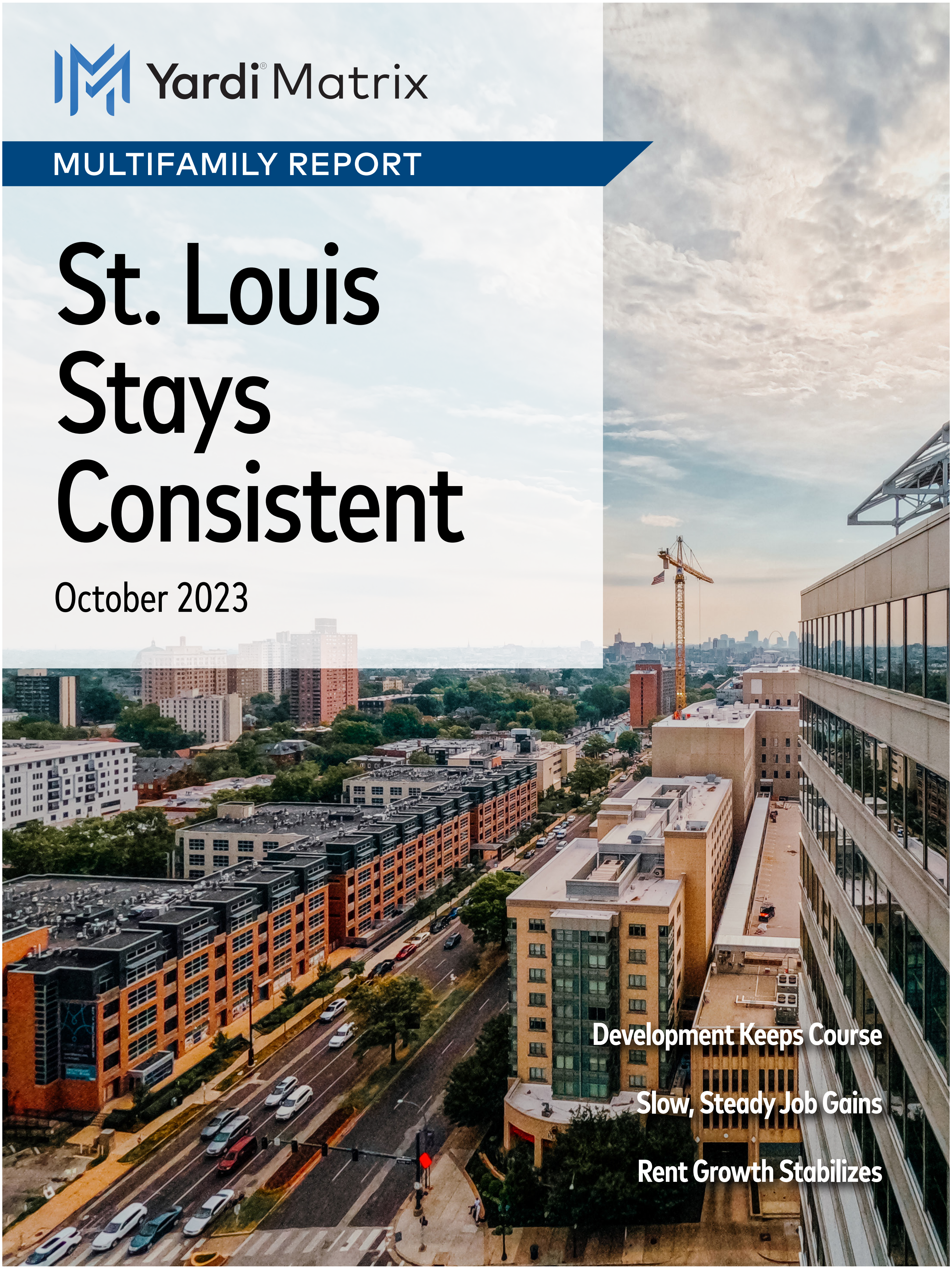
Yardi Matrix

MULTIFAMILY REPORT

St. Louis Stays Consistent

October 2023



Development Keeps Course

Slow, Steady Job Gains

Rent Growth Stabilizes

ST. LOUIS MULTIFAMILY

Notable Performance In St. Louis

St. Louis showed steady fundamentals entering the second half of the year, despite figures slightly moderating. The average asking rent was up 0.2% on a trailing three-month basis through August, to $1,210, matching the U.S. rate of improvement. Year-over-year, St. Louis rents advanced 3.2%, more than double the national figure. However, occupancy in stabilized assets slid 90 basis points in 12 months, to 94.4% as of July. The upscale Lifestyle segment registered a much steeper drop, down 160 basis points, to 94.5%.

St. Louis added 24,600 jobs in the 12 months ending in June, for a 1.8% increase, 100 basis points lower than the national figure. The metro lost 6,800 jobs across four sectors and its unemployment rate was 3.7% as of August—the highest figure since early 2022—but it remained slightly below the U.S. average, according to preliminary Bureau of Labor Statistics data. Still, employment is getting a boost from larger projects, such as ICL's battery-manufacturing plant. The $400 million project broke ground in August and should come online in 2025.

Developers had 6,464 units under construction as of August. Of these, 1,574 units broke ground this year, not far from the 1,661 apartments that started construction during the same period of 2022. In the eight months ending in August, multifamily deals totaled $404 million. This marks a significant slowdown from 2021, when almost $1.3 billion in assets traded for the year.

Market Analysis | October 2023

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Recent St. Louis Transactions

Sun River Village

City: St. Peters, Mo.
Buyer: MLG Capital
Purchase Price: $56 MM
Price per Unit: $143,299

Branscome

City: St. Louis
Buyer: Antheus Capital
Purchase Price: $12 MM
Price per Unit: $106,003

Courtland Manor

City: St. Louis
Buyer: JA Real Estate Group
Purchase Price: $10 MM
Price per Unit: $105,769

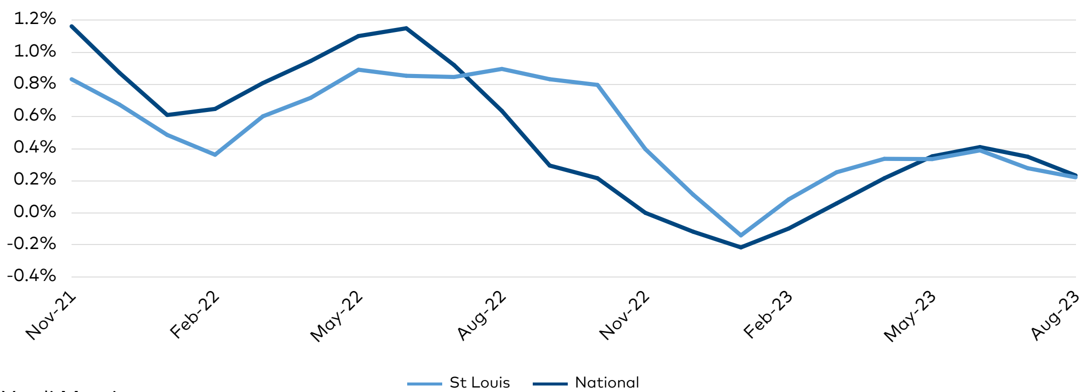
Woodridge Manor

City: High Ridge, Mo.
Buyer: Whiteaker Holdings
Purchase Price: $6 MM
Price per Unit: $76,712

RENT TRENDS

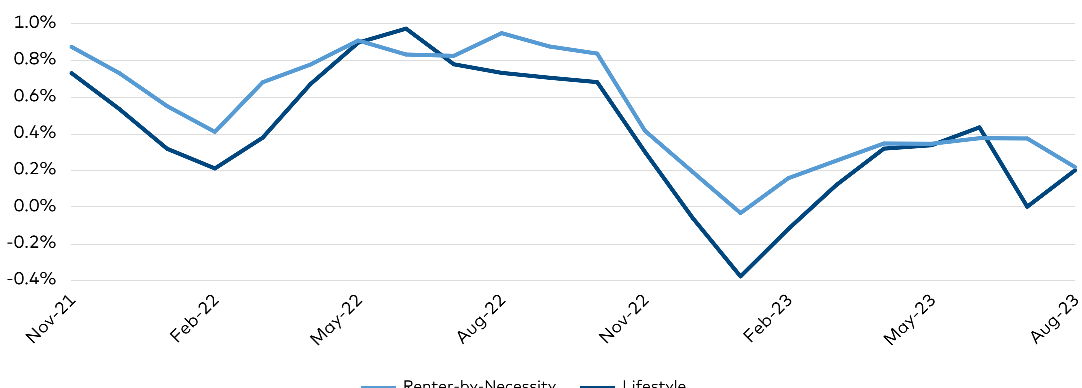
- The average asking rent in St. Louis was up 0.2% on a trailing three-month (T3) basis through August, to $1,210, matching the U.S. rate of improvement. Year-over-year, St. Louis rates advanced 3.2%, more than double the 1.5% national pace of growth. Although somewhat surprising, this performance is in line with the rise of other Midwestern cities, as supply is finally catching up with demand in Sun Belt metros. The current performance of high fliers such as Phoenix, Austin and Las Vegas is making way for the steady Midwest and Northeast to lead the way.
- Short-term growth kept the same pace across quality segments, with the working-class Renter-by-Necessity average up 0.2% on a T3 basis through August, to $1,074. Lifestyle rents were similarly up 0.2%, reaching $1,699.
- The metro's average overall occupancy rate in stabilized properties stood at 94.5% in July, a 90-basis-point decrease in 12 months. The Lifestyle rate recorded a much steeper drop, down 160 basis points, to 94.5%. Meanwhile, occupancy in RBN properties was down just 70 basis points, to the same 94.5%.
- Growth was spotty in the 12 months ending in August. Of the 39 submarkets tracked by Yardi Matrix, four had year-over-year growth in the double digits, while four others recorded contractions. Submarkets leading growth included Fenton-Eureka (15.0%) and Illinois-Granite City (13.8%), among others.

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

- Employment in metro St. Louis grew 1.8% as of June, 100 basis points below the national average. The metro added 24,600 new jobs in the 12 months ending in June. During that time, St. Louis lost 6,800 jobs across four sectors including mining, logging and construction (-4,400), information (-900), financial activities (-400) and government (-1,100). The leisure and hospitality sector registered the largest growth rate, a 10.8% increase, with 16,000 positions added to the workforce. The employment rate has been on a decelerating path during the past year, registering a 150-basis-point difference compared to June 2022.
- The metro's unemployment rate was 3.7% as of August, 10 basis points lower than the U.S. figure but still the metro's highest during the past 12 months, according to preliminary BLS data. The rate has fluctuated during the past year, with the lowest rate, 2.3%, recorded in September 2022.
- ICL broke ground in August on a 140,000-square-foot battery manufacturing-plant in St. Louis. The $400 million project is the first large-scale plant to produce lithium iron phosphate batteries in the country. The U.S. Department of Energy provided a $197 million grant for the project, which is set for completion in 2025.

St. Louis Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
70	Leisure and Hospitality	165	11.4%
40	Trade, Transportation and Utilities	265	18.3%
60	Professional and Business Services	224	15.5%
65	Education and Health Services	265	18.3%
80	Other Services	58	4.0%
30	Manufacturing	119	8.2%
55	Financial Activities	97	6.7%
50	Information	28	1.9%
90	Government	154	10.6%
15	Mining, Logging and Construction	72	5.0%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- St. Louis gained 12,650 residents during the first year of the pandemic, but lost 9,000 in 2021.
- While population fluctuated over the past decade, metro St. Louis gained nearly 20,000 people between 2010 and 2021, for a 0.7% expansion.

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

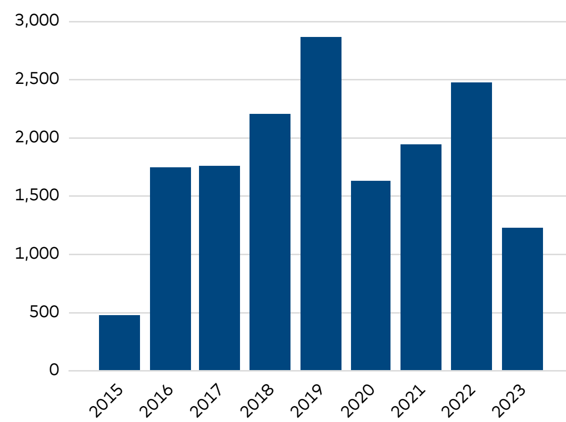
- Developers brought 1,234 units online in 2023 through August. These deliveries accounted for 1.0% of existing stock, 20 basis points lower than the 1.2% national rate. The total marks a slight decrease compared to the 1,575 apartments delivered during the same period in 2022. In all of 2022, 2,480 apartments were completed, close to the 2019 decade-best (2,968 units). This year, Yardi Matrix expects a total 2,506 apartments to come online across the metro, which would keep the city on a steady pace.

- The market had 6,464 units under construction as of August, while an additional 21,000 apartments were in the planning and permitting stages. Development continued its course, with a total of 1,574 units breaking ground this year through August. This was close to the 1,856 units that started construction during the same period of 2022.

- Multifamily development is scattered across the map, with a few hot spots standing out. Of the 39 submarkets tracked by Yardi Matrix, 18 had more than 50 units underway. St. Louis-Downtown was the only area with more than 1,000 units under construction as of August (1,054 apartments), followed by St. Louis-Lafayette Square (962 units), University City/Maplewood (722 units) and St. Peters (407 units).

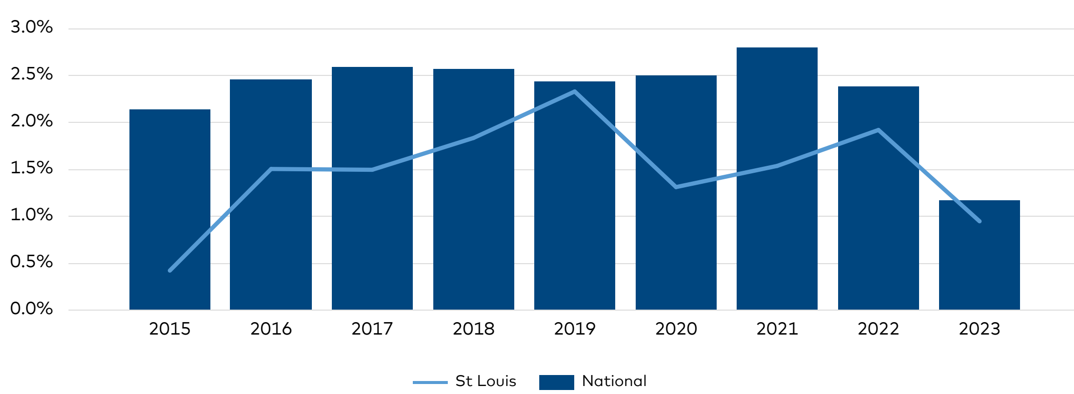
- The metro's largest development as of August 2023 is located in the St. Peters submarket. Terra West is building Reserve at Mid Rivers, a 460-unit property. Upon completion, the community is set to encompass 18 buildings across 30 acres. The suburban project is slated for completion by the end of the year.

St. Louis Completions (as of August 2023)



Source: Yardi Matrix

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

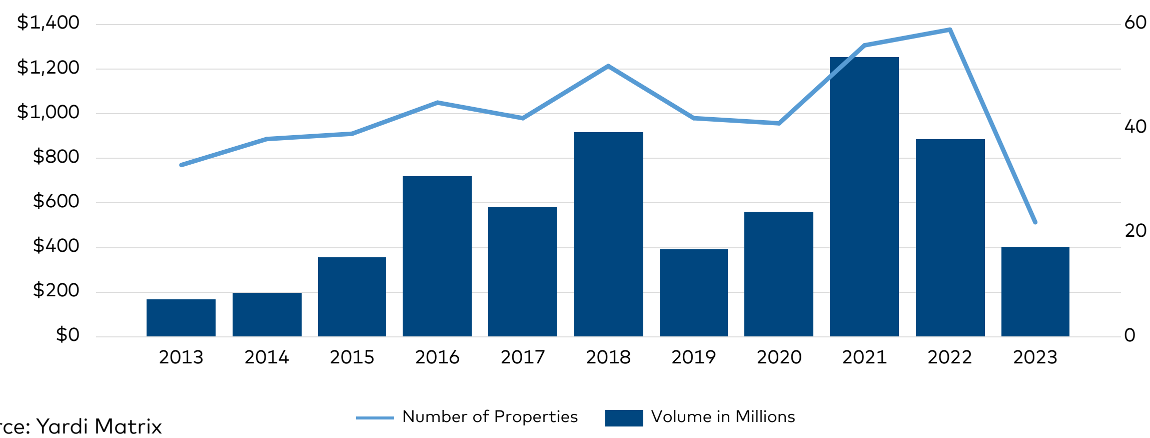


Source: Yardi Matrix

TRANSACTIONS

- Despite the impact of rising interest rates, transaction activity in St. Louis was consistent with the metro's historic performance in 2023 through August, when multifamily deals totaled $404 million. The number represents roughly half the $884 million registered for all of last year. Transactions peaked in 2021, reaching a decade-high of almost $1.3 billion.
- The average price per unit in St. Louis was $141,807 in the first eight months of 2023, behind the $186,926 U.S. figure. The metro maintained average per-unit prices above the $100,000 threshold starting in 2020, reaching a peak last year, at $145,388.
- Two submarkets hit the $100 million mark for multifamily transactions during the 12 months ending in August. St. Peters clocked in at $115 million, while Ferguson reached $100 million.

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



Source: Yardi Matrix

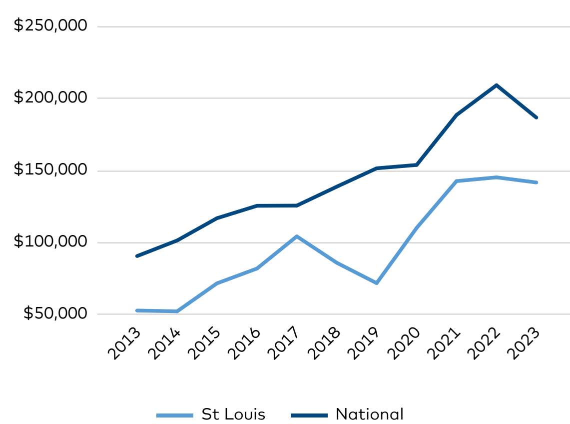
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
St. Peters	115
Ferguson	100
St. Louis–Central West End	69
Melville–South	48
St. Louis–South	38
University City/Maplewood	37
St. Louis–Downtown	31

Source: Yardi Matrix

[1] From September 2022 to August 2023

St. Louis vs. National Sales Price per Unit



Source: Yardi Matrix

MULTI-HOUSING NEWS

data by Yardi Matrix

10 Most Affordable US Markets

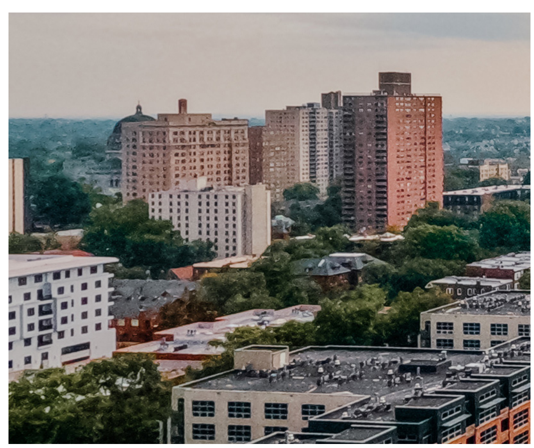
By Anca Gagiuc

Affordable multifamily markets have become rare post-pandemic. Before the health crisis, metros located farther away from gateway cities used to boast more attainable rents. Then the sudden-imposed work-from-home practice morphed into a new way of living. Eliminating daily commutes enabled people to redesign their lives and suddenly, housing affordability improved, as long as relocation was considered.

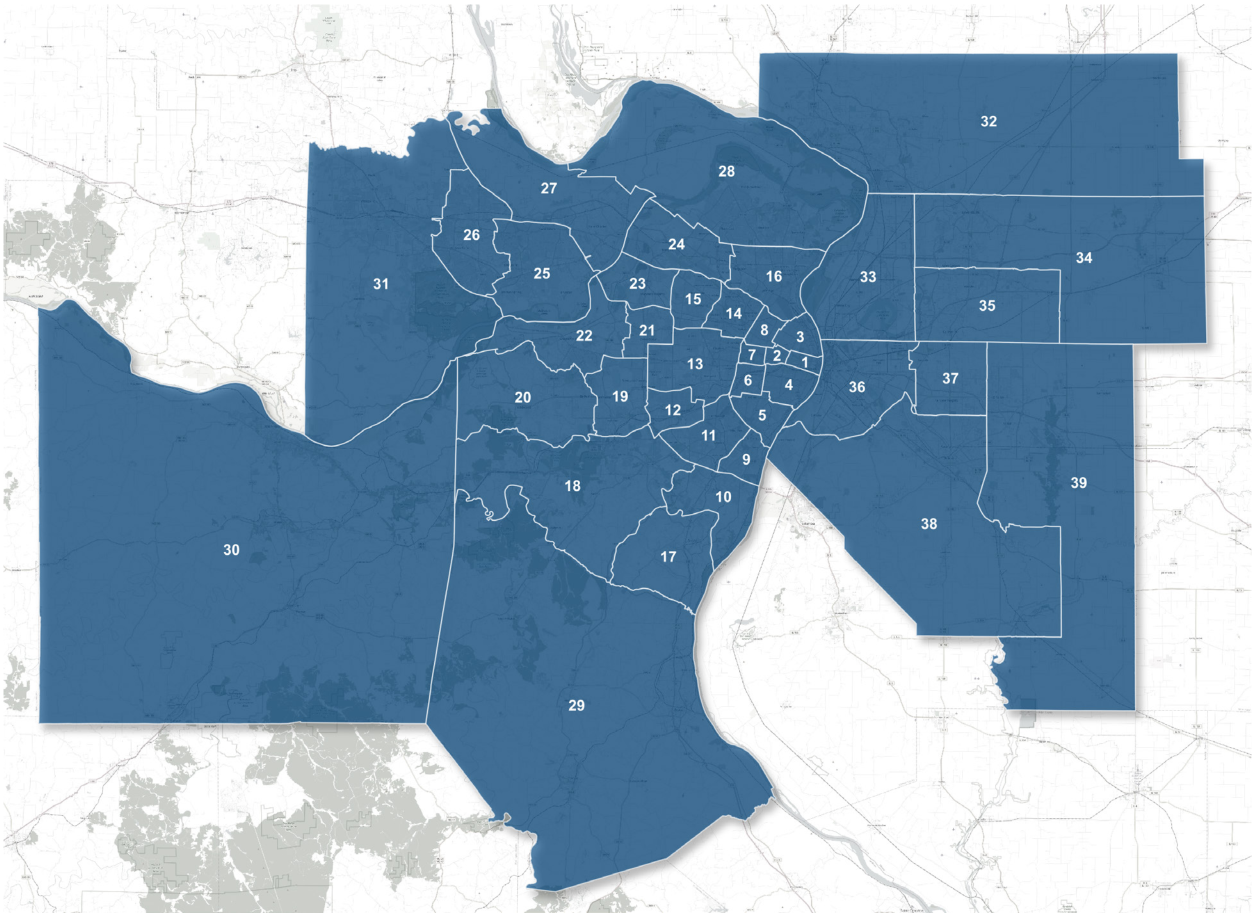
Rank	Metros	Average rent RBN Segment	Rent Growth T3 % RBN	Rent Growth RBN % March 2022 vs March 2023
1	Kansas City	$1,031	1.5%	8%
2	St Louis	$1,055	0.3%	5.9%
3	Houston	$1,060	1.1%	5.4%
4	San Antonio	$1,078	-0.2%	5.2%
5	Indianapolis	$1,093	1.7%	9.1%
6	Columbus	$1,143	1.6%	7.2%
7	Cincinnati	$1,151	2.1%	8.8%
8	Albuquerque	$1,157	-0.4%	8.2%
9	Detroit	$1,179	-0.5%	3.3%
10	Pittsburgh	$1,198	1.5%	6.3%

St. Louis

St. Louis' average RBN rent was $1,055 in March, a 0.3% increase on a T3 basis and up 5.9% year-over-year. Rent payments accounted for 24% of the metro's median income, on par with Detroit and Indianapolis. Developers delivered just one 87-unit working-class project through April, the equivalent of 0.2% of existing stock and trailing all other metros in this list except Detroit and San Antonio.



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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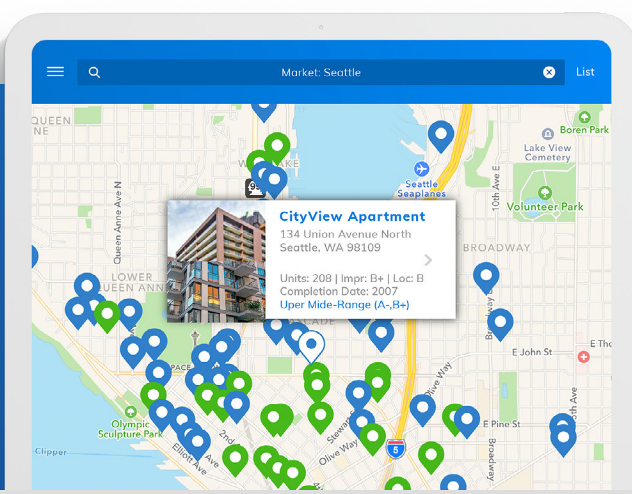
MULTIFAMILY KEY FEATURES

- 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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