

MARKETBEAT ROANOKE

Office Q2 2023

YoY Chg 12-Mo. Forecast

7.6%
Vacancy Rate



-18K
Net Absorption, SF



\$20.44
Asking Rent, PSF

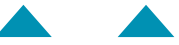


(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023

YoY Chg 12-Mo. Forecast

165k
Roanoke
Employment



3.0%
Roanoke
Unemployment Rate



3.6%
U.S.
Unemployment Rate



Source: BLS

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ECONOMIC OVERVIEW: Healthy Despite Recession Fears

The Roanoke Region saw a drop in the unemployment rate from 3.3% to 3.0% quarter-over-quarter (QOQ), indicating continued healthy job growth in the region despite recession concerns. A total of 311 new jobs have been created along with \$75.2 million in new capital investment since the start of 2023, according to the Roanoke Regional Partnership.

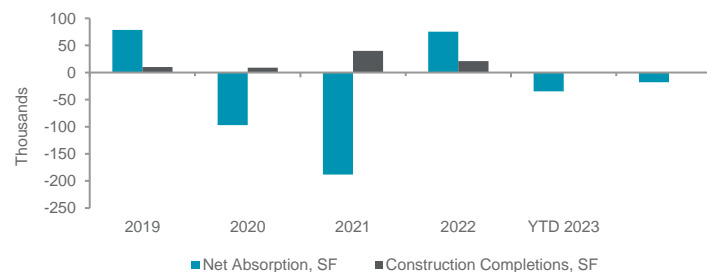
SUPPLY/DEMAND: Modest Leasing Active & Stagnant Demand

The office real estate market experienced notable shifts in key indicators in the second quarter. Although net absorption was negative in Q2, the increase in vacancy rate of 10 basis points (bps) QOQ indicates only a marginal change compared to Q1. This stable vacancy rate is consistent with flat demand for office space, but also demonstrates the resilience of the current occupancy in multi-tenant properties despite widespread downsizing trends throughout the country. Rent growth slightly declined from 1.7% to 1.5%, another reflection of limited demand in office space in the market. Notable lease transactions included the expansion of Maxim Healthcare Services to 7,808 square feet (sf) at Century Business Center in Northeast Roanoke, 7,000 sf by Mainstream Mental Health Service on 5th Street Northeast, 4,528 sf to Goodwill Industries at 310 First Street in Downtown, and 4,050 sf lease by K2share at Fountain Square in Southwest Roanoke.

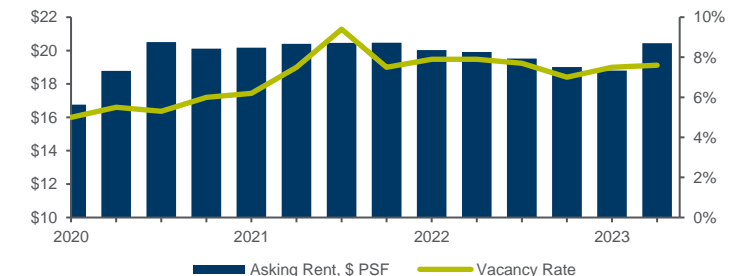
PRICING: Sales Volume Steady

Sales volume surged to \$34.1 million during the second quarter, reaching \$49.8 million year-to-date, demonstrating continued investor interest in stabilized office and medical space. Most notably, Carilion Children's Clinic located at Tanglewood, a 209,000-sf medical facility traded for \$21.5 million. Other notable sales included the 7,580-sf former Vistar Eye Center office on Peters Creek Road for \$1.6 million, the 13,292-sf Emergency Veterinary Services building on Peters Creek Road for \$2.3 million as an investment, and the 11,511-sf medical offices for Gastroenterology Consultants on Duke of Gloucester Street for \$1.75 million as an investment.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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