



A Quarterly Report of St. Louis Office Market Activity

Provided by EVS Realty Advisors, Inc.

The St. Louis region is reflective of the current economic conditions impacting the country although not as severe as the top U.S. areas. The February 2009 unemployment rate was 9.2% (unadjusted for seasonal discrepancies). Approximately 1,600 jobs were lost in February 2009, the sixth month of falling employment. While education and healthcare services experienced job growth over the last year, manufacturing lost 8.1% of its jobs, principally in the automobile industry.

Multifamily permits declined 89% in January and February 2009 when compared to the same period in 2008. Demand has improved for rental apartments; however, for-sale condominiums converted to rental units are increasing supply. Rental rate increases have slowed due to the weak economy and additional inventory. Sales of condominiums, especially of luxury units, have tanked, and a number of planned developments have been cancelled.

The retail market continues to weaken as vacancies increase to over 8%, still better, however, than the national vacancy rate of near 12%. Little new construction is occurring as retailers pull back. At older malls, department stores are being closed. The Nordstrom's store at the Galleria is on-hold until 2010, and Target has withdrawn as anchor of a new 200,000 sq. ft. in-fill center in the city of Rock Hill.

The industrial market is also struggling and may be overbuilt. In the last few months, it has become a tenant's market. Absorption is declining. Lease rates are falling because of available speculative and sublease space. In the South County submarket, Chrysler suppliers have vacated over one million sq. ft, and more space is expected to become available for sublease in 2009. Most of the industrial activity has occurred in Illinois where large distribution facilities are being located.

The office market is probably the most stable of the commercial real estate markets. Activity was slow in the first quarter 2009, however. Most new speculative space has been leased. Proposed buildings are on-hold and require substantial pre-leasing before construction can begin. Vacancies are increasing in some sub-

markets, and pressure is building on lease rates. After a period of few incentives, rent abatement and tenant improvement allowances are slowly returning to the marketplace, and most new projects have been placed on-hold. Large contiguous spaces are few except in the Downtown submarket.

In Clayton, Centene Corp. still plans to develop an office project although it has been scaled back. The existing buildings on the site have been demolished and construction has started on the first building and garage. And, still looking for a lead tenant is the 175,000 sq. ft. Meridian in Brentwood, which is close to completion.

At first quarter 2009, total available office space was nearly 10.5 million sq. ft., 13.6% of inventory, two tenths of a percent higher than year-end 2008. First quarter 2009 overall absorption was a negative (173,000) sq. ft. The CBD, Clayton, Creve Coeur/Westport, North and South County submarkets experienced negative absorption. New deliveries totaled 171,800 sq. ft., all Class A or B space. Average asking rent for all properties was \$18.85 per sq. ft., continuing to decline slowly since third quarter 2008. Asking price in the new prime buildings is \$29-31 per sq. ft.

The Class A market improved slightly during the first quarter of 2009. The overall availability for Class A office space rose to 14.7%, and available space rose to 4.9 million sq. ft. The Downtown availability rate increased to 20.2% during the quarter or 2.1 million sq. ft. from 19.8% at year-end 2008. Availability in the suburban markets remained at 12.3% through first quarter 2009. Absorption for Class A properties was negative 44,000 sq. ft. Available Class A suburban space is 2.9 million sq. ft.

Class A sublease space almost doubled in the fourth quarter of 2008, increasing from 274,300 sq. ft. to 507,300 sq. ft. or 10.4% of all available Class A space. It declined somewhat during the first quarter of 2009 to 9.2% or 454,000 sq. ft. The largest amounts in available Class A sublease space are in West County (88,000 sq. ft.), North County (85,200 sq. ft.)

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Market Highlights

- ◆ The overall availability rate rose slightly during first quarter 2009 now at 13.6%, six tenths of a percent higher than one year ago.
- ◆ Overall average asking rents fell during the quarter to \$18.85 per sq. ft. from \$18.95 per sq. ft. at year-end 2008.
- ◆ Overall absorption at the end of first quarter 2009 was negative (173,000) sq. ft. while Class A absorption was negative (43,600) sq. ft. Class B absorption ended the quarter at negative (95,800) sq. ft. and Class C was negative (33,600) sq. ft.
- ◆ Class A average asking rents rose slightly over the quarter now at \$22.04 per sq. ft., slightly higher than last quarter.
- ◆ Class A sublease space fell one percentage point during first quarter 2009 to 453,600 sq. ft. or 9.4% of inventory.
- ◆ Major transactions this quarter include Monsanto's 116,000-sq.-ft. lease in the Creve Coeur/Westport submarket and Fireman's Fund Insurance Company's 109,300-sq.-ft. lease in the St. Charles submarket.

Market by Market

◆ Central Business District

Total Inventory: 26.4 mil. sq. ft.
 No. of Buildings: 201
 Average Asking Class A Rent: \$18.12
 Average Asking Class B Rent: \$15.54
 Availability Rate: 17.4%
 Available Space: 4.6 mil. sq. ft.
 New Deliveries: 0 sq. ft.
 Net Absorption (YTD): (63,000) sq. ft.

Downtown St. Louis has seen a number of projects downsized, postponed or awaiting financing. Concerns about sales of the historic tax credit are also delaying projects. The good news is that the downtown population rose 6% in 2008 to nearly 12,000 people.

Development of the stunning \$30 million City Garden by the Gateway Foundation on two blocks along the Gateway Mall (Market Street, bordered by 8th and 10th Streets) should be complete by June 2009. An \$8 million plaza, a part of Old Post Office Square, was completed in March.

The office market in the CBD got a little worse during the first quarter of 2009. Current overall availability rose to 4.6 million sq. ft. or 17.4% of total inventory. Absorption was a negative (62,600) sq. ft. Available Class A stayed near 2.0 million sq. ft. or 20.2% at first quarter 2009. Class A space experienced negative absorption of (43,600) sq. ft. for first quarter 2009. Available Class A sublease space is only 3.7% of available Class A space or 75,200 sq. ft., and is not a major factor in the marketplace. Average asking rent for Class A space rose to \$18.12 per sq. ft. at first quarter 2009 but is still lower than the \$18.80 per sq. ft. of first quarter 2008.

After a good year in 2008, available Class B space increased slightly to 1.3 million sq. ft. or 15.2% of inventory as of first quarter 2009. Absorption during the first quarter was a negative (27,600) sq. ft. Another 1.2 million sq. ft. or 16.1% of Class C space is available. Average asking rent for Class B space declined slightly to \$15.54 per sq. ft. and Class C to \$14.00 per sq. ft. Rents in the CBD are the lowest in the region.

◆ Midtown

Total Inventory: 2.2 mil. sq. ft.
 No. of Buildings: 19
 Average Asking Class A Rent: \$24.94
 Average Asking Class B Rent: \$15.22
 Availability Rate: 3.9%
 Available Space: 0.1 mil. sq. ft.
 New Deliveries: 0 sq. ft.
 Net Absorption (YTD): 500 sq. ft.

This small submarket has the lowest availability rate again for first quarter 2009. The submarket is tight with only 3.9% or 84,100 sq. ft. available. Available Class A space remained at only 33,500 sq. ft. All average asking rents in the submarket changed slightly during the first quarter of 2009 with Class A space increasing and Class B declining. Two buildings, 64,000 sq. ft. and 59,000 sq. ft. are being constructed at the Highlands Plaza across from Forest Park. Much of the space has been pre-leased to Renaissance Financial and Korte Construction.

◆ Clayton

Total Inventory: 9.0 mil. sq. ft.
 No. of Buildings: 117
 Average Asking Class A Rent: \$25.38
 Average Asking Class B Rent: \$19.62
 Availability Rate: 11.5%
 Available Space: 0 sq. ft.
 New Deliveries: 45,000 sq. ft.
 Net Absorption (YTD): (63,000) sq. ft.

Even though the availability rate increased and absorption was negative in first quarter 2009, Clayton remains the strongest market in the region. The availability rate rose from 10.8% at fourth quarter 2008 to 11.5% at first quarter 2009. Overall absorption in the first quarter was a negative (62,500) sq. ft., the first negative quarter since fourth quarter 2007.

Space, both large and small, in the premium office buildings is difficult to find. Only three buildings have contiguous spaces of 25,000 sq. ft., the largest spaces available. Class A availability is currently 10.7%. Absorption during the first quarter 2009 was only 3,700 sq. ft. Nearly 0.5 million sq. ft. of Class A space is available, 5.5% or 27,000 sq. ft. of which is sublease space. The average asking rental rate for

Class A space declined slightly to \$25.38 per sq. ft. The availability rate for Class B space rose again during the first quarter of 2009 to 14.9% or 0.45 million sq. ft. Absorption during first quarter 2009 was a negative (61,900) sq. ft., less than any other submarket. Average asking rent declined to \$19.62 per sq. ft. at first quarter 2009 from \$19.96 per sq. ft. at year-end 2008.

The size of the office and retail complex, Centene Plaza, has been reduced, with the first office building now 17 stories instead of 21 stories and the parking garage now 7 levels instead of 9 levels. The \$186 million project will now include 481,000 sq. ft. of office space and 28,125 sq. ft. of retail space. Permanent financing has not been announced.

◆ Creve Coeur/Westport

Total Inventory: 9.4 mil. sq. ft.
 No. of Buildings: 130
 Average Asking Class A Rent: \$22.71
 Average Asking Class B Rent: \$17.55
 Availability Rate: 14.5%
 Available Space: 1.4 mil. sq. ft.
 New Deliveries: 140,000 sq. ft.
 Net Absorption (YTD): (110,000) sq. ft.

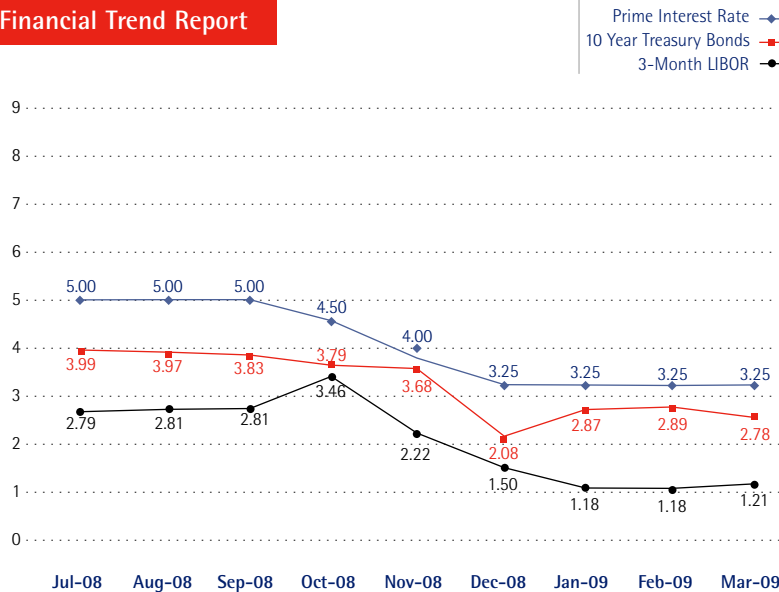
First quarter 2009 halted the slow but consistent improvement of the Creve Coeur/Westport office submarket. The availability rate increased from 13.5% at year-end 2008 to 14.5% at first quarter 2009. Available space is now 1.4 million sq. ft. Absorption in first quarter 2009 was a negative (110,500), the worst in the region. During the quarter, the average asking rental rate for Class A space rose slightly and Class B remained stable.

During the first quarter of 2009, the amount of available Class A jumped above 0.6 million sq. ft. with absorption a negative (83,900) sq. ft. The availability rate decreased from 11.9% at fourth quarter 2008 to 13.7% at first quarter 2009. Available sublease Class A space declined again in the first quarter. Class B space absorption was a negative (27,700) sq. ft. in the first quarter 2009. Available Class B space is nearly 0.6 million sq. ft. or 15.3% of total inventory.

Major Office Acquisitions First Quarter, 2009

Building	City	Submarket	Size (Sq. Ft.)	Purchase Price	\$/Sq. Ft.	Buyer
Chapel Hill Office Center	Creve Coeur	Creve Coeur/Westport	42,000	\$7.2 million	\$171	Walker T & C, LLC
500/700 Maryville	Town & Country	West County	380,000	\$60.8 million	\$160	Scotttrade
Woods Mill Pointe	Town & Country	West County	79,000	\$17.7 million	\$97	DHR International

Financial Trend Report



◆ North County

Total Inventory: 9.5 mil. sq. ft.

No. of Buildings: 112

Average Asking Class A Rent: \$18.94

Average Asking Class B Rent: \$16.56

Availability Rate: 12.8%

Available Space: 1.2 mil. sq. ft.

New Deliveries: 0 sq. ft.

Net Absorption (YTD): (10,000) sq. ft.

The overall office market remained stable during the first quarter 2009. Available space remained at 1.2 million sq. ft. or 12.8% of inventory. Absorption during first quarter was a negative (9,500) sq. ft. Available Class A space now totals nearly 0.6 million sq. ft. (19.0%), 15.0% or 85,200 sq. ft. of which is sublease space. Absorption for Class A space in first quarter 2009 was a negative (1,900) sq. ft. Average asking rent continued to decline, from \$19.13 per sq. ft. at fourth quarter 2008 to \$18.94 per sq. ft. at first quarter 2009.

◆ South County

Total Inventory: 8.3 mil. sq. ft.

No. of Buildings: 155

Average Asking Class A Rent: \$21.89

Average Asking Class B Rent: \$19.96

Availability Rate: 8.2%

Available Space: 0.7 mil. sq. ft.

New Deliveries: 0 sq. ft.

Net Absorption (YTD): (69,000) sq. ft.

The South County office submarket is being hit hard in the office sector.

Anheuser-Busch InBev is expected to vacate over 200,000 sq. ft. at its Sunset Hills campus.

Available office space rose in the first quarter 2009 to nearly 0.7 million sq. ft. or 8.2%. While still the second lowest rate in the region, it is high for this submarket. Absorption for the first quarter was a negative (69,200) sq. ft., with negative absorption in all classes of space. Only 241,800 sq. ft. of Class A space is currently available, 67,000 sq. ft. or 27.7% of which is sublease space. Average asking price for Class A space continued to decline, from \$22.03 per sq. ft. at year-end 2008 to \$21.89 per sq. ft. at first quarter 2009.

Available Class B space has been climbing since year-end 2007. It is now 322,700 sq. ft. or 9.2% of inventory. Average asking rent has risen to \$19.96 per sq. ft., however, over the same period. Available Class C space is minor in the submarket. Only 122,600 sq. ft. is available. Average asking rent has declined from \$17.90 per sq. ft. year-end 2008 to \$17.34 per sq. ft.

◆ West County

Total Inventory: 8.3 mil. sq. ft.

No. of Buildings: 129

Average Asking Class A Rent: \$23.67

Average Asking Class B Rent: \$20.33

Availability Rate: 13.1%

Available Space: 1.1 mil. sq. ft.

New Deliveries: 31,900 sq. ft.

Net Absorption (YTD): 29,000 sq. ft.

During first quarter 2009, availability in the West County submarket declined

after increasing in the fourth quarter of 2008. The availability rate decreased from 13.5% at fourth quarter 2008 to 13.1% at first quarter 2009. Available space remains at 1.1 million sq. ft. Absorption during first quarter 2009 was 29,300 sq. ft.

Available Class A space is now 0.8 million sq. ft., 11.6% or 88,000 sq. ft. of which is sublease space. Sublease space rose nearly 24,000 sq. ft. during the first quarter of 2009 and is expected to increase with upcoming vacancies. The Class A availability rate was 14.6% at first quarter 2009. Class A absorption during the first quarter was a negative (4,800) sq. ft. Average asking rent for Class A space increased from \$23.00 per sq. ft. at year-end 2008 to \$23.67 per sq. ft. at first quarter 2009.

Scotttrade has acquired two buildings and two parcels of land in the Maryville Centre area from Duke Realty, 500-510 Maryville Drive, 700 Maryville Drive, 4.7 acres across from the 700 building and a 9.4 acre parcel across I-64.

◆ St. Charles

Total Inventory: 4.5 mil. sq. ft.

No. of Buildings: 66

Average Asking Class A Rent: \$20.63

Average Asking Class B Rent: \$18.00

Availability Rate: 10.5%

Available Space: 0.5 mil. sq. ft.

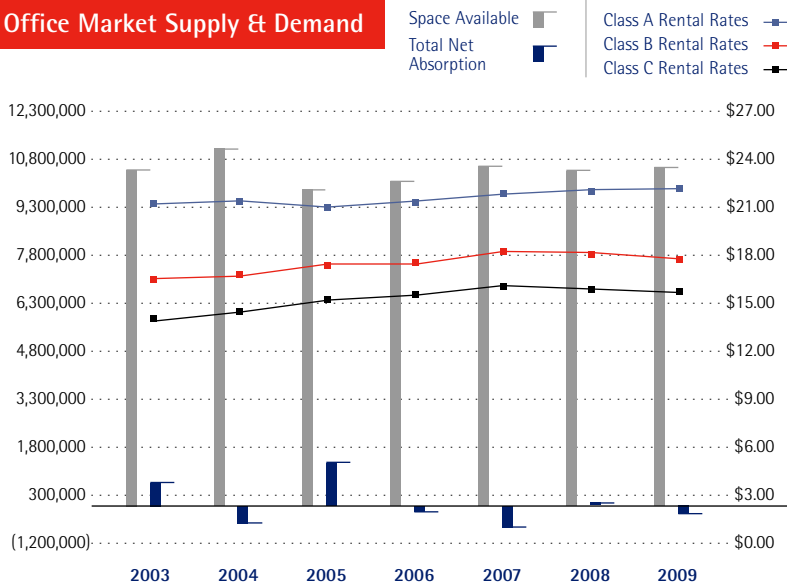
New Deliveries: 0 sq. ft.

Net Absorption (YTD): 112,000 sq. ft.

After concerns in the small St. Charles County submarket in 2008, first quarter 2009 brought improvement. Absorption was 111,600 sq. ft., the best in the region because Fireman's Fund Insurance leased 110,000 sq. ft. at the new Progress Point Parkway. The remainder of the 123,000 sq. ft. building is still available. The overall availability rate declined from 13.1% at year-end 2008 to 10.5% at first quarter 2009.

Available Class A space is now 145,900 sq. ft. or 5.8%. The amount of Class A sublease space at year-end was 94,200 sq. ft., 36.7% of Class A available space, but is now 81,500 sq. ft. or 55.8% of the total available. Absorption in 2008 was 110,700 sq. ft., and average asking rent rose to \$20.63 per sq. ft. at first quarter 2009 from \$19.97 per sq. ft. at year-end 2008 because of the shortage of available space.

Office Market Supply & Demand



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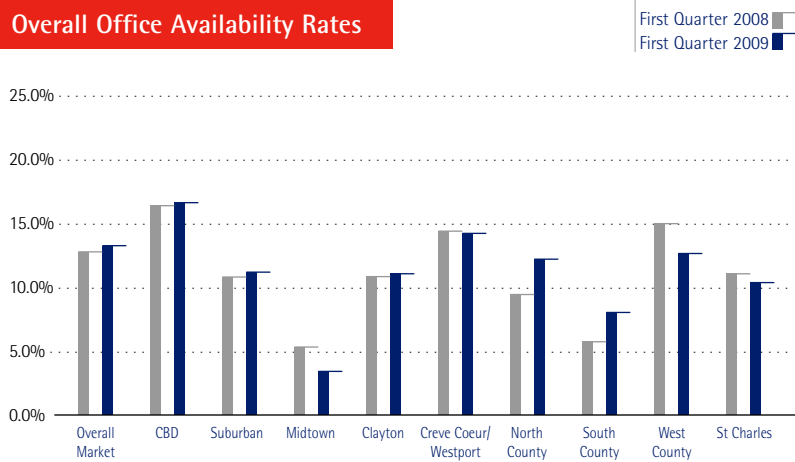
and St. Charles County (81,500 sq. ft.). Average Class A asking rents remained stable through early 2008 at or near \$22.40 per sq. ft., but dropped to \$21.98 per sq. ft. during the fourth quarter of 2008. During the first quarter, average asking rent increased slightly to \$22.04 per sq. ft.

The availability rate for Class B office space rose to 12.7% during the first quarter 2009 from 12.4% at year-end 2008. Total available Class B space is just over 3.6 million sq. ft. Absorption for first quarter 2009 was a negative (95,800) sq. ft., with four submarkets experiencing negative absorption. Asking average rent per sq. ft. was \$17.85 per sq. ft. at first quarter 2009. Average asking rent had been \$18.00 per sq. ft. or better since third quarter 2007.

The availability rate for Class C space increased to 12.7% during first quarter 2009 from 12.5% at fourth quarter 2008. Available Class C space is nearly 2.0 million sq. ft. Absorption during the first quarter of 2009 was a negative (33,600) sq. ft. The CBD has the most Class C space available with 1.2 million sq. ft. The average asking rental rate for Class C space has hovered in the mid to upper \$16 per sq. ft. for the past year.

With the national credit crunch, investment office sales have virtually stopped. During the first quarter of 2009, only a few purchases were made in the St. Louis region. Scottrade acquired two buildings and a 4.7-acre parcel in Maryville Centre and a 9.4 acre tract across I-64 from Maryville Centre from Duke Realty to expand its operations.

Overall Office Availability Rates



Significant Leasing Activity

Tenant Name	Building	City	Submarket	Size (Sq. Ft.)
Monsanto	Lakeside Crossing II	Maryland Heights	Creve Coeur/Westport	116,000
Fireman's Fund Insurance Co.	Progress Point Center	O'Fallon	St. Charles	109,300
Flight Safety International	4645 Le Bourget Drive	Bridgeton	North County	70,000
United Missouri Bank	Equitable Building	St. Louis	CBD	34,000
BKD CPA & Advisors	Metropolitan Square	St. Louis	CBD	28,000
Danna McKittrick, P.C.	Pierre Laclède Center I	Clayton	Clayton	23,000
Progressive	Creve Coeur Center IV	Creve Coeur	Creve Coeur/Westport	12,300
Interthinx, Inc.	Missouri Research Park	St. Charles	St. Charles	10,900
Iowa College Acquisition Corp.	Park 270 I	Maryland Heights	Creve Coeur/Westport	8,500
Columbus Capital	Bonhomme Place	Clayton	Clayton	5,000

For more information

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