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1Q25

# St. Louis Industrial Market Overview

# Market Observations

## Economy

- The region’s labor market softened as macroeconomic conditions shifted. February’s unemployment rate of 4.4% was 30 basis points above the 10-year historical average of 4.1%.
- Year-over-year, job growth was strongest in the Other Services sector, followed by Education and Health. Information and Leisure and Hospitality experienced the largest job losses over the past 12 months.
- Industrial firms are recalibrating their workforce needs. Locally, employment increased in one of three key industrial sectors: Construction by 0.3%.

## Major Transactions

- NorthPoint Development began construction on its fifth warehouse at Gateway TradePort. The 933,660-SF BTS-fee development will be built for an undisclosed e-commerce company, which will fully occupy the property.
- Thyssenkrupp Supply Chain Services will lease 600,000 SF for the first year and 450,000 SF for the second year of its new two-year lease at 3919 Lakeview Corporate Drive.
- Amerhart signed a seven-year lease with Panattoni for 187,970 SF of space at the 376,000-SF Gateway Panattoni I building in Edwardsville.

## Leasing Market Fundamentals

- Net absorption in the first quarter of 2025 totaled 1.1 MSF, bringing the past four quarters’ total to 5.3 MSF. This marks four consecutive quarters of positive absorption, as tenants capitalize on favorable conditions.
- The construction pipeline currently stands at 3.0 MSF, with 83% consisting of build-to-suit (BTS) projects. Speculative construction is expected to remain limited in 2025.
- Vacancy decreased 30 basis points to 4.1%, supported by positive net absorption from various mid- and large-sized deals in the 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 in 2025.

## 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%, 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.

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2. Leasing Market Fundamentals
3. Submarket Statistics

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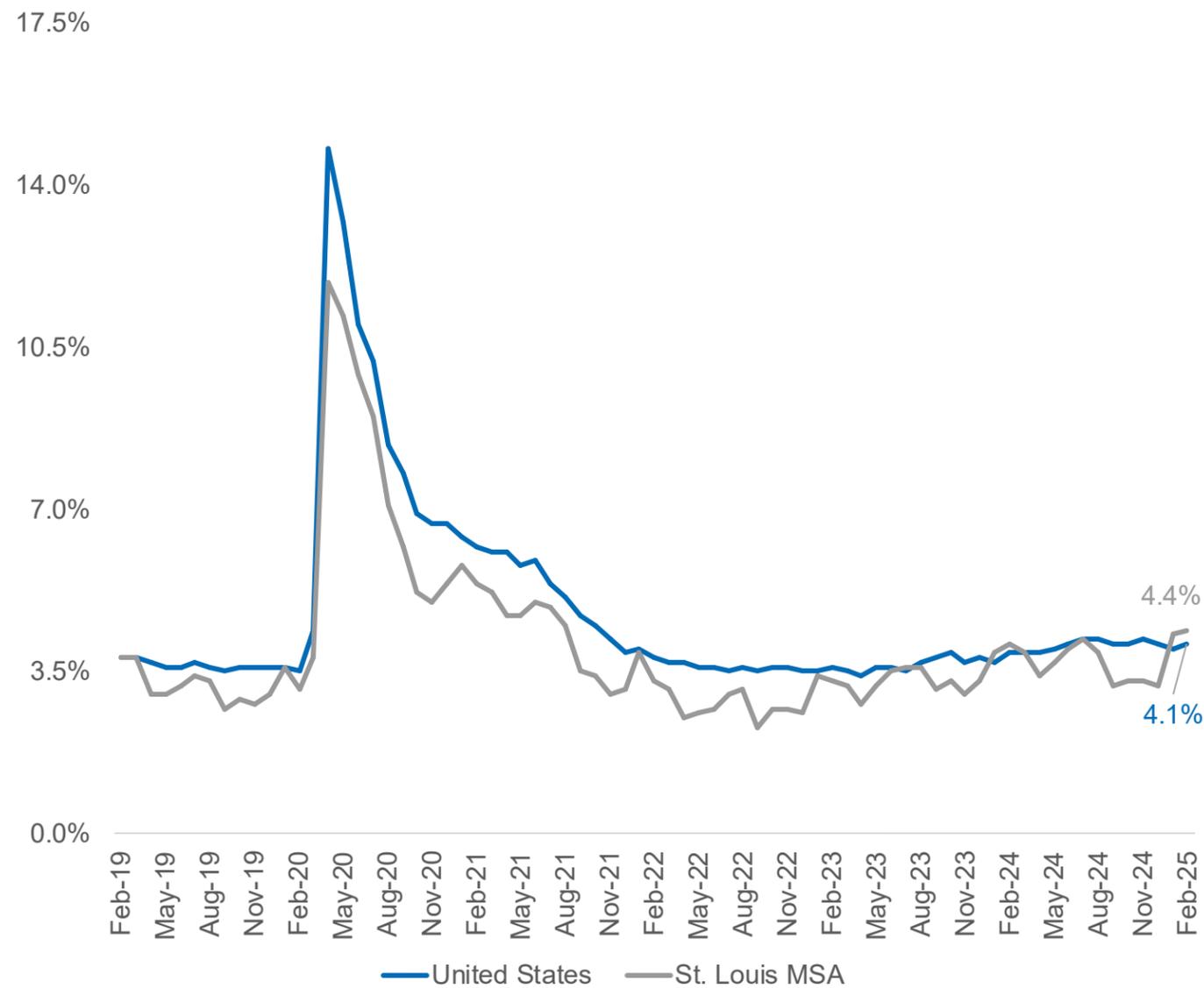
# Economy



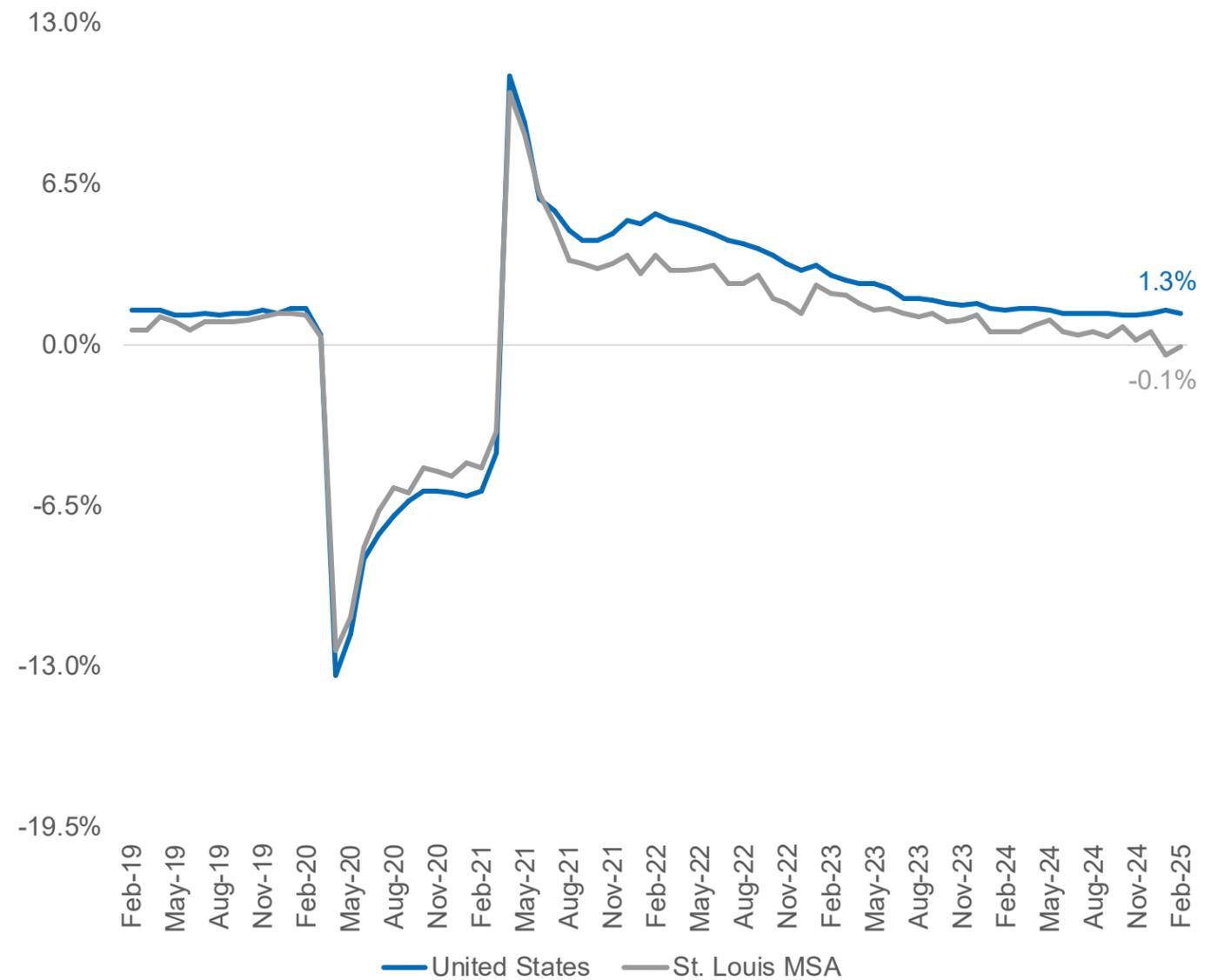
# Metro Employment Trends Signal Weakening Economy

The St. Louis region's labor market softened as unemployment rose 110 basis points from the previous quarter. The regional unemployment rate now stands 30 basis points above the national average, signaling a pullback in economic resilience.

Unemployment Rate, Non-Seasonally Adjusted



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

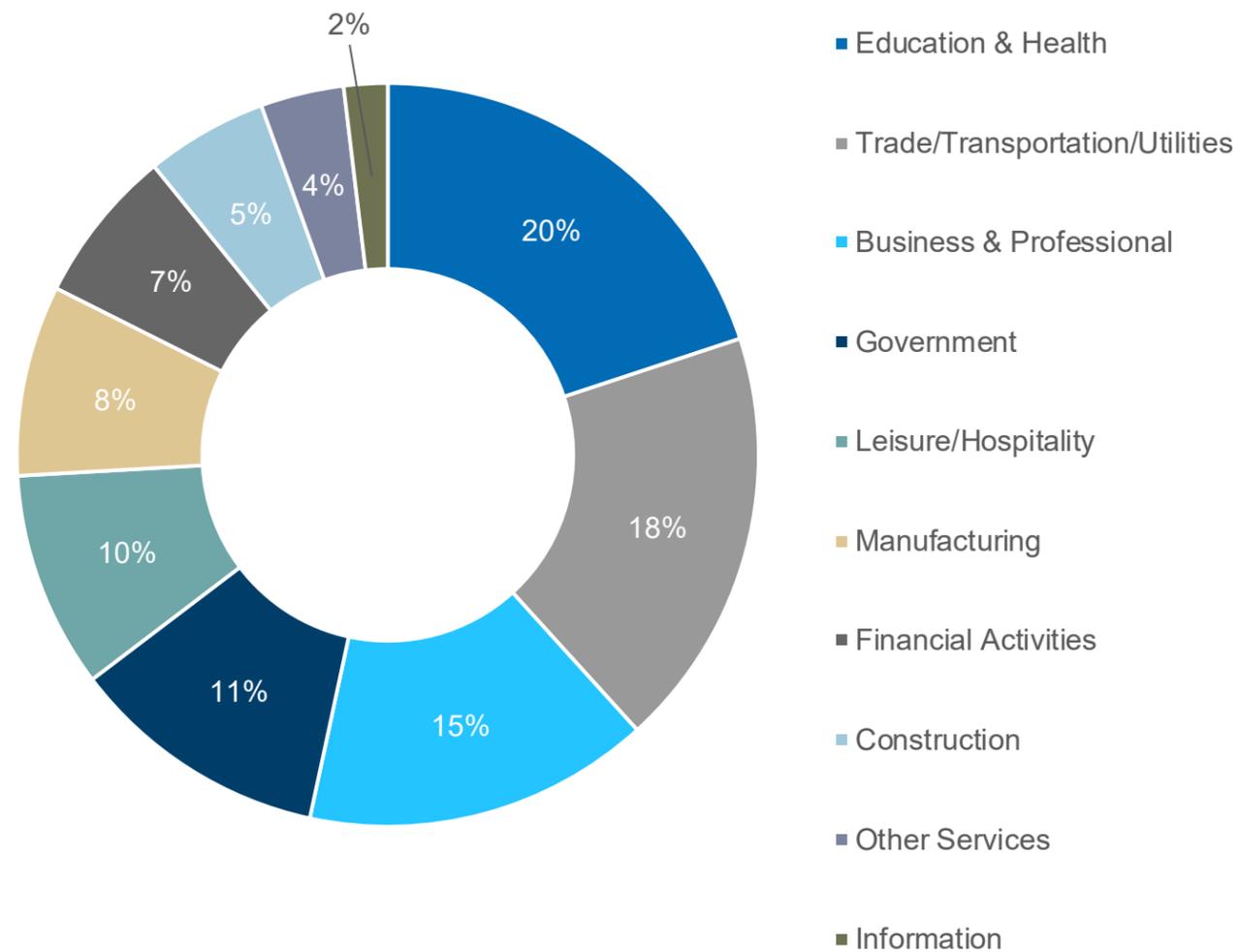


Source: U.S. Bureau of Labor Statistics, St. Louis MSA

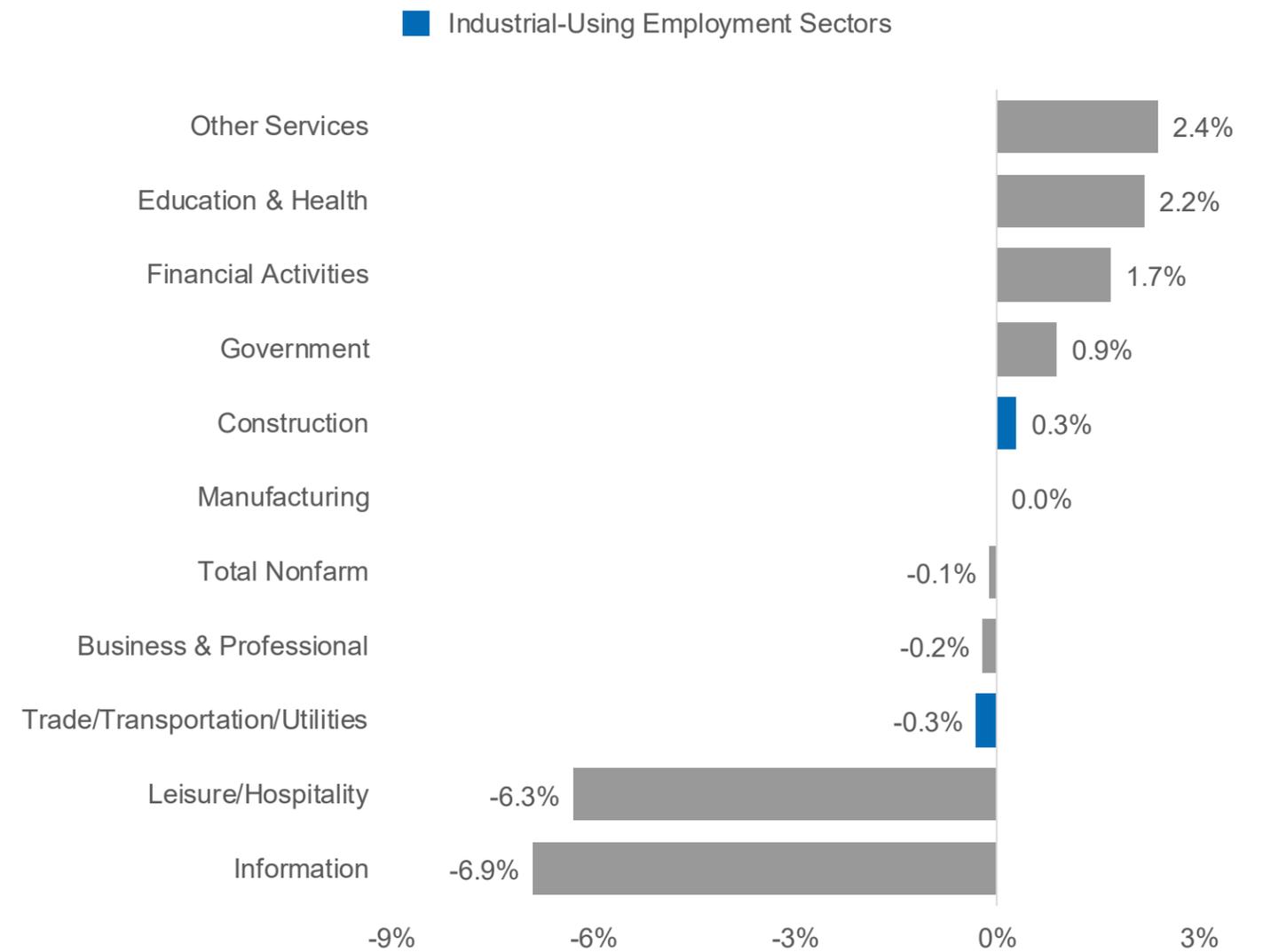
# Information and Leisure/Hospitality Sectors Lead Regional Job Losses

The Other Services sector led regional annual job growth, followed by Education & Health. The Leisure/Hospitality and Information sectors recorded the largest annual job losses, with declines of 6.3% and 6.9%, respectively. Of the three industrial-occupying industries, only Construction posted annual job gains.

Employment by Industry, February 2025



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

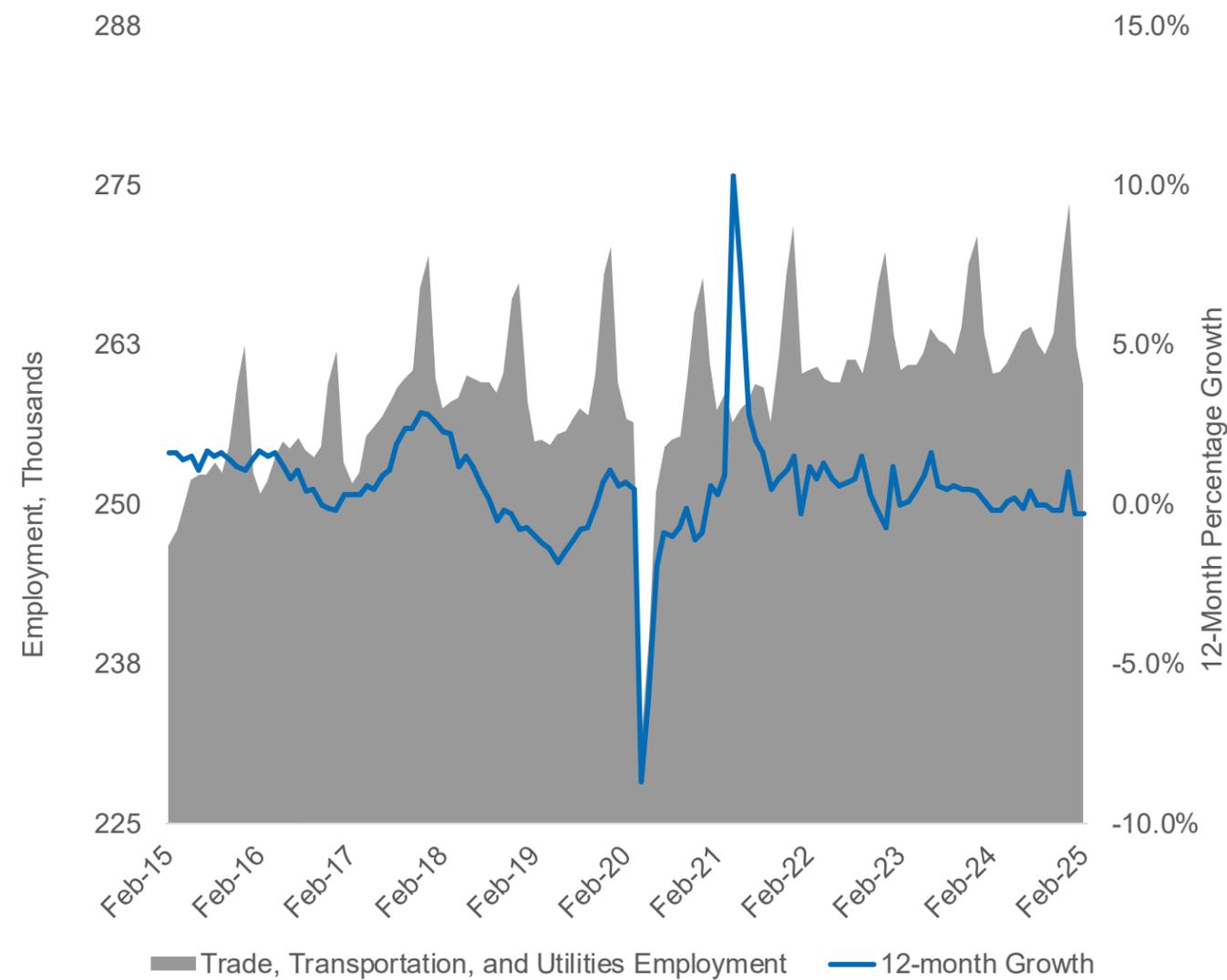


Source: U.S. Bureau of Labor Statistics, St. Louis MSA

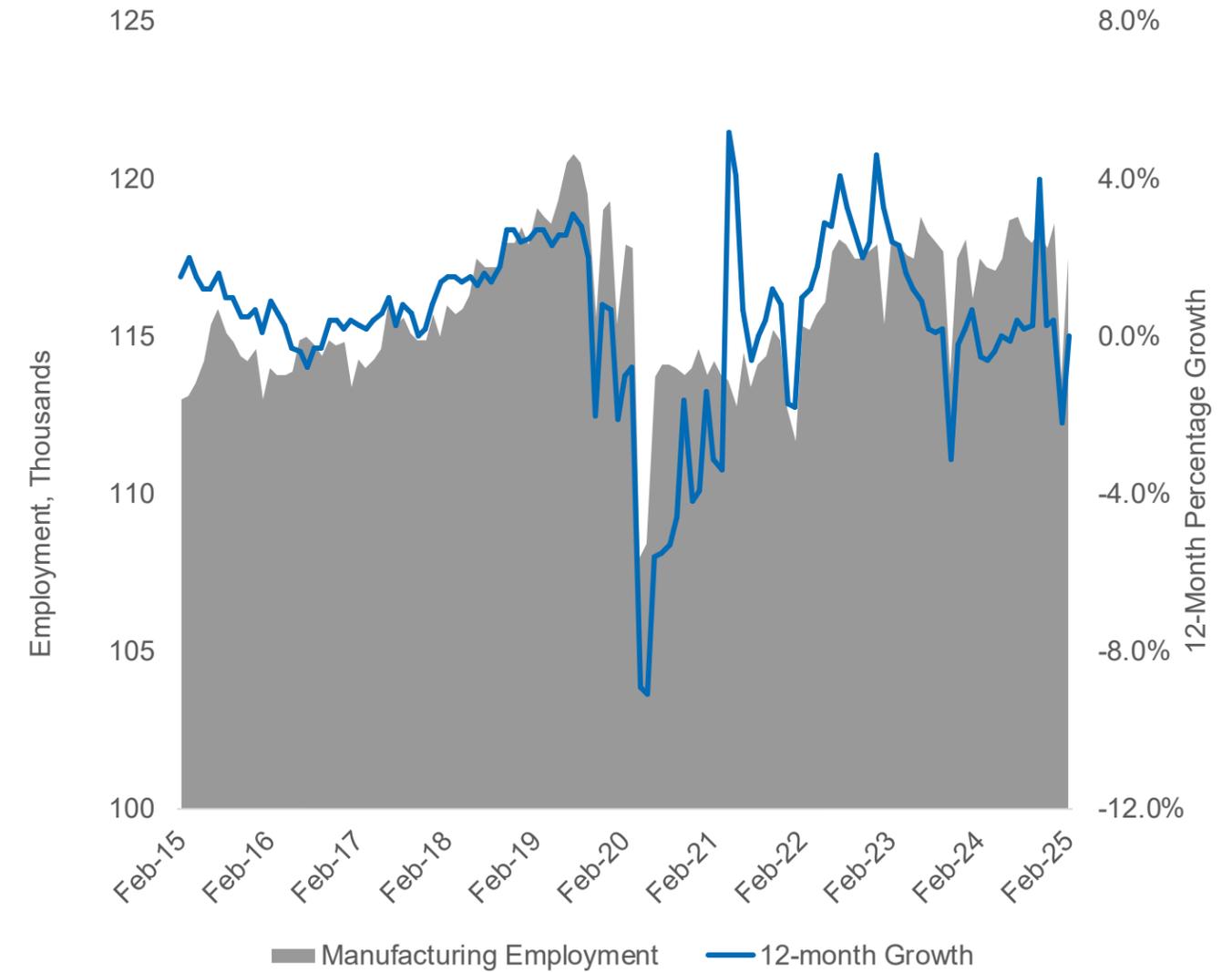
# Overall Industrial Employment Rebounds

Industrial employment has rebounded and now surpasses pre-pandemic levels. While a slight seasonal dip is typical at the start of each year, the region has stabilized, and employment growth is 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

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# Leasing Market Fundamentals



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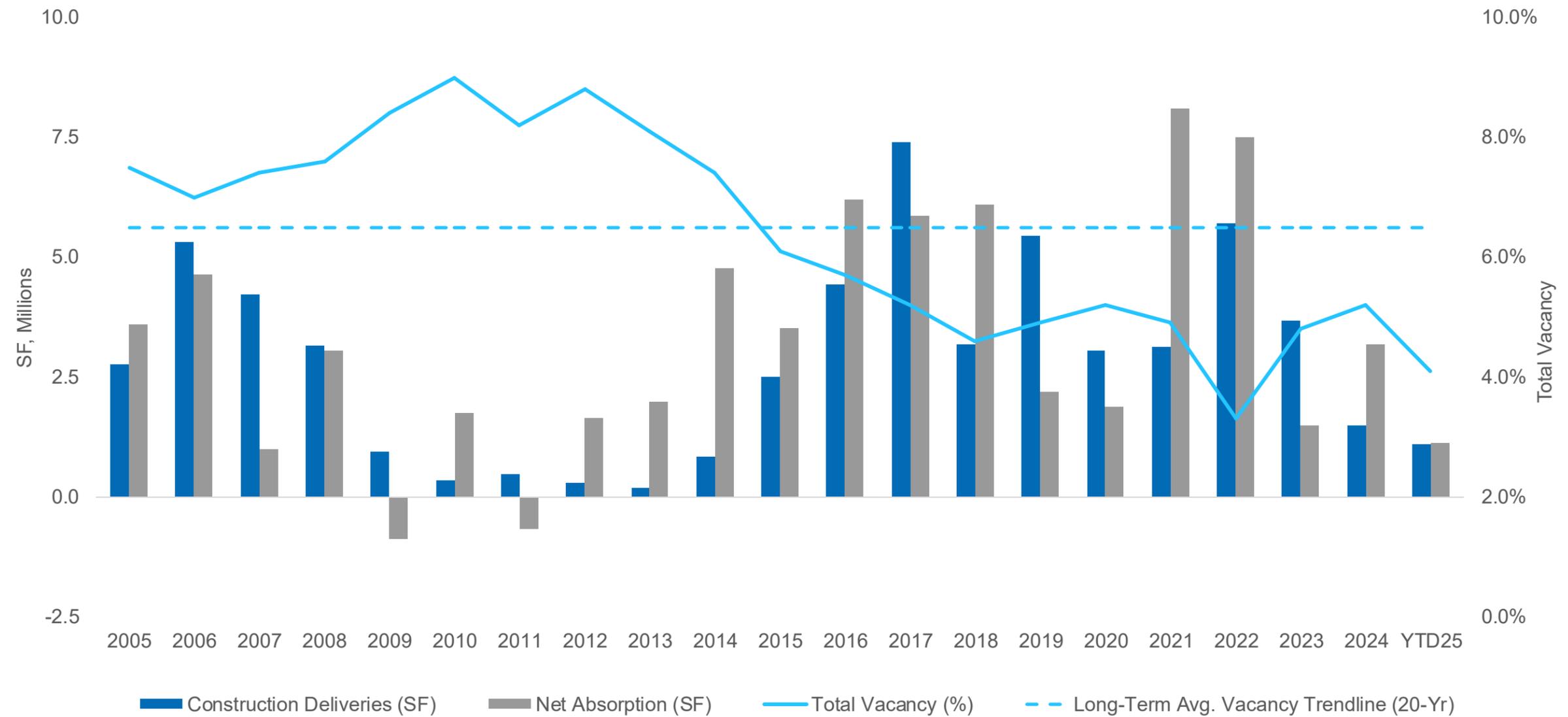
# Market Overview

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# Vacancy Decreases As Absorption Outpaces Deliveries

Vacancy decreased notably by 1.1% year over year to 4.1% 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

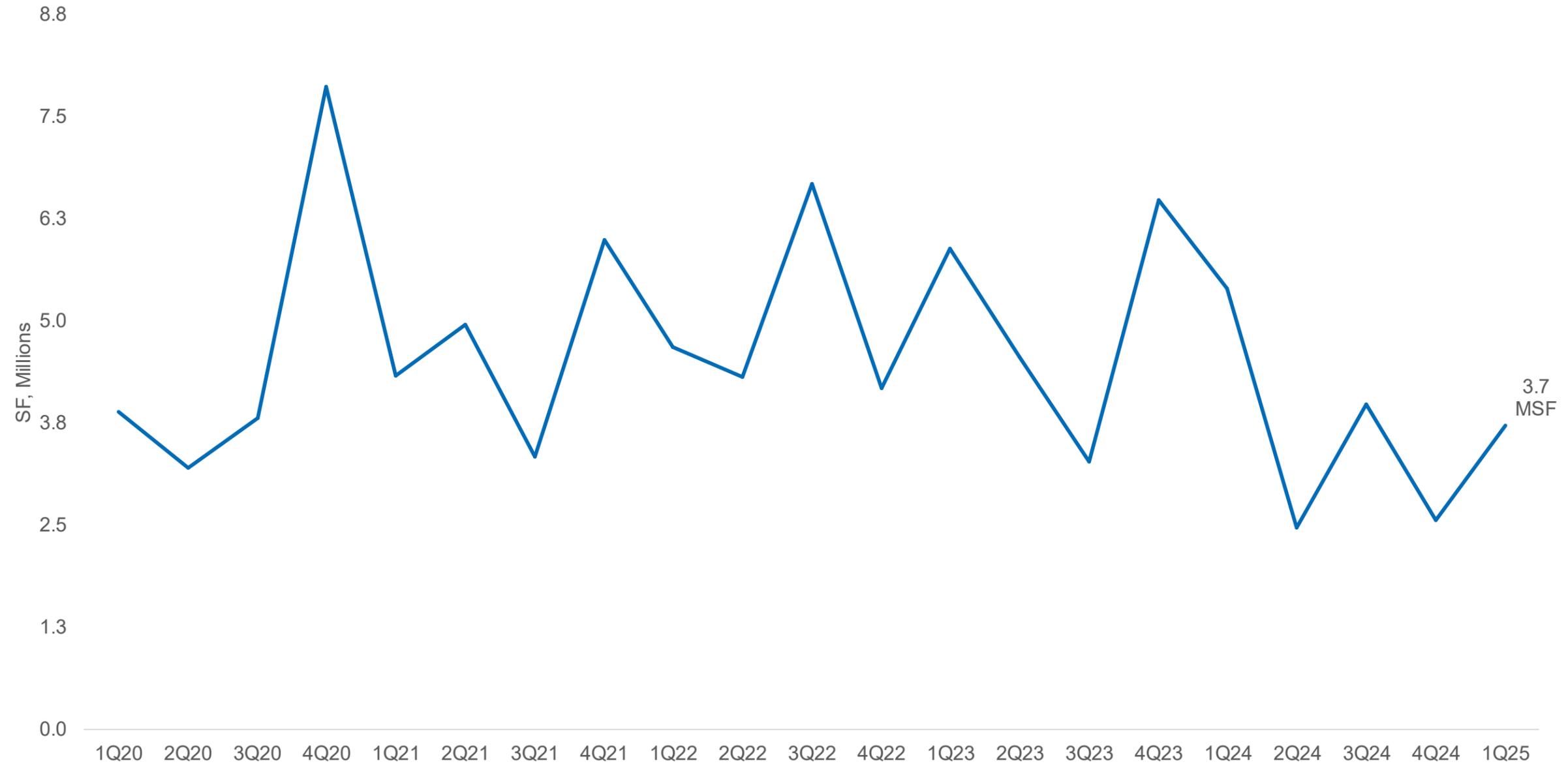


Source: Newmark Research

# Industrial Leasing Activity Accelerates To 3.7 Million SF In 1Q25

Industrial space demand totaled 3.7 million SF in the first 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 2025.

Total Leasing Activity (MSF)

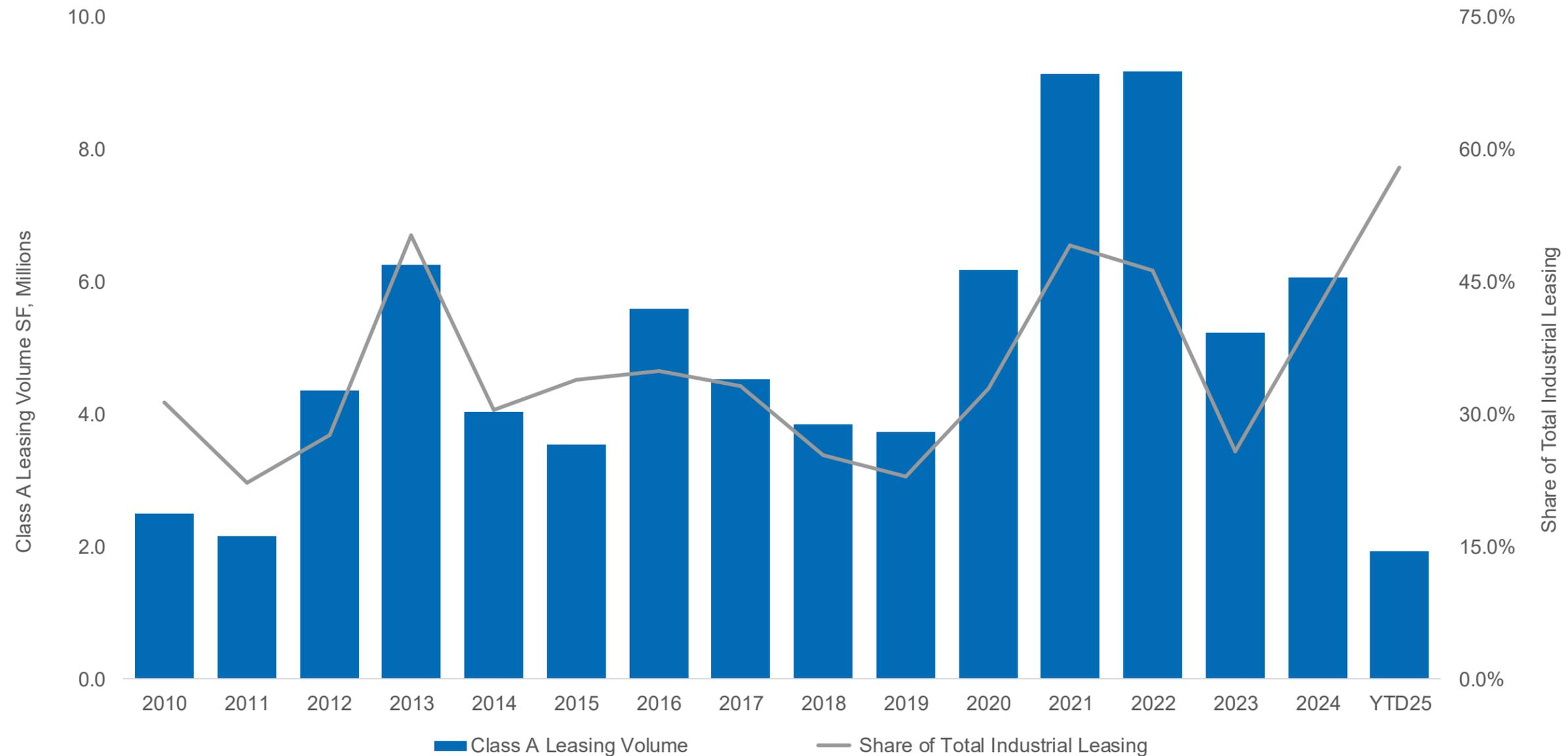


Source: Newmark Research, CoStar

# 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, accelerated development over the past five years has driven notable growth in Class A leasing activity. In 2025, Class A warehouse leasing accounts for 58.1% of overall activity—a significant increase from the pre-pandemic average of 30.1% recorded between 2015 and 2019.

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



Source: Newmark Research, CoStar

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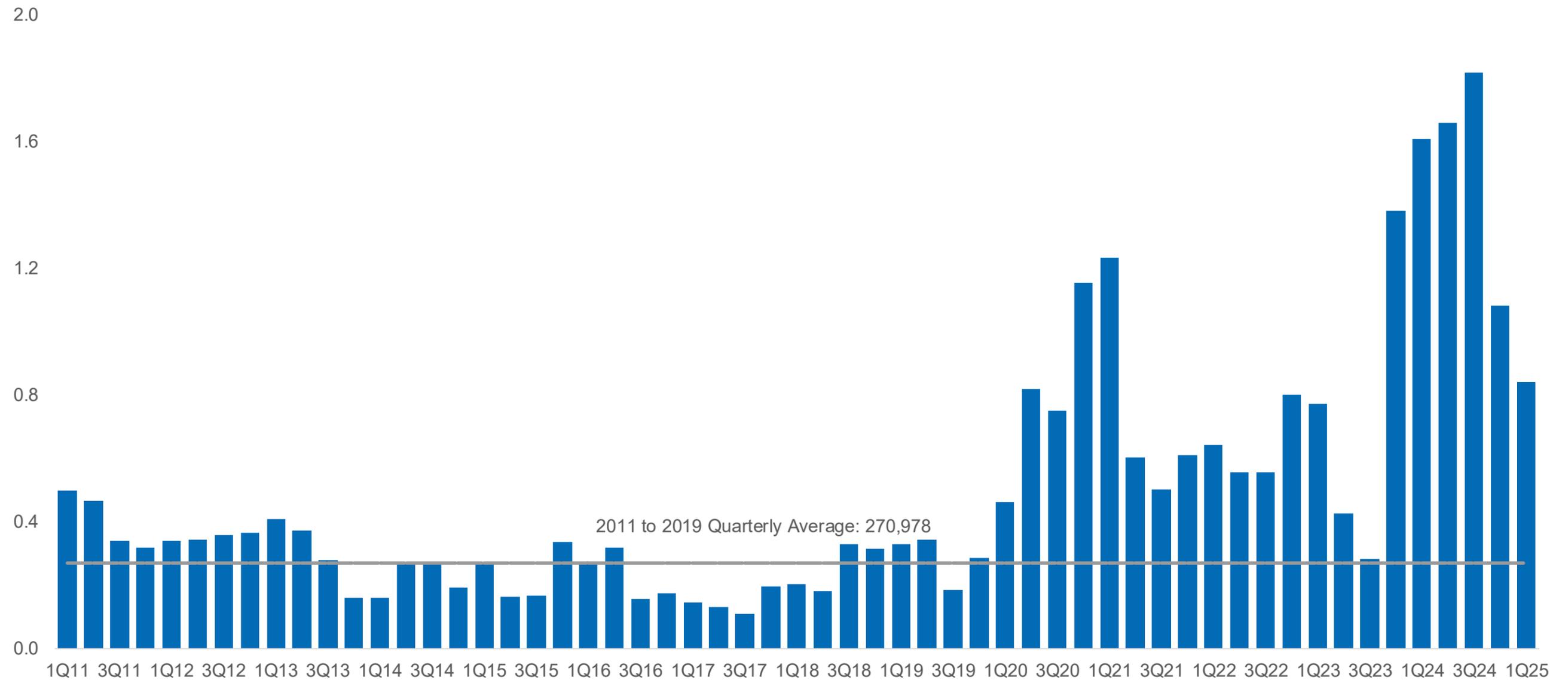
## Vacancy Drops In Metro East, North Co. & South Co. Submarkets

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# Vacant Sublease Availability Drops In 1Q25; Only 0.3% Of Market

Vacant sublease availability declined from 1.1 million SF to 841,884 SF in the first quarter of 2025. While sublease additions have accelerated since the third quarter of 2023, they are projected to moderate in 2025 as active offerings are absorbed over the next four quarters. Vacant sublease space remains limited, representing just 0.3% of the St. Louis market—well below levels seen in other U.S. markets.

Vacant Available Industrial Sublease Volume (MSF)

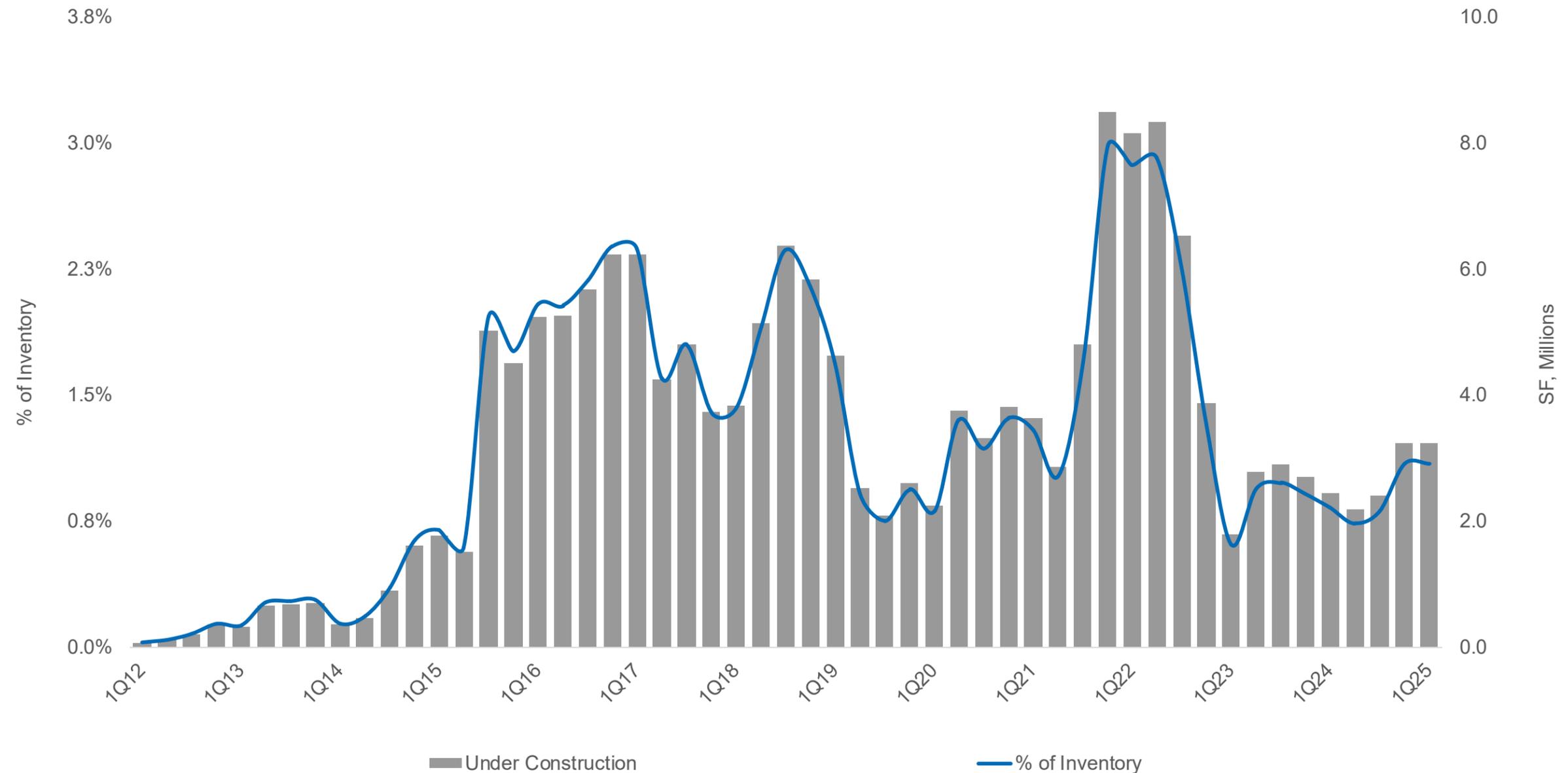


Source: Newmark Research, CoStar

# 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 3.0 million SF. Build-to-suit projects account for 83% of current development. Speculative construction is expected to remain limited in 2025; however, developers may begin reevaluating paused projects and analyzing potential land positions as leasing activity gains momentum.

## Industrial Under Construction and % of Inventory



Source: Newmark Research, CoStar

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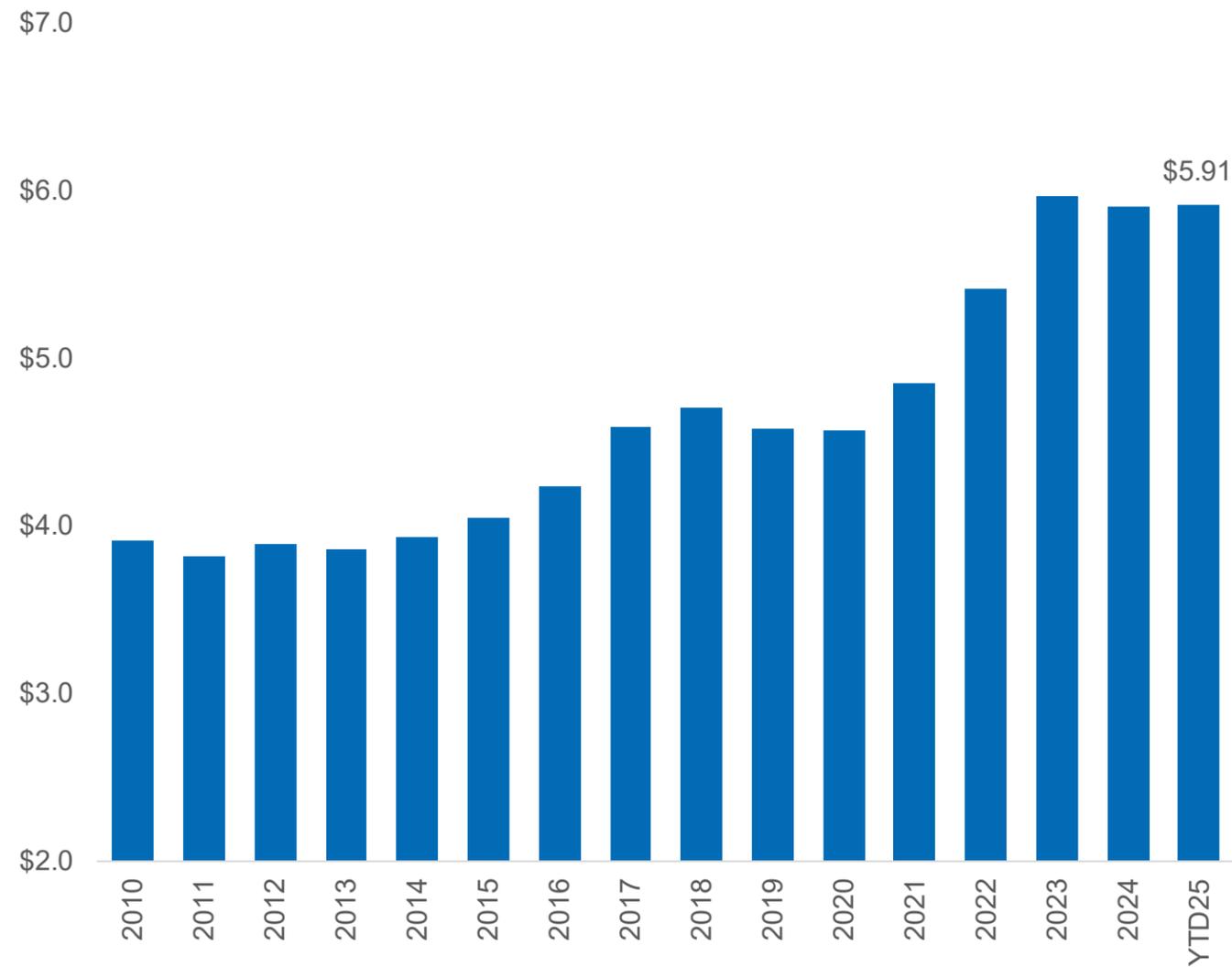
# Limited Speculative Construction Focused On Small- And Midsized-Scale Facilities

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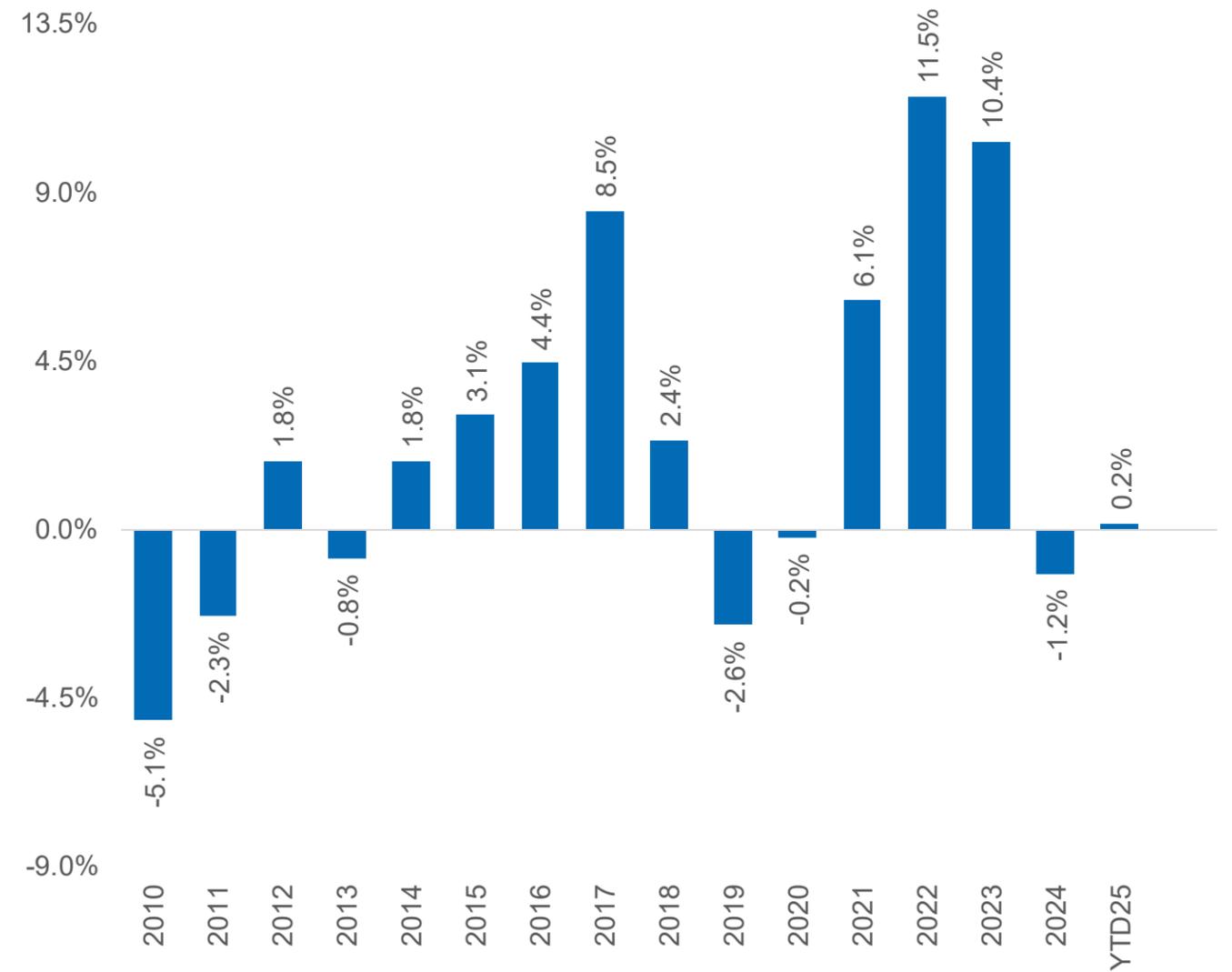
# Record Industrial Asking Rents Stabilize

Aggregate rental rate growth reached a record 29.3% 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 2025.

Industrial Average Asking Rent, \$/SF, NNN



Year-Over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

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## Class A Bulk Warehouse Rents Continues Climb To \$6.00/SF

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# Notable 1Q25 Lease Transactions

The market recorded 5.3 million SF of net absorption over the past four quarters, compared to just 2.0 million SF of new deliveries during the same period. In 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 8.1 million SF in North County, 7.0 million SF in Metro East, and 3.6 million SF in St. Charles County, supported by strong leasing momentum and competitive rental rates.

## Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Undisclosed e-commerce company	1601 Tradeport Parkway	Metro East	BTS-Fee Development	933,660
<i>NorthPoint Development began construction on its fifth warehouse at Gateway TradePort in the Metro East submarket. The 933,660-SF building, Gateway TradePort VI, will be built to suit for an undisclosed e-commerce company which fully leased the property in January 2025 and is anticipated to move-in by June 2026.</i>				
thyssenkrupp Supply Chain Services	3919 Lakeview Corporate Drive	Metro East	Direct New	600,000
<i>Thyssenkrupp Supply Chain Services will lease 600,000 SF for the first year and 450,000 SF for the second year of their new two-year lease at 3919 Lakeview Corporate Dr. in the Metro East submarket. The starting rental rate was \$4.50/SF on a modified gross basis.</i>				
Amerhart	2601 Westway Drive	Metro East	Direct New	187,970
<i>Amerhart agreed to a seven-year lease with Panattoni for 187,970 SF of space at the 376,000-SF Gateway Panattoni I building in Edwardsville. The asking rental rate was offered at \$4.65/SF on a NNN basis prior to leasing.</i>				
Rug Doctor	6200 Pershall Road	North County	Sublease	69,980
<i>Rug Doctor agreed to sublease 69,980 SF at the 224,090-SF Aviator 8 multi tenant property located at 6200-6228 Pershall Rd. in Hazelwood. The firm is anticipated to move-in by August 2025.</i>				
Mechanical Solutions, Inc.	4500 Earth City Expressway	North County	Direct New	43,000
<i>A leader in HVAC and mechanical systems, Mechanical Solutions will relocate its headquarters and lease 43,000 SF of the 78,000-SF multi tenant property at 4500 Earth City Expy. in Earth City.</i>				

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# Submarket Statistics



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## Submarket Statistics: All Classes, Warehouse, Flex

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