

## BUSINESS

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**Office tower occupancy low**by **George Hohmann**  
Daily Mail Business Editor

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CHARLESTON, W.Va.--A new survey of the occupancy rates in Charleston's premier downtown office towers indicates the local commercial real estate market is still coping with the economic downturn, according to the survey's author.

The current 89 percent occupancy rate is up 2 percent from February but still much lower than the effective full occupancy rate - 97 percent - posted in late 2008, before the national financial crisis.

"The decrease in occupancy reflects the contraction of demand in the marketplace and, in particular, the natural gas business consolidating in southwestern Pennsylvania," said Howard Swint, associate broker with West Virginia Commercial Limited Liability Co.

Charleston was envisioned several years ago by Chesapeake Energy Corp. and others as the eastern headquarters for drilling and production in the gas-rich Marcellus shale. "The center of eastern activity is now closer to Canonsburg, Pa., than Charleston," Swint said.

As previously reported, the shift to southwestern Pennsylvania hit two Charleston office towers particularly hard: Huntington Square, at 900 Lee St. E., and City Center West, at 900 Pennsylvania Ave.

Huntington Square technically is fully leased because Cabot Oil & Gas Corp. is still paying rent on 19,500 square feet of space for a regional office, even though the company announced last year the office would close.

City Center West was hit even harder. Chesapeake Energy occupied about 80,000 square feet of space as recently as 2006, taking up all or parts of eight floors in the 13-story tower. Chesapeake Energy subsequently left the building.

The biggest recent change in Charleston's commercial real estate market occurred in June when the West Virginia Lottery Commission bought City Center West from General Corp. for \$21.65 million.

The building's transfer from the private to the public sector "is exactly the opposite of what is happening in Arizona and California," Swint said. "Those states are selling public buildings and then leasing the space back."

A sale-leaseback gets the owner a big check but the owner becomes a tenant.

The state's purchase of City Center West "shows how much better West Virginia's financial condition is compared to Arizona and California," Swint said. "Those states are doing sale-leaseback deals out of desperation. It's almost a fire-sale condition out west."

The tower's sale, which moved 130,037 square feet of space from the private to the public sector, has several implications:

- There could be downward pressure on demand for "Class B" space in future months as the lottery and other state agencies move out of their existing space for offices at City Center West. The lottery currently occupies a remodeled warehouse and an adjacent former Steak and Ale Restaurant on MacCorkle Avenue. The commission plans to take about 70,000 square feet of space in City Center West.

- The highest-priced space has been taken out of the private marketplace. Before the transfer, City Center West was listing space for \$25 per rentable square foot. Now United Center's asking price, \$22 a square foot, is tops.
- The overall vacancy rate in the private sector has declined, at least on paper. That's because City Center West had the highest vacancy rate among Charleston's premier towers - almost 65 percent - before it was sold. Because of the sale, Swint has dropped the tower from his survey.

Swint periodically surveys occupancy rates in Chase Tower, BB&T Square, United Center, Huntington Square, Laidley Tower and, until now, City Center West.

The buildings contain the city's "Class A" office space, which is the best available. All except City Center West are in the central business district. All have on-site parking structures.

There has been no meaningful change in Chase Tower's 9.1 percent vacancy rate this year. "To my knowledge they lost a tenant and gained a tenant," Swint said.

BB&T Square's vacancy rate has increased from 1.3 percent to 11.5 percent. "I have no insight into what has happened," Swint said.

United Center's vacancy rate has apparently increased from 3.9 percent to 9.7 percent. The vacancy rate at Laidley Tower - which Swint represents - has increased from 4 percent to 8.1 percent.

"Hopefully we're near the bottom of the economic cycle nationally, statewide and locally, and in the Class A market in downtown Charleston in particular," Swint said.

The Charleston Area Alliance has estimated there is a total of about 3.5 million square feet of office space in the Charleston central business district. Of that total, about 1 million square feet is Class A and about 2.5 million is Class B.

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Posted By: **Hswint** (3:30pm 12-21-2010)

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Good point, specialized5000.

An example would be if the worst time during your career for your business or even personal income was at an 89% level would you be happy?  
I would...

Posted By: **specialed5000** (12:06am 12-21-2010)

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I hated to see those companies and jobs leave town, but 89% doesn't sound too bad, compared to cities that went through commercial building booms and are at far, far, lower occupancy rates than that. 80% to 90% is probably close to the long term average here. It was the 97% rate a couple of years ago that was the aberration.