

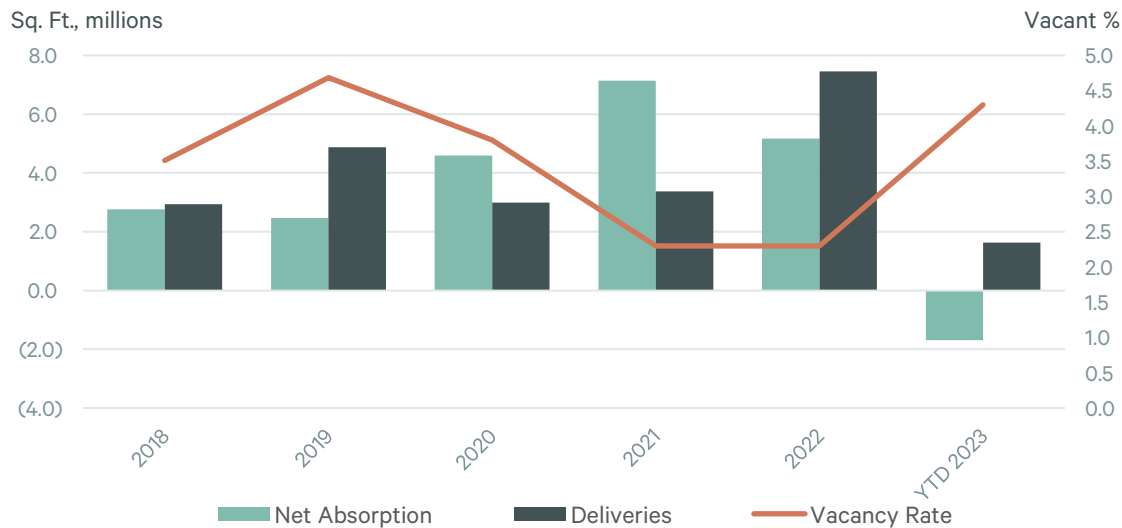
Metro West demand remains strong as Metro East falters.

▲ 4.2%	▼ -967,064 SF	▼ 1.4 MSF	▼ \$5.51
Vacancy Rate	SF Net Absorption	SF Under Construction	NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

- Industrial demand remained strong this quarter, particularly in spaces below 40,000 SF. Although, regional cracks began to emerge as Industrial product in Missouri continues to draw activity while the Metro East experienced its third consecutive quarter of negative absorption this year.
- Vacancy continued to rise in Q3 by an additional 20 bps (2%), The majority of which can be attributed to two large assets in the Metro East. Walgreens vacated 28 Gateway Commerce Center Dr (500,000 SF) and Dial vacated 1 Gateway Commerce Center Dr (812,000 SF) as part of its relocation to Kentucky.
- Transaction activity for the quarter (1.7 MSF) was down by rough half of the 3.9 MSF of activity in Q2.
- Although the Federal Reserve paused hikes at the September FOMC meeting. We are unlikely to see the return of the activity levels experienced in 2022 for the remainder of the year.
- Averaging direct asking declined again this quarter by \$0.07 across the metro.

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



Source: CBRE Research, Q3 2023.

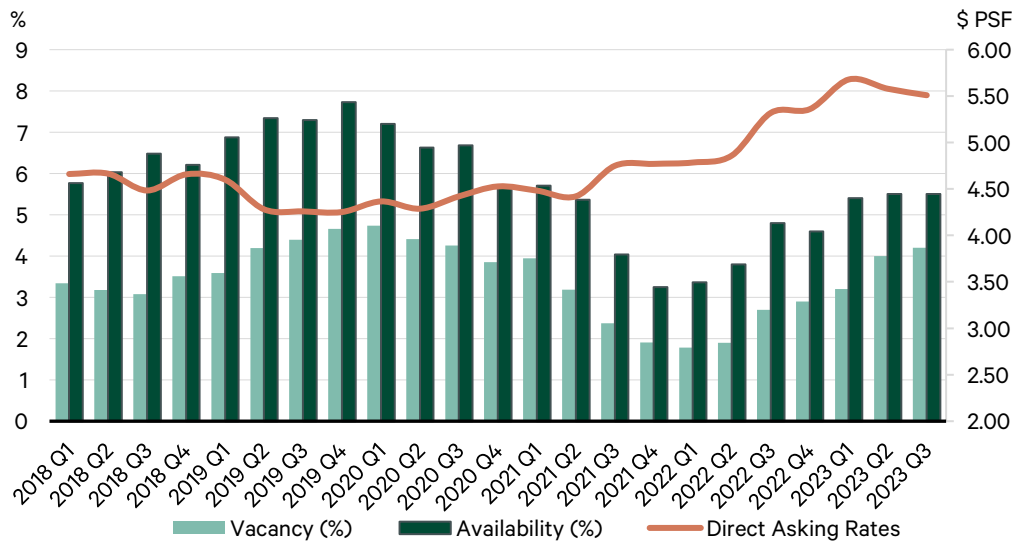
Market Activity

Transaction Activity was down by just over half (1.7 MSF) of the 3.9 MSF of activity seen in the second quarter of this year. Overall, YTD transaction volume stands at 6.5 MSF, down by 38% over the same period in 2022 which saw 10.5 MSF of activity.

Deals totaling less than 100,000 SF made of the bulk of activity in Q2. Only 23% of deals signed in Q3 were over 100,000 SF in size signaling a shift in demand away from large single tenant buildings to smaller divisible buildings.

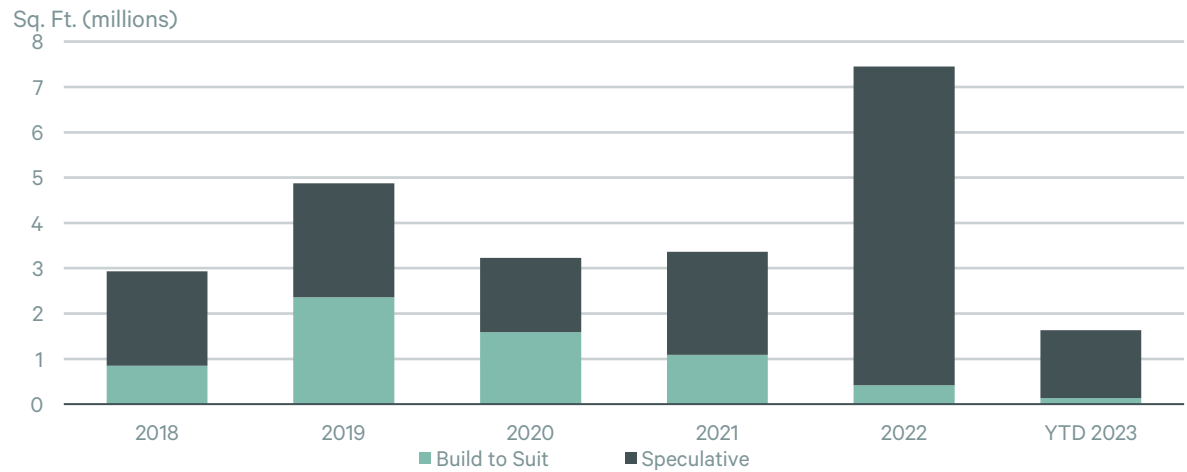
Development activity continues to remain muted as construction costs stay elevated while market activity begins to moderate in existing speculative product, particularly in the Metro East.

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



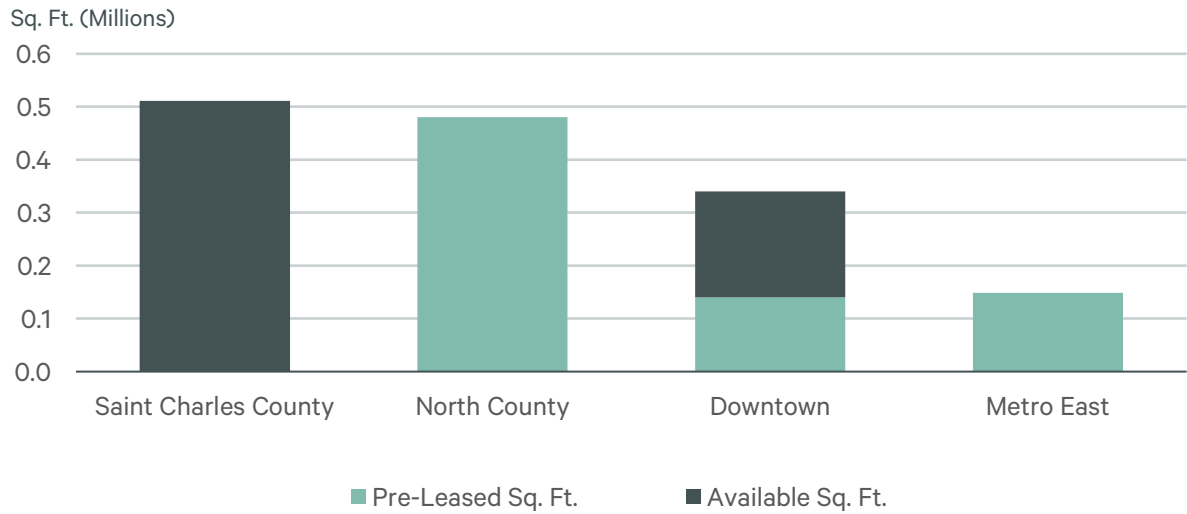
Source: CBRE Research, Q3 2023.

FIGURE 3: Construction Completions – Build to Suit & Speculative



Source: CBRE Research, Q3 2023.

FIGURE 4: Under Construction Activity by Submarket



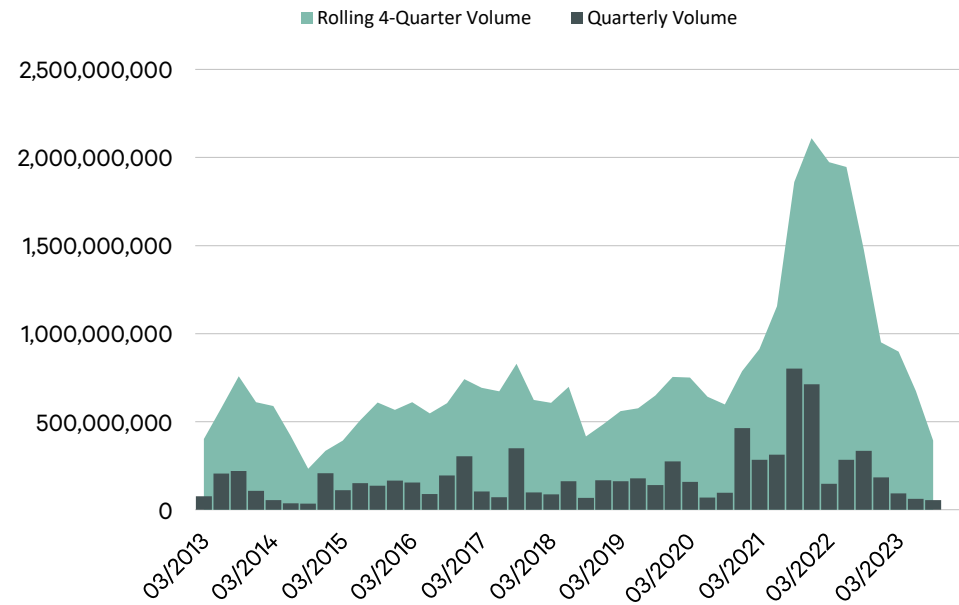
Source: CBRE Research, Q3 2023.

Leasing & Sales Activity

Investment Sale activity continued its decline this quarter, reaching its lowest volume (\$ 54 Million) since Q3 2014 (\$34 Million). The federal reserve did not pursue an additional rate hike at the September FOMC but alluded they may not be finished for 2023. As such, volumes are unlikely to recover in this calendar year.

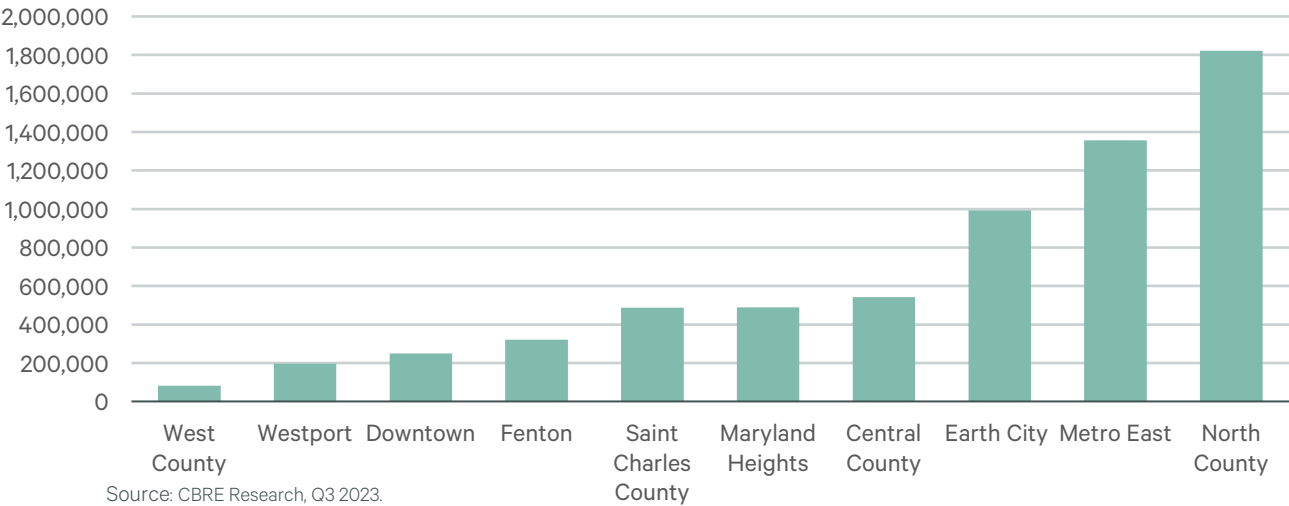
Notable deals this quarter included PFI’s new lease at Hazelwood Trade Port 7 (299,000 SF), Wineshipping.com renewal at 13600 Shoreline Dr (124,000 SF). and Keystone Automotive’s New Lease at Hazelwood Trade Port 3 (134,000 SF).

FIGURE 5: Investment Sale Volume



Source: Real Capital Analytics, Q3 2023.

FIGURE 6: 2023 YTD Leasing Activity by Submarket.
SF (000's)



Source: CBRE Research, Q3 2023.

FIGURE 7: Key Lease Transactions

Transaction Type	Size (SF)	Tenant	Address	Submarket
New Lease	299,955	PFI Holdings	Hazelwood Trade Port 7	North County
New Lease	134,833	Keystone Automotive	Hazelwood Trade Port 3	North County
Renewal	124,000	Wineshipping.com	13600 Shoreline Dr.	Earth City
Renewal	116,164	Envoy	13209 Corporate Exchange Dr	Earth City
Renewal	100,000	GEODIS	117 119 Northgate Industrial Dr	Metro East
Renewal	99,300	Triad Manufacturing	Park 70 Business Center	Downtown
New Lease	86,400	Express Chemical	America's Central Port 5	Metro East

Source: CBRE Research, Q3 2023.

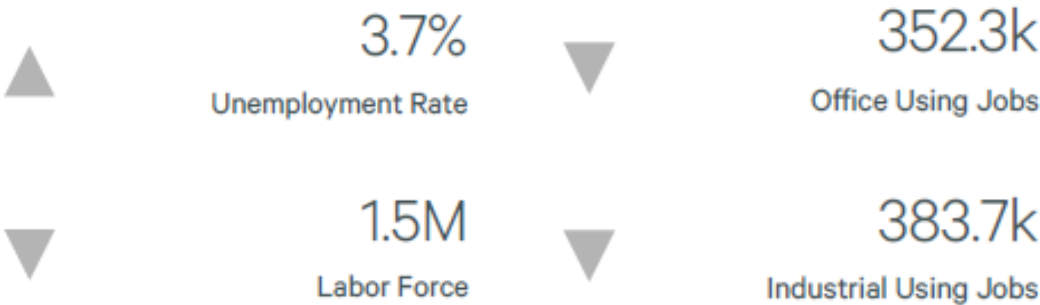
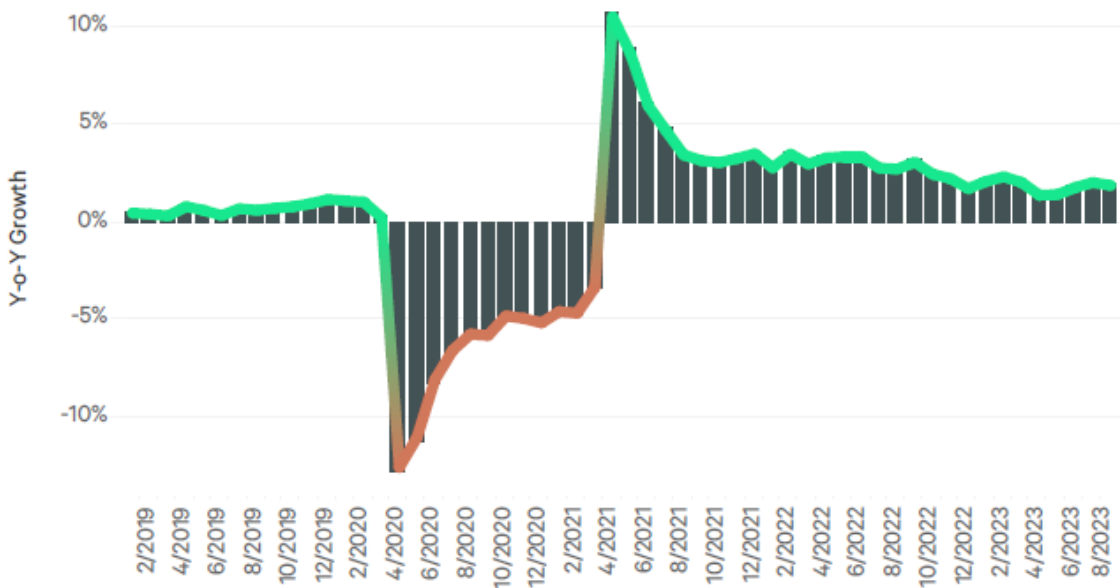
FIGURE 8 : Market Statistics

Submarket	Rentable Area (SF)	Vacancy Rate (%)	Availability Rate (%)	Q3 2023 Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Avg Dir Asking Rate (\$/SF/Yr)
Downtown	51,559,864	2.4%	3.2%	-368,919	-186,079	340,000	\$4.50
Metro East	36,925,777	10.4%	10.9%	-826,888	-1,827,054	148,500	\$4.29
North County	31,050,107	6.3%	7.0%	-112,374	-448,957	480,000	\$5.78
St. Charles County	27,884,123	1.2%	1.7%	-51,183	-21,508	511,365	\$7.29
Central County	20,950,378	1.8%	4.2%	33,273	101,226	0	\$7.22
Earth City	19,729,360	4.9%	8.9%	85,661	-307,957	0	\$5.69
Westport	13,586,261	1.9%	3.7%	2,510	-26,387	0	\$6.38
Fenton	9,723,195	3.3%	5.3%	163,727	403,050	0	\$7.33
South County	7,110,766	0.8%	1.0%	-47,040	4,473	0	\$9.18
West County	6,899,962	0.5%	0.7%	-6,800	150,420	0	\$9.59
Maryland Heights	3,172,686	14.6%	12.7%	160,969	467,090	0	\$6.60
Manufacturing	36,604,169	1.4%	2.2%	-74,016	-310,510	0	\$4.49
R&D/Flex	8,220,775	3.2%	4.7%	15,274	-56,988	0	\$10.25
Warehouse	182,867,835	4.3%	6.1%	-908,322	-1,324,185	1,479,865	\$5.52
Market Totals	228,592,479	4.2%	5.5%	-967,064	-1,633,703	1,479,865	\$5.51

Source: CBRE Research, Q3 2023.

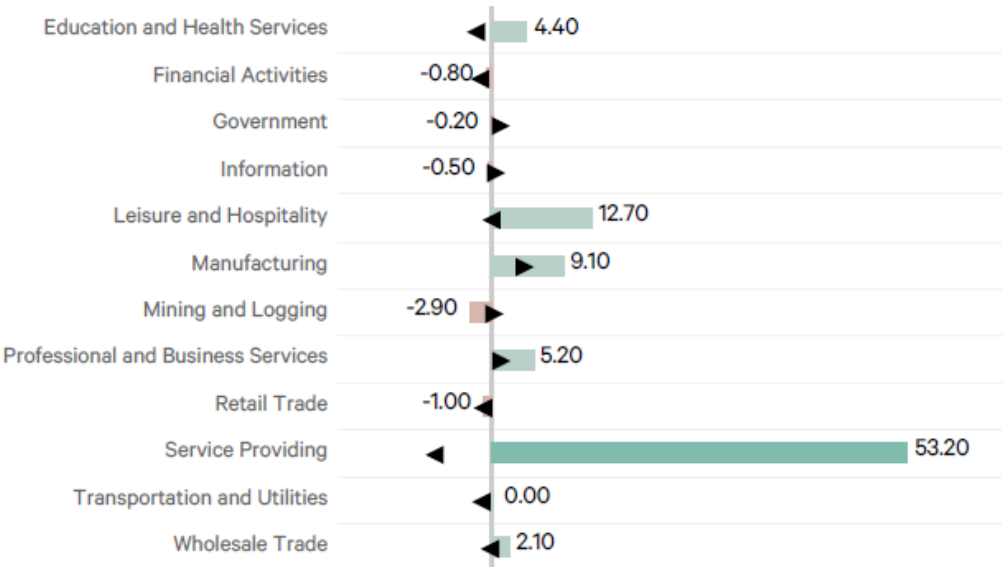
Economic Outlook

Job Growth - Year over Year Trend



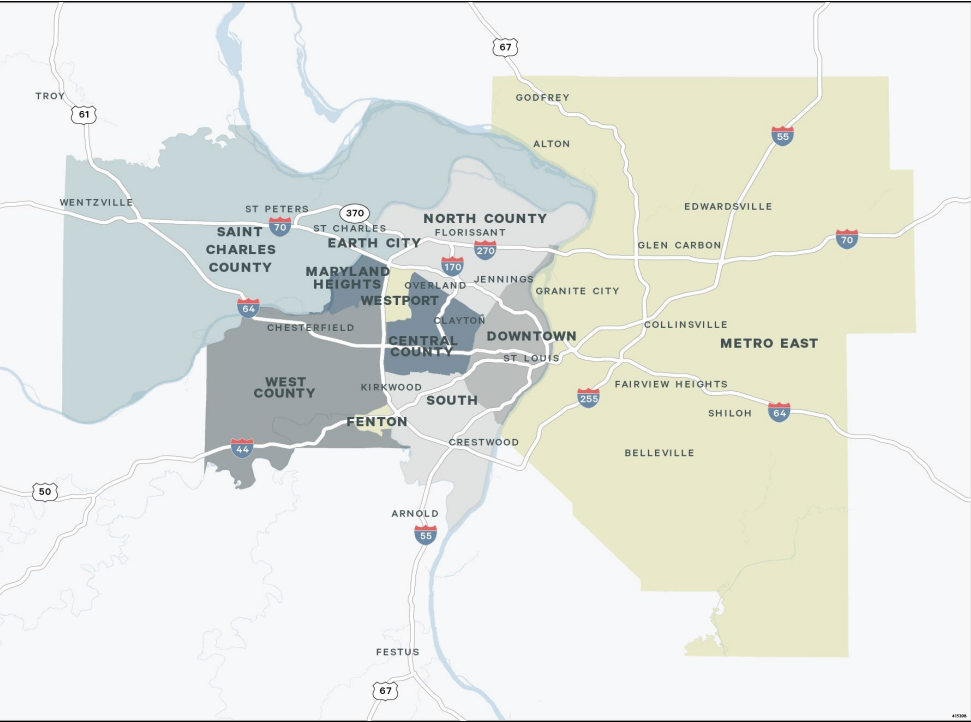
Employment Change by Sector - Yearly & Monthly

Bars indicate yearly trend, arrows indicate monthly trend



Source: US BLS August 2023

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. Excludes single-tenant owner-occupied buildings, Government owned and occupied buildings, or Medical buildings.

Contact

Joshua Allen

Field Research Manager
Joshua.Allen@cbre.com