INDUSTRIAL MARKET REPORT

St. Louis Metropolitan Area

BLOCK HAWLEY

A BLOCK REAL ESTATE SERVICES AFFILIATE

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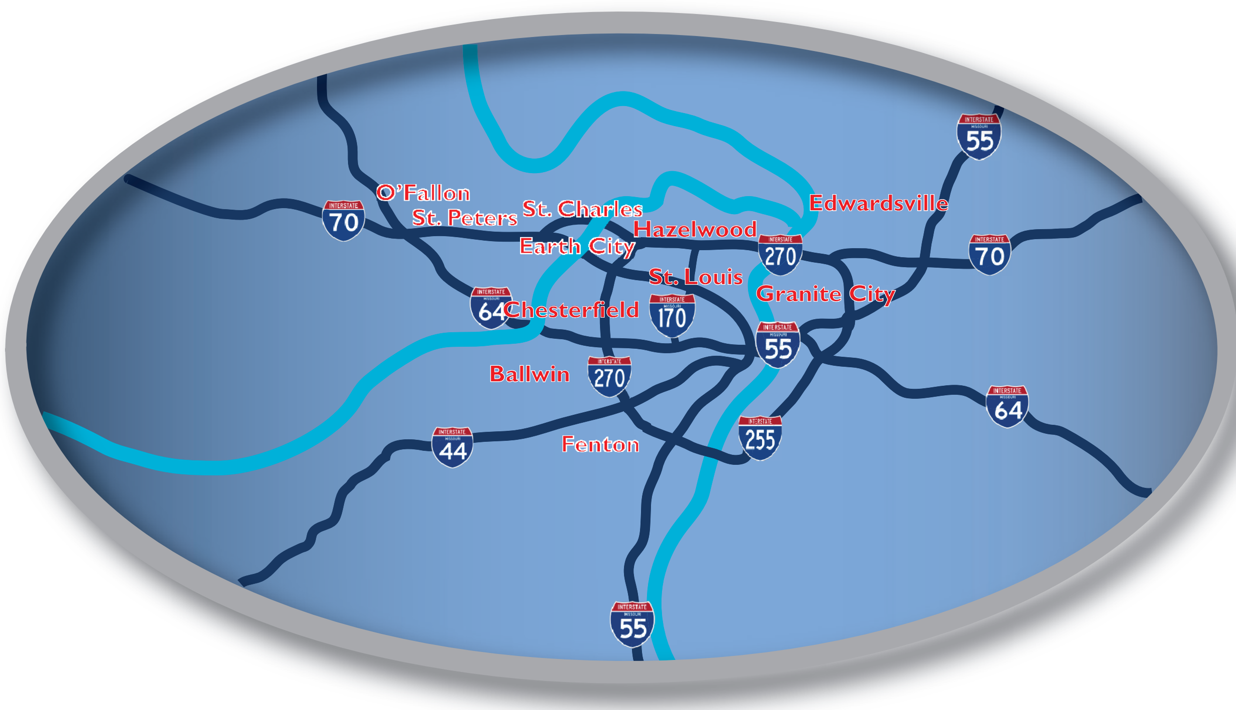
In 2008, we opened our operations in St. Louis under the name Block Hawley. With over 4,000,000 square feet of listed property and over 7,000,000 square feet under management in St. Louis, Block Hawley continues to be one of the largest service real estate firms in the St. Louis area.

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 2025 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

2024 saw the market continued slowing in the St. Louis bulk warehouse, however, 4th quarter absorption in the Illinois regional distribution market helped overall net absorption to just over 2,000,000 square feet for the year, an increase of 3,600,000 square feet from the previous year. Interest rates still hover around 7.5%, slowing investment to a standstill with only 6 major transactions. Locally, the St. Louis industrial market performed better than the previous year, but not close to 2021-2022. We still have a trucking recession and broken supply chain, however, that will hopefully change with a pro-business policy from a new white house by the end of 2025. While monetary policies have slowed the growth of inflation, it has not eliminated higher prices on many food items and consumer goods in the country. Energy prices are still expensive compared to the pre-Covid time-frame and hope to see a significant reduction by the end of 2025 based on deregulation and pro-energy policy implemented at the beginning of the year. We are hoping that interest rates fall into the mid 5's before midyear and that new policies will help us avoid a traditional recession.

In 2024, industrial space came back on the market in large quantities, including subleases. By the end of the year, we saw over 1.6 million square feet of direct and sublease absorbed in regional warehouse space. That combined with a handful of large leases in St. Louis County push us to approximately 2,000,000 square feet of positive absorption in 2024. There is currently approximately less than 1.4 million square feet of available space in our regional distribution submarket located in Southern Illinois. We have regional and national companies move products around the country to different cities to save money. We saw vacancies rise in most major cities, as companies give back spaces. Regardless, we still have a shortage of labor and thus supply-chain problems still exist and will into the foreseeable future. All these factors increase costs, which continue being passed on to the consumer.

We saw an increase in construction starts in 2024 with a total of approximately 2.2 million square feet of new construction in both speculative construction and user-driven construction. We did see a reduction in construction costs, although certain things, like switchgear and HVAC still have very long lead times. Construction pricing overall should remain level in 2025.

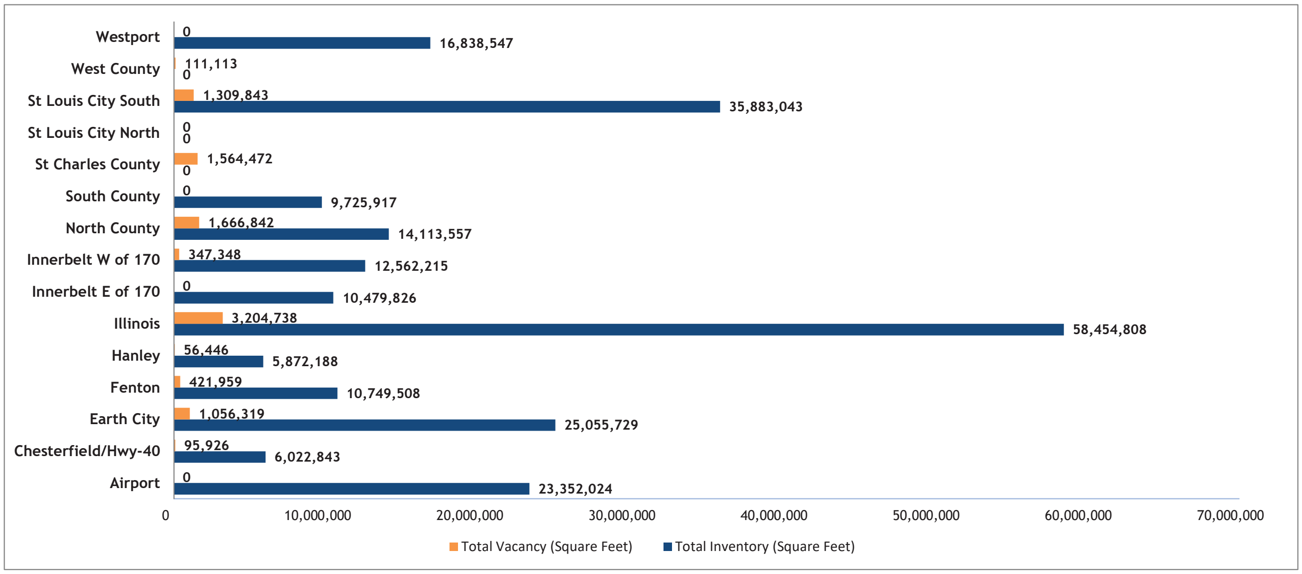
Owners of industrial buildings saw values stabilize as interest rates increased and the economy slowed. Demand for space has decreased in 2024. Of the 900,000 square feet of speculative construction that delivered in 2024, 150,000 square feet has been absorbed. As stated above, increasing interest rates combined with higher construction material costs will slow speculative construction significantly in 2025.

Total new construction deliveries in 2023 were approximately 2.2 million square feet in nine (9) buildings. Overall vacancy rates were at 4.7% at year end, an average of all product types. The news that we increased net absorption was positive news for 2024. With the scheduled new construction deliveries and existing available space, it is most likely that we will have positive net absorption in 2025. Overall lease rates will be stronger in all industrial categories with the exception of bulk warehouse based on a glut of available space. Specific deliveries will be addressed in the Bulk Warehouse and New Construction sections of the report.

Investment market activity was significantly less in 2024 with just over 1.24 million square feet of transactions valued at more than $95.83 million. There was a total of 6 large transactions, transacted in St. Louis County, St. Louis City and Madison County, Illinois. Look for a approximately the same number of significant transactions in 2025 as interest rates begin to stabilize. The weighted-average stabilized capitalization rate for all 6 sales was approximately 7.989%, up approximately 110 basis points from the previous year. The weighted-average price per square foot was $96.79/SF up $32.29/SF.

The Unemployment Rate in St. Louis at the end of 2024 was 4.6% up 150 basis points from the same time in 2023. That compares unfavorably to unemployment figures in the U.S. at 4.1%.

Total Inventory & Vacancy (Square Feet)



Information obtained from CoStar Group® 2023 Industrial Report

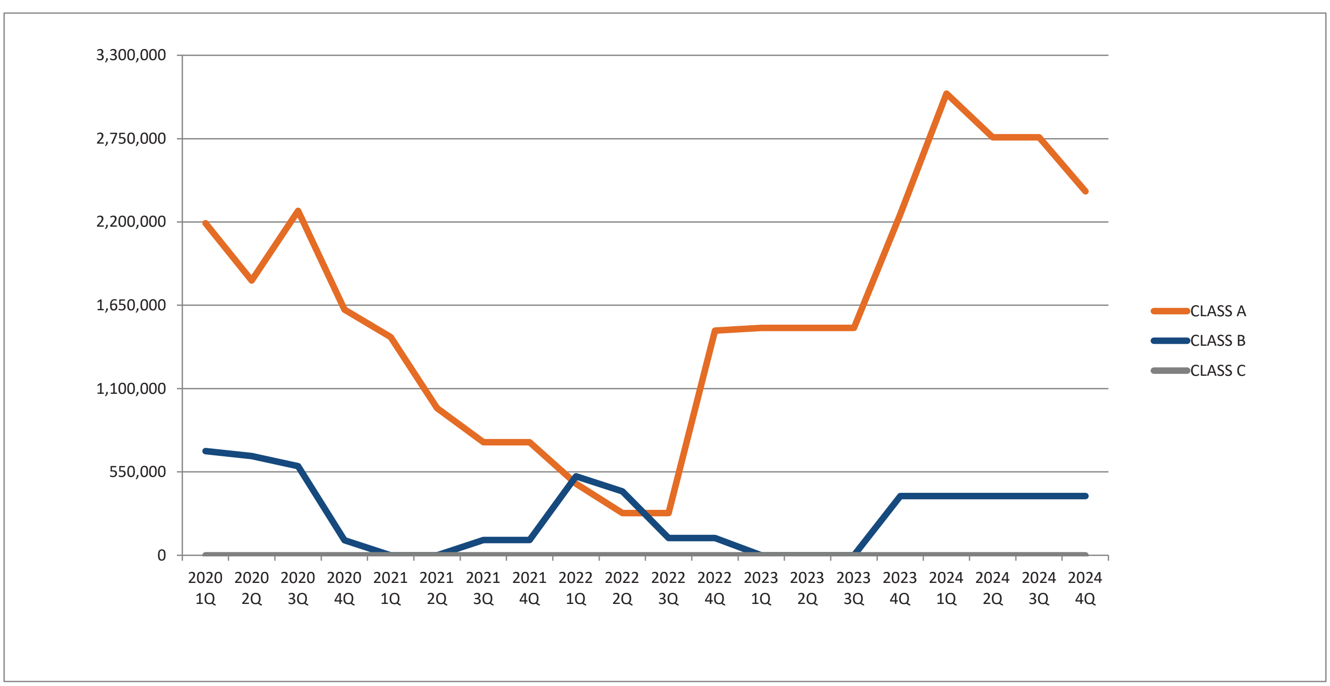
BULK WAREHOUSE

*Jeffrey Hawley & Brandon Duncan represented **Block Funds** in the lease of 191,000 SF at 5790 Campus Parkway to **Concrete Strategies**.*

While we had significant absorption of 100Ksquare foot and larger spaces during 2024, overall net absorption unlike 2023, was positive and a significant improvement over 2023. We will continue to see lower net absorption through 2025 in bulk warehouse, however, based on pro-business policy, energy cost should see noticeable reduction in pricing by the end of 2025. In 2024 new construction accounted for 50% of net absorption with existing bulk product accounting for the remaining 50%. In 2024, we delivered nine (9) new bulk buildings totaling over 2.2 million square feet. Of that amount, only 40% were speculative. The benefit of tax abatement in new construction continues to affect the leasing of existing Class A vacancy. Market demand for space below 100,000 square feet made up majority of the gross absorption with only 12 new lease deals completed above 100,000 square feet. Supply chain problems have gotten a little better but are still problematic. Look for less construction starts in 2025 which will push vacancies lower. Anticipated net absorption in 2025 will remain positive. With the inflation that we experienced in 2024 easing a bit, it's very unlikely we will see a significant drop until end of 2025. Labor supply will continue to ease as unemployment increases. Property values will remain steady to decreasing with a stiff interest rate that seems to be falling very slowly if at all. There are no concessions in the market other than tools to bridge tenants from one property to another. Again, we saw three (3) speculative construction starts in 2024 but see that decreasing significantly in 2025. Available options for users of 100,000 square feet or larger will remain plentiful in both new construction and existing buildings. There continues to be strong demand for user building acquisition although there are very few options available. 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. Investors will have a very tough time finding opportunities to purchase based on increasing interest rates and reluctant sellers that want to sell at lower cap rates. Capital is still abundant in the market, but higher interest rates will erode cash returns making it tougher and tougher to make deals.

*Jeffrey Hawley & Brandon Duncan represented **Plymouth REIT** in the leasing of 100,000 SF to **Cabinets & Granite Co** at 9150 Latty Avenue.*

Bulk Warehouse Vacancy Trends



RENEWALS	
Royal Canin	521,171 SF
Geodis	406,497 SF
Dr Brown's Co.	345,645 SF
ByK	136,100 SF
Snyder's Lance	122,400 SF
Potter Electric	103,317 SF
Victory Packaging	100,120 SF
Dalton Logistics	56,760 SF
Ceva Logistics	52,920 SF

*Jeffrey Hawley & Brandon Duncan represented **Flexi Care** in the purchase of 13622 Lakefront Drive, a 88,000 SF building in Earth City.*

NEW LEASES	
Armstrong Logistics	487,521 SF
World Wide Technologies	455,900 SF
Customized Dist. Serv.	233,100 SF
Circle K Stores	211,269 SF
Concrete Strategies	191,000 SF
AllStates World Cargo	150,385 SF
Betallic Baloon	133,500 SF

NEW LEASES	
Marson Foods	130,937 SF
Dive Bomb	128,697 SF
Planet Warehouse	110,075 SF
Cabinets & Granite	100,000 SF
Elemental Enzymes	100,000 SF
Apollo Express	89,600 SF
Zelis Health Care	81,573 SF
BCI	59,147 SF

*Jeffrey Hawley & Brandon Duncan represented **Block Funds** in the renewal of the **Keefe Group** in its 124,558 SF facility located in Westport.*

NEW GENERATION OFFICE WAREHOUSE

Activity in New Generation Office Warehouse buildings was slow for the second consecutive year with modest leasing activity. At the end of 2024 we had over 195,000 square feet of available space. Net absorption in 2024 was positive 63,000 square feet. While we anticipate some activity in this product type, there are just 3 spaces available currently and no new construction contemplated for the year. Rent growth in 2024 was flat and we don't see any improvement in lease rates until end of 2025 based on limited activity and no new construction.

*Jeffrey Hawley & Brandon Duncan represented **Ceva Freight** in the renewal of its 52,920 SF lease at 4745 Earth City Expressway in Earth City.*

*Jeffrey Hawley & Brandon Duncan represented **Dalton Logistics** in the renewal of its lease of 56,760 SF space at 4045 Lakefront Court in Earth City.*

MULTI-GENERATIONAL OFFICE WAREHOUSE

Multi-Generational Office Warehouse and Manufacturing space comprises older buildings that have been occupied by several 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 2024, 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 are 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 in 2025.

NEW CONSTRUCTION

It was a slow year for new construction, as developers responded to negative absorption and higher interest rates. St. Louis delivered 2.2 million square feet of new product, with approximately 50% of that being speculative product. TriStar delivered two (2) new buildings totaling 505,440 square feet at Westport Commerce Center. NorthPoint Development delivered one (1) building totaling 490,365 square feet. User-driven construction accounted for over 1,100,000 square feet.

***NorthPoint** delivered a 490,365 SF speculative building located in St. Peters, MO.*

There are currently four (4) buildings under construction totaling approximately 1,900,000 square feet scheduled to deliver in 2025. There are no speculative buildings under construction or scheduled to begin construction in 2025 as we continue to absorb a large amount of existing vacancy.

***TriStar Properties** delivered two (2) 256,024 SF buildings at Westport Commerce Center in Maryland Heights.*

REGIONAL DISTRIBUTION

There was little leasing activity in regional warehousing until the end of the fourth quarter of 2025. There was 800,000 square feet of subleases executed and over 1.2 million square feet in new deals. Armstrong Logistics subleased the 500,000 square foot Walgreen's space and TIG subleased 300,000 square feet of Spectrum's 624,000 square foot space in Gateway Tradeport. There were three (3)new leases signed, WorldWide Technologies leased 455,900 square feet from Panattoni, Thyssen Krupp leased 600,000 square feet from Plymouth REIT and U.S. Lumber leased 181,000 square feet from Panattoni. Their were two (2) renewal transactions, the first by Royal Canin in 521,171 square feet and Geodis in 406,497 square feet. There were no investment sales and no new construction deliveries. Look for lease rates to remain steady as no new product will be added in 2025.

***Panattoni** leased 455,900 SF, one of its two buildings to **WorldWide Technologies**, located in Gateway Commerce Center.*

*Jeff Hawley represented **Plymouth REIT** in the lease of 600,000 SF to **Thysenn Krupp** located in Lakeview Commerce Park.*

INVESTMENT

2024 was another consecutive slow year for investment activity with only six (6) major investment transactions totaling over 1,200,000 square feet. Those transactions totaled more than $95.8 million in consideration or a weighted average of $96.79/SF and a weighted average going-in cap rate of 7.99%, up 130 basis points from the previous year.

Interest rates have begun to stabilize, slightly increasing cap rates in 2024. We believe that the level of sale activity will remain constant in 2025 as investors will have a difficult time finding opportunities.

*Jeffrey Hawley and Brandon Duncan represented **DRA** in the investment sale of two buildings totaling 370,000 SF at 4285 & 4301 Rider Trail North in Earth City.*

*Jeffrey Hawley and Brandon Duncan represented **Sara Investments** in the sale of Chesterfield Exchange, a 117,730 SF building located in Chesterfield.*

*1780 Beltway Drive, a 100% leased 100, 000 SF industrial building was purchased by **Accretive Investments**.*

***Bamboo Partners** purchased a 100% leased 4-Building Package in Collinsville, IL.*

ADDRESS	SQUARE FOOTAGE	OFFICE FINISH	SALE PRICE/ PRICE/SF	CAP RATE	DATE SOLD	PURCHASER	SELLER
5101 Farlin Avenue St. Louis, MO	258,600 SF	1,000 SF	$4,000,000 $15.46/SF	10.68%	2/13/2024	Park 70 Group	Farlin Building
1780 Belt Way Drive Vanita Park, MO	98,182 SF	23,760 SF	$8,000,000 $81.48/SF	7.06%	4/2/2024	Accretive Prop	Westwood
4285 & 4301 Rider Trail Earth City, MO	370,000 SF	25,000 SF	$23,500,000 $63.51/SF	7.32%	4/17/2024	NorthPoint	DRA
Eastport Tech Center 1601-09 Eastport Plaza Drive Collinsville, MO (4 Buildings)	202,508 SF	20,000 SF	$23,000,000 $113.58/SF	6.25%	10/31/2024	Bamboo Equity	MDC Eatsport
17877-99 Chesterfield Airport Road Chesterfield, MO	117,730 SF	57,452 SF	$13,800,000 $117.22/SF	8.80%	11/12/2024	Prestwick	Sara Investment

2025 TRENDS

- Slowing net absorption continues
- Strong lease rate growth and steady overall values
- Slowing investment activity and increasing cap rates
- Decreasing activity in both user-driven Build to Suits and Speculative Construction

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