

OFFICE OVERVIEW RICHMOND, VIRGINIA

Second Quarter 2007

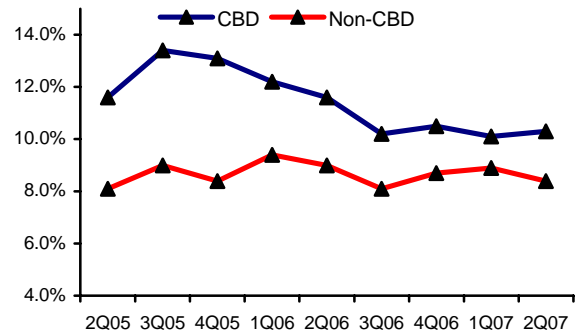
A robust Richmond economy continues to benefit the Richmond office market with several large corporations joining the pack and making Richmond their home. MeadWestvaco, which has had a long-standing manufacturing and office presence in the Richmond area, has started construction on its new 250,000-square foot (sf) headquarters building in the Richmond CBD submarket.

The formal dedication on July 30th of the new terminal facility at the Richmond International Airport is also expected to bring new businesses to the Richmond market. The recent success at recruiting low-fare air carriers AirTran, JetBlue and Skybus, along with the existing legacy carriers, has led to 24 consecutive months of record passenger counts at the airport, according to the Greater Richmond Chamber.

Wachovia Securities announced that their headquarters would be moving to St. Louis in the next two years as a result of the recent merger with AG Edwards. "We've yet to see exactly how that's going to pan out," said Jim Dunn, president and CEO of the Greater Richmond Chamber. "We're very hopeful that Wachovia is not going to relocate their entire operations and about 3,000 jobs to St. Louis." The impact on the office market in Richmond is unknown at this time.

Altogether, Virginia has added 47,500 jobs from May 2006 to May 2007 according to the U.S. Department of Labor. The first five months of 2007 accounted for 30,000 of those jobs while there was only a total of 35,100 new jobs for all of 2006. Richmond's unemployment remains low at 2.8%, the third lowest of metropolitan areas over one million in population. This labor activity is reflected in steadily declining office vacancy rates in the Richmond office market. The CBD and suburban office vacancy rates have dropped from 11.6% and 9.0% in the second quarter of 2006 to 10.3% and 8.4% respectively.

Overall Vacancy Rates CBD vs. Non-CBD



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Nearby in the Glenside/Broad Street corridor, Alcoa and James River Insurance have each leased 60,000 sf in the Reynolds Crossing Office building expected to be complete in March of 2008 with 70,000 sf still available to lease. The Reynolds Crossing Medical office building in the same sub-market has leased 40,000 sf to Bon Secours and 14,000 sf to Dermatology Associates with a completion date also expected in March of 2008. Approximately 46,000 sf is still available to be leased. Virginia Blood Services is under construction with a new building in the Commerce Center, in the Glenside and Broad corridor, consolidating their operations from three buildings on Hamilton Street to one 60,000-sf building.

Forest City has eleven class A office buildings under contract in the Glenside/Broad submarket. This would be one of the largest office portfolio sales in Richmond upon closing. St. Joe Commercial out of Florida sold Overlook I and II as part of a fifteen-property portfolio to Eola Capital. Sugar Oak is selling five buildings in their Boulders portfolio in order to realize profits and the strength in the capital markets. The Moorefield VI Building, a 29,325-sf office project was sold to Water Tower Realty Management in Moorefield Office Park in Chesterfield County for \$2.45 million.

THALHIMER MARKET HIGHLIGHTS

Significant 2Q07 New Lease Transactions

BUILDING	SUBMARKET	TENANT	SQUARE FEET	CLASS
Reynolds Crossing Office Bldg.	Glenside/Broad St.	Alcoa	60,000	A
Reynolds Crossing Office Bldg.	Glenside/Broad St.	James River Insurance	60,000	A
Reynolds Crossing Medical Office	Glenside/Broad St.	Bon Secours	40,000	A

Significant 2Q07 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Overlook I & II	Innsbrook	Eola Capital	128,677	\$17,262,837
CUNA Portfolio	Innsbrook	KCA/FC	48,000	\$6,000,000
1701 Byrd Avenue	Willow Lawn	1701 Byrd Avenue LLC	41,000	\$2,200,000
Moorefield VI	Midlothian Corridor	Water Tower Realty Management	29,326	\$2,450,000

Significant 2Q07 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
N/A				

Significant Projects Under Construction

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Reynolds Crossing Office Bldg.	Glenside/Broad St.	Alcoa, James River Insurance	200,000	March 2008
Reynolds Crossing Medical Bldg.	Glenside/Broad St.	Bon Secours	100,000	March 2008
Virginia Blood Service HQ	Glenside/Broad St.	Virginia Blood Service	60,095	December 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	8,641,300	82	10.3%	9.9%	107,791	450,000	0	55,921	\$23.24
Non-CBD	39,038,949	2,293	8.4%	7.6%	689,865	549,733	170,541	638,260	\$18.29
East End	829,765	92	2.3%	2.3%	8,837	0	0	3,993	N/A
Far West End	560,926	49	9.9%	4.8%	11,475	100,000	53,031	38,175	N/A
Glenside/Broad Street	3,885,006	115	5.9%	5.2%	58,055	360,095	0	42,956	\$19.55
Hull Street Corridor	1,795,658	121	5.3%	4.9%	945	0	0	(16,303)	N/A
I-95 North/Ashland	524,661	65	1.0%	1.0%	2,200	0	0	(2,300)	N/A
I-95 North/Chamberlayne	460,393	43	1.6%	1.6%	7,257	0	0	827	N/A
Innsbrook	7,750,352	151	10.3%	9.8%	184,158	6,875	117,510	299,437	\$18.18
Iron Bridge Corridor	1,095,442	112	12.2%	9.2%	1,933	58,800	0	(33,677)	\$16.50
Lakeside	425,552	65	7.9%	7.9%	1,221	0	0	12,608	N/A
Mechanicsville	715,103	86	5.9%	5.9%	640	5,000	0	24,188	N/A
Midlothian Corridor	3,939,325	210	18.5%	15.1%	259,363	0	0	(5,152)	\$17.74
Monroe Ward	2,110,118	157	6.0%	5.7%	7,402	0	0	16,900	N/A
Near West End	2,366,783	278	8.9%	8.9%	36,351	0	0	(15,529)	N/A
North Broad	1,084,304	68	10.5%	10.5%	800	0	0	58	N/A
Northside	248,139	60	5.2%	5.2%	0	0	0	(8,000)	N/A
Parham East	2,368,029	77	0.4%	0.4%	14,559	0	0	118,919	N/A
Parham South	937,386	63	7.1%	7.1%	5,535	0	0	7,918	N/A
Rt 288 Corridor	1,206,989	96	8.2%	8.2%	8,338	18,963	0	24,553	\$18.15
Shockoe Bottom	515,155	31	20.1%	20.1%	14,566	0	0	(8,091)	\$22.00
Stony Point/Huguenot	1,430,110	123	7.0%	6.6%	30,600	0	0	39,242	\$18.69
West Creek	1,201,713	8	0.0%	0.0%	0	0	0	0	N/A
West End	3,588,040	223	8.2%	6.7%	35,630	0	0	97,538	\$16.50
Total	47,680,249	2,375	8.8%	8.0%	797,656	999,733	170,541	694,181	\$20.77

* Rental rates reflect \$psf/year

For more information, please contact one of our Brokerage Professionals
Thalhimer/Cushman & Wakefield
1313 East Main Street, Suite 400
Richmond, VA 23219
(804) 648-5881

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