

# Industrial Market Trends Richmond

Grubb & Ellis Research

Fourth Quarter 2005



*There is a growing trend of regional tenants by-passing Northern Virginia to locate in Richmond to avoid rents that are, in some instances, double Richmond area rates.*

## Richmond Industrial Market Trends

is a newsletter published quarterly by Grubb & Ellis|Harrison & Bates. To obtain additional copies or other Grubb & Ellis|Harrison & Bates publications, please contact:

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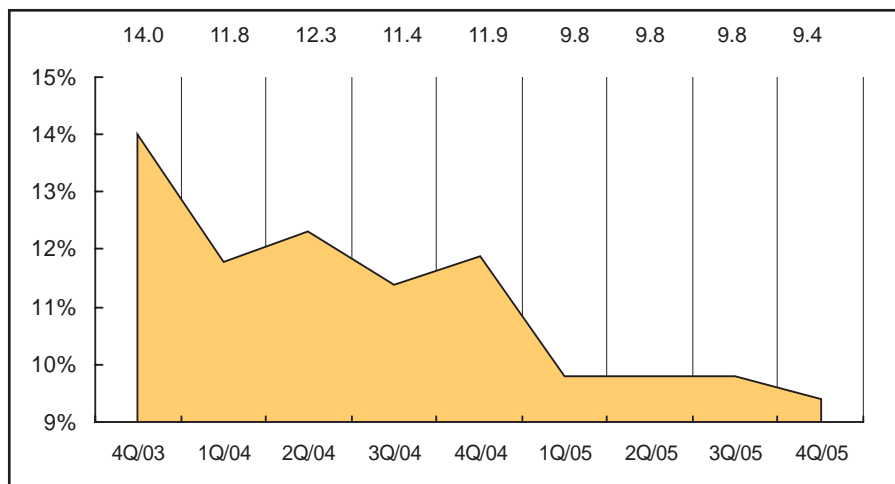
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## Flex, Bulk Trends Differ

Continued softness in the bulk leasing market, where vacancy stands at 18.6 percent, creates good opportunities to lease quality bulk warehouse space at attractive rates in the range of \$3.50 to \$4.35 per square foot NNN and lower for older space. For regional tenants, rates are lower in Richmond than in either Hampton Roads or Northern Virginia. With the exception of 120,000 square feet at Highwoods Distribution in eastern Henrico or build-to-suits, there may be no new construction in the bulk category in 2006. The supply constructed over the last couple of years by Devon USA is still being absorbed and crowding out competition. Transaction activity included a 50,000-square-foot lease to Infinity Logistics at 3031 Transport Street.

The flex market is healthy although vacancy increased to 11.3 percent. Average asking rates are still less than \$8.00 NNN. Richmond area flex rates will need to rise to the \$10 range in order to justify significant new construction. There are no new flex parks for lease planned for the immediate future, but ground was broken for Aspen Park Flex Condos where three buildings are under contract to purchasers and one spec building is going up. The average sale price for flex condos area wide is \$100 per square foot which is generally acceptable in this market, but demand is limited.

Generally, fourth quarter activity/sale closings were strong and included the investment sale of the 49,163-square-foot flex/retail Wistar Center for \$5.2 million (\$105.77/sf), the sale of the former Southeast Frozen Foods at 7418 Rancho Road for \$1.5 million (\$34/sf), the sale of 17,500 square feet of flex/lab space in at 450 Southlake Boulevard for \$1.5 million (\$85.71/sf), and the sale of a surplus 225,000-square-foot corporate distribution center at 2101 Bermuda Hundred Road for \$5.3 million (\$23.55/sf).



Industrial Vacancy Rate\*

\* All Product Types & Submarkets

## Industrial Market Snapshot Richmond Fourth Quarter 2005

| By Submarket<br>(All Types)                 | Total SF(1)       | Vacant SF(4)     | Vacant %    | Net Absorption |                  | Under<br>Construction(2) | Asking Rent(3)                     |               |
|---|-------------------|------------------|-------------|----------------|------------------|--------------------------|------------------------------------|---------------|
|   |                   |                  |             | Current Qtr.   | Year-to-date     |                          | Wh/Dist                            | R&D/Flex      |
| Northeast                                   | 11,216,218        | 890,579          | 7.9%        | 71,928         | 125,200          | -                        | \$4.36                             | \$7.82        |
| Northwest                                   | 17,655,635        | 1,898,510        | 10.8%       | 161,801        | 1,186,028        | 64,235                   | \$3.55                             | \$8.00        |
| Southeast                                   | 12,156,646        | 1,012,041        | 8.3%        | 9,674          | 369,422          | 120,000                  | \$3.56                             | \$6.86        |
| Southwest                                   | 40,907,281        | 3,898,729        | 9.5%        | 59,283         | 770,078          | 42,980                   | \$3.63                             | \$7.55        |
| <b>Total</b>                                | <b>81,935,780</b> | <b>7,699,859</b> | <b>9.4%</b> | <b>302,686</b> | <b>2,450,728</b> | <b>227,215</b>           | <b>\$3.70</b>                      | <b>\$7.71</b> |
| <b>By Product Type<br/>(All Submarkets)</b> |                   |                  |             |                |                  |                          | <b>Asking Rent by Product Type</b> |               |
| General Industrial                          | 50,449,485        | 2,509,485        | 5.0%        | 457,915        | 1,510,221        | 42,980                   | \$3.68                             |               |
| Incubator                                   | 393,549           | 18,345           | 4.7%        | 14,838         | 26,588           | -                        | -                                  |               |
| R&D/Flex                                    | 8,497,643         | 961,660          | 11.3%       | (191,963)      | 417,044          | 64,235                   | \$7.71                             |               |
| Whse/Distribution                           | 22,595,103        | 4,210,369        | 18.6%       | 21,896         | 496,875          | 120,000                  | \$3.70                             |               |
| <b>Total</b>                                | <b>81,935,780</b> | <b>7,699,859</b> | <b>9.4%</b> | <b>302,686</b> | <b>2,450,728</b> | <b>227,215</b>           | <b>\$4.21</b>                      |               |

(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.

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.

## Recent Transactions

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

### Infinity Logistics

50,000 SF Lease  
3031 Transport St, Richmond  
Warehouse/Distribution  
David Williams, Lewis Little

### 1207 School Street

31,000 SF Sale  
City of Richmond  
General Industrial  
Scott White, Bill Mattox

### Zoom Printing

14,500 SF Lease  
2042 Westmoreland St, Henrico  
General Industrial  
Stuart Cary

### J J Nikitakis & Company

13,500 SF Lease  
3903 Castlewood Rd, Richmond  
Warehouse/Distribution  
David Williams

### Telcourt Road

10.66 Acre Sale  
Ashland, Hanover County  
Industrial Land  
David Williams, Bill Mattox

### Bell Creek Park Flex Condo

2,500 SF Sale  
8505 Bell Creek Rd  
Hanover County  
R&D/Flex  
Stuart Cary, David Williams

# Featured Listings

Partial Listing of Industrial Properties Currently Available  
Go to [www.harrison-bates.com/properties](http://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.



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



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



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

## Hanover County



**Moorefield Trade Center**  
Condo  
611 Moorefield Park Dr  
3,045 SF  
Sale - \$440,000  
Zac Frederick



**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



**R&C Buildings**  
11232-11242 Hopson Road  
3,000 SF  
Lease - \$4.80 MGRS  
Stuart Cary



**Hanover Air Park**  
9975 Lickinghole Road  
13,900 SF  
Lease - \$5.75 NNN  
Stuart Cary



**Northlake Trade Center**  
10530 Northlake Park Run  
10,175 SF Available Now  
8,000-23,000 SF Planned  
Sale - \$905,575 (\$89/sf)  
David Williams, Bill Mattox



**Lakeridge Trade Center**  
Freestanding Office/Warehouse  
Bldgs for Sale  
10,000 - 80,000 SF Planned  
Priced at \$79-89/SF  
David Williams, Bill Mattox

## Henrico County



**New Construction**  
10966 Richardson Road  
1,200 - 2,400 SF  
Lease - \$7.00 NNN  
Stuart Cary, Lewis Little



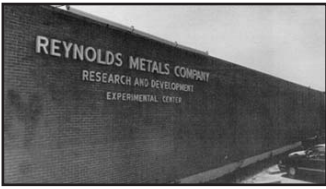
**Dabney Corporate Center**  
2034-2036 Dabney Road  
Fully Leased  
Lease - \$8.75 NNN  
David Williams



**Dabney Trade Center**  
2281 Dabney Road  
2,625 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**

**3522 Mayland Ct**  
2,917 SF  
Lease - \$6.00 - \$11.00  
John Gentry



**Under Contract**

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



**Under Construction**

**Aspen Park**  
Office & Flex Condominiums  
6011 Staples Mill Road  
2,290 - 25,705 SF  
Sale - \$120/SF Shell  
Jason Hetherington

**Richmond City**



**Dabney Road Area**  
Former Acorn Sales  
1506 Tomlyn Street  
9,000 SF  
Lease - \$4.50 NNN  
Stuart Cary



**Trampton Center**  
555 - 580 Trampton Rd  
3,200 to 6,800 SF  
Lease - \$6.00 to \$9.50 NNN  
Lewis Little, Jr., David Williams



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



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



**NEW**

**1702 Belleville Street**  
3,600 SF  
Lease - \$3.75  
Scott White, Lewis Little, Jr.



**Castlewood Industrial Park**  
3903 Castlewood Road  
42,500 SF Warehouse  
Investment Sale - \$725,000  
David Williams



**NEW**

**Only \$1.85 per sf**  
Commerce & Dinwiddie  
40,000 SF Warehouse  
Lease - \$1.85 MGRS  
David Williams, Lewis Little



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



**NEW**

**3210 W. Marshall Street**  
50,000 SF  
Large Fenced Yard  
Sale - \$2,975,000  
David Williams  
co-listed with Porter Realty



**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  
One Suite - 4,329 SF  
Lease - \$5.00-\$9.50 NNN  
John Gentry, Chris Wallace



**1510 Webster Street**  
15,225 SF  
Available Feb. '06  
Lease - \$3.75 - \$4.25 MGRS  
Scott White

## Fredericksburg



*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

## Lunenburg



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

## Industrial Land Trends

The availability of good, well-located small sites primarily for companies wishing to build their own facility is still in high demand. However, with the increasing upward pressure on both building material cost and labor, this demand may have plateaued. Indeed, leasing activity has increased over the course of the last year, and this trend should continue eventually affecting small lot prices.

## Industrial Land

| Size<br>Location  | City/County<br>Price             | Contact                              | Comments  |
|---|----------------------------------|--------------------------------------|---|
| 43.24 Acres<br>16001 Midlothian Tpk                     | Chesterfield<br>\$87,500/Ac      | Bruce Milam<br>David Williams        | South side of Rt. 60 near Watkins Tract.<br>Land use plan - Industrial - Zoned A        |
| 62 Acres<br>4900-5000 Audubon Dr                        | Henrico<br>\$125,000/ac          | Jason Hetherington<br>David Williams | Approximately 30 acres useable. I-64<br>frontage. Owner will sell or build-to-suit.     |
| 73.59 Acres<br>1800 Coxendale Rd                        | Chesterfield<br>\$425,000        | Bill Mattox<br>Lewis Little, Jr.     | I-95 visibility & zoned I-3.<br>Water/sewer at site. ±15 useable acres.                 |
| 3 to 35 Acres<br>Hill Carter Parkway, Ashland           | Hanover<br>\$60,000-\$80,000/ac  | Bill Mattox<br>David Williams        | Ashland Business Park<br>Zoned Light Industrial/Mixed-Use                               |
| 2 to 94 Acres<br>E. Hundred Road                        | Chesterfield<br>Call for Pricing | Bill Mattox<br>David Williams        | Rivermont - Mixed Use<br>Office/Retail/Industrial                                       |
| 4.85 Acres<br>Telcourt Rd, Ashland                      | Hanover<br>\$392,000             | Lewis Little, Jr.<br>Bill Mattox     | NEQ I-95 @ Rt. 54<br>Zoned M-1, Interstate frontage                                     |
| 7.3 Acres<br>Lakeridge Park                             | Hanover<br>From \$125,000/ac     | David Williams<br>Bill Mattox        | Sites for build-to-suit or sale<br>Zoned M-2  |
| 10 to 25.6 Acres<br>Dry Bridge Rd & Old Williamsburg Rd | Henrico<br>\$50,000/ac           | David Williams<br>Lewis Little, Jr.  | M-1C. Near Infineon/White Oak<br>SWQ I-64 @ Rt. 60                                      |
| 13 Acres<br>Charles City & Miller Roads                 | Henrico<br>\$950,000             | David Williams<br>Jason Hetherington | Zoned M-2, Level, Cleared, All Utilities,<br>Partially Fenced. Possible to sub-divide.  |
| 11.7 Acres<br>2150 Charles City Rd                      | Henrico<br>\$65,000/ac           | Yasmine Hamad                        | Subdividable  |
| 15 to 35 Acres<br>Bermuda Hundred Road                  | Chesterfield<br>Call for Pricing | Bruce Milam<br>Bill Mattox           | Meadowville Technology Park Area<br>at Enon Church Road                                 |
| 5 to 14 Acres<br>301-307 Quarles Rd                     | Ashland<br>\$49,500/ac           | David Williams<br>Stuart Cary        | Sale, lease or owner may build to suit.<br>Zoned M-1, all utilities.                    |
| 10.56 Acres<br>Brook Run Drive                          | Henrico<br>\$95,000/ac           | Jason Hetherington<br>David Williams | Sale or Build-to-Suit; Zoned R-6, B-3C  |
| 6.54 Acres<br>Fort Darling Road                         | Chesterfield<br>\$360,000        | Bill Mattox<br>Jason Hetherington    | I-3, Enterprise Zone<br>Adjoining distribution facility available.                      |
| 6.19 Acres<br>5219 Klockner Dr                          | Henrico<br>\$460,000             | Bill Mattox<br>Lewis Little, Jr.     | Just off Williamsburg Road, Zoned M-1   |
| 3.21 Acres<br>4600 International Trade Ct               | Henrico<br>\$125,000/ac          | David Williams                       | International Business Park Outparcel   |
| 2 to 6 Acres<br>Route 1 - River Run Center              | Spotsylvania<br>\$95-125,000/ac  | David Williams<br>Jason Hetherington | Premier park across from Massaponax HS<br>Zoned-office/light industrial; immediate Dev. |

## Grubb & Ellis|Harrison & Bates Industrial Services Team

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- Lease Review for Owners & Tenants
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- Opinions of Value
- Project Management
- Sale-Leasebacks
- Site & Facility Selection
- Strategic Real Estate Planning
- Tax Deferred Exchanges
- Tenant Retention

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### PROPERTY WANTED

50,000 to 60,000 sf warehouse building - must have minimum 20' ceilings

(Call Stuart Cary)

30,000 to 50,000 sf warehouse facility for purchase

(Call David Williams or Jason Hetherington)

20,000 to 30,000 sf manufacturing building to purchase

(Call David Williams)

±5,000 sf building for sale - Northwest or Northeast Quadrant

(Call Jason Hetherington)



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