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Downtown Charleston office towers nearing capacity

by George Hohmann
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CHARLESTON, W.Va. - Charleston's premier downtown office towers are practically full, reflecting increased demand and the removal of a large tower from the market, according to the survey's author.

"If market trends continue, we can expect a spillover of demand into Class B properties and/or possibly new construction," said commercial real estate broker Howard Swint.

The city's five "Class A" office towers, representing the best space available, have a current overall occupancy rate of 94 percent, according to Swint's survey. A rate that high could be characterized as approaching "effective full occupancy," he said. The 6 percent of space that is vacant is mostly comprised of small suites scattered throughout the market.

Swint's December 2010 survey showed an 89 percent occupancy rate. That was up 2 percent from February 2010 but was still lower than the 97 percent rate posted in late 2008, before the national financial crisis.

There has been one big recent change in the Class A market. It came in June 2010, when the West Virginia Lottery Commission purchased City Center West, at 900 Pennsylvania Ave., for \$21.65 million. The purchase moved the 13-story tower, which contains 130,037 square feet of space, from the private to the public sector. The tower is being occupied by state agencies as existing individual private-sector leases expire.

Because of the change in ownership, Swint has dropped City Center West from his survey. Before the state bought it, City Center West had an almost 65 percent vacancy rate - the highest among Charleston's premier towers.

Even after the removal of City Center West from the private market is taken into account, "you'll find that the Class A office market has increased its occupancy rate overall since last year," Swint said.

The removal of City Center West from the private sector has several implications:

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File photo

The state lottery commission's purchase of City Center West has helped increase demand for downtown office space.

- There could be downward pressure on demand for "Class B" space in future months as the lottery, the Alcohol Beverage Control Administration, the Banking Commission, the Department of Administration's Real Estate Division and the Racing Commission move out of privately owned buildings.
- The highest-priced space has been taken out of the private marketplace. Before it was sold, City Center West space was listed at \$25 per rentable square foot. Now United Center's asking price, \$22 a square foot, is tops, based on public reports.

Swint periodically surveys occupancy rates in the city's Class A towers. His current survey, based on listings and interviews done this week, shows the Chase Tower, with 227,695 square feet of space above ground, has the highest vacancy rate, 9.2 percent.

Brookfield Real Estate Opportunity Fund of Toronto, Ontario, Canada, sold the Chase Tower on Sept. 22 to The Nightingale Group, a New York-based investment firm, for an as-yet-undisclosed price.

Swint's survey shows BB&T Square has a 7.9 percent vacancy rate, while United Center has a 5.5 percent rate, Huntington Square has a 4.2 percent rate and Laidley Tower has a 4 percent rate.

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