NAI DESCO

# 1Q'16

## Retail Market Report

ST. LOUIS, MO

# The Market

Wall Street is in a panic, supposedly worried about a rising dollar, slowing Chinese growth, plummeting oil prices, a U.S. recession, and increasing interest rates.... Yet while Wall Street is in a complete tizzy, Main Street continues to move forward: consumer confidence remains largely unchanged; the economy continues to add jobs at a healthy pace; wages are growing faster than inflation; unemployment claims are low; and consumer spending remains solid. Thus, while Wall Street fears apocalypse, Main Street merrily dances onward. This disconnect raises the question, "Who is right?" Our bet is firmly on Main Street.

- An excerpt from NAI Global Chief Economist's Spring 2016 Linneman Letter

For a copy of the **Linneman Letter**, please contact your NAI DESCO broker.

# Retail Market Summary

# First Quarter 2016

The St. Louis Retail Market ended the first quarter of 2016 with an overall vacancy rate of 6.1%, the same as the previous quarter. There were 30,632 square feet absorbed in the current quarter versus 719,308 square feet absorbed in the fourth quarter 2015. Some notable absorption changes included the delivery of two Walmart Neighborhood Market stores (41,921 square feet each) in St Peters and Camping World (34,710 square feet) in Wentzville; the lease of Aldi (25,000 square feet) in Shrewsbury and Tuesday Morning (21,293 square feet) in Ellisville; and the vacancy of Sports Authority (40,418 square feet) in St. Peters and Goodwill (17,817 square feet) in Harvester.

Rental rates are $12.45 per square foot, NNN on average this quarter. This is a jump from last quarters' $12.13 per square foot, a positive trend that is expected to continue the next quarter as vacancy declines. Approximately 394,000 square feet are expected to deliver in second quarter 2016 with 92% preleased.

The first quarter of 2016 also continued a trend in investment sales: the 1.2 Million square foot St. Louis Outlet Mall ("Mills") sold at auction for $4.4 Million to Namdar Realty Group of New York after a previous auction winner backed out; the 82,242 square foot Fenton Commons sold for $15 Million to GDA Real Estate Services of Colorado; Four Seasons Center, a 36,455 square foot strip center at 2421-2509 Hwy K in O'Fallon, sold for $3.3 Million to Baceline Investments of Denver.

** Please note that throughout this report all property types are weighted based upon GLA. Malls, outlet centers, lifestyle centers and specialty centers are excluded from our statistics.*

# Retail Submarket Statistics

| | SUBMARKET | CLASS | # BLDGS. | TOTAL GLA (SF) | TOTAL AVAIL. (SF) | TOTAL AVAIL. (%) | YTD TOTAL NET Absorption (SF) | UNDER CONSTRUCTION (SF) | TOTAL AVG RATE ($/SF/YR) |
|---|---|---|---|---|---|---|---|---|---|
| METRO EAST | Central Metro East | Freestanding | 918 | 6,247,618 | 209,058 | 3.3% | 19,351 | 8,000 | $11.41 |
| | Illinois | Small Shop | 108 | 5,940,801 | 730,314 | 12.3% | (4,017) | 0 | $9.91 |
| | | Power Center | 4 | 1,671,362 | 16,800 | 1.0% | 5,000 | 0 | $25.82 |
| | North Metro East | Freestanding | 753 | 6,126,185 | 409,724 | 6.7% | 6,451 | 0 | $7.96 |
| | Illinois | Small Shop | 57 | 3,690,040 | 325,716 | 8.8% | (8,365) | 0 | $9.37 |
| | | Power Center | 1 | 514,663 | 0 | 0.0% | 42,458 | 0 | $0.00 |
| | Outer Metro East | Freestanding | 130 | 947,405 | 19,463 | 2.1% | (3,091) | 0 | $13.82 |
| | Illinois | Small Shop | 9 | 152,964 | 38,503 | 25.2% | 0 | 0 | $11.68 |
| | | Power Center | 0 | 0 | 0 | 0.0% | 0 | 0 | $0.00 |
| | South Metro East | Freestanding | 209 | 1,804,907 | 58,377 | 3.2% | 16,175 | 0 | $13.69 |
| | Illinois | Small Shop | 22 | 876,850 | 180,723 | 20.6% | 0 | 0 | $9.74 |
| | | Power Center | 0 | 0 | 0 | 0.0% | 0 | 0 | $0.00 |
| ST LOUIS COUNTY | Chesterfield | Freestanding | 69 | 1,170,592 | 23,396 | 2.0% | (1,500) | 19,250 | $19.56 |
| | Region | Small Shop | 19 | 1,039,379 | 74,771 | 7.2% | 6,233 | 0 | $16.58 |
| | | Power Center | 1 | 1,828,334 | 3,000 | 0.2% | 2,250 | 0 | $17.00 |
| | Mid | Freestanding | 790 | 7,463,599 | 216,163 | 2.9% | 5,800 | 223,200 | $18.84 |
| | County | Small Shop | 98 | 4,506,992 | 294,920 | 6.5% | (9,835) | 0 | $17.79 |
| | | Power Center | 5 | 1,841,572 | 0 | 0.0% | 0 | 0 | $0.00 |
| | North | Freestanding | 335 | 3,054,112 | 114,539 | 3.8% | (5,861) | 0 | $9.52 |
| | County | Small Shop | 86 | 3,969,452 | 577,619 | 14.6% | (61,406) | 0 | $9.40 |
| | | Power Center | 0 | 0 | 0 | 0.0% | 0 | 0 | $0.00 |
| | Northwest | Freestanding | 851 | 7,086,556 | 378,504 | 5.3% | 2,167 | 0 | $9.65 |
| | County | Small Shop | 100 | 4,144,026 | 548,149 | 13.2% | 9,817 | 0 | $10.14 |
| | | Power Center | 3 | 1,148,044 | 61,921 | 5.4% | (5,975) | 0 | $6.50 |
| | Outer St Louis | Freestanding | 66 | 435,047 | 28,706 | 6.6% | 7,000 | 0 | $15.43 |
| | County | Small Shop | 10 | 639,733 | 82,235 | 12.9% | 120 | 23,000 | $14.58 |
| | | Power Center | 0 | 0 | 0 | 0.0% | 0 | 0 | $0.00 |
| | South | Freestanding | 455 | 4,639,454 | 114,857 | 2.5% | (424) | 55,000 | $16.09 |
| | County | Small Shop | 81 | 4,951,873 | 377,113 | 7.6% | 6,965 | 45,600 | $12.20 |
| | | Power Center | 1 | 349,323 | 2,100 | 0.6% | 0 | 0 | $0.00 |
| | Southwest | Freestanding | 396 | 2,717,993 | 81,386 | 3.0% | (19,445) | 0 | $13.37 |
| | County | Small Shop | 98 | 5,048,042 | 420,364 | 8.3% | (6,215) | 0 | $12.66 |
| | | Power Center | 3 | 1,907,161 | 31,220 | 1.6% | 2,700 | 0 | $13.00 |
| | West | Freestanding | 294 | 3,384,188 | 125,906 | 3.7% | 6,644 | 3,500 | $12.11 |
| | County | Small Shop | 108 | 5,637,877 | 436,063 | 7.7% | (20,688) | 0 | $15.83 |
| | | Power Center | 4 | 1,570,597 | 238,421 | 15.2% | 2,500 | 0 | $22.77 |
| ST LOUIS CITY | North City | Freestanding | 588 | 6,965,344 | 431,120 | 6.2% | (56,275) | 0 | $10.48 |
| | St Louis | Small Shop | 17 | 905,562 | 140,982 | 15.6% | (3,000) | 0 | $16.98 |
| | | Power Center | 0 | 0 | 0 | 0.0% | 0 | 0 | $0.00 |
| | South City | Freestanding | 1,535 | 8,624,686 | 354,916 | 4.1% | (28,010) | 3,960 | $10.06 |
| | St Louis | Small Shop | 23 | 1,436,261 | 40,818 | 2.8% | (4,542) | 0 | $14.46 |
| | | Power Center | 1 | 498,330 | 1,470 | 0.3% | 0 | 0 | $13.00 |
| ST CHARLES COUNTY | St Charles Region | Freestanding | 630 | 5,521,294 | 265,936 | 4.8% | 91,670 | 7,000 | $16.31 |
| | (East St Charles Co) | Small Shop | 131 | 4,879,845 | 488,235 | 10.0% | (51,556) | 26,600 | $13.05 |
| | | Power Center | 1 | 221,486 | 10,475 | 4.7% | 1,400 | 0 | $16.99 |
| | St Charles County | Freestanding | 282 | 2,521,597 | 43,345 | 1.7% | 47,295 | 5,773 | $15.54 |
| | (West St Charles Co) | Small Shop | 75 | 3,878,759 | 326,673 | 8.4% | (2,666) | 0 | $12.55 |
| | | Power Center | 2 | 716,737 | 14,200 | 2.0% | 1,754 | 0 | $8.96 |
| | Outer St Charles | Freestanding | 98 | 659,563 | 13,072 | 2.0% | 8,400 | 0 | $8.74 |
| | County | Small Shop | 16 | 465,802 | 16,168 | 3.5% | 1,200 | 0 | $8.40 |
| | | Power Center | 1 | 952,703 | 0 | 0.0% | 0 | 0 | $0.00 |
| FRANKLIN & JEFF CO | Franklin | Freestanding | 400 | 3,611,491 | 73,546 | 2.0% | 7,090 | 0 | $13.23 |
| | County | Small Shop | 37 | 1,340,328 | 90,668 | 6.8% | (2,600) | 0 | $10.17 |
| | | Power Center | 0 | 0 | 0 | 0.0% | 0 | 0 | $0.00 |
| | Jefferson | Freestanding | 154 | 994,716 | 43,536 | 4.4% | 23 | 0 | $6.42 |
| | County | Small Shop | 19 | 740,738 | 43,058 | 5.8% | 1,640 | 0 | $12.86 |
| | | Power Center | 0 | 0 | 0 | 0.0% | 0 | 0 | $0.00 |
| | Outer Jefferson | Freestanding | 156 | 1,449,014 | 43,978 | 3.0% | 24,000 | 0 | $10.64 |
| | County | Small Shop | 14 | 475,618 | 14,450 | 3.0% | 0 | 0 | $9.43 |
| | | Power Center | 0 | 0 | 0 | 0.0% | 0 | 0 | $0.00 |
| TOTALS | | Freestanding | 9,109 | 75,425,361 | 3,049,528 | 4.0% | 127,460 | 325,683 | $12.49 |
| | | Small Shop | 1,128 | 54,720,942 | 5,247,542 | 9.6% | (148,915) | 95,200 | $12.49 |
| | | Power Center | 27 | 13,220,312 | 379,607 | 2.9% | 52,087 | 0 | $12.02 |
| | | **TOTAL** | **10,264** | **143,366,615** | **8,676,677** | **6.1%** | **30,632** | **420,883** | **$12.45** |

*Source: NAI DESCO, CoStar Property®, Xceligent & The Linneman Letter

# St. Louis Retail Market Snapshot

## Small Shop Space

Community Centers, Neighborhood Centers & Strip Centers

- Total vacancy increased slightly to 9.6%
- Quoted rental rates decreased from $12.53 to $12.49
- No buildings delivered this quarter though 95,200 SF remain under construction

## Free-Standing

Free-standing Retail Buildings, excluding Centers

- Total vacancy decreased from 4.2% to 4.0%
- Quoted rental rates increased from $12.17 to $12.49
- 149,872 SF delivered this quarter with 325,683 SF under construction

## Power Centers

Centers with one or more Anchors ranging from 250,000-600,000 square feet

- Total vacancy remains at 2.9% for the third consecutive quarter
- Quoted rental rates increased significantly from $10.30 to $12.02
- 48,458 SF delivered this quarter with no projects under construction

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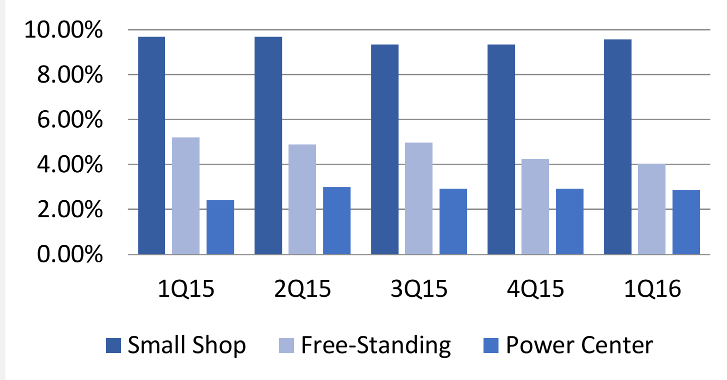
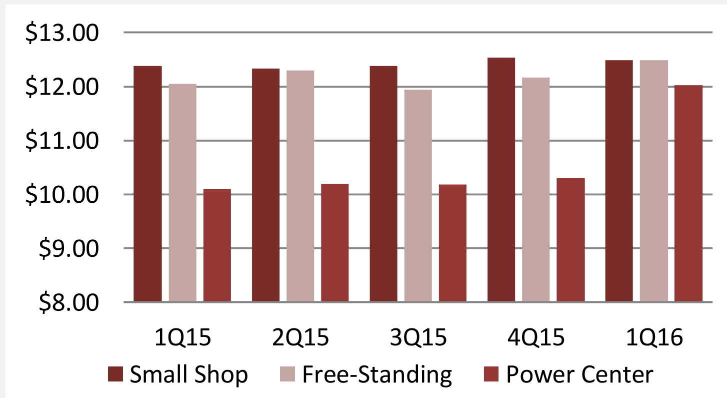
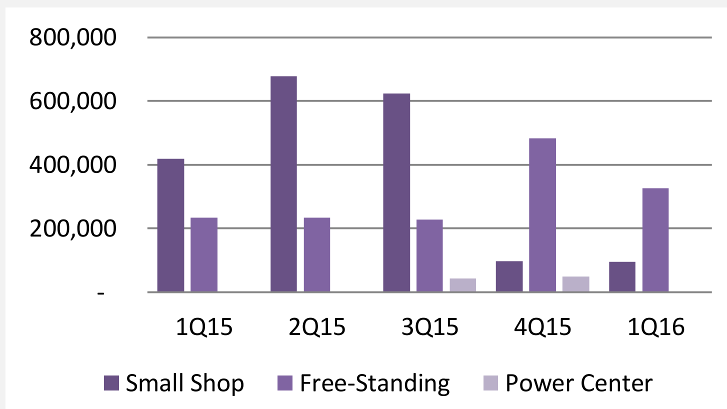
### Vacancy Rates




### Rental Rates



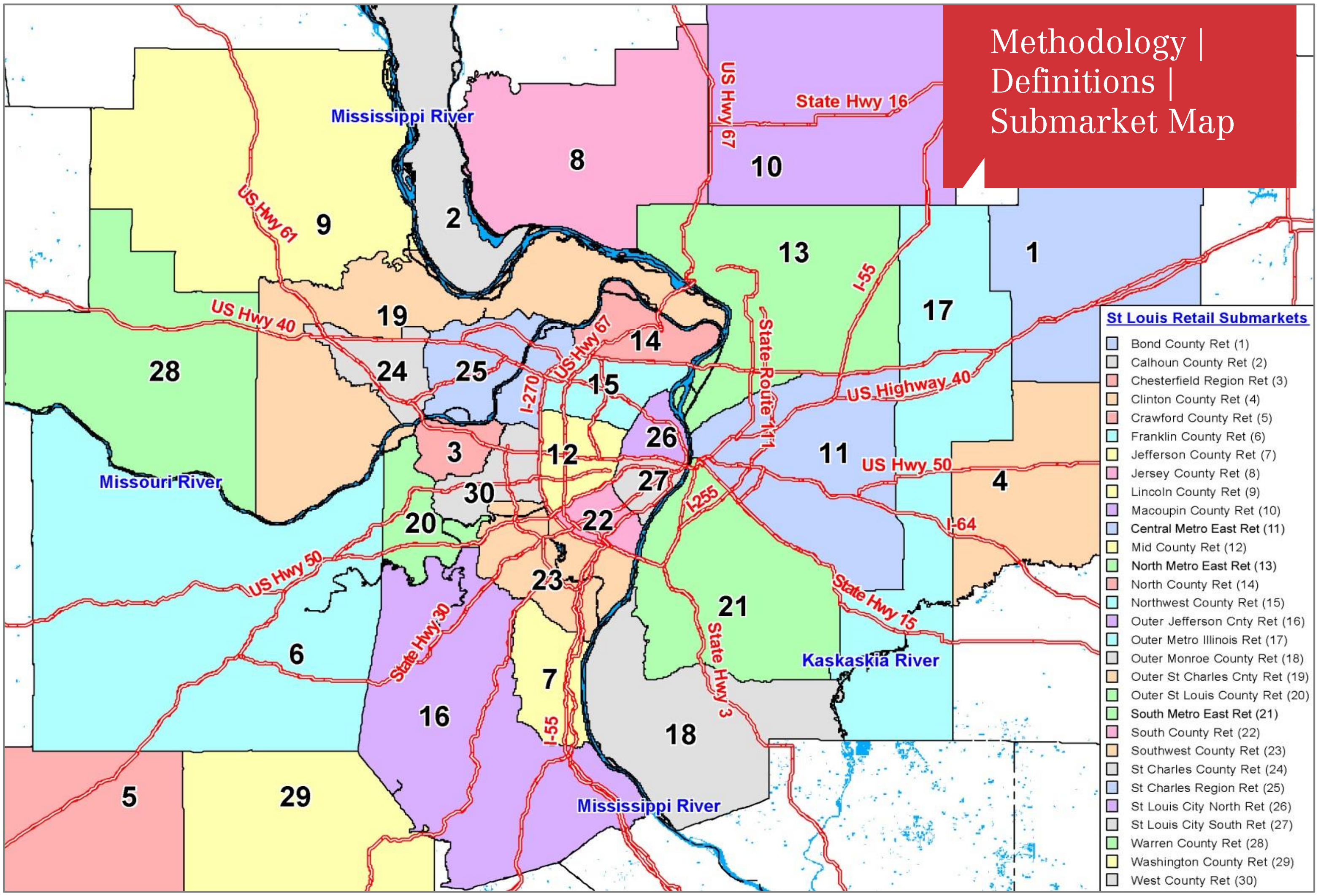

### New Construction




## Q1 Retail Transactions

| Building / Address | Tenant / Buyer | Sale / Lease | Size (SF) | Submarket |
|---|---|---|---|---|
| The Center at Kenrick Plaza | Aldi | Lease | 25,000 | South County |
| Ellisville Square | Tuesday Morning | Lease | 21,293 | West County |
| 14830 Clayton Rd | Swim Bike Run | Lease | 6,000 | West County |
| 4261 Manchester Ave | Sauce on the Side | Lease | 5,361 | St. Louis City South |
| 4401 Hwy K | Walnut Grill | Sale | 5,300 | St. Charles County |
| 6630 Delmar Blvd | McArthur's Bakery | Lease | 4,800 | Mid County |
| Olivette Center | Anytime Fitness | Lease | 4,000 | Mid County |
| Ronnie's Plaza | Three Kings Public House | Lease | 3,984 | South County |

# Methodology | Definitions | Submarket Map




## Available Square Footage
Net rentable area considered available for lease; excludes sublease space.

## Average Asking Rental Rate
Rental rate as quoted from each building's owner / management company. For retail, primarily reported as NNN rates.

## Community Center
A shopping center development that has a total square footage between 100,000 – 350,000 SF. Generally will have 2-3 large anchored tenants, but not department store anchors. Community Center typically offers a wider range of apparel and other soft goods than the Neighborhood Center

## Free-Standing Retail
A single tenant building with a retail tenant such as a fast food restaurant.

## GLA
Abbreviation for Gross Leasable Area; the total square footage that can be occupied by a tenant.

## Neighborhood Center
Provides for the sales of convenience goods and personal services for day-to-day living needs of the immediate neighborhood.

## Net Absorption
The net change in occupied space over a given period of time including direct and sublease space.

## RBA
Rentable Building Area; the total square footage that can be occupied by a tenant.

## Strip Center
A strip center is an attached row of stores managed as a coherent retail entity, with on-site parking usually located in front of the stores. A strip center does not have enclosed walkways linking the stores.

## Vacancy Rate
The percentage of the total amount of vacancy space divided by the total amount of existing inventory. Under construction space is not included in vacancy calculations.

# 1Q'16

## Retail Market Report

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