

MARKETBEAT

ROANOKE

Office Q1 2019



CUSHMAN & WAKEFIELD

THALHIMER

ROANOKE OFFICE

Economic Indicators

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

Numbers above are quarterly averages; Feb 2019 data used to represent Q1 2019 for Roanoke

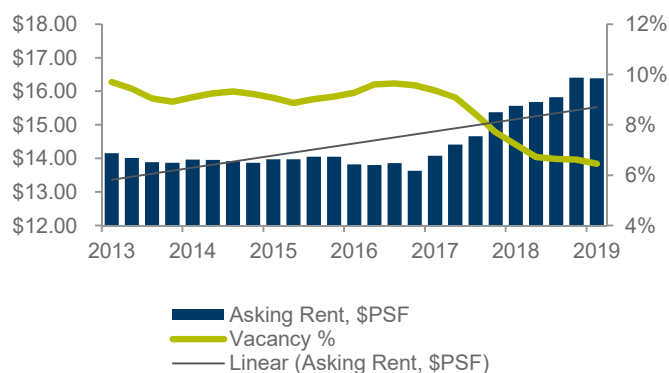
Market Indicators (Overall, All Classes)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	6.8%	6.1%	▼
Net Absorption (sf)	-114k	45k	▼
Under Construction (sf)	0	0	—
Average Asking Rent*	\$16.31	\$16.21	▼

*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 100 basis points (bps) to 2.6% with the economy adding 1,400 jobs from the previous year.

Market Overview

Roanoke's office market fundamentals continue to tighten. Overall vacancy declined 70 bps, while direct asking rents remained steady from last year. In the downtown Roanoke submarket, leasing activity was relatively quiet, with approximately 12,000 square feet (sf) leased or renewed in the first quarter. Meanwhile, approximately 50,000-sf was leased in the suburban office market during the first quarter – the average sf leased per deal was 2,000-sf.

The most notable office building sales in the first quarter were 1315 Franklin Road, a 26,666-sf office building that sold for \$2.9 million in the Old Southwest neighborhood and 2110 Carolina Avenue in South Roanoke, a 12,980-sf that sold for \$1.775 million. Additionally, Carilion Clinic purchased the iconic, 50,000-sf First National Exchange Bank building at 201 S. Jefferson in downtown Roanoke for \$500,000.

Outlook

Vacancy is expected to remain steady or slightly decrease in the downtown Roanoke submarket through 2019 while the suburban market remains tight on availability. Pinnacle Financial Partners will be moving from its current downtown location on Church Avenue into a newly constructed, single-tenant property in the downtown market, which will increase downtown vacancy rates later in the year. Asking rents will slowly grow as demand for office space continues and limited new construction office product is added to the inventory.

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