



RESEARCH Q1 2021

St. Louis Industrial Market

Vacancy Falls to 5.4% as Market Absorbs 2.5 Million Square Feet in the First Quarter

The St. Louis industrial sector tightened in the first quarter of 2021. During this period, the market realized positive absorption of 2.5 million square feet, the largest quarterly absorption since third-quarter 2017. Overall vacancy decreased 70 basis points from the prior quarter to 5.4%, while average quoted rents decreased from \$4.71/SF to \$4.66/SF. Three properties, the 154,940-square-foot Soulard Commerce Center, the 34,000-square-foot flex property at 2878 Telegraph Road and the 33,000-square-foot building located at 700 Fountain Lakes Boulevard, delivered 221,940 square feet of product to the market during the quarter, while developments under construction increased to 2.7 million square feet of product planned for delivery.

The market picked up pace during the quarter. However, net absorption totaled 3.1 million square feet for the past four quarters, equating to a 24.0% decrease from the annual average net absorption of 4.1 million square feet during the previous five years. Quoted rental rates increased by \$0.09/SF over the past year. With market vacancy at 5.4%, the following major projects are currently under construction:

Metro East: the 624,350-square-foot Gateway TradePort 3 speculative development.

North County: the 412,550-square-foot Building V and 252,000-square-foot Building I in Hazelwood TradePort and the 111,876-square-foot Earth City Commerce Center speculative development at 10 Athletic Drive.

South County: the 190,350-square-foot Building VII in Fenton Logistics Park (100% leased to Amazon).

St. Charles County: the 811,300-square-foot building located in the Premier 370 Business Park (100% leased to Medline Industries).

West County: the 92,450-square-foot building located at 2315 Millpark Drive in Maryland Heights.

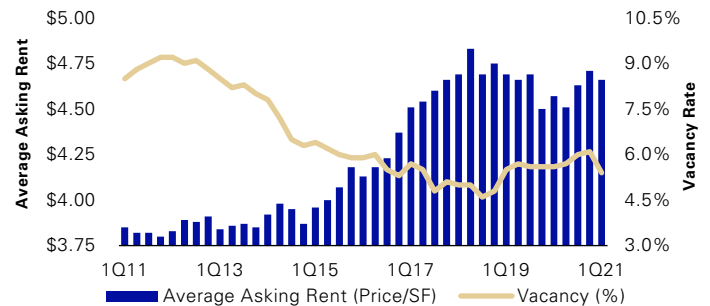
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Current Conditions

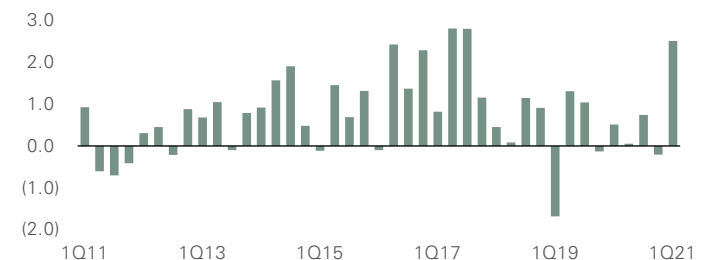
- Asking rental rates have increased in 18 out of the past 25 quarters with positive net absorption occurring in 25 out of the past 30 quarters.
- Emerging Midwestern industrial markets, including St. Louis, have displayed substantial net absorption in Q1 leading to significant investor and tenant interest.
- Grey Eagle Distributors to construct 250,000 SF headquarters in Fenton Logistics Park.

Market Analysis

ASKING RENT AND VACANCY RATE



NET ABSORPTION (SF, Millions)



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory	276 MSF	276 MSF	274 MSF	↑
Vacancy Rate	5.4%	6.1%	5.6%	↔
Qtr. Net Absorp.	2,514,732	-201,409	510,947	↔
Avg. Asking Rent	\$4.66	\$4.71	\$4.57	↑
Under Con.	2,682,590	1,894,555	2,411,304	↑
Deliveries	221,940	783,227	604,698	↑

Expect the St. Charles County, North County and South County submarkets to continue to lead the local market in 2021. St. Charles County, North County and South County will build upon net absorptions of 2.1 million square feet, 1.6 million square feet and 530,570 square feet, respectively, over the past two years. St. Charles County and South County will benefit from low vacancy rates, currently stable at 3.8% and 4.0%.

Grey Eagle Distributors to Build 250,000-Square-Foot Headquarters in Fenton

The South County submarket continues to benefit from sizeable commitments as Missouri's largest Anheuser-Busch wholesaler, Grey Eagle Distributors, announced it will construct a new 250,000-square-foot headquarters. Located in Fenton Logistics Park along Interstate 44, the new facility will nearly double the company's current 115,400-square-foot space in Maryland Heights and will offer a 5,000-square-foot hospitality room and outdoor entertainment space. Grey Eagle Distributors currently employs 250 fulltime workers and expects the new location to be operational by April 2022. The firm will join 1st Phorm, Wally's travel center concept, BASF, CoreLink, BJC Medical Group, Beckwood Press, Hubbell-Killark, Alkem Laboratories, Nexius and Skin Specialty Solutions at Fenton Logistics Park.

The Industrial Market's Strong Prevailing Fundamentals Will Continue to Attract New Tenants

The St. Louis industrial sector significantly tightened in the first quarter as 2.5 million square feet were absorbed, up from a

quarterly average of 354,957 square feet during the previous three years. Asking rental rates increased during 18 out of the past 25 quarters, with positive net absorption occurring in 25 out of the past 30 quarters. Vacancy should range from 5.2% to 5.9%, as a portion of the 2.7 million square feet of product under construction delivers to the market. Average quoted rental rates are expected to range from \$4.65/SF to \$4.76/SF through the next four quarters.

The St. Louis industrial market is well-positioned for the remainder of 2021 as emerging Midwestern industrial markets, including St. Louis, Kansas City, Memphis, Indianapolis, Nashville and Columbus, continue to attract significant investments, as well as user activity. The industrial market's strong prevailing fundamentals, coupled with reasonable rental rates, an affordable workforce and centralized geographic location, will continue to attract new tenants to the Metro looking to invest heavily in logistics and industrial networks. A more pronounced shift toward online retail will increase demand for warehouse and distribution space, especially in fringe or ex-urban locations, such as St. Charles County and North County, with last-mile facilities possessing greater importance in the market as demand continues to rise in 2021.

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Dodge Moving & Storage Co	4801 Trade Access Blvd	North County	New	104,170
Goedeker's	3817-3845 Millstone Pkwy	St. Charles County	New	57,870
Western Extralite - BSE	14040-14062 Riverport Dr	North County	New	38,000
Crown C Supply	1402-1412 Sachs Business Pkwy	St. Charles County	New	36,500
Crofutt & Smith Moving & Storage	11401-11445 Moog Dr	West County	New	32,500

Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
107 Gateway Commerce Center Dr N	Metro East	\$140,000,000	\$69	2,025,920
117-119 Industrial Dr	Metro East	\$16,640,000	\$37	450,670
10800-10900 Linpage Pl - Port. (3)	Central County	\$14,555,000	\$51	285,230
103 Enterprise Dr	St. Charles County	\$2,925,000	\$59	50,000
1078-1086 Headquarters Park Dr	South County	\$2,000,000	\$111	18,000

Submarket Statistics

Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Central County	26,111,431	0	2.50%	-198,736	-198,736	\$4.80	\$5.96	\$5.08
Metro East	47,337,964	711,950	7.50%	1,921,286	1,921,286	\$3.72	\$9.95	\$3.73
North County	54,397,234	846,540	8.00%	920,934	920,934	\$4.27	\$10.31	\$4.59
South County	18,463,453	220,350	4.00%	28,867	28,867	\$6.13	\$7.11	\$6.15
St. Charles County	32,687,764	811,300	3.80%	-206,333	-206,333	\$4.66	\$7.78	\$5.41
St. Louis City	70,685,113	0	4.80%	19,721	19,721	\$4.84	\$8.56	\$5.03
West County	26,527,195	92,450	3.90%	28,993	28,993	\$6.43	\$10.36	\$6.39
St. Louis Market	276,210,154	2,682,590	5.40%	2,514,732	2,514,732	\$4.42	\$8.54	\$4.66
Warehouse	259,695,118	2,682,590	5.30%	2,721,289	2,721,289	-	-	-
Flex	16,515,036	0	7.60%	-206,557	-206,557	-	-	-

Submarket Statistics - Subtype

Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
Warehouse/Distribution	24,207,526	0	2.10%	-60,881	-60,881	\$4.80
R&D/Flex	1,903,905	0	11.90%	-137,855	-137,855	\$5.96
Central County	26,111,431	0	2.50%	-198,736	-198,736	\$5.08
Warehouse/Distribution	46,533,048	711,950	7.50%	1,910,318	1,910,318	\$3.72
R&D/Flex	804,916	0	5.50%	10,968	10,968	\$9.95
Metro East	47,337,964	711,950	7.50%	1,921,286	1,921,286	\$3.73
Warehouse/Distribution	51,574,635	846,540	7.70%	920,934	920,934	\$4.27
R&D/Flex	2,822,599	0	12.60%	0	0	\$10.31
North County	54,397,234	846,540	8.00%	920,934	920,934	\$4.59
Warehouse/Distribution	17,374,876	220,350	3.90%	-8,085	-8,085	\$6.13
R&D/Flex	1,088,577	0	6.20%	36,952	36,952	\$7.11
South County	18,463,453	220,350	4.00%	28,867	28,867	\$6.15
Warehouse/Distribution	30,616,552	811,300	3.20%	-66,645	-66,645	\$4.66
R&D/Flex	2,071,212	0	13.50%	-139,688	-139,688	\$7.78
St. Charles County	32,687,764	811,300	3.80%	-206,333	-206,333	\$5.41
Warehouse/Distribution	68,758,358	0	4.80%	-5,199	-5,199	\$4.84
R&D/Flex	1,926,755	0	5.10%	24,920	24,920	\$8.56
St. Louis City	70,685,113	0	4.80%	19,721	19,721	\$5.03
Warehouse/Distribution	20,630,123	92,450	4.10%	30,847	30,847	\$6.43
R&D/Flex	5,897,072	0	3.30%	-1,854	-1,854	\$10.36
West County	26,527,195	92,450	3.90%	28,993	28,993	\$6.39

Economic Conditions

The local economy retracted in February due to COVID-19, with total employment growth of negative 5.8% and negative growth occurring in all 10 industries, calculated on a 12-month percent change basis.

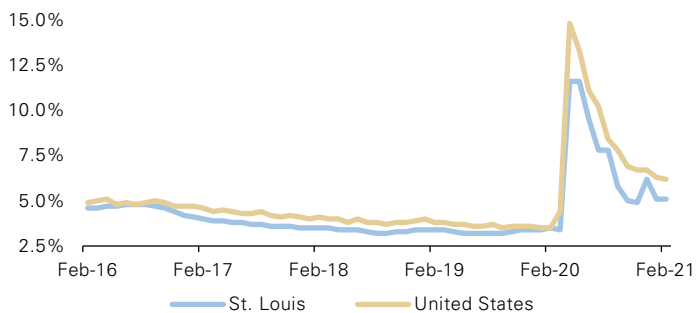
Payroll employment in St. Louis dropped significantly compared to the prior year; however, the local economy has fared favorably compared with the national average. The national average decreased 450 basis points to negative 6.1%.

The Consumer Price Index for the U.S. decreased 60 basis points compared to the prior year, registering 1.7% in February 2021, while the Midwest Urban CPI decreased 40 basis points to 1.7%.

Unemployment in the U.S. decreased 50 basis points to 6.2%, while unemployment in St. Louis increased 20 basis points to 5.1% compared with the past quarter. Unemployment in St. Louis increased 160 basis points from a year prior.

Unemployment Rate

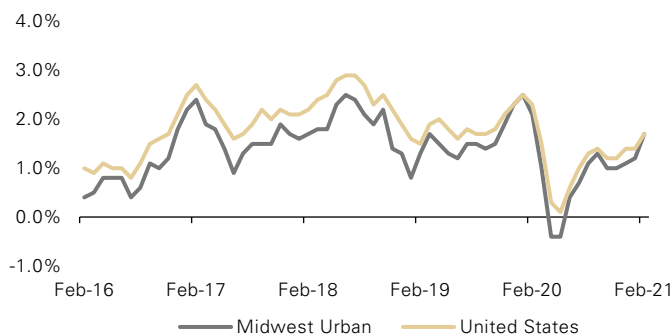
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, March 2021

Consumer Price Index (CPI)

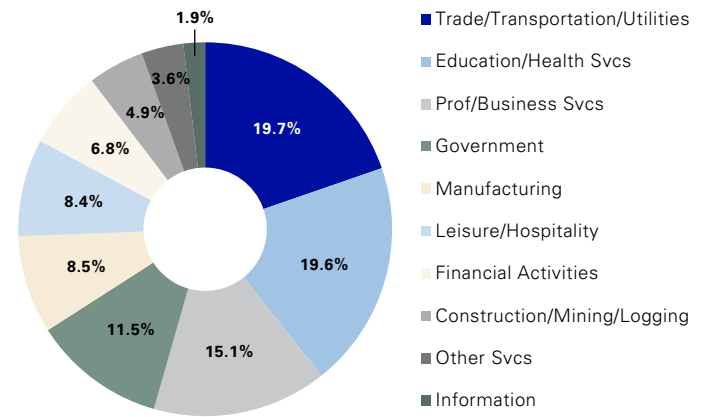
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, March 2021

Employment By Industry

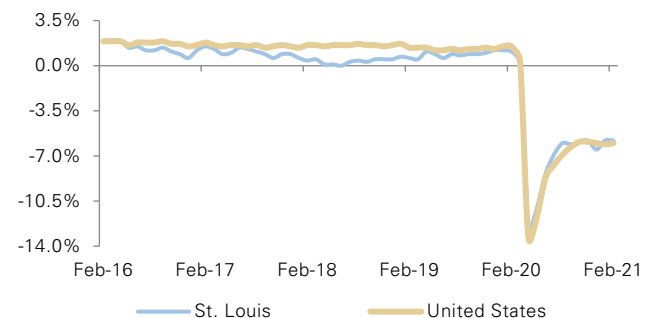
St. Louis, February 2021



Source: U.S. Bureau of Labor Statistics, March 2021

Payroll Employment

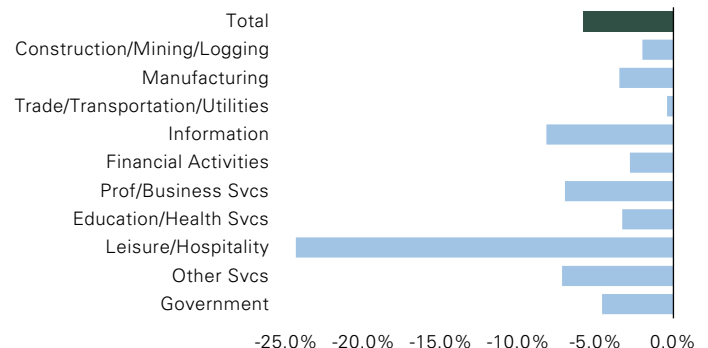
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics, March 2021

Employment Growth By Industry

STL, Feb. 2021, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, March 2021

For more information:

ST. LOUIS

8235 Forsyth Boulevard, Suite 200
Clayton, MO 63105
314-254-4600

KANSAS CITY

1220 Washington Street, Suite 300
Kansas City, MO 64105
816-474-2000

LEE'S SUMMIT

1485 SW Market Street
Lee's Summit, MO 64081
816-474-2000

Kevin McLaughlin, SIOR

Executive Managing Director, Principal
314-628-0436
kmclaughlin@ngzimmer.com

Mike Carlson, SIOR, CCIM

Executive Managing Director, Principal
314-628-0438
mcarlson@ngzimmer.com

Dan Lesinski

Director, Industrial Brokerage
314-628-0449
dlesinski@ngzimmer.com

Andrew Garten

Director, Research
816-474-2000
agarten@ngzimmer.com

nmrkzimmer.com

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