



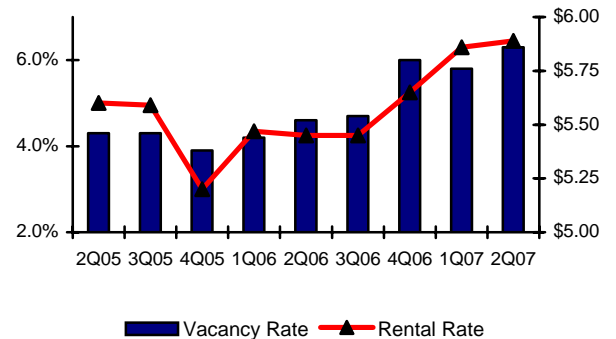
INDUSTRIAL OVERVIEW HAMPTON ROADS, VIRGINIA

Second Quarter 2007

The Hampton Roads industrial market continues to shine as U.S. manufacturing expanded for the fifth consecutive month ending in June, matching the pace set in April of last year, according to the Institute for Supply Management. The trend is expected to continue into the rest of 2007 fueled by new orders and production, said the ISM, which reported a June manufacturing index of 56%, a one-percent increase over May. Anything over 50% is believed to reflect an expanding economy. They reported the overall economy in a growth trend for the 68th consecutive month.

The new NYK Logistics (America) Inc. facility is the most significant construction completion of the second quarter. The \$27 million cross dock development, which encompasses a 130,000-square-foot (sf) logistics center and container storage on a 35-acre site, is expected to give the company more efficient operations. They are expected to be able to handle over 300 containers per day. The company vacated the Gateway buildings in Hampton, putting 500,000 sf on the market. The July opening coincides with the opening of the much-anticipated APM/Maersk port facility, which is scheduled to occur in the second week of July. In Williamsburg, a 23 acre parcel sold in May for \$1 million on Greenmount Parkway. It is slated to be the future site of a Caterpillar regional sales and service facility.

Overall Vacancy vs. Rental Rates



Interest rates remain steady as the Federal Reserve opted recently to hold fast at 5.25 % as an uptick in activity occurred in local leases of traditional industrial spaces in the mid-size range. Many tenants are opting for three- and five-year renewal terms without asking for improvements, due largely to reasonable rental rates and low vacancies. More opportunities exist in office/warehouse product in the 5,000 to 14,000-sf range, particularly in Chesapeake.

The 70,000-sf Visteon building in Chesapeake's Cavalier Industrial Park, which closed following the June shuttering of the Ford Company plant, was just placed on the market for sublease. Also vacated because of Ford's closure, the 69,000-sf building on 12 acres formerly occupied by Johnson Controls is for lease or sale, with an asking price of \$7.2 million. Victory Packaging took 70,500 sf at 1400 Cavalier Boulevard in Cavalier Industrial Park, expanding from 57,500 sf. The Blackhawk building, 56,000 sf of light manufacturing space with corporate offices, was put under contract, as was a 62,000-sf, multi-tenant building at 540 Woodlake Drive in the Greenbrier submarket. MID Inc., a GE appliance distributor out of Kentucky and new to the Hampton Roads area, has signed a five-year lease for 19,200 sf on Fenway Avenue. Navy Bear LLC has purchased land to build an 80,000-sf refrigerator/freezer warehouse with 65 foot ceilings in anticipation of the opening of the Maersk port. The building will be one of the largest built in the area in 2007.

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In Virginia Beach, Airport Industrial Park submarket in Virginia Beach has shown steady activity, including the lease of 44,916 sf of warehouse space by furniture retailer Ethan Allen. A 17,500-sf warehouse on Lynnhaven's Bowland Parkway is under contract to a technology company relocating from the Airport Industrial Park after 15 years. The asking price of the new location was \$1.8 million. And in the Cleveland submarket, Wolf Cabinetry, which is new to the area, leased 14,000 sf of warehouse space on Arrowhead Drive.

A 150,000-sf logistics center was recently completed in Suffolk's Northgate Commerce Park, with a 150,000-sf warehouse to follow in September. On the Peninsula, Hampton's Copeland submarket will see an 180,000-sf building in West Park completed by August, and Philip Morris has reopened its 100,000-sf smokeless tobacco plant in Yorktown. ■

THALHIMER MARKET HIGHLIGHTS**Significant 2Q07 New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
1400 Cavalier Blvd.	Cavalier	Victory Packaging	70,500	Manufacturing
K&K Toys Building	Airport Industrial Park	Ethan Allen	44,916	Warehouse

Significant 2Q07 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
N/A				

Significant 2Q07 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Norfolk Logistics Center	Cavalier	NYK Logistics (America)	130,000	June 2007

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Interchange at Hampton – B	Copeland	Northrop Grumman	458,744	September 2007
West Park II	Copeland	N/A	180,000	August 2007
Northgate Commerce Park	South Suffolk	N/A	150,000	September 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*
Peninsula	31,341,464	806	4.4%	3.6%	127,116	791,200	0	385,730	\$5.39
Flex	2,199,932	109	3.7%	3.7%	31,510	71,000	0	19,737	\$8.02
Distribution	6,855,807	101	5.3%	1.7%	8,990	0	0	17,800	\$4.81
Manufacturing	11,412,609	293	2.3%	2.3%	22,800	0	0	149,273	\$5.03
General Industrial	10,873,116	303	5.6%	5.5%	63,816	720,200	0	198,920	\$7.13
Southside	67,309,909	1,916	6.8%	6.4%	726,496	1,408,627	595,211	(817,293)	\$5.98
Flex	11,139,943	542	9.1%	9.0%	212,867	182,237	47,000	(100,595)	\$9.30
Distribution	13,480,327	130	8.8%	8.8%	0	550,000	391,800	(88,010)	\$4.34
Manufacturing	11,410,607	256	3.8%	3.7%	10,000	0	0	(149,056)	\$5.66
General Industrial	31,279,032	988	7.1%	6.8%	503,629	676,390	156,411	(479,632)	\$5.64
Total Market	98,641,373	2,722	5.9%	5.6%	853,612	2,199,827	595,211	(431,563)	\$5.89
Flex	13,339,875	651	7.9%	7.8%	244,377	253,237	47,000	(80,858)	\$9.15
Distribution	20,336,134	231	7.6%	6.4%	8,990	550,000	391,800	(70,210)	\$4.46
Manufacturing	22,813,216	549	3.1%	3.0%	32,800	0	0	217	\$5.38
General Industrial	42,152,148	1,291	6.7%	6.5%	567,445	1,396,590	156,411	(280,712)	\$5.92

* Rental rates reflect \$psf/year triple net