

TABLE OF EXPERTS

ST. LOUIS BUSINESS JOURNAL



COMMERCIAL REAL ESTATE *DISCUSSION*

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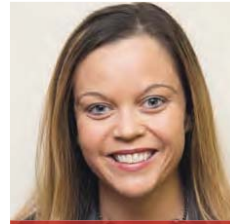
MICHAEL ROUSH

Michael Roush joined First American Title Insurance National Commercial Service Division in December 2013 as manager and underwriting counsel and has over a decade of experience in the title insurance industry. Roush provides underwriting support for the St. Louis office, manages office operations, and assists in building relationships with First American clients. He assists clients in commercial transactions involving real estate throughout the country. He understands each transaction presents its own set of unique circumstances and he strives to add value and provide clarity to clients who are often bound by time and cost considerations. Roush received his undergraduate degree from the University of Michigan and his juris doctorate from Saint Louis University School of Law with a concentration in Urban Development, Land Use, and Environmental Law.



MARK COFMAN

Mark Cofman received a B.S. from University of Missouri in 1969, with a concentration in finance. He received a M.B.A. from the University of Chicago in 1971, with a concentration in finance and economics. Cofman founded Realty Exchange 44 years ago. It has grown into one of the largest independently owned and operated investment real estate companies in Missouri. Realty Exchange represents clients in real estate transactions for investment and commercial sectors. Cofman is also a partner with Apartment Exchange — a management company, Coldwell Banker Premier — a residential real estate company, Title Premier and Heartland Premier Mortgage. He has served on a couple of bank advisory boards throughout his career. Cofman is currently the owner/operator of over 800 units in the St. Louis Metropolitan area.



NICOLE DOESCHOT

Nicole Doeschot is a manager in the Anders Tax Services group, and is a key member of the real estate and construction industry groups, where she specializes in energy tax credits, green tax incentives, cost segregation studies and other tax minimizing solutions for her clients. She was also the co-lead on the firm's Repair Regulations initiative in educating the firm on the law changes. Nicole also focuses on professional services and multi-state tax planning. She is involved with implementing technology procedures and strategies in the tax department. Doeschot is also the past chair of the staff advisory group for the Young Professionals of Anders.



JEFF GILBERT

Jeff Gilbert is regional president – St. Charles and chief credit officer at Frontenac Bank. He has 15 years of banking experience with a heavy emphasis in commercial real estate lending. In 2013, Gilbert was nationally recognized as one of eight "Rising Stars in Banking" by Northwestern Financial Review. He was cited for his deep industry knowledge and abilities as a problem-solver. Gilbert is a member of the St. Charles Chamber of Commerce and has served on committees for the Home Builder's Association and several nonprofits. He was recently named to Alive Magazine's "Men of Influence" and Streetscape's "Beyond the Best" lists. Gilbert graduated from Vanderbilt University with a bachelor's in human and organizational development and a minor in business administration.



TOBIAS RAFAEL

Tobias Rafael has transformed RAFCO into a top-tier management company specializing in premium properties throughout St. Louis. As a developer, Rafael has recognized the power and potential of new technologies – and how they can streamline building management systems at every phase. Rafael provides expert consultation which incorporates and integrates the most advanced automated technologies for security, life safety, elevator service, HVAC, parking and other systems. Rafael has a keen understanding of how Autogration technology can link all building systems – and how utilizing real-time data can help boost building efficiency, performance and safety.



KEVIN BUCHEK

Kevin Buchek has extensive experience in the construction and real estate industry. Kevin worked as a laborer during college and returned to construction after completing law school. He initially served as in-house counsel for a mid-size construction firm and was quickly promoted to President & CEO. During the recent recession Kevin tripled the company's revenues. Kevin transformed the company culture to one that promoted inclusion and diversity within the staff as well as on projects. When Kevin left the company, they were the industry leader in the region for inclusion.

Kevin continues that record at the company he recently founded, Roanoke Construction. Roanoke is focused on the construction and revitalization of multifamily housing and mixed use projects throughout the central corridor of St. Louis and beyond.

Commercial real estate discussion

▶ WHAT IS THE CURRENT STATUS OF THE COMMERCIAL CONSTRUCTION MARKET IN ST. LOUIS?

Kevin Buchek: As a general contractor, I can tell you that the commercial construction market in St. Louis is stronger today than it's been since 2007. The recession is over; however, we still are feeling some of the effects left over from the recession. The biggest thing is the subcontractor pool is smaller than it was in 2007. A lot of small businesses have gone out of business. So there's a lot less supply, a lot more demand on the subcontractors. There's more construction happening today. Kind of every aspect of the construction industry is better today than it was in '07, but there's less people to do the jobs. We have issues with our trade unions where folks are aging out or retiring, and we don't have enough young people coming into the trades. A lot of those subcontractors that went out of business between '07 and 2011, folks have gone on to other occupations. The unemployment rate was so high for the trades – we were above 30 percent in St. Louis for most of our building trades. So when a general contractor goes out for subcontractor bids, it's sometimes



hard to get competitive pricing. It's sometimes hard to get multiple bids in a specific trade. And if you're trying to bid a small project right now and you're competing against a BJC \$100 million deal, the bigger subs are going to be chasing the BJC deal. We had a project recently out for bid, and it was a mid-sized deal, \$10 million construction project, and we got one drywall number that was extremely high. And we begged and pleaded with the owner, the developer for extra time. We got extra time. And we had to really beg and

plead to get more subs to bid the project. We wound up finally getting numbers, but not until after the BJC bid was due. So the sub market is kind of controlling the general contractor market, which is controlling pricing for the overall commercial construction industry.

Tobias Rafael: We do a lot of owners' rep consulting and property management as well. I just got off a large project in the Chesterfield Valley area for a Fortune 300 company here. And I can tell you absolutely that the market

is hot. You have to also kind of think about material costs. Material costs from 2007 relative to where we are now, we're probably a little bit higher. Cost of fuel is down, so you've got a lot of less overhead as far as that's concerned. I think there's a lot more competition on the large-scale jobs for work. So I think we can drive those GC numbers down, or the sub numbers down. I agree 100 percent. It's hard getting the subs' attention because they are all vying for that big job. So, it's a difficult climate. But if you look just west of downtown, there are three or four jobs slated to come out of the ground. And other St. Louis corporate leaders are growing rapidly, thus planning for future real estate expansion. The larger subs are chasing those deals because I think there's a little bit more spread there and a little bit more longevity. In Clayton, two apartment complexes are coming out of the ground, and that speaks volumes as far as from a residential component which is an indicator of people coming into the market.

Michael Roush: Our construction disbursing department has been very busy over the last year with these new construction projects and rehabilitating

developments. It's a very exciting time really in the construction business, and that trickles down to all the other aspects of the real estate industry.

Mark Cofman: I know several contractors that were laying off workers during the recession. Now the phones are ringing again for bids and they are increasing their work force. We are seeing more development than we have seen in years.



"A lot of the commercial and big tenant customers are going out west.... We're seeing the growth out there and housing permits are showing that."

JEFF GILBERT,
Frontenac Bank

Nicole Doeschot: Our general contractor and sub contractor clients that are staying the busiest right now are the ones that are building for the health care, senior living and university sectors. The senior living sector is just booming right now. Our clients in that area cannot build fast enough. On the university side, you see a lot of people entering the market that haven't been there before because they are realizing that's where the growth is. When you drive around SLU, Wash U, UMSL, etc. the view is crane after crane. It seems that even in slower economic times, the contractors working in these sectors are the ones that maintain a strong pipeline and can stay profitable

Tobias Rafael: I think throughout 2007, it has been the St. Louis bellwethers that have kept the light lit. BJC, Wash U, Saint Louis University. So midtown for student housing, and then just run it all the way down. And new companies are coming to town. Nike just decided to come into St. Louis as an example. Those companies and other St. Louis corporate institutions as I mentioned earlier need buildouts, they need land, they need master planning, they need large acquisitions.

Jeff Gilbert: We've seen a lot of movement out west. A lot of what's driving some of the commercial

construction is the housing market. A lot of the commercial and big tenant customers or companies are going out west, to places like O'Fallon, Wentzville, Lake St. Louis, St. Charles County. We're seeing the growth out there and housing permits are showing that.

Kevin Buchek: I'm about to build a senior facility in Lake St. Louis. And to your point, every senior facility I've built in the last 10 years has been full within three months of completion. So they're usually weightless before construction completion, and they're leased up within a few months after completion.

So the senior continues to be hot, and probably will be for several years. And on the university side, even UMSL has three buildings under construction and another one about to start.

Mark Cofman: We are seeing an influx of specialty stores such as Lucky's and IKEA as well as established franchises like Tim Hortons. Tim Horton's is projecting 40 stores in the St. Louis Metropolitan area.

Kevin Buchek: We have a lot of coastal money coming in from New York, New Jersey, Pennsylvania and California.

There are a lot of developers who buy apartment complexes across the country and when they see the prices in St. Louis, they're shocked. I've had clients come in and buy projects site unseen, and then say, "Kevin, what's it going to cost to renovate this?" People are just shocked at how inexpensive compared with the coast our pricing is, so they're willing to invest and take a risk.

Mark Cofman: Recently we represented the buyer and seller of 104 apartments located in Maplewood to a

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DR. L. MICHELLE McREYNOLDS, O.D.
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California buyer. Between the high real estate prices of California and a 1031 exchange, St. Louis offers the potential of great returns. We are seeing more buyers from both coasts.

► **TALK ABOUT THE COMMERCIAL LENDING ENVIRONMENT.**

Jeff Gilbert: I'd say it's the most competitive we've seen in years. There are a lot of banks in the area. And a lot of times when there's a

real solid deal, there are three or four banks bidding on it. So it makes our job a little more difficult. We have to sell our bank, we have to sell our products, we have to differentiate. It's certainly a borrower's market, and I think that competition is driving some very favorable terms both on interest rates and down payments. I think it's important for banks, in the good times and in the bad times, to stay consistent with practices. Because it's easy to get aggressive and start doing things that maybe got banks in trouble years ago.

Mark Cofman: Realty Exchange represents a great deal of buyers and sellers each year. During the recession we would call several banks to secure financing. There was more groveling than lending. Now the tables have turned and once again, banks are calling our agents selling their services.

Jeff Gilbert: It's actually a fun time in banking right now. While competitive, it's a lot more fun today to go out and have calls than say maybe five, six years ago when everyone was sitting around a table

and kind of wondering when things were going to change from the developers to the title companies to the banks.

Tobias Rafael: I was on the board of directors with Jeff at Frontenac Bank for seven years. I saw the change and I saw the conundrum that the board of directors had to go through as far as trying to figure out the best deals and how to price deals. And as a developer, you still have a sense of loyalty to the bank that you have been with, that helped you through all the ups and downs of the market. But you can't as a businessperson not accept that call from another banker. But I think in the end, it really boils down to relationships with the local banks here in St. Louis. Of course the size of the deal is a limiting factor.



IT'S WHAT MAKES YOU TICK.

You're always thinking. Always looking for ways to improve your future.

We are, too. We're Anders, a dedicated team of CPAs and industry-focused advisors, and we're here to help you focus on your true passions, so you can keep moving forward, no matter what happens.

What are you focusing on today?
Contact Nicole M. Doeschot, CPA, MSA, Tax Manager at (314) 655-0161 or ndoeschot@anderscpa.com and see how our team can help.



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"It certainly helps to have a personal relationship with a bank. This develops trust and most importantly, an understanding of your business."

NICOLE DOESCHOT,
Anders

Mark Cofman: The personality of the lenders has changed from being an analyst to being a promoter. And there's also a difference between the local banks where you can't normally get a nonrecourse loan, to the national conduits where you can get the nonrecourse loans. And you're probably paying more fees on the way in, but the terms are longer and the prepayment penalties, and there's some things that make them not quite as desirable. So it depends where you want to be. Do you want to have a shorter term loan with very few fees? Are you willing to go out, get a longer commitment with nonrecourse debt and pretty good rates? I think they're aggressive in the amount of money that they're willing to loan.