

MARKETBEAT

ROANOKE

Office Q4 2016



ROANOKE OFFICE

Economic Indicators

	Q4 15	Q4 16	12-Month Forecast
Roanoke Employment	163k	164k	▲
Roanoke Unemployment	4.1%	4.0%	▼
U.S. Unemployment	5.0%	4.8%	■

Market Indicators (Overall, All Classes)

	Q4 15	Q4 16	12-Month Forecast
Vacancy	8.4%	9.1%	▼
Net Absorption (sf)	168k	-45k	■
Under Construction (sf)	73k	14k	■
Average Asking Rent*	\$13.69	\$13.13	▲

*Rental rates reflect gross asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

Roanoke proved its resilience in 2016 as the year ended with strong market fundamentals including 65 months of year-over-year employment growth and a low unemployment rate of 3.9%.

Major economic development announcements in 2016 included Deschutes Brewery and Ballast Point Brewery confirming Roanoke and Botetourt as their future East Coast locations; the expansion of Virginia Tech Carilion School of Medicine and Research Institute; and the Virginia Community College System administrative offices locating 200 jobs in Botetourt County.

Market Overview

The overall office market vacancy at the end of Q4 2016 reported 9.1%. The vacancy can largely be attributed to both the former Allstate and Norfolk Southern buildings being vacated in 2015 and 2016, respectively. While both buildings were vacated, Allstate's relocation absorbed some of the vacancy in the market, making the total square footage vacated equal to 246,440 square feet (SF) – or approximately 2% of the overall office market. Roanoke's diverse economy and strong fundamentals helped to soften the impact of Allstate's and Norfolk Southern's reduced footprint in the market. The Norfolk Southern Building, previously listed for sale, went under contract and sold in December to a group of local investors.

Outlook

The overall vacancy is expected to decrease in 2017 – the new ownership of the Norfolk Southern building are introducing the building for lease in Q1 2017 as One Ten Franklin – a Class A multi-tenant office building. Additionally, the former Allstate property is available for lease, and is one of only four suburban office properties able to accommodate a tenant over 40,000 SF. Overall market fundamentals remain steady in both the suburban and downtown office markets, which suggests continued stabilization and steady growth in the office market.

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