ACKNOWLEDGEMENTS

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Reporters
Greenbrier

Bainbridge/S. Elizabeth River Area

Cavalier Industrial Park

Norfolk Commerce Park & Central Norfolk Area

Norfolk Industrial Park

West Side/Midtown Norfolk Area

Lynnhaven

Greenwich/Cleveland Streets Area

Airport Industrial Park

Portsmouth

Suffolk

Isle of Wight

Copeland/Lower Peninsula

Oyster Point/Middle Peninsula Area

Oakland/Upper Peninsula Area

Williamsburg Extended Area

Ron Biesecker

& Christine Kaempfe

Chip Worley

Pat Mumey

& Scott Wermers

Worth Remick

Charles Dickinson

Billy King

Brian Baker

Bobby Beasley

Bobby Beasley

Abe Ellis

Bill Throne

Billy King

Clay Culbreth

Bobby Phillips

Trip Ferguson

Bobby Phillips
This survey includes the following types of properties:

- Office-warehouse, industrial and shop facilities of 5,000 square feet or greater, although some facilities of less than 5,000 square feet may be included.
- Properties must have less than 80% office space to be included in the ODU survey.
- Both owner-occupied and leased properties are included. Owner-occupied is defined as a property that is 100% occupied by a business that is the same as or is related to the owner of the building.
- All properties that are available and are listed for sale or lease regardless of whether they are occupied, unless they are strictly available for sale as an investment property. For example, a property that is available for sale and is currently occupied on a short-term lease is included.
- All properties that have commenced construction (foundations installed minimum).

The survey excludes the following types of properties:

- Land
- Warehouse or shop facilities on shipyard properties
- Warehouse or other industrial facilities on federal government property (e.g., military installations)
- Industrial facilities on government property (e.g., Norfolk International Terminal or Newport News Marine Terminal)

Functional submarket delineations are determined with some regard to city boundaries but boundaries are not determinative. The entire market is divided into 16 submarkets defined by industrial building concentrations, the transportation network, and pertinent physical features. The area map included in this report provides a location key for reference.

The E. V. Williams Center for Real Estate and Economic Development (CREED) at Old Dominion University has been tracking the inventory of the Hampton Roads industrial market since 1995. The results of this year’s survey (collected during the 4th quarter of 2007) indicate that the Hampton Roads industrial market currently encompasses 103,794,954 total square feet of space located in 2,743 build-
This year, Hampton Roads’ vacancy rate increased to 10.51% from 5.87% in last year’s survey. The vacancy rate, as measured in the beginning of 2007, was the lowest rate that has been recorded for the area since the survey started in 1995. This year’s reported vacancy rate of 10.51% is 79% higher than last year’s rate, and is historically a high rate for our market. The vacancy rate was up in 14 out of 16 submarkets covered. Total Hampton Roads market absorption this year was a negative 1.85% or -1,745,376 square feet, as compared with a positive 2.80% (2,566,823 square feet) in 2006. Absorption was negative on both the Peninsula (-332,455 square feet) and Southside (-1,412,910 square feet).

HAMPTON ROADS OVERVIEW

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Last year’s report termed 2006 a “commitment year” for the Hampton Roads Industrial Market because of 1) the start up and substantial completion of seven major speculative distribution projects and 2) the continuing escalation of lease rates in the vast majority of the market that was adequately served by its existing space. The studied market year of 2007, might be termed an “impact” year for the Market. First, eight additional new projects commenced or finished and, thus, became available inventory in our market. These projects are as follows:

Second, as a backdrop to all this additional space being available to our market, there were few new large lease deals that were concluded in 2007. Samples of these are as follows:

- Guardian Moving and Storage - 138,000 s.f. in the Gateway Manufacturing building, Hampton
- Tire Centers – 31,500 s.f. in Bridgeway III, Suffolk
- Northrop Grumman – 240,000 s.f. in Enterchange II, Hampton
- Lockheed Martin – 30,000 s.f. at 1408 Stephanie Way, Chesapeake
There were many other significant deals that were “tracking” in the market last year, but did not get concluded. Two major factors negatively impacted the demand element of our Hampton Roads Leasing Market in 2007:

1. The well documented success of the ports of Savannah and Charleston to the detriment of Port of Hampton Roads in capturing certain major import distribution accounts;

2. Nationally, “Warehouse and Distribution Centers experienced a significant slowdown in demand, translating into a stall into improving vacancy trend that this sector had enjoyed since the economy emerged from recession….several years ago”: Hugh Kelly, CRE as quoted in SIOR “Professional Report” – Vol. 66, No. 4, Fall 2007.

Third, the closing of the Ford F-150 Truck Plant in the Berkley section of Norfolk dampened the market. In addition to the loss of Ford employees and industrial activities at the 2,300,000 square foot plant, at least 6 suppliers, including TDS, Visteon and Johnson Controls were in various stages of closing their operations in 2007. These suppliers accounted for 601,000 square feet of “give back” space. Some of this space had been re-absorbed by the end of 2007.

Despite these conditions, sales prices of user (owner occupied) properties continued a very strong pace in 2007.

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**Hampton Roads Industrial Market Vacancy Rate**

(As of the first month of the year.)

<table>
<thead>
<tr>
<th>Year</th>
<th>Vacancy Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>10.2%</td>
</tr>
<tr>
<td>1992</td>
<td>10.9%</td>
</tr>
<tr>
<td>1993</td>
<td>13.5%</td>
</tr>
<tr>
<td>1994</td>
<td>12.3%</td>
</tr>
<tr>
<td>1995</td>
<td>10.8%</td>
</tr>
<tr>
<td>1996</td>
<td>9.2%</td>
</tr>
<tr>
<td>1997</td>
<td>9.7%</td>
</tr>
<tr>
<td>1998</td>
<td>8.9%</td>
</tr>
<tr>
<td>1999</td>
<td>7.3%</td>
</tr>
<tr>
<td>2000</td>
<td>7.6%</td>
</tr>
<tr>
<td>2001</td>
<td>7.4%</td>
</tr>
<tr>
<td>2002</td>
<td>7.5%</td>
</tr>
<tr>
<td>2003</td>
<td>6.4%</td>
</tr>
<tr>
<td>2004</td>
<td>5.9%</td>
</tr>
<tr>
<td>2005</td>
<td>6.1%</td>
</tr>
<tr>
<td>2006</td>
<td>5.2%</td>
</tr>
<tr>
<td>2007</td>
<td>5.8%</td>
</tr>
<tr>
<td>2008</td>
<td>5.97%</td>
</tr>
</tbody>
</table>
The market continued to show elevated prices even as compared to strong years in 2005 and 2006. Industrial building sales prices predominated in the $40 per square feet (p.s.f.) to $70 p.s.f. range. There were several sales that were finalized in the higher $100 - $140 p.s.f. range, as a result of either high-end or park locations, developed yard or surplus land area. Available modern industrial buildings for purchase remained very difficult to find in 2007 in all size ranges.

### REPRESENTATIVE BUILDING SALES TRANSACTIONS

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
<th>Sq. Ft</th>
<th>Price</th>
<th>$/SF</th>
<th>Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/07</td>
<td>Truck Enterprises – Cavalier</td>
<td>12,750</td>
<td>$3,200,000</td>
<td>$258.98</td>
<td>7</td>
</tr>
<tr>
<td>7/07</td>
<td>Blackhawk Industries</td>
<td>47378</td>
<td>$3,250,000</td>
<td>$89.00</td>
<td>4.6</td>
</tr>
<tr>
<td>7/07</td>
<td>Cavalier Marine Supply</td>
<td>39,500</td>
<td>$1,300,000</td>
<td>$32.91</td>
<td>1.453</td>
</tr>
<tr>
<td>7/07</td>
<td>Ethan Allen</td>
<td>13,350</td>
<td>$1,650,000</td>
<td>$123.84</td>
<td>1.5</td>
</tr>
<tr>
<td>11/07</td>
<td>Lee’s Tires</td>
<td>50,582</td>
<td>$1,850,000</td>
<td>$36.38</td>
<td>2.99</td>
</tr>
<tr>
<td>12/07</td>
<td>Johnson Controls</td>
<td>69,018</td>
<td>$6,825,000</td>
<td>$98.89</td>
<td>12.07</td>
</tr>
</tbody>
</table>

### 2007 ODU HAMPTON ROADS INDUSTRIAL SURVEY

#### SUBMARKET TOTALS

<table>
<thead>
<tr>
<th>Submarket</th>
<th>City</th>
<th>Bldgs Surveyed</th>
<th>Total s.f.</th>
<th>Vacancy s.f.</th>
<th>Vacancy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenbrier Area</td>
<td>Chesapeake</td>
<td>274</td>
<td>8,942,696</td>
<td>308,286</td>
<td>3.70%</td>
</tr>
<tr>
<td>Bainbridge/S. Elizabeth River Area</td>
<td>Chesapeake</td>
<td>133</td>
<td>5,464,312</td>
<td>385,783</td>
<td>7.06%</td>
</tr>
<tr>
<td>Cavalier Industrial Park Area</td>
<td>Chesapeake</td>
<td>176</td>
<td>5,959,713</td>
<td>596,380</td>
<td>10.01%</td>
</tr>
<tr>
<td>Norfolk Commerce Park/Central Norfolk Area</td>
<td>Norfolk</td>
<td>143</td>
<td>7,087,688</td>
<td>2,808,990</td>
<td>38.87%</td>
</tr>
<tr>
<td>Norfolk Industrial Park Area</td>
<td>Norfolk</td>
<td>389</td>
<td>10,790,736</td>
<td>655,962</td>
<td>6.34%</td>
</tr>
<tr>
<td>West Side/Midtown Norfolk Area</td>
<td>Norfolk</td>
<td>261</td>
<td>8,441,519</td>
<td>250,845</td>
<td>4.22%</td>
</tr>
<tr>
<td>Lynnhaven Area</td>
<td>Virginia Beach</td>
<td>253</td>
<td>7,449,758</td>
<td>730,961</td>
<td>9.81%</td>
</tr>
<tr>
<td>Greenwich/Cleveland Streets Area</td>
<td>Virginia Beach</td>
<td>127</td>
<td>3,141,006</td>
<td>620,102</td>
<td>1.91%</td>
</tr>
<tr>
<td>Airport Industrial Park Area</td>
<td>Virginia Beach</td>
<td>70</td>
<td>3,684,329</td>
<td>330,881</td>
<td>8.98%</td>
</tr>
<tr>
<td>City of Portsmouth</td>
<td>Portsmouth</td>
<td>154</td>
<td>4,004,464</td>
<td>287,805</td>
<td>7.14%</td>
</tr>
<tr>
<td>City of Suffolk</td>
<td>Suffolk</td>
<td>115</td>
<td>11,535,110</td>
<td>1,473,597</td>
<td>12.61%</td>
</tr>
<tr>
<td>Isle of Wight</td>
<td>Isle of Wight</td>
<td>27</td>
<td>2,788,716</td>
<td>355,766</td>
<td>12.79%</td>
</tr>
<tr>
<td>Southside Totals</td>
<td></td>
<td>2,074</td>
<td>76,085,095</td>
<td>8,099,218</td>
<td>10.64%</td>
</tr>
<tr>
<td>Copeland/Lower Peninsula Area</td>
<td>Peninsula</td>
<td>363</td>
<td>9,883,484</td>
<td>2,103,397</td>
<td>21.07%</td>
</tr>
<tr>
<td>Oyster Point/Middle Peninsula Area</td>
<td>Peninsula</td>
<td>149</td>
<td>4,199,297</td>
<td>676,577</td>
<td>15.65%</td>
</tr>
<tr>
<td>Oakland/Upper Peninsula Area</td>
<td>Peninsula</td>
<td>97</td>
<td>4,611,983</td>
<td>254,733</td>
<td>5.52%</td>
</tr>
<tr>
<td>Williamsburg Extended Area</td>
<td>Peninsula</td>
<td>60</td>
<td>9,005,095</td>
<td>361,602</td>
<td>4.24%</td>
</tr>
<tr>
<td>Peninsula Totals</td>
<td></td>
<td>669</td>
<td>27,098,659</td>
<td>2,807,369</td>
<td>10.13%</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td>2,743</td>
<td>103,794,954</td>
<td>10,906,607</td>
<td>10.51%</td>
</tr>
</tbody>
</table>
Industrial Leasing Highlights and Comparable Leases for 2007 included the following:

- Noland Company HVAC Division lease of 818 Blue Crab Road, Newport News – 17,000 square feet for 120 months at $7.25 p.s.f., NNN (Oyster Point Park).
- Guardian Moving and Storage Co. lease at former Gateway Manufacturing facility, Hampton – 134,589 square feet on a 95 month lease (cancellable based on contract) at $4.35 p.s.f., NNN.
- Northrop Grumman (Newport News Ship) anchor tenant lease of Enterchange Hampton II – 240,000 square feet at $4.90 p.s.f. for 180 months.
- City Electric Company lease of 7,500 square feet at 5875 Adderly Street, Norfolk - $6.25 p.s.f., Modified Net for 60 months.
- Loomis Fargo and Co. lease of 13,750 square feet at Woodlake Distribution Center – Chesapeake - $7.00 p.s.f., NNN for 120 months.
Average market asking rents for small and medium size spaces (less than 30,000 square feet) continued to rise during 2007. Rates for larger spaces continued to be higher than other outside markets, but the rates for larger spaces have been moderated this year by the availability of the aforementioned new, high bay projects. This trend and the negative rent impact on larger spaces should continue in 2008 and, perhaps, 2009, depending on how demand develops. The variance between asking lease rates and final negotiated rates, which are highly dependent on the age and location of a particular building, continued to be between 0% and 15% in 2007 with the wider ranges applying to the larger, new facilities. Five new projects were announced to begin in 2008 but whether they, in fact, start depend largely on market demand.

LAND SALES

Industrial land sale highlights for 2007 included:

- 22 acres in Greenmount Industrial Park (James City County) sold to user for $45,454 per acre.
- 6 acres to Earthcore Industries in Cavalier Industrial Park from the City of Chesapeake at $107,500 per acre ($645,000).
- Chesapeake Deep Water Terminal – 81 acres (useable) to International Bio-Energy – Virginia Real Estate, LLC for intended development of Ethanol plant - $6,075,000 ($75,000 per acre).
- 240 acre Britt site on Route S8 in Suffolk sold to McDonald Development for $8,100,000 ($33,750/acre).

INVESTMENT SALES

Overall, 2007 was a very active year for industrial investment sales, as compared with the quieter 2006 year. Among the investment projects trading hands were the following:

- MB Handy property - a 60,000 square foot, 2 tenant property including General Electric Supply in the Norfolk Industrial Park, sold to Helmsman Properties;
- The 62,000 square foot Greenbrier Distribution Center (Jamad II), in Greenbrier sold to a local investor;
- The 146,000 square foot Airport Industrial Center II property, anchored by Federal Express, sold by Krieder-Schockey to Cambridge-Hanover.
- The 41,500 square foot Carrier-Mid Atlantic property in Norfolk Industrial Park, sold to a local investor.

FORECAST

Our forecast for 2008, based on the above, is as follows:

1. Continued strong investor and prospect interest in Hampton Roads because of its diversified industrial base, including defense, port-related distribution and industrial supplies.
2. Strength in all market areas, with the exception of the larger, high-bay warehouse segment, which will experience intense competition for quality tenants and, thus, lower than expected rental rates for new space and the potential flattening of rates for older, less modern space.
INDUSTRIAL SUBMARKETS

Southside
- Suffolk
- Portsmouth
- West Norfolk
- Central Norfolk
- Cavalier
- Bainbridge
- Norfolk Industrial Park
- Airport Industrial Park
- Greenbrier
- Cleveland
- Lynnhaven

Peninsula
- Copeland
- Oakland
- Oyster Point
- Williamsburg Extended