

Southwestern Illinois office market experiencing steady growth

By KERRY L. SMITH

Office real estate specialists working both sides of the Mississippi River know well that Southwestern Illinois' and St. Louis' markets boast distinctly different opportunities and clients.

CBRE senior associate Ted Green says size is one distinguishing factor: the west side continues to attract larger office tenants.

"On the Missouri side of the St. Louis market in 2007, there were more than 25 office leases signed of more than 20,000 square feet each, although many of those were between 20,000 and 30,000 square feet," said Green. "In Illinois, where companies tend to set up smaller satellite offices, there are few deals larger than

15,000 square feet."

Don Land, a principal at Balke Brown Associates, agrees. Balke Brown, like CBRE, is actively engaged in leasing office space across both Southwestern Illinois and St. Louis and St. Charles counties.

"The sheer size of the office market on the Missouri side differentiates it from Southwestern Illinois' office market," Land said. "But both of the markets are experiencing steady growth."

Land reflected on the effects of Sept. 11, 2001 on both markets in terms of what it did to leasing in the months directly following that act of terrorism.

"In Missouri, the office market had

been really hot in the late 1990s to early 2001," he said. "Then the recession hit and Missouri's office market transitioned from being very good to overbuilt. Then 9-11 happened, lease rates went down and vacancy rates increased to average up in the teens."

Southwestern Illinois' office market truly wasn't affected by 9-11, Land said, because the amount of new office construction wasn't in existence on the east side that existed in the St. Louis market.

Speculative office construction is another characteristic that experts often name when differentiating the two real estate markets.

"Now Missouri's office market is very tight," Land said. "There hasn't been a lot of spec construction in the St. Louis area for several years, and from 2001 through 2005 there wasn't any. The only we saw was build-to-suit such as Express Scripts' corporate headquarters and City Mortgage's building, for specific users with specific requirements who needed to consolidate," he added. "But now there are a bunch of spec buildings under construction in and around St. Louis."

Land points to an improved St. Louis economy as the reason. "Companies here are growing again and adding to

their workforce, and demand for space is again outpacing office supply," he said. "Lakeview Crossing, the office building Duke is building in Westport, for example, is 100 percent leased even though it's not yet complete. And BJC just leased half of the Meridian in Brentwood...the steel is just going up on that one."

Green Mount Corporate Center in O'Fallon, Ill., a brand-new, Class A office park with 40,000 square feet available, is located four minutes from Scott Air Force Base. Land and Green say it's an example of the type of space Southwestern Illinois has to offer St. Louis companies seeking to expand eastward across the river.

At last count, according to Green, there were 13 new office buildings planned on the west side of the river totaling 740,275 square feet and seven on the Illinois side totaling 177,400 square feet.

"Nearly all those have some sort of pre-leasing component that needs to be in place before construction can start," said Green. "Sometimes as much as half the building can be pre-leased before construction begins."

Green Mount Corporate Center, which Balke Brown Associates is leasing, is 20 percent pre-leased by SRA International Inc. The building will be available in June.