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COLUMBUS

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The Arena District *Rules!*

Everything New
Looks Old Again
*In Central Ohio's
Hottest Office Market*

The *New* Downtown



The **Arena District** is Central Ohio's hottest office market. At **Nationwide Realty Investors**, they're smiling all the way to the bank.

The glitz and gloss of the Arena District are impressive anytime, but never more than on a winter evening when the Blue Jackets are playing at home. There's Nationwide Arena itself, of course, brightly lit and bustling. There's the adjoining, glass-walled CoreComm Ice Haus, often full of skaters showing off their moves. And within a stone's throw of the arena, post-game strollers are drawn to the noise and neon of new restaurants and drinking establishments.

The bright-lights, big-city atmosphere isn't necessarily the best measure of the Arena District's success, though.

To find the real bottom line, you need to hop on an elevator and take a look at what lies above the restaurants, bars and shops.

Those upper floors have made the \$500 million Arena District the hottest and most expensive office market in Central Ohio. Even as office buildings in the Downtown core and some suburban areas cut rental rates and offer incentives to lure tenants, the Arena District's office buildings are nearly full. Brian Ellis, president of Nationwide Realty Investors, the Arena District developer, says office space in the district commands the region's top lease rates-and nobody's cutting prices.

As vacancy rates in the heart of downtown Columbus fluctuate between 20 and 25 percent, the Arena District is more than 90 percent full, with





The Moline Plow Building, flanked by the arena and the 401 N. Front St. building

new buildings continuing to rise. "It's got an energy level we haven't seen in 20 years," says Wayne Harer, executive vice president of Continental Realty, the exclusive leasing agent for Arena District office space. "There you get the feel of the 24-hour city Columbus has wanted."

Why the dramatic success, just two years after the first puck dropped at Nationwide Arena? Working in the Arena District is *sexy*. "I think people will sacrifice a bit of convenience if the environment is one they want to be in," says Keith Myers of Myers Schmalenberger, the design firm that completed the district's master plan.

With ample parking, restaurants and retail in close proximity and well-defined entrance and exit routes, the district offers everything you'll find near the top Outerbelt office complexes-plus, of course, the arena. "We have all the amenities of a suburban site but we're Downtown," says Curt Moody, CEO of the architecture firm Moody/Nolan, which settled into its self-designed space at 300 Spruce St. in November.

Is the Arena District hurting Downtown? No, say Columbus officials; the district is *part* of Downtown. The city's downtown development administrator, Bob McLaughlin, says the Arena District "provides a working environment unlike any other in Central Ohio. Locating on Capitol Square does the same thing."

Only one problem: These days everyone wants to be in the Arena District, and nobody wants to be on Capitol Square.

Golden Oldies

As recently as a decade ago, few people imagined the Ohio Penitentiary site as a booming office market. When architecture firm Schooley Caldwell moved to Marconi Place seven years ago, says Schooley Caldwell President and CEO Bob Loversidge, it was a downtrodden area. Even five years ago, when construction began on the arena and its surrounding infrastructure, more businesses were moving out than moving in, and people had a hard time reaching those that remained.

Loversidge says Schooley Caldwell had to deal with the street in front of its office being

closed three times for construction. "We were determined to stick it out because we saw what [Nationwide] was going to do. We think it turned out to be a good decision," Loversidge says.

Most of the office buildings in the Arena District are new, but they don't have the *feel* of new construction. Indeed, the narrow streets and closely packed buildings feel positively European compared to Central Ohio's more typical "big-box" environment.

Not every building in the Arena District has been thrown up in the last couple of years. In what became a critical component of the district's development plan, Nationwide Realty Investors chose to preserve two older buildings – the Moline Plow and Acock buildings, both dating from the early 20th century.

Often, it is simpler and cheaper to knock down an old building, even one with a historic designation, than to save it. Historic preservation rules and the strictures of modern building codes can turn an office rehab job into a costly nightmare. So it's not surprising some early Arena District development plans had both the Moline Plow and Acock buildings headed for the wrecking ball.

The final plan kept both buildings, though, and Myers says they "contribute significantly to the feeling that the Arena District is older than it is. We probably wouldn't have been as successful if we'd have knocked them down. But [saving them] was extremely difficult." The architecture of the district's new office buildings substantially reflects the solid, industrial look of the older buildings – both those in the district itself and the remaining brick warehouses on its fringes.

Other district features-narrow streets, old-looking streetlights and signs, a three-acre urban park called McFerson Commons – also contribute to the neo-Euro feel. Myers says the park makes the adjacent Arena District real estate the equivalent of "lakefront property" in other cities – highly desirable land where businesses are eager to relocate.

Arena District lease rates were pretty close to other Downtown office rates when district buildings first started leasing. As the district's popularity has grown, rates have stayed stable or risen, while rates in some Downtown core buildings have dropped. "People recognize the

value, the energy and excitement, and they're willing to pay for it," Harer says.

Arena District leases run to \$24 per square foot gross and \$16 per square foot net when tenants pay taxes, utilities and maintenance fees. Those rates are higher than most class A buildings in the Downtown core and comparable to such top-of-the-line towers as Huntington Center and Miranova. And while it's common knowledge that there are cut-rate deals to be made for space in even the priciest Downtown buildings, there's not much wiggle room in an Arena District negotiation. If your company won't take the space at the quoted price, there's probably another guy standing outside the door who will.

Power Tenants

It did not take long for Ellis and his leasing agents to snare some "name" tenants. Schottenstein, Zox & Dunn (SZD), one of the city's prestigious business law firms, will bail out of its longtime Huntington Center digs in mid-2003 for spiffy new Arena District quarters. The venerable Don M. Casto Organization, a premier retail and residential developer, announced its decision to move to the district in 2002. The accounting and tax firm KPMG settled into its Columbus office at 191 W. Nationwide Blvd. in August 2001.

And if you're planning on being indicted by the feds, the Arena District soon will be your most convenient office venue. The U.S. Attorney's office is preparing new space at Marconi and West Nationwide boulevards for a move this spring.

American Electric Power's unregulated energy division, which oversees AEP's coal and gas trading and marketing, needs space comparable to the trading floor of a stock market. Joe Hamrock, AEP's senior vice president of general services, says the company went on a lengthy hunt to find the division its own home. "We looked at virtually all the other available office space in Central Ohio. It really came down to proximity to our headquarters as well as the dynamic environment of the Arena District offices," Hamrock says.

AEP ended up with as much space as Nationwide Realty could offer at 151 and 155 W. Nationwide Blvd.-92,000 square feet, to be exact, making AEP the district's largest tenant. Hamrock says staff in the unregulated division tend to be younger and recently out of college, so the energy of the area works to AEP's advantage.

Moody/Nolan, long housed on East Broad Street across from Franklin Park Conservatory, now occupies roughly half the space in the 75,000-square-foot, three-story building at 300 Spruce St. in the Arena District. "We had outgrown our space and needed to go through major improvements," Curt Moody says. "We couldn't get the value out of the capital we would put into improvements."

Moody/Nolan had three requirements for new space: remaining within the Downtown core, ample parking and the ability to design its own building. The Spruce Street location fit the bill well, says Todd Sloan, executive vice president with the Daimler Group, which developed the building. "The real reason [it has been suc-

cessful] is it's an attractive building, has great visibility, great access and the tenants have parking," Sloan says.

Schottenstein, Zox, & Dunn President Jim Davidson says the city's fourth largest law firm spent several years studying possible places to move before settling on the Arena District in 2001. Not only will SZD's new location at 250 West St., overlooking McPerson Commons, improve client access, but Davidson predicts it will help in attracting and retaining attorneys. "We decided we did want to stay Downtown," he says, "but at the same time felt a different Downtown address would be more attractive for our lawyers."

The firm will have 5,000 fewer square feet in the Arena District than its former Huntington Center digs. But Davidson says the reduction in total space will be offset by increased efficiency, with every attorney receiving a modest, 150-square-foot personal office. "In part, our lawyers' offices [in Huntington Center] are too good," Davidson says. "Our foyer is enormous. We're doing a more efficient design, and all the lawyers' offices will be the same size."

There's some debate about whether SZD's move off Capitol Square makes it likely other Downtown law firms will follow suit. For the time being, the city's two largest legal factories, Vorys, Sater, Seymour and Pease and Porter Wright Morris & Arthur, remain firmly anchored in the core—VSSP on Gay Street and PWMA in Huntington Center. McLaughlin says it's better to have a Capitol Square firm move to the Arena District than to have it leave the Downtown area entirely for Easton, Polaris or a suburban community. "If we didn't have another option for them like the Arena District, we risked losing them altogether," he says.

Another law firm, Buckingham, Doolittle & Burroughs, is already in the Arena District, and at least one more is headed there. Wiles, Boyle, Burkholder & Bringardner will leave West Main Street and Civic Center Drive for 300 Spruce St. in March. "We've designed a building that will make us much more efficient and cross-sell our firm to different practice areas. Now, we're divided by three floors," says the firm's administrator, Robert Sander. Wiles Boyle will double its space from 12,000 square feet to 24,000 square feet, giving it room to add seven attorneys to its current staff of 21. "We took some equity ownership in the building, and [costs] are slightly higher-but not dramatically higher," Sander says.

Parking, Parking Everywhere

Parking has been the great equalizer in the Arena District. Rents may be higher, but the attractions of employee and visitor parking close to offices and places where employees can easily walk to lunch likely has been a consideration for every new tenant.

From the metered spots along the street to the massive garages tucked behind the office buildings, the district's parking was planned from the beginning. "With every building we planned, we have a plan for how to park it," Ellis says.

Moody/Nolan has parking beneath its building as well as surface parking. Schottenstein, Zox & Dunn's building also will have some underground parking. Even for



375 (left) and 401 N. Front St.

those who do not park in the building's garage, Davidson says, "We think it will be more accessible because of the parking and the price structure of the parking." Loversidge says when Schooley Caldwell headed for the Arena District seven years ago, it gave employees a boost in pay to cover parking expenses.

Nationwide's Ellis says traffic and parking were keys to luring SZD away from Capitol Square. "Had we not been successful in getting traffic in and out of the Arena District, we would not have gotten the lease," he says. "We knew that going in."

In a suburban office park, tenants want employees and clients to walk no more than 350 feet from door to vehicle. In almost every case, Myers says, tenants in the Arena District have a shorter distance to their parking spots.

The AEP deal succeeded, Ellis says, because Nationwide Realty Investors offered AEP a greater ratio of parking spaces in relation to its square footage. The average Arena District office tenant has 3.5 parking spaces per 1,000 square feet of office space, which Harer says is significantly better than in other Downtown areas.

Most praise the ease with which vehicles can now enter and exit the district. Businesses are still weathering the 18-month closure of Interstate 670 between Third Street and Neil Avenue, and there is anticipation that when the rebuilt section of freeway reopens in fall 2003, accessibility will become even easier, says the Daimler Group's Sloan.

What's Next?

The Schottenstein, Zox, & Dunn building represents a shift in thinking for the Arena District, Ellis says. When Nationwide Realty first started developing the area, speculative buildings were the priority because they offered a way to get the product out in front of possible tenants.

Now, Nationwide is looking at the SZD project as a model on which future development will be based. Instead of purely spec buildings, Nationwide Realty Investors hopes to secure larger tenants with build-to-suit construction contracts – tenants who might fill as much as half a building's leasable space. Then, Nationwide will seek smaller tenants to fill the rest. "We're not going to be taking nearly the risk," Ellis says. Harer says that's a smart strategy in a soft commercial real estate market, when spec buildings may sit unleased for years.

Unleasable space doesn't seem likely to become a problem in the Arena District. Buildings at 125 and 155 W. Nationwide Blvd., totaling about 180,000 square feet, are fully leased. Demand for space at 250 West St. and 300 Spruce St. has been strong. There's some space available in the SZD building, but it's not expected to last long. Ellis doesn't want to discourage prospective tenants from calling, though. "There is still availability," he says. "We need to have some inventory to sell when somebody's interested in moving to the Arena District."

Technically, the Arena District is only the area under development by Nationwide, but Moody/Nolan's building is considered part of the district, as is Schooley Caldwell's, which predates the district's creation. No one's complaining about extension of the district's boundaries. Indeed, Ellis and others see it as another sign of success. "Everybody's OK with it," Myers says. "But when we first defined it, it was narrower."

When you've got a brand that works, everybody wants a piece of the action.

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