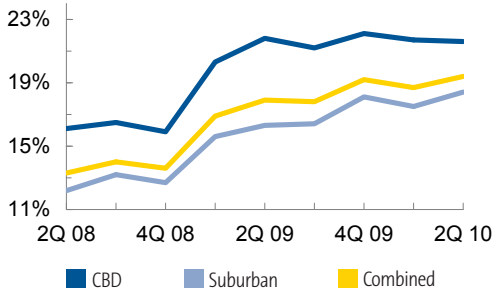
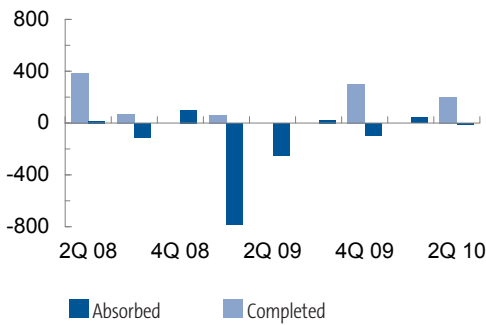


### Vacancy Rate



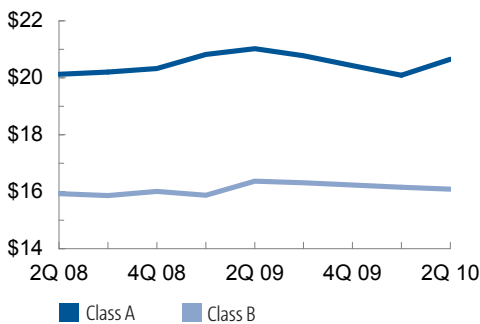
### Completions vs. Absorption

(in Thousands of SF)



### Asking Rental Rates

(\$/SF/Yr. Full Service)



## Law Firm Headquarters Completed

Armada Hoffler completed construction on a 200,000-square-foot headquarters building for Williams Mullen in the downtown submarket. The law firm moved out of 102,000 square feet in James Center Two and occupied 147,000 square feet in the new building. Downtown may benefit from some migration of tenants from the suburbs over the coming months. Both a regional accounting firm and a corporate headquarters are looking at downtown options. Each firm would occupy about 25,000 square feet.

In the suburbs, REITs are taking a harder line in office lease negotiations than just a few months ago. One large portfolio owner is refusing to execute any more early renewals and is quoting slightly higher lease rates along with some limits on tenant improvements in turn-key lease deals and no early termination options on leases with a term of less than five years. Another continues to negotiate aggressively, but is backing away from some concessions such as early termination options. The northwest quadrant remains tenant-favored but the major corporate vacancies in the Deep Run and Innsbrook areas make it appear to be a dire situation for landlords. If you exclude those very large blocks, the vacancy rate, while still tenant-favored, is much more reasonable. All northwest quadrant effective rates are below \$20 per square foot and average about \$18.50 full service for class A space.

Sales activity picked up but consisted primarily of small building and condo sales to owner occupants. The largest sale was the transfer of one of the oldest buildings in Innsbrook to its primary tenant, First Capital Bank, who plans to expand into the entire 23,000-square-foot building.

### FORECAST

- The overall picture will improve greatly once one or more of the large corporate vacancies in the northwest quadrant is backfilled.
- Downtown class B inventory will gradually be reduced as the State works through its take-down of previously purchased buildings and as other properties are re-purposed as residential.

### KEY TRANSACTIONS

Lessee/Buyer	Lessor/Seller	Property	Size (SF)/Price
■ First Capital Bank	KCA/FC LC	4222 Cox Road	\$3,500,000
■ County of Henrico	Staples Mill Equities, LLC	8600-8604 Staples Mill Rd	\$1,600,000
■ Dominion Due Diligence Group*	Liberty Property Trust	4121 Cox Road	29,314 SF

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

# Office Trends Report—Second Quarter 2010

## Richmond, VA



By Submarket	Total SF	Vacant SF	Vacant %	NET ABSORPTION		Under Construction SF	ASKING RENT	
				Current	Year-To-Date		Class A	Class B
Downtown	8,084,309	1,745,507	21.6%	162,632	190,021	-	\$24.47	\$15.99
<b>CBD Total</b>	<b>8,084,309</b>	<b>1,745,507</b>	<b>21.6%</b>	<b>162,632</b>	<b>190,021</b>	-	<b>\$24.47</b>	<b>\$15.99</b>
Northeast	736,366	54,841	7.4%	(18,016)	(23,128)	-	\$18.00	\$16.01
Northwest	13,177,268	2,659,045	20.2%	(123,896)	(112,768)	-	\$19.54	\$16.18
Southwest	5,088,901	784,334	15.4%	(30,411)	(21,584)	-	\$18.81	\$16.16
<b>Suburban Total</b>	<b>19,002,535</b>	<b>3,498,220</b>	<b>18.4%</b>	<b>(172,323)</b>	<b>(157,480)</b>	-	<b>\$19.37</b>	<b>\$16.17</b>
<b>Totals</b>	<b>27,086,844</b>	<b>5,243,727</b>	<b>19.4%</b>	<b>(9,691)</b>	<b>32,541</b>	-	<b>\$20.65</b>	<b>\$16.09</b>

By Class	Total SF	Vacant SF	Vacant %	Current	Year-To-Date	Under Construction SF	AVAILABLE FOR SUBLEASE	
							CBD	Suburban
Class A	14,384,837	2,668,872	18.6%	189,015	294,974	-	115,943	209,447
Class B	11,184,030	2,340,236	20.9%	(183,647)	(250,166)	-	2,821	25,480
Class C	1,517,977	234,619	15.5%	(15,059)	(12,267)	-	-	250
<b>Totals</b>	<b>27,086,844</b>	<b>5,243,727</b>	<b>19.4%</b>	<b>(9,691)</b>	<b>32,541</b>	-	<b>118,764</b>	<b>235,177</b>

## Grubb & Ellis|Harrison & Bates Office Real Estate Advisors

**Chuck Ellsworth**  
Senior Vice President  
804-591-2410  
chuck.ellsworth@harrison-bates.com

**Wood Thornton**  
Senior Associate  
804-591-2406  
wood.thornton@harrison-bates.com

**Zac Frederick**  
Senior Associate  
804-591-2401  
zac.frederick@harrison-bates.com

**Kit Tyler, SIOR**  
Vice Chairman  
804-591-2420  
kit.tyler@harrison-bates.com

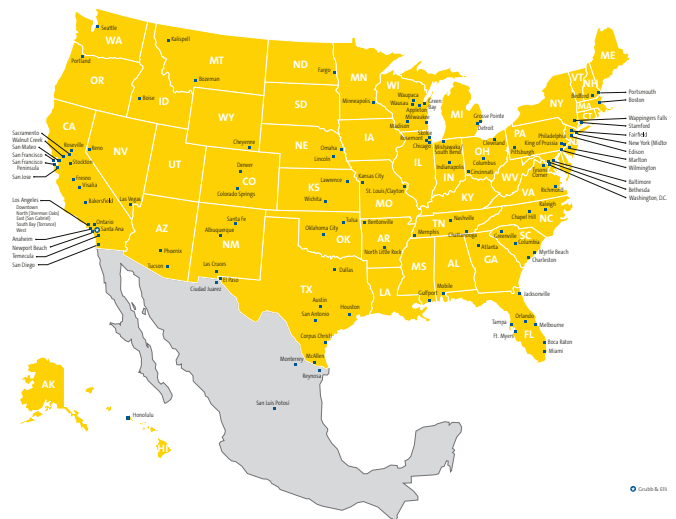
**Steve Gentil, SIOR, CCIM**  
Chairman  
804-591-2421  
steve.gentil@harrison-bates.com

**Chris Wallace**  
Vice President  
804-591-2424  
chris.wallace@harrison-bates.com

**John Gentry**  
Senior Vice President  
804-591-2418  
john.gentry@harrison-bates.com

**Scott White, SIOR, CCIM**  
Senior Vice President  
804-591-2416  
scott.white@harrison-bates.com

Grubb & Ellis Office Locations  
as of 2nd Quarter 2010



## OFFICE TERMS AND DEFINITIONS

**Total SF:** 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.*