

MARKETBEAT

Roanoke

Industrial Q2 2019



CUSHMAN & WAKEFIELD

THALHIMER

ROANOKE INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Roanoke Employment	161.6k	163.1k	▲
Roanoke Unemployment	3.1%	2.9%	■
U.S. Unemployment	3.9%	3.6%	▼

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

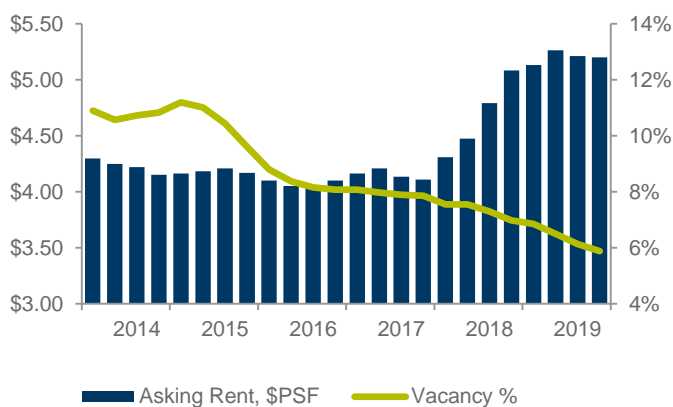
Market Indicators (Overall, All Property Types)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	6.6%	5.6%	▼
Net Absorption (sf)	480k	32k	▼
Under Construction (sf)	0	0	■
Average Asking Rent*	\$5.16	\$5.11	▼

*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 second quarter of 2019 unchanged at 2.6%, remaining at 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 3.6%.

Market Overview

Several significant projects were announced by The Virginia Economic Development Partnership in the greater Roanoke, Lynchburg and New River Valley (NRV) markets during the quarter. In May Volvo Trucks North America announced a \$400 million expansion of its 1.6 million square foot (msf) assembly plant in Dublin (NRV). The project includes the addition of a 350,000 square foot cab assembly building and is expected to add 777 jobs over the next six years. This is the largest Volvo truck plant in the world. Metalsa also announced a \$6.4 million expansion of its Botetourt county manufacturing facility adding 25 employees. Roanoke, Lynchburg and the NRV continue to be constrained by lack of inventory and low unemployment. The vacancy rate over the last two quarters has stabilized at 5.6% after steadily declining since Q1 2017 from a 7.9% vacancy to 5.6% in Q1 and Q2 of 2019. Average asking rents have increased from \$4.14 per square foot (psf) to \$5.11 psf.

Outlook

Vacancy rates are expected to remain below historical averages and the anticipated asking rents are expected to stabilize or increase. The market is somewhat constrained by a lack of inventory and tight labor market. The major projects announced by Volvo and Metalsa are indicative of the greater Roanoke markets emergence as a manufacturing hub in the Mid-Atlantic region. This speaks well of the long term strength of the market.

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