

MARKETBEAT ROANOKE

Office Q2 2022



YoY
Chg

12-Mo.
Forecast

8.2%

Vacancy Rate



-13K

Net Absorption, SF



\$19.91

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2022

YoY
Chg

12-Mo.
Forecast

159k

Roanoke
Employment



3.0%

Roanoke
Unemployment Rate



3.6%

U.S.
Unemployment Rate



Source: BLS

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ECONOMIC OVERVIEW: Recession Fears

Unemployment is down 200 basis points (bps) from previous quarter and 140-bps year-over-year (YOY) according to the BLS; however, employment remains the same as the previous quarter, implying two percent of the workforce is no longer participating. Inflation – along with rising interest rates to combat it – and recession fears will likely slow the post-pandemic recovery. Consequently, unemployment is projected to increase over the next 12-months as businesses adjust to higher costs and tighter profit margins.

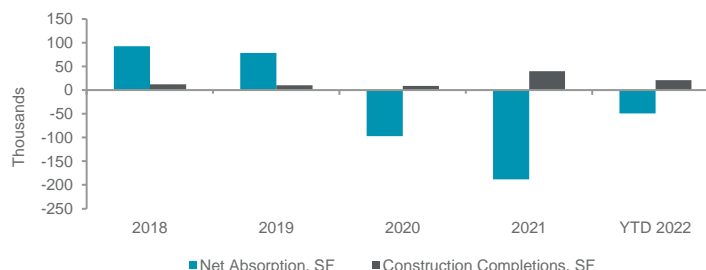
SUPPLY/DEMAND: Limited Activity

Net absorption in the Roanoke office market was negative in the second quarter of 2022 for the fifth quarter in a row. Although employees are returning to the office, companies are adjusting to the post-pandemic office environment and decreasing their square footage needs. As a result, vacancy has increased and will likely continue to increase over the next 12 months. Office leasing activity is limited: the most significant lease in Q2 2022 was Marsh & McLennan, who leased approximately 15,000 square feet (sf) in One Ten Franklin.

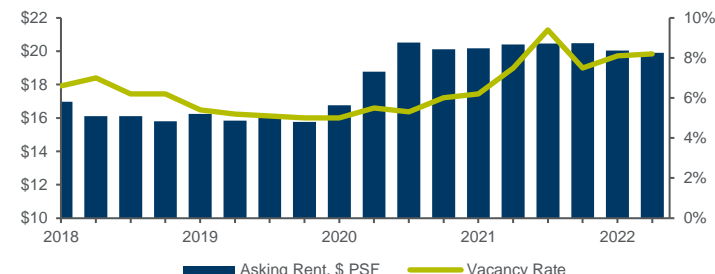
PRICING: Strong Start

Sales volume year-to-date is down compared to the same time last year but remains the second-highest start for a year in the last five years at \$24 million. Notably, Century Business Center sold for \$6,825,000 in June 2022 to a regional investor expanding its portfolio. At the time of the sale, the 52,306-sf office/flex property was 92% leased. Average sale price per square (psf) foot is around \$80.00, although medical and cash-flowing investment properties are between \$130.00 to \$200.00 psf. Reported cap rates are the lowest since Q4 2017. Pricing is expected to decline due to rising interest rates and increased vacancy.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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