

Industrial Market Trends Richmond

Grubb & Ellis Research

Fourth Quarter 2006



First Potomac Realty Trust is on a buying spree and could soon emerge as the largest owner of flex properties in the Richmond market.

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

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; www.harrison-bates.com
Independently Owned and Operated

© 2007 Grubb & Ellis|Harrison & Bates

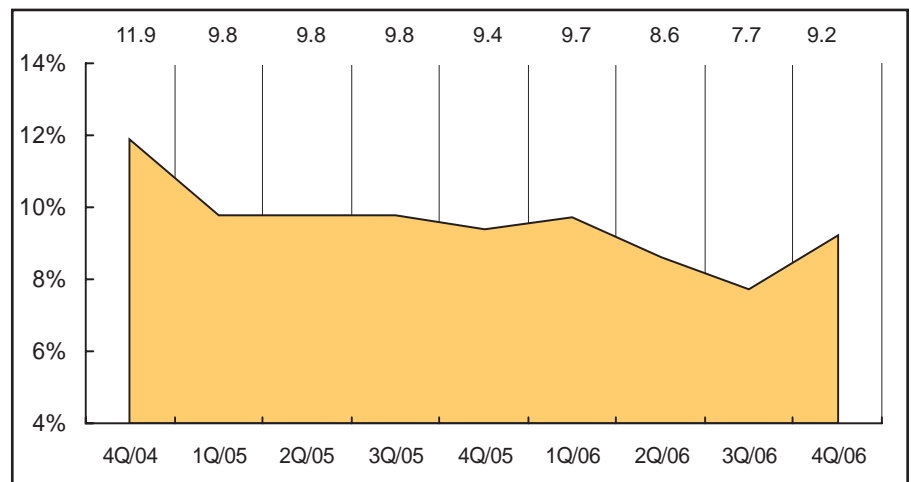
Size Matters in Bulk Market

The most active tenant profile for bulk leasing is in the 30,000 to 50,000 square foot size range, although there has been a slight increase in interest by larger prospects. But with fewer large prospects in the market, many 150,000-square-foot options remain. Rental rates for bulk space range from \$2.25 per square foot for older buildings to a high of \$4.50 for existing newer product. Since developers can't justify more new bulk development below \$5.00 rental rates, it is unlikely there will be any new bulk product in 2007, other than build-to-suits or with preleasing.

Vacancy in the flex market remains low and those rates are starting to experience some upward pressure. Quoted rates for new flex product are about \$6.50 for the warehouse portion and \$12.00 for the office portion, per square foot triple net. Flex product was very attractive to buyers in 2006, particularly First Potomac Realty Trust, who is aggressively pursuing additional acquisitions.

User sales of small buildings are still active despite "sticker shock" from advertised prices as high as \$80 to \$150 per square foot for newly constructed or proposed projects. Recent user sales of older existing buildings were in more typical ranges and included 10,250 square feet at 4305 Sarellen Road which traded for \$545,000 (\$53/sf) and 4,880 square feet at 5420 Distributor Drive which sold for \$225,000 (\$46/sf). Recent small investment sales included the 21,195-square-foot Dabney Trade Center for \$1.6 million (\$75/sf) and 10,740 square feet at 1635 Commerce Road for \$645,000 (\$60/sf.).

Despite an active leasing and sales quarter, the latest round of consolidations and closing in manufacturing facilities contributed to the negative absorption for the quarter and corresponding uptick in overall vacancy at year end.



Industrial Vacancy Rate*

* All Product Types & Submarkets

Industrial Market Snapshot Greater Richmond, VA Fourth 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	1,328,123	11.8%	(549,504)	(434,344)	58,747	\$3.86	\$7.63
Northwest	17,632,465	1,318,964	7.5%	53,931	533,859	363,075	\$3.12	\$8.13
Southeast	12,316,898	1,337,174	10.9%	(448,678)	(350,228)	-	\$3.77	\$6.05
Southwest	41,044,190	3,590,776	8.7%	(339,276)	439,862	48,000	\$3.09	\$7.64
Total	82,224,171	7,575,037	9.2%	(1,283,527)	189,149	469,822	\$3.34	\$7.61
By Product Type (All Submarkets)							Asking Rent by Product Type	
General Industrial	50,633,778	2,264,016	4.5%	(111,928)	214,714	-	\$3.72	
Incubator	393,549	23,750	6.0%	7,400	(5,405)	-	-	
R&D/Flex	8,628,125	773,603	9.0%	(29,205)	278,539	249,632	\$7.61	
Whse/Distribution	22,568,719	4,513,668	20.0%	(1,149,794)	(298,699)	220,190	\$3.34	
Total	82,224,171	7,575,037	9.2%	(1,283,527)	189,149	469,822	\$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 **99 million square feet** in Central Virginia (including buildings of all sizes listed in Costar). 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 2006:

Dabney Trade Center
21,195 SF Sale
2281 Dabney Road
Henrico County
R&D/Flex
David Williams, Jason Hetherington

South Atlantic Properties Inc.
35,400 SF Lease
14500 Jefferson Davis Hwy
Chesterfield County
General Industrial
Stuart Cary, David Williams

Ashland Business Park
9.48 Acre Land Sale
Hill Carter Parkway
Hanover County
Bill Mattox, David Williams

Richmond Tumble & Cheer
19,200 SF Lease
7505 Ranco Road
Henrico County
General Industrial
Lewis Little, David Williams

Virginia Air Distributors
17,000 SF Lease
4817 Bethlehem Road
Henrico County
General Industrial
Jason Hetherington

Henrico County School Board
15,200 SF Lease
Trampton Center
Henrico County
R&D/Flex
Jason Hetherington, David Williams,
Lewis Little

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



NEW **Hanover Air Park**
11049 Air Park Drive
5,100 SF
Lease - \$8.23 NNN
Jason Hetherington



PLANNED **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
4,200 SF @ \$5.70/SF NNN
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



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



Northlake Trade Center
9,000 to 20,850 SF
Under Construction
Sale - \$89 to \$99 PSF
Available March, 2007
David Williams, Bill Mattox



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

Henrico County



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



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



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



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 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



NEW 2210 Magnolia Street
9,660 SF
Lease - \$5.95 MGRS
Available February, 2007
David Williams



NEW 1209-1211 School Street
6,142 SF
Sublease - \$4.80 MGRS
Scott White, Stuart Cary



NEW Warehouse/Manufacturing
2701 Decatur Street
13,490 SF
Sale - \$595,000
Lee Hilbert, Greg Creswell



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 - 5,123 SF
Available March, 2007
Lease - \$10.00 NNN
John Gentry, Chris Wallace



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

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

Goochland



NEW Old Dominion Industrial Park
1146 Tricounty Drive
3,500 SF
Lease - \$8.50 NNN
Lewis Little, Bill Mattox

PROPERTY WANTED

75,000 - 95,000 sf or 8 - 15 acres for flex/distribution building to purchase - Southwest Quadrant
(Call David Williams or Greg Creswell)
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)
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	City/County	Price	Contact	Comments
2 to 20 Acres	Henrico		David Williams	Parham Forest West, zoned light industrial.
Parham Rd & Ackley Ave		\$30,000-125,000/ac	Bill Mattox	Best remaining infill location in NWQ.
8.915 Acres	Amelia		Stuart Cary	Frontage on both 360 Bypass & Business;
Rt. 360/Patrick Henry Hwy		\$1,350,000	Greg Creswell	Industrial site zoned M-1
6.78 Acres	Amelia		Stuart Cary	Subdividable
Rt 360 & Redfield Drive		\$800,000	Greg Creswell	Commercial site zoned B-1
94 Acres	Caroline		Bill Mattox	Industrial development potential; Just
Jefferson Davis Hwy (Rt 1)		\$15,000/ac	Lewis Little, Jr.	north of Ladysmith on Rt 1 corridor.
2 to 94 Acres	Chesterfield		Bill Mattox	Rivermont - Mixed Use
E. Hundred Road		Call for Pricing	Lewis Little	Office/Retail/Industrial; OPEN LISTING
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.
40 Acres	Caroline		Stuart Cary	I-95 Ladysmith exit; zoned RP
Ladysmith Road (Rt 639)		\$75,000/ac	Lewis Little, Jr.	
38 Acres	Caroline		Stuart Cary	I-95 Ladysmith exit; zoned RP
Ladysmith Road (Rt 639)		\$145,000/ac	Lewis Little, Jr.	
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
15 to 35 Acres	Chesterfield		Bruce Milam	Meadowville Technology Park Area
Bermuda Hundred Road		Call for Pricing	Bill Mattox	at Enon Church Road
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.
5 to 12 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.
11.7 Acres	Henrico		Yasmine Hamad	Subdividable
2150 Charles City Rd		\$65,000/ac		
10.8 Acres	Caroline		Bill Mattox	NEQ quadrant I-95 Ladysmith exit;
Ladysmith Road (Rt 639)		\$55,000/ac	Lewis Little, Jr.	zoned industrial
7.3 Acres	Hanover		David Williams	Sites for build-to-suit or sale
Lakeridge Corporate Center		From \$125,000/ac	Bill Mattox	Zoned M-2
6.54 Acres	Chesterfield		Bill Mattox	I-3, Enterprise Zone
Fort Darling Road		\$360,000	Jason Hetherington	Adjoining distribution facility available.
3.21 Acres	Henrico		David Williams	International Business Park Outparcel
4600 International Trade Ct		\$165,000/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.

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
804.591.2400 Direct
stuart.cary@harrison-bates.com



Greg Creswell
Associate
804.788.1000 Ext 325
804.591.2427 Direct
greg.creswell@harrison-bates.com



Jason Hetherington, SIOR
Senior Vice President
804.788.1000 Ext 235
804.591.2407 Direct
jason.hetherington@harrison-bates.com



Lewis Little, Jr.
Associate
804.788.1000 Ext 210
804.591.2403 Direct
lewis.little@harrison-bates.com



Bill Mattox, SIOR
Senior Vice President
804.788.1000 Ext 331
804.591.2428 Direct
bill.mattox@harrison-bates.com



David Williams, SIOR, CCIM
Senior Vice President
804.788.1000 Ext 219
804.591.2405 Direct
david.williams@harrison-bates.com



Individual Memberships In:
Society of Industrial & Office Realtors (SIOR)
Certified Commercial Investment Member (CCIM)
Council Supply Chain Management (CSCM)
CORENET Global

Real Estate Excellence Since 1910



Harrison & Bates Incorporated
6606 W. Broad Street, Suite 400
PO Box 11027
Richmond, VA 23230-1027
Independently Owned and Operated

Richmond
Industrial Market Trends
4th Quarter 2006