

# St. Louis: No Time For The Blues

May 2023



Rent Growth Remains Stable

Occupancy Slides, Still Above 95%

Construction Starts Remain High

# ST. LOUIS MULTIFAMILY



## Fundamentals Improve As Economy Endures

St. Louis' multifamily fundamentals remained steady, though gains were moderate. Rates inched up 0.1% on a trailing three-month basis through March, to \$1,183. Meanwhile, occupancy kept up with the substantial supply expansion and decreased just 40 basis points in the 12 months ending in February, to a still strong 95.1%.

The unemployment rate stood at 2.8% in February, surpassing Illinois (4.5%) and the U.S. (3.6%) but lagging Missouri (2.6%), according to preliminary data from the Bureau of Labor Statistics. The job market—in expansion mode since September 2021—grew just 1.9%, or 20,800 positions, last year, well behind the 3.7% national figure. Two sectors contracted, losing a combined 8,200 positions, while gains were led by professional and business services (9,100 jobs) and leisure and hospitality (5,900 jobs). The latter will likely get a boost from the metro's new 22,500-seat stadium, CityPark, which was completed last November ahead of the 2023 MLS season. Several other major projects are underway, including Lighthouse Point and Gateway South.

Developers delivered just 87 units during the first quarter but had an additional 7,004 apartments under construction. Meanwhile, investors traded \$129 million in multifamily assets in 2023 through March, at an average per-unit price that climbed to \$224,862, surpassing the \$196,544 U.S. figure.

## Market Analysis | May 2023

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### Recent St. Louis Transactions

#### The View at Forest Park



City: St. Louis  
Buyer: Beitel Group  
Purchase Price: \$69 MM  
Price per Unit: \$230,003

#### Bold on Blvd



City: St. Peters, Mo.  
Buyer: Raven Capital Group  
Purchase Price: \$60 MM  
Price per Unit: \$219,174

#### Hillvale



City: St. Louis  
Buyer: Steele Properties  
Purchase Price: \$31 MM  
Price per Unit: \$212,329

#### Longacre Ponds

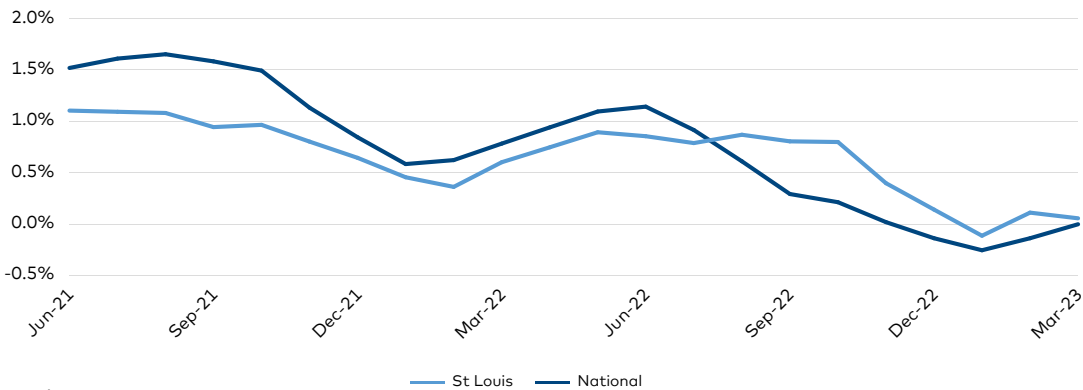


City: Fairview Heights, Ill.  
Buyer: Catalyst Property Solutions  
Purchase Price: \$20 MM  
Price per Unit: \$77,381

## RENT TRENDS

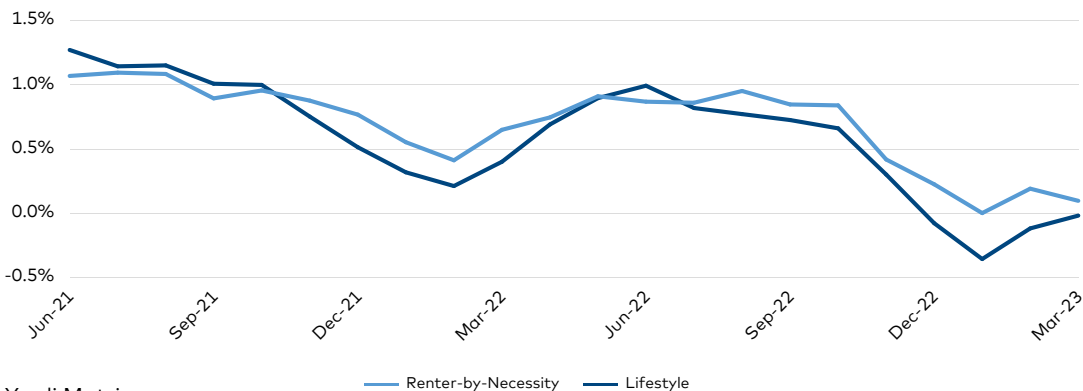
- ▶ The average asking rent in St. Louis inched up 0.1% on a trailing three-month (T3) basis through March, following deceleration and a 10-basis-point drop below zero at the start of the year. Meanwhile, the U.S. T3 rate remained flat, following three consecutive months in negative territory. This trend was also reflected in year-over-year performance, with rents in the metro rising 5.7% as of March to \$1,183, while the U.S. rate rose 4.0%, to \$1,706.
- ▶ Working-class Renter-by-Necessity rates rose 0.1% on a T3 basis through March, to \$1,052. Meanwhile, Lifestyle rates stabilized following three months of drops, remaining flat at \$1,675.
- ▶ Occupancy in stabilized properties stood at 95.1% in February, following a 0.4% year-over-year drop led by softening in the Lifestyle segment. Lifestyle occupancy declined 100 basis points to 94.9%, while RBN occupancy was down 30 basis points, to 95.1%.
- ▶ Of the 39 submarkets tracked by Yardi Matrix, 23 posted average asking rents above the \$1,000 mark, up from 20 in March 2022. The most sought-after areas remained University City/Maplewood (up 5.6% year-over-year to \$1,607), St. Louis-Clayton Tamm (up 6.4% to \$1,556) and Chesterfield (up 0.7% to \$1,515)—all on the Missouri side. University City/Maplewood also has one of the highest construction pipelines in the metro. The most expensive submarket on the Illinois side was Fairview Heights, where rents rose by a substantial 9.2%, to \$1,413.

### 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 stood at 2.8% in February, a 20-basis-point decrease from January, outperforming Illinois (4.5%) and the U.S. (3.6%), but trailing Missouri's 2.6% rate, according to data from the BLS. The metro's rate improved 90 basis points from the value registered during the same month in 2022. Last year's figure also marked 2022's highest recorded rate.
- ▶ Employment growth continued to decelerate, up just 1.9% last year and half the 3.7% national rate. Even so, the metro has been in steady expansion mode since the fall of 2021. Losses were limited to two sectors—information (-400 jobs) and government (-7,800 jobs). Professional and business services maintained its lead with the addition of 9,100 positions, followed by leisure and hospitality (5,900 jobs).
- ▶ The \$325 million, 68-acre Lighthouse Point—designed as a mixed-use entertainment, retail and restaurant project—has entered the development stage, with the first two phases being built simultaneously. In addition, the \$1.2 billion riverfront Gateway South development secured financing for its \$200 million first phase. The project consists of three mixed-use districts comprising recreational, residential, industrial, office and entertainment components. Meanwhile, in the northwestern area of the city, Bridgeton officials have solicited development proposals for a 500-acre lot marked for industrial use.

### St. Louis Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
60	Professional and Business Services	223	15.9%
70	Leisure and Hospitality	138	9.9%
30	Manufacturing	119	8.5%
65	Education and Health Services	259	18.5%
40	Trade, Transportation and Utilities	275	19.6%
15	Mining, Logging and Construction	74	5.3%
80	Other Services	51	3.6%
55	Financial Activities	91	6.5%
50	Information	26	1.9%
90	Government	146	10.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

### Population

- ▶ During the first year of the pandemic, St. Louis' population expanded 0.5%, only to lose 9,000 people in 2021. That was a 0.3% drop, while the U.S. population increased 0.1%.
- ▶ Since the 2010 census, the metro's population rose 0.7%, well behind the 7.3% U.S. rate.

### St. Louis vs. National Population

	2018	2019	2020	2021
National	326,838,199	328,329,953	331,501,080	331,893,745
St. Louis	2,805,800	2,805,617	2,818,267	2,809,299

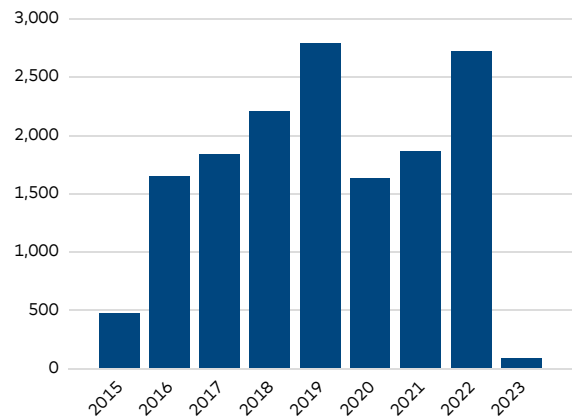
Source: U.S. Census

## SUPPLY

- ▶ St. Louis' inventory expanded by less than 0.1% during the first quarter of 2023. This came on the heels of the decade's second-best year for deliveries. A total of 2,731 units came online in 2022, 2.1% of existing stock and just 10 basis points below the U.S. rate. Although deliveries lagged, construction starts saw an uptick, totaling 3,906 units across 19 properties in 2022, a big step up from the 1,649 units that broke ground in 2021. More so, this year through March, construction started on 268 units.
- ▶ As of March, developers had 7,004 units under construction and almost 18,000 apartments in the planning and permitting stages. Of projects underway, 5,132 units are scheduled for completion this year, but taking into account labor shortages, supply-chain issues and mounting financial woes, Yardi Matrix anticipates that only 3,607 units (2.8% of stock) will be added to the stock in 2023.
- ▶ The pipeline's composition comprised mostly Lifestyle projects (73%). Of the remaining 27%, just 5% were units in fully affordable projects. The Missouri area of the metro was more active in multifamily construction, with core submarket St. Louis-Lafayette Square leading by volume, with 1,129 units underway. Next in line were St. Louis-Downtown (767) and University

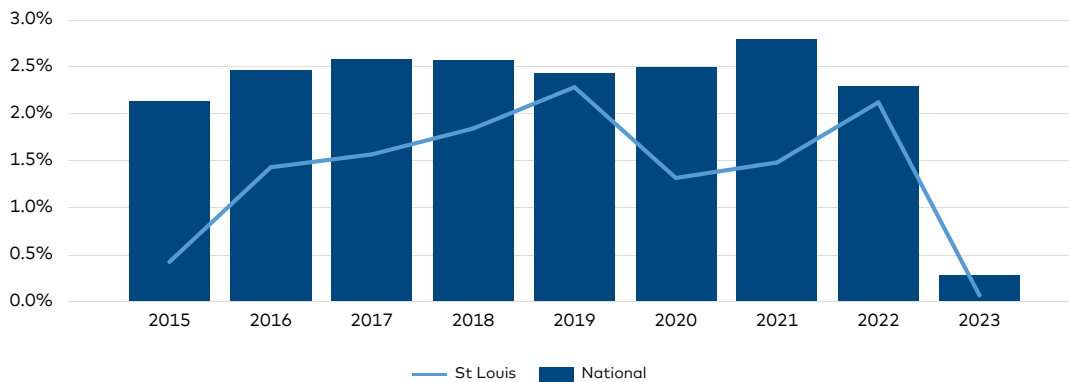
City/Maplewood (722). The latter also houses the only property delivered during the first quarter of 2023—the 87-unit The Square on Delmar. The development was originally completed in 1951 and was fully renovated by a private investor, with aid from a \$14.3 million construction loan issued by Peoples Bank Midwest. Overall, of the 39 submarkets tracked by Yardi Matrix, 17 had at least 50 units under construction going into the second quarter.

**St. Louis Completions** (as of March 2023)



Source: Yardi Matrix

**St. Louis vs. National Completions as a Percentage of Total Stock** (as of March 2023)



Source: Yardi Matrix

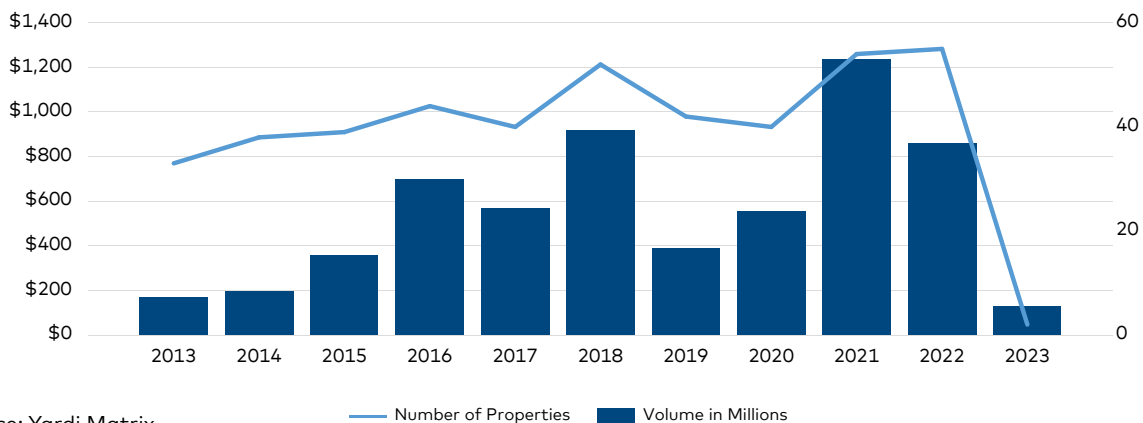
## TRANSACTIONS

- ▶ During the first quarter of 2023, investors traded \$129 million in multifamily assets in St. Louis. Rising interest rates impacted the metro's transaction activity, with nearly half of last year's \$861 million changing hands during the first quarter of 2022 (\$404 million). Even so, last year's volume earned a solid third place in transaction volume over the past decade.
- ▶ The average price per unit stood at \$224,862 in the first quarter, marking a 36% year-over-year

increase and surpassing the \$196,544 U.S. figure. However, due to a small sample size, figures will likely differ later in the year.

- ▶ The pandemic had a massive impact on St. Louis property values, with the average per-unit price more than doubling from the \$71,616 figure recorded in 2019. Even so, the metro remains among the country's more affordable markets.

### St. Louis Sales Volume and Number of Properties Sold (as of March 2023)



Source: Yardi Matrix

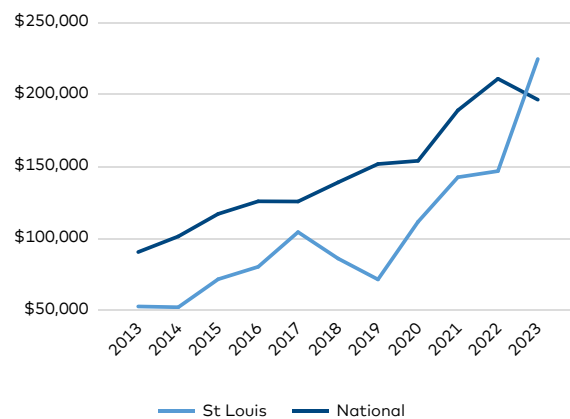
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
St. Louis-Central West End	81
St. Peters	75
St. Ann/Overland	74
St. Louis-Northwest	55
Fenton/Eureka	54
Mehlville-South	48
St. Louis-Forest Park	44

Source: Yardi Matrix

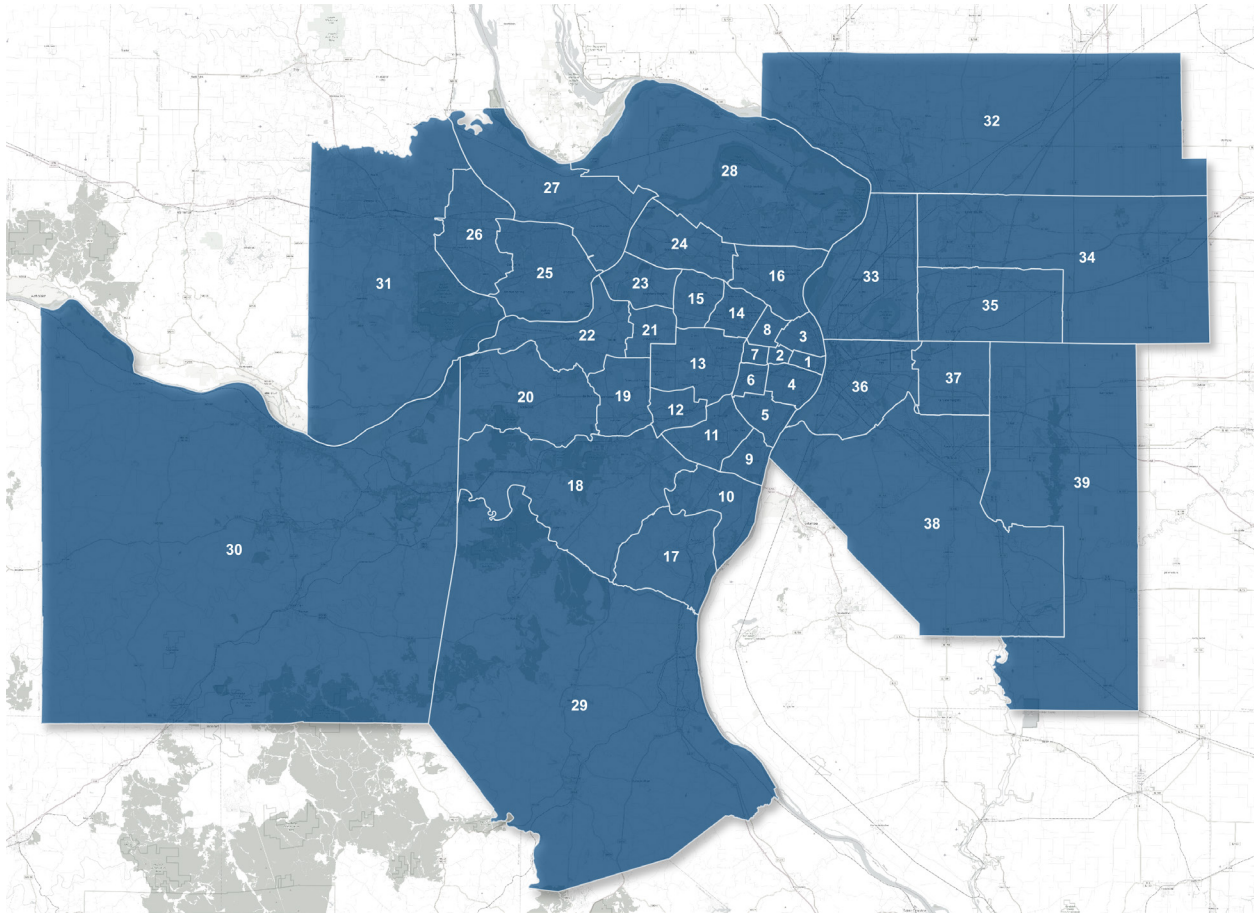
<sup>1</sup> From April 2022 to March 2023

### 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 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.

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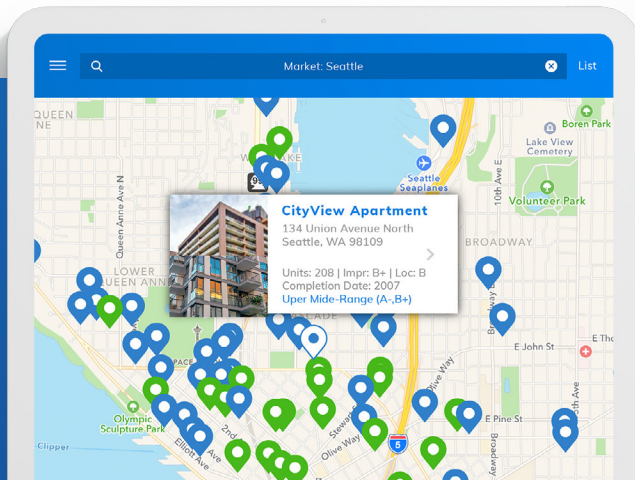
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