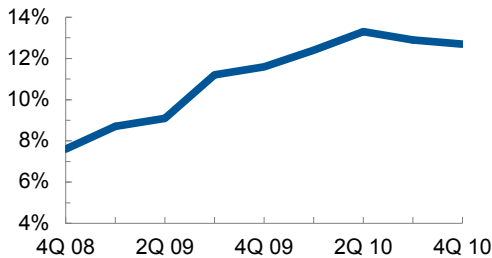
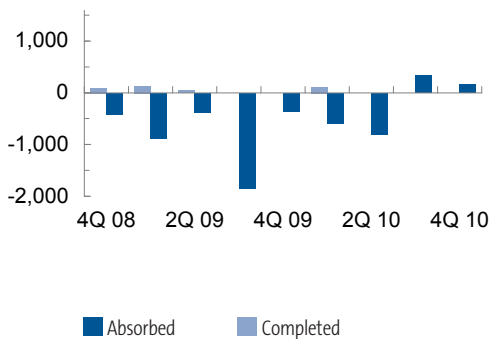


Vacancy Rate



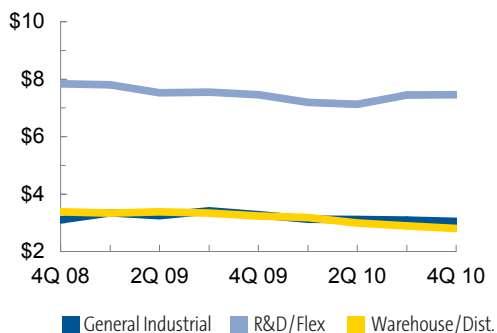
Completions vs. Absorption

(in Thousands of SF)



Asking Rental Rates

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



On the Mend

Any healing process requires time, patience, and effort, and it appears the Richmond region's industrial market is on the mend. Statistics from the fourth quarter of 2010 compared to those of 2009, show that the market is making a come back.

Fourth quarter showed continued trends as asking rates for warehouse/distribution space took their fourth straight drop and overall vacancy dropped for a second consecutive quarter. Asking rates per square foot began 2010 at \$3.18 per square foot and ended the year at \$2.80 per square foot, nearly a 12 percent drop for the year. Much of the pressure on rates was due to an influx of Class C space into the market and the continued availability of space. Businesses have taken advantage of competition among landlords to find new space or to get aggressive on renewals. Leasing transactions of note include GSA's occupancy of 138,000 square feet at the Enterchange at Meadowville and Redemtech's renewal in River's Bend for 115,000 square feet. The Richmond market managed a positive net absorption of 327,000 square feet for the industrial sector, a sign that the leasing markets are making a gain and rental rates should begin to flatten.

Fourth quarter sales indicated strong signs of recovery with the highest sales volume of the year. A building of 83,000 square feet was purchased at 4801 Audubon Drive for \$4.4 million and 815,000 square feet transferred at 3900 Technology Court for over \$27 million as part of a national portfolio. A comparison to 2009 shows a 40 percent increase in the number of industrial sales transactions, from 38 sales in 2009 to 53 in 2010.

A full recovery will not come over night. High vacancy will take time to resolve and competing properties will keep downward pressure on rates. Lending restrictions will continue to limit the number of qualified buyers in the market and keep properties on the market longer; but with positive absorption and an overall increase in sales, signs point to a solid beginning to the healing process.

FORECAST

- Although vacancy was relatively flat throughout the year and dipped slightly in Q4, lack of momentum on deals will keep downward pressure on rates.
- Lack of speculative construction, pressure on rates, and increasing optimism will lead to another quarter of positive absorption to begin 2011.
- Look for continued momentum, particularly around River's Bend, Meadowville, and Richmond Airport, due to the completion of the airport connector and construction beginning on the Meadowville Interchange with I-295.

Industrial Trends Report—Fourth 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	1,243,814	10.6%	(34,545)	(349,710)	-	\$3.97	\$6.99
Northwest	18,177,237	2,216,875	12.2%	(39,768)	(145,672)	-	\$2.45	\$8.04
Southeast	12,673,646	2,386,000	18.8%	345,571	530,452	-	\$3.51	\$6.72
Southwest	44,152,067	5,364,014	12.1%	(136,719)	(951,994)	-	\$2.45	\$6.58
Tri-Cities	4,254,083	365,448	8.6%	24,000	26,000	140,000	\$3.49	-
Totals	90,944,902	11,576,151	12.7%	158,539	(890,924)	140,000	\$2.80	\$7.46

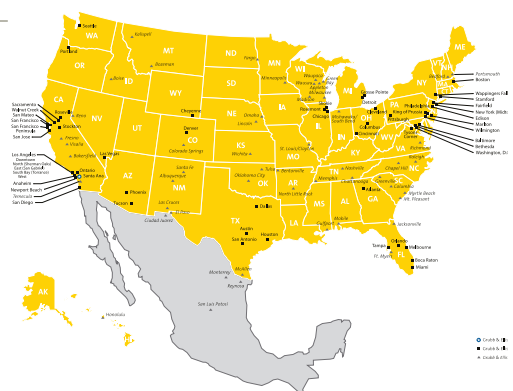
By Property Type	Total SF	Vacant SF	Vacant %	Current	Year-To-Date	Under Construction SF	ASKING RENT	
							WH/Dist	R&D/Flex
General Industrial	52,959,646	4,637,679	8.8%	497,540	791,993	140,000	\$3.05	
Incubator	393,751	20,000	5.1%	-	3,600	-	\$5.58	
R&D/Flex	9,399,703	1,580,433	16.8%	(95,504)	(238,183)	-	\$7.46	
Warehouse/Distribution	28,191,802	5,338,039	18.9%	(243,497)	(1,448,334)	-	\$2.80	
Totals	90,944,902	11,576,151	12.7%	158,539	(890,924)	140,000	\$3.68	

KEY TRANSACTIONS

Lessee/Buyer	Lessor/Seller	Property	Size (SF)/Price
■ BRE/VA White Oak Dist Ctr I, LLC	ProLogis-Blackstone Group	3900 Technology Ct	27,960,408
■ Zeller + Gmelin Corporation	Independent Container Line *	4801 Audubon Dr	4,400,000
■ General Services Administration	Weingarten Realty Investors	Enterchange at Meadowville	138,834
■ Redemtech, Inc. *	Richmond Industrial, LLC	500 HP Way	115,000
■ National Delivery Systems, Inc.	Weingarten Realty Investors	4840 Eubank Road	78,232

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

Grubb & Ellis Office Locations as of 4th Quarter 2010



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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.

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