

MARKETBEAT

ROANOKE

Office Q1 2017



ROANOKE OFFICE

Economic Indicators

| | Q1 16 | Q1 17 | 12-Month Forecast |
|----------------------|-------|-------|-------------------|
| Roanoke Employment | 162k | 164k | ▲ |
| Roanoke Unemployment | 4.1% | 4.1% | ■ |
| U.S. Unemployment | 4.9% | 4.8% | ■ |

Market Indicators (Overall, All Classes)

| | Q1 16 | Q1 17 | 12-Month Forecast |
|-------------------------|---------|---------|-------------------|
| Vacancy | 9.6% | 8.8% | ▼ |
| Net Absorption (sf) | -255k | 171k | ■ |
| Under Construction (sf) | 0 | 0 | ▲ |
| Average Asking Rent* | \$13.75 | \$15.53 | ■ |

*Rental rates reflect gross asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

Economic indicators for the Roanoke metropolitan area reported an overall unemployment rate remaining steady at 4.1%, below the national average, and job growth up 1.8% from February 2016. According to the Roanoke Regional Partnership, employment gains were “mainly in education, health services, and professional and business services.”

Market Overview

Net absorption in the first quarter was positive and resulted in a slight decrease in the Roanoke office vacancy as the available product in the Southwest Roanoke submarket continued to tighten. The largest vacancy in the Southwest Roanoke submarket is 1819 Electric Road—the former Allstate Building—which is scheduled for auction in April. There was also an uptick in tenant activity in the downtown Roanoke market. Johnson Ayers and Matthews leased approximately 10,000 square feet (SF) in the BB&T Bank Building while Alcovia Mortgage recently relocated into approximately 14,000 SF of new office space purchased on Market Street. Additionally, One Ten Franklin—the former Norfolk Southern building—came available for lease. The new ownership is investing in new amenities, including a fitness center and locker rooms for tenants, as well as upgrades to the lobby area. The ownership group expects to be able to announce tenants within the next few months.

Outlook

With new office product in the market, increased leasing activity, and forecasted employment growth in the office sector, the outlook is positive for the Roanoke market. As summarized by the Roanoke Regional Partnership, the “region is poised for continued growth heading into the rest of 2017. More than 1,400 jobs were announced in 2016 from projects including Deschutes Brewery, Eldor Corporation, Virginia Community College System, Virginia Tech Carilion Research Institute, and Ballast Point Brewing, among others.”

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