

# Industrial Market Trends Richmond

Grubb & Ellis Research

First Quarter 2006



*Interest in virtually all product types, locations and quality continued to be higher than average.*

## Industrial Market Showing Resilience

Some of the biggest industrial news was in the investment arena. First Potomac Realty Trust expanded its Richmond presence in the market with the purchase of a six-building flex/warehouse portfolio totaling 632,790 square feet from Liberty Property Trust. The \$40 million purchase included four buildings at River's Bend Center in Chesterfield County and Northridge I and II in Hanover County. Another 400,000-square-foot flex portfolio is currently on the market and is expected to be sold by its local owner to an institutional buyer.

Construction on the flex side has slowed considerably. Some out-of-town developers are assessing the Richmond market for high bay distribution projects, but are finding it difficult to justify rents due to construction costs and vacancy. All of this portends better investment value for existing industrial real estate.

Even though construction costs continue to rise, sales prices and rental rates on user space have remained relatively stable. There continues to be tenant and buyer interest from prospects from the Metro DC and Baltimore areas where sales prices and rental rates are higher. Local companies are experiencing price pressure due to this growing phenomenon.

Buyer/user sales included BMG Metals' purchase of 55,146 square feet at Seven Hills Industrial Center for \$2.33 million or \$42.50 per square foot, and Creative Office Environment contracted to purchase a design/build project at Northlake in Hanover.

A 100,000-square-foot lease was consummated at a former manufacturing facility in Henrico County, but at a low rate reflecting the building's poor condition and functionality. Generally rates are firming, even increasing, in larger space now.

### 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:

#### Lynn McDaniel

Vice President - Marketing Services  
E-mail: [lynn.mcdaniel@harrison-bates.com](mailto:lynn.mcdaniel@harrison-bates.com)

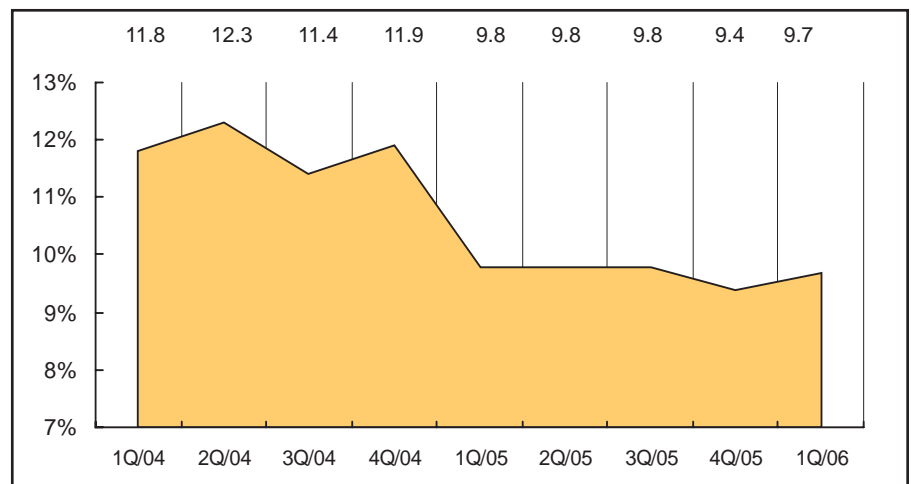
Grubb & Ellis|Harrison & Bates  
6606 W. Broad Street, Suite 400  
PO Box 11027

Richmond, VA 23230-1027

Phone: 804.788.1000

Internet: [www.grubb-ellis.com](http://www.grubb-ellis.com); [www.harrison-bates.com](http://www.harrison-bates.com)

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**Industrial Vacancy Rate\***

\* All Product Types & Submarkets

## Industrial Market Snapshot Richmond First Quarter 2006

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	11,210,618	1,203,478	10.7%	(319,699)	(319,699)	-	\$4.28	\$7.70
Northwest	17,673,249	1,724,021	9.8%	192,602	192,602	64,235	\$3.44	\$7.92
Southeast	12,316,898	1,121,622	9.1%	(88,776)	(88,776)	120,000	\$3.41	\$6.17
Southwest	40,967,210	3,933,844	9.6%	29,814	29,814	42,980	\$3.35	\$7.71
<b>Total</b>	<b>82,167,975</b>	<b>7,982,965</b>	<b>9.7%</b>	<b>(186,059)</b>	<b>(186,059)</b>	<b>227,215</b>	<b>\$3.48</b>	<b>\$7.47</b>
<b>By Product Type (All Submarkets)</b>							<b>Asking Rent by Product Type</b>	
General Industrial	50,580,598	2,464,736	4.9%	80,714	80,714	42,980	\$3.68	
Incubator	393,549	21,195	5.4%	(2,850)	(2,850)	-	-	
R&D/Flex	8,594,125	1,004,886	11.7%	13,256	13,256	64,235	\$7.47	
Whse/Distribution	22,599,703	4,492,148	19.9%	(277,179)	(277,179)	120,000	\$3.48	
<b>Total</b>	<b>82,167,975</b>	<b>7,982,965</b>	<b>9.7%</b>	<b>(186,059)</b>	<b>(186,059)</b>	<b>227,315</b>	<b>\$4.10</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.

\*Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

### 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 **91 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 first quarter of 2006:

#### Virginia Portable Storage

110,000 SF Lease  
3021 Vernon Rd, Henrico County  
General Industrial  
David Williams

#### G&K Services

32,100 SF Lease  
Longwood Business Center  
Fredericksburg  
R&D/Flex  
Jason Hetherington

#### Wilson Pipe

30,108 SF Lease  
2900 Deepwater Terminal Rd,  
Richmond  
General Industrial  
Stuart Cary

#### Reads Moving Systems

16,000 SF Lease  
333 Industrial Drive, Petersburg  
Warehouse/Distribution  
Jason Hetherington

#### Pyramid Network Services LLC

12,600 SF Lease  
116 Sylvia Rd, Ashland  
R&D/Flex  
Stuart Cary, Lewis Little

#### Madrone Custom Cabinetry

6,000 SF Lease  
11242 Hopson Rd  
Hanover County  
R&D/Flex  
Stuart Cary

# 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

**LEASED**

## 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



**NEW Hanover Air Park**  
11074-11080 Air Park Dr  
For Lease  
12,000 SF @ \$4.50/SF NNN  
20,000 SF @ \$5.50/SF NNN  
Stuart Cary



**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, Zac Frederick



**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

## Henrico County



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



**NEW Hanover Air Park**  
10978 Richardson Road  
7,500 SF  
Lease - \$5.95 MGRS  
Bill Mattox, Lewis Little



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

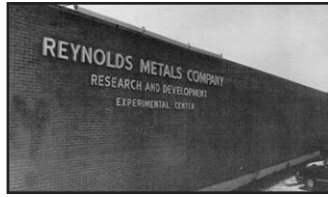
**LEASED**



**Dabney Trade Center**  
2281 Dabney Road  
2,625 SF  
Lease - \$6.15 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



**3522 Mayland Ct**  
 2,917 SF  
 Lease - \$9.20 NNN  
 John Gentry



**NEW** **7505 Ranco Road**  
 19,200 SF  
 Lease - \$6.95 NNN  
 Lewis Little, David Williams

**Richmond City**



**Under Construction**

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



**Trampton Center**  
 555 - 580 Trampton Rd  
 3,200 to 6,800 SF  
 Lease - \$7.00 to \$9.00 NNN  
 Lewis Little, Jr., David  
 Williams



**LEASED**

**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



**LEASED**

**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



**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



**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**  
 Lease - 15,225 SF  
 \$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 Location	City/County Price	Contact	Comments
43.24 Acres OPEN LISTING 16001 Midlothian Tpke	Chesterfield \$87,500/Ac	Bruce Milam David Williams	South side of Rt. 60 near Watkins Tract. Land use plan - Industrial - Zoned A
62 Acres 4900-5000 Audubon Dr	Henrico \$125,000/ac	Jason Hetherington David Williams	Approximately 30 acres useable. I-64 frontage. Owner will sell or build-to-suit.
73.59 Acres 1800 Coxendale Rd	Chesterfield \$425,000	Bill Mattox Lewis Little, Jr.	I-95 visibility & zoned I-3. Water/sewer at site. ±15 useable acres.
3 to 35 Acres Hill Carter Parkway, Ashland	Hanover \$60,000-\$80,000/ac	Bill Mattox David Williams	Ashland Business Park Zoned Light Industrial/Mixed-Use
2 to 94 Acres E. Hundred Road	Chesterfield Call for Pricing	Bill Mattox David Williams	Rivermont - Mixed Use Office/Retail/Industrial
4.85 Acres Telcourt Rd, Ashland	Hanover \$392,000	Lewis Little, Jr. Bill Mattox	NEQ I-95 @ Rt. 54 Zoned M-1, Interstate frontage
7.3 Acres Lakeridge Park	Hanover From \$125,000/ac	David Williams Bill Mattox	Sites for build-to-suit or sale Zoned M-2
10 to 25.6 Acres Dry Bridge Rd & Old Williamsburg Rd	Henrico \$50,000/ac	David Williams Lewis Little, Jr.	M-1C. Near Infineon/White Oak SWQ I-64 @ Rt. 60
13 Acres Charles City & Miller Roads	Henrico \$950,000	David Williams Jason Hetherington	Zoned M-2, Level, Cleared, All Utilities, Partially Fenced. Possible to sub-divide.
11.7 Acres 2150 Charles City Rd	Henrico \$65,000/ac	Yasmine Hamad	Subdividable
15 to 35 Acres Bermuda Hundred Road	Chesterfield Call for Pricing	Bruce Milam Bill Mattox	Meadowville Technology Park Area at Enon Church Road
5 to 14 Acres 301-307 Quarles Rd	Ashland \$49,500/ac	David Williams Stuart Cary	Sale, lease or owner may build to suit. Zoned M-1, all utilities.
10.56 Acres Brook Run Drive	Henrico \$95,000/ac	Jason Hetherington David Williams	Sale or Build-to-Suit; Zoned R-6, B-3C
6.54 Acres Fort Darling Road	Chesterfield \$360,000	Bill Mattox Jason Hetherington	I-3, Enterprise Zone Adjoining distribution facility available.
6.19 Acres 5219 Klockner Dr	Henrico \$460,000	Bill Mattox Lewis Little, Jr.	Just off Williamsburg Road, Zoned M-1
3.21 Acres 4600 International Trade Ct	Henrico \$150,000/ac	David Williams	International Business Park Outparcel
1.5 to 2 Acres Route 1 - River Run Center	Spotsylvania \$125,000/ac	David Williams Jason Hetherington	Premier office near Massaponax HS Zoned-office/light industrial; immediate Dev.

## 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

**Stuart Cary, SIOR**  
*Senior Vice President*  
804.788.1000 ext 202  
stuart.cary@harrison-bates.com



**Jason Hetherington, SIOR**  
*Senior Vice President*  
804.788.1000 ext 235  
jason.hetherington@harrison-bates.com



**Lewis Little, Jr.**  
*Associate*  
804.788.1000 ext 210  
lewis.little@harrison-bates.com



**Bill Mattox, SIOR**  
*Senior Vice President*  
804.788.1000 ext 331  
bill.mattox@harrison-bates.com



**David Williams, SIOR, CCIM**  
*Senior Vice President*  
804.788.1000 ext 219  
david.williams@harrison-bates.com



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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 50,000 sf manufacturing building to purchase

(Call David Williams)

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

(Call Jason Hetherington)

2,500 sf office/warehouse + 2 acre yard to lease - Northwest Quadrant

(Call David Williams)



Harrison & Bates Incorporated  
6606 W. Broad Street, Suite 400  
PO Box 11027

Richmond, VA 23230-1027  
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