Yardi® Matrix

MULTIFAMILY REPORT

St. Louis' Strong Spirit

Winter 2020

Job Gains on Par With US Average

Investment Activity Dampens

Rent Growth Continues

ST. LOUIS MULTIFAMILY

Yardi® Matrix

High Rents and Strong Occupancy

Despite tepid demographic trends, St. Louis' multifamily market is healthy, boosted by strong job growth and high occupancy rates for stabilized properties. Rents have increased at a higher rate in past months—reaching an average of $859—up 3.7% through November 2019.

Metro St. Louis gained 26,300 jobs in the 12 months ending in September, up 1.8% year-over-year. The mining, logging and construction sector saw the largest improvement with 5,800 new jobs and is expected to expand further. Several major companies have announced expansions or redevelopments in the metro including BJC Health Care/Washington University School of Medicine's campus expansion and Centene's $770 million investment in a new structure adjacent to the existing Centene Plaza headquarters.

Multifamily sales softened in 2019 with only $363 million in assets trading through November, compared to the $823 million in sales recorded in 2018. The multifamily development pipeline is robust with nearly 3,000 units under construction, while a cycle high of 2,649 units was delivered in 2019 through November. Despite the increasing supply, the average occupancy rate in stabilized properties was strong—94.5% as of October.

Market Analysis | Winter 2020

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(800) 866-1124 x2403

Jack Kern
Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Ron Brock, Jr.
Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Author
Adina Marcut
Associate Editor

On the cover: Photo by Sean Pavone/iStockphoto.com

Recent St. Louis Transactions

Madison Prairie Point

City: O'Fallon, Mo.
Buyer: Investcorp
Purchase Price: $46 MM
Price per Unit: $123,663

The Finn

City: Hazelwood, Mo.
Buyer: Timberland Partners
Purchase Price: $37 MM
Price per Unit: $60,614

Madison Rockwood

City: Ballwin, Mo.
Buyer: Investcorp
Purchase Price: $26 MM
Price per Unit: $103,224

The Aboussie Pavilion

City: St. Louis
Buyer: Levy Affiliated
Purchase Price: $23 MM
Price per Unit: $85,948

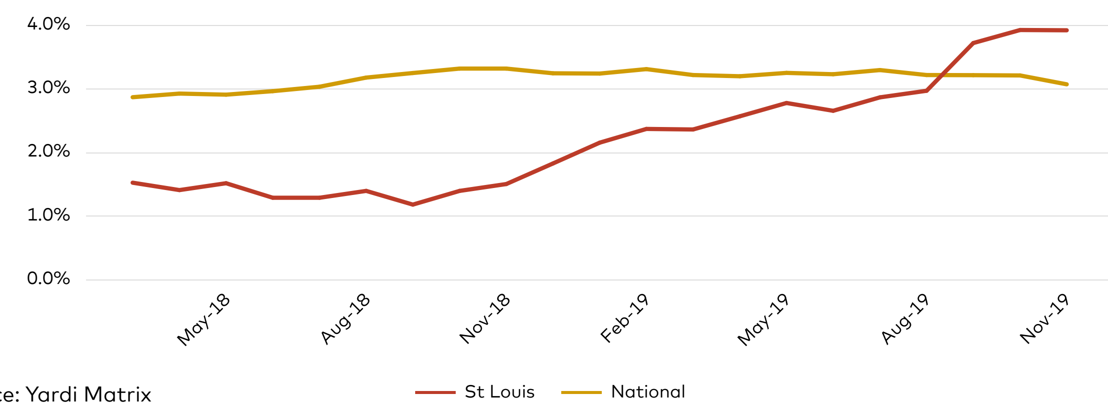
RENT TRENDS

- St. Louis rents grew 3.7% year-over-year through November, above the 3.1% national rate. The average rent was $978, well below the $1,473 national figure. Although rents have increased at a higher rate in recent months, demand for rentals will likely remain strong, due to healthy absorption of new units and a high average occupancy rate in stabilized properties—94.5% as of September. Sustained apartment demand is expected to keep occupancy rates at high levels.

- Rents in the working-class Renter-by-Necessity segment rose 4.1% year-over-year to $859. Rates in the Lifestyle segment increased as well—up 3.0% year-over-year to an average of $1,446. As more than half of the new units delivered in 2019 were geared to the Lifestyle segment, its occupancy rate stayed strong—at 95.8% as of September. That's 120 basis points higher than the rate in October 2018.

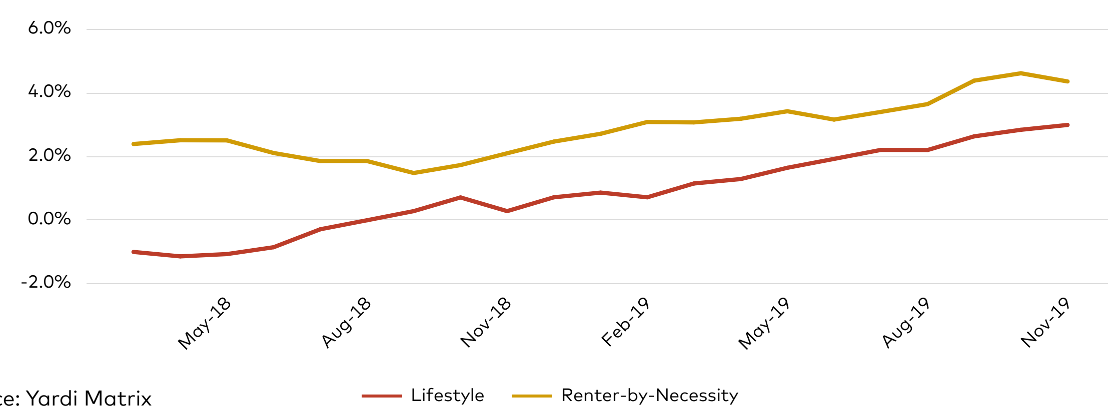
- University City/Maplewood ($1,380), St. Louis–Central West End ($1,355) and St. Louis–Clayton Tamm ($1,308) all had average rents above the $1,300 mark, while the most affordable rents were in Illinois–Collinsville (up 6.5% to $561) and Franklin County (up 3.7% to $590). As of November, Illinois–Alton saw the largest year-over-year increase—17.0%.

St. Louis vs. National Rent Growth (Sequential 3 Month, Year-Over-Year)



Source: Yardi Matrix

St. Louis Rent Growth by Asset Class (Sequential 3 Month, Year-Over-Year)



Source: Yardi Matrix

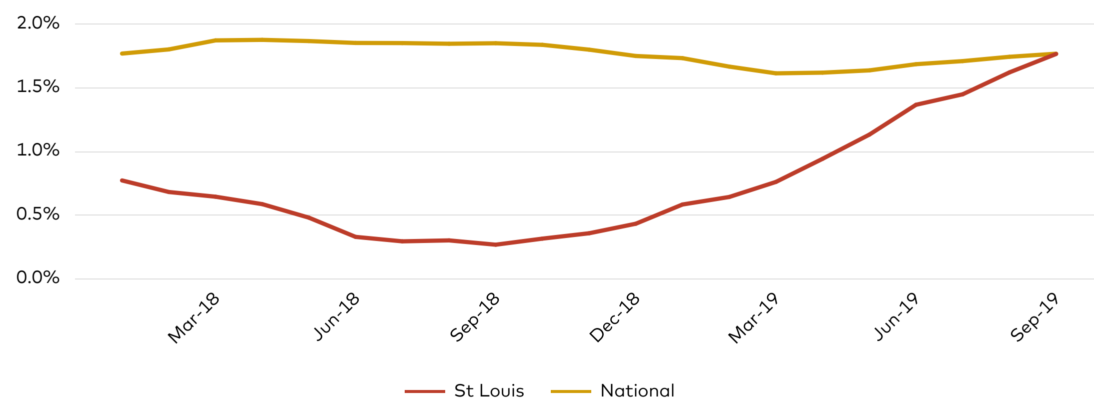
ECONOMIC SNAPSHOT

- St. Louis gained 26,300 positions in the 12 months ending in September, a 1.8% expansion and on par with the national growth rate. The metro's consistent employment growth has pushed unemployment rates to an all-time low—2.6% as of September.

- Mining, logging and construction added 5,800 jobs through the same interval, recording the highest growth rate (8.4%). Centene's $770 million investment in a new structure adjacent to its existing Centene Plaza headquarters is a further boost to the sector's growth. A construction and renovation project transforming the BJC Health Care/Washington University School of Medicine's campus is also underway. The redevelopment will include a new 12-story, 558,000-square-foot inpatient tower at BJH and a 12-story, 222,000-square-foot expansion of the St. Louis Children's Hospital. St. Louis had more than 1.5 million square feet of commercial space under construction, in addition to nearly 3,000 residential units, as of November.

- The metro is experiencing a robust employment boom, with major employers including Boeing, Mastercard and BJC Health attracting highly skilled talent to St. Louis.

St. Louis vs. National Employment Growth (Year-Over-Year)



Sources: Yardi Matrix, Bureau of Labor Statistics (not seasonally adjusted)

St. Louis Employment Growth by Sector (Year-Over-Year)

		Current Employment		Year Change	
Code	Employment Sector	(000)	% Share	Employment	%
70	Leisure and Hospitality	160	11.3%	7,100	4.6%
15	Mining, Logging and Construction	75	5.3%	5,800	8.4%
30	Manufacturing	122	8.6%	4,200	3.6%
40	Trade, Transportation and Utilities	263	18.6%	3,700	1.4%
90	Government	157	11.1%	2,700	1.8%
60	Professional and Business Services	218	15.4%	2,500	1.2%
55	Financial Activities	92	6.5%	1,700	1.9%
65	Education and Health Services	254	17.9%	500	0.2%
50	Information	28	2.0%	-	0.0%
80	Other Services	49	3.5%	-1,900	-3.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

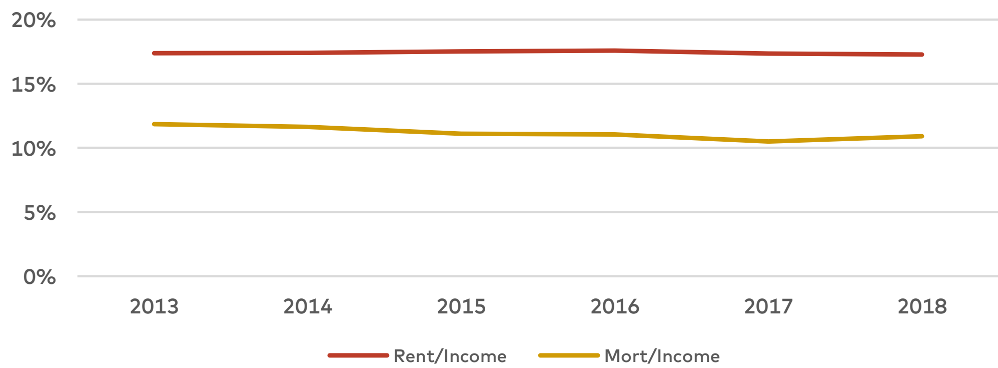
DEMOGRAPHICS

Affordability

- In 2018, the median home price in St. Louis was $144,345, up 3% over 2017 levels. The average rent equated to 17% of the area median income, while the average mortgage payment was significantly lower, accounting for 11% of the area median income.

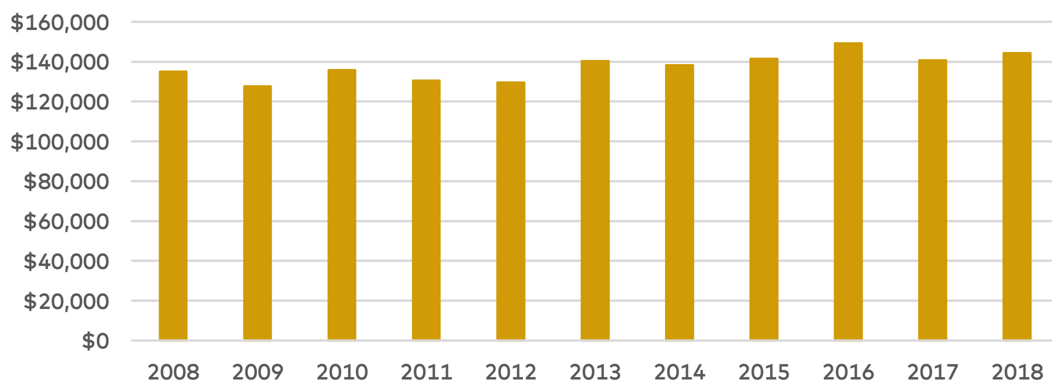
- St. Louis continues to be one of the more affordable metros in the Midwest. Since 2013, St. Louis' average mortgage payment has grown at a moderate level, increasing by only 300 basis points. Despite rising rents, the metro's development pipeline is robust—2,649 units completed as of November—and absorption is healthy, which results in strong occupancy rates in stabilized properties (94.5% as of September).

St. Louis Rent vs. Own Affordability as a Percentage of Income



Sources: Yardi Matrix, Moody's Analytics

St. Louis Median Home Price



Source: Moody's Analytics

Population

- In 2018, the metro lost some 400 residents. On the other hand, since 2012, St. Louis has added 8,897 residents.

- In past years, St. Louis has grown at a far slower rate than other Midwestern cities like Nashville, Kansas City or Indianapolis.

St. Louis vs. National Population

	2015	2016	2017	2018
National	320,742,673	323,071,342	325,147,121	327,167,434
St. Louis Metro	2,807,498	2,805,437	2,805,850	2,805,465

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

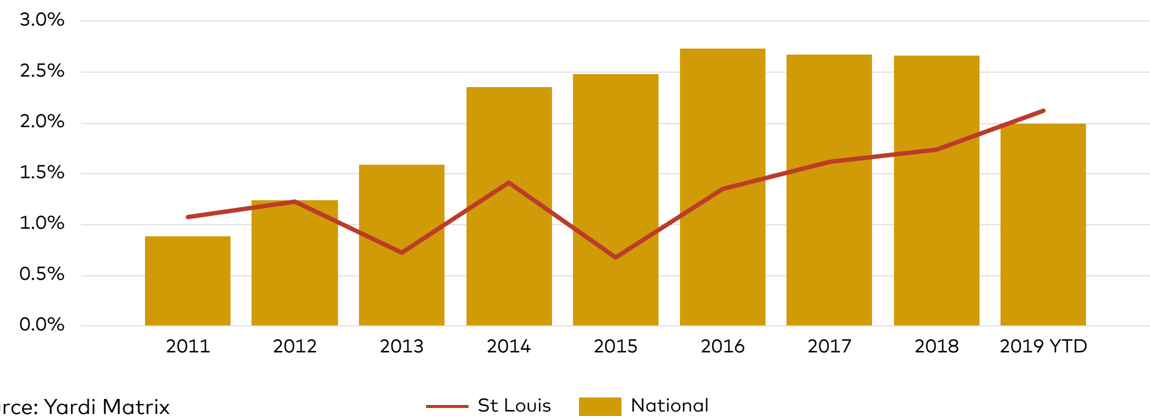
SUPPLY

- Developers added 2,649 new units to the market's rental stock, some 2.1% of existing inventory. More than half of those completions catered to Lifestyle renters. Most of the new units were concentrated in the core area with St. Louis–Downtown and St. Louis–Lafayette Square at the top, followed by Charles County.

- St. Louis had nearly 2,937 units under construction as of November and more than 9,000 in the planning and permitting stages. Both St. Louis–Downtown and Charles County continue to see high construction activity, with more than 800 units underway. Despite a cycle peak in deliveries last year, the occupancy rate in stabilized properties increased by 20 basis points to 94.5% as of October—a sign that demand and absorption of new units remains strong.

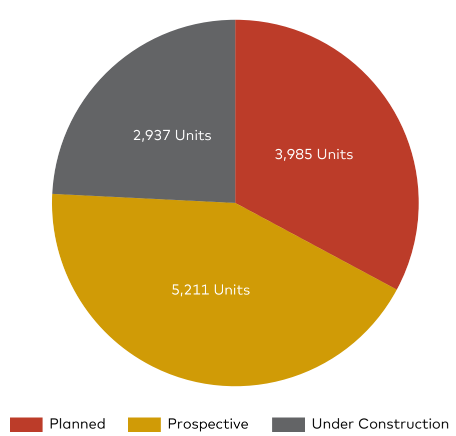
- Antheus Capital's One Hundred, a 316-unit property in the St. Louis–Central West End submarket is the largest project currently under construction. The 36-story community is set to open in summer 2020.

St. Louis vs. National Completions as a Percentage of Total Stock (as of November 2019)



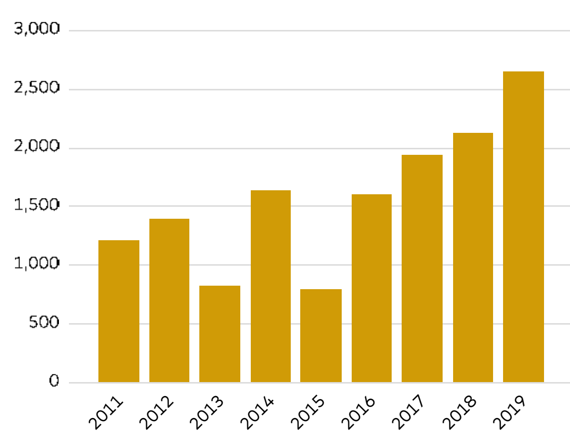
Source: Yardi Matrix

Development Pipeline (as of November 2019)



Source: Yardi Matrix

St. Louis Completions (as of November 2019)



Source: Yardi Matrix

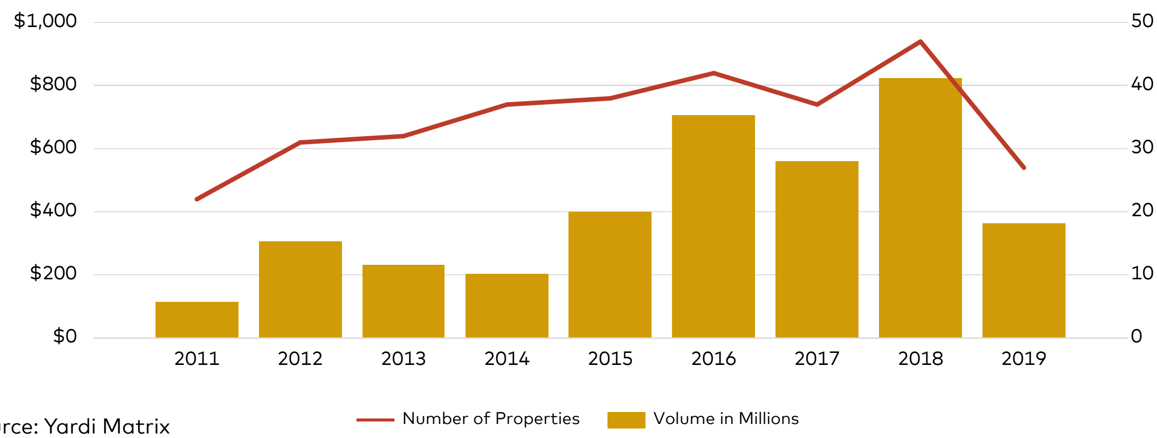
TRANSACTIONS

- Investors traded $363 million in multifamily assets year-to-date through November, a significant decrease compared to 2018 when investment reached $823 million. The average per-unit price stood at $84,298 last year, a $3,000 drop year-over-year.

- Investment activity continued to target value-add plays—of the 27 assets that changed hands in the metro, more than one-third were in the Renter-by-Necessity segment. That's a 7% increase in the average per-unit price for RBN assets to $66,820, while Lifestyle units traded for $132,165.

- 2019's largest transaction was Investcorp's acquisition of Madison Prairie Point. The 376-unit community sold for $46 million, or $123,663 per unit.

St. Louis Sales Volume and Number of Properties Sold (as of November 2019)



Source: Yardi Matrix

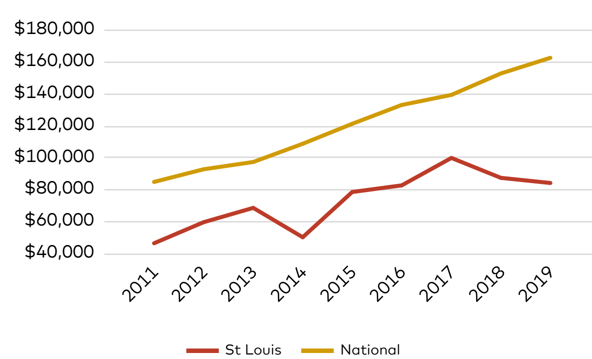
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Hazelwood/Bridgeton	77
St. Louis–Central West End	65
St. Louis–Forest Park	50
O'Fallon	46
Charles County	41
Maryland Heights	30
Ballwin	26
St. Louis–South	26

Source: Yardi Matrix

[1] From November 2018 to October 2019

St. Louis vs. National Sales Price per Unit

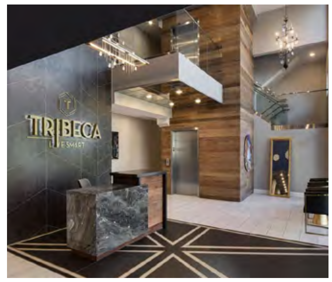


Source: Yardi Matrix

Get the latest in local real estate news on Multi-HousingNews.com

Student Housing Changes Hands

The privately owned 428-bed community serves scholars at Washington University in St. Louis.



Hamilton Zanze Arrives in St. Louis

Once again partnering with Cantor Fitzgerald, the firm picked up the 160-unit Tribeca for $44 million.

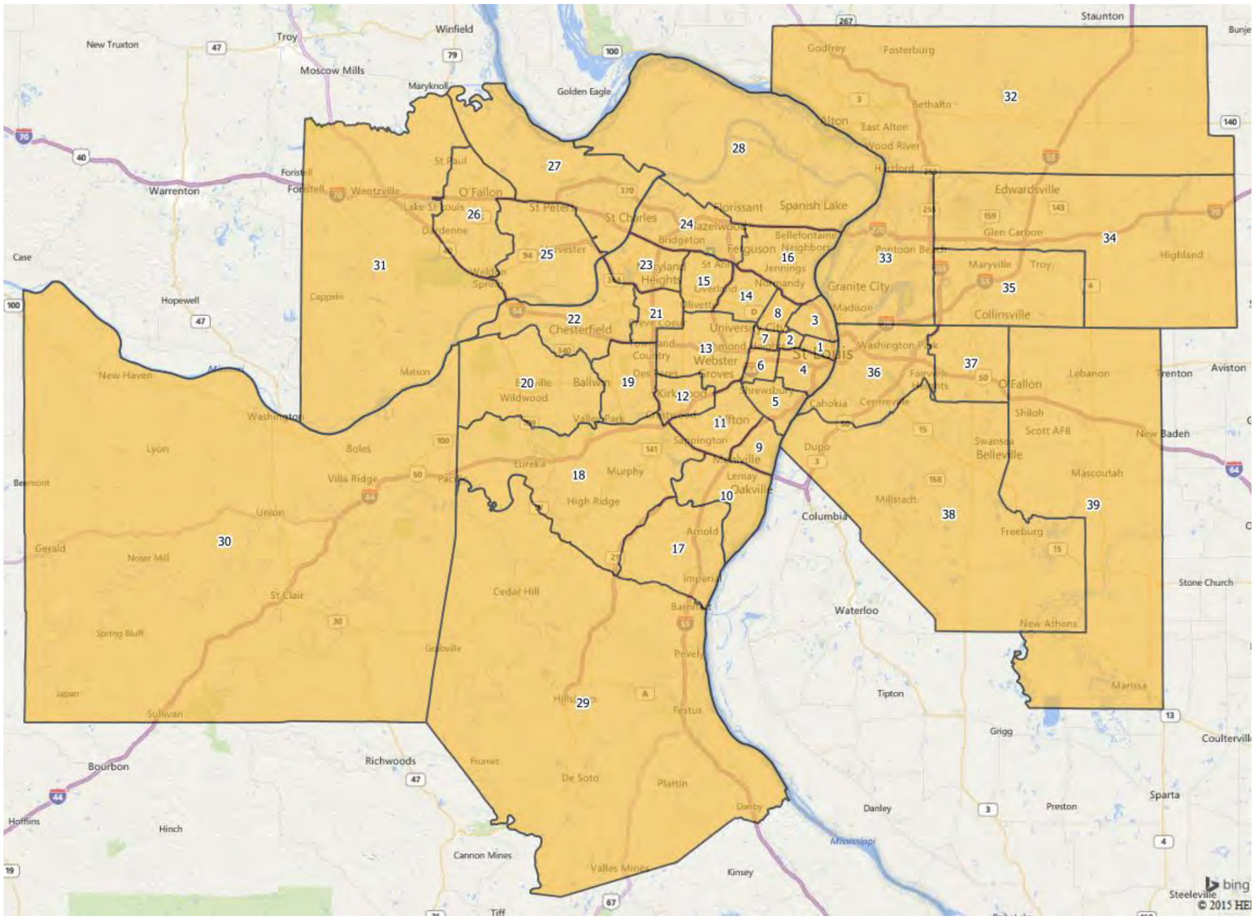
$80M Luxury Project Coming to Suburbs

NorthMarq arranged $54.5 million in financing for an upscale, mixed-use property in Chesterfield.

The Habitat Co. Hires New VP

Kimberly Sisney will oversee operations, planning and strategy for the firm's affordable communities in Chicago and St. Louis.

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 may 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 may 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, may 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

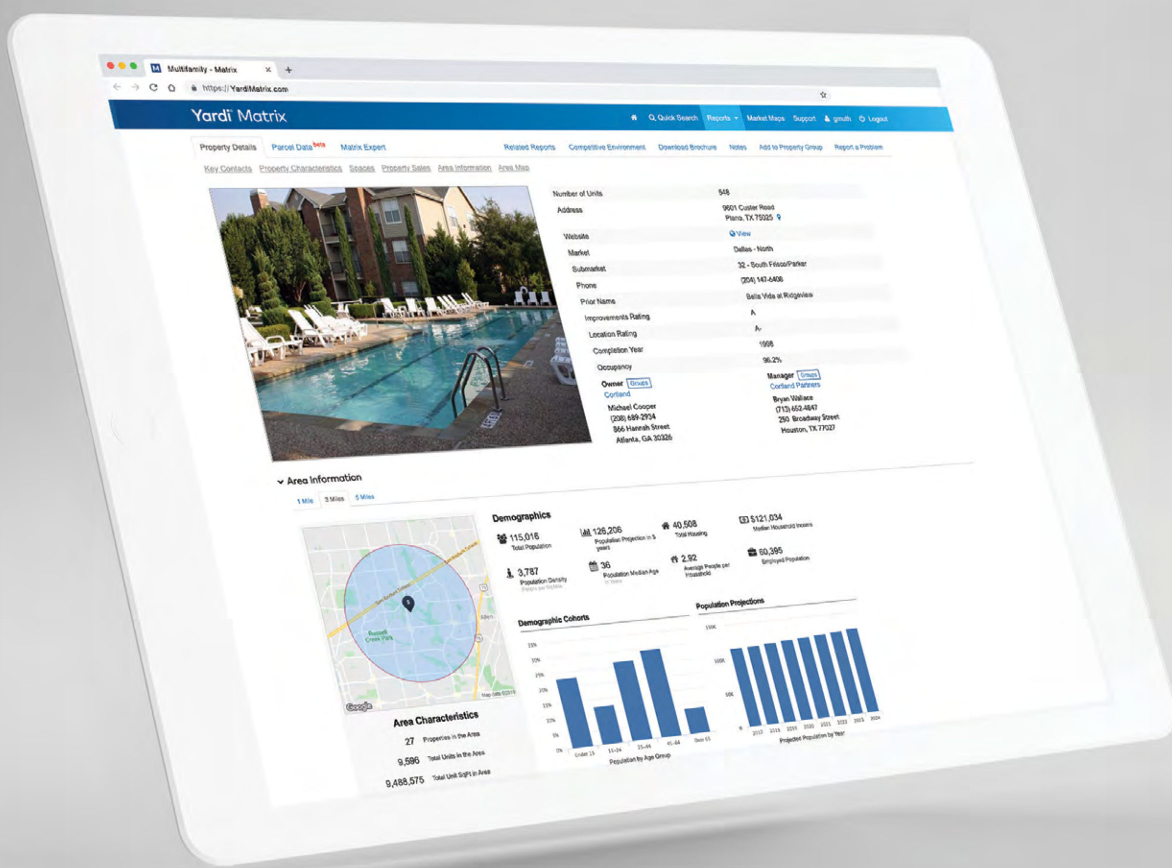
The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

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.

How do you | find properties to buy or develop?

Invest confidently using the industry's most comprehensive market intelligence service. Only Yardi Matrix continuously updates and verifies critical data for 17 million+ units within more than 90,000 multifamily properties in 133 U.S. metros that encompass 90% of the population.



YARDI

(800) 866-1144
YardiMatrix.com