

MARKETBEAT

St. Louis Retail Q2 2019



ECONOMIC INDICATORS

National

	Q2 18	Q2 19*	12-Month Forecast
GDP Growth	2.9%	2.6%	▼
CPI Growth	2.7%	1.8%	▲
Consumer Spending Growth	4.7%	4.5%	▼
Retail Sales Growth	5.6%	3.3%	▼

Regional

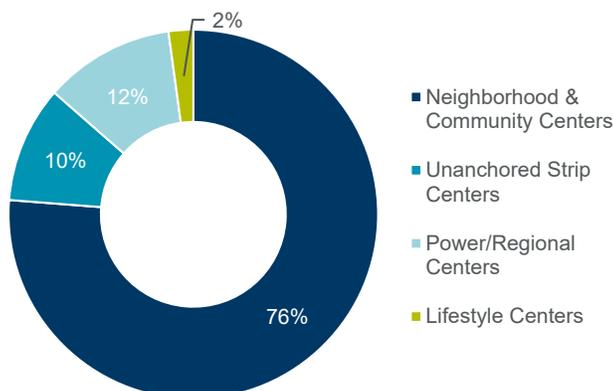
	Q2 18	Q2 19*	12-Month Forecast
Household Income	\$63,500	\$65,900	▲
Population Growth	0.0%	0.1%	■
Unemployment	3.4%	3.6%	▲

*2019 Q2 data are based on latest available data. Growth rates are year-over-year.
Source: BLS, BOC, Moody's Analytics.

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

St. Louis economic fundamentals continued to show signs of resilience as the market ended the second quarter of 2019 with an unemployment rate of 3.6%, marking the ninth consecutive quarter below 4.0%. Seasonally adjusted employment added 20,000 jobs year-over-year despite major local consolidations resulting from merger and acquisition activity. The Federal Open Market Committee (FOMC) suspended further rate hikes and indicated that cuts would be considered if national economic indicators falter, indicating the economy will remain on a steady course forward despite headwinds generated from the United States-China trade war.

Market Overview

The retail market in St. Louis ended the second quarter with average triple net asking rates at \$13.31 per square foot (psf), growing 4.5% over the past 12 months. Despite headwinds from recent store closures such as Payless Shoes and Save-A-Lot, occupier demand has remained steady as the quarter-end vacancy of 7.2% remained 130 basis points (bps) below the 10-year average. Despite closures and the up-tick in vacancy rates, over 130,000 sf of new retail was under construction as of quarter-end including a 120,000-square-foot (sf) Lifetime Athletic Club being built at 2001 South Lindbergh Boulevard. Once complete, the project will represent Lifetime's second location in Missouri.

Three Malls, Three Opportunities

Despite the so-called "Retail Apocalypse", St. Louis's vacancy has flatlined over the past three years to around 7.0%. Malls across America and within St. Louis are undergoing unique repurposing, which has played a major role in tempered vacancy expectation.

In 2012, the Northwest Plaza Mall was purchased for \$10 million and underwent a \$106-million investment to repurpose the mall into office and select retail space. The mall which was constructed in 1965 and enclosed in 1989, eventually failed to turn a profit and closed its doors in 2010. After a serious transformation, the mall has become an excellent example of the potential for adaptive reuse projects. Today, the building is a mixed-use facility that is home to major office occupiers such as Charter and American Family Mortgage and provides tenants with competitive rates and high parking ratios. Uniquely positioned near multiple major roadways, the Northwest Plaza Mall redevelopment provides tenants with far reaching access to skilled labor pools across the St. Louis Metro area. As malls undergo more reinvestment to attract non-traditional tenants, Northwest will serve as an example of a successful transformation.

The South County Mall is another mall in St. Louis adapting to new consumer shopping habits. After grappling with the loss of its anchor store, Sears, in 2018, the location is expecting Round1 to move into nearly 50,000 sf before year-end.

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St. Louis

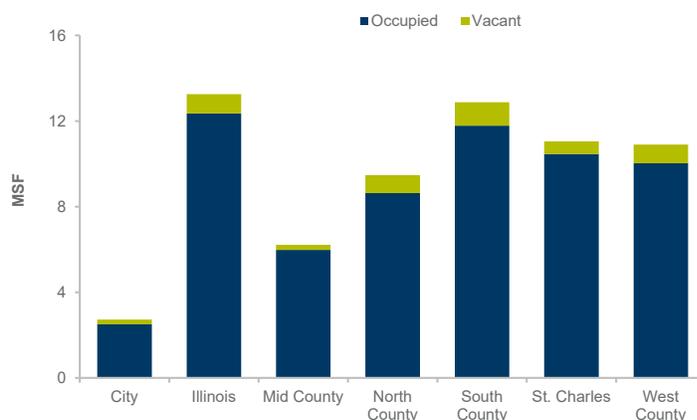
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Round1, a bowling and entertainment company, will be the first of its kind in Missouri. A concept started in Japan that has seen widespread success on the west coast, Round1 will feature bowling, karaoke, and much more. The tenant will bring an aspect of experience to the South County Mall unlike the typical brick-and-mortar retail development. By creating experience for the customer, the mall will attract consumers looking for activity that goes above and beyond the typical consumption of retail, a concept that is gaining momentum as a result of eCommerce's impact on modern retail.

Looking ahead, the former St. Louis Mills Mall in Hazelwood is expected to undergo a dramatic transformation over the next two years. The near-vacant mall space is undergoing an overhaul which will transform the property into a major sports facility named POWERplex. This facility will attract an expected 2.9 million users per year and will have an annual economic impact of \$250 million. Once completed, the complex will generate nearly 600 jobs for the surrounding area and is expected to help lift occupancy for local hotels. Encompassing 160 acres of land, POWERplex will feature venues for popular youth sports such as baseball and volleyball, a movie theatre, go-cart facility, and restaurants. The surrounding area will feature four, on-site hotels and a convention center. Current plans are for the mall to close operations on August 30th and construction for the new youth will begin shortly after. POWERplex is scheduled to finish its first phase by early 2020 with plans to have more of the facility completed by 2021.

Submarket Comparison



Outlook

- Big box retailers will continue to revamp real estate strategies to favor greater investment in digital strategy, distribution centers, and the technology necessary to facilitate same-day and next-day shipping
- Expect to see more retail transformations to meet changing consumer buying behaviors

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANCY RATE	OVERALL CURRENT NET ABSORPTION (SF)	OVERALL YTD NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (NNN)
City	66	2,722,932	8.1%	-7,540	-14,154	0	\$13.43
Illinois	426	13,254,716	6.8%	-183	-79,367	0	\$12.25
Mid County	179	6,216,632	3.8%	-73,665	-62,010	120,000	\$19.47
North County	291	9,473,806	8.8%	1,408	102,380	0	\$10.48
South County	394	12,876,788	8.5%	-9,403	-77,757	0	\$13.12
St. Charles	397	11,049,809	5.3%	51,303	100,623	12,000	\$14.31
West County	344	10,902,243	8.0%	-22,839	-71,537	0	\$15.53
ST. LOUIS TOTALS	2097	66,496,926	7.2%	-60,919	-101,822	132,000	\$13.31

	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANCY RATE	CURRENT OVERALL NET ABSORPTION (SF)	OVERALL YTD NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (NNN)
Neighborhood & Community Centers	1105	48,859,954	8.3%	-95,425	-165,329	132,000	\$12.57
Lifestyle Centers	23	1,064,112	8.0%	24,066	36,954	0	\$22.09
Power/Regional Center	280	13,182,012	4.1%	-68,228	-66,045	0	\$19.97
Unanchored Strip Center	689	8,390,848	5.7%	78,668	92,598	0	\$15.40

Tables are not reflective of U.S. MarketBeat
 Rental rates reflect NNN asking \$psf/year
 Source: Costar

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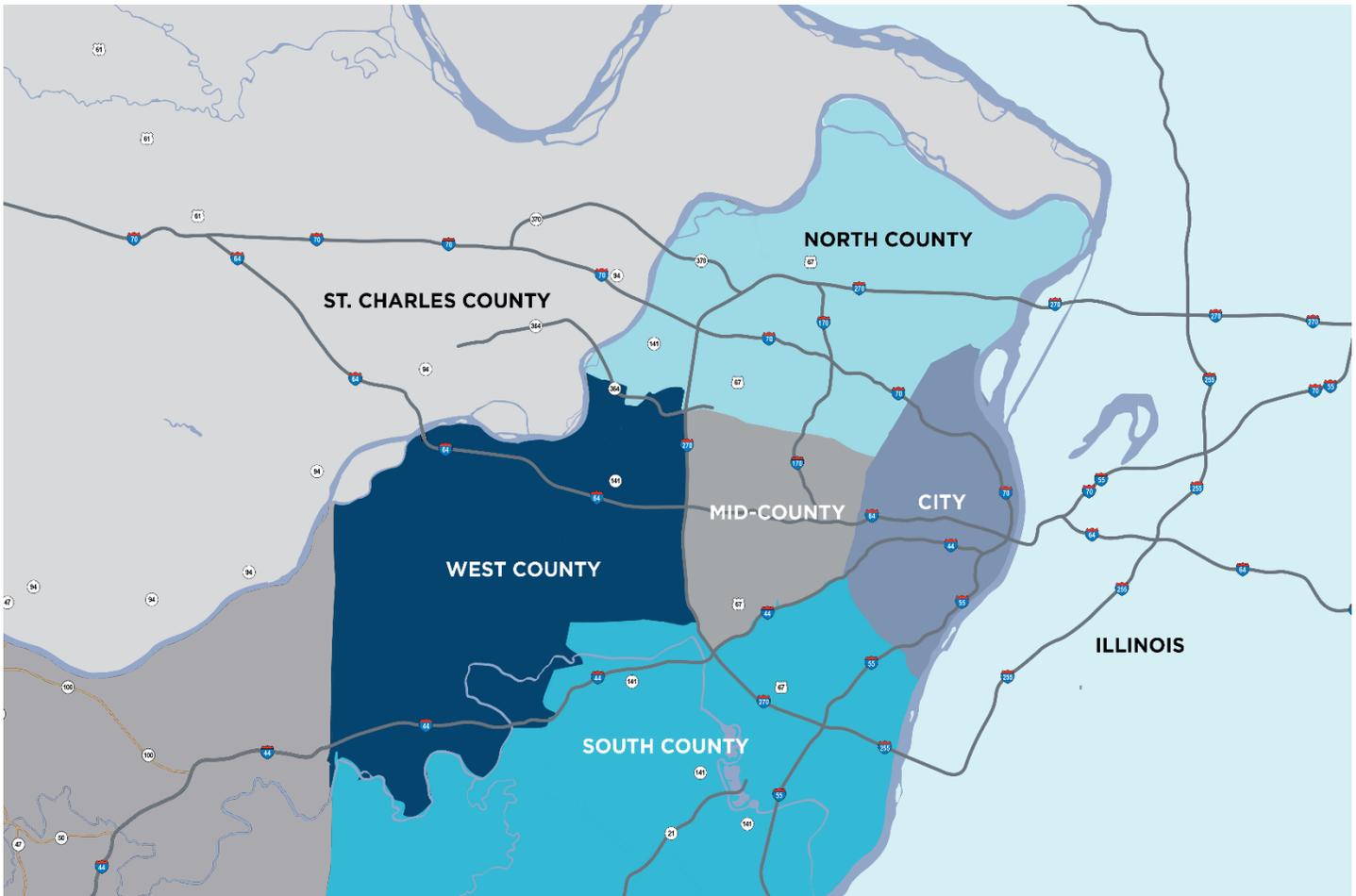
St. Louis

Retail Q2 2019



RETAIL SUBMARKETS

ST. LOUIS CITY / ST. LOUIS COUNTY / ST. CHARLES COUNTY / METRO EAST



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