

Office Q1 2021

	YoY Chg	12-Mo. Forecast
9.1% Vacancy Rate	▲	▲
78.5K Net Absorption, SF	▲	▲
\$23.75 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2021

	YoY Chg	12-Mo. Forecast
66.2K Fredericksburg Employment	▼	▲
5.7% Fredericksburg Unemployment Rate	▼	▼
6.0% 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. Regional unemployment lowered to 5.7% from 7.3% in the fourth quarter and remains below the national rate of 6.0%. Following the governor's announcement that all Virginians will be eligible for the COVID-19 vaccine in April, optimism remains for a strong economic rebound for the remainder of the year. The long term effects will continue to unfold, but overall, the Fredericksburg region has been able to recover most of the job losses caused by the pandemic. First quarter employment is down approximately 1.0% from the same period last year, compared to a 5.9% decline nationwide.

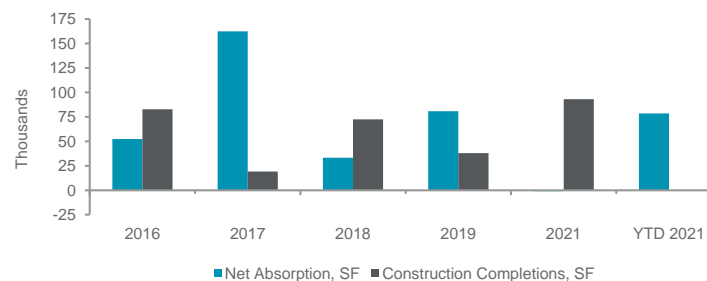
SUPPLY and DEMAND: Fundamentals Begin to Strengthen

The overall vacancy rate decreased, lowering from 10.0% in Q4 of 2020 to 9.1% in Q1 of 2021. The greatest amount of absorption was seen in Stafford County submarket, with 75,848 square feet (sf) absorbed during the quarter. Most vacancies are concentrated in Stafford County, which ended the quarter with a 12.5% vacancy rate, compared to rates under 8.0% in all other submarkets. Development activity has slowed with no new construction breaking ground and no active developments underway. All signs point to the beginning of market stabilization in the coming quarters after widespread disruption over the past twelve months.

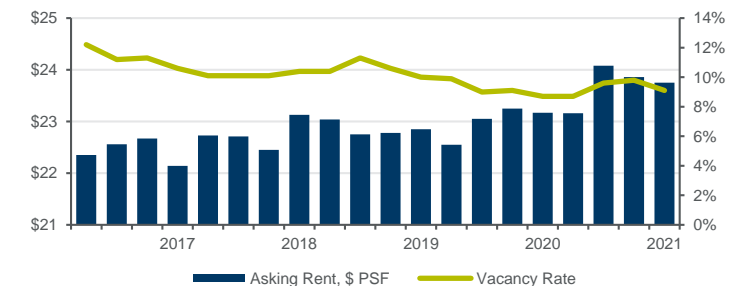
PRICING: Rents Remain Steady

The overall asking rent decreased slightly from \$23.92 in Q4 to \$23.75 per-square-foot (psf) this quarter, but remains up 2.2% year-over-year. Overall rents in the market are expected to stay flat in the near term as tenants and landlords continue to address the effects of the pandemic. Even in the current environment, deal activity appears to be accelerating and provides further optimism for the rest of the year. Stafford County continues to command the highest rental rates in the market, averaging more per square foot than any other submarket with a rate of \$25.65.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Fredericksburg, VA

Office Q1 2021

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	2,500	2,500	0.6%	0	0	0	0	\$17.10	N/A
City of Fredericksburg	2,733,326	183,527	176,057	6.7%	6,968	6,968	31,101	0	\$23.98	\$24.45
King George County	723,565	58,845	58,845	8.1%	2,713	2,713	14,995	0	\$19.87	\$24.00
Spotsylvania County	2,307,874	174,090	151,412	7.5%	-6,975	-6,975	10,875	0	\$20.07	\$18.32
Stafford County	4,168,103	521,399	521,399	12.5%	75,848	75,848	41,940	0	\$25.65	\$27.11
FREDERICKSBURG TOTALS	10,357,485	940,361	910,213	9.1%	78,554	78,554	98,911	0	\$23.75	\$25.10

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

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
925 Corporate Drive	Stafford County	Alexandria Insight	7,859	New
17021 Combs Drive	King George County	L3 Harris	7,498	New
17021 Combs Drive	King George County	JRC Integrated Systems	7,497	New
450 Solomon Drive	Stafford County	Undisclosed	7,454	Renewal

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
181 Kings Highway- Nere Building	Stafford County	Anere Lc / 268 Main Street	15,206	\$1M / \$68.13
1011 Care Way	City of Fredericksburg	D J K Properties LLC / Excelsior Capital Group	13,786	\$2.6M / \$188.60
6308 Five Mile Centre Park; Unit B-211	Spotsylvania County	Tierney, Michael B / Undisclosed	1,466	\$198K / \$134.72

LOCAL MARKET RESEARCH LEAD

Jonathan Koes

Research Manager

+1 804 697 3560

jonathan.koes@thalhimer.com

www.thalhimer.com

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