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COLUMBUS BUSINESS FIRST

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Vacant office buildings not an easy sell in any economic environment

Business First of Columbus - by [Dennis Law](#) For Business First

Randy Stephens has been marketing a vacant office building in Worthington for three years. Getting someone to lease an empty building might be a challenge in any environment. In a recession, it's close to impossible.

These so-called "white elephants" – properties whose costs often exceed their usefulness – are sprinkled throughout Central Ohio. They can be found in Dublin, Worthington, Westerville and Columbus.

Stephens is marketing a 53,207-square-foot building at 350 W. Wilson Bridge Road along with his colleague at Colliers Turley Martin Tucker, Matt Murtha. Built in the mid-1970s, it was last occupied by CoreComm Ltd.

One of the largest vacant buildings in Central Ohio, at 341,000 square feet, sits at 7001 Discovery Blvd. in Dublin. It's the old headquarters of the defunct Metatec International Inc., which became Inoveris LLC, a media company that laid off 103 employees in January. Doing business as Zomax, the company specialized in CD and DVD duplication. The property is owned by WD Partners, an architectural firm, which has offices next door at 7007 Discovery Blvd.

WD officials did not provide details on plans for the building, despite several requests for information.

But real estate agents who are trying to market vacant or nearly vacant office buildings say a combination of patience, perseverance and creativity are the keys to finding tenants during the recession. And the market hasn't totally tanked. According to market research from Colliers Turley Martin Tucker, the suburban vacancy rate for Columbus' suburbs was 13.78 percent in this year's first quarter, which is down from 16 percent in the first quarter of 2008.

A hard sell

Stephens said telecommunications firm CoreComm, which several years ago had its name on the Columbus Blue Jackets practice rink at Nationwide Arena, left the Worthington office building after the company's assets were purchased several years ago by another firm. Stephens said the building now is "mothballed," meaning that even basic services are shut down. The building is owned by Eastrich No. 167 Corp., Boston. The company declined to comment for this story.

After CoreComm left, Stephens said the owner tried to attract large office users to the space. Most of the larger users, however, were attracted to newer office buildings in the Polaris and Westar developments where additional cash and tax incentives were being offered, he said.

While the building's owner wanted to concentrate on attracting a user who would need 40,000 to 55,000 square feet, most of the companies looking needed space in the 15,000- to 25,000-square-foot range.

Another factor that makes the Worthington situation unique is that the vacant building is surrounded by three other office buildings that also are owned by Eastrich, and they're about 90 percent occupied with small to midsize tenants, Stephens said.

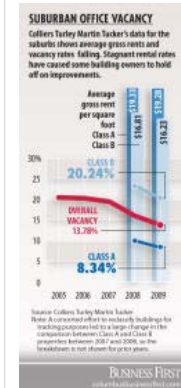
The owner looked into upgrading the 350 building several years ago, but Stephens said the cost was prohibitive.

"With rental rates being depressed in Class B properties, the owner decided to hold off ... until a suitable tenant could be found," he said. "In simple terms, it was less expensive to defer these costs than to spend money and not achieve the necessary economics to make a profit on the deal."

The owner can use the income off the other three buildings to carry the costs of the vacant property as the search for a tenant continues.

The building is not without its pluses, Stephens said. It has visibility to I-270, good window lines, ample parking, professional property management, common conference facilities and easy access.

"We are still trying to find a creative solution for both the owner and the city to lure a long-term employer," he said.



WHITE ELEPHANTS

Vacant and/or barely occupied office buildings:

- 7001 Discovery Blvd., Dublin**
 - Size: 341,000 square feet
 - Year built: 1976
 - Floors: 7
 - Parking ratio: 4 spaces per 1,000 square feet
 - Price: \$5.5/mill
 - Broker: Continental Realty
- 1480 Dublin Road, Columbus**
 - Size: 210,000 square feet
 - Year built: 1974
 - Floors: 3
 - Parking ratio: 3 spaces per 1,000 square feet
 - Price: \$5.5/mill
 - Broker: Continental Realty
- 543 Taylor Ave., Columbus**
 - Size: 118,000 square feet
 - Year built: 1974
 - Floors: 3
 - Parking ratio: 0.6 per 1,000 square feet
 - Lease rate: negotiable
 - Broker: CR Richard Ellis
- 8288 Worthington Road, Worthington**
 - Size: 110,000 square feet
 - Year built: 1976
 - Floors: 4
 - Parking ratio: 3.2 per 1,000 square feet
 - Lease rate: negotiable
 - Broker: Grubb & Ellis-Adena Realty Advisors
- 350 W. Wilson Bridge Road, Worthington**
 - Size: 53,207 square feet
 - Year built: 1976
 - Floors: 3
 - Parking ratio: 2.10 per 1,000 of
 - Lease rate: \$15.50/square foot
 - Broker: Colliers Turley Martin Tucker Co.

Source: NAI Office Equities, Central Ohio Information Exchange

Ideas have included a moratorium on the real estate taxes. Stephens estimates that the city is losing about \$250,000 to \$300,000 each year in payroll taxes on the vacant building and the owner about \$800,000 per year, based on current rent levels.

"We are still hoping to find a solution to our quest to find a suitable tenant or tenants for the building," he said. Companies looking for about 20,000 square feet are not ideal candidates, he said, because the cost of keeping a whole building running for just a tenant or two can be counter-productive.

Showing activity has dropped "dramatically" since last fall, when the stock market tumbled, Stephens said. The fact that the property is mothballed makes it harder to show.



Robyn Stewart, the assistant city manager and economic development manager for Worthington, said the city's primary incentive programs are tax abatement and tax increment financing in the community reinvestment area, which covers the city's main commercial corridors. There also is a grant program available, which provides money to new or expanding businesses. She said the city views the 350 building as a "great opportunity" for a business, especially with the access and visibility to I-270.

Find someone, anyone

Another vacant building is the 118,000-square-foot former home of the Veterans Administration's Wylie Clinic, which abandoned the space in November for newer, larger quarters in Whitehall. Marketing the property is Carol Evans, vice president of CB Richard Ellis Group Inc. in Columbus.

Evans, who specializes in industrial leasing and sales, said the property is unique because of its medical heritage. Because it was a VA clinic, the property, at 543 Taylor Ave. in Columbus, is ideal for a single medical user.

Medical buildings are sort of singular entities, she said, requiring more plumbing, for example, than other sites. Plus, there are laboratories for blood work and other special needs.

Evans said medical leases are not as quick to come together as a standard office lease. There are significant approval processes that a tenant has to work through involving multiple government agencies. But she's confident she will find a tenant, although it will probably won't happen until 2010.

Matt Gregory, a broker with NAI Ohio Equities in Columbus, said owners of vacant or nearly vacant buildings need to do whatever they can to lure a tenant, and that might mean drastically discounting the rent.

"They need to get some energy in the building so that it doesn't appear to have a black cloud over it," Gregory said. "Also, they need to get some fresh space built out so they can use it as a model for future prospects."

But Stephens said it all comes down to competition among municipalities and how aggressively incentives are used.

"A larger tenant will usually want not only a real estate tax abatement along with payroll tax incentives, but state incentives as well if they are considering locations outside Ohio," he said.

Most of the communities in northeast Franklin County, such as Westerville, New Albany, Easton and Gahanna, all have tax abatements in place to skew the playing field their way, he said.

Dennis Law is a freelance writer.

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