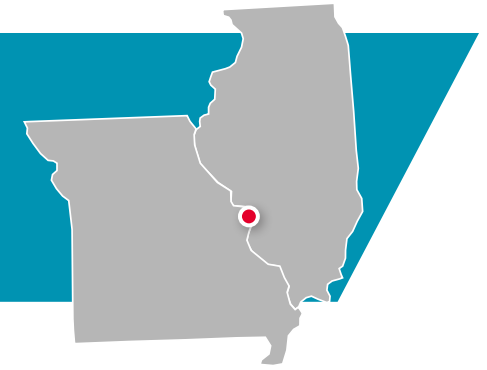
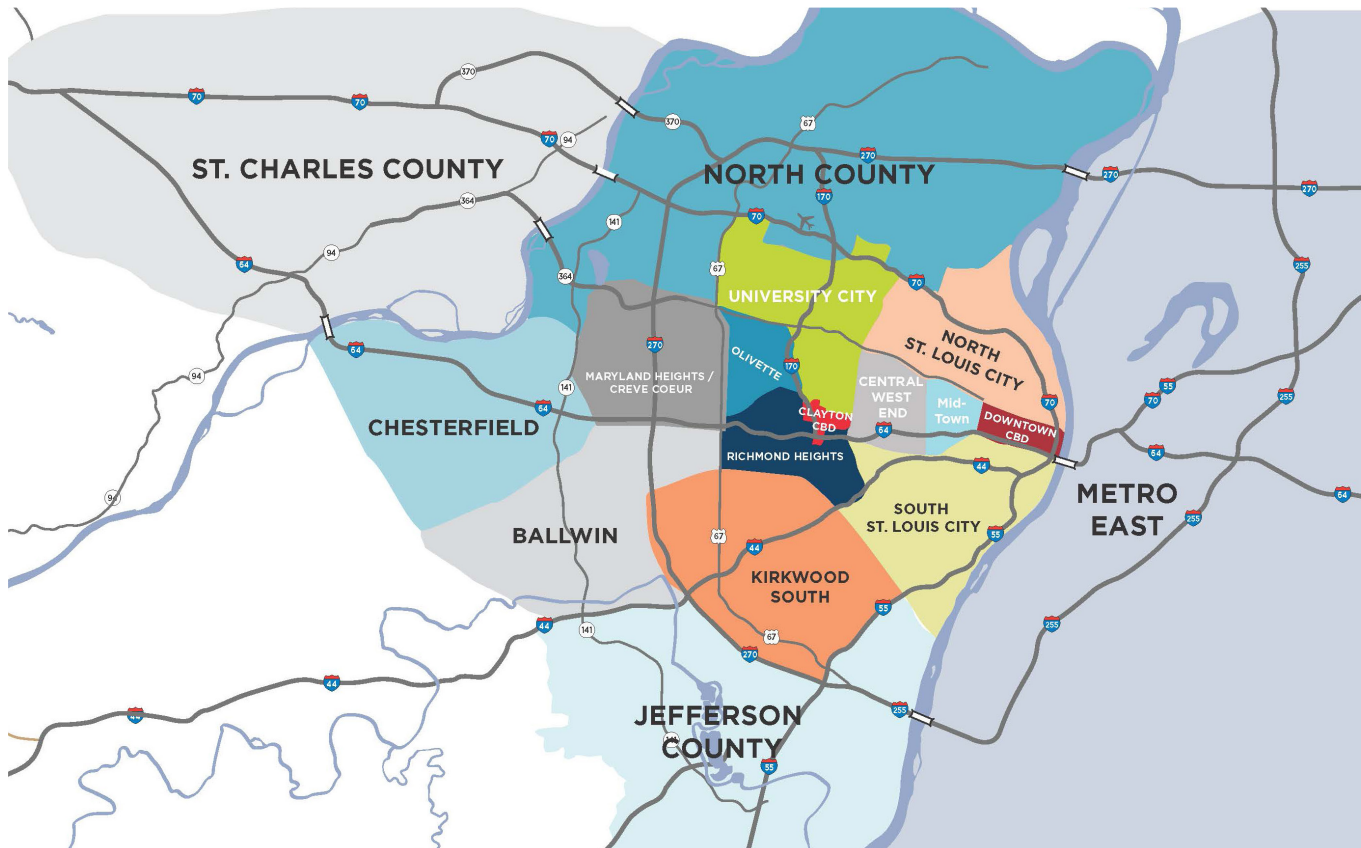


MARKET INSIGHT

ST. LOUIS MULTIFAMILY REPORT | FIRST QUARTER 2019



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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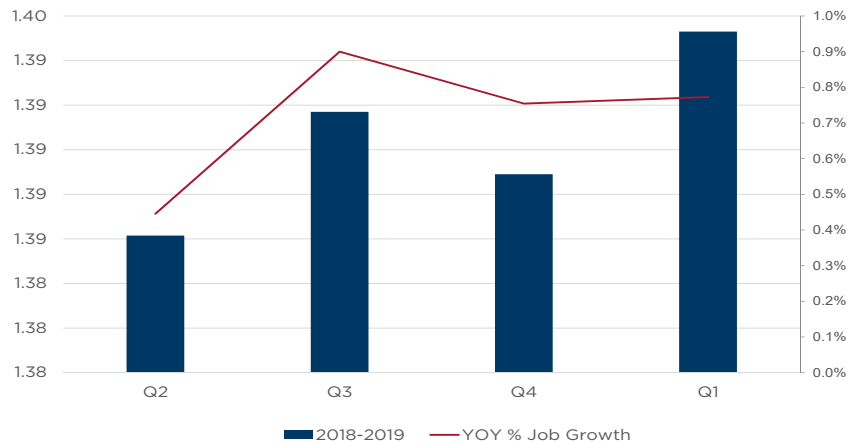
ST. LOUIS, MO

EMPLOYMENT & UNEMPLOYMENT TRENDS

The St. Louis labor market continued its streak of healthy fundamentals as it ended the first quarter of 2019 with an unemployment rate of 3.6%, marking the eighth consecutive quarter below 4.0%. Seasonally adjusted employment added 14,000 jobs year over year despite local headwinds from major consolidations resulting from mergers and acquisitions. The Federal Open Market Committee (FOMC) signaled it would suspend further rate hikes for 2019 as data-driven committee members reexamine national economic indicators. The committee stated it would complete its balance sheet roll-off program by the end of the third quarter.

ST. LOUIS JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Bureau of Labor Statistics

JOB GROWTH & UNEMPLOYMENT RATE

+1.0
BPS YOY

Office-using employment increase since January 2018.

0
BPS YOY

Decrease in unemployment rate during the first quarter.

ECONOMIC EXPANSION

The following are select job announcements from 2018-19:

- ✓ **National Geospatial Intelligence Agency** revealed its \$1.7-billion campus in North St. Louis City, the project is expected to bring **over 1,300 construction jobs** with the possibility of additional jobs.
- ✓ **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.

	2017	2018	2019	FORECAST
NATIONAL UNEMPLOYMENT	4.1%	3.7%	3.8%	↓
EMPLOYMENT (% Change)	0.2%	0.7%	1.0%	↑
UNEMPLOYMENT RATE (%)	3.4%	3.4%	3.6%	↓

Forecast is 12-month outlook

OUTLOOK

- Six local universities in the St. Louis area have partnered up to bolster St. Louis's growing demand for cybersecurity professionals. The universities collaborating are Fontbonne University, Saint Louis University, Southern Illinois University Edwardsville, University of Missouri- St. Louis, Washington University in St. Louis, and Webster University. With over 4,000 cybersecurity job openings, and a low supply of qualified workers, this consortium will bring qualified cybersecurity experts necessary for regional growth in the St. Louis area.
- The recent announcement of One Cardinal Way and Phase Two of Ballpark Village has raised the value of the St. Louis Cardinals impact in the St. Louis area to over \$300 million. Phase Two of Ballpark Village will bring additional lodging, housing, office space, and much more to the Downtown area surrounding the park. Per the St. Louis Business Journal, out-of-town visitors make up over 40% of visitors to the park, spurring much economic activity for the region. The St. Louis Cardinals will continue to bring value to the St. Louis Metro area as they continue to expand and attract attention nationwide.



MULTIFAMILY TRENDS

Despite an increase in inventory, the average vacancy rate has remained flat at 7.5%, showing continued demand for multifamily product in St. Louis.

+10.8

% Growth

Effective rate growth since the beginning of 2015.

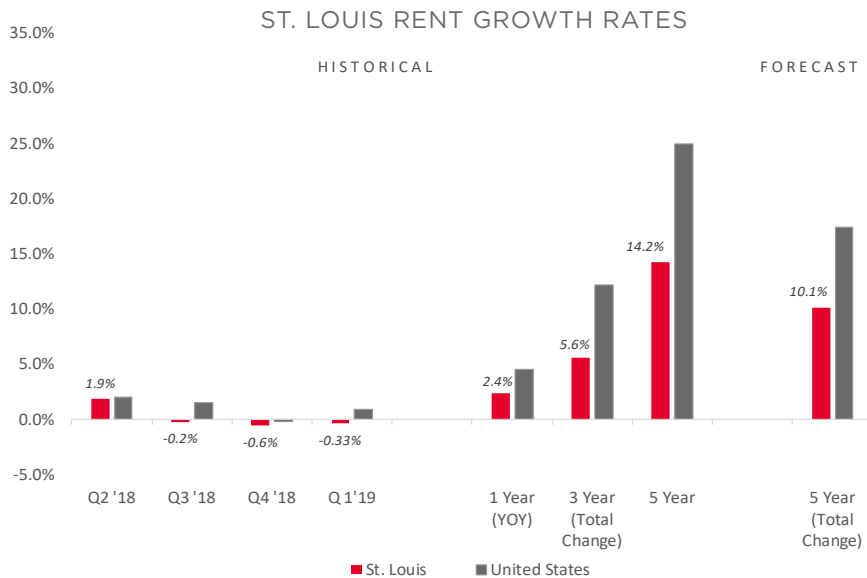
7.5%

Overall Vacancy

At the end of the first quarter of 2019.

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Within the next five years, rents are projected to increase by 10.1%.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

St. Louis has recorded an increase of multifamily units with little sign of a slowdown. With major projects such as **The Foundry** and **The Amory**, and even a planned Major League Soccer Stadium, an apparent revitalization of the urban core is giving new light to areas that had previously been avoided. As employment rushes to this area via office deliveries, multifamily units are moving in as well. Multifamily projects such as **The Front Page** and **Steelcote Lofts** will bring new units to the region. Additionally, **The One-Hundred**, will deliver 316 luxury units to the Central West End and will most likely demand the highest rents in the submarket.

DEMOGRAPHIC FUNDAMENTALS

The St. Louis area continues to attract residents as it ranked the 6th most affordable city to live in the United States by CNBC in 2018. This low cost of living particularly impacts 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: 2,675,291
2010: 2,787,696
2018: 2,840,413
2023: 2,923,566

PERCENT RENTER



2010: 29.4%
2018: 30.8%
2023: 30.6%

MEDIAN HOUSEHOLD INCOME



2000: \$44,255
2010: \$52,487
2018: \$61,706
2023: \$72,479

MULTIFAMILY FORECAST

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



RENTS



VACANCY



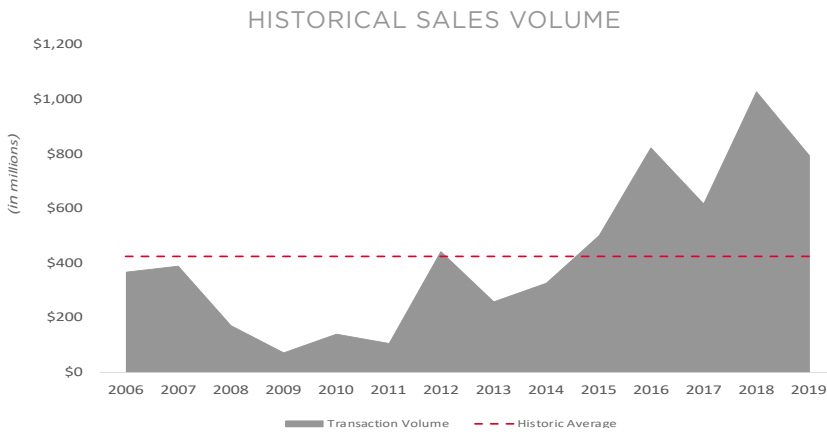
PIPELINE % GROWTH

Forecast is 12-month outlook



INVESTMENT ACTIVITY

Despite St. Louis's short-term drop in investment activity, global investors still have a high amount of liquidity and St. Louis stands to benefit from investors who are being priced out of primary markets. In Q1 of 2019, the market tracked roughly \$95 million of investment, 20% lower than the cycle-average of \$119 million. When considering the trailing twelve months, roughly \$793 million of multifamily investment has traded hands, which is in line with recent investment activity across St. Louis. Tracking the rising number of out-of-state investors dipping into the market, the most active include: Monarch (Denver), FPA Partners (San Francisco), Timberland Partners (Bloomington), and Brass Enterprises (Toronto). Given heightened levels of liquidity for multifamily product and the value that St. Louis offers relative to primary markets, it is expected that 2019 investment levels will indicate continued confidence in the St. Louis multifamily market.



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

NOTABLE SALES - FIRST QUARTER

PROPERTY	YEAR	UNITS	SELLER	BUYER	PPU
CLASS A					
Parkway Lakeside	2011	232	Balke Brown	Timberland Partners	\$156,470
CLASS B					
Tuscany Village*	1972	104	Lexington Partners	National Real Estate Management	\$67,300
CLASS C					
Chez Paree	1964	394	Centerco Properties	Fireside Financial	\$71,570

*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	Brass Enterprises	\$79,700,000	1
2	Fireside Financial	\$69,450,000	2
3	Ascent Residential	\$64,150,000	1
4	Emerald Equity Group	\$47,800,000	1
5	CAPREIT	\$45,000,000	2

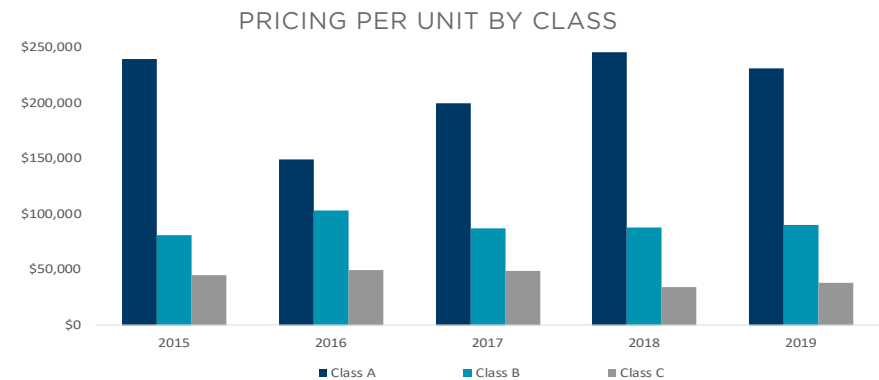
TOP FIVE ST. LOUIS SELLERS - PAST 12 MONTHS

RANK	SELLER	TOTAL VOLUME	NO. PROPERTIES
1	Mills Properties	\$86,850,000	2
2	Priderock Capital Partners	\$64,151,000	1
3	Holtzman Properties	\$47,800,000	1
4	Gundaker Commercial	\$45,000,000	2
5	Oak Realty Group	\$41,900,000	1

Source: Real Capital Analytics

PRICING & CAP RATES

So far in 2019, the average cap rate for Class A was 5.8%, roughly 14.0 bps above the average cap rate in 2018. The Class B average cap rate in 2019 was 6.7%, 1 bps above the average cap rate in 2018. Strong demand for multifamily product in St. Louis is expected to drive cap rate stability.

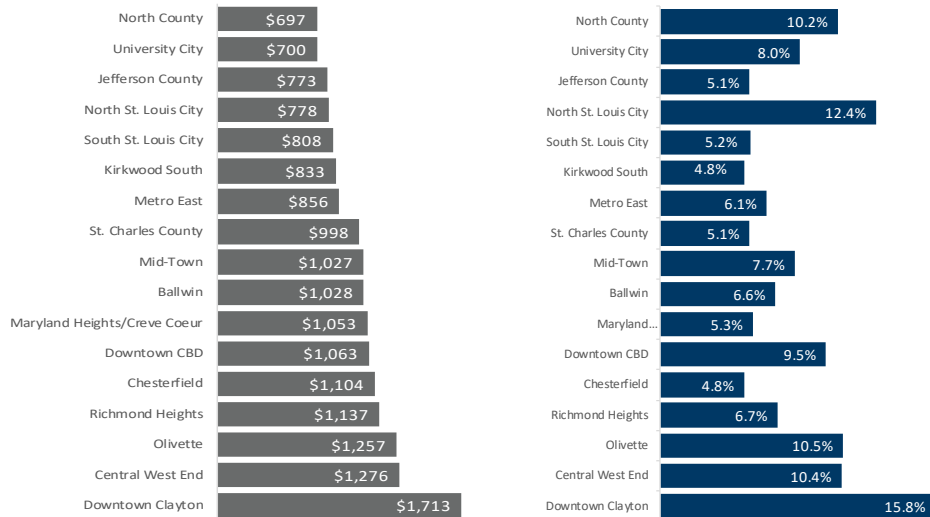


Source: Cushman & Wakefield Research

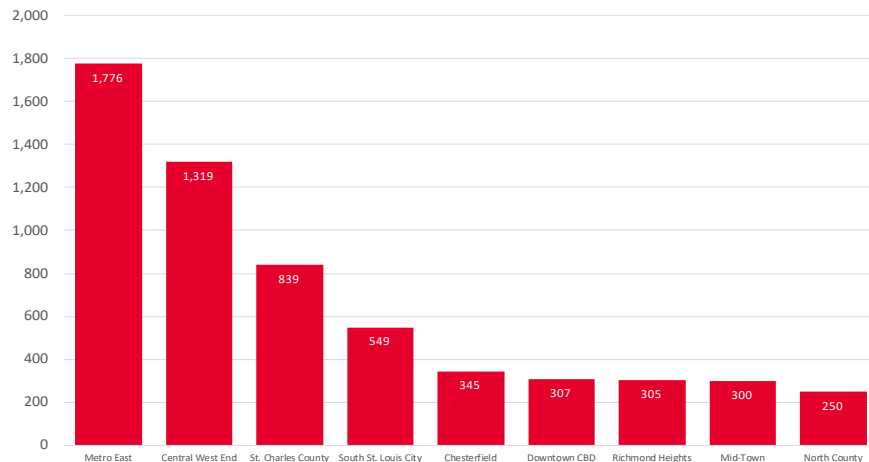


SUBMARKET OVERVIEW

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

- After two years of development, **The Watermark at Chesterfield** will deliver 345 units to the West County region in the second quarter of 2019. Last quarter, West County tracked an increase in vacancy as the 219-unit **Twin Oaks** project delivered in 2018. Moving forward, West County will undergo a short-term increase in vacancy as a result of this delivery. However, expect this to be short-lived as continued local economic strength tempers vacancy.

Mid County

- New condos are planned to come to the Mid County Region, as developer Fred Kummer revealed a \$275-million condo complex with a possible hotel attachment for the near future. While details remain scarce, the development will be located between Central Avenue and Bemiston Avenue, with Maryland Avenue bordering the development to the north and alley bordering to the south.

St. Louis City

- Just east of North Tucker Boulevard, four different developments are under construction. Altogether, these projects will deliver 700 units to the Downtown submarket, one of which being the famed **Jefferson Arms** building. After rumors of developments surfaced in 2016, it was confirmed that **Alterra Worldwide** plans to rejuvenate the property into 239 apartments, a Marriot hotel, and an expansive retail component.
- In addition to adaptive reuse, Central West End will undergo an influx of high-end residential stock as **One-Hundred Kingshighway** is expected to deliver during the second quarter of 2019. The One-Hundred will be a 36-story glass building with an intricate, tiered design. Asking rents for the asset will likely become the high-water mark for St. Louis.
- **The Chouteau Greenway** proposal will provide much needed walkability to the urban core in St. Louis through development of an interconnected pathway stretching from the St. Louis Arch grounds to Forest Park. Bridging the gap between current and future office hubs such as Ballpark Village, Midtown's Prospect Yards, and through the Cortex Innovation District into Forest Park, the proposed Greenway will support the urban core's live-work-play environment.



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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