

Office Market Trends Richmond

Grubb & Ellis Research
Third Quarter 2006



Slow Tenant Traffic

Tenant traffic was relatively slow in the third quarter, however a couple of noteworthy leases were the Daniel, Johnson, Hancock & Nagle law firm taking 27,000 square feet at North Park in Innsbrook and G.E. Lighting committing to 24,000 square feet at East Shore I in Wyndham.

Sales activity included the purchase of the 65,000-square-foot former Owens & Minor headquarters in Innsbrook by out-of-town investors for \$4,455,000 or \$68 per square foot. The buyer reportedly plans to extensively renovate the building and market it as multi-tenant space.

Brandywine Realty Trust purchased 23 acres in West Creek for development of a 300,000-square-foot master planned office park. The purchase price was \$4.64 million or about \$200,000 per acre. The first multi-tenant building will be 80,000 square feet and deliver in late 2007.

With decelerating job growth and fewer prospects in the market, landlords are increasing the use of leasing incentives such as TVs, preloaded debit cards, cash bonuses and commission increases to motivate brokers to show their properties. Savvy landlords are backing up those incentives with aggressive leasing concessions including a lot of free rent and generous tenant improvement packages.

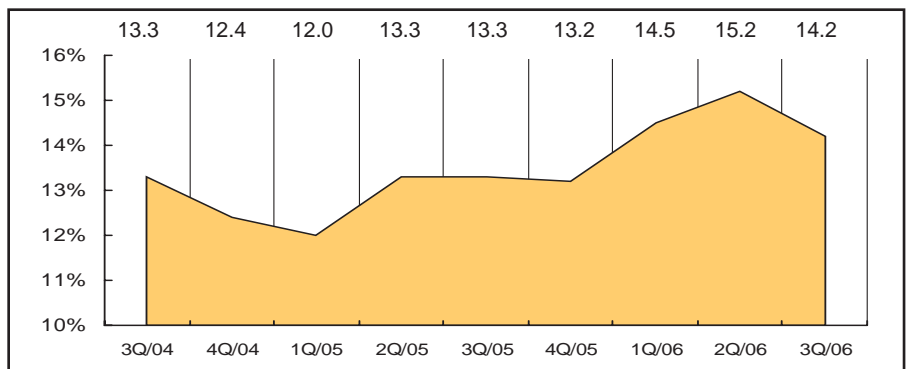
Rental rates are relatively flat, but landlords can expect increased pressure to lower rates in some submarkets and building classes in order to increase occupancy levels in existing buildings. Conversely, rental rates on new construction will have to move higher in order to support increasing land and construction costs.

Richmond Office Market Trends

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Office Vacancy Rate*

* All Classes of Space

Office Market Snapshot Richmond Third 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	1,134,217	16.4%	47,691	105,763	-	\$23.99	\$15.22
Northeast	718,606	62,540	8.7%	-	9,759	-	-	\$16.19
Northwest	12,968,090	1,881,144	14.5%	158,598	(176,328)	113,650	\$18.80	\$15.51
Southwest	4,559,884	486,488	10.7%	54,947	(1,072)	103,816	\$18.38	\$15.80
CBD	6,930,343	1,134,217	16.4%	47,691	105,763	-	\$23.99	\$15.22
Suburban	18,246,580	2,430,172	13.3%	213,545	(167,641)	217,466	\$18.65	\$15.60
Total	25,176,923	3,564,389	14.2%	261,236	(61,878)	217,466	\$20.60	\$15.43
By Class (All Submarkets)							<u>Available for Sublease</u>	
							CBD	Suburban
Class A	12,394,197	1,455,851	11.7%	117,804	(143,256)	203,216	43,450	302,992
Class B	11,194,458	1,952,099	17.4%	110,207	46,682	14,250	28,701	18,570
Class C	1,588,268	156,439	9.8%	33,225	34,696	-	-	2,500
Total	25,176,923	3,564,389	14.2%	261,236	(61,878)	217,466	72,151	324,082

(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 third quarter of 2006:

<p>Ridgefield Medical Building 2200 Pump Road 20,328 SF Sale John Gentry, Zac Frederick</p>	<p>5204 Patterson Avenue 4,360 SF Sale Scott White, Garnett Hall</p>	<p>4100 Brook Road 4,800 SF Sale Lee Hilbert</p>
<p>VCU School of Nursing 45,000 SF Lease Theatre Row Scott Boyers, Kit Tyler</p>	<p>Local Initiatives Support Corp. 4,448 SF Lease One Monument Avenue Kit Tyler, Scott Boyers</p>	<p>Moorefield Trade Center Condo 611 Moorefield Park Dr, Ste A 3,045 SF Office Sale Zac Frederick</p>

Featured Listings

Partial Listing of Office Properties Currently Available

Go to www.harrison-bates.com/properties to search 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



NEW *Power Plant Building at Tobacco Row*
2700 E. Cary Street
36,000 SF
Sale - \$1,500,000
Kit Tyler, Chuck Ellsworth



700 Centre
700-718 E. Franklin Street
Suites from 226 to 7,016 SF
Lease - \$12.00 Full Service
Kit Tyler, Chuck Ellsworth



NEW *118 N. 8th Street*
2,200 SF - 2nd Floor
Lease - \$13.75 + janitorial
Includes 2 parking spaces
Kit Tyler, Chuck Ellsworth

Suburban



NEW *"Columbia"*
1142 W. Grace Street
19,301 SF
Sale - \$1,600,000
Chuck Ellsworth, Kit Tyler



NEW *Moorefield VI*
620 Moorefield Park Drive
29,000 SF
Up to 5,000 SF Contiguous
Available for Owner/Occupant
Sale - \$2,640,000
John Gentry, Chris Wallace



Richmond Medical Park
2000-2010 Bremo 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



NEW *8132 Forest Hill Avenue*
Owner/Occupant or
Investment
4,120 SF
Sale - \$475,000
Scott White, Zac Frederick



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 *Monument Corporate Center*
5012 Monument Avenue
Suite 201 - 915 SF
Lease - \$15.50 Full Service
Scott White, Chuck Ellsworth



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



NEW *2922 W. Marshall Street*
2,500 SF
Sublease - \$14.40
Full Service
Scott Boyers



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



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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