

MarketView

St. Louis Industrial

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Third Quarter 2009

Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Availability	13.3%	↑	↑
Lease Rates	\$4.41/SF	↓	↓
Net Absorption	378,980 SF	↑	↑
Construction	195,047 SF	↓	↓

*The arrows are trend indicators over the specified time period and do not represent a positive or negative value. (e.g., absorption could be negative, but still represent a positive trend over a specified period.)

Hot Topics

- Availability rate rises, even as vacancy rate falls
- Absorption figure aided by Ozburn-Hessey short-term lease in Metro East
- Asking lease rates stay steady
- More companies looking at short-term leases while they wait out the economic conditions

The industrial market continued to see slow demand in the third quarter, with the economic downturn resulting in companies consolidating operations or downsizing.

The availability rate for the St. Louis area rose to 13.3% from 12.7% in the second quarter, with Earth City seeing the largest jump, from 16.8% to 21.5%, due to negative absorption of 114,343 square feet as tenants vacated space on Corporate Woods Court, Lakefront Drive and Rider Trail. Vacancy and availability rates have not been this high since mid-2002.

Overall net absorption was positive, at 378,980 square feet, but that figure was primarily due to Ozburn-Hessey's short-term lease in the Metro East, which gave that submarket positive absorption of nearly 515,000 square feet.

The average direct lease rate for the quarter was \$4.41 per square foot, falling slightly from \$4.45 per square foot in the second quarter. Asking rental rates have not fluctuated much, but effective rates, which also calculate concessions, have fallen as landlords try to incentivize tenants to bolster occupancy levels.

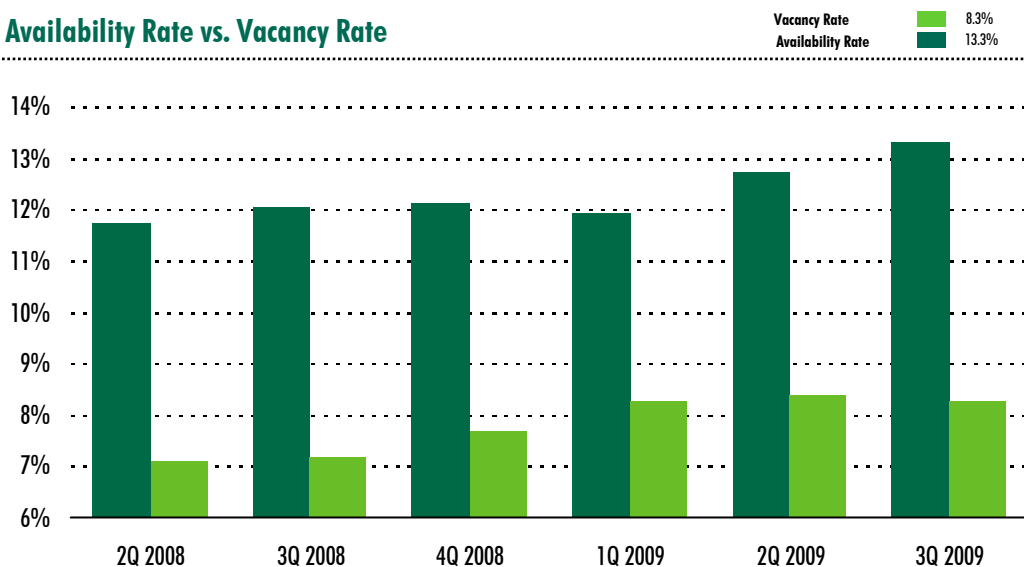
There were some positive signs in the market. The vacancy rate declined from 8.4% in the second quarter to 8.3% in the third quarter. Availability rate includes vacant space, as well as space occupied but still being marketed as for lease because of circumstances such as short-term leases.

Construction has slowed dramatically from peak levels two years ago. This will likely result in tenants filling existing space and space being marketed for sublease, and vacancy rates could fall further.

With many companies having cut staff or lost business, several tenants with leases coming up for expiration are choosing to either downsize or renew in their existing space, often signing short-term leases of between six months and two years.

With more of these short-term leases being signed, it is possible that within the next few years, if the economy has improved, there could be a drastic shift in the activity level in the market, as both long-term leases signed a few years ago and short-term leases being signed this year expire at similar times.

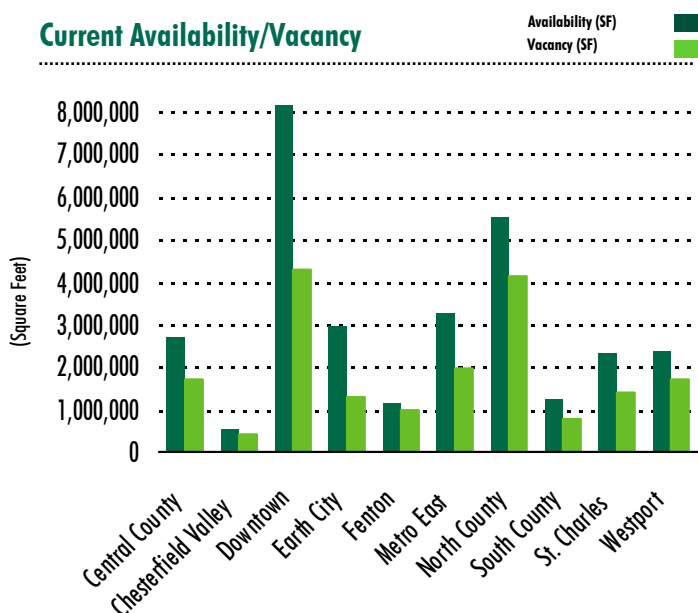
Availability Rate vs. Vacancy Rate



Submarket Report

Market	Market Size (SF)	Availability Rate (%)	Vacancy Rate (%)	YTD Net Absorption (SF)	Under Construction (SF)	Average Asking Lease Rate (Annual Price/SF)
Central County	20,123,164	11.3%	8.5%	11,866	0	\$5.99
Chesterfield Valley	4,303,110	12.5%	10.0%	(37,216)	0	\$9.54
Downtown	76,363,303	10.9%	5.6%	(155,173)	0	\$2.93
Earth City	13,713,071	21.5%	9.2%	(171,030)	40,000	\$4.26
Fenton	12,640,575	9.2%	7.6%	23,862	0	\$6.93
Metro East	23,879,804	13.6%	8.3%	1,545,133	0	\$3.81
North County	30,134,926	18.4%	13.8%	(574,074)	57,000	\$4.21
South County	9,622,602	13.0%	8.1%	75,159	0	\$5.17
St. Charles County	21,196,332	11.0%	6.5%	(66,500)	98,047	\$4.67
Westport	13,943,321	17.0%	12.2%	(175,183)	0	\$6.31
Total	225,920,208	13.3%	8.3%	476,844	195,047	\$4.41

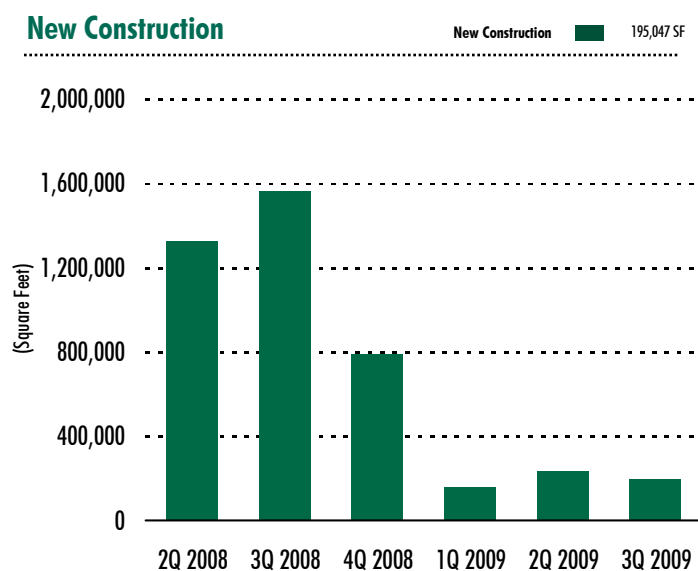
Current Availability/Vacancy



The availability rate rose while the vacancy rate fell in the third quarter, suggesting that spaces were still being marketed for lease either via sublease or because tenants were occupying the space on a short-term basis. Vacancy rate measures empty space, while availability rate measures space being marketed for lease, whether it is empty or occupied.

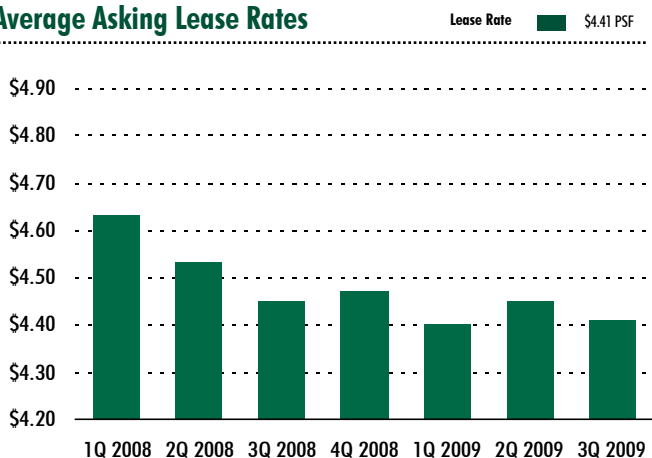
With some submarkets seeing vacancy rates top 10%, it is clear that the slow economy is beginning to impact the vacancy figures in the market. Earth City saw the largest increase in availability rate, jumping from 16.8% in the second quarter to 21.5% in the third quarter.

New Construction



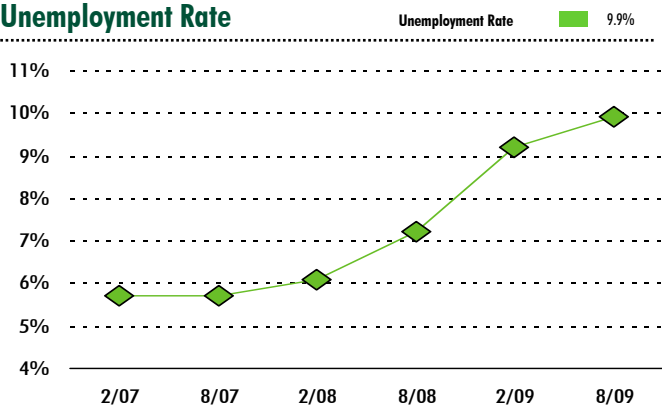
Construction remains at very low levels, with less than 200,000 square feet of new construction taking place as of the end of the quarter. In St. Charles County, work continues on Phase 1 of Air Products' 98,047-square-foot production facility. In Earth City, Clean Earth Technology is building a 40,000-square-foot warehouse; and in Hazelwood, American Metal Supply is building a 57,000-square-foot building on 7.5 acres.

Average Asking Lease Rates



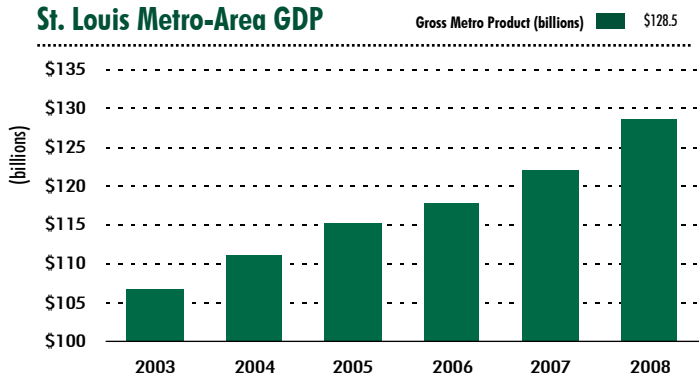
Average asking lease rates declined slightly in the third quarter, as more landlords have tried to cut rates to attract tenants. Concessions remain a prevalent part of the marketplace. There were few drastic changes in asking lease rates by submarket, with the exception being the Chesterfield Valley submarket, where average rates fell from \$10.65 per square foot in the second quarter to \$9.54 per square foot in the third quarter. That submarket has a much higher than average asking lease rate because of the amount of flex space included, which has a greater office component.

Unemployment Rate



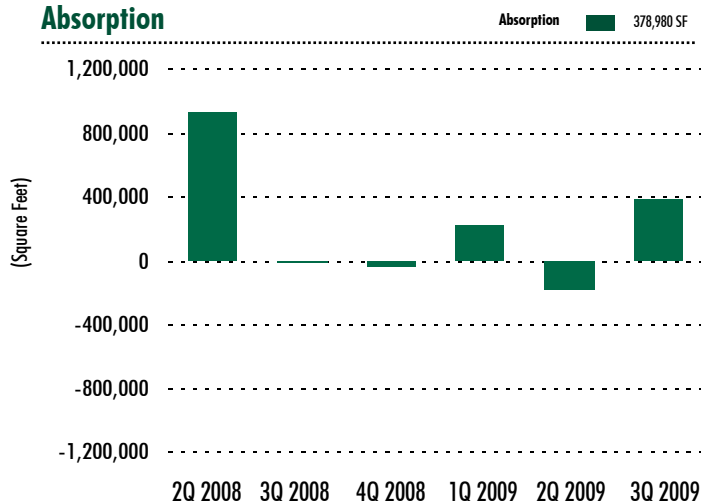
The unemployment rate continued to rise during the third quarter, reaching 9.9% as of August, according to data from the Bureau of Labor Statistics. The unemployment rate was unchanged from July, and the number of people filing for unemployment actually was down in August, at 141,700, compared to 142,500 in July. Still, when compared to a year ago, the results are shocking. As of August of 2008, the unemployment rate was just 7.2%, with 103,900 people filing for unemployment. The St. Louis metro's labor force has decreased by about 20,000 people since last August, suggesting that people are either moving out of the area or no longer actively seeking work.

St. Louis Metro-Area GDP



The U.S. Bureau of Economic Analysis recently released 2008 Gross Domestic Product figures broken down by Metropolitan Area. The St. Louis metro had a GDP of \$128.5 billion, up about 5% from \$122.1 billion in 2007. The GDP is a measure of the value of goods produced, and is reported in current dollars and not adjusted for inflation. The St. Louis region's GDP leaders included industries in which the region has high levels of employment, such as Financial Activities and Professional and Business Services. Within the private sector, about 78% of the GDP comes from services-producing industries as opposed to goods-producing industries.

Absorption



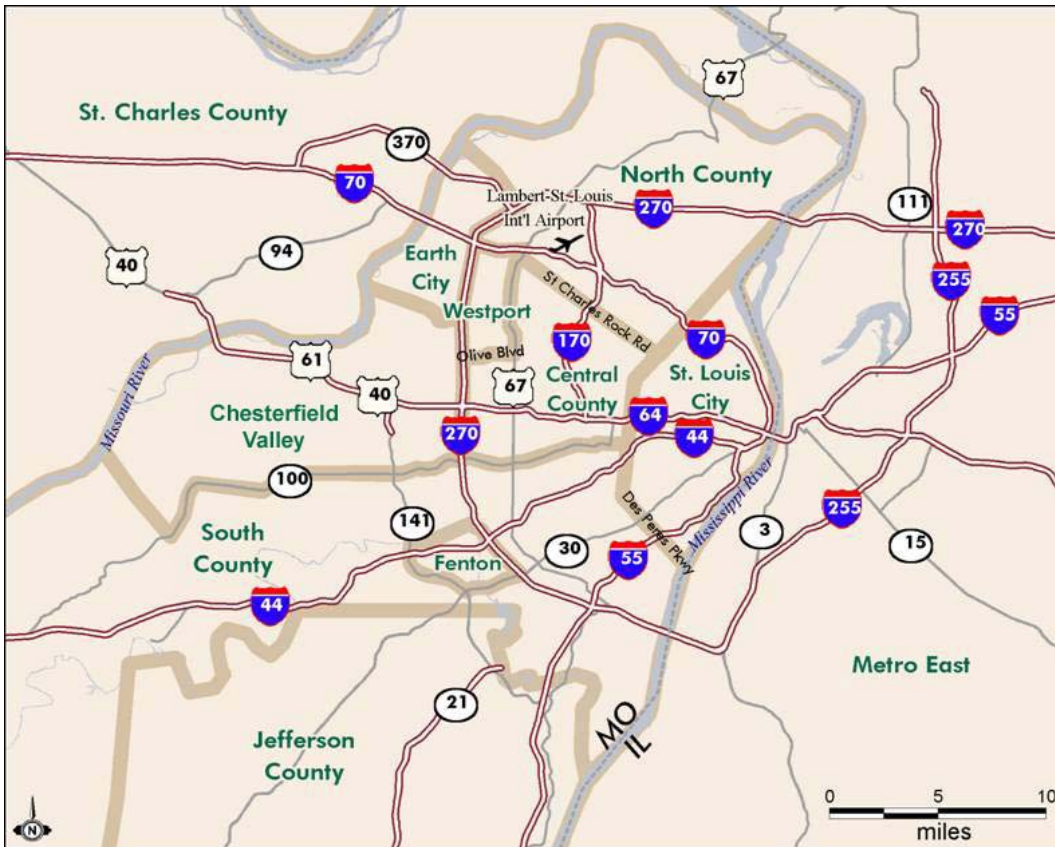
Net absorption moved from negative to positive in the third quarter, thanks primarily to the short-term lease of space in the Metro East by Osburn-Hessey. Central County and South County also saw positive absorption figures of around 100,000 square feet or more, thanks to the move-in of Global Granite at 10800 Linpage, multiple tenants at 8480 Mid County Industrial and Colt Realty's 100,000-square-foot absorption at 3505 Tree Court. St. Charles, Earth City and Downtown led the submarkets with negative absorption.

MarketView St. Louis Industrial

Top Lease Transactions

Size (Sq. Ft.)	Tenant	Address	Type
206,497	Ozburn-Hessey Logistics	14 Gateway Commerce Center Dr. Edwardsville, IL	Renewal
74,400	Trane U.S. Inc.	3655-3673 Corporate Trail Dr. Earth City, MO	New Lease
73,998	Global Granite	10800 Linpage Place Olivette, MO	New Lease
52,258	MSI/Trico	130 Byassee Dr. Hazelwood, MO	New Lease
45,844	FedEx Group	4625-4641 Crossroads Industrial Dr. Earth City, MO	Renewal
40,800	Boeing Co.	13188 Lakefront Dr. Earth City, MO	Renewal

Submarket Map



Average Asking Lease Rate

Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Net Leases

Includes all lease types whereby the tenant pays an agreed rent plus most, or all, of the operating expenses and taxes for the property, including utilities, insurance and/or maintenance expenses.

Market Coverage

Includes all competitive office buildings 10,000 square feet and greater in size.

Net Absorption

The change in occupied square feet from one period to the next.

Net Rentable Area

The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

Occupied Square Feet

Building area not considered vacant.

Under Construction

Buildings which have begun construction as evidenced by site excavation or foundation work.

Available Square Feet

Available Building Area which is either physically vacant or occupied.

Availability Rate

Available Square Feet divided by the Net Rentable Area.

Vacant Square Feet

Existing Building Area which is physically vacant or immediately available.

Vacancy Rate

Vacant Building Feet divided by the Net Rentable Area.

Normalization

Due to a reclassification of the market, the base, number and square footage of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

For more information regarding the MarketView, please contact:

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