

Office Market Trends Richmond

Grubb & Ellis Research

Fourth Quarter 2004



A tenant's market prevails, especially for small-to-medium sized users needing 5,000 to 7,000 square feet.

Oversupply of Class B

Richmond's overall office vacancy improved further in the fourth quarter, but there were wide variations within submarkets and product types. The downtown Class B submarket received some good news when BB&T decided to renew their current leases at the First National Bank and Mutual buildings. Relocation by this large tenant would have further weakened an already soft Class B submarket.

While some well-located office condo projects, such as Harbour Pointe, have enjoyed success, other planned projects have failed to pre-sell enough units to start construction. This may be an indication that the office condo market is approaching saturation. If interest rates rise dramatically, developers of condo projects in various stages of development would face additional challenges in selling units.

Asking rental rates remained steady with the most generous concessions being offered on Class B product. There are great opportunities for Class B tenants to strike a favorable lease or to purchase a building. With the exception of the Southwest Quadrant, the Class A market is becoming tight in all areas with a shortage of spaces 15,000 square feet and up, creating challenges for larger users.

Transactions included the sale of two buildings in the Forest Office Park, one to an owner occupant and the other (fully leased single tenant) to a local investor.

2005 should see flat lease rates and good opportunities for investment sellers in Class A; declining lease rates and increased concessions in Class B; and a modest amount of speculative construction for lease.

Richmond Office Market Trends

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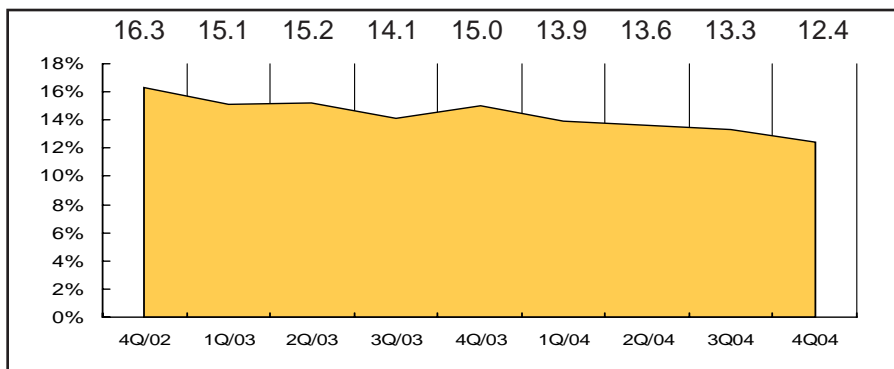
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Richmond Office Vacancy Rate*

* All Classes of Space

Office Market Snapshot Richmond Fourth 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	1,133,842	16.1%	76,604	59,985	230,000	\$22.03	\$14.47
Northeast	736,674	56,324	7.6%	13,198	34,792	-	-	\$13.45
Northwest	12,694,143	1,357,233	10.7%	82,049	284,432	115,000	\$17.93	\$15.18
Southwest	4,575,980	550,449	12.0%	63,748	135,333	-	\$17.18	\$14.47
CBD	7,040,079	1,133,842	16.1%	76,604	59,985	230,000	\$22.03	\$14.47
Suburban	18,006,797	1,964,006	10.9%	158,995	454,557	115,000	\$17.64	\$15.06
Total	25,046,876	3,097,848	12.4%	235,599	514,542	345,000	\$19.29	\$14.76
By Class (All Submarkets)							Available for Sublease	
							CBD	Suburban
Class A	12,707,255	1,029,103	8.1%	105,522	427,554	345,000	52,897	178,385
Class B	10,701,825	1,830,280	17.1%	120,204	109,790	-	70,726	98,357
Class C	1,637,796	238,465	14.6%	9,873	(22,802)	-	-	-
Total	25,046,876	3,097,848	12.4%	235,599	514,542	345,000	123,623	276,742

(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 14.7%.

Recent Transactions

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

Forest Office Park

53,970 SF Sale
8006 Discovery Drive
Steve Gentil, Chuck Ellsworth

Housing Opportunities Made Equal

18,474 SF Lease
700 Centre
Kit Tyler, Chuck Ellsworth

Harrison & Bates Incorporated

13,928 SF Lease
6606 W. Broad Street
John Gentry

Dermatology Associates of VA

6,022 SF Lease
Fairfax Building
John Gentry

109 E. Cary Street

7,449 SF Sale
Scott Boyers

816 E. Main Street

13,200 SF Sale
Scott Boyers, Jason Hetherington,
Kit Tyler, Chuck Ellsworth

Featured Listings

Partial Listing of Office Properties Currently Available

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

Downtown



NEW
 Metro Chamber Building
 201 E. Franklin Street
 21,409 SF
 Sale - \$1,750,000
 Kit Tyler



Federal Reserve Building
 701 E. Byrd Street
 Up to 41,000 SF
 High Security, Levels B & C
 Lease - \$14.50
 Kit Tyler



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



10 E. Franklin Street
 30,957 SF
 Investment Sale - \$1,950,000
 One suite available for lease
 3,031 SF - \$13 Full Service
 Kit Tyler, Chuck Ellsworth

Suburban



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



NEW
 3401 Cutshaw Avenue
 2,500 SF
 Sale - \$325,000
 Scott White, Garnett Hall



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



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



NEW
 Southern States Building
 6606 W. Broad Street
 Up to 23,632 SF
 Lease - \$16.50 Full Service
 John Gentry, Garnett Hall



NEW
 Forest Office Park
 8000 Franklin Farms Drive
 Up to 7,000 SF
 Lease - \$15.50
 Kit Tyler, Chris Wallace



NEW
 Investment Opportunity
 ITT Educational Services
 300 Gateway Centre Pkwy
 Leased - Single Tenant
 Sale - \$3,200,000
 Kit Tyler, Chris Wallace



NEW
 Former Bank HQ & Branch
 9401-9403 W. Broad Street
 11,514 SF
 Sale - \$2,200,000
 Steve Gentil, Bill Mattox



Moorefield VI
 620 Moorefield Park Drive
 Suites from 911 to 5,761 SF
 Lease - \$15.50 Full Service
 John Gentry, Chris Wallace



Boulders - Medical/Office
 1000 Boulders Pkwy
 18,500 - 37,000 SF
 Sale - \$2,960,000
 Lease - \$15.50 Full Svcs
 Steve Gentil, Chris Wallace



NEW
 Southport Office Condo
 400 Southlake Blvd
 Unit K
 1,180 SF
 Sale - \$130,000
 Scott White



NEW
 Henrico Doctors Hospital
 7605 Forest Avenue
 Suite 412
 1,325 SF Office Condo
 Sale - \$250,000
 Chris Wallace, Garnett Hall,
 Chuck Ellsworth

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:

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- 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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