

# Office Market Trends Richmond

Grubb & Ellis Research

Fourth Quarter 2007



## Richmond Continues to Attract Office Investors

*Office building sale prices most likely peaked in the third quarter and 2008 volume is projected to decline from recent levels.*

Miami-based Parmenter Realty Partners entered the Richmond market at year end with their purchase of the SunTrust and Mutual buildings downtown from SunTrust Bank for \$74.8 million or approximately \$129 per square foot. Up to 120,000 square feet will be available in the SunTrust building as the bank gives back five floors they no longer need. Also entering the market was San Antonio-based USAA Real Estate Company with their purchase of the 188,120-square-foot Perimeter Center from Perimeter Center LLC for \$25.3 million or \$143 per square foot. That building was 87% leased to six State agencies at the time of sale.

Despite negative absorption across the board in the fourth quarter, annual net absorption was better than average at 750,000 square feet and all submarkets reflected decreases in vacancy compared to a year ago. Most leasing activity occurred in the suburbs and both of the major suburban markets posted impressive gains for the year.

Class A lease rates range from \$18.50 to \$24.00 per square foot in the suburbs and \$22 to \$27 per square foot downtown. Lease rate gaps tend to close after factoring in the cost of suite improvements which vary widely depending on suite condition and lease term.

The historically strong Innsbrook submarket bears watching in early 2008 as there are several large blocks of direct or sublease space that will spike the vacancy rate at least for the short term. However, with no new construction scheduled within the park, recovery could be quick.

Landlords will need to work aggressively in 2008 to secure lease commitments from what is likely to be a limited base of new and expanding tenants.

### Richmond Office Market Trends

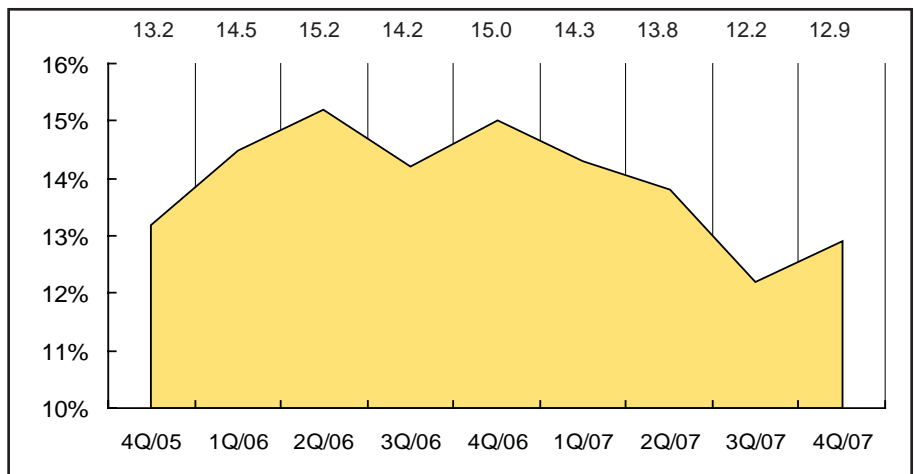
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Office Vacancy Rate\*

\* All Classes of Space

## Office Market Snapshot Richmond Fourth Quarter 2007

Submarket (All Classes)	Total <sup>(1)</sup> SF	Vacant <sup>(2)</sup> SF	Vacant %	Net Absorption		Under Const. <sup>(3)</sup> SF	Asking Rent <sup>(4)</sup>	
				Current Qtr	Year To Date		Class A	Class B
Central Business District	7,078,271	1,134,736	16.0%	(144,532)	(56,928)	300,000	\$24.55	\$15.94
<b>CBD Total</b>	<b>7,078,271</b>	<b>1,134,736</b>	<b>16.0%</b>	<b>(144,532)</b>	<b>(56,928)</b>	<b>300,000</b>	<b>\$24.55</b>	<b>\$15.94</b>
Northeast	736,366	32,501	4.4%	2,329	38,383	-		\$16.16
Northwest	12,925,790	1,257,074	9.7%	(162,866)	415,028	330,708	\$19.34	\$15.79
Southwest	5,020,397	888,187	17.7%	(6,873)	353,960	126,810	\$18.62	\$15.96
<b>Suburban Total</b>	<b>18,682,553</b>	<b>2,177,762</b>	<b>11.7%</b>	<b>(167,410)</b>	<b>807,371</b>	<b>457,518</b>	<b>\$19.05</b>	<b>\$15.85</b>
<b>Totals</b>	<b>25,760,824</b>	<b>3,312,498</b>	<b>12.9%</b>	<b>(311,942)</b>	<b>750,443</b>	<b>757,518</b>	<b>\$21.13</b>	<b>\$15.89</b>
<b>By Class (All Submarkets)</b>							<b>Available for Sublease</b>	
							<b>CBD</b>	<b>Suburban</b>
Class A	12,846,193	1,547,859	12.0%	(107,454)	451,370	704,518	87,569	453,922
Class B	11,394,363	1,560,984	13.7%	(181,337)	335,691	53,000	29,716	6,677
Class C	1,520,268	203,655	13.4%	(23,151)	(36,618)	-	-	-
<b>Totals</b>	<b>25,760,824</b>	<b>3,312,498</b>	<b>12.9%</b>	<b>(311,942)</b>	<b>750,443</b>	<b>757,518</b>	<b>117,285</b>	<b>460,599</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 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.

\* 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.

### WANTS/NEEDS

We are currently representing clients with the following office requirements:

- 15,000 SF Class A office to lease, far West End. Contact Kit Tyler or Wood Thornton.
- \$6 million exchange property. Contact Steve Gentil or John Gentry

### Recent Transactions

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

**4914 W. Marshall Street  
Office/Service Facility**

26,000 SF Sale  
Scott White, Stuart Cary

**Lucky Strike Power Plant  
2700 E. Cary Street**

36,000 SF Sale  
Kit Tyler, Chuck Ellsworth

**Windsor Building  
1506 Staples Mill Road**

7,887 SF Sale  
Zac Frederick

**3800 Meadowdale Boulevard**

7,032 SF Sale  
Zac Frederick

**Martin, Dolan & Holton**

10,098 SF Lease  
4435 Waterfront Drive  
John Gentry

**Odyssey Healthcare**

5,989 SF Lease  
8000 Franklin Farms Drive  
Kit Tyler, Chris Wallace

# Featured Office Listings

Go to [www.harrison-bates.com/properties](http://www.harrison-bates.com/properties) to find a searchable database of all property listings.

Downtown



**Theatre Row Office Building**  
712-730 E. Broad Street  
17,833 to 17,985 SF  
Lease - \$17.50-18.00 Full Service  
Kit Tyler



**Federal Reserve Building**  
701 E. Byrd Street  
3,000 SF - 16th Floor  
5,000 SF - 17th Floor  
Sublease - \$20.00 Full Service  
Kit Tyler, Chuck Ellsworth



**1329 E. Cary Street**  
Suite 202 - 1,806 SF  
Lease - \$16.50 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



**201 E. Franklin Street**  
5,000 to 21,409 SF  
Lease - \$15.50 Full Service  
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



**1711 E. Main Street**  
11,500 SF  
Sale - \$499,000  
Kit Tyler, Chuck Ellsworth



**10035 Sliding Hill Road**  
2,014 SF  
Lease - \$16 to \$18 Full Service  
Scott White, Chuck Ellsworth

Northeast



**8149 Walnut Grove Rd**  
46,598 SF  
Sale - \$3,000,000  
Steve Gentil



**Richmond Medical Park**  
2000-2010 Breomo Road  
Suites from 562 SF to 3,876 SF  
Lease - \$14.50-16.50 Full Service  
Chuck Ellsworth, Chris Wallace



**4116 W. Broad Street**  
300 sf office + 1,200 sf whse  
Lease - \$8.44 Net of utilities  
and janitorial  
Ann Malone



**Willow Lawn Area**  
5211 W. Broad Street  
5,322 to 24,645 SF  
Lease - \$13.50 Full Service  
Scott White, Chuck Ellsworth,  
Jason Bernstein

Northwest



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



**NEW** **9220 Brook Road**  
Near I-295  
3,508 SF  
Lease - \$10 - \$11 NNN  
Sale - \$429,500  
Zac Frederick, Chip Louthan



**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



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



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



**Leased** **8000 Franklin Farms Drive**  
Lease - \$15.50 Full Service  
Kit Tyler, Chris Wallace



**Interchange Corporate Center**  
3850 Gaskins Road  
Suite 200 - 1,886 SF  
Lease - \$17.50 Full Service  
John Gentry, Chris Wallace



**Columbia**  
1142 W. Grace Street  
19,301 SF  
Sale - \$1,199,000  
Kit Tyler, Chuck Ellsworth



*Hungary Springs Office Park  
Hungary Spring & Shrader Roads  
977 SF or 3,856 SF  
Lease - \$14.00 Full Service  
John Gentry, Chris Wallace*



*Mayland II  
9816 Mayland Drive  
9,554 SF  
Lease - \$17 Full Service  
John Gentry, Will Bradford*



*Lee Medical Building  
1805 Monument Avenue  
827 or 1,267 SF  
Lease - \$16 Full Service  
Ann Malone*



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



*Regency Square Area  
1770 N. Parham Road  
2,000 SF  
Lease - \$16 - \$17 Full Service  
Chris Wallace*



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



*1111 N. Thompson Street  
2,569 SF  
Lease - \$11.00 Net Janitorial  
Will Bradford, Susan Jones*



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



*Innsbrook  
4435 Waterfront Drive  
1,572 - 5,925 SF  
Lease - \$18.50 Full Service  
John Gentry*

**Southwest**



*11512 Allecingie Parkway  
Suite 400 - 40,731 SF  
Lease - \$13 Full Service  
Ann Malone*



*300 Arboretum Place  
Suite 400 - 40,731 SF  
Sublease - \$12 Full Service  
Chris Wallace, John Gentry*



*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*



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



**NEW**  
*Branchway Business Center  
11311 Business Center Drive  
2,500 to 7,500 SF O/W  
Available March 1  
Lease - \$10.75  
Ann Malone*



*The Offices at Swift Creek  
5001 - 5137 Craig Rath Blvd  
Office condo units from  
2,000 to 21,856 SF  
Lease - \$12 NNN  
Sale - \$110 to \$125/SF  
Chris Wallace, Zac Frederick*



**NEW**  
*Huguenot Commons  
1519 Huguenot Road  
6,192 SF  
3,648 SF for Owner Occupancy  
Sale - \$715,000  
Chris Wallace, Zac Frederick*



*Medical/Dental Suite  
7410 Hull Street Road  
Suite 101 - 2,171 SF  
Lease - \$18 Full Service  
Will Bradford, Chris Wallace*



*Phoenix Business Center  
709 W. Hundred Road  
1,000 to 6,000 SF  
Lease - \$14 net of utilities  
Greg Creswell*



**NEW**  
*2500 Pocoshock Place  
1,100 SF  
Lease - \$15-16 Full Service  
Scott White*



**NEW**  
*2505 Pocoshock Place  
Suite 301 - 1,003 SF  
Lease - \$13.75 Full Service  
Scott White*



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



301 Southlake Boulevard  
For Lease  
Floor 1 - 1,576 SF - \$15.75 Full Svs  
Floor 2 - 1,608 SF - \$15.50 Full Svs  
Scott White



Midlothian Village  
13700-13702 Village Mill Drive  
562 - 1,550 SF  
Lease - \$15 Full Service  
Scott White



Wylderose Office Building  
231-247 Wylderose Ct  
1,000 - 2,000 SF  
Lease - \$14 Net of Electric  
Scott White, Stuart Cary



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



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

## Office Land

### Back on the Market!

Creekmore Park  
Patterson Ave & Creekmore Road  
Just west of West Creek Park  
5.77 Acre Site  
Zoned R-O (Residential Office)  
Water/Sewer in close proximity  
Sale - \$975,000  
David Williams, Lewis Little

Royal Oaks at Lakeview  
Rt. 10 & Chippenham Pkwy  
12 Acres  
Sale - \$100,000 per acre  
Chris Wallace, Bill Mattox

310-320 LeGordon Drive  
10.43 ac (2.94 ac buildable)  
Sale - \$415,000  
Bill Mattox, Jason Hetherington

Powhatan

Fredericksburg



Wood  
Thornton  
Sr. Associate

Wood is a member of the Office Brokerage Group and the Office Tenant Representation Team where he works with a variety of tenants with an emphasis on representing professional service firms and non-profit associations in leasing and acquiring office space and properties. Prior to joining Grubb & Ellis|Harrison & Bates, Wood practiced law for a decade with Troutman Sanders LLP as a member of Troutman's Mergers and Acquisitions and Business Venture Team. Wood's practice focused on mergers and acquisitions and included transactions with enterprise values ranging from several hundred thousand dollars to over \$400 million. Wood's negotiation and transaction management and execution experience are valuable assets to his clients at Grubb & Ellis|Harrison & Bates. Wood's tenant clients include Qwest Communications and Emigrant Savings Bank.

## Survey of Richmond Area Law Firms

Conducted by Wood Thornton (804.591.2406, wood.thornton@harrison-bates.com)

During the period from August of 2007 to early January 2008, we contacted law firms in the City of Richmond and Counties of Chesterfield and Henrico with three or more lawyers and asked them the number of lawyers they had in the Richmond market and whether they had plans to grow their presence in the Richmond market in the next twelve months.

Forty-nine out of seventy-three, or about 67%, of the firms responding\* indicated that they plan to add lawyers to their firms in the next twelve months. Set forth below is a breakdown of the growth plans of firms grouped according to the number of lawyers the firms have in the Richmond market.

Firm Size	% Planning to Add Lawyers
3-6 Lawyers	59.1%
7-10 Lawyers	63.6%
11-30 Lawyers	72.2%
30-100 Lawyers	100%
100-up Lawyers	75%

Based on the foregoing, it appears to be a good time to be a law student who wants to work in the Richmond area or a lawyer in Richmond looking for a new firm.

According to the Virginia State Bar, there are 4,121 lawyers on active status in the City of Richmond and the Counties of Henrico and Chesterfield. Firms represented in the survey account for 1,655 of that total. Based on this information, we believe the majority of lawyers in the Richmond market practice in one or two-person firms or in-house counsel.

Please contact Wood if you would like to receive a copy of the survey results listing sizes of all participating firms.

\* Of the ninety-five firms contacted, we received telephonic or email responses from seventy-three firms or 76.8%; twenty-one firms did not respond; and one firm asked to be excluded from the survey. Based on our research, the largest firm that did not participate in the survey has approximately 14 lawyers. Because of the length of time it took to gather the information in the survey, not all of the survey results will include associates added at firms last fall.

## 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:

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- 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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