

ST. LOUIS CAPITAL MARKETS

STRONG QUARTER LEADS TO \$3.2 BILLION IN SALES ACTIVITY DURING PAST YEAR

The St. Louis market enjoyed solid investment activity, realizing a significant increase of 21.5% in total sales when compared to a year prior. As a leading second-tier market, the St. Louis metropolitan area ranked fourth out of the largest nine Midwest markets in total sales volume during the past twelve months. Capitalization rates increased 80 basis points to 7.1% during the past year. Market fundamentals tightened as the metro area registered 515,799 square feet of total net absorption during the quarter. Asking rental rates continue to new highs in the office, industrial and retail sectors. Office and multihousing assets continue to lead the way over the last 12 months, accounting for over 55% of total sales volume.

Over the last 12 months, the sales volume for all property types registered \$3.2 billion. Several national institutional and longstanding local owners have taken advantage of this market opportunity to explore potential sales and reposition capital. This has resulted in several high profile properties trading in the second quarter of 2018.

Leading an active quarter for the multifamily sector, the largest transaction was the \$79.7 million sale of the Orion at 4567 West Pine Boulevard in St. Louis, MO. Totalling 210,000 square feet and including a 38,000-square-foot Whole Foods Market, the seven-story property was acquired by Brass Enterprises, Inc. from Mills Properties, Inc. The second largest transaction, the Sun Valley Lake apartments traded for \$64.2 million, or \$94,338 per unit, as B&M Management purchased the property from Priderock Capital Partners, LLC. The third largest transaction, the Central West End City apartments traded for \$47.8 million, or \$119,202 per unit, as Mills Properties, Inc. purchased the property from Village Green. The fourth largest transaction, the Schoettler Village apartments traded for \$40.6 million, or \$135,333 per unit, as BH Equities and L5 RE Investments purchased the property from Maxus Realty Trust. In the office sector, the largest transaction was the \$23.7 million sale of Highlands Plaza One, located at 1001 Highlands Plaza Drive West in St. Louis, MO. Totalling 145,000 square feet, the five-story property was acquired by Altus Properties from Sun Life Financial.

We remain optimistic about the outlook for the investment sales and capital markets sector in St. Louis. With multiple sources of available debt capital and a variety of potential deals that can satisfy varying levels of risk tolerance and return requirements, St. Louis will continue to realize steady activity over the next four quarters, thus maintaining current acquisition volumes.

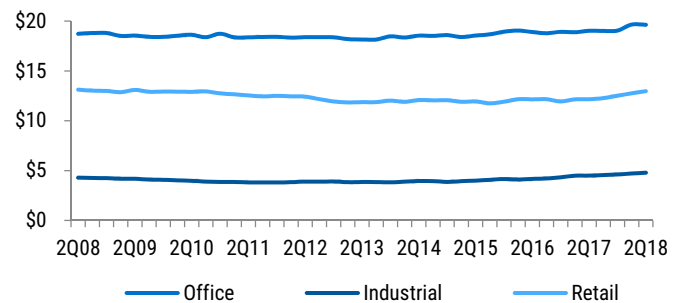
CURRENT CONDITIONS

Transaction Volume – The past 12 months, ending second-quarter 2018, closed with \$3.2 billion in investment sales transactions located within the St. Louis metropolitan market, a 21.5% increase compared to the 12 months ending second-quarter 2017.

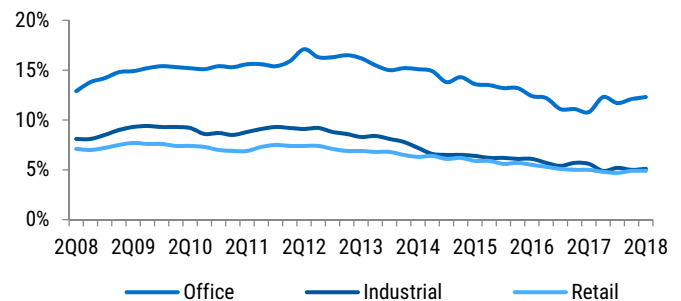
Investment Demand – For class A institutional quality product capitalization rates registered 7.1% in second-quarter 2018, an increase of 80 basis points compared to second-quarter 2017.

MARKET ANALYSIS

Average Asking Rent (Price/SF)



Vacancy (%)



Net Absorption (SF, in millions)



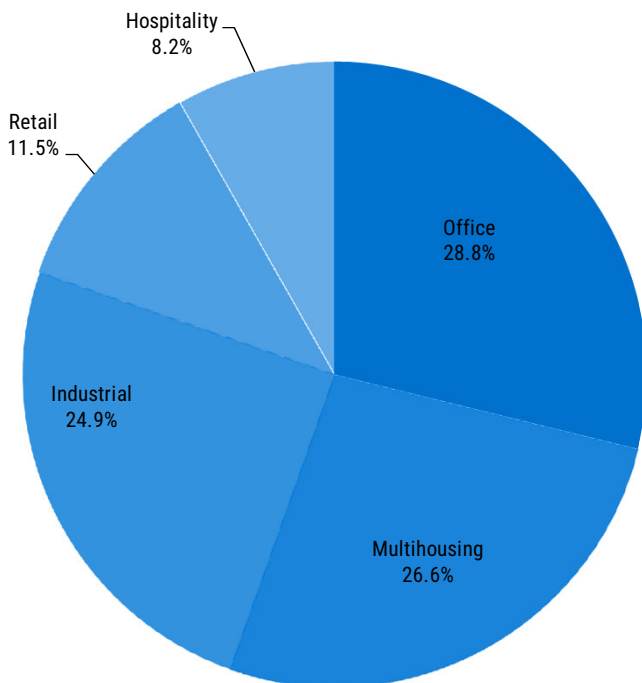
SIGNIFICANT SALES TRANSACTIONS | SECOND QUARTER OF 2018

Sector	Building	Submarket	Sale Price	Price/SF ¹	Square Feet ²
Multifamily	The Orion	Downtown	\$79,700,000	\$450,282	177
Multifamily	Sun Valley Lake Apartments	St. Charles County	\$64,150,000	\$94,338	680
Multifamily	Central West End City Apartments	Downtown	\$47,800,000	\$119,202	401
Multifamily	Schoettler Village	West County	\$40,600,000	\$135,333	300
Office	Highlands Plaza One	Downtown	\$23,700,000	\$163	145,000
Retail	The Shoppes at Hawk Ridge (5 Props)	St. Charles County	\$16,500,000	\$132	124,800
Retail	Kohl's – Manchester Shopping Center	West County	\$8,640,000	\$97	89,310
Office	225 & 235 S Meramec Avenue (2 Props)	Clayton	\$6,500,000	\$54	120,700
Industrial	Craig Park-Dielman Tech Centers (2 Props)	Central & West County	\$5,650,000	\$77	73,450
Industrial	2300 Ball Drive	West County	\$4,650,000	\$103	45,070

¹The price per unit is displayed for the Multihousing sector. ²The number of total units is displayed for the Multihousing sector.

SALE VOLUME BY PROPERTY TYPE

St. Louis, 12-Month Totals



PROPERTY TYPE	VOLUME	# OF PROPERTIES
Multihousing	\$909.2 M	61
Office	\$839.0 M	52
Industrial	\$784.3 M	87
Retail	\$361.3 M	52
Hospitality	\$259.4 M	19
TOTAL	\$3.2 B	271

Multihousing and office properties have had the largest investment volume over the past year, totaling over 55% of activity in St. Louis.

* Percentages based on total volume
Source: Newmark Grubb Zimmer Research, Real Capital Analytics

TOP REGIONAL BUYERS

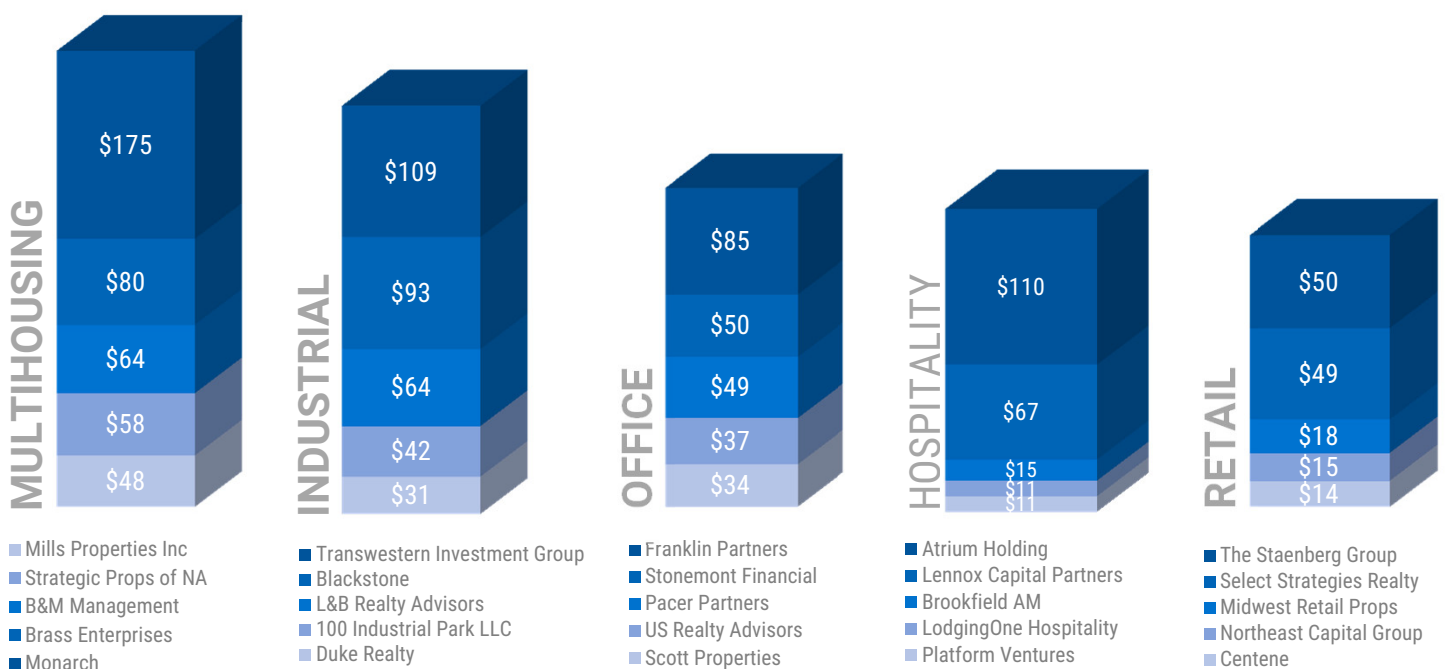
All Property Types; 12-Month Totals

West		Southwest		Midwest		Southeast		Mid-Atlantic		Northeast	
Company	Volume	Company	Volume	Company	Volume	Company	Volume	Company	Volume	Company	Volume
Blackstone	\$7.5B	Blackstone	\$1.6B	Sterling Bay Cos	\$1.4B	Blackstone	\$1.5B	Digital Realty	\$2.6B	Google	\$2.4B
Unibail-Rodamco-Westfield	\$3.9B	CPP Investment Board	\$1.3B	Digital Realty	\$859M	PGIM Real Estate	\$1.3B	Harbor Group International	\$1.8B	Unibail-Rodamco-Westfield	\$1.8B
Greystar	\$2.0B	Cortland Partners	\$1.1B	JP Morgan	\$823M	Ivanhoe Cambridge	\$1.2B	Government Properties Income Trust	\$1.4B	Rockpoint Group	\$1.5B
GIC	\$1.3B	Brookfield AM	\$1.1B	Harrison Street RE Cap	\$815M	Carroll Organization	\$1.2B	Morgan Properties	\$955M	Fortress	\$1.3B
Ivanhoe Cambridge	\$1.3B	Transwestern Investment Group	\$1.0B	Blackstone	\$741M	Unibail-Rodamco-Westfield	\$809M	Unibail-Rodamco-Westfield	\$778M	Maefield Development	\$1.3B

Source: Newmark Grubb Zimmer Research, Real Capital Analytics

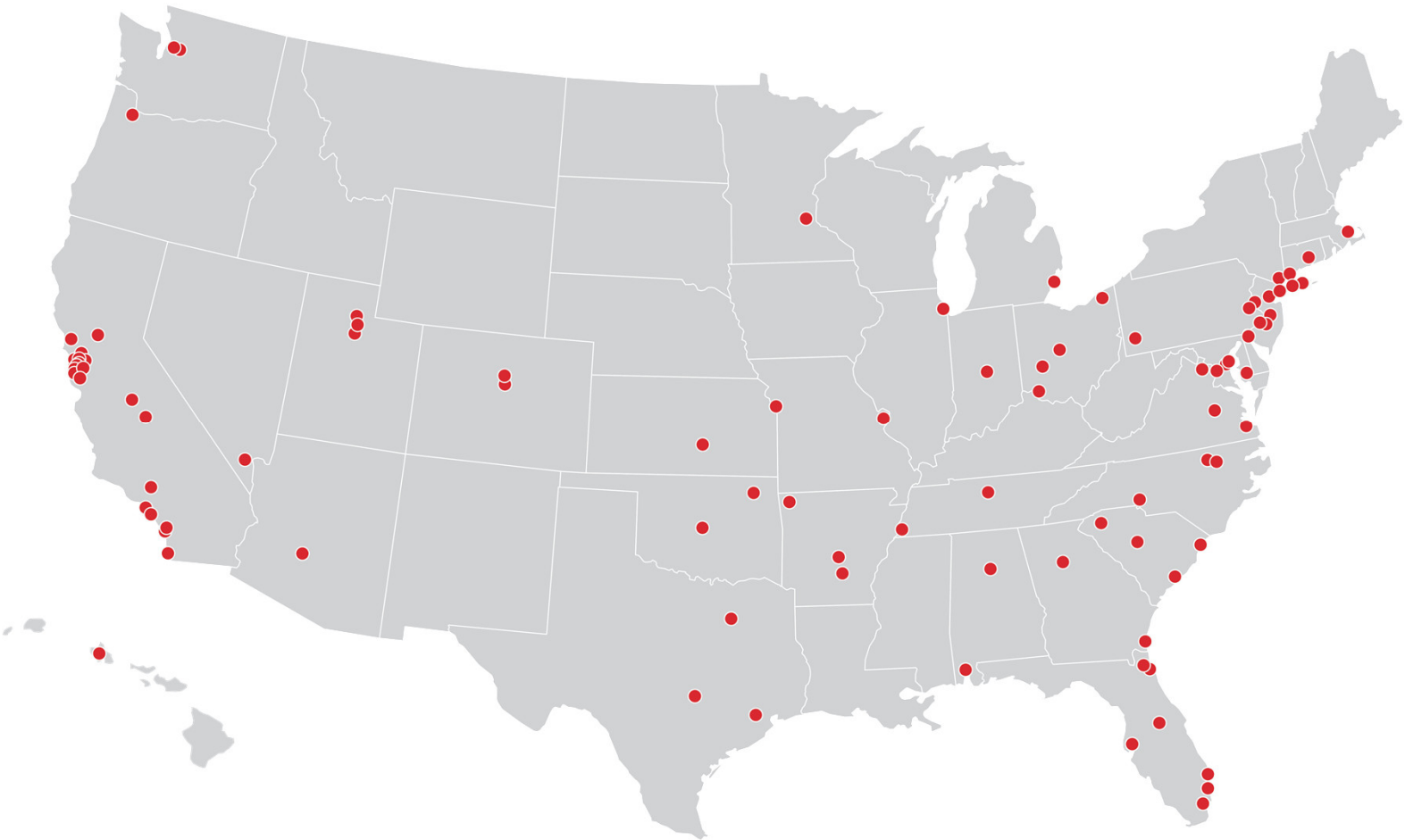
MOST ACTIVE BUYERS BY ASSET TYPE

12-Month Totals (in millions)



Source: Newmark Grubb Zimmer Research, Real Capital Analytics

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