

3Q'15

Industrial Market Report



ST. LOUIS, MO

The Market

“In July 2015, real U.S. industrial construction spending stood at a historical peak of \$108.3 billion, significantly above both the historical low of \$38.1 billion and the long-term average of \$62.2 billion. Most of this activity is driven by logistics providers that service and fulfill retail internet sales. Despite stubbornly low rents, substantial development is underway, primarily to serve digital sales.”

An excerpt from the Fall 2015 Linneman Letter showing national industrial construction spending. To learn more, please contact your NAI DESCO broker.

Industrial Market Summary

Third Quarter 2015

In the St. Louis Industrial Market, vacancy is going down and new buildings are going up. According to CoStar, the St. Louis Industrial Market ended the third quarter with a 6.8% vacancy rate down from 7.2% in fourth quarter 2014. **This is the first time vacancy rates have dipped below 7% since 2006.**

According to NAI DESCO Sr. Vice President, Allen Klippel, “With vacancy declining, rental rates rising and availabilities diminishing, ground up construction totaling over 3.7 million square feet is under way. Stand out projects, both speculative and owner occupied, include Schnuck’s Distribution and SKF, both in North St. Louis County (over 1.2 million sf combined), Gateway East 717 in Metro East Illinois (717,060 sf), Monsanto in West St. Louis County (590,000) and Aviator Business Park (535,500 sf) and Boeing (367,000 sf), both in Hazelwood.

The bulk of speculative new construction, and leasing activity, is centered in North St. Louis County and the Metro East market, where reasonably priced land is available along with Economic Incentives.

In the overall Industrial Market encompassing warehouse, manufacturing and flex properties, the average quoted industrial rental rate is \$4.14 psf, a 3.25% increase over third quarter 2014.

The takeaway indicates a St. Louis Industrial Market presenting fewer alternatives to Buyer’s and Tenants -- a circumstance driving sale prices and rental rates up and motivating developers to bring new product out of the ground.”

*The information contained herein has been given to us by sources we deem reliable. We have no reason to doubt its accuracy, however, we do not make any guarantees. All information should be verified before relying thereon.

Source: NAI DESCO, CoStar Property® & The Linneman Letter

Market Overview Report

Total Industrial Submarket Statistics

SUBMARKET	# BLDGS.	TOTAL RBA (SF)	TOTAL AVAILABLE (SF)	TOTAL VAC (%)	YTD NET ABSORP (SF)	QUOTED RATES (\$/SF/YR)	UNDER CONST. (SF)
Airport	237	17,041,471	1,216,480	7.1%	(6,660)	\$3.79	974,275
Chesterfield/Hwy-40	157	5,966,314	122,821	2.1%	66,401	\$8.14	590,000
Earth City	315	23,749,954	2,192,390	9.2%	(252,872)	\$4.77	0
Fenton	224	8,820,303	412,699	4.7%	(79,639)	\$6.74	0
Hanley	286	6,507,545	192,073	3.0%	(46,143)	\$5.57	0
Illinois	712	40,414,427	1,368,212	3.4%	1,178,241	\$3.59	717,060
Innerbelt E of 170	229	9,879,420	429,668	4.3%	21,785	\$3.84	0
Innerbelt W of 170	376	11,217,123	763,683	6.8%	(57,196)	\$4.27	79,000
North County	152	6,416,592	547,313	8.5%	(233,460)	\$3.90	1,376,041
South County	274	9,076,888	511,846	5.6%	2,738	\$5.90	0
St. Charles County	806	27,876,417	743,926	2.7%	(1,890)	\$5.17	0
St. Louis City North	818	39,224,283	4,219,962	10.8%	168,295	\$2.95	0
St. Louis City South	968	36,567,595	3,750,544	10.3%	102,151	\$3.03	0
West County	145	4,715,586	120,790	2.6%	3,366	\$6.29	0
Westport	421	15,885,401	1,358,885	8.6%	240,219	\$5.64	0

Citywide Statistics All Classes of Industrial

Industrial Space Statistical Changes Year-over-Year and Quarter-over-Quarter

3Q14 vs. 3Q15



NET ABSORPTION



VACANCY RATE



CONSTRUCTION



ASKING RATES

2Q15 vs. 3Q15



NET ABSORPTION



VACANCY RATE



CONSTRUCTION

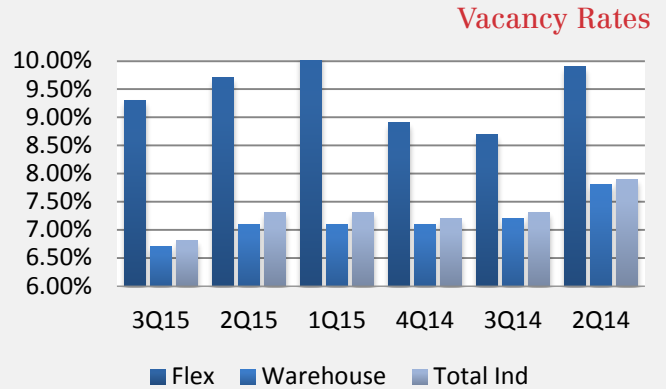


ASKING RATES

St. Louis Industrial Market Snapshot

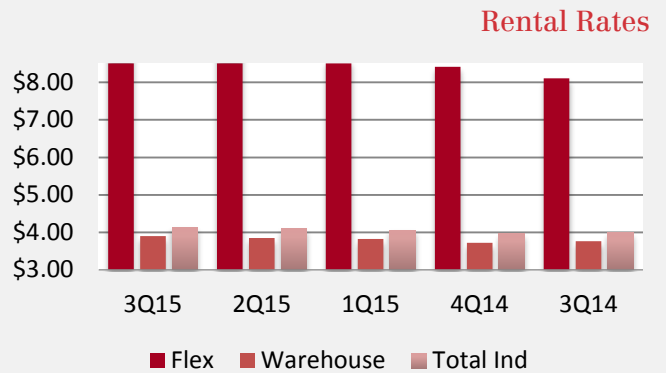
Vacancy

- Total vacancy decreased from 7.3% to 6.8% year over year
- Flex vacancy reported at 9.3%
- Warehouse vacancy is at 6.7%
- St. Louis City submarket reportedly has the highest vacancy between 10-11%; while Illinois (3.4%) and St. Charles County Industrial (2.7%) submarkets have the lowest vacancy rates.



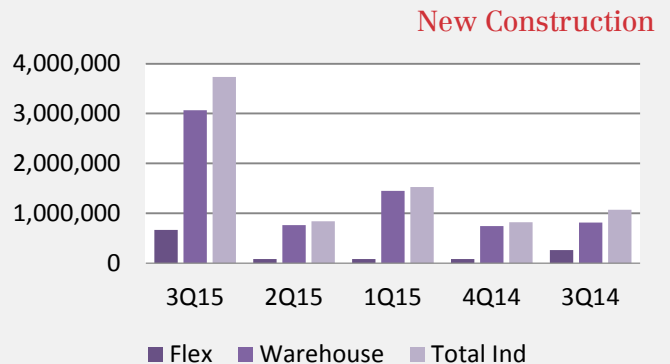
Rental Rates

- Rental rates ended the 3rd Quarter at \$4.14 psf; an increase over 2nd Quarter.
- Average quoted rate in the flex sector was \$8.75 psf, while warehouse rates also increased to an average of \$3.90 psf at the end of 3rd Quarter.



New Construction

- 3,736,376 square feet of industrial space was still under construction at the end of 3rd Quarter.
- During 3rd Quarter, one building totaling 12,802 square feet was completed in the St. Louis market area.



3Q Industrial Transactions

Building / Address	Tenant / Buyer	Sale / Lease	Size (SF)	Submarket
3501 Tree Court Ind.	3501 Tree Court, LLC	Sale	52,500	West County Ind
11526 Adie Road	Mid Continent Paper	Lease	30,757	Westport Ind
3950 Taussig Road	Ceiling Supply, Inc.	Sale	9.44 AC	North County Ind
3801 Lloyd King Drive	Herndon Products, Inc.	Lease	77,000	St. Charles Ind
219 Chouteau Avenue	McKay Property Group	Sale	2,500	St. Louis City Ind
601 Cannonball Lane	American Builders & Cont.	Lease	115,200	Westport Ind.

Methodology | Definitions | Submarket Map

Absorption (Net)

The change in occupied space in a given time period.

Available Square Footage

Net rentable area considered available for lease; excludes sublease space.

Average Asking Rental Rate

Rental rate as quoted from each building's owner / management company. For office space, a full service rate was requested; for retail, a triple net rate requested; for industrial, a NN basis.

Building Class

Class A Product is office space of steel and concrete construction, built after 1980, quality tenants, excellent amenities & premium rates. Class B product is office space built after 1980, fair to good finishes & wide range of tenants.

Direct Vacancy

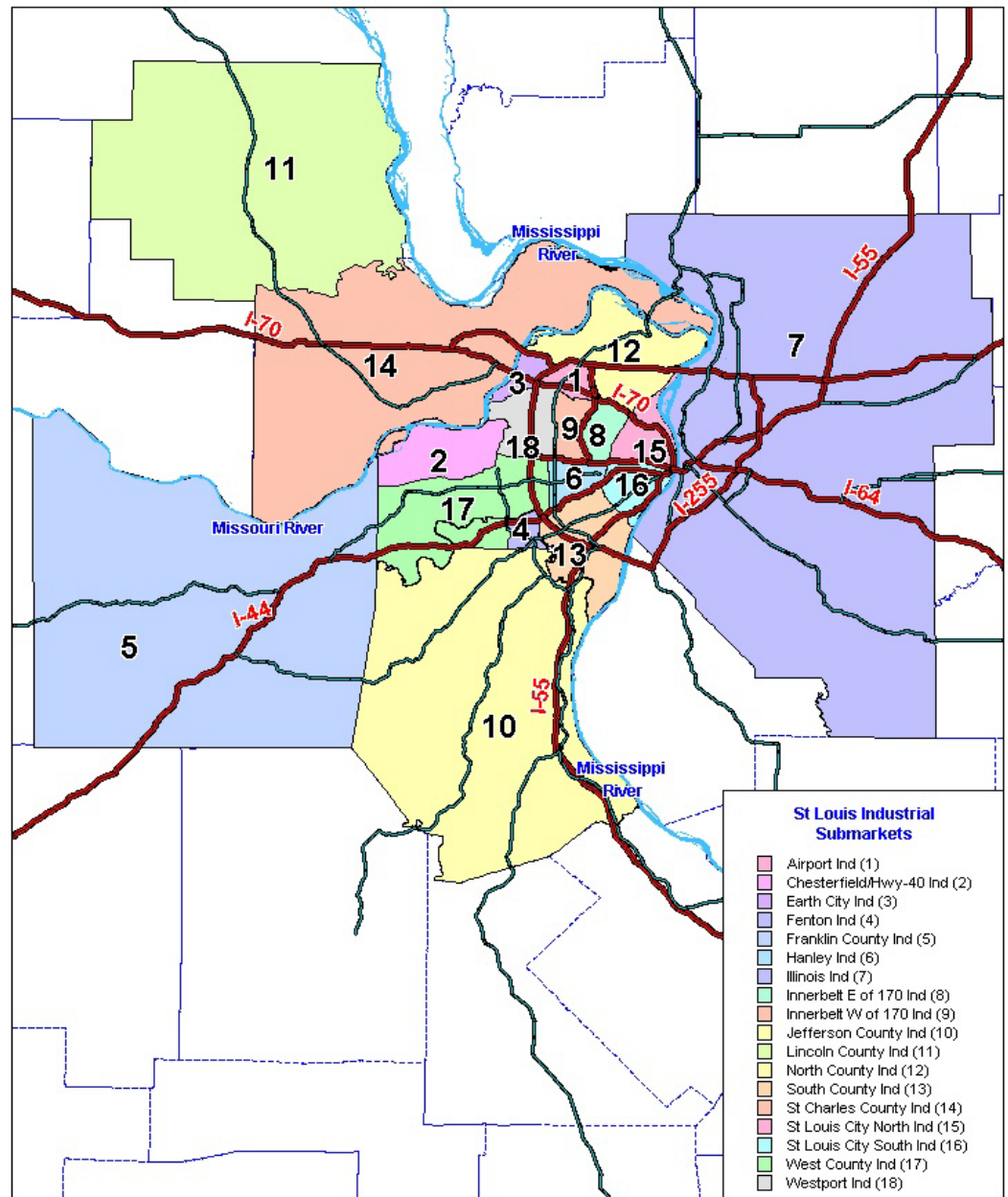
Space currently available for lease directly with the landlord or building owner.

Market Size

Includes all existing and under construction office buildings (office, office condo, office loft, office medical, all classes and all sizes, both multi-tenant and single-tenant, including owner-occupied buildings) within each market.

Overall Vacancy

All physically unoccupied lease space, either direct or sublease.



SF/PSF

Square foot/per square foot, used as a unit of measurement.

Sublease

Arrangement in which a tenant leases rental property to another, and the tenant becomes the landlord to the subtenant.

Sublease Space

Total square footage being marketed for lease by the tenant.

Sublease Vacancy

Space currently available in the market for sublease with an existing tenant within a building acting as the landlord.

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St. Louis Industrial Market Report

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