MARKETBEAT SNAPSHOT

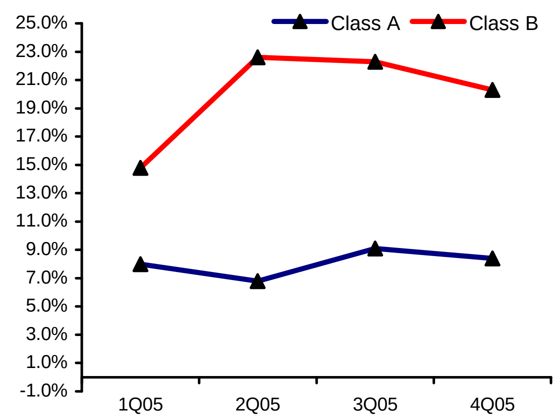
DOWNTOWN OFFICE OVERVIEW, RICHMOND, VIRGINIA

Fourth Quarter 2005

The fourth quarter ended on a relatively upbeat note for the downtown office market. Overall vacancy dropped one percentage point, to 12 percent from 13 percent the previous quarter. There was nearly 306,000 square feet of office space leased in the fourth quarter, up from the 215,615 the previous quarter. And while overall net absorption totaled negative 125,649 square feet, that's still an improvement over the third quarter negative net absorption of about 192,000 square feet.

Two of Richmond's three premier Class A office buildings traded hands in the fourth quarter. James Center I, II and III sold to New York-based JEMB Realty for $185 million. And Riverside on the James, totaling about 264,000 square feet, sold to PF Global Real Estate Advisors for $85 million. Downtown's third premier Class A office building, the 247,000 square foot Riverfront Plaza, sold earlier in the year for $247.1 million.

CBD Overall Vacancy Rates
Class A vs. Class B



One of the big stories in the fourth quarter was Hirschler Fleischer's signed lease at the Edgeworth Building. Hirschler Fleischer will move into about 70,000 square feet, becoming the lead tenant in the Shockoe Bottom office building now under construction. The law firm anticipates moving at the end of 2006, leaving a large vacancy in the Federal Reserve Building.

There was nearly 306,000 square feet of office space leased in the fourth quarter, up from the 215,615 the previous quarter.

Other fourth quarter downtown leases include Performance Fibers Inc. signing for 11,580 square feet at the Eighth and Main building, and Superior Document Services signing for about 10,000 square feet at 700 E. Main St. Large tenant fourth quarter renewals included Virginia Department of Juvenile Justice for about 31,000 square feet at 700 E. Franklin and Smith Barney for 13,523 square feet at James Center III.

Cautious optimism prevails among those projecting how the downtown office market will perform in 2006. Vacancy is expected to inch downward, but overall it will stay in the 12 percent to 14 percent range. There is also potential for Class B and C office buildings to experience more leasing activity once Class A absorption levels out, and Class A rental rates creep upward.

THALHIMER/CUSHMAN & WAKEFIELD MARKET HIGHLIGHTS

Significant Fourth Quarter New Lease Transactions

BUILDING	SUBMARKET	TENANT	SQUARE FEET	BUILDING CLASS
James Center III	CBD	Marsh Mercer	53,511	A

Significant Fourth Quarter Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
James Center I, II & III	CBD	JEMB Realty	986,483	$185,000,000
Riverside on the James	CBD	PF Global Real Estate Advisors	263,066	$85,000,000

Significant Fourth Quarter Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Philip Morris Research & Technology Center	Monroe Ward	Philip Morris USA	400,000	2007
Edgeworth Building	Shockoe Bottom	Speculative	180,000	2006

THALHIMER/CUSHMAN & WAKEFIELD MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	No. of Bldgs.	Overall Vacancy Rate	Direct Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Overall Absorption	Direct Wtd. Avg. Class A Rental Rate*
CBD									
CBD	8,849,465	81	12.9%	12.6%	214,092	0	263,066	15,691	$17.20
Monroe Ward	2,260,955	155	5.8%	5.7%	36,671	0	0	7,110	NA
North Broad	1,435,230	71	13.8%	13.8%	74,956	0	0	(107,753)	NA
Shockoe Bottom	359,922	30	21.2%	18.1%	6,148	0	0	(29,208)	NA
Class A	5,439,978	17	8.4%	8.4%	88,445	0	263,066	214,193	$17.20
Class B	4,753,484	84	20.3%	19.7%	175,714	0	0	(377,999)	$15.13
Class C	2,712,110	236	5.3%	5.2%	63,365	0	0	38,157	$11.81
Total	12,905,572	337	12.1%	11.9%	327,524	0	263,066	(125,649)	$15.57

For more information, please contact our Research Department
Thalhimer/Cushman & Wakefield
1313 East Main Street, Suite 400
Richmond, VA 23227
(804) 648-5881