

MARKETBEAT

ST. LOUIS



Office Q1 2024

YoY Chg 12-Mo. Forecast

16.9%
Vacancy Rate ▲ ▼

-4.6K
YTD Net Absorption, SF ▼ ▼

\$23.17
Asking Rent, PSF ▲ ▬

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

ECONOMIC INDICATORS Q1 2024

YoY Chg 12-Mo. Forecast

1.4M
St. Louis Employment ▲ ▲

3.5%
St. Louis Unemployment Rate ▲ ▲

3.8%
U.S. Unemployment Rate ▲ ▲

Sources: BLS, Moody's Analytics, 2024Q1 statistics are based on latest available data

ECONOMIC OVERVIEW

The unemployment rate in St. Louis rose 10 basis-points (bps) to 3.5% in Q1 2024, but remains below the national average as the U.S. unemployment rate closed Q1 at 3.8%. The St. Louis labor market remains steady with non-farm employment experiencing a 120-bps increase year-over-year (YOY). Despite a challenging economic environment, there continues to be optimism that 2024 may hold the first interest rate decrease by the Federal Reserve as they have opted to hold rates steady through Q1.

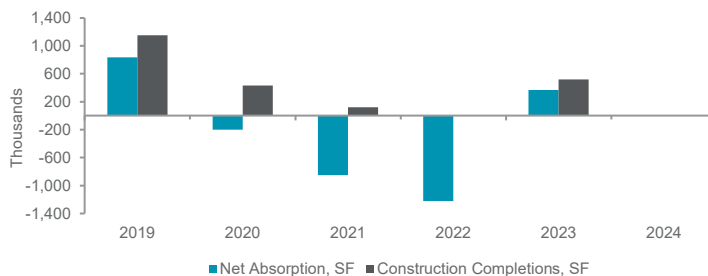
SUPPLY AND DEMAND: Vacancy Stable but Demand Drops

Overall vacancy in the St. Louis office market closed Q1 2024 at 16.9%, a 70-bps increase YOY. The market volatility created by a post-pandemic shift in workplace strategy has steadied, however the impacts in the St. Louis office sector are evident. St. Louis has recorded a vacancy rate above 16.0% for seven straight quarters, hitting a peak of 17.3% in Q1 2023. The market remains 590-bps above the record low of 11.0%, which it achieved in Q2 2020. With the introduction of return-to-office mandates, St. Louis has seen a slight shift in occupancy movement throughout the region. The market closed the first quarter of 2024 with net absorption of negative 4,609 square feet (sf), after totaling nearly 370,000 sf of positive absorption in 2023. Demand in the office sector has slowed, with St. Louis recording under 200,000 sf of direct new leasing for the second straight quarter.

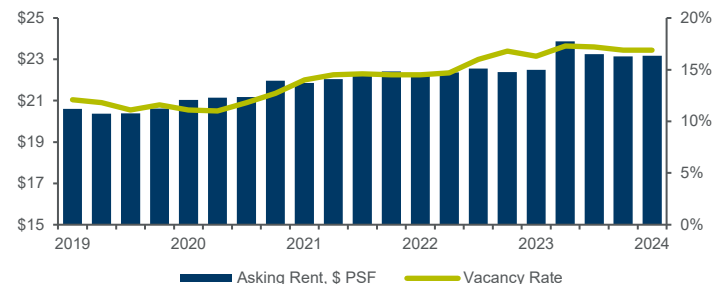
PRICING: Class A Vacancy Keeps Rents Elevated

The St. Louis office sector closed Q1 with an overall average asking rent of \$23.17 per square foot (psf). This marks the fourth consecutive quarter that rates have been above \$23.00 psf, resulting in a YOY increase of \$0.68 psf. The market peaked to \$23.88 psf in Q2 2023 upon the delivery of 517,000 sf of top tier office space into the market. The quality of vacant space throughout the region continues to be a key driver of asking rents, despite ongoing economic headwinds placing pressure on other pricing fundamentals. Class A office product currently accounts for 62.3% of all vacant space in the market, closing Q1 2024 with an overall average asking rent of \$25.13 psf. The Clayton and West County submarkets contain 52.4% of the market's vacant space, while being the only submarkets in the region to contain overall average asking rents above \$24.00 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT ST. LOUIS

Office Q1 2024



West County

The West County submarket closed Q1 with an overall vacancy rate of 17.9%, an 80-bps increase YOY. The submarket recorded 23,731 sf of positive absorption in Q1, marking the second straight quarter of positive occupancy movement after recording 33,436 sf of positive absorption in Q4 2023. West County's overall vacancy currently sits 550-bps above its historical average of 12.4%. West County currently contains 30.4% of St. Louis's direct vacant inventory, and 75.6% of the market's sublet vacant inventory. The market has recorded overall average asking rents above \$24.00 psf for three straight quarters, closing Q1 at \$24.03 psf. West County was one of two submarkets to record over 400,000 sf in direct new leasing activity in 2023, and accounted for roughly 34.0% of St. Louis's direct new leasing in Q1 2024.

Clayton

Clayton recorded a 130-bps quarter-over-quarter (QOQ) decrease in overall vacancy, closing Q1 2024 at 17.0%. In 2023, the Clayton submarket experienced a 490-bps increase in vacancy from Q1 to Q4, which was largely driven by the delivery of 517,000 sf of top tier Class A office space in Q2. Clayton is expected to see further declines in vacancy as more vacant space becomes occupied in 2024 and 2025. Of the roughly 1.3 million square feet (msf) currently vacant in the submarket, more than 400,000 sf is leased and awaiting occupancy. Clayton outperformed in direct new leasing in 2023, accounting for nearly 40.0% of St. Louis's direct new leasing activity despite containing the highest overall asking rents in the region. Overall average asking rents in the Clayton submarket closed Q1 at \$31.28, with Class A totaling \$34.01 psf.

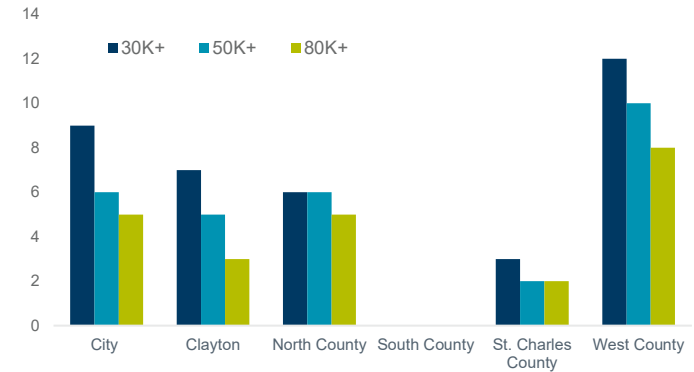
St. Louis City

The St. Louis City submarket recorded a slight uptick in overall vacancy in Q1 to 21.0%, marking the third consecutive quarter of vacancy rates above 20.0% and a 180-bps increase YOY. The shift in occupancy in Q1 was largely driven by the relocation of Polsinelli Law from Downtown (CBD) to Clayton, which resulted in the City recording negative 110,954 sf of absorption for the quarter. Demand in the St. Louis City submarket has slowed as the submarket recorded under 100,000 sf in direct new leasing in 2023, its lowest annual total since 2019.

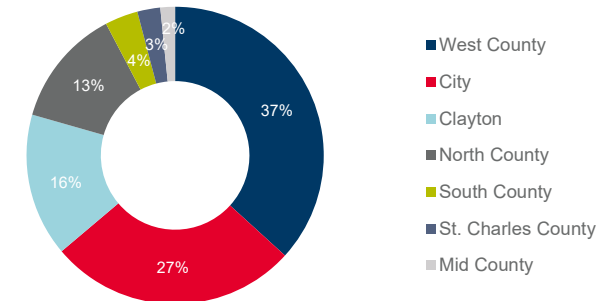
Outlook

- 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

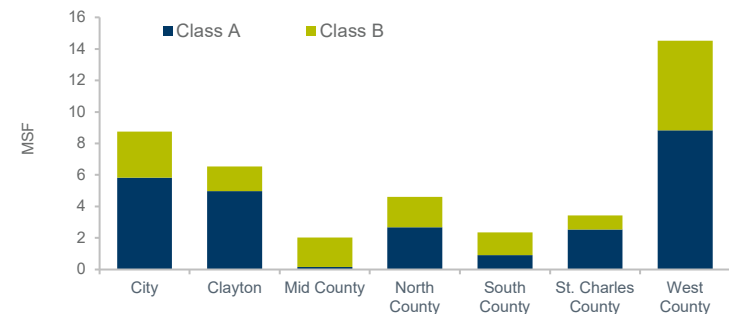


VACANT SPACE BY SUBMARKET



% of Total Vacant Space Q1 2024

OCCUPIED SPACE



MARKETBEAT ST. LOUIS

Office Q1 2024



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	2,285,538	43,691	21.0%	-110,954	-110,954	11,000	0	\$19.03	\$19.98
CBD (Downtown)	9,911,569	2,122,181	43,691	21.9%	-110,954	-110,954	11,000	0	\$18.43	\$19.22
Clayton	7,863,104	1,285,386	50,595	17.0%	100,818	100,818	35,976	0	\$31.28	\$34.01
Mid County	2,173,383	133,729	5,306	6.4%	-5,306	-5,306	0	0	\$21.58	\$32.00
North County	5,711,784	908,192	196,697	19.3%	0	0	4,356	0	\$17.77	\$19.37
South County	2,650,997	306,321	0	11.6%	-6,988	-6,988	6,057	0	\$23.47	\$25.26
St. Charles	3,630,934	212,307	0	5.9%	-5,910	-5,910	0	0	\$20.38	\$22.05
West County	17,688,279	2,245,044	916,606	17.9%	23,731	23,731	46,046	87,000	\$24.03	\$26.16
ST. LOUIS TOTALS	50,802,598	7,376,517	1,212,895	16.9%	-4,609	-4,609	103,435	87,000	\$23.17	\$25.13

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	31,248,484	4,306,234	1,047,866	17.1%	24,271	24,271	75,235	87,000	\$25.17	\$25.13
CLASS B	19,554,114	3,070,283	165,029	16.6%	-28,880	-28,880	28,200	0	\$19.48	\$19.45
ST. LOUIS TOTALS	50,802,598	7,376,517	1,212,895	16.9%	-4,609	-4,609	103,435	87,000	\$23.08	\$23.17

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

**Subleases included; renewals not included in leasing statistics

KEY LEASE TRANSACTIONS Q1 2024

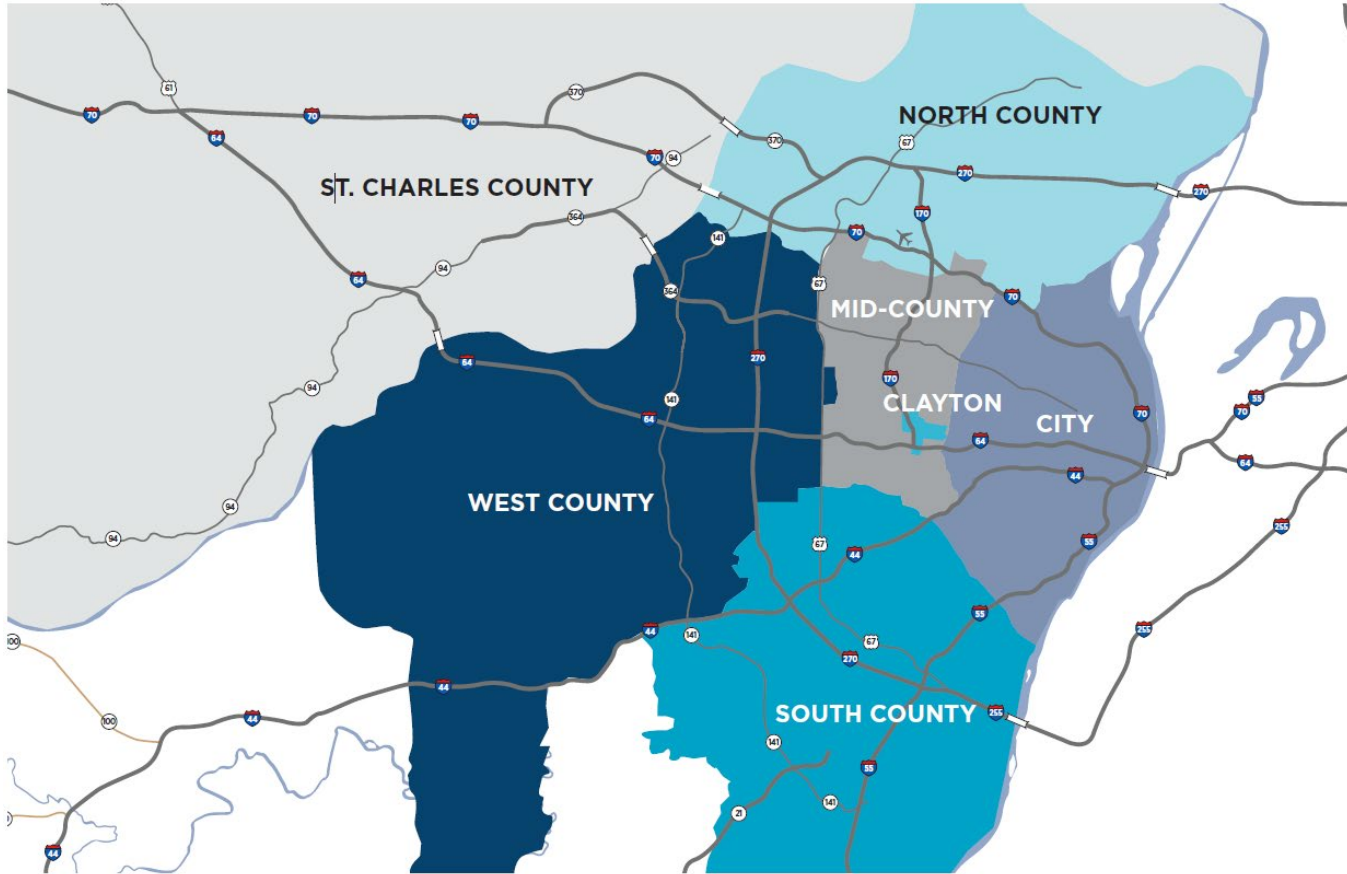
PROPERTY	SUBMARKET	TENANT	SF	TYPE
12443 Olive Blvd.	Creve Coeur	Benefit Recovery Group	25,933	New
940 West Port Plaza Dr.	West Port	Elemental Enzymes	16,166	Sublease
7777 Bonhomme Ave.	Clayton	NUSO	12,258	New
100 N. Broadway	CBD (Downtown)	Hennessy & Roach P.C.	11,000	New
55 West Port Plaza Dr.	West Port	RapidFire Safety & Security	7,174	New

KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE \$ PSF
4214-4232 Forest Park Ave.	Central West End	Legal Services of Eastern Missouri Cortex	39,000	\$3.0 M \$76.92



OFFICE SUBMARKETS



Luke Partridge

Research Manager

Tel: +1 314 833 7172

luke.partridge@cushwake.com

Megan Pearson

Research Analyst

megan.pearson@cushwake.com

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