

YoY Chg 12-Mo. Forecast

4.4%
Vacancy Rate



2.9M
YTD Net Absorption, SF



\$5.02
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2021

YoY Chg 12-Mo. Forecast

1.3M
St. Louis Employment



4.4%
St. Louis Unemployment Rate



5.9%
U.S. Unemployment Rate



Source: BLS, Moody's Analytics
2021Q2 data are based on latest available data

ECONOMIC OVERVIEW

St. Louis's unemployment rate ended the second quarter of 2021 at 4.4%, a 900 basis-point (bps) reduction since April 2020. While moving in the right direction the figure side-steps employment, which has not fully recovered. The amount of people within the St. Louis labor force is still well below levels at the start of 2020, as employment has recovered roughly 36.3%, or 64,500, of the 177,900 jobs lost in April 2020. Despite recent gains, expect more entries into the labor force as Missouri ends all federal pandemic related unemployment benefits as of June. St. Louis's unemployment rate remains well below the national average of 5.9%.

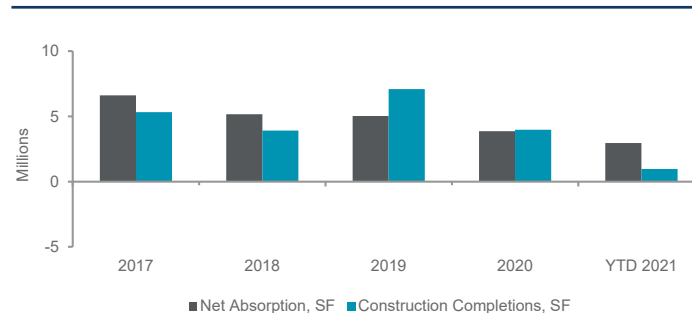
SUPPLY AND DEMAND: Continued Demand Drives Vacancy Lower

As of quarter-end, only the North County submarket tracked a vacancy rate over 5.0%, ending the period at 5.6% and the lowest level since 2005. Despite weaker absorption during the first half of 2020 driven by pandemic-related restrictions, overall vacancy for St. Louis fell to another record-low during the second quarter of 2021, ending the quarter at 4.4%, a year-over-year change of 133 bps. Absorption for the first half of 2021 reached nearly 3.0 million square feet (msf), as pent-up demand for quality space continued to drive vacancy rates further downwards. As of quarter-end, the roughly 4.2 msf under construction was already 69.0% pre-leased as developers aggressively worked their inventories. Quality space remains in demand, as only six of the 35 buildings built since 2019 have available spaces over 100,000 square feet (sf) and only one of the spaces is over 500,000 sf. The three major developers include Panattoni Development Company, NorthPoint Development, and Exeter Property Group, which together account for 72.1% of the current construction pipeline (3.0 msf).

PRICING: Continuation of Elevating Asking Rate Levels

Year-over-year, overall triple net asking rates rose 6.6%, ending the second quarter of 2021 at \$5.02 per-square-foot (psf). This marks the third time rates have climbed over \$5.00 since 2010, with two of those occurrences coming in 2021. The elevated rates are the result of pressure from strong tenant demand combined with a lack of supply. Supply strapped markets can expect further mounting pressure on rates as new construction from aggressive development delivering in the second half of 2021 will hit the market with triple net rates ranging from \$3.85 to \$7.50 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



North County

Since 2010, North County has delivered nearly 10.3 msf of new construction, which accounts for roughly one-third of St. Louis’s deliveries. Despite historically elevated vacancy driven by increased supply over the last ten years, market vacancy has pulled back due to strong tenant demand that has resulted in 12.0 msf of absorption over the period. As pandemic restrictions for businesses were lifted during the end of 2020 and the beginning half of 2021, pent up occupier demand resulted in year-to-date absorption reaching 1.4 msf for 2021, outpacing year-to-date deliveries by 75.4%. As of quarter-end, the market’s construction pipeline totaled 1.6 msf, of which was 73.3% pre-leased, ensuring that the second half of 2021 will track a healthy amount of absorption.

North County vacancy rates inched downwards as of quarter end, closing the second quarter of 2021 at 5.6%, a decline of 236 bps year-over-year. Expect rates to remain low over the mid-term, with short-term pressure driven by high quality deliveries. Major move-ins included; United States Postal Service’s 299,000-sf occupancy at 4702 Park 370 Boulevard and ITF Group’s 144,000-sf relocation to 4774 Park 370 Boulevard.

Metro East

Quarter-end vacancy for the Metro East market landed at 4.8%, a 328-bps decline year-over-year. Over 1.3 msf of leasing transactions occurred since the start of 2021, signaling that occupier activity remains healthy for the strategically located market. As of the second quarter 2021, the market tracked nearly 2.0 msf of space under construction of which 84.9% was speculative development. Investment in the submarket has been driven by two major players, Exeter Property Group and NorthPoint Development. Notable move-ins during the quarter included FedEx (Unilever)’s 769,000-sf occupancy at 3919 Lakeview Corporate Drive.

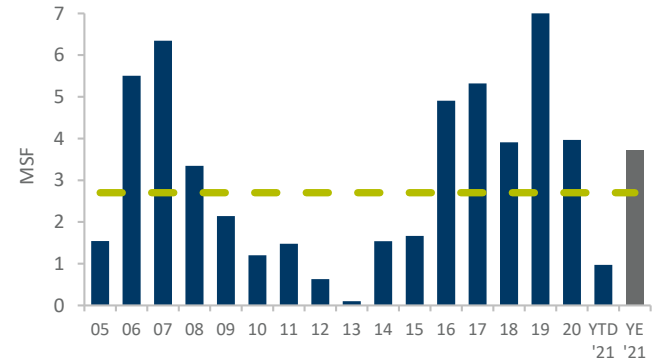
South County

Year-to-date absorption for the South County market reached 406,000 sf as of second quarter 2021, bringing the market’s vacancy rate to 3.4%, or down 270 bps year over year. Preleasing from new deliveries accounted for 72.9% of second quarter absorption, which reached 267,000 sf. Absorption is expected to remain healthy for South County, as built-in absorption from new construction preleasing will occur in the second half of the year. Major move-ins this quarter included: an eCommerce company’s 149,000-sf move into a built-to-suit facility at the Fenton Logistics Park, and Nomax Manufacturing’s 46,000-sf expansion at 9743 Green Park Industrial Drive.

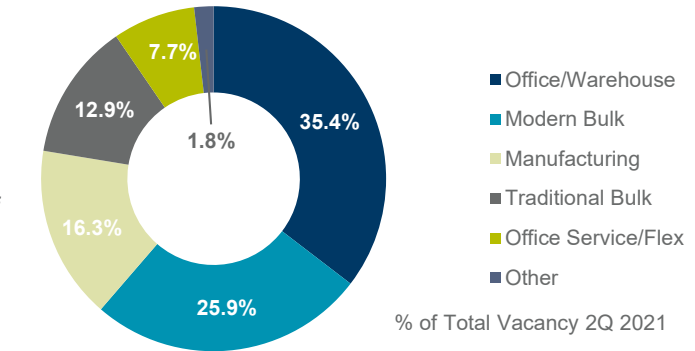
Outlook

- 2021 deliveries will provide tenants options to expand and relocate, allowing for supply strapped markets to continue to track healthy leasing activity.
- Vacancy rates will rise temporarily due to new inventory being added to the market, however asking rates will continue to increase due to these high-quality deliveries combined with strong tenant demand.
- Developers will continue to put their land inventories into production, preparing to bring more space to the market.

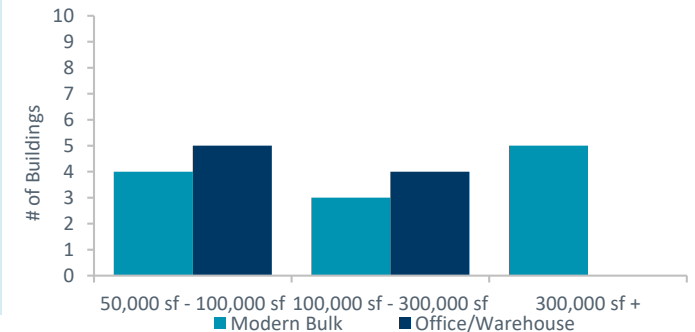
NEW SUPPLY



VACANT SPACE BY PRODUCT TYPE



BLOCKS OF CLASS A CONTIGUOUS SPACE



MARKETBEAT ST. LOUIS



Industrial Q2 2021

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	1,175	62,124,600	3,021,215	4.9%	-24,332	121,552	0	0	\$5.22	\$3.50	\$4.72
Metro East	261	36,875,732	1,776,029	4.8%	755,363	1,023,169	1,931,386	0	N/A	N/A	\$3.87
Mid County	550	23,210,168	570,634	2.5%	111,406	-4,692	0	0	N/A	\$6.96	\$5.27
North County	525	56,635,123	3,169,323	5.6%	500,911	1,441,384	1,571,246	821,698	\$4.60	\$6.02	\$4.39
South County	449	20,589,165	688,977	3.4%	267,425	406,382	224,000	148,800	\$4.02	\$8.66	\$6.38
St. Charles	454	33,481,683	896,641	2.7%	-138,143	-171,034	342,600	0	N/A	8.75	\$5.01
West County	523	22,236,547	997,894	4.5%	-43,312	144,112	92,450	0	N/A	\$10.35	\$5.93
ST. LOUIS TOTALS	3,937	255,153,018	11,120,713	4.4%	1,429,318	2,960,873	4,161,682	970,498	\$4.55	\$7.24	\$4.72

*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	123	51,253,949	3,287,451	6.4%	940,376	1,342,706	3,702,632	412,550	\$4.06
Traditional Bulk	252	34,913,530	1,095,679	3.1%	436,807	1,119,286	0	0	\$3.95
Office/Warehouse	2,714	97,714,192	3,581,705	3.7%	95,932	592,701	459,050	557,948	\$6.44
Other	80	2,615,737	205,544	7.9%	0	0	0	0	\$5.00
Warehouse/Distribution	3,169	186,497,408	8,170,379	4.4%	1,473,115	3,054,693	4,161,682	970,498	\$4.72
Manufacturing	472	55,467,630	1,987,313	3.6%	-3,944	-53,064	0	0	\$4.55
Office Service/Flex	296	13,187,980	963,021	7.3%	-39853	-40756	0	0	\$7.24
ST. LOUIS TOTALS	3,937	255,153,018	11,120,713	4.4%	1,429,318	2,960,873	4,161,682	970,498	\$5.02

KEY LEASE TRANSACTIONS YTD 2021

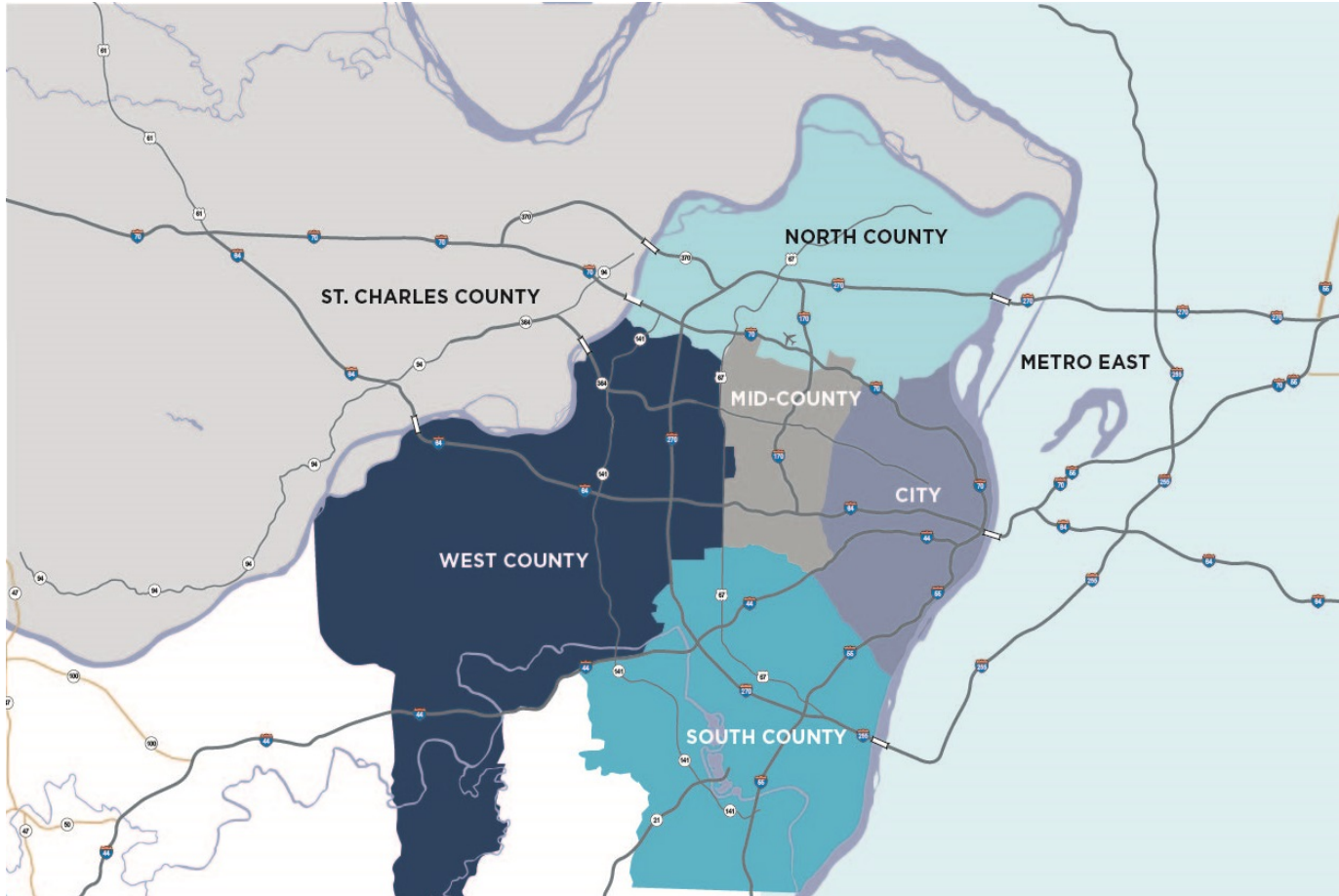
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
4702 Park 370 Blvd.	Hazelwood	United States Postal Service	299,004	New
Enterprise Dr.	Edwardsville	Anheuser Busch	240,000	New
201 Wentzville Industrial Dr	St. Charles County	Leer Corporation	210,995	New
1500 Tradeport Dr.	Hazelwood	Crown Packaging	110,000	New

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS YTD 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
8195 Lackland Rd.	University City	Beckell/UBS Jost Chemical	185,297	\$13.0M \$70

INDUSTRIAL SUBMARKETS



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