

MARKETBEAT

ROANOKE

Office Q3 2017



ROANOKE OFFICE

Economic Indicators

	Q3 16	Q3 17	12-Month Forecast
Roanoke Employment	162.1k	164.8k	▲
Roanoke Unemployment	4.1%	3.9%	▼
U.S. Unemployment	4.9%	4.4%	▼

Market Indicators (Overall, All Classes)

	Q3 16	Q3 17	12-Month Forecast
Vacancy	9.7%	7.1%	▼
Net Absorption (sf)	51k	96k	▲
Under Construction (sf)	17k	0	▼
Average Asking Rent*	\$13.93	\$14.94	▲

*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 the overall unemployment rate rose slightly to 4.1%, but remained below the national average of 4.4%.

Market Overview

Vacancy in the Roanoke office market decreased 164 basis points from the previous quarter, and 264.19 basis points from the previous year. Net absorption was positive with strong leasing activity, particularly in the CBD. One Ten Tower—193,000 square foot (sf) Class A office building—announced its first tenants: PowerSchool and Associated Asphalt. PowerSchool—a California-based software company for K-12 education—leased two full floors (approximately 40,000 sf) to house its east coast operations and double its employment. Associated Asphalt—one of the nation’s leading independent asphalt resellers—leased a full floor for its new national headquarters. There was also strong sales activity reported in the downtown submarket. Franklin Plaza (135,000 sf) sold in July for \$6.35 million to Time Equities, Inc., who plans to make significant investments to reposition the property and increase occupancy. Additionally, the Anthem Building—a 130,995-sf single tenant office building—traded for \$14.22 million in a \$1.3-billion portfolio sale that closed in September. The suburban market continued to report low vacancy (5.4%) and limited availability. No major new leases were announced, but significant sales activity included the September sale of Crossroads Corporate Center (337,469 sf)—where Advance Auto Parts’ is headquartered—for \$6.075 million.

Outlook

The outlook for the office market is positive as there continues to be strong interest in the downtown submarket with announcements of new tenants expected in the near future. Additionally, Carilion Clinic and Virginia Tech’s joint investments in the area—including the third quarter announcement of a new \$89.9-million, 140,000-sf building at the Riverside campus to expand their health sciences and research programs—continue to strengthen Roanoke’s medical and bio-technology sectors which will have long-term impacts on office market.

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