

Tenant Friendly Trends Continue

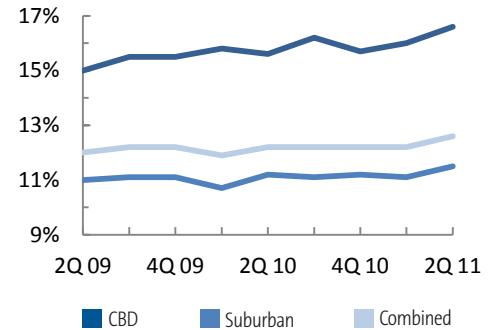
The first half of 2011 has come and gone with little positive absorption to the St. Louis Office Market. Because the national economy and more specifically the jobs market drives the demand for office space, we are not likely to see significant increased demand until there is a drop in the unemployment numbers. The second quarter could be categorized as a step back in this regard as hiring came to a virtual stand still on the national level. This, combined with uncertainty in Washington, has companies cautious about growth models. However, this has not stopped companies from taking advantage of the soft real estate market conditions. Phrases like 'Blend and Extend' and 'Flight to Quality' still prevail and represent smart strategies for companies with a firm grasp on their company's future.

While activity has increased downtown, the Downtown submarket remains the softest and has the area's largest selection of large blocks of space. Peabody Energy's 15-year 220,000 square foot renewal at the Gateway One building remains the largest transaction of the year. Other large tenants evaluating options downtown include Brown & James, Nestle and Ralcorp.

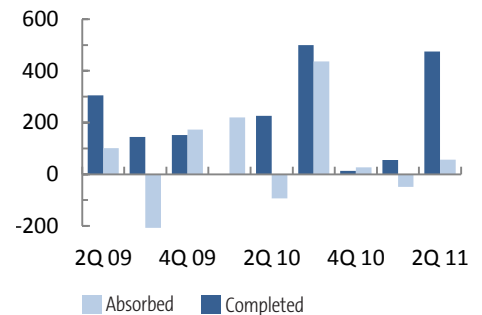
The demand for office space in the Clayton submarket remains high with a 10.7% combined vacancy rate for both Class A and B space. In contrast to downtown, only four larger blocks of space are available.

The Creve Coeur, West Port and Chesterfield submarkets have all taken their lumps during this recession but all show signs of stabilization. In Chesterfield, the second quarter saw Verizon taking 24,000 square feet at Boones Office Center and McBride & Sons taking 15,000 square feet at Herman Stemme I. Notable transactions in Creve Coeur were BUNZL's leasing of 35,000 square feet at City Place and the GSA taking 21,000 square feet at Fern Ridge.

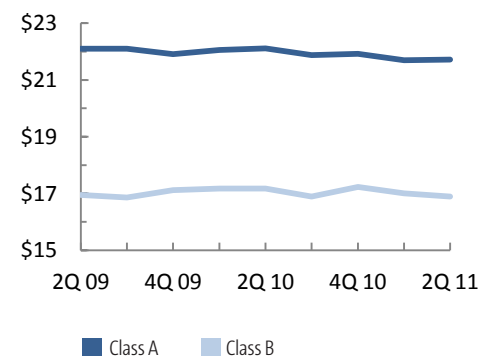
Vacancy Rate



Completions vs. Absorption
(in Thousands of SF)



Quoted Rental Rates
(\$/SF/Yr. Full Service)



Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Airport	76	5,069,057	177,412	177,412	3.5%	(35,963)	0	66,914	\$14.53
Brentwood/Maplewood	200	1,941,953	260,756	260,756	13.4%	(39,665)	0	0	\$17.17
Bridgeton/I-70	107	2,138,514	389,268	389,268	18.2%	18,784	0	0	\$16.61
CBD	235	29,219,864	4,841,478	4,908,733	16.8%	(261,360)	0	0	\$16.59
Chesterfield/Hwy-40	186	8,239,292	946,692	1,004,868	12.2%	(49,653)	0	2,842	\$22.05
Clayton	201	10,450,570	1,010,912	1,039,266	9.9%	42,187	0	0	\$22.89
Creve Coeur/Hwy-67	167	4,072,350	510,173	510,173	12.5%	27,591	0	0	\$17.38
Earth City/Riverport	55	3,241,083	599,025	655,867	20.2%	18,314	0	0	\$19.05
Fenton	64	3,011,821	109,197	111,422	3.7%	(1,778)	0	0	\$18.22
I-270/Maryland Heights	131	6,050,560	640,219	640,219	10.6%	(14,077)	0	0	\$17.08
I-270/Olive Blvd	124	5,431,890	723,529	726,218	13.4%	(64,535)	0	0	\$21.19
Illinois	1,160	9,217,239	935,893	957,693	10.4%	(69,752)	12,100	7,700	\$16.75
Kirkwood/Frontenac	134	2,096,589	196,280	197,980	9.4%	33,236	43,456	0	\$20.58
Manchester/I-270	66	3,162,476	249,583	249,583	7.9%	(57,717)	0	0	\$21.04
North County	191	3,450,034	429,070	429,070	12.4%	469,357	474,690	0	\$14.01
South County	300	5,234,008	573,784	674,142	12.9%	(15,990)	0	0	\$19.07
St Charles County	746	9,575,254	1,467,135	1,492,452	15.6%	(23,592)	0	0	\$15.76
St Louis City	636	14,508,010	1,466,816	1,501,022	10.3%	(85,368)	0	300,000	\$13.88
West County	217	1,699,001	191,811	191,811	11.3%	5,247	0	0	\$17.31
Totals	4,996	127,809,565	15,719,033	16,117,955	12.6%	(104,734)	530,246	377,456	\$18.06

Source: CoStar Property®

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OFFICE TERMS AND DEFINITIONS

Methodology: Statistics are calculated using CoStar Group's entire database of existing and under construction office buildings. Included are office, office condominium, office loft, office medical, all classes and all sizes, and both multi-tenant and single-tenant buildings, including owner-occupied buildings.

Office Building Classifications: Class A is used to describe buildings that generally qualify as extremely desirable investment-grade properties and command the highest rents or sale prices compared to other buildings in the same market. Class B is used to describe buildings that generally qualify as a more speculative investment, and as such, command lower rents or sale prices compared to Class A properties. Class C is used to describe buildings that generally qualify as no-frills, older buildings that offer basic space and command lower rents or sale prices compared to other buildings in the same market.

Vacancy Rate: A measurement expressed as a percentage of total amount of physically vacant space divided by the total amount of existing inventory. This includes direct and sublease vacant. Under construction space generally is not included in vacancy calculations.

Availability Rate: The ratio of available space to total rentable space, calculated by dividing the total available square feet by the total rentable square feet.

Net Absorption: The net change in occupied space over a given period of time. This includes direct and sublease space.

Quoted Rental Rate: The asking rate per square foot for a particular building or unit of space by a broker or property owner. Quoted rental rates may differ from the actual rates paid by tenants following the negotiation of all terms and conditions in a specific lease. The rates are all reported in Full Service equivalent which includes all operating expenses such as utilities, electricity, janitorial services, taxes, and insurance.

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