

Industrial Market Trends Richmond

Grubb & Ellis Research

Third Quarter 2006



“Solid best describes Richmond’s industrial market - vacancy is at its lowest level in ten years.”

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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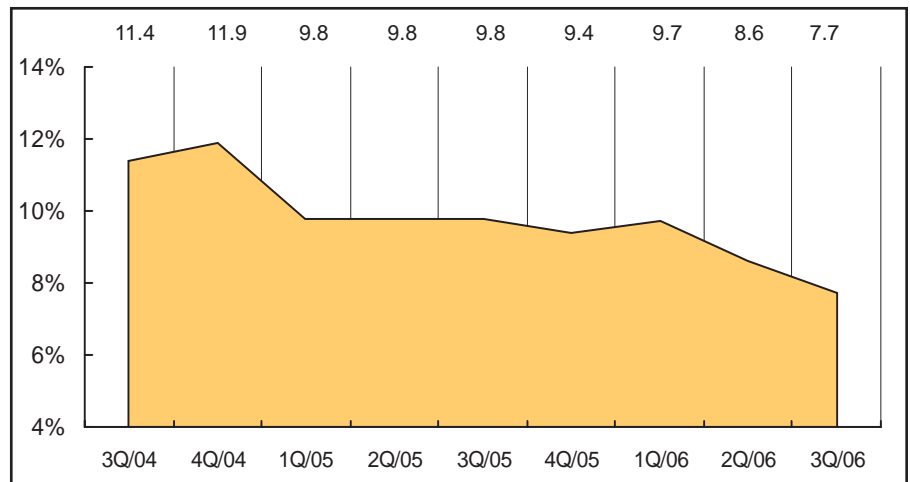
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Sales Activity Brisk

Sales activity was brisk with both user and investor sales in most sizes, subtypes and submarkets. Larger transactions included the sale of the 200,000-square-foot AMF general industrial facility in Mechanicsville to Atlantic Leasing Associates for \$4.175 million or about \$20 per square foot; the 168,000-square-foot Walmsley Distribution Center in Richmond to Mason Place, LLC for \$4.25 million or \$25.30 per square foot; and the 108,000-square-foot Bermuda Park I warehouse to Fullerton Properties, Inc. for \$3.1 million or \$28.50 per square foot. Mill Management entered the market with its 389,000-square-foot investment portfolio purchase of warehouse buildings from Highwoods Properties for an average price of \$57 per square foot.

Leasing also contributed to declining vacancy. Market leader Devon USA experienced a surge in high bay distribution leasing in its Enterchange projects north and south, albeit to tenants in the 30-80,000 square foot range versus larger targets. The Hollingsworth Companies inked the largest deal in the Tri-City area, an 87,100-square-foot full building lease to Carolina Container. Because of this, Hollingsworth will begin construction of another 130,000-square-foot speculative single-user building for early 2007 delivery. Occupancy in existing buildings is as good as it has been in years, but some ingredients are still missing for widespread new construction. You can still buy for less than replacement cost. Current market rents don't justify new speculative buildings and regulatory approvals are inflating the time and cost associated with development.

With all the good news in the flex and distribution market also comes a disappointing resurgence of consolidation and closings in the manufacturing sector by J. W. Fergusson & Sons, Barber & Ross and Certainteed emptying more than 400,000 sq.ft.



Industrial Vacancy Rate*

* All Product Types & Submarkets

Industrial Market Snapshot Greater Richmond, VA Third 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	11,230,618	778,619	6.9%	45,241	115,160	-	\$2.52	\$7.78
Northwest	17,632,465	1,372,895	7.8%	175,636	479,928	122,035	\$3.16	\$8.28
Southeast	12,316,898	888,496	7.2%	123,945	98,450	-	\$3.74	\$6.21
Southwest	41,044,190	3,251,500	7.9%	335,693	779,138	48,000	\$3.29	\$7.61
Total	82,224,171	6,291,510	7.7%	680,515	1,472,676	170,035	\$3.25	\$7.60
By Product Type (All Submarkets)							Asking Rent by Product Type	
General Industrial	50,633,778	2,152,088	4.3%	157,031	326,642	-	\$3.67	
Incubator	393,549	31,150	7.9%	3,045	(12,805)	-	\$5.00	
R&D/Flex	8,628,125	744,398	8.6%	136,847	307,744	170,035	\$7.60	
Whse/Distribution	22,568,719	3,363,874	14.9%	383,592	851,095	-	\$3.25	
Total	82,224,171	6,291,510	7.7%	680,515	1,472,676	170,035	\$3.89	

(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 third quarter of 2006:

<p>Castlewood Park II 42,500 SF Sale 3903 Castlewood Road Chesterfield County Warehouse/Distribution David Williams</p>	<p>Snowden River Corporation 40,000 SF Lease 900 Dinwiddie Avnue City of Richmond General Industrial David Williams, Lewis Little</p>	<p>Amtec, LLC 15,225 SF Lease 1510 Webster Street City of Richmond General Industrial Scott White, Jason Hetherington</p>
<p>Restaurant Technologies, Inc. 12,850 SF Lease 5600 Charles City Circle Henrico County R&D/Flex Lewis Little</p>	<p>Hercules Fence 12,000 SF Lease 11080 Air Park Road Hanover County General Industrial Stuart Cary</p>	<p>Northlake Trade Center 10,175 SF Sale 10530 Northlake Park Run Hanover County R&D/Flex Bill Mattox, David Williams</p>

Featured Listings

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



Granite Spring Trade Center
225-245 Granite Spring Rd
2,225 SF
Lease - \$6.87 MGRS
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



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



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
11,700-23,400 SF Planned
Sale - \$89 PSF
Available Q1 2007
David Williams, Bill Mattox



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

Henrico County



8007 Mechanicsville Tpk
9,669 SF
Lease - \$10.50 MGRS
Bill Mattox



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



Airport Center I
5200 Anthony Road
95,545 SF
Sublease - \$3.95-\$4.95 NNN
Jason Hetherington,
David Williams



Space Available for Lease

2281 Dabney Road
2,625 SF - 5,250 SF
Lease - \$7.65 NNN
Sale - \$1,750,000
David Williams,
Jason Hetherington

Under Contract



LEASED

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

NEW

7437-7439 Ranco Road
25,000 - 50,300 SF
Sub-Lease - \$5.31 NNN
Great Distribution/Mfg Space!
David Williams

7505 Ranco Road
12,000 to 19,200 SF
Lease - \$5.95 NNN
Like New / Dock & Drive-In
Lewis Little, David Williams

LEASED

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



SOLD

Castlewood Industrial Park
3903 Castlewood Road
42,500 SF Warehouse
David Williams

NEW

Vehicle Maintenance Facility
2402 Decatur Street
4,500 SF
Lease - \$6.67 NNN
Large Fenced Yard
Jason Hetherington,
Greg Creswell

LEASED

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



Price Reduced

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

LEASED

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

LEASED

Fredericksburg

Lunenburg



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

SOLD

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

PROPERTY WANTED

- 50,000 - 60,000 sf warehouse building - must have minimum 20' ceilings (Call Stuart Cary)
- 40,000 - 60,000 sf distribution building to purchase - Northwest Quadrant (Call David Williams)
- 25,000 sf office/warehouse investment (Call David Williams)
- 10,000 - 20,000 sf multi-tenant flex to purchase - Northwest Quadrant (Call Bill Mattox)
- ±5,000 sf building for sale - Northwest or Northeast Quadrant (Call Jason Hetherington)

Industrial Land Trends

Prices remain steady for all sizes and types of industrial land. Well located smaller (under 10-acre) parcels are still in high demand despite higher construction costs. Some new parks are seeing more land brought to market, such as at Southpoint in Price George County and White Oak in eastern Henrico County.

Industrial Land

Size Location	City/County Price	Contact	Comments
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 \$65,000-\$85,000/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 Lewis Little	Rivermont - Mixed Use Office/Retail/Industrial; OPEN LISTING
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 Corporate Center	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 12 Acres 301-307 Quarles Rd	Ashland \$65,000/ac	David Williams Stuart Cary	Sale, lease or owner may build to suit. Zoned M-1, all utilities.
6.54 Acres Fort Darling Road	Chesterfield \$360,000	Bill Mattox Jason Hetherington	I-3, Enterprise Zone Adjoining distribution facility available.
3.21 Acres 4600 International Trade Ct	Henrico \$165,000/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.
40 Acres Ladysmith Road (Rt 639)	Caroline \$75,000/ac	Stuart Cary Lewis Little, Jr.	I-95 Ladysmith exit; zoned RP
38 Acres Ladysmith Road (Rt 639)	Caroline \$145,000/ac	Stuart Cary Lewis Little, Jr.	I-95 Ladysmith exit; zoned RP
10.8 Acres Ladysmith Road (Rt 639)	Caroline \$55,000/ac	Bill Mattox Lewis Little, Jr.	NEQ quadrant I-95 Ladysmith exit; zoned industrial
94 Acres Jefferson Davis Hwy (Rt 1)	Caroline \$15,000/ac	Bill Mattox Lewis Little, Jr.	Industrial development potential; Just north of Ladysmith on Rt 1 corridor.

SOLD

Under Contract

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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