

MARKETBEAT ST. LOUIS



Office Q2 2020

11.8%

Vacancy Rate

358K

YTD Net Absorption, SF

\$21.18

Asking Rent, PSF

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

ECONOMIC INDICATORS Q2 2020

1.2M

St. Louis
Employment

11.8%

St. Louis
Unemployment Rate

13.0%

U.S.
Unemployment Rate

*Source: BLS, Moody's Analytics
2020Q2 data are based on
latest available data*

ECONOMIC OVERVIEW

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

As a result of this slowdown in economic activity, second-quarter unemployment figures for St. Louis rose to 11.8%, the highest unemployment level in recent history. The sudden shock to the region's economy, while significant, was relatively less severe as the local unemployment rate remained below the national average of 13.0% by 120 basis points (bps).

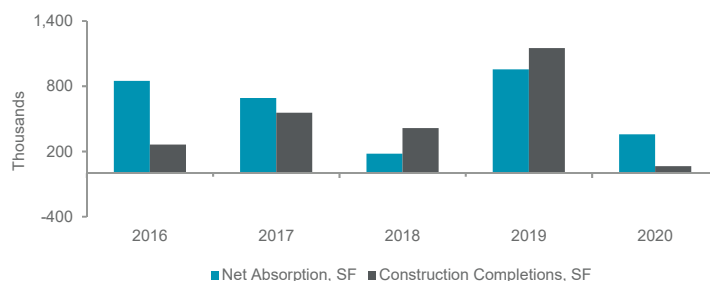
SUPPLY AND DEMAND: Year-to-date Absorption Outpaces the First Half of 2019

In the face of considerable economic headwinds, St. Louis continued its growth trajectory in the first half of 2020. Year-to-date, net absorption totaled roughly 358,000 square feet (sf), nearly 170,000 sf greater than recorded in the first half of 2019. With this activity, vacancy fell to 11.8% or 70 bps below the second quarter of 2019 and 10 bps lower than the 11.9% recorded in the first quarter of 2020. Building on this activity, signature developments and current preleasing suggests that further positive activity can be expected over the mid-term. This "built-in" momentum is anticipated on the heels of the new construction and delivery of Forsyth Pointe, 4210 Duncan, and City Foundry, all of which have seen sizeable preleasing and occupier interest.

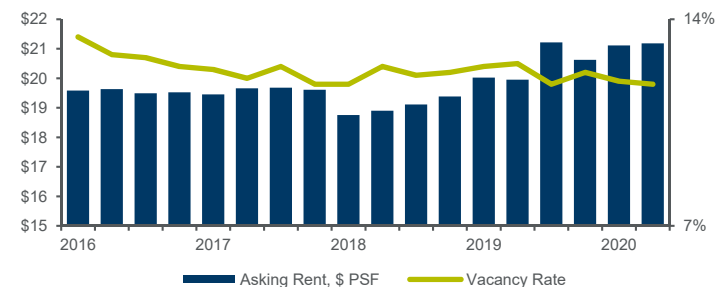
PRICING: Asking Rates Remain Stable and Near All-Time Highs

As compared to the first half of 2019, the number of completed office deals in the first half of 2020 declined about 15.0%. The slowdown in activity was not unexpected however, given the major pause in non-essential economic activity just before the start of the second quarter. Despite a slowdown in deal activity, asking rates remained stable across the market, up just \$0.01 from the first quarter and remaining over \$0.50 above the average rate recorded in the second quarter of 2019 – perhaps an indication that landlords remain confident in the demand for space at the moment.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



West County

West County continues to be a landing place for major corporates in need of large blocks of space. Recording 315,000 sf of positive absorption year-to-date, West County leads all other submarkets by a wide margin. Leading the way was Centene's occupancy of Corporate Hill IV for 180,000 sf in the first quarter. Though deal activity slowed in the second quarter, it was announced that Accenture would be taking 45,000 sf at the 520 Maryville Centre Drive, establishing an Advanced Technology Center that will drive the creation of 1,400 jobs in the next five years. In terms of the remaining availability of blocks over 20,000 sf, West County leads all markets across St. Louis with 13 such availabilities as of quarter-end.

Clayton

For the quarter, Clayton tracked just over 20,000 sf of positive absorption and recorded a corresponding 20-bps decline in vacancy as compared to the first quarter of 2020. Year-to-date, negative absorption of 91,000 sf was recorded, but of the majority of that came from both Bank of America and Ernst & Young vacating legacy space in Clayton to occupy Centene's latest delivery at 7676 Forsyth, which delivered in the third quarter of 2019. Also of note, US Capital Development's dual-tower Forsyth Pointe project began construction in the first half of 2020. The project is expected to add over 450,000 sf of inventory to the market by 2021 and has reportedly landed a few major tenants including an anchor tenant in Barry-Wehmiller Companies, which is expected to take 50,000 sf at the towers upon completion. Of the 450,000 sf at Forsyth Pointe, just 95,000 sf remains on the market, an encouraging sign for future office demand in Clayton.

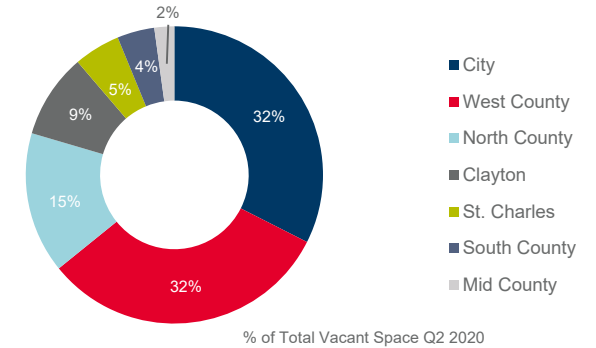
St. Louis City

Vacancy across the City continued to fall in the second quarter of 2020, ending the period at 17.7% and 50 bps below the level reached at the end of the first quarter. Of note, Build-A-Bear moved their global headquarters to downtown St. Louis in the early part of 2020, taking 40,000 sf at Union Station. Creative Producers Group also relocated to a new Downtown space at 200 N. Broadway, taking about 26,000 sf at the building and marking an 8,000-sf expansion for the firm which previously occupied 18,000 sf at 1220 Olive. Despite economic uncertainty, cause for optimism remains with the impending delivery of City Foundry which is over 90% preleased and Ventas' speculative development within the Cortex district at 4210 Duncan Avenue which is expected to attract considerable demand given near-zero vacancy within the District.

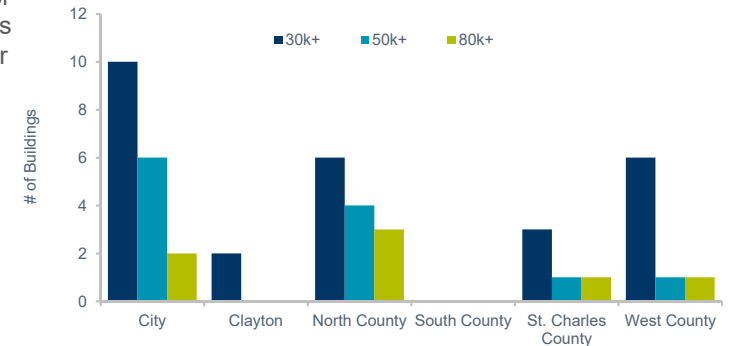
Outlook

- "Built-in" future activity of preleased new construction and large deals that have yet to commence should help bolster fundamental stability over the mid-term in the face of economic uncertainty.
- 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.

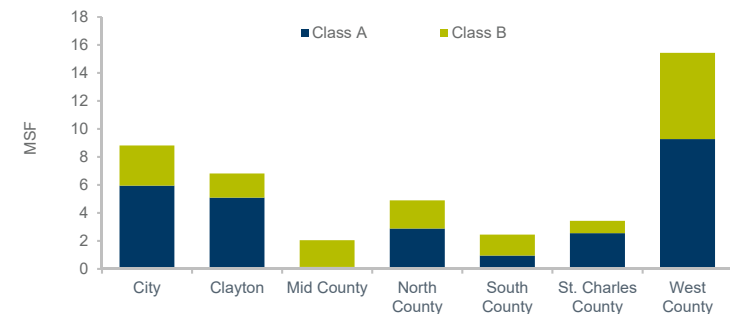
VACANT SPACE BY SUBMARKET



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)	9,630,985	78,251	1,780,962	19.3%	26,362	37,273	238,341	0	\$18.16	\$19.78
St. Louis City	10,707,625	78,251	1,821,271	17.7%	26,362	65,766	238,341	607,408	\$18.25	\$19.78
Clayton	7,350,997	38,545	500,510	7.3%	22,754	-91,255	199,110	455,000	\$28.49	\$32.27
Mid-County	2,173,383	0	126,713	5.8%	22,489	29,990	32,908	0	\$16.45	N/A
West County	17,285,231	130,199	1,727,956	10.7%	-28,675	315,697	431,310	180,000	\$22.59	\$26.21
North County	5,793,509	10,800	887,933	15.5%	18,279	24,201	20,509	0	\$17.97	\$20.54
South County	2,682,052	3,112	234,671	8.9%	-11,052	-33,136	7,575	0	\$22.52	\$24.95
St. Charles	3,728,160	0	295,121	7.9%	51,929	46,370	71,808	0	\$21.30	\$24.14
ST. LOUIS TOTALS	49,720,957	260,907	5,594,175	11.8%	102,086	357,633	1,001,561	1,242,408	\$21.18	\$23.51

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

**Renewals not included in leasing statistics

Class	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)	Direct AVG ASKING RENT*	OVERALL AVG ASKING RENT*
Class A	29,851,040	239,637	2,802,438	10.2%	28,346	252,771	676,070	1,242,408	\$23.60	\$23.51
Class B	19,869,917	21,270	2,791,737	14.2%	73,740	104,862	325,491	0	\$18.34	\$18.37
ST. LOUIS TOTALS	49,720,957	260,907	5,594,175	11.8%	102,086	357,633	1,001,561	1,242,408	\$21.16	\$21.18

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
14522 S. Hwy 40 Outer Road	West County	MECS, Inc.	52,485	Renewal**
520 Maryville Centre Drive	West County	Accenture	45,000	New Lease

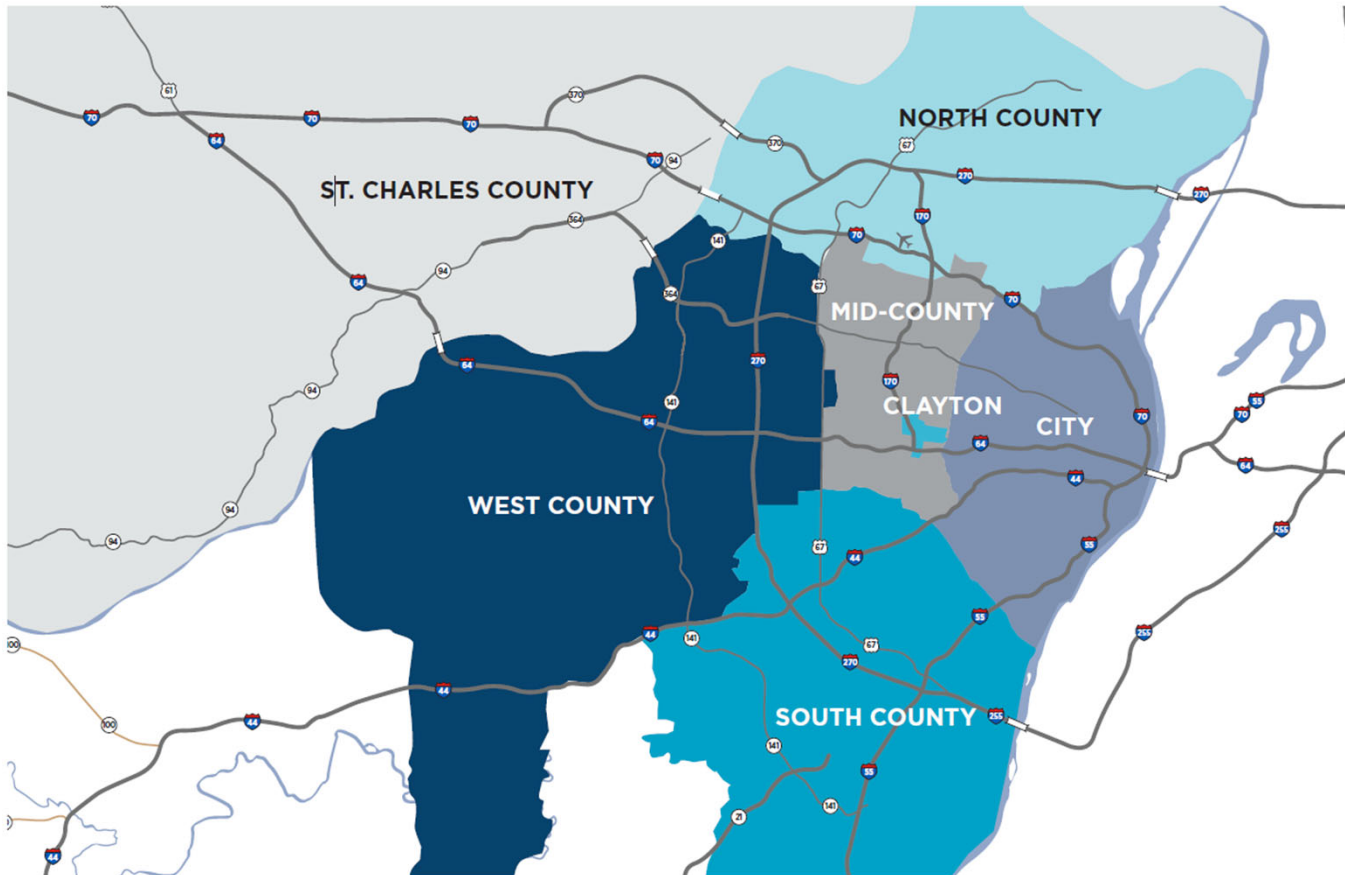
KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
LNR South County Portfolio	South County	LNR Partners / Bamboo Equity Partners	137,365	\$9.2M / \$67.06

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER
Link in the Loop	Mid-County	Washington University	50,000	Pace Properties
12818 Daylight Circle	West County	Paridigm Financial	14,000	Paridigm Financial

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