

# MARKETBEAT

# ROANOKE

Office Q1 2018



## ROANOKE OFFICE

### Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
Roanoke Employment	160.8k	159.9k	▼
Roanoke Unemployment	3.9%	3.8%	▼
U.S. Unemployment	4.7%	4.1%	▼

Numbers above are quarterly averages; Nov 2017 data used to represent Q1 2018 for Roanoke

### Market Indicators (Overall, All Classes)

	Q1 17	Q1 18	12-Month Forecast
Vacancy	8.9%	6.8%	▼
Net Absorption (sf)	78k	-114k	▼
Under Construction (sf)	0	0	■
Average Asking Rent*	\$15.53	\$16.31	▲

\*Rental rates reflect gross asking \$psf/year

### Overall Asking Rent/Overall Vacancy

#### 4-QTR TRAILING AVERAGE



## Economy

Roanoke's economy is near full employment with only a 10-basis-points (bps) decrease in the unemployment rate year-over-year and is below the national unemployment rate. Labor force participation declined by 900 workers from February 2017 to February 2018; however, this change is within the regular monthly and seasonal fluctuations of the labor force participation for the region according to data from the Bureau of Labor Statistics(1).

## Market Overview

Office vacancy declined 210 bps from Q1 2017 to Q1 2018, and 470 bps from its 10-year peak in 2016 when large blocks of office space were vacated and available for lease. New leases at 110 Franklin Road (203,000 sf) and the sale of 1819 Electric Road (165,000 sf) in the last two quarters of 2017 contributed to decreased vacancy in both the suburban and downtown markets. This trend continued during early 2018 with Atlantic Credit & Finance (AC&F) leasing 53,775 sf at Franklin Plaza (139,455-sf building) in downtown, increasing that property's occupancy from 47% to 88%. In southwest Roanoke, new leases were announced at 1819 Electric Road in southwest Roanoke with Lucas & Kite Law Firm, Vistar Eye Center, and Fit Studio leasing a combined of 26,336 sf of the 165,000-sf building. Metis Holdings owns 1819 Electric Road and will occupy 63,015 sf.

## Outlook

Both the short-term and the long-term outlook for the economy and the office market are positive. Within the last 24 months, the Roanoke Regional Partnership announced more than 2,200 direct news jobs from companies expanding or locating in the Roanoke region. Additionally, new initiatives and investment from institutions such as Carilion Clinic, Virginia Tech, Radford University, and state and local governments will produce new jobs and require more workers in an already tight labor pool. In the short-term, vacancy in the downtown submarket will continue to decrease as new and existing businesses expand or relocate within the available stock. In the suburban market, vacancy will remain low in the short-term as office space availability remains limited.

(1) Source: "[Local Area Unemployment Statistics](#)," Bureau of Labor Statistics (April 10, 2018).

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