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# *2Q26 St. Louis Industrial Market:* Market Overview

2Q26

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# St. Louis Market Observations

## Labor Markets

- The region's labor market remained flat as macroeconomic conditions shifted. May's unemployment rate registered 4.0%, 30 basis points below the national average of 4.3%.
- Year-over-year, job growth was strongest in the Construction sector, followed by Education and Health. Financial Activities and Leisure and Hospitality sectors 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: Trade/Transportation/Utilities by negative 0.3% and Manufacturing by negative 1.8%.

## Leasing Market Fundamentals

- The market loosened with negative 234,886 SF of net absorption recorded during the quarter, bringing the past four-quarter total to negative 2.5 MSF. The negative absorption in the past three 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 4.1 MSF, with 88% consisting of build-to-suit (BTS) projects. Speculative construction is expected to remain modest in 2026.
- Vacancy climbed 120 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

- Eaton Corporation signed a lease for 392,200 SF of space at the 812,000-SF former Dial Distribution Center in Edwardsville, IL.
- TTi Logistics signed a lease for 123,000 SF of the 542,600-SF multi-tenant building in the Earth City Trade Center located at 13330 Lakefront Dr. in Earth City, MO.
- ProPak Logistics signed a lease for 89,000 SF of the 443,000-SF multi-tenant building located at 12949 Enterprise Way in Bridgeton, MO.
- Guarantee Electrical Company signed a lease for 86,800 SF of the 200,200-SF multi-tenant Westgate 200 building in Fountain Lakes Commerce Center located in St. Charles, MO.
- Axis Portable Air signed a lease for 22,000 SF of the 48,400-SF building located at 500-550 Corporate Hills Dr. in St. Charles, 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 5.7% to 6.1% 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 3.0% to 4.0%.

# Table of Contents

# 01

# Economy

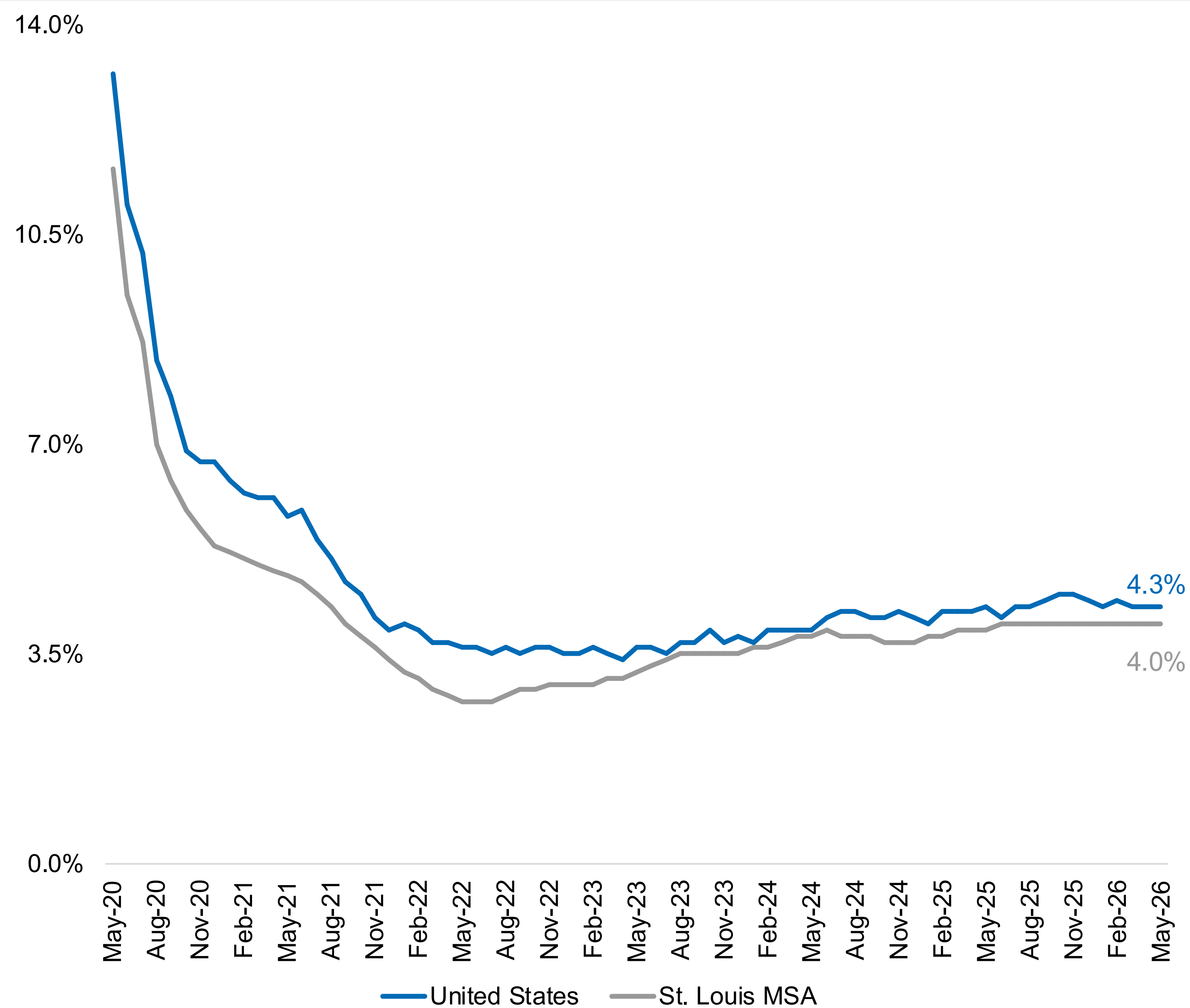
2Q26 ST. LOUIS INDUSTRIAL MARKET OVERVIEW



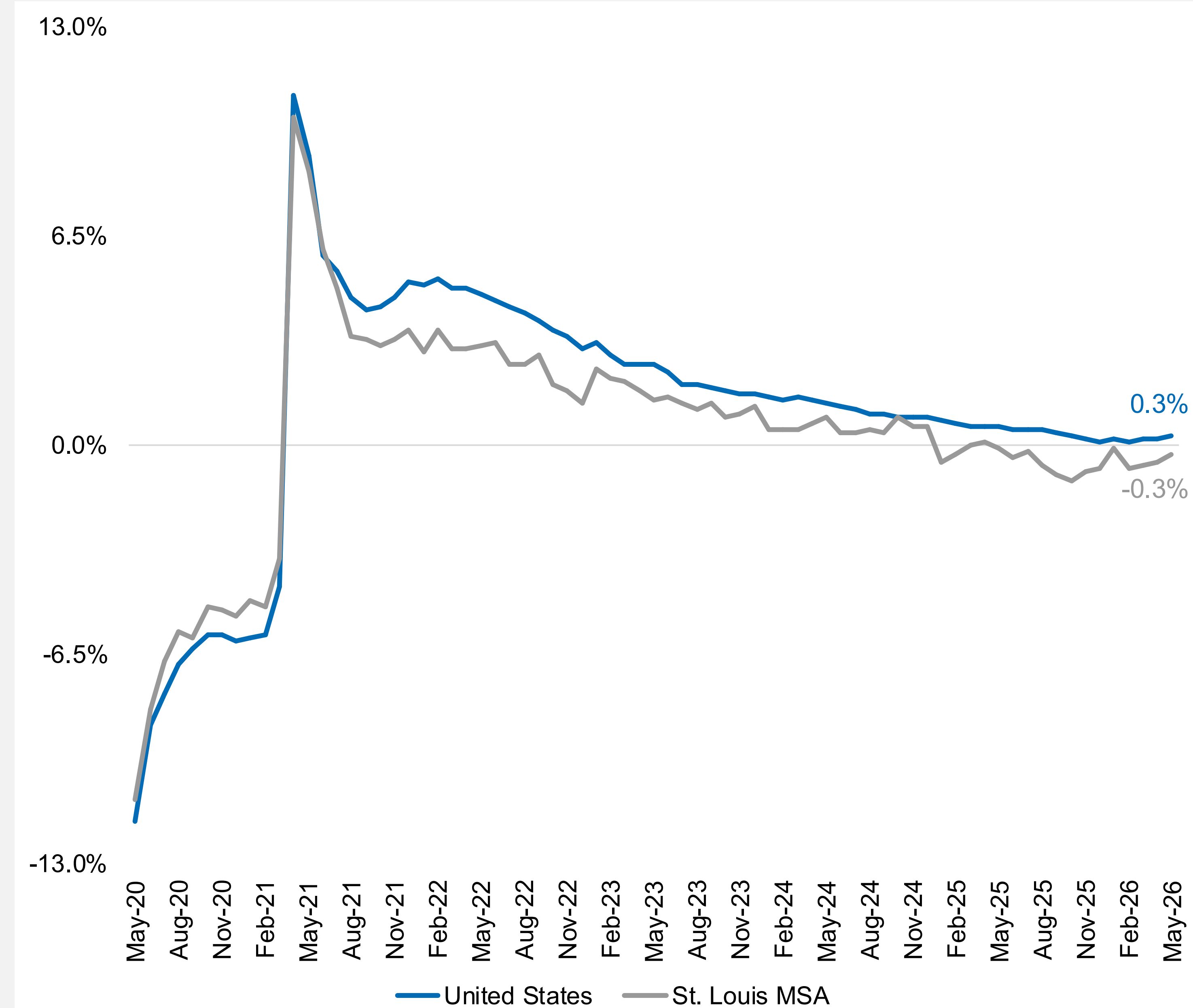
# Metro Employment Unemployment Rate Below National Average

The St. Louis region's labor market remained flat with unemployment registering 4.0% in May 2026. The regional unemployment rate now stands 30 basis points below the national average, signaling comparative economic strength. Nonfarm payroll employment year-over-year percentage change in the region is below the national average at negative 0.3%. According to the Kansas City Fed Labor Market Conditions Indicators, activity in the quarter declined from 0.17 to 0.12, while momentum decreased from 0.02 to 0.01 in May 2026.

## Unemployment Rate, Non-Seasonally Adjusted




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

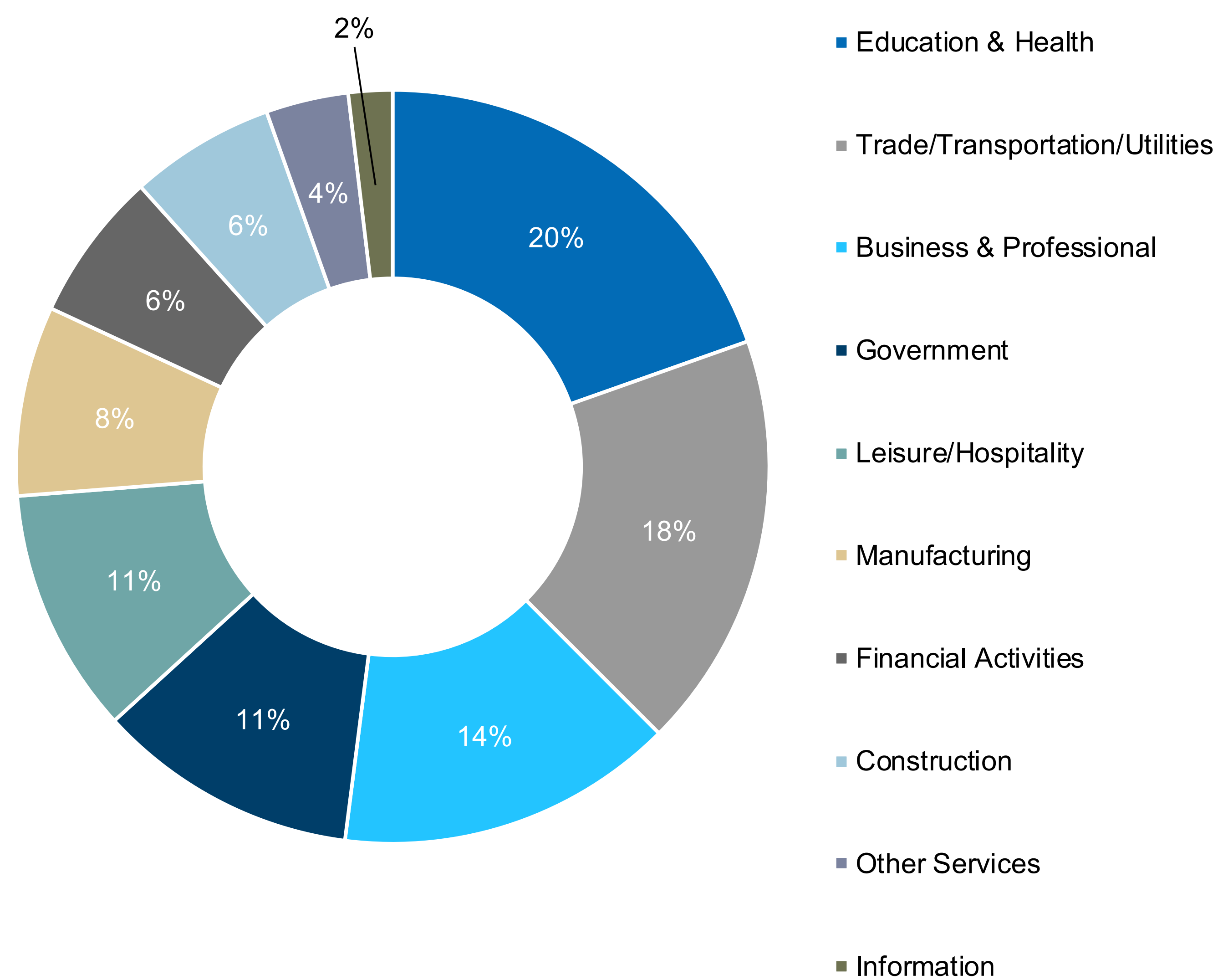



Source: U.S. Bureau of Labor Statistics, Newmark Research, FRED

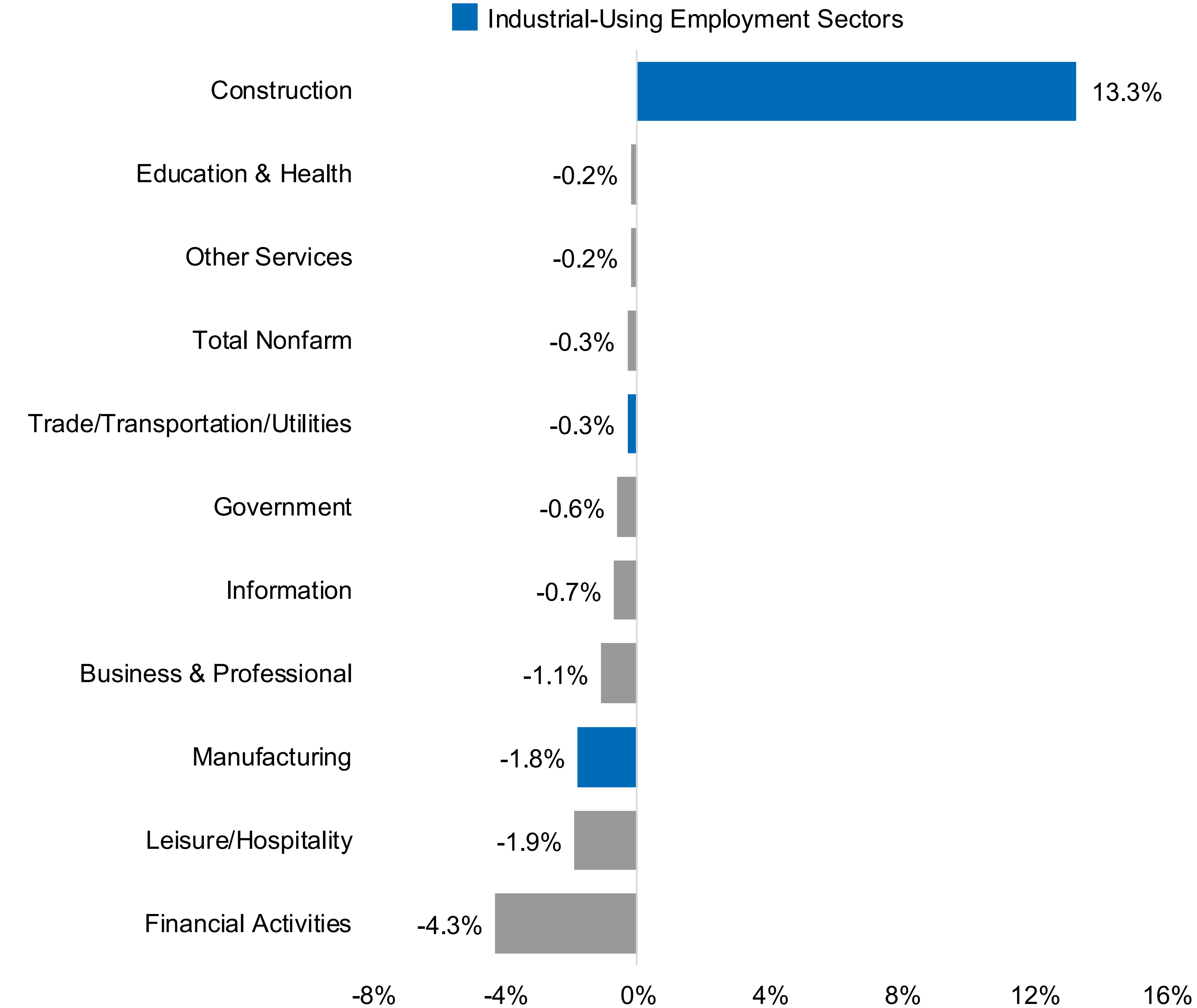
# Construction And Education/Heath Sectors Lead Regional Job Gains

The Construction sector led regional annual job growth, followed by Education and Health. The Financial Activities and Leisure/Hospitality sectors posted the largest job losses, with declines of 4.3% and 1.9%, respectively. Two out of three industrial-occupying industries, reported annual job losses.

## Employment by Industry, May 2026




## Employment Growth by Industry, 12-Month % Change, May 2026

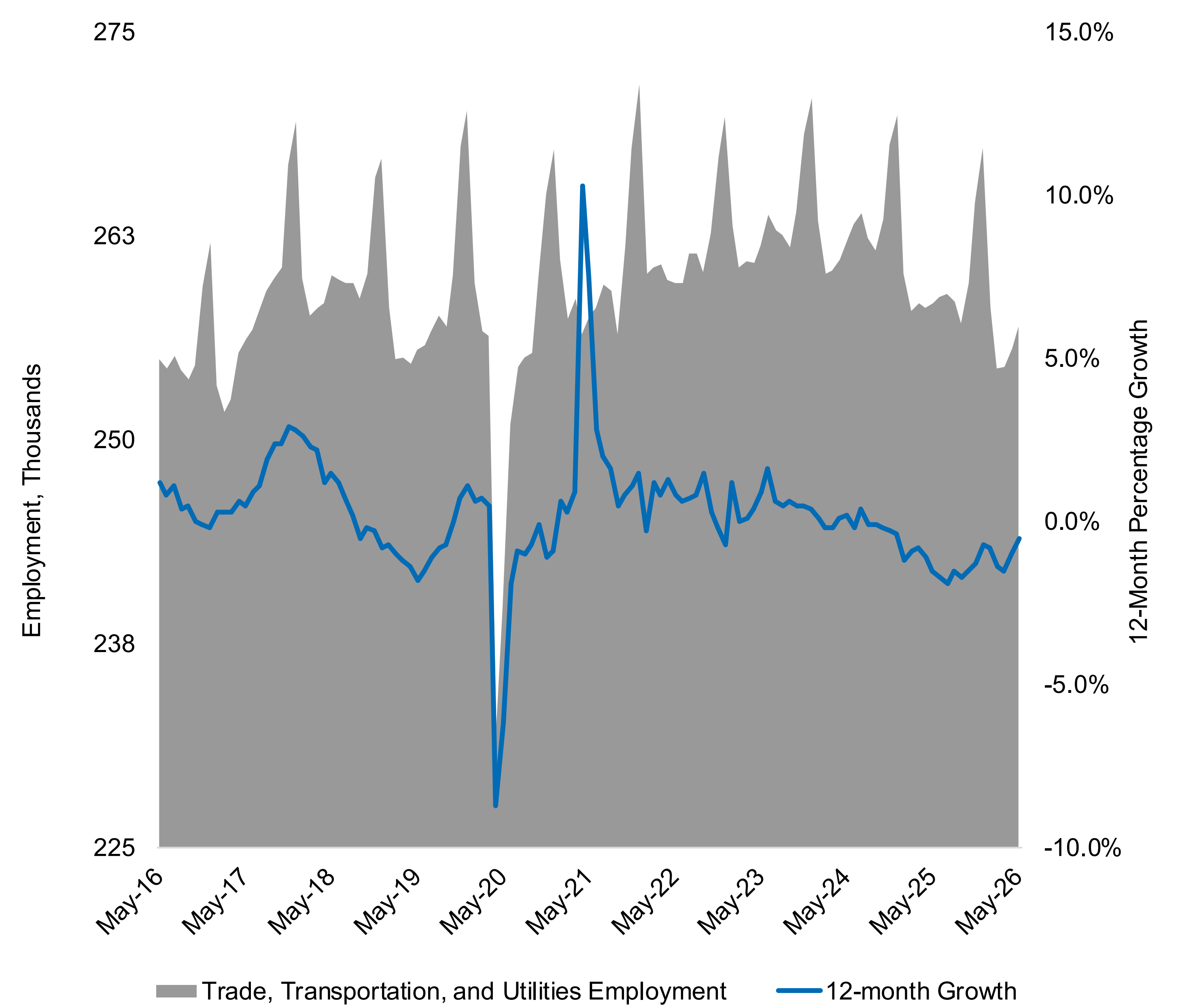



Source: U.S. Bureau of Labor Statistics, Newmark Research – St. Louis MSA

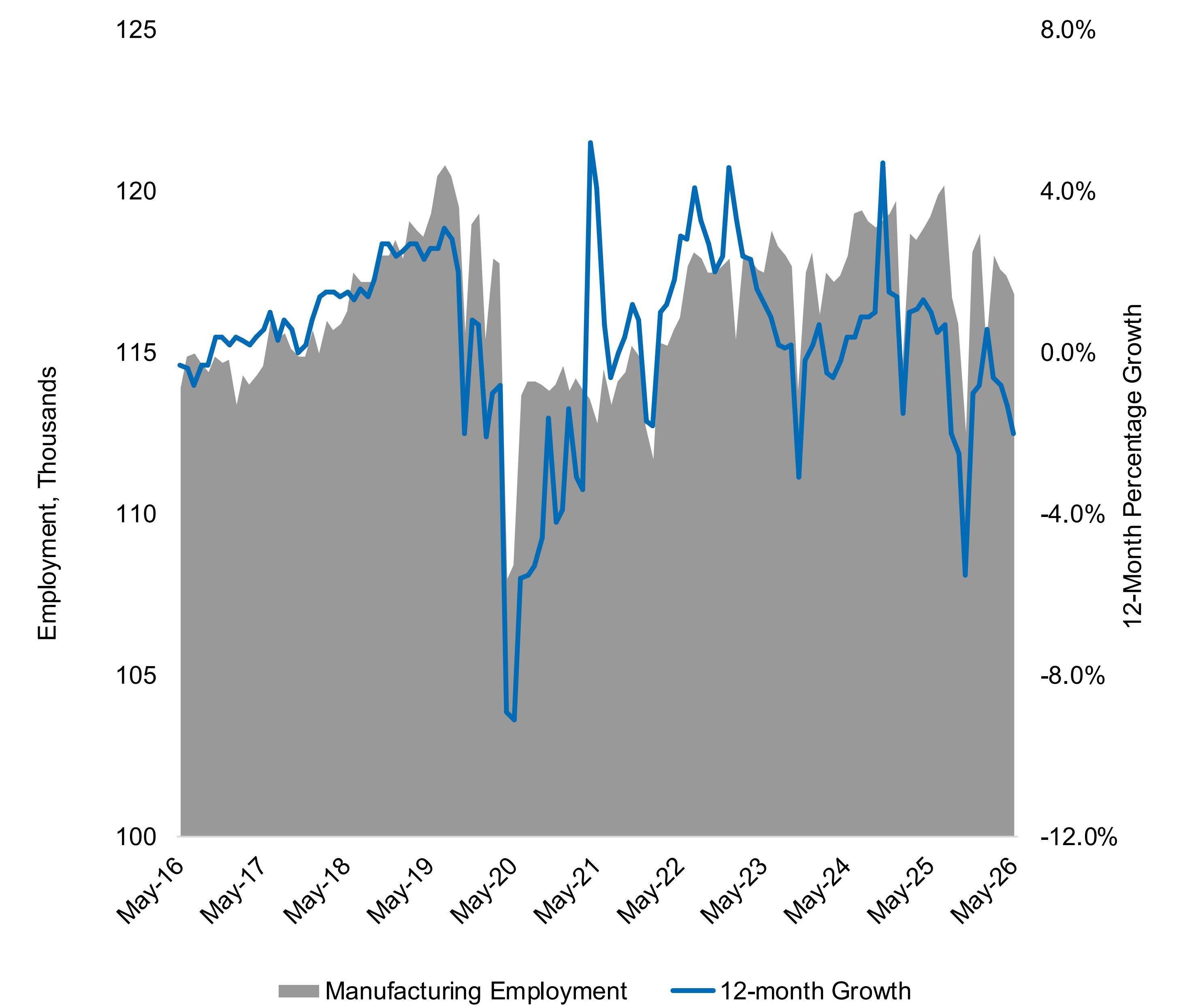
# Industrial Employment Falls Below Pre-Pandemic Levels

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

# 02

# Leasing Market Fundamentals





# Market Overview

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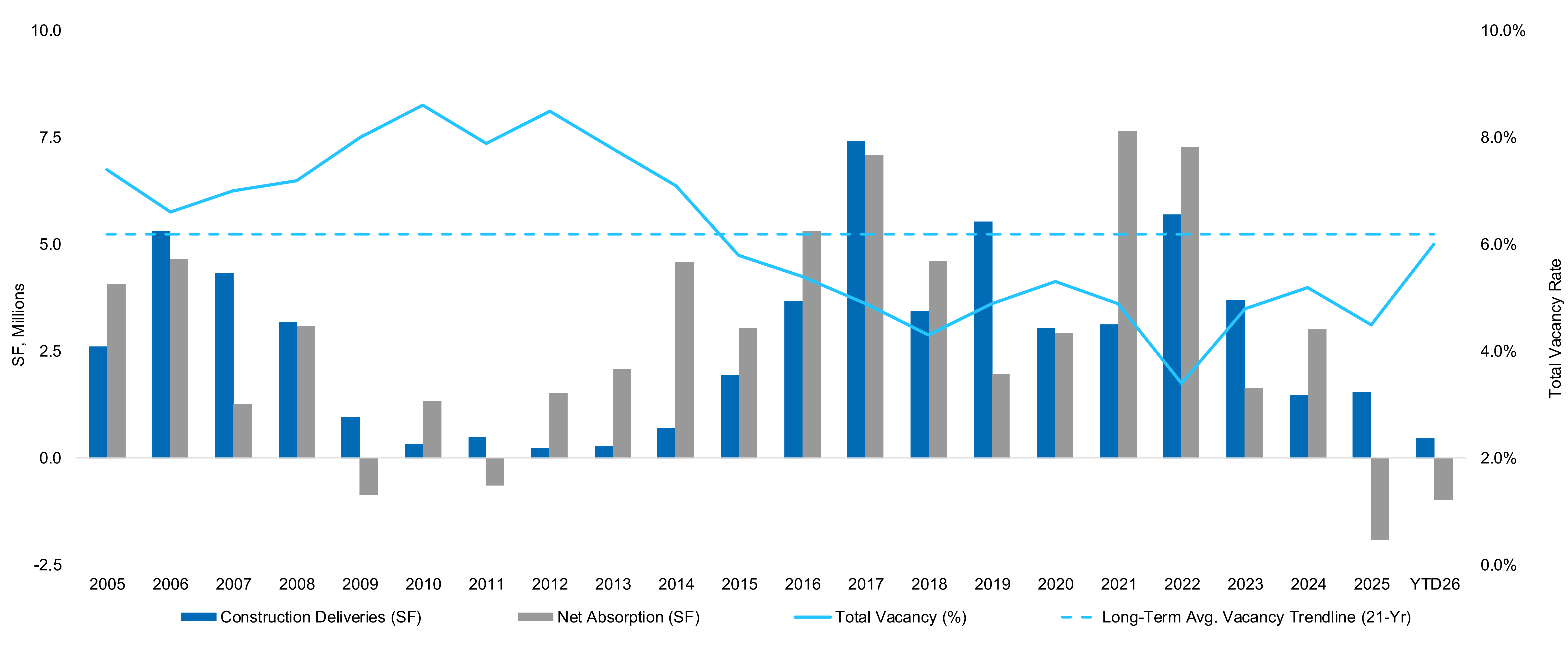
Source: Newmark Research, CoStar

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

Vacancy increased by 1.2% 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.

## Historical Construction Deliveries, Net Absorption, and Vacancy

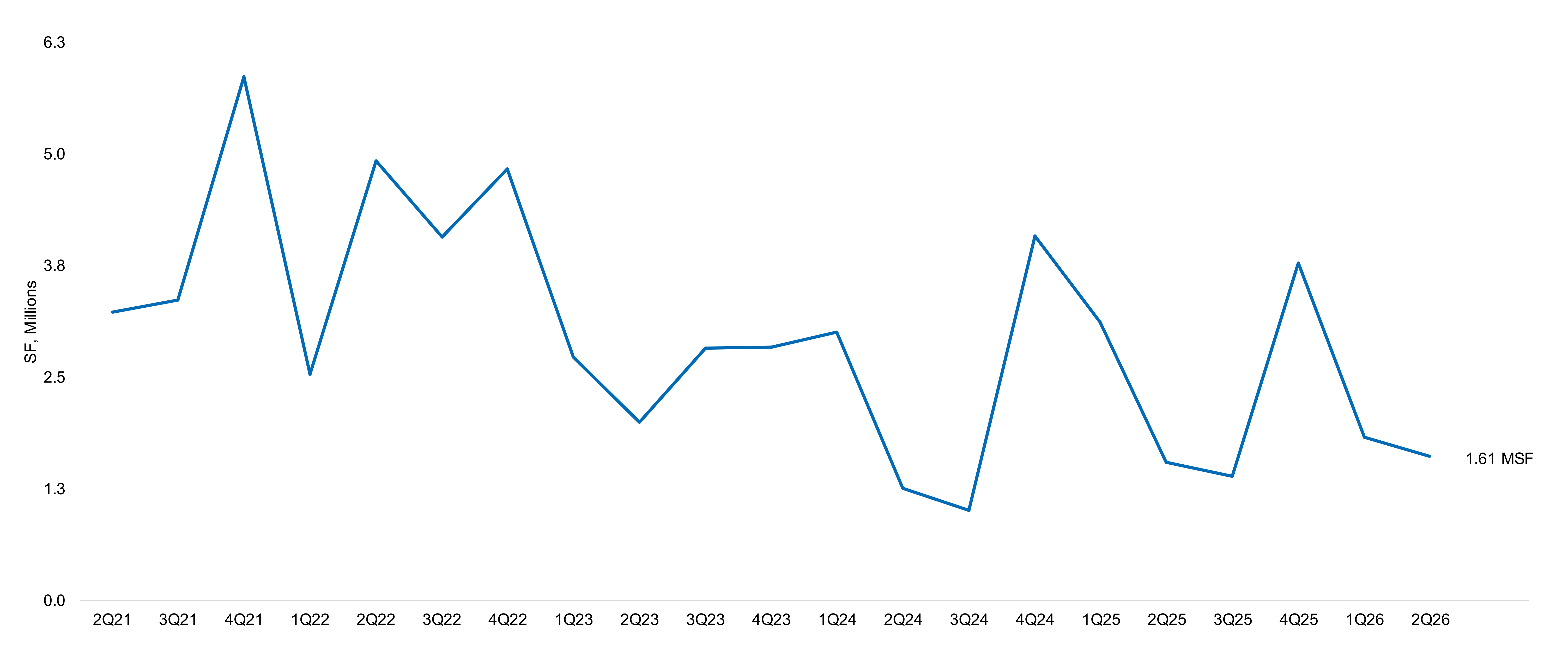



Source: Newmark Research, CoStar

# Industrial Leasing Activity Totals 1.6 Million SF In 2Q26

Industrial space demand totaled 1.6 million SF in the second quarter of 2026. In 2024 and 2025, activity in large bulk buildings slowed significantly, while midsized 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 second half of 2026.

**Total Leasing Activity (MSF)**

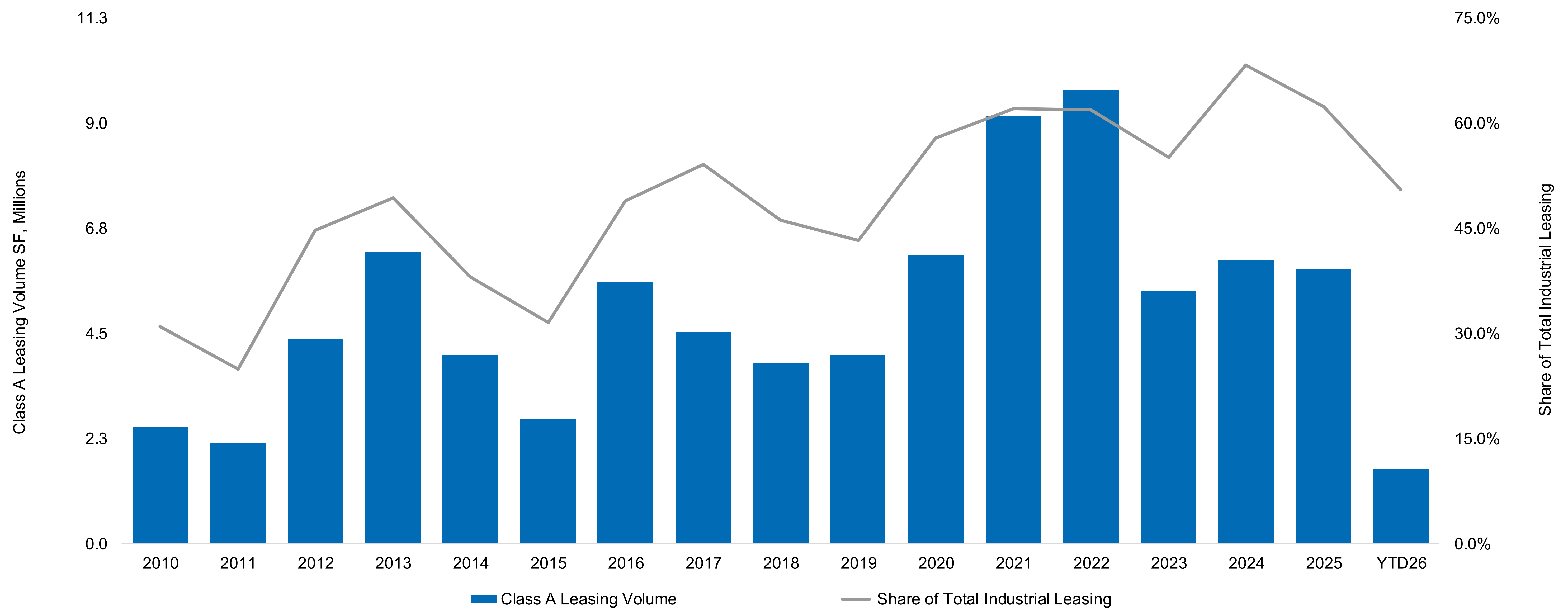



Source: Newmark Research, CoStar

# Class A Warehouse Leasing Percentage Registers 50.6% In Year-To-Date 2026

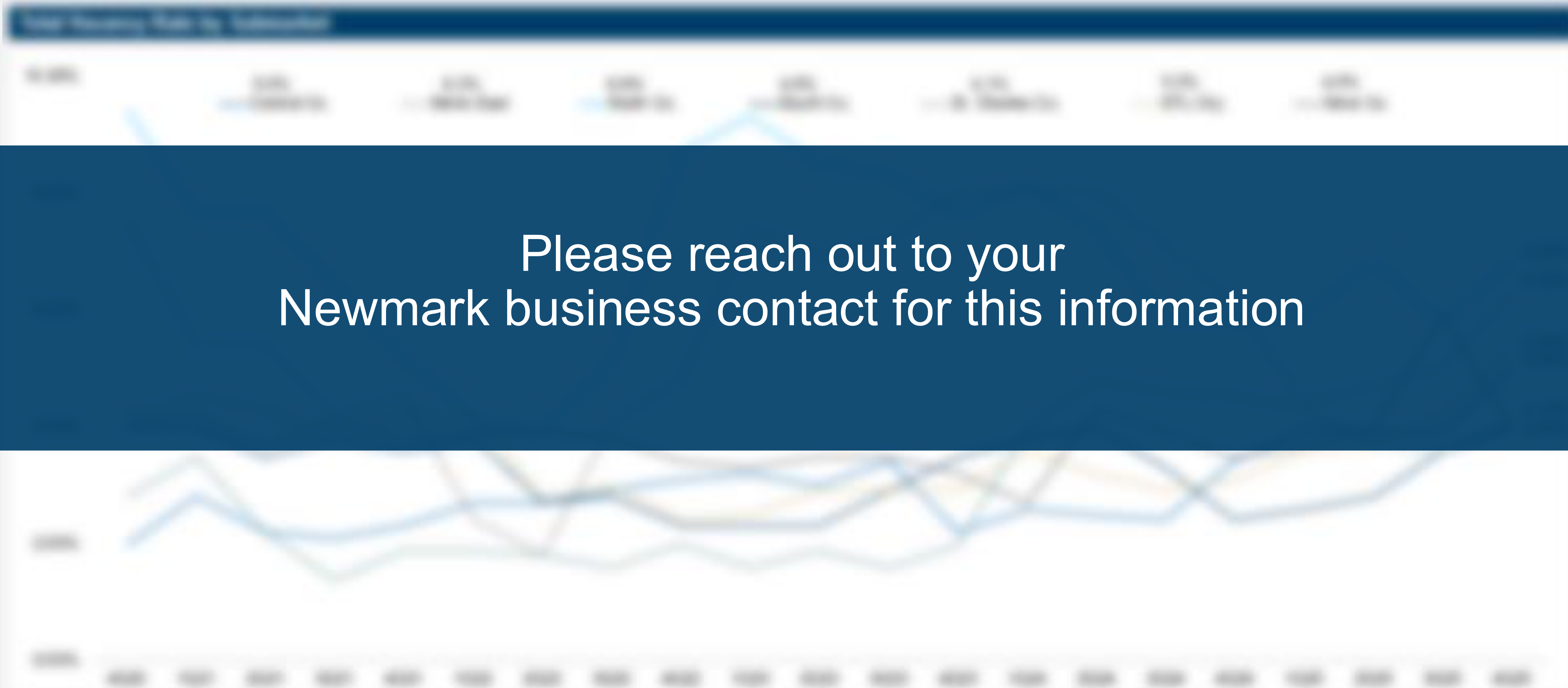
Secondary markets such as St. Louis have seen a slower developer response to rising occupier demand for modern Class A warehouse space. However, accelerated development over the past five years has driven notable growth in Class A leasing activity. As of the second quarter of 2026, Class A warehouse leasing accounted for 50.6% of overall activity; a significant increase from the pre-pandemic average of 44.8% recorded between 2015 and 2019.

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




Source: Newmark Research, CoStar

# North County And Metro East Submarkets Register 7.5%+ Vacancy Rates



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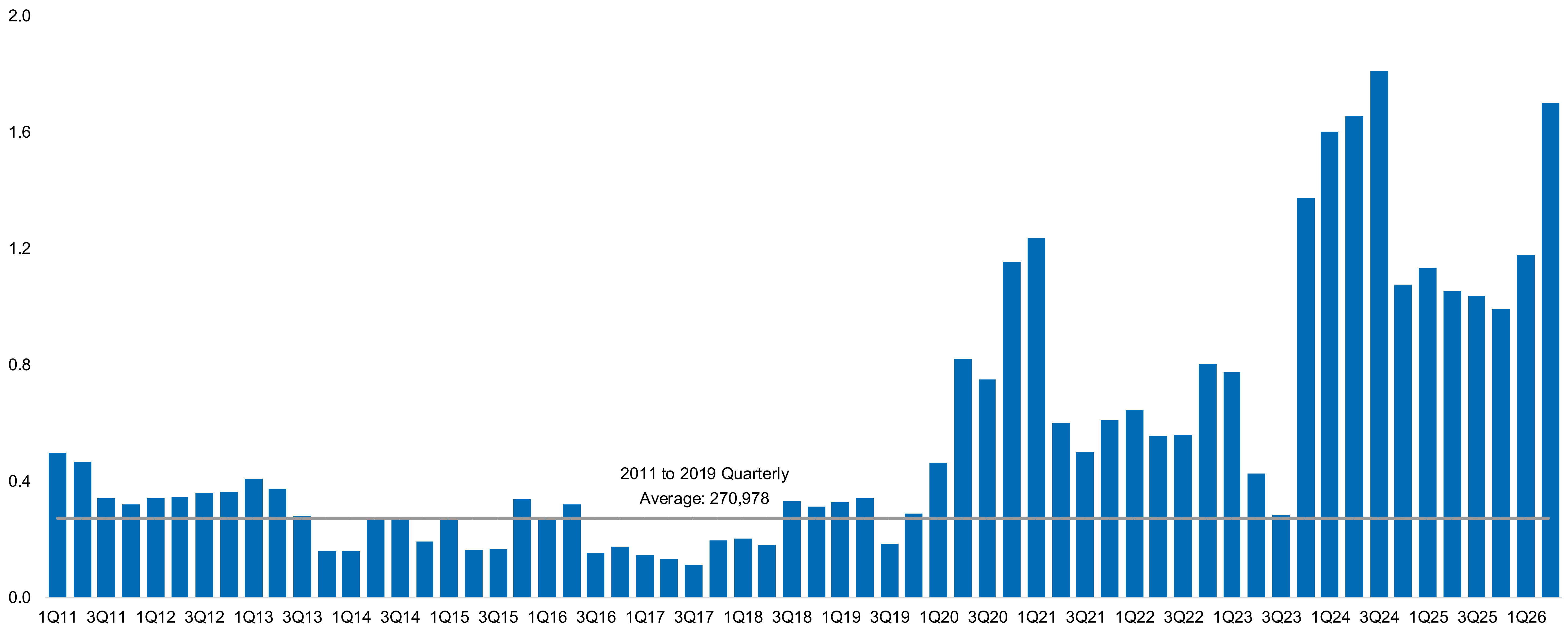
Source: Newmark Research, CoStar

# Vacant Sublease Availability At 1.7 MSF; Only 0.6% Of Market

Vacant sublease availability has declined from a peak of 1.8 million SF in the third quarter of 2024 to 1.7 million SF in the second quarter of 2026. Sublease additions are projected to range between 1.5 million SF and 1.7 million SF in the remainder of 2026. Vacant sublease space remains limited, representing just 0.6% of the St. Louis market, well below levels seen in other U.S. markets.

## Vacant Available Industrial Sublease Volume (MSF)

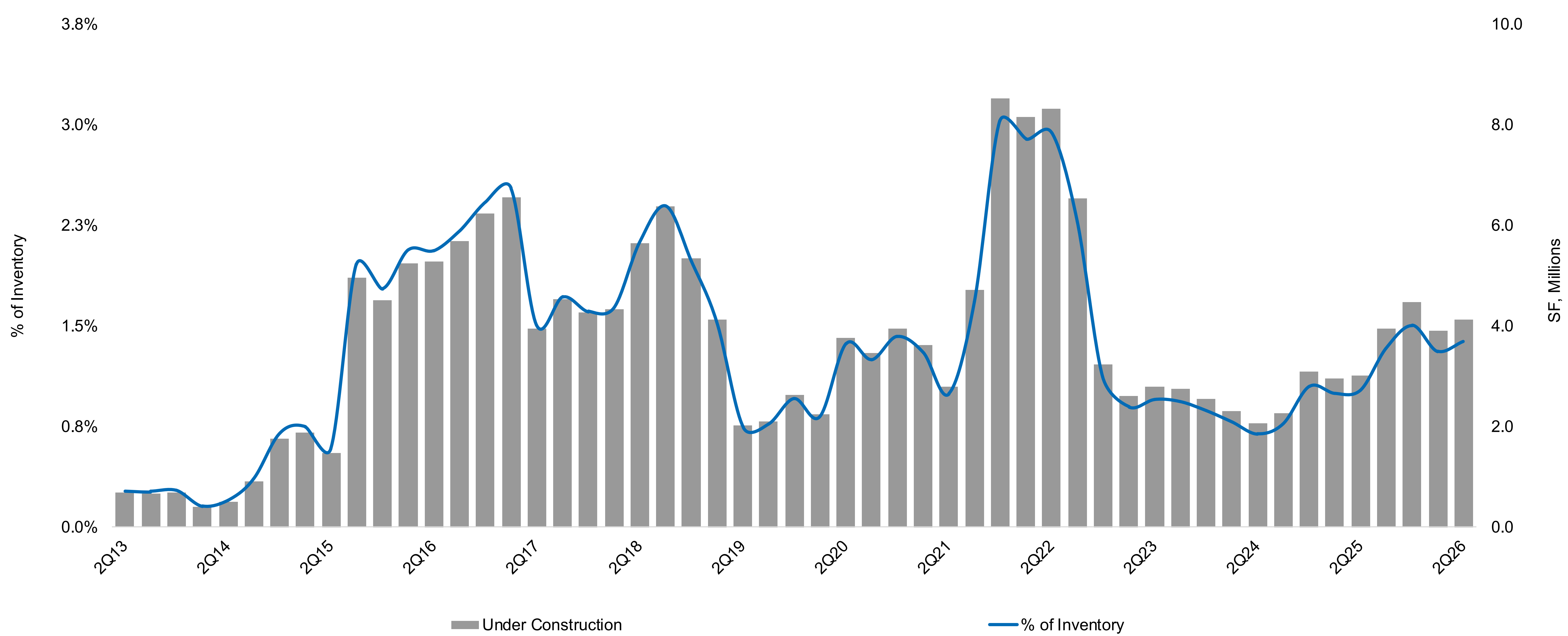



Source: Newmark Research, CoStar

# Industrial Supply Pipeline Dominated By Build-to-Suit Projects

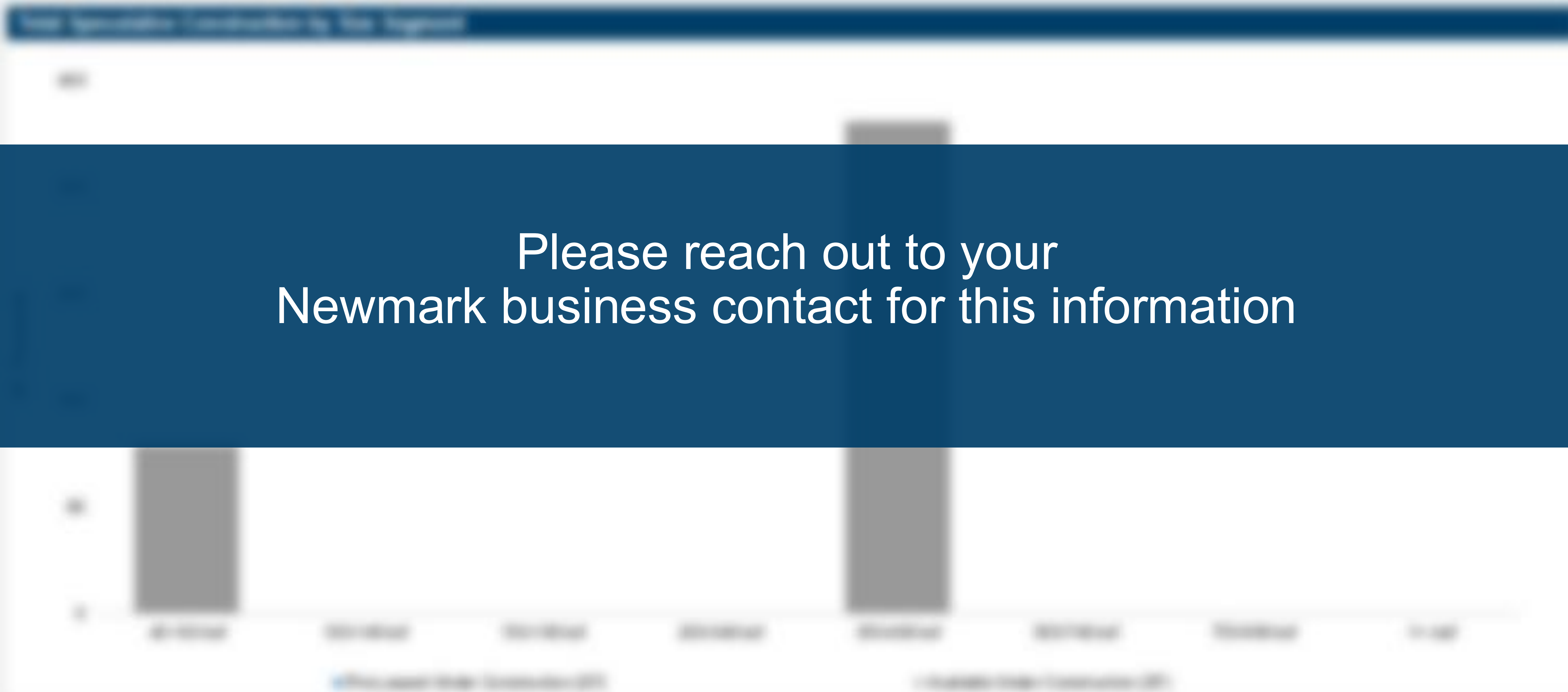
The industrial construction pipeline has declined significantly from its peak of 8.5 million SF in the fourth quarter of 2021, now totaling 4.1 million SF. Build-to-suit projects account for 88% of current development. Speculative construction is expected to remain limited in 2026; however, developers are reevaluating paused projects and analyzing potential land positions as leasing activity for mid-sized users gains momentum.

**Industrial Under Construction and % of Inventory**




Source: Newmark Research, CoStar

# Limited Speculative Construction Focused On Small- And Midsized Facilities



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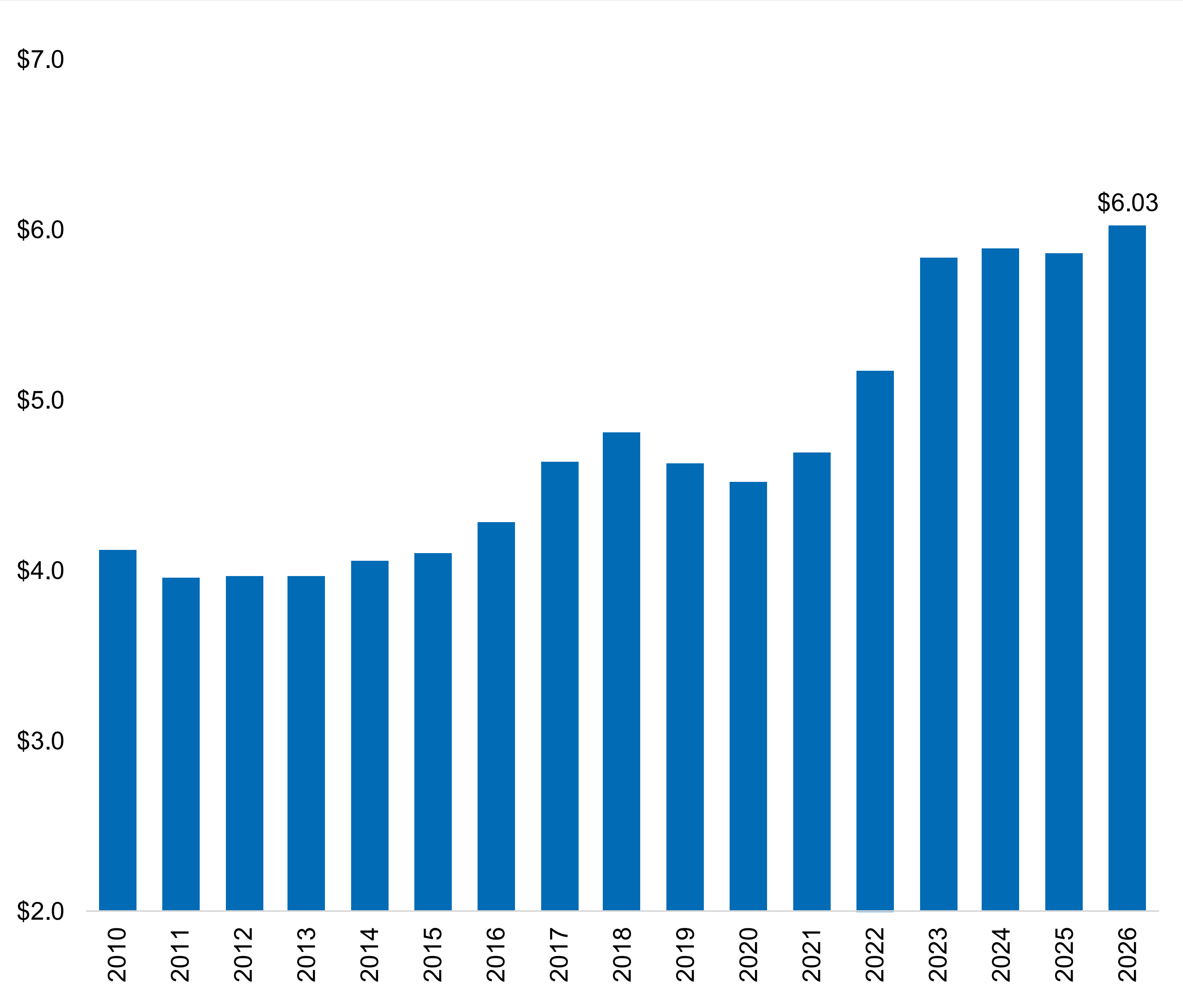
Source: Newmark Research, CoStar

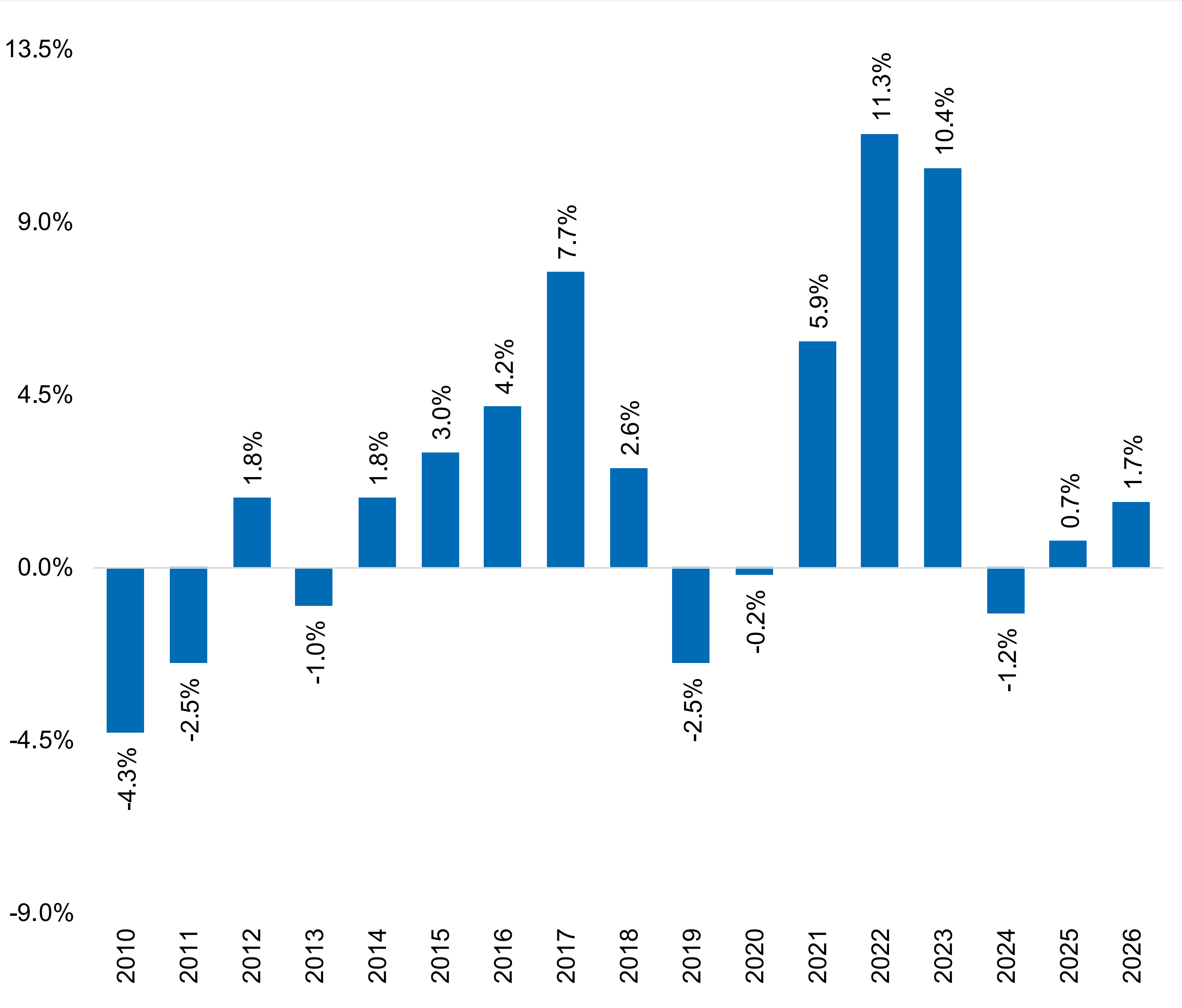
# Record Industrial Asking Climb To $6.03/SF

Aggregate rental rate growth reached a record 31.7% 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 1.2% in the aggregate. Asking rental rate growth is expected to range from 2.25% to 3.0% in 2026.

**Industrial Average Asking Rent, $/SF, NNN**

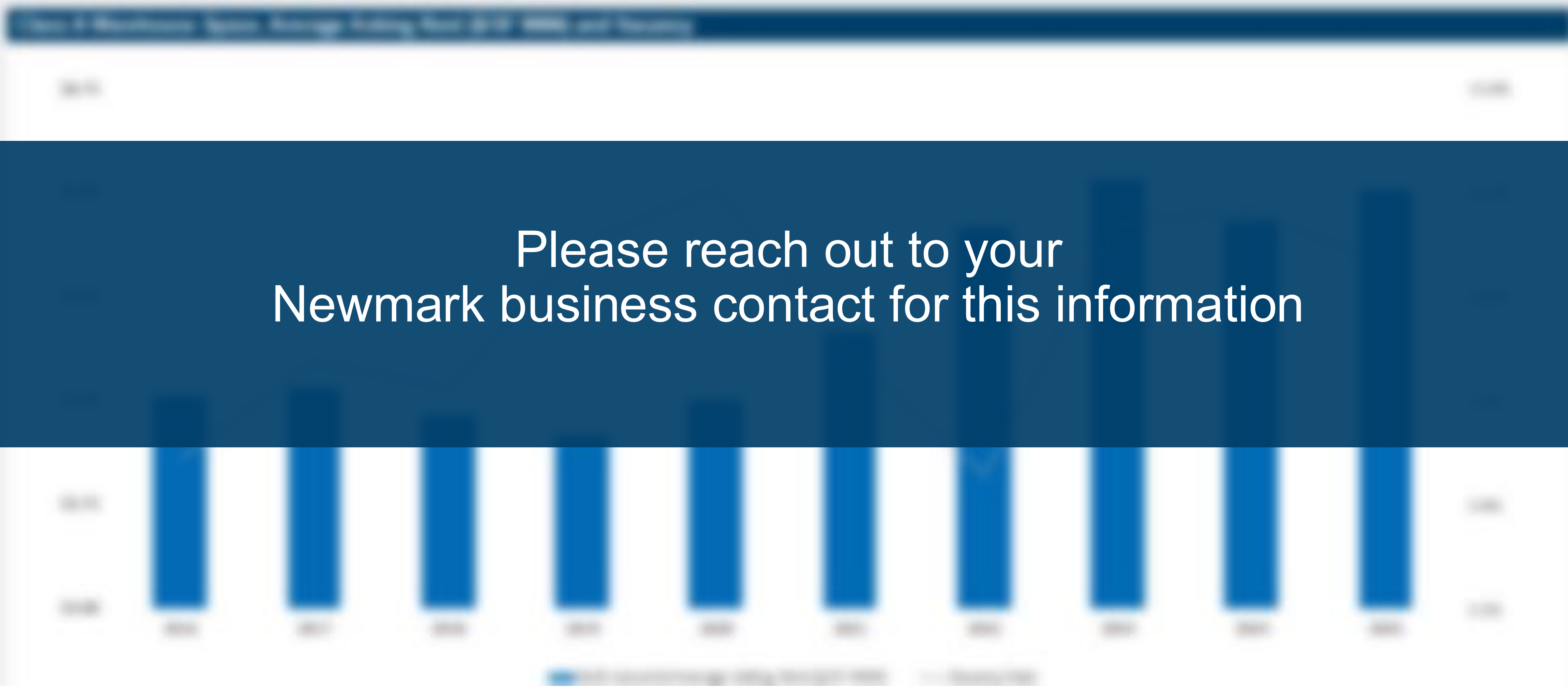



**Year-Over-Year Asking Rent Growth Rate**




Source: Newmark Research, CoStar

# Class A Bulk Warehouse Rents Register $6.09/SF



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Source: Newmark Research, CoStar

# 2Q26 Notable News & Leasing Activity

The market recorded negative 2.5 million SF of net absorption in the past four quarters, compared to 876,740 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 5.9 million SF in North County, 2.8 million SF in Metro East, and 1.3 million SF in St. Charles County, supported by strong leasing momentum and competitive rental rates.

**Select News & Lease Transactions**

| Tenant | Building(s) | Submarket | Type | Square Feet |
|---|---|---|---|---|
| Eaton Corporation | 1 Gateway Commerce Center Drive West | Metro East | Direct New | 392,300 |
| *Eaton Corporation signed a lease for 392,200 SF of space at the 812,000-SF former Dial Distribution Center in Edwardsville, IL.* | | | | |
| TTi Logistics | 13330 Lakefront Drive | North County | Direct New | 123,000 |
| *TTi Logistics signed a lease for 123,000 SF of the 542,600-SF multi-tenant building in the Earth City Trade Center located at 13330 Lakefront Dr. in Earth City, MO. Space was offered at a published asking rate of $3.50/SF prior to leasing.* | | | | |
| ProPak Logistics | 12949 Enterprise Way | North County | Direct New | 89,000 |
| *ProPak Logistics signed a lease for 89,000 SF of the 443,000-SF multi-tenant building located at 12949 Enterprise Way in Bridgeton, MO. Space was offered at a published asking rate of $5.00/SF prior to leasing.* | | | | |
| Guarantee Electrical Company | 3817 Millstone Parkway | St. Charles County | Direct New | 86,800 |
| *Guarantee Electrical Company signed a lease for 86,800 SF of the 200,200-SF multi-tenant Westgate 200 building in Fountain Lakes Commerce Center located in St. Charles, MO. Space was offered at a published asking rate of $5.95/SF prior to leasing.* | | | | |
| Axis Portable Air | 500 Corporate Hills Drive | St. Charles County | Direct New | 22,000 |
| *Axis Portable Air signed a lease for 22,000 SF of the 48,000-SF building located at 500-550 Corporate Hills Dr. in St. Charles, MO.* | | | | |

Source: Newmark Research

# 03

# Submarket Statistics

2Q26 ST. LOUIS INDUSTRIAL MARKET OVERVIEW

# Submarket Statistics

2Q26 (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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Source: Newmark Research

# Submarket Statistics

2Q26 (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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Source: Newmark Research

# Submarket Statistics

2Q26 (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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Source: Newmark Research

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.