

MARKETBEAT

ST. LOUIS



Industrial Q2 2022

	YoY Chg	12-Mo. Forecast
2.8% Vacancy Rate	▼	▲
2.4M YTD Net Absorption, SF	▲	▲
\$6.04 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent, asking rates weighted on vacant space

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
1.4M St. Louis Employment	▲	▲
3.4% St. Louis Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	▼	▼

Sources: BLS, Moody's Analytics, Federal Reserve Bank of St. Louis

ECONOMIC OVERVIEW

The unemployment rate in St. Louis ended Q2 2022 at 3.4%, a 100 basis-point (bps) reduction since Q1 2021. The U.S. unemployment rate ended Q2 2022 at 3.6%, 20 bps above the unemployment rate in St. Louis. Despite the solid unemployment statistics, there remains some economic concerns within the United States as inflation has reached over 8.0%. The Federal Reserve is poised to fight inflation by raising interest rates and did so by three-quarters of a percentage point in June after two smaller hikes earlier in the year. Recession fears have begun to mount as the Federal Reserve prepares for another interest rate increase at the July meeting.

SUPPLY AND DEMAND: Future Availability with Elevated Levels of Speculative Development

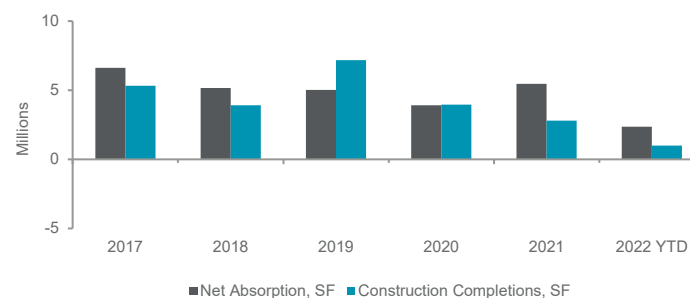
Overall vacancy ended the quarter at a historic low of 2.8%, marking the sixth consecutive quarter below 5.0%. The continued low level of vacancy is the result of strong leasing fundamentals and increased occupier demand. Finding space in this market has become a challenge for occupiers as only three of the 43 buildings delivered since 2019 have available space. Of these three buildings, none can satisfy an immediate requirement of 100,000 square feet (sf) or greater.

Developers have taken notice of increased occupier demand, as is evident with current levels of speculative construction. Speculative development accounted for 94.8% of all properties under construction as of the end of the quarter, totaling roughly 8.1 msf. NorthPoint Development and Panattoni Development Company each have seven speculative buildings currently under construction supplying an additional 5.4 msf to the market.

PRICING: Rates Over \$5.00 Becoming the New Normal

Overall triple-net asking rates have risen 17.7% year-over-year, ending the second quarter of 2022 at \$6.04 per square foot (psf). This marks the first-time rates have eclipsed the \$6.00-mark, and the sixth consecutive quarter that rates have been above \$5.00. The continued increase in rates has been driven by supply shortages combined with elevated asking rates on new construction. Aggressive development delivering by year-end in 2022 will hit the market with triple-net rates ranging from \$4.15 to \$7.95 psf across all product types.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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North County

Over 3.0 msf of new construction is currently underway in North County and is expected to deliver by the end of 2022. Developers such as NorthPoint Development and Panattoni Development Company have begun shifting land inventories into production. Aggressive construction plans to finish Panattoni's Aviator and NorthPoint's Hazelwood Tradeport and Riverport Trade Center industrial parks have resulted in nearly 2.2 msf of the submarket's 3.2 msf construction pipeline. In addition to elevated levels of speculative construction, occupier demand in the submarket remained robust with roughly 950,000-sf of leasing activity in the second quarter of 2022. The combination of strong demand and increased rates from new quality inventory has driven overall average triple-net asking rates in North County to increase, ending the second quarter at \$5.13 psf. Expect rates to increase further as intense competition for limited new inventory expected to deliver by year-end will drive top-tier rates. The delivery of the final three Aviator buildings in 2022 will complete the nine-property industrial park, totaling more than 2.6 msf. Key Transactions: JDS Industries' 105,000-sf renewal-expansion at 13741 N. Rider Trail and Lowe's Companies' 102,000-sf new lease at 4690 Tradeport Dr.

Metro East

Quarter-end vacancy for the Metro East market rose to 3.2%, a 50-bps increase from Q1 2022. The minor swings in vacancy can largely be explained by the minimal amount of delivered space in 2021 and early 2022. Expect vacancy to fluctuate over the short-term as new deals and construction shift the balance of vacant inventory in the submarket. Occupier demand for the submarket remains elevated, as is evident with year-to-date absorption ending the second quarter at positive 1.1 msf. The market's current construction pipeline includes 2.6 msf of speculative space scheduled to deliver in 2022. Key Transactions: Spectrum Brands' 624,000-sf new lease at 1401 Tradeport Pkwy and Unilever's 1.3-msf renewal at 5620 Inner Park Dr.

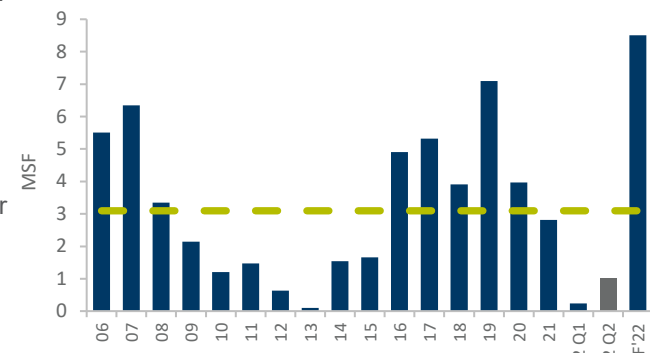
St. Charles County

St. Charles county ended the quarter with a 1.7% vacancy rate, marking the ninth consecutive quarter below 3.0%. The market's current development pipeline is drastically different from years past with speculative construction now accounting for 93.9%. The shift towards more speculative construction is largely due to Panattoni's rapid development of its newly acquired land inventory at Premier 370 and Commerce Park West's (an affiliate of Cat5 Commerce) development in Dardenne Prairie, MO. Key Transactions: Friend Tire Company's 50,000-sf renewal at 3900 Charbonneau.

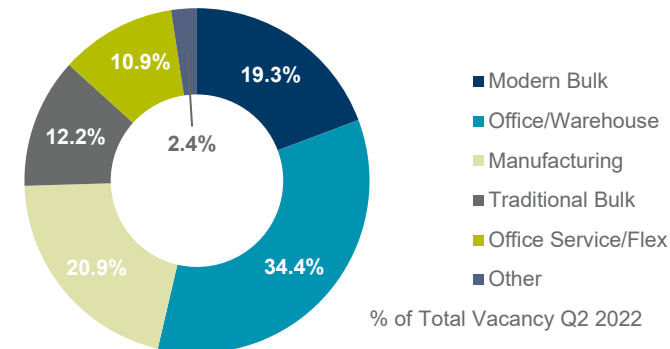
Outlook

- Low vacancy rates and heightened leasing velocity will continue to put upward pressure on rental rates.
- Expect further activity from logistics and e-commerce occupiers looking to solidify their regional omni-channel strategy and expand operations to match the shift in consumer behavior towards online purchases.
- Developers will continue to break ground on land inventories based on current demand in addition to actively seeking additional land sites that will benefit from the market's rapid industrial growth.

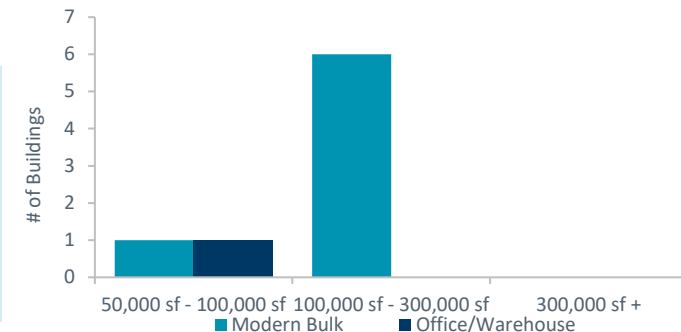
NEW SUPPLY



VACANT SPACE BY PRODUCT TYPE



AVAILABLE 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 CONST (SF)	YTD CONST COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
City	1,172	61,475,395	1,934,052	3.2%	82,521	91,760	360,000	0	\$2.27	\$8.63	\$5.22
Metro East	263	37,800,078	1,204,395	3.2%	-168,704	1,142,029	2,703,736	240,000	\$3.00	N/A	\$5.19
Mid County	549	23,106,287	466,950	2.0%	-69,451	-24,791	244,000	0	\$4.50	\$7.96	\$5.58
North County	527	57,227,053	1,331,361	2.3%	812,409	1,161,029	3,270,882	547,750	N/A	\$6.54	\$4.92
South County	450	20,822,925	346,795	1.7%	33,796	193,383	0	0	N/A	\$8.88	\$9.09
St. Charles	457	34,106,813	590,510	1.7%	58,677	-148,880	1,317,400	210,00	\$3.30	\$8.75	\$5.08
West County	523	22,322,475	1,192,011	5.3%	-38,507	-48,731	606,677	0	\$8.75	\$9.81	\$8.12
ST. LOUIS TOTALS	3,941	256,861,026	7,066,074	2.8%	710,741	2,365,799	8,502,695	997,750	\$3.39	\$8.59	\$5.92

*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 CONST (SF)	YTD CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Modern Bulk	130	53,846,319	1,362,596	2.5%	535,414	2,144,287	7,433,095	787,750	\$4.51
Traditional Bulk	251	34,682,729	860,132	2.5%	-72,417	-109,988	227,800	0	\$4.92
Office/Warehouse	2,715	97,896,100	2,427,823	2.5%	289,866	420,359	666,800	210,000	\$7.15
Other	80	2,695,898	166,144	5.3%	0	11,400	0	0	\$5.46
Warehouse/Distribution	3,176	189,121,046	4,816,695	2.6%	752,863	2,466,058	8,327,695	997,750	\$5.92
Manufacturing	469	54,513,980	1,478,749	2.7%	-51,422	-152,967	100,000	0	\$3.39
Office Service/Flex	296	13,226,000	770,630	5.8%	9,300	52,708	75,000	0	\$8.59
ST. LOUIS TOTALS	3,941	256,861,026	7,066,074	2.8%	710,741	2,365,799	8,502,695	997,750	\$6.04

KEY LEASE TRANSACTIONS YTD 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
5620 Inner Park Dr.	Metro East	Unilever	1,262,648	Renewal
1401 Tradeport Pkwy.	Metro East	Spectrum Brands	624,346	New
15737 River Valley Dr.	West County	Tempur Sealy	194,615	New
13965 Riverport Dr	North County	CORE Telecom	59,694	New

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS YTD 2022

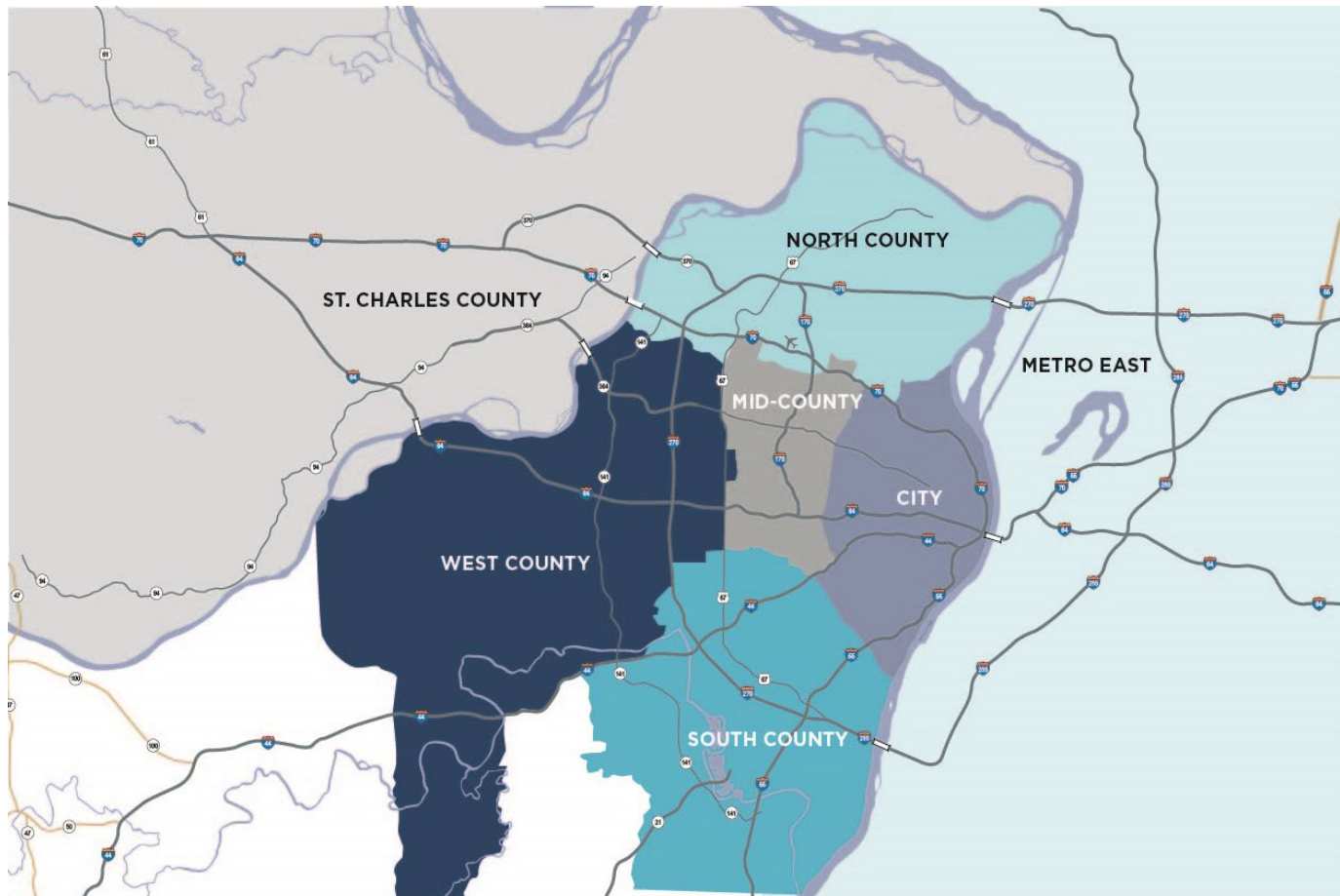
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1901-1939 Belt Way Dr.	Hazelwood	Prom Motor Hotel Plymouth REIT	76,486	\$8.5M \$110.48

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