

Office Q2 2021

YoY Chg 12-Mo. Forecast

**9.3%**

Vacancy Rate



**1.2K**

Net Absorption, SF



**\$23.98**

Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2021

YoY Chg 12-Mo. Forecast

**67.1K**

Fredericksburg Employment



**5.0%**

Fredericksburg Unemployment Rate



**5.9%**

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 faintly 5.7% to 5.0% in the second quarter and remains below the national rate of 5.9%. First quarter employment is down 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 extensions 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.

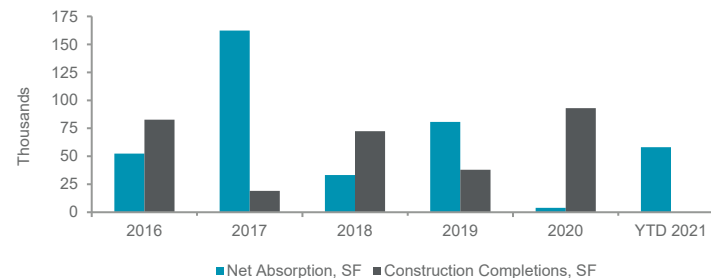
## SUPPLY and DEMAND: Fundamentals Continue to Strengthen

The overall vacancy rate increased, rising slightly from 9.1% in Q1 to 9.3% in Q2. Although the greatest amount of absorption was seen in Spotsylvania County submarket, with 7,443 square feet (sf) absorbed during the quarter, Stafford County still shows the greatest amount YTD with over 41,762 SF. Most vacancies are concentrated in Stafford County, which ended the quarter with a 13.1% vacancy rate, compared to rates under 7.9% in all other submarkets. One new property went under construction this quarter; the 39,574 SF office/medical building at 122 Old Potomac Church Road is set to deliver in Q1 of 2022. The lingering effects of the pandemic have redefined the use of office space, as tenants are expanding, downsizing, and using choosing spaces for alternative use. Hopes are high that the market will continue to stabilize in the coming quarters even after the lack of momentum in the last year.

## PRICING: Rents Remain Steady

The overall asking rent increased slightly from \$23.75 in Q1 to \$23.98 per-square-foot (psf) this quarter but remains up 3.4% from the same time last 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. Landlords have opted for concessions and improvements, rather than drop their asking prices. Caroline County surpassed Stafford County by commanding the highest rental rates in the market this quarter, averaging more per square foot than any other submarket, with a rate of \$27.38. Even in the current environment, deal activity appears to be accelerating and provides further optimism for the rest of the year.

## 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	7,500	7,500	1.8%	-5000	-5000	0	0	\$27.38	N/A
City of Fredericksburg	2,733,326	181,234	168,664	6.6%	-3,497	9,770	54,032	0	\$24.01	\$24.88
King George County	723,565	62,050	62,050	7.9%	-3,205	-492	40,000	0	\$19.78	\$24.00
Spotsylvania County	2,273,784	171,672	171,672	7.6%	7,443	12,118	22,048	0	\$20.28	\$18.32
Stafford County	4,173,183	546,594	546,594	13.1%	5,466	41,762	60,144	39,574	\$25.64	\$27.08
<b>FREDERICKSBURG TOTALS</b>	<b>10,328,475</b>	<b>964,045</b>	<b>928,797</b>	<b>9.3%</b>	<b>1,207</b>	<b>58,158</b>	<b>185,852</b>	<b>39,574</b>	<b>\$23.98</b>	<b>\$25.04</b>

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

## KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
17021 Combs Drive	King George County	SimVentions	20,000	New
17021 Combs Drive	King George County	SimVentions	5,000	New
150 Riverside Parkway	Stafford County	Undisclosed	4,658	New
124 Old Potomac Church Road	Stafford County	Undisclosed	3,275	New

## KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
10708 Ballantraye Drive Unit 206	Spotsylvania County	Undisclosed / Undisclosed		\$390K / \$231.32
205 Wallace Lane	Fredericksburg City	Creative Technology Service / Undisclosed		\$280K / \$200.00
233 Garrisonville Road Unit 104	Stafford County	Undisclosed / Leming & Healy PC		\$240K / \$182.93

## LOCAL MARKET RESEARCH LEAD

**Cameron Williams**

Research Manager

+1 804 697 3560

[cameron.williams@thalhimer.com](mailto:cameron.williams@thalhimer.com)

[www.thalhimer.com](http://www.thalhimer.com)

## A CUSHMAN &amp; WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 50,000 employees in over 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.