

OFFICE OVERVIEW RICHMOND, VIRGINIA

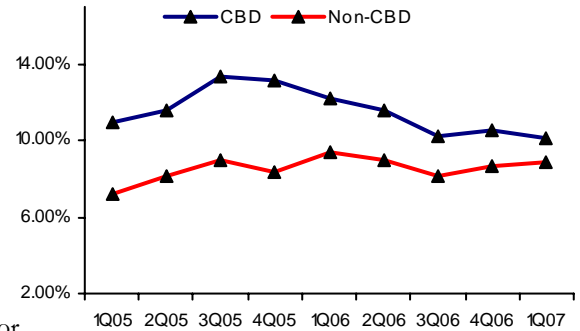
First Quarter 2007

The Richmond area office market remains consistently healthy. Large blocks of class A office space over 20,000 square feet (sf) in the Richmond office market continue to move quickly as the Richmond market holds on to a healthy economy and an optimistic forecast for 2007. Out-of-town investors are still playing a significant role in acquiring local class A space as interest rates hold steady for the first quarter of the year. The Greater Richmond Partnership, which works to bring new businesses to the Richmond area, said that about 19% of the nearly 400 inquiries they received as of March 1st were for office space. Gregory H. Wingfield, president and CEO of the Partnership, attributes the interest, which comes from domestic and international sources, to over 30% of the Richmond area's labor force being college educated. That makes the Richmond market one of the best educated areas in the South. The Greater Richmond area also boasts one of the lowest unemployment tax rates in the country, enhancing the financial incentives to businesses that are looking to expand or relocate. "A third of the inquiries the Partnership receives," said Wingfield, "are prospects from overseas sources."

"On the office/service side we're receiving inquiries from small to medium size businesses looking for 3,000 sf to 10,000 sf or 12,000 sf to be used for data centers, for start-up and for sales and marketing," said Wingfield. "That's on par with last year and that was a decent year. We're also seeing existing businesses adding employees, which means they will probably be adding space," he said.

Most of the activity in the Richmond office market has been in the popular Innsbrook area in the NW quadrant which has around ten million square feet, similar in size to the downtown area or Central Business District (CBD). The CBD held steady this quarter at 10.1%, down slightly from last quarter at 10.5% and improved over the first quarter of 2006 when the overall vacancy was 12.2%. The overall vacancy in the Innsbrook submarket was up slightly over last quarter at 11.4% but down significantly from this time last year when the overall vacancy rate was 13.4%. Overlook I and II, totaling 127,500 sf, are available for sale as well as Westerre I with 77,387 sf. Bostic Labs expanded within Innsbrook and subleased 70,000 sf from Rhodia and World Access moved to Lakebrooke Pointe into 31,500 sf in Innsbrook.

Overall Vacancy Rates CBD vs. Non-CBD



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The Richmond economy is robust overall with a steady unemployment rate through the first two months of the first quarter at 3.2%, rising only slightly due to the coldest February temperatures in 30 years, which displaced some outdoor workers, according to the Virginia Employment Commission. This was well below the national average of 4.9% and included an additional 2,600 workers added to the Richmond market between January and February.

Other significant leases in the market were the Perimeter Center on Mayland and Gaskins, once occupied by Circuit City, and the State of Virginia took over 155,000 sf in order to consolidate several state offices and bring five state agencies together. In the

CBD, Chesapeake Advisors leased 23,000 sf and Diamond Healthcare leased 14,000 sf in the Federal Reserve Building, all in the first quarter of this year.

Advanced Orthopaedic sold a 60,500 sf medical office building on five acres on Shrader Road in the NW quadrant as an investment for \$16.2 million. A 56,423 sf office building at 7800 Carousel Lane in Henrico County that was vacant for three years was sold to the Catholic Diocese for \$4.7 million. The Richmond Regional Planning District Commission leased 16,035 sf at the Stony Point Office Building I in the SW quadrant.

THALHIMER MARKET HIGHLIGHTS

Significant 1Q07 New Lease Transactions

BUILDING	SUBMARKET	TENANT	SQUARE FEET	CLASS
Perimeter Center	Innsbrook	Commonwealth of Virginia	155,000	A
Rhodia	Innsbrook	Bostic Labs	70,000	A
Lakebrooke Pointe	Innsbrook	World Access	31,500	A
Federal Reserve	CBD	Chesapeake Advisors	23,000	A
Stony Point I	Stony Point/Huguenot	Regional Planning District Comm.	16,035	A
Federal Reserve	CBD	Diamond Healthcare	14,000	A

Significant 1Q07 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
7858 Shrader Road	Parham East	CAE Real Estate LLC	60,500	\$16,250,000
7800 Carousel Lane	Parham East	Catholic Diocese	56,423	\$4,750,400

Significant 1Q07 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
North Shore Commons B	Innsbrook	N/A	96,000	February 2007

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Philip Morris R&D Center	North Broad	Philip Morris	450,000	August 2007
Northrop Grumman-Meadowville	Iron Bridge Corridor	Northrop Grumman	193,000	November 2007
Willow Lawn Plaza	Glenside/Broad St.	N/A	18,000	Fall 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	10.1%	9.8%	66,118	450,000	0	16,999	\$23.10
Non-CBD	38,975,238	2,285	8.9%	8.0%	231,354	268,246	170,541	448,140	\$18.06
East End	812,872	91	2.5%	2.5%	6,237	0	0	(3,444)	N/A
Far West End	560,926	49	6.8%	4.8%	746	0	53,031	41,188	N/A
Glenside/Broad Street	3,912,807	116	6.5%	5.9%	35,352	0	0	27,339	\$19.43
Hull Street Corridor	1,823,677	122	4.4%	4.1%	945	0	0	8,772	N/A
I-95 North/Ashland	515,941	64	1.0%	1.0%	2,200	0	0	(2,800)	N/A
I-95 North/Chamberlayne	452,567	42	2.3%	2.3%	4,702	0	0	(4,723)	N/A
Innsbrook	7,749,425	151	11.4%	10.9%	71,003	0	117,510	248,865	\$17.68
Iron Bridge Corridor	1,203,442	113	11.1%	8.3%	1,733	230,000	0	(32,677)	\$16.50
Lakeside	416,662	64	6.3%	6.3%	1,221	0	0	7,683	N/A
Mechanicsville	750,371	87	5.8%	5.8%	0	12,320	0	35,194	N/A
Midlothian Corridor	3,878,546	205	20.0%	16.3%	42,552	0	0	(39,315)	\$17.77
Monroe Ward	2,110,048	156	6.7%	5.9%	0	0	0	18,711	N/A
Near West End	2,272,354	279	9.6%	9.6%	23,801	0	0	(27,202)	N/A
North Broad	1,084,304	68	10.5%	10.5%	0	0	0	(800)	N/A
Northside	248,139	60	5.2%	5.2%	0	0	0	(8,000)	N/A
Parham East	2,370,909	78	0.7%	0.7%	0	11,426	0	58,983	N/A
Parham South	937,386	63	7.7%	7.7%	805	0	0	2,885	N/A
Rt 288 Corridor	1,140,026	93	5.1%	5.1%	3,608	14,500	0	31,559	\$18.03
Shockoe Bottom	502,168	31	22.7%	22.7%	1,020	0	0	(6,517)	\$22.00
Stony Point/Huguenot	1,457,654	122	7.5%	7.3%	29,186	0	0	6,910	\$18.67
West Creek	1,201,713	8	0.0%	0.0%	0	0	0	0	N/A
West End	3,573,341	223	9.3%	7.8%	6,243	0	0	85,529	\$16.50
Total	47,620,581	2,367	8.9%	8.4%	297,472	718,246	170,541	465,139	\$20.58

* Rental rates reflect \$psf/year