



BUSINESS

Spec building planned for Gateway Commerce Center near Edwardsville.

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A MARKET ON THE MEND

Experts predict a robust 2014 for area's industrial real estate.

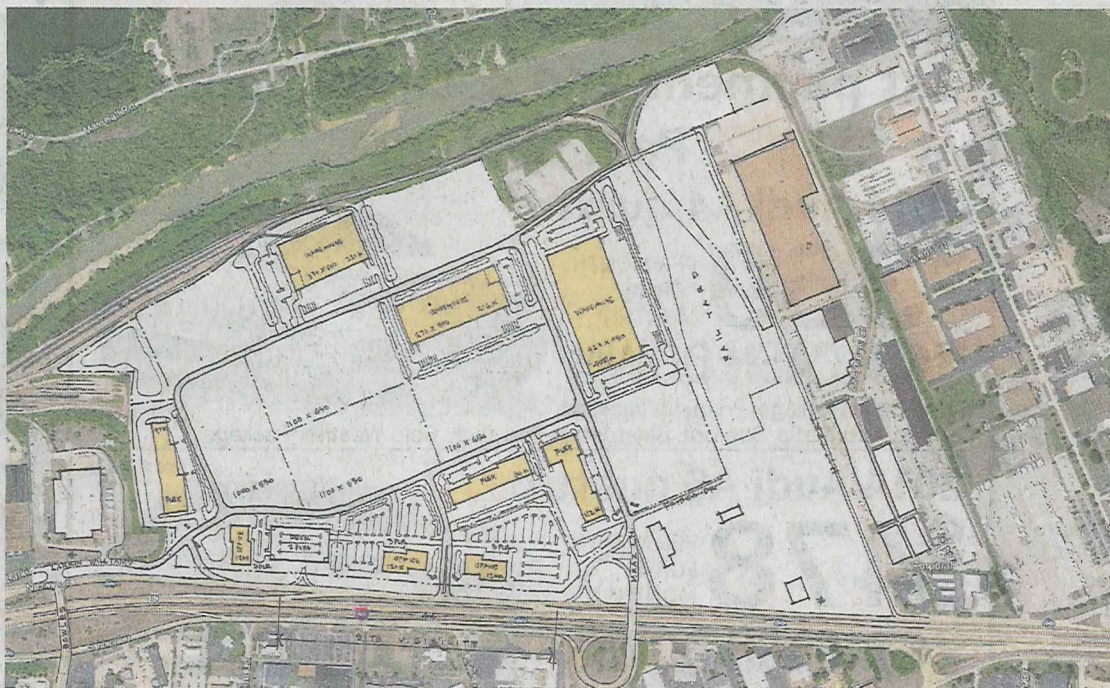
BY TIM BRYANT

tbryant@post-dispatch.com
314-340-8206

Developers' plans to build huge warehouses before securing tenants is a clear sign the St. Louis industrial real estate market is recovering.

"Last year was good and 2014 looks fantastic," said Patrick Reilly, a senior director and principal at Gateway Commercial, in Clayton.

Demand for warehouse and industrial space flagged during the recession. Almost no such space has been built in the St. Louis area since 2008. But vacancy rates began falling early last year and will decline more this year, real estate experts say. Lease rates are edging up even as additional space is brought to market.



A potential site plan of KP Development of the former Chrysler plant site in Fenton.

A result is that from the Gateway Commerce Center, near Edwardsville, to the former Chrysler site in Fenton and the St. Louis riverfront, developers are looking to take advantage of the improving economy.

Constructing a warehouse on spec — that is, with no tenant lined up — shows confidence in the market, experts said.

TriStar Properties plans to construct such a building at Gateway Commerce. Michael Towerman, president of Earth City-based TriStar, said the absence of available space there justifies spec construction.

Towerman's company hopes to complete financing and break ground this spring on a 540,000-square-foot modern bulk warehouse — the category of industrial space with high ceil-

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ivers, said in a statement the acquisition of TEC Plus and the addition of Lundgren boosts the firm's work with university, medical, governmental and institutional clients. (Jan. 7)

REAL ESTATE • FROM B1

KP Development has big plans for former Chrysler site along Interstate 44 in Fenton

COMMERCIAL REAL ESTATE NOTES

Block Hawley Commercial Real Estate represented parties in these transactions:

- FINJAO I LLC in the sale of 28,470 square feet of industrial space at 2450 Adie Road, Maryland Heights, to Cirrus Investments LLC, represented by Gateway Commercial.
- Radio One Inc. in the lease of 7,315 square feet of office space at 9666 Olive Boulevard, Olivette, from 9666 Partners LLC, represented by CB Richard Ellis.

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ings, widely spaced columns and plentiful loading docks sought by national distribution firms.

TriStar's building, which could be expanded to 1 million square feet, would add to the 10 million square feet of distribution centers at Gateway Commerce, which includes Unilever, Procter & Gamble and Hershey as tenants.

Only about 200,000 square feet of space remains available at the 2,300-acre industrial park, said Towerman, adding that talks with property brokers and potential tenants show more construction is needed.

"It's also related to competitive lease rates, where they are sufficient to justify the cost of new construction," he said.

Bulk warehouses total about 30 million square feet of space within St. Louis' approximately 230 million-square-foot industrial real estate market. Towerman said the growing popularity of e-commerce increases the need for bulk space.

As people buy more things online, retailers add distribution centers to fill orders quickly. For example, Amazon is salting the country with mammoth "fulfillment centers" to provide customers same-day delivery. (Real estate brokers say a second spec warehouse might be in the works at Gateway Commerce but added they were unaware that Amazon was considering a facility in the St. Louis area.)

HEALTHY VACANCY RATE

Regardless, all signs point to a

more robust industrial real estate market in the region.

Since hitting bottom in 2010, the area's industrial market has had six consecutive quarters of growth, said Matthew Eastin, an associate at Cassidy Turley, in Clayton. Nearly 14 percent of the area's industrial space was empty at the end of 2010. Three years later, the vacancy rate was 8 percent.

"It's a great growth rate," Eastin said. "Eight percent is a healthy vacancy number."

That rate might tick down an additional half percentage point this year, said Eastin, adding that absorption of bulk modern space is providing much of the improvement. He predicted that more spec warehouse construction will take place this year.

"In my opinion, we're beyond ready to see spec construction," he said. "Now is the time to get going."

Forty miles southwest of Gateway Commerce, along Interstate 44 in Fenton, KP Development has big plans for the site where Chrysler used to build cars and trucks.

KP Development of Clayton has an option to buy the nearly 300-acre site the company calls the Fenton Logistics Park. Scott Haley, KP's senior vice president, said the site is suitable for light manufacturing, distribution centers and even office space.

"We've had a lot of strong conversations with many types of users for that facility," he said.

KP's president, Terry Barnes, said the company hopes to buy

the site this year and have the Fenton Logistics Park "up and running" in 2015.

"What we're seeing here in St. Louis and in other parts of the country is some pent-up demand from industrial-type tenants that were holding off but are now looking to expand or grow," he said.

Before KP can put in new streets, other infrastructure and construct new buildings, it must first remove floor slabs from the demolished factory buildings Chrysler closed in 2009.

URBAN STRATEGIES

Industrial developers face different challenges in the city, where open ground is scarce and old buildings often require expensive retrofitting or replacement.

In 2009, Green Street Properties of Clayton renovated a 1920s streetcar garage for a truck tire company expanding from Evansville, Ind., and Godecke Co., a construction services firm that moved to the site near Interstate 70 and North Broadway from midtown St. Louis.

In December, a Love's Travel Stops store opened at I-70 and North Broadway as part of Green Street's years-long effort to redevelop the area. Phil Hulse, Green Street's managing principal, said the all-night truck stop is key to attracting more warehouse operators to the area.

Construction will begin soon on three build-to-suit structures near Love's, Hulse said.

One will replace a vacant trash-transfer facility within the area Green Street is reviving with the help of various tax incentives.

"When we get done, we'll have created about 300 to 350 new jobs" he said.

Another Green Street project is at the former Carondelet Coke site at the city's southern tip. The 54-acre tract, renamed River City Business Park, will get at least one new building this year, Hulse said.

Construction of that 120,000-square-foot multi-tenant building will get under way in mid-year, he said. He added that work on a 200,000-square-foot building at the site also could begin this year. Green Street hopes to develop as much as 700,000 square feet of new space at the site.

Gateway Commercial's Reilly says the Metro East, St. Charles County and St. Louis County will be the area's top submarkets this year. Elsewhere in the area, north St. Louis County, including Earth City, will be among the region's stronger growth areas, experts said. They added that all parts of the region will benefit from the improved economy.

Reilly said that in just the past few weeks, lease deals were reached for 1.2 million square feet of industrial space.

"It's been a long slog through the recession years," he said. "But now deals are getting done. We're hearing it. We're seeing it. It's decidedly a forward market."