

# Office Market Trends Richmond

Grubb & Ellis Research

Second Quarter 2008



*Second quarter office transaction and prospect activity was, as predicted, slower than the first quarter and more reflective of churning than growth.*

## Richmond Office Market Trends

is a newsletter published quarterly by Grubb & Ellis|Harrison & Bates. To obtain additional copies or other Grubb & Ellis|Harrison & Bates publications, please contact:

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## Sublet Space Tops 1 MSF

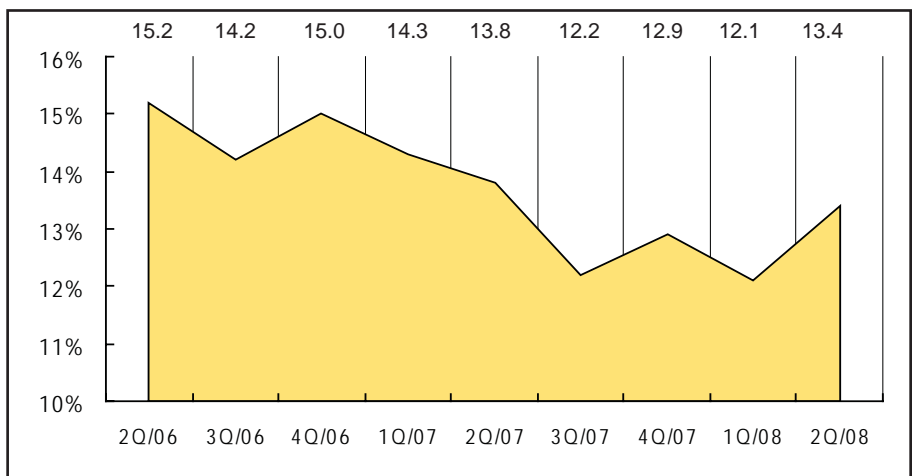
Sublease inventory increased to more than 1 million square feet, topping the 900,000 mark set in late 2001 and early 2002 when the dot com bubble burst. The largest block is 270,000 square feet at Riverfront Plaza that will be vacated by Wachovia in 2009. There will be some additional small subleases coming on the market as the year progresses, but additional large sublease blocks are not predicted.

The downtown market lost footing as SunTrust relinquished 85,000 square feet at 919 E. Main Street and VITA finally moved the last of its operations out of Richmond Plaza, but the pending sale of Main Street Centre later this year to the Commonwealth of Virginia will remove a large block of available space. The suburban market south of the James River benefitted from a pair of sizable transactions. The Virginia College Savings Plan purchased the 48,500-square-foot Arboretum VIII building for \$8 million, and Northrop Grumman leased 89,000 square feet at Patriot Tower. In the northwest quadrant, vacancy is accumulating dramatically in the Innsbrook area, particularly in buildings north of Nuckols Road.

Investment sales slowed considerably during the quarter. The only noteworthy transaction was Westcore Colonial Place, LLC's purchase of 17.381 acres and two office buildings totaling 169,612 square feet in northwest Henrico County for \$22.5 million from First States Investors 241, LLC.

Several multi-tenant suburban office buildings were completed during the second quarter, the largest of which was 200,000 square feet at Reynolds Crossing. No sizable speculative office projects have started construction in 2008, as office developers remain on the sidelines until conditions improve.

Opportunities are very good for flexible tenants to obtain favorable leasing terms. Although discounts on Class A advertized rates are rare, expect to see some concessions in Class B rates. Tenant improvement pricing is becoming more competitive and some free rent is common.



Office Vacancy Rate\*

\* All Classes of Space

## Office Market Snapshot Richmond Second Quarter 2008

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	7,535,522	1,215,834	16.1%	(167,101)	(54,507)	300,000	\$24.64	\$16.03
<b>CBD Total</b>	<b>7,535,522</b>	<b>1,215,834</b>	<b>16.1%</b>	<b>(166,101)</b>	<b>(54,507)</b>	<b>300,000</b>	<b>\$24.64</b>	<b>\$16.03</b>
Northeast	736,366	21,677	2.9%	10,000	10,824	-	-	\$16.86
Northwest	13,189,249	1,491,514	11.3%	229,473	86,388	-	\$19.91	\$15.91
Southwest	5,049,203	810,646	16.1%	(58,030)	92,674	70,000	\$18.59	\$16.10
<b>Suburban Total</b>	<b>18,974,818</b>	<b>2,323,837</b>	<b>12.2%</b>	<b>181,443</b>	<b>189,886</b>	<b>70,000</b>	<b>\$19.43</b>	<b>\$15.98</b>
<b>Totals</b>	<b>26,510,340</b>	<b>3,539,671</b>	<b>13.4%</b>	<b>14,342</b>	<b>135,379</b>	<b>370,000</b>	<b>\$21.53</b>	<b>\$16.01</b>
<b>By Class (All Submarkets)</b>							<b>Available for Sublease</b>	
							<b>CBD</b>	<b>Suburban</b>
Class A	13,752,539	1,592,171	11.6%	145,886	306,674	370,000	365,259	583,523
Class B	11,251,945	1,746,294	15.5%	(143,352)	(164,342)	-	20,291	38,237
Class C	1,505,856	201,206	13.4%	11,808	(6,953)	-	-	-
<b>Totals</b>	<b>26,510,340</b>	<b>3,539,671</b>	<b>13.4%</b>	<b>14,342</b>	<b>135,379</b>	<b>370,000</b>	<b>385,550</b>	<b>621,760</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.

## Recent Transactions

Grubb & Ellis|Harrison & Bates is pleased to announce the following office transactions during the second quarter of 2008:

**Medical Office Building**  
**8917 Fargo Road**  
 11,566 SF Sale  
 Chris Wallace, Zac Frederick

**Bank Branch**  
**7100 Three Chopt Road**  
 1,910 SF Sale  
 Bill Mattox, Steve Gentil,  
 Zac Frederick

**City of Richmond**  
 19,028 SF Lease  
 201 E. Franklin Street  
 Kit Tyler, Chuck Ellsworth

**Partner MD**  
 10,526 SF Lease  
 7001 Forest Avenue  
 Wood Thornton, Steve Gentil

**CCB Organizing Group, LLC**  
 7,192 SF Lease  
 300 Arboretum Place  
 Steve Gentil

**Ward Steel Company**  
 2,004 SF Lease  
 9830 Mayland Drive  
 John Gentry, Will Bradford

# 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



**Three James Center**  
1051 E. Cary Street, Suite 700  
11,274 SF  
Sublease - \$22.00 Full Service  
John Gentry



**Federal Reserve Building**  
701 E. Byrd Street  
3,000 SF - 16th Floor  
Sublease - \$24.00 Full Service  
Kit Tyler, Chuck Ellsworth



**1329 E. Cary Street**  
Suite 202 - 1,806 SF  
Lease - \$16.50 Full Service  
1st Fl - 2,800 sf Retail - \$15 NNN  
Kit Tyler, Chuck Ellsworth



**16 N. 8th Street**  
3,153 SF  
Sale - \$395,000  
Lease - \$10-15 Full Service  
Kit Tyler, Chuck Ellsworth



**Eighth & Main Building**  
707 E. Main Street  
Suites from 700 - 7,400 SF  
Lease - \$18.00 Full Service  
Kit Tyler, Chuck Ellsworth

**New Price!**



**1711 E. Main Street**  
11,500 SF  
Sale - \$449,000  
Kit Tyler, Chuck Ellsworth



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



**Richmond Medical Park**  
2000-2010 Bremono Road  
Suites from 562 SF to 3,876 SF  
Lease - \$15.50-16.50 Full Service  
Chuck Ellsworth, Chris Wallace

Northeast

Northwest



**4116 W. Broad Street**  
300 sf office + 1,200 sf whse  
Lease - \$8.75 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



**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



**NEW**  
**Innsbrook**  
4801 Cox Road  
1,464 SF  
Sublease - \$17.00 Full Service  
Will Bradford



**NEW**  
**6500 Dickens Place**  
4,550 SF  
Sale - \$705,250  
Chuck Ellsworth



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



**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



**Hilliard Road Veterinary Hospital**  
3008 Hilliard Road  
1,890 SF  
Sale - \$329,000  
Chuck Ellsworth, Zac Frederick



**Under Contract**

**Former Law Offices**  
3201 Hungary Spring Road  
Adjacent to Government Complex  
3,051 SF  
Sale - \$440,000  
Zac Frederick



**Continental Building**  
5206 Markel Road  
594 SF  
Lease - \$15.25 Full Service  
Scott White



*Hungary Springs Office Park  
Hungary Spring & Shrader Roads  
One Suite - 3,856 SF  
Lease - \$14.50 Full Service  
John Gentry, Chris Wallace*



**Now  
For  
Sale**

*Mayland II  
9816 Mayland Drive  
9,554 SF  
Sale - \$2,360,000  
Lease - \$17.50 Net Elec & Gas  
John Gentry, Will Bradford*



*Lee Medical Building  
1805 Monument Avenue  
565 or 900 SF  
Lease - \$15-16 Full Service  
Ann Malone*



*5012 Monument Avenue  
13,902 SF total  
5,480 SF available  
for occupancy  
Sale - \$1,975,000  
Zac Frederick, Bill Mattox*



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



**NEW**

*Shrader Commons Office Condo  
7812-7814 Shrader Road  
3,932 SF  
Lease - \$16.50 Net of Elec.  
John Gentry*



*Mill House Office Condos  
5711 Staples Mill Road  
Units from 1,060 to 2,374 SF  
Sale - \$135 PSF  
Delivery Q3 2008  
Zac Frederick, Chris Wallace*



*1111 N. Thompson Street  
2,374 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*



*11512 Allecingie Parkway  
1,600 SF  
Lease - \$13 Full Service  
Ann Malone*



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

**Southwest**



*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*



*421 Branchway Road  
IDEAL FOR OWNER/OCCUPANT  
1,584 SF  
Sale - \$265,000  
Zac Frederick*



*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*



*Medical or General Office  
1011 Hioaks Road  
5,820 SF  
Sale - \$669,300  
Will Bradford, Zac Frederick*



*Huguenot Commons  
1507 Huguenot Road  
568 SF  
Lease - \$16.50 Full Service  
Kit Tyler*



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



**New  
Rate!**

*Medical/Dental Suite  
7410 Hull Street Road  
Suite 101 - 2,171 SF  
Lease - \$16.50 Full Service  
Will Bradford, Chris Wallace*



**NEW**

*Office/Medical - Chester  
4301 W Hundred Road  
1,800 SF  
Lease - \$15.00 Net of Elec.  
Will Bradford, Kit Tyler*



## 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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- 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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