

ST. LOUIS

Industrial Market Snapshot

First Quarter • 2014

ST. LOUIS INDUSTRIAL

Economic Indicators

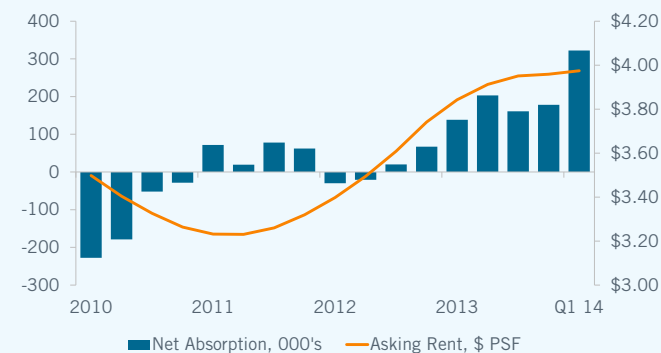
	Q1 13	Q1 14	12-Month Forecast
St. Louis Employment	1311K	1316K	▲
St. Louis Unemployment	7.4%	6.9%	▼
U.S. Unemployment	7.7%	6.7%	▼

Market Indicators

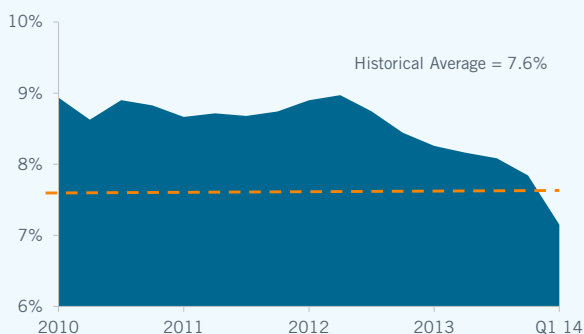
	Q1 13	Q1 14	12-Month Forecast
Overall Vacancy	8.4%	7.2%	▼
Net Absorption	474K	1.8M	▲
Under Construction	768K	1.3M	▲
Average Effective Rent	\$3.94	\$4.01	▲

Net Absorption/Effective Rent

4Q TRAILING AVERAGE



Overall Vacancy



Market Overview

The St. Louis industrial market started 2014 with incredible momentum. The market absorbed 1,795,283 square feet in the first quarter. This single quarter absorption total is greater than the total net absorption in 2013 and the greatest since 2005. This momentum carried over from 2013, which was a banner year for the industrial sector.

With seven straight quarters of positive absorption, the St. Louis vacancy rate declined consistently during the past year and a half. Throughout the first quarter, the overall vacancy rate fell by 80 basis points to 7.2%, which indicated a return to pre-recession levels. In terms of product type, modern bulk buildings continue to outperform other property types. In the first quarter, these buildings were responsible for 1,297,124 square feet of positive absorption, which represents 72% of the total. In fact, in the past 12 months, the modern bulk segment of properties has absorbed more than two million square feet and the vacancy rate dipped to a new historical low of 7.5%.

Unsurprisingly, the greatest amounts of absorption occurred in the areas of St. Louis that have seen the strongest demand. In North County, True Manufacturing signed the largest new lease with 542,600 square feet at 13330 Lakefront Drive, and SSM Health Care also contributed to the absorption figure with 96,480 square feet at DukePort VIII. In total, North County netted 858,841 square feet of positive absorption in the first quarter.

In the Metro East, Medline Industries, Inc. signed a 302,500 square foot lease in the 255 Logistics Center complex, and FedEx completed their 198,773 square foot distribution facility located at 1602 Vincent Drive in the Sauget Business Park.

The pace of recovery in South County recently increased. In the first quarter, the area contributed 310,630 square feet of positive absorption. This submarket could begin to get more attention in the near future as redevelopment plans at the former Chrysler assembly plant in Fenton, which was purchased last year, take shape.

With General Motors' preparation for the addition of its light truck manufacturing, St. Charles County is experiencing a lot of commercial real estate activity related to its suppliers. This activity led to 115,490 square feet of positive absorption by the end of the quarter. This area will continue to perform well and vacancy will stay low, however, space is extremely limited.

Absorption in the first quarter was higher than the total net absorption seen in all of 2013 and the highest since 2005.

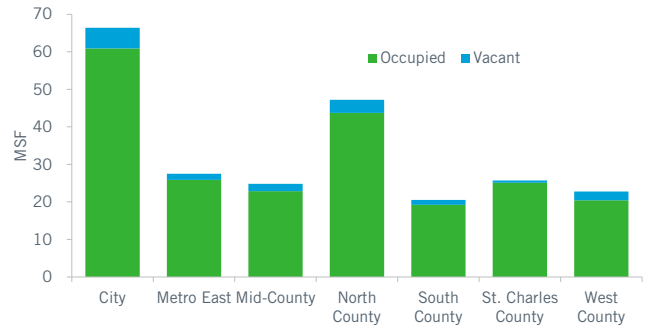
Currently, the industrial market has a few interesting dynamics that are developing very rapidly. Speculative construction, announced at Gateway Commerce Center, signals that the tightening market conditions are leaving tenants with fewer options. This presents developers with increasingly appealing opportunities. Another option appealing to some large users has been build-to-suit construction, which will most likely continue for more specialized tenants. As more large blocks of space are leased, the lack of supply in highly demanded locations around St. Louis will increase rents. As a result, this will lead to additional speculative construction announcements, which will most likely be located in North County or St. Charles County.

Outlook

- Rents will continue to increase as the supply of available space decreases.
- New speculative development projects will be announced in the next 12-18 months.
- Growth will be strong along the I-70 corridor.
- Watch for redevelopment plans take shape at the former Chrysler assembly plant in Fenton.

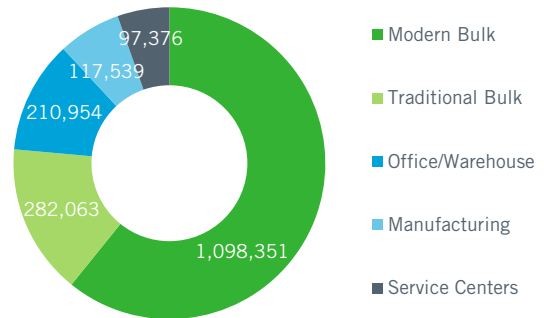
Submarket Comparison

OCCUPANCY IN SOME SUBMARKETS AT HISTORIC LEVELS.



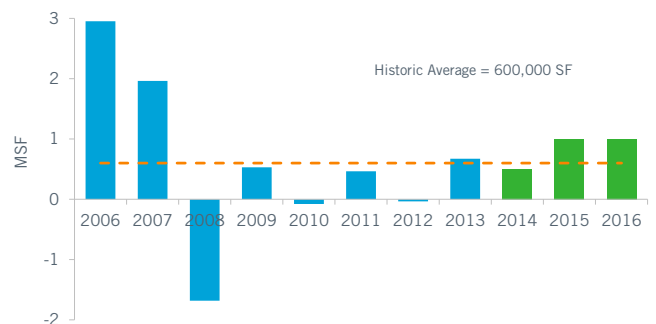
Absorption by Property Type

MODERN BULK PROPERTIES IN HIGH DEMAND.



Inventory Change

NEW CONSTRUCTION HAS BEEN CONSTRAINED FOR YEARS.



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	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	VACANCY RATE	CURRENT NET ABSORPTION	YTD NET ABSORPTION	UNDER CONSTRUCTION
SUBMARKET								
City	1,572	66,403,712	224,192	5,267,578	8.3%	(11,744)	(11,744)	440,000
Metro East	289	27,486,796	653	1,611,070	5.9%	570,889	570,889	0
Mid-County	731	24,805,806	53,056	1,880,702	7.8%	10,422	10,422	0
North County	592	47,205,755	54,350	3,444,566	7.4%	858,841	858,841	227,500
South County	564	20,519,939	0	1,311,944	6.4%	310,630	310,630	0
St. Charles County	562	25,724,255	22,500	615,000	2.5%	115,490	115,490	644,000
West County	600	22,753,172	23,000	2,288,297	10.2%	(59,245)	(59,245)	0
BY PROPERTY TYPE								
Modern Bulk	87	30,883,874	35,945	2,286,529	7.5%	1,297,124	1,297,124	227,500
Traditional Bulk	267	34,663,427	180,000	4,499,348	13.5%	171,577	171,577	440,000
Office/Warehouse	3,619	99,697,741	210,954	6,096,946	6.3%	210,954	210,954	30,000
Manufacturing	510	54,174,816	26,350	2,063,564	3.9%	29,252	29,252	614,000
Service Centers	322	12,863,106	20,000	1,267,166	10.0%	97,376	97,376	0
Other	107	2,668,058	0	110,106	4.1%	(11,000)	(11,000)	0
ST. LOUIS TOTAL	4,910	234,899,435	377,751	16,419,157	7.2%	1,795,283	1,795,283	1,311,500

Key Lease Transactions 1Q 14

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Lakeview Commerce Center III	712,000	World Wide Technology	Renewal	Metro East
13330 Lakefront Drive	542,600	True Manufacturing Co Inc	New	North County
255 Logistics Center	300,481	Medline Industries, Inc.	New	Metro East
Park 370 Center I	241,448	Schnuck Markets	Renewal	North County
FedEx	198,773	FedEx Ground	New	Metro East
Mid-County I	169,443	CHEP USA	New	Mid-County
Park 370 Building B	143,600	Distribution Management Inc.	Renewal & Expansion	North County
West Port Distribution Center A	114,207	Bunzl Distribution USA, Inc.	Renewal	West County
Earth City Industrial Center 2	105,113	Bassik Services, Inc.	Renewal	North County

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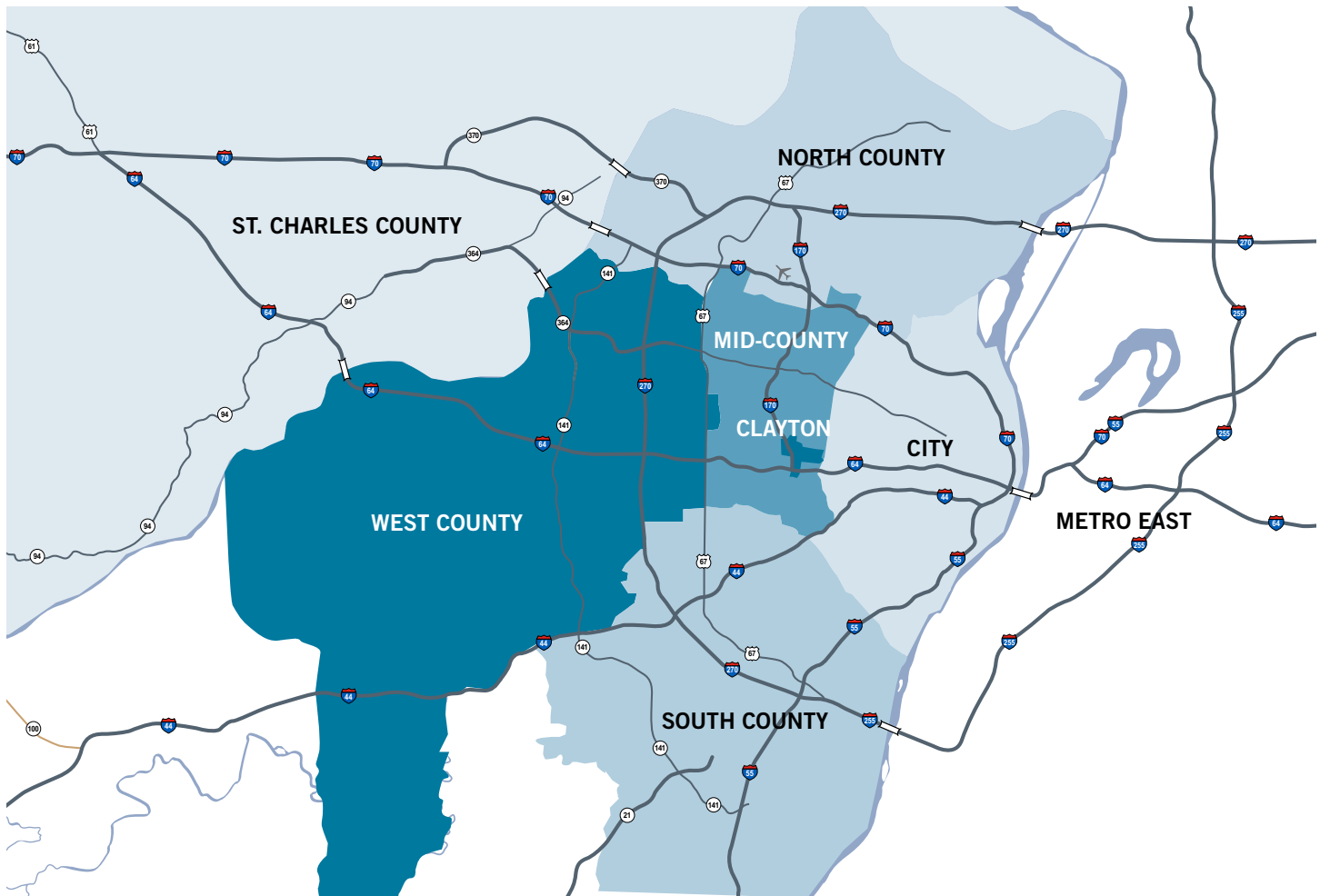
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Industrial Submarkets

St. Louis



About Cassidy Turley

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