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The 2002 Commercial Market Report is a review of Roanoke and Southwestern Virginia's commercial real estate market trends. It is published by Hall Associates, Inc. We invite your comments and welcome your opinions, suggestions and corrections. Contact Lynn Hall, Director of Marketing at Hall Associates, Inc., 213 S. Jefferson St., Suite 1007 Roanoke, VA 24011 Phone: (540) 982-0011 Fax: (540) 344-1730 Web: www.hall-realtor.com Email: lynn.hall@hall-realtor.com

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INDIVIDUAL MEMBERSHIPS





ROANOKE VALLEY OFFICE FACTS

10,000 SQUARE FEET +

Survey Does Not Include Owner-Occupied Buildings

Prepared by Hall Associates, Inc.

January 2002

Central Business District

BUILDING NAME	NET LEASABLE SQUARE FOOTAGE	OWNER OCCUPIED	SQUARE FEET AVAILABLE	SUB-LEASE SQUARE FEET AVAILABLE	FLOORS/ YEAR BUILT
15 East Salem Avenue	16,700	0	5,000		3/1998
309 Campbell Avenue	16,500	6,000	9,900		4/1922
BB&T Building	135,000	0	38,746		13/1973
Boxley Building	31,000	0	15,773		8/1922
Colonial Arms	64,188	0	31,041		10/1927
Commonwealth Park	35,535	0	14,701		3/1986
Coulter Building	45,000	0	8,375		4/1987
Crystal Tower	49,007	26,000	3,000		8/1931
First Campbell Square	88,000	2,000	27,200		1/1988
First Citizens Building	61,000	46,000	0		5/1980
First Union Bank Building	205,096	2,000	8,476	*	15/1973
First Union Tower	218,503	0	6,606	*	22/1991
Fountain Square	24,664	350	6,480		1973
Franklin Plaza	138,651	1,300	0		5/1984
Jefferson Plaza	36,000	18,000	0		3/1975
Liberty Trust Building	27,190	0	0		7/1913
Professional Arts Building	32,825	0	1,636		9/1925
Shenandoah Building	56,837	3,200	4,664		7/1911
FNB Bank	17,238	9,092	0		4/1961
Suntrust Plaza	129,954	69,000	0		9/1978
Tom Mason Building	36,000	0	0		2/1961
Valley Bank Building	38,968	0	9,833		7/1958
TOTAL ALL SPACE	1,503,856	182,942	191,431	0	VACANCY 13%
CLASS A SPACE	1,054,404	126,300	104,303	0	10%
CLASS B SPACE	329,108	33,442	73,591	0	22%
CLASS C SPACE	136,844	29,200	23,437	0	17%

* Sublease space available

North Suburban District

BUILDING NAME	NET LEASABLE SQUARE FOOTAGE	OWNER OCCUPIED	SQUARE FEET AVAILABLE	SUB-LEASE SQUARE FEET AVAILABLE	FLOORS/ YEAR BUILT
Bowers Buildings	15,986	1,800	0		1/1967
Brammer Village	90,300	2,400	29,180		1/1988
Century Business Center	53,300	0	7,250		1/1987
Executive Park	54,000	0	2,320		1/1978
Lewis Gale Clinic	50,250	0	30,150		4/1987
Northpark	34,603	0	11,311		1/1989
Peters Creek Plaza	36,476	15,054	18,000		2/1968
Salem Bank & Trust	32,000	22,000	0		5/1974
Valley Court	157,000	0	12,000		1/1990
Valleypointe	148,151	0	16,207		1/1989
Woodhaven Office Park	13,600	0	0		2/1999
TOTAL ALL SPACE	685,666	41,254	126,418		VACANCY 18%
CLASS A SPACE	299,904	0	64,918		22%
CLASS B SPACE	333,300	24,400	43,500		13%
CLASS C SPACE	52,462	16,854	18,000		34%



South Suburban District

BUILDING NAME	NET LEASABLE SQUARE FOOTAGE	OWNER OCCUPIED	SQUARE FEET AVAILABLE	SUB-LEASE SQUARE FEET AVAILABLE	FLOORS/ YEAR BUILT
419 Office Center	12,000	0	0		1/1990
Atlantic Companies	150,000	0	0		2/1984
Brambleton Corporate Center	24,000	0	600		2/1987
Brandon Office Park	35,598	0	9,717		1/1958
Cave Spring Professional Center	34,265	5,200	5,194		3/1988
Colonial Green Office Village	32,914	5,191	2,695		3/1980
Colonnade Corporate Center I	57,555	0	1,270	4,066	2/1988
Colonnade Corporate Center II	54,000	20,000	4,044		3/1989
Crystal Spring Medical Building	78,000	55,000	0		4/2000
Executive Center	14,700	0	2,450		3/1988
Fralin & Waldron Buildings A - C	54,535	0	3,732		2/1972
Fralin & Waldron Buildings D - F	96,027	8,458	3,054		1993
Hunting Hills Office Suites	11,500	3,000	0		2001
Krisch Hotels	38,664	0	0		1/1970
LaPremier	24,000	1,500	3,800		2/1989
Medical Center	26,176	16,233	0		4/1961
NBC Bank Building	17,872	10,400	0		3/1976
Oak Grove Offices	24,802	0	1,650		2/1973
Penn Forest Corporate Center	34,000	0	6,400		3/1984
Pheasant Ridge	117,000	1,016	8,148	5,676	3/1998
Professional Park I	36,314	0	4,000		3/1974
Radford Family Building	11,000	7,000	0		2001
South Park	29,600	0	8,096		2/1974
Stratford Park	40,000	2,500	8,056		2/1970
Tanglewood Executive Park	27,000	0	4,768		2/1988
Tanglewood West	54,000	0	8,591		4/1974
					VACANCY
TOTAL ALL SPACE	1,135,522	135,498	86,265	9,742	8%
CLASS A SPACE	686,782	95,974	33,934	9,742	5%
CLASS B SPACE	316,606	26,624	34,558	0	11%
CLASS C SPACE	132,134	12,900	17,773	0	13%

* Office Data Submitted by Stuart Meredith, SIOR and Chris Nelson

Office Trends

The Central Business District (CBD) showed an increase in activity again in 2001. Sublease office space continues to be absorbed and smaller retail buildings are being rehabilitated for office use. Interest is strong in the CBD and we see the activity continuing to grow over the next few years with the redevelopment of the former Norfolk Southern Buildings and the development of the planned Bio-Medical Center.

The South Suburban District continues to reflect strong interest. With over 100,000 square feet added to the market in the last two years, nearly 70,000 square feet has been absorbed. This segment of the market has grown in inventory by 20% over the last five

years, yet the vacancy rate is only 6% overall. We see the South Suburban market continuing to be strong over the next year, with limited availability forcing some tenants to consider other segments of the market.

The North Suburban District experienced a net loss in absorption for 2001. However, the market is growing in smaller flex buildings and owner occupied buildings such as the new Johnson & Johnson building. These new facilities are causing vacancies to rise in buildings that meet our criteria for inclusion in this survey. We anticipate the market strengthening in lease activity in 2002.

Office Rents

Central Business District

<u>Class A</u>	<u>Class B</u>
14.50 - 23.00 psf	10.00 - 13.50 psf
<u>Class C</u>	
9.00 - 10.00 psf	

North Suburban District

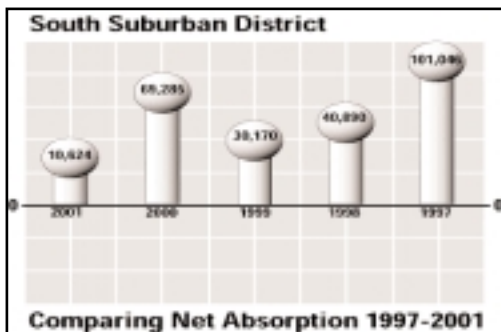
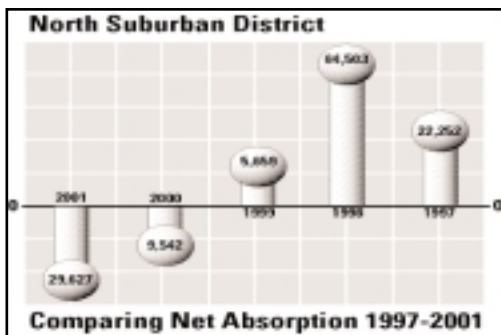
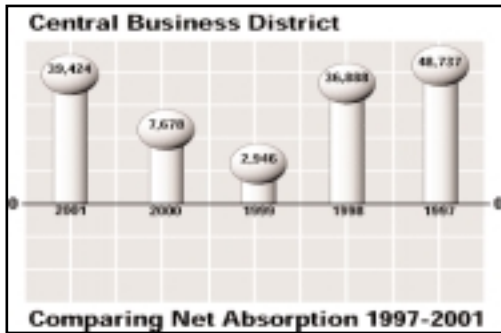
<u>Class A</u>	<u>Class B</u>
11.00 - 16.50 psf	8.00 - 11.50 psf
<u>Class C</u>	
7.00 - 10.00 psf	

South Suburban District

<u>Class A</u>	<u>Class B</u>
13.50 - 18.50 psf	10.50 - 13.50 psf
<u>Class C</u>	
7.50 - 12.50 psf	



2001 Office Growth And Absorption



* Absorption figures do not include Oak Grove Offices and South Park

Major Lease And Sale Transactions For 2001

SOLD
Executive Park
Peters Creek Road
54,000 Sq. Ft.

LEASED
VA Premier Health
First Union Building
12,000 Sq. Ft.

SOLD
Bergen Pine Apartments
Radford, VA
152 Units

SOLD
Steak & Ale
Electric Road
1.7 Acres

SUBLEASED
Carilion Systems Inc.
First Union Bank Building
27,500 Sq. Ft.

LEASED
Mostly Sofas
90,000 Sq. Ft.
Downtown Roanoke

LEASED
East Coast Metal Distributors
40,000 Sq. Ft.
Roanoke, VA

SOLD
Go Mart
West Salem
4.92 Acres

SOLD
Industrial Building
Jack Smith Industrial Park
13,250 Sq. Ft.

SOLD
Carilion Health Systems
Moore's Building, Franklin Rd.
7.27 Acres

SOLD
349 Acre Farm
Blue Ridge Parkway
Check, VA

SOLD
209 Acres
Farm Land
Pittsylvania County

SOLD
6 Duplexes
N.W. City
Roanoke, VA

SOLD
Industrial Land
SPCA Expansion
3 Acres

Industrial Market

The industrial market in the Roanoke Valley showed signs of slowing throughout 2001. With economic conditions stabilizing, the market should begin to rebound in the second or third quarter of 2002.

Specialized industrial properties and manufacturing facilities over 50,000 square feet remain the least active segment of the market. The marketing time required for these properties is in the twelve to twenty-four month range, unless the sales price is discounted. The former Rusco Building in West Roanoke County and the Greater Roanoke Valley Development Foundation Shell Building on Route 460 East are two quality industrial properties that are available. Industrial space in the 5,000 to 20,000 square foot range is limited and activity remains steady. There is demand for buildings in this

range with industrial amenities including sprinkler systems, docks,

drive-in-doors, and high cube bays.

Lease rates remain stable and range from \$1.50 to \$3.00 per square foot for bulk warehouse space, \$3.00 to \$6.00 per square foot for manufacturing space, and \$5.00 to \$8.00 per square foot for High Tech and Research and Development space. Low price bulk warehouse space is the most active segment of the market. These buildings have limited features and many have been converted from former manufacturing uses. A number of bulk users downsized during 2001.

For those companies planning to build a facility, the region offers several industrial sites available for development.



2002 WESTERN VIRGINIA SHOPPING CENTER MARKET

(includes Central Business District of Roanoke City)

Prepared by Hall Associates, Inc. January 1, 2002

	TOTAL GLA	VACANT SQ. FEET	LEASED %	*RENT RATES
Roanoke City/County				
Southwest	1,679,793	108,230	94	9 - 28 SF
Southeast	378,047	15,800	96	6 - 8 SF
Northwest	2,171,625	259,755	88	6 - 38 SF
Northeast	165,393	8,400	95	6 - 14 SF
Central Business District	721,000	220,000	69	3 - 18 SF
Salem	649,160	6,750	99	4 - 14 SF
Roanoke Valley Total	5,765,018	618,935	89	6 - 38 SF
Montgomery County	1,404,227	27,900	98	6 - 22 SF
Radford/Pulaski	637,393	6,400	99	6 - 11 SF
Botetourt County	143,447	4,025	97	7 - 13.50 SF
Bedford County	233,684	8,046	97	8 - 14 SF
Lynchburg	3,218,142	302,376	91	6 - 40 SF
Franklin County	398,001	20,100	95	6 - 12 SF
Henry County	1,310,907	101,550	92	6 - 16 SF
Danville	1,786,434	54,700	97	5 - 30 SF
Lexington	669,472	10,200	98	9 - 14.50 SF
Wytheville	516,307	76,000	85	6 - 13 SF
Other	635,792	20,500	97	6 - 28 SF

* Survey based on recent leasing activity

*** Survey does not include free standing and big box retailers

**** Survey sample includes 16,718,824 square footage of retail space.

"Vacant Sq Ft" includes all space not under lease

Retail Trends

The local market has been a reflection of national trends with fewer new drugstore and big box retail sites being purchased and developed. There has been continued success in the neighborhood grocery based centers with only a slight dip in occupancy and a leveling off of retail rents. Banks have continued to change ownership but very few bank branch sites have remained vacant despite the mergers.

The Valley View Shopping Center has had significant success with recruiting national retailers into the mall over the past year, including Old Navy, Abercrombie Fitch and an expanded Hechts store.

Tanglewood Mall has not been as successful in recruitment and, as a result, retail growth in that market has been stagnant. The primary new retail growth in Southwest Roanoke County is the proposed relocation and expansion of West Motors (Mercedes, Volvo and Land Rover) to Route 220 South at Clearbrook. This is likely to spur additional retail growth in that region.

Retail sales have continued to stay strong in the Roanoke Valley market despite some limited slow-down in the economy. Unemployment rates have not risen significantly and housing sales have been maintained at near record levels. Few national retailers have pulled out of the market (Ames is the exception) and, in most cases, this is a result of internal problems, not the local economy. High traffic, high value, retail sites have been sought by service station/convenience store operations.

Based on end of the year activity, we expect 2002 to be a continuation of the past year with retailers and restaurants still seeking sites throughout the valley. It is likely that some big box spaces will come on the market as a result of national level corporate decisions; i.e.: Ames and K Mart. Local grocery based community centers should continue to be healthy but new developments are not expected.

* Retail Data Submitted by Roger Elkin and Lynn Hall



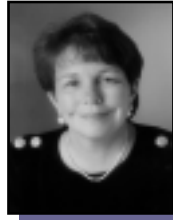
Area Leaders Discuss Projects And Economic Changes For 2002



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Joe Yates
Director Economic
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City of Salem

In 2002, several private sector projects should be highlighted; among those are the Roanoke Times expansion and Carilion's expansion/renovation. The city is selling \$56 million of bonds this month for the construction of the first new school in 25 years, the Crystal Springs filtration plant, the stadium/amphitheater project, the flood reduction project, and several other projects, including the Biomedical Park, which is known as the Riverside Centre for Research and Technology at Reserve and Jefferson and Franklin.

The Roanoke Times is in the process of constructing a print production facility in a 52,000 square foot building. The \$31,000,000 expansion will house a state-of-the-art printing press. It will allow color to be printed on virtually every page and will print up to 80,000 copies per hour. Passers-by will be able to watch the press in action. A skywalk across 2nd Street will connect the facility to the existing Roanoke Times building. This new project is in the same area as the City's new "e-town," along what has traditionally been known as Warehouse Row. The City purchased two warehouses along the Row in 2001 that will be converted into a technology cultivator. This cultivator will offer flexible work space for small technology companies, and eventually be incorporated into a Technology Zone currently being developed by the City of Roanoke.

One of the most exciting projects in the City of Roanoke will take on a more visible component in 2002. Construction will begin in the Riverside Centre for Research and Development, a new biomedical research park in the South Jefferson Redevelopment Area. The first visible structure will be a parking deck, while most activity will be the demolition of structures. The City has committed \$14,000,000 to this project and anticipates that the project will have a \$30,000,000 capital investment in the first phase with the potential for \$175,000,000 in capital expenditures.

Carilion Health System has begun a \$70,000,000 investment in its hospitals in Roanoke. The project includes a new seven-story, 128,000 square foot wing at Carilion Roanoke Memorial Hospital, and a major renovation of the Carilion Roanoke Community Hospital. Plans are also underway for a new stadium in the City of Roanoke. An architect will be selected in early 2002, with the remainder of the year being devoted to design work. Construction should begin in early 2003 on this \$18,000,000 facility.

2002 has the potential to be a great year after the announcements of Infoseal and Virginia Utility Protection Services, which combined, will create an estimated 125 jobs. Currently the Roanoke Valley Economic Development partnership has twelve active projects with total investments in excess of \$300 million and 2800 new jobs. These projects are at various stages in their respective corporate decision making processes. But, the Valley has been short listed on a number of them.

The most significant retail project under construction in Roanoke County is the Wal-Mart Superstore in Bonsack. This development, combined with the office and retail projects underway nearby on Alternate Route 220 North in Botetourt County, has developers and end users focused on the Route 460 East corridor for future development opportunities.

The Clearbrook area in SW County has gotten the attention of retail developers with the announcement that Hammersley Motors is developing a luxury car center that will be anchored by the relocation of West Motors' Mercedes dealership. LandRover and Jaguar will also have showrooms within the Hammersley development. Hammersley is headquartered in Lynchburg.

Novozymes Biologicals is under construction with a three phase development which will relocate their existing facility from Salem to the Center for Research and Technology off of Interstate 81. The first Phase is a research and development/administrative facility to be completed in August 2002. Novozymes is the first tenant for the 457 acre Technology Park, which is strategically located between Roanoke and Blacksburg, offering a compelling opportunity for companies that desire to take advantage of the close proximity to Virginia Tech.

Salem is currently working with Marsh-Witt and Assoc. on updating our comprehensive plan and zoning and subdivision ordinances. This project will not be complete until 2003. As a byproduct of this process, the city has begun looking at underutilized industrial and commercial property for possible redevelopment. As always, we will continue to monitor and market existing vacant properties.

Despite the September 11 tragedy, downtown Roanoke has not seen a decline in sales activity. We expect to have slow growth at a steady rate in the coming year.

While the economy chugged along through most of 2001, the economic outlook for 2002 remains uncertain. Fortunately there are several projects underway that should provide a measure of economic stimulus. While communities around Roanoke continue to experience devastating layoffs, we are encouraged by the investment being made in the city by some of our existing businesses. Based on conversations with several retail employers in downtown, they experienced sales above the national average in the last quarter and we expect it to continue as more people are inclined to stay closer to the home front.

Other economic changes that you might see during 2002 include a greater working relationship with the New River Valley and the Roanoke Valley, centering on Virginia Tech. Efforts will continue to increase in promoting the region to biotechnology, information technology, electro-optic, second tier automotive and primary industries, such as plastics and food processing. With new companies adding to our growing clusters in the target industries, we should see increased opportunities for our citizens.

The economic picture for 2002 remains uncertain through at least the second quarter but holds excellent prospects for long-term growth and development. These prospects should carry the region beyond the short-term problems of 2002. We anticipate we will see some new jobs come to the area, as well as employment retention in early 2002, and will no doubt see more as the year progresses.

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Hall Associates Commercial Market Report

*A Review of Local and Regional Office, Retail,
and Industrial Real Estate Markets and Trends*

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