Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	1,999
UNITS DELIVERED (YTD)	639

MARKET FUNDAMENTALS

VACANCY RATE	5.4%
YEAR-OVER-YEAR CHANGE	+120bps
ASKING RENTS	$1,174
YEAR-OVER-YEAR CHANGE	0.1%

TRANSACTION ACTIVITY (YTD)

MEDIAN SALES PRICE PER UNIT*	$111,800

** Transactions where pricing is available*

St. Louis Multifamily
1Q 2024

MARKET INSIGHTS

Construction slows and absorption accelerates to start 2024

HIGHLIGHTS

- The St. Louis multifamily market recorded a mixed performance during the first quarter, as asking rents trended higher while the vacancy rate rose. Projects totaling approximately 650 units were delivered, down more than 50 percent from the prior quarter.
- Vacancy continued to trend higher in recent months; the rate rose 60 basis points during the first quarter to 5.4 percent. Year over year, vacancy is up 120 basis points.
- Rent growth picked up to start 2024. Asking rents advanced 1.2 percent during the first quarter reaching $1,174 per month. Despite the recent rise, current rents are only slightly higher than levels recorded one year ago.
- Sales velocity slowed in recent months, as transaction volume during the first quarter was down 25 percent from levels recorded in the preceding quarter. In transactions where pricing was available, the median price to this point in the year is $111,800 per unit.

ST. LOUIS MULTIFAMILY MARKET OVERVIEW

Multifamily completions in St. Louis slowed during the first quarter, but the supply overhang that has resulted from elevated construction totals in recent years resulted in another vacancy increase. The rate rose above 5 percent for the first time in nearly three years, after holding mostly steady throughout much of 2022 and 2023. Although vacancy conditions softened, renter demand improved in recent months, fueled by continued gains in the local labor market. Net absorption totaled more than 250 units in the first quarter, up 18 percent from the same period last year. The rebound in renter demand drove asking rents higher in the last three months, following declines in the second half of last year.

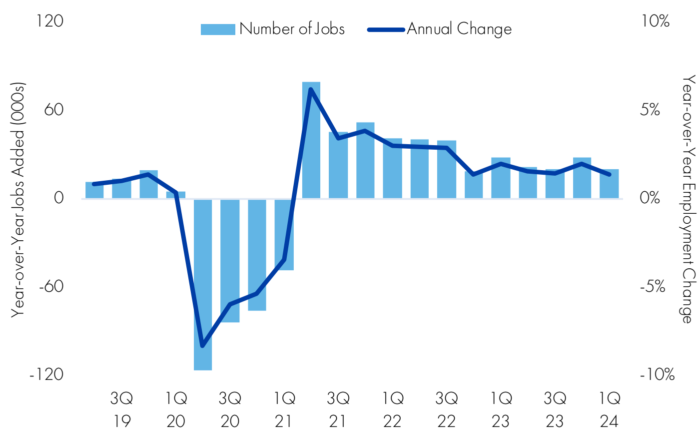
Properties continued to trade in the St. Louis multifamily investment market during the first quarter, although transaction counts at the outset of this year lagged the pace that was achieved throughout 2023. Total sales during the first quarter were down about 40 percent compared to velocity during the same period of last year. While a few newer properties have sold in recent months, the bulk of the activity has occurred in properties built before 2000. This has resulted in a lower overall per-unit price; in transactions where pricing was available, the median price thus far in 2024 is $111,800 per unit. Cap rates averaged approximately 6.5 percent to start the year, but higher-quality properties generally trade at lower cap rates than the average.

EMPLOYMENT

- Employers in St. Louis continue to add jobs. During the past 12 months, total employment in the area has expanded by 1.4 percent with the addition of 20,100 workers.
- Gains were recorded across a variety of industries during the past year, with the healthcare and social assistance sector posting the most rapid growth. Employment in this sector spiked by nearly 5 percent year over year, with the addition of 10,600 positions.
- Late last year, health insurance company Anthem, announced plans to add more than 250 new workers in the coming years at the company's headquarters in Downtown St. Louis.
- **FORECAST:** The local labor market is forecast to continue expanding at a modest pace through the end of the year. Total employment is projected to increase by 16,000 workers in 2024, an annual increase of 1.1 percent.

Total employment in the area has expanded by 1.4 percent.

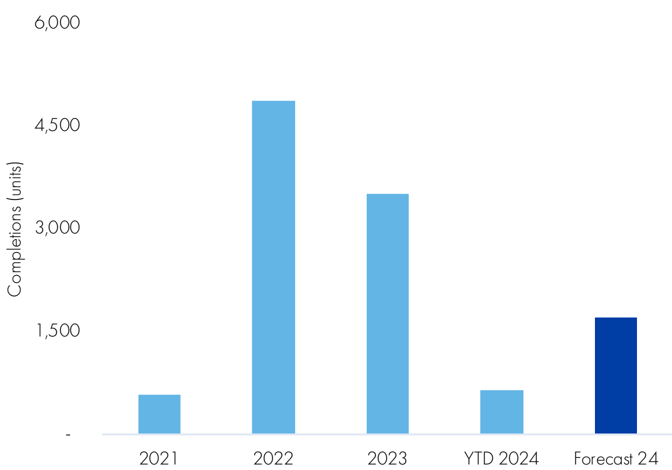
EMPLOYMENT OVERVIEW



Sources: Northmarq, Bureau of Labor Statistics

During the first quarter, fewer than 650 units came online.

DEVELOPMENT TRENDS



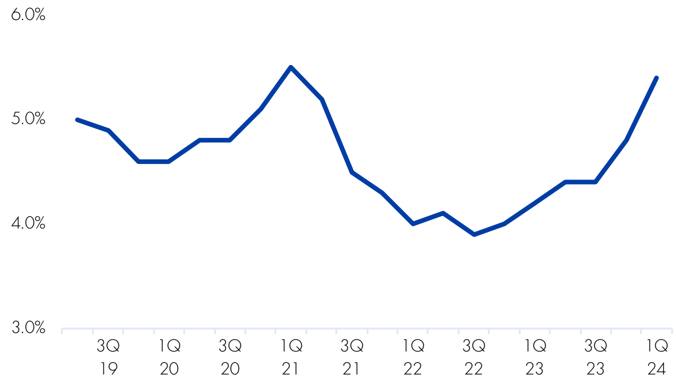
Sources: Northmarq, CoStar, Reis

DEVELOPMENT & PERMITTING

- The pace of multifamily deliveries is slowing. During the first quarter, fewer than 650 units came online, down about 50 percent from deliveries in the prior quarter.
- The local development pipeline in St. Louis continued to thin in recent months. Currently, projects totaling nearly 2,000 units are under construction, down from the more than 4,300 units that were under construction one year ago.
- Permitting has also slowed at the start of 2024. Developers pulled permits for 325 multifamily units during the first quarter, down 19 percent from the preceding quarter.
- **FORECAST:** The pace of multifamily deliveries should continue to slow through the end of 2024 and into the following years. Projects totaling approximately 1,700 units are scheduled to come online in 2024 after more than 3,500 units were delivered in 2023.

Year over year, vacancy is up 120 basis points.

VACANCY TRENDS



Sources: Northmarq, Reis

VACANCY

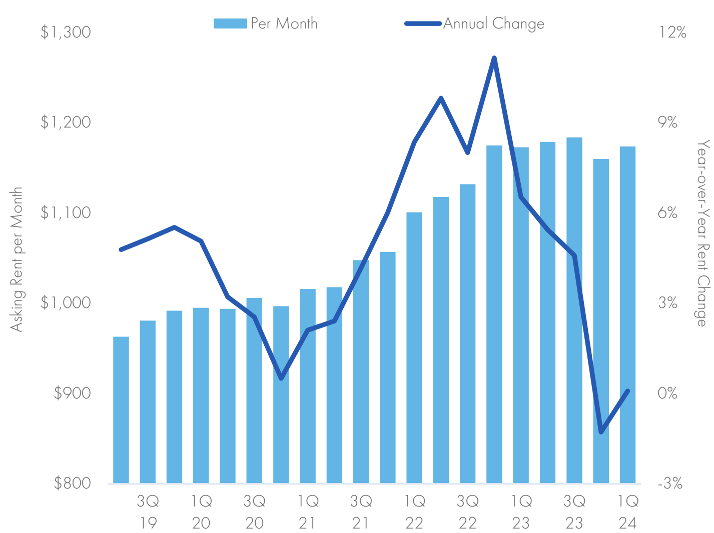
- The vacancy rate in St. Louis continued to rise in recent months, despite net absorption rebounding during the first quarter. Apartment vacancy rose by 60 basis points during the last three months to 5.4 percent. Year over year, vacancy is up 120 basis points.
- The Florissant/North County submarket was the only area in the region to record vacancy improvements during the past year. Vacancy in this submarket tightened by 30 basis points during the past 12 months to 3.3 percent, one of the lowest figures in the region.
- Vacancy for Class B and Class C properties recorded mild upticks in recent quarters, with the combined rate rising 30 basis points in the past year to 4.1 percent. Since 2019, vacancy for middle-tier and lower-tier assets has ranged between 3.5 percent and 5 percent.
- **FORECAST:** Vacancy conditions are forecast to hold steady through the end of the year after trending higher in the early months of 2024. Area vacancy is expected to finish the year at 5.5 percent, an annual increase of 70 basis points. Since 2015, vacancy has averaged 4.7 percent. The rate will be similar to average vacancy levels recorded from 2017-2020.

RENTS

- Rent growth rebounded at the start of 2024 after declining in the final three months of 2023. Asking rents in St. Louis advanced 1.2 percent during the first quarter, reaching $1,174 per month. Year over year, area rents are up just 0.1 percent.
- Rent trends were mixed throughout St. Louis during the past 12 months, with the Clayton/Mid-County submarket recording the steepest rent growth. Year over year, rents in this submarket rose 5.5 percent to $1,654 per month.
- Class A rents have recorded a modest uptick in the past year, while rents in the lower tiers have declined slightly. Class A rents have increased 1.1 percent year over year to $1,543 per month, while combined Class B and Class C rents have dropped 1.3 percent.
- **FORECAST:** Asking rents are forecast to continue trending higher in the coming quarters, as annual rent growth should return closer to historical norms after volatile rent growth in the past three years. Rents are projected to rise 3 percent in 2024 to $1,195 per month.

Rents in St. Louis advanced 1.2 percent in the first quarter.

RENT TRENDS



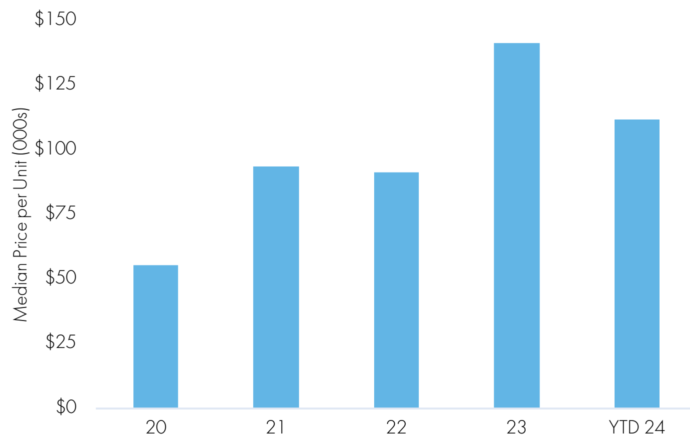
Sources: Northmarq, Reis

MULTIFAMILY SALES

- Although transaction volume was down at the start of 2024, properties still changed hands with roughly a half-dozen communities selling during the first quarter. Sales velocity slowed by 25 percent from the fourth quarter of 2023 to the first quarter of this year.
- Pricing levels dipped in the early months of the year, lagging the elevated prices recorded last year. In transactions where pricing was available, the median price through the first quarter is $111,800 per unit.
- There is a wide disparity in per-unit pricing. Class A assets can trade for prices as high as $260,000 per unit, while some Class B properties sell for as much as $150,000 per unit. At the lower end of the pricing spectrum, Class C communities often trade for between $50,000 per unit and $75,000 per unit.
- Cap rates ranged between 5.5 percent and 6.5 percent for most of 2023 and recent transactions have closed closer to 6.5 percent. If area rents continue to push higher, cap rates will likely remain near current levels.

Class A assets can trade for prices as high as $260,000 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

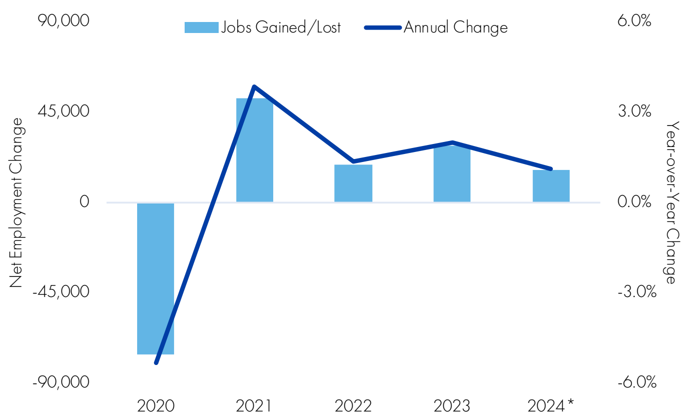
PROPERTY NAME	STREET ADDRESS	UNITS	SALES PRICE	PRICE/UNIT
The Flats at Dorsett Ridge	12703 Dorsett Rd., Maryland Heights	214	$54,100,000	$252,804
Greenway Chase Apartments	629 Greenway Manor Dr., St. Louis	312	$34,875,000	$111,779

LOOKING AHEAD

Property fundamentals in the St. Louis multifamily market are expected to stabilize in the coming quarters, as market metrics are forecast to return closer to the region's long-term averages. Annual deliveries are forecast to be modest in 2024 following two consecutive years of heightened completions. With inventory growth expected to more closely track long-term growth patterns and renter demand projected to remain strong, supply-side pressures that have persisted in recent years will likely ease. The vacancy rate is forecast to end the year close to the current figure and continued renter demand should support additional rent increases. Rent growth has averaged 3.5 percent per year since 2010.

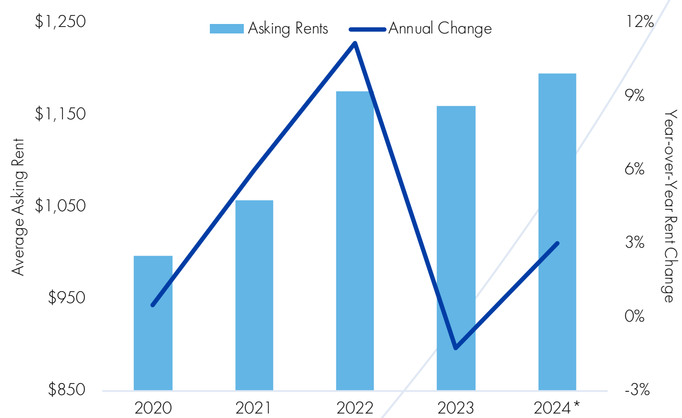
The investment outlook in St. Louis is expected to remain favorable in the coming quarters. While many markets are recording sharp increases in deliveries that will result in greater competitive pressures on operators, the surge in deliveries has already occurred in St. Louis, meaning the market is further ahead in the recovery cycle than most, and operational stability should support investment demand. Middle-tier and lower-tier assets should continue to account for the majority of the transaction mix, but Class A sales may pick up in the second half of 2024, closely tracking trends posted last year.

EMPLOYMENT FORECAST



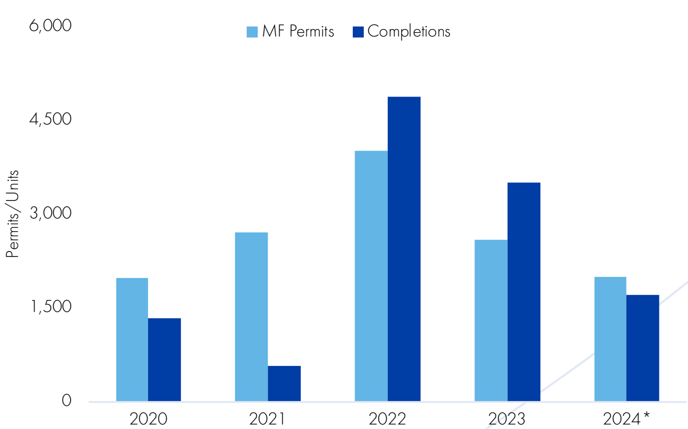
** Year End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

RENT FORECAST



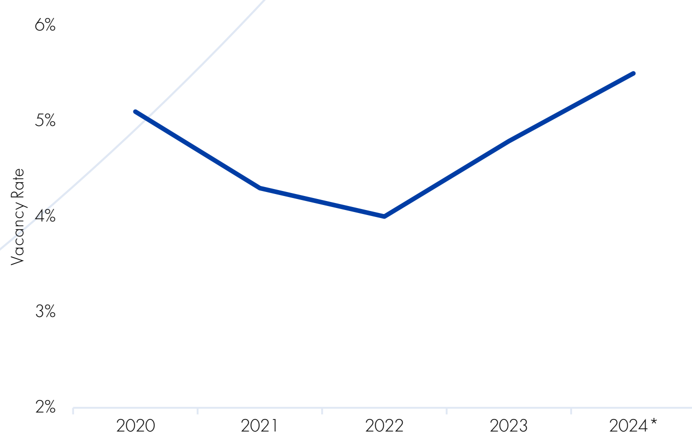
** Year End Forecast*
Sources: Northmarq, Reis

CONSTRUCTION & PERMITTING FORECAST



** Year End Forecast*
Sources: Northmarq, Census Bureau, CoStar, Reis

VACANCY FORECAST



** Year End Forecast*
Sources: Northmarq, Reis

Northmarq

FOR MORE INFORMATION,
PLEASE CONTACT:

PARKER STEWART
Regional Managing Director–Investment Sales
312.651.5423
pstewart@northmarq.com

DOMINIC MARTINEZ
Managing Director–Investment Sales
314.301.1828
dmartinez@northmarq.com

DAVID GARFINKEL
Managing Director–Debt & Equity
314.301.1808
dgarfinkel@northmarq.com

TREVOR KOSKOVICH
President–Investment Sales
602.952.4040
tkoskovich@northmarq.com

PETE O'NEIL
Director of Research
602.508.2212
poneil@northmarq.com

ABOUT **NORTHMARQ**

Northmarq offers real estate investors access to experts in debt, equity, investment sales and loan servicing. We combine industry-leading capabilities with an open, flexible structure, allowing our team of seasoned professionals to do the best work on behalf of clients and lenders. Our solid foundation and innovative approach have led to substantial growth, with more than 1,000 employees, loan servicing volume approaching $80 billion, and $40+ billion in transaction volume.