



ST. LOUIS
1Q18 INDUSTRIAL MARKET

6.8 MILLION SQUARE FEET
OF PROJECTS UNDER
CONSTRUCTION

The St. Louis industrial market was active in the first quarter of 2018, as 488,205 square feet was absorbed. Overall vacancy decreased 20 basis points compared with the prior quarter to 5.0%, while average quoted rents increased from \$4.61/SF to \$4.74/SF. No new projects delivered to the market during the quarter. However, projects under construction increased significantly, with 6.8 million square feet of product planned for delivery.

The market displayed strong fundamentals in first-quarter 2018, realizing positive net absorption for the 12th consecutive quarter with nearly 5.7 million square feet absorbed during the past four quarters. Quoted rental rates increased by \$0.25/SF during the past year, as 4.1 million square feet of space delivered to the market. With market vacancy at record lows, the following major projects under construction will provide additional space options in a tight market:

- **Metro East:** the two-building, 2,025,000-square-foot build-to-suit project for World Wide Technology in the Gateway Commerce Center and the 800,000-square-foot speculative Lakeview Building 5 development in the Lakeview Commerce Center.
- **North County:** the 850,000-square-foot facility at 13930 Missouri Bottom Road in Hazelwood; the 380,000-square-foot building at 310 James South McDonnell Boulevard in Hazelwood; the 250,000-square-foot Building I in Hazelwood Trade Port; the 250,000-square-foot Building II in Hazelwood Trade Port; the 108,273-square-foot Hazelwood Logistics Center 7; and the 107,394-square-foot Hazelwood Logistics Center 8.
- **South County:** three separate buildings totaling 448,434 square feet in the Fenton Logistics Park.
- **St. Charles County:** the 855,080-square-foot Amazon Fulfillment Center in the Premier 370 Park and the 375,200-square-foot Premier 370 1001 building also in the Premier 370 Park.

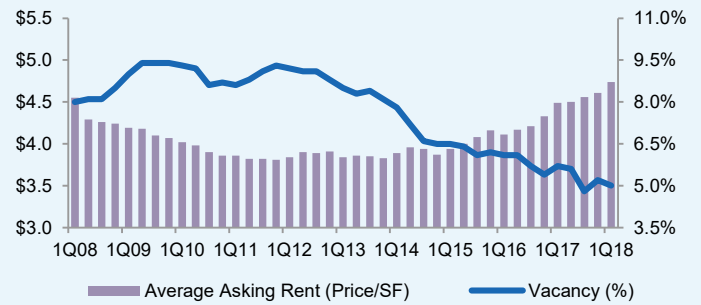
Expect the North County and Metro East submarkets to continue to flourish in 2018, building upon 4.6 million square feet and 3.0 million square feet of net absorption over the past two years. Speculative construction starts, build-to-suit offerings and significant leasing and sales activity will continue across the metro, as new deliveries to the market are either pre-leased or swiftly leased by the area's constant demand. Modern bulk industrial and flex-tech projects capable of handling mid- to large-space users will drive the market for the remainder of 2018.

Current Conditions

- 6.8 million SF of projects under construction.
- World Wide Technology to relocate into a two-building BTS project totaling 2,025,000 SF.
- North County and Metro East submarkets to continue to flourish in 2018.
- Amazon to open a 855,080 SF fulfillment center in St. Peters.
- Grove Collaborative to lease 138,600 SF in Premier 370 Park.

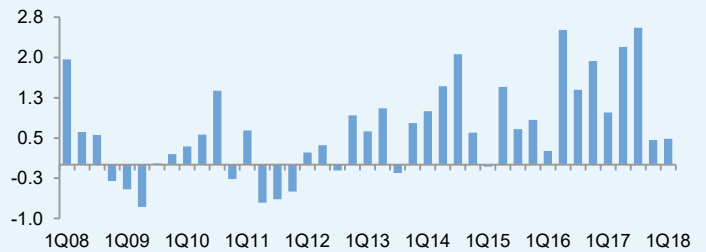
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Millions



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	264MSF	264MSF	260MSF	↑
Vacancy Rate	5.0%	5.2%	5.7%	↔
Quarterly Net Absorption	488,205	462,904	971,992	↑
Average Asking Rent	\$4.74	\$4.61	\$4.49	↑
Under Construction	6,840,281	3,864,306	5,266,239	↔
Deliveries	0	1,512,433	1,897,912	↑



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Amazon’s First Fulfillment Center in Missouri to Open in St. Peters

The St. Charles County submarket received a major commitment from Amazon.com, which announced it will locate its first fulfillment center in Missouri at the Premier 370 Park. Located at 4000 Premier Parkway in St. Peters, the new, 855,080-square-foot facility will be fully occupied by Amazon and will process and distribute smaller items to customers in the United States. The company expects to employ more than 1,500 full-time workers at the location, ranging from fulfillment staff to human resources, information technology and operations and logistics personnel. Amazon could benefit from various state-level and local incentives, including \$10.9 million in Chapter 100 and other sales and property tax exemptions as well as up to \$75.0 million in industrial development revenue bonds. The world’s largest online retailer currently has a sortation center in Hazelwood and two distribution centers in Edwardsville, Illinois. Amazon is expected to start operations at the fulfillment center by mid-2019.

The Premier 370 Park also received a second significant commitment from Grove Collaborative, a California-based online retailer focusing on healthy, natural products. Grove Collaborative will occupy 138,600 square feet at 1000 Premier Parkway and will create approximately 210 full-time positions. Incentives for the company could include \$1.2 million from the Missouri Works program and \$13.5 million in industrial development revenue bonds.

THE NORTH COUNTY SUBMARKET HAS BENEFITTED FROM 4.6 MILLION SF OF NET ABSORPTION DURING THE PAST TWO YEARS

The St. Louis industrial sector started the year with high volumes of leasing and sales activity. Out-of-town investors and high-level credit tenants are entering the market, as the area continues to display logistical and economic advantages. Local entities are also aggressively pursuing development opportunities suited for e-commerce and 3PL firms, as major commitments from World Wide Technology, Amazon, Geodis and Grove Collaborative led the market in the first quarter. The North County submarket in particular has benefitted from 4.6 million square feet of net absorption during the past two years, with 2.0 million square feet currently under construction. Positive net absorption has occurred in 20 out of the past 22 quarters, with an impressive 5.5 million square feet of deliveries in the past four quarters. Vacancy should range from 4.9% to 5.5% in 2018, as a portion of the 6.8 million square feet of product currently under construction delivers to the market.

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
World Wide Technology	Gateway Commerce Ctr (2)	Metro East	New Build-to-Suit	2,025,000
Amazon	4000 Premier Pkwy	St. Charles County	New Construction	855,080
Fresh Warehousing	305-333 Rock Industrial Park	North County	New	248,000
Amcor	5801-5895 N Lindbergh Blvd	North County	New	222,560
Geodis	1659 Sauget Business Blvd	Metro East	New	202,020
Reaction Auto Parts	3740-3780 Rider Trail S	North County	New	168,000
World Wide Technology	11911 Adie Rd	West County	Expansion	157,000
Grove Collaborative	1000 Premier Pkwy	St. Charles County	New	138,600

Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
1659 Sauget Business Blvd	Metro East	\$16,712,500	\$33	502,500
2355 Ball Dr	West County	\$7,410,000	\$57	130,000
1780 Belt Way Dr	Central County	\$3,075,000	\$31	98,000
213-217 S Cool Springs Rd	St. Charles County	\$4,465,000	\$47	95,000


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Submarket Statistics

Submarket Cluster	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
Central County	26,014,879	0	2.40%	101,805	101,805	\$5.20	\$8.33	\$6.68
Metro East	43,453,554	2,889,400	3.20%	-574,947	-574,947	\$4.05	\$9.12	\$4.13
North County	50,207,233	1,945,667	8.20%	977,211	977,211	\$4.33	\$9.91	\$4.63
South County	17,572,936	498,434	4.10%	76,849	76,849	\$5.54	\$7.38	\$5.55
St. Charles County	28,987,532	1,230,280	4.40%	393	393	\$4.71	\$6.88	\$4.86
St. Louis City	72,200,462	238,500	5.90%	-228,501	-228,501	\$3.55	\$8.21	\$3.75
West County	25,406,343	38,000	3.70%	135,395	135,395	\$5.27	\$8.89	\$5.81
St. Louis Market	263,842,939	6,840,281	5.00%	488,205	488,205	\$4.44	\$10.06	\$4.74
Warehouse	248,334,320	6,802,281	4.80%	453,264	453,264	-	-	-
Flex	15,508,619	38,000	7.80%	34,941	34,941	-	-	-


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Submarket Statistics by Subtype

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
Warehouse/Distribution	24,261,055	0	2.20%	104,657	104,657	\$5.20
R&D/Flex	1,753,824	0	4.70%	-2,852	-2,852	\$8.33
Central County	26,014,879	0	2.40%	101,805	101,805	\$6.68
Warehouse/Distribution	42,691,683	2,889,400	3.20%	-589,840	-589,840	\$4.05
R&D/Flex	761,871	0	1.30%	14,893	14,893	\$9.12
Metro East	43,453,554	2,889,400	3.20%	-574,947	-574,947	\$4.13
Warehouse/Distribution	47,159,745	1,945,667	7.30%	990,707	990,707	\$4.33
R&D/Flex	3,047,488	0	21.30%	-13,496	-13,496	\$9.91
North County	50,207,233	1,945,667	8.20%	977,211	977,211	\$4.63
Warehouse/Distribution	16,572,985	498,434	3.80%	85,619	85,619	\$5.54
R&D/Flex	999,951	0	8.10%	-8,770	-8,770	\$7.38
South County	17,572,936	498,434	4.10%	76,849	76,849	\$5.55
Warehouse/Distribution	26,790,984	1,230,280	4.50%	-7,707	-7,707	\$4.71
R&D/Flex	2,196,548	0	3.20%	8,100	8,100	\$6.88
St. Charles County	28,987,532	1,230,280	4.40%	393	393	\$4.86
Warehouse/Distribution	70,422,886	238,500	5.90%	-228,501	-228,501	\$3.55
R&D/Flex	1,777,576	0	4.60%	0	0	\$8.21
St. Louis City	72,200,462	238,500	5.90%	-228,501	-228,501	\$3.75
Warehouse/Distribution	20,434,982	0	3.40%	98,329	98,329	\$5.27
R&D/Flex	4,971,361	38,000	4.80%	37,066	37,066	\$8.89
West County	25,406,343	38,000	3.70%	135,395	135,395	\$5.81



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ECONOMIC CONDITIONS

The local economy continued to improve through February, with total employment growth of 0.4% and positive growth occurring in six out of ten industries, calculated on a 12-month percent change basis.

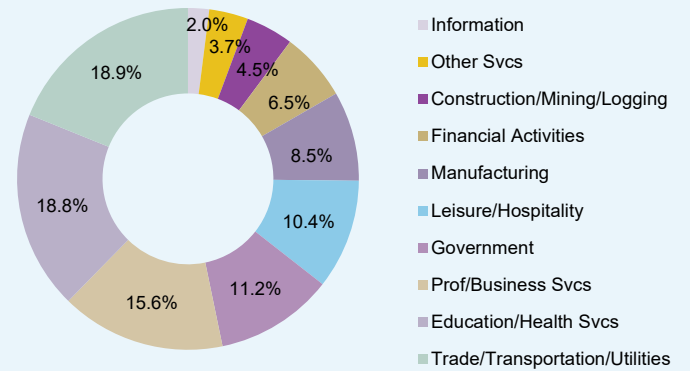
Payroll employment in St. Louis decreased 120 basis points compared to the prior year registering 0.4% in February 2018. The national average decreased 20 basis points to 1.6%. Both indices have realized positive 12-month percent changes since September 2012.

The Consumer Price Index (CPI) for the United States decreased 50 basis points to 2.2% over the past year. The Midwest Urban CPI decreased 70 basis points to 1.7% in February 2018.

Unemployment in the United States remained flat at 4.1% in February, while unemployment in St. Louis decreased 20 basis points to 3.4% over the past quarter. Unemployment in St. Louis decreased 70 basis points from a year prior.

Employment By Industry

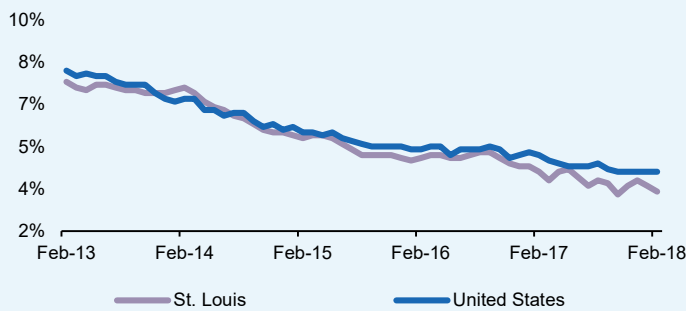
St. Louis, February 2018



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

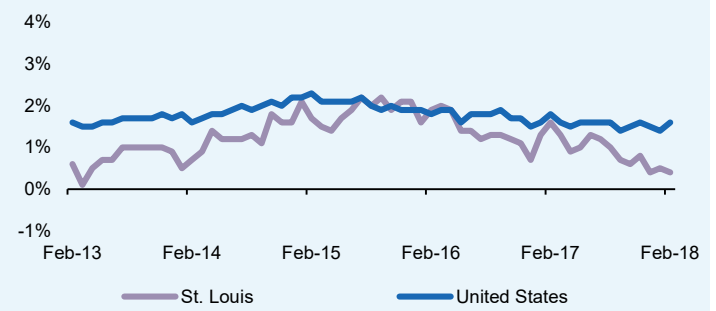
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

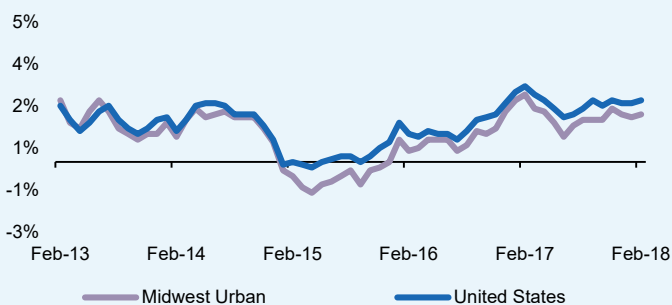
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

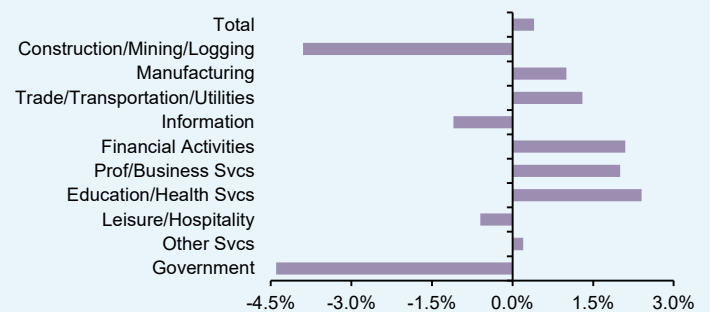
All Items, 12-Month % Change, Not Seasonally Adjusted, 1982-84=100



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

St. Louis, November 2017, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics



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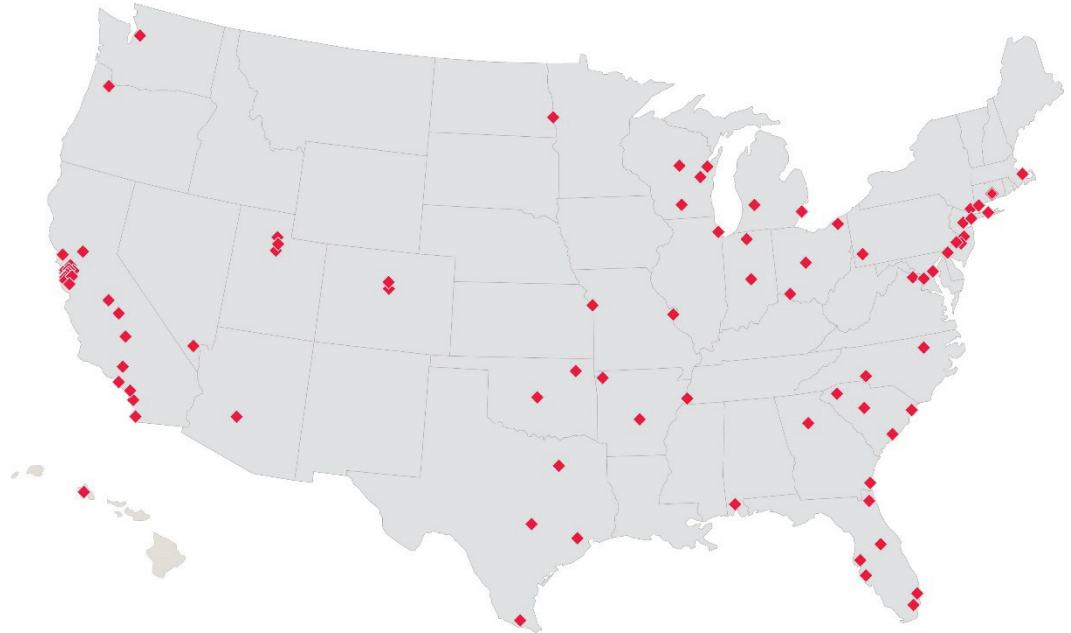
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