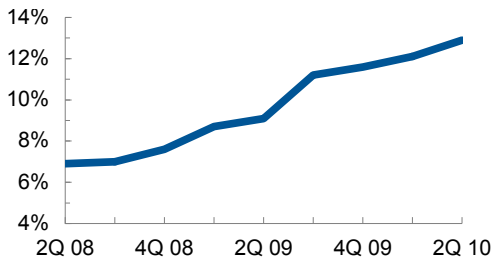
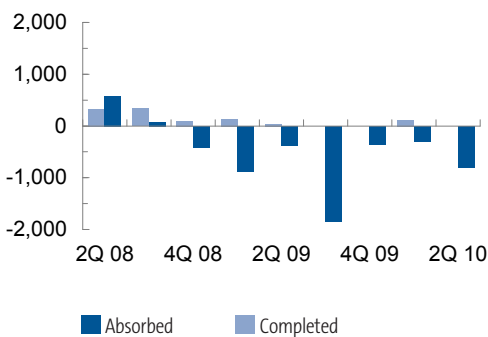


Vacancy Rate



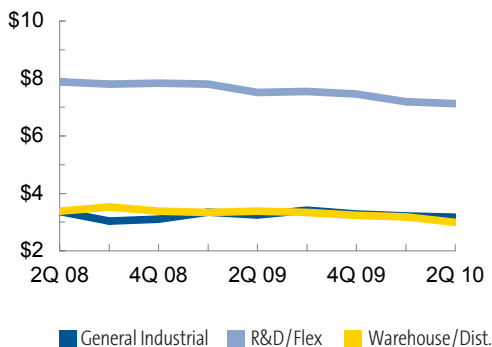
Completions vs. Absorption

(in Thousands of SF)



Asking Rental Rates

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



Anyone Need Warehouse Space?

Over the last year, several large blocks of Class C warehouse space came on the market for lease as tobacco warehousing abandoned Richmond in the wake of consolidations and a shrinking industry. In just the last six months, 1.2 million square feet has been vacated at Alleghany Commerce Park. This predominately older product is well located along the I-95 corridor but is likely to take an extended period to absorb. Although this abundant supply of inexpensive warehouse space may help keep other struggling industries afloat in the region, it will put pressure on Class B- and C property rents.

There continues to be pressure on the bid/ask spread (as much as 50 percent) for user sales. The good news is that buyers are showing up again and this should lead to expansions in the second half if buyers and sellers can compromise. From a leasing perspective, it remains primarily a tenant's market and rents can be expected to drop 10 to 25 percent more for spaces above 10,000 square feet. The REITs are the best capitalized owners and in a position to negotiate substantial discounts. Other landlord/owners may try to hang on until conditions improve... or the lender takes over the building. Bottom line is those who can afford to be realistic will do so, but others won't "walk off the plank" unless pushed.

Corporate America is beginning to address a nascent need for space as production and inventories continue to rise with a slowly improving economy. The satisfaction of this pent up demand is starting to be evident as some of the largest companies in the U.S. begin to absorb real estate again.

FORECAST

- A bright spot for some owners is that leasing will improve for well-located flex properties designed for small tenants.
- Current industrial leasing and sale activity augurs for better volume of completed transactions by year end, but still may not translate into positive net absorption.
- Sellers and lenders may see a phenomenon from the residential real estate market - short sales to avoid foreclosure - creeping into the commercial/industrial arena.
- Future economic drivers will include "green" businesses and recycling, so Richmond is well-positioned for industrial renewal long term given its location and infrastructure.

KEY TRANSACTIONS

| Lessee/Buyer | Lessor/Seller | Property | Size (SF)/Price |
|----------------------------|------------------------------|-------------------------|-----------------|
| PM Acquisitions, LLC | Manchester Leaf, LLC | 701 Maury St | \$2,500,000 |
| ADC, LLC | Mactavish Investment Company | 1300 Mactavish Ave | \$1,450,000 |
| GSA, a U.S. Federal Agency | Weingarten Realty Investors | 2101 Bermuda Hundred Rd | 117,188 SF |
| Worth Higgins & Associates | Elbert & Sons, LLC* | 4840 Waller Road | 16,715 SF |

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

Industrial Trends Report—Second 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 | 1,200,397 | 10.3% | (104,509) | (306,293) | - | 3.97 | 6.86 |
| Northwest | 18,177,237 | 2,281,631 | 12.6% | (10,148) | (210,428) | - | 2.52 | 7.51 |
| Southeast | 12,676,565 | 2,629,754 | 20.7% | 21,920 | 286,698 | - | 3.51 | 6.65 |
| Southwest | 44,132,207 | 5,529,190 | 11.9% | (707,665) | (858,170) | - | 2.73 | 6.60 |
| Tri-Cities | 4,254,083 | 402,448 | 9.5% | - | (11,000) | 140,000 | 3.43 | - |
| Totals | 90,927,961 | 11,773,420 | 12.9% | (800,402) | (1,099,193) | 140,000 | 2.99 | 7.12 |

| By Property Type | Total SF | Vacant SF | Vacant % | Current | Year-To-Date | Under Construction SF | ASKING RENT | |
|------------------------|-------------------|-------------------|--------------|------------------|--------------------|-----------------------|-------------|----------|
| | | | | | | | WH/Dist | R&D/Flex |
| General Industrial | 52,967,137 | 4,993,300 | 9.4% | 397,815 | 436,372 | 140,000 | 3.17 | |
| Incubator | 393,751 | 20,000 | 5.1% | 3,600 | 3,600 | - | 6.00 | |
| R&D/Flex | 9,368,271 | 1,478,452 | 15.8% | 60,391 | (147,202) | - | 7.12 | |
| Warehouse/Distribution | 28,198,802 | 5,281,668 | 18.7% | (1,262,208) | (1,391,963) | - | 2.99 | |
| Totals | 90,927,961 | 11,773,420 | 12.9% | (800,402) | (1,099,193) | 140,000 | 3.70 | |

The Richmond area continues to fight through the loss of several of its key industry drivers such as:

- Semiconductor – This hit occurred with Qimonda’s closing of a 1.3 million-square-foot plant in 2009.
- Tobacco – Manufacturing is consolidating locally, while warehousing is going away.
- Foils – Alcoa closed its manufacturing and distribution facilities putting hundreds of thousands of square feet on the market.
- Pharmaceuticals – Pfizer’s acquisition of Wyeth will be a partial win for the area with its 270,000-square-foot R&D center remaining open. It was announced that a manufacturing/distribution plant, however, will close in two to three years.
- H-P Packaging – Closing down 750,000 square feet near the airport next year.
- Smurfit Stone – Purchased the 315,000-square-foot Stanley plant for consolidation and is pulling out of 550,000 square feet elsewhere.

Grubb & Ellis|Harrison & Bates Industrial Real Estate Advisors

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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.