



# St. Louis, Missouri

Tenant's Guide ▪ North American Markets ▪ Fourth Quarter 2011

## Overview

Not much has changed since the end of Q3. Recovery has slowed, occupancy levels in the region continue to bounce along the bottom, and overall office availability is at the same level as it was the past 3 quarters. St. Louis job growth has remained modest and demand for space has been relatively flat. A bright spot can be seen in the positive net absorption in Q4 of 32,311 SF, up from a negative 178,030 SF in the same period last year. The overall CBD office market rates have been trending downward over the last three quarters, although the overall net absorption for Q4 reported a negative 88,052 SF, down from a positive 131,066 SF in Q4 2010. However, a local developer is close to kicking off the renovation of the Cupples VI Building based on meeting its pre-leasing commitments in early Q1 of 2012.

The industrial market continue to drag behind the office markets with higher negative net absorption results of negative 722,673 SF vs. negative 369,940 SF in Q4 2010. The St. Louis Industrial market ended 2011 with a vacancy rate of 8.8%, which was up from the previous quarter. There does appear to be a slight uptick in leasing activity in southern Illinois, with even some talk of a speculative development.

## Market Trends

- Flight-to-quality space continues as tenants move to newer, more efficient buildings with minimal impact to their balance sheet.
- Corporations need to consider the impact of the impending Financial Accounting Standards Board (FASB) changes when making real estate decisions.
- Landlords will continue selling off “non-core” office and industrial assets and portfolios.
- Demand for distribution centers is expected to increase with internet sales growth.

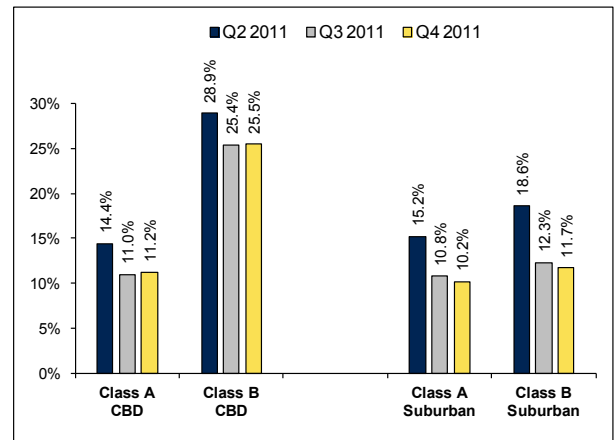
## Tenant's Perspective

The St. Louis office and industrial markets will remain relatively flat in 2012. Tenants with leases expiring within the next two to three years will continue to have the opportunity to take advantage of market conditions to either reduce current rent or gain needed improvements or other concessions from the landlord. While the market favors the tenant, users needing more than 50,000 SF will have limited options in certain areas and larger users (100,000+ SF) may have to consider build-to-suit alternatives.

## Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Zoltek	121,000	Industrial	Sale
State Farm	72,000	Office	Lease
American Family	70,489	Office	Lease
State Farm	45,000	Office	Lease
Outsource Group	36,417	Office	Lease
LDI	30,347	Office	Lease
Post Holdings	29,308	Office	Sale
Abener Engineering	22,000	Office	Lease
EMC	16,584	Office	Lease
Veran Medical Tech.	13,046	Office	Lease

## Vacancy Rate



## Average Rental Rates

CBD	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$19.22	\$19.19	\$19.11
Class B Office	\$14.48	\$14.70	\$13.81

Suburban	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$23.64	\$23.59	\$23.68
Class B Office	\$18.00	\$17.51	\$17.94

