

ST. LOUIS OFFICE

Economic Indicators

| | Q3 18 | Q3 19 | 12-Month Forecast |
|-------------------------|--------|--------|-------------------|
| St. Louis Employment* | 1,386k | 1,412k | ▲ |
| St. Louis Unemployment* | 3.3% | 3.3% | ▲ |
| U.S. Unemployment | 3.8% | 3.7% | ▲ |

*Q3 data above is quarterly averages based on July and August values.

Market Indicators (Overall, All Classes)

| | Q3 18 | Q3 19 | 12-Month Forecast |
|-------------------------|---------|---------|-------------------|
| Vacancy | 12.0% | 11.8% | ▼ |
| YTD Net Absorption (sf) | 155k | 917k | ▲ |
| Under Construction (sf) | 1.3M | 599k | ▲ |
| Average Asking Rent* | \$19.11 | \$21.21 | ▲ |

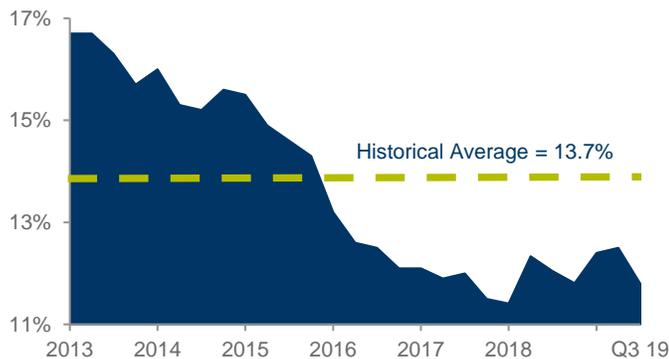
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The St. Louis labor market continued to exhibit resilience as the end of the third quarter for 2019 marked the 10th consecutive quarter unemployment remained below 4.0%. Since the end of the third quarter in 2014, unemployment has fallen by 260 basis points (bps) to 3.3% and is projected to remain under 4.0% through 2020. Nationally, unemployment ended the quarter at 3.7% and remains roughly 40 bps higher than St. Louis. Though at a relatively slower pace than last year, the U.S. economy experienced continued growth in the third quarter with Real Gross Product tallying a 2.1% increase. Additionally, the Federal Reserve's Open Market Committee voted to cut interest rates for the second time in 2019, lowering the rate by another 25 bps and citing growing concerns over a cloudier global outlook which could result in one more cut by year-end. The rate cuts are aimed at supporting fundamentals that underly the current expansion.

Market Overview

In the third quarter, St. Louis recorded nearly 960,000 square feet (sf) of positive net absorption on the heels of over 700,000 sf of new office deliveries. As a result of this activity, a decrease in vacancy of roughly 50 bps was observed, bringing the total office vacancy to 11.8%. Further, market-wide vacancy for the quarter remained well below the long-term average of 13.7%, marking the 15th consecutive quarter at such a level. Given the continued demand for quality space, overall asking rates in St. Louis reached a 10-year high, ending the quarter at \$21.21 per square foot (psf). Moving forward, further space improvements by landlords and new development can be expected to meet the recent occupier flight to quality and create the leverage necessary to push asking rates further.

West County

Class A asking rates in West County continued an upward trajectory in the third quarter as they reached \$26.44 per square foot (psf), marking a 60 bps increase from the prior quarter. Driving this increase was West County's market-leading levels of absorption which totaled approximately 175,000 sf in the third quarter. Helping lead this charge was Cushman & Wakefield's expansion onto the third floor at 575 Maryville Centre Drive totaling roughly 46,000 sf. Drury Development Corporation also added to the recent surge in absorption as the firm relocated from the roughly 22,000-sf space at 721 Emerson Road and expanded into over 85,000 sf within the Westmark building at 13075 Manchester Road. The Westmark building was acquired by Drury in 2018 from the previous owner, Scottrade, on the heels of the firm's acquisition by TD Ameritrade in 2017.

Clayton

Clayton recorded strong activity across the board in the third quarter on the heels of Centene's latest delivery which added over 600,000 sf of Class A inventory to the market. Absorption for the quarter, driven in part by this delivery, totaled roughly 560,000 sf. Given significant occupier demand resulting in a Class A vacancy rate of 4.1% at quarter-end, the expectation is that Clayton's vacancy levels will remain stable for the foreseeable future. Across from the Centene development at the northwest corner of Forsyth Boulevard and North Hanley Road, new ownership at Pierre Laclede Center I and II is looking to capitalize on what is quickly becoming Clayton's new Main & Main. Plans for the West-most building at 7733 Forsyth Boulevard include a newly revamped second-level space with a gym and lounge in addition to a ground-level outdoor amenity space. The goal of which is to capitalize on previously underused spaces, transforming the areas into a space tenants can enjoy before, during and after work. These types of upgrades are now a regular occurrence as tenants continue a flight to quality, a trend that has pushed Clayton's Class A asking rates to \$31.69, marking a 6.3% increase over the second quarter and the first-time rates have surpassed the \$30-mark across the entire St. Louis Metro since at least the early 2000s.

St. Louis City

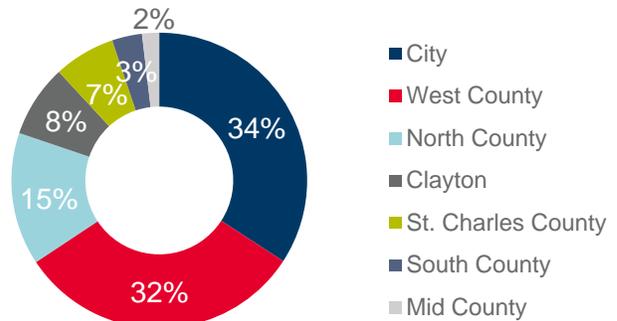
Strong momentum continues to drive successes throughout the City, which totaled positive net absorption of roughly 71,000 sf in the third quarter. At the same time, overall vacancy rates dropped by about 20 bps, falling to 18.5% at quarter-end. Large movements within the Cortex Innovation District drove much of this activity for the quarter as major commitments from Boeing (24,000 sf), AON (28,000) Confluence Discovery Technologies (20,000 sf) and BioSTL (40,000 sf) continue to support the emergence of the Cortex Innovation District as a premier office market in St. Louis. In addition, WeWork announced its first expansion into the St. Louis Metro, agreeing to a 60,000-sf lease in Downtown's Metropolitan Square building set to commence before year-end, further cementing the City's urban core as a potential target for major U.S. occupiers moving forward.

Outlook

- Vacancy rates should stabilize or fall with the expected lease-up of new inventory across St. Louis. As a result, asking rates should continue on an upward trajectory over the mid-term.
- Opportunity Zones, a new federal initiative that provides a tax advantage to investors who invest capital gains into historically disinvested areas, could have a major impact on capital markets activity. Of the top ten Opportunity Zones in Missouri, as defined by a December 2018 study by Smart Growth America, four large tracts of downtown St. Louis made the list.

Vacant Space by Submarket

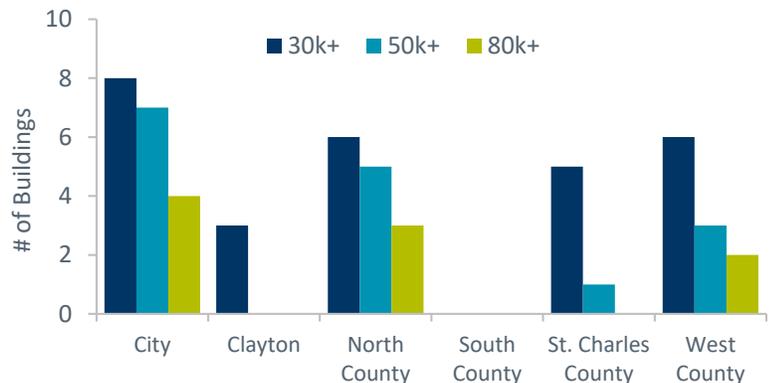
ST. LOUIS CITY AND WEST COUNTY CONTAIN ROUGHLY 65.7% OF THE VACANT SPACE IN THE METRO



% of Total Vacant Space Q3 2019

Class A Contiguous Space

RECENTLY ADDED BLOCKS OF CLASS A SPACE WILL HELP ALLEVIATE DEMAND DRIVEN BY TENANTS LOOKING FOR LARGE AVAILABILITIES



Submarket Comparison

SUBURBAN CLASS A OCCUPANCY CURRENTLY NEAR 91.6%



MARKETBEAT

St. Louis

Office Q3 2019



| SUBMARKET | INVENTORY (SF) | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION (SF) | YTD OVERALL NET ABSORPTION (SF) | YTD LEASING ACTIVITY (SF)** | UNDER CNSTR (SF) | OVERALL AVERAGE ASKING RENT (ALL CLASSES)* | OVERALL AVERAGE ASKING RENT (CLASS A)* |
|-------------------------|-------------------|--------------------|--------------------|----------------------|---|---------------------------------|-----------------------------|------------------|--|--|
| CBD (Downtown) | 9,809,011 | 147,561 | 1,797,363 | 19.8% | -41,456 | -94,345 | 572,999 | 120,000 | \$18.04 | \$19.36 |
| St. Louis City | 10,856,459 | 147,561 | 1,866,165 | 18.5% | 70,908 | 7,159 | 726,299 | 519,408 | \$18.09 | \$19.36 |
| Clayton | 7,350,997 | 1,171 | 465,900 | 6.4% | 560,351 | 528,566 | 253,668 | 0 | \$28.49 | \$31.69 |
| Mid-County | 2,147,678 | 0 | 110,346 | 5.1% | 27,253 | -11,828 | 69,384 | 0 | \$20.66 | \$27.85 |
| West County | 17,147,248 | 69,938 | 1,785,852 | 10.8% | 174,602 | 367,148 | 658,550 | 80,000 | \$22.96 | \$26.44 |
| North County | 5,803,009 | 0 | 855,144 | 14.7% | 16,842 | -135,365 | 176,484 | 0 | \$16.71 | \$19.97 |
| South County | 2,682,052 | 0 | 193,056 | 7.2% | 23,902 | 89,003 | 82,247 | 0 | \$22.69 | \$25.46 |
| St. Charles | 3,726,651 | 0 | 395,655 | 10.6% | 84,320 | 72,663 | 160,148 | 0 | \$19.15 | \$20.62 |
| ST. LOUIS TOTALS | 49,714,094 | 218,670 | 5,672,118 | 11.8% | 958,178 | 917,346 | 2,126,780 | 599,408 | \$21.21 | \$23.49 |

Table is not reflective of U.S. MarketBeat
 *Rental rates reflect gross asking \$psf/year
 **Does not include renewals

| | INVENTORY (SF) | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT NET ABSORPTION (SF) | YTD OVERALL NET ABSORPTION (SF) | YTD LEASING ACTIVITY (SF)** | UNDER CNSTR (SF) | DIRECT AVERAGE ASKING RENT* | OVERALL AVERAGE ASKING RENT* |
|---------|----------------|--------------------|--------------------|----------------------|-----------------------------|---------------------------------|-----------------------------|------------------|-----------------------------|------------------------------|
| Class A | 29,554,250 | 212,403 | 2,846,471 | 10.4% | 924,784 | 738,330 | 1,338,972 | 599,408 | \$23.72 | \$23.49 |
| Class B | 20,159,844 | 6,267 | 2,825,647 | 14.0% | 33,394 | 179,016 | 787,808 | 0 | \$18.40 | \$18.34 |

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Key Lease Transactions Q3 2019

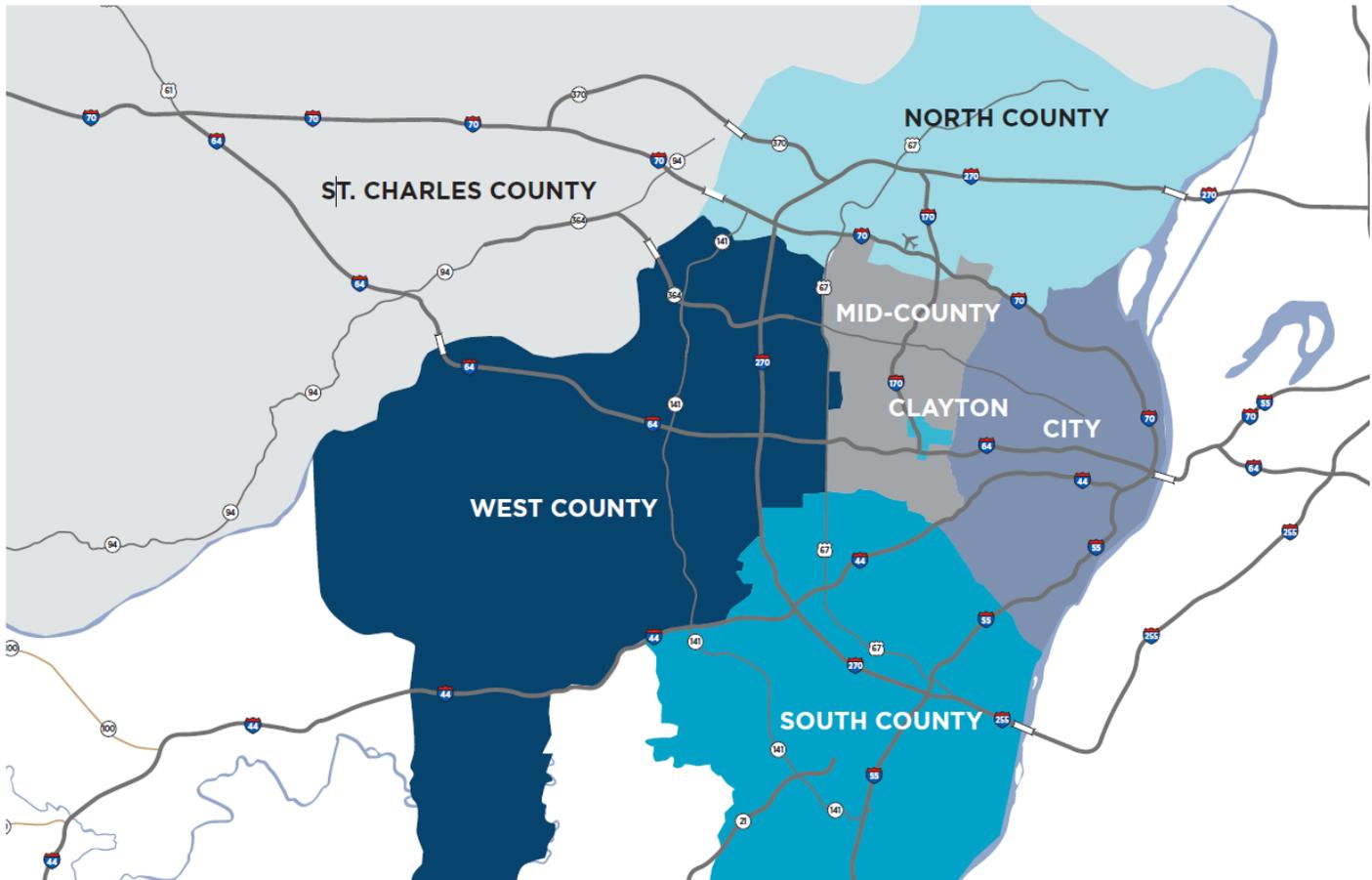
| PROPERTY | SF | TENANT | TRANSACTION TYPE | SUBMARKET |
|------------------------------|---------|--------------------------|------------------|------------------|
| 300 N. Tucker Blvd. | 225,000 | Square | New Lease | Downtown |
| 1000 Technology Dr. | 64,000 | Mastercard International | New Lease | St. Charles I-64 |
| 211 N. Broadway | 55,155 | WeWork | New Lease | Downtown |
| 1000 St. Louis Union Station | 40,000 | Build-A-Bear | New Lease | Downtown |

Key Sales Transactions Q3 2019

| PROPERTY | SF | SELLER/BUYER | SUBMARKET |
|----------------------------|---------|---|--------------|
| Sachs Properties Portfolio | 767,000 | Sachs Properties / Gershman Commercial & Burkhill Real Estate | Chesterfield |
| 1221 Locust St. | 120,000 | Rocko Bratic / Reimagine Hospitality | Downtown |
| 3301 S. Rider Trail | 120,000 | Sara Investment / Altus Properties | Earth City |

OFFICE SUBMARKETS

St. Louis City / St. Louis County / St. Charles County



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