

OFFICE OVERVIEW RICHMOND, VIRGINIA

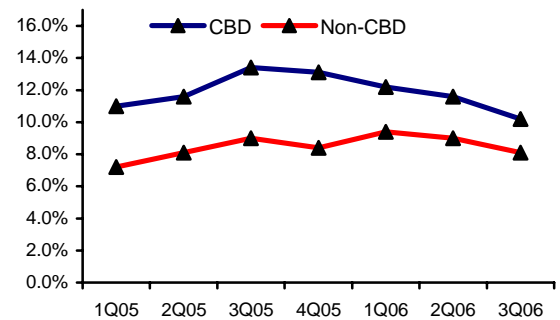
Third Quarter 2006

Last year at this time there were concerns about whether or not Richmond could absorb the class A office buildings scheduled to deliver in the next 12 months. Now, it seems, we have an answer. At the end of the third quarter Richmond's overall office vacancy has decreased significantly, while office projects under construction are seeing consistent pre-leasing activity.

Overall, Richmond's vacancy rate fell to 8.5% in the third quarter compared with 9.7% in the second quarter and 10.4% one year ago. Central Business District vacancy was 10.2%, down from 11.6% in the second quarter of the year and 13.4% at the end of the third quarter a year ago. The suburban markets had an 8.1% vacancy rate this quarter, down from 9% in the third quarter of 2005 and 9% last quarter.

Leasing activity was 652,308 square feet (sf), more than double the activity last quarter and at its highest level since the second quarter of 2005. Significant activity took place during the third quarter in the Innsbrook submarket. Hancock Daniel Johnson & Nagle, P.C. leased 26,672 sf, taking the entire fourth floor at 4701 Cox Road in the North Park building. The law firm will be making its move by the end of the year, vacating 15,000 sf at 4112 Innslake Drive in the Park Buildings. Dominion Benefits has already backfilled 5,000 sf of Hancock Daniel's space.

Overall Vacancy Rates CBD vs. Non-CBD



Leasing activity was
674,000 sf, more than
double the activity last
quarter and the highest
since second quarter

2005

ample space and Landlord concessions for several quarters to come.

Capital One has recommitted to Overlook II with its renewal of the entire 66,000-sf building through early 2008.

In the southside market, vacancy has stabilized at about 11.0%. After sitting empty for more than a year after Prudential Insurance moved out, the 37,000-sf office building at 1000 Boulders Parkway is now nearly 97 percent leased. Pulmonary Associates consolidated southside offices into approximately 23,000 sf while Tucker Psychiatric leased approximately 11,000 sf. Tucker Psychiatric's lease begins in January 2007. There is significant sublease space, more than 126,000 square feet, in the Arboretum office park, and more southside vacancy on the horizon. MeadWestvaco is preparing to trade its 105,238 square foot office in the Boulders complex for either a West End or Downtown office building by 2007, making it highly likely that southside office tenants will find

Construction starts have been slow in this third quarter. However, The Village Bank, a subsidiary of Village Bank and Trust Financial Corporation, has started planning its new headquarters location at Watkins Center. The company will build an approximately 80,000-sf office building and bank branch. The headquarters and bank will occupy about half of the building. Currently, Village Bank has eight bank branches throughout Richmond, including one in their existing headquarters at 1231 Alverser Drive. ■

THALHIMER MARKET HIGHLIGHTS

Significant 3Q06 New Lease Transactions

BUILDING	SUBMARKET	TENANT	SQUARE FEET	CLASS
Westmoreland Plaza	Staples Mill/Parham	Circuit City Stores, Inc.	121,851	B
4701 Cox Rd	Innsbrook	Hancock Daniel Johnson & Nagle	26,672	A
600 Southlake	Midlothian Corridor	The School Board of Chesterfield County	23,768	B

Significant 3Q06 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
4800 Cox Rd – Owens & Minor	Innsbrook	BH Properties	63,000	\$4,455,000

Significant 3Q06 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Three Paragon Place	Glenside/Broad	N/A	75,000	July 2006

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Philip Morris R & D Center	North Broad	Philip Morris	450,000	November 2006
Northrop Grumman - Meadowville	Iron Bridge Corridor	Northrop Grumman	193,000	November 2007
Stony Point IV	Stony Point / Huguenot	Colony Insurance	103,816	December 2006
North Shore Commons B	Innsbrook	N/A	96,000	February 2007

THALHIMER MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	No. of Bldgs.	Overall Vacancy Rate	Direct Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Direct Absorption	Direct Wtd. Avg. Class A Rental Rate*
CBD	8,666,243	82	10.2%	9.9%	129,620	450,000	0	235,495	\$18.83
Non-CBD	38,383,641	2,244	8.1%	7.3%	1,216,858	722,000	624,214	105,437	\$17.75
East End	759,391	91	4.8%	4.8%	1,000	0	0	4,640	\$0.00
Far West End	507,895	41	10.0%	1.8%	1,569	148,919	55,000	(881)	\$0.00
Glenside/Broad Street	3,919,544	118	8.3%	8.3%	147,837	0	93,000	84,898	\$18.94
Hull Street Corridor	1,813,678	121	4.9%	4.5%	2,974	0	0	24,398	\$0.00
I-95 North/Ashland	521,146	64	0.0%	0.0%	5,500	0	0	8,404	\$0.00
I-95 North/Chamberlayne	481,807	46	1.0%	1.0%	2,845	0	160,000	158,720	\$0.00
Innsbrook	7,466,745	140	15.6%	14.9%	432,872	154,765	247,708	(227,415)	\$17.43
Iron Bridge Corridor	1,207,124	112	8.1%	5.3%	4,679	224,000	6,400	8,819	\$16.00
Lakeside	396,122	60	6.5%	6.5%	6,307	23,000	0	(3,103)	\$0.00
Mechanicsville	618,025	83	9.6%	9.6%	2,747	0	4,000	10,663	\$0.00
Midlothian Corridor	3,823,463	200	11.1%	8.0%	195,961	0	0	67,897	\$17.44
Monroe Ward	2,259,718	156	6.0%	5.9%	17,904	0	0	(4,629)	\$0.00
Near West End	2,256,915	278	9.0%	7.7%	35,106	0	0	(25,233)	\$0.00
North Broad	1,136,600	69	11.4%	11.4%	55,356	0	0	68,451	\$0.00
Northside	256,191	62	0.0%	0.0%	3,000	0	0	5,295	\$0.00
Parham East	2,294,329	73	3.5%	3.5%	22,665	16,500	0	15,614	\$0.00
Parham South	951,226	63	9.1%	9.1%	40,576	0	0	40,038	\$0.00
Rt 288 Corridor	1,010,546	84	6.9%	6.9%	25,483	51,000	58,106	3,882	\$17.84
Shockoe Bottom	446,472	31	26.0%	26.0%	12,885	0	0	2,479	\$0.00
Stony Point/Huguenot	1,345,098	121	6.3%	5.8%	15,961	103,816	0	(48,466)	\$18.53
West Creek	1,201,713	8	0.0%	0.0%	0	0	0	0	\$0.00
West End	3,709,893	223	10.5%	10.3%	183,631	0	0	(89,034)	\$17.00
Total	47,049,884	2,326	8.5%	7.8%	1,346,478	1,172,000	624,214	340,932	\$17.91

* Rental rates reflect \$psf/year