

Office Market Trends Richmond

Grubb & Ellis Research

Third Quarter 2003



The pipeline of space coming back to the market for lease or sale over the next 24 months is substantial and will keep a damper on the speculative construction market.

Large Spaces Abundant

Office vacancy continued to decline in the third quarter, but is poised to lose much of that occupancy gain before the end of the year when Capital One vacates leased buildings in Innsbrook, Forest Office Park and on Westmoreland Street. Those workers will occupy three soon-to-be-completed buildings on their West Creek campus.

Third quarter multi-tenant construction completions included the World Access building (90,000 sf) in the Northwest Quadrant and Canal Crossing (106,000 sf) downtown. The first was all pre-leased, but the second remains two-thirds vacant. There is no suburban speculative construction planned for the immediate future; however, a number of owner/occupant projects are planned or underway, including a 40,000-square-foot expansion by Performance Food Group in West Creek and a 110,000-square-foot building for Virginia Credit Union at Waterford Office Park in Chesterfield. It continues to be a tenant's market with an abundant supply of 5,000 to 10,000-square-foot spaces in Class A buildings and landlords under great pressure to make deals. Larger users have multiple opportunities available to lease or purchase corporate headquarters buildings in great locations and in move-in condition. The newly available Class A buildings will fare better than Class B buildings, some of which have already been vacant for several quarters. Small to mid-size tenants unable to find suitable buildings to purchase for owner/occupancy should consider purchasing a larger building (Class A building in prime locations) while interest rates are still low and leasing the balance of the space, or co-purchasing a building with a similar size user.

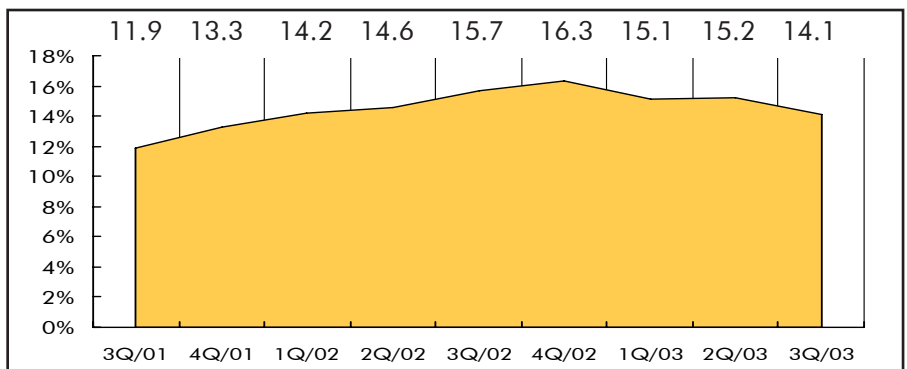
Richmond Office Market Trends

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Richmond Office Vacancy Rate*

* All Classes of Space

Office Market Snapshot Richmond Third Quarter 2003

By Submarket (All Classes)	Total SF(1)	Vacant SF(4)	Vacant %	Net Absorption		Under Construction(2)	Asking Rent(3)	
				Current Qtr.	Year-to-date		Class A	Class B
CBD (Downtown)	6,902,751	1,120,822	16.2%	88,736	114,167	209,000	\$21.70	\$14.52
Northeast	736,674	105,457	14.3%	(10,600)	20,400	-	\$17.50	\$13.63
Northwest	12,270,757	1,435,624	11.7%	294,666	531,491	71,326	\$18.05	\$15.13
Southeast	15,256	-	-	-	-	-	-	-
Southwest	4,757,331	808,663	17.0%	62,401	(78,485)	-	\$17.36	\$13.66
CBD	6,902,751	1,120,822	16.2%	88,736	114,167	209,000	\$21.70	\$14.52
Suburban	17,780,018	2,349,744	13.2%	346,467	473,406	71,326	\$17.78	\$14.94
Total	24,682,769	3,470,566	14.1%	435,203	587,573	280,326	\$19.17	\$14.72
By Class (All Submarkets)							Available for Sublease	
							CBD	Suburban
Class A	12,705,757	1,480,442	11.7%	41,467	141,176	209,000	40,099	245,965
Class B	10,294,090	1,764,736	17.1%	370,970	448,242	71,326	63,550	180,900
Class C	1,682,922	225,388	13.4%	22,766	(1,845)	-	-	2,000
Total	24,682,769	3,470,566	14.1%	435,203	587,573	280,326	103,649	428,865

(1) Inventory includes multi-tenant and single tenant buildings with at least 10,000 sq. ft. Data exclude medical, government and other specialized buildings.

(2) Space under construction includes speculative and build-to-suit for lease projects.

(3) Asking rates are per square foot per year full service. Rates for each building are weighted by the size of the building.

(4) Vacant space includes vacant sublease space.

Inventory: Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

Construction Type: Speculative ("spec") construction is designed to attract tenants likely to be in the market when the project is leasing. Build-to-suit construction is designed for a specific tenant.

Office Building Classifications: Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Office rents are reported as full service where all costs of operation are paid by the landlord up to a base year or expense stop.

Average Weighted Asking Rent: An average market rent where the asking rent for each building in the market is weighted by the building size.

Recent Transactions

Grubb & Ellis | Harrison & Bates is pleased to announce the following office transactions during the third quarter of 2003:

Virginia Credit Union Office Site

18.6-Acre Sale
Waterford
Steve Gentil

CarMax Office Site

130-Acre Sale
West Creek Business Park
Bill Mattox, Steve Gentil

Family Health Center

10,000 SF Sale
7410 Hull Street Road
Ann Malone

Verizon Mid-Atlantic Directory Sales

16,020 SF Lease
Highwoods One
Steve Gentil, Garnett Hall

Virginia Physicians for Women

22,485 SF Lease
10710 Midlothian Tpke
Steve Gentil, Chris Wallace

Honeywell Westover Bldg

31,100 SF Sale
700 S. Sixth Street, Hopewell
Scott Boyers

Featured Listings

Partial Listing of Office Properties Currently Available

Go to www.harrison-bates.com/properties to view all listings including land.

Downtown



Senior Connections Building
24 E. Cary Street **NEW**
7,606 SF
Lease - \$12.50 Full Service
Kit Tyler, Chuck Ellsworth



25 E. Main Street **NEW**
5,000 SF
Sale - \$425,000
Kit Tyler, Chuck Ellsworth



10 E. Franklin Street
2,377 - 6,164 SF
Full Floor Available
Lease - \$13.00 Full Service
Sale - \$1,950,000
Kit Tyler, Chuck Ellsworth



700 Centre
700-718 E. Franklin Street
600 - 25,000 SF
Lease - \$12.00 Full Service
Kit Tyler, Chuck Ellsworth



Financial District
814 E. Main Street
10,413 SF
Sale - \$1,099,000
Lease - \$10.00 NNN
Kit Tyler, Chuck Ellsworth



Turning Basin **NEW**
111 Virginia Street
Sublease
12,502 SF - 5th Fl - \$19.50
6,069 SF - 4th Fl - \$17.50
Scott Boyers



One Capitol Square
830 E. Main Street
500 to 80,873 SF
Lease - \$14.50 Full Service
Kit Tyler, Chuck Ellsworth



Richmond Plaza
110 S. 7th Street
Suites from 693 to 20,377 SF
Lease - \$14.50 Full Service
Kit Tyler, Chuck Ellsworth

Suburban



Commonwealth Centre
5309 Commonwealth Centre
Pkwy
Up to 63,396 SF
Lease - \$16.50 Full Service
John Gentry, Chris Wallace



2325 W. Broad Street
9,000 SF
Sale - \$950,000
Lease - \$12.50 to \$13.50
Scott Boyers, Kit Tyler



Investment Opportunity
1002 Wilmer Ave
4,600 SF
Sale - \$450,000
John Gentry



James River Commons
10045 Midlothian Tpk **Under Contract**
Sale - \$514,560
10047 Midlothian Tpk
Sale - \$365,000
Ann Malone, Andrew Ferguson



Willow Lawn Area
5206 Markel Road
Up to 9,147 SF
Available Now
Sublease - \$12.50 to \$14.00
Scott White, Ann Malone



Innsbrook - Corporate HQ **NEW**
4400 Cox Road
43,000 SF
Lease - \$17.50 Full Service
Scott Boyers, John Gentry



Moorefield I
812 Moorefield Park Drive
3,452 SF
Sublease - \$16.00
Chris Wallace, Garnett Hall



Innslake Center **NEW**
4355 Innslake Drive
65,304 SF
Sublease - \$18.50 Full Service
Steve Gentil

The Office Services Team specializes in all facets of office real estate locally, as well as nationally, through our affiliation with Grubb & Ellis, one of the nation's largest commercial real estate services firms. Clients benefit from the depth of experience and superior market knowledge of these highly trained professionals. Services provided include:

- Acquisition/Disposition Services
- Buyer/Tenant Representation
- Feasibility Studies
- Highest & Best Use/Alternative Use Studies
- Investment Analysis
- Lease Review for Owners & Tenants
- Lease vs. Own Analysis
- Marketing Plans & Services
- Opinions of Value
- Project Management
- Sales-Leasebacks
- Site & Facility Selection
- Strategic Real Estate Planning
- Tax Deferred Exchanges
- Tenant Retention

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Superior Service Through Innovative People
With Traditional Values

Grubb & Ellis Affiliate of the Year



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