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St. Louis office developers add more amenities in effort to attract tenants post-Covid

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A 45,000-square-foot open-air garden terrace. A 10,000-square-foot fitness center. A ground floor arts and entertainment venue.

Those are amenities that local developer U.S. Capital Development thinks will draw tenants to Clayton's Forsyth Pointe in what is a tight suburban office market. With new pressure from Covid-19 to make buildings safer, office developers and owners are fashioning more luxury features to attract tenants in an effort to beat the competition.

"The old model was you'd do a suburban office building and it would be about how much free surface parking can you get and how close to the highway it was. The new model is, how do we differentiate ourselves from the other 50 buildings on Highway 40?" said **David Kelpe**, managing director of **Cushman & Wakefield** in St. Louis.

"It's really important for the recruitment of younger employees," he added.

St. Louis has had a robust suburban office market for years, since the downtown central business district shriveled in the 1980s when developers lured companies west. But now more than ever, developers and owners are facing more pressure to double-down on amenities due to Covid-19's impact on social distancing, safety and competition from other suburban office developments.

According to a report from Cushman & Wakefield, suburban submarkets across the U.S. increased from 63.6% occupancy in 2005 to 68.4% in 2020. In 2019, 69% of Class A net absorption occurred in the suburbs, up from the 10-year average of 60%.

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- **DAVID KELPE**
MANAGING DIRECTOR OF CUSHMAN & WAKEFIELD

From the St. Louis Business Journal:



Steph Kukuljan
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In addition, uncertainty surrounds the office market due to Covid-19 and many are debating whether tenants will even be leasing the same amount of space or any space at all after the pandemic. A [CoreNet Global survey](#) found that 38% of respondents said it will be a year or more before their companies will have employees in the office at the same levels as before the pandemic. Another survey by Alexandria, Virginia-based Brightline Strategies found that 51% of real estate decision-makers said they are likely to reassess their space needs based on business impacts from the coronavirus. Sixty percent would reduce their footprints in their next lease, the survey found.

Locally, the developers behind two luxury projects that were in development prior to the pandemic are confident they are creating desired amenities that will mitigate Covid's impact.

General contractor McCarthy Building Cos. started construction on the U.S. Capital Development's Forsyth Pointe, a nearly 1 million-square-foot project with two Class A office towers and ground-level retail at 8049 Forsyth Blvd in Clayton. The 10-story, 265,000-square-foot east tower will occupy the corner of Forsyth Boulevard and Meramec Avenue, and the eight-story, 210,000-square-foot west tower will take up the corner of Brentwood and Forsyth.

The project, whose investment cost was not disclosed, is expected to wrap up in summer of 2022 and feature Barry-Wehmiller Group as a [tenant](#).

And about 8 miles west, [Seneca Commercial Real Estate's](#) \$38 million, four-story office project called Edge@West is expected to wrap in December with insurance company FM Global as a tenant. The 110,000-square-foot building, at 12645 Olive Blvd., will feature outdoor amenities such as a putting green, basketball court and outdoor living room-style seating; common areas with fireplaces, roll-up glass garage doors connecting to the outdoors to enhance after-work activities and special events; micro-mart and staffed coffee bar in the lobby; and a state-of-the-art fitness center.

Larson Capital Management, which owns two other nearby buildings, has the Edge@West building under contract for an undisclosed price from Seneca, led by President and [CEO Larry Chapman](#). Larson will manage the property once the deal closes.

"The big challenge now is finding good employees," Chapman said of the business climate. By developing buildings that are big on amenities, "it helps my employers get the best people," he said.

Chapman sought to create an amenity-rich development in a location that is convenient to get to and near other restaurants, retail and services. Covid-19's impact on the office, like touchless amenities, are easily adaptable, he said, though they can be pricy for older buildings.

With Forsyth Pointe, U.S. Capital already has a benefit of a walkable environment in Clayton, Kelpé said.

A lease rate for either development was not disclosed, but the average Class A office rates for suburban St. Louis is \$24.46 per square foot. In Creve Coeur, Class A rates are averaging \$27.74 per square foot and \$32.13 per square foot in Clayton, according to the latest research from CBRE.

"To retain tenants, they're going to have to invest, even if it hurts, to make their building competitive," Kelpé said. That's beginning to happen in St. Louis, with upgrades occurring at Maryville Center and BurkHill Real Estate [investing in renovations for its Chesterfield office portfolio](#), he said.

Forsyth Pointe

Location: 8045 Forsyth Blvd., Clayton
Developer: U.S. Capital Development
Leasing agent: [David Steinbach](#) of JLL
General contractor: McCarthy Building Cos.
Architects: Christner Architects; Cedergreen LLC (design)
Other companies: Alper Audi (structural engineering); Stock & Associates (civil engineering); G&W Engineering (mechanical, electrical and plumbing engineering); and Randy Burkett Lighting Design (lighting design).
Delivery: Summer 2022
Edge@West
Location: 12645 Olive Blvd.
Developer: Seneca Commercial Real Estate
Lead financing: Enterprise Bank and Trust; Peoples National Bank; and Stonehill (PACE funding)
Leasing agent: [Tom Ray](#) of CBRE
General contractor: Clayco Architect; Lamar Johnson Collaborative
Other companies: Stock & Associates Civil Engineers, and Alper Audi Structural Engineers
Delivery: 4Q 2020