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# Aegon departure to nearly double Class A vacancy rate downtown

**Premium content from Business First - by John R. Karman III**

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The impact of Aegon U.S.'s decision to eliminate or relocate the positions of about 300 Louisville workers has implications for the local business community beyond the loss of well-paying, white-collar jobs.

It also is a significant blow to the downtown commercial real estate market, which in recent years has been able to boast one of the lowest vacancy rates for Class A office space in the country.

The company, a subsidiary of Netherlands-based financial and insurance giant Aegon N.V., has been the anchor tenant in the city's tallest building, the 35-story Aegon Center at Fourth and Market streets.

But **David Hardy**, the leasing agent for the building, said the company plans to reduce its presence in the skyscraper during the next year from the 13 floors it currently rents to three. Five full floors that Aegon leases currently are not occupied.

Each floor in the tower has 20,000 square feet, which means Aegon soon could vacate 200,000 square feet of the city's most prominent — and expensive — real estate at a time when few companies are expanding or relocating.

"That's a big chunk of vacancy," said Hardy, who is managing director and a partner with CB Richard Ellis/Louisville, a local commercial real estate brokerage firm.

Hardy's company has had the leasing contract for the Aegon Center for 90 days and was given no warning about Aegon's plans.

Even though the company's lease for the space doesn't expire for two years, Hardy said, "we've got to get busy."

### Opportunities and challenges

The current vacancy rate for Class A space in the downtown market is just 6.6 percent, according a recent report from Commercial Kentucky Inc., another Louisville commercial real estate firm.

Aegon's return of 200,000 square feet would cause the downtown Class A vacancy rate to jump to 12.2 percent, said **Rick Ashton**, an office broker with Commercial Kentucky.

The downtown market has nearly 3.6 million square feet of Class A space.

Blocks of the city's most desirable space have been at a premium. But that appears to be about to change.

The coming vacancy in the Aegon Center "creates some opportunities" for companies seeking large office space downtown, Hardy said. "It also may create some challenges for other drawing-board projects that people would like to get out of the ground."

More problems for Museum Plaza?

Specifically, the large amount of Aegon Center space about to come on the market could cause problems for a project such as Museum Plaza, which still is seeking construction financing.

Plans for Museum Plaza, the $465 million mixed-use project planned downtown at Seventh and Main streets, call for 300,000 square feet of Class A office space along with an art museum, hotels, shops and condominiums.

If 200,000 square feet of prime office space is returned to the market, potential financiers of the 62-story Museum Plaza might decide that additional space would have too much competition to be viable, according to local brokers and real estate consultants, who asked not to be identified in this report.

'Uniqueness' of space a selling point

But attorney **Craig Greenberg**, one of the Museum Plaza partners, said he doesn't expect "a significant negative impact" from this week's Aegon announcement.

Office space in Museum Plaza is planned on floors 28 through 40, Greenberg said, and will have some of the best views in the city. Aegon, by comparison, leases floors 2 through 15 at Aegon Center.

Museum Plaza also will have the "largest and most efficient floor plates," he said, along with the most modern technology and amenities.

“We expect significant interest in the space because of its quality and uniqueness,” said Greenberg, who is of counsel with Frost Brown Todd LLC law firm and vice chairman of 21c Museum Hotels LLC. “This news doesn’t change that.”

In fact, Greenberg said, this week’s Aegon announcement shows how important it is to get Museum Plaza under construction soon because the project is expected to create thousands of jobs and drive economic development.

**Space still available in B&W Tower**

While the Class A vacancy rate downtown remains historically low, the Louisville office market has been stagnant, with little overall absorption of space during the recession.

Most leasing activity has involved existing local tenants bargain hunting and moving to space where they can get the best deal.

The overall downtown office vacancy rate is 12.8 percent, factoring in a 16.7 percent vacancy for Class B space.

The largest available chunk of Class A space is in the Brown & Williamson Tower, where 70,000 square feet remains of the 200,000 square feet Brown & Williamson Tobacco Corp. vacated when it left in the mid-2000s.

“That tells you that even though we have low rates, there has been relatively low absorption” of space, Ashton said.

He noted that no new office space has been added to the downtown market during that time.

Aegon’s defection makes “a big difference,” he said. “It’s not good news.”

**Company has been scaling back**

Aegon once was among the city’s largest employers.

In 1997, when Providian Corp. was sold to Aegon in a $3.5 billion deal, the company had about 1,300 workers in the city, according to previous Business First reports.

The company has been scaling back its local employment in recent years.

It cut 138 positions from its Louisville offices in the Aegon Center in June 2009. Those jobs were moved to an Aegon office in Cedar Rapids, Iowa.

Just more than 100 of Aegon’s 400 Louisville employees are expected to remain here. They work for Aegon Information Technology, a department within the company.

**| Capital Holding/Providian/Aegon Timeline**

**1904:** Commonwealth Life Insurance Co. was founded in Kentucky.

**1940s:** Company started selling burial insurance.

**1963:** Company bought Indiana-based Empire Life and Accident Insurance Co.

**1969:** Capital Holding Corp. was formed as a Delaware corporation. Its only holding at the time was Commonwealth Insurance.

**1981:** Capital Holding bought National Liberty Corp.

**1984:** Capital Holding entered the credit card market with the purchase of First Deposit Corp., parent of First Deposit National Bank and First Deposit Savings Bank.

**1993:** Houston-based Hines Interests LP developed Capital Holding Center at Fourth and Market streets at a cost of $110 million. (Shown at right.)

**March 1994:** Capital Holding Corp. changes name to Providian Corp., pending shareholder approval at May meeting. First Deposit Corp. was renamed Providian Bancorp Inc.

**December 1996:** Aegon N.V. announced plans to purchase Providian Corp.’s insurance business. At the time, Providian was one of three Louisville Fortune 500 companies, with 9,000 employees nationwide and about 1,300 in Louisville. The company was the anchor tenant in Providian Center (formerly Capital Holding Center), where it leased 10 floors.

**June 10, 1997**: Aegon N.V. completed its purchase of three of four divisions of Providian Corp. Providian Bancorp, which was Providian’s lucrative credit-card business, was spun off into a San Francisco-based, publicly traded company with the new name Providian Financial Corp.

**2000:** Providian Financial agrees to repay consumers at least $300 million to settle U.S. Office of Comptroller of Currency allegations of misleading customers.

**January 2002:** Providian Financial Corp. announced that it would eliminate 800 jobs, some of them among the company's 200 employees in Louisville.

**April 4, 2004**: Investment group Louisville Trophy LLC, led by Brooklyn, N.Y., real estate mogul David Werner, bought Aegon Center (formerly Providian Tower) for $128.5 million.

Sources | Business First archives and www.fundinguniverse.com

**Tower owned by New York real estate mogul**

Aegon's Louisville home, the Aegon Center, was built in 1993 by Houston-based Hines Interests LP. The construction cost was $110 million.
The tower originally was known as the Capital Holding Center and, later, the Providian Center.
Aegon Center, with nearly 634,000 square feet of leasable space, ranked No. 4 on the Business First list of the area's largest office complexes, which was published June 18.
Hines sold the building in 2004 to an investment group led by Brooklyn, N.Y., real estate mogul David Werner. The purchase price was $128.5 million.
Hines continues to manage the building. |

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