MARKETBEAT

Fredericksburg, VA

Industrial Q1 2021

CUSHMAN & WAKEFIELD THALHIMER

	YoY Chg	12-Mo. Forecast
4.2% Vacancy Rate	▲	▼
-69k Net Absorption, SF	▼	▲
$6.19 Asking Rent, PSF	▲	—

Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2021

	YoY Chg	12-Mo. Forecast
66.2k Fredericksburg Employment	▼	▲
5.7% Fredericksburg Unemployment Rate	▲	▼
6.0% U.S. Unemployment Rate	▲	▼

Source: BLS, Moody's Analytics

ECONOMY: Unemployment Lowers

The Fredericksburg region, particularly Stafford County, benefits from continued demand for Defense Department contractors near Quantico Marine Corps Base. Regional unemployment lowered to 5.7% from 7.3% in the fourth quarter and remains below the national rate of 6.0%. Following the governor's announcement that all Virginians will be eligible for the COVID-19 vaccine in April, optimism remains for a strong economic rebound for the remainder of the year. The long term effects will continue to unfold, but overall, the Fredericksburg region has been able to recover most of the job losses caused by the pandemic. First quarter employment is down approximately 1.0% from the same period last year, compared to a 5.9% decline nationwide.

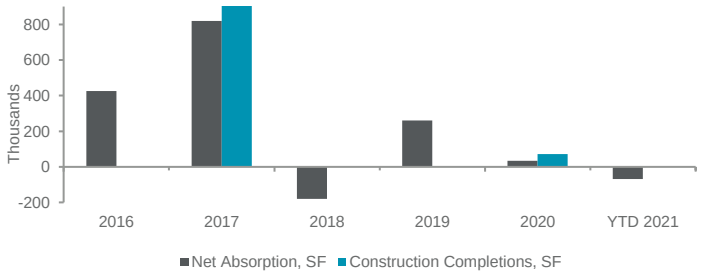
SUPPLY and DEMAND: Supply Remains Tight

Demand for warehouse space continues to drive the industrial market and availability remains tight, the vacancy rate in Q1 decreased 60 basis points (bps) from Q4 2020 to 4.2%. Construction activity continues in Stafford County on two properties: CSG Partners' 486,720 square foot (sf) speculative warehouse space at the 95 Distribution Center and the 90,000-sf of flex space in Merritt Business Park at Quantico B. Amazon has expanded its footprint in Virginia by beginning work on their new facility located in Fredericksburg. The new facility will be located on a 61-acre lot adjacent to Stafford Regional Airport. This project will create several new jobs in the Stafford County and Fredericksburg Regions and is set to deliver in Q3 of 2021.

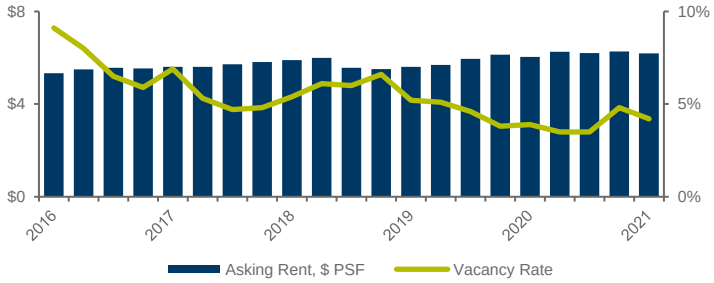
PRICING: Asking Rents Hold Steady

Overall industrial asking rents remain above $6.00 per square foot (psf) with limited availabilities in the current supply. The market experienced a 1.5% increase in the overall average asking rent over the past year. Warehouse rental rates ended the quarter at an average of $6.10 psf, down from $6.18 in Q4 of 2020. Office Service/Flex still commands the highest rate at an average of $12.49 psf. Sales activity improved during the quarter with seven sales totaling over $18.8 million. Most notably, The Fredericksburg Center Portfolio in Spotsylvania County, which was sold as an investment for $14 million.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY	YTD LEASING ACTIVITY	OVERALL AVAILABLE VACANT SPACE (SF)	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION	UNDER CNSTR	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Caroline County	17	1,500,841	0	43,000	0.0%	0	0	N/A	N/A	$4.04
Fredericksburg City	40	1,439,222	0	44,428	7.6%	-65,000	200,000	N/A	N/A	$5.50
King George County	13	530,409	0	0	0.0%	0	0	N/A	N/A	N/A
Spotsylvania County	133	7,048,641	63,800	421,455	5.1%	-26,221	0	N/A	$12.40	$6.39
Stafford County	114	3,782,246	78,700	170,152	3.5%	19,946	576,720	$6.60	$12.98	$7.16
FREDERICKSBURG TOTALS	317	14,301,359	142,500	598,674	4.2%	-69,026	776,720	$6.60	$12.49	$6.09

**Rental rates reflect weighted net asking $psf/year*

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

PROPERTY TYPE	TOTAL BLDGS	INVENTORY	YTD LEASING ACTIVITY	OVERALL AVAILABLE VACANT SPACE (SF)	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION	UNDER CNSTR	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Warehouse/Distribution	282	12,446,524	139,900	554,274	4.5%	-42,864	686,720	N/A	N/A	$6.10
Manufacturing	15	1,291,374	1,200	1,450	0.1%	-27,562	0	$4.70	N/A	N/A
Office Service/Flex	18	467,133	1,400	42,950	9.2%	1,400	90,000	N/A	$12.49	N/A

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1199 International Parkway	Spotsylvania County	Undisclosed	54,000	Direct
50 Joseph Mills Drive	Spotsylvania County	Velocity Ammunition	39,000	Direct
Centreport Parkway	Stafford County	Undisclosed	15,000	New
4991 Quality Drive	Spotsylvania County	Undisclosed	8,000	Direct

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / $ PSF
11812 Main Street; Fredericksburg Center C	Spotsylvania County	Acorn Capital Company / Monument Development Fifteen LLC	275,000	$7.5M / $27.43
11900 Main Street; Fredericksburg Center B	Spotsylvania County	Acorn Capital Company / Monument Development Fifteen LLC	202,830	$5.6M / $27.43
39 Sage Lane	Stafford County	Sisbro LLC / New Homes Media	23,027	$2M / $86.85

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