

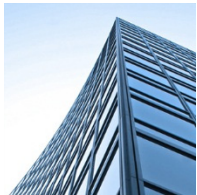
MARKETBEAT

OFFICE SNAPSHOT

RICHMOND, VA

A Cushman & Wakefield Research Publication

Q3 2013



ECONOMIC OVERVIEW

As the U.S. economy sputters along, Virginia has reclaimed its top spot on Forbes magazine's annual list of Best States for Business. Virginia had ranked second in the past three years, but returned to head the list for the first time since 2009. The state's diverse economy, strong workforce and pro-business regulatory framework propelled it to the No. 1 spot. The Richmond area shares the same positive attributes and as a result office occupancy is above 90%.

MAJOR TRANSACTIONS

The Innsbrook market is enjoying strong market trends as vacancy rates are in the single digits. WestMark Two is at 98% leased with Magellan Medicaid Administration expanding its 46,150-square foot (sf) lease to another 17,055 sf. Deep Run 3 continues to enjoy momentum in the marketplace and attract small and large tenants by providing amenities not historically offered. Already this year, 150,000 sf have been leased at 9954 Mayland Drive. Acision took 16,472 sf this quarter, and Appendix R Solutions leased 14,729 sf. C&F Bank leased 5,200 sf in the North Park building at 4701 Cox Road, which will serve as the West Point-based bank's home base for the metro region and as the headquarters for its commercial banking division. CarePoint Medical leased an additional 4,603 sf in its current space and now occupies a total of 25,771 sf in Highwoods II at 4860 Cox Road.

Downtown, Sands Anderson is expanding its office in the Bank of America Center to accommodate its growing legal firm. It expanded by an additional 5,800 sf to give it a total of almost 39,000 sf. Sands Anderson is the latest law firm to reinforce its commitment this year to being downtown: Construction has begun on McGuireWoods's new Gateway Plaza tower at Eighth and Cary Streets, Hunton & Williams struck a deal to stay at Riverfront Plaza and Troutman Sanders renewed its lease in Riverside on the James.

Intelliject, a pharmaceutical company, leased 10,328 sf in the downtown Turning Basin Building at 111 Virginia Street.

Sales activity downtown was brisk. The 310,000-sf MeadWestvaco headquarters building sold for \$143.6 million to Select Income REIT, a Massachusetts-based real estate investment firm. Richmond-based NewMarket Corp. was the seller. Duesenberg Properties acquired the Exchange Place Office Building at 1313 E. Main Street from Exchange Place Limited Partnership for \$3.9 million. The 78,800-sf building will be converted into a mixed-use asset with commercial and office space and 63 apartments. The former American Red Cross

building, 23,000 sf at 409 E. Main Street, was sold to Progress Dodson for \$1.02 million. The seller was Hamner Enterprises.

OUTLOOK

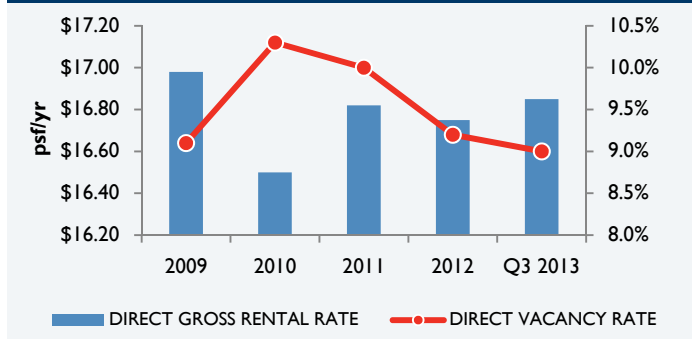
With vacancy rates overall in single digits and with less large-block space available, brokers say big deals may not be too far off in the future. As availability shrinks, tenants are wise to condense the decision-making process and move forward to nail down their space requirements.

Also, tenants looking for 2,000 to 5,000 sf might find themselves outbid for the best buildings.

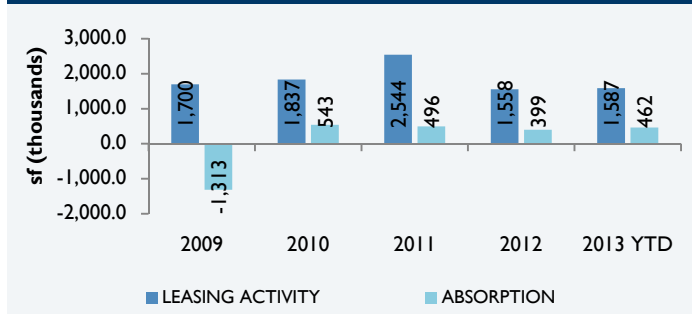
STATS ON THE GO

	Q3 2012	Q3 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	10.2%	9.6%	-0.6pp	▼
Direct Asking Rents (psf/yr)	\$16.72	\$16.85	0.8%	◄►
YTD Leasing Activity (sf)	1,176,647	1,586,835	34.9%	▲

DIRECT RENTAL VS. VACANCY RATES



OVERALL 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	10,863,941	13.3%	11.4%	307,717	307,000	0	62,041	8,307	\$19.48	\$25.29
East End	659,616	2.7%	2.7%	47,000	0	0	32,636	32,636	\$15.92	N/A
Far West End	803,255	5.0%	5.0%	19,263	0	0	(241)	(241)	\$15.96	\$22.00
Glenside/Broad St	4,737,726	7.8%	6.8%	192,672	0	0	4,570	(1,060)	\$17.81	\$19.71
Hull Street Corridor	2,779,098	5.3%	5.3%	24,182	0	0	(4,331)	(4,331)	\$12.14	N/A
I-95 N/Ashland	685,983	11.8%	10.9%	99,211	0	0	2,587	2,587	\$13.35	N/A
I-95 N/Chamberlayne	354,530	19.8%	19.8%	6,361	0	0	(913)	(913)	\$13.64	N/A
Innsbrook	8,148,820	9.5%	9.4%	482,790	0	0	470,865	470,515	\$17.83	\$18.82
Iron Bridge Corridor	1,994,671	10.1%	10.1%	15,795	0	0	18,093	18,093	\$13.98	\$17.17
Lakeside	334,259	12.6%	12.6%	4,765	0	0	(1,111)	(1,111)	\$12.03	N/A
Mechanicsville	1,257,224	13.7%	13.6%	16,658	0	0	(35,901)	(35,751)	\$15.53	N/A
Midlothian Corridor	4,378,447	14.2%	14.2%	149,206	0	0	13,837	43,727	\$16.14	\$17.74
Monroe Ward	2,574,234	7.1%	7.1%	10,196	0	0	(6,629)	(6,629)	\$15.04	N/A
Near West End	2,167,687	7.6%	7.6%	46,997	0	0	33,498	33,498	\$13.04	N/A
North Broad	3,022,471	4.1%	4.1%	3,994	200,600	0	(7,304)	(7,304)	\$16.29	N/A
Northside	292,513	3.8%	3.8%	0	0	0	500	500	\$8.45	N/A
Parham East	2,822,117	14.4%	14.4%	7,460	0	0	897	897	\$14.05	N/A
Parham South	1,018,984	20.7%	20.7%	36,275	0	0	(28,994)	(28,994)	\$13.37	N/A
Rt 288 Corridor	1,563,111	7.3%	6.8%	27,442	0	0	6,042	2,297	\$16.29	\$18.86
Shockoe Bottom	1,541,169	3.5%	3.5%	2,347	0	0	(33,679)	(33,679)	\$18.12	\$20.50
Stony Point/Huguenot	1,497,674	9.4%	4.9%	31,787	0	0	(2,324)	(24,784)	\$15.19	\$17.98
West Creek	1,740,213	0.0%	0.0%	1,800	0	0	0	0	\$18.23	N/A
West End	3,843,810	7.6%	7.6%	52,917	0	0	(5,856)	(5,856)	\$14.11	\$20.34
TOTALS	59,081,553	9.6%	9.0%	1,586,835	507,600	0	518,283	462,404	\$16.80	\$20.79

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q3 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
9275 Chamberlayne Avenue	I-95 N/Chamberlayne	HCA Health Services of VA, Inc.	A	22,000
WestMark Two	Innsbrook	Magellan Medicaid Administration	A	17,055
Deep Run 3	Innsbrook	Acision, LLC	A	16,472
Deep Run 3	Innsbrook	Appendix R Solutions	A	14,729
4480 Cox Road	Innsbrook	Paredes Institute for Women's Imaging, PC	A	14,513
Turning Basin Building	CBD	Intelliject	A	10,328
SIGNIFICANT Q3 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
501 S. 5 th Street	CBD	Select Income REIT	\$143,600,000 / \$463	310,000
1313 E. Main Street	CBD	Duesenberg Properties, LLC	\$3,900,000 / \$50	78,800
409 E. Main Street	CBD	Progress Dodson	\$1,020,000 / \$44	23,000
SIGNIFICANT Q3 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
NA				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Gateway Plaza	CBD	McGuireWoods LLP	Q1 2015	307,000
Biotech 8 – Phase 2	North Broad	NA	Q1 2014	112,000
Biotech 8 – Phase 3	North Broad	NA	Q2 2014	88,600