INDUSTRIAL MARKET REPORT

St. Louis Metropolitan Area

BLOCK HAWLEY

A BLOCK REAL ESTATE SERVICES AFFILIATE

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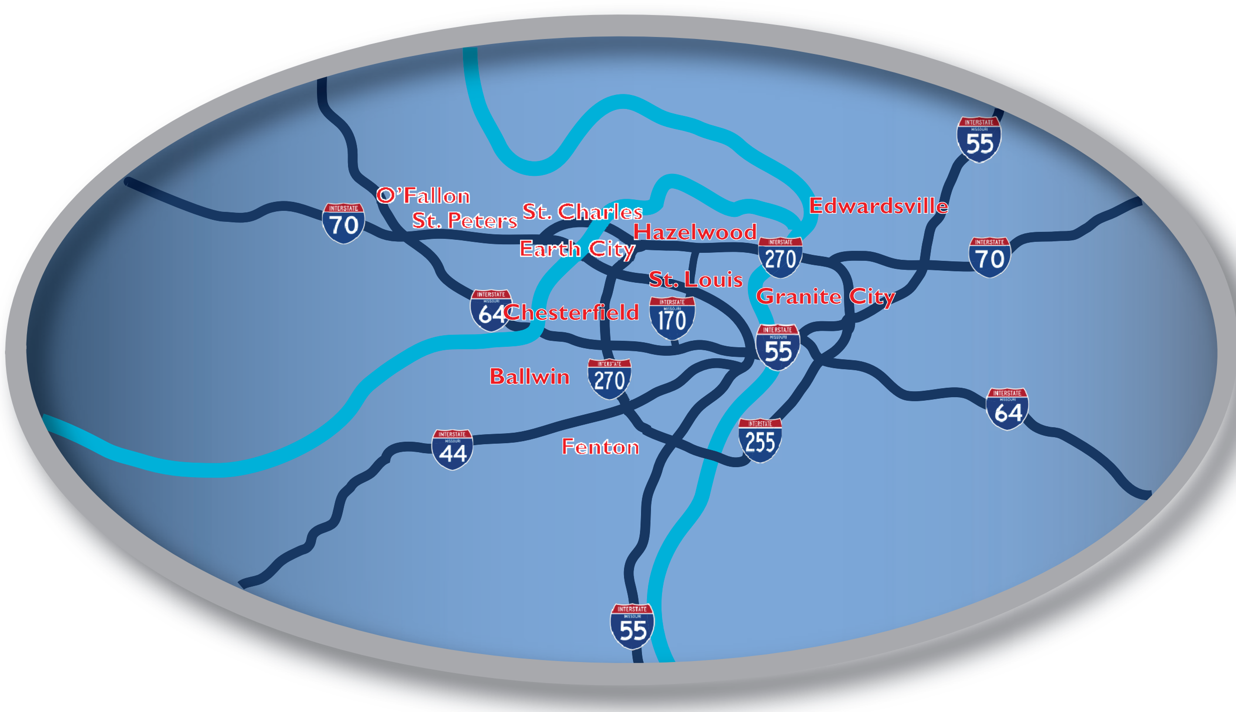
In 2008, we opened our operations in St. Louis under the name Block Hawley. With over 4,000,000 square feet of listed property and over 5,000,000 square feet under management in St. Louis, Block Hawley continues to be one of the largest service real estate firms in the St. Louis area.

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 2021 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

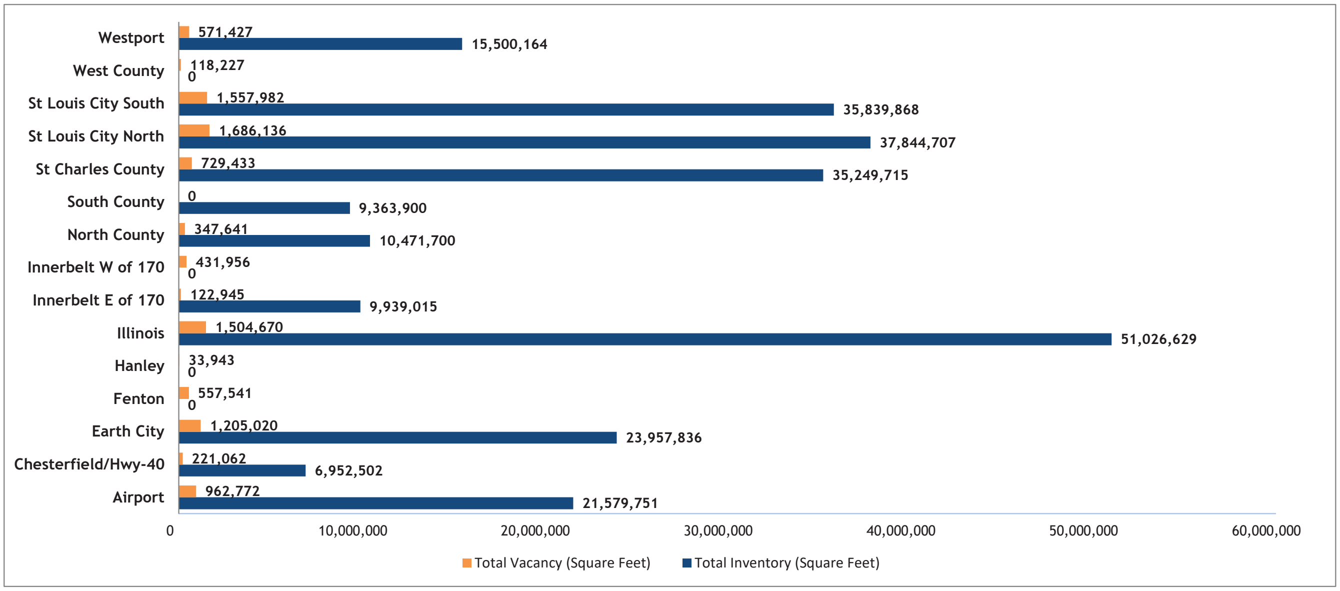
2021 was a repeat of 2020 with additional negative effects brought on by a White House policy that focused on a large reduction of the workforce by both monetarily incenting a large percentage of the workers to stay at home rather than continuing to work every day and a long list of counterintuitive policy changes including but not limited shutting down this country's ability to drill and use our own natural resources. This has led to a 7% inflation rate for the year ending 2021. The worldwide pandemic, COVID-19, did not shut down our country in 2021 as it did in 2020, but variants Delta and Omicron continued to plague the country. It's politization by the media has divided the country and is a cancer that we may be dealing with for some time to come. The main resultant is that reduced labor supply in this country has created significantly increased inflation, severe supply chain problems and increased costs in products and commodities across the board. So much so that distribution companies have gone back to a Spoke Distribution Model from the Hub Distribution Model evidenced by ultra-low vacancies in the 2%-3% range. This not only goes for St. Louis, but the entire country. Many companies saw revenues increase due to an increase in the price of goods sold, due mainly to the large price increases in raw goods and commodities. Supply chain is still critical path to sales, which is the reason we saw a change in the warehouse & distribution of finished goods. 2021 was another consecutive year for ultra-high net absorption leading to a huge number of high construction-starts for 2022. St. Louis will deliver a minimum of 8,000,000 square feet of new industrial construction with over 5,000,000 square feet of speculative product. New construction deliveries in 2021 were approximately 3,600,000 square feet of that, 55% of net absorption occurred in speculative product and 45% of net absorption occurring in existing warehouse product. Overall vacancy rates are at 2.9%, an average of all product types. This trend will most likely continue in 2022, with continued inflation, increased oil prices and continuing supply chain problems through the entire year and into the foreseeable future. Until we put people back to work, we are going to have problems with inflation and supply chain. Positive news was the net absorption of over 5.9 million square feet in 2021. With the scheduled new construction deliveries, it is not improbable that we will beat that number in 2022. The St. Louis industrial market is definitely in a multi-year period of expansion. While vacancies remained low in Class A bulk warehouse product, we saw several new speculative and user-construction starts and deliveries in 2021. Rents are increasing due to very low vacancies and building cost increases. Tenants are waiting 6-8 months until new construction is delivered. We currently have less than 200,000 square feet of Class A bulk warehouse inventory available and ready for occupancy. We will see growth in lease rates as developers try and keep up with rising development costs. With Republicans staged to take back the House and/or the Senate, gridlock for the next two years is certain. The Federal Reserve is signaling four (4) to six (6) interest rate increases in 2022, to try and control inflation, which could backfire and slow growth. Net absorption of Class A Bulk Warehouse in St. Louis was over 4.2 million square feet, and across the river in Illinois, it was over 1.6 million square feet. Tristar Companies began construction on a new 250,000 square foot Build-to-Suit for Inbev at Gateway Commerce Center which will deliver 2Q2022. Exeter leased all 674,752 square feet in Exeter I to Royal Canin and Spectrum has signed a long-term lease in NorthPoint's Gateway Tradeport 3, a new 624,000 square foot building. NorthPoint is delivering Gateway Tradeport 4, a 1,010,000 square foot speculative building in Illinois. Exeter has begun construction on Exeter II, an 801,000 square foot speculative warehouse delivering 3Q2022. There were other new construction starts in St. Louis County in 2021, which will be covered in other sections of the review.

We are confident that lease rates will continue to grow above $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 230,000 square feet.

The investment market activity was significantly increased in 2021 with just over 13.4 million square feet valued in excess of $1,017,944,000. There were 17 large transactions, transacted in St. Louis County, St. Louis City and Madison County, Illinois. Look for an equal number of significant transactions in 2022 as demand to place capital remains high. The weighted-average stabilized capitalization rate for all seventeen (17) sales was approximately 5.38%, down approximately 86 basis points from the previous year. The weighted-average price per square foot was $81.05/SF up almost $27.00/SF.

Manufacturing and Service labor was significantly affected by both COVID-19 and White House Policy 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 2021 was 3.7% down 200 basis points from the same time in 2020. That compares favorably to unemployment figures in the U.S. at 3.9%. **Please keep in mind that White House Policy concerning required vaccines has removed approximately 4.4 million workers, so the numbers above are skewed.**

Total Inventory & Vacancy (Square Feet)



Information obtained from CoStar Group® 2021 Industrial Report

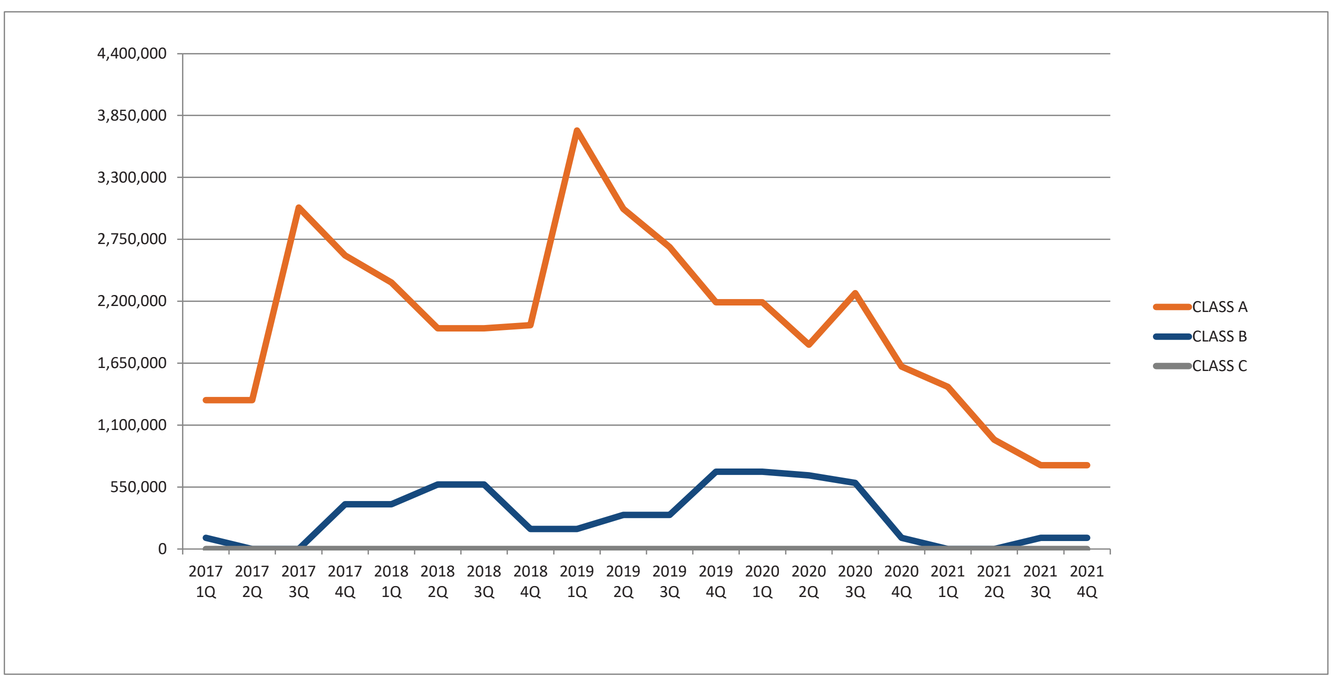
BULK WAREHOUSE

*Jeff Hawley and Brandon Duncan of **Block Hawley** represented **DRA** in the leasing of 110,000 SF to both **Mark Andy** and **Majestic Auto Glass**.*

This is the 9th consecutive year of strong bulk warehouse net absorption. In 2021 new construction accounted for 55% of net absorption with existing bulk product accounting for the remaining 45%. In 2021, we delivered ten (10) new bulk buildings totaling over 3.6 million square feet. Of the 5.9 million square feet of net absorption, 3.24 million square feet was in new construction, leaving approximately 2.655 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 in a positive way, however, market demand was very strong throughout the entire year and with fewer options and immediate need, existing buildings significantly outperformed the previous year. Supply chain problems and a switch in distribution created a strong leasing demand in this product type positively influencing both vacancy and lease rate structure in 2021. With supply chain deficiencies, strong leasing demand kept up with new construction delivery in 2021 and vacancy rates shrank to all-time lows. The market has responded with 8,000,000 square feet under construction, including over 5,000,000 square feet of speculative space. Anticipated absorption in 2021 should continue at the same rate as the three previous years at approximately 6 million square feet based on projected deliveries and current requirements. With the inflation that we experienced in 2021 and a very unlikely easing in 2022, look for lease rates to increase as cost of goods will continue to rise. Labor supply will continue to be a problem and wages will increase based on White House policy. Property values increased by 25%, a trend we see continuing into 2022. There are no concessions in the market other than tools to bridge tenants from one property to another. Again, we saw significant speculative construction starts in 2021, but nothing compared to what we will see in 2022. 2022 will be another good year for owners of industrial buildings in the St. Louis industrial market with few value-add opportunities 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 increase in user building acquisition in the 2nd half of 2021, so finding existing 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 5.9 million square feet of net absorption for the year, we see continued positive net absorption and growing rents continuing into 2022. Investors continue to target bulk warehouse properties and large Class A & Class B distribution buildings. Compressing cap rates have continued to drive prices up significantly into 2022. Cap rates are sub 6%, approaching 5%. 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.

*Jeff Hawley and Brandon Duncan of **Block Hawley** represented **Plymouth REIT** in the lease renewal of 100,106 SF to **Universal Storage & Warehouse Company**.*

Bulk Warehouse Vacancy Trends



RENEWALS	
Unilever	513,474 SF
Geodis	397,775 SF
Universal Storage	100,106 SF
Boeing	77,000 SF
Trane	74,400 SF
The Phoenix Group	61,854 SF

*Jeff Hawley and Brandon Duncan of **Block Hawley** represented **Mestek Corporation** in the sale of 93,100 SF to **Willie-J Holding**.*

NEW LEASES	
Ryder Logistics	412,500 SF
Outdoor Living	325,994 SF
ITF Group	315,050 SF
Sensient Technologies	300,481 SF
USPS	299,004 SF
Amazon	278,670 SF
8th Avenue Foods	252,272 SF
Tightline Composites	227,550 SF
We Ship Express	194,750 SF
Amazon	148,800 SF
ITF Group	143,600 SF
Amazon	142,670 SF
eTrailers	117,804 SF
Crown Packaging	116,263 SF
Dodge Moving & Storage	104,437 SF

*Jeff Hawley of **Block Hawley** represented **Plaza Properties** in the lease renewal of 34,080 SF to **Ruger Precision Metals**.*

NEW GENERATION OFFICE WAREHOUSE

New Generation Office Warehouse performed well for another consecutive year in 2021 with over 230,000 square feet of net absorption. We delivered one (1) new building in 2021. Above average net absorption with the delivery of one (1) new building resulted in a reduction in vacancy to 3.48% in the 4th quarter, approximately 300 basis points lower than the same time in 2020. With only three remaining vacancies in this product type in the entire metropolitan area and continued strong activity, look for further reductions in vacancy rates in 2022. Block & Clearpath Development will deliver 92,500 square feet in Westport in March which should be fully leased shortly after delivery. Lease rates are set to increase with the inflation of building commodities and a significantly reduced supply. New requirements will have very limited choices and new construction is being absorbed quickly.

*Jeff Hawley and Brandon Duncan of **Block Hawley** represented **Plymouth Park 370** in the lease of 17,850 SF to **Jacobs International**.*

*Jeff Hawley represented **Plaza Properties** in the sale of **Shoreline Service Center** to **Sealy Acquisitions**.*

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 2021, 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 is located in St. Louis city, a great area for companies looking for lower rents and better value. bsorption in St. Louis County will continue at a steady pace driven by economic growth in 2022.

NEW CONSTRUCTION

It was a good year for new construction. A continuation of 2020, St. Louis delivered 3,600,000 square feet of new product, with approximately 2,300,000 square feet of speculative product. The new Amazon 142,670 square foot building as well as the Grey Eagle 224,000 square foot distribution building in Fenton Logistics Park. Diode Dynamics completed their 70,000 square foot facility in Fountain Lakes and Amazon moved into their new 142,670 square foot in St. Peters. Speculative construction starts were up in 2021 with six (6) new projects. Two (2) buildings were completed in Gateway TradeportCenter in 2021, GTP 2, a 544,000 square foot building and GTP 3, a 624,346 square foot building. Both buildings are 100% leased. Construction is under way on GTP4, a 1,010,000 square foot building delivering July of 2022. Opus delivered Earth City Commerce Center, a 110,000 square foot building in Earth City, which is 100% leased to two (2) tenants. Opus also delivered Soulard Commerce Center, a 154,337 square foot speculative bulk warehouse building just south of downtown St. Louis. NorthPoint also delivered two (2) buildings at Hazelwood Tradeport Center, HTP 1, a 252,272 square foot building and GTP 5, a 412,500 square foot building, which are both 100% leased.

*Jeff Hawley and Brandon Duncan represented **Millpark Investors, LLC** in the lease of 23,316 SF to **Tierpoint, LLC**.*

There are currently fifteen (15) buildings under construction, over 5,000,000 square feet of speculative construction, all in response to supply chain challenges, and that number could easily increase based on continued strong demand.

***NorthPoint Properties** leased 100% of **HTP6**, 547,750 SF, to **Imperial Bag** and **Kasey Paige**.*

REGIONAL DISTRIBUTION

Activity in regional warehousing was strong with four (4) large new lease deals totaling 1,468,000 square feet, including the Inbev BTS, QPSI, Outdoor Living and Royal Canin. There were two (2) lease renewal transactions, Geodis and Unilever, more than 911,000 square feet. There were also four (4) investment sales, totaling over 4.8 million square feet in Southern Illinois. NorthPoint delivered Gateway Tradeport 2, a 543,740 square foot building which was leased to QPSI and Outdoor World. They also delivered a sister Gateway Tradeport 3, a 624,000 square foot distribution building. They have started a new building, Gateway Tradeport 4, a 1,010,000 square foot distribution building delivering in 2nd quarter 2022. Lease rates increased to \$3.75/SF NNN on tax-abated construction and approximately \$3.35/SF NNN to \$3.55/SF NNN on non-abated buildings. Look for lease rates to remain steady due to all of the existing lease absorption in 2021. Exeter has started construction on a new 801,000 square foot speculative building in Gateway Commerce Center and Panattoni has started construction on two (2) speculative buildings in Gateway Commerce Center, a 376,000 square foot building and a 455,900 square foot building delivering 2nd and 3rd quarters of 2022.

***TriStar** is under construction on a 250,000 SF Built-to-Suit for **Inbev** in **Gateway Commerce Center**.*

***NorthPoint Properties** leased 100% of **GTP2** in Southern Illinois, to **Outdoor Living** and **QPSI**.*

INVESTMENT

2021 was a stellar year for investment activity with seventeen (17) major investment transactions totaling over 13,400,000 square feet. Those transactions totaled more than \$1,017,453,000 in consideration or a weighted average of \$58.31/SF and a weighted average going-in cap rate of 5.83%, down 86 basis points from the previous year.

*Jeff Hawley and Brandon Duncan of **Block Hawley** represented **4227 Investors** in the sale of a 130,825 SF Building to **Pacific Acquisitions**.*

Significant downward pressure on placement of capital continues, with continued capitalization rate compression in 2022. Cap rates will reach lower to mid-5% cap range this year driving a much higher "brick and mortar" cost per square foot. We believe that the level of sale activity will remain constant in 2022 as investors are flush with cash to invest and Sellers decide to continue taking profits.

*Jeff Hawley and Brandon Duncan of **Block Hawley** represented **Ashby Road Partners** in the sale of its 156,000 SF Building in Earth City to **Plymouth REIT**.*

*Jeff Hawley and Brandon Duncan of **Block Hawley** represented **Plymouth REIT** in the acquisition of 100,000 SF from **Sara Properties**.*

ADDRESS	SQUARE FOOTAGE	OFFICE FINISH	SALE PRICE/ PRICE/SF	CAP RATE	DATE SOLD	PURCHASER	SELLER
Lakeview Corporate Center 3951 Lakeview Corporate Drive Edwardsville, IL	1,109,830 SF	1%	$49,942,350 $45.00/SF	6.49%	12/15/2021	Sealy	Panattoni
Gateway Commerce Center 107-8 Gateway Commerce Center Edwardsville, IL	2,026,326 SF	4.9%	$140,000,000 $69.09/SF	5.300%	1/21/2021	Apollo	Tristar/PCCP
9150 Latty Avenue Berkeley, IL	142,364 SF	6%	$7,800,000 $54.79/SF	8.21%	3/23/2021	Plymouth Latty	ISC RE, Inc
Earth City Pointe 4205-27 Earth City Expressway Earth City, MO	130,825 SF	30%	$15,800,000 $120.77/SF	6.10%	3/25/2021	Pacific Acquisitions	Block/Clearpath

ADDRESS	SQUARE FOOTAGE	OFFICE FINISH	SALE PRICE/ PRICE/SF	CAP RATE	DATE SOLD	PURCHASER	SELLER
I-170 Distribution Center 8525-8537 Page Avenue St. Louis, MO	376,597 SF	6%	$40,200,000 $106.85/SF 95% Leased at Closing	6.18%	4/20/2021	MRP NE	Page Freeze LLC
8801-8845 Seeger Industrial Drive St. Louis, MO	129,000 SF	5%	$5,310,000 $41.16/SF 66% Leased at Closing	5.58%	4/22/2021	Sealy & Co.	JGB Seeger LLC
Amazon 4000 Premier Parkway St. Peters, MO	855,080 SF	5%	$122,000,000 $142.69/SF	4.15%	5/19/2021	Ponte Gadea USA	Duke Realty
Tradeport I - Amazon Tradeport Parkway Beach, IL	543,740 SF	4,000 SF	$41,921,000 $77.10/SF	4.41%	6/16/2021	USAA	NorthPoint
160-275 Corporate Woods Court Earth City, MO	156,000 SF	20%	$8,300,000 $53.21/SF	7.11%	6/29/2021	Plymouth REIT	Ashby Road Partners
St. Louis Duke Portfolio 1001-2001 Premier Park 370 St. Peters, MO Lindbergh DC Hazelwood, MO Dukeport I-IX Bridgeton, MO Riverport III & IV Maryland Heights, MO Corporate Trails DC Earth City, MO	4,326,945 SF	6.6%	$292,000,000 $67.48/SF	5.70%	7/22/2021	Exeter	Duke Realty
St. Louis Transwestern Portfolio Commerce Center at Park 370 Hazelwood, MO Broadway Commerce Center St. Louis, MO 1600 & 4774 Park 370 Boulevard Hazelwood, MO 1010 Turner Boulevard St. Peters, MO	909,466 SF	5.48%	$65,200,000 $71.69/SF	5.10%	7/22/2021	Stockbridge Cap	Transwestern
13722-48 Shoreline Drive Earth City, MO	92,120 SF	20%	$8,700,000 $94.44/SF	6.19%	8/4/2021	Sealy & Co.	Plaza Properties
3401-21 Hollenberg Drive Bridgeton, MO	26,674 SF	50%	$1,640,000 $61.48/SF	8.00%	7/20/2021	Ed Shalabi	Ashton Properties
Altus Portfolio 13640-88 Lakefront Drive Earth City MO 4001-4045 Lakefront Drive Earth City, MO 8480-8526 Mid County Industrial Vinita Park, MO 3481-3499 Rider Trail S Earth City, MO 3401-3471 Rider Trail S Earth City, MO	550,137 SF	21.8%	$37,100,000 $67.44/SF $2,750,000 Projected Cap Ex 94% Leased at Closing	6.04%	9/7/2021	Sealy & Co.	Altus Properties
4848 Park 370 Boulevard Hazelwood, MO	76,092 SF	26.3%	$7,700,000 $101.19/SF	5.84%	10/5/2021	Plymouth REIT	BH Park 370
11650 Lakeside Crossing Drive Maryland Heights, MO	100,021 SF	43%	$11,100,000 $110.98/SF	6.85%	10/5/2021	Plymouth REIT	Sara Investment
3051 Gateway CC Drive S 349 Gateway CC Drive E Edwardsville, IL	1,145,330 SF	1%	$75,100,000 $61.21/SF	6.17%	10/7/2021	Plymouth REIT	L & B

2022 TRENDS

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

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