



Chesterfield provides boost to St. Louis office market

Commercial growth shows no sign of slowing

Mark Thomson, Staff Writer

In 1967 Louis Sachs looked at a large parcel of land in West St. Louis County, Mo., and caught a glimpse of the future. At the time, the Chesterfield area was considered the hinterlands of the St. Louis area. It was farmland that stretched on for miles with no significant development.

Today, that has changed.

The City of Chesterfield, Mo., is now a bustling beacon of residential stability and commercial prosperity in the St. Louis region. The city, incorporated in 1988, is the State's only AAA bonded community. Growth in the last 10 years has been so substantial that it has allowed the city to disband its 1993 TIF district 10 years ahead of schedule.

A number of developers are active in the Chesterfield market today, but the city's story begins with one man's willingness 41 years ago to roll the dice on a piece of property that at the time was in real estate no-man's land.

"When I came out here it was all open tracks of land, and maybe 150 people lived in the Chesterfield area," says Sachs, chairman of Chesterfield-based Sachs Properties Inc. It is estimated today that more than 25,000 people either live or work on land he has developed.

When Sachs originally purchased the land, he envisioned a planned community with residential, retail and commercial components. Chesterfield Village was born, and today it is the only planned community of its kind in the



This rendering of Sachs Properties' downtown Chesterfield shows the potential of this growing city.

St. Louis area. The \$3 billion development is not yet complete, but the plans that have been in place for decades are still relevant today.

"He wanted to control his own destiny," says Kathy Higgins, president of Sachs Properties, Inc. when talking of Louis Sachs. "When he came out here, it allowed him the opportunity to do everything."

Sachs's vision and hard work has paid off for himself and now others. Multiple developers have followed the population growth and are also catering to the Chesterfield area.

Chesterfield has become the dominant office market in West St. Louis County, accounting for 7.5 million square feet of the submarket's roughly 19 million, says Christopher Fox, managing director of Gateway Commercial | Cushman & Wakefield Alliance.

Centered along the I-64/Highway 40 corridor, Chesterfield has actually become a central location for the region's suburban development.

"Sachs was a visionary establishing his concept when he did," says Fox. "The West

County area has seen the most population growth. Now, Chesterfield has a central location in terms of population growth."

Sachs Properties is still a big part of that growth. Chesterfield Village has accounted for thousands of residential units and a substantial portion of the commercial activity. It owns and operates 31 buildings in the Chesterfield area. There is still more to be done, though: Technically, 350 acres of undeveloped land remain from the 1,500-acre original purchase.

The firm has recently finished its Central Park Square Office 1, a 100,600-square-foot Class A office facility in the Downtown Chesterfield portion of Chesterfield Village. The building is 84 percent leased with Abengoa Bioenergy Corp., the second largest producer of ethanol in the world, and AEP MEMCO LLC, the nation's second largest dry cargo barge operator, each leasing significant portions.

Sachs says that it is the first time he has had a property that was 80 percent leased before construction began.

The success of Central Park Square Office 1 has allowed Sachs to go forward with a second, larger building that will cap off the Downtown Chesterfield development. The next phase will also consist of four retail facilities totaling 26,000 square feet and two lakes.

"We are tweaking plans on Central Park II right now, but it will be between 130,000 and 150,000 square feet," says Higgins. "We hope to start construction on the facility early summer of next year."

Higgins says that two existing tenants in Chesterfield have already expressed interest in two floors of the Central Park II development.

Pent-up demand in the Chesterfield area has attracted other office developers.

Opus Northwest has recently announced a \$75 million speculative office development in Chesterfield. The project will consist of two 175,000-square-foot buildings, says Scott Bazoian, senior vice president and principal for Colliers Turley Martin Tucker.

"They are trying to get the project zoned right now," says Bazoian, whose firm has been retained as the marketing arm of the project. "We would like to have some pre-leasing. Later this summer Opus will determine if they will build on spec or wait for pre-leasing."

Bazoian says that Opus will not likely deliver the project until 2010, allowing time for demand to build. He does not think that will be much of a problem, given the premier location and Chesterfield's current office climate.

"There are only a few sites with interstate visibility left in Chesterfield," says Bazoian. "Opus has one of the last good sites in the most popular submarket."

Bazoian says that Chesterfield has accounted for 80 percent of total absorption in the West St. Louis County submarket within the last 10 years. Vacancy rates were at 6.3 percent for the first quarter of 2008.

Gateway Commercial's Fox says that Chesterfield has not experienced a great deal of commercial development in the last 10 years and, therefore, is poised for an expansion.

"I think that there is room for new office properties," says Fox. "That market has not been overbuilt, which has allowed rental rates to grow the past 10 years. Developers are looking to capture that upward pressure on rents."

Large corporate users in Chesterfield have also been expanding current campuses and investing in large-scale projects.

Pharmaceutical giant Pfizer Inc. is in the midst of a substantial expansion to its research and development facility in Chesterfield.

Libbey Malberg, assistant city administrator

for community services and economic development, said that Pfizer is building \$300 million in new facilities in Chesterfield. The company started construction in 2007 on two separate buildings, she said.

Malberg says that the last 10 years have been prosperous ones for the city. Chesterfield now boasts a population of 48,000 and no longer relies on a TIF district to spur development. But while it is becoming more of a commercial office hotbed, it still resonates with locals on another level.

"People tend to think of Chesterfield as a retail destination, but there are other elements here," says Malberg.

While its office market is strong in the West St. Louis County area, it was a retail explosion in the late 1990s that gave Chesterfield a regional identity in the St. Louis marketplace.

The Chesterfield Mall has been a staple of the area since 1976, but it was in 1993 that fortunes changed the area and its reputation as a retail destination would be solidified.

The Great Flood of 1993 inundated the Chesterfield Valley, which lies along the banks of the Missouri River. Chesterfield Village and the office developments along I-64 sit considerably higher than the Valley area, but as I-64 continues west, the grade descends and brushes up against the Missouri.

When the floodwaters receded, the City of Chesterfield established a TIF district for the Valley to help spur commercial development in the devastated area.

Michael Staenberg, president of THF Realty in St. Louis saw an opportunity and took the initial steps that would eventually transform the Valley into a retail giant.

I-64 in the Valley did not have any interchanges in 1993. Staenberg knew that major retailers would not be interested in the site unless there was highway access.

"I mentioned the idea of doing an interchange," says Staenberg. "The city said if I wanted one, I had to build it."

Staenberg did just that, allocating \$12 million for an interchange from funds that he had raised with the Levy District. The funds also allowed for \$9 million in levy improvement, which would safeguard the area from future flooding.

"We are not in the floodplain anymore," says Staenberg. "We buy regular insurance just like everyone else."

Once road and levy improvements were completed, THF began construction on a retail strip-center. The project was of modest size in the beginning, but as more power anchors were

attracted to the project, it grew into something much bigger.

"Originally we bought 150 acres and planned on 800,000 square feet of retail," says Staenberg. "That has now snowballed into 2.5 million square feet."

The project began construction in 1998 and partially opened in 1999.

Today, the development known as Chesterfield Commons accounts for \$500 million in annual sales, and is considered the largest strip-mall center in America. It includes major anchors such as Wal-Mart, Target, Best Buy, Circuit City, Lowe's and others. THF still has 10 acres of vacant land and plans to add another 100,000 square feet of retail.

"It has become the dominant retail location in West County," says Staenberg. "When we began there were less than 1,000 jobs in the Valley. Now there are 10,000 jobs there."

Other development firms have moved into the Valley as commercial activity has increased. NAI Desco is currently developing and leasing its Spirit Valley Business Park project. The 52-acre development is west of Chesterfield Commons and is zoned for office and industrial facilities.

Just as everything began with Sachs it seems like it will end with Sachs as well.

The City of Chesterfield's Malberg says that there are only a few high-profile office sites left along I-64 in the heart of Chesterfield. The majority of development left in the community will take place on land that Sachs owns.

Sachs's Higgins says that the firm will probably add another 1.9 million square feet of commercial space and 1,000 residential units in the next 10 years.

Sachs is not sure if he will be able to see the culmination of the planned village he began more than 40 years ago, but he is very content to know that out of the entire metropolitan St. Louis market, his is the only planned community. Now, he takes time to concentrate on the expansion of parkland in Chesterfield as he plans to donate 100 acres to the city and create a large park complete with outdoor sculptures.

"I just hope I can look down from Heaven someday and say 'Hey, that's not bad,'" he said.