

	YoY Chg	12-Mo. Forecast
3.3% Vacancy Rate	▼	▲
1.3M SF YTD Net Absorption, SF	▲	▲
\$5.41 Asking Rent, PSF	▼	▲

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

ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
1.4M St. Louis Employment	▲	▲
3.6% St. Louis Unemployment Rate	▲	▲
4.1% U.S. Unemployment Rate	▲	▲

Sources: BLS, Moody's Analytics, St. Louis Business Journal
2024Q2 statistics are based on latest available data

ECONOMIC OVERVIEW

The unemployment rate in St. Louis rose 10 basis-points (bps) to 3.6% in Q2 2024 but remains well below the national average of 4.1%, a 30-bps increase from last quarter. The St. Louis labor market has steadily improved with non-farm employment recording a 180-bps increase year-over-year (YOY). As inflation and the labor market ease, the year is set to hold the first interest rate decrease by the Federal Reserve after it opted to hold rates in a range of 5.25% to 5.5% since July 2023.

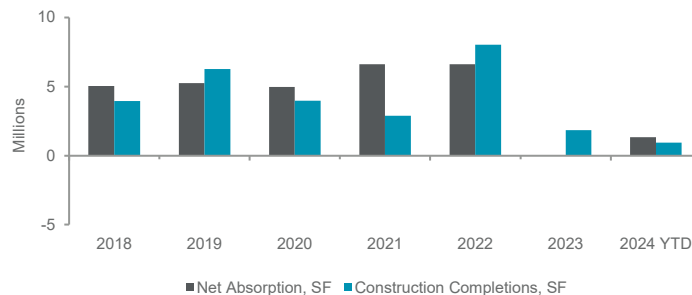
SUPPLY AND DEMAND: Vacancy Declines as Leasing Slows

Overall vacancy in the St. Louis industrial sector closed Q2 at 3.3%, a 20-bps decrease from the previous quarter and a 30-bps decline YOY. The market continued to report positive occupancy movement through the first half of the year, recording 1.3 million square feet (msf) of positive net absorption year-to-date (YTD). The Metro East and North County submarkets have been key drivers of the market's positive occupancy shift in 2024, accounting for roughly 87.0% of all positive absorption in the region through Q2. Demand within the region softened in Q2, as the market closed the quarter with just 572,412 sf of gross leasing activity compared to 1.5 msf of activity in Q1. The St. Louis market continues to have a disciplined construction pipeline with approximately 1.2 msf of product under construction, which includes two build-to-suit (BTS) properties in North and Mid County.

PRICING: Rents Stable Despite Decrease

Overall triple-net asking rents in St. Louis remained steady through Q2 closing the quarter at \$5.41 per square foot (psf), which marks a \$0.19 psf decrease YOY. Overall asking rents have remained above \$5.40 psf in four of the last five quarters, as the market continues to stabilize from a record-setting year of construction deliveries in 2022 that spurred overall asking rents to peak to \$6.53 psf. The market has reported a 17.1% decline in overall average asking rents since that peak, largely impacted by a small number of big box vacancies in the Metro East and North County submarkets. These submarkets are the only two industrial submarkets with overall asking rents below \$5.00 psf, and currently account for 53.0% of the market's overall vacant inventory. With a slowdown in construction starts, it is expected that asking rates will continue to remain stable as new and large blocks of vacant space become leased throughout the remainder of 2024.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



North County

Overall vacancy in the North County submarket closed Q2 at 3.1%, a 150-bps decrease YOY. The submarket started the year strong with 1,034,383 sf of positive net absorption in Q1 but recorded negative 60,419 sf in net absorption in Q2. Despite the negative shift in Q2, North County leads all submarkets in YTD absorption by more than 500,000 sf. The submarket continues to see strong leasing demand, accounting for roughly 42.0% of the market's overall new leasing activity in Q2. Key lease transactions for the quarter included: OnTrac (54,314 sf) at 352 Hazelwood Logistics Center Dr. and B2B Renew, Inc. (40,000 sf) at 160-275 Corporate Woods Ct. The submarket currently contains one BTS property under construction that is expected to deliver in Q3 2024, a 500,000-sf expansion facility by Davidson Logistics.

Metro East

The Metro East submarket experienced the largest shift in vacancy in Q2, closing the quarter with an overall vacancy rate of 7.1%, a 110-bps decrease quarter-over-quarter (QOQ). This marks a 10-bps decrease YOY, despite the submarket vacancy peaking to 9.3% in Q3 2023 after two large spaces were vacated. The Metro East reported 455,900 sf of positive absorption for the quarter, which can be attributed to the occupancy of a Gateway Commerce Center warehouse that was delivered vacant in Q1 2023. The submarket currently has no additional inventory under construction and is expected to see more positive occupancy movement in the second half of the year.

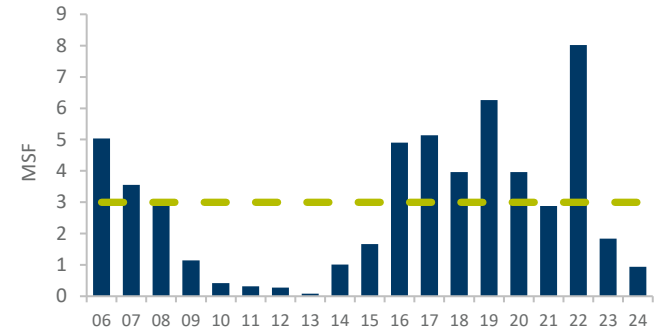
West County

The West County submarket has recorded positive occupancy gains for the ninth straight quarter, closing Q2 with 107,642 sf of positive net absorption. This marks consecutive quarters of positive occupancy movement, bringing West County's YTD absorption total to 140,854 sf. These strong market fundamentals have translated to overall vacancy falling to 3.7% at the close of Q2, a 50-bps decrease QOQ. West County currently has two 256,024-sf speculative warehouse buildings under construction at 15711 Westport Commerce Center Dr., with roughly 45.0% of space preleased between the two properties.

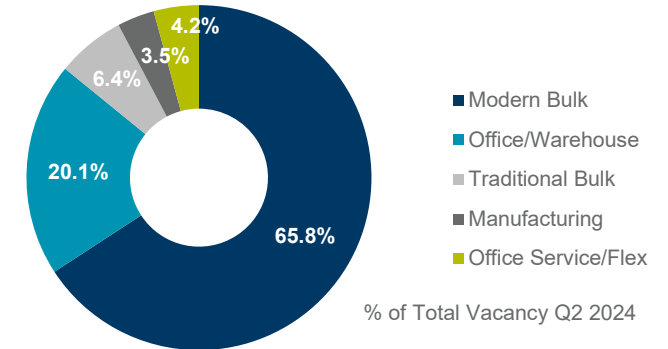
Outlook

- 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.

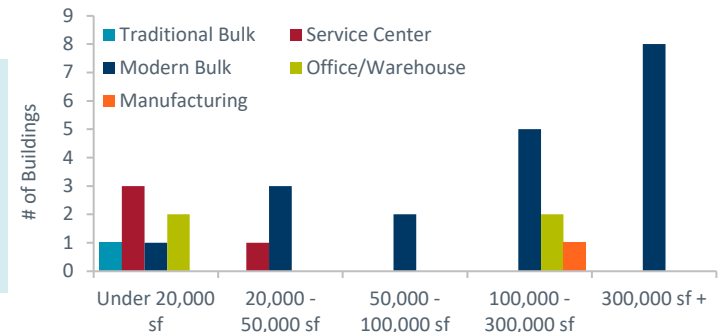
NEW SUPPLY



VACANT SPACE BY PRODUCT TYPE



AVAILABLE BLOCKS OF CONTIGUOUS SPACE



MARKETBEAT

ST. LOUIS

Industrial Q2 2024



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	1,164	61,223,208	1,453,494	2.4%	8,500	8,500	0	0	\$5.44
Metro East	268	40,517,560	2,857,601	7.1%	455,900	455,900	0	0	\$4.01
Mid County	551	23,441,530	389,829	1.7%	0	76,947	76,750	0	\$6.85
North County	541	61,117,961	1,864,111	3.1%	-60,419	973,964	450,000	450,000	\$4.91
South County	453	21,246,231	330,286	1.6%	0	-14,163	0	0	\$8.68
St. Charles	460	35,951,109	1,141,689	3.2%	-35,100	-297,694	151,800	490,365	\$6.58
West County	528	23,225,427	866,166	3.7%	107,642	140,854	512,048	0	\$7.70
ST. LOUIS TOTALS	3,965	266,723,026	8,903,176	3.3%	476,523	1,344,308	1,190,598	940,365	\$5.41

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 CONST COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT*
Manufacturing	466	54,785,405	310,693	0.6%	0	27,996	0	0	\$4.30
Office Service/Flex	296	13,227,896	376,704	2.9%	17,164	24,271	76,750	0	\$9.19
Warehouse/Distribution	3,203	198,709,725	8,215,779	4.1%	459,359	1,292,041	1,113,848	940,365	\$5.22
Modern Bulk	154	62,273,345	5,859,309	9.4%	416,363	1,114,024	1,190,598	940,365	\$4.62
Traditional Bulk	253	35,081,505	570,400	1.6%	13,918	76,015	0	0	\$6.11
Office/Warehouse	2,796	101,354,875	1,786,070	1.8%	29,078	102,002	0	0	\$6.76
ST. LOUIS TOTALS	3,965	266,723,026	8,903,176	3.3%	476,523	1,344,308	1,190,598	940,365	\$5.41

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

KEY LEASE TRANSACTIONS Q2 2024

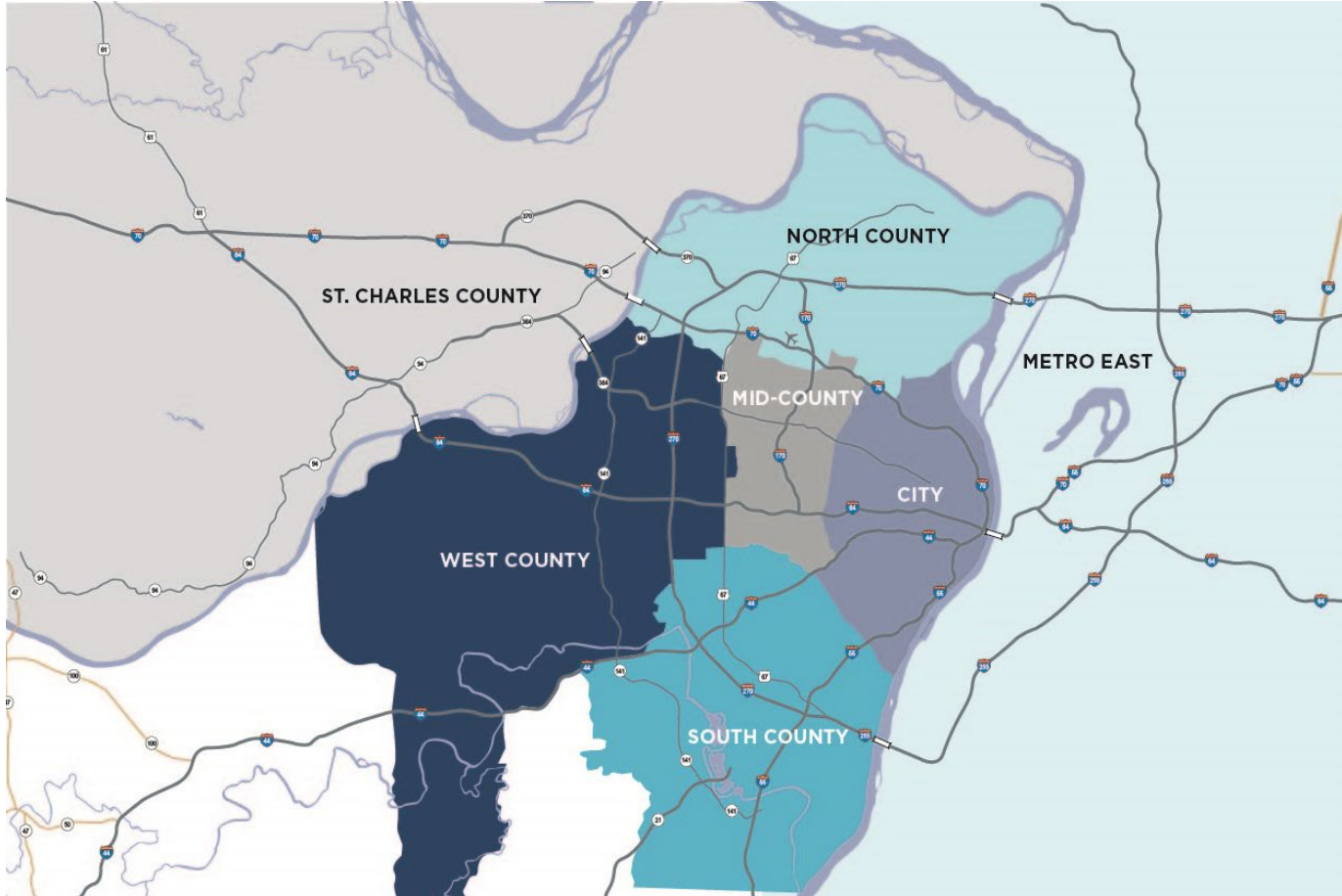
PROPERTY	SUBMARKET	TENANT	RSF	TYPE
352 Hazelwood Logistics Center Dr.	Hazelwood	OnTrac	54,314	New Lease
1635 Technology Drive	St. Charles County	Daikin TMI, LLC	51,700	New Lease
5000 Premier Parkway	St. Charles County	Amini's Galleria	49,410	New Lease
2000-2020 Westport Center Dr.	West Port	XO Communications Services	46,343	Renewal*
4355-4367 Green Ash Dr.	Earth City	All Surfaces, Inc.	29,831	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER BUYER	SF	PRICE \$ PSF
550 Eatherton Rd. (Land)	Chesterfield	Burkhardt Family Investments, LLC SportsMo, LLC	712,206	\$1.0M \$1.40
2001 Innerbelt Business Center Dr.	University City	2001 Innerbelt Owner, LLC The Twinford Corporation	171,640	\$9.4M \$54

INDUSTRIAL SUBMARKETS



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