

# ST. LOUIS INDUSTRIAL MARKET

## MARKET REMAINS STRONG WITH 3.0 MILLION SQUARE FEET OF NET ABSORPTION DURING THE YEAR

The St. Louis industrial market was active in the fourth quarter of 2018, as 640,908 square feet was absorbed. Overall vacancy increased 30 basis points from the prior quarter to 4.8%, while average quoted rents increased from \$4.73/SF to \$4.80/SF. Various projects delivered 1.4 million square feet of product to the market during the quarter, while projects under construction remained significant, with 5.6 million square feet of product planned for delivery.

The market displayed strong fundamentals in 2018, as net absorption totaled 3.0 million square feet during the past four quarters, and positive net absorption was realized in 19 out of the last 21 quarters. Quoted rental rates increased by \$0.20/SF during the past year, as 2.9 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, 2.02 million-square-foot build-to-suit project for World Wide Technology at Gateway Commerce Center and the 674,752-square-foot Building 1 in the Gateway Commerce Center

**North County:** the 493,000-square-foot Building III in Hazelwood Trade Port

**South County:** the 158,400-square-foot Building IV in the Fenton Logistics Park

**St. Charles County:** the 855,080-square-foot Amazon Fulfillment Center, the 491,252-square-foot FedEx Ground Center and the 375,200-square-foot Premier 370 1001 building, all located within the Premier 370 Park

**St. Louis City:** the 275,000-square-foot building at Russell Boulevard and Dekalb Street

Expect the North County, St. Charles County and Metro East submarkets to continue to flourish in 2019, building upon 4.3 million square feet, 1.9 million square feet and 1.0 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.

### CURRENT CONDITIONS

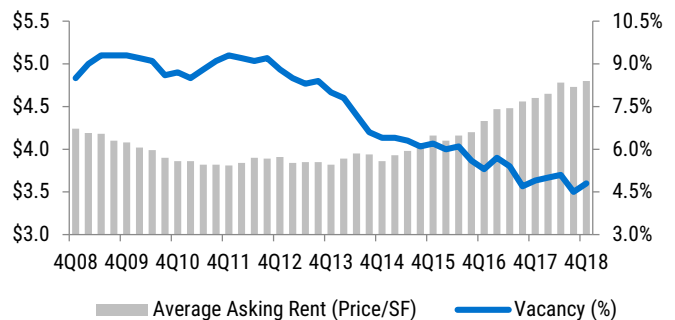
Asking rental rates have increased in 14 out of the past 16 quarters with positive net absorption occurring in 19 out of the past 21 quarters.

With vacancy at record lows and asking rental rates at record highs, the market experienced some relief as 1.5 million SF of product delivered to the market and 5.6 million SF is currently under construction.

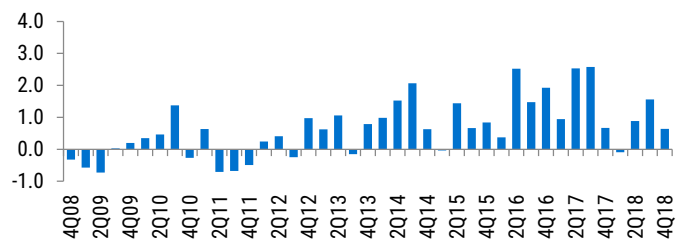
NKF completes the sale of the STL Logistics Portfolio in Hazelwood to Lincoln Property Company for \$49.2 million.

### MARKET ANALYSIS

#### Asking Rent and Vacancy



#### Net Absorption (SF, Millions)



### MARKET SUMMARY

	Current Quarter	Prior Quarter	Year Ago Period	12 Month Forecast
Total Inventory	267 MSF	266 MSF	264 MSF	↑
Vacancy Rate	4.8%	4.5%	4.9%	↔
Quarterly Net Absorption	640,908	1,560,633	670,241	↑
Average Asking Rent	\$4.80	\$4.73	\$4.60	↑
Under Construction	5,630,010	5,256,009	4,063,155	↔
Deliveries	1,445,100	176,222	1,382,263	↑

## \$49.2 MILLION LOGISTICS PORTFOLIO SOLD BY COLONY REALTY PARTNERS

Hazelwood continues as one of the most active industrial hubs in the metro, enjoying some of the largest sales and leasing transaction volumes of the year. The fourth quarter of 2018 saw one of the year's largest sales, an eight-building industrial logistics portfolio, trade between two global real estate firms.

Lincoln Property Company, a Dallas-based international real estate firm, purchased the STL Logistics Portfolio, which comprises six buildings in the Lambert Pointe Business Center totaling 624,120 square feet and two buildings in the adjacent McDonnell Pointe Business Center totaling 115,640 square feet. Newmark Knight Frank completed the sale on behalf of the Boston-based global real estate and investment management firm Colony Realty Partners. The 739,760-square-foot STL Logistics Portfolio traded for \$49.2 million, or \$67/SF. The portfolio is fully occupied by 21 diverse tenants, including Monsanto, Access, Aesculap, Buckeye International and Ryder.

Colony Realty Partners will offer nearly 650,000 square feet of industrial product for sale in Earth City in 2019. The five-building portfolio is approximately 93% leased with a total of 11 separate tenants.

## AVERAGE ASKING RENTAL RATES WILL LIKELY CONTINUE TO TREND UPWARDS AND RANGE FROM \$4.75/SF TO \$5.00/SF IN 2019

The St. Louis industrial sector finished the year with significant volumes of leasing and sales activity. Out-of-town investors and high-level credit tenants are entering the market, while local users are renewing and expanding operations.

The 769,500-square-foot Lakeview V within the Lakeview Commerce Center Park in Edwardsville, the 380,000-square-foot facility at 310 James South McDonnell Boulevard in Hazelwood and the 252,000-square-foot Building II in Hazelwood Trade Port delivered to the market during the quarter, pushing vacancy down from 4.5% to 4.8%.

Positive net absorption has occurred in 19 out of the past 21 quarters for the overall St. Louis industrial market, with an impressive 2.9 million square feet of deliveries in the past year. Vacancy should range from 4.4% to 5.1% in 2019, as a portion of the 5.6 million square feet of product currently under construction delivers to the market. Average asking rental rates will likely continue to trend upwards and range from \$4.75/SF to \$5.00/SF in 2019. Expect activity to remain strong in the Metro East, North County and St. Charles County submarkets.

### LEASE/USER TRANSACTIONS

Tenant	Building	Submarket	Type	Square Feet
Geodis	21-27 Gateway Commerce Ctr Dr W	Metro East	New	763,470
Whirlpool Corporation	65 Corporate Woods Dr	North County	Renewal	556,290
Boxes, Inc.	111 Boulder Industrial Dr	North County	New/Expansion	520,000
Geodis	117-119 Industrial Dr	Metro East	New	240,170
LKQ Corp. (Keystone Automotive)	4806 Trade Access Blvd	North County	New	124,030

### SALES TRANSACTIONS

Building	Submarket	Sale Price	Price/SF	Square Feet
Lambert/McDonnell Point Port. (8)	North County	\$49,200,000	\$67	739,760
1234/1328 S Kingshighway Port. (2)	St. Louis City	\$6,950,000	\$40	174,500
5481-5485 Brown Ave	St. Louis City	\$4,200,000	\$28	148,080
9791 S Green Park Industrial Rd	South County	\$10,000,000	\$84	119,680
12926-12942 Hollenberg Dr	North County	\$3,175,000	\$58	55,050

## SUBMARKET STATISTICS

Submarket	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	26,024,063	0	2.10%	-54,734	95,690	\$4.37	\$6.52	\$4.74
Metro East	44,381,183	2,723,352	5.20%	16,900	-555,619	\$4.06	\$9.89	\$4.13
North County	52,015,526	493,000	8.20%	492,616	1,918,903	\$4.31	\$8.69	\$4.62
South County	17,649,074	327,166	3.70%	23,936	254,077	\$6.04	\$7.70	\$6.06
St. Charles County	29,104,665	1,791,492	3.00%	36,138	335,568	\$4.70	\$8.21	\$4.97
St. Louis City	72,396,547	275,000	4.20%	139,479	912,684	\$4.57	\$9.02	\$4.80
West County	25,561,425	20,000	4.70%	-13,427	28,954	\$4.96	\$8.75	\$5.48
<b>St. Louis Market</b>	<b>267,132,483</b>	<b>5,630,010</b>	<b>4.80%</b>	<b>640,908</b>	<b>2,990,257</b>	<b>\$4.55</b>	<b>\$8.35</b>	<b>\$4.80</b>
<b>Warehouse</b>	<b>251,500,299</b>	<b>5,580,010</b>	<b>4.60%</b>	<b>668,394</b>	<b>2,980,617</b>	-	-	-
<b>Flex</b>	<b>15,632,184</b>	<b>50,000</b>	<b>7.70%</b>	<b>-27,486</b>	<b>9,640</b>	-	-	-

## SUBMARKET STATISTICS – SUBTYPE

	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (Price/SF)
Warehouse/Distribution	24,238,025	0	1.70%	40,935	180,192	\$4.37
R&D/Flex	1,786,038	0	7.40%	-95,669	-84,502	\$6.52
<b>Central County</b>	<b>26,024,063</b>	<b>0</b>	<b>2.10%</b>	<b>-54,734</b>	<b>95,690</b>	<b>\$4.74</b>
Warehouse/Distribution	43,631,831	2,723,352	5.30%	16,900	-576,405	\$4.06
R&D/Flex	749,352	0	0.60%	0	20,786	\$9.89
<b>Metro East</b>	<b>44,381,183</b>	<b>2,723,352</b>	<b>5.20%</b>	<b>16,900</b>	<b>-555,619</b>	<b>\$4.13</b>
Warehouse/Distribution	49,004,833	493,000	7.50%	466,952	1,851,785	\$4.31
R&D/Flex	3,010,693	0	19.50%	25,664	67,118	\$8.69
<b>North County</b>	<b>52,015,526</b>	<b>493,000</b>	<b>8.20%</b>	<b>492,616</b>	<b>1,918,903</b>	<b>\$4.62</b>
Warehouse/Distribution	16,767,783	327,166	3.70%	27,907	250,911	\$6.04
R&D/Flex	881,291	0	3.60%	-3,971	3,166	\$7.70
<b>South County</b>	<b>17,649,074</b>	<b>327,166</b>	<b>3.70%</b>	<b>23,936</b>	<b>254,077</b>	<b>\$6.06</b>
Warehouse/Distribution	26,856,526	1,761,492	2.80%	19,230	370,177	\$4.70
R&D/Flex	2,248,139	30,000	4.80%	16,908	-34,609	\$8.21
<b>St. Charles County</b>	<b>29,104,665</b>	<b>1,791,492</b>	<b>3.00%</b>	<b>36,138</b>	<b>335,568</b>	<b>\$4.97</b>
Warehouse/Distribution	70,573,391	275,000	4.20%	110,478	878,518	\$4.57
R&D/Flex	1,823,156	0	2.70%	29,001	34,166	\$9.02
<b>St. Louis City</b>	<b>72,396,547</b>	<b>275,000</b>	<b>4.20%</b>	<b>139,479</b>	<b>912,684</b>	<b>\$4.80</b>
Warehouse/Distribution	20,427,910	0	4.50%	-14,008	25,439	\$4.96
R&D/Flex	5,133,515	20,000	5.80%	581	3,515	\$8.75
<b>West County</b>	<b>25,561,425</b>	<b>20,000</b>	<b>4.70%</b>	<b>-13,427</b>	<b>28,954</b>	<b>\$5.48</b>

## ECONOMIC CONDITIONS

The local economy continued to improve through November, with total employment growth of 0.6% and positive growth occurring in six out of ten industries, calculated on a 12-month percent change basis.

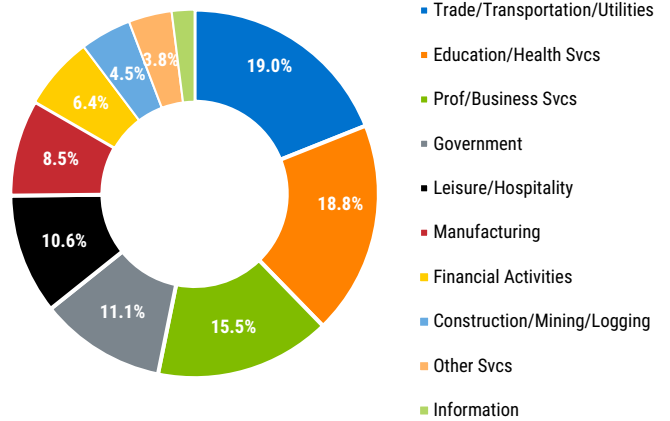
Payroll employment in St. Louis decreased 20 basis points compared to the prior year registering 0.6% in November 2018. The national average remained flat at 1.6%. Both indices have realized positive 12-month percent changes since August 2010.

The Consumer Price Index (CPI) for the United States remained flat compared to the prior year registering 2.2% in November 2018. The Midwest Urban CPI decreased 50 basis points to 1.4% in November 2018.

Unemployment in the United States decreased 20 basis points to 3.7% in November, while unemployment in St. Louis remained flat at 3.3% compared to the past quarter. Unemployment in St. Louis decreased 30 basis points from a year prior.

## EMPLOYMENT BY INDUSTRY

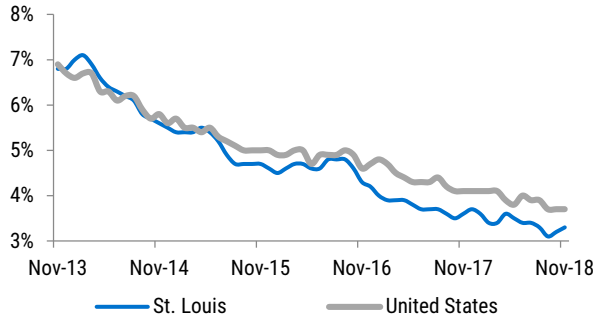
St. Louis, November 2018



Source: U.S. Bureau of Labor Statistics

## UNEMPLOYMENT RATE

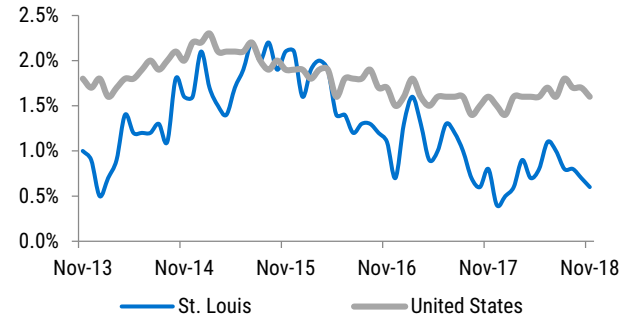
Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

## PAYROLL EMPLOYMENT

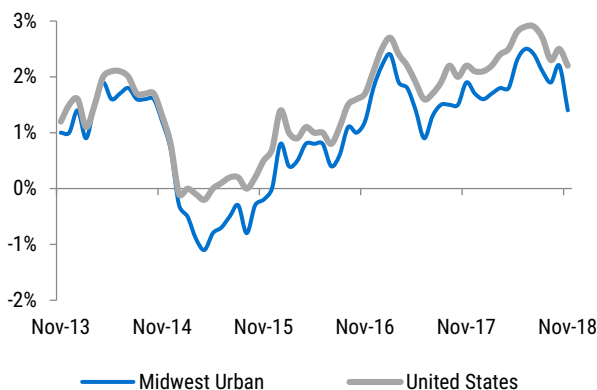
Total Nonfarm, Not Seasonally Adjusted, 12-Month % Change



Source: U.S. Bureau of Labor Statistics

## CONSUMER PRICE INDEX (CPI)

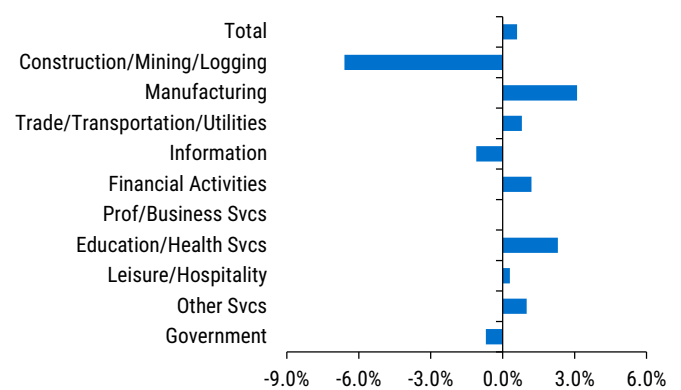
All Items, 12-Month % Change, Not Seasonally Adjusted



Source: U.S. Bureau of Labor Statistics

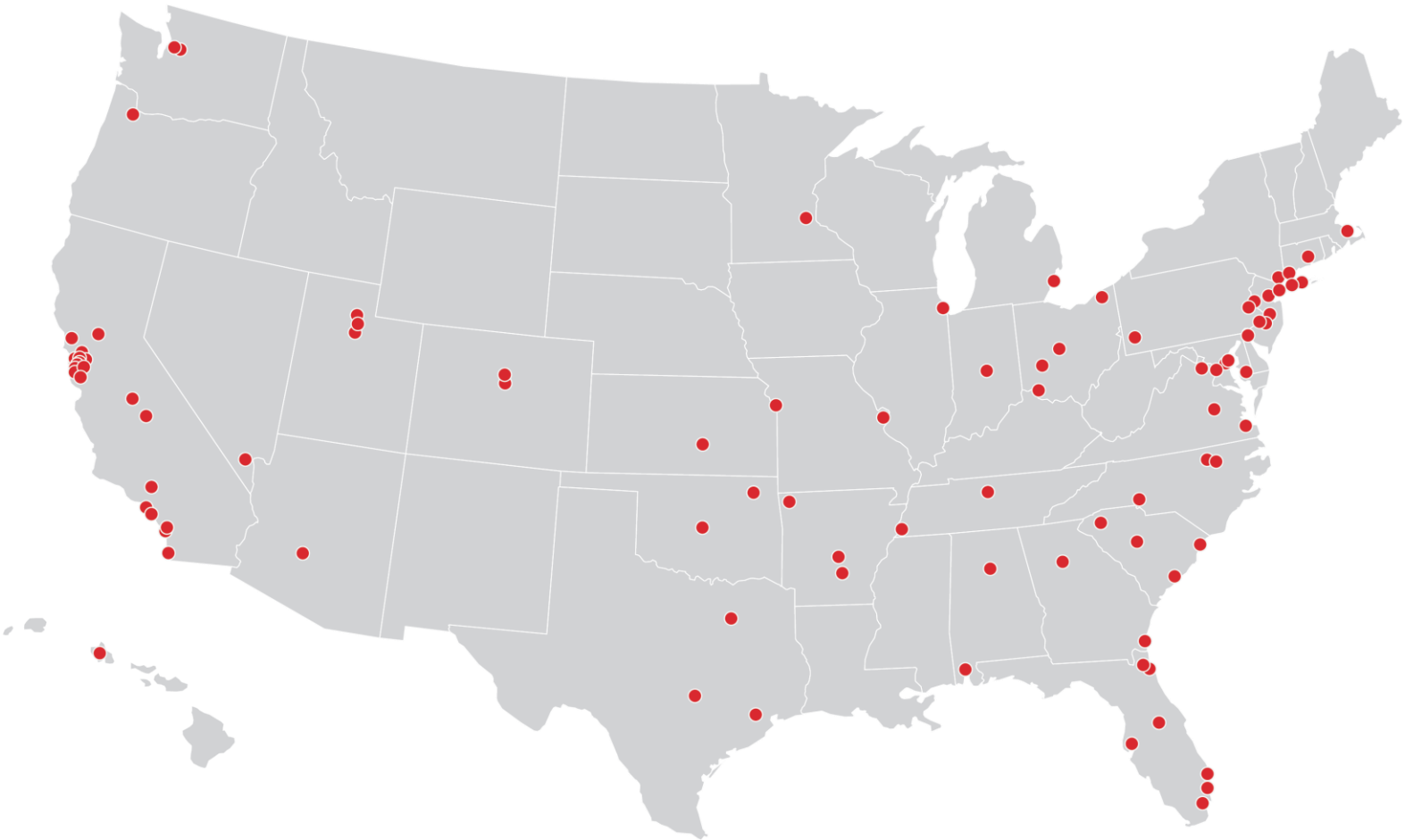
## EMPLOYMENT GROWTH BY INDUSTRY

STL, Nov. 2018, 12-Month % Change, Not Seasonally Adj.



Source: U.S. Bureau of Labor Statistics

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