

Fredericksburg, VA

Office Q3 2020

	YoY Chg	12-Mo. Forecast
9.6% Vacancy Rate	▲	▲
-116K Net Absorption, SF	▼	▲
\$24.08 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
63.6K Fredericksburg Employment	▼	▲
7.2% Fredericksburg Unemployment Rate	▲	▼
8.8% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY: Recovery Begins

The Fredericksburg region, particularly Stafford County, benefits from continued demand for Defense Department contractors near Quantico Marine Corps Base. Unemployment fell to 7.2% from its second quarter peak and below the national rate of 8.8%, but still a substantial increase from 3.0% a year ago. Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy [here](#).

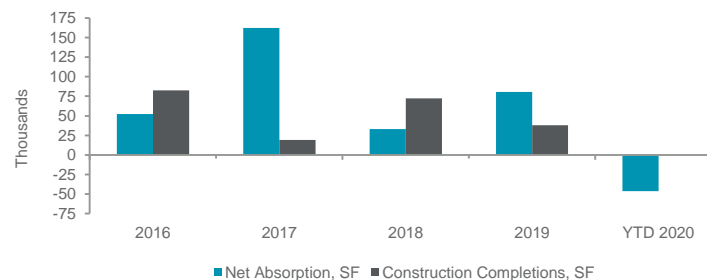
SUPPLY and DEMAND: Fundamentals Begin to Soften

The overall vacancy rate increased in Q3, rising from 8.6% in Q2 to 9.6%. Negative absorption occurred in most submarkets this quarter, as companies continue to rethink their space needs in the wake of the pandemic. The greatest amount of negative absorption was seen in the Stafford County submarket, with -61,513 square feet (sf) absorbed during the quarter. Most vacancies are concentrated in Stafford County, which ended the quarter with a 14.0% vacancy rate, compared to rates under 8.0% in all other submarkets. Construction activity continues and is nearing completion on Liberty Place. The 86,000-sf mixed-use property in Fredericksburg is already 93% leased. Construction also began on a 7,000-sf property set for medical office use in King George.

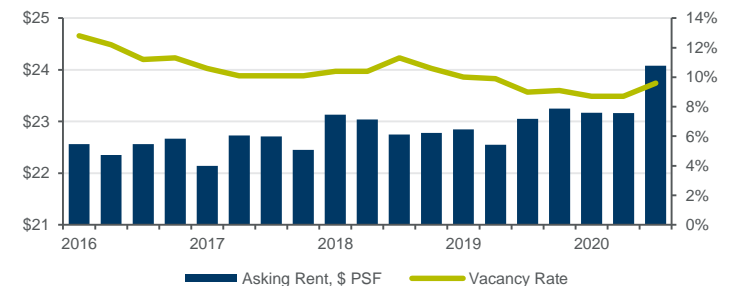
PRICING: Rent Growth Despite Uncertainty

The overall asking rent increased 4.0% to \$24.08 per-square-foot (psf) since last quarter. The increase is largely attributed to an influx of high-quality space that came available during the quarter. Approximately 40% of new space availabilities were Class A product, while Class A space only accounts for 20% of total inventory. Overall rents in the market are expected to stay flat in the near term as tenants and landlords continue to address the overall impact due to COVID-19. The true effects on the market will be slow to emerge with many deals in progress being delayed in the current environment.

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	424,617	6,052	6,052	1.4%	0	1,536	0	0	\$18.73	N/A
City of Fredericksburg	2,639,673	180,428	152,655	5.7%	-26,530	-33,835	29,133	86,000	\$24.37	\$25.93
King George County	710,805	33,418	33,418	4.7%	0	6,300	11,357	7,000	\$17.93	\$24.00
Spotsylvania County	2,304,702	186,543	163,865	8.1%	-28,021	13,307	39,340	0	\$20.39	\$18.32
Stafford County	4,161,974	580,659	580,659	14.0%	-61,513	-33,517	20,809	0	\$25.83	\$27.47
FREDERICKSBURG TOTALS	10,241,771	987,100	960,113	9.6%	-116,064	-46,209	100,639	93,000	\$24.08	\$25.50

*Rental rates reflect full service asking. Leasing activity includes renewals.

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
601 William Street	City of Fredericksburg	Undisclosed	12,650	New
5103 Commonwealth Drive	Spotsylvania County	S & K Remodeling	4,094	New
10401 Courthouse Road	Spotsylvania County	Undisclosed	3,000	New
2765 Jefferson Davis Highway	Stafford County	Undisclosed	2,765	New

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
4540-4548 Empire Court	Spotsylvania County	Saf Real Estate Company Llc / Oxford Realty Advisors	14,057	\$3.7M / \$266.77
411 Park Hill Drive	City of Fredericksburg	Rsh Snowden Llc / Frank A. Thomas III	3,000	\$850K / \$283.33
4419 Lafayette Blvd	Spotsylvania County	Milstead Lee J / Glenda Reyes	1,701	\$245K / \$144.03

KEY BUILDINGS UNDER CONSTRUCTION Q3 2020

PROPERTY	SUBMARKET	OWNER/DEVELOPER	SF	EST. DELIVERY DATE
Liberty Place	City of Fredericksburg	Thomas J Wack Company	86,000	Q4 2020
Kings Highway	King George County	Centercare Bldg Llc	7,000	Q4 2020

LOCAL MARKET RESEARCH LEAD

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