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ARTICLE: by Brian Brown

# Developer hones in on Hampton Inn plan

## A land acquisition at Highway 65 and Battlefield Road highlights the Springfield area's fourth-quarter commercial real estate activity

Perhaps the fourth time is the charm for hotel developer Earl Steinert.

Steinert's December purchase of a 3.65-acre vacant lot at U.S. Highway 65 and Battlefield Road highlights the Springfield area's commercial real estate activity - and it might just be the move the developer needs to push ahead on long-standing plans to build another Hampton Inn.

Steinert said he plans to build a five-story, 106-room hotel - a development plan familiar to Springfield City Council members who have shot down two earlier attempts. A third efford was thwarted when a hotel brand noncompete clause was discovered.

"You've probably seen (Steinert) in and out of the press the last nine months or so looking for sites, but ultimately, this ended up being the one he chose to build his new hotel on," said Ross Murray, vice president of R.B. Murray Co., which served as broker on the sale.

In August, City Council split its vote 4-4 on Steinert's proposal to increase the floor are ratio on roughly 2.5 acres across from Millwood Park subdivision, southeast of Highway 65 and Evans Road. Steinert said plans for a five-story, $6 million hotel on the site were not financially viable without the zoning changes. In November 2011, Steinert also failed to secure a change to the floor-area ratio in the 1900 block of East Republic Road for a 106-room hotel.

In both cases, council members who voted against the zoning modifications cited nearby residents' concerns about eh hotel towering over their neighborhoods.

Before that, Steinert said he had been looking to build south of James River Freeway and east of Campbell Avenue when he became aware of a noncompete clause that prevented him from building a Hampton Inn adjacent to the Holiday Inn Express & Suites at 310 E. Monastery Road. Hampton Hotels was originally a division of Holiday Inn. His latest plan is slated for 3370 E. Montclair St. on property purchased through EAS Investment Enterprises Inc. on Dec. 20 from Wholesale Lumber and Materials Co., according to Greene County assessor records. Murray and Steinert declined to disclose terms of the transaction.

Murray said the Montclair property is part of a planned development that allows for a hotel the size Steinert is seeking to build, so issues with zoning shouldn't prevent Steinert from moving forward.

This property is zoned and ready to go or I shouldn't have bought it," said Steinert, who has built two Hampton Inn properties in Springfield and noted the east-side planned development permits up to a 20-story hotel.

The year long construction projects should begin in March, he said.

Another property R.B. Murray sold in the fourth quarter was the former Lincoln Mercury dealership in the 1200 block of South Glenstone Avenue.

Murray said the group that purchased the building on 2.25 acres for an undisclosed amount does not currently have firm plans for the site, but it expects to redevelop the main building. According to Greene County assessor records, Diversity Commercial Investments LLC is the owner of the property, which was listed for sale at $2.4 million.

"It will be a light mixed-use redevelopment project at some point," Murray said, adding three buildings were included in the purchase and a new car lot is one possible use.

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**Industrial improvement**
While vacancies remained largely flat in the retail and office segments of the greater Springfield real estate market, a decline in industrial vacancies could spell opportunities during the next two years.

The Xceligent Market Trends report, released Jan. 15, covers the latest quarter's commercial real estate moves in Springfield, Strafford, Rogersville, Ozark, Nixa, Republic and Willard.

Joe Costello, owner of Springfield-based commercial real estate brokerage Joe Costello LLC, is a member of Xceligent's local industrial board, which monitors and reports real estate activity. He said a series of smaller industrial leases and purchases helped drop the local industrial vacancy rate to 6.8 percent from the fourth quarter, down from 7.8 percent a year ago, according to the Xceligent report.

He cited a lease of a 6,150-square-foot industrial property at 4227 W. Church St. to Brad and Chimene Baublitz, owners of Eagle Tire Disposal.

One notable fourth-quarter transaction, according to the Xceligent report, was the purchase of a 40,000 square foot facility at 1219 E. Division St. by South Valley Manufacturing, a metalworking company that leased the space for roughly two years.

Murray said the market for industrial buildings greater than 50,000 square feet has tightened, which could lead to opportunities for developers and lenders.

"During the next 18 to 24 months, I'd think you'll start to see some new construction," Murray said, citing a need in the market and historically low loan rates.

Costello disagreed, saying he doesn't think there is much of an appetite for industrial development.

"The issue is that the market is distorted because of what's happened in the recent past with the buildings that have been forclosed on by the banks and been sold at distressed prices," Costello said, pointing to an environment where potential buyers expect to find distressed deals that are no longer available. "The 7 percent vacancy rate is usually a good enough indicator in the market that people would be building; 7 percent is not a bad vacancy rate at all. The problem is, I don't think we could get the rents to justify it."

**Office and retail stagnant**
The Springfield-area fourth-quarter office vacancy rate was largely flat, increasing up to 10.5 percent, up from 10.3 percent in the same quarter of 2011. The office sector has 657,957 square feet available out of 6.2 million square feet in the area, according to Xceligent. Most of the roughly 67,000 square feet that was occupied during the quarter came from leases, according to the report. Only 2,900 square feet was purchased.

Lathrop & Gage LLPDs downtown lease with Jared Enterprises in the BKD LLP building was one of two moves in the office sector that resulted in positive movement in occupied space in 2012. The Nixa market's office vacancy rate improved to 24.6 percent - the highest in the report - from 30.4 percent in fourth-quarter 2011.

The areas retail rate also increased slightly to 5.2 percent in the fourth quarter from 5 percent in the same quarter of 2011.

A total of 871,803 square feet was vacant out of 16.8 million in total retail inventory. Ozark posted the lowest retail vacancy rate in the area at 2.5 percent, while Rogersville held the highest rate at 18.5 percent.