

Office Q3 2023

6.6%

Vacancy Rate

YoY
Chg12-Mo.
Forecast

41.8K

Net Absorption, SF



\$24.64

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS
Q3 2023

69.7K

Fredericksburg
EmploymentYoY
Chg12-Mo.
Forecast

2.7%

Fredericksburg
Unemployment Rate

3.7%

U.S.
Unemployment Rate

Source: BLS

ECONOMY: Regional Employment Strong

The Fredericksburg region, particularly Stafford County, benefits from continued demand for Defense Department contractors near Quantico Marine Corps Base. Regional unemployment decreased 50 basis points (bps) quarter-over-quarter (QOQ) to 2.7% in the third quarter of 2023 and remains well below the national rate of 3.7%. Regional employment numbers are up 2.4% year-over-year (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.

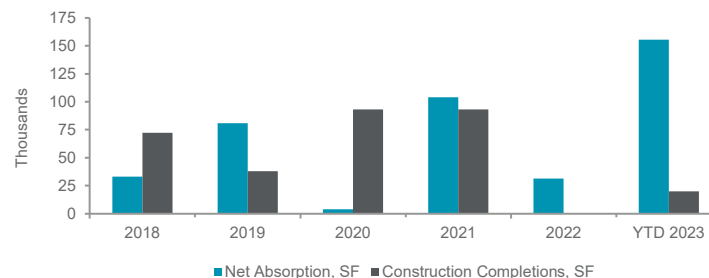
SUPPLY and DEMAND: Sustained Market Demand

The overall vacancy rate dropped 90 bps QOQ to 6.6%, the lowest level in more than a decade. Absorption was positive in most submarkets this quarter with a combined 41,787 square feet (sf) absorbed. Caroline County led the charge in leasing with over 71,252 sf in net absorption. Year-to-date (YTD) absorption was positive, with 179,441 sf absorbed in the third quarter. Most vacancies were concentrated in Stafford County, which ended the quarter with a 9.3% vacancy rate overall, compared to rates under 8.8% in all other submarkets. There was no new construction activity this quarter. The office market continued to remain stable in the third quarter and should continue to do so in the coming quarter as well.

PRICING: Rent Growth Sustained

Overall asking rates increased from \$24.36 in the second quarter to \$24.64 per square foot (psf) in the third quarter. While most submarkets saw a slight increase in their rental rates, Caroline 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 \$25.87 psf. Office leasing activity continued to be strong while sales activity slowed. Leasing activity totaled 40,477 sf for the quarter and 179,441 sf YTD, with the most notable deal to at 17111 Dahlgren Road, a 5,000-sf Class C office space. The total for sales activity at the time of this report was undisclosed, but the most notable transfer was 3110-3116 Cowan Boulevard, an office condo in Fredericksburg City, sold to an owner for an undisclosed amount.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Fredericksburg, VA

Office Q3 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	300	300	0.1%	71,252	71,008	10,342	0	\$19.61	N/A
City of Fredericksburg	2,811,803	110,285	97,918	3.9%	1,084	-4,991	49,984	0	\$24.95	\$24.40
King George County	751,639	66,290	66,290	8.8%	7,683	6,480	9,600	0	\$17.32	N/A
Spotsylvania County	2,426,261	137,005	122,322	5.6%	2,189	13,583	54,082	0	\$24.58	\$28.48
Stafford County	4,240,227	392,715	392,715	9.3%	-40,421	69,371	55,433	0	\$25.87	\$27.11
FREDERICKSBURG TOTALS	10,723,653	706,596	679,545	6.6%	41,787	155,451	179,441	0	\$24.64	\$26.91

*Rental rates reflect full service asking.

KEY LEASE TRANSACTIONS Q3 2023

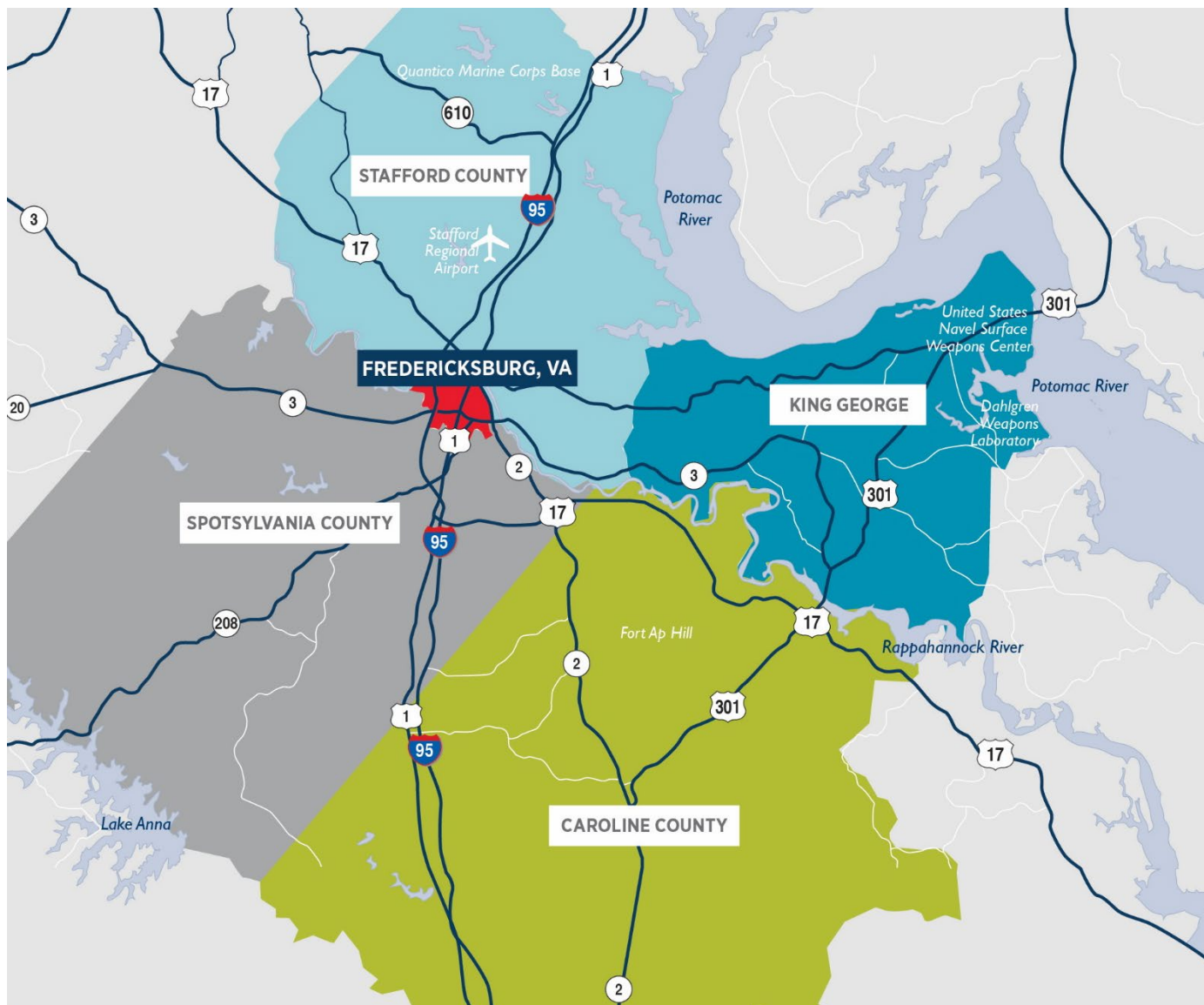
PROPERTY	SUBMARKET	TENANT	SF	TYPE
17111 Dahlgren Road	King George	Undisclosed	5,000	New
111 Olde Greenwich Drive	Spotsylvania	Kingdom Force Academy	4,076	New
124 Old Potomac Church Road	Stafford	Undisclosed	3,500	New
1995 Jefferson Davis Highway	Fredericksburg	Undisclosed	2,800	New

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
3110 – 3116 Cowan Boulevard	Fredericksburg	Undisclosed / Undisclosed	13,182	Undisclosed / Undisclosed

Fredericksburg, VA

Office Q2 2023

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