

MARKETBEAT INDUSTRIAL SNAPSHOT

ROANOKE, VA

A Cushman & Wakefield Alliance Research Publication

Q3 2013



ECONOMIC OVERVIEW

The unemployment rate for July 2013, the most recent data available, is down to 6.1% from 6.4% in July 2012. However, this is up from the multi-year low of 5.3% reached in April of this year. Unemployment is staying in a range, neither advancing nor losing ground. Although not strong, the job growth in the Roanoke market has driven positive absorption year-to-date, representing just over 1.0% of the existing office inventory being absorbed.

SALES AND LEASING ACTIVITY

The pace of transactions picked up considerably during the quarter. Purchase transactions that closed during the quarter were fairly evenly divided between investment purchases and purchases made by occupiers. The purchase of 5022 Hollins Rd. by ARDAGH, Inc (an occupier) for \$14.5 million is of particular note as is the purchase of 2121 Gardner and 1950 Salem Industrial by UB 3, LLC (investor) for a combined total of \$21.1 million. Leasing activity was also strong with several larger spaces finding new tenants. In the first and second quarters, spaces less than 10,000 square feet (sf) were being taken. In the third quarter, spaces in the 140,000 to 160,000-sf range were placed along with several in the 32,000 to 38,000-sf size.

OUTLOOK

Economic activity throughout the region continues to improve. During the quarter there were twelve significant announcements of new market entrants or existing business expansion. The announcements are evenly split between new entrants to the market and expansion. It is anticipated that this activity will generate \$147.85m in investment and create 857 new jobs. It is important to note that this expansion is largely manufacturing in nature. On the flip side there were only two closings or reductions announced during the quarter. Grede, LLC announced that it will close its operation at the former Radford Foundry in December laying off 264 and Minova in Buchanan County will be reducing its work force by 65.

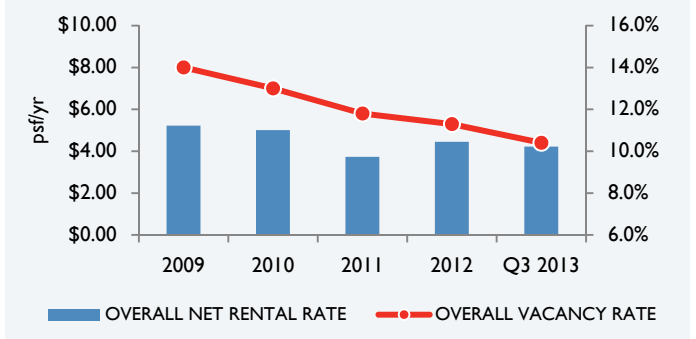
The Commonwealth of Virginia continues to be recognized as a great place to do business and our region is no exception. The region's low cost of doing business, its quality of life, and proximity to major markets coupled with focused and aggressive promotion by state and

local economic development groups will assure its continued growth and prosperity.

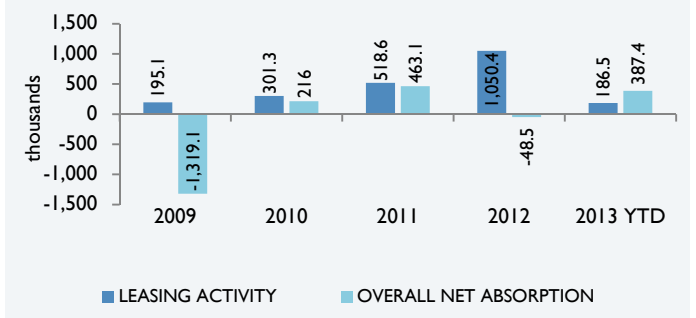
STATS ON THE GO

	Q3 2012	Q3 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	11.2%	10.4%	-0.8pp	↔
Direct Asking Rents (psf/yr)	\$4.42	\$4.22	-4.5%	↔
YTD Leasing Activity (sf)	788,275	186,473	-76.3%	▲

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	1,078,949	0.3%	7,462	0	0	15,452	15,452	\$0.00	\$0.00	\$0.00	\$0.00
Botetourt County	3,622,082	9.2%	4,262	0	0	6,894	6,894	\$0.00	\$0.00	\$0.00	\$0.00
North Franklin County	1,458,353	2.5%	0	0	0	96,435	96,435	\$0.00	\$0.00	\$0.00	\$1.75
Northeast Roanoke	10,377,500	9.1%	25,793	0	103,402	236,528	236,528	\$11.50	\$0.00	\$6.82	\$2.44
Northwest Roanoke	1,674,047	14.2%	40,924	0	0	49,350	49,350	\$0.00	\$8.75	\$5.25	\$5.84
South Franklin County	522,486	37.7%	0	0	0	(65,716)	(65,716)	\$0.00	\$0.00	\$0.00	\$0.00
Southeast Roanoke	2,000,318	8.7%	19,624	0	0	25,232	25,232	\$6.50	\$0.00	\$3.34	\$2.75
Southwest Roanoke	9,724,917	12.7%	88,408	0	0	167,679	167,679	\$5.40	\$3.36	\$6.41	\$3.44
TOTALS	30,458,652	10.4%	186,473	0	103,402	387,394	387,394	\$8.87	\$4.86	\$5.54	\$2.94

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

MARKET HIGHLIGHTS

Significant Q3 2013 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
728 Wertz Road	East Roanoke City	Volvo	Warehouse	160,000
240 Factory Lane	Danville	IKEA	Warehouse	152,000
3994 Pepperell Way	Pulaski County	Korona S. A.	Manufacturing	140,000
3330 Hollins Road	East Roanoke City	H L Lawson	Warehouse	38,000
1701 Midland Road	Salem City	BeavEx, Inc.	Warehouse	33,636
3330 Hollins Road	East Roanoke City	N/A	Warehouse	32,400
340 Apperson Drive	Salem City	N/A	Flex	16,063
Significant Q3 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
2121 Gardner St	Montgomery County	UB 3, LLC	\$15,766,705 / \$33.19	475,000
5022 Hollins Rd	East Roanoke City	ARDAGH, Inc.	\$14,500,000 / \$26.85	540,000
1950 Salem Industrial	Salem City	UB 3, LLC	\$5,338,337 / \$18.09	295,166
308 W. Thacker	Covington	Kemper Prop., Inc	\$2,600,000 / \$21.31	122,000
3304 Aerial Way	West Roanoke City	3 W Corp.	\$2,255,000 / \$19.88	113,400
28 S. Jefferson St.	Pulaski	Falls Stamping & Welding, Inc.	Undisclosed	110,000
3488 Aerial Way	West Roanoke City	Roanoke Aerial Way, LLC	\$2,000,000 / \$45.03	44,419
Significant Q3 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