

OFFICE OVERVIEW RICHMOND, VIRGINIA

Third Quarter 2007

The baby boomer generation continues to flex its economic muscle in the Richmond office market as the biomedical specialty field heats up around the area. Particular segments of the Richmond population are aging at the same time that scientific advances are pushing medical device companies to band technology together with biology and medicine, driving the need to increase office and classroom space. The new technology will benefit a wider span of the population, increasing the need for space. This is reflected in new numbers by the US Department of Labor that said the number of biomedical engineering jobs will increase 31.4% by the year 2010, a much higher number than other engineering specialties.

Virginia Commonwealth University, in anticipation of the growing need, instituted both an undergraduate and graduate program in 1984 and has been the recipient of millions of dollars in grants from the Whitaker Foundation in support of the programs. VCU Health Systems and the Department of Forensic Science are going to be two major tenants leasing 76,000 square feet (sf) with a 300-space parking deck at the Biotechnology VIII Building. J. Sargeant Reynolds Community College has leased two floors of the parking deck. The shell is expected to be completed by December and the first tenants will move in sometime during the first quarter.

The Consumer Price Index (CPI) is reflecting the growth in the industry with a rise in the price of medical care commodities, which includes prescription drugs, nonprescription drugs and medical supplies. The CPI increased by 0.4% in August and the index for medical care services rose 0.5%. The indexes for professional services and for hospital and related services each increased 0.5% nationwide as part of a growing trend. All of this is good news for area residents as hospitals look to support their needs. Bon Secours leased 40,000 sf out of a total of 100,000

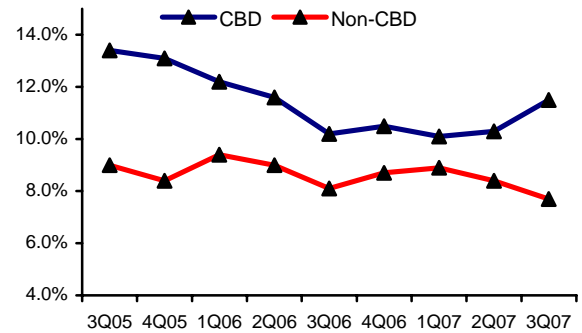
sf of expected new medical office space in Reynolds Crossing, and Dermatology Associates leased 20,000 sf. HCA Imaging and Richmond Pediatrics are expected to be the anchor tenants at Independence Park at Gaskins and Mayland Court. Biotechnology VIII is under construction downtown with 71,000 sf expected to deliver in May 2008. The development of off-campus, high-end specialized medical space is only expected to continue throughout the Richmond Metropolitan area.

Other economic indicators continue to be positive for the area with the local unemployment rate at a healthy 3.2% as compared to the national average of 4.6%, ranking Virginia 7th in the nation. The Virginia workforce is also growing at a healthier clip at a rate of 1.8% as compared to the national average of 1.4%. National

companies have noticed the positive trends and have steadily moved into the Richmond area. As a result, large block accommodations have been more difficult to locate with many companies choosing a build-to-suit in order to be a part of the Virginia economic boom.

Philip Morris is expected to complete construction on their Research and Development center in the Central Business District in September. The Virginia State Police leased 25,000 sf of class A space in the Boulders Center, Executive Systems leased 13,500 sf of class A space in Westerre III and Northwestern Mutual Life leased 46,000 sf in Westerre IV, which is expected to deliver in May of 2008. In the West End, the State of Virginia leased 150,000 sf in the Perimeter Center on Mayland Drive.

Overall Vacancy Rates CBD vs. Non-CBD



Biotechnology VIII is under construction downtown with 71,000 sf expected to deliver in May 2008

THALHIMER MARKET HIGHLIGHTS**Significant 3Q07 New Lease Transactions**

BUILDING	SUBMARKET	TENANT	SQUARE FEET	CLASS
Perimeter Center	Glenside/Broad St	Commonwealth of Virginia	150,000	A
Westerre IV	Innsbrook	Northwestern Mutual Life	46,000	A
4900 Cox Rd.	Innsbrook	Virginia Physicians Group	29,000	A
Boulders Center	Midlothian Corridor	Virginia State Police	25,000	A
Boulders Center	Midlothian Corridor	ACS	16,000	A

Significant 3Q07 Sale Transactions

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Pruitt Office Portfolio	Glenside/Broad St	Forest City Enterprises	600,000	NA
Boulders Office Park IV-VIII	Midlothian Corridor	Brandywine Realty Trust	510,021	\$96,500,000
Richmond Plaza	CBD	Jemal's Richmond Plaza LLC	269,097	\$11,800,000
1707 Summit Ave.	Near West End	French Consulting	24,282	\$2,345,000

Significant 3Q07 Construction Completions

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Philip Morris R&D Dev. Center	CBD	Philip Morris	450,000	September 2007

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	8,650,407	82	11.5%	11.1%	136,776	0	450,000	(39,982)	\$23.24
Non-CBD	39,328,046	2,311	7.7%	6.9%	968,646	342,570	521,025	1,036,156	\$18.12
East End	829,765	92	1.8%	1.8%	12,837	0	0	5,993	N/A
Far West End	560,926	49	12.6%	7.5%	13,660	0	153,031	20,489	\$15.00
Glenside/Broad Street	3,896,002	115	4.6%	3.9%	111,094	231,095	0	58,077	\$19.55
Hull Street Corridor	1,794,990	121	4.4%	4.0%	9,537	0	0	(362)	N/A
I-95 North/Ashland	524,661	65	5.3%	5.3%	2,200	0	0	(25,095)	N/A
I-95 North/Chamberlayne	471,393	44	1.4%	1.4%	9,677	0	0	1,621	N/A
Innsbrook	7,754,929	152	7.4%	7.1%	243,516	0	124,206	544,264	\$18.14
Iron Bridge Corridor	1,288,042	113	11.0%	8.4%	3,133	55,950	222,850	154,906	\$16.50
Lakeside	425,552	65	4.0%	4.0%	7,021	0	0	26,491	N/A
Mechanicsville	714,559	86	5.4%	5.4%	1,285	5,000	0	27,468	N/A
Midlothian Corridor	3,934,457	210	18.0%	15.0%	312,534	29,326	0	(14,662)	\$17.74
Monroe Ward	2,136,443	158	6.2%	6.0%	18,484	0	0	(220)	N/A
Near West End	2,312,840	279	8.8%	8.8%	37,707	2,236	4,438	(10,200)	\$7.50
North Broad	1,089,362	69	13.8%	13.8%	800	0	0	(36,538)	N/A
Northside	249,390	61	5.2%	5.2%	0	0	0	(7,500)	N/A
Parham East	2,384,529	78	1.0%	1.0%	15,536	0	16,500	121,169	\$13.25
Parham South	938,060	63	7.0%	7.0%	15,446	0	0	7,451	N/A
Rt 288 Corridor	1,258,960	105	8.1%	8.1%	27,185	18,963	0	3,518	\$18.15
Shockoe Bottom	535,155	31	18.8%	18.8%	18,174	0	0	(6,841)	\$22.00
Stony Point/Huguenot	1,430,110	123	6.3%	5.9%	60,162	0	0	38,661	\$18.64
West Creek	1,201,713	8	0.0%	0.0%	0	0	0	0	N/A
West End	3,596,208	224	7.9%	6.4%	48,658	0	0	127,466	\$16.50
Total	47,978,453	2,393	8.4%	7.7%	1,105,422	342,570	971,025	996,174	\$20.68

* Rental rates reflect \$psf/year

For more information, please contact one of our Brokerage Professionals
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