

# MARKETBEAT

# ST. LOUIS



Office Q1 2023

YoY Chg 12-Mo. Forecast

**17.2%**  
Vacancy Rate ▲ ▲

**67.3K**  
YTD Net Absorption, SF ▲ ▼

**\$22.42**  
Asking Rent, PSF ▲ ▬

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

## ECONOMIC INDICATORS Q1 2023

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 2023Q1 statistics are based on latest available data*

## ECONOMIC OVERVIEW

The first quarter of 2023 brought new concerns to the forefront of the national economic landscape with multiple bank failures and layoff announcements among some of the nation's largest tech conglomerates. Despite these scares, the labor market continued to boast strong employment numbers as the U.S. unemployment rate closed Q1 2023 at 3.5%, and the St. Louis unemployment rate remained below its pre-pandemic low at 2.9%. The Federal Reserve continued its push to raise interest rates by announcing an additional 25-basis point (bps) increase in its March 2023 meeting, resulting in a year-over-year (YOY) increase of 450 bps.

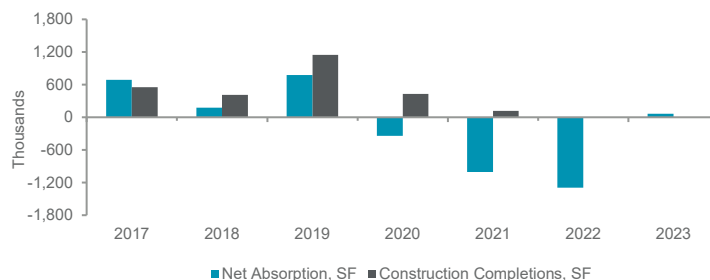
## SUPPLY AND DEMAND: Vacancy Steadies as Activity Gains Momentum

Vacancy in the St. Louis metro remained steady in Q1 2023, closing the first quarter at 17.2%, a 10-bps decrease quarter-over-quarter (QOQ). This marks the first QOQ decline in vacancy since Q1 2020, when the market vacancy rate was at a record-low 11.2%. The Downtown Central Business District (CBD) and North County submarkets saw the largest QOQ decrease, with both achieving over 65,000 square feet (sf) in positive absorption in the first quarter of 2023. Overall, St. Louis saw 67,275 sf in positive absorption in Q1 2023, marking the first quarter of positive absorption since Q2 2020, just before the onset of the COVID-19 pandemic. Despite the slowdown to start the year, it is expected that vacant space will rise in St. Louis. Forsyth Pointe and Commerce Tower are scheduled to fully-deliver in the Clayton submarket in Q2 2023, which will bring 517,000 sf of new product to the market.

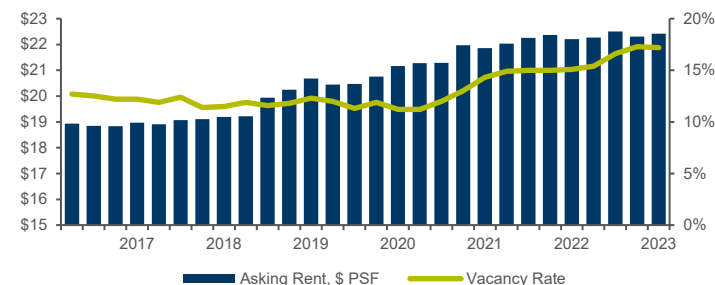
## PRICING: Overall Rental Rates Remain Elevated

Overall asking rents in St. Louis experienced a \$0.08 per square foot (psf) increase in the first quarter of 2023, jumping from \$22.34 psf to \$22.42 psf QOQ. This marks the 8th consecutive quarter of overall asking rents north of \$22.00 psf. In Q1 2023, the market saw 253,704 sf of leasing activity with more than 210,000 sf being completed in Clayton and West County, two of the region's most expensive submarkets. The ongoing Flight to Quality trend in St. Louis is expected to continue as companies reimagine their workplace and take advantage of generational opportunities within the office sector.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## West County

West County recorded nearly 546,000 sf of annual leasing activity in 2022 and continued that momentum into Q1 2023 with 166,977 sf of leasing. West County's strong leasing numbers make up more than 65.0% of the market's overall Q1 2023 total of 253,704 sf. Fourthstone LLC and Alpha Zero Logistics each secured a sublease at 575 Maryville Centre Dr, taking advantage of plug and play opportunities available within West County. The submarket had relatively stable occupancy through the first quarter of 2023, recording a decline of just -2,269 sf and vacancy rate ending at 17.9%.

## Clayton

The Clayton submarket closed Q1 2023 with -33,826 sf of net absorption, causing overall vacancy to rise to 13.1%, a 50-bps jump QOQ and a 200-bps increase from one year ago. Clayton remains resilient despite market challenges, recording 43,629 sf of leasing activity in Q1 2023. Strong leasing fundamentals continue to support moderate growth in overall asking rents, which climbed \$0.15 psf in Q1 2023. Class A space in Clayton has commanded average asking rents above \$31.00 psf for 13 consecutive quarters, and will continue to do so with the delivery of Forsyth Pointe and Commerce Tower in Q2 2023.

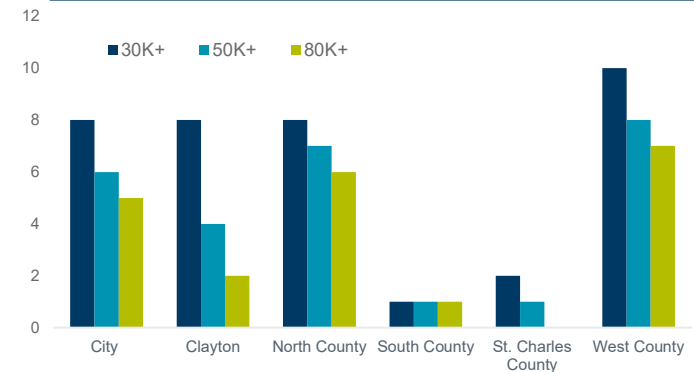
## St. Louis City

St. Louis City recorded 21,501 sf of positive absorption in Q1 2023, with Downtown (CBD) securing over 65,000 sf of positive absorption. The overall vacancy rate in Q1 2023 declined to 19.3%, a 20-bps decline QOQ. The submarket has remained steady despite being hit with an influx of sublease space throughout 2022. St. Louis City is second, behind West County, in available sublease space with 216,280 sf of sublet space vacant and available. The St. Louis City submarket continues to be home to some of the MSA's most exciting new developments including the City Foundry's Vande East project located in Midtown, the first mass timber office building in St. Louis. Washington University St. Louis School of Medicine is expected to complete their roughly \$616 million neuroscience research facility within the Cortex Innovation District in mid-2023.

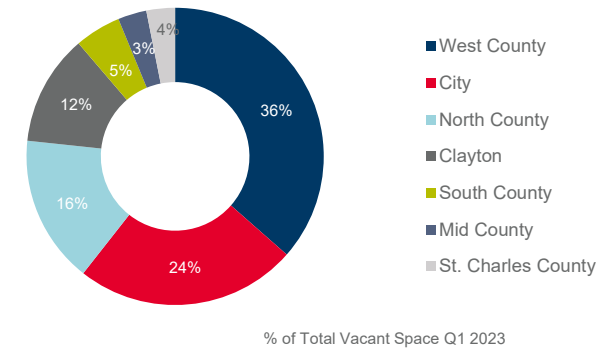
## Outlook

- Flight-to-quality will continue to impact the St. Louis market, matching national trends
- 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
- Hybrid/Remote work strategies will continue to elevate vacancy throughout the St. Louis metro

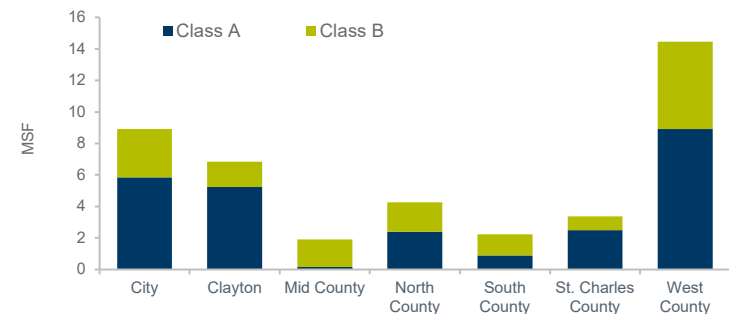
## CLASS A CONTIGUOUS SPACE



## 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	1,787,135	216,280	20.2%	65,055	65,055	3,221	0	\$18.18	\$19.53
<b>St. Louis City</b>	<b>11,084,117</b>	<b>1,927,169</b>	<b>216,280</b>	<b>19.3%</b>	<b>21,501</b>	<b>21,501</b>	<b>3,221</b>	<b>81,572</b>	<b>\$18.84</b>	<b>\$20.32</b>
Clayton	7,864,750	956,810	71,651	13.1%	-33,826	-33,826	43,629	517,000	\$28.28	\$31.12
Mid County	2,173,383	277,090	980	12.8%	1,708	1,708	3,871	0	\$18.88	\$32.00
North County	5,741,784	1,225,950	196,697	24.8%	65,806	65,806	15,073	0	\$20.94	\$22.59
South County	2,682,253	447,174	0	16.7%	-1,454	-1,454	7,750	0	\$22.73	\$24.53
St. Charles	3,632,171	235,855	8,249	6.7%	15,809	15,809	13,183	0	\$19.89	\$22.63
West County	17,700,727	2,199,827	969,634	17.9%	-2,269	-2,269	166,977	0	\$23.87	\$26.44
<b>ST. LOUIS TOTALS</b>	<b>50,879,185</b>	<b>7,269,875</b>	<b>1,463,491</b>	<b>17.2%</b>	<b>67,275</b>	<b>67,275</b>	<b>253,704</b>	<b>598,572</b>	<b>\$22.42</b>	<b>\$24.54</b>

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	3,843,362	1,028,854	15.8%	40,658	40,658	163,500	598,572	\$24.52	\$24.54
CLASS B	19,985,660	3,426,513	434,637	19.3%	26,617	26,617	90,204	0	\$18.98	\$18.81
<b>ST. LOUIS TOTALS</b>	<b>50,879,185</b>	<b>7,269,875</b>	<b>1,463,491</b>	<b>17.2%</b>	<b>67,275</b>	<b>67,275</b>	<b>253,704</b>	<b>598,572</b>	<b>\$22.39</b>	<b>\$22.42</b>

\*Rental rates reflect gross asking \$psf/year and are weighted on vacant space

\*\*Renewals not included in leasing statistics

## KEY LEASE TRANSACTIONS Q1 2023

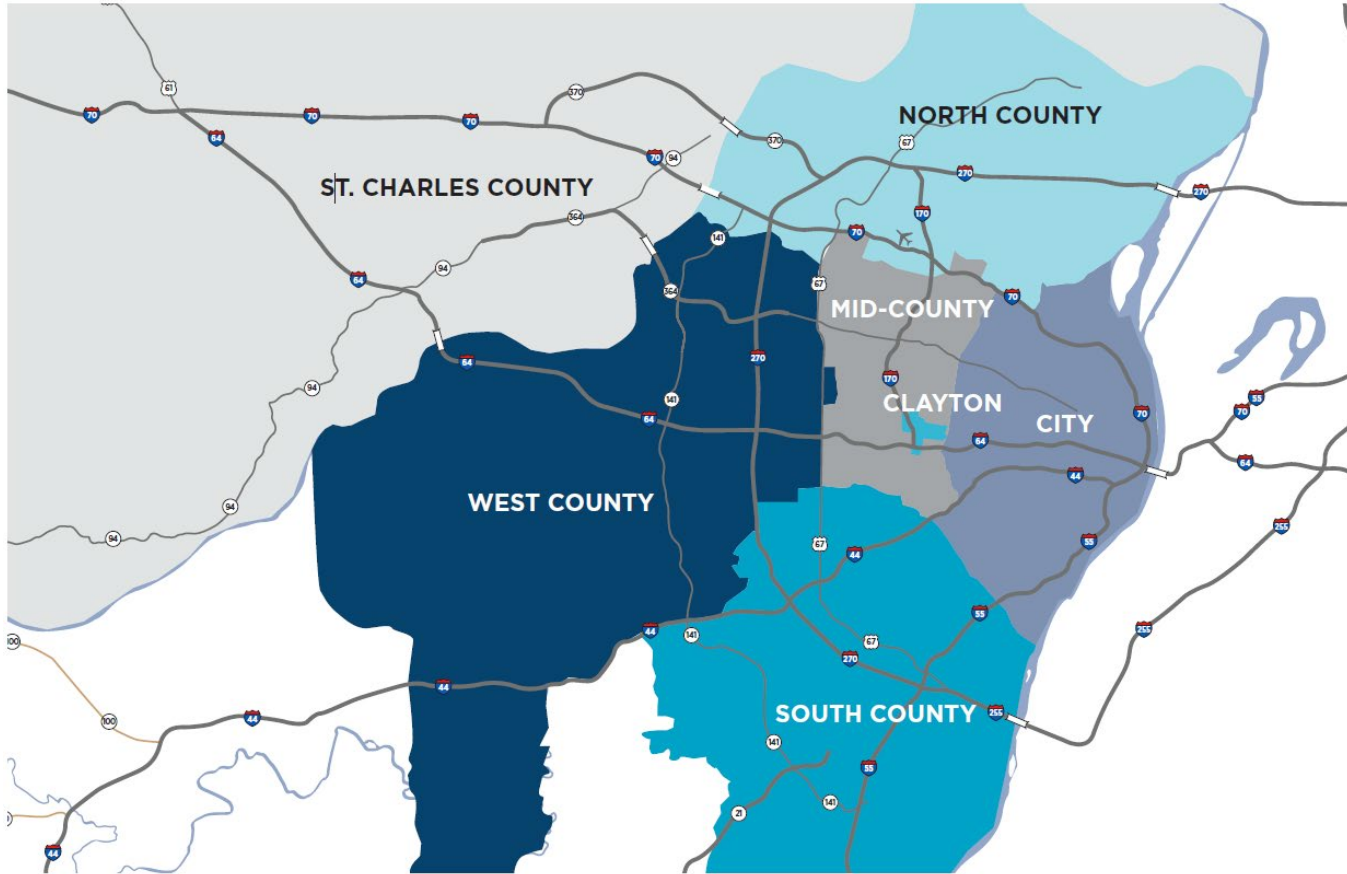
PROPERTY	SUBMARKET	TENANT	SF	TYPE
721 Emerson Rd.	Creve Coeur	CRB Group, Inc.	27,317	Renewal
12101 Woodcrest Executive Dr	Creve Coeur	Bethesda	20,000	New
2 CityPlace Dr.	Creve Coeur	M.I. Industries	13,447	New
13500 Riverport Dr.	Earth City	QuikTrip	10,026	New
7733 Forsyth Blvd.	Clayton	Coegi, LLC	9,874	New

## KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER   BUYER	SF	PRICE   \$ PSF
231 S. Bemiston Ave.	Clayton	Altus Properties   Interest Only LLC	173,893	\$32.5 M   \$187
8421 St. John Industrial Dr.	Hazelwood	DHR International   Costco	144,395	\$15.0 M   \$104



## OFFICE SUBMARKETS



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