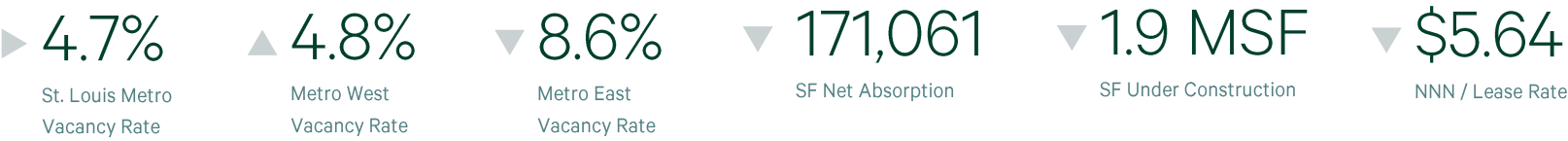


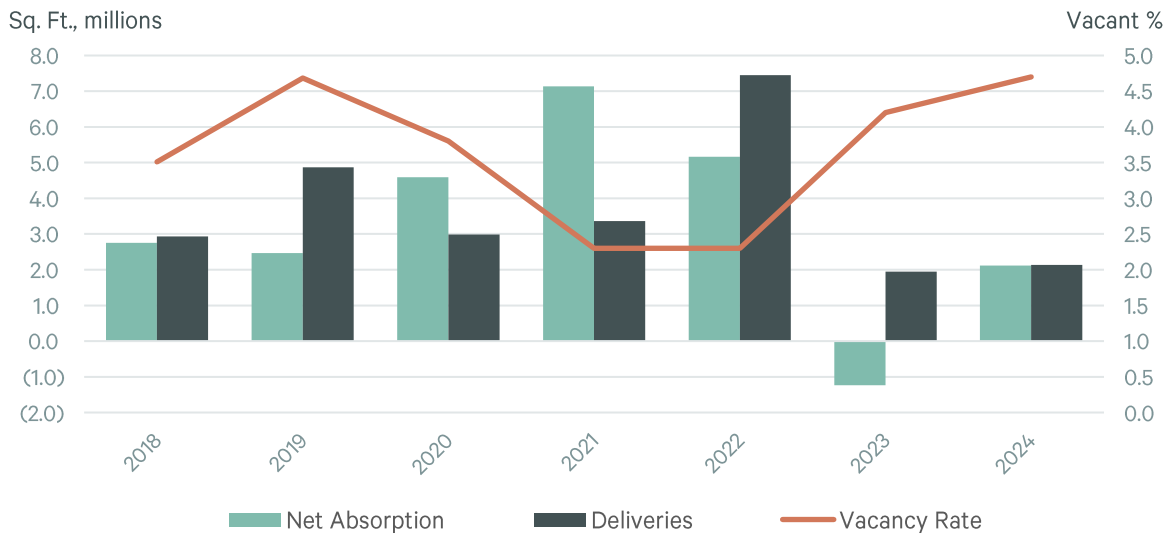
# Metro East Begins to turn the Corner; Driving Leasing Activity and Positive Absorption



Note: Arrows indicate change from previous quarter.

- Absorption, although still positive, experienced a muted quarter posting just 171,000 SF.
- Vacancy remained flat at 4.7% in Q4 and did not experience an increase for the first time since Q4 2022. Strong leasing in the Metro East helped to drive vacancy down 130 bps while the Metro West experienced an uptick of 100 bps to 4.8%.
- Average direct asking rates remained stable this quarter decreasing by only \$0.02 to \$5.66 NNN.
- Transaction volume remained roughly flat with 1.28 MSF of leasing activity across the St. Louis Metro.
- Industrial Investment sales volume totaled \$155 Million in Q4, the strongest quarter of activity since Q3 of 2023 (\$274 Million).

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



Source: CBRE Research, Q4 2024.

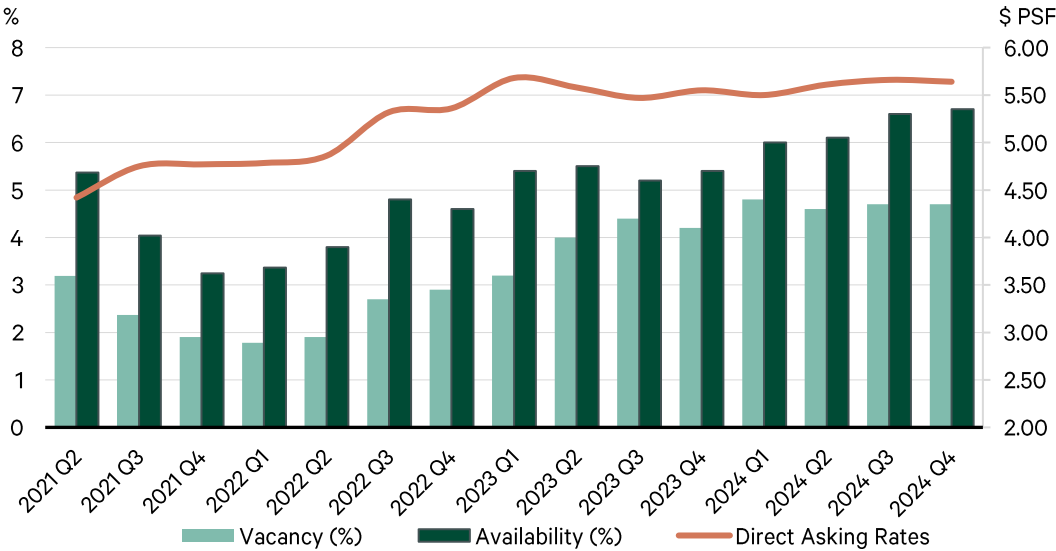
### Market Activity

Transaction volume remained roughly the same in Q4 with 1.28 MSF of recorded leasing activity. The Metro East submarket had the most leasing activity at 489,000 SF marking a significant turnaround from recent quarters. The Metro West group of submarkets experienced 792,000 SF of leasing activity as demand remains robust in Missouri, particularly for spaces less than 100,000 SF in size.

Speculative development continued to remain near record low construction level in the fourth quarter with 87.5% of the existing pipeline consisting of Built to Suit on an asset count basis. No new projects broke ground in Q4 which brought the total under construction figure down to 1.9 MSF. Three new assets delivered Tubular USA (130,000 SF) & Source One Solutions (37,500 SF) both delivered their new HQ buildings, and 100 Commerce Center Dr in the Metro East was the only speculative building to deliver this quarter (75,000 SF).

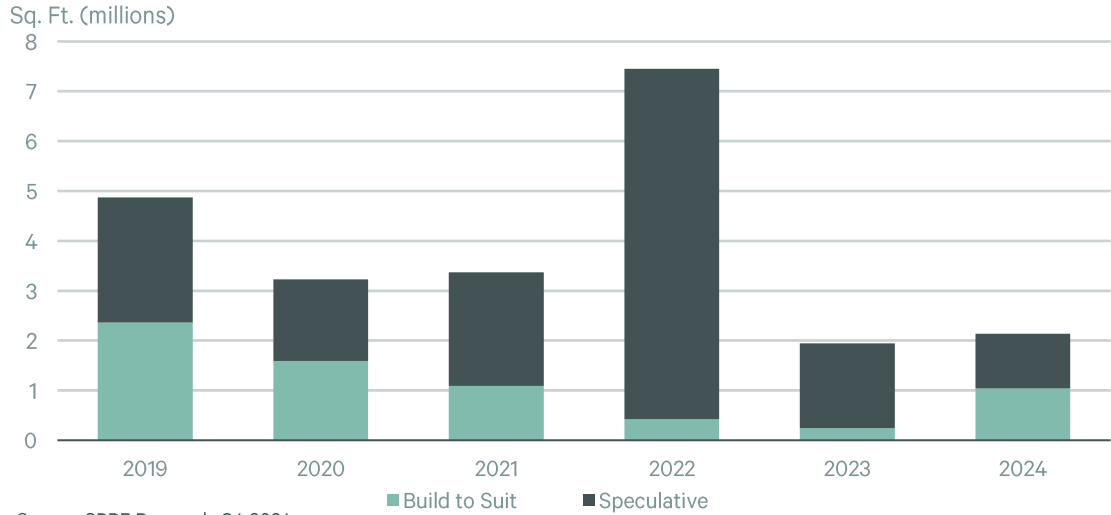
Vacancy remained stable at 4.7%, experiencing no uptick for the first time since Q1 2022. Although, availability did increase by 10 bps to 6.7%. Vacancy in the Metro East decreased by 130 bps to 8.6% primarily driven by the Armstrong Logistics Sublease of 28 Gateway. There are several pending leases in the Metro East which should continue to put downward pressure on vacancy in Q1 2025. Metro West vacancy increase by 100 bps to 4.8.

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



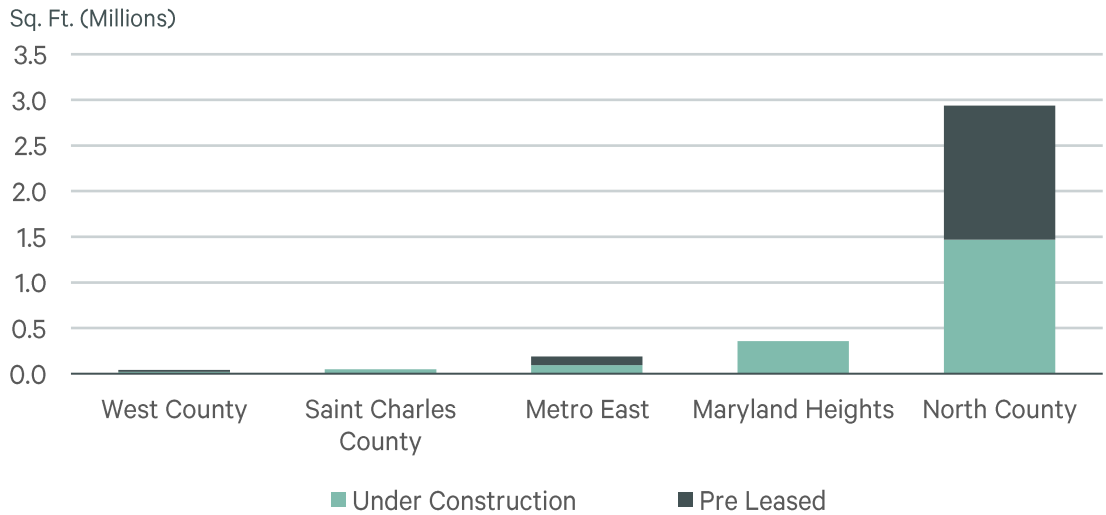
Source: CBRE Research, Q4 2024.

FIGURE 3: Construction Completions – Build to Suit & Speculative



Source: CBRE Research, Q4 2024.

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



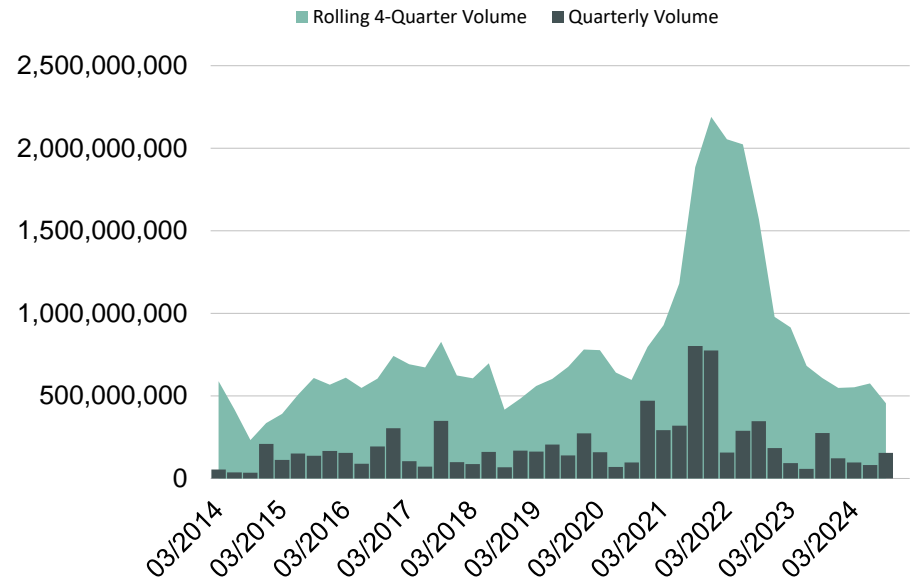
Source: CBRE Research, Q4 2024.

Leasing & Sales Activity

Industrial Investment sales volume totaled \$155 Million in Q4, the strongest quarter of activity since Q3 of 2023 (\$274 Million). With the capital markets remaining skeptical of how low rates will go in 2025, a strong finish to 2024 is welcome news.

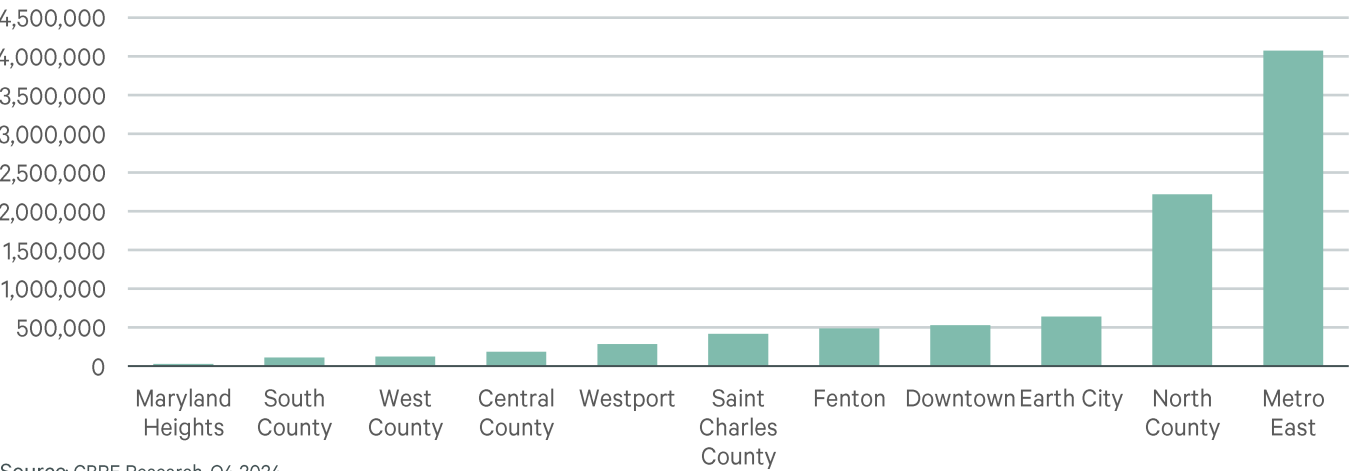
The Metro East began showing increased activity this quarter with Armstrong logistics signing a sublease for the Walgreens distribution space at 28 Gateway Commerce Center Dr (487,251 SF) This helped to drive vacancy in the submarket down 130 bps, the lowest since Q1 2023. North County also benefitted from increased activity with two significant deals taking place. Circle K signed a new lease at Hazelwood Tradeport 7 (211,269 SF) and Betallic also signed a new lease at Aviator 7 (133,500 SF).

FIGURE 5: Investment Sale Volume



Source: Real Capital Analytics, Q4 2024.

FIGURE 6: 2024 YTD Leasing Activity by Submarket.



Source: CBRE Research, Q4 2024.

FIGURE 7: Key Lease Transactions

Lease Transaction Type	Area Leased	Tenant	Property Name
New Lease	487,251	Armstrong Logistics	28 Gateway Commerce Center Dr W
New Lease	211,269	Circle K	Hazelwood Tradeport 7
New Lease	133,500	Betallic	Aviator 7
New Lease	86,800	ReNuTeq	Westgate 200
Renewal	56,720	Dalton Logistics	Lakefront 2
New Lease	46,250	Global Surgical Group	3615 Tree Court Industrial Blvd
New Lease	43,000	ANSCO & Associates	8845 Seeger Industrial Dr

Source: CBRE Research, Q4 2024.

FIGURE 8 : Market Statistics

Submarket	Rentable Area (SF)	Vacancy Rate (%)	Availability Rate (%)	Q4 2024 Absorption (SF)	YTD Net Absorption (SF)	Under Construction (SF)	Avg Dir Asking Rate (\$/SF/Yr)
Downtown	50,816,519	3.1%	4.8%	-189,530	-292,591	0	\$5.08
Metro East	37,147,104	8.6%	10.7%	527,961	924,987	94,245	\$4.35
North County	34,335,388	6.2%	8.4%	-242,436	845,300	1,468,779	\$5.58
St. Charles County	29,716,352	4.2%	6.5%	-132,348	-87,232	48,400	\$5.84
Central County	20,938,936	1.7%	3.2%	-3,438	87,698	0	\$8.02
Earth City	20,138,065	5.1%	8.3%	67,814	-179,338	0	\$6.06
Westport	13,644,033	1.7%	4.4%	-31,220	-22,147	0	\$7.06
Fenton	10,391,876	3.8%	4.8%	52,664	531,586		\$7.63
South County	7,418,250	1.3%	1.7%	5,200	-39,113	0	\$9.06
West County	7,172,334	1.2%	2.4%	129,994	79,054	20,000	\$9.42
Maryland Heights	3,684,734	19.8%	19.5%	-13,600	272,172	357,056	\$6.31
Market Totals	235,466,591	4.7%	6.7%	171,061	2,120,376	1,988,480	\$5.64

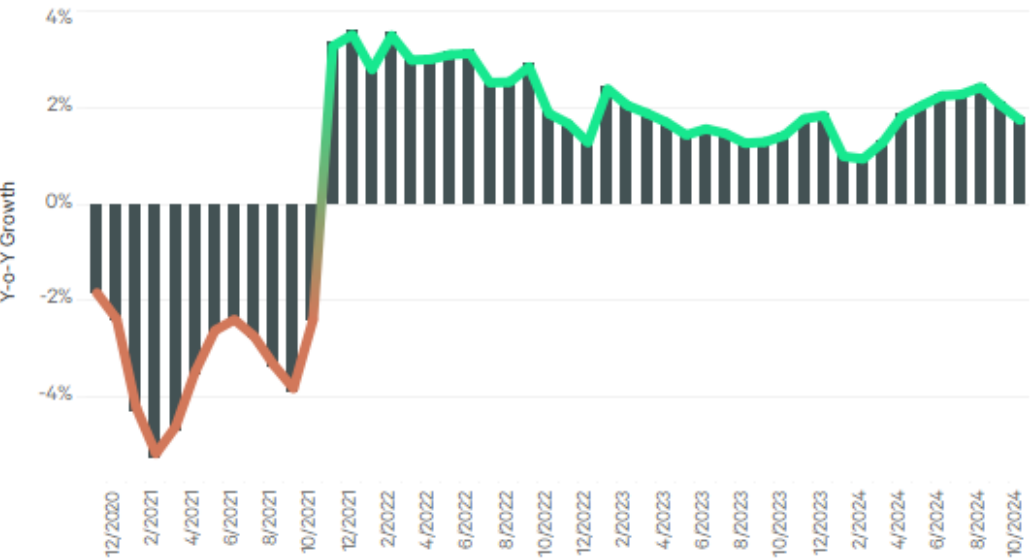
Source: CBRE Research, Q4 2024.

Economic Overview and St. Louis Fundamentals

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate (CRE) performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Lending conditions are easing a bit as multifamily LTVs are trending slightly upward. Stronger debt markets and balanced and/or recovering space market fundamentals should translate into a noticeable uptick in investment during the next several quarters.

Job Growth - Year over Year Trend

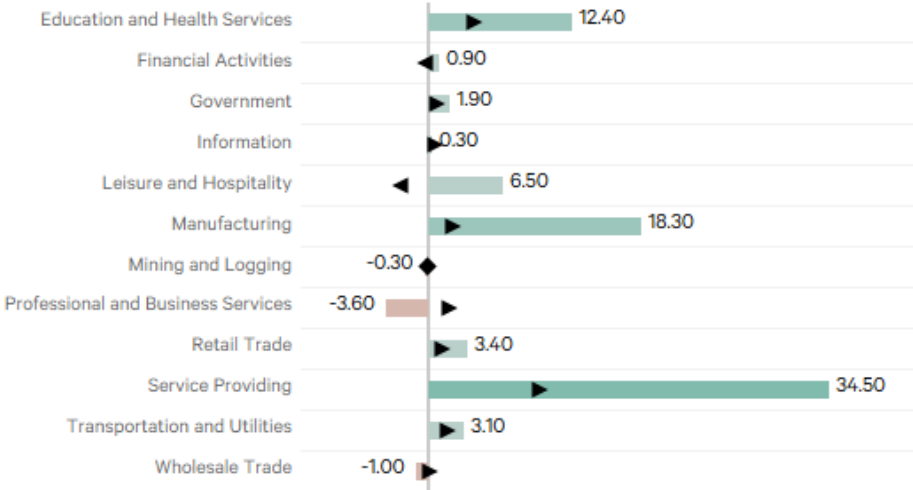


Source: US BLS October 2024

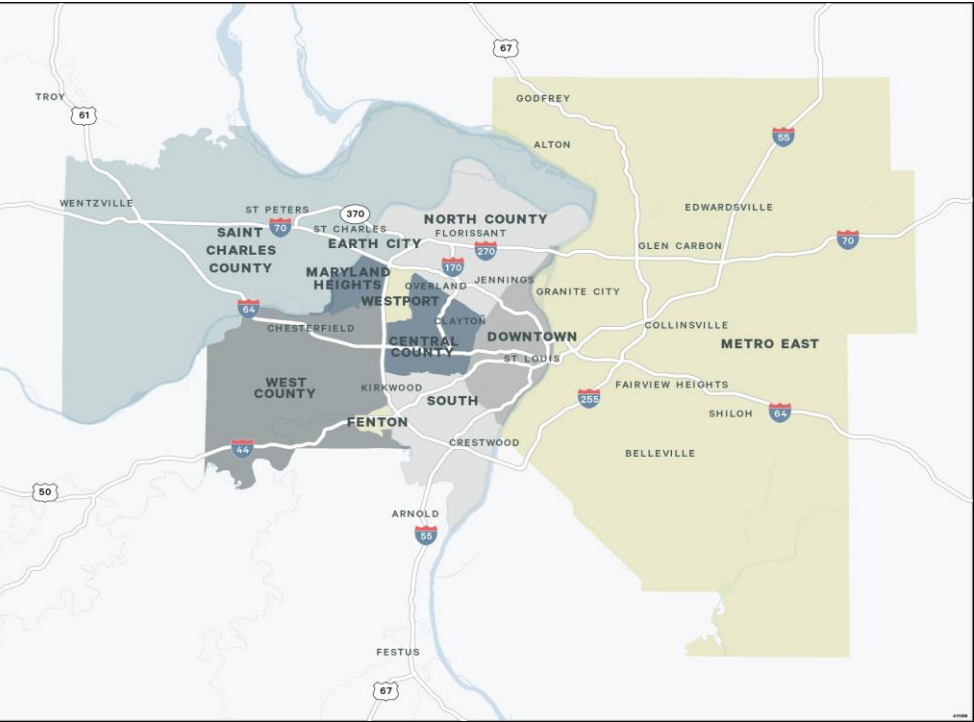


Employment Change by Sector - Yearly & Monthly

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.

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