

# MARKETBEAT INDUSTRIAL SNAPSHOT



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

Q4 2014



### ECONOMIC OVERVIEW

The Roanoke Region continued to see positive growth throughout the quarter, ending 2014 as one of the top growing metropolitan areas in Virginia. Roanoke continues to boast the lowest cost of living among metropolitan areas in Virginia and received a wide range of publicity throughout the year as a tourist destination and strong business location from several publications across the United States. The unemployment rate from the beginning of the year dropped from 5.6% to 4.7%, below the state average of 5.0%.

### SALES AND LEASING ACTIVITY

Regionally the volume of transactions began the year at a modest pace. As the year progressed transactional volume steadily improved. Transactions of note in the fourth quarter include 129 Vista Centre Drive, Forest, a 50,000-square foot (sf) multi-tenant industrial property which sold for \$3.2 million and 565 Electric Road, Salem, 121,297 sf which sold for \$2.8 million. Significant leases during the quarter include 100,000 sf of distribution space at 145 Brand Avenue, Salem. Significant leases during the year include the renewal of 274,000- f of distribution coupled with a 108,384-sf expansion in the same Brand Avenue facility and the lease of a 132,000-sf food production facility at 145 Cane Creek Boulevard, Danville.

During the quarter twenty one new or expansion projects were announced by the Virginia Economic Development Partnership. These projects are expected to result in approximately 1,772 new jobs and represent an investment on the order of \$266.5M. In 2014 there were fifty announcements of significant expansions or new market entries to Southwest Virginia and along the I-81 corridor. These projects represent an investment in excess of \$537M and are expected to create approximately 3,800 new jobs. These projects represent a wide range of industries including manufacturing, distribution, and service industries. In the manufacturing segment a broad spectrum of industries is represented. These include automotive, food products, energy, wood products, furniture, aerospace, plastics and coatings, and building components.

### OUTLOOK

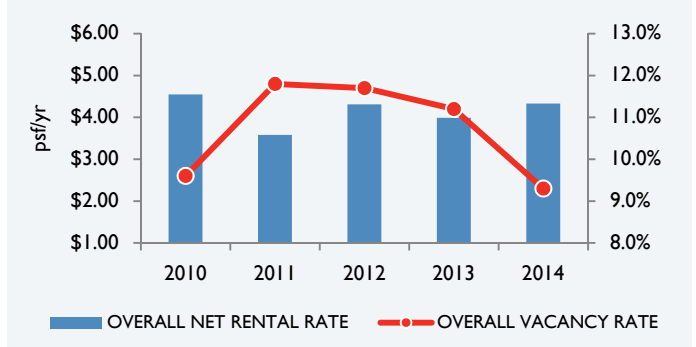
Looking ahead to 2015 and beyond the future looks bright. Major investment by VOLVO Trucks North America and the announced hiring of 400 people in Pulaski County has been a catalyst for success in backfilling older manufacturing facilities with suppliers to that plant and attracting other unrelated industries to Pulaski and the New River Valley. Henry County and Southside have seen success

attracting new and the expansion of existing industries as well. In Henry County the Corp of Engineers recently approved grading to begin in Commonwealth Crossing Business Centre, a 726-acre mega site along US 220 in the Ridgeway area of the county. Commonwealth Crossing is being considered as a possible site for a major distribution center as well as a smaller industrial building. The I-81 corridor north to the state line also continues to experience steady growth in distribution as well as advanced manufacturing. Far southwest Virginia, historically a coal-based economy, is seeing some success in attracting non-coal industries including bio-fuels and IT support businesses.

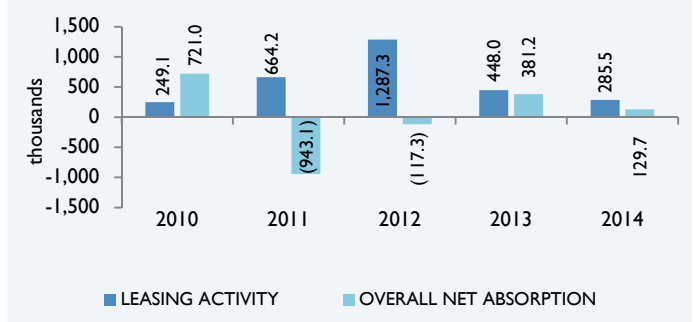
### STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	11.2%	9.3%	-1.9pp	▼
Direct Asking Rents (psf/yr)	\$3.96	\$4.33	9.3%	◀▶
YTD Leasing Activity (sf)	447,950	285,525	-36.3%	▲

### 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		
								MF	OS	W/D
Downtown Roanoke	969,920	3.0%	0	0	0	(29,188)	(29,188)	\$0.00	\$0.00	\$0.00
Botetourt County	3,409,815	13.4%	105,000	0	0	(15,000)	(15,000)	\$3.60	\$0.00	\$0.00
North Franklin County	2,636,116	0.1%	35,000	0	0	(41,900)	(41,900)	\$0.00	\$0.00	\$3.25
Northeast Roanoke	9,810,597	10.3%	20,250	0	0	437	83,437	\$12.50	\$0.00	\$4.52
Northwest Roanoke	1,729,624	9.3%	27,000	0	0	22,060	22,060	\$7.71	\$4.50	\$4.50
South Franklin County	976,321	20.6%	0	0	0	(6,000)	(6,000)	\$0.00	\$0.00	\$0.00
Southeast Roanoke	3,037,619	3.6%	0	0	0	82,300	82,300	\$0.00	\$3.92	\$0.00
Southwest Roanoke	11,114,204	11.0%	47,574	0	0	83,501	83,501	\$3.75	\$7.50	\$3.89
<b>ROANOKE</b>	<b>33,714,216</b>	<b>9.5%</b>	<b>234,824</b>	<b>0</b>	<b>0</b>	<b>96,210</b>	<b>179,210</b>	<b>\$4.47</b>	<b>\$5.98</b>	<b>\$3.86</b>
<b>LYNCHBURG</b>	<b>9,718,199</b>	<b>8.4%</b>	<b>50,701</b>	<b>0</b>	<b>0</b>	<b>(49,502)</b>	<b>(49,502)</b>	<b>\$3.50</b>	<b>\$5.02</b>	<b>\$4.84</b>
<b>TOTALS</b>	<b>43,432,415</b>	<b>9.3%</b>	<b>285,525</b>	<b>0</b>	<b>0</b>	<b>46,708</b>	<b>129,708</b>	<b>\$4.24</b>	<b>\$5.50</b>	<b>\$4.41</b>

\* 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 2014 LEASE TRANSACTIONS

	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
131,141,145 Brand Ave (renewal & expansion)	Salem	Unidentified	Warehouse	382,384
145 Cane Creek Boulevard	Danville	Sky Valley Foods	Manufacturing	132,000
3736 Tom Andrews	Northeast Roanoke	CHEP Pallets (Amwear Logistics)	Manufacturing	83,000
755 Roanoke St	Christiansburg	Inmotion	Manufacturing	60,000
755 Roanoke St.	Christiansburg	LUNA Innovations	R&D Manufacturing	41,000

### SIGNIFICANT 2014 SALE TRANSACTIONS

	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
443 South Oak Lane	Lyndhurst	InterChange Group	\$3,900,000 / \$12	322,000
525 McClelland Street	Salem	Summit Realty Holdings, LLC	\$1,800,000 / \$14	132,000
565 Electric Road	Salem	Carter Machinery	\$2,800,000 / \$23	121,297
30 Packaging Drive	Weyers Cave	A.G. Stacker	\$2,900,000 / \$28	103,000
835 Korte Street SW	Southwest Roanoke	Third Capital Inc	\$1,300,000 / \$20	80,000
129 Vista Centre Drive	Forest	NTB Holdings, LLC	\$3,200,000 / \$64	50,000
1404 Municipal Road	Northwest Roanoke	VI Associates, LLC	\$1,780,000 / \$40	44,970
905 Graves Mill Road	Lynchburg	Lester Group	\$2,625,000 / \$69	38,050

### SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS

	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Hollister, Inc.	Augusta County	Hollister, Inc	Q3 2014	50,000 (100%)
Falling Branch Corporate Park	Christiansburg	Polymer Solutions	Q4 2014	20,000

### SIGNIFICANT PROJECTS UNDER CONSTRUCTION

	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
InterChange Group	Harrisonburg	Intrapac Group	Q2 2015	70,000 (43%)