Yardi® Matrix

MULTIFAMILY REPORT

St. Louis Remains Afloat

Summer 2020

Rent Gains Among the Highest in the US

Development Continues, Deliveries Stall

Per-Unit Price Marks New High

ST. LOUIS MULTIFAMILY

Yardi Matrix

Demand Boosts Rent Improvements

With a slowly dwindling population and job performance below the national average, St. Louis' multifamily market has posted outstanding performance during the COVID-19 outbreak. Rent expansion remained strong, up 0.2% on a trailing three-month basis through June. The average rate reached $982, well below the $1,457 U.S. figure. Still, following last year's substantial stock expansion, the occupancy rate in stabilized properties slid to 93.6% as of May, down 90 basis points in one year.

The metro's job market turned negative—down 3.4% in the 12 months ending in May—with leisure and hospitality shrinking by nearly 40%. The unemployment rate, which stood at a tight 3.3% in February, rose to 11.0% in April and 11.3% in May. Since the coronavirus outbreak, more than 490,000 Missourians have filed unemployment claims. The reopening of businesses resulted in a spike in the number of coronavirus cases, which prompted local officials to announce new capacity restrictions for a four-week period.

Following last year's cycle peak, when more than 2,900 units came online, the inventory expansion plummeted—just 253 units were delivered in the first half of 2020. Meanwhile, transaction volume totaled $249 million for an average per-unit price that rose by 74.5%. The volume was nearly on par with the same period last year, but most activity was registered in the first quarter.

Market Analysis | Summer 2020

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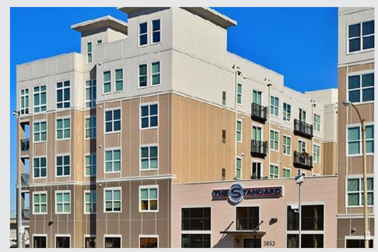
Recent St. Louis Transactions

Villages of Bogey Hills

City: St. Charles, Mo.
Buyer: Beitel Group
Purchase Price: $85 MM
Price per Unit: $174,211

The Standard



City: St. Louis
Buyer: Artisan Capital Group
Purchase Price: $46 MM
Price per Unit: $280,488

Meadowridge

City: St. Peters, Mo.
Buyer: Timberland Partners
Purchase Price: $30 MM
Price per Unit: $168,296

The Reserve at Heritage

City: St. Louis
Buyer: Avid Realty Partners
Purchase Price: $3 MM
Price per Unit: $26,835

RENT TRENDS

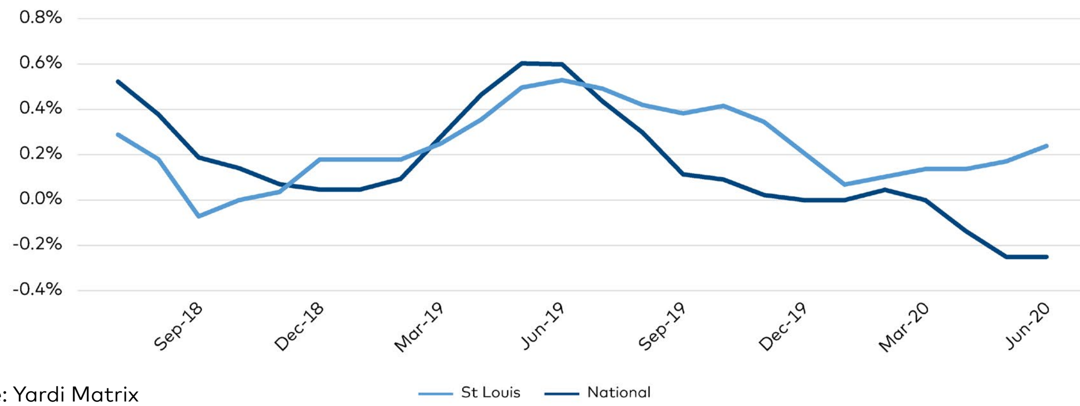
- Rent gains in St. Louis remained positive following the coronavirus outbreak, bucking the national trend. The average rent rose 0.2% on a trailing three-month basis through June to $982, well below the $1,457 U.S. figure, which slid 0.3% during the period. The Renter-by-Necessity segment led growth, with rates up 0.3% to $876, while Lifestyle rents inched up 0.1% to $1,427.

- While the healthy price evolution indicated sustained demand for multifamily housing, last year's substantial deliveries—which marked a cycle peak—have impacted the occupancy rate in stabilized properties, pushing demand down 90 basis points in one year, to 93.6% as of May. More specifically, occupancy in RBN assets declined 100 basis points to 93.4%, while Lifestyle occupancy fell 80 basis points to 94.1%.

- The highest-performing submarkets for rent expansion in the 12 months ending in June were Lafayette Square (average rent up 17.1% to $1,206) and Illinois-Alton (up 14.2% to $707). The only area where rents contracted was Forest Park (-0.5% to $1,179).

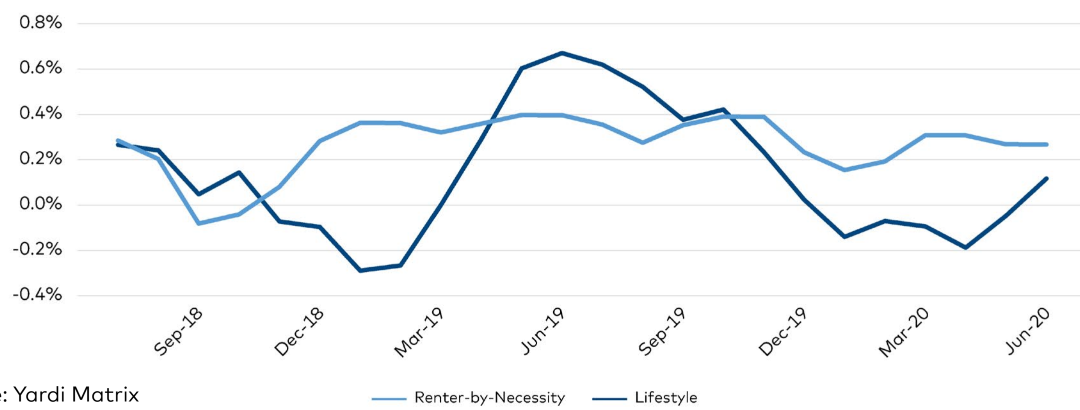
- The most affordable space in the metro was in Franklin County (1.4% year-over-year to $589) and Ferguson (1.6% to $631), while the most expensive units were in the core submarkets of University City/Maplewood (6.0% to $1,382), Central West End (1.5% to $1,341) and Clayton-Tamm (10.4% to $1,297).

St. Louis vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

St. Louis Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- St. Louis has maintained a relatively resilient economy over the past decade, with job growth in recent quarters on a slightly accelerating path, though still below the national rate. While unemployment stood at a tight 3.3% as of February, the health crisis pushed the rate up to 11.0% in April, and to 11.3% in May. From the onset of the pandemic in March through late July, the state had processed more than $3.4 billion in unemployment benefit payments to more than 490,000 Missourians. The rise in unemployment claims in mid-July showed that the struggling economy was backsliding, at a time when coronavirus cases were on the rise.
- After a brief 2012 contraction, St. Louis' job growth remained positive throughout the cycle, until this April when it fell 1.6% year-over-year; it decreased further in May, clocking a 3.4% slide. The health crisis slashed leisure and hospitality by nearly 40%, followed by information, which shrunk 16.5% in the 12 months ending in May.
- Following a spike in the number of coronavirus cases at the end of July, St. Louis County Executive Sam Page announced a series of rollback measures, including businesses limited to 25% occupancy, gatherings capped at 50 people and a 10 p.m. curfew for bars. These restrictions, which began on July 31, will be in place for four weeks.

St. Louis Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
55	Financial Activities	92	7.3%
50	Information	23	1.8%
15	Mining, Logging and Construction	64	5.1%
80	Other Services	45	3.6%
90	Government	146	11.6%
30	Manufacturing	108	8.6%
65	Education and Health Services	247	19.6%
60	Professional and Business Services	199	15.8%
40	Trade, Transportation and Utilities	239	18.9%
70	Leisure and Hospitality	99	7.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- St. Louis lost 2,227 residents in 2019—a slight 0.1% contraction—while the U.S. population recorded a 0.3% uptick.
- The metro's peak population expansion within the last decade was attained in 2015, when St. Louis registered 2,807,498 residents.

St. Louis vs. National Population

	2016	2017	2018	2019
National	323,071,342	325,147,121	327,167,434	328,239,523
St. Louis Metro	2,805,437	2,805,850	2,805,465	2,803,228

Sources: U.S. Census, Moody's Analytics

SUPPLY

- St. Louis had 2,549 units under construction as of June, 2,174 of which were slated for completion by the end of the year. Like in most cities around the country, delays are highly likely in the metro.

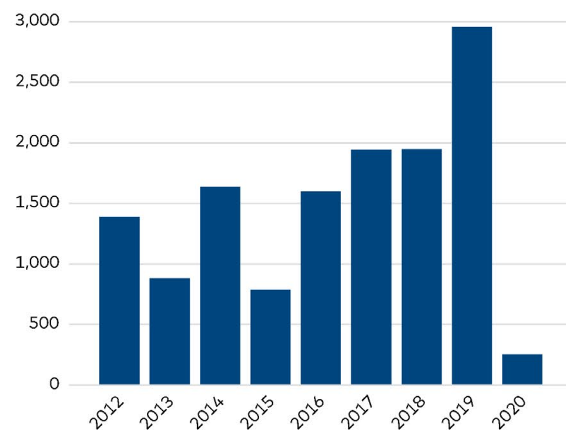
- Coming on the heels of last year's cycle peak, when 2,958 apartments came online, developers added only 253 units—all in Lifestyle communities—to the metro's stock in the first half of 2020. This year's additions equated to 0.2% of the metro's inventory, well below the 1.0% U.S. rate. Since 2012, the metro's multifamily stock has expanded by more than 13,000 units.

- In line with the nationwide trend, the bulk of St. Louis' pipeline remained concentrated in upscale projects. However, despite the metro losing many low-paying service jobs and the overall softening of market conditions for the higher end of the quality spectrum, demand remained relatively healthy across the board in the first half of the year.

- As of June, one-third of the construction pipeline was clustered in just two core submarkets—St. Louis-Downtown (424 units underway) and Central West End (393 units).

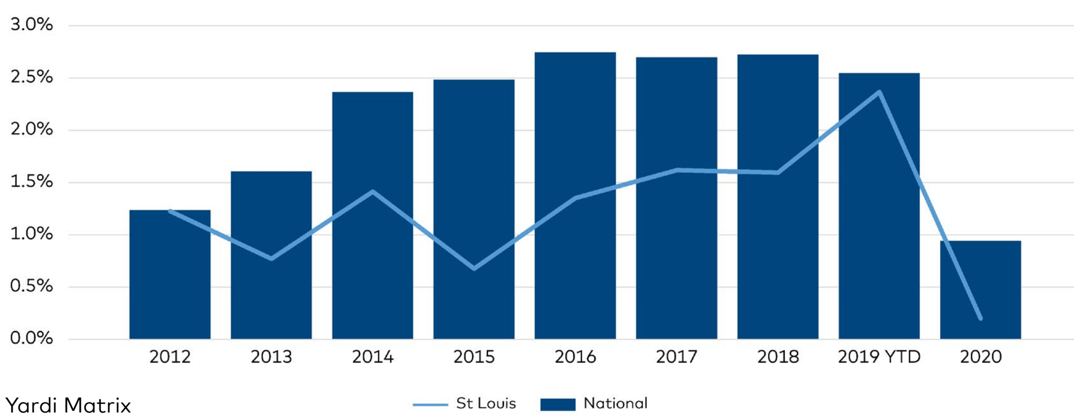
The metro's largest multifamily project under construction was One Hundred, a 36-story tower with 316 units located in the Central West End submarket. The asset—touted as the first building on Kingshighway Boulevard to surpass the neighboring Park Plaza in height—is owned by Antheus Capital and is expected to be delivered by year-end.

St. Louis Completions (as of June 2020)



Source: Yardi Matrix

St. Louis vs. National Completions as a Percentage of Total Stock (as of June 2020)



Source: Yardi Matrix

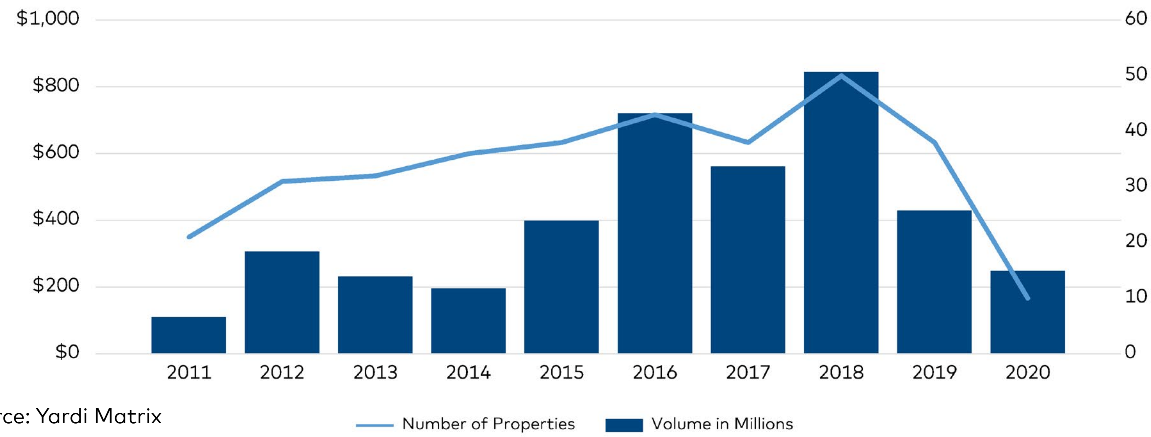
TRANSACTIONS

- Transaction activity for the first half of 2020 was almost on par with the same period last year. By June, St. Louis' sales totaled $249 million, only slightly below the $251 million registered during 2019's first six months. However, market uncertainty rose considerably with the onset of the pandemic—nine of the 10 deals confirmed in the first half of the year were closed in January and February.

- Per-unit prices, up by a hefty 74.5% to $124,573, hinted at strong investor interest. Of the 10 assets that traded, eight were RBN properties.

- One of the largest moves of 2020 has been Monarch Investment and Management Group's acquisition of a 680-unit, four-property portfolio from Buccaneer Property Managers. The communities, which were completed in the 1960s, range between 144 and 212 units. The buyer benefited from a $29.3 million Fannie Mae loan originated by Berkadia.

St. Louis Sales Volume and Number of Properties Sold (as of June 2020)



Source: Yardi Matrix

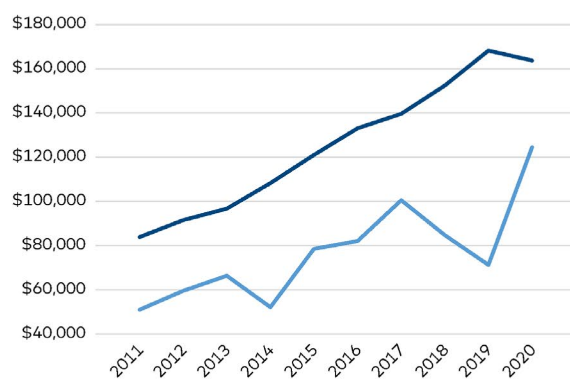
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
St. Louis-Forest Park	110
St. Charles	85
St. Louis-Central West End	46
St. Louis-Lafayette Square	46
St. Peters	30
St. Louis-South	23
Ferguson	16

Source: Yardi Matrix

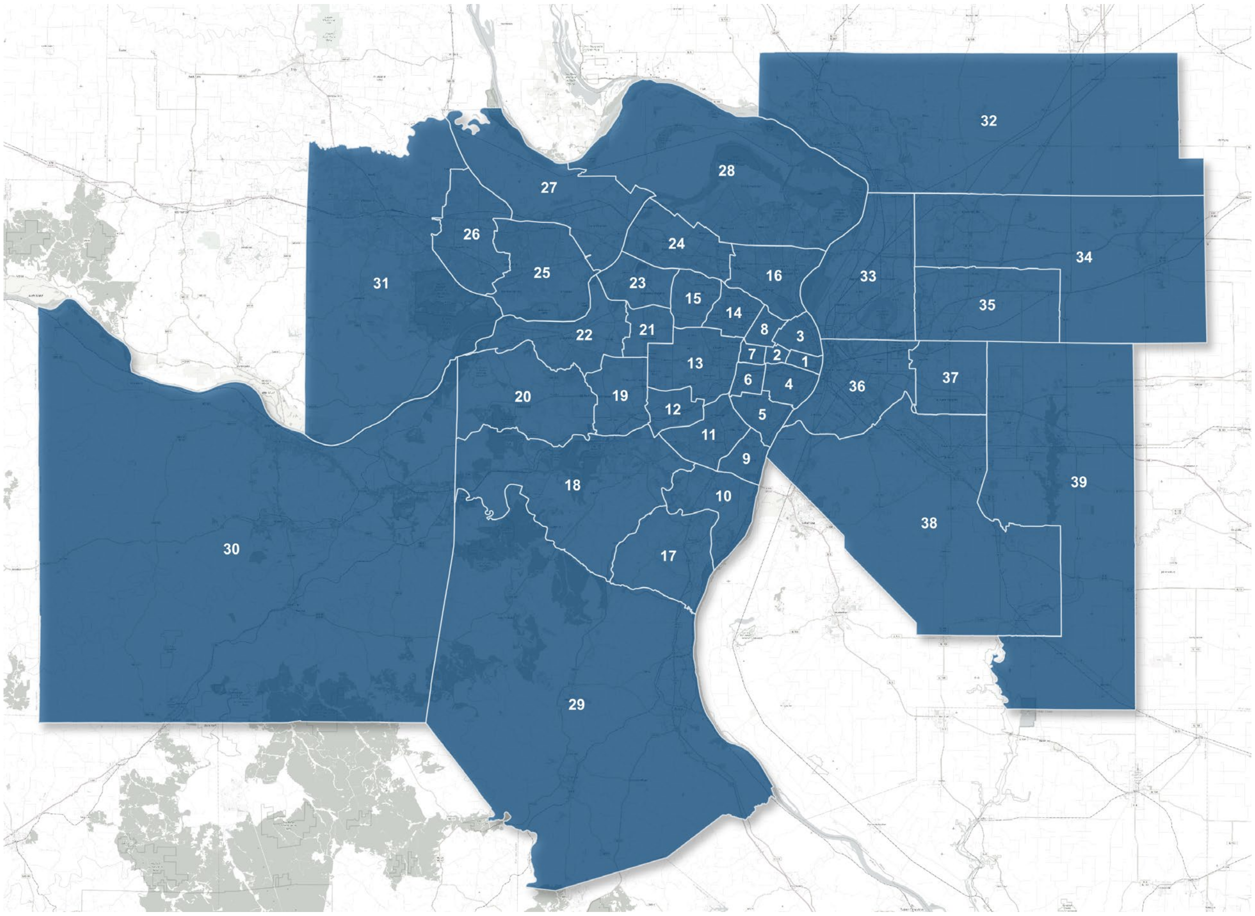
[1] From July 2019 to June 2020

St. Louis vs. National Sales Price per Unit



Source: Yardi Matrix

ST. LOUIS SUBMARKETS



Area No.	Submarket
1	St. Louis–Downtown
2	St. Louis–Central West End
3	St. Louis–North
4	St. Louis–Lafayette Square
5	St. Louis–South
6	St. Louis–Clayton Tamm
7	St. Louis–Forest Park
8	St. Louis–Northwest
9	Mehlville–North
10	Mehlville–South
11	Affton
12	Kirkwood
13	University City–Maplewood

Area No.	Submarket
14	Bel-Ridge
15	St. Ann–Overland
16	Ferguson
17	Arnold
18	Fenton–Eureka
19	Manchester–Valley Park
20	Ballwin
21	Creve Coeur
22	Chesterfield
23	Maryland Heights
24	Hazelwood–Bridgeton
25	St. Peters
26	O'Fallon

Area No.	Submarket
27	St. Charles
28	Florissant
29	Festus
30	Franklin County
31	Charles County
32	Illinois–Alton
33	Illinois–Granite City
34	Illinois–Edwardsville
35	Illinois–Collinsville
36	Illinois–East St. Louis
37	Illinois–Fairview Heights
38	Illinois–Belleville
39	Illinois–O'Fallon

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional*, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;
- *Students,* who also June span a range of income capability, extending from affluent to barely getting by;
- *Lower-middle-income ("gray-collar") households,* composed of office workers, policemen, firemen, technical workers, teachers, etc.;
- *Blue-collar households,* which June barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;
- *Subsidized households*, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, June extend to middle-income households in some high-cost markets, such as New York City;
- *Military households*, subject to frequency of relocation.

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.