

MARKETBEAT ROANOKE

Office Q4 2023



YoY
Chg

12-Mo.
Forecast

7.6%

Vacancy Rate



18K

Net Absorption, SF



\$21.00

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2023

YoY
Chg

12-Mo.
Forecast

166k

Roanoke
Employment



2.8%

Roanoke
Unemployment Rate



3.7%

U.S.
Unemployment Rate



Source: BLS

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ECONOMIC OVERVIEW: Optimistic Outlook

2023 ended with an increase of 20 basis points (bps) in unemployment quarter-over-quarter (QOQ); however, unemployment remains 60 bps down from the start of the year and 100 bps below the national unemployment rate. The regional labor force grew 3.75% year-over-year (YOY), adding 6,000 workers as regional job growth outperformed the state and most Virginia metros. Additionally, nearly \$130 million in new investment and 1,500 new jobs were announced this year from companies expanding and/or locating in the region.

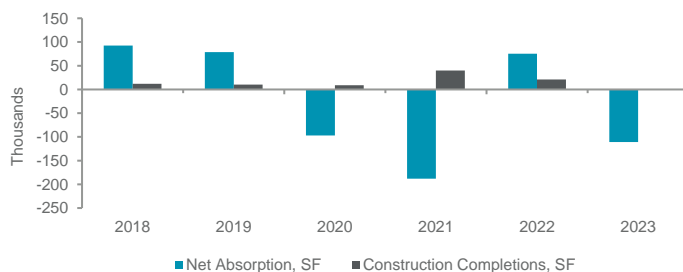
SUPPLY/DEMAND: Increased Leasing Activity

Office leasing activity increased in the fourth quarter (Q4), and net absorption was positive over the three-month period for the first time since Q4 2022. More than 48,000 square feet (sf) of office space was leased this quarter with an average deal size of approximately 3,000 sf, most of which was concentrated in downtown and the southwest Roanoke markets. Companies that postponed real estate decisions during the pandemic are now making longer term commitments on space to reflect their current offices needs and projected future growth.

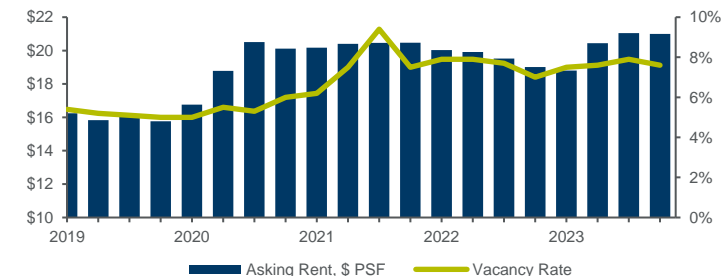
PRICING: Sales Volume Steady

Sales volume totaled \$9.4 million in Q4, a decrease of 13% QOQ and 25% YOY, but still in the range of the average quarterly volume in office sales over the last five years. As such, transaction data for the office market does not reflect any change due to increased interest rates; rather the data is characteristic of the region's limited inventory of investment-grade properties for sale and demand for owner-user office buildings. Notable sales include Blue Ridge Behavioral Healthcare's \$1.46 million acquisition of the 48,000-sf office building at 3517 Brandon Avenue in Southwest Roanoke to provide medical services, and the \$3.5 million sale of the multi-tenant Ridgewood Hills Corporate Center to investor-users in Salem.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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