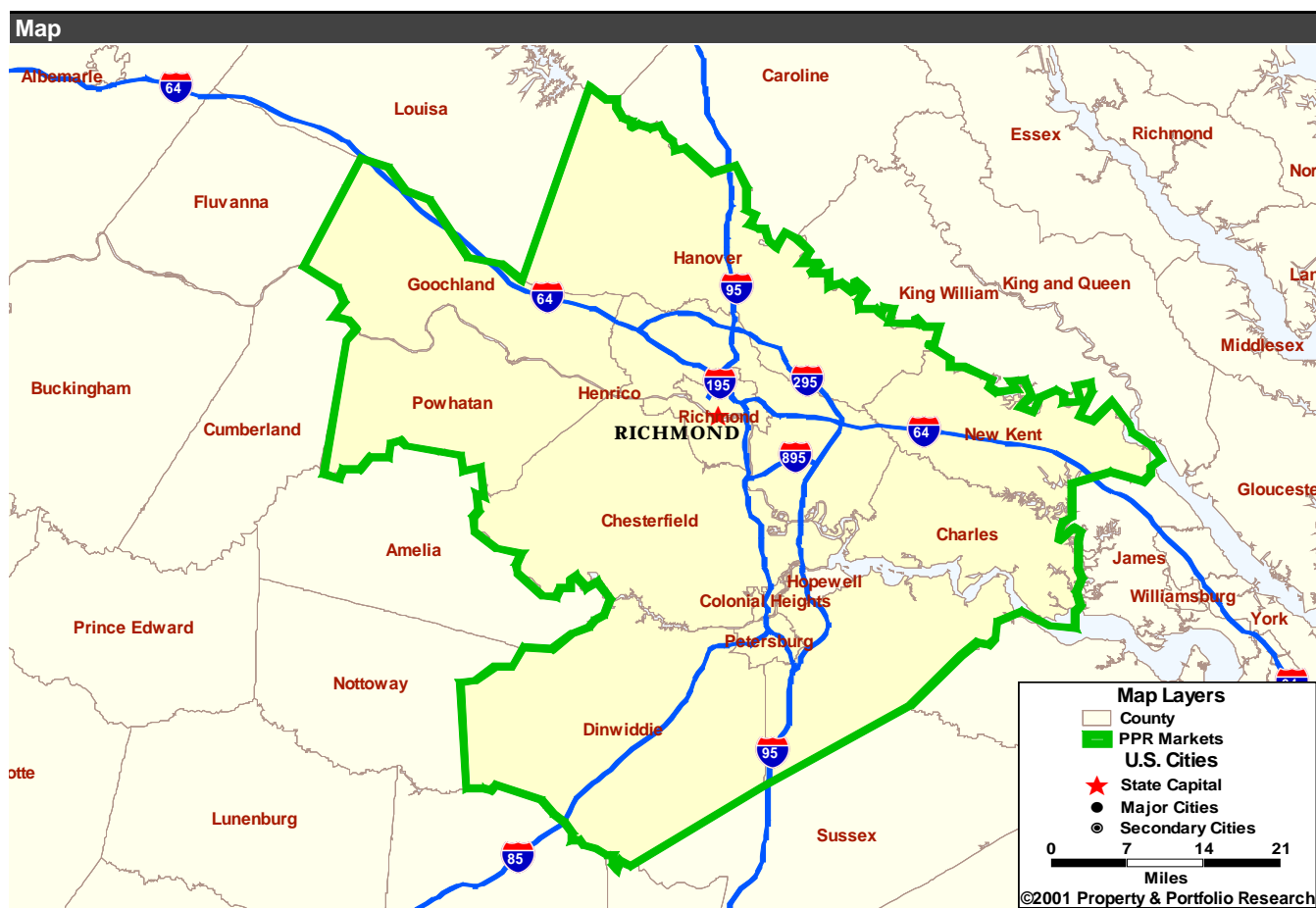


RICHMOND

Overview



Summary of Last Twelve Months vs. Historical Minimum, Maximum, and Average

	Current Vacancy*	Net New Supply (000SF)**	Net Absorption (000SF)**
Apartment	↑ 6.8% 2.1% ———— 7.6% 85:1 ———— 90:2	↑ 976 ———— 2,423 45 ———— 86:4	↑ 496 ———— 1,564 01:4 ———— 98:4
Office	↑ 14.4% 10.3% ———— 23.4% 82:1 ———— 92:2	↓ 847 ———— 2,140 89:1 ———— 92:2	↓ -32 ———— 1,889 88:2 ———— 98:4
Retail	↔ 14.7% 7.0% ———— 23.3% 88:1 ———— 82:2	↓ 533 ———— 2,065 91:3 ———— 82:1	↑ 510 ———— 1,915 99:3 ———— 99:3
Warehouse	↔ 14.8% 8.6% ———— 18.9% 96:3 ———— 85:4	↓ 391 ———— 1,795 82:4 ———— 89:3	↓ 217 ———— 1,897 87:1 ———— 87:1
Hotel	↔ 54.6% 63.9% ———— 54.6% 98:1 ———— 02:3	↑ 434 ———— 1,958 87:2 ———— 02:1	↓ -285 ———— 526 89:1 ———— 89:1

*Occupancy for Hotels

**Apartment and Hotel data are in units.

RICHMOND

Analysis/Economy

Notable Economic and Real Estate Market Events

- ECON** – Richmond continued to **bleed jobs at a modest 0.5% annual pace** as of September. While **job losses in business services persist**, the **pain in the manufacturing sector appears to be subsiding**. Alfa Laval recently completed an addition to its Henrico County plant and plans to boost its local payroll by 100 jobs. Mitsubishi Gas Chemical also announced plans in August to build a new nylon production plant. Still, the metro's dream of becoming a high tech manufacturing center suffered a long-anticipated setback in September when **Motorola officially cancelled plans** for a 2,500-employee chip fabrication facility that had been on hold since 1995. **Infineon's planned 1,100-worker 300mm chip fab remains tabled**, and the building shell is likely to sit unfinished for a while, as the German IT firm announced in the spring that it had entered into a joint venture with Mosel Vitelic for 300mm production in Taiwan.
- APT** – Richmond apartment **vacancies are at their highest point since 1991**. Residential **construction is heavily focused on single family units**, with permits typically doled out at a rate that is four to six times faster than multifamily permits. The **homeownership rate has soared** in Richmond over the past few years and reached a **new high of 76.2% in 2001**. Apartment projects underway in the **active Northwest submarket** include Breeden's 290-unit Reflections of West Creek, the last 124 units of H.H. Hunt's 378-unit Gardens at Twin Hickory, the 98-unit second phase of Kings Crossing, and the last 176 units of Simpson Housing's 506-unit Madison at Spring Oak. **In the Central Core, Forest City Enterprises has kicked off construction** of its 157-unit Tobacco Row renovation project at the Consolidated Building.
- OFF** – The **slump in recent demand** is partly due to **job losses in business services** as well as to **tepid growth in the previously blazing FIRE sector**. The metro's **largest employer, Capital One**, had been adding up to 1,500 local jobs per year until recently. Their **once-aggressive hiring frenzy appears to have slowed** considerably over the past year. Yet Capital One is still adding supply in the Northwest submarket. The company **broke ground on the beginning phases of its 1.5 million SF campus at West Creek Corporate Center in Goochland County** in 2001, and the first two 160,000 SF office buildings came on line this year. A third building of similar size broke ground at the West Creek campus this summer. **Capital One now occupies more than 10% of Richmond's suburban office inventory** (including large blocks at Innsbrook and River Bend), leaving observers understandably concerned about the **looming possibility of backfill space**, particularly as the firm's previously rapid expansion appears to have slowed markedly this past year.
- RET** – Retail completions have been relatively modest over the past year or two but this is about to change, as **two new malls** — Forest City's 1.2 million SF Short Pump Town Center and Taubman's 690,000 SF Fashion Park at Stony Point — are **both underway after years of legal maneuvering**. Construction schedules for both projects are aggressive, with **opening dates scheduled for September 2003**. The metro's dominant grocer, **Ukrops, is reportedly planning to expand**. Meanwhile, **Kroger opened its 11th store** in Mechanicsville in the spring, with #12 due to open in Short Pump this fall, #13 underway near Brandermill, and #14 planned in Richmond at the intersection of Lombardy and Broad.
- WHS** – With **little new construction in the pipeline**, the vacancy rate does not appear in danger of imminent upward drift, despite the ongoing persistence this year of rather tepid demand. Still, the vacancy rate will fail to return to single-digit levels within the forecast window. **Leasing activity has been modest in 2002**, and recent construction has consisted mainly of build-to-suit and owner-user projects. Still, speculative projects are proposed, with Devon USA planning three buildings totaling more than 500,000 SF at the Entrenchment at Walthall industrial park.
- HOT** – Hotel completions peaked in 1999, and have since tapered. **Recently completed projects have been mostly limited-service product**. A 125-room Homewood Suites by Hilton is a new addition to Richmond's hotel inventory this year.

Demographic Trends

Category	2002*		Annual Growth Rates					
	Market	U.S.	1982-1991		1992-2001		2002-2007	
			Market	U.S.	Market	U.S.	Market	U.S.
Population	1,026	288,644	1.4%	1.0%	1.3%	1.2%	1.1%	0.9%
Households	398	107,955	2.1%	1.3%	1.4%	1.3%	1.3%	1.1%
Median Household Income	\$52,706	\$45,586	4.9%	4.4%	3.7%	3.9%	3.3%	3.3%
Apartment-Renting Households	123	36,362	4.1%	1.7%	-0.8%	0.5%	1.5%	1.3%
Real Retail Sales Per Capita	\$4,494	\$4,520	0.8%	1.4%	1.1%	1.8%	1.5%	1.2%

Employment Trends

SIC Category	2002*		Annual Growth Rates					
	Employment	Location Quotient	1982-1991		1992-2001		2002-2007	
			Market	U.S.	Market	U.S.	Market	U.S.
Total Services	156	0.9	5.0%	4.3%	3.8%	3.7%	3.4%	2.6%
Business Services	39	1.0	6.9%	6.6%	4.5%	6.1%	4.1%	3.2%
Other Services	117	0.9	4.4%	3.8%	3.6%	3.0%	3.1%	2.4%
Retail Trade	97	1.0	3.0%	2.5%	2.0%	2.0%	1.5%	1.4%
Government	106	1.2	1.3%	1.6%	1.0%	1.3%	1.1%	0.7%
Manufacturing	56	0.8	-0.2%	-0.6%	-1.2%	-0.6%	0.8%	-0.4%
F.I.R.E.	53	1.6	3.4%	2.2%	3.0%	1.6%	2.5%	0.9%
Wholesale Trade	29	1.0	0.4%	1.3%	1.4%	1.0%	1.1%	1.0%
Trans., Comm., Util.	28	1.0	1.0%	1.1%	2.0%	1.9%	1.3%	0.6%
Construction	35	1.3	4.4%	1.4%	2.8%	3.9%	-2.6%	0.5%
Mining	1	0.3	10.1%	-6.0%	-0.1%	-1.6%	-0.7%	-0.7%
Total Employment	561	1.0	2.4%	1.9%	2.0%	1.9%	1.7%	1.3%
Office-Using Employment	154	1.2	3.3%	3.0%	3.1%	2.9%	2.9%	1.9%
Trucking/Warehouse Employment	37	1.0	0.8%	1.5%	1.8%	1.4%	1.0%	1.1%

*All units (except for dollar denominated figures) in thousands.

Current Economic Indicators

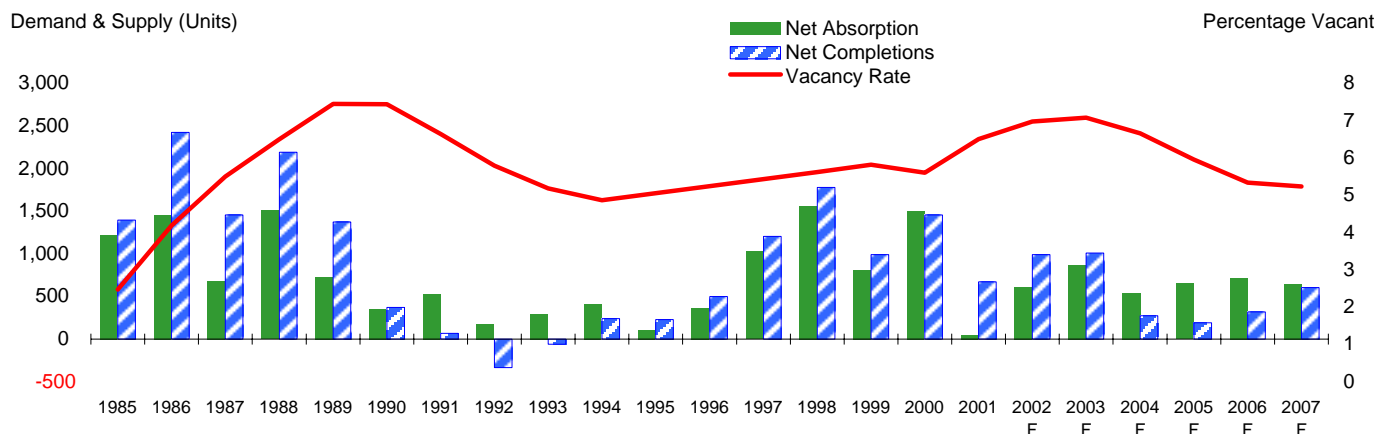
Employment Growth 9/02	Labor Force Growth 9/02	Unemployment Rate 9/02	Employment Volatility Ratio	Net Migration (000) 2001	Cost Indices (U.S. = 100)	
					Business	Living
-0.5%	2.2%	3.9%	0.8	4.7	94	96

Sources: PPR; Economy.com

RICHMOND

Apartment

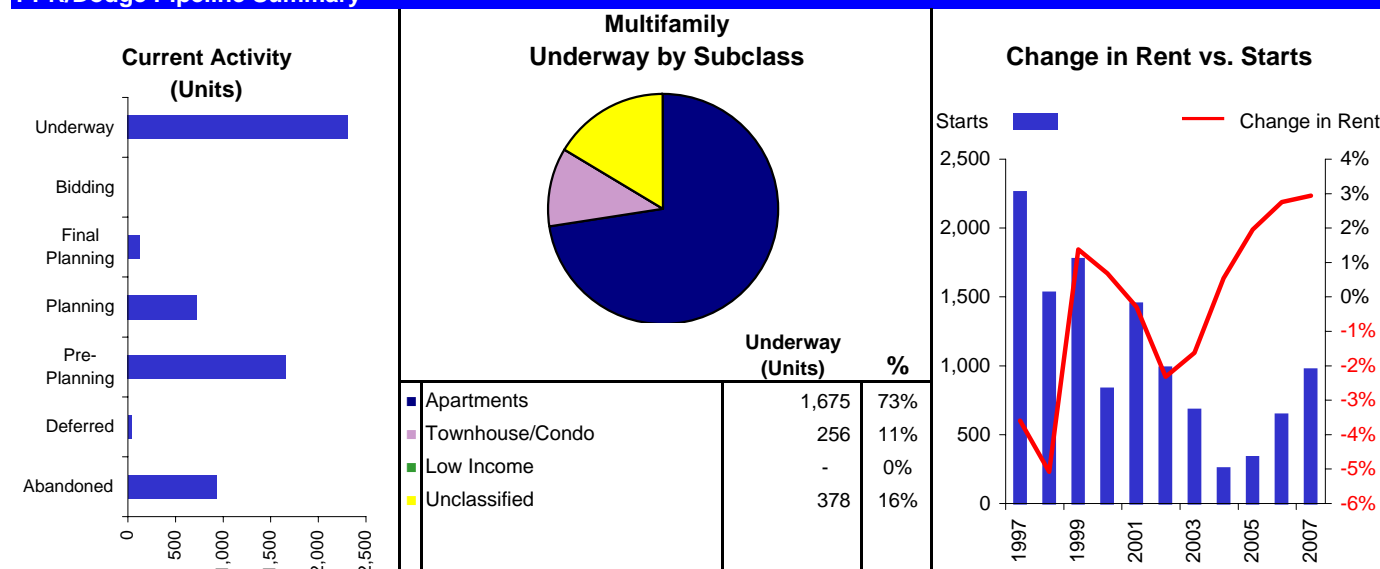
Supply, Demand, and Vacancy



Apartment Market Statistics (Units)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Apt. Vacancy	5.4%	5.6%	5.8%	5.6%	6.5%	7.0%	7.1%	6.7%	6.0%	5.3%	5.2%
Apt. Net Absorption	1,025	1,564	815	1,504	45	614	870	535	652	719	643
% Growth	1.8%	2.7%	1.4%	2.5%	0.1%	1.0%	1.4%	0.9%	1.0%	1.1%	1.0%
Multifamily Starts	2,260	1,530	1,776	833	1,453	987	680	256	338	645	973
% Change	127.8%	-32.3%	16.1%	-53.1%	74.4%	-32.1%	-31.1%	-62.4%	32.0%	90.8%	50.9%
Net Apt. Completions	1,202	1,778	990	1,453	669	990	1,007	273	190	320	603
Apt. Inventory	60,217	61,995	62,985	64,437	65,106	66,096	67,103	67,377	67,567	67,887	68,490
% Growth	2.0%	3.0%	1.6%	2.3%	1.0%	1.5%	1.5%	0.4%	0.3%	0.5%	0.9%
Apt. Rent Index	100	95	96	97	97	94	93	93	95	98	101
% Change	-3.6%	-5.1%	1.4%	0.7%	-0.3%	-2.3%	-1.6%	0.5%	2.0%	2.8%	2.9%

PPR/Dodge Pipeline Summary



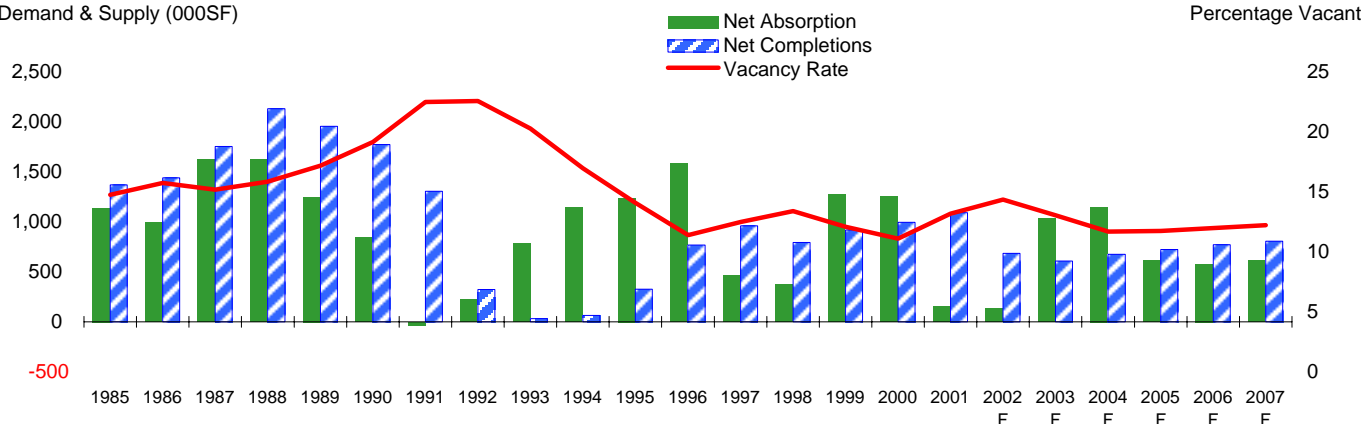
Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

RICHMOND

Office

Supply, Demand, and Vacancy

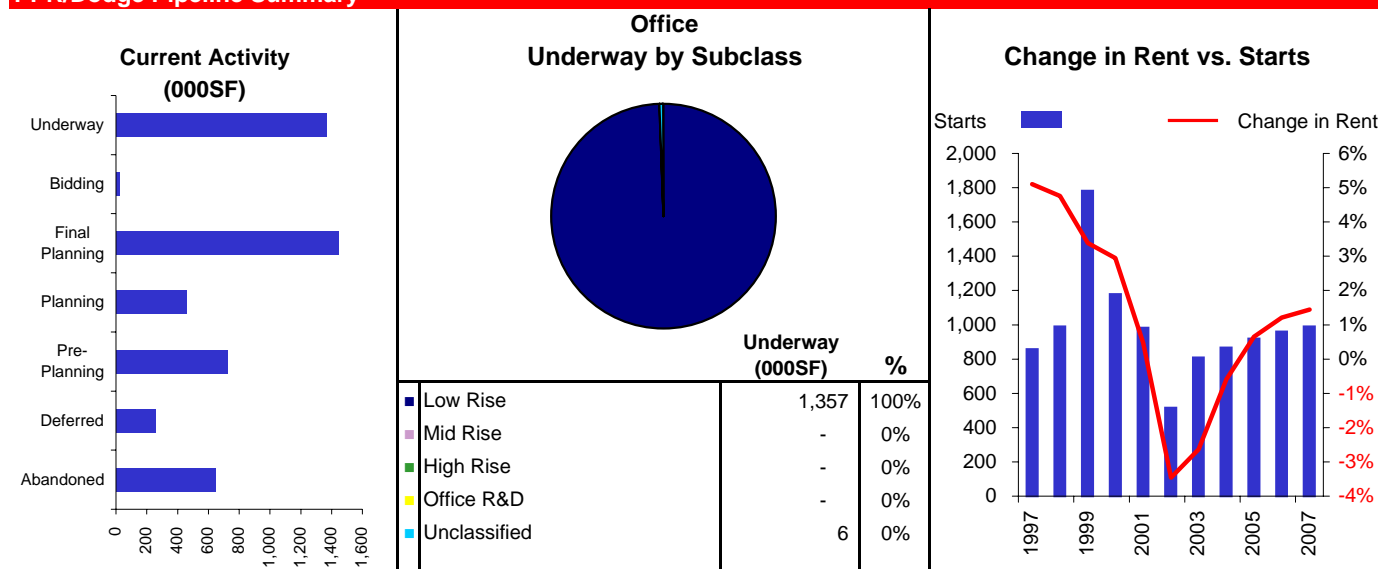
Demand & Supply (000SF)



Office Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Vacancy	12.5%	13.4%	12.1%	11.1%	13.2%	14.4%	13.1%	11.7%	11.8%	12.0%	12.2%
Net Absorption	465	372	1,275	1,254	154	136	1,039	1,151	613	580	614
% Growth	1.5%	1.2%	4.1%	3.9%	0.5%	0.4%	3.1%	3.3%	1.7%	1.6%	1.6%
Starts	856	989	1,782	1,178	981	516	808	866	918	959	989
% Change	-27.2%	15.5%	80.2%	-33.9%	-16.7%	-47.5%	56.7%	7.2%	6.1%	4.4%	3.1%
Net Completions	962	796	919	996	1,094	685	610	675	724	774	809
Inventory	35,168	35,964	36,883	37,879	38,973	39,659	40,269	40,944	41,668	42,442	43,251
% Growth	2.8%	2.3%	2.6%	2.7%	2.9%	1.8%	1.5%	1.7%	1.8%	1.9%	1.9%
Rent Index	100	105	108	111	112	108	105	105	105	107	108
% Change	5.1%	4.8%	3.4%	2.9%	0.5%	-3.5%	-2.6%	-0.6%	0.7%	1.2%	1.4%

PPR/Dodge Pipeline Summary

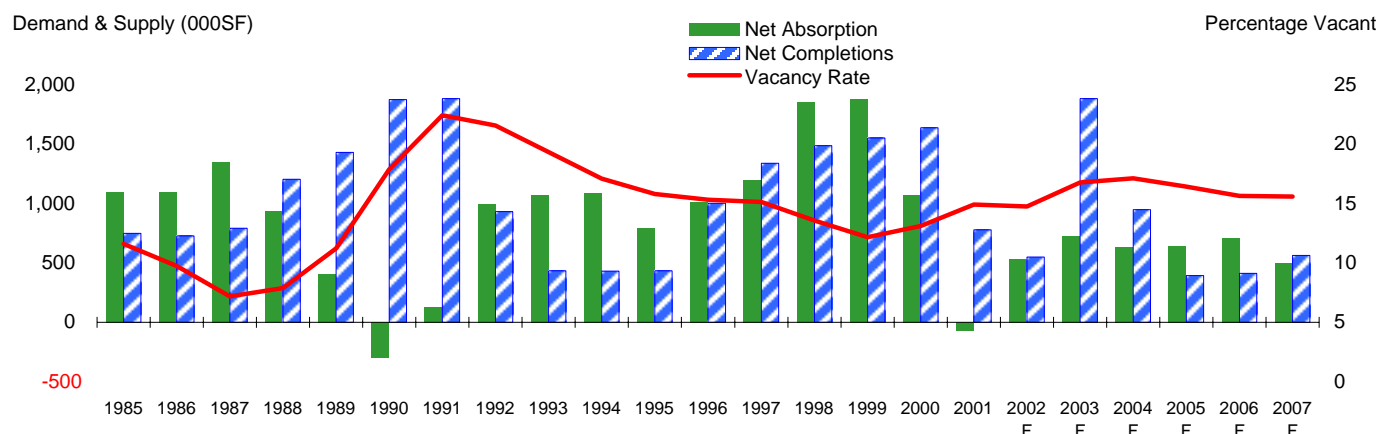


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

RICHMOND

Retail

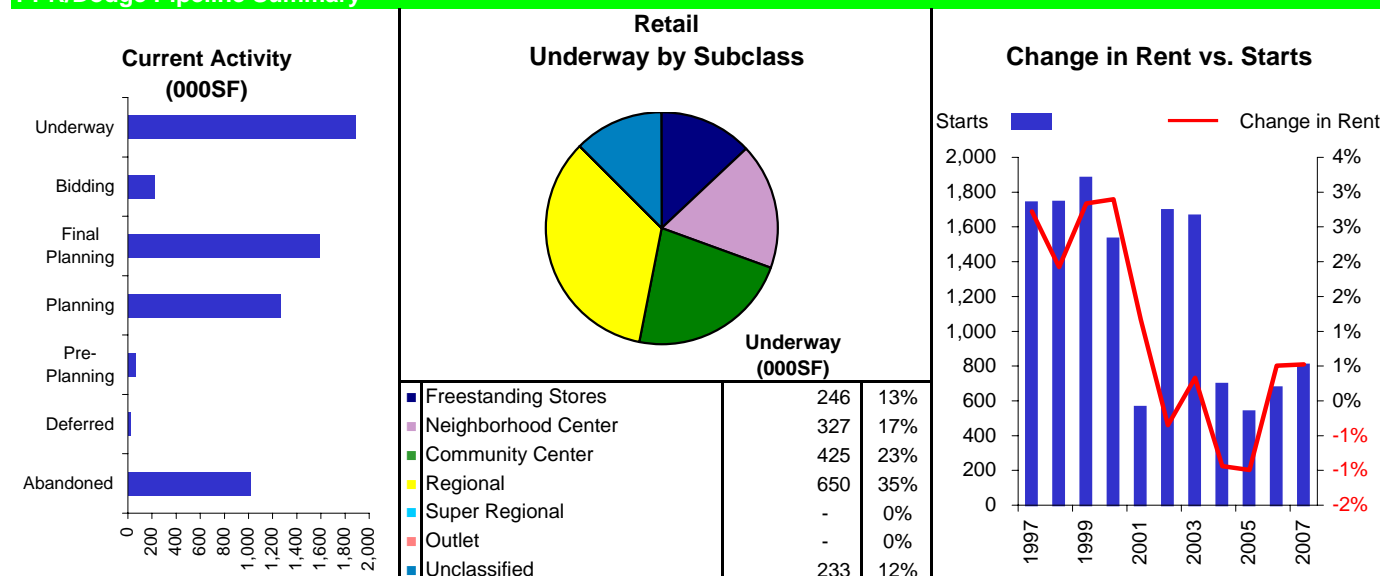
Supply, Demand, and Vacancy



Retail Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Vacancy	15.1%	13.5%	12.2%	13.1%	14.9%	14.8%	16.8%	17.1%	16.4%	15.6%	15.6%
Net Absorption	1,195	1,853	1,873	1,066	-72	529	728	631	642	705	496
% Growth	4.1%	6.1%	5.8%	3.1%	-0.2%	1.5%	2.0%	1.7%	1.7%	1.9%	1.3%
Starts	1,740	1,745	1,882	1,533	564	1,697	1,665	698	539	678	808
% Change	-4.5%	0.3%	7.9%	-18.6%	-63.2%	200.7%	-1.9%	-58.1%	-22.8%	25.8%	19.2%
Net Completions	1,338	1,487	1,550	1,637	777	549	1,883	947	395	413	564
Inventory	35,835	37,322	38,872	40,509	41,286	41,835	43,717	44,664	45,059	45,473	46,037
% Growth	3.9%	4.1%	4.2%	4.2%	1.9%	1.3%	4.5%	2.2%	0.9%	0.9%	1.2%
Rent Index	100	102	105	108	109	109	109	108	107	108	108
% Change	2.7%	1.9%	2.8%	2.9%	1.2%	-0.3%	0.3%	-0.9%	-1.0%	0.5%	0.5%

PPR/Dodge Pipeline Summary



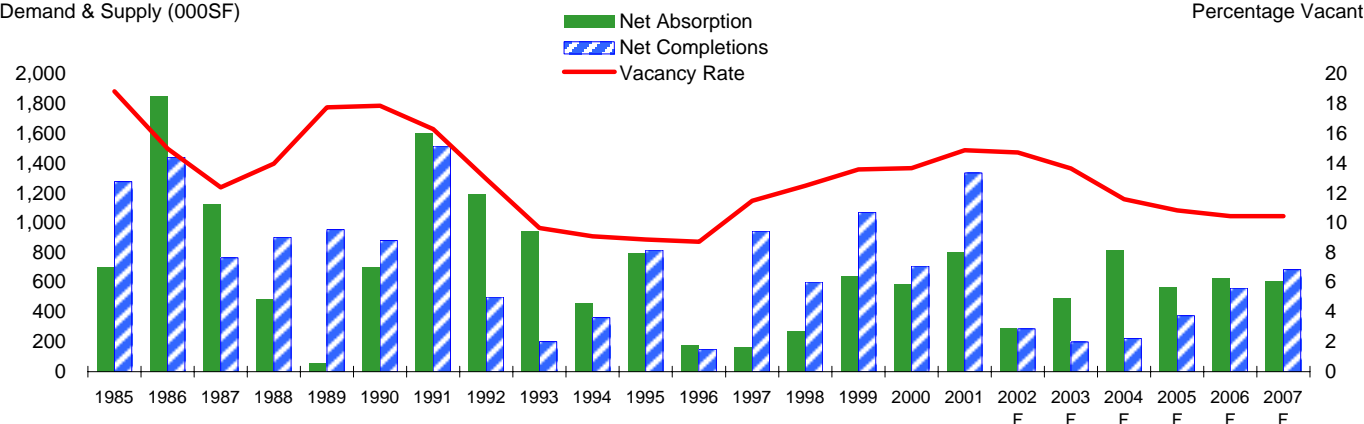
Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

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Warehouse

Supply, Demand, and Vacancy

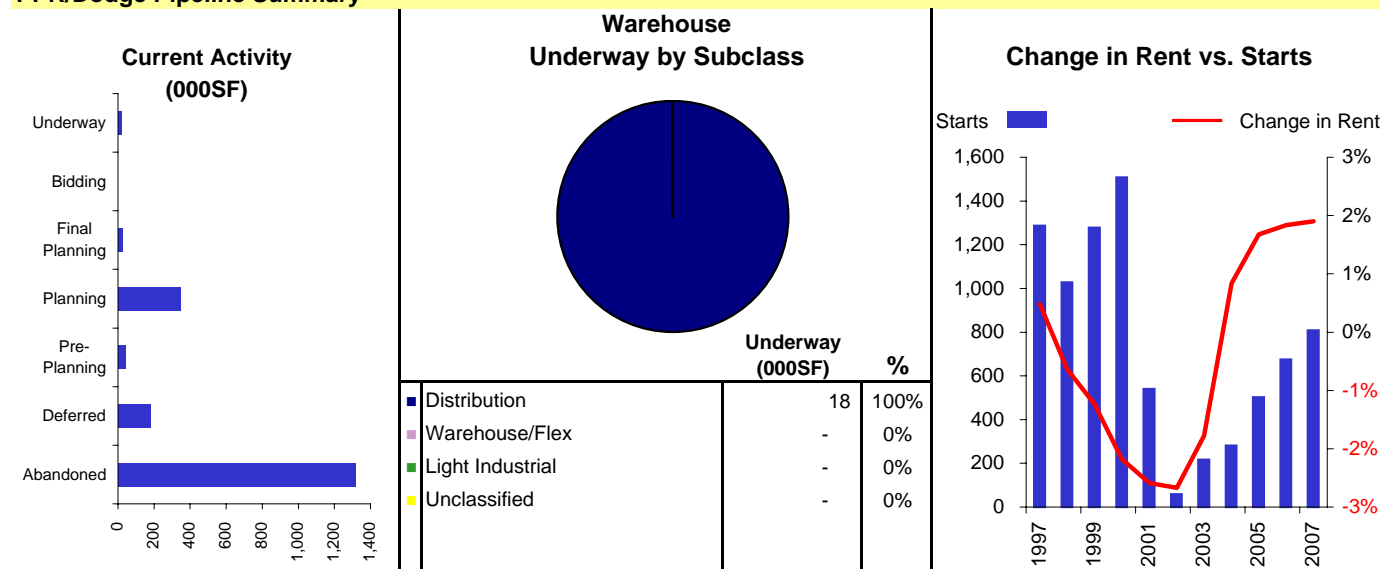
Demand & Supply (000SF)



Warehouse Market Statistics (000SF)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Vacancy	11.5%	12.5%	13.6%	13.7%	14.9%	14.8%	13.7%	11.6%	10.9%	10.5%	10.5%
Net Absorption	161	269	639	585	802	291	493	815	563	624	608
% Growth	0.7%	1.2%	2.8%	2.5%	3.3%	1.2%	1.9%	3.2%	2.1%	2.3%	2.2%
Starts	1,287	1,027	1,279	1,508	541	58	217	282	502	675	808
% Change	257.2%	-20.2%	24.5%	17.9%	-64.1%	-89.2%	271.5%	29.8%	78.2%	34.6%	19.6%
Net Completions	946	603	1,073	710	1,337	289	201	224	377	561	686
Inventory	25,633	26,237	27,310	28,020	29,357	29,647	29,848	30,072	30,449	31,010	31,696
% Growth	3.8%	2.4%	4.1%	2.6%	4.8%	1.0%	0.7%	0.8%	1.3%	1.8%	2.2%
Rent Index	100	99	98	96	94	91	89	90	92	93	95
% Change	0.5%	-0.6%	-1.2%	-2.2%	-2.6%	-2.7%	-1.8%	0.8%	1.7%	1.8%	1.9%

PPR/Dodge Pipeline Summary



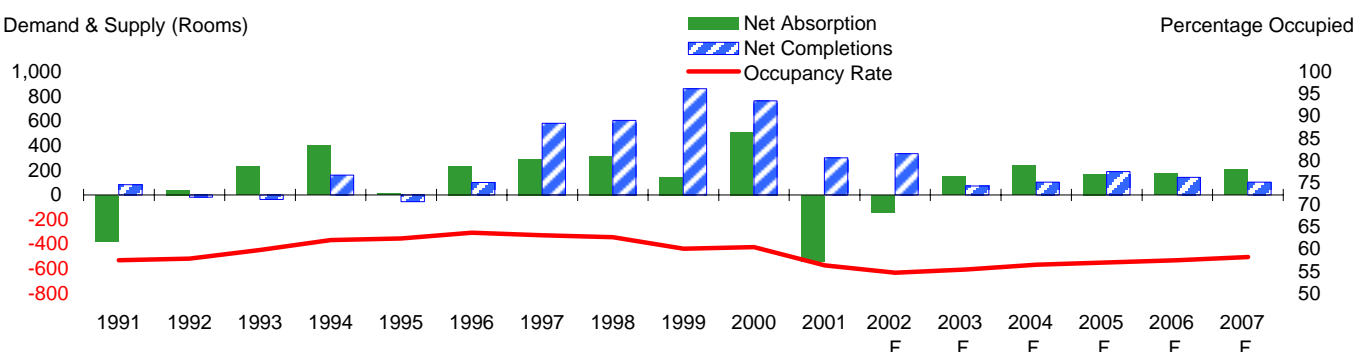
Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

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Hotel

Supply, Demand, and Occupancy

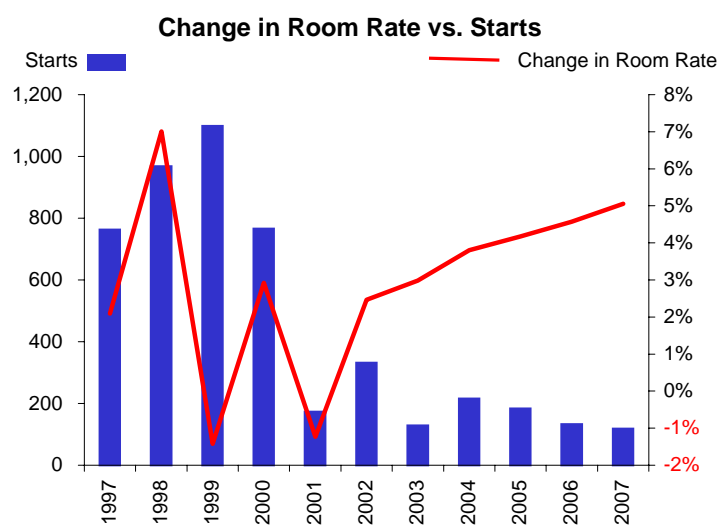
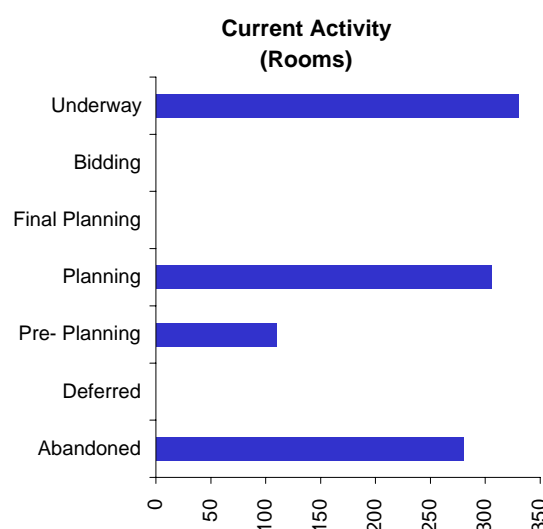
Demand & Supply (Rooms)



Hotel Market Statistics (Rooms)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Occupancy	63.2%	62.7%	60.1%	60.5%	56.3%	54.7%	55.4%	56.5%	57.0%	57.5%	58.2%
Net Absorption	294	315	146	511	-538	-142	149	241	171	175	207
% Growth	3.4%	3.6%	1.6%	5.5%	-5.5%	-1.5%	1.6%	2.6%	1.8%	1.8%	2.1%
Starts	763	968	1,098	766	173	332	129	216	183	133	118
% Change	16.8%	26.9%	13.4%	-30.2%	-77.4%	91.9%	-61.1%	67.4%	-15.3%	-27.3%	-11.3%
Net Completions	584	606	864	765	302	336	75	105	191	145	105
Inventory	13,996	14,602	15,466	16,231	16,467	16,702	16,750	16,856	17,008	17,151	17,307
% Growth	4.4%	4.3%	5.9%	4.9%	1.9%	2.0%	0.4%	0.6%	1.1%	0.9%	0.6%
Room Rate Index	100	107	105	109	107	110	113	117	122	128	134
% Change	2.1%	7.0%	-1.4%	2.9%	-1.2%	2.5%	3.0%	3.8%	4.2%	4.6%	5.1%
RevPar Index	100	102	96	99	90	93	98	104	109	116	123
% Change	2.6%	1.6%	-5.7%	3.6%	-8.8%	3.2%	5.0%	5.8%	5.2%	5.9%	6.6%

PPR/Dodge Pipeline Summary

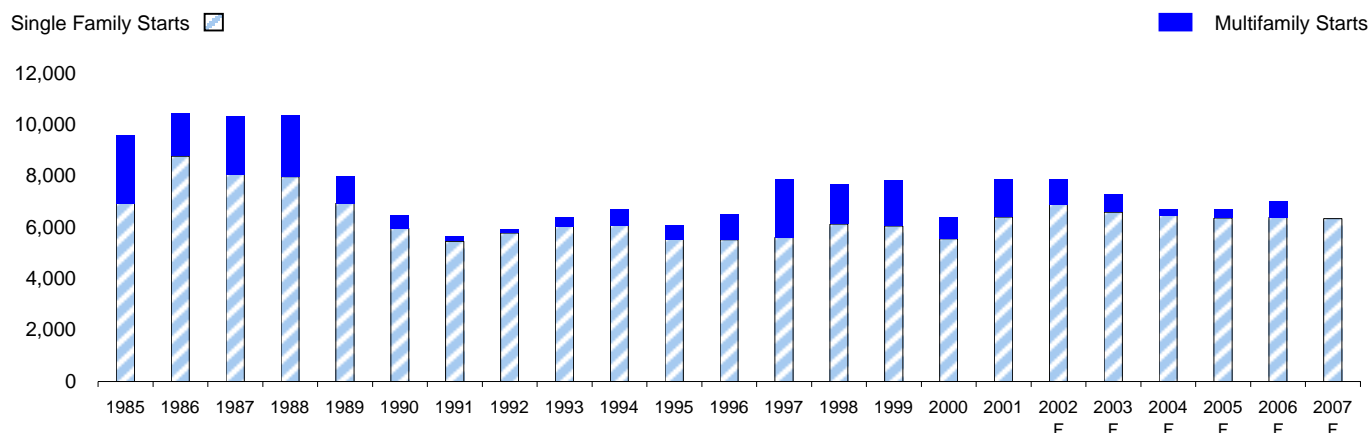


Sources: PPR; McGraw-Hill Construction - Dodge; Smith Travel Research

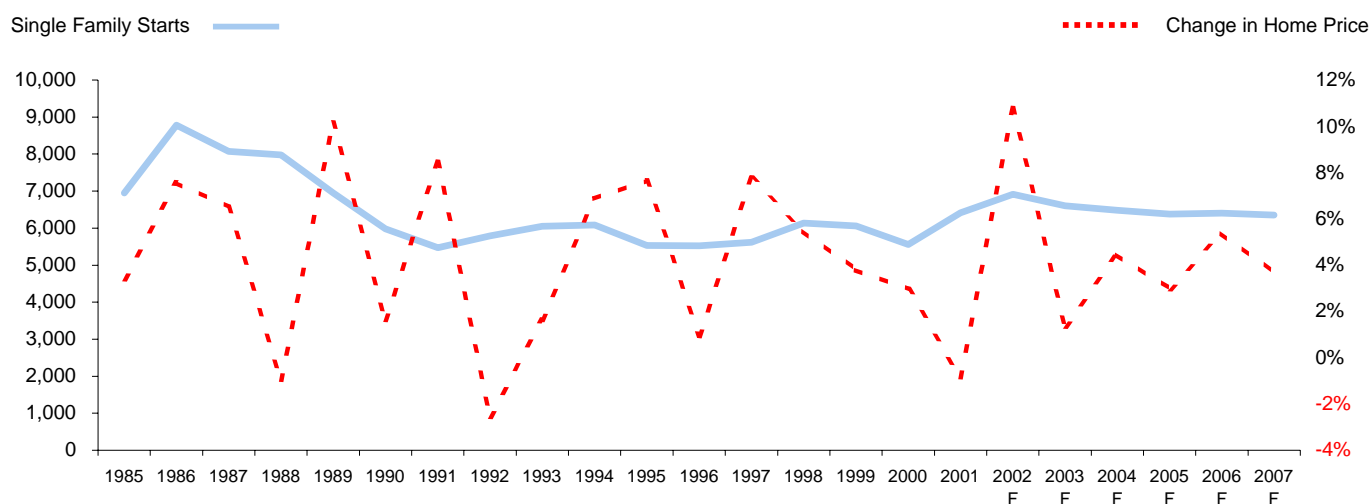
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Single Family

Housing Starts



Single Family Market



Sources: PPR; Economy.com

Single Family Market Statistics

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Starts	5,618	6,136	6,060	5,561	6,414	6,914	6,604	6,479	6,378	6,404	6,354
% Change	1.8%	9.2%	-1.2%	-8.2%	15.3%	7.8%	-4.5%	-1.9%	-1.6%	0.4%	-0.8%
Completions	5,537	5,702	6,309	5,820	5,959	6,762	6,792	6,501	6,369	6,423	6,384

Apartment Market Statistics

Multifamily Starts	2,260	1,530	1,776	833	1,453	987	680	256	338	645	973
% Change	127.8%	-32.3%	16.1%	-53.1%	74.4%	-32.1%	-31.1%	-62.4%	32.0%	90.8%	50.9%
Apartment Completions	1,202	1,778	990	1,453	669	990	1,007	273	190	320	603

RICHMOND

Apartment Projects

Projects

Title	Address	Units	Stage	Target Start	Target Completion
Madison at Spring Oak	4000 Spring Oak Drive, western Henrico County NW Richmond	506	Underway		12/02
The Gardens at Twin Hickory	The Gardens Drive, Metro West NW Richmond	378	Underway	12/01	11/02
Overlook at Brook Run I & II	Metro West NW Richmond	164	Completed		10/01
Riverlofts of Tobacco Row II (Consolidated Building)	2200 East Cary Street Central Core	157	Underway	3/02	6/03
Ashland Woods	Ashland NW Richmond	150	Completed		12/01
Coliseum Lofts	1359 West Broad Street, CBD Central Core	120	Completed		12/01
Chesterfield Gardens Apartments	Old Hundred Road, eastern Chesterfield County SE Richmond	105	Underway	6/02	11/03
Riverview	Archer Avenue, Colonial Heights SW Richmond	88	Underway	11/01	6/03
Grace Place Apartments	400 East Grace Street, CBD Central Core	58	Completed	9/00	11/01
Carriage House	Central Richmond Central Core	40	Completed		12/01

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Office Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Wachovia/First Union (expansion) Tenants: Wachovia/First Union	4340 Innslake Drive, Glen Allen NW Richmond	450	Cancelled		
Power Plant of Richmond	Central Core	209	Proposed		
Windsor Business Park I	8550 Magellan Parkway NE Richmond	182	Completed		8/02
Capital One Campus at West Creek - Bldg. I Tenants: Capital One	West Creek Corporate Center, Goochland County NW Richmond	160	Completed	12/00	3/02
Capital One Campus at West Creek - Bldg. II Tenants: Capital One	West Creek Corporate Center, Goochland County NW Richmond	160	Completed	8/01	6/02
12730 Kingston Avenue Tenants: Liberty Property Trust (owner)	12730 Kingston Avenue NW Richmond	158	Completed		8/01
Capital One Campus at West Creek - Bldg. III Tenants: Capital One	West Creek Corporate Center, Goochland County NW Richmond	156	Underway	7/02	3/03
North Shore Commons Bldg. A	4951 Lake Brook Drive, Glen Allen NW Richmond	116	Completed	9/00	6/01
Turning Basin Building Tenants: First Market Bank	14th and Cary Street, CBD Central Core	92	Completed	9/00	10/01
United Network for Organ Sharing HQ BTS	700 North Fourth Street, Richmond	80	Underway	12/01	1/03

RICHMOND

Retail Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Short Pump Town Center	West Broad Street, Short Pump NW Richmond	1,200	Underway		9/03
Tenants: Nordstrom, Lord & Taylor, Hecht's, Dillards, Abercrombie & Fitch Kids, Ann Taylor, The Body Shop, Pottery Barn					
Fashion Park at Stony Point	Stony Point Parkway, South Richmond SW Richmond	690	Underway	7/02	9/03
Tenants: Dillards, Saks, Galyan's					
Swift Creek	Hull Street Road & Route 288, Chesterfield SE Richmond	300	Underway	5/02	12/02
The Creeks at Virginia Center Commons	9900 Brook Road, Glen Allen NW Richmond	250	Completed	3/01	12/01
Tenants: Circuit City, Dick's Sporting Goods, Barnes & Noble, Michale's, Pier One					
Wal-Mart	near I-95, Ashland NW Richmond	157	Planned		
Tenants: Wal-Mart					
Bermuda Crossroads	corner of Davis Highway & Iron Bridge Road, Chester SW Richmond	145	Completed	6/01	5/02
Tenants: Food Lion, Office Max, Frank's Nursery & Crafts, Ruby Tuesday					
BJ's Wholesale	site at Hanover Square South Shopping Center, Mechanicsville	111	Completed	1/02	6/02
Tenants: BJ's Wholesale					
Wal-Mart #1969 (expansion)	900 Wal-Mart Way, Midlothian SW Richmond	94	Planned		
Tenants: Wal-Mart					
Commonwealth Center II	4501 Commonwealth Center Parkway, Midlothian SW Richmond	92	Completed		11/01
Tenants: Stein Mart, Barnes & Noble, Michael's, Pier One					
Power Plant of Richmond	Browns Island, Richmond Central Core	73	Proposed		

RICHMOND

Warehouse Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Ace Hardware Corporation (Regional Office & Distribution)	Hwy 629, Hopewell SE Richmond	778	Completed	9/00	5/01
Tenants: Panattoni Development Co.					
3-building project	at the Enterchange at Walthall, Chesterfield County NW Richmond	506	Planned		
BTS for Alfa Laval	International Business Park, Henrico County SE Richmond	65	Completed		9/02
Tenants: Alfa Laval					
8831 Park Central Drive	8831 Park Central Drive, Richmond (Henrico County) NE Richmond	60	Completed		1/01
Frito Lay Distribution Center	5500 International Trade Drive, Richmond (Henrico County) SE Richmond	35	Completed	10/00	3/01
American Freightways Warehouse	13301 Grover Court, Chesterfield SW Richmond	35	Completed		3/00
Goodwill Industries (expansion)	6301 Midlothian Turnpike, Richmond (Chesterfield County) SW Richmond	34	Completed	6/01	11/01
West Creek Corporate Center II	Goochland NW Richmond	25	Completed	11/00	6/01
Midpoint Industrial Park I	Goochland County NW Richmond	21	Planned		
Walthall Self Storage Facility	14324 Jefferson Davis Highway, Chester (Chesterfield County) SW Richmond	20	Completed		9/00

RICHMOND

Hotel Projects

Projects

Title	Address	Rooms	Stage	Target Start	Target Completion
Richmond Conf Center & Hotel	1000 Virginia Center Parkway, Richmond (Henrico County)	182	Completed	8/00	7/01
Suburban Lodge Hotel	2407 West Hundred Road, Chesterfield SW Richmond	137	Cancelled		
Courtyard by Marriott	2001 West Hundred Road, Chester SW Richmond	135	Completed		12/01
Homewood Suites by Hilton	5996 Audubon Drive, Richmond (Henrico County) SE Richmond	125	Completed		5/02
Homewood Suites by Hilton	12810 Old Stage Road, Chester SW Richmond	118	Completed		2/02
Brandermill Holiday Inn	Hull Street Road, Chesterfield County NW Richmond	96	Underway		8/03
AmeriSuites Tenants: AmeriSuites	13148 Kingston Avenue, Chester SW Richmond	80	Completed		12/01
Holiday Inn Express Hotel	5679 Boydton Plank Road, Dinwiddie SW Richmond	80	Underway	1/02	11/02
Howard Johnson Hotel	corner of Brook Road & Mountain Road, Glen Allen NW Richmond	36	Planned	2/02	12/02
Sun Suites Extended Stay	Richmond (Henrico County)		Cancelled		