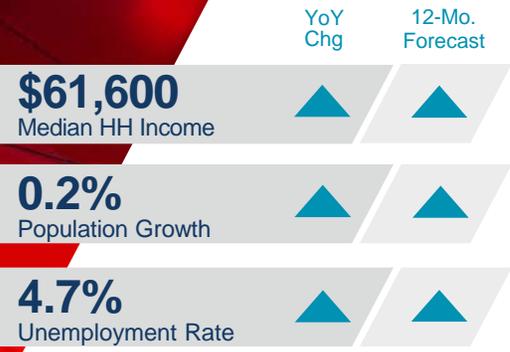


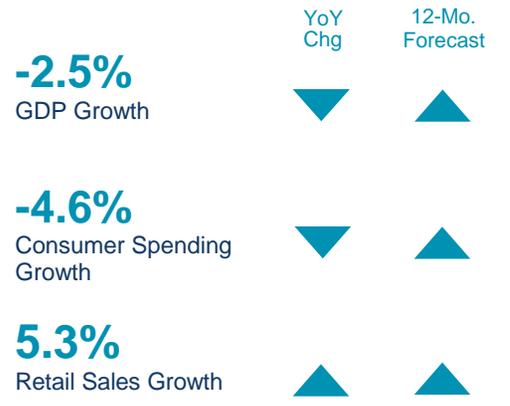
ROANOKE

Retail Q4 2020



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

U.S. ECONOMIC INDICATORS Q4 2020



Source: BEA, Census Bureau

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ECONOMY: New Trends & Recovery

The pandemic continues to impact the local and national economy. The fourth quarter saw deficits for both consumer spending and GDP Growth, both seeing a minimum of a 2% decline from the prior year. As consumers stayed home due to state restrictions and for their safety, we saw a decline in sales across the board. Restaurants have been hit the hardest, unable to provide indoor dining for several months around the state and when opened, at limited capacity. This had a direct impact to the unemployment rate. The regional unemployment increased to 4.7%, up from 2.7% in the prior year. The economic impacts of the pandemic continue to unfold, but the recent introduction of a vaccine provides optimism for a recovery 2021. Access the most recent research on CRE and the state of economy [here](#).

SUPPLY and DEMAND: 2nd Generation space uptick

With indoor dining remaining severely limited in their capacities, several chains will be closing their doors and the supply of second-generation restaurant space rises. While unfortunate, it will make way for sustainable brands to have a lower threshold on market entry or expansion. This will provide upward pressure on the Roanoke vacancy rate, which has yet to show the impact of these closures. Many QSR's (Quick Service Restaurants) are already rapidly expanding as they take full advantage of this opportunity. Medical field related buyers and tenants are expected to make additional market entries in Southwest Virginia and fill some of the vacated restaurant properties. We are also seeing an influx of junior boxes available in our region with stores such as Pier 1 shuttering and closing all their stores.

PRICING: Downward pressure

Market rents have increased over the year and we have seen the vacancy hold steady with a potential decline in Q1 2021. Demand is expected to be limited in the near term and will impact rents as supply hits the market. Landlords are expected to continue to offer creative incentives to attract new tenants in a competitive but strained marketplace. There is an expectation to see further capitalization rate compression on retail investment sales as large and small investors seek stable investment returns. Future inflation concerns, as it relates to policy and combating the pandemic under the new Administration, could spur additional activity in the short-term in 2021.

RENT / VACANCY RATE



AVAILABILITY BY PRODUCT TYPE

