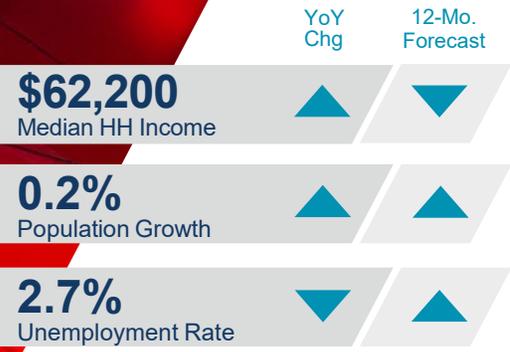


ROANOKE

Retail Q4 2022



Source: BLS (Economic Indicators are representative of specific county or MSA.)

U.S. ECONOMIC INDICATORS Q4 2022



Source: BEA, Census Bureau

WYATT POATS

Senior Associate

+1 540 767 3008

[wyatt.poats@thalhimer.com](mailto:w Wyatt.poats@thalhimer.com)

thalhimer.com

ECONOMIC OVERVIEW: Mixed Signals

The Federal Reserve raised interest rates twice in the fourth quarter of 2022, totaling a quarterly increase of 125 basis points (bps). This action follows the Fed's rate hikes throughout the past year. The U.S. equities markets did not experience a "Santa Claus rally" to finish the year. Year-over-year trendlines are still strong and a positive reinforcement for the Roanoke region. The Roanoke area's activity level remains stable with economic development and progress from localities throughout the region.

SUPPLY AND DEMAND: Inventory Shortage Prolonged

The anticipated delivery of several mixed-use (residential/hotel and retail) projects in the region, slated for 2024 and beyond, cannot arrive soon enough. There is strong tenant velocity remaining in the Central Virginia and Southwest Virginia regions, and part of the challenge is finding quality building stock that aligns with new corporate design and footprint requirements. The recent and strong run of industrial development on the Interstate-81 corridor is now experiencing the next phase of the cycle: localized retail growth that is springing up around these large employers. The appetite for expansion is expected to remain from tenants and end users alike into 2023. Investors may be on the sidelines but are expected to be opportunistic for any would-be sellers that may have concerns about an eroding investment marketplace.

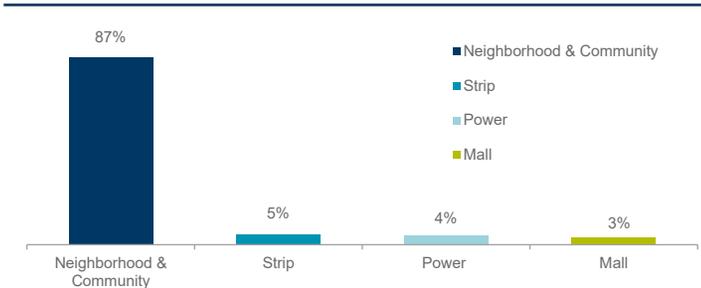
PRICING TRENDS: Rent Growth Balanced; Investment Product Stunted

Two notable national names inked leases in Lexington: Starbucks and Jersey Mike's. Hallmark secured leases in both Roanoke and Rocky Mount in neighborhood shopping centers. National brands have continued to seek out second or third locations in Roanoke and Lynchburg, while also pursuing smaller towns that have a college or university presence or otherwise strong workforce base. Former bank branches and small to mid-sized free-standing buildings are still in high demand for both owner/user and speculative investment. The 23,939 square foot (sf) US Foods CHEF'STORE sale in Lynchburg led the way for investment sales, fetching \$7.1M (recorded as a 5% capitalization rate). The multi-tenant Phillips Circle sold for \$4.57M at a 6.75% capitalization rate. Investment sales slowed considerably to close out the year, and much of the capital markets forecast in 2023 will be dependent on the debt environment and the national landscape.

RENT / VACANCY RATE



AVAILABILITY BY PRODUCT TYPE



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