

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
6.6% Vacancy Rate	▼	▼
-22.2K YTD Net Absorption, SF	▼	▲
\$26.09 Asking Rent, PSF <small>(Overall, All Property Classes)</small>	▲	▲

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
72.7K Fredericksburg MSA Employment	▲	▲
3.1% Fredericksburg MSA Unemployment Rate	▲	▲
4.1% U.S. Unemployment Rate <small>Source:BLS</small>	▲	▼

ECONOMY: POPULATION EXPANSION

The Fredericksburg region, particularly Stafford County, benefits from continued demand for defense department contractors near Quantico Marine Corps Base. Regional unemployment increased 20 basis points (bps) year-over-year (YOY) to 3.1% in the third quarter of 2024 and remains well below the national rate of 4.1%. Regional employment numbers are up 2.5% YOY and are expected to increase going in the coming quarters. Regional population has increased 21.7% since 2010, a higher rate than any other area in Virginia, and is projected to continue to grow.

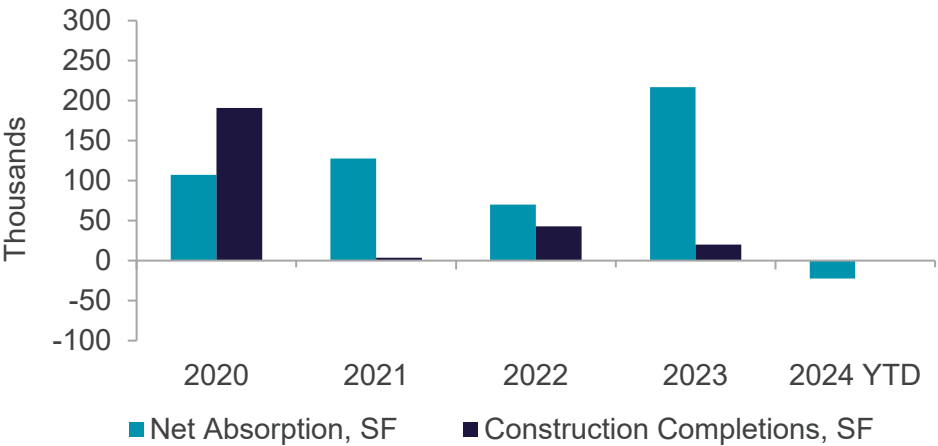
SUPPLY AND DEMAND: VACANCY RATES DECLINE

The third quarter closed with overall vacancy at 6.6%, a decrease of 110 bps quarter-over-quarter (QOQ) and 40 bps YOY. The third quarter closed with overall net absorption of more than 53,000 square feet (sf) helping to counter the negative absorption numbers from the start of the year. Leasing activity totaled 39,039 sf for the quarter, with the most notable deal at 513 Prince Edward Street: a 7,933-sf office in Fredericksburg City. Stafford County has led the charge in terms of YTD leasing activity with more than 80,000 sf leased. Most vacancies were concentrated in Stafford County as well, which ended the quarter with an 9.9% vacancy rate overall, compared to rates under 5.8% in all other submarkets. Construction is underway on the 2,408-sf medical office building at 4804 Hood Drive in Spotsylvania, set to deliver in October 2024. Office market prospects remained in ample supply through the third quarter, and activity is expected to remain strong through the end of the year.

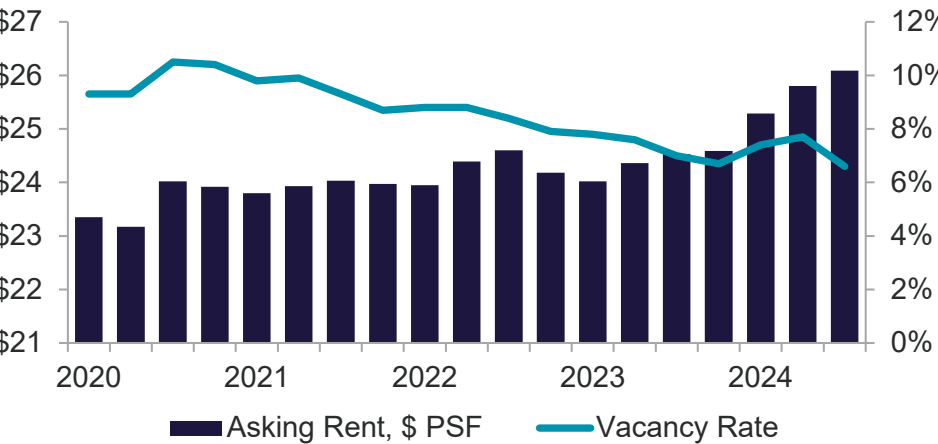
PRICING: SUSTAINED RENT GROWTH

Overall asking rates increased from \$25.79 per square foot (psf) in the second quarter of 2024 to \$26.09 psf at the end of the third quarter. Fredericksburg City and King George County both saw an increase in quoted rates, while Spotsylvania and Stafford Counties experienced a slight 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 just over \$27 psf. Sales ended the quarter with total volume over \$8.3 million. The most notable transfer was 15 Riverside Parkway, a 3-star office building in Stafford County, sold to an owner-occupant for \$3.7 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 CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Caroline County	330,358	4,160	4,160	1.3%	-	-4,060	-	0	\$24.33	N/A
City of Fredericksburg	2,376,630	101,934	93,626	4.3%	-35,191	-15,607	57,504	0	\$26.44	\$23.58
King George County	742,345	42,978	42,978	5.8%	-	0	-	0	\$23.80	N/A
Spotsylvania County	2,302,185	121,773	107,090	5.3%	-2,344	4,361	51,991	2,408	\$23.43	\$22.86
Stafford County	3,314,814	328,820	328,820	9.9%	16,185	-6,934	80,417	0	\$27.01	\$30.02
FREDERICKSBURG TOTALS	9,066,332	599,665	576,674	6.6%	53,720	-22,240	189,912	2,408	\$26.09	\$27.26

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
513 Prince Edward Street	Fredericksburg	Pathways	7,933	New
923 Maple Grove Drive	Spotsylvania	Undisclosed	7,157	New
923 Maple Grove Drive	Spotsylvania	Dominion Care	7,157	New
925 Corporate Drive	Stafford	Alexandria Insights, Inc	3,623	New
4343 Plank Road	Spotsylvania	Undisclosed	2,060	New

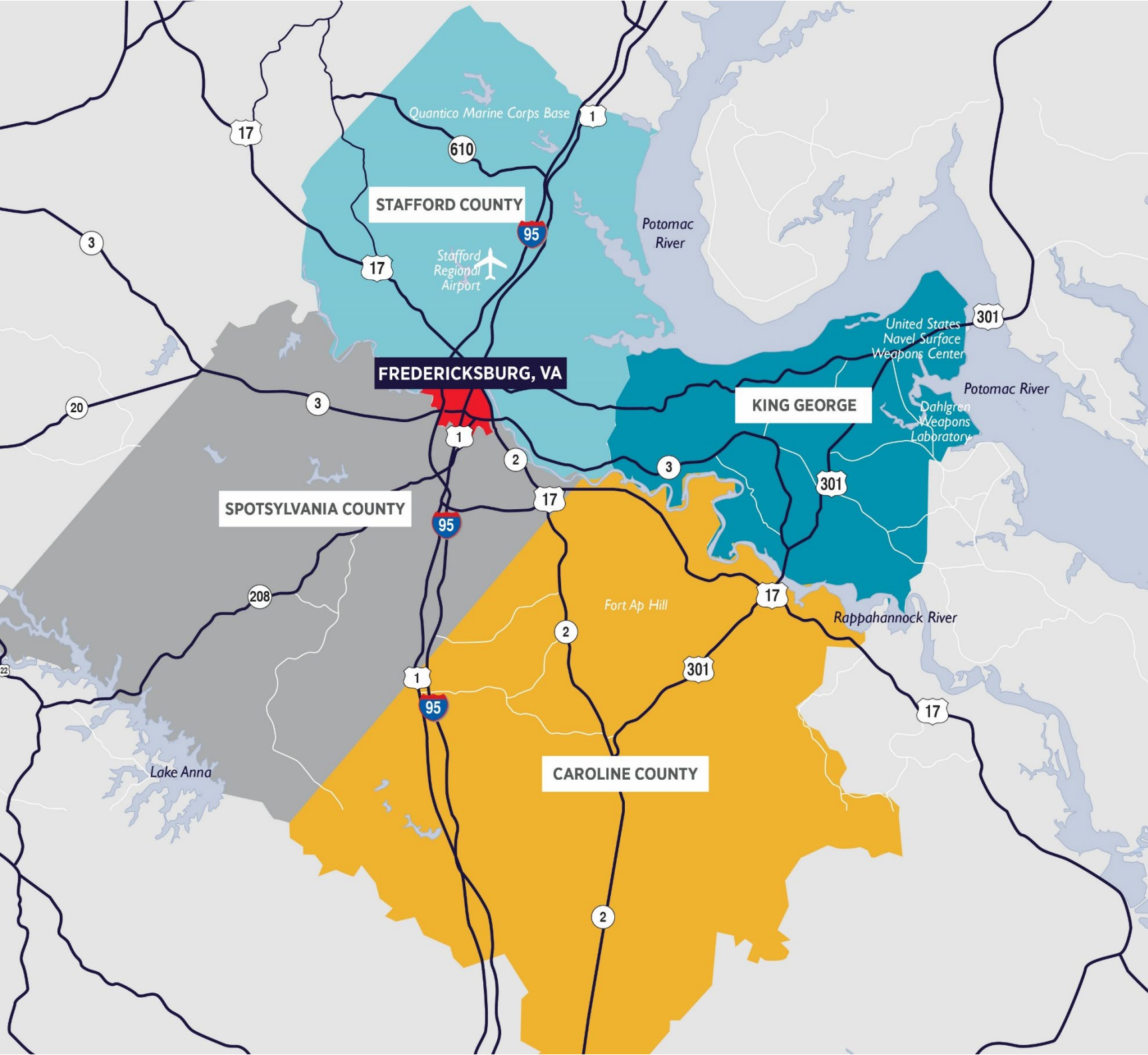
KEY SALE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
15 Riverside Parkway	Stafford	American Traffic Safety / Erkin Tentishev	22,894	\$3.7M / \$161.61
2511 Salem Church Road	Spotsylvania	Salem Courtland Properties / Coastal Vet	5,761	\$1.4M / \$251.69
17243 Dahlgren Road	King George	Palivoda Stanley S / Carlos J Ferran	4,840	\$717K / \$148.24
606-608 William Street	Fredericksburg	St. William Partners, LLC / SMDM Investments, LLC	4,621	\$1.7M / \$367.89
2515 Fall Hill Avenue	Fredericksburg	Home Real Estates Invs, LLC / Undisclosed	2,160	\$425K / \$196.76

KEY UNDER CONSTRUCTION Q3 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
4804 Hood Road	Spotsylvania	Undisclosed	2,408	Keith W. Gates

OFFICE SUBMARKETS



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