

MARKETBEAT OFFICE SNAPSHOT

ROANOKE, VA

A Cushman & Wakefield Research Publication

Q2 2013



ECONOMIC OVERVIEW

Economic growth in the Roanoke MSA is headed in the right direction, supported by the recent unemployment rate drop from 6.4% in January to 5.9% in May. In comparison, Virginia's unemployment rate is at 5.6% and continues to trend below the national rate of 7.8% announced for the month of June. In Roanoke, the drop in the unemployment rate is primarily due to the financial services, education and health services sectors which have all experienced recent growth. Additionally, Roanoke home sales returned to pre-recessionary levels. Home sales are up just over 30% in the May year-over-year comparison.

For the second year in a row, Roanoke was recognized for having a strong workforce and ranked 32nd out of all 380 metro areas. The ranking took into consideration the proportion of workers 18 – 44 with a college degree, growth in the proportion of workers holding degrees, inward migration of individuals holding degrees, and growth in earnings.

SUBLEASE AND SHADOW SPACE TREND

The central business district saw a slight increase in the vacancy rate, up to 11.6% currently, which is primarily due to an increase of vacancy in several industries rather than a specific user. There are also several tenants in the market with shadow space so this trend may develop further this year. As those tenants make decisions to sublet their space this would lead to additional product available in the market and will provide tenants with additional opportunities in class A and B product in the downtown area with little to no build-out required. The square footage now available through sublet encompasses space as small as a few thousand square feet up to an entire floor in the SunTrust building. With this additional product you may expect to see a fluctuation in lease rates but in the short term this should not be the case as the market place has historically remained fairly stable.

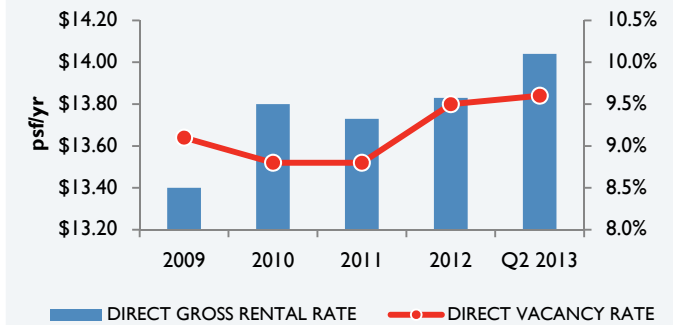
OUTLOOK

Expect the Roanoke office market to continue on the same course that we have seen through the first half of the year with only slight changes in vacancy rates and absorption. Leasing activity will continue to involve renewals and smaller office transactions with very little to no new office tenants entering the market. Changes in future inventory will be caused when The Bridges project breaks ground with a proposed 40,000 – 60,000 square feet of new office product and as the multifamily conversion trend taking older office product off the market in the central business district continues.

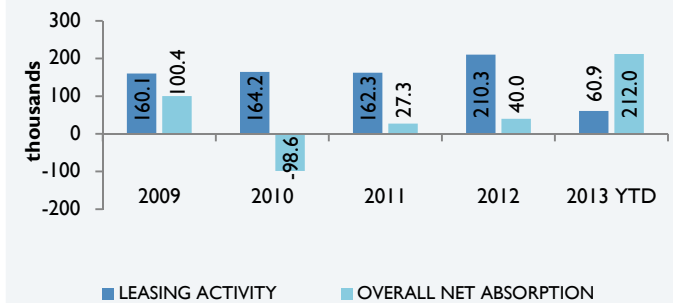
STATS ON THE GO

	Q2 2012	Q2 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.3%	9.7%	0.4pp	▼
Direct Asking Rents (psf/yr)	\$13.77	\$14.04	2.0%	↕
YTD Leasing Activity (sf)	71,818	60,922	-15.2%	▲

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	4,548,524	11.6%	11.6%	21,043	0	0	228,698	228,698	\$15.86	\$22.05
Botetourt County	681,651	11.7%	11.7%	8,014	0	0	(19,275)	(19,275)	\$11.78	\$18.00
North Franklin County	285,248	12.3%	12.3%	3,600	0	0	900	900	\$36.82	\$0.00
Northeast Roanoke	1,913,700	10.7%	10.7%	8,200	0	0	20,659	20,659	\$12.84	\$0.00
Northwest Roanoke	761,289	5.6%	5.6%	1,200	0	0	(2,411)	(2,411)	\$11.08	\$0.00
South Franklin County	67,620	26.6%	26.6%	1,100	0	0	94	94	\$12.22	\$0.00
Southeast Roanoke	405,925	6.2%	6.2%	1,350	0	0	(4,378)	(4,378)	\$8.86	\$0.00
Southwest Roanoke	4,890,525	7.9%	7.6%	16,415	0	0	(12,334)	(12,334)	\$13.16	\$15.40
TOTALS	13,554,482	9.7%	9.6%	60,922	0	0	211,953	211,953	\$13.99	\$21.65

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q2 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*
Century Business Center	Northeast Roanoke	Digioia Gray	B	8,200
SIGNIFICANT Q2 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
2 Riverside Circle	Southwest Roanoke	Virginia Tech Foundation	\$1,650,000	3.02 acres
5372 Fallowater Lane	Southwest Roanoke	PSGS Investors LLC	\$3,007,147 / \$110	27,348
200 North Main Street	Blacksburg	Oaktree JV National Financial Realty	\$700,000 / \$63	10,912
SIGNIFICANT Q2 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