

MARKETBEAT

ROANOKE OFFICE REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

Thalhimer
commercial real estate

2Q10

AT A GLANCE

- Mirroring most of the markets throughout the commonwealth, Roanoke's unemployment rate dropped after a few months of the unemployment rate rising. The rate as of May is 7.4%, down from a peak of 8.4% just three months prior and closer to the unemployment rate late last year. One year ago the rate was slightly lower at 6.8%.
- Sales and leasing activity remains light. Leasing activity year-to-date is 57,531 square feet (sf). This is down from the same quarter last year when it was 68,565 sf. Most of the leasing activity still revolves around renewals and GSA tenants temporarily relocating while the Poff federal building is renovated.
- Absorption, the net change in occupied space from one period to another, is essentially flat for the year. Although the vacancy rate in Roanoke is lower compared to many other areas of the country, it is an increase in absorption that will mark the beginnings of recovery. Unlike past recessions, there is not an oversupply of inventory, so once the economy improves we should see a rapid improvement in market conditions.

MARKET HIGHLIGHTS

| SIGNIFICANT 2Q10 NEW LEASE TRANSACTIONS | | | |
|---|---------------------------|-------|----------------|
| BUILDING | TENANT | SF | BUILDING CLASS |
| 25 E Main Street | City of Salem Engineering | 4,896 | C |
| 4935 Electric Road | N/A | 3,000 | C |
| 5431 Peters Creek Road | N/A | 2,500 | C |

| SIGNIFICANT 2Q10 SALE TRANSACTIONS | | | |
|------------------------------------|-------------|--------|----------------|
| BUILDING | BUYER | SF | PURCHASE PRICE |
| 304 1st Street | 304 1st LLC | 18,000 | \$660,000 |

| SIGNIFICANT 2Q10 CONSTRUCTION COMPLETIONS | | | |
|---|--------------|----|-----------------|
| BUILDING | MAJOR TENANT | SF | COMPLETION DATE |
| N/A | | | |

| SIGNIFICANT PROJECTS UNDER CONSTRUCTION | | | |
|---|--------------|----|-----------------|
| BUILDING | MAJOR TENANT | SF | COMPLETION DATE |
| N/A | | | |

ECONOMIC INDICATORS

| National | 2009 | 2010F | 2011F |
|-------------------|-------|-------|-------|
| GDP Growth | -2.4% | 3.1% | 3.9% |
| CPI Growth | -0.3% | 1.8% | 2.1% |
| Regional | | | |
| Unemployment | 7.2% | 7.9% | 7.0% |
| Employment Growth | -4.2% | -1.3% | 1.5% |

Source: Moody's | Economy.com

BEAT ON THE STREET

"Although far from a recovery, there has been a slight increase in activity from tenants in the marketplace. Owner concessions are up and rates are dropping, but in return activity is slowly returning to the marketplace."



—Jake Coptly
Office Sales & Leasing

MARKET STATISTICS

| MARKET | INVENTORY | OVERALL VACANCY | YTD LEASING ACTIVITY | DIRECT WTD. CLASS A GROSS RENTAL RATE psf/yr |
|---------------------|-------------------|-----------------|----------------------|--|
| Botetourt | 607,035 | 7.1% | 1,613 | N/A |
| Roanoke CBD | 4,090,906 | 8.6% | 11,197 | \$22.75 |
| East Roanoke City | 1,460,534 | 6.4% | 0 | N/A |
| West Roanoke City | 1,822,372 | 6.6% | 7,637 | N/A |
| East Roanoke County | 2,887,297 | 7.6% | 25,288 | \$15.25 |
| West Roanoke County | 90,627 | 6.6% | 0 | N/A |
| Franklin County | 91,751 | 24.9% | 4,200 | N/A |
| Salem City | 1,023,057 | 9.6% | 7,596 | \$19.00 |
| Total | 12,073,579 | 7.9% | 57,531 | \$20.65 |

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