

Economic Overview

According to the Bureau of Labor Statistics, the unemployment rate dropped 0.6 percentage points from 4.4% in April 2016 to 3.8% in April 2017. The unemployment rate decreased due to more opportunities being offered throughout the St. Louis area and compares favorably to Missouri (3.9%) and lower than the US (4.4%). The St. Louis metropolitan statistical area nonfarm job creation totaled 8,500 over the past year. Office using jobs (information, professional and business services and financial activities) added 3,500 jobs during the past year.

Market Overview

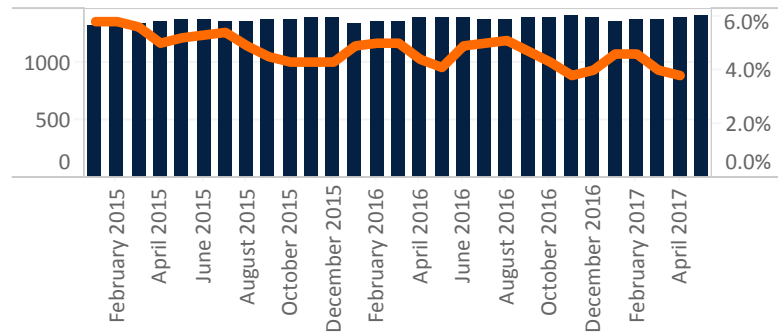
The St. Louis office market recorded positive 238,775 square feet (sf) of overall absorption during 2Q 2017. Direct absorption totaled positive 209,231 sf. The total vacancy rate decreased from 14.8% in 2Q 2016 to 13.9% at the close of 2Q 2017. Direct vacancy rates decreased 1.0 percentage point from 14.6% to 13.6% during the same time period. Class B experienced the largest decrease in vacancy from 17.3% to 16.2% year-over-year. Weighted average rent growth improved during 2Q 2017 in Class A properties in all markets except for South St. Louis County, which decreased by 2.1%. Overall weighted average asking rents in all classes increased 1.9% recording \$19.51 per square foot (psf) at the close of 2Q 2017 compared to 2Q 2016. Class A weighted average rents decreased 1.3% year-over-year, recording \$21.90 psf at the close of 2Q 2017.

Market Highlights

Absorption bounced back this quarter with major occupancies by Centene, St. Louis County Economic Development, Tech Systems and Comprehensive Health. Centene continues to take space in the market to accommodate growth while their new building begins construction at the corner of Hanley Road and Forsyth Boulevard. TriZetto Provider Solutions, Navis, CT Solutions and St. Louis County Economic Development are all expected to occupy new or expanded space in the coming quarters. Mid St. Louis County continues to see the highest level of activity in comparison to other submarkets throughout the area, primarily due to prospective tenants wanting to be in or close to the Clayton area. Deals are taking a little longer to come to fruition.

St. Louis Employment

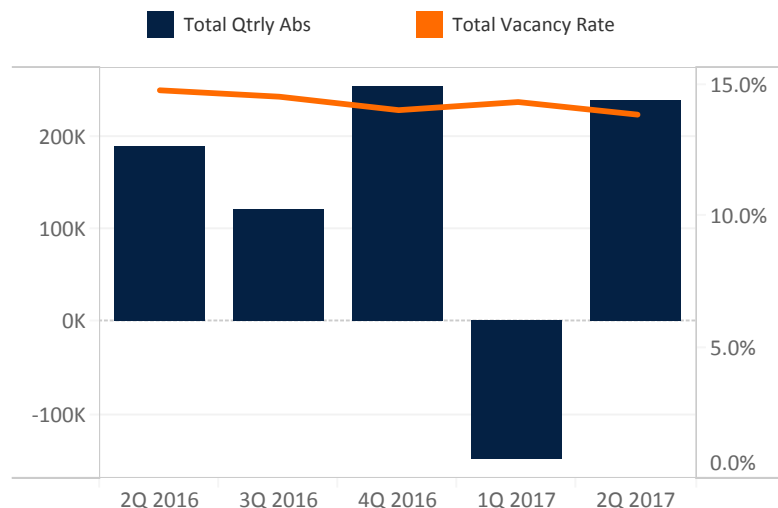
Source: BLS



Market Recap

Inventory (sf)	47,626,896
# of Bldgs	592
Qrtly Abs (sf)	238,775
Total Avail Rate	17.4%
Total Vacancy Rate	13.9%
U/C Inventory (sf)	1,544,660
Delivered (sf)	0
Weighted Average Asking Rate (FSG)	\$19.51

Absorption and Vacancy Rate



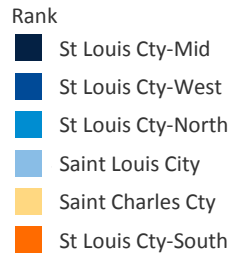
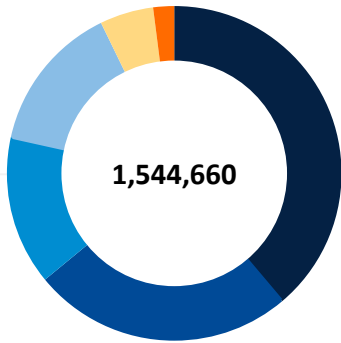
Overview by Class (Total)

Class	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
A	21,828,240	3,080,501	2,290,129	10.5%	9,529	-50,397
B	21,124,527	4,220,641	3,416,190	16.2%	197,987	159,823
C	4,674,129	984,680	894,659	19.1%	31,259	-18,835
Overall	47,626,896	8,285,822	6,600,978	13.9%	238,775	90,591

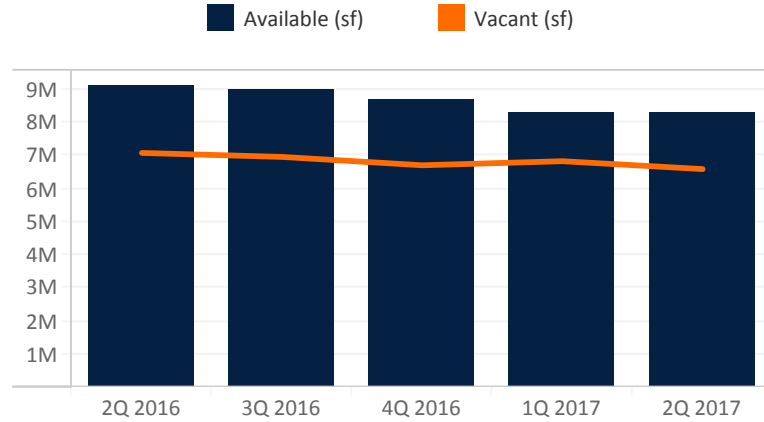
Overview by Market (Total)

Market Name	Class	Inventory (sf)	Available (sf)	Vacant (sf)	Vacancy Rate	Qrtly Abs (sf)	YTD Net Abs (sf)
Saint Charles Cty	A	1,115,214	121,221	73,444	6.6%	-20,648	-26,648
	B	1,480,945	296,254	248,675	16.8%	1,009	3,770
	C	185,253	85,288	85,288	46.0%	0	0
	<i>Subtotal</i>	2,781,412	502,763	407,407	14.6%	-19,639	-22,878
Saint Louis City	A	6,539,919	1,289,204	1,081,414	16.5%	12,454	-23,577
	B	6,011,369	1,505,172	1,368,018	22.8%	-23,068	-623
	C	1,900,096	493,440	456,100	24.0%	6,386	-5,207
	<i>Subtotal</i>	14,451,384	3,287,816	2,905,532	20.1%	-4,228	-29,407
St Louis Cty-Mid	A	4,419,486	301,730	211,928	4.8%	61,535	61,600
	B	2,712,635	224,300	147,661	5.4%	65,090	34,122
	C	873,866	77,533	55,600	6.4%	14,897	622
	<i>Subtotal</i>	8,005,987	603,563	415,189	5.2%	141,522	96,344
St Louis Cty-North	A	2,942,175	450,014	226,382	7.7%	-46,005	-33,659
	B	4,225,192	1,192,408	864,511	20.5%	110,753	124,303
	C	880,730	222,798	217,346	24.7%	8,165	3,553
	<i>Subtotal</i>	8,048,097	1,865,220	1,308,239	16.3%	72,913	94,197
St Louis Cty-South	A	709,836	64,003	78,290	11.0%	-1,136	-115
	B	1,449,214	261,027	211,396	14.6%	-6,524	-16,067
	C	463,475	42,819	20,723	4.5%	0	-1,830
	<i>Subtotal</i>	2,622,525	367,849	310,409	11.8%	-7,660	-18,012
St Louis Cty-West	A	6,101,610	854,329	618,671	10.1%	3,329	-27,998
	B	5,245,172	741,480	575,929	11.0%	50,727	14,318
	C	370,709	62,802	59,602	16.1%	1,811	-15,973
	<i>Subtotal</i>	11,717,491	1,658,611	1,254,202	10.7%	55,867	-29,653
Overall		47,626,896	8,285,822	6,600,978	13.9%	238,775	90,591

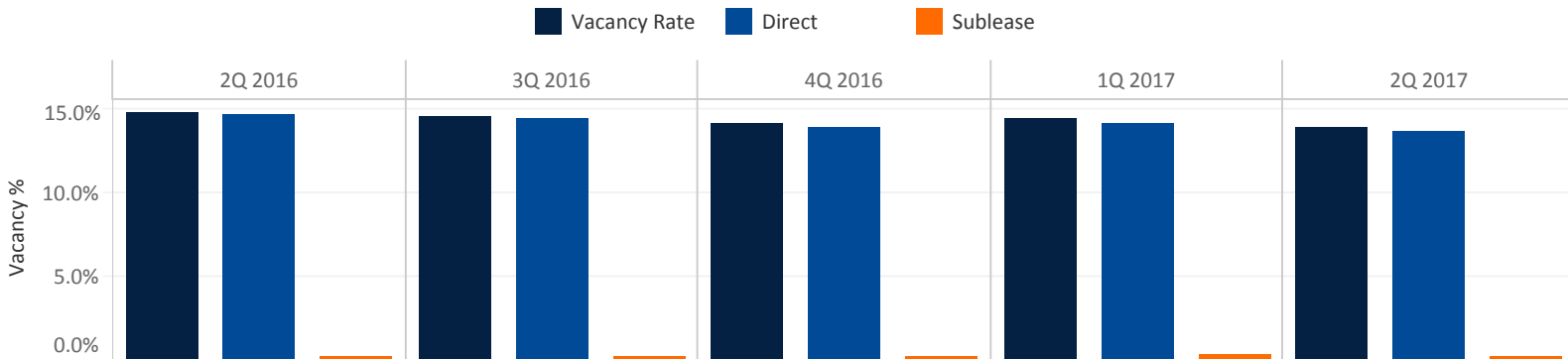
Construction by Market



Total Available and Vacant



Vacancy Rate



Overview by Class (Direct)

Class	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
A	21,828,240	2,658,893	2,188,530	10.0%	-37,854	-18,524
B	21,124,527	4,052,858	3,386,245	16.0%	215,826	174,348
C	4,674,129	981,480	894,659	19.1%	31,259	-18,835
Overall	47,626,896	7,693,231	6,469,434	13.6%	209,231	136,989

Overview by Class (Sublease)

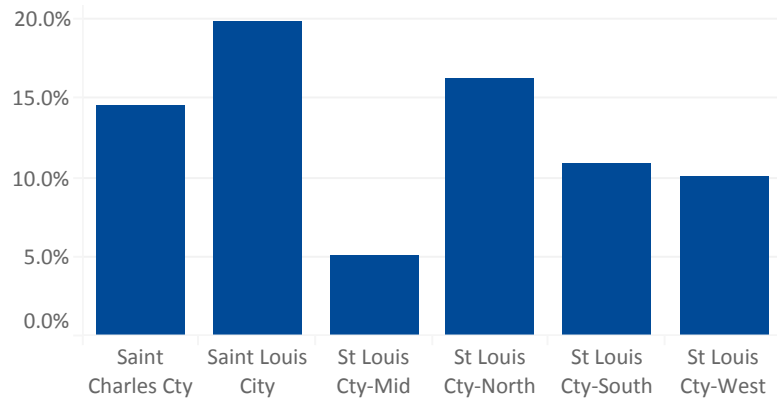
Class	Inventory (sf)	Avail (sf)	Vacant (sf)	Vacancy Rate	Qtrly Abs (sf)	YTD Net Abs (sf)
A	21,828,240	421,608	101,599	0.5%	47,383	-31,873
B	21,124,527	167,783	29,945	0.1%	-17,839	-14,525
C	4,674,129	3,200	0	0.0%	0	0
Overall	47,626,896	592,591	131,544	0.3%	29,544	-46,398

Direct Vacancy Rates

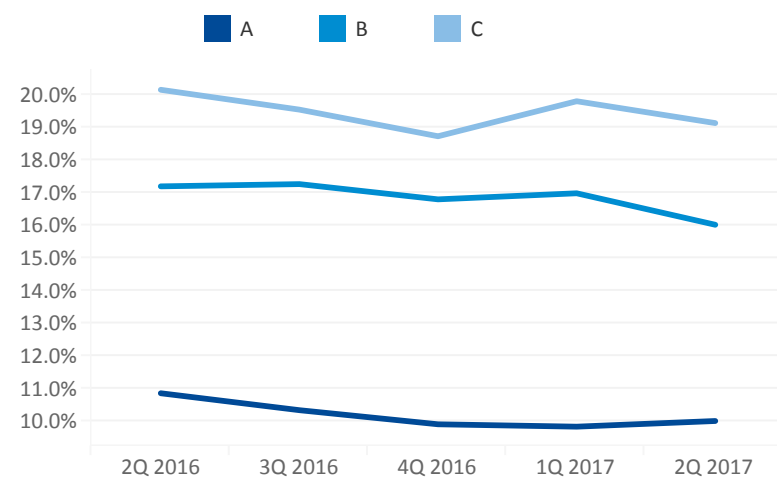
By Market and Class

Market Name	Class	Quarter Year				
		2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017
Saint Charles Cty	A	5.6%	5.2%	4.2%	4.7%	6.6%
	B	17.4%	17.2%	16.8%	16.6%	16.6%
	C	46.0%	46.0%	46.0%	46.0%	46.0%
Saint Louis City	A	16.0%	16.0%	16.2%	16.1%	16.1%
	B	23.1%	22.9%	22.7%	22.1%	22.8%
	C	24.5%	23.4%	23.7%	24.3%	24.0%
St Louis Cty-Mid	A	6.4%	6.3%	6.1%	6.2%	4.6%
	B	7.4%	7.0%	6.5%	7.8%	5.4%
	C	7.7%	6.8%	6.4%	8.1%	6.4%
St Louis Cty-North	A	10.2%	8.2%	6.4%	6.0%	7.7%
	B	22.8%	23.4%	23.3%	23.1%	20.5%
	C	28.8%	28.7%	25.1%	25.6%	24.7%
St Louis Cty-South	A	13.7%	13.7%	11.0%	10.9%	11.0%
	B	12.2%	12.3%	13.4%	13.8%	13.0%
	C	6.3%	6.5%	4.1%	4.5%	4.5%
St Louis Cty-West	A	9.5%	8.8%	8.6%	8.5%	9.1%
	B	12.2%	12.4%	11.0%	11.9%	10.9%
	C	11.3%	11.3%	11.8%	16.6%	16.1%
Overall		14.6%	14.3%	13.9%	14.0%	13.6%

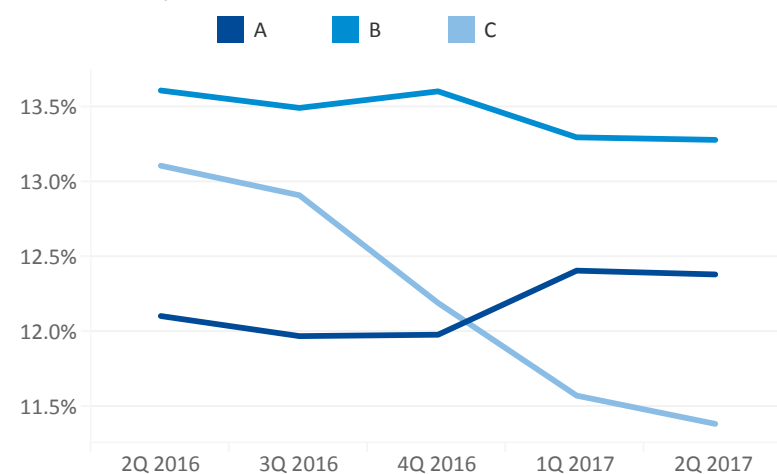
By Market



St. Louis by Class



National by Class

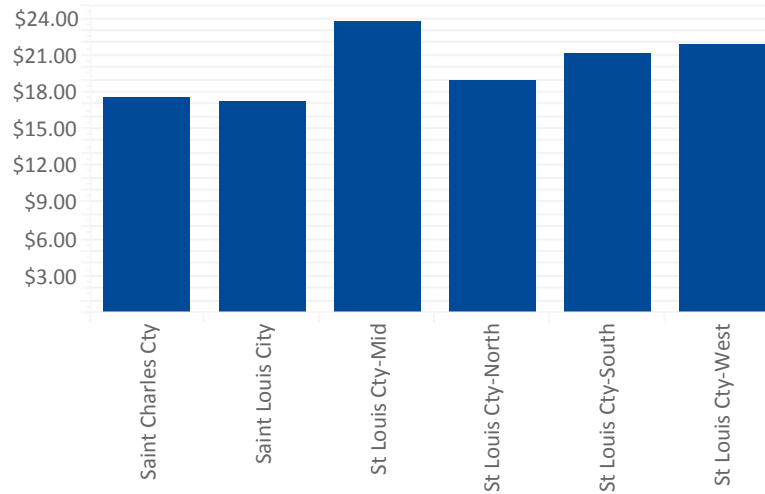


Direct Weighted Average Asking Rates (FSG)

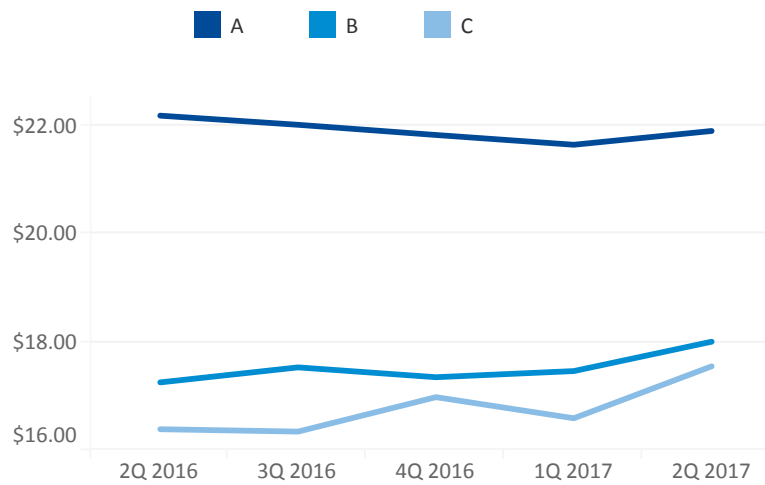
By Market and Class

Market Name	Class	Quarter Year				
		2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017
Saint Charles Cty	A	\$19.05	\$19.05	\$19.05	\$19.05	\$19.19
	B	\$12.21	\$12.10	\$12.08	\$13.97	\$16.60
	C	-	-	-	-	-
Saint Louis City	A	\$18.07	\$18.20	\$18.25	\$18.55	\$18.59
	B	\$15.48	\$15.54	\$15.54	\$15.82	\$16.02
	C	\$13.53	\$12.65	\$13.87	\$16.68	\$16.05
St Louis Cty-Mid	A	\$26.28	\$26.54	\$26.76	\$26.91	\$27.00
	B	\$20.78	\$21.21	\$21.23	\$22.04	\$22.43
	C	\$16.81	\$17.28	\$17.21	\$17.20	\$17.70
St Louis Cty-North	A	\$20.78	\$20.37	\$20.61	\$20.55	\$20.96
	B	\$17.89	\$18.48	\$18.12	\$18.18	\$18.33
	C	\$17.50	\$17.51	\$18.13	\$15.78	\$18.17
St Louis Cty-South	A	\$22.68	\$22.38	\$22.07	\$22.17	\$22.21
	B	\$20.40	\$20.40	\$20.52	\$20.62	\$20.85
	C	\$17.65	\$17.55	\$17.60	\$19.94	\$19.94
St Louis Cty-West	A	\$25.46	\$25.23	\$24.96	\$24.84	\$25.58
	B	\$18.58	\$18.47	\$18.63	\$18.18	\$18.71
	C	\$17.66	\$17.03	\$16.95	\$16.95	\$16.67
Overall		\$19.15	\$19.12	\$19.04	\$19.05	\$19.51

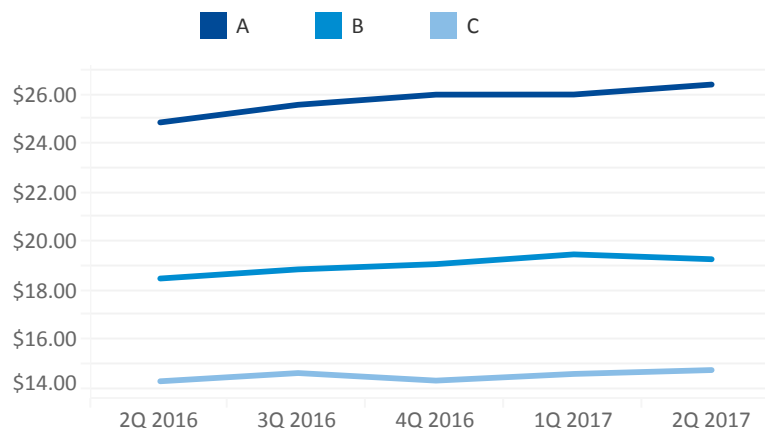
By Market



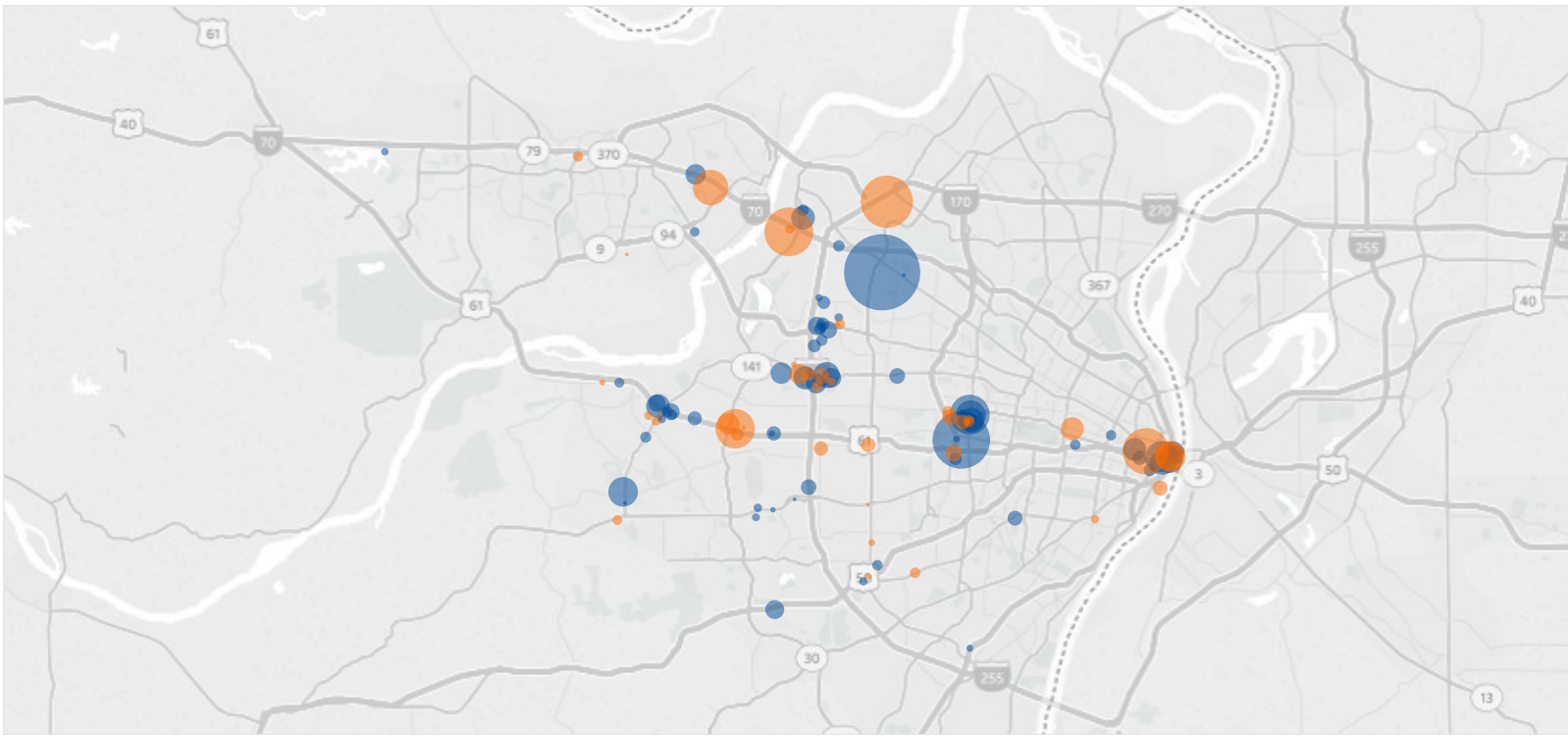
St. Louis by Class



National by Class



Absorption Map



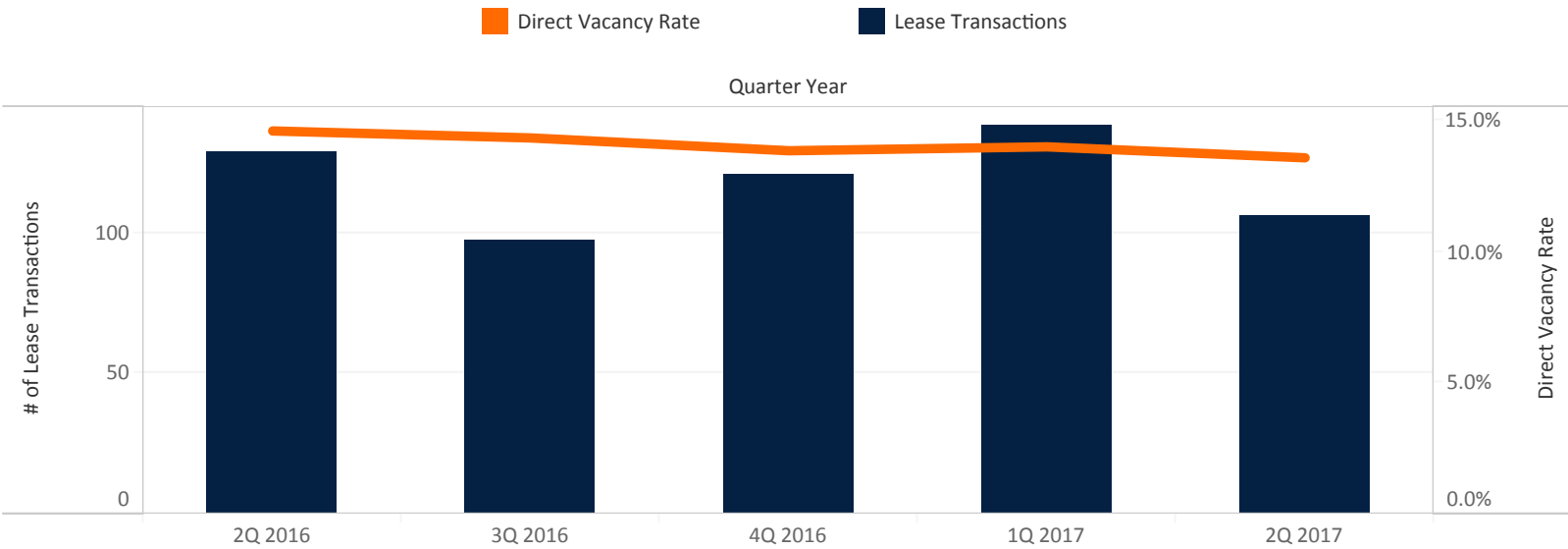
Largest Positive (Total)

Property Name	Significant Transactions	Market Name	Class	
The Crossings at Northwest	St Louis County Economic Development 144,083 sf	St Louis Cty-North	B	144,083
Clayton Exec Ctr I	Centene 82,200 sf	St Louis Cty-Mid	B	82,000
Pierre Laclède Center II	Centene 39,170 sf	St Louis Cty-Mid	A	39,170
Bank of America Plaza	Comprehensive Health 19,554 sf; Buckley and Buckley 8,320 sf	Saint Louis City	A	27,874
CityPlace 1	Amitech 4,030 sf; Tech Systems 15,631 sf; Severin Investments -2,652 sf	St Louis Cty-West	A	17,009
200 S Hanley Rd	Olin Corp. 9,506 sf; Undisclosed tenants 5,966 sf	St Louis Cty-Mid	C	15,472
The Atrium at Chesterfield	Rx Sourcing Strat 4,656 sf; Delhougne Realty Group 4,942 sf	St Louis Cty-West	A	14,000
Westview Place	New American Funding 8,520 sf; SSM 4,637 sf	St Louis Cty-West	A	13,157

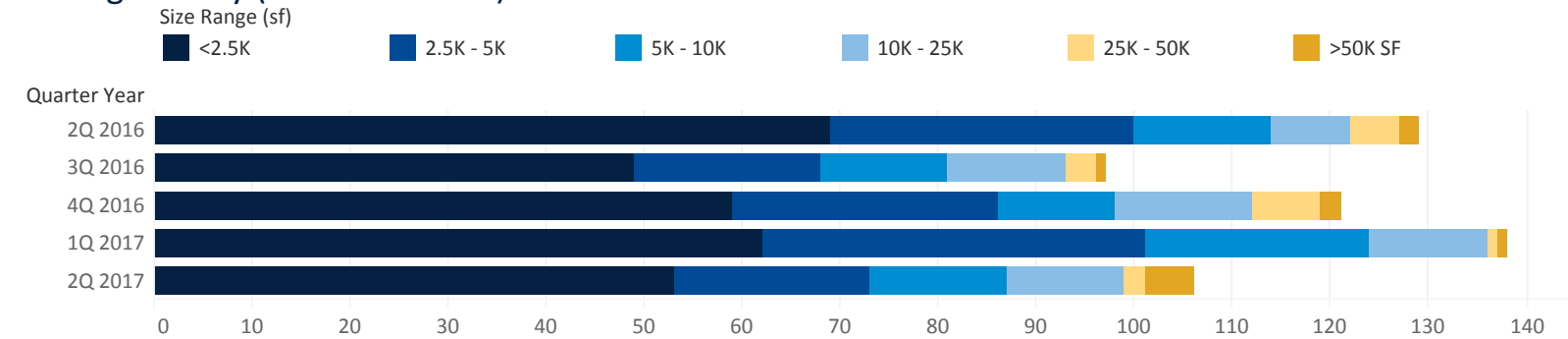
Largest Negative (Total)

Property Name	Significant Transactions	Market Name	Class	
945-951 Hornet Dr	Aclara Technology -72,732 sf	St Louis Cty-North	B	-67,740
Riverport Tower	SunEdison -59,206 sf	St Louis Cty-North	A	-59,206
1831 Chestnut St	Bank of America -53,360 sf	Saint Louis City	B	-53,360
The Fives at Maryville	Energizer -38,540 sf	St Louis Cty-West	A	-38,540
1551 Wall St	SSM Medical Group West -31,012 sf	Saint Charles Cty	A	-31,012
9735 Landmark Pkwy	Delta Dental -17,109 sf	St Louis Cty-South	B	-17,109
4625 Lindell Blvd	Missouri Housing Development Commission -13,226 sf	Saint Louis City	B	-13,226
Woodsmill Commons I	Selective Site Consultants -4,305 sf; Harris Computer -7,529 sf	St Louis Cty-West	A	-11,834

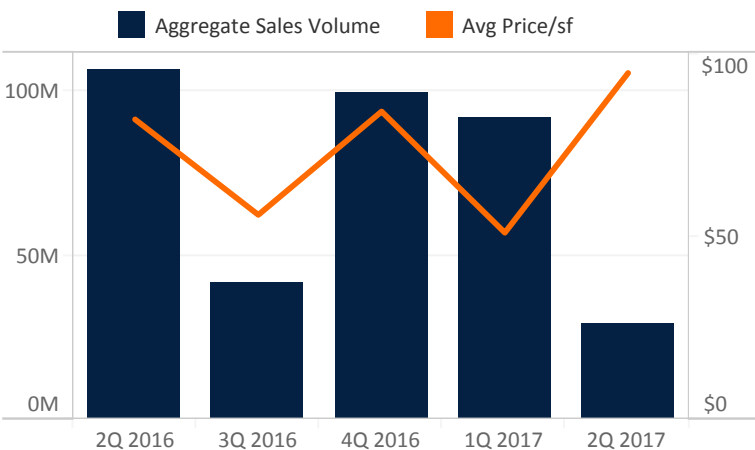
Leasing Activity Trends



Leasing Activity (# of New Deals)



Sales Volume vs. Price/SF



Top Sales

Property	Sale Date	Buyer	Sale Price
Grandview Office Park	06/14/2017	Fireside Financial	\$15,000,000
1000 Clark Ave Cupples 1	04/12/2017	McClure Properties LLC	\$8,290,000
1345 Smizer Mill Rd	04/04/2017	CMLT 2008-LSI Smizer Mill Road LLC	\$2,240,000
Benton Park Office	04/28/2017	Scott Holdridge	\$810,000
2900 S Brentwood Blvd	05/10/2017	Schaub Srote Architects	\$599,000

Terminology

Term	Definition
Available (sf)	All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space. Space can be available but not vacant, for example, if the landlord, or his agent, is marketing space that will be coming available at a future date because a tenant is planning to move.
Class A	Most prestigious buildings competing for premier office users with rents above the market average. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.
Class B	Buildings competing for a wide range of office users with average market rents. Building finishes are fair to good for the area and systems are adequate, but the property does not compete with Class A product.
Class C	Buildings competing for office users requiring functional office space at rents below the market average for the area.
Inventory	The total square feet (sf) of all single and multi-tenant buildings greater than 15,000sf, including owner occupied facilities. Medical, government, data centers and obsolete/remediation properties are excluded.
Net Absorption (sf)	The net change in occupied square feet from quarter to quarter, expressed in square feet.
Sublease (sf)	Space that is offered for lease by a current tenant, or his agent, within a property. Whether the tenant is paying rent or not, the space is considered vacant only if it is unoccupied.
Total Vacant (sf)	The total of all of the vacant square footage within a building, including both direct and sublease space.
Vacant (sf)	The total of the direct vacant square footage in a building that is being marketed.
Weighted Average Rent	The weighted average of all direct asking lease rents expressed as a full service/gross rental rate and weighted on total direct available square feet. Non-full service rents (such as NNN) have been grossed up to reflect a full service/gross rate.

This information has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy.

Advisory Board Members

Balke Brown Transwestern	Pamela Hinds	Gershman Commercial Real Estate	Victoria Dolan
CBRE	Mark Palmer	Gundaker Commercial	Robert Busch
Colliers International	James Loft	JLL	David Biales
	Rebekah Bahn		Ed Backer
Cushman & Wakefield	Jim Mosby	Johnson Group	D. Sheldon Johnson
	John Warren	Sansone Group	Scott Savacool
		Vanderbilt Office Properties	Whitaker Varley

Research Advisory Board Members

CBRE	Ryan Marshall	Gershman Commercial Real Estate	Theresa Biermann
Colliers International	Allison Gray	JLL	Blaise Tomazic
Cushman & Wakefield	Brendan Dunbar	NAI DESCO	Jill DeLauter

Xceligent Team

Bonnie Devine	Director of Analytics	bdevine@xceligent.com	(314) 452-3059
Brian Reece	Regional VP of Analytics	breece@xceligent.com	(919) 971-3461
David Morris	Sales Executive	dmorris@xceligent.com	(314) 504-7277
Greg Hayden	Regional VP of Sales	ghayden@xceligent.com	(816) 303-2833

