

Office Q4 2023

YoY
Chg 12-Mo.
Forecast**5.8%**

Vacancy Rate

**51.5K**

Net Absorption, SF

**\$24.73**

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS
Q4 2023YoY
Chg 12-Mo.
Forecast**70.2K**Fredericksburg
Employment**2.9%**Fredericksburg
Unemployment Rate**3.8%**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 decreased 40 basis points (bps) year-over-year (YOY) to 2.9% in the final quarter of 2023 and remains below the national rate of 3.8%. Regional employment numbers are up 3.4% YOY and are expected to be flat going into the new year. Population is projected to grow 20% by 2030, and Fredericksburg has been the fastest growing region statewide for five consecutive years.

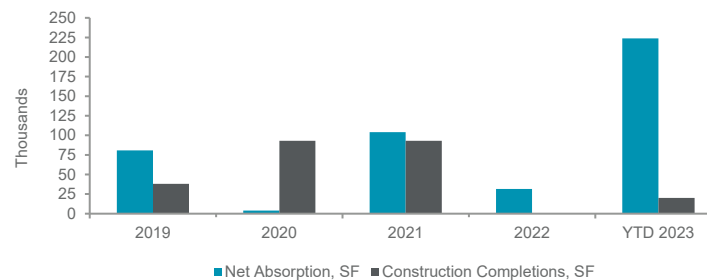
SUPPLY and DEMAND: Vacancy Hits Historic Lows

The overall vacancy rate decreased 30 bps quarter-over-quarter (QOQ) and 90 bps YOY to 5.8%, the lowest level in more than a decade. Absorption ended the year positive in most submarkets this quarter with a combined 51,484 square feet (sf) absorbed. Stafford County led the charge in leasing with over 21,347 sf in net absorption. Year-to-date (YTD) absorption was also positive, with 223,843 sf absorbed in the last quarter. Most vacancies were concentrated in Stafford County, which ended the quarter with an 8.4% vacancy rate overall, compared to rates under 5.8% in all other submarkets. There was no new construction activity this quarter. The office market finished strong in the fourth quarter and should continue to do so in the new year.

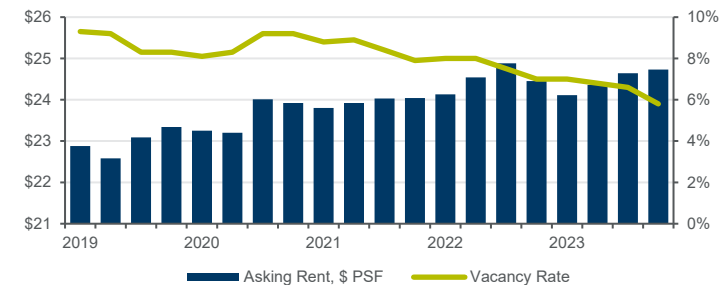
PRICING: Positive Gains

Overall asking rates increased from \$24.64 in the third quarter to \$24.73 per square foot (psf) in the fourth quarter. While most submarkets saw a slight increase in their rental rates, Fredericksburg and King George County were the only two submarkets 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 \$26.21 psf. Office leasing activity was steady in the fourth quarter. Leasing activity totaled 40,321 sf for the quarter and 258,937 sf YTD, with the most notable deal at 75 Barrett Heights Road: a 7,278-sf Class B office space in Stafford County. Sales activity improved in the last quarter with total volume over \$12.3 million. The most notable transfer was 114 Juliad Court, an office building in Stafford County, sold as an investment for \$3.8 million.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Fredericksburg, VA

Office Q4 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	496,969	100	100	0.0%	1,960	72,968	10,542	0	\$19.61	N/A
City of Fredericksburg	2,948,293	92,616	80,248	3.1%	17,714	12,239	78,200	0	\$24.81	\$23.47
King George County	751,629	42,978	42,978	5.7%	11,850	29,792	9,600	0	\$17.03	N/A
Spotsylvania County	2,453,721	142,664	127,981	5.8%	-1,387	8,203	94,979	0	\$24.64	\$28.48
Stafford County	4,250,287	356,633	356,633	8.4%	21,347	92,646	95,616	0	\$26.21	\$27.62
FREDERICKSBURG TOTALS	10,900,899	634,991	607,840	5.8%	51,484	223,843	288,937	0	\$24.73	\$26.85

*Rental rates reflect full service asking.

KEY LEASE TRANSACTIONS Q4 2023

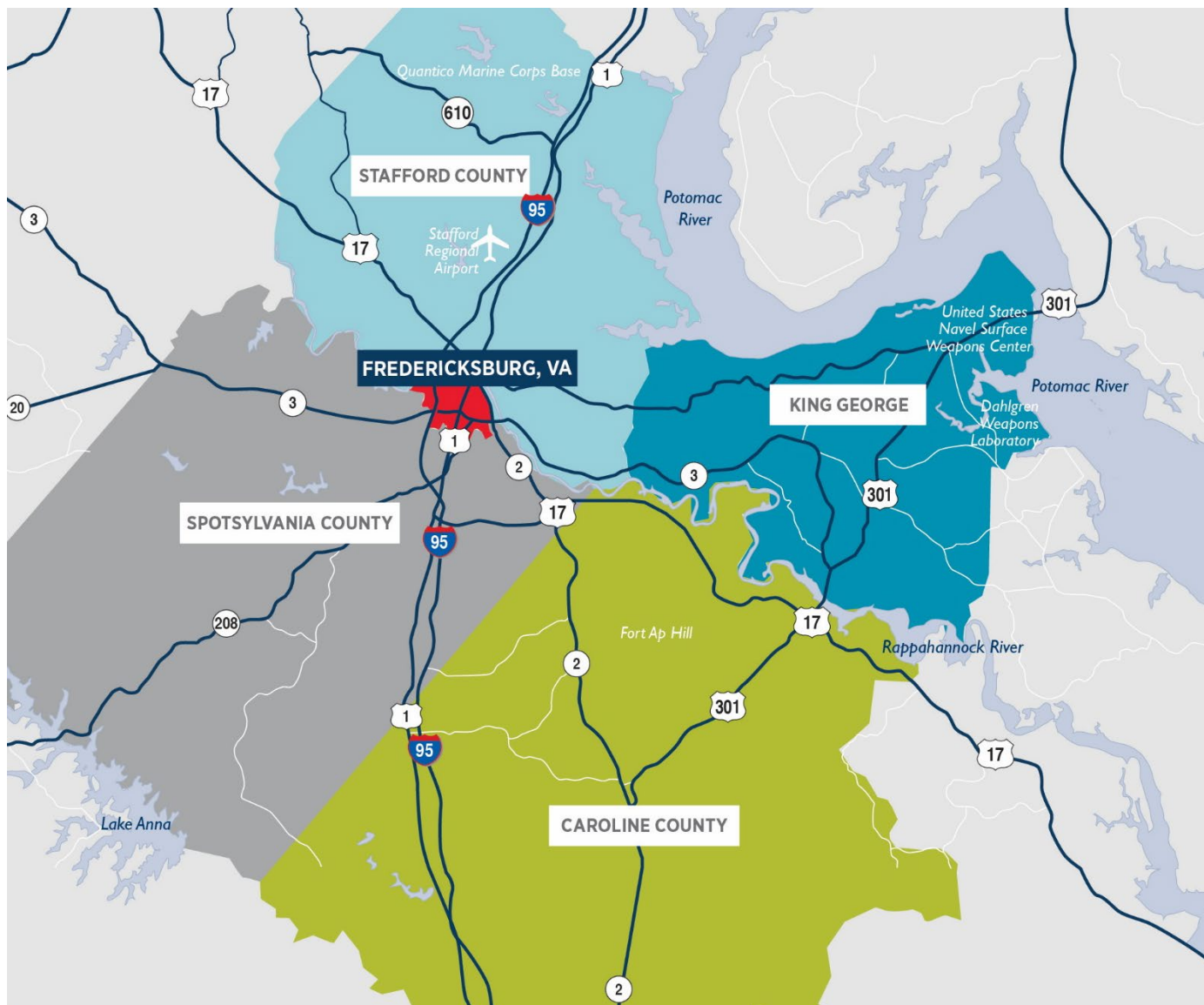
PROPERTY	SUBMARKET	TENANT	SF	TYPE
75 Barrett Heights Road	Stafford	Undisclosed	7,278	New
125Woodstream Boulevard	Stafford	Undisclosed	5,028	New
231 Garrisonville Road	Stafford	Undisclosed	4,970	New
1329 Alum Springs Road	Fredericksburg	Undisclosed	3,900	New

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
114 Juliad Court	Stafford	Intuit, Inc. / Franklin Companies, LLC	45,000	\$3.8M / \$82.67
923 Maple Grove Drive – Westwood Corporate Center	Spotsylvania	Menard Doswell & Co. / Hilldrup Properties, Inc.	20,520	\$1.9M / \$93.23
385 Garrisonville Road – 1 st Floor, Suite 205	Stafford	Nationwide Max, LLC. / Hippocratic Realty, LLC	18,000	\$1.3M / \$332.20
9701 Hospital Boulevard	Spotsylvania	JKMS Properties, LLC / Front Sight Property Investments, LLC	6,000	\$2.0M / \$333.33
1101 Heatherstone Drive	Spotsylvania	Dechat Properties Five, LLC / Heatherstone Properties, LLC	5,000	\$1.2M / \$240.00

Fredericksburg, VA

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