# MARKET REPORT

**Multifamily**

*St. Louis Metro Area*

IPA INSTITUTIONAL PROPERTY ADVISORS

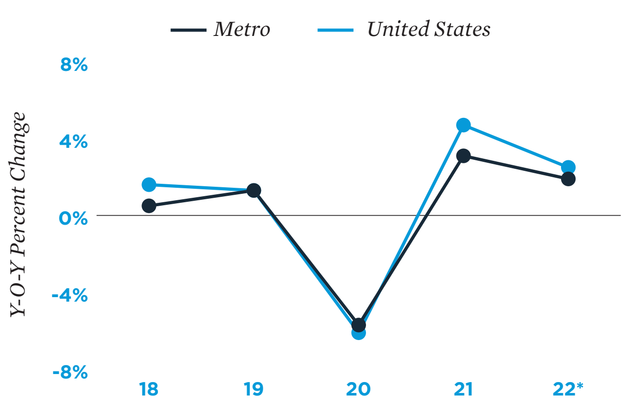
2Q/22

## Historically High Construction Positioned to Support Workers' Return to the CBD

**In-person classes and return to offices fuel urban demand.** During the past 12 months, St. Louis saw the restoration of two historical pillars of local renter demand, placing the metro on solid footing as it enters the second quarter. The Central West End-Forest Park submarket, in particular, recorded a vacancy compression of 400 basis points over the past 12 months ending in March. The return of students to Washington University and Saint Louis University was a driving factor, as these circumstances restored strong demand for campus-adjacent apartments that lifted the local average rent by roughly 8.0 percent. In addition, the employment recovery is returning renters to urban neighborhoods, as vacancy in the CBD went down by 330 basis points during 2021. St. Louis' strong connection to financial services, including headquartering Edward Jones Investments downtown, has spearheaded the return to in-person work and the recovery of the professional and business services sector.

**Urban fundamentals warrant near-term supply wave.** St. Louis' urban submarkets are slated to receive more than half of the 3,500 new units scheduled to come online in the next two years. Central West End-Forest Park alone will see over 900 rentals delivered in 2022, after last year saw minimal development for the first time since 2010. Additionally, after limited construction, Class A vacancy was at an all-time low at the onset of 2022, indicating new supply should be well received in the near term.

### Employment Trends




* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

## Multifamily 2022 Outlook

**26,000 JOBS** *will be created*

### EMPLOYMENT:

St. Louis' unemployment rate was just above the national average at the end of last year. Moving forward, payroll expansions will support a 1.9 percent annual rate of growth that brings the year-end job count to within 13,000 positions of the pre-pandemic peak.

**2,300 UNITS** *will be completed*

### CONSTRUCTION:

Supply additions in 2022 will exceed the trailing 10-year average of 1,400 rentals, as delivery volume reaches a four-year high. Elevated construction will increase metro inventory by 1.2 percent, with the majority of completions in urban areas.

**10 BASIS POINT** *increase in vacancy*

### VACANCY:

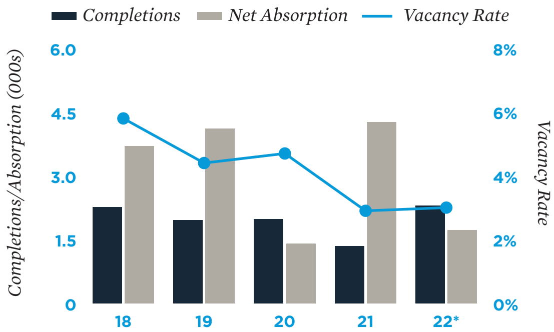
Vacancy will increase slightly to 3.0 percent as supply additions narrowly outpace renter demand. Still, roughly 1,700 units will be absorbed throughout 2022, in line with the previous decade's average of 1,800 rentals.

**5.9% INCREASE** *in effective rent*

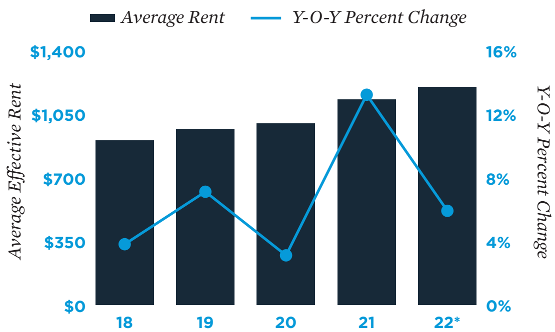
### RENT:

Tight vacancy and an increase in luxury deliveries will lift the metro's average effective rent up to $1,198 per month. Last year, rents jumped 13.2 percent, the largest increase in St. Louis since at least 2000.

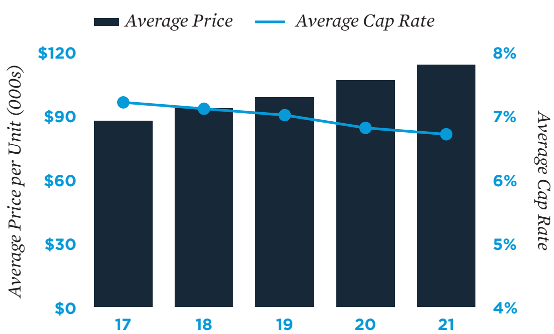
## Supply and Demand




## Rent Trends




## Sales Trends




** Forecast*

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

## 1Q 2022 - 12-Month Period

### CONSTRUCTION

**1,225 units completed**

- The metro's inventory expanded by 0.5 percent over the past year ending in March. Roughly 100 units came online during the first quarter, accounting for around 4.0 percent of expected completions in 2022.
- An additional 3,600 units were under construction at the onset of April, with expected delivery dates stretching into mid-2023.

### VACANCY

**200 basis point decrease in vacancy Y-O-Y**

- More than 4,000 units were absorbed over the past 12 months, keeping vacancy at 2.9 percent. All of St. Louis' 10 submarkets experienced a drop in vacancy during this span.
- Amid a moderation in luxury completions, Class A vacancy tightened 350 basis points in 2021 to 2.7 percent.

### RENT

**13.4% increase in the average effective rent Y-O-Y**

- The beginning of 2022 saw tighter conditions, lifting the mean effective rent to $1,141 per month.
- While suburban submarkets led rent growth at the end of 2021 with a 12.8 percent annual boost, the CBD also recorded substantial gains, as the average effective rent increased by 9.1 percent year-over-year.

## Investment Highlights

- Transaction velocity increased marginally in 2021 as investors regained confidence in the metro. Approximately half of deal flow involved suburban properties, with urban locations close behind, consistent with years past. This underscores investors' belief in long-term core-area demand drivers, despite health crisis impacts.
- Of the transactions that took place in 2021, the majority occurred in the University City, Dutchtown South and Central West End submarkets. In the latter locale, trading has risen notably since 2020, coinciding with the significant improvement in renter demand that occurred over the past 12 months ending in March, as students resumed in-person classes and workers returned to downtown offices.
- Renewed demand in the market led to a nearly 7.0 percent increase in the average price to $113,900 per unit over the trailing 12-month period. The mean cap rate dropped 10 basis points to 6.7 percent over the same span—the lowest level on record dating back to 2006. Despite this, St. Louis ranks in the top decile for highest average cap rates among major United States metros, attracting investors with yield-centric investment criteria.

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*Price: $250*