

MARKETBEAT OFFICE SNAPSHOT

ROANOKE | LYNCHBURG, VA

A Cushman & Wakefield Research Publication

Q3 2014



ECONOMIC OVERVIEW

The Roanoke market continued positive growth in Q3, ranking among the top 50% of U.S. metros in economic growth, according to new data released in September by the Bureau of Economic Analysis. According to the Roanoke Regional Partnership, the BEA data indicates that Roanoke is “the second leading growth economy in the Commonwealth and that Roanoke’s economy is growing at its fastest rate in more than five years.” Roanoke’s gross metropolitan product is over \$13 billion, and is the fourth largest metro economy in the state after Washington-Arlington-Alexandria, Virginia Beach-Norfolk-Newport News, and Richmond, VA. The news comes atop more national recognition of Roanoke as one of “America’s Best Small Cities on the Rise” (SmarterTravel.com).

UNCERTAINTY REMAINS

Nevertheless, organizational changes among major employers in Roanoke could have significant impacts on the office market. Early in Q3, Allstate Corporation announced significant layoffs and plans to vacate the 150,000-square-foot (sf), single-tenant office building in Roanoke County—where the company has been located for more than 40 years—to construct a new 70,000-sf, three-story facility on a 7.5 acre site closer to I-81. The company employed more than 900 workers at its longtime location at 1819 Electric Road, but only 515 full-time employees will be locating in its new office at 1745 Loch Haven Road.

Additionally, corporate reorganizing in the wake of Advance Auto Parts’ \$2-billion acquisition of Raleigh-based General Parts International—which included all of General Parts’ company-owned CARQUEST brand retail stores and created the largest aftermarket auto parts retail in North America—will lead to significant departmental and personnel changes in the Roanoke office. Several key executives and other high-paying positions within the company will be relocated to an office in Raleigh. Also, according to North Carolina Governor Pat McCrory, Advance Auto Parts plans to create approximately 600 jobs in Raleigh through 2017 and invest more than \$5 million in a corporate center located in Wake County. A spokesperson for the company stated, however, that Advance Auto Parts’ total employment in Roanoke will remain around 1,600—the same as it is now—with about 1,000 of those jobs at the Roanoke corporate office, which will continue to serve as the company’s headquarters.

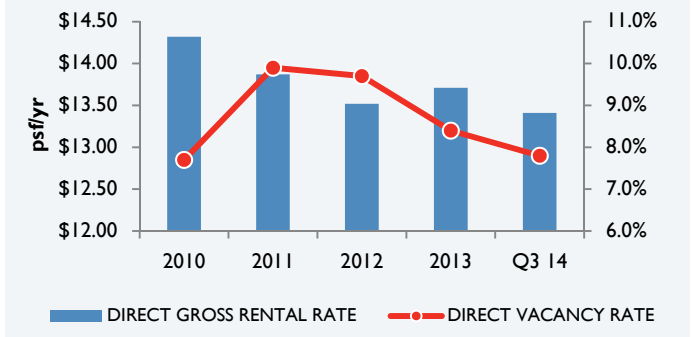
OUTLOOK

The short- and long-term impact on the Roanoke office market of Allstate’s and Advance Auto Parts’ reorganization is uncertain, and the real estate community remains wary of how these changes will affect future investment in the region.

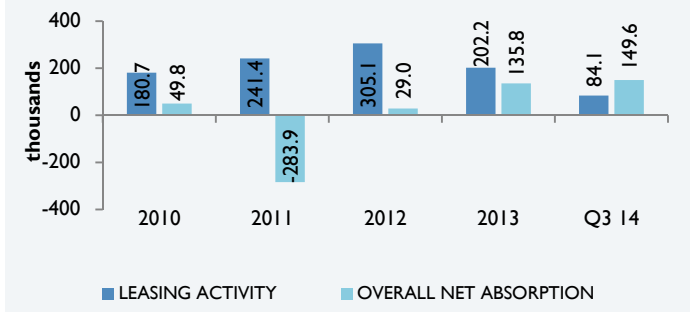
STATS ON THE GO

	Q3 2013	Q3 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.5 %	8.3 %	-0.2pp	◀▶
Direct Asking Rents (psf/yr)	\$13.41	\$13.12	-2.2%	◀▶
YTD Leasing Activity (sf)	151,981	84,096	-44.7%	▲

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	4,306,672	9.0%	8.0%	10,796	24,643	6,042	59,459	59,459	\$15.96	\$20.04
Botetourt County	554,868	6.4%	6.4%	380	0	0	25,250	25,250	\$12.04	\$18.00
North Franklin County	245,730	2.0%	2.0%	0	0	0	7,173	7,173	\$17.00	\$0.00
Northeast Roanoke	1,517,369	6.7%	6.7%	3,227	0	0	55,546	55,546	\$11.93	\$0.00
Northwest Roanoke	651,043	3.1%	3.1%	6,075	0	0	7,975	7,975	\$11.29	\$0.00
South Franklin County	62,096	16.9%	16.9%	9,000	0	0	4,650	4,650	\$10.79	\$0.00
Southeast Roanoke	242,873	4.2%	4.2%	0	0	0	(5,262)	(5,262)	\$10.43	\$0.00
Southwest Roanoke	4,364,511	8.9%	8.9%	29,601	0	0	26,141	39,335	\$13.80	\$15.40
ROANOKE	11,945,162	8.0%	7.7%	59,079	24,643	6,042	180,932	194,126	\$13.89	\$19.55
LYNCHBURG	3,432,286	10.8%	9.7%	25,017	0	0	(44,539)	(44,539)	\$11.88	\$0.00
TOTALS	15,377,448	8.3%	7.8%	84,096	24,643	6,042	136,393	149,587	\$13.42	\$19.55

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q3 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
3157 State Street	Blacksburg	Luna Innovations	B	41,000
111 Franklin Plaza	Downtown Roanoke	Union First Market Bank	B	16,145
7562 Hitech Road	Northeast Roanoke	IES-Commercial	C	7,700
1715 Pratt Drive	Blacksburg	Intuitive Surgical	B	5,319
Century Business Center	Northeast Roanoke	Phillips & Jordan	C	2,909
1231 Jefferson Street	Downtown Roanoke	Carilion	B	2,350
SIGNIFICANT Q3 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
1204 Franklin Road	Downtown Roanoke	Dorsey & Timmermann, LLC	\$850,000 / \$68	12,500
1906 Electric Road	Southwest Roanoke	Rea Family, LLC	\$650,000 / \$169	3,849
SIGNIFICANT Q3 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
15 Old Woods Ave. at The Bridges	Downtown Roanoke	JDSU	December 2014	24,643