

Industrial Market Trends Richmond

Grubb & Ellis Research

Fourth Quarter 2008



Richmond continues to feel the shock to the economy that began in the third quarter and continued with a precipitous decline in the national and world economy not encountered in decades.

Expect Extended Downturn

By David Williams

Current Conditions

The deep and wide deterioration in the worldwide economy had a negative impact on net absorption and general activity in greater Richmond's industrial market. Absorption, which had been positive all year, finally succumbed with most weakness coming in the general industrial sector. This led to a reversal in the decline in vacancy the area had enjoyed for years, and vacancy now is clearly on the rise. Leading the bad news were closings by Rehrig (317,000 sq. ft.), Wella (315,000 sq. ft.), and Hon Industries (380,000 SF sq. ft.). There were several consummated transactions which helped to mitigate the decline. On the distribution side, Virginia T's and Jacobson 3PL leased 260,000 sq. ft. in the just vacated Hon building; Mygrant Glass took 46,000 sq. ft. at the Enterchange at Northlake and Phoenix Metals leased 46,000 sq. ft. at Liberty's new Eastport III. In the flex sector, Ronson Network Services captured the most space with its 37,000 sq. ft. lease at Southport while Anderson Services took down 36,000 sq. ft. at the Interport. Sales activity stalled dramatically as many contracts that had been underway or contemplated ground to a halt due to the credit crisis and its aftermath.

Forecast

Net absorption will continue to decline and more space will come back to the market. Owners will need to induce existing tenants to renew and be even more aggressive to secure new ones. Tenants will find attractive deals, but most lease concessions will occur via rent reduction or abatement as landlords will have difficulty securing loans for more than tenant improvement allowances. Landlords will resist locking in depressed rents long-term. New construction costs may start to moderate, but the growing inventory of buildings for sale will chill the new building market in the near term. Warehouse/distribution space should weather the storm best, but owners should brace for an extended downturn in every type of product. The Gateway Region to the south of Richmond may outperform due to job generation immediately by Ft. Lee's expansion and soon by Rolls-Royce's planned manufacturing campus.

Richmond Industrial Market Trends

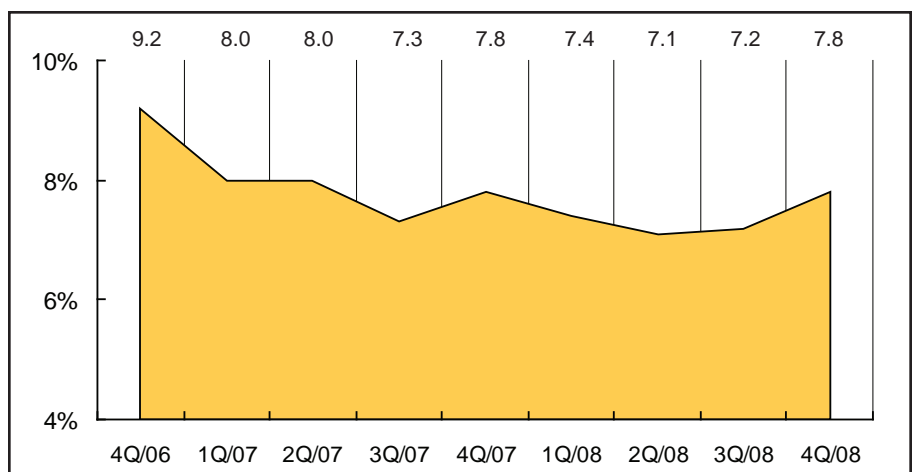
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Lynn McDaniel
Vice President - Marketing Services
E-mail: lynn.mcdaniel@harrison-bates.com

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

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Industrial Vacancy Rate*

* All Product Types

Industrial Market Snapshot Richmond Fourth Quarter 2008

By Submarket (All Types)				Net Absorption		Under	Asking Rent (4)	
	Total SF(1)	Vacant SF(2)	Vacant %	Current Qtr.	Year-to-date	Construction(3)	Wh/Dist	R&D Flex
Northeast	11,727,472	1,056,045	9.0%	(86,062)	(189,331)	15,200	\$4.31	\$7.93
Northwest	18,114,364	1,575,783	8.7%	86,914	33,808	22,890	\$2.45	\$8.36
Southeast	12,611,934	886,216	7.0%	45,693	549,846	-	\$4.35	\$5.97
Southwest	41,906,456	2,887,970	6.9%	(325,590)	204,748	181,493	\$3.14	\$7.28
Tri-Cities	4,157,483	464,648	11.2%	(153,088)	(97,738)	-	\$2.77	-
Total	88,517,709	6,870,662	7.8%	(432,133)	501,333	219,583	\$3.38	\$7.84

By Product Type (All Submarkets)	Asking Rent by Product Type							
General Industrial	53,300,571	2,837,581	5.3%	(677,211)	(1,232,872)	38,090	\$3.13	
Incubator	393,621	36,100	9.2%	(10,000)	(15,000)	-	\$5.59	
R&D/Flex	9,250,202	1,063,139	11.5%	(10,306)	56,055	113,900	\$7.84	
Whse/Distribution	25,573,315	2,933,842	11.5%	265,384	1,693,150	67,593	\$3.38	
Total	88,517,709	6,870,662	7.8%	(432,133)	501,333	219,583	\$4.00	

(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|Harrison & Bates statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

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 103 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

Grubb & Ellis|Harrison & Bates is pleased to announce representative transactions during the fourth quarter of 2008:

11200-11300 Old Stage Road 380,000 SF Sale Chesterfield County Stuart Cary, Greg Creswell, Bill Mattox, Lewis Little	4001 Carolina Avenue 35,200 SF Sale Henrico County Chip Louthan, David Williams	Jacobson Companies 51,840 SF Lease 11200 Old Stage Road Chesterfield County Stuart Cary, Greg Creswell, Bill Mattox, Lewis Little
Ronson Network Services Corp. 37,515 SF Lease 820 Southlake Boulevard Chesterfield County Stuart Cary, Greg Creswell	Hodgman's Inc. 24,818 SF Lease Fairgrounds Distribution Center Henrico County Chip Louthan	Mastec North America, Inc. 10,500 SF Lease 11056 Air Park Road Hanover County Stuart Cary

Featured Industrial Listings

Go to www.harrison-bates.com/properties to find a searchable database of all property listings.

Chesterfield County



Willis Road Business Center
9301 & 9401 Burge Ave
3,200 SF
Lease - \$6.50 MGRS
Stuart Cary, Greg Creswell



Branchway Business Center
11341 Business Center Drive
2,500 - 10,000 SF
Drive-In Loading; 75% Office
Lease - \$10.00 NNN
Stuart Cary, Greg Creswell



New Construction
Ruffin Mill Center
16001 Continental Blvd
New Flex Units from 3,600 SF
Lease - \$6.65 to \$6.95 NNN
Greg Creswell, Scott White, David Williams



INVESTMENT OPPORTUNITY
10305 Hull Street Road
15,000 SF - 100% Leased
Sale - \$1,480,000
Bill Mattox, Zac Frederick



1511 W. Hundred Road
2,500 SF Office/Warehouse
Lease - \$7.00 net utilities
& janitorial
Greg Creswell



New Construction
MidLantic Business Center
8951 Whitepine Road
7,500 to 25,000 SF
Lease - \$5.75 NNN
AVAILABLE NOW!
David Williams, Greg Creswell



Sommerville Business Park
203-207 Wylderose Court
10,818 SF Flex Space
Lease - \$9.00 NNN
Now for Sale - \$1,350,000
Greg Creswell, Jason Hetherington



NEW
Ashland Industrial Park
116 Sylvia Road
3,150 to 9,600 SF
Office/Warehouse
Lease - \$6.00 NNN
Stuart Cary, Lewis Little

Hanover County



Now For Sale
11049 Air Park Road
5,100 SF
Office/Shop
Lease - \$7.00 NNN
Sale - \$1,195,000
Jason Hetherington, Lewis Little



New Construction
Air Park Commons
Office/Warehouse Condos
52,800 SF
Units from 2,400 SF
Sale - \$95 PSF / Lease \$8 NNN
AVAILABLE NOW!
Stuart Cary, Owner/Agent



New Construction
Northlake Park
12195 Harley Club Dr
19,200 SF Office/Warehouse
Lease - \$9.00 NNN
AVAILABLE NOW!
Lewis Little, David Williams



Hanover Industrial Park
10004 Lickinghole Road
2,300 SF Office + 1,200 SF Shop
Lease - \$8.23 MGRS
Stuart Cary



Sale Possible
HANOVER AIR PARK
10411 Leadbetter Road
15,400 SF (3,400 sf office)
Dock & Drive-In, Yard
Lease - \$7.75 NNN (make offer)
David Williams, James Clark, Jr.



New Construction
Lakeridge Trade Center or
Northlake Trade Center
10,000 to 20,850 SF
Sale - \$90 to \$95 PSF
Lease - \$7.25 NNN Shell
David Williams, Bill Mattox



Representative Photo
Stony Run Center
Planned Office/Flex/Service
Up to 300,000 SF / 8 Bldgs
Sale - \$100 PSF
Lease - \$8.50 NNN
Bill Mattox, David Williams



14140 Washington Hwy
95,000 SF Warehouse
30' ceiling, 12 dock doors
Lease - \$3.25 NNN
Jason Hetherington,
Chip Louthan

Henrico County



Rate Reduced!
NEAR AIRPORT!!
6380 Beulah Road
60,000 SF, M2 Zoning
Lease - \$2.95 NNN
1-3 Acres Yard Available
David Williams



4111 W. Clay Street
12,000 SF
Lease - \$4.50 MGRS
Scott White, Stuart Cary



NEW
User or Investor
Dabney Corporate Center
2034-2036 Dabney Road
3,200, 3,600 or 6,800 SF
Lease - \$6.50 to \$6.95 NNN
Sale - \$95 to \$115 PSF
David Williams, James Clark, Jr.



Eubank Center
4200 Eubank Road
Sale/Lease/Build-to-Suit
2,700 - 18,900 SF
AVAILABLE NOW
Chip Louthan, Greg Creswell



5711 Greendale Road
5,375 SF Total
(2,750 sf office/2,625 sf warehouse)
Lease - \$6.00 MGRS
Chip Louthan, Bill Mattox



Former Mobility Printing
6701 Janway Road
22,500 SF
Sale - \$1,300,000
Chip Louthan
OPEN



Former Laburnum Auto Parts
903 E. Laburnum Avenue
5,000 SF
Showroom/Warehouse
For Lease - \$8.88 MGRS
Stuart Cary



Creative Office Environment
1101 E. Laburnum Avenue
60,000 SF
Sale - \$2,950,000
Chip Louthan, Jason Hetherington



Under Contract

3007 Lincoln Avenue
8,840 SF
(1,238 office + 7,602 whse)
Sale - \$480,000
Lewis Little, Zac Frederick



4309 November Avenue
12,000 SF w/ 2 docks
Lease - \$4.95 NNN
David Williams, James Clark, Jr.



4508 Oakleys Lane
8,320 SF Warehouse
Lease - \$5.77 NNN
Chip Louthan



Parham Forest West
Planned Flex Project
3 Buildings of 12,000 SF
Flexible Unit Sizes
Sale \$120/SF - 2009 Delivery
Jason Hetherington, Bill Mattox



Wilhook Parham Bldg
2600 E. Parham Road
2,193 SF Available
Lease - \$14.50
Chip Louthan



7515 Ranco Road
3,600 SF Flex
Lease - \$8.00 NNN
7511 Ranco Road
12,000 SF Warehouse
Lease - \$5.95 NNN
Lewis Little, David Williams



NEW

6117 & 6119 Staples Mill Rd
10,874 SF
3 buildings / 2.9 Acres
Sale - \$800,000
Stuart Cary, Zac Frederick



NEW

7503 Staples Mill Rd
6,000 SF (4,155 office)
Available July or sooner.
Lease - \$6.50 NNN
Jason Hetherington



NEW

Tomlynn Business Center
2012 Tomlynn Street
2,050 SF
Lease - \$7.60 MGRS
Bill Mattox



Back on Market !!

Flex/Office/Service
2100 Westmoreland Street
31,120 SF
Lease - Just \$1.95 first year!
Sale - \$1,650,000
Chip Louthan, David Williams



INVESTMENT OPPORTUNITY
1221 Admiral Street
23,350 SF
Leased to Post Office
Sale - \$1,350,000
Jason Hetherington

Under Contract



1600 Belleville Street
Scott's Addition
14,960 SF
Lease - \$5.95 MGRS
David Williams



Price Reduced!

Health Reliance Building
1320 N. Boulevard
12,500 SF
Sale - \$1,250,000
Lease - \$7.50 NNN
Bill Mattox, Zac Frederick



Rate Reduced!

501 Hospital Street
3,654 SF
Sale - \$295,000
Lease - \$1,200 per month
Greg Creswell



3100 W. Marshall Street
Scott's Addition
9,600 SF
Lease - \$7.00 NNN
Chip Louthan



2300 Magnolia Road
Suite B - 8,600 SF
Drive-in Door
Lease - Just \$3.75 MGRS!!
David Williams

Richmond City



Morgan Brothers Bag Bldg
3408-10 W. Moore Street
49,100 SF
Lease - \$4.25 NNN
Jason Hetherington, Chip Louthan



NNN Investment

600 Perdue Avenue
Next to Model Tobacco
Redevelopment
91,000 SF
Sale - \$1,950,000
David Williams, Jason
Hetherington



NEW

1217 School Street
4,380 SF / Fenced Yard
1221-1223 School Street
12,480 SF / Fenced Yard
Lease one or both!
Scott White, Stuart Cary



New Construction

Rockville Trade Center
New Office/Flex
2,250 - 9,000 SF
Lease - \$7.50 NNN
Scott White, Greg Creswell

Goochland County



NEW

15147 N. James Madison Hwy
7,320 SF on 12.44 Acres
Sale - \$995,000
Subdividable
Greg Creswell, Frank Galleher



Price Reduced !!

880 W. Roslyn Road
90,800 SF on 11.5 Acres
Sale - \$5,000,000
Lease - \$1.25
Chip Louthan, Greg Creswell

Colonial Heights



Former United Rentals
922 E. Randolph Rd
14,948 SF
Lease - \$4.50 NNN
Sale Possible
Greg Creswell

Hopewell



NEW

1440 Hickory Hill Road
Modern, Near I-95
32,000 SF, 11 Acres
Dock & Drive-In; Full HVAC
Sale - \$1,675,000
Greg Creswell, David Williams

Petersburg

Buckingham County

Charles City County

Industrial Land Listings



5900 Chambers Road
21,800 SF
Sale - \$1,525,000
Chip Louthan



312 Roxbury Court
46,500 SF
Land for Expansion!
Sale - \$1,875,000
Chip Louthan



300 Industrial Park Road
Farmville, VA
147,000 ± SF Manufacturing
Sale - \$2,100,000
Jason Hetherington,
Bruce Milam

Farmville

Size	Location	City/County	Price	Contact	Comments
94 Acres	Jefferson Davis Hwy (Rt 1)	Caroline	\$15,000/ac	Bill Mattox	Industrial Development Potential: Just north of Ladysmith on Rt 1 corridor
2 to 94 Acres	E. Hundred Road	Chesterfield	Call for Pricing	Bill Mattox	Rivermont - Mixed Use
38 Acres	Creighton & Cold Harbor	Hanover	\$85,000/ac	Lewis Little	Office/Retail/Industrial OPEN LISTING
15 to 35 Acres	Bermuda Hundred Road	Chesterfield	Call for Pricing	Bill Mattox	Flex, retail and office uses.
32 ac	14601 Midlothian Tpk	Chesterfield	\$4,000,000	Chip Louthan	Zoned A-1, utilities TBD
26.7 Acres	5030 Castlewood Rd	Richmond	\$1,068,000	Bruce Milam	Meadowville Technology Park Area at Enon Church Road
10 to 25 Acres	Dry Bridge/Old Williamsburg Rds	Henrico	From \$75,000/ac	Chip Louthan	SE Quadrant Rt 288 and Rt 60
19 Acres	Laburnum & Creighton	Henrico	\$125,000/ac	Bruce Milam	Excellent for future development
7 to 12 Acres	301-307 Quarles Road	Ashland	From \$65,000/ac	Chip Louthan	Three parcels at Castlewood & Cardwell Roads.
9 Acres	Charles City & Miller Rds	Henrico	\$950,000	David Williams	M-1C. Near Qimonda Semiconductor
5.98 or 8.52 Acres	Hill Carter Pkwy, Ashland	Hanover	\$97,500-\$125,000/ac	Lewis Little	M-1C. Near Qimonda Semiconductor
7.2 Acres	4201 Oakleys Lane	Henrico	\$95,000/ac	Lewis Little	SWQ I-64 @ Rt 60
5.8 Acres	4200 Eubank Road	Henrico	\$100,000/ac	David Williams	Coming mixed use development - Stony Run
5.34 Acres	Maple Ave (off)	Hanover	\$137,500	Lewis Little	Possible build-to-suits, flex light industrial
2.33 Acres	9246 Jefferson Davis Hwy	Chesterfield	\$267,950	David Williams	Sale, lease or owner may build to suit.
2.08 Acres	5010 W. Broad St	Henrico	\$618,600	Stuart Cary	Zoned M-1, all utilities
1.26 Acres	Plaza Drive, Centerville	Goochland	\$299,500	David Williams	Zoned M-2, Level, Cleared, All Utilities
				Jason Hetherington	Partially fenced; possible to subdivide
				Bill Mattox	Ashland Business Park
				David Williams	Zoned Light Industrial/Mixed Use
				Chip Louthan	M-1 Zoning
				Chip Louthan	Sale, lease or build-to-suit opportunities.
				Greg Creswell	Build up to 79,200 sf. M-1 site near RIC.
				Lewis Little	Heavily wooded site just off Maple Avenue in the town of Ashland
				Greg Creswell	Zoned R-7 and C-3. 3 parcels located less than 1/4 mile south of intersection Jeff Davis Hwy & Willis Rd.
				Jason Hetherington	Commercial/Industrial site near Willow Lawn
				Chip Louthan	
				Bill Mattox	Good business site with public water/sewer 1/4 mile north of Broad St behind Food Lion

NEW

Grubb & Ellis | Harrison & Bates Industrial Services Team

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- Opinions of Value
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- Sale-Leasebacks
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- 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



James Clark, Jr.
Associate
804.788.1000 Ext 232
804.591.2402 Direct
jamie.clark@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
Managing Director, CEO
804.788.1000 Ext 219
804.591.2405 Direct
david.williams@harrison-bates.com



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