

St. Louis Office Market

Rental Rates Continue to Climb to Record Highs in Second-Quarter 2021

The St. Louis office market realized an increase in asking rental rates in the second quarter of 2021, as rents climbed to a record high of \$21.66/SF, up \$0.25/SF from first-quarter 2021. Market vacancy rose to 12.8%, an increase of 30 basis points from the prior quarter and an increase of 230 basis points from one year ago. Total net absorption in the quarter measured negative 157,500 square feet, bringing the total for the past four quarters to negative 1.7 million 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. No projects delivered to the market during the quarter.

Caleres, Inc. Will Sell Its Nine-Acre Headquarters Site in Clayton

Caleres, Inc., a locally based footwear company, announced it will offer for sale its nine-acre headquarters site in Clayton. The offering will include a 275,000-square-foot office building located at 8300 Maryland Avenue, a 66,000-square-foot office building located at 8400 Maryland Avenue and a parking lot adjacent to Topton Way. Class A and Class B properties within the Clayton submarket total 12.2% of the overall market but opportunities for development and corporate ownership are limited. With 700 local employees, Caleres has not established a specific timeline for a move-out or defined where the firm's new headquarters site would be located. Due to the pandemic, the firm had to close 104 brick-and-mortar stores. The headquarters site is currently being marketed without an asking price.

Marsh & McLennan to Relocate in November to 17,400 Square Feet in Bank of America Plaza

Marsh & McLennan Companies, Inc., a New York-based global professional services firm offering insurance and risk prevention, announced in June it signed a 10-year lease and will relocate from Peabody Plaza at 701 Market Street to the Bank of America Plaza at 800 Market Street. The firm will reduce its footprint from approximately 59,000 square feet down to 17,400 square feet. Aligned with the space reduction trend in professional services

NEWMARK

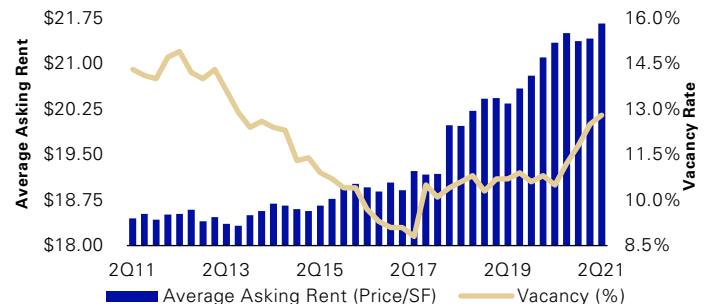
ZIMMER

Current Conditions

- Asking rental rates increased to a record high of \$21.66/SF in second-quarter 2021.
- Caleres, Inc. offers its 9-acre, headquarters site in Clayton for sale.
- Marsh & McLennan to lease 17,400 SF at Bank of America Plaza.
- Edison Spaces to lease 19,500 SF at Edge@West Building.
- 61% increase in leasing activity deals from 1Q to 2Q spread across multiple submarkets.

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	12.8%	12.5%	10.5%	↑
Qtr. Net Absorp.	-157,500	-582,229	412,256	↓
Avg. Asking Rent	\$21.66	\$21.41	\$21.34	↔
Under Con.	224,585	224,585	224,585	↔
Deliveries	0	108,750	160,000	↑

firms, Marsh & McLennan will reduce its square footage per employee down to 91.6, below the St. Louis market average of 125 to 175 square feet of utilization per workstation for office space.

Edison Spaces Coworking to Open a 19,500-Square-Foot Space in Mid County

Edison Spaces, an Overland Park-based coworking concept, announced in May that it plans to expand into the St. Louis market, its third metro in the U.S. The firm will test a new business model in St. Louis which proposes a joint partnership and revenue sharing with the landlord of the space, Seneca CRE. The 19,500-square-foot Class A space will be in the 108,750-square-foot Edge@West Building, which delivered to the market in first-quarter 2021. Located at 12645 Olive Boulevard in Creve Coeur, the new location will offer 38 furnished offices which can accommodate individual areas as well as space for up to a team of eight people. Focusing on the hybrid workplace strategy trend, Edison Spaces expects to target smaller businesses and individuals by providing flexibility and a collaborative space option. Tenants will have the option to sign leases as short as 90 days and will be able to tour and book an office space online.

Expect Opportunities for Prospective Tenants to Upgrade from Class B or B+ Space to Class A Space

The St. Louis office market loosened in second-quarter 2021, as negative 157,500 square feet were absorbed. With net absorption during the past four quarters totaling negative 1.7 million square feet, average quarterly net absorption has significantly decreased, measuring negative 81,777 square feet during the previous two years. Leasing commitments during the quarter were active in various submarkets, increasing 61.0% from the prior quarter, as tenants locked in favorable terms for new direct and subleased spaces, as well as renewals. Users in the financial sector led the quarter. Expect favorable conditions and opportunities for prospective tenants to upgrade from Class B or B+ space to Class A space in 2021, as submarkets in the Metro display vacancy rates for Class A space ranging from 10.0% to 26.2%, with Class A vacancy in North County and Downtown at market highs of 16.4% and 26.2%, respectively. Overall market vacancy should range from 12.6% to 13.6%, while asking rental rates are expected to range from \$21.50/SF to \$22.35/SF during the next four quarters.

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Veterans United	111 Corporate Office Dr	North County	Sublease	35,120
Husch Blackwell LLP	8001 Forsyth Blvd	Clayton	New	26,000
Amdocs, Inc.	625 Maryland Centre Dr	West County	New	23,800
Edison Spaces	12645 Olive Blvd	Mid County	New	19,500
Marsh & McLennan Cos, Inc.	800 Market St	Downtown	New	17,400
WSP	211 N Broadway	Downtown	Renewal	12,440
Cardinal Investment Advisors	231 S Bemiston Ave	Clayton	Renewal	10,050
Environmental Operations, Inc.	7733 Forsyth Blvd	Clayton	New	7,730

Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
801 Corporate Centre Dr	St. Charles County	\$6,300,000	\$63	100,000
11701 Borman Dr	Mid County	\$4,250,000	\$52	81,620
13354 Manchester Rd	West County	\$2,650,000	\$110	24,000
830 Waterbury Falls Dr	St. Charles County	\$2,000,000	\$84	23,890
3121 N Illinois St	Metro East	\$3,300,000	\$181	18,190
3100 Market St	Downtown	\$2,995,000	\$182	16,470
13996 Olive Blvd	West County	\$1,400,000	\$111	12,600

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	237	27,715,178	0	14.50%	-84,742	-208,277	\$18.36
	Class A	36	11,277,786	0	26.20%	-68,341	-162,617	\$19.39
	Class B	125	11,508,632	0	7.30%	760	7,602	\$16.73
	Class C	76	4,928,760	0	4.20%	-17,161	-53,262	\$14.44
Clayton	ALL	99	8,717,556	224,585	10.70%	-2,405	-119,912	\$28.75
	Class A	32	5,268,897	224,585	11.30%	2,111	-110,014	\$32.63
	Class B	47	2,695,070	0	10.20%	-4,516	-11,320	\$21.37
	Class C	20	753,589	0	8.20%	0	1,422	\$19.70
Mid County	ALL	174	11,971,419	0	12.90%	-258,935	-268,618	\$22.50
	Class A	33	5,162,358	0	10.80%	-77,304	-105,762	\$26.24
	Class B	120	6,144,258	0	15.80%	-184,381	-163,209	\$19.46
	Class C	21	664,803	0	2.40%	2,750	353	\$16.63
North County	ALL	89	7,981,423	0	13.10%	153,605	-38,666	\$18.65
	Class A	20	3,177,619	0	16.40%	127,679	75,922	\$19.91
	Class B	42	3,637,888	0	9.20%	27,126	-113,388	\$17.99
	Class C	27	1,165,916	0	16.40%	-1,200	-1,200	\$15.38
South County	ALL	75	4,532,232	0	10.30%	29,990	13,899	\$22.80
	Class A	15	1,544,409	0	15.60%	-11,779	-39,627	\$23.76
	Class B	48	2,534,949	0	8.50%	39,391	41,672	\$23.15
	Class C	12	452,874	0	2.20%	2,378	11,854	\$21.62
St. Charles County	ALL	67	3,506,090	0	7.50%	6,586	17,179	\$21.48
	Class A	21	1,741,634	0	10.00%	-984	9,208	\$21.99
	Class B	37	1,351,351	0	6.00%	7,570	7,971	\$21.45
	Class C	9	413,105	0	2.10%	0	0	\$16.49
West County	ALL	141	9,811,658	0	12.30%	-1,599	-135,334	\$24.80
	Class A	60	6,148,526	0	11.50%	-18,601	-123,286	\$26.67
	Class B	72	3,326,177	0	14.20%	19,976	-9,074	\$21.44
	Class C	9	336,955	0	8.10%	-2,974	-2,974	\$13.97
St. Louis Market	ALL	882	74,235,556	224,585	12.80%	-157,500	-739,729	\$21.66
	Class A	217	34,321,229	224,585	16.80%	-47,219	-456,176	\$23.76
	Class B	491	31,198,325	0	10.20%	-94,074	-239,746	\$19.16
	Class C	174	8,716,002	0	6.30%	-16,207	-43,807	\$16.22

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	11,277,786	0	26.20%	-68,341	-162,617	\$19.52	\$16.92	\$19.39
Clayton	5,268,897	224,585	11.30%	2,111	-110,014	\$33.66	\$25.23	\$32.63
Mid County	5,162,358	0	10.80%	-77,304	-105,762	\$26.97	\$22.35	\$26.24
North County	3,177,619	0	16.40%	127,679	75,922	\$20.32	\$17.33	\$19.91
South County	1,544,409	0	15.60%	-11,779	-39,627	\$24.14	\$18.59	\$23.76
St. Charles County	1,741,634	0	10.00%	-984	9,208	\$21.99	-	\$21.99
West County	6,148,526	0	11.50%	-18,601	-123,286	\$27.10	\$23.47	\$26.67
St. Louis Market	34,321,229	224,585	16.80%	-47,219	-456,176	\$24.07	\$20.97	\$23.76

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	11,508,632	0	7.30%	760	7,602	\$17.01	\$14.87	\$16.73
Clayton	2,695,070	0	10.20%	-4,516	-11,320	\$22.07	\$11.95	\$21.37
Mid County	6,144,258	0	15.80%	-184,381	-163,209	\$19.67	\$16.06	\$19.46
North County	3,637,888	0	9.20%	27,126	-113,388	\$17.99	-	\$17.99
South County	2,534,949	0	8.50%	39,391	41,672	\$23.15	-	\$23.15
St. Charles County	1,351,351	0	6.00%	7,570	7,971	\$21.61	\$16.00	\$21.45
West County	3,326,177	0	14.20%	19,976	-9,074	\$21.44	-	\$21.44
St. Louis Market	31,198,325	0	10.20%	-94,074	-239,746	\$19.39	\$14.96	\$19.16

Economic Conditions

The local economy continued to improve in May, with total employment growth of 7.6% and positive growth occurring in all 10 industries, calculated on a 12-month percent change basis.

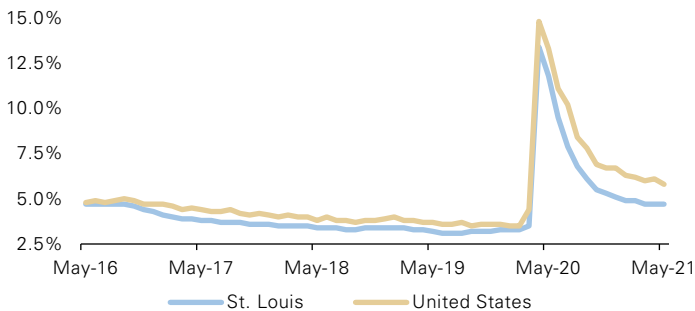
Payroll employment in St. Louis increased significantly in May 2021 compared to the prior year, increasing to a record high of 9.2%. The national average also increased substantially, up from negative 5.9% in February 2021 to 9.0% in May 2021.

The Consumer Price Index for the U.S. increased 490 basis points compared to the prior year, registering 5.0% in May 2021, while the Midwest Urban CPI increased 600 basis points to 5.6%, both 13-year record highs.

Unemployment in the U.S. decreased 40 basis points to 5.8%, while unemployment in St. Louis decreased 20 basis points to 4.7% compared with the past quarter. Unemployment in St. Louis decreased 710 basis points from a year prior.

Unemployment Rate

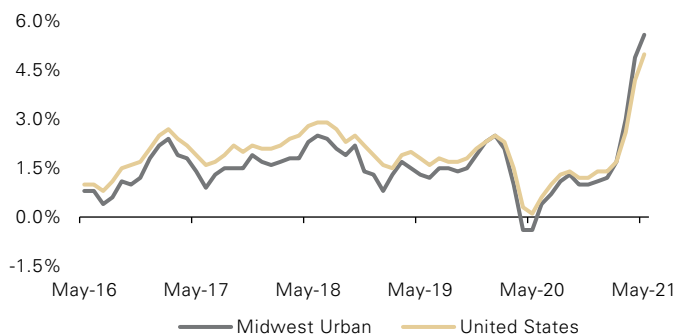
Seasonally Adjusted



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

Consumer Price Index (CPI)

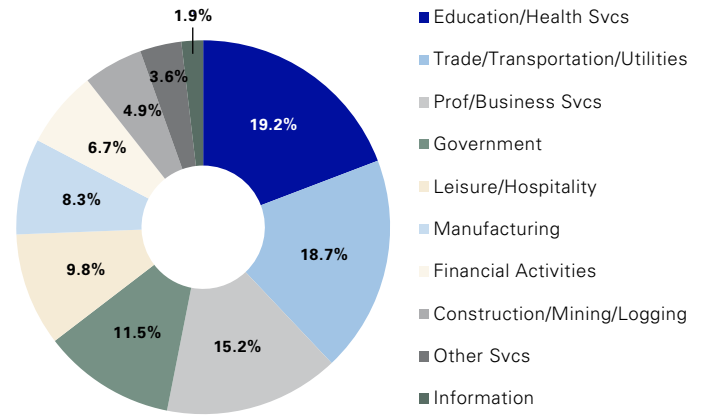
All Items, 12-Month % Change, Not Seasonally Adjusted



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

Employment By Industry

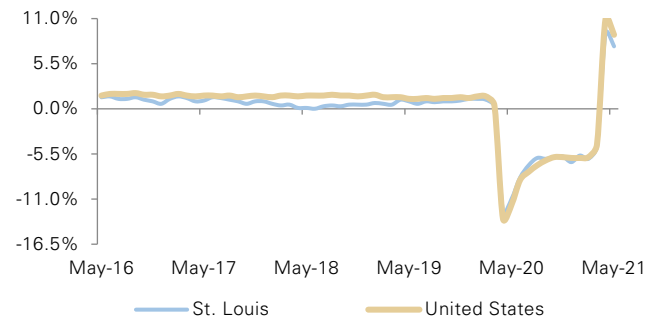
St. Louis, May 2021



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

Payroll Employment

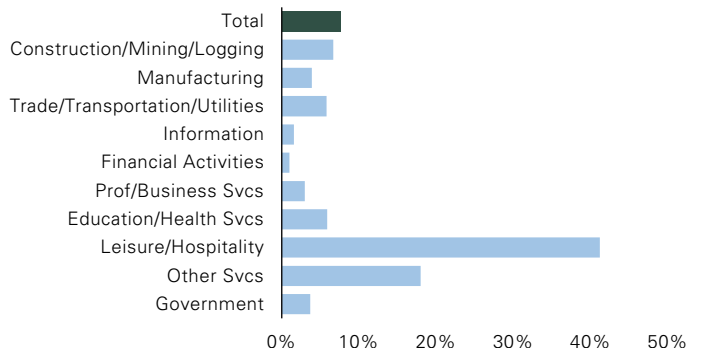
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



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

Employment Growth By Industry

STL, May 2021, 12-Month % Change, Not Seasonally Adjusted



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

For more information:

ST. LOUIS

8235 Forsyth Boulevard, Suite 200
Clayton, MO 63105
314-254-4600

KANSAS CITY

1220 Washington Street, Suite 300
Kansas City, MO 64105
816-474-2000

LEE'S SUMMIT

1485 SW Market Street
Lee's Summit, MO 64081
816-474-2000

Mike Carlson, SIOR, CCIM

Executive Managing Director, Principal
314-628-0438
mcarlson@nzimmer.com

Kevin McLaughlin, SIOR

Executive Managing Director, Principal
314-628-0436
kmclaughlin@nzimmer.com

Ben Albers

Managing Director, Office Brokerage
314-628-0439
balbers@nzimmer.com

Jay Travis

Associate
314-628-0442
jtravis@nzimmer.com

Andrew Garten

Director, Research
816-474-2000
agarten@nzimmer.com

nrmkzimmer.com

ALABAMA

Birmingham

ARIZONA

Phoenix

ARKANSAS

Bentonville
Fayetteville
Little Rock

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nrmk.com/insights.

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