

MARKETBEAT INDUSTRIAL SNAPSHOT

ROANOKE/LYNCHBURG, VA A Cushman & Wakefield Alliance Research Publication

Q1 2014



ECONOMIC OVERVIEW

The unemployment rate for February was 5.5%, down from 6.0% one year prior. In 2013, Manufacturing jobs saw a solid 2.3% gain, while construction jobs were flat. Trade, Transportation and Utility jobs were up slightly

at 0.8%. Positive gains in these sectors bode well for the industrial real estate market, and help offset job losses in Professional and Business Services, which saw a 3.3% decrease in 2013.

SALES AND LEASING ACTIVITY

Sales and leasing volume continued to be slow during the first quarter of the year with only a few transactions to report. There are a number of active prospects in the market; however, finding suitable space is difficult. Interest in the region continues to be strong.

Recent announcements include Kilgour Industries, LTD, a UK based manufacturer in the aerospace component industry. It announced plans to construct a 59,000-square foot (sf) manufacturing facility in Patriot Park in Henry County. Kilgour will invest an estimated \$27.3M in the project and bring approximately 155 advanced manufacturing jobs to the area.

Other announcements of significance during the quarter include Altec Industries which has announced the planned addition of 203 jobs and an investment of \$3.9M in its Botetourt County facility. Volvo Trucks North America has just announced the planned addition of 200 jobs at its Pulaski County plant. During the quarter, expansions and new market entry announcements indicate a total investment of approximately \$57.38M and creation of an estimated 743 jobs.

There was only one announced closing of significance during the quarter. The Commodore Corporation announced the planned closing of its Danville facility in April of this year. The Commodore Corporation is in the modular and performance home industry. The closing will result in the loss of 118 jobs.

OUTLOOK

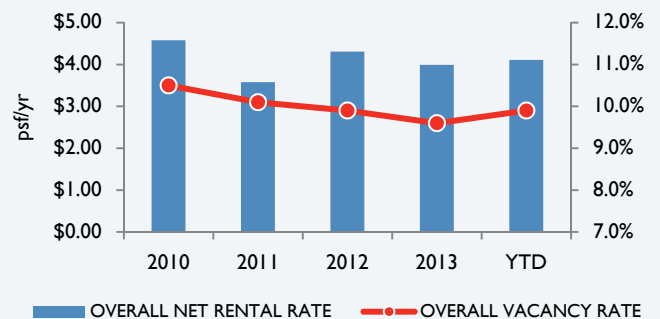
Interest in the region from a wide range of manufacturing and distribution businesses continues to be good. Of particular note is the issuance by the U. S. Army Corps of Engineers of a permit for continued development of Commonwealth Crossings Business Centre in Henry County with grading scheduled to begin in May. Commonwealth Crossings is a 720 acre mega-site located at US 220

South and VA 689. The Roanoke region is also seeing continued growth and development of the craft brewing business. In April Chaos Mountain Brewing will open its new facility in a 20,000-sf former bed factory in the Calloway area of Franklin County. Chaos Brewing joins Roanoke Rail House, Flying Mouse, Parkway, Sunken City, and others in the growing local craft brew industry.

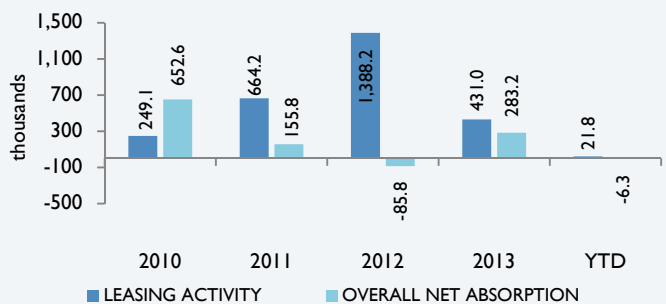
STATS ON THE GO

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.3%	9.9%	0.6pp	↔
Direct Asking Rents (psf/yr)	\$3.93	\$4.08	3.8%	↔
YTD Leasing Activity (sf)	67,658	21,792	-67.8%	▲

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	929,581	0.0	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Botetourt County	3,419,815	12.9%	0	0	0	0	0	\$0.00	\$3.50	\$0.00	\$0.00
North Franklin County	1,415,803	0.2%	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$1.75
Northeast Roanoke	9,882,955	8.8%	18,000	0	0	6,500	6,500	\$0.00	\$0.00	\$0.00	\$3.28
Northwest Roanoke	1,618,531	10.8%	0	0	0	0	0	\$0.00	\$8.75	\$4.50	\$4.50
South Franklin County	512,982	38.0%	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Southeast Roanoke	1,807,414	8.5%	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$2.75
Southwest Roanoke	8,845,994	13.6%	0	0	0	(17,050)	(17,050)	\$0.00	\$3.36	\$6.95	\$3.39
ROANOKE	28,433,075	10.7%	18,000	0	0	(10,550)	(10,550)	\$0.00	\$4.35	\$5.98	\$3.48
LYNCHBURG	10,072,088	7.5%	3,792	0	0	4,240	4,240	\$0.00	\$2.08	\$5.00	\$4.84
TOTALS	38,505,163	9.9%	21,792	0	0	(6,310)	(6,310)	\$0.00	\$3.79	\$5.85	\$4.08

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

Research methodology was updated as of 1Q 2014

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2014 LEASE TRANSACTIONS				
	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
2813 Mary Linda Avenue	Northeast Roanoke	I-800-Radiator & AC	Warehouse	7,000
1415-1427 20 th Street NE	Northeast Roanoke	N/A	Warehouse	6,500
2863 Nicholas Avenue	Northeast Roanoke	N/A	Warehouse	4,500
SIGNIFICANT Q1 2014 SALE TRANSACTIONS				
	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
110 My Twins Lane	Chatham	CRB Electrical Inc.	\$560,000 / \$13.47	41,560
2901 Prosperity Road	Blacksburg	Prosperity Development LLC	\$1,622,000 / \$40.55	40,000
1546 Brownlee Avenue	Southeast Roanoke	Cardinal Rubber & Seal	\$622,800 / \$45.41	13,716
3115 Shenandoah Avenue	Northwest Roanoke	WCS Properties, LLC	\$330,000 / \$39.33	8,390
SIGNIFICANT Q1 2014 CONSTRUCTION COMPLETIONS				
	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Polymer Solutions Inc.	Christiansburg	Owner occupied	Nov. 2014	20,000