

|                                       | YoY Chg | 12-Mo. Forecast |
|---------------------------------------|---------|-----------------|
| <b>3.1%</b><br>Vacancy Rate           | ▲       | ▲               |
| <b>313K</b><br>YTD Net Absorption, SF | ▼       | ▲               |
| <b>\$6.10</b><br>Asking Rent, PSF     | ▲       | ▲               |

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

### ECONOMIC INDICATORS Q1 2023

|  | YoY Chg | 12-Mo. Forecast |
|--|---------|-----------------|
| <b>1.4M</b><br>St. Louis Employment        | ▲       | ▼               |
| <b>2.9%</b><br>St. Louis Unemployment Rate | ▼       | ▲               |
| <b>3.5%</b><br>U.S. Unemployment Rate      | ▼       | ▲               |

Sources: BLS, Moody's Analytics, St. Louis Business Journal  
2023Q1 statistics are based on latest available data

### ECONOMIC OVERVIEW

The first quarter of 2023 brought new concerns to the forefront of the national economic landscape with multiple bank failures and layoff announcements among some of the nation's largest tech conglomerates. Despite these scares, the labor market continued to boast strong employment numbers as the U.S. unemployment rate closed Q1 2023 at 3.5%, while the St. Louis unemployment rate remained below its pre-pandemic low at 2.9%. The Federal Reserve continued its push to raise interest rates by announcing an additional 25-basis point (bps) increase in its March 2023 meeting, resulting in a year-over-year (YOY) increase of 450 bps.

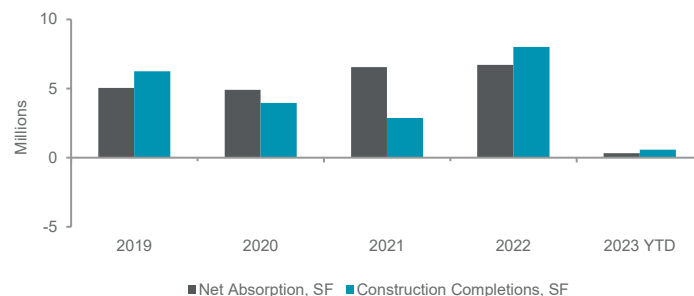
### SUPPLY AND DEMAND: Elevated Availabilities with Strong Leasing Fundamentals

The St. Louis development pipeline has reacted to the rising cost of capital and tenant right-sizing efforts, which has resulted in reduced construction throughout the market. The region had roughly 1.8 million square feet (msf) of new product actively under construction at the close of the first quarter, a 79.0% decline YOY. Since the start of 2023, 565,900 square feet (sf) of new product has been delivered into the market, allowing vacancy to remain stable quarter-over-quarter (QOQ), rising just 10 bps to 3.1%. Activity in St. Louis has slowed down under the current economic headwinds, as the market only recorded 703,000 sf of new leasing activity and 313,000 sf of positive net absorption within the first quarter of 2023.

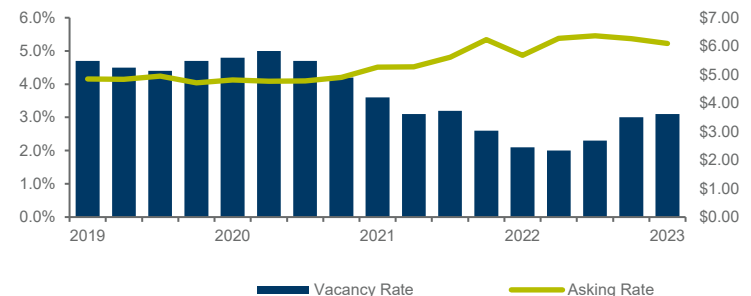
### PRICING: Rents Over \$6.00 Becoming the New Normal

Overall triple-net asking rents (NNN) have risen 7.4% year-over-year (YOY), ending the first quarter of 2023 at \$6.10 per square foot (psf). This marks the fourth consecutive quarter rental rates have stood above \$6.00 psf, although rates were down \$0.17 psf QOQ. Weighted on vacant square footage, the decline in asking rates can be attributed to a higher share of availabilities with lower asking rates combined with an uptick in competitive sublease spaces. Asking rents 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 rents.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



**North County**

Aggressive construction plans in North County resulted in the delivery of over 3.4 msf in 2022, however, economic headwinds have resulted in North County having only 76,500 sf under construction. Occupier demand in the submarket remained robust with more than 388,000 sf of new leasing activity in 2023. The combination of strong leasing fundamentals and an increase in new quality inventory has driven overall average NNN asking rents higher, ending Q1 2023 at \$6.24 psf. Key lease transactions within the North County submarket included Southern Hobby Distribution's 80,000-sf lease at 1500 Tradeport Drive and Smart Karton's 75,000-sf lease at 13955 Riverport Place.

**Metro East**

Vacancy in the Metro East submarket rose to 6.9%, a 150-bps increase from Q4 2022. This uptick can be attributed to the vacant delivery of Panattoni Development's 455,900-sf warehouse facility in Gateway Commerce Center and a 211,000-sf move-out at 1610 Design Way in Dupo. Net absorption ended the first quarter at negative 145,560 sf. Vacancy is expected to fluctuate over the short term as anticipated subleases and new deals shift the balance of vacant inventory within the submarket. The market's current construction pipeline includes 61,500 sf of speculative space scheduled to deliver in the second half of 2023.

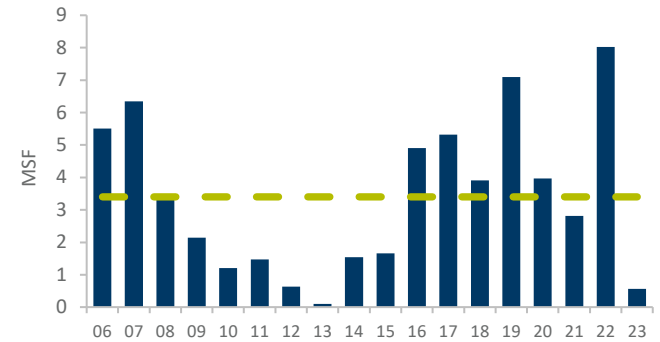
**West County**

West County ended the quarter with a 3.7% vacancy rate, marking the first quarter below 4.0% since 2001. At the close of the first quarter, West County recorded 199,841 sf of positive net absorption and roughly 66,000 sf of new leasing activity. 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 propped. Key lease transactions in the West County submarket included the WEIR Group's 57,000-sf lease at 15720 Westport Commerce Drive and Virginia Tile Company's 33,000-sf lease at 2254-2270 Ball Drive.

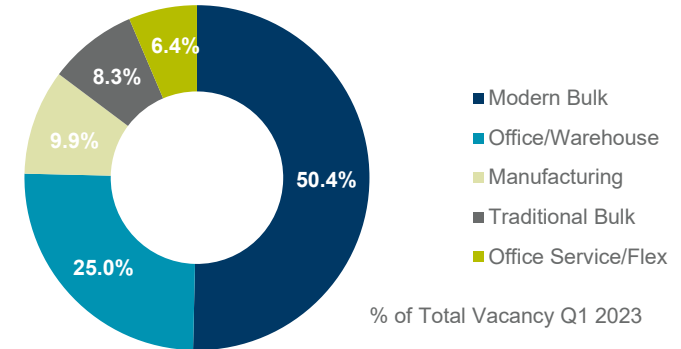
**Outlook**

- A slowdown in development activity and strong leasing fundamentals will keep the market's vacancy healthy over the short term.
- Absorption will fall as tenants begin to right size to their current needs, bringing additional space back to the market.
- The total share of build-to-suit (BTS) construction will rise as developers adjust to current economic headwinds.

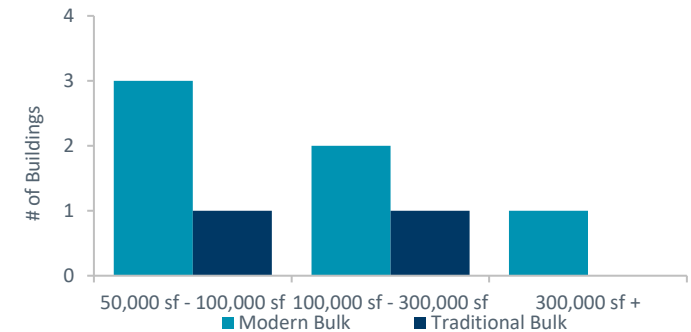
**NEW SUPPLY**



**VACANT SPACE BY PRODUCT TYPE**



**AVAILABLE BLOCKS OF CLASS A CONTIGUOUS SPACE**



# MARKETBEAT ST. LOUIS



## Industrial Q1 2023

### 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* |
|-------------------------|-----------------|--------------------|---------------------|----------------------|---|---------------------------------|------------------|----------------------------|--------------------------------|
| City                    | 1,166           | 60,990,072         | 883,019             | 1.5%                 | 57,550                                  | 57,550                          | 460,000          | 0                          | \$5.32                         |
| Metro East              | 267             | 40,455,238         | 2,801,677           | 6.9%                 | -145,560                                | -145,560                        | 61,500           | 515,900                    | \$4.51                         |
| Mid County              | 550             | 23,386,335         | 662,289             | 2.8%                 | 64,281                                  | 64,281                          | 0                | 0                          | \$6.30                         |
| North County            | 539             | 60,555,461         | 2,237,443           | 3.7%                 | 129,152                                 | 129,152                         | 76,500           | 0                          | 6.24                           |
| South County            | 450             | 20,829,771         | 282,818             | 1.4%                 | 12,534                                  | 12,534                          | 416,460          | 0                          | 8.15                           |
| St. Charles             | 460             | 35,476,744         | 468,658             | 1.3%                 | 75,380                                  | 75,380                          | 490,365          | 50,000                     | \$7.97                         |
| West County             | 527             | 22,968,329         | 850,972             | 3.7%                 | 119,841                                 | 119,841                         | 256,024          | 0                          | 9.16                           |
| <b>ST. LOUIS TOTALS</b> | <b>3,959</b>    | <b>264,661,950</b> | <b>8,186,876</b>    | <b>3.1%</b>          | <b>313,178</b>                          | <b>313,178</b>                  | <b>1,760,849</b> | <b>565,900</b>             | <b>\$6.10</b>                  |

| 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           | 469             | 54,953,891         | 808,109             | 1.5%                 | -160,560                                | -160,560                        | 0                | 50,000                      | \$3.50                         |
| Office Service/Flex     | 296             | 13,227,896         | 525,075             | 4.0%                 | 124,844                                 | 124,844                         | 0                | 0                           | \$8.61                         |
| Warehouse/Distribution  | 3,194           | 196,480,163        | 6,853,692           | 3.5%                 | 348,894                                 | 348,894                         | 1,760,849        | 515,900                     | \$6.21                         |
| Modern Bulk             | 148             | 60,615,534         | 4,122,925           | 6.8%                 | 46,958                                  | 46,958                          | 1,760,849        | 0                           | \$4.97                         |
| Traditional Bulk        | 253             | 35,081,505         | 682,999             | 2.0%                 | 140,070                                 | 140,070                         | 0                | 0                           | \$6.05                         |
| Office/Warehouse        | 2,793           | 100,783,124        | 2,047,768           | 2.0%                 | 161,866                                 | 161,866                         | 0                | 0                           | \$7.42                         |
| <b>ST. LOUIS TOTALS</b> | <b>3,959</b>    | <b>264,661,950</b> | <b>8,186,876</b>    | <b>3.1%</b>          | <b>313,178</b>                          | <b>313,178</b>                  | <b>1,760,849</b> | <b>565,900</b>              | <b>\$6.10</b>                  |

\*Rental rates reflect weighted net asking \$psf/year

### KEY LEASE TRANSACTIONS Q1 2023

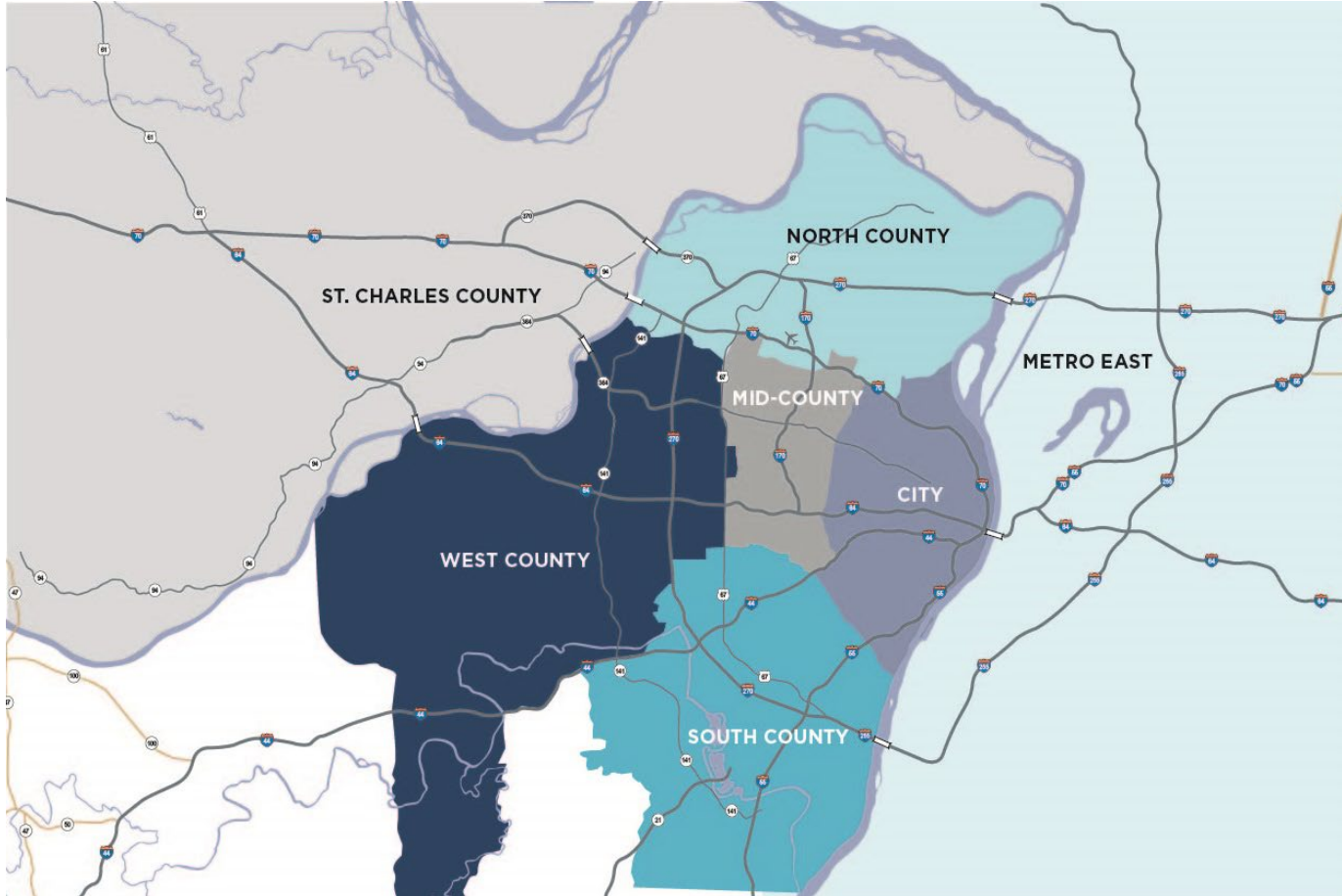
| PROPERTY             | SUBMARKET    | TENANT                      | RSF     | TYPE     |
|----------------------|--------------|-----------------------------|---------|----------|
| 1201 Tradeport Pkwy. | Metro East   | QPSI                        | 217,233 | Renewal* |
| 2100 Walton Rd.      | Mid County   | Snap One                    | 100,011 | New      |
| 1500 Tradeport Dr.   | North County | Southern Hobby Distribution | 79,921  | New      |
| 13955 Riverport Pl.  | North County | Smart Karton                | 74,564  | New      |

\*Renewals not included in leasing statistics

### KEY SALES TRANSACTIONS Q1 2023

| PROPERTY          | SUBMARKET          | SELLER   BUYER                           | SF     | PRICE/\$ PSF |
|-------------------|--------------------|--|--------|--------------|
| 3613 Mueller Road | St. Charles County | Harmon Holdings Corp   Nexus Housing LLC | 59,608 | \$3M   \$50  |

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