

# MARKETBEAT INDUSTRIAL SNAPSHOT

## ROANOKE, VA

A Cushman & Wakefield Alliance Research Publication

Q4 2013



### ECONOMIC OVERVIEW

The unemployment rate for November 2013, the most recent data available, is down to 5.1% from 5.5% in November 2012. This is the lowest unemployment rate since December 2008. In the past year, the rate has fluctuated, going as high as 6.3% in June. Despite the record-low rate in recent history, the number of employed only rose 0.8% in the last year, so the job recovery is positive, but still slow.

### SALES AND LEASING ACTIVITY

Transactional volume slowed in the fourth quarter compared to the previous quarter. Sale transactions continue to be fairly evenly divided between investors and occupiers. The pace of leasing activity was also less than the previous quarter however this is not believed to be indicative of weakness in the market. Looking back at 2013, sales and leasing activity has shown steady improvement as the economy and confidence in the market improves. The most notable transaction during the year was the purchase by ARDAGH, Inc. of the 540,000-square foot (sf) F Hanover Direct distribution center in Roanoke City. The \$14.5-million purchase is the largest in recent history.

### OUTLOOK

Steady growth has been the trend during the year. Interest in the region remains strong. It is particularly noteworthy that a number of old and obsolete industrial facilities have been backfilled by industrial users both in manufacturing and distribution. This is particularly true in Pulaski County and the New River Valley where multiple older facilities that had been vacant for extended periods are now, or will soon be, operating industrial facilities. Another recent development of significance is the approval of funding by the Virginia Tobacco Commission for a study for the Corps of Engineers at Commonwealth Crossing Business Centre in the Ridgeway area of Henry County. Commonwealth Crossing is a mega-site, 726 acres in size. The study, which is the first step toward making the site ready for large scale development, is being triggered by two potential projects being considered for the site.

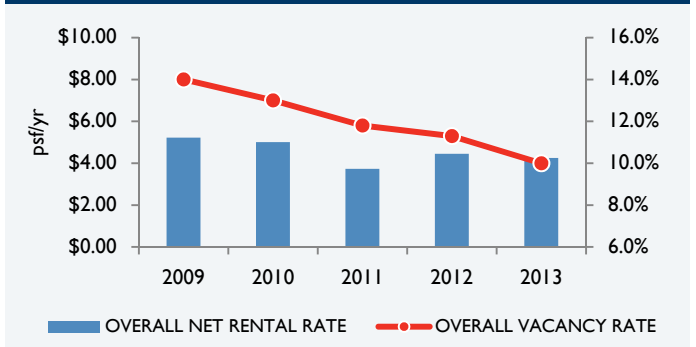
There were five announcements of reductions or closings during the quarter impacting 390 jobs. The two closings were Caterpillar Global Mining in Pulaski County scheduled to close in June 2014 resulting in 240 jobs lost, and CraftMaster Manufacturing in Montgomery County resulting in the loss of 109 jobs. Caterpillar Global Mining is in the underground mining equipment business and CraftMaster is a

manufacturer of doors and windows. During the quarter fourteen existing facility expansions or new entries to the region were announced. This represents an anticipated investment in excess of \$75mm and 965 jobs. In spite of the facility closures mentioned above the outlook for the region remains strong.

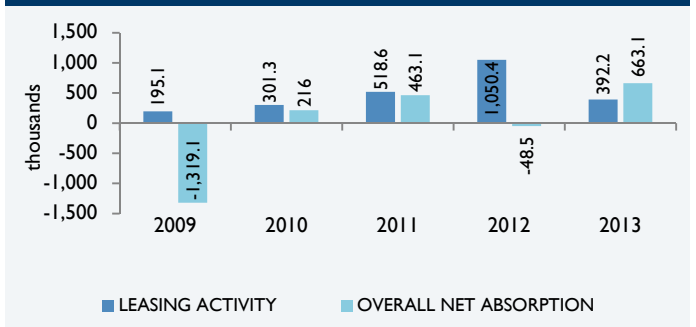
### STATS ON THE GO

	Q4 2012	Q4 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	11.3%	10.0%	-1.3pp	◀▶
Direct Asking Rents (psf/yr)	\$4.45	\$4.23	-4.9%	▶▶
YTD Leasing Activity (sf)	1,050,422	392,160	-62.7%	▲

### 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	1,053,434	1.2%	7,462	0	0	(2,299)	(2,299)	\$0.00	\$0.00	\$0.00	\$0.00
Botetourt County	3,610,485	12.2%	4,262	0	0	(35,562)	(35,562)	\$0.00	\$3.50	\$0.00	\$0.00
North Franklin County	1,458,353	0.4%	0	0	0	134,535	134,535	\$0.00	\$0.00	\$0.00	\$1.75
Northeast Roanoke	10,377,500	8.0%	141,293	0	103,402	330,903	330,903	\$0.00	\$0.00	\$6.82	\$4.50
Northwest Roanoke	1,702,717	10.7%	79,924	0	0	77,242	77,242	\$0.00	\$9.75	\$4.75	\$4.50
South Franklin County	522,486	37.3%	0	0	0	(63,700)	(63,700)	\$0.00	\$0.00	\$0.00	\$0.00
Southeast Roanoke	1,998,392	8.7%	19,624	0	0	25,232	25,232	\$0.00	\$0.00	\$3.34	\$2.75
Southwest Roanoke	9,706,629	12.3%	139,595	0	0	196,715	196,715	\$0.00	\$3.36	\$6.41	\$3.44
<b>TOTALS</b>	<b>30,429,996</b>	<b>10.0%</b>	<b>392,160</b>	<b>0</b>	<b>103,402</b>	<b>663,066</b>	<b>663,066</b>	<b>\$0.00</b>	<b>\$4.42</b>	<b>\$5.49</b>	<b>\$3.13</b>

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

## MARKET HIGHLIGHTS

<b>Significant 2013 Lease Transactions</b>	<b>SUBMARKET</b>	<b>TENANT</b>	<b>PROPERTY TYPE</b>	<b>SQUARE FEET</b>
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
<b>Significant 2013 Sale Transactions</b>	<b>SUBMARKET</b>	<b>BUYER</b>	<b>PURCHASE PRICE / \$PSF</b>	<b>SQUARE FEET</b>
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
3435 NE Chip Drive	Northeast Roanoke	SUNCAP Roanoke, LLC	\$10,200,000 / \$99	103,402
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
<b>Significant 2013 Construction Completions</b>	<b>SUBMARKET</b>	<b>MAJOR TENANT</b>	<b>COMPLETION DATE</b>	<b>BUILDING SQUARE FEET</b>
3435 NE Chip Drive	Northeast Roanoke	Federal Express	Q2 2013	103,402
<b>Significant Projects Under Construction</b>	<b>SUBMARKET</b>	<b>MAJOR TENANT</b>	<b>COMPLETION DATE</b>	<b>BUILDING SQUARE FEET</b>
N/A				

\* OUTSIDE ROANOKE MSA - NOT INCLUDED IN LEASING ACTIVITY STATISTICS