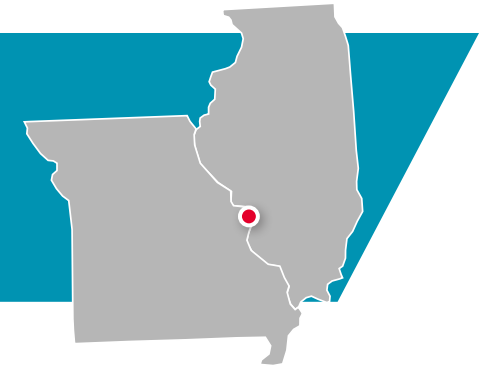
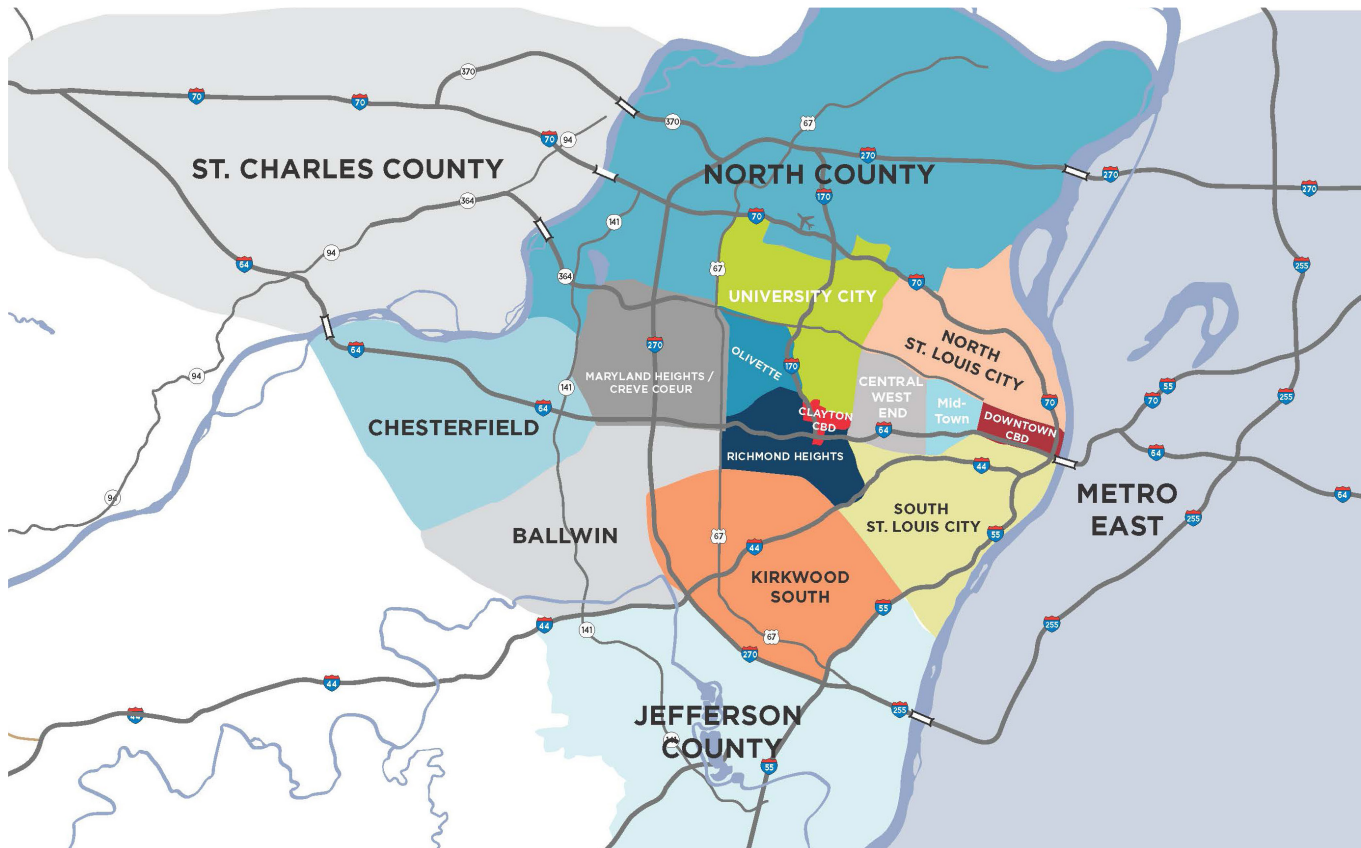


MARKET INSIGHT

ST. LOUIS MULTIFAMILY REPORT | FOURTH QUARTER 2018



Cushman & Wakefield Research provides in-depth coverage of the St. Louis Metropolitan Statistical Area. In addition to analyzing multifamily rent and sale trends, these reports examine employment data, key economic announcements, and development pipeline news.



IN THIS EDITION

- ▶ Downtown Clayton
- ▶ Downtown CBD
- ▶ St. Louis City
- ▶ Mid County
- ▶ West County
- ▶ St. Charles County
- ▶ North County
- ▶ South County
- ▶ Metro East

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ST. LOUIS, MO

EMPLOYMENT & UNEMPLOYMENT TRENDS

St. Louis labor market fundamentals ended the year with continued growth and optimism as unemployment reached further historical lows during the fourth quarter of 2018. Seasonally adjusted unemployment reached 3.3% as of quarter-end, which is 40 basis points (bps) lower than the national average of 3.7%. As the U.S. economy grew at a steady clip, the Federal Open Market Committee (FOMC) committed to raising interest rates by 25 bps during their December meeting, marking the fourth increase in 2018. This will adjust the new range to 2.25%-2.50%, the highest level since 2008. Heading into 2019, the FOMC has lowered its projection for the number of rate hikes from three to two.

ST. LOUIS JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Moody's Analytics

JOB GROWTH & UNEMPLOYMENT RATE

+15

BPS YOY

Office-using employment increase since January 2018.

-10

BPS YOY

Decrease in unemployment rate during the fourth quarter.

ECONOMIC EXPANSION

The following are select job announcements from 2018:

- ✓ **Square** expected to expand local presence with an additional 300 employees in predominately engineering, design and product development-related roles.
- ✓ **Danforth Plant Science Center** expansion gets \$6M in bonds and is expected to retain 184 jobs and create additional roles at an average salary upwards of \$50,000 per year.
- ✓ **Southwest** adding flights to and from the St. Louis market, translating to an additional 3,000 available plane seats each year.

	2016	2017	2018	FORECAST
U.S. EMPLOYMENT (% Change)	1.8%	1.6%	1.7%	↑
MSA EMPLOYMENT (% Change)	1.4%	1.0%	0.8%	↑
MSA UNEMPLOYMENT RATE (%)	4.6%	3.7%	3.3%	↓

Forecast is 12-month outlook

OUTLOOK

- Chouteau Greenway proposed to provide much needed walkability to the urban core in St. Louis through development of an interconnected pathway stretching from the Arch to the Park. Bridging the gap between current and future office hubs such as Ballpark Village, Midtown's Armory and City Foundry, and through the Cortex Innovation District into Forest Park, the proposed Greenway will support the urban core's live-work-play environment.
- Centene recently announced that the first tenant in its new, 27-story office tower in Clayton will be a reported eight business divisions within Bank of America's local workforce as the company looks to consolidate its suburban operations. Additional high-earners in the Clayton market could help to mitigate multifamily vacancies over the mid-term.
- The National Geospatial-Intelligence Agency, which will locate its headquarters in downtown St. Louis, has signed a new partnership with Saint Louis University that includes collaborating on geospatial research, training and innovation initiatives - creating a new employment source for St. Louis's thriving start-up and technology industries.



MULTIFAMILY TRENDS

The average vacancy rate rose 90 bps since the first quarter of 2018, as vacancy rates reached 7.5% on the heels of several new deliveries.

+19.9
% Growth

Effective rate growth since the beginning of 2014.

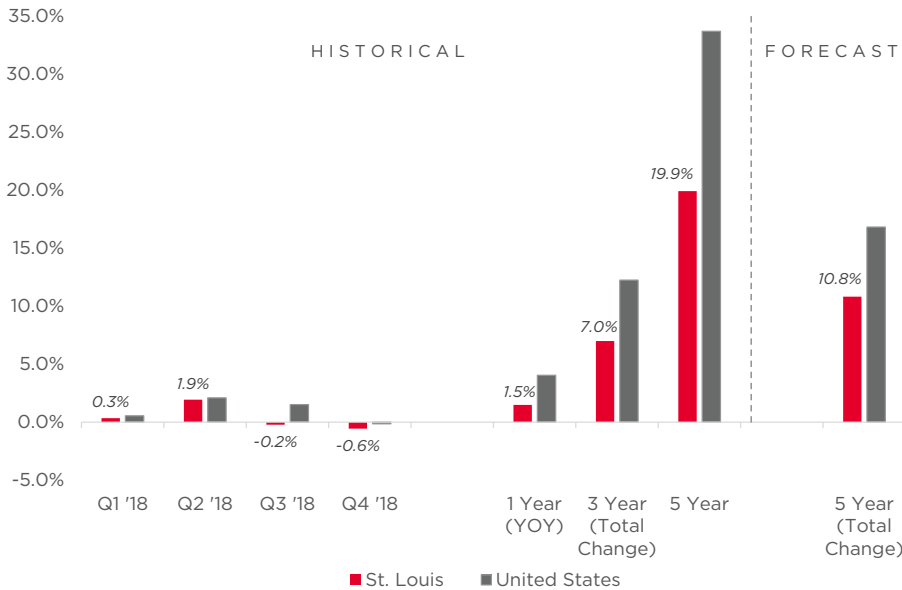
7.5%
Vacancy

As of in the fourth quarter of 2018.

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Rent growth has rebounded over the past year with effective rates increasing by 1.5% since year-end 2017.

ST. LOUIS RENT GROWTH RATES



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

Nearly **7,000 multifamily units** have hit the market since 2015. Within the urban core, an evolving perception of real estate is to blame, helping spur the development of ambitious mixed-use projects like Downtown's Ball Park Village and Midtown's City Foundry and Armory. On a similar note, multifamily developments like Pier Property Group's Midtown development aim to maintain the City's vintage aesthetic while delivering high-end lofts to the area. This plan, estimated at a cost of \$24 million in total, calls for **144 units** spread across three buildings as well as a microbrewery.

DEMOGRAPHIC FUNDAMENTALS

The St. Louis area continues to be an attractive market for residents as it ranked the 6th most affordable city to live in the United States by CNBC in 2018. One generation impacted highly by this cost of living are millennials, which grew by 14,400 in the ten-year period between 2004-2014 within St. Louis City alone. As a result, the real estate market is starting to show signs of the millennial-influence that has shifted real estate preference towards amenitization, sustainability, walkability and adaptive reuse.

POPULATION		2000: 2,675,296 2010: 2,787,704 2017: 2,835,581 2022: 2,918,426
PERCENT RENTER		2010: 29.4% 2017: 30.5% 2022: 30.3%
MEDIAN HOUSEHOLD INCOME		2000: \$44,256 2010: \$52,487 2017: \$59,202

MULTIFAMILY FORECAST

The following are Cushman & Wakefield's projections over the near term:

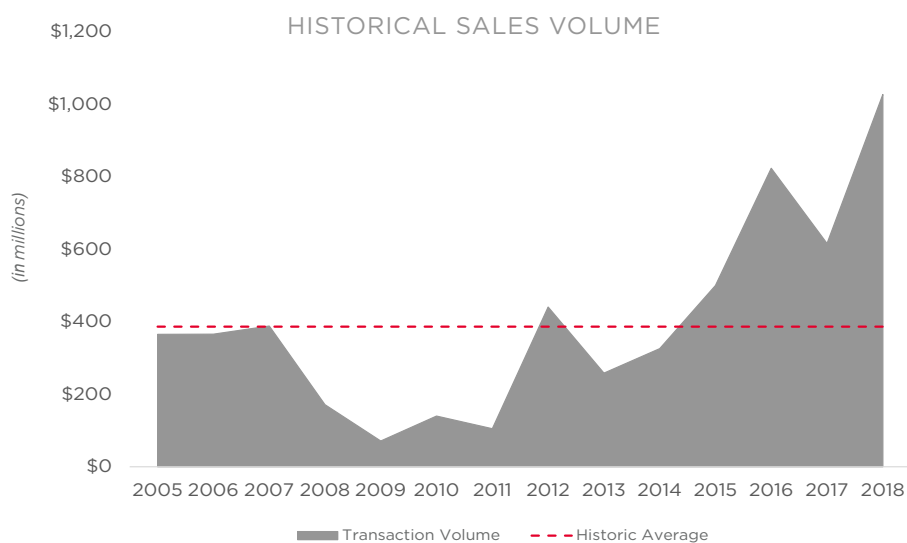
RENTS	VACANCY	PIPELINE % GROWTH

Forecast is 12-month outlook



INVESTMENT ACTIVITY

In 2018, over \$1.0 billion of multifamily inventory traded hands, marking a 66.7% increase in investment over 2017 and a 24.7% increase over the previous high of \$822 million in 2016. Though St. Louis saw a record year in terms of multifamily investment, a significant share has come from out-of-state investors. Accounting for just over 35% of multifamily investment over the last 24 months, out-of-state sources of capital such as Monarch (Denver), FPA Partners (San Francisco), Strategic Props of NA (New Jersey) and Mapletree (Singapore) collectively accounted for \$580 million of overall transaction volumes.



Source: Real Capital Analytics (excluding transactions below \$5 million), Cushman & Wakefield Research

NOTABLE SALES - FOURTH QUARTER

PROPERTY	YEAR	UNITS	SELLER	BUYER	PPU
CLASS A					
Turtle Creek Apartments*	2018	128	DeBrecht Properties	Confidential	Confidential
CLASS B					
Cedar Lakes	1985	420	Strategic Partners of NA	Fireside Financial	\$98,214

*Sold by Cushman & Wakefield's St. Louis Capital Markets Team

MOST ACTIVE MARKET PLAYERS

TOP FIVE ST. LOUIS BUYERS - PAST 12 MONTHS

RANK	BUYER	TOTAL VOLUME	NO. PROPERTIES
1	Monarch	\$208,300,000.00	8
2	Brass Enterprises	\$79,700,000.00	1
3	Ascent Residential	\$64,150,000.00	1
4	Emerald Equity Group	\$47,800,000.00	1
5	CAPREIT	\$45,000,000.00	2

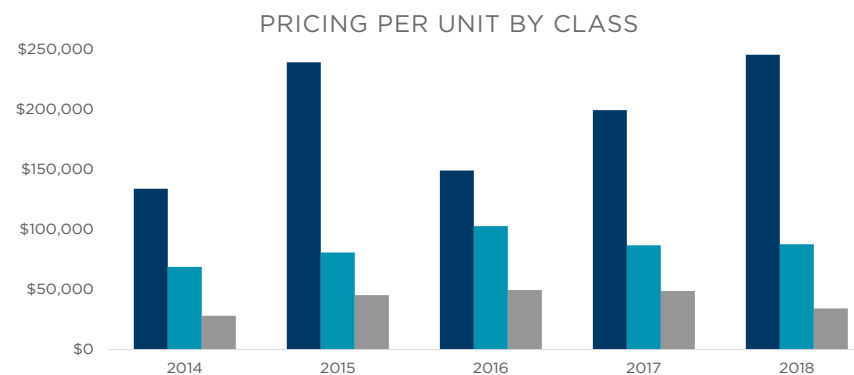
TOP FIVE ST. LOUIS SELLERS - PAST 12 MONTHS

RANK	SELLER	TOTAL VOLUME	NO. PROPERTIES
1	GEM Properties	\$181,500,000.00	6
2	Mills Properties	\$113,650,000.00	3
3	Priderock Capital Partners	\$64,151,000.00	1
4	Village Green	\$47,800,000.00	1
5	Gundaker Commercial	\$45,000,000.00	2

Source: Real Capital Analytics

PRICING & CAP RATES

In 2018, the average cap rate for class A was 5.7%, roughly 20 bps below the average cap rate in 2017. The class B average cap rate in 2018 was 6.6%, 7 bps below the average cap rate in 2017. Strong demand for multifamily product in St. Louis is expected to further drive cap rate compression.

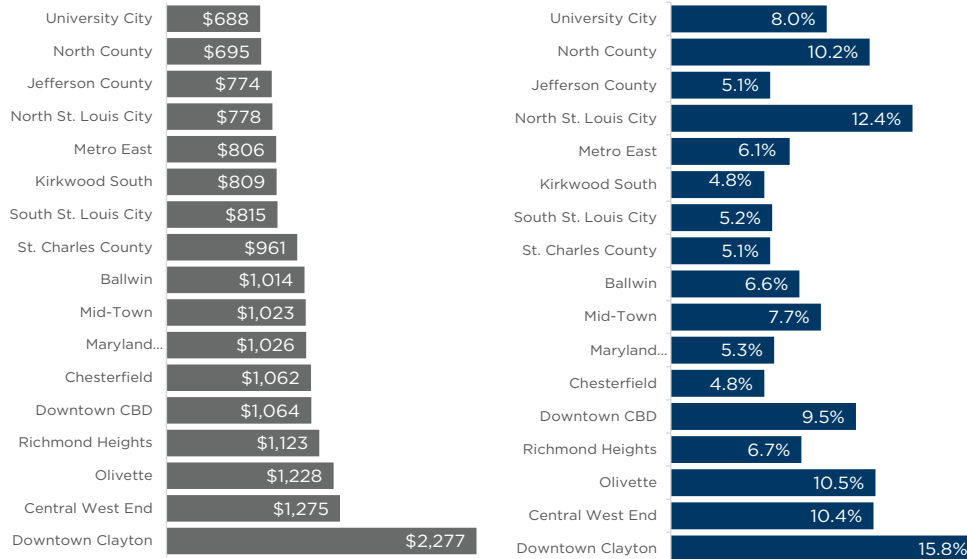


Source: Cushman & Wakefield Research

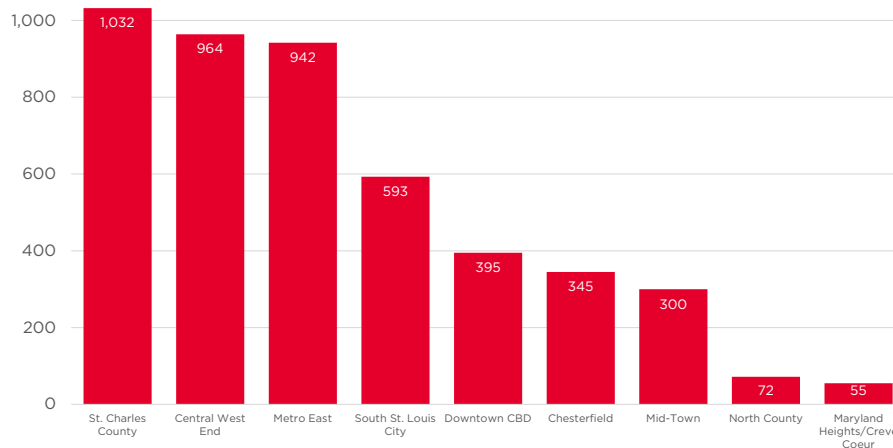


SUBMARKET OVERVIEW

RENTS & VACANCY BY SUBMARKET



UNITS UNDER CONSTRUCTION BY SUBMARKET



Source: Costar, Cushman & Wakefield Research

Note: Submarkets are defined by Cushman & Wakefield

SELECT SUBMARKET NEWS

West County

- Long-term vacancy compression has finally resulted in new inventory for the West County region. However, new deliveries in 2018, such as the **219-unit Village of Twin Oaks** project by Propper Construction Services, had the opposite impact on vacancy, increasing the market's vacancy by roughly 130 bps at year-end. This blip is expected to be short-term in nature as the region's economy expands and residents continue to look for an alternative to home ownership.

Mid County

- Accounting for nearly half of the multifamily inventory within the St. Louis Metro, Mid County leasing fundamentals have been strong and continue to help drive the broader market. Tempered construction across the market continues to bode well for leasing fundamentals, as vacancy across Mid County fell roughly 90 bps from year-end 2017 levels.

St. Louis City

- The building formerly home to the Woodward & Tiernan Printing Company is now home to **164 loft-style apartments** which began leasing in December of 2018. This example of adaptive reuse at 1519 Tower Grove Avenue is not the developer's first, as Pier Property Group is also responsible for the Steelcote multifamily redevelopment at 801 Edwin Street that is expected to deliver in late 2020.
- In addition to adaptive reuse, Central West End will also see an influx of high-end residential stock as One-Hundred Kingshighway is expected to deliver in 2020. The first of its kind, One-Hundred will be a 36-story glass building with an intricate, tiered design. It is likely that asking rents for this asset become the high-water mark for the sector across St. Louis.



About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

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