

MARKETBEAT INDUSTRIAL SNAPSHOT



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

Q3 2014



ECONOMIC OVERVIEW

The Roanoke market continued positive growth in Q3, ranking among the top 50% of U.S. metros in economic growth, according to new data released in September by the Bureau of Economic Analysis. According to the Roanoke Regional Partnership, the BEA data indicates 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.” Roanoke’s gross metropolitan product is over \$13 billion, and is the fourth largest metro economy in the state after Washington-Arlington-Alexandria, Virginia Beach-Norfolk-Newport News, and Richmond, VA. The news comes atop more national recognition of Roanoke as one of “America’s Best Small Cities on the Rise” (SmarterTravel.com).

SALES AND LEASING ACTIVITY

Transactional volume in the region continues to improve. Distribution, warehousing, and manufacturing all showed more improvement in the Roanoke area and along the I-81 corridor, with manufacturing continuing to lead the way. Virginia Economic Development Partnership reports new market entries and expansion of existing business in the greater market creating approximately 961 jobs and an investment in excess of \$71M. One significant project is the announced expansion of James Hardie Building Products in Pulaski with a \$25M expansion project that will add 69 jobs. Vanguard Furniture, a new market entry, announced a project in Carroll County that is expected to result in the addition of 200 jobs. Other significant announcements include Mayville Engineering Company in Smyth County with a \$10M investment creating 160 jobs, O’Sullivan Films in Winchester investing \$6M and bringing 96 jobs, and the relocation of Sky Valley Foods from Yanceyville, NC to Airside Industrial Park in Danville, VA. On October 14, a ribbon cutting was held on Hollister, Inc.’s 50,000-square foot (sf) expansion project at its Stuarts Draft distribution center. There were only two closings or reductions announced during the quarter. Trident Seafood will close its Bedford facility, idling 75 workers, and Cumberland River Coal Co. in Wise County is shutting down a mine resulting in the loss of 250 jobs in Southwest Virginia, an area that has been hard hit by reduced demand for coal. Another notable transaction is the purchase of the former Investa Stone Fort II facility in Lynchburg by InterChange Group. InterChange Group, a regional 3PL provider and industrial developer located in Harrisonburg, will upgrade the 322,000-sf facility to achieve a food grade certification. The property encompasses 35 acres, allowing for future expansion of the facility to 530,000 sf.

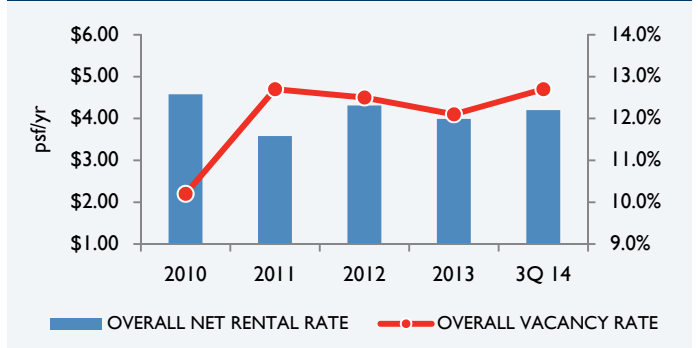
OUTLOOK

The Roanoke Valley, New River Valley, Southside, and the I-81 corridor continue to grow and prosper. Activity in the manufacturing sector over the past several quarters is particularly encouraging. Near term growth potential is constrained to a certain degree by the lack of available class A and B space. It should be noted that there has been success backfilling older manufacturing space. The outlook for the area continues to be positive both short and long term.

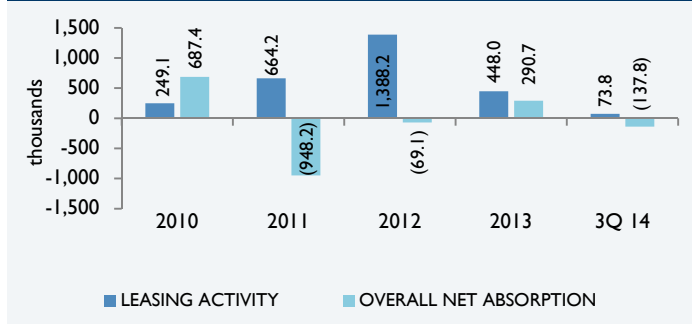
STATS ON THE GO

	Q3 2013	Q3 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	12.3%	12.7	0.4pp	▼
Direct Asking Rents (psf/yr)	\$3.87	\$4.2	8.5%	◀▶
YTD Leasing Activity (sf)	393,850	73,762	-81.3%	▲

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	969,920	3.0%	0	0	0	(29,188)	(29,188)	\$0.00	\$0.00	\$0.00	\$0.00
Botetourt County	3,419,815	13.5%	0	0	0	(20,000)	(20,000)	\$0.00	\$3.50	\$0.00	\$0.00
North Franklin County	1,415,803	2.7%	0	0	0	(35,000)	(35,000)	\$0.00	\$0.00	\$0.00	\$1.75
Northeast Roanoke	9,899,899	11.3%	4,500	0	0	(48,695)	34,305	\$0.00	\$0.00	\$0.00	\$4.33
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	9,017,081	14.3%	29,580	0	0	(78,043)	(78,043)	\$0.00	\$3.48	\$6.95	\$3.58
ROANOKE	28,664,160	11.9%	34,080	0	0	(200,426)	(117,426)	\$0.00	\$4.47	\$5.98	\$4.05
LYNCHBURG	10,265,305	15.0%	39,682	0	0	(20,388)	(20,388)	\$0.00	\$2.08	\$5.00	\$4.84
TOTALS	38,929,465	12.7%	73,762	0	0	(220,814)	(137,814)	\$0.00	\$3.89	\$5.75	\$4.63

* 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 Q3 2014 LEASE TRANSACTIONS

SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET	
103 Ogden Road	Campbell County	Graham Packaging	Warehouse	122,680
755 Roanoke St.	Christiansburg	LUNA Inovations, Inc.	R&D / Mfg	41,000
7500 Shadwell Dr.	Northeast Roanoke	GALA Machinery	Warehouse	20,000
1320 Stephenson Ave	Lynchburg	Aero Clean	Warehouse	15,982
1201 Thurman Ave.	Lynchburg	Unidentified	Warehouse	11,700
7670 Enon Dr.	Northeast Roanoke	ECS (Engineering Consulting Services)	R&D	7,500

SIGNIFICANT Q3 2014 SALE TRANSACTIONS

SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET	
443 South Oak Ln.	Lyndhurst, VA	InterChange Group	\$3,900,000 / \$12.11	322,000
30 Packaging Dr.	Weyers Cave	A.G. Stacker	\$2,900,000 / \$28.16	103,000
1830 Blue Hills Dr.	Northeast Roanoke	McLip Properties, LLC	\$1,175,000 / \$16.32	72,000
1404 Municipal Rd.	Northwest Roanoke	VI Associates, LLC	\$1,780,000 / \$39.64	44,907
905 Graves Mill Rd.	Lynchburg	Lester Group, LLC	\$2,625,000 / \$68.99	38,050
3719 Tom Andrews Rd.	West Roanoke City	751 Properties, LLC	\$1,400,000 / \$56.00	25,000

SIGNIFICANT Q3 2014 CONSTRUCTION COMPLETIONS

SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)	
Hollister, Inc.	Augusta County	Hollister, Inc	Q3 2014	50,000 (100%)

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)	
Polymer Solutions Inc.	Christiansburg	Owner occupied	Q4 2014	20,000 (100%)
InterChange Group	Harrisonburg	Intrapac Group	Q2 2015	70,000 (43%)