

# Office Market Trends Richmond

Grubb & Ellis Research  
First Quarter 2007



*Vacancy in the speculative office market is not likely to fall to ten percent until at least 2008.*

## Infill Areas See Activity

Much of the first quarter office activity occurred in infill areas along the West Broad Street corridor from Willow Lawn to Parham Road. Starting at Willow Lawn, the 5001 Building at Willow Lawn Drive was demolished to make way for new office and retail development by Rebkee Company. The office portion will be 18,000 square feet of second floor space. Moving further west, Reynolds Development announced plans to construct two office buildings totalling 300,000 square feet at Reynolds Crossing at I-64 and Glenside Drive. Those buildings are significantly pre-leased to both medical and general office users. Further west near the intersection of Broad & Parham, the 58,000 square foot Henrico Corporate Center sold to the Catholic Diocese of Richmond for \$3.75 million and Triple Net Properties purchased the Advanced Orthopaedic Building for \$16.74 million as an investment.

Despite some evidence of slower leasing velocity, a few notable leases were completed including 30,000 square feet to World Access at Brandywine's Lakebrooke Pointe, 16,000 square feet to Richmond Regional Planning District Commission at Stony Point, and 15,365 square feet to Diamond Healthcare Corp. at the Federal Reserve Building. Leases were also completed with multiple State agencies for about 154,000 square feet at Perimeter Center.

There continue to be good deals available for tenants of all sizes, whether moving to new offices or renewing existing leases.

Challenges remain for landlords of both downtown and suburban Class B buildings, and the Southwest Quadrant continues to lag behind the other submarkets in drawing tenants.

### Richmond Office Market Trends

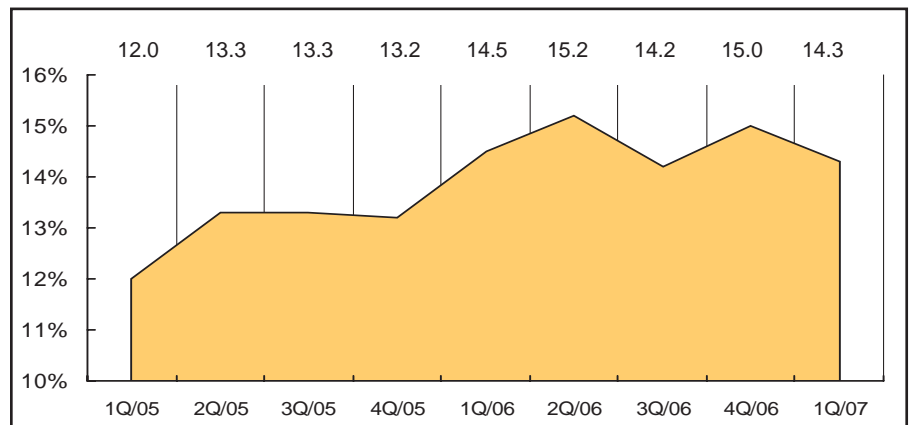
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Office Vacancy Rate\*

\* All Classes of Space

## Office Market Snapshot Richmond First Quarter 2007

By Submarket (All Classes)	Total SF(1)	Vacant SF(2)	Vacant %	Net Absorption		Under Construction(3)	Asking Rent(4)	
				Current Qtr.	Year-to-date		Class A	Class B
CBD (Downtown)	7,078,271	1,180,904	16.7%	41,300	41,300	-	\$22.88	\$15.58
<b>CBD Total</b>	<b>7,078,271</b>	<b>1,180,904</b>	<b>16.7%</b>	<b>41,300</b>	<b>41,300</b>	<b>-</b>	<b>\$22.88</b>	<b>\$15.58</b>
Northeast	736,366	80,734	11.0%	(9,850)	(9,850)	-	-	\$16.08
Northwest	12,911,540	1,450,365	11.2%	238,071	238,071	14,250	\$19.01	\$15.58
Southwest	4,794,052	929,875	19.4%	97,906	97,906	229,000	\$18.40	\$15.74
<b>Suburban Total</b>	<b>18,441,958</b>	<b>2,460,974</b>	<b>13.3%</b>	<b>326,127</b>	<b>326,127</b>	<b>243,250</b>	<b>\$18.79</b>	<b>\$15.64</b>
<b>Totals</b>	<b>25,520,229</b>	<b>3,641,878</b>	<b>14.3%</b>	<b>367,427</b>	<b>367,427</b>	<b>243,250</b>	<b>\$19.96</b>	<b>\$15.61</b>

By Class (All Submarkets)	Total SF(1)	Vacant SF(2)	Vacant %	Current Qtr.	Year-to-date	Under Construction(3)	Available for Sublease	
							CBD	Suburban
Class A	12,846,193	1,831,514	14.3%	198,299	198,299	-	55,450	276,174
Class B	11,153,768	1,635,437	14.7%	177,018	177,018	243,250	29,530	42,551
Class C	1,520,268	174,927	11.5%	(7,890)	(7,890)	-	-	9,402
<b>Totals</b>	<b>25,520,229</b>	<b>3,641,878</b>	<b>14.3%</b>	<b>367,427</b>	<b>367,427</b>	<b>243,250</b>	<b>84,980</b>	<b>328,127</b>

(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) Vacant space includes both direct and vacant sublease space.

(3) Space under construction includes speculative and build-to-suit for lease projects.

(4) Asking rates are per square foot per year full service. Rates for each building are weighted by the size of the building.

**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.



### Hetherington Acquires Securities License

**Jason Hetherington, SIOR**, a Senior Vice President with Grubb & Ellis|Harrison & Bates, recently acquired his securities license and became a Registered Representative of **Welton Street Investments LLC**, member NASD (National Association of Securities Dealers) and SIPC (Securities Investor Protection Corporation). This affiliation allows Jason to offer Tenant-in-Common investments to accredited investors; giving his clients and customers access to additional opportunities in the execution of 1031 tax deferred exchanges.

### Recent Transactions

Grubb & Ellis|Harrison & Bates is pleased to announce the following office transactions during the first quarter of 2007:

**Henrico Corporate Center**  
**7800 Carousel Lane**  
 58,450 SF Sale  
 John Gentry, Chris Wallace

**Monument Professional Center**  
**5500 Monument Avenue**  
 17,000 SF Sale  
 Scott White, Zac Frederick,  
 Bill Mattox

**South Richmond**  
**8132 Forest Hill Avenue**  
 4,120 SF Sale  
 Scott White, Zac Frederick

**Midlothian Village**  
**13813 Village Mill Drive**  
 2,464 SF Sale  
 Scott White, Zac Frederick

**Diamond Healthcare Corp.**  
 15,365 SF Lease  
 Federal Reserve Bank Bldg  
 Kit Tyler, Chuck Ellsworth

**Golder Associates**  
 10,911 SF Lease  
 Interstate Business Park  
 John Gentry, Chris Wallace

# Featured Listings

Partial Listing of Office Properties Currently Available

Go to [www.harrison-bates.com/properties](http://www.harrison-bates.com/properties) to search all listings including land.

## Downtown



**NEW**

**James Center III**  
1051 E. Cary Street  
8th Floor Suite - 7,000 SF  
Sublease - \$22.69 Full  
Service  
Kit Tyler, Chuck Ellsworth



**NEW**

**Shockoe Bottom**  
1711 E. Main Street  
11,500 SF  
Sale - \$525,000  
Chuck Ellsworth, Kit Tyler



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



**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



**NEW**

**Offices at Swift Creek**  
5001 - 5037 Craig Rath Blvd  
Office Condo Units  
from 2,000 to 21,856 SF  
Lease - \$12.00 NNN  
Sale - \$110 to \$125/SF  
Chris Wallace, Zac Frederick



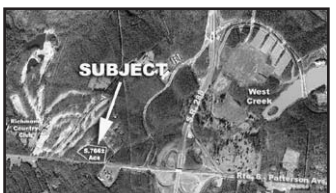
**NEW**

**Pocoshock Square**  
Office Park  
4,300 to 5,575 SF  
Individual Buildings  
For Sale - \$110/SF  
Scott White, Zac Frederick  
co-listed with Specter Realty



**NEW**

**Spring Branch - Powhatan**  
Anderson Hwy @ Rt 13  
12,000 SF New Construction  
Lease - \$12 NNN  
Sale - \$1,380,000  
Lewis Little, Bill Mattox



**NEW**

**Creekmore Park - 5.77 Ac**  
Patterson Ave at S.R. 288  
Office development site for  
small buildings up to 5,000 sf  
Sale - \$975,000  
David Williams, Lewis Little



**Medical Society of Virginia**  
2924 Emerywood Parkway  
8,173 SF - 1st Floor  
Lease - \$16.75 Full Service  
John Gentry, Chuck Ellsworth



**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, Chuck Ellsworth



**NEW**

**Sydney Hastings Commons**  
205 Solomon Way, Stafford, VA  
20,000 - 130,000 SF  
Lease - \$21 to \$23 Full Service  
Chris Wallace, Chuck Ellsworth



**Southern States Building**  
6606 W. Broad Street  
6,457 SF - 4th Floor  
Lease - \$16.50 Full Service  
John Gentry, Chuck Ellsworth



**Parham & Broad Area**  
Shrader Road  
± 2 Acre Office Site  
Sale - \$450,000  
John Gentry, Zac Frederick



**Richmond Medical Park**  
2000-2010 Breomo Road  
919 to 3,876 SF  
Lease - \$14.50-16.50  
Full Service  
Chris Wallace, Chuck  
Ellsworth



**Price Reduced**

**Arboretum III**  
300 Arboretum Place  
40,731 SF  
Entire 4th Floor  
Sublease - \$14.50 Full  
Service  
Chris Wallace, John Gentry

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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Richmond  
 Office Market Trends  
 1st Quarter 2007

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