



RESEARCH Q2 2021

St. Louis Industrial Market

Market Absorbs 4.6 Million Square Feet in the First Half of 2021

The St. Louis industrial sector tightened in the second quarter of 2021. During this period, the market realized positive absorption of 1.3 million square feet, the third highest quarterly absorption since third-quarter 2017. Overall vacancy decreased 40 basis points from the prior quarter to 4.7%, while average quoted rents slightly decreased from \$4.63/SF to \$4.61/SF. Seven properties, including: the 252,270-square-foot Hazelwood TradePort Building 1; the 142,000-square-foot, fully occupied Patriot Machine building in St. Charles; and the 111,880-square-foot Earth City Commerce Center located at 3930 Earth City Expressway delivered 663,560 square feet of product to the market during the quarter, while developments under construction remained at 2.7 million square feet.

The market absorbed the most space during the first half of 2021 since second- and third-quarter 2017. Net absorption totaled 5.4 million square feet for the past four quarters, equating to a 29.8% increase from the annual average net absorption of 4.2 million square feet during the previous five years. Quoted rental rates increased by \$0.12/SF over the past year. With market vacancy at 4.7%, the following major projects are currently under construction:

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

North County: the 547,750-square-foot Building VI and the 412,550-square-foot Building V (100% leased) in Hazelwood TradePort.

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) and the 62,000-square-foot building located on Fountain Lakes Boulevard in St. Charles (100% occupied by Diode Dynamics).

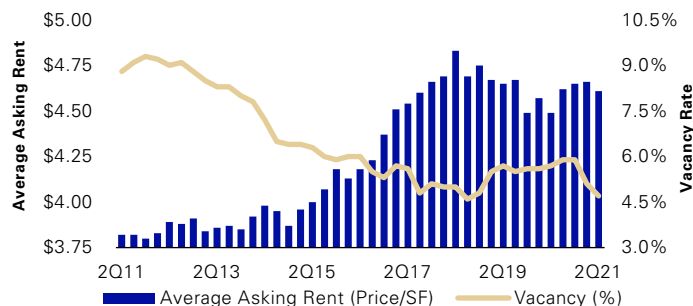
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Current Conditions

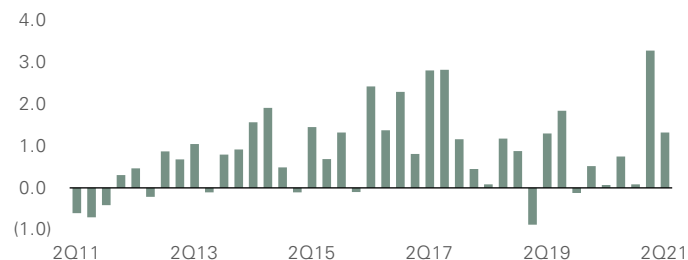
- Asking rental rates increased in 19 out of the past 26 quarters with positive net absorption occurring in 30 out of the past 35 quarters.
- St. Louis posted the second-lowest vacancy among the top Midwestern markets and ranked 13th in net absorption to market size among the most active markets in the U.S.
- \$7.0 million expansion will add 60,000 SF to Phillips 66 facility in Metro East.

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	278 MSF	278 MSF	275 MSF	↑
Vacancy Rate	4.7%	5.1%	5.7%	↔
Qtr. Net Absorp.	1,321,375	3,283,691	71,270	↑
Avg. Asking Rent	\$4.61	\$4.63	\$4.49	↔
Under Con.	2,678,300	2,682,590	1,739,085	↑
Deliveries	663,860	221,940	606,689	↑

Expect the St. Charles County, North County and South County submarkets to continue to lead the local market for the next four quarters. Net absorption totaled over 1.7 million square feet during the past two years in both St. Charles County and North County submarkets due to robust leasing activity and competitive rental rates. St. Charles County and South County will benefit from low vacancy rates, currently stable at 2.4% and 3.7%.

\$7.0 Million Addition Planned at Phillips 66 Warehouse in Gateway Commerce Center

Creve Coeur-based developer, TriStar Properties announced in May it will invest \$7.0 million to expand the Phillips 66 facility located at 20 Gateway Commerce Center Drive East in Edwardsville, Illinois. The 60,000-square-foot addition will increase the Class A building's footprint to 162,500 square feet. Phillips 66 has occupied the space since its delivery in 2019 and uses the building as a storage warehouse and distribution facility. The new cross-dock facility will include modern features such as a 28-foot ceiling height and provide Phillips 66 with 205 feet of depth. TriStar expects the property to deliver by October 2021.

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

The St. Louis industrial sector enjoyed robust leasing activity in the first half of 2021 as a total of 4.6 million square feet were absorbed, significantly outpacing the quarterly average of 512,904

square feet during the previous three years. Asking rental rates increased during 19 out of the past 26 quarters, with positive net absorption occurring in 30 out of the past 35 quarters. Vacancy should range from 4.4% to 5.2%, 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 \$4.55/SF to \$4.66/SF through the next four quarters.

The St. Louis industrial market is well-positioned for the remainder of 2021 as Midwestern industrial markets, including St. Louis, Kansas City, Memphis, Indianapolis, Nashville and Columbus, which continue to post significant net absorption and attract investment interest. Among Midwestern industrial markets, St. Louis posted the second-lowest vacancy rate and ranked 13th in the U.S for net absorption to total market size among the most active markets in the nation. 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 the pipeline of speculative warehouse and distribution space, which will increase the speed to market required by tenants.

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
FedEx	3919 Lakeview Corporate Dr	Metro East	New	769,500
United States Postal Service	4702 Park 370 Blvd	North County	New	299,000
Trident	13201-13221 Corp. Exchange Dr	North County	Sublease	128,680
Midland Optical	1833 Knox Ave	St. Louis City	New	55,570
GTS Distribution	3906-3910 Ventures Way	North County	New	36,120

Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
5620 Inner Park Dr	Metro East	\$29,071,500	\$51	1,262,650
9150 Latty Ave	North County	\$7,800,000	\$55	142,360
8801-8845 Seeger Industrial Dr	North County	\$5,310,000	\$41	129,000
1833 Knox Ave	St. Louis City	\$4,260,000	\$45	94,370
3906-3910 Ventures Way	North County	\$3,700,000	\$63	58,520
1616 Woodson Rd	Central County	\$3,750,000	\$72	52,410
2373 Ball Dr	West County	\$2,825,000	\$94	30,200

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	26,075,818	0	2.30%	154,527	-65,407	\$4.90	\$6.41	\$5.27
Metro East	49,128,868	624,350	5.60%	120,912	2,828,228	\$3.78	\$9.95	\$3.79
North County	54,562,652	960,300	8.00%	28,746	1,004,702	\$4.30	\$7.04	\$4.34
South County	18,410,960	220,350	3.70%	59,709	75,635	\$6.20	\$6.79	\$6.22
St. Charles County	32,765,637	873,300	2.40%	455,028	256,845	\$5.02	\$8.05	\$5.84
St. Louis City	70,842,347	0	4.30%	414,930	401,633	\$5.02	\$11.53	\$5.55
West County	26,560,844	0	3.70%	87,523	103,430	\$6.32	\$9.71	\$6.76
St. Louis Market	278,347,126	2,678,300	4.70%	1,321,375	4,605,066	\$4.42	\$8.12	\$4.61
Warehouse	262,231,302	2,678,300	4.70%	1,206,286	4,721,078	-	-	-
Flex	16,115,824	0	5.60%	115,089	-116,012	-	-	-

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	24,182,687	0	1.40%	152,914	90,206	\$4.90
R&D/Flex	1,893,131	0	12.90%	1,613	-155,613	\$6.41
Central County	26,075,818	0	2.30%	154,527	-65,407	\$5.27
Warehouse/Distribution	48,323,952	624,350	5.60%	120,912	2,817,260	\$3.78
R&D/Flex	804,916	0	5.50%	0	10,968	\$9.95
Metro East	49,128,868	624,350	5.60%	120,912	2,828,228	\$3.79
Warehouse/Distribution	51,984,321	960,300	8.20%	32,206	1,000,782	\$4.30
R&D/Flex	2,578,331	0	3.60%	-3,460	3,920	\$7.04
North County	54,562,652	960,300	8.00%	28,746	1,004,702	\$4.34
Warehouse/Distribution	17,388,983	220,350	3.30%	95,481	74,008	\$6.20
R&D/Flex	1,021,977	0	9.40%	-35,772	1,627	\$6.79
South County	18,410,960	220,350	3.70%	59,709	75,635	\$6.22
Warehouse/Distribution	30,734,395	873,300	2.10%	331,910	280,615	\$5.02
R&D/Flex	2,031,242	0	8.00%	123,118	-23,770	\$8.05
St. Charles County	32,765,637	873,300	2.40%	455,028	256,845	\$5.84
Warehouse/Distribution	68,915,592	0	4.30%	381,932	343,715	\$5.02
R&D/Flex	1,926,755	0	3.40%	32,998	57,918	\$11.53
St. Louis City	70,842,347	0	4.30%	414,930	401,633	\$5.55
Warehouse/Distribution	20,701,372	0	3.70%	90,931	114,492	\$6.32
R&D/Flex	5,859,472	0	3.40%	-3,408	-11,062	\$9.71
West County	26,560,844	0	3.70%	87,523	103,430	\$6.76

Economic Conditions

The local economy continued to improve in May, with total employment growth of 7.6% and positive growth occurring in all 10 industries, calculated on a 12-month percent change basis.

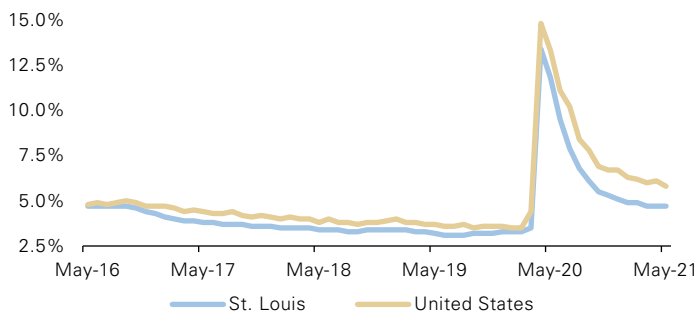
Payroll employment in St. Louis increased significantly in May 2021 compared to the prior year, increasing to a record high of 9.2%. The national average also increased substantially, up from negative 5.9% in February 2021 to 9.0% in May 2021.

The Consumer Price Index for the U.S. increased 490 basis points compared to the prior year, registering 5.0% in May 2021, while the Midwest Urban CPI increased 600 basis points to 5.6%, both 13-year record highs.

Unemployment in the U.S. decreased 40 basis points to 5.8%, while unemployment in St. Louis decreased 20 basis points to 4.7% compared with the past quarter. Unemployment in St. Louis decreased 710 basis points from a year prior.

Unemployment Rate

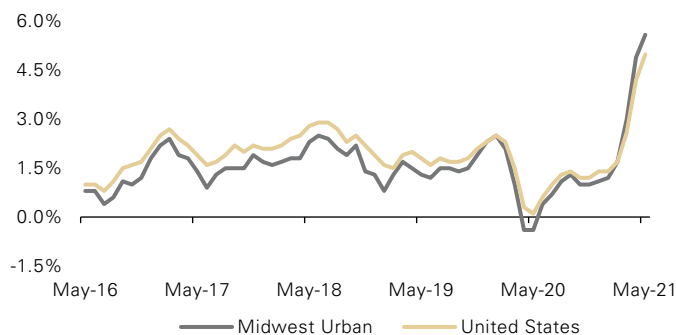
Seasonally Adjusted



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

Consumer Price Index (CPI)

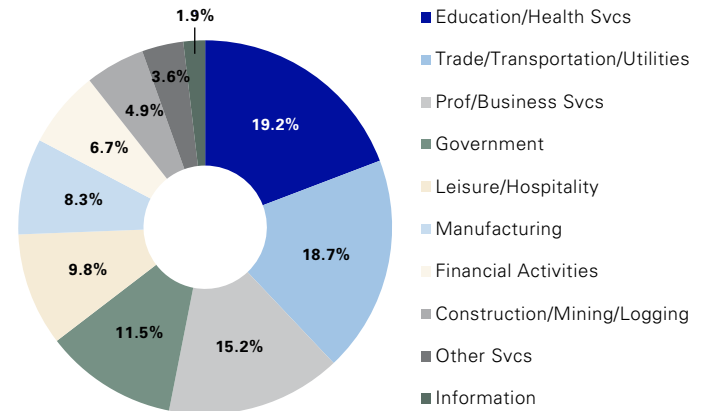
All Items, 12-Month % Change, Not Seasonally Adjusted



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

Employment By Industry

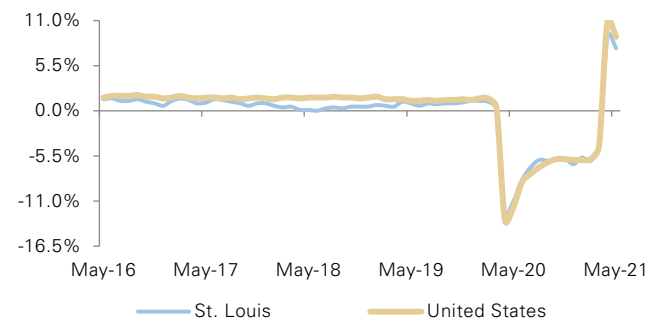
St. Louis, May 2021



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

Payroll Employment

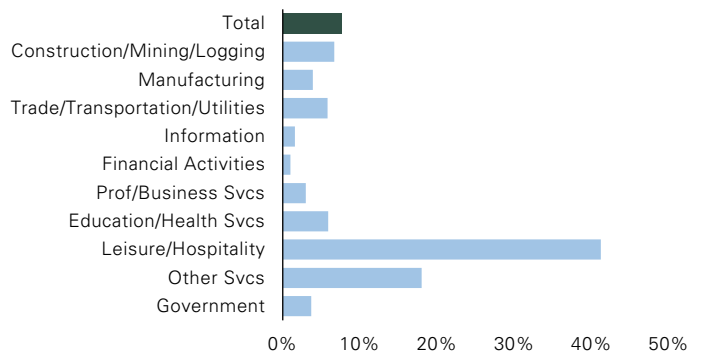
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



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

Employment Growth By Industry

STL, May 2021, 12-Month % Change, Not Seasonally Adjusted



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

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