

# Market Report

For the office market, the lasting effects of COVID-19 continue to stymie leasing activity despite the vaccine being rolled out at year end. This ongoing uncertainty continues to delay companies return to the office place with more short term lease extensions and corporate downsizing being commonplace. Despite sporadic demand, landlords continue to hold asking rates, but are starting to acknowledge deal structures will require more creativity and greater inducements in order to lure and retain tenants.

Despite this malaise, over 750,000 sf of office development is under construction with approximately 240,000 SF to be delivered on a speculative basis. This new product when combined with a growing number of large space offerings for lease, sublease and sale have dramatically changed the office landscape. Corporate downsizing is going to continue into 2021, but the direct long term effects are still murky and will be greatly impacted by the timing and depth of any economy rebound.

Conversely, the industrial sector continues to thrive. Despite COVID-19, 2020 ended on solid footing with over 3.6M SF of positive net absorption. However, Q4 did experience a slowdown with only a few sizable lease transactions being completed. Despite this sluggish finish, market fundamentals remain in balance with a few speculative bulk distribution buildings underway with some early pre-leasing commitments.



**Vacancy**  
18.5%



**Average Rent**  
\$21.99/SF



**Net Absorption**  
315,000 SF

## Rental and Vacancy Rates

Direct Asking Rent (\$/SF)	Total Vacancy Rate	YoY Change
\$27.34	Suburban Office Market   Class A 17.0%	▲ 4.0%
\$20.41	Suburban Office Market   Class B 19.5%	▲ 0.09%
\$20.79	CBD Office Market   Class A 19.8%	▲ 0.08%
\$16.50	CBD Office Market   Class B 21.5%	▼ 1.5%
\$4.65	Industrial Market   St. Louis 4.5%	▼ 3.2%
\$4.05	Industrial Market   Illinois 7.8%	▼ 2.9%

## Recent Transactions

Tenant	Size	Submarket	Type	Sector
1 Agile Packing Solutions	240,000 SF	St. Charles	New Lease	Industrial
2 Amazon	148,000 SF	South County	New Lease	Industrial
3 ITF Group	107,000 SF	North County	Purchase	Industrial
4 Autco Distributing	75,000 SF	West County	New Lease	Industrial
5 Centene	70,000 SF	St. Charles	New Lease	Office
6 Cambridge Air Solutions	68,000 SF	North County	New Lease	Industrial
7 Total Access Urgent Care	40,000 SF	St. Louis CBD	Purchase	Office

## Occupier's Perspective



Unlike during the initial outbreak of COVID-19, Landlords may be more reluctant to enter into short term extensions, but willing to take space back in exchange for a long term commitment.



Tenants returning to the workplace should closely monitor the changing market conditions and evaluate how to best leverage their tenancy in the near term as great opportunities lie ahead.



Favorable headwinds lie ahead for tenants with more space options at more aggressive lease terms.

## Market Trends



Corporate downsizing and will force Landlords to offer aggressive lease terms to lure prospective tenants, but many tenants will likely focus on a shorter lease and minimizing capital outlays which will result in more renewals.

Generally, professional service firms are reducing their office footprint by 20% to 40% as they adopt to a combination of working remotely, flex scheduling and unassigned workspaces for employees.

As COVID-19 vaccines get distributed during the first half of 2021, companies will formalize their return to the office and these initiatives will define the projected downsizing of office space and timing for a long term recovery.