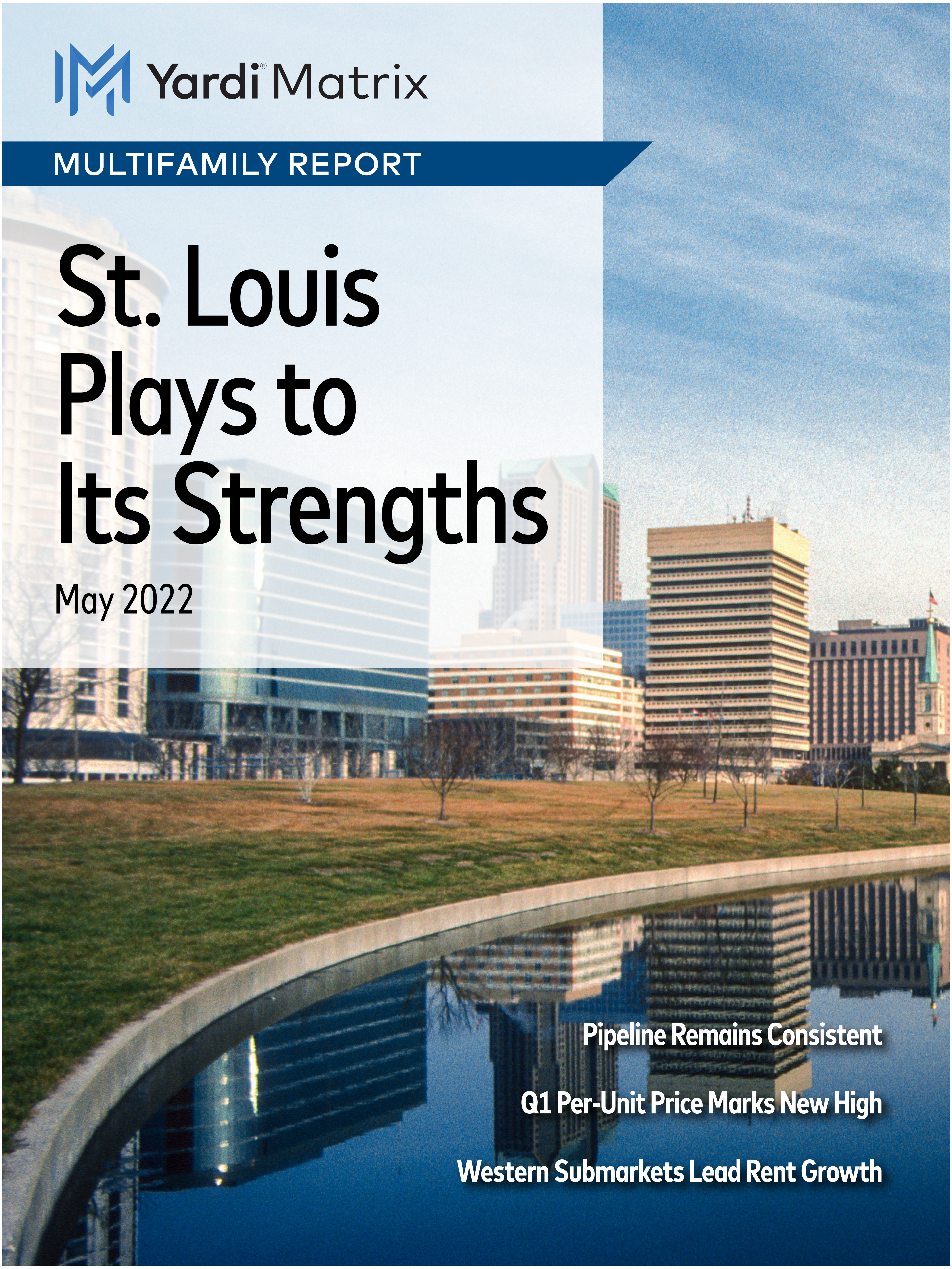
Yardi Matrix

MULTIFAMILY REPORT

St. Louis Plays to Its Strengths

May 2022



Pipeline Remains Consistent

Q1 Per-Unit Price Marks New High

Western Submarkets Lead Rent Growth

ST. LOUIS MULTIFAMILY

Yardi Matrix

Demand Boosts Rents, Occupancy

St. Louis' multifamily market ended the first quarter on a positive note, with healthy fundamentals across the board. Rents rose 0.6% on a trailing three-month basis through March to $1,125, a rate that keeps the metro among the country's relatively affordable markets, well below the $1,642 U.S. average. Increased demand in the Renter-by-Necessity segment is mirrored by its evolution, with rent growth, occupancy and transactions all outperforming the Lifestyle segment.

St. Louis unemployment stood at 3.7% in February, on par with Missouri and 10 basis points above both the Illinois and U.S. rates. Still, the local economy has not yet stabilized but is on track to reach the target. Employment posted a 2.6% expansion (40,400 jobs) in the 12 months ending in February, on a softening trend since October. The metro's progress in diversifying is making strides—the National Geospatial Intelligence Agency stands as anchor for a new sector and recently opened its first lab space.

Developers had 5,112 units under construction as of March, but deliveries marked a slowdown, which is consistent with the metro's pattern. Meanwhile, transaction activity remained elevated in the first quarter, with $304 million in multifamily assets changing ownership, for a price per unit that rose 24.4% year-over-year to $187,230, but still trailed the $213,402 U.S. rate.

Market Analysis | May 2022

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Recent St. Louis Transactions

Glen at Bogey Hills

City: St. Charles, Mo.
Buyer: Priderock Capital Partners
Purchase Price: $92 MM
Price per Unit: $189,648

The Arlington

City: St. Louis, Mo.
Buyer: Briar Capital Management
Purchase Price: $81 MM
Price per Unit: $284,036

Grand Flats

City: St. Louis, Mo.
Buyer: Balke Brown
Purchase Price: $42 MM
Price per Unit: $342,432

Millennium at Creve Coeur

City: Creve Coeur, Mo.
Buyer: Priderock Capital Partners
Purchase Price: $36 MM
Price per Unit: $193,383

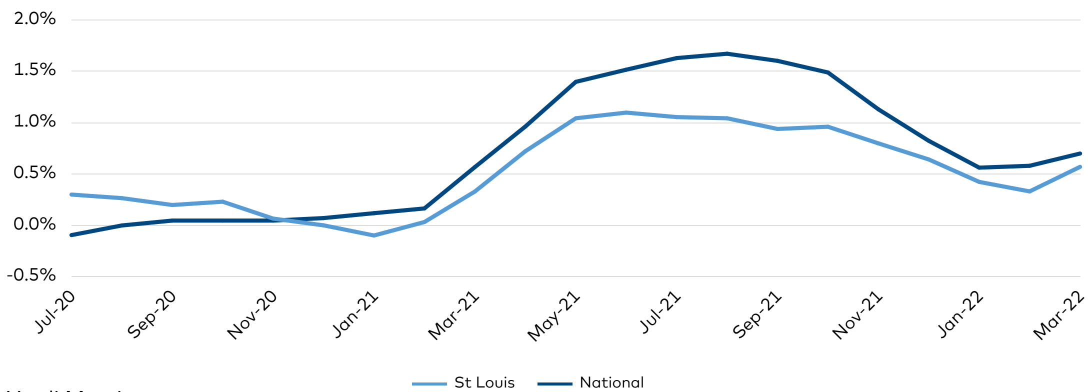
RENT TRENDS

- Following four months of seasonal moderation, St. Louis rents picked up once again and rose 0.6% on a trailing three-month (T3) basis through March, just 10 basis points below the U.S. rate. The $1,125 average, though, remained far behind the $1,642 U.S. figure. Year-over-year, St. Louis rents posted a 10.2% increase, trailing the 14.8% national average.

- Rent growth by property class showed increased demand for Renter-by-Necessity units, with the average rising 0.6% on a T3 basis through March, to $993. Meanwhile, rates in the smaller Lifestyle segment rose 0.4%, to $1,607. The dynamic is mirrored by the occupancy rate in stabilized properties: For the RBN segment, the rate rose 150 basis points in the 12 months ending in February, to 95.8%, while for the Lifestyle segment it inched up just 20 basis points to 95.2% during the period. Overall, occupancy in St. Louis stood at 95.3% as of February.

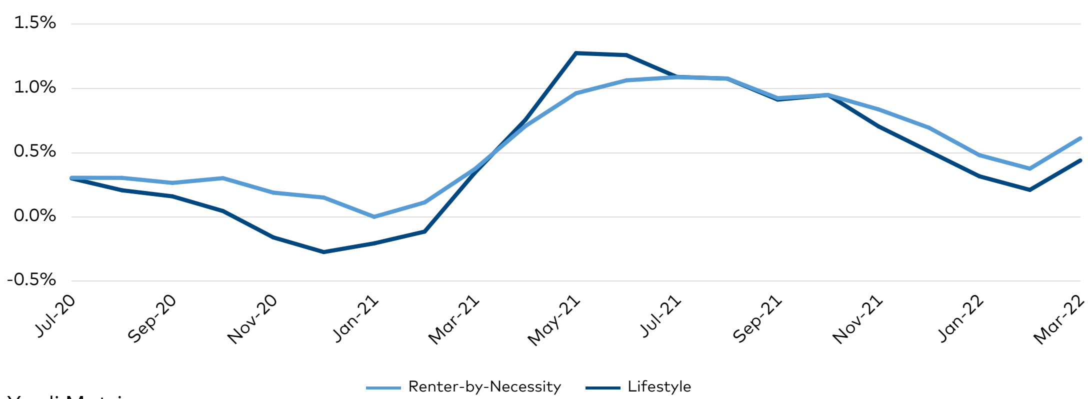
- Of the 39 submarkets tracked by Yardi Matrix, 20 posted average rents above the $1,000 mark, two more than 12 months prior. Year-over-year as of March, 15 submarkets posted rent growth in the double digits, led by western areas including Chesterfield (18.9% to $1,506), O'Fallon (16.0% to $1,330) and St. Peters (14.3% to $1,320). Chesterfield is the second-most-expensive area in St. Louis, led only by University City/Maplewood (12.5% to $1,522). Meanwhile, O'Fallon and St. Peters are construction hot spots, with the two submarkets having nearly 1,200 units under construction as of March.

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 unemployment improved to 3.7% in February, 10 basis points ahead of the U.S. and Illinois rates and on par with Missouri. Unemployment paints the picture of a local economy that is still seeking to stabilize, as the rate hovered around the 3.0% mark between September and December, only to spike again in January to 4.3%.
- Employment expanded by 2.6% (40,400 jobs) in the 12 months ending in February, and has been on a steady softening trend from the 5.8% September high. Meanwhile, the U.S. rate also moderated, but at a slower pace, clocking in at 4.7% in February, from 7.5% in September. Leisure and hospitality led gains (12,100 jobs) in St. Louis. Trade, transportation and utilities followed (9,200 jobs), bolstered by the rapid expansion of e-commerce, and by the 295-acre Fenton Logistics Park, now complete and fully occupied. The professional and business services sector added 8,200 jobs, still boosted by the work-from-home environment. The construction sector posted significant performance, adding 7,900 jobs (13.2%). Education and health services and financial activities lost 4,300 jobs combined.
- St. Louis is diversifying its economy, and the National Geospatial Intelligence Agency stands as anchor for a new sector—the entity recently opened the first lab of a 712,000-square-foot, $1.7 billion campus slated to open in 2025.

St. Louis Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	127	9.3%
40	Trade, Transportation and Utilities	267	19.6%
60	Professional and Business Services	213	15.6%
15	Mining, Logging and Construction	68	5.0%
30	Manufacturing	117	8.6%
80	Other Services	50	3.7%
50	Information	27	2.0%
90	Government	152	11.1%
65	Education and Health Services	255	18.7%
55	Financial Activities	89	6.5%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- In 2020, St. Louis marked the first population expansion since 2017, albeit a small one: The metro gained 2,245 residents, the equivalent of less than 0.1%, far behind the 0.4% U.S. rate.
- Between 2010 and 2020, St. Louis' population inched up 0.6%.

St. Louis vs. National Population

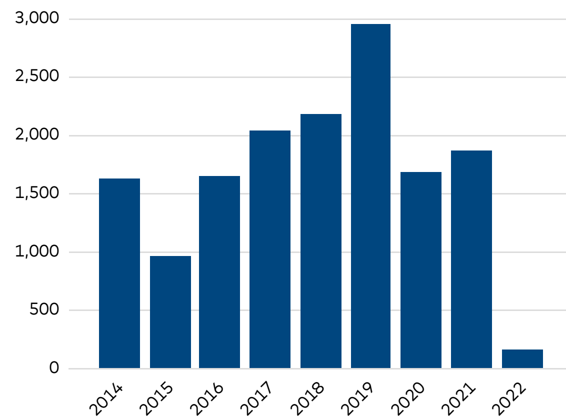
	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
St. Louis	2,805,850	2,805,465	2,803,228	2,805,473

Source: U.S. Census

SUPPLY

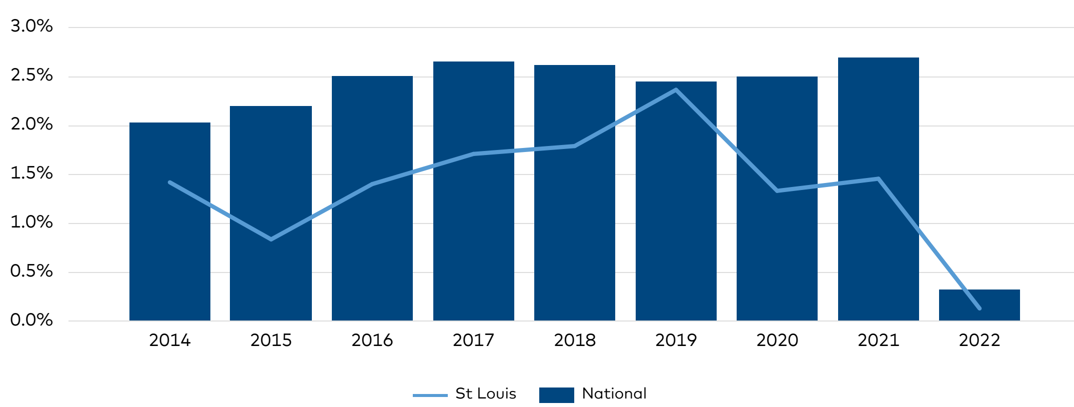
- As of March, St. Louis' pipeline had 5,112 units underway and some 15,000 apartments in the planning and permitting stages. More than 3,000 units are slated for completion by the end of the year. However, due to significant challenges, including rising construction costs, supply chain issues and the ongoing workforce shortages, many projects could face delays.
- Current market conditions—a steadily rising population, the work-from-home lifestyle and a diversifying economy—encouraged developers to continue focusing on upscale projects, which accounted for roughly two-thirds of the construction pipeline as of March.
- During the first quarter of 2022, developers delivered 169 units in two projects: An 84-unit affordable community and an 85-unit Lifestyle property. Consistent with the performance of the past decade, the expansion rate in St. Louis trailed the nation, inching up 0.1% of total stock, behind the 0.3% U.S. rate. In 2021, St. Louis' multifamily inventory expanded by 1,874 units, on par with the average of the past eight years.
- Developers are especially active west of the Mississippi River, in the area bounded by Interstate 44 and Dwight Eisenhower Highway, where a 5.5-mile radius encompasses more than half of the projects underway. Core area Lafayette Square (915 units) and distant O'Fallon (616 units) led in the number of units underway.
- The largest project under construction as of March was Reserve at Mid Rivers, a 462-unit Lifestyle property in St. Peters. Owned by Terra West, the asset is slated for completion in mid-2023.

St. Louis Completions (as of March 2022)



Source: Yardi Matrix

St. Louis vs. National Completions as a Percentage of Total Stock (as of March 2022)

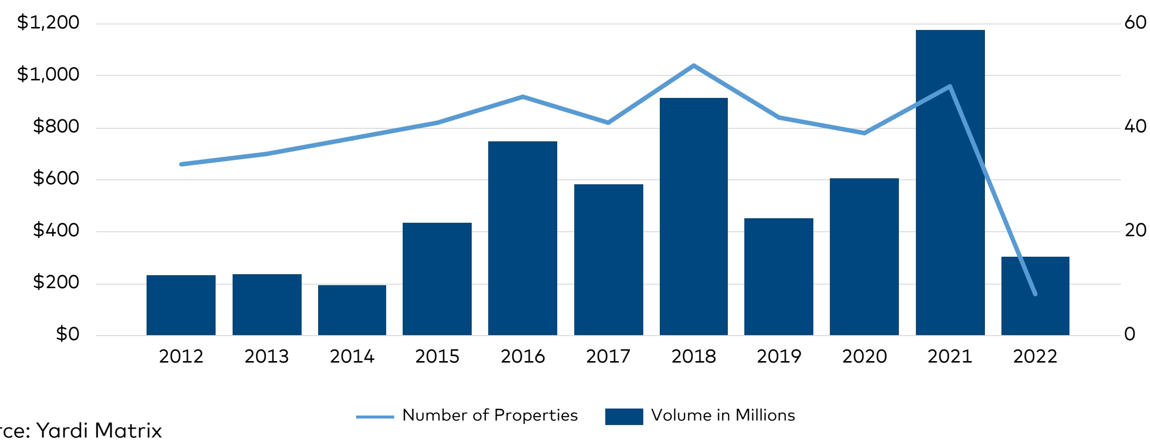


Source: Yardi Matrix

TRANSACTIONS

- St. Louis drew investors last year like never before, with the volume rising to a record $1.2 billion. Going into 2022, interest in the market remained high, with $304 million in multifamily assets changing hands during the first quarter, above the $257 million volume during the first three months of 2021.
- First-quarter sales were all value-add plays, while last year, the RBN segment accounted for about two-thirds of transactions. Increased investor competition has pushed up the price per unit by 24.4% year-over-year through March, to $187,230. This rate represents a 345% jump from 2010, and an 84.6% increase from 2017. Even so, the average was still below the $213,402 U.S. average.
- The largest sale through March was Priderock Capital Partners' $92 million acquisition of Glen at Bogey Hills from Beitel Group. The buyer used a $69.3 million loan held by Berkadia Commercial Mortgage.

St. Louis Sales Volume and Number of Properties Sold (as of March 2022)



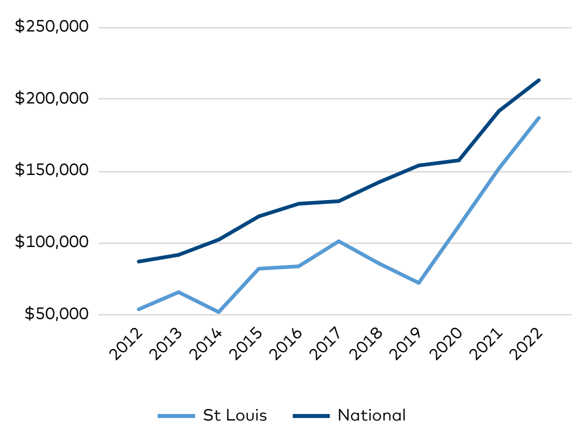
Source: Yardi Matrix

Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
University City/Maplewood	261
St. Charles	193
Creve Coeur	161
Forest Park	111
Lafayette Square	68
Maryland Heights	67
Downtown	51

Source: Yardi Matrix
[1] From April 2021 to March 2022

St. Louis vs. National Sales Price per Unit



Source: Yardi Matrix

EXECUTIVE INSIGHTS

Brought to you by:

Developers Tap Into St. Louis' Growing Multifamily Market

By Tudor Scolca

Backed by improving demographics, the growing popularity of the remote work lifestyle and a diversifying economy, multifamily development across St. Louis is gathering momentum. Mia Rose Holdings has several high-end developments underway in the metro, targeting both young professionals and retirees. To understand what is fueling the metro's development market, MHN asked Founder & President Tom Kaiman to share his thoughts.

How much has St. Louis' multifamily market changed over the past couple years?

Driven by an increase in demand for rental housing since the pandemic and a highly competitive real estate market, St. Louis in particular and the Midwest in general, has started becoming a great investment opportunity for capital that typically has been focused in more saturated, higher growth markets. This increasing demand for multifamily housing can be measured by the high absorption rates and the rapid pace that developments are leasing.

Construction activity across the metro increased significantly in 2021. Do you expect this trend to continue?

Even with double digit increases in construction costs, 24 percent more units were built in 2021 compared to St. Louis' five-year annual average. beatae vitae dicta sunt explicabo. This increase in construction is a direct result of a market shift towards a higher flexibility, lower maintenance

lifestyle. All of a sudden, rental demand is growing.

What areas are developers attracted to and why? Where is Mia Rose building?

Our developments in the St. Louis region are focused West, in the St. Charles County market, where the population has been shifting for a long time, but rental units are in shorter supply. People equate St. Charles County with freedom and openness. The availability of land allows us to build the same quality that is in St. Louis County but more spread out with greenspaces, walking trails, resort-style heated pools, outdoor gathering spaces and more.

What is driving demand for high-quality, upscale properties?

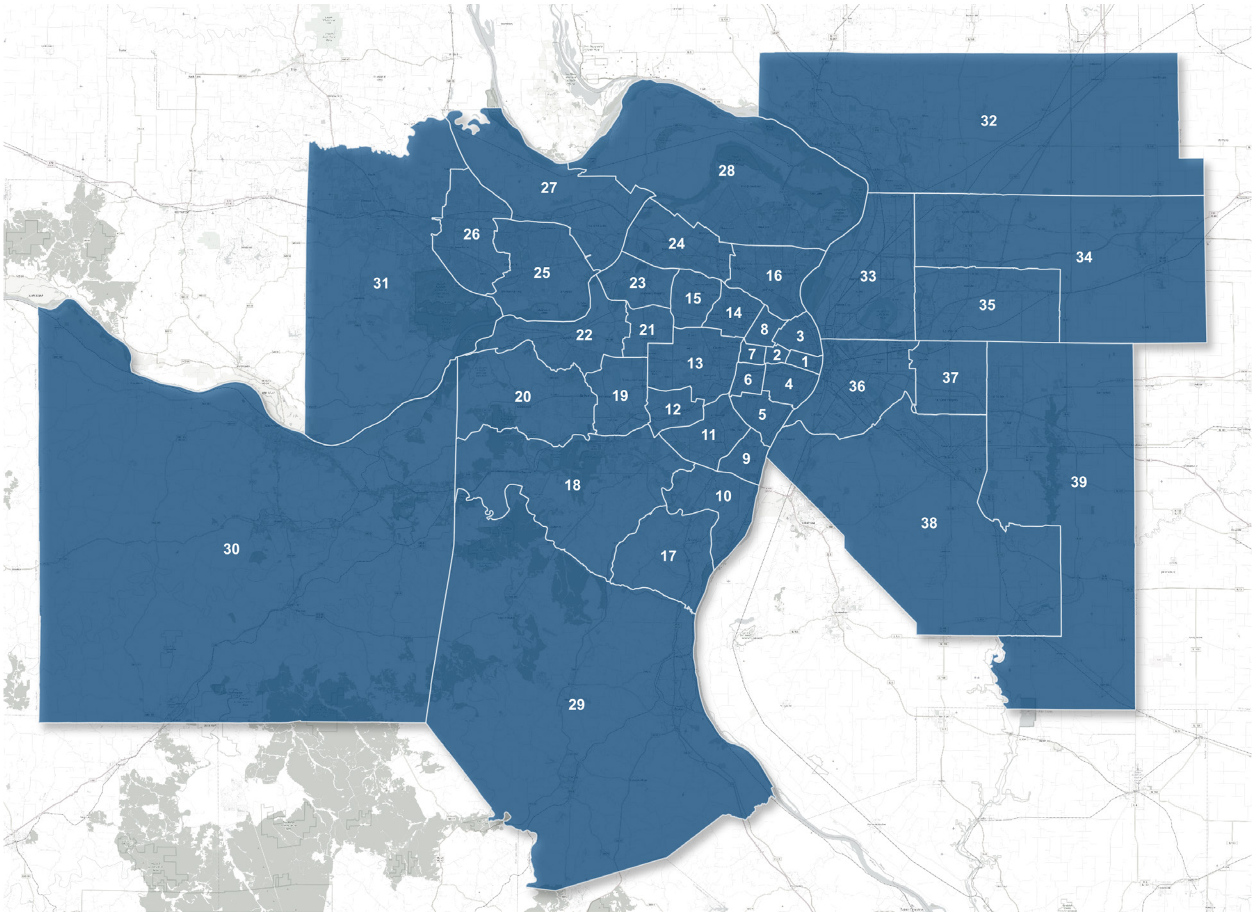
The demand for higher-end properties is a direct result of a shift in the mix of tenant demographics. Young professionals who want to save money, enjoy inclusive amenities and have mobility before purchasing a home, are increasingly looking to rent instead of buy at their stage of life. Retirees are another demographic that is leasing at high rates within these high-end communities.

How do you expect the St. Louis multifamily development market to perform this year?

We expect the St. Louis multifamily development market to continue to perform strongly this year. Properties continue to lease up in record time despite higher-than-normal increases in rent prices. Until that slows down, the market is telling us they want more multifamily housing.

(Read the complete interview on multihousingnews.com.)

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 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 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, 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.

Yardi Matrix

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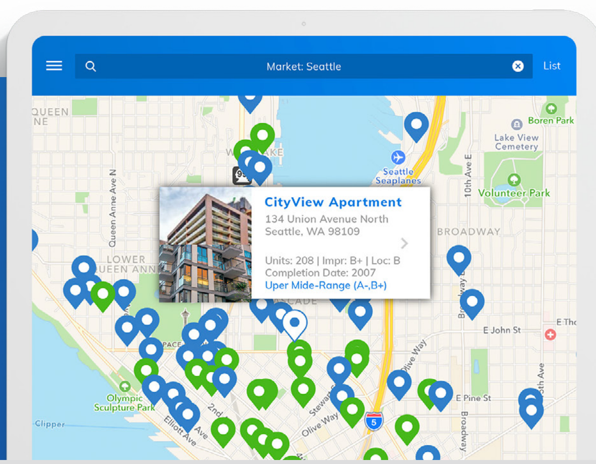
MULTIFAMILY KEY FEATURES

- Pierce the LLC every time with true ownership and contact details
- Leverage improvement and location ratings, unit mix, occupancy and manager info
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



Yardi Matrix Multifamily provides accurate data on **19.7+ million units**, covering over **92% of the U.S. population.**

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