

ST. LOUIS OFFICE

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
St. Louis Employment*	1,383k	1,403k	▲
St. Louis Unemployment*	3.4%	3.6%	▲
U.S. Unemployment	3.9%	3.6%	▼

*Q2 data above is quarterly averages based on April and May values.

Market Indicators (Overall, All Classes)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	12.3%	12.5%	▼
Net Absorption (sf)	-79k	306k	▲
Under Construction (sf)	1.1M	1.1M	▲
Average Asking Rent*	\$18.90	\$19.95	▲

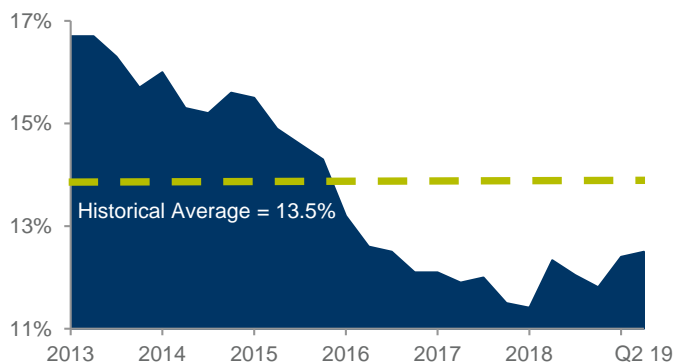
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

St. Louis economic fundamentals continued to show signs of resilience as it ended the second quarter of 2019 with an unemployment rate of 3.6%, marking the ninth consecutive quarter below 4.0%. Seasonally adjusted employment added 20,000 jobs year-over-year despite major local consolidations resulting from merger and acquisition activity. The Federal Open Market Committee (FOMC) suspended further rate hikes and indicated that cuts would be considered if national economic indicators falter, indicating the economy remained on a steady course forward despite headwinds generated from the China-United States trade war.

Market Overview

At 12.5% vacancy, the second quarter of 2019 marked the 14th consecutive quarter during which office vacancy remained below the long-term average rate of 13.5% – the second longest such streak since mid-1985. Recently, net new expansions driven by the utilities and bio-tech industries have been accretive to office market fundamentals despite the flurry of M&A-driven consolidations over the last few years. In May, Ameren signed a five-year lease Downtown totaling roughly 99,000 square feet (sf) at 800 Market Street. Ameren plans to move hundreds of employees to the site as the firm renovates its current headquarters located at 1901 Choteau Avenue. In the bio-tech and pharmaceuticals space, Pfizer delivered and moved into a \$236-million, 295,000-sf built-to-suit facility in Chesterfield that now hosts the company's BioTherapeutics Pharmaceutical Sciences Group. Building off these major commitments to St. Louis, office fundamentals can be expected to remain strong as signature office projects deliver throughout the remainder of 2019 and as the economy thrives on the successes of the Cortex Innovation District.

West County

Class A asking rates in West County increased by roughly 2.0% over the first quarter, reaching \$26.28 per square foot (psf) as the demand for large, high-end space continues to be at odds with the availability of such blocks. At current, West County is home to just two of the market's 14 contiguous blocks of class A space greater than 50,000 sf. Despite lack of large blocks, West County continued its momentum throughout the quarter as Rabo AgriFinance, a firm that specializes in agriculture financing, expanded into roughly 19,000 sf at the Maryville III building in Chesterfield. This activity comes in addition to the firm's current occupancy at Delmar Gardens III and after an early-2019 announcement that the firm would acquire the food and agriculture loan portfolio of Rabobank, further positioning the market for growth within the rapidly emerging bio-tech sector in St. Louis.

Clayton

Despite recording a minimal amount of negative absorption in the second quarter totaling roughly 3,000 sf, Clayton continues to position itself as the premier location for quality office space across St. Louis. As of quarter-end, class A vacancy reached 3.9%, the lowest across the St. Louis Metro. Clayton did record expansionary activity, however, as Dover Capital relocated to the CoinCo building at 300 Hunter Avenue, expanding the firm's footprint by roughly 17,000 sf. Prior to the move, Dover Capital was located within the PNC Center at 120 South Central, where they leased roughly 7,000 sf. Based on these strengths and the overall stability of the office market in Clayton, capital markets activity has naturally followed. In May, both Pierre Laclède Center office towers within Clayton sold to Virginia-based Lingerfelt Commonwealth Partners. The buildings total roughly 580,000 sf of class A office space which Lingerfelt has committed to modernizing in order to increase the already strong appeal of the assets.

St. Louis City

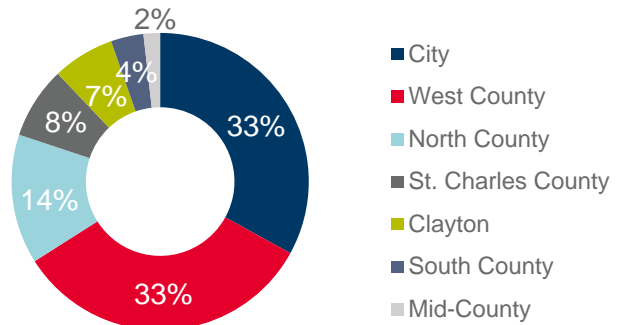
Within the City, two large move-outs at 100 North Broadway helped drive negative quarterly absorption for the first time in nearly two years. Of these move-outs, Senniger Powers LLP vacated the entirety of its 22,000 sf space while Nestle gave back about 84,000 sf of its current footprint at the location. Though the move-outs deviate from the consistency experienced in the last several quarters, select successes remain. Notable occupier movements include Ameren's move to 800 Market Street (99,000 sf), Lewis Brisbois Brisgaard & Smith entering the market for the first time (11,000 sf), and Accenture's new commitment to Cortex (8,000 sf). Aside from office occupier movements within the City, the developers behind the new City Foundry mixed-use project announced in April that the food hall component has already been 80% preleased while announcing in June that Fresh Thyme Farmer's Market will take 30,000 sf of the existing retail space. As the office landscape within the City's urban core continues to evolve, the momentum behind retail components of major mixed-use developments represent a crucial step towards the live-work-play continuity that office occupiers desire.

Outlook

- Deliveries of Centene Plaza Building C, Offices at Ballpark Village, City Foundry, and the Crescent Building stand to drive further leasing activity through the remainder of 2019, potentially totaling upwards of 900,000 sf of net absorption.
- Opportunity Zones, a new federal initiative that provides a tax advantage to investors who invest capital gains into historically disinvested areas, could have a major impact on capital markets activity. Of the top ten Opportunity Zones in Missouri, as defined by a December 2018 study by Smart Growth America, four large tracts of downtown St. Louis make the list.

Vacant Space by Submarket

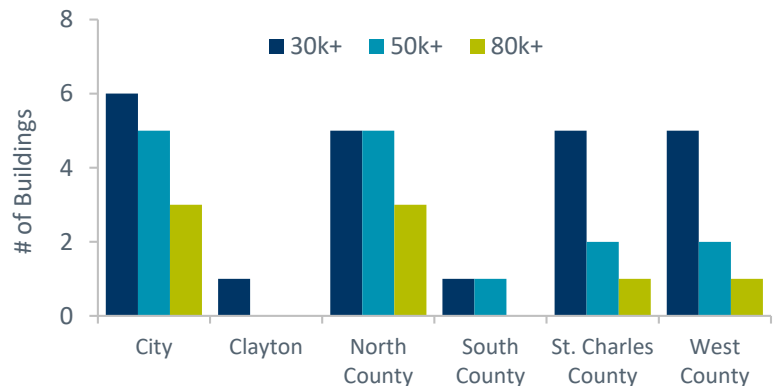
ST. LOUIS CITY AND WEST COUNTY CONTAIN OVER 66.0% OF THE VACANT SPACE IN THE METRO



% of Total Vacant Space Q2 2019

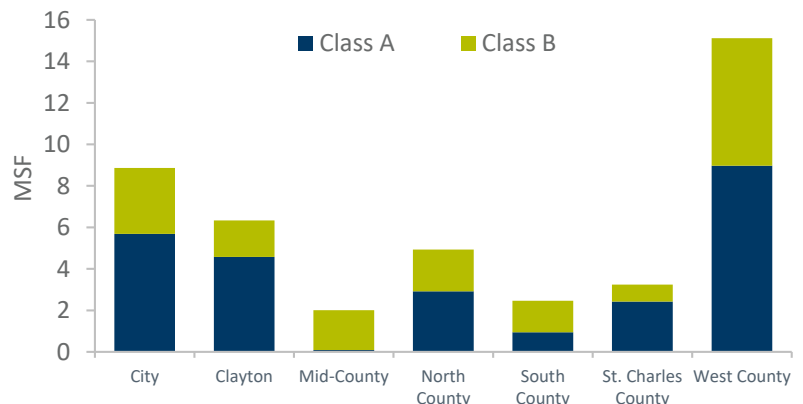
Class A Contiguous Space

RECENTLY ADDED BLOCKS OF CLASS A SPACE WILL HELP ALLEVIATE DEMAND DRIVEN BY TENANTS LOOKING FOR LARGE AVAILABILITIES



Submarket Comparison

SUBURBAN CLASS A OCCUPANCY CURRENTLY EXCEEDS 90.4%



MARKETBEAT

St. Louis

Office Q2 2019



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD (Downtown)	9,929,011	131,851	1,850,307	19.7%	-82,720	-59,333	240,322	120,000	\$17.40	\$ 19.22
St. Louis City	10,896,459	109,721	1,923,109	18.7%	-75,098	-70,193	338,322	491,408	\$17.58	\$ 19.39
Clayton	6,746,489	1,171	413,657	6.1%	-2,923	-32,431	178,704	604,508	\$25.53	\$29.80
Mid-County	2,122,478	0	111,121	5.2%	-3,071	-39,081	39,919	25,200	\$18.24	N/A
West County	17,147,248	76,273	1,956,584	11.9%	331,803	186,884	447,612	0	\$22.36	\$26.28
North County	5,803,009	0	869,094	15.0%	36,074	-180,947	158,722	0	\$17.27	\$20.39
South County	2,682,052	3,551	214,762	8.1%	51,090	64,801	32,007	0	\$21.44	\$24.85
St. Charles	3,726,651	0	481,228	12.9%	-31,996	-11,657	66,221	0	\$19.06	\$20.76
ST. LOUIS TOTALS	49,124,386	190,716	5,969,555	12.5%	305,879	-82,624	1,261,507	1,121,116	\$19.95	\$22.51

*Rental rates reflect gross asking \$psf/year

**Does not include renewals

	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	DIRECT AVERAGE ASKING RENT*	OVERALL AVERAGE ASKING RENT*
Class A	28,844,542	184,449	3,059,630	11.2%	153,937	-195,668	846,722	1,121,116	\$22.78	\$22.51
Class B	20,279,844	6,267	2,909,925	14.4%	151,942	113,044	416,785	0	\$17.49	\$17.48

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q2 2019

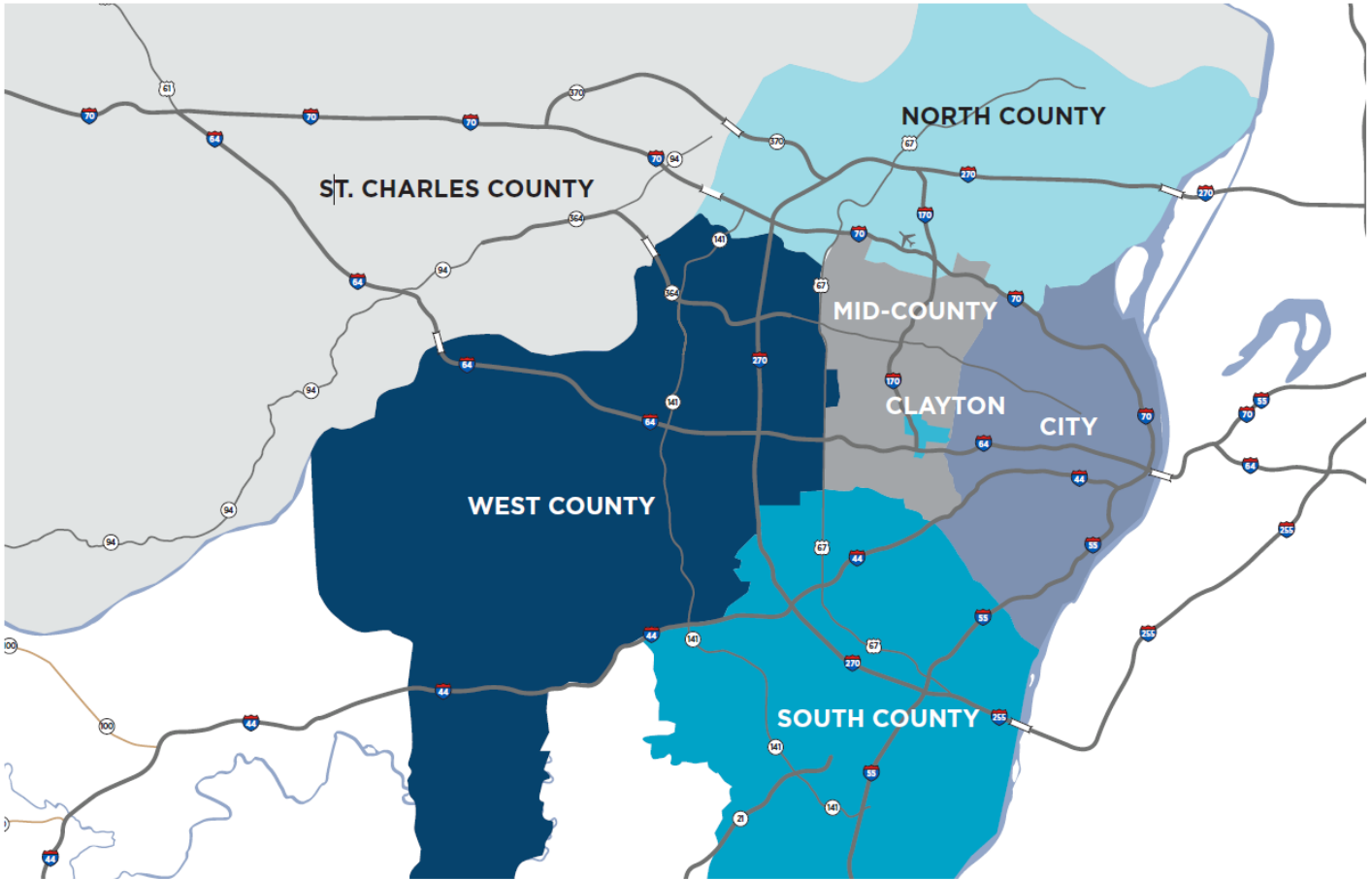
PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
800 Market Street	98,672	Ameren Missouri	Sublease	Downtown
5555 Winghaven Boulevard	73,840	Mastercard International	Renewal	St. Charles I-64
3301 S. Rider Trail	67,518	US Bank	New Lease	Earth City

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	SUBMARKET
7701-7733 Forsyth Boulevard	578,903	KBS Realty Advisors / Lingerdelt Common Wealth Partners	Clayton
9300 Dielman Industrial Drive	65,000	Black Swan L.L.C. / Pk Construction Building L L C Attn Troy Duncan	Westport
3420 S. Rider Trail	40,000	Rough Diamond Realty Fund / Mississippi Valley Regional Blood Center	Earth City

OFFICE SUBMARKETS

St. Louis City / St. Louis County / St. Charles County



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