

Office Q1 2023

YoY
Chg 12-Mo.
Forecast

7.0%

Vacancy Rate



80.9K

Net Absorption, SF



\$24.11

Asking Rent, PSF



(Overall, All Property Classes)

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

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.

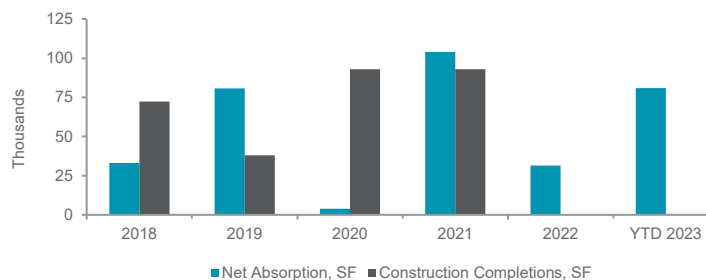
SUPPLY and DEMAND: Vacancies Lower

The overall vacancy rate decreased 90 bps YOY to 7.0%, the lowest level in more than a decade. Absorption was negative in most submarkets but still positive overall with a combined 80,923 square feet (sf) absorbed during the quarter. Stafford County showed the greatest amount with over 100,206 sf in net absorption. Most vacancies were concentrated in Caroline County, which ended the quarter with a 14.9% vacancy rate overall, compared to rates under 8.4% in all other submarkets. The construction pipeline remains limited with one new building set to deliver by the end of the first quarter: 20,000 sf at Central Station in Spotsylvania County. The office market was stable throughout Q1 and should continue to do so in the coming quarters.

PRICING: Rents Stable

Overall asking rates decreased from \$24.43 at the end of 2022 to \$24.11 per square foot (psf) in the first quarter. Overall rents in the market were steady throughout the year with effectively no change YOY. While most submarkets saw a slight increase in their rental rates, Stafford County and King George County were the only submarkets that saw a decrease this quarter. Despite the slight decrease, Stafford County continued to command the highest rates in the market, averaging more psf than any other submarket with a rate of \$25.22 psf. Both office leasing and sales activity was steady. Sales activity totaled over \$9.4 million, with the most notable transfer at 9530 Cosner Drive: a 3-star office condo in Spotsylvania, sold as an investment for \$4.5 million, over \$230 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Fredericksburg, VA

Office Q1 2023

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CONSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Caroline County	495,434	74,018	74,018	14.9%	-950	-950	-	0	\$19.62	N/A
City of Fredericksburg	2,878,582	106,373	96,905	3.7%	-4,828	-4,828	14,209	0	\$24.49	\$24.22
King George County	751,057	77,333	77,333	10.3%	-4,563	-4,563	2,400	0	\$18.34	N/A
Spotsylvania County	2,412,877	142,696	113,967	5.9%	-3,834	-3,834	14,880	0	\$23.47	\$28.48
Stafford County	4,237,968	353,913	353,913	8.4%	100,206	100,206	9,146	20,000	\$25.22	\$26.12
FREDERICKSBURG TOTALS	10,775,918	752,404	716,136	7.0%	80,923	80,923	40,635	20,000	\$24.11	\$26.04

*Rental rates reflect full service asking.

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
303-305 Charlotte Street	Fredericksburg	Undisclosed	5,277	New
1221-1239 Central Park Boulevard	Fredericksburg	Undisclosed	5,100	New
915 Maple Grove Drive	Spotsylvania	Undisclosed	4,936	New
2712 Richmond Highway	Stafford	Undisclosed	3,200	New

KEY SALES TRANSACTIONS Q1 2023

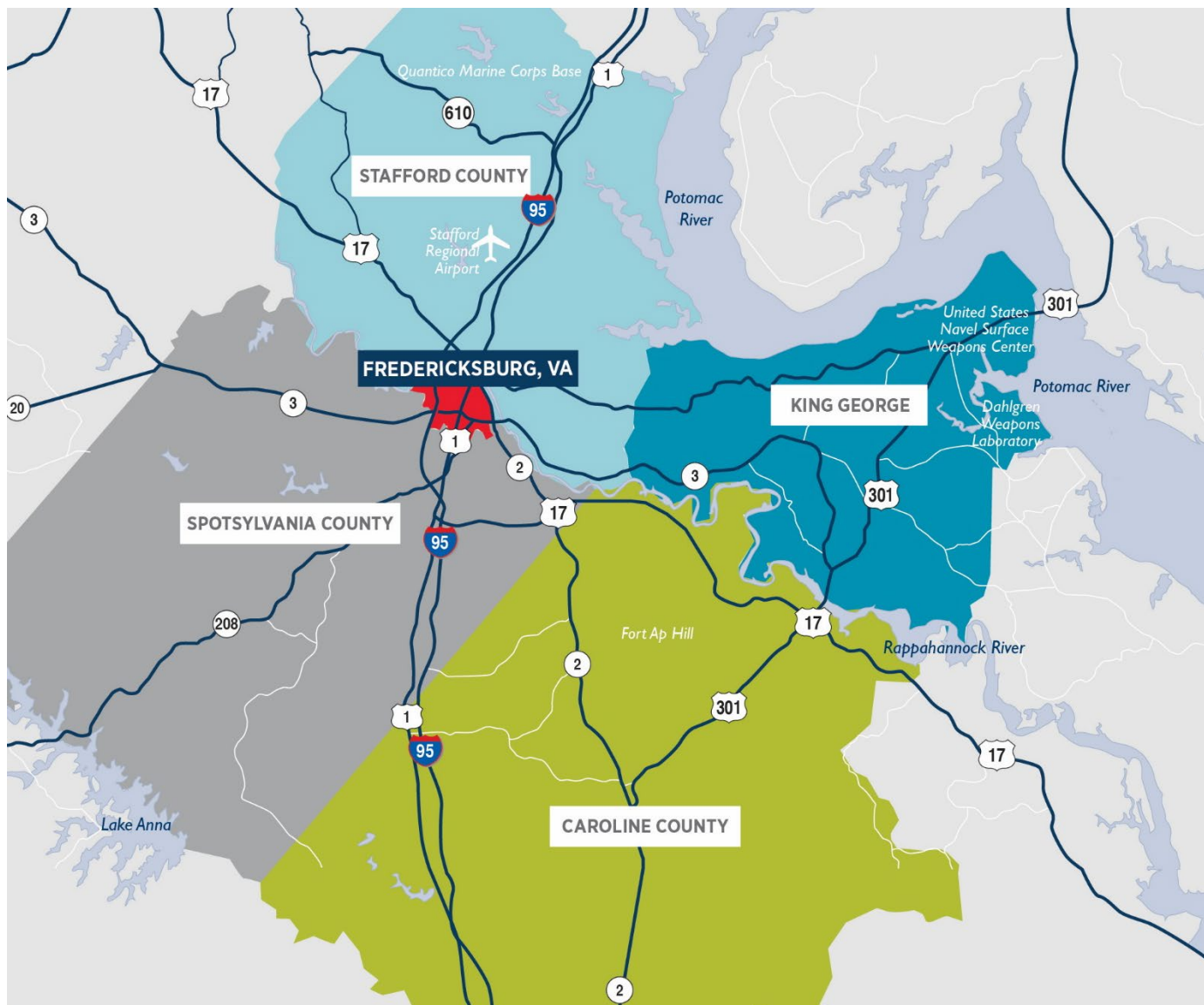
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
9530 Cosner Drive, 1 st Floor (Suite 102)	Spotsylvania	Undisclosed / Undisclosed	42,312	\$4.5M / \$233.51
601-623 Emancipation Highway 621-11B	Fredericksburg	623B Jefferson Davis, LLC / Snowden Investors, LLC	28,200	\$840K / \$169.80
10718 Ballantraye Road, 1 st Floor (Suite 402)	Spotsylvania	Undisclosed / Undisclosed	13,524	\$425K / \$215.19
2800 Wellford Street	Fredericksburg	Special Properties, LLC / Fredericksburg Med Dst	12,000	\$3.3M / \$277.42

KEY NEW CONSTRUCTION PROJECTS

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
Single Oak Road – Central Station	Spotsylvania	Undisclosed	20,000	KLMM, LLC

Fredericksburg, VA

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