

YoY Chg 12-Mo. Forecast

5.7%

Vacancy Rate



1.1M

YTD Net Absorption, SF



\$4.72

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2020

YoY Chg 12-Mo. Forecast

1.3M

St. Louis Employment



8.0%

St. Louis Unemployment Rate



8.8%

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](#).

Three quarters into 2020, the global economy still faces strong headwinds as the result of a global pandemic. However, the economy has seen moderate improvement on the heels of government intervention in March of this year. As a portion of temporarily unemployed workers went back to work over the summer, the national unemployment rate fell to 8.8% at the end of the quarter, a 590-basis-point (bps) drop from the nation's peak in April of 14.7%. Locally, St. Louis reported unemployment of 8.0% in the quarter, 80 bps lower than the national average.

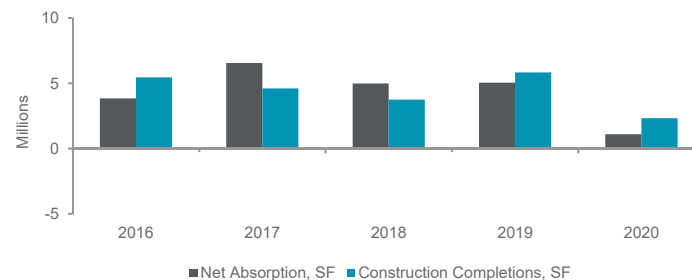
SUPPLY AND DEMAND: Additional Speculative Deliveries

The St. Louis industrial market has tracked robust activity despite headwinds from the global pandemic. Year-to-date, over 2.3 million square feet (msf) of completions have occurred and another 3.5 msf should deliver by the end of the year. Of the 3.5 msf under construction, approximately 56.8% is speculative as developers remain confident in regional occupier demand. Quarterly absorption reached 1.0 msf, which was largely lifted by continued e-commerce expansion into the St. Louis area. Despite an influx of new supply, the end of the quarter marked the 12th consecutive quarter with overall vacancy below 6.0%, a sign that occupier demand remains on pace with newly delivered space.

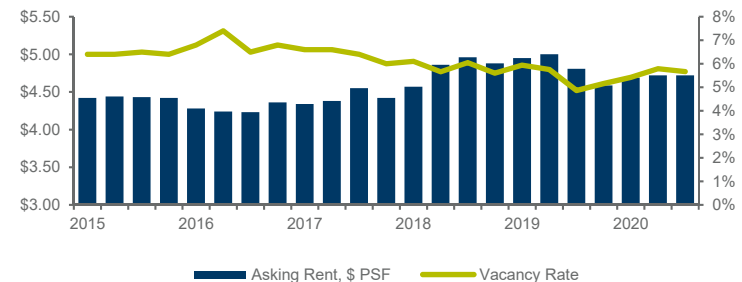
PRICING: Remaining Steady Trajectory

Overall triple-net asking rates ended the third quarter of 2020 at \$4.72 per square foot (psf), a 2.8% increase over the first quarter. Rates remained stable over the course of 2020 after peaking at \$5.00 during the second quarter of 2019. Rates are expected to continue on a steady trajectory as developers press forward with new developments to meet tenant demand for high-quality bulk space.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



North County

North County tracked nearly 241,000 square feet (sf) of positive absorption during the third quarter of 2020, with vacancy remaining steady at 8.6%. Roughly 1.5 msf of new supply has delivered since the beginning of 2020, as developers continue to aggressively seek development opportunities within the submarket. As of the end of the third quarter, 569,000 sf was under construction in the submarket, with over 92.0% being speculative. The Opus Group announced plans for one of the last remaining developable sites within the Earth City market with a proposal for a 45,000-sf built-to-suit headquarters for Johnstone Supply and a 110,000-sf speculative warehouse. Major occupancies during the quarter included Agiliti Health’s 195,000-sf move into 4702 Park 370 Boulevard and The Boeing Company’s 58,000-sf move into 1500 Hazelwood Tradeport Drive.

Metro East

Year-to-date, the Metro East submarket recorded the largest amount of positive net absorption in St. Louis, recording approximately 1.1 msf. E-commerce demand within the submarket bolstered leasing activity, continuing a trend seen throughout 2020 both in St. Louis and across the nation. Healthy tenant demand from e-commerce and third-party logistics occupiers for bulk space in the submarket has supported developer confidence in speculative construction. Of note, NorthPoint Development started construction on its second building at Gateway Tradeport after its first building leased up shortly after delivering in 2019. In preparation for the speculative industrial park, the company purchased the 595-acre lot at the beginning of 2019 and delivered Gateway Tradeport I in March of the same year.

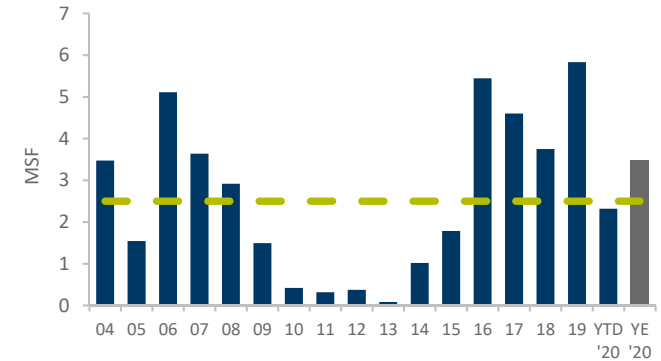
St. Charles

Quarterly absorption for the St. Charles submarket reached positive 84,000 sf, bringing the submarket’s year-to-date absorption to positive 624,000 sf. The end of the third quarter of 2020 marked the 12th consecutive quarter with vacancy below 4.0% despite over 4.5 msf of new construction delivering across the submarket since 2017. As of the end of the third quarter, there was 1.0 msf under construction, with build-to-suit projects driving most of the activity within the submarket.

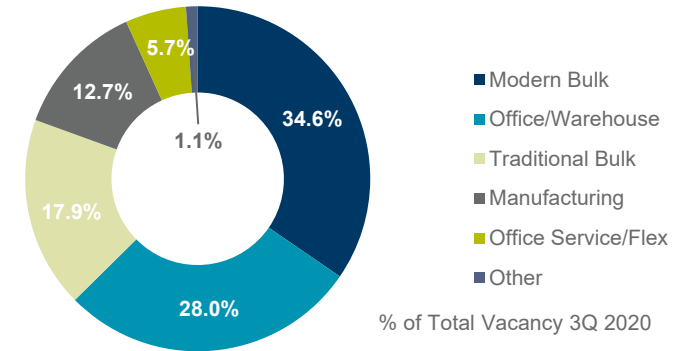
Outlook

- Demand for bulk space from e-commerce and 3PLs will continue to drive leasing activity over the short-term. Look for developers to break ground on new sites in anticipation of this occupier demand.
- Expect more spotlight on tax abatements as various municipalities and developers compete for occupiers that will facilitate local economic growth.

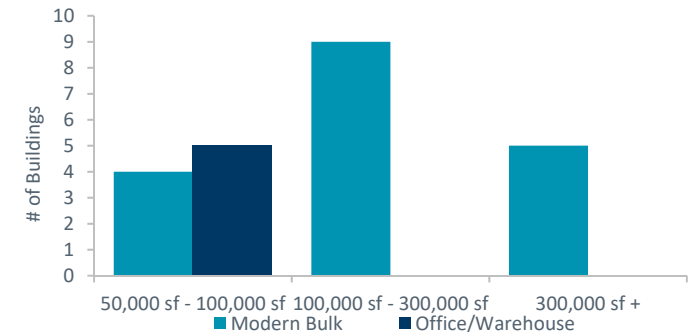
NEW SUPPLY



VACANT SPACE BY PRODUCT TYPE



BLOCKS OF CLASS A CONTIGUOUS SPACE



MARKETBEAT

ST. LOUIS



Industrial Q3 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	62,985,355	3,289,481	5.2%	-75,161	-564,416	154,337	0	\$4.35	\$3.50	\$3.55
Metro East	264	36,252,878	2,289,172	6.3%	586,506	1,066,971	543,740	0	N/A	\$8.85	\$4.14
Mid County	558	23,301,820	614,445	2.6%	76,040	-236,107	0	0	N/A	\$7.20	\$6.09
North County	531	55,926,235	4,811,144	8.6%	240,970	214,327	568,550	1,487,860	\$4.60	\$6.10	\$4.06
South County	461	20,672,967	1,249,372	6.0%	174,811	203,548	0	372,750	\$4.40	\$8.65	\$5.89
St. Charles	467	32,610,283	908,632	2.8%	84,486	624,029	1,011,400	458,000	N/A	N/A	\$4.95
West County	532	22,313,966	1,228,606	5.5%	-66,819	-218,656	0	0	N/A	\$10.16	\$5.09
ST. LOUIS TOTALS	4,057	254,063,504	14,390,852	5.7%	1,020,833	1,089,696	2,278,027	2,318,610	\$4.55	\$7.37	\$4.46

*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	120	49,485,287	4,276,107	8.6%	1,010,018	1,902,428	1,767,690	1,046,360	\$4.07
Traditional Bulk	253	35,263,078	2,922,435	8.3%	27,448	-678,448	0	0	\$3.65
Office/Warehouse	2,814	98,221,766	4,174,177	4.2%	11,853	-302,294	310,337	700,350	\$6.09
Other	85	2,665,737	215,532	8.1%	-55,144	-55,144	0	0	\$7.08
Warehouse/Distribution	3,272	185,635,868	11,588,251	6.2%	994,175	866,542	2,078,027	1,746,710	\$4.46
Manufacturing	482	55,422,251	1,880,744	3.5%	56,356	89,448	0	324,500	\$5.06
Office Service/Flex	297	13,005,385	847,816	6.8%	-29,698	133,706	200,000	247,400	\$7.43
ST. LOUIS TOTALS	4,051	254,063,504	14,316,811	5.7%	1,020,833	1,089,696	2,278,027	2,318,610	\$4.72

KEY LEASE TRANSACTIONS YTD 2020

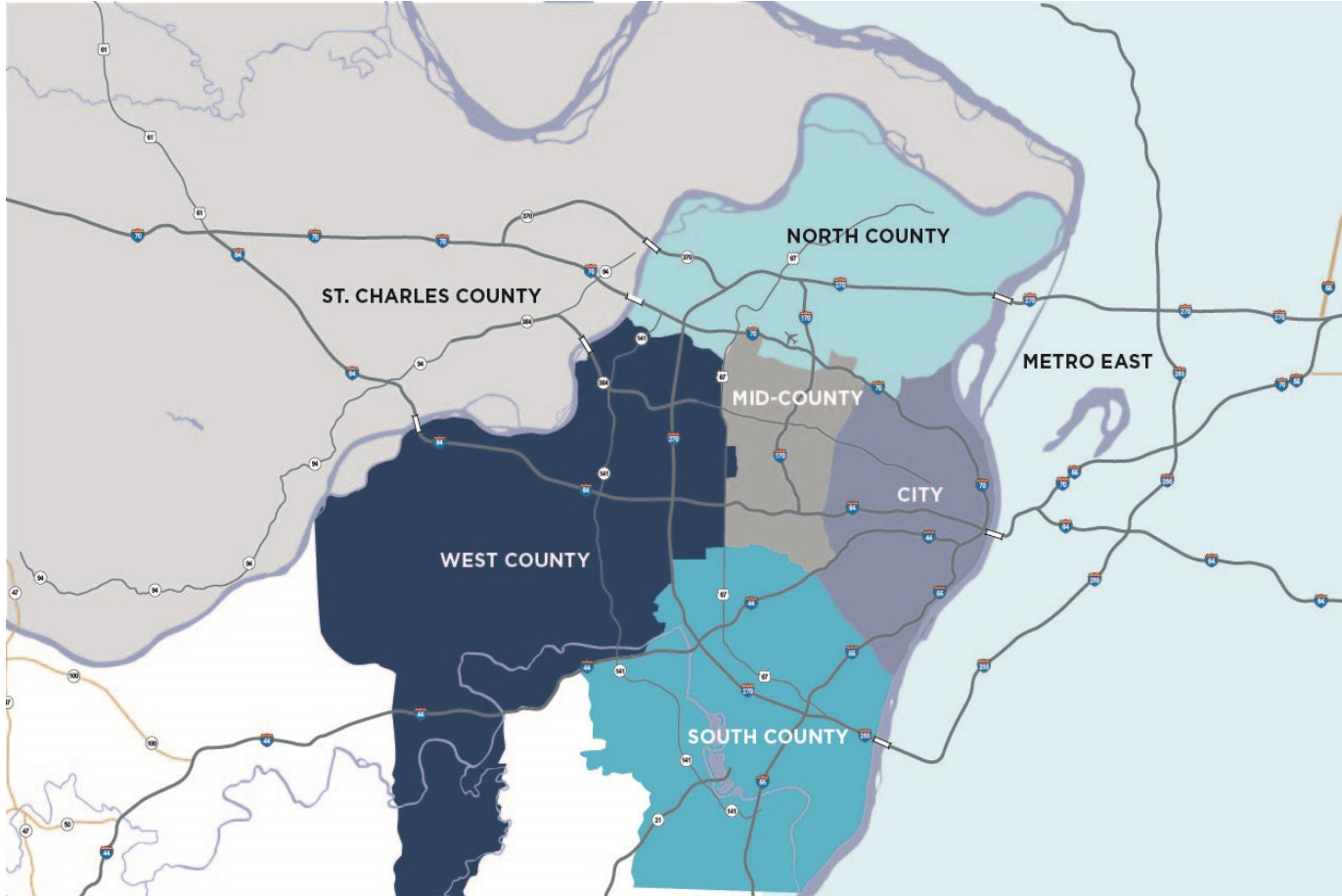
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
3951 Lakeview Corporate Dr.	Metro East	World Wide Technology	1,109,830	Renewal*
12 Gateway Commerce Center Dr. E.	Metro East	Lowe's Home Centers, LLC	673,137	Renewal*

*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

INDUSTRIAL SUBMARKETS



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