

INDUSTRIAL OVERVIEW RICHMOND, VIRGINIA

Second Quarter 2007

The Richmond industrial market is sustaining the healthy pace set in the first quarter of 2007 with sales activity leading the way. The trend is spread evenly across buyers with purchases by both end-users and investors who are from within the Richmond region and from out of town. This diversification is a reflection of the same diversity found in the Richmond economic picture. “The Richmond regional economy is performing at a very acceptable rate right now,” said Jim Dunn, president and CEO of the Greater Richmond Chamber, “and with the number of projects under way we expect that momentum to continue. We really are blessed to have a very diversified economy here with manufacturing, finances, services and a state government.”

A recent announcement by Philip Morris, USA to close their North Carolina operations will bring several hundred new jobs to the Richmond market over the next couple of years. Along with that announcement, Philip Morris said they are going to pour \$300 million into the current facility to accommodate the additional manufacturing responsibilities. The Richmond area also currently enjoys the third lowest unemployment rate of any major metropolitan statistical area in the United States. The local unemployment rate is a low 2.8% with a statewide rate of 2.9%. This is well under the national rate of 4.5%, marking Virginia as having the fifth lowest unemployment rate in the country. According to the U.S. Department of Labor, Virginia far outperforms nearby states such as Maryland, ranked 13th with a rate of 3.6%, North Carolina, ranked 36th with a rate of 4.8%, and D.C., ranked 47th with a rate of 5.6% ending in May 2007.

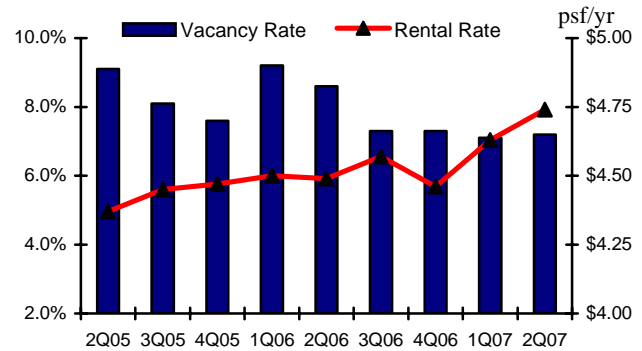
The Wella building at 4650 Oakley Lane in the Airport submarket, one of the largest buildings to come on the market in recent memory with 229,829 sf, is currently under contract to a potential user. The asking price is \$7.5 million. However, the Mazda Distribution Building, located in the same sub-market, was under contract but negotiations ended and the building is back on the market with 317,500 sf for \$3.50 per square foot (psf) NNN. It is also available for sale.

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Country Vintner has contracted to purchase land at the Northlake Business Center with the intent to build their own distribution center of 150,000 to 200,000 sf. The new building will replace their current facility in Louisa County. Also in the I-95N/Ashland submarket is the available sublease of 83,217 sf of warehouse/distribution space by Handleman Company at the Enterchange at Northlake. The company is closing this distribution operation. BASF is vacating 226,809 sf of warehouse/distribution space at the Enterchange at Meadowville in the fourth quarter of 2007. The property will be available for lease and can be subdivided. Corbi Plastics, LLC has also leased warehouse/distribution space at Enterchange at Northlake in Building B at \$4.85 psf NNN for 27,202 sf. Curbell Plastics has leased 16,150 sf and Empire Today, LLC has leased 16,006 sf, both in the Crescent Business Center IV.

In other submarkets, Old Mansion Coffee has purchased the former Titmus Optical building at 3811 Corporate Drive in the TriCities submarket to use for their operations. A local investor, Keith Jones, has purchased the NWB Building with 113,000 sf on Simpson Road for \$3.5 million in the same sub-market. And Austin Fairbanks Trust, an out of town investor, has purchased an 87,616 sf flex building for \$12.4 million at the Deep Run Centre in the Innsbrook sub-market.

Overall Vacancy vs. Rental Rates



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

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
Enterchange at Northlake – B	I-95N/Ashland	Corbi Plastics	27,202	Distribution
Crescent Business Center IV	I-95N/Ashland	Curbell Plastics	16,150	Distribution
Crescent Business Center IV	I-95N/Ashland	Empire Home Today	16,006	Distribution

Significant 2Q07 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
1821 Battery Danzler Road	Rt.10/I-95	Fullerton Properties	126,400	\$4,100,000
12732 Oaklake Court	Rt. 288 Corridor	Local partnership	95,710	\$5,070,000
Deep Run Centre	Innsbrook	Austin Fairbanks Trust	87,616	\$12,400,000

Significant 2Q07 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Crescent Business Center IV	I-95N/Ashland	Curbell Plastics, Empire Home Today, AlSCO	57,800	April 2007

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
12101 Wilfong Court	Midlothian Corridor	NA	24,000	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*
Downtown Industrial	1,289,799	62	3.6%	3.6%	0	0	0	(4,986)	\$11.60
Northeast Industrial	12,724,271	435	6.0%	5.9%	123,704	10,000	58,747	357,149	\$4.67
Northwest Industrial	23,990,156	805	8.0%	7.7%	306,763	37,950	220,660	28,263	\$5.67
Southeast Industrial	17,138,370	247	8.7%	8.4%	9,747	0	0	(298,254)	\$4.35
Southwest Industrial	43,799,307	1,007	6.9%	6.9%	128,170	64,718	0	615,875	\$4.37
Total	98,941,903	2,556	7.2%	7.1%	568,384	112,668	279,407	698,047	\$4.74
Distribution	20,760,826	207	14.3%	13.8%	59,408	0	193,944	287,065	\$4.28
Manufacturing	26,198,868	361	3.8%	3.8%	8,000	0	0	(33,036)	\$3.70
Flex	9,779,607	361	7.4%	7.2%	222,454	102,668	85,463	248,694	\$9.03
General Industrial	42,202,602	1,627	4.4%	4.4%	278,522	10,000	0	195,324	\$7.26
Total	98,941,903	2,556	7.2%	7.1%	568,384	112,668	279,407	698,047	\$4.74

*Rental rates reflect \$psf/year.