

St. Louis Office MarketView

Q1 2014

CBRE Global Research and Consulting

US UNEMPLOYMENT
6.7%

REAL PER CAPITA INCOME
\$37,465

STL CIVILIAN LABOR FORCE
1,403,075

AVAILABLE SUBLEASE OFFICE SPACE
323,212 Sq. Ft.

*Arrows indicate change from previously reported period.

OFFICE MARKET BEGINS 2014 ON STABLE FOOTING

Quick Stats

Q1 2014	Current	YR	QTR
Vacancy	16.6%	↓	↔
Lease Rates	\$18.34	↑	↑
YTD Absorption	260,344	↑	↑
Construction	0	↓	↓

Hot Topics

- Express Scripts' new 219,000 sq. ft location completed
- Laclede Gas announced move to 700 Market Street
- Average Class A asking rates were on the rise
- Ballpark Village Phase I completed downtown
- Lack of good options for Class A tenants seeking 15,000 sq. ft. and greater

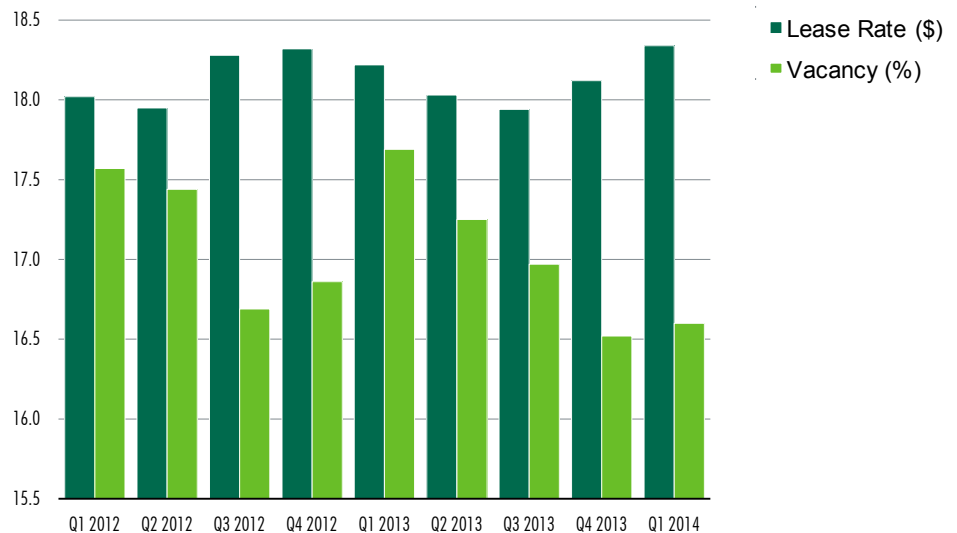
Top Transactions

Address	Sq. Ft.	Occupier
700 Market Street St. Louis, MO	128,000	The Koman Group (Purchase)
700 Market Street St. Louis, MO	128,000	Laclede Gas (New Lease)
2291 Ball Drive Maryland Heights, MO	128,000	Monsanto (Renewal)
717 Office Parkway Creve Coeur, MO	101,000	Thomson Reuters (Renewal)
7733 Forsyth Boulevard Clayton, MO	30,000	Morgan Stanley (New Lease)
1 Cityplace Drive Creve Coeur, MO	23,000	Advanced ICU (New Lease)

The St. Louis office vacancy rate remained relatively flat from last quarter at 16.6%. Average asking rental rates, however did improve from last quarter, increasing from \$18.12 per sq. ft. in Q4 2013 to \$18.34 per sq. ft. in Q1 2014. In Downtown St. Louis, speculation was ended when Laclede Gas made a formal announcement that they were indeed going to be moving their headquarters to the currently vacant 128,000 sq. ft. 700 Market Street building. The deal saw a local developer, The Koman Group, agree to purchase the building and, in return, lease the building to Laclede Gas. This results in no net effect on the Downtown market as they will be leaving one Downtown building for another. Other notable news for Downtown was the completion of the first

phase of Ballpark Village. The \$100 million sports entertainment complex will be a new draw for Downtown and a new amenity for Downtown residents and employees. The original plans included office and residential components, both were scrapped when potential office tenants fell through and the recession hit. Future plans for office, retail and residential development of the complex are still being discussed. The West County submarket saw two hefty renewals. One from Monsanto in Maryland Heights, Missouri for 128,000 sq. ft. and another from Thomson Reuters in Creve Coeur for 101,000 sq. ft. In addition, Advanced ICU Care leased 23,000 sq. ft. in Creve Coeur and Morgan Stanley leased 30,000 sq. ft. in Clayton, MO.

Figure 1: Vacancy Rate & Average Asking Lease Rate



On the construction front, work was completed on a new 219,600 sq. ft. building that is 100% leased by Express Scripts. The building is part of their existing NorthPark campus and houses about 1,000, mostly new, employees. No other multi-tenant, speculative or non-owner occupied construction is currently underway. The 100% owner-occupied, 405,000 sq. ft. RGA Headquarters is still under construction in Chesterfield, Missouri.

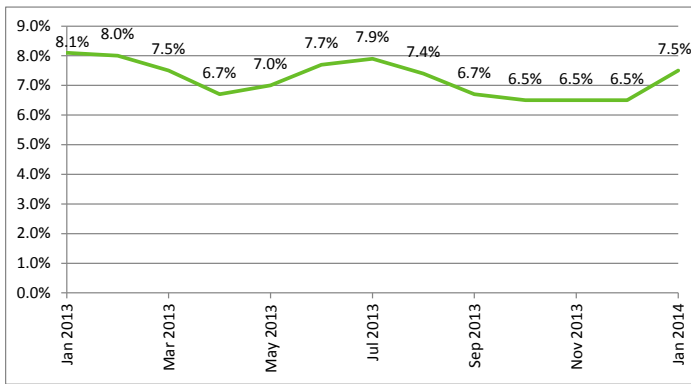
Investment activity slowed this quarter. In addition to the previously mentioned purchase of 700 Market by The Koman Group, Bamboo Equity Partners purchased the 64,000 sq. ft. building located at 2458 Old Dorsett Rd. in Maryland Heights, Missouri.

The national unemployment rate is unchanged from December at 6.7% while Missouri has a 7.6% preliminary unad-

justed unemployment rate as of February. The St. Louis Metro area, meanwhile, is reflecting a 7.5% preliminary unemployment rate as of January, the most recent period reported. While preliminary, this may reflect the ending of season holiday jobs. The Missouri and local numbers both reflect an increase in unemployment over the rates reflected at year end.

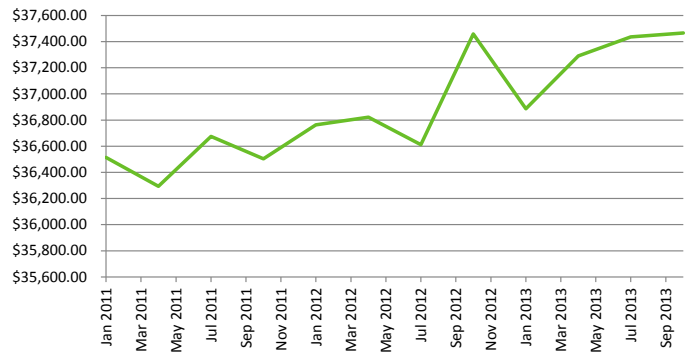
For the quarter, St. Louis had positive absorption, most of which was due to the completion and occupancy of the new Express Scripts location. Large blocks of Class A space in these suburban markets remain in short supply. Landlords are seeing improvement and as a result, average asking rental rates are at their highest level in two years.

Figure 2: 2014 St. Louis Unemployment Rate



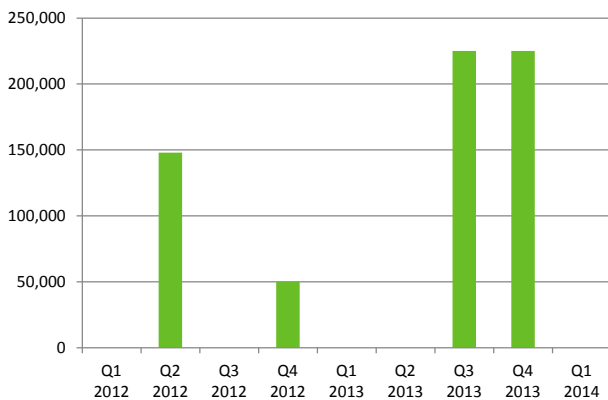
Source: US Bureau of Labor Statistics.

Figure 3: Missouri Real Per Capita Personal Income



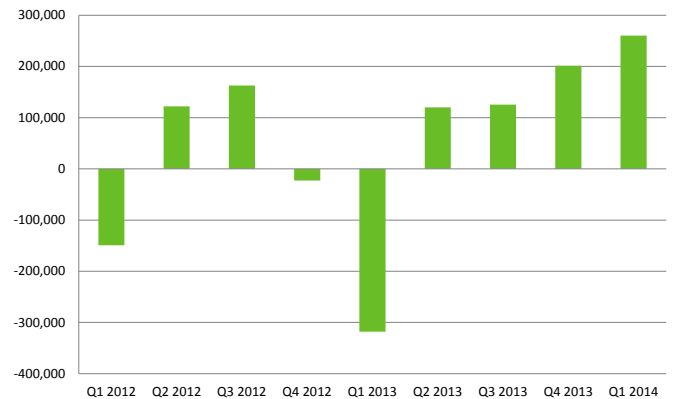
Source: Federal Reserve Bank of St. Louis.

Figure 4: Office Construction (Sq. Ft.)



Source: CBRE Research, Q1 2014.

Figure 5: Office Absorption (Sq. Ft.)



Source: CBRE Research, Q1 2014.

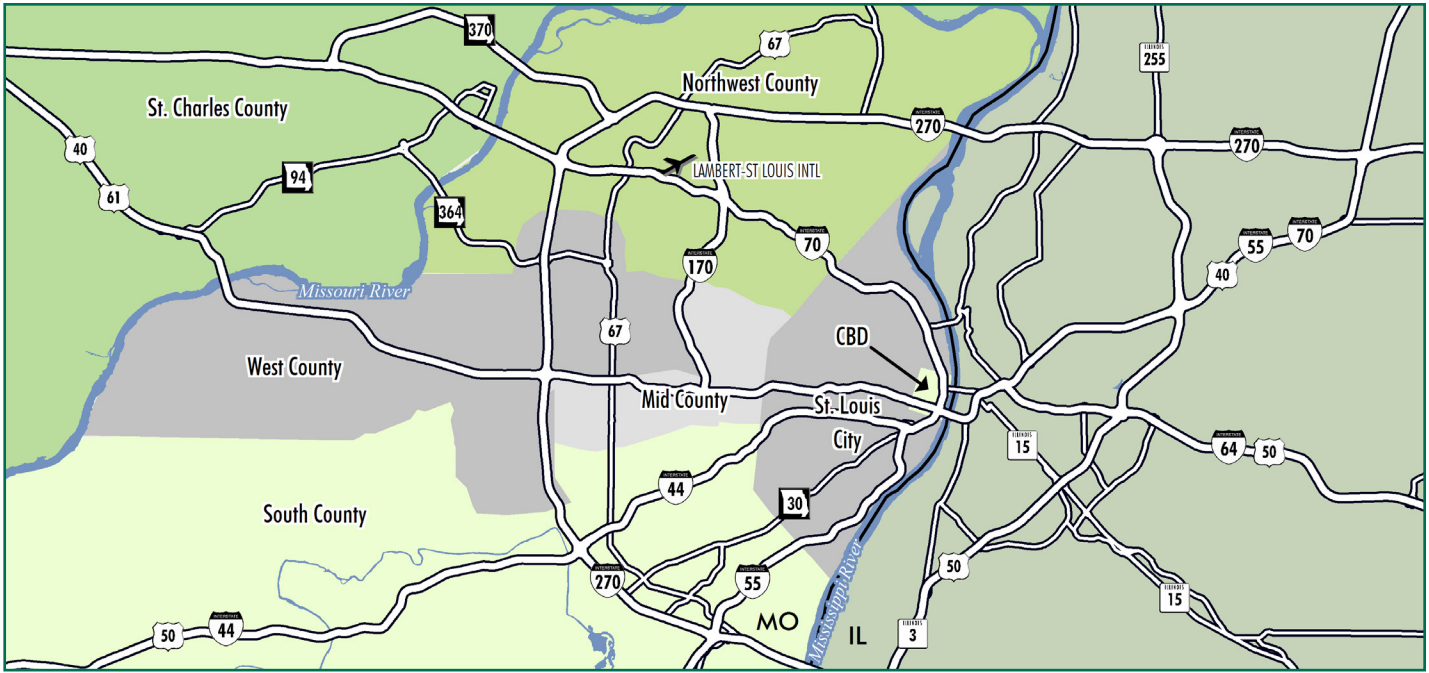
ST. LOUIS OFFICE SUBMARKET

Q1 2014 REPORTS

Figure 6: Submarket Report

Market	Rentable Area Sq. Ft.	Vacancy Rate	Availability Rate	YTD Net Absorption Sq. Ft.	Under Construction Sq. Ft.	Average Asking Lease Rate — Sq. Ft. /YR
DOWNTOWN						
Class A	5,478,250	12.1%	14.8%	27,936	0	\$18.06
Class B	6,500,036	40.2%	42.0%	6,062	0	\$14.85
Class C	2,378,608	19.9%	19.9%	1,782	0	\$11.62
TOTAL	14,356,894	26.1%	28.0%	35,780	0	\$15.16
MID COUNTY						
Class A	4,347,468	7.9%	12.2%	12,301	0	\$27.17
Class B	2,306,928	14.2%	18.5%	760	0	\$23.79
Class C	861,088	17.0%	18.9%	0	0	\$15.86
TOTAL	7,515,484	10.9%	14.9%	13,061	0	\$24.05
NORTHWEST COUNTY						
Class A	2,795,028	11.9%	14.4%	207,529	0	\$20.60
Class B	2,252,753	14.9%	18.6%	60,585	0	\$16.32
Class C	597,804	5.8%	5.8%	5,363	0	\$11.68
TOTAL	5,645,585	12.5%	15.2%	273,477	0	\$18.14
SOUTH COUNTY						
Class A	894,275	20.4%	21.2%	(10,275)	0	\$21.72
Class B	1,258,595	10.6%	12.4%	5,962	0	\$18.44
Class C	608,018	7.9%	8.1%	(860)	0	\$15.58
TOTAL	2,760,888	13.2%	14.3%	(5,173)	0	\$19.69
ST. CHARLES						
Class A	1,088,723	10.6%	14.6%	(2,180)	0	\$19.23
Class B	1,082,229	16.5%	18.3%	(12,117)	0	\$15.02
Class C	169,283	22.4%	25.4%	2,986	0	\$12.56
TOTAL	2,340,235	14.2%	17.1%	(11,311)	0	\$16.53
WEST COUNTY						
Class A	8,732,583	8.7%	13.5%	(63,791)	0	\$23.60
Class B	6,618,111	18.5%	21.3%	35,175	0	\$17.75
Class C	864,068	14.8%	18.7%	(16,874)	0	\$14.10
TOTAL	16,214,762	13.0%	17.0%	(45,490)	0	\$20.02
OVERALL TOTALS	48,833,848	16.6%	19.5%	260,344	0	\$18.34

Source: CBRE Research, Q1 2014.



CONTACTS

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