

MARKET REPORT

Retail
St. Louis Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

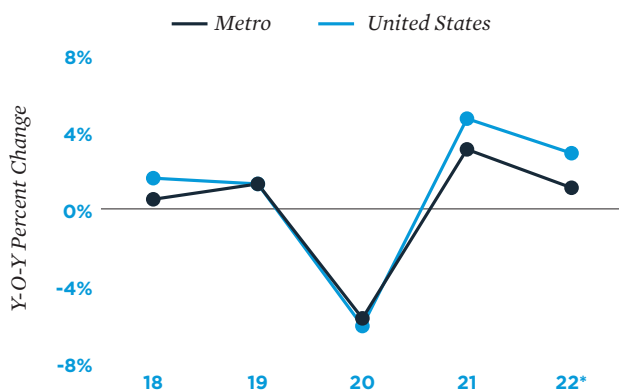
3Q/22

Large Expansion Projects Draw Retailers to North and Central St. Louis Counties

Pre-leased projects provide tailwind for suburbs. University City historically attracts national brands due to its proximity to several colleges, including Washington University and the University of Missouri-St. Louis. However, the opening of Costco's fourth store in the metro as an anchor tenant for the mixed-use Market at Olive project is expected to draw other retailers hoping to establish a presence in the new commercial corridor. While Costco will bring local shoppers to the area, the hotel that is part of the project will enhance leisure spending from out-of-market customers. Even with the addition of over 200,000 square feet of retail space in the submarket, Central St. Louis County will retain one of the lowest vacancy rates in the metro, as a rise in consumer traffic encourages additional retailer expansions.

Industrial investment fuels job gains. The expansion of Procter & Gamble's existing campus in St. Louis will not only maintain 530 existing positions, but also add 100 additional jobs at an average annual wage of \$65,000 a year. Additional temporary construction positions are also expected. The expansion of the factory, located in North St. Louis County adjacent to downtown, could further compress the metro's unemployment rate and increase wages in the area. Other projects, such as Boeing's investment in the Advanced Manufacturing Innovation Center, are likely to boost the local job count as well, a potential catalyst for a rise in consumer demand.

Employment Trends



* Forecast

Sources: BLS; CoStar Group, Inc.

Retail 2022 Outlook



**15,000
JOBS**
will be created

EMPLOYMENT:

Total employment in St. Louis will expand by 1.1 percent this year. Gains so far this year have been predominantly driven by a rise in professional services, hospitality, manufacturing and construction jobs.



**560,000
SQ. FT.**
will be completed

CONSTRUCTION:

Inventory expands by 0.4 percent by year-end. Central St. Louis and St. Charles counties are slated to receive the largest volume of deliveries in 2022, in addition to a notable mixed-use project in St. Louis City.



**10
BASIS POINT**
decrease in vacancy

VACANCY:

Retailers absorb a net of over 640,000 square feet by December, prolonging a span of moderate, yet steady, vacancy compression. This will place year-end availability at 6.5 percent, a rate 30 basis points above the 2019 mark.

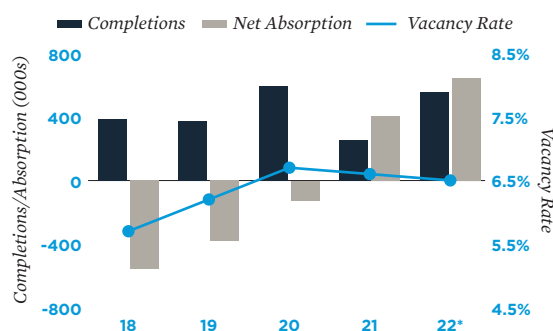


**4.2%
INCREASE**
in asking rent

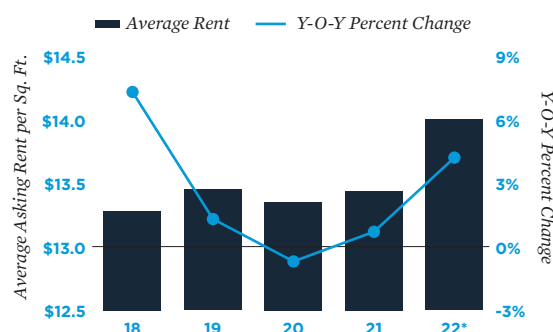
RENT:

Following slim rent gains last year, 2022 will see the average asking rent rise to \$14.00 per square foot, surpassing the pre-pandemic high and setting an all-time record for marketed rents in the St. Louis metro.

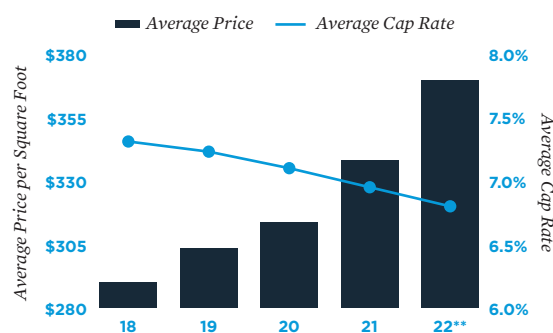
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Price: \$250

2Q 2022 - 12-Month Period



CONSTRUCTION

134,000 sq. ft. completed

- Metro stock expanded by just 0.1 percent during the trailing 12 months ended in June, the smallest annual expansion through midyear on record.
- Completions during the yearlong interval were sparse. Only two submarkets surpassed 25,000 square feet delivered: Metro East Illinois and Outer St. Louis County.



VACANCY

20 basis point decrease in vacancy Y-O-Y

- Nearly 460,000 square feet was absorbed on a net basis over the last four quarters. This enabled vacancy to compress to 6.5 percent in June.
- With few builds coming online in the 12-month span, vacancy compressed year-over-year in 12 of St. Louis' 18 submarkets that contain more than 1 million square feet of inventory.



RENT

5.5% increase in the average asking rent Y-O-Y

- The average asking rent reached \$13.91 per square foot in the yearlong period. Growth was most pronounced in the multi-tenant sector, which witnessed an 8.2 percent rise to \$14.94 per square foot.
- Among submarkets with more than 1 million square feet of stock, St. Louis City logged the greatest increase in multi-tenant asking rent at 8.2 percent.

Investment Highlights

- St. Louis City reported the largest volume of trades in the first six months of 2022. Sale prices ranging from low-\$100 to high-\$200 per square foot were most common, paired with cap rates in the 6 to 7 percent band. The relatively less-costly downtown is attracting in-state investors looking for net-leased properties, as the St. Louis metro noted a 15 percent increase in single-tenant pricing during the trailing 12 months preceding July.
- Among major U.S. markets, St. Louis is home to the highest multi-tenant average cap rate, which inched upwards 10 basis points over the past four quarters to 8.1 percent. After a 20 percent increase in deal flow over the yearlong span, the multi-tenant sale price rose 11 percent to around \$280 per square foot.
- Overall transaction velocity in the metro increased by 20 percent in the trailing four quarters. This helped the average sale price rise by over 13 percent to \$370 per square foot. Meanwhile, the mean cap rate compressed 20 basis points; however, it remained in line with the Midwest's average first-year return. Most sales in the metro were fully leased, suggesting investors' risk tolerance is minimal.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. 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. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics

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