

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
16.9% Vacancy Rate	▼	▼
-7.2K YTD Net Absorption, SF	▼	▼
\$22.88 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▼	—

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
1.5M St. Louis Employment	▲	▲
3.9% St. Louis Unemployment Rate	▲	▲
4.1% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY

Though the St. Louis unemployment rate remains below the national average of 4.1%, it rose 30 basis-points (bps) from last quarter to 3.9% in Q3 2024. Despite this, the St. Louis labor market continues to improve overall, with non-farm employment recording a 210-bps increase year-over-year (YOY). The Federal Reserve recently brought down benchmark interest rates to a range of 4.75% to 5.0%, marking the first cut in over four years with more expected over the next two years.

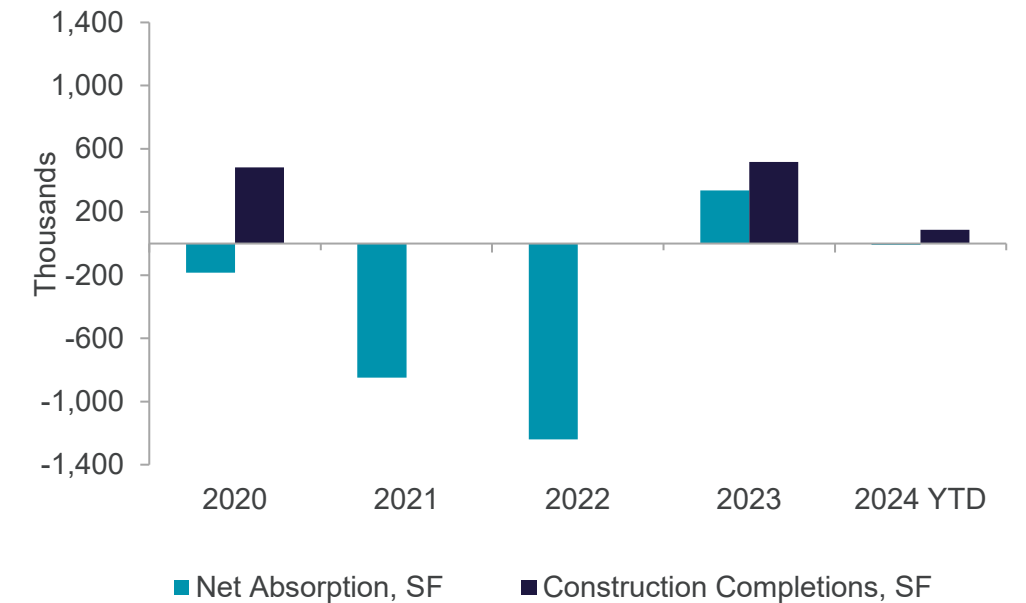
SUPPLY AND DEMAND: VACANCY DOWN YOY

The St. Louis office market recorded a 10-bps decrease in vacancy YOY, closing Q3 with an overall vacancy rate of 16.9%. This marks the first YOY decrease in overall vacancy since Q2 2020. St. Louis has recorded vacancy levels above 16.0% over seven straight quarters, but this annual decline is a sign of steadying across the region. The market has added roughly 3.2 million square feet (msf) of vacant inventory since Q3 2019, which has led to a 690-bps increase in five years. St. Louis began to see stabilization in occupancy levels in 2023, as the market closed 2023 with a positive net absorption total of 308,708 square feet (sf). The market closed Q3 with a net absorption total of 37,696 sf, bringing the 2024 year-to-date (YTD) total to -7,249 sf. St. Louis has experienced annual direct new leasing totals above 1.0 msf in each of the last five years. The market closed Q3 with over 830,000 sf of direct new leasing recorded YTD.

PRICING: ASKING RENTS FALL BELOW \$23

St. Louis closed Q3 with an overall asking rate of \$22.88 per square foot (psf), marking a \$0.16 psf decrease quarter-over-quarter (QOQ). This marks the fifth straight quarter the market has seen a QOQ decline in asking rents, and the first quarter rents have fallen below the \$23.00 psf mark since Q1 2023. The region's continued flight-to-quality trend has led to strong leasing fundamentals in St. Louis's most expensive submarkets, removing top quality available space from the market. Class A vacant space still accounted for 62.6% of all vacant space within the market at an overall average asking rate of \$24.49 psf in Q3.

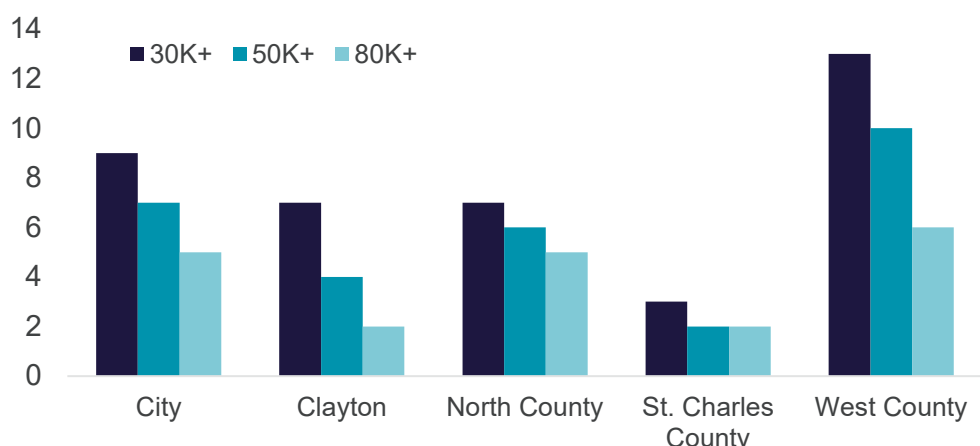
SPACE DEMAND / DELIVERIES



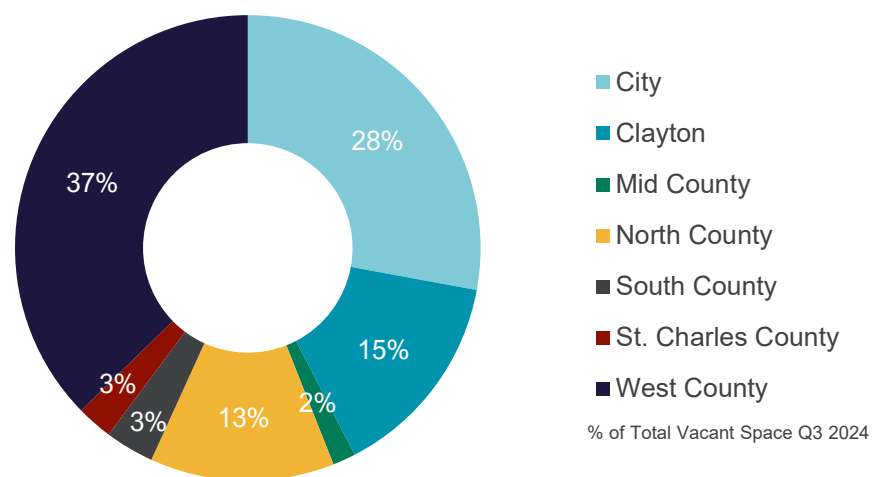
OVERALL VACANCY & ASKING RENT



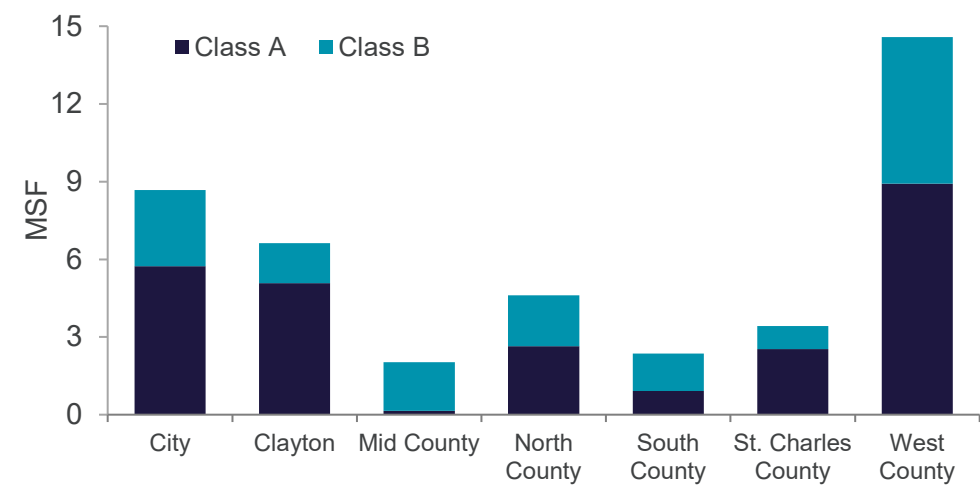
CLASS A CONTIGUOUS SPACE



VACANT SPACE BY SUBMARKET



OCCUPIED SPACE



WEST COUNTY

West County closed Q3 with an overall vacancy rate of 18.0%, which marked a 10-bps decrease QOQ. The submarket has experienced consecutive quarters of positive absorption, ending Q3 with 27,778 square feet (sf) in net absorption. This brings the YTD absorption total to 50,802 sf. Despite this recent shift in occupancy movement, West County has seen a softening in demand in 2024. The submarket has recorded nearly 300,000-sf of new leasing activity year-to-date (YTD), accounting for 32.0% of the market’s overall new leasing activity. On average, West County has accounted for more than 40.0% of St. Louis’s new leasing activity in each of the last five years.

CLAYTON

The Clayton office submarket has experienced strong occupancy shifts in 2024, recording more than 200,000 sf in overall net absorption YTD. Strong leasing fundamentals in Clayton have resulted in over 2.0 msf of new leasing from Q1 2020-YTD. This accounts for 27.0% of St. Louis’ overall new leasing activity during that timeframe, despite Clayton containing only 15.4% of the region’s office inventory. Clayton has accounted for nearly 40.0% of all new leasing activity recorded in St. Louis in 2024. This increased demand has led the submarket to see the largest decrease in vacancy across the region. Clayton closed Q3 with an overall vacancy rate of 15.8%, which marks a 290-bps decrease YOY. The submarket is expected to see continued momentum through the end of 2024 and into 2025.

ST. LOUIS CITY

The St. Louis City submarket experienced a 60 bps increase in overall vacancy in Q3, closing the quarter at 21.7%. This marks consecutive QOQ increases and two straight quarters of vacancy above 21.0%. The City currently contains just over 2.4 msf of direct vacant space, accounting for nearly 31.8% of the St. Louis market’s direct vacant inventory. The rise in vacancy is largely driven by continued tenant down-sizing and relocations out of the submarket, which has led the City to experience -277,078 sf in net absorption YTD. Despite this increase in available supply, overall average asking rents in the St. Louis City submarket remain stable above \$19.00 psf, closing Q3 at \$19.16 psf.

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

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 CONSTRUCTION (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
St. Louis City	11,084,117	2,404,725	0	21.7%	-62,725	-277,078	11,000	0	\$19.16	\$19.82
CBD (Downtown)	9,911,569	2,238,001	0	22.6%	-62,725	-273,711	11,000	0	\$18.61	\$19.16
Clayton	7,863,104	1,225,648	17,825	15.8%	77,867	207,920	337,386	0	\$29.95	\$33.17
Mid County	2,173,383	133,729	5,306	6.4%	0	-5,306	128,107	0	\$21.58	\$32.00
North County	5,711,784	907,224	196,697	19.3%	-5,224	21,047	78,237	0	\$18.25	\$19.78
South County	2,650,997	292,300	0	11.0%	0	1,276	39,881	0	\$23.45	\$25.90
St. Charles	3,630,934	212,307	0	5.9%	0	-5,910	0	0	\$20.38	\$22.05
West County	17,783,187	2,390,155	818,529	18.0%	27,778	50,802	280,065	0	\$24.43	\$26.55
ST. LOUIS TOTALS	50,897,506	7,566,088	1,038,357	16.9%	37,696	-7,249	874,676	0	\$22.88	\$24.49

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CLASS A	31,344,295	4,448,732	935,046	17.2%	7,315	5,328	581,745	0	\$24.15	\$24.49
CLASS B	19,553,211	3,117,356	103,311	16.5%	30,381	-12,577	292,931	0	\$19.60	\$19.56
ST. LOUIS TOTALS	50,897,506	7,566,088	1,038,357	16.9%	37,696	-7,249	874,676	0	\$22.54	\$22.88

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

**Subleases included; renewals not included in leasing statistics

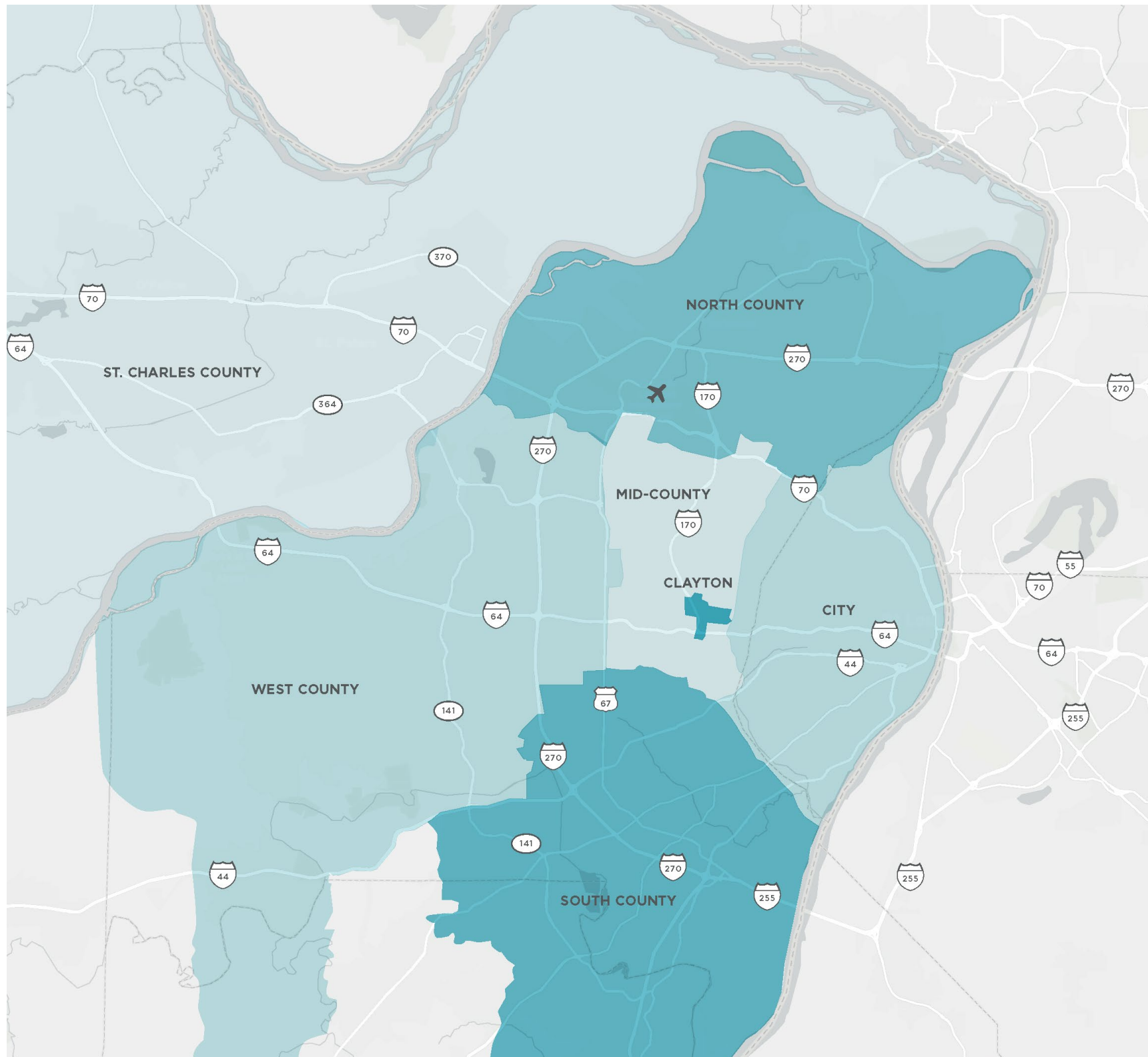
KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
9315 Olive Blvd.	Olivette	Fisher Rosemount Systems, Inc.	128,107	New
6 CityPlace Dr.	Creve Coeur	RGA	46,086	New
3 Cityplace Drive	Creve Coeur	Daugherty Systems	46,666	Renewal**
16150 Main Circle Dr.	Chesterfield	Mass Mutual	23,511	Renewal**
12647 Olive Blvd.	Creve Coeur	Soft Surroundings	22,938	New

KEY SALES TRANSACTIONS YTD

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE \$ PSF
909 Chestnut St.	Downtown	Somera Road Holdings LLC The Goldman Group	1,226,293	\$3.6 M \$3
20 Missouri Research Park Dr.	St. Charles County	Orion Office REIT Seneca CRE	90,722	\$2.0 M \$22
4214-4232 Forest Park Ave.	Central West End	Legal Services of Eastern Missouri Cortex	39,000	\$3.0 M \$77
2201 S. Brentwood Blvd.	Richmond Heights	Brentwood Public Library The Retina Institute	10,356	\$3.2 M \$309

OFFICE SUBMARKETS



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