

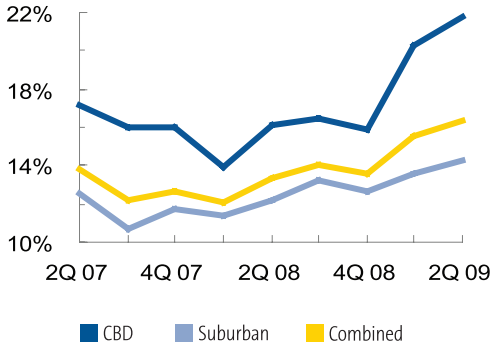
Office Trends Report—Second Quarter 2009

Richmond, VA



Vacancy Rate

Quarterly

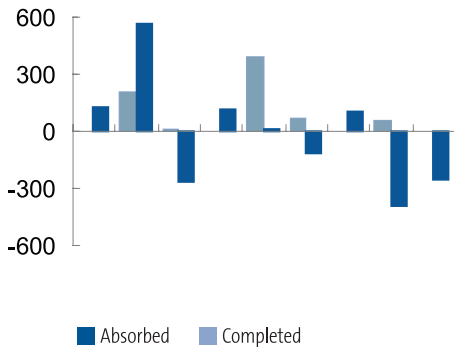


Overall office vacancy increased another 90 basis points and negative absorption was recorded in all submarkets and classes. Both owners and tenants are adjusting to the new reality and accepting that recent market weakness is not just a blip.

Most notably, the 300,000-square-foot Deep Run I building, formerly occupied by Circuit City, went into receivership as Lexington REIT turned the vacant property over to Bank of America.

Completion vs. Absorption

Quarterly (in Thousands of SF)



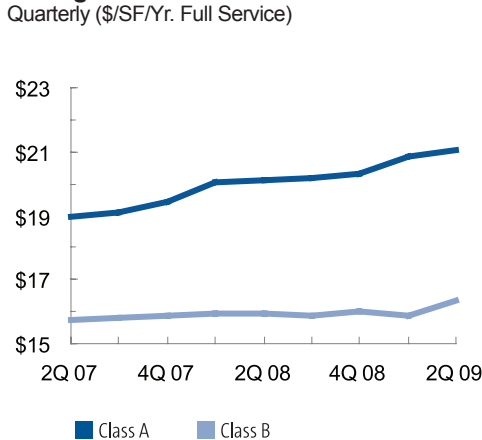
Lease negotiations are testing new bottoms every day. Although many tenants are choosing shorter one-to-three year lease terms to keep their options open, the key for landlords with loans coming due is to secure long-term leases. Recently completed transactions provide evidence that some are willing to do whatever it takes to lock in a longer term. A 2,000-square-foot lease in Innsbrook was completed at 22 percent below the quoted asking rate on a five-year term in renovated space. A ten-year lease for 25,000 square feet in a new flex building with 80 percent office build-out included 10 months of free rent and generous tenant improvements including modular furniture.

For sale inventory continues to accumulate and few transactions are closing. Nationally, prices are down 21 percent from their peak and are still falling. A lack of transaction activity makes it difficult to quantify depressed values locally, but investors are not yet comfortable that a bottom has been reached.

For the short term, demand for office may come from less traditional sources. Health services, educational services and government are most likely to lead the way in job growth. The largest office lease completed for the quarter was with South University, a private institution that will open a campus at West Broad Village.

Asking Rental Rates

Quarterly (\$/SF/Yr. Full Service)



FORECAST

- Expect further contraction in the office market with more inventory and more upside down loans.
- Existing tenants will continue to have great opportunities to “blend and extend” or move up from Class B to Class A properties.

KEY TRANSACTIONS

Lessee/Buyer	Lessor/Seller	Property	Size (SF)/Price
South University	Unicorp National Developments	West Broad Village	30,000
FastMart	Windsor Business Park, LLC	Windsor Business Park*	25,600
Sheltering Arms Hospitals	Lexington Realty Trust	East Shore III	19,075

■ Leasing ■ Sales *Indicates Transaction Represented by Grubb & Ellis|Harrison & Bates

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By Submarket	Total SF	Vacant SF	VACANCY%		NET ABSORPTION		Under Construction SF	ASKING RENT	
			Direct	Total	Current	YTD		Class A	Class B
Downtown	7,584,309	1,655,977	171%	21.8%	(117,470)	(407,774)	500,000	\$24.57	\$16.31
CBD Total	7,584,309	1,655,977	17.1%	21.8%	(117,470)	(407,774)	500,000	\$24.57	\$16.31
Northeast	736,366	24,026	3.3%	3.3%	(4,419)	(4,419)	-	-	\$17.25
Northwest	13,247,076	1,915,673	12.3%	14.5%	(72,855)	(215,086)	-	\$20.49	\$16.44
Southwest	5,087,576	781,590	14.3%	15.4%	(56,905)	(20,111)	-	\$19.13	\$16.27
Suburban Total	19,071,018	2,721,289	12.4%	14.3%	(134,179)	(239,616)	-	\$20.11	\$16.41
Totals	26,655,327	4,377,266	13.8%	16.4%	(251,649)	(647,390)	500,000	\$21.02	\$16.37

By Class	Total SF	Vacant SF	Direct	Total	Current	YTD	Under Construction SF	Available for Sublease	
								CBD	Suburban
Class A	13,842,372	2,136,153	10.7%	15.4%	10,331	(415,269)	500,000	409,203	329,488
Class B	11,296,189	2,040,183	17.6%	18.1%	(237,568)	(219,012)	-	28,144	27,566
Class C	1,516,766	200,930	13.2%	13.2%	(24,412)	(13,109)	-	-	250
Totals	26,655,327	4,377,266	13.8%	16.4%	(251,649)	(647,390)	500,000	437,347	357,304

Grubb & Ellis|Harrison & Bates Office Real Estate Advisors

Chuck Ellsworth

Vice President

804-591-2410

chuck.ellsworth@harrison-bates.com

John Gentry

Senior Vice President

804-591-2418

john.gentry@harrison-bates.com

Kit Tyler, SIOR

Vice Chairman

804-591-2420

kit.tyler@harrison-bates.com

Zac Frederick

Associate

804-591-2401

zac.frederick@harrison-bates.com

Ann Malone

Associate

804-591-2426

ann.malone@harrison-bates.com

Chris Wallace

Vice President

804-591-2424

chris.wallace@harrison-bates.com

Steve Gentil, SIOR, CCIM

Chairman

804-591-2421

steve.gentil@harrison-bates.com

Wood Thornton

Senior Associate

804-591-2406

wood.thornton@harrison-bates.com

Scott White, SIOR, CCIM

Senior Vice President

804-591-2416

scott.white@harrison-bates.com

OFFICE TERMS AND DEFINITIONS

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.

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 and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Direct Vacant: This is the vacancy rate in space offered on the market directly by the landlord in single and multi-tenant buildings. This excludes vacant space offered for sublease and vacant space that is not offered on the market, for whatever reason.

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 full service where all costs of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the market is weighted by the amount of available space in the building.

*Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.