

Retail Market Trends St. Louis

Grubb & Ellis Research
First Quarter 2009



Landlords and tenants need to work together during the economic downturn to ensure that both groups remain financially viable in the long term.

Store closings raise vacancy

In the first quarter of 2009, the St. Louis retail market saw vacancy rise to 11 percent from 10.3 percent in the fourth quarter of 2008. Circuit City, Linens 'N Things and Value City completed liquidation and vacated space in their area locations, which contributed to most of the vacancy and 93,029 square feet of negative absorption.

Asking rates dropped to \$12.79 per square foot for the all product types, from \$13.15 per square foot in the fourth quarter of 2008.

The economic downturn is resulting in lower rents and nontraditional users, such as dialysis centers and medical clinics, moving into retail centers due to the better rates. Landlords are welcoming these tenants due to their perceived financial stability. National tenants once thought to be strong and stable are no longer safe bets.

Retailers are planning for the future and market activity remains strong. They are touring available sites and planning to open and expand in the market, but not until 2010. Retailers are showing no sense of urgency in signing leases or committing to deals.

Current tenants are trying to take advantage of the lower asking rates and are searching for the best deal, especially on renewals. Landlords are fulfilling more aggressive requests such as cheaper rent and free rent in order to keep their properties occupied. Landlords and tenants need to work together during the economic downturn to ensure that both groups remain financially viable in the long term.

Forecast

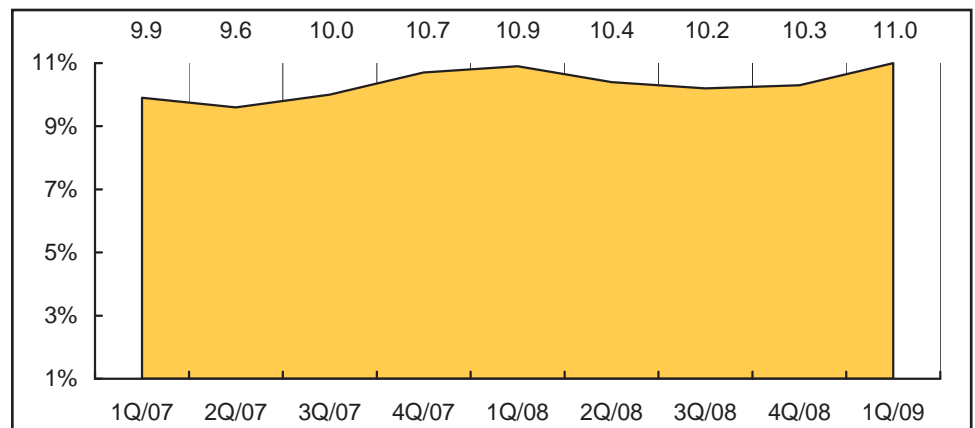
Retailers will have to change their business models in the coming 12 to 24 months, and begin operating more efficiently with less merchandising. Consumer confidence will return by the second half of 2009, but it will result in little additional spending. Retailers will become even more selective when choosing to relocate or open new locations.

St. Louis Retail Market Trends

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Retail Vacancy Rate*

*All Product Types

Retail Market Snapshot St. Louis First Quarter 2009

By Submarket (All Property Types)	Total (1)	Vacant (2)	Vacant %	Net Absorption		Under Const. (3)	Asking Rent (4)	
	SF	SF		Current Qtr	Year To Date	SF	Neighborhood	Power
St. Louis City	3,613,679	375,289	10.4%	(13,023)	(13,023)	-	\$13.87	-
City Total	3,613,679	375,289	10.4%	(13,023)	(13,023)	-	\$13.87	-
Central St. Louis County	6,349,985	682,725	10.8%	(152,225)	(152,225)	-	\$20.30	-
Fenton	1,746,611	152,082	8.7%	2,140	2,140	-	\$19.64	-
IL- Madison County	4,401,247	405,597	9.2%	35,655	35,655	-	\$5.44	-
IL- St. Clair	5,383,091	762,159	14.2%	(11,749)	(11,749)	-	\$8.76	-
Jefferson County	2,520,683	166,515	6.6%	(8,992)	(8,992)	-	\$16.87	-
North St. Louis County	10,258,914	1,018,788	9.9%	178,926	178,926	-	\$10.20	-
South County	6,841,832	744,481	10.9%	(24,416)	(24,416)	-	\$13.16	-
St. Charles County - E	5,177,981	640,069	12.4%	(4,951)	(4,951)	-	\$12.91	-
St. Charles County - W	6,088,881	1,064,633	17.5%	(50,086)	(50,086)	150,000	\$18.00	-
West St. Louis County - E	3,440,945	313,730	9.1%	5,529	5,529	335,960	\$17.22	\$21.00
West St. Louis County - W	6,960,834	569,094	8.2%	(49,837)	(49,837)	25,025	\$15.73	-
Suburban Total	59,171,004	6,519,873	11.0%	(80,006)	(80,006)	510,985	\$12.74	\$21.00
Totals	62,784,683	6,895,162	11.0%	(93,029)	(93,029)	510,985	\$12.79	\$21.00

By Property Type (All Submarkets)	Asking Rent						
Community	12,753,224	1,272,615	10.0%	(99,217)	(99,217)	466,510	\$14.19
Free-standing	8,189,730	551,701	6.7%	(794)	(794)	-	\$9.20
Neighborhood	22,999,892	2,394,880	10.4%	(143,150)	(143,150)	-	\$12.79
Power	3,045,967	119,964	3.9%	157,991	157,991	-	\$21.00
Regional	2,909,179	603,284	20.7%	(3,500)	(3,500)	-	\$18.51
Specialty/Theme	100,000	22,371	22.4%	-	-	-	\$21.75
Strip	11,025,091	1,881,609	17.1%	(1,859)	(1,859)	44,475	\$12.82
Super-regional	856,523	-	-	-	-	-	-
Urban Retail	905,077	48,738	5.4%	(2,500)	(2,500)	-	\$12.89
Totals	62,784,683	6,895,162	11.0%	(93,029)	(93,029)	510,985	\$13.53

(1) Inventory includes multi-tenant and single tenant buildings with at least 15,000 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 triple net. Rates for each building are weighted by the amount available space within the building.

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

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