

MARKETBEAT INDUSTRIAL SNAPSHOT

ROANOKE, VA

A Cushman & Wakefield Alliance Research Publication

Q4 2011



ECONOMIC OVERVIEW

Unemployment in the Roanoke MSA was 6.2% in October, down from 6.8% one year ago. The latest reading is the lowest since the recession began, but still above the five year annual average of 5.0%. The latest unemployment numbers for November in Virginia and the United States are 5.7% and 8.2% respectively. As the economy improves, the lending markets will loosen up, capital will be easier to obtain, and businesses that have hesitated on expansion over the last couple of years will move forward with strategic growth plans.

MANUFACTURING AND EXPANSION ACTIVITY

In the fourth quarter there have been several important announcements in the region. In September, the Virginia Supreme Court decided in favor of the state and Norfolk Southern Railroad, which allows the proposed Elliston Intermodal facility in Montgomery County along the Heartland Corridor to go forward. Earlier in the year Norfolk Southern completed its improvements to the Heartland Corridor making it possible for double stacked containers to be shipped between the Port of Virginia and the Midwest. The Elliston Intermodal will be one of several intermodal facilities along the Heartland. The exact timing of construction of the truck to rail facility is unknown.

In October, Federal-Mogul Corporation announced plans for a \$10 million expansion at its 275,000-square foot (sf) automotive bearing manufacturing facility at Blacksburg Industrial Park. The expansion involves the addition of new lines and equipment and will employ an additional fifty people. This is one of several announcements this year of expansion in the automotive sector.

Announcements from earlier in the year include Volvo Trucks North America in Pulaski County bringing back 700 employees. Also in the first quarter Dynax America doubled its size in Botetourt County with an 80,000-sf expansion into a second facility. Dynax produces automotive transmission parts. In the second quarter Pittsburg Glass took a 419,000-sf facility in Surry County, NC just across the Virginia line where it will manufacture automotive glass.

In October Backcountry.com announced plans for a \$20-million 360,000-sf fulfillment center to be built at the Falling Branch Industrial Park in Montgomery County. When completed this facility will employ approximately 214 people.

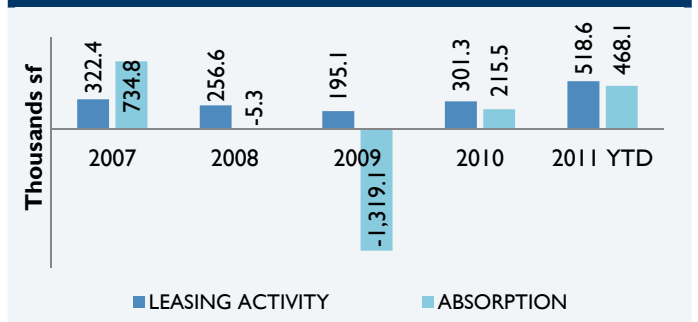
OUTLOOK

2009 and 2010 were challenging years. 2011 marks the second consecutive year of positive absorption. In the last two years the area has seen growth in a wide range of industries including automotive, distribution, research and development, medical, packaging, and food just to name a few. The attributes that the area enjoys, skilled affordable labor, low cost of doing business, access to transportation, and quality of life all make this an attractive market in which to locate. Despite the somewhat limited supply of available modern facilities or large tracts of pad ready sites, continued steady growth is anticipated in the coming year.

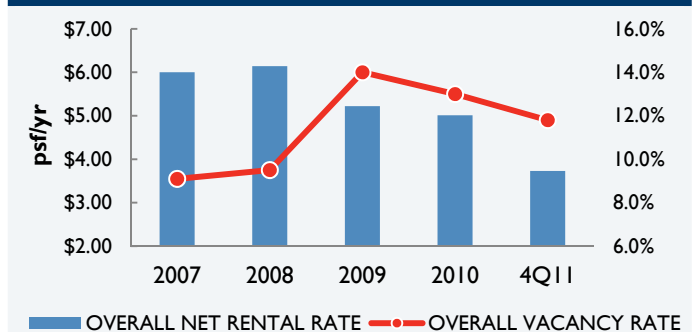
STATS ON THE GO

| | 4Q10 | 4Q11 | Y-O-Y CHANGE | 12 MONTH FORECAST |
|------------------------------|---------|---------|--------------|-------------------|
| Overall Vacancy | 13.4% | 11.8% | -1.6pp | ◀▶ |
| Direct Asking Rents (psf/yr) | \$5.01 | \$3.73 | -25.5% | ▲ |
| YTD Leasing Activity (sf) | 136,639 | 518,551 | 279.5% | ◀▶ |

LEASING ACTIVITY VS. ABSORPTION



OVERALL RENTAL VS. VACANCY RATES



ROANOKE, VA

| 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 |
| Downtown Roanoke | 972,409 | 2.4% | 8,700 | 0 | 0 | 500 | 500 | \$0.00 | \$0.00 | \$0.00 | \$5.04 |
| Botetourt County | 3,449,870 | 0.7% | 3,000 | 0 | 0 | 393,527 | 393,527 | \$0.00 | \$0.00 | \$6.00 | \$2.95 |
| North Franklin County | 1,378,510 | 2.8% | 0 | 0 | 0 | 3,820 | 3,820 | \$0.00 | \$0.00 | \$0.00 | \$3.25 |
| Northeast Roanoke | 9,932,454 | 12.4% | 134,281 | 0 | 0 | (80,931) | (80,931) | \$8.50 | \$0.00 | \$7.50 | \$3.27 |
| Northwest Roanoke | 1,872,905 | 5.3% | 274,000 | 0 | 0 | 260,500 | 260,500 | \$0.00 | \$0.00 | \$5.25 | \$4.87 |
| South Franklin County | 394,130 | 53.8% | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | \$0.00 |
| Southeast Roanoke | 2,034,631 | 7.7% | 2,800 | 0 | 0 | 23,100 | 23,100 | \$0.00 | \$0.00 | \$0.00 | \$2.94 |
| Southwest Roanoke | 9,485,054 | 17.8% | 95,770 | 0 | 0 | (137,419) | (132,419) | \$0.00 | \$2.91 | \$9.14 | \$2.36 |
| TOTALS | 29,519,963 | 11.8% | 518,551 | 0 | 0 | 463,097 | 468,097 | \$8.50 | \$2.91 | \$8.16 | \$3.12 |

* RENTAL RATES REFLECT ASKING \$PSF/YEAR HT= HIGH TECH MF = MANUFACTURING OS = OFFICE SERVICE W/D = WAREHOUSE/DISTRIBUTION

MARKET HIGHLIGHTS

| SIGNIFICANT 2011 LEASE TRANSACTIONS | SUBMARKET | TENANT/BUYER | PROPERTY TYPE | SQUARE FEET |
|---|-------------------|------------------------|------------------------|-------------|
| 115 Brand Avenue | Northwest Roanoke | Undisclosed | Warehouse/Distribution | 274,000 |
| 308 Thacker Road | Covington | Dawn Warehousing, Inc. | Warehouse/Distribution | 122,000 |
| 2428 Patterson Avenue | Southwest Roanoke | Carroll Tire, Inc. | Warehouse/Distribution | 51,000 |
| SIGNIFICANT 2011 SALE TRANSACTIONS | SUBMARKET | BUYER | PURCHASE PRICE | SQUARE FEET |
| 1825 Blue Hills Drive | Northeast Roanoke | Blue Hills, Inc. | \$5,779,300 | 111,200 |
| 1302 Rockland Avenue | Northwest Roanoke | Lester Group, Inc. | \$1,975,000 | 32,000 |
| The Branwick Center | New River Valley | Tech Lab | \$1,600,000 | 54,000 |
| SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS | SUBMARKET | MAJOR TENANT | COMPLETION DATE | SQUARE FEET |
| N/A | | | | |
| SIGNIFICANT PROJECTS UNDER CONSTRUCTION | SUBMARKET | MAJOR TENANT | COMPLETION DATE | SQUARE FEET |
| N/A | | | | |