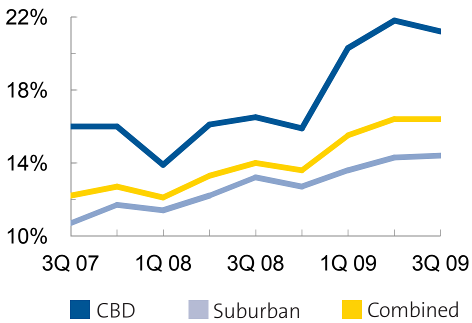
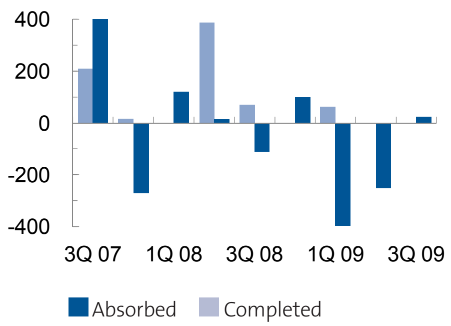
Office Trends Report—Third Quarter 2009
Richmond, VA

GRUBB & ELLIS. Harrison & Bates

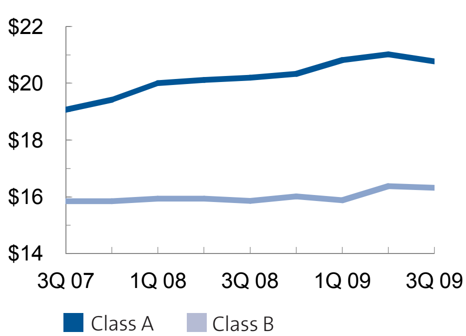
Vacancy Rate
Quarterly



Completion vs. Absorption
Quarterly (in Thousands of SF)



Asking Rental Rates
Quarterly ($/SF/Yr. Full Service)



Recovery linked to job growth

The unemployment rate for the Richmond area fell slightly from July (8.8 percent) to August (7.7 percent), but was still far above the 4.6 percent rate of one year ago. Evidence that the job market has stabilized and may even be improving is welcome news following a year of shedding not only jobs, but entire companies such as LandAmerica and Circuit City. The news is mixed, however. While leasing activity has picked up, there is no net new business or engines to drive the absorption of over 4 million square feet of vacant space. Most activity is coming from existing tenants looking to improve their office space for the same or lower cost than they are currently paying. The tenant's market continues to present great opportunities for companies of all sizes to negotiate very attractive lease terms. Asking rental rates have declined slightly, but effective rental rates are sharply lower as landlords concede to demands for free rent, increased tenant improvements, moving expenses and other tenant incentives.

Sales volume remains low but is increasing, more distressed properties are being identified, and buyers are beginning to sense a market bottom. On the low end, one sale closed at $19 per square foot or 30 percent of its original listing price four years ago. The average trading range for existing office buildings was $51 to $86 per square foot this quarter. Three new office condo units at Waterford Center in Midlothian and Rutland Center in Mechanicsville sold to medical users for between $129 and $135 per square foot for shell space.

FORECAST

- Lessening unemployment will stablize demand for office space, but no strong engine for job growth is likely to appear soon.
- Expect increasing numbers of foreclosures and "vulture" buyers who can wait out the three to five years necessary for demand to return.
- "Zombie" buildings with 50 percent or more vacancy and long odds of ever filling will create problems both downtown and in suburban submarkets.

KEY TRANSACTIONS

Lessee/Buyer	Lessor/Seller	Property	Size (SF)/Price
Peoples Bank of Virginia	Parham Road, LLC	2702 Parham Road	$1,000,000
T.A.R.P. Investors, LLC	Verizon *	8149 Walnut Grove Rd	$900,000
Sands Anderson Marks & Miller, P.C. *	Gramercy Capital Corporation	1111 E. Main Street	38,800
Ernst & Young	Forest City	2100 E. Cary Street	16,700
Austin Brockenbrough & Associates, LP	Parkway Properties	1011 Boulder Spring Drive	13,600

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

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By Submarket	Total SF	Vacant SF	VACANCY % Direct	VACANCY % Total	NET ABSORPTION Current	NET ABSORPTION Year To Date	Under Construction SF	ASKING RENT Class A	ASKING RENT Class B
Downtown	7,584,309	1,605,844	17.5%	21.2%	50,133	(357,641)	500,000	$23.95	$16.34
CBD Total	**7,584,309**	**1,605,844**	**17.5%**	**21.2%**	**50,133**	**(357,641)**	**500,000**	**$23.95**	**$16.34**
Northeast	736,366	31,713	4.3%	4.3%	(7,687)	(12,106)	-	$18.50	$17.25
Northwest	13,247,076	1,890,080	12.4%	14.3%	29,593	(185,493)	39,361	$20.15	$16.34
Southwest	5,088,901	830,818	15.3%	16.3%	(49,228)	(69,439)	-	$19.11	$16.14
Suburban Total	**19,072,343**	**2,752,611**	**12.9%**	**14.4%**	**(27,322)**	**(267,038)**	**39,361**	**$19.87**	**$16.31**
Totals	**26,656,652**	**4,358,455**	**14.2%**	**16.4%**	**22,811**	**(624,679)**	**539,361**	**$20.77**	**$16.32**

By Class	Total SF	Vacant SF	VACANCY % Direct	VACANCY % Total	NET ABSORPTION Current	NET ABSORPTION Year To Date	Under Construction SF	AVAILABLE FOR SUBLEASE CBD	AVAILABLE FOR SUBLEASE Suburban
Class A	13,842,372	2,115,822	11.4%	15.3%	20,331	(394,938)	539,361	342,571	293,121
Class B	11,297,514	2,041,936	17.8%	18.1%	2,247	(216,865)	-	9,171	27,699
Class C	1,516,766	200,697	13.2%	13.2%	233	(12,876)	-	-	250
Totals	**26,656,652**	**4,358,455**	**14.2%**	**16.4%**	**22,811**	**(624,679)**	**539,361**	**351,742**	**321,070**

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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.*