

# MARKETBEAT

## ROANOKE

Office Q3 2019



CUSHMAN & WAKEFIELD

THALHIMER

### ROANOKE OFFICE

#### Economic Indicators

	Q3 18	Q3 19*	12-Month Forecast
Roanoke Employment	161.7k	163.9k	▲
Roanoke Unemployment	2.8%	2.8%	■
U.S. Unemployment	3.8%	3.7%	▲

\*Q3 19 data based on the latest available data

Source: BLS, Moody's Analytics, Cushman & Wakefield Research

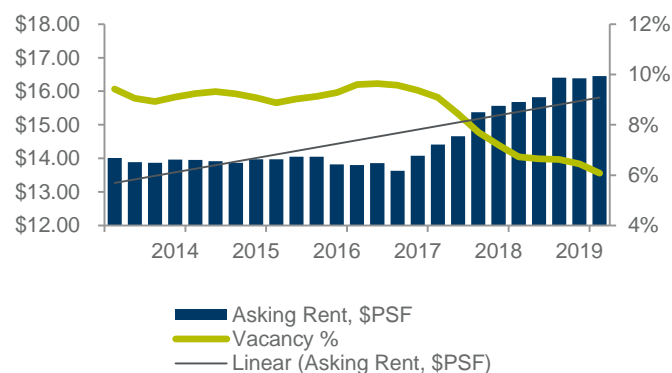
#### Market Indicators (Overall, All Classes)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	6.8%	5.1%	▼
Net Absorption (sf)	990	943	▼
Under Construction (sf)	0	0	■
Average Asking Rent*	\$15.55	\$16.04	▲

\*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 is historically low at 2.8% with the economy adding 2,200 jobs from the previous year. The education and medical sectors are expanding the Roanoke Valley. Carilion Clinic made two major announcements: a \$300 million expansion of Carilion Roanoke Memorial Hospital and a new 150,000-square feet (sf) lease at Tanglewood Mall to expand its pediatric and adolescent outpatient services.

### Market Overview

Roanoke's office market vacancy continues to decrease. The overall vacancy rate declined 170 basis points (bps), while direct asking rents climbed nearly \$0.50 to \$16.04 per square foot (psf) over the past twelve months. In the downtown Roanoke submarket, leasing activity continued to be relatively quiet. Notable lease transactions in downtown included a new 7,000-sf lease at One Ten Franklin. In the suburban markets, approximately 14,000-sf was leased in the third quarter.

Sales activity in the third quarter equaled \$19.8 million in volume for office investments. The most notable office building sales in the third quarter included Crossroads Corporate Business Center at 5002 Airport Road NW Franklin Road SW, a 321,824-sf office building that sold for \$7.2 million in northwest Roanoke; 5060 Valley View Boulevard, a 20,312-sf office building that sold for \$5.2 million in northwest Roanoke; 1138 Second Street, a 11,000-sf office building in Old Southwest Roanoke which sold for \$1.3 million; 1316 S. Jefferson Street, a 12,959-sf medical office building in downtown Roanoke that sold for \$1.3 million; and 400 McClanahan Street, a medical office in South Roanoke that sold as part of a portfolio sale for \$2.6 million.

### Outlook

The outlook is positive, with asking rents continuing to rise and vacancy declining. Leasing and sales activity is expected to remain steady through the end of the year. Investment from Virginia Tech and Carilion Clinic will continue to positively impact the office market, as the Virginia Tech Foundation expands its ownership footprint along the Jefferson Street corridor.

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