

# MARKETBEAT ST. LOUIS



Office Q3 2020

**13.0%**

Vacancy Rate

**-46K**

YTD Net Absorption, SF

**\$21.64**

Asking Rent, PSF

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

## ECONOMIC INDICATORS Q3 2020

**1.3M**

St. Louis  
Employment

**8.0%**

St. Louis  
Unemployment Rate

**8.8%**

U.S.  
Unemployment Rate

*Source: BLS, Moody's Analytics  
2020Q3 data are based on  
latest available data*

## ECONOMIC OVERVIEW

Three quarters into 2020, the global economy still faces strong headwinds as a result of the global pandemic. However, the economy has seen moderate improvement on the heels of government intervention in March of this year. In fact, as a portion of temporary unemployed workers went back to work over the summer the national unemployment rate fell to 8.8% at the end of the quarter, a 590-basis-point (bps) drop from the nation's peak in April of 14.7%. Locally, St. Louis tracked unemployment at 8.0% by the end of the quarter, 80 bps lower than the national average.

Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy [here](#).

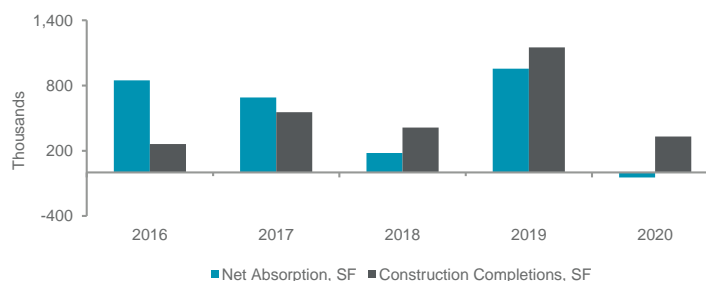
## SUPPLY AND DEMAND: Planned Consolidations Dampen Year-To-Date Activity but Fundamental Stability Persists

The St. Louis market has remained relatively stable over the course of the year despite considerable economic headwinds brought about by the global pandemic. Third quarter negative absorption of 317,000 square feet (sf) has brought year-to-date net absorption to negative 46,000 sf. Even with what seems like a dramatic shift in activity, a large portion of this activity was driven by consolidations not explicitly tied to the current economic environment. As an example, AT&T vacated roughly 70,000 sf at 125 Corporate Office Drive in North County, a continuation of the firm's years-long effort to consolidate their office footprint in St. Louis. Another example was LDI Pharmacy Benefit Management's recent departure from about 30,000 sf at 701 Emerson Road in West County which was a result of UnitedHealth's acquisition of the firm in 2017.

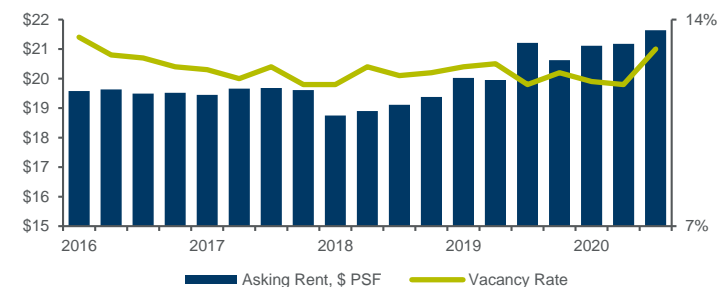
## PRICING: Asking Rates Continue to Grow or Remain Stable Despite Influx of Competitive Sublet Availability

Asking rates weighted on available space rose in the third quarter with overall class A rates increasing to \$24.12 per square foot (psf), up \$1.25 from year-end 2019. Though overall rates ticked upwards, not all markets performed consistently. West County has experienced a moderate decrease, with rates falling roughly \$0.32 year-to-date. Of the seven major markets in St. Louis, West County recorded the largest influx of sublet availability, totaling 369,000 sf year-to-date and this competitively priced inventory was a primary driver of the rate adjustment.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## West County

Though West County was the primary driver of negative absorption in the third quarter, recent announcements and development indicate the market is positioned for long-term growth. In June of 2020, Accenture Federal Services announced it would open an Advanced Technology Center at 520 Maryville which is expected to bring 1,400 new jobs to the region over the next five years. Accenture is expected to take occupancy at the building some time in 2021. In Creve Coeur, Benson Hill BioSystems delivered its 160,000-sf headquarters in late-September. The development sits squarely in Creve Coeur's 39 North Innovation District which is also home to Bayer's (Formerly Monsanto) North American Crop Science headquarters. Benson Hill's investment further cements the region's status as a Global Ag-Tech powerhouse.

## Clayton

As evidenced in the market's significant year-to-date increase in class A asking rates of 11.4%, Clayton continues to be the premier office market in St. Louis. Year-to-date negative absorption comes mostly as the result of both Bank of America and Ernst & Young's planned relocations from legacy office space in Clayton to the newly delivered Centene Plaza C. Breaking ground shortly after the newest Centene tower's delivery, US Capital Development and Commerce Bank's dual-tower Forsyth Pointe project continues full-speed ahead in the face of economic headwinds. Delivering in 2021, Barry-Wehmler Companies and Husch-Blackwell were recently announced as the project's anchor tenants. The 450,000-sf project is currently marketing just 95,000 sf of availability, indicating the development is roughly 80% pre-leased.

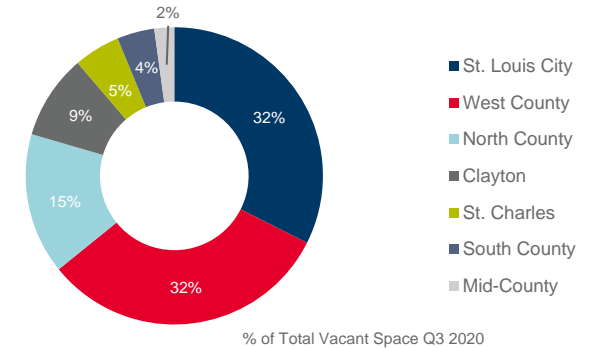
## St. Louis City

Vacancy ticked upwards by roughly 70 bps in the third quarter, ending the period at 18.4% vacancy. Despite the increase in vacancy, class A asking rates increased modestly by \$0.09 relative to year-end 2019. Of note, the long-awaited City Foundry mixed-use development delivered in the third quarter. The project which includes office space, delivered 95% occupied including the relocation and expansion of Bullhorn Software's office footprint in St. Louis. Formerly located in roughly 22,000 sf at the 200 South Hanley Road, the company expanded into 24,000 sf within the City Foundry. Bullhorn joins the growing list of tenants that have relocated from West County or Clayton to occupy office space in the City. The most recent of these moves being Aon and Microsoft's relocation to the Cortex Innovation District.

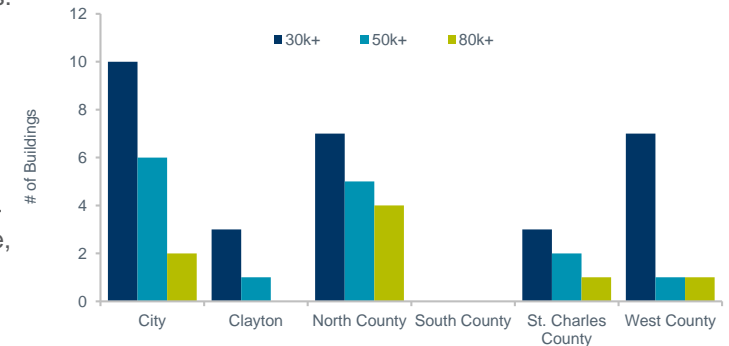
## Outlook

- "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.
- Increased sublease availability priced at a relative discount compared to direct space will continue to soften asking rates while putting upward pressure on office market vacancy.

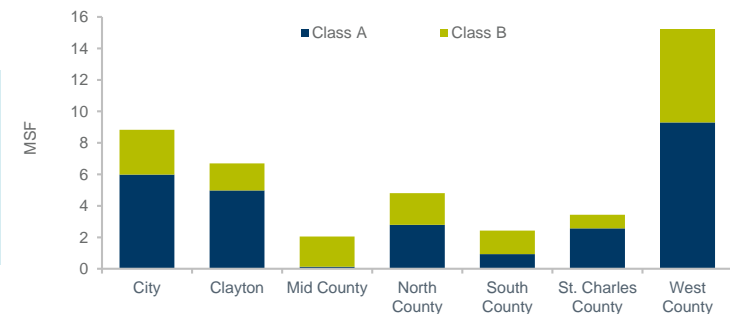
## VACANT SPACE BY SUBMARKET



## CLASS A CONTIGUOUS SPACE



## SUBMARKET COMPARISON



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET 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	1,828,238	72,021	19.7%	-1,315	-1,265	280,265	0	\$18.06	\$19.63
St. Louis City	10,815,033	1,914,360	72,021	18.4%	60,280	75,823	280,265	500,000	\$18.41	\$19.96
Clayton	7,350,997	612,244	47,005	9.0%	-114,068	-211,766	223,073	475,000	\$29.87	\$33.98
Mid-County	2,173,383	125,656	980	5.8%	132	10,576	37,677	0	\$16.18	N/A
North County	5,793,509	973,440	10,800	17.0%	-85,465	-61,264	43,727	0	\$18.33	\$20.32
South County	2,682,052	248,677	3,112	9.4%	-14,006	-47,142	15,341	0	\$22.50	\$24.98
St. Charles	3,728,160	290,805	0	7.8%	4,316	50,686	76,125	0	\$21.22	\$24.57
West County	17,429,632	2,013,090	181,172	12.6%	-167,971	136,654	518,413	100,000	\$22.74	\$26.28
<b>ST. LOUIS TOTALS</b>	<b>49,972,766</b>	<b>6,178,272</b>	<b>315,090</b>	<b>13.0%</b>	<b>-316,782</b>	<b>-46,433</b>	<b>1,194,621</b>	<b>1,075,000</b>	<b>\$21.64</b>	<b>\$24.12</b>

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

\*\*Renewals not included in leasing statistics

CLASS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET 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	30,118,448	3,136,175	294,420	11.4%	-52,973	122,624	792,600	1,075,000	\$24.25	\$24.12
CLASS B	19,854,318	3,042,097	20,670	15.4%	-263,809	-169,057	402,021	0	\$18.37	\$18.38
<b>ST. LOUIS TOTALS</b>	<b>49,972,766</b>	<b>6,178,272</b>	<b>315,090</b>	<b>13.0%</b>	<b>-316,782</b>	<b>-46,433</b>	<b>1,194,621</b>	<b>1,075,000</b>	<b>\$21.65</b>	<b>\$21.64</b>

## KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
424 South Woods Mill Rd.	West County	Agilis System	21,501	New Lease

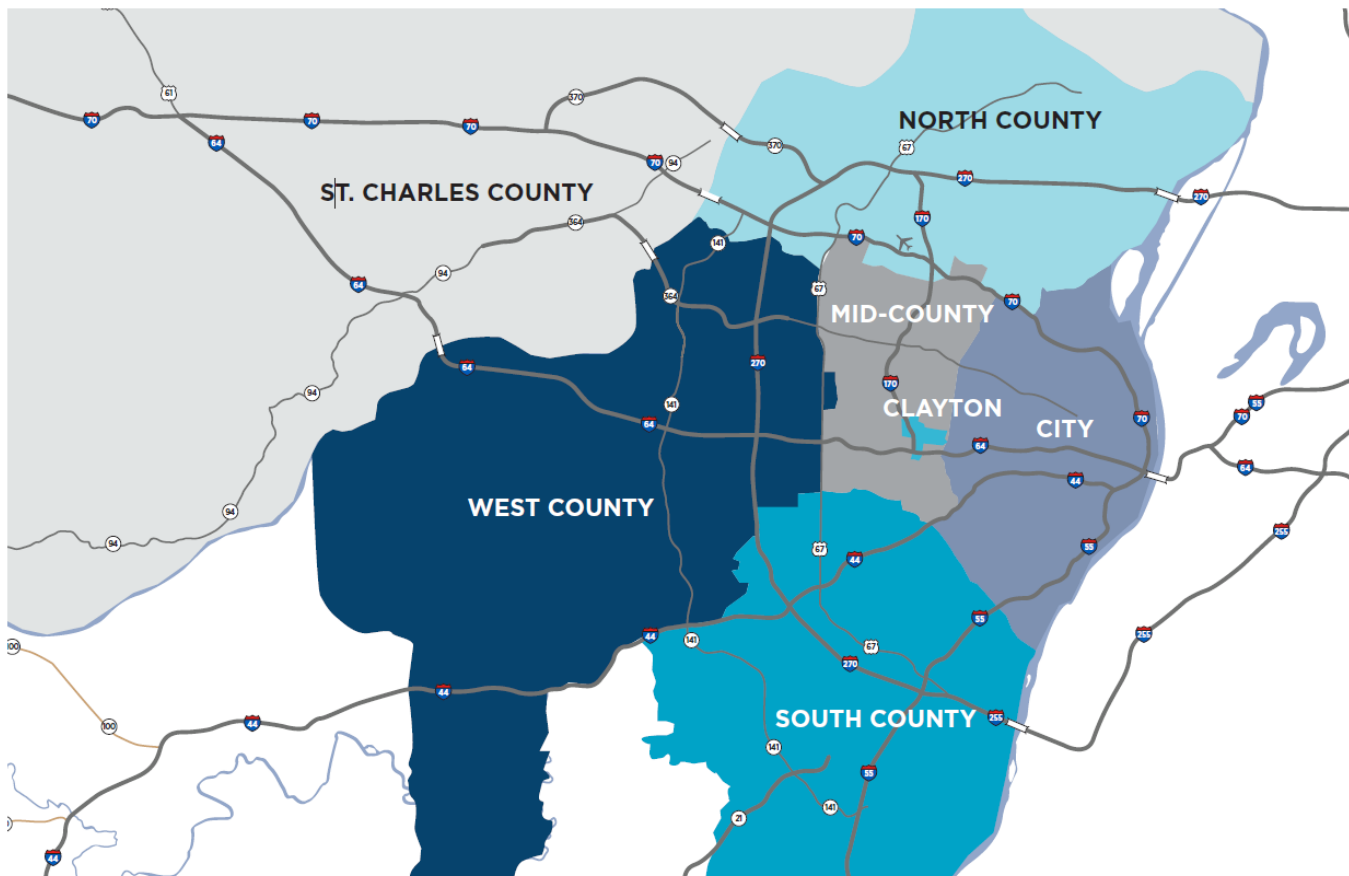
## KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Land Dynamics Portfolio	West County	Land Dynamics / Hammes Partners II, LLC	236,396	N/A
8820 Ladue Rd.	Clayton	Goralnik Realty Company / Altus	38,435	\$9.1M / \$178.48

## KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER
Danforth BTS – Benson Hill	West County	Benson Hill	160,000	Clayco
The City Foundry	City	Bullhorn, Inc.	107,408	The Lawrence Group

OFFICE SUBMARKETS



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