

# St. Louis experiences the first quarter of negative absorption in a decade.

▲ 4.0%

Vacancy Rate

▼ -939,741 SF

SF Net Absorption

▼ 1.4 MSF

SF Under Construction

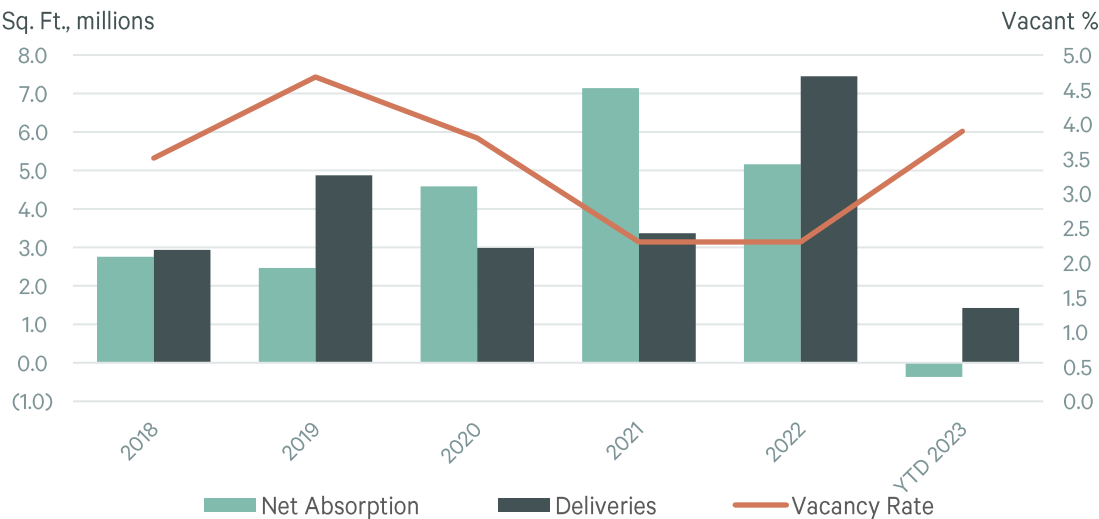
▼ \$5.58

NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

- Cracks that began to form in modern bulk demand in the first quarter expanded as St. Louis experienced its first quarter of negative absorption (-939,741 SF) in nearly a decade (Q4 2013).
- Vacancy increased 100 bps and breached 4.0% for the first time since Q1 2021 as demand for modern bulk product larger than 100,000 SF begins to slow. Activity below 100,000 SF remains active, representing 65% of all transaction activity in Q2.
- Overall, transaction activity made a significant rebound this quarter to just over 3.4 MSF, up 2.8 MSF over Q1.
- Capital markets activity continued to remain muted and will likely remain so as the federal reserved eyes two additional hikes to the federal funds rate before 2024.
- Averaging direct asking rates posted a slight decrease across the region to \$5.58.

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



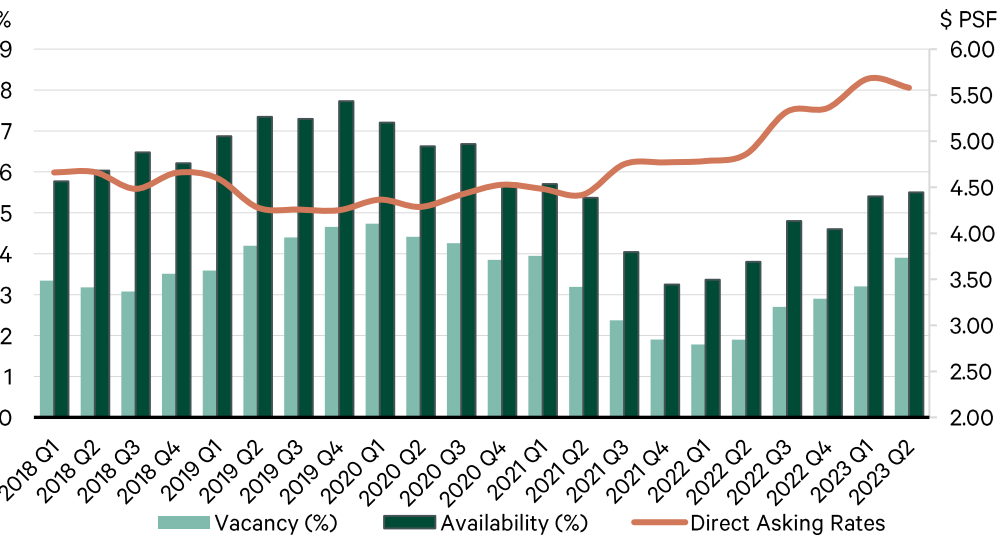
Source: CBRE Research, Q1 2023.

### Market Activity

Transaction activity made a significant rebound this quarter to just over 3.4 MSF. Just over 1 MSF of the activity this quarter was in speculative product delivered in the past 12 months. St. Louis was among the more conservative Midwest markets in the recent development run which has prevented oversupply of new product that peer markets are experiencing.

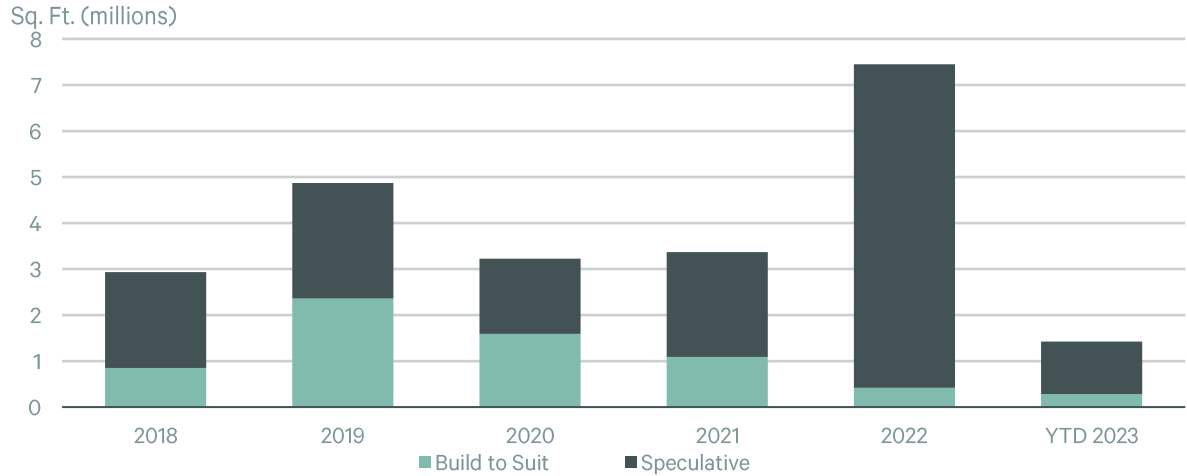
No new projects broke ground this quarter as developers continue to wait out this period of muted demand amid a challenging economic climate. 601,000 SF of product delivered across the region and the active construction pipeline currently sits at just over 1.4 MSF in St. Louis.

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



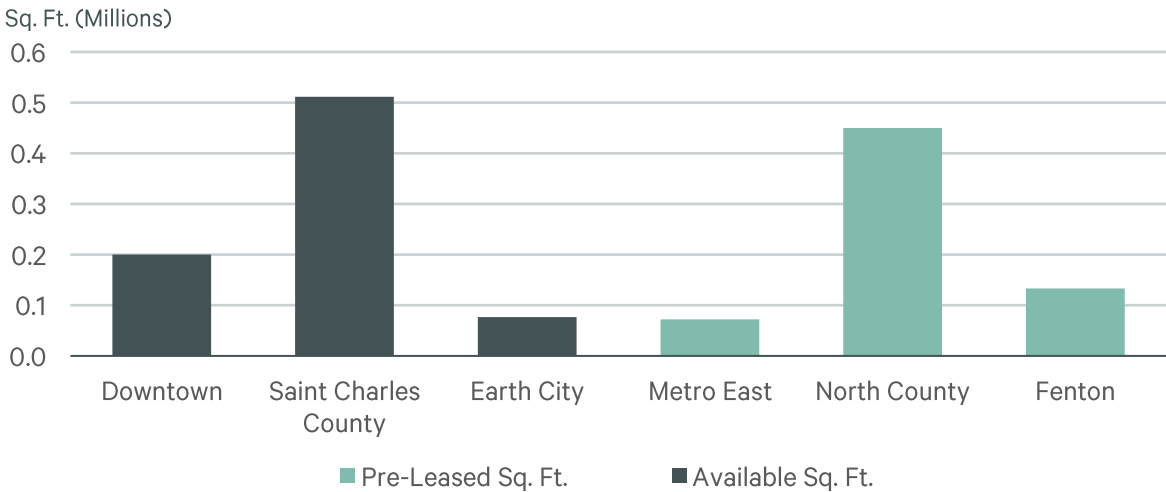
Source: CBRE Research, Q2 2023.

FIGURE 3: Construction Completions – Build to Suit & Speculative



Source: CBRE Research, Q2 2023.

FIGURE 4: Under Construction Activity by Submarket



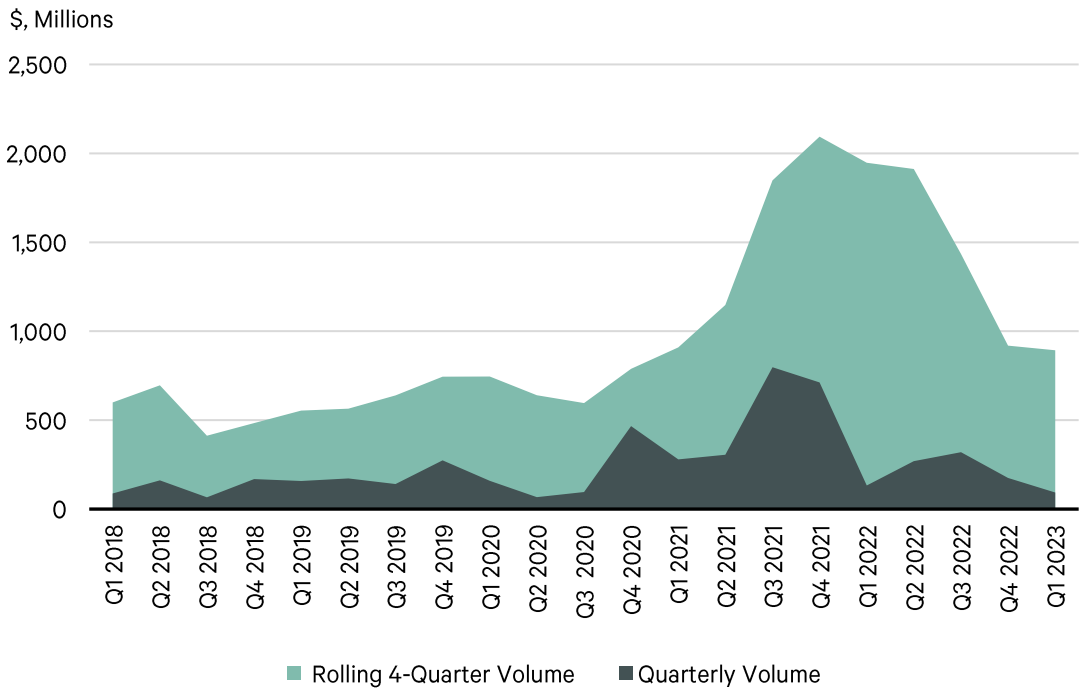
Source: CBRE Research, Q2 2023.

## Leasing & Sales Activity

Capital markets activity declined again this quarter as the federal reserve continued to increase the federal funds rate by an additional 50 BPS. The federal reserve is expected to announce two additional hikes before the end of 2024.

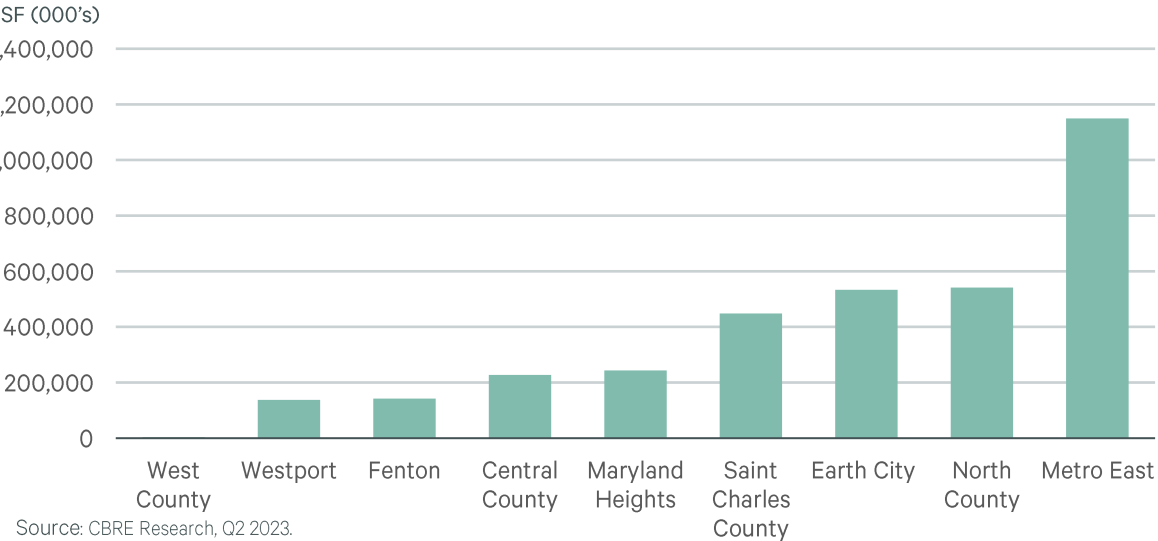
Transaction activity increased to 3.4 MSF of new leasing activity. Among the most notable deals, Sam’s Club, executed a New Lease (370,000 SF) of space at Exeter Inner Park B, An undisclosed Tenant executed a New Lease (343,000 SF) at Gateway Tradeport 4 and Nike renewed (247,000 SF) at Wentzville Distribution Center.

FIGURE 5: Investment Sale Volume



Source: Real Capital Analytics, Q2 2023.

FIGURE 6: 2023 New Leasing Activity by Submarket.



Source: CBRE Research, Q2 2023.

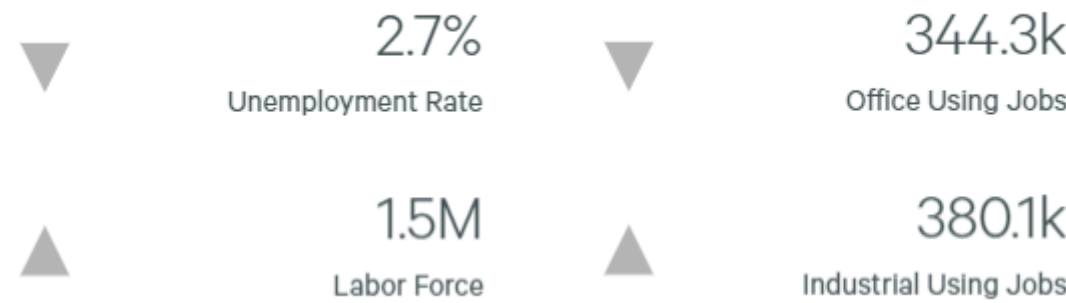
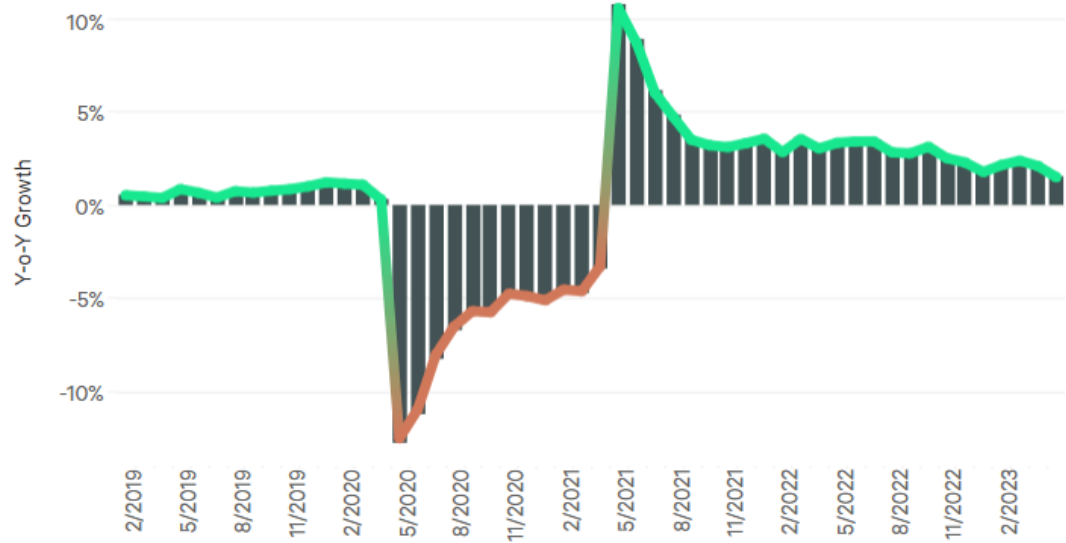
FIGURE 7: Key Lease Transactions

Transaction Type	Size (SF)	Tenant	Address	Submarket
New Lease	370,000	Sam’s Club	Exeter Inner Park B	Metro East
New Lease	343,718	Undisclosed	Gateway Tradeport 4	Metro East
Renewal	247,000	Nike	Wentzville Distribution Center	St. Charles
Renewal	217,233	QPSI	Gateway Tradeport 2	Metro East
Renewal	206,762	Nature’s Bakery	8854 Pershall Rd	North County
Renewal	198,337	HDIS	9387 Diehlman	Central County
New Lease	184,800	RMR Group	6 Konzen Ct	Metro East

Source: CBRE Research, Q2 2023.

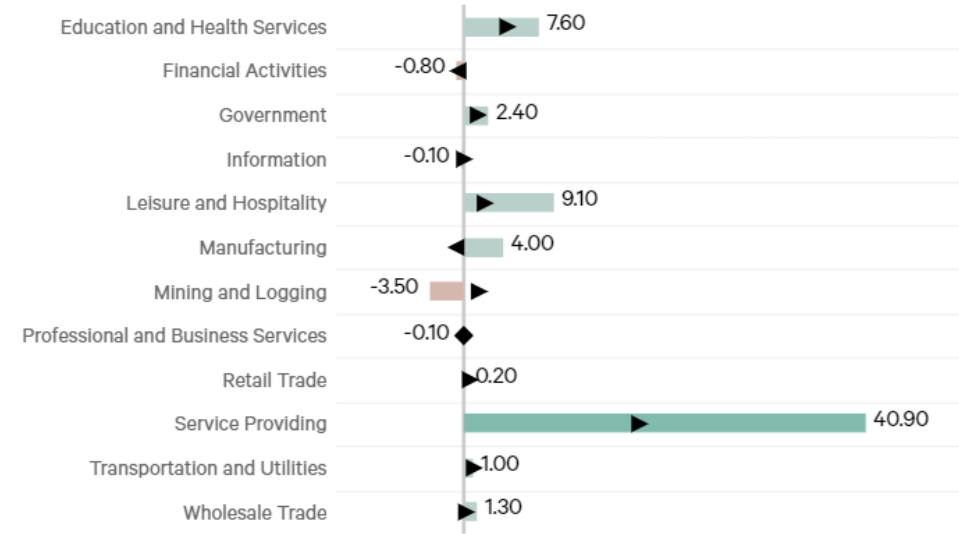
Economic Outlook

Job Growth - Year over Year Trend



Employment Change by Sector - Yearly & Monthly

Bars indicate yearly trend, arrows indicate monthly trend



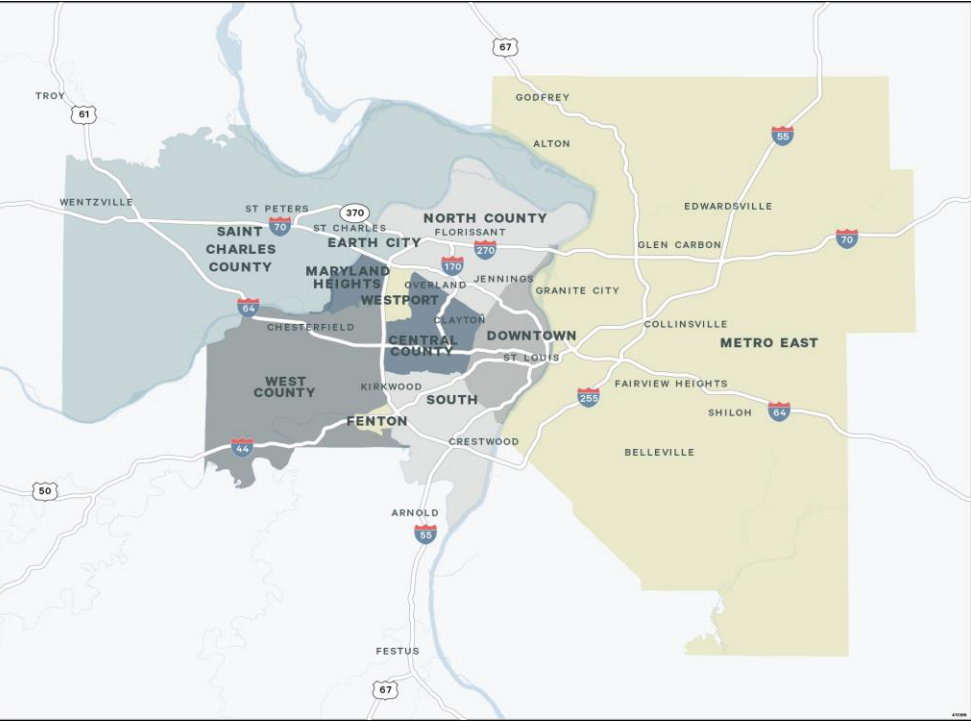
Source: US BLS April 2023

FIGURE 8 : Market Statistics

Submarket	Rentable Area (SF)	Vacancy Rate (%)	Availability Rate (%)	Q2 2023 Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Avg Dir Asking Rate (\$/SF/Yr)
Downtown	51,429,941	1.6%	2.4%	79,368	199,640	200,000	\$5.53
Metro East	36,925,777	9.7%	12.1%	-782,621	-1,000,166	72,000	\$4.32
North County	31,056,120	5.8%	6.2%	-315,741	-294,583	450,000	\$5.81
St. Charles County	27,884,123	1.1%	1.7%	36,862	10,154	511,365	\$7.21
Central County	21,213,378	2.0%	4.3%	61,984	66,434	0	\$7.15
Earth City	19,652,860	3.6%	8.7%	-438,686	-393,618	76,500	\$5.75
Westport	13,586,261	2.2%	3.7%	16,256	-28,897	0	\$6.51
Fenton	9,590,195	3.8%	5.3%	234,636	234,636	133,000	\$7.80
South County	7,110,766	1.1%	1.1%	0	51,513	0	\$4.48
West County	6,899,962	0.3%	1.5%	29,786	160,710	0	\$11.58
Maryland Heights	3,172,686	19.8%	17.9%	138,415	362,974	0	\$6.65
Manufacturing	36,515,200	1.5%	2.3%	-233,192	-237,979	0	\$4.22
R&D/Flex	8,220,775	3.6%	3.9%	4,046	-67,895	0	\$10.13
Warehouse	182,886,394	4.5%	6.2%	-863,013	-319,443	1,442,865	\$5.63
Market Totals	228,522,069	4.0%	5.5%	-939,741	-319,443	1,442,865	\$5.58

Source: CBRE Research, Q 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