

YoY
Chg 12-Mo.
Forecast**6.8%**

Vacancy Rate

**-1.2K**

Net Absorption, SF

**\$24.36**

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS
Q2 2023YoY
Chg 12-Mo.
Forecast**69.0K**Fredericksburg
Employment**3.2%**Fredericksburg
Unemployment Rate**3.6%**U.S.
Unemployment Rate

Source: BLS

ECONOMY: A Region in Growth Mode

The Fredericksburg region, particularly Stafford County, benefits from continued demand for Defense Department contractors near Quantico Marine Corps Base. Regional unemployment increased 10 basis points (bps) year-over-year (YOY) to 3.2% in the second quarter of 2023 but remains below the national rate of 3.6%. Regional employment numbers are up 3.8% YOY and are expected to increase through the coming quarters. Population is projected to grow 20% by 2030, and Fredericksburg has been the fastest growing region statewide for five consecutive years.

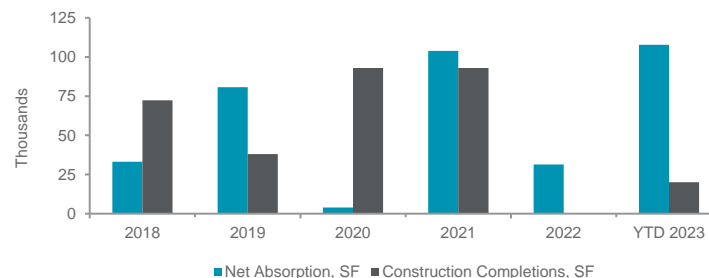
SUPPLY and DEMAND: Vacancy Compression Continues

The overall vacancy rate decreased 210 bps YOY to 6.8%, the lowest level in more than a decade. Absorption was negative in most submarkets this quarter with a combined -1,222 square feet (sf) absorbed. Stafford County led the charge in leasing with over 13,900 sf in net absorption. Year-to-date (YTD) absorption was positive, with 107,763 sf absorbed at the mid-year mark. Most vacancies were concentrated in Caroline County, which ended the quarter with a 14.8% vacancy rate overall, compared to rates under 10.3% in all other submarkets. There was no new construction activity this quarter. The office market remained stable in the second quarter and should continue to do so throughout the remainder of the year.

PRICING: Rent Growth Stabilized

Overall asking rates increased from \$24.11 in the first quarter to \$24.36 per square foot (psf) in the second quarter. While most submarkets saw a slight increase in their rental rates, King George County was the only submarket that saw a decrease this quarter. Stafford County continued to command the highest rates in the market, averaging more psf than any other submarket with a rate of \$25.48 psf. Office leasing activity continued to be strong while sales activity slowed. Leasing activity totaled 59,535 sf for the quarter and 124,392 sf YTD, with the most notable deal to Booz Allen Hamilton at 800 Corporate Drive, a 7,527-sf Class A office space. Sales activity totaled over \$1.8 million, with the most notable transfer at 211 Park Hill Drive, a 2-star office condo in Fredericksburg City, sold as an investment for \$1.1 million (\$273.63 psf).

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Fredericksburg, VA

Office Q2 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	493,723	73,312	73,312	14.8%	-	-894	8582	0	\$20.18	N/A
City of Fredericksburg	2,877,146	111,809	102,341	3.9%	-8,782	-11,174	35,589	0	\$24.73	\$24.37
King George County	751,639	77,363	77,373	10.3%	-2,300	-4,603	4,600	0	\$16.81	N/A
Spotsylvania County	2,431,671	154,069	127,315	6.3%	-4,793	8,869	27,257	0	\$23.67	\$28.48
Stafford County	4,239,267	319,345	319,345	7.5%	13,984	119,641	48,364	0	\$25.48	\$27.04
FREDERICKSBURG TOTALS	10,793,446	735,908	699,686	6.8%	-1,222	107,763	124,392	0	\$24.36	\$26.43

*Rental rates reflect full service asking.

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
800 Corporate Drive	Stafford	Booz Allen Hamilton	7,527	New
75 Barrett Heights Road	Stafford	Undisclosed	7,278	New
2052 Patriot Highway	Stafford	Undisclosed	6,000	New
525 Corporate Drive	Stafford	Undisclosed	4,731	New

KEY SALES TRANSACTIONS Q2 2023

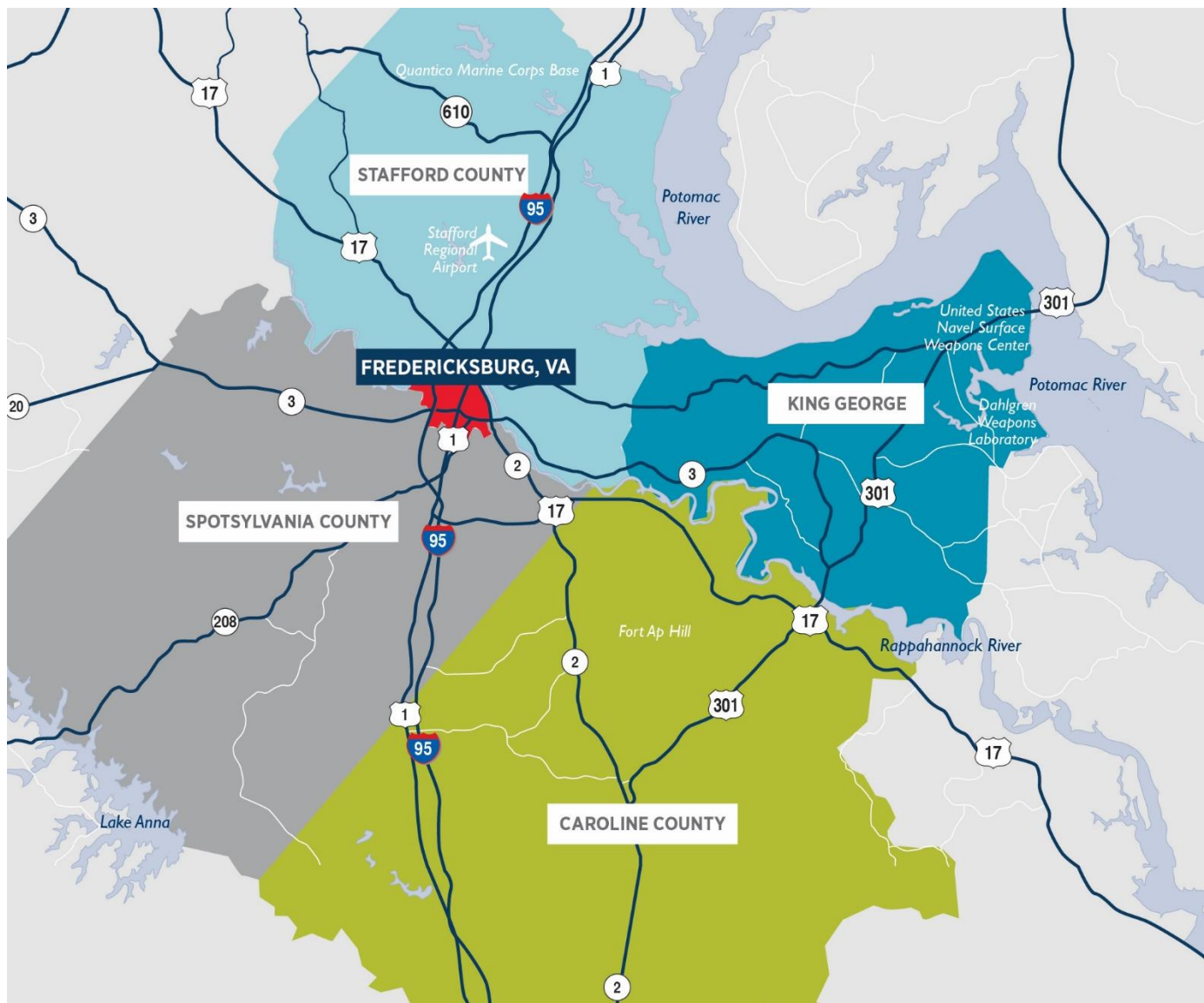
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
601-623 Emancipation Highway - 603	Fredericksburg	Undisclosed / Undisclosed	28,200	Undisclosed / Undisclosed
601-623 Emancipation Highway - 619A	Fredericksburg	Undisclosed / Undisclosed	28,200	Undisclosed / Undisclosed
6326 Five Mile Centre Parkway; 1 st Floor	Spotsylvania	The Cohen Trust / Undisclosed	6,062	\$665K / \$231.47
211 Park Hill Drive	Fredericksburg	Park Hill Group / Omsrisainath LLC	4,020	\$1.1M / \$273.63

KEY CONSTRUCTION DELIVERIES

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

Fredericksburg, VA

Office Q2 2023

OFFICE SUBMARKETS**JAMIE SCULLY, CCIM**

Senior Vice President

Tel: +1 540 322 4140

jamie.scully@thalhimer.com**WILSON GREENLAW, JR., CCIM, SIOR**

Vice President

Tel: +1 540 322 4156

wilson.greenlaw@thalhimer.com**A CUSHMAN & WAKEFIELD
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