

Planned skyscraper boosts office space after housing slows

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The Philadelphia-based company developing the former McCormick spice factory in downtown Baltimore now hopes to carve out as much as 500,000 square feet of prime office space to land a signature corporate tenant in the proposed 59-story building at Light and Conway streets.

John Voneiff, director of southeast operations for ARC Wheeler LLC, said a softening in the residential market prompted his company to shave the planned residential units in the building to between 150 and 200, down from earlier plans for as many as 285 condominiums. He is now in talks with two major Baltimore-area companies, and has been contacted by a third considering becoming the building's signature tenant.

Voneiff declined to name the prospective tenants. "We looked at the whole project and said, 'OK, this is a big site, what does the city want?'" Voneiff said. "We're not trying to build the tallest building in Baltimore. What we're trying to do is build a successful project."

At 750 feet, 10 Inner Harbor would be the tallest building in the city. ARC Wheeler bought the property at 414 Light Street in September 2006 for \$25 million and plans to spend between \$500 million and \$550 million to develop the site, an increase from early estimates of \$360 million. The project is still slated to include a major hotel chain with about 225 rooms, an increase from earlier plans for a 192-room boutique hotel. The site is also slated to include about 1,600 parking spaces.

Jeff Pacy, a broker with Preston Partners Inc. who is handling leasing activities for the developer, said he believes the added office space will be in high demand and could help to offset an eastward migration of companies looking to move to newer offices at places including Harbor East.

"We are talking to some very large office users, some prominent office tenants," said Pacy, who also declined to specify with which companies he is talking. "We have an opportunity to anchor the west side of the waterfront with a mixed-use development that combines both retail and office."

Prime office space in the city is in high demand, and the vacancy rate for top-tier office space in the city is below 10 percent, considered a healthy figure by most commercial real estate firms.

Robert A. Manekin, a broker with the Staubach Co. in Baltimore, said he believes ARC Wheeler's decision to shift away from residential space toward offices is a good idea for several reasons, including the project's location at the head of the Inner Harbor along Light Street, the softening in the city's residential condominium market over the past year and the strong demand for top-tier office space.

"I think it's a great site for an office building and actually a much better site for an office building than a residential tower," Manekin said.

Pacy said the asking rent for office space, by the time the project is completed in 2011, could approach \$40 per square foot. He said that could include prominent signage opportunities for a signature tenant. The building's office footprint, or the amount of space on a single floor, will range from 35,000 to 40,000 square feet, which is larger than in many of downtown's older office buildings.

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