

Office Market Trends Richmond

Grubb & Ellis Research
Fourth Quarter 2006



“Low interest rates and aggressive lenders with plenty of money are creating a favorable environment for commercial property sales.”

Richmond Office Market Trends

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MeadWestvaco Announces HQ

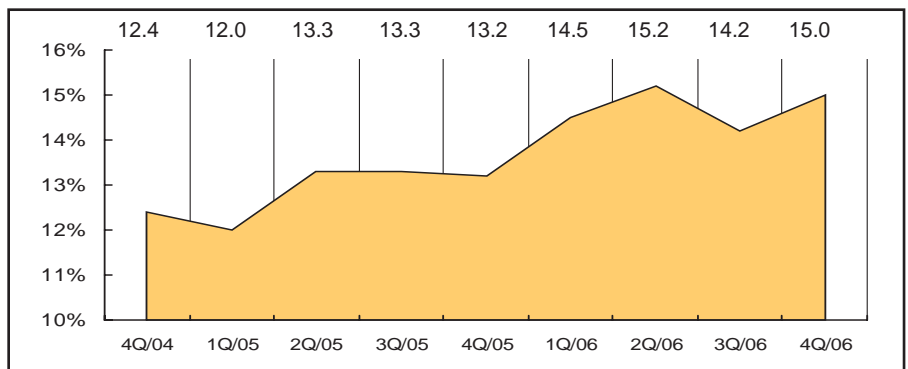
The downtown submarket received a boost with the announcement by MeadWestvaco that it will locate its corporate headquarters in a building of up to 300,000 square feet to be constructed at NewMarket Corporation's Foundry Park project along the north bank of the James River. Construction should begin in 2007 with a projected completion of mid-2009.

Sales activity continued to be brisk and included both investment and user sales in all classes and submarkets. The largest sale was the Riverfront Plaza twin towers purchased by Hines Riverfront Plaza LP for \$277.5 million or \$292 per square foot. Other notable investment transactions included Highwoods Properties purchase of the 70,000-square-foot Rhodia Building for \$10.72 million, and First Potomac Realty Trust's purchase of 204,280 square feet in three single-story buildings in Park Central for \$21.7 million.

LandAmerica relocated its headquarters from owned space at Gateway One to nearly 300,000 square feet of leased space in the Innsbrook Corporate Center formerly occupied by Capital One. The 120,000-square-foot Gateway building was purchased by Patriot Equities for \$8.905 million, renamed Patriot Tower and is now on the multi-tenant leasing market.

Highwoods Properties delivered 103,816 square feet at Stony Point IV which was 85 percent pre-leased to tenants including Colony Insurance, Insmed and Bond Insurance.

Office condo development was further slowed by market saturation and elevated price points. Softness in that area should help fill smaller lease space in 2007.



Office Vacancy Rate*

* All Classes of Space

Office Market Snapshot Richmond Fourth 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)	7,114,271	1,222,204	17.2%	84,927	190,690	-	\$24.08	\$15.53	
Northeast	735,177	69,695	9.5%	9,416	19,175	-	-	\$16.08	
Northwest	12,968,090	1,647,486	12.7%	233,658	56,018	113,650	\$18.86	\$15.49	
Southwest	4,663,700	890,433	19.1%	(300,129)	(301,201)	229,000	\$18.50	\$15.73	
CBD	7,114,271	1,222,204	17.2%	84,927	190,690	-	\$24.08	\$15.53	
Suburban	18,366,967	2,607,614	14.2%	(57,055)	(226,008)	342,650	\$18.74	\$15.57	
Total	25,481,238	3,829,818	15.0%	27,872	(36,318)	342,650	\$20.76	\$15.55	
By Class (All Submarkets)								Available for Sublease	
							CBD	Suburban	
Class A	12,681,941	1,793,065	14.1%	(69,484)	(205,052)	99,400	48,450	289,071	
Class B	11,211,029	1,869,716	16.7%	98,954	145,636	243,250	15,896	30,459	
Class C	1,588,268	167,037	10.5%	(10,598)	24,098	-	-	9,402	
Total	25,481,238	3,829,818	15.0%	27,872	(36,318)	342,650	64,346	328,932	

(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 fourth quarter of 2006:

<p>Forest Office Park 8003 Franklin Farms Drive 23,205 SF Sale Chris Wallace, Zac Frederick</p>	<p>Adams Row 7 & 9 S. Adams Street 4,878 SF Sale Kit Tyler, Chuck Ellsworth</p>	<p>VCU 10,587 SF Lease 700 Centre Kit Tyler, Chuck Ellsworth</p>
<p>Federal Express Corporation 10,750 SF Lease 4435 Waterfront Drive John Gentry</p>	<p>Primary Care of West End 3,758 SF Lease Richmond Medical Park Chris Wallace, Chuck Ellsworth</p>	<p>Sentara Home Care Services 2,920 SF Lease Deep Run Trade Center Steve Gentil, Stacie Wiczulis</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
\$17.50 - \$18.00 Full Service
Kit Tyler, Scott Boyers



Under Contract
Power Plant Building at Tobacco Row
2700 E. Cary Street
36,000 SF
Sale - \$1,200,000
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
Archer House
12 S. 3rd Street
5,234 SF
Lease - \$8.00 NNN
Kit Tyler, Chuck Ellsworth

Suburban



Price Reduced
"Columbia"
1142 W. Grace Street
19,301 SF
Sale - \$1,285,000
Chuck Ellsworth, Kit Tyler



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 Bremono Road
919 to 3,982 SF
Lease - \$14.50 Full Service
Chris Wallace, Chuck Ellsworth



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



Conceptual
Parham & Broad Area
Shrader Road
± 2 Acre Office Site
Sale - \$450,000
John Gentry, 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, Kit Tyler



Willow Lawn Area
5211 W. Broad Street
4,000 to 12,417 SF Avail Now
Additional 24,645 SF July 1st
Lease - \$13.50
Scott White, Scott Boyers



NEW
Under Contract
Midlothian Village
13813 Village Mill Drive
2,464 SF
Sale - \$418,000
Scott White, Zac Frederick



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



NEW
Clocktower Bldg at Brandy Hill
7051 Mechanicsville Tpke
Suites from 687 to 3,821 SF
Lease - \$15.00 Full Service
Scott White, Chuck Ellsworth



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, 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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