

MARKETBEAT

ST. LOUIS



Office Q3 2022

	YoY Chg	12-Mo. Forecast
16.9% Vacancy Rate	▲	▲
-587K YTD Net Absorption, SF	▼	▼
\$22.54 Asking Rent, PSF	▲	▬

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

ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
1.4M St. Louis Employment	▲	▲
2.9% St. Louis Unemployment Rate	▼	▲
3.5% U.S. Unemployment Rate	▼	▲

*Sources: BLS, Moody's Analytics, St. Louis Business Journal
2022Q3 statistics are based on latest available data*

ECONOMIC OVERVIEW

The unemployment rate in St. Louis ended Q3 2022 at 2.9%, a 160 basis-point (bps) reduction since Q3 2021. The U.S. unemployment rate ended Q3 2022 at 3.5%, 80-bps above the unemployment rate in St. Louis. Despite the solid labor market, growing recession concerns within the United States persist as the Federal Reserve continues to increase interest rates, attempting to corral inflation back towards their target goal of 2%. This contractionary monetary policy is also associated with a negative impact on GDP. Real GDP has already experienced two quarters of negative growth to start the year.

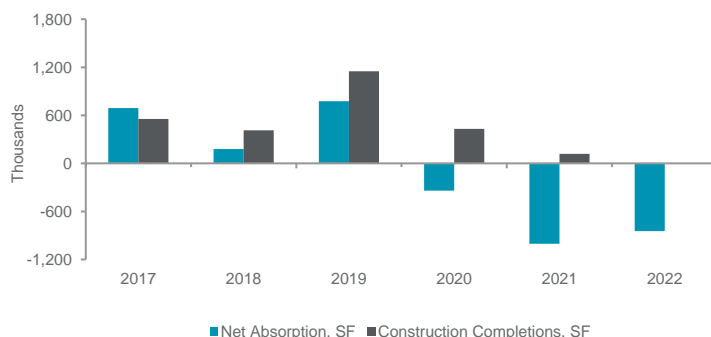
SUPPLY AND DEMAND: Vacancy Increases Across the Board

Vacancy for the third quarter shifted upwards by 120-bps, rising to 16.9%. Class A vacancy rate rose 170-bps, compared to a 30-bps rise in vacancy rates in Class B inventory. These increases were felt mostly in St. Louis' largest submarkets. St. Louis City, Clayton, and West County all saw overall vacancy rates increase in Q3 2022. Of these, West County was the only submarket where Class A and Class B vacancy rates both increased. The overall vacancy rate is the highest it has been since Q1 2013.

PRICING: Overall Rental Rates and Concessions Continue Their Ascent

Overall asking rates experienced a \$0.18 per square foot (psf) increase in Q3 2022, primarily due to a substantial influx of high-quality sublease space entering the market during the quarter and a continued holding pattern in direct asking rates from Class A landlords. Though asking rents rose slightly in Q3 due to the increase in the availability of quality product across the market, landlords are also providing significantly higher concessions. These concessions include free rent and tenant improvement allowances, lowering the effective rates and owner returns over the term of new leases and renewals.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



West County

West County experienced the addition of over 645,000 square feet (sf) of sublet space hitting the market during the third quarter. This space was the primary driver for the roughly 602,000-sf of negative absorption the submarket endured in Q3 2022. Vacancy jumped to 17.7%, up 340-bps from Q2 2022 and leasing activity this quarter was only 37.5% of what it was in Q2 2022. However, West County commands the second-highest asking rent within St. Louis at \$23.94 psf and had the highest level of leasing activity (94,000 sf) in all of St. Louis this quarter.

Clayton

Overall office vacancy in Clayton settled at 12.1% in Q3 2022, a 40-bps increase from Q2 2022. Class A vacancy rate in Clayton fell 30-bps to 9.7%, the second lowest of any submarket. Overall and Class A asking rents in Clayton decreased in Q3 2022 as high-quality Class A office space was absorbed. Clayton's average asking rent is nearly \$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 a parking structure, make up the 517,000-sf of office space under construction in Clayton. Both buildings are scheduled to deliver within the next year and are asking over \$40.00 psf (gross) while under construction.

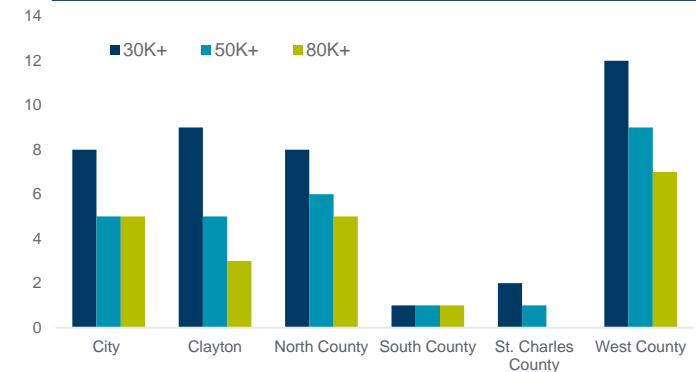
St. Louis City

St. Louis City saw year-to-date (YTD) new leasing activity reach over 186,000 sf in Q3 2022, almost 97,000 sf higher than in Q3 2021. Even with elevated leasing activity, St. Louis City still experienced the fourth consecutive quarter of negative absorption, ending Q3 2022 at 9,516 sf. Vacancy rose to 19.5%, 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 and will house St. Louis' first mass timber development, Vande East, an 83,000-sf office building. Additionally, the Cortex Innovation District has several proposed office buildings, including 4210 Duncan and Cortex K.

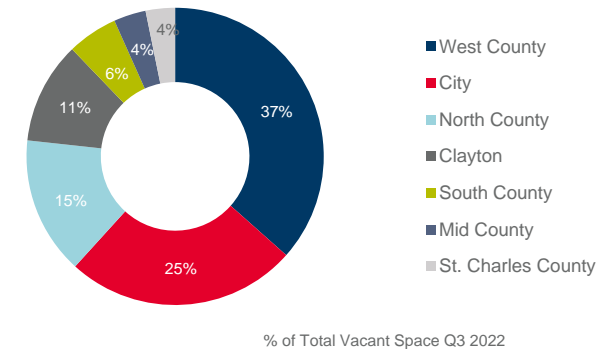
Outlook

- 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

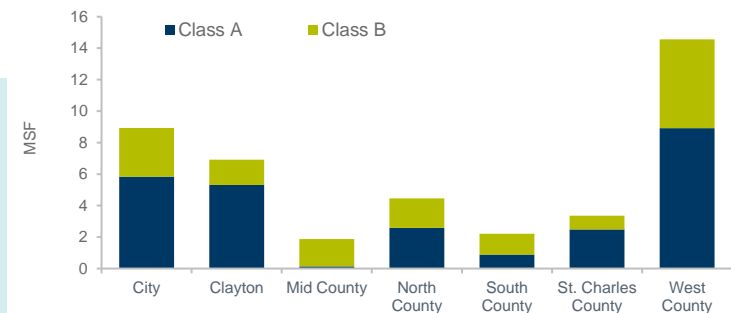
CLASS A CONTIGUOUS SPACE



VACANT SPACE BY SUBMARKET



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	1,826,915	216,280	20.6%	-11,179	-90,417	137,649	0	\$18.14	\$19.43
St. Louis City	11,084,117	1,941,133	216,280	19.5%	-9,516	-87,763	186,629	81,572	\$18.79	\$20.20
Clayton	7,864,750	878,178	72,091	12.1%	-28,575	32,375	277,194	517,000	\$28.84	\$32.35
Mid County	2,173,383	299,728	980	13.8%	0	-14,990	9,575	0	\$17.90	N/A
North County	5,741,784	1,289,709	0	22.5%	31,578	-54,205	87,139	0	\$20.93	\$22.33
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	261,956	8,249	7.4%	9,734	22,860	30,345	0	\$19.81	\$22.06
West County	17,696,177	2,184,065	952,761	17.7%	-602,089	-673,817	367,406	0	\$23.94	\$26.31
ST. LOUIS TOTALS	50,874,635	7,322,306	1,250,361	16.9%	-586,862	-844,791	1,094,344	598,572	\$22.54	\$24.56

*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	30,893,525	3,903,086	833,762	15.3%	-524,150	-608,147	654,305	598,572	\$24.57	\$24.56
CLASS B	19,981,110	3,419,220	416,869	19.2%	-62,712	-236,634	440,039	0	\$18.99	\$18.89
ST. LOUIS TOTALS	50,874,635	7,322,306	1,250,361	16.9%	-586,862	-844,761	1,094,344	598,572	\$22.51	\$22.54

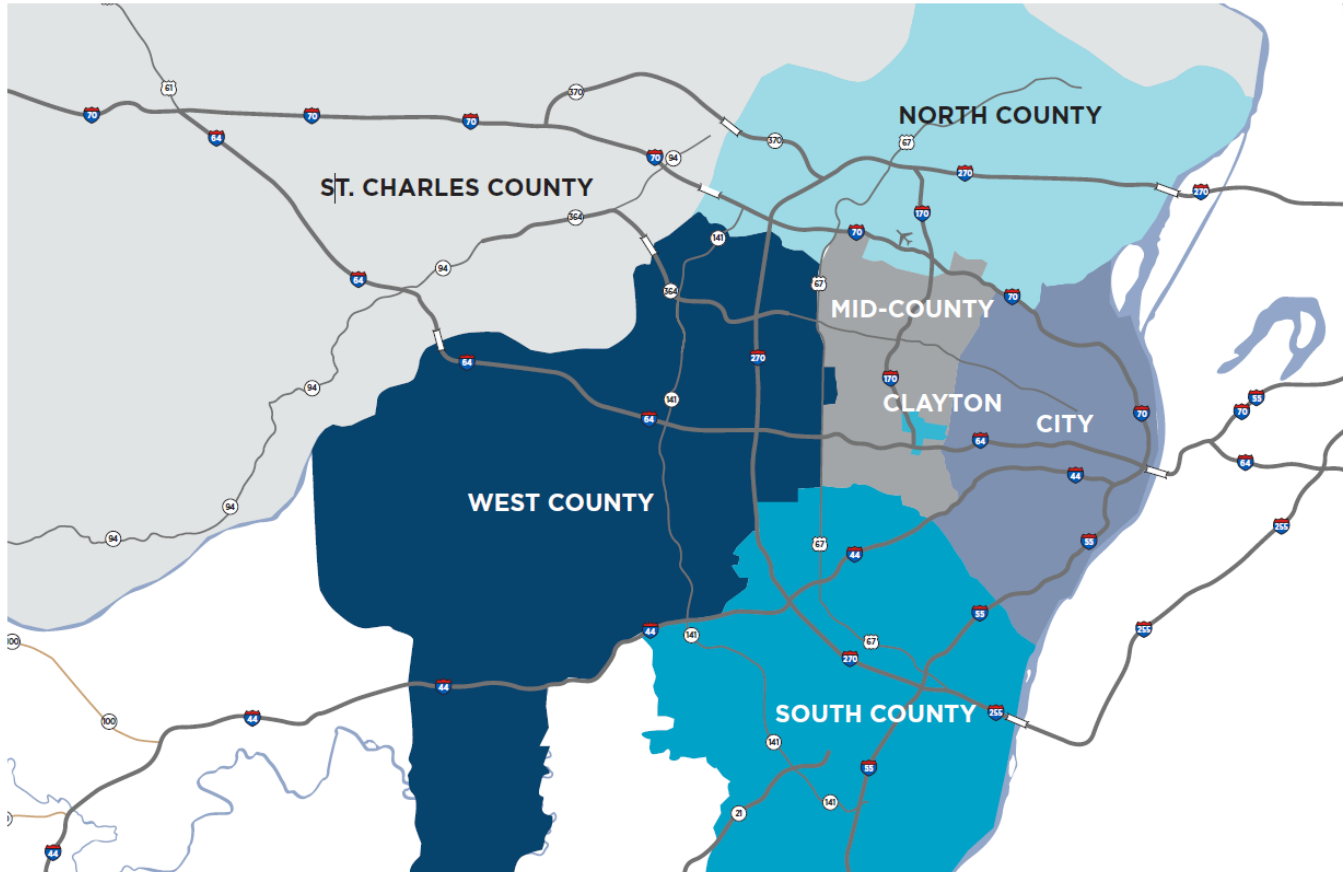
KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3301 S. Rider Trail	Earth City	US Bank	88,128	Renewal
1430 Olive St.	Downtown	BJC Behavioral Health	33,874	Renewal
1 CityPlace Dr.	Creve Coeur	Bunzl Co	27,203	Renewal
100 S. Fourth St.	Downtown	Schlichter Bogard & Denton, LLP	23,223	Renewal
111 West Port Plaza Dr.	West Port	Curium	21,572	New
101 S. Hanley Rd.	Clayton	Washington University	19,248	New

KEY SALES TRANSACTIONS YTD 2022

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE \$ PSF
77 Progress Pkwy.	West Port	Biomedical Partners II Gray Media Group	45,103	\$8.7M \$192.89

OFFICE SUBMARKETS



Luke Partridge

Research Manager

Tel: +1 314 833 7172

luke.partridge@cuskwake.com

Jacob Cottrell

Research Analyst

Tel: +1 314 391 2509

jacob.cottrell@cushwake.com

Holden Mayberry

Research Assistant

Tel: +1 314 391 6181

holden.mayberry@cushwake.com

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