

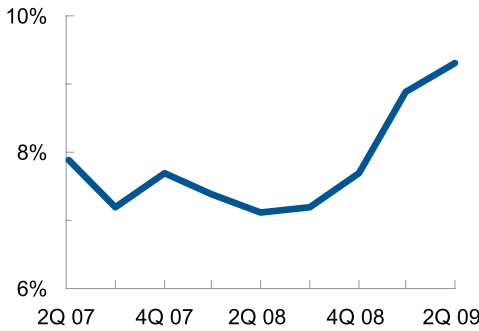
# Industrial Trends Report—Second Quarter 2009

## Richmond, VA



### Vacancy Rate

Quarterly

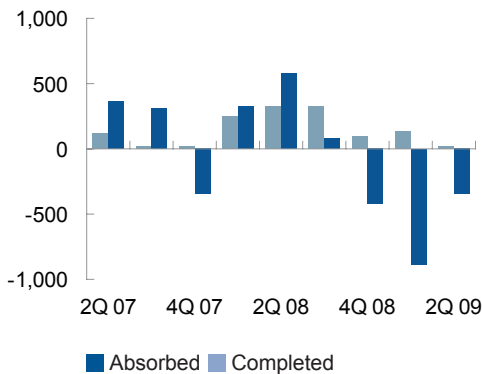


While recovery appears to remain distant, tenants can take advantage of increasing vacancy as landlords compete by offering greater incentives, shorter terms, and lower base rates.

Richmond's industrial vacancy rate currently stands at 9.3 percent, up 220 basis points from one year ago. The construction pipeline is empty so there will not be any new speculative inventory to add to the existing supply for the foreseeable future. Lease transaction volume was moderate with only three transactions exceeding 20,000 square feet. Noteworthy was GPM Investments, LLC (FasMart) leasing 25,600 square feet in Windsor Business Park and HD Business, LLC renewing a lease on 33,182 square feet on Lewis Road.

### Completion vs. Absorption

Quarterly (in Thousands of SF)

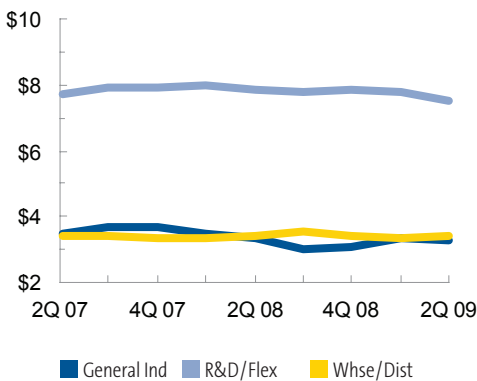


Landlords are negotiating aggressively as competition for the few qualified prospects intensifies. Aside from shortening lease terms and lowering base rents, landlords are offering incentives. One month of free rent per year of lease term is a common offer. The industry-standard 3 percent annual rent increase is being negotiated down to 2.5 or 2 percent. In cases where landlords can get longer terms, some are agreeing to keep the rates flat, with no increase until renewal options are exercised.

On the sales end, activity was limited and will likely remain so through at least the next quarter. The flex market saw a trickle of activity with the Southwest Quadrant benefitting from several sales, including 20,462 square feet on Johnston Willis Drive to R. E. Michel Company, Inc. for \$79 per square foot and 36,000 square feet at Warwick Commerce Center to Mason Place, LLC for \$56 per square foot. Both sales were to owner/occupants.

### Asking Rental Rates

Quarterly (\$/SF/Yr. NNN)



### FORECAST

- The industrial market is likely to bump along with the economy, given no further large "evaporations".
- The market has not yet experienced the bottom on vacancies or values.
- Expect the flex sector to pick up first in a recovery.

### KEY TRANSACTIONS

| Lessee/Buyer                   | Lessor/Seller                 | Property                    | Size (SF) |
|--------------------------------|-------------------------------|-----------------------------|-----------|
| R. E. Michel Company, Inc.     | K. B. Properties, LLC         | 601 Johnston Willis Dr.     | 20,462    |
| Mason Place, LLC               | Paige Properties              | Warwick Commerce Center II  | 36,000    |
| FasMart                        | Windsor Business Park, LLC    | Windsor Business Park VII * | 25,600    |
| Synergy Installation Solutions | Liberty Property Trust        | Fairgrounds C Expansion     | 19,625    |
| Eco Granite and Marble         | Liberty Property Trust        | Fairgrounds Bldg C          | 18,000    |
| Precision Recycling            | Environmental Solutions, Inc. | Sustainability Park *       | 15,300    |

■ Leasing ■ Sales \*Indicates Transactions Represented by Grubb & Ellis|Harrison & Bates

Grubb & Ellis|Harrison & Bates  
6606 W. Broad St., Suite 400, Richmond, VA 23230  
www.harrison-bates.com

Prepared by:  
**Lynn McDaniel** Vice President - Marketing Services  
804.788.1000 • lynn.mcdaniel@harrison-bates.com

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| By Submarket  | Total SF          | Vacant SF        | Total<br>Vacancy % | NET ABSORPTION   |                    | Under<br>Construction SF | ASKING RENT   |               |
|---------------|-------------------|------------------|--------------------|------------------|--------------------|--------------------------|---------------|---------------|
|               |                   |                  |                    | Current          | YTD                |                          | WH/Dist       | R&D/Flex      |
| Northeast     | 11,728,770        | 1,235,263        | 10.5%              | 237,689          | (197,318)          | -                        | \$4.06        | \$7.19        |
| Northwest     | 18,095,895        | 1,686,038        | 9.3%               | (70,233)         | (80,064)           | -                        | \$2.97        | \$8.14        |
| Southeast     | 12,611,934        | 1,256,855        | 10.0%              | (71,216)         | (370,639)          | -                        | \$4.15        | \$5.86        |
| Southwest     | 42,089,327        | 3,636,488        | 8.6%               | (476,286)        | (581,330)          | -                        | \$2.98        | \$7.09        |
| Tri-Cities    | 4,189,483         | 460,648          | 11.0%              | -                | (32,000)           | -                        | \$2.77        | -             |
| <b>Totals</b> | <b>88,715,409</b> | <b>8,275,292</b> | <b>9.3%</b>        | <b>(380,046)</b> | <b>(1,261,351)</b> | <b>-</b>                 | <b>\$3.38</b> | <b>\$7.52</b> |

| By Property Type       | Total SF          | Vacant SF        | Total<br>Vacancy % | NET ABSORPTION   |                    | Under<br>Construction SF | ASKING RENT   |          |
|------------------------|-------------------|------------------|--------------------|------------------|--------------------|--------------------------|---------------|----------|
|                        |                   |                  |                    | Current          | YTD                |                          | WH/Dist       | R&D/Flex |
| General Industrial     | 53,315,121        | 3,325,873        | 6.2%               | (312,159)        | (475,938)          | -                        | \$3.25        | -        |
| Incubator              | 393,751           | 42,200           | 10.7%              | -                | (5,970)            | -                        | \$5.88        | -        |
| R&D/Flex               | 9,365,087         | 1,219,671        | 13.0%              | (94,136)         | (57,330)           | -                        | \$7.52        | -        |
| Warehouse/Distribution | 25,641,450        | 3,687,548        | 14.4%              | 26,249           | (722,113)          | -                        | \$3.38        | -        |
| <b>Totals</b>          | <b>88,715,409</b> | <b>8,275,292</b> | <b>9.3%</b>        | <b>(380,046)</b> | <b>(1,261,351)</b> | <b>-</b>                 | <b>\$3.92</b> | <b>-</b> |

## Grubb & Ellis|Harrison & Bates Industrial Real Estate Advisors

### Stuart Cary, SIOR

Senior Vice President

804-591-2400

stuart.cary@harrison-bates.com

### Jason Hetherington, SIOR

Senior Vice President

804-591-2407

jason.hetherington@harrison-bates.com

### Bill Mattox, SIOR

Senior Vice President

804-591-2428

bill.mattox@harrison-bates.com

### James Clark, Jr.

Associate

804-591-2402

james.clark@harrison-bates.com

### Lewis Little, Jr.

Senior Associate

804-591-2403

lewis.little@harrison-bates.com

### David Williams, SIOR, CCIM

Managing Director, CEO

804-591-2405

david.williams@harrison-bates.com

### Greg Creswell

Associate

804-591-2427

greg.creswell@harrison-bates.com

### Chip Louthan, SIOR

Senior Vice President

804-591-2417

chip.louthan@harrison-bates.com

## INDUSTRIAL TERMS AND DEFINITIONS

**Inventory:** Industrial inventory includes all multi-tenant, single tenant and owner occupied buildings at least 10,000 square feet.

**Industrial Buildings Classifications:** 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 and includes

direct and sublease vacant. 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. The asking rent for each building in the market is weighed by the amount of available space in the building.

*\* Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*