

Office Market Trends Richmond

Grubb & Ellis Research
First Quarter 2006



A new Fortune 500 company and the possibility of suburban high rise office buildings were highlights of the first quarter.

Westvaco Chooses Richmond

Mead Westvaco's first quarter announcement to consolidate and relocate its corporate headquarters from Stamford, CT to Richmond created a flurry of activity as area brokers and landlords submitted proposals for both temporary and permanent office locations for this newest Fortune 500 company to call Richmond home. As of the end of the quarter, it was made official that the temporary requirement will be served at Westmark, the 210,000-square-foot former Capital One facility on West Broad Street near the entrance to Innsbrook. Employees will begin to occupy this building as early as this summer.

Despite concern from nearby homeowners, Henrico County approved zoning that will allow two future 18-story high-rise office buildings as part of a mixed-use project to be developed on 113 acres on West Broad Street at I-64 just west of Innsbrook. These would be the first suburban high-rise buildings in Henrico County. The developer, Orlando-based Unicorp National Developments, is seeking a large corporate user to kick off that phase of West Broad Village which will also include residential and retail components.

Office condo activity has slowed and there is some evidence that condos may be overbuilt. Projects in the most visible locations continue to see the strongest interest while those in secondary locations or with poor visibility struggle to find buyers. The exodus of tenants from leased space to owned condos is partially responsible for the record number of small spaces available in some typically strong submarkets such as Glen Forest.

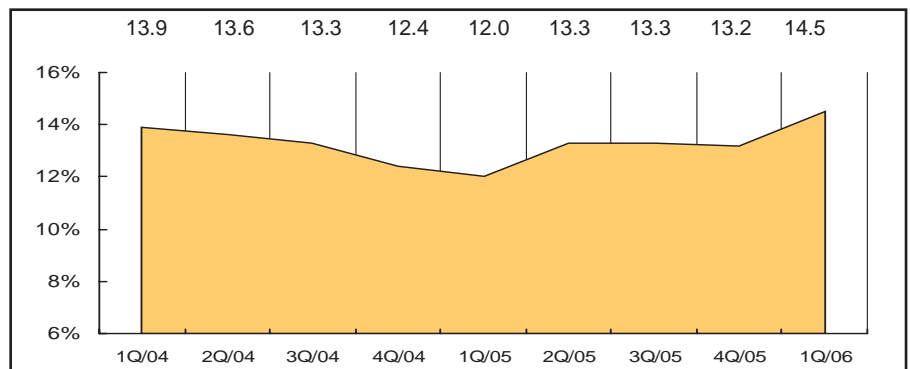
There continue to be good opportunities to sell small office buildings to users and to sell well leased multi-tenant office buildings to investors. Landlords of downtown Class B buildings, however, will likely need to further discount their rates and offer more concessions in order to lease the backlog of space and position their properties to sell.

Richmond Office Market Trends

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Office Vacancy Rate*

* All Classes of Space

Office Market Snapshot Richmond First Quarter 2006

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)	6,930,343	1,184,079	17.1%	55,901	55,901	-	\$23.39	\$14.86
Northeast	718,606	64,665	9.0%	7,634	7,634	-	-	\$16.02
Northwest	12,893,090	1,837,597	14.3%	(201,281)	(201,281)	89,250	\$18.58	\$15.61
Southwest	4,559,884	557,000	12.2%	(71,584)	(71,584)	103,816	\$17.94	\$15.94
CBD	6,930,343	1,184,079	17.1%	55,901	55,901	-	\$23.39	\$14.86
Suburban	18,171,580	2,459,262	13.5%	(265,231)	(265,231)	193,066	\$18.34	\$15.68
Total	25,101,923	3,643,341	14.5%	(209,330)	(209,330)	193,066	\$20.22	\$15.34
By Class (All Submarkets)						Available for Sublease		
							CBD	Suburban
Class A	12,319,197	1,330,135	10.8%	(92,540)	(92,540)	178,816	43,450	242,019
Class B	11,194,458	2,110,439	18.9%	(105,158)	(105,158)	14,250	40,178	33,896
Class C	1,588,268	202,767	12.8%	(11,632)	(11,632)	-	-	-
Total	25,101,923	3,643,341	14.5%	(209,330)	(209,330)	193,066	83,628	275,915

(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.

* Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

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 2006:

<p>8003 Franklin Farms Dr 19,800 SF Sale Chris Wallace, Zac Frederick</p>	<p>Children's Health Involving Parents 8,000 SF Lease 2822 W. Marshall St Scott Boyers</p>	<p>Dunbar Milby Williams Pittman & Vaughan 7,342 SF Lease Chris Wallace, Zac Frederick</p>
<p>Northrop Grumman Corporation 7,000 SF Lease Richmond Plaza Office Building Kit Tyler, Chuck Ellsworth</p>	<p>Hemscott, Inc. 6,983 SF Lease Kit Tyler, Chuck Ellsworth</p>	<p>103 Green Chimney Ct Ashland, VA 6,245 SF Investment Sale Garnett Hall, Zac Frederick</p>

Featured Listings

Partial Listing of Office Properties Currently Available

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

Downtown



Theatre Row
730 E. Broad Street
Top Three Floors Available
±18,000 sf per floor
\$15 - \$15.50 Full Service
Kit Tyler, 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



Former Metro Chamber Bldg
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



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



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 Svs
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



8003 Franklin Farms Dr
Suites from 265 to 2,537 SF
Lease - \$15 - \$16 Full Service
Chris Wallace



Willow Lawn Area
4914 Radford Ave
Suites from 343 to 887 SF
Lease - \$14.00 Full Service
Scott white, Garnett Hall



Monument Corporate Center
5000 Monument Avenue
2,206 SF and 2,624 SF
Lease - \$16.00 Full Service
Short term lease of
1 to 3 years possible
John Gentry



4100 Brook Road
4,806 SF
Office/Medical
Sale - \$335,000
Lee Hilbert



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:

- 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

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