

MARKETBEAT INDUSTRIAL SNAPSHOT



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

Q2 2014



ECONOMIC OVERVIEW

The Roanoke economy continues strong growth despite a still-sluggish national economy. In a recent Area Development study, "Leading Locations for 2014: U.S. Metros Ranked for Economic and Job Growth,"

Roanoke is considered a "recession-busting" city, landing in the top third of 379 MSAs for positive economic and workforce indicators. Reflecting the strength of economic growth in the region, Roanoke ranked 79th for real gross metro product growth. Additionally, figures released by the Council for Community and Economic Research for the first quarter of 2014 rank the Roanoke metro area as having the lowest cost of living index in the state.

SALES AND LEASING ACTIVITY

Transactional volume improved during the second quarter compared to the first with manufacturing leading the way. Announcements of significance include an announcement by VOLVO Trucks North America earlier this month of a \$69.0M investment in equipment, process, and plant redesign at its 1.6-million square foot assembly plant in Dublin (Pulaski County). This announcement comes on the heels of an announcement in April of the creation of 200 new jobs at the plant. Henkel-Harris announced the reopening its Winchester furniture plant. RCS Industrial, a manufacturer of conveyor equipment in Salem, announced an expansion adding thirty jobs and an investment of \$1.5M. Other manufacturers that announced expansion plans in the market include TORC Robotics (Montgomery County), Litesheet Solutions (Bedford County), and Modine Manufacturing in Buena Vista.

OUTLOOK

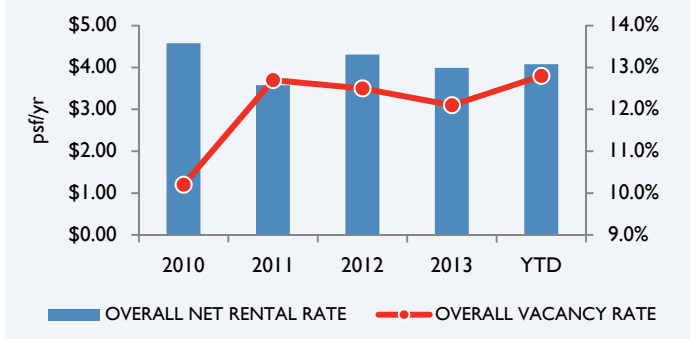
Activity in the manufacturing segment is encouraging. Manufacturers representing a wide range of industries have expanded operations or entered the market this year. Industries include heavy trucks, automotive, food processing, furniture, lighting systems, fertilizers, plastics, and aerospace. Berry Hill Mega Park in Pittsylvania County narrowly missed landing Shandog Tranlin Paper Company due to lack of a pad ready site. Although they ended up committing to Chesterfield County in the Richmond MSA, the serious interest of

Shandog Tranlin Paper Company in the Berry Hill project speaks to the merit of the region.

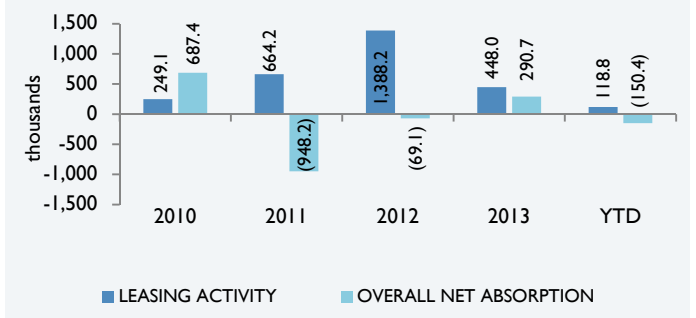
STATS ON THE GO

| | Q2 2013 | Q2 2014 | Y-O-Y CHANGE | 12 MONTH FORECAST |
|------------------------------|---------|---------|--------------|-------------------|
| Overall Vacancy | 12.6% | 12.8 | 0.2pp | ▼ |
| Direct Asking Rents (psf/yr) | \$4.08 | \$4.08 | 0.0% | ◀▶ |
| YTD Leasing Activity (sf) | 267,439 | 118,750 | -55.6% | ▲ |

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 | 9,833,590 | 11.4% | 87,500 | 0 | 0 | (62,177) | 20,823 | \$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 | 1,810,129 | 6.0% | 0 | 0 | 0 | 10,500 | 10,500 | \$0.00 | \$0.00 | \$0.00 | \$2.75 |
| Southwest Roanoke | 8,877,608 | 13.2% | 19,250 | 0 | 0 | 4,433 | 4,433 | \$0.00 | \$3.36 | \$6.95 | \$3.29 |
| ROANOKE | 28,418,039 | 11.4% | 106,750 | 0 | 0 | (47,244) | 35,756 | \$0.00 | \$4.35 | \$5.98 | \$3.42 |
| LYNCHBURG | 10,138,521 | 16.7% | 12,000 | 0 | 0 | (103,139) | (103,139) | \$0.00 | \$2.08 | \$5.00 | \$4.84 |
| TOTALS | 38,556,560 | 12.8% | 118,750 | 0 | 0 | (150,383) | (67,383) | \$0.00 | \$3.72 | \$5.86 | \$4.10 |

* 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 Q2 2014 LEASE TRANSACTIONS

| | SUBMARKET | TENANT | PROPERTY TYPE | SQUARE FEET |
|-----------------------|-------------------|-------------------------------------|---------------|-------------|
| 3736 Tom Andrews Road | Northeast Roanoke | CHEP Pallets USA (Amwear Logistics) | Warehouse | 83,000 |
| 2310 Buford Avenue | Southwest Roanoke | Auto Supply Company, Inc. | Warehouse | 12,511 |

SIGNIFICANT Q2 2014 SALE TRANSACTIONS

| | SUBMARKET | BUYER | PURCHASE PRICE / \$PSF | SQUARE FEET |
|-------------------------------|-------------------|-----------------------------|------------------------|-------------|
| 525 McClelland Street | Salem | Summit Realty Holdings, LLC | \$1,800,000 / \$13.58 | 132,503 |
| 720 E. 3 rd Street | Vinton | MUSA, LLC | \$875,000 / \$19.54 | 44,785 |
| 2314 Patterson Avenue | Southwest Roanoke | Harlan Properties | \$307,500 / \$62.00 | 4,960 |
| 2414 Patterson Avenue | Southwest Roanoke | DNCS, LLC | \$160,000 / \$5.30 | 30,200 |

SIGNIFICANT Q2 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 |