

Fredericksburg, VA

Office Q1 2024

YoY Chg 12-Mo. Forecast

7.2%

Vacancy Rate



-67.3K

Net Absorption, SF



\$25.21

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2024

YoY Chg 12-Mo. Forecast

70.3K

Fredericksburg Employment



3.2%

Fredericksburg Unemployment Rate



3.8%

U.S. Unemployment Rate



Source: BLS

ECONOMY: Unemployment Remains Compressed

The Fredericksburg region, particularly Stafford County, benefits from continued demand for defense department contractors near Quantico Marine Corps Base. Regional unemployment decreased 20 basis points (bps) year-over-year (YOY) to 3.2% in the first quarter of 2024 and remains below the national rate of 3.8%. Regional employment numbers are up 2.6% YOY and are expected to increase going in the coming quarters. Population is projected to grow 20% by 2030, and Fredericksburg has been the fastest growing region statewide for five consecutive years.

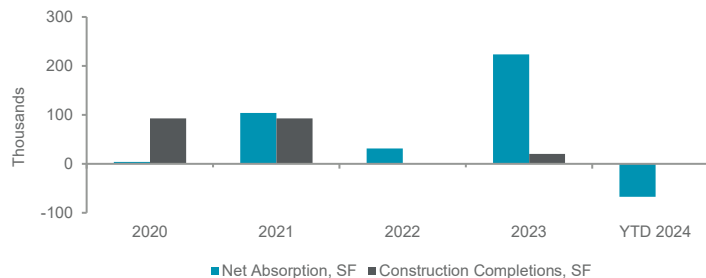
SUPPLY and DEMAND: Prospect Interest Active

The overall vacancy rate increased 60 bps quarter-over-quarter (QOQ) and decreased 60 bps YOY to 7.2%. Absorption started the year negative in most submarkets, closing the quarter with a combined -67,268 square feet (sf) absorbed. Stafford County led the charge in leasing with over 58,321 sf in net absorption. Most vacancies were concentrated in Stafford County as well, which ended the quarter with an 11.3% vacancy rate overall, compared to rates under 7.2% in all other submarkets. Construction began on one property this quarter. The 2,408-sf office building at 4804 Hood Drive in Spotsylvania is set to deliver in October 2024. Office market prospects remained in ample supply during the first quarter, and activity is expected to remain strong throughout 2024.

PRICING: Consistent Gains

Overall asking rates increased from \$24.71 per square foot (psf) in the fourth quarter of 2023 to \$25.21 psf at the close of the first quarter. King George and Stafford Counties saw a slight increase in their rental rates, while Fredericksburg and Spotsylvania County saw a decrease this quarter. Caroline County, however, did not see a change in rates. Stafford County continued to command the highest rates in the market, averaging more than any other submarket with a rate of \$27.06 psf. Office leasing activity held strong in the first quarter. Leasing activity totaled 98,221 sf for the quarter, with the most notable deal at 100 Riverside Parkway: a 17,935-sf class B office in Stafford County. Sales ended the quarter with total volume over \$5.5 million. The most notable transfer was 915 Maple Grove Drive, Building III, a 3-star office building in Spotsylvania County, sold as an investment for \$3.3 million.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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	330,358	-	-	-%	100	100	-	0	\$19.61	\$19.21
City of Fredericksburg	2,600,781	124,001	111,633	4.8%	-26,395	-26,395	18,301	0	\$25.41	\$23.42
King George County	742,505	53,546	53,546	7.2%	-10,568	-10,568	-	0	\$17.25	N/A
Spotsylvania County	2,234,831	113,599	98,916	5.1%	4,667	4,667	21,599	2,408	\$23.71	\$23.45
Stafford County	3,331,997	375,308	375,058	11.3%	-35,072	-35,072	58,321	0	\$27.06	\$28.09
FREDERICKSBURG TOTALS	9,240,472	666,454	639,153	7.2%	-67,268	-67,268	98,221	2,408	\$25.21	\$27.04

*Rental rates reflect full service asking.

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
100 Riverside Parkway	Stafford	Undisclosed	17,935	New
24 Center Street	Stafford	Undisclosed	11,886	New
56 Foreston Woods Drive	Stafford	Undisclosed	10,000	New
2105 Jefferson Davis Highway	Fredericksburg	Agape Life Services	8,422	New

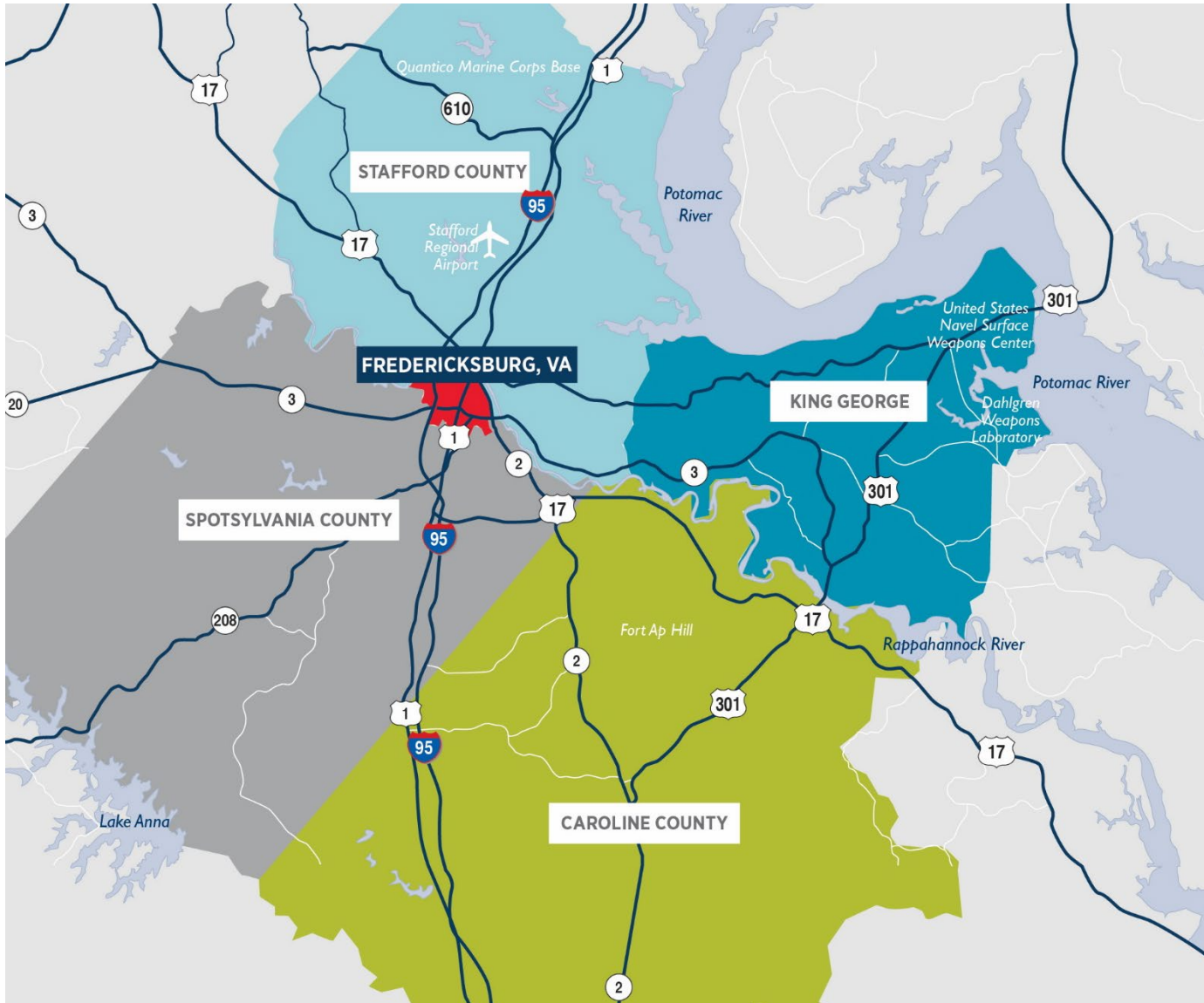
KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
915 Maple Grove Drive – Bldg. 111	Spotsylvania	Westpark 915 Associates, LLC / Hunters Ridge, LLC	20,480	\$3.3M / \$161.13
4224 Plank Road	Spotsylvania	Robert David Pagen / Wilson Realty, LLC	2,728	\$1.2M / \$430.72
208-210 Hudgins Road	Spotsylvania	ACS Exchange, LLC / Eliteston Properties	6,482	\$990K / \$152.73
4701 Spotsylvania Parkway 1 st Floor - 101	Spotsylvania	Undisclosed / Undisclosed	39,221	\$294K / \$264.63
2301 Fall Hill Avenue	Fredericksburg	Medicorp Properties, Inc. / FXBG Opportunity Zone, LLC	18,654	Undisclosed

Fredericksburg, VA

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OFFICE SUBMARKETS



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