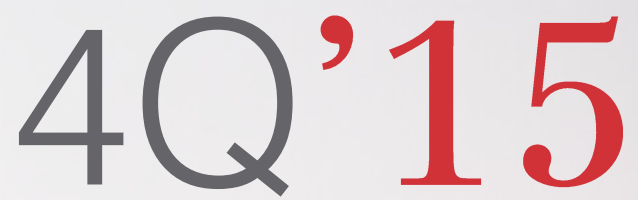


The logo for NAI DESCO, with 'NAI' in a white sans-serif font and 'DESCO' in a white serif font, set against a dark blue background.

NAI DESCO

The text '4Q'15' in a large, bold font. '4Q' is in a grey sans-serif font and '15' is in a red serif font.

4Q'15

The text 'Industrial Market Report' in a red serif font, positioned below the '4Q'15' text.

Industrial Market Report



# Industrial Market Summary

## Fourth Quarter 2015

“Multiple indicators point towards 2016 as a year of continued construction for the St. Louis Industrial Market. The 2.3 million square feet of new buildings delivered in 2015 were more than the previous four years combined –and there continues to be strong signs that the increased construction cycle is just beginning.”

-Allen Klippel, NAI DESCO

“The St. Louis Industrial Market is showing evidence of strengths in many areas; new construction, steady vacancy, and rising rates. Growth is coming from the local economy with Schnuck’s Markets consolidating distribution, new investors capitalizing on healthy development landscape and many businesses expanding with new confidence.” Toby Martin, CEO NAI DESCO

A major factor creating the push for new construction continues to be availability. Tenants seeking Class A space over 50,000 SF in St. Louis County are seeing only ten options in the market. Commercial lenders favor lending to users versus investors, owing to the perceived reduction in risk. Buyers, finding limited options to satisfy their space needs, will be in a strong position to build and take advantage of historically low interest rates.

“Many of the 2015 deliverables were 100% pre-leased projects, and single-tenant in nature. We expect to see 2016 construction to be a mix of owner/user spaces (single occupant) plus a good deal of multi-tenant space. Some of the next wave of property being built is designed to be multi-tenant and isn’t completely spoken for at the design phase. This is more of a truly speculative development, and demonstrates developer’s confidence in ongoing demand.” - Andy Murphy, NAI DESCO

# 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	239	17,648,746	1,342,815	7.6%	468,164	\$3.74	367,000
Chesterfield/Hwy-40	158	5,914,308	133,666	2.3%	40,863	\$9.05	590,000
Earth City	315	23,749,954	2,113,061	8.9%	(173,543)	\$4.87	0
Fenton	223	8,796,632	332,049	3.8%	1,011	\$7.53	0
Hanley	285	6,428,316	180,433	2.8%	(38,503)	\$5.79	0
Illinois	716	40,417,193	1,242,495	3.1%	1,047,646	\$3.77	1,539,860
Innerbelt E of 170	229	9,985,108	425,138	4.3%	27,335	\$3.79	0
Innerbelt W of 170	377	11,282,604	710,889	6.3%	75,098	\$4.19	79,000
North County	154	6,281,458	546,563	8.7%	228,331	\$3.90	915,000
South County	273	9,061,415	628,368	6.9%	(102,984)	\$6.07	0
St. Charles County	805	27,831,256	752,840	2.7%	24,196	\$5.14	138,000
St. Louis City North	816	38,596,568	4,145,632	10.7%	146,625	\$2.86	0
St. Louis City South	969	36,595,509	3,774,799	10.3%	76,334	\$3.18	125,005
West County	145	4,711,426	115,557	2.5%	8,599	\$6.27	0
Westport	420	15,877,870	1,385,513	8.7%	164,714	\$5.63	30,000

## Citywide Statistics All Classes of Industrial

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

4Q14 vs. 4Q15



NET ABSORPTION



VACANCY RATE



CONSTRUCTION



ASKING RATES

3Q15 vs. 4Q15



NET ABSORPTION



VACANCY RATE  
(unchanged)



CONSTRUCTION



ASKING RATES

# St. Louis Industrial Market Snapshot

## Vacancy

- Total vacancy stayed at 6.8% for 4<sup>th</sup> quarter
- Flex vacancy reported at 8.2%
- Warehouse vacancy is at 6.7%
- St. Louis City submarket reportedly has the highest vacancy between 10-11%; while Illinois (3.1%) and St. Charles County Industrial (2.7%) submarkets continue to have the lowest vacancy rates.

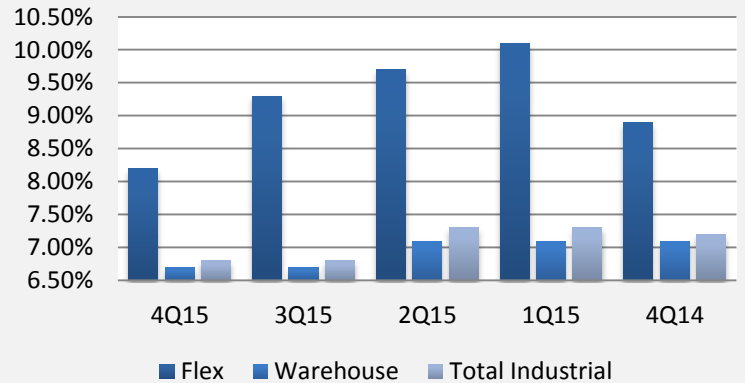
## Rental Rates

- Rental rates ended the 4<sup>th</sup> Quarter at \$4.18 psf; an increase over 2<sup>nd</sup> Quarter.
- Average quoted rate in the flex sector was \$8.70 psf, while warehouse rates increased to an average of \$3.91 psf at the end of 4<sup>th</sup> Quarter.

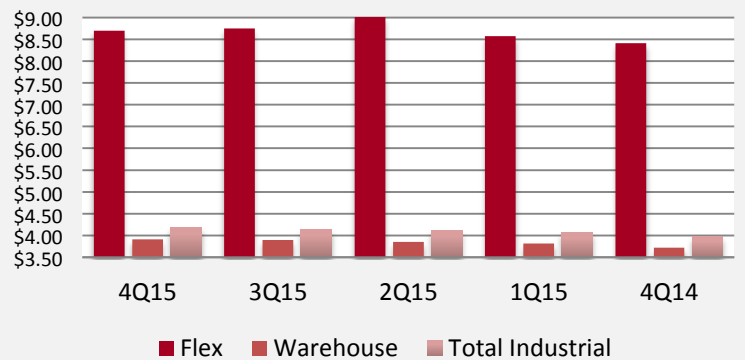
## New Construction

- 3,704,865 square feet of industrial space was still under construction at the end of 4<sup>th</sup> Quarter.
- During 4<sup>th</sup> Quarter, four buildings totaling nearly 1 million square feet (997,275 SF) were completed in the St. Louis market area.

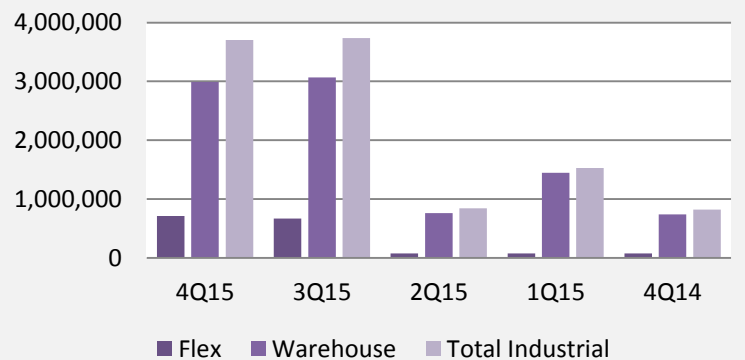
Vacancy Rates



Rental Rates



New Construction



## 4Q Industrial Transactions

Building / Address	Tenant / Buyer	Sale / Lease	Size (SF)	Submarket
4110-4136 Seven Hills Drive	Page Partners, LLC	Sale	26,704	North County Ind
61 N. Central Drive	Strelo Family Entreprises, Inc.	Lease	30,000	St. Charles Ind
1670 Larkin Williams Road	Midwest Flooring & Supply, LLC	Lease	9,636	Earth City Ind
2021 Concourse Drive	Jonas Holdings, LLC	Sale	77,000	Westport Ind
10859 Midwest Industrial Drive	Barry & Sherri Griffith	Sale	30,000	Innerbelt W of 170
13600 Shoreline Drive	New Balance Athletic Shoe, Inc.	Lease	124,703	Earth City 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

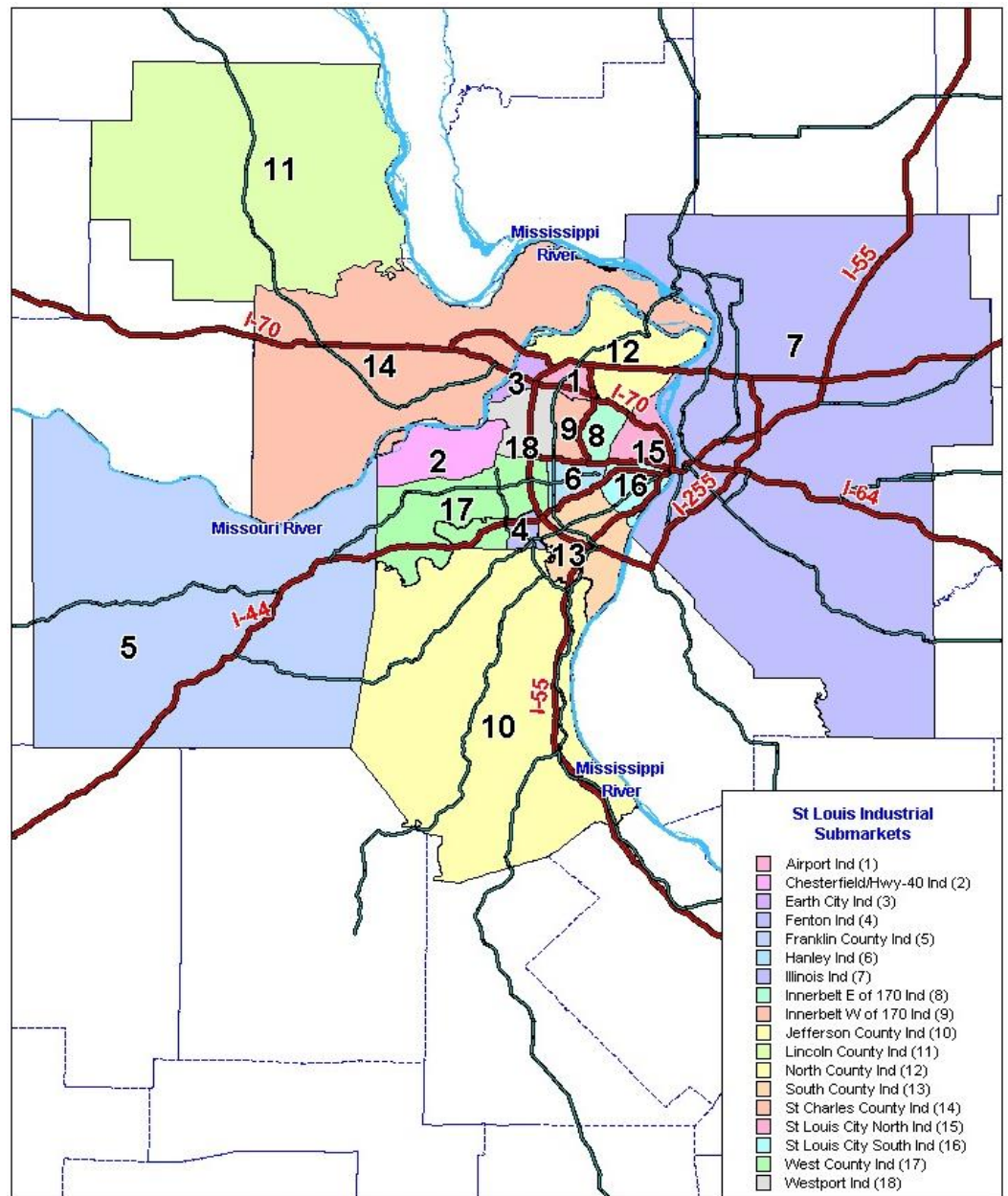
Space currently available for lease directly with the landlord or building owner.

### 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.

# 4Q'15

## St. Louis Industrial Market Report

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