GUNDAKER COMMERCIAL GROUP

Office Trends Report - Fourth Quarter 2011
St. Louis, MO

2011: Flat is Good?

As we take a look back at the St. Louis Office Market for the year of 2011, it can be described in one simple word; Flat. While there was negative total overall net absorption, it was minimal and asking rates and net effective rates of completed transactions stayed stable throughout the year. While this on its face doesn't look great it certainly looks better than the preceding three years when we saw a bottoming out of the market. The overall lack of new office building development in the area has served as a major stabilizing factor. Nonetheless, Tenants remain in the driver's seat although how long that window of opportunity will last is up for debate. Those with the ability to make longer term commitments should do so while generous concessions from Landlords are still available. A Tenant's best strategy is still to evaluate options both on renewal and relocation and this excercise will help determine the true market value of their current space as well as space at competing properties.

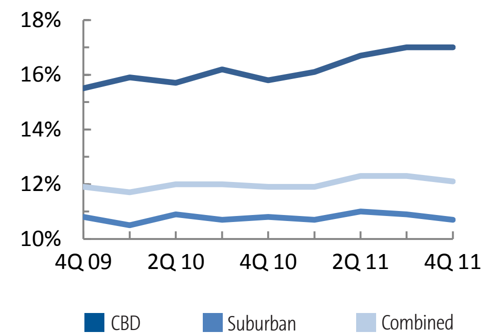
Expectations are that some submarkets will recover faster than others. At the bottom of the list for time frame of expected recoveries would be Downtown. Although overall investment and conditions in the area has risen over the past 10 years, it hasn't been enough to overcome plummeting demand. Even with virtually no new Class A office development for 20 years, the submarket remains the area's softest. Located less than 10 miles away from downtown, Clayton represents the opposite end of the spectrum. Its vacancy rate hovers around 10% and demand remains strong. Average asking rates in this submarket are the highest in the area at over $26 per foot. West County is beginning to incrementally stabilize. Chesterfield, which was hit very hard in '08 and '09, has lowered its overall vacancy rate and thus asking rates have flattened out. As we move into 2012 there is a degree of optimism that hasn't been felt since mid 2007.

KEY TRANSACTIONS

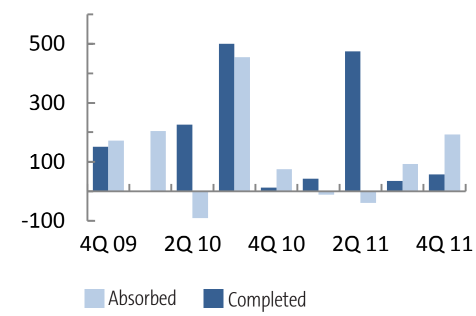
Lessee/Buyer	Property	Size (SF)/Price
Ralcorp Holdings *(R)*	Bank of America Plaza	180,000 SF
Rubin Brown *(R)*	Shaw Park Plaza	60.000 SF
Bunzl Distribution *(L)*	City Place One	35,000 SF
Byrne Software *(L)*	Herman Stemme I	10,000 SF

Leasing Sales *(R)* = Renewal *(S)* = Sublease *(L)* = *Relocation*

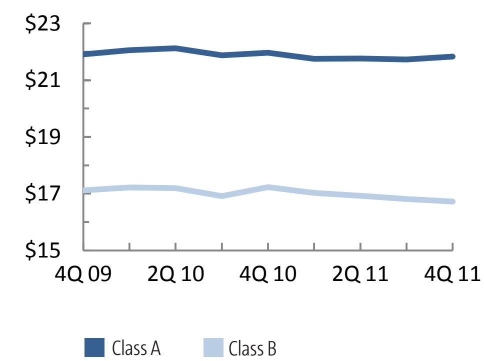
Vacancy Rate



Completions vs. Absorption
(in Thousands of SF)



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



Gundaker Commercial Group
100 Chesterfield Business Parkway
Suite 300, Chesterfield, MO 63005
636.728.5100 www.gundakercommercial.com

Prepared by:
Joe Rohlman *Senior Creative Designer*
636.728.5161 • jrohlman@gundakercommercial.com

Liz Kinnear *Director of Research*
636.728.5100 • lkinnear@gundakercommercial.com

GUNDAKER
COMMERCIAL GROUP

Office Trends Report - Fourth Quarter 2011
St. Louis, MO

	Existing Inventory		Vacancy			YTD Net	YTD	Under	Quoted
Market	# Blds	Total RBA	Direct SF	Total SF	Vac %	Absorption	Deliveries	Const SF	Rates
Airport	78	5,084,859	248,016	248,016	4.9%	(113,767)	0	0	$14.27
Brentwood/Maplewood	208	2,024,380	258,550	260,150	12.9%	(2,702)	27,282	0	$16.59
Bridgeton/I-70	109	2,226,913	418,556	418,556	18.8%	12,276	0	2,361	$16.69
CBD	233	29,382,414	4,954,569	5,011,074	17.1%	(365,329)	0	0	$16.55
Chesterfield/Hwy-40	185	8,216,722	869,235	907,529	11.0%	21,398	2,842	0	$21.74
Clayton	202	10,991,199	988,420	1,043,884	9.5%	54,788	0	0	$22.60
Creve Coeur/Hwy-67	175	4,237,518	446,601	446,601	10.5%	105,038	0	0	$17.02
Earth City/Riverport	56	3,232,669	603,609	603,609	18.7%	44,394	0	0	$18.88
Fenton	64	3,016,011	92,072	94,297	3.1%	15,847	0	0	$17.09
I-270/Maryland Heights	125	5,930,707	630,737	630,737	10.6%	(18,011)	0	0	$17.27
I-270/Olive Blvd	121	5,425,194	626,187	626,187	11.5%	35,496	0	0	$21.10
Illinois	1,182	9,436,544	989,188	1,010,348	10.7%	(111,504)	0	19,800	$16.58
Kirkwood/Frontenac	143	2,322,007	210,482	212,182	9.1%	26,134	43,456	0	$20.99
Manchester/I-270	66	3,262,605	236,837	236,837	7.3%	(39,751)	0	0	$20.76
North County	199	3,728,153	423,957	423,957	11.4%	533,070	474,690	0	$14.26
South County	313	5,420,359	539,870	597,047	11.0%	76,505	0	0	$19.75
St Charles County	764	9,656,855	1,452,544	1,477,861	15.3%	5,469	0	0	$15.66
St Louis City	648	14,390,783	1,262,810	1,304,679	9.1%	(49,043)	63,182	300,000	$14.31
West County	215	1,704,458	192,663	192,663	11.3%	5,275	0	0	$16.50
Totals	**5,086**	**129,690,350**	**15,444,903**	**15,746,214**	**12.1%**	**235,583**	**611,452**	**322,161**	**$17.97**

Source: CoStar Property©

Gundaker Commercial Group Office Specialist

Robert Busch, Esq., CCIM
Vice President
636.728.5129
rbusch@gundakercommercial.com

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.