

	YoY Chg	12-Mo. Forecast
5.8% Vacancy Rate	▲	▼
303k Net Absorption, SF	▲	▲
\$6.80 Asking Rent, PSF	▲	—
Overall, Net Asking Rent		

ECONOMIC INDICATORS
Q3 2021

	YoY Chg	12-Mo. Forecast
67.7K Fredericksburg Employment	▲	▲
4.1% Fredericksburg Unemployment Rate	▼	▼
5.2% 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 4.1% from 5.0% in the third quarter and remains below the national rate of 5.2%. Third quarter employment is up approximately 3.1% from the same period last year. Unemployment is predicted to continue its downward trajectory. With vaccines readily available, businesses are now able to welcome more employees back to work. Nonetheless, it will likely take time for them to return to 100% capacity. Even though economic recovery continues to be seen, the Fredericksburg market still has a ways to go before everything returns to pre-pandemic status.

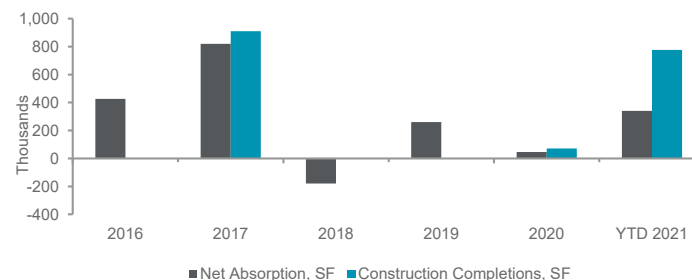
SUPPLY and DEMAND: Supply Remains Limited

Demand for warehouse space continues to drive the industrial market and availability remains limited, the vacancy rate in Q3 lowered to 5.8% from 6.6% in Q2. Due to that limited availability, tenants have been opting to renew their lease in advance just to ensure they will have space in the future. Construction activity continued on the 81,000-square foot (sf) Class-A Flex space at 650 Corporate Drive in Merritt Business Park at Quantico Corporate Center in Stafford. It is still set to deliver in March 2022. Construction began on a 90,000-sf unit of flex space at 600 Corporate Drive in Merritt Business Park at Quantico Corporate Center, which is set to deliver next quarter. There was only one delivery during the third quarter; Amazon's much anticipated 200,000-sf distribution facility at 25 Strategy Way.

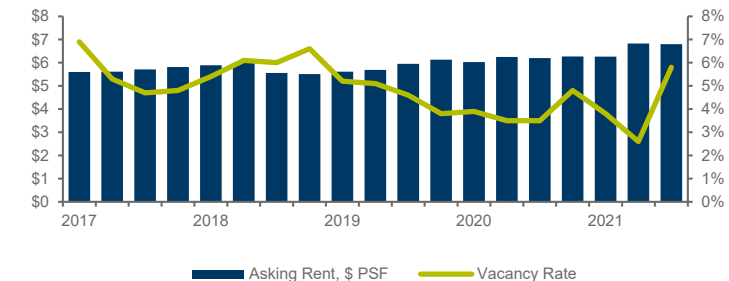
PRICING: Asking Rents Hold Steady

Overall industrial asking rents remain above \$6.00 per square foot (psf) with limited availabilities in the current supply. Although the market experienced an increase in the overall average asking rent over the past year, there was a slight decrease in the asking rates from the second to the third quarter. Warehouse rental rates ended the quarter at an average of \$6.72 psf, level to those of \$6.73 psf in Q2. Office Service/Flex still commands the highest rate at an average of \$10.03 psf. Sales activity increased during the quarter with five sales totaling over \$6.9 million. Most notably, 3591 Lee Hill Drive in Spotsylvania County, which was sold for investment use at \$3.3 million/\$44.25 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	\$4.06
Fredericksburg City	39	1,416,765	38,866	157,567	11.1%	-113,139	0	N/A	N/A	\$6.10
King George County	13	530,409	0	0	0.0%	0	0	N/A	N/A	N/A
Spotsylvania County	136	7,119,015	221,824	182,918	2.6%	164,362	0	N/A	\$10.23	\$7.26
Stafford County	117	4,469,496	176,090	526,703	11.8%	288,814	171,000	\$6.12	\$8.00	\$7.27
FREDERICKSBURG TOTALS	322	15,035,526	436,780	867,188	5.8%	340,037	171,000	\$6.12	\$10.03	\$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	13,092,877	420,230	837,292	6.4%	451,265	81,000	N/A	N/A	\$6.72
Manufacturing	15	1,375,544	10,150	1,875	0.1%	-27,987	0	\$6.12	N/A	N/A
Office Service/Flex	19	495,853	6,400	28,021	5.7%	-18,241	90,000	N/A	\$10.03	N/A

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3619 Jefferson Davis Highway	Stafford County	Undisclosed	5,000	New
86 Le Way Drive	Stafford County	Enlisted Nine Flight Co, LLC	4,960	New
24 Synan Road	Stafford County	Undisclosed	1,925	New
1130 Jefferson Davis Highway	Stafford County	Undisclosed	1,650	New

KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
3591 Lee Hill Drive	Spotsylvania County	Port Kinsale Properties, LLC / Ceres Lee Industrial, LLC	74,572	\$3.3M / \$44.25
204 Thompson Avenue	Stafford County	Yonus Props, LLC / Kargar Props, LLC	32,524	\$1.3M / \$39.95
23553 Rogers Clark Boulevard	Caroline County	WJC, LLC / Baysal Realty, LLC	43,000	\$890K / \$20.70

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