

MARKETBEAT

ROANOKE INDUSTRIAL REPORT

2Q11

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

WWW.CUSHWAKE.COM/KNOWLEDGE

Overview

Overall the greater Roanoke market continues to show signs of improvement. Skilled and affordable labor, access to transportation and quality of life coupled with aggressive promotion by the various economic development agencies is beginning to pay dividends.

Manufacturing Activity

Of particular note is the purchase by Surry County, North Carolina of a 419,000-square foot (sf) manufacturing facility in Elkin, NC. It will be leased to Pittsburg Glass Works as part of an economic incentive package to attract the large employer to the area. Pittsburg Glass will manufacture glass products for the automotive industry at this facility.

While not in the Roanoke market, this property is on the periphery of the greater Roanoke and southwest Virginia market and its significance for the Roanoke region is two-fold. First, it is large facility that has been vacant for an extended period of time that will now be put to productive use, and second, it is further indication of renewed activity and expansion in the automotive components sector, an important manufacturing segment in this market.

This is the second automotive components sector development in as many periods. The first being the 80,000-sf expansion of DYNAX America in Botetourt County referenced in the first quarter report. Surry County and Elkin are just south of the Virginia / North Carolina line on I-77.

Other recent announcements include - ICF International has announced plans to construct an 84,000-sf operations center at Patriot Center in Martinsville (Henry County). This new facility will be constructed at an estimated cost of \$15 million and is expected to employ 539 people within three years. This facility is scheduled to be complete by December of this year. ICF International is a provider of professional and technology services.

ESSEL Propack has announced a 105,000 sf, \$10 million expansion of their facility in Airside Industrial Park in Danville. This expansion essentially doubles the size of ESSEL Propack's presence in the market. ESSEL manufactures seamless tubing for products such as toothpaste. Also in Danville EIT, LLC has announced a new 60,000-sf facility to be built in the Cyber Park. EIT is a provider of full service contract electronic design and manufacturing services.

In the Lynchburg market Baker Distributing leased 10,000 sf in Forest, and J. Crew has broken ground on a 155,000-sf expansion of their distribution center. The J. Crew expansion will bring an estimated 177 new jobs to the area.

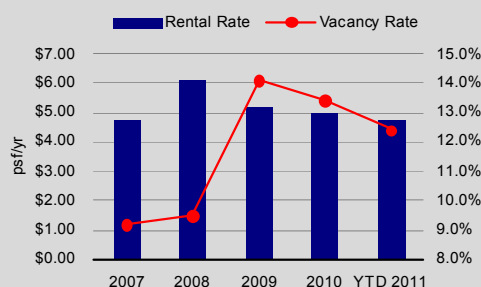
Outlook

Over the last two quarters the market has shown improvement. This trend is expected to continue as the economic recovery gains momentum. As noted above the availability of affordable labor, access to transportation, and quality of life in Roanoke as well as central and southwest Virginia are all contributing factors in a favorable outlook.

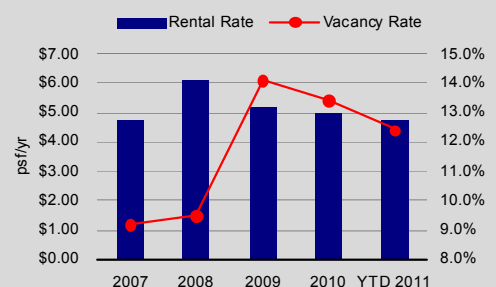
Stats on the Go

	2Q10	2Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	13.0%	12.4%	-0.6 pp	▼
Overall Asking Rents	\$4.80	\$4.72	-1.7%	◄►
YTD Leasing Activity (sf)	131,589	392,340	198.2%	▲

Inventory vs. Vacant Available



Overall Rental vs. Vacancy Rates



Market/Submarket Statistics

Submarket	Inventory	Overall Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Direct Net Absorption	YTD Overall Net Absorption	Direct Weighted Average Net Rental Rate*			
								HT	MF	OS	W/D
Botetourt County	3,454,903	8.2%	1,500	0	0	130,293	130,293	\$0.00	\$0.00	\$6.00	\$2.95
CBD	972,409	2.4%	8,700	0	0	500	500	\$0.00	\$0.00	\$0.00	\$5.04
North Franklin County	1,378,510	5.0%	0	0	0	3,820	3,820	\$0.00	\$0.00	\$0.00	\$3.25
Northeast Roanoke	9,879,905	11.8%	75,270	0	0	(53,985)	(53,985)	\$10.00	\$0.00	\$4.50	\$3.71
Northwest Roanoke	1,911,305	5.8%	274,000	0	0	254,000	254,000	\$0.00	\$8.75	\$5.25	\$6.41
South Franklin County	394,130	53.8%	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Southeast Roanoke	2,022,631	7.7%	2,800	0	0	24,000	24,000	\$0.00	\$0.00	\$0.00	\$2.94
Southwest Roanoke	9,233,279	17.4%	30,070	0	0	(102,552)	(97,552)	\$0.00	\$3.00	\$7.83	\$2.58
ROANOKE TO TAL	29,247,072	12.4%	392,340	0	0	256,076	261,076	\$10.00	\$5.09	\$6.49	\$3.49

* Rental rates reflect asking Spfs/year.

HT= High Tech MF=Manufacturing OS= Office Service W/D = Warehouse/Distribution

Market Highlights

SIGNIFICANT 2Q11 LEASE TRANSACTIONS

BUILDING	MARKET	TENANT	SQUARE FEET	PROPERTY TYPE
2161 Salem Industrial Drive	Salem City	Altaquip	11,000	Warehouse/Distribution
2813 Mary Linda Ave	East Roanoke City	Kirk Brothers*	7,000	Warehouse/Distribution

* Renewal – not included in Leasing Activity Statistics

SIGNIFICANT 2Q11 SALE TRANSACTIONS

BUILDING	MARKET	BUYER	SQUARE FEET	PURCHASE PRICE
1301 Southside Drive	Southwest Roanoke	Hometown Bank	26,430	\$1,215,000

SIGNIFICANT 2Q11 CONSTRUCTION COMPLETIONS

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
----------	--------	--------------	-------------	-----------------

N/A

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
----------	--------	--------------	-------------	-----------------

N/A