

MARKETBEAT OFFICE SNAPSHOT

ROANOKE, VA

A Cushman & Wakefield Alliance Research Publication

Q1 2013



OCCUPANCY AND ECONOMICS

The Roanoke office market started 2012 with an overall vacancy rate of 9.6%, and it was fairly steady throughout the year. 2013 has gotten off to an auspicious start, with overall vacancy up to 11.5%. Absorption is negative so far for the year, with the majority of that in the southwest quadrant of Roanoke. Vacant sublease space is down slightly from last year with just over 16,000 square feet (sf) of vacant available sublease space on the market. Rental rates are down slightly from one year ago. While there have been some leases and sales, there has not been a lot of new business coming into the area to absorb space.

Unemployment in the Roanoke MSA was 6.0% in February, the most recent data available at the time of publication. The labor force has also been shrinking, down 3.9% from August 2011, or 6,322 people.

DOWNTOWN

The central business district continues to see higher than average vacancy rates with Anthem still contracting and CBIZ moving out of downtown last year. While there has been some increase in tenancy, it has not absorbed all of the available space. 111 Franklin Plaza and 310 1st St are two properties with historically full rent rolls that are now advertising significant availability. The Wells Fargo Tower, also characteristically full, just landed Morgan Stanley Smith Barney to occupy the space vacated by KPMG over a year ago.

The Riverside development, technically in downtown, is actively looking for tenants. Conventional wisdom is that this project will be especially tempting to businesses that are looking for true class A space while still having on-site parking and being extremely close to the CBD. The next quarter should tell the tale.

SUBURBAN MARKET

There has been some movement in the suburban market. While few brand new tenants have come into the market, it seems that the trend for tenants who move is that they are looking for slightly more square footage rather than less. This will have a positive effect on absorption over the next quarter. Gentiva, a home healthcare company, increased their footprint by almost 20% in their move and we are seeing the same with several other tenants represented in the market. While some tenants will be able to expand within their current properties, others will need to find new space. This will affect the South Peak development in Roanoke County as well as the newer properties in Daleville and Botetourt positively.

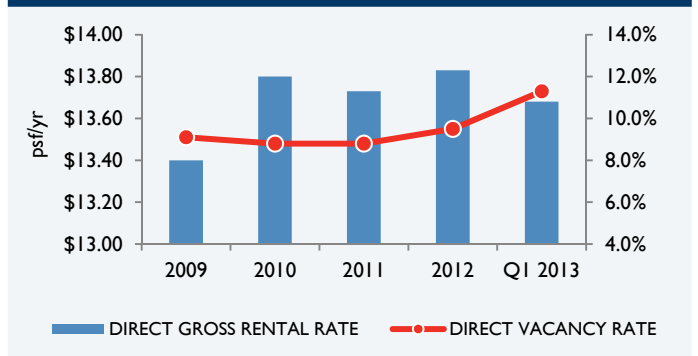
OUTLOOK

The next several quarters will continue to see slow but steady growth. While there is still some significant vacancy, there is new product staged to come on the market although it is waiting for tenants before construction will begin. Absorption should turn upward, but barring a new major company moving to the county or city, it will likely take some time to fill the current inventory. The number of tenants in the market is encouraging and leasing activity should pick up.

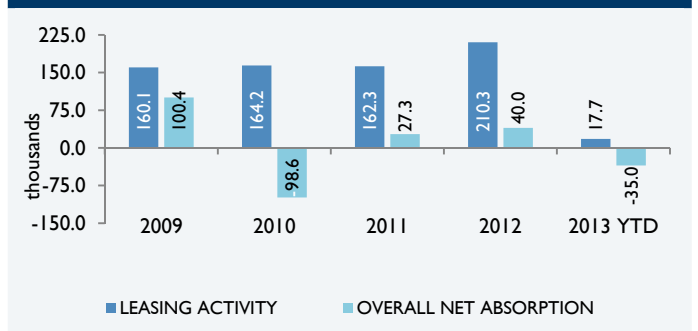
STATS ON THE GO

	Q1 2012	Q1 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.6%	11.5%	1.9pp	▼
Direct Asking Rents (psf/yr)	\$13.75	\$13.68	-0.5%	◀▶
YTD Leasing Activity (sf)	35,093	17,709	-49.5%	▲

DIRECT RENTAL VS. VACANCY RATES



LEASING ACTIVITY VS. OVERALL NET ABSORPTION



ROANOKE, VA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Downtown Roanoke	4,563,659	16.6%	16.6%	5,797	0	0	(13,522)	(11,137)	\$15.87	\$22.05
Botetourt County	691,651	10.1%	10.1%	5,514	0	0	(17,000)	(17,000)	\$11.92	\$0.00
North Franklin County	277,248	12.0%	12.0%	3,600	0	0	1,000	1,000	\$13.51	\$0.00
Northeast Roanoke	1,906,354	10.6%	10.6%	0	0	0	20,531	20,531	\$13.09	\$0.00
Northwest Roanoke	753,614	5.1%	5.1%	0	0	0	1,393	1,393	\$11.95	\$0.00
South Franklin County	66,114	25.0%	25.0%	1,100	0	0	0	0	\$10.00	\$0.00
Southeast Roanoke	337,577	6.6%	6.6%	0	0	0	(1,406)	(1,406)	\$7.74	\$0.00
Southwest Roanoke	4,798,310	8.2%	7.9%	1,698	0	0	(28,382)	(28,382)	\$13.23	\$15.40
TOTALS	13,394,527	11.5%	11.3%	17,709	0	0	(37,386)	(35,001)	\$13.68	\$11.47

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q1 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
10 South Jefferson Street	CBD	Morgan Stanley Smith Barney	A	9,917
Century Business Center*	Northeast Roanoke	Gentiva	B	6,700
309 Campbell Avenue	CBD	Valor Partners	C	3,990
Significant Q1 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
7711 Plantation Road	Northeast Roanoke	N/A	\$27,133,531 / \$61	443,181
13161 Booker T Washington Highway	North Franklin County	N/A	\$605,000 / \$100	6,000
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
N/A				

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS