

YoY
Chg 12-Mo.
Forecast

1.8%

Vacancy Rate



-4.5K

Net Absorption, SF



\$7.78

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS
Q1 2023YoY
Chg 12-Mo.
Forecast

67.2K

Fredericksburg
Employment

3.4%

Fredericksburg
Unemployment Rate

3.5%

U.S.
Unemployment Rate

Source: BLS, Moody's Analytics

ECONOMY: Population Growth Projected

The Fredericksburg region, particularly Stafford County, benefits from continued demand for Defense Department contractors near Quantico Marine Corps Base. Regional unemployment rose 40 basis points (bps) to 3.4% in the first quarter of 2023 but remains below the national rate of 3.5%. First-quarter employment in the Fredericksburg region is up 2.1% year-over-year (YOY) and is expected to continue to increase through the remainder of the year. Population is projected to grow 20% by 2030, and Fredericksburg has been the fastest growing region statewide for five consecutive years.

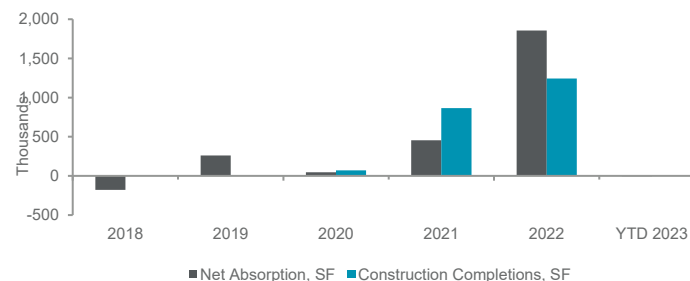
SUPPLY and DEMAND: Vacancies Lower

The industrial market remains strong. With warehouse demand high and vacancies limited, spaces have been removed just as fast as they have been added to the market. The overall vacancy rate in the first quarter decreased 20 basis points quarter-over-quarter (QOQ). Construction activity continued on two properties. The 559,480-square-foot (sf) Class-A distribution facility, known as Centreport Parkway Building 2, is located in Stafford County's Northern Virginia Gateway and is set to deliver in November 2023. The 1.2-msf 4-star industrial complex at 24098 Ruther Glen Road (formerly listed as 0 Carmel Church Loop) in Caroline County is set to deliver in June 2023. One new property began construction this quarter: a 168,000-sf Class-A manufacturing building located at 12500 Innovation Drive in Caroline County and known as Modular Mission Critical, with delivery scheduled for June 2023. Construction has ceased on the Crossroads Industrial building at 985-1007 Jefferson Davis Highway in Stafford County, and the project has been put on hold. There were no deliveries this quarter.

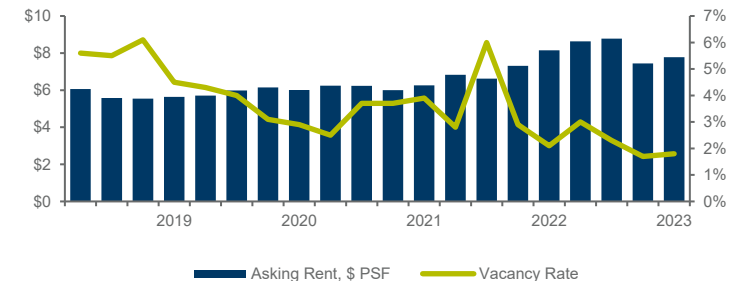
PRICING: Rents Stable

Overall industrial asking rents ended 2022 well above \$7.00 per square foot (psf) with limited availabilities within the current supply, and rates have increased 4.6% in the first quarter of 2023. Warehouse rental rates ended the quarter at an average of \$7.76 psf, up from \$7.39 psf QOQ, an increase of 5%. Manufacturing facilities commanded the highest rates this quarter at \$8.50 psf, but office service rates were unavailable at the time of this report. Sales activity decreased in the first quarter with only two sales totaling \$1.2 million. Most notably, 416 TV Drive, a 5,000-sf warehouse facility, was sold as an investment for \$840,000 at \$168.00 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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 | 16 | 1,424,906 | 23,320 | 0 | 0.0% | - | 1,327,235 | \$8.50 | N/A | N/A |
| Fredericksburg City | 37 | 1,345,508 | 79,382 | 1,712 | 0.1% | - | 0 | N/A | N/A | \$6.75 |
| King George County | 14 | 541,409 | 0 | 11,000 | 2.0% | - | 0 | N/A | N/A | N/A |
| Spotsylvania County | 136 | 6,644,468 | 3,260 | 128,500 | 1.9% | 42,008 | 0 | N/A | N/A | \$6.85 |
| Stafford County | 122 | 5,828,566 | 44,807 | 140,217 | 2.4% | -46,513 | 559,480 | N/A | N/A | \$9.45 |
| FREDERICKSBURG TOTALS | 325 | 15,784,857 | 48,067 | 281,429 | 1.8% | -4,505 | 1,886,715 | \$8.50 | N/A | \$7.76 |

*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 | 291 | 14,285,819 | 46,307 | 279,979 | 2.0% | -6,315 | 1,718,715 | N/A | N/A | \$7.76 |
| Manufacturing | 16 | 1,130,415 | - | 1,450 | 0.1% | 50 | 168,000 | \$8.50 | N/A | N/A |
| Office Service/Flex | 18 | 368,623 | 1,760 | - | - % | 1,760 | 0 | N/A | N/A | N/A |

KEY LEASE TRANSACTIONS Q1 2023

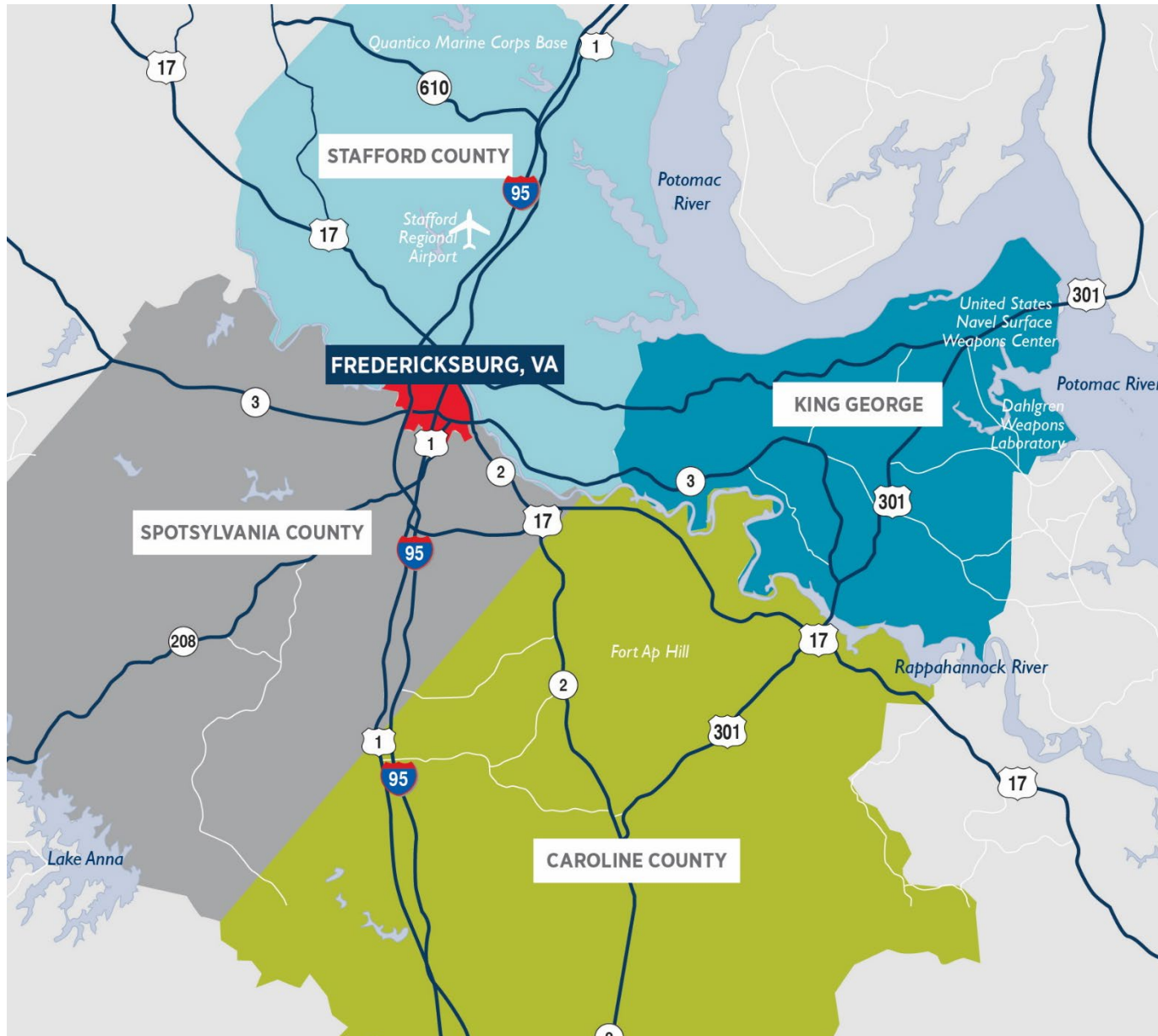
| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|----------------------|---------------------|-------------------------------------|--------|------|
| 650 Corporate Drive | Stafford County | Undisclosed | 39,427 | New |
| 101 Juliad Court | Stafford County | Undisclosed | 2,000 | New |
| 129 Industrial Drive | Spotsylvania County | Fundamental Firearm Management, Inc | 1,760 | New |
| 27 McWhirt Loop | Stafford County | Secured, Inc | 1,730 | New |

KEY SALE TRANSACTIONS Q1 2023

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE / \$PSF |
|---|---------------------|---------------------------------|-------|-------------------|
| 416 TV Drive | Spotsylvania County | Kevin Burress / Margaret Wright | 5,000 | \$840K / \$168.00 |
| 1120 International Parkway; 1 st Floor - 149 | Stafford | Undisclosed / Undisclosed | 1,861 | \$345K / \$141.16 |

Fredericksburg, VA

Industrial Q1 2023

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