

YoY Chg 12-Mo. Forecast

3.9%

Vacancy Rate



-1.4 MSF

YTD Net Absorption, SF



\$5.45

Asking Rent, PSF



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

ECONOMIC INDICATORS Q3 2023

YoY Chg 12-Mo. Forecast

1.4M

St. Louis Employment



3.0%

St. Louis Unemployment Rate



3.7%

U.S. Unemployment Rate



Sources: BLS, Moody's Analytics, St. Louis Business Journal
2023Q3 statistics are based on latest available data

ECONOMIC OVERVIEW

The Federal Reserve announced rates would remain unchanged in the most recent September 2023 meeting, marking two consecutive pauses in rate hikes. The target interest rate currently sits at 5.2%-5.5%, as the Fed maintained a commitment to reducing inflation. The increased cost of capital continues to play a major role across commercial real estate sectors, with the resulting slowdown in demand and capital environment creating pockets of distress throughout the industry. As ongoing recession fears loom, St. Louis employment remained steady in Q3 2023, recording a slight uptick in unemployment to 3.0%.

SUPPLY AND DEMAND: Availabilities Added with Strong Leasing Fundamentals

The St. Louis industrial market experienced its third consecutive quarter of negative occupancy changes in 2023, resulting in negative 1.4 million square feet (msf) of net absorption year-to-date (YTD). Overall vacancy closed Q3 at 3.9%, a 180-basis point (bps) increase year-over-year (YOY). The St. Louis development pipeline has remained disciplined, resulting in reduced construction throughout the region. In 2023, the market has delivered roughly 1.6 msf of new product, while another 1.1 msf of new inventory remains under construction at the close of Q3, an 83.0% decline YOY. This slowdown in construction has kept overall vacancy stable however, as vacancy remains 160 bps under the 10-year average of 5.5%. Leasing velocity in the St. Louis industrial market has also experienced a softening, recording nearly 3.2 msf of new leasing YTD, a YOY decrease of 54.3%.

PRICING: Rents Fall Below \$6.00

Overall triple-net asking rates (NNN) have fallen 16.7% YOY, ending the third quarter of 2023 at \$5.45 per square foot (psf). The notable drop in asking rates can be attributed to the composition of vacant space within the St. Louis market. The Metro East submarket currently boasts the largest amount of vacant space and the lowest asking rent amongst all St. Louis submarkets, with roughly 4.0 msf vacant and an average asking rate of \$4.21 psf as of Q3 2023. In Q3 2022, the submarket had just over 1.3 msf of vacant space with an average asking rate of \$5.16. The Metro East is home to St. Louis's big box inventory, which is priced below market averages due to the size of the availabilities. Asking rates throughout the St. Louis market are expected to rebound and hold, as large blocks of space become leased or demised, coupled with the slowdown in development in 2024.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



North County

Occupier demand in the North County submarket remained robust with more than 1.1 msf of leasing activity in the first three quarters of 2023. Vacancy in the submarket fell to 4.6%, a 10-bps decline quarter-over-quarter (QOQ), primarily due to the 163,586 sf of positive absorption in Q3. Despite this recent uptick in occupancy, North County has recorded negative 428,042 sf of net absorption YTD as tenant right-sizing efforts continue throughout the submarket. Key lease transactions within North County included Richards Building Supply Co. at 13955 Riverport Place (59,000 sf), and Midwest Fulfillment & Warehousing at 9083 Frost Avenue (38,000 sf).

Metro East

Overall vacancy in the Metro East submarket jumped to 9.8%, a 210-bps increase QOQ. This rise in vacancy can be attributed to the natural expiration of a 812,000-sf lease held by Dial at 1 W. Gateway Commerce Center Dr in addition to Walgreens vacating and subleasing 500,000 sf at 28 W. Gateway Commerce Center Dr. 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, YTD net absorption in the Metro East submarket closed Q3 2023 at negative 1.6 msf.

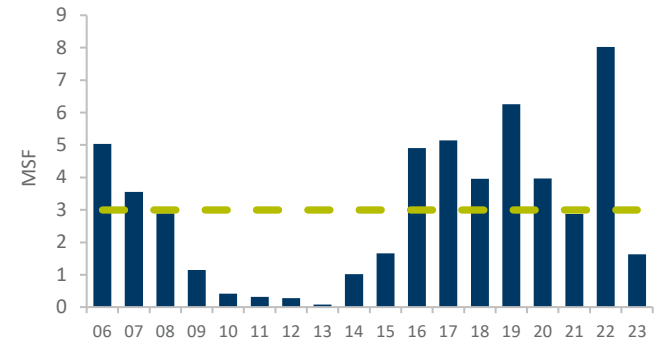
West County

The West County submarket recorded 111,788 sf of net absorption in Q3 2023, marking the sixth consecutive quarter of positive absorption. Some of the key move-ins in Q3 included WEIR Pump & Valve Solutions at 15720 Westport Commerce Dr. (57,200 sf) and Laird Plastics at 15720 Westport Commerce Dr. (22,880 sf). Overall vacancy within the submarket experienced a 50-bps decline QOQ, ending the third quarter at 3.9%. Although West County currently has no inventory actively under construction, a key driver is the Howard Bend Levy District. This roughly 6-mile stretch of land has five developers with projects in various stages and is the epicenter of proposed industrial development within St. Louis.

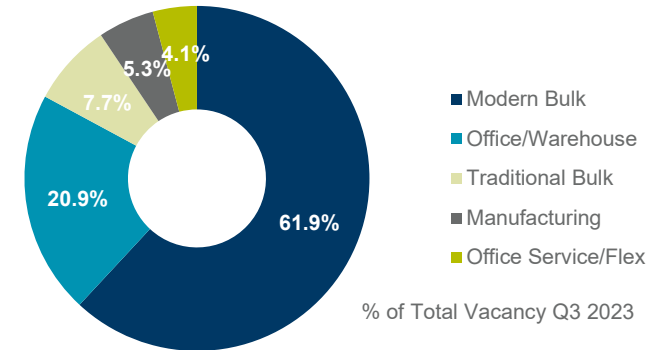
Outlook

- 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.

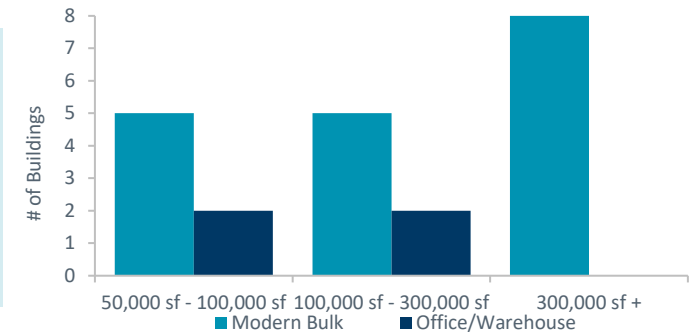
NEW SUPPLY



VACANT SPACE BY PRODUCT TYPE



AVAILABLE BLOCKS OF CLASS A CONTIGUOUS SPACE



MARKETBEAT

ST. LOUIS

Industrial Q3 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	61,082,672	1,267,124	2.1%	-101,784	-138,543	200,000	260,000	\$5.51
Metro East	268	40,516,738	3,980,961	9.8%	-790,194	-1,560,100	0	577,400	\$4.21
Mid County	550	23,401,660	671,671	2.9%	-23,956	37,089	0	0	\$6.77
North County	540	60,667,961	2,808,057	4.6%	163,586	-428,042	450,000	76,500	\$5.51
South County	453	21,246,231	350,250	1.7%	250,721	308,417	0	416,460	\$8.94
St. Charles	459	35,460,744	452,690	1.3%	0	64,444	490,365	50,000	\$7.89
West County	528	23,224,353	898,599	3.9%	111,788	271,498	0	256,024	\$8.20
ST. LOUIS TOTALS	3,964	265,600,359	10,429,352	3.9%	-389,839	-1,445,237	1,140,365	1,636,384	\$5.45

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	467	54,807,891	549,249	1.0%	-10,940	-171,500	0	50,000	\$4.27
Office Service/Flex	296	13,227,896	430,845	3.3%	16,367	124,422	0	0	\$9.19
Warehouse/Distribution	3,201	197,564,572	9,449,258	4.8%	-395,266	-1,398,159	1,140,365	1,586,384	\$5.29
Modern Bulk	151	61,132,158	6,457,544	10.6%	-838,017	-1,784,637	1,140,365	971,924	\$4.13
Traditional Bulk	253	35,081,505	806,781	2.3%	208,264	3,714	0	0	\$6.13
Office/Warehouse	2,797	101,350,909	2,184,933	2.2%	234,487	382,764	0	614,460	\$7.24
ST. LOUIS TOTALS	3,964	265,600,359	10,429,352	3.9%	-389,839	-1,445,237	1,140,365	1,636,384	\$5.45

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

KEY LEASE TRANSACTIONS Q3 2023

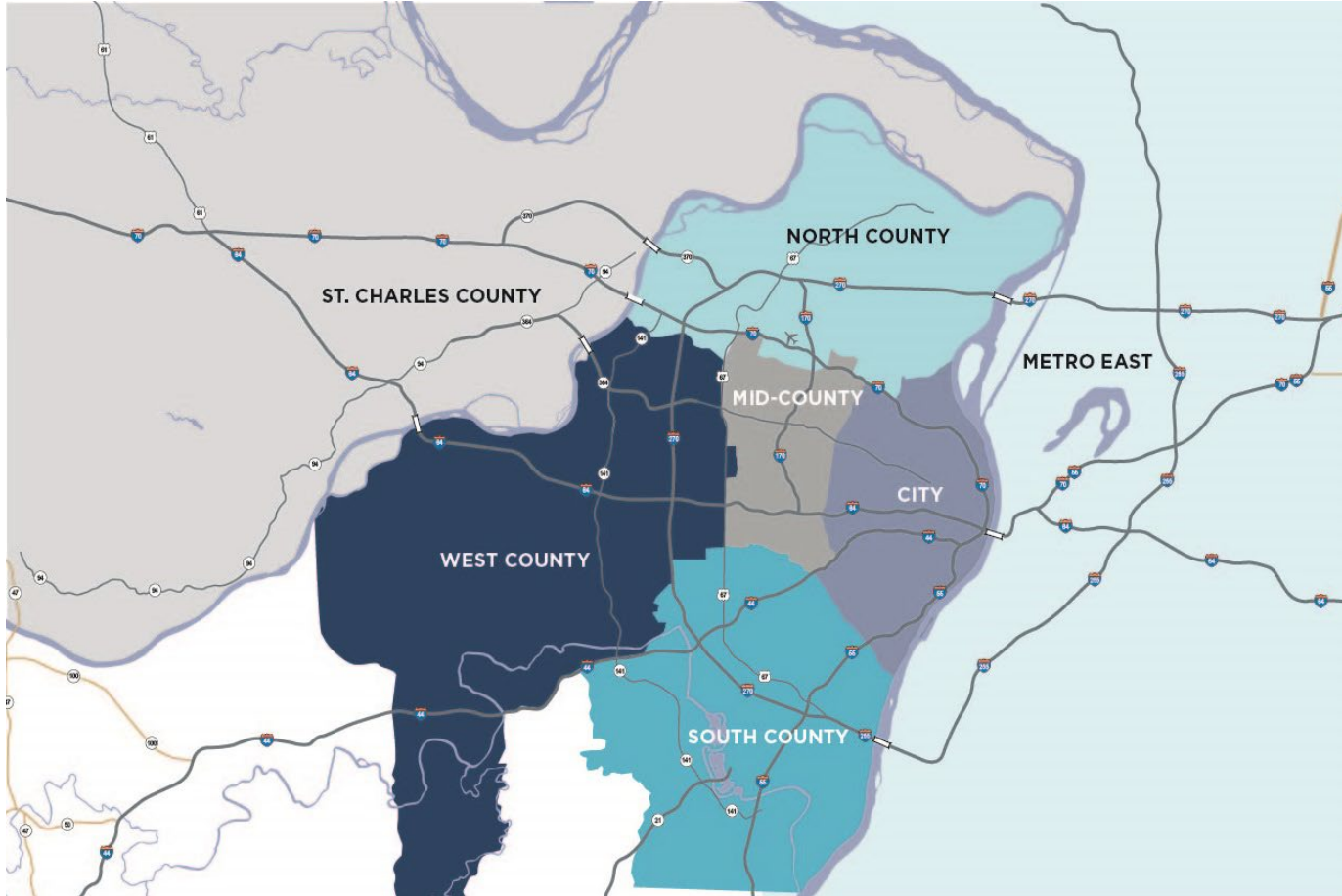
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
4142 N. Rider Trail	Earth City	Landsberg Orora	75,450	Renewal*
13955 Riverport Place	Earth City	Richards Building Supply Co	59,446	New Lease
9-19 Commerce Drive	St. Charles County	Data2 Corporation	47,089	Renewal*
13188 Lakefront Drive	Earth City	Compass Group USA, Inc	40,800	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE/\$ PSF
1834 Walton Road	University City	Cornerstone Equities Westmount Realty Capital, LLC	129,533	\$8.9M \$69

INDUSTRIAL SUBMARKETS



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