



ST. LOUIS
1Q 2017 CAPITAL MARKETS

SLUGGISH START FOR INVESTMENT SALES VOLUME IN 1Q 2017

The year 2017 is off to a slow start as investment sales volume in the first quarter lags behind 2016 with a 26.1% decrease compared to this time last year. Several factors may be in play including uncertainty from the result of the 2016 Presidential election and anticipated interest rates hikes. The Federal Reserve announced a 25 basis point increase in the federal funds rate amid rising confidence that the economy is poised for more robust growth. The Fed also announced that this would be the first of several increases in the coming 12 months.

Despite increases in interest rates from lenders as a result of the Fed's increase in the federal funds rates investors have continued to chase yields keeping cap rates relatively steady if not slightly lower over the last 12 months compared to last year at this time. Investors looking to deploy capital have remained aggressive with their acquisition strategies and have paid up for good quality product. Cap rates for Class A institutional product in the first quarter of 2017 saw a decrease of 30 basis points in comparison to the first quarter of 2016. With the Fed increased rates once during the quarter and signaled possibility of additional increases, we anticipate steady investment activity in the near term and a likely increase in cap rates for Class A institutional quality product.

Multihousing and industrial assets led the way in the first quarter of 2017 and over the last 12 months accounting for over 56% of total sales volume. This large volume can be attributed to several large transactions including the sale of the The Boulevard mixed use project, Sealy & Co Industrial Portfolio, and the OPOP Tower and Lofts. Office and retail lagged behind with \$506 million and \$461 million respectively over the last 12 months.

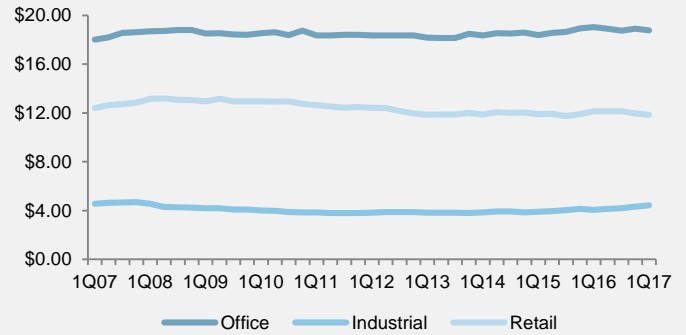
Overall market dynamics are still strong and healthy with average asking rents for all property types continuing to grow at a slow and steady pace and vacancy rates steadily decreasing. Net absorption in the first quarter remained strong with just under two and a half million square feet of office, industrial, and retail product absorbed staying on pace with the quarterly average over the last 12 months.

Current Conditions

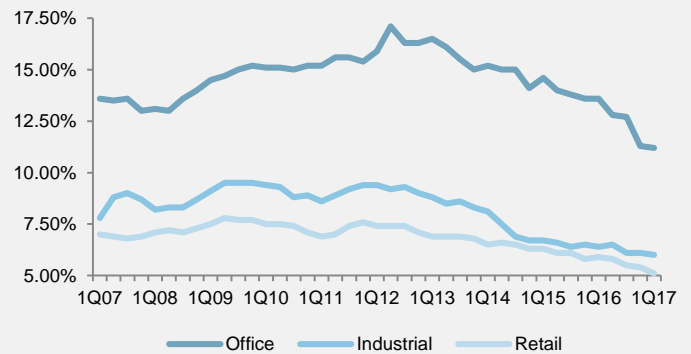
Transaction Volume – First-quarter 2017 closed with \$487.5 million in investment sales transactions located within the St. Louis metropolitan market, a 26.1% decrease compared to first-quarter 2016.

Investment Demand – For class A institutional quality product capitalization rates registered 7.0% in first-quarter 2017, a decrease of 30 basis points compared to first-quarter 2016.

Average Asking Rent (Price/SF)



Vacancy (%)



Net Absorption (SF), in millions





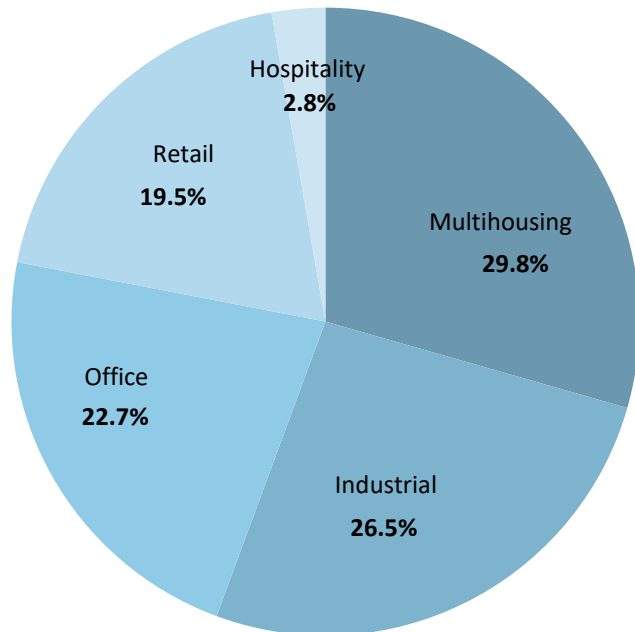
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Significant Sales Transactions | First Quarter of 2017

Sector	Building	Submarket	Sale Price	Price/SF	Square Feet
Retail/Off/Multi	The Boulevard (5 Bldgs)	Clayton	\$53,000,000	\$123	429,380
Industrial	Sealy & Co. Portfolio (3 Bldgs)	North County	\$39,000,000	\$42	926,290
Retail	Lincoln Place Centre	Metro East (Illinois)	\$35,400,000	\$130	272,060
Multihousing	OPOP - Tower & Lofts (2 Bldgs)	Downtown	\$35,000,000	\$128	273,060
Office	One Chesterfield Place	West County	\$27,500,000	\$192	143,470
Office	Park 270 I & II (2 Bldgs)	Mid County	\$25,500,000	\$93	274,650
Office	Railway Exchange Building	Downtown	\$20,000,000	\$17	1,200,000
Multihousing	Maryland Park Apartments	Mid County	\$19,232,400	\$91	212,388
Industrial	St. Louis Commerce Ctr I & II (2 Bldgs)	St. Louis City	\$16,900,000	\$35	487,150
Industrial	Wentzville Distribution Center	St. Charles County	\$16,790,000	\$42	400,070
Retail	Walmart – Mid Rivers Mall	St. Charles County	\$12,610,200	\$296	42,600
Multihousing	The Magnolia Apartment Homes	West County	\$10,450,000	\$71	147,120

Multihousing and industrial properties have had the largest investment volume over the past year, totaling over 56% of activity in St. Louis.

Sales Volume by property Type
St. Louis; 12-Month Totals



Property Type	Volume	# of Properties
Multihousing	\$707.1 M	44
Industrial	\$629.5 M	63
Office	\$506.9 M	47
Retail	\$461.5 M	54
Hospitality	\$66.2 M	7
TOTAL	\$2.3 B	215

* Percentages based on total volume

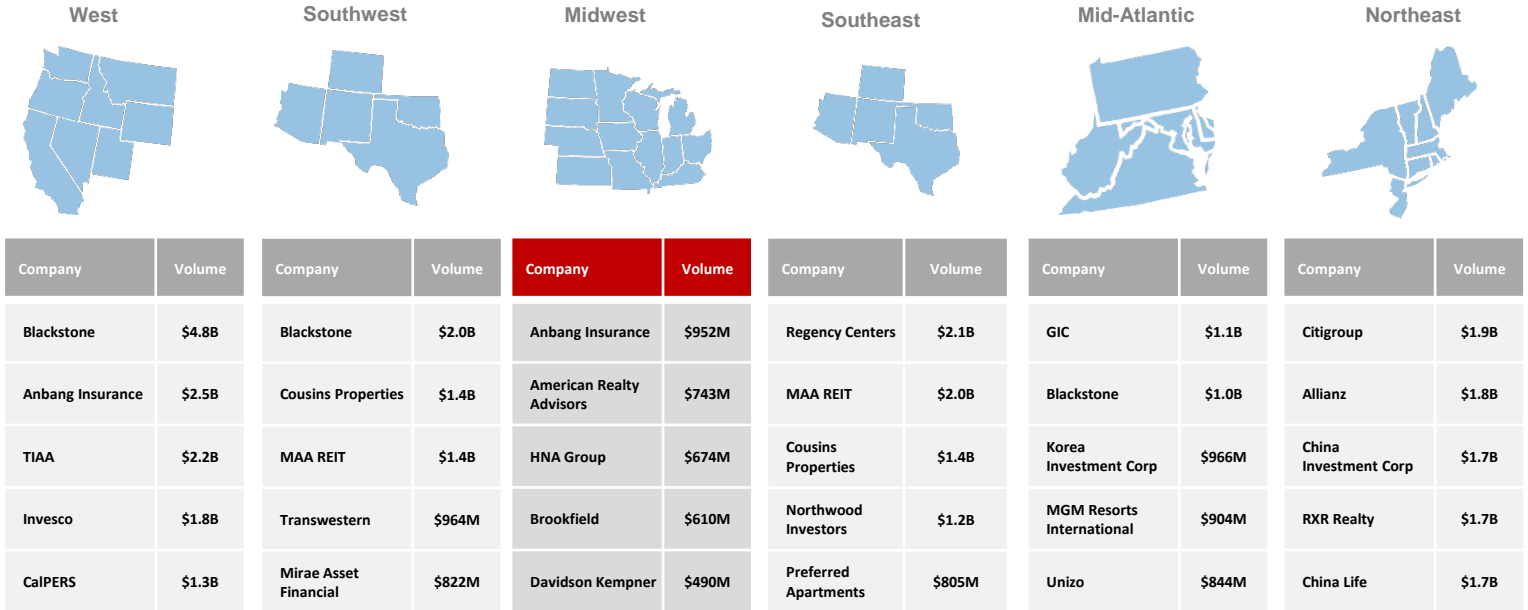
Source: Newmark Grubb Zimmer Research, Real Capital Analytics



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TOP REGIONAL Buyers

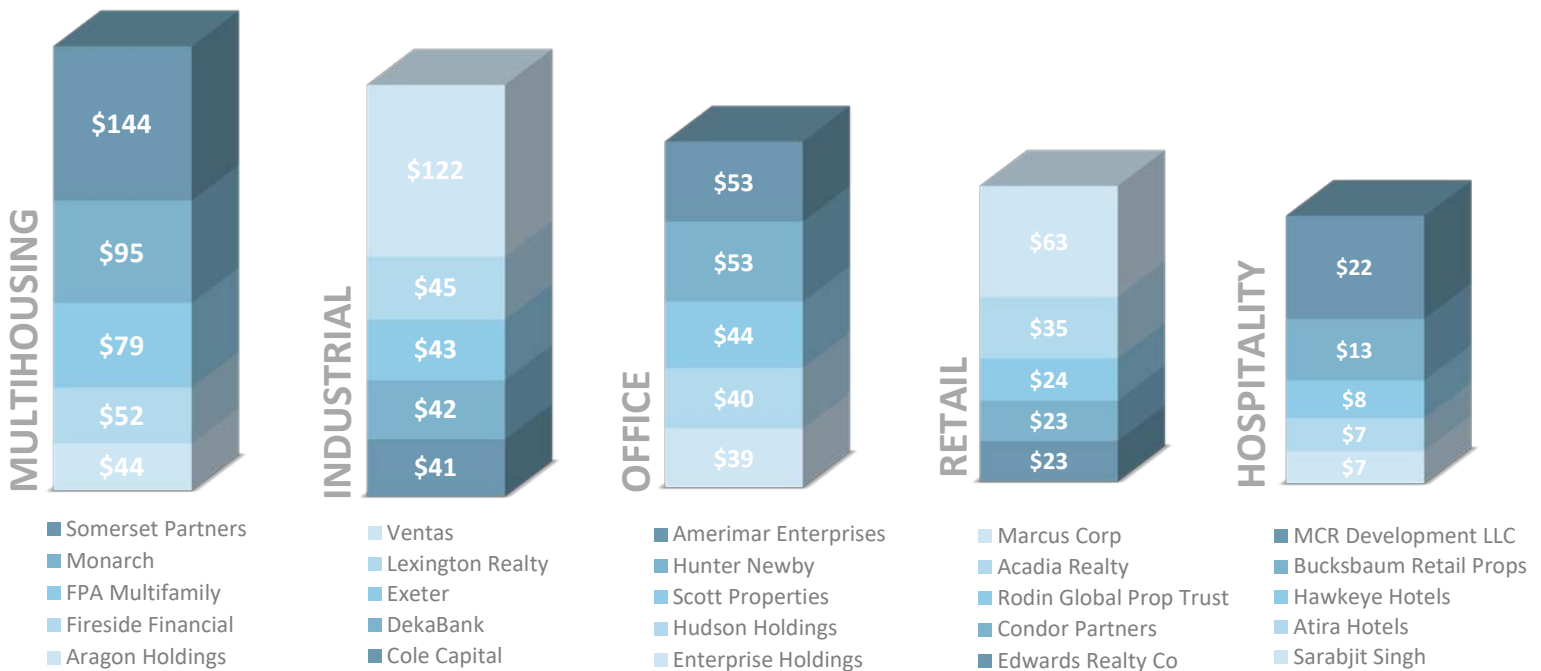
All Property Types; 12-Month Totals



Source: Newmark Grubb Zimmer Research, Real Capital Analytics

MOST ACTIVE BUYERS BY ASSET TYPE

12-Month Totals (in millions)



Source: Newmark Grubb Zimmer Research, Real Capital Analytics

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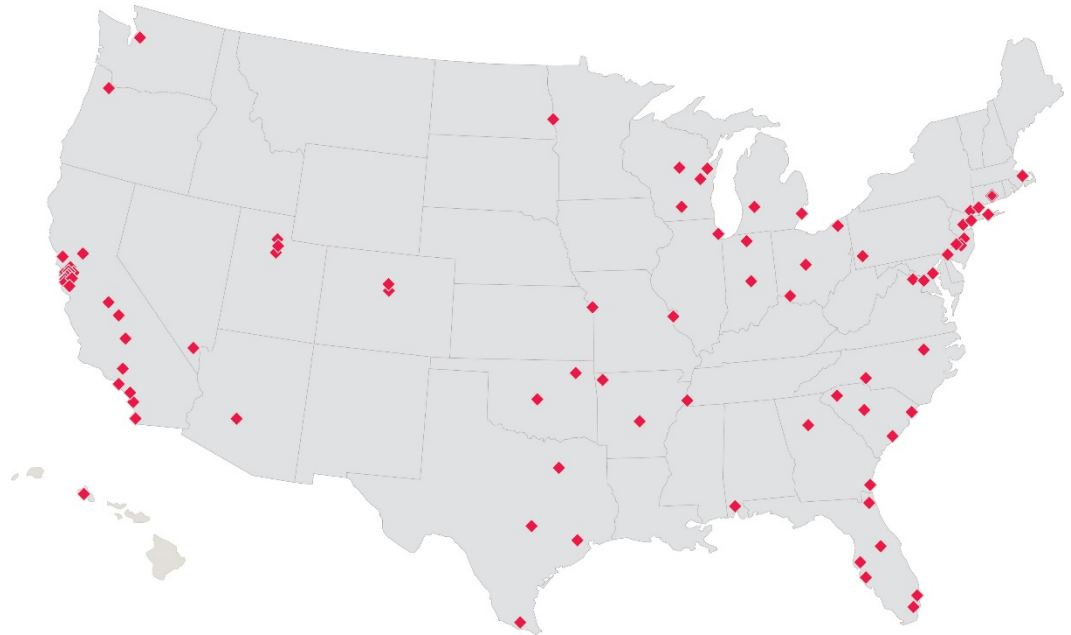
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