

MARKETBEAT ROANOKE

Office Q4 2019

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THALHIMER

	YoY Chg	12-Mo. Forecast
5.0% Vacancy Rate	▼	▼
15K Net Absorption, SF	▼	▲
\$15.76 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019

	YoY Chg	12-Mo. Forecast
164.3k Roanoke Employment	▲	—
2.7% Roanoke Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	▼	▲

Source: BLS

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ECONOMIC OVERVIEW: Slow and Steady

Job growth in the Roanoke market is outpacing the state, at 1.3 percent compared to 0.9 percent at the state level. Additionally, the growth rate exceeds all other metropolitan areas in the state, according to the Roanoke Regional Partnership. Employment gains were mainly in professional and business services, education and health, manufacturing, leisure, and hospitality. Investments in the healthcare industry by Carilion Clinic, Virginia Tech, and Radford University are affecting the real estate market as Carilion and Virginia Tech expand their footprint in the market with the expansion of the VTC School of Medicine and Research Institute as well as the \$300 million expansion of Roanoke Memorial Hospital in Downtown Roanoke.

SUPPLY: Vacancy Rates Mark All-Time Lows

Office vacancy rates are at an all-time low at the end of 2019. Net absorption was positive in 2019, but overall office leasing activity did not surpass 2018. Office sales activity has been moderate. Significant sales in Q4 2019 included the 38 Church Avenue, a former bank building in downtown Roanoke that sold for \$3.1 million to an investor as a possible redevelopment. The building's tenant, Pinnacle Bank, is relocating to a newly constructed downtown office. Other major sales in the market include 130 Church Avenue in downtown Roanoke, which sold for \$1.285 million and a portfolio sale in the Northwest Roanoke submarket where 3806 Thirlane Road and 3826 Thirlane Road sold for \$2.75 million as an investment.

PRICING: Moderate Asking Rent Growth

Asking rents continue to fluctuate throughout the market and across all classes. Class A office rents experienced moderate growth through 2019, with prime asking rents downtown reaching \$29.00 per square foot. Overall asking rents are expected to grow slowly through 2020 with limited availabilities throughout the market. New construction is anticipated in the next two years and may impact asking rents as developers prepare to introduce new inventory to the market. With no new construction planned to break ground in the immediate future and vacancy rates at an all-time low, rental rates are expected to continue to increase at a moderate pace to begin 2020.

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OVERALL VACANCY & ASKING RENT

