

Q2 2018

Industrial Insight

More development and company expansions brings vacancy to cyclical low

- Increased absorption in the second quarter brought vacancy to a new cyclical low of just 4.4 percent.
- The construction pipeline continues to fill as almost six million square feet of space is currently being built.
- Industrial employment remains at post-recession highs as warehouse and manufacturing occupancy stay elevated.

Vacancy continued its downward trend and is now below 5.0 percent across the region. At the midway point of the year, absorption is just below 3.0 million square feet. This is more than double the average over the past five years through two quarters. North County saw the lion's share of absorption this quarter as two new buildings delivered. The first was Davidson Surface/Air's massive warehouse (829,000 square feet) just north of Earth City. The other was MiTek's stamping plant (380,000 square feet) just west of the airport.

Speculative construction kept ramping up this quarter. NorthPoint Development began its new project, Hazelwood Tradeport, in North County after breaking ground on two buildings. Duke announced another warehouse at Premier 370 (375,000 square feet) after filling its previous spec building. Exeter Property Group, which has been a large buyer locally, is looking to build its first warehouse in St. Louis after purchasing land in Gateway Commerce Center.

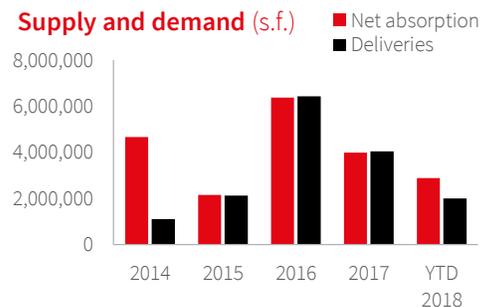
Leasing activity was highlighted by Dial's renewal at Gateway Commerce Center. Dial has been in the building since it was built in 1998 and is the park's original tenant. Nike signed a new lease (250,000 square feet) in St. Charles to expand its operations in the region. The remaining activity was smaller tenants below 100,000 square feet.

Outlook

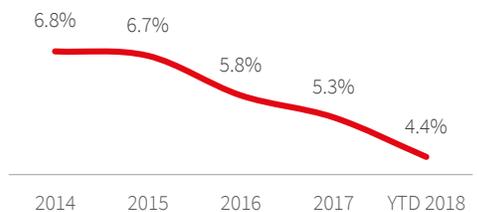
As the market continues with the above mentioned construction activity and several other new developments getting underway, the current development pipeline is just under six million square feet. Those projects will keep the region's industrial market growing as low vacancy rates keep limiting options in the market.

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Fundamentals	Forecast
YTD net absorption	2,883,851 s.f. ▲
QTD net absorption	1,919,601 s.f. ▲
Under construction	5,769,807 s.f. ►
Total vacancy	4.4% ►
Average asking rent (NNN)	\$4.32 p.s.f. ▲
Tenant improvements	Flat ►



Total vacancy



Average asking rents (\$/s.f.)

