

YoY Chg 12-Mo. Forecast

3.7%

Vacancy Rate



-735 KSF

YTD Net Absorption, SF



\$5.39

Asking Rent, PSF



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

ECONOMIC INDICATORS Q4 2023

YoY Chg 12-Mo. Forecast

1.4M

St. Louis Employment



3.4%

St. Louis Unemployment Rate



3.7%

U.S. Unemployment Rate



Sources: BLS, Moody's Analytics, St. Louis Business Journal
2023Q4 statistics are based on latest available data

ECONOMIC OVERVIEW

St. Louis's unemployment rate ended the fourth quarter of 2023 at 3.4%, a 50 basis-point (bps) increase year-over-year (YOY). St. Louis has outpaced the national unemployment rate in each quarter of 2023, despite a challenging economic environment. The Federal Reserve has held interest rates steady at a 5.2%-5.5% target rate since July 2023. This has led to optimism that 2024 may hold the first rate decrease since the Fed began rate hikes in March 2022.

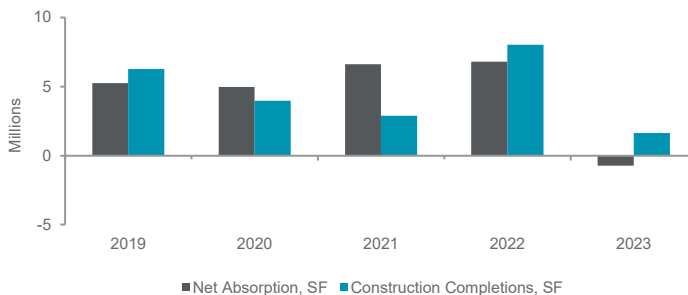
SUPPLY AND DEMAND: Vacancy Steady as Pipeline Slows

Overall vacancy in the St. Louis industrial market closed Q4 at 3.7%, a 20-bps decrease quarter-over-quarter (QOQ). This marks the first QOQ decline in vacancy since Q1 2022, when the market sat at a record low of 1.8%. The market recorded 679,893 square feet (sf) in net absorption in Q4, bringing the year-to-date (YTD) absorption total to -735,117 sf. The shift in occupancy in 2023 was primarily driven by two large block vacancies in the Metro East submarket, which accounted for more than -1.3 million square feet (msf) of absorption. Vacancy in St. Louis is expected to remain steady due to a disciplined construction pipeline throughout the region. In 2023, the market recorded just over 1.6 msf of completions, which marked the first year that annual deliveries fell below 2.0 msf since 2015. Roughly 1.4 msf of new product remains under construction heading into 2024. Demand within the St. Louis industrial sector remains soft relative to prior years, as the market closed 2023 with nearly 4.0 msf in gross leasing activity, a 52.0% decrease YOY.

PRICING: Rents Decrease in 2023

Overall triple-net asking rates (NNN) have decreased \$0.71 per square foot (psf) since Q1 2023, closing the year at \$5.39 psf. This marks the third consecutive quarter where asking rents remained below the \$6.00-psf mark, as the market experienced a shift in vacant space composition throughout 2023. Notably, the Metro East submarket recorded increased vacancy in the second half of 2023, closing out the year with just over 3.6 msf vacant and an average asking rate of \$4.21 psf. The St. Louis market is expected to see asking rates rebound and hold, as large blocks become leased or demised, coupled with the slowdown in development in 2024.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



North County

Overall vacancy in the North County submarket closed Q4 at 4.5%, a 10-bps decrease QOQ. Despite this recent decline, the submarket currently sits 340-bps above its record low vacancy rate of 1.1% recorded in Q2 2022. North County recorded an annual absorption total of -342,063 sf but finished the year strong by boasting nearly 250,000 sf in absorption in Q3 and Q4. Key lease transactions for the quarter include Presence From Innovation (299,995 sf) at 1600 Tradeport Dr., and renewals signed by MSI (75,318 sf) and Wellfit Parts International (50,000 sf) at 5531-5555 Phantom Dr.

Metro East

The Metro East submarket experienced the largest change in vacancy within the St. Louis industrial market in 2023, closing the year at 8.9%. This marks a 430-bps increase YOY, and a 720-bps increase from where the submarket closed as of Q1 2022. The shift in occupancy in 2023 was largely driven by Dial vacating 812,000 sf at 1 W. Gateway Commerce Center Dr., Walgreens vacating and subleasing 500,000 sf at 28 W. Gateway Commerce Center Dr., and the Q1 vacant delivery of a 455,900-sf warehouse facility in Gateway Commerce Center. The submarket recorded an annual absorption total of just under -1.2 msf at the close of 2023. It is expected to see more positive occupancy movement in 2024 as no additional inventory is currently under construction.

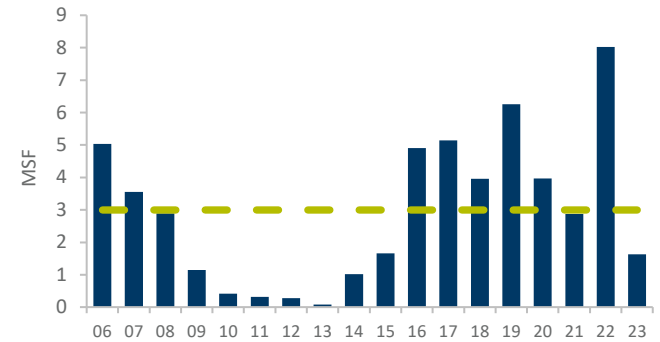
West County

The West County submarket recorded positive occupancy gains in each quarter of 2023, closing the year with a net absorption total of 307,077 sf. Overall vacancy in the submarket recorded a 20-bps decrease QOQ, ending Q4 at 3.7%. West County currently has a 256,024-sf speculative warehouse building under construction at 15711 Westport Commerce Center, with more proposed developments in the pipeline. The submarket is slated to be the epicenter of new industrial development in St. Louis with the emergence of the Howard Bend Levy District, a roughly 6-mile stretch of land which has five developers in various stages of proposals.

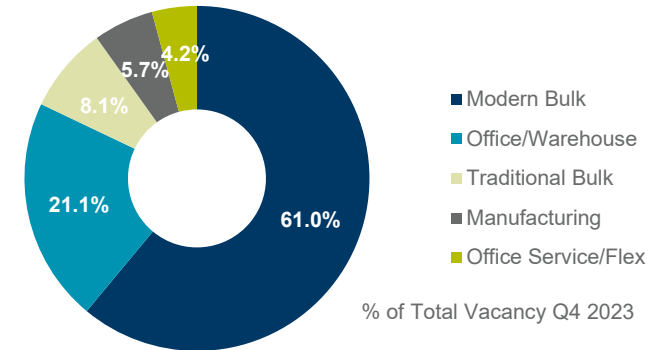
Outlook

- A slowdown in development activity and strong leasing fundamentals will keep the market's vacancy healthy over the short term.
- Tenant right-sizing is expected to continue as occupiers reevaluate needed space.
- The total share of build-to-suit (BTS) construction will rise as speculative development remains disciplined.

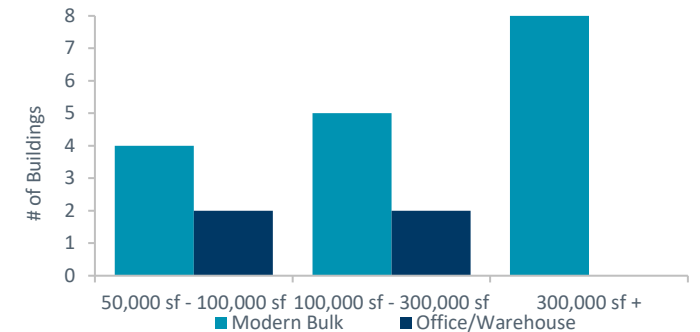
NEW SUPPLY



VACANT SPACE BY PRODUCT TYPE



AVAILABLE BLOCKS OF CLASS A CONTIGUOUS SPACE



MARKETBEAT ST. LOUIS

Industrial Q4 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 CONSTR (SF) | YTD CONST COMPLETIONS (SF) | OVERALL WEIGHTED AVG NET RENT* |
|-------------------------|-----------------|--------------------|---------------------|----------------------|---|---------------------------------|-------------------|----------------------------|--------------------------------|
| City | 1,166 | 61,082,672 | 1,267,124 | 2.1% | 0 | -138,543 | 200,000 | 260,000 | \$5.51 |
| Metro East | 268 | 40,517,560 | 3,610,461 | 8.9% | 370,500 | -1,189,600 | 0 | 577,400 | \$4.21 |
| Mid County | 550 | 23,401,660 | 580,296 | 2.5% | 91,375 | 128,464 | 76,750 | 0 | \$6.77 |
| North County | 540 | 60,667,961 | 2,722,078 | 4.5% | 85,979 | -342,063 | 450,000 | 76,500 | \$5.46 |
| South County | 453 | 21,246,231 | 320,023 | 1.5% | 0 | 338,644 | 0 | 416,460 | \$8.59 |
| St. Charles | 459 | 35,460,744 | 356,230 | 1.0% | 96,460 | 160,904 | 490,365 | 50,000 | \$7.89 |
| West County | 528 | 23,225,427 | 863,020 | 3.7% | 35,579 | 307,077 | 256,024 | 256,024 | \$8.26 |
| ST. LOUIS TOTALS | 3,964 | 265,602,255 | 9,719,232 | 3.7% | 679,893 | -735,117 | 1,473,139 | 1,636,384 | \$5.39 |

| 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 | 54,808,965 | 549,249 | 1.0% | 0 | -171,500 | 0 | 50,000 | \$4.27 |
| Office Service/Flex | 296 | 13,227,896 | 409,453 | 3.1% | 21,392 | 145,814 | 76,750 | 0 | \$9.21 |
| Warehouse/Distribution | 3,201 | 197,565,394 | 8,760,530 | 4.4% | 658,501 | -709,431 | 1,396,389 | 1,586,384 | \$5.21 |
| Modern Bulk | 151 | 61,132,158 | 5,931,357 | 9.7% | 526,187 | -1,258,450 | 1,473,139 | 971,924 | \$4.13 |
| Traditional Bulk | 253 | 35,081,505 | 783,430 | 2.2% | 23,351 | 27,065 | 0 | 0 | \$6.13 |
| Office/Warehouse | 2,797 | 101,350,909 | 2,045,743 | 2.0% | 108,963 | 521,954 | 0 | 614,460 | \$7.11 |
| ST. LOUIS TOTALS | 3,964 | 265,602,255 | 9,719,232 | 3.7% | 679,893 | -735,117 | 1,473,139 | 1,636,384 | \$5.39 |

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

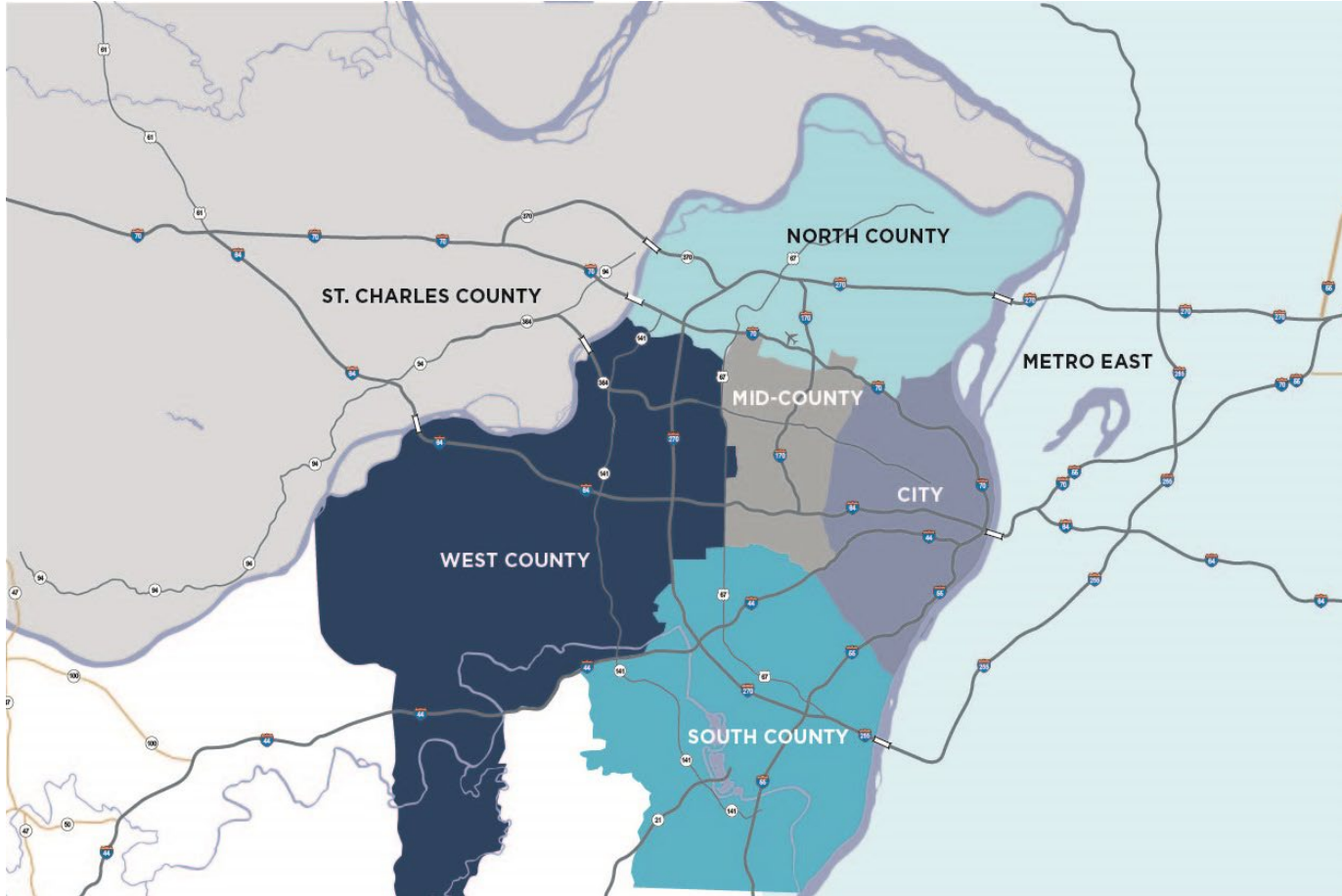
KEY LEASE TRANSACTIONS Q4 2023

| PROPERTY | SUBMARKET | TENANT | RSF | TYPE |
|-------------------------------------|--------------------|--------------------------------|---------|-----------|
| 1600 Tradeport Dr. | Hazelwood | Presence From Innovation (PFI) | 299,955 | New Lease |
| 15737 River Valley Dr. | West Port | Gateway Studios | 99,372 | New Lease |
| 121 Fountain Lakes Industrial Blvd. | St. Charles County | MiTek | 96,460 | New Lease |
| 401-411 Fountain Lakes Blvd. | St. Charles County | Omni Services, Inc. | 62,919 | New Lease |

KEY SALES TRANSACTIONS Q4 2023

| PROPERTY | SUBMARKET | SELLER BUYER | SF | PRICE \$ PSF |
|--------------------|-----------|-------------------------------------|--------|----------------|
| 2373-2375 Ball Dr. | West Port | Sundance Holdings McAlear Group | 39,050 | \$3.2 M \$83 |
| 6767 N. Hanley Rd. | Hazelwood | Gannett Outdoor Inc. N Hanley LLC | 35,000 | \$2.7 M \$77 |

INDUSTRIAL SUBMARKETS



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