

Industrial Market Trends St. Louis

Grubb & Ellis Research
First Quarter 2009



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St. Louis Industrial Market Trends

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Softer market slows activity

The St. Louis industrial vacancy rate changed very little in the first quarter of 2009. It was up to 8.5 percent from 8.4 percent in the fourth quarter of 2008. Asking rental rates for warehouse/distribution space were slightly down to \$4.05 per square foot from \$4.12 per square last quarter.

There was no new construction underway on warehouse buildings in the first quarter. No speculative construction is expected to be started in 2009.

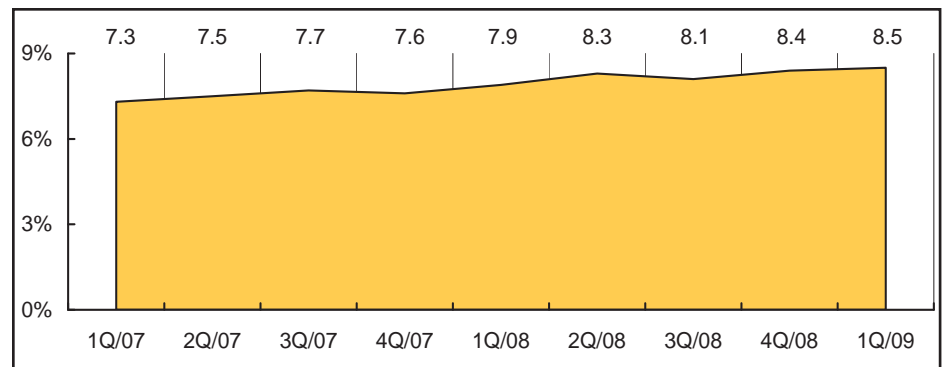
The region's industrial market has been quiet in the first quarter of 2009. Many larger tenants are waiting out the economic downturn before making any big moves. However, small and medium-sized owner-users have been active in the market purchasing buildings. Among notable sales, W.A.C. Industries purchased 9727 Green Park Industrial Drive, a 48,000-square-foot building, from Seiler Plastics for \$4 million or \$85 per square foot and JRS Ventures purchased 37 Elaine Drive, a 32,126-square-foot building, for \$1.3 million or \$42 per square foot.

The St. Louis County Port Authority received approval from the U.S. Department of Commerce to expand its Foreign Trade Zone around Lambert-St. Louis International Airport. The expansion will encourage international trade by giving tax relief on goods and cargo that travel through the zone, and brings the region another step closer to becoming a multistate commercial hub for China. The expanded zone includes four industrial areas: NorthPark, Hazelwood Commerce Center, Lindbergh Distribution Center and an airport-owned 750-acre tract.

Tenants considering relocation or renewal should look for the best deal available, because this is the best possible market for them. Landlords will be focused on keeping their buildings occupied, and since industrial users typically have shorter lease terms than other property types, it is a good time to renew and lock in a lower lease rate for a few years.

Forecast

Leasing activity will remain light. As evidenced by the active sale market, lending conditions are much more favorable for owner-users, so this type of investor should act now. Tenants will request cost saving renewal options. Landlords should anticipate a softer market for the next 18 to 24 months and work with their existing tenants to keep their properties leased. Landlords and tenants need to view themselves as partners. Compromise will be the key to sustaining business viability in the current market.



Industrial Vacancy Rate*

*All Product Types

Industrial Market Snapshot St. Louis First Quarter 2009

By Submarket (All Property Types)	Total (1)	Vacant (2)	Vacant %	Net Absorption		Under Const. (3)	Asking Rent (4)	
	SF	SF		Current Qtr	Year To Date	SF	WH/Dist	R&D/Flex
Earth City	19,984,694	1,892,098	9.5%	(748,621)	(748,621)	-	\$3.79	\$6.72
Fenton	12,858,259	789,295	6.1%	6,821	6,821	-	\$6.16	\$10.20
Hanley Industrial	6,537,980	371,999	5.7%	27,000	27,000	-	\$5.69	-
Illinois	26,056,683	2,434,469	9.3%	127,484	127,484	-	\$3.85	\$2.71
Innerbelt East	9,163,954	1,207,168	13.2%	(47,089)	(47,089)	-	\$3.35	\$5.79
Innerbelt West	10,201,459	784,039	7.7%	(8,269)	(8,269)	-	\$5.75	\$8.48
Jefferson County	2,735,736	26,067	1.0%	-	-	-	\$7.63	-
North County	20,163,119	2,649,075	13.1%	(108,312)	(108,312)	23,800	\$4.38	\$5.00
South County	6,267,142	586,185	9.4%	125,238	125,238	-	\$6.15	\$11.00
St Charles County	23,407,933	971,741	4.2%	199,532	199,532	-	\$4.12	\$6.41
St Louis City North	42,593,937	3,169,275	7.4%	3,326	3,326	-	\$2.72	\$11.39
St Louis City South	36,442,461	3,433,596	9.4%	516,146	516,146	-	\$2.89	\$7.40
West County	8,725,315	529,776	6.1%	24,732	24,732	-	\$7.38	\$9.67
Westport	14,178,092	1,412,440	10.0%	45,096	45,096	-	\$4.69	\$7.85
Suburban Total	239,316,764	20,257,223	8.5%	163,084	163,084	23,800	\$4.05	\$7.38
Totals	239,316,764	20,257,223	8.5%	163,084	163,084	23,800	\$4.05	\$7.38

By Property Type (All Submarkets)	Asking Rent						
General Industrial	70,091,039	4,691,318	6.7%	432,625	432,625	23,800	\$3.62
R&D/Flex	18,688,709	1,551,110	8.3%	(30,032)	(30,032)	-	\$7.38
Warehouse/Distribution	150,537,016	14,014,795	9.3%	(239,509)	(239,509)	-	\$4.05
Totals	239,316,764	20,257,223	8.5%	163,084	163,084	23,800	\$4.24

(1) Inventory includes multi-tenant and single tenant buildings with at least 10,000 sq. ft.

(2) Vacant space includes both vacant direct and vacant sublease space.

(3) Space under construction includes speculative and build-to-suit for lease projects.

(4) Asking rates are per square foot per year triple net. Rates for each building are weighted by the amount available space within the building.

* Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.

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Featured Property:

Premier 370 Business Park

- A joint development between Gundaker Commercial Group and Duke Realty Corp.
- 835 acre, mixed-use master planned development located on I-370 in St. Peters, Mo.
- 330 +/- acres available
- More than 3.5 million square feet of construction planned
- Superior infrastructure and architectural continuity
- Immediate access to educated workforce