

MARKETBEAT ST. LOUIS

Industrial Q4 2020



YoY
Chg

12-Mo.
Forecast

5.3%

Vacancy Rate



3.9M

YTD Net Absorption, SF



\$4.79

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2020

YoY
Chg

12-Mo.
Forecast

1.3M

St. Louis
Employment



4.9%

St. Louis
Unemployment Rate



6.7%

U.S.
Unemployment Rate



Source: BLS

ECONOMIC OVERVIEW

2020 will go down in history as being a whirlwind of a year. On the heels of placing the proverbial breaks on the largest economy in the world, unemployment landed at 6.7% year-end, with local unemployment figures in St. Louis settling at 4.9%. Despite St. Louis's unemployment peaking during the second quarter at 11.6%, the market bounced back to add 88,500 jobs over the last six months. Tied to considerable e-commerce growth, the Trade, Transportation and Utilities sector as of year-end recovered 18,800 jobs of the 20,700 positions that were lost during the economic trough of the pandemic.

SUPPLY AND DEMAND: Continued Expansion

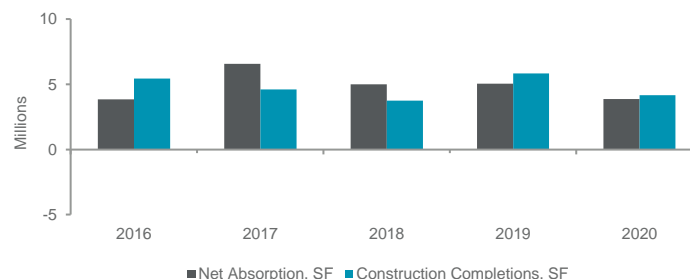
Increased demand for e-commerce distribution continues to support industrial expansion in St. Louis. Since 2017, St. Louis has recorded 24.0 million square feet (msf) of positive absorption, accounting for nearly 9.3% of tracked inventory. Absorption for the fourth quarter of 2020 was positive 2.6 msf, which elevated year-to-date absorption to positive 3.9 msf. Occupier demand kept pace with new supply as 4.1 msf of new space delivered for the year, most of which was located in the North County and St. Charles markets.

Expectedly, strict pandemic guidelines imposed during the first half of 2020 resulted in the number of deals signed to fall by 22.6% year-over-year. However, despite lower deal count, increased demand for larger space from e-commerce and logistic companies drove the average deal size higher, as total leasing increased by 10.2% year-over-year.

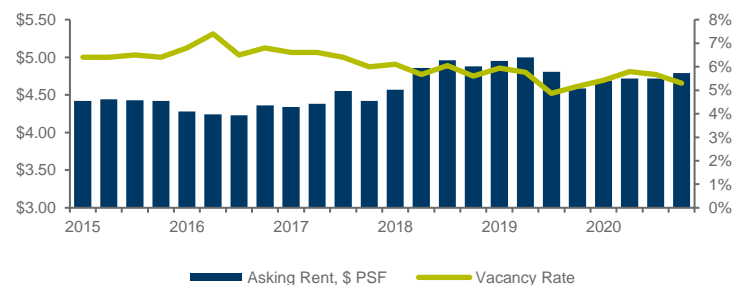
PRICING: Steady Trajectory

Year-over-year, overall triple net asking rates rose 4.4%, ending the fourth quarter of 2020 at \$4.79 per square foot (psf) and are approaching peak levels of \$5.00 psf reached in the first half of 2019. For example, strong occupier demand for bulk product and the delivery of top-tier space in St. Charles County has driven rates upwards by roughly \$0.51 psf year-over-year, an increase of 5.2%. Expect to see a continued rise in markets that have constricted inventories.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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North County

North County tracked nearly 980,000 square feet (sf) of positive absorption during the fourth quarter of 2020, raising year-to-date absorption to 1.2 msf. Nearly 1.5 msf of new construction delivered in 2020, of which 62.1% was either pre-leased or occupied shortly after completion. Elevated levels of tenant occupancy resulted in year-end vacancy falling by 180 basis points (bps) quarter-over-quarter to 6.8%. New supply and occupier demand remain in step, as red-hot fundamentals resulting from e-commerce activity continued to drive new construction in the submarket, which accounted for over one-third of St. Louis's total deliveries for the year.

Metro East

Year-end vacancy for the Metro East landed at 7.4%, a 190-bps decline year-over-year. Since the beginning of the year, nearly \$1.5 billion in assets traded hands as institutional investors bought into the Lakeview and Gateway Industrial Parks, which are known for their strategic location near the interchange of Interstate 270 and Interstate 255. The market continues to benefit from e-commerce and logistics occupier demand, along with the abundant land availability adjacent to these parks. In addition to investment sales, the market also recorded nearly \$7.0 million in land sales, as two in-fill plots averaging 3.5 msf were purchased during the first half of 2020 by Panattoni Development.

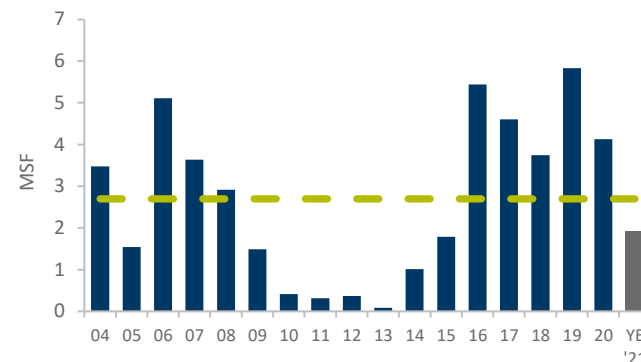
St. Charles

Quarterly absorption for the St. Charles submarket reached positive 1.2 msf, bringing the submarket's year-to-date absorption to positive 1.8 msf and outperforming all other markets for the year. Year-to-date construction reached 1.5 msf, accounting for over one third of 2020 deliveries. The end of the fourth quarter of 2020 marked the 13th consecutive quarter with vacancy below 4.0%, despite over 5.5 msf of new construction delivering across the submarket since 2017.

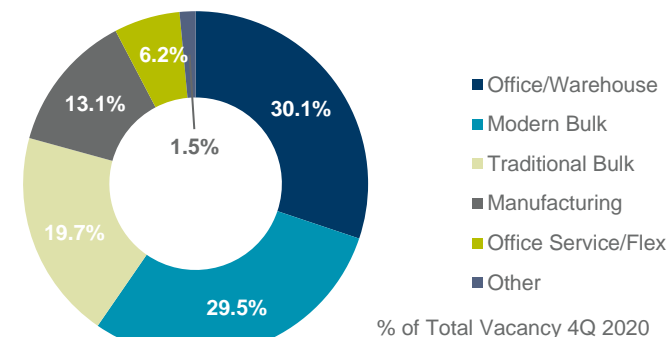
Outlook

- Absorption levels over the next year should remain elevated as built-in occupancy from deals signed in 2020 will commence. A majority of the tenants will occupy during the first half of 2021.
- Expect more spotlight on tax abatement as various municipalities and developers compete for occupiers that will facilitate local economic growth.
- Expect further activity from logistics and e-commerce occupiers looking to solidify their regional omni-channel strategy and expand operations to match the rapid increase in customer buying behavior for more online purchases.

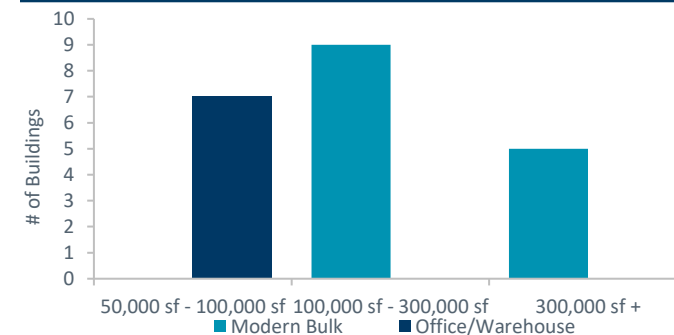
NEW SUPPLY



VACANT SPACE BY PRODUCT TYPE



BLOCKS OF CLASS A CONTIGUOUS SPACE



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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)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
City	1,240	63,091,813	3,344,664	5.3%	65,387	-465,262	0	154,337	\$5.22	\$3.50	\$3.80
Metro East	265	36,915,448	2,731,817	7.4%	101,095	1,268,066	0	673,740	N/A	\$8.85	\$3.93
Mid County	558	23,288,191	565,942	2.4%	48,503	-187,604	0	0	N/A	\$7.20	\$6.09
North County	532	55,927,026	3,807,997	6.8%	979,825	1,217,474	819,426	1,487,860	\$4.60	\$5.97	\$3.98
South County	459	20,685,548	1,096,532	5.3%	156,840	356,388	148,800	372,750	\$4.40	\$8.65	\$5.81
St. Charles	470	33,641,183	736,307	2.2%	1,155,725	1,807,754	0	1,469,400	N/A	N/A	\$5.07
West County	531	22,313,966	1,148,719	5.2%	70,549	-138,769	0	0	N/A	\$10.18	\$5.43
ST. LOUIS TOTALS	4,055	255,863,175	13,431,978	5.3%	2,577,924	3,858,047	968,226	4,158,087	\$4.63	\$7.31	\$4.50

*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)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Modern Bulk	122	50,841,118	4,259,526	8.4%	1,912,089	3,814,539	412,550	2,401,500	\$4.01
Traditional Bulk	253	35,263,078	2,843,116	8.1%	144,272	-510,876	0	0	\$3.65
Office/Warehouse	2,814	98,364,886	3,331,371	3.4%	310,733	52,896	555,676	884,687	\$6.39
Other	85	2,665,737	215,532	8.1%	0	-41,834	0	0	\$7.08
Warehouse/Distribution	3,274	187,134,819	10,649,545	5.7%	2,367,094	3,314,725	968,226	3,286,187	\$4.50
Manufacturing	483	55,522,251	1,888,049	3.4%	27,001	225,787	0	424,500	\$4.63
Office Service/Flex	298	13,206,105	894,384	6.8%	183,829	317,535	0	447,400	\$7.31
ST. LOUIS TOTALS	4,055	255,863,175	13,431,978	5.3%	2,577,924	3,858,047	968,226	4,158,087	\$4.79

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

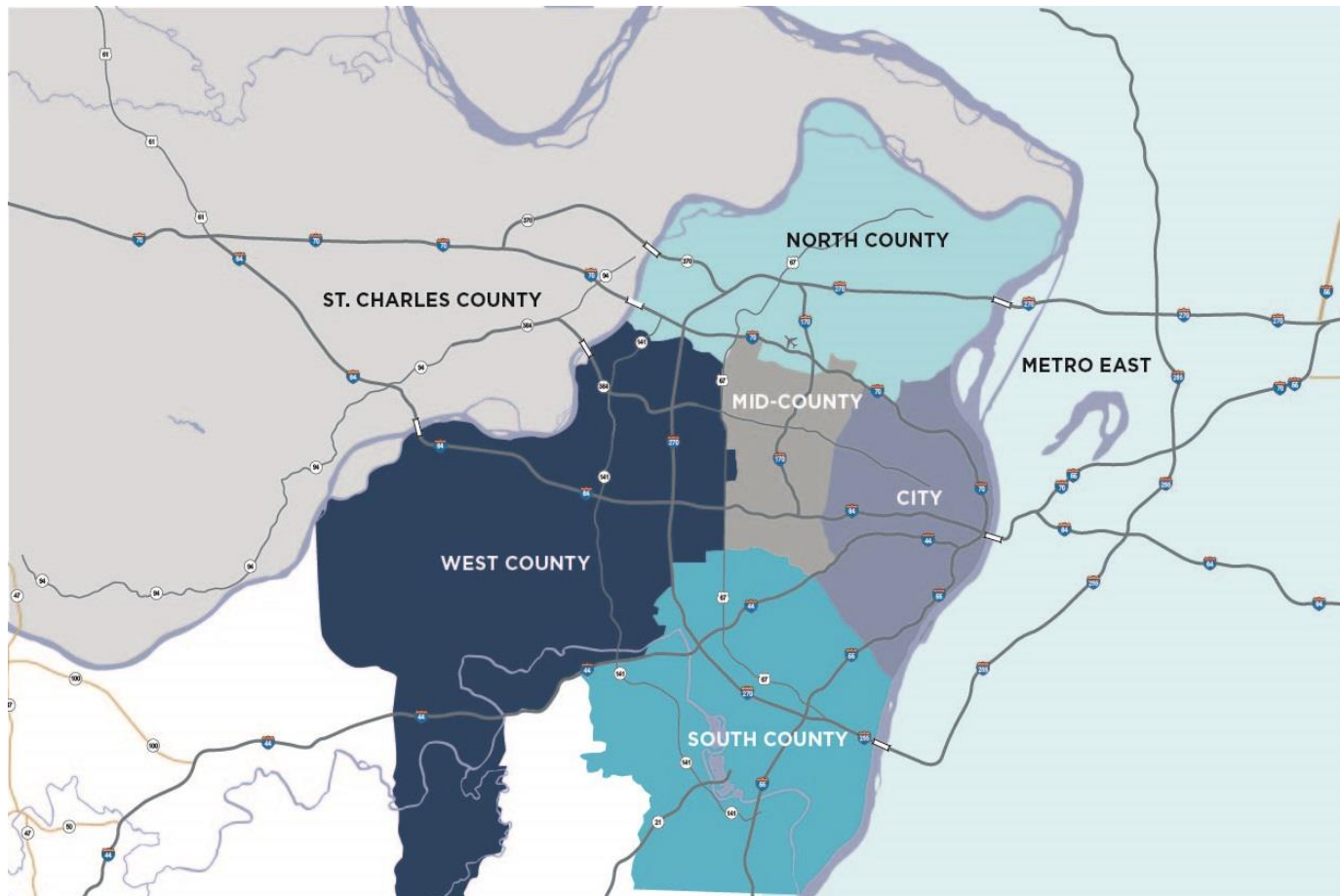
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
13610 Riverport Dr.	North County	DG Riverport Investments LLC/ Creative Testing Solutions	775,368	N/A
3965-3971 Lakeview Corporate Dr.	Metro East	Duke Realty Corporation / Seal Acquisitions	540,000	\$27.4M/\$50.83

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INDUSTRIAL SUBMARKETS



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