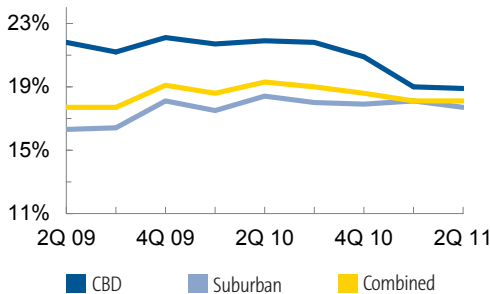
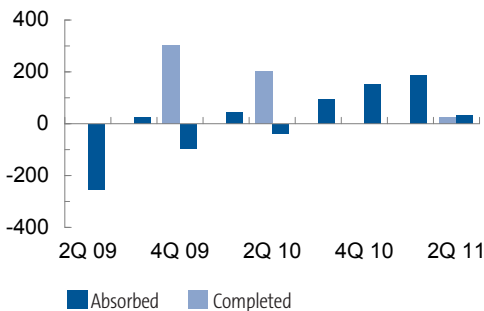


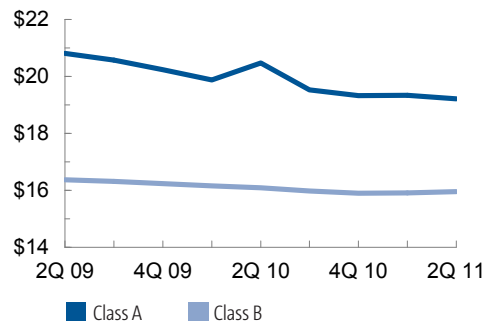
Vacancy Rate



Completions vs. Absorption (in Thousands of SF)



Asking Rental Rates (\$/SF/Yr. Full Service)



Large Transactions Aid Recovery

The office market reflects a weak recovery with barely 32,000 square feet of positive net absorption and a reduction in overall vacancy of just 30 basis points from the first quarter. At the same time, availability increased 60 basis points, signaling more space coming to the market with companies such as Magellan Health and WellPoint expected to downsize or vacate a total of 170,000 square feet due to consolidations.

Investment activity returned in a big way as American Real Estate Partners purchased Riverside on the James, a 263,000-square-foot downtown Class A trophy building, for \$63 million or \$242 per square foot. In addition, Lingerfelt Companies purchased a 14-building portfolio of suburban Class A office and flex properties from Liberty Property Trust for \$97 million or about \$105 per square foot. The portfolio included more than 918,000 square feet and was 98 percent occupied at the time of sale. At the lower end of the price spectrum, the largest user sale was the transfer of the former Universal Leaf Tobacco headquarters in the City of Richmond to Estes Express Lines for \$2.3 million or \$25 per square foot. Many of these sales were executed at lower levels than prior sales of the same properties.

In the most significant lease transaction of the quarter, Mondial Assistance USA leased 238,000 square feet at Deep Run I, the former headquarters of the now defunct Circuit City Company. The lease was a huge win for DRCC Properties, LLC who purchased the building empty less than a year ago. Mondial will consolidate operations from three other locations in the area when it occupies Deep Run I later this year. (continued on next page)

FORECAST

- There will be an up tick in small building purchases as buyers perceive that the bottom has been reached and lending is more readily available.
- Expect Capital One to absorb additional space as it expands into new business areas.
- Look for continued pressure on rental rates depending on location and class.

KEY TRANSACTIONS

Lingerfelt Companies purchased a 14-property portfolio Richmond, VA from Liberty Property Trust for \$97 Million	American Real Estate Partners purchased Riverside on the James Richmond, VA from Prudential for \$63.685 Million	Mondial Assistance USA leased 238,000 SF at 9950 Mayland Drive, Henrico, VA from DRCC Properties, LLC	Union First Market Bank leased 33,300 SF at Three James Center, Richmond, VA from James Center Property, LLC
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* Indicates Transaction Represented by Grubb & Ellis | Harrison & Bates

Office Trends Report—Second Quarter 2011

Richmond, VA



By Submarket	Total SF	Vacant SF	Vacant %	Available %	NET ABSORPTION		Under Construction SF	ASKING RENT	
					Current	Year To Date		Class A	Class B
Downtown	7,764,194	1,469,235	18.9%	21.0%	3,385	131,330	-	\$24.14	\$15.87
CBD Total	7,764,194	1,469,235	18.9%	21.0%	3,385	131,330	-	\$24.14	\$15.87
Northeast	423,520	121,382	28.7%	28.0%	(64,241)	(65,311)	-	\$18.00	\$16.61
Northwest	13,036,828	2,208,900	16.9%	19.7%	125,648	170,630	-	\$17.81	\$16.08
Southwest	5,078,877	955,691	18.8%	21.5%	(33,056)	(20,267)	19,132	\$18.65	\$15.43
Suburban Total	18,539,225	3,285,973	17.7%	20.4%	28,351	85,052	19,132	\$18.04	\$15.99
Totals	26,303,419	4,755,208	18.1%	20.6%	31,736	216,382	19,132	\$19.21	\$15.95

By Class	Total SF	Vacant SF	Vacant %	Available %	Current	Year To Date	Under Construction SF	AVAILABLE FOR SUBLEASE	
								CBD	Suburban
Class A	14,183,318	2,085,592	14.7%	16.9%	145,078	327,529	-	136,783	250,089
Class B	10,367,784	2,236,525	21.6%	24.1%	(121,930)	(123,541)	19,132	24,459	14,826
Class C	1,752,317	433,091	24.7%	28.9%	8,588	12,394	-	-	-
Totals	26,303,419	4,755,208	18.1%	20.6%	31,736	216,382	19,132	161,242	264,915

(continued from front)

Over the last couple of quarters, the trend has been the absorption of large blocks of space and tremendous competition for prospective tenants. Landlords who were able to maintain high occupancies are “sitting pretty” now. Several large blocks remain and more are coming, but landlords must also focus on the abundance of small spaces scattered in Class A and B buildings in office parks throughout the market. Asking rates remain relatively flat, but many landlords will negotiate aggressively and those small spaces may present the best economic opportunities in the months ahead.

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OFFICE TERMS AND DEFINITIONS

Total SF: Office inventory includes all multi-tenant and single tenant buildings at least 10,000 square feet. Owner-occupied, government and medical buildings are not included.

Office Building Classifications: Grubb & Ellis adheres to the BOMA guidelines. Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Office rents are reported full service where

all costs of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the market is weighted by the amount of available space in the building.

** Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*

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