

Office Market Trends Richmond

Grubb & Ellis Research

Fourth Quarter 2003



Prospect activity is good at the only speculative office building under construction in the Richmond area.

Confidence Returning

The overall vacancy rate rose predictably at year end as Capital One moved additional employees from leased space to newly completed buildings on its West Creek corporate campus. Notable transactions included the relocation of the Virginia Department of Social Services to 160,000 square feet at the former First Union headquarters, the Hunton & Williams lease renewal for 298,000 square feet at Riverfront Plaza, and the investment sale of Waterford One to Virginia Beach-based Continental Properties. Prospect activity has been good at the Riverside Village project under construction downtown.

Office condos continue to be popular purchase options for smaller general office and medical officer users. Additional projects are planned or underway in Hanover, Henrico and Chesterfield counties. Small downtown office buildings are also popular and demand is pushing their values higher.

If there is a scarcity of any product type, it could be premium Class A space for lease. Lakefront space of 5,000 square feet in a newer Class A building is challenging to find and comes with fewer concessions than Class A- or B alternatives. Average asking rates for Class A space have stabilized and are not likely to push past the \$20 per square foot mark in the foreseeable future.

The sublease inventory continues to decline and is now about half what it was at the high point in the second quarter of 2002.

Richmond Office Market Trends

is a newsletter published quarterly by Grubb & Ellis|Harrison & Bates.

To obtain additional copies or other Grubb & Ellis|Harrison & Bates publications, please contact:

Lynn McDaniel

Vice President - Marketing Services

Grubb & Ellis|Harrison & Bates

830 E. Main Street, 5th Floor

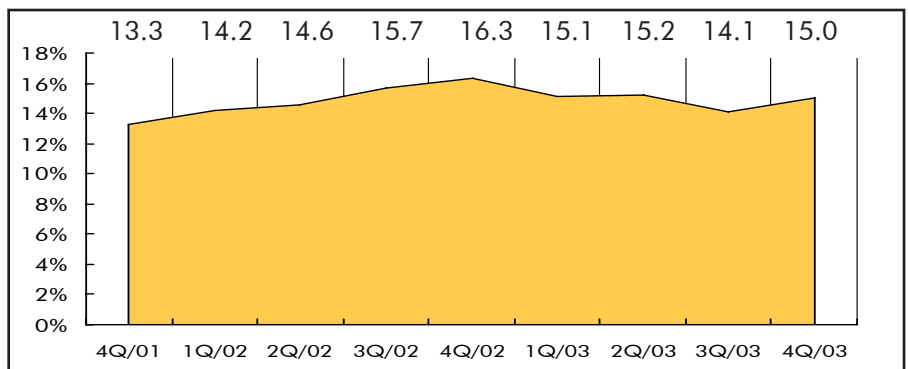
Richmond, VA 23219-2725

Phone: 804.788.1000

E-mail: lynn.mcdaniel@harrison-bates.com

Internet: www.grubb-ellis.com; www.harrison-bates.com

Independently Owned and Operated



Richmond Office Vacancy Rate*

* All Classes of Space

Office Market Snapshot Richmond Fourth 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	1,188,980	17.2%	(68,158)	46,009	209,000	\$21.70	\$14.53
Northeast	736,674	91,116	12.4%	14,341	34,741	-	\$17.50	\$13.08
Northwest	12,270,757	1,621,951	13.2%	(186,327)	345,164	-	\$17.96	\$15.12
Southeast	15,256	-	-	-	-	-	-	-
Southwest	4,757,331	801,982	16.9%	6,681	(71,804)	-	\$17.34	\$13.72
CBD	6,902,751	1,188,980	17.2%	(68,158)	46,009	209,000	\$21.70	\$14.53
Suburban	17,780,018	2,515,049	14.1%	(165,305)	308,101	-	\$17.72	\$14.91
Total	24,682,769	3,704,029	15.0%	(233,463)	354,110	209,000	\$19.19	\$14.72
By Class (All Submarkets)							Available for Sublease	
							CBD	Suburban
Class A	12,705,757	1,455,917	11.5%	24,525	165,701	209,000	71,323	263,794
Class B	10,294,090	2,032,449	19.7%	(267,713)	180,529	-	74,822	53,918
Class C	1,682,922	215,663	12.8%	9,725	7,880	-	-	2,000
Total	24,682,769	3,704,029	15.0%	(233,463)	354,110	209,000	146,145	319,712

(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 10,000 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 fourth quarter of 2003:

<p>Landmark I 19,500 SF Sale 8716-8762 Landmark Road Scott White</p>	<p>Barret House 8,110 SF Sale 15 S. 5th Street Kit Tyler</p>	<p>James River Commons 4,352 SF Sale 10047 Midlothian Turnpike Ann Malone, Kit Tyler, Chris Wallace</p>
<p>Huguenot Place Office Condo 4,000 SF Sale 1670 Huguenot Road Kit Tyler, Chris Wallace</p>	<p>Odell Associates 13,585 SF Lease Two Paragon Place Kit Tyler</p>	<p>Jamestown Dermatology 1,746 SF Lease Two Paragon Place Garnett Hall</p>

Featured Listings

Partial Listing of Office Properties Currently Available

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

Downtown



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

Mid-Town



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



NEW **1532-34 High Street**
14,006 SF
Built out as office
Lease - \$5 - \$7 MGRS
Jim Ashby, Garnett Hall



NEW **Daniel Building**
3805 Cutshaw Avenue
460 - 2,703 SF
Lease - \$13.75 - \$14.50
Scott White, Scott Boyers

Suburban



Commonwealth Centre
5309 Commonwealth Centre
Pkwy
Up to 52,836 SF
Lease - \$16.50 Full Service
John Gentry, Chris Wallace



NEW **Richmond Healthcare Group**
1000 Boulders Parkway
18,500 to 37,000 SF
Office/Medical
Lease - \$15.50 Full Service
Chris Wallace



NEW **Midlothian/Chippenham Area**
6710 Everglades Drive
8,616 SF Office
Sublease - \$5.00 NNN
Chris Wallace, David Williams



Salisbury West Office Park
1300 Wylderose Dr
New Construction
5,000 SF Available
Lease - \$16.50 Full Service
Scott White



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



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

Freestanding Former Branch Bank Buildings Available Chesterfield

11900 Chester Village Drive
4,120 SF - \$949,000
11001 Hull Street Road
2,754 SF - \$912,000
13644 Hull Street Road
3,383 SF - \$1,116,000
2501 W Hundred Road
1,800 SF - Ground Lease

Hanover

6127 Mechanicsville Tpke
3,061 SF - \$1,000,000
703 England Street
5,300 SF - \$1,510,000

Henrico

8044 W Broad Street
3,101 SF - \$912,000
5900 Brook Road
3,051 SF - \$936,000
2300 Hungary Road
2,392 SF - \$712,000
4798 S Laburnum Ave
2,844 SF - \$870,000
4802 S Laburnum Avenue
2,509 SF - \$450,000
4851 S Laburnum Avenue
2,509 SF - \$875,500
1794 N Parham Road
4,560 SF - Ground Lease
9012 Three Chopt Road
1,555 SF - \$396,000

Colonial Heights

2208 Boulevard
1,706 SF - \$408,000

Petersburg

1883 S Crater Road
1,719 SF - \$179,000

Bill Mattox, Steve Gentil,
Chris Wallace, Garnett Hall

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

Scott Boyers
Senior Associate
804.788.1000 ext 272
scott.boyers@harrison-bates.com



Chuck Ellsworth
Senior Associate
804.788.1000 ext 257
chuck.ellsworth@harrison-bates.com



Garnett Hall
Associate
804.788.1000 ext 243
garnett.hall@harrison-bates.com



Steve Gentil, SIOR, CCIM
Senior Vice President
804.788.1000 ext 283
steve.gentil@harrison-bates.com



John Gentry
Senior Vice President
804.788.1000 ext 276
john.gentry@harrison-bates.com



Ann Malone
Associate
804.788.1000 ext 324
ann.malone@harrison-bates.com



Kit Tyler, SIOR
Senior Vice President
804.788.1000 ext 282
kit.tyler@harrison-bates.com



Chris Wallace
Associate
804.788.1000 ext 306
chris.wallace@harrison-bates.com



Scott White, SIOR, CCIM
Vice President
804.788.1000 ext 271
scott.white@harrison-bates.com



Individual Memberships In:
Society of Industrial & Office Realtors (SIOR)
Certified Commercial Investment Member (CCIM)

Superior Service Through Innovative People
With Traditional Values

Grubb & Ellis Affiliate of the Year



Harrison & Bates Incorporated
One Capitol Square
830 E. Main Street, 5th Floor
Richmond, VA 23219-2725
Independently Owned and Operated

Richmond
Office Market Trends
4th Quarter 2003