

SLCCC REGIONAL CONSTRUCTION UPDATE

COMMERCIAL OVERVIEW



JOE DOWNS

Executive Vice President & General Manager,
The Opus Group



RESEARCH PROVIDED BY:



PAT REILLY

Executive Vice President,
JLL



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Managing Director,
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JLL



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MATT BUKHSHTABER

Vice Chairman,
CBRE

SLCCC REGIONAL CONSTRUCTION UPDATE

INDUSTRIAL

Research Provided By: JLL



- Industrial Inventory Change
- Previous Upcycle vs. Current Upcycle



Previous Upcycle

Year	Inventory
2002	189,906,046
2008	208,989,165

Current Upcycle

Year	Inventory
2013	211,039,676
YTD 2019	231,636,213

10 %
Total Growth

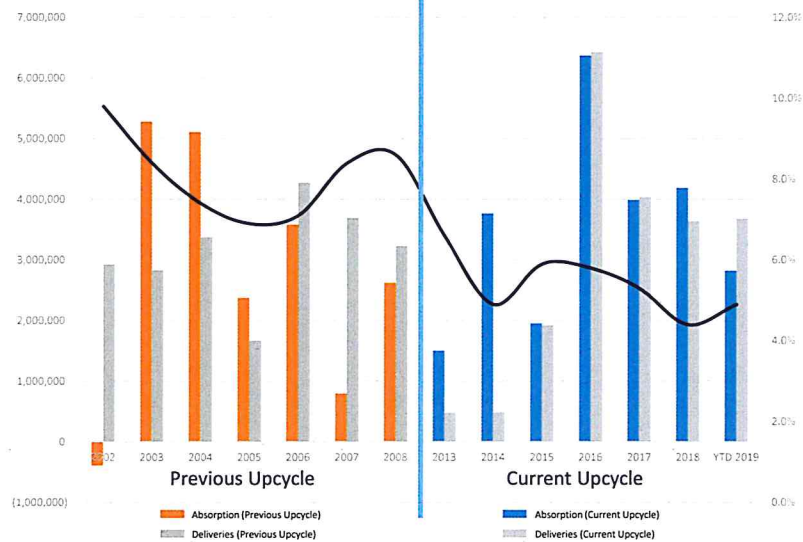
Once all the properties currently under construction are delivered...

Year	Inventory
2013	211,039,676
2020	236,831,437

12.2%
Potential Growth

Previous Upcycle vs. Current Upcycle

Vacancy, Absorption, & Deliveries



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Industrial Demand Drivers



E-Commerce & T-Commerce	Consumer Goods	3PL's
 <p>E-commerce deliveries have more than tripled since 2013.</p>	 	

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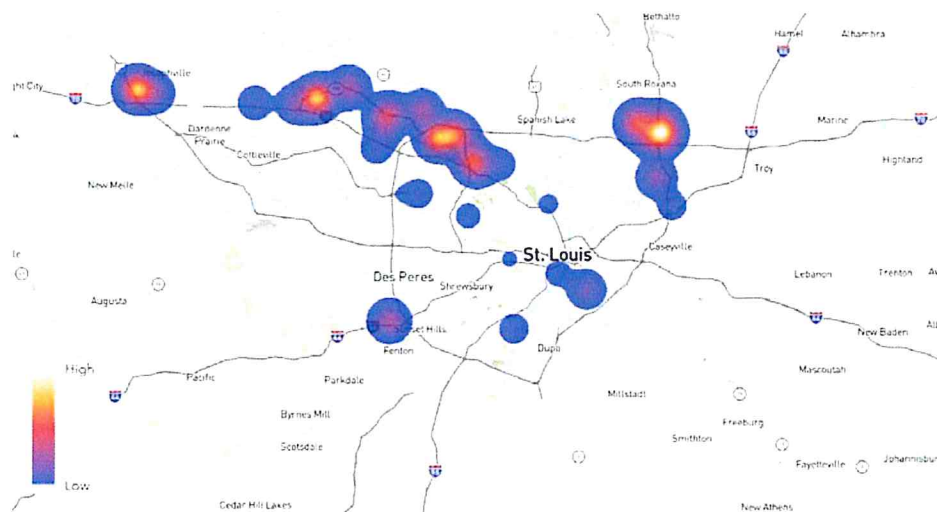
- Various Industrial Product Types



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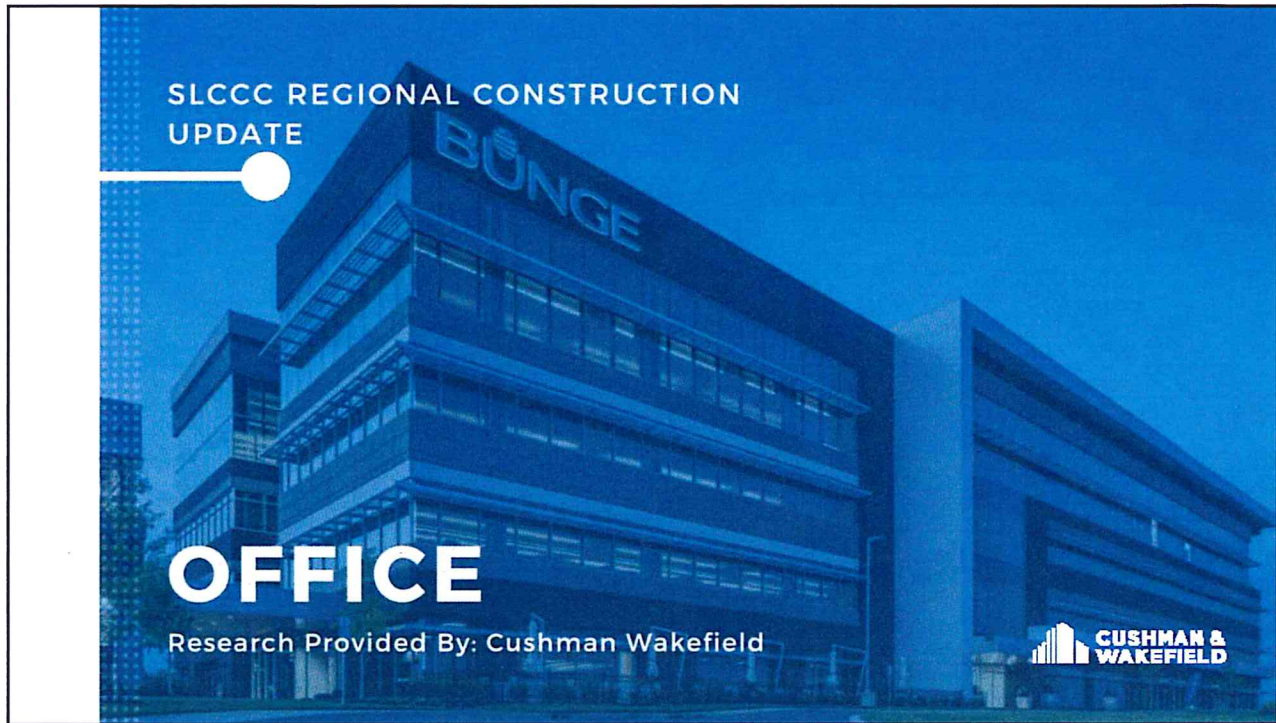
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- Where has the industrial construction occurred?



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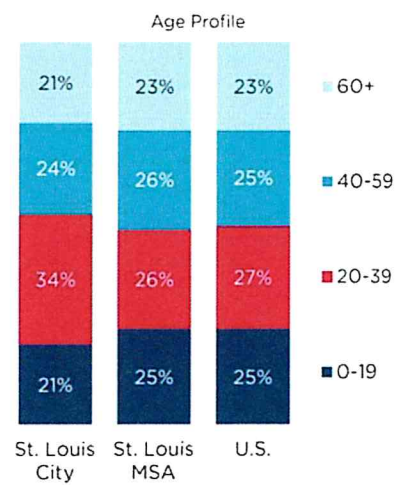
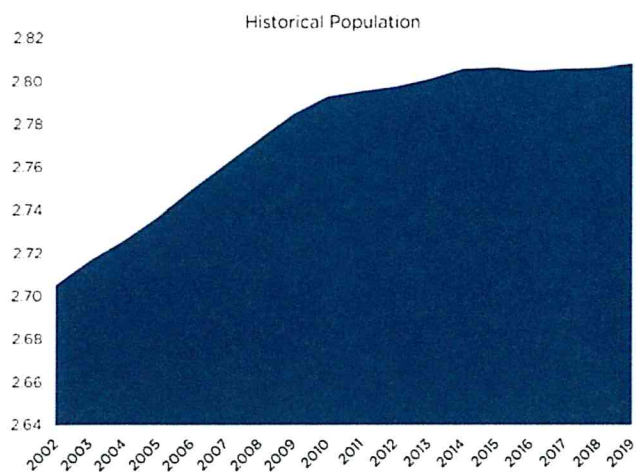
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Economic Trends

ST. LOUIS ECONOMY



Population & Age Demographics

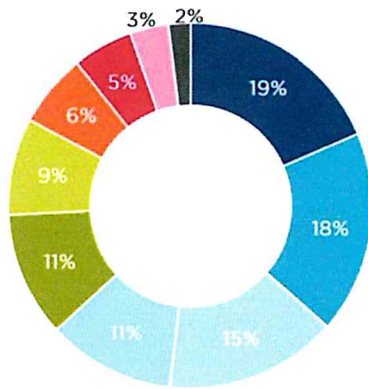


ST. LOUIS ECONOMY

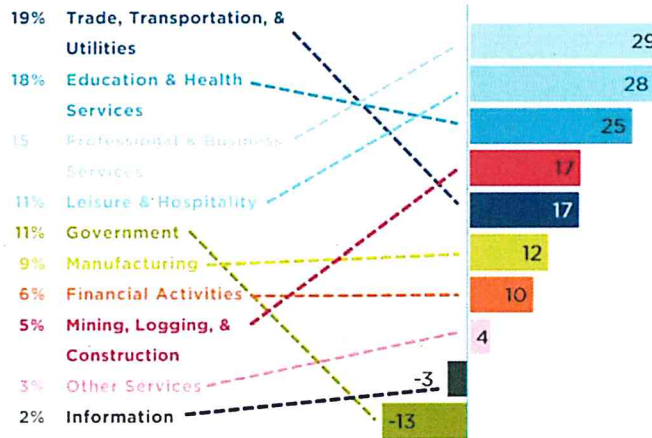


Industry Makeup & Growth

Industry Breakout (%)



Job Growth by Industry (2010-18, thousands)



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ST. LOUIS ECONOMY



Largest Employers & Economic Drivers

RANK	COMPANY	LOCAL EMPLOYEES	
1	BJC HealthCare	28,516	✓
2	Mercy Health	23,011	✓
3	Wal-Mart Stores Inc.	22,290	✓
4	Washington University in St. Louis	17,442	✓
5	Boeing Defense, Space & Security	14,566	✓
6	SSM Health Care	13,500	✓
7	Scott Air Force Base	13,000	
8	Schnucks Markets Inc.	10,702	
9	Archdiocese of St. Louis	10,000	
10	Mercy Clinic	9,305	✓
11	Saint Louis University	7,801	✓
12	McDonald's	7,550	
13	City of Saint Louis	7,368	
14	Edward Jones	6,447	
15	Washington University Physicians	6,261	✓

Of the **top 15 employers** in St. Louis, representing nearly **200,000 employees**, roughly **54%** of employee base falls in **Health Care & Education** sectors

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Market Context & Historical Perspective

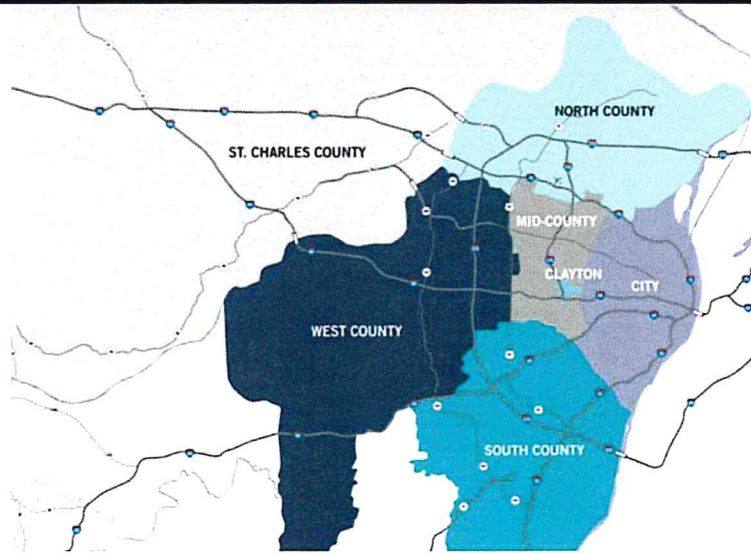


OFFICE: MARKET CONTEXT



STL at a Glance

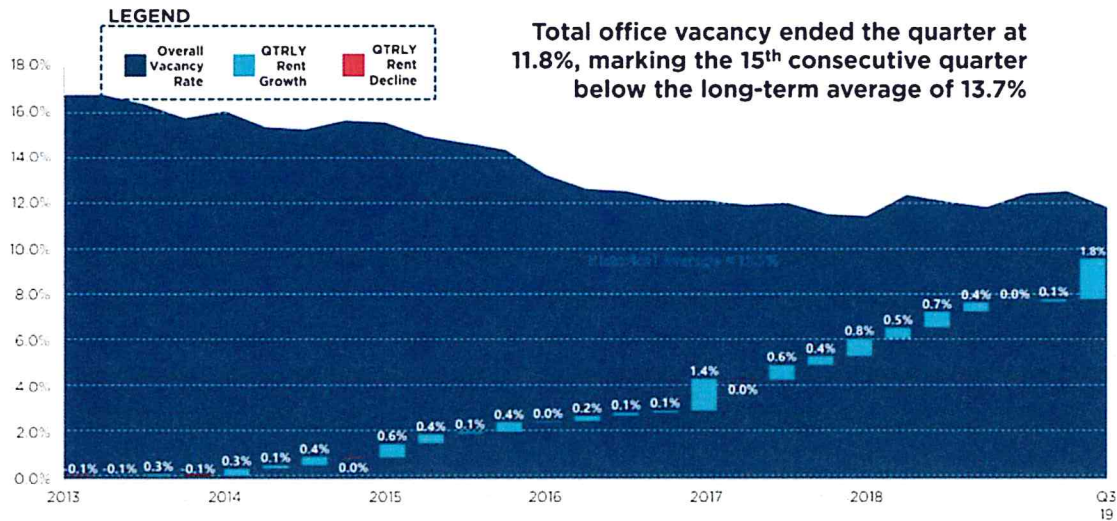
- Seven Submarkets
- 49msf in Inventory
- Overall Vacancy at 11.8%
- Class A asking rates at \$23.49
- Deliveries have totaled 1.0msf in 2019
- YTD net absorption totals roughly 917ksf



OFFICE: HISTORICAL CONTEXT



Precipitous Decline in Vacancy and Elevated Asking Rates



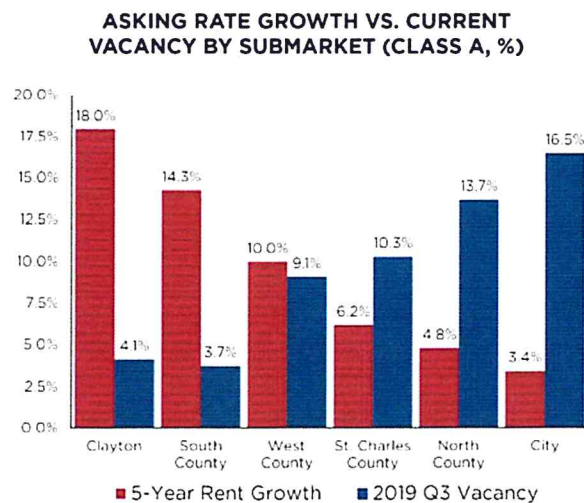
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OFFICE: HISTORICAL PERSPECTIVE

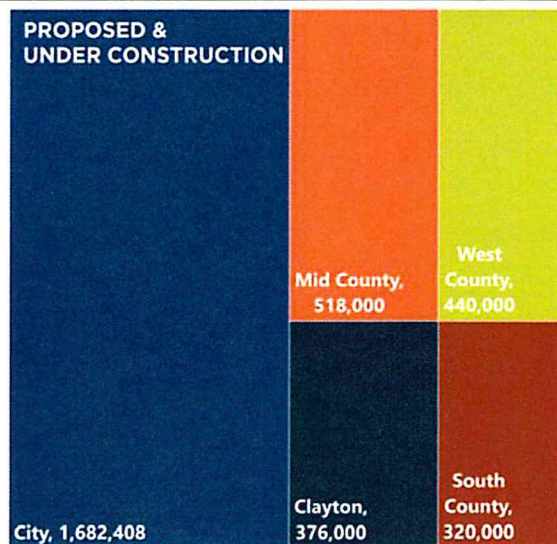


Class A Rate Growth Driven by Scarcity – Driving Development



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PROPOSED & UNDER CONSTRUCTION



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OFFICE: DEVELOPMENT**Centene Plaza Building C (7676 Forsyth Blvd)****Building Details**

- Owner/Developer: Centene/Clayco
- Building Size: 604,508 SF
- Asking Rate: NA
- Submarket: Clayton
- Delivery: Q3 2019



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OFFICE: DEVELOPMENT**Cortex Ventas (4210 Duncan)****Building Details**

- Owner/Developer: Wexford/Ventas
- Building Size: 316,000 SF
- Asking Rate: \$29-\$31 NNN
- Submarket: City (Cortex)
- Delivery: Q3 2021



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OFFICE: DEVELOPMENT**Cortex K****Building Details**

- Owner/Developer: **KDG**
- Building Size: **120,000 SF**
- Asking Rate: **NA**
- Submarket: **City (Cortex)**
- Delivery: **Proposed**



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OFFICE: DEVELOPMENT**1000 Jefferson****Building Details**

- Owner/Developer: **The Opus Group**
- Building Size: **150,000 SF**
- Asking Rate: **\$27-\$32 NNN**
- Submarket: **City (Lafayette Square)**
- Delivery: **Q4 2021**



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03

Emerging Trends & Things to Watch

TRENDS | URBAN REVIVAL

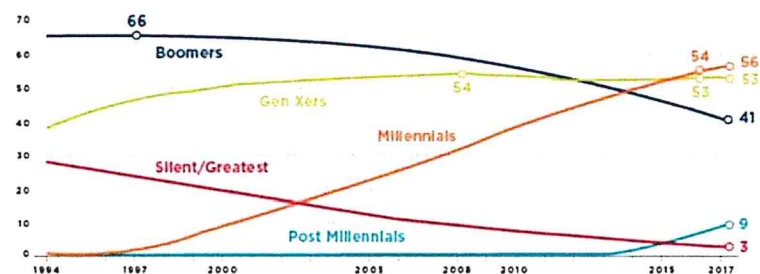


Demographic Change in City not all Bad News

A Perfect Storm for Millennial Demographic Growth in Urban STL

The number of people aged 25 to 34 within St. Louis City has grown and estimated 11.9% since 2010

Millennials became the largest generation in the labor force in 2016
U.S. labor force, in Millions

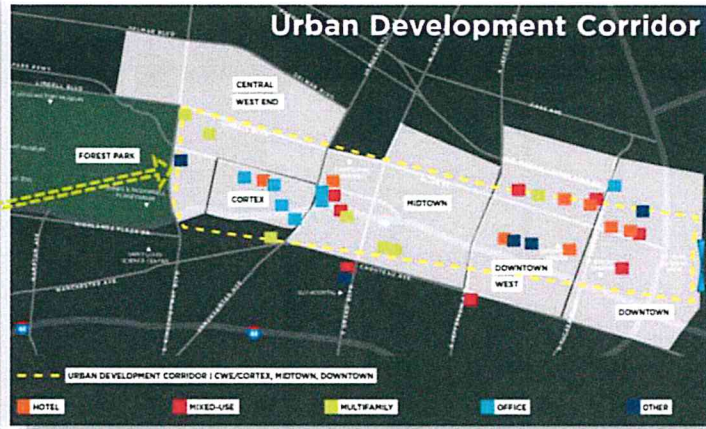
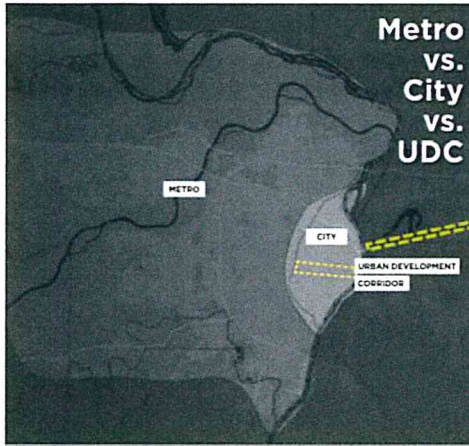


Note: Labor force includes those ages 18 and older who are working or looking for work. Annual averages shown.
Source: Pew Research Center analysis of monthly 1994-2017 Current Population Survey (PLMS).

TRENDS | URBAN REMIGRATION



Development & Occupiers Finding Way Back to City



- 35 developments totaling roughly \$3b in development

- Representing 40% or more of overall metro construction

- Microsoft & Aon most recently relocated from County to Cortex

SLCCC REGIONAL CONSTRUCTION UPDATE

MULTIFAMILY

Research Provided By: CBRE

CBRE

EXECUTIVE SUMMARY

 Vacancy Rate 3.6%	 Completions* 256,000 Units	 Net Absorption* 307,600 Units	 Y-o-Y Rent Change 2.9%	 Acquisitions Volume* \$184 Billion
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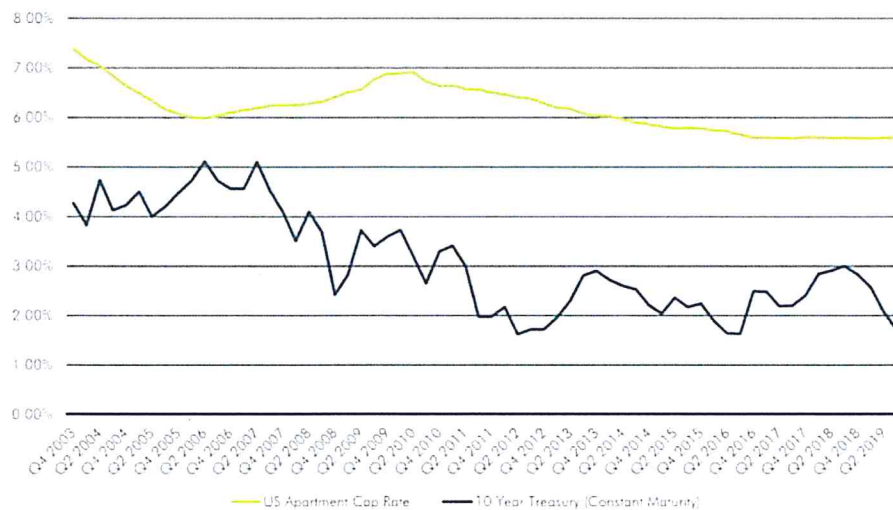
*All values include changes in growth rate from the same quarter in the prior year.
*Trailing four-quarter figures

- U.S. multifamily vacancy fell to 3.6% in Q3 2019, down 40 basis points from the prior year and the lowest level since 2000.
- Construction remained active in Q3 2019 with 66,300 units delivered. The 256,000-unit trailing four-quarter total fell slightly from the prior year.
- Investment totaled \$46 billion in Q3, down 7.3% year-over-year. The trailing four-quarter total of \$184 billion, however, was up 8.8% year-over-year.
- Capital remained widely available for multifamily borrowers in Q3. Fannie Mae and Freddie Mac's new multifamily loan production totaled \$47.6 billion for the quarter, up more than 30% from the prior year.

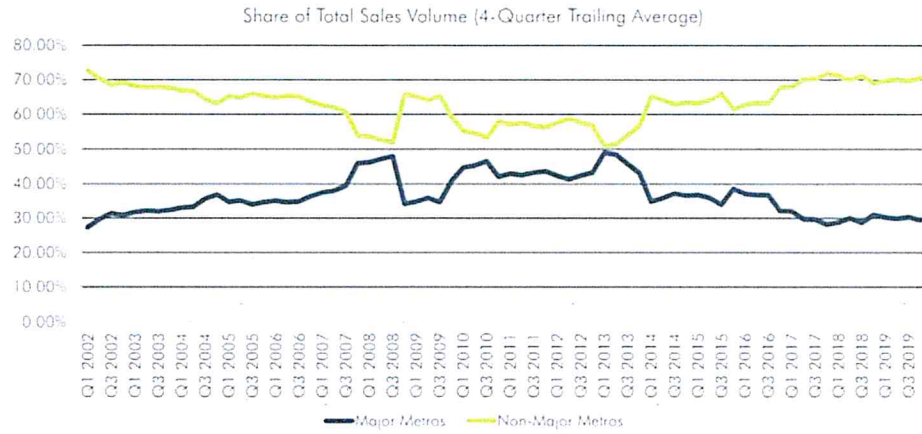
43M
RENTER
HOUSEHOLDS
IN THE U.S.

NATIONAL INDICATORS

National Average Base Cap Rate Over 10-Year Treasury

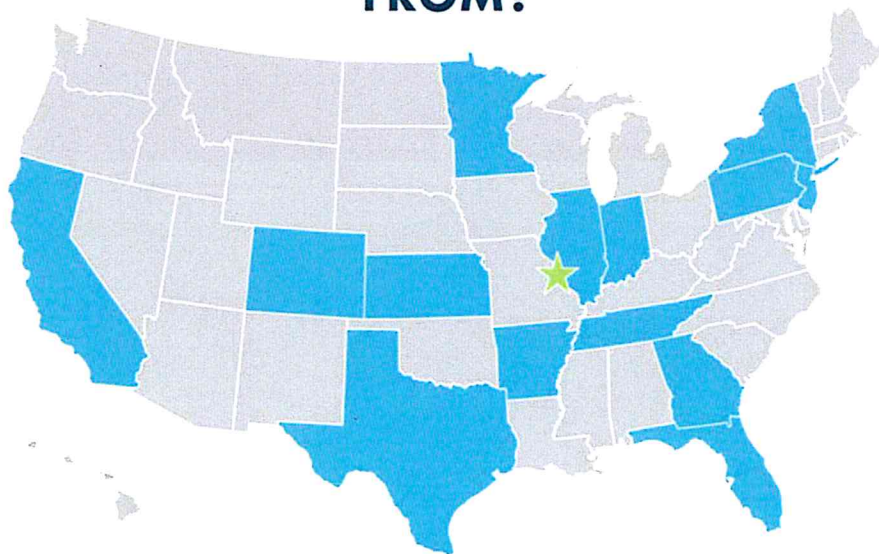


CAPITAL SPREADING TOWARD SMALLER MARKETS



Major Metros: Boston, Chicago, DC Metro, Los Angeles Metro, New York City Metro, San Francisco Metro
 Non-Major Metros: All secondary and tertiary markets in the US
 Metropolitan Areas: Atlanta, Austin, Baltimore, Charlotte, Cincinnati, Cleveland, Columbus, Dallas, Denver, Detroit, Houston, Indianapolis, Jacksonville, Kansas City, Las Vegas, Memphis, Milwaukee, Minneapolis, Nashville, Norfolk, Orlando, Philadelphia, Phoenix, Pittsburgh, Portland, Raleigh/Durham, Sacramento, Salt Lake City, San Antonio, San Diego, Seattle, South Florida, St. Louis, Tampa
 Tertiary: All markets not classified as major metro or a secondary market
 Source: Real Capital Analytics, CBRE Economic Advisors

WHERE IS CAPITAL COMING FROM?



ST. LOUIS MULTI-HOUSING INDICATORS

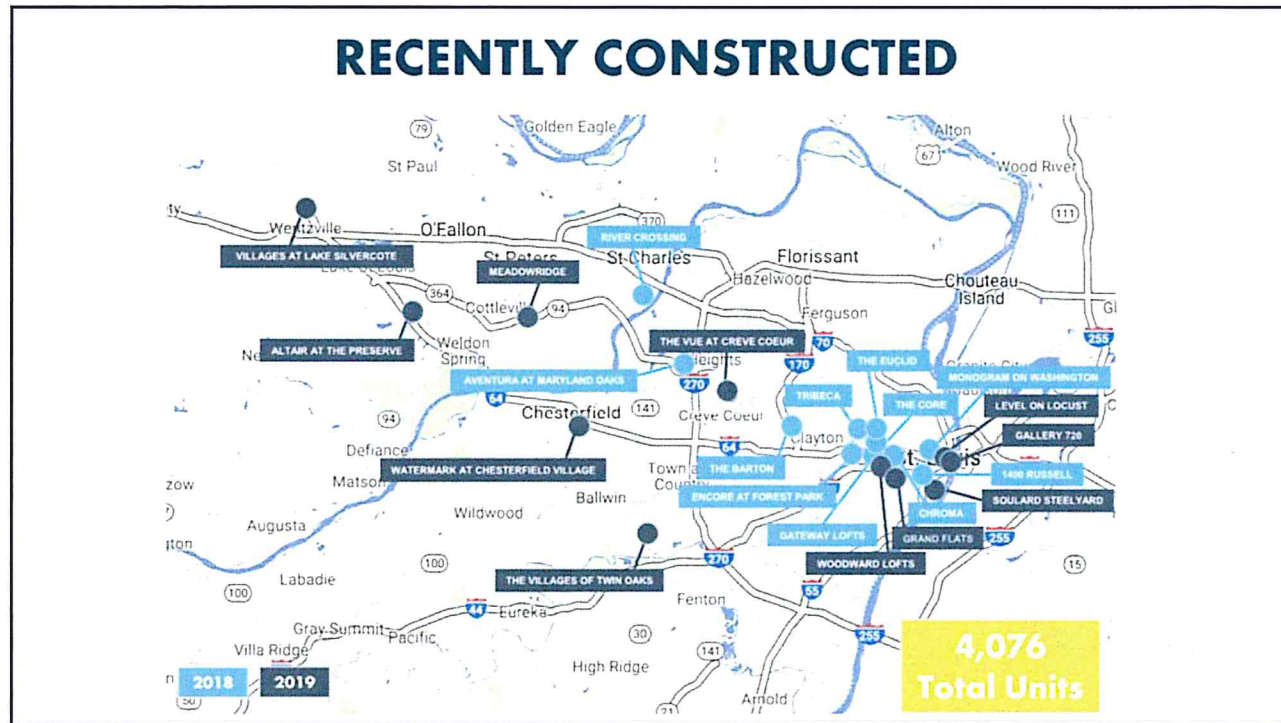
- \$534+ million transaction volume YTD 2019
 - \$1.1 billion in 2018; \$615 million in 2017
- Consistent cap rates between 2018 and 2019
- New capital flowing to St. Louis from out-of-state sources
 - Approximately 80% of YTD 2019 volume

MULTIFAMILY UNITS PERMITTED IN 2018

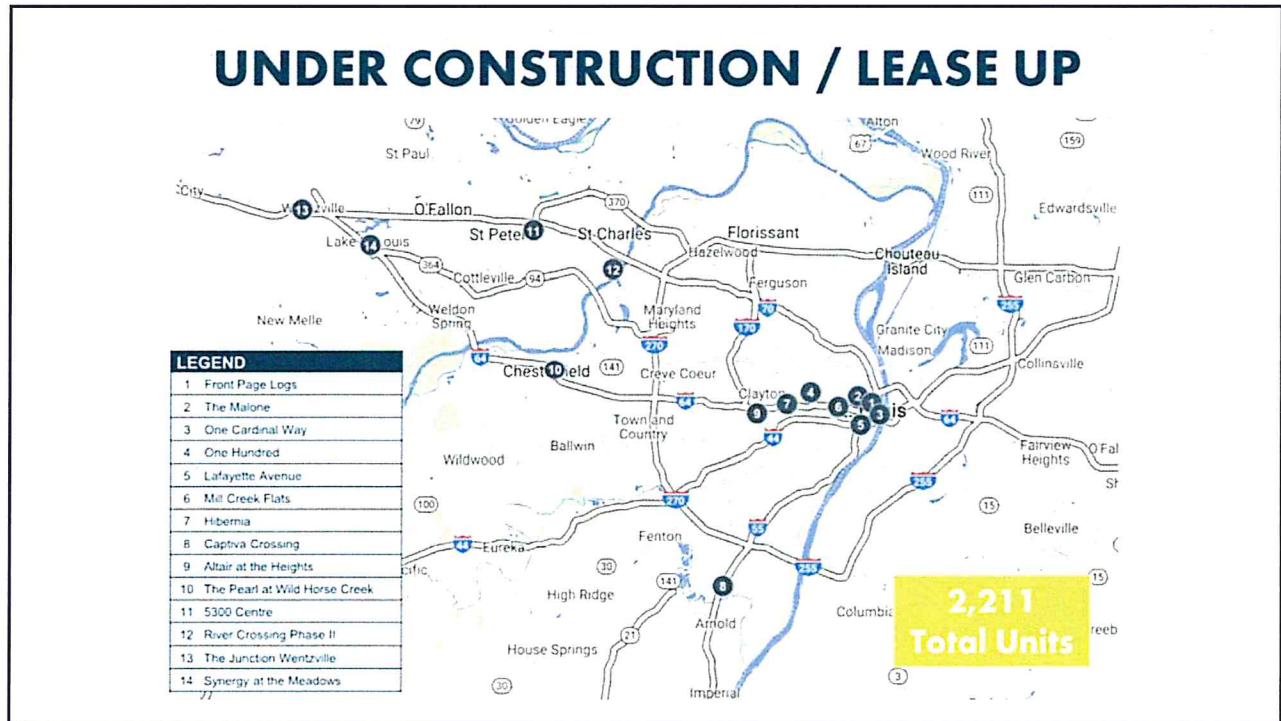
	Market	Units Permitted	Pop.	Ratio Pop/Unit		Market	Units Permitted	Pop.	Ratio Pop/Unit
1	Pittsburgh	1,124	2,333,367	2,076	16	Orlando	4,278	2,509,831	587
2	St. Louis	1,572	2,807,338	1,786	17	Phoenix	8,327	4,737,270	569
3	Baltimore	1,824	2,808,175	1,540	18	Tampa	5,455	3,091,399	567
4	Detroit	2,919	4,313,002	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

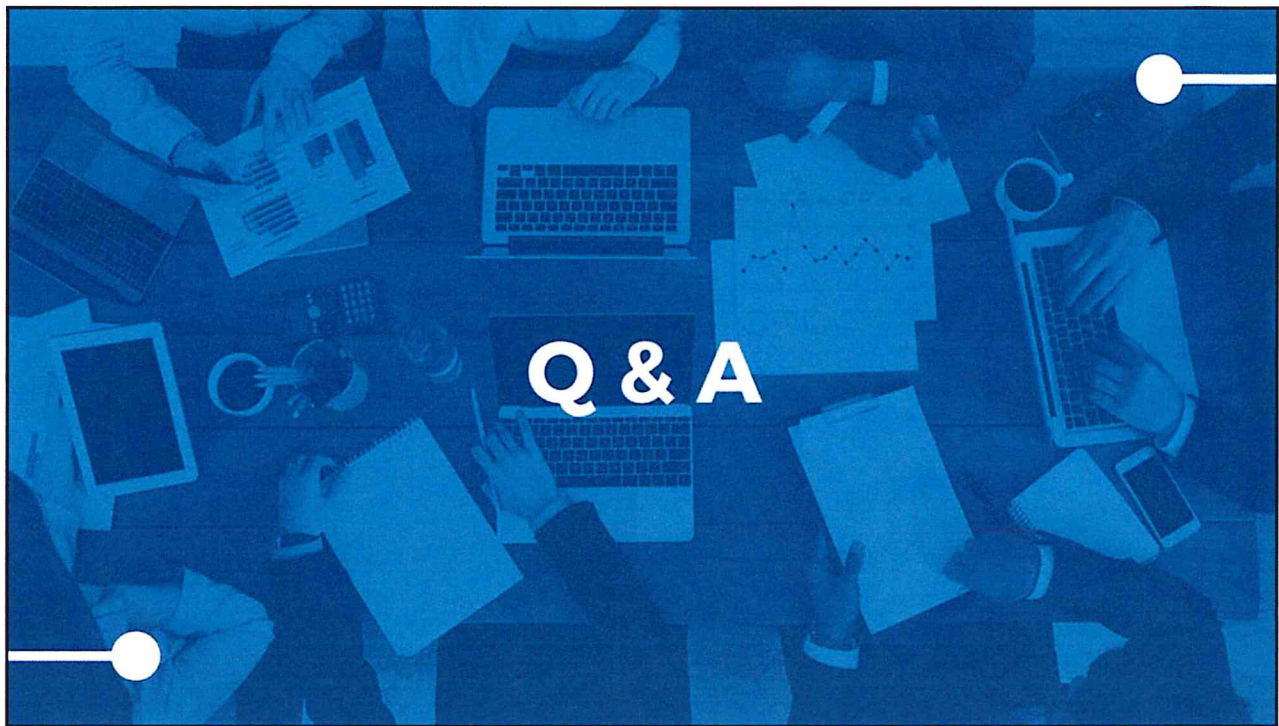
Sources: U.S. Census Bureau, U.S. Department of Housing and Urban Development, Y1 2018

RECENTLY CONSTRUCTED



UNDER CONSTRUCTION / LEASE UP







City of St. Louis Economic Development & Growth

St. Louis Council of Construction Consumers

December 12th, 2019



Growing investments and jobs in the City of St. Louis by enhancing the value of real estate while enabling the sustainability and success of neighborhoods.

- Targeted and Area Development
- Innovative Reuse of Properties
- Neighborhood Support and Development
- Responsive & Supportive to Business
- Minority and Women-Owned Business Enterprise (M/WBE) Inclusion and Support



Lyda Krewson
Mayor, City of St. Louis



Otis Williams
Executive Director,
SLDC

City of St. Louis Missouri

- 114 Counties and 1 independent City
- 69,715 Square Miles
- 6 Million People
- 2.2 Million Households
- 2.95 Million Workforce



St. Louis City at a Glance

	St Louis	% of MSA	State
LAND			
Land area (K acres)	39.6	0.8%	0.1%
Tax-exempt land (%)	39.8%	---	---
Government Owned		---	---
Not for Profit Owned		---	---
RESIDENTS			
Population (K)	308.6	11%	5%
Resident Income (\$B)	\$8.5	9%	5%
JOBS			
Private sector jobs (K)	196.2	14%	8%
Public sector jobs (K)	45.8	3%	7%
WAGES			
Wages generated (\$B)	\$11.5	19%	10%





SLDC & Partners

- SLDC partners with other local economic development organizations with the following collective goals:
 - Business attraction, retention, and expansion
 - Strengthening the St. Louis tax base
 - Keeping and creating jobs



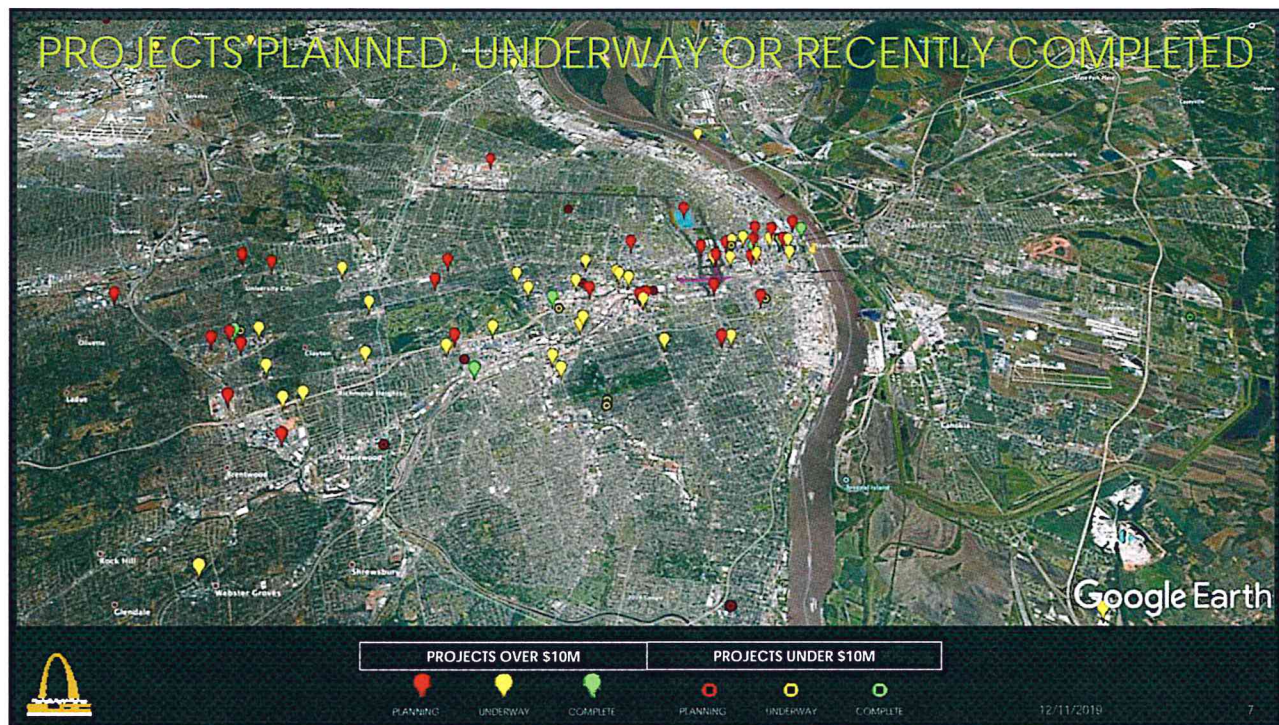
The City's major employers are from a diverse group of industries including healthcare, energy, financial services, geospatial, and industrial.

Major Federal Presence in St. Louis



Major Corporations in St. Louis





KEY PROJECTS ■ PLANNED, ● UNDERWAY, OR ✓ RECENTLY COMPLETED

St. Louis is in the midst of a development boom.

It has been reported that over \$9.5 Billion in investment is either planned, underway, or recently completed in the City.







Let us highlight a few of those projects.

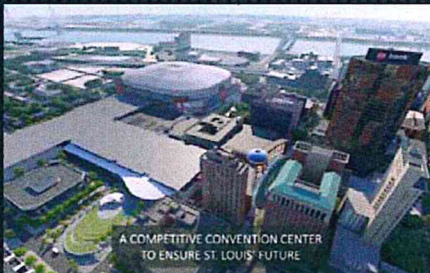


12/11/2013

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KEY PROJECTS PLANNED, UNDERWAY, OR RECENTLY COMPLETED

	City Arch River	\$380M
	Chemical Building	\$54M
	Ballpark Village Phase II	\$260M
	Railway Exchange	\$290M
	America's Center Upgrades	\$200M
	909 Chestnut (AT&T Tower)	TBD



12/11/2018

9

KEY PROJECTS PLANNED, UNDERWAY, OR RECENTLY COMPLETED

	Soldier's Memorial Museum	\$30M
	St Louis Public Library	\$30M
	Union Station	\$175M
	NGA	\$1.75B
	Praxair Site Mixed Use	\$160M
	Jefferson Connector	\$70M
	Preservation Square	\$18M
	Twain Development	\$8M
	Locust Street Development	\$10M



12/11/2018

10

KEY PROJECTS PLANNED, UNDERWAY, OR RECENTLY COMPLETED







	St. Louis VA Hospital Expansion	\$300M
	Steelcote Square Building	\$10M
	SLU Residential Towers	\$71M
	SLU Science & Engineering	\$50M
	SLU SSM Hospital	\$550M
	Iron Hill @ Prospect Yards	\$300M



12/11/2013

11

KEY PROJECTS PLANNED, UNDERWAY, OR RECENTLY COMPLETED








	The Armory	\$83M
	City Foundry	\$330M
	CORTEX parking structure	\$16M
	Koman-Cortex Complex	\$170M
	Wexford Science & Technology	\$71M
	Liggett-Myers Tobacco Building	\$15M



12/11/2013

12

KEY PROJECTS PLANNED, UNDERWAY, OR RECENTLY COMPLETED

	4400 Manchester Apartments	\$11M
	The Chroma	\$70M
	Shriners Housing WUSM	\$35M
	St. Louis College of Pharmacy	\$100M
	Washington Univ. Neuroscience	\$300M
	32-40 N. Euclid Development	\$31M
	Delmar Divine	\$89M



12/11/2019

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KEY PROJECTS PLANNED, UNDERWAY, OR RECENTLY COMPLETED

	Citizen Park CWE	\$98M
	BJC Healthcare Campus Renewal	\$2B
	One Hundred	\$130M
	SLCC Nursing Building	\$41M
	Encore Apartments	\$51M
	Hibernia Apartments	\$25M



12/11/2019

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HOTEL PROJECTS PLANNED, UNDERWAY, OR RECENTLY COMPLETED

	Jefferson Arms	\$117M
	Angad Arts Hotel	\$65M
	Live! By Loews	\$65M
	Hotel St. Louis	\$55M
	Municipal Courts Building	\$60M
	The Last Hotel	\$54M
	AC York	\$40M
	200 North 4th	\$30M
	Element by Westin	\$30M
	Aloft Hotel	\$23M
	Market Fairfield Inns	\$20M
	Hotel Indigo	\$11M
	21C Hotel	\$48M
	Moxy/ Le Meridian	\$16M



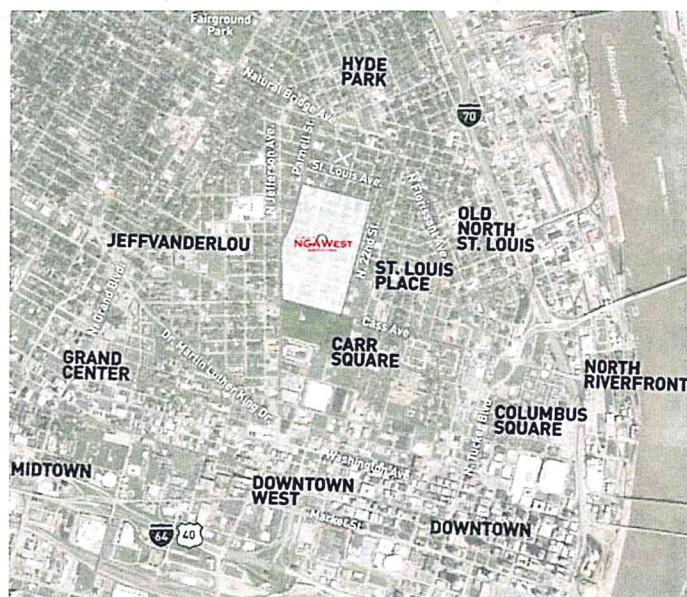
2/11/2019

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Project Connect has established:

- A shared vision for focused development
- Clarity in community goals and needs
- A process to align projects that execute goals

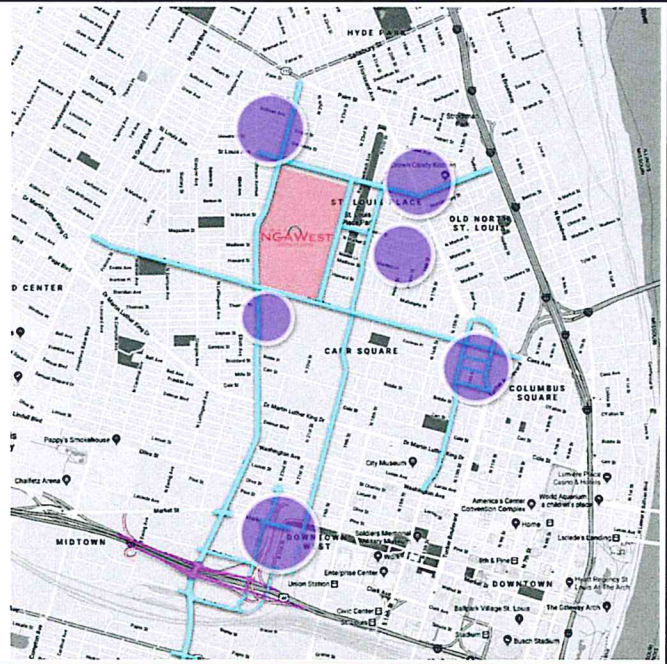




Focused future development opportunities

Project Connect as main contact for new opportunities in the area to:

- Ensure consistency with community goals
- Provide support to developers and tenants
- Connect potential partners



FOCUSED DEVELOPMENT:

- Building the geospatial cluster
- Infill residential
- Local neighborhood based retail
- Commercial & office
- Improve infrastructure & public realm
- Smart City Initiative





Geospatial Industry

VISION

St. Louis is the global center for excellence in geospatial and location technology.



GEOSPATIAL ECONOMIC DEVELOPMENT OBJECTIVES

- Business Recruitment, Retention & Expansion
- Physical Product Driven
- Infrastructure Improvement
- Government Supported
- Shaping Future Opportunities
- Targeted Industry
- Focus on Business & Job Creation



SLDC Initiatives

- Project Connect
- Equitable Economic Development Strategy
- Geospatial Industry Cluster
- Vacancy Initiative
- Downtown Parking Study
- Chouteau's Greenway/Arch to Park
- North Riverfront
- Chouteau's & Laclede's Landing
- Garment District/Fashion Fund
- Downtown Innovation District
- Smart City Initiative
- Set the PACE St. Louis
- Environmental Assessments
- Downtown Initiative
- Sites & Buildings Database
- Opportunity Zones
- Incentive Reform
- Project Financial Analysis
- Promise Zone
- St. Louis Hotel Study

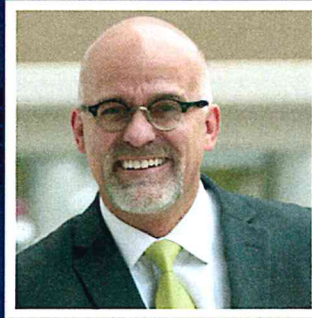


Thank you!

For more information, please contact:

Otis Williams | Executive Director
 St. Louis Development Corporation
williamsot@stlouis-mo.gov
 314.657.3700

www.stlouis-mo.gov/sldc/



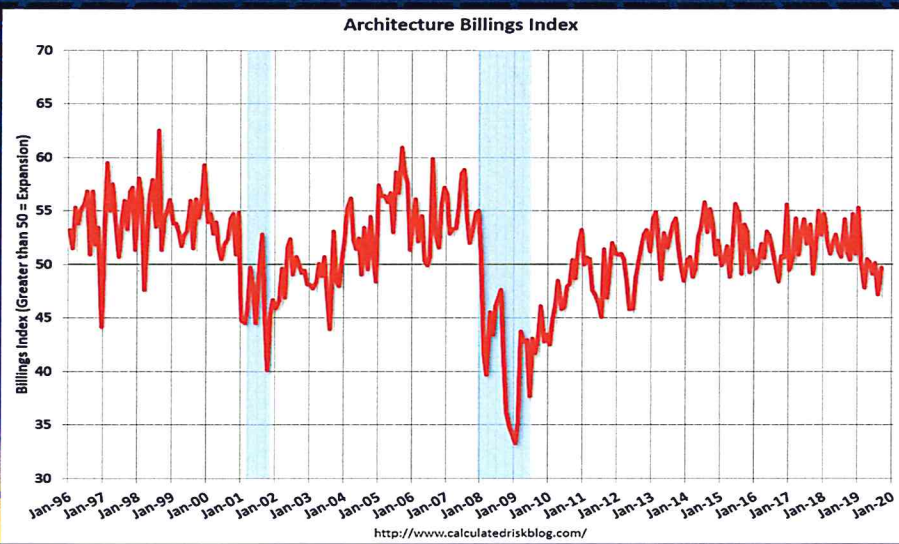
DESIGN UPDATE

DAVID KEHM

Christner Architects



AIA ARCHITECTURE BILLINGS INDEX





AIA ARCHITECTURE BILLINGS INDEX

National

Fewer firms report declining billings in September

Graphs represent data from September 2018-September 2019.



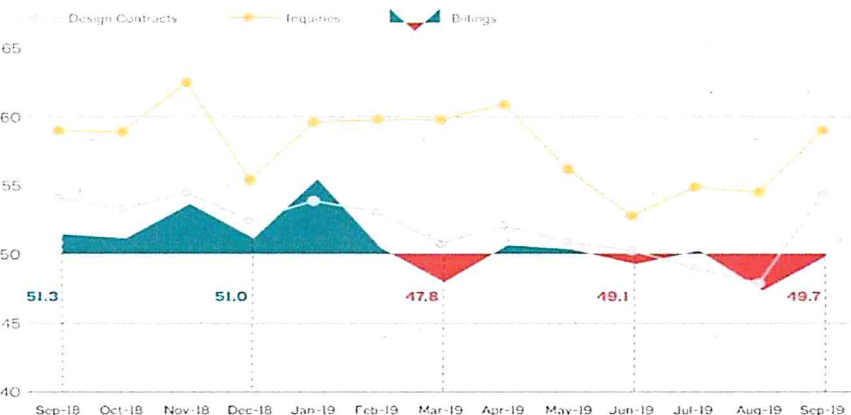
Above 50



Below 50



No change from previous period



AIA ARCHITECTURE BILLINGS INDEX

Billings	Design Contracts
Current: 52.0	Current: 52.9
Last month: 49.7	Last month: 54.4



Above 50

No change from previous period

ABI October 2019: Business conditions at architecture firms rebound

Billings	Design Contracts
Current: 49.7	Current: 54.4
Last month: 47.2	Last month: 47.9



Above 50

No change from previous period

ABI September 2019: Firm billings remain sluggish
More than half of firms have seen

Billings	Design Contracts
Current: 47.2	Current: 47.9
Last month: 50.1	Last month: 49.0



Above 50

No change from previous period

ABI August 2019: A significant setback in business conditions
As architecture firms report a rare

Billings	Design Contracts
Current: 50.1	Current: 49.0
Last month: 49.1	Last month: 50.3



Above 50

No change from previous period

ABI July 2019: Billings remain flat, indicators of future work continue to soften

Billings	Design Contracts
Current: 49.1	Current: 50.3
Last month: 50.2	Last month: 50.9



Above 50

No change from previous period

ABI June 2019: Architecture firms report another setback in billings
In the past year, nearly four in ten

Billings	Design Contracts
Current: 50.2	Current: 50.9
Last month: 50.5	Last month: 52.1



Above 50

No change from previous period

ABI May 2019: Billings growth remains modest at architecture firms
Additions and remodels to existing



SURVEY PARTICIPANTS

- **ABNA** – Nicole Adewale – Principal
- **Alper Audi** – Warren Bergquist – Principal
- **CannonDesign** – Tom Bergmann – Executive Director
- **Christner** – David Kehm – Corporate Market Leader
- **G&W Engineering** – Kevin Griesemer – President
- **Gray Design** – Toby Heddinghaus – Principal
- **JEMA** – John Mueller – Managing Partner
- **IMEG** – Armand Harpin – Business Development
- **KPFF** – John Miller – Managing Principal
- **Ross & Baruzzini** – Bill Overturf – President



SURVEY COMMENTS

- For 2020 we see continued growth, but a bit slower than past few years
- Sales are down a bit compared to last year, although 2019 was a crazy good year, so perhaps the comparison isn't fair
- Markets that we serve
 - Transportation
 - Healthcare
 - Education
 - Government
 - Corporate



SURVEY COMMENTS

- Healthcare extremely busy – local and outside of St. Louis, especially Kansas City, Indianapolis, and Cincinnati
- Growth in corporate work
- Higher Ed is quiet
- P3 delivery method is picking up in the region, but not yet locally
- Other delivery methods gaining traction are Design-Build and IPD
- Multi-family continues strong momentum
- Strong development in the central corridor
 - CWE
 - Cortex
 - Soccer Stadium



SURVEY COMMENTS

- First half of 2020 looks good
- Big box warehouses
 - 1,000,000 sf have reached saturation
 - 500,000 sf continue to be in the pipeline
- Hotels still going, but not as strong as last year
- K-12 bond issues just passed or coming out in April
- Apartments, mixed-use, and nursing homes still strong



SURVEY COMMENTS

- Increase in activity and inquiries for multi-family
- Lots of talk regarding cannabis and dispensing facilities
- Light industrial and distribution to serve E-Commerce appears very strong for 2020
- A bit of a slowdown this past summer, but things are picking up again
- Typically we are not bullish on growth in election years as some projects tend to delay due to uncertainty, however, this time it feels like the market has learned how to deal with uncertainty and “uncertainty” may just be the new status quo



SURVEY COMMENTS

- First six months of 2020 looks stronger than first six months of 2019
- Corporate work is currently 50% of our work, while Healthcare and Higher Ed are each 20%, while Cultural projects are at 10% and growing – these numbers are a major shift from historical average
- Working on and pursuing developer projects, which is a shift from previous firm strategy
- Recruiting a few entry level professionals



SURVEY COMMENTS

- Higher Ed is picking up locally and regionally
- Healthcare in St. Louis looks halfway decent
- In general, all markets, including Federal, look great for 2020
- Good amount of work in State of Missouri



SURVEY COMMENTS

- St. Louis market is steady, but anticipate 20% growth nationally
- Very strong backlog
- Opportunity list is solid
- Healthcare is steady, but not growing
- Markets that are strong
 - K-12
 - Higher Ed
 - Hotels
 - Office and Commercial



SURVEY COMMENTS

- Illinois, Illinois, Illinois!!!
 - Capital Development Board is beginning to release projects
 - Public Infrastructure
 - Design Build
 - IDOT & Tollway
- Missouri
 - I-270 from Riverview to Old Halls Ferry
 - NGA
- 2020 looks very good
- A few strategic hires



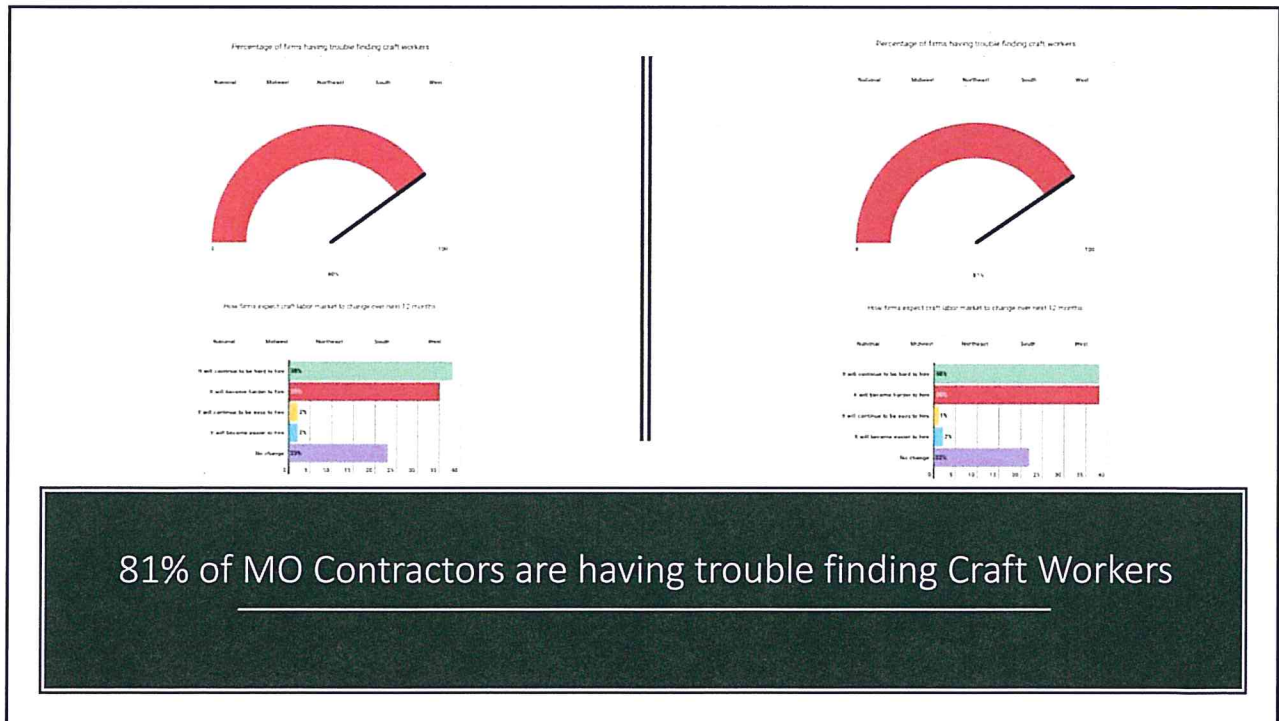
SURVEY COMMENTS

- We are slammed across all sectors!
 - K-12
 - Senior Living
 - Higher Ed
 - Healthcare
 - Renovations
- Working in 10 different states
- Biggest backlog we've ever had
- We look great for next 12 months
- Biggest challenge is recruiting – we could be even busier if we could hire the people we need



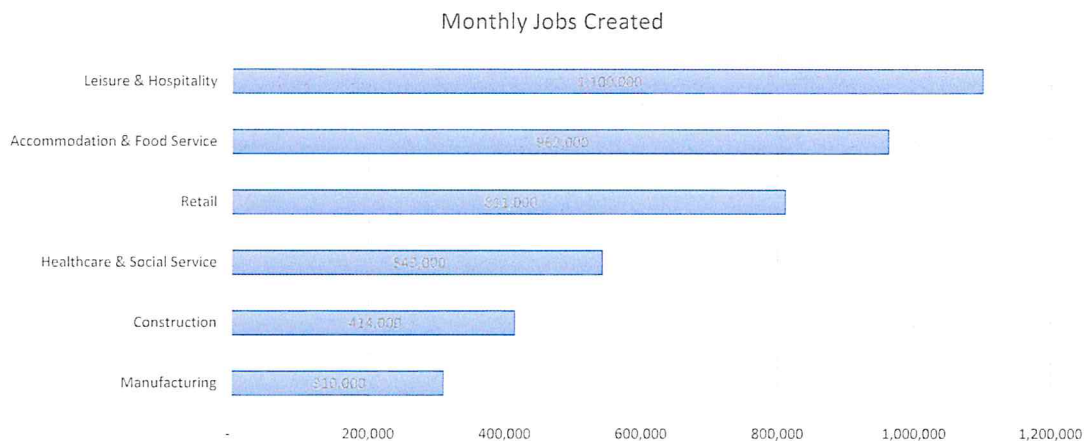
SUMMARY

- 2020 looks to be another good year for design firms
- Healthcare and Higher Ed is a mixed bag for firms – some strong, others less so
- Strong Markets
 - Corporate
 - Industrial
 - Multi-family
 - Mixed Use
 - Federal
 - K-12



- It's a National Problem**
- FOX BUSINESS NEWS As construction worker shortage worsens, industry asks government for help By [Lea](#) August 27, 2019
 - ALBANY BUSINESS REVIEW-There's plenty of work for construction companies right now and not enough workers to do it By: [Mike De Socio](#) Sep 9, 2019
 - AUSTIN AMERICAN STATESMAN-Report: Worker shortage could hurt Texas construction industry By Dom DiFurio August 30, 2019
 - BIRMINGHAM NEWS-Alabama contractors having trouble filling skilled positions By [Birmingham News](#) August 27, 2019
 - BLOOMBERG RADIO-Construction backlog has builders upbeat, but workers are hard to find By [Bloomberg Radio](#) February 11, 2019
 - The Columbus Dispatch-Survey: Construction boom to continue but worker shortage remains By [Mike Matzko](#) Jan 2, 2019
 - THE DENVER POST-Colorado's Construction Industry Finds No Relief from Labor Shortages By [DO SVALDI](#) August 28, 2019
 - THE DETROIT NEWS-Survey: Michigan construction firms say they are hiring, but can't find workers [Breana Nofre](#) January 2, 2019
 - DFW NBC DALLAS-New Survey Highlights Nationwide, Texas Struggles to Find Qualified Construction Workers By [Tim Glesco](#) August 28, 2019
 - KFVS CAPE GIRARDEAU, MO CBS Firms and union leaders deal with shortage of construction workers By [Tyler Davis](#) September 16, 2019
 - RICHMOND TIMES-DISPATCH -Most construction companies in Virginia are struggling to find workers, survey indicates By [JOHN REID BLACKWELL](#) August 27, 2019
 - SACRAMENTO BUSINESS JOURNAL-Survey: Construction labor shortage not expected to improve By [Beh van der Meer](#) Aug 27, 2019
 - SEATTLE BUSINESS-Seattle's Building Boom Confronts a Construction-Labor Drought Contractors in Washington are coping with a costly worker shortage, recent industry survey shows BY: [BILL CONROY](#) September 4, 2019
 - ST. LOUIS POST DISPATCH-Amid construction hiring spree, firms say workers are hard to find By [David Nicklaus](#) Sep 1, 2019
 - TAMPA BAY TIMES-Construction is booming, but firms worry about hiring enough workers By [Matena Carollo](#) January 3, 2019

3.5% Unemployment - Lowest since 1969



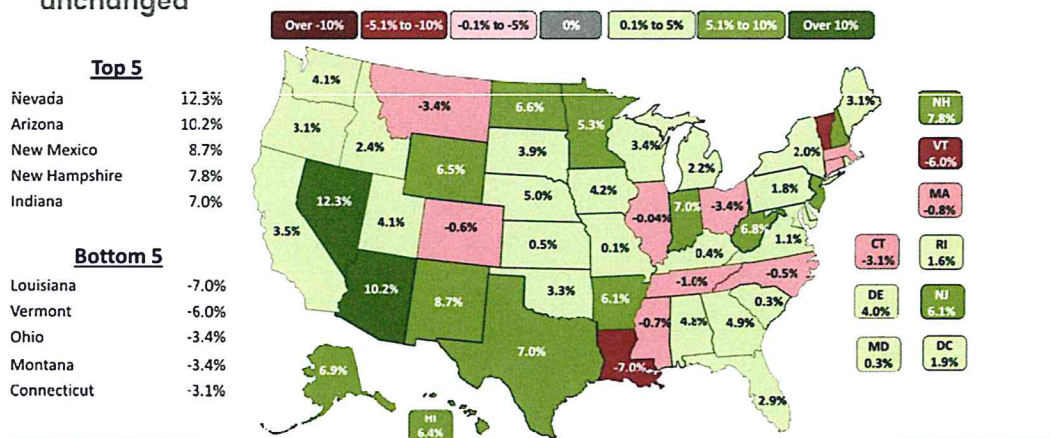
The Solutions are Local

- Inclusion
- Immigration Reform
- "Alternative" Education
- Veteran Outreach
- Primary & Secondary School Outreach
- Public, Corporate and Ecumenical Efforts



State construction employment change (U.S.: 2.1%)

9/18 to 9/19: 39 states and DC **up**, 11 states **down**, 0 unchanged

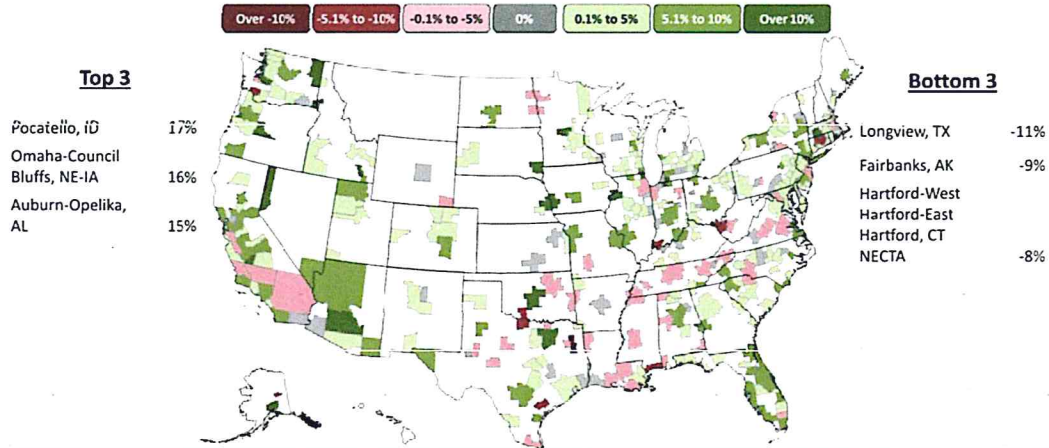


17 | Note: Shading based on unrounded numbers
Source: BLS state and regional employment report

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Metro construction employment change (U.S.: 2.1%)

9/18 to 9/19: 244 (68%) of 358 metros **up**, 53 unchanged, 61 (17%) **down**



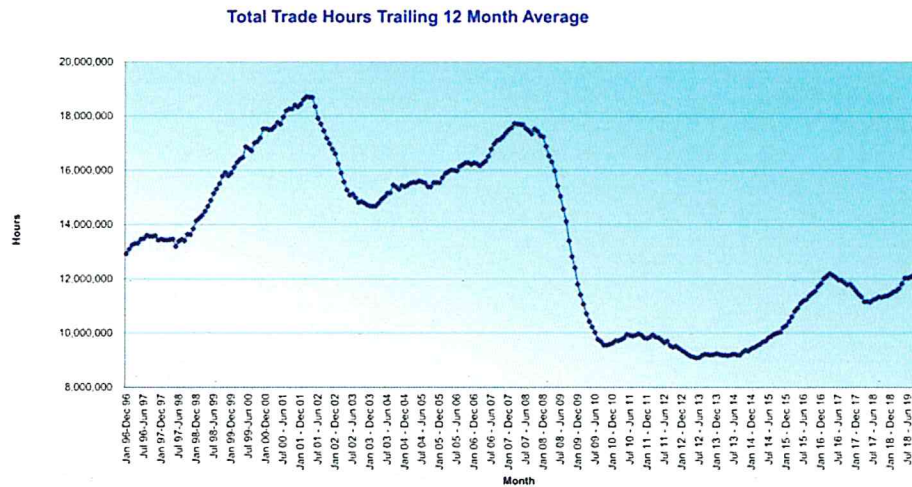
18 | Source: BLS state and regional employment reports.

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Employment Stats from November St. Louis Construction Collaborative meeting:

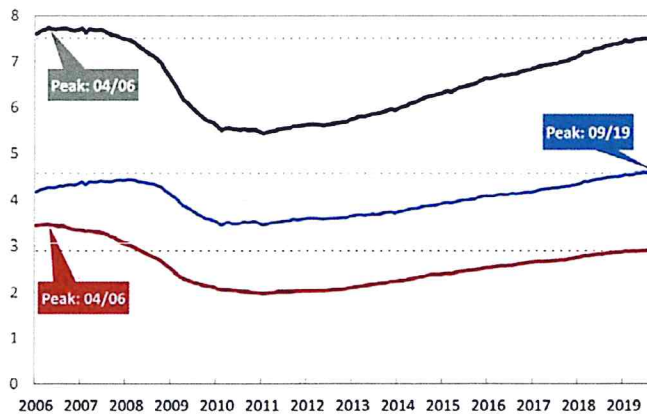
Boilermakers, Local 27	80%	Iron Workers, Local 396	95%
Bricklayers, Local 1	95%	Laborers District Council	- %
Carpenters District Council Commercial	94%	Operating Engineers, Local 513	95%
Cement Masons, Local 527	99%	Painters' District Council	93%
Electrical Workers, Local 1 Journeyman Wiremen	96%	Plasterers, Local 3	99%
Electrical Workers, Local 1 Communication Technicians	99%	Plumbers & Pipefitters, Local 562	94%
Elevator Constructors, Local 3	99%	Roofers, Local 2	100%
Glaziers, Local 513	- %	Sheet Metal Workers, Local 36	96%
Insulators Workers, Local 1	96%	Sprinkler Fitters, Local 268	98%
		Teamsters, Local 682	95%
		Tile/Marble/Terrazzo, Local 18	90%

CTAF Hours reported through 10/19 - All Trades



Construction employment, 1/06-9/19

millions, seasonally adjusted



9/19 Change from

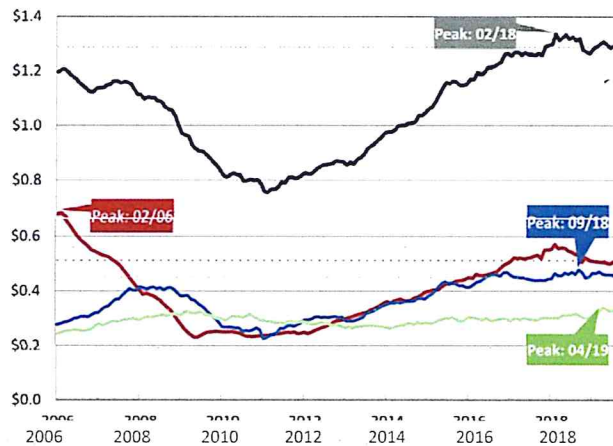
9/18 Peak

Total	2.2%	-3%
-------	------	-----

Nonres	2.2%	+0%
--------	------	-----

Res	2.2%	-15%
-----	------	------

Construction spending, 1/06-9/19 trillion \$, seasonally adjusted annual rate



9/19 Change from

9/18 Peak

	9/18	Peak
Total	-2.0%	-3%

Private Res	-3.6%	-25%
Private Nonres	-5.7%	-6%
Public	6.6%	-2%

Key points: retail, warehouse, office, hotel, data centers



- Retail now tied to mixed-use buildings & renovations, not stand-alone structures; massive store closings imply downturn will continue
- Warehouse growth is still benefiting from e-commerce but trade wars are reducing inbound and outbound shipments
- Office employment is still rising but space per worker is shrinking; more urban & renovation work than new suburban office parks
- Hotel "pipeline" is still large but sector is very interest-rate sensitive
- Data centers remain a strong niche but data is not reported separately (most are included in office total)

Key points: education & health care



- Rising house & commercial property values are supporting school district tax receipts & bond issues for preK-12 projects
- More school spending is on urban/older suburban school reconstruction & expansion, less on new schools in new subdivisions
- Higher-ed enrollment is shrinking and some small colleges are closing; decrease in full-tuition foreign students will hurt budgets
- State of stock market affects college construction capital campaigns
- Health care spending is shifting from hospitals to standalone special-care facilities (urgent care, surgery, rehab, hospices) and doctors' offices

Key points: roads, transportation, sewer/water



- Any federal infrastructure spending increase won't occur until 2021 or later, but state highway funding and toll projects are increasing
- Many new and ongoing public & private airport projects; selective increases in transit construction
- Water & sewer/wastewater spending are at or near record levels after large drop in 2016-17; little long-term new funding likely
- Federal \$ for conservation have increased; Corps of Engineers is struggling to award and manage additional projects

Residential spending forecast—

2019: -4 to -6%; 2020: 2 to 7% (3% in 2018)

- Single-family--2019: -5 to -7%; 2020: 5-10% (7% in 2018); low interest rates, rising income & wealth will boost home buying, but builders face challenges getting permits and finding workers
- Multifamily--2019: 5-7%; 2020: 0-5% (-1% in 2018)
 - occupancy rates, rents have leveled off; some millennials moving to houses but some seniors moving to apartments
 - millennials are staying longer in apartments than previous generations
 - nearly all multifamily construction is rental, not condo; more high-rises
- Improvements--2019: -5 to -7%; 2020: 5-10% (-2% in 2018); additions and renovations should track homebuying closely but data is weak



15 | Source: Author

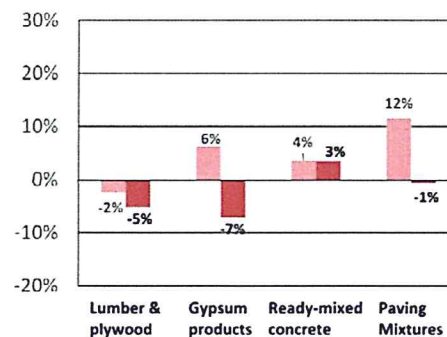
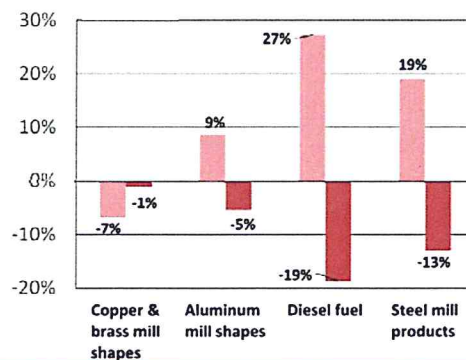
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Producer price index for key inputs

12-month % change, not seasonally adjusted

October 2017 – October 2018

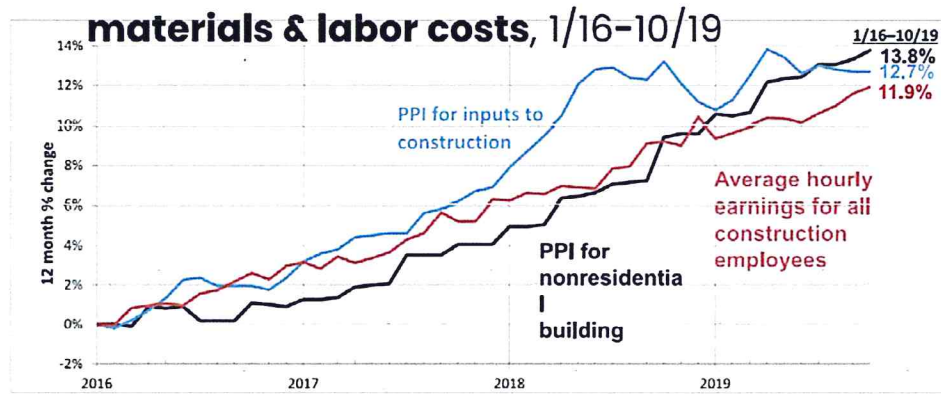
October 2018 – October 2019



20 | Source: Bureau of Labor Statistics

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Cumulative changes in bid prices vs.



21 | Source: Bureau of Labor Statistics

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Nonresidential spending by segment 2018 & 2019 year-to-date change; 2020 forecast



	2018 vs. 2017	Jan-Sep 2019 vs. Jan-Sep 2018	2020 forecast
Nonresidential total (public+private)	3.7%	2.0%	0-4%
Educational	1	-2	0-5%
Power (incl. oil & gas field structures, pipelines)	-3	6	5-10%
Highway and street	2	9	5-10%
Office	8	6	near 0
Manufacturing	0.1	3	near 0
Transportation (air, land, water)	12	7	5-10%
Retail	5	-22	-15 to -20%
Health care	-1	3	-0-5%
Warehouse	16	-2	near 0
Lodging	10	9	near 0
Sewage & waste disposal	4	8	0-5
Other* (13% of 2018 total)	6	0	0-5

5 | *Amusement, communication, water supply, public safety, conservation, and religious
Source: U.S. Census Bureau's construction spending report, Author's forecast

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Summary: 2018 actual, 2019 year-to-date & forecast



	2018 actual	Jan-Sep 2019 vs. Jan-Sep 2018	2020 forecast
Total spending	3%	-2%	1-5%
Private – residential	3%	-8%	2-7%
– nonresidential	4%	-0.6%	0-4%
Public	4%	6%	0-4%
Goods & services inputs PPI	4.0%*	-0.5%**	3-4%
Wages & salaries (avg. hourly earnings)	3.8%*	2.4%**	3.5-4.5%

22 | * Dec 2017-Dec 2018

** Oct 2018- Oct 2019

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Construction Market Regionally – Crane Watch



St. Louis City – In Construction or Pipeline



\$5.84B Under Construction or Proposed

- Delmar Divine - \$89M, est completion 2020
- Forest Park-DeBaliviere Transit Center Development - \$91.5M, est completion 2021, Q2
- 100 Above The Park - \$130M, est completion 2019, Q4
- BJC/Washington University Medical Campus Renewal - \$1B, est completion 2022
- Muny Capital Improvements - \$100M, ongoing
- 4340 Duncan Ave. - \$44M, 2019 completion
- WUSM Research Building and Parking Structure - \$300M, est completion 2022
- 4210 Duncan Ave.- \$115M, est completion 2021
- City Foundry - \$232M, under construction
- The Armory - \$83.5M, under construction
- SSM Health SLU Hospital - \$550M, est completion 2020, Q3
- NGA West - \$1.7B, est completion 2023
- 900 N. Tucker - \$70M, est completion 2020
- St. Louis Union Station - \$187M, est completion 2019, Q4
- Lafayette Square North - \$160M, proposed
- Jefferson Arms - \$103.7M, est completion 2021, Q2
- Railway Exchange Building - \$300M, proposed
- Ballpark Village - \$260M, est completion 2019, Q4 (Phase 2.1); 2020, Q2 (Phase 2.2)
- America's Center - \$175M, Proposed
- MLS Stadium - \$250M, est completion by 2022 season kick-off

Trends

- Concerns about adequate workforce will dominate the construction discussion in 2020 and beyond
 - Shortage affects all working in this space: building owners & managers, designers, engineers, contractors, maintenance providers
 - Gaining technological knowledge rapidly but having difficulty building [experiential knowledge](#) at the same rate at which we are losing it to retirements
- Look for ways to satisfy lacking resources: Budget, Time & People
 - Solutions: Prefabrication, Jobsite Productivity Techniques, Technology
 - More Design-Build & CM Opportunities with Expanded Preconstruction
 - [Critical Challenge](#): Find collaborative ways to deliver our projects that fairly distribute risks and rewards among the involved parties

Why Do People Want to Work on Your Project?

- Make money
- Be safe
- Build a quality project
- Documents are complete
- Work is respected
- Make a difference/
positive recognition
- Impact on the community
- It's not a hassle
- Reasonable schedule



What Can an Owner Do?



- Empower project managers
- Collaborative partner
- Values are aligned
- Fair documents
 - Trust
 - Appropriate risk allocation
- Reasonable procurement strategy
- Transparency of scope and budget
- Appropriate contingency
- Pragmatic approach to inclusion
- Coordinate with end users
- Adhere to payment terms

Thank You

