

The **Thalhimer/Cushman & Wakefield** industrial survey, which covers all buildings in the marketplace regardless of size and includes owner-occupied space, shows a 8.9% overall vacancy rate. This survey includes 2,112 buildings, classes A, B and C. Year-to-date leasing activity totaled 3,008,105 square feet (sf); however, this positive activity was offset early this year by large blocks of space that were previously occupied being vacated. The quarter did not feature any significant move-outs and was by far the most active quarter of the year. The result of this active quarter is positive absorption of 162,489 sf which led to 336,617 sf of positive absorption for the year to date.

The most leasing activity has occurred in the distribution sector. Among new tenants opening operations in Richmond during the fourth quarter are Redemtech's lease of 115,000 sf in the RiversBend Center and Infinity Logistics lease of 50,000 sf in the Jeff Davis Corridor. Redemtech opened a regional processing center to help organizations with their technology asset recovery and disposition programs. Infinity Logistics will utilize their leased space to provide full service freight management.

Companies looking to expand their distribution centers will find nearly 1.3 msf of class A space to consider.

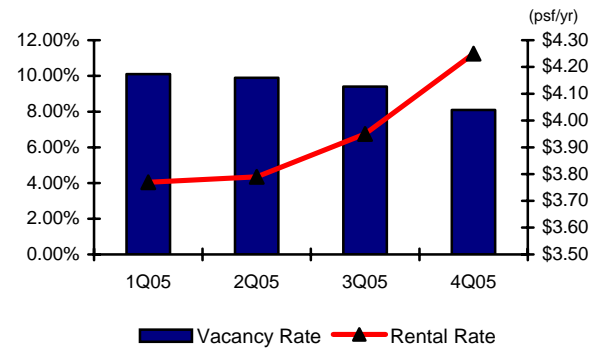
Despite the strong leasing quarter, there is still an abundant amount of vacant space. Companies looking to expand their distribution centers will find nearly 1.3 million square feet (msf) of class A space to consider. To put things in perspective, the year finished with 336,617 sf of positive absorption yet there is still 7,695,997 sf of vacant space.

With the abundance of available space, we do not anticipate any speculative construction. 2005 finishes with a slow yet positive year of leasing. With no new construction planned, this should help the overall condition of the market. Leasing activity will remain slow but should continue its positive trend.

In sales activity, Devon USA expanded their portfolio by purchasing a leased 225,000 square foot facility in the I-95S/I-295S/Rt.10 submarket. The building features 32' clear ceiling height and a state of the art ESFR sprinkler system. They purchased this modern building for approximately \$24 per square foot, which represents a significant discount to today's replacement cost. In Richmond's east end, BMG Metals purchased a 55,000 square foot facility for the expansion of their business.

With construction costs on the rise, the value of existing buildings should lead to a more active market for the vacant buildings that are available for sale in Richmond.

Overall Vacancy vs. Rental Rates



THALHIMER/CUSHMAN & WAKEFIELD MARKET HIGHLIGHTS**Significant Fourth Quarter New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BUILDING CLASS
Rivers Bend IV	I-95S/I-295S/Rt. 10	Redemtech	115,000	A
3031 Transport Street		Infinity Logistics	50,000	B

Significant Fourth Quarter Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Intergris Metals	Airport Industrial	BB&T Investors	55,146	\$2,349,000
6301 Gorman Road				
2101 Bermuda Hundred Road	I-95S/I-295S/Rt. 10	Devon USA	225,000	\$5,300,000

Significant Fourth Quarter Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
NA				

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
NA				

THALHIMER/CUSHMAN & WAKEFIELD MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	No. of Bldgs.	Overall Vacancy Rate	Direct Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Overall Absorption	Direct Wtd. Avg. Class A Rental Rate*
Industrial									
Downtown Industrial	1,070,845	59	0.3%	0.3%	12,800	0	0	12,100	\$9.90
I-95 N/Mechanicsville Ind	5,773,218	225	5.2%	5.2%	70,739	0	0	25,757	\$3.54
Laburnum/Rte 360	4,811,446	141	9.2%	9.2%	362,535	0	0	192,737	\$4.15
I-95 North/Ashland	4,090,040	91	19.6%	19.6%	600,866	0	574,716	428,355	\$5.05
Scott's Addition/West End	10,152,864	386	3.3%	3.2%	402,118	0	0	201,782	\$4.07
Staples Mill/Parham	4,053,310	147	7.2%	7.2%	178,341	0	0	(51,315)	\$3.92
Airport Industrial	16,805,184	215	9.0%	9.0%	379,334	0	58,940	(113,529)	\$3.21
I-95S/I-295S/Rt. 10	7,817,766	102	18.5%	18.5%	125,000	0	283,922	192,171	\$4.47
Jeff Davis Corridor	26,431,087	462	9.2%	9.2%	798,116	0	0	(275,578)	\$4.07
Midlothian Corridor	3,676,180	206	2.6%	2.6%	61,256	0	50,000	103,190	\$7.78
288 Corridor	2,108,822	78	1.8%	1.8%	17,000	0	28,271	18,421	\$5.25
Downtown Industrial									
Downtown Industrial	1,070,845	59	0.3%	0.3%	12,800	0	0	12,100	\$9.90
Northeast Industrial									
Northeast Industrial	10,584,664	366	7.0%	7.0%	433,274	0	0	(178,980)	\$3.98
Northwest Industrial									
Northwest Industrial	18,296,214	624	7.8%	7.8%	1,181,325	0	614,216	578,822	\$4.57
Southeast Industrial									
Southeast Industrial	16,805,184	215	9.0%	9.0%	379,334	0	58,940	(113,529)	\$3.21
Southwest Industrial									
Southwest Industrial	40,033,855	848	10.0%	10.0%	1,001,372	0	362,193	38,204	\$4.43
Total	86,790,762	2,112	8.90%	8.90%	3,008,105	0	1,035,349	336,617	\$4.04

* Rental rates reflect \$psf/year