



ST. LOUIS

EXECUTIVE SUMMARY

- The cannabis/medical marijuana industry will continue to have significant effect on both retail and industrial sectors.
- Several million square feet of mixed-use developments will break ground in 2020, following the live-work-play paradigm.
- The retail market remains tight with an overall vacancy rate of 4.8% and increasing rents.

The St. Louis Metropolitan Market has stabilized in all categories. In 2020, the industrial sector will see a slowing in construction and leasing while the multi-family sector continues to experience robust construction and demand. The cannabis/medical marijuana industry will continue to impact the St. Louis market as growing facilities and dispensaries obtain licensing. Several major mixed-use projects are scheduled to commence construction in 2020.

New office construction continues to prelease, with only 27% of new office space available. In Downtown St. Louis, the new office tower at Ballpark Village has attracted tenants PwC, Fox Sports Midwest and Butcher Joseph. The Midtown area continues to boom with the delivery of phase I of The City Foundry expected in spring 2020. Nearby, the CORTEX Innovation District continues to attract high-tech companies and start-ups with a new 300,000 SF office/lab/research building expected to be delivered in 2021. Clayton, the St. Louis County Seat, and the adjacent west county suburbs are experiencing healthy expansion. Clayton continues to be the premier office submarket; notable projects include the 770,000 SF Centene Corporation headquarters, which will deliver in 2020. In the past year, the overall market has seen an increase in vacancy from 6.8% to 7.3%, and a 2.4% increase in rental rates to \$20.10 per square foot (psf). It is expected that build-to-suit vs. speculative office construction will continue in 2020.

The retail market will continue to improve in 2020 with overall vacancy and asking rents increasing over year-end 2019. Prices continue to rise, although volume is significantly less than the past two years, and this trend should continue in 2020 due to most construction being build-to-suits or preleased, thereby

KEY MARKET METRICS – 2020 EXPECTATIONS

Annual growth rates, estimated for year-end 2020 vs year-end 2019.

	OFFICE	RETAIL	INDUSTRIAL
Rental Growth	↑↑	↑	→
Vacant Space	→	↓	↑
Construction Levels	→	→	↓
Leasing Volume	↑	↓	→
Investment Volume	↑	↑	↑

limiting supply. The St. Louis area will welcome two new national retailers to the area, Chase Bank and Edge Fitness Clubs, while other retailers such as Sears and Kmart have closed all stores in the area. Discount retailers continue to remain internet-resistant with the addition of new Save-A-Lot and Aldi stores. Notable new developments expected to break ground in 2020 include The Market at Olive, a 700,000 SF Costco-anchored retail/mixed-use development; Gateway Plaza, a 14-acre development with office, retail and hotel components; and the initial phase of St. Louis University's Prospect Yards, which comprises 850,000 SF of retail, residential and office space.

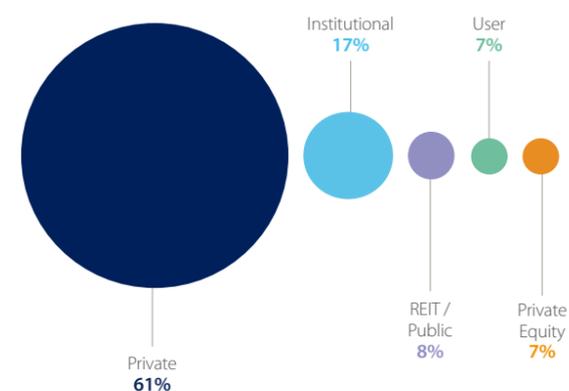
Speculative construction of bulk distribution centers is expected to slow in 2020, and currently 5.4 million SF of industrial space is under construction, a 11.6% increase from last year. Vacancy has increased to 8.4% and asking rents have decreased from \$4.90 to \$4.66 per square foot, a 5.1%

decline. Medical marijuana became legal in April 2019 and licenses will be awarded in 2020. Those applying for licenses were required to secure a property prior to submitting their application, which has resulted in a temporary shortage of industrial space between 30,000 SF and 60,000 SF. Those awarded licenses will occupy their properties and the remaining spaces will come back on the market. Asking rents for those properties may decrease initially.

The St. Louis market continues to attract outside investors, particularly from coastal markets, looking for stable assets and better yields. Private investors comprise the majority of buyers, versus institutional or REIT buyers, and investment sales volume is expected to maintain its pace in 2020 across all categories. With prices close to or exceeding pre-recession highs, owners are shopping their properties. It is anticipated that a healthy market for investment sales will persist in 2020.

ST. LOUIS INVESTMENT SALES

By Buyer Type



Source: CoStar Realty Information, Inc.

The St. Louis Metropolitan Market has stabilized across all sectors and is expected to remain healthy in 2020, with notable performance expected by the multifamily sector. Additionally, the CORTEX Innovation District continues to attract high-tech companies and start-ups with a new 300,000 SF office/lab/research building expected to be delivered in 2021.