

# MARKETBEAT OFFICE SNAPSHOT

## ROANOKE, VA

A Cushman & Wakefield Research Publication

Q4 2013



### ECONOMIC OVERVIEW

The Roanoke metro gained its highest ranking ever in the Milken Institute's Best Performing Cities report for 2013. The region ranked 95th out of the largest 200 United States metro areas and moved up 47 spots over 2012.

Roanoke was the second ranked large metro in Virginia behind Washington DC/Northern Virginia. Roanoke has ranked well in regards to high tech industry concentrations in the ranking which is a reflection of Roanoke's diverse advanced manufacturing base. Roanoke's levels of concentration in high-tech, innovation-rich manufacturing, such as communications equipment, medical equipment, and specific electronic products, that use highly skilled talent are responsible for Roanoke's strong performance year over year.

### LEASING AND ABSORPTION

The Roanoke office market ended the year with a slight decrease in the market wide vacancy rate from 9.7% to 9.5%. Occupancy rates have leveled throughout 2013. The downtown Roanoke submarket had the largest downward movement of the vacancy rate of any other submarket. The direct vacancy rate in the downtown district moved from 11.6% at the beginning of the year to finishing the year at 9.1%. The available office inventory remains practically at the same level as 2012. We had no substantial new office construction in 2013. The Roanoke area unemployment rate continues to trend downward to 5.6% as of December 2013 and continues to be below the national rate of 7%.

One of the best announcements coming out of our market within the past quarter is regarding passenger rail service returning to the Roanoke Valley. The return of rail service will allow an additional transportation option to travel throughout the Amtrak system. The Virginia Department of Rail and Public Transportation and Norfolk Southern have signed an agreement to make improvements necessary to bring passenger rail to Roanoke. Design work has already begun. Railroad tracks in downtown Roanoke are currently being reconfigured to improve the flow of train traffic through Roanoke. Funding for bringing passenger rail to Roanoke was included in the transportation package passed by the General Assembly last year. Virginia has committed \$92.7 million for the improvements. Passenger rail service should be restored in 2017.

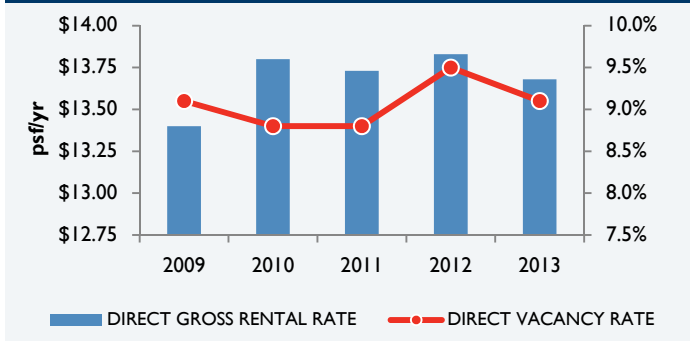
### OUTLOOK

The Roanoke office market's outlook for the first half of 2014 is positive based on the number of inquiries brokers are receiving. Net absorption has steadily increased through the year and we expect that trend to continue. Direct asking rates and vacancy will only see slight changes in the next year and should remain stable.

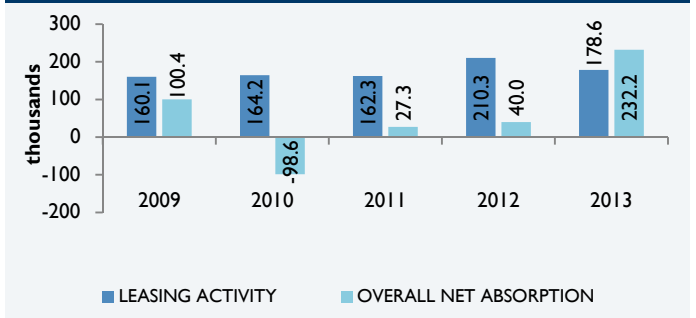
### STATS ON THE GO

	Q4 2012	Q4 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.7%	9.5%	-0.2pp	▼
Direct Asking Rents (psf/yr)	\$13.83	\$13.68	-1.1%	◀▶
YTD Leasing Activity (sf)	210,299	178,570	-15.1%	▲

### 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	4,468,301	10.0%	9.1%	71,353	0	0	315,144	287,019	\$16.60	\$22.21
Botetourt County	683,851	13.5%	13.5%	8,014	0	0	(31,248)	(31,248)	\$11.83	\$18.00
North Franklin County	297,039	7.5%	7.5%	9,500	0	0	14,616	14,616	\$13.79	\$0.00
Northeast Roanoke	1,922,027	10.4%	10.4%	22,397	0	0	25,959	25,959	\$12.82	\$0.00
Northwest Roanoke	753,107	5.7%	5.7%	2,785	0	0	(3,554)	(3,554)	\$11.32	\$0.00
South Franklin County	81,120	18.7%	18.7%	1,100	0	0	4,100	4,100	\$9.56	\$0.00
Southeast Roanoke	281,050	1.7%	1.7%	12,550	0	0	15,768	15,768	\$8.81	\$0.00
Southwest Roanoke	4,925,360	9.0%	8.8%	50,871	0	0	(84,119)	(80,504)	\$13.96	\$15.40
<b>TOTALS</b>	<b>13,411,855</b>	<b>9.5%</b>	<b>9.1%</b>	<b>178,570</b>	<b>0</b>	<b>0</b>	<b>256,666</b>	<b>232,156</b>	<b>\$13.96</b>	<b>\$21.64</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

## MARKET HIGHLIGHTS

SIGNIFICANT 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Lee-Hi Business Center*	Southwest Roanoke	ITT	B	18,672
1 Riverside Circle*	Southwest Roanoke	Luna Innovations	A	12,000
Wells Fargo Tower	Downtown Roanoke	Morgan Stanley	A	10,568
10 South Jefferson Street	CBD	Morgan Stanley Smith Barney	A	9,917
SIGNIFICANT 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
1819 Electric Road	Southwest Roanoke	ARCP	\$41,900,000 / \$253	165,808
7711 Plantation Road	Northeast Roanoke	N/A	\$27,133,531 / \$61	443,181
3807 Brandon Avenue	Southwest Roanoke	Virginia Lutheran Homes, Inc.	\$3,100,000 / \$62	50,000
5372 Fallowater Lane	Southwest Roanoke	PSGS Investors LLC	\$3,007,147 / \$110	27,348
221 E. Main St.	Salem	Roanoke College	\$2,200,000 / \$197	11,120
2 Riverside Circle	Southwest Roanoke	Virginia Tech Foundation	\$1,650,000	3.02 acres
SIGNIFICANT 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