

Office Market Trends Richmond

Grubb & Ellis Research
Fourth Quarter 2005



Economic engines for downtown and suburban growth include Virginia Commonwealth University and Philip Morris USA.

Q4 Sees Flurry of Activity

The downtown submarket secured several major transactions in the final quarter of 2005. Most noteworthy was the investment sale of both the three-building James Center complex for \$185 million (\$187/sf), as well as the sale of the recently completed Riverside on the James for \$85 million. Leasing activity downtown included the relocation and consolidation of Marsh Mercer to 53,511 square feet at James Center. The Hirschler Fleisher law firm announced that it would relocate in late 2006 from the Federal Reserve building to 67,334 square feet at the Edgeworth Building in Shockoe Bottom. Leasing activity was good at Theatre Row where the Richmond Department of Public Works took 44,098 square feet and VCU took 11,489 square feet. In suburban activity, CarMax occupied their new 250,000-square-foot headquarters in West Creek; a two-story building in Innsbrook formerly occupied by Capital One Technology Center sold to a user for \$108 per square foot; and Triple Net Properties LLC entered the market with a portfolio purchase of five Class B buildings in the Forest Office Park for an average price of \$93 per square foot.

Speculative multi-tenant suburban office construction picked up some momentum. Westerre III (77,708 sf) is nearly complete and is all spec. Both Paragon III (75,000 sf) and Stony Point IV (103,816 sf) started construction with some pre-leasing, and a 100,000-square-foot building is proposed for West Creek with ground breaking anticipated by early 2007.

Challenges lie ahead for portions of the southwest quadrant where Gateway Office Park will lose both LandAmerica (120,000 sf) and Philip Morris (75,000 sf) to relocations to the northwest quadrant, and The Boulders has a major tenant (100,000 sf) up for renewal. Owners of Class B buildings downtown will continue to struggle with high vacancy. Leases will be signed, but landlords will need to be flexible to fill those spaces. Finally, the increasingly high cost of tenant build-out will challenge landlords for the foreseeable future.

Richmond Office Market Trends

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Lynn McDaniel

Vice President - Marketing Services
E-mail: lynn.mcdaniel@harrison-bates.com

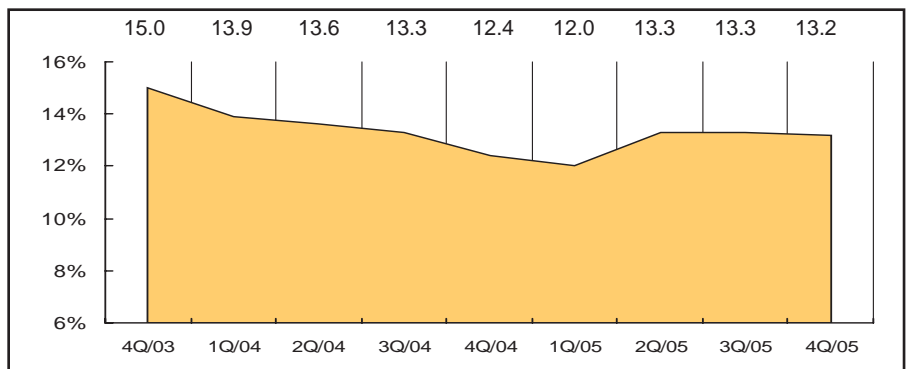
Grubb & Ellis|Harrison & Bates
6606 W. Broad Street, Suite 400
PO Box 11027

Richmond, VA 23230-1027

Phone: 804.788.1000

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

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Office Vacancy Rate*

* All Classes of Space

Office Market Snapshot Richmond Fourth 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	1,239,980	17.1%	23,075	123,862	-	\$23.65	\$14.91
Northeast	718,606	72,299	10.1%	8,884	(15,975)	-	-	\$16.02
Northwest	12,899,970	1,557,296	12.1%	(60,808)	91,937	152,708	\$18.41	\$15.58
Southwest	4,577,636	503,168	11.0%	41,424	437	103,816	\$17.85	\$15.55
CBD	7,272,079	1,239,980	17.1%	23,075	123,862	-	\$23.65	\$14.91
Suburban	18,196,212	2,132,763	11.7%	(10,500)	76,399	256,524	\$18.21	\$15.59
Total	25,468,291	3,372,743	13.2%	12,575	200,261	256,524	\$20.46	\$15.31
By Class (All Submarkets)							Available for Sublease	
							CBD	Suburban
Class A	12,551,074	1,176,327	9.4%	59,647	265,680	256,524	70,720	201,557
Class B	11,288,949	2,005,281	17.8%	(56,722)	(113,721)	-	35,453	34,910
Class C	1,628,268	191,135	11.7%	9,650	48,302	-	-	-
Total	25,468,291	3,372,743	13.2%	12,575	200,261	256,524	106,173	236,467

(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 fourth quarter of 2005:

<p>Marsh Mercer 53,511 SF Lease James Center Three John Gentry, Kit Tyler</p>	<p>4224 Cox Road 37,843 SF Sale Innsbrook Corporate Center John Gentry, Chris Wallace</p>	<p>4914 Radford Avenue 20,441 SF Investment Sale Garnett Hall, Scott White</p>
<p>Richmond Dept of Public Utilities 44,098 SF Lease Theatre Row Office Building Scott Boyers, Kit Tyler</p>	<p>5000 Monument Avenue 14,904 SF Sale Zac Frederick, John Gentry</p>	<p>306 E. Main St & 9 N. 3rd St 19,722 SF Investment Sale Kit Tyler, Chuck Ellsworth</p>

Featured Listings

Partial Listing of Office Properties Currently Available

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

Downtown



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
Floors 15-17 available 1/07
Kit Tyler, Chuck Ellsworth



Metro Chamber Building
201 E. Franklin Street
5,000 to 21,409 SF
Available Immediately
Lease - \$15.50 Full Service
Kit Tyler, Chuck Ellsworth



One Capitol Square
830 E. Main Street
6,752 SF - 23rd Floor
Sublease - \$12.90
Scott Boyers

Suburban



NEW

207 W. Broad St (11,440 SF)
Sale - \$459,950
209-211 W. Broad St (7,040 SF)
Sale - \$549,950
Both Buildings - \$950,000
Kit Tyler, Chuck Ellsworth



NEW

202 E. Cary Street
1,750 - 3,500 SF
Sublease - \$11.60/Sf
Net of Janitorial & Utilities
Chuck Ellsworth



Innsbrook
5020 Sadler Place
Up to 29,500 SF
Sale - \$4,030,000
Lease - \$17.50 Full Svcs
John Gentry, Chris Wallace



Broad & Parham Area
7800 Carousel Lane
Up to 58,450 SF
Now For Sale - \$5,260,500
Lease - \$15.50 Full Service
John Gentry, Chris Wallace



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



Westgate I & II
100-200 Westgate Pkwy
Up to 91,752 SF in Bldg I
11,115 SF in Bldg II
Sublease
John Gentry, Garnett Hall



Willow Lawn Area
5211 W. Broad Street
4,000 to 12,417 SF
Lease - \$13.50
Scott White, Scott Boyers



NEW

Moorefield Trade Center
611 Moorefield Park Drive
3,045 SF Office Condo
Sale - \$440,000
Zac Frederick



Midlothian & Rt 288 Area
231-247 Wylderose Court
Two 1,000 SF Units Available
Lease - \$14.00 Net of Elec.
Owner may sell units.
Scott White, Stuart Cary



Hungary Springs Office Park
Hungary Spring & Shrader Rds
Suites from 1,900 to 4,300 SF
Lease - \$14.00
John Gentry, Chris Wallace



NEW

7001 Jahnke Road
7,007 SF
Office/Medical
Sale - \$850,000
Lee Hilbert, Mike Lowry



Aspen Park Office Condos
6011 Staples Mill Road
Now Under Construction
Units from 2,125 - 6,000 SF
Sale - \$135/SF
John Gentry, Zac Frederick,
Jason Hetherington

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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- 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



Zac Frederick
Associate
804.788.1000 ext 204
zac.frederick@harrison-bates.com



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



Steve Gentil, SIOR, CCIM
Chairman
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
Vice Chairman
804.788.1000 ext 282
kit.tyler@harrison-bates.com



Chris Wallace
Senior 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:
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Harrison & Bates Incorporated
6606 W. Broad Street, Suite 400
PO Box 11027
Richmond, VA 23230-1027
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