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FOR MUTUAL BENEFIT

UNITING DETAILS WITH DESIGN
FRONTENAC GROVE FINDS GOOD MIX

FINANCING TRENDS
THE ECONOMIC CLIMATE IS CHANGING

DIVERSIFIED FOR GROWTH

**BUILDING ON ITS PAST, BALKE BROWN IS FINDING SUCCESS
IN PURSUING OPPORTUNITIES OTHERS OVERLOOK**

READ BY SAVVY CEOS ABOUT TO LEASE 94 MILLION SQUARE FEET OF OFFICE SPACE

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VISION TO SEE THE OPPORTUNITY

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On the Cover: Jim Tainter, principal; CEO Steve Brown; Mike Donovan, principal; and Don Land, principal.

1.1 Don Land, principal; Jim Tainter, principal; Gary Balke, founder; CEO Steve Brown; and Mike Donovan, principal.

The list of homegrown commercial developers that have come and gone in the past three decades is long and distinguished: **Turco, Linclay, Baur, Paragon, Forsyth Group, Bakewell Corp.** and the **Siteman Organization** to name just a few. Yet, despite the economic downturns and out-of-town buyouts that have characterized the 1980s, 1990s and 2000s, one local firm has endured since 1979 as a privately held success story in the commercial real estate development and management business: **Balke Brown Associates.**

"We are probably the longest standing, local development firm in St. Louis," claims CEO Steve Brown. "No other firm has developed such a variety of projects in the variety of locations throughout the St. Louis SMSA as Balke Brown." Founded in 1979 by Gary Balke, Balke Brown has developed more than 6.3 million square feet of office, industrial, residential and hospitality space, valued at more than \$500 million. In addition, the firm's Management Services group provides full-service property management services on more than 4.5 million square feet with an estimated value of more than \$380 million. Among the firm's better known developments are the **Union Station** office center, the Highlands at Forest Park, St. Louis Commerce Center, Pointe 400 luxury apartments (the former **Pet Inc.** headquarters), Fairview Heights Executive Park and Fountain Lakes industrial center in St. Charles.

"If you look at a map of the bistate region, from O'Fallon, Missouri, to O'Fallon, Illinois, and from Arnold to Hazelwood, you'd find dozens of places where we've developed quality projects," says Brown. "We pride ourselves on having the vision to see opportunities in places that others overlook."

FINDING GAPS

That vision lies at the heart of Balke Brown's success. It has led the company to diversify its development strategies, expand its services and hunt for what it perceives as gaps in the market. "What we are really good at is finding gaps; places where there are barriers to overcome, but which allow us to offer significant and unique value," says Brown. An example is Balke Brown's success in urban industrial real estate developments. Earlier this decade, Brown and Don Land, one of the firm's three other principals, recognized that there was a large group of industrial companies in the City of St. Louis but hardly any Class A industrial space. "The name of the game is to have modern logistics centers close to your manufacturing plants so you can cut down on transportation costs," explains Brown. Land identified a 20-acre site that the City of St. Louis was hoping to redevelop in the industrial area at 20th Street and Dr. Martin Luther King Drive. Balke Brown created the 487,000-square-foot St. Louis Commerce Center on that site. "It has been fully leased at pro-forma rates since day one," notes Land. Today, as much as 40 percent of the firm's development business is in the city.

THE HIGHLANDS

Balke Brown's most visible project, The Highlands, represents another risk the firm took with a niche property. The partners looked at the site of the old St. Louis Arena and saw something others did not. They originally envisioned development of a large-scale office park there but have since adjusted the plans to include upscale loft apartments, a hotel and a restaurant mixed in with its 300,000 square feet of distinctive office space. "The Highlands required real vision," says Land. "We spent a lot of time asking what could work here and what would make it work." Less than three years later, the Lofts at the Highlands is 78 percent leased, and two additional office buildings will open next year.

TRANSITION TO BECOMING A FULL-SERVICE COMPANY

Balke Brown has persevered as well because of its diversification into asset management, brokerage and acquisition services. "We've grown into a full-service real estate organization," says Jim Tainter, the principal in charge of management and leasing. "We've diversified the business to make it more recession proof."

Even though Balke Brown is known primarily as a ground-up developer, Tainter expects the management portfolio to include 65 percent to 80 percent third-party properties. "We actually do more management of others' buildings than we do for the ones we've developed," he says.

Mike Donovan, the fourth principal, recently came on board to head up the acquisitions group. Donovan spearheaded the firm's first acquisition of a Chesterfield office building, and he expects more to follow. His relationships with national institutional investors have opened up opportunities for the firm to propose additional services to them as well. "We're bringing opportunities to the forefront and utilizing our platform of services to add value as we go," Donovan says.

"I truly believe having a strong asset-management division makes us a better developer," says Brown. "And, I think having a development division makes us a better acquisition company."

SOARING COMPLEXITY

Balke Brown's success has created new challenges, as its projects continue to become larger and more complex. Today's average project is \$20 million and many range from \$30 million to \$40 million and higher. "At that scale, the complexity of these projects has ramped up five times or more," Brown adds.

One of the most complex projects for Balke Brown is Pointe 400, a \$40 million-plus redevelopment

that converted the former Pet Inc. headquarters downtown into luxury apartments. "The deal involved TIF, remediation and historic tax credits, and a HUD loan," explains Land. "It's also an unproven market, so it's definitely one of the scarier deals we've done. But that's also what makes it fun." That word "fun," in fact, permeates the culture at Balke Brown. "Our niche approach in looking for gaps in the market means we don't do cookie-cutter projects, which is creative and fun," says Land.

"We thrive on the creative process and feed off one another," adds Brown. "We're always giving each other ideas. That crossing over business lines is a real strength of ours."

A FROTHY MARKET

The four partners, who completed the buyout of Gary Balke earlier this year, continue to see good times ahead for their business and the St. Louis market. They jokingly refer to investors' current interests in real estate as "frothy." "People are chasing real estate," says Donovan. "There's definitely money out there for the right deal." And more of those investors are actively looking to work with Balke Brown. "The most important thing we have is our reputation," notes Brown. "We've never defaulted on any loan. We carry through on what we propose. We don't just talk about buildings, we build them. That enables us to attract the capital we need."

Balke Brown currently has three buildings — 1 million square feet — under construction and several deals nearly ready to start construction. In the next few years, Brown predicts that future projects likely will become larger and more complex. "I can't tell you exactly what we'll be working on three years from now," he says. "All I know is that we'll still be finding and filling gaps." Brown also dreams of expanding the firm beyond St. Louis to one or two other markets.

"We're focused on the here and now," Brown notes. "We do look out conceptually three to five years, but we don't have a master plan. We prefer to remain flexible so we can continue to react as markets change." □