

Office Q4 2020

YoY Chg 12-Mo. Forecast

9.8%
Vacancy Rate



56K
Net Absorption, SF



\$23.86
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2020

YoY Chg 12-Mo. Forecast

63.6K
Fredericksburg
Employment



7.3%
Fredericksburg
Unemployment Rate



6.7%
U.S.
Unemployment Rate



Source: BLS

ECONOMY: Recovery Continues

The Fredericksburg region, particularly Stafford County, benefits from continued demand for Defense Department contractors near Quantico Marine Corps Base. Unemployment stayed consistent at 7.3% hovering above the 7.2% of the third quarter and above the national rate of 6.7%, but still a substantial increase from 3.5% a year ago. After the arrival of COVID-19 in the U.S., the economy saw a decline due to recession and is still slowly finding its way back. Even with healthcare efforts, the lasting effects are still uncertain.

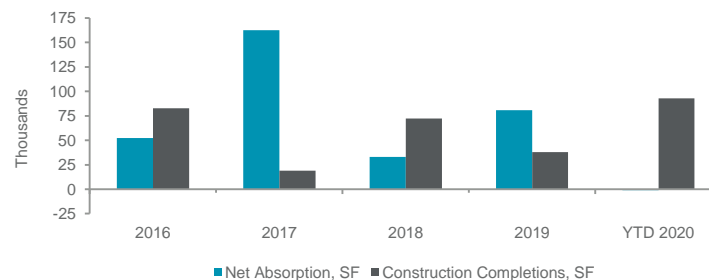
SUPPLY and DEMAND: Fundamentals Begin to Soften

The overall vacancy rate increased slightly in Q4, rising from 9.6% in Q3 to 9.8%. The greatest amount of absorption was seen in the City of Fredericksburg submarket, with 64,454 square feet (sf) absorbed during the quarter. Most vacancies are concentrated in Stafford County, which ended the quarter with a 14.2% vacancy rate, compared to rates under 8.0% in all other submarkets. There were two properties delivered this quarter. Liberty Place, an 86,000-sf mixed-use property was completed in Fredericksburg and a 7,000-sf property set for medical office use finished up in King George. No new construction began this quarter.

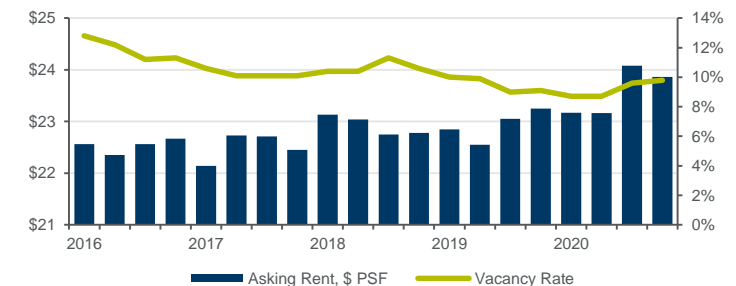
PRICING: Rents Remain Steady

The overall asking rent decreased slightly from \$24.08 to \$23.86 per-square-foot (psf) this quarter. 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. Stafford County continues to command the highest rental rates in the market, averaging more per square foot than any other submarket.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Fredericksburg, VA

Office Q4 2020

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	2,732,091	189,644	182,174	6.9%	64,454	30,904	69,685	0	\$24.04	\$24.44
King George County	719,005	57,418	57,418	8.0%	4000	-10,700	17,715	0	\$18.65	\$24.00
Spotsylvania County	2,304,694	171,175	148,497	7.4%	20,476	40,861	44,702	0	\$20.29	\$18.32
Stafford County	4,162,472	592,785	592,785	14.2%	-32,356	-63,648	47,763	0	\$25.72	\$27.13
FREDERICKSBURG TOTALS	10,342,879	987,100	986,926	9.8%	56,574	-1,038	179,656	0	\$23.86	\$25.22

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

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
800 Corporate Drive	Stafford County	Undisclosed	10,852	New
95 Dunn Drive	Stafford County	Representative Rob Wittman	10,000	New
525 Corporate Drive	Stafford County	Undisclosed	7,830	New
17021 Combs Drive	King George County	L3 Harris Technologies	6,357	Renewal

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
11207 Single Oak Road	Spotsylvania County	Quality Performance, Inc / Redeemed Christian Church of God	5,500	\$885K / \$160.91
125 Olde Greenwich Drive	City of Fredericksburg	Undisclosed / Undisclosed	2,000	\$360K / \$180.00
1616 Caroline Street	City of Fredericksburg	Undisclosed / Undisclosed	1,692	\$340K / \$200.95

LOCAL MARKET RESEARCH LEAD

Jonathan Koes

Research Manager

+1 804 697 3560

jonathan.koes@thalhimer.com

www.thalhimer.com

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