

# Market Research

INDUSTRIAL | SECOND QUARTER | 2009



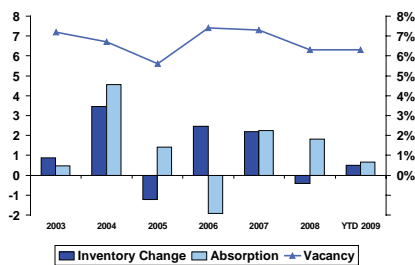
## MARKET INDICATORS

TREND GOING FORWARD

VACANCY RATE ↑  
 NET ABSORPTION ↓  
 CONSTRUCTION ↓  
 RENTAL RATE ↓

## UPDATE

INVENTORY CHANGE, ABSORPTION  
 AND VACANCY RATES



## Past Six Months of Growth Threatened by Auto Industry Closures

Another quarter year is in the ledger with a record of positive absorption. The St. Louis metropolitan area industrial space market absorbed 376,000 square feet in the second quarter of 2009, bringing total absorption for the first six months of 2009 to 669,000 square feet. The area has enjoyed positive absorption for every quarter of the current recession.

But as in past quarters, the most recent quarter attributes its expansion to a few significant moves. Most prominent is the expansion by Procter & Gamble into 372,000 square feet of the Hershey Foods building in Edwardsville, Illinois. Holt Electrical Supply added a net of 60,000 square feet when moving into the former Royal Papers building on Vandeventer in South St. Louis. Arizon Structures began manufacturing operations in its 80,000 square foot air structure at the Tri-City Port Complex in Madison County.

The ledger will have red ink in the second half of 2009. Chrysler permanently discontinued manufacturing at its plant in Fenton at the beginning of the third quarter. Recording Chrysler's 5.1 million square foot facility as vacant will result in a two percent jump in the metro area's vacancy rate. At the same time, several of Chrysler's suppliers are expected to close and make their buildings available for sublease, adding up to another half million square feet of vacant and available space through the remainder of the year.

Going hand-in-hand with the occupancy figures is the region's employed workers count. Employment for the metropolitan area decreased by 21,000 jobs in the first five months of the year. Manufacturing employment decreased by 7,300 jobs. Job losses in construction, trade, and transportation also contributed to decreased occupancy in industrial buildings.

The City of St. Louis accounted for nearly half of the area's six month absorption. Universal Storage and Villa Lighting added over 270,000 square feet to the City's absorption, in addition to the 60,000 square foot net occupancy increase by Holt Electrical Supply.

Of the 565,000 square feet of construction completed in the first half year, 239,000 square feet were in the City, including the Villa Lighting Headquarters. The new buildings are 75% occupied. Nine buildings totaling 937,000 square feet are under construction and scheduled for completion by year end. All are build-to-suit construction. Two buildings totaling 75,000 square feet are to be completed in 2010; both are build-to-suit.

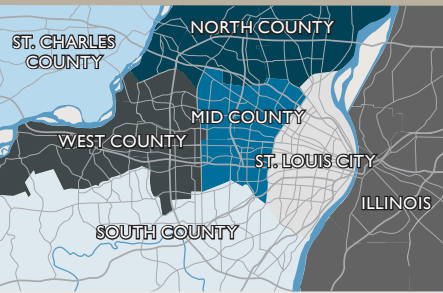
The vacancy rate for industrial buildings is 6.3% at mid-year, down from 6.4% at the beginning of the year. The area's vacancy rate spiked to 7.5% following the closure of the Ford plant in Hazelwood, and decreased by a full percent when the plant was demolished. The fate of the Chrysler plant will determine if this scenario is repeated, but as long as the plant is vacant, the vacancy rate for the metropolitan area will surpass eight percent. Other variables affecting the vacancy rate are the addition of over a million square feet of new, fully-occupied structures, and the future of buildings currently occupied by former Chrysler suppliers.



TURLEY  
 MARTIN  
 TUCKER

Commercial Real Estate Services

7701 Forsyth Boulevard  
 Suite 500  
 St. Louis, MO 63105  
 Phone: 314-862-7100  
 Fax: 314-862-1648  
 www.ctmt.com



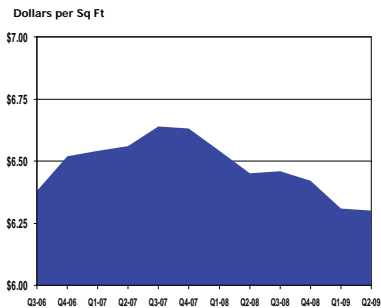
### 100 ENTERPRISE WAY, EDWARDSVILLE

PROCTER & GAMBLE LEASED 373,000 SQUARE FEET IN EDWARDSVILLE, ILLINOIS, FROM HERSHEY FOODS.



### UPDATE

AVERAGE ASKING RATES FOR ALL INDUSTRIAL BUILDINGS



### UPDATE

RECENT ST. LOUIS INDUSTRIAL SALES

### SALES ACTIVITY

PROPERTY NAME	SQ FT	SUBMARKET	BUYER	SELLER
Lapham-Hickey	149,806	City South	Ameren UE	Macy's Retail Holdings, Inc.
Royal Papers Inc.	134,000	City South	EMRY Development Co.	Pershall Associates LP Etal
Forest Park Business Ctr	121,933	City South	Paraquod Inc.	Koplar Communications International
1226 Bissell Ave.	103,950	National City	John Cusumano or Assigns	Bissell Properties LLC
8265 State Rte 4	100,000	Belleville	Sunnydale Land Trust	TDW Investment Group LLC
Villa Lighting	88,000	City North	Brauer Supply Company	Conrad Properties
Former Villa Lighting	88,000	City North	Conrad Properties Corp.	Villa Lighting

## Bulk Buildings

As has been the case for the past five years, bulk buildings represented the majority of the industrial space absorption for the metropolitan area. More specifically, absorption of space in modern bulk buildings exceeded total absorption in most years, meaning that absorption in the aggregate total of non-bulk building types was negative. To illustrate, absorption for all industrial buildings for the first half of 2009 was 669,000 square feet. Absorption in bulk buildings was 637,000 square feet, while it was 879,000 square feet in modern bulk buildings. Procter & Gamble, Villa Lighting, and Ashley Furniture account for most of the modern bulk absorption.

Modern bulk space includes buildings consisting of 100,000 square feet or larger with dock-high loading, ceiling clearances of 28 feet or greater, and less than 10% of-ice finish. Of the 28.9 million square feet of modern bulk buildings in the St. Louis area, 13.3 million square feet are in the Metro East and 9.5 million square feet are in North St. Louis County. Metro East accounted for 387,000 square feet of the half year's 879,000 square feet absorbed, and North County accounted for only 70,000 square feet. Smaller modern bulk markets picked up the balance. Absorption in the City of St. Louis totaled 273,000 square feet, while 150,000 square feet were absorbed in South County.

Traditional bulk buildings, which are smaller and have lower ceilings than modern bulk, recorded occupancy losses in Mid County (-96,000 square feet), South

County (-106,000 square feet), and West County (-90,000 square feet). Still, the vacancy rate for traditional bulk space, at 9.6%, remains well below modern bulk at 14.8%. North County, with a 22.8% vacancy rate for modern bulk space, takes much of the credit for the higher vacancy rate. The Metro East vacancy rate is 10.4%.

## Office/Warehouse Buildings

Absorption of office/warehouse space totaled 41,000 square feet in the first half of 2009. Office/warehouse buildings, which number nearly 4,000, make up three-quarters of the area's 5,272 industrial buildings, and contain a total of 102 million square feet. The vacancy rate for office/warehouse buildings was 5.5% at mid-year, unchanged from the end of 2008. The highest concentration of office/warehouse buildings is in the City of St. Louis. Its 36 million square feet in over 1300 buildings have a 3.8% vacancy rate.

Increases in occupancy were recorded in Mid County, West County, and South County, while other markets lost occupancy or remained relatively unchanged. In Mid County Pure Entertainment leased 31,000 square feet on Rock Hill Industrial, which was the only lease over 25,000 square feet. Two tenants vacating spaces over 25,000 square feet were Mill Products at 9200 Shortline Drive, and Wachovia, which vacated 38,000 square feet on Kingsland Avenue in University City. CR Metals expanded into 25,000 square feet on Borman Drive and Home Design Alternatives leased 50,000 square feet on Adie Road, both in West County. Fuji Film va-

## UPDATE

MARKET COMPARISONS - SECOND QUARTER 2009

Sub-Market	Existing Properties						Absorption		Construction/ Conversion		Rental Rate	Sale Price
	Bldgs	Total Inventory Sq. Ft.	Direct Vacancy Rate	Sublease Vacancy Rate	Vacancy Rate Current Qtr	Vacancy Rate Prior Qtr	Net Absorption Current Qtr-Sq. Ft.	Net Absorption YTD-Sq. Ft.	Inventory Change Current Qtr - Sq. Ft.	Under Construction Sq. Ft.	Ave Annual Asking Rate	Average Sales Price/SF
<b>St Louis City:</b>												
Downtown	227	8,587,000	6.6%	0.0%	6.6%	6.0%	(47,000)	(51,000)	0	0	\$3.79	\$26.16
North City	696	30,677,000	4.7%	0.0%	4.7%	4.8%	(8,000)	255,000	-43,000	0	\$4.97	\$45.19
South City	880	31,298,000	4.7%	0.0%	4.7%	5.1%	130,000	103,000	17,000	0	\$4.43	\$31.49
<b>City Total</b>	<b>1,803</b>	<b>70,562,000</b>	<b>5.1%</b>	<b>0.0%</b>	<b>5.1%</b>	<b>5.1%</b>	<b>75,000</b>	<b>307,000</b>	<b>-26,000</b>	<b>0</b>	<b>\$4.64</b>	<b>\$36.94</b>

**St Louis County:**

Mid County	814	26,336,000	6.4%	0.0%	6.4%	6.1%	(95,000)	10,000	0	0	\$6.64	\$55.74
North County	623	46,516,000	9.1%	0.0%	9.1%	0.1%	61,000	4,000	0	204,000	\$5.83	\$68.78
South County	593	25,796,000	4.2%	0.7%	4.9%	4.5%	16,000	8,000	38,000	0	\$7.26	\$66.89
West County	643	22,723,000	5.7%	0.2%	5.9%	5.7%	(47,000)	(100,000)	20,000	99,000	\$7.67	\$70.08
<b>St Louis County Total</b>	<b>2,673</b>	<b>121,371,000</b>	<b>6.8%</b>	<b>0.2%</b>	<b>7.0%</b>	<b>6.9%</b>	<b>(65,000)</b>	<b>(78,000)</b>	<b>58,000</b>	<b>303,000</b>	<b>\$6.84</b>	<b>\$65.68</b>
<b>St Charles County Total</b>	<b>558</b>	<b>25,424,000</b>	<b>3.7%</b>	<b>0.1%</b>	<b>3.8%</b>	<b>3.4%</b>	<b>(92,000)</b>	<b>(32,000)</b>	<b>9,000</b>	<b>148,000</b>	<b>\$5.78</b>	<b>\$55.90</b>
<b>Missouri Total</b>	<b>5,034</b>	<b>217,357,000</b>	<b>5.9%</b>	<b>0.1%</b>	<b>6.0%</b>	<b>5.9%</b>	<b>(82,000)</b>	<b>197,000</b>	<b>41,000</b>	<b>451,000</b>	<b>\$6.37</b>	<b>\$56.46</b>
<b>Illinois Total</b>	<b>236</b>	<b>26,181,000</b>	<b>10.7%</b>	<b>0.2%</b>	<b>10.9%</b>	<b>10.9%</b>	<b>14,000</b>	<b>14,000</b>	<b>0</b>	<b>560,000</b>	<b>\$4.80</b>	<b>\$28.67</b>
<b>GRAND TOTAL</b>	<b>5,272</b>	<b>243,626,000</b>	<b>6.2%</b>	<b>0.1%</b>	<b>6.3%</b>	<b>6.4%</b>	<b>376,000</b>	<b>669,000</b>	<b>112,000</b>	<b>1,011,000</b>	<b>\$6.30</b>	<b>\$55.28</b>

**QUARTERLY COMPARISON AND TOTALS**

Q1-09	5,272	243,626,000	6.2%	0.1%	6.3%	6.4%	376,000	669,000	112,000	1,011,000	\$6.30	\$55.28
Q4-08	5,270	243,513,000	6.3%	0.1%	6.4%	6.3%	295,000	295,000	388,000	1,104,000	\$6.31	\$56.19
Q3-08	5,268	243,125,000	6.0%	0.3%	6.3%	6.0%	504,000	1,794,000	1,487,000	1,084,000	\$6.42	\$58.37
Q2-08	5,264	241,638,000	5.8%	0.2%	6.0%	7.0%	22,000	1,290,000	(2,565,000)	2,502,000	\$6.46	\$58.13
Q1-08	5,264	244,203,000	6.8%	0.2%	7.0%	7.0%	514,000	1,268,000	389,000	2,562,000	\$6.46	\$61.68

The information contained in this report was provided by sources deemed to be reliable, however, no guarantee is made as to the accuracy or reliability.

As new, corrected or updated information is obtained, it is incorporated into both current and historical data, which may invalidate comparison to previously issued reports.

cated 25,000 square feet on Fee Fee Road. Bailey International leased 43,000 square feet in Bussen Underground Complex in South County.

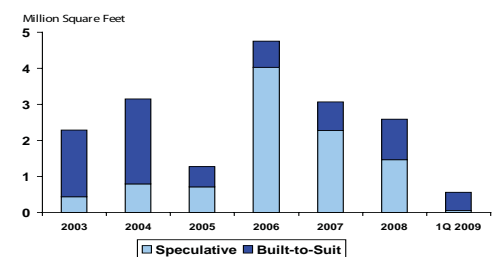
Two buildings totaling 80,000 square feet were completed in the half year. Paragon Restoration occupied 20,000 square feet on Spirit Valley Drive in West County, and Pointe Fenton Building II, with 60,000 square feet was completed and remains available. Three buildings totaling 113,000 square feet are scheduled for completion by year end. None have space available. Two are in West County and total 43,000 square feet. The third is 70,000 square feet located in North County.

### Service Center Buildings

Service centers recorded 26,000 square feet of absorption in the first half of 2009. The metro area's 318 service center buildings total 11.8 million square feet, and were 5.8% vacant at mid-year. The largest concentrations are in North County (3.6 million square feet and 3.8% vacant) and West County (3.3 mil-

## UPDATE

SPECULATIVE &amp; BTS CONSTRUCTION



lion square feet and 7.3% vacant). Service centers are usually multi-tenant buildings and have more than 33% office finish. Service centers often compete with Class B and C office space for tenants needing higher parking ratios but fewer amenities.

One service center building was completed in the first half of 2009. Flightsafety International occupied 40,000 square feet in the new building in Hazelwood. Three service center buildings are scheduled for completion in the last half of 2009, totaling 116,000 square feet. All are build-to-suit or pre-leased. They are 41,000 square feet for Clean Earth Technologies in Earth City, 40,000 square feet for BioMerieux in Hazelwood, and 35,000 square feet for Emerson Electric in Jennings.

Transactions in 2009 contributing to absorption, as well as the new building for Flightsafety International, were less than 25,000 square feet. The Batters Box leased 10,800 square feet at Fountain Lakes Service Center in St. Charles. Thermal Mechanics leased 21,000 square feet on Goddard Avenue in Chesterfield Valley. McCann Systems leased 12,000 square feet on Rider Trail in Earth City. Offsetting gains was Kaydon Corporation's move out of 31,000 square feet at Fenton Interstate Center A.

## Manufacturing Buildings

While Chrysler is ceasing operations at its Fenton plant, other manufacturers are opening new facilities. Arizon Structures opened

an 80,000 square foot manufacturing facility in an air structure at the Tri-City Port Complex in Madison County. Under construction at Fountain Lakes Commerce Center in St. Charles County is a 98,000 square foot production facility for Air Products; it is planned for completion by year end. The largest facility under construction is a 560,000 square foot building for SunCoke Energy in Granite City, Illinois; it is also to be completed by year end.

However, in total these represent a fraction of the square footage the Chrysler is vacating in Fenton. That 5.1 million square foot plant represents eight percent of the manufacturing space in the St. Louis area. As of mid-year, the vacancy rate for manufacturing space was 1.9%, so Chrysler will push that close to 10%. The 658,000 square feet of new construction to be added by year end will keep the figure closer to 9%.

Absorption of manufacturing space in the first half of 2009 was negative 51,000 square feet. Lear Seating vacated 126,000 square feet and Findlay Industries vacated 79,000 square feet. Both were Chrysler suppliers. FKI Logistex and Poly One, both in St. Charles County, vacated a total of 116,000 square feet. On the positive side, Holt Electrical Supply moved into the 130,000 square foot former Royal Papers building.

## CONTACT INFORMATION COLLIERS TURLEY MARTIN TUCKER



Dean Mueller  
Managing Principal  
314-862-7100



Ben Cahill  
636-949-9797



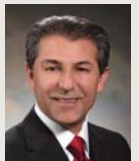
Brandon Duncan  
314-746-0350



Katie Haywood  
314-746-0324



Jane Hollo  
314-746-0332



Hassan Jadali  
314-746-0370



Ed Lampitt  
314-746-0383



Keith L. Schneider  
636-949-9797



J. Michael Searles  
314-746-0323



J. Micheal Statter  
636-949-9797



Terry A. Stieve  
314-746-0380



Tiffany A. Wiegiers  
314-236-5471

## UPDATE

RECENT ST. LOUIS INDUSTRIAL LEASES

### LEASE ACTIVITY

PROPERTY NAME	SQ FT	SUBMARKET	TYPE	TENANT
Hershey Foods	373,423	Edwardsville	Bulk	Procter & Gamble
Truesdale Packaging	248,635	St. Charles County	Bulk	Truesdale Packaging Company LLC
1610 Design Way	199,550	Belleville	Manufacturing	Miller Multiplex
Lindbergh Distribution Ctr	182,483	Hazelwood	Bulk	Fiserv Solutions dba Personix
Corporate Express	150,000	Olivette	Office/Warehouse	Corporate Express
Riverview Industrial Center	84,418	City North	Bulk	Procter & Gamble
King Safety	77,000	St. Charles County	Manufacturing	Herndon Products Inc.
Corporate Trail Distribution	74,400	Earth City	Bulk	Trane U.S. Inc.
ProLogis 6	68,000	Earth City	Bulk	Almo
Lambert Corporate Center I	68,000	Hazelwood	Bulk	Cheyenne Logistics



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