



ST. LOUIS
2Q17 OFFICE MARKET

VACANCY IN FIVE-YEAR
DESCENT; SINGLE DIGITS
ON THE HORIZON

The St. Louis office market saw an increase in asking rents during the second quarter of 2017, while overall vacancy decreased, falling 20 basis points. The market experienced 147,059 square feet of net absorption during the quarter and 1.2 million square feet over the past four quarters. A total of 335,000 square feet of product is currently under construction.

Grandview Office Park Sells for \$15.0 Million in Sunset Hills

A premier office portfolio traded in South County. Altus Properties, a locally based real estate investment firm, sold the complex to Edwardsville-based Fireside Financial, LLC. Grandview Office Park, a two-building office complex located at 12200 and 12250 Weber Hill Road in Sunset Hills, traded for \$15.0 million, or \$137/SF, and was recently appraised by the county at \$10.2 million. The Class A office complex totaling 109,200 square feet consists of Grandview I, a 44,830-square-foot, two-story building built in 1996, and Grandview II, a 64,370-square-foot, three-story building built in 1995. Full-scale renovations on both properties were recently completed in 2016. Key tenants in the complex include Maryville College, Mercy, ADP and Edward Jones. A total of 5,529 square feet is currently available in the complex with a quoted rental rate of \$24.00/SF.

Centene to Occupy the 103,280-Square-Foot Creve Coeur Pointe in Mid County

The Mid County submarket continues to tighten, attracting another key firm as the managed healthcare leader Centene Corporation announced it will occupy the entire Creve Coeur Pointe building. Located at 12443 Olive Boulevard in Creve Coeur, the new location will expand the firm's footprint by an additional 103,280 square feet. The move backfills space currently occupied by Rabo AgriFinance, TEKSystems and Ascension, which have all announced plans to relocate to other local-area properties or reduce overall space in the market. Centene selected the building to accommodate employee growth while its current \$770.0 million headquarters expansion in Clayton is underway. The firm is scheduled to occupy the four-story, Class A property in October 2017. Quoted rental rates for Creve Coeur Pointe were marketed at \$24.50/SF prior to the Centene lease.

TriZetto Provider Solutions to Lease 87,000 Square Feet in North County

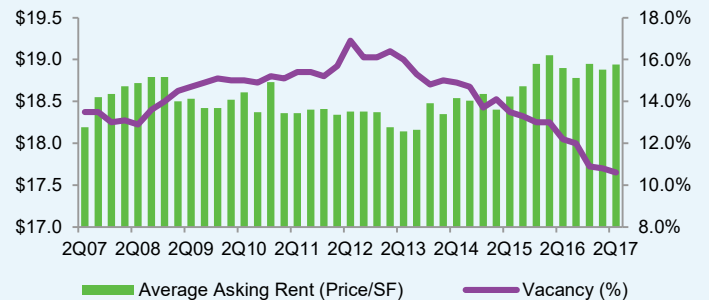
TriZetto Provider Solutions, a premier healthcare information technology company, announced it will lease 87,000 square feet of space at 3300 Pointe 70, located at 3300 Rider Trail South in Earth City. The 104,580-square-foot, Class A facility has been largely vacant during the past four years but will now focus on filling the remaining 14,580 square feet of vacancy. Rental rates within the building are currently quoted at

Current Conditions

- Five-year decrease in vacancy trend line.
- Grandview Office Park portfolio in Sunset Hills trades.
- Centene to occupy entire 103,280 SF Creve Coeur Pointe.
- TriZetto Provider Solutions to lease 87,000 SF in Earth City.
- One Metropolitan Square transferred to a special servicer as new food hall planned.

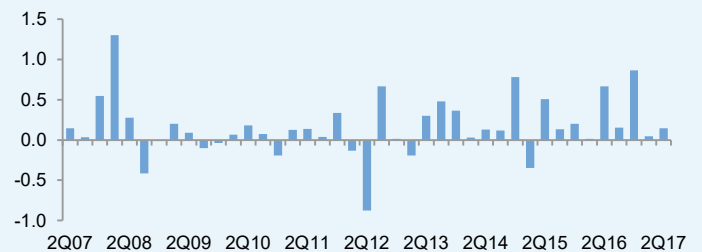
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Millions



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	75MSF	75MSF	75MSF	↑
Vacancy Rate	10.6%	10.8%	12.2%	↓
Quarterly Net Absorption	147,059	45,040	666,802	↑
Average Asking Rent	\$18.94	\$18.88	\$18.90	↑
Under Construction	335,000	335,000	365,000	↑
Deliveries	0	0	60,000	↑



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\$21.50/SF. TriZetto currently occupies approximately 124,000 square feet of space in One Financial Plaza in downtown St. Louis. The firm has not announced whether it will vacate One Financial Plaza.

One Metropolitan Square is Transferred to a Special Servicer as New Food Hall Planned

One of St. Louis's largest office buildings, One Metropolitan Square, has been transferred to a special servicer. Located at 211 North Broadway in Downtown, Met Square is a 42-story, 1.2 million-square-foot tower with both retail and office space. Metropolitan Square, LLC, an affiliate of New York-based 601W Companies, owns the property and currently has an outstanding loan balance of \$124.14 million. The property was last sold by Trizec Properties in 2005 for \$165.8 million and was most recently appraised at \$72.5 million. The tower's key tenants are Bryan Cave, the Bi-State Development Agency, Dentons and Evans & Dixon, LLC. Despite the transfer to a special servicer, plans are underway to build a new food hall called The Eatery. The \$2.5 million investment will be located on the first floor and include Dino's Deli, Kimcheese Asian Fusion and Arista Gourmet Salads & Flatbreads.

St Louis's largest office building, One AT&T Center, also located in Downtown, was transferred to a special servicer in first-quarter 2017, as its only tenant, AT&T, decided to vacate the tower by September 2017.

OPPORTUNITIES FOR CLASS A SPACE ARE MORE PREVALENT IN DOWNTOWN, WHERE VACANCY REGISTERS 14.5%, LEADING TO EXTRA TENANT INCENTIVES

Significant sales transactions occurred throughout the St. Louis metro area, with the Grandview Office Park trade capping an active quarter. Due to the lack of viable space alternatives for Class A space in the Clayton and Mid County submarkets, tenants requiring large footprints will have to turn to build-to-suit options or explore vacancies in other submarkets. Opportunities for Class A space are more prevalent in Downtown, where vacancy registers 14.5%, leading to extra tenant incentives. Rental rates will continue to climb slowly, as vacancy will drop at a healthy pace due to the lack of new product and diminishing space alternatives currently in the overall market. Construction levels and non-owner-occupied deliveries will remain sparse, but sales and leasing activity should remain solid for the remainder of 2017.

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Centene Corporation	12443 Olive Blvd	Mid County	New	103,280
TriZetto Provider Solutions	3300 Rider Trail S	North County	New	87,000
Regions Bank	8182 Maryland Ave	Clayton	Renewal	50,000
St. Louis Club	7701 Forsyth Blvd	Clayton	Renewal	47,540

Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
1 Progress Point Pkwy	St. Charles County	\$15,000,000	\$121	123,540
Multi Prop (2) – Grandview I & II	South County	\$15,000,000	\$137	109,200
10101 Woodfield Ln	Mid County	\$11,125,000	\$134	82,740
300 St. Peters Centre Blvd	St. Charles County	\$2,825,000	\$100	28,350
2246 State Route 157	Metro East	\$3,500,000	\$138	25,320
3440 DePaul Ln ¹	North County	\$8,000,000	\$323	24,800

¹Medical office building


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Submarket Statistics

Submarket Cluster	Class	# of Buildings	Total Inventory (SF)	Total Vacancy Rate	Qtr. Absorption (SF)	YTD Absorption (SF)	Under Construction (SF)	Total Asking Rent (FSG)
Downtown		241	28,436,954	14.80%	-63,041	-124,507	0	\$16.52
	Class A	34	11,015,617	14.50%	-83,482	-123,705	0	\$18.38
	Class B	122	11,455,612	16.60%	25,170	-11,301	0	\$13.78
	Class C	85	5,965,725	11.90%	-4,729	10,499	0	\$14.26
Clayton		100	8,626,054	5.20%	36,079	127,233	0	\$22.83
	Class A	30	4,997,942	4.10%	-523	28,770	0	\$26.69
	Class B	48	2,647,670	6.00%	-802	67,084	0	\$20.42
	Class C	22	980,442	9.00%	37,404	31,379	0	\$15.88
Mid County		178	12,699,085	7.20%	55,635	93,263	210,000	\$21.32
	Class A	36	5,224,984	5.50%	20,974	71,309	210,000	\$24.65
	Class B	119	6,720,801	8.80%	34,661	38,905	0	\$19.00
	Class C	23	753,300	4.40%	0	-16,951	0	\$15.79
North County		89	7,385,396	13.40%	125,208	36,297	0	\$16.38
	Class A	19	2,743,986	9.70%	-27,778	-91,973	0	\$19.16
	Class B	42	3,606,352	19.30%	151,614	128,350	0	\$16.89
	Class C	28	1,035,058	2.90%	1,372	-80	0	\$8.91
South County		70	3,931,858	8.90%	1,116	20,737	0	\$21.68
	Class A	11	760,050	12.10%	1,416	48,464	0	\$26.19
	Class B	46	2,780,368	8.60%	0	-27,502	0	\$20.67
	Class C	13	391,440	4.50%	-300	-225	0	\$16.90
St. Charles County		70	4,143,236	8.00%	22,341	96,605	0	\$17.04
	Class A	22	2,314,178	8.30%	-44,282	39,822	0	\$20.03
	Class B	40	1,450,417	8.00%	65,541	55,787	0	\$14.90
	Class C	8	378,641	6.30%	1,082	996	0	\$12.85
West County		143	9,826,502	7.50%	-30,279	-57,003	125,000	\$23.10
	Class A	56	5,837,445	6.50%	-28,163	-38,638	125,000	\$25.55
	Class B	78	3,658,049	9.00%	-3,190	-16,800	0	\$20.04
	Class C	9	331,008	8.30%	1,074	-1,565	0	\$15.22
St. Louis Market		891	75,049,085	10.60%	147,059	192,625	335,000	\$18.94
	Class A	208	32,894,202	9.20%	-161,838	-65,951	335,000	\$21.50
	Class B	495	32,319,269	12.50%	272,994	234,523	0	\$17.49
	Class C	188	9,835,614	9.50%	35,903	24,053	0	\$12.98


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Submarket Statistics – Class A

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (FSG)	Sublet Asking Rent (FSG)	Total Asking Rent (FSG)
Downtown	11,015,617	0	14.50%	-83,482	-123,705	\$18.29	\$19.07	\$18.38
Clayton	4,997,942	0	4.10%	-523	28,770	\$26.66	\$23.62	\$26.69
Mid County	5,224,984	210,000	5.50%	20,974	71,309	\$24.93	\$19.94	\$24.65
North County	2,743,986	0	9.70%	-27,778	-91,973	\$20.25	\$17.62	\$19.16
South County	760,050	0	12.10%	1,416	48,464	\$26.37	\$21.50	\$26.19
St. Charles County	2,314,178	0	8.30%	-44,282	39,822	\$20.28	\$17.30	\$20.03
West County	5,837,445	125,000	6.50%	-28,163	-38,638	\$26.77	\$17.50	\$25.55
St. Louis Market	32,894,202	335,000	9.20%	-161,838	-65,951	\$21.92	\$18.50	\$21.50

Submarket Statistics – Class B

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Direct Asking Rent (FSG)	Sublet Asking Rent (FSG)	Total Asking Rent (FSG)
Downtown	11,455,612	0	16.60%	25,170	-11,301	\$13.80	\$12.00	\$13.78
Clayton	2,647,670	0	6.00%	-802	67,084	\$20.39	\$23.00	\$20.42
Mid County	6,720,801	0	8.80%	34,661	38,905	\$18.94	\$24.09	\$19.00
North County	3,606,352	0	19.30%	151,614	128,350	\$16.89	-	\$16.89
South County	2,780,368	0	8.60%	0	-27,502	\$20.77	\$18.75	\$20.67
St. Charles County	1,450,417	0	8.00%	65,541	55,787	\$14.81	\$19.37	\$14.90
West County	3,658,049	0	9.00%	-3,190	-16,800	\$20.06	\$19.89	\$20.04
St. Louis Market	32,319,269	0	12.50%	272,994	234,523	\$17.44	\$19.40	\$17.49



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ECONOMIC CONDITIONS

The local economy continued to improve through May, with total employment growth of 0.9% and positive growth occurring in six out of ten industries, calculated on a 12-month percent change basis.

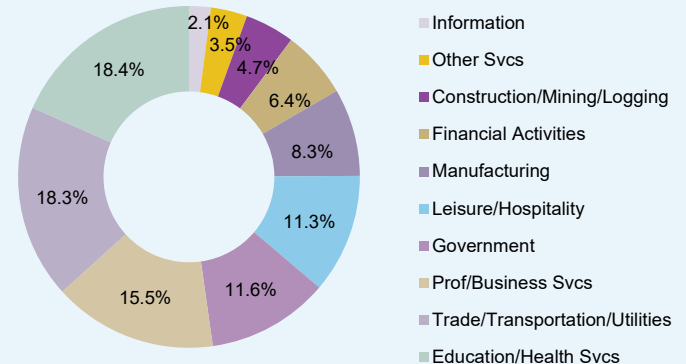
Payroll employment in St. Louis decreased 50 basis points compared to the prior year registering 0.9% in May 2017. The national average also decreased 10 basis points to 1.5%. Both indices have realized positive 12-month percent changes since September 2012.

The Consumer Price Index (CPI) for the United States increased 90 basis points to 1.9% over the past year. The Midwest Urban CPI increased 60 basis points to 1.4% in May 2017.

Unemployment in the United States decreased 40 basis points to 4.3% in May, while unemployment in St. Louis increased 10 basis points to 4.2% over the past quarter. Unemployment in St. Louis decreased 40 basis points from a year prior.

Employment By Industry

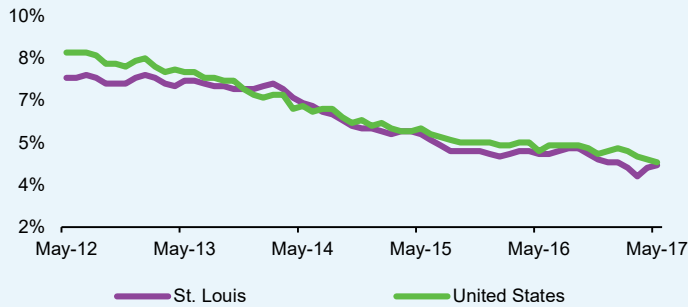
St. Louis, May 2017



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

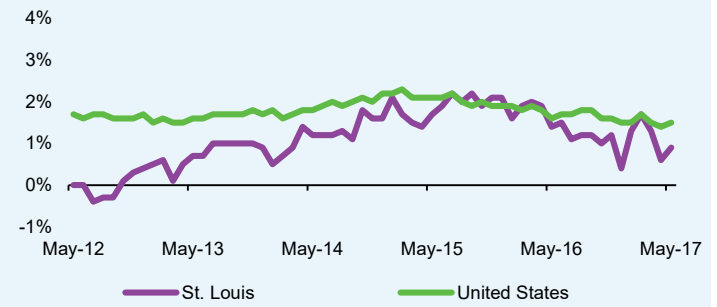
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

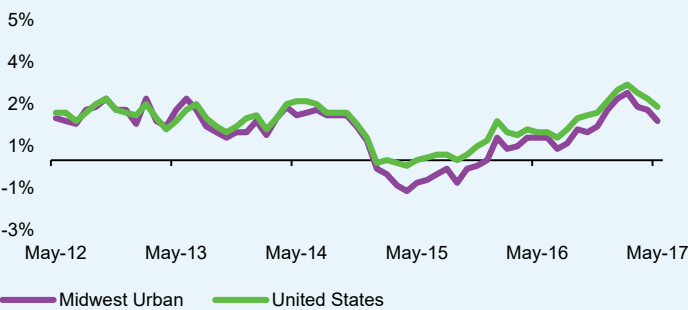
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics,

Consumer Price Index (CPI)

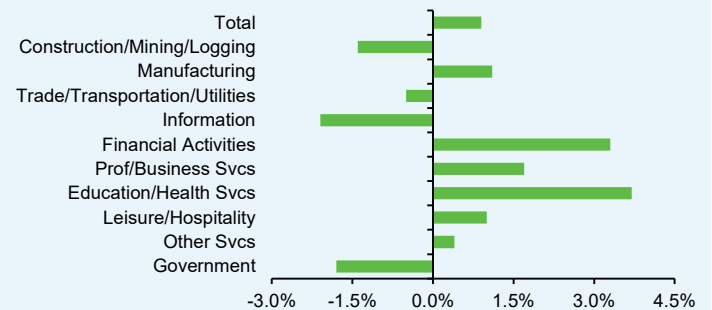
All Items, 12-Month % Change, Not Seasonally Adjusted, 1982-84=100



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

St. Louis, May 2017, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics



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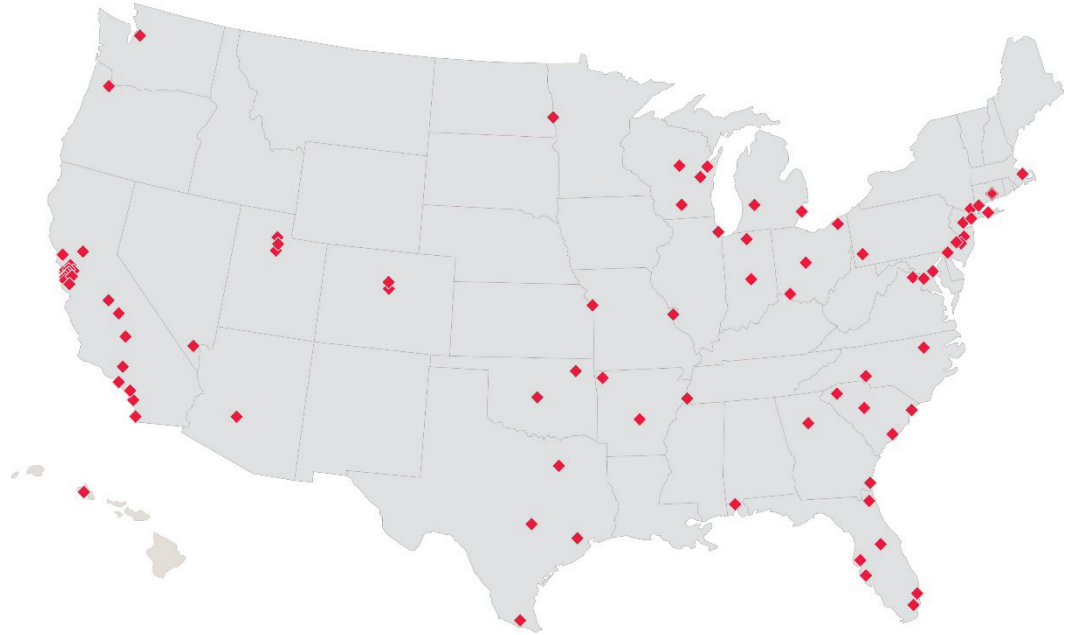
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