

MARKETBEAT

RICHMOND INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

Thalhimer
commercial real estate

1Q10

ECONOMY

The economy does not appear to be getting worse, but it is not rocketing back to health either. Several national indicators point to improved conditions, such as increases in manufacturing and shipping. In Virginia, first-time unemployment claims were down 22% in February from the same month last year, when the economy was rapidly shrinking.

However, the local unemployment rate is not showing much improvement, rising to a non-seasonably adjusted 8.6% in February 2010. That is the highest rate in recent history, so no signs of a quick rebound. It is also above the state rate of 7.7%. Until consumers and companies start spending more money, a recovery in the industrial sector will be several quarters off. Businesses are still having great difficulty getting bank financing for big purchases or capital expansions.

OVERVIEW

This quarter was one of the most active in the past few years for sales. As forecasted in previous reports, a tandem of private developers has made a bid to purchase the Reynolds industrial plant on the north bank of the James River in downtown Richmond and turn it into a mix of retail and residential. In the East End, Kansas-based Quality Group of Companies bought the Qimonda plant in Henrico for \$12 million. That is far below the recent assessed value of \$34.4 million. Quality Group owns and manages a number of data centers across the country and plans a similar use for this property.

Notably, the Richmond International Raceway bought a 221,489-square foot (sf) building at the Fairground Distribution Center for \$7.84 million. Purnell Furniture paid \$2.25 million for a 58,684-sf property with three acres on Leadbetter Road in Ashland, and Security Alliance Command Center purchased a 31,625-sf building on Justice Road in Midlothian from Beldin Wire & Cable Co for \$1.89 million.

Tenants are not vacating space as rapidly as last year. Vacancy is still rising, but not as quickly as in recent quarters. Overall absorption was a negative 104,058 sf in the first quarter. That is far improved from the negative 1.2 million square feet (msf) seen the same time last year.

The vacancy rate was 10.7% in the first quarter, up from 8.2% one year ago. With more spaces available, many landlords have by now lowered rents or have been willing to offer concessions.

FORECAST

Rents appear to have stabilized near their lowest point for the best space. Class B and class C landlords are having more trouble filling space because the landlords of the newest space have lowered their rental rates. That means the older space will be even harder to fill in coming quarters unless landlords further drop prices. With absorption nearing positive figures, vacancy should start to fall slowly sometime later this year.

BEAT ON THE STREET



"It's still a tenant's market, and there are still good deals for opportunistic and well-capitalized tenants."


-Scott Douglas, SIOR
Senior Vice President


ECONOMIC INDICATORS


National	2009	2010F	2011F
GDP Growth	-2.4%	2.8%	3.7%
CPI Growth	-0.3%	1.9%	2.1%
Regional			
Unemployment	6.7%	8.4%	6.9%
Employment Growth	-3.2%	0.5%	2.5%

Source: Moody's | Economy.com

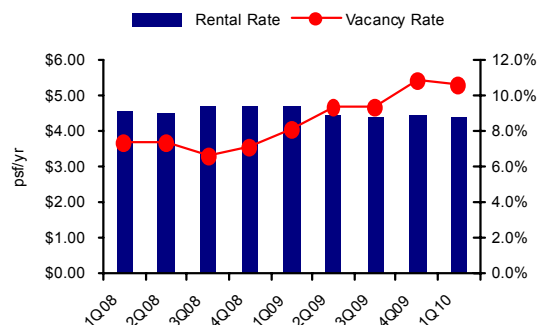
MARKET FORECAST

LEASING ACTIVITY remains relatively flat. It is comparable to the same quarter one year ago. 

DIRECT ABSORPTION is not as negative as it has been. When it turns positive, it will be the first time since the middle of 2008. 

CONSTRUCTION activity is not going to resume in the near future. Currently there are no significant new projects under construction. 

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	1,103,438	56	1.7%	0	0	0	(6,100)	N/A	N/A	N/A	\$4.42
Northeast	14,021,584	487	9.4%	24,121	8,738	0	(229,693)	\$4.07	\$3.74	\$9.60	\$4.38
Northwest	25,509,937	907	9.9%	133,257	0	0	(175,125)	\$4.34	\$2.94	\$7.82	\$5.38
Southeast	17,641,013	257	16.2%	80,126	0	0	232,628	\$4.27	\$3.37	\$6.69	\$4.71
Southwest	48,575,397	1,081	9.7%	170,599	28,500	0	74,232	\$3.77	\$3.44	\$7.63	\$4.29
TOTAL	106,851,369	2,788	10.7%	408,103	37,238	0	(104,058)	\$4.04	\$3.43	\$7.82	\$4.64
								2010	2009	2008	2007
Distribution	21,021,562	204	13.2%	101,400	0	0	301,664	\$4.04	\$4.07	\$4.23	\$4.18
Manufacturing	27,329,788	365	10.8%	4,500	0	0	(32,094)	\$3.43	\$3.68	\$4.48	\$3.74
Flex	10,828,085	426	13.2%	117,853	37,238	0	(126,436)	\$7.82	\$8.00	\$8.50	\$8.58
General Industrial	47,671,934	1,793	8.6%	184,350	0	0	(247,192)	\$4.64	\$4.35	\$5.20	\$6.02
TOTAL	106,851,369	2,788	10.7%	408,103	37,238	0	(104,058)	\$4.43	\$4.47	\$4.72	\$4.67

*Rental rates reflect \$psf/year

D = Distribution MF = Manufacturing GI = General Industrial

MARKET HIGHLIGHTS

SIGNIFICANT 1Q10 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
4810 Eubank Road	Airport	Triple Play Services	85,420	Distribution
4830 Eubank Road	Airport	Advance Trailer Systems, Inc.	76,166	Distribution
11200 Old Stage Road	I-95 S/ I-295 S/ Rt 10	Richmond Revolution	20,000	Distribution
7500 Whitepine Road	Rt 288 Corridor	Mid Atlantic Volleyball Club	18,888	Warehouse

SIGNIFICANT 1Q10 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
6000 Technology Boulevard	Airport	Quality Group of Companies	1,364,343	\$12,000,000
4300 Carolina Avenue	Labumum/ Rt 360	Richmond International Raceway, Inc.	221,489	\$7,840,000
11223&11237 Leadbetter Road	I-95 N/ Ashland	Pumell Furniture Services, Inc.	58,684	\$2,250,000
14121 Justice Road	Midlothian Corridor	Security Alliance Command Center	31,625	\$1,890,000
3000 Cofer Road	Jeff Davis Corridor	SR Two LLC	40,000	\$1,150,000

SIGNIFICANT 1Q10 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				



For further information, please contact one of our Brokerage Services Professionals:

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