INDUSTRIAL MARKET REPORT

St. Louis Metropolitan Area

BLOCK
HAWLEY
A BLOCK REAL ESTATE SERVICES AFFILIATE

2020

BLOCK
HAWLEY

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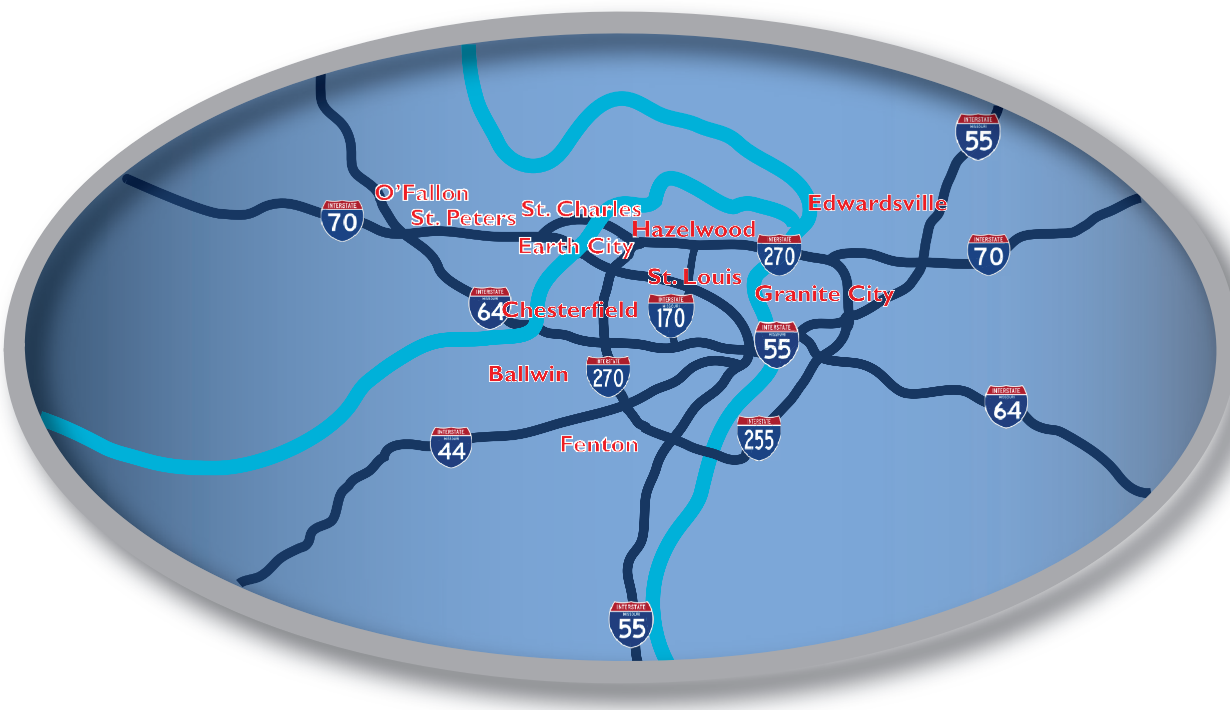
In 2007, we opened our operations in St. Louis under the name Block Hawley. With over 4,000,000 square feet of listed property and over 4,000,000 square feet under management in St. Louis, Block Hawley continues to be one of the largest service real estate firms in the St. Louis area.

We understand there is no single approach to handling every real estate transaction; each has its own goals, its own challenges. Our team of industry experts has the experience to meet any and all demands of our clients. It is this fundamental business strategy that has allowed us to prosper and diversify into a multi-dimensional firm specializing in commercial brokerage, asset/property management, investment services, development services and financial services.

It is our goal to serve our client's interests with the integrity, accountability and the expertise it takes to build and maintain long-term relationships. Our clients entrust us with the stewardship of their financial resources because we staff specialists with directly-related experience in all aspects of commercial real estate. What's more, our entire team has been carefully recruited and trained in the basics of personal integrity, professionalism and a commitment to service.

All of us at Block Hawley take pride in being progressive, yet prudent; in being enthusiastic, yet always objective, and we use these traits in all we do to represent our clients' interests. Our guiding principles for 2020 and beyond, as we continue to expand our operations, are to make sure that we can continue to provide our clients with the best in class real estate services, to develop and implement the appropriate strategies for our clients, and to be successful in achieving our client's goals.



St. Louis Metropolitan Area Map

MARKET OVERVIEW

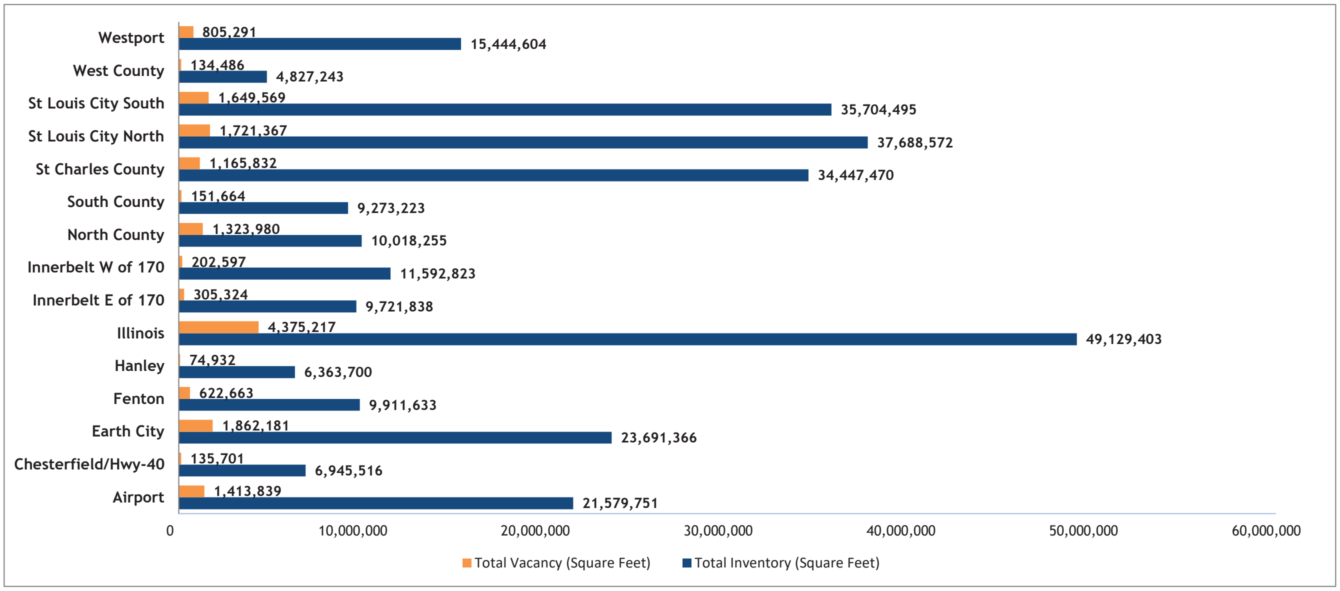
2020 was not just another year. The worldwide pandemic, COVID-19, shut down our entire market from April through July and had a profound effect on not just St. Louis, but the entire world. Capital markets were shut down during that 4-month period with very little activity. With a majority of people isolating at home, companies that had the logistic capability to deliver product direct to the consumer, saw a huge increase in business. The same could be said for any company associated with essential products and services that were able to run during that period. Supply chain has become critical path to surviving during 2020. That being said, 2020 was another consecutive year for high net absorption and high construction starts and deliveries in the St. Louis industrial marketplace with over 4,100,000 square feet of net absorption and over 5,000,000 square feet of new construction deliveries. New construction deliveries were approximately 50% of net absorption with 50% of net absorption occurring in existing warehouse product. Overall vacancy rates are at 4.9%, an average of all product types. This trend will most likely continue in the next year with a similar amount of new construction evidenced by approximately 2.3 million square feet under construction and delivering in 2021. These numbers reflect a healthy local economy with more anticipated construction starts in the first half of 2021. Tax abatement in St. Louis County continues to do well for obvious reasons, although a greater percentage of existing Class A bulk warehouse product was absorbed in 2020. While vacancies remained low in Class A bulk warehouse product, we saw several new speculative and user-construction starts and deliveries in 2020. It would be safe to assume that speculative construction of bulk warehouse buildings will continue at the same pace as 2020 based on the existing base of available space compared to current projected net absorption numbers. Rents have remained stagnant in existing product. While new construction starts in speculative product have remained constant, there are fewer options for users looking for space between 100,000 square feet and 250,000 square feet. We currently have less than 2 million square feet of Class A bulk warehouse inventory available and ready for occupancy with about 1.25 million square feet of speculative space under construction delivering in the first 2 quarters of 2021. We will continue to see slow rent growth, as tax abated construction looks to continue through 2021. Interest rate decreases seem to be having a positive effect on this trend, but the main factor for development is the huge amount of money investors are attempting to get working in the marketplace, as it appears that it is more important to get product up and money out the door. With a new president in office and a Democrat Congress, long-term growth will be in question. The Federal Reserve has stabilized interest rates, which will help activity and growth in the short-term. Overall economic dynamics are still strong with some slowing in certain sectors minimizing the chances of a recession beginning anytime in 2021. Net absorption across the river in Illinois, was over 1.2 million square feet. Tristar Companies and Northpoint completed two leases with Amazon, while Fed Ex is in possession of 769,500 square feet in Panattoni's Lakeview Commerce Center. Exeter still has 674,752 square feet available and Northpoint has a new 624,000 square foot building, GTP3 under construction. Options for regional users will be limited to Exeter and Northpoint as Tristar has decided not to start a new building in 2021. There were other new construction starts in St. Louis County in 2020, which will be covered in other sections of the review.

We are confident that lease rates will continue to remain below $4.00/SF in existing Class A Bulk Warehouse product and will be above that in new construction. New Generation Warehouse space experienced positive net absorption of just over 70,000 square feet.

The investment market activity was brisk in 2020 with just over 4.5 million square feet of transactions valued in excess of $262,000,000. There were a total of 10 large transactions, transacted in St. Louis County, St. Louis City and Madison County, Illinois. Look for a similar number of significant transactions in 2021 as demand to place capital remains high. The average stabilized capitalization rate for all ten (10) sales was approximately 6.0%, down approximately 150 basis points from the previous year.

Manufacturing and Service labor was significantly affected by COVID-19 and continues to be a major issue in St. Louis as we struggle to get back to pre-COVID-19 numbers. The Unemployment Rate in St. Louis at the end of 2020 was 5.8% up 170 basis points from the same time in 2019. That compares favorably to unemployment figures in the U.S. at 6.7%.

Total Inventory & Vacancy (Square Feet)



Information obtained from CoStar Group® 2020 Industrial Report

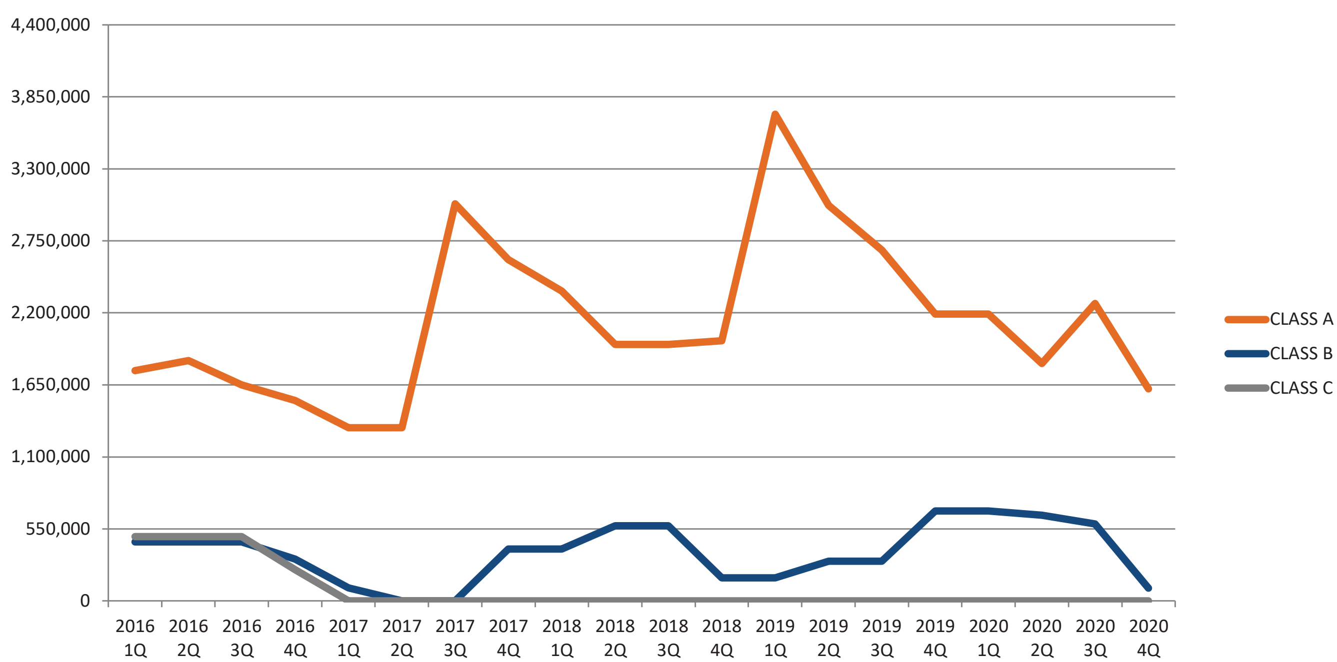
BULK WAREHOUSE

***Inhance Technologies** expanded into 75,000 square feet at **Hazelwood Business Center**. **Block Hawley** represented the Landlord, **Atlas TX MIdwest**.*

This is the 8th consecutive year of strong bulk warehouse net absorption. In 2019 new construction accounted for 75% of net absorption with existing bulk product accounting for the remaining 25%, however, in 2020 the absorption was fairly equal between new construction and existing product. In 2020, we delivered fifteen (15) new bulk buildings totaling over 5 million square feet. Of the 4.1 million square feet of net absorption, 2.4 million square feet was in new construction, leaving approximately 2.6 million square feet of net absorption in existing product. The benefit of tax abatement in new construction continued to affect the leasing of existing Class A vacancy, however, market demand was very strong throughout the entire year and with fewer options and immediate need, existing buildings significantly outperformed the previous year. Strong leasing demand in this product type continued positively influencing both vacancy and lease rate structure in 2020. With strong leasing demand keeping up with new construction delivery in 2020 and vacancy rates remaining low this year, we forecast steady speculative construction during 2021. Anticipated absorption in 2021 should continue at the same rate as the three previous years at approximately 4 million square feet based on projected deliveries and current requirements. Lease rates have leveled off now, but property values are increasing, at a faster pace, a trend we see continuing into 2021. There are few concessions in the market and they should be eliminated with few exceptions other than tools to bridge tenants from one property to another. Again, we saw significant speculative construction starts in 2020, but see no reduction in new starts into 2021. 2021 will be another good year for owners of industrial buildings in the St. Louis industrial market with few value-add opportunities available. We still think Landlords with vacancy in this product type will have trouble competing with developers of new construction, however, vacancy is so low that there continues to be a much smaller supply of existing product available. Available options for users of 100,000 square feet or larger will remain in new construction, however, there are not a lot of options in that size range for existing product. There has been a substantial run on user building acquisition in the 2nd half of 2020, so finding existing free-standing buildings for sale or lease will be difficult. Prices will continue to climb closer to replacement cost with fewer of these coveted buildings available. Capital for tenant improvements will continue to be given sparingly and only for the best credit tenants unless accretive to value. Almost all institutional owners continue to be focused solely on occupancy levels with minimal investment for tenant improvements. With over 4.1 million square feet of net absorption for the year, we see continued positive net absorption and slow growing rents continuing into 2021. Investors continue to target bulk warehouse properties and large Class A & Class B distribution buildings, and with decreasing interest rates, cap rates have actually continued downward as they approach 6% and lower for good credit long-term leases. Capital is abundant in the market, almost limitless, ready to be placed and with a number of investors coming back to the middle of the United States, look for continued cap rate compression.

Block Hawley *represented* ***Agiliti Healthcare*** *in the lease of 195,329 square feet in* ***Transwestern's Park 370 Distribution Center****.*

Bulk Warehouse Vacancy Trends



RENEWALS	
WWT	1,109,830 SF
P&G	806,400 SF
Lowe's	673,137 SF
Whirlpool	556,287 SF
Geodis	406,497 SF
Geodis	294,352 SF
Rug Doctor	168,427 SF
Phoenix Textile	101,340 SF
Inhance Technologies	75,000 SF
DHL Global	50,302 SF

Block Hawley *represented* ***Ameritus Centerline LLC*** *in the sale of its 75,600 square foot building to* ***RHO, Inc.***

Block Hawley *represented* ***Ameritus*** *in the lease of 40,036 square foot to* ***Universal Warehouse & Storage*** *in downtown St. Louis.*

NEW LEASES	
Amazon	593,940 SF
Amazon	543,740 SF
Forte Frozen	268,984 SF
Veritiv	268,769 SF
Agile Packaging	232,556 SF
Legacy Pharmaceutical	159,012 SF
Bassick	134,833 SF
Agiliti Healthcare	130,131 SF
Leonardo DRS	124,302 SF
Glideaway	104,000 SF
Freight World	101,341 SF

Block Hawley *represented* ***G&IX Industrial*** *in the lease renewal of 33,900 square feet in Earth City to* ***Mohawk Distribution.***

NEW GENERATION OFFICE WAREHOUSE

New Generation Office Warehouse performed well for another consecutive year in 2020 with over 70,000 square feet of net absorption. We delivered no new construction in 2020. Below average net absorption with the delivery of no new buildings resulted in a small reduction in vacancy to 6.5% in the 4th quarter, approximately 30 basis points lower than the same time in 2019. With seven remaining vacancies in this product type in the entire metropolitan area and continued strong activity, look for further reductions in vacancy rates in 2021, however, Opus will deliver a 110,000 square feet in Earth City and Block & Clearpath Development will deliver 92,500 square feet in Westport which may limit overall occupancy depending on leasing velocity. Rates continue to rise back to their historical highs of $5.50/SF NNN for 15% office finish in existing buildings and $7.50/SF NNN to $8.00/SF NNN for 15% office finish in new buildings adjusted for tax abatement. We believe that rents will continue to increase in 2021 based on vacancy and a healthy marketplace. New requirements will have very limited choices and new construction is being absorbed quickly.

Block Hawley *represented* ***JRG Gift Trust*** *in the lease of 45,700 square feet to* ***DigiCan Printing*** *at* ***501 Fountain Lakes*** *located in St. Charles.*

Block Hawley *represented* ***Black Dog Acquisitions & Kottos Partnership*** *in the lease of 22,577 square feet to* ***Magic Shoe Cover*** *in St. Charles.*

MULTI-GENERATIONAL OFFICE WAREHOUSE

Multi-Generational Office Warehouse and Manufacturing space comprises older buildings that have been occupied by a number of tenants and/or owner-users that have functional obsolescence, but are still usable spaces occupied by a wide variety of users. This product tends to have heavier existing infrastructure making it a good option for manufacturers. It is typically a lower cost alternative to the more modern product and makes up the majority of total industrial base in the St. Louis marketplace. In 2020, this product type remained ninety-five percent (95%) occupied with steady activity. With such a low vacancy, these buildings did perform well, however, absorption slowed as the number of these opportunities have been reduced. These buildings are almost exclusively located in infill locations, so they tend to be more attractive to users because of less locational attrition and are vacated less frequently than any of the other product types. Approximately 65 million square feet of this is located in St. Louis city, a great area for companies looking for lower rents and better value. Absorption in St. Louis County will continue at a steady pace driven by economic growth in 2021.

NEW CONSTRUCTION

U.S. Capital Development *delivered the 182,000 square foot* ***1st Phorm*** *building at* ***Fenton Logistics Park****.*

It was another great year for new construction. A continuation of 2019, St. Louis delivered 5,000,000 square feet of new product, with approximately 2.3 million square feet of speculative product delivered. The new 1st Phorm 182,000 square foot building was delivered in Fenton Logistics Park, as well as the DRS Leonardo 171,000 square foot defense industry building up near Lambert Airport. Cosmos completed their 240,000 square foot expansion in O'Fallon and Top Notch moved into their new 110,000 square foot in Fountain Lakes South Business Park. Speculative construction starts were up in 2020 with five (5) new projects. Two buildings were completed in Gateway Tradeport Center in 2020, two sister 544,000 square foot buildings developed by NorthPoint, one of which was leased by Amazon and GTP 2 partially leased to QPSI. Panattoni developed and delivered two buildings, totaling approximately 643,0000 square feet, in Aviator Business Park. The larger, a 415,000 square foot cross-dock building was also leased by Amazon as a final mile facility. Opus has substantially delivered its 155,000 square foot speculative bulk warehouse building just south of downtown St. Louis City.

Opus has started construction on its Earth City speculative building, a 110,000 square foot rear-loaded office warehouse building. U.S. Capital Development (formerly KP Development) has begun construction on a new 145,000 square foot distribution facility for Amazon in Fenton Logistics Park and Grey Eagle will begin construction on its new 240,000 square foot distribution facility there as well. NorthPoint has begun construction of a new 624,000 square foot facility, GTP3, in Gateway Trade Port as well as a new 415,000 square foot speculative warehouse at Hazelwood Trade Port and a 250,000 square foot building, HTP1, there as well. All of these projects are set for delivery in 2021. There are currently over 2,000,000 square feet of new construction starts delivering in 2021 and that number could easily increase based on continued strong demand.

NorthPoint *is under construction on* ***HTP5****, a 415,000 square foot speculative building and* ***HTP1****, a 250,000 square foot speculative building in Hazelwood.*

REGIONAL DISTRIBUTION

Activity in regional warehousing was strong with two (2) new lease deals totaling 1,137,680 square feet, both with Amazon. There were five (5) lease renewal transactions, including Worldwide Technologies, Geodis, Lowe's & P & G totaling more than 3.29 million square feet. There were also two (2) investment sales, both the Amazon & Lowe's buildings. NorthPoint delivered Gateway Tradeport I, a 543,740 square foot building which was leased in its entirety to Amazon. They also delivered a sister 543,740 square foot distribution building, Gateway Tradeport II, leasing 217,233 square feet, leaving just over 352,000 square feet for the next tenant. They have started a new building, Gateway Tradeport III, a 624,000 square foot distribution building delivering in 2nd quarter 2021. Lease rates remain in the $3.50/SF NNN on tax-abated new construction and around $3.00/SF NNN to $3.25/SF NNN on non-abated buildings. Look for lease rates to remain steady due to all of the existing lease absorption in 2020 and only NorthPoint starting construction on speculative product.

***Tristar** leased 593,340 square feet to **Amazon** at **Gateway Commerce Center** in Edwardsville, Illinois.*

***NorthPoint Development** leased 543,740 square feet to **Amazon** in **Gateway Tradeport I** in Edwardsville, Illinois.*

INVESTMENT

Block Hawley *represented* ***Ameritus*** *in the sale of the 478,150 square foot* ***St. Louis Commerce Center I & II*** *located in downtown St. Louis.*

2020 was a very good year for investment activity with another ten (10) major investment transactions totaling over 4,507,000 square feet. Those transactions totaled more than $262,000,000 or an average of $58.31/SF with an average going-in cap rate of 6.00%, down another 150 basis points from the previous year.

There is a significant downward pressure to place capital, so much so, that capitalization rates are starting to compress once again and will dip below 6%. We believe that the level of sale activity will increase in 2021 as investors are flush with cash to invest and Sellers decide to take profits.

Block Hawley *sold a 3 building complex totaling 273,556 square feet located in Maryland Heights to* ***Block Linpage, LLC.***

***Block Hawley** sold **2326-2344 Grissom Drive**, a 79,330 square feet 2-building complex to **Plymouth Grissom LLC**.*

ADDRESS	SQUARE FOOTAGE	OFFICE FINISH	SALE PRICE/ PRICE/SF	CAP RATE	DATE SOLD	PURCHASER	SELLER
3965-71 Lakeview Corporate Drive Edwardsville, IL	540,000 SF	5%	$27,450,000 $50.83/SF	6.25%	1/15/2020	Sealy	Duke
STL Commerce Center I & II 909 N. 20th Street St. Louis, MO 1020 N. 23rd Street St. Louis, MO	478,150 SF	9%	$27,000,000 $56.47/SF (100% leased at closing)	7.00%	9/2/2020	Plymouth REIT	Real Property Solutions
2326 & 2344 Grissom Drive Maryland Heights, MO	79,330 SF	10%	$3,700,000 $46.64/SF	7.00%	9/3/2020	Plymouth REIT	Block
Park 370 Center I 1601-1609 Park 370 Place St. Louis, MO	344,795 SF	10%	$14,100,000 $40.89/SF (32% leased at closing)	8.09% Pro forma	7/1/2020	NorthPoint	Cohen Asset Management
3 Gateway Commerce Center Edwardsville, IL	806,400 SF	5%	$37,900,000 $47.00/SF	6.51%	10/13/2020	Exeter	Clarion Partners
12 Gateway Commerce Center Edwardsville, IL	673,137 SF	5%	$40,200,000 $59.72/SF	5.10%	11/23/2020	Realty Income	JP Morgan
Northpark District Center 1 5400 N. Hanley Road St. Louis, MO	537,753 SF	5%	$42,300,000 $78.66/SF	5.93%	11/30/2020	Founders Prop	CRG
3077 Gateway Commerce Center Edwardsville, IL	593,940 SF	5%	$41,500,000 $69.87/SF	4.58%	12/15/2020	Realty Income	Tristar Partners
10800-900 Linpage Place St. Louis, MO	273,556 SF	26.6%	$14,555,000 $53.21/SF	6.66%	12/30/2020	Block Linpage	Altus

2021 TRENDS

- Strong net absorption continues
- Some lease rate growth and increase in overall values
- Strong investment activity and increased cap rate compression
- Increasing activity in both user-driven Build to Suits and Speculative Construction

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