

# INVESTMENT FORECAST

Retail  
St. Louis

IPA

INSTITUTIONAL  
PROPERTY  
ADVISORS

2022

## Growing Outer Suburbs Spark Investor Interest; Lower-Risk Properties Take Forefront for Buyers

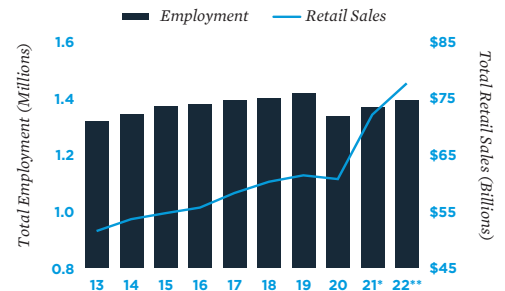
**Single-tenant absorption drives metrowide vacancy plunge.** The retail market in St. Louis has recovered significantly in the past year, with vacancy tightening nearly 100 basis points in 2021. While both the single and multi-tenant segments recorded vacancy rates near 6 percent at their pandemic-era peaks, single-tenant performance has solely aided the overall figure since. This has been driven by net absorption of more than 1.1 million square feet of single-tenant properties, dropping the segment's availability below 5 percent, while multi-tenant vacancy has remained roughly 100 basis points above the pre-pandemic rate. Mild improvements to demographic trends should further support performance, as the rate of net out-migration has slowed recently to an almost flat annual change. Additionally, household incomes are expected to grow at a rate of 3 percent this year, a tick faster than the national average. This, along with a development pipeline that is more than 90 percent pre-leased, will aid rents and slash vacancy in 2022.

**Bidding heats up for single-tenant assets in high-growth pockets.** Single-tenant properties have driven the majority of sales activity entering this year, evidenced by almost two-thirds of trades in 2021 involving properties of this type. Single-tenant yields are 160 basis points below multi-tenant returns in St. Louis, compared to the 90-basis-point gap nationally. These trades represent a larger portion of transaction activity in more distant submarkets, with growing western areas like Franklin and St. Charles counties leading the way. Competition for these listings has resulted in cap rates compressing to the mid-5 percent range; returns, however, can reach 150 basis points higher for certain assets. In Illinois, similar trades are reported as the metro expands on the east side, with cap rates around 100 basis points lower than the western suburbs. The city of St. Louis is the only submarket reporting a substantial proportion of multi-tenant assets changing hands, with the majority of these trades occurring in the southern portion of the core.

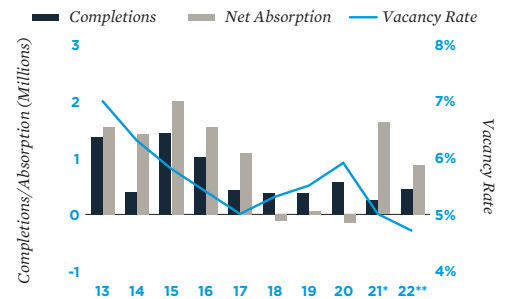
## 2022 Market Forecast

- Employment**  
up 1.9%  
The creation of 26,000 jobs is an improvement from last year; but total employment still trails the pre-pandemic peak.
- Construction**  
450,000 sq. ft.  
Deliveries rise by nearly 200,000 square feet when compared to a mild 2021 total. This should not impact fundamentals greatly, as the majority of new assets are pre-leased.
- Vacancy**  
down 30 bps  
Coming off more than 1.6 million square feet of net absorption last year, an additional 870,000 square feet will be filled in 2022, contracting the vacancy rate to 4.7 percent.
- Rent**  
up 1.8%  
The average asking rent reaches \$13.85 per square foot in 2022, putting the per-square-foot rate 2.3 percent ahead of the early 2020 high, despite an initial wane following lockdowns.
- Investment**  
Central St. Louis County fundamentals and trading volume have worsened since 2020, potentially creating upside opportunities when employees return to this office-heavy submarket.

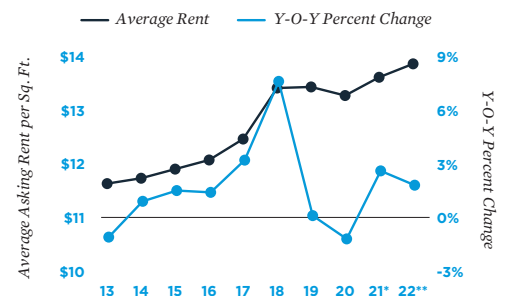
### Economic Trends



### Supply and Demand



### Rent Trends



\* Estimate; \*\* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of February 2022. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and retail data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.