

# Office Market Trends Richmond

Grubb & Ellis Research  
Second Quarter 2007



*It's probable that any loss in office occupancy created by Wachovia and Capital One will be offset by expansions by other large area employers like Philip Morris and HCA.*

## Merger Impact Uncertain

Overall office vacancy fell to 13.8 percent for the quarter due to new entries and expansions by firms like HCA who added 120 jobs to their patient-account service center in the Boulders Office Park. The pending merger of A. G. Edwards and Wachovia Securities with a relocation of the combined headquarters to St. Louis could effect both the downtown (400,000 square feet at Riverfront Plaza) and suburban (200,000 square feet in two Innsbrook buildings) office markets beginning sometime in 2008, although no relocation details have been announced. It is also unclear what impact will be felt locally by Capital One's announcement that it will lay off an additional 1,000 workers by the end of 2008.

Construction began on the 300,000-square-foot headquarters for MeadWestvaco at Foundry Park downtown and on two multi-tenant buildings totaling another 300,000 square feet at Reynolds Crossing at West Broad Street and I-64. Nearing completion are both the 193,000-square-foot build-to-suit for Northrop Grumman at Chesterfield County's Meadowville Park and the 450,000-square-foot R&D facility for Philip Morris in Richmond's Bio-Tech park downtown.

Several office buildings transferred in the second quarter and at least two large office portfolios are under contract with closings expected later this year. CUNA Mutual Insurance Company sold three buildings in Innsbrook to a local investor, including the 24,000-square-foot First Capital Building which transferred for \$162 per square foot. Lakefront Associates LP sold the 28,000-square-foot Chemtreat building for \$4.1 million, or \$146 per square foot. With offices transferring at historically high prices, don't be surprised to see an increase in rental rates around the corner to support the high purchase prices.

### Richmond Office Market Trends

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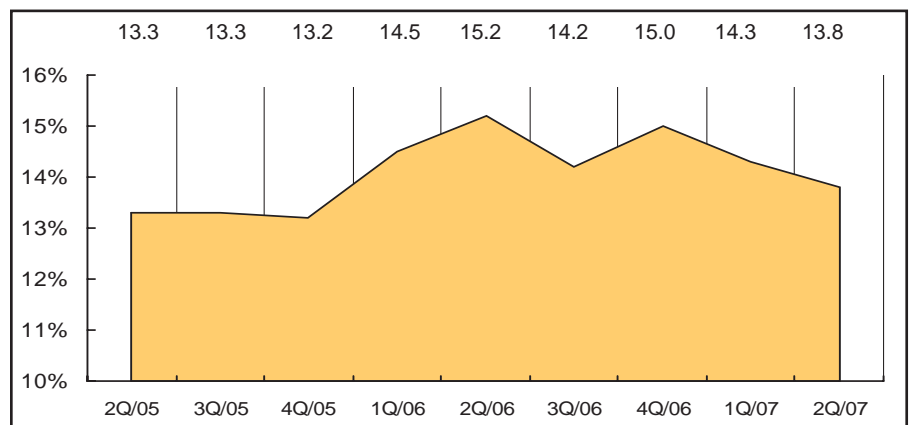
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Office Vacancy Rate\*

\* All Classes of Space

## Office Market Snapshot Richmond Second 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	1,213,473	17.1%	(32,569)	8,731	300,000	\$24.30	\$15.85
<b>CBD Total</b>	<b>7,078,271</b>	<b>1,213,473</b>	<b>17.1%</b>	<b>(32,569)</b>	<b>8,731</b>	<b>300,000</b>	<b>\$24.30</b>	<b>\$15.85</b>
Northeast	736,366	36,530	5.0%	44,204	34,354	-	-	\$16.18
Northwest	12,911,540	1,386,639	10.7%	63,726	301,797	214,250	\$19.05	\$15.62
Southwest	4,794,052	875,235	18.3%	54,640	152,546	229,000	\$18.61	\$15.73
<b>Suburban Total</b>	<b>18,441,958</b>	<b>2,298,404</b>	<b>12.5%</b>	<b>162,570</b>	<b>488,697</b>	<b>443,250</b>	<b>\$18.88</b>	<b>\$15.67</b>
<b>Totals</b>	<b>25,520,229</b>	<b>3,511,877</b>	<b>13.8%</b>	<b>130,001</b>	<b>497,428</b>	<b>743,250</b>	<b>\$20.78</b>	<b>\$15.76</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	1,779,379	13.9%	52,135	250,434	500,000	55,450	273,439
Class B	11,153,768	1,545,295	13.9%	90,142	267,160	243,250	18,530	30,478
Class C	1,520,268	187,203	12.3%	(12,276)	(20,166)	-	-	-
<b>Totals</b>	<b>25,520,229</b>	<b>3,511,877</b>	<b>13.8%</b>	<b>130,001</b>	<b>497,428</b>	<b>743,250</b>	<b>73,980</b>	<b>303,917</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.

### Welcome New Associates



**Wood Thornton** joined the office team in June as a Senior Associate. Wood is an attorney and was most recently associated with Troutman

Sanders handling mergers and acquisitions. His focus will be on corporate buyer and tenant representation, as well as general office brokerage.



**Will Bradford** joined the office team in April as an Associate. Will is a native Richmonder and recent graduate of the University of South

Carolina with a dual major in real estate and finance. Will's focus will be on office brokerage leasing and sales throughout the Richmond area.

### Recent Transactions

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

**Moorefield VI**  
**620 Moorefield Park Drive**  
 29,000 SF Sale  
 John Gentry, Chris Wallace

**Bank Branch**  
**11400 Midlothian Turnpike**  
 2,605 SF Sale  
 Steve Gentil, Bill Mattox

**Taylor Building**  
**601 N. Courthouse Road**  
 6,000 SF Sale  
 Scott White, Chris Wallace

**Bank Branch**  
**10051 Midlothian Turnpike**  
 2,800 SF Sale  
 Steve Gentil, Bill Mattox

**IBM**  
 16,285 SF Lease  
 Arboretum IX  
 Chuck Ellsworth

**Wachovia Bank**  
 13,981 SF Lease  
 Hungary Springs Office 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



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



**Price Reduced**  
**Investment Opportunity**  
10 E. Franklin St.  
31,000 SF  
100% Leased  
Sale - \$2,549,000  
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



**NEW**  
**1207 N. Boulevard**  
Storage Warehouse  
16,211 SF  
Lease - \$6.00 to \$11.00 NNN  
Will Bradford, Kit Tyler

## Suburban



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



**NEW**  
**USI Insurance Services Bldg**  
10321 Washington Hwy  
12,816 SF  
Sale - \$1,500,000  
Lease - \$11.00-12.00 Net Elec  
Scott White, Zac Frederick



**NEW**  
**Flex/Office/Showroom**  
Willow Lawn Area  
4914 W. Marshall Street  
26,000 SF  
Sale - \$1,995,000  
Scott White, Stuart Cary



**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



**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



**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,  
Jason Bernstein



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



**NEW**  
**Mayland II**  
9816 Mayland Drive  
9,554 SF Available 12/1/07  
Lease - \$17.50 Full Service  
John Gentry, Will Bradford



**NEW**  
**Midlothian Village**  
13815 Village Mill Drive  
.72 Acre Office Site  
Sale - \$349,000  
Zac Frederick, Chris Wallace



**Richmond Medical Park**  
2000-2010 Bremo 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

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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 Office Market Trends  
 2nd Quarter 2007

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