

# St. Louis Industrial Market

## Vacancy Declines to Record Low as Rental Rates Reach Record Highs

The St. Louis industrial sector tightened in the first quarter of 2022. During this period, the market realized total net absorption of 1.5 million square feet. Overall vacancy decreased 60 basis points from the prior quarter to 3.5%, a historical record low, while average quoted rents significantly increased from \$5.02/SF to \$5.23/SF. Three properties delivered 647,750 square feet of product to the market during the quarter.

Developments under construction increased significantly to 7.4 million square feet, as NorthPoint Development, the Sansone Group, TriStar Properties and Panattoni Development Company, Inc. began construction on various speculative projects during the past two quarters. Net absorption totaled 7.0 million square feet for the past four quarters, equating to a 49.0% increase from the annual average net absorption of 4.7 million square feet during the previous five years. With market vacancy at 3.5%, the following major projects are currently under construction:

**Central County:** the 244,000-square-foot Crosstown Logistics Park speculative development.

**Metro East:** the 1.0-million-square-foot Gateway TradePort 4 speculative development; the 801,840-square-foot Exeter Inner Park Building B; and the 455,900-square-foot Gateway Panattoni I and 376,000-square-foot Gateway Panattoni II, both located in Gateway Commerce Center.

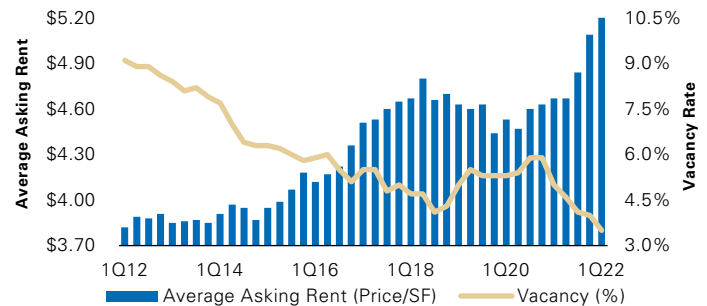
**North County:** the 511,210-square-foot Building VII, the 511,210-square-foot Building X and the 407,550-square-foot Building IX, located in Hazelwood TradePort; the 311,900-square-foot, 251,090-square-foot and 162,030-square-foot speculative properties located at Riverport Trade Center; the 275,860-square-foot Aviator VI, 197,120-square-foot Aviator II and 130,930-square-foot Aviator V properties located at Aviator Business Park; and the two 194,620-square-foot buildings, Westport Commerce Center I and II.

### Current Conditions

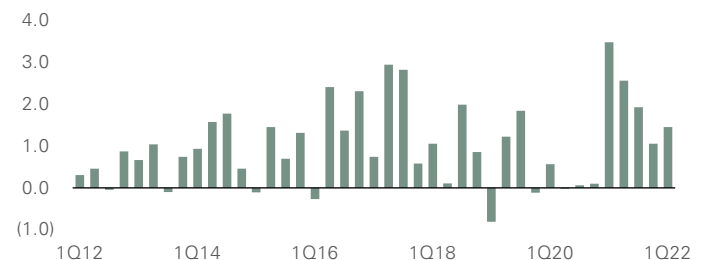
- Overall vacancy is at a historical low of 3.5% while average asking rental rates reached a new high of \$5.23/SF.
- St. Louis posted the second lowest vacancy among the top Midwestern markets and ranked 12th in under construction to market size among the most active industrial markets in the U.S.
- Developers including NorthPoint Development, KBG, Inc., Green Street Real Estate Ventures and Vault Partners announce major projects across the Metro during the quarter.

### 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	281 MSF	279 MSF	278 MSF	↑
Vacancy Rate	3.5%	4.1%	5.0%	↓
Qtr. Net Absorp.	1,452,553	1,059,222	3,481,397	↑
Avg. Asking Rent	\$5.23	\$5.02	\$4.67	↑
Under Con.	7,374,200	6,580,610	2,682,590	↑
Deliveries	647,750	624,350	221,940	↑

**St. Charles County:** the 423,000-square-foot building and the 366,600-square-foot building located at 6001 and 7001 Premier Parkway, respectively, in the Premier 370 Business Park; the two 106,400-square-foot buildings I (50.0% leased) and II located at Commerce Park West and Corporate Parkway Business Center, a 75,000-square-foot speculative cold storage/refrigeration flex facility.

Expect the Metro East, North County and St. Charles County submarkets to continue to lead the local market for the next four quarters. Net absorption totaled 4.0 million square feet in Metro East, 3.8 million square feet in North County and 2.1 million square feet in St. Charles County during the past two years due to robust leasing activity and competitive rental rates. St. Charles County, Central County and Metro East will continue to remain tight in the near term with low vacancy rates, currently at 1.9%, 2.5% and 2.5%, respectively.

### Developers Announce Major Projects Across the Metro

The development pipeline continues to grow as NorthPoint Development, KBG, Inc., Green Street Real Estate Ventures and Vault Partners, among others, announced new projects across the Metro during the first quarter of 2022. NorthPoint Development announced in January plans for a \$236.0-million, 2.5-million-square-foot industrial park in Wildwood. If the approvals process goes as planned, the first phase of construction could deliver by the beginning of the third quarter of 2023. KBG, Inc. announced in February plans for Maryland

Heights Commerce Center, a 1.4-million-square-foot development near Sport Port Road and Maryland Heights Expressway. Green Street Real Estate Ventures, in partnership with EJV Capital LLC, will develop three new speculative industrial properties, totaling 454,000 square feet, at the River City Business Park in South St. Louis. The first property is expected to be delivered by the end of the second quarter of 2023. A new developer to the St. Louis Metro, Vault Partners officially broke ground in March on Corporate Parkway Business Center, a 75,000-square-foot flex warehouse in Wentzville. The project is scheduled to deliver by the end of 2022.

### St. Louis Posted the Second-Lowest Vacancy Rate Among Midwestern Peers

The St. Louis industrial market enjoyed a robust first quarter of 2022 with solid leasing and sales activity across multiple submarkets. Among Midwestern industrial markets, St. Louis posted the second-lowest vacancy rate, ranked 12th for the highest percentage of under construction to market size and ranked 14th in total net absorption to market size among the most active markets in the nation. As the 19th largest industrial market in the U.S., St. Louis has untapped development potential compared to other Midwestern markets. St. Louis ranked 16th in 12-month deliveries to total market size with a result of 0.93%, while six Midwestern peer cities all ranked above 1%. The gap is expected to slowly decrease as an additional 792,590 square feet of product officially began construction in the first quarter of 2022.

## Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Trane	6001 Premier Pkwy	St. Charles County	New	423,000
Davidson Logistics, LLC	1 Corporate Woods Dr	North County	Expansion	315,000
Community Wholesale Tire	6036-6048 Aviator Dr	North County	New	76,060
Rexel USA	15737 River Valley Dr	West County	New	57,000
CAPS, LLC	3930 Earth City Expy	North County	New	50,720

## Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Monmouth RE STL Metro Portfolio (3)	Metro East & St. Charles County	\$52,400,000	\$108	485,710
CRG Portfolio (2)	North County & St. Charles County	\$114,222,000	\$272	420,030
13860 Corporate Woods Trl	North County	\$18,300,000	\$76	241,050
1908-2000 Innerbelt Business Center Dr	Central County	\$14,925,000	\$97	153,190
18081 Chesterfield Airport Rd	West County	\$10,280,000	\$72	142,000
Meadows Corporate Ctr. II-IV Portfolio (3)	West County	\$9,250,000	\$68	136,340

## 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	26,174,644	244,000	2.50%	-87,745	-87,745	\$5.70	\$6.54	\$5.86
Metro East	49,171,589	2,643,740	2.50%	1,107,794	1,107,794	\$4.12	\$10.07	\$4.13
North County	55,526,904	3,174,530	4.50%	146,421	146,421	\$4.92	\$7.71	\$4.94
South County	18,747,593	34,530	3.60%	-20,698	-20,698	\$7.46	\$8.99	\$7.50
St. Charles County	33,660,012	1,077,400	1.90%	26,759	26,759	\$4.75	\$9.07	\$5.23
St. Louis City	70,882,863	200,000	4.40%	255,932	255,932	\$5.35	\$12.56	\$5.78
West County	26,386,041	0	3.90%	24,090	24,090	\$7.09	\$9.71	\$7.39
<b>St. Louis Market</b>	<b>280,549,646</b>	<b>7,374,200</b>	<b>3.50%</b>	<b>1,452,553</b>	<b>1,452,553</b>	<b>\$5.07</b>	<b>\$8.66</b>	<b>\$5.23</b>
<b>Warehouse</b>	<b>264,946,984</b>	<b>7,264,670</b>	<b>3.40%</b>	<b>1,537,718</b>	<b>1,537,718</b>	-	-	-
<b>Flex</b>	<b>15,602,662</b>	<b>109,530</b>	<b>5.70%</b>	<b>-85,165</b>	<b>-85,165</b>	-	-	-

## 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	24,317,571	244,000	1.80%	-91,632	-91,632	\$5.70
R&D/Flex	1,857,073	0	11.40%	3,887	3,887	\$6.54
<b>Central County</b>	<b>26,174,644</b>	<b>244,000</b>	<b>2.50%</b>	<b>-87,745</b>	<b>-87,745</b>	<b>\$5.86</b>
Warehouse/Distribution	48,345,691	2,643,740	2.50%	1,103,812	1,103,812	\$4.12
R&D/Flex	825,898	0	4.90%	3,982	3,982	\$10.07
<b>Metro East</b>	<b>49,171,589</b>	<b>2,643,740</b>	<b>2.50%</b>	<b>1,107,794</b>	<b>1,107,794</b>	<b>\$4.13</b>
Warehouse/Distribution	52,969,765	3,174,530	4.40%	196,983	196,983	\$4.92
R&D/Flex	2,557,139	0	6.20%	-50,562	-50,562	\$7.71
<b>North County</b>	<b>55,526,904</b>	<b>3,174,530</b>	<b>4.50%</b>	<b>146,421</b>	<b>146,421</b>	<b>\$4.94</b>
Warehouse/Distribution	17,926,004	0	3.60%	-27,083	-27,083	\$7.46
R&D/Flex	821,589	34,530	3.40%	6,385	6,385	\$8.99
<b>South County</b>	<b>18,747,593</b>	<b>34,530</b>	<b>3.60%</b>	<b>-20,698</b>	<b>-20,698</b>	<b>\$7.50</b>
Warehouse/Distribution	32,044,373	1,002,400	1.90%	-69,135	-69,135	\$4.75
R&D/Flex	1,615,639	75,000	1.30%	95,894	95,894	\$9.07
<b>St. Charles County</b>	<b>33,660,012</b>	<b>1,077,400</b>	<b>1.90%</b>	<b>26,759</b>	<b>26,759</b>	<b>\$5.23</b>
Warehouse/Distribution	68,855,752	200,000	4.30%	333,738	333,738	\$5.35
R&D/Flex	2,027,111	0	7.10%	-77,806	-77,806	\$12.56
<b>St. Louis City</b>	<b>70,882,863</b>	<b>200,000</b>	<b>4.40%</b>	<b>255,932</b>	<b>255,932</b>	<b>\$5.78</b>
Warehouse/Distribution	20,487,828	0	3.60%	91,035	91,035	\$7.09
R&D/Flex	5,898,213	0	4.80%	-66,945	-66,945	\$9.71
<b>West County</b>	<b>26,386,041</b>	<b>0</b>	<b>3.90%</b>	<b>24,090</b>	<b>24,090</b>	<b>\$7.39</b>

### Economic Conditions

The local economy continued to improve in February, with total employment growth of 3.1% and growth occurring in seven out of 10 industries, calculated on a 12-month percent change basis.

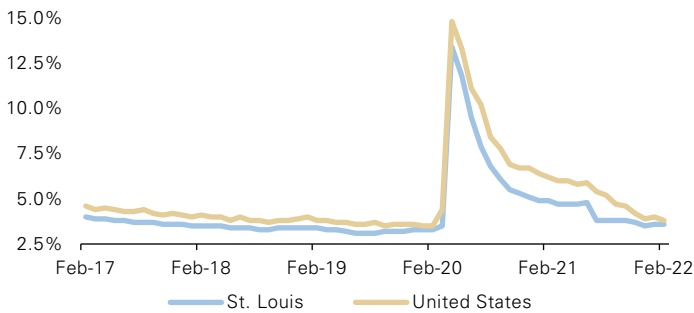
Payroll employment in St. Louis increased significantly in February 2022 compared to the prior year, increasing to 3.1%. The national average also increased substantially, up from -5.9% in February 2021 to 4.8% in February 2022.

The Consumer Price Index for the U.S. increased 620 basis points compared to the prior year, registering 7.9% in February 2022, while the Midwest Urban CPI increased 630 basis points to 8.0%, both at record highs during the past decade.

Unemployment in the U.S. decreased 40 basis points to 3.8%, while unemployment in St. Louis decreased 10 basis points to 3.6% compared to the past quarter. Unemployment in St. Louis decreased 130 basis points from a year prior.

### Unemployment Rate

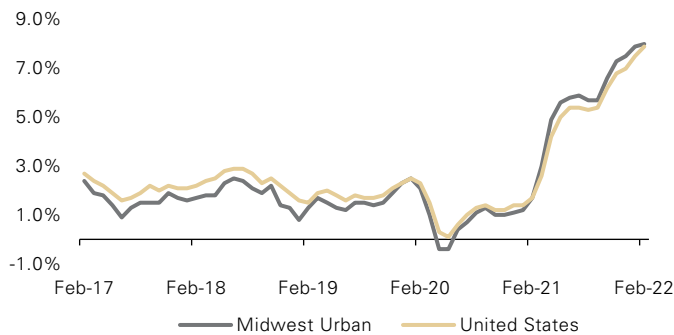
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, March 2022

### Consumer Price Index (CPI)

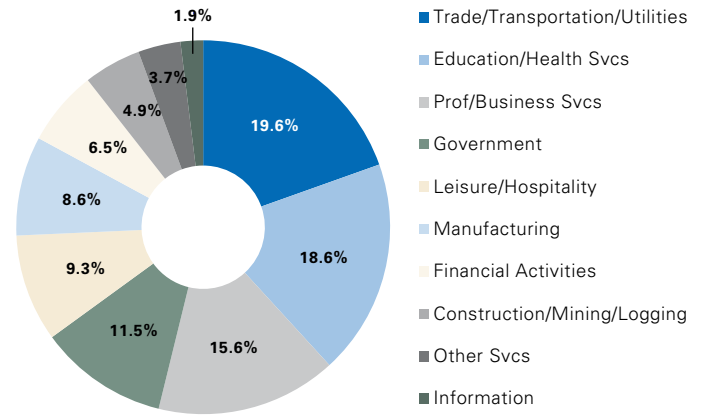
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, March 2022

### Employment By Industry

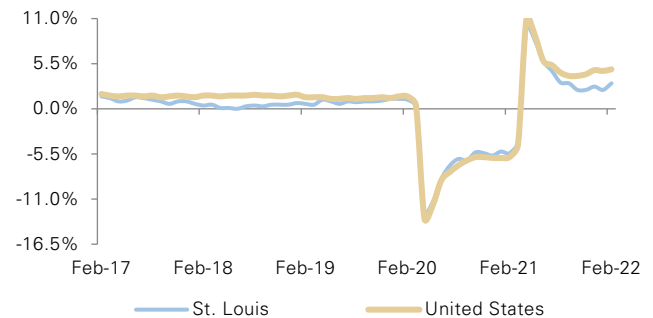
St. Louis, February 2022



Source: U.S. Bureau of Labor Statistics, March 2022

### Payroll Employment

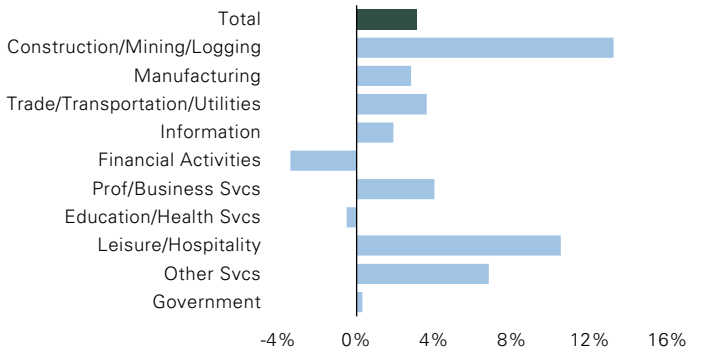
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics, March 2022

### Employment Growth By Industry

STL, Feb. 2022, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics, March 2022

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