

YoY Chg 12-Mo. Forecast

3.4%
Vacancy Rate



6.6M
YTD Net Absorption, SF



\$6.29
Asking Rent, PSF



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

ECONOMIC INDICATORS Q4 2022

YoY Chg 12-Mo. Forecast

1.4M
St. Louis Employment



2.9%
St. Louis Unemployment Rate



3.7%
U.S. Unemployment Rate



Sources: BLS, Moody's Analytics, St. Louis Business Journal
2022Q4 statistics are based on latest available data

ECONOMIC OVERVIEW

The St. Louis labor market remained stable in the second half of 2022, finishing the year with an unemployment rate of 2.9%. The U.S. unemployment rate experienced a slight increase to 3.7%, marking a 20 basis-point (bps) climb quarter-over-quarter (QOQ). As fears of an economic recession continue, the Federal Reserve increased interest rates by 425 bps in an effort to curb inflation. The rate increases began in March and have continued through the Federal Reserve's December meeting, marking seven consecutive rate hikes throughout 2022.

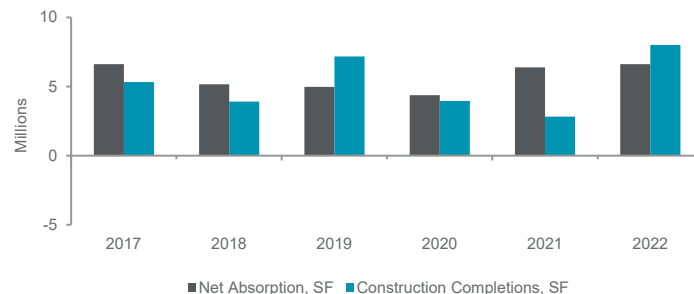
SUPPLY AND DEMAND: Elevated Availabilities with Strong Leasing Fundamentals

Delayed construction, supply chain disruptions, and the changing cost of capital have resulted in St. Louis' largest inventory increase in over 20 years. Over 5.2 million square feet (msf) of new space was completed in Q4 2022, bringing the total amount of 2022 deliveries to more than 8.0 msf. Speculative construction accounted for over 90.0% of all new space delivered throughout the year. With this newly-completed industrial space, an additional 1.6 msf remains under construction as developers begin to slow their construction efforts. The St. Louis MSA also registered a significant increase in available sublease space begin to be marketed, a jump of over 860,000 sf from one year ago. Despite the influx of new availabilities, leasing has remained strong in Q4 by recording over 8.1 msf of leasing activity and over 6.6 msf in net absorption. Leasing activity continues to outpace the new supply brought into the market and will continue to do so with the limited amount of space actively under construction.

PRICING: Rates Over \$6.00 Becoming the New Normal

Overall triple-net asking rates (NNN) have risen 4.7% year-over-year (YOY), ending the fourth quarter of 2022 at \$6.29 per square foot (psf). This marks the third consecutive quarter rental rates have stood above \$6.00 psf, although rates were down \$0.10 psf from third quarter 2022. The decline in asking rates can be attributed to the number of large availabilities with lower asking rates, the amount of newly delivered space without an asking rate, and the increased amount of sublease space. Asking rates are expected to rise again as large blocks of space become leased and/or demised. This coupled with the limited development pipeline will lower vacancy, placing upward pressure on overall asking rates.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



North County

Aggressive construction plans in North County resulted in the delivery of over 2.3 msf in Q4 2022. Panattoni delivered 603,496 sf in Aviator Business Park while NorthPoint completed more than 1.7 msf at Hazelwood Tradeport and Riverport Trade Center. Occupier demand in the submarket remained robust with more than 2.7 msf of leasing activity in 2022. The combination of strong leasing fundamentals and an increase in new quality inventory has driven overall average NNN asking rates higher, ending Q4 2022 at \$6.13 psf. Key transactions within the North County submarket include Koch Air's 144,000-sf new lease at 20 Corporate Woods Dr. and UPS' 90,000-sf renewal at 4238-4240 N. Rider Trail.

Metro East

Q4 vacancy in the Metro East submarket rose to 5.4%, a 110-bps increase from Q3 2022. The uptick in vacancy is primarily due to more than 2.2 msf of new space being delivered in the second half of 2022. Overall, the submarket recorded a total of nearly 2.4 msf in 2022, nearly 50.0% of which was delivered in Q4. Vacancy is expected to fluctuate over the short term as new deals and construction shift the balance of vacant inventory in the submarket. Demand for the Metro East remains elevated, as year-to-date (YTD) absorption closed the fourth quarter at positive 2.4 msf. The market's current construction pipeline includes 517,400 sf of speculative space, which is scheduled to deliver in 2023. Key transactions in the Metro East submarket include QPSI's 217,000-sf renewal at 1201 Tradeport Parkway and World Wide Technologies 126,000-sf sublease at 29 W. Gateway Commerce Center Dr.

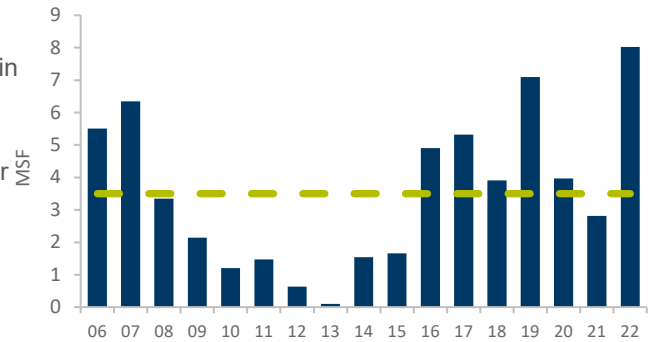
West County

West County ended the quarter with a 4.4% vacancy rate, marking the ninth consecutive quarter below 5.0%. The market's current development pipeline is drastically different from years past with over 600,000 sf of new speculative product delivered throughout 2022. West County is home to the Howard Bend Levy District, the epicenter of proposed industrial development within St. Louis. The Howard Bend Levy District currently has 256,000 sf actively under construction and over 4.5 msf of proposed development. Key transactions in the West County submarket include Ferguson Plumbing Supply's 80,000-sf new lease at 15720 Westport Commerce Dr. and Coastal Business Supplies' 46,000-sf new lease at 15720 Westport Commerce Dr.

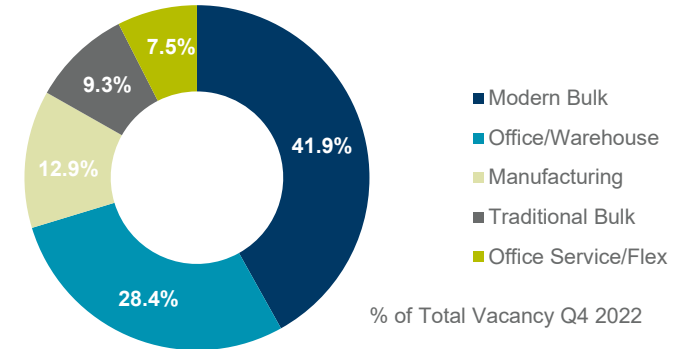
Outlook

- Low vacancy rates and heightened leasing velocity will continue to put upward pressure on rental rates.
- Absorption will remain elevated in the short term as leasing activity remains robust, and all properties within the development pipeline are anticipated to deliver in 2023.
- 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.

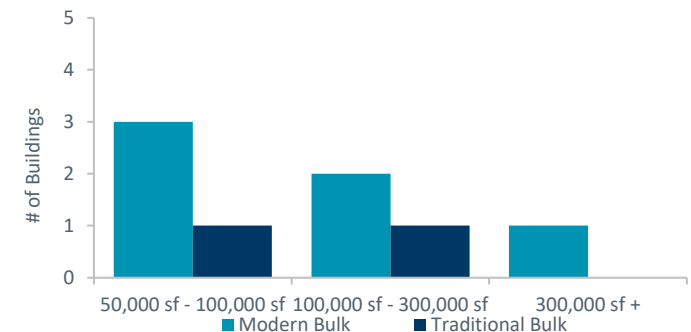
NEW SUPPLY



VACANT SPACE BY PRODUCT TYPE



AVAILABLE BLOCKS OF CLASS A CONTIGUOUS SPACE



MARKETBEAT ST. LOUIS

Industrial Q4 2022



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	1,169	61,338,551	1,792,048	2.9%	-37,005	12,964	260,000	0	\$1.97	\$9.21	\$5.97
Metro East	266	39,939,338	2,140,217	5.4%	683,928	2,364,017	517,400	2,397,810	\$3.00	N/A	\$4.83
Mid County	550	23,386,335	738,863	3.2%	61,538	-52,704	0	244,000	\$4.50	\$7.32	\$5.82
North County	538	60,238,863	2,386,470	4.0%	1,150,022	2,520,533	0	3,446,662	N/A	\$5.60	\$6.13
South County	450	20,830,966	317,327	1.5%	-12,945	189,522	0	30,000	N/A	\$8.71	\$8.01
St. Charles	460	35,358,129	519,038	1.5%	1,115,028	893,858	590,400	1,296,316	\$3.30	\$7.25	\$6.95
West County	527	22,968,329	999,996	4.4%	277,293	699,095	256,024	606,677	N/A	\$9.82	\$8.69
ST. LOUIS TOTALS	3,960	264,060,511	8,893,959	3.4%	3,237,859	6,627,285	1,623,824	8,021,465	\$3.05	\$8.19	\$6.33

*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
Manufacturing	468	54,590,086	1,149,549	2.1%	214,345	77,233	0	120,000	\$3.05
Office Service/Flex	296	13,227,896	667,184	5.0%	-20,916	117,554	0	0	\$8.19
Warehouse/Distribution	3,196	196,242,529	7,077,226	3.6%	3,044,430	6,432,498	1,623,824	7,971,465	\$6.33
Modern Bulk	147	60,159,634	3,729,897	6.2%	2,453,253	5,802,667	1,562,324	7,101,065	\$5.13
Traditional Bulk	253	35,012,890	822,803	2.4%	150,491	-111,986	0	100,000	\$5.95
Office/Warehouse	2,796	101,070,005	2,528,974	2.5%	440,686	741,817	61,500	770,400	\$7.10
ST. LOUIS TOTALS	3,960	264,060,511	8,893,959	3.4%	3,237,859	6,627,285	1,623,824	8,021,465	\$6.29

KEY LEASE TRANSACTIONS Q4 2022

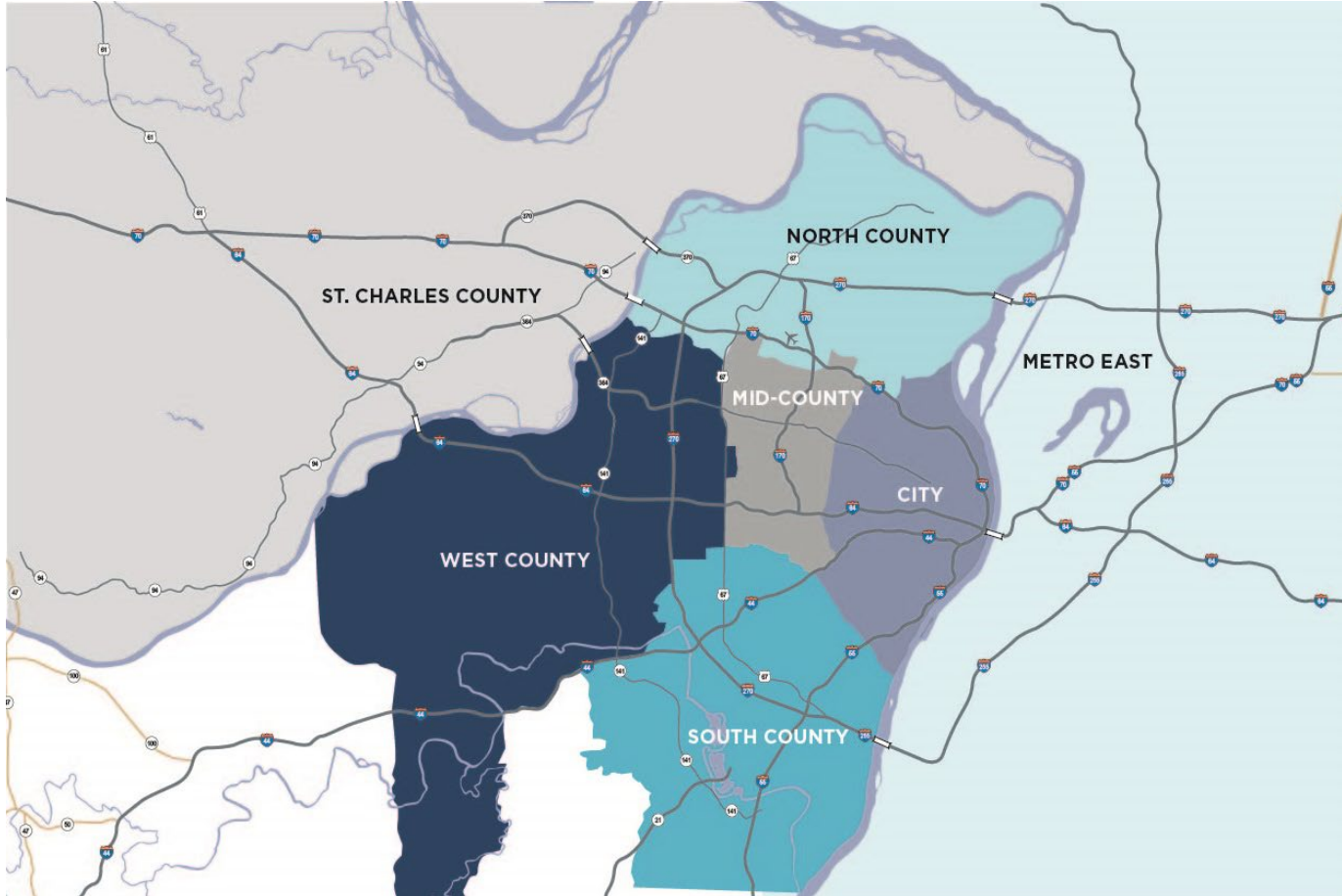
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
7001 Premier Pkwy	St. Charles County	Reaction Auto Parts	265,393	New
20 Corporate Woods Dr	North County	Koch Air	143,824	New
29 W. Gateway Commerce Center Dr	Metro East	World Wide Technology	126,000	Sublease
21-31 Commerce Dr.	St. Charles County	ADS Logistics	101,341	Renewal*

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE/\$ PSF
28 W. Gateway Commerce Center Dr	Metro East	Transwestern 2000 Gold L.P	500,000	\$32M \$64

INDUSTRIAL SUBMARKETS



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