

Office Market Trends St. Louis

Grubb & Ellis Research
First Quarter 2009



Current tenants in the market are more interested in short-term renewals.

Vacancy rises, rates steady

The St. Louis office market experienced an increase in vacancy in the first quarter of 2009 to 14.7 percent from 13.9 percent in the fourth quarter of 2008. Average asking rents for Class A space held steady at \$21.61 for the overall market. Vacant space offered for sublease increased in the first quarter to 451,763 square feet from 438,271 square feet last quarter.

The Chesterfield and Earth City/Riverport submarkets experienced the largest rise in vacancy in the first quarter. Chesterfield's vacancy rose to 11.6 percent from 9.5 percent in the fourth quarter of 2008, mainly due to Verizon vacating 90,000 square feet of space. Express Scripts vacated 141,000 square feet in Earth City/Riverport as it consolidated operations into a new building in the North County submarket.

Scotttrade purchased two buildings, 500-510 Maryville Centre (165,000 square feet) and 700 Maryville Centre (215,000 square feet), and two parcels of land in Maryville Centre in the Chesterfield submarket. The company will occupy the 90,000 square feet of space in 500-510 Maryville Centre that Verizon vacated in the first quarter and plans to expand into the rest of the buildings as current leases expire.

Current tenants in the market are more interested in short-term renewals, rather than relocation for the time being, especially as they "right size" into leaner operations with less space in an effort to cut costs in the current economy. Many landlords are responding to these requests by granting shorter term renewals and rent reductions over the term of these renewals. Quoted office asking rents are not being reduced, but many lease transactions have been completed at rates lower than those being advertised.

As vacancy rates rise, the market will continue to become friendlier to tenants. Tenants with the latitude to take space "as-is" will receive the best deals. Savvy property owners will make adjustments today to retain tenants and ensure cash continues to flow for the next few quarters as the market adjusts. Property owners are advised to continually reevaluate their portfolios as market conditions are changing quickly.

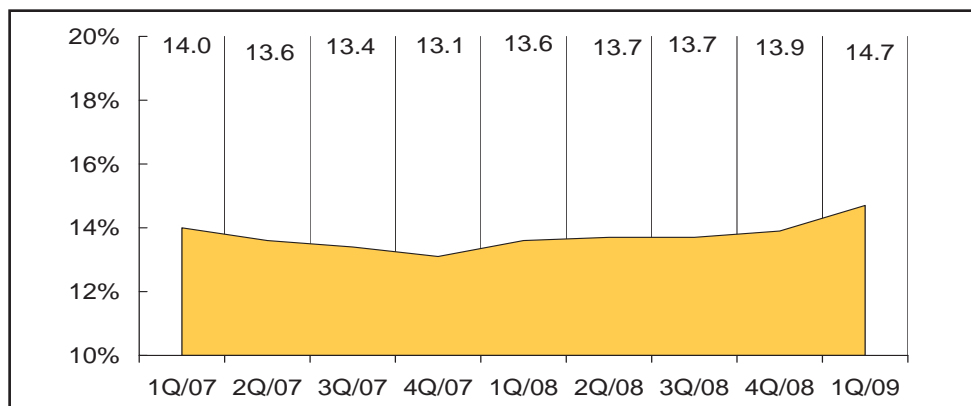
Additional sublease space will become available in the next few quarters. St. Louis is a conservative investment market and will feel some pain for the next 12 months, but won't suffer as badly as larger markets like Denver, New York and Los Angeles.

St. Louis Office Market Trends

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Office Vacancy Rate*

*All Classes of Space

Office Market Snapshot St. Louis First Quarter 2009

By Submarket (All Classes)	Total (1) SF	Vacant (2)		Net Absorption		Under Const. (3) SF	Asking Rent (4)	
		SF	Vacant %	Current Qtr	Year To Date		Class A	Class B
CBD	14,738,308	2,869,894	19.5%	(49,279)	(49,279)	-	\$18.63	\$15.48
St Louis City	3,549,763	565,194	15.9%	(6,950)	(6,950)	-	-	\$11.02
City Total	18,288,071	3,435,088	18.8%	(56,229)	(56,229)	-	\$18.63	\$13.96
Chesterfield/Hwy-40	5,260,947	610,250	11.6%	(110,711)	(110,711)	-	\$24.90	\$20.44
Clayton	6,668,845	689,156	10.3%	104,488	104,488	509,125	\$26.61	\$21.05
Creve Coeur	5,186,177	752,792	14.5%	480	480	-	\$24.58	\$17.89
Des Peres	2,321,731	145,766	6.3%	6,496	6,496	-	\$22.78	\$19.44
Earth City/Riverport	2,681,175	465,662	17.4%	(166,325)	(166,325)	146,000	\$20.21	\$17.49
Kirkwood/Maplewood/U City	1,247,376	106,261	8.5%	(2,743)	(2,743)	-	-	\$23.00
Manchester/Ellisville/Wildwood	372,745	24,969	6.7%	3,394	3,394	-	-	\$18.68
North County/Bridgeton/Airport	1,795,870	410,311	22.8%	15,709	15,709	40,000	\$19.00	\$14.20
South County	2,238,108	263,239	11.8%	(571)	(571)	-	\$20.64	\$20.64
Southwestern Illinois	1,958,875	237,664	12.1%	1,413	1,413	-	\$23.85	\$17.41
St Charles County	2,032,415	337,292	16.6%	69,970	69,970	66,000	\$22.49	\$18.12
Westport	2,885,879	278,837	9.7%	32,375	32,375	116,000	\$23.05	\$18.16
Suburban Total	34,650,143	4,322,199	12.5%	(46,025)	(46,025)	877,125	\$24.04	\$18.49
Totals	52,938,214	7,757,287	14.7%	(102,254)	(102,254)	877,125	\$21.61	\$16.54

By Class (All Submarkets)							Available for Sublease	
							CBD	Suburban
Class A	25,285,642	3,253,885	12.9%	(118,258)	(118,258)	328,000	78,788	248,858
Class B	18,555,313	3,262,086	17.6%	35,099	35,099	549,125	4,064	202,905
Class C	9,054,259	1,241,316	13.7%	(19,095)	(19,095)	-	7,000	-
Medical	43,000	-	-	-	-	-	-	-
Totals	52,938,214	7,757,287	14.7%	(102,254)	(102,254)	877,125	89,852	451,763

*Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures

- (1) Inventory includes multi-tenant and single tenant buildings with at least 20,000 sq. ft.
 (2) Vacant space includes both vacant direct and vacant sublease space.
 (3) Space under construction includes speculative and build-to-suit for lease projects
 (4) Asking rates are per square foot per year full service.

As part of our annual data benchmarking procedures, G&E has adjusted the methodology we use to weight average office asking rental rates. When calculating the average asking rate for a market or submarket, we previously weighted the asking rate in each building by the size of the building. Beginning Q1 2009, we are weighting the rate in each building by the amount of available space in the building. All historic rental rate data has been re-weighted to create a consistent trend line for the rent graphs appearing in this report. However, the rental rate data in this report will not be comparable to the rental rate data in our previously published reports due to this change in our methodology.

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Property Spotlight



1021 Peruque Crossing Court O'Fallon, Missouri

FOR SALE OR LEASE - 4,032 +/- SF available

- 4,032 +/- SF building
- Easy access to Highway 70
- New construction; first generation space
- 22 parking spaces
- Building signage and monument signage available



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Some of the data in this report has been gathered from third party sources and has not been independently verified by Grubb & Ellis. Grubb & Ellis makes no warranties or representations as to the completeness or accuracy thereof.
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