

MARKETBEAT

Roanoke

Industrial Q2 2018



ROANOKE INDUSTRIAL

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Roanoke Employment	160.1k	161.4k	▼
Roanoke Unemployment	3.9%	3.3%	▼
U.S. Unemployment	4.3%	3.8%	▼

Numbers above are quarterly averages; April, May, June 2018 data used to represent Q2 2018.

Market Indicators (Overall, All Property Types)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	7.3%	6.6%	▼
YTD Net Absorption (sf)	170k	472k	▲
Under Construction (sf)	0	0	■
Average Asking Rent*	\$4.76	\$5.16	▲

*Rental rates reflect net asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

The Roanoke area unemployment rate ended the second quarter of 2018 at 3.3%, a decrease of 50 basis points (bps) from the first quarter of 2018 and a 60-bp reduction when compared to second quarter 2017. The Roanoke area unemployment continues to be less than the current national average of 3.8%. Unemployment in the Lynchburg VA MSA is also hovering around 3.3%. Practically speaking, both the Roanoke and Lynchburg markets are at full employment.

Market Overview

The Virginia Economic Development Partnership announced seven projects in the greater Roanoke and Lynchburg markets during the quarter. Six of these projects are expansions of existing businesses. There was one new to the market. These projects represent an anticipated investment of approximately \$32.4 million and 100 jobs. The most significant announcement is a \$14.3-million expansion announced by Stik-Pak Solutions in Franklin County, south of Roanoke, that is expected to bring 50 jobs. Stik-Pak Solutions is a manufacturer of packaging materials. New to the market is SchaeferRolls, Inc., a manufacturer of polymer based roll covers, coming to Covington. Covington is a small town north of Roanoke. SchaeferRolls will invest \$12.1 million and add 31 jobs. During the quarter, 10 sale transactions closed during the quarter representing 194,588 square-feet (sf) totaling just under \$6.2 million in value. The average price per square foot was \$31.73. Eight leases were signed for a total of 140,144 sf.

Outlook

The economy in both the Roanoke and Lynchburg markets is healthy and stable. The majority of projects in recent quarters have been expansions of existing businesses as opposed to new to the market. There is a shortage of inventory of desirable industrial space as well as pad ready sites in both markets. This lack of supply is putting upward pressure on rents. The lack of inventory coupled with a tight labor market is expected to continue for the foreseeable future. While there is no significant new construction in the pipeline, some progress is being made in the creation of pad ready sites. The creation of pad ready sites is an important first step in the longer term.

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