

MarketView

St. Louis Industrial

www.cbre.com/stlouis

First Quarter 2009

Quick Stats

	Current	Change from last	
		Yr.	Qtr.
Availability	11.9%	↑	↓
Lease Rates	\$4.39/SF	↓	↓
Net Absorption	(484,679 SF)	↓	↓
Construction	158,047 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

- Construction has slowed dramatically, with only two multitenant buildings currently under construction
- Tenants have an opportunity to drastically reduce occupancy costs
- Concessions are at a historic level
- Lease rates continue to decline as the vacancy rate rises

The last several years have been defined by an incredible amount of speculative construction and land plays in the St. Louis industrial market, as developers looked to take advantage of the region's location and transportation advantages to lure huge distribution facilities.

In fact, more than 6 million square feet of industrial space was completed between 2006 and 2008. Now, with the economy having slowed, construction has tailed off, with a limited number of buildings currently under construction.

Of the new space built since 2006, about two-thirds of it has been leased, which leaves opportunities for companies looking. Unfortunately, few large users are in the market, which has led to landlords being very aggressive and offering unprecedented concessions.

Despite a slowdown in the velocity of activity, the first-quarter availability rate for the industrial market dropped to 11.9%, down from 12.1% in the fourth quarter and bucking a year-long trend of rising availability.

The vacancy rate, however, rose to 8.2%, up from 7.7% in the fourth quarter, indicating that more of the space available on the market is empty.

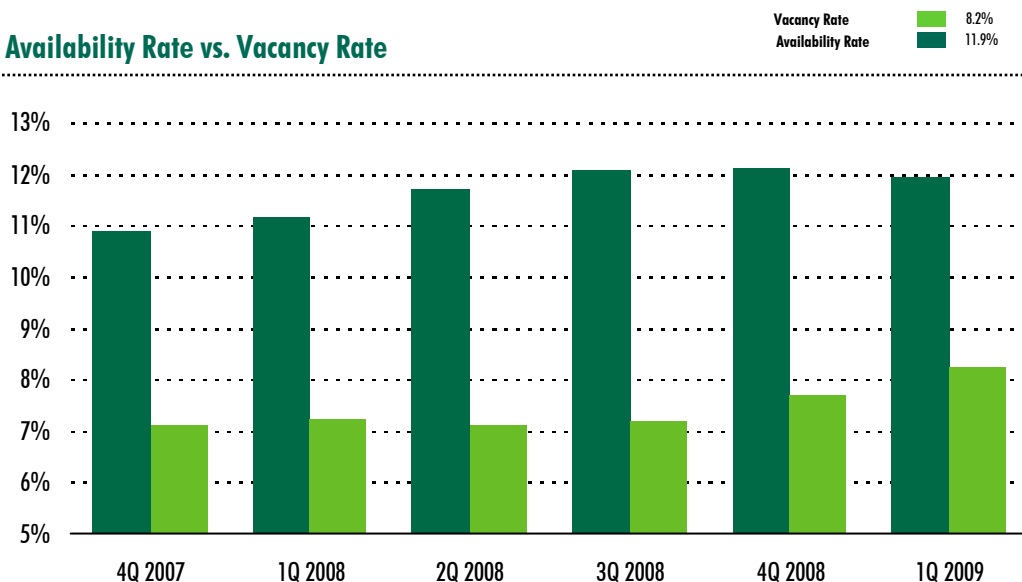
The St. Louis region is still competitive with peer markets such as Indianapolis, Memphis and Kansas City in terms of vacancy rates.

Unlike 2008, when a pair of large leases (Procter & Gamble and World Wide Technology) dominated the market, the first quarter saw a majority of smaller transactions, many of them between 10,000 and 30,000 square feet. The exceptions were Pitney Bowes' renewal of 176,000 square feet at Duke Port VI and a 66,559-square-foot renewal by Morgan Wightman Supply Co. in Hazelwood.

These smaller-scale, often short-term leases are expected to continue in the future, with the strongest drivers of the industrial market being the defense and advanced manufacturing industries.

As the availability rate has risen, average lease rates have fallen, giving tenants an opportunity to reduce occupancy costs.

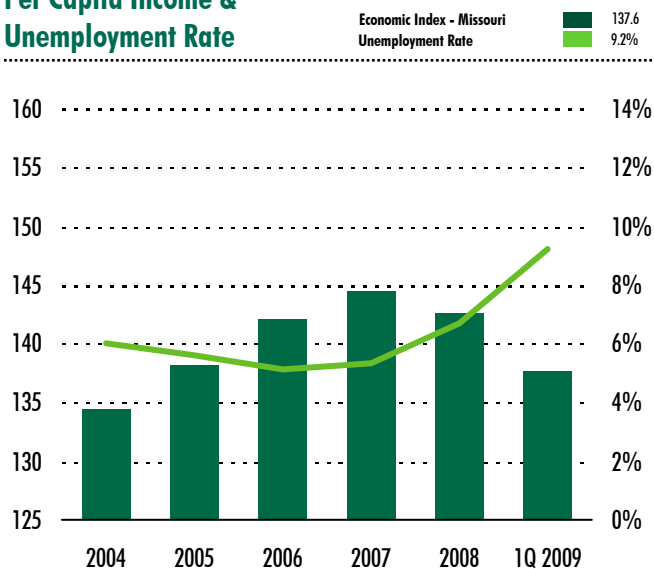
Availability Rate vs. Vacancy Rate



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	19,938,977	10.6%	8.4%	(40,269)	0	\$5.54
Chesterfield Valley	4,232,989	10.9%	8.7%	(9,160)	0	\$9.47
Downtown	78,532,235	10.2%	5.1%	(16,784)	0	\$2.92
Earth City	13,635,610	13.3%	8.1%	48,851	0	\$4.53
Fenton	12,575,711	8.6%	7.3%	(62,054)	60,000	\$6.75
Metro East	24,121,934	16.2%	12.3%	(1,681)	0	\$3.92
North County	32,021,551	14.7%	13.0%	(409,600)	0	\$4.42
South County	9,764,111	12.0%	8.6%	20,323	0	\$5.18
St. Charles County	21,032,097	10.1%	5.9%	20,165	98,047	\$4.66
Westport	13,839,528	14.7%	11.5%	(34,470)	0	\$6.29
Total	229,694,743	11.9%	8.2%	(484,679)	158,047	\$4.37

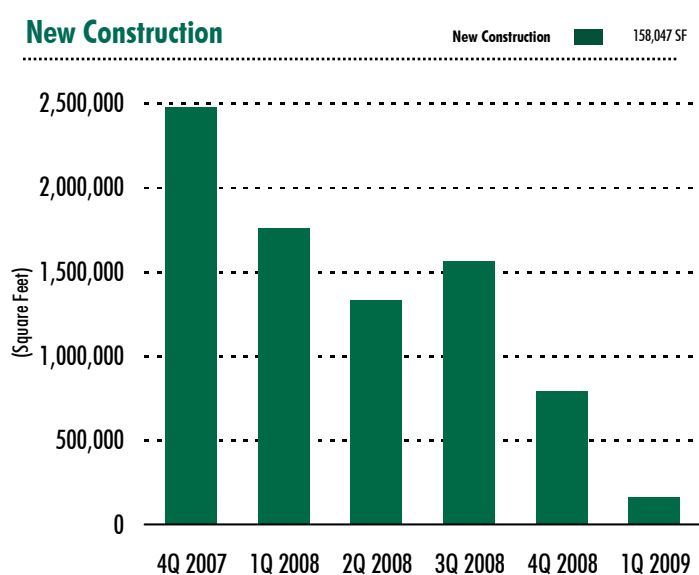
Per Capita Income & Unemployment Rate



The unemployment rate has been steadily increasing in the St. Louis metro area, and was measured in February at 9.2%, easily the highest it has reached this decade. By comparison, the unemployment rate at the beginning of 2008 was 6.3%. The St. Louis metro area had about 131,200 people registered as unemployed in February, up from 87,300 people in February 2008.

The Coincident Economic Activity Index for Missouri, currently at 137.6, is a data point tracked by the Federal Reserve. It includes four indicators: nonfarm payroll employment, the unemployment rate, average hours worked in manufacturing and wages and salaries. The trend for Missouri is set to match the trend for Gross State Product, and uses July of 1992 as its measuring point of 100.0. Its high point was hit in December of 2007, at 144.64.

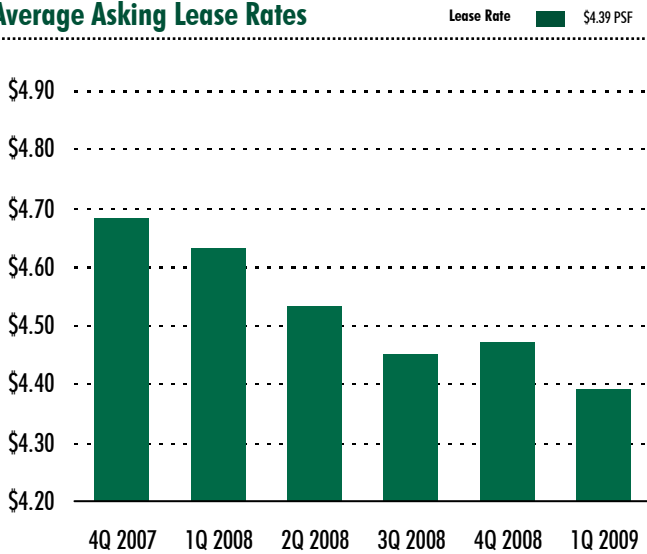
New Construction



New construction has dropped off drastically in the industrial market, as speculative building has ground nearly to a halt. Much of the construction has taken place in the Metro East submarket and has been completed. Currently, only two properties are under construction, with the first phase of Air Products' building in St. Charles County slated for 98,047 square feet and Pointe Fenton II in Fenton planned to be 60,000 square feet.

Many projects of varying sizes remain in the "planned" stage, but with more than 6 million square feet of new construction having come onto the market in the past three years and financing difficult to come by, the projected amount of construction scheduled to be completed in 2009 is very small.

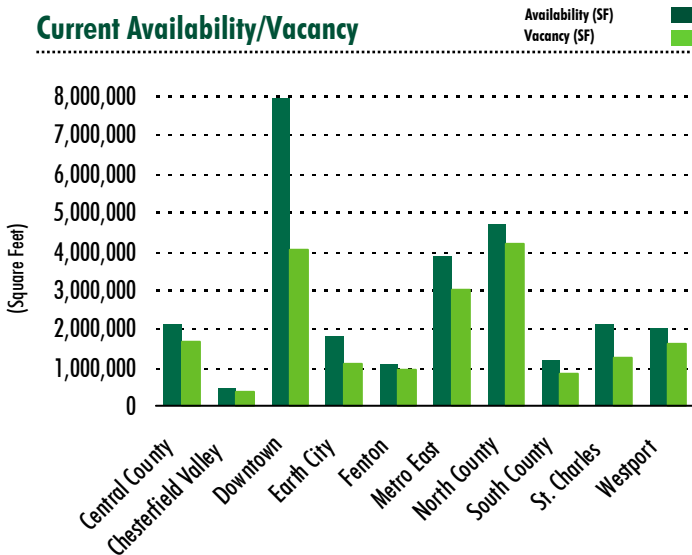
Average Asking Lease Rates



Average asking lease rates have been declining for the past year as the economy has slowed. In addition, landlords are offering more concessions to tenants in order to boost occupancy figures. This has given those companies that are willing to sign new leases a chance to drastically reduce their occupancy costs.

Brokers expect that the pace of transactions could pick up toward the end of the year if the economy shows signs of having reached a bottom and working its way back up. With a limited number of buildings currently under construction, an increase in demand could help reduce the existing supply of available space, steadying and then eventually pushing rates back higher.

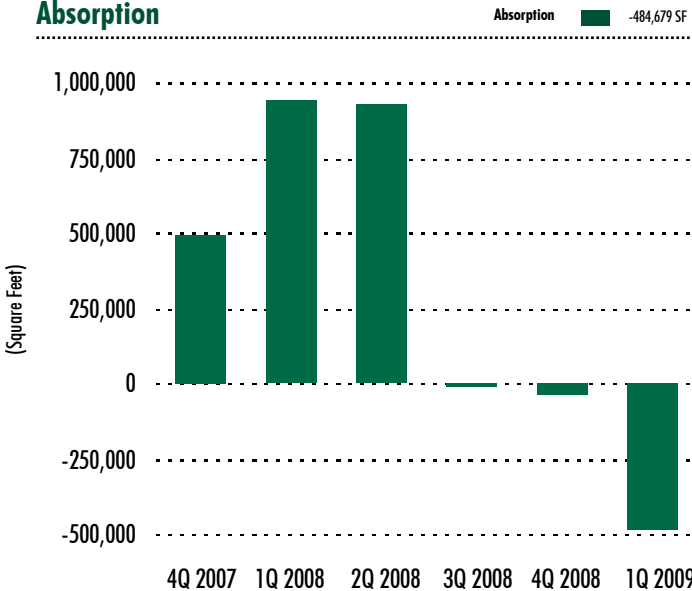
Current Availability/Vacancy



The gap between the availability rate and the vacancy rate shrank in the first quarter, with a greater percentage of available space in the market being vacant. As is evident by the graph to the left, in the Downtown market, only about half of the space considered available is actually vacant.

The availability rate rose by one percentage point in St. Charles County, even though vacancy stayed relatively level. In North County, however, the vacancy rate rose more than one percentage point from 11.6% to 13.0%.

Absorption



There was a large amount of negative absorption overall in the first quarter, with a majority of it taking place in the North County submarket. This was due primarily to the fact that Contico vacated approximately 358,500 square feet of space on Rock Industrial Park Drive when it restructured its lease.

Other large moves included World Wide Technology, which vacated about 513,000 square feet in the Metro East but occupied about 700,000 square feet with its new building at Lakeview Commerce Center.

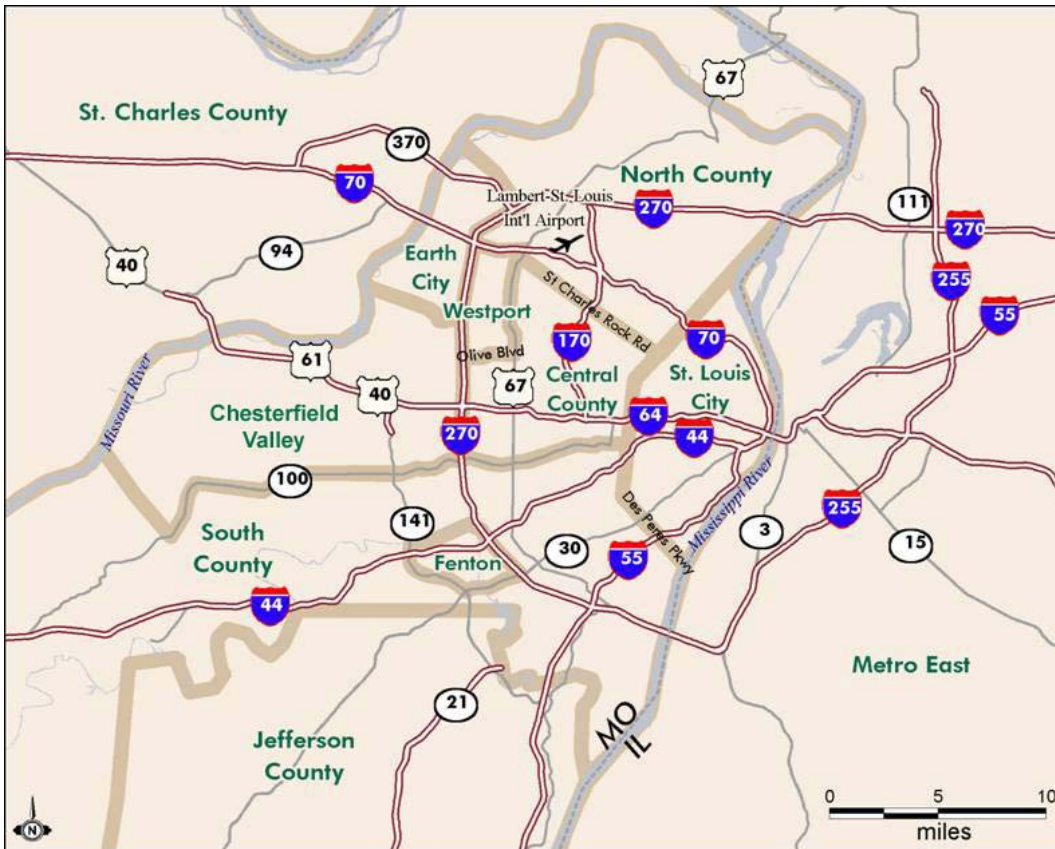
The Fenton and Central County submarkets also saw negative absorption during the quarter, while Earth City posted positive absorption of nearly 50,000 square feet.

MarketView St. Louis Industrial

Top Lease Transactions

Size (Sq. Ft.)	Tenant	Address	Type
176,000	Pitney Bowes	13257-13269 Corporate Exchange Dr. Earth City, MO	Renewal
66,559	Morgan Wightman Supply	5600-5668 Anglum Court Hazelwood, MO	Renewal
30,000	Prizm Medical	45 Progress Parkway Maryland Heights, MO	New Lease
25,000	Sigma Aldrich Corp.	2031-2043 Westport Center Dr. Maryland Heights, MO	New Lease
23,617	Data2 Corp.	200-236 Turner Blvd. St. Peters, MO	Renewal
22,800	General Pet	1600 Park 370 Blvd. Hazelwood, 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:

Matt Harrington, Communications Specialist
CB Richard Ellis
 8235 Forsyth Blvd., Suite 1000
 St. Louis, MO 63105
 T. 314.655.5920 F. 314.655.5999
 matt.harrington@cbre.com

© Copyright 2009 CB Richard Ellis (CBRE). Statistics contained herein may represent a different data set than that used to generate National Vacancy and Availability Index statistics published by CB Richard Ellis' Corporate Communications Department or CB Richard Ellis' research and Econometric Forecasting unit, Torto Wheaton Research. Information herein has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the market. This information is designed exclusively for use by CB Richard Ellis clients, and cannot be reproduced without prior written permission of CB Richard Ellis.