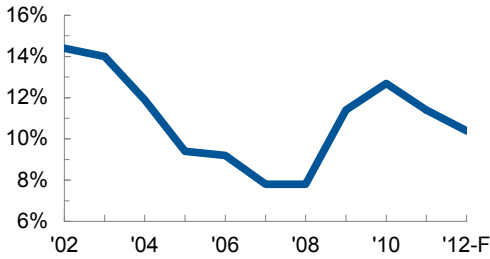
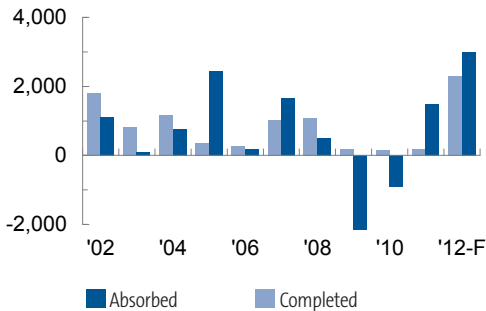


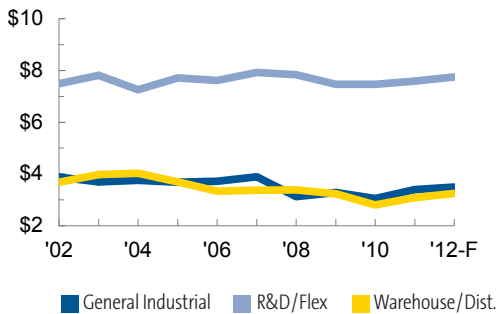
Vacancy Rate



Completions vs. Absorption
(in Thousands of SF)



Asking Rental Rates
(\$/SF/Yr./Triple Net)



Recovery Solid, Expansion Ahead

Mirroring national trends, the Richmond industrial market achieved solid gains in 2011, and is poised to stay on that trajectory, but at a faster pace, as the overall economy improves throughout 2012.

Overall year-end vacancy was 11.4 percent, down 130 basis points year-over-year. Absorption of nearly 1.5 million square feet was the highest since 2007 and positive for the first time in three years. Construction was muted which helped to absorb the excess space.

The industrial market is not as closely tied to employment levels as the office market; however, it is impacted by manufacturing levels and demand drivers such as rising international trade and domestic freight shipments. Even so, the Bureau of Labor Statistics indicated a slight gain in the state’s manufacturing employment in 2011, stemming the prior two years’ steep declines. More importantly, according to the Institute for Supply Management, general economic activity in the manufacturing sector expanded in December for the 29th consecutive month and the overall economy grew for the 31st consecutive month.

2011 REVIEW

Richmond manufacturing remained under some stress in 2011, although most facility downsizing occurred in prior years. Offsetting that was growth of logistical requirements related to the BRAC relocation of the National Defense Logistics Center to Fort Lee in the Tricities submarket, as well as the growing role of UPS’ Richmond-based East Coast “hub”.

Another interesting trend continuing in 2011 was the repositioning of some older industrial properties for alternative uses, primarily residential or retail. This helped reduce market vacancy and contributed in some ways to the stabilization of overall property values as well. For example, the centrally located 272,000-square-foot former Wyeth/Pfizer

(CONTINUED ON PAGE 2)

KEY TRANSACTIONS FOR 2011

<p>Adler Real Estate Fund & TriGate Capital purchased 475,354 SF Byrd Center Henrico, VA from Medalist Properties, LLC for \$26 Million</p>	<p>AzzaZee RE, LLC purchased 6062 Quality Way 130,560 SF Prince George, VA from Virginia Investments X, LLC for \$4.9 Million</p>	<p>*Villa Park I LLC purchased Villa Park I 74,927 SF Henrico, VA from ORIX Capital Markets for \$4.3 Million</p>	<p>Open Plan Systems leased 126,639 SF at 2823 Bells Road Richmond, VA from Richmond Industrial LLC</p>
--	--	--	--

* Transaction Represented by Grubb & Ellis|Harrison & Bates

INDUSTRIAL MARKET REVIEW AND FORECAST

	2010	2011	2012 Forecast
Vacancy Rate	12.7%	11.4%	10.4%
General Industrial Rental Rate ¹	\$3.05	\$3.40	\$3.50
R&D/Flex Rental Rate ¹	\$7.46	\$7.59	\$7.75
Warehouse/Dist. Rental Rate ¹	\$2.80	\$3.09	\$3.25
Net Absorption	(890,924)	1,474,374	3,000,000
Space Completed	143,000	168,500	2,300,000

1. Asking rate per square foot per year triple net

(CONTINUED FROM PAGE 1)

manufacturing and lab facility was purchased by Rebkee Partners, a local investment group, for \$1.65 million (\$6 psf) with plans for eventual redevelopment to an alternative use. The same company purchased the 240,000-square-foot former Interbake cookie factory for \$6.3 million (\$26.25 psf) with plans to redevelop that property into apartments.

Notable investment sales were primarily in the flex category and included Adler Real Estate Fund & TriGate Capital's purchase of the 475,000-square-foot Byrd Center from Medalist Properties, LLC for \$26 million (\$55 psf) at an 8 percent cap. Villa Park I, LLC, a joint venture of DRV, LLC and Markel/Eagle Partners, LLC purchased the 75,000-square-foot Villa Park I for \$4.3 million (\$57 psf).

Over the years, many of the area's municipal economic development agencies have provided the impetus for development of industrial/business parks to stimulate industrial development and to compete for out of town prospects considering the Richmond metro area. In 2011, this foresight was rewarded as construction was begun or completed in four of those parks, helping stretch the boundaries of what is considered part of the Richmond region. The USPS completed its 750,000-square-foot distribution processing center in Henrico County's White Oak Park, Rolls-Royce finished the 140,000-square-foot first building of its mammoth planned complex at Southpoint in Prince George County, and Amazon.com began construction at year end of sister one-million-square-foot fulfillment and distribution centers, one in Chesterfield County's Meadowville Technology Park and the other in Dinwiddie County's Dinwiddie Commerce Park.

In addition to the stimulus that good, available, reasonably-priced industrial park land provided, the financing freeze of recent years continued to thaw. On the national level,

(CONTINUED ON PAGE 3)

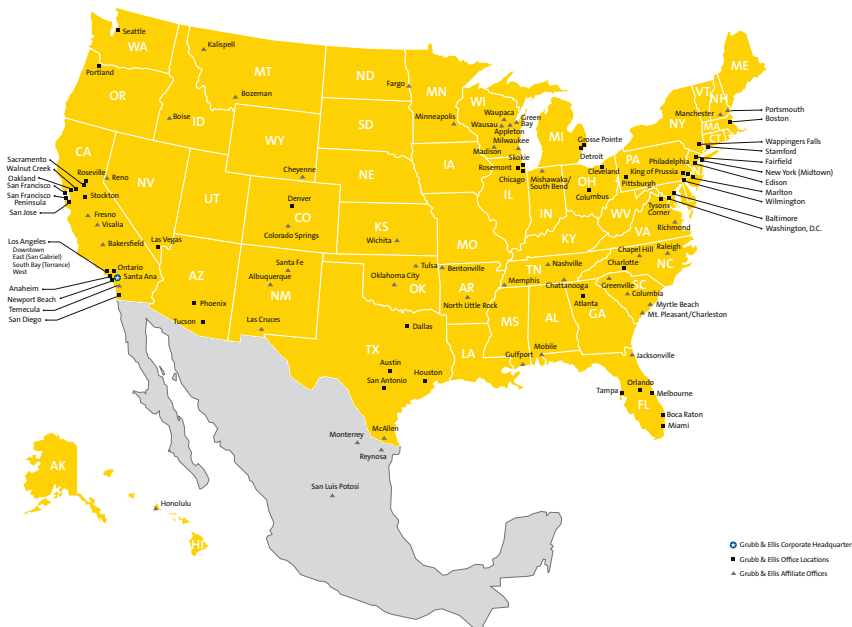
(CONTINUED FROM PAGE 2)

the negative commercial mortgage lending trend over the last few years reversed as life insurance companies were net positive, adding more than \$16 billion. Pricing is more competitive and most in the financing industry expect a significant acceleration in 2012. Locally, underwriting loosened up more for owner-occupied projects, but even a large speculative flex development in Chesterfield County got the green light to begin its final phase. The project, Landmark Company’s Ruffin Mill Center, continues to lease successfully and began construction on its last 63,000 square feet which will complete the project’s total 132,000-square-foot addition to the Southwest Quadrant’s inventory.

2012 FORECAST

The emerging logistics trend will add “fulfillment’s” role in changing the retail sector as Amazon.com opens two 1,000,000-square-foot fulfillment and distribution centers in late 2012. The ongoing impact of the various municipal industrial park announcements made in 2011 should not be underestimated. The combined construction of nearly 3,000,000 square feet will create jobs, ancillary development and momentum that developers and end users alike will ride. Look for additional announcements to follow in these parks, and for the area to see a lift in occupancy of existing inventory as well. The financing environment should augment the momentum underway as a diversity of local companies and industries continues to prove Greater Richmond to be a viable location from a labor, transportation and regulatory perspective.

Grubb & Ellis Office Locations
as of 4th Quarter 2011



By Submarket	Total SF	Vacant SF	Vacant %	Available %	NET ABSORPTION		Under Construction SF	ASKING RENT	
					Current	Year To Date		WH/Dist	R&D/Flex
Northeast	11,687,113	879,172	7.5%	11.7%	130,890	364,642	-	\$3.94	\$7.86
Northwest	18,239,914	1,755,297	9.6%	12.3%	(25,334)	460,923	-	\$2.75	\$8.17
Southeast	12,783,392	2,836,847	22.2%	24.3%	(289,936)	(341,100)	23,100	\$3.90	\$6.18
Southwest	44,559,845	4,867,629	10.9%	13.6%	141,515	626,349	74,100	\$2.75	\$6.95
Tri-Cities	4,372,483	120,288	2.8%	9.2%	11,000	363,580	-	\$2.08	-
Totals	91,642,747	10,459,233	11.4%	14.4%	(31,865)	1,474,374	97,200	\$3.09	\$7.59

By Property Type	Total SF	Vacant SF	Vacant %	Available %	Current	Year To Date	Under Construction SF	ASKING RENT	
								WH/Dist	R&D/Flex
General Industrial	53,292,748	4,452,379	8.4%	10.5%	177,738	437,919	-	\$3.40	
Incubator	393,751	20,000	5.1%	16.4%	-	-	-	\$5.30	
R&D/Flex	9,469,726	1,260,732	13.3%	16.5%	65,225	358,638	97,200	\$7.59	
Warehouse/Distribution	28,486,522	4,726,122	16.6%	20.9%	(274,828)	677,817	-	\$3.09	
Totals	91,642,747	10,459,233	11.4%	14.4%	(31,865)	1,474,374	97,200	\$3.80	

Grubb & Ellis|Harrison & Bates Industrial Real Estate Advisors

Stuart Cary, SIOR

Senior Vice President

804.591.2400

stuart.cary@harrison-bates.com

James Clark, Jr.

Associate

804.591.2402

jamie.clark@harrison-bates.com

Greg Creswell

Senior Associate

804.591.2427

greg.creswell@harrison-bates.com

Jason Hetherington, SIOR

Senior Vice President

804.591.2407

jason.hetherington@harrison-bates.com

Lewis Little, Jr.

Senior Associate

804.591.2403

lewis.little@harrison-bates.com

Chip Louthan, SIOR

Senior Vice President

804.591.2417

chip.louthan@harrison-bates.com

Bill Mattox, SIOR

Senior Vice President

804.591.2428

bill.mattox@harrison-bates.com

David Williams, SIOR, CCIM

Managing Director, CEO

804.591.2405

david.williams@harrison-bates.com

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.*

Reproduction in whole or part is permitted only with the written consent of Grubb & Ellis Company. Some of the data in this report has been gathered from third party sources and has not been independently verified by Grubb & Ellis. Grubb & Ellis makes no warranties or representations as to the completeness or accuracy thereof.