MARKET REPORT

Multifamily

St. Louis Metro Area

IPA INSTITUTIONAL PROPERTY ADVISORS

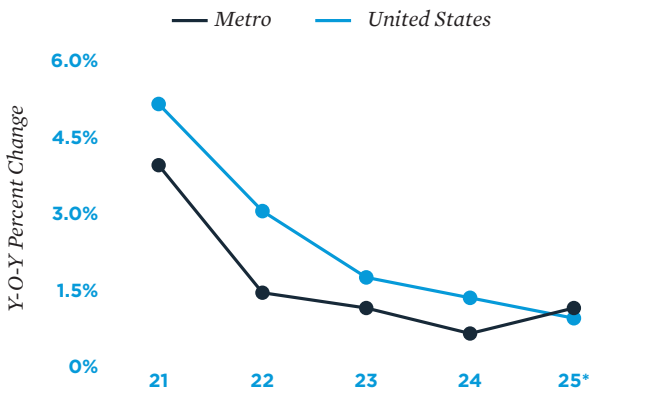
2Q/25

St. Louis Exited the First Quarter With Strong Momentum; Suburbs Poised to Lead 2025 Gains

Renewed population growth drives demand surge. After a net loss of roughly 10,000 people over an eight-year period, St. Louis began to post quarterly population gains in 2023. Since then, the metro has added nearly 20,000 residents, as employment opportunities contributed to record-setting net in-migration. This growth accelerated household formation through 2024 and into the first quarter, resulting in a corresponding surge in leasing. Net absorption more than doubled new supply in the 12-month period ended in March, driving metrowide vacancy down to 5.0 percent. With only about 1,100 units to still come online by year-end, and net in-migration near 2024's record figure, supply and demand are expected to more or less maintain a metrowide balance through 2025.

Falling deliveries add to CBD-suburban divide. Openings this year will fall 30 percent from the trailing five-year average. While this will ease overall vacancy pressure, the CBD-suburban vacancy divide may widen as a result. Deliveries in the suburbs are slated to fall by more than half, while city center openings will dip less than 25 percent. Strong demand for mid- and low-tier units among budget-conscious renters may reinforce this divergence. In the past year, this trend drove a 120-basis-point vacancy compression in the suburbs to 4.5 percent. Meanwhile, the CBD rate edged up to 8.5 percent — momentum that positions suburban areas to outpace downtown in progress toward lower vacancy levels.

Employment Trends



** Forecast*

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

Multifamily 2025 Outlook

16,000 JOBS
will be created

EMPLOYMENT:

First-quarter hiring in the health care, education, and professional and technical service sectors will contribute to a 1.1 percent addition to St. Louis' employment base this year. This metric nearly doubles the 2024 figure.

1,600 UNITS
will be completed

CONSTRUCTION:

Total inventory grows 0.9 percent as deliveries slow 24 percent from last year's tally. St. Louis City, Forest Park and Central West End expect the largest share of openings, followed by the Clarkson Valley area.

10 BASIS POINT
decrease in vacancy

VACANCY:

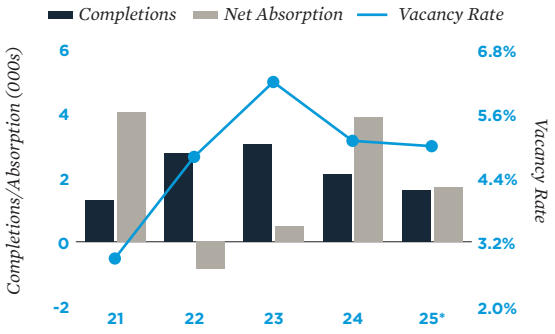
Vacancy fell sharply in the second half of 2024 to end the year at 5.1 percent. While economic uncertainty may temper leasing, declining completions are poised to hold vacancy nearly steady over the course of 2025.

2.6% INCREASE
in effective rent

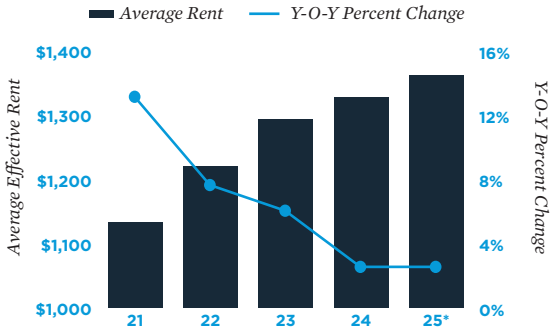
RENT:

More than 5,200 openings over the past two years slowed rent gains substantially from its 2022 peak. Still, growth this year will exceed pre-pandemic norms as the mean monthly effective rate rises to $1,362.

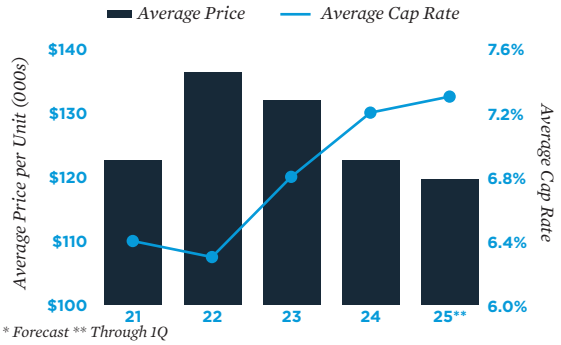
Supply and Demand



Rent Trends



Sales Trends



** Forecast ** Through 1Q*

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

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1Q 2025 — 12-Month Period

CONSTRUCTION

1,757 units completed

- Openings in the 12-month period ended in March expanded local inventory by 1.0 percent — down from a 2.1 percent expansion in the prior year.
- The Central West End-Forest Park area had the most local deliveries at approximately 490 apartments. Maryland Heights and St. Charles County followed, with about 420 and 360 doors, respectively.

VACANCY

110 basis point decrease in vacancy Y-O-Y

- The net absorption of over 3,500 apartments during the year ended in the first quarter drove metrowide vacancy down to 5.0 percent.
- Class A vacancy dropped 90 basis points to 6.0 percent, while the Class B rate fell 100 basis points to 4.5 percent. Strong demand for lower-tier apartments drove Class C vacancy down 130 basis points to 5.3 percent.

RENT

2.5% increase in the average effective rent Y-O-Y

- Elevated supply conditions have slowed rent growth while still remaining above the pre-2020 average. The mean monthly rate hit $1,334 in March.
- The average suburban effective rent climbed 2.4 percent last year to $1,303 per month. In the core, the mean rent retreated 1.6 percent to $1,410 per month, as demand for high-tier, less budget-friendly apartments softened.

Investment Highlights

- During the 12 months ended in March, transaction velocity rose modestly as the average price per unit fell to $119,500 and the mean cap rate hit 7.3 percent — up 100 basis points since 2022. This uptick was driven by sub-$10 million purchases as private buyers captured a larger share of activity.
- Trades covered a broad range of assets, from pre-1900 to post-2020 and anywhere from 5 to over 570 units. Nearly three quarters of transactions involved sub-50-unit properties; more than 50 percent were sub-20-door assets. Class C properties, primarily of pre-1970's vintage, continued to attract the vast majority of investments. This trend is likely to continue, as Class C leads both vacancy compression and average rent growth.
- Inner-ring suburbs to the north and west of downtown St. Louis — bounded by Interstate 270 — accounted for the bulk of renter demand over the past year. Vacancy in this area fell 210 basis points year over year to 5.5 percent as of March. As deliveries here drop substantially, continued in-migration positions local submarkets for further vacancy tightening. This may heighten investment in areas like Richmond Heights, Central West End and other neighborhoods within roughly five miles of downtown.