

MARKETBEAT INDUSTRIAL SNAPSHOT

RICHMOND, VA

A Cushman & Wakefield Alliance Research Publication

Q4 2011



ECONOMIC OVERVIEW

The economic recovery looks more like a tortoise than a hare. Leading the way is the American consumer. Thanksgiving weekend sales — as reported by MasterCard — rose 8.7% in 2011 compared with the previous year.

Last year was itself an encouraging shopping season, up 5.5% from 2009. In other news, the unemployment rate for Richmond fell to 6.5% in the fourth quarter from 7.2% in the fourth quarter of 2010, and the rate at which workers are filing for unemployment has fallen 14.0% in Virginia compared with 2010. But don't plan the party just yet: Nobody knows how a crumbling Euro currency could affect the American economy. It could shock the financial system, where banks get too afraid to lend money — a nightmarish rerun of 2008 — or it could be more benign.

The big news that won't show up in the statistics until late 2012 is the announcement that Amazon will invest \$135 million for two local fulfillment centers, including \$85 million in Chesterfield County and \$50 million in Dinwiddie County. These projects will bring 1,350 new jobs to the area. The project is on a fast track to deliver in the fall of 2012 to support Amazon over next year's holiday season. From a real estate perspective, this further validates the area as an excellent location to do business.

POSITIVE ABSORPTION TREND

For the first time in a few years, tenants leased more space for the year in Richmond than they vacated. Absorption was 573,000 square feet (sf) for the year, up from a negative 1,005,866 sf in 2010 and negative 3,481,426 sf in 2009. Existing Richmond companies are taking additional space. For example, Richmond-based pet supply producer Best Bully doubled its space when it vacated its rented warehouse near Virginia Commonwealth University and bought a 25,000-sf warehouse on Admiral Street. Local commercial printer Worth Higgins & Associates expanded its facility on Waller Road in Richmond by 22,000 sf.

Although the rate of closures is not as troubling as it was in 2008 and 2009, when major local employers like Qimonda and Wyeth downsized or closed, Berry Plastics announced the closing of their 173,400-sf facility in Richmond's east end. They plan to close the modern distribution and manufacturing facility in the first quarter of 2012. Vacancy was about the same as the last two years, at 11.1%.

OUTLOOK

Next year will see a continuation of the positive absorption trend, probably on par with 2011. With almost no new construction, users will look for bargains. When fire-sale prices don't materialize — not nearly as many industrial properties ended up in foreclosure as expected in the dark days of 2008 — we should see some stabilization in the market. Owners of older industrial properties in

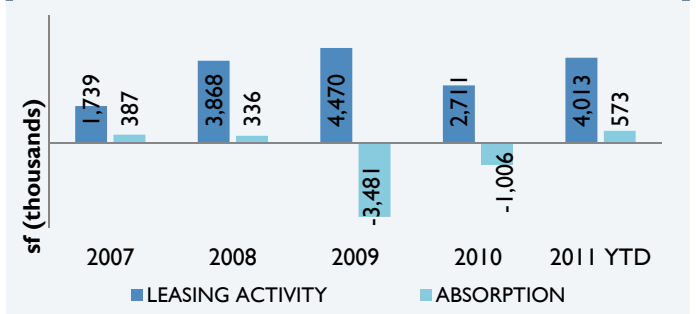
up-and-coming neighborhoods will still be pursued for historic tax credit deals, where developers buy the buildings to put in apartments financed in part by historic tax credits. For example, the iconic Interbake cookie factory on North Boulevard sold in the fourth quarter for around \$6 million to a developer who wants to build apartments.

One big local trend to watch is the interest around the new interstate I-295 interchange for the Meadowville Technology Park in Chesterfield. This interchange was opened in late December. Coupled with the construction of the new Amazon fulfillment center, there is sure to be robust activity in this area.

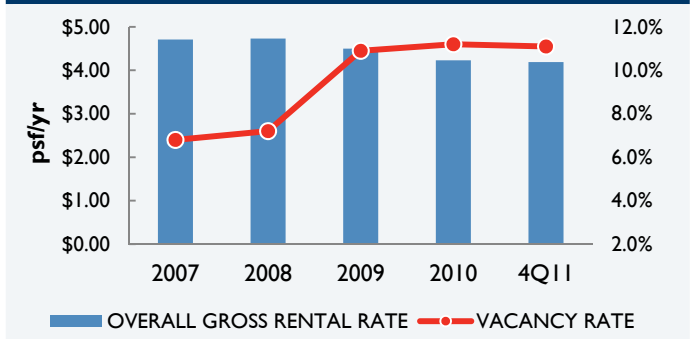
STATS ON THE GO

	4Q10	4Q11	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	11.2%	11.1%	-0.1pp	▼
Direct Asking Rents (psf/yr)	\$4.26	\$4.22	-0.9%	◄
YTD Leasing Activity (sf)	2,711,220	4,012,925	48.0%	▲

LEASING ACTIVITY VS. ABSORPTION



OVERALL RENTAL VS. VACANCY RATES



RICHMOND, VA

SUBMARKET CLUSTER	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	F	GI
Downtown	1,122,030	2.2%	0	0	0	(485)	(485)	\$0.00	\$0.00	\$4.95	\$3.07
Northeast	14,368,143	7.4%	781,122	0	0	270,947	241,369	\$3.98	\$2.55	\$10.27	\$4.28
Northwest	25,333,843	11.1%	1,059,880	0	0	470,720	498,515	\$2.96	\$3.66	\$7.96	\$5.17
Southeast	17,477,880	17.4%	1,417,921	23,100	0	(574,534)	(521,094)	\$3.99	\$3.81	\$6.57	\$4.97
Southwest	49,916,429	10.2%	754,002	94,100	0	332,273	354,816	\$3.56	\$3.73	\$7.45	\$5.47
TOTALS*	108,218,325	11.1%	4,012,925	117,200	0	498,921	573,121	\$3.64	\$3.56	\$7.98	\$3.75

PROPERTY 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			
								2011	2010	2009	2008
Distribution	20,907,624	15.1%	1,697,258	0	0	70,838	140,178	\$3.64	\$3.81	\$4.07	\$4.23
Manufacturing	30,869,544	9.7%	271,120	0	0	97,685	97,685	\$3.56	\$3.51	\$3.68	\$4.48
Flex	10,602,807	16.0%	699,873	94,100	0	215,904	224,926	\$7.98	\$7.77	\$8.00	\$8.50
General Industrial	45,838,350	15.1%	1,344,674	23,100	0	114,494	110,332	\$3.75	\$5.80	\$4.35	\$5.20
TOTALS*	108,218,325	11.1%	4,012,925	117,200	0	498,921	573,121	\$4.22	\$4.26	\$4.47	\$4.72

* RENTAL RATES REFLECT ASKING \$PSF/YEAR D= DISTRIBUTION MF = MANUFACTURING F = FLEX GI = GENERAL INDUSTRIAL

MARKET HIGHLIGHTS

SIGNIFICANT 2011 LEASE TRANSACTIONS		SUBMARKET	TENANT/BUYER	PROPERTY TYPE	SQUARE FEET
8080 AMF Drive		I-95 N/Mechanicsville	Office Seekers Productions LLC	Manufacturing	200,000
2823 Bells Road		Jeff Davis Corridor	Open Plan Systems, Inc.	Distribution	128,000
4717-4729 Eubank Road		Airport	HD Supply Utilities, Ltd.	Distribution	113,827
14174 N. Washington Highway		I-95 N/Ashland	Eviva Port of Chesapeake	Distribution	105,192
2320 Deepwater Terminal Road		Jeff Davis Corridor	CEPHAS Industries	Warehouse	90,827
SIGNIFICANT 2011 SALE TRANSACTIONS		SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
Byrd Center		Airport	Adler Group	\$26,000,000	480,000
5501 Corrugated Road		Airport	Richmond Holdings, LLC	\$18,200,000	183,000
Villa Park I		Staples Mill/Parham	DRV LLC & Markel Eagle Partners LLC	\$4,300,000	76,164
SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS		SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
N/A					
SIGNIFICANT PROJECTS UNDER CONSTRUCTION		SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
Building D @ Ruffin Mill Center		I-95 S/I-295 S/Rt 10	N/A	2Q12	45,600