

NAIDESCO

2Q'16

Industrial Market Report



Industrial Market Summary

Second Quarter 2016

There are no foolproof statistical predictors of when economic cycles will shift from recovery to recession....We

continue to monitor where we are in the economic cycle, by tracking how real GDP, employment, industrial production, and real retail sales performed from the bottom of the market to the subsequent peak during the previous post-World War II recoveries. By that yardstick, it appears we are in the top of the eighth inning. However, when we examine these metrics on a peak-to-peak basis during previous economic cycles, today's economic recovery appears to be in about the fifth inning.

An excerpt from the Summer 2016 Linneman Letter. To learn more, please contact your NAI DESCO broker.

The St. Louis industrial market showed improvement in the second quarter. Although vacancy rates ended the second quarter 2016 at 6.9%, a slight increase over the previous quarter's 6.7% vacancy, rental rates rose from \$4.17 per square foot to \$4.23 and absorption was positive 407,814 square feet.

New building delivery has affected the vacancy rate by offsetting the positive absorption which did occur. Year to date, over 2 million square feet of new construction has been delivered. In the second quarter, four buildings totaling in excess of one million square feet were completed. Add to this the 4.5 million square feet slated for delivery in the second half of 2016 and we can safely say that the St. Louis metro area is in the middle of a development boom.

The major leader in this trend is Amazon. After identifying St. Louis as a viable e-commerce hub, they committing to 1.5 million square feet, hopefully paving the way for other e-commerce operators to follow. Another heavyweight moving the market is GM with a 1.3 million square foot sub-contractor assembly plant slated for delivery in 2017.

Unique to this building boom is the lack of purely spec buildings hitting the market. Most developers are requiring some pre-leasing before they come out of the ground, leading us to conclude that developers have become risk adverse despite the positive signs. One of the few spec buildings slated for construction is a 158,000 square foot industrial building developed by KP Development at the Fenton Logistics Center (former Chrysler plant site).

With rising rental rates, positive absorption of existing space and high-profile new companies, we are hopeful that more industry leaders and developers will take advantage of St. Louis' growing industrial market.

*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	241	17,849,251	1,785,485	10%	(258,009)	\$4.13	788,800
Chesterfield/Hwy-40	158	5,914,330	147,589	2.5%	(13,923)	\$9.31	590,000
Earth City	314	23,717,472	2,407,137	10.1%	166,486	\$4.94	0
Fenton	224	8,959,117	256,530	2.9%	33,119	\$7.11	0
Hanley	285	6,370,478	142,476	2.2%	36,832	\$5.37	0
Illinois	727	41,288,518	1,933,926	4.7%	147,519	\$3.73	520,980
Innerbelt E of 170	230	10,017,728	432,995	4.3%	(54,296)	\$3.69	0
Innerbelt W of 170	380	11,298,545	691,116	6.2%	5,970	\$4.32	0
North County	154	6,276,433	405,224	6.5%	32,339	\$4.12	1,452,753
South County	276	9,308,512	645,627	6.9%	(12,459)	\$6.25	0
St. Charles County	807	27,854,851	532,866	1.9%	140,270	\$5.37	1,338,000
St. Louis City North	811	38,499,458	3,980,058	10.3%	106,229	\$2.80	0
St. Louis City South	969	36,509,276	3,741,324	10.2%	113,934	\$3.21	15,000
West County	145	4,714,019	72,849	1.5%	11,928	\$6.33	0
Westport	419	15,675,487	1,073,665	6.8%	118,832	\$5.82	30,000

Citywide Statistics All Classes of Industrial

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

2Q15 vs. 2Q16



1Q16 vs. 2Q16



St. Louis Industrial Market Snapshot

Vacancy

- Total vacancy decreased from 7.3% to 6.9% year over year
- Flex vacancy reported at 9.1%
- Warehouse vacancy is at 6.8%
- St. Louis City submarket reportedly has the highest vacancy between 10-11%; while St. Charles County Industrial (1.9%), and West County (1.5%) submarkets have the lowest vacancy rates.

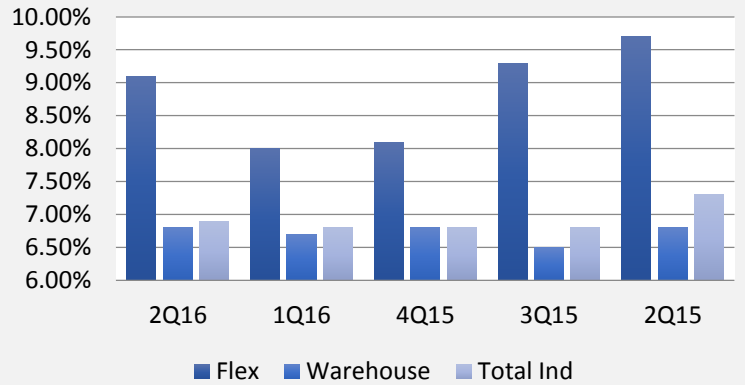
Rental Rates

- Rental rates ended the 2nd Quarter at \$4.23 psf; an increase from 1st Quarter at \$4.17.
- Average quoted rate in the flex sector was \$9.17 psf, while warehouse rates were at \$3.94 psf at the end of 2nd Quarter.

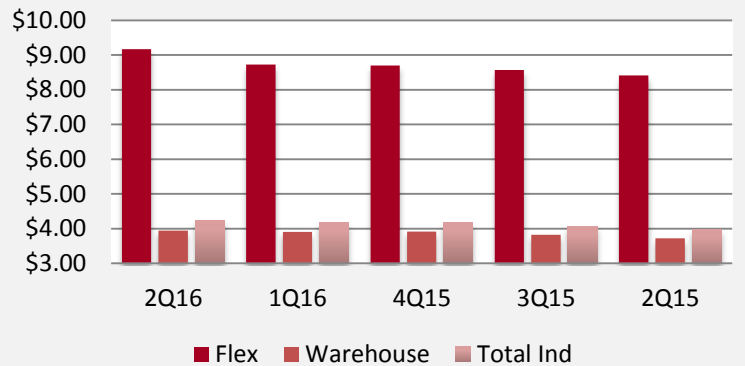
New Construction

- 4,735,533 square feet of industrial space was still under construction at the end of 2nd Quarter.
- During 2nd Quarter, four buildings were completed in the St. Louis market area.

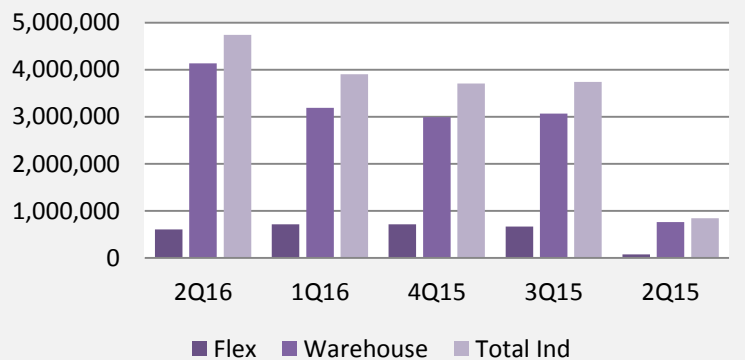
Vacancy Rates



Rental Rates



New Construction



2Q Industrial Transactions

Building / Address	Tenant / Buyer	Sale / Lease	Size (SF)	Submarket
13707 Green Ash Court	Holm Commercial Properties	Sale	12,000	Earth City Ind
12705 Carrollton Ind. Drive	Tri-State Enterprises, Inc.	Lease	4,508	Airport Ind
10405 Baur Boulevard	Next Project Studio, LLC	Lease	5,375	Innerbelt W of 170
403 Axminster Drive	The Bommarito Group, LLC	Sale	14,500	Fenton Ind
2814 Mary Avenue	Performance RX, LLC	Lease	6,200	Hanley Ind
414 Hanley Industrial Court	Clear to Launch Media, Inc.	Lease	2,604	Hanley Ind

*Renewal

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

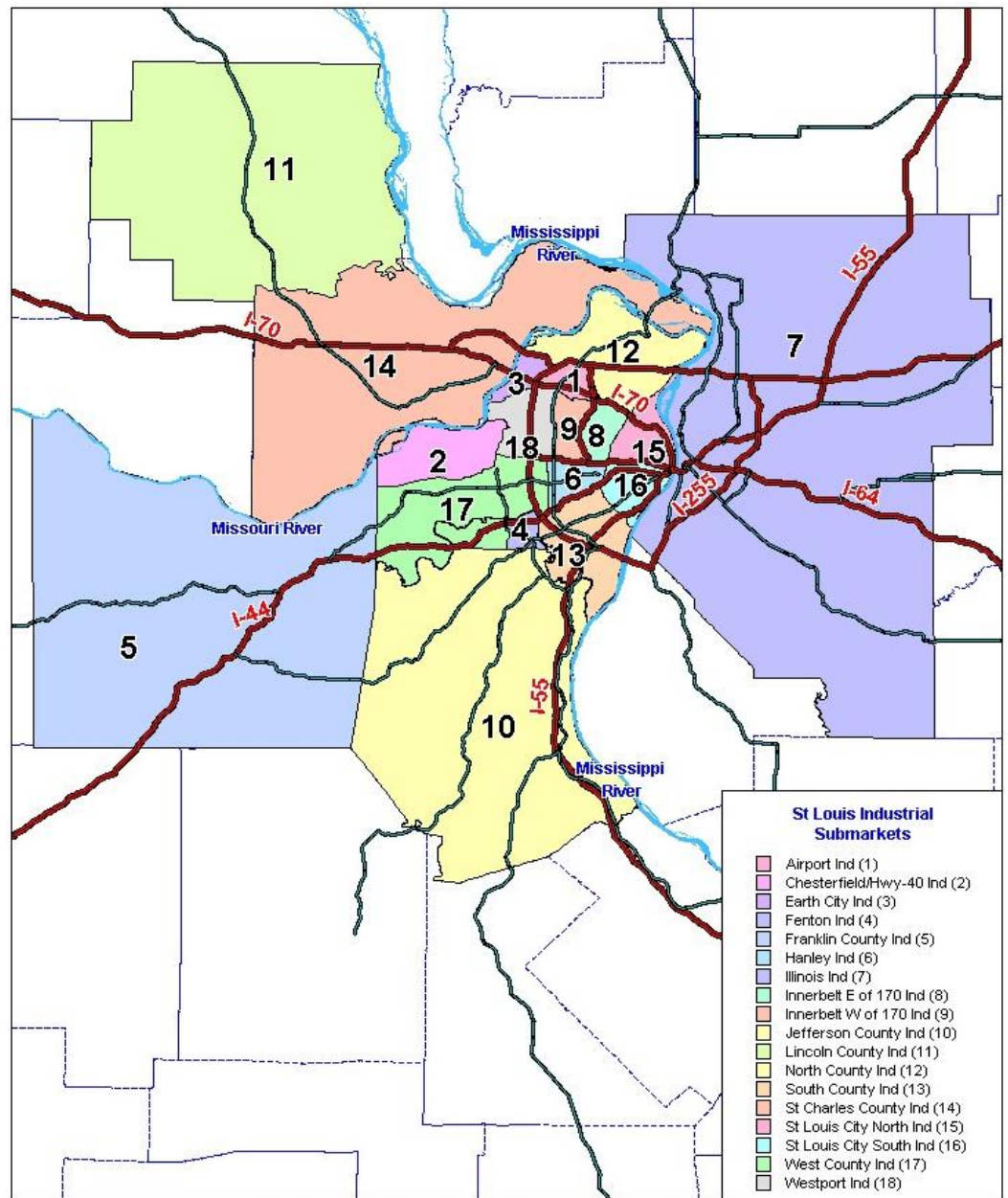
Space currently available for lease directly with the landlord or building owner.

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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