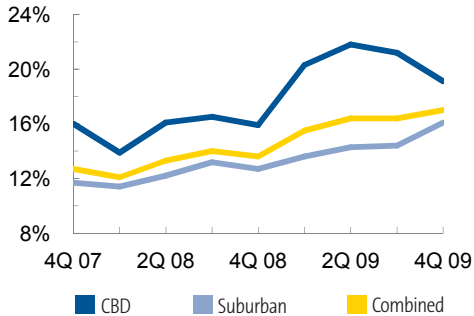


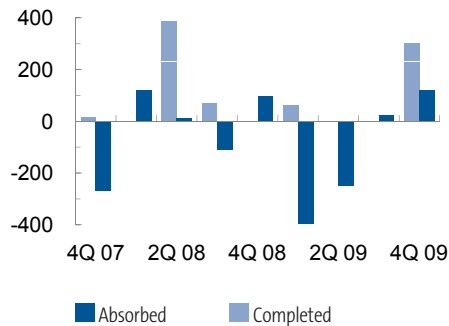
### Vacancy Rate

Quarterly



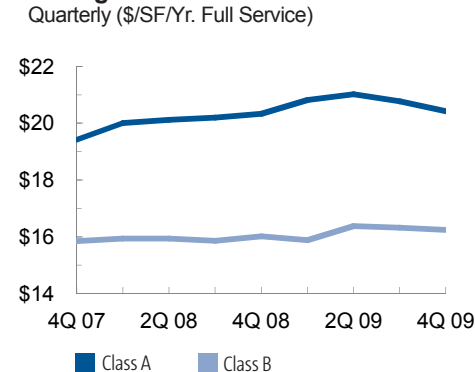
### Completions vs. Absorption

Quarterly (in Thousands of SF)



### Asking Rental Rates

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



## A Difficult Year Comes to a Close

Downtown was the most active submarket during the fourth quarter; however, most of the activity was from relocations by existing tenants. The largest transaction was 140,000 square feet leased to BB&T at Riverfront Plaza. BB&T's consolidation from several downtown locations will be staged during 2010. The State Department of Social Services relocated to 135,000 square feet at Wytestone Plaza in December, leaving behind previously occupied space at 7 N. 8th Street and 800 E. Main Street. MeadWestvaco relocated from its temporary space in the northwest quadrant to 237,000 square feet in a newly completed headquarters along the riverfront. Construction continues on a 200,000-square-foot headquarters for the Williams Mullen law firm with delivery expected in the spring. Sublease space is already being marketed in both new buildings as market conditions subsequent to lease execution caused both firms to scale back the amount of space required. Asking rental rates on the sublease space is discounted 40 to 50 percent from the master lease rate, while direct lease rates on existing downtown buildings are discounted 20 percent on average below published asking rates.

The northwest quadrant continues to struggle with a glut of space left behind by Land America, Wachovia and Circuit City. Institutional landlords, with a primary objective of keeping occupancy levels high at any cost, are submitting lease proposals with 20 to 30 percent discounts off the published asking rates along with one free month for every year of lease term and other concessions. The southwest quadrant, having suffered the fewest tenant losses in recent months, continues to chug along and will likely see a modest amount of speculative office construction in 2010.

### FORECAST

- Good opportunities for tenants to relocate or "blend and extend" at discounted rates will continue for at least the next two quarters
- Vacancy should level off with no additional dramatic losses anticipated
- Office construction starts will be minimal and primarily for medical uses

### KEY TRANSACTIONS

Lessee/Buyer	Lessor/Seller	Property	Size (SF)/Price
■ BB&T*	Hines Riverfront Plaza, LP	Riverfront Plaza	140,380
■ Verizon Virginia*	First Potomac Realty Trust	8751 Park Central Drive	45,782
■ Misys Healthcare Solutions, Inc.	Highwoods Properties, Inc.	4470 Cox Road	21,750
■ ACS State Healthcare Expansion	Parkway Properties	1011 Boulders Spring Drive	15,440

■ Leasing ■ Sales (R) = Renewal (S) = Sublease \*Indicates Transaction Represented by Grubb & Ellis|Harrison & Bates

# Office Trends Report—Fourth Quarter 2009

## Richmond, VA



By Submarket	Total SF	Vacant SF	VACANCY %		NET ABSORPTION		Under Construction SF	ASKING RENT	
			Direct	Total	Current	Year To Date		Class A	Class B
Downtown	7,884,309	1,505,374	17.6%	19.1%	400,470	42,829	200,000	\$23.33	\$16.20
<b>CBD Total</b>	<b>7,884,309</b>	<b>1,505,374</b>	<b>17.6%</b>	<b>19.1%</b>	<b>400,470</b>	<b>42,829</b>	<b>200,000</b>	<b>\$23.33</b>	<b>\$16.20</b>
Northeast	736,366	31,713	4.3%	4.3%	-	(12,106)	-	\$18.50	\$17.25
Northwest	13,291,401	2,280,148	15.2%	17.2%	(346,707)	(532,200)	-	\$19.97	\$16.27
Southwest	5,088,901	762,750	13.8%	15.0%	68,068	(1,371)	-	\$19.10	\$16.14
<b>Suburban Total</b>	<b>19,116,668</b>	<b>3,074,611</b>	<b>14.4%</b>	<b>16.1%</b>	<b>(278,639)</b>	<b>(545,677)</b>	<b>-</b>	<b>\$19.76</b>	<b>\$16.26</b>
<b>Totals</b>	<b>27,000,977</b>	<b>4,579,985</b>	<b>15.3%</b>	<b>17.0%</b>	<b>121,831</b>	<b>(502,848)</b>	<b>200,000</b>	<b>\$20.43</b>	<b>\$16.24</b>

By Class	Total SF	Vacant SF	Direct	Total	Current	Year To Date	Under Construction SF	AVAILABLE FOR SUBLEASE	
								CBD	Suburban
Class A	14,178,781	2,142,048	12.1%	15.1%	313,135	(81,803)	200,000	136,781	354,993
Class B	11,305,430	2,215,585	19.4%	19.6%	(169,649)	(386,514)	-	2,821	27,699
Class C	1,516,766	222,352	14.6%	14.7%	(21,655)	(34,531)	-	-	250
<b>Totals</b>	<b>27,000,977</b>	<b>4,579,985</b>	<b>15.3%</b>	<b>17.0%</b>	<b>121,831</b>	<b>(502,848)</b>	<b>200,000</b>	<b>139,602</b>	<b>382,942</b>

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## OFFICE TERMS AND DEFINITIONS

**Inventory:** Office inventory includes all multi-tenant and single tenant buildings at least 20,000 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.*