
RESEARCH 2Q22

St. Louis Capital Markets

NEWMARK
ZIMMER



Executive Summary

Newmark Zimmer is continuously 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 investment market.

Newmark Zimmer 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. Newmark Zimmer research converts market data and analysis into knowledge that creates value for our clients.

Our clients include market-leading investors 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

Multihousing | Hampton Gardens

509 Units – Sold for \$48,000,000 (\$94,303/Unit)

St. Louis City | 5927 Suson Place

Industrial | Jack Cooper Truck Terminal

43,040 SF GLA – Sold for \$45,676,000 (\$1,061/SF)

St. Charles County | 655 Parr Road

Industrial | Hitzert Court

534,600 SF GLA – Sold for \$41,775,000 (\$78/SF)

South County | 2211-2231 Hitzert Court

Retail | Lincoln Place Portfolio (7)

272,060 SF GLA – Sold for \$40,750,000 (\$150/SF)

Metro East | 5905-6109 North Illinois Street

Office | Riverport Tower

332,320 SF GLA – Sold for \$36,000,000 (\$108/SF)

North County | 13736 Riverport Drive



Capital Markets

ST. LOUIS MARKET OVERVIEW

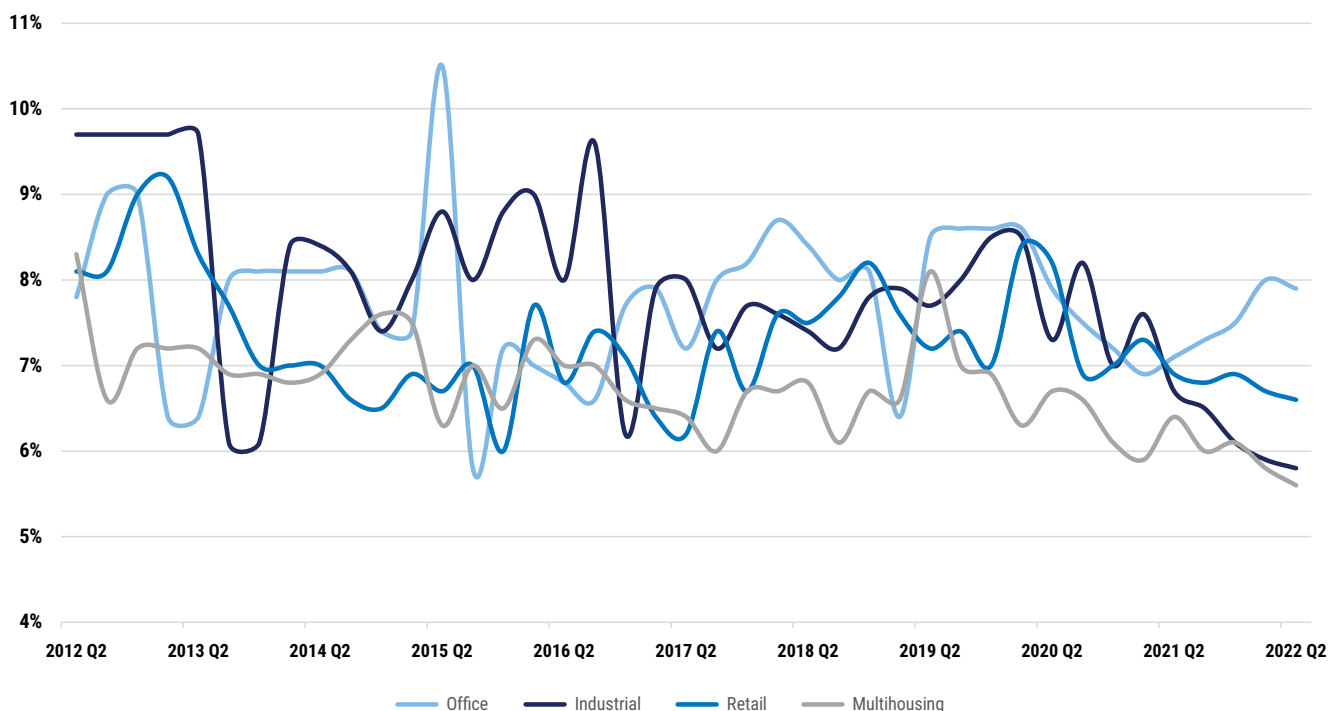
The pace of investment activity in the St. Louis market significantly improved during the past four quarters, with sales volume totaling \$4.3 billion, an increase of 45.1% compared to the prior year. As a leading second-tier market, the St. Louis Metropolitan area ranked eighth out of the largest thirteen Midwest markets in total sales volume during the past twelve months, with industrial and multihousing assets combining for 71.6% of the Metro's activity. Capitalization rates decreased 30 basis points (bps) compared to the past twelve months, registering 5.9% in the second quarter of 2022. Top quantile capitalization rates decreased 20 bps compared to the past twelve months, registering 4.8% in the second quarter of 2022.

Net absorption across the industrial, office and retail sectors totaled 5.1 million square feet during the past four quarters, an increase of 6.3% compared to the prior year. The multihousing sector realized 1,805 units of net absorption during the past four quarters and 5,906 units during the past two years. With positive absorption in 21 out of the past 23 quarters, the multihousing sector continues to display robust fundamentals. Modern Class A industrial properties quoted on a triple net basis also experienced strong demand during the past six quarters registering 12.3 million square feet, reaching record

highs for asking rental rates, while vacancy dropped to a new record low. With development kept in check during the past five years, additional incentives being offered to lock tenants in for longer lease terms and inflationary pressures, average asking rental rates trended upwards for both the office and retail sectors. Vacancy in the industrial sector decreased 150 bps from the prior year to 3.1%, while vacancy in the retail sector decreased 10 bps to 5.4% during the same period. Vacancy in the multihousing sector slightly increased 10 bps from the prior year to 7.4%, while vacancy in the office sector increased 200 bps to 14.9% during the same period.

Coming off a record year of investment sales transactions in 2021, the Newmark Zimmer Midwest Capital Markets team expects transaction volume to remain steady throughout 2022 driven by strong allocations for commercial real estate investment. Activity will continue to remain strong in industrial, multifamily, STNL retail, and medical office. We expect a rebound of general office and neighborhood retail assets as investors seek yield and data points support pricing. We are monitoring the impact of recent interest rate hikes on leveraged buyers return expectations and valuations.

ST. LOUIS CAP RATES

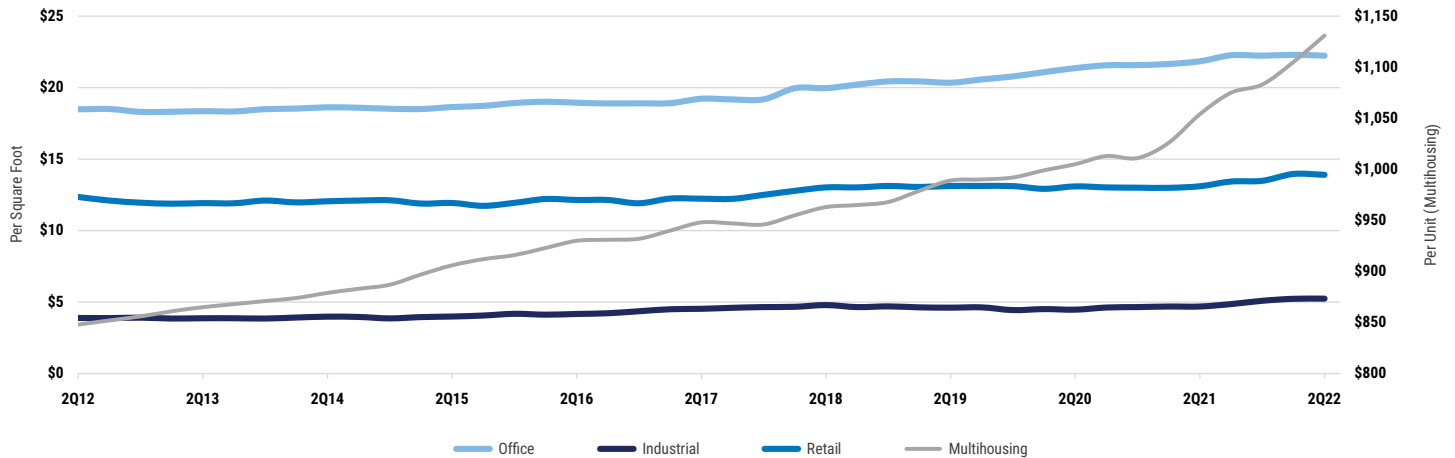


Source: Newmark Zimmer Research, CoStar, Real Capital Analytics

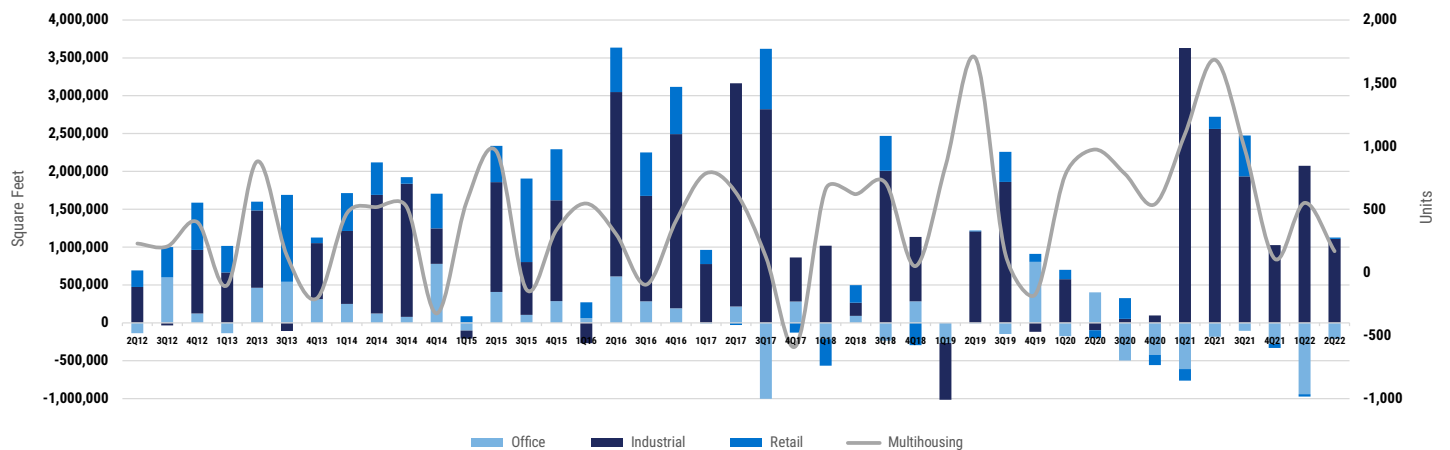
2Q22 St. Louis

MARKET ANALYSIS

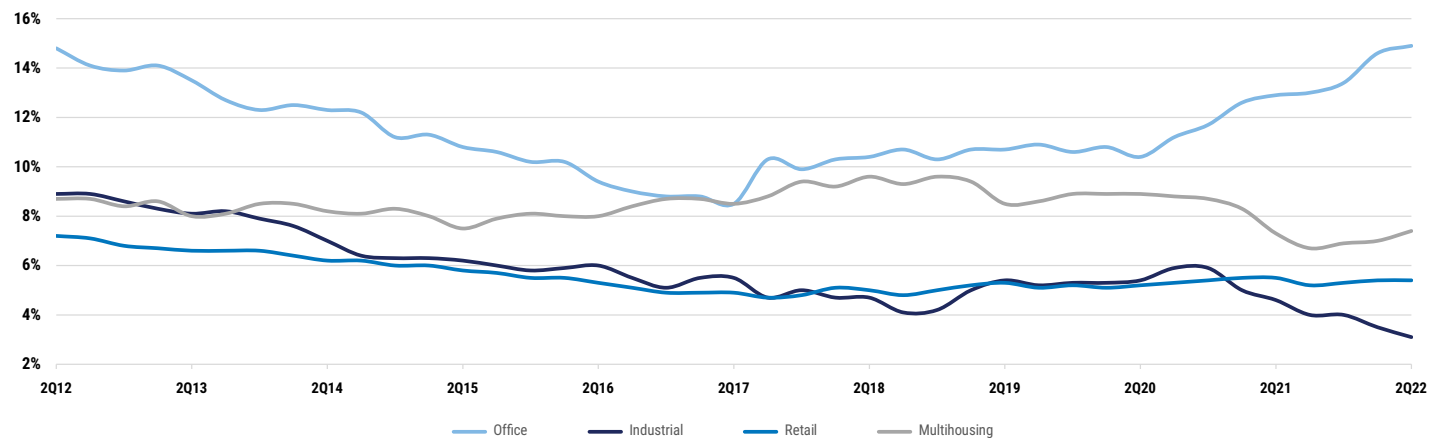
AVERAGE ASKING RENT



NET ABSORPTION



VACANCY RATE





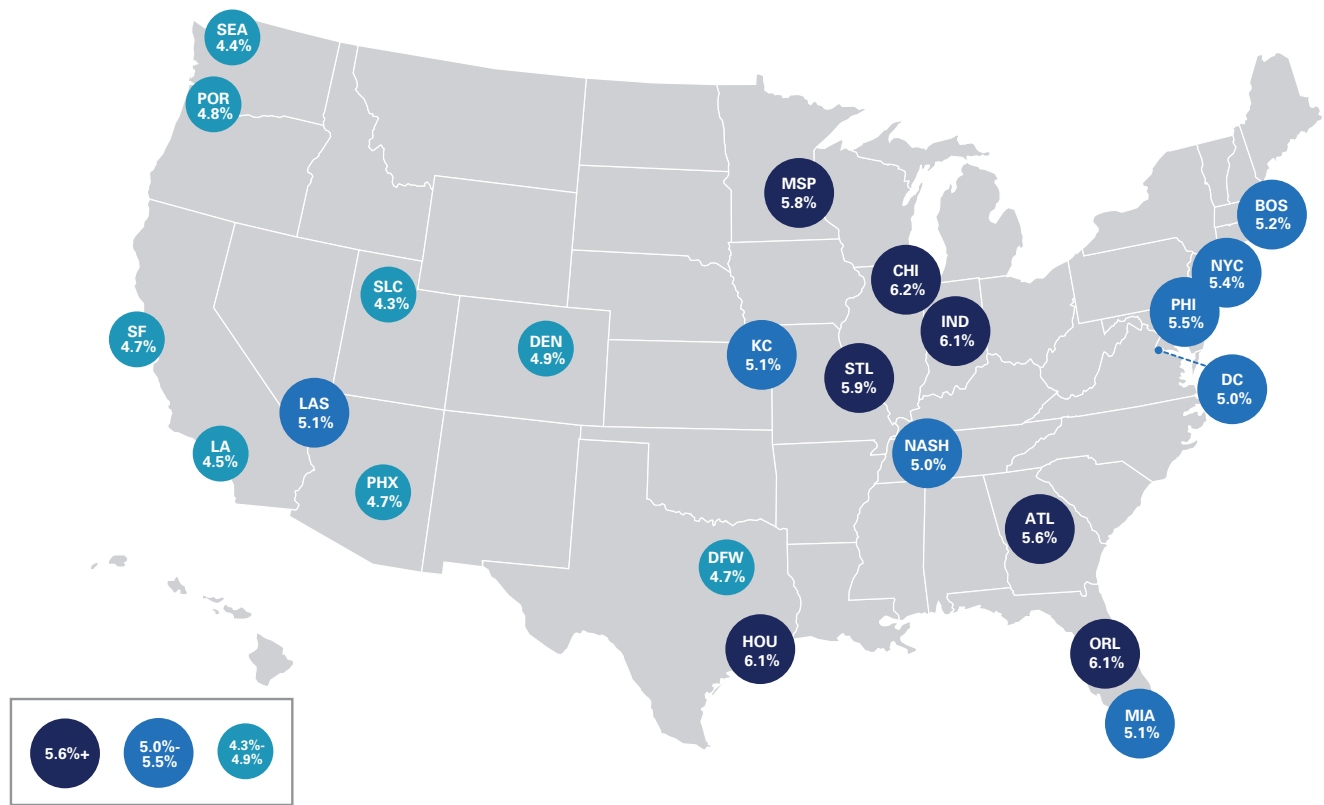
SELECT SALES TRANSACTIONS | SECOND QUARTER OF 2022

Sector	Building	Submarket	Sale Price	Price per SF/Unit ¹	SF/Units ²
Industrial	Zydus Pharmaceuticals Portfolio (2)	North Co. and West Co.	\$34,000,000	\$161	211,700
Multihousing	The Icon 374 S Grand Boulevard	St. Louis City	\$22,300,000	\$185,833	120
Multihousing	Fountains at Carondelet 7851 Bandero Drive	St. Louis City	\$22,000,000	\$67,073	328
Multihousing	Forest View Apartments I 9420 Mary Glen Drive	South County	\$21,350,000	\$104,657	204
Industrial	Corporate Woods Trade Center I 13145-13185 Lakefront Drive	North County	\$20,225,000	\$86	235,200
Office	SSM Health 1345 Smizer Mill Road	South County	\$14,400,000	\$262	55,000
Office	77 Progress Parkway	Mid County	\$8,700,000	\$193	45,100
Hospitality	Sonesta ES Suites St. Louis-Westport 1855 Craigshire Road	West County	\$7,400,000	\$69,811	106
Hospitality	La Quinta by Wyndham St. Louis-Wesport 11805 Lackland Road	West County	\$7,100,000	\$54,198	131
Retail	Manchester Commons- La-Z-Boy 14177 Manchester Road	West County	\$6,524,000	\$328	19,900

¹ The price per unit/room is displayed for the Multihousing and Hospitality sectors. ² The number of total units/rooms is displayed for the Multihousing and Hospitality sectors.

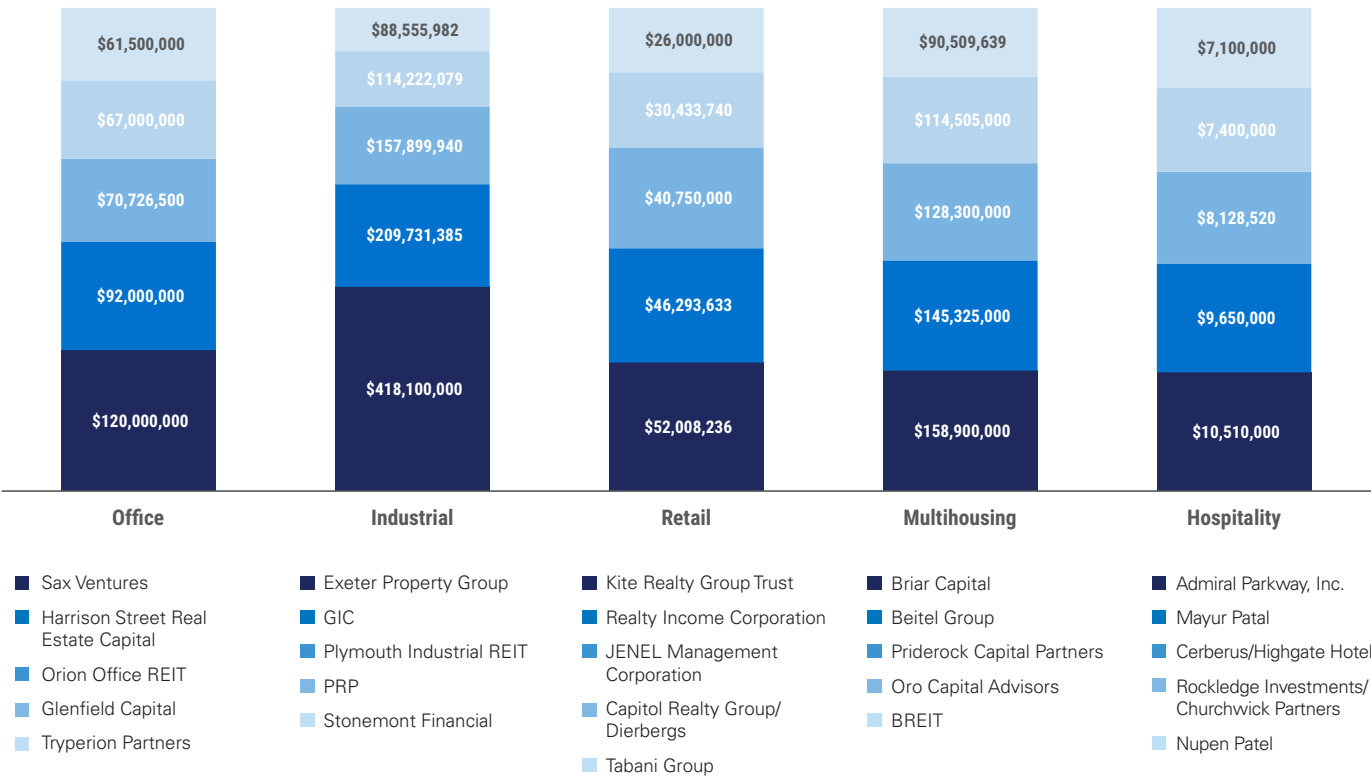
CAP RATES | ALL PROPERTY TYPES

12-MONTH AVERAGE, INCLUDES PROPERTY OR PORTFOLIO SALES \$2.5 MILLION OR GREATER

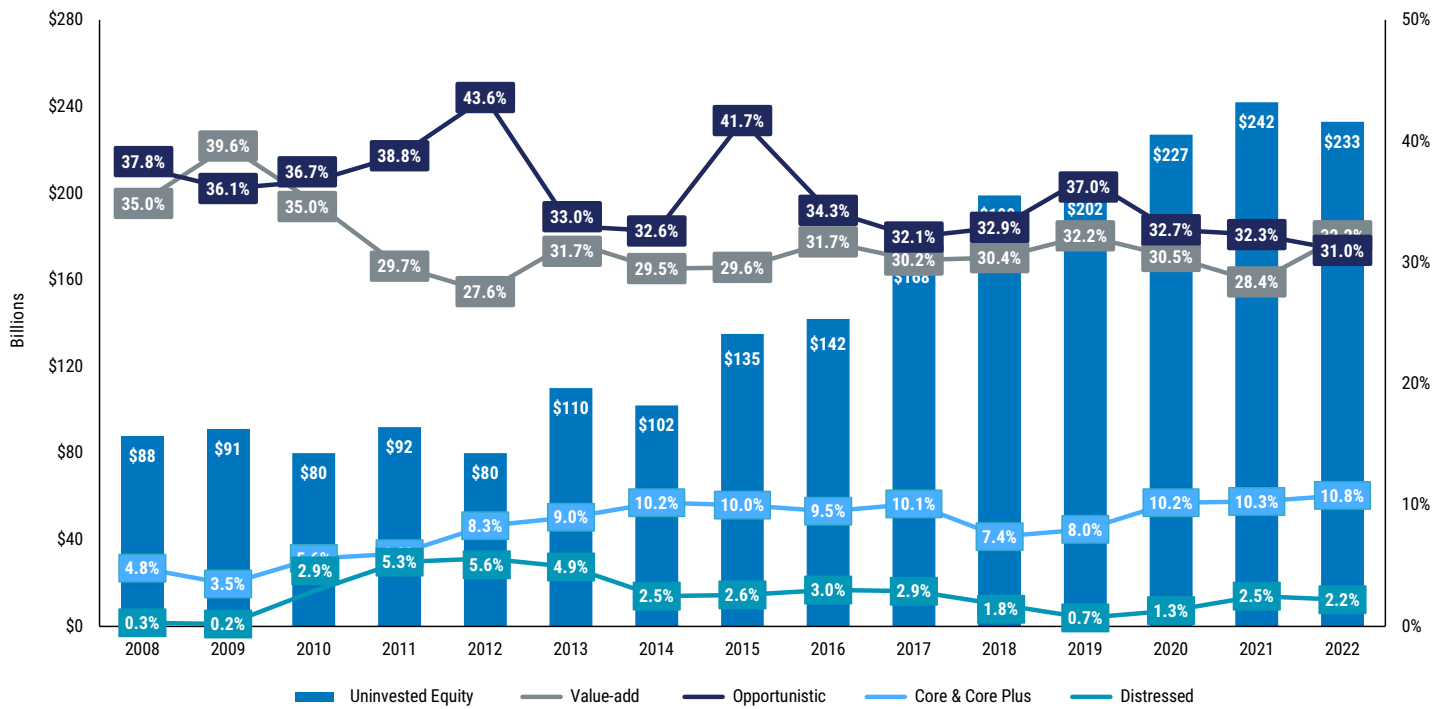


MOST ACTIVE BUYERS IN THE ST. LOUIS MARKET BY ASSET TYPE

12-MONTH TOTALS



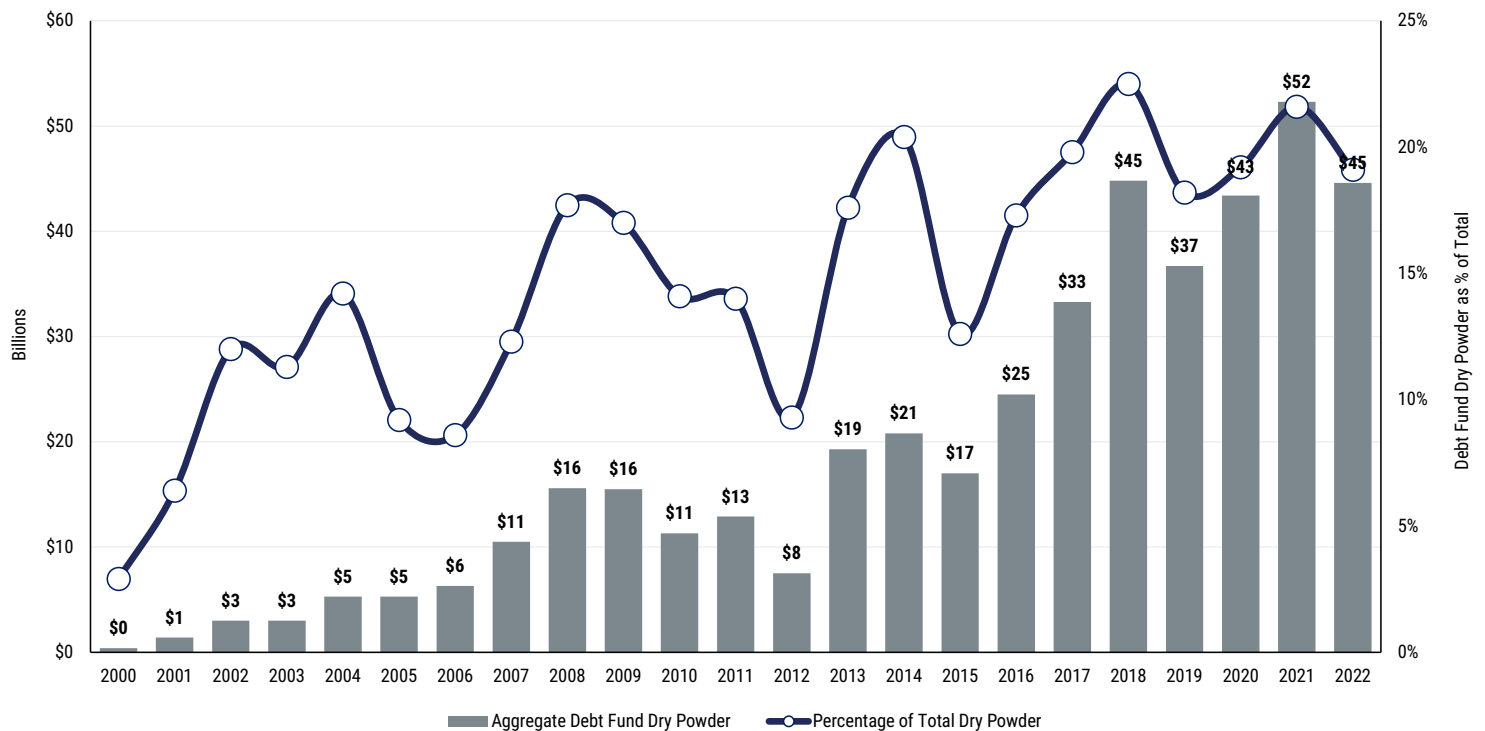
DRY POWDER



Note: Excludes Debt Funds, Secondaries, Fund of Funds, Co-Investment

Source: Newmark Research, Preqin

DEBT FUND DRY POWDER



Source: Newmark Research, Preqin

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We transform untapped potential into limitless opportunity.

We don't just adapt to what our partners need—we adapt to what the future demands.

Since our start, we've faced forward, predicting change and pioneering ideas. Almost a century later, the same strategic sense and audacious thinking still guide our approach. Today our integrated platform delivers seamlessly connected services tailored to every type of client, from owners to occupiers, investors to founders, and growing startups to leading companies.

Tapping into smart tech and smarter people, we bring ingenuity to every exchange and transparency to every relationship.

We think outside of boxes, buildings and business lines, delivering a global perspective and a nimble approach. From reimagining spaces to engineering solutions, we have the vision to see what's next and the tenacity to get there first.

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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