

BRIEF | St. Louis Office

St. Louis’ aging office stock and the coming prime office shortage.

By Joshua Allen

Since the onset of COVID, developers have been increasingly wary of any new office construction due to the changing way in which employees work and the perceived appetite for office space across the metro. These concerns have proven to be unfounded in new prime assets which have leased space anywhere from \$38-\$50 SF. Due to the high demand of prime assets, there is now only one large block of space available in Clayton over 100,000 SF.

St. Louis is not unique among Midwest markets in that most of our office product continues to age. In fact, 73% of existing office supply in St. Louis was constructed before 1990’s. In the wake of the great recession, fewer office projects made it off the ground without some sort of incentive from local government. Now, as users seek out amenity rich prime space, out of only 53 MSF of Class A office product in St. Louis, 2.6 MSF of the product could be considered prime in nature. (Prime assets are in walkable urban areas with an abundance of amenities, access to food service, conference and meeting space as well as entertainment.). As a result, St. Louis may be poised to experience a shortage of prime space at the highest end of the office market.

Total Office Inventory

53 MSF

Commodity Quality Inventory

49.7 MSF

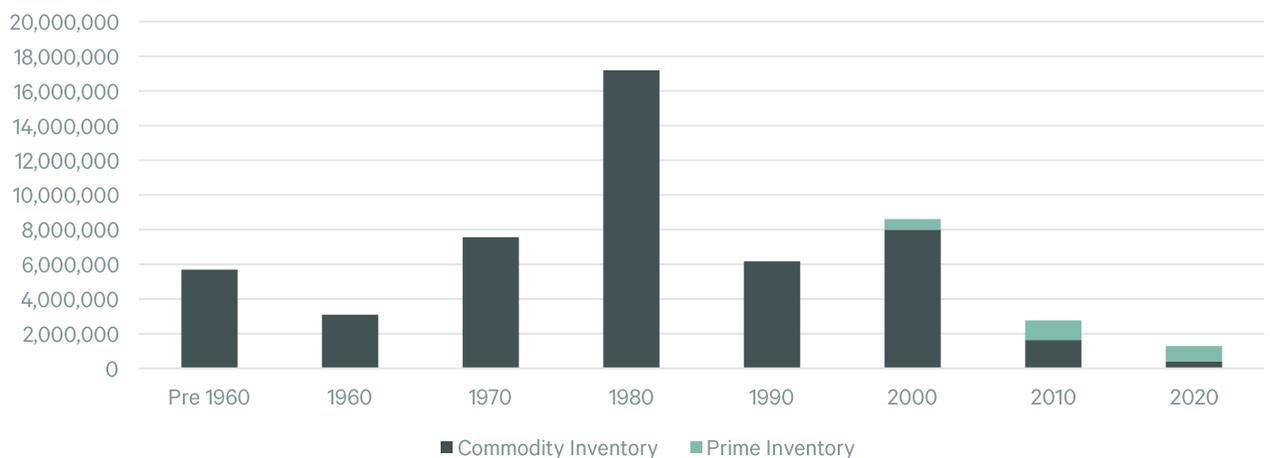
Prime Inventory

2.6 MSF

Large “Prime” Blocks Available (100,000 SF+)

1

FIGURE 1: St. Louis office product inventory commodity vs prime.



Source: CBRE St. Louis Research 2024

Vacancy Rates.

Many of the large client facing firms that executed leases before the pandemic or during the pandemic. The majority chose to downsize to higher quality amenity rich space, particularly concentrated in Clayton. As a result, vacancy in prime product currently sits at 15.9% compared to the overall vacancy rate of 18.6% for the metro region as the older commodity quality product is vacated.

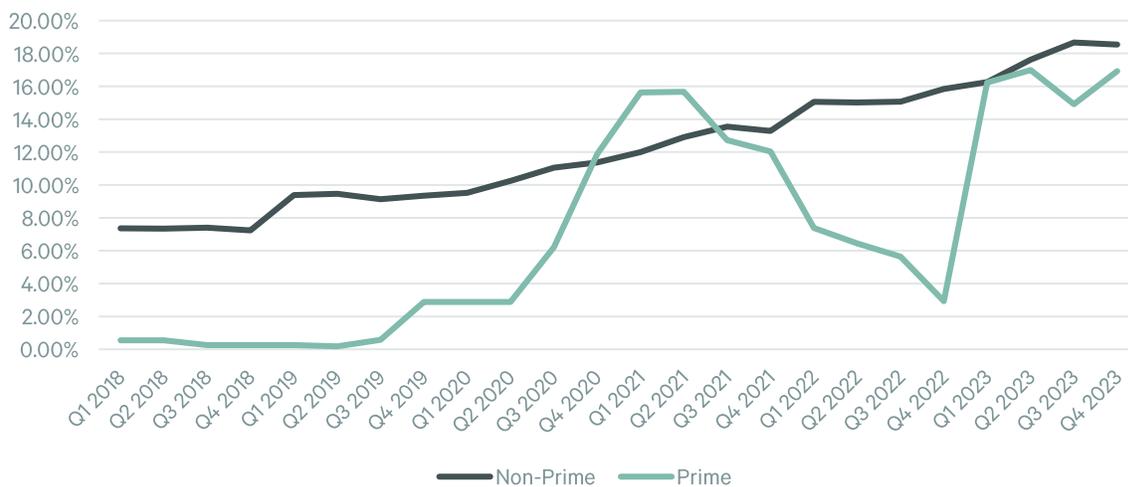
Total Market Vacancy

18.6%

Prime Vacancy Rate

15.9%

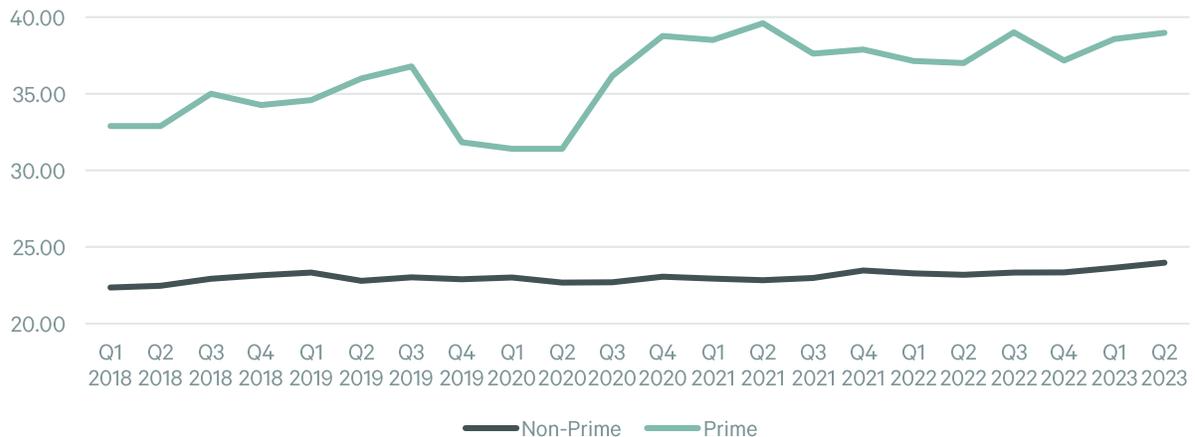
FIGURE 2: Total Market vs Prime Vacancy



Direct Asking Rates.

The migration to prime assets has an impact on Class A asking rates. While commodity quality product have remained largely flat at \$23.55 in Q4 2023. Prime asking rates have increased by 13.8% since Q1 2020 to a record average high of \$40.99 in Q4 2023 due to unprecedented demand.

FIGURE 3: Asking Rates (FSG) Class A vs Prime



Source: CBRE St. Louis Research 2024

The coming prime office shortage

As these migration patterns continue. It is reasonable to expect that within the coming years we will continue to see the remaining large blocks of space fall off the market in prime assets. CBRE tracks 9.9 MSF Class A expirations over the next seven years. If the flight to quality continues at its current pace, it will leave a large gap for prime space in the market needed to accommodate this demand.

For the market to meet demand there are two options. Number one, owners will need to renovate existing assets such as the case of Carondelet Plaza and Shaw Park Plaza with top level amenity packages to entice tenants. Two, developers will need to secure what suitable sites are remaining in Clayton or elsewhere to bring new top of class prime space to market.

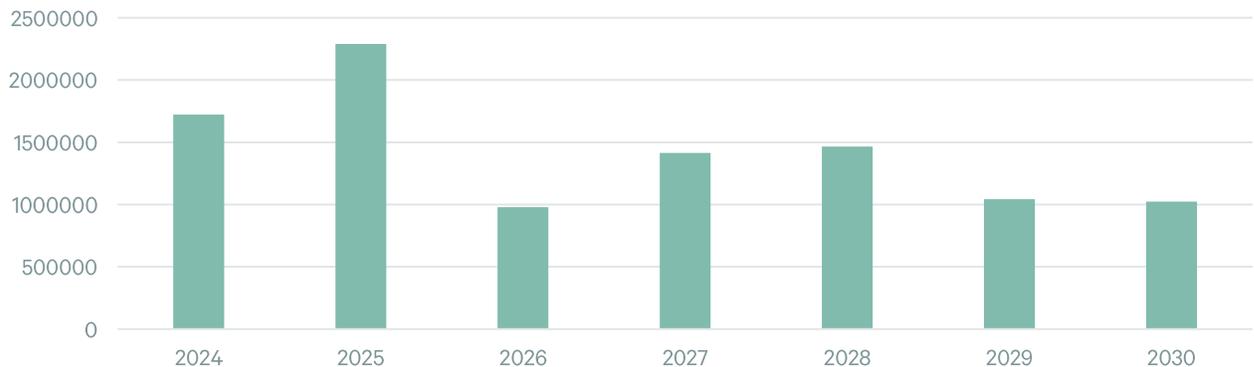
Class A Leases Expiring
2024-2030

648

Sf of Class A Leases Expiring
2024-2030

9.9 MSF

FIGURE 4: Upcoming Class A Expirations by Year



Source: CBRE St. Louis Research 2024

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