

PNC grapples with glut of empty space

Bank offers subleases on eight area buildings

By STAN BULLARD
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From downtown Cleveland to Brook Park, PNC Bank is offering to sublease oodles of office space as the impact on the real estate market of its acquisition of National City Corp. and its subsequent cost-cutting efforts begins to surface publicly.

INSIDE: PNC's wide open spaces. Page 7

Friedman Real Estate Group, a brokerage in Farmington Hills, Mich., that often handles PNC properties, lists for sublease eight PNC offices totaling 374,000 square feet in the Cleveland area. They include 118,000 square feet at the old National City Bank Building, 1965 E. Sixth St.

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in downtown Cleveland, and the entire 90,000 square feet of the Aerospace Technology Park 2001 Building in Brook Park.

David Browning, managing director of the Cleveland office of CB Richard Ellis, reflected on the extent of the PNC space hitting the market with a one-word comment: "Ouch."

However, Mr. Browning said he believes the sublease offerings may have a muted effect on the market at large because they are spread among different types of buildings and throughout Greater Cleveland. CB Richard Ellis already puts downtown vacancy at 21% and suburban vacancy at 23% as of Sept. 30.

Michael Cantor, a principal at the Allegro Realty Advisors consulting firm, said the "good news side of the story" is that the marketplace was worried that the 31-story PNC Center in downtown Cleveland might be emptied after PNC acquired National City.

"Instead, it's good to see the downtown receiving some benefit" as PNC consolidates in the office tower some personnel from other offices, Mr. Cantor said. When Allegro consultants have queried about the availability of space at PNC Center, they were told no space is available, he said.

PNC: Office tower occupancy 'good news'

So long, Spangenberg

PNC's direction at PNC Center is such that the law firm Spangenberg, Shibley & Libor LLP moved late last year to North Point Tower because the banking company wanted the law firm's space for itself.

Peter Weinberger, managing partner of Spangenberg Shibley, said when the firm sought to exercise an option to renew, PNC said it would be willing to work out a price but just as soon would like the entire 24th floor for bank employees. The bank also was unwilling to consider a request to shrink Spangenberg Shibley's lease to 10,000 square feet from 17,000 square feet, Mr. Weinberger said.

"It was clear they did not want to be a landlord anymore," he said.

Spangenberg Shibley's exit leaves Baker Hostetler as the sole outside office tenant in the tower, Mr. Weinberger said, which online realty data provider CoStar confirms.

PNC spokesman Fred Solomon said in an e-mail that the bank is "committed to the downtown tower and maintaining a significant presence downtown, and at the operations center in Cleveland as well as our Brecksville site." He said the company does not discuss staffing levels at single locations as a matter of policy.

Economizing on space

PNC's intention to shave office expenses throughout its far-flung holdings is well-known. The bank said earlier this year it is moving to a corporate standard of 180 square feet per employee from about 300 square feet.

"PNC is working to more efficiently use its space in the Cleveland area and enhance work flow by moving our teams nearer one another," Mr. Solomon said.

Those efforts already have changed some operations dramatically. The city of Brook Park has determined the Aerospace 2001 building is empty, but PNC still has employees and contractors in the Aerospace 3000 building — also offered for sublease through Friedman Real Estate. Another building, the Aerospace 2000 building, remains full of PNC staffers, according to Michelle

Boczek, Brook Park commissioner of economic development.

PNC has not communicated its office plans to the city, Ms. Boczek said — something National City used to do. But because she knows the Aerospace 2001 building is empty, she submits the space to the Ohio Department of Development when the state circulates on behalf of would-be tenants requests for proposals on a confidential basis.

"It's hard to do more without knowing more," Ms. Boczek said.

Aerospace Technology Park belongs to Chelam Properties of Solon, which declined comment.

This might hurt

The offices PNC hopes to sublease

carry varied remaining lease terms. The shortest is as little as a week — through Sunday, Oct. 31, for 31,000 square feet at Eaton Center that CB Richard Ellis already is marketing for the building owner. The longest sublease is for 24,000 square feet at the Hanna Building; it does not expire until Oct. 31, 2018.

Alex Tselipis, a Grubb & Ellis Co. broker, said subleases with less than two years are tough to market because companies generally do not want to undertake expensive moves for such short periods.

He said a full-floor, 51,000-square-foot office space that Friedman is marketing at 200 Public Square (formerly BP Tower) will attract interest because the sublease lasts three more years.

Tom Gustafson, an Ostendorf-Morris Co. senior vice president, compares the PNC space disposition to prior corporate consolidations and moves that have rolled the city's office market.

"Will it hurt? Yes," Mr. Gustafson said.

"It means there is more empty office space on the market. It's not healthy," he said. ■

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PNC OFFICES HIT SUBLEASE MARKET

Building	Size of sublease*
National City East Sixth Street, Cleveland	118,000 sq. ft.
Aerospace 2001, Brook Park	90,000
200 Public Square, Cleveland	51,000
Eaton Center, Cleveland	31,000
16035 Industrial Parkway, Cleveland	28,000
Aerospace 3000, Brook Park	27,000
Hanna Building, Cleveland	24,000
One Cleveland Center, Cleveland	5,000

* ROUNDED/SOURCE: FRIEDMAN REAL ESTATE GROUP, PNC WEB SITE