

Industrial Market Trends Richmond

Grubb & Ellis Research

First Quarter 2007



Average rates for flex product rose during the first quarter as the market tightened. Bulk rates remained relatively flat.

Flex Product Attractive

By Chip Louthan

The industrial market kicked off 2007 with an active first quarter for sales and leasing that produced over one million square feet of absorption and knocked the vacancy rate back to 8 percent.

In the bulk market, construction was completed on Devon's Northlake Building B with 134,144 square feet available, and ground was broken for building D which will add another 302,990 square feet later this year. In the same project, Creative Office Environments purchased their 81,000-square-foot building from Devon for \$80 per square foot.

In the flex market, construction was completed on Windsor Business Park V with 58,747 square feet (Simplex Grinnell leased 18,000 square feet) and Crescent Business Center IV with 57,800 square feet (Curbell Plastics leased 16,150 square feet).

First Potomac Realty Trust added to their flex portfolio with the purchase of 86,720 square feet at Pine Glen from Childress Klein for \$5,312,500 or \$61.26 per square foot. Richmond's industrial market is healthy across the board, but the flex sector will be the shining star going forward as tenants migrate from the DC/Northern Virginia market in search of more attractive rental rates. Large distribution projects, however, will see increased competition from markets closer to ports, inter-modal or the I-81 corridor. Opportunities exist in the areas surrounding Fort Lee where BRAC expansion (\$800 million) will begin in 2008, and in Prince George County where authorities want to master develop 1,000 acres.

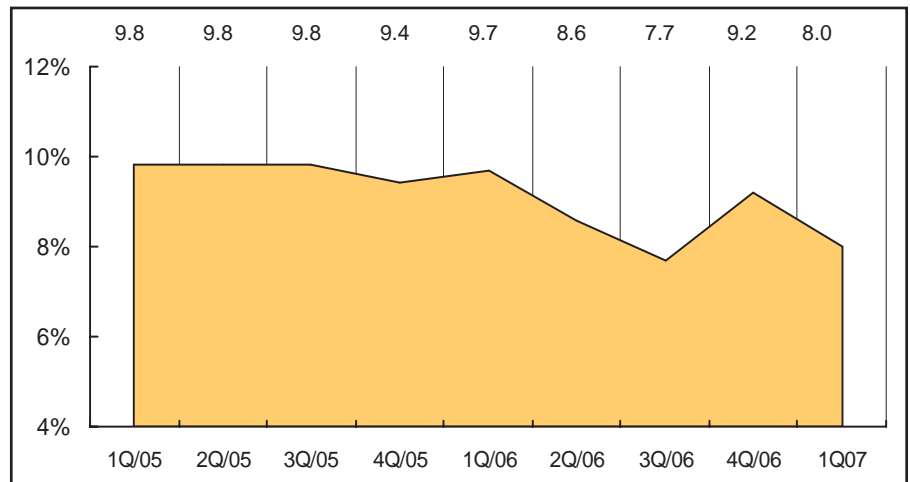
Richmond Industrial Market Trends

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



Industrial Vacancy Rate*

* All Product Types & Submarkets

Industrial Market Snapshot Greater Richmond, VA First Quarter 2007

By Submarket (All Types)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption		Under Construction(3)	Asking Rent(4)	
				Current Qtr.	Year-to-date		Wh/Dist	R&D/Flex
Northeast	11,310,677	959,078	8.5%	449,104	449,104	-	\$3.95	\$7.95
Northwest	17,938,170	1,498,923	8.4%	119,822	119,822	497,705	\$3.41	\$8.44
Southeast	12,317,389	1,182,440	9.6%	155,225	155,225	-	\$3.67	\$6.46
Southwest	41,070,359	3,007,808	7.3%	609,137	609,137	16,000	\$2.96	\$7.76
Total	82,636,595	6,648,249	8.0%	1,333,288	1,333,288	513,705	\$3.28	\$7.89
By Product Type (All Submarkets)							Asking Rent by Product Type	
General Industrial	50,664,000	2,264,770	4.5%	23,544	23,544	-	\$3.47	
Incubator	393,621	23,750	6.0%	72	72	-	-	
R&D/Flex	8,789,522	817,169	9.3%	117,831	117,831	80,647	\$7.89	
Whse/Distribution	22,789,452	3,542,560	15.5%	1,191,841	1,191,841	433,058	\$3.28	
Total	82,636,595	6,648,249	8.0%	1,333,288	1,333,288	513,705	\$3.86	

(1) Inventory includes multi-tenant, single tenant and owner occupied buildings with at least 10,000 sq. ft.

(2) Vacant space includes direct and vacant sublease space.

(3) Space under construction includes speculative, build-to-suit for lease and design-build projects.

(4) 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.

*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 first quarter of 2007:

3021 Vernon Road
110,000 SF Sale
Henrico County
General Industrial
David Williams

1705 Brook Road
22,180 SF Sale
City of Richmond
General Industrial
Scott White, Mac Bates

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

Medlogix, Inc.
4,800 SF Lease
9411 Burge Avenue
Chesterfield County
R&D/Flex
Stuart Cary

Archer-Western Contractors Ltd.
3,000 SF Lease
Trampton Center
Henrico County
R&D/Flex
Lewis Little, David Williams

Price Auto Repairs
2,400 SF Lease
1205 School Street
City of Richmond
General Industrial
Scott White, Stuart Cary

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*



NEW *9501 Burge Avenue
16,800 SF
Lease \$5.00 NNN
Stuart Cary, Greg Creswell*



NEW *Hudgins Business Park
21401-21425 Hull Street Rd
1,200 - 2,400 SF Office
1,800 SF Whse
Lease - \$6 to \$12 Full Svs
Greg Creswell, Stuart Cary*



NEW *Phoenix Business Center
713 W. Hundred Road
2,200 to 16,000 SF
\$10.00 + Utilities
Greg Creswell*

Hanover County



Louthan Joins Industrial Team

Charles M. "Chip" Louthan, SIOR, joined Grubb & Ellis|Harrison & Bates in February as a Senior Vice President on the Industrial Services Team. Chip's extensive career in lending, development, asset management, third party logistics and brokerage gives him excellent insight into finding real estate solutions for his clients.



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



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*

Henrico County



*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 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*



NEW *Former Laburnum Auto Parts
903 E. Laburnum Avenue
10,000 SF
Showroom/Warehouse
For Lease - \$8.88 MGRS
Stuart Cary*



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



*Tomlyn Business Center
2012 Tomlyn Street
2,100 SF Available 7/1/07
1 Drive-In Door
Lease - \$7.14 MGRS
Bill Mattox*

Richmond City



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



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



NEW
*Miller Manufacturing
2320 Deepwater Terminal Rd
90,827 SF
Lease - \$3.10 NNN
David Williams, Chip Louthan*



NEW
*501 Hospital Street
3,654 SF
Lease - \$6.40 NNN
Sale - \$295,000
Greg Creswell*



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



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



*3210 W. Marshall Street
50,000 SF
Large Fenced Yard
Sale - \$2,775,000
David Williams, Chip Louthan
Open Listing*



NEW
*Morgan Brothers Bag Bldg
3406 W. Moore Street
17,650 SF
Lease - \$4.50 NNN
Jason Hetherington, Chip
Louthan*



Investment Sale
*600 Perdue Avenue
NNN Leased Investment
91,000 SF
Sale - \$1,950,000
David Williams, Jason
Hetherington*



NEW
*3310 Rosedale Avenue
3,900 SF
Lease - \$7.38 MGRS
Chip Louthan*



*Interstate Business Park
3601-3721 Saunders Ave
One Suite - 5,123 SF
Lease - \$10.00 NNN
John Gentry, Chris Wallace*



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

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



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

Hetherington Acquires Securities License



Jason Hetherington, SIOR, a Senior Vice President with Grubb & Ellis|Harrison & Bates, recently acquired his securities license and became a Registered Representative of Welton Street Investments LLC, member NASD (National Association of Securities Dealers) and SIPC (Securities Investor Protection Corporation). This affiliation allows Jason to offer Tenant-in-Common investments to accredited investors; giving his clients and customers access to additional opportunities in the execution of 1031 tax deferred exchanges.

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
30.82 Acres	Chesterfield		Chip Louthan	SE Quadrant Rt 288 and Rt 60
14601 Midlothian Turnpike		\$4,000,000		Excellent for future development.
4.77 Acres	Henrico		Bruce Milam	Seven Hill Industrial Center
2801 Sprouse Drive		\$477,000	Lewis Little, Jr.	4.25 ac useable
.52 Acres	Chesterfield		Stuart Cary	Fenced storage yard for lease. Zoned C-5.
11611 Grove Park Ct		Lease \$1,200/mo	Scott White	
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, Jr.	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
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



Chip Louthan, SIOR
Senior Vice President
804.788.1000 Ext 218
804.591.2417 Direct
chip.louthan@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
Grubb & Ellis Global Logistics Group

Real Estate Excellence Since 1910

Richmond
Industrial Market Trends
1st Quarter 2007

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