

MARKETBEAT

Roanoke

Industrial Q4 2018



ROANOKE INDUSTRIAL

Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Roanoke Employment	159.5k	163.4k	▲
Roanoke Unemployment	3.6%	2.8%	▼
U.S. Unemployment	4.1%	3.7%	▼

Numbers above are quarterly averages; Oct./Nov./Dec. 2018 data used to represent Q4 2018.

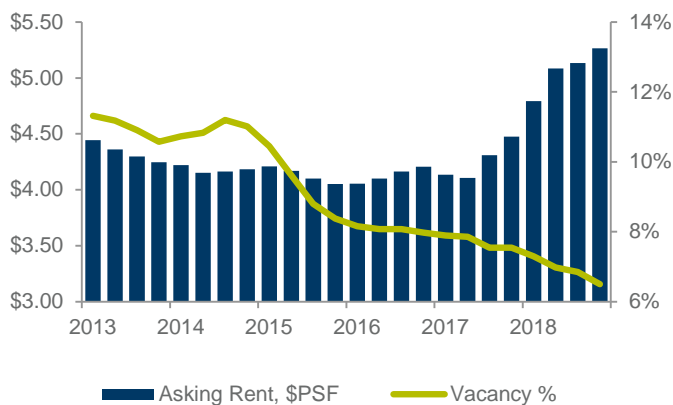
Market Indicators (Overall, All Property Types)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	7.2%	5.8%	▼
Net Absorption (sf)	6k	487k	▲
Under Construction (sf)	260k	0	▼
Average Asking Rent*	\$4.98	\$5.51	▲

*Rental rates reflect net asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

The Roanoke area unemployment rate ended the fourth quarter of 2018 at 2.8%, a decrease of 20 basis points (bps) from the third quarter of 2018 and an 80-bp reduction when compared to fourth quarter 2017. The Roanoke area unemployment continues to be less than the current national average of 3.7%.

Unemployment in the Lynchburg VA MSA is also hovering around 3.5% and around 2.6% in the Blacksburg-Christiansburg-Radford VA MSA. Practically speaking, the Roanoke, Lynchburg, and New River Valley (NRV) markets are at full employment.

Market Overview

There were three projects announced by The Virginia Economic Development Partnership in the greater Roanoke, Lynchburg and NRV markets during the quarter. All three are expansions of existing businesses representing an anticipated investment of \$18.3 million and adding 110 new jobs. The most significant of these is the expansion of Empire Bakery Commissary (Roanoke area). Empire Bakery Commissary produces ready to sell bakery desserts for retailers and intends to add 75 employees. Five projects were announced in the Danville and Pittsylvania County (Southside) markets. Two of these projects are the expansion of existing businesses and three are new businesses to the market. There were no layoff or closure announcements in the market during the quarter. The pace of projects announced in 2018 is off of the pace of the previous year with 27 projects announced in 2018 compared to 66 in 2017. Commonwealth Crossing Business Center in Henry County and Southern Virginia Mega Site at Berry Hill in Pittsylvania County appear to be gaining traction with the announcement of Press Glass earlier this year at Commonwealth Crossing, several active prospects for both projects, and investment in infrastructure is being made to enhance their marketability. Roanoke, Lynchburg and the NRV continue to be constrained by lack of inventory and low unemployment. The vacancy rate has fallen steadily since Q1 2017 from 7.9% vacancy to 6.5% in Q4 2018. Average offering rents have increased from \$4.14 per square foot (psf) net to \$5.27 psf.

Outlook

2019 is expected to build on the momentum created over the past few years. The shortage of inventory of desirable industrial space as well as pad ready sites in the region is expected to continue for the foreseeable future as is the resulting upward pressure on rents.

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