

Industrial Market Trends Richmond

Grubb & Ellis Research

Second Quarter 2005



There is still not enough investor or user product for sale to meet buyer demand.

Recovery Continues

Leasing activity increased across the board. Noteworthy transactions included a 123,000-square-foot lease to Pearson Government Solutions at Rivers Bend for a call center, and a 55,000-square-foot lease to Pratt Industries in Ashland for manufacturing. Distribution and manufacturing prospects from out of town have increased. Examples include an 83,217-square-foot lease at Northlake to Handleman Entertainment Resources LLC, a music distributor. Nevertheless, with vacancy still above 18 percent, bulk distribution effective rates are generally holding below \$4.00 NNN.

The flex leasing market has recovered with vacancy down to just 9.7 percent from highs of 18 percent just two years ago. Both Windsor Business Park and Crescent Business Park delivered product in 2005, and are fully leased with additional construction planned. Flex rates are experiencing some upward pressure from their current \$7.50 to \$11.00 NNN range. Flex condos are also selling well with prices in the \$85 to \$100 psf range, although the market is not as deep as that for office condos.

The softest part of the market is in buildings over 100,000 square feet. One notable large purchase was a 102,000-square-foot building in Rivers Bend by Merit Medical Systems, Inc. for a manufacturing and distribution center. In the manufacturing sector, Wella's former 231,000-square-foot facility in the International Business Park is now being marketed for sale, while Honeywell placed a 225,000-square-foot logistics building in Chesterfield County on the market.

Richmond's industrial market, while not booming, is certainly healthy. Flex condo demand is active and opportunities for additional development are available. 2006 should see opportunities for development of additional speculative distribution product as the current overhang burns off. Investment trading has been light in recent years, but is picking up and could be more active if additional properties go on the market.

Richmond Industrial Market Trends

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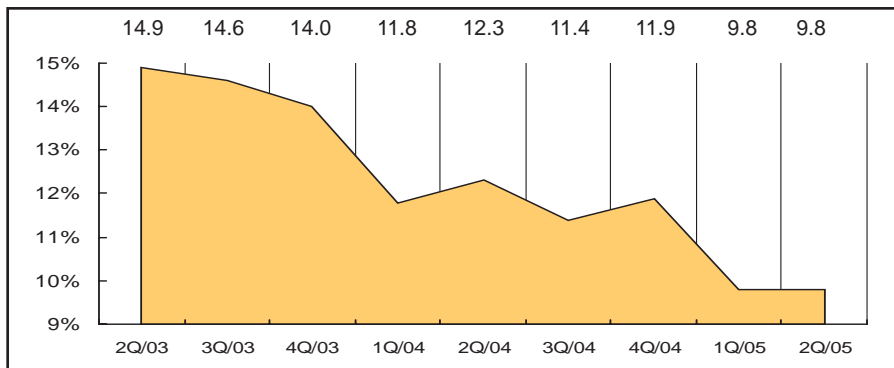
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Industrial Vacancy Rate*

* All Product Types & Submarkets

Industrial Market Snapshot Richmond Second Quarter 2005

By Submarket (All Types)	Total SF(1)	Vacant SF(4)	Vacant %	Net Absorption		Under Construction(2)	Asking Rent(3)		
				Current Qtr.	Year-to-date		Wh/Dist	R&D/Flex	
Northeast	11,178,367	898,148	8.0%	29,977	86,368	27,000	\$3.86	\$7.63	
Northwest	17,719,288	2,364,574	13.3%	(80,514)	689,686	18,750	\$3.46	\$8.12	
Southeast	12,156,646	823,709	6.8%	380,954	557,352	-	\$3.43	\$7.37	
Southwest	40,907,281	3,924,246	9.6%	(105,286)	753,143	42,980	\$3.81	\$7.25	
Total	81,961,582	8,010,677	9.8%	225,131	2,086,549	88,730	\$3.68	\$7.71	
By Product Type (All Submarkets)							Asking Rent by Product Type		
General Industrial	50,533,488	2,910,480	5.8%	45,906	1,114,066	42,980	\$3.54		
Incubator	393,549	22,683	5.8%	6,900	22,250	-			
R&D/Flex	8,439,442	819,563	9.7%	174,860	500,940	45,750	\$7.71		
Whse/Distribution	22,595,103	4,257,951	18.8%	(2,535)	449,293	-	\$3.68		
Total	81,961,582	8,010,677	9.8%	225,131	2,086,549	88,730	\$4.02		

(1) Inventory includes multi-tenant, single tenant and owner occupied buildings with at least 10,000 sq. ft.

(2) Space under construction includes speculative, build-to-suit for lease and design-build projects.

(3) Asking rates are per square foot per year triple net. Rates for each building are weighted by the amount of available space within the building.

(4) Vacant space includes direct and vacant sublease space.

Industrial Market Terms and Definitions

Inventory: Industrial Inventory includes all multi-tenant, single tenant and owner-occupied buildings above 10,000 square feet.

Construction Type: Speculative ("spec") construction is designed to attract tenants likely to be in the market when the project is leasing. Build-to-suit construction is designed for a specific tenant.

Industrial Product Types: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis.

Average Weighted Asking Rent: An average market rent where the asking rent for each building in the market is weighted by the amount of available space in the building.

Recent Transactions

G&E|Harrison & Bates' industrial group is pleased to announce representative transactions during the second quarter of 2005:

<p>Pratt Industries 52,000 SF Lease 309 Quarles Road, Hanover County General Industrial David Williams, Stuart Cary</p>	<p>HD Business LLC 33,182 SF Lease - 5300 Lewis Road 28,497 SF Lease - 4860 Eubank Rd Henrico County General Industrial & Whse/Dist Jason Hetherington</p>	<p>Progress Printing 17,713 SF Lease 3413 Carlton Street, Richmond City General Industrial Scott Boyers, Lee Hilbert</p>
<p>North South Partners LLC 16,242 SF Sublease 8080 Villa Park Drive, Henrico R&D/Flex Kit Tyler, Chuck Ellsworth</p>	<p>Pyramid Network Services 12,500 SF Lease 2100 Magnolia Street, Richmond City General Industrial Stuart Cary, Lewis Little, Jr.</p>	<p>Verizon Virginia 11,664 SF Lease 701 W. Hundred Road Chesterfield County General Industrial David Williams, Chris Wallace</p>

Featured Listings

Partial Listing of Industrial Properties Currently Available
Go to www.harrison-bates.com/properties to view all listings.

Chesterfield County



NEW
Branchway Business Center
11311 Business Center Drive
Suite B - 2,150 SF
(1,750 office/400 whse)
Dock loading
Lease - \$10.75 + janitorial
Ann Malone, Lewis Little, Jr.



NEW
Crossroads Business Center
11623 Busy Street
3,419 SF
Lease - \$6.70 Gross
Stuart Cary



Willis Road Business Center
9301 & 9401 Burge Ave
3,200 & 7,200 SF
Lease - \$6.50 Gross
Stuart Cary



Waverly Textiles
8401 Fort Darling Road
136,017 SF
Sale \$3,157,925 - Lease \$3.25
Bill Mattox, Jason
Hetherington

Hanover County



14500 Jefferson Davis Hwy
36,000 SF manufacturing
with crane
Sale - \$1,380,000
Lease - \$11,850/mo NNN
David Williams



Ashland Commons
Professional Center
Office & Flex Condos
1,200 - 60,500 SF
Sale - \$95 to \$125 PSF
David Williams, Jason
Hetherington



Air Park Office Suites
11139-59 Air Park Road
2,125 - 4,250 SF
Lease - \$8.00 MGRS
Stuart Cary



Bell Creek Flex Condos
New Construction
2,500 to 12,500 SF
Sale - \$95-100 PSF
Lease - \$9.50 PSF NNN
Stuart Cary, David Williams



Ashland
10430 Dow Gil Road
2,600SF
Lease - \$6.75 MGRS
Bill Mattox



Under Contract
Ellerson Industrial Park
8436 Erle Road
8,600 SF
Sale - \$365,000
Lease - \$5.25 NNN
Lee Hilbert, Jason
Hetherington



R&C Buildings
11232-11242 Hopson Road
Fully Leased
Lease - \$4.80 MGRS
Stuart Cary



NorthLake Trade Center
Freestanding Office/Warehouse
Bldgs for Sale or Lease
8,000 - 22,000 SF
(10,000 SF Now Available)
Pre-construction prices
starting at \$75-85/SF



Leased
Wilson Enterprises
8007 Mechanicsville Tpk
11,359 SF
Lease - \$6.97 MGRS
Bill Mattox



Leased
309 Quarles Road
26,408 SF
Lease - \$4.50 NNN
Additional acreage for
expansion or build-to-suit.
David Williams, Stuart Cary



New Construction
10966 Richardson Road
1,200 - 12,000 SF
Lease - \$6.00 NNN
Stuart Cary, Lewis Little

PROPERTY WANTED

4 to 6 acres centrally
located for 50,000 sf user
(David Williams)
30,000 to 50,000 sf
warehouse facility for
purchase (David Williams or
Jason Hetherington)

Henrico County



Mechanicsville
2415 Anniston Street
9,186 SF with yard
Lease - \$5.50 NN
Jason Hetherington



Dabney Corporate Center
2034-2036 Dabney Road
Lease - \$8.75 NNN
David Williams

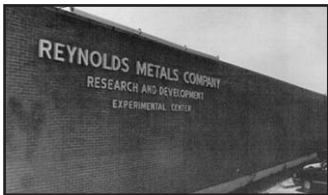
Leased



Dabney Trade Center
2281 Dabney Road
2,625 SF
Lease - \$6.95 NNN
David Williams,
Jason Hetherington



Woodland Business Center
Flex Space
12,000 SF in 2 Bldgs
Lease: \$7.00 - \$11.00 NNN
Bill Mattox, Jason
Hetherington



509 Goddin Street
Adjacent to Rockett's Landing
45,900 SF
Lease - \$3.50 NNN
Stuart Cary, Chuck Ellsworth



Mayland Place I
9830 Mayland Drive
7,188 SF Flex/Office
Lease - \$12.00 NNN
John Gentry, Garnett Hall

Leased



3101 Northside Avenue
Off Staples Mill Road
10,992 SF
Enterprise Zone
Sale - \$899,000
Jason Hetherington



Distribution/Manufacturing
7421 Ranco Road
57,558 SF
Sale - Now \$2,100,000
David Williams, Jason
Hetherington

Under Contract



Airport Office/Warehouse
4716 Richneil Road
19,500 SF
Lease - \$4.00 NNN
Sale - Now \$750,000
David Williams

Under Contract



Aspen Park
Office & Flex Condominiums
6011 Staples Mill Road
1,900 - 37,000 SF
Sale - \$100-125/SF Shell
Jason Hetherington, John
Gentry



Dabney Road Area
Former Acorn Sales
1506 Tomlyn Street
9,000 SF
Lease - \$6.50 NNN
Stuart Cary



Trampton Center
555 - 580 Trampton Rd
3,200 to 6,800 SF
Lease - \$7.50 to \$9.00 NNN
Lewis Little, Jr., David
Williams

Richmond City



117 S. Third Street
Office/Whse with dock
5,200 SF - Lease \$3.00/SF
1st Floor Office/Lab Space
12,745 SF - Lease \$6.50/SF
Kit Tyler

Leased



Food Distributor Bldg
1600 Belleville Street
Scott's Addition
Enterprise Zone
14,960 SF
Lease - \$4.95 MGRS
David Williams



Castlewood Industrial Park
3903 Castlewood Road
42,500 SF Warehouse
29,000 SF Leased
13,500 SF Available \$2.00/SF
Sale - \$725,000
David Williams



Retail or Office Rehab
2010-2026 E. Main Street
25,572 SF
Sale - \$1,250,000
Scott Boyers, Jason
Hetherington



NEW
 600 Perdue Avenue
 NNN Leased Investment
 91,000 SF
 Sale - \$1,950,000
 David Williams, Jason
 Hetherington



Interstate Business Park
 3601-3721 Saunders Ave
 Suites of 3,198 & 4,329 SF
 Lease - \$9.00 NNN
 John Gentry, Chris Wallace



Hanson Pipe & Products
 1207 & 1301 School Street
 750 SF Shop/1,150 SF Office/3 Ac Yard
 Lease - \$2,800/month
 Sale - \$495,000
 Scott White, Bill Mattox

Industrial Land Trends

Recent industrial land sales included a 21.43-acre sale in the James River Industrial Park to Atlantic Constructors for \$535,750 on which the purchaser will construct a 100,000-square-foot manufacturing facility. Most industrial land demand, however, falls in the 2-4 acre size range as smaller office warehouse or flex users purchase sites to build-to-own. Land prices for prepared industrial sites have bumped up in recent months to \$90,000 to \$110,000 per acre. On the higher end, a "pad-ready" site in Northlake that was cleared, graded and had utilities in place sold for \$140,000 at the beginning of the year.

Fredericksburg

Lunenburg



Under Contract
 1212 Westover Hills Blvd
 5,000 SF
 Sale - \$250,000
 Lease - \$6.00 NNN
 Stuart Cary



NEW
 River Run
 U.S. Route 1, Spotsylvania
 4,400 - 44,000 SF
 Office/Flex
 Land Available for BTS/Sale
 David Williams, Jason
 Hetherington



Fmr Railway Handle Sawmill
 500 Main St, Victoria, VA
 Lunenburg County
 91,795 SF
 Sale - \$615,000
 Jason Hetherington

Industrial Land

Size	City/County	Price	Contact	Comments
62 Acres	Henrico		Jason Hetherington	Approximately 30 acres useable. I-64 frontage. Owner will sell or build-to-suit.
4900-5000 Audubon Dr		\$125,000/ac	David Williams	
73.59 Acres	Chesterfield		Bill Mattox	I-95 visibility & zoned I-3.
1800 Coxendale Rd		\$425,000	Lewis Little, Jr.	Water/sewer at site. ±15 useable acres.
3 to 35 Acres	Hanover		Bill Mattox	Ashland Business Park
Hill Carter Parkway, Ashland		\$60,000-\$80,000/ac	David Williams	Zoned Light Industrial/Mixed-Use
2 to 94 Acres	Chesterfield		Bill Mattox	Rivermont - Mixed Use
E. Hundred Road		Call for Pricing	David Williams	Office/Retail/Industrial
10 to 30 Acres	Hanover		David Williams	NEQ I-95 @ Rt. 54
Telcourt Rd, Ashland		\$45,000/ac		Zoned M-1, Interstate frontage
10 to 25.6 Acres	Henrico		David Williams	M-1C. Near Infineon/White Oak
Dry Bridge Rd & Old Williamsburg Rd		\$50,000/ac		SWQ I-64 @ Rt. 60
13 Acres	Henrico		David Williams	Zoned M-2, Level, Cleared, All Utilities,
Charles City & Miller Roads		\$950,000	Jason Hetherington	Partially Fenced. Possible to sub-divide.
15 to 35 Acres	Chesterfield		Bruce Milam	Meadowville Technology Park Area
Bermuda Hundred Road		Call for Pricing	Bill Mattox	at Enon Church Road
5 to 14 Acres	Ashland		David Williams	Sale, lease or owner may build to suit.
301-307 Quarles Rd		\$49,500/ac	Stuart Cary	Zoned M-1, all utilities.
10.56 Acres	Henrico		Jason Hetherington	Sale or Build-to-Suit; Zoned R-6, B-3C
Brook Run Drive		\$95,000/ac	David Williams	
6.54 Acres	Chesterfield		Bill Mattox	I-3, Enterprise Zone
Fort Darling Road		\$360,000	Jason Hetherington	Adjoining distribution facility available.
4.3 Acres	Henrico		Bruce Milam	M-1, Richmond Industrial Interport
4720 Richneil Road		\$400,000	Bill Mattox	
5.44 Acres	Richmond		Bill Mattox	Bells Road area; Zoned M-1
3800 Belt Blvd		\$325,000	Jason Hetherington	
6.19 Acres	Henrico		Bill Mattox	Just off Williamsburg Road, Zoned M-1
5219 Klockner Dr		\$460,000	Lewis Little, Jr.	
2 to 6 Acres	Spotsylvania		David Williams	Premier park across from Massaponax HS
Route 1		\$95-125,000/ac	Jason Hetherington	Zoned for office/light industrial

NEW
NEW

Grubb & Ellis|Harrison & Bates Industrial Services Team

The Industrial Services Team specializes in all facets of industrial real estate locally, as well as nationally, through our affiliation with Grubb & Ellis, one of the nation's largest commercial real estate services firms. Clients benefit from the depth of experience and superior market knowledge of these highly trained professionals. Services provided include:

- Acquisition/Disposition Services
- Buyer/Tenant Representation
- Feasibility Studies
- Highest & Best Use/Alternative Use Studies
- Investment Analysis
- Lease Review for Owners & Tenants
- Lease vs. Own Analysis
- Marketing Plans & Services
- Opinions of Value
- Project Management
- Sale-Leasebacks
- Site & Facility Selection
- Strategic Real Estate Planning
- Tax Deferred Exchanges
- Tenant Retention

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Richmond
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Industrial Market Snapshot Richmond Second Quarter 2005

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