

# MARKETBEAT ST. LOUIS

Office Q2 2022



CUSHMAN &  
WAKEFIELD

**15.9%**

Vacancy Rate

YoY  
Chg



12-Mo.  
Forecast



**-298K**

YTD Net Absorption, SF



**\$22.20**

Asking Rent, PSF



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

## ECONOMIC INDICATORS Q2 2022

**1.4M**

St. Louis  
Employment

YoY  
Chg



12-Mo.  
Forecast



**3.4%**

St. Louis  
Unemployment Rate



**3.6%**

U.S.  
Unemployment Rate



Sources: BLS, Moody's Analytics,  
St. Louis Business Journal  
2022Q2 statistics are based on  
latest available data

## ECONOMIC OVERVIEW

The unemployment rate in St. Louis ended Q2 2022 at 3.4%, a 100 basis-point (bps) reduction since Q1 2021. The U.S. unemployment rate ended Q2 2022 at 3.6%, 20 bps above the unemployment rate in St. Louis. Despite the solid unemployment statistics, there remains some economic concerns within the United States as inflation has reached over 8.0%. The Federal Reserve is poised to fight inflation by raising interest rates and did so by three-quarters of a percentage point in June after two smaller hikes earlier in the year. Recession fears have begun to mount as the Federal Reserve prepares for another interest rate increase at the July meeting.

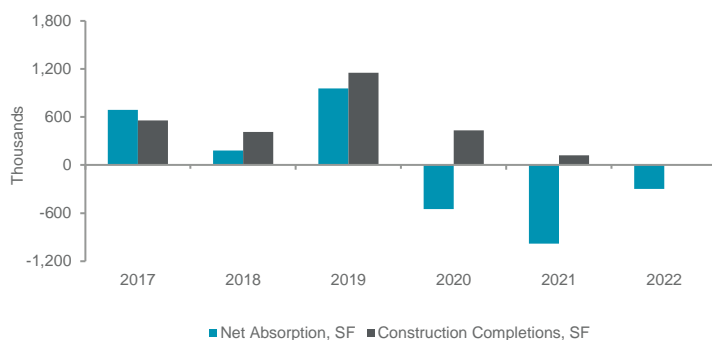
## SUPPLY AND DEMAND: Vacancy Slightly Increases, Flight-to-Quality Continues

Vacancy for the second quarter shifted only 20 bps, rising to 15.9%. Despite the slight increase, office vacancy over the past five quarters has been stable between 15.4% and 15.9%. Driven by continued flight-to-quality, the Class A vacancy rate of 13.7% ended the quarter 550 bps below the Class B average of 19.2%. The Class A vacancy rate is also 20 bps below what it was in Q2 2021. Additionally, Class A has seen over double the year-to-date (YTD) leasing activity that Class B has. There is currently 600,000 square feet (sf) of office space currently under construction, all of which is Class A.

## PRICING: Class A Rental Rates Rebound after Q1 Dip

Overall and Class A average asking rent rebounded and increased in Q2 2022, leading to the conclusion that the decrease experienced in Q1 was not indicative of a broader trend. West County experienced the largest overall average asking rent increase, rising to \$23.65 per square foot (psf) in Q2 2022 from \$23.47 psf in Q1 2022. Flight-to-quality was again reinforced in average asking rent. Class B average asking rent declined to \$18.53 psf from \$18.78 psf in Q1 2022. This decrease was felt the most in South County, where Class B average asking rent decreased by \$0.90 psf (- 3.9%) in Q2 2022.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT





## West County

West County saw negative absorption for Q2 2022 of 24,055 sf. Vacancy came in at 14.5% for the quarter, an 80-bps drop from Q2 2021. Accounting for one-third of the St. Louis office market inventory, West County is responsible for over half of all sublet stock at current. Despite the softer than normal office market, there remains interest in expanding West County's office inventory further. At current, there are four proposed office buildings in West County totaling more than 475,000 sf, all of which are part of the \$500 million mixed-use Wildhorse Village development in Chesterfield. Though the initial multifamily phases have already broken ground or delivered, the proposed office buildings are not expected to deliver until 2024 at the earliest.

## Clayton

Overall office vacancy in Clayton settled at 12.2% in Q2 2022, a 20 bps increase from Q1 2022. For Q2 2022, net absorption was negative 16,965 sf. However, YTD net absorption is still positive 41,753 sf, the highest of all the submarkets in the St. Louis MSA. Overall average asking rent increased \$0.10 psf to \$28.71 psf. Average asking rent in Clayton is over \$5.00 psf more than the second most expensive submarket. Meanwhile, Clayton continues to be a hub of office development in the St. Louis market. Forsyth Pointe and Commerce Tower, which are connected via parking garage, make-up the 517,000 sf of office space under-construction in Clayton. Both spaces are scheduled to deliver in the second half of 2023.

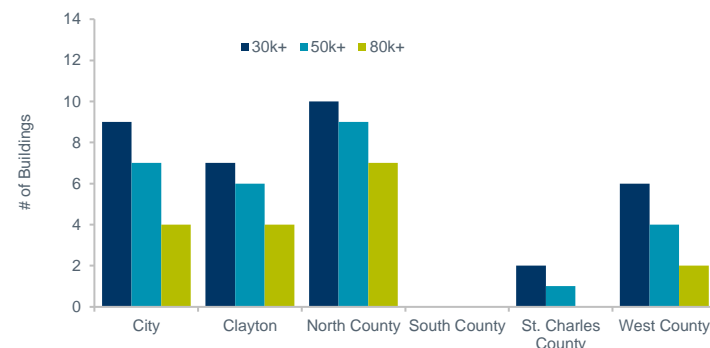
## St. Louis City

St. Louis City saw YTD leasing activity reach over 124,000 sf in Q2 2022, almost 70,000 sf higher than Q2 2021. The market experienced negative absorption for the quarter, with an additional 10,784 sf becoming vacant over the period. This is the third consecutive quarter with negative absorption. Vacancy rose to 19.4%, the highest vacancy rate in St. Louis City since Q1 2018. Despite this, the City continues to attract some of the most transformative developments across the entire region. In Midtown, The City Foundry's \$125 million second phase has begun construction. The development will house Vande East, an 83,000-sf office building that will be the first mass timber building in the St. Louis MSA. Additionally, the Cortex Innovation District has several proposed office buildings, including 4210 Duncan and Cortex K.

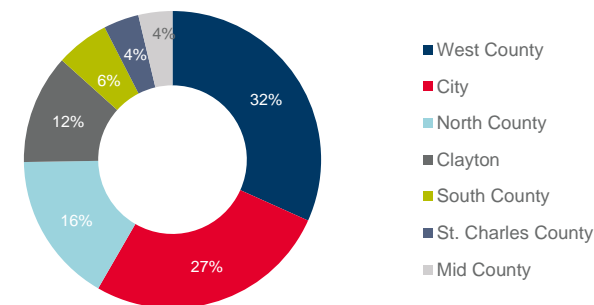
## Outlook

- 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 continues to evolve towards a higher quality, more flexible workplace

## CLASS A CONTIGUOUS SPACE

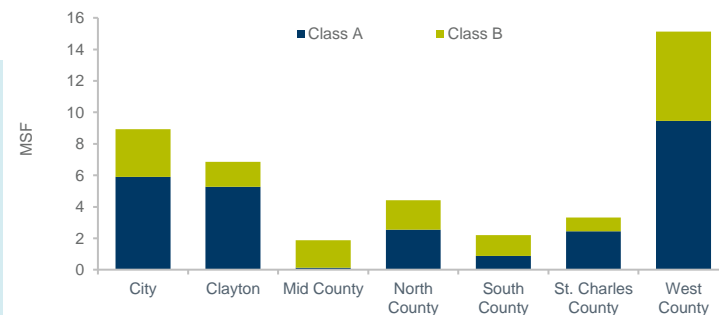


## VACANT SPACE BY SUBMARKET



% of Total Vacant Space Q2 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	1,839,837	216,280	20.7%	-34,133	-105,770	75,517	0	\$17.98	\$19.24
<b>St. Louis City</b>	<b>11,084,117</b>	<b>1,933,360</b>	<b>216,280</b>	<b>19.4%</b>	<b>-10,784</b>	<b>-82,421</b>	<b>124,497</b>	<b>83,000</b>	<b>\$18.45</b>	<b>\$19.76</b>
Clayton	7,864,750	853,275	103,663	12.2%	-16,965	41,753	222,591	517,000	\$28.71	\$32.42
Mid County	2,173,383	297,504	980	13.7%	0	-14,990	9,575	0	\$17.39	N/A
North County	5,741,784	1,324,462	0	23.1%	-55,839	-86,879	280,911	0	\$20.87	\$22.38
South County	2,682,253	470,908	0	17.6%	-71,530	-65,028	114,424	0	\$22.75	\$24.38
St. Charles	3,632,171	301,690	8,249	8.5%	0	13,126	30,345	0	\$19.81	\$22.06
West County	17,694,920	2,222,265	337,447	14.5%	-24,055	-103,540	262,234	0	\$23.65	\$26.47
<b>ST. LOUIS TOTALS</b>	<b>50,873,378</b>	<b>7,403,464</b>	<b>666,619</b>	<b>15.9%</b>	<b>-179,173</b>	<b>-297,979</b>	<b>1,044,577</b>	<b>600,000</b>	<b>\$22.20</b>	<b>\$24.37</b>

\*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	30,892,268	3,891,379	342,432	13.7%	-77,318	-74,722	731,447	600,000	\$24.49	\$24.37
CLASS B	19,981,110	3,512,085	324,187	19.2%	-101,855	-223,257	313,130	0	\$18.65	\$18.53
<b>ST. LOUIS TOTALS</b>	<b>50,873,378</b>	<b>7,403,464</b>	<b>666,619</b>	<b>15.9%</b>	<b>-179,173</b>	<b>-297,979</b>	<b>1,044,577</b>	<b>600,000</b>	<b>\$22.25</b>	<b>\$22.20</b>

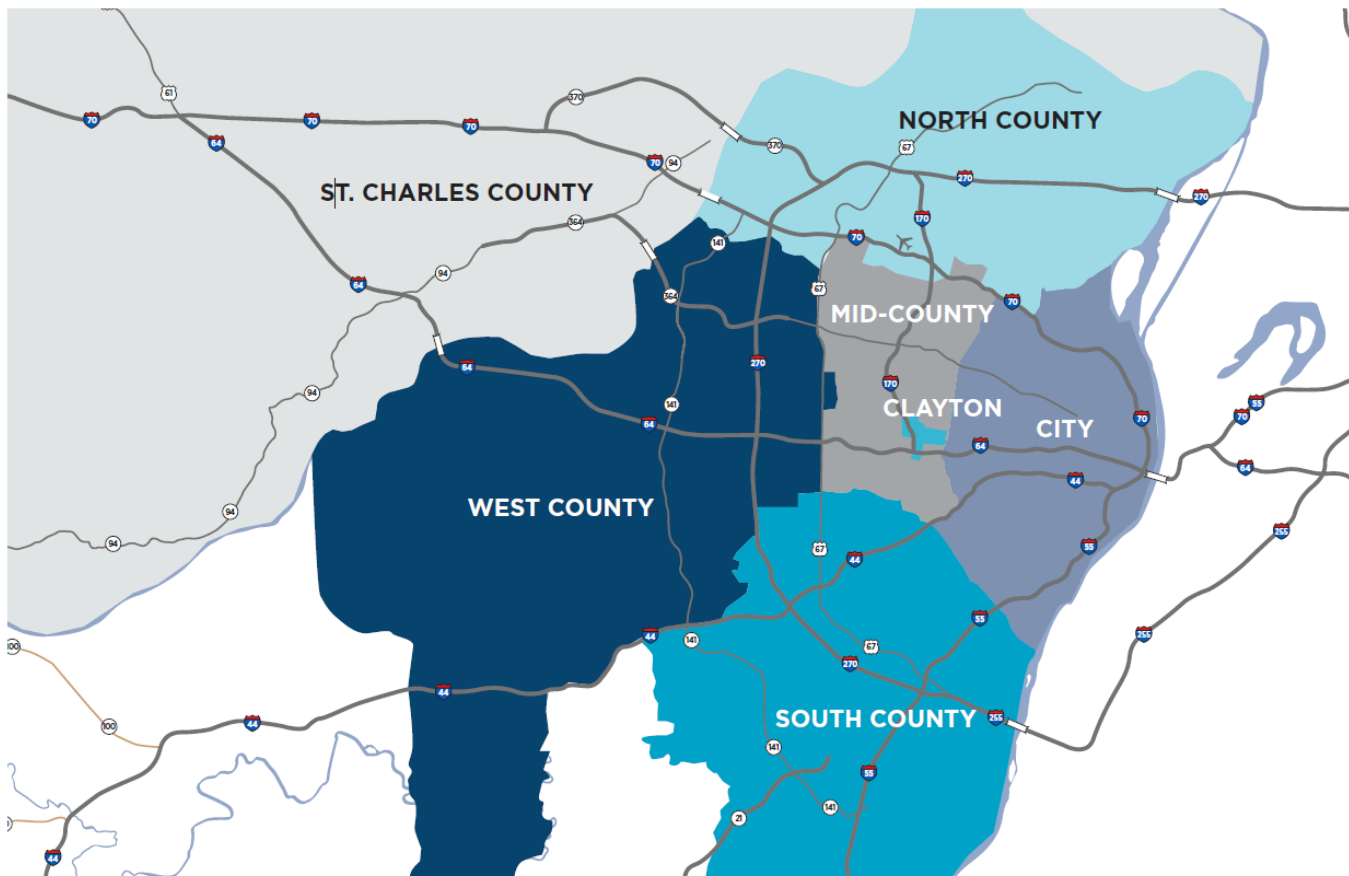
## KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1400 S. Highway Dr.	Fenton	Panera	77,679	New
7930 Clayton Rd.	Clayton	Arco Construction	57,934	New
390 S. Woods Mill Rd.	Chesterfield	Aspire, LLC	44,994	Renewal/Expansion
12645 Olive Blvd.	Creve Coeur	AssuredPartners of Missouri, LLC	20,317	New
1001 Highlands Plaza Dr.	Central West End	Jacobs Engineering Group	19,018	New

## KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER   BUYER	SF	PRICE   \$ PSF
13736 Riverport Dr.	Earth City	Vanderbilt/Starwood JV   Estein USA	317,891	\$36M   \$113.25



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