

# Office Market Trends Richmond

Grubb & Ellis Research

Third Quarter 2004



*Large blocks of space are readily available, both downtown and in the suburbs.*

## Leasing Challenges Ahead

The downtown sub-market showed good leasing activity on the Franklin Street corridor, as well as at the under-construction Riverside on the James where only two floors remain to be leased. However, the exodus from Class B buildings on Main Street combined with short term leases with government agencies planning future relocations to rehabbed state-owned buildings pose problems for landlords.

RER Equities, in a joint venture with New Boston Fund, purchased the 425,000-square-foot former Capital One operations center on West Broad Street for \$16 million. Capital One expects to fully vacate this facility by the end of 2005. Other large suburban blocks available now or anticipated include: 30,000 square feet of direct lease space and 80,000 square feet of sublease space at Holland Park vacated by Anthem; 120,000 square feet in Innsbrook to be vacated by CarMax in the 4th quarter of 2005; and 176,000 square feet at Deep Run to be vacated by Circuit City.

Third quarter construction starts included a 110,000-square-foot build-to-suit for Saxon Mortgage on a 9.5-acre site in Innsbrook, the 435,000-square foot CarMax headquarters in West Creek, and the 160,000-square-foot Owens & Minor headquarters at Atlee Station. In speculative development for lease, Independence Park, a 120,000-square-foot medical park is under way at I-64 and Gaskins Road.

Nearly 225,000 square feet of office condo space was constructed in the last four years, and another 332,000 square feet is in the construction pipeline. Demand should remain strong until a drop in lease rates coincides with increases in construction and financing costs, making them less financially appealing to buyers.

### 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

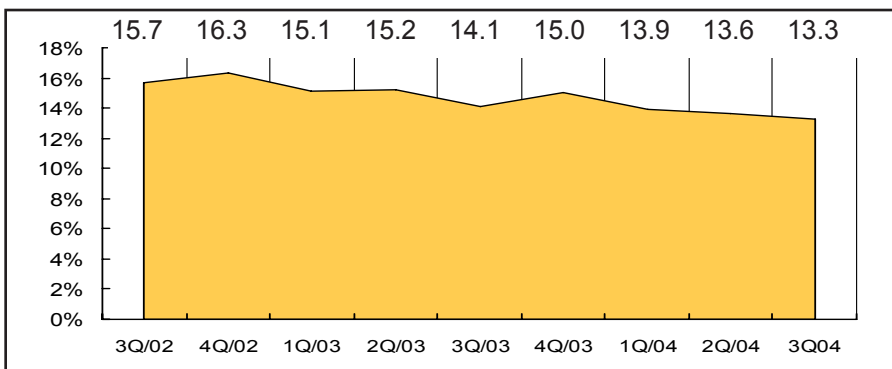
Richmond, VA 23219-2725

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 Third 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	1,210,446	17.2%	(68,673)	(16,619)	230,000	\$22.03	\$14.46
Northeast	736,674	69,522	9.4%	11,841	21,594	-	\$17.50	\$13.45
Northwest	12,704,543	1,439,282	11.3%	114,154	202,383	115,000	\$17.88	\$15.23
Southwest	4,575,980	614,197	13.4%	26,363	71,585	0	\$17.25	\$13.44
<b>CBD</b>	<b>7,040,079</b>	<b>1,210,446</b>	<b>17.2%</b>	<b>(68,673)</b>	<b>(16,619)</b>	<b>230,000</b>	<b>\$22.03</b>	<b>\$14.46</b>
<b>Suburban</b>	<b>18,017,197</b>	<b>2,123,001</b>	<b>11.8%</b>	<b>152,358</b>	<b>295,562</b>	<b>115,000</b>	<b>\$17.62</b>	<b>\$15.03</b>
<b>Total</b>	<b>25,057,276</b>	<b>3,333,447</b>	<b>13.3%</b>	<b>83,685</b>	<b>278,943</b>	<b>345,000</b>	<b>\$19.29</b>	<b>\$14.74</b>
By Class (All Submarkets)							Available for Sublease	
							CBD	Suburban
Class A	12,707,255	1,134,625	8.9%	138,591	322,032	345,000	76,656	175,170
Class B	10,712,225	1,950,484	18.2%	(39,163)	(10,414)	-	57,921	19,557
Class C	1,637,796	248,338	15.2%	(15,743)	(32,675)	-	-	-
<b>Total</b>	<b>25,057,276</b>	<b>3,333,447</b>	<b>13.3%</b>	<b>83,685</b>	<b>278,943</b>	<b>345,000</b>	<b>134,577</b>	<b>194,727</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.

### Editor's Note:

There are two large office buildings in the NWQ that do not meet G&E research standards for inclusion in our statistics at this time, however they are being offered for lease to prospective tenants and are impacting market conditions. When those buildings are included in the calculations, the total office vacancy rises to 15.3%.

## Recent Transactions

Grubb & Ellis | Harrison & Bates is pleased to announce the following office transactions during the third quarter of 2004:

**Page Building**  
21,888 SF Sale  
8000 Franklin Farms Drive  
Kit Tyler, Chris Wallace

**Apex Systems, Inc.**  
21,288 SF Lease  
**New York Life Insurance**  
14,740 SF Lease  
4400 Cox Road  
John Gentry, Scott Boyers

**Michael Joyce & Associates PC**  
2,599 SF Lease  
The Park at Stony Point I  
Scott White

**11900 Chester Village Drive**  
**9012 Three Chopt Road**  
Former BB&T Branch Bank Sales  
Bill Mattox, Steve Gentil,  
Chris Wallace, Garnett Hall

**110 Old Bermuda Hundred Rd**  
4,545 SF Sale  
Ann Malone

**Career Concepts of Virginia**  
13,389 SF Lease  
700 Centre  
Kit Tyler, Chuck Ellsworth

# 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



**NEW** Theatre Row  
730 E. Broad Street  
166,000 SF  
Lease \$15 - \$15.50 Full Svs  
Kit Tyler, Scott Boyers



**NEW** Federal Reserve Building  
701 E. Byrd Street  
Up to 41,000 SF  
High Security, Levels B & C  
Lease - \$14.00  
Kit Tyler



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



**NEW** Redevelopment Opportunity  
603 - 630 N. 2nd Street  
Several parcels,  
some with improvements  
Make Offer!  
Scott Boyers

## Mid-Town



One Capitol Square  
830 E. Main Street  
Suites from 500 SF and Up  
Lease - \$14.50 Full Service  
Kit Tyler, Chuck Ellsworth



Richmond Plaza  
110 S. 7th Street  
Suites from 200 to 20,000 SF  
Lease - \$14.50 Full Service  
Kit Tyler, Chuck Ellsworth



**NEW** Interstate Business Park  
3601-3721 Saunders Ave  
Flex Suites from 1,350 SF  
to 5,610 SF  
Lease - \$9.00 NNN  
John Gentry, Chris Wallace



Medical Office  
5855 Breomo Road  
5,200 SF  
Lease - \$21.50 Full Service  
Chuck Ellsworth, Garnett Hall

## Suburban



**NEW** Broad & Parham Area  
7800 Carousel Lane  
Up to 58,450 SF  
Lease - \$15.00 Full Service  
John Gentry, Chris Wallace



**NEW** Innsbrook  
4224 Cox Road  
Up to 37,100 SF  
Lease - \$17.00 Full Service  
John Gentry, Chris Wallace



**NEW** Hungary Spring Office Park  
Shrader Road @ Hungary  
Spring Road  
Ground floor suites from  
3,000 to 5,000 SF  
Lease - \$13.50 Full Service  
John Gentry, Chris Wallace



**NEW** Moorefield VI  
620 Moorefield Park Drive  
Suites from 447 SF to 5,761 SF  
Lease - \$15.00 Full Service  
John Gentry, Chris Wallace



**NEW** Innsbrook Place  
5020 Sadler Place  
Up to 29,500 SF  
Lease - \$17.00 Full Svs  
John Gentry, Chris Wallace



Boulders - Medical/Office  
1000 Boulders Pkwy  
18,500 - 37,000 SF  
Lease - \$15.50 Full Svs  
Steve Gentil, Chris Wallace



**NEW** Windsor Executive Center  
711 N. Courthouse Rd  
9,072 SF  
Sale - \$900,000  
Lease - \$14.75 Full Svs  
Scott White, Chris Wallace,  
Morrie Piersol



Phoenix Business Center  
701 W. Hundred Road  
3,000 - 17,000 SF  
Office/Medical/R&D  
Lease - \$14.50 Full Service  
Chris Wallace, Andrew  
Ferguson

## 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  
3rd Quarter 2004