

MARKETBEAT INDUSTRIAL SNAPSHOT

ROANOKE, VA

A Cushman & Wakefield Alliance Research Publication

Q1 2013



ECONOMIC OVERVIEW

The unemployment picture in Roanoke is better than a year ago, with current unemployment at 6.0%, down from 6.5%. However, it should be noted that the number of people in the labor force has dropped also.

Job growth is not only the key to an overall economic recovery, but also to a sustained commercial real estate recovery.

SALES AND LEASING ACTIVITY

Absent year end investment sale activity, the local market returned to a more normal level of sales and leasing. It is notable that demand for smaller industrial spaces has increased in recent months with several spaces in the 6,000 to 10,000-square foot (sf) size range being leased after an extended period of vacancy.

There were six announcements of new companies coming to the area and twelve announced expansions of existing businesses. Notable new companies locating in the area include Red Sun Farms which will locate a \$30mm high-technology hydroponic greenhouse in NRV Commerce Park that is expected to employ 205 people. Shamrock Farms, also new to the area, has broken ground on a 130,000-sf, \$50mm milk processing facility in Augusta County. The new facility will employ sixty people and is expected to open in 2014. Porter's Group, a metal products fabricator, plans to bring 120 new jobs to the Lynchburg market.

Twelve companies announced significant facility expansions during the quarter. Among those companies announcing expansion is Altec Industries, a Botetourt County manufacturer of truck mounted mobile equipment which will invest \$2.24m and add 96 jobs at their facility. Babcock & Wilcox Nuclear Energy will invest \$16m and add thirty people at their Bedford County plant. Announced new facilities and expansion of existing facilities in the region represents an investment approximating \$183m and adding 1,400 jobs.

There were four closings/reductions reported to the Commonwealth during the quarter. Of the four three are coal or coal related, accounting for 276 jobs in Dickenson, Buchanan, and Wise counties in far southwest Virginia. The fourth was a reduction of 186 people at Liberty Medical Support in Salem, Virginia.

OUTLOOK

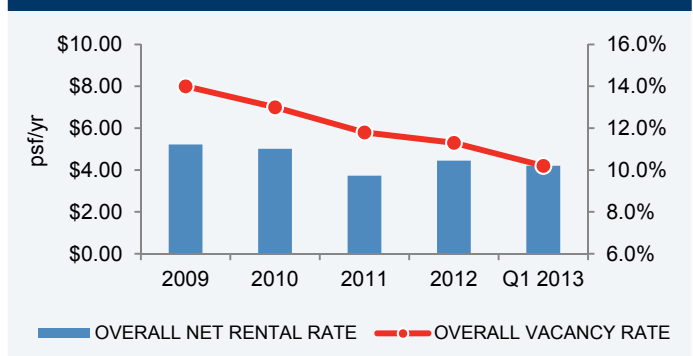
The ability to attract large scale industrial investment to the area has been hampered by a limited inventory of large modern buildings and a shortage of large shovel-ready sites. In February, Roanoke County and the Roanoke Regional Partnership hosted a Regional Economic Summit. The keynote speaker at the event was John Rhodes, a senior

principal at the site selection firm of Moran, Stahl and Boyer. Mr. Rhodes spoke to an audience which included representatives from six area localities about the strengths and shortcomings of the area from a site selection standpoint. Mr. Rhodes' presentation was well received and the representatives from local governments agreed to create a task force to address the issues raised by Mr. Rhodes including the lack of large shovel ready sites. This is significant in that it is indicative of a new collaborative attitude among local governments with the common goal of attracting investment and employment to the region.

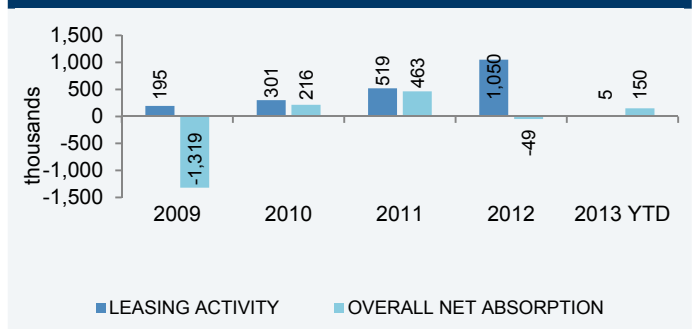
STATS ON THE GO

	Q1 2012	Q1 2013	Y-0-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	13.3%	10.2%	-3.1pp	◀▶
Direct Asking Rents (psf/yr)	\$4.37	\$4.20	-3.9%	◀▶
YTD Leasing Activity (sf)	21,000	5,250	-75.0%	▲

OVERALL RENTAL VS. VACANCY RATES



LEASING ACTIVITY VS. OVERALL NET ABSORPTION



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	1,126,598	0.9%	0	0	0	(3,124)	(3,124)	\$0.00	\$0.00	\$0.00	\$0.00
Botetourt County	3,731,193	10.5%	0	0	0	0	0	\$0.00	\$0.00	\$6.00	\$3.60
North Franklin County	1,483,712	9.2%	0	0	0	(4,300)	(4,300)	\$0.00	\$0.00	\$0.00	\$1.75
Northeast Roanoke	10,365,471	9.4%	5,250	103,000	0	102,017	102,017	\$10.75	\$0.00	\$0.00	\$2.60
Northwest Roanoke	1,865,300	11.0%	0	0	0	72,850	72,850	\$0.00	\$8.75	\$5.25	\$5.35
South Franklin County	490,720	39.7%	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Southeast Roanoke	2,077,957	9.9%	0	0	0	(7,540)	(7,540)	\$0.00	\$0.00	\$5.00	\$2.75
Southwest Roanoke	9,826,323	10.6%	0	0	0	(9,922)	(9,922)	\$7.50	\$2.88	\$6.76	\$2.78
TOTALS	30,967,274	10.2%	5,250	103,000	0	149,981	149,981	\$8.87	\$4.64	\$6.56	\$2.72

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

MARKET HIGHLIGHTS

Significant Q1 2013 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
1701 Midland Road	Southwest Roanoke	Fame Allstars	Warehouse/Distribution	8,050
1726 Siebel Drive NE	Northeast Roanoke	N/A	Office Service	3,000
7736 Garland Circle	Northeast Roanoke	N/A	Office Service	2,250
Significant Q1 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
N/A				
Significant Q1 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
3435 NE Chip Drive	Northeast Roanoke	Federal Express	Q2 2013	103,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS