
2Q25

St. Louis Industrial Market Overview

Market Observations

Economy

- The region’s labor market stabilized as macroeconomic conditions shifted. May’s unemployment rate fell to 3.6%, 50 basis points below the 10-year historical average of 4.1%.
- Year-over-year, job growth was strongest in the Construction sector, followed by Education and Health. Information and Leisure and Hospitality posted the largest job losses over the past 12 months.
- Professional business and technology firms are reassessing their workforce needs, with local employment declining in two of the three office-occupying sectors compared to the prior year.

Major Transactions

- USPS will sublease 195,330 SF at 4702 Park 370 Blvd. in Hazelwood. The sublease commenced in June 2025 and will expire on 08/31/26.
- PECO Pallet will lease 147,930 SF at NorthPark Distribution Center I, located adjacent to the St. Louis Lambert International Airport. The firm is anticipated to move in by December 2025.
- Odyssey Logistics agreed to a three-year lease with GIC Real Estate for 123,590 SF of space at the 247,180-SF building at West 70 Commerce Center in O’Fallon, Missouri.

Leasing Market Fundamentals

- Net absorption in the second quarter of 2025 totaled negative 880,985 SF, bringing the past four quarters’ total to 3.7 MSF. This marks the reversal of four consecutive quarters of positive absorption, as tenants capitalized on favorable conditions.
- The construction pipeline currently stands at 3.7 MSF, with 69% consisting of build-to-suit (BTS) projects. Speculative construction is expected to remain limited in 2025.
- Vacancy increased 30 basis points to 4.5% in 2Q25 but has decreased 80 bps year over year, driven by positive net absorption from various mid- and large-sized deals in North County, Metro East and St. Charles County submarkets. This stable vacancy rate supports rental rate growth fundamentals and is likely to encourage developers to break ground on select projects during the next four quarters.

Outlook

- Uncertainty in the macroeconomic outlook continues, prompting occupiers and investors to approach transactions cautiously, likely dampening leasing and investment activity.
- Market vacancy is expected to remain stable around 4.0% to 4.5%, as limited speculative deliveries align with a modest leasing pace. Unlike many markets, St. Louis has avoided oversupply both during and after the pandemic, positioning it favorably.
- Rental rates are projected to ease in the coming quarters, as liquidity constraints lead landlords to lower rents rather than offer larger concession packages. However, key submarkets with limited availability are expected to maintain prime rent levels.

1. Economy
2. Leasing Market Fundamentals
3. Submarket Statistics

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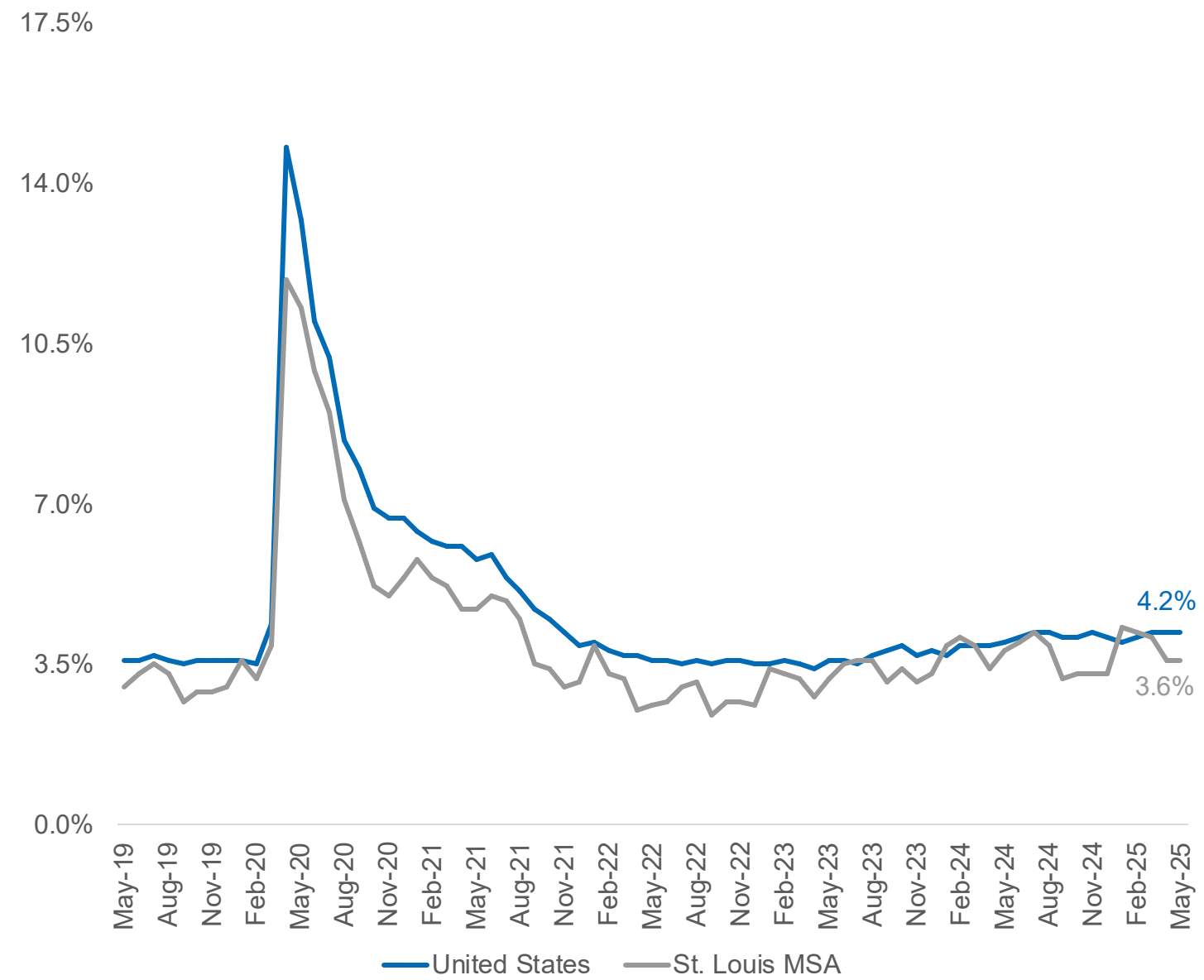
Economy



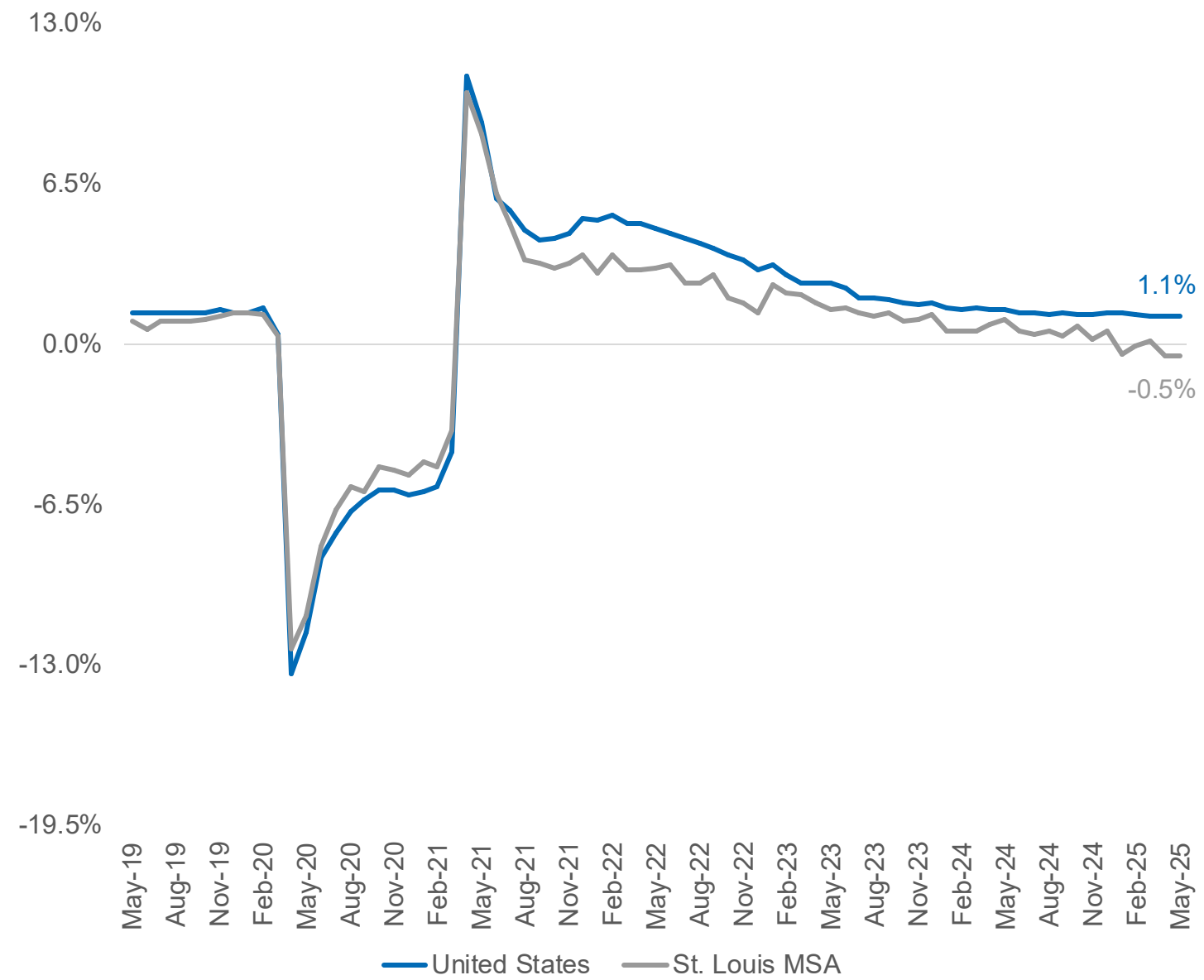
Metro Employment Trends Signal Stable Economy

The St. Louis region’s labor market remains stable as unemployment dropped 60 basis points from the previous quarter. The regional unemployment rate now stands 60 basis points below the national average, indicating economic resilience. Nonfarm payroll employment in the region decreased into negative territory in January 2025. According to the Kansas City Fed Labor Market Conditions Indicators, activity held steady at 0.26, while momentum remained flat at -0.24 in May 2024.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

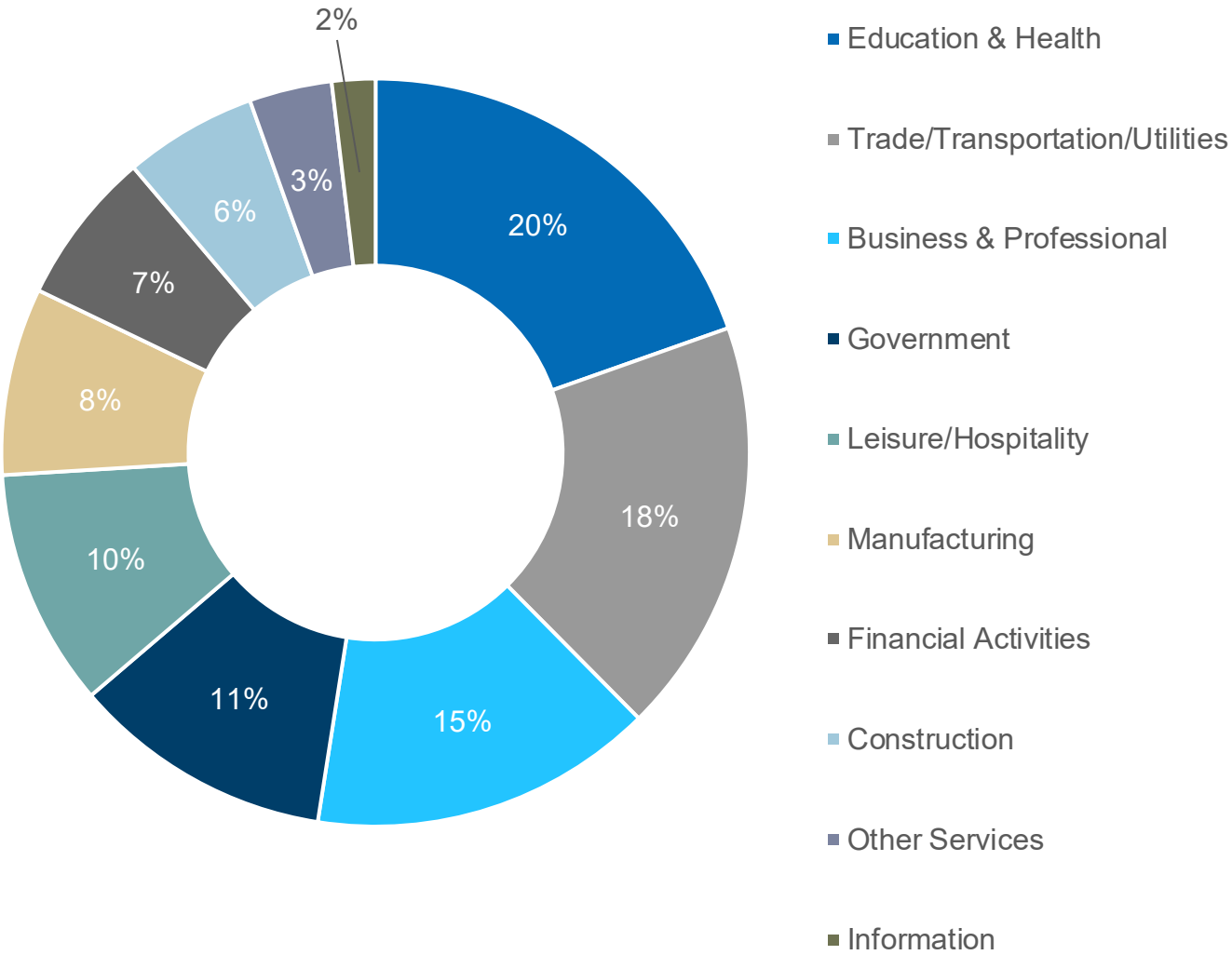


Source: U.S. Bureau of Labor Statistics, St. Louis MSA

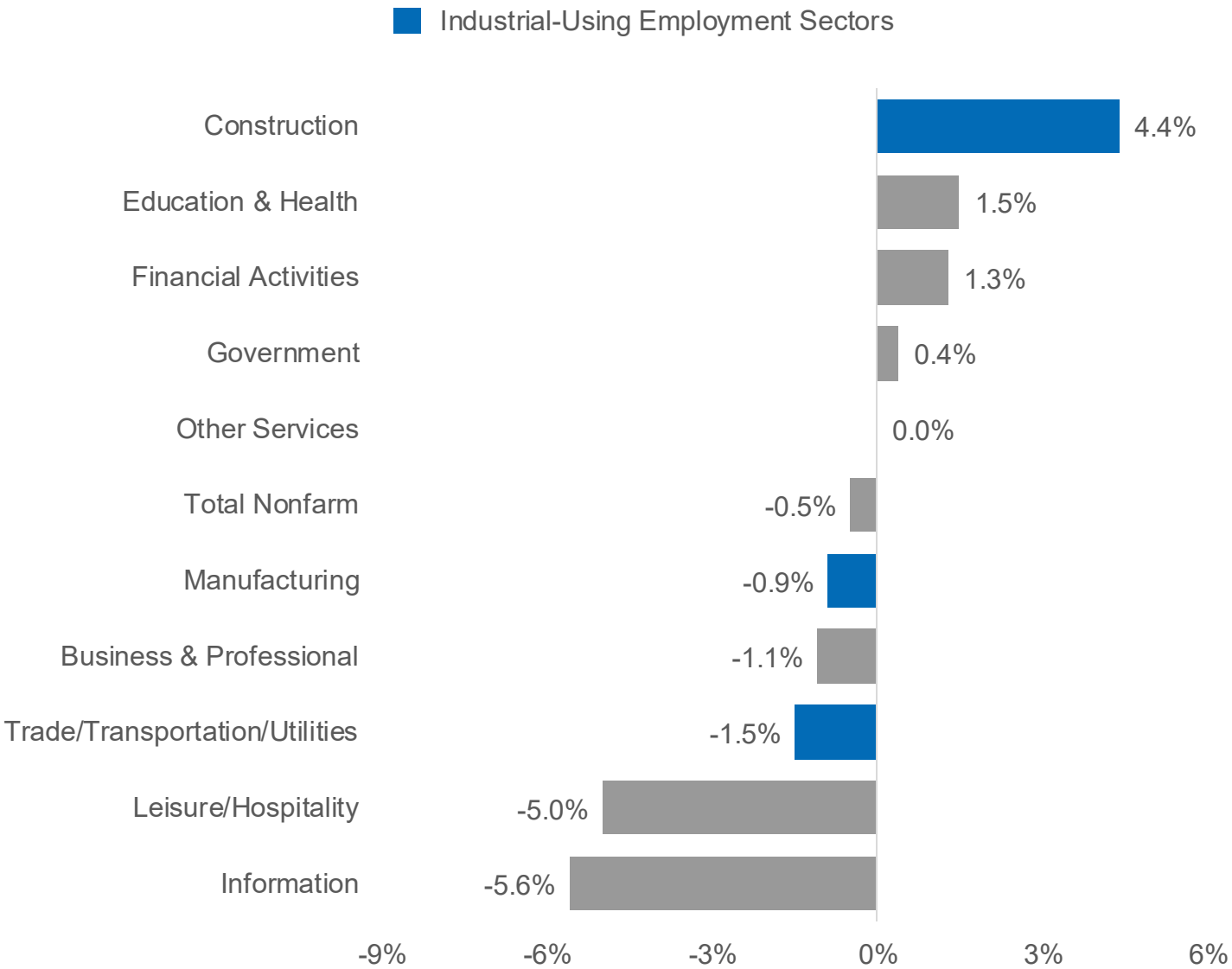
Information and Leisure/Hospitality Sectors Lead Regional Job Losses

The Construction sector led regional annual job growth, followed by Education and Health. The Information and Leisure/Hospitality sectors posted the largest job losses, with declines of 5.6% and 5.0%, respectively. Of the three industrial-occupying industries, only Construction posted annual job gains.

Employment by Industry, May 2025



Employment Growth by Industry, 12-Month % Change, May 2025

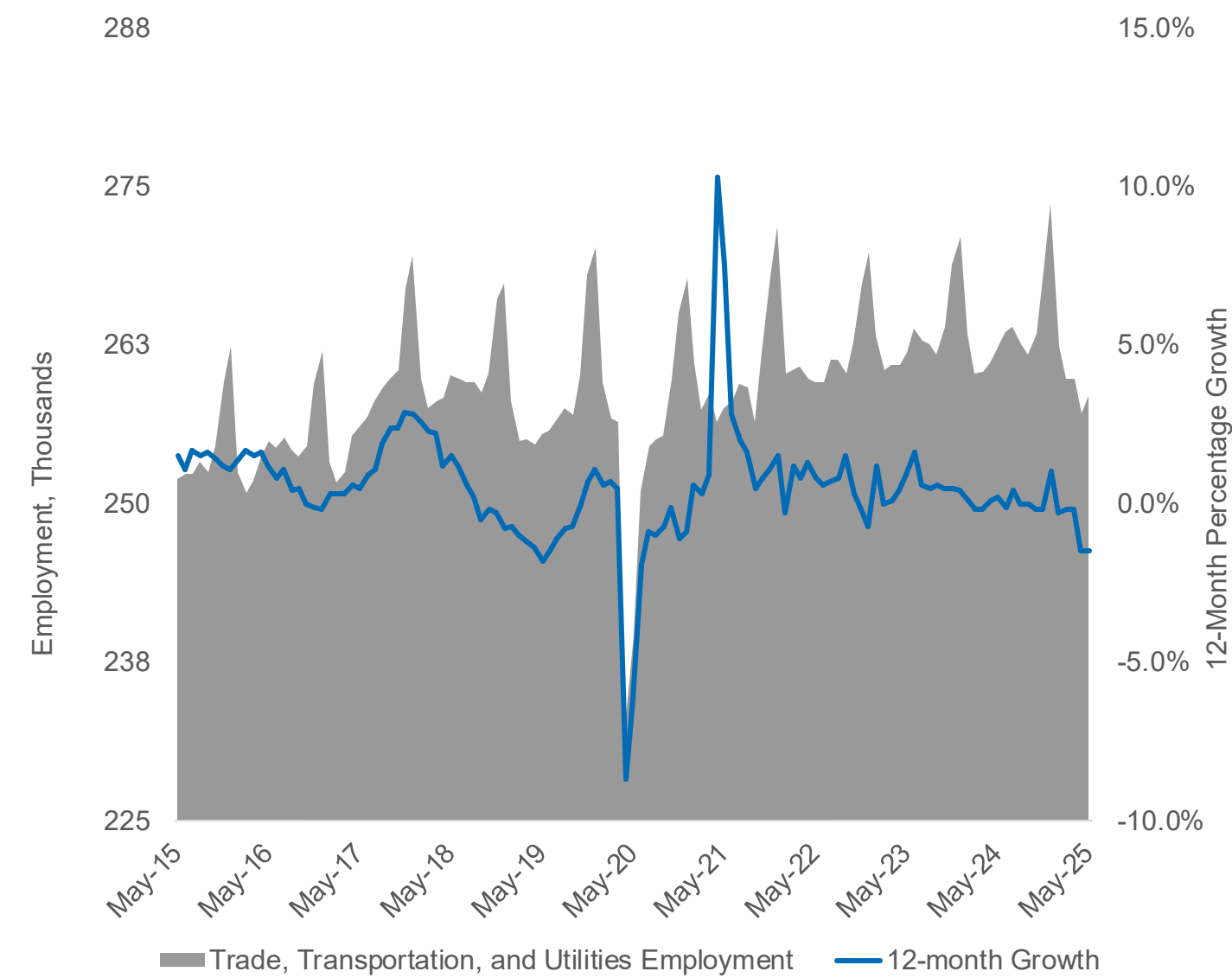


Source: U.S. Bureau of Labor Statistics, St. Louis MSA

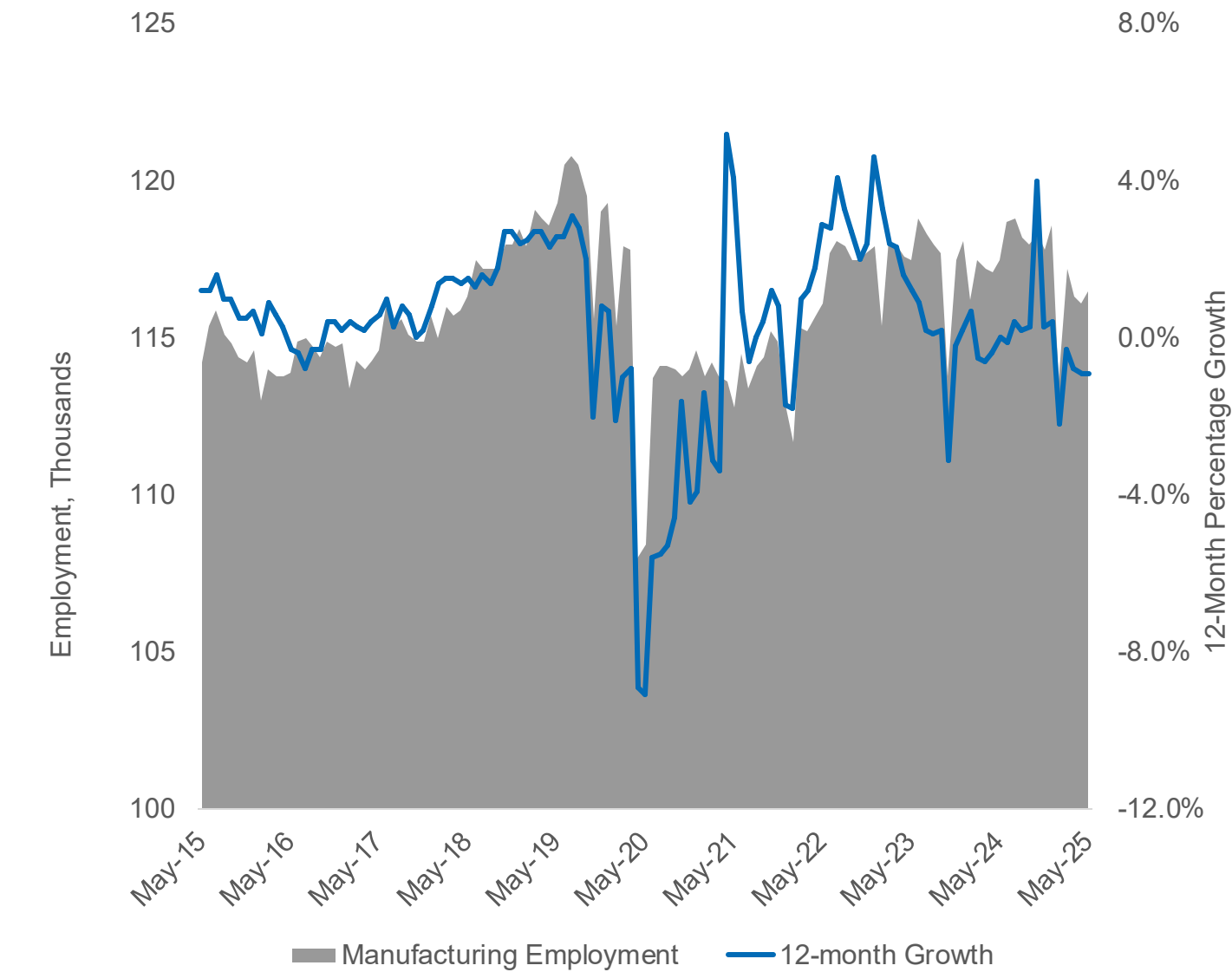
Overall Industrial Employment Falls Below Pre-Pandemic Levels

Industrial employment has fallen below pre-pandemic levels for both the Trade/Transportation/Utilities and Manufacturing sectors. While a slight seasonal dip is typical at the start of each year, the region’s industrial employment has decreased to levels on par with 3Q 2019 and 4Q 2019.

Total Employment and 12-Month Growth Rate, Trade/Transportation/Utilities



Total Employment and 12-Month Growth Rate, Manufacturing



Source: U.S. Bureau of Labor Statistics, St. Louis MSA

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Leasing Market Fundamentals



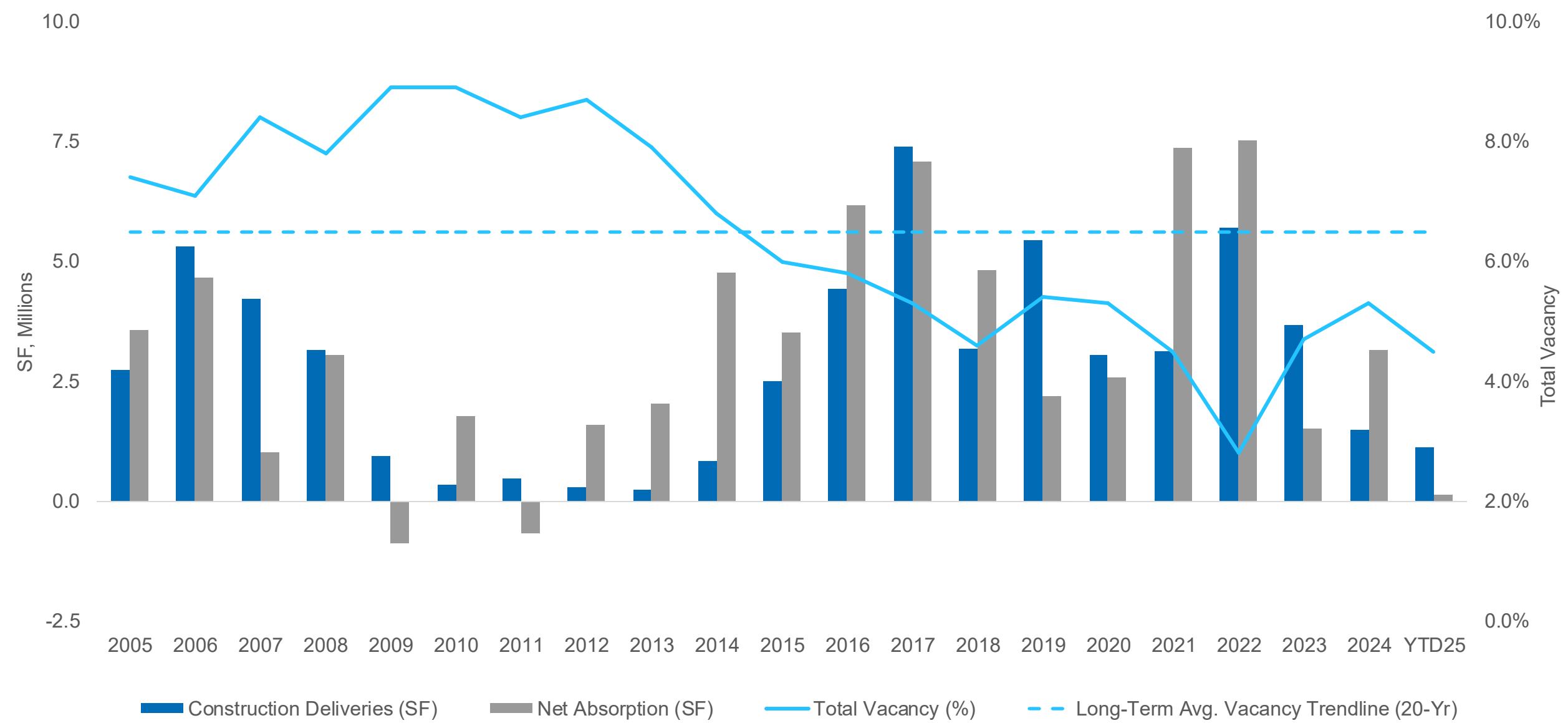
Market Overview

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Vacancy Decreases Year Over Year As Absorption Outpaces Deliveries

Vacancy decreased notably by 0.8% year over year to 4.5% as tenants reassessed their space requirements. The market responded with most new deliveries being build-to-suit projects. Leasing activity is beginning to pick up, marking a shift from earlier tenant caution to above-average activity in the mid- and large-sized industrial segment.

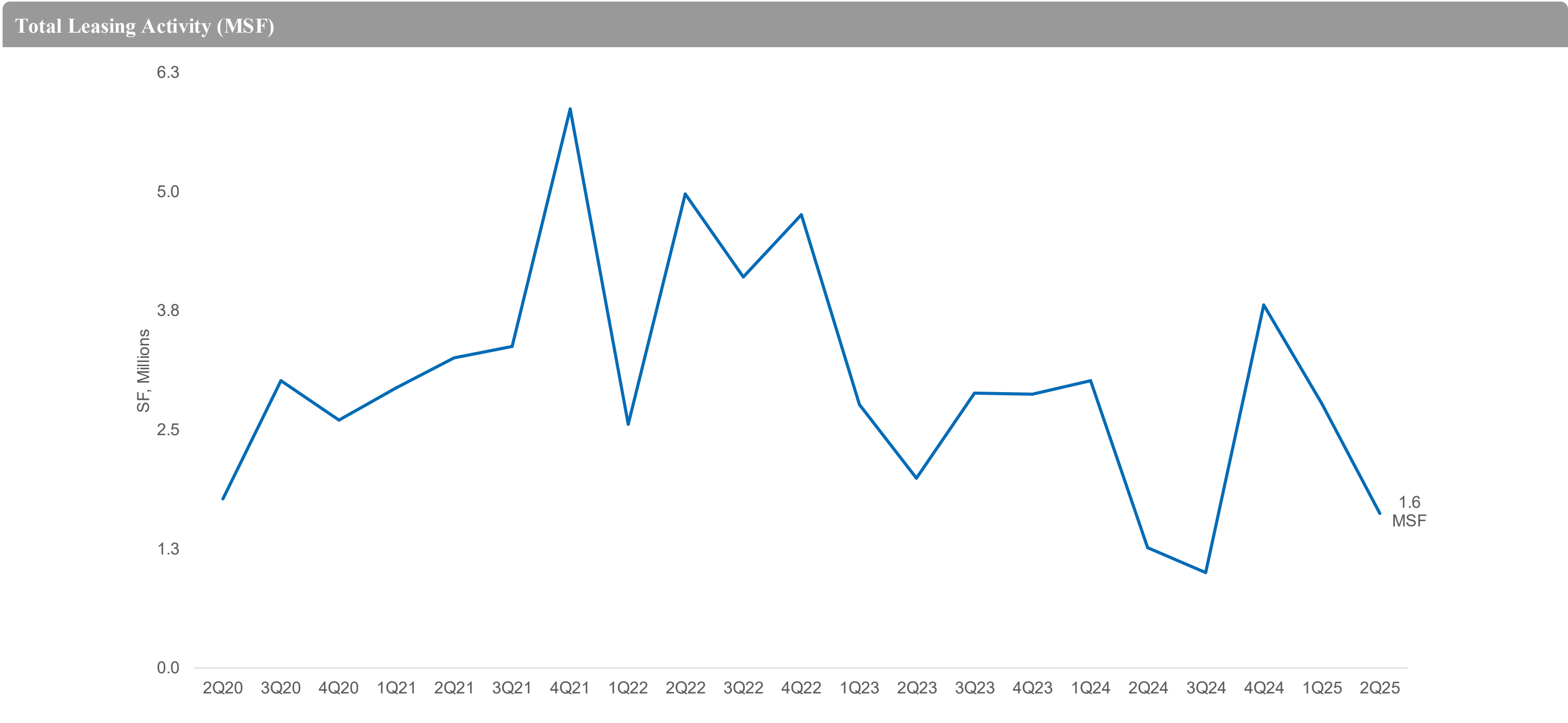
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Industrial Leasing Activity Decelerates To 1.6 Million SF In 2Q25

Industrial space demand totaled 1.6 million SF in the second quarter of 2025. In 2024, activity in large bulk buildings slowed significantly, while mid-sized and small-bay industrial spaces remained resilient. Tenant leasing velocity and rent growth in the Class A bulk segment are expected to strengthen in the remainder of 2025.

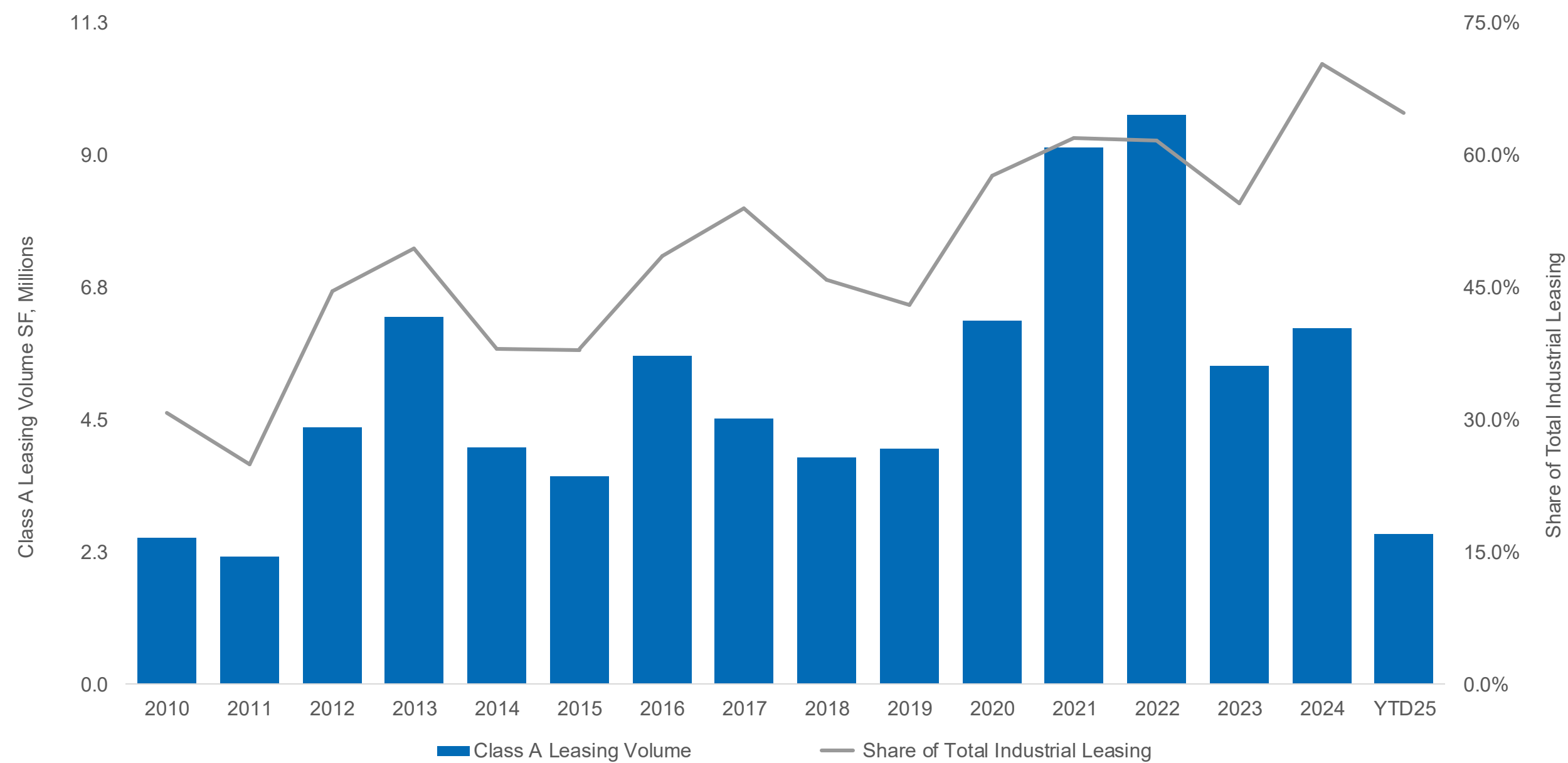


Source: Newmark Research, CoStar

Class A Warehouse Leasing Percentage Continues To Climb

Secondary markets such as St. Louis have seen a slower developer response to rising occupier demand for modern Class A warehouse space. However, accelerated development over the past five years has driven notable growth in Class A leasing activity. In 2025, Class A warehouse leasing accounts for 64.9% of overall activity; a significant increase from the pre-pandemic average of 45.9% recorded between 2015 and 2019.

Industrial Class A Leasing Volume and Percentage of Total Warehouse Leasing Volume



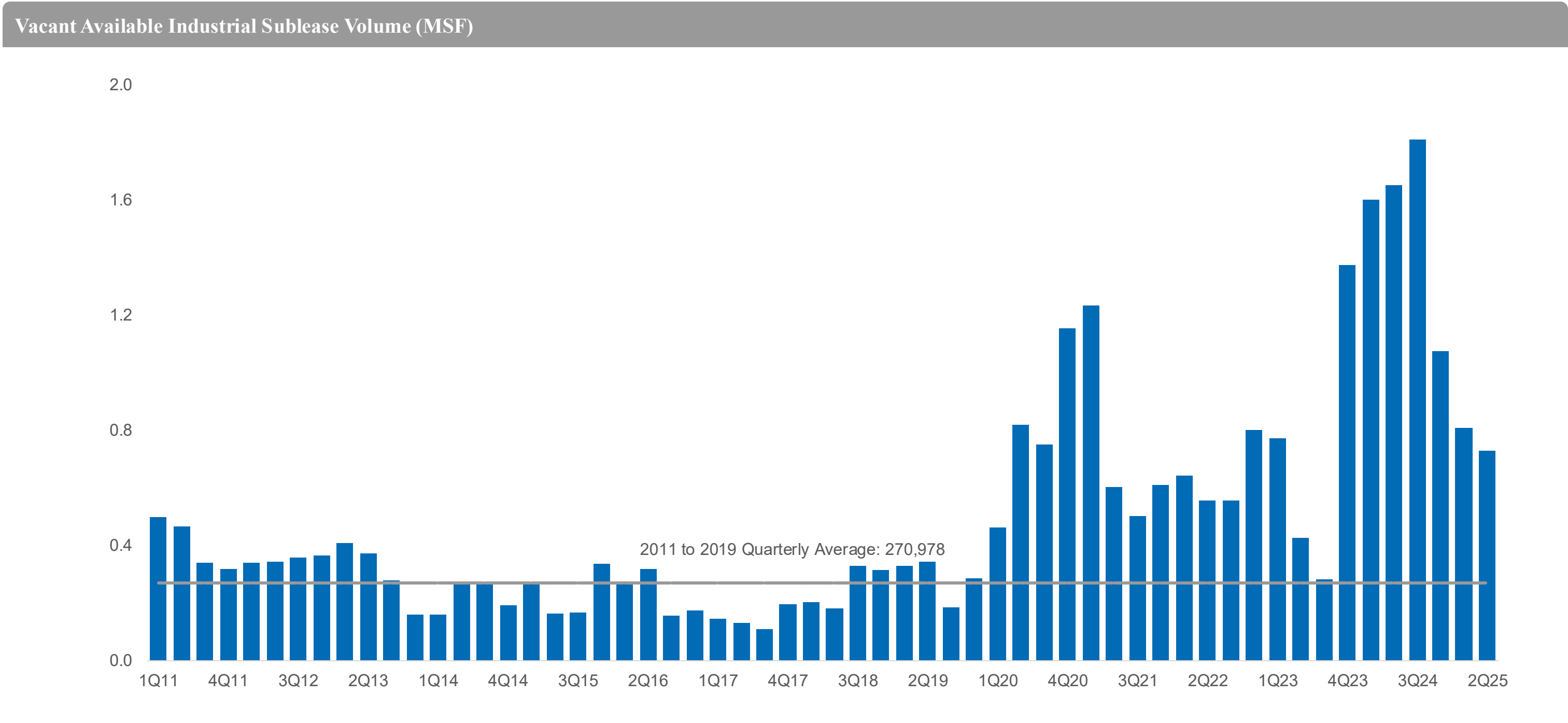
Source: Newmark Research, CoStar

Vacancy Most Pronounced In North County At 6.4%

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Vacant Sublease Availability Drops In 2Q25; Only 0.2% Of Market

Vacant sublease availability has declined from a peak of 1.8 million SF in the third quarter of 2024 to 729,701 SF in the first quarter of 2025. Sublease additions are projected to moderate towards 600,000 SF in 2025 as active offerings are absorbed over the next few quarters. Vacant sublease space remains limited, representing just 0.2% of the St. Louis market—well below levels seen in other U.S. markets.

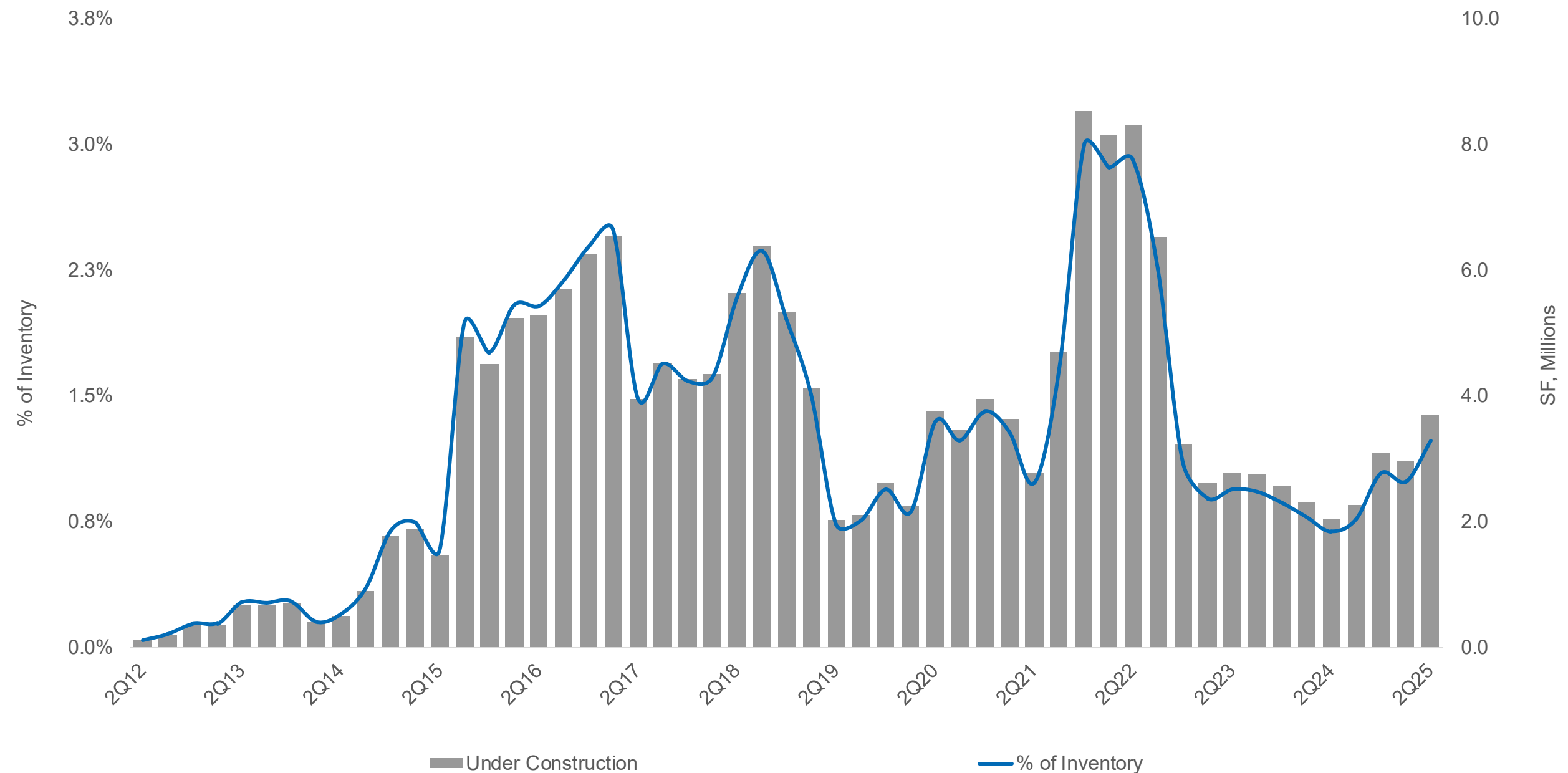


Source: Newmark Research, CoStar

Industrial Supply Pipeline Dominated By Build-to-Suit Projects

The industrial construction pipeline has declined significantly from its peak of 8.5 million SF in the fourth quarter of 2021, now totaling 3.7 million SF. Build-to-suit projects account for 69% of current development. Speculative construction is expected to remain limited in 2025; however, developers are reevaluating paused projects and analyzing potential land positions as leasing activity gains momentum.

Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar

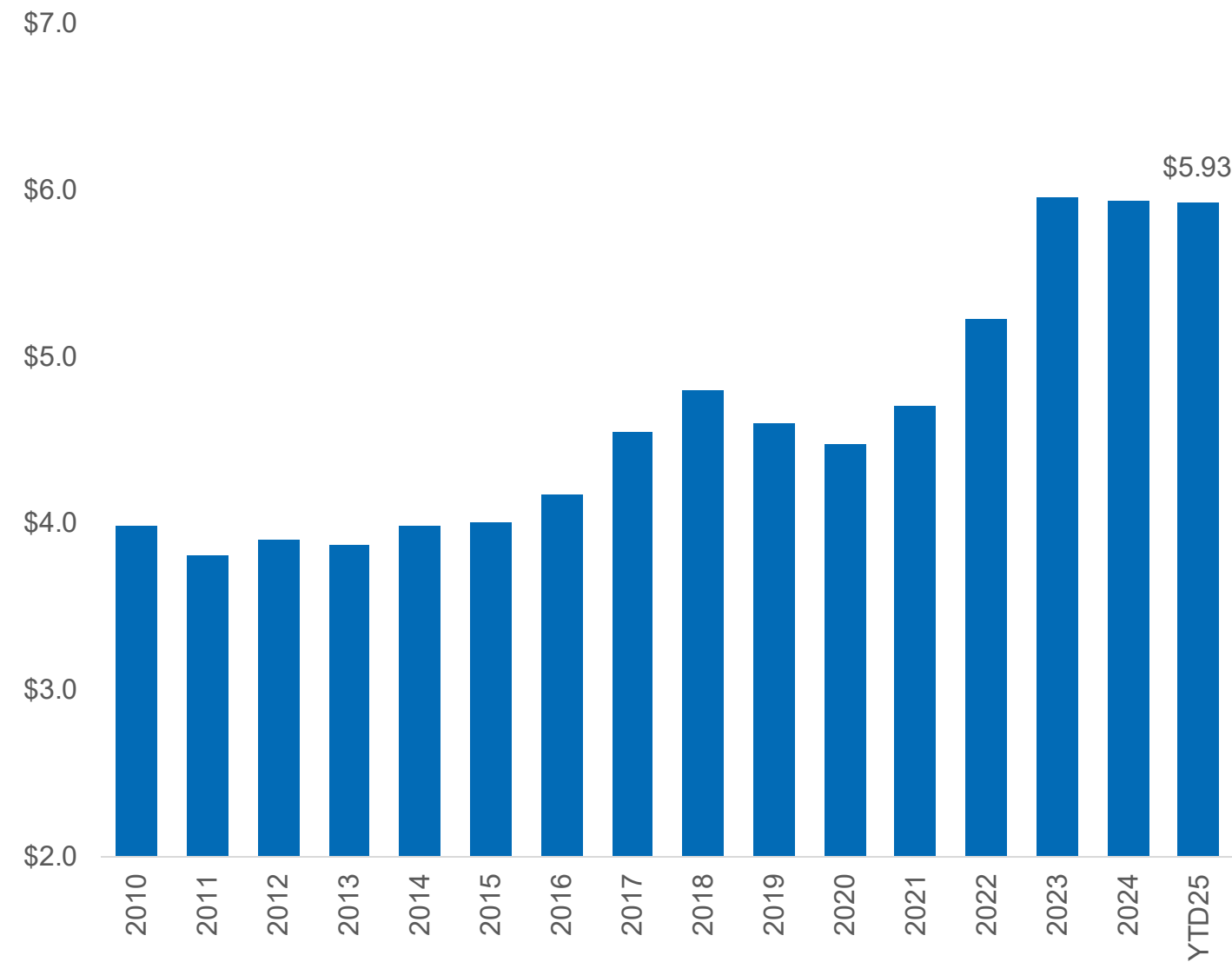
Limited Speculative Construction Focused On Small- And Midsized-Scale Facilities

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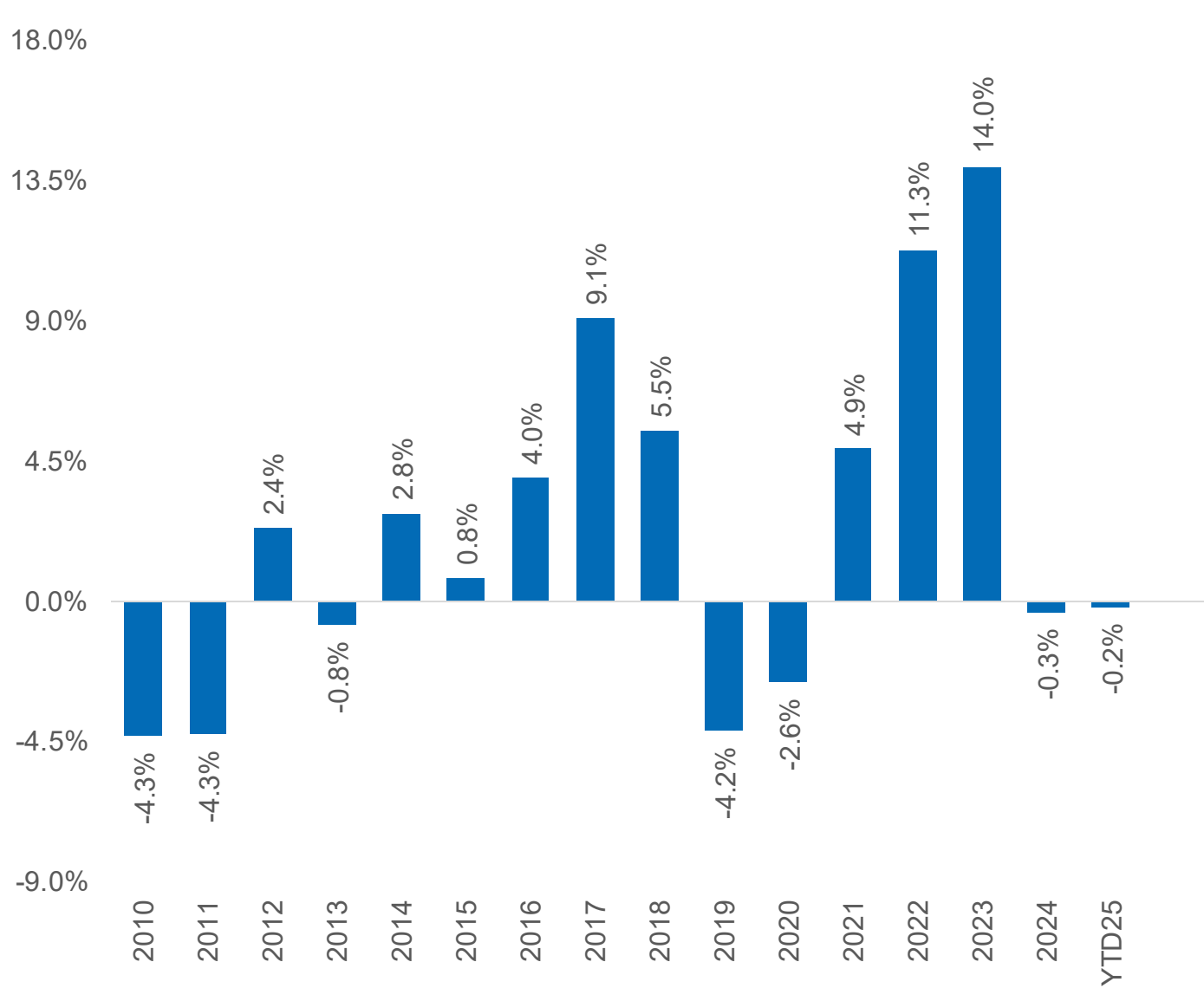
Record Industrial Asking Rents Stabilize to \$5.93/SF

Aggregate rental rate growth reached a record 32.4% over the past five years. However, limited new deliveries, a slower leasing pace, and landlord liquidity constraints for funding elevated concession packages kept rental rates steady in 2024. Asking rental rate growth is expected to remain modest in the remainder of 2025.

Industrial Average Asking Rent, \$/SF, NNN



Year-Over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Class A Bulk Warehouse Rents Stable At \$5.90/SF

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Notable 2Q25 Lease Transactions

The market recorded 3.7 million SF of net absorption over the past four quarters, compared to just 1.3 million SF of new deliveries during the same period. In the second half of 2025, leasing activity is expected to be driven by the North County, Metro East, and St. Charles County submarkets. Over the past five years, these submarkets achieved net absorption of 7.8 million SF in North County, 6.7 million SF in Metro East, and 3.1 million SF in St. Charles County, supported by strong leasing momentum and competitive rental rates.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
United States Postal Service	4702 Park 370 Boulevard	North County	Sublease	195,330
USPS will sublease 195,330 SF of the 494,330-SF distribution center located at 4702 Park 370 Blvd. in Hazelwood. The sublease commenced in June 2025 and will expire on 08/31/26. The asking sublease rental rate was offered at \$3.75/SF on a NNN basis prior to leasing.				
PECO Pallet	5400 N Hanley Road	North County	Direct New	147,930
PECO Pallet will lease 147,930 SF of the 537,750-SF NorthPark Distribution Center I, located adjacent to the St. Louis Lambert International Airport. The firm is anticipated to move in by December 2025.				
Odyssey Logistics	20-36 Commerce Center Drive	St. Charles County	Direct New	123,590
Odyssey Logistics agreed to a three-year lease with GIC Real Estate for 123,590 SF of space at the 247,180-SF building at West 70 Commerce Center in O'Fallon, Missouri.				
Craftsmen Industries, Inc.	3601-3651 New Town Boulevard	St. Charles County	Direct New	117,800
Craftsmen Industries, Inc. agreed to a five-year and three-month lease for 117,800 SF of space at the 175,210-SF multi tenant property located at 3601-3651 New Town Blvd. in St. Charles. The starting rental rate was \$5.11/SF.				
Crown Packaging Corp.	7001 Premier Parkway	St. Charles County	Direct New	101,520
Crown Packaging Corp. agreed with Panattoni to lease 101,520 SF at the 366,600-SF Premier 370 Distribution Center II in St. Peters. The firm is expected to move in by August 2025.				

Source: Newmark Research

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Submarket Statistics



Submarket Statistics: All Classes, Warehouse, Flex

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Newmark business contact for this information

For more information:

Mark Long, CRE, SIOR, CCIM, LEED AP

President & CEO

Newmark Zimmer

mlong@nzimmer.com

Andrew Garten

Senior Director, Research

agarten@nzimmer.com

Kansas City

1220 Washington Street, Suite 300

Kansas City, MO 64105

t 816-474-2000

Lee's Summit

1485 SW Market Street

Lee's Summit, MO 64081

t 816-474-2000

nmrkzimmer.com

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