MARKETBEAT

ST. LOUIS

Office Q2 2023

	YoY Chg	12-Mo. Forecast
18.3% Vacancy Rate		
-117K YTD Net Absorption, SF		
$23.73 Asking Rent, PSF		

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

ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
1.4M St. Louis Employment		
2.7% St. Louis Unemployment Rate		
3.5% U.S. Unemployment Rate		

Sources: BLS, Moody's Analytics, St. Louis Business Journal 2023Q2 statistics are based on latest available data

ECONOMIC OVERVIEW

After ten consecutive interest rate hikes, the Federal Reserve paused interest rate increases in their June 2023 meeting for the first time since March 2022. The increased cost of capital has resulted in a slowdown in sales volume across sectors and continues to play a major role in occupier real estate decisions. This pause is being viewed as an assessment period with increases likely to continue during the second half of 2023. St. Louis continues to see record-low unemployment figures, closing Q2 2023 at 2.7%, 80 basis points (bps) below the national unemployment rate of 3.5%.

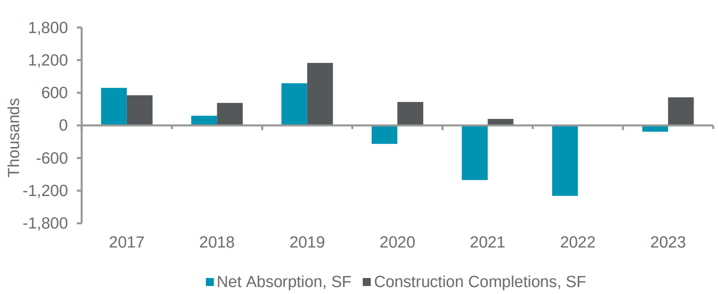
SUPPLY AND DEMAND: Vacant Space Continues to Rise

Overall vacancy in the St. Louis office market recorded an expected shift in Q2 2023, closing the quarter at 18.3%, a 150-bps increase quarter-over-quarter (QOQ). After recording 67,275 square feet (sf) in overall net absorption in Q1 2023, the market recorded -331,455 sf in Q2 2023. The primary driver of the market's second quarter swing in occupancy can be attributed to major occupiers vacating space in the West County submarket, which recorded -331,192 sf of absorption. The market also welcomed 517,000 sf of top-quality Class A space with the delivery of 8001 & 8027 Forsyth Blvd. in the Clayton submarket. Despite the market surpassing more than 1.5 million square feed (msf) of new leasing in both 2021 and 2022, large vacancies coming back to market continue to put upward pressure on vacancy rates. St. Louis's office sector currently has 9.4 msf of overall vacant space with sublease space accounting for roughly 15.0% of that total.

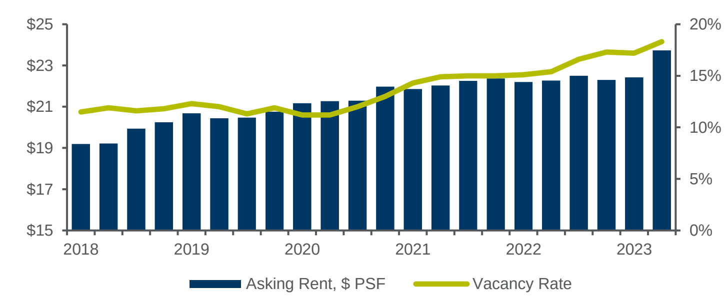
PRICING: Top Tier Space Keeping Asking Rents Elevated

Overall average asking rents weighted on available space in the St. Louis office market have continued to increase, closing Q2 2023 at $23.73 per square foot (psf). This marks the first quarter on record that average asking rents have eclipsed the $23.00 psf mark, experiencing a $1.31 increase QOQ. The volume of high-quality space becoming available throughout the market has placed upward pressure on asking rents, although the market continues to see elevated levels of Landlord concessions in order to secure tenancy.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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West County

West County accounted for more than 50.0% of overall leasing activity in the St. Louis metro in Q2 2023. The submarket closed 2022 with nearly 546,000 sf of annual leasing activity, slightly outpacing the Clayton submarket. Despite the strong leasing, the submarket has experienced a significant shift in occupancy. Overall vacancy in West County ended Q2 2023 at 19.2%, a 510-bps increase year-over-year (YOY). West County continues to be a driver of the sublease space across the St. Louis office market. Of the nearly 1.4 million square feet of overall vacant sublease space, 67.0% is in the West County submarket.

Clayton

Driven primarily by the delivery of 517,000 sf of new inventory in Q2 2023, the Clayton submarket closed the quarter at 18.0% vacancy, a 510-bps increase QOQ. The delivery of 8001 & 8027 Forsyth Blvd. drove overall asking rates to $32.51 psf at the close of Q2 2023. The project has driven considerable interest to date-- most recently, Emerson Electric announced the move of their global headquarters to the east-most building of the dual-tower development. With the relocation, Emerson also secured naming rights of the tower, now called Emerson Tower.

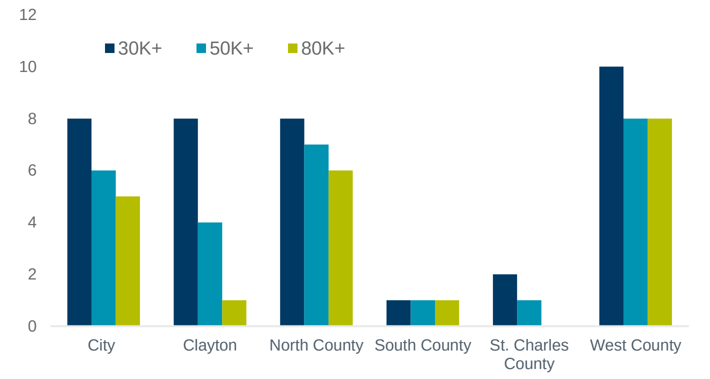
St. Louis City

The St. Louis City submarket recorded an overall vacancy rate of 20.6% in Q2 2023, a 30-bps increase QOQ, and the fourth consecutive quarter of vacancy above 20.0%. In Q1 2023, the submarket experienced positive occupancy gains with 20,493 sf of net absorption, its first quarter of positive absorption since Q3 2021. Within the City, the Downtown CBD submarket has recorded 63,386 sf in year-to-date (YTD) absorption, while seeing only a 10-bps jump in vacancy QOQ. Central West End, however, has recorded -73,321 sf in YTD absorption, while seeing its vacancy rise 260-bps QOQ. Despite its steady start to the year, the submarket is expected to experience more volatility as large tenants who have announced relocations will begin vacating large blocks of space over the next year.

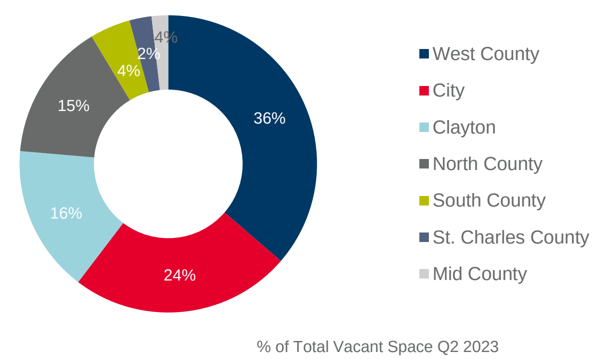
Outlook

- Flight-to-quality will continue to impact the St. Louis market, matching national trends
- Buildings with some combination of modern buildout and sought-after amenities will continue to see an outsized share of leasing activity as the market continues to trend towards a higher quality, more flexible workplace
- Hybrid/Remote work strategies will continue to elevate vacancy throughout the St. Louis metro

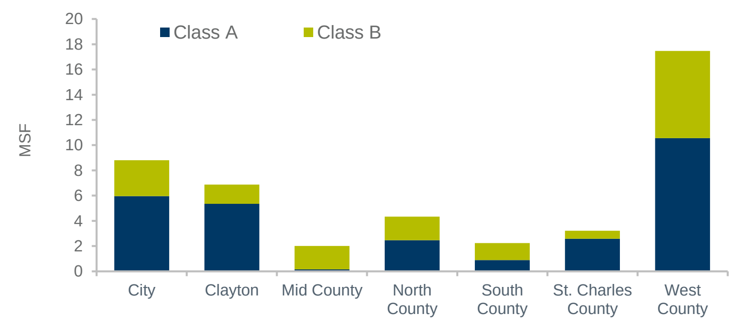
CLASS A CONTIGUOUS SPACE



VACANT SPACE BY SUBMARKET



OCCUPIED SPACE



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Office Q2 2023

CUSHMAN & WAKEFIELD

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	1,899,954	216,280	21.4%	-661	63,386	24,773	0	$18.32	$19.61
St. Louis City	**11,084,117**	**2,064,745**	**216,280**	**20.6%**	**-30,428**	**-9,935**	**45,416**	**0**	**$19.02**	**$20.45**
Clayton	8,381,750	1,457,333	48,042	18.0%	27,728	-1,863	177,319	0	$32.51	$35.68
Mid County	2,173,383	168,015	980	7.8%	-15,404	88,389	3,871	0	$18.77	$32.00
North County	5,741,784	1,211,035	196,697	24.5%	14,915	80,721	21,789	0	$20.95	$22.60
South County	2,650,997	410,292	0	15.5%	2,926	34,602	12,746	0	$23.57	$24.94
St. Charles	3,630,934	228,649	0	6.3%	0	15,809	5,977	0	$20.31	$24.09
West County	17,700,727	2,472,680	933,454	19.2%	-331,192	-324,871	303,310	0	$23.93	$26.60
ST. LOUIS TOTALS	**51,363,692**	**8,012,749**	**1,395,453**	**18.3%**	**-331,455**	**-117,148**	**570,428**	**0**	**$23.73**	**$26.22**

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	31,747,578	4,760,980	978,438	18.1%	-296,425	-251,951	401,645	0	$26.41	$26.22
CLASS B	19,616,114	3,251,769	417,015	18.7%	-35,030	134,803	168,783	0	$19.01	$18.83
ST. LOUIS TOTALS	**51,363,692**	**8,012,749**	**1,395,453**	**18.3%**	**-331,455**	**-117,148**	**570,428**	**0**	**$23.89**	**$23.73**

**Rental rates reflect gross asking $psf/year and are weighted on vacant space*
***Renewals not included in leasing statistics*

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
8027 Forsyth Blvd.	Clayton	Emerson Electric	102,520	New
1001 Highlands Plaza Dr.	Central West End	The Simon Law Firm	20,643	New
721 Emerson Rd.	Creve Coeur	Orbis Education Services	19,244	New
20 Hawk Ridge Circle	St. Charles I-64	Classical Academy de Lafayette	16,800	New
8001 Forsyth Blvd.	Clayton	Varsity Tutors	12,228	New

KEY SALES TRANSACTIONS YTD 2023

PROPERTY	SUBMARKET	SELLER | BUYER	SF	PRICE | $ PSF
8421 St. John Industrial Dr.	Hazelwood	DHR International | Costco	144,395	$15.0 M | $104

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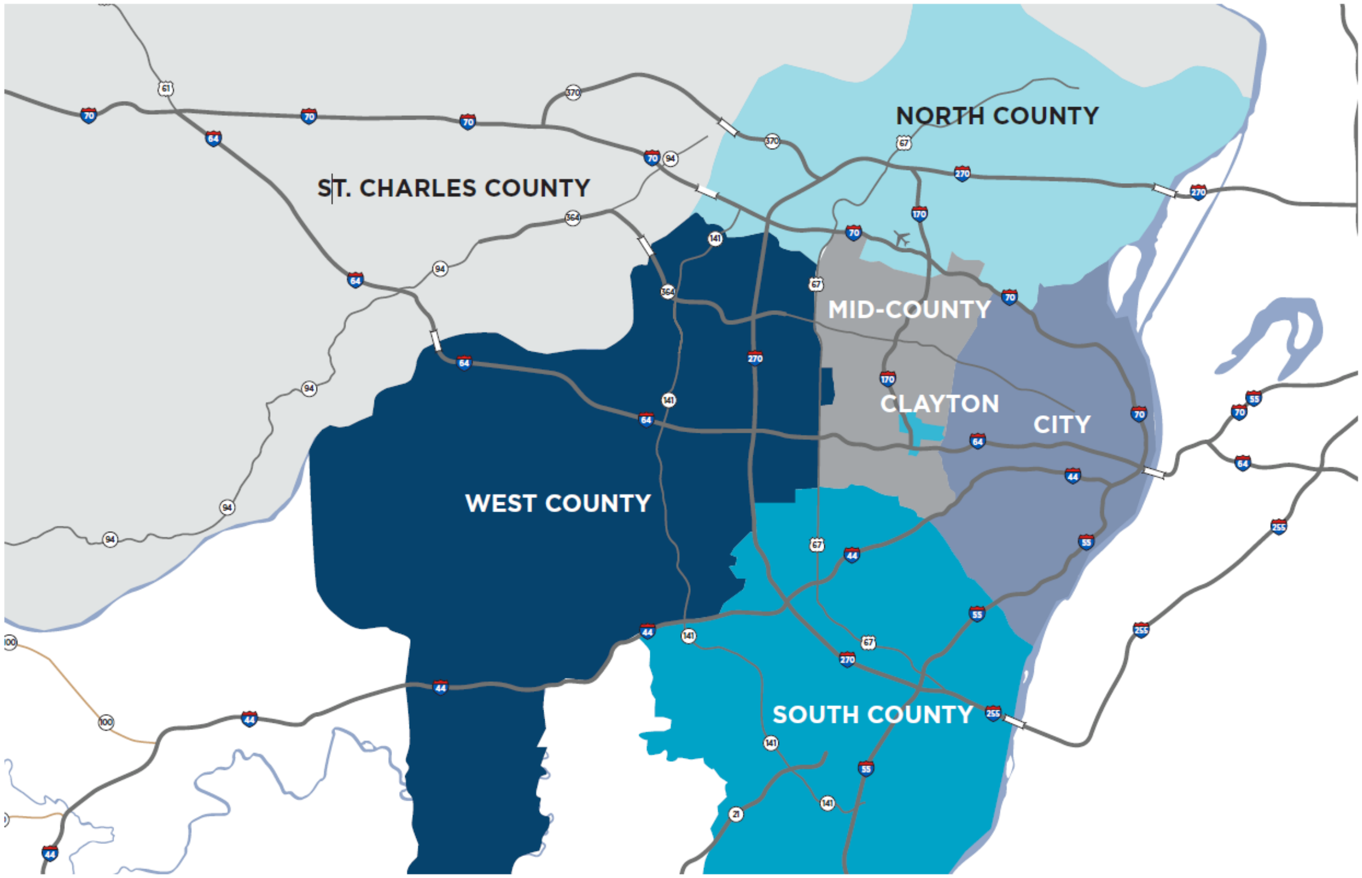
OFFICE SUBMARKETS



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