

**5.8%**  
Vacancy Rate

**37.3k**  
YTD Net Absorption, SF

**\$4.72**  
Asking Rent, PSF

Overall, Net Asking Rent

### ECONOMIC INDICATORS Q2 2020

**1.2M**  
St. Louis  
Employment

**11.8%**  
St. Louis  
Unemployment Rate

**13.0%**  
U.S.  
Unemployment Rate

Source: BLS

### ECONOMIC OVERVIEW

The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

As a result of this slowdown in economic activity, second-quarter unemployment figures for St. Louis rose to 11.8%, the highest unemployment level in recent history. The sudden shock to the region's economy, while significant, was relatively less severe as the local unemployment rate remained below the national average of 13.0% by 120 basis points (bps).

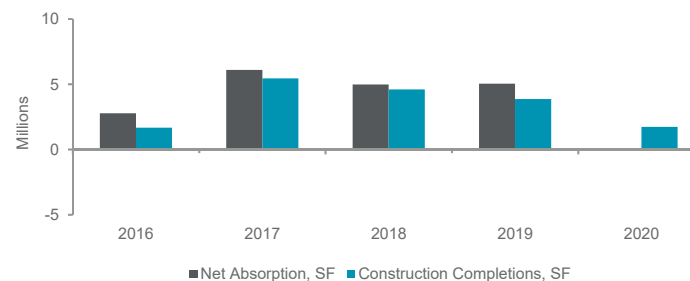
### SUPPLY AND DEMAND: Additional Speculative Deliveries

The St. Louis industrial market tracked the delivery of nearly 1.7 million square feet (msf) during the first half of 2020, of which roughly 80.0% was speculative. The uptick in speculative construction is on the heels of 2019's record breaking year for overall triple-net average asking rates that reached \$5.00 per-square-foot (psf). As a result of the relative increase in available inventory driven by this new construction, vacancy rates ticked upwards by 40 bps quarter-over-quarter, ending the quarter at 5.8%. Though an increase in vacancy can be a cause for concern, the current 1.8 msf of active developments underway are largely build-to-suit and more disciplined development activity should help stabilize any movement in vacancy.

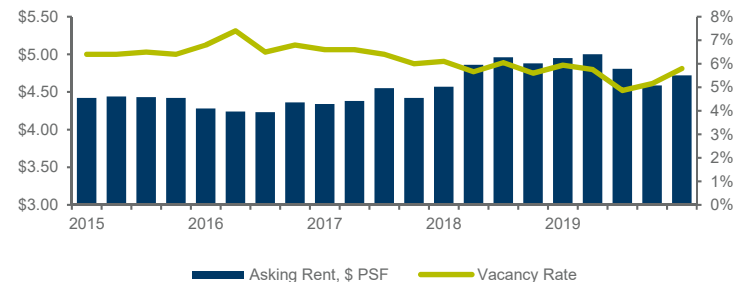
### PRICING: Remaining Steady After Peaking in 2019

Pricing remained steady during the first half of 2020 after peaking during the second quarter of 2019. Despite rates leveling off at the end of 2019 as a fresh wave of competitively priced supply hit the market, overall triple-net asking rates gravitated upwards, reaching \$4.72 psf at the end of the second quarter for 2020.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



**North County**

North County posted roughly 392,000 square feet (sf) of negative absorption during the second quarter of 2020, bringing the submarket’s year-to-date absorption to negative 34,000 sf and lifting vacancy to 7.9%. The uptick in vacancy is the result of planned closures and consolidation; such as Jacobson Warehouse (494,000 sf) at 4702 Park 370 boulevard, and XPO Logistics (214,000 sf) at 1619 Park 370 Place. XPO Logistics announced in December of 2019 that the company would eliminate 166 jobs as it closed its Hazelwood facility. Despite anomalous corporate activity, a few major leases were signed including the new deals of Forte Frozen (269,000 sf) at 5400 North Hanley Road and Leonardo DRS (172,000 sf) at 4545 North Lindberg Boulevard. Despite nearly 900,000 sf of negative absorption from three tenants, the submarket notably recorded leveled absorption.

**Metro East**

The Metro East submarket tracked the largest amount of positive year-to-date absorption in St. Louis, reaching nearly 634,000 sf. Most of the submarket’s absorption, roughly 594,000 sf, was attributed to an eCommerce company’s move into the Gateway Business Park. The eCommerce company signed two leases totaling over 1.1 msf in the first half of 2020. eCommerce activity remains a driver of bulk distribution activity and particularly within the Gateway/Lakeview industrial parks. Other notable leases done in during the first half of 2020 include World Wide Technology’s renewal (1,110,00 sf) at 3951 Lakeview Corporate Drive and Lowe’s Home Centers’ renewal (673,000 sf) at 12 East Gateway Commerce Center Drive.

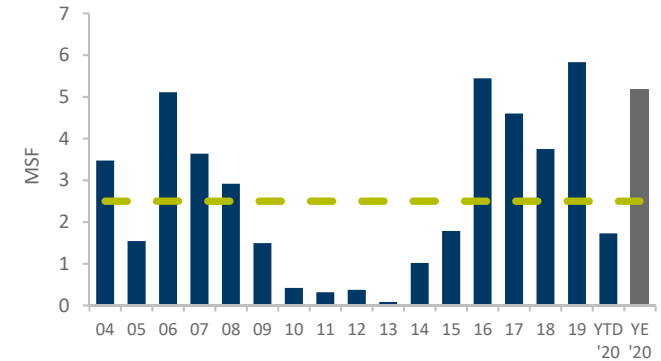
**St. Charles**

Overall year-to-date absorption for the St. Charles submarket reached positive 540,000 sf as of the second quarter of 2020, with vacancy falling 60 bps year-over-year to 2.8%. The end of the first half of 2020 marked the 11th consecutive quarter vacancy has remained below 4.0%. The quarter’s positive absorption resulted largely from National Tire Wholesale’s (72,000 sf) move into Westgate200 as the building was delivered this quarter, and Distribution Management Incorporated’s (375,000 sf) occupancy at 1001 Premier Parkway.

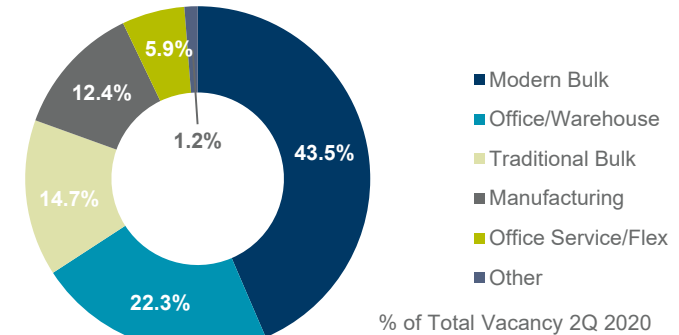
**Outlook**

- Expect eCommerce leasing activity to continue in the mid-term, driving absorption to remain healthy. Over 1.1 msf of eCommerce leases have already been signed in 2020, favoring existing new construction over built-to-suit options.
- Vacancy in the mid-term will remain stable despite increasing slightly by 90 bps year-over-year to 5.8%. The current pipeline of construction has relatively higher levels of built-to-suit development compared to speculative, which will help temper any major shift in vacancy rates.

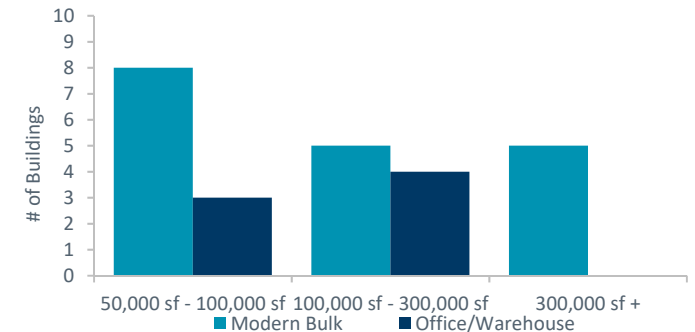
**NEW SUPPLY**



**VACANT SPACE BY PRODUCT TYPE**



**BLOCKS OF CLASS A CONTIGUOUS SPACE**



# MARKETBEAT ST. LOUIS

## Industrial Q2 2020



### 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	1,244	63,155,292	3,371,657	5.3%	-424,160	-489,255	0	154,337	\$8.01	\$3.50	\$3.65
Metro East	264	36,288,171	2,879,418	7.9%	633,625	476,725	0	0	N/A	\$10.85	\$4.08
Mid County	558	23,301,820	690,485	3.0%	-237,343	-312,147	0	0	N/A	\$6.66	\$6.14
North County	531	55,831,647	4,413,306	7.9%	-392,323	-34,195	638,154	841,500	\$4.60	\$5.86	\$4.01
South County	461	20,685,084	1,368,866	6.6%	175,170	69,761	0	372,750	13.5	\$8.60	\$6.16
St. Charles	467	32,507,833	893,118	2.8%	451,574	539,543	1,111,400	358,000	N/A	\$12.00	\$4.96
West County	532	22,334,966	1,222,340	5.5%	-177,129	-213,130	92450	0	N/A	\$10.03	\$5.35
<b>ST. LOUIS TOTALS</b>	<b>4,057</b>	<b>254,104,813</b>	<b>14,839,190</b>	<b>5.8%</b>	<b>29,414</b>	<b>37,302</b>	<b>1,842,004</b>	<b>1,726,587</b>	<b>\$5.06</b>	<b>\$7.43</b>	<b>\$4.46</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	118	48,838,927	5,132,415	10.5%	779,027	925,688	1449554	400,000	\$3.99
Traditional Bulk	253	35,263,078	2,661,067	7.5%	-541,844	-709,636	0	0	\$3.59
Office/Warehouse	2,822	98,992,374	4,156,760	4.2%	-80,314	-375,440	92,450	854,687	\$7.37
Other	85	2,665,737	160,388	6.0%	0	0	0	0	\$6.60
<b>Warehouse/Distribution</b>	<b>3,278</b>	<b>185,760,116</b>	<b>12,110,630</b>	<b>6.5%</b>	<b>156,869</b>	<b>-159,388</b>	<b>1,542,004</b>	<b>1,254,687</b>	<b>\$4.46</b>
Manufacturing	481	55,318,312	1,880,744	3.4%	-309,390	33,092	100,000	224,500	\$5.06
Office Service/Flex	298	13,026,385	847,816	6.5%	181,935	163,598	200,000	247,400	\$7.43
<b>ST. LOUIS TOTALS</b>	<b>4,057</b>	<b>254,104,813</b>	<b>14,839,190</b>	<b>5.8%</b>	<b>29,414</b>	<b>37,302</b>	<b>1,842,004</b>	<b>1,726,587</b>	<b>\$4.72</b>

### KEY LEASE TRANSACTIONS YTD 2020

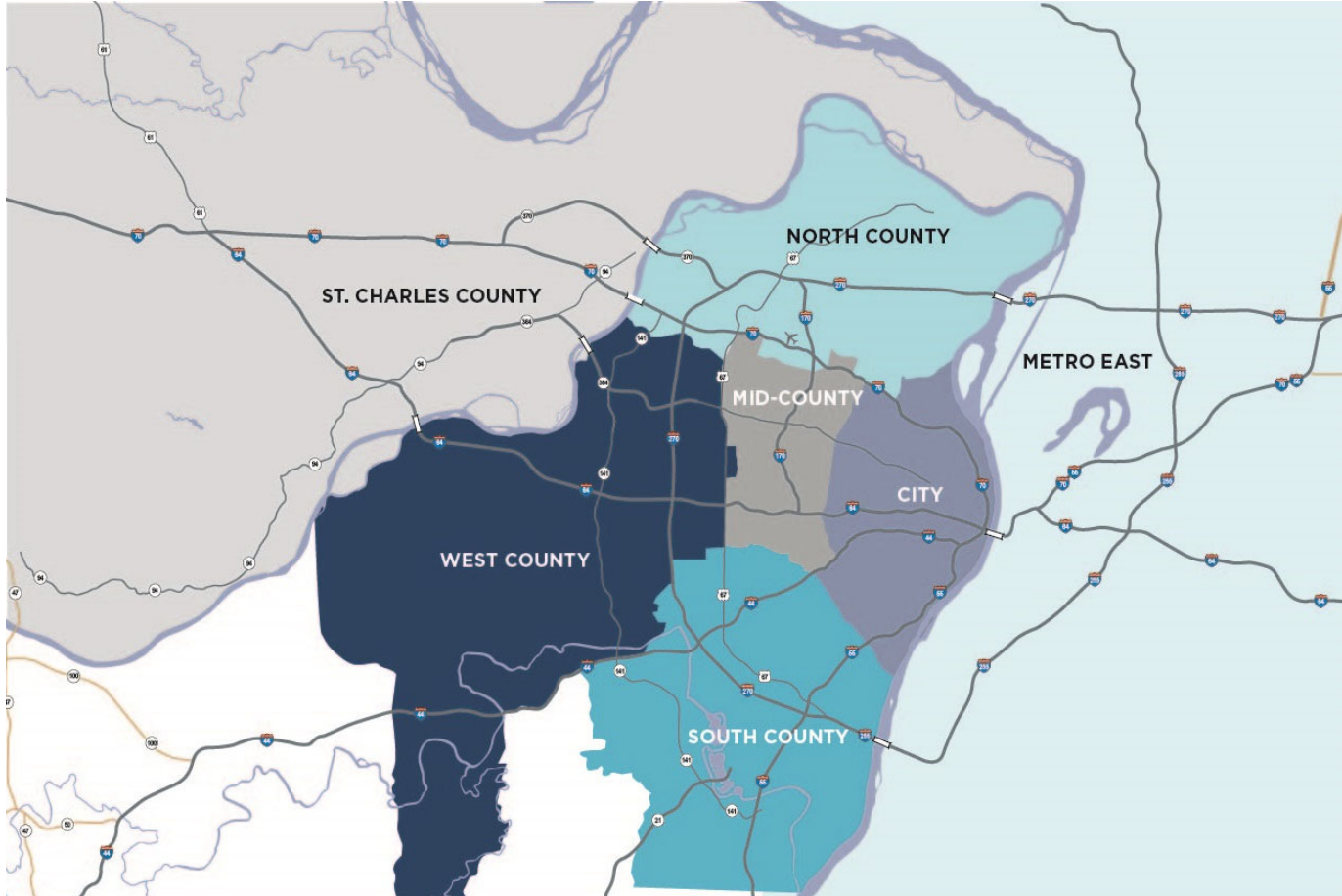
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
3951 Lakeview Corporate Dr.	Metro East	World Wide Technology	1,109,830	Renewal*
12 Gateway Commerce Center Dr. E.	Metro East	Lowe's Home Centers, LLC	673,137	Renewal*

\*Renewals not included in leasing statistics

### KEY SALES TRANSACTIONS YTD 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
13610 Riverport Dr.	North County	DG Riverport Investments LLC/ Creative Testing Solutions	775,368	N/A
3965-3971 Lakeview Corporate Dr.	Metro East	Duke Realty Corporation / Seal Acquisitions	540,000	\$27.4M/\$50.83

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