

Industrial Market Trends Richmond

Grubb & Ellis Research

Second Quarter 2006



Rising rental rates are anticipated as industrial market tightens.

Industrial Investment Market Active

First Potomac Realty Trust continued to expand its Richmond presence with the purchase of a 415,839-square-foot flex portfolio from The Landmark Company of Virginia for \$31 million or about \$75 per square foot. The portfolio included 14 buildings in Hanover Business Center, Chesterfield Business Center and Airpark Business Center. Other investment sales included a 23,708-square-foot flex building in Southport for \$1.62 million or about \$69 per square foot and an 18,000-square-foot distribution building on Castlewood Road for \$535,000 or about \$30 per square foot. Interested buyers outpace the amount of available, reasonably priced inventory.

The leasing side was generally active as well. Examples include the Fairgrounds Distribution Center, Richmond's largest bulk warehouse concentration, where Snyder Home Services took 13,500 square feet, Pro-Motions, Inc. took 25,500 square feet, and the 220,000-square-foot building formerly occupied for IRS forms distribution was leased for one of the Red Cross' eight nationwide disaster recovery centers.

Despite falling vacancies, construction costs are generally too high to make speculative construction attractive to developers. As the market gets tighter, look for higher rental rates, however, so tenants would be well served to consider extending current leases or locking in long term on new ones. Any new development on the immediate horizon is likely to be for smaller projects by local developers. Parks such as Hanover Air Park and Oak Lake Business Center in Chesterfield are very popular with small to medium-size tenants and owners. Large bay distribution developers, however, are choosing the Hampton Roads market before focusing on Richmond.

Richmond Industrial Market Trends

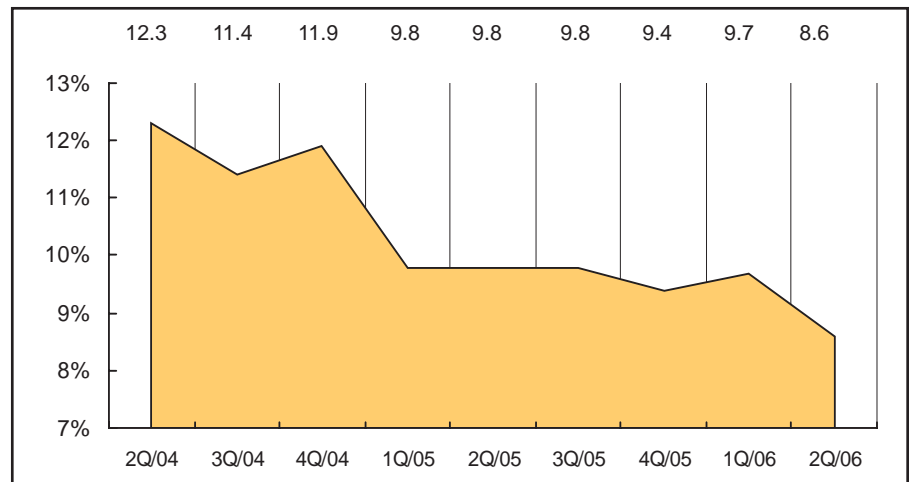
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Industrial Vacancy Rate*

* All Product Types & Submarkets

Industrial Market Snapshot Greater Richmond, VA Second 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	11,220,618	823,860	7.3%	379,618	59,919	-	\$3.54	\$7.59
Northwest	17,632,265	1,631,531	9.3%	92,490	285,092	64,235	\$3.43	\$8.11
Southeast	12,316,898	1,012,441	8.2%	63,281	(25,495)	120,000	\$3.66	\$6.13
Southwest	40,020,190	3,563,193	8.7%	412,977	443,445	-	\$3.24	\$7.63
Total	82,189,971	7,031,025	8.6%	948,366	762,961	184,235	\$3.39	\$7.44
By Product Type (All Submarkets)							Asking Rent by Product Type	
General Industrial	50,633,578	2,392,119	4.7%	69,697	150,411	-	\$3.52	
Incubator	393,549	34,195	8.7%	(13,000)	(15,850)	-	\$5.75	
R&D/Flex	8,594,125	857,245	10.0%	147,349	160,897	64,235	\$7.44	
Whse/Distribution	22,568,719	3,747,466	16.6%	744,320	467,503	120,000	\$3.39	
Total	82,189,971	7,031,025	8.6%	948,366	762,961	184,235	\$3.90	

(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 Central Virginia (including buildings of all sizes). 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 second quarter of 2006:

Landmark Portfolio
415,839 SF Investment Sale
14 Office/Flex Buildings
Hanover & Chesterfield Counties
David Williams, Mike Lowry

Velocity Micro
34,206 SF Lease
7500 Whitepine Road,
Chesterfield County
Warehouse/Distribution
David Williams

HD Business LLC
33,182 SF Lease
5300 Lewis Road
Henrico County
General Industrial
Jason Hetherington

Rennie's Petroleum
15,000 SF Lease
1600 Belleville Street
City of Richmond
Warehouse/Distribution
David Williams

Dominion Industrial Motor Services
8,500 SF Lease
10780 Old Washington Hwy
General Industrial
Stuart Cary

Stanley Steamer International
5,843 SF Lease
551 Eastpark Court
Henrico County
R&D/Flex
Jason Hetherington, Bill Mattox

Featured Listings

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

Chesterfield County



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



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

Hanover County



NEW
Hanover Business Center
305-D Ashcake Road
15,000 SF
Sublease - \$7.80/SF MGRS
David Williams



*Ashland Commons
Professional Center
Office & Flex Condos*
1,200 - 60,500 SF
Sale - \$115 to \$125 PSF
David Williams, Jason
Hetherington



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



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



LEASED
R&C Buildings
11232-11242 Hopson Road
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 Under Contract
11,700-23,400 SF Planned
Sale - \$79 - \$89 PSF
David Williams, Bill Mattox



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

Henrico County



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



Dabney Corporate Center
2034-2036 Dabney Road
3,200 SF
Lease - \$7.95 NNN
David Williams



Investment Sale - \$1,750,000

NEW
Dabney Trade Center
2281 Dabney Road
2,625 SF - 5,250 SF
Lease - \$7.65 NNN
David Williams,
Jason Hetherington



Woodland Business Center
Flex Space
2,000 to 6,000 SF
Lease: \$7.00 - \$11.00 NNN
Bill Mattox, Jason
Hetherington

Space Available for Lease



NEW

C. Arthur Weaver Co.
2420 Grenoble Road
11,330 SF
Sale - \$798,500
Lee Hilbert



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



7505 Ranco Road
12,000 to 19,200 SF
Lease - \$5.95 NNN
Lewis Little, David Williams



East End's Best Rates!!

Trampton Center
555 - 580 Trampton Rd
3,200 to 6,800 SF
Lease - \$4.50 to \$7.50 NNN
Lewis Little, Jr., David Williams

Richmond City



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



Under Contract

Castlewood Industrial Park
3903 Castlewood Road
42,500 SF Warehouse
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 - \$2,775,000
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
Lease - \$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

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)

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
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	\$65,000-\$85,000/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
4.85 Acres	Hanover	Lewis Little, Jr.	NEQ I-95 @ Rt. 54
Telcourt Rd, Ashland	\$392,000	Bill Mattox	Zoned M-1, Interstate frontage
7.3 Acres	Hanover	David Williams	Sites for build-to-suit or sale
Lakeridge Park	From \$125,000/ac	Bill Mattox	Zoned M-2
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,
Charles City & Miller Roads	\$950,000	Jason Hetherington	Partially Fenced. Possible to sub-divide.
11.7 Acres	Henrico	Yasmine Hamad	Subdividable
2150 Charles City Rd	\$65,000/ac		
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	\$65,000/ac	Stuart Cary	Zoned M-1, all utilities.
6.54 Acres	Chesterfield	Bill Mattox	I-3, Enterprise Zone
Fort Darling Road	\$360,000	Jason Hetherington	Adjoining distribution facility available.
6.19 Acres	Henrico	Bill Mattox	Just off Williamsburg Road, Zoned M-1
5219 Klockner Dr	\$425,000	Lewis Little, Jr.	
3.21 Acres	Henrico	David Williams	International Business Park Outparcel
4600 International Trade Ct	\$150,000/ac		
1.5 to 2 Acres	Spotsylvania	David Williams	Premier office near Massaponax HS
Route 1 - River Run Center	\$125,000/ac	Jason Hetherington	Zoned-office/light industrial; immediate Dev.
78 Acres	Caroline	Stuart Cary	I-95 Ladysmith exit; zoned RP
Ladysmith Road (Rt 639)	\$120,000/ac	Lewis Little, Jr.	

Under Contract

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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