

# MARKETBEAT

# ST. LOUIS



Office Q4 2021

YoY Chg 12-Mo. Forecast

**15.8%**  
Vacancy Rate ▲ ▲

**-980K**  
YTD Net Absorption, SF ▼ ▼

**\$22.21**  
Asking Rent, PSF ▼ ▬

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

## ECONOMIC INDICATORS Q4 2021

YoY Chg 12-Mo. Forecast

**1.4M**  
St. Louis Employment ▲ ▲

**3.9%**  
St. Louis Unemployment Rate ▼ ▲

**4.2%**  
U.S. Unemployment Rate ▼ ▼

Sources: BLS, Moody's Analytics, St. Louis Business Journal  
2021 Q4 data are based on latest available data

## ECONOMIC OVERVIEW

St. Louis's unemployment rate ended the fourth quarter of 2021 at 3.9%, a 130 basis-point (bps) reduction since December 2020. While continuing to move in the right direction, the size of the St. Louis labor force is still somewhat below levels seen in January 2020. As of October 2021, the most recent observation at present, the labor force has risen to 97.3% of its pre-pandemic size. The U.S. unemployment rate ended the third quarter of 2021 at 4.2%, 30 bps above the unemployment rate in St. Louis.

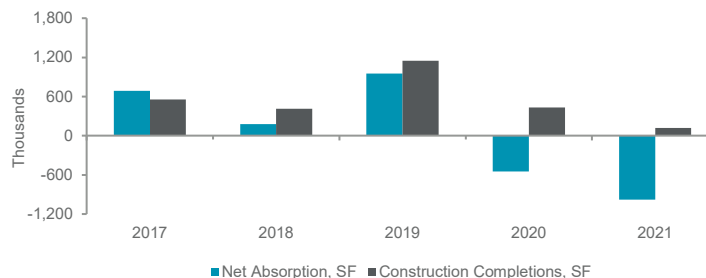
## SUPPLY AND DEMAND: Quarter-Over-Quarter Vacancy Holds Steady

Vacancy for the fourth quarter shifted only 10 bps, landing at 15.8% and maintaining the stabilization observed in the previous quarter. Sublease activity increased by 170,000 square feet (sf), however, returning to its second-quarter levels. This equated to a 14.5% increase in space available for sublease, the majority of which was in the City's high-growth Cortex innovation district.

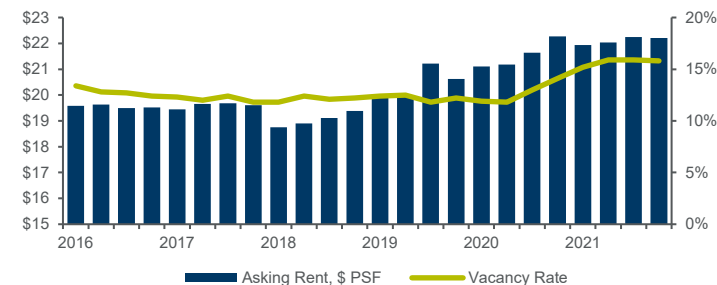
## PRICING: Asking Rates Dip, Effective Rates Rise

Quarter-over-quarter, overall asking rates weighted on available square footage decreased slightly to \$22.21 per square foot (psf), marking a 0.2% decrease for the period. This shift in trend from the previous quarter should not be relied on too heavily, however, for two reasons. First, given the volatility introduced by the pandemic, the magnitude of this change is relatively low. Second, effective rates buck this trend. In fact, effective rates show a 7.7% increase when comparing Class A office rents for 2021 against the same for 2019. This discrepancy could be explained by remembering the definition of each rate type; large vacancies with lower asking rents can skew overall asking rates regardless of whether deals are getting done in those buildings, while effective rates are a true indicator of how much tenants are willing to pay for the spaces they want in the market. The increase in effective rents demonstrates that asking rates alone fail to tell the story of what's occurring in the market.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



### West County

Occupier activity rebounded in West County during this quarter, as the submarket tracked quarterly net absorption of 168,677 sf, bringing year-to-date net absorption to negative 213,000 sf. West County capital markets activity remained strong throughout the quarter, closing a record year for office building sale prices in St. Louis. Harrison Street, a Chicago-based private equity firm, purchased Benson Hill’s Creve Coeur headquarters building (1001 North Warson Road) for \$92.2m (\$607 psf). The lab space was originally built for \$52m. During 2021, a record number of office buildings in the St. Louis market sold for more than \$200 psf, most of which were located in West County.

### Clayton

Leasing and capital markets activity in Clayton were both muted for the quarter. Overall net absorption for the period settled at negative 28,000 sf, and the submarket’s overall vacancy rate closed the year at 13%, 280 bps below the St. Louis market average of 15.8%. In a significant deal of the fourth quarter, Simmons Bank leased 17,000 sf at 7800 Forsyth Boulevard and will occupy the space during the first quarter of 2022. The Cannonball Agency inked the largest Clayton deal of the quarter with a 22,000-sf renewal at 8251 Maryland Avenue.

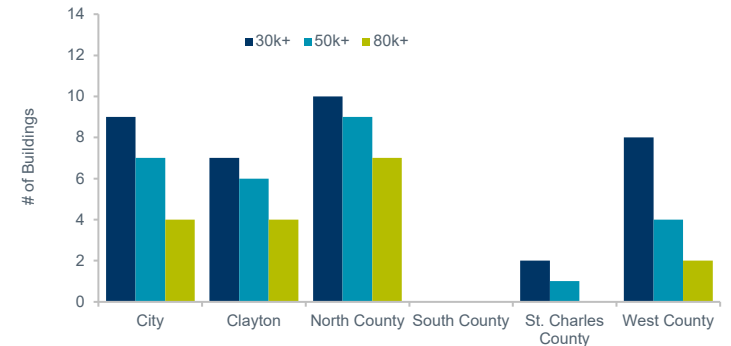
### St. Louis City

Downtown drove positive absorption for the submarket over the course of the year and was home to multiple newsworthy sales, though it saw quarterly net absorption dip below negative 100,000 sf. Most of the vacancies occurred due to a number of tenants vacating 505 North Seventh Street and 701 Market Street. The largest deal of the year occurred in the fourth quarter, when the 1-million-square-foot Metropolitan Square (the second-largest office building in St. Louis and the largest Class A space) traded for \$120m (\$114 psf). US Bank also sold a portfolio that included its 600,000-sf office tower at 505 North Seventh Street during the quarter. The price for that transaction was undisclosed. The City should continue to see substantial growth from new developments located in the Cortex, including a new phase of City Foundry being developed by New + Found. This project is expected to cost \$125m and complete in 2024. Of particular note, this phase of the development is planned to bring the first mass timber building to St. Louis. “Mass timber” is used to refer to commercial buildings with a structure of engineered wood, which provides environmental and fire safety benefits, along with reduced construction time when compared against traditional steel-frame buildings.

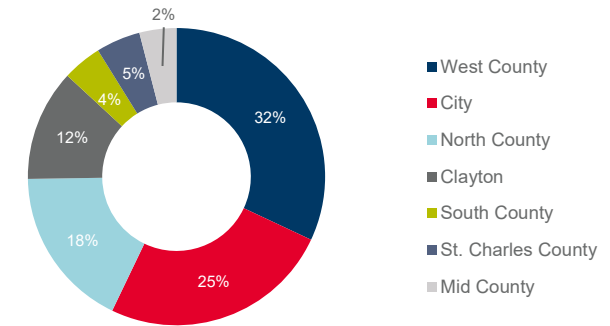
### Outlook

- The flight to quality will continue in the St. Louis market, matching national trends
- Expect continued growth in the region’s innovation centers, including the 39 North Innovation District in Creve Coeur and the Cortex Innovation District in the City
- Inflation is unlikely to pose a risk to property values or the commercial real estate market as a whole

### CLASS A CONTIGUOUS SPACE

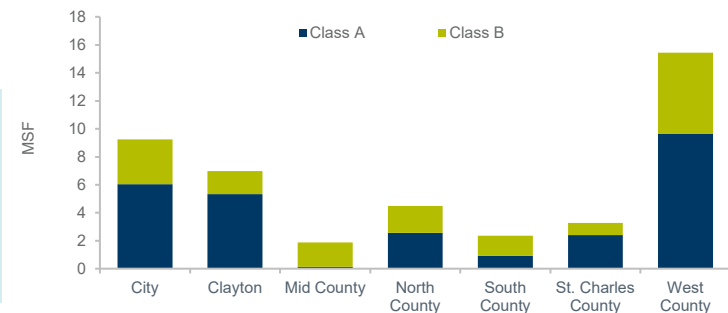


### VACANT SPACE BY SUBMARKET



% of Total Vacant Space Q4 2021

### OCCUPIED SPACE



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CONST. (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD (Downtown)	9,911,569	1,778,792	238,892	20.40%	-106,425	67,160	162,483	0	\$17.56	\$18.72
<b>St. Louis City</b>	<b>11,084,117</b>	<b>1,848,315</b>	<b>262,241</b>	<b>19.00%</b>	<b>-124,774</b>	<b>13,210</b>	<b>166,783</b>	<b>0</b>	<b>\$17.91</b>	<b>\$19.08</b>
Clayton	7,864,750	891,097	131,277	13.00%	-28,052	-215,483	349,504	457,168	\$29.09	\$32.77
Mid County	2,173,383	295,909	980	13.70%	3,675	-157,889	54,580	0	\$16.88	N/A
North County	5,795,385	1,296,463	0	22.40%	-14,031	-271,048	108,219	0	\$17.64	\$19.85
South County	2,682,343	313,741	19,864	12.40%	-1,935	-66,940	123,156	0	\$22.77	\$23.18
St. Charles	3,632,171	354,816	8,249	10.00%	-16,055	-68,206	78,020	0	\$21.44	\$24.24
West County	17,796,147	2,350,552	271,169	14.70%	168,677	-213,754	875,183	0	\$23.51	\$26.57
<b>ST. LOUIS TOTALS</b>	<b>51,028,296</b>	<b>7,350,893</b>	<b>693,780</b>	<b>15.80%</b>	<b>-12,495</b>	<b>-980,110</b>	<b>1,755,445</b>	<b>457,168</b>	<b>\$22.21</b>	<b>\$24.72</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 (SF)**	YTD OVERALL NET ABSORPTION (SF)**	YTD LEASING ACTIVITY (SF)**	UNDER CONST. (SF)	DIRECT AVG ASKING RENT*	OVERALL AVG ASKING RENT*
CLASS A	30,892,358	3,840,286	433,118	13.80%	-62,130	-575,062	1,090,979	457,168	\$24.87	\$24.72
CLASS B	20,135,938	3,510,607	260,662	18.70%	49,635	-405,048	664,466	0	\$18.74	\$18.65
<b>ST. LOUIS TOTALS</b>	<b>51,028,296</b>	<b>7,350,893</b>	<b>693,780</b>	<b>15.80%</b>	<b>-12,495</b>	<b>-980,110</b>	<b>1,755,445</b>	<b>457,168</b>	<b>\$22.22</b>	<b>\$22.21</b>

## KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
8555 University Place Dr.	Hazelwood	Express Scripts	316,541	Renewal
2351 Market St.	Downtown	Tiber Health Public Benefit Corporation	56,743	New
111 Corporate Office Dr.	Earth City	LVD Concepts, Inc.	36,417	New
575 Maryville Centre Dr.	Chesterfield	MECS, Inc.	32,271	New
1400 S. Highway Dr.	Fenton	8th Ave Foods	30,000	New

## KEY SALES TRANSACTIONS Q4 2021

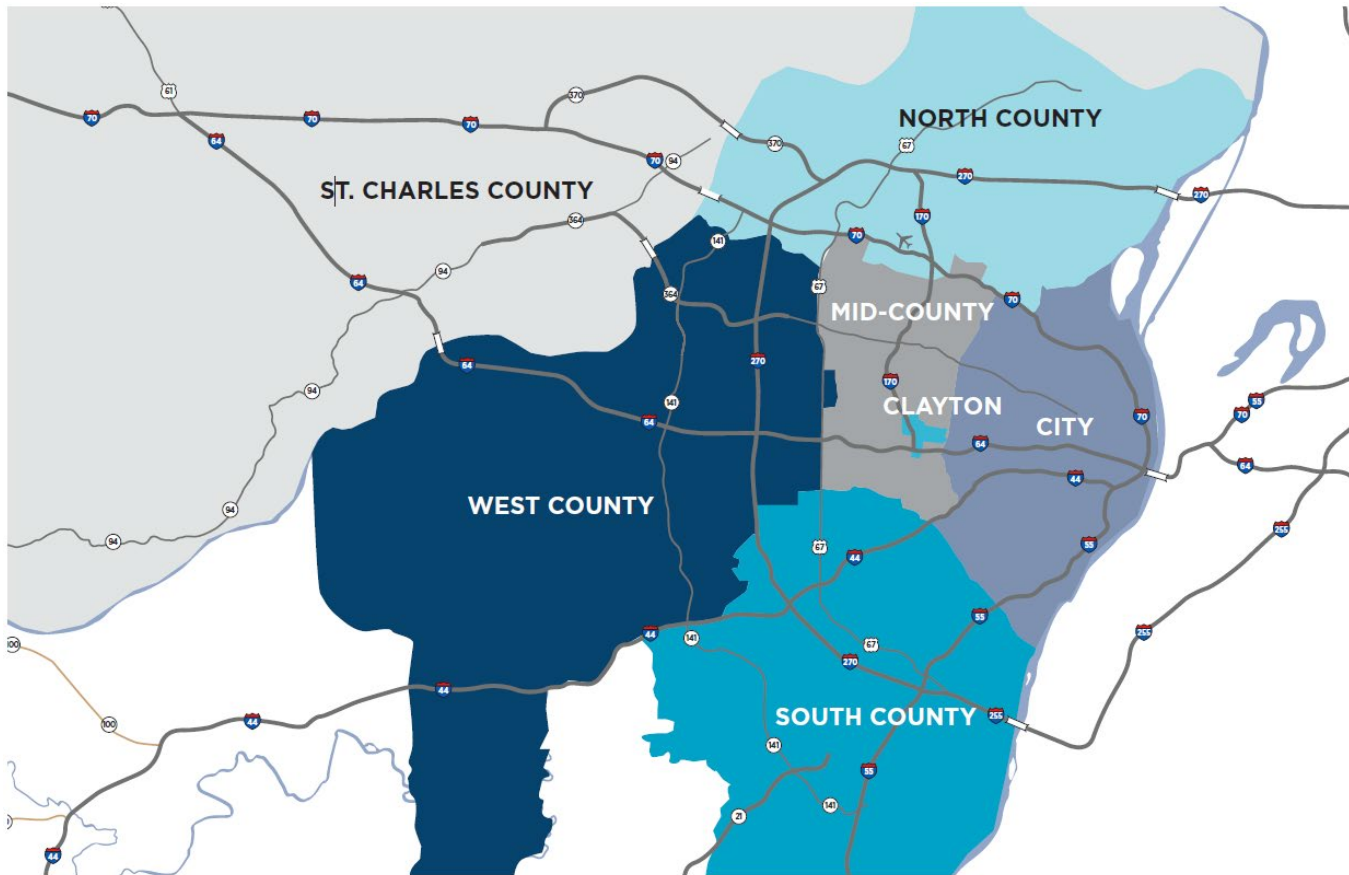
PROPERTY	SUBMARKET	SELLER   BUYER	SF	PRICE   \$ PSF
211 N. Broadway*	Downtown	Gotham Realty   Sax Ventures	1,051,000	\$120.0M   \$114
505 N. Seventh St.	Downtown	US Bank   Crescent Investment Group, MAP	641,604	Undisclosed; part of multi-city portfolio
1001 N. Warson Rd.	West County	Larson Capital Management   Harrison Street	151,829	\$92.2M   \$607

\*Leased Fee Sale





## OFFICE SUBMARKETS



### Luke Shaffer

Research Manager

Tel: +1 636 373 8087

[luke.shaffer@cushwake.com](mailto:luke.shaffer@cushwake.com)

### Jacob Cottrell

Research Analyst

Tel: +1 314 391 2509

[jacob.cottrell@cushwake.com](mailto:jacob.cottrell@cushwake.com)

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