

MARKETBEAT

ST. LOUIS



Office Q4 2023

	YoY Chg	12-Mo. Forecast
17.3% Vacancy Rate	▲	▼
288.2K YTD Net Absorption, SF	▲	▼
\$23.14 Asking Rent, PSF	▲	▬

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

ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
1.4M St. Louis Employment	▲	▼
3.4% St. Louis Unemployment Rate	▲	▲
3.7% U.S. Unemployment Rate	▲	▲

Sources: BLS, Moody's Analytics, St. Louis Business Journal
2023Q4 statistics are based on latest available data

ECONOMIC OVERVIEW

St. Louis's unemployment rate ended the fourth quarter of 2023 at 3.4%, a 50 basis-point (bps) increase year-over-year (YOY). St. Louis has outpaced the national unemployment rate in each quarter of 2023, despite a challenging economic environment. The Federal Reserve has held interest rates steady at a 5.2%-5.5% target rate since July 2023. This has led to optimism that 2024 may hold the first rate decrease since the Fed began rate hikes in March 2022.

SUPPLY AND DEMAND: Demand Slows as Vacancy Steadies

The St. Louis office market is beginning to see some stabilization in vacant space as occupiers solidify their corporate real estate strategy, and return-to-office policies begin to emerge. Overall vacancy in the St. Louis office market closed Q4 at 17.3%, a 20-bps decrease quarter-over-quarter (QOQ). The market currently sits 310-bps above the historical average vacancy of 14.2%, and 620-bps above the market low of 11.2% recorded in Q1 2020. The market experienced a slowdown in demand as overall new leasing across St. Louis declined roughly 32.0% YOY, closing 2023 with a new leasing total of 1,305,103 square feet (sf). Despite a slowdown in leasing velocity, St. Louis recorded three quarters of positive occupancy gains in 2023, ending the year with 288,232 sf of positive net absorption. This marks the first year of annual positive absorption since 2019, after the market experienced more than 2.0 million square feet (msf) of negative absorption throughout 2021 and 2022.

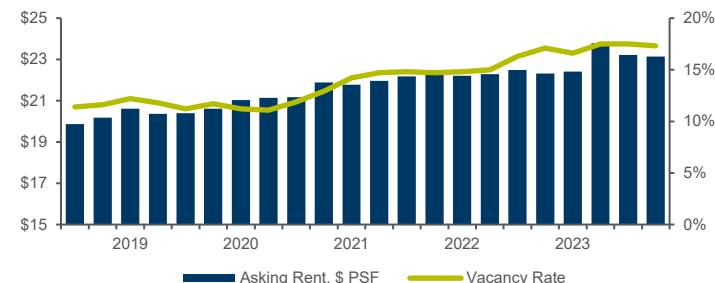
PRICING: Asking Rents Remain Above \$23.00 PSF

Overall asking rents in the St. Louis office sector remained steady in 2023, despite elevated vacancy throughout the market. Overall asking rent weighted on vacant space closed Q4 at \$23.14 per square foot (psf), marking three consecutive quarters of rates above the \$23.00 mark. Over 50.0% of the market's vacant space is concentrated in two of the region's most expensive submarkets, Clayton and West County. Subsequently, these two submarkets accounted for roughly 86.0% of all new leasing in 2023. Occupier demand for top tier product in the St. Louis market has remained elevated with major companies announcing relocations into the Clayton submarket, which boasted an overall average asking rent of \$31.14 psf, and a Class A asking rent of \$34.32 psf at the close of 2023.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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West County

The West County submarket closed Q4 with an overall vacancy rate of 18.2%, a 110-bps increase YOY. This marks six consecutive quarters the submarket has experienced an increase in vacancy, while recording more than -900,000 sf of absorption over that time. Overall average asking rents in West County saw a slight decrease QOQ, ending 2023 at \$24.06 psf after setting a record-high in Q3 at \$24.34 psf. The West County submarket recorded 495,662 sf of direct new leasing in 2023, which accounts for a 26.0% decline in deal velocity YOY.

Clayton

Clayton recorded the highest increase in overall vacancy throughout 2023 with a 530-bps jump from Q1 to Q4. The submarket welcomed 517,000 sf of top tier Class A space in Q2, which delivered 65.1% preleased, and is over 90.0% leased at the close of 2023-- a strong indicator of the market's flight to quality trend. Of the roughly 1.5 msf of vacant space located in the Clayton submarket, nearly 500,000 sf is leased and awaiting occupancy. Clayton also experienced an outsized share of leasing in 2023, accounting for over 40.0% of direct new leasing despite making up 15.5% of St. Louis's overall office inventory. Major occupiers in St. Louis also announced planned relocations into the Clayton submarket, most notably Emerson Electric at 8027 Forsyth Blvd., and Energizer Holdings at 8235 Forsyth Blvd. Given the strong leasing fundamentals, the Clayton submarket is expected to rebound as occupiers begin to take occupancy throughout 2024 and 2025.

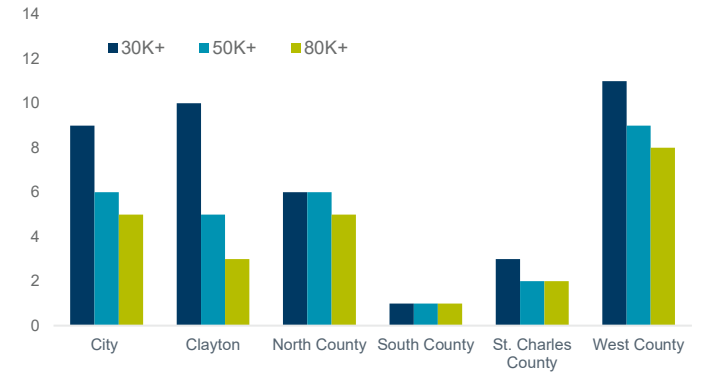
North County

The North County submarket recorded a slight uptick in overall vacancy in Q4 to 19.6%, marking the second consecutive quarter below 20.0% and a 550-bps decrease in vacancy YOY. North County lead all submarkets in 2023 with 312,651 sf of net absorption, which was largely driven by Clayco's purchase of 8640 Evans Ave., a 227,468 sf Class A office building located in Hazelwood. Despite this positive trend in occupancy, the submarket boasts the second highest vacancy rate in the region, with asking rates more than \$5.00 psf below the market average.

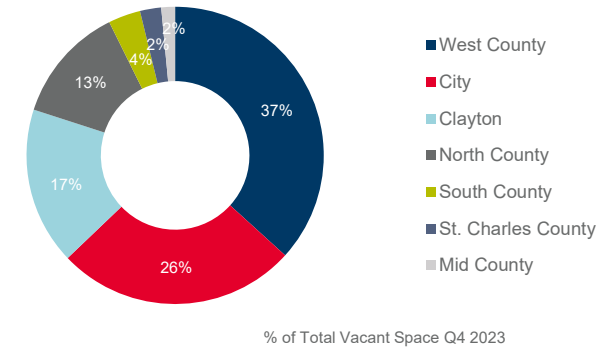
Outlook

- Flight-to-quality will continue to impact the St. Louis market despite economic headwinds
- 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 impact the market, but return-to-office initiatives may boost activity, especially in higher quality assets

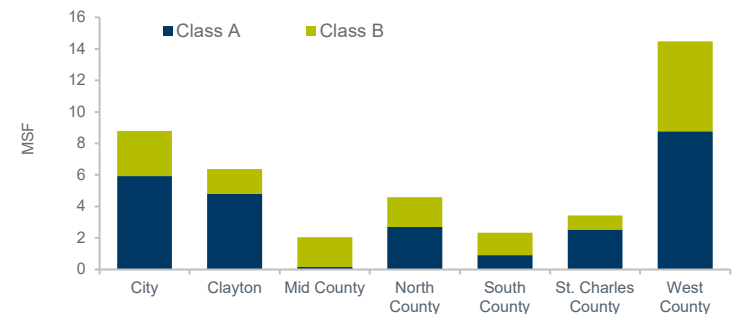
CLASS A CONTIGUOUS SPACE



VACANT SPACE BY SUBMARKET



OCCUPIED SPACE



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Office Q4 2023



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 OVERALL LEASING ACTIVITY (SF)**	UNDER CONSTRUCTION (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
St. Louis City	11,084,117	2,253,173	43,691	20.7%	27,246	-67,608	63,553	0	\$19.05	\$20.10
CBD (Downtown)	9,911,569	2,089,816	43,691	21.5%	27,246	4,279	42,910	0	\$18.42	\$19.27
Clayton	7,874,559	1,456,823	50,595	19.1%	-24,020	-4,037	404,127	0	\$31.14	\$34.32
Mid County	2,173,383	135,703	980	6.3%	8,036	101,083	14,854	0	\$22.13	\$32.00
North County	5,711,784	925,189	196,697	19.6%	-9,859	312,651	35,444	0	\$18.00	\$19.69
South County	2,650,997	311,770	0	11.8%	84,707	129,646	55,354	0	\$23.25	\$24.76
St. Charles	3,630,934	206,397	0	5.7%	-10,000	8,108	13,476	0	\$19.57	\$20.93
West County	17,720,279	2,302,358	926,701	18.2%	-4,622	-191,611	718,295	0	\$24.06	\$26.19
ST. LOUIS TOTALS	50,846,053	7,591,413	1,218,664	17.3%	71,488	288,232	1,305,103	0	\$23.14	\$25.18

CLASS	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)**	YTD OVERALL NET ABSORPTION (SF)**	YTD OVERALL LEASING ACTIVITY (SF)**	UNDER CONSTRUCTION (SF)	DIRECT AVG ASKING RENT*	OVERALL AVG ASKING RENT*
CLASS A	31,259,939	4,420,589	1,054,895	17.5%	-106,048	-71,584	962,343	0	\$25.24	\$25.18
CLASS B	19,586,114	3,170,824	163,769	17.0%	177,536	359,816	342,760	0	\$19.50	\$19.46
ST. LOUIS TOTALS	50,846,053	7,591,413	1,218,664	17.30%	71,488	288,232	1,305,103	0	\$23.04	\$23.14

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

**Subleases included; renewals not included in leasing statistics

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
14755 N. Hwy 40 Outer Rd.	Chesterfield	Protective Life Insurance	36,547	**Renewal
8235 Forsyth Blvd.	Clayton	Engerizer	32,523	New
800 Market St.	CBD (Downtown)	Brown & James	29,142	**Renewal
8235 Forsyth Blvd.	Clayton	Quarles & Brady	16,358	New
701 Market St.	CBD (Downtown)	Gray Ritter Graham	16,319	**Renewal

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE \$ PSF
500 Fountain Lakes Blvd.	St. Charles	Casso Enterprises, LLC Bamboo Equity Partners	54,800	\$6.55 M \$119.52
1100 N. Lindbergh Blvd.	Creve Coeur	Iron Gate Real Estate Gurley Leep Automotive Group	54,180	\$4.9 M \$90.44

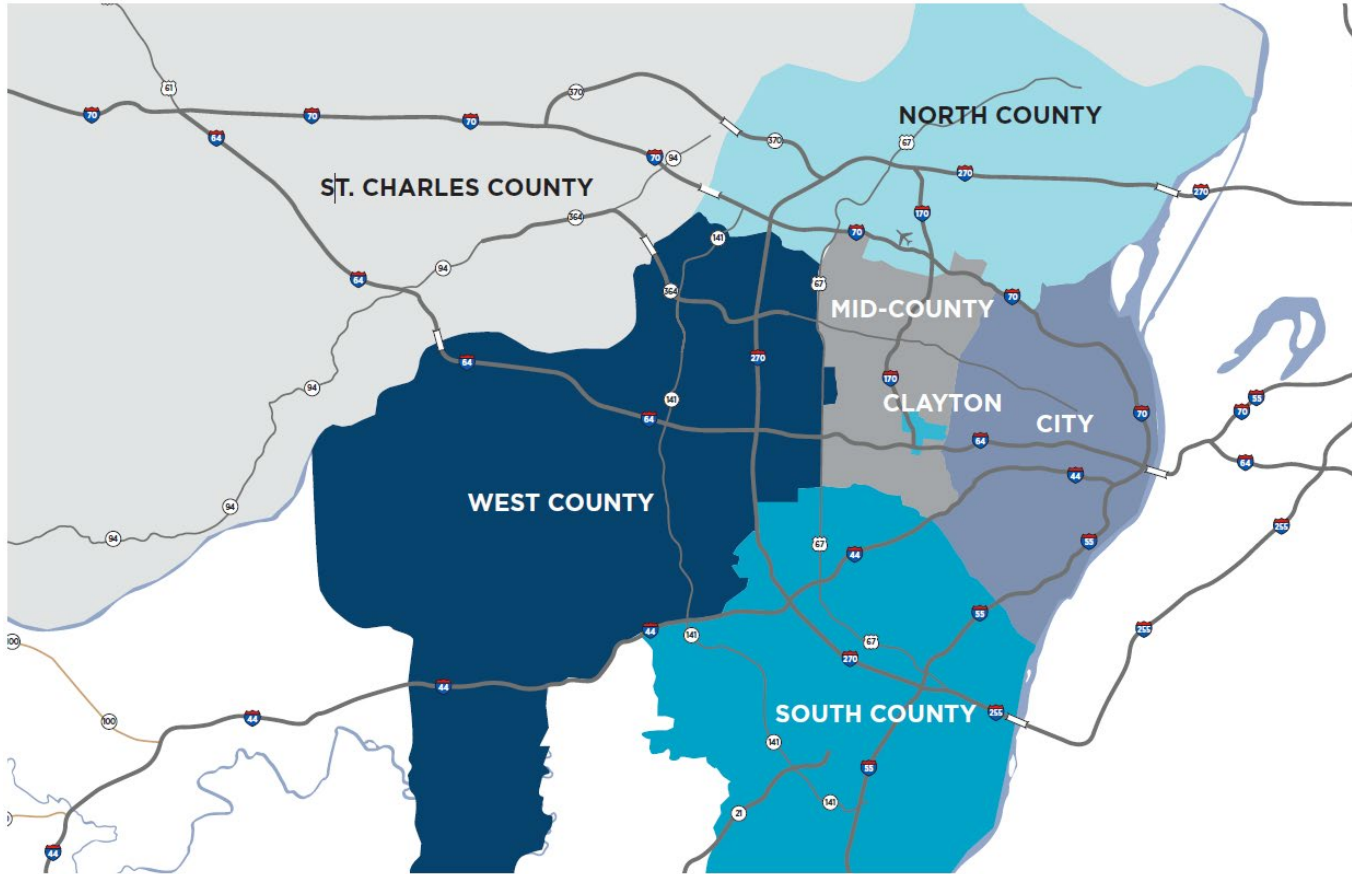
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OFFICE SUBMARKETS



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