

MarketView

Hampton Roads Industrial

Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Vacancy	5.4%	↑	↑
Lease Rates	\$4.91	↓	↓
Net Absorption	24,681	↓	↑
Construction	43,800	↓	↓

*The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- Continued economic slowdown could lead to substantial give back of space of major corporate users.
- A Hong Kong owned hardwood products company will vacate 500,000 SF in the fourth quarter.
- A handful of active users in the 100-600,000 SF size, if signed up, may absorb much of the large blocks of space available.

Net absorption of industrial space increased over 100,000 square feet from the second quarter of 2008, meaning industrial users are taking space more rapidly than they are vacating it. Both the Southside and Peninsula net absorption increased from the previous quarter.

Construction activity slowed into the third quarter as two projects totaling 776,320 square feet were completed. There are five buildings currently under construction with a number of additional new developments planned that are waiting for a lead tenants before they break ground. Construction activity has averaged over 1.1 million square feet per quarter since mid-2006.

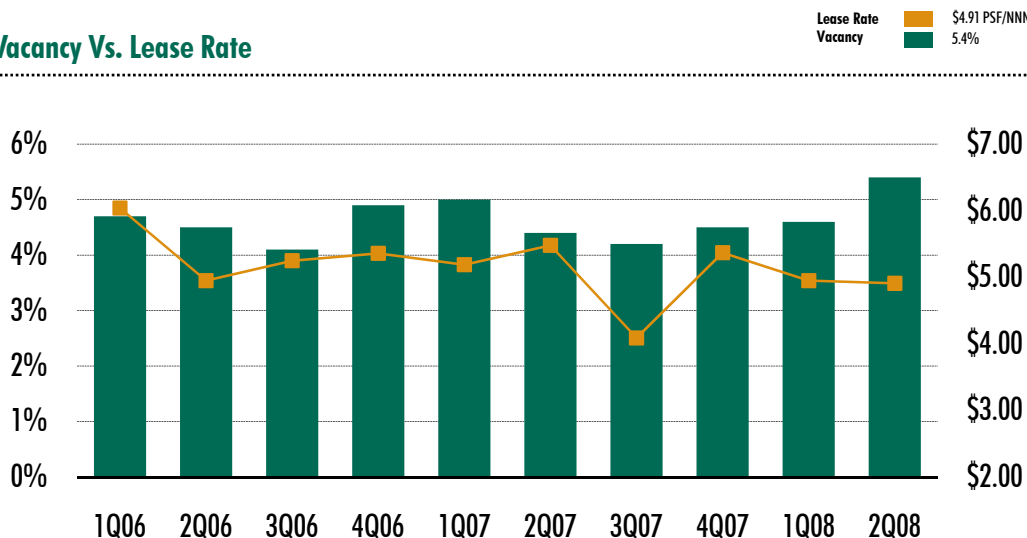
Both delivered properties are located in the Suffolk submarket – the 391,000 square foot Virginia Regional Commerce Park and the 385,320 square foot Virginia Commerce Park.

Vacancy across the Hampton Roads industrial market increased 0.8% into the

third quarter to 5.4%. The Southside vacancy rate increased 1.1% from the previous quarter, compared to the Peninsula which decreased 2.0%. Compared to a year ago, the vacancy rate has increased 1.0%. Weighted average asking rents for industrial space in Hampton Roads decreased slightly to \$4.91 per square foot, triple net for all product. For buildings over 100,000 square feet, the asking rent is \$4.33 per square foot, triple net.

The region's availability rate increased 1.4% to 9.1% in the third quarter, due to two buildings delivering 100% vacant. The availability rate is up 0.5% from a year ago. Region wide, there is over 1.4 million square feet of space available for sublease, including approximately 776,000 square feet in the Copeland/Lower Peninsula submarket. Additionally, over 2.0 million square feet of space is currently being marketed as future available.

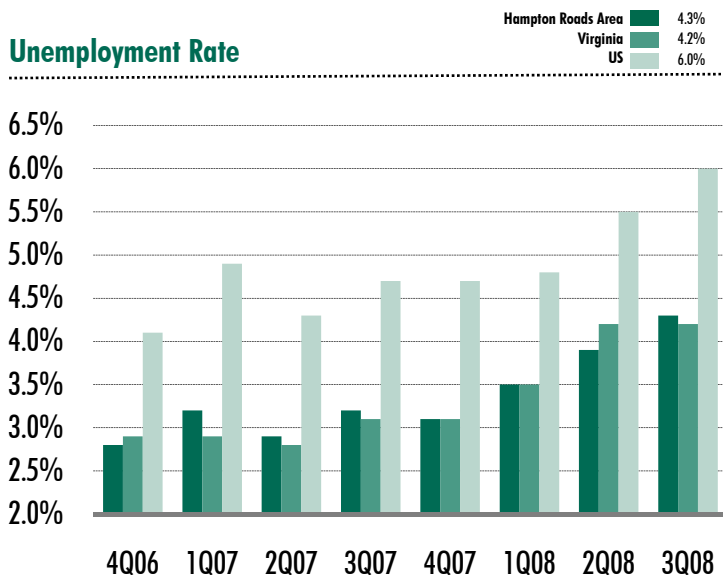
Vacancy Vs. Lease Rate



Market Statistics

Market	Rentable Area SF	Vacancy Rate %	Availability Rate %*	Under Construction SF	Average Lease Rate Rent SF/YR NNN	Net Absorption SF (3Q08)	Year to Date Absorption SF
Greenbrier Area	7,366,671	1.3%	3.0%	--	\$7.93	5,856	10,977
Bainbridge / S. Elizabeth	5,444,821	9.2%	18.7%	15,000	\$5.12	75,383	-183,933
Cavalier Industrial Park	5,531,377	6.7%	10.6%	--	\$5.87	-13,722	200,062
Central Norfolk Area	4,252,708	3.6%	17.8%	7,800	\$7.99	-14,892	-81,461
Norfolk Industrial Park	9,786,401	3.9%	7.0%	--	\$5.26	-244,787	-291,346
Midtown Norfolk	5,615,803	3.0%	4.1%	--	\$4.73	130,093	161,770
Lynnhaven	5,630,322	4.6%	7.1%	--	\$7.63	74,120	85,423
Greenwich / Cleveland St.	2,661,887	2.7%	3.3%	--	\$7.01	-13,650	-20,041
Airport Industrial Park	3,642,138	7.6%	10.6%	--	\$5.31	-62,528	-123,973
Portsmouth	4,121,988	2.9%	4.7%	--	\$3.98	5,469	25,894
Suffolk	10,748,131	9.1%	12.5%	12,000	\$4.34	35,800	183,894
Isle of Wight / Franklin	2,906,762	11.7%	13.3%	--	\$3.64	0	0
Southside Totals	67,709,009	5.5%	9.3%	34,800	\$5.22	-22,858	-32,764
Lower Peninsula	10,201,572	10.4%	18.5%	9,000	\$4.06	45,318	323,779
Middle Peninsula	3,610,069	2.6%	2.6%	--	\$9.15	-17,639	-3,535
Upper Peninsula	4,574,824	0.2%	1.9%	--	\$5.55	10,690	26,690
Williamsburg Extended	7,640,907	1.9%	1.9%	--	\$3.13	9,170	-880
Peninsula Totals	26,027,372	5.0%	8.5%	9,000	\$4.24	47,539	346,054
TOTAL	93,736,381	5.4%	9.1%	43,800	\$4.91	24,681	313,290

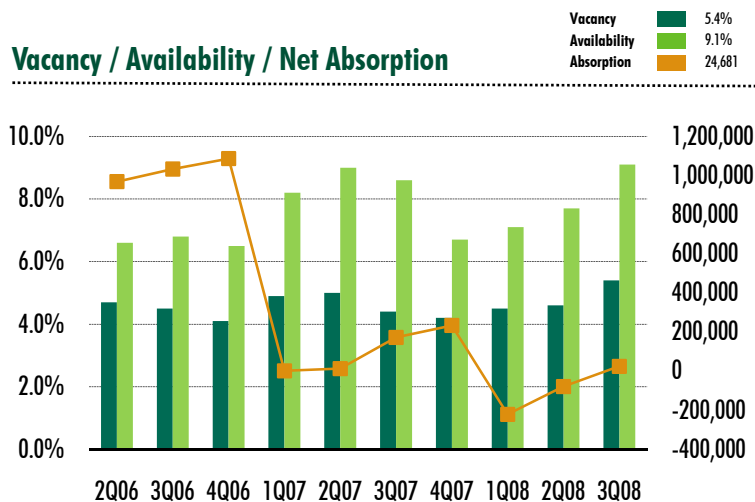
Unemployment Rate



The unemployment rate in Hampton Roads as of September 2008 was 4.3%, up from 3.2% in September of 2007. Over the same period, the unemployment rate for Virginia and the United States increased to 4.2% and 6.0% respectively. The civilian workforce in Virginia totaled approximately 4.13 million, a year-over-year increase of 71,690. The Hampton Roads MSA's civilian workforce totaled approximately 808,771, a year-over-year increase of 22,380.

Hampton Roads unemployment rate has been lower than the nation's for over a decade. In a ranking of the nation's largest metropolitan areas by their unemployment rates, Hampton Roads continued to have the sixth-lowest.

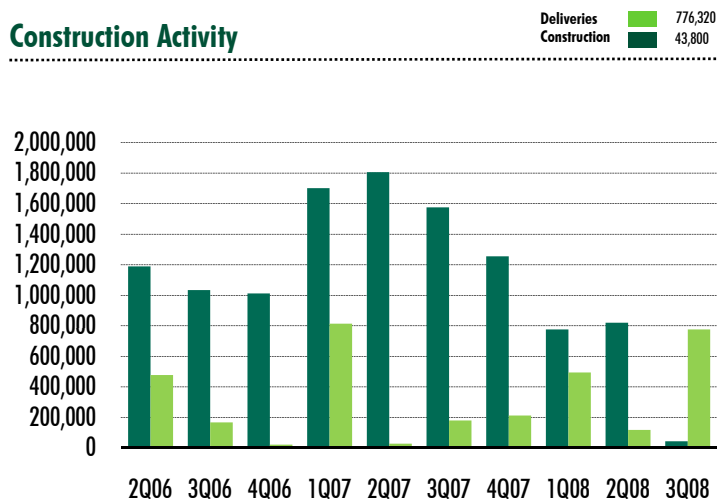
Vacancy / Availability / Net Absorption



During the third quarter of 2008, the industrial vacancy rate in Hampton Roads increased 0.8% to 5.4%. Quarterly absorption was positive for the first quarter this year at 24,681 square feet with a year to date absorption of 313,290 square feet. Since the first quarter of 2007, quarterly absorption has averaged 20,835 square feet.

The availability rate, which factors in direct vacant space, sublease space and future available space in both existing buildings and buildings under construction, increased 1.4% to 9.1% in the third quarter of 2008. As of the third quarter there is over 1.4 million square feet of sublease space on the market.

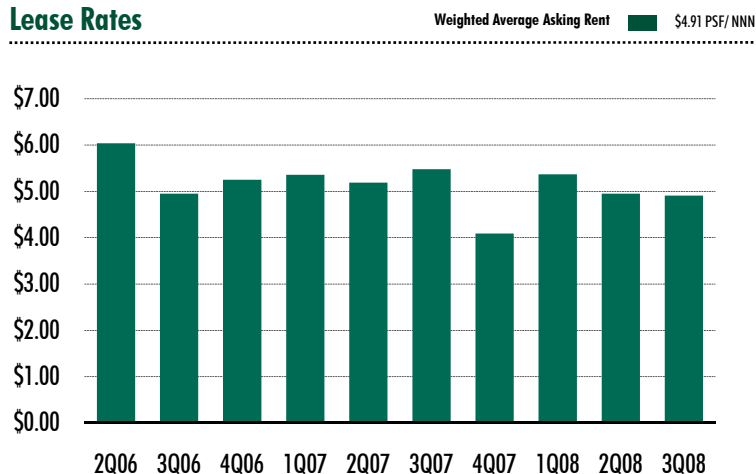
Construction Activity



A total of 43,800 square feet of new industrial product, accounting for approximately 0.05% of the total existing inventory, is currently under construction in Hampton Roads. Two new warehouse properties delivered during the quarter in the Suffolk submarket totaling 776,320 square feet. Both properties are 100% vacant with an average asking rent of \$4.25 per square foot, triple net.

Approximately 60% of the total industrial product under construction is vacant and available for lease. There are additional industrial developments in Hampton Roads that are getting ready to break ground once a lead tenant has been signed.

Lease Rates



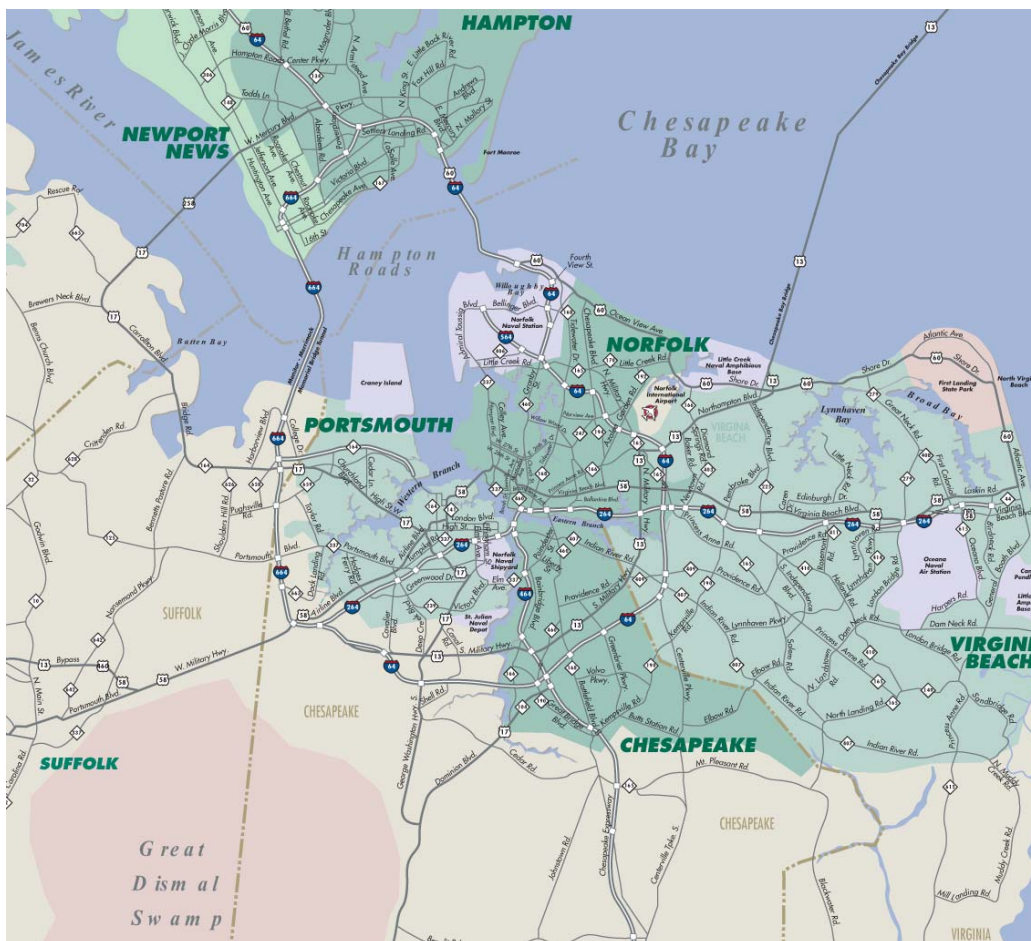
The high-bay distribution projects new to the market have created competition and caused rates for tenants 50,000 square feet and larger to level off. Actual signed rates for leases 100,000 square feet and larger may approach \$4.00 per square foot or less. Rates are in the range of \$4.75 to \$7.50 per square foot, triple net, for small bay, 5,000 to 15,000 square-foot buildings, depending upon location and amenities. Rates for 20,000 to 100,000 square-foot buildings are typically \$4.25 to \$6.00 per square foot, triple net. Rates for properties 100,000 to 400,000 square feet are \$3.50 to \$5.45 per square foot, triple net. Rates are expected to continue to be above \$6.00 per square foot, triple net, in desired submarkets such as Greenbrier and Lynnhaven on the Southside and Oyster Point on the Peninsula.

MarketView Hampton Roads Industrial

Top Lease Transactions (Year To Date)

Size (Sq. Ft.)	Tenant	Submarket
207,120	Raytheon Company	Norfolk Commerce Park
105,000	AMSEC	Suffolk
96,000	General Dynamics	Greenbrier
90,000	Nippon Express USA	Upper Peninsula
75,000	FedEx Ground	Greenbrier
48,450	Vogel Lubrication, Inc.	Lower Peninsula
43,818	Dresser-Rand	Cavalier Industrial Park
36,789	Allied Technology	Lynnhaven

Hampton Roads Area Map



© Copyright 2008 CB Richard Ellis (CBRE) Statistics contained herein may represent a different data set than that used to generate National Vacancy and Availability Index statistics published by CB Richard Ellis' Corporate Communications Department or CB Richard Ellis' research and Econometric Forecasting unit, Torto Wheaton Research. Information herein has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the market. This information is designed exclusively for use by CB Richard Ellis clients, and cannot be reproduced without prior written permission of CB Richard Ellis.

Average Asking Lease Rate

Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Net Leases

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage

Includes all competitive office buildings 5,000 square feet and greater in size.

Net Absorption

The change in occupied square feet from one period to the next.

Net Rentable Area

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

Occupied Square Feet

Building area not considered vacant.

Under Construction

Buildings which have begun construction as evidenced by site excavation or foundation work.

Available Square Feet

Available Building Area which is either physically vacant or occupied.

Availability Rate

Available Square Feet divided by the Net Rentable Area.

Vacant Square Feet

Existing Building Area which is physically vacant or immediately available.

Vacancy Rate

Vacant Building Feet divided by the Net Rentable Area.

Normalization

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

For more information regarding the

MarketView, please contact:

Joanna Hastings, Analyst

CB Richard Ellis

150 W. Main Street, Suite 1100

Norfolk, VA 23510

T. 757 490 3300 F. 757 490 1200

joanna.hastings@cbre.com