St. Louis - Q2 2021

Market Report

The return to the workplace remains a hot topic as companies grapple with balancing the remote workforce, a hybrid work environment or an outright return to the office. These variables coupled with an increased surge in the delta variant Covid strain has created more pause for some companies while others plan to stay the course.

One project that is already impacting the City of St. Louis despite not being delivered until 2025 is the new National Geospatial Agency. Many government contractors and privately-held firms have already either leased space or constructed specialized facilities to be future partners with the NGA. While other sizable lease commitments by Stereotaxis, the Gates Foundation, Westway and McCormack Baron are also encouraging signs for the city, the St. Louis CBD continues to struggle as companies downsize, relocate to the suburbs or close their St. Louis based offices.

The industrial market remains hot with steady demand across the entire metro area. Evidence of this can be found at Fenton Logistics Park and Premier 370 where all of the industrial land has been either sold or leased. For companies searching for a building to purchase they are going to find a shortage of product in all size ranges.There is over 1.8M SF underway to meet current demand and all indications are strong positive absorption into 2022.

Vacancy	Average Rent	Net Absorption
19.4%	$23.29/SF	(864,000) SF

Rental and Vacancy Rates

Direct Asking Rent ($/SF)	Total Vacancy Rate		YoY Change
$27.47	Suburban Office Market | Class A	18.3%	▲ 4.7%
$20.66	Suburban Office Market | Class B	20.4%	▲ 1.9%
$20.93	CBD Office Market | Class A	20.2%	▲ 1.3%
$16.83	CBD Office Market | Class B	20.3%	▼ 3.0%
$4.69	Industrial Market | St. Louis	4.2%	▼ 0.7%
$4.05	Industrial Market | Illinois	8.8%	▲ 2.0%

Recent Transactions

	Tenant	Size	Submarket	Type	Sector
1	DeliStar Corp.	110,000	St. Louis City	New Lease	Industrial
2	Trient	128,676	North County	Sublease	Industrial
3	Westway	73,000	St. Louis City	New	Office
4	Brown Smith Wallace	69,129	West County	Renewal	Office
5	Boeing	58,423	North County	New Lease	Industrial
6	Midland Optical	55,570	St. Louis City	Purchase	Industrial
7	Barry Wehmiller	52,720	Clayton	New Lease	Office

cresa

Occupier's Perspective

In Downtown St. Louis the sluggish office market conditions, continued corporate downsizing and more sublease offerings affords tenants with lease expirations coming due immense leverage if they are prepared to make a long-term commitment.

Early in the renewal/relocation process, companies need to understand the impact on the rising construction costs and delays for raw materials prior to making a decision. While landlords continue to offer attractive TI packages, they are often insufficient to create the desired office environment. To minimize the capital outlay, tenants need to be prepared to enter into longer lease commitments.

While quoted rental rates remain unchanged for the most part, large office users can take advantage of an increased supply of space caused by corporate consolidations, general lease rollover and more sublease offerings in most every submarket.

Market Trends

Production delays, pent up demand for raw materials and port congestion continues to drive up construction prices and extend project timelines. These factors are causing area contractors to only hold pricing for 7-10 days due to market volatility.

Leasing activity is on the upswing as the effects or the pandemic begin to wane, but absorption will be nominal as the corporate footprint shrinks for many companies.

The uncertainty surrounding the office and retail sectors rebounding has many investors redirecting their dollars into industrial properties. Demand for these types of properties has driven cap rates down to 3.5 – 4%.