

2017



St. Louis Annual Market Report



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Established in 1948, Gershman Commercial Real Estate is the largest, locally owned commercial real estate firm in the St. Louis, Missouri metro area. We are committed to providing our clients with unparalleled service and support during all stages of a commercial real estate transaction. Our professional staff provides extensive real estate expertise, in-depth knowledge of the St. Louis market and exceptional personalized service.

Selecting a professional real estate team is one of the most important decisions an investor or occupier can make. As a company, we will achieve the optimal economic value for our clients' required investment. Whether you are a corporate entity, investor or small business owner, Gershman Commercial can assist you to meet and exceed all of your real estate goals.

The company's current management portfolio exceeds 7.5 million square feet of office, retail, industrial and multi-family space located throughout the St. Louis metropolitan market.

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State of the Market



The Loop Trolley is a 2.2-mile fixed-route electric trolley. The trolley will connect University City from the Delmar Loop to Forest Park, with a turnaround at the Missouri History Museum. The trolley project has run into a few setbacks, and the \$43 million project that was supposed to open in mid-2016, turned into a \$51 million project that is expected to be operational in spring of 2017.

St. Louis is Home to 9 Fortune 500 Companies

Express Scripts Holding
Centene Corporation
Emerson Electric Co.
Monsanto Company
Reinsurance Group of America
The Jones Financial Companies
Graybar Electric Company
Ameren Corporation
Peabody Energy Corporation

NGA West Headquarters

The National Geospatial-Intelligence Agency finally came to a decision on keeping their new west headquarters in St. Louis after outgrowing their current facility. The \$1.75 billion project will occupy a 99-acre site in north St. Louis at the corner of North Jefferson and Cass Avenues. Not only will this new site keep more than 3,000 employees in the St. Louis area, it will add 5,200 construction jobs to complete the new headquarters. The NGA was founded in 1942 in St. Louis, near the Anheuser Busch Brewery.

The St. Louis market conditions continued to improve at a moderate pace in 2016, and commercial real estate activity remained robust. General retailers and auto dealers in the 8th district indicated consumer spending growth was generally unchanged. According to the Federal Reserve reports, overall commercial real estate activity should continue to strengthen modestly in 2017. Industrial and multifamily demand continued to strengthen in 2016, and St. Louis announced a number of new multifamily and office buildings to be constructed.

The Federal Reserve Bank's Beige Book reported manufacturing activity has increased modestly, manufacturers were optimistic and expect an increase in production in 2017. Concerns about the possibility of trade restrictions were expressed, as well as concerns about global economic weakness. The Federal Reserve Bank's Burgundy Book reported a decrease in total manufacturing exports from the United States for seven consecutive quarters at the end of 2016.

Labor market conditions remained tight for the St. Louis area, and both employment and wages showed moderate growth in 2016. St. Louis' non-seasonally adjusted unemployment rate is 4.0%, just below the national average of 4.7%. The area showed a .6% increase in job growth per month from November 2015 to November 2016.

Several large companies, however, announced layoffs in 2016 including Boeing, ConAgra, GKN Aerospace, SunEdison and Lord & Taylor. Macy's closed their call center in Bridgeton, eliminating 750 local positions.

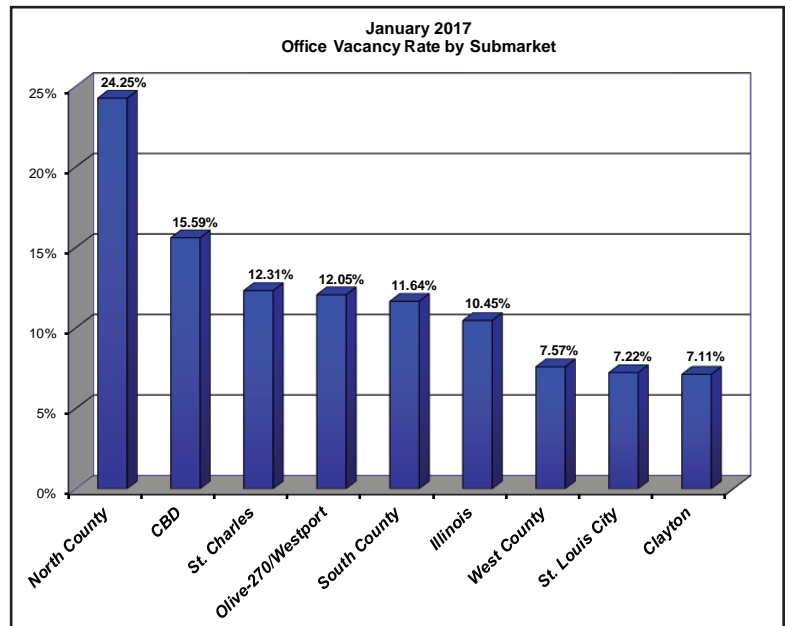
This factor was offset by new and existing companies continuing to add jobs in the St. Louis market, or announcing future plans to hire. Amazon leased 2 fulfillment facilities in Edwardsville adding 1,000 jobs, MOHELA added 365 jobs, Pfizer consolidated adding 80 jobs to St. Louis; and although Boeing eliminated 77 positions in 2016, they moved 500 jobs to St. Louis from California, and announced in November they plan on hiring 700 people by 2023. The new Centene Campus expansion in Clayton is expected to add 2,000 jobs.

St. Louis is the 19th largest metropolitan area with a population of more than 2.8 million people, a workforce of 1.5 million and over 1.1 million households. Recognized for its superior business and highly skilled work force, St. Louis serves as the national headquarters for 18 Fortune 1000 companies, 9 of which are in the Fortune 500.



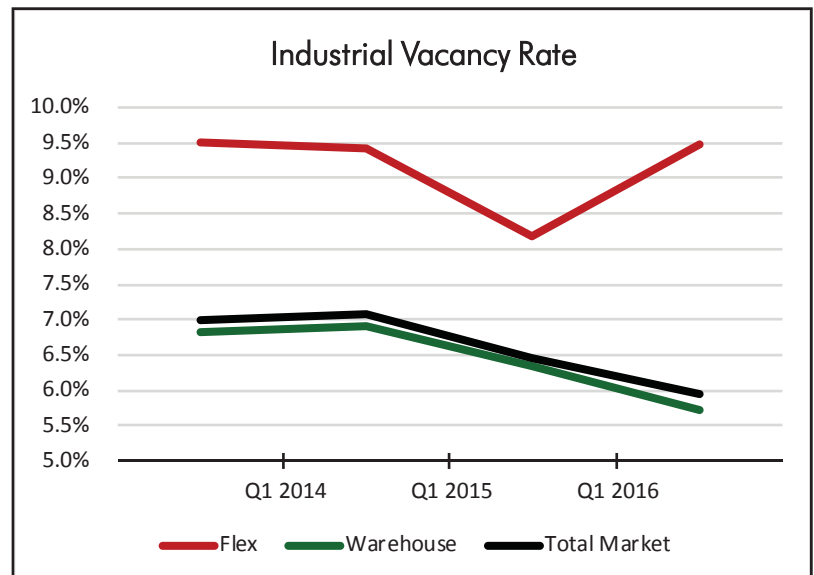
State of the Market

There were positive 321,582 square feet of office space absorbed at the end of the fourth quarter in 2016. Overall average quoted asking rates also increased in 2016 ending the year at \$19.64 per square foot, up just over 2% from a year ago. Class A office space continued to show the most improvement, with average quoted rates ending the fourth quarter at \$23.34 per square foot, up over 4% from two years ago. The overall Class A vacancy rate ended the year at 12.1%. The Class A vacancy rate in Clayton and West County stood at 5.1% and 6.6% respectively; historical lows for each submarket. New construction, particularly in Clayton and within the Cortex innovation district, will offer occupiers in both submarkets a much needed alternative.



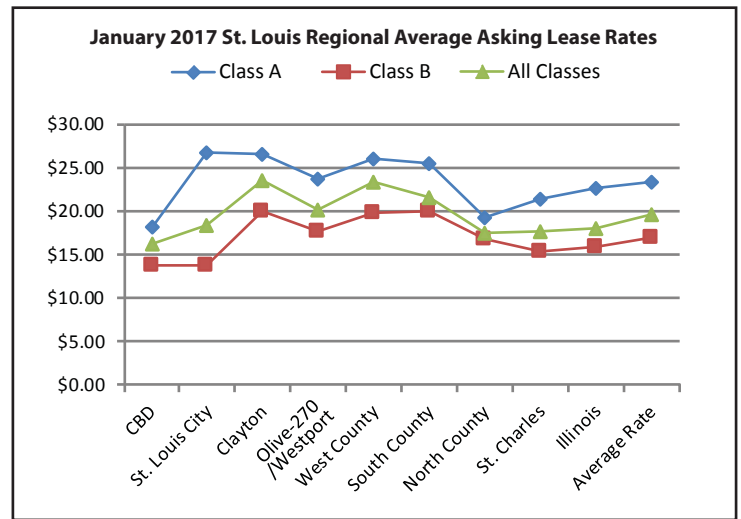
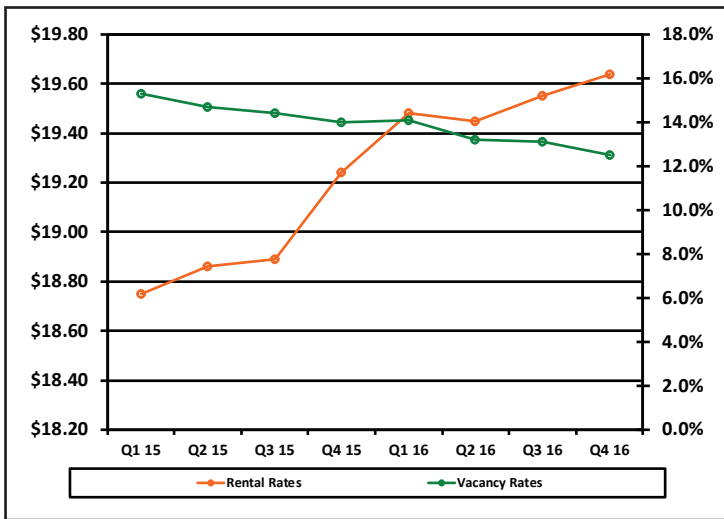
The retail sector improved over the year as vacancy rates continued to decrease and rental rates continued to increase. New retailers expanded into the St. Louis market in 2016, such as Academy Sports and Bob's Discount Furniture. A lack of big box and junior box developments has kept some retailers from finding a location, or expanding into the market. This lack of new space is leading to the acquisition and redevelopment of existing retail centers, or the repurposing of existing uses. Medical services, grocery stores and restaurants remained strong, as they are not affected by internet shopping. Sports Authority closed all its stores in 2016; Macy's, K-Mart, Sears and JCPenney closed several locations, and plan to close more in 2017. The Limited began closing all 250 of its locations across the U.S, eliminating 4,000 jobs.

The St. Louis Industrial market continued to improve in 2016, following the national trend in this sector. Rental rates increased 4% on average over the year to \$4.34 per square foot from \$4.18 per square foot in 2015. Net absorption of industrial space remained positive throughout the year. The overall vacancy rate decreased from 6.8% at the beginning of 2016, to 6.0% at the end of 2016. New construction delivered several high-profile projects, including: Amazon leasing 1,400,000 square feet, Wentzville Logistics Center delivered 1,200,000 square feet, the new Schnucks Distribution Center delivered 1,000,000 square feet and Saddle Creek Logistics delivered 673,000 square feet. Several new construction projects broke ground in 2016, and by year's end, 5,794,863 square feet remained under construction.



Office Market Overview

Gershman Commercial measures 52 million square feet of office space in the St. Louis Region. We include multi-tenant Class A, B and C office buildings over 20,000 square feet; excluding medical buildings. The overall market still shows signs of improvement with an increase in rental rates, and a 1.5% drop in vacancy rates since the beginning of the year. All submarkets showed a drop in vacancy since January of 2016 except North County. The Clayton submarket remained with the lowest vacancy rate, and the Olive-270/Westport submarket showed the most improvement in 2016 dropping 4.0%.



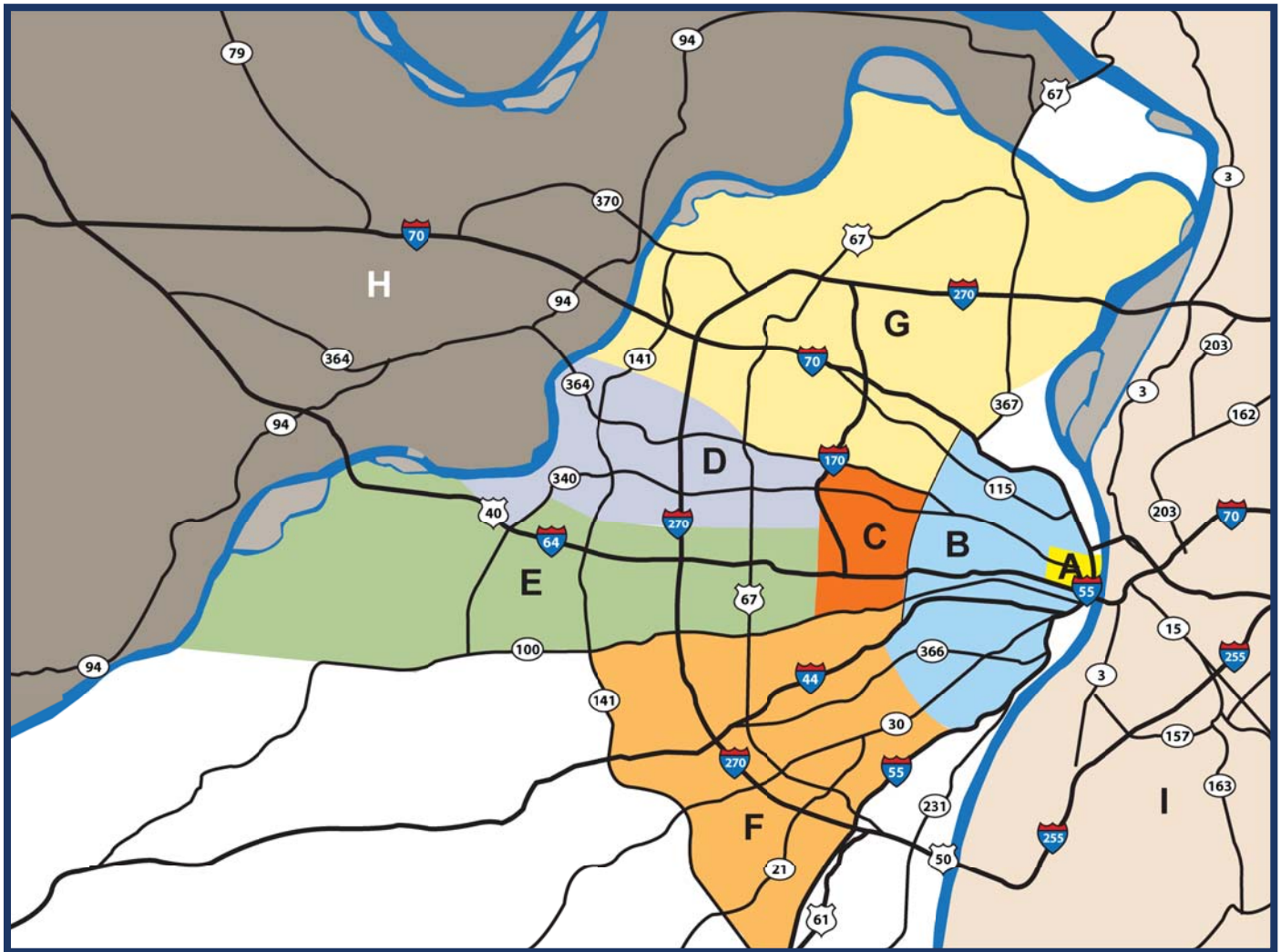
The average office rental rate for the St. Louis market increased from \$19.24 per square foot in January of 2016, to \$19.64 per square foot in January of 2017. The St. Louis City submarket showed the most improvement with a \$2.00 per square foot increase, mainly due to the rents in the Cortex innovation district. All but three submarkets showed improvement or no change; the CBD, South County and the St. Charles submarkets showed a slight decrease in rental rates.

2016 Office Submarket Statistics

End of 4th Quarter

| Submarket | Total SF | % Vacant | Quoted Rates |
|--------------------|-------------------|--------------|----------------|
| CBD | 14,575,379 | 15.6% | \$16.25 |
| St. Louis City | 2,249,683 | 7.2% | \$18.46 |
| Clayton | 7,391,577 | 7.1% | \$23.59 |
| Olive-270/Westport | 7,529,090 | 12.0% | \$20.22 |
| West County | 7,641,101 | 7.6% | \$23.36 |
| South County | 2,849,676 | 11.6% | \$21.59 |
| North County | 4,871,099 | 24.3% | \$17.52 |
| St. Charles | 2,434,970 | 12.3% | \$17.71 |
| Illinois | 2,886,762 | 10.5% | \$18.02 |
| Total | 52,429,337 | 12.5% | \$19.64 |

Office Market Overview



SUBMARKET KEY

A: CBD

B: St. Louis City

C: Clayton

D: Olive-270/Westport

E: West County

F: South County

G: North County

H: St. Charles

I: Illinois

Office - CBD



The Central Business District (CBD) submarket is currently made up of 14.6 million rentable square feet. The overall office vacancy in the CBD decreased 1.6% from 17.2% in January 2016 to 15.6% in January 2017. The average quoted rental rate is \$16.25 per square foot, Class A office space is currently \$18.25 per square foot while Class B asking rates are \$13.70 per square foot.

2016 Noteworthy Office Leases

| Building | Tenant | Square Footage |
|-------------------|-----------------------|----------------|
| 701 Market St. | Peabody Energy* | 160,514 SF |
| 100 N. Broadway | Nestle** | 65,547 SF |
| 500 Broadway | Federal Reserve** | 56,000 SF |
| Old Post Office | Lindenwood University | 32,500 SF |
| 1831 Chestnut St. | Momentum Worldwide | 27,850 SF |
| 800 Market St. | Anders CPA* | 20,298 SF |

*Renewal ** Expansion

2016 Noteworthy Office Sales

| Building | Square Feet | Sale Price / PSF |
|----------------------|-------------|---------------------------|
| 1706 Washington Ave. | 270,000 SF | \$8,100,000 / \$24.63 PSF |
| 1501 Washington Ave. | 140,000 SF | \$4,450,000 / \$31.79 PSF |
| 505 Washington Ave. | 80,000 SF | \$1,560,000 / \$19.50 PSF |
| 917 Locust St. | 61,200 SF | \$1,200,000 / \$19.61 PSF |

Office - St. Louis City

The St. Louis City submarket is currently made up of 2.2 million rentable square feet. The overall office vacancy in St. Louis City decreased 3.1% from 10.3% in January 2016 to 7.2% in January 2017. The average quoted rental rate is \$18.46 per square foot, Class A office space is currently \$26.79 per square foot while Class B asking rates are \$13.83 per square foot. Class A rates in this submarket reflect the renovated and new office space being delivered within the Cortex District.

2016 Noteworthy Office Leases

| Building | Tenant | Square Footage |
|--------------------------|--|----------------|
| 4260 Forest Park Ave. | AAI/CML (Cambridge Major Laboratories) | 37,500 SF |
| 7814 S. Broadway St. | Montessori Day Care Center | 11,588 SF |
| 2815 Scott Ave. | Hilti, Inc. | 10,217 SF |
| 5243 Shaw Ave. | Geileleon | 8,700 SF |
| 5243 Shaw Ave. | Bonfyre | 6,000 SF |
| 1001 Highlands Plaza Dr. | Mediant Communications | 4,943 SF |

2016 Noteworthy Office Sales

| Building | Square Feet | Sale Price / PSF |
|--------------------|-------------|--------------------------|
| 4236 Lindell Blvd. | 40,000 SF | \$1,455,000/ \$36.38 PSF |

4260 Forest Park Ave.



Office - Clayton

The Clayton submarket is currently made up of 7.4 million rentable square feet. The overall office vacancy in Clayton slightly decreased .5% from 7.6% in January 2016 to 7.1% in January 2017. The average quoted rental rate is \$23.59 per square foot, Class A office space is currently \$26.53 per square foot while Class B asking rates are \$20.00 per square foot. Clayton boasts the highest Class A occupancy rate of all the submarkets and asking rates have continued to show improvement every quarter over the last four years.

2016 Noteworthy Office Leases

| Building | Tenant | Square Footage |
|--------------------------|---------------------|----------------|
| Clayton Executive | Centene | 80,000 SF |
| Pierre Laclède Center II | Centene | 45,018 SF |
| The Sevens Building | Riot Games** | 23,591 SF |
| Pierre Laclède Center I | Capes Sokol* | 15,527 SF |
| The Sevens Building | Regus | 12,402 SF |
| 7800 Forsyth Blvd. | Bates Architects | 12,136 SF |
| 7800 Forsyth Blvd. | Huntleigh Securites | 12,000 SF |
| 1 N. Brentwood Blvd. | Moneta | 11,040 SF |

*Renewal **Expansion

2016 Noteworthy Office Sales

| Building | Square Feet | Sale Price / PSF |
|-------------------------|-------------|-----------------------------|
| 1401 S. Brentwood Blvd. | 175,000 SF | \$30,000,000 / \$171.43 PSF |
| Louis London Buildings | 77,604 SF | \$11,436,368 / \$147.37 PSF |
| 135 N. Meramec Ave. | 51,275 SF | \$9,000,000 / \$175.52 PSF |
| 373 Marshall Ave. | 26,895 SF | \$9,095,000 / \$338.15 PSF |

1401 S. Brentwood Blvd.



Office - Olive-270/Westport

The Olive-270/Westport submarket is made up of 7.5 million rentable square feet. The overall office vacancy in Olive-270/Westport decreased 4% from 16.0% in January 2016 to 12.0% in January 2017. The average quoted rental rate is \$20.22 per square foot, Class A office space is currently \$23.72 per square foot while Class B asking rates are \$17.73 per square foot.

2016 Noteworthy Office Leases

| Building | Tenant | Square Footage |
|------------------------------|--------------------------|----------------|
| Charles F Prevedel Bldg. 100 | Veteran's Administration | 700,994 SF |
| Westport Plaza | World Wide Technology | 210,000 SF |
| Lakeside Crossing II | Enterprise Holdings | 116,000 SF |
| Park 270 II | Hub Group, Inc.** | 80,871 SF |
| 77 Westport Plaza | Aclara | 63,000 SF |
| Paragon Building | Signature Health Group | 21,000 SF |
| West Park I | Talisen Technologies* | 15,000 SF |

*Renewal **Expansion

2016 Noteworthy Office Sales

| Building | Square Feet | Sale Price / PSF |
|------------------------------|-------------|-----------------------------|
| Creve Coeur Center Portfolio | 557,568 SF | \$78,000,000 / \$139.89 PSF |
| 12115 Lackland Rd. | 139,524 SF | \$11,125,000 / \$79.73 PSF |
| 2291 Ball Drive | 128,000 SF | \$20,188,924 / \$157.72 PSF |
| 2281 Ball Drive | 116,000 SF | \$18,328,000 / \$158.00 PSF |
| 10330 Old Olive St. Rd. | 25,017 SF | \$3,050,000 / \$121.91 PSF |

World Wide Technology



622 Emerson Rd.



Office - West County

The West County submarket is currently made up of 7.6 million rentable square feet. The overall office vacancy in the West County submarket slightly decreased .4% to 7.6% in January 2017; it was 8.0% in January 2016. The average quoted rental rate is \$23.36 per square foot, Class A office space is currently \$26.07 per square foot while Class B asking rates are \$19.78 per square foot.

2016 Noteworthy Office Leases

| Building | Tenant | Square Footage |
|--------------------------|------------------------------------|----------------|
| 875 Chesterfield Parkway | Pfizer (Development Deal for 2020) | 460,000 SF |
| 575 Maryville Centre | CenturyLink* | 45,807 SF |
| 16253 Swingley Ridge | Gershman Mortgage | 24,024 SF |
| Corporate Hill I | Charter Communications* | 15,189 SF |

*Renewal



Corporate Hill I, II, and III sold for \$140.00 per square foot. The total square footage for the three, Class A buildings is approximately 290,000 square feet.

2016 Noteworthy Office Sales

| Building | Square Feet | Sale Price / PSF |
|------------------------|-------------|-----------------------------|
| One Chesterfield Place | 143,473 SF | \$27,500,000 / \$191.68 PSF |
| 390 S. Woods Mill Rd. | 87,587 SF | \$11,725,000 / \$133.90 PSF |
| 425 S Woods Mill Rd. | 87,197 SF | \$12,763,000 / \$146.36 PSF |
| 14323 S. Outer 40 Rd. | 84,000 SF | \$7,917,838 / \$94.25 PSF |
| 707 Spirit 40 Park Dr. | 66,192 SF | \$6,100,000 / \$92.15 PSF |
| Topping Office Center | 26,547 SF | \$2,065,000 / \$77.79 PSF |

Office - South County

The South County submarket is currently made up of 2.8 million rentable square feet. The overall office vacancy in the South County submarket decreased .8% from 12.2% in January 2016 to 11.6% in January 2017. The average quoted rental rate is \$21.59 per square foot, Class A office space is currently \$25.54 per square foot while Class B asking rates are \$19.94 per square foot.

2016 Noteworthy Office Leases

| Building | Tenant | Square Footage |
|----------------------|---------------------------------|----------------|
| 12200 Weber Hill Rd. | Mercy | 18,850 SF |
| 3636 S. Geyer Rd. | West Interactive Services Corp. | 10,266 SF |
| 3636 S. Geyer Rd. | Sun Star Insurance | 8,146 SF |

12200 Weber Hill Rd.



3636 S. Geyer Rd.



Office - North County

The North County submarket is currently made up of 4.8 million rentable square feet. The overall office vacancy in the North County submarket remained relatively flat in 2016, it went from 24.2% in January 2016 to 24.3% in January 2017. The former Northwest Plaza Mall, which has been repurposed into The Crossings at Northwest, showed activity along with large leases signed by Charter Communications. The average quoted rental rate is \$17.52 per square foot, Class A office space is currently \$19.26 per square foot while Class B asking rates are \$16.82 per square foot.

2016 Noteworthy Office Leases

| Building | Tenant | Square Footage |
|----------------------------|--|----------------|
| 14000 Riverport Dr. | Charter Communications | 119,000 SF |
| The Crossings at Northwest | St. Louis County Workforce Development | 33,625 SF |
| The Crossings at Northwest | St. Louis County Board of Elections | 33,625 SF |
| The Crossings at Northwest | St. Louis County Human Services Department | 33,625 SF |
| The Crossings at Northwest | St. Louis County Accessor | 33,625 SF |
| 3801 McKelvey Rd. | Land Air Express | 18,970 SF |

The Crossings at Northwest



2016 Noteworthy Office Sales

| Building | Square Feet | Sale Price / PSF |
|----------------|-------------|---------------------------|
| 8855 Dunn Rd. | 118,000 SF | \$3,600,000 / \$30.50 PSF |
| 900 Hornet Dr. | 60,832 SF | \$2,200,000 / \$36.17 PSF |

Office - St. Charles

The St. Charles submarket is currently made up of 2.4 million rentable square feet. The overall office vacancy in the St. Charles submarket decreased .9% from 13.2% in January 2016 to 12.3% in January 2017. The average quoted rental rate is \$17.71 per square foot, Class A office space is currently \$21.32 per square foot while Class B asking rates are \$15.42 per square foot.

2016 Noteworthy Office Leases

| Building | Tenant | Square Footage |
|----------------------------|----------------------------|----------------|
| 1 Progress Point | Allianz* | 65,000 SF |
| The Crossing at Wentzville | Elite Printing & Packaging | 62,000 SF |
| 1 Progress Point | Ace Insurance | 50,000 SF |
| 856 Waterbury Falls Dr. | Camdyn Properties | 13,000 SF |
| 300 St. Peters Centr Blvd. | Enterprise* | 8,766 SF |

*Renewal

2016 Noteworthy Office Sales

| Building | Square Feet | Sale Price / PSF |
|-----------------------------------|-------------|----------------------------|
| 36 Research Park Ct. | 81,125 SF | \$7,870,000 / \$97.01 PSF |
| 7874-7888 Veterans Memorial Pkwy. | 71,280 SF | \$7,000,000 / \$98.20 PSF |
| 1352-1398 S. 5th St. | 60,000 SF | \$3,800,000 / \$63.33 PSF |
| 128-130 Point West Blvd. | 20,000 SF | \$2,100,000 / \$105.00 PSF |

36 Research Park Ct.



128-130 Point West Blvd.



Office - Illinois

The Illinois submarket is currently made up of 2.9 million rentable square feet. The overall office vacancy in the Illinois submarket decreased 2.0% from 12.5% in January 2016 to 10.5% in January 2017. The average quoted rental rate is \$18.02 per square foot, Class A office space is currently \$22.58 per square foot while Class B asking rates are \$15.80 per square foot.

2016 Noteworthy Office Leases

| Building | Tenant | Square Footage |
|--------------------------|---------------------------------|----------------|
| Alton Telegraph Building | The Telegraph* | 36,000 SF |
| 670 Pierce Blvd. | HSHS Medical Group | 13,600 SF |
| 16 Executive Dr. | Federal Bureau of Investigation | 13,113 SF |
| 1167 Fortune Blvd. | ST Health | 8,000 SF |

**Renewal*

The Blade I, located at 1405 N. Green Mount Rd. in O'Fallon, is a 60,000 square foot, Class A, professional office building set to deliver in February of 2017. The building is 60.0% leased with two tenants; Visionary Wealth Advisors and Kurowski & Shultz.

1405 N. Green Mount Rd.

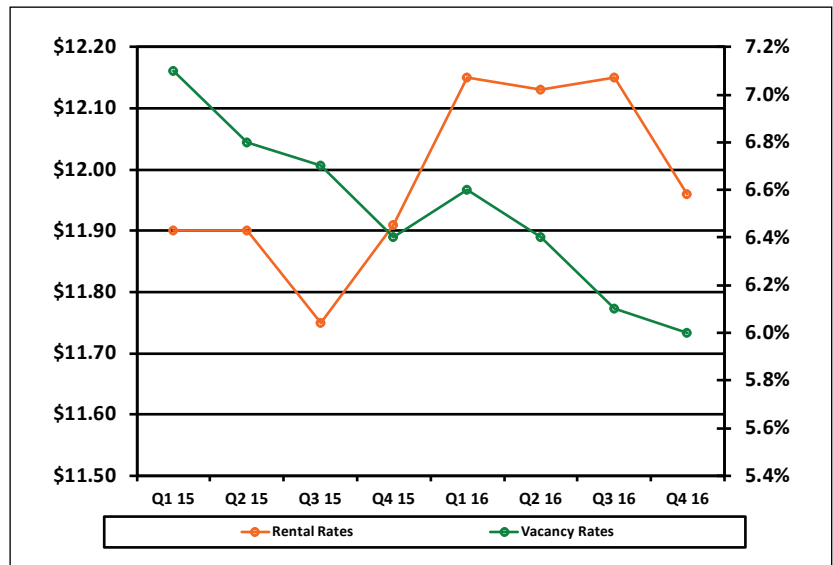


2016 Noteworthy Office Sale

| Building | Square Feet | Sale Price / PSF |
|--------------------|-------------|----------------------------|
| 303 Fountain Pkwy. | 25,789 SF | \$4,335,500 / \$168.11 PSF |

Retail Market Overview

Retail continued to show signs of recovery in 2016. Vacancy rates have continued to decrease over the year, and rental rates increased. The overall vacancy in the St. Louis market decreased .4% from 6.4% in January 2016 to 6.0% in January 2017. Rental rates began the year \$11.91 per square foot and ended \$11.96 per square foot. New construction delivered 920,396 square feet in 2016 including a 215,000 square foot Menards store; and two, 62,940 square feet Academy Sports+Outdoors stores, all of which are 100% occupied. Grocery stores, fitness centers, urgent cares, fast-food / fast-casual restaurants, discounters, thrift and dollar stores remained strong in 2016.



2016 Retail Submarket Statistics

End of 4th Quarter

| Market | Existing Inventory | | Vacancy | | | YTD Net | | Under Const SF | Quoted Rates |
|-----------------------|--------------------|--------------------|------------------|------------------|-------------|------------------|----------------|----------------|----------------|
| | # Blds | Total GLA | Direct SF | Total SF | Vac % | Absorption | Deliveries | | |
| Calhoun County | 5 | 16,726 | 0 | 0 | 0.0% | 0 | 0 | 0 | \$0.00 |
| Chesterfield Region | 180 | 6,412,278 | 103,723 | 103,723 | 1.6% | 31,811 | 19,250 | 19,752 | \$17.91 |
| Franklin County | 474 | 5,000,479 | 115,617 | 115,617 | 2.3% | 52,123 | 2,718 | 8,400 | \$9.95 |
| Jefferson County | 181 | 1,931,257 | 77,661 | 77,661 | 4.0% | (14,134) | 0 | 0 | \$10.25 |
| Lincoln County | 121 | 1,242,108 | 43,618 | 43,618 | 3.5% | 32,863 | 0 | 0 | \$11.69 |
| Metro East Illinois | 1,209 | 15,696,432 | 842,631 | 849,631 | 5.4% | 211,942 | 81,021 | 36,881 | \$11.06 |
| Mid County | 989 | 16,590,642 | 496,455 | 530,653 | 3.2% | 230,233 | 244,459 | 99,835 | \$19.89 |
| NE Metro Illinois | 911 | 11,476,537 | 794,293 | 818,197 | 7.1% | 57,677 | 51,472 | 0 | \$9.17 |
| North County | 478 | 8,095,565 | 983,086 | 991,766 | 12.3% | (70,422) | 13,325 | 0 | \$9.57 |
| Northwest County | 1,024 | 14,140,105 | 1,198,671 | 1,208,271 | 8.5% | 5,559 | 134,358 | 43,849 | \$10.07 |
| Outer Jefferson Cnty | 185 | 1,943,362 | 35,598 | 35,598 | 1.8% | 48,430 | 9,100 | 0 | \$10.12 |
| Outer Metro Illinois | 143 | 1,121,118 | 32,863 | 32,863 | 2.9% | 22,012 | 0 | 0 | \$13.07 |
| Outer Monroe County | 7 | 43,105 | 0 | 0 | 0.0% | 0 | 0 | 0 | \$0.00 |
| Outer St Charles Cnty | 146 | 2,145,475 | 29,343 | 60,513 | 2.8% | 45,197 | 8,400 | 0 | \$9.10 |
| Outer St Louis County | 86 | 1,081,763 | 73,809 | 76,295 | 7.1% | 38,461 | 0 | 23,000 | \$14.60 |
| SE Metro Illinois | 249 | 2,697,959 | 227,428 | 227,428 | 8.4% | 27,847 | 9,100 | 0 | \$10.29 |
| South County | 597 | 12,201,587 | 1,498,289 | 1,498,289 | 12.3% | 176,463 | 100,062 | 0 | \$11.90 |
| Southwest County | 631 | 9,716,107 | 464,658 | 464,658 | 4.8% | 36,536 | 6,000 | 0 | \$12.42 |
| St Charles County | 471 | 7,48,250 | 357,041 | 363,961 | 4.9% | 114,714 | 50,883 | 5,000 | \$13.57 |
| St Charles Region | 857 | 12,299,361 | 708,550 | 708,550 | 5.8% | 80,009 | 116,348 | 279,000 | \$12.73 |
| St Louis City North | 630 | 8,553,083 | 561,567 | 561,567 | 6.6% | 60,650 | 0 | 0 | \$13.10 |
| St Louis City South | 1,602 | 10,658,749 | 299,752 | 299,752 | 2.8% | 41,035 | 3,960 | 1,500 | \$11.39 |
| West County | 527 | 10,695,889 | 624,528 | 624,528 | 5.8% | 270,156 | 69,940 | 31,000 | \$14.64 |
| Totals | 11,703 | 161,244,937 | 9,569,181 | 9,693,139 | 6.0% | 1,499,162 | 920,396 | 548,217 | \$11.96 |

Source: CoStar Property®

Retail Market Overview



City Foundry Food Hall and Market

The Lawrence group is turning the old Federal Mogul Foundry into a \$340 million development called the City Foundry Saint Louis at Cortex. The first phase, City Foundry Food Hall and Market, will cost \$134 million, and include not only traditional restaurants, but also a “food court” set up of nearly 40 stalls and 24 kiosks for retailers and food vendors. This concept is perfect for start-up businesses, just like the Cortex district aims to do with its tenants. There will also be 108,000 square feet of office space in this first phase of development.

The Shoppes of Mid Rivers

GBT Realty Corp, a Tennessee-based developer, is planning to develop a 28-acre retail development in St. Charles County at Mid Rivers Mall Dr. and Interstate 70. The 300,000 square foot retail center will include Marshalls, Home Goods, and Academy Sports+Outdoors will be adding their third location to the St. Louis area. Burlington, Famous Footwear, Ross Dress for Less, Carter’s and OshKosh B’Gosh have also signed leases in the center. Ground breaking will be in late summer and the center should be open in fall of 2017.



Hanley-Clayton Site

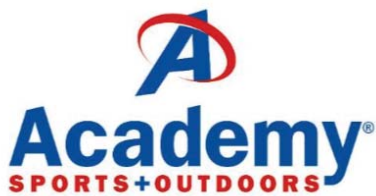
GBT Realty Corp has also proposed developing the former Schnucks site into a 754,000 square foot mixed-use development which will include around 300 apartments, a 30,000 square foot grocery store, plus over 10,000 square feet of retail space and a restaurant. There will also be a pool, clubhouse, 3 courtyards and a 303,225 square foot garage attached to the development.

St. Louis Outlet Mall

The St. Louis Outlet Mall, built in 2003 for \$220 million, sold in February for \$4.4 million to Namdar Realty Group, of Great Neck, N.Y. The new owner will likely redevelop and replace some retail areas with offices or even warehouse space, similar to the redevelopment of the old Northwest Plaza. Cabella’s is still currently an anchor at the struggling mall, but things could change when the \$5.5 billion acquisition of the Cabella’s chain by Bass Pro Shops is completed in 2017. The St. Louis Outlet Mall says the rise in vacancy is largely due to the two new outlet malls which opened in Chesterfield in 2013. Chesterfield Mall is also experiencing a rise in vacancy since the new malls arrived, and defaulted on its loan. Pottery Barn and William Sonoma are the latest to vacate Chesterfield Mall.

Retail Market Overview

New Retail Stores/Locations in the Area



The Tennessee-based chain Academy Sports+Outdoors entered the St. Louis market with two stores in 2016; one in Manchester at 14260 Manchester Road, and one in O'Fallon, IL at 1574 Highway 50. They will be opening a new location at The Shoppes of Mid Rivers; expected to open in fall of 2017. The retail stores average 62,000 square feet and carry quality sporting, hunting, fishing and camping equipment. The retailer currently has over 200 stores and is aggressively looking to expand.

- **Bentley's Pet Stuff** opened 5 stores in the St. Louis market; Olivette, Rock Hill, Kirkwood, Cottleville and O'Fallon.
- **Camping World** opened in Wentzville at 2200 E. Pitman Avenue.
- **Walmart Neighborhood Market** opened two locations in St. Peters; 45 Sutters Mill Rd. and 3031 Mid Rivers Mall Dr.
- **Total Access Urgent Care** opened four locations; Wentzville, O'Fallon, Creve Coeur and one in Ellisville.
- **Ozzie Smith IMAC Regeneration Center** opened in Chesterfield at 13353 Olive Boulevard.
- **At Home** opened at 13901 Manchester Road in Town & Country.
- **Here Today** opened two new locations; one in St. Charles at 800 S. Duchesne in the former Schnucks and the other in St. Ann at 940 Northwest Plaza Dr. in The Crossings at Northwest development, which is the former Northwest Plaza Mall.
- **Menards** opened its fourth location at 1700 S. Hanley Road in Richmond Heights.
- **Tuesday Morning** opened in Ellisville at 15921 Manchester Road.
- **Whole Foods** opened in the Central West End at 4577 West Pine Boulevard.
- **The Beef Jerky Outlet** opened in St. Charles at 1321 Bass Pro Drive.
- **Lemon Gem Kitchen Goods** opened in the Grove at 4180 Manchester Avenue.
- **Aldi** opened in Shrewsbury at 7369 Watson Road in Kenrick Plaza.
- **Ross Dress for Less** opened in O'Fallon at 2255 State Highway K.
- **Intoxicology** opened at 4321 Manchester Avenue in the Grove.
- **Snow Factory**, the area's first Thai icecream shop, in the Loop at 6602 Delmar Boulevard.
- **Stein Mart** opened in Town and Country at 1214 Town and Country Crossing Drive and closed the Ballwin location.
- **Paperdolls Boutique** opened their fourth area location at 12095 Manchester Road in Des Peres.



Retail Market Overview

New Restaurants Around Town

Mission Taco Joint opened a new location in 2016 at 398 North Euclid Avenue, in the Central West End. This is the third location for the St. Louis chain, a fourth location will be added to the Streets of St. Charles in 2017, along with a fifth location in Kansas City at East Crossroads. The original location is in the Delmar Loop, and in 2015 a Soulard location was added in addition to a Mission Taco food truck.



- **The Shack** opened its third location at 14810 Clayton Road in the former Lester's Bar & Grill.
- **Sauce on the Side** opened its third location at 14261 Manchester Road in Ballwin.
- **Hi-Pointe Drive-In**, a new concept from Sugarfire Smokeshouse, opened at 1033 McCausland Ave.
- **Wicked Greenz** opened in Clayton at 16 N. Central Ave. in the former Bocci.
- **Herbie's** relocated from the Central West End to the former Cardwells at 8100 Maryland Ave.
- **Rock & Brews** opened at 17258 Chesterfield Airport Rd. in Chesterfield Commons.
- **Mayana** opened 7810 Forsyth Boulevard in Clayton.
- **Fred & Ricky's** opened at 64 Weldon Pkwy. and 11252 Olive Blvd.
- **Five Star Burger** opened at 11621 Olive Boulevard in Creve Coeur.
- **Louie's Wine Dive** opened at 16 S. Bemiston in the former Tani Sushi Bistro.
- **MOD Pizza** opened locations in Kirkwood, Ladue, St. Charles and Ellisville.
- **Joey B's** opened in Ballwin at 14445 Manchester Road.
- **Hot Box Cookies** opened in Clayton at 9 N Central Ave. in Clayton.
- **Nami Ramen** opened at 46 N. Central Ave. in Clayton.
- **Twisted Tree Steakhouse** opened at 10701 Watson Rd. in the former Mile 277 Tap and Grill.



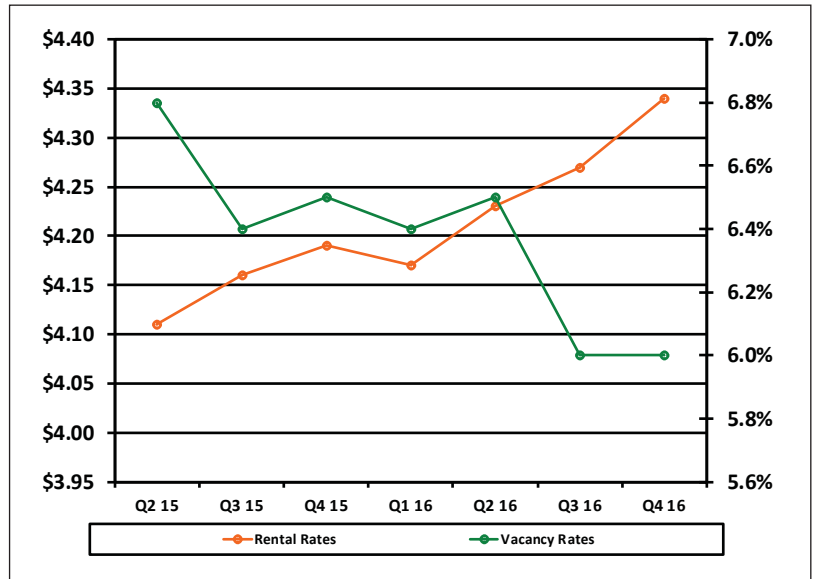
Restaurant & Retail Closings in 2016

- **Jimmy's on the Park** closes after more than two decades in Clayton.
- **Sports Authority** closed more than 400 locations including Ellisville, Lake St. Louis, South County, Brentwood, St. Peters and Fairview Heights, Illinois.
- **Mike Shannon's Steaks and Seafood** closed after 30 years at 620 Market St.
- **Coastal Bistro & Bar** closed in Clayton at 14 N. Central Ave.
- **Harry's Restaurant & Bar** closed downtown after 23 years.
- **The Wheelhouse** closed it's doors in Clayton at 15 N Central Ave.
- **Social House II** closed it's doors in the Delmar Loop at 6655 Delmar Blvd.
- **Scholar Shop** closed in Webster Groves after 56 years in business.
- **Old Standard Fried Chicken** closed after 2 years at 1621 Tower Grove Avenue.
- **Sweetie Pie's** closed in the Grove at 4270 Manchester Avenue.
- **Modesto Tapas Bar & Restaurant** closed at 5257 Shaw Ave. after 15 years on the Hill.



Industrial Market Overview

The St. Louis industrial market continued to improve in 2016. Rental rates are the highest they have been since 2007. Rental rates began the year \$4.19 per square foot and ended \$4.34 per square foot. Ten new buildings were delivered in 2016 totaling 3,778,138 square feet; including the Schnuck's 915,000 square-foot distribution building and 769,500 square feet delivered at Lakeview Commerce Center IV. There were 5,794,863 square feet remaining under construction at the end of 2016. Despite the amount of new construction, vacancy rates, while rather flat, showed a small decrease at year's end. The overall vacancy in the St. Louis market decreased .5% from 6.5% in January 2016 to 6.0% in January 2017.



2016 Industrial Submarket Statistics

End of 4th Quarter

| Market | Total RBA | Direct SF | Vacancy Total SF | Vac % | YTD Net Absorption | YTD Deliveries | Under Const SF | Quoted Rates |
|--------------------------|--------------------|-------------------|---------------------|-------------|-----------------------|-------------------|-------------------|-----------------|
| Airport Ind. | 18,683,161 | 1,876,767 | 1,876,767 | 10.0% | 625,109 | 1,045,088 | 1,139,850 | \$4.24 |
| Chesterfield/Hwy-40 Ind. | 5,900,637 | 104,248 | 104,248 | 1.8% | 11,564 | 0 | 590,000 | \$8.735 |
| Earth City Ind. | 23,730,277 | 1,975,398 | 2,104,398 | 8.9% | 452,334 | 0 | 0 | \$4.88 |
| Fenton Ind. | 8,943,490 | 416,459 | 420,680 | 4.7% | (6,442) | 0 | 0 | \$7.01 |
| Hanley Ind. | 6,376,365 | 99,092 | 99,092 | 1.6% | 80,916 | 0 | 0 | \$5.74 |
| Illinois Ind. | 42,203,215 | 879,319 | 1,089,491 | 2.6% | 1,749,253 | 1,540,050 | 1,192,730 | \$3.85 |
| Innerbelt E of 170 Ind. | 10,037,088 | 178,020 | 276,020 | 2.8% | (115,183) | 0 | 0 | \$4.07 |
| Innerbelt W of 170 Ind. | 11,288,716 | 507,856 | 507,856 | 4.5% | 193,330 | 0 | 0 | \$4.50 |
| North County Ind. | 7,233,371 | 356,345 | 356,345 | 4.9% | 1,009,218 | 915,000 | 537,753 | \$4.20 |
| South County Ind. | 9,135,764 | 403,942 | 403,942 | 4.4% | 164,766 | 0 | 0 | \$6.07 |
| St Charles County Ind. | 27,994,177 | 560,814 | 630,872 | 2.3% | 160,664 | 138,000 | 2,289,530 | \$5.31 |
| St Louis City North Ind. | 38,621,760 | 4,276,006 | 4,276,006 | 11.1% | 67,136 | 0 | 0 | \$2.94 |
| St Louis City South Ind. | 36,052,330 | 2,993,808 | 2,993,808 | 8.3% | 112,660 | 140,000 | 0 | \$3.24 |
| West County Ind. | 4,714,019 | 44,868 | 44,868 | 1.0% | 12,298 | 0 | 15,000 | \$7.16 |
| Westport Ind. | 15,686,625 | 686,398 | 686,398 | 4.4% | 409,499 | 0 | 30,000 | \$6.01 |
| Totals | 266,602,995 | 15,359,340 | 15,870,791 | 6.0% | 4,927,122 | 3,778,138 | 5,794,863 | \$4.34 |

Source: CoStar Property®

Noteworthy Delivery

The Schnuck's Distribution building on North Hanley Road in NorthPark delivered 915,000 square feet of industrial space to the North County submarket. The Class A distribution building is 100% leased to Schnuck's.



Industrial Market Overview

2016 Noteworthy Industrial Leases

| Building | Tenant | Square Footage |
|----------------------------------|------------------------------|----------------|
| Lakeview Commerce Center IV | Amazon | 769,500 SF |
| Gateway East 717 | Amazon | 717,250 SF |
| Premier 370 Bus. Park 2001 | Reckitt Benckiser | 714,780 SF |
| 65 Corporate Woods Dr. | Whirlpool Corporation* | 556,287 SF |
| Premier 370-Best Buy | Best Buy | 252,000 SF |
| 305 Rock Ind. Park Dr. | Ozburn-Hessey Logistics, LLC | 240,161 SF |
| 372 Hazelwood Logistics Ctr. Dr. | Tagg Logistics** | 198,858 SF |
| Lindbergh Distribution Ctr. | Fiserv* | 182,358 SF |
| 117-119 N. Industrial Dr. | OHL | 140,172 SF |
| 3655-73 Corporate Trail Dr. | S.P. Richards Company* | 124,042 SF |
| 13600 Shoreline Dr. | Legacy Pharmaceutical | 105,600 SF |
| Buske I | Owens & Minor Dist. Inc.* | 105,000 SF |

*Renewal ** Expansion

2016 Noteworthy Industrial Sales

| Building | Square Feet | Sale Price / PSF |
|--------------------------------|-------------|----------------------------|
| Gateway East 717 | 717,250 SF | \$42,300,000 / \$58.98 PSF |
| 18081 Chesterfield Airport Rd. | 142,000 SF | \$8,100,000 / \$57.04 PSF |
| 501 Fountain Lakes Blvd. | 138,000 SF | \$6,002,893 / \$43.50 PSF |
| 14000 Riverport Dr. | 119,000 SF | \$11,000,000 / \$92.44 PSF |

Gateway East 717



14000 Riverport Dr.





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