

Industrial Market Trends Richmond

Grubb & Ellis Research

Third Quarter 2005



Devon has experienced good activity at its first two distribution buildings at Enterchange at Northlake and may soon break ground on the next phase.

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Expansion Phase Continues

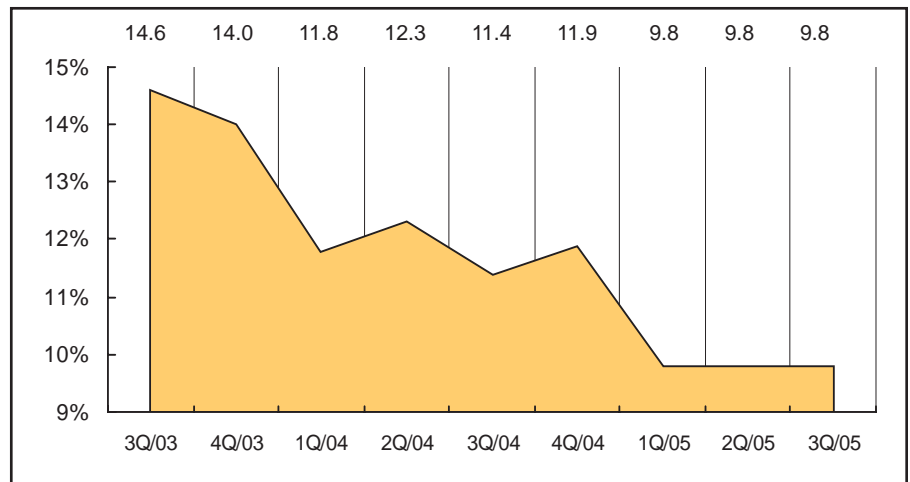
Accelerated leasing activity in new distribution space included such transactions as a 115,000-square-foot lease at Rivers Bend to Redemtech, Inc., a firm providing IT asset management for large corporations, and a 38,000-square-foot lease to FedEx Ground Package Systems, Inc. at the Enterchange at Northlake. Vacancy of older distribution space, however, remains stubbornly high.

Large building sales included the transfer of the 375,000-square-foot former Circuit City facility in Doswell to Rhapsody Land & Development, LLC, which produces wood trusses for the home building industry, for \$2.5 million. A 450,000-square-foot distribution center north of Ashland sold for less than \$10/square foot to local investors who had 150,000 square feet of it leased to Value City Department Store.

Demand remains strong for the purchase of small user buildings, but there is not much product available. Three older buildings in the 10,000 to 60,000 square foot size range transferred to users for \$34 to \$38 per square foot, while a new 10,000-square-foot building at Northlake Trade Center sold to a user for about \$85 per square foot. Flex condos are holding their own with a few sales, but the market is relatively thin. Nevertheless, prices are \$90 to \$100 per square foot.

On a positive note, flex space vacancy is at its lowest level in years. Demand for flex product is good in proven locations such as the Parham Road/Route 1 area where parks such as Crescent Business Center have experienced a good track record.

Continued development is expected in areas such as Villa Park and Hanover Industrial Park.



Industrial Vacancy Rate*

* All Product Types & Submarkets

Industrial Market Snapshot Richmond Third 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	11,214,088	966,965	8.6%	(23,296)	53,272	12,000	\$4.36	\$8.14	
Northwest	17,632,635	2,060,311	11.7%	325,613	1,024,227	18,750	\$3.31	\$7.99	
Southeast	12,156,646	1,021,715	8.4%	(230,786)	359,748	-	\$3.36	\$7.19	
Southwest	40,907,281	3,976,912	9.7%	(52,666)	700,477	42,980	\$3.70	\$7.50	
Total	81,910,650	8,025,903	9.8%	7,865	2,137,724	73,730	\$3.65	\$7.75	
By Product Type (All Submarkets)							Asking Rent by Product Type		
General Industrial	50,426,485	2,992,888	5.9%	(115,388)	1,041,988	42,980	\$3.76		
Incubator	393,549	33,183	8.4%	(10,500)	11,750	-	\$6.29		
R&D/Flex	8,495,513	767,567	9.0%	108,067	609,007	30,750	\$7.75		
Whse/Distribution	22,595,103	4,232,265	18.7%	25,686	474,979	-	\$3.65		
Total	81,910,650	8,025,903	9.8%	7,865	2,137,724	73,730	\$4.12		

(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 third quarter of 2005:

2040 Thalbro Street
144,805 SF Sale
Henrico County
General Industrial
Lee Hilbert, David Williams

Redemtech, Inc.
115,000 SF Lease
500 HP Way, Chesterfield County
Warehouse Distribution
Jason Hetherington

7421 Ranco Road
57,558 SF Sale
Henrico County
General Industrial
Jason Hetherington, David Williams

FedEx Ground Package System
38,145 SF Lease
Enterchange at Northlake, Hanover
Warehouse/Distribution
Stuart Cary, David Williams

4716 Richneil Road
19,500 SF Sale
Henrico County
General Industrial
David Williams

Northlake Trade Center
10,175 SF Sale
10540 Northlake Park Run
Hanover County
R&D/Flex
Bill Mattox, David Williams

Featured Listings

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

Chesterfield County



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.



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 - \$105 to \$130 PSF
David Williams, Jason
Hetherington



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



Lease/Purchase Option
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



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



SOLD
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
10,175 SF Available Now
8,000 - 23,400 SF Planned
Priced at \$79-89/SF
David Williams, Bill Mattox



Leased
Wilson Enterprises
8007 Mechanicsville Tpk
Fully Leased
Lease - \$6.97 MGRS
Bill Mattox



Leased
309 Quarles Road
79,000 SF
Lease - \$4.50 NNN
Additional acreage for
expansion or build-to-suit.
David Williams, Stuart Cary



New Construction
10966 Richardson Road
1,200 - 6,000 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



LEASED

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



LEASED

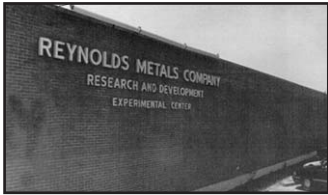
*Dabney Corporate Center
2034-2036 Dabney Road
Fully Leased
Lease - \$8.75 NNN
David Williams*



*Dabney Trade Center
2281 Dabney Road
2,500 to 5,250 SF
Lease - \$5.90 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*



NEW

*1600 Mountain Road
Near Rt 1 & Parham
7,215 SF
Includes 2,590 SF Office
Sale - \$575,000
Lee Hilbert*



SOLD

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



SOLD

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



NEW

*3021 Vernon Road
Enterprise Zone
50,000 to 110,000 SF
Sale - \$2,700,000
Lease - \$2.75 - \$3.25 NNN
David Williams*



*Aspen Park
Office & Flex Condominiums
6011 Staples Mill Road
2,290 - 25,705 SF
Sale - \$85/SF Shell
Jason Hetherington*



*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 - \$8.00 to \$10.00 NNN
Lewis Little, Jr., David
Williams*

Grubb & Ellis | Harrison & Bates is proud to offer detailed industrial real estate information on more than **90 million** square feet in Greater Richmond. This comprehensive database can be used in a variety of ways, such as to achieve the best value in a transaction, to position a property or portfolio for maximum gain, or to better determine where market opportunities are. Let us show you aggressive strategies to maximize value.

Richmond City



*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*



Investment Sale

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 1,891, 3,198 and
 4,329 SF
 Lease - \$5.00-\$9.50 NNN
 John Gentry, Chris Wallace

Under Contract

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

The market clearly is in an expansion phase, primarily in the "light" industrial market. The classic cycle of limited improved product and increasing demand has created land sale interest in the one to ten acre "sweet spot" range. In addition to users, several local developers are purchasing sites to deliver for lease and sale flex product. Prices are seeing rapid appreciation in transition commercial/industrial areas and approach \$25,000-150,000 per acre for "sweet spot" sites.

Fredericksburg

Lunenburg



NEW 1510 Webster Street
 15,225 SF
 Available December
 Lease - \$3.75 - \$4.25 MGRS
 Scott White

River Run
 U.S. Route 1, Spotsylvania
 4,400 - 44,000 SF
 Office/Flex \$7.50-13.00 NNN
 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
43.24 Acres	Chesterfield		Bruce Milam	South side of Rt. 60 near Watkins Tract.
16001 Midlothian Tpk		\$87,500/Ac	David Williams	Land use plan - Industrial - Zoned A
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	Lewis Little, Jr.	SWQ I-64 @ Rt. 60
13 Acres	Henrico		David Williams	Zoned M-2, Level, Cleared, All Utilities, Partially Fenced. Possible to sub-divide.
Charles City & Miller Roads		\$950,000	Jason Hetherington	
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		Bill Mattox	M-1, Richmond Industrial Interport
4720 Richneil Road		\$400,000		
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 - River Run Center		\$95-125,000/ac	Jason Hetherington	Zoned-office/light industrial; immediate Dev.

NEW

Contract Pending on 8 acres

NEW

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:

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- 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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