

MARKETBEAT

ST. LOUIS



Office Q4 2019

	YoY Chg	12-Mo. Forecast
12.2% Vacancy Rate	▲	▼
955K* YTD Net Absorption, SF	▲	▲
\$20.62 Asking Rent, PSF	▲	▲

Gross, Class A and B Properties, asking rates weighted on available space

*YTD Absorption Not reflective of U.S. Tables

ECONOMIC INDICATORS Q4 2019

	YoY Chg	12-Mo. Forecast
1.4M St. Louis Employment	▲	▲
3.1% St. Louis Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	▼	▲

Source: BLS

ECONOMIC OVERVIEW: St. Louis Unemployment Rate Remains Well Below National Average

The United States ended the year on a high note as the economy entered the longest economic expansion in history. Despite headwinds from a slowdown in global growth and the continued trade dispute between the United States and China, indications are that the economy will remain on a growth trajectory. Paralleling this national momentum, St. Louis continues to track robust economic growth, adding 17,600 jobs to the local economy and maintaining an unemployment rate of 3.1%, the lowest in recorded history and 50 basis points (bps) lower than the current national average. Of local industry growth, office-using employment accounted for 22.2%, or 3,900 jobs, of the total jobs generated over the course of 2019. With continued economic growth expected, unemployment rates should remain below the 4.0%-mark for the foreseeable future.

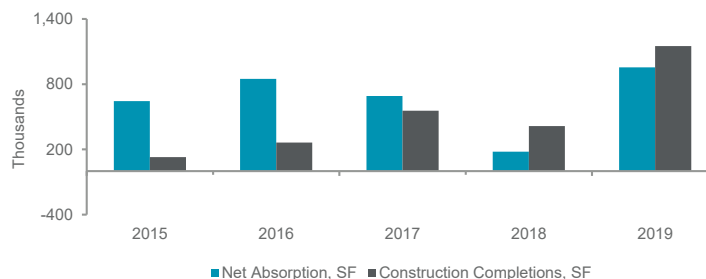
SUPPLY AND DEMAND: Highest Annual Deliveries of Last Decade Recorded in 2019

Demand for high-end space in St. Louis continues to drive development activity as the market experienced the highest level of annual completions of the decade with over 1.1 million square feet (msf) of new office space delivered. Leasing kept pace with new deliveries as the absorption for the year totaled roughly 955,000 square feet (sf). Of this activity, development was generally concentrated in submarkets with the strongest demand for class A space. Clayton, for example, recorded the delivery of Centene's 605,000-sf class A tower, which delivered fully leased. In Cortex, Washington University and Cortex teamed up on the \$44.0 million redevelopment of the former Post-Dispatch printing plant at 4240 Duncan otherwise known as the Crescent Building which delivered in the third quarter of 2019. The building landed a 37,000-sf commitment from anchor tenant BioSTL and is near 100.0% occupancy.

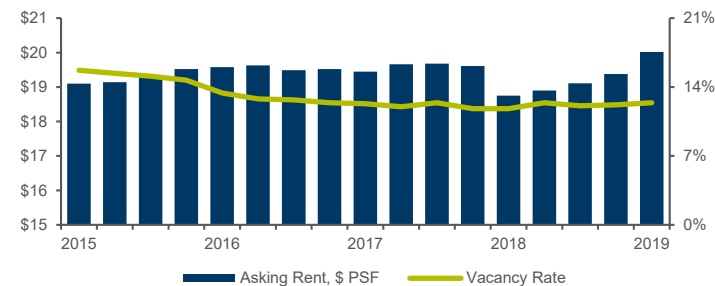
PRICING: Class A Asking Rates Continue to Push Higher

Asking rates continued their upward trajectory in 2019 with class A rents weighted on rentable building area (rba-weighted) reaching \$25.82 per square foot (psf), a 3.4% increase from year-end 2018. Most of this increase was attributable to Clayton, which once again proved why it remains the premier office market in St. Louis as demand for quality space pushed class A asking rates up 7.8% year-over-year to \$32.56 psf (rba-weighted). At the same time, Clayton tracked the delivery of the fully leased Centene Plaza Building C, which added over 600,000 sf to the market and became the largest delivery in St. Louis since the original Centene Plaza delivery in 2010. Despite this, an imbalance between occupier demand and the supply of quality space remains, and the expectation is that landlords will maintain leverage over asking rates and will look for opportunities to make improvements allowing older class A inventory to be more competitive with newly delivered spaces across the market.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



West County

West County showed resilience in 2019 as fourth quarter class A vacancy fell to 9.3%, down 160 bps from the first quarter of 2019. Improved leasing fundamentals came after TD Ameritrade’s well publicized consolidation following its acquisition of Scottrade, an indication the market remains well-positioned for further growth. For occupiers, West County continues to attract major corporate investment. In addition to Pfizer’s 280,000-sf Chesterfield campus delivered in the second quarter and Bunge’s announcement that it will move its headquarters (HQ) to St. Louis County in 2020, West County is expecting the delivery of Benson Hill Biosystems’ new HQ in Creve Coeur. These moves continue to position the region as a hub for both the plant science and bio-tech industries responsible for considerable economic growth throughout the current cycle.

Clayton

2019 was a banner year for Clayton as its office market led the way in both new deliveries (+605,000 sf) and net absorption (+553,000 sf). Significant demand remains for class A space as vacancy rates fell another 10 bps from last quarter to 4.0% at year-end. This activity has not been lost on US Capital Development, who late this year announced an expansion of their previously proposed Forsyth Pointe office project. The proposal, which had already landed Barry-Wehmiller Companies as a 50,000-sf anchor tenant, is expanding the original nine-story design to now include two towers of 14 and 16 stories, respectively. With tentative delivery not until late-2021, the focus remains on space available now. Currently, Clayton has eight blocks of contiguous space over 10,000 sf available, including two blocks of class A space greater than 30,000 sf. The two largest availabilities in Clayton are a 37,000-sf space at the Plaza in Clayton and a 32,000-sf space at the Merrill Lynch Center.

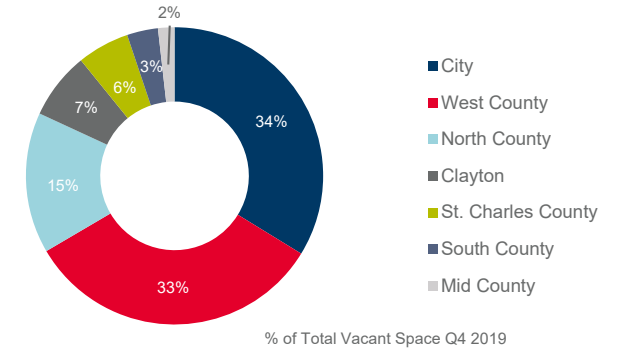
St. Louis City

For the first time since 2002, the City posted vacancy rates below 19.0% for four consecutive quarters, ending the year at 18.7%. Momentum in 2019 was bolstered by the 120,000-sf delivery of the Offices at Ballpark Village. This office delivery is just 17.0% of the expected commercial square footage in Phase-II of the mixed-use development. Complementary retail, hospitality and high-end multifamily developments are scheduled to deliver by the second quarter of 2020. This all-encompassing development is expected to attract occupiers who are looking for the convenience of “one-stop-shopping” – a perk often desired by occupiers with a younger, more amenity-focused employee base and employers looking to enhance both talent attraction and retention.

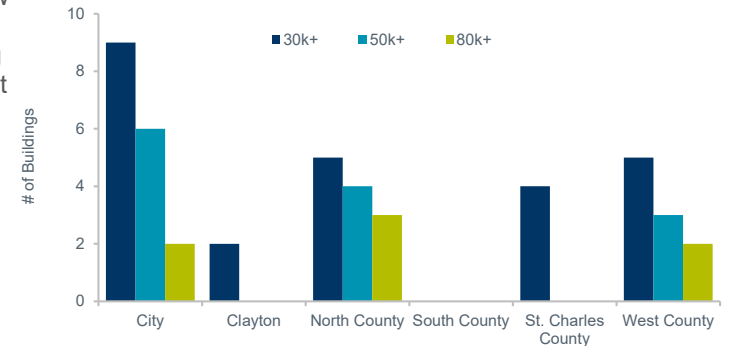
Outlook

- Look for increased volume of speculative development proposals aiming to benefit from office market and industry successes in and around Ballpark Village, the Cortex Innovation District, Clayton and Chesterfield.
- Qualified Opportunity Zones, a new federal initiative that provides a tax advantage to investors who invest capital gains into historically disinvested areas, could stimulate additional redevelopment activity in the City. One of the first projects to tap into QOZ funding will be the redevelopment of the Globe Democrat building, the home of Square’s recently announced expansion in St. Louis. The project is expected cost around \$60m.

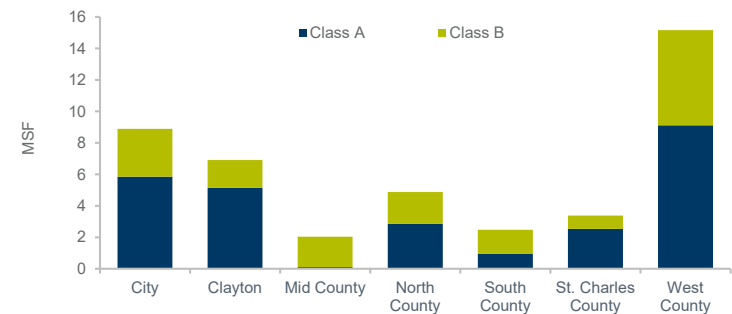
VACANT SPACE BY SUBMARKET



CLASS A CONTIGUOUS SPACE



SUBMARKET COMPARISON



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION**	YTD OVERALL ABSORPTION (SF)**	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD (Downtown)	9,889,011	96,915	1,880,054	20.0%	47,157	-16,890	673,993	0	\$18.15	\$19.87
St. Louis City	10,936,459	96,915	1,948,856	18.7%	47,157	84,614	827,293	607,408	\$18.22	\$19.87
Clayton	7,350,997	29,197	411,565	6.0%	22,371	552,717	353,064	0	\$27.20	\$30.50
Mid-County	2,147,678	0	108,357	5.0%	14,340	2,833	83,724	50,000	\$16.25	N/A
West County	17,147,248	72,322	1,914,564	11.6%	-116,267	246,188	915,405	94,000	\$22.60	\$26.60
North County	5,803,009	10,800	918,538	16.0%	-74,219	-128,115	214,107	0	\$17.63	\$20.01
South County	2,682,052	0	204,370	7.6%	-10,985	78,022	86,339	0	\$22.89	\$25.32
St. Charles	3,726,651	0	343,933	9.2%	74,415	118,817	164,198	0	\$19.74	\$22.79
ST. LOUIS TOTALS	49,794,094	209,234	5,850,183	12.2%	-43,188	955,076	2,644,130	751,408	\$20.62	\$22.87

*Rental rates reflect gross asking \$psf/year and are weighted on available space

**Absorption is not reflective of U.S. tables

Renewals not included in leasing statistics

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
500-510 Maryville Centre Drive	West County	Rawlings Sporting Goods	51,518	Renewal**
825 Maryville Centre Drive	West County	JW Terrill	42,966	Renewal**
3060 Little Hills Expressway	St. Charles	ESRI	33,975	Renewal**
1 North Brentwood Boulevard	Clayton	Benjamin F. Edwards & Company	30,682	Renewal**
12140 Woodcrest Executive Drive	West County	USA Mortgage	30,000	Renewal**

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
12851 Manchester Road	West County	Southwestern Bell Corp / Franklin Partners	144,771	\$15.4M / \$106.37
1001 Washington Avenue	City	Samc Reo 2013-01, LLC / 613 Curlee LLC	84,000	\$2.4M / \$28.57
8112 Maryland Avenue	Clayton	Sangita, LLC / Parkside Bank	76,466	N/A
13205 Manchester Road	West County	Southwest Bank of St. Louis / 13205 Manchester LLC	73,000	\$8.0M / \$109.59
12935 North Highway 40 Outer Road	West County	Walker T&C LLC / Defender Pharmaceuticals	42,334	\$5.4M / \$127.56

KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER
Centene Plaza Building C	Clayton	N/A	604,508	Centene
875 W Chesterfield Parkway	West County	Pfizer Inc.	280,000	Pfizer Inc.

