St. Louis 3Q23 Multifamily Market Report

$1,277
AVERAGE RENT

94.4%
AVERAGE OCCUPANCY RATE

$345.9M
YTD SALES VOLUME

3.1%
YOY RENT CHANGE

-1.5 POINTS
YOY OCCUPANCY CHANGE

20 YTD
INDIVIDUAL TRANSACTIONS

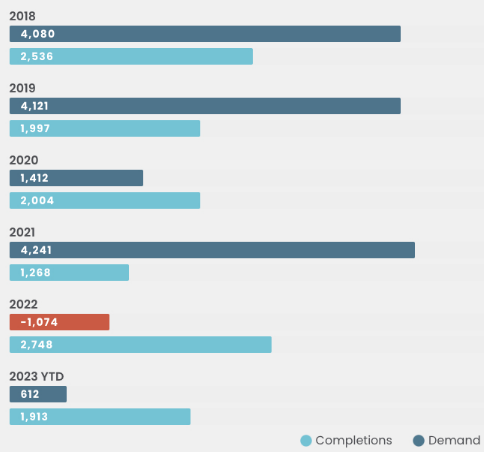
Supply & Demand

3Q23

189 Units
QUARTERLY DEMAND
YTD: 612

1,082 Units
QUARTERLY COMPLETIONS
YTD: 1,913

Annual Demand Vs Completions



Demand Trends

- In the third quarter, St. Louis property owners and operators found reason to be cautiously optimistic. Apartment absorption extended its positive streak for the second straight quarter, marking the absorption of 189 units over the quarter.
- Notably, five out of the ten submarkets showcased positive absorption, with the St. Charles County submarket accounting for 50% of the units absorbed during this quarter.

Completion Trends

- In Q3 2023, the apartment inventory in St. Louis grew by 1,082 units. Among the six submarkets that saw an influx of additional inventory, St. Charles County led the way with 466 new units.
- Over the past 24 months, developers have notably concentrated their efforts on the urban submarket of St. Louis City and suburban submarket of St. Charles County. Out of approximately 4,800 units introduced during this period, 67% are located in these two submarkets alone.

Demand Outlook

- In the upcoming four quarters, the St. Louis, MO-IL apartment market is poised for a spike in demand, with roughly 2,566 units anticipated to be absorbed during this timeframe, surpassing the five-year annual average of 2,112 units.
- The urban submarket of St. Louis City is anticipated to become a significant hub of demand during this period, with a projected absorption of 1,110 units, notably outpacing the 824 units scheduled to come online over the same period.

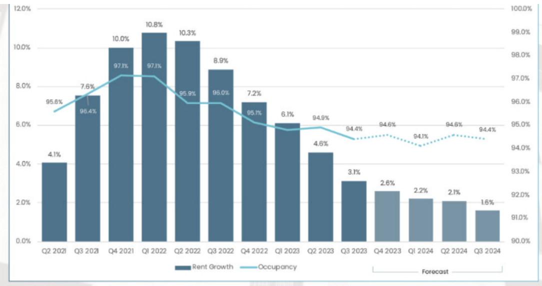
New Supply Outlook

- The ongoing construction of 4,146 apartment units signifies a 2.4% expansion of the existing inventory, marking a moderate ascent from the historical average of 1.4%.
- With over 4,100 units under construction, around 2,900 units are slated for completion in the coming four quarters, primarily within the city center, mid-county, and Central West End/Forest Park submarkets.

Occupancy & Rent Trends

RENT vs OCCUPANCY

RENT VS OWN
MONTHLY PAYMENT



$2,093

Average Monthly Mortgage Payment

$1,277

Average Monthly Rent

OCCUPANCY TRENDS

The St. Louis multifamily market displayed robust fundamentals, maintaining a solid occupancy rate despite an increase in supply. Over the year ending in September 2023, occupancy experienced a modest decline of 150 basis points, landing at a strong rate of 94.4%. Even as supply outstripped demand, four out of ten St. Louis submarkets exhibited robust occupancy rates exceeding 95.0%. The St. Clair/Madison Counties submarket led the way with the highest occupancy rate, registering at 97.5%. Analyzing by asset class, A, B, and C properties clustered closely with occupancy rates ranging from 93.2% for class C properties to 94.9% for class A properties.

RENTAL TRENDS

St. Louis exhibited a favorable trajectory in apartment rents during the third quarter of 2023, achieving a year-over-year growth of 3.1% and securing the 8th position for rent growth among the top 50 US apartment markets for this quarter. This outperformance stands in contrast to many other U.S. apartment markets, which are wrestling with the ramifications of heightened supply levels that have triggered a downturn in rents. The Maryland Heights/Creve Coeur submarket emerged prominently, recording a robust rent increase of 6.8% overall, with Class A rents in this submarket witnessing a remarkable ascent of 9.5%, equating to a rental rate of $1,599 per month. In a noteworthy shift, the Central West End/Forest Park submarket outshone Mid St. Louis County, becoming the priciest submarket in the third quarter with average rents advancing beyond $1,666.

Submarket Rent & Occupancy

Show 25 entries   Search:

Submarket	Average Occupancy	Annual Occupancy Change	Average Monthly Rent	Annual Rent Change
Central West End/Forest Park	93.3%	-1.5%	$1,666	2.7%
Chesterfield/Ballwin/Wildwood	96.3%	-0.8%	$1,422	1.6%
Florissant/Hazelwood	92.9%	-1.7%	$966	0.3%
Maryland Heights/Creve Coeur	95.0%	-1.2%	$1,333	6.8%
Mid St. Louis County	93.8%	-1.6%	$1,652	1.9%
Northeast St. Louis County	90.8%	-1.5%	$818	6.0%
South St. Louis County/Jefferson County	96.6%	-1.0%	$1,074	5.8%
St. Charles County	94.9%	-1.4%	$1,349	1.4%
St. Clair/Madison Counties	97.5%	-0.1%	$1,374	6.2%
St. Louis City	90.9%	-4.1%	$1,225	0.5%
St. Louis, MO-IL	**94.4%**	**-1.5%**	**$1,277**	**3.1%**

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Units by Submarket Delivering in 2023

4,146

Units Under Construction

2,902

Units UC Delivering In the Next 4 Quarters

Number of Units Under Construction

- Central West End / Forest Park - 615
- Chesterfield / Ballwin / Wildwood - 435
- Florissant / Hazelwood - 0
- Maryland Heights / Creve Coeur - 524
- Mid St. Louis County - 590
- Northeast St. Louis County - 0
- South St. Louis County / Jefferson County - 0
- St. Charles County - 681

Number of Units Delivering Next 4Q

- Central West End / Forest Park - 451
- Chesterfield / Ballwin / Wildwood - 253
- Florissant / Hazelwood - 0
- Maryland Heights / Creve Coeur - 269
- Mid St. Louis County - 510
- Northeast St. Louis County - 0
- South St. Louis County / Jefferson County - 0
- St. Charles County - 365

St. Clair / Madison Counties - 230

St. Louis City - 1,071

St. Clair / Madison Counties - 230

St. Louis City - 824

Sales Activity

As of the third quarter's close, St. Louis recorded a cumulative multifamily asset transaction volume of $345.9 million for the year, signaling a marked 57.3% descent from the $810.7 million tallied in the comparable timeframe of 2022. However, when juxtaposed against a wider historical spectrum, the present transaction volume reverberates with the trading cadence observed in the pre-pandemic era. The transactional activity predominantly stemmed from garden-style property sales, orchestrated largely by private investors. Concurrently, the market has been garnering escalating attention from institutional investors, with their acquisition activity catapulting 30% above the recent five-year average, hinting at a burgeoning institutional allure towards St. Louis's multifamily market.

Most Active Buyers (previous 24 months)

- Beitel Group
- Michelson Organization
- Great Lakes Capital
- Oro Capital Advisors
- Blue Magma Residential

Most Active Sellers (previous 24 months)

- Mills Properties
- FPA Multifamily
- Berkshire Income Realty
- CA Ventures
- White Oak Realty Partners

**Most Active Buyers and Sellers are based on the sale volume of apartment units.*

TRANSACTION VOLUME

$345.9M

YTD Transaction Volume

-57.3%

Y-O-Y Change

20

Individual Transaction Count

$102k*

Price Per Unit

-36.2%

Annual Price Change

** Trailing 4Q average PPU*

** Preliminary Data from RCA – Individual transaction $2.5M +*

Economy

Continuing on a path of modest yet steady economic growth, St. Louis consistently exhibits strong activity in key sectors such as hospitality, manufacturing, healthcare, and logistics. The latest data from the Bureau of Labor Statistics shows a 3.6% unemployment rate in the metro area as of July, slightly below the national average of 3.8%, alongside a 2.0% employment uptick over the past year, adding 27,600 jobs. Notably, the leisure and hospitality sector led with a significant 7.9% growth, equating to 11,800 new positions, while the education and health services sector saw a 3.1% increase, contributing an additional 8,100 roles. The affordable cost of living coupled with a vibrant job market makes St. Louis an attractive location for both businesses and residents. The city was recently recognized as one of the top places to live in the United States by U.S. News & World Report and serves as the headquarters for several Fortune 500 companies, including industry giants like Emerson Electric, and Anheuser-Busch InBev.

27.6k
JULY ANNUAL JOBS CREATED

2.0%
JULY 23 EMPLOYMENT GROWTH

3.6%
JULY 23 UNEMPLOYMENT RATE
3.8% US JULY RATE

Top 5 Employment Sector Annual Change

LEISURE & HOSPITALITY SERVICES

EDUCATION & HEALTH SERVICES

MANUFACTURING

TRADE, TRANSPORTATION & UTILITIES

FINANCIAL ACTIVITIES

Hover over icons to view data

Show 10 entries   Search:

Sector	Change from May 2022 to May 2023	Percent Change
Leisure and hospitality	11,800	7.9%
Education and health services	8,100	3.1%
Manufacturing	2,500	2.1%
Trade, transportation, and utilities	1,300	0.5%
Financial activities	700	0.7%
Professional and business services	400	1.8%
Other services	300	5.4%

Information	-600	-2.0%
Government	-1,100	-0.8%
Mining, logging, and construction	-2,100	-2.8%

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Cost of Living Comparison

The cost-of-living index in St. Louis, MO, stands at a favorable 89.1, indicating a market more affordable than the national standard. The housing sector significantly contributes to this affordability, with a housing index of 78.3 and a median home sales price of $266,200. When juxtaposed against another Midwest nucleus like Chicago, IL, St. Louis emerges as a more budget-friendly option, slashing housing expenses by 47.3% and transportation costs by 19.6%. These financial advantages render St. Louis an economically attractive locale for a diverse demographic.

Chicago, IL vs. St. Louis, MO

Cost of Living Comparison

Groceries:

7.06% Less

Housing:

47.83% Less

Utilities:

4.08% More

Transportation:

19.6% Less

Health:

18.8% Less

89.1

Cost of Living Index

$2,093

Average Mortgage

(vs Average Rent: $1,277)

78.3

Housing Index Score

100.3

Utilites Index Score

94.3

Gas Index Score

$266,200

Median Home Sale Price

(YoY Change: 3.2%)

The "Cost of Living" index score provides a comparative assessment of the relative expense involved in maintaining a standard of living in a specific area, benchmarked against a national index score of 100.

Source: COLI; BLS; Consumer Price Index for All Urban Consumers (CPI-U): Selected areas, all items index, July 2023

Market Outlook

Compared to its peers, the St. Louis market is showcasing commendable performance, particularly in terms of its rental growth—ranking it an impressive 8th among the largest 50 markets—and maintained occupancy rates, even in the face of uncertain market conditions. Despite the influx of new units, the St. Louis apartment market seems to be holding its ground effectively. Nearly every submarket is forecasted to see positive demand in the upcoming year, minimizing concerns. Leading this activity is the St. Louis City submarket, with a projected absorption of 1,111 units, representing nearly 44% of all units. While market dynamics may display some variability, the impacts on rent growth and occupancy are expected to be marginal. Looking beyond the third quarter, the blend of solid market fundamentals and steadfast demand suggests a stable long-term outlook for St. Louis, even amid unpredictable market scenarios.

Sources: RealPage; BLS; MSCI; St. Louis Business Journal; St. Louis Regional Chamber.

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