



ST. LOUIS
2Q17 INDUSTRIAL MARKET

OVER 5.2 MILLION SQUARE FEET OF DELIVERIES IN PAST FOUR QUARTERS

The St. Louis industrial market was active in the second quarter of 2017 as 539,792 square feet was absorbed. Overall vacancy increased 20 basis points from the prior quarter to 6.4%, while average quoted rents increased from \$4.43/SF to \$4.51/SF. A total of 1.8 million square feet of space delivered to the market during the quarter, while projects under construction remained significant, with 2.9 million square feet of product planned for delivery.

The market remained steady in second-quarter 2017, realizing positive net absorption for the ninth consecutive quarter with over 4.3 million square feet absorbed during the past four quarters. Quoted rental rates increased by \$0.37/SF during the past year, as 5.2 million square feet of space delivered to the market. With market vacancy hovering near record lows, expect the high volume of sales activity from both in-town and out-of-town investors to continue. Major leasing announcements in the second half of 2017 will derive from either build-to-suit projects or large speculative construction developments, as current product in the market is limited.

Speculative Construction Still Going Strong

The St. Louis metro received significant development news during second-quarter 2017, as three new speculative projects will bring over 1.6 million square of industrial product to the market. Leading the announcements is the new, \$40.0 million, 768,680-square-foot facility planned at Lakeview Commerce Center in the Metro East submarket. Groundbreaking is scheduled for late this summer on Lakeview Commerce Center 5, which will be designed to accommodate up to four tenants. Tenants currently within the industrial park include Amazon, Spectrum Brands and World Wide Technologies.

In addition, a new, \$25.0 million, 595,000-square-foot speculative facility is planned at Gateway Commerce Center, also located in the Metro East submarket in Edwardsville. Construction is already underway with delivery scheduled by the end of the year. France's Geodis, a global leader in supply chain management and operations, leased the entire 624,150-square-foot, 624 Gateway East building during the second quarter, adding to the industrial park's success. Additional tenants currently within the industrial park include Amazon, Proctor & Gamble, Unilever, Hershey's, Walgreens, Dial, Save-a-Lot, DB Schenker, FedEx Supply Chain, QPSI, CDS and Saddle Creek Logistics.

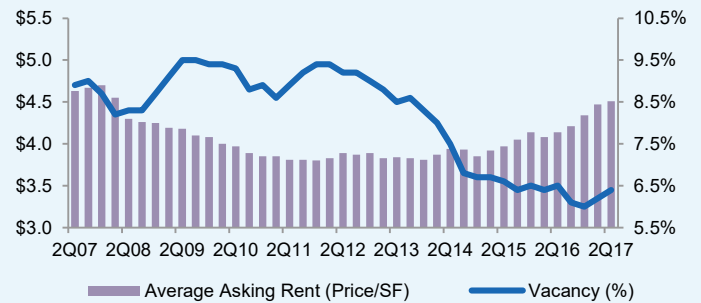
The third speculative building is a 300,000-square-foot, Class A facility located at Premier 370 Business Park in St. Peters. Construction on Premier 370 1000 is already underway with delivery scheduled for September 2017. The cross-dock building is located on 24.7 acres and

Current Conditions

- 5.2 million SF of deliveries and 4.3 million SF of net absorption during the past four quarters .
- Newly announced speculative construction will bring 1.6 million SF of product to the metro.
- Macy's 621,610 SF distribution and call center facility trades for \$6.8 million.
- Serioplast purchases 132,710 SF manufacturing facility in St. Louis City submarket for \$3.2 million.

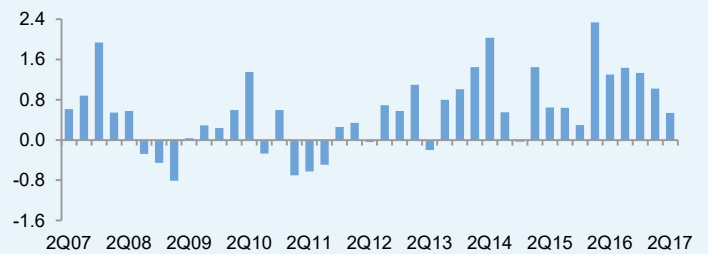
Market Analysis

Asking Rent and Vacancy



Net Absorption

Square Feet, Millions



Market Summary

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	262MSF	261MSF	258MSF	↑
Vacancy Rate	6.4%	6.2%	6.5%	↔
Quarterly Net Absorption	539,792	1,329,873	2,336,137	↑
Average Asking Rent	\$4.51	\$4.43	\$4.14	↑
Under Construction	2,900,428	4,312,149	4,654,913	↔
Deliveries	1,841,721	1,876,683	2,788,328	↑



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will offer 30 dock doors, two drive-ins, 32-foot clear height and space divisible to 35,000 square feet. Tenants currently within the industrial park include Best Buy, Reckitt Benckiser and Dayton Freight.

Former Macy's Distribution and Call Center Facility Trades in North County

Located at 111 Boulder Industrial Drive in Bridgeton, Missouri, the 621,610-square-foot former Macy's industrial distribution and call center facility was purchased by Boulder, LLC, an entity affiliated with locally based Raven Development, LLC. Trading for \$6.8 million, or \$11/SF, the Class B facility was recently appraised at \$15.6 million. Macy's divested the semi-flex structure in April; that includes approximately 200,000 square feet of second-generation office space and 420,000 square feet of warehouse space. The building was built in 1971 on 39.8 acres and contains 76 dock doors, ceiling heights of 25 to 30 feet.

Serioplast Purchases Manufacturing Facility in St. Louis City Submarket

Serioplast, the largest Italian manufacturer of customized rigid plastic bottle packaging and a part of the larger packaging group Old Mill Holding, purchased and will occupy the entire 132,710-square-foot Madison Warehouse II facility in the city of St. Louis. Located at 4400 Planned Industrial Drive, the warehouse was built in 1995 and will serve as the first manufacturing plant for Serioplast in North America. Trading for \$3.2 million, or \$24/SF, the Class B facility was recently appraised at \$1.6 million. The building was sold by Lineage Logistics, a California-based port warehousing, logistics and cold storage company, is situated on 9.4 acres and contains 15 dock doors and ceiling heights of 25 to 30 feet.

GEODIS LED THE MARKET BY COMMITTING TO 624,150 SQUARE FEET AT 624 GATEWAY EAST, SPURRING ADDITIONAL SPECULATIVE CONSTRUCTION AT GATEWAY COMMERCE CENTER

The St. Louis industrial sector ended the first half of 2017 with active leasing and sales transaction volumes. Positive net absorption has occurred in 17 out of the past 19 quarters, with an impressive 5.2 million square feet of deliveries during the past four quarters. Geodis led the market by committing to 624,150 square feet at 624 Gateway East, spurring additional speculative construction at Gateway Commerce Center. Expect both large and mid-range tenants from a variety of industries to continue to collectively strengthen the market, with announcements of additional large-scale bulk industrial speculative developments to continue for the remainder of the year.

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
Geodis	624 Gateway East	Metro East	New	624,150
Quiet Logistics	408 Hazelwood Logistics Center Dr	North County	New	270,980
Bunzl Distribution Midcentral, Inc.	441 Hazelwood Logistics Center Dr	North County	New	143,000

Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
111 Boulder Industrial Dr	North County	\$6,750,000	\$11	621,610
4400 Planned Industrial Dr	St. Louis City	\$3,150,000	\$24	132,710
20 Central Industrial	Metro East	\$6,100,000	\$52	117,250
12202 Missouri Bottom Rd	North County	\$3,395,000	\$38	90,530
11525 Rock Island Ct	West County	\$1,850,000	\$41	44,820
255-273 Wolfner Dr ¹	South County	\$1,700,000	\$52	32,500
2550-2568 Harley Dr	West County	\$1,515,000	\$51	29,900
17829-17841 Edison Ave	West County	\$1,900,000	\$100	19,000

¹Deferred maintenance - \$85,000.00 in repairs


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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	26,191,526	0	4.10%	-135,986	-239,045	\$4.13	\$8.60	\$4.51
Metro East	42,265,254	98,000	4.40%	-733,026	70,422	\$4.48	\$8.50	\$4.68
North County	49,837,372	1,097,278	9.30%	218,557	929,972	\$4.29	\$10.06	\$4.59
South County	17,357,126	158,400	3.70%	-16,752	105,241	\$5.82	\$10.72	\$5.94
St. Charles County	28,390,090	926,750	4.30%	1,132,928	1,135,361	\$4.80	\$6.37	\$4.85
St. Louis City	72,483,090	0	9.10%	51,933	-195,089	\$3.17	\$7.85	\$3.30
West County	25,778,358	620,000	3.10%	22,138	62,803	\$5.78	\$8.47	\$6.22
St. Louis Market	262,302,816	2,900,428	6.40%	539,792	1,869,665	\$4.27	\$9.08	\$4.51
Warehouse	246,804,291	2,310,428	6.30%	325,878	1,542,848	-	-	-
Flex	15,498,525	590,000	8.70%	213,914	326,817	-	-	-


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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	24,341,053	0	3.50%	-135,986	-242,314	\$4.13
R&D/Flex	1,850,473	0	11.60%	0	3,269	\$8.60
Central County	26,191,526	0	4.10%	-135,986	-239,045	\$4.51
Warehouse/Distribution	41,491,366	98,000	4.40%	-822,491	-37,239	\$4.48
R&D/Flex	773,888	0	3.80%	89,465	107,661	\$8.50
Metro East	42,265,254	98,000	4.40%	-733,026	70,422	\$4.68
Warehouse/Distribution	46,798,018	1,097,278	8.60%	180,863	780,139	\$4.29
R&D/Flex	3,039,354	0	20.50%	37,694	149,833	\$10.06
North County	49,837,372	1,097,278	9.30%	218,557	929,972	\$4.59
Warehouse/Distribution	16,392,325	158,400	3.60%	-21,310	100,683	\$5.82
R&D/Flex	964,801	0	6.20%	4,558	4,558	\$10.72
South County	17,357,126	158,400	3.70%	-16,752	105,241	\$5.94
Warehouse/Distribution	26,207,533	926,750	4.50%	1,083,619	1,079,112	\$4.80
R&D/Flex	2,182,557	0	2.20%	49,309	56,249	\$6.37
St. Charles County	28,390,090	926,750	4.30%	1,132,928	1,135,361	\$4.85
Warehouse/Distribution	70,689,071	0	9.20%	55,963	-188,094	\$3.17
R&D/Flex	1,794,019	0	5.90%	-4,030	-6,995	\$7.85
St. Louis City	72,483,090	0	9.10%	51,933	-195,089	\$3.30
Warehouse/Distribution	20,884,925	30,000	2.60%	-14,780	50,561	\$5.78
R&D/Flex	4,893,433	590,000	5.30%	36,918	12,242	\$8.47
West County	25,778,358	620,000	3.10%	22,138	62,803	\$6.22



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ECONOMIC CONDITIONS

The local economy continued to improve through May, with total employment growth of 0.9% and positive growth occurring in six out of ten industries, calculated on a 12-month percent change basis.

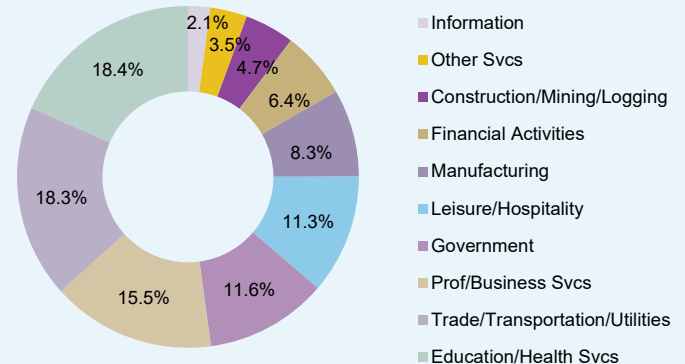
Payroll employment in St. Louis decreased 50 basis points compared to the prior year registering 0.9% in May 2017. The national average also decreased 10 basis points to 1.5%. Both indices have realized positive 12-month percent changes since September 2012.

The Consumer Price Index (CPI) for the United States increased 90 basis points to 1.9% over the past year. The Midwest Urban CPI increased 60 basis points to 1.4% in May 2017.

Unemployment in the United States decreased 40 basis points to 4.3% in May, while unemployment in St. Louis increased 10 basis points to 4.2% over the past quarter. Unemployment in St. Louis decreased 40 basis points from a year prior.

Employment By Industry

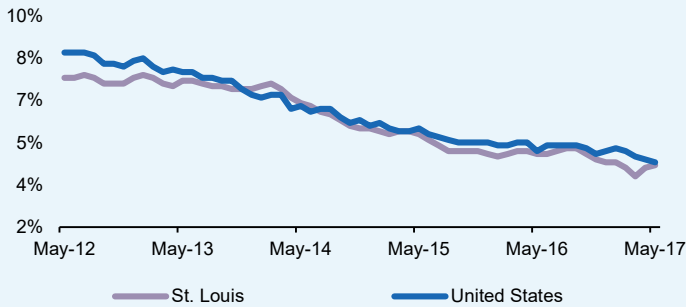
St. Louis, May 2017



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

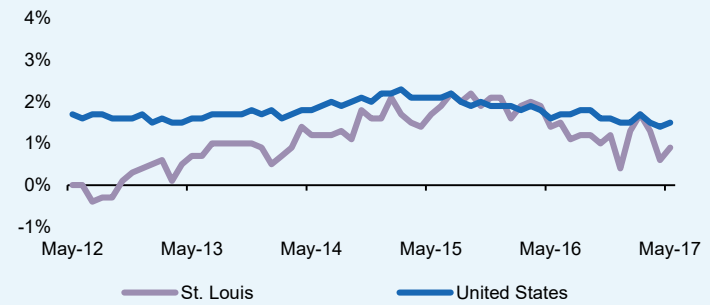
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

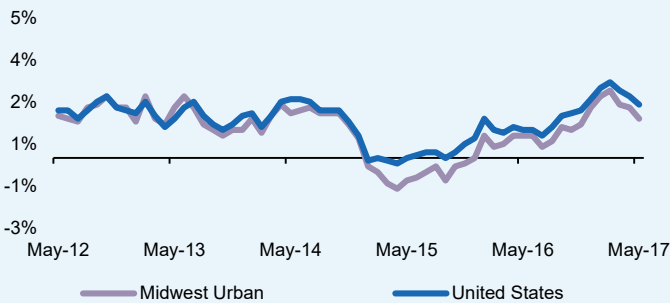
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

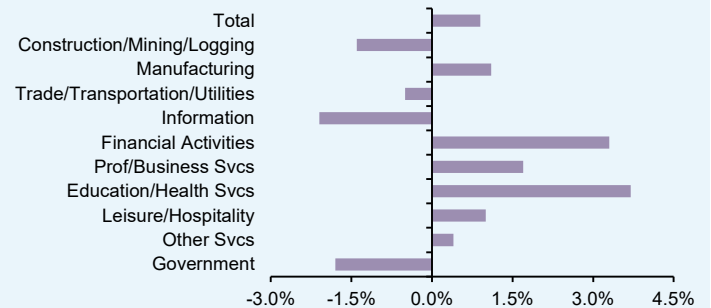
All Items, 12-Month % Change, Not Seasonally Adjusted, 1982-84=100



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

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



Source: U.S. Bureau of Labor Statistics



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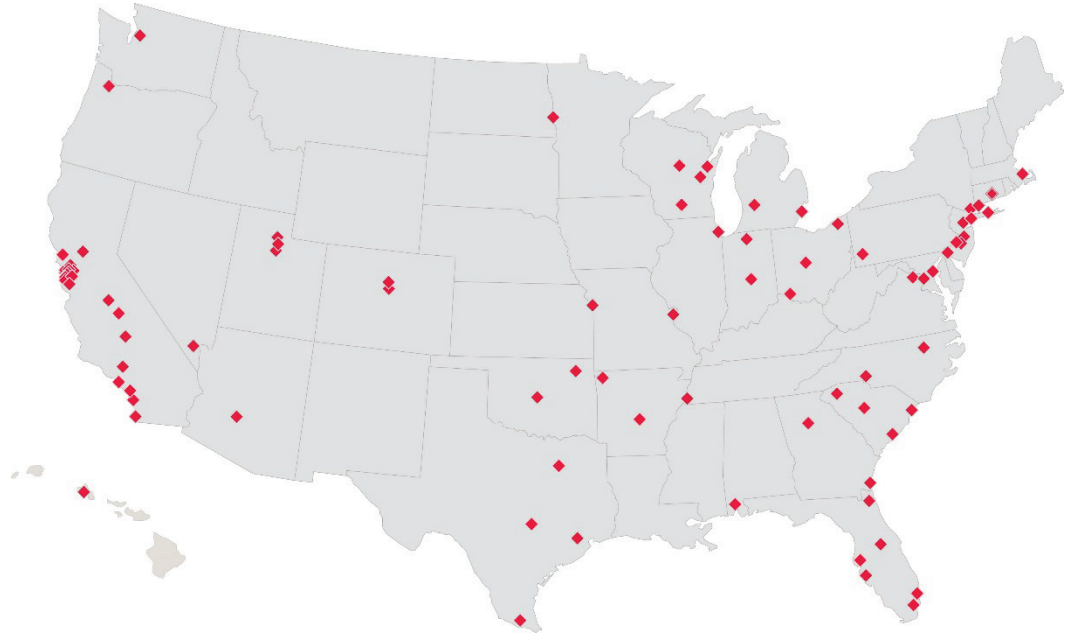
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