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Contact:

Mac Wilson  
First Vice President  
(804) 697 3488  
mac.wilson@thalhimer.com

## **RICHMOND SUBURBAN OFFICE MARKET TIGHTENING**

**RICHMOND, VIRGINIA** – January 2015: Cushman & Wakefield | Thalhimer Research reports the Richmond suburban office market continues to tighten, especially for larger tenants that require over 50,000 square feet (sf) of space. The overall suburban market has nine available spaces over 50,000 sf; however, when looking at spaces over 100,000 sf, those options dwindle to four buildings. Of those four, only one building, Westmark One, located in the historically strong performing Innsbrook submarket offers class A office space in a dense suburban setting. This is an improvement from 2010, when there were six properties in Innsbrook with over 100,000 sf available and thirteen with large block availability over 50,000 sf. This trend towards limited supply is forcing larger users to begin addressing their real estate needs much further in advance of their lease expiration date.

In this tightening environment, large users must consider three choices: renewal, relocation, or build-to-suit. To secure favorable renewal terms, they must have realistic relocation or build-to-suit options in order to create a competitive environment with their current landlord. If this process is initiated with ample time remaining before their renewal, it is likely there will be more blend and extend transactions with landlords potentially willing to concede on rental rate in exchange for additional lease term well before the current lease is up.

<b>Thalhimer Center</b> 11100 West Broad St. Glen Allen, VA 23060 804.648.5881	<b>The Town Center at VA Beach</b> 222 Central Park Avenue Suite 1820 Virginia Beach, VA 23462 757.499.2900	<b>Compass Pointe</b> One Compass Way Suite 100 Newport News, VA 23606 757.873.2900	<b>Ruscon Building</b> One Unity Alley Suite 310 Charleston, SC 29401 843.724.0100	<b>Hearst Tower</b> 214 N. Tryon Street 40th Floor Charlotte, NC 28202 704.705.3850
<b>Millrace North</b> 725 Jackson Street Suite 101 Fredericksburg, VA 22401 540.373.0600	<b>Wells Fargo Tower</b> 10 S. Jefferson Street Suite 1750 Roanoke, VA 24011 540.767.3000	<b>Coffee Crossing</b> 6000 Boonsboro Rd. Suite A Lynchburg, VA 24503 434.237.3384	<b>Wells Fargo Center</b> 15 South Main Street Suite 925 Greenville, SC 29601 864.370.8155	<b>Crabtree Overlook</b> 2301 Sugar Bush Road Suite 520 Raleigh, NC 27612 919.576.2680

Mac Wilson, First Vice President with Cushman & Wakefield | Thalhimer notes, “With no speculative construction on the horizon and limited large block opportunities, tenants are seeing a shift to more of a landlord-centric marketplace for the first time in many years.” What this means for tenants is that landlords may begin to push rates higher and limit other concessions such as free rent and tenant improvement allowances. For the first time since before the 2008 recession, rental rates in Innsbrook are beginning to break the \$20.00 per square foot threshold in multiple class-A suburban buildings.

“Historically, large tenants often have bargaining power due to their size,” states First Vice President Brian Berkey of Cushman & Wakefield | Thalhimer’s tenant services group, “but as supply dries up, size provides less leverage and time becomes more important.” Berkey goes on to say, “Users of over 50,000 sf need to proactively evaluate their real estate requirements no fewer than 24 months prior to their current lease expiration to have the best chance of securing favorable renewal terms, planning a relocation, or moving into a build-to-suit.”

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