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Choice office space filling up downtown

Proposed projects should relieve tight Class A market

By **Alex Davis**
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The Courier-Journal

Top-quality office space is filling up in downtown Louisville, but a number of commercial projects planned for the next couple of years are expected to ease the tight market.

If current lending standards weren't so strict, broker Rick Ashton of Commercial Kentucky said there likely would be even more office projects in the works for the downtown area.

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Commercial Kentucky reported a 4.9 percent vacancy rate for Class A space in downtown Louisville at the end of 2007 -- well below the 10 percent rate at which Ashton said tenants would still be able to find space and landlords wouldn't be fretting about empty square footage.

Just as vacancy rates have been falling, rents have been rising. David

Hardy, managing director at CB Richard Ellis-Louisville, said many premium downtown locations are being leased annually for more than \$20 a square foot, at or near record highs. Richard Ellis put the overall rental rate for downtown Class A space at \$19.77 at the end of last year, slightly lower than the \$19.80 average for all suburban markets.

For downtown, higher rents and lower vacancy rates have made the market much more attractive for developers compared to two or three years ago, said Mike Brown, director of business development for Barrister Commercial Group.

Barrister hopes to build a 25-story tower with about 500,000 square feet of office space on Market Street between Sixth and Seventh streets, with Humana as the anchor tenant. The project isn't a done deal yet, but Brown said it would still have a 50 percent chance of happening without the health insurer's participation.

Humana has asked area developers who have been considering downtown projects for proposals to provide it up to 300,000 square feet of office space.

Another proposed downtown project would create 626,000 square feet of space on Main Street across from Slugger Field. Jefferson Development Group, headed by Kevin Cogan, wants to build two 12-story towers, with the first building available around 2010. Cogan has declined to comment about potential tenants.

Other major projects in the works for downtown include Museum Plaza, a 61-story tower under construction at Seventh Street and River Road, and



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LOUISVILLE OFFICE SPACE
Year-end Class A vacancy rate
Downtown 4.9%
Suburban 13.7%
Source: Commercial Kentucky

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Center City, a mixed-use project that would span six blocks near the 4th Street Live entertainment complex.

Because of varying methods for tracking vacancy rates, local figures differ widely depending on the firm providing the numbers.


CB Richard Ellis put the downtown Class A vacancy rate at 8.9 percent at the end of 2007, down from 10.1 percent a year earlier. The firm said vacancy rates for the same type of top-quality space ranged from a low of 7.1 percent in St. Matthews to 23.4 percent in the Hurstbourne area.

David Hardy, managing director at CB Richard Ellis, said the downtown market has added large amounts of office space in bursts about once every decade, with the last major addition being the [Capital](#) Holding Center, now the Aegon Tower. Hardy said Humana's future growth is a major factor behind the latest round of proposed projects, but he said a more energized downtown also has helped.

But at least one of the commercial towers currently being proposed won't be built once Humana selects a location, he predicted.

Doug Owen, office broker at Colliers Harry K. Moore, said the commercial market acts independently from residential real estate, so downtown and other parts of the metro area won't necessarily be hurt by a housing downturn. Owen's firm puts the downtown Class A vacancy rate at about 7 percent. He said that there are few large blocks of available space downtown for new businesses, but that the upcoming building projects should change that.

Reporter Alex Davis can be reached at (502) 582-4644.

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