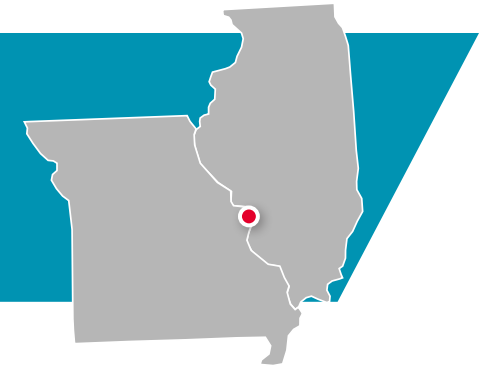
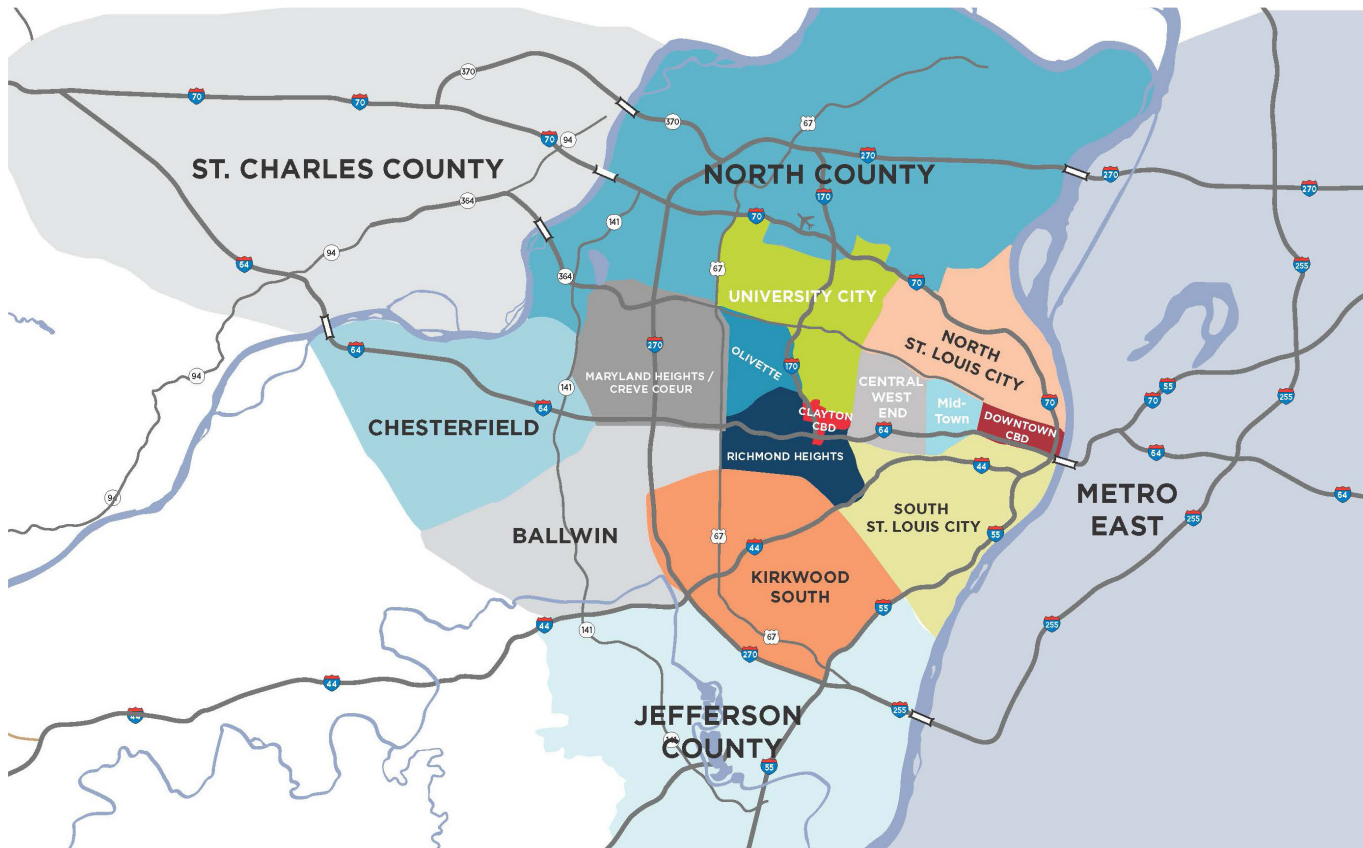


MARKET INSIGHT

ST. LOUIS MULTIFAMILY REPORT | SECOND 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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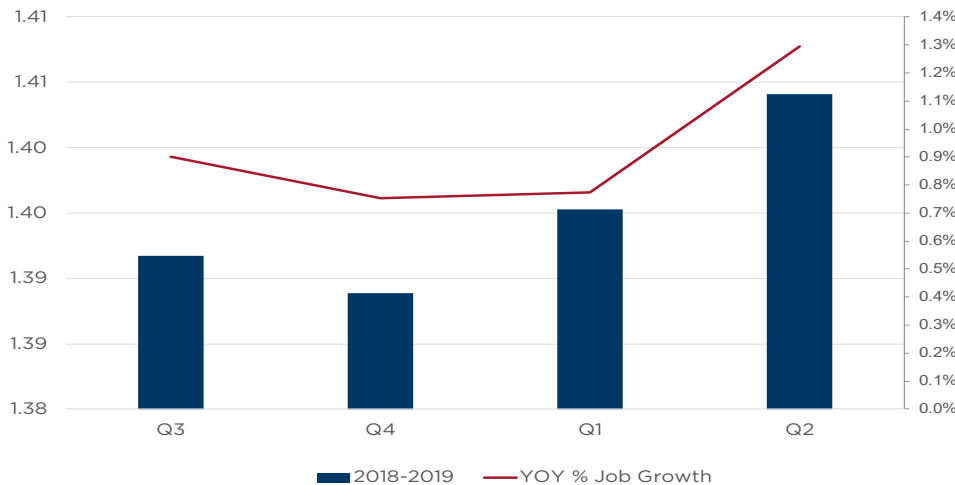
ST. LOUIS, MO

EMPLOYMENT & UNEMPLOYMENT TRENDS

St. Louis economic fundamentals continued to show signs of resilience as the market ended the second quarter of 2019 with an unemployment rate of 3.6%, marking the ninth consecutive quarter below 4.0%. Seasonally adjusted employment added 20,000 jobs year-over-year despite major local consolidations resulting from merger and acquisition activity. The Federal Open Market Committee (FOMC) suspended further rate hikes and indicated that cuts would be considered if national economic indicators falter, indicating the economy remained on a steady course forward despite headwinds generated from the United States-China trade war.

ST. LOUIS JOB GROWTH TRENDS

EMPLOYMENT IN THOUSANDS & JOB GROWTH (%)



Source: Bureau of Labor Statistics

JOB GROWTH & UNEMPLOYMENT RATE

+1.4
% YOY

Employment increase since second quarter 2018.

+10
BPS YOY

Increase in unemployment rate during 2019.

ECONOMIC EXPANSION

The following are select job announcements from 2019:

- ✓ **Boeing** is slated to take 33,000 sf at 4220 Duncan during the third quarter of 2019, **adding 500 jobs** to the Midtown area. The company will occupy two floors and use it for its Boeing NeXt / HorizonX divisions. The recently delivered five-story building is a 182,000-sf facility redeveloped from the former Custom Steel processing site.
- ✓ Life science company **Orion Genomics** and technology firm **Multiply** will occupy 30,000 sf at Midtown's City Foundry, **generating 100 jobs**. The two firms, which are relocating from other submarkets, will have access to a considerable amount of retail amenities within the building, which includes a food hall that is 80% pre-leased as of June 2019.
- ✓ Defense contractor **DRS Land Systems** is relocating its Cool Valley headquarters to Bridgeton, 20 miles northwest of St. Louis. This site will bring **300 business and engineering jobs** to the submarket. U.S. Capital Development will deliver the 171,500-sf, \$32 million project.
- ✓ **General Motors'** Wentzville truck and van assembly plant has **created more than 3,000 jobs** with new tax incentives as part of the Manufacturing Jobs Act. The plant which is currently responsible for producing the Chevrolet Colorado, Chevrolet Express Cargo Van, GMC Canyon pickup and GMC Savana, has had an additional \$473 million invested into the facility.

	2017	2018	2019	FORECAST
NATIONAL UNEMPLOYMENT	4.1%	3.7%	3.6%	
EMPLOYMENT (% Change)	0.2%	0.7%	1.4%	
UNEMPLOYMENT RATE (%)	3.4%	3.4%	3.6%	

Forecast is 12-month outlook

OUTLOOK

- St. Louis ranks 14th for “best place to start a career” out of the 183 largest U.S. cities, according to Wallethub. The two main areas of focus were professional opportunities and quality of life, with St. Louis ranking eighth overall in professional opportunities.
- St. Louis was ranked 16th among the largest metropolitan areas for walkable urbanism by the Center for Real Estate and Urban Analysis. Additionally, the report ranked St. Louis the ninth fastest market in terms of walkable urban market share growth. That ranking means St. Louis had the ninth largest increase in walkable urban market real estate from 2010 through 2018.
- Fit Small Business ranked the best cities for entrepreneurs, with St. Louis ranking second overall, up 20 spots from 2018. The favorable position was due to having the highest business survivability ranking in the country, a lower-than-average tax rate, and a low cost of living.



MULTIFAMILY TRENDS

Second quarter of 2019 saw vacancy decline roughly 50 basis points as compared to last year at this time, lifting effective rents to \$920.

+11.8

% Growth

Effective rate growth since the second quarter of 2015.

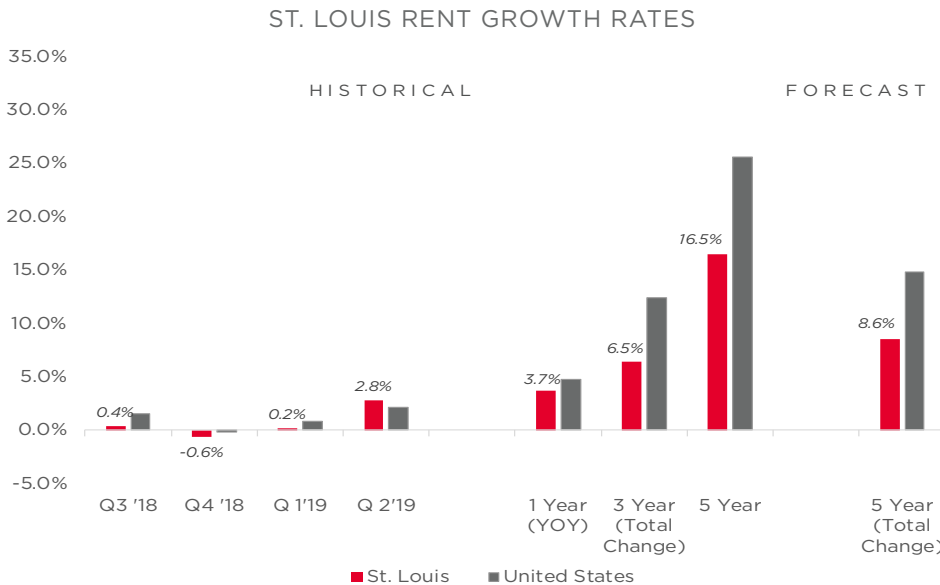
4.9

% Vacancy

At the end of the second quarter 2019.

HISTORICAL & FORECASTED METRO RENT GROWTH RATES

Within the next five years, rents are projected to increase by 8.6%. The multifamily sector is starting to show signs of the millennial-influence that has shifted commercial real estate preference towards amenitization, sustainability, walkability and adaptive reuse.



Source: AXIOMetrics

DEVELOPMENT / INVENTORY

As of the end of second quarter, St. Louis had over 6,000 units of multifamily under construction or proposed. Roughly 34% of these projects fall within the urban corridor, as The Grove, Central West End, Cortex and Midtown continue to be a hotbed for construction activity. Two of the most notable projects within the City are **One-Hundred** and **Ball Park Village Phase II**, which will add an additional 602 luxury units combined. Outside of the City, Pearl Companies is planning a \$75 million mixed-use development for Chesterfield. The project will include 173 apartment units at **Highway 40** and **Chesterfield Parkway**.

DEMOGRAPHIC FUNDAMENTALS

The St. Louis area continues to attract residents as it ranked the sixth most affordable city to live in the United States by CNBC in 2018. This low cost of living particularly impacts millennials, which “has grown an estimated 11.9% since 2010” according to the Census Bureau.

POPULATION



2000: 2,675,291
2010: 2,787,696
2018: 2,840,413
2023: 2,923,566

PERCENT RENTER HOUSEHOLDS



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



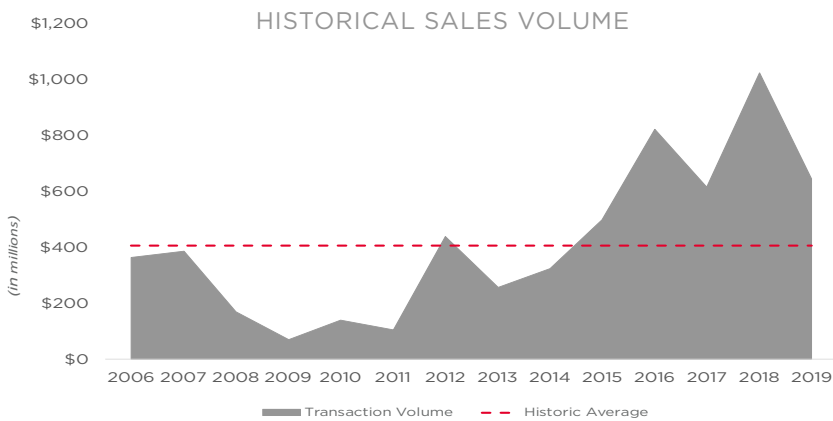
PIPELINE % GROWTH

Forecast is 12-month outlook



INVESTMENT ACTIVITY

Optimism remains high for the multifamily market in St. Louis as second quarter investment remained well above the city's historical average. Over the past 12 months, more than \$646 million has been financed, 59% higher than the historic average. In the second quarter, multifamily investment totaled \$204 million, which is higher than seven out of the previous 12 quarters. Diverse sources of capital continue to be active across St. Louis as six of seven multifamily trades in the second quarter came in the way of out-of-state investment. Moving forward, the expectation is that out-of-state capital will continue to flow through St. Louis as investors look to secondary markets for stronger yields.



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

NOTABLE SALES - SECOND QUARTER

PROPERTY	YEAR	UNITS	SELLER	BUYER	PPU
CLASS A					
Residences at Forest Park (Portfolio)	2013	174	JES Holdings	Emerald Equity Group	\$172,414
The Lofts at Lafayette Square (Portfolio)	2001	219	JES Holdings	Emerald Equity Group	\$91,324
CLASS B					
Madison Prairie Point (Portfolio)	2002	376	Equus Capital Partners	Investcorp	\$142,573
Madison Rockwood (Portfolio)	1969	251	Equus Capital Partners	Investcorp	\$111,796
CLASS C					
The Finn Apartments	1980	608	C-III Investment Management	Timberland Partners	\$56,291

MOST ACTIVE MARKET PLAYERS

TOP FIVE ST. LOUIS BUYERS - PAST 12 MONTHS

RANK	BUYER	TOTAL VOLUME	NO. PROPERTIES
1*	Goldenrod Capital Partners	\$71,500,000	1
2	Timberland Partners	\$70,525,000	2
3	Fireside Financial	\$69,450,000	2
4	Emerald Equity Group	\$50,000,000	2
5	CAPREIT	\$45,000,000	2

TOP FIVE ST. LOUIS SELLERS - PAST 12 MONTHS

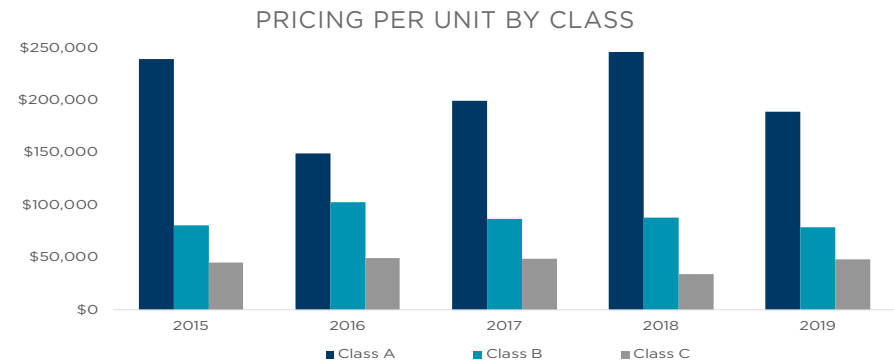
RANK	SELLER	TOTAL VOLUME	NO. PROPERTIES
1*	Koman Group	\$71,500,000	1
2	JES Holdings	\$50,000,000	2
3	Gundaker Commercial	\$45,000,000	2
4	Oak Realty Group	\$41,900,000	1
5	Strategic Properties of NA JV BRT Realty Trust	\$41,250,000	1

*Recapitalization

Source: Real Capital Analytics

PRICING & CAP RATES

So far in 2019, the average cap rate for Class A was 5.9%, roughly 24 bps above the average cap rate in 2018. The Class B average cap rate at the end of second quarter of 2019 was 6.4%, 10 bps above the average cap rate during the same period of 2018. Strong demand for multifamily product in St. Louis is expected to drive cap rate stability.

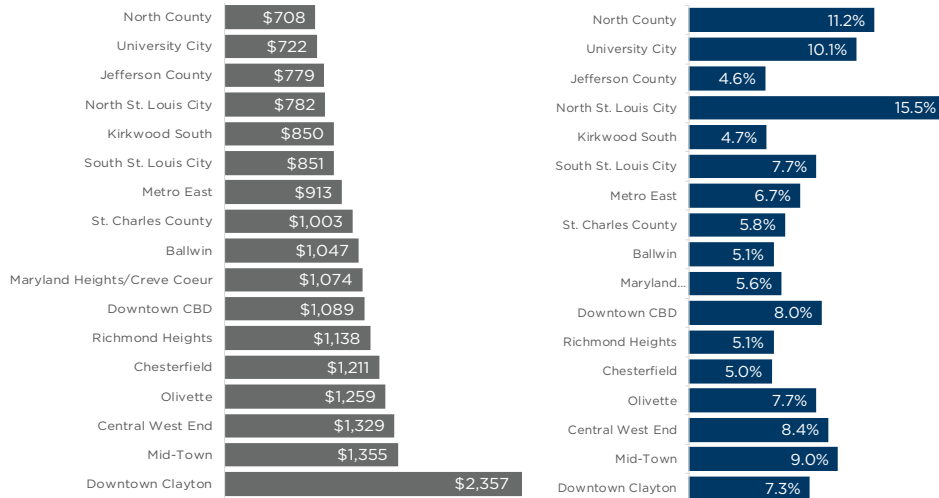


Source: Cushman & Wakefield Research

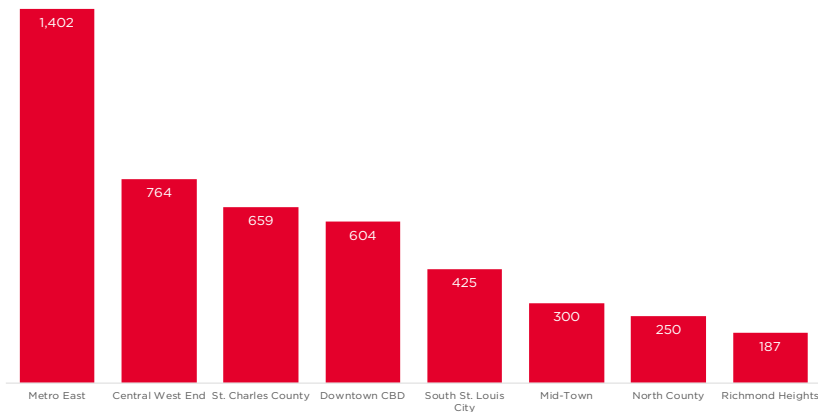


SUBMARKET OVERVIEW

RENTS & VACANCY BY SUBMARKET



UNITS UNDER CONSTRUCTION BY SUBMARKET



Source: Costar, Cushman & Wakefield Research

Note: Submarkets are defined by Cushman & Wakefield

SELECT SUBMARKET NEWS

Downtown CBD

- After completing the renovation of **Hotel St. Louis**, Amy and Amrit Gill of Restoration St. Louis have acquired the historic **Chemical Building**. Located at 721 Olive Street, the Gills' plan to fully renovate the building by adding an additional 84 hotel rooms, 72 luxury apartments, ballroom, restaurant and rooftop bar. The \$54-million project will start in the third quarter of 2019 and is projected to be completed by fall 2020.

Midtown

- Cullinan Properties, a Peoria based developer, has proposed an 850,000-sf mixed-use project in the central corridor. South of Highway 40 at Chouteau and South Grand Boulevard, the land itself is owned by St. Louis University. The **Iron Hill** development will add 300 luxury apartments, a 250-room hotel, 100,000 sf of retail space, 40,000 sf of restaurant space, and 150,000 sf of office space.

Central West End

- Koman Group has proposed a 200-unit development at **4545 Laclede Ave**. The project is estimated to cost \$50 million and would replace **Park East Apartments** which is currently built at the location.

Kirkwood

- Savoy Properties is set to begin construction on a condominium development at **Clay** and **Madison** during the summer of 2019. The \$12 million project follows a few other multifamily projects in the area.

Richmond Heights

- Construction has begun for **The Residences at Boland Place**. The \$40 million project is being developed by Joseph Cyr of ILI Communities and is expected to be completed during the second quarter of 2020.



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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