

St. Louis Industrial begins to plateau after historic run.

4.8%

▲ 3.6%

▶ 10.6% ▼ 516,329 ▼ 1.9 MSF

▼\$5.43

St. Louis Metro Vacancy Rate

Metro West Vacancy Rate

Metro East Vacancy Rate SF Net Absorption

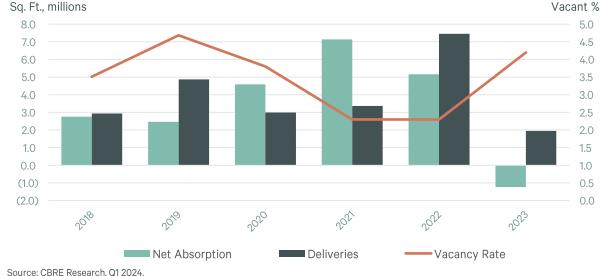
SF Under Construction

NNN / Lease Rate

Note: Arrows indicate change from previous guarter.

- Transaction volume rebounded to 2.3 MSF in the first quarter of 2024, up nearly 1 MSF over Q4 2023. Assets that can are able to cater to tenants seeking smaller spaces continue to be among the most active in the region. 87% of leasing activity in Q1 consisted of deals signed in spaces smaller than 200,000 SF.
- Vacancy experienced a sizeable uptick of 60 bps to 4.8% across the St. Louis metro, primarily driven by bulk vacancies in the Metro East. Vacancy levels in the Metro East averaged 10.6% versus 3.6% in the Metro West.
- Average direct asking rents decreased by \$0.13 to \$5.43 in the first quarter as demand for larger modern bulk spaces over 200,000 continued to ease. Demand for smaller spaces remains robust and rates in those assets have held steady.
- Investment sales activity remained muted at \$59 Million because of high borrowing costs. The Federal Reserve opted to not pursue any rate cuts in the first quarter of the year but did raise the possibility of three cuts starting in June of 2024 which could further stimulate activity.

FIGURE 1: Net Absorption, Construction Completions, and Vacancy Rates



© 2024 CBRE, INC. CBRF RESEARCH

Market Activity

Transaction volume rebounded to 2.3 MSF in the first quarter of 2024, up nearly 1 MSF over Q4 2023. 87% of leasing activity in Q1 consisted of deals signed in spaces smaller than 200,000 SF.

Construction activity continued to remain muted in the region as borrowing costs remained high. Presently 70.5% of Industrial product under construction in St. Louis is Built to Suit for a tenant. Only 29.5% of product under construction is speculative in nature.

Vacancy experienced a sizeable uptick of 60 bps to 4.8% across the St. Louis metro, primarily driven by bulk vacancies. Vacancy levels in the Metro West averaged 3.6% versus a rate of 10.6% in the Metro East. Sublease availability increased by 590,000 SF to 2.2 MSF. The Metro East makes up 67.1% (1.4 MSF) of total sublease availability.

FIGURE 2: Vacancy, Availability and Average Direct Asking Lease Rates



FIGURE 3: Construction Completions – Build to Suit & Speculative

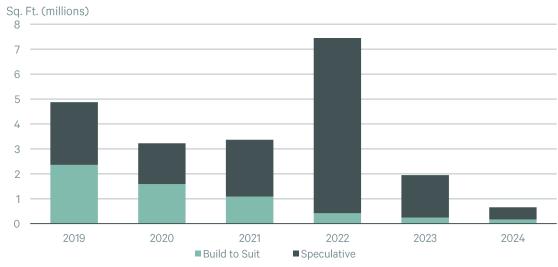


FIGURE 4: Under Construction by Property Type (Sq. Ft.)



Source: CBRE Research, Q1 2024.

2 CBRE RESEARCH © 2024 CBRE, INC.

Leasing & Sales Activity

Investment sales activity remained muted at \$59 Million as a result of high borrowing costs. The Federal Reserve opted to not pursue any rate cuts in the first quarter of the year but did raise the possibility of three cuts starting in June of 2024.

The top three deals by size this quarter were signed in the Metro East submarket. Royal Canin executed a renewal (521,000 SF) at 3051 Gateway Commerce Center Dr S, World Wide Technology signed a lease at Gateway Panattoni 2 for the entire 455,000 SF building and Miller Multi-flex renewed in place (250,000 SF) at 1610 Design Way.



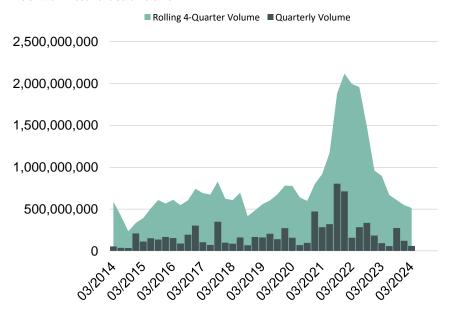


FIGURE 6: 2023 YTD Leasing Activity by Submarket.

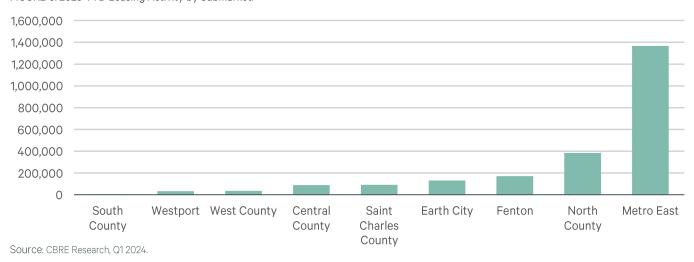


FIGURE 7: Key Lease Transactions

Lease Transaction Type	Area Leased	Tenant	Property Name	Submarket
Renewal	521,171	Royal Canin	3051 Gateway Commerce Center Dr S	Metro East
New Lease	455,900	World Wide Technology	Gateway Panattoni Building 2	Metro East
Renewal	250,580	Miller Multiflex Display/Fixtures	1610 Design Way	Metro East
New Lease	233,100	Customized Distribution Services	Hazelwood Trade Port 10	North County
Sublease	150,385	Allstates WorldCargo	Hazelwood Logistics Center 2	North County
New Lease	81,573	Zelis Healthcare	415 Axminster Dr	Fenton
New Lease	74,491	Heritage Global Partners	Rite Point Co.	Fenton

Source: Real Capital Analytics, Q1 2024.

Source: CBRE Research, Q1 2024.

FIGURE 8 : Market Statistics

Submarket	Rentable Area (SF)	Vacancy Rate (%)	Availability Rate (%)	Q1 2024 Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Avg Dir Asking Rate (\$/SF/Yr)
Downtown	51,569,128	3.0%	3.4%	(146,874)	(146,874)	0	\$5.75
Metro East	37,173,276	10.6%	12.1%	(67,313)	(67,313)	375,000	\$8.02
North	32,243,486	7.5%	8.3%	616,807	616,807	939,779	\$6.17
St. Charles County	28,624,258	3.9%	5.2%	(9,710)	(9,710)	37,500	\$5.23
Central County	20,950,378	1.6%	3.3%	123,720	123,720	0	\$6.56
Earth City	19,758,430	4.3%	8.1%	(12,026)	(12,026)	0	\$4.22
Westport	13,586,261	1.9%	4.3%	(51,818)	(51,818)	0	\$8.30
Fenton	9,805,962	3.5%	5.5%	89,293	89,293	0	\$5.24
South County	7,282,801	1.4%	2.9%	(30,850)	(30,850)	0	\$5.39
West County	6,876,962	1.0%	3.6%	(39,738)	(39,738)	130,000	\$8.77
Maryland Heights	3,172,686	7.9%	7.9%	44,838	44,838	512,048	\$7.63
Manufacturing	36,680,834	1.1%	2.1%	76,130	76,130	375,000	\$5.11
R&D/Flex	8,220,775	3.7%	5.2%	-46,262	-46,262	0	\$9.96
Warehouse	183,697,030	5.7%	7.3%	450,461	450,461	1,619,327	\$5.37
Market Totals	231,043,638	4.8%	6.3%	516,329	516,329	1,994,327	\$5.43

Source: CBRE Research, Q1 2024.

4 CBRE RESEARCH © 2024 CBRE, INC.

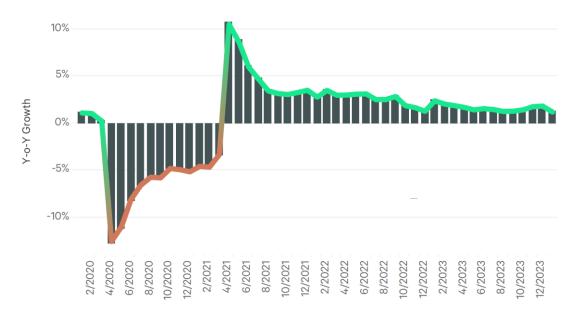
Economic Outlook

Continued economic growth paired with the Fed signaling more accommodative policy all suggests the U.S. economy is heading toward a 'soft landing'. GDP growth should be less than half 2023's pace when growth topped 3%. Reasons for the slowdown include a more prudent consumer and much weaker hiring. This latter issue is most acute within interest rate sensitive sectors, such as tech start-ups and goods manufacturing. Notable exceptions include investment in EV and microchip production capacity.

More caution from businesses means a good chunk of recent hiring came from publicly funded sectors (e.g., education, healthcare, state & local governments). A key exception is leisure & hospitality, driven by continued demand for discretionary services. With many private firms on the sidelines the job openings rate declining to 5.5% from its peak of 7.8% in 2022. This has also meant the pace of wage growth has cooled, but not enough to see inflation fall quickly to 2%. With unemployment remaining below 4% and high-capacity utilization, CPI is unlikely to return to target until 2025.

The Fed will likely make three, 25 basis point cuts this year. This outlook is putting downward pressure on longer-term rate expectations, providing some optimism for real estate capital markets, but the recovery will only begin after the first cut is actually delivered. Better than expected growth over the last 18 months has been helpful in holding real estate vacancy down, notably in the industrial, retail and multifamily sectors.

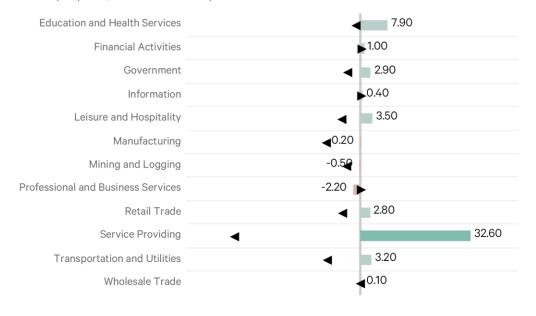
Job Growth - Year over Year Trend





Employment Change by Sector - Yearly & Monthly

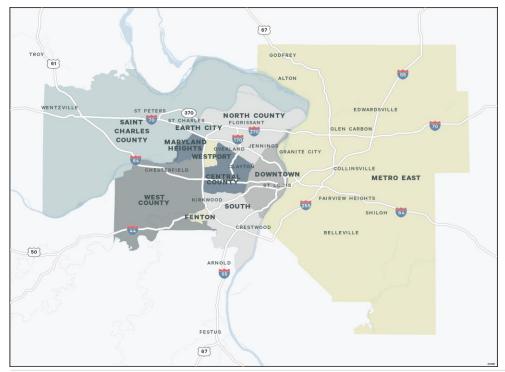
Bars indicate yearly trend, arrows indicate monthly trend



Source: US BLS January 2024

© 2024 CBRE, INC.

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the "drip line" of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Industrial buildings 10,000 sq. ft. or greater.

Contact

Joshua Allen Marissa LaRue

Field Research Manager
Joshua. Allen@cbre.com

Data Research Analyst
Marissa. Larue@cbre.com

