

MARKETBEAT OFFICE SNAPSHOT

RICHMOND, VA

A Cushman & Wakefield Alliance Research Publication

Q1 2013



ECONOMIC OVERVIEW

Brokers are still waiting for positive absorption as the economy continues to slowly improve and companies make decisions to take on more space. The state's jobless rate peaked at 7.4% during a four-month period from December 2009 to March 2010, and has been on a general downward trend

since then. In January, the jobless rate was 5.6%, unchanged from December and down from 6.0% in January 2012. Virginia's economy is forecast to speed up slightly this year, tracking the same course as the national recovery, but uncertainty remains over the potential effects of sequestration and its across-the-board cuts in government spending.

ACTIVITY UP, LANDSCAPE CHANGING

As one broker put it, "deals are being made because of deal terms." Travelers Insurance leased 71,800 square feet (sf) at Deep Run III in western Henrico County, site of the long-vacant former headquarters of Circuit City. Travelers will be downsizing from Arboretum III, a blow to the southwest office market, where vacancy rates already top 14.0%. Aditya Birla Minacs, a global company based in India, will open an almost 40,000-sf call center at Deep Run I, also the new home of Allianz Global Assistance USA.

In Innsbrook, the Country Vintner and Free Agents Marketing leased the former headquarters of Owens & Minor. The Country Vintner took 17,866 sf, and Free Agents took 14,292 sf. Activity has continued in Innsbrook's favor during the past couple of years, making it the most popular suburban office location in Richmond.

There are fewer big blocks available in the suburbs, and the downtown landscape also is changing. McGuireWoods has committed to being the anchor tenant of a planned downtown office tower that is expected to open in 2015. The law firm would be vacating about 244,000 sf in One James Center. Law firm BrownGreer is vacating almost 35,000 sf in the Canal Crossing building for its new space at Rocketts Landing to the east, and more than 100,000 sf in Riverfront Plaza will become available July 30, when a lease by former Wachovia Securities expires. Thus, the CBD is seeing a growing number of large block vacancies, fortunately not all hitting the market at the same time.

Overall absorption was 137,068 sf for the first quarter, up sharply from 9,516 sf in first quarter of 2012. Leasing activity was 532,368 sf, almost double the 258,964 sf in the first quarter of 2012. Vacancy was 10.5%, down from 11.1% in first quarter of 2012.

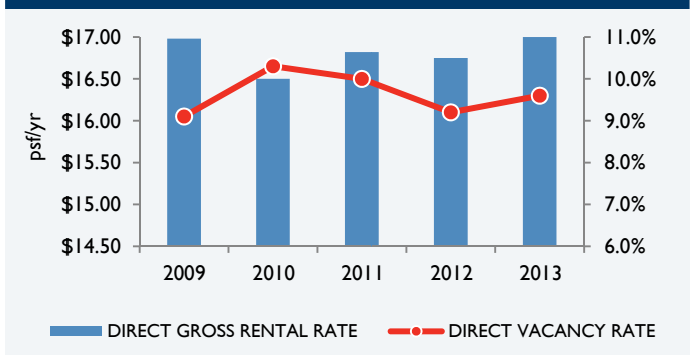
OUTLOOK

Rates for suburban space in Henrico along West Broad Street from Glenside Drive to Innsbrook will rise, while the relocation of Travelers Insurance will exert downward pressure in the southwest region along the Midlothian corridor. Southside prospective tenants should expect lower face rates and increased leasing incentives. Brokers are closely watching the downtown market, where more than 1 million square feet (msf) of office space will be up for renewal between now and 2015.

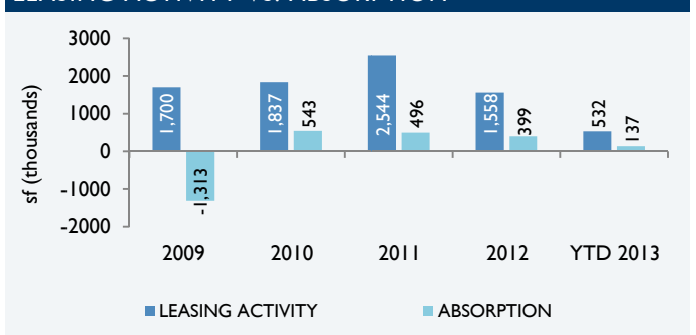
STATS ON THE GO

	Q1 2012	Q1 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	11.1%	10.5%	-0.6pp	▼
Direct Asking Rents (psf/yr)	\$16.97	\$17.00	+0.2%	▲
YTD Leasing Activity (sf)	258,964	532,368	+105.5%	▲

DIRECT RENTAL VS. VACANCY RATES



LEASING ACTIVITY VS. ABSORPTION



RICHMOND, VA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG. ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
CBD	10,829,869	15.2%	13.3%	32,321	0	0	(23,487)	(87,218)	\$19.42	\$25.41
East End	623,816	1.7%	1.7%	5,700	0	0	7,436	7,436	\$15.50	N/A
Far West End	818,773	5.1%	5.1%	4,675	0	0	6,135	6,135	\$16.54	\$26.21
Glenside/Broad St	4,710,957	7.7%	6.8%	85,271	0	0	(37,351)	(41,293)	\$17.60	\$19.64
Hull Street Corridor	2,712,319	3.9%	3.9%	20,310	0	0	15,183	15,183	\$11.93	N/A
I-95 N/Ashland	698,406	10.5%	9.6%	94,350	0	0	(5,045)	(5,045)	\$13.13	N/A
I-95 N/Chamberlayne	365,818	22.1%	22.1%	0	0	0	(2,606)	(2,606)	\$13.46	N/A
Innsbrook	8,172,334	13.7%	10.8%	176,404	0	0	332,983	329,114	\$17.68	\$18.56
Iron Bridge Corridor	1,856,141	11.8%	11.8%	0	0	0	13,795	13,795	\$13.70	\$13.70
Lakeside	334,259	13.1%	13.1%	3,000	0	0	(3,104)	(3,104)	\$12.12	N/A
Mechanicsville	1,247,091	11.3%	11.1%	600	0	0	(3,113)	(4,413)	\$16.37	N/A
Midlothian Corridor	4,374,318	14.0%	13.9%	38,918	0	0	20,914	47,602	\$16.38	\$17.75
Monroe Ward	2,572,462	8.1%	8.1%	1,000	0	0	(37,901)	(37,901)	\$15.08	N/A
Near West End	2,154,348	8.0%	8.0%	26,197	0	0	11,630	11,630	\$15.14	N/A
North Broad	3,018,631	4.2%	4.2%	3,994	112,000	0	111	111	\$16.34	N/A
Northside	306,556	3.6%	3.6%	0	0	0	0	0	\$11.30	N/A
Parham East	2,798,443	14.3%	14.3%	5,102	0	0	5,849	5,849	\$14.53	N/A
Parham South	1,011,459	27.3%	27.3%	2,950	0	0	(93,853)	(93,853)	\$13.34	N/A
Rt 288 Corridor	1,572,870	6.7%	6.7%	14,379	0	0	1,898	1,898	\$17.42	\$21.00
Shockoe Bottom	1,541,169	3.7%	3.7%	0	0	0	(36,610)	(36,610)	\$17.77	\$20.50
Stony Point/Huguenot	1,488,505	7.2%	4.2%	8,567	0	0	1,350	1,350	\$14.57	\$17.98
West Creek	1,740,213	0.0%	0.0%	0	0	0	(750)	(750)	\$17.72	N/A
West End	3,843,798	7.5%	7.5%	8,630	0	0	9,758	9,758	\$14.07	\$19.43
TOTALS	58,792,555	10.5%	9.6%	532,368	112,000	0	183,222	137,068	\$17.00	\$20.64

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

Significant Q1 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Deep Run III	Innsbrook	Travelers Insurance	A	71,800
Deep Run I	Innsbrook	Aditya Birla Minacs	A	40,000
Lakeview Center	Innsbrook	The Country Vintner, Inc.	A	17,866
Lakeview Center	Innsbrook	Free Agents Marketing, LLC	A	14,292
Significant Q1 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
4900 Augusta Avenue	West End	Ellwood Ave, LLC	\$550,000 / \$22	25,000
Significant Q1 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
NA				
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Biotech 8 – Phase 2	North Broad	NA	Q1 2014	112,000