
RESEARCH 3Q23

St. Louis Retail Report

NEWMARK
ZIMMER



Executive Summary

Newmark Zimmer is constantly monitoring market indicators, tracking and analyzing supply and demand drivers, cyclical patterns and industry trends. The following quarterly research report examines the multifaceted St. Louis retail market.

Newmark Zimmer research and analytics has established a system of data flow unique in our industry. Rather than rely on third party data sources, our data acquisition efforts involve inputs from advisors in the field, analysts and brokers executing transactions. Newmark Zimmer research converts market data and analysis into knowledge that creates value for our clients.

Our clients include market-leading landlords and distinguished institutions in and around the St. Louis area and the Midwest. Our market knowledge continues to expand as the market progresses and evolves.



Select Market Transactions

6303 South Lindbergh | Saint Louis, MO

91,780 SF GLA – SOLD FOR \$9,900,000 (\$108/SF)

South County | 6303 S Lindbergh Boulevard

Kirkwood Square | Kirkwood, MO

15,940 SF GLA – SOLD FOR \$6,100,000 (\$383/SF)

Mid County | 10712 Manchester Road

Mueller Furniture | Fairview Heights, IL

87,100 SF GLA – SOLD FOR \$5,150,000 (\$59/SF)

Metro East | 51 Commerce Lane

Popeyes Louisiana Kitchen | Florissant, MO

2,880 SF GLA – SOLD FOR \$3,364,500 (\$1,168/SF)

North County | 951 N Highway 67

Caliber Collision | Fairview Heights, IL

12,680 SF GLA – SOLD FOR \$1,926,000 (\$152/SF)

Metro East | 10610 Lincoln Trail

Retail

ST. LOUIS MARKET OVERVIEW

In St. Louis and beyond, the outlook for retail real estate is optimistic. Increasing rental rates, decreasing availability and new development projects lacking in the pipeline have created a landlords' market in the world of retail. We are continuing to see tenants and landlords get creative in filling space, including conversions of office to multifamily, hotel and mixed-use development projects. Entertainment concepts are actively seeking big-box space, and drive-thru concepts are continuing to seek out prime pad sites.

Market News

- Demolition on the former Jamestown Mall in Florissant officially began in late September. The 1.2-million-SF structure originally opened in 1973 and was in operation until 2014. The demolition is expected to be complete by early summer 2024.
- Savoy Properties purchased two big-box properties, formerly housing Kmart and Sports Authority in North County. Located at the Hilltop Plaza shopping center, the transaction totaled \$2.85 million. Multiple tenants have signed letters of intent to backfill the former Kmart building which has been divided into smaller spaces. Expect the pace of activity to redevelop long-term vacant big-box properties with smaller, divisible spaces or to begin redevelopment via demolition to continue across the market during the next four quarters.
- The former Weekends Only location in South County was sold by Pace Properties to a California-based firm affiliated with Apple Investors Group for \$9.9 million. Plans call for a mixed-use redevelopment of the 9.5-acre site with the 92,000-SF building divided into multiple spaces. Tenants linked to the redevelopment include Dogwood Social House, a self-storage facility and an additional restaurant and bank are planned for the outlots of the property.

With the third quarter of 2023 coming to an end, businesses are readying for the most important retail shopping season of the year. According to Shopkick's survey of 6,000 U.S. consumers, a total of 38% of shoppers will begin purchases for the holiday season before Halloween, and 44% of respondents will start before Thanksgiving. Surprisingly, a reduction in shopping on Black Friday and Cyber Monday is predicted for 2023, with a decrease of 24% and 47%, respectively, compared with 2021. The impact of price increases due to inflation is clear as 62% of respondents feel it has impacted the way they plan to shop, and a significant 77% plan to tighten their shopping budget this year. Per the National Retail Federation, holiday retail sales in 2022 registered \$936.3 billion, a 5.3% increase over 2021. With mixed economic indicators going into the fourth quarter of 2023, multiple analysts are predicting a lackluster holiday spending season in 2023. Although last year there was year-over-year growth in terms of total revenue, it was primarily attributed to increases in prices instead of consumers purchasing more goods overall.

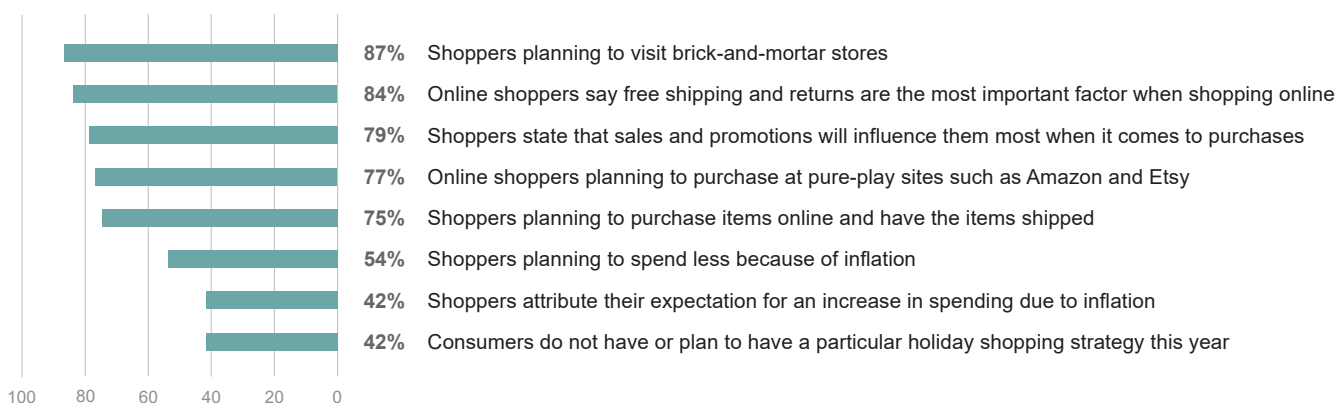
Forecast for the Holiday Shopping Season 2023



Eight-in-10 shoppers expect to spend about the same as or more than they did in 2022

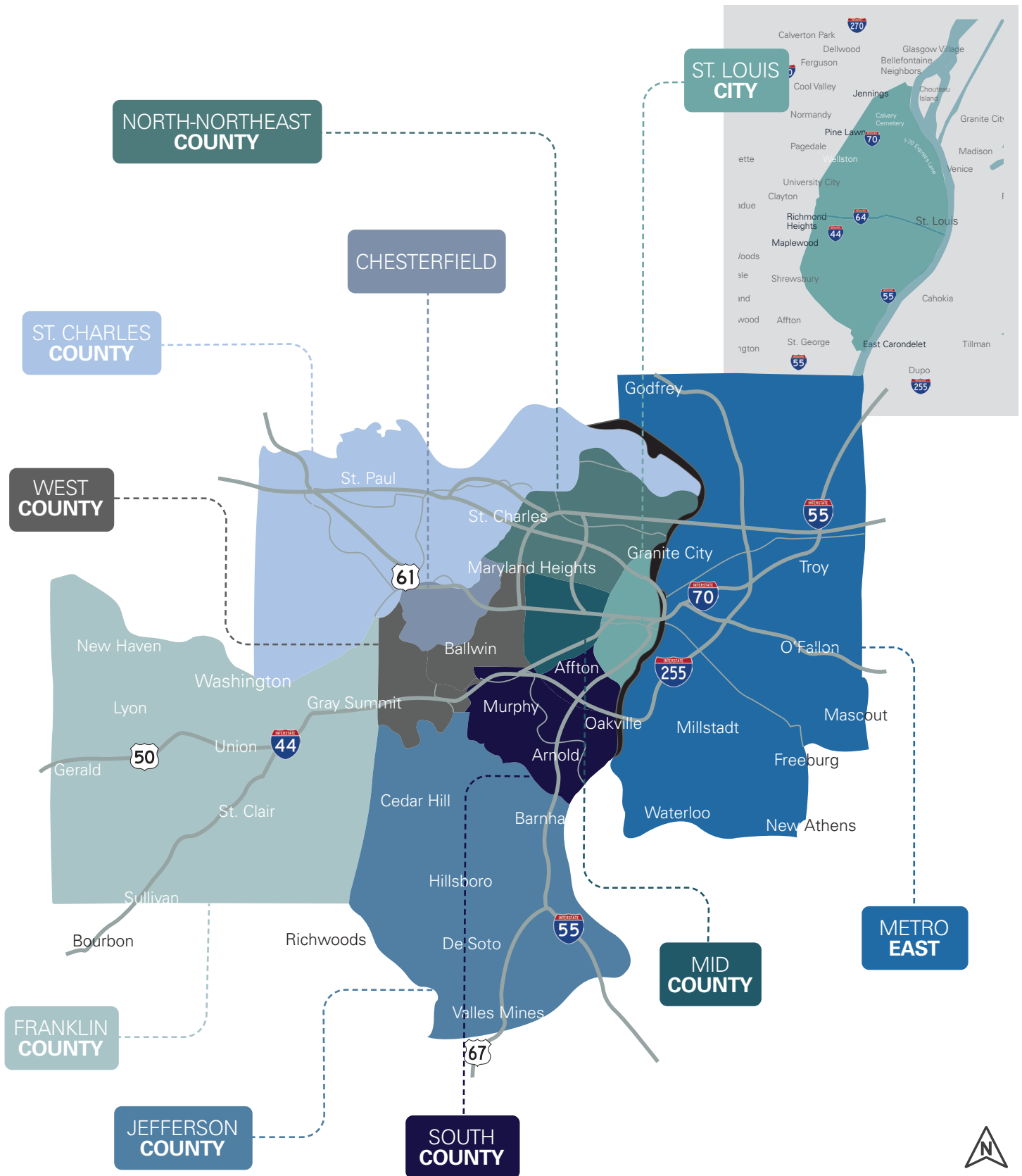
42% of overall spending is expected online while **41%** is predicted to happen at a physical store, **17%** on click-and-collect

83% of in-store shoppers plan to purchase gifts at big box stores, **44%** at off-price retailers, **37%** at department stores and **33%** at club stores



Submarket Maps

DOWNTOWN & SUBURBS



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3Q23 St. Louis

RETAIL MARKET STATISTICS TABLE

	Type	# of Buildings	Total Inventory (SF)	Total Vacancy Rate	Qtr Absorption (SF)	Past 4 Qtrs. Absorption (SF)	Total Asking Rent (NNN)
CHESTERFIELD	All	192	5,557,838	5.20%	-24,008	-77,477	\$20.00
	Small Shop	94	489,043	0.00%	0	2,771	\$22.00
	Big Box	98	5,068,795	5.70%	-24,008	-80,248	\$19.73
FRANKLIN COUNTY	All	575	5,972,677	1.90%	55,698	81,975	\$12.12
	Small Shop	415	1,705,700	1.50%	5,298	-10,104	\$14.61
	Big Box	160	4,266,977	2.10%	50,400	92,079	\$11.53
JEFFERSON COUNTY	All	441	4,612,555	1.60%	47,118	41,956	\$11.06
	Small Shop	314	1,235,646	1.10%	4,400	11,200	\$16.39
	Big Box	127	3,376,909	1.70%	42,718	30,756	\$10.30
METRO EAST	All	2,708	31,429,385	4.20%	-76,487	-17,949	\$12.95
	Small Shop	1,997	7,550,849	1.90%	3,170	24,011	\$16.94
	Big Box	711	23,878,536	4.90%	-79,657	-41,960	\$12.29
MID COUNTY	All	1,093	17,454,914	2.00%	20,109	216,472	\$21.72
	Small Shop	730	2,932,581	2.60%	13,991	5,441	\$20.15
	Big Box	363	14,522,333	1.80%	6,118	211,031	\$22.43
NORTH-NORTHEAST COUNTY	All	1,656	21,098,981	6.00%	213,065	263,099	\$10.93
	Small Shop	1,189	4,357,648	1.70%	21,788	34,319	\$14.20
	Big Box	467	16,741,333	7.10%	191,277	228,780	\$10.62
ST. CHARLES COUNTY	All	1,663	23,347,912	3.70%	-73,616	110,178	\$14.93
	Small Shop	1,151	4,722,981	2.20%	1,770	44,670	\$18.90
	Big Box	512	18,624,931	4.10%	-75,386	65,508	\$13.64
ST. LOUIS CITY	All	2,461	21,370,672	3.80%	18,082	128,452	\$16.04
	Small Shop	1,951	7,298,673	2.30%	-8,100	3,185	\$17.45
	Big Box	510	14,071,999	4.60%	26,182	125,267	\$15.73
SOUTH COUNTY	All	1,315	20,851,284	5.60%	55,483	167,497	\$13.11
	Small Shop	885	3,523,923	1.60%	1,953	34,272	\$22.26
	Big Box	430	17,327,361	6.40%	53,530	133,225	\$12.62
WEST COUNTY	All	650	12,112,918	5.90%	32,840	-47,285	\$16.65
	Small Shop	380	1,621,192	3.00%	-3,553	-7,462	\$19.46
	Big Box	270	10,491,726	6.40%	36,393	-39,823	\$16.32
TOTALS	All	12,754	163,809,136	4.20%	268,284	866,918	\$14.21
	Small Shop	9,106	35,438,236	2.00%	40,717	142,303	\$18.10
	Big Box	3,648	128,370,900	4.90%	227,567	724,615	\$13.59

Small Shop: Retail buildings in which GLA is 9,000 square feet or less.
Big Box: Retail buildings in which GLA is 9,001 square feet or more.

Market Indicators

VACANCY RATE, ASKING RENT & NET ABSORPTION

ST. LOUIS CITY

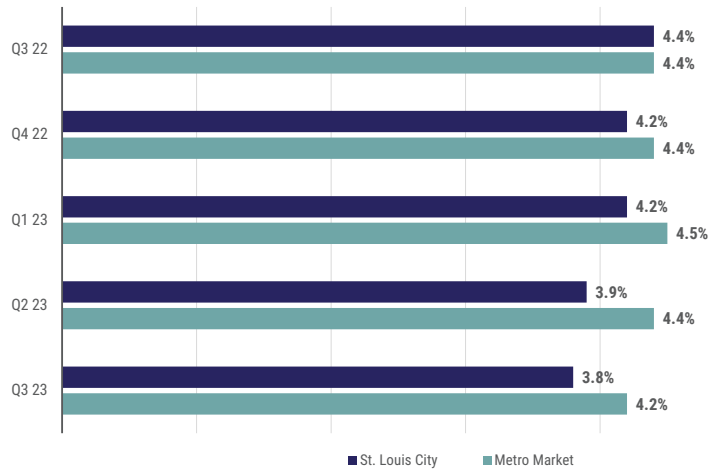
VACANCY RATE

The St. Louis City vacancy rate displayed a downward trend, decreasing **60** basis points over the past year.

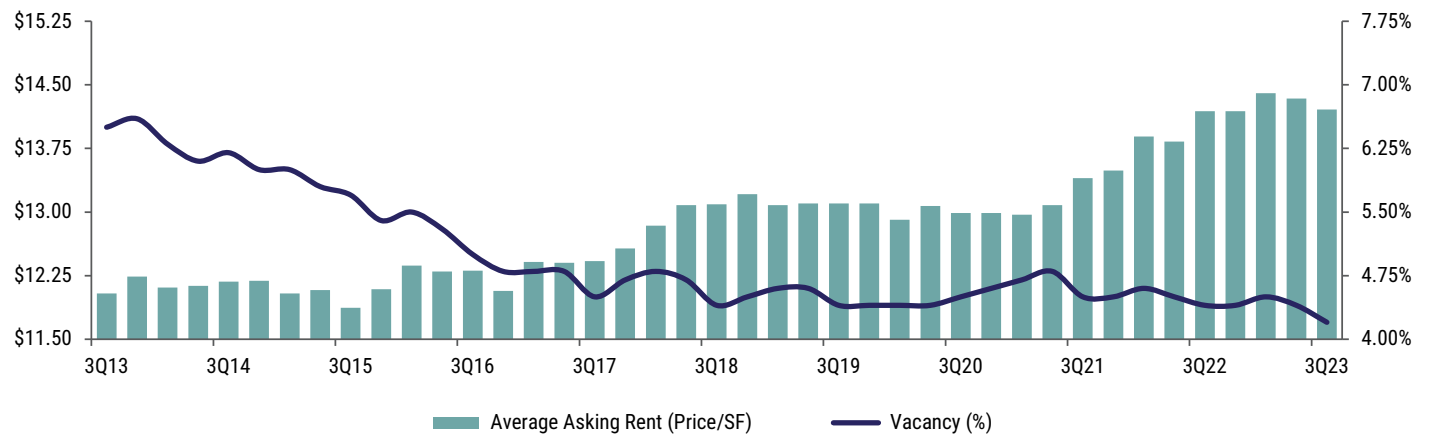
METRO MARKET

VACANCY RATE

The metro market vacancy rate displayed a downward trend, decreasing **20** basis points over the past year.

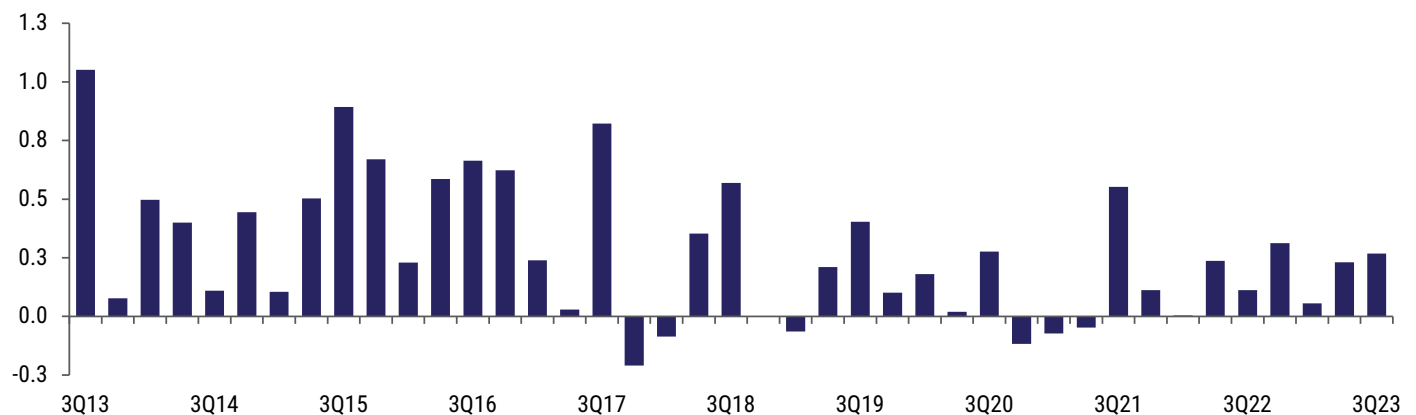


ASKING RENT AND VACANCY



NET ABSORPTION

SQUARE FEET, MILLIONS



Small Shop: Retail buildings in which GLA is 9,000 square feet or less. **Big Box:** Retail buildings in which GLA is 9,001 square feet or more.

Examination and calculation of supply and demand determinants by building size uncovered statistically significant inflection points consistently at the 9,000-square-foot building size. For this reason, the division between small-shop and big-box occurs at 9,000 square feet.



3Q23 St. Louis

SUBMARKET VACANCY RATE

CHESTERFIELD VACANCY RATE

Worsened by **140 basis points** over the past year.

5.2%

3Q23

3.8%

3Q22

Small shop space is hard to find in Chesterfield as vacancy in this niche is 0.0%, the lowest in the market.

METRO EAST VACANCY RATE

Worsened by **20 basis points** over the past year.

4.2%

3Q23

4.0%

3Q22

Metro East displayed the lowest net absorption in the market during the quarter.

MID COUNTY VACANCY RATE

Improved by **30 basis points** over the past year.

2.0%

3Q23

2.3%

3Q22

Mid County displayed the highest average asking rental rate in the market.

WEST COUNTY VACANCY RATE

Worsened by **60 basis points** over the past year.

5.9%

3Q23

5.3%

3Q22

West County displayed the second lowest net absorption in the market during the past four quarters.

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We transform untapped potential into limitless opportunity.

We don't just adapt to what our partners need—we adapt to what the future demands.

Since our start, we've faced forward, predicting change and pioneering ideas. Almost a century later, the same strategic sense and audacious thinking still guide our approach. Today our integrated platform delivers seamlessly connected services tailored to every type of client, from owners to occupiers, investors to founders, and growing startups to leading companies.

Tapping into smart tech and smarter people, we bring ingenuity to every exchange and transparency to every relationship.

We think outside of boxes, buildings and business lines, delivering a global perspective and a nimble approach. From reimagining spaces to engineering solutions, we have the vision to see what's next and the tenacity to get there first.

TERMS AND DEFINITIONS

Gross Leasable Area (GLA) – Expressed in square feet. It is the total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines. It is the standard measure for determining the size of retail spaces, specifically shopping centers, where rent is calculated based on GLA occupied. There is no real difference between RBA (Rentable Building Area) and GLA except that GLA is used when referring to retail properties while RBA is used for other commercial properties.

Vacancy Rate – The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant.

Net Absorption – The net change in physically occupied space over a period of time.

Average Asking Rent – The dollar amount asked by landlords for available space expressed in dollars per square foot per year. Retail rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a prorata basis. The asking rent for each building in the market is weighed by the amount of available space in the building.

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