

Office Market Trends Richmond

Grubb & Ellis Research

Third Quarter 2007



Q3 Office Investment Volume Tops \$239 Million

Turmoil in the credit markets and the more conservative underwriting by lenders, is making it more difficult for prospective buyers using leverage to meet sellers' asking prices. As this disconnect narrows, Cap rates will have to rise.

Most noteworthy during the third quarter was the volume of office investment property transferred. Brandywine Realty Trust purchased five office buildings totaling 500,000 square feet plus 5.5 acres in the Boulders Office Park from Sugar Oak Properties for \$96.25 million (\$190/sf average). Forest City Enterprises Inc. purchased an 11-building portfolio from local developer Thomas Pruitt for approximately \$115 million. Orlando-based Eola Capital purchased St. Joe Co.'s southeastern office holdings, including Overlook I & II which traded for \$17 million (\$131/sf). The Richmond Plaza Building transferred to Doug Jemal's Richmond Plaza LLC at a price of \$11.8 million for the 269,097-square-foot office building and attached 720-car parking deck. Major market absorption included 154,000 square feet of leasing to State agencies at Perimeter Center and 193,000 square feet to Northrop Grumman at a recently completed build-to-suit facility in the Meadowville Park. An unanticipated surge in tenant velocity in the Southwest Quadrant included a 75,000-square-foot lease to Northrop Grumman at Patriot Tower. Northrop will relocate workers currently occupying space in the Tri-Cities area. At least three other large tenants (greater than 50,000 square feet) are all negotiating leases within the Southwest submarket.

The area has already experienced layoffs and shuttered mortgage firms as a result of the credit crunch, and additional layoffs are anticipated in the coming weeks and months. How long the mortgage meltdown will last and how much the local economy will be affected remains to be revealed. Richmond has historically proven to be a resilient market, however, managing to recover nicely from major hits that occurred over the last decade.

Richmond Office Market Trends

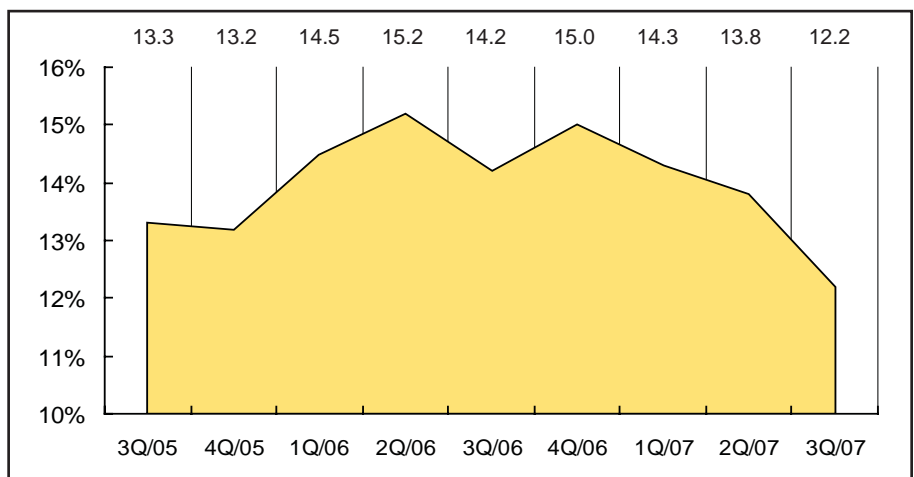
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Office Vacancy Rate*

* All Classes of Space

Office Market Snapshot Richmond Third Quarter 2007

Submarket (All Classes)	Total ⁽¹⁾ SF	Vacant ⁽²⁾ SF	Vacant %	Net Absorption		Under Const. ⁽³⁾ SF	Asking Rent ⁽⁴⁾	
				Current Qtr	Year To Date		Class A	Class B
Central Business District	7,078,271	1,134,600	16.0%	78,873	87,604	300,000	\$24.30	\$15.87
CBD Total	7,078,271	1,134,600	16.0%	78,873	87,604	300,000	\$24.30	\$15.87
Northeast	736,366	34,830	4.7%	1,700	36,054	-	-	\$18.05
Northwest	12,925,790	1,094,208	8.5%	306,681	608,478	330,708	\$19.16	\$15.73
Southwest	5,004,052	876,948	17.5%	208,287	360,833	126,810	\$18.64	\$15.89
Suburban Total	18,666,208	2,005,986	10.7%	516,668	1,005,365	457,518	\$18.95	\$15.87
Totals	25,744,479	3,140,586	12.2%	595,541	1,092,969	757,518	\$20.86	\$15.87
By Class (All Submarkets)							<u>Available for Sublease</u>	
							CBD	Suburban
Class A	12,846,193	1,440,405	11.2%	338,974	589,408	704,518	110,210	391,316
Class B	11,378,018	1,519,677	13.4%	249,868	517,028	53,000	29,716	20,573
Class C	1,520,268	180,504	11.9%	6,699	(13,467)	-	-	-
Totals	25,744,479	3,140,586	12.2%	595,541	1,092,969	757,518	139,926	411,889

(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 vacant 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.



Zac Frederick
Small Building
Sales Specialist

Since joining Grubb & Ellis|Harrison & Bates in 2005, Zac has focused 100% of his time and energy on assisting his clients in the purchase or sale of small commercial buildings under 20,000 square feet. Within this specialty, Zac has uncovered a number of best practices and programs designed to produce a seamless transaction for his clients. Through his specialization, Zac has created a unique website designed to inform purchasers and sellers of the current sales environment and educate them on the unique intricacies associated with this type of transaction. To learn more, visit www.smallbuildingsales.com

Recent Transactions

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

Richmond Plaza Building
110 S. 7th Street
269,097 SF Sale
Kit Tyler, Chuck Ellsworth

Dermatology Associates of VA
10,361 SF Lease
201 & 301 Concourse Blvd.
John Gentry

U. S. Structures, Inc.
8,173 SF Lease
2924 Emerywood Parkway
John Gentry, Chuck Ellsworth

North Court at Innsbrook
5040 Sadler Place
7,510 SF Sale
Zac Frederick, Bill Mattox,
David Williams

Chaplin & Gonet
7,502 SF Lease
5211 W. Broad Street
Scott White, Chuck Ellsworth

**Sun Life Assurance Company
of Canada**
3,785 SF Lease
Riverside on the James
Kit Tyler, Chuck Ellsworth

Featured Listings

Partial Listing of Office Properties Currently Available
Go to www.harrison-bates.com/properties to search all listings including land.

Downtown



NEW

Federal Reserve Building
701 E. Byrd Street
20,464 SF - 17th Floor
Sublease - \$20.00 Full Service
Kit Tyler, Chuck Ellsworth



Price Reduced

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



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

Suburban



NEW

W F of R
411 & 421 Branchway Road
INVESTMENT OPPORTUNITY
11,256 SF
Sale - \$2,100,000
Kit Tyler, Chris Wallace



NEW

Staples Mill & Dumbarton
5400 Byrdhill Road
Flex: 1,200 office/1,800 whse
Office: 4,080 SF
Lease - \$5.50 to \$12.50
Scott White, Greg Creswell



NEW

Dominion Place
Executive Suites
4940 Dominion Blvd
Offices from 138 to 279 SF
Innsbrook Location!
New Construction!
Chris Wallace



NEW

4116 Fitzhugh Avenue
4,320 SF
Sale - \$595,000
Great Near West End Location!
Scott White, Zac Frederick



NEW

Medical/Dental Suite
7410 Hull Street Road
2,171 SF on 1st Floor
Lease - \$18 Full Service
Will Bradford, Chris Wallace



NEW

5012 Monument Avenue
13,902 SF total
5,480 SF available
for occupancy
Sale - \$2,050,000
Zac Frederick, Bill Mattox



NEW

Oakbridge Office Park
1480 Oakbridge Ct
Minutes from Rts 60 & 288
2,500 SF
Lease - \$14.50 NNN
Greg Creswell



NEW

Parham & Skipwith Roads
3115 N. Parham Road
1,700 SF
Sale - \$340,000
Zac Frederick



NEW

2519 Professional Rd
1,586 SF - 1st Floor
Lease - \$16 net of elec.
Will Bradford



NEW

Westgate II at Wellesley
200 Westgate Pkwy
11,115 SF
Sublease - \$18 Full Svs
John Gentry



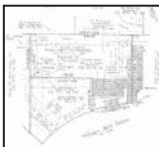
NEW

316 N. Arch Road
1,686 SF - \$290,000 Sale
or \$13 NNN Lease
1,745 SF - \$317,000 Sale
or \$15 NNN Lease
Zac Frederick, Susan Jones



NEW

Henrico Doctors Medical Office
7605 Forest Ave, Suite 414
632 SF
Lease - \$17.00
Scott White



Price Reduced

Midlothian Village
13815 Village Mill Drive
.72 Acre Office Site
Sale - \$299,900
Zac Frederick, Chris Wallace



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



10321 Washington Hwy
12,816 SF
Sale - \$1,500,000
Lease - \$11-\$12 Net Elec
Scott White, Zac Frederick



Fredericksburg

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

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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Providing the Best Combination of Professionalism and Performance

Richmond
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