

INDUSTRIAL OVERVIEW RICHMOND, VIRGINIA

First Quarter 2006

The Richmond industrial market vacancy rate increased to 9.4% from the 2005 year-end vacancy level of 8.9%, indicating a lack of demand for industrial space and a flat market. This slow start is somewhat surprising given that the market absorbed 336,617 square feet in 2005. Leasing activity was extremely slow in the first quarter and currently there are not any speculative projects under construction. With no significant new buildings being delivered to the market, we expect to see vacancy rates drop as some of the current market activity develops into leases. The only new construction that is anticipated is at the highly successful Interchange at Northlake. Devon USA, the projects developer, is planning a high bay building to accommodate tenants seeking a minimum of 20,000 sf. This building will be a traditional bulk distribution building with office in the front and the loading in the rear. The building will feature 32' clear ceiling heights and an ESFR sprinkler system.

Overall sales activity in the Richmond industrial market was robust with First Potomac Realty Trust leading the way with its purchase of six buildings from Liberty Property Trust. They purchased four

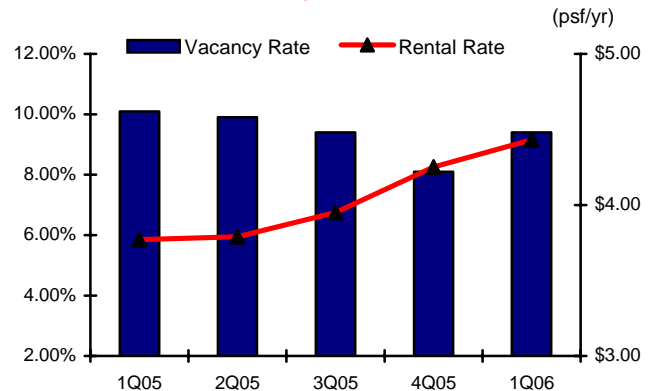
buildings in the River's Bend Center in Chester and two buildings in the Lakeridge Industrial Park in Hanover County. They acquired the portfolio for \$40 million or approximately \$63 per square foot (psf). The four buildings in the River's Bend Center included the River's Bend Flex building (40,000 sf), River's Bend I (123,200 sf), River's Bend IV (146,000 sf) and the James River Center Building (158,400 sf). The two buildings in the Lakeridge Industrial Park make up the high bay flex park called Northridge. Northridge I is 71,231 sf and Northridge II is 69,200 sf. Both properties feature 21' clear ceiling height and are 100% leased. In addition to these building First Potomac also owns the 120,000-sf Virginia Center Technology Park flex building.

Other building sales included BMG Metals purchase of 6301 Gorman Road and Lindsay/Hunter LC purchase of the former Best Products Showroom at 4904 West Marshall Street. Both of these buildings are located in Henrico County. The 55,000-sf building on Gorman Road sold for \$2.33 million

(\$42.50 psf) and is located in the Seven Hills Industrial Center. The Former Best Products Showroom is also 55,000 sf and it sold for \$1.7 million (\$31.00 psf) to a local investment partnership.

In Dinwiddie County, a group has purchased the former Ingram Books Distribution Facility for \$17 psf. This 230,000-sf facility constructed in 1992 is currently partially leased to Wal-Mart. ■

Overall Vacancy vs. Rental Rates



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MARKET HIGHLIGHTS**Significant 1Q06 New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
Falling Creek Warehouse	Jeff Davis Corridor	Accessory Distributors of VA	30,690	Warehouse

Significant 1Q06 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
6301 Gorman Road	Airport Industrial	BMG Metals	55,146	\$2,330,000
4909 W. Marshall Street	Scott's Addition/West End	Lindsay/Hunter LC	55,000	\$1,700,000
25410 Weakley Rd.	TriCities	Hollingsworth	227,200	\$3,800,000

Significant 1Q06 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

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. Rental Rate*
Industrial									
Downtown Industrial	1,124,845	60	0.3%	0.3%	0	0	0	0	\$9.90
I-95 N/Mechanicsville Ind	5,781,228	226	6.6%	6.6%	13,500	0	0	(81,560)	\$3.70
Laburnum/Rte 360	4,811,446	141	10.1%	10.1%	128,200	0	0	(39,206)	\$4.19
I-95 North/Ashland	4,090,040	91	19.3%	19.1%	137,700	0	0	21,162	\$5.03
Scott's Addition/West End	10,149,709	386	3.3%	2.9%	6,225	0	0	32,578	\$4.04
Staples Mill/Parham	4,002,419	149	9.6%	9.6%	103,352	0	0	(90,357)	\$3.96
Airport Industrial	16,708,759	214	9.4%	9.4%	32,996	0	0	(51,331)	\$3.37
I-95S/I-295S/Rt. 10	7,817,766	102	17.6%	17.6%	57,460	0	0	70,800	\$4.42
Jeff Davis Corridor	26,445,351	462	10.0%	10.0%	54,160	0	0	(128,589)	\$3.56
Midlothian Corridor	3,676,562	206	3.2%	3.2%	15,400	0	42,980	(19,897)	\$8.42
288 Corridor	2,055,812	77	1.3%	1.3%	26,560	0	0	1,460	\$5.25
Summary									
Downtown Industrial	1,124,845	60	0.3%	0.3%	0	0	0	0	\$9.90
Northeast Industrial	10,592,674	367	8.2%	8.2%	141,700	0	0	(120,766)	\$4.04
Northwest Industrial	18,242,168	626	8.3%	8.0%	247,277	0	0	(36,617)	\$4.56
Southeast Industrial	16,708,759	214	9.4%	9.4%	32,996	0	0	(51,331)	\$3.37
Southwest Industrial	39,995,491	847	10.4%	10.4%	153,580	0	42,980	(76,226)	\$4.29
Total	86,663,937	2,114	9.4%	9.3%	575,553	0	42,980	(284,940)	\$4.03

* Rental rates reflect \$psf/year