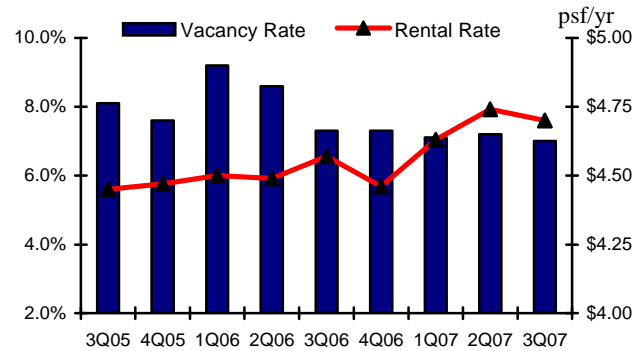


**The Richmond industrial market is on track** to finish 2007 with steady growth and the announcement of several new projects. Plans are already underway to build Crescent V with 100,000 square feet (sf) of new flex space at Crescent Business Center in the Atlee/Elmont area with ESFR sprinkler systems and high-bay, dock and drive-in loading. Windsor VII in the Windsor Business Park is getting ready to add 48,000 sf of flex space along the I-95/Parham East corridor, and the new Airport Distribution Center will add 115,957 sf of distribution space to the Airport Industrial market with an expected delivery in the first quarter of next year.

Manufacturing's current national unemployment rate is a low 3.6%, down from 4.1% at the same time last year and lower than the national general unemployment rate of 4.6% as of the end of August. According to the Bureau of Labor Statistics, Virginia's seasonally adjusted manufacturing employment hit an all-time low in February 2007 and since then has risen by 3,500 jobs. Vacancy and absorption numbers in Richmond support this trend. At the end of 2006, manufacturing was the only sector that had positive absorption. While this year's year-to-date absorption of 1.1% of total manufacturing inventory is not on track to beat last year's 2.6%, the vacancy rate is down to just 2.4% from last year's 5.1%.

The overall Richmond economy remains healthy. Economic indicators continue to be positive for the area with the local unemployment rate at a healthy 3.2% as compared to the national average of 4.6%, ranking Virginia seventh in the nation. The Virginia workforce is also growing at a rate of 1.8% as compared to the national average of 1.4%. The Richmond area is somewhat insulated from the volatility in the financial markets due to the diverse base of businesses and state and local government in the area.

**Overall Vacancy vs. Rental Rates**



**Plans are already  
underway to build  
Crescent V with 100,000  
sf of new flex space.**

There was roughly 300,000 sf of leasing activity recorded for the third quarter of 2007. This brings the total leasing activity for the year up to just over 850,000 sf. Significant leases this quarter that contributed to that total include General Supply and Services, Inc. leasing 35,252 sf of distribution space at the Enterchange at Northlake in the I-95/Ashland submarket while Prologix leased 15,900 sf of distribution space at Crescent Business Center IV and HCA is expanding from 24,519 sf to 60,855 sf at the Enterchange at Walthall.

Liberty Property Trust has broken ground for a build-to-suit building for Interline at the Easport Industrial Park in the Airport market. Overall vacancy rates have risen slightly from 6.7% at the end of the same quarter last year, but the current

7.0% is still an improvement over last year's year-end 7.3%. Year-to-date distribution leasing activity is down from the same time last year and vacancy has risen from 10.9% to 13.5%. ■

**THALHIMER MARKET HIGHLIGHTS****Significant 3Q07 New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
Enterchange at Walthall	I-95S/I-295S/Rt. 10	HCA Richmond	60,855	Distribution
Enterchange at Northlake	I-95 N/Ashland	General Supply and Services, Inc.	35,252	Distribution
Crescent Bus. Center IV	I-95 N/Ashland	Prologix	15,900	Distribution

**Significant 3Q07 Sale Transactions**

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
4650 Oakleys La.	Airport	Premier Store Fixtures	229,829	\$5,950,000
12101 Wilfong Ct.	Rt. 288 Corridor	Scannell Properties	24,000	\$1,800,000
5700 Audobon Dr.	Airport	Hampshire Group	317,400	\$8,750,000

**Significant 3Q07 Construction Completions**

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Oak Lake Business Park – 1701 Oak Lake Blvd.	Rt. 288 Corridor	N/A	15,683	September 2007
Oak Lake Business Park - 12050 Wilfong Ct.	Rt. 288 Corridor	N/A	12,318	August 2007

**Significant Projects Under Construction**

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Airport Distribution Center	Airport	NA	115,957	January 2008
Eastport 7	Airport	Interline Brands	149,000	March 2008

**THALHIMER MARKET/SUBMARKET STATISTICS**

Market/Submarket	Inventory	No. of Bldgs.	Overall Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Overall Absorption	Direct Wtd. Avg. Rental Rate*
Downtown Industrial	1,318,414	63	4.0%	0	0	0	(11,638)	\$18.00
Northeast Industrial	12,827,117	441	5.1%	246,052	16,000	68,747	571,244	\$4.61
Northwest Industrial	23,716,039	809	7.1%	423,308	80,766	258,610	(175,656)	\$6.14
Southeast Industrial	17,019,353	247	6.7%	19,347	115,957	0	(351,244)	\$4.36
Southwest Industrial	43,830,847	1,010	7.8%	178,531	24,000	56,401	200,298	\$4.29
<b>Total</b>	<b>98,711,770</b>	<b>2,570</b>	<b>7.0%</b>	<b>867,238</b>	<b>236,723</b>	<b>383,758</b>	<b>233,004</b>	<b>\$4.73</b>
Distribution	20,248,435	203	13.5%	81,808	115,957	193,944	(106,548)	\$4.17
Manufacturing	26,212,545	366	2.4%	66,200	0	10,000	290,782	\$3.77
Flex	9,833,353	365	8.5%	298,763	96,766	141,864	169,376	\$9.24
General Industrial	42,417,437	1,636	4.2%	420,467	24,000	37,950	(120,606)	\$5.68
<b>Total</b>	<b>98,711,770</b>	<b>2,570</b>	<b>7.0%</b>	<b>867,238</b>	<b>236,723</b>	<b>383,758</b>	<b>233,004</b>	<b>\$4.73</b>

\* Rental rates reflect \$psf/year.