Market Report

IPA | INSTITUTIONAL PROPERTY ADVISORS

MULTIFAMILY 2Q/26

St. Louis Metro Area

2026 FORECAST

EMPLOYMENT
3,000 — Jobs will be created
0.2% — Increase Y-O-Y

CONSTRUCTION
1,500 — Units will be added
0.9% — Inventory increase Y-O-Y

VACANCY
4.7% — Vacancy rate
30 — BPS increase Y-O-Y

RENT
$1,405 — Average effective rent by year-end
0.9% — Increase Y-O-Y

Urban Core Flashes Signs of Optimism, Yet the Suburban Divide Persists

CBD faces mixed 2026 outlook. Supply pressure should remain limited relative to historical norms this year, though demand trends are less certain. Nearly one-quarter of available units across the City of St. Louis offer discounts, compared with just 8 percent in the suburbs, highlighting weaker leasing conditions as the urban core continues to contend with long-term population decline and one of the nation's highest CBD vacancy rates. Even so, business investment in North St. Louis may provide localized demand support, highlighted by recent or planned expansions by NGA and Sensient. At the same time, below-metro-average household incomes may help sustain demand for affordable rentals, with City Class C renewals approaching 90 percent as of May, suggesting lower-cost units may remain a relative bright spot.

Suburban nodes appear better positioned. Among them, Northeast St. Louis County led the nation with a 520-basis-point vacancy decline in the past 12 months, followed by Florissant-Hazelwood at 140 basis points, as affordable rents attracted cost-conscious renters. Demand extends beyond affordability, however, as continued migration to St. Charles County, South St. Louis County-Jefferson County, and Chesterfield-Wildwood may keep suburban vacancy among the nation's lowest.

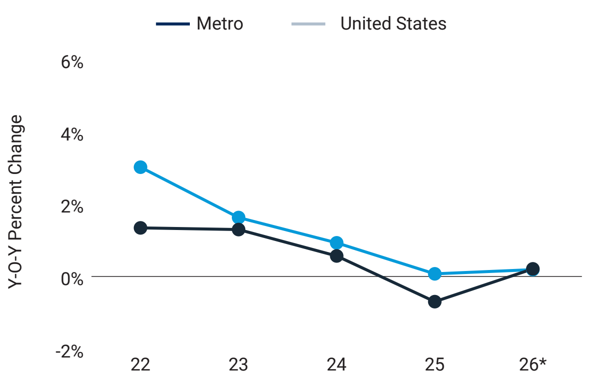
EMPLOYMENT

In 2025, the metro lost roughly 10,000 jobs on net, largely reflecting labor market softness early in the year. Through the first five months of 2026, hiring has only slightly improved, with just 300 positions added on net. The most notable declines were in financial activities and health care, while construction and education services continue to register steady gains. While the metro will likely recoup some of last year's losses in 2026, projected employment growth remains modest and below the prior five-year mean.

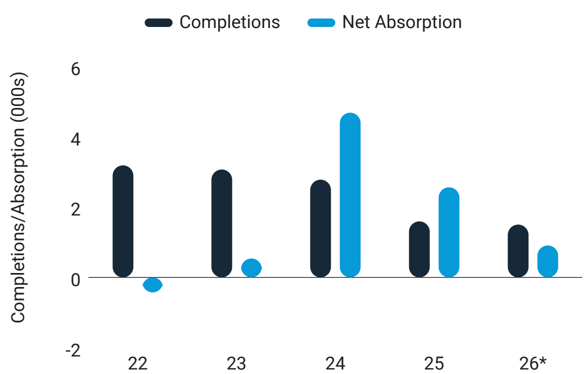
CONSTRUCTION

Completions in 2026 will nearly match 2025 levels. However, inventory growth will trail the prior five-year average by about 50 basis points, reflecting a modest cooling in construction activity compared to prior years. Still, the metro will extend its 10-year streak of annual deliveries exceeding 1,000 units. St. Charles County and St. Louis proper will account for roughly 44 percent of completions, with most of the remainder concentrated in broader St. Louis County. Across the river, fewer than 300 units will deliver.

EMPLOYMENT TRENDS



CONSTRUCTION TRENDS



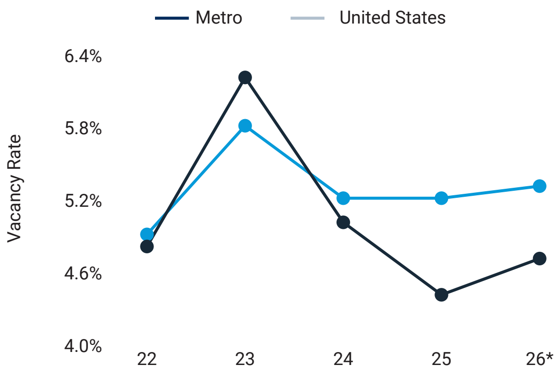
* Forecast

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

VACANCY

In 2026, vacancy is expected to rise modestly, reaching its prior five-year average. While hiring is forecast to turn positive, gains will likely remain limited, tempering new renter demand. Population trends present an additional headwind, as growth has slowed and become increasingly dependent on international migration amid negative domestic flows and natural change. With household formation easing and deliveries holding near recent levels, the metro should see a modest increase in available units.

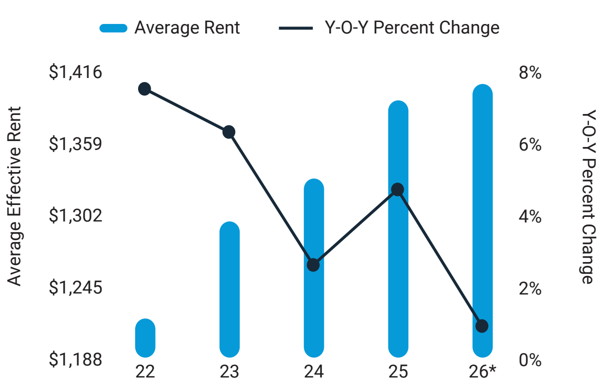
VACANCY TRENDS



RENT

Growth in the average effective rent is expected to cool this year, decelerating to its slowest pace since 2009. This will mark the end of an impressive eight-year stretch in which rents more than doubled — one of only seven major U.S. metros to do so. Moderating demand drivers amid a steady level of incoming supply relative to last year are likely to spur higher concession usage, resulting in rents growing to a lesser degree. Still, positive net absorption supports a modest rise.

RENT TRENDS



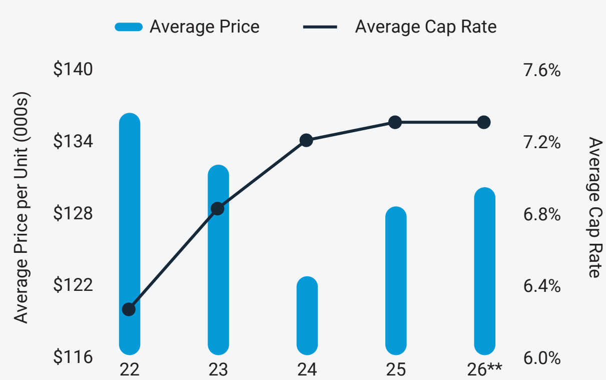
* Forecast ** Through 1Q

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

INVESTMENT HIGHLIGHTS

- Transaction velocity over the past 12 months ended March rose about 15 percent year-over-year, while total dollar volume increased nearly 40 percent, indicating a shift toward larger deal sizes, with trades above $15 million seeing the sharpest increase in activity. Meanwhile, investor activity reflected a mix of value-add and stabilized acquisitions, though no single strategy clearly dominated, suggesting a more selective, deal-specific investment environment.
- Investment activity may remain disciplined by December as buyers place greater emphasis on operational execution and return durability. With rent growth likely to moderate by year-end, investors may increasingly prioritize current yield and value creation opportunities.
- If enacted, HB 3231 would take effect on Aug. 28, 2026, and equip downtown with economic development tools, including tax credits, innovation zones and other incentives aimed at attracting investment, creating jobs and supporting redevelopment. A key provision targets major vacant properties such as the AT&T Building and Railway Exchange, encouraging their conversion into housing. The bill includes up to $50 million in office-to-residential tax credits annually and offers credits equal to 25 to 30 percent of qualifying conversion costs for older office buildings. The legislation may reinforce investor interest in and around the urban core. Likewise, it could improve the feasibility of future housing projects, potentially increasing supply risk should redevelopment activity accelerate. Still, near-term impacts are unlikely to materialize by year-end.

SALES TRENDS



IPA Multifamily
ANDREW LEAHY
Senior Managing Director, National Division Leader
Tel: (202) 536-3700
aleahy@ipausa.com

For info on national multifamily trends, contact:
JOHN CHANG
Senior Vice President, Chief Intelligence & Analytics Officer
Tel: (602) 707-9700
jchang@ipausa.com

Price: $250