MARKETBEAT

RICHMOND
INDUSTRIAL REPORT

CUSHMAN & WAKEFIELD®
THALHIMER
INDEPENDENTLY OWNED AND OPERATED

1Q11

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

WWW.CUSHWAKE.COM/KNOWLEDGE

Overview

Brokers report that their pipelines are fuller than at any time in the past two years as tenants call and tour space for future growth. But new deals aren't happening just yet; that will happen in coming quarters. Leasing activity through the first quarter of 2011 was 370,357 square feet (sf), down slightly from the 408,103 sf leased through the same period in 2010. For the second consecutive quarter absorption was positive: 68,605 sf. That's up from the first quarter of 2010, when absorption was a negative 100,000 sf.

With absorption staying in positive territory, vacancy fell to 11.1% in the first quarter of 2011 from 11.2% in the fourth quarter of 2010. Most of the activity is from large regional or national operators. For example, locally based medical distributor Owens & Minor expanded its operation at the Enterchange at Northlake distribution facility in Hanover County. Owens & Minor will take an additional 37,851 sf in that facility in July.

Also of note: Distribution International Southwest leased 16,000 sf at the Interport Business Center, and Richmond Cold Storage sold its 182,000-sf facility on Corrugated Road in Richmond for $18.2 million. It will lease it from the new owner. Open Plan Systems leased 38,000 sf in the City of Richmond. The company remanufactures used office workstations.

Economy

The economy appears to be on the mend. The unemployment rate in Richmond fell to 7.7% from 8.6% in the first quarter of 2010. That's still above the state average of 6.9%, but it's a welcomed improvement and comes on the heels of major hiring announcements at local employers such as SunTrust, Bank of America, Wachovia, Capital One and SnagAJob.

The picture outside of Richmond appears less rosy. World events, including a devastating earthquake in Japan and increased political volatility in the Middle East, are stressing the national recovery. In particular, gas prices are heading toward $4 a gallon, and that could send consumers back into their shells.

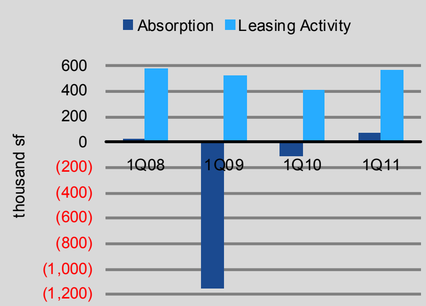
Outlook

Rents are still depressed compared to the highs of several years ago. Landlords have sensed that a recovery is gaining steam and are getting stingier with incentives. Brokers agree that leasing activity will increase in 2011, perhaps as early as the second quarter. They are also nervously watching what happens to the world economy, in case a wave of fresh uncertainty comes over the minds of business executives.

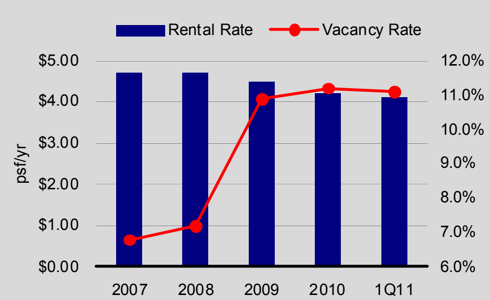
Stats on the Go

	1Q10	1Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	10.7%	11.1%	4.0 pp	▼
Direct Asking Rents	$4.43	$4.13	- 6.7%	▲
YTD Leasing Activity (sf)	408,103	370,357	-9.3%	▲

Overall Absorption vs. Leasing Activity



Overall Rental vs. Vacancy Rates



Market/Submarket Statistics

Submarket	Inventory	Overall Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Direct Net Absorption	YTD Overall Net Absorption	Direct Weighted Average Net Rental Rate*			
								D	MF	Flex	GI
Downtown	1,122,030	2.2%	0	0	0	(5,829)	(5,829)	N/A	$4.95	NA	$3.95
Northeast	13,817,061	9.3%	296,838	0	0	(105,364)	(72,922)	$3.93	$3.51	$9.64	$4.35
Northwest	25,206,925	11.2%	137,751	0	0	114,822	113,809	$3.88	$2.94	$7.98	$5.31
Southeast	17,835,463	14.4%	80,123	0	0	(192,591)	(139,151)	$4.16	$3.37	$6.86	$4.76
Southwest	49,464,867	13.1%	61,472	0	0	172,878	172,698	$3.62	$4.01	$7.45	$4.27
TOTAL	**107,446,346**	**11.1%**	**576,184**	**0**	**0**	**(16,084)**	**68,605**	**$3.82**	**$3.51**	**$7.89**	**$4.21**

Type	Inventory	Overall Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Direct Net Absorption	YTD Overall Net Absorption	Direct Weighted Average Net Rental Rate*			
								1Q11	2010	2009	2008
Distribution	20,786,388	14.8%	327,496	0	0	16,678	70,118	$3.82	$3.81	$4.07	$4.23
Manufacturing	27,974,284	10.2%	4,500	0	0	(83,875)	(83,875)	$3.51	$3.51	$3.68	$4.48
Flex	10,491,062	14.8%	92,219	0	0	70,348	69,155	$7.89	$7.77	$8.00	$8.50
General Industrial	48,194,612	10.0%	151,969	0	0	(19,235)	13,207	$4.21	$5.80	$4.35	$5.20
TOTAL	**107,446,346**	**11.1%**	**576,184**	**0**	**0**	**(16,084)**	**68,605**	**$4.15**	**$4.26**	**$4.47**	**$4.72**

* Rental rates reflect asking $psf/year. D= Distribution MF=Manufacturing Flex = Flex GI = General Industrial

Market Highlights

SIGNIFICANT 1Q11 LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
4717-4729 Eubank Road	Airport	HD Supply Utilities, Ltd.	113,827	Distribution
4289 Carolina Avenue	Laburnum/Rte 360	N/A	54,000	Distribution
2819-2823 Bells Road	Jeff Davis Corridor	Open Plan Systems	38,000	Warehouse

SIGNIFICANT 1Q11 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
5501 Corrugated Road	Airport	Richmond Holdings, LLC	183,000	$18,200,000
2301&2325 Everette Street	Jeff Davis Corridor	Manchester Leaf, LLC	155,000	$650,000
100 Haley Road	I-95 North/Ashland	Christen & Anne Nelson	115,000	$2,200,000

SIGNIFICANT 1Q11 CONSTRUCTION COMPLETIONS

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
NA				

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE

CUSHMAN & WAKEFIELD | THALHIMER
INDEPENDENTLY OWNED AND OPERATED

Cushman & Wakefield | Thalhimer
Thalhimer Center, 11100 W. Broad St., Glen Allen, VA 23060 (804) 648-5881 www.thalhimer.com