



ST. LOUIS RETAIL REPORT

Newmark Grubb
Zimmer

SUMMER 2017



EXECUTIVE SUMMARY

Newmark Grubb Zimmer (NGZ) is constantly monitoring market indicators, tracking and analyzing supply and demand drivers, cyclical patterns and industry trends. The following quarterly research report examines the multifaceted St. Louis retail market.

NGZ research and analytics has established a system of data flow unique in our industry. Rather than rely on third party data sources, our data acquisition efforts involve inputs from advisors in the field, analysts and brokers executing transactions. NGZ research converts market data and analysis into knowledge that creates value for our clients.

Our clients include market-leading landlords and distinguished institutions in and around the St. Louis area and the Midwest. Our market knowledge continues to expand as the market progresses and evolves.



SELECT MARKET TRANSACTIONS

WALMART NEIGHBORHOOD MARKET – SAINT PETERS

41,920 SF GLA – SOLD FOR \$10,573,000 (\$252/SF)

St. Charles County | 45 Sutters Mill Road

WALGREENS - BELLEVILLE

15,525 SF GLA – SOLD FOR \$3,800,000 (\$245/SF)

Metro East | 5890 N. Belt West

NAMEOKI ROAD RETAIL CENTER

32,840 SF GLA – SOLD FOR \$2,500,000 (\$76/SF)

Metro East | 3657-3675 Nameoki Road

HOTSHOTS SPORTS BAR & GRILL

6,500 SF GLA – SOLD FOR \$2,000,000 (\$308/SF)

Metro East | 2511 S. State Route 157

METRO ST. LOUIS TRENDS

RETAIL MARKET OVERVIEW

The overall St. Louis retail market has tightened over the past year, realizing a 30-basis-point drop in vacancy. Demonstrating the strength of the local retail market, over 1.0 million square feet of net absorption occurred during the past four quarters, with nearly 3.5 million square feet absorbed over the past two years. The average quoted rental rate measured \$12.10/SF, down \$0.03/SF from the prior year. Although the market is showing positive indicators including decreasing vacancy rates and substantial net absorption during the past year, the metropolitan St. Louis retail market slowed over the past two quarters. In the local retail market, Bob's Discount Furniture and Bonobos strengthened the brick-and-mortar sector during the second quarter of 2017, while Hilton announced a new location.

- **Bob's Discount Furniture** opened its first two stores in the St. Louis metro. Both locations are located on the Missouri side of the state line, with the first location being a 30,000-square-foot space in The Crossings at Northwest located at 990 Northwest Plaza Drive in Saint Ann and a 29,390-square-foot space in the Manchester Plaza lifestyle center located at 14250 Manchester Road in Manchester.
- **Bonobos**, the popular online retailer men's clothing with 38 brick-and-mortar "Guideshop" locations across the U.S., is opening its first store in the St. Louis metro, a 1,400-square-foot space at 52 Maryland Plaza in the Central West End.
- **Hilton Hotels & Resorts** announced it will bring its "Tru" brand of hotels, which are geared toward millennials, to St. Louis. The initial location, scheduled to open by 2018, will be at the Streets of St. Charles. The 87-room hotel is expected to offer accommodations for \$75 to \$95 per night.

Continued national retailer closings, malls filling vacancies with restaurants and grocers, Amazon's remarkable rise and local brick-and-mortar announcements dominated the news of significant transactions in the second quarter of 2017. The first half of 2017 was tough for multiple brick-and-mortar retailers and malls. In addition to the top 18 retailers projecting stores closures, brands announcing closures this quarter include:

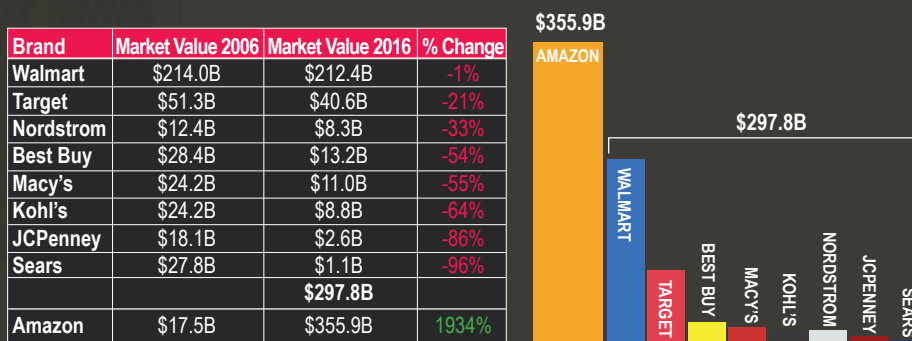
#	COMPANY NAME	STORES CLOSING	#	COMPANY NAME	STORES CLOSING
1	Rue21	400	5	GameStop	150
2	Gymboree	375-450	6	Michael Kors	100-125
3	Ann Taylor, Dress Barn, Justice & Lane Bryant	270-670	7	Foot Locker	100
4	Bebe	180	8	Office Depot	75
			9	Pier One Imports	25

In today's retail environment, merchants must satisfy shoppers by offering a product, service or experience with the best price, selection and ease of purchase. The inability to adapt to these key factors, rising rental rates and increasingly stiff competition has forced some retailers to undergo major restructuring efforts and close stores. On average, retail margins fell from 10.5% in 2012 to 9.0% in 2016, and the competitive retail environment shows no signs of easing. Malls in the United States are expected to suffer alongside retailers. Credit Suisse predicts that 20% to 25% of malls will close within the next five years, due in part to the possibility of more than 8,600 brick-and-mortar store closures by the end of 2017.

Malls will need to identify successful retailers from weak operators and invest in tenants and amenities that will offer shoppers an experience-driven, destination shopping/entertainment combination. Some mall owners are combating the closings of retailers by replacing them with food and beverage retailers and grocers. According to the second-largest U.S. mall developer General Growth Properties (GGP), the percentage of its space occupied by restaurants and other food sellers is forecast to increase from 13.0% to 20.0% by 2025. Restaurants such as LongHorn Steakhouse, Chipotle, Capital Grille and Olive Garden continue to occupy retail mall space, while grocers Kroger Co., Whole Foods Market and Wegmans Food Markets all have recently backfilled vacant space from department store retailers.

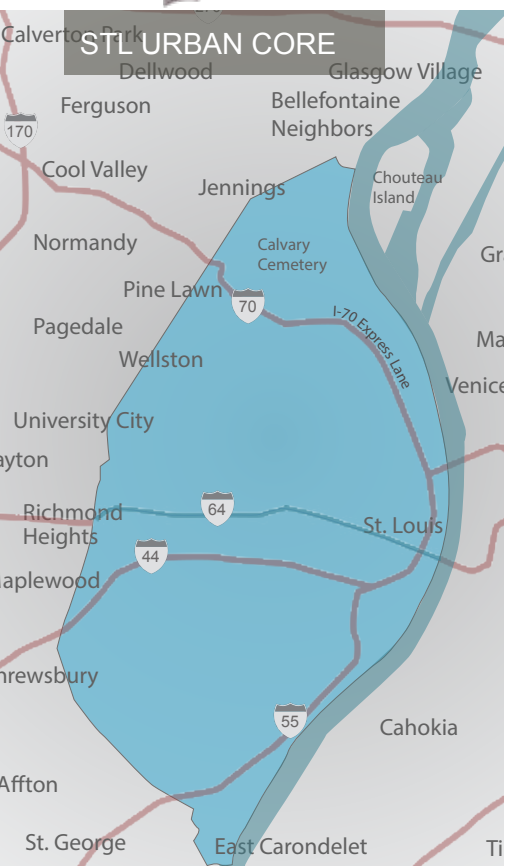
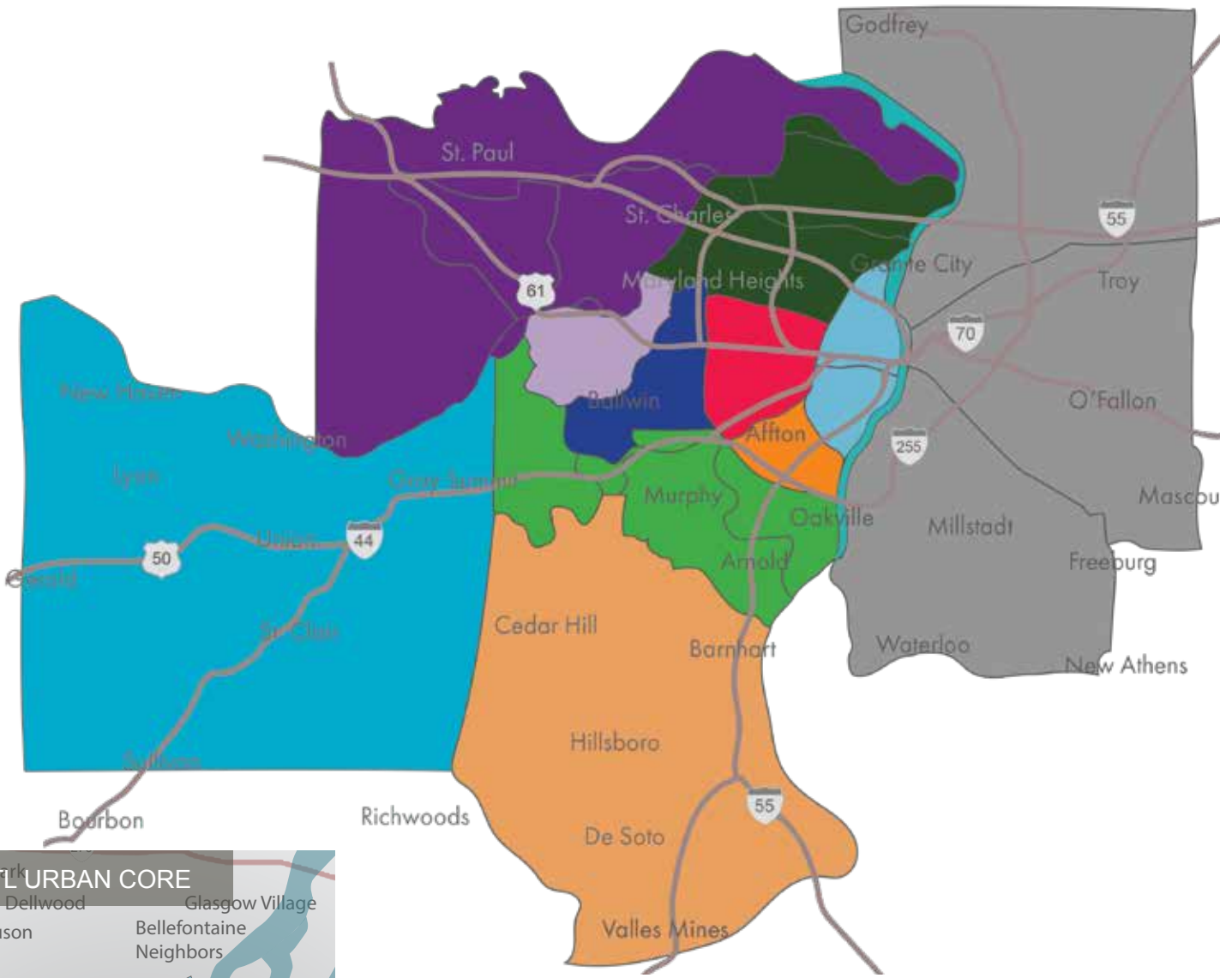
As a growing number of consumers have become dissatisfied with the offerings of various long-time brick-and-mortar merchants, they have turned to online and discount retailers, i.e., Amazon. According to Yahoo Finance, Amazon, Inc.'s market value has grown from \$17.5 billion at the end of 2006 to \$355.9 billion at the end of 2016.

The company's reach to consumers will widen as it invents a new method of selling using technology to integrate nearly the entire consumption process. With nearly 80 million American households with Prime memberships, Amazon has created the most efficient order-fulfillment system in the world.



SUBMARKET MAPS

DOWNTOWN & SUBURBS



- CHESTERFIELD
- FRANKLIN COUNTY
- JEFFERSON COUNTY
- METRO EAST
- MID COUNTY
- NORTH NORTHWEST COUNTY
- ST. CHARLES COUNTY
- ST. LOUIS CITY
- SOUTH COUNTY
- SOUTHWEST OUTER ST. LOUIS COUNTY
- WEST COUNTY

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2Q17 ST. LOUIS RETAIL MARKET STATISTICS TABLE

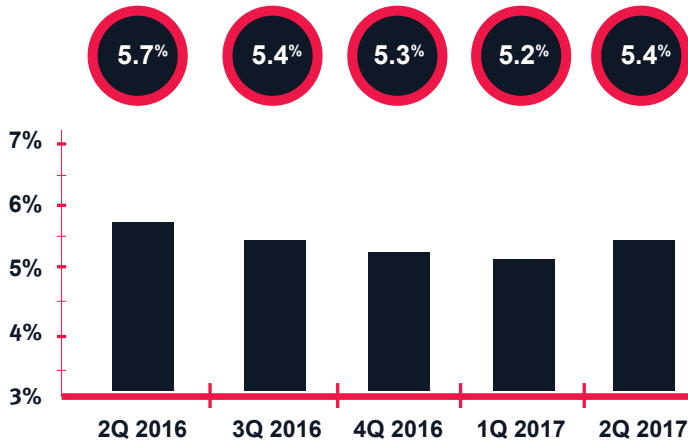
	Type	# of Buildings	Total Inventory (SF)	Total Vacancy Rate	Qtr. Absorption (SF)	YTD Absorption (SF)	Total Asking Rent (NNN)
CHESTERFIELD	All	181	6,461,035	3.30%	-66,661	-99,774	\$19.14
	Small Shop	85	436,744	2.90%	0	-1,224	\$25.57
	Big Box	96	6,024,291	3.30%	-66,661	-98,550	\$18.13
FRANKLIN COUNTY	All	482	5,091,324	2.30%	3,962	37,792	\$10.44
	Small Shop	352	1,430,009	1.80%	9,764	15,815	\$12.51
	Big Box	130	3,661,315	2.50%	-5,802	21,977	\$9.46
JEFFERSON COUNTY	All	371	3,906,972	2.80%	-4,832	4,139	\$10.43
	Small Shop	270	1,039,086	2.10%	-7,448	-4,396	\$10.86
	Big Box	101	2,867,886	3.10%	2,616	8,535	\$10.41
METRO EAST	All	2,398	30,110,330	5.60%	41,172	58,393	\$9.78
	Small Shop	1,772	6,680,658	2.90%	55,435	32,275	\$13.51
	Big Box	626	23,429,672	6.40%	-14,263	26,118	\$9.41
MID COUNTY	All	994	16,907,530	3.00%	37,110	91,918	\$18.62
	Small Shop	656	2,619,561	3.60%	7,907	-4,548	\$18.96
	Big Box	338	14,287,969	2.90%	29,203	96,466	\$18.49
NORTH-NORTHWEST COUNTY	All	1,517	22,099,981	9.60%	111,083	99,696	\$10.37
	Small Shop	1,061	3,901,814	2.90%	10,541	24,866	\$17.14
	Big Box	456	18,198,167	11.00%	100,542	74,830	\$9.80
ST. CHARLES COUNTY	All	1,483	22,001,915	5.20%	-49,794	-10,445	\$12.78
	Small Shop	1,022	4,187,132	3.30%	-13,736	2,694	\$14.17
	Big Box	461	17,814,783	5.70%	-36,058	-13,139	\$12.61
ST. LOUIS CITY	All	2,248	19,333,163	5.60%	-127,434	-220,914	\$12.95
	Small Shop	1,798	6,577,237	2.70%	-6,836	18,418	\$12.63
	Big Box	450	12,755,926	7.10%	-120,598	-239,332	\$13.04
SOUTH COUNTY	All	598	11,208,362	4.00%	25,642	32,543	\$12.57
	Small Shop	399	1,579,979	2.40%	-5,511	-3,383	\$14.33
	Big Box	199	9,628,383	4.30%	31,153	35,926	\$12.43
SOUTHWEST OUTER ST. LOUIS COUNTY	All	717	10,756,469	5.50%	-145,887	-71,113	\$12.29
	Small Shop	485	1,945,637	1.30%	11,719	11,845	\$12.91
	Big Box	232	8,810,832	6.40%	-157,606	-82,958	\$12.26
WEST COUNTY	All	532	10,743,721	4.20%	8,178	172,180	\$15.40
	Small Shop	296	1,272,466	4.00%	-11,994	-7,169	\$17.01
	Big Box	236	9,471,255	4.20%	20,172	179,349	\$15.24
TOTALS	All	11,521	158,620,802	5.40%	-167,461	94,415	\$12.10
	Small Shop	8,196	31,670,323	2.80%	49,841	85,193	\$15.14
	Big Box	3,325	126,950,479	6.00%	-217,302	9,222	\$11.73

MARKET INDICATORS

VACANCY RATE, ASKING RENT & NET ABSORPTION

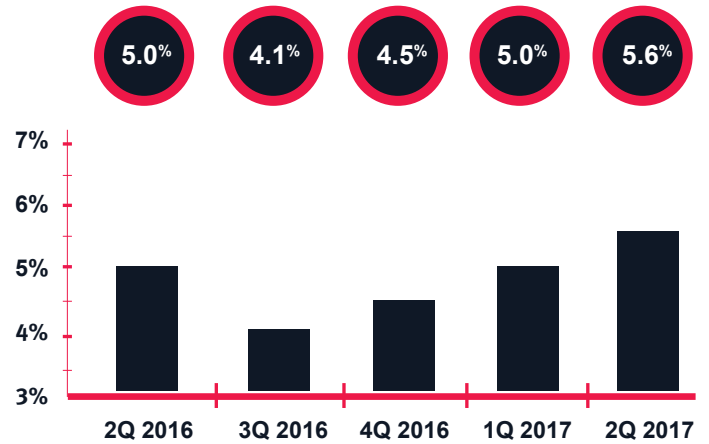
METRO MARKET VACANCY RATE

The metro market vacancy rate has displayed a downward trend dropping 30 basis points over the past year.



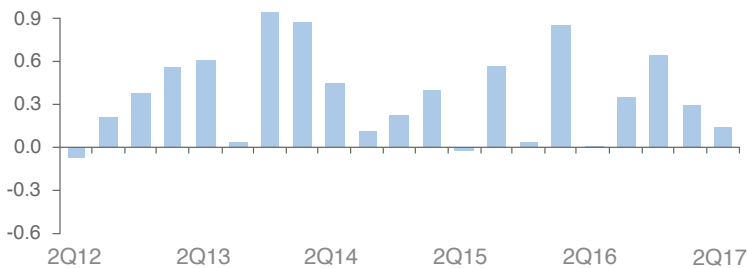
ST. LOUIS CITY VACANCY RATE

The St. Louis City vacancy rate has displayed an upward trend rising 60 basis points over the past year. At 5.6%, St. Louis City posts the second-highest vacancy rate in the metro.

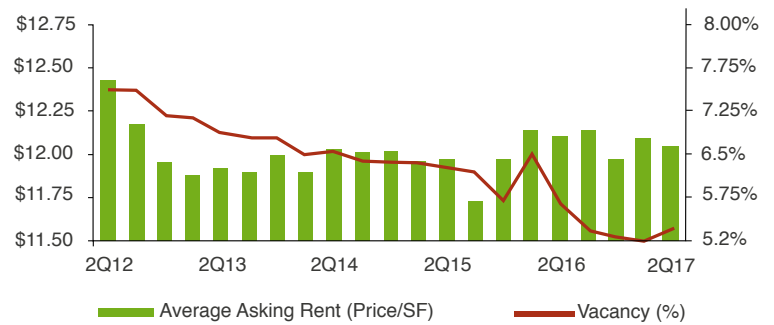


NET ABSORPTION

Square Feet, Millions



ASKING RENT AND VACANCY



Small Shop: Retail buildings in which GLA is 9,000 square feet or less.

Big Box: Retail buildings in which GLA is 9,001 square feet or more.

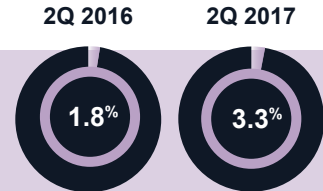
Examination and calculation of supply and demand determinants by building size uncovered statistically significant inflection points consistently at the 9,000-square-foot building size.

For this reason, the division between small-shop and big-box occurs at 9,000 square feet.

2Q17 ST. LOUIS SUBMARKET VACANCY RATE

CHESTERFIELD VACANCY RATE

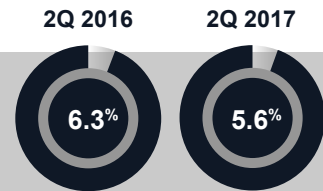
Small shop space is hard to find in Chesterfield as vacancy in this niche is nominal at 2.9%. Big box space is also scarce posting a 3.3% vacancy rate.



150 ↓
Worsened by 150 basis points over the past year.

METRO EAST VACANCY RATE

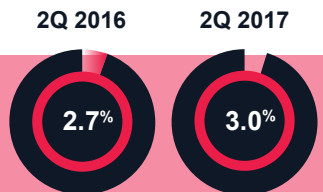
Metro East improved during the quarter as vacancy for big box offerings measured 6.4%. The submarket ranked first in the metro with 55,435 square feet of net absorption occurring in 2Q 2017 for small shop space.



70 ↑
Improved by 70 basis points over the past year.

MID COUNTY VACANCY RATE

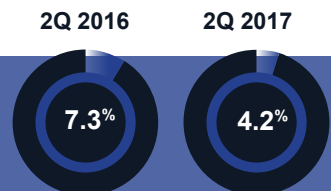
Big box vacancy remains tight at 2.9%, while small shop space displays a 3.6% vacancy rate in Mid County. The submarket posts the third-lowest vacancy in the metro.



30 ↓
Worsened by 30 basis points over the past year.

WEST COUNTY VACANCY RATE

The West County submarket ranked first with the largest drop in vacancy over the past year.



310 ↑
Improved by 310 basis points over the past year.





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314.254.4600

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Kansas City, MO 64105
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EASTERN JACKSON COUNTY

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Lee's Summit, MO 64081
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SALINA, KS

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North America

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United States

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Belgium
Czech Republic
France
Germany
Ireland
Italy
Netherlands
Poland
Portugal
Romania
Russia
Spain
Switzerland
United Kingdom

Latin America

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Brazil
Chile
Colombia
Costa Rica
Dominican Republic
Mexico
Peru
Puerto Rico

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Cambodia
China
Hong Kong
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Malaysia
New Zealand
Singapore

South Korea

Taiwan
Thailand

Africa

Botswana
Kenya
Malawi
Nigeria
South Africa
Tanzania
Uganda
Zambia
Zimbabwe

Middle East

Saudi Arabia
United Arab Emirates

Retail Terms and Definitions

Gross Leasable Area (GLA) – Expressed in square feet. It is the total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines. It is the standard measure for determining the size of retail spaces, specifically shopping centers, where rent is calculated based on GLA occupied. There is no real difference between RBA (Rentable Building Area) and GLA except that GLA is used when referring to retail properties while RBA is used for other commercial properties.

Vacancy Rate – The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant.

Net Absorption – The net change in physically occupied space over a period of time.

Average Asking Rent – The dollar amount asked by landlords for available space expressed in dollars per square foot per year. Retail rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a prorata basis. The asking rent for each building in the market is weighed by the amount of available space in the building.

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