

MARKETBEAT ST. LOUIS



Office Q1 2021

15.2%
Vacancy Rate



-552K
YTD Net Absorption, SF



\$21.94
Asking Rent, PSF



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

ECONOMIC INDICATORS Q1 2021

1.3M
St. Louis
Employment



4.6%
St. Louis
Unemployment Rate



6.0%
U.S.
Unemployment Rate



*Source: BLS, Moody's Analytics
2021Q1 data are based on
latest available data*

ECONOMIC OVERVIEW

Regional employment figures indicate a sharper peak in unemployment than originally tracked as more clarity surrounding the initial economic impact of the pandemic unfolds. Current estimates point to St. Louis's unemployment rate peaking at 12.5% in the first half of 2020, an upward revision of 90 basis-points (bps) when reported in year-end 2020. Nearly a year after the global pandemic put the brakes on the largest economy in the world, the U.S. unemployment rate ended the year at 6.0%, with local unemployment in St. Louis settling at 4.6% and adding 111,400 jobs.

SUPPLY AND DEMAND: Cost-Cutting Measures by Corporate Users Put Pressure on Occupancy Rates

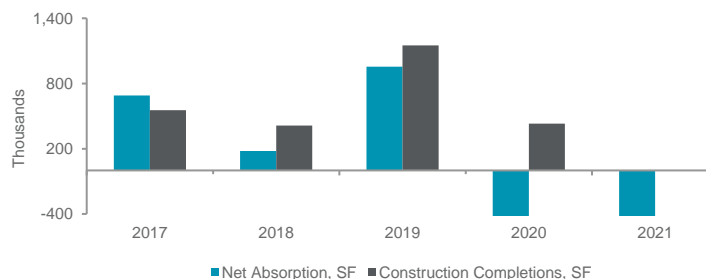
Twenty Twenty marked a year of uncertainty for occupiers around the globe as extensive work-from-home (WFH) policies due to the global pandemic shifted near-term demand for office space. Across the St. Louis region, this shift has been most visible through the spike in sublet inventory. Since year-end 2019, the amount of space available for sublease increased by roughly 692,000 square feet (sf) or about 140.0%. However, this activity has not been ubiquitous as roughly 81.0% of sublease space added was driven by West County, North County and the City office markets. Largest sublease availabilities added in Q1 2021 include:

- In West County - Mercy vacated the entire building at 655 Maryville Drive, adding an additional 69,000 sf to sublease inventory.
- In North County - State Farm announced that it would be laying off 111 employees as of January 2021, resulting in the firm to market their 32,000-sf space at 111 Corporate Office Drive.
- In the City - space in Cortex totaling roughly 33,000 sf was added to sublet inventory.

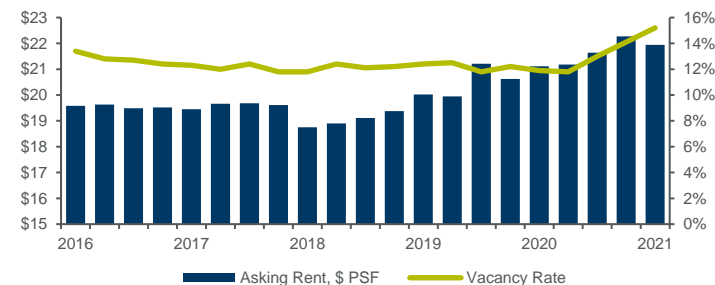
PRICING: Asking Rates See Decline for First Time in Six Consecutive Quarters

Quarter-over-quarter, overall Class A asking rates weighted on available square footage fell to \$24.62 per square foot (psf), marking 2.4% decline for the period. Though asking rates remain roughly 7.0% higher on average relative to year-end 2019, ongoing economic fallout from the global pandemic will continue to put downward pressure on rates over the short-term. In Clayton, Ascension made its 28,000-sf space at 101 S. Hanley in Clayton available for sublease with an asking rate of \$25.50 psf (versus \$32.00 psf on direct space). At the same time, Olin added roughly 33,000 sf of sublet inventory to the Clayton market priced at \$18.00 to \$22.00 psf (versus \$29.50 psf on direct space). With increased sublease activity expected to continue, discounted inventory will force landlords to reconsider current pricing on direct space, leading to further compression of asking rates as office markets navigate the pandemic.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



West County

West County remains the primary driver of sublease availability across the market, adding an additional 70,000 sf in the first quarter of 2021 as Mercy listed all three floors at 655 Maryville Drive. Since year-end 2019, the market has added 206,000 sf of sublet inventory, accounting for roughly 29.8% of all sublet space added to the St. Louis office market over that period. Despite increased sublet activity, two long-awaited occupancies landed in West County accounting for nearly 130,000-sf in positive absorption. These include McCarthy's 83,000 sf occupancy at 12851 Manchester Road and Accenture's 45,000 sf occupancy at 520 Maryville. Accenture's activity comes as the firm is establishing an Advanced Technology Center that will drive the creation of 1,400 jobs in the next five years.

Clayton

For the quarter, Clayton tracked just over 100,000 sf of negative absorption and recorded a corresponding 130-bps increase in vacancy as compared to the fourth quarter of 2020. Of note, three occupier move-outs accounted for 80% of this negative absorption. These include Olin vacating 33,000 sf at 7777 Bonhomme, Ascension vacating 29,000 sf at 101 South Hanley, and Varsity Tutors vacating about 19,000 sf at 101 South Hanley. Each of these spaces are listed for sublease and represent about 68.0% of sublet inventory in the submarket. With cost-competitive space coming back to the market, Class A asking rates weighted on available square footage fell 2.1% over the quarter, ending the period at \$30.77 psf.

St. Louis City

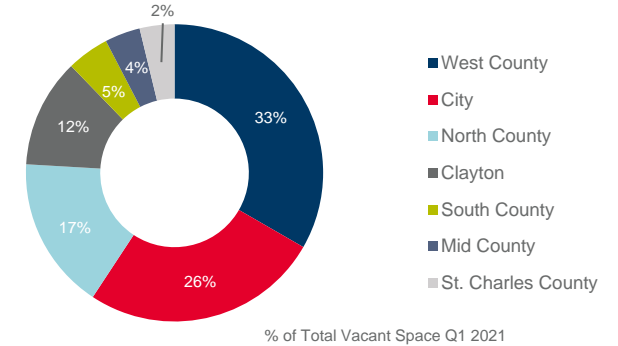
Consisting of the Downtown and CWE/Cortex submarkets, St. Louis City tracked a relatively active quarter to start the year. The market recorded just under 200,000 sf of positive absorption for the period. Of note, Square made the long-awaited move to the firm's newly redeveloped office at 300 North Tucker. At the same time, the firm vacated legacy space in Cortex Innovation District totaling approximately 62,000 sf across three buildings within the district. The combination of this new space and the recently listed 33,000 sf sublease availability establishes a new high-water mark for availability within the district.

At Ballpark Village, the St. Louis Cardinals and Cordish Companies announced plans to launch a coworking concept at the recently delivered PwC Pennant Building. Called 'Spark Coworking', the concept will occupy the ninth floor and will include individual workstations, over 80 private offices and five suites. Offerings will include desk memberships starting at \$225 per month or \$595 per month for private offices. Additionally, the concept will offer day passes available to non-members which are expected to cost \$15 per day.

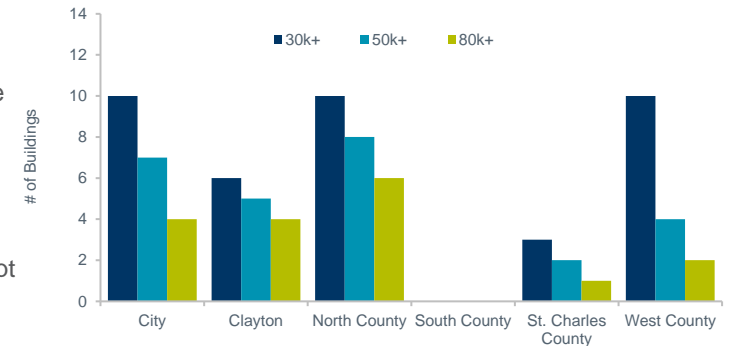
Outlook

- Look for continued activity in key St. Louis industry clusters including Ag-Tech, Bio-Tech, Geospatial Technology, and activity tied to NGA Contracts.
- Expect continued sublease pressure as the global office market navigates the pandemic and firms dust off their return-to-work plans in 2021.

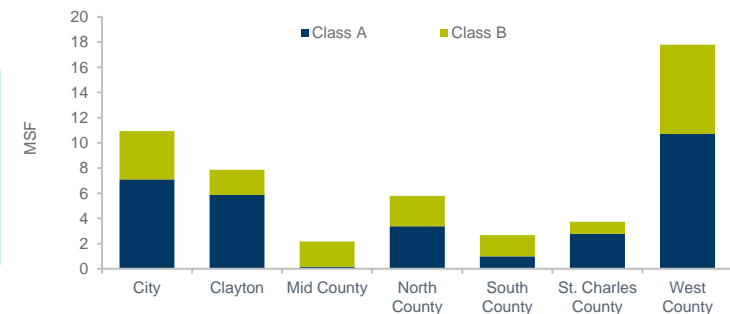
VACANT SPACE BY SUBMARKET



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)	9,750,985	1,797,087	92,952	19.4%	198,481	198,481	0	0	\$17.65	\$19.20
St. Louis City	10,935,033	1,918,810	92,952	18.4%	162,880	162,880	0	316,000	\$18.02	\$19.58
Clayton	7,858,188	766,317	151,610	11.7%	-102,305	-102,305	41,438	457,168	\$29.50	\$32.96
Mid-County	2,173,383	297,808	980	13.8%	-159,780	-159,780	0	0	\$16.45	N/A
North County	5,793,510	1,256,256	35,119	22.3%	-264,773	-264,773	10,800	0	\$17.97	\$20.15
South County	2,682,052	337,337	19,864	13.3%	-58,848	-58,848	24,723	0	\$22.61	\$22.66
St. Charles	3,728,160	284,901	8,249	7.9%	1,332	1,332	24,885	0	\$21.24	\$23.45
West County	17,790,833	2,236,536	346,950	14.5%	-130,526	-130,526	132,066	0	\$22.82	\$26.23
ST. LOUIS TOTALS	50,961,159	7,097,965	655,724	15.2%	-552,020	-552,020	233,912	773,168	\$21.94	\$24.62

*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	30,986,841	3,744,565	545,279	13.8%	-547,125	-547,125	128,796	773,168	\$24.89	\$24.62
CLASS B	19,974,318	3,353,400	110,445	17.3%	-4,895	-4,895	105,116	0	\$18.54	\$18.47
ST. LOUIS TOTALS	50,961,159	7,097,965	655,724	15.2%	-552,020	-552,020	233,912	773,168	\$21.99	\$21.94

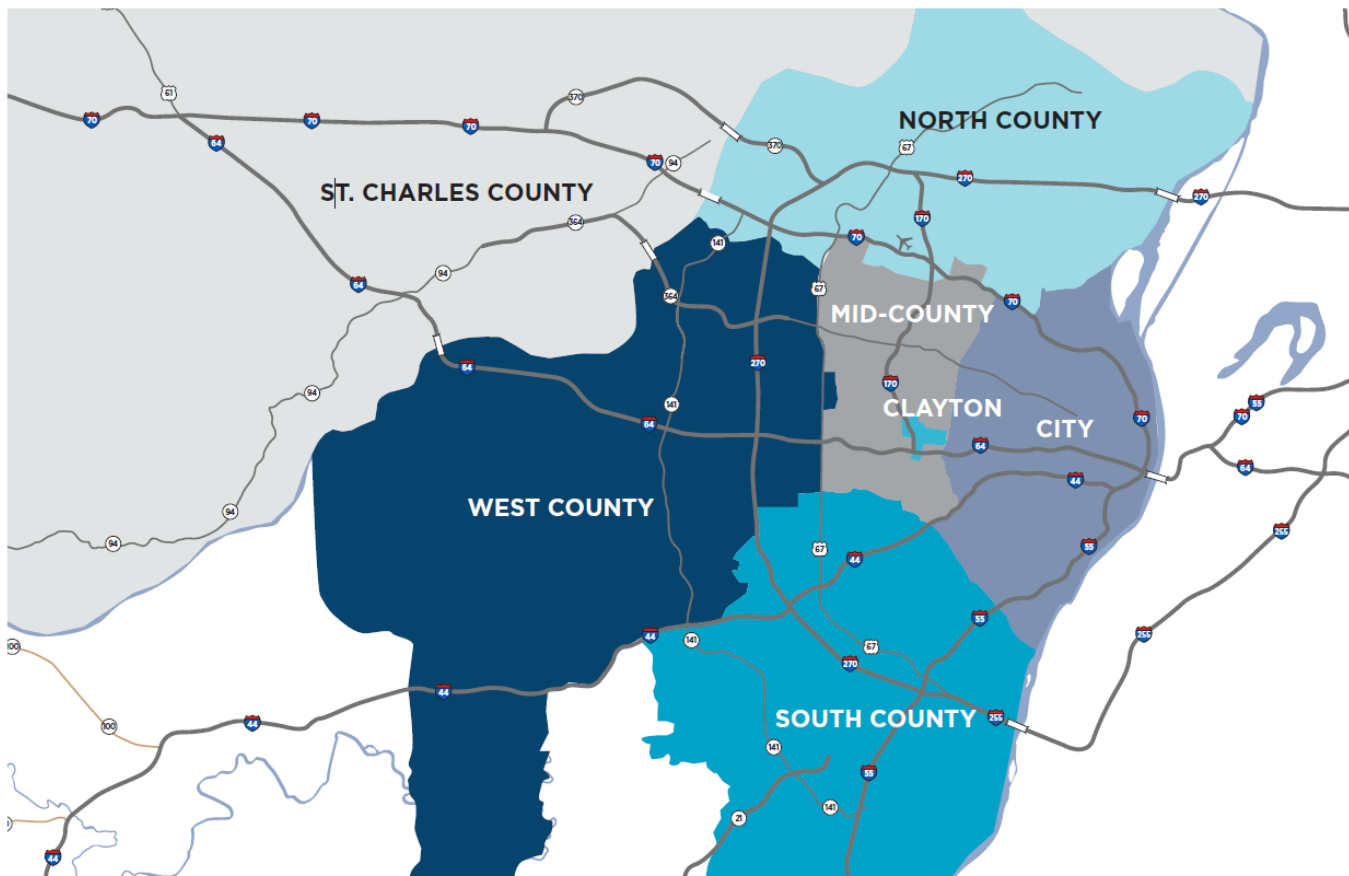
KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
15933 Clayton Rd.	Chesterfield	Clarkson Eye Care	50,044	Renewal
710 N. Tucker	Downtown	Stereotaxis Inc.	43,000	New
211 N. Broadway	Downtown	Evans & Dixon	39,974	Renewal
16090 Swingley Ridge Rd.	Chesterfield	Mutual Of Omaha	32,608	New
7701 Forsyth Blvd.	Clayton	Lathrop & Gage	24,458	Renewal

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
326 S. Twenty-first	Downtown	Gerhardt St. Louis City SC	50,000	\$4.8M \$96
12395 Olive Blvd.	Creve Coeur	American Eagle Credit Union Aaa& J 101 LLC	29,600	\$3.2M \$108
8909 Ladue Rd.	Ladue	Summers Compton Wells MIR & JLB LLC	12,576	\$3.4M \$270

OFFICE SUBMARKETS



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