

# Office Market Trends Richmond

Grubb & Ellis Research  
Second Quarter 2005



## Sales Drive Market Activity

*The downtown submarket saw the completion of the first multi-tenant office tower in 15 years as tenants moved into the 230,000-square-foot Riverside Village. Relocation of Troutman Saunders from the NationsBank building contributed to pushing downtown Class B vacancy to 29 percent.*

The recent trend for large corporate users to build and occupy their own headquarters or corporate campus put pressure on the multi-tenant suburban lease market as large blocks of space came back to landlords to re-lease. At the same time, the trend of small tenants purchasing their own buildings or office condos also robbed occupants from the buildings on which our statistics are reported. While the overall office market showed solid growth in the last two years, most of that growth was owner-built construction and speculative office condos for sale, neither of which are reported in our statistics. Increased vacancy and weak absorption in multi-tenant properties is the consequence.

With little new speculative construction, prospects enjoyed a good supply of second generation space possibilities and much of that space in the best locations was backfilled. An example is the Philip Morris 209,000-square-foot lease at Westmark I, vacated by Capital One. That dynamic is likely to change soon as area developers start a new cycle of construction. Westerre III (77,000 sf) is under construction, the planned Paragon III (50,000 sf) is 50 percent pre-leased, and Commonwealth Centre II is planned. West Creek Associates is master-planning an office site in West Creek that would include Class A buildings with footprints of 150,000 square feet. When this new supply of Class A space delivers, it may be more difficult to persuade prospects to consider the second generation spaces.

Q2 saw a number of investment transfers, including the sale of Riverfront Plaza to a German investment fund for a record \$274 per square foot. New institutional owners in the market include Lexington Corporate Properties Trust who picked up the Alstom Power Building and the three East Shore Buildings, currently leased to Capital One. Liberty Property expanded their Richmond office portfolio with the purchase of Boulders I, II and III.

### Richmond Office Market Trends

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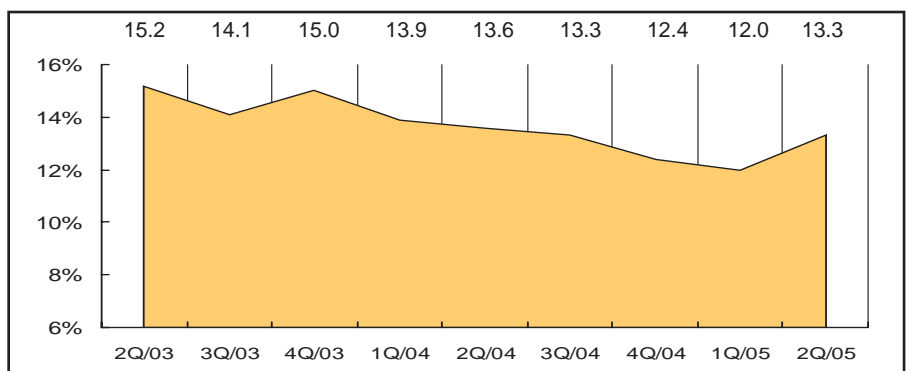
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Office Vacancy Rate\*

\* All Classes of Space

## Office Market Snapshot Richmond Second Quarter 2005

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)	7,272,079	1,216,352	16.7%	119,465	147,490	-	\$21.91	\$14.86
Northeast	718,606	84,597	11.8%	(18,356)	(28,273)	-	-	\$15.95
Northwest	12,781,528	1,532,055	12.0%	(149,489)	(86,822)	192,708	\$18.36	\$14.98
Southwest	4,577,636	548,492	12.0%	(83,294)	3,613	-	\$17.66	\$15.32
CBD	7,272,079	1,216,352	16.7%	119,465	147,490	-	\$21.91	\$14.86
Suburban	18,077,770	2,165,144	12.0%	(251,139)	(111,482)	192,708	\$18.10	\$15.08
<b>Total</b>	<b>25,349,849</b>	<b>3,381,496</b>	<b>13.3%</b>	<b>(131,674)</b>	<b>36,008</b>	<b>192,708</b>	<b>\$19.44</b>	<b>\$14.98</b>
By Class (All Submarkets)							Available for Sublease	
							CBD	Suburban
Class A	12,435,059	1,206,183	9.7%	38,884	80,324	192,708	54,052	142,446
Class B	11,286,522	1,960,492	17.4%	(150,619)	(68,932)	-	41,506	92,202
Class C	1,628,268	214,821	13.2%	(19,939)	24,616	-	-	-
<b>Total</b>	<b>25,349,849</b>	<b>3,381,496</b>	<b>13.3%</b>	<b>(131,674)</b>	<b>36,008</b>	<b>192,708</b>	<b>95,558</b>	<b>234,648</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 both direct and 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 second quarter of 2005:

<p><b>Apex Building</b> 43,000 SF Investment Sale 4400 Cox Road John Gentry, Mike Lowry, Lee Hilbert, Scott Boyers</p>	<p><b>Metro Chamber Building</b> 21,409 SF Sale 201 E. Franklin Street Kit Tyler</p>	<p><b>Former Bank HQ &amp; Branch</b> 11,514 SF Sale 9401 W. Broad Street Steve Gentil, Bill Mattox</p>
<p><b>Former Consumer Credit Counselors Building</b> 8,818 SF Sale 4660 S. Laburnum Avenue Kit Tyler, Chris Wallace</p>	<p><b>Lee Medical Building</b> 32,724 SF Investment Sale 1805 Monument Avenue Ann Malone</p>	<p><b>Metropolitan Life Insurance Co.</b> 11,391 SF Lease 6600 W. Broad Street Garnett Hall</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



**NEW** Canal Crossing  
101-115 S 15th St  
Up to 30,834 SF  
Entire 3rd, 4th, 5th Floors  
+ Basement Storage  
Sublease - \$18.00 Full Svcs  
Scott Boyers



Federal Reserve Building  
701 E. Byrd Street  
Up to 41,000 SF on  
High Security, Levels B & C  
Entire 18th Floor - 19,355 SF  
Kit Tyler, Chuck Ellsworth



**NEW** 306 E Main St  
5,894 SF - Sale \$530,000  
9 N 3rd St  
13,828 SF - Sale \$895,000  
Kit Tyler, Chuck Ellsworth



**NEW** One Monument Avenue  
413-421 Stuart Circle  
Up to 20,000 SF  
Lease - \$15 to \$16  
Scott Boyers, Kit Tyler

## Suburban



**NEW** Mechanicsville  
8149 Walnut Grove Rd  
46,598 SF + 4,560 SF  
Basement on 10.54 Acres  
Sale - \$3,000,000  
Steve Gentil, Garnett Hall



Medical Society of Virginia  
2924 Emerywood Pkwy  
3,000 to 18,000 SF  
Lease - \$16.75 Full Service  
John Gentry, Garnett Hall



Innsbrook  
4224 Cox Road  
Up to 37,100 SF  
Lease - \$17.50 Full Svcs  
John Gentry, Chris Wallace



Broad & Parham Area  
7800 Carousel Lane  
Up to 58,450 SF  
Lease - \$15.50 Full Service  
John Gentry, Chris Wallace



**NEW** 2505 Pocoshock Place  
Suites from 716 SF  
Lease  
Chris Wallace, Scott White



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



**NEW** Lakeside Area  
5400 Byrdhill Road  
For Lease  
2,000 SF Whse - \$7.50  
1,200 SF Office - \$13.75  
Scott White, Garnett Hall



**Enterprise Zone**  
Aspen Park Office Condos  
Staples Mill Road  
Units from 2,125 - 6,000 SF  
Sale - \$120 to \$125 PSF  
John Gentry, Zac Frederick



**NEW** Willow Lawn Area  
5204 Patterson Avenue  
980 - 2,450 SF  
Lease - \$14.00 - \$20.00  
Scott White, Garnett Hall



**NEW** Branchway Business Center  
11311 Business Center Dr.  
Suite B - 2,150 SF  
(1,750 office/400 warehouse)  
Dock loading  
Lease - \$10.75  
Ann Malone, Lewis Little, Jr.

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- 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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