

# MARKETBEAT

# ST. LOUIS



Office Q3 2021

YoY Chg 12-Mo. Forecast

**15.8%**  
Vacancy Rate ▲ ▲

**-981K**  
YTD Net Absorption, SF ▼ ▼

**\$22.25**  
Asking Rent, PSF ▼ ▬

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

## ECONOMIC INDICATORS Q3 2021

YoY Chg 12-Mo. Forecast

**1.3M**  
St. Louis Employment ▲ ▲

**4.6%**  
St. Louis Unemployment Rate ▼ ▼

**5.2%**  
U.S. Unemployment Rate ▼ ▼

*Source: BLS, Moody's Analytics  
2021Q3 data are based on latest available data*

## ECONOMIC OVERVIEW

St. Louis's unemployment rate ended the third quarter of 2021 at 4.6%, a 250 basis-point (bps) reduction since September 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 95.5% of pre pandemic levels as of August 2021. The U.S. unemployment rate ended the third quarter of 2021 at 5.2%, 60 bps above the unemployment rate in St. Louis.

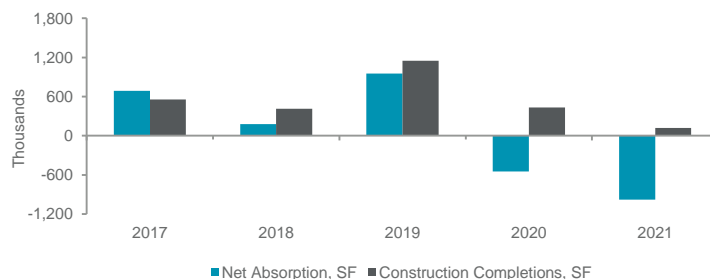
## SUPPLY AND DEMAND: Sublease Wave Weakens, Quarter-Over-Quarter Vacancy Holds Steady

Once again ending the period at 15.8%, stable vacancy for the quarter represents a significant shift from the prior four quarters, which recorded an average quarterly increase in vacancy of 103 bps. One driver of stability has been a dramatic slow-down in the pace of sublease space being added to the market. Of note, the Olin Corporation took 12,300 square feet (sf) of sublease availability off the market at 7777 Bonhomme Avenue in Clayton. In West County, ViJon agreed to terms on a 23,000-sf sublease formerly occupied by Rabo AgriFinance at 635-645 Maryville in Chesterfield. Quarter-over-quarter, the amount of space available for sublease decreased by over 150,000 sf or roughly 20.8% of the total sublet availability added to the market since the start of the pandemic.

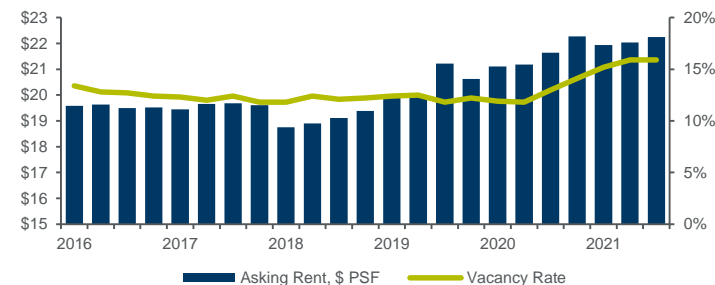
## PRICING: Pricing on Closed Deals Tells Different Story than Elevated Asking Rates

Quarter-over-quarter, overall asking rates weighted on available square footage increased to \$22.25 per square foot (psf), marking a 1.0% increase for the period. Though asking rates continue to see moderate stability or even growth in the face of the pandemic, pricing on actual deals suggests that landlords are increasingly willing to negotiate for certainty of occupancy. One such indicator of this trend has been effective rents on class A deals in West County. Comparing the first three quarters of 2021 against the same time frame in 2019, current effective rates of \$22.73 are 5.4% lower on average and roughly \$4.19 psf below the current average class A asking rate. Driving the decrease in effective rates has been the general increase in the amount of free rent and tenant improvement allowance offered to occupiers in order to attract a long-term commitment.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



### West County

Occupier activity in West County was relatively quiet for the period as the submarket tracked net absorption totaling just negative 2,046 sf, bringing year-to-date net absorption to negative 360,000 sf. Despite the temporary lull in new leasing, strong capital markets activity in West County made headlines in the third quarter. Of note, Sovereign Capital Management took down the 100% leased, 182,000-sf Corporate Hill IV building in Des Peres for an \$47.7m or \$261.05. The purchase marks Sovereign Capital's first foray into the St. Louis market. In Creve Coeur, Bamboo Equity continued its buying spree by snapping up 680 Craig Road from Larson Financial in an off-market deal for \$4.2m or \$80.19 psf. The firm intends to invest an additional \$3.0m in renovations and looks to capitalize on budget-friendly space in a growing Creve Coeur office market.

### Clayton

In one of the most high-profile transactions of the year, Clayton tracked the sale of the Shaw Park Plaza building at 1 North Brentwood. Acquired by Los Angeles-based Tryperion Partners, the 275,000-sf building closed in August for \$52.7m (192.22 psf). This deal marks Clayton's most significant transaction since Lingerfelt Commonwealth Partners acquired Pierre Laclede Center I and II in June of 2019 totaling nearly 600,000 sf of class A inventory for \$92.7m (\$160.13 psf). Occupier activity for the quarter was subdued as net absorption totaled just positive 1,015 sf. Of this activity, the largest movement was EaglePicher Technologies' decision to vacate 11,000 sf at 120 South Central. For the year, most of the negative absorption was concentrated at 101 South Hanley, at which over 60,000 sf of space has been vacated by tenants such as Ascension, Sirius Computer Solutions, and Varsity Tutors.

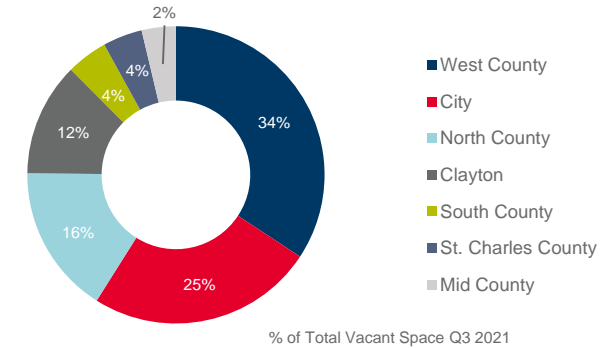
### St. Louis City

The City submarket built on what has been a relatively active year with a handful of newly inked deals and announcements that highlight the City's implicit strengths. The largest movement for the year was the completion and occupancy of Square's 205,000-sf office redevelopment at the former Post-Dispatch Headquarters building Downtown. Down the street from Square's signature office project, another major redevelopment is underway at the Globe building (710 North Tucker). The 626,000-sf building is undergoing a \$34m-renaissance that has equipped a component of its office space with *Sensitive Compartmented Information Facility* (SCIF) specifications catered towards companies or contractors that handle highly secret information. Across the City in Cortex, a newly proposed building aims to cater to the same occupiers that would consider the Globe building. Expected to break ground soon and welcome tenants in 2023, the 220,000-sf development by Westway Services Group will also be outfitted with SCIF build-outs and highlights the Cortex's intention to attract activity in the growing defense and geospatial sectors that have typically favored the Downtown submarket.

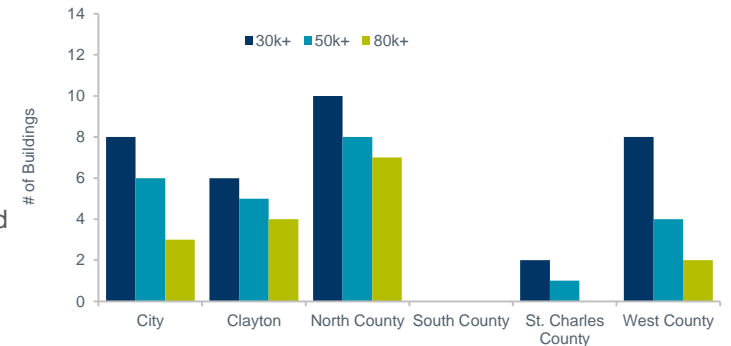
### Outlook

- 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

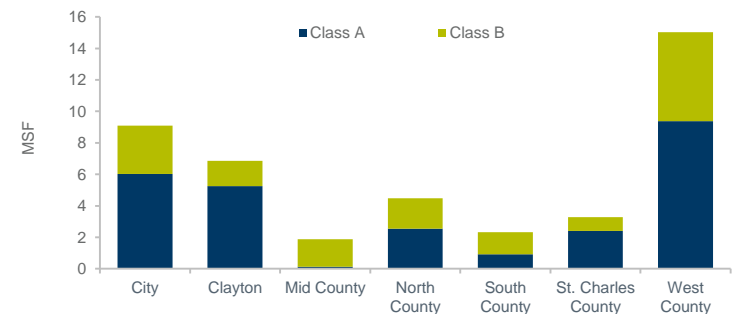
### VACANT SPACE BY SUBMARKET



### 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	1,672,444	249,033	19.4%	141,629	166,492	85,454	0	\$17.77	\$19.51
St. Louis City	11,084,117	1,746,967	249,033	18.0%	141,629	130,891	89,754	0	\$17.87	\$19.51
Clayton	7,864,750	869,777	128,081	12.7%	1,015	-188,703	232,139	457,168	\$29.29	\$32.80
Mid-County	2,173,383	299,584	980	13.8%	-33,343	-161,564	50,905	0	16.88	N/A
North County	5,793,844	1,312,432	0	22.7%	-10,681	-287,017	71,802	0	\$17.64	\$19.85
South County	2,682,052	341,877	19,864	13.5%	-18,379	-63,388	65,246	0	\$22.59	\$21.96
St. Charles	3,632,171	338,761	8,249	9.6%	-79,575	-52,151	78,020	0	\$21.13	\$23.29
West County	17,796,147	2,452,582	318,875	15.6%	-2,046	-359,278	581,612	0	\$23.41	\$26.56
<b>ST. LOUIS TOTALS</b>	<b>51,026,464</b>	<b>7,361,980</b>	<b>725,082</b>	<b>15.8%</b>	<b>-1,380</b>	<b>-981,210</b>	<b>1,169,478</b>	<b>457,168</b>	<b>\$22.25</b>	<b>\$25.09</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	30,890,817	3,740,920	461,164	13.6%	146,200	-497,717	768,489	457,168	\$25.39	\$25.09
CLASS B	20,135,647	3,621,060	263,918	19.3%	-147,580	-483,493	400,989	0	\$18.77	\$18.69
<b>ST. LOUIS TOTALS</b>	<b>51,026,464</b>	<b>7,361,980</b>	<b>725,082</b>	<b>15.8%</b>	<b>-1,380</b>	<b>-981,210</b>	<b>1,169,478</b>	<b>457,168</b>	<b>\$22.31</b>	<b>\$22.25</b>

## KEY LEASE TRANSACTIONS Q3 2021

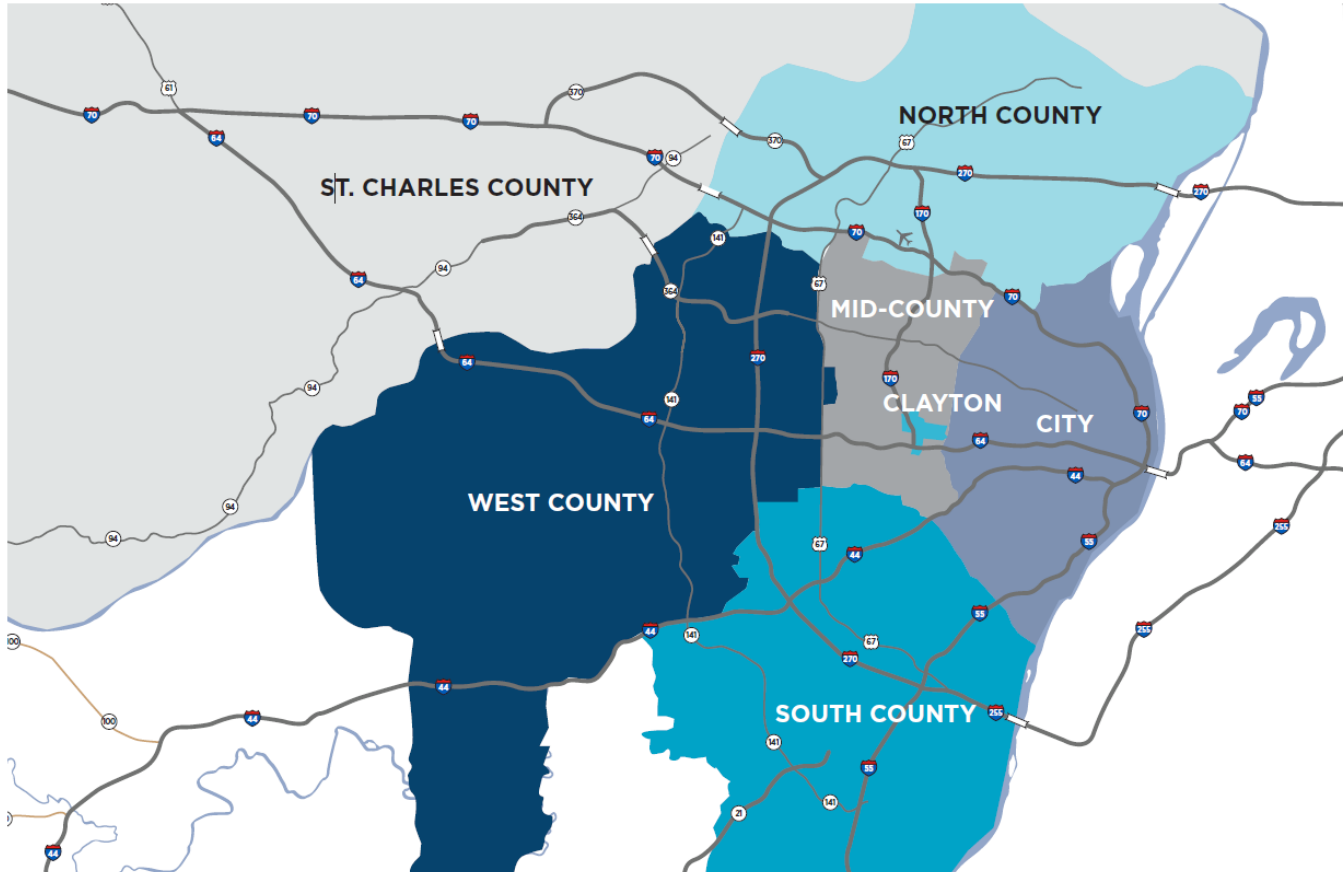
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1 N. Brentwood Blvd.	Clayton	Benjamin F. Edwards & Company	43,204	Expansion/Extension
7733 Forsyth Blvd	Clayton	Morgan Stanley Smith Barney	27,869	Renewal
7777 Bonhomme Avenue	Clayton	Riot Games	23,951	Renewal
625 Maryville Centre Dr.	Chesterfield	AMDOCS, Inc.	23,802	New
635-645 Maryville Centre Dr.	Chesterfield	ViJon	23,030	New

## KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1 N. Brentwood Blvd.	Clayton	MEPT Shaw Park Plaza   Tryperion Partners	274,272	\$52.7M   \$192
12800 Corporate Hill Dr.	Des Peres	Franklin Partners LLC   Sovereign Capital Mgmt	182,723	\$47.7M   \$261
2127 Innerbelt Business Center Dr.	Olivette	Innerbelt Business Center   Clayco Realty Group	45,461	\$4.0M   \$87



OFFICE SUBMARKETS



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