

YoY Chg 12-Mo. Forecast

3.5%

Vacancy Rate



-786K

YTD Net Absorption, SF



\$5.60

Asking Rent, PSF



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

ECONOMIC INDICATORS Q2 2023

YoY Chg 12-Mo. Forecast

1.4M

St. Louis Employment



2.7%

St. Louis Unemployment Rate



3.6%

U.S. Unemployment Rate



Sources: BLS, Moody's Analytics, St. Louis Business Journal
2023Q2 statistics are based on latest available data

ECONOMIC OVERVIEW

After ten consecutive interest rate hikes, the Federal Reserve paused interest rate increases in their June 2023 meeting for the first time since March 2022. The increased cost of capital has resulted in a slowdown in sales volume across sectors and continues to play a major role in occupier real estate decisions. This pause is being viewed as an assessment period with increases likely to continue during the second half of 2023. St. Louis continues to see record-low unemployment figures, closing Q2 2023 at 2.7%, 90 basis points (bps) below the national unemployment rate of 3.6%.

SUPPLY AND DEMAND: Elevated Availabilities with Strong Leasing Fundamentals

The St. Louis development pipeline has remained disciplined, resulting in reduced construction throughout the market. The region had nearly 1.6 million square feet (msf) of new product actively under construction at the close of Q2 2023, an 80.8% decline year-over-year (YOY). Since the start of 2023, just 1.2 msf of new product has been delivered into the market, allowing vacancy to remain stable quarter-over-quarter (QOQ), rising just 50 bps to 3.5%. Activity in St. Louis has slowed, as the market recorded 2,634,147 square feet (sf) of new leasing activity and -786,241 sf of net absorption in the first half of 2023.

PRICING: Rents Fall Below \$6.00

Overall triple-net asking rates (NNN) have fallen 12.4% YOY, ending the second quarter of 2023 at \$5.60 per square foot (psf). Weighted on vacant square footage, the decline in asking rates can be attributed to a higher share of larger "big box" availabilities with lower asking rates, and an increase in available sublease spaces. Asking rates are expected to rebound and hold as large blocks of space become leased or demised, coupled with the slowdown in development in 2023.

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, but the pullback in development has resulted in North County having only 76,500 sf under construction. Occupier demand in the submarket remained robust with more than 892,000 sf of new leasing activity throughout 2023. However, the impact of tenants' right-sizing efforts has resulted in -454,628 sf of net absorption in the first half of 2023. Key lease transactions within the North County submarket included Meridian Medical Technologies' 133,000-sf lease at 20 Corporate Woods Dr and Chadwell Supply's 104,000-sf lease at 13955 Riverport Place.

Metro East

Vacancy in the Metro East submarket rose to 7.7%, a 150-bp increase QOQ. This uptick in vacancy can be attributed to the 624,000-sf vacant sublease brought to the market by Spectrum Brands within the Gateway Tradeport industrial park. Vacancy is expected to fluctuate over the short term as anticipated subleases and new deals shift the balance of vacant inventory within the submarket. Given the occupancy shift within the market, net absorption in the Metro East currently sits at -770,000 sf year-to-date (YTD). The market's current construction pipeline includes 61,500 sf of speculative space scheduled to deliver in the second half of 2023.

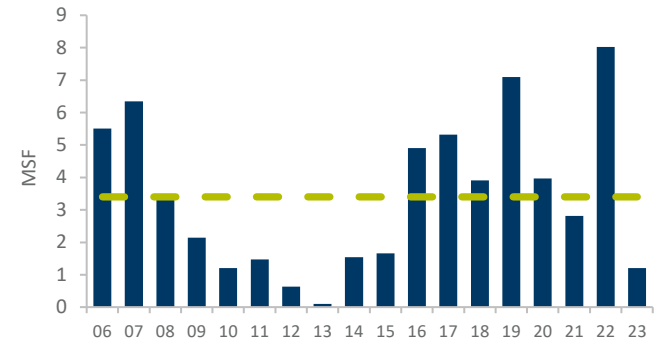
West County

The West County submarket ended the second quarter of 2023 with a 4.1% vacancy rate, a 70-bp increase QOQ. This increase brought the overall vacancy rate above 4.0% after posting a record-low 3.4% in Q1 2023. Despite the slight rise in vacancy, the submarket has recorded the highest change in occupancy throughout the region in 2023 with 221,357 sf of YTD absorption. Some of the key move-ins within West County in Q2 2023 included Asmi Stone & Tile's 57,000-sf occupancy at 15737 River Valley Drive and Virginia Tile Company's 33,000-sf occupancy at 2254-2270 Ball Drive. A key driver of West County industrial is the Howard Bend Levy District, which is the epicenter of proposed industrial development within St. Louis. Thus far, the Howard Bend Levy District delivered 256,000 sf in the second quarter and has over 4.5 msf proposed.

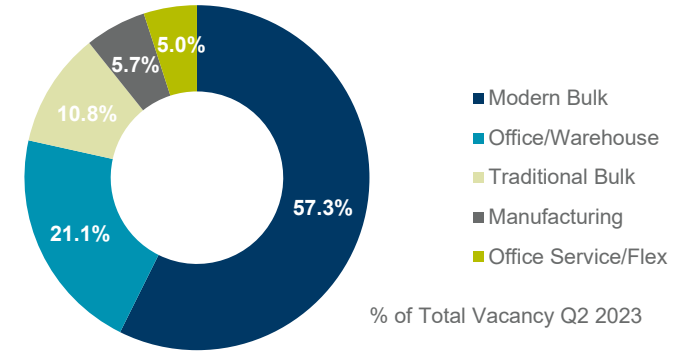
Outlook

- 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 speculative remain disciplined

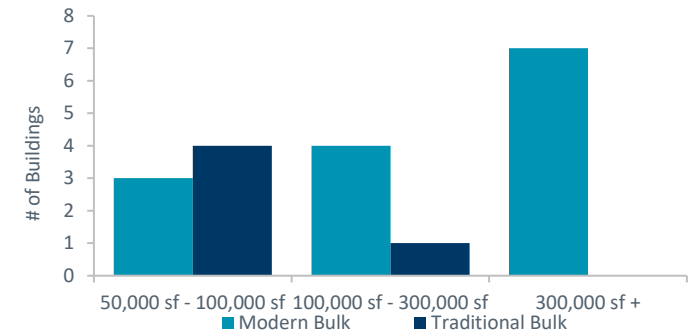
NEW SUPPLY



VACANT SPACE BY PRODUCT TYPE



AVAILABLE BLOCKS OF CLASS A CONTIGUOUS SPACE



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	1,167	61,140,672	1,145,340	1.9%	-74,309	-16,759	200,000	260,000	\$5.46
Metro East	267	40,455,238	3,129,267	7.7%	-624,346	-769,906	61,500	515,900	\$4.47
Mid County	550	23,401,660	707,654	3.0%	-49,335	14,946	0	0	\$6.48
North County	539	60,591,461	2,767,967	4.6%	-260,747	-454,628	526,500	0	\$5.03
South County	451	20,954,471	227,638	1.1%	126,735	139,269	291,760	124,700	\$10.05
St. Charles	459	35,460,744	437,654	1.2%	4,100	79,480	490,365	50,000	\$7.89
West County	528	23,224,353	948,732	4.1%	89,424	221,357	0	256,024	\$8.31
ST. LOUIS TOTALS	3,961	265,228,599	9,364,252	3.5%	-788,478	-786,241	1,570,125	1,206,624	\$5.60

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	54,879,891	538,309	1.0%	0	-160,560	0	50,000	\$4.09
Office Service/Flex	296	13,227,896	467,032	3.5%	-46,256	92,055	0	0	\$8.87
Warehouse/Distribution	3,197	197,120,812	8,358,911	4.2%	-742,222	-717,736	1,570,125	1,156,624	\$5.49
Modern Bulk	151	61,132,158	5,369,954	8.8%	-744,005	-697,047	1,570,125	971,924	\$4.41
Traditional Bulk	253	35,081,505	1,010,394	2.9%	-17,736	-200,699	0	0	\$5.83
Office/Warehouse	2,793	100,907,149	1,978,563	2.0%	19,519	180,010	0	184,700	\$6.96
ST. LOUIS TOTALS	3,961	265,228,599	9,364,252	3.5%	-788,478	-786,241	1,570,125	1,206,624	\$5.60

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

KEY LEASE TRANSACTIONS Q2 2023

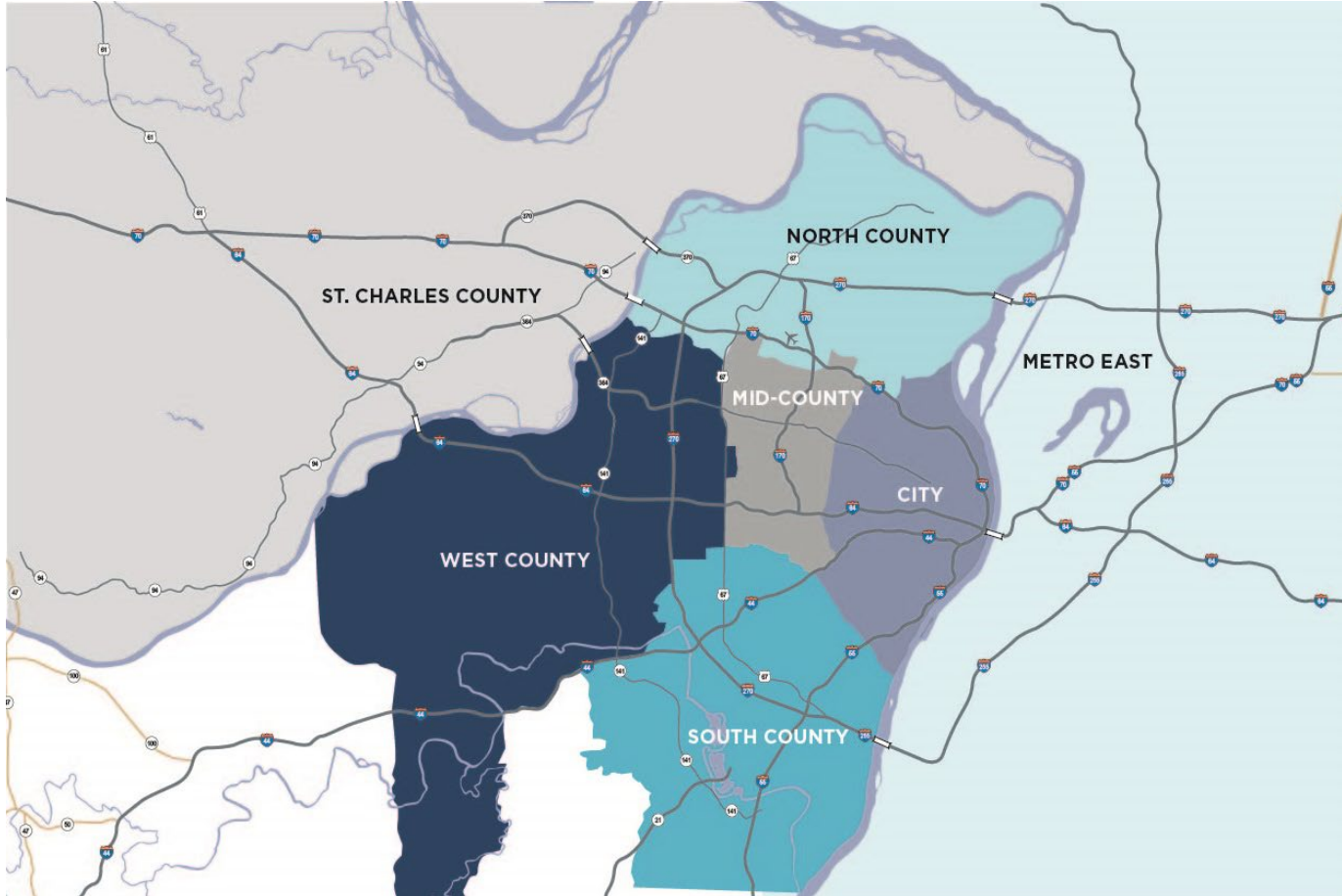
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
9383-9387 Dielman Industrial Court	Olivette	HDIS	198,337	Renewal*
6 Konzen Court	Granite City	Fletcher-Reinhardt Company	184,800	New Lease
20 Corporate Woods Drive	Earth City	Meridian Medical Technologies	133,476	New Lease
13955 Riverport Place	Earth City	Chadwell Supply	104,016	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE/\$ PSF
9151 Latty Ave	Hazelwood	JGDD Latty, LLC Realty Income Corp	224,380	\$11.8M \$53

INDUSTRIAL SUBMARKETS



Luke Partridge

Research Manager

Tel: +1 314 833 772

luke.partridge@cushwake.com

Jacob Cottrell

Research Analyst

Tel: +1 314 391 2509

jacob.cottrell@cushwake.com

**A CUSHMAN & WAKEFIELD
RESEARCH PUBLICATION**

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in approximately 400 offices and 60 countries. In 2022, the firm reported revenue of \$10.1 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), Environmental, Social and Governance (ESG) and more. For additional information, visit www.cushmanwakefield.com.

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.