



St. Louis, Missouri

Tenant's Guide ▪ North American Markets ▪ First Quarter 2012

Overview

The St. Louis office market ended Q1 2012 with an overall vacancy rate of 12.7%, up slightly from 12.6% during the same period in 2011. While the overall market activity continues to languish, there are some signs of upward momentum especially in suburban submarkets like Creve Coeur and the I-270/Manchester where larger tenants have limited options for large contiguous blocks of space. The office market only has two spaces available that can accommodate a 200,000 SF user, while the industrial market currently has 19 spaces that would meet the needs of a 300,000 SF tenant. Due to these limitations, large corporate office users are pursuing new build-to-suit developments to satisfy their space needs. This has been evidenced by users like RGA who have placed ground under contract to develop a new 400,000 SF corporate campus in West St. Louis County.

The negative net absorption for the entire St. Louis market increased from 48,205 SF in Q1 2011 to a 165,226 SF in Q1 2012. This decreased absorption can be attributed partially to corporate downsizing, expiration of subleases, and corporate merger and acquisition activity. On a positive note, St. Louis is the home to several high growth companies like Express Scripts, who has announced plans to expand its corporate campus in the North St. Louis County market, and large healthcare systems like Mercy who is spending billions of dollars to rebrand itself in preparation for future growth.

Market Trends

- Stagnant market conditions will remain through the 2012 election year.
- Savvy tenants will continue to capitalize on the soft market conditions.
- Overall vacancy rates will stay steady as tenants remain cautious about adding headcount due to the uncertain political and economic climate.
- Sales activity of commercial properties to corporate users will continue an upward trend as we move into the second quarter.
- Large healthcare systems will continue to expand their market presence as they strive to improve service and heighten brand awareness.

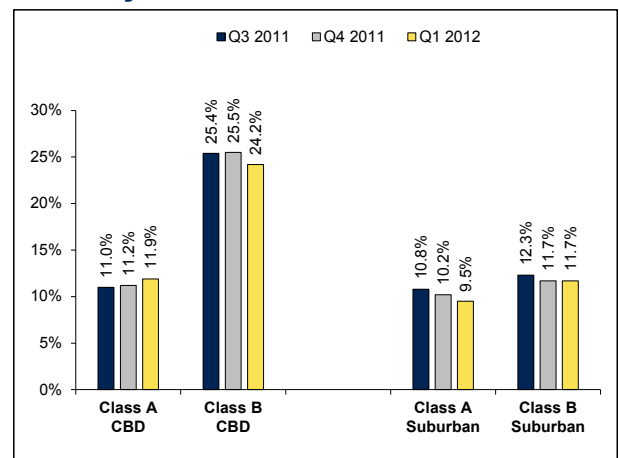
Tenant's Perspective

St. Louis will continue to be a tenant's market through 2012 as users will continue to err on the side of caution when making their real estate decisions.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Gateway EDI	100,000	Office	Lease
Nestle Purina	95,000	Office	Lease
Brown & James Law Firm	54,000	Office	Lease
Met Life	45,000	Office	Lease
Asynchrony	45,600	Office	Lease
Ascent	31,000	Office	Sale
CBRE	18,000	Office	Lease
Suburban Journals	12,952	Office	Renewal
Homestead Financial	12,880	Office	Sale
Mackey Mitchell Architects	12,500	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$19.19	\$19.11	\$18.88
Class B Office	\$14.70	\$13.81	\$14.14

Suburban	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$23.59	\$23.68	\$23.22
Class B Office	\$17.51	\$17.94	\$17.49

