

MARKETBEAT

ST. LOUIS



Office Q1 2022

	YoY Chg	12-Mo. Forecast
15.7% Vacancy Rate	▲	▼
-120K YTD Net Absorption, SF	▲	▲
\$22.12 Asking Rent, PSF	▲	▬

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

ECONOMIC INDICATORS Q1 2022

	YoY Chg	12-Mo. Forecast
1.4M St. Louis Employment	▲	▲
4.1% St. Louis Unemployment Rate	▼	▬
3.6% U.S. Unemployment Rate	▼	▼

*Sources: BLS, Moody's Analytics, St. Louis Business Journal
2022Q1 statistics are based on latest available data*

ECONOMIC OVERVIEW

The unemployment rate in St. Louis ended the first quarter of 2022 at 4.1%, a 40 basis-point (bps) reduction since March 2021. The labor force is nearing full recovery from the COVID-19 pandemic, with the size of the St. Louis labor force being about 30,000 workers larger than it was at the end of 2021. As of the most recent observation from March 2022, the St. Louis labor force has risen to over 99% of its pre-pandemic size. The U.S. unemployment rate ended the first quarter of 2022 at 3.6%, 50 bps below the unemployment rate in St. Louis.

SUPPLY AND DEMAND: Vacancy Holds Steady, Flight-to-Quality Continues

Vacancy for the first quarter shifted only 10 bps, rising to 15.7% and maintaining the stability observed in the previous two quarters. Driven by continued flight-to-quality, the Class A vacancy rate of 13.8% ended the quarter 460 bps below the Class B average. Of the St. Louis markets, South County has the lowest class A vacancy rate at 6.5%, while St. Charles has the lowest class B vacancy rate at 7.8%

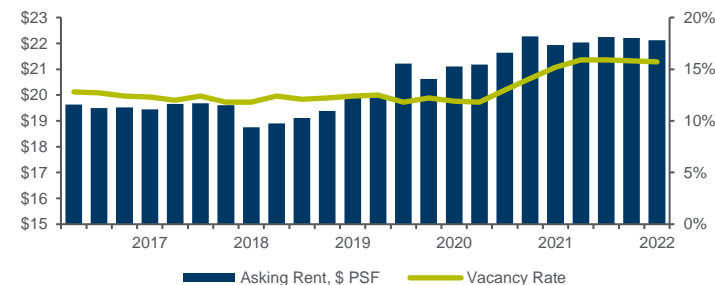
PRICING: Overall Asking Rates Dip, Not All Markets Experience Decline

Quarter-over-quarter, overall asking rates weighted on vacant square footage decreased slightly to \$22.12 per square foot (psf) from \$22.21 psf in the final quarter of 2021. This marks a 0.4% decrease in overall asking rates for Q1 2022. The magnitude of the change is relatively low given the office market volatility resulting from the pandemic. Additionally, this decrease was not felt uniformly by all St. Louis markets and submarkets. For example, the Mid County submarket experienced an increase in the price of overall asking rates to \$17.37 psf in Q1 2022, up from \$16.88 psf in Q4 2021. As organizations return to the office the desire for high-quality class A space continues to outpace that of class B. The relative influx of class B space becoming available within the market is one factor causing the slight decline in overall asking rates in St. Louis.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



West County

Occupier activity decreased in West County during the first quarter, as the submarket tracked quarterly net absorption of negative 72,517 sf. The West County submarket produced a single sale for the quarter. Powell Partners LLC, purchased a class B building in Chesterfield (14522 S. Hwy 40 Outer Rd.) for \$8.1m (\$93 psf). Despite slower activity, there remains plans to expand the office market in West County. At current, there are four proposed office buildings in West County totaling more than 475,000 sf, all of which are part of the \$500m mixed-use Wildhorse Village development in Chesterfield. Though the initial multifamily phases have already broken ground or delivered, the proposed office building is not expected to deliver until 2024 at the earliest.

Clayton

First quarter office market activity in Clayton marked an uptick from prior quarters. Overall net absorption for the period settled at positive 58,718 sf, further lowering the submarket's overall vacancy rate to 12.3%, 340 bps below the St. Louis market average of 15.7%. Of note, the Hermann Company expanded from 5,636 sf to 10,590 sf at 7701 Forsyth Boulevard and plans to occupy the additional space during the third quarter of 2022. Of the St. Louis markets, Clayton produced the highest positive net absorption for Q1 2022 and continues to command the highest gross asking rates in the region.

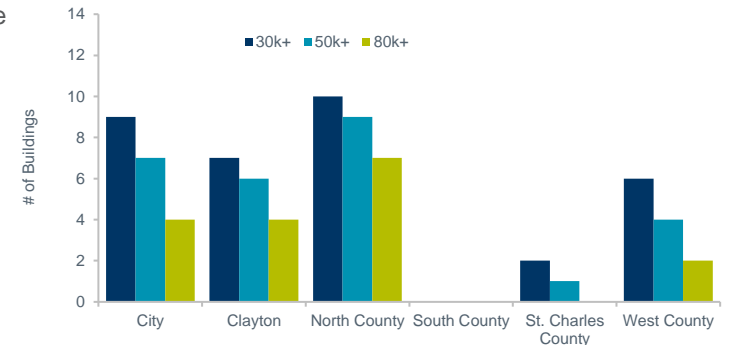
St. Louis City

St. Louis City experienced negative 88,564 sf in net absorption for the first quarter of 2022. The City should continue to see substantial growth from new developments located within the Cortex Innovation District, 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 primarily engineered with wood materials. Mass timber has many environmental and fire safety benefits and also reduces construction time when compared against traditional steel-frame buildings.

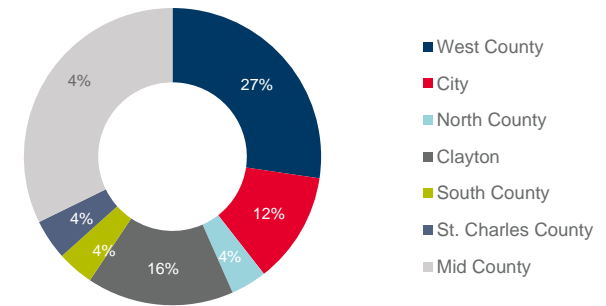
Outlook

- 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
- 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.

CLASS A CONTIGUOUS SPACE

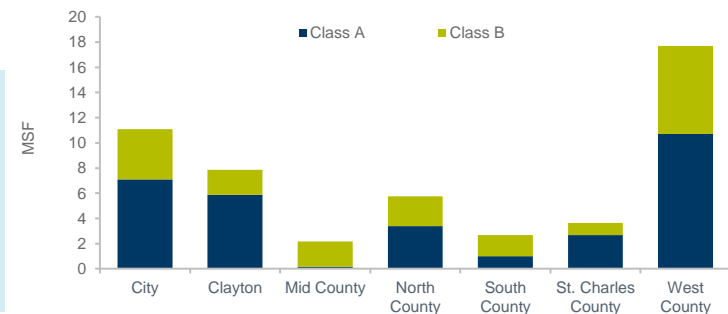


VACANT SPACE BY SUBMARKET



% of Total Vacant Space Q1 2022

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	1,886,260	196,513	21.0%	-88,584	-88,584	76,310	0	\$17.99	\$19.29
St. Louis City	11,084,117	1,955,783	219,862	19.6%	-88,584	-88,584	76,310	83,000	\$18.31	\$19.61
Clayton	7,864,750	847,036	117,750	12.3%	58,718	58,718	79,663	457,168	\$28.56	\$32.14
Mid County	2,173,383	310,899	980	14.4%	-14,990	-14,990	9,575	0	\$17.37	N/A
North County	5,741,784	1,273,599	0	22.2%	-31,040	-31,040	255,498	0	\$20.81	\$22.42
South County	2,682,343	316,860	0	11.8%	15,318	15,318	25,060	0	\$22.66	\$22.84
St. Charles	3,632,171	341,690	8,249	9.6%	13,126	13,126	13,126	0	\$19.81	\$22.06
West County	17,694,920	2,226,305	340,476	14.5%	-72,517	-72,517	68,707	0	\$23.46	\$26.26
ST. LOUIS TOTALS	50,873,468	7,272,172	687,317	15.7%	-119,969	-119,969	527,939	540,168	\$22.12	\$24.30

*Rental rates reflect gross asking \$psf/year and are weighted on vacant 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	3,917,588	356,494	13.8%	-11,020	-11,020	446,490	540,168	\$24.39	\$24.30
CLASS B	19,981,110	3,354,584	330,823	18.4%	-108,949	-108,949	81,449	0	\$18.75	\$18.63
ST. LOUIS TOTALS	50,873,468	7,272,172	687,317	15.7%	-119,969	-119,969	527,939	540,168	\$22.14	\$22.12

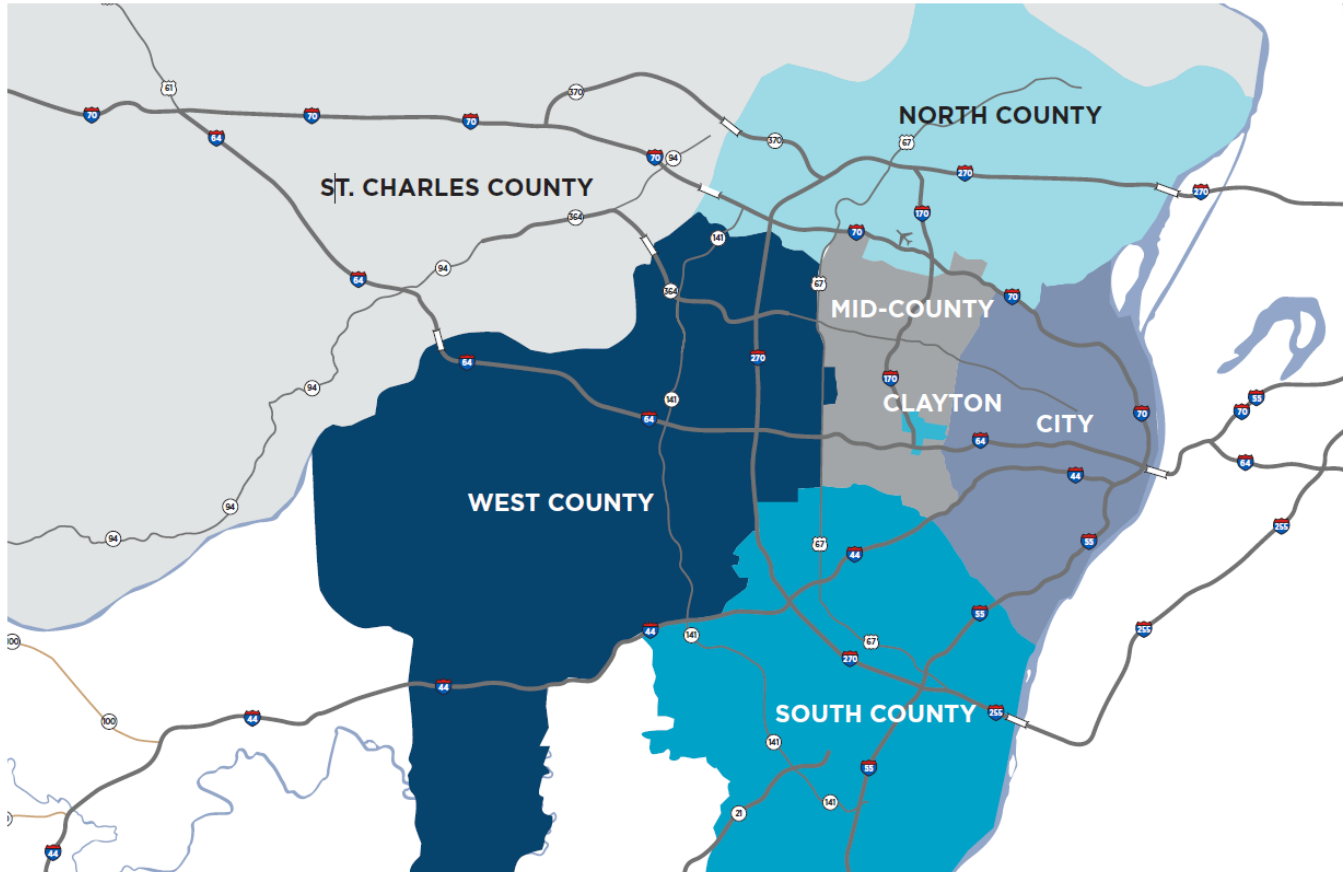
KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
13736 Riverport Dr.	Earth City	Charter Communications	255,498	Renewal/Expansion
701 Market St.	Downtown	Hepler Broom	20,317	New
12400 Olive Blvd.	Creve Coeur	CBD Kratom	19,653	New
1 CityPlace Dr.	Creve Coeur	TEKsystems	15,941	Renewal
7701 Forsyth Blvd.	Clayton	Hermann Companies	10,590	Renewal/Expansion

KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE \$ PSF
14522 S. Hwy 40 Outer Rd.	Chesterfield	Triangle Capital Group Power Partners	86,840	\$8.1M \$93
1699 S. Hanley Rd.	Richmond Heights	1699-1701 South Hanley Road Gillespie & Powers	49,651	\$3.5M \$71

OFFICE SUBMARKETS



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