

St. Louis Industrial returns to pre pandemic baseline.

▶ 4.2%

Overall Vacancy Rate

▲ 561,107

SF Net Absorption

▲ 2.0 MSF

SF Under Construction

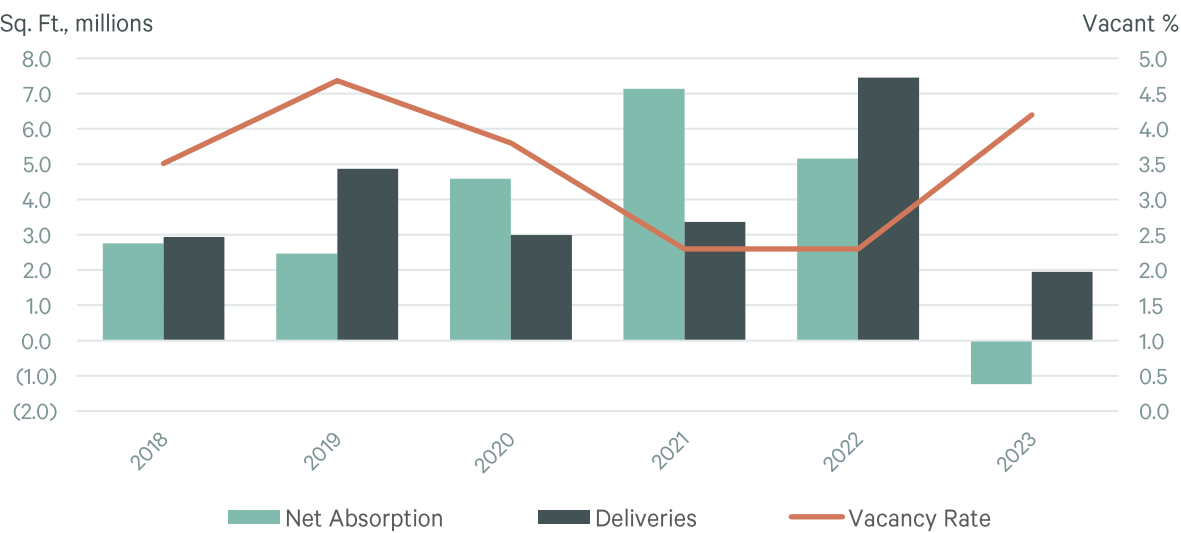
▲ \$5.56

NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

- Industrial transaction volume declined again in the fourth quarter to 1.4 MSF of leasing activity. Overall, the year ended with 8.9 MSF in leasing activity, down by 33% over the 13.3 MSF of activity in 2022.
- Vacancy and availability remained largely unchanged at 4.2% and 5.6% respectively. Vacancy levels in the Metro West averaged 3.2% versus a rate of 10.6% in the Metro East
- Transaction Activity again decreased in the fourth quarter to 1.4 MSF. Overall, the year ended with 8.9 MSF in leasing activity, down by 33% over the 13.3 MSF of activity in 2022.
- As inflationary pressures ease, the federal reserve pressed pause on any additional action during their December meeting. Meeting minutes suggested that three rate cuts could be penciled in for 2024.
- Average direct asking rents increased by \$0.02 to \$5.56 in the fourth quarter. Very little speculative product is currently under construction which could lead to upward pressure on rates over the next year.

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



Source: CBRE Research, Q4 2023.

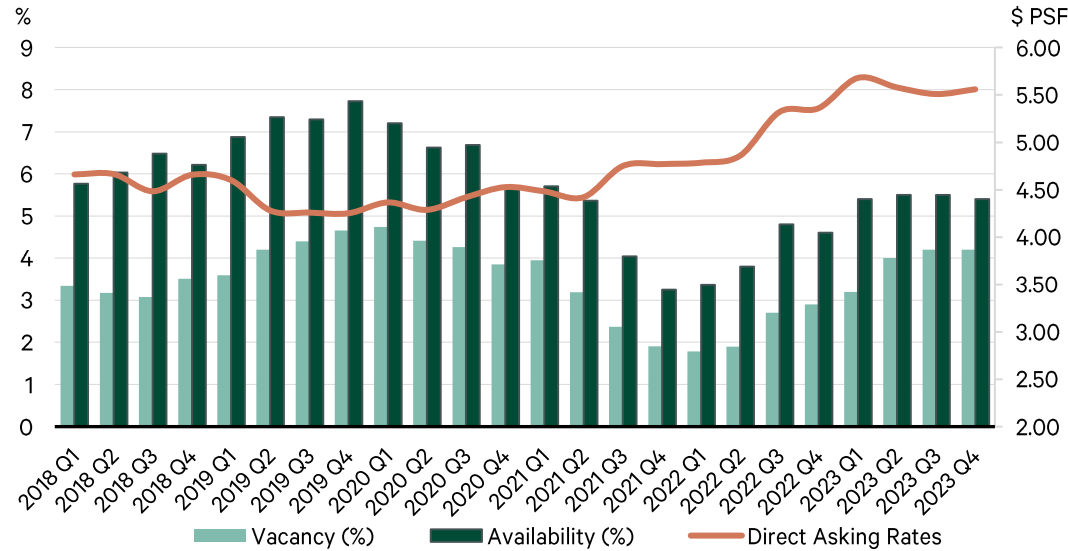
Market Activity

Transaction volume again decreased in the fourth quarter to 1.4 MSF. Overall, the year ended with 8.9 MSF in leasing activity, down by 33% over the 13.3 MSF of activity in 2022.

There was an uptick in construction activity in the fourth quarter as Westport Commerce Center 4 & 5 broke ground in Maryland Heights (512,048 SF Total). Both buildings are roughly 50% pre-leased as demand for space in this region remains robust. Performance Food Group also broke ground on a new built-to-suit facility in North County along Hern Rd. (350,000 SF).

Vacancy and availability remained largely unchanged at 4.2% and 5.6% respectively. Vacancy levels in the Metro West averaged 3.2% versus a rate of 10.6% in the Metro East. Available sublease space decreased for the first time since the first quarter of 2021 by 134,000 SF. This may signal an end to the uptick in sublease listings as the previous eight quarters experienced an average of 200,000 of sublease space listed per quarter.

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



Source: CBRE Research, Q4 2023.

FIGURE 3: Construction Completions – Build to Suit & Speculative

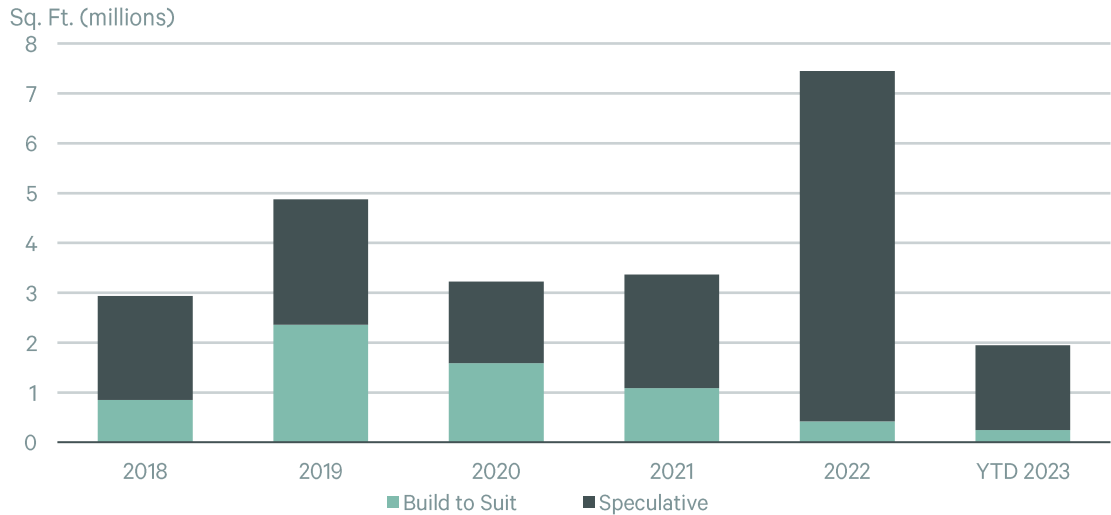
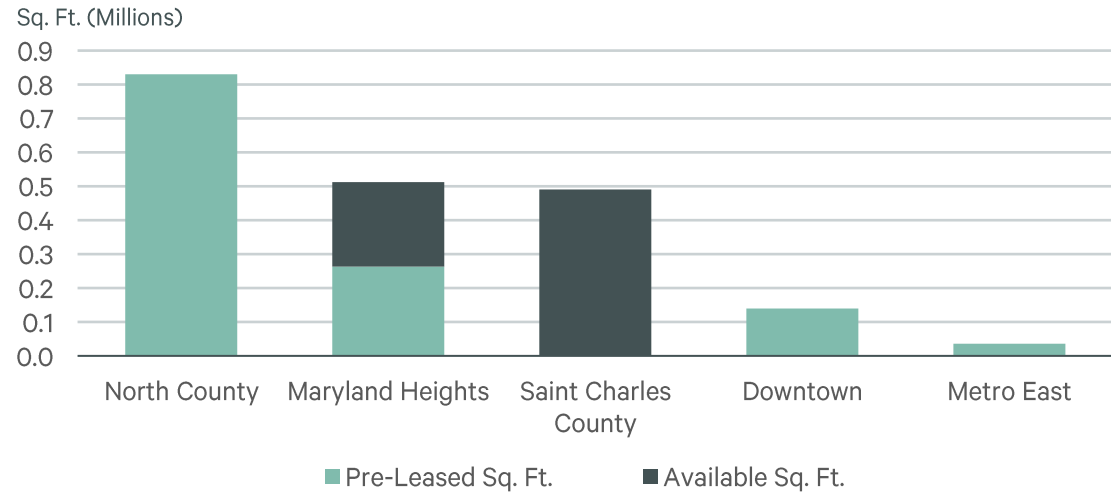


FIGURE 4: Under Construction by Property Type (Sq. Ft.)



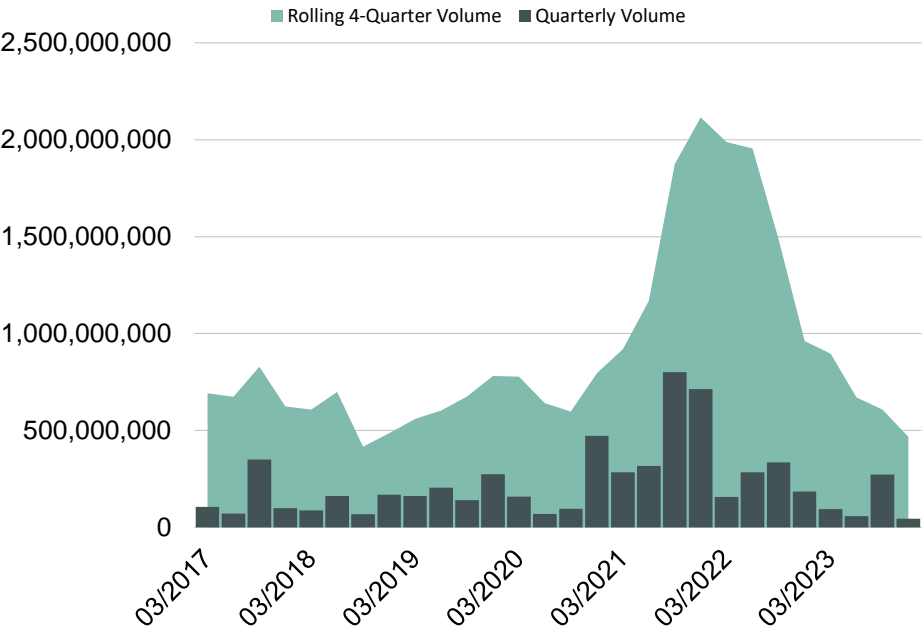
Source: CBRE Research, Q4 2023.

Leasing & Sales Activity

Investment Sale activity ended the year in decline by \$10 Million over the third quarter to \$44 Million. As inflationary pressures ease, the federal reserve pressed pause on any additional action during their December meeting. Meeting minutes suggested that three rate cuts could be penciled in for 2024.

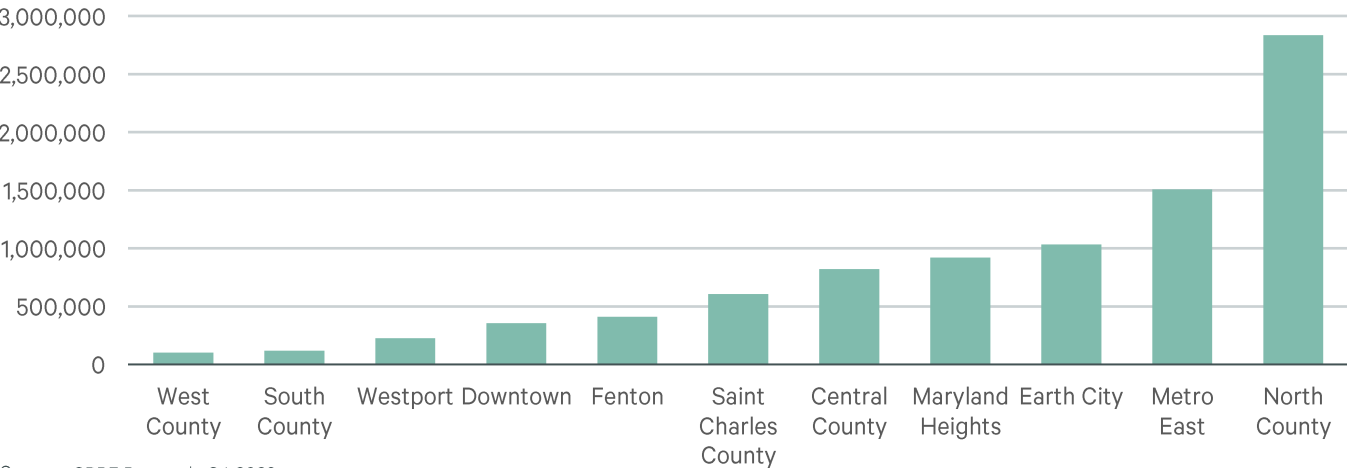
The most notable new deals this quarter were primarily located in the Maryland Heights submarket in Westport Commerce Center. Wies offsite (150,000 SF) Executed a new lease at Westport Commerce Center 5. Hydromat (113,000 SF) executed a new lease at Westport Commerce Center 4 and Ashley HomeStore renewed in place at 9791 GreenPark Dr. (118,000 SF).

FIGURE 5: Investment Sale Volume



Source: Real Capital Analytics, Q4 2023.

FIGURE 6: 2023 YTD Leasing Activity by Submarket.



Source: CBRE Research, Q4 2023.

FIGURE 7: Key Lease Transactions

Lease Transaction Type	Area Leased	Tenant	Property Name	Submarket
Renewal	118,800	Ashley Furniture HomeStore	9791 Green Park Industrial Dr	South County
New Lease	114,000	Edge Technologies	Westport Commerce Center 4	Maryland Heights
Renewal	105,000	Owens & Minor	7 Gateway Commerce Center Dr W	Metro East
New Lease	100,000	Gateway Studio Productions	Westport Commerce Center 6	Maryland Heights
New Lease	96,460	Mitek Machine Tools Inc.	Fountain Lakes 2	Saint Charles County
New Lease	86,124	Triad Manufacturing	5100 Brown Ave	Downtown
Renewal	64,000	Becker Glove	Hazelwood Logistics Center 6	North County

Source: CBRE Research, Q4 2023.

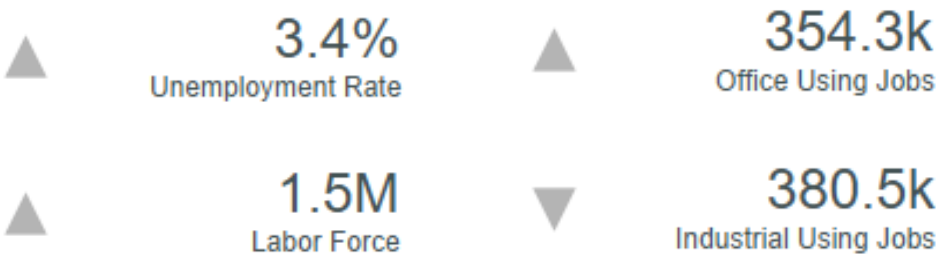
FIGURE 8 : Market Statistics

Submarket	Rentable Area (SF)	Vacancy Rate (%)	Availability Rate (%)	Q4 2023 Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Avg Dir Asking Rate (\$/SF/Yr)
Downtown	51,744,864	2.8%	3.2%	61,020	-107,827	140,000	\$5.37
Metro East	37,054,957	10.3%	11.9%	482,500	-1,344,554	36,000	\$4.31
North	31,050,107	5.2%	5.8%	44,118	-404,839	830,000	\$5.51
St. Charles County	27,884,123	2.1%	3.3%	-127,392	-285,360	490,365	\$6.18
Central County	20,950,378	1.9%	4.2%	-106,669	26,864	0	\$7.64
Earth City	19,729,360	3.9%	7.8%	10,665	-288,951	0	\$5.54
Westport	13,586,261	2.1%	4.2%	-24,300	-44,193	0	\$6.33
Fenton	9,723,195	3.0%	5.1%	59,769	429,019	0	\$7.52
South County	7,097,766	1.0%	2.3%	-14,712	-10,239	0	\$7.98
West County	6,876,962	0.6%	1.7%	-5,999	144,421	0	\$9.75
Maryland Heights	3,172,686	9.3%	7.9%	182,107	649,097	512,048	\$6.56
Manufacturing	36,604,169	1.4%	2.2%	-74,016	-286,982	0	\$4.95
R&D/Flex	8,220,775	3.2%	4.7%	15,274	-79,613	0	\$9.99
Warehouse	182,867,835	4.3%	6.1%	-908,322	-982,467	2,008,413	\$5.48
Market Totals	228,870,659	4.2%	5.6%	561,107	-1,236,562	2,008,413	\$5.56

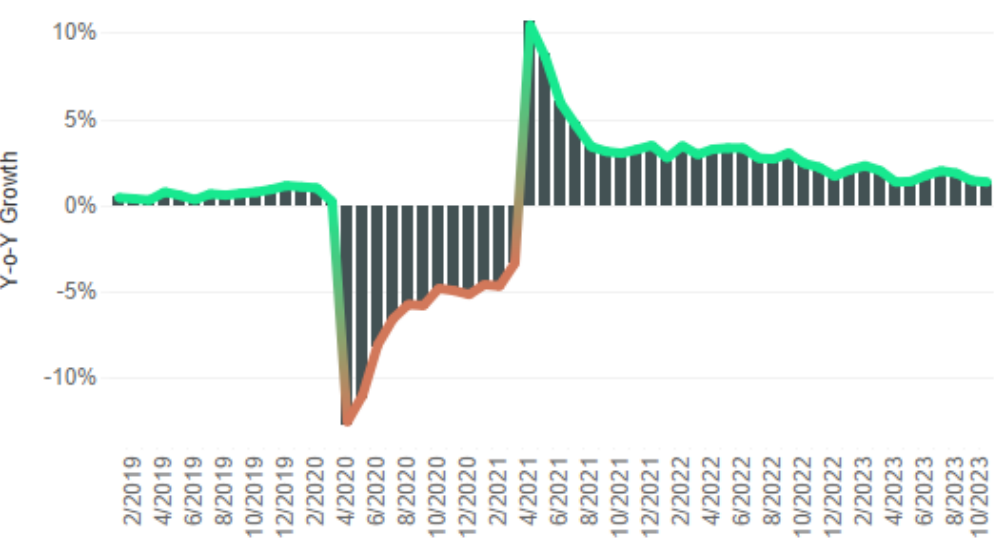
Source: CBRE Research, Q4 2023.

Economic Outlook

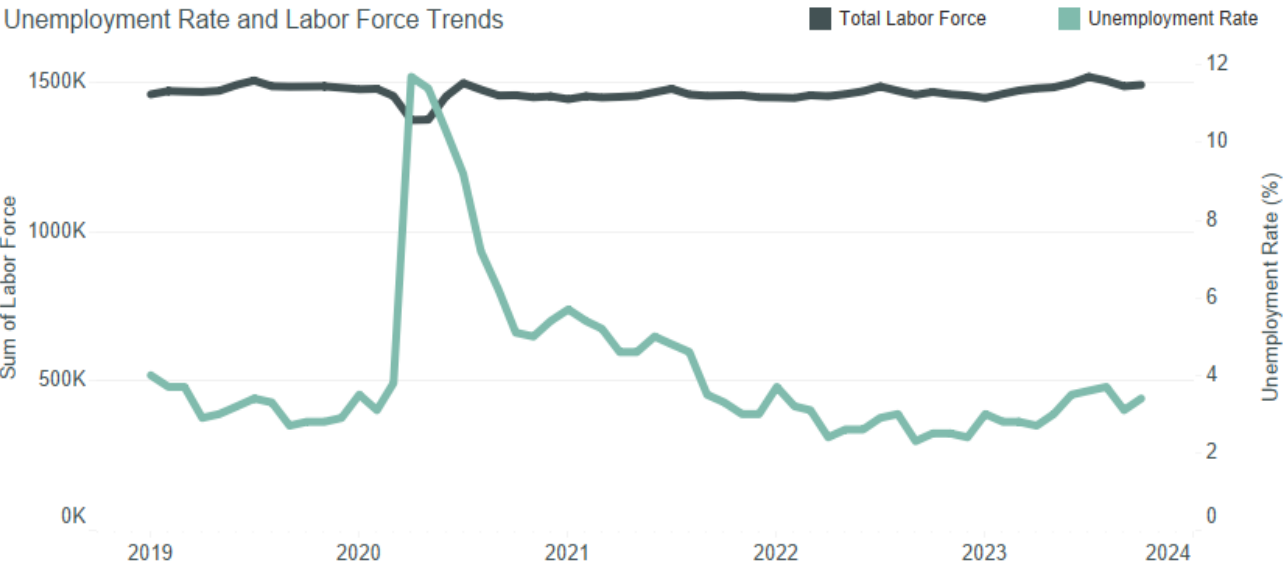
The combination of continued economic momentum with a likelihood that the Fed’s dramatic tightening cycle is now complete makes a ‘soft landing’ appear more likely for early 2024 but the pace of growth will be more modest than in recent quarters. Foremost, lower and middle-income households no longer have the luxury of excess savings and the pace of wage growth, whilst remaining elevated, is slowing. This nuance with wage growth is important. Higher wages is helping to maintain higher, albeit decelerating, core inflation. This backdrop will likely translate into the Fed only slowly lower its target rate in 2024. (CBRE expects 75 – 100 basis points worth of rate cuts in 2024.) This outlook may deter some spending, but it does help illuminate a pathway forward for real estate capital markets. Indeed, the combination of healthy fundamentals for many sectors and thawing credit markets could provide some welcome upside surprises for real estate performance in 2024.



Job Growth - Year over Year Trend

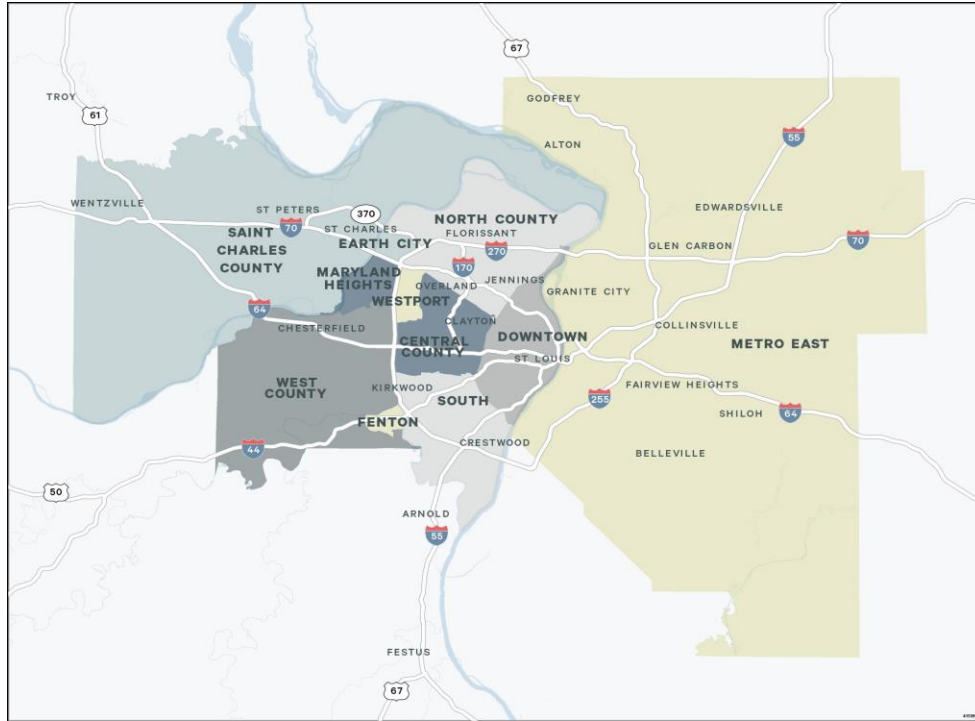


Unemployment Rate and Labor Force Trends



Source: US BLS October 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.

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