

MARKETBEAT OFFICE SNAPSHOT

RICHMOND, VA

A Cushman & Wakefield Research Publication

Q2 2013



ECONOMIC OVERVIEW

A measure of U.S. consumer confidence in May jumped to its highest level in almost six years, lifted by rising home prices and an improving job market. Virginia's unemployment rate fell slightly in April to 5.2%, the lowest it has been in 4½ years. The jobless rate dropped from 5.3% in March and from 5.9% in April 2012. Brokers hope the renewed optimism will prompt companies to take on more space and are expressing confidence in the West End and downtown markets.

MAJOR TRANSACTIONS

With new tenants Home Care Delivered and EMC, Westmark Two on West Broad Street in Glen Allen is 98% leased, which means another large block of space is off the market. Home Care took 42,357 square feet (sf), and EMC leased 8,932 sf.

Essex Bank leased 27,487 sf in Deep Run III at 9954 Mayland Dr. in Henrico County. This 348,174-sf class A, six-story building was previously the headquarters facility for Circuit City. Digital Insurance Holdings, Inc. leased 13,057 sf in the building. Deep Run III's owner anticipates Deep Run III to be 40% to 45% committed by summer 2013. Essex Bank is almost doubling its square footage from its current headquarters in Innsbrook Corporate Center.

In the Midlothian corridor, Shaw Systems Associates renewed its lease for 17,261 sf in Moorefield II at 808 Moorefield Park Dr., and Sweet Frog Enterprises leased 7,382 sf in the Winchester Building at 10800 Midlothian Turnpike.

Downtown, Health Diagnostic Laboratory leased an additional 6,184 sf in Jackson Center at 501 N. Second St., and Heritage Wealth Advisors leased 6,000 sf in the SunTrust Center at 919 E. Main St.

Absorption was only slightly lower in the second quarter year-to-date versus the same period last year, at 173,000 sf and 179,000 sf respectively. For the market as a whole, vacancy in the second quarter was 10.3%, with leasing activity of 947,461 sf for the year. The vacancy rate in second quarter 2012 also was 10.3%, with leasing activity of 720,213 sf.

OUTLOOK

Brokers anticipate several large leases to be announced in Richmond's West End and downtown. There are still a couple big-block space opportunities in the Innsbrook area, but if those big-block vacancies are removed from the availabilities, vacancy is sub 10% in the

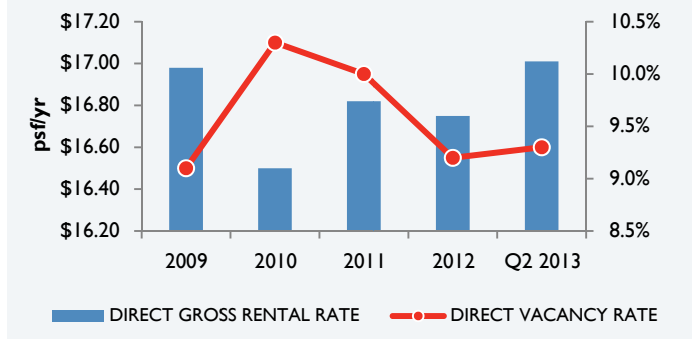
Innsbrook submarket. This means the market is continuing its path towards a healthy recovery.

Downtown, construction has begun on the third phase of BioTech 8, a six-story tower in the Biotechnology Research Park that will complete a \$100 million, three-building headquarters complex for Health Diagnostics Laboratory. A 40,000-sf building will go up in the Reynolds Crossing project on West Broad Street in Henrico County, with First Tennessee Bank as an announced tenant.

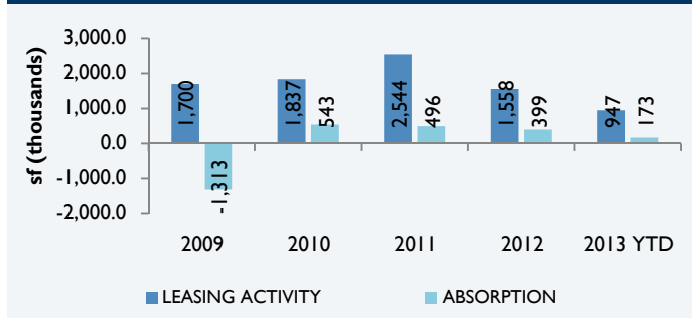
STATS ON THE GO

	Q2 2012	Q2 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	10.3%	10.3%	0.0pp	▼
Direct Asking Rents (psf/yr)	\$16.79	\$17.01	1.3%	◄►
YTD Leasing Activity (sf)	720,213	947,461	31.6%	▲

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	10,846,989	14.9%	12.9%	115,348	0	0	(4,843)	(86,411)	\$19.29	\$25.30
East End	623,816	1.7%	1.7%	7,500	0	0	7,436	7,436	\$15.47	N/A
Far West End	803,255	5.6%	5.6%	10,508	0	0	2,927	2,927	\$15.94	\$22.00
Glenside/Broad St	4,741,165	6.7%	5.7%	161,669	0	0	(21,031)	(26,661)	\$17.66	\$19.70
Hull Street Corridor	2,712,469	5.0%	5.0%	22,607	0	0	(1,622)	(1,622)	\$11.94	N/A
I-95 N/Ashland	688,456	9.9%	8.9%	99,182	0	0	(3,645)	(3,645)	\$13.19	N/A
I-95 N/Chamberlayne	363,973	22.0%	22.0%	499	0	0	(3,546)	(3,546)	\$13.42	N/A
Innsbrook	8,159,380	13.6%	10.8%	257,899	0	0	343,571	343,239	\$18.25	\$18.97
Iron Bridge Corridor	2,013,241	10.6%	10.6%	6,349	0	0	18,517	17,288	\$14.00	\$17.17
Lakeside	334,259	13.2%	13.2%	3,000	0	0	(1,119)	(1,119)	\$12.03	N/A
Mechanicsville	1,245,646	12.1%	11.9%	11,232	0	0	(12,468)	(13,768)	\$16.03	N/A
Midlothian Corridor	4,376,418	14.2%	14.2%	103,526	0	0	7,889	34,577	\$16.44	\$17.74
Monroe Ward	2,529,511	7.1%	7.1%	9,396	0	0	(39,425)	(39,425)	\$15.03	N/A
Near West End	2,156,295	8.5%	8.5%	31,172	0	0	1,928	1,928	\$15.37	N/A
North Broad	3,020,271	4.1%	4.1%	3,994	200,600	0	(484)	(484)	\$16.47	N/A
Northside	288,495	3.9%	3.9%	0	0	0	0	0	\$11.67	N/A
Parham East	2,798,443	14.4%	14.4%	5,102	0	0	(1,495)	(1,495)	\$14.08	N/A
Parham South	1,013,346	21.6%	21.6%	11,802	0	0	(36,288)	(36,288)	\$13.38	N/A
Rt 288 Corridor	1,577,860	6.2%	6.2%	29,975	0	0	13,147	9,402	\$16.10	\$19.49
Shockoe Bottom	1,541,169	3.4%	3.4%	2,347	0	0	(33,212)	(33,212)	\$18.06	\$20.50
Stony Point/Huguenot	1,496,015	8.9%	4.1%	20,426	0	0	8,583	(19,254)	\$14.69	\$17.98
West Creek	1,740,213	0.0%	0.0%	750	0	0	0	0	\$18.23	N/A
West End	3,844,086	7.1%	7.1%	33,178	0	0	23,588	23,588	\$13.91	\$20.69
TOTALS	58,914,771	10.3%	9.3%	947,461	200,600	0	268,408	173,455	\$16.98	\$20.81

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
WestMark Two	Innsbrook	Home Care Delivered Inc.	A	42,357
Deep Run III	Innsbrook	Essex Bank	A	27,487
Deep Run III	Innsbrook	Digital Insurance Holdings Inc.	A	13,057
WestMark Two	Innsbrook	EMC Corporation	A	8,932
Winchester Building	Midlothian Corridor	Sweet Frog Enterprises	A	7,382
SIGNIFICANT Q2 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
NA				
SIGNIFICANT Q2 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
Biotech 8 – Phase 3	North Broad	NA	Q2 2014	88,600