

MARKETBEAT

Roanoke

Industrial Q1 2019



CUSHMAN & WAKEFIELD

THALHIMER

ROANOKE INDUSTRIAL

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Roanoke Employment	161.3k	162.7k	▲
Roanoke Unemployment	3.6%	2.6%	▼
U.S. Unemployment	4.1%	3.8%	▼

Numbers above are quarterly averages; Jan 2019 data used to represent Q1 2019.

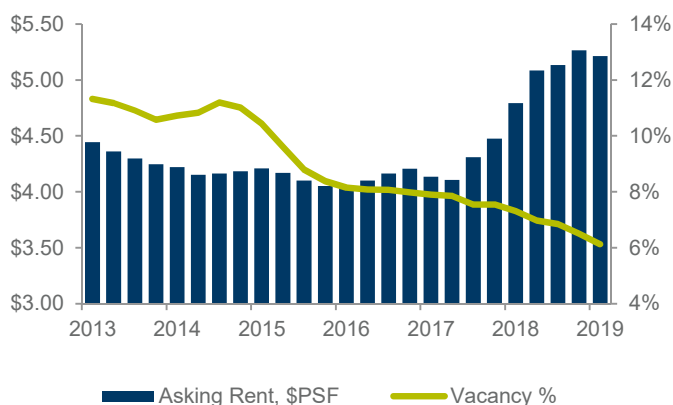
Market Indicators (Overall, All Property Types)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	7.0%	5.5%	▼
Net Absorption (sf)	480k	227k	▼
Under Construction (sf)	260k	0	▼
Average Asking Rent*	\$5.21	\$5.00	▼

*Rental rates reflect net asking \$psf/year

Overall Asking Rent/Overall Vacancy

4-QTR TRAILING AVERAGE



Economy

The federal government shutdown created challenges and temporarily slowed growth in the quarter. The Federal Reserve is expected to hold interest rates steady this year in an effort to maintain momentum. The Roanoke area unemployment rate ended the first quarter of 2019 at 2.6%, a decrease of 20 basis points (bps) from the fourth quarter of 2018 and a 100-bps reduction when compared to first quarter 2018. The Roanoke area unemployment continues to track lower than the current national average of 3.8%, with the gap widening over the past twelve months.

Market Overview

There were eight projects announced by The Virginia Economic Development Partnership in the greater Roanoke, Lynchburg and New River Valley (NRV) markets during the quarter. Seven of the eight were expansions of existing businesses representing an anticipated total investment of \$45.7 million and adding 277 new jobs. The most significant of these is the market entry of Pratt Industries (Botetourt County - Roanoke area). Pratt Industries manufactures corrugated boxes and other packaging materials from recycled paper products. Pratt purchased a 100,000 square foot (sf) shell building in Botetourt Center at Greenfield with immediate plans to expand the facility to 160,000 sf. The majority of the expansions were in outlying and more rural counties, representing positive trends for their local economies. There were three layoff and closure announcements in the market during the quarter. LSC Communications is closing a printing plant in Lynchburg, resulting in a loss of 369 jobs.

Roanoke, Lynchburg and the NRV continue to be constrained by lack of inventory and low unemployment. The vacancy rate has fallen steadily since Q1 2017 from 7.9% vacancy to 5.5% in Q1 2019. Average asking rents have increased from \$4.14 per square foot (psf) to \$5.00 psf, but dipped slightly from Q4 2018.

Outlook

Vacancy rates are expected to remain below historical averages and the anticipated asking rents are once again expected to increase. There is no new industrial site construction in the Roanoke, Lynchburg, and NRV markets. Roanoke's strategic location along I-81 is a strong asset as industrial market competition heats up across Virginia and the Mid-Atlantic.

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