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PNC Plaza downtown cuts office lease rates after mortgage payoff

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The owner of PNC Plaza at 155 E. Broad St. in Columbus has paid off the skyscraper's \$28.5 million mortgage at a discount, allowing it to drop leasing rates in a tough downtown office market.

Public records show Greenwich Capital Commercial Funding Corp. on Nov. 24 discharged the loan to NC Plaza LLC, an affiliate of Chicago-based investor **Arthur Goldner**, amid industry speculation over the status of the loan, which was bundled within a collateralized mortgage-backed securities package.

Matt Gregory of [NAI Ohio Equities LLC](#), co-listing agent on the former National City tower, said the loan payoff at an undisclosed discount will permit the building to chop its full-service rent to \$15.50 a square foot a year from \$17.50. Space in the tower was being leased at \$19.50 a square foot for most of 2009, before Gregory and **Andy Dutcher** took over the leasing assignment and reduced it.

Gregory said he could not offer details of the financial restructuring for the 24-story tower, but he expects the 11 percent rate cut to boost interest among office seekers.

"All I know is, Art Goldner lowered his (cost) basis," Gregory said, "which will allow him to become more aggressive on his lease rates."

Goldner has yet to refinance the property as other investors have done, buying out troubled loans from banks amid the real estate slump.

"We're looking into it," Goldner said in an e-mail to Columbus Business First. "We'll consider all of our (financing) options."

Market slump

The loan payoff comes months after New York-based [Trepp LLC](#), a commercial mortgage analysis firm, had identified the PNC Plaza loan as troubled. Greenwich Capital extended a \$32 million loan in February 2003, six months after Goldner purchased the building for \$40 million.

The 360,000-square-foot skyscraper has suffered in recent years with the downturn in the economy, but the loss of the accounting firm [Deloitte LLP](#) in May particularly hurt. Deloitte moved to the Continental Plaza at 180 E. Broad St., leaving a 45,000-square-foot hole on five floors in the building.

PNC Plaza has 140,555 square feet available on direct lease with the landlord, putting its vacancy rate at 39 percent. An additional 24,000 square feet is on the market as a sublease from PNC Bank, which remains in 106,000 square feet. Pittsburgh-based [PNC Financial Services Group Inc.](#) bought troubled [National City Corp.](#) of Cleveland in December 2008.

The building's vacancy rate is significantly higher than the downtown office market average, which the Central Ohio Commercial Information Exchange listing service pegs at 17.3 percent among 67 Class A and B buildings.

[CB Richard Ellis Inc.](#) leasing agent Greg Thomas called Goldner's move "outstanding."

"Having a vacancy of almost 40 percent would definitely make it difficult for a building like that ... unless there was a loan restructuring," Thomas said.

Getting competitive

The \$15.50-a-foot leasing rate, Thomas said, should make PNC Plaza "competitive in the (downtown) marketplace."

"That should help them drive some deal velocity," said Thomas, whose downtown leasing assignments include

the Midland Building at 250 E. Broad St., and the [U.S. Bank](#) tower at 10 W. Broad St.

While Thomas said he has experienced a "definite uptick" of interest in properties he represents during the last year, Gregory said most of the 30 showings for PNC Plaza in the last year have been in the 2,500- to 5,000-square-foot range. Just one of those, the Ringside Search Partners staffing and employee recruiting firm, has committed to move in.

"It's more people moving around instead of people moving into the downtown," Gregory said.

The combined 20.5 percent dip in lease rates in the last 14 months should improve that, he said.

"We lost out because price points at other buildings were lower," Gregory said of the 15 formal proposals Ohio Equities had submitted. "This will allow us to catch up, if not surpass them."

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