

MARKETBEAT

RETAIL SNAPSHOT

ROANOKE | LYNCHBURG, VA
A Cushman & Wakefield Research Publication

Q3 2014



ECONOMIC OVERVIEW

The Roanoke metropolitan area's unemployment rate as of August was 6.1%. This rate is an increase from numbers posted in the first and second quarter of the year and can be mainly attributed to downsizing in the office services sector. With the increase to Roanoke's unemployment rate it is now comparable to the New River Valley and Lynchburg which have remained mostly unchanged since the beginning of the year.

New data released by the Bureau of Economic Analysis promotes a different picture for the region. The data shows that Roanoke is the second leading growth economy in the Commonwealth and that Roanoke's economy is growing at its fastest rate in more than five years.

In addition to the economic growth, Roanoke has ranked at the top of the list once again when it comes to cost of living. Numbers released by the Council for Community and Economic Research list an index of 90.9; costs in Roanoke are 9.1% lower than the national average of 100. Roanoke is in the top 25% of metros nationally for cost of living.

RETAIL MARKET OVERVIEW

The retail market remains tight, with a vacancy rate of 5.2% in Roanoke. This rate is slightly lower than the three remaining top MSA's in the Commonwealth and suggests a pent up demand for new construction and better retail product. The probability of leasing in months has also increased to above 80% over the next 24 months which again points to the demand for additional new construction in the market area. Triple net asking rent per square foot (psf) is still quite stagnant, hovering at just under \$12.00 psf due to the lack of new construction deliveries of 84,000 square feet (sf) and the weak leasing activity year-to-date of just less than 300,000 sf.

Construction starts have seen an increase with almost 200,000 sf in activity year-to-date. The market will see the first of several new grocery anchored shopping centers built since 2008 due to Walmart's announcement of several new locations of their 41,000- sf Neighborhood Market grocery concept in both Roanoke and Lynchburg.

New leasing activity will bring several new restaurant concepts to the area including Mission BBQ and Mellow Mushroom as well as additional general retail leasing in the Towers, Towne Square and Valley View areas of Roanoke. New sales activity and investment sale activity also increased in the quarter with several bank branch

transfers as well as additional NNN and grocery anchored investment transactions.

OUTLOOK

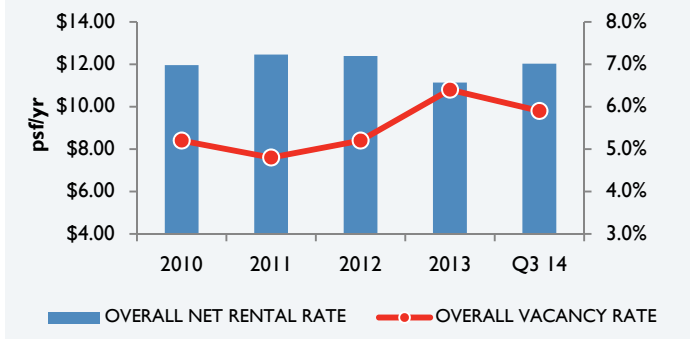
New construction should increase as developers take advantage of strong pre-leasing to get projects out of the ground. Expect the vacancy rate to stay within the 6% range. Although the overall asking rates across retail property types will not show a strong increase, asking rates in newer product will continue to push upward with the market finally seeing a supply of new class A product hitting the market.

ECONOMIC INDICATORS

NATIONAL	2013	2014F	2015F
GDP Growth	2.2%	2.2%	3.5%
CPI Growth	1.5%	1.8%	2.1%
Consumer Spending Growth	2.4%	2.4%	3.6%
Retail Sales Growth	4.2%	4.1%	6.1%
REGIONAL	2013	2014F	2015F
Household Income	\$46,256	\$46,326	\$47,771
Population Growth	0.5%	0.3%	0.4%
Unemployment	5.8%	5.3%	4.9%

Source: Moody's Analytics

OVERALL RENTAL VS. VACANCY RATES



Source: Property & Portfolio Research Inc.

ROANOKE STATISTICS

SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	ASKING RENT	RENT GROWTH	ABSORPTION
Downtown Roanoke	1,453,017	0	6.1%	1,363,724	\$9.03	0.0%	16,605
Botetourt County	1,307,696	0	9.6%	1,182,611	\$19.07	0.0%	15,808
North Franklin County	788,138	0	10.7%	703,686	\$7.66	0.0%	8,985
Northeast Roanoke	6,890,147	0	2.8%	6,695,983	\$13.14	2.2%	26,091
Northwest Roanoke	3,168,721	0	3.2%	3,067,407	\$14.17	2.0%	(23,182)
South Franklin County	818,697	0	4.7%	780,468	\$10.22	0.0%	6,795
Southeast Roanoke	1,363,454	0	7.2%	1,265,919	\$7.10	0.0%	(11,509)
Southwest Roanoke	7,400,175	0	6.6%	6,914,319	\$17.19	(0.2%)	139,827
ROANOKE	23,190,045	0	5.2%	21,974,117	\$14.06	0.7%	179,420
LYNCHBURG	12,744,039	139,959	7.6%	11,766,520	\$9.02	0.5%	76,317
TOTAL MARKET	35,934,084	139,959	5.9%	33,813,973	\$12.08	0.6%	255,737

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q3 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
1421 Towne Square Boulevard	Northeast Roanoke	Rugged Warehouse	Power Center	9,598
1421 Towne Square Boulevard	Northeast Roanoke	Five Below	Power Center	8,000
4140 Melrose Avenue NW	Northwest Roanoke	Aaron's	Freestanding Retail	7,700
4802 Valley View Boulevard NW	Northeast Roanoke	Versona	Regional Mall	6,000
460 Turner Street	Blacksburg	Wicked Taco	Retail Center	4,100
8 Old Whitmore Avenue	Southeast Roanoke	Starbucks	Mixed Use	1,802
SIGNIFICANT Q3 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
3550 Ferncliff Avenue NW	Northwest Roanoke	MGB Properties, LLC	\$4,534,000 / \$	49,709
2317 Wards Road	Lynchburg	Liberty University	\$3,000,000 / \$	31,840
1800 W. Main Street	Salem	David and Peter Rush	\$1,572,000 / \$	4,203
4203 Electric Road	Southwest Roanoke	Freedom First Credit Union	\$1,525,000 / \$691	2,208
16 Campbell Avenue SW	Downtown Roanoke	ACSP Properties LLC	\$975,000 / \$123	7,923
1611 Hershberger Road NW	Northeast Roanoke	MemberOne Bank	\$750,000 / \$454	1,651
SIGNIFICANT Q3 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
6315 Archcrest Drive	Northeast Roanoke	Goodwill	Q3 2014	11,400 (100%)
1535 Hershberger Road NW	Northeast Roanoke	First Citizens Bank	Q3 2014	3,554 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
4950 Plantation Road	Northeast Roanoke	Walmart Neighborhood Market	Q1 2015	41,500
3419 Orange Avenue NE	East Roanoke	Walmart Neighborhood Market	Q1 2015	41,500
2141 Dale Avenue SE	Southeast Roanoke	Walmart Neighborhood Market	Q1 2015	41,500
21856 Timberlake Road	Lynchburg	Walmart Neighborhood Market	Q1 2015	41,500
8 Old Whitmore Avenue SE	Southeast Roanoke	Mixed Use Development	Q4 2014	31,300