

	YoY Chg	12-Mo. Forecast
6.6% Vacancy Rate	▲	▼
46k Net Absorption, SF	▼	▲
\$6.83 Asking Rent, PSF	▲	▬

Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2021

	YoY Chg	12-Mo. Forecast
67.1K Fredericksburg Employment	▲	▲
5.0% Fredericksburg Unemployment Rate	▼	▼
5.9% U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics

ECONOMY: Unemployment Begins to Steady

The Fredericksburg region, particularly Stafford County, benefits from continued demand for Defense Department contractors near Quantico Marine Corps Base. Regional unemployment lowered to 5.0% from 5.7% in the second quarter and remains below the national rate of 5.9%. First quarter employment is down approximately 1.3% from the same period last year. The statewide release of the vaccine has been tangible and in turn provided a boost to the local economy due to people feeling more comfortable with returning to work and other pre-pandemic activities. The approval of the American Rescue Plan late in Q1, which provided extension on unemployment benefits, support to small businesses, and more, also played a part in improving the economy of Q2. It is predicted that the economic rebound will continue to be strong in the coming quarters.

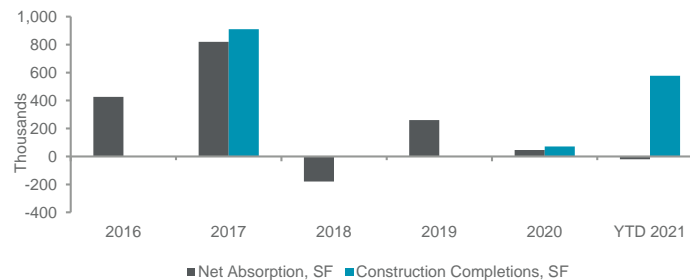
SUPPLY and DEMAND: Supply Remains Limited

Demand for warehouse space continues to drive the industrial market and although availability remains limited, the vacancy rate in Q2 rose to 6.6% from 4.2% in Q1. Construction activity continues in Stafford County on Amazon's 200,000 square foot (sf) distribution facility at 25 Strategy Way. It is set to deliver in Q3 2021. Construction began on the new 81,000-sf Class-A Flex space at 650 Corporate Drive in Merritt Business Park at Quantico Corporate Center in Stafford. This new facility is set to deliver in March 2022. There were two deliveries during the second quarter: CSG Partners' 486,720-sf speculative warehouse space at 95 Distribution Center and the 90,000-sf of flex space at 600 Corporate Drive in Merritt Business Park at Quantico Corporate Center.

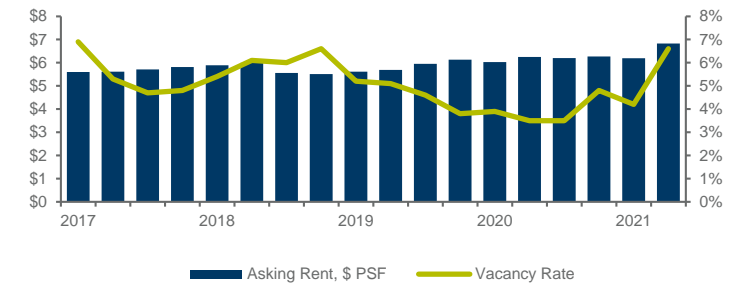
PRICING: Asking Rents Hold Steady

Overall industrial asking rents remain above \$6.00 per square foot (psf) with limited availabilities in the current supply. The market experienced an increase in the overall average asking rent over the past year. Rates may rise in the coming quarter due to rising construction and building costs. Due to that, landlords have opted for concessions and improvements, rather than drop their asking rates. Warehouse rental rates ended the quarter at an average of \$6.73 psf, up from \$6.18 psf in Q1. Office Service/Flex still commands the highest rate at an average of \$11.47 psf. Sales activity decreased during the quarter with three sales totaling over \$2.9 million. Most notably, 40 Venture Drive at Wyche Industrial Park in Stafford County, which was sold for owner use at \$2.7 million/\$347.40 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY	YTD LEASING ACTIVITY	OVERALL AVAILABLE VACANT SPACE (SF)	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION	UNDER CNSTR	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Caroline County	17	1,500,841	0	0	0.0%	0	0	N/A	N/A	\$4.046
Fredericksburg City	39	1,414,146	52,066	72,437	5.1%	-62,009	0	N/A	N/A	\$6.08
King George County	13	530,409	0	0	0.0%	0	0	N/A	N/A	N/A
Spotsylvania County	135	6,998,665	193,036	255,073	3.6%	-4,205	0	N/A	\$10.45	\$7.62
Stafford County	118	4,403,994	156,405	647,787	14.7%	45,640	281,000	\$6.60	\$12.98	\$7.31
FREDERICKSBURG TOTALS	322	14,848,055	401,507	975,297	6.6%	-20,574	281,000	\$6.60	\$11.47	\$6.73

*Rental rates reflect weighted net asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

PROPERTY TYPE	TOTAL BLDGS	INVENTORY	YTD LEASING ACTIVITY	OVERALL AVAILABLE VACANT SPACE (SF)	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION	UNDER CNSTR	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Warehouse/Distribution	287	12,989,576	381,207	950,458	7.3%	20,597	2000,000	N/A	N/A	\$6.73
Manufacturing	15	1,291,374	5,700	6,325	0.5%	-32,437	0	\$6.60	N/A	N/A
Office Service/Flex	19	495,853	0	18,514	3.7%	-8,734	81,000	N/A	\$11.47	N/A

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3000 Mine Road	Spotsylvania County	All In One Moving and Storage	44,650	Direct
35 Venture Drive	Stafford County	Undisclosed	42,625	Direct
480 Central Road	Fredericksburg City	Fredericksburg Area Food Bank	24,000	New
2301 Airport Avenue	Fredericksburg City	Atlantic Engineering Group	10,000	Direct

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
40 Venture Drive	Stafford County	The 4019 LLC / Equipment Share	7,700	\$2.6M / \$347.40
3435-3455 Jefferson Davis Highway; Unit 3439	Spotsylvania County	Undisclosed / Undisclosed	1,958	241K / \$122.57
1130 International Parkway Unit 143	Stafford County	Undisclosed / Undisclosed	1,650	Undisclosed

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