

1Q26 St. Louis Industrial Market: **Market Overview**

1Q26

St. Louis Market Observations



Labor Markets

- The region's labor market tightened as macroeconomic conditions shifted. December's unemployment rate decreased to 4.0%, 40 basis points below the national average of 4.4%.
- Year-over-year, job growth was strongest in the Construction sector, followed by Leisure and Hospitality. Information and Trade/Transportation/Utilities posted the largest job losses over the past 12 months.
- Industrial firms are recalibrating their workforce needs. Locally, annual employment decreased in two out of three key industrial sectors: Manufacturing by negative 1.9% and Trade/Transportation/Utilities by negative 2.4%.



Leasing Market Fundamentals

- The market loosened with negative 1.3 MSF of net absorption recorded during the quarter, bringing the past four-quarter total to negative 3.5 MSF. The negative absorption in the past two quarters was primarily due to Proctor & Gamble's 806,400-SF move-out at 3 Gateway Commerce Center East and Save-A-Lot's exit from 420,000 SF at 29 W Gateway Commerce Dr.
- The construction pipeline currently stands at 3.9 MSF, with 89% consisting of build-to-suit (BTS) projects. Speculative construction is expected to remain modest in 2026.
- Vacancy climbed 150 basis points to 6.0% year-over-year, above average when compared to peer Midwestern markets but on par with other non-Midwestern U.S. industrial markets which experienced 100+ bps increases during the same time period. Although vacancy recently peaked above 6%, the market has enjoyed relative stability since 1Q23, supporting future rental rate growth fundamentals and spurring developers to explore select development options.



Major Transactions

- U.S. AutoForce signed a lease for 270,980 SF at the 421,800-SF multi-tenant Hazelwood Logistics Center II located in Hazelwood, MO. The automotive tire, parts and lubricant distributor will begin occupying the space in July 2026.
- Golterman & Sabo (G&S Architectural Products) signed a five-year lease for 168,430 SF of the 250,500-SF multi-tenant building located at 415 Axminister Dr. in Fenton, MO. The firm will begin occupying the space in October 2026.
- Odyssey Logistics signed a lease for 123,590 SF at West 70 Commerce Center III located in O'Fallon, MO. The firm will begin occupying the space in July 2026.
- AIT Worldwide Logistics leased an additional 104,560-SF expansion space at 13201 Corporate Exchange in Bridgeton, MO. The firm will now occupy a total of 332,820 SF at the facility.
- Acosta signed a lease for 96,480 SF of the 259,990-SF building located at 3100-3144 Corporate Exchange Ct. in Bridgeton, MO.



Outlook

- Uncertainty in the macroeconomic outlook continues, prompting occupiers and investors to approach transactions cautiously, dampening leasing and investment activity.
- Vacancy is expected to remain stable around 5.6% to 6.0% in 2026, 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 slowly rise in 2026 due to the fact rates have remained flat since 2Q23, as liquidity constraints led landlords to lower rents rather than offer larger concession packages. Marquee submarkets with limited availability are expected to continue to maintain prime rent levels with annual rental rate increases expected to range from 3.5% to 4.0%.

Table of Contents

Economy	04
Leasing Market Fundamentals	08
Submarket Statistics	20

01

Economy

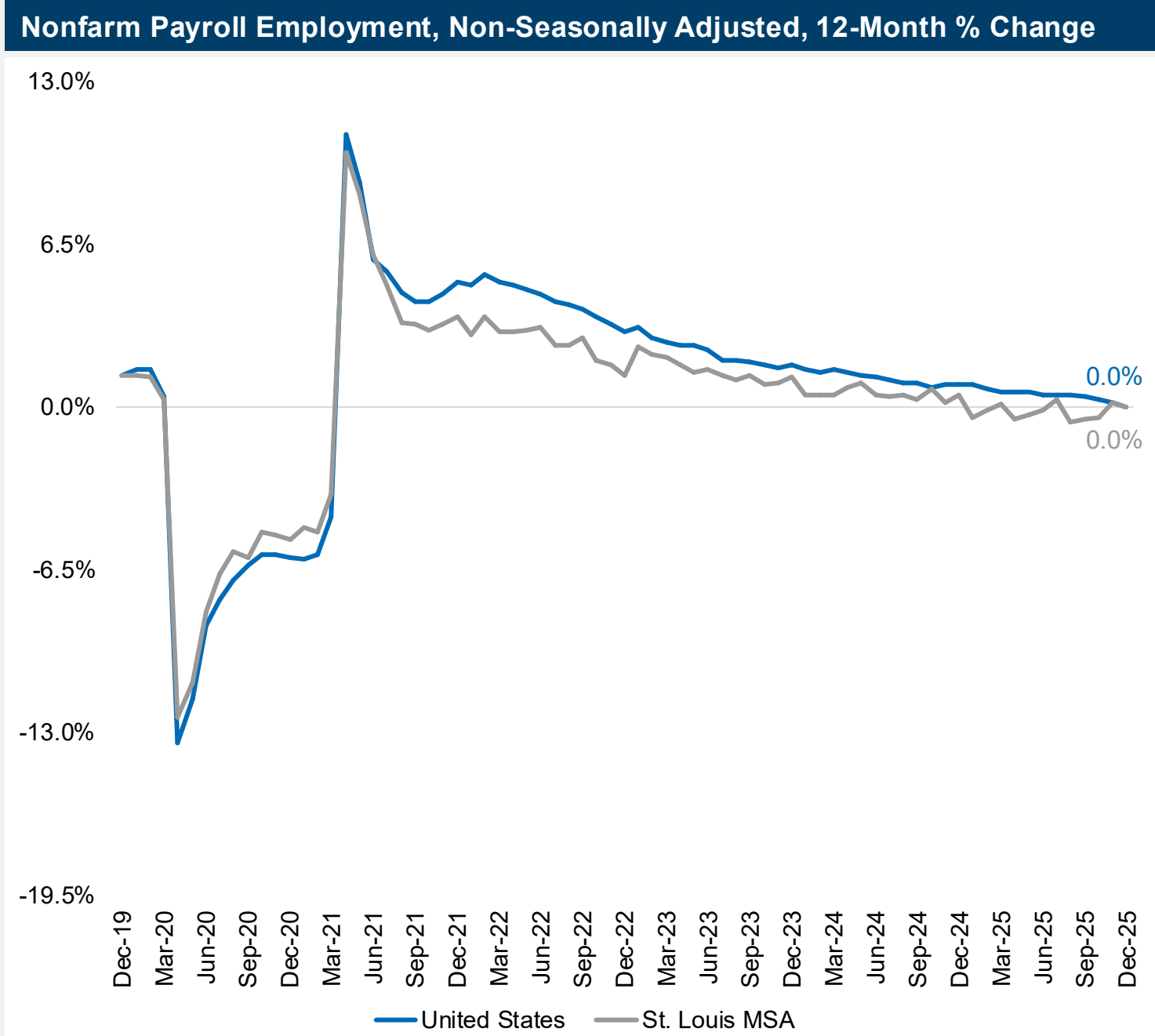
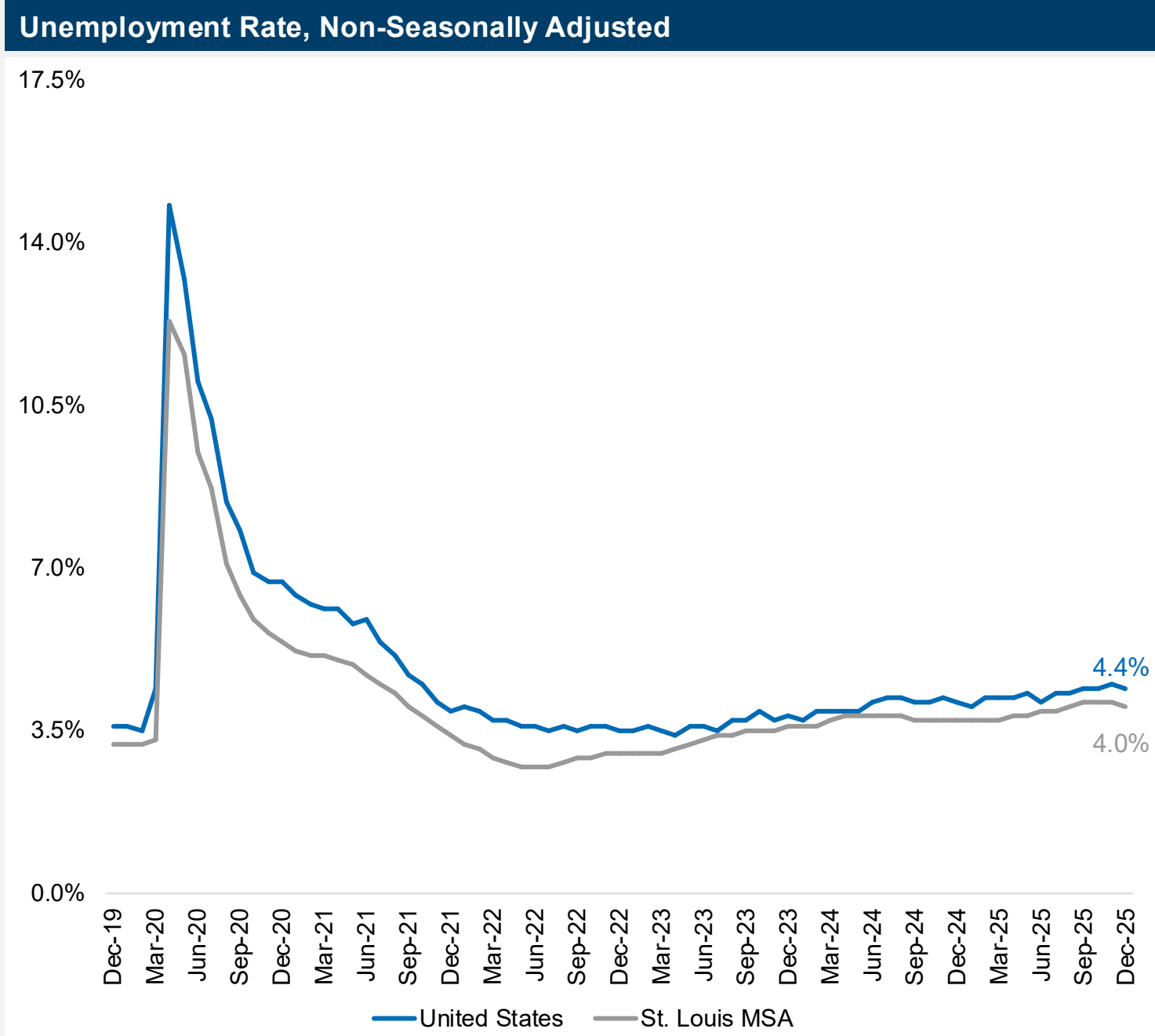
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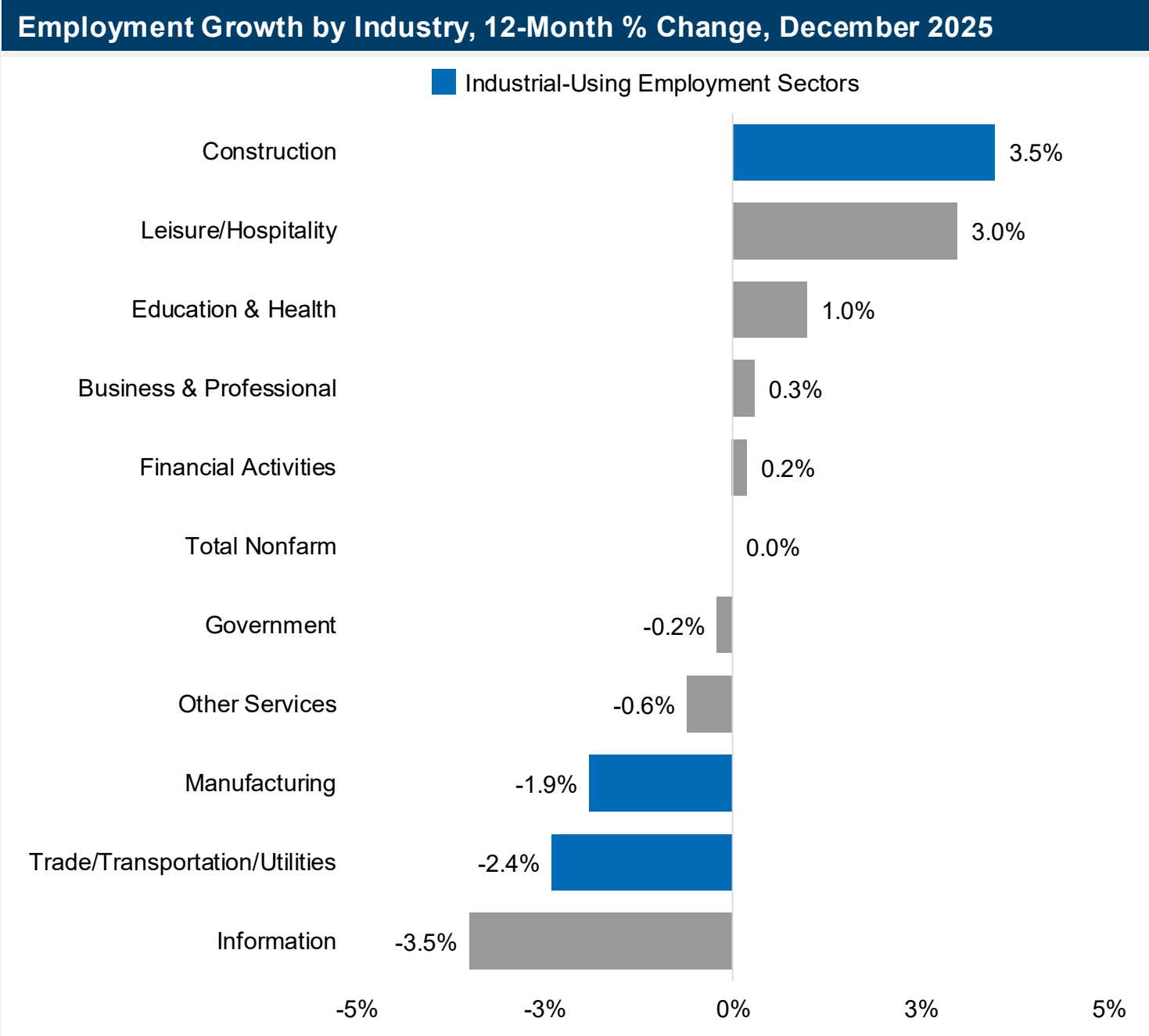
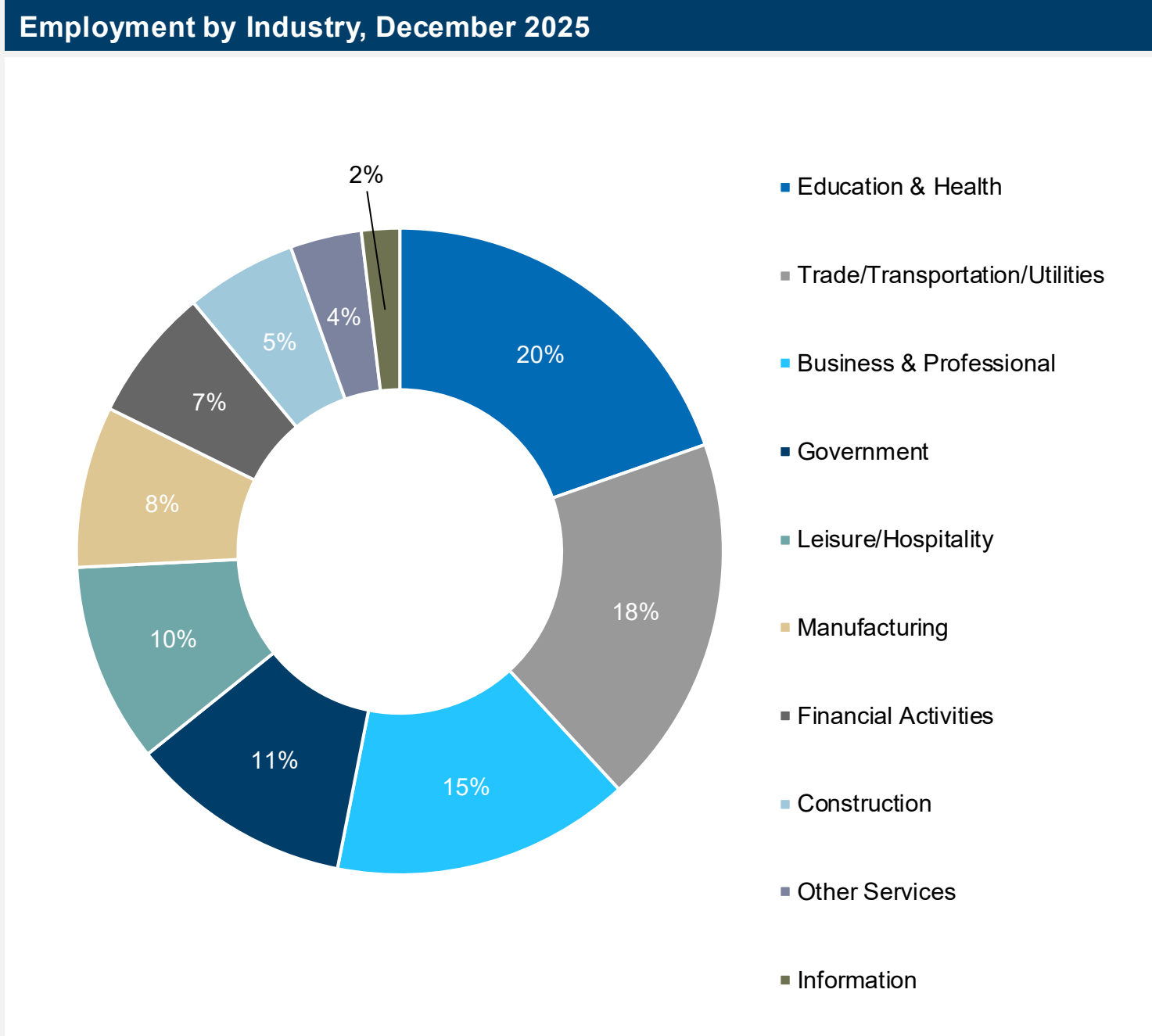
Metro Employment Unemployment Rate Below National Average

Due to a lapse in appropriations in the BLS, the collection of select data points has been delayed at the local or national level. The St. Louis region's labor market tightened as unemployment decreased 10 basis points in the quarter to 4.0%. The regional unemployment rate now stands 40 basis points below the national average, signaling comparative economic strength. Nonfarm payroll employment in the region is level with the national average at 0.0%. According to the Kansas City Fed Labor Market Conditions Indicators, activity declined from 0.30 to 0.17, while momentum increased from -0.07 to 0.02 in February 2026.



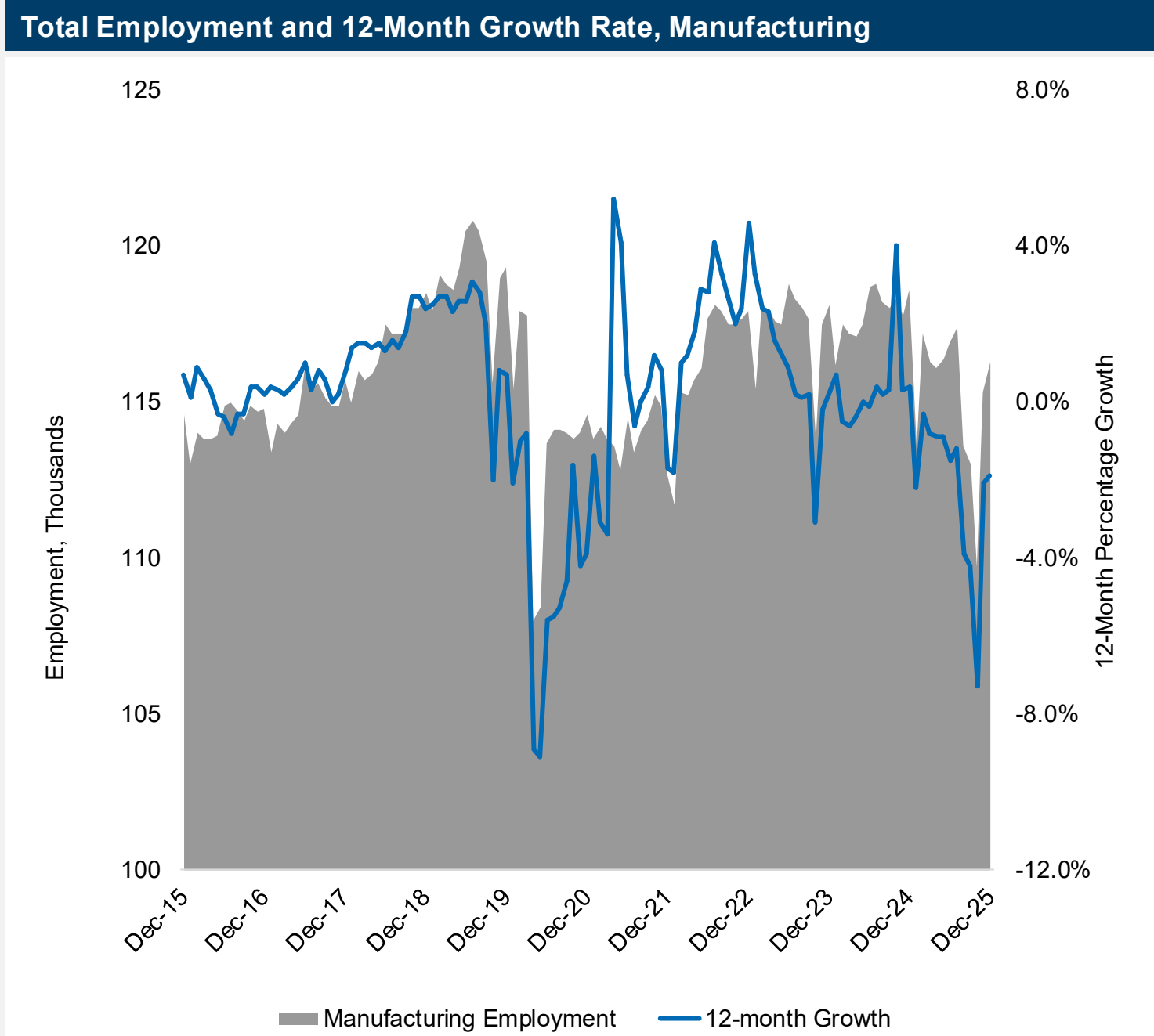
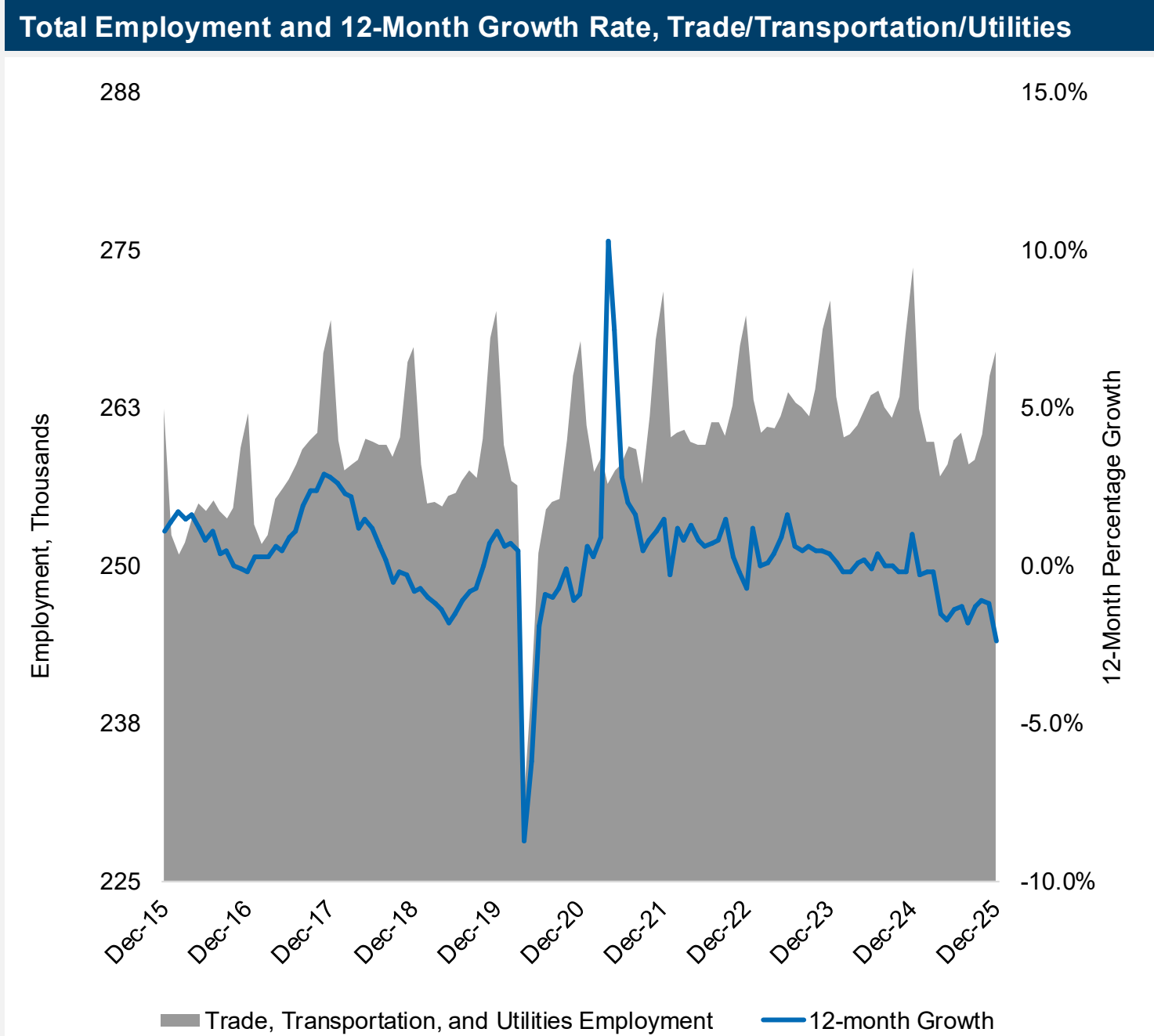
Construction and Leisure/Hospitality Sectors Lead Regional Job Gains

Due to a lapse in appropriations in the BLS, the collection of select data points has been delayed at the local or national level. The Construction sector led regional annual job growth, followed by Leisure/Hospitality. The Information and Trade/Transportation/Utilities sectors posted the largest job losses, with declines of 3.5% and 2.4%, respectively. Two out of three industrial-occupying industries, reported annual job losses.



Industrial Employment Falls Below Pre-Pandemic Levels

Due to a lapse in appropriations in the BLS, the collection of select data points has been delayed at the local or national level. 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.



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

02

Leasing Market Fundamentals

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Market Overview

Market Overview			
	2017	2018	2019
Total Inventory (sq ft)	200,000	200,000	200,000
Leasing Rate	5%	5%	5%
Leasing for Absorption (sq ft)	1,000,000	1,000,000	1,000,000
Average Leasing Rate (2017-2019)	5%	5%	5%
Total Construction (sq ft)	1,000,000	1,000,000	1,000,000
Inventory (sq ft)	0	0	0



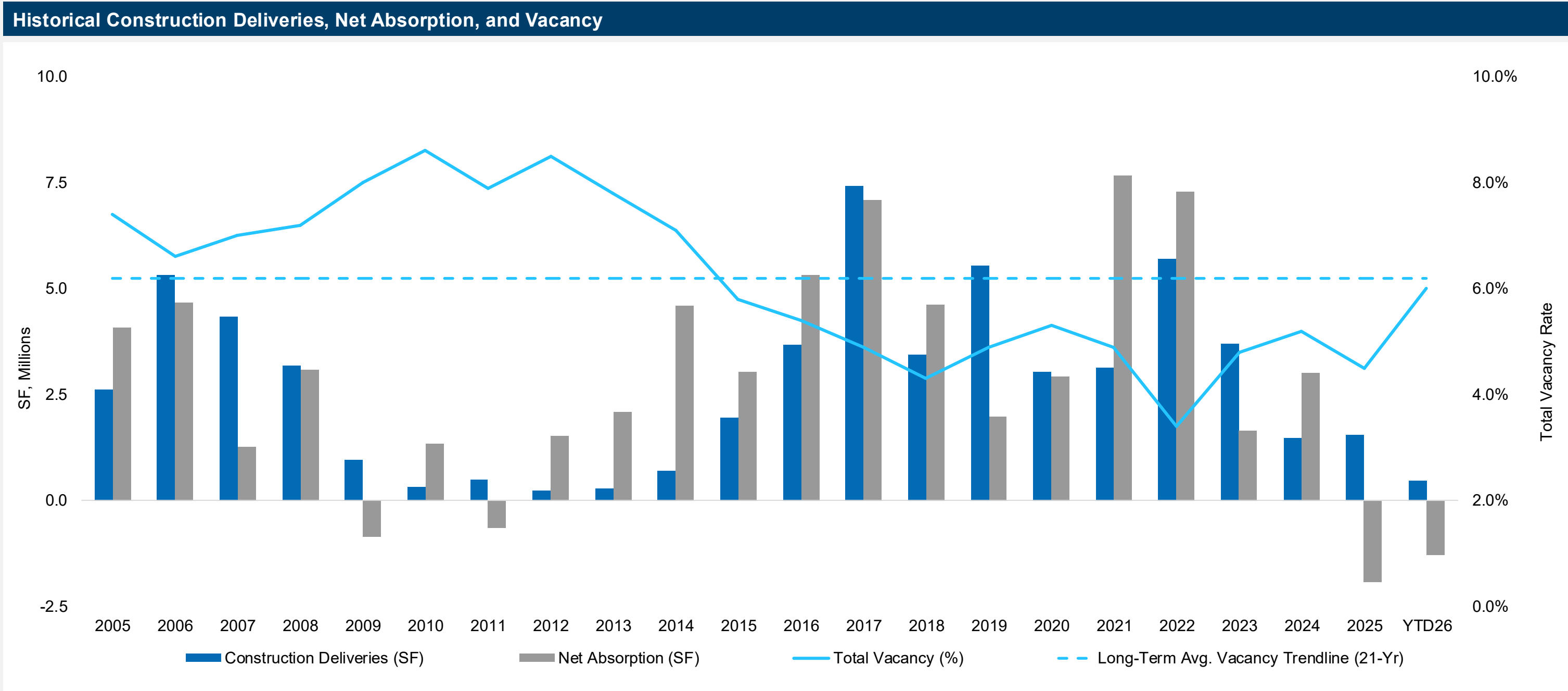
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Market Overview			
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Total Construction (sq ft)	1,000,000	1,000,000	1,000,000
Inventory (sq ft)	0	0	0



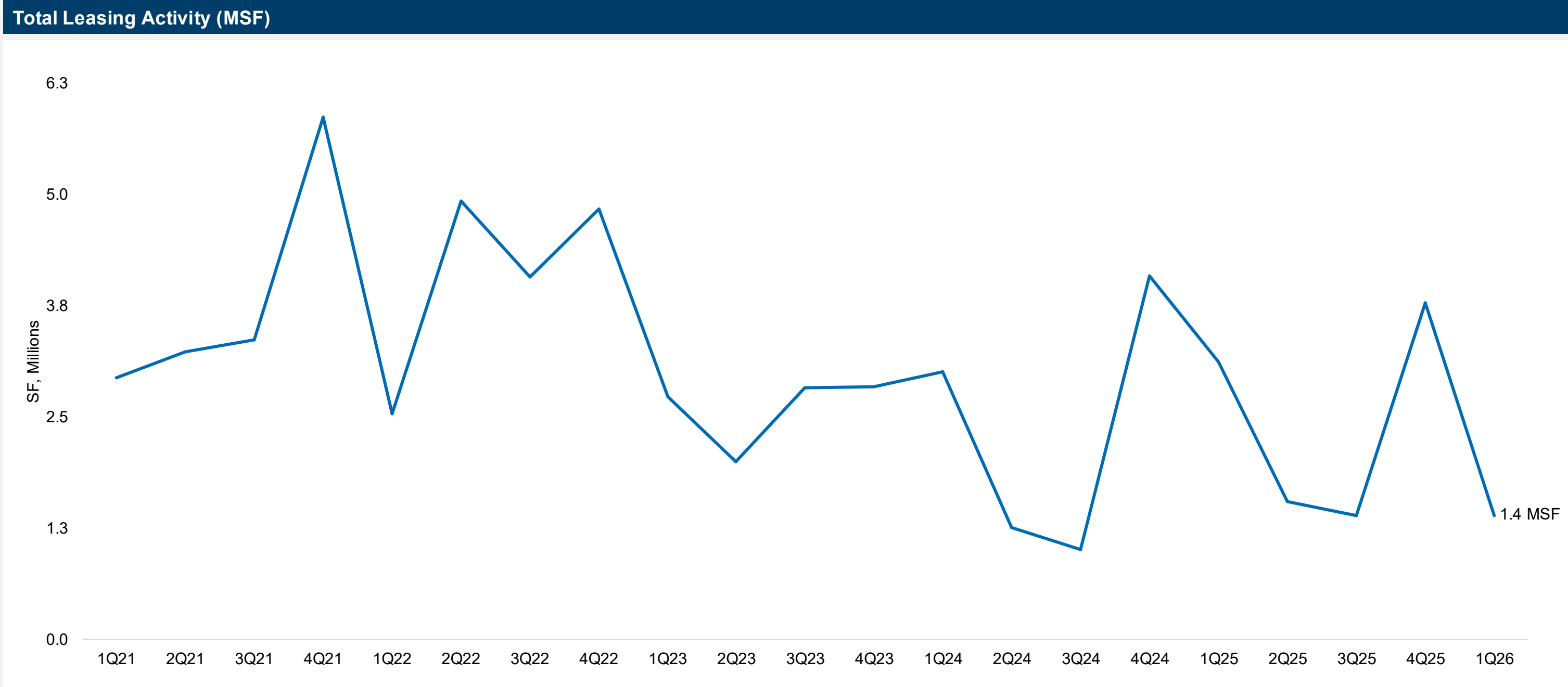
Leasing Activity Is Expected To Accelerate In The Second-Half Of 2026

Vacancy increased by 1.5% year over year to 6.0% as bulk space tenants reassessed their space requirements, especially in the Metro East submarket. Over the past five years, developers in the local market have adjusted with most new deliveries being build-to-suit projects. Leasing activity is expected to accelerate in the second-half of 2026, marking a shift from earlier tenant caution to above-average activity in the mid- and large-sized industrial segment.



Industrial Leasing Activity Decelerates To 1.4 Million SF

Industrial space demand totaled 1.4 million SF in the first quarter of 2026. In 2024 and 2025, 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 2026.



Class A Warehouse Leasing Percentage Registers 56.1% In Year-To-Date 2026

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. As of the first quarter of 2026, Class A warehouse leasing accounted for 56.1% of overall activity; a significant increase from the pre-pandemic average of 44.8% recorded between 2015 and 2019.



Metro East Vacancy Rises To 10.0%

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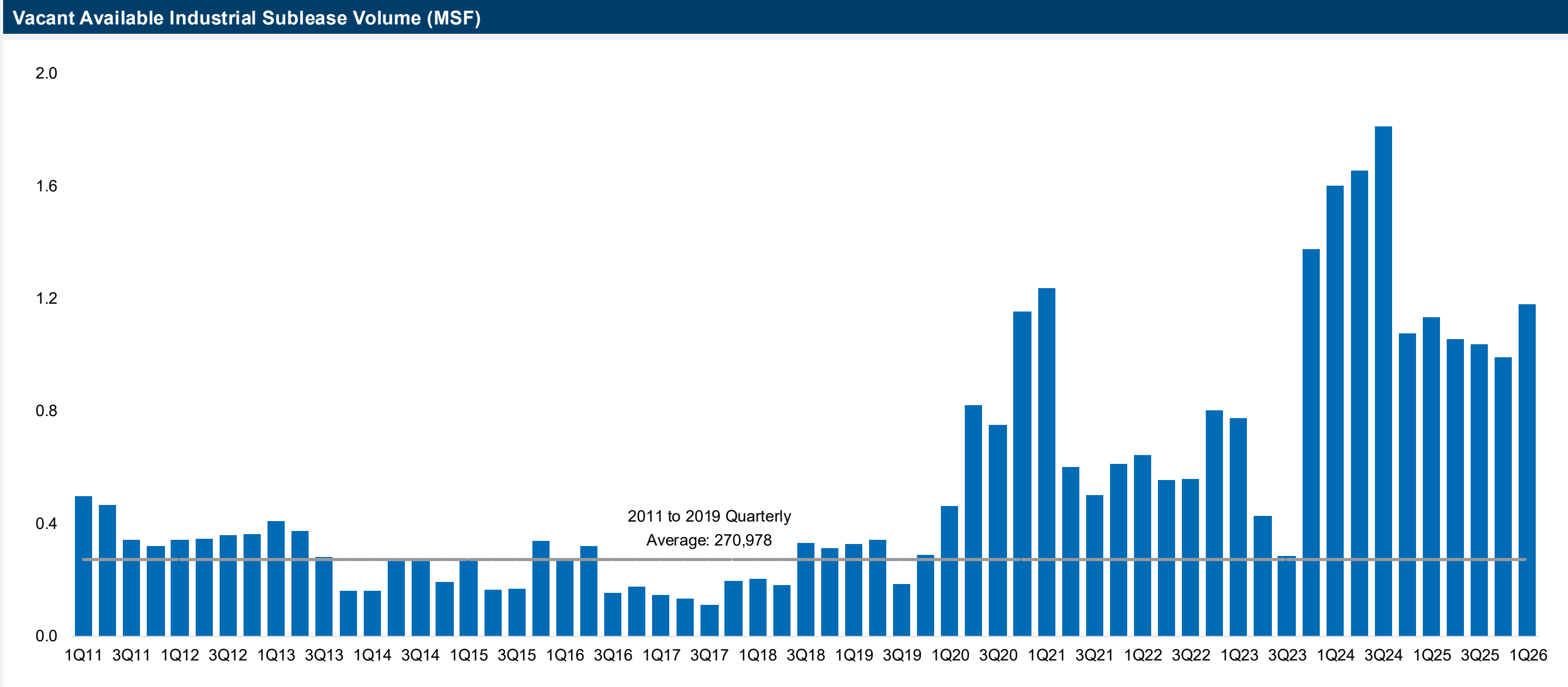


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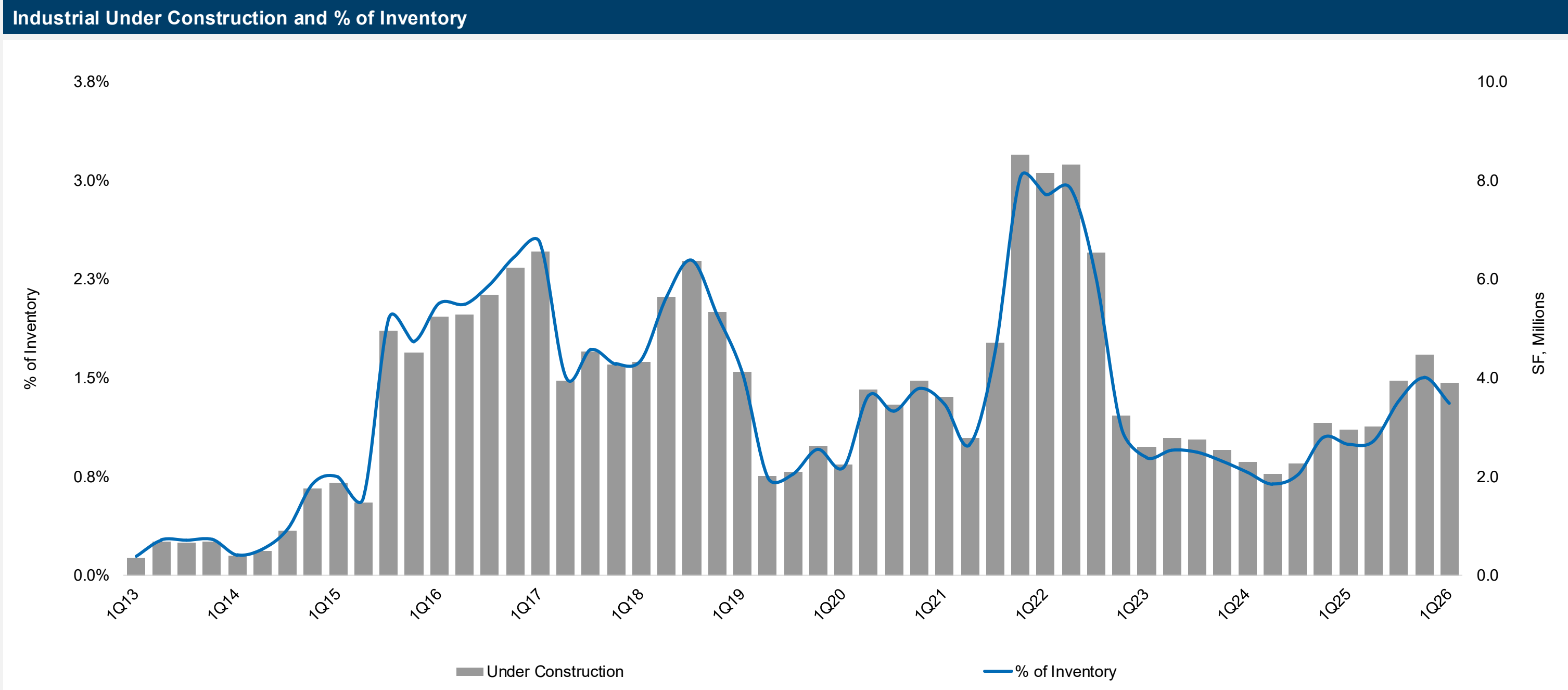
Vacant Sublease Availability At 1.2 MSF; Only 0.4% Of Market

Vacant sublease availability has declined from a peak of 1.8 million SF in the third quarter of 2024 to 1.2 million SF in the first quarter of 2026. Sublease additions are projected to range between 1.0 million SF and 1.5 million SF in 2026. Vacant sublease space remains limited, representing just 0.4% of the St. Louis market, well below levels seen in other U.S. markets.



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 3.9 million SF. Build-to-suit projects account for 89% of current development. Speculative construction is expected to remain limited in 2026; however, developers are reevaluating paused projects and analyzing potential land positions as leasing activity for mid-sized users gains momentum.



Limited Speculative Construction Focused On Small- And Midsized Facilities

The speculative construction market has continued to contract, driven by elevated construction financing costs. Limited stock, speculative projects are expected to drive an overall shift in construction activity towards the non-speculative market, as well as support the building of 100,000-200,000 sq ft of non-speculative space in 2024. These developments will likely increase energy capacity, advanced manufacturing capabilities, and help meet needs to meet existing needs requirements.

Speculative Construction by Facility Type

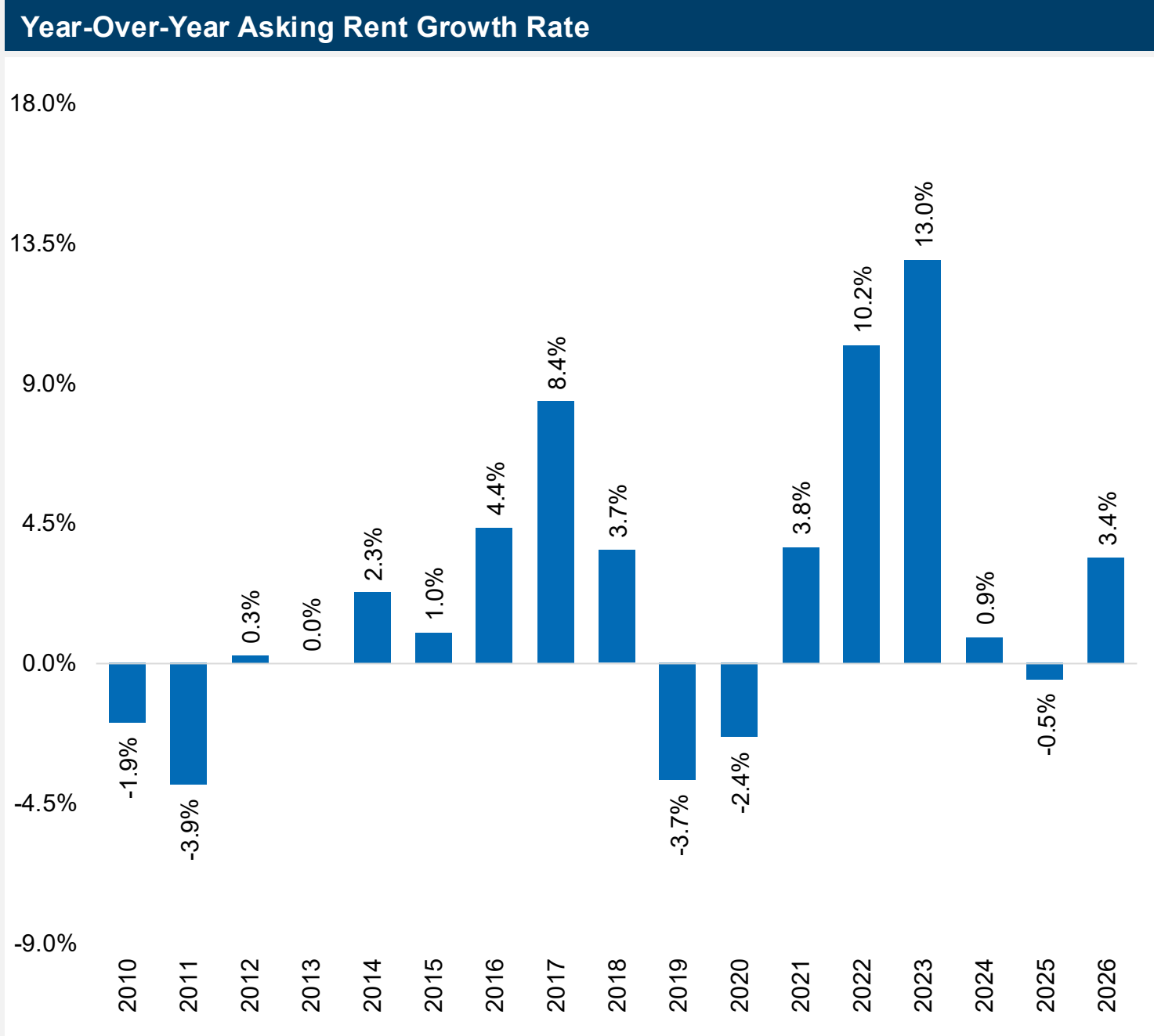
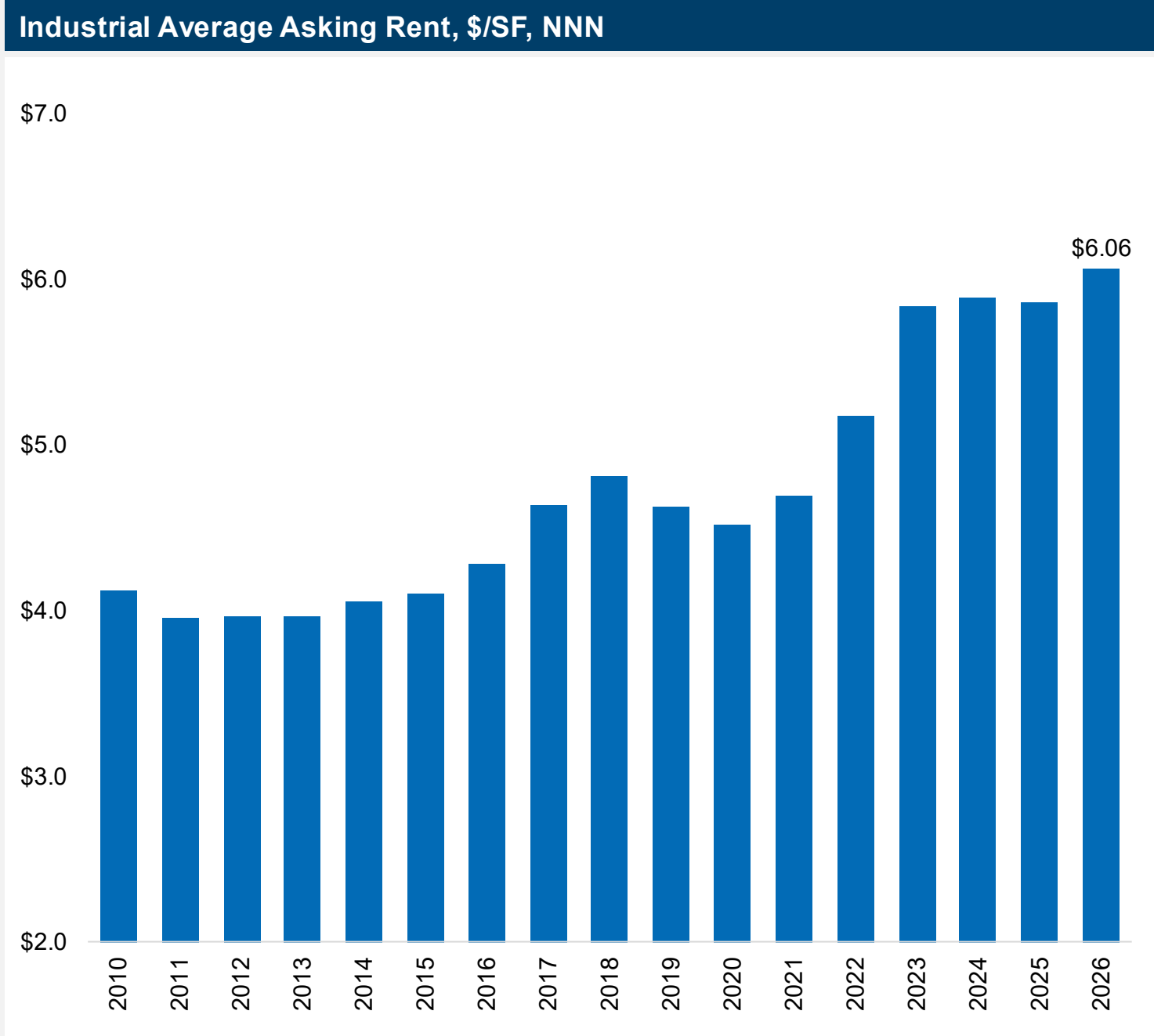


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Record Industrial Asking Climb To \$6.06/SF

Aggregate rental rate growth reached a record 34.1% in the past six years. However, limited new deliveries, a slower leasing pace, and landlord liquidity constraints for funding elevated concession packages kept rental rates steady during the past three years, climbing 3.8% in the aggregate. Asking rental rate growth is expected to range from 2.25% to 3.5% in 2026.



Class A Bulk Warehouse Rents Increase To \$6.12/SF

The Class A bulk warehouse market continues to show strong demand, with rents increasing to \$6.12/SF as of the third quarter of 2023. This increase is driven by a combination of factors, including a tight supply of new construction, rising construction costs, and a steady flow of new leases. The market is expected to remain strong through 2024, with rents likely to continue to rise.

Class A Bulk Warehouse Rents by Market

Market	Q3 2023 Rent (\$/SF)
Atlanta	5.85
Chicago	6.00
Dallas	6.12
Denver	5.90
Houston	5.75
Los Angeles	6.20
Miami	5.60
Minneapolis	5.80
New York	6.05
Phoenix	5.95
Portland	5.70
San Francisco	6.30
Seattle	6.00
Wash. DC	5.90

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1Q26 Notable News & Leasing Activity

The market recorded negative 3.5 million SF of net absorption in the past four quarters, compared to 906,740 SF of new deliveries during the same period. Leasing activity in 2026 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 6.5 million SF in North County, 2.5 million SF in St. Charles County, and 2.2 million SF in Metro East, supported by strong leasing momentum and competitive rental rates.

Select News & Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
U.S. AutoForce	422 Hazelwood Logistics Center Drive	North County	Direct New	270,980
<i>U.S. AutoForce signed a lease for 270,980 SF at the 421,800-SF multi-tenant Hazelwood Logistics Center II located in Hazelwood, MO. The automotive tire, parts and lubricant distributor will begin occupying the space in July 2026.</i>				
Golterman & Sabo (G&S Architectural Products)	415 Axminister Drive	South County	Direct New	168,430
<i>Golterman & Sabo (G&S Architectural Products) signed a five-year lease for 168,430 SF of the 250,500-SF multi-tenant building located at 415 Axminister Dr. in Fenton, MO. The firm will begin occupying the space in October 2026. Space was offered at a published asking rate of \$6.95/SF prior to leasing.</i>				
Odyssey Logistics	20-36 Commerce Center Drive	St. Charles County	Direct New	123,590
<i>Odyssey Logistics signed a lease for 123,590 SF of the 247,180-SF multi-tenant West 70 Commerce Center III located in O'Fallon, MO. The firm will begin occupying the space in July 2026.</i>				
AIT Worldwide Logistics	13201-13221 Corporate Exchange Drive	North County	Direct New (Expansion)	104,560
<i>AIT Worldwide Logistics signed a lease for an additional 104,560-SF expansion space at 13201-13221 Corporate Exchange in Bridgeton, MO. The firm will now occupy a total of 332,820 SF of the 448,975-SF multi-tenant facility.</i>				
Acosta	3100-3144 Corporate Exchange Court	North County	Direct New	96,480
<i>Acosta signed a lease for 96,480 SF of the 259,990-SF building located at 3100-3144 Corporate Exchange Ct. in Bridgeton, MO.</i>				

03

Submarket Statistics

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Submarket Statistics

1Q26 (Page 1 of 3)

Submarket Statistics – All								
Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	WH/Dist Asking Rent (Price/SF)	R&D/Flex Asking Rent (Price/SF)	Total Asking Rent (Price/SF)
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Submarket Statistics

1Q26 (Page 2 of 3)

Submarket Statistics – Warehouse, Flex, All						
Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Total Asking Rent (Price/SF)
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Submarket Statistics

1Q26 (Page 3 of 3)

Submarket Statistics – Warehouse, Flex, All						
Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	Past 4 Qtrs Net Absorption (SF)	Total Asking Rent (Price/SF)
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