

YoY Chg      12-Mo. Forecast

**5.2%**

Vacancy Rate



**5.2M**

YTD Net Absorption, SF



**\$4.59**

Asking Rent, PSF



Overall, Net Asking Rent

### ECONOMIC INDICATORS Q4 2019

YoY Chg      12-Mo. Forecast

**1.4M**

St. Louis Employment



**3.1%**

St. Louis Unemployment Rate



**3.6%**

U.S. Unemployment Rate



Source: BLS

### ECONOMIC OVERVIEW: St. Louis Unemployment Rate Remains Well Below National Average

The United States ended the year on a high note as the economy entered the longest economic expansion in history. Despite headwinds from a slowdown in global growth and the continued trade dispute between the United States and China, indications are that the economy will remain on a growth trajectory. Paralleling this national momentum, St. Louis continues to track robust economic growth, adding 17,600 jobs to the local economy and maintaining an unemployment rate of 3.1%, the lowest in recorded history and 50 basis points (bps) lower than the current national average. With continued economic growth expected, unemployment rates should remain below the 4.0%-mark for the foreseeable future.

### SUPPLY AND DEMAND: Record-Breaking Year For New Deliveries

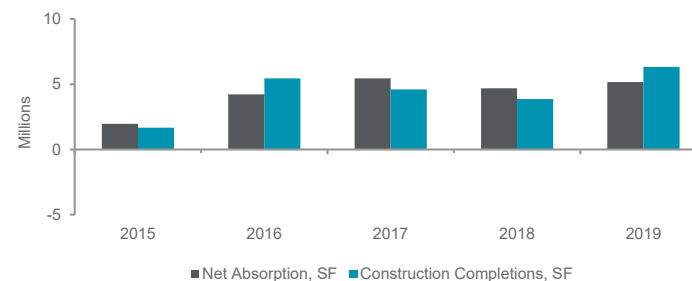
St. Louis ended 2019 with a record-breaking 6.3 million square feet (msf) of new deliveries for the year, surpassing the previous record set in 2016 of 5.4 msf. Nearly 35.2% of 2019's deliveries were speculative in nature, an indication that developers remain aggressive with adding new supply.

For the first time since 2016, annual deliveries surpassed total net absorption by 1.2 msf. Despite this, recent completions have tracked strong demand as nearly 76.7% of new space has been leased. In the face of St. Louis's record-breaking construction, the year-end vacancy rate of 5.2% remained near the historic low of 4.9% reached during the third quarter of 2019. In contrast, the last time St. Louis posted annual construction levels higher than overall absorption was 2016 when the market recorded a 6.8% year-end vacancy rate. The lower vacancy rate at the end of 2019 signals tenant demand could be stronger than it was three years prior. St. Louis can expect to record continued healthy market fundamentals as the market inches closer to equilibrium.

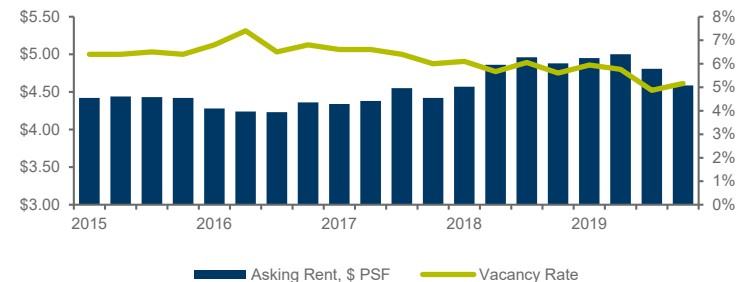
### PRICING: Asking Rents Peak in 2019

Continuing the theme of a record-breaking year, overall triple net asking rates peaked during the first half of 2019, reaching \$5.00 per square foot (psf) for the first time in history before leveling off to a year-end rate of \$4.59 psf as a fresh wave of competitively priced supply hit the market. Rates have grown by 4.6% over the past three years and are expected to remain steady over the long-run.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



**North County**

North County posted an overall vacancy rate of 6.4% at year-end, marking the fourth consecutive quarter the rate has been below 7.0%. Since the end of 2017, the vacancy has fallen by 350 bps. At year end, the submarket had nearly 1.5 msf under construction and planned for delivery in 2020, which accounted for over half of St. Louis's under construction number for the quarter. Most of the submarket's construction is from NorthPoint Development and Panattoni as the 223,000-square-foot (sf) Aviator VIII, the 415,000-sf Aviator IX, the 400,000-sf Hazelwood Tradeport IV, and the 205,000-sf 133 James S. McDonnell Boulevard are all underway and scheduled to deliver in 2020.

**Metro East**

The Metro East posted the highest submarket absorption amount for the quarter at 1.2 msf and absorbed 2.4 msf for the year. In addition, the submarket accounted for 56.8% of St. Louis's total new construction for 2019, nearly 3.7 msf, as result of Exeter and NorthPoint Development expanding their footprints across the Mississippi River into a submarket that's been traditionally dominated by TriStar Business Communities and Panattoni Development. Most of the absorption and construction for the year was attributed to World Wide Technology's two built-to-suit buildings totaling over 2.0 msf. The company announced it would add up to 500 new jobs to the area.

As expected, the submarket vacancy rate rose with the arrival of the new supply, reaching 9.3% at the end of the year, up 280 bps from the third quarter of 2019. With continued demand for space and selective development activity expected in the park, the expectation is that vacancy will remain stable over the mid-term.

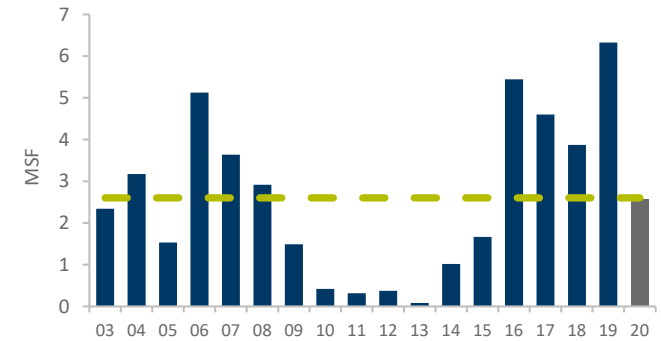
**South County**

Overall absorption for the South County submarket reached positive 292,000 sf in 2019, with vacancy falling 110 bps year-over-year to 5.3% at year-end. Despite being St. Louis's smallest submarket, South County currently has the third highest figure for construction at 373,000 sf, as US Capital Development, the only developer currently delivering new space within the submarket, has two buildings underway. The two buildings, both located within the Fenton Logistics Park, are 48.9% pre-leased and 1st Phorm has announced it will relocate its headquarters into one of buildings for 182,000 sf.

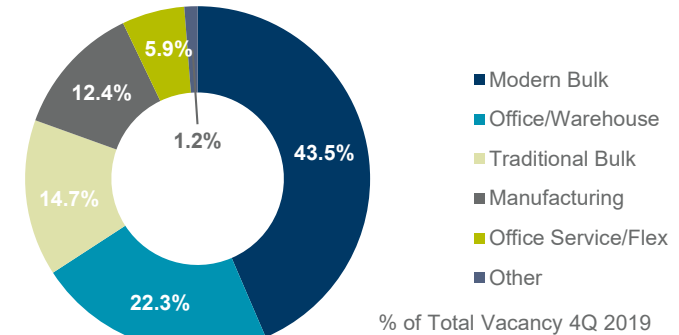
**Outlook**

- 2019 marked a record-breaking year for new construction and expectations are development will stabilize over the short-term as the new space is absorbed. Overall triple net asking rates will remain flat, as new product is added to the market with competitive rates.
- In 2019, Blackstone purchased Colony Capital's portfolio for \$5.9b. As the United States continues to track the longest economic expansion in history, look for more entity level transactions as investors move to bolster warehouse portfolios in the midst of the eCommerce boom.

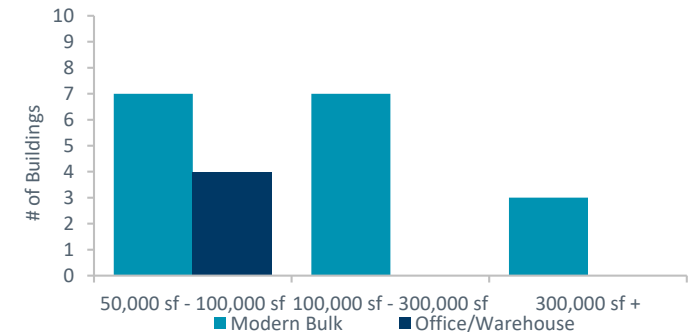
**NEW SUPPLY**



**VACANT SPACE BY PRODUCT TYPE**



**BLOCKS OF CLASS A CONTIGUOUS SPACE**



# MARKETBEAT ST. LOUIS

## Industrial Q4 2019



### MARKET STATISTICS

SUBMARKET	Total Buildings	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
City	1,242	63,233,184	2,682,651	4.2%	165,568	191,851	154,337	47,000	\$8.01	\$3.50	\$4.38
Metro East	263	36,274,921	3,356,143	9.3%	1,186,280	2,427,224	-	3,658,952	N/A	\$10.85	\$3.96
Mid County	557	23,273,124	378,338	1.6%	2,494	-47,083	-	-	N/A	\$6.64	\$6.30
North County	526	54,395,034	3,457,611	6.4%	-5,538	630,406	1,479,654	613,000	\$4.60	\$6.29	\$3.97
South County	459	20,290,845	1,065,877	5.3%	137,975	291,693	372,750	159,012	N/A	\$8.86	\$5.79
St. Charles	464	32,084,393	1,073,639	3.4%	76,191	1,511,723	558,000	1,848,560	N/A	\$12.00	\$4.78
West County	532	22,334,824	980,023	4.4%	-15,867	158,944	-	-	N/A	\$9.82	\$4.84
<b>SL. LOUIS TOTALS</b>	<b>4,043</b>	<b>251,886,325</b>	<b>12,994,282</b>	<b>5.2%</b>	<b>1,547,103</b>	<b>5,164,758</b>	<b>2,564,741</b>	<b>6,326,524</b>	<b>\$4.89</b>	<b>\$7.38</b>	<b>\$4.28</b>

\*Rental rates reflect weighted net asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

PRODUCT TYPE	TOTAL BUILDINGS	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Modern Bulk	117	48,438,927	5,657,498	11.7%	1,203,856	4,571,957	1,038,154	5,729,652	\$4.03
Traditional Bulk	253	35,262,027	1,906,231	5.4%	-75,196	-238,498	0	0	\$3.67
Office/Warehouse	2,813	97,732,997	2,896,815	3.0%	316,467	405,420	854,687	333,512	\$5.59
Other	87	2,715,140	160,388	5.9%	0	-7,700	0	0	\$6.60
<b>Warehouse/Distribution</b>	<b>3,270</b>	<b>184,149,091</b>	<b>10,620,932</b>	<b>5.8%</b>	<b>1,445,127</b>	<b>4,731,179</b>	<b>1,892,841</b>	<b>6,063,164</b>	<b>\$4.28</b>
Manufacturing	477	54,958,249	1,609,336	2.9%	34,269	360,299	224,500	263,360	\$4.89
Office Service/Flex	296	12,778,985	764,014	6.0%	67,707	73,280	447,400	0	\$7.38
<b>SL. LOUIS TOTALS</b>	<b>4,043</b>	<b>251,886,325</b>	<b>12,994,282</b>	<b>5.2%</b>	<b>1,547,103</b>	<b>5,164,758</b>	<b>2,564,741</b>	<b>6,326,524</b>	<b>\$4.59</b>

### KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1001 Premier Parkway	St. Charles	Distribution Management Inc.	375,200	New Deal
13886-13898 Corporate Woods Trail	North County	Victorinox	200,000	Renewal*

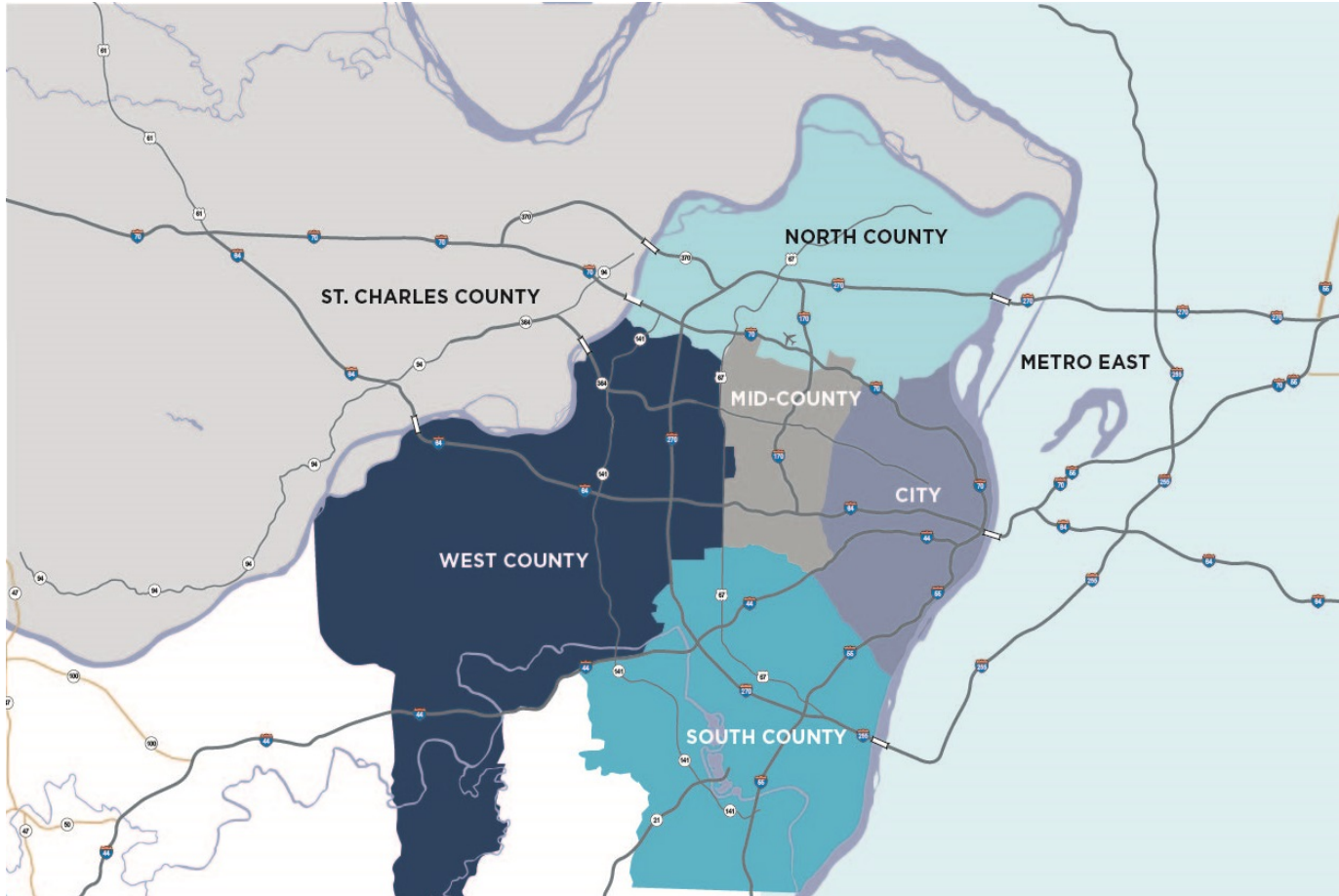
\*Renewals not included in leasing statistics

### KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Colony Capital Portfolio	North County, Mid County, and South County	Colony Capital / Blackstone	1,372,171	N/A
6245-6247 Lemay Ferry Road	South County	Grasso Bros Land Co. Inc. / IAM Aerospace LLC	204,640	\$6.9M/\$33.72



## INDUSTRIAL SUBMARKETS



### David Hoebbel

Associate Director

Tel: +1 314 236 0176

david.hoebbel@cushwake.com

### Greg Nelson

Analyst

Tel: +1 314 925 3177

greg.nelson@cushwake.com

### A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

*©2020 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.*