

ST. LOUIS 4Q17 INDUSTRIAL MARKET

1.4 MILLION SQUARE FEET OF NEW CONSTRUCTION PROJECTS ANNOUNCED IN 4Q17

The St. Louis industrial market was active in the fourth quarter of 2017, as 563,445 square feet was absorbed. Overall vacancy remained flat compared with the prior quarter at 5.2%, while average quoted rents increased from \$4.56/SF to \$4.60/SF. Various projects delivered 668,400 square feet of product to the market during the quarter, while projects under construction remained significant, with 2.8 million square feet of product planned for delivery.

The market displayed strong fundamentals in the fourth quarter, realizing positive net absorption for the 11th consecutive quarter with nearly 5.5 million square feet absorbed during the past four quarters. Quoted rental rates increased by \$0.27/SF during the past year, as 4.0 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 769,000-square-foot speculative Lakeview Building 5 development in the Lakeview Commerce Center and 593,940-square-foot building in the Gateway Commerce Center.
- North County: the 269,545-square-foot Hazelwood Logistics Center 6, 148,880-square-foot Hazelwood Logistics Center 5 and 130,000-square-foot Earth City Pointe.
- West County: the 590,000-square-foot Monsanto expansion and 295,000-square-foot Pfizer building.

Expect the North County and Metro East submarkets to continue to flourish in 2018, building upon 1.3 million square feet and 1.0 million square feet of net absorption in 2017. Speculative construction starts, build-to-suit offerings and significant leasing and sales activity will continue across the metro, as local and out-of-town investors continue to favor the area's 3PL and ecommerce activity. Modern bulk industrial and flex-tech projects capable of handling midrange to large space users will drive the market in 2018. Existing tenants will likely react to favorable market conditions by moving from outdated Class B and Class C properties into newly remodeled Class B and modern Class A facilities.

TriStar Properties Sells Two Distribution Centers for \$64.0 Million in Gateway Commerce Center

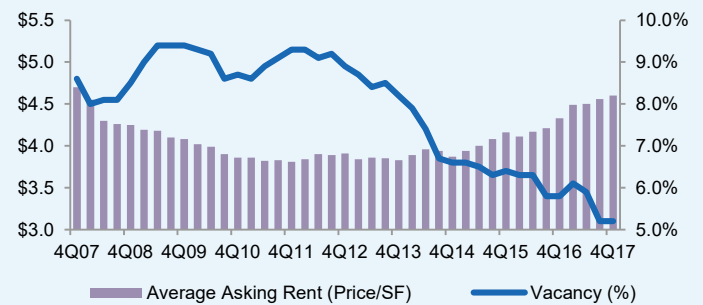
The Metro East submarket continued to flourish during the fourth quarter, as a 1.1 million-square-foot, two-building portfolio traded in November. The largest metro area industrial transaction of 2017, the deal included

Current Conditions

- Two projects will bring 1.4 million SF to Metro East in 2018.
- 5.5 million SF of total net absorption in 2017.
- TriStar Properties sells two-building portfolio for \$64.0 million; will develop 594,000 SF speculative facility in Gateway Commerce Center.
- New 769,000 SF speculative development announced in Lakeview Commerce Center. Expected to deliver by the end of 2Q18.

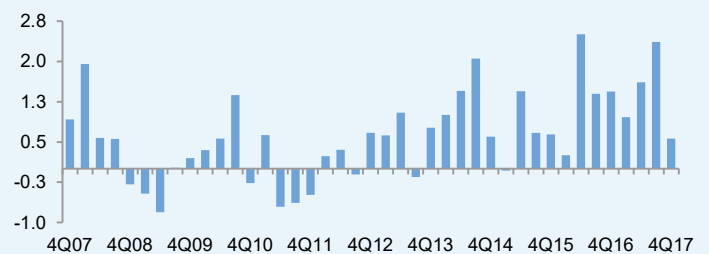
Market Analysis

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	257MSF	↑
Vacancy Rate	5.2%	5.2%	5.8%	↔
Quarterly Net Absorption	563,445	2,359,673	1,439,937	↑
Average Asking Rent	\$4.60	\$4.56	\$4.33	↑
Under Construction	2,835,368	3,306,968	4,918,233	↔
Deliveries	668,400	252,000	1,381,971	↑



ST. LOUIS 4Q17 INDUSTRIAL MARKET

the 624 Gateway East and 521 Gateway East distribution centers located at 349 and 3051 Gateway Commerce Center Drive in Edwardsville, Illinois. The 624,130-square-foot 624 Gateway East and 521,170-square-foot 521 Gateway East were both purchased by Dallas-based L&B Realty Advisors, LLP. Trading for \$64.0 million, or \$56/SF, the Class A distribution centers were divested by locally based TriStar Properties. Geodis, a global leader in supply chain management and operations, currently occupies the entire 624 Gateway East building, which was delivered to the market in March 2017. DB Schenker, a global logistics solutions and supply chain management provider, currently occupies the entire 521 Gateway East building, which was delivered to the market in December 2016. In the fourth quarter of 2016, TriStar sold the 717,060-square-foot Gateway East 717 for \$42.3 million, or \$59/SF. Gateway East 717 is fully occupied by Amazon.

In October, TriStar Properties announced it will partner with PCCP, LLC to develop 594 Gateway East, a new, 593,940-square-foot speculative development at Gateway Commerce Center. The \$26.0 million distribution center will be located on a 54-acre site and can be expandable to 1.0 million square feet. The building, which will be the fifth joint venture between TriStar and PCCP at Gateway, is expected to deliver in the first quarter of 2018.

New 769,000-Square-Foot Speculative Development Announced in Lakeview Commerce Center

The growing demand among e-commerce and 3PL firms for industrial space in the area has spurred another major speculative development. In the fourth quarter, Panattoni Development announced that it will develop

a 769,000-square-foot light industrial facility at Lakeview Commerce Center in Edwardsville, Illinois. Lakeview Building 5 will offer ceiling heights of 36 feet with 80 dock doors. The facility will be constructed to accommodate either a single large user or up to four individual tenants. The building is expected to deliver by the end of the second quarter of 2018.

1.4 MILLION SQUARE FEET OF SPEC CONSTRUCTION WILL DELIVER TO THE METRO EAST SUBMARKET BY 2Q18

The St. Louis industrial sector finished the year with high volumes of leasing and sales activity. Out-of-town investors are entering the market and expanding local portfolios, as the area continues to display logistical and economic advantages. Local entities are also aggressively pursuing development opportunities suited for ecommerce and 3PL firms. Displaying this trend, at least 1.4 million square feet of speculative construction will deliver to the Metro East submarket by the second quarter of 2018. Positive net absorption has occurred in 19 out of the past 21 quarters, with an impressive 5.5 million square feet of deliveries during the past four quarters. Vacancy should hold steady near 5.0% in 2018, as a portion of the 2.8 million square feet of product currently under construction delivers to the market. Expect rental rates to continue to rise, inching toward \$4.75/SF by the end of 2018.

Lease/User Transactions

Tenant	Building	Submarket	Type	Square Feet
RB Manufacturing	1000 Premier Pkwy	St. Charles County	New	161,280
24 Seven Enterprises	13600 Shoreline Dr	North County	Renewal/Expansion	140,900
Fairlane Industry, Inc.	5033 Southwest Ave	St. Louis City	Renewal/Expansion	91,000
BJC HealthCare	2050 Fenton Logistics Pkwy	South County	New	83,000
CoreLink Surgical	2055 Fenton Logistics Pkwy	South County	New	67,000

Select Sales Transactions

Building	Submarket	Sale Price	Price/SF	Square Feet
Multi-Prop (2) – 349 & 3051 Gateway	Metro East	\$64,000,000	\$56	1,145,300
Multi-Prop (5) – Ballard Portfolio ¹	West & Central County	\$23,650,000	\$36	651,010
4 Research Park Dr ²	St. Charles County	\$3,800,000	\$63	60,000
201-215 Stag Industrial Blvd	St. Charles County	\$2,600,000	\$77	33,800
4200-4220 Shoreline Dr	North County	\$1,205,000	\$51	23,730
290 Axminister Dr	South County	\$937,500	\$54	17,380
155 Hanley Industrial Ct	Central County	\$1,085,000	\$90	12,000

¹Five-building portfolio includes Building A & B in the Westport Distribution Center, Westport Summit II, 10602-10610 Trenton and an office property – Westport Summit Building.
²REO sale.


ST. LOUIS
4Q17 INDUSTRIAL MARKET
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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	26,066,225	0	2.90%	269,688	41,652	\$4.78	\$8.33	\$5.06
Metro East	42,274,807	658,340	2.10%	22,074	1,034,742	\$4.44	\$8.37	\$4.52
North County	49,289,134	1,097,278	8.90%	-400,208	1,294,425	\$4.23	\$10.29	\$4.54
South County	17,530,941	0	5.20%	-105,610	-6,465	\$5.36	\$7.40	\$5.38
St. Charles County	28,629,335	194,750	3.80%	22,296	1,459,416	\$4.98	\$13.66	\$5.20
St. Louis City	72,332,255	0	6.10%	830,929	1,845,421	\$3.35	\$7.61	\$3.54
West County	25,375,139	885,000	4.30%	-75,724	-176,425	\$5.55	\$8.30	\$6.01
St. Louis Market	261,497,836	2,835,368	5.20%	563,445	5,492,766	\$4.35	\$9.31	\$4.60
Warehouse	246,060,199	1,950,368	5.00%	582,367	5,163,461	-	-	-
Flex	15,437,637	885,000	8.00%	-18,922	329,305	-	-	-


**ST. LOUIS
4Q17 INDUSTRIAL MARKET**
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	24,313,752	0	2.70%	260,354	11,923	\$4.78
R&D/Flex	1,752,473	0	5.10%	9,334	29,729	\$8.33
Central County	26,066,225	0	2.90%	269,688	41,652	\$5.06
Warehouse/Distribution	41,512,936	658,340	2.10%	22,074	925,917	\$4.44
R&D/Flex	761,871	0	3.30%	0	108,825	\$8.37
Metro East	42,274,807	658,340	2.10%	22,074	1,034,742	\$4.52
Warehouse/Distribution	46,246,377	1,097,278	8.10%	-388,104	1,160,689	\$4.23
R&D/Flex	3,042,757	0	20.90%	-12,104	133,736	\$10.29
North County	49,289,134	1,097,278	8.90%	-400,208	1,294,425	\$4.54
Warehouse/Distribution	16,556,140	0	5.10%	-100,272	1,093	\$5.36
R&D/Flex	974,801	0	7.40%	-5,338	-7,558	\$7.40
South County	17,530,941	0	5.20%	-105,610	-6,465	\$5.38
Warehouse/Distribution	26,432,787	194,750	3.80%	47,287	1,433,193	\$4.98
R&D/Flex	2,196,548	0	3.60%	-24,991	26,223	\$13.66
St. Charles County	28,629,335	194,750	3.80%	22,296	1,459,416	\$5.20
Warehouse/Distribution	70,569,679	0	6.10%	806,929	1,820,616	\$3.35
R&D/Flex	1,762,576	0	4.10%	24,000	24,805	\$7.61
St. Louis City	72,332,255	0	6.10%	830,929	1,845,421	\$3.54
Warehouse/Distribution	20,428,528	0	4.00%	-65,901	-189,970	\$5.55
R&D/Flex	4,946,611	885,000	5.30%	-9,823	13,545	\$8.30
West County	25,375,139	885,000	4.30%	-75,724	-176,425	\$6.01



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4Q17 INDUSTRIAL MARKET**

ECONOMIC CONDITIONS

The local economy continued to improve through November, with total employment growth of 0.8% and positive growth occurring in six out of ten industries, calculated on a 12-month percent change basis.

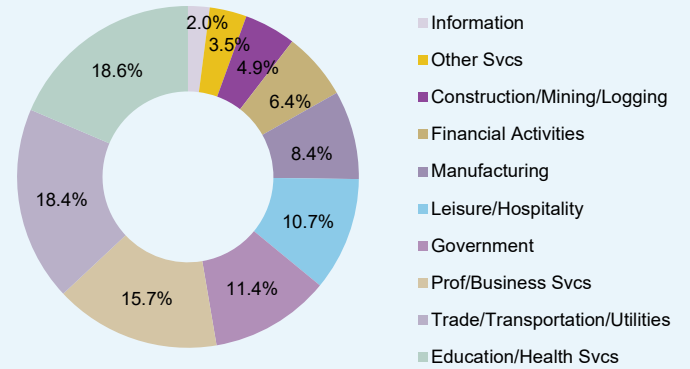
Payroll employment in St. Louis decreased 40 basis points compared to the prior year registering 1.1% in November 2017. The national average decreased 20 basis points to 1.4%. Both indices have realized positive 12-month percent changes since September 2012.

The Consumer Price Index (CPI) for the United States increased 50 basis points to 2.2% over the past year. The Midwest Urban CPI increased 70 basis points to 1.9% in November 2017.

Unemployment in the United States decreased 30 basis points to 4.1% in November, while unemployment in St. Louis decreased 20 basis points to 3.6% over the past quarter. Unemployment in St. Louis decreased 80 basis points from a year prior.

Employment By Industry

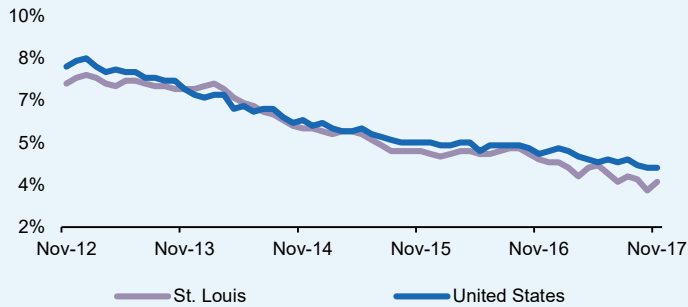
St. Louis, November 2017



Source: U.S. Bureau of Labor Statistics

Unemployment Rate

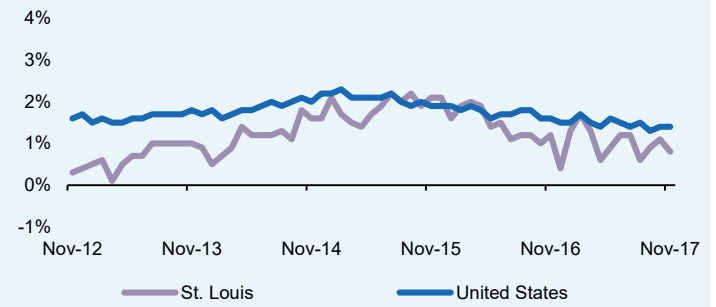
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Payroll Employment

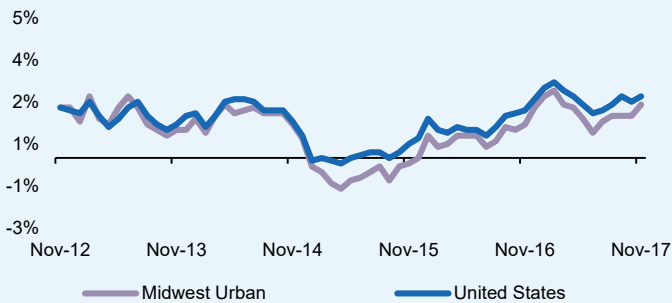
Total Nonfarm, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

Consumer Price Index (CPI)

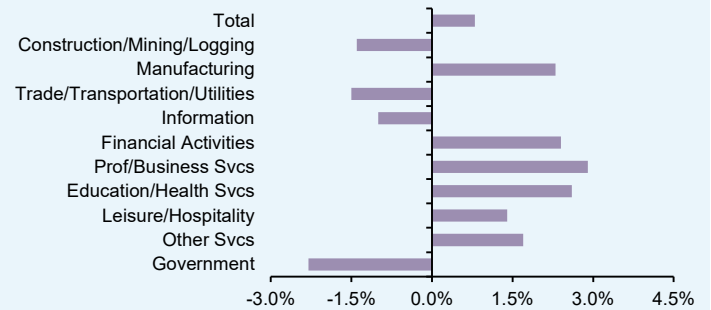
All Items, 12-Month % Change, Not Seasonally Adjusted, 1982-84=100



Source: U.S. Bureau of Labor Statistics

Employment Growth by Industry

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



Source: U.S. Bureau of Labor Statistics



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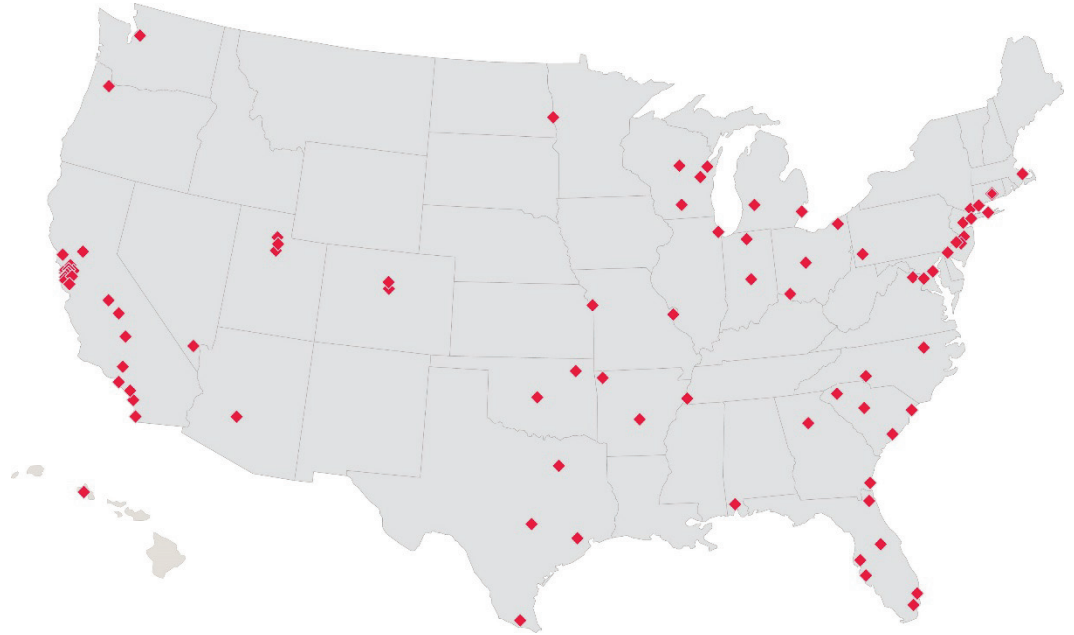
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