

INDUSTRIAL OVERVIEW RICHMOND, VIRGINIA

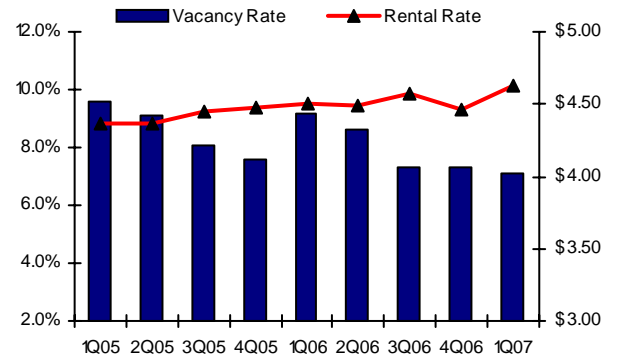
First Quarter 2007

All of the indicators for the Richmond area industrial market are positive and expected to stay that way as the coming year unfolds. Robust market activity has already led to a 17% increase in industrial sales at Thalhimer. The tremendous amount of activity from buyers looking to get into the market gives strong indications that the upward trend will continue for the foreseeable future. The Richmond area unemployment rate supports the news with a 3.3% rate, tracking at a much more favorable pace than the national unemployment rate of 4.9% and it is one of the healthiest in the state.

According to the U.S. Department of Labor, the Southern region in general continues to lead with the lowest jobless rate among the regions. Interest rates remain relatively low as the Federal Reserve passed up a first quarter opportunity to raise rates, surprising some forecasters and helping to keep cautious optimism alive.

Overall vacancy rates in the Richmond industrial market were mixed as the Northeast (NE) submarket continued to outperform. The overall vacancy rate dropped from 8.2% a year ago to 5.6% this quarter. The Southwest (SW) submarket, which had a higher overall vacancy rate in the fourth quarter due to Phillip Morris vacating several warehouses, has rebounded nicely from 9.2% in the fourth quarter and 10.2% a year ago to 7.6% at the end of the first quarter as average rental rates fell slightly in the area from \$4.42 per square foot (psf) to \$4.20 psf, creating opportunities in the market. Other areas showed slight increases over last quarter with no real indication of a trend. The slight increase in the Northwest quadrant from 6.3% to 6.4% was from the delivery of newly constructed flex space. Rates for distribution space in the Richmond market have continued to steadily climb as construction costs rise and vacancies are absorbed.

Overall Vacancy vs. Rental Rates



In significant sales, an existing flex space of 14,976 square feet (sf) at 6010 Crestwood Avenue in the Northwest (NW) submarket along the Broad Street corridor sold during the first quarter for \$1.0 million or \$67.33 per square foot (psf). Another sale in the NW submarket was 81,000 sf at the Enterchange at Northlake. Building B sold to Creative Office Environments which is using the property as a headquarters and showroom. In the NE submarket Simplex Grinnell leased 18,600 sf at the Windsor Business Park V for new flex space. In the healthy Southeast (SE) submarket, Hill Phoenix leased 101,000 sf for distribution and manufacturing at Enterchange at Walthall, Building C in Colonial Heights. And Keating Gravure USA leased 45,150 sf at the Rivers Bend Warehouse II in Chesterfield County to be used for manufacturing. Pine Glen, an industrial flex building in the Chesterfield Industrial Park was purchased for \$5.3 million. The 86,720-sf building is fully leased to three tenants: Henry Schein, Velocity Micro and Norandex. The Chesterfield Industrial Park is considered a viable, stable location with a few properties available.

Rates for distribution space in the Richmond market have continued to steadily climb.

Kenmore Envelope bought JW Ferguson & Sons' 105,549-sf building located on 10.9 acres for \$4.9 million, moving their business from Jefferson Davis Corridor to the Airport Industrial area. And the 80,000-sf Sonoco building in the Rt. 10/I95 sub-market was sold to Progressive Engineering for \$1.9 million. The company was looking to expand and combine operations into one location.

Gregory H. Wingfield, president and CEO of the Greater Richmond Partnership, an organization that helps bring new businesses into the Richmond market, said, "The logistics, warehouse and assembly/distribution deal flow that we're seeing is pretty good. We're dealing with a number of businesses both domestic and internationally with eight or nine hot leads. Some of that has been driven by port activity in Virginia and some by a great location on 95 with overnight delivery possible to 2/3rd's of the U.S. in a semi." Air cargo at Richmond International and Dulles, and Virginia's status as a 'right-to-work' state, has also helped draw 396 prospects by mid-first quarter to contact the Partnership, with 34% interested in manufacturing and 18% interested in distribution/warehouse. "A third of those are expected to come to fruition," he said.

"Activity is about the same as last year," said Wingfield, which was also a healthy year for attracting new businesses to the area.

THALHIMER MARKET HIGHLIGHTS**Significant 1Q07 New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
Enterchange at Walthall	I-95/I-295/Rt. 10	Hill Phoenix	101,937	Distribution
Rivers Bend II	I-95/I-295/Rt. 10	Keating Gravure USA LLC	45,150	Distribution
Windsor V	I-95N/Mechanicsville	Simplex Grinnell	18,600	Flex

Significant 1Q07 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
4641 International Trade Ct.	Airport	Kenmore Envelope	105,549	\$4,950,000
Pine Glen	Rt. 288 Corridor	First Potomac	86,720	\$5,312,500
Enterchange @ Northlake B	I-95N/Ashland	Creative Office Environments	81,003	\$6,464,300
Sonoco Products	I-95/I-295/Rt. 10	Progressive Engineering Co.	80,000	\$1,885,000
Crestwood Avenue Bldg.	Scott's Addition/West End	Crestwood Associates	14,976	\$1,010,000

Significant 1Q07 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Enterchange @ Northlake B	I-95N/Ashland	Creative Office Environments	136,144	January 2007
Windsor V	I-95N/Mechanicsville	Simplex Grinnell	58,747	March 2007

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Crescent Business Center IV	I-95N/Ashland		57,800	April 2007

THALHIMER 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*
Downtown Industrial	1,289,799	62	3.6%	3.6%	0	0	0	(4,986)	\$11.60
Northeast Industrial	12,524,884	433	5.6%	5.7%	67,571	0	58,747	305,659	\$4.42
Northwest Industrial	23,342,379	787	6.4%	6.0%	109,432	57,800	136,144	8,500	\$6.14
Southeast Industrial	16,955,483	243	9.1%	8.7%	3,537	0	0	(164,135)	\$4.28
Southwest Industrial	43,528,184	989	7.6%	7.4%	86,295	0	0	350,888	\$4.20
Total	97,640,729	2,514	7.1%	7.0%	266,835	57,800	194,891	495,926	\$4.63
Distribution	20,095,447	202	12.9%	12.3%	3,100	57,800	136,144	380,988	\$4.25
Manufacturing	26,026,417	365	3.9%	3.9%	8,000	0	0	117,551	\$3.69
Flex	9,596,056	347	9.6%	9.4%	112,180	0	58,747	39,300	\$9.32
General Industrial	41,922,809	1,600	4.5%	4.4%	143,555	0	0	(41,913)	\$4.25
Total	97,640,729	2,514	7.1%	7.0%	266,835	57,800	194,891	495,926	\$4.63

* Rental rates reflect \$psf/year.