

# MARKETBEAT OFFICE SNAPSHOT

## ROANOKE, VA

A Cushman & Wakefield Research Publication

Q3 2013



### ECONOMIC OVERVIEW

The Roanoke office market continues indications of positive growth moving into the last quarter of 2013. According to the Bureau of Economic Analysis, Roanoke's gross metropolitan product for 2012 put it in the top quarter of metropolitan areas in the country and 2<sup>nd</sup> in Virginia.

Area brokers report increased activity from larger office prospects with needs in the valley. Tours and inquiries for needs over 10,000 square feet (sf) are up. On smaller requirements, deals are being done due to attractive leasing proposals offering better terms than renewing in place.

Additional market highlights include good news regarding home sales and a stabilizing unemployment rate within the Roanoke region. The RVAR has reported area home sales are at the highest level since the beginning of 2007, indicating increased confidence in the market. The Roanoke MSA unemployment rate was 6.1% as of July. This is down slightly from one year ago when it was 6.4%, but off the recent lows of 5.3% only 3 months ago. Some uncertainty in the market remains concerning actions of the Federal Reserve, open enrollment within healthcare and the threat of government shutdowns.

### LEASING AND ABSORPTION

Leasing activity is on track to meet or exceed the average leasing activity in the prior four years. Absorption is up significantly, mainly due to increased occupancy in the 236,400-sf Center in the Square building located downtown. Additional absorption of over 81,000 sf was recorded at the Old YMCA building in the past year, contributing to the 308,400 sf of positive absorption seen year-to-date in 2013. This compares to four years of essentially flat or negative absorption.

The vacancy rate continues to move downward to 8.6%. Absorption of the sub-let space continues and occupancy in the first quarter of 2014 is expected for much of this space. The Southwest Roanoke submarket is the healthiest among the larger submarkets with an overall vacancy rate of 7.6%. Northeast Roanoke is 2 percentage points higher at 9.6%.

Significant leases include the relocation of Morgan Stanley from Southwest Roanoke County into Downtown Roanoke. In Southwest County, West Village continues to attract smaller office users adding Allstate and State Farm to the office component of the Center.

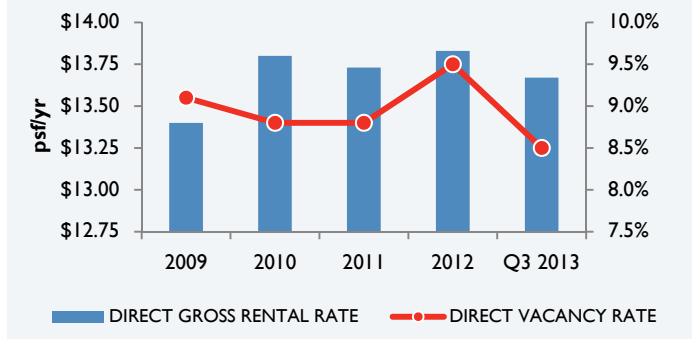
### OUTLOOK

The Roanoke office market will continue to move along in a steady flat pattern through the end of the year. Previous increases to the vacancy reported a year ago have been absorbed as the vacancy rate attempts to dip below 8.5%. Landlords continue to be more aggressive with terms in order to fill properties or maintain their tenant base. There is an overall sense of confidence in the Roanoke office market as new prospects continue to investigate the area. No major construction projects have been announced despite the recent inquiries.

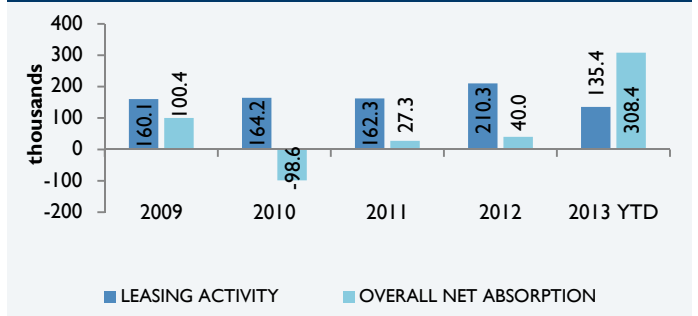
### STATS ON THE GO

	Q3 2012	Q3 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	11.9%	8.6%	-3.3pp	▼
Direct Asking Rents (psf/yr)	\$13.80	\$13.67	-0.9%	◀▶
YTD Leasing Activity (sf)	105,568	135,444	28.3%	▲

### DIRECT RENTAL VS. VACANCY RATES



### LEASING ACTIVITY VS. ABSORPTION



## ROANOKE, VA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Downtown Roanoke	4,543,065	9.3%	9.3%	48,237	0	0	313,025	313,025	\$16.13	\$22.21
Botetourt County	683,851	12.5%	12.5%	8,014	0	0	(24,575)	(24,575)	\$12.06	\$18.00
North Franklin County	271,748	9.2%	9.2%	6,768	0	0	9,884	9,884	\$13.79	\$0.00
Northeast Roanoke	1,917,344	9.6%	9.6%	22,447	0	0	20,037	20,037	\$12.76	\$0.00
Northwest Roanoke	753,107	5.4%	5.4%	2,785	0	0	(905)	(905)	\$11.11	\$0.00
South Franklin County	81,120	23.6%	23.6%	1,100	0	0	94	94	\$9.56	\$0.00
Southeast Roanoke	414,129	3.7%	3.7%	6,788	0	0	528	528	\$8.81	\$0.00
Southwest Roanoke	4,919,902	7.6%	7.4%	39,305	0	0	(13,324)	(9,709)	\$13.07	\$15.40
<b>TOTALS</b>	<b>13,584,266</b>	<b>8.6%</b>	<b>8.5%</b>	<b>135,444</b>	<b>0</b>	<b>0</b>	<b>304,764</b>	<b>308,379</b>	<b>\$13.65</b>	<b>\$21.78</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

SIGNIFICANT Q3 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Wells Fargo Tower	Downtown Roanoke	Morgan Stanley	A	10,568
300 Turner Street	Blacksburg	Carilion Clinic	A	9,062
Fralin & Waldron Office Park*	Southwest Roanoke	OPN Law	B	3,063
SIGNIFICANT Q3 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
221 E. Main St.	Salem	Roanoke College	\$2,200,000 / \$197	11,120
2110 Carolina Ave.	Southwest Roanoke	Westspace LLC	\$1,450,000 / \$154	9,389
124 Church Ave.	Downtown Roanoke	AA Properties West Church LLC	\$1,100,000 / \$117	9,388
SIGNIFICANT Q3 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS