

RESEARCH 4Q21

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

Jefferson County Plaza | Arnold, MO

42,090 SF GLA – SOLD FOR \$6,550,000 (\$156/SF)

South County | 3787-3835 Vogel Road

Lindbergh Plaza II | St. Louis, MO

26,050 SF GLA – SOLD FOR \$4,100,000 (\$157/SF)

South County | 7571-7597 South Lindbergh Boulevard

Red Robin | Richmond Heights, MO

5,810 SF GLA – SOLD FOR \$2,950,000 (\$508/SF)

Mid County | 8115 Dale Avenue

Truman Crossing | Saint Charles, MO

24,000 SF GLA – SOLD FOR \$2,670,000 (\$111/SF)

St. Charles County | 3432-3468 Harry S Truman Boulevard

Sonic | Edwardsville, IL

1,580 SF GLA – SOLD FOR \$1,846,500 (\$1,169/SF)

Metro East | 1017 Plummer Drive

Retail

ST. LOUIS MARKET OVERVIEW

The overall St. Louis retail market remained stable year-over-year in the fourth quarter of 2021, with vacancy remaining at 4.7%. Net absorption totaled 275,452 square feet for the past four quarters and 813,736 square feet for the past two years. The average quoted rental rate is \$13.45/SF, up \$0.40/SF from one year ago.

In the local retail market:

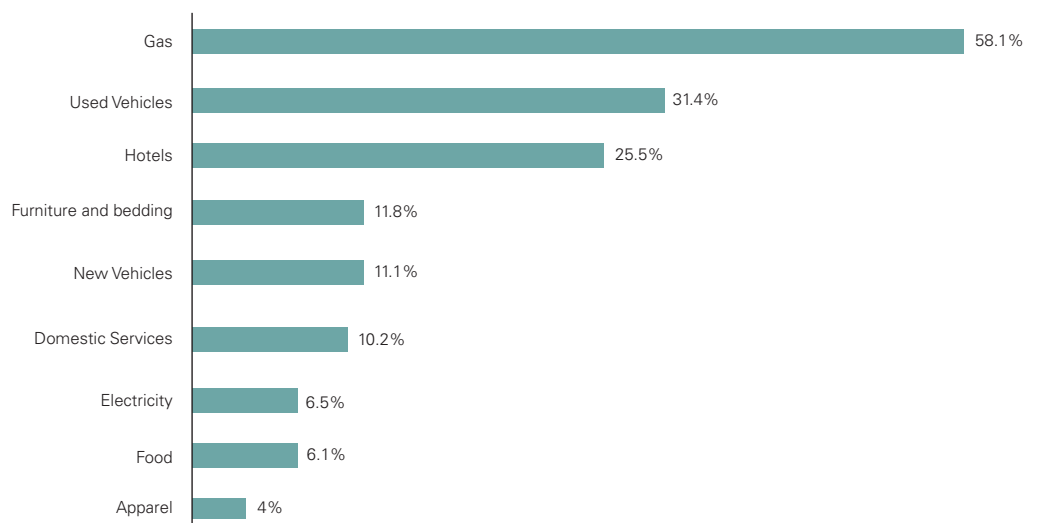
- **Target** announced plans for a new 70,000-square-foot store in Midtown, which will anchor “The Edwin,” a \$60.0-million mixed-use project offering multi-family and retail space. The store is expected to open by summer 2023.
- **Top Golf** is expected to open its second location in the Metro, with a 68,000-square-foot facility planned for Midtown. The future site, located next to Steelcote Square District, received zoning approval from the St. Louis Planning Commission in December.
- **VibeSzn** opened its first brick-and-mortar store within City Foundry STL in November. In addition to its online presence, the customizable jeweler will carry various items for sale exclusively at its physical location.

As 2021 comes to an end, the focus is on being cautiously optimistic in 2022. Technology will continue to drive innovation and advance the hybrid retail model. Retailers will move away from the offline versus online debate and focus on providing a unique customer experience and collaborative journey. Sense-stimulating environments provided by retailers will generate meaningful experiences and empower a positive outcome, as 89.0% of customers indicated they would be interested in using more technology in-store, according to shopping center management firm Unibail-Rodamco-Westfield. Artificial intelligence and machine learning will continue to expand in the industry as powerful and adaptable insights for retailers. AI has already been adopted by 40.0% of retail and consumer products companies according to an IBM study and is projected to grow to 80.0% in three years. AI and ML solution-oriented tools will be employed in 2022 through chatbots, shopper insights, in-store experience, price points, product search, recommender systems, brand monitoring and payment options. Statista expects a 29.5% increase in global AI spending within the retail industry from 2021 to 2022.

However, 2022 will come with a price. Rising costs are across the board, and the Consumer Price Index is at its highest level in almost four decades. Consumers will evaluate the price increases for products, services, and experiences. They will continue with reasonable increases but reduce excessive increases for nonessential items. In addition, labor shortages are affecting various brands. Priorities have shifted for employees, and now many retailers are investing heavily in employee recruitment and retention.

Rising Costs for the Consumer

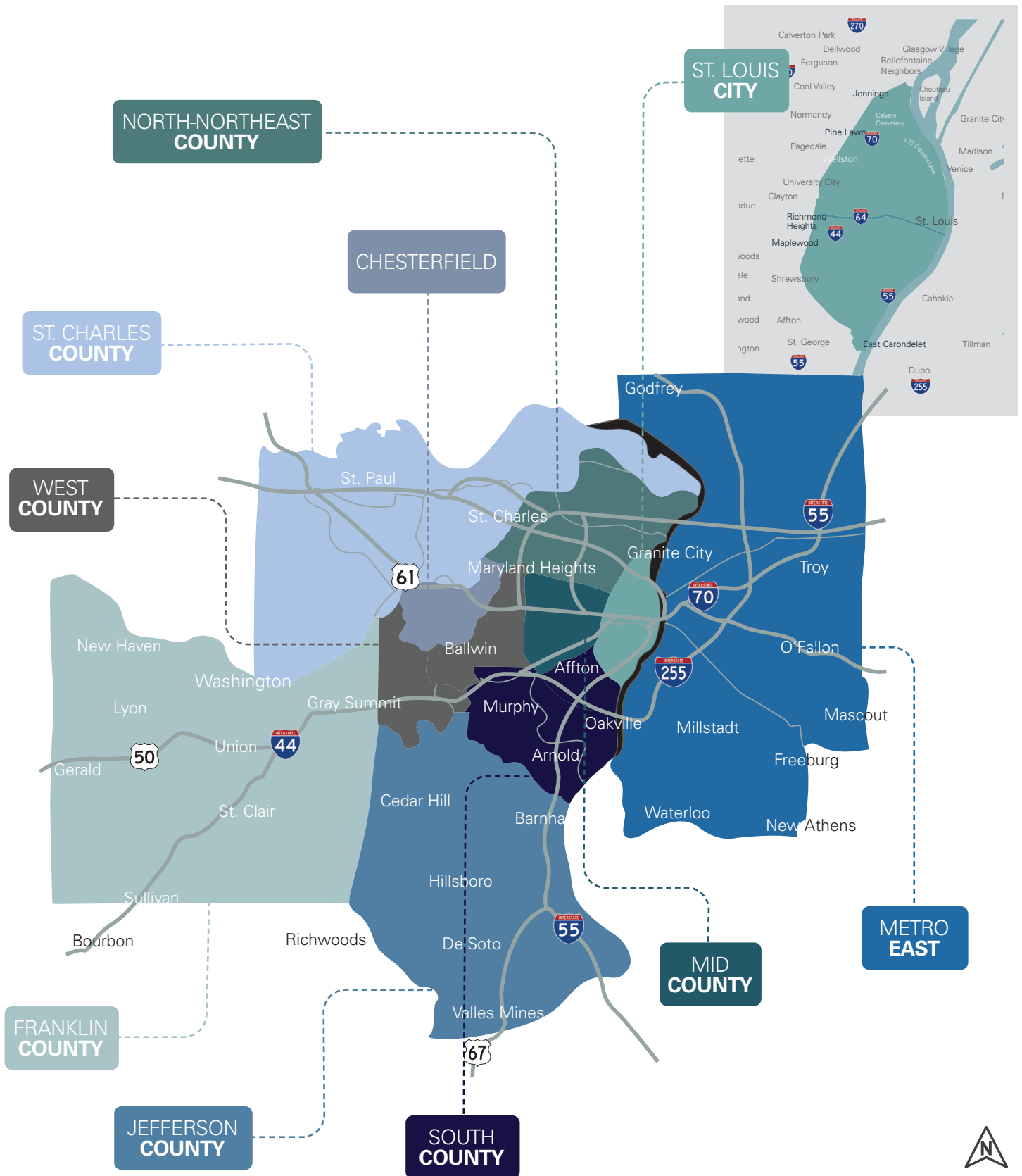
One Year Change Ending November 2021



Source: U.S. Labor Department, CNBC

Submarket Maps

DOWNTOWN & SUBURBS



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4Q21 St. Louis

RETAIL MARKET STATISTICS TABLE

	Type	# of Buildings	Total Inventory (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (NNN)
CHESTERFIELD	All	191	5,571,007	3.90%	-8,690	-20,614	\$15.40
	Small Shop	92	478,159	0.20%	1,000	1,243	\$19.00
	Big Box	99	5,092,848	4.20%	-9,690	-21,857	\$15.34
FRANKLIN COUNTY	All	555	5,620,464	1.30%	17,873	35,292	\$7.37
	Small Shop	406	1,658,253	0.40%	17,873	23,198	\$11.00
	Big Box	149	3,962,211	1.70%	0	12,094	\$7.16
JEFFERSON COUNTY	All	429	4,664,103	4.20%	6,800	10,652	\$12.02
	Small Shop	310	1,216,110	1.70%	0	7,800	\$12.44
	Big Box	119	3,447,993	5.00%	6,800	2,852	\$11.82
METRO EAST	All	2,646	31,573,876	2.20%	-195,098	86,411	\$12.97
	Small Shop	1,958	7,389,609	2.30%	10,991	81,910	\$16.45
	Big Box	688	24,184,267	2.20%	-206,089	4,501	\$12.36
MID COUNTY	All	1,090	17,360,693	6.60%	20,385	141,798	\$20.14
	Small Shop	730	2,927,169	2.60%	1,680	60,613	\$21.63
	Big Box	360	14,433,524	2.20%	18,705	81,185	\$19.56
NORTH-NORTHEAST COUNTY	All	1,632	22,537,985	6.60%	51,133	53,964	\$10.03
	Small Shop	1,161	4,283,959	2.60%	-11,515	12,048	\$14.86
	Big Box	471	18,254,026	7.60%	62,648	41,916	\$9.44
ST. CHARLES COUNTY	All	1,600	22,539,501	3.90%	-11,003	201,752	\$13.17
	Small Shop	1,106	4,506,599	2.50%	5,268	50,163	\$20.19
	Big Box	494	18,032,902	4.20%	16,271	151,589	\$12.05
ST. LOUIS CITY	All	2,404	21,069,924	4.60%	-9,548	-27,960	\$14.84
	Small Shop	1,912	7,077,589	2.20%	18,137	19,258	\$16.68
	Big Box	492	13,992,335	5.80%	-27,595	-47,218	\$14.28
SOUTH COUNTY	All	1,300	20,555,680	7.20%	10,017	-337,157	\$13.45
	Small Shop	872	3,461,942	2.60%	-11,159	-7,043	\$19.06
	Big Box	428	17,093,738	8.10%	21,176	-330,114	\$12.91
WEST COUNTY	All	638	12,050,734	5.20%	-38,630	131,314	\$14.94
	Small Shop	373	1,599,070	2.80%	-3,360	8,557	\$17.97
	Big Box	265	10,451,664	5.50%	-35,270	122,757	\$14.68
TOTALS	All	12,485	165,543,967	4.70%	-156,671	275,452	\$13.45
	Small Shop	8,920	34,598,459	2.10%	28,915	257,747	\$18.10
	Big Box	3,565	128,945,508	5.40%	-185,586	17,705	\$12.72

Market Indicators

VACANCY RATE, ASKING RENT & NET ABSORPTION

ST. LOUIS CITY

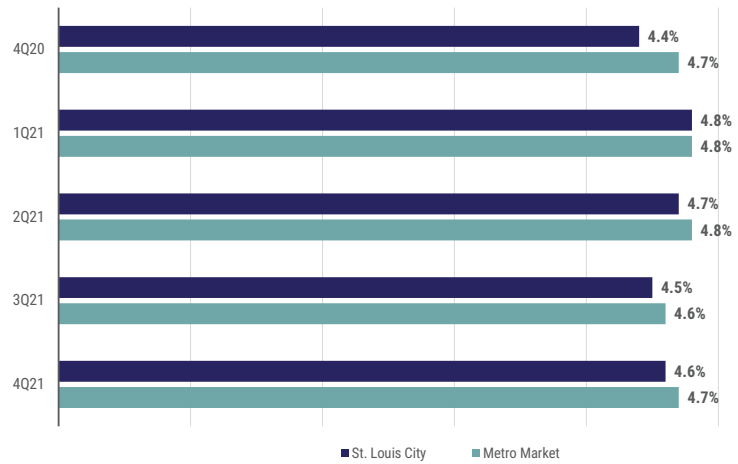
VACANCY RATE

The St. Louis City vacancy rate displayed an upward trend increasing 20 basis points over the past year.

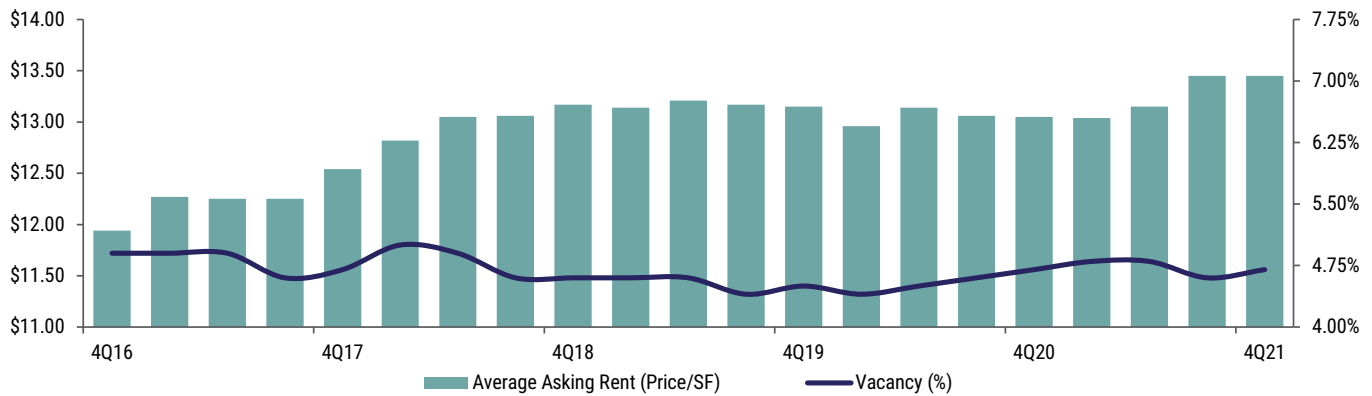
METRO MARKET

VACANCY RATE

The metro market vacancy rate remained flat over the past year.

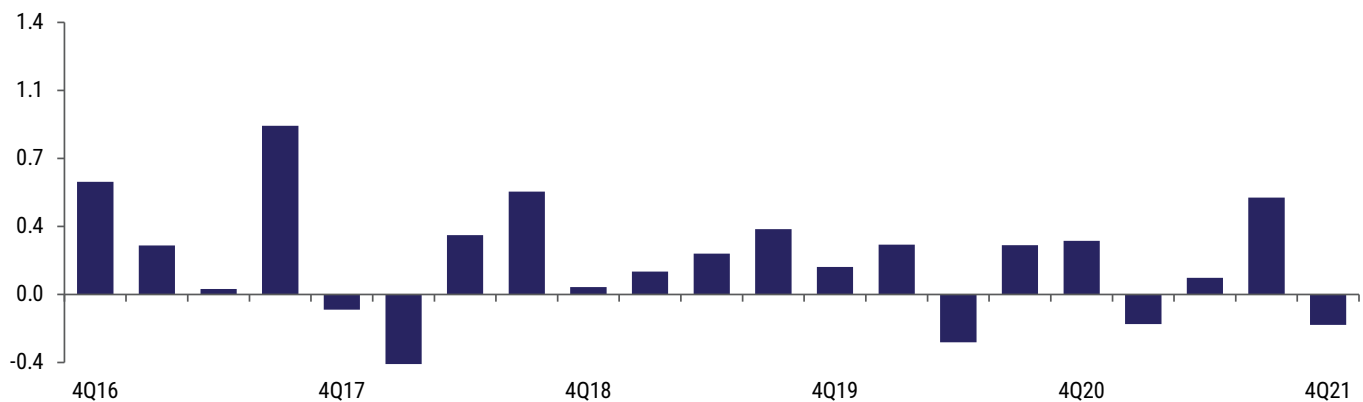


ASKING RENT AND VACANCY



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.



4Q21 St. Louis

SUBMARKET VACANCY RATE

CHESTERFIELD VACANCY RATE

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

3.9%

4Q21

3.3%

4Q20

Small shop space is hard to find in Chesterfield as vacancy in this niche is nominal at 0.2%. Big box space is also scarce posting a 4.2% vacancy rate.

METRO EAST VACANCY RATE

Improved by **10 basis points** over the past year.

4.2%

4Q21

4.3%

4Q20

Metro East mirrors the metro average with both small space and big box vacancy 70 bps lower than the overall market.

MID COUNTY VACANCY RATE

Improved by **80 basis points** over the past year.

2.2%

4Q21

3.0%

4Q20

Big box vacancy remains tight at 2.2% in Mid County. The submarket has the second lowest big box vacancy in the metro.

WEST COUNTY VACANCY RATE

Improved by **90 basis points** over the past year.

5.2%

4Q21

6.1%

4Q20

West County ranked second in total absorption for big box space during 2021.

For more information:

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Clayton, MO 63105
314-254-4600

Kansas City, MO

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

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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.

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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.

Retail 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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