

MARKETBEAT

RICHMOND, VIRGINIA INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

Thalhimer
commercial real estate

1Q08

ECONOMY

Richmond's economy continues to outperform the nation as a whole. While high gas prices and fallout from the housing industry are taking their toll on spending and credit, local companies are by and large stable. The unemployment rate in Richmond hit 3.9% in February, up from 3.2% in the same month last year but still well below the 4.8% national unemployment rate for February. However, just as this report went to press, the national unemployment rate for the nation rose to 5.1% for March. It is anticipated that the Richmond region will also see an increase in the unemployment rate for March when those numbers are released at the end of April.

Virginia recently garnered national attention when Forbes magazine declared Richmond the 7th best city in the nation on their list of "Best Places for Business and Careers". Citing the same low labor costs and pro-business atmosphere quoted in Forbes, Missouri-based Aspen Paper leased a 146,000-square foot (sf) property at 1500 Jefferson Davis to base an East Coast manufacturing facility. The company makes paper plates, bowls, cups and lunch bags and plans on ramping up production immediately. They will add 160 jobs to the local economy.

OVERVIEW

Leasing volume in the Richmond market remains stable, though it dropped slightly from an unusually busy fourth quarter in 2007. Vacancy rates benefited, however, dropping from 7.1% the previous year to 6.6% to end the first quarter of 2008. In particular, Georgia-based SP Recycling leased 36,000 (sf) at the Fairgrounds Distribution Center in Henrico County while Viking SupplyNet, a fire protection provider, leased 34,500 sf on Carolina Avenue in Henrico County.

Average rents, meanwhile, fell 2.0% year over year to \$4.58 per square foot (psf). Economic uncertainty in some sectors has a number of tenants taking a wait-and-see approach, which is softening demand in certain submarkets. Large-block space remains highly sought after and when it hits the market, it doesn't last long.

FORECAST

Leasing activity should remain stable throughout the rest of 2008. Local businesses will continue to monitor the economy, especially the retail sector, but the right projects continue to find tenants. Flex space will continue to be in high demand due to the fact that flex tenants are usually local companies serving local markets. Meanwhile, several new facilities will come online in the airport submarket, including 149,000 sf at Eastport VII in April and the 100,000-sf Woodlands Center III late in the second quarter. Currently 438,000 sf are under construction, up from 57,800 sf at the same time one year ago.

BEAT ON THE STREET

"The flex product continues to do well in Richmond as the area capitalizes on growth in users of flex space."





—Gregg W. Beck


ECONOMIC INDICATORS

	2006	2007	2008F
National			
GDP Growth	2.9%	2.2%	1.5%
CPI Growth	3.2%	2.8%	3.0%
Regional			
Unemployment	3.2%	3.2%	3.4%
Employment Growth	1.7%	1.4%	1.0%

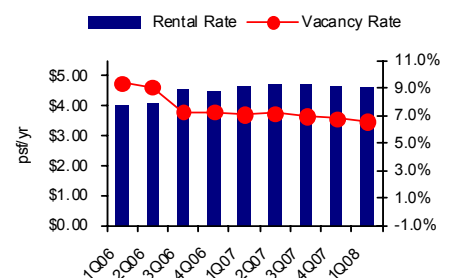
MARKET FORECAST

LEASING ACTIVITY should remain stable or even pick up slightly late in 2008. 

DIRECT ABSORPTION is expected to increase slightly through the remainder of 2008. 

CONSTRUCTION: Starts and completions will rise in 2008. 

OVERALL RENTAL VS. VACANCY RATES



MARKET/SUBMARKET STATISTICS

MARKET/SUBMARKET	INVENTORY	NO. OF BLDGS.	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*			
								D	MF	Flex	GI
Downtown	1,345,428	64	6.7%	0	0	0	(5,190)	N/A	N/A	N/A	\$4.42
Northeast	12,894,541	441	4.5%	92,905	84,000	0	60,155	\$4.24	\$3.40	\$11.41	\$5.14
Northwest	24,362,795	838	7.6%	181,760	19,200	0	(159,631)	\$3.86	\$5.12	\$8.75	\$6.34
Southeast	17,392,676	252	8.1%	7,500	249,040	130,957	12,324	\$4.24	\$5.50	\$7.11	\$7.09
Southwest	44,003,629	1,020	6.5%	300,898	86,500	0	136,006	\$4.20	\$3.51	\$8.55	\$4.48
TOTAL	99,999,069	2,615	6.6%	583,063	438,740	130,957	43,664	\$4.12	\$3.85	\$8.83	\$5.61
								2008	2007	2006	2005
Distribution	20,393,164	203	13.2%	211,722	149,040	115,957	(115,211)	\$4.12	\$4.18	\$4.24	\$4.25
Manufacturing	26,354,770	366	1.8%	34,500	0	0	(4,791)	\$3.85	\$3.74	\$3.17	\$3.14
Flex	10,042,472	382	7.8%	104,410	83,000	0	50,434	\$8.83	\$8.58	\$9.13	\$7.27
General Industrial	43,208,663	1,664	2.2%	232,431	206,700	15,000	113,232	\$5.61	\$6.02	\$4.25	\$3.80
TOTAL	99,999,069	2,615	7.4%	583,063	438,740	130,957	43,664	\$4.58	\$4.67	\$4.65	\$4.37

*Rental rates reflect \$psf/year

D = Distribution MF = Manufacturing GI = General Industrial

MARKET HIGHLIGHTS

SIGNIFICANT 1Q08 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
1500 Jefferson Davis Hwy.	Jeff Davis Corridor	Aspen Products, Inc.	146,000	Distribution
Transport Street Warehouse	I-95 S/I-295 S/Rt 10	Capital Warehouse	40,000	Distribution
Fairgrounds Distribution Center	Laburnum/Rt 360	SP Recycling	36,000	Distribution
Enterchange at Northlake	I-95 N/Ashland	General Supply & Service	35,252	Distribution
Carolina Ave.	Laburnum/Rt 360	Viking SupplyNet	34,500	Distribution
8901 Whitepine Rd.	Rt 288 Corridor	Norandex Building Products	30,000	Flex
Windsor V	I-95 N/Mechanicsville	Southern Wine & Spirits of America	7,800	Flex

SIGNIFICANT 1Q08 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
N/A				

SIGNIFICANT 1Q08 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Airport Distribution Center	Airport	N/A	115,957	3/08

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Eastport VII	Airport	Interline Brands	149,040	4/08
Woodlands Center III	Airport	N/A	100,000	6/08
Air Park Commons	I-95 N/Mechanicsville	N/A	48,000	6/08



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