

2020 METRO MARKET FORECAST



SIO[®]

ST. LOUIS
CHAPTER



Multifamily Perspective



MATT BUKHSHTABER
CBRE

MULTIFAMILY

AGENDA

- National Indicators
- Where is Capital Coming From
- St. Louis Indicators
- Largest 2019 Sale Comparables
- What Could Derail Recovery
- Final Thoughts

NATIONAL TRENDS



- The National Homeownership Rate is at 64.8%
 - Lowest rate since mid-1960s



- Renters age 65+ will account for more than half of new demand
- Individuals under age 30 will form more than 20M new households in the next 10 years, majority of which will be renters
- 24% of renters “extremely” unlikely to ever own a house
- 82% said renting is cheaper than buying (up 15% since 2018)

NATIONAL TRENDS



- Increase in both renters by choice and renters by necessity



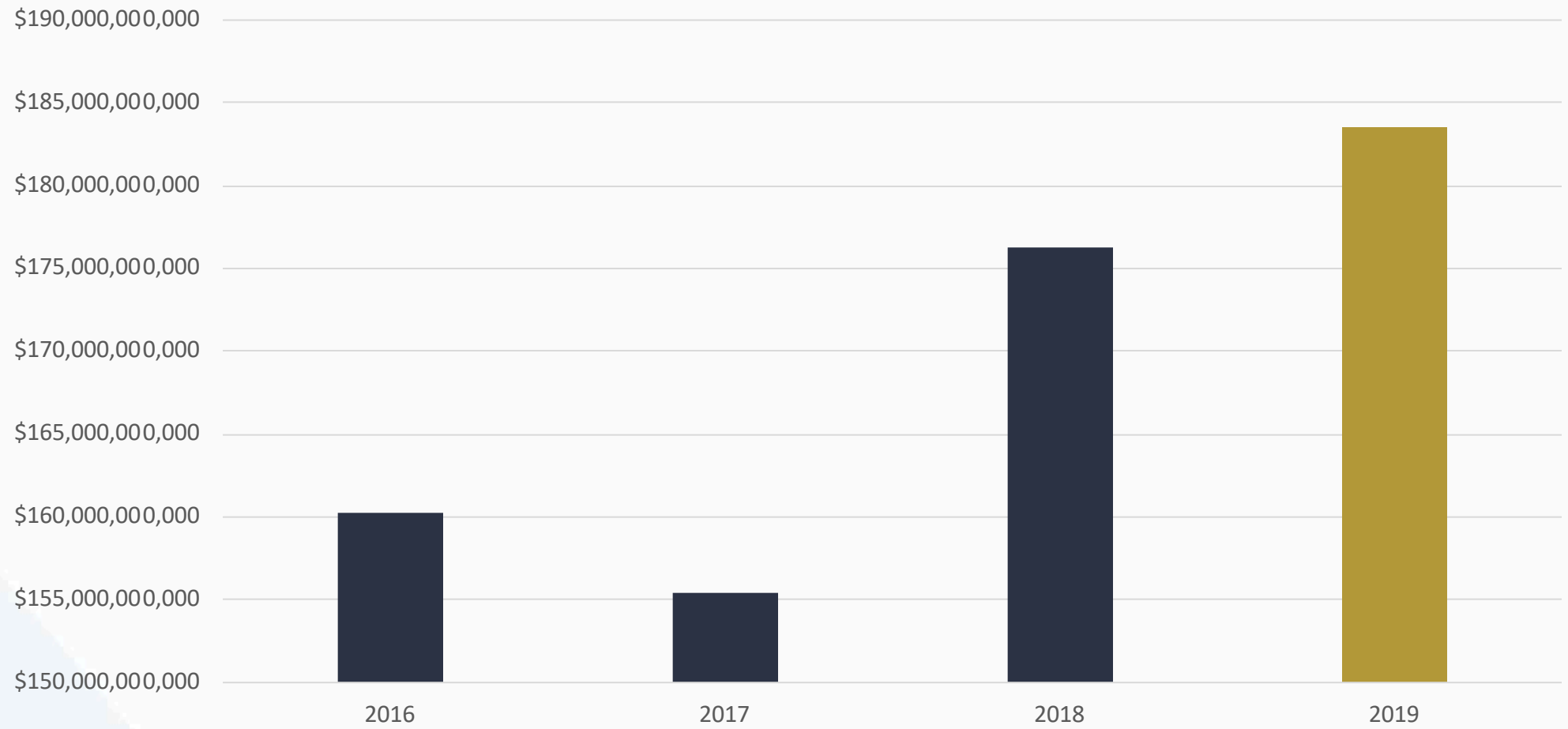
- 44M renter households in the U.S.



- National vacancy rate of 3.7% (down from 4.1% last quarter)

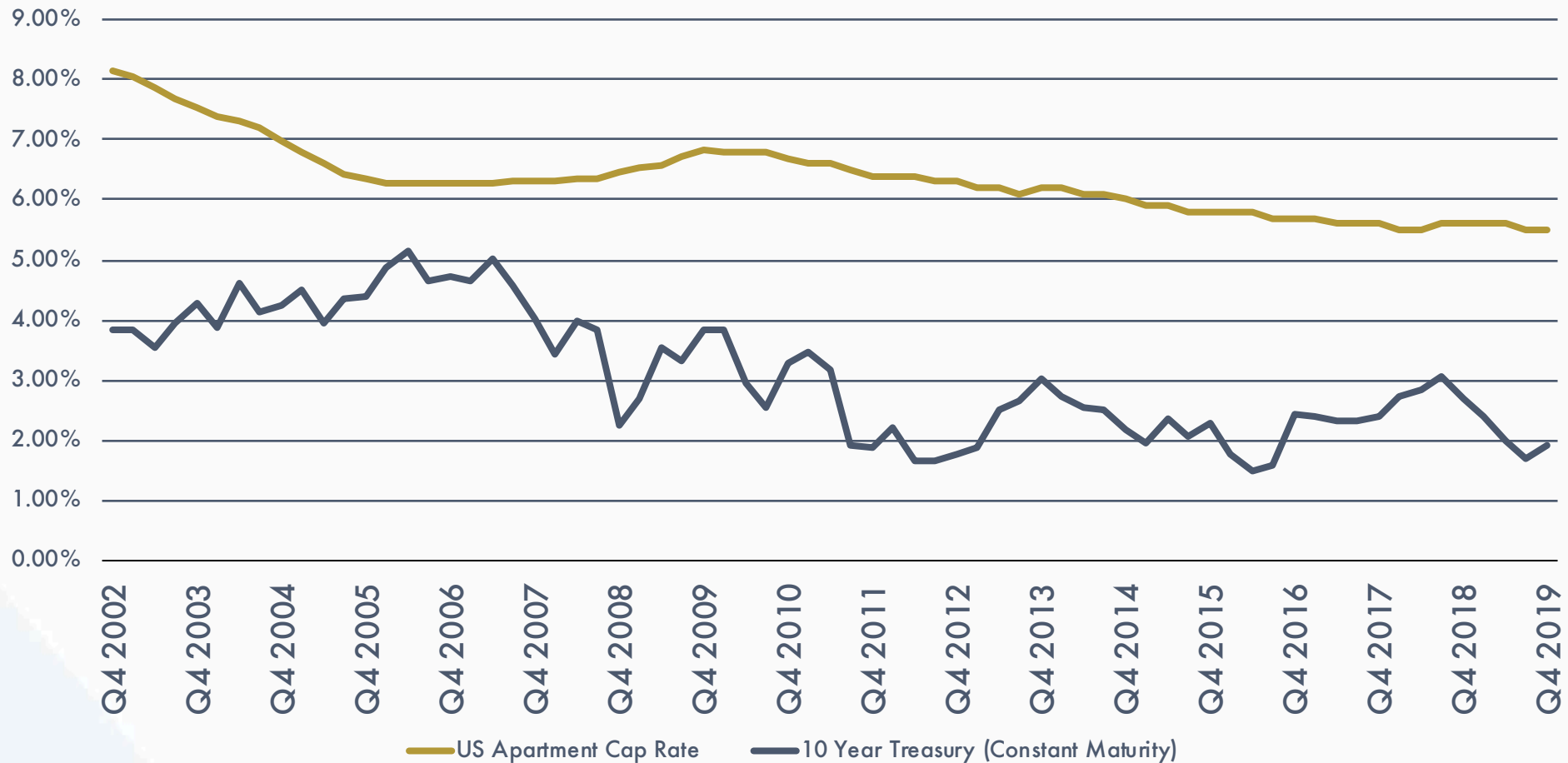
RECORD VOLUME

NATIONAL SALES VOLUME



NATIONAL INDICATORS

NATIONAL AVG. BASE CAP RATE OVER 10-YEAR TREASURY

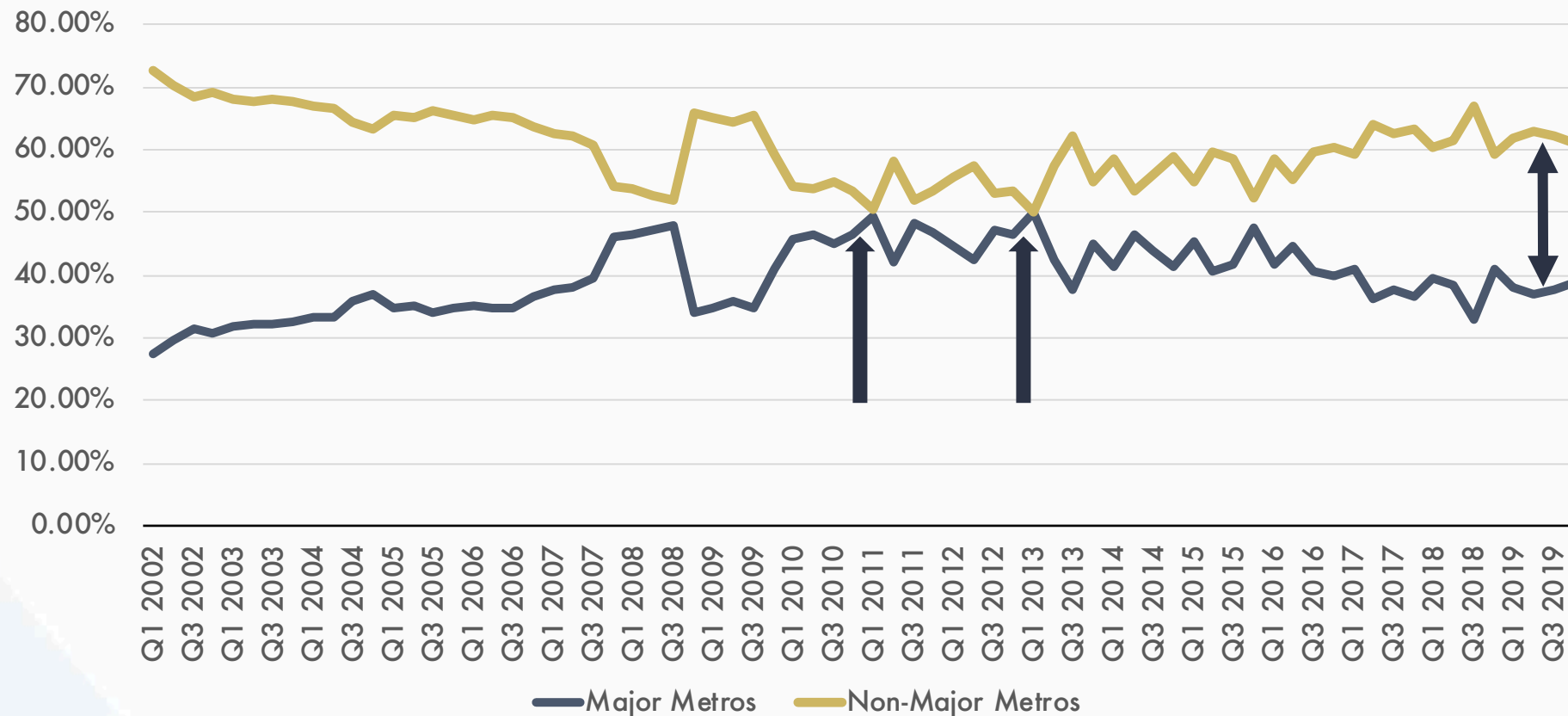


Source: Real Capital Analytics, CBRE Econometric Advisors.

CAPITAL SPREADING

TOWARD SMALLER MARKETS

Share of Total Sales Volume (4-Quarter Trailing Average)



Source: Real Capital Analytics, CBRE Econometric Advisors.

WEST COAST INFILL

STABILIZED CAP RATES

SEATTLE, WA
Class A: 4.00-4.25
Class B: 4.50-4.75
PORTLAND, OR
Class A: 4.50-4.75
Class B: 4.75-5.00
SACRAMENTO, CA
Class A: 4.75-5.25
Class B: 5.00-5.50
SAN FRANCISCO, CA
Class A: 3.75-4.25
Class B: 4.00-4.50
LOS ANGELES, CA
Class A: 4.00-4.50
Class B: 4.25-5.00



ORANGE COUNTY, CA
Class A: 4.00-4.50
Class B: 4.25-4.75

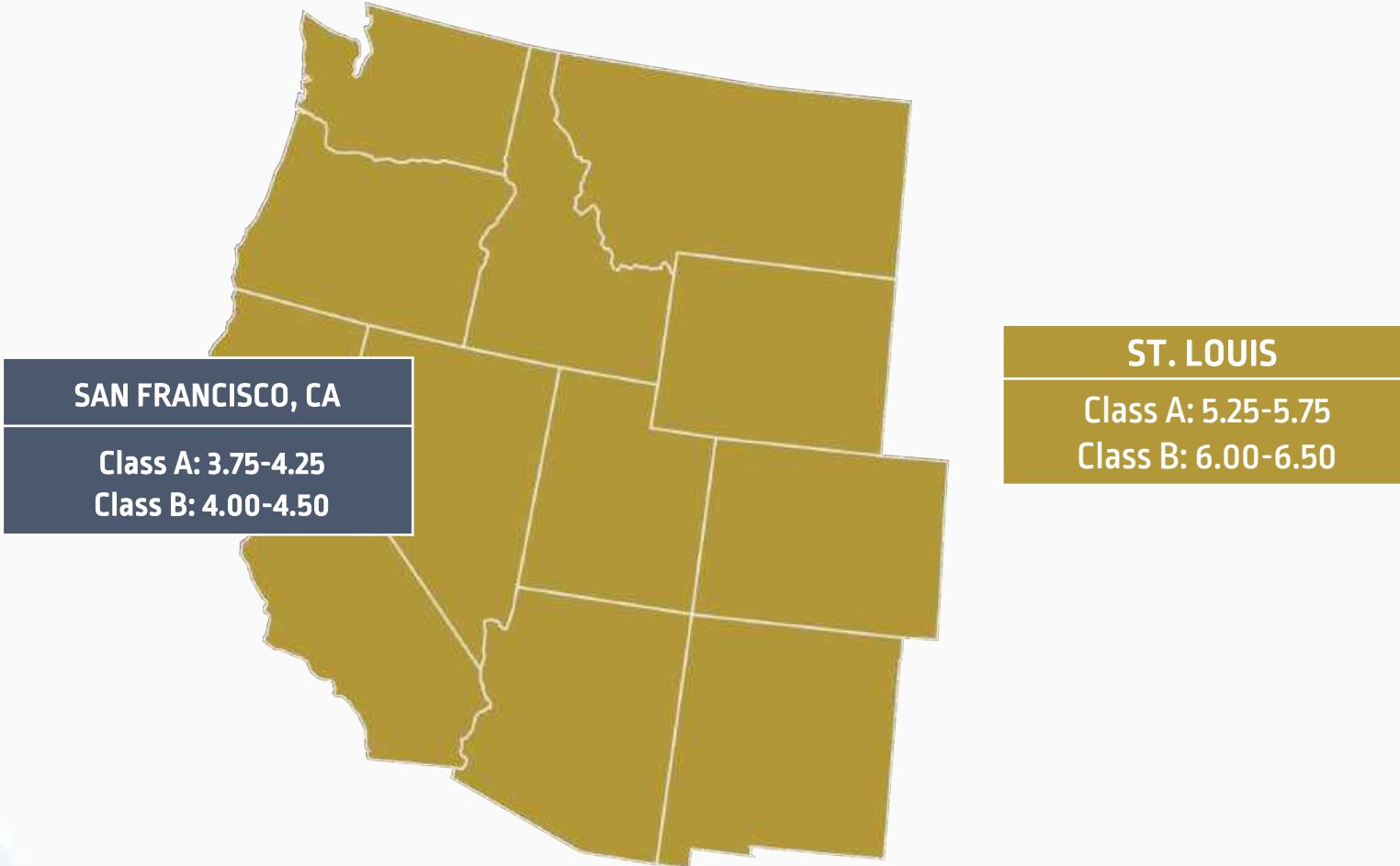
LAS VEGAS, NV
Class A: 4.50-4.75
Class B: 4.75-5.25
INLAND EMPIRE, CA
Class A: 4.50-5.00
Class B: 5.00-5.50
DENVER, CO
Class A: 4.25-5.00
Class B: 5.00-5.50
PHOENIX, AZ
Class A: 4.25-5.00
Class B: 4.25-5.00
ALBUQUERQUE, NM
Class A: 5.25-5.50
Class B: 5.50-6.00
SAN DIEGO, CA
Class A: 4.00-4.50
Class B: 4.50-5.25

ST. LOUIS
Class A: 5.25-5.75
Class B: 6.00-6.50

Cap rates provided from an informal survey of CBRE professionals in respective markets. Rates are approximations.
Source: CBRE North American Cap Rate Survey H1 2019

WEST COAST INFILL

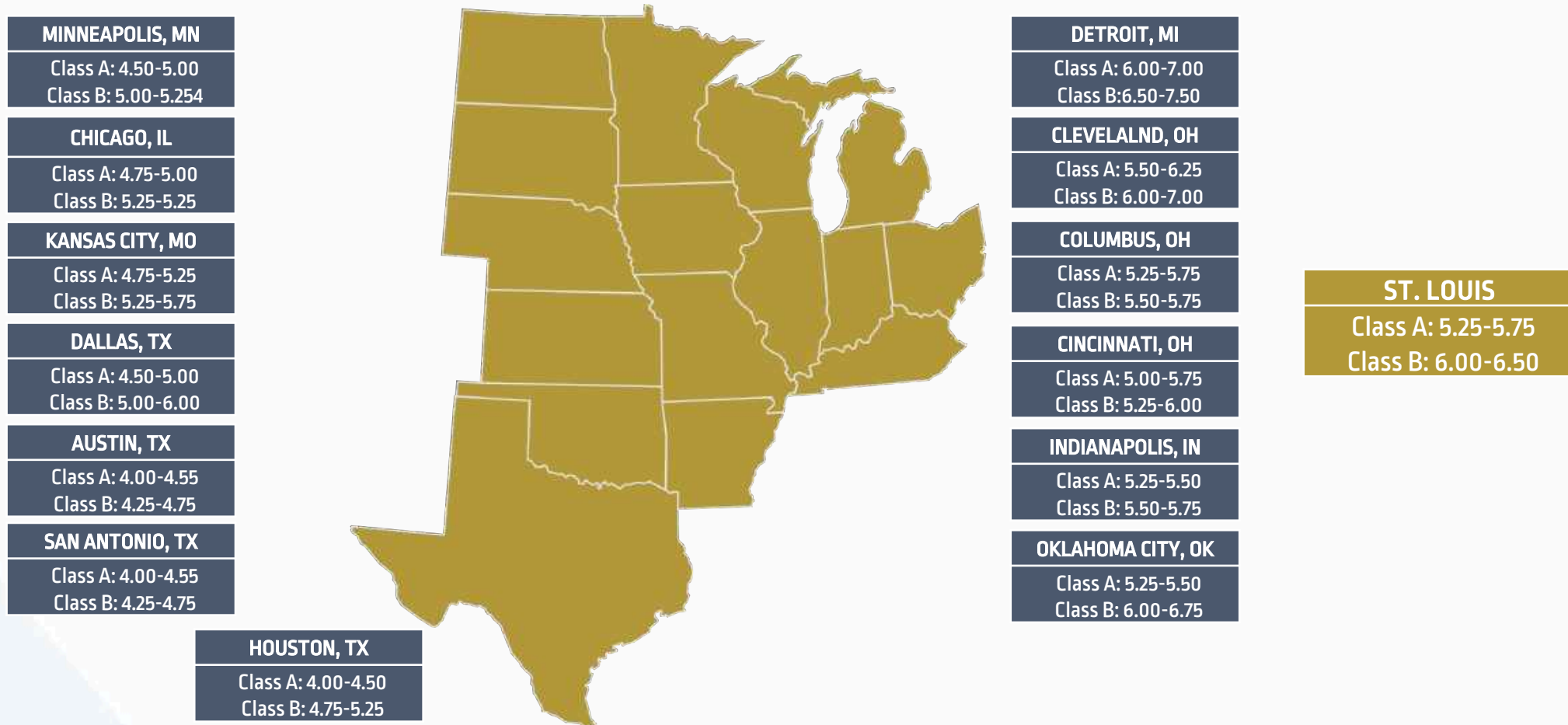
STABILIZED CAP RATES



Cap rates provided from an informal survey of CBRE professionals in respective markets. Rates are approximations.
Source: CBRE North American Cap Rate Survey H1 2019

CENTRAL/MIDWEST INFILL

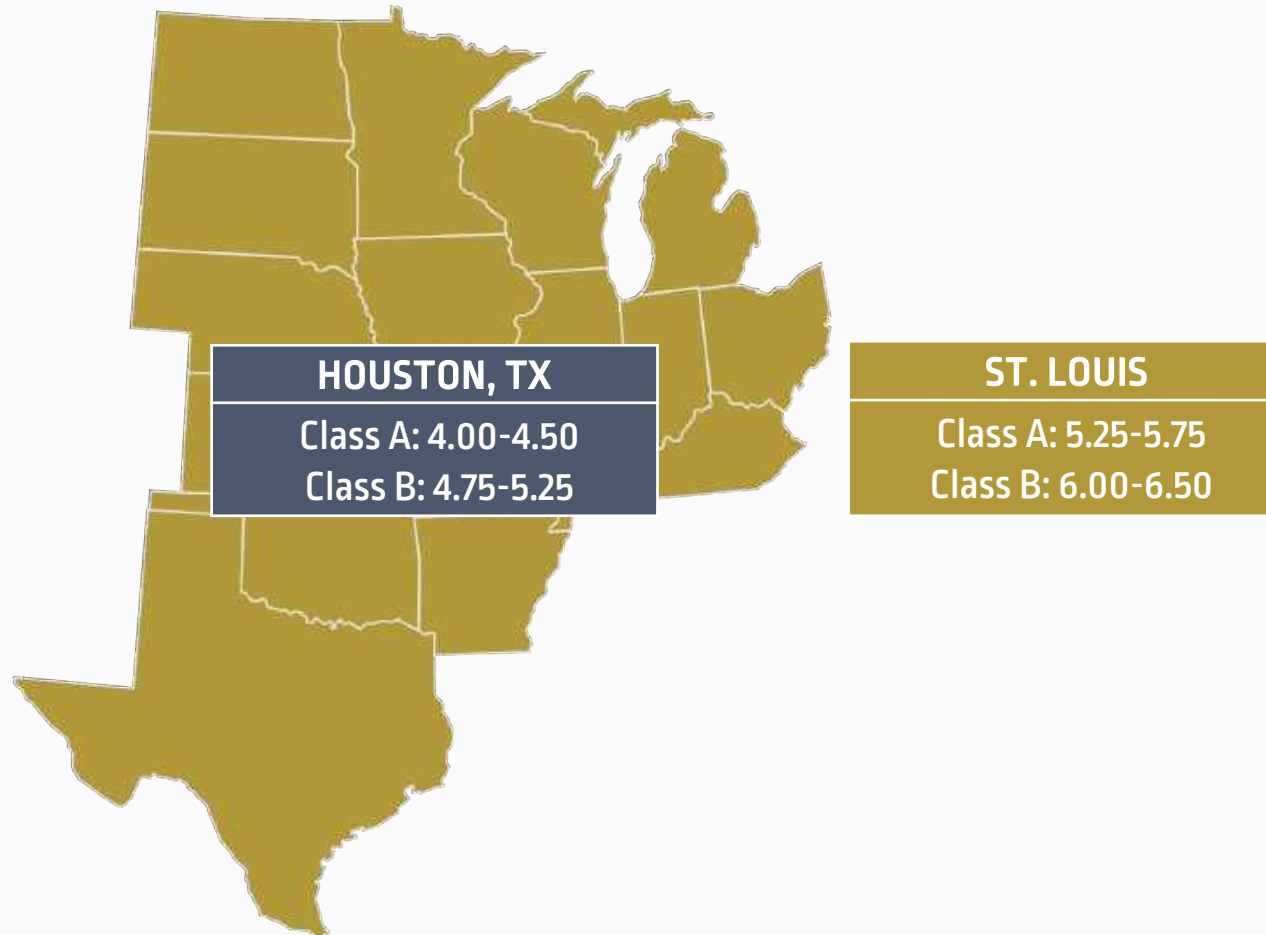
STABILIZED CAP RATES



Cap rates provided from an informal survey of CBRE professionals in respective markets. Rates are approximations.
Source: CBRE North American Cap Rate Survey H1 2019

CENTRAL/MIDWEST INFILL

STABILIZED CAP RATES



Cap rates provided from an informal survey of CBRE professionals in respective markets. Rates are approximations.
Source: CBRE North American Cap Rate Survey H1 2019

EAST COAST INFILL

STABILIZED CAP RATES

PITTSBURGH, PA

Class A: 5.50-6.50

Class B: 6.50-7.00

WASHINGTON, DC

Class A: 4.25-4.75

Class B: 5.00-5.50

NASHVILLE, TN

Class A: 4.50-5.00

Class B: 5.00-5.50

ATLANTA, GA

Class A: 4.25-5.00

Class B: 5.00-5.75

ORLANDO, FL

Class A: 4.50-5.00

Class B: 4.50-5.00

TAMPA, FL

Class A: 4.50-5.00

Class B: 4.75-5.25

MIAMI, FL

Class A: 4.25-4.50

Class B: 4.25-4.75



BOSTON, MA

Class A: 3.75-4.75

Class B: 4.50-5.00

NEW YORK, NY

Class A: 4.50-5.00

Class B: 4.75-5.25

PHILADELPHIA, PA

Class A: 4.50-5.00

Class B: 5.50-6.00

BALTIMORE, MD

Class A: 4.50-5.00

Class B: 5.00-5.75

RALEIGH, NC

Class A: 4.25-5.00

Class B: 5.00-5.75

CHARLOTTE, NC

Class A: 4.50-5.00

Class B: 5.00-5.50

JACKSONVILLE, FL

Class A: 4.75-5.25

Class B: 5.25-6.25

ST. LOUIS

Class A: 5.25-5.75

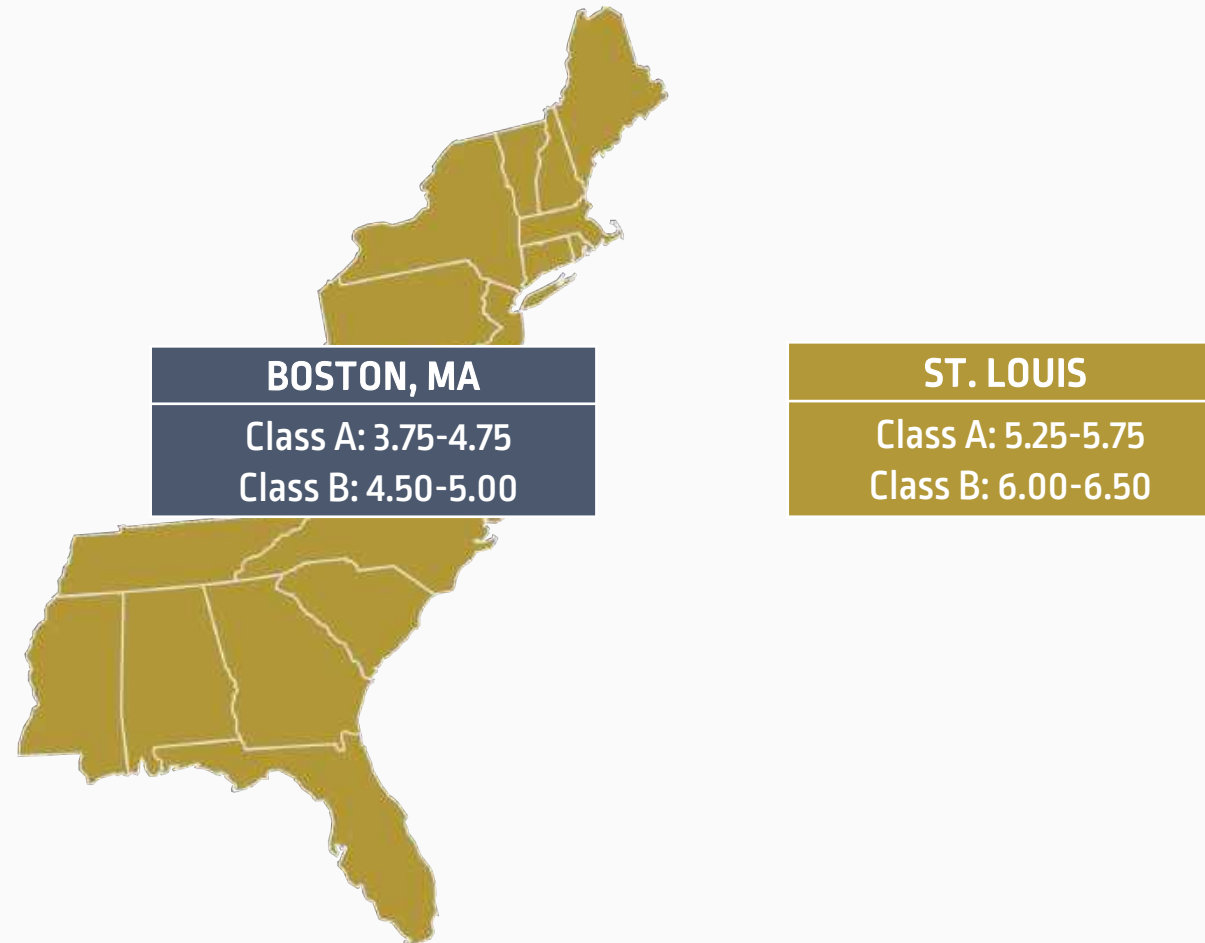
Class B: 6.00-6.50

Cap rates provided from an informal survey of CBRE professionals in respective markets. Rates are approximations.

Source: CBRE North American Cap Rate Survey H1 2019

EAST COAST INFILL

STABILIZED CAP RATES



Cap rates provided from an informal survey of CBRE professionals in respective markets. Rates are approximations.
Source: CBRE North American Cap Rate Survey H1 2019

CAPITAL SOURCES



MARKET FUNDAMENTALS

Submarket	Inventory		Net Absorption		Vacancy Rate		Rent per Unit	
	Units	Share	Curr Qtr	YTD	Curr Qtr	YOY Chg (BPS)	Curr Qtr	Ann Chg
Central West End	10,995	7.7%	64	159	4.8%	-80	\$1,326	1.3
Clayton/Mid County	13,161	9.2%	187	217	5.9%	-100	\$1,299	0.7
Maryland Heights	9,101	6.4%	97	188	3.3%	-150	\$1,008	4.4
Metro East	20,247	14.2%	240	388	3.3%	-50	\$910	2.2
North County	21,712	15.2%	182	460	5.5%	-180	\$695	3.6
South County	14,499	10.2%	84	173	3.2%	-80	\$821	2.3
St. Charles County	13,174	9.2%	284	379	2.6%	-50	\$967	3.2
St. Louis City	30,854	21.6%	308	1,344	5.7%	-190	\$1,035	2.4
West County	8,952	6.3%	85	497	2.8%	-140	\$1,081	5.5
Total: St. Louis	142,695	100%	1,546	3,748	4.1%	-120	\$954	3.0%

Top Submarkets Lowest Vacancy		
1	St. Charles County	2.6%
2	West County	2.8%
3	South County	3.2%

Top Submarkets Rent per Unit		
1	Central West End	\$1,326
2	Clayton/Mid County	\$1,299
3	West County	\$1,081

ST. LOUIS INDICATORS

ANNUAL TRANSACTION VOLUME

\$1,200,000,000

ONE BILLION DOLLARS

\$800,000,000

\$600,000,000

\$400,000,000

\$200,000,000

\$0

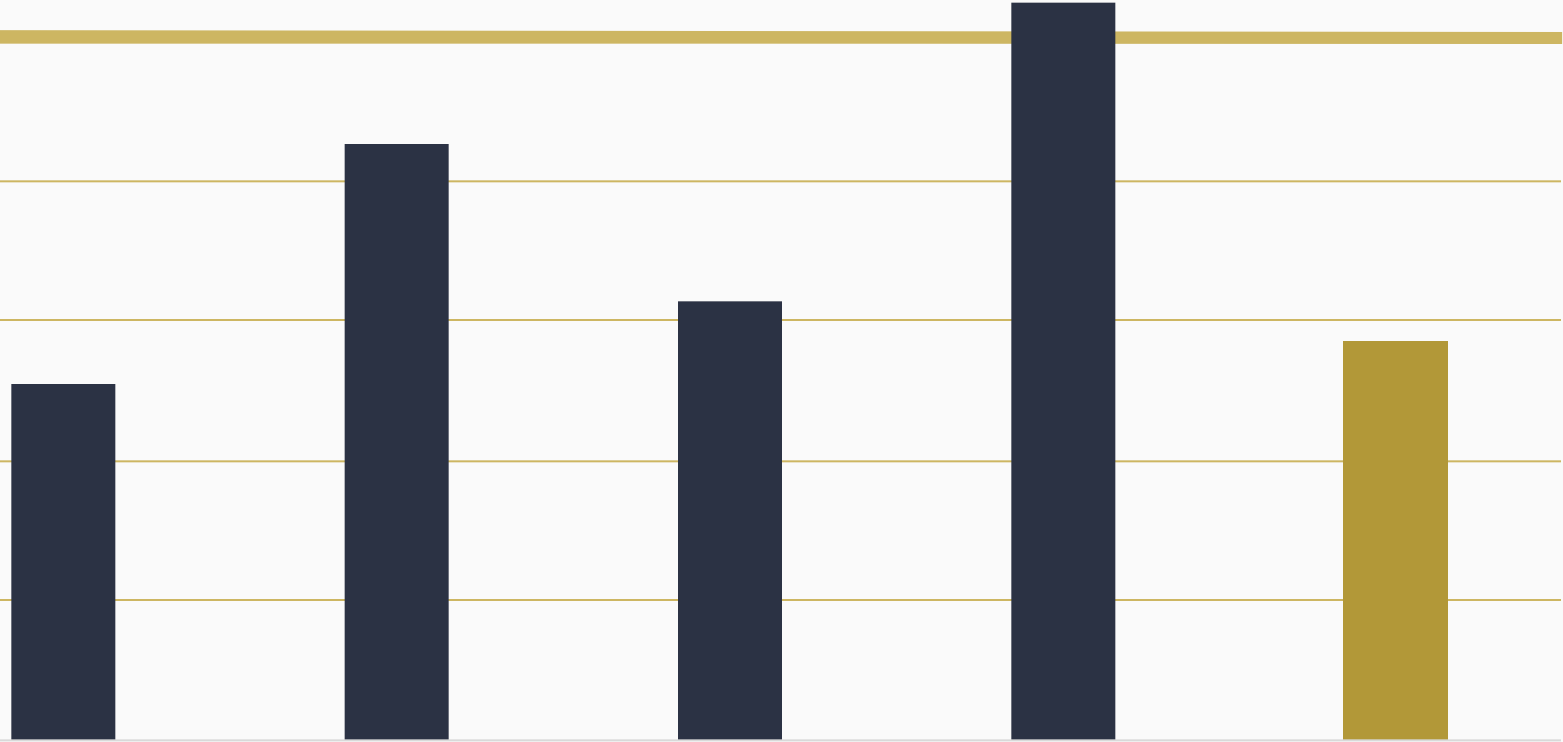
2015

2016

2017

2018

2019



ST. LOUIS INDICATORS

- Significant cap rate compression between 2015 and 2019
 - 2015: Class A – 5.75%, Class B – 6.50%, Class C – 8.50%
 - 2019: Class A – 5.25%, Class B – 6.00%, Class C – 8.00%
- Decrease of 25bps to 50bps for cap rates in 2015
- Decrease of 25bps to 50bps for cap rates in 2019
- New capital continues seeking investment opportunities
 - Most transactions \$10 million+ have brought out of town capital into St. Louis

SALE COMPARABLES

2019 SALES \$20M+



PARKWAY LAKESIDE

232 Units / February 2019



**RESIDENCES AT FOREST PARK
LOFTS AT LAFAYETTE**

224 Units / May 2019



KNOLLWOOD APARTMENTS

608 Units / May 2019



PARK COMMONS

174 Units / May 2019



MADISON PRAIRIE POINT

376 Units / June 2019



TRIBECA APARTMENTS

160 Units / October 2019

WHAT COULD DERAIL RECOVERY

- Return to home buying
- Conclusion
 - Not likely for some time, home builders still have to catch up

WHAT COULD DERAIL RECOVERY

- New construction (oversupply)
- Conclusion
 - A balance specific to each market. For St. Louis, three year projected pipeline will absorb; not likely to be an issue
 - High-barrier to entry market for land and high construction costs

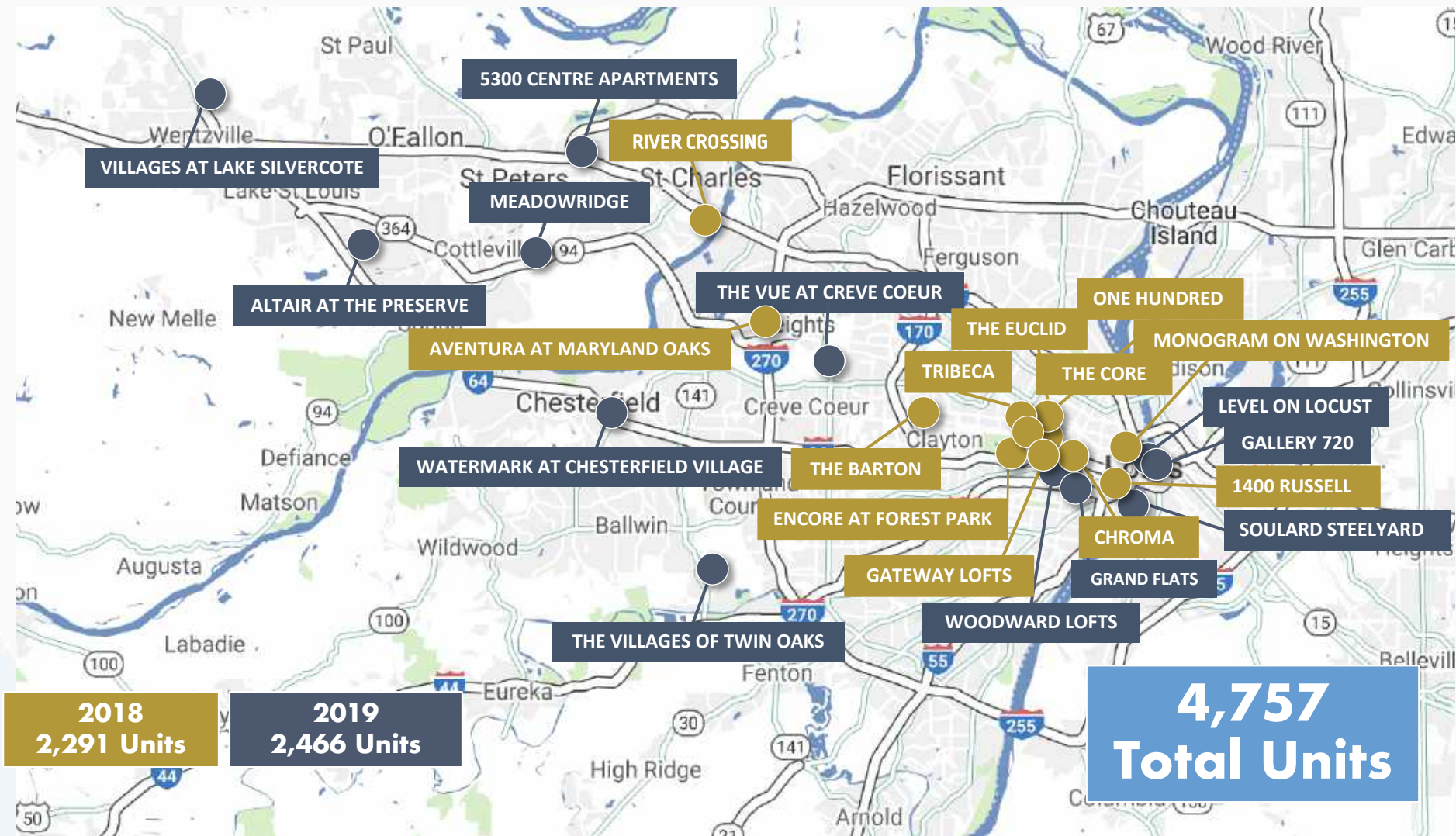
CONSTRUCTION PERMITS

POPULATION TO PERMIT COUNT

	Market	Units Permitted	Pop.	Ratio Pop/Unit		Market	Units Permitted	Pop.	Ratio Pop/Unit
1	Pittsburgh	1,124	2,333,367	2,076	16	Orlando	4,278	2,509,831	587
2	St. Louis	1,572	2,807,338	1,786	17	Phoenix	8,327	4,737,270	569
3	Baltimore	1,824	2,808,175	1,540	18	Tampa	5,455	3,091,399	567
4	Detroit	2,919	4,313,002	1,478	19	New York	36,396	20,320,876	558
5	Riverside	3,274	4,580,670	1,399	20	Las Vegas	4,048	2,204,079	544
6	Houston	5,722	6,892,427	1,205	21	San Antonio	4,596	2,473,974	538
7	Cincinnati	1,880	2,179,082	1,159	22	Boston	9,026	4,836,531	536
8	Philadelphia	5,540	6,096,120	1,100	23	Wash D.C.	12,910	6,216,589	482
9	Sacramento	2,596	2,324,884	896	24	Miami	12,797	6,158,824	481
10	Chicago	12,692	9,533,040	751	25	San Francisco	11,873	4,727,357	398
11	Los Angeles	18,728	13,353,907	713	26	Charlotte	7,508	2,525,305	336
12	Atlanta	8,617	5,884,736	683	27	Dallas-Fort Worth	27,393	7,339,662	270
13	Kansas City	3,204	2,128,912	664	28	Portland	9,504	2,453,168	258
14	Minneapolis	6,082	3,600,618	592	29	Denver	11,391	2,888,227	254
15	San Diego	5,687	3,337,685	587	30	Seattle	16,239	3,867,046	238

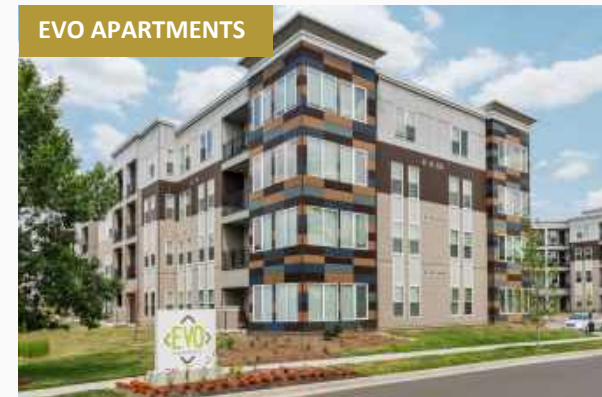
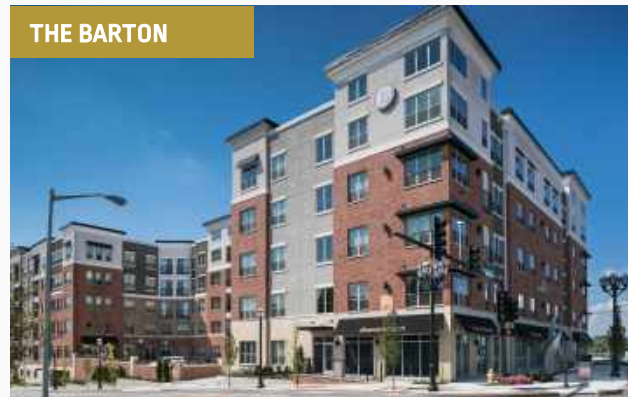
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development, YE 2018.

UNDER CONSTRUCTION



FINAL THOUGHTS

- The year of records



- Investor interest from primary markets
- Cap rates remain low
- Great fundamentals for current owners
- Continued ground-up construction, the pipeline will absorb