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MarketView
St. Louis Office

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First Quarter 2009

Quick Stats

	Current	Change from last Yr.	Change from last Qtr.
Vacancy	15.1%	↑	↑
Lease Rates	$18.77	↑	↓
Net Absorption	33,183 SF	↓	↓
Construction	474,517SF	↓	↓

*The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- Husch Blackwell Sanders signs 215,000-square-foot lease at Plaza in Clayton, moving from Downtown submarket
- Renewals dominating office market as landlords look to keep occupancy levels up
- Lease rates for longer-term leases of five years or more are very attractive for potential tenants
- Few large blocks of space available in several submarkets

As the economy continued to struggle, the vacancy rate for St. Louis area office properties rose to 15.1% in the first quarter of 2009, up from 14.8% at the end of 2008.

Most brokers view the market as being in a "wait-and-see" period, as companies track economic indicators to find out when the business cycle may turn around. There is a general lack of activity, with the transactions being completed in the market mostly being of the renewal variety. The consensus is that several companies have the ability to upgrade to new space, but are concerned about conserving cash and cutting costs, and are therefore staying put or, in some cases, moving from Class A to Class B space to save money.

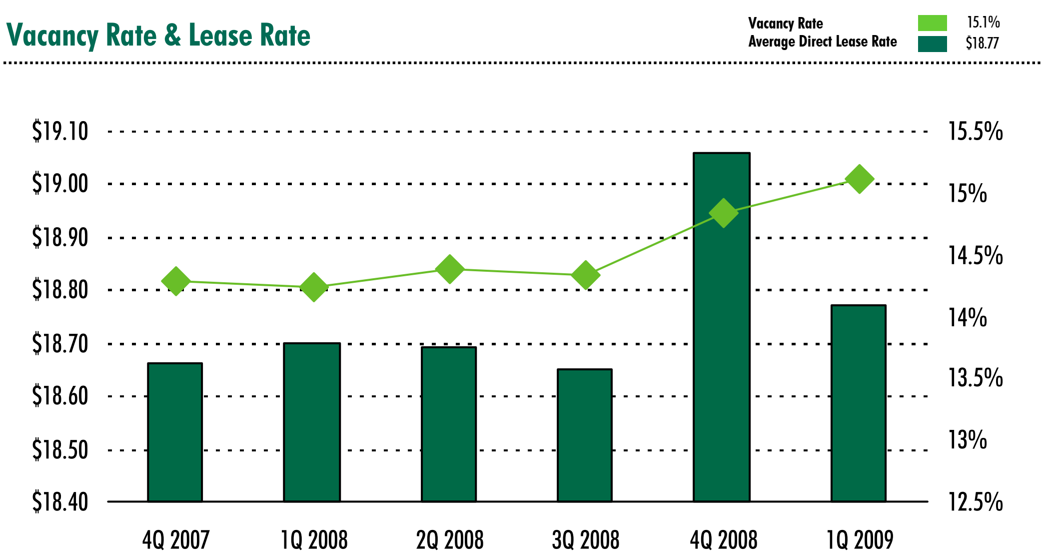
The highlight of first-quarter activity was the 215,000-square-foot lease signed by Husch Blackwell Sanders at The Plaza in Clayton. The move is another blow to downtown, where the law firm previously leased space in the Laclede Gas building, but is another positive sign for Clayton, which is the hottest office market in the St. Louis metro. The Danna McKitrick law firm also signed a new lease in Clayton, for 22,738 square feet at the Pierre Laclede I building at 7701 Forsyth Blvd.

Average lease rates fell after seeing some upward trending in the fourth quarter. Short-term renewals are prevalent in the market, with renewals having positives for both tenant and landlord. For the tenant, a renewal means avoiding a potentially costly move to new space, and likely a competitive rent in a familiar building. For landlords, with few new tenants in the market, a renewal keeps a building's occupancy level up, helps with cash flow and eliminates the need for a lot of tenant improvement to prepare space for a new tenant.

Because short-term renewals are so prevalent, very attractive rates are being offered for five-year leases, as these are seen as more long term and stable for landlords. Despite the general lack of activity, a lack of new product in recent years has caused there to be a shortage of big-block space in some submarkets, especially Clayton.

Medical office space, which is not tracked in this report, has also been relatively strong, with multiple leases being signed to help fill a majority of the St. Anthony's medical offices in South County.

Vacancy Rate & Lease Rate



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Submarket Report

Market	Gross Building SF	Vacancy Rate (%)	Availability Rate (%)	YTD Net Absorption (SF)	Under Construction (SF)	Average Asking Lease Rate Average (Annual Price/SF)
Downtown						
• Class A	5,308,638	22.0%	26.7%	5,664	0	$18.47
• Class B	5,629,696	22.6%	25.0%	33,885	0	$15.42
• Class C	2,372,200	20.4%	25.2%	(68,430)	0	$12.40
Total	13,310,534	21.4%	25.7%	(28,881)	0	$16.33
St. Louis City						
• Class A	317,500	0%	0%	0	64,086	N/A
• Class B	89,581	14.8%	23.2%	0	0	$18.50
• Class C	186,400	16.6%	16.6%	0	0	$11.53
Total	593,481	7.4%	8.7%	0	64,086	$14.33
Mid County						
• Class A	3,810,032	6.6%	11.2%	54,192	118,000	$28.60
• Class B	2,483,889	11.3%	14.8%	3.436	0	$21.56
• Class C	900,437	13.3%	13.7%	4,912	0	$17.14
Total	7,194,358	9.1%	12.7%	62,540	118,000	$24.19
Northwest County						
• Class A	2,096,750	12.9%	22.2%	(20,972)	262,000	$20.29
• Class B	2,257,622	20.7%	23.3%	558	0	$16.29
• Class C	541,116	6.4%	7.2%	(723)	0	$12.71
Total	4,895,488	15.8%	21.0%	(21,137)	262,000	$17.48
South County						
• Class A	721,436	5.3%	6.0%	(7,410)	0	$20.92
• Class B	1,161,176	19.8%	22.5%	(16,449)	0	$20.45
• Class C	830,013	7.9%	7.9%	(2,489)	0	$16.22
Total	2,712,625	12.3%	13.6%	(26,348)	0	$19.59
St. Charles County						
• Class A	821,918	27.7%	28.0%	13,796	30,431	$22.67
• Class B	1,064,562	22.1%	27.4%	10,483	0	$15.90
• Class C	169,364	19.0%	19.0%	462	0	$13.00
Total	2,055,844	23.6%	26.9%	24,741	30,431	$18.53
West County						
• Class A	8,643,053	7.9%	12.4%	68,524	0	$23.77
• Class B	6,389,516	14.5%	18.8%	(15,904)	0	$18.78
• Class C	910,736	26.7%	28.0%	(30,352)	0	$16.14
Total	15,943,305	11.7%	16.0%	22,268	0	$20.59
Total	**46,705,635**	**15.1%**	**19.0%**	**33,183**	**474,517**	**$18.77**

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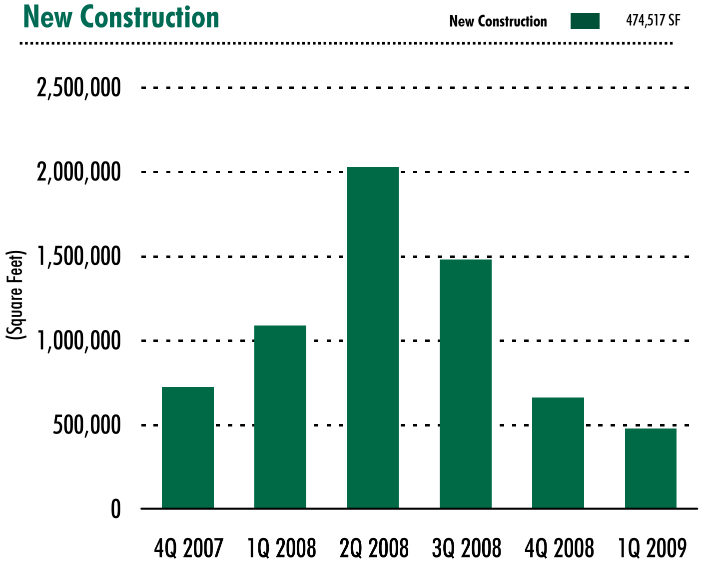
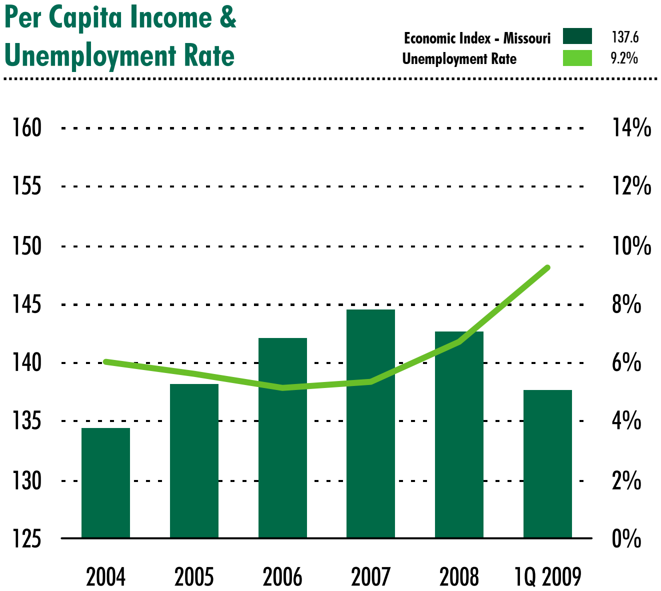
New Construction



There is a lack of new development currently in the St. Louis market, with several previously announced buildings or projects being placed on hold as a result of the economic climate. The construction that is taking place is mostly of the build-to-suit variety, and recent projects have included Monsanto (220,000 square feet) and Edward Jones (700,000 square feet). The 570,000 square feet of spec space recently built is about 85% leased, a good sign for the market.

Multi-tenant properties currently under construction include the first building at BRDG Park, a 118,0000-square-foot Class A building that will house wet labs and offices. Smaller buildings are under construction at 3030 West Clay in St. Charles and at 999 E. Highlands Plaza Drive in the St. Louis City submarket.

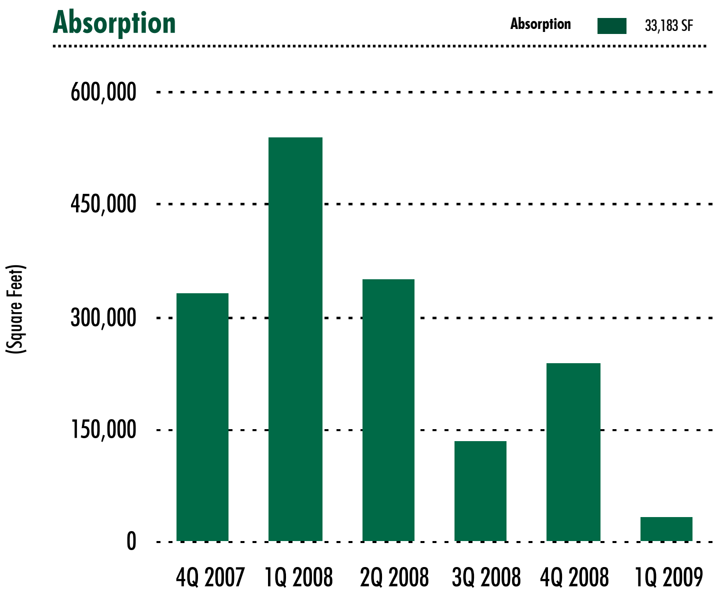
Per Capita Income & Unemployment Rate



The unemployment rate has been steadily increasing in the St. Louis metro area, and was measured in February at 9.2%, easily the highest it has reached this decade. By comparison, the unemployment rate at the beginning of 2008 was 6.3%. The St. Louis metro area had about 131,200 people registered as unemployed in February, up from 87,300 people in February 2008.

The Coincident Economic Activity Index for Missouri, currently at 137.6, is a data point tracked by the Federal Reserve. It includes four indicators: nonfarm payroll employment, the unemployment rate, average hours worked in manufacturing and wages and salaries. The trend for Missouri is set to match the trend for Gross State Product, and uses July of 1992 as its measuring point of 100.0. Its high point was hit in December of 2007, at 144.64.

Absorption



Net absorption was down from the fourth quarter of 2008, but remained positive, a good sign in a slower market. With little movement taking place in the market, submarket figures were close to no positive or negative absorption. The Downtown submarket posted 28,881 square feet of negative absorption, and that figure could get worse when companies that have already signed leases in other submarkets begin to vacate space Downtown.

On the positive side, the suburban markets posted positive absorption of 62,064 square feet, led by the Mid County submarket, which had 62,540 square feet of positive absorption.

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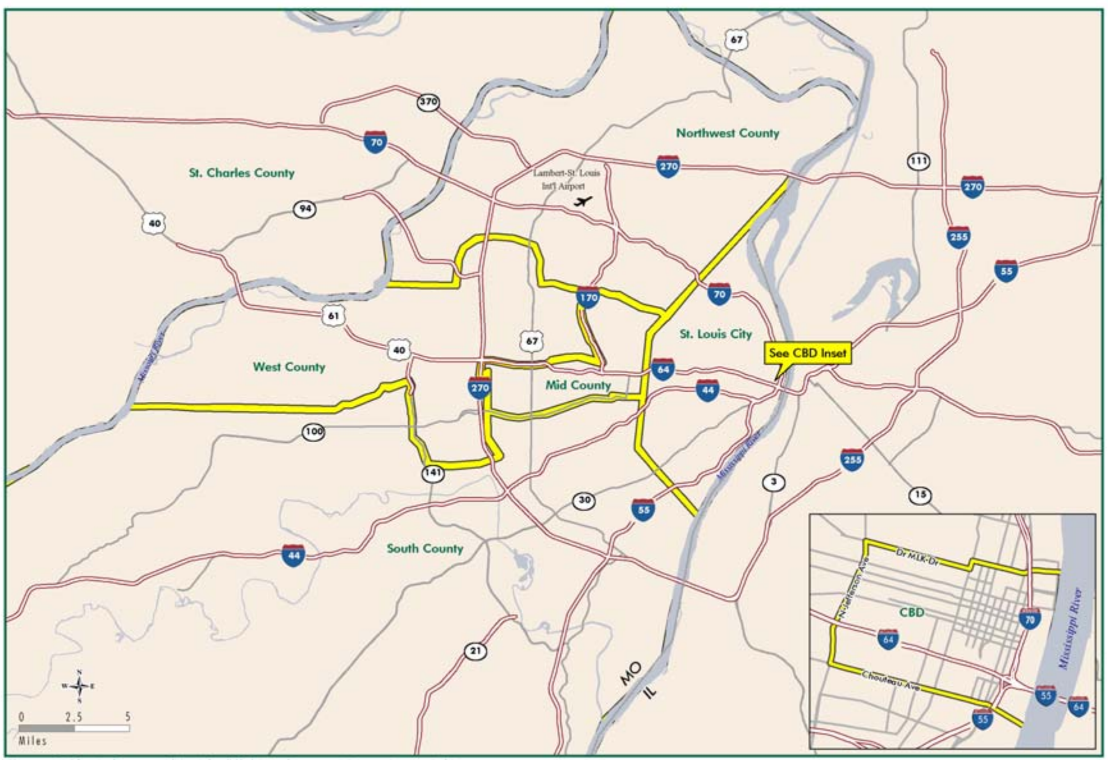
Top Lease Transactions

Size (Sq. Ft.)	Tenant	Address	Type
215,000	Husch Blackwell Sanders	190 Carondelet Plaza Clayton, MO	Expansion/New Lease
35,800	Ceridian	425 N. New Ballas Road St. Louis, MO	Renewal
22,738	Danna McKitrick Law	7701 Forsyth Blvd. Clayton, MO	New Lease
14,820	Koplar Management	1 S. Memorial Dr. St. Louis, MO	Renewal
13,813	Best Transportation	8531 Page Ave. Vinita Park, MO	New Lease
13,781	Office Options	231 S. Bemiston Ave. Clayton, MO	Renewal

Submarket Map



Average Asking Lease Rate
Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Net Leases
Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage
Includes all competitive office buildings 10,000 square feet and greater in size.

Net Absorption
The change in occupied square feet from one period to the next.

Net Rentable Area
The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

Occupied Square Feet
Building area not considered vacant.

Under Construction
Buildings which have begun construction as evidenced by site excavation or foundation work.

Available Square Feet
Available Building Area which is either physically vacant or occupied.

Availability Rate
Available Square Feet divided by the Net Rentable Area.

Vacant Square Feet
Existing Building Area which is physically vacant or immediately available.

Vacancy Rate
Vacant Building Feet divided by the Net Rentable Area.

Normalization
Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

For more information regarding the MarketView, please contact:
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