

# MARKETBEAT

# ST. LOUIS



Office Q2 2021

YoY Chg 12-Mo. Forecast

**15.9%**

Vacancy Rate



**-944K**

YTD Net Absorption, SF



**\$22.03**

Asking Rent, PSF



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

## ECONOMIC INDICATORS Q2 2021

YoY Chg 12-Mo. Forecast

**1.3M**

St. Louis Employment



**4.4%**

St. Louis Unemployment Rate



**5.9%**

U.S. Unemployment Rate



Source: BLS, Moody's Analytics  
2021Q2 data are based on latest available data

## ECONOMIC OVERVIEW

St. Louis's unemployment rate ended the second quarter of 2021 at 4.4%, a 900 basis-point (bps) reduction since April 2020. While moving in the right direction, the amount of people within the St. Louis labor force is still well below levels at the start of 2020, as office-using employment is 95.6% of pre pandemic levels as of June 2021. Despite recent gains, expect more entries into the labor force as Missouri ends all federal pandemic related unemployment benefits as of June. St. Louis's unemployment rate remains well below the national average of 5.9%.

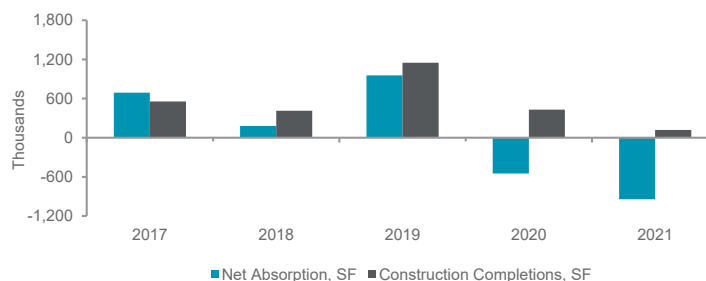
## SUPPLY AND DEMAND: Office Market Recovery Remains Dampened by Corporate Downsizing

In the second quarter, St. Louis sublease inventory increased just 3.3%. This figure marks a considerable slow-down from the prior four quarters, which had averaged a 30.0% increase in sublease inventory on a quarterly basis. In Clayton, Heartland Bank vacated roughly 17,600 SF at 212 South Central Ave and began marketing the space for sublease. This move accounted for roughly 41.0% of sublet inventory added across the market in the second quarter. In terms of demand, the market has tracked increased leasing activity relative to prior quarters during the pandemic. Year-to-date (YTD) leasing activity through the first two quarters of 2021 is up 7.6%, or approximately 120,000 square feet (sf) higher than the last three quarters of 2020 combined, a sign that the demand for office space is steadily recovering in across St. Louis.

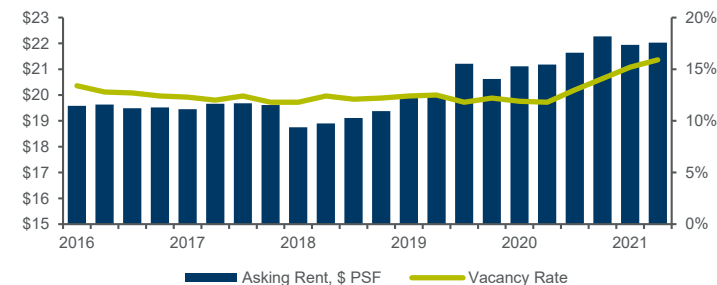
## PRICING: Flight to Quality Drives Down Asking Rates Weighted on Available Space

Quarter-over-quarter, Non-CBD Class A asking rates weighted on available sf fell to \$27.14 per square foot (psf), marking a 50-basis point (bps) decline for the quarter bringing the total decline since year-end 2020 to 390 BPS. The primary driver of this decline has not been driven by landlord asking rate reductions considering the pandemic, but rather a relatively faster lease-up of top-tier availabilities across the region. This activity includes YTD leasing activity of nearly 150,000 sf within some of the region's highest quality buildings such as Edge@West, Forsyth Pointe, Commerce Bank Tower and Centene Plaza C. Post-pandemic occupier preferences will continue to favor modern build outs and amenities and as that space leases up the market will track continued downward pressure on asking rates.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## West County

West County remains the primary driver of sublease availability in St. Louis totaling roughly 432,871 sf with over 80.0% of this total representing Class-A buildings. Though net absorption for the period totaled roughly -313,000 sf in West County, the market did record strong activity in select submarkets. In Creve Coeur, Brown Smith & Wallace renewed for roughly 69,000 sf at Cityplace 6. Also, Assured Partners completed a new deal for 42,000 sf at the newly delivered Edge@West building also in Creve Coeur. Delivered during the fourth quarter of 2020, the 100,000-sf, \$35m-project is now 78.0% leased. Tenants joining Assured Partners at the building include FM Global (26,000 sf) and Edison Spaces (19,000 sf). The two largest moveouts for the period were also in Creve Coeur. These include Thompson Reuters vacating space at 717 Office Parkway (-101,000 sf) and WestRock vacating space at CityPlace 6 (-22,000 sf). Thompson Reuters plans to consolidate its footprint into the firm's 50,000-SF owner-occupied building next door at 795 Office Parkway.

## Clayton

For the quarter, Clayton tracked just over 80,000 sf of negative absorption and recorded a corresponding 110-bps increase in vacancy relative to Q1 2021. Though new deal activity remains sluggish across the broader U.S. office market, Clayton did record a handful of new deals. Of note, UBS leased 10,000 sf within Clayton's newest active development, Forsyth Pointe. The deal marks a downsize from the firm's 24,000-sf space just across the street at Shaw Park Plaza, but further emphasizes the ability for new construction to attract occupiers during the pandemic. Forsyth Pointe and its sister development, Commerce Tower, are expected to deliver in early 2023. The dual-tower construction will be adjoined by a shared parking garage which will also contain significant rooftop green space that can be leveraged by tenants in both buildings.

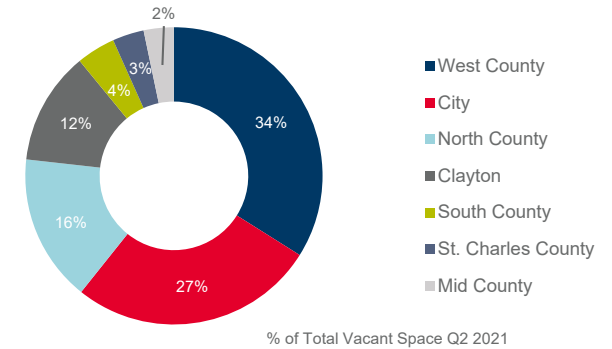
## St. Louis City

As compared to a strong start to 2021, St. Louis City recorded negative absorption totaling 28,000 sf in the second quarter. Driving nearly all this activity was Comprehensive Health Management's decision to vacate roughly 27,000 sf at 800 Market Street in the Downtown submarket. Conversely, the submarket did see some new growth driven from its critically important start-up scene as Balto Software graduated from T-Rex's technology incubator and coworking space to take roughly 15,000 sf at 1228-1236 Washington Avenue. An Arch Grants recipient, Balto Software represents just one of many start-ups that are flourishing within the City's entrepreneurial community.

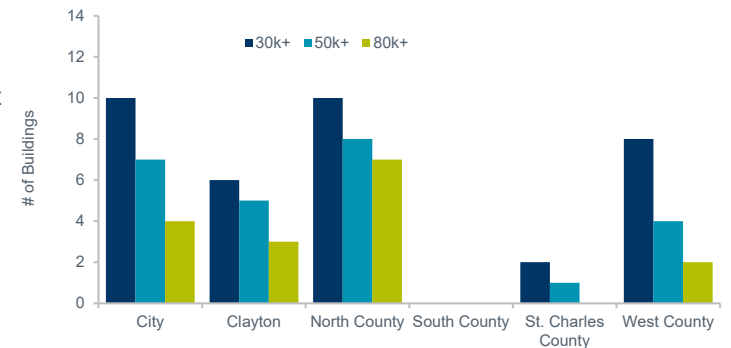
## Outlook

- Buildings with some combination of modern buildout and in-demand amenities will continue to see an outsized share of leasing activity as the market recovers from the pandemic.
- Expect continued growth approximate to the region's most innovative clusters including the 39 North Innovation District in Creve Coeur and Cortex Innovation District in the City

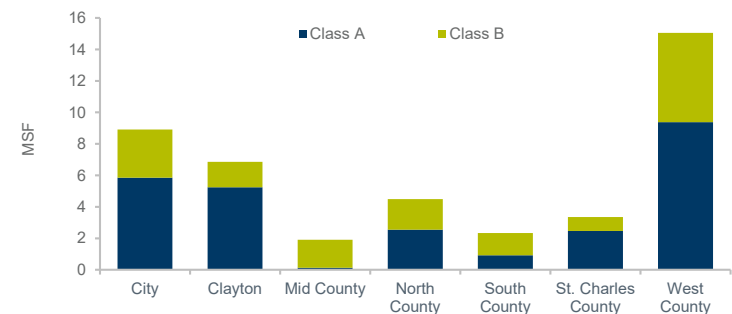
## VACANT SPACE BY SUBMARKET



## 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)	9,911,569	1,810,452	252,375	20.8%	-28,122	24,863	54,653	0	\$17.76	\$19.48
St. Louis City	11,084,117	1,920,675	252,375	19.6%	-28,122	-10,738	54,653	316,000	\$18.15	\$19.87
Clayton	7,858,188	820,681	176,932	12.7%	-85,197	-187,416	180,989	457,168	\$29.05	\$32.48
Mid-County	2,173,383	265,129	980	12.2%	32,679	-127,101	43,792	0	\$16.45	N/A
North County	5,793,510	1,301,771	0	22.5%	-41,726	-276,356	49,146	0	\$17.98	\$20.15
South County	2,682,052	323,498	19,864	12.8%	13,336	-45,009	33,959	0	\$22.75	\$22.22
St. Charles	3,632,171	269,304	8,249	7.6%	-18,136	16,529	61,691	0	\$20.88	\$22.99
West County	17,799,983	2,399,284	354,624	15.5%	-208,866	-313,503	348,994	0	\$22.78	\$26.22
<b>ST. LOUIS TOTALS</b>	<b>51,023,404</b>	<b>7,300,342</b>	<b>813,024</b>	<b>15.9%</b>	<b>-336,032</b>	<b>-943,594</b>	<b>773,224</b>	<b>773,168</b>	<b>\$22.03</b>	<b>\$24.79</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	30,884,255	3,787,667	548,664	14.0%	-138,184	-610,548	520,661	773,168	\$25.10	\$24.79
CLASS B	20,139,149	3,512,675	264,360	18.8%	-197,848	-333,046	252,563	0	\$18.65	\$18.58
<b>ST. LOUIS TOTALS</b>	<b>51,023,404</b>	<b>7,300,342</b>	<b>813,024</b>	<b>15.9%</b>	<b>-336,032</b>	<b>-943,594</b>	<b>773,224</b>	<b>773,168</b>	<b>\$22.08</b>	<b>\$22.03</b>

## KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
6 CityPlace Dr.	Creve Coeur	Brown Smith & Wallace	69,129	Renewal
1650 Des Peres Rd.	Des Peres	Charter Communications	45,216	Renewal
8421 St John Industrial Dr.	Olivette	Scale	43,792	New
12645 Olive Blvd.	Creve Coeur	Assured Partners	42,424	New
622 Emerson Rd.	Creve Coeur	The Haskell Company	27,261	Renewal

## KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
801 Corporate Centre Dr.	St. Charles I-64	Schneider Electric Company   Francis Howell	99,999	\$6.3M   \$63
1500 Park Avenue	Central West End	Hospital Development Avenue LLC   Cozard Group	86,292	N/A   N/A
5651 Phantom Dr.	Hazelwood	N/A   SBRE XV LLC	25,107	N/A   N/A

