

OFFICE OVERVIEW RICHMOND, VIRGINIA

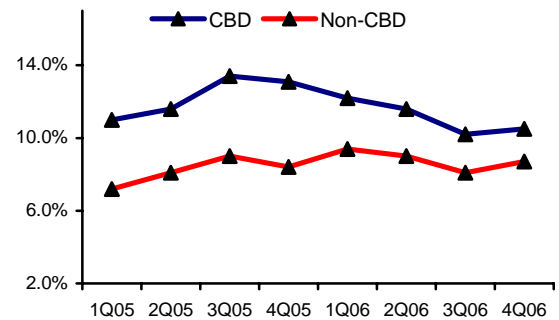
Fourth Quarter 2006

The overall vacancy rate for suburban office in Richmond ticked up slightly from 8.5% in the third quarter to 9.1% by year-end. While this is still below the 9.6% vacancy of the second quarter 2006, it does not reflect the booming business of class A business parks. The Innsbrook area in particular had seen a slowdown in early 2006 but has rebounded nicely. The third quarter overall vacancy rate of 15.6% decreased 4.8 percentage points to an impressive 10.8% by year-end. In the northwest (NW) quadrant in the Concourse at Wyndham, Allied International Credit leased 24,375 square feet (sf) in the Eastshore I building along Eastshore Drive. Chemtreat also expanded and leased 23,847 sf in the Banks Brothers Building on Cox Road in Glen Allen. The tightening of the NW quadrant has added somewhat to the overall vacancy rate of the southwest (SW) quadrant which saw the Midlothian Corridor vacancy rate increase from 11.1% in the third quarter to 20.1% in the fourth quarter. LandAmerica moved from the SW quadrant and doubled in size when it relocated to Innsbrook. MeadWestvaco also left the SW quadrant and relocated to the Innsbrook submarket temporarily before committing to their future new downtown location next to the Federal Reserve Bank.

Opportunities in the SW quadrant include the vacant LandAmerica space with 127,000 sf, the Columbia Gas building with 48,500 sf, the Gateway II Building with 75,000 sf and Boulders Center with 105,000 sf. Boulders Center is the former MeadWestvaco building. Compared to the West End, lower office rates are available in the SW quadrant with comparable product and access to a different employment base with a growing residential population. The Ukrop's Building with 25,000 sf on Southlake Boulevard in the Midlothian Corridor has been leased by the School Board of Chesterfield. The building was originally built in 1970 and refurbished in 1998.

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Overall Vacancy Rates CBD vs. Non-CBD



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The pent-up demand for office condo space has slowed down; however, there continues to be a need but not at the previous velocity as clients become more discerning and insist on class A construction in the hottest locations with visibility to the street and proximity to high-end rooftops. Currently, John Rolfe Place along Ridgefield Parkway has only one condo available. Other prime locations are at Glenside Drive and at Westerre Commons on Cox Road. There is more new construction in the NW quadrant where three buildings with 18,000 sf are under construction at Pump and Ridgefield. These are selling for \$145 psf with an expected delivery of May 2007. Rt. 288 has helped the Brandermill area which is also seeing an increase in condo activity.

The Central Business District (CBD) downtown is showing an increase in interest and activity, mostly from class A, mixed-use new construction as an influx of new residents with disposable income continues to move downtown. Place Properties is looking at Brown's Island for a mixed-use development and Rocketts Landing is under construction in Henrico County along the river on Osborne Turnpike.

THALHIMER MARKET HIGHLIGHTS

Significant 4Q06 New Lease Transactions

BUILDING	SUBMARKET	TENANT	SQUARE FEET	CLASS
Edgeworth Building	Shockoe Bottom	Hirschler Fleischer	67,334	A
Eastshore I	Innsbrook	Allied International Credit	24,375	A
Banks Brothers Building	Innsbrook	Chemtreat (expansion)	23,847	A

Significant 4Q06 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Riverfront Plaza	CBD	Hines Interests	949,489	\$277,500,000
Park Central I, II & V	Staples Mill/Parham	First Potomac Realty	204,280	\$21,700,000
Boulders IV	Midlothian Corridor	Sugar Oak Holdings, Inc.	139,200	\$20,700,000
Rhodia	Innsbrook	Highwoods Properties	70,000	\$10,725,000

Significant 4Q06 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Stony Point IV	Stony Point/Huguenot	N/A	103,816	November 2006
Market Pavilion Office Park	Rte 288 Corridor	N/A	36,000	November 2006

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Philip Morris R & D Center	North Broad	Philip Morris	450,000	January 2007
Northrop Grumman - Meadowville	Iron Bridge Corridor	Northrop Grumman	193,000	November 2007
North Shore Commons B	Innsbrook	N/A	96,000	February 2007

THALHIMER MARKET/SUBMARKET STATISTIC

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	8,645,343	82	10.5%	10.2%	159,545	450,000	0	228,144	\$18.90
Non-CBD	38,596,333	2,265	8.7%	7.8%	1,589,484	555,607	694,714	156,272	\$17.61
East End	771,293	91	3.0%	3.0%	1,704	0	0	(11,896)	N/A
Far West End	507,895	41	4.5%	2.3%	5,871	167,287	55,000	45,959	N/A
Glenside/Broad Street	3,917,031	117	7.4%	6.3%	190,997	0	93,000	132,450	\$19.05
Hull Street Corridor	1,823,614	123	4.9%	4.5%	4,714	0	0	23,465	N/A
I-95 North/Ashland	520,366	64	0.4%	0.4%	5,500	0	0	6,204	N/A
I-95 North/Chamberlayne	486,607	47	1.8%	1.8%	2,845	0	160,000	153,573	N/A
Innsbrook	7,527,320	146	10.8%	10.4%	617,994	115,000	247,708	(55,709)	\$17.42
Iron Bridge Corridor	1,219,262	114	8.1%	5.4%	11,690	230,000	6,400	5,459	\$16.00
Lakeside	419,122	61	9.4%	9.4%	6,307	0	0	4,028	N/A
Mechanicsville	750,371	87	10.5%	10.5%	2,747	12,320	4,000	1,193	N/A
Midlothian Corridor	3,860,402	204	20.1%	15.8%	201,513	0	0	(253,666)	\$17.49
Monroe Ward	2,057,152	155	6.7%	6.6%	46,225	0	0	(13,852)	N/A
Near West End	2,267,933	278	9.7%	8.9%	38,387	0	0	(65,641)	N/A
North Broad	1,136,600	69	9.9%	9.9%	55,356	0	0	88,607	N/A
Northside	247,735	60	2.0%	2.0%	3,000	0	0	295	N/A
Parham East	2,290,697	73	3.2%	3.2%	24,362	16,500	0	29,297	N/A
Parham South	951,226	63	7.2%	7.2%	47,819	0	0	53,221	N/A
Rt 288 Corridor	1,114,517	90	6.5%	6.5%	45,703	14,500	128,606	83,142	\$17.65
Shockoe Bottom	355,474	29	13.6%	13.6%	23,794	0	0	4,702	N/A
Stony Point/Huguenot	1,453,776	122	7.3%	7.1%	48,387	0	0	3,919	\$19.04
West Creek	1,201,713	8	0.0%	0.0%	0	0	0	0	N/A
West End	3,716,227	223	7.7%	6.4%	204,569	0	0	(78,478)	\$17.00
Total	47,241,676	2,347	9.1%	8.2%	1,749,029	1,005,607	694,714	384,416	\$17.80

* Rental rates reflect \$psf/year