

Investment Market Trends St. Louis

Grubb & Ellis Research
First Quarter 2009



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As investors become more comfortable with market conditions, they will begin purchasing again.

Market quiet, cap rates rise

The U.S. economy bottomed out in the first quarter of 2009. The first two months brought low record financial market closes and record job losses, but the third month showed an uptick in consumer confidence and stock gains. The St. Louis investment market was quiet as investors held back and played a wait and see game with market conditions.

Transaction volume was substantially reduced in the St. Louis retail market in the first quarter of 2009. Multitenant centers with diversified leases are the most attractive to buyers.

In the industrial market, vacancy remained stable. Investors were concerned about locating good-credit tenants, as large companies were no longer considered stable.

Multifamily properties that were previously selling in the 7 percent range are now in the 8 percent range. Vacancy rates at class A luxury properties are moving into the 10 to 12 percent range, as tenants trade down to class B and C properties. The current vacancy rate in class B and C properties is around 8 percent.

Capitalization rates rose because of uncertainty in the market, with buyers insisting on rates at 8 to 9 percent or higher. Cap rates of 10 to 11 percent are on the horizon. As government stimulus packages are keeping interest rates lower and new banking regulations take effect, market conditions are changing weekly. Buyers have found it difficult to obtain financing, with lenders wanting at least 80

St. Louis Investment Market Trends

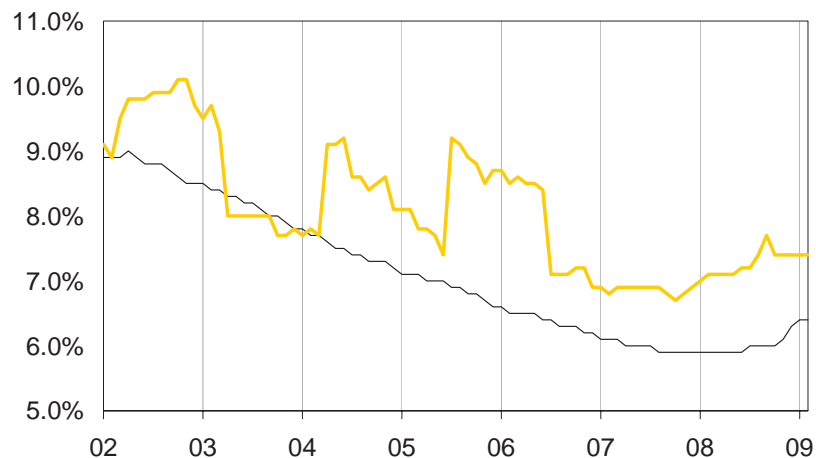
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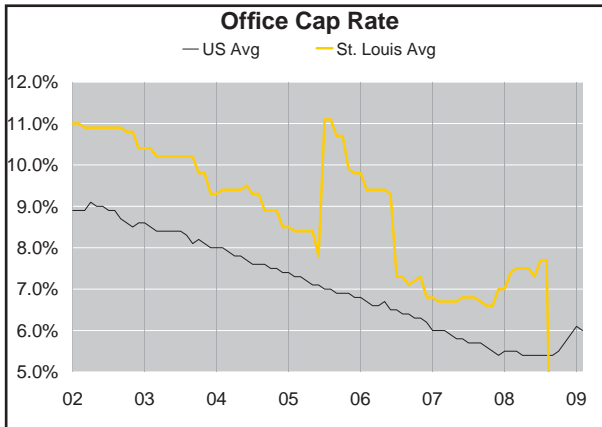
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Independently Owned and Operated

Capitalization Rate on Commercial Property Sales All Property Types Combined

— US Avg — St. Louis Avg



Investment Market Snapshot St. Louis First Quarter 2009



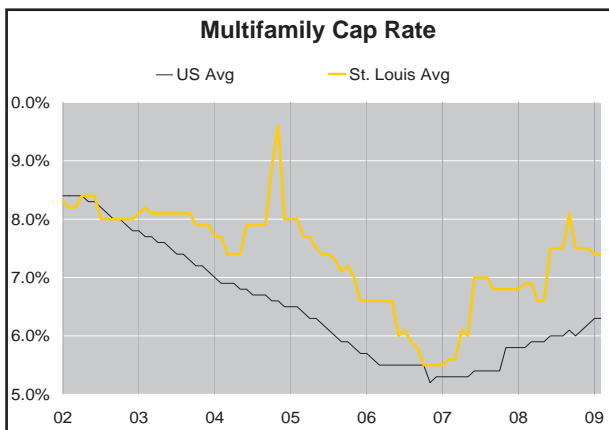
percent loan to value. The credit markets were not nearly as tight for owner-occupiers, as banks consider such transactions to be less risky.

Forecast

Transactions are expected to pick up by the end of the 2009. Many investors pulled their cash out of the stock market and that money is sitting on the sidelines. As investors become more comfortable with market conditions, they will begin purchasing again.

The next two quarters will be a great time to purchase property. If there was a “sale” on commercial real estate, it is occurring now. Investors who choose not to buy will be missing out on excellent opportunities, as this is the best time to diversify into investment real estate. Multifamily properties are good starting points for risk-averse buyers. Buyers should line up property for closing now, before the market picks back up.

The U.S. economy is poised to rebound. Equity markets seem to have hit their lowest point and stimulus money is working its way through the system. The practice of Mark to Market, which was the practice of artificial devaluation of assets, has been stopped and banks will be able to rebound now that they will feel more comfortable lending money.



Current Rate Quotes

Multifamily Loan Programs > \$3 Million				
Fixed Rate	Agency Lenders		Portfolio Lenders	
Term	Leverage Max	Interest Rates	Leverage Max	Interest Rates
5 Year	80%	5.35% to 5.5%	75%	5.88% to 6.25%
10 Year	80%	5.72% to 5.87%	75%	6.75% to 8.00%
Multifamily Loan Programs < \$3 Million				
Term	Leverage Max	Interest Rates	Leverage Max	Interest Rates
3 Year	80%	5.12% to 5.44%	75%	5.75% to 6.05%
7 Year	80%	5.57% to 5.91%	75%	6.00% to 6.50%
10 year	80%	5.59% to 5.93%	75%	6.75% to 8.00%
Commercial Loan Programs				
Fixed Rate	Agency Lenders		Index Rate	
Term	Leverage Max	Interest Rates	5-Year Treasury	1.80%
5 Year	75%	6.05% to 6.50%	10-Year Treasury	2.76%
10 Year	75%	6.50% to 8.25%	30-Day Libor	0.52%

For more information on the Investment Market, contact one of our investment specialists at 314.719.2000.



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