

MARKETBEAT

RICHMOND, VIRGINIA INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

Thalhimer
commercial real estate

1Q09

ECONOMY

With several large corporate bankruptcies trickling down through the local economy, Richmond has lost some of its resistance to recessions. The unemployment rate for the Richmond metropolitan area was 7.9% in February. That's lower than the national rate of 8.5% but twice the 3.9% unemployment rate in the first quarter of 2008.

The Port of Richmond saw the departure of its main shipping company Independent Container Lines, which moved its loading and unloading operations to Wilmington, N.C. The Port will have only one ship a month instead of ten a month like last year. However, a barge service between Hampton Roads and Richmond has begun and is picking up momentum, according to the director of the port.

OVERVIEW

As noted in previous market reports, smaller tenants with specific needs are renewing leases with normal frequency. Big industrial users are less actively looking for new space, and even mid-size companies are more cautious than a few quarters ago, hoping to hold steady until the economy starts growing again.

Nevertheless, leasing activity was comparable to last quarter, 529,820 square feet (sf) versus 583,063 sf, respectively.

Average quoted rents ticked up a few percentage points to \$4.68 per square foot (psf) in the first quarter. However, as big industrial closures from previous quarters (Qimonda, Reynolds Metals, Rehrig) were included in statistics this quarter, absorption was a negative 1.16 million square feet (msf). Vacancy moved up to 8.2%. It was 7.4% in the first quarter of 2008.

Still, smaller deals are still being inked. Evergreen Enterprises, which distributes home and garden products, leased 44,182 sf at the Fairgrounds Distribution Center in Henrico County. Also at the Fairgrounds, the Richmond International Raceway purchased 35,300 sf from Liberty Property Trust for \$1.05 million.

FORECAST

Tenants will continue to favor shorter-term leases and ask for concessions before signing. With each passing quarter, landlords have become more eager to sign stable tenants, and that trend will continue.

Meanwhile, several large industrial spaces were put on the market, including the 1.3 msf at Qimonda and Wyeth's 208,000-sf distribution warehouse near the airport. Wella also gave back 300,000 sf at the Fairgrounds. As in previous downturns, a larger amount of available space, coupled with Richmond's proximity to major interstates and population centers, could lure new companies to the area.

BEAT ON THE STREET



"Renewal activity is active. Many tenants are opting to save the cost of relocating and keeping the same space."


-Dawn Calabrese,
Vice President


ECONOMIC INDICATORS


National	2008	2009F	2010F
GDP Growth	1.1%	-2.9%	1.8%
CPI Growth	3.8%	-1.0%	1.9%
Regional			
Unemployment	4.4%	9.0%	8.5%
Employment Growth	-0.1%	-3.2%	-0.8%

Source: Moody's | Economy.com

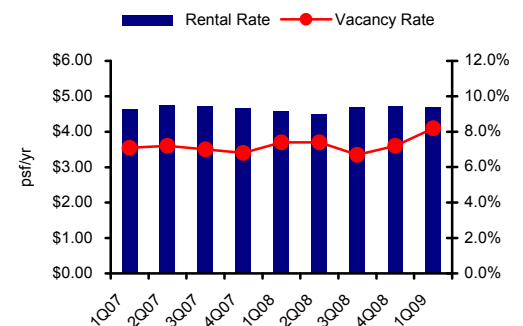
MARKET FORECAST

LEASING ACTIVITY continues to be stable despite the recession. 

DIRECT ABSORPTION decreased sharply this quarter. With little construction, absorption should stabilize. 

CONSTRUCTION activity has halted in the face of increasing vacancy and negative absorption. 

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	881,475	54	2.0%	0	0	0	13,434	N/A	N/A	N/A	\$4.42
Northeast	13,261,652	456	9.9%	63,018	0	0	(418,822)	\$4.25	\$3.93	\$9.59	\$4.63
Northwest	25,149,587	883	7.7%	246,162	20,000	10,890	145,723	\$3.96	\$5.86	\$8.90	\$5.80
Southeast	17,017,510	252	8.6%	23,059	0	18,900	(283,087)	\$4.33	\$5.50	\$6.77	\$5.09
Southwest	47,726,281	1,048	8.0%	197,581	75,600	49,602	(614,697)	\$4.13	\$4.29	\$8.39	\$5.31
TOTAL	104,036,505	2,693	8.2%	529,820	95,600	79,392	(1,157,449)	\$4.18	\$4.27	\$8.63	\$5.29
								1Q09	2008	2007	2006
Distribution	21,249,952	203	13.4%	207,200	0	0	(551,887)	\$4.18	\$4.23	\$4.18	\$4.24
Manufacturing	27,252,069	368	5.0%	57,982	0	0	(399,090)	\$4.27	\$4.48	\$3.74	\$3.17
Flex	10,817,409	426	10.7%	184,673	65,600	68,502	34,734	\$8.63	\$8.50	\$8.58	\$9.13
General Industrial	44,717,075	1,696	8.8%	79,965	30,000	10,890	(241,206)	\$5.29	\$5.20	\$6.02	\$4.25
TOTAL	104,036,505	2,693	8.2%	529,820	95,600	79,392	(1,157,449)	\$4.68	\$4.72	\$4.67	\$4.65

*Rental rates reflect \$psf/year

D = Distribution MF = Manufacturing GI = General Industrial

MARKET HIGHLIGHTS

SIGNIFICANT 1Q09 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
4551-4593 Carolina Avenue	Laburnum/Rt 360	Evergreen Enterprise, Inc.	44,182	Manufacturing
Ruffin Mill Center	I-95 S/I-295 S/Rt 10	Allen Corporation of America	11,600	Flex
SIGNIFICANT 1Q09 SALE TRANSACTIONS				
BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
S&K Headquarters	West End	11100 West Broad LLC	104,400	\$5,850,000
4001 Carolina Avenue	Laburnum/Rt 360	Richmond International Raceway	35,300	\$1,050,000
8191 Staples Mill Road	Staples Mill/Parham	Robert L. Borum & Associates, Inc.	9,600	\$1,000,000
SIGNIFICANT 1Q09 CONSTRUCTION COMPLETIONS				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Oak Lake Business Park	Rt 288 Corridor	N/A	26,802	2/09
Ruffin Mill Center-16001	I-95 S/I-295 S/Rt 10	N/A	22,800	1/09
Eubank Center	Airport	N/A	18,900	1/09
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Ruffin Mill Center-16025	I-95 S/I-295 S/Rt 10	N/A	45,600	4/09



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