are year-over-year. Source: BLS, BOC, Moody's Analytics

Rental Rate vs. Overall Vacancy



Economy

Unemployment for the Fredericksburg region remains below the national average of 3.3%, dipping down to 2.9% this quarter. Fredericksburg also saw larger gains in jobs added during the last four quarters, compared to the Washington DC market. Local job growth averaged 2.0%, double the growth in the overall DC market. Fredericksburg saw a 3.0% increase in household income over the last year and local population growth remained flat.

Market Overview

Although brick and mortar retail store closings have almost become old news, it does not seem to be ending. Fred's, Charlotte Russe and Chico's have joined the list of retailers that intend to shutter at least some of their locations. Retailers closed 155 million square feet, nationally, in 2018, and analysts are expecting to see roughly the same volume of closings this year.

The good news locally is that the Fredericksburg region does not seem to be feeling the impact. Vacancy rates dropped slightly to 4.6% in the second quarter of 2019, with Stafford County being the only area over 5% vacancy. Absorption has been modestly positive at a net 8,592 square feet (sf), with only Fredericksburg City and Stafford County seeing negative absorption. Rental rates continue to climb, ending the second quarter at an average of \$17.35 per square foot (psf) for the region. The highest rental rates are found in Fredericksburg City, where average asking rents are \$20.30 psf.

Retail sales topped \$25 million in the second quarter of 2019, with the average sale price at \$1.7 million and cap rates averaging 7.2%. The most notable sale was at 50 N Stafford Complex Center, a 14,000-sf property completed in third quarter 2018. In leasing, Dollar General moved into the 10,937-sf space at 5215 Plank Road vacated by Rite Aid. Amerigas signed a 7,500-sf lease at Plank Road Plaza.

Outlook

It appears that the local retail market should remain solid for 2019. New construction is limited, although several proposed properties along the 610 corridor have recently been listed. Once these properties break ground, local vacancy rates could see a small spike but overall, the market is expected to remain stable.

About Cushman & Wakefield