

# MARKETBEAT

# ROANOKE

## Office Q4 2018



### ROANOKE OFFICE

#### Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Roanoke Employment	159.5k	163.4k	▲
Roanoke Unemployment	3.6%	2.8%	▼
U.S. Unemployment	4.1%	3.7%	▼

Numbers above are quarterly averages; Oct 2018 data used to represent Q4 2018 for Roanoke

#### Market Indicators (Overall, All Classes)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	6.2%	6.1%	▼
Net Absorption (sf)	5k	118k	▲
Under Construction (sf)	0	0	■
Average Asking Rent*	\$15.97	\$15.51	▼

\*Rental rates reflect gross asking \$psf/year

#### Overall Asking Rent/Overall Vacancy

##### 4-QTR TRAILING AVERAGE



### Economy

Employment gains continued in Roanoke. The metropolitan area's unemployment rate decreased 80 basis points (bps) to 2.8% with the economy adding 3,900 jobs from the previous year.

### Market Overview

Roanoke's office market fundamentals continue to slowly tighten. Overall vacancy declined 10 bps, while direct asking rents increased by 14.7% from last year. In Downtown, more than 41,000 square feet (sf) was leased in the fourth quarter. Most notably, two new tenants will occupy approximately 30,000 sf on three floors in 2019, bringing the building to 50% occupancy for the first time since Norfolk Southern vacated and sold the property. More than 60,000 sf was leased in the suburban office market during the third quarter. Additionally, Advance Auto Parts – which recently announced its plans to move its headquarters from Roanoke to Raleigh—renewed its 265,000 sf operations center at Crossroads Corporate Center.

The most notable office building sale in the fourth quarter was 5400 Fallowater Lane – also known as the Cox Communications Building – a 46,946-sf property in Southwest Roanoke that sold for just under \$4.5 million to an owner/user. As part of the transaction, Cox Communications will lease back from the new owners a portion of the building. Additionally, 1315 Franklin Road. In Downtown, the former WSLs 10 building sold for \$1.2 million to an owner/user.

### Outlook

The suburban market will remain tight on availability with no announced construction starts or plans for new office development. Existing downtown availability is also expected to tighten with continued leasing activity in both Class A and Class B office buildings. A new single-tenant office property is expected to begin construction in 2019 as well. The long-term outlook is also positive, particularly with the continued investment from Carilion Clinic, Virginia Tech, and the Virginia Tech Carilion School of Medicine and Research Institute to recruit new talent and fund new ventures in the burgeoning biomedical research industry in the region.

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