

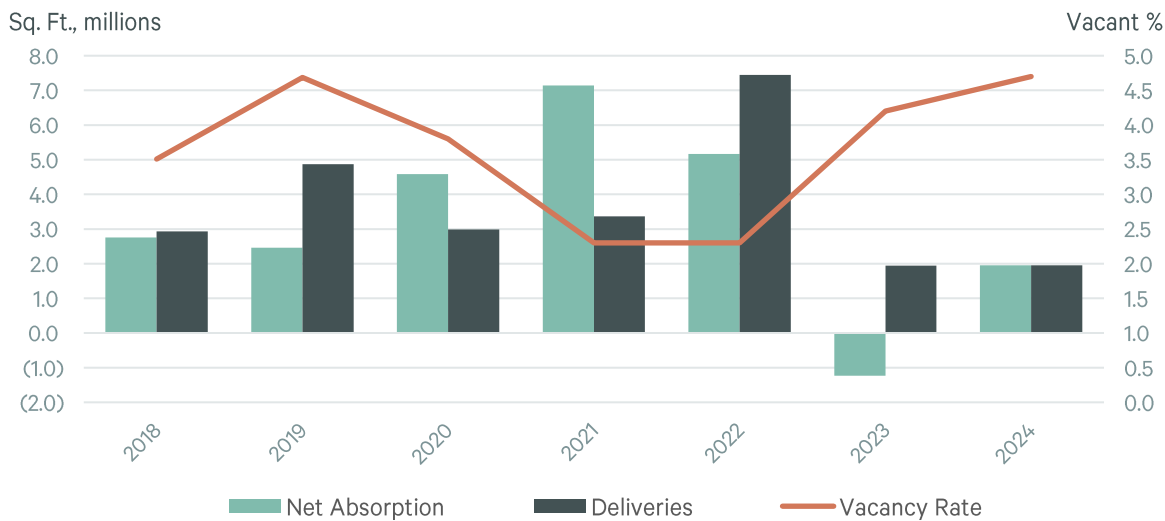
# Metro West and East Market Fundamentals Continue to Diverge

▲ 4.7%	▼ 3.8%	▲ 9.9%	▼ 248,967	▼ 2.2 MSF	▲ \$5.66
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 quarter.

- Absorption remained slightly positive in the third quarter at 248,000 SF. A large portion of which can be attributed to the delivery of the new Davidson Air facility (385,000 SF) in the North County submarket.
- Vacancy rose slightly this quarter by 10 bps over the prior quarter to 4.7%. The increase in vacancy is largely attributed to -349,000 SF of absorption in the Metro East sending the submarkets vacancy up 100 Bps to 9.9%. The Metro West vacancy rate decreased by 10 bps to 3.8%.
- Average direct asking rents increased for the third quarter in a row, up \$0.05 over Q2 to \$5.66 SF NNN.
- Transaction volume was up 24% over the second quarter with 1.25 MSF of leasing activity occurring across the region. The Metro East submarket had the most leasing activity at 414,000 SF.
- Investment activity in Q2 finished at \$80 Million, slightly down from the \$97 million transacted in Q1.

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



Source: CBRE Research, Q3 2024.

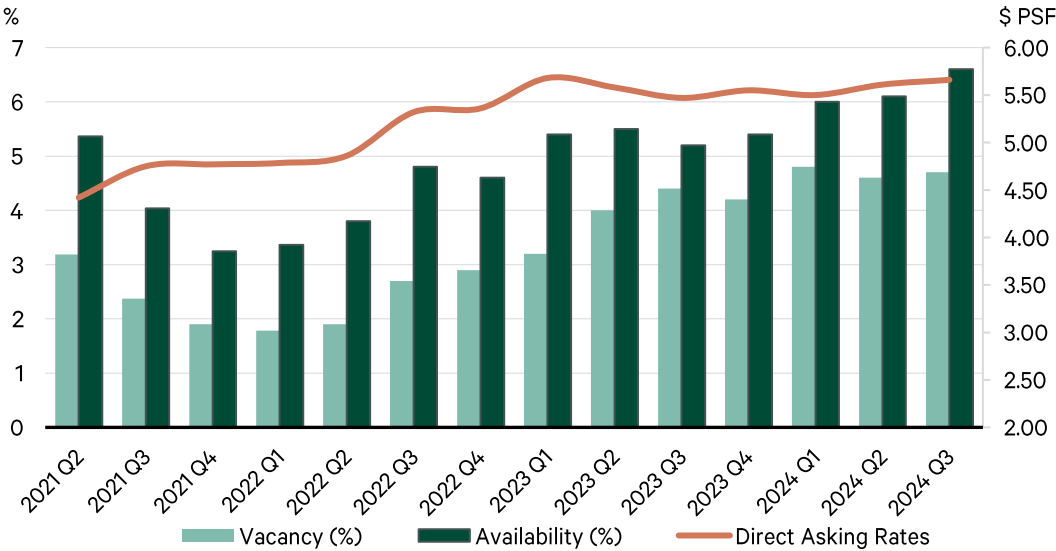
### Market Activity

Transaction volume was up 24% over the second quarter with 1.25 MSF of leasing activity occurring across the region. The Metro East submarket had the most leasing activity at 414,000 SF despite leading the region in negative absorption (-350,000 SF). The Metro East is the regions largest modern bulk market which continues to suffer from the post pandemic bull-whip effect. Leaving a glut of space as tenants either move to more favorable markets or sublease spaces that are no longer needed. The Metro West group of submarkets experienced 860,000 SF of leasing activity as demand remains stronger in Missouri.

As speculative developers continue to remain cautious, built to suit projects currently make up 70% of the pipeline across the Metro. The most notable delivery was the new 385,000 SF Davidson Air facility in North County which provided a boon for lagging absorption. The only new project to break ground in the third quarter was Dayton Freight’s new built to suit cross dock terminal (96,245 SF) in the Metro East.

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



Source: CBRE Research, Q3 2024.

FIGURE 3: Construction Completions – Build to Suit & Speculative

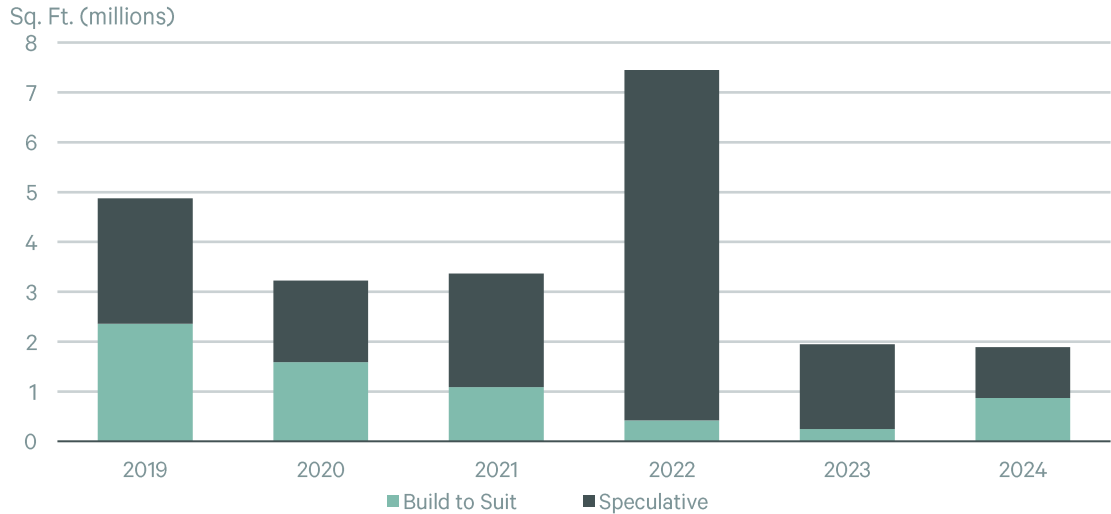
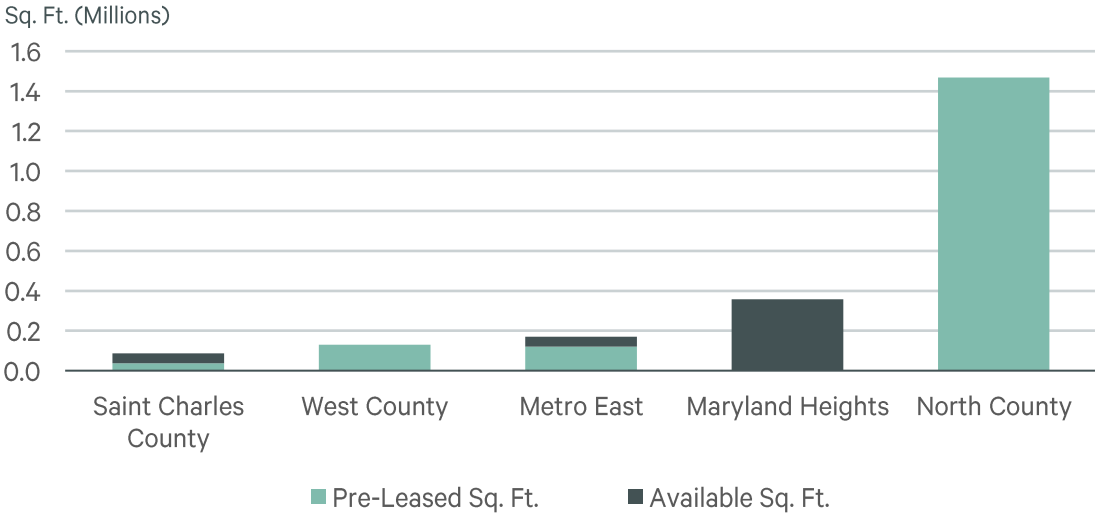


FIGURE 4: Under Construction by Property Type (Sq. Ft.)



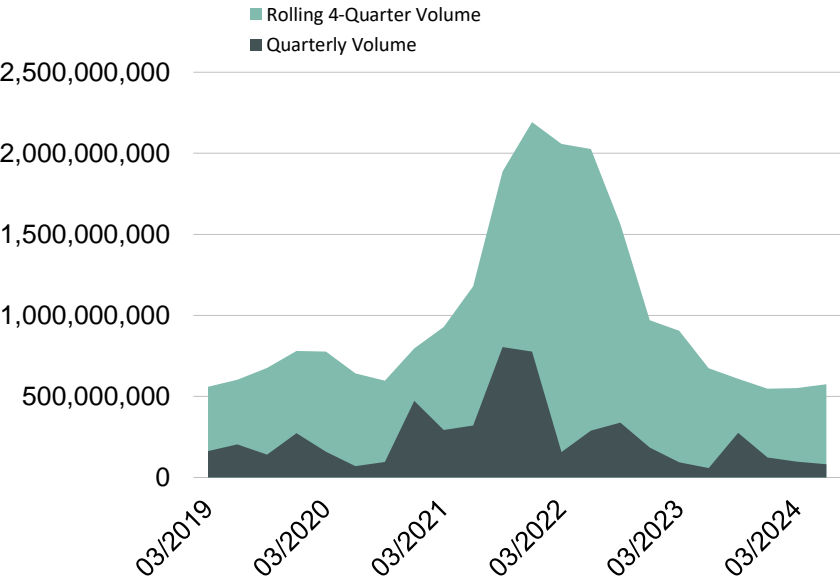
Source: CBRE Research, Q3 2024.

Leasing & Sales Activity

Investment activity in Q2 finished at \$80 Million, slightly down from the \$97 million transacted in Q1. Although, relief is on the horizon as the federal reserve cut the federal funds rate by 50 bps at the September FOMC meeting. CBRE projects a cumulative 50 bps reduction through the remainder of 2024.

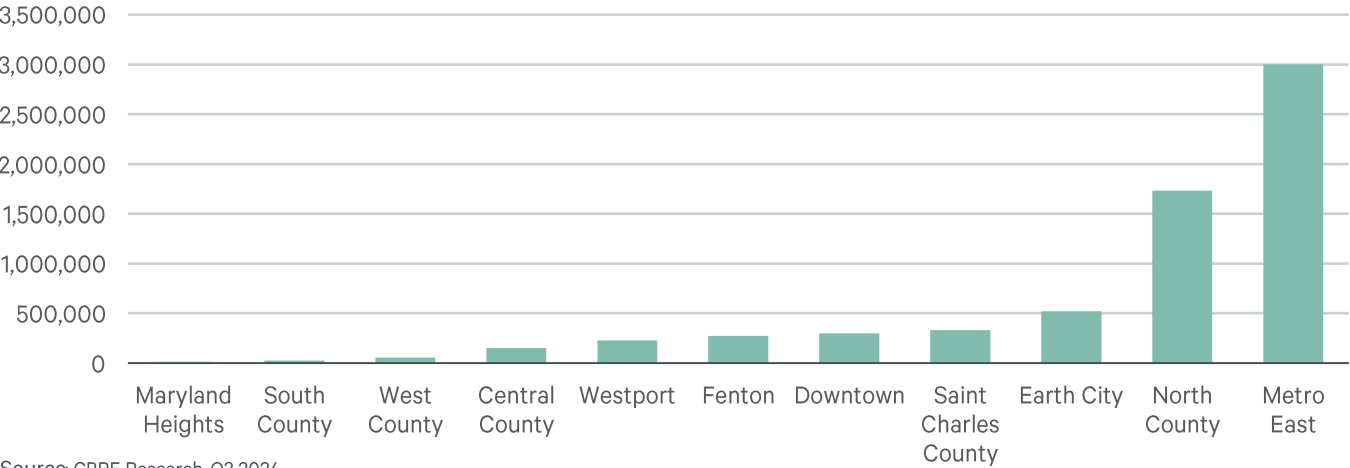
Among the top three deals this quarter, no specific market took the majority share. The Metro East landed the largest deal with GEODIS renewing in place (406,500 SF) at 14 Gateway Commerce Center W. Across the river in Earth City, BYK also renewed in their facility (191,000 SF) at 4825 N Rider Trail. Finally, Serioplast signed a new lease (131,000 SF) at 6500 Prescott Avenue Downtown.

FIGURE 5: Investment Sale Volume



Source: Real Capital Analytics, Q3 2024.

FIGURE 6: 2024 YTD Leasing Activity by Submarket.



Source: CBRE Research, Q3 2024.

FIGURE 7: Key Lease Transactions

Lease Transaction Type	Area Leased	Tenant	Property Name
Renewal	406,497	GEODIS	14 Gateway Commerce Center W
Renewal	191,000	BYK	4825 N Rider Trail
New Lease	131,066	Serioplast	6500 Prescott Avenue
Renewal	103,317	Potter Electric Signal Co.	1609 Park 370 Plaza
New Lease	100,600	Cabinets and Granite	9150 Latty Avenue
New Lease	59,180	Ferguson Enterprises	2099 Corporate 44 Dr
New Lease	30,016	ITC Scenic Services	6026 N Lindbergh Blvd

Source: CBRE Research, Q3 2024.

FIGURE 8 : Market Statistics

Submarket	Net Rentable Area	Vacancy Rate	Availability Rate	Q3 2024 Net Absorption	YTD Net Absorption	Avg Asking Lease Rate	Under Construction
Central County	20,938,936	1.6%	2.8%	(53,273)	91,136	\$7.64	0
Downtown	50,309,939	2.5%	3.8%	61,210	(103,061)	\$5.43	0
Earth City	20,186,370	5.4%	9.3%	(105,874)	(247,152)	\$5.83	0
Fenton	9,866,664	2.4%	3.6%	90,293	178,967	\$8.16	0
Maryland Heights	3,684,734	19.5%	19.5%	0	285,772	\$6.31	357,056
Metro East	37,072,104	9.9%	12.0%	(349,800)	397,026	\$4.27	169,245
North County	35,396,100	6.3%	7.5%	590,516	1,387,691	\$5.53	1,468,779
Saint Charles County	7,432,905	1.6%	3.1%	(25,363)	45,116	\$8.02	85,900
South County	29,678,852	3.7%	6.4%	42,661	(44,313)	\$5.83	0
West County	7,042,334	1.2%	3.8%	(9,554)	(50,940)	\$8.99	130,000
Westport	13,644,033	1.5%	4.7%	8,151	9,073	\$7.19	0
Manufacturing	38,162,177	1.0%	2.0%	388,130	339,463	\$5.12	477,500
R&D/Flex	12,632,945	3.0%	4.1%	(90,483)	(101,487)	\$8.36	90,000
Warehouse/Distribution	179,903,515	5.8%	7.1%	586,398	1,734,474	\$5.38	1,426,827
Grand Total	235,252,971	4.7%	6.6%	248,967	1,949,315	\$5.66	2,210,980

Source: CBRE Research, Q3 2024.

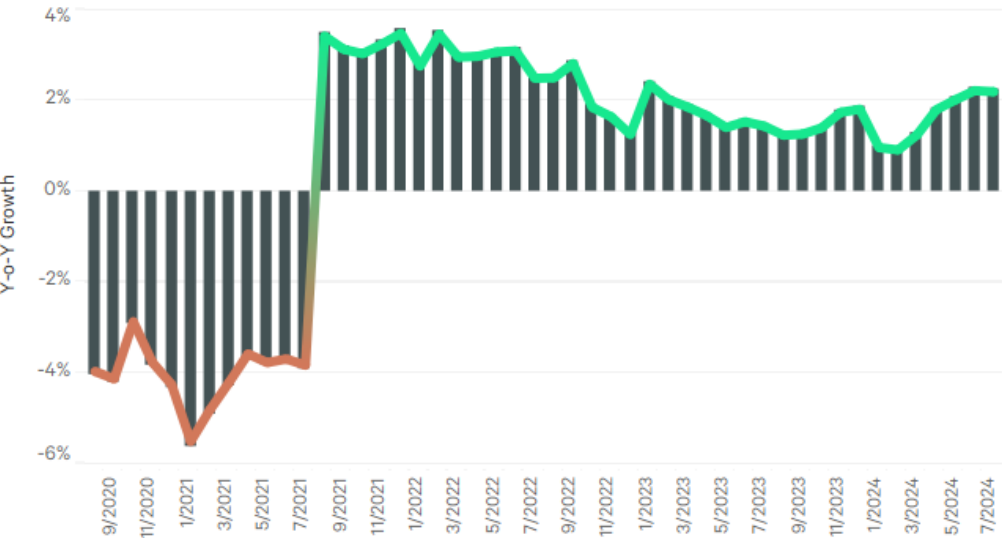
Economic Overview and St. Louis Fundamentals

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is steady, and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a downturn in the labor market, although the recent bump in unemployment appears mainly driven by an increase in participation.

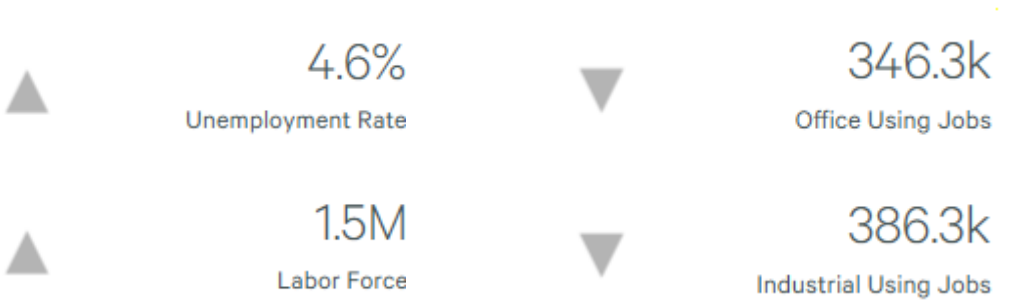
One reason for concern is the decline in the share of private industries that are creating jobs. The labor market has slowed but it is not slumping, and companies are not letting workers go at a particularly high rate.

While many are focused on November’s election, the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

Job Growth - Year over Year Trend

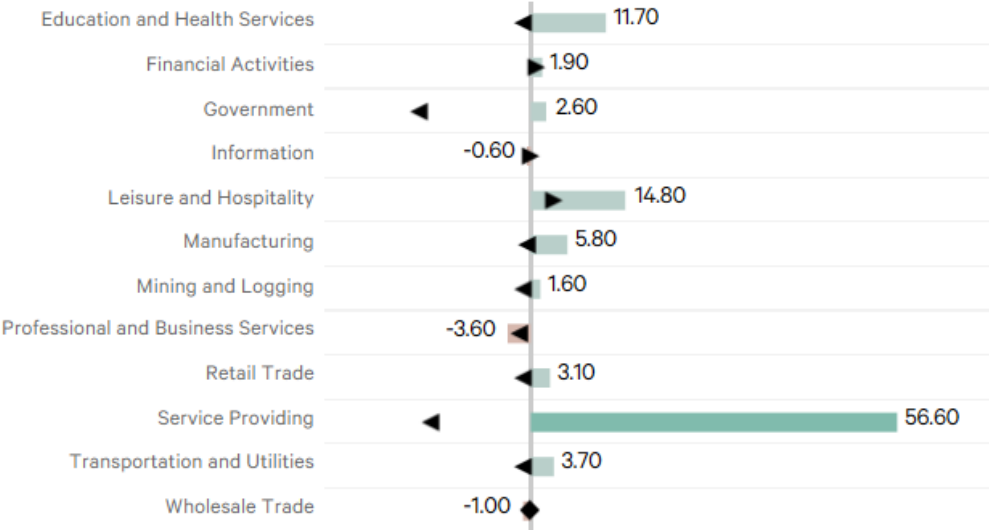


Source: US BLS July 2024

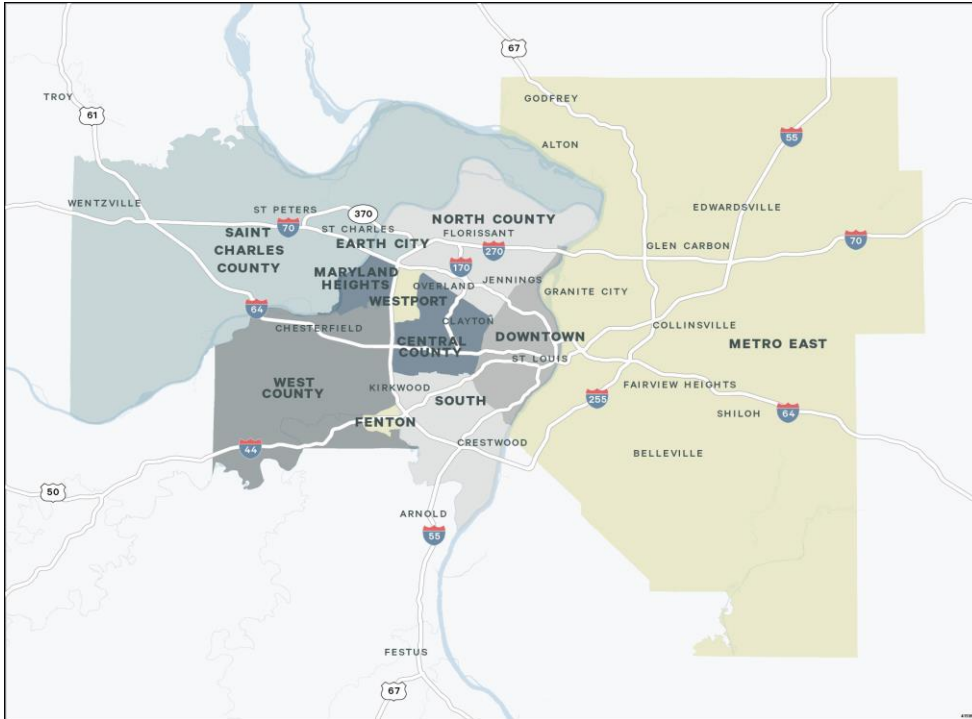


Employment Change by Sector - Yearly & Monthly

Bars indicate yearly trend, arrows indicate monthly trend



## 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.

### Historical Correction\*

Historical revisions were made to account for the delivery of the Boeing MQ-25 Stingray Plant in Q1 2024.

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