

# Office Market Trends Richmond

Grubb & Ellis Research  
Second Quarter 2006



*The long term prognosis for Richmond is good, as the region is projected to have solid job growth for the foreseeable future.*

## Velocity Slowing

Richmond's office market softened in the second quarter as transaction velocity slowed. Smaller firms are the primary prospects in the market today, and because there are so many alternatives available, they are finding it difficult to view and compare all the possibilities. Consequently, Landlords are offering more incentives just to get their properties on the "tour list" and prospects physically through vacant spaces. A recent search produced 20 suburban office buildings of Class B+ or better that could accommodate a 40,000 square foot prospect. Another search produced 66 small office suites of about 3,000 square feet in the Innsbrook area alone. Landlords who offer commission bonuses may get a few more tours, but those offering reduced rates, free rent and, especially, generous tenant improvement allowances are most likely to get the attention of prospective tenants and ultimately fill their vacancies.

The 160,000-square-foot Owens & Minor Headquarters building was delivered in March and occupied by workers vacating 65,000 square feet of leased space in Innsbrook. Brandywine Realty Trust delivered 75,000 square feet at Three Paragon Place in June.

Office buyers, both user and investment, remain active but the inventory of small (non-condo) office buildings is low. The tight market is pushing values up. Opportunities remain for sellers of small to medium-sized office buildings to transfer those assets, but time is running out with both interest rates and cap rates rising.

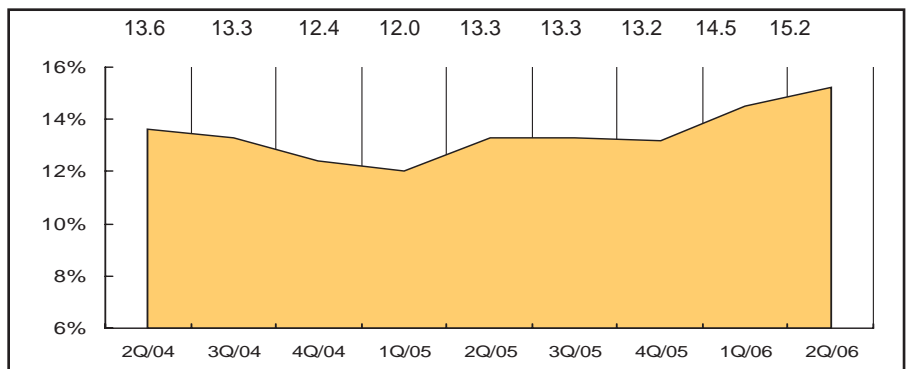
The potentially weakest submarket is the Southwest Quadrant where relocations by LandAmerica (160,000 sf in November), MeadWestvaco (111,000 sf in April), Philip Morris (75,000 sf in November) and Colony Insurance (48,000 sf in November) could leave 394,000 square feet in four buildings completely vacant by Spring, 2007. The LandAmerica headquarters is rumored to be under contract to a spec investor.

### 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:

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Office Vacancy Rate\*

\* All Classes of Space

## Office Market Snapshot Richmond Second 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	1,181,908	17.1%	2,171	58,072	-	\$23.90	\$14.83
Northeast	718,606	62,540	8.7%	2,125	9,759	-	-	\$16.19
Northwest	12,968,090	2,044,242	15.8%	(131,645)	(332,926)	14,250	\$18.69	\$15.68
Southwest	4,559,884	541,435	11.9%	15,565	(56,019)	103,816	\$18.39	\$15.98
CBD	6,930,343	1,181,908	17.1%	2,171	58,072	-	\$23.90	\$14.83
Suburban	18,246,580	2,648,217	14.5%	(113,955)	(379,186)	118,066	\$18.57	\$15.75
Total	25,176,923	3,830,125	15.2%	(111,784)	(321,114)	118,066	\$20.47	\$15.36
<b>By Class</b> (All Submarkets)							<u>Available for Sublease</u>	
							CBD	Suburban
Class A	12,394,197	1,571,655	12.7%	(166,520)	(259,060)	103,816	43,450	289,570
Class B	11,194,458	2,068,806	18.5%	41,633	(63,525)	14,250	33,426	15,907
Class C	1,588,268	189,664	11.9%	13,103	1,471	-	-	300
Total	25,176,923	3,830,125	15.2%	(111,784)	(321,114)	118,066	76,876	305,777

(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 second quarter of 2006:

<p><b>5020 Sadler Place</b> 29,500 SF Sale John Gentry, Chris Wallace</p>	<p><b>1000 Boulders Parkway</b> 37,000 SF Sale Chris Wallace, Steve Gentil</p>	<p><b>301 Southlake Blvd</b> 7,000 SF Sale Scott White, Scott Boyers</p>
<p><b>KePro</b> 11,722 SF Lease 2810 N. Parham Road Scott Boyers</p>	<p><b>Blanton, Kirk, Lumpkin &amp; Rhodes</b> 5,548 SF Lease 2924 Emerywood Pkwy John Gentry, Garnett Hall</p>	<p><b>John Hancock Financial</b> 6,010 SF Lease 3951 Westerre Pkwy 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



*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



**NEW** *Adams Row*  
7-9 S. Adams Street  
2,509 - 4,878 SF  
Both Bldgs - \$735,000  
9 S Adams alone - \$385,000  
Kit Tyler, Chuck Ellsworth

## Suburban



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



**NEW** 2222 Monument Avenue  
901 SF  
Lesae - \$13.32 net of elec.  
Scott White



**NEW** *Richmond Medical Park*  
2000-2010 Bremono Road  
919 to 3,982 SF  
Lease - \$14.50 Full Service  
Chris Wallace, Garnett Hall,  
Chuck Ellsworth



*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



8149 Walnut Grove Road  
Mechanicsville, VA  
46,598 SF  
Sale - \$3,000,000  
Steve Gentil, 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** *Boulders Commons*  
7301-7303 Boulders View Ln  
1,203 to 1,824 SF  
Lease - \$18.00 Full Service  
Chris Wallace



**NEW** *Taylor Building*  
601 N. Courthouse Road  
6,500 SF  
Investment Sale - \$700,000  
Fully Leased  
Chris Wallace, Scott White



**NEW** 5408 Chamberlayne Road  
2-story office + utility/shop  
4,800 SF  
Sale - \$385,000  
Scott Boyers, Scott White



**NEW** *Woodland Office Bldg*  
8157 Old Cavalry Drive  
15,430 SF Total  
Sale - \$1,695,000  
Suites from 427 - 4,200 SF  
Lease - \$12 - \$13/SF  
Scott White, Garnett Hall,  
Zac Frederick



**NEW** *Arboretum III*  
300 Arboretum Place  
40,731 SF  
Entire 4th Floor  
Sublease - \$16.50 Full  
Service  
Chris Wallace, Scott Boyers

## 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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