

# Office Market Trends Richmond

Grubb & Ellis Research

First Quarter 2004



*The office condominium sector is growing, but remains a statistically small portion of the overall office market. About 80,000 square feet was completed in the first quarter.*

## Continued Improvement

There are not enough small office buildings for sale to meet the demand of potential owner occupants. Office condo development has stepped in to meet that demand and units continue to sell briskly. New developments are planned or under way in all of the suburban sub-markets.

Major bank consolidations resulted in an excess of branches throughout the area, but small community banks are in a growth mode and snapping up available branches in the best locations. Growth sectors for office are in the medical and finance sectors, although we have yet to see any net new space for Wachovia - only re-stacking of existing workers.

Recent office lease transactions include 27,000 square feet to Harris Williams & Company at Riverside Village under construction downtown, 25,000 square feet lease to Philip Morris at Moorefield Commons in the Southwest Quadrant, and 30,000 square feet to Berkeley Insurance at Highwoods V in the Northwest Quadrant. In other developments, Cavalier Telephone's purchase of Dominion's telecom business resulted in removal of Dominion Telecom's 60,000 square foot sublease space in Innsbrook from available inventory.

Opportunities exist to sell small office buildings and condos, as well as to convert existing office or flex buildings to office or flex condos for sale. Challenges exist for owners of Class B office buildings as that sub-type continues to languish. Those owners are advised to offer concessions to keep their occupancies as high as possible.

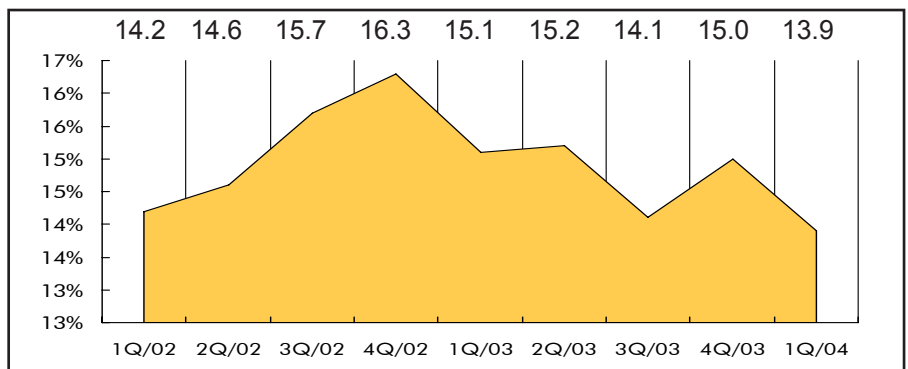
### Richmond Office Market Trends

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](mailto:lynn.mcdaniel@harrison-bates.com)  
Internet: [www.grubb-ellis.com](http://www.grubb-ellis.com); [www.harrison-bates.com](http://www.harrison-bates.com)

Independently Owned and Operated



Richmond Office Vacancy Rate\*

\* All Classes of Space

## Office Market Snapshot Richmond First Quarter 2004

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)	7,040,079	1,184,721	16.8%	9,106	9,106	209,000	\$21.70	\$14.47
Northeast	736,674	91,116	12.4%	-	-	-	\$17.50	\$12.99
Northwest	12,673,294	1,605,190	12.7%	25,233	25,233	7,000	\$17.86	\$15.00
Southwest	4,565,980	592,788	13.0%	82,994	82,994	-	\$17.16	\$13.31
<b>CBD</b>	<b>7,040,079</b>	<b>1,184,721</b>	<b>16.8%</b>	<b>9,106</b>	<b>9,106</b>	<b>209,000</b>	<b>\$21.70</b>	<b>\$14.47</b>
<b>Suburban</b>	<b>17,975,948</b>	<b>2,289,094</b>	<b>12.7%</b>	<b>108,227</b>	<b>108,227</b>	<b>7,000</b>	<b>\$17.60</b>	<b>\$14.77</b>
<b>Total</b>	<b>25,016,027</b>	<b>3,473,815</b>	<b>13.9%</b>	<b>117,333</b>	<b>117,333</b>	<b>216,000</b>	<b>\$19.09</b>	<b>\$14.62</b>
By Class (All Submarkets)							Available for Sublease	
							CBD	Suburban
Class A	12,707,255	1,284,343	10.1%	173,072	173,072	209,000	79,581	202,269
Class B	10,670,976	1,978,689	18.5%	(60,619)	(60,619)	7,000	71,709	57,736
Class C	1,637,796	210,783	12.9%	4,880	4,880	-	-	-
<b>Total</b>	<b>25,016,027</b>	<b>3,473,815</b>	<b>13.9%</b>	<b>117,333</b>	<b>117,333</b>	<b>216,000</b>	<b>151,290</b>	<b>260,005</b>

(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 first quarter of 2004:

<p><b>U. S. Historical Society Bldg</b> 5,000 SF Sale 25 E. Main Street Kit Tyler, Chuck Ellsworth</p>	<p><b>Harris Williams &amp; Company</b> 27,418 SF Lease Riverside Village Scott Boyers</p>	<p><b>C &amp; R Specialists Ltd</b> 5,150 SF Lease Richmond Medical Commons Chris Wallace</p>
<p><b>Schwarzchild Building</b> 14,500 SF Sale 119-123 E. Broad Street Scott Boyers</p>	<p><b>Former First Virginia Bank</b> 2,509 SF Sale 4802 S. Laburnum Avenue Bill Mattox, Steve Gentil</p>	<p><b>Encore Credit Corporation</b> 25,000 SF Lease Highwoods V Kit Tyler, Chris Wallace</p>

# Featured Listings

Partial Listing of Office Properties Currently Available

Go to [www.harrison-bates.com/properties](http://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**  
3,031 - 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



**NEW** **First Floor Suite**  
2119 E. Franklin Street  
1,233 SF  
Lease - \$14.60 Full Service  
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** **Medical Office**  
5855 Breomo Road  
5,200 SF  
Lease - \$21.50 Full Service  
Chuck Ellsworth, Garnett Hall



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



**NEW** **Carytown Area**  
21 S. Sheppard Street  
2,880 SF  
Sale - \$365,000  
Scott White

## Suburban



**NEW** **Innsbrook**  
4136 Innslake Drive  
5,000 SF  
Lease - \$16.00 Full Service  
Ann Malone



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



**Under Contract**  
**Whitlock Building**  
4120 Cox Road  
15,017 SF  
Sale - \$2,100,000  
John Gentry, Lee Hilbert



**NEW** **Woodland Building**  
8157 Old Cavalry Drive  
520 - 4,100 SF  
Lease - \$12-13 Full Service  
Scott White



**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



**NEW**  
4660 S. Laburnum Avenue  
8,818 SF  
Sale - \$929,000  
Includes 1.165 ac adjacent  
Kit Tyler, Chris Wallace

### Freestanding Former Branch Bank Buildings Henrico

4851 S Laburnum Avenue  
2,509 SF - \$875,500  
1794 N Parham Road  
4,560 SF - Ground Lease  
Bill Mattox, Steve Gentil,  
Garnett Hall

Grubb & Ellis | Harrison & Bates Office Services Team

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

2003 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  
1st Quarter 2004