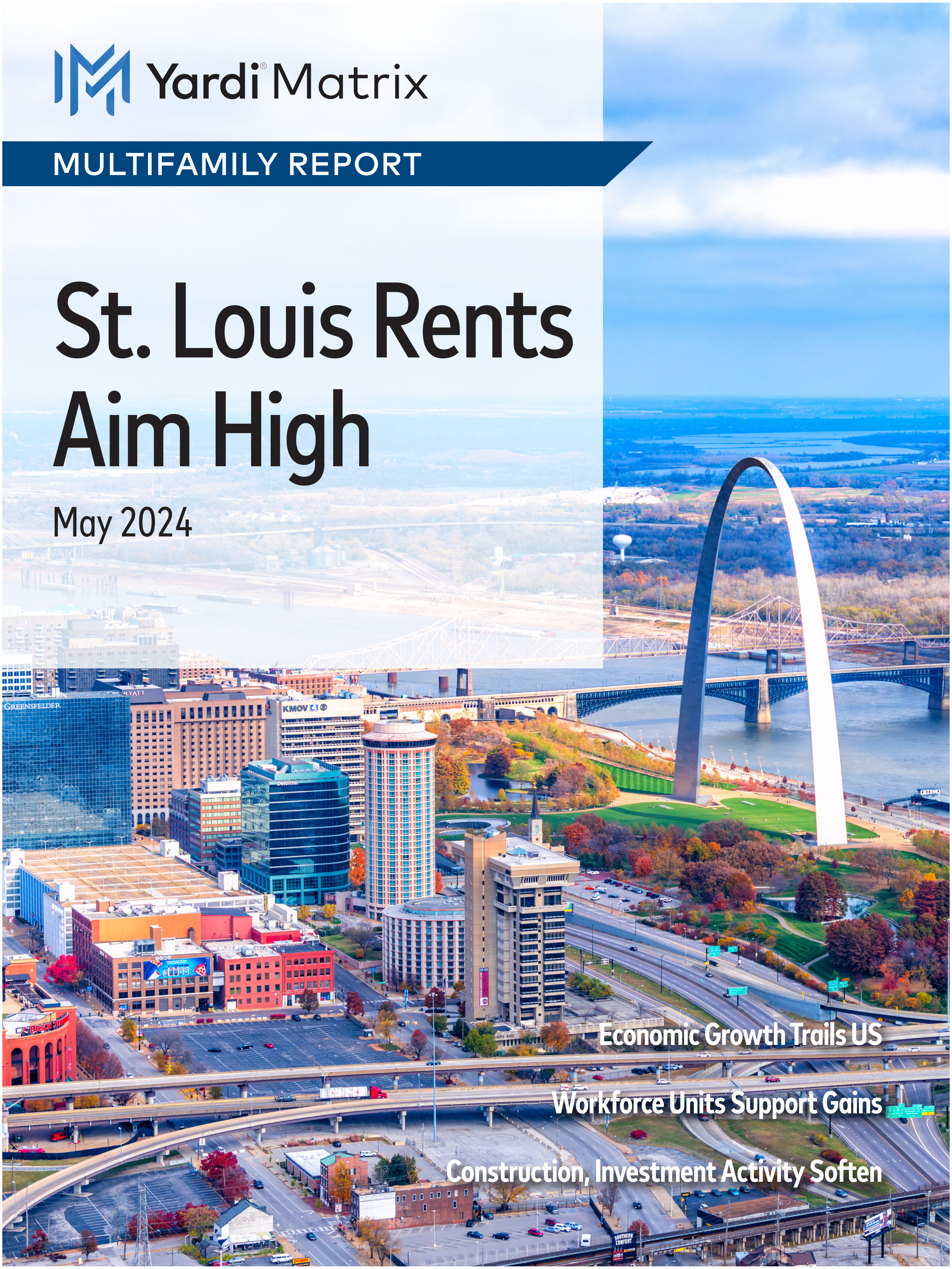
Yardi Matrix

MULTIFAMILY REPORT

St. Louis Rents Aim High

May 2024



Economic Growth Trails US

Workforce Units Support Gains

Construction, Investment Activity Soften

ST. LOUIS MULTIFAMILY

Yardi Matrix

Supply Hits Occupancy, But Rents Advance

Multifamily fundamentals were still mixed in St. Louis at the end of the first quarter but remained relatively sound. Rents grew by 0.4% on a trailing three-month basis through March, to $1,236, double the U.S. rate of growth. Year-over-year, the market recorded a 3.1% increase—among the country's best—while the U.S. rate rose 0.9%, to $1,721. Last year's robust deliveries left a mark on occupancy, which slid 160 basis points in the 12 months ending in February, to 93.3%.

St. Louis unemployment rose to 4.0% in February, recording the highest rate since August 2021. The metro wasn't far behind the U.S. (3.9%) but lagged Missouri (3.3%), according to preliminary data from the Bureau of Labor Statistics. In 2023, job growth decelerated to 1.7%, or 25,900 net jobs gained, trailing the 2.0% national rate. Two sectors lost jobs: professional and business services (-1,000 jobs) and government (-600). Last year, economic expansion mostly came from education and health services (10,500 jobs) and leisure and hospitality (9,000).

Developers delivered 946 units in the first quarter and had another 5,306 under construction. Despite relatively solid numbers, development is softening, as no new projects were recorded during the same period. Transactions also dwindled after a strong 2023. First-quarter multifamily sales totaled just $71 million, for a price per unit that fell 27.6% compared to 2023's total, to $109,169 as of March.

Market Analysis | May 2024

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Recent St. Louis Transactions

Arrive Brentwood

City: St. Louis
Buyer: FPA Multifamily
Purchase Price: $77 MM
Price per Unit: $235,015

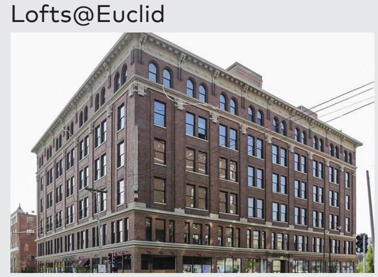
The Lofts at 1 Thousand

City: St. Louis
Buyer: Oliver Properties
Purchase Price: $29 MM
Price per Unit: $138,214

Maryland Park

City: Maryland Heights, Mo.
Buyer: Worcester Communities
Purchase Price: $28 MM
Price per Unit: $109,335

Lofts@Euclid



City: St. Louis
Buyer: Alta Real Estate Investments
Purchase Price: $21 MM
Price per Unit: $246,879

RENT TRENDS

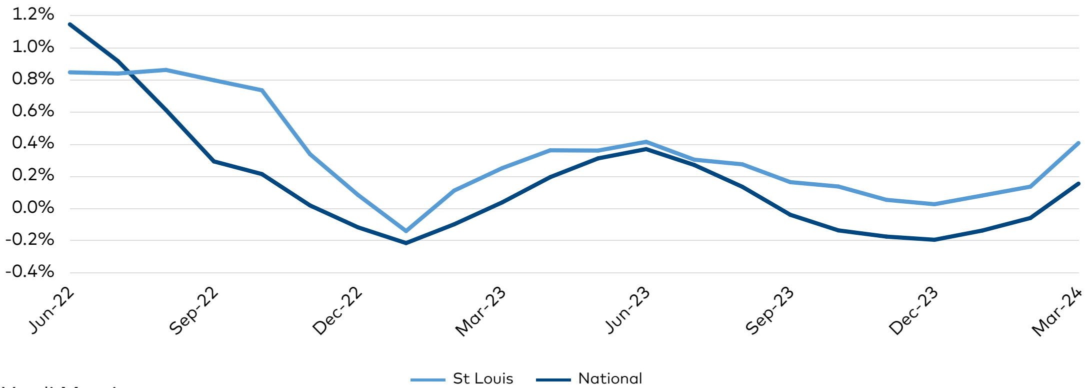
- St. Louis rents spiked 0.4% on a trailing three-month (T3) basis through March, double the 0.2% U.S. rate, as the prime leasing season kicked in. Rent growth remained on an upward path every month post-pandemic, except for a minor 0.1% dip in January 2023. Year-over-year, rents rose 3.1%, more than triple the 0.9% U.S. rate. Still, at $1,236, the average asking rent in the metro is still well behind the $1,721 national figure.

- Demand for working-class Renter-by-Necessity units sustained rent growth, with the T3 growth through March clocking in at 0.6%, to $1,106. Meanwhile, Lifestyle rents contracted 0.1%, to $1,673, down on a T3 basis for six of the past seven months.

- Last year's high volume of deliveries pressured occupancy, with the rate in stabilized properties down 160 basis points in the 12 months ending in February, to 93.3%. Lifestyle units led the decline, down 170 basis points to 93.4%, and RBN occupancy fell 150 basis points, to 93.2%.

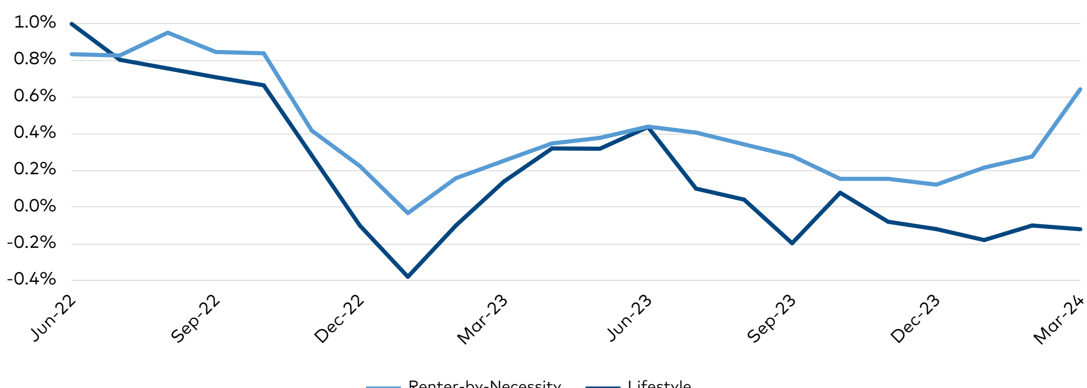
- Of the 39 submarkets tracked by Yardi Matrix, rents were up annually in all but four, including St. Louis–Downtown (-1.2% to $1,168). The highest average asking rents in March were registered in University City/Maplewood (1.7% to $1,638), St. Louis–Clayton Tamm (-1.2% to $1,540) and St. Louis–Central West End (2.9% to $1,540). The former also had one of the highest construction pipelines in the metro. Another 11 submarkets had average rates below the $1,000 mark, down from 14 a year ago.

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 rose to 4.0% in February, the highest it's been since August 2021. At this level, the metro trailed both the nation (3.9%) and Missouri (3.3%).
- In 2023, employment marked a 1.7% increase, or 25,900 net jobs, trailing the 2.0% U.S. rate. Professional and business services and government lost 1,600 jobs combined. Gains were led by education and health services (10,500 jobs) and leisure and hospitality (9,000 jobs). The former is benefiting from several projects underway, including the construction of Siteman Cancer Center's nine-story facility on Washington University's medical campus. Additionally, the university's School of Medicine Neuroscience Research Building is also in progress. Both are scheduled to open this summer. Manufacturing added 3,100 jobs and has good growth prospects, thanks to St. Louis' location and supporting infrastructure. Several companies are currently investing more than $1 billion in new or existing facilities, including American Foods Group's new beef processing plant in Warren County, James Hardie Industries' facility in Jefferson County, and Tyson Foods plant expansion underway in Caseyville, Ill.
- Officials announced a $331 million deal with airline operators to upgrade the infrastructure at St. Louis Lambert International Airport. Boeing will move forward with a $2 billion expansion on a nearby property, to compete for military contracts.

St. Louis Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
65	Education and Health Services	275	19.0%
70	Leisure and Hospitality	151	10.4%
30	Manufacturing	121	8.3%
80	Other Services	57	3.9%
55	Financial Activities	99	6.8%
15	Mining, Logging and Construction	72	5.0%
40	Trade, Transportation and Utilities	273	18.8%
50	Information	29	2.0%
90	Government	154	10.6%
60	Professional and Business Services	220	15.2%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- St. Louis lost 2,104 residents in 2022, down by less than 0.1%, while the national rate inched up 0.4%. In the prior year, the metro gained 9,278 residents, for a 0.3% uptick.
- Between 2019 and 2022, St. Louis' population increased by 0.3%, well behind the 2.0% national rate.

St. Louis vs. National Population

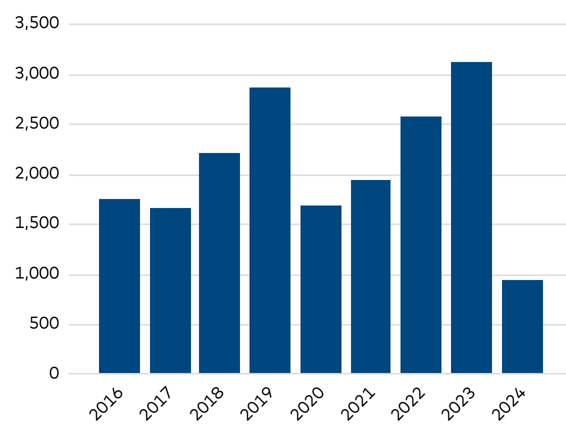
	2019	2020	2021	2022
National	324,697,795	326,569,308	329,725,481	331,097,593
St. Louis	2,805,190	2,806,349	2,815,627	2,813,523

Source: U.S. Census

SUPPLY

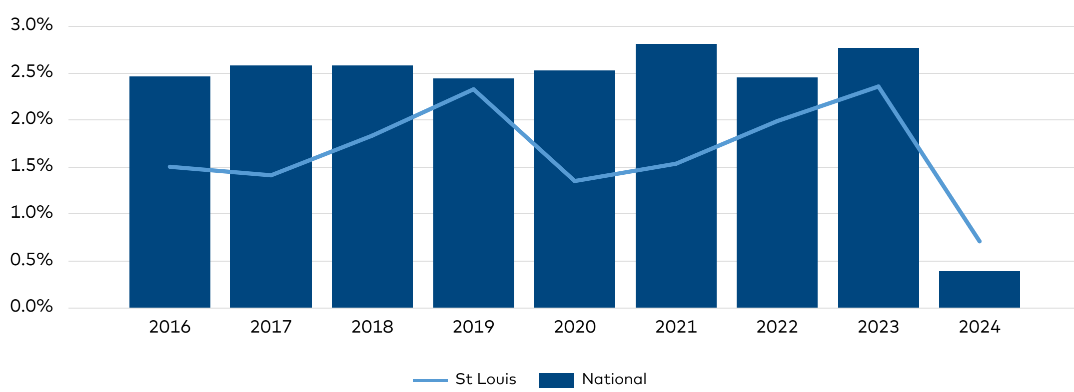
- Developers delivered 946 units in the first quarter of the year, or 0.7% of existing stock, almost double the national rate. All new deliveries were Lifestyle units. Last year marked a new high for the past decade, with a volume of 3,124 units coming online in 2023.
- The pipeline comprised 5,306 units underway as of March, with an additional 21,000 apartments in the planning and permitting stages. Lifestyle units accounted for almost three-quarters of the pipeline, followed by RBN units at about 20% and just 6% in fully affordable communities.
- Development activity is decelerating after two strong years for deliveries. During the first quarter of 2024, no new multifamily projects were recorded in St. Louis. During 2023, a total of 2,066 units across 12 properties started construction.
- Of the 39 submarkets tracked by Yardi Matrix, developers were active in 17. Western submarket St. Peters led by number of units under construction, with 1,129 apartments. Next in line were University City/Maplewood (751 units) and St. Louis–Downtown (605 units). The latter also houses the largest delivery of 2024 through March—the 384-unit The Victor. Owned by Development Services Group, the Lifestyle asset is an adaptive reuse of the historic Butler Brothers warehouse built in 1908 and includes 96 affordable units. The asset holds two construction loans—a $61 million loan issued by Bank of America and a $11.3 million loan originated by private lender META Real Estate Partners.

St. Louis Completions (as of March 2024)



Source: Yardi Matrix

St. Louis vs. National Completions as a Percentage of Total Stock (as of March 2024)

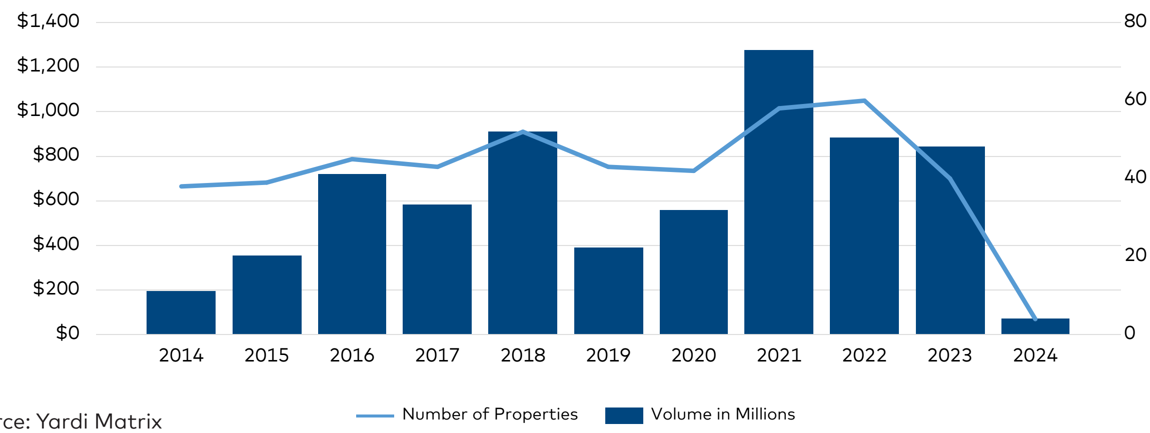


Source: Yardi Matrix

TRANSCTIONS

- During the first quarter of 2024, investors traded just four multifamily assets of more than 50 units in St. Louis, for $71 million combined. Last year, total investment volume rose to $842 million, the fourth-highest annual volume registered over the last decade.
- All four assets that changed hands through March were Renter-by-Necessity properties, which, combined with lingering economic challenges led to a substantial 27.6% drop in the average price per unit, to $109,169 as of March. The national rate rose 5.7% during the period, to $196,096.
- Recent sales included Maryland Park, a 252-unit asset built in 1972 in western submarket Maryland Heights. Worcester Communities acquired it from Varia US Properties with aid from a $17.9 million Freddie Mac loan originated by Capital One. This is Worcester Communities' second acquisition in the metro.

St. Louis Sales Volume and Number of Properties Sold (as of March 2024)



Source: Yardi Matrix

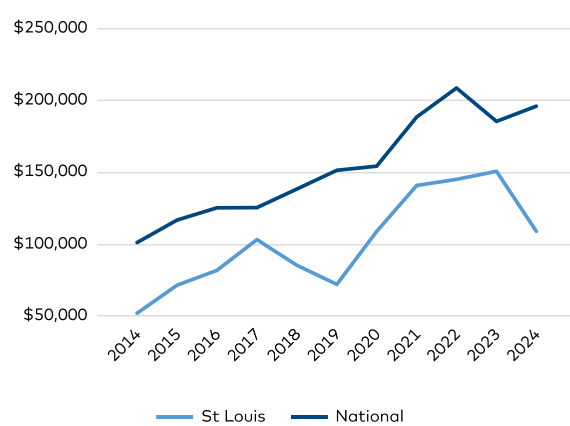
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
St. Louis–Clayton Tamm	104
University City/Maplewood	84
O'Fallon	75
Ballwin	51
St. Louis–Downtown	44
Affton	42
Florissant	30

Source: Yardi Matrix

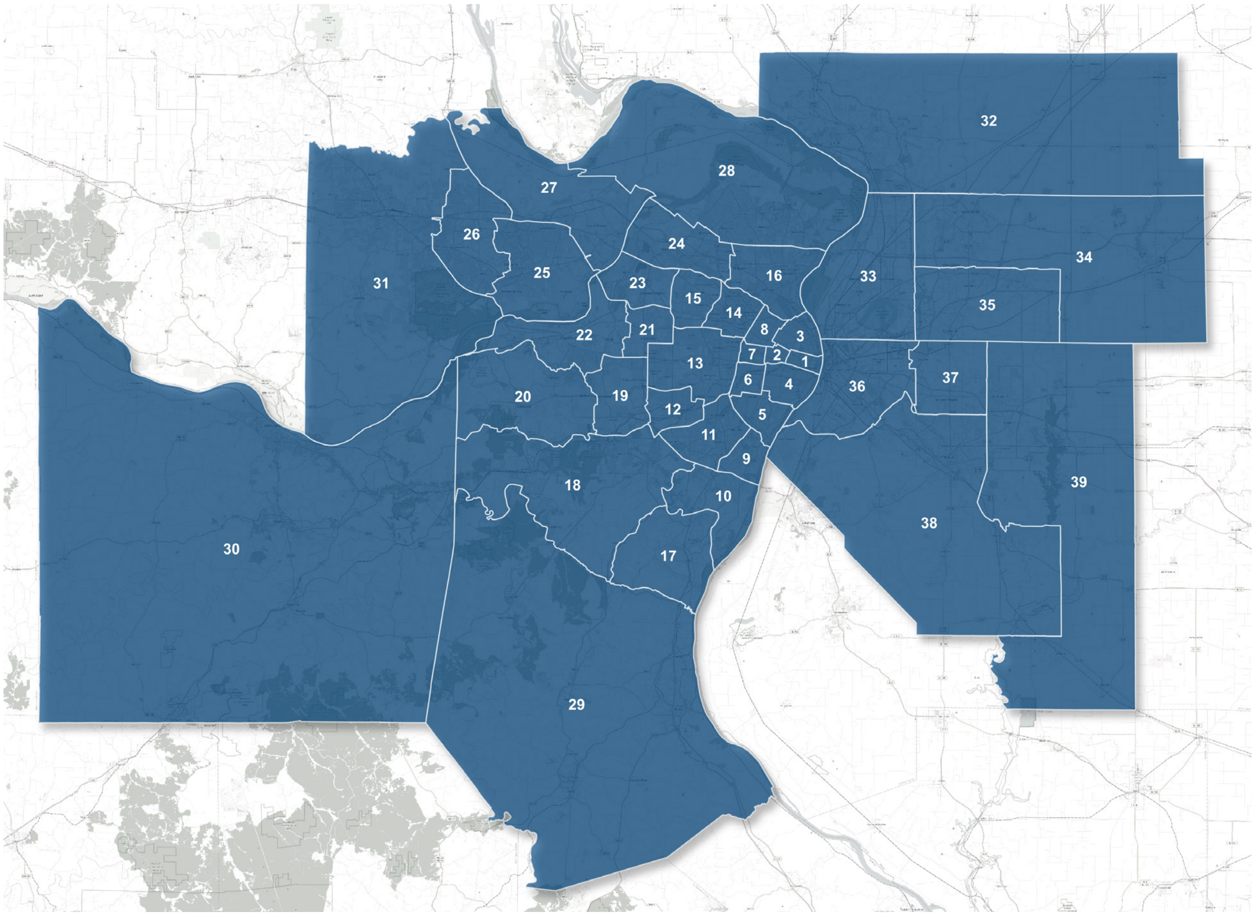
[1] From April 2023 to March 2024

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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MULTIFAMILY KEY FEATURES

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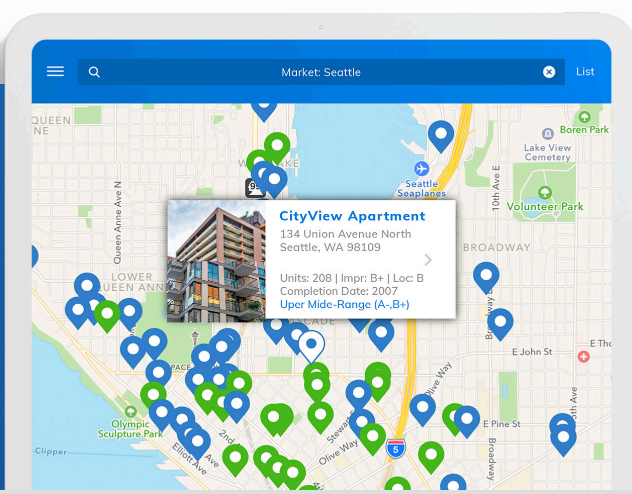
- Gain complete new supply pipeline information from concept to completion
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access aggregated and anonymized residential revenue and expense comps



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

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