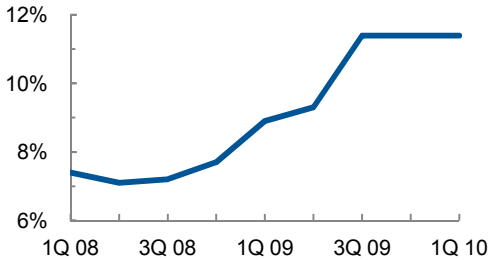
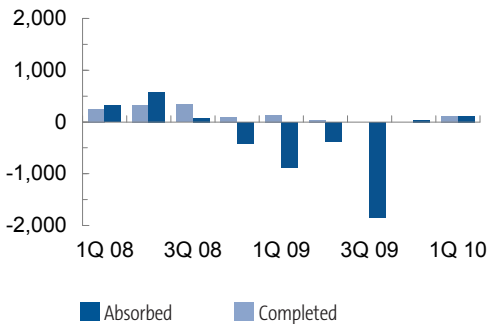


### Vacancy Rate



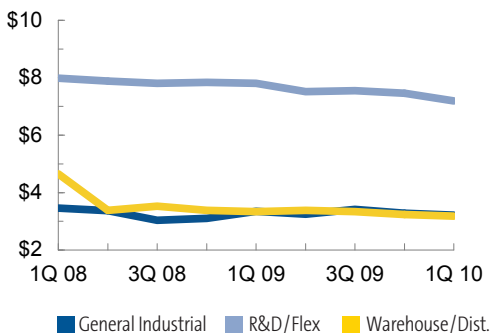
### Completions vs. Absorption

(in Thousands of SF)



### Asking Rental Rates

(\$/SF/Yr./Triple Net)



## The Flight to Quality Continues

Both vacancy and absorption remained flat in the first quarter while average asking rates for both flex and warehouse properties declined further. The flex sector is seeing more activity and transactions than the bulk warehouse sector. Small companies are taking advantage of market conditions to move to new space at the same rates they were paying for older properties. This flight to quality translates into a high percentage of lateral moves, but some new companies are also benefitting from softness in rental rates. While landlords are willing to negotiate lower initial rental rates, they are reluctant to sign long-term leases unless higher rates are captured on the back end of the term.

On the sales side, there is some indication that the bottom has been reached, although there remains insufficient transaction volume and hard data to be sure. In addition to the sales shown below, four smaller properties (4,800 to 31,000 square feet) sold in the range of \$60 to \$71 per square foot. The 1.36-million-square-foot closed Qimonda semiconductor facility was purchased by a subsidiary of Overland Park, Kansas-based Quality Group of Companies at a bargain price of \$12 million as part of Qimonda's liquidation proceedings in bankruptcy court. The buyer plans to retrofit the facility to house multiple data centers. While no tenants have been announced, it is encouraging that this large facility may be rejuvenated and put back in service relatively quickly.

Construction remains constrained. A 110,000-square-foot production facility for Sabra Dipping Company was recently completed in Chesterfield County, and a 140,000-square-foot aircraft components manufacturing facility is underway for Rolls-Royce in Prince George County. This "Gateway Region" continues to benefit generally from Fort Lee's expansion.

### FORECAST

- Tenants' ability to pressure rents will be met with shorter terms and fewer options.
- Transactions will take longer to complete as acquirers seek more concessions.
- Buyer/tenant activity will increase cautiously with more seeking efficiency than growth.

### KEY TRANSACTIONS

Lessee/Buyer	Lessor/Seller	Property	Size (SF)/Price
Quality Technology Services	Qimonda Richmond, LLC	6000 Technology Blvd	\$12,000,000
Purnell Furniture Services, Inc.	Standard Properties, Inc.	11223 & 11237 Leadbetter Rd	\$2,250,000
Smurfit Stone*	Stanley Hardware	5710 S. Laburnum Ave	315,000
Advanced Trailer Systems, Inc.	Weingarten Realty Investors	Interport Business Center	76,166

■ Leasing ■ Sales (R) = Renewal (S) = Sublease \* Indicates Transaction Represented by Grubb & Ellis|Harrison & Bates

# Industrial Trends Report—First Quarter 2010

## Richmond, VA



By Submarket	Total SF	Vacant SF	Vacant %	NET ABSORPTION		Under Construction SF	ASKING RENT	
				Current	Year-To-Date		WH/Dist	R&D/Flex
Northeast	11,687,869	1,095,888	9.4%	(201,784)	(201,784)	-	\$3.78	\$6.58
Northwest	18,191,004	2,271,483	12.5%	(200,280)	(200,280)	-	\$2.91	\$7.53
Southeast	12,676,565	2,651,674	20.9%	265,066	265,066	-	\$3.60	\$6.46
Southwest	42,114,963	3,742,066	8.9%	254,225	254,225	-	\$2.95	\$6.91
Tri-Cities	4,232,483	380,848	9.0%	(11,000)	(11,000)	140,000	\$3.43	-
<b>Totals</b>	<b>88,902,884</b>	<b>10,141,959</b>	<b>11.4%</b>	<b>106,227</b>	<b>106,227</b>	<b>140,000</b>	<b>\$3.18</b>	<b>\$7.19</b>

By Property Type	Total SF	Vacant SF	Vacant %	Current	Year-To-Date	Under Construction SF	ASKING RENT	
							WH/Dist	R&D/Flex
General Industrial	53,595,199	5,391,115	10.1%	38,845	38,845	140,000	\$3.21	
Incubator	393,751	23,600	6.0%	-	-	-	\$5.64	
R&D/Flex	9,368,271	1,538,843	16.4%	(207,593)	(207,593)	-	\$7.19	
Warehouse/Distribution	25,545,663	3,188,401	12.5%	274,975	274,975	-	\$3.18	
<b>Totals</b>	<b>88,902,884</b>	<b>10,141,959</b>	<b>11.4%</b>	<b>106,227</b>	<b>106,227</b>	<b>140,000</b>	<b>\$3.82</b>	

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## INDUSTRIAL TERMS AND DEFINITIONS

**Total SF:** 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.*