

# MarketView Richmond Office

## Quick Stats

	Current Qtr.	Change from last	
		Yr.	Qtr.
Vacancy	16.5%	↑	↑
Lease Rates	\$18.66 FS	↓	↑
Net Absorption*	-230,604 SF	↓	↓
Completions	— SF	↓	↓

\* The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

## Hot Topics

- The Richmond availability rate held steady between the second quarter and third quarter 2009.
- The Richmond metropolitan area unemployment rate dropped to 7.7% from 8.1% at the end of the second quarter 2009.
- Innsbrook I & II officially returned to the market after the termination of Wachovia Securities' lease in August.
- Investment sales remain weak as buyers and sellers await the potential commercial real estate fallout early next year.

The Richmond office market appears to have moved towards a bottom during the third quarter, as indicated by the market availability rate, which measures both present and anticipated future available space. For the first time in a year, the availability rate settled during the third quarter, however, it remains at historically high levels. Furthermore, lease rates halted their dramatic fall from their high in 2007 as another indication the market is at or near bottom. Notwithstanding, Landlords are eager to mitigate future risk and continue to offer attractive concession packages to tenants; as much as 5-10 months of free rent in many cases and higher tenant improvement allowances.

Tenant activity remains relatively stable but with vacancy levels at historic highs and the future uncertain, Landlord's are competing aggressively for those tenants who are fortunate enough to have a lease expiration in the near term. Short term renewals are very common, but those tenants with a stable outlook on their business are taking advantage of the down market and locking in longer term, aggressive economic packages.

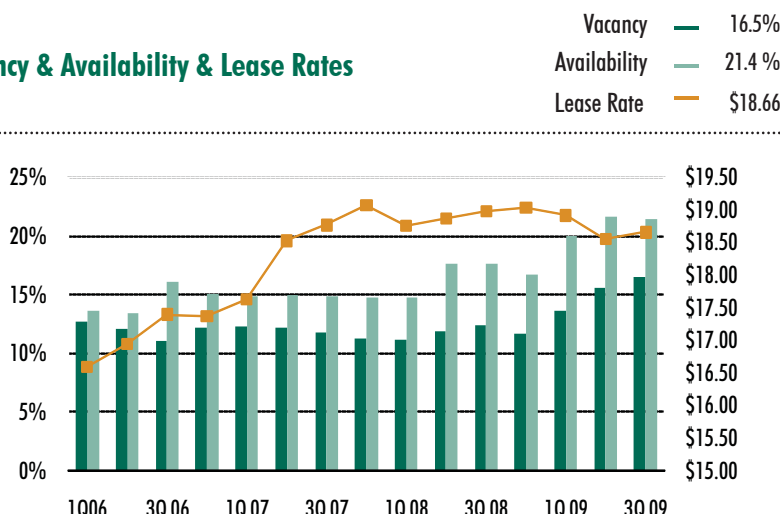
Despite several encouraging signs, the third quarter experienced negative net absorption which translated into a higher direct vacancy rate for the Richmond market. Again, for the third

straight quarter, the majority of the negative net absorption resulted from a large block of space officially coming to the market. Year to date, the Richmond office market's net absorption has topped negative 1.2 million square feet, of which Circuit City and Wachovia Securities contributed approximately 979,000 square feet.

In the coming quarters, the direct vacancy rate will certainly increase further as two more large blocks of space officially hit the market; the former Land America headquarters in Innsbrook and the MeadWestvaco headquarters at Westmark II. While this negative absorption and increased vacancy rate will hurt the market statistics, the leasing market has already absorbed the effects of these vacancies.

Clearly the job losses in the region have had the paramount effect on office demand and the elevated vacancy rates and only job creation will return stability to the market. Unemployment fell both in Virginia and Richmond, as seen in the August unemployment statistics, but after almost two years of increasing, this cannot be considered a trend; concerns that the economy will experience a jobless recovery remain in the headlines. The market will recover, however, but a sustainable recovery will take both time and a revival of confidence in our economy.

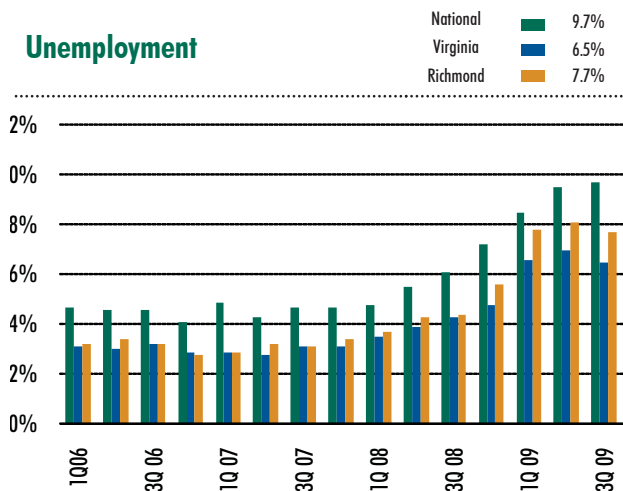
## Vacancy & Availability & Lease Rates



## Market Statistics

Market	Rentable Area SF	Vacancy Rate %	YTD Net Absorption SF	Under Construction SF	Average Lease Rate -\$ SF/YR	Availability Rate %
Arboretum	548,112	10.3%	20,452	—	\$18.58	10.9%
Boulders	979,402	20.3%	-36,302	—	\$18.18	21.6%
Moorefield/Koger	1,205,393	17.5%	-16,687	—	\$16.35	18.1%
Route 288 Corridor	739,567	11.5%	-534	—	\$18.56	15.1%
Stony Point	781,120	5.3%	-12,139	—	\$18.32	9.7%
<b>Southwest Quadrant</b>	<b>4,253,594</b>	<b>13.9%</b>	<b>-45,210</b>	<b>—</b>	<b>\$17.89</b>	<b>15.9%</b>
Class A	2,150,869	12.5%	-16,617	—	\$19.20	14.5%
Class B	2,102,725	15.4%	-28,593	—	\$16.39	17.3%
Ashland/ I-95	248,730	7.1%	-9,443	—	\$14.28	12.0%
Glenside/ I-64	3,431,755	8.9%	-30,151	—	\$18.88	9.7%
Innsbrook	5,756,542	22.8%	-830,443	100,000	\$19.97	36.1%
Parham Road Area	1,384,763	8.0%	-18,749	—	\$14.59	8.7%
Staples Mill	1,552,165	25.1%	-139,360	—	\$14.32	25.1%
<b>Northwest Quadrant</b>	<b>12,373,955</b>	<b>17.2%</b>	<b>-1,028,146</b>	<b>100,000</b>	<b>\$18.07</b>	<b>23.9%</b>
Class A	4,731,205	8.8%	13,640	100,000	\$19.06	21.9%
Class B	7,642,750	22.5%	-1,041,786	—	\$17.34	25.1%
<b>Downtown (CBD)</b>	<b>8,767,151</b>	<b>16.8%</b>	<b>-148,921</b>	<b>510,607</b>	<b>\$19.61</b>	<b>20.7%</b>
Class A	3,165,197	14.1%	-91,901	510,607	\$23.12	24.1%
Class B	5,601,954	18.3%	-57,020	—	\$17.07	18.8%
<b>Richmond Totals</b>	<b>25,394,700</b>	<b>16.5%</b>	<b>-1,222,277</b>	<b>610,607</b>	<b>\$18.66</b>	<b>21.4%</b>

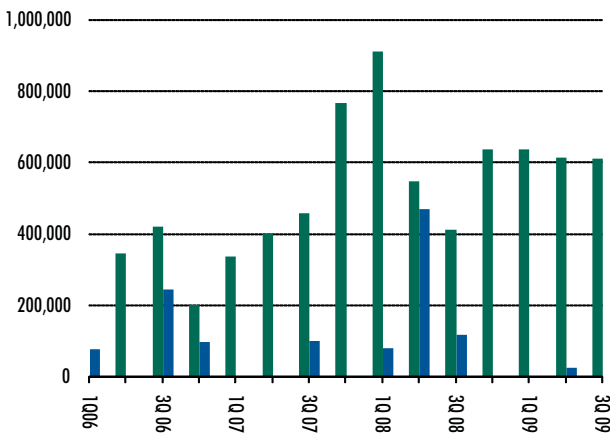
## Unemployment



The national unemployment rate continued to increase for the eighth straight quarter to a national average unemployment rate of 9.7%. The Richmond metro area and Commonwealth of Virginia unemployment rates both dropped, however, during the third quarter to 7.7% and 6.5% respectively. Continued employment growth is in question unless consumer spending increases in the remainder of the year.

### Construction & Deliveries

Construction 610,607  
Deliveries 23,393

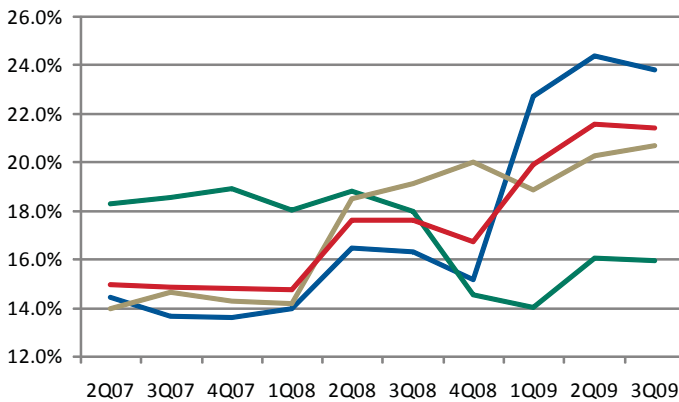


During the first quarter of 2009 there were no new construction starts. Construction is continuing downtown on the MeadWestvaco building which is expected to deliver during the first quarter of 2010 and on the Williams Mullen building which appears to be completely under roof now. All together there is 610,607 square feet under construction in the Richmond office market.

There were now new deliveries during the third quarter. Next quarter the office portion of West Broad Village will be delivered. In the first quarter 2010 the new MeadWestvaco headquarters building, Foundry Park I, will deliver.

### Availability by Quadrant

NWQ 23.9%  
SWQ 15.9%  
CBD 20.7%  
Total 21.4%

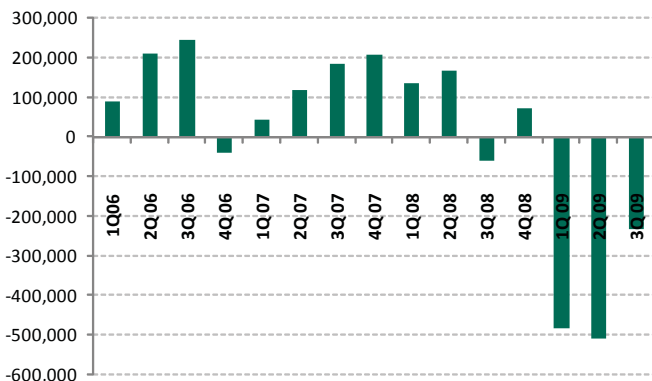


The third quarter availability rates for all three main Richmond office submarkets were relatively flat for the first time in year. Overall, the availability rate actually dropped by .02% points to 21.4%. The Northwest Quadrant, which had seen the most dramatic rise in available space had the most significant decline this quarter, falling .05% points to 23.9%.

The small decline in availability this past quarter is a positive sign for the market. It likely shows the market hit bottom during the third quarter; however a slow recovery is expected.

### Net Absorption

Absorption -230,604



The Richmond office market saw its third consecutive quarter of significant negative net absorption. The large majority of negative net absorption, was centralized in Innsbrook I & II, which officially returned to the market vacant in August. In addition the Central Business District experienced another quarter of negative net absorption, finishing the quarter with 76,381 square feet of negative net absorption.

All told the market experienced 230,604 square feet of negative net absorption during the third quarter. Year-to-date, the market has seen net absorption of negative 1.2 million square feet.

**Top Lease Transactions**

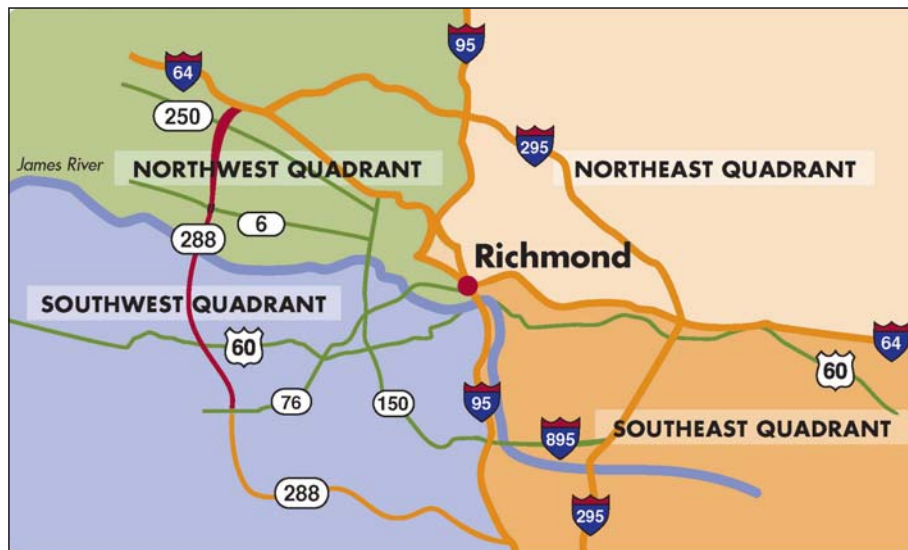
Size (Sq. Ft.)	Tenant	Address
38,800	Sands Anderson Marks & Miller	Bank of America Center
16,700	Ernst & Young	Edgeworth Building
12,200	Bon Secours Health Systems	3210 Arboretum Pkwy.
11,485	Oppenheimer and Co. Inc.	Riverfront Plaza
10,500	Ewing Bemiss & Co.	Riverfront Plaza

**Richmond Market Description**

The inventory for Richmond’s Office markets totals approximately 25.4 million square feet. This total excludes owner-occupied facilities, as well as government and medical properties, and only includes buildings 20,000-square-feet and larger.

The Richmond office market is broken into three major quadrants: The Central Business District (CBD), the Northwest Quadrant (NWQ) and the Southwest Quadrant (SWQ). The CBD includes approximately 8.7 million square-feet of office space. The NWQ refers to the area north of the James River and west of I-95 and includes 12.4 million square-feet of space. The SWQ refers to the area south of the James River and west of I-95 and totals approximately 4.3 million square-feet of space.

**Richmond Market Map**



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**Average Asking Lease Rate**

Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

**Net Leases**

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

**Market Coverage**

Includes all competitive office buildings 20,000 square feet and greater in size.

**Net Absorption**

The change in occupied square feet from one period to the next.

**Net Rentable Area**

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

**Occupied Area (Square Feet)**

Building area not considered vacant.

**Under Construction**

Buildings which have begun construction as evidenced by site excavation or foundation work.

**Available Area (Square Feet)**

Available Building Area which is either physically vacant or occupied.

**Availability Rate**

Available Square Feet divided by the Net Rentable Area.

**Vacant Area (Square Feet)**

Existing Building Area which is physically vacant or immediately available.

**Vacancy Rate**

Vacant Building Feet divided by the Net Rentable Area.

**Normalization**

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

For more information regarding the MarketView, please contact:

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