

St. Louis Industrial Market

Dynamic Market Expanding as Vacancy Near Record Low

The St. Louis industrial sector slightly loosened in the third quarter of 2022. During this period, the market realized total net absorption of negative 943 square feet. Overall vacancy increased 40 basis points from the prior quarter to 3.1%, while average quoted rents increased significantly from \$5.30/SF to \$5.56/SF. Three properties delivered 639,200 square feet of product to the market during the quarter. Developments under construction increased to 8.4 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 year. Net absorption totaled 4.9 million square feet for the past four quarters, equating to a 35.2% increase from the annual average net absorption of 3.6 million square feet during 2017 through 2020. With market vacancy sitting at 3.1%, the following major projects are currently under construction:

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

Metro East: the 1.1-million-square-foot reconstruction for Amazon at Gateway Commerce Center, 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 II and 376,000-square-foot Gateway Panattoni I, both located in Gateway Commerce Center.

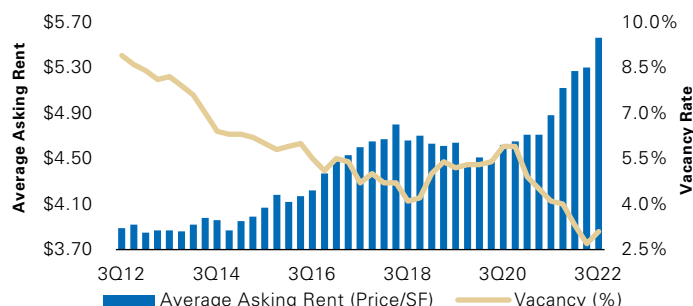
North County: the 511,210-square-foot Building VII and the 511,210-square-foot Building X, located in Hazelwood TradePort; the 311,990-square-foot, 251,090-square-foot and 162,030-square-foot speculative properties located at Riverport Trade Center; the 275,860-square-foot Aviator VI and 130,930-square-foot Aviator V properties located at Aviator Business Park; the 217,450-square-foot, the 199,170-square-foot and the two 194,620-square-foot buildings, located at Westport Commerce Center III, VI, I and II, respectively.

Current Conditions

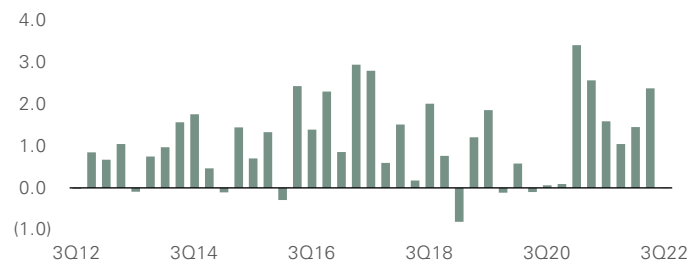
- Overall vacancy remains near historical lows registering 3.1% while average asking rental rates reached a new high of \$5.56/SF.
- St. Louis posted the lowest vacancy among the top Midwestern markets and ranked 15th in under-construction to market size among the most active industrial markets in the U.S.
- \$112M River Valley Commerce Center receives zoning approval.
- Proctor & Gamble will undergo \$180M expansion.

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	282 MSF	281 MSF	279 MSF	↑
Vacancy Rate	3.1%	2.7%	4.1%	↔
Qtr. Net Absorp.	-943	2,379,566	1,591,025	↑
Avg. Asking Rent	\$5.56	\$5.30	\$4.88	↑
Under Con.	8,400,120	7,631,650	2,450,940	↑
Deliveries	639,200	0	1,616,650	↑

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 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 and North County submarkets to continue to lead the local market for the next four quarters. Net absorption totaled 5.6 million square feet in North County and 3.0 million square feet in Metro East during the past two years due to robust leasing activity and competitive rental rates. Metro East and North County will continue to remain tight in the near term with low vacancy rates, currently at 3.7% and 3.8%, respectively.

\$112.0-Million River Valley Commerce Center Receives Zoning Approval; Proctor & Gamble to Expand

The development pipeline continues strong as NorthPoint Development received zoning approval from local officials for River Valley Commerce Center, a \$112.0-million project, expected to deliver 1.1 million square feet. Northpoint will construct three structures totaling 495,000 square feet, 354,000 square feet and 241,000 square feet across 91 acres situated west of River Valley Drive, north of Waterworks Drive and northeast of the Missouri American Water treatment facility. Procter & Gamble Co. will expand its 17-acre site at 169 East Grand Ave. as The Port Authority voted to issue \$180.0 million in industrial revenue bonds, along with various incentives. The

future investment is expected to retain 530 jobs and create nearly 100 new jobs.

St. Louis Remains Underdeveloped Compared to Midwestern Peers

The St. Louis industrial market enjoyed a robust third quarter of 2022 with solid leasing and sales activity across multiple submarkets. The market continues to display strong market fundamentals for demand as vacancy dropped near record lows, registering 3.1%. Increases in land pricing, construction pricing and general demand have pressed industrial rental rates upward since the fourth quarter of 2019, increasing \$1.12/SF to a record high of \$5.56/SF in the third quarter of 2022. Real asking rent increases have been, to some extent, countered as larger structures continue to deliver to the market, along with inflationary pressures, which are keeping in check the inflation-adjusted average per-square-foot rate. Among Midwestern industrial markets, St. Louis posted the lowest vacancy rate, ranked 15th for the highest percentage of under-construction to market size and ranked 15th 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 continues to have untapped development potential compared with other U.S. and Midwestern markets. St. Louis ranked 18th in deliveries to total market size during the past 12 months with a result of 0.77%, while six Midwestern peer cities all ranked above 1%. The gap is expected to slowly decrease as an additional 768,470 square feet of product officially began construction in the third quarter of 2022.

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
FedEx	1602 Vincent Dr	Metro East	Renewal	198,730
Federal Companies	6063-6091 Aviator Dr	North County	New	97,730
Jung Companies	4774 Park 370 Blvd	North County	New	43,200
DH Pace Company	54 Weldon Pkwy	West County	New	32,000

Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
1720 Sublette Ave	St. Louis City	\$8,300,000	\$33	250,030
121 Enterprise Dr	Metro East	\$25,000,000	\$119	209,970
6501 Hall St	St. Louis City	\$10,474,000	\$64	163,490
3850 Millstone Pkwy	St. Charles County	\$30,000,000	\$310	96,830
13397 Lakefront Dr	North County	\$5,500,000	\$90	61,220
4530 Fyler Ave	St. Louis City	\$2,600,000	\$63	41,570
13892 St. Charles Rock Rd	North County	\$2,900,000	\$98	29,570
4782 Park 370 Blvd	North County	\$6,000,000	\$221	27,140

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	25,864,236	244,000	3.10%	-117,655	-242,773	\$6.07	\$7.37	\$6.23
Metro East	49,212,814	3,805,240	3.70%	-259,063	742,792	\$4.30	\$12.00	\$4.30
North County	56,632,836	3,006,480	3.80%	395,304	1,647,745	\$5.45	\$7.74	\$5.46
South County	19,128,756	30,000	3.00%	-51,439	212,250	\$8.08	\$12.19	\$8.27
St. Charles County	33,623,613	1,114,400	2.10%	-64,262	-28,617	\$5.73	\$7.91	\$5.81
St. Louis City	70,889,872	200,000	2.80%	-36,813	1,315,903	\$5.32	\$10.90	\$5.63
West County	26,320,205	0	3.30%	132,985	181,935	\$6.99	\$9.96	\$7.34
St. Louis Market	281,672,332	8,400,120	3.10%	-943	3,829,235	\$5.44	\$8.91	\$5.56
Warehouse	265,524,171	8,325,120	3.00%	-68,249	3,722,914	-	-	-
Flex	16,148,161	75,000	4.80%	67,306	106,321	-	-	-

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	23,902,791	244,000	2.80%	-208,016	-354,921	\$6.07
R&D/Flex	1,961,445	0	6.10%	90,361	112,148	\$7.37
Central County	25,864,236	244,000	3.10%	-117,655	-242,773	\$6.23
Warehouse/Distribution	48,126,916	3,805,240	3.70%	-259,063	721,233	\$4.30
R&D/Flex	1,085,898	0	2.10%	0	21,559	\$12.00
Metro East	49,212,814	3,805,240	3.70%	-259,063	742,792	\$4.30
Warehouse/Distribution	54,078,575	3,006,480	3.60%	410,305	1,766,652	\$5.45
R&D/Flex	2,554,261	0	7.80%	-15,001	-118,907	\$7.74
North County	56,632,836	3,006,480	3.80%	395,304	1,647,745	\$5.46
Warehouse/Distribution	18,123,261	30,000	2.90%	-35,981	164,335	\$8.08
R&D/Flex	1,005,495	0	5.30%	-15,458	47,915	\$12.19
South County	19,128,756	30,000	3.00%	-51,439	212,250	\$8.27
Warehouse/Distribution	32,005,959	1,039,400	2.10%	-62,249	-134,682	\$5.73
R&D/Flex	1,617,654	75,000	0.60%	-2,013	106,065	\$7.91
St. Charles County	33,623,613	1,114,400	2.10%	-64,262	-28,617	\$5.81
Warehouse/Distribution	68,837,804	200,000	2.70%	-36,813	1,363,610	\$5.32
R&D/Flex	2,052,068	0	6.70%	0	-47,707	\$10.90
St. Louis City	70,889,872	200,000	2.80%	-36,813	1,315,903	\$5.63
Warehouse/Distribution	20,448,865	0	3.20%	123,568	196,687	\$6.99
R&D/Flex	5,871,340	0	3.80%	9,417	-14,752	\$9.96
West County	26,320,205	0	3.30%	132,985	181,935	\$7.34

Economic Conditions

The local economy continued to improve in August, with total employment growth of 1.8% and growth occurring in six out of ten industries, calculated on a 12-month percent change basis.

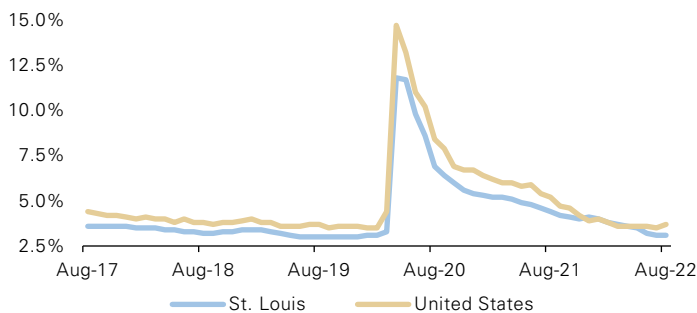
Payroll employment in St. Louis decreased to 1.8% in August 2022, compared with 3.2% in August 2021. The national average also decreased, down from 4.4% in August 2021 to 4.0% in August 2022.

The Consumer Price Index for the U.S. increased 300 basis points compared to the prior year, registering 8.3% in August 2022, while the Midwest Urban CPI increased 240 basis points to 8.1%, both near record highs during the past four decades.

Unemployment in the U.S. increased 10 basis points to 3.7%, while unemployment in St. Louis decreased 40 basis points with 3.1% compared to the past quarter. Unemployment in St. Louis decreased 130 basis points from a year prior.

Unemployment Rate

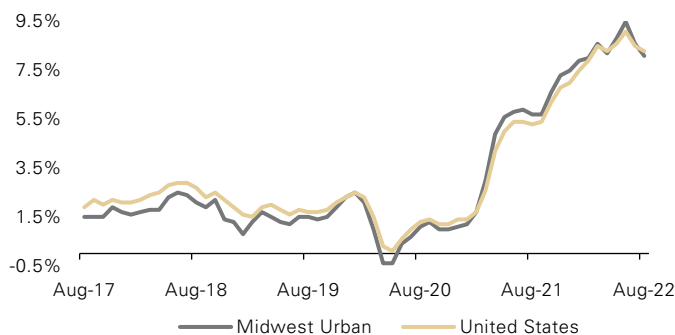
Seasonally Adjusted



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

Consumer Price Index (CPI)

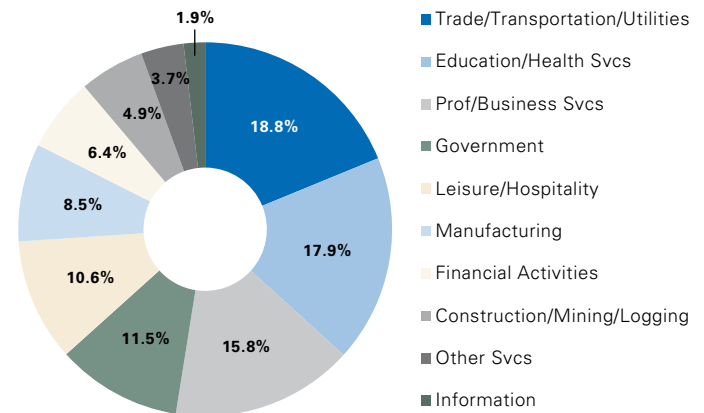
All Items, 12-Month % Change, Not Seasonally Adjusted



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

Employment By Industry

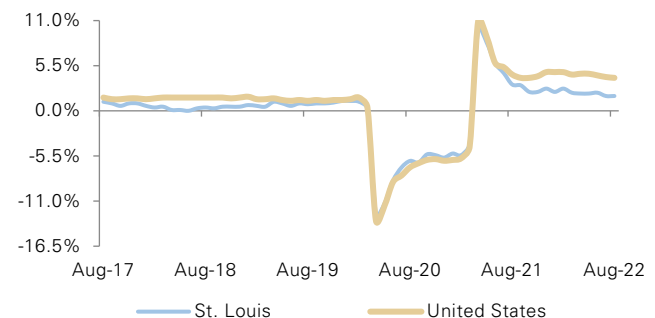
St. Louis, August 2022



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

Payroll Employment

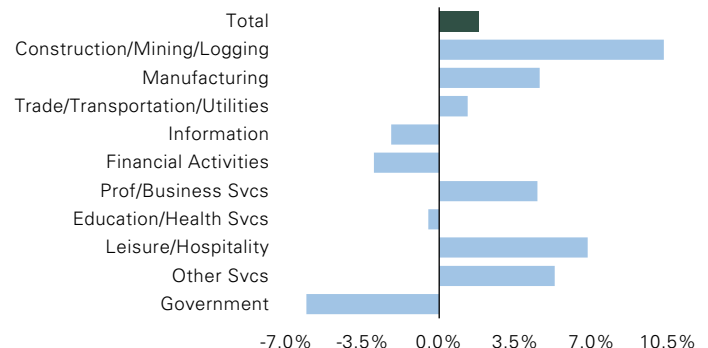
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



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

Employment Growth By Industry

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



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

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