

St. Louis Office Market

Rental Rates Climb to Record High in First-Quarter 2021

The St. Louis office market realized a slight increase in asking rental rates in the first quarter of 2021, as rents climbed to a record high of \$21.67/SF, up \$0.03/SF from fourth-quarter 2020. Market vacancy rose to 12.1%, an increase of 50 basis points from the prior quarter and an increase of 120 basis points from one year ago.

Total net absorption in the quarter measured negative 410,788 square feet, bringing the total for the past four quarters to negative 766,666 square feet. One construction project underway during the quarter totaled 224,585 square feet. The Class A, Forsyth Pointe project in Clayton is currently 41.7% pre-leased. A total of 108,750 square feet delivered to the market as the Edge@West, Class A property in Mid County officially finished construction.

Stereotaxis, Inc. will Relocate from the Cortex District to the Globe Building in Downtown

Stereotaxis, Inc., the global leader in innovative robotic technologies designed to enhance the treatment of arrhythmias, announced it will relocate its global headquarters from 4320 Forest Park Avenue within the Cortex Innovation Community to the Globe Building located at 710 North Tucker Boulevard in Downtown's Innovation District. The move will modernize Stereotaxis, Inc.'s space needs, provide better collaboration between team members, expand its surgical robot manufacturing capacity by 300%, provide enhanced cybersecurity and accommodate its future growth needs.

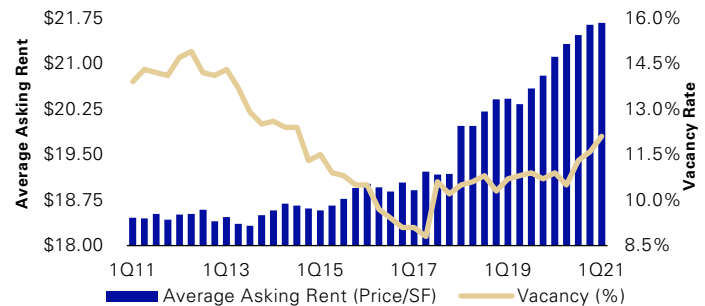
The firm signed a 10-year lease for 43,100 square feet of space on the seventh floor of the seven-story property. Stereotaxis, Inc.'s move comes on the heels of other high-profile firms announcing moves into Downtown, including Square, T-Rex and the \$1.75-billion National Geospatial-Intelligence Agency West campus. The firm expects to occupy the new space by the end of the year.

Current Conditions

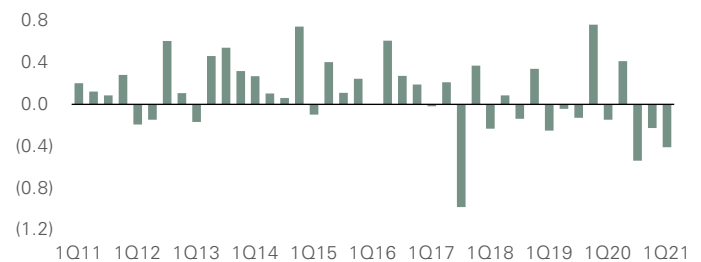
- Asking rental rates increased to a record high of \$21.67/SF in first-quarter 2021. Under construction projects total 224,585 SF. Deliveries to the market totaled 108,750 SF in Q1.
- Stereotaxis, Inc. will move to the Globe Building in Downtown.
- Coworking concept will bring 30,000 SF to Ballpark Village.
- Solid leasing activity from tenants in the healthcare and government sectors.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, Millions)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory	74 MSF	74 MSF	74 MSF	↔
Vacancy Rate	12.1%	11.6%	10.9%	↑
Qtr. Net Absorp.	-410,788	-227,004	148,428	↓
Avg. Asking Rent	\$21.67	\$21.64	\$21.11	↔
Under Con.	224,585	333,335	384,585	↔
Deliveries	108,750	0	0	↑

Coworking Concept to Bring 30,000 Square Feet to Ballpark Village

Spark St. Louis, a locally-based coworking concept created by the St. Louis Cardinals and The Cordish Companies, announced in February that it plans to open a 30,000-square-foot space in the 127,000-square-foot PwC Pennant Building within Ballpark Village in Downtown. Delivered to the market in October 2019, the Class A property will house The Cordish Companies' third collaborative workspace community, following Spark Baltimore in 2016 and Spark KC in 2020.

Located at 6 Cardinal Way, Spark Coworking will offer 24-hour access, mailbox and concierge mail service, a kitchenette, member events, including happy hours, private phone call areas, a podcast studio area, an outside terrace and an on-site mothers' room and wellness space. The space will include more than 80 private offices, five suites and dedicated and nondedicated workstations with the ability to reserve space on a daily and monthly basis. Private office rates are currently quoted at \$595 per month, with workstation memberships priced at \$225 per month. Daily passes are \$15 per day for non-members. Spark Coworking is expected to open by spring 2021.

Tenants Locked in Favorable Terms for New Direct and Subleased Spaces, as Well as Renewals

The St. Louis office market loosened in first-quarter 2021, as negative 410,788 square feet were absorbed. With net absorption during the past four quarters totaling negative 766,666 square feet, average quarterly net absorption has significantly decreased, measuring negative 21,631 square feet during the previous two years. Leasing commitments during the quarter were active in various submarkets as tenants locked in favorable terms for new direct and subleased spaces, as well as renewals. Users in the healthcare and government sectors led the quarter, including Stereotaxis, Inc.'s lease in Downtown, the State of Illinois Department of Central Management Services' lease in Belleville, the Federal Public Defender's renewal in Downtown, CAS Group, LLC's lease in Clayton and Luxco's lease in West County. Expect favorable conditions and multiple opportunities for prospective tenants in the market to upgrade from Class B or B+ space to Class A space in 2021, as most submarkets in the Metro display vacancy rates for Class A space ranging from 9.3% to 13.8%, with vacancy in North County and Downtown of 21.0% and 25.8%, respectively. Overall market vacancy should range from 11.8% to 12.8%, while asking rental rates are expected to range from \$20.60/SF to \$21.85/SF during the next four quarters.

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Stereotaxis, Inc.	710 N Tucker Blvd	Downtown	New	43,100
State of IL Department of Central Management Services	7650 Magna Dr	Metro East	New	20,240
Federal Public Defender	1010 Market St	Downtown	Renewal	18,330
CAS Group, LLC	8112 Maryland Ave	Clayton	New	11,900
Luxco	540 Maryville Centre Dr	West County	New	8,270
Childress Ahlheim Cary, LLC	1010 Market St	Downtown	Renewal	7,160

Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
2327 Chouteau Ave	Downtown	\$6,800,000	\$203	33,430
114 Piper Hill Dr	St. Charles County	\$1,200,000	\$84	14,360
8909 Ladue Rd	Clayton	\$3,400,000	\$270	12,580
1001 Highway K	St. Charles County	\$620,000	\$67	9,320
9800 Watson Rd	South County	\$708,000	\$101	7,000
1200 S Big Bend Blvd	Clayton	\$775,000	\$162	4,790

Submarket Statistics								
Submarket	Class	Total Number of Buildings	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
Downtown	ALL	236	27,688,831	0	14.30%	-154,863	-154,863	\$18.04
	Class A	35	11,234,839	0	25.80%	-109,849	-109,849	\$18.79
	Class B	124	11,396,366	0	7.40%	-23,330	-23,330	\$16.80
	Class C	77	5,057,626	0	4.10%	-21,684	-21,684	\$15.43
Clayton	ALL	99	8,717,018	224,585	10.70%	-124,107	-124,107	\$28.86
	Class A	32	5,268,897	224,585	11.50%	-121,379	-121,379	\$32.46
	Class B	47	2,694,532	0	9.90%	-4,150	-4,150	\$21.52
	Class C	20	753,589	0	8.20%	1,422	1,422	\$19.45
Mid County	ALL	174	11,970,843	0	10.60%	10,272	10,272	\$22.27
	Class A	33	5,162,689	0	9.30%	-29,348	-29,348	\$26.09
	Class B	120	6,143,351	0	12.50%	39,620	39,620	\$19.37
	Class C	21	664,803	0	2.50%	0	0	\$15.36
North County	ALL	89	7,775,089	0	11.20%	-52,292	-52,292	\$19.05
	Class A	20	3,104,747	0	21.00%	-56,570	-56,570	\$19.95
	Class B	43	3,694,426	0	5.90%	4,278	4,278	\$18.20
	Class C	26	975,916	0	0.10%	0	0	\$12.44
South County	ALL	75	4,495,399	0	11.20%	-24,334	-24,334	\$22.69
	Class A	15	1,505,154	0	13.80%	-6,417	-6,417	\$23.64
	Class B	48	2,537,371	0	11.20%	-27,393	-27,393	\$21.44
	Class C	12	452,874	0	2.80%	9,476	9,476	\$20.71
St. Charles County	ALL	69	3,625,156	0	8.20%	6,267	6,267	\$20.85
	Class A	23	1,865,528	0	10.50%	11,469	11,469	\$20.89
	Class B	37	1,351,351	0	7.00%	-5,202	-5,202	\$20.85
	Class C	9	408,277	0	2.10%	0	0	\$16.49
West County	ALL	143	9,942,385	0	11.80%	-71,731	-71,731	\$24.70
	Class A	61	6,238,655	0	10.80%	-89,456	-89,456	\$26.50
	Class B	73	3,366,775	0	14.10%	17,725	17,725	\$21.59
	Class C	9	336,955	0	7.20%	0	0	\$13.97
St. Louis Market	ALL	885	74,214,721	224,585	12.10%	-410,788	-410,788	\$21.67
	Class A	219	34,380,509	224,585	16.60%	-401,550	-401,550	\$23.50
	Class B	492	31,184,172	0	9.50%	1,548	1,548	\$19.25
	Class C	174	8,650,040	0	3.90%	-10,786	-10,786	\$17.15

Submarket Statistics – Class A

Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Downtown	11,234,839	0	25.80%	-109,849	-109,849	\$18.88	\$17.13	\$18.79
Clayton	5,268,897	224,585	11.50%	-121,379	-121,379	\$33.44	\$25.23	\$32.46
Mid County	5,162,689	0	9.30%	-29,348	-29,348	\$26.85	\$22.33	\$26.09
North County	3,104,747	0	21.00%	-56,570	-56,570	\$20.41	\$17.33	\$19.95
South County	1,505,154	0	13.80%	-6,417	-6,417	\$24.08	\$18.59	\$23.64
St. Charles County	1,865,528	0	10.50%	11,469	11,469	\$20.89	-	\$20.89
West County	6,238,655	0	10.80%	-89,456	-89,456	\$27.05	\$22.64	\$26.50
St. Louis Market	34,380,509	224,585	16.60%	-401,550	-401,550	\$23.82	\$20.81	\$23.50

Submarket Statistics – Class B

Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (Price/SF)	Sublet Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Downtown	11,396,366	0	7.40%	-23,330	-23,330	\$16.83	\$11.00	\$16.80
Clayton	2,694,532	0	9.90%	-4,150	-4,150	\$22.18	\$10.00	\$21.52
Mid County	6,143,351	0	12.50%	39,620	39,620	\$19.60	\$15.95	\$19.37
North County	3,694,426	0	5.90%	4,278	4,278	\$18.20	-	\$18.20
South County	2,537,371	0	11.20%	-27,393	-27,393	\$21.44	-	\$21.44
St. Charles County	1,351,351	0	7.00%	-5,202	-5,202	\$20.85	\$16.00	\$20.85
West County	3,366,775	0	14.10%	17,725	17,725	\$21.59	-	\$21.59
St. Louis Market	31,184,172	0	9.50%	1,548	1,548	\$19.37	\$14.71	\$19.25

Economic Conditions

The local economy retracted in February due to COVID-19, with total employment growth of negative 5.8% and negative growth occurring in all 10 industries, calculated on a 12-month percent change basis.

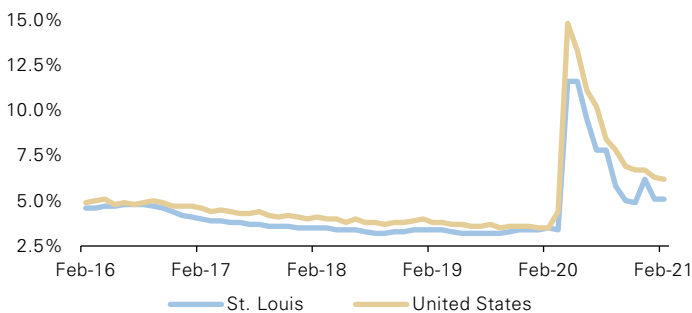
Payroll employment in St. Louis dropped significantly compared to the prior year; however, the local economy has fared favorably compared with the national average. The national average decreased 450 basis points to negative 6.1%.

The Consumer Price Index for the U.S. decreased 60 basis points compared to the prior year, registering 1.7% in February 2021, while the Midwest Urban CPI decreased 40 basis points to 1.7%.

Unemployment in the U.S. decreased 50 basis points to 6.2%, while unemployment in St. Louis increased 20 basis points to 5.1% compared with the past quarter. Unemployment in St. Louis increased 160 basis points from a year prior.

Unemployment Rate

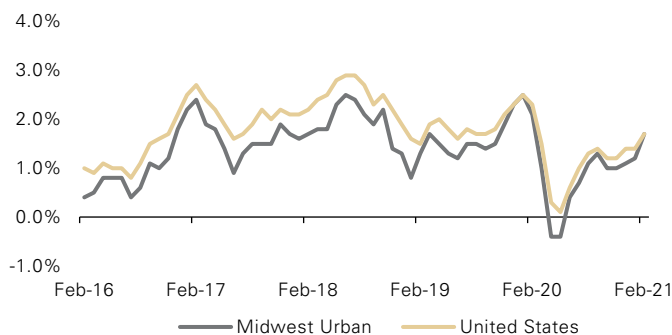
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, March 2021

Consumer Price Index (CPI)

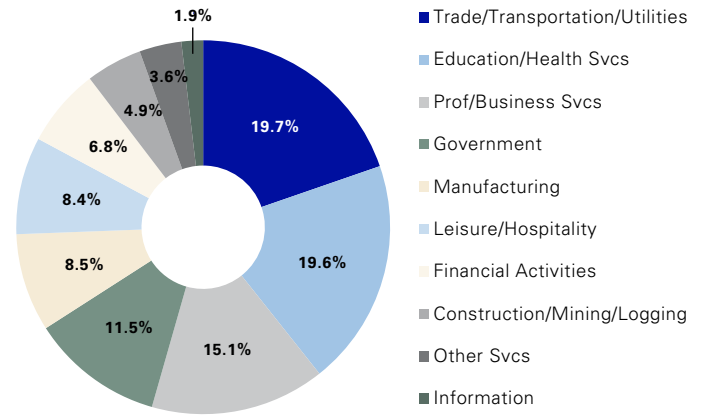
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, March 2021

Employment By Industry

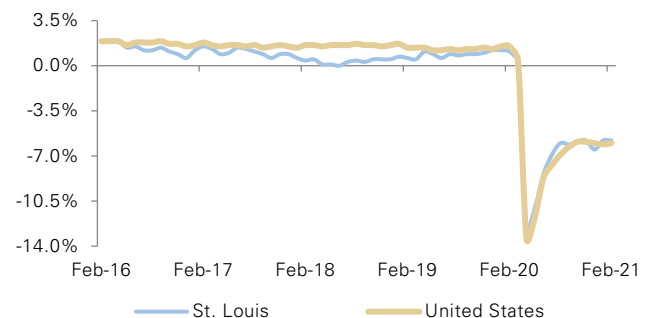
St. Louis, February 2021



Source: U.S. Bureau of Labor Statistics, March 2021

Payroll Employment

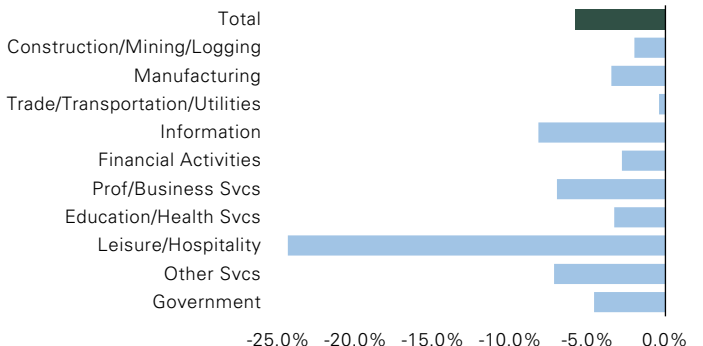
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics, March 2021

Employment Growth By Industry

STL, Feb. 2021, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, March 2021

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