
4Q24

St. Louis Industrial Market Overview

Market Observations

Economy

- The region’s labor market remains historically strong despite shifting macroeconomic conditions. November’s unemployment rate of 3.9% was 30 basis points lower than the 10-year historical average of 4.2%.
- Year-over-year, job growth has been most notable in the services sector, which continues its recovery from the pandemic. Education and Health led all industries in job gains over the past 12 months, followed by Financial Activities and Leisure and Hospitality.
- Industrial firms are recalibrating their workforce needs. Locally, employment grew in two of three key industrial sectors: Manufacturing by 2.0% and Trade/Transportation/Utilities by 0.4%.

Major Transactions

- Armlogi will sublease 500,000 SF from Walgreens at 28 Gateway Commerce Center in Edwardsville, Illinois. The sublease expiration date was marketed as March 31, 2032.
- Circle K has leased 211,270 SF of the 511,210-SF Building VII in Hazelwood TradePort from NorthPoint Development. The asking rental rate was listed at \$5.60/SF prior to leasing.
- Atro entered into a 20-year NNN lease with Gladstone Commercial Corporation for the entire 124,500-SF former Rivers Edge building at 1 Rivers Edge Ct. in St. Clair.

Leasing Market Fundamentals

- Net absorption in the fourth quarter of 2024 totaled 181,615 SF, following 2.1 MSF in 3Q24—the highest quarterly total since 2Q22.
- The construction pipeline currently stands at 3.2 million SF, with 79% consisting of build-to-suit (BTS) projects. Speculative construction is expected to remain limited in 2025.
- Vacancy held steady at 4.6%, supported by positive net absorption from various mid-sized deals and only 150,000 SF of new deliveries to the market. This stable vacancy rate underpins rental rate growth fundamentals and is likely to encourage developers to break ground in 2025.
- Year-over-year, asking rental rate growth for the overall market was negative, declining by 3.1%.

Outlook

- Uncertainty in the macroeconomic outlook continues, prompting occupiers and investors to approach transactions with increased caution, likely dampening leasing and investment activity.
- Market vacancy is expected to remain stable, with a slight decrease anticipated over the next two quarters as limited speculative deliveries coincide with a slower leasing pace. Unlike many markets, St. Louis has avoided oversupply issues 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 reduce 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

4Q24

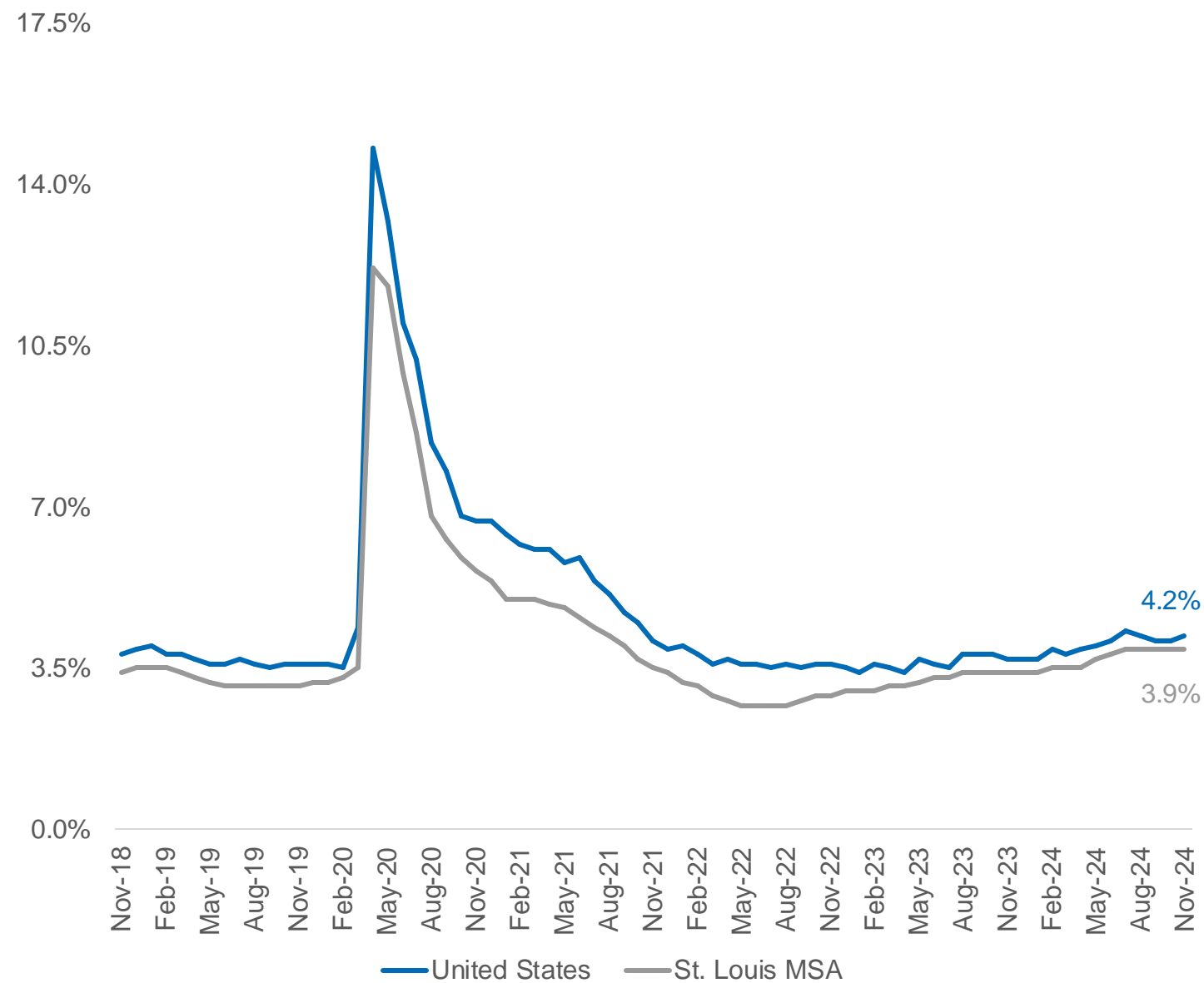
Economy



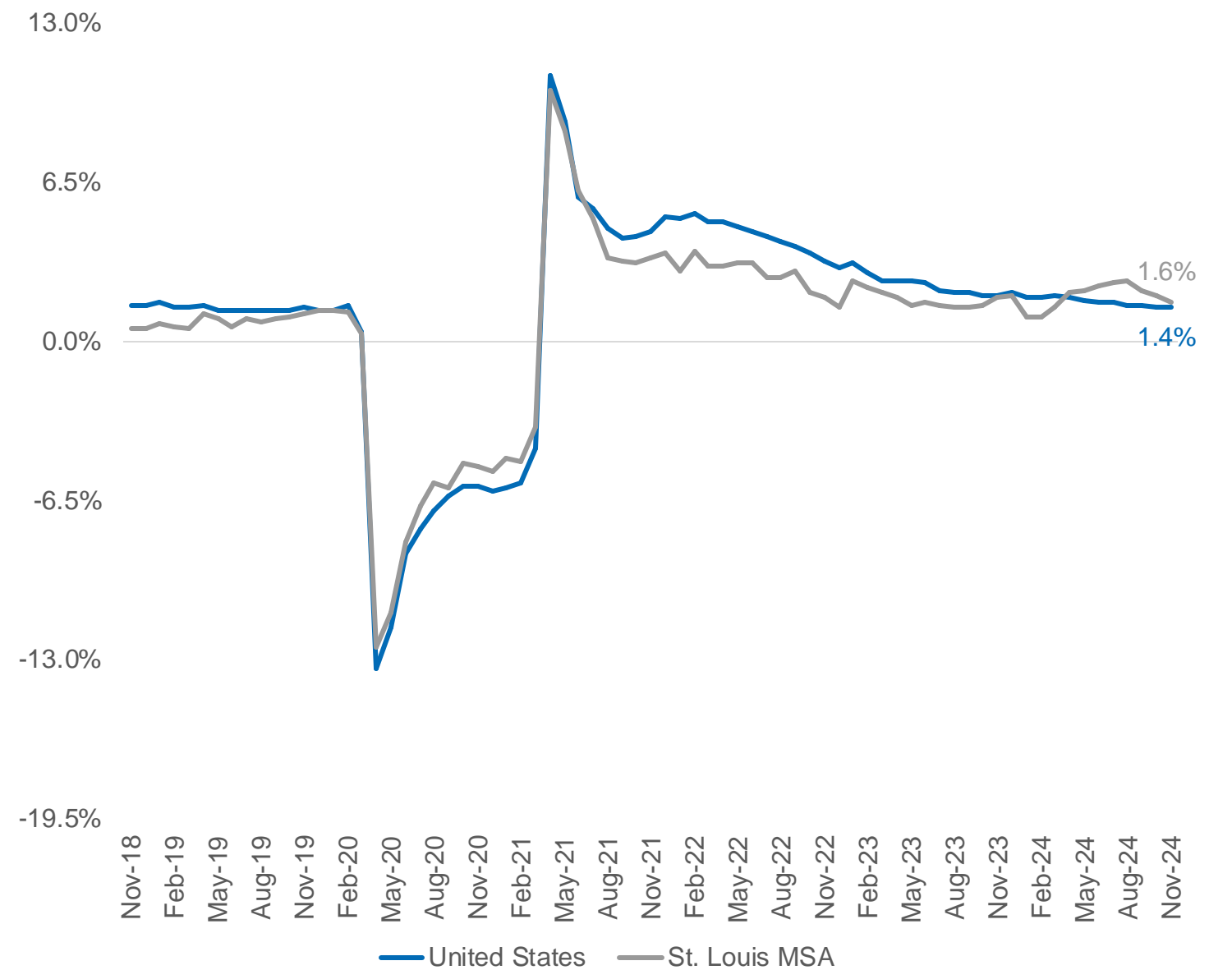
Metro Employment Trends Signal Stable Economy

The region's labor market remains steady following the Federal Reserve's recent 25-basis-point cut to its benchmark interest rate. Unemployment in the area has recovered from pandemic impacts and sits 30 basis points below the national average, highlighting ongoing economic resilience.

Unemployment Rate, Non-Seasonally Adjusted



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

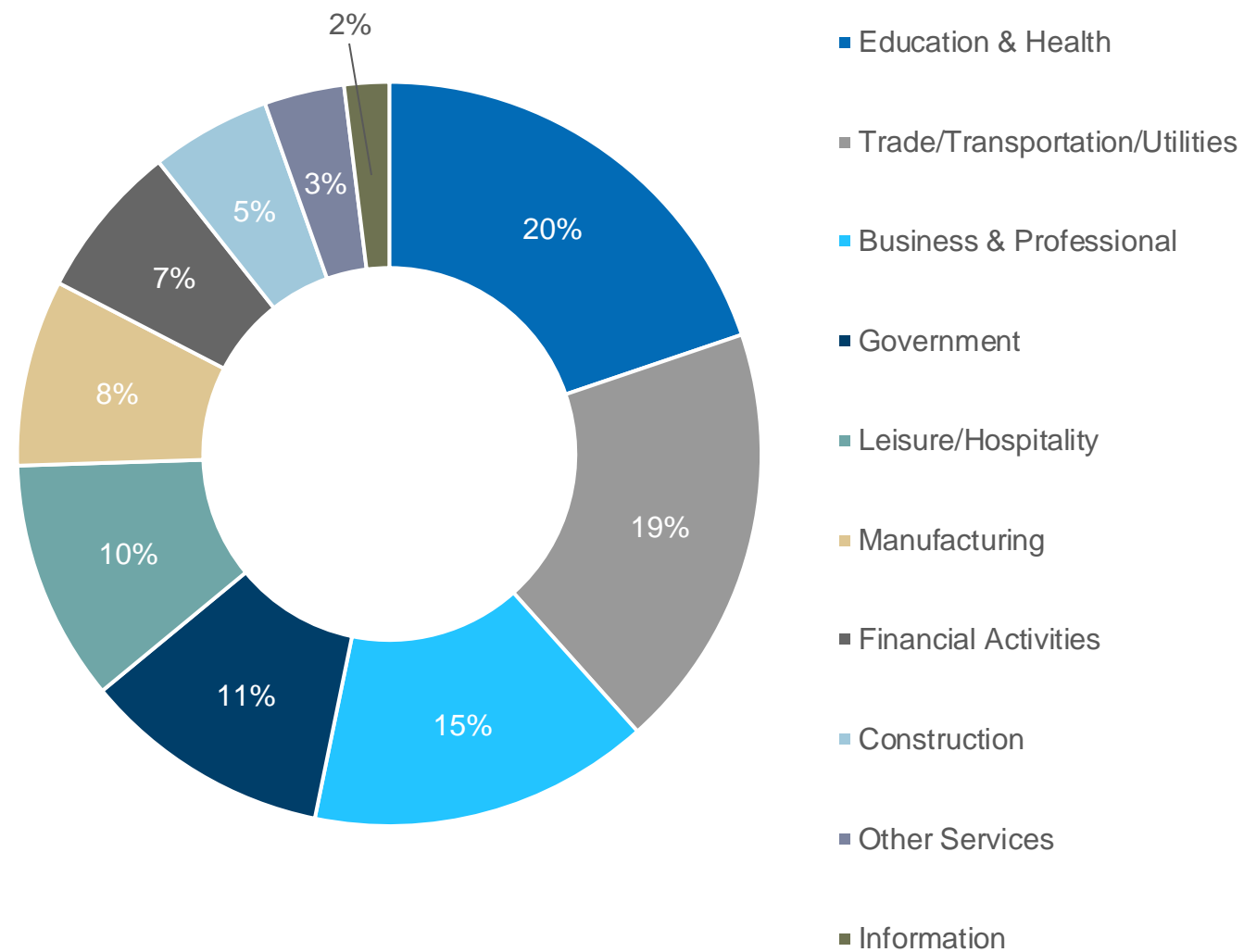


Source: U.S. Bureau of Labor Statistics, St. Louis MSA

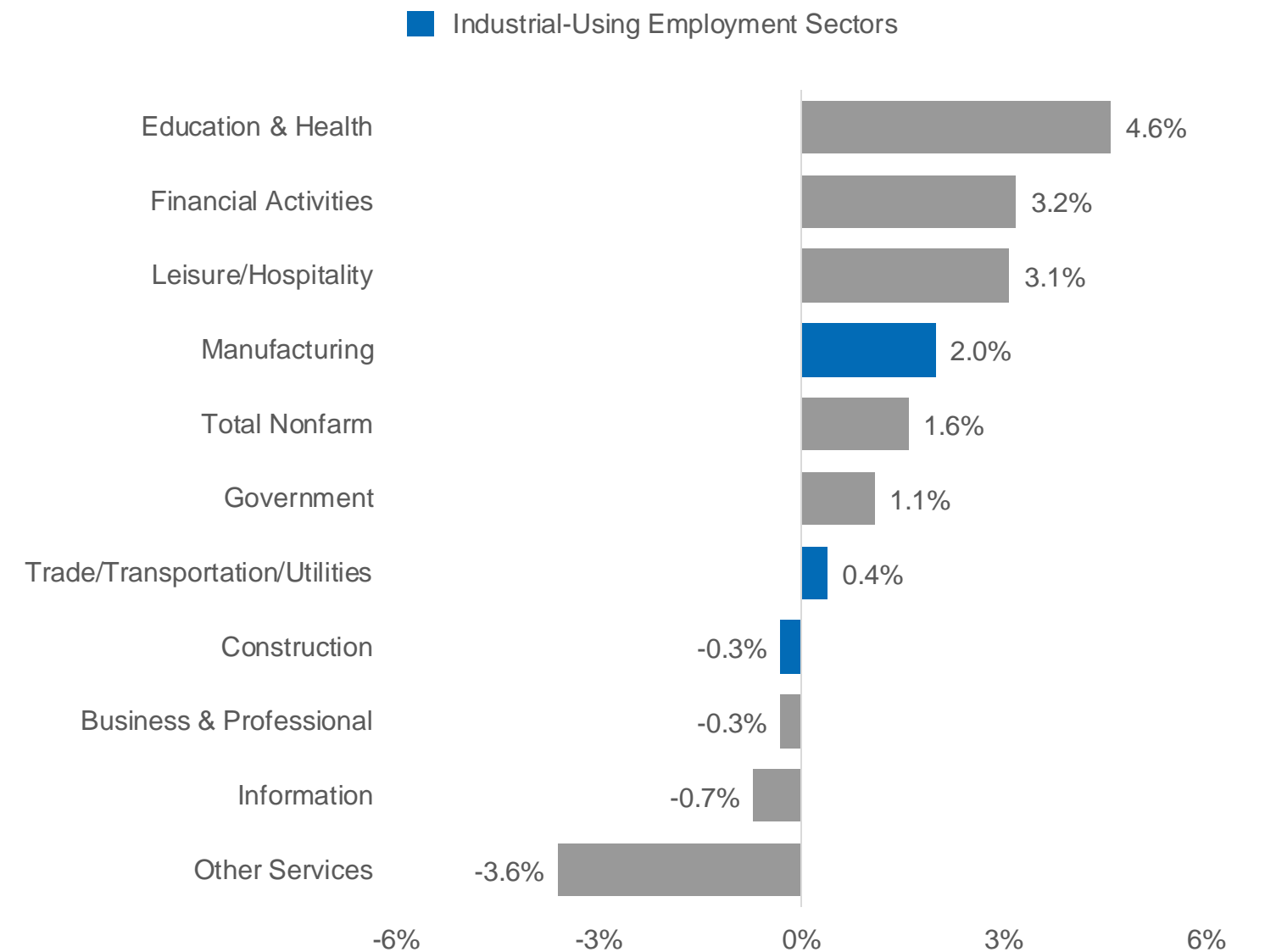
Service Sector Leads Job Growth

The Education & Health sector led regional annual job growth, followed by Financial Activities. Both Education & Health and Leisure/Hospitality are benefiting from a post-pandemic shift in consumer spending toward services, travel, and healthcare. Among industrial-occupying industries, Manufacturing and Trade/Transportation/Utilities reported annual job gains.

Employment by Industry, November 2024



Employment Growth by Industry, 12-Month % Change, November 2024

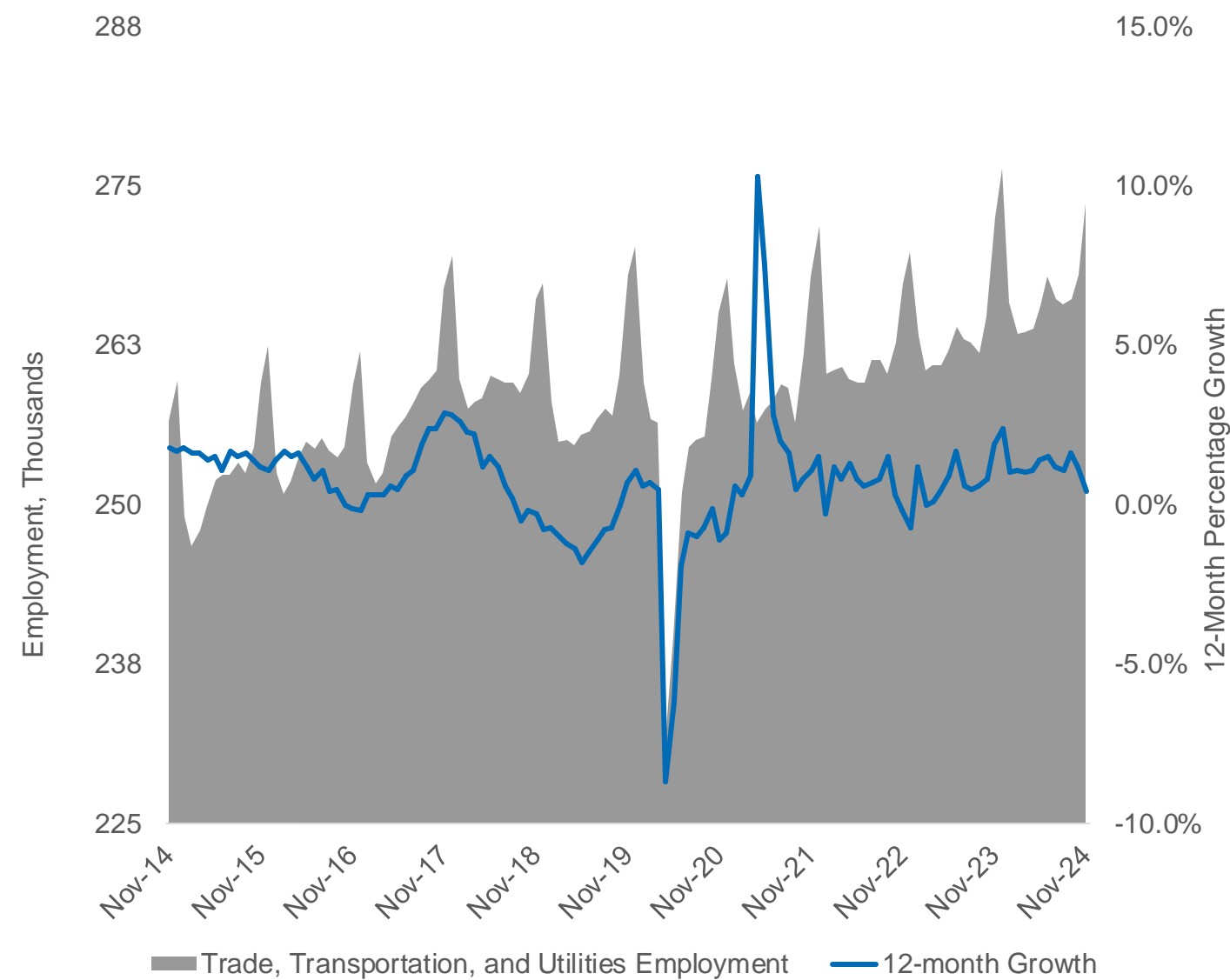


Source: U.S. Bureau of Labor Statistics, St. Louis MSA

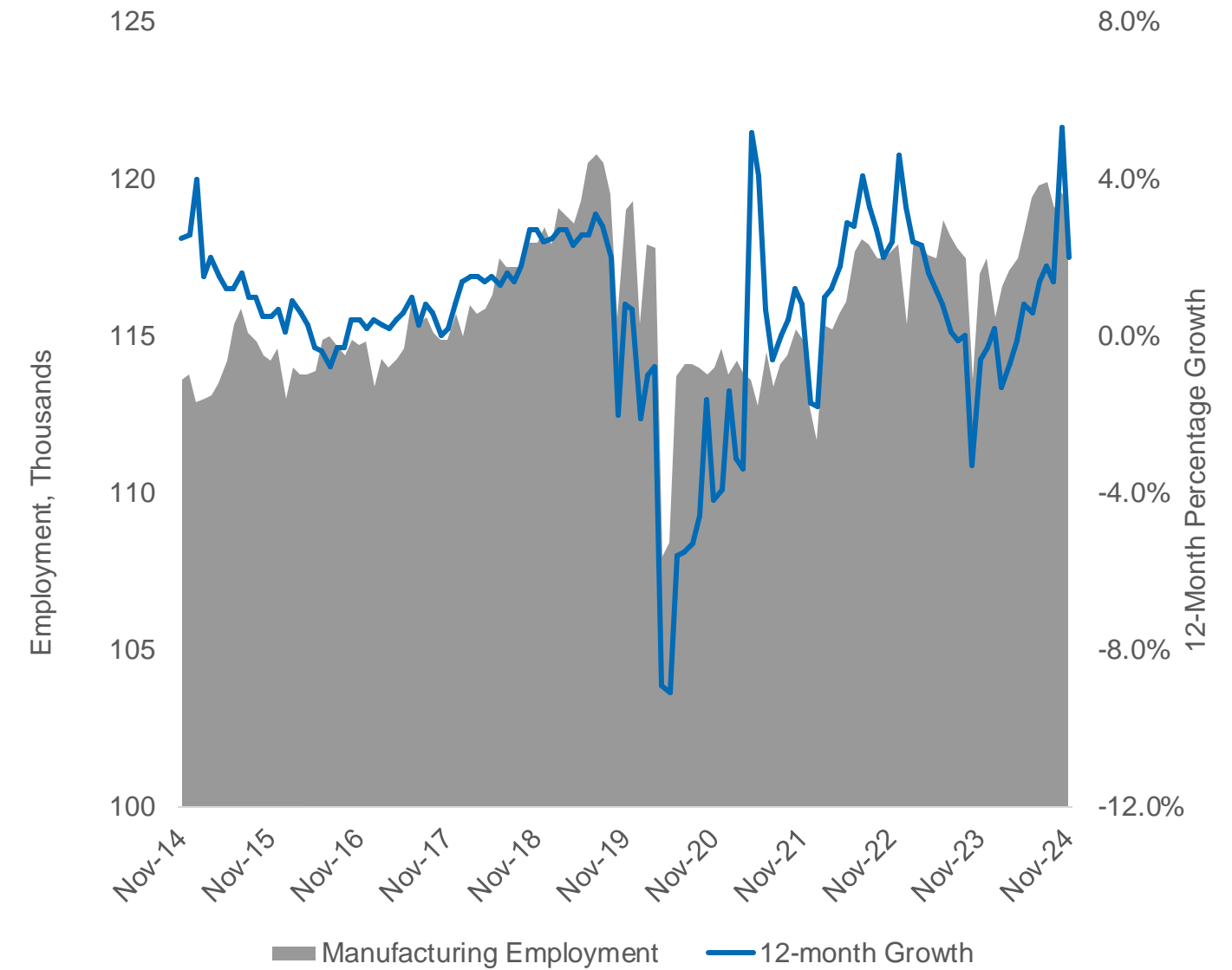
Overall Industrial Employment Rebounds

Industrial employment has fully recovered and now exceeds pre-pandemic levels. Although a slight seasonal dip in employment typically occurs at the start of each year, the region has stabilized, with employment growth anticipated in 2025.

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

4Q24

Leasing Market Fundamentals



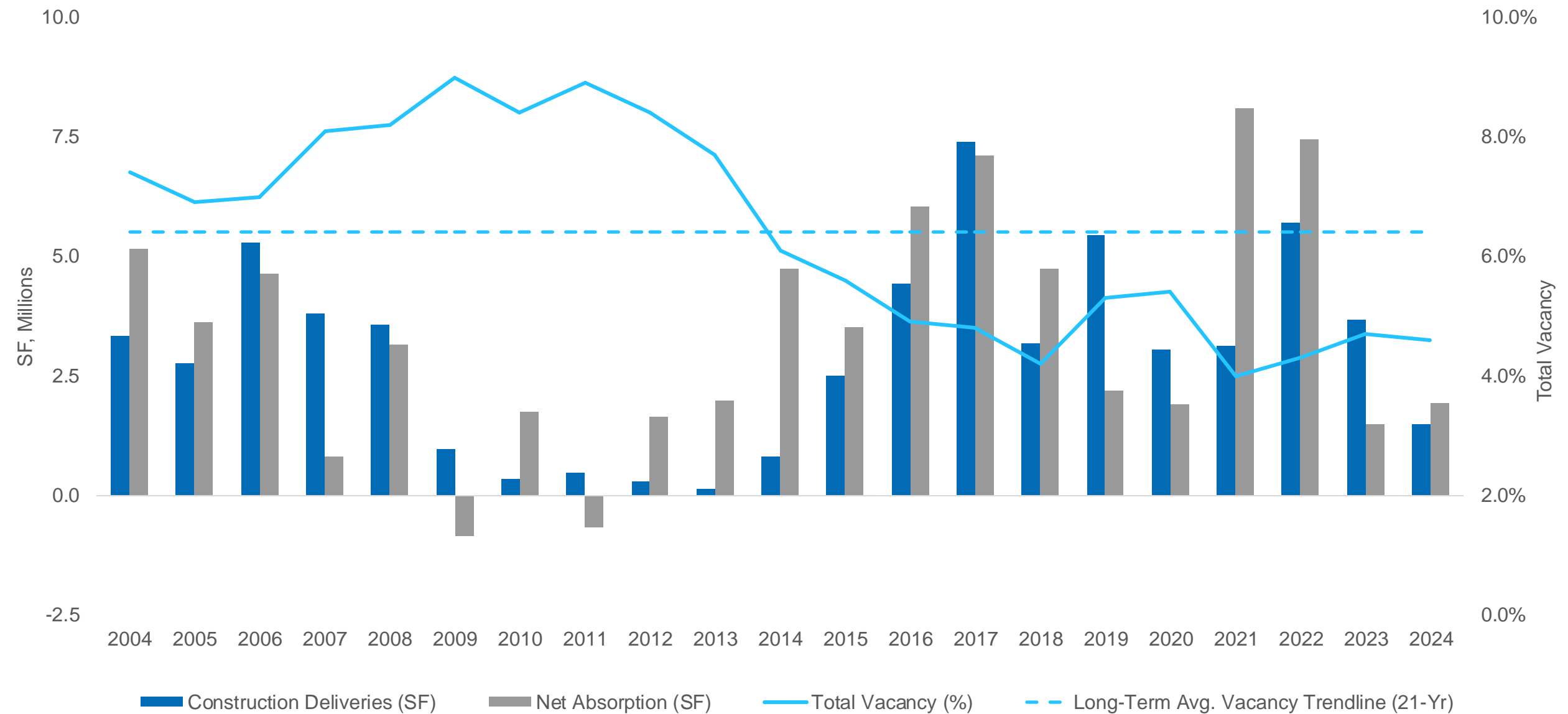
Market Overview

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Vacancy Decreases As Absorption Outpaces Deliveries

Vacancy decreased by 0.1% to 4.6% year over year as tenants reassessed their space requirements. The market adjusted with most new deliveries being build-to-suit projects. Leasing activity over the past four quarters reflected tenant caution, with many hesitant to commit to substantial leases in the current economic environment.

Historical Construction Deliveries, Net Absorption, and Vacancy

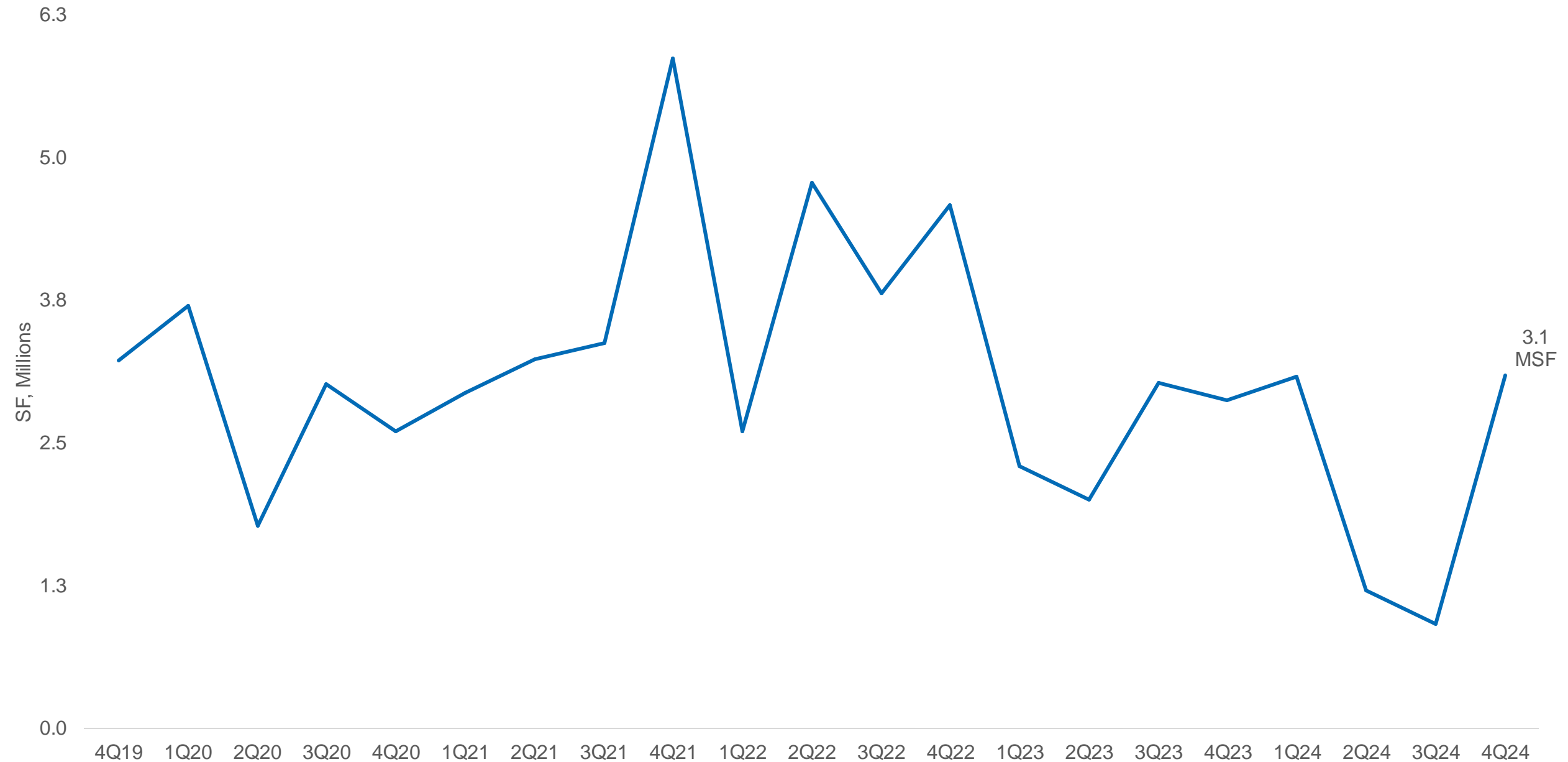


Source: Newmark Research

Industrial Leasing Activity Accelerates to 3.1 Million SF in 4Q24

Industrial space demand totaled 3.1 million SF in the fourth quarter of 2024. Over the past year, activity in large bulk buildings has slowed significantly, while mid-sized and small bay industrial spaces continue to show resilience. Tenant leasing velocity and rent growth in these segments are expected to strengthen over the next two to three quarters. Factors contributing to the slowdown in bulk space include ongoing economic uncertainty and the resolution of short-term space needs that emerged during the pandemic.

Total Leasing Activity (MSF)

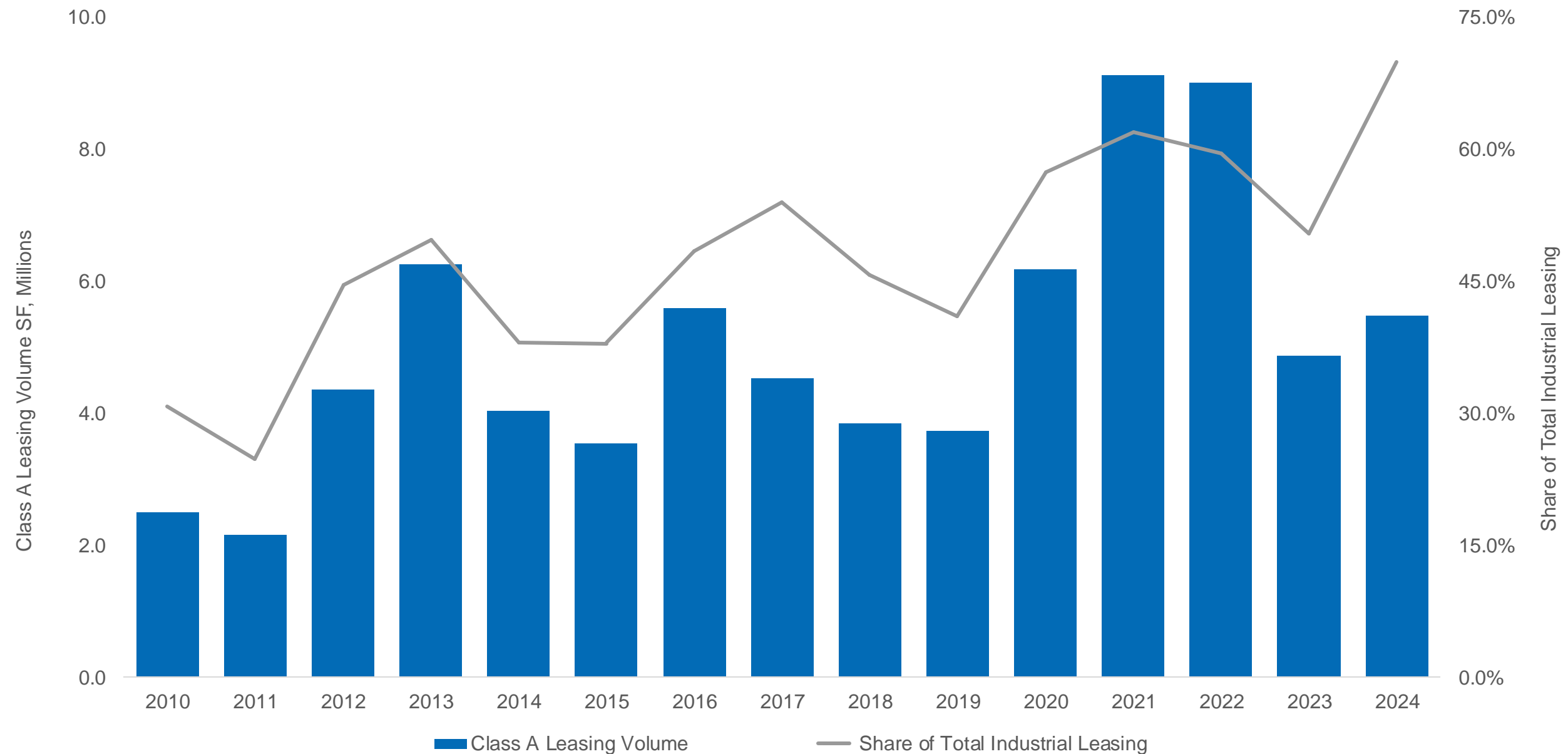


Source: Newmark Research, CoStar

Class A Warehouse Leasing Percentage Well Above Pre-Pandemic Average

Secondary markets such as St. Louis have seen a slower developer response to rising occupier demand for modern Class A warehouse space. However, recent development acceleration has driven significant growth in Class A leasing activity. In 2024, Class A warehouse leasing represented 70.0% of overall activity, a substantial increase from the pre-pandemic average of 45.5% recorded between 2015 and 2019.

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



Source: Newmark Research, CoStar

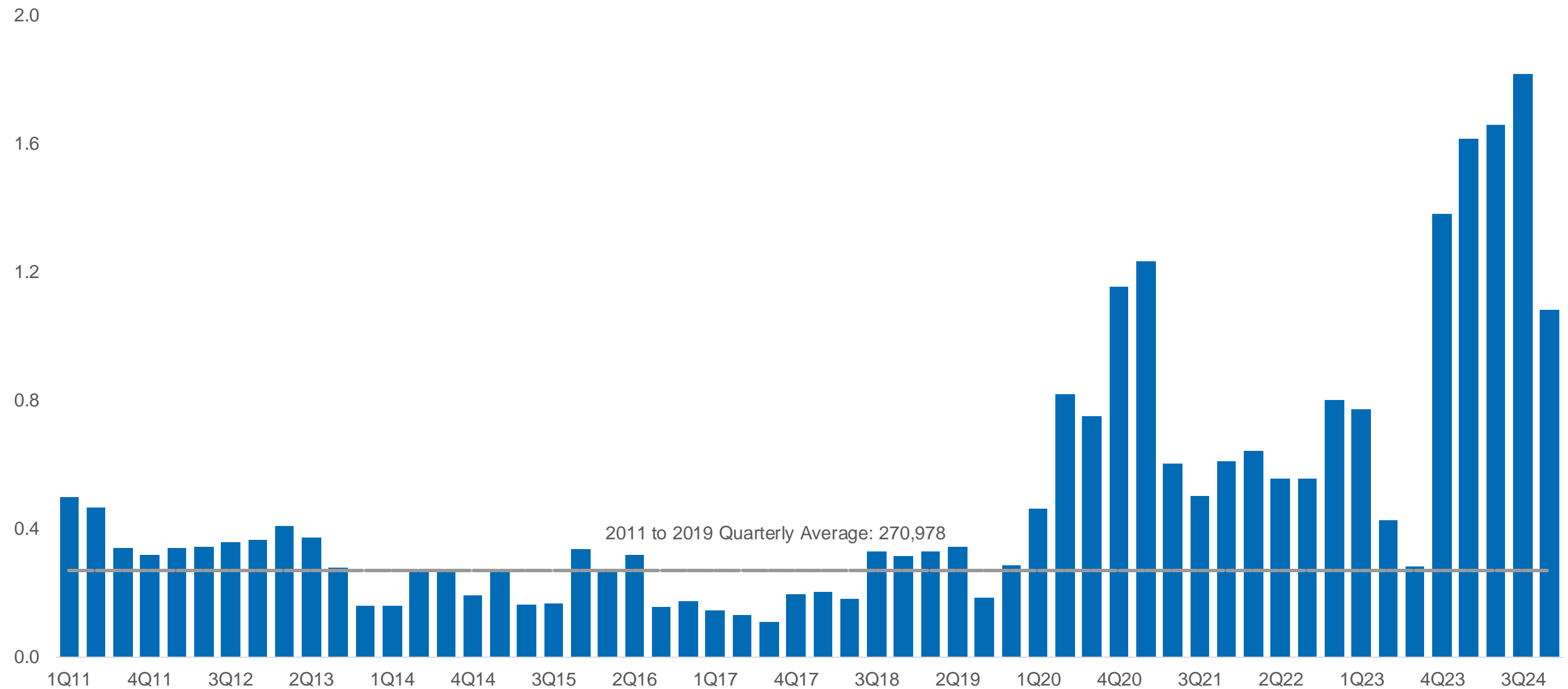
Vacancy Drops in North County, South County & Metro East Submarkets in 2024

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Vacant Sublease Availability Drops in 4Q24, Only 0.4% Of Market

Vacant sublease availability dropped significantly from 1.8 million SF to 1.1 million SF in the fourth quarter of 2024. While sublease additions have accelerated since the third quarter of 2023, they are projected to decrease moderately in 2025 as active sublease offerings are absorbed over the next four quarters. Available vacant sublease space remains scarce, accounting for just 0.4% of the St. Louis market—a notably lower figure compared to other U.S. markets.

Vacant Available Industrial Sublease Volume (MSF)

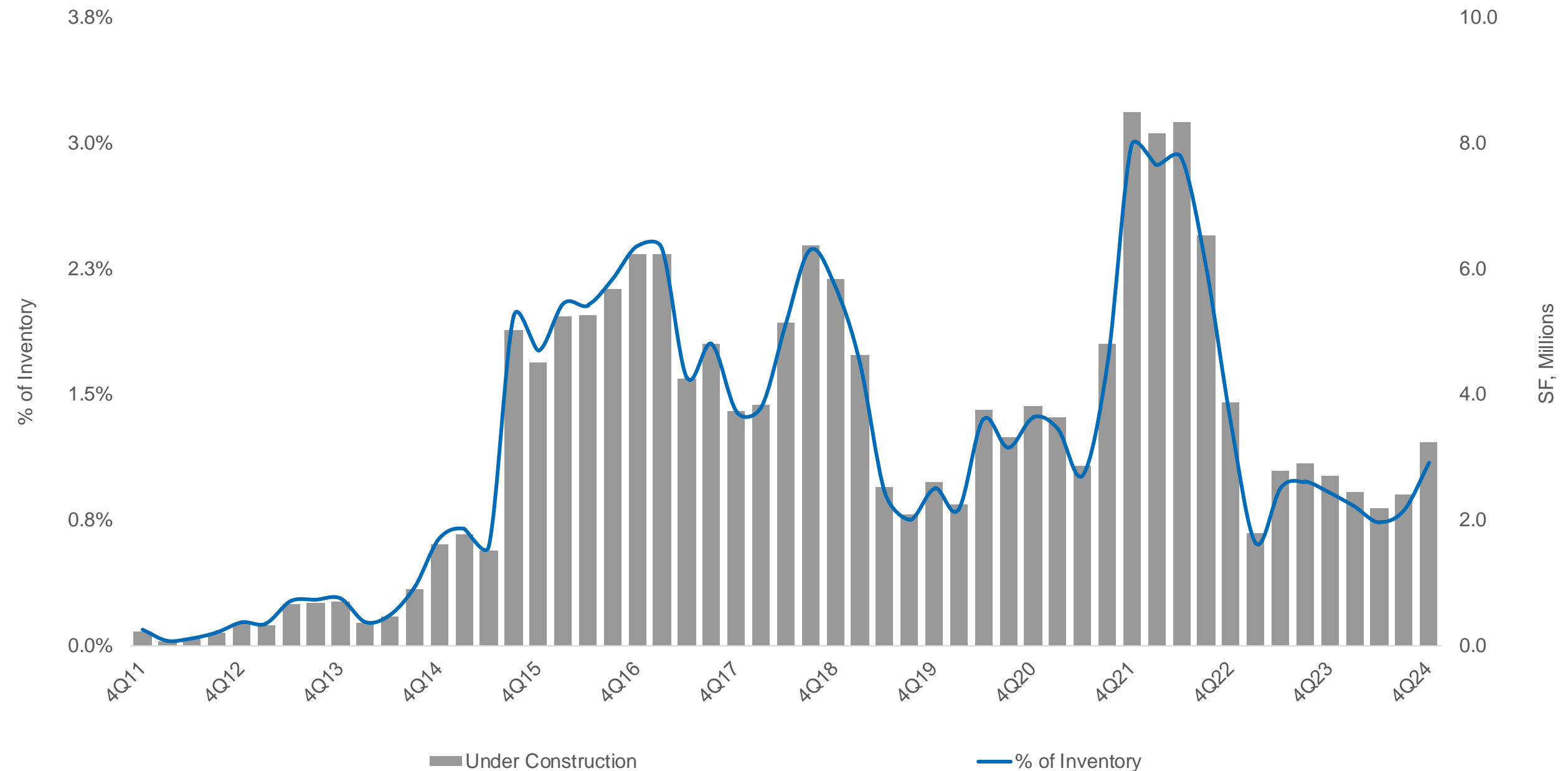


Source: Newmark Research, CoStar

Industrial Supply Pipeline Concentrated With Build-to-Suit Projects

The industrial construction pipeline has decreased significantly from its peak of 8.5 million SF in the fourth quarter of 2021, now totaling 3.2 million SF. Build-to-suit projects dominate the pipeline, comprising 79% of current developments. Speculative construction is expected to remain limited in 2025 as developers pause new projects and divest land positions amid slowing leasing activity and a challenging financing environment for new construction.

Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar

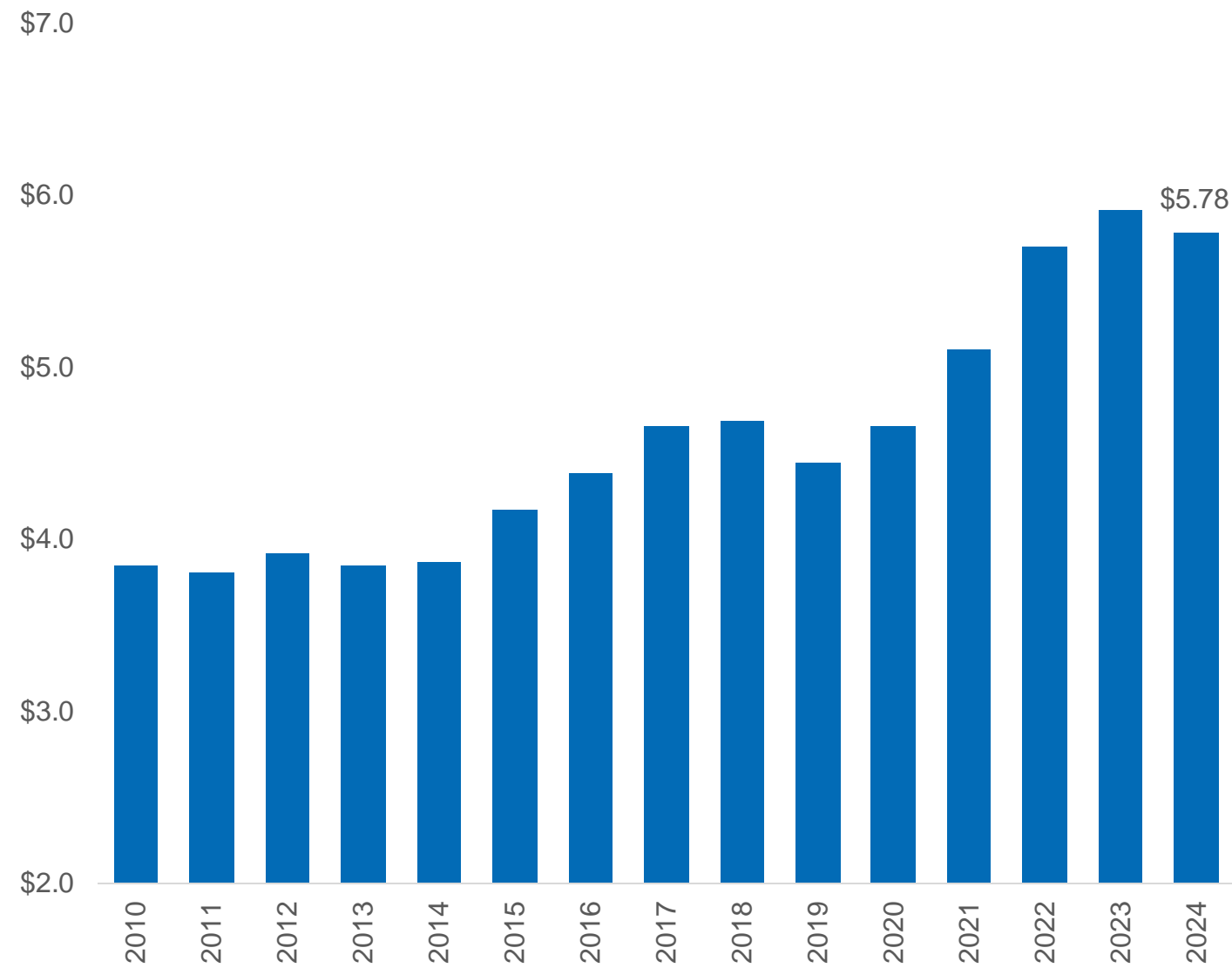
Limited Speculative Construction Concentrated In Midsized Structures

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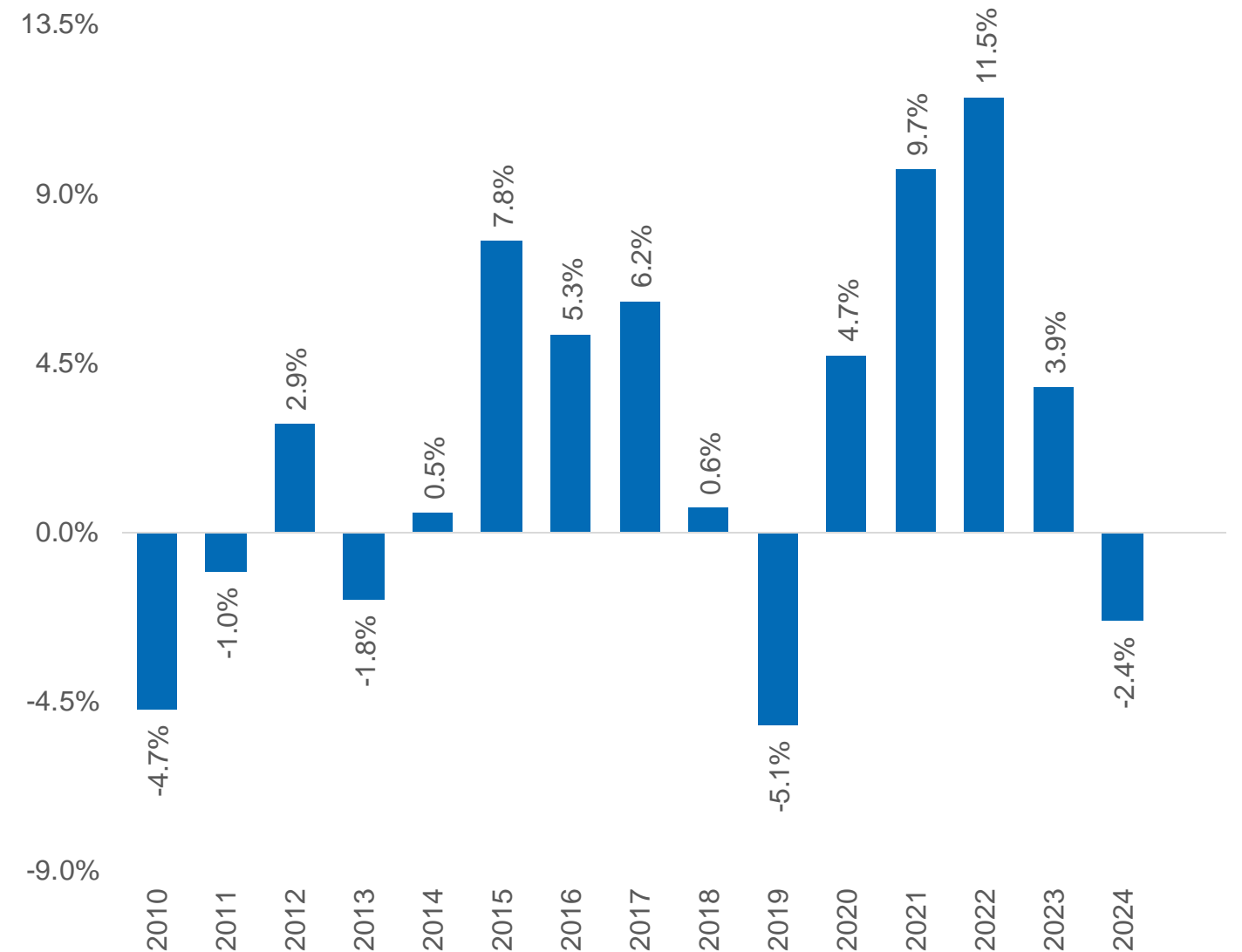
Record Industrial Asking Rents Level Off in 2024

Aggregate rental rate growth hit a record 24.0% over the past four years. However, limited new product deliveries, a slower leasing pace, and landlord liquidity constraints for funding elevated concession packages are expected to keep asking rental rate growth modest in 2025.

Industrial Average Asking Rent, \$/SF, NNN



Year-Over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Class A Bulk Warehouse Rents Continue To Stabilize

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Notable 4Q24 Lease Transactions

The market registered 2.9 million SF of net absorption over the past three quarters, while only 892,440 SF of new product was delivered during the same period. In 2025, North County, Metro East, and St. Charles County submarkets are projected to drive local leasing activity. Over the past four years, these submarkets achieved net absorption of 7.5 million SF in North County, 5.2 million SF in Metro East, and 2.3 million SF in St. Charles County, fueled by robust leasing activity and competitive rental rates.

Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Armlogi	28 Gateway Commerce Center Drive West	Metro East	Sublease	500,000
<p><i>California-based logistics and warehousing provider Armlogi will sublease 500,000 SF from Walgreens at 28 Gateway Commerce Center in Edwardsville, Illinois. The sublease expiration date was marketed as 03/31/32. The sublease asking rental rate was offered at \$3.95/SF prior to leasing.</i></p>				
Circle K	1600 Tradeport Drive	North County	Direct New	211,270
<p><i>The convenience store and gas station chain recently agreed to lease 211,270 SF of the 511,210-SF Building VII in Hazelwood TradePort from NorthPoint Development. The asking rental rate was offered at \$5.60/SF prior to leasing.</i></p>				
ATRO, LLC	1 Rivers Edge Court	Franklin County	Renewal	124,500
<p><i>Ato agreed to a 20-year NNN lease with Gladstone Commercial Corporation for the entire 124,500-SF space at the former Rivers Edge building at 1 Rivers Edge Ct. in St. Clair, Missouri. Gladstone Commercial recently purchased the property in November 2024.</i></p>				
Elemental Enzymes	8600 Reilly Avenue	St. Louis County	Direct New	100,000
<p><i>Agricultural technology firm Elemental Enzymes signed a lease for 100,000 SF at the 200,000-SF multi tenant property located at 8600 Reilly Ave. in the River City Business Park. The firm will move-in by July 2025.</i></p>				
ANSCO & Associates LLC	8801 Seeger Industrial Drive	North County	Direct New	43,000
<p><i>The national telecommunications company announced it signed a lease for 43,000 SF of the 129,000-SF multi tenant property at 8801-8845 Seeger Industrial Drive in Berkeley. The asking rental rate was offered at \$4.25/SF prior to leasing.</i></p>				

Source: Newmark Research

4Q24

Submarket Statistics



Submarket Statistics: All Classes, Warehouse, Flex

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