

Warehouse demand continues to rise in Midwest markets

Booming interest in industrial space continues to fill the warehouses in Metro East and beyond, according to commercial real estate firm JLL.

With a flurry of new leases signed in the last quarter, the brokerage firm says last year's figures have met the record of 4.1 million square feet of absorption previously set in 2019. According to JLL's 2021 Midwest Industrial Outlook, the Midwest markets are seeing unprecedented growth and will need 275 million square feet of new warehouse space in the next five years to accommodate surging demand.

"Had you asked in March what the outlook for industrial real estate would be for 2020, the answer would not have been where we are today," said David Branding, managing director for JLL's St. Louis industrial markets team. "The activity, especially in last quarter, helped achieve another record year of absorption. We fully expect to see the same momentum and even an increase in demand going into this year and likely well beyond."

JLL's report indicates that St. Louis experienced a 79 percent increase in bulk inventory since 2016 after having virtually no new construction from 2009 to 2015. In 2020, e-commerce accounted for more than 40 percent of the leasing activity. The majority of new warehouse construction continues to be in North County, St. Charles, and the Metro East.

Last quarter, JLL represented tenants and developers in more than 670,000 square feet in new lease agreements. Altus Properties signed a 135,400-square-foot lease at its Corporate 44 Business Park in Fenton, Mo. Building 4 at the park is now fully leased with the expansion of current park tenant Re-Sort Solutions, a specialty packaging and warehouse company.



NorthPoint Development's second large distribution facility at Gateway Tradeport in Pontoon Beach is complete. Contegra Construction Co. built the 544,000-square-foot warehouse six months after completing the first distribution center at the development.

Cambridge Engineering, a Chesterfield Valley company, signed a lease for 68,605 square feet within the Wentzville Distribution Center, owned by Sparrow-Hawk Development. This lease brings occupancy in the building to 100 percent.

Agile Packaging Solutions leased 241,448 square feet at Park 370 Center 1 in Hazelwood, Mo., bringing the building to 100 percent occupancy. JLL represented NorthPoint Development. Agile is also a specialty packaging company serving customers in St. Louis.

JLL also represented St. Louis Business Center on two recent lease agreements within the center, located in the North City submarket. Werner Enterprises and American Trailer Rental Group have both leased trailer yards within the park. The leases are part of a larger trend of facilities catering to increased commercial truck and trailer traffic related to e-commerce, both in and around the St. Louis market and on cross-country routes. This is American Trailer's first St. Louis location.

Top tenant expansions in the St. Louis market include Amazon, World Wide Technology, Geodis, Reckitt Benckiser, and Save A Lot. The companies signed 18 new leases totaling more than 8.7 million square feet. The area's top developers, including NorthPoint, TriStar, Pannatoni, Duke Realty, and CRG, brought more the 15 million square feet of new warehouse space to market in 2020.

"With an expected \$900 billion increase in e-commerce sales expected in the next five years, St. Louis is poised to gain significant investment and growth among major institutional players, some who have already begun recognizing the market, and others who undoubtedly are now starting to take notice," added Branding.

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