

# 3Q'16

## St. Louis Industrial Market Report



# Industrial Market Summary

## Third Quarter 2016

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

#### 2Q16 vs. 3Q16



NET  
ABSORPTION



VACANCY



CONSTRUCTION



ASKING RATES

#### 3Q15 vs. 3Q16



NET  
ABSORPTION



VACANCY



CONSTRUCTION



ASKING RATES

As the real estate markets throughout the country show signs of strength, St. Louis is no exception. The S. Louis industrial market is in the middle of one of its best years ever with all key indicators showing improvement. Vacancy rates are at 6.0%, down from 6.4% in the 2nd quarter. Strong positive absorption of 1,326,718 square feet in Q3 backs up a positive net absorption of 2,423,290 in Q2. These are two of the strongest quarters in St. Louis industrial real estate history. Rental rates have increased \$.04 per square foot in Q3 up from \$4.27 per square foot in Q2. Construction rounds out the cycle with building permits up 12% over 2015.

Simply stated, the cause of this trend in the industrial markets is supply and demand. Supply has remained relative flat for the last several years while demand has slowly and steadily increased. Besides the obvious improvements in the generally economy, St. Louis has also found growth in the e-commerce distribution industry, easy access to interstate transportation, and a strong employment pool. This increased demand has resulted in a shortage of large blocks of space in the market spurring a flood of new development. Currently there are 4,339,283 square feet of industrial space under construction at the end of Q3 with 33% as built-to-suit space and a staggering 67% as speculative construction. This is quite a shift from only 6-12 months ago when less than 10% of the construction was speculative.

During the first three quarters of 2016 we have delivered over 3.25 million square feet of new space. However, vacancy rates have decreased as developers have hedged their risk by only constructing built-to-suit and pre-leased buildings. With speculative construction making up 67% of the currently under construction buildings, developers must agree that the St. Louis market has greater demand than current supply. This speculative construction may cause short term increases in vacancy rates until the speculative deliveries are leased.

Please note throughout this report, average asking rate is weighted based upon RBA.

\*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

## Industrial Submarket Statistics

SUBMARKET	CLASS	# BLDGS.	TOTAL RBA (SF)	TOTAL AVAIL. (SF)	TOTAL VACANT AVAIL. (%)	YTD NET Absorption (SF)	UNDER CONSTRUCTION (SF)	TOTAL AVG RATE (\$/SF/YR)
Airport Ind	Flex	21	783,225	86,554	11.1%	4,850	0	\$8.26
	Warehouse	220	17,067,384	1,455,839	8.5%	(19,767)	788,800	\$4.03
	<b>Subtotal</b>	<b>241</b>	<b>17,850,609</b>	<b>1,542,393</b>	<b>8.6%</b>	<b>(14,917)</b>	<b>788,800</b>	<b>\$4.22</b>
Chesterfield/ Hwy 40 Ind	Flex	39	2,238,017	19,588	0.9%	(3,956)	590,000	\$10.39
	Warehouse	118	3,662,494	84,660	2.3%	15,520	0	\$8.07
	<b>Subtotal</b>	<b>157</b>	<b>5,900,511</b>	<b>104,248</b>	<b>1.8%</b>	<b>11,564</b>	<b>590,000</b>	<b>\$5.01</b>
Earth City Ind	Flex	43	1,675,582	272,418	16.3%	6,526	0	\$12.15
	Warehouse	271	22,082,354	1,914,467	8.7%	373,586	0	\$4.48
	<b>Subtotal</b>	<b>314</b>	<b>23,757,936</b>	<b>2,186,885</b>	<b>9.2%</b>	<b>380,112</b>	<b>0</b>	<b>\$5.02</b>
Fenton Ind	Flex	23	785,329	66,039	8.4%	9,814	0	\$11.38
	Warehouse	200	8,155,530	376,418	4.6%	(24,647)	0	\$6.67
	<b>Subtotal</b>	<b>223</b>	<b>8,940,859</b>	<b>442,457</b>	<b>4.9%</b>	<b>(14,833)</b>	<b>0</b>	<b>\$7.08</b>
Hanley Ind	Flex	32	575,239	12,286	2.1%	482	0	\$9.85
	Warehouse	252	5,798,559	143,532	2.5%	23,708	0	\$4.69
	<b>Subtotal</b>	<b>284</b>	<b>6,373,798</b>	<b>155,818</b>	<b>2.4%</b>	<b>24,190</b>	<b>0</b>	<b>\$5.16</b>
Illinois Ind	Flex	52	903,597	124,898	13.8%	522	0	\$11.71
	Warehouse	681	41,195,968	1,005,668	2.4%	1,715,629	1,192,730	\$3.54
	<b>Subtotal</b>	<b>733</b>	<b>42,099,565</b>	<b>1,130,566</b>	<b>2.7%</b>	<b>1,716,151</b>	<b>1,192,730</b>	<b>\$3.72</b>
Innerbelt E of I-170 Ind	Flex	17	531,161	70,937	13.4%	(49,220)	0	\$8.86
	Warehouse	213	9,505,927	137,848	1.5%	1,272	0	\$3.77
	<b>Subtotal</b>	<b>230</b>	<b>10,037,088</b>	<b>208,785</b>	<b>2.1%</b>	<b>(47,948)</b>	<b>0</b>	<b>\$4.04</b>
Innerbelt W of I-170 Ind	Flex	34	912,840	73,148	8.0%	(6,717)	0	\$6.96
	Warehouse	346	10,378,710	436,492	4.2%	200,663	0	\$4.23
	<b>Subtotal</b>	<b>380</b>	<b>11,291,550</b>	<b>509,640</b>	<b>4.5%</b>	<b>193,946</b>	<b>0</b>	<b>\$4.45</b>
North County Ind	Flex	7	353,111	0	0.0%	0	0	\$0.00
	Warehouse	148	6,858,771	403,139	5.9%	949,424	537,753	\$4.09
	<b>Subtotal</b>	<b>155</b>	<b>7,211,882</b>	<b>403,139</b>	<b>5.6%</b>	<b>949,424</b>	<b>537,753</b>	<b>\$3.89</b>
South County Ind	Flex	24	266,649	7,500	2.8%	(4,100)	0	\$11.21
	Warehouse	254	9,049,571	434,445	4.8%	141,663	0	\$5.95
	<b>Subtotal</b>	<b>278</b>	<b>9,316,220</b>	<b>441,945</b>	<b>4.7%</b>	<b>137,563</b>	<b>0</b>	<b>\$6.10</b>
St Charles County Ind	Flex	82	2,265,840	97,484	4.3%	73,672	0	\$7.16
	Warehouse	727	25,731,150	520,891	2.0%	114,689	1,200,000	\$5.02
	<b>Subtotal</b>	<b>809</b>	<b>27,996,990</b>	<b>618,375</b>	<b>2.2%</b>	<b>188,361</b>	<b>1,200,000</b>	<b>\$5.19</b>
St Louis City North Ind	Flex	31	612,276	16,628	2.7%	23,348	0	\$4.00
	Warehouse	785	38,053,617	4,366,990	11.5%	3,447	0	\$2.86
	<b>Subtotal</b>	<b>816</b>	<b>38,665,893</b>	<b>4,383,618</b>	<b>11.3%</b>	<b>26,795</b>	<b>0</b>	<b>\$2.88</b>
St Louis City South Ind	Flex	58	1,403,058	204,429	14.6%	(976)	15,000	\$7.71
	Warehouse	910	35,027,840	2,773,473	7.9%	93,384	0	\$2.81
	<b>Subtotal</b>	<b>968</b>	<b>36,430,898</b>	<b>2,977,902</b>	<b>8.2%</b>	<b>92,408</b>	<b>15,000</b>	<b>\$3.00</b>
West County Ind	Flex	27	622,727	36,037	5.8%	1,700	0	\$9.72
	Warehouse	118	4,091,292	33,427	0.8%	10,002	15,000	\$5.99
	<b>Subtotal</b>	<b>145</b>	<b>4,714,019</b>	<b>69,464</b>	<b>1.5%</b>	<b>11,702</b>	<b>15,000</b>	<b>\$6.48</b>
Westport Ind	Flex	76	2,176,252	260,784	12.0%	74,147	0	\$8.60
	Warehouse	344	13,531,661	541,250	4.0%	257,716	0	\$5.23
	<b>Subtotal</b>	<b>420</b>	<b>15,707,913</b>	<b>802,034</b>	<b>5.1%</b>	<b>331,863</b>	<b>0</b>	<b>\$4.51</b>
TOTAL	Flex	566	16,104,903	1,348,730	8.4%	130,092	605,000	\$8.91
	Warehouse	5,587	250,190,828	14,628,539	5.8%	3,856,289	3,734,283	\$4.07
	<b>Total</b>	<b>6,153</b>	<b>266,295,731</b>	<b>15,977,269</b>	<b>6.0%</b>	<b>3,986,381</b>	<b>4,339,283</b>	<b>\$4.36</b>

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

# St. Louis Industrial Market Snapshot

## Vacancy

- Total vacancy decreased from 6.9% to 6.0% in the 3<sup>rd</sup> Quarter
- Flex vacancy reported at 8.4%
- Warehouse vacancy is at 5.8%
- The St. Louis City North submarket reportedly has the highest vacancy at 11.3%; while West County (1.5%), and Chesterfield Hwy 40 (1.8%) submarkets have the lowest vacancy rates.

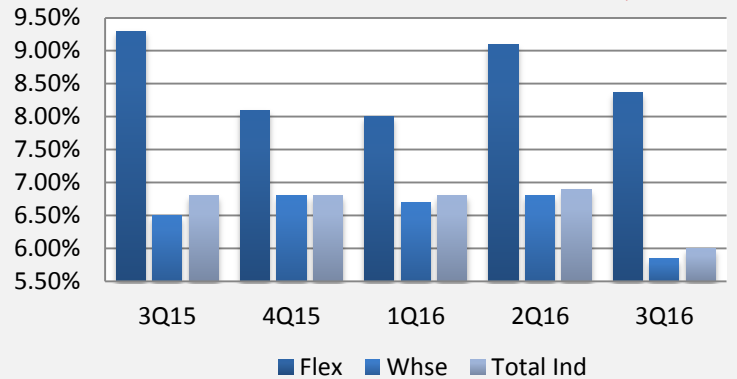
## Rental Rates

- Rental rates ended the 3<sup>rd</sup> Quarter at \$4.36 psf; an increase from 2<sup>nd</sup> Quarter at \$4.23.
- Average quoted rate in the flex sector was \$8.91 psf, while warehouse rates were at \$4.07 psf at the end of 3<sup>rd</sup> Quarter.

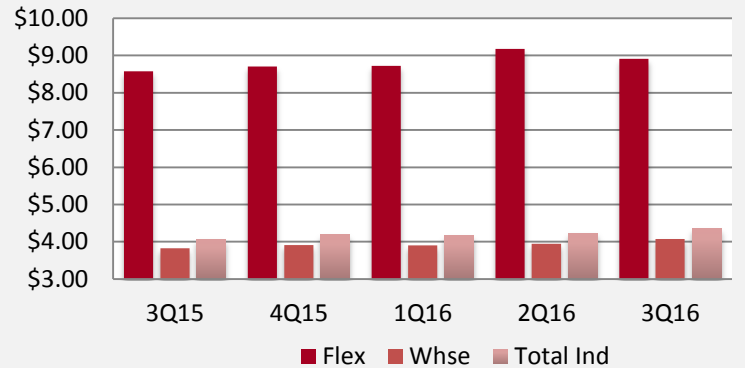
## New Construction

- 4,339,283 SF of industrial space are still under construction at the end of 3<sup>rd</sup> Quarter.
- During 3<sup>rd</sup> Quarter, two buildings were completed in the St. Louis market area.

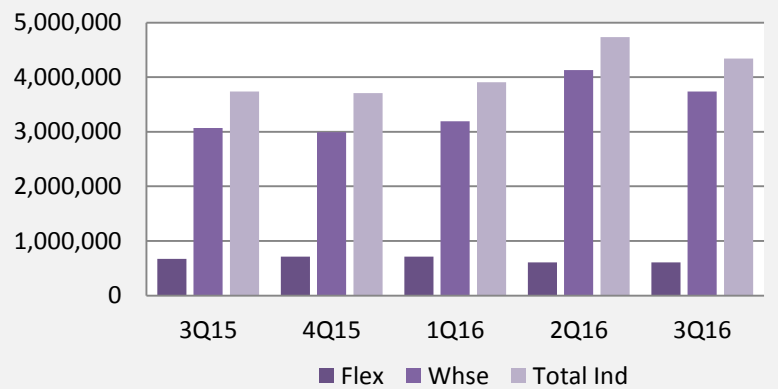
Vacancy Rates



Rental Rates



New Construction



## 3Q Industrial Transactions

Building / Address	Tenant / Buyer	Sale / Lease	Size (SF)	Submarket
117 Industrial Drive	Diakon Logistics	Lease	140,172	Illinois Ind
13600 Shoreline Drive	Forest Laboratories, Inc.	Sale	105,600	Earth City Ind
Lambert Corporate I	Innovative Delivery Systems	Lease	68,000	Airport Ind
Aviator Business Park – Lot 7	Fair Play Scoreboards	Lease	66,750	Airport Ind
Hazelwood Logistics Center	TAGG Logistics	Lease	63,000	Airport Ind
13400 Lakefront Drive	Motors & Armatures, Inc.	Lease	51,600	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

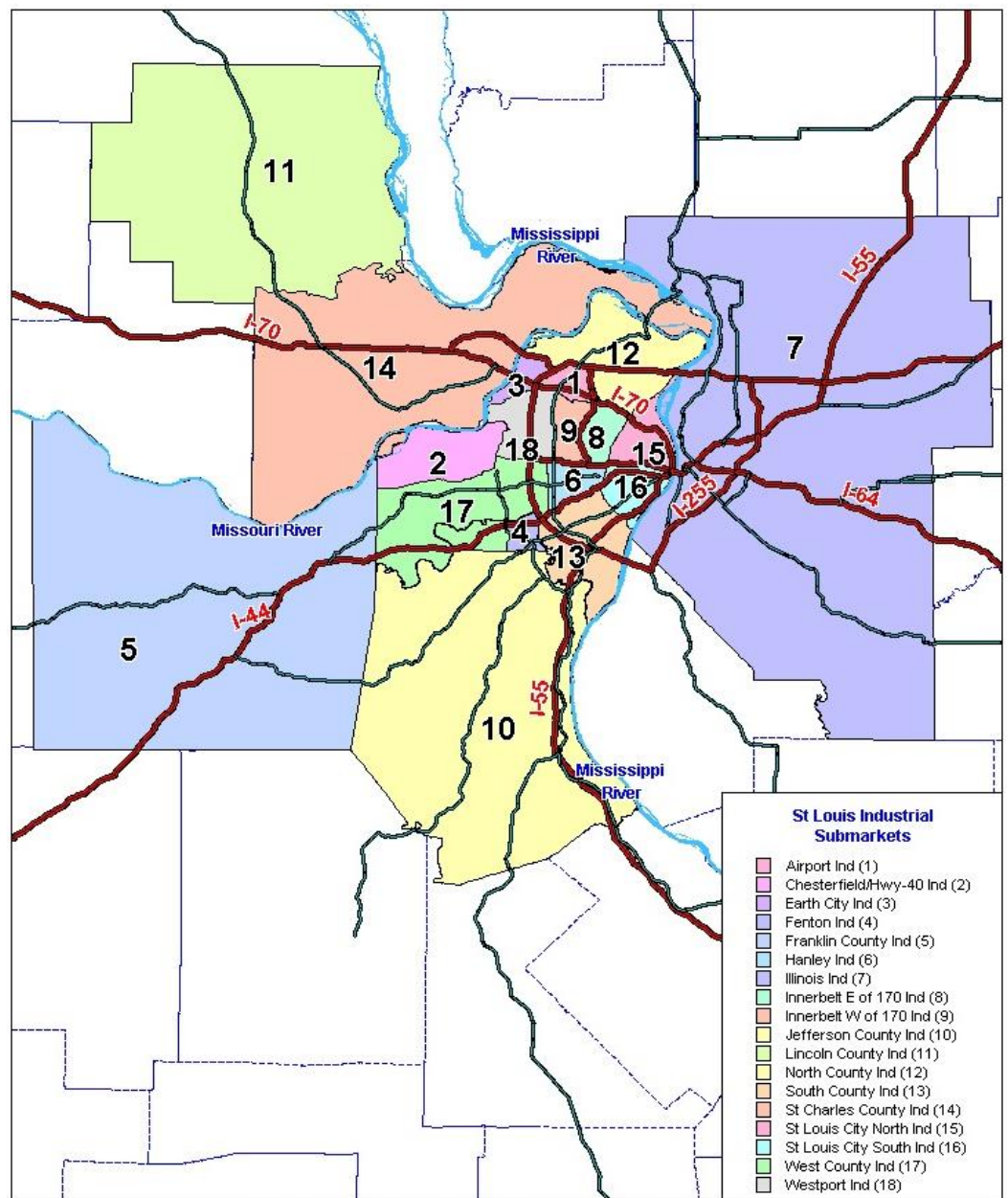
Space currently available for lease directly with the landlord or building owner.

### 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.

# 3Q'16

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