Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	1,977
UNITS DELIVERED (YTD)	225

MARKET FUNDAMENTALS

VACANCY RATE	6.2%
YEAR-OVER-YEAR CHANGE	+20bps
ASKING RENTS	$1,235
YEAR-OVER-YEAR CHANGE	+2.3%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$204,800

ST.LOUIS MULTIFAMILY
1Q 2025

MARKET INSIGHTS

Construction slowing after three years of elevated deliveries

HIGHLIGHTS

- Operating conditions in St. Louis posted mostly steady conditions during the first quarter, with asking rents posting a minimal gain and the vacancy rate remaining stable. Approximately 225 units have delivered so far this year, a 65% decline from the same period in 2024.
- Area vacancy has hovered within a tight range since early 2024, holding steady at 6.2% during the first quarter. Over the past year, vacancy ticked up by 20 basis points.
- After a slight decline late last year, local asking rents rose 0.2% during the opening months of 2025, reaching $1,235 per month. Over the past 12 months, rents increased by 2.3%.
- Sales volume in the first quarter was consistent with levels seen at the start of the previous two years. In transactions where pricing was available, the median sale price reached $204,800 per unit, a 93% spike from 2024. Cap rates continue to range between 5% and 6.5%.

ST. LOUIS MULTIFAMILY MARKET OVERVIEW

The pace of multifamily deliveries has continued to slow since peaking in 2022, gradually easing supply-side pressures. The vacancy rate in St. Louis has remained steady in the low-6% range during much of the past year, following the last notable jump in vacancy in early 2024. Although new inventory has grown by more than 11,000 units since early 2022, only about 2,500 have come online in the past year. The St. Charles County submarket highlights notable shifts in vacancy amid a slowdown in new deliveries. Over the past five years, this submarket accounted for roughly 40% of all multifamily construction in St. Louis. Before this wave of new supply, vacancy in St. Charles County was below 3%, before peaking at 5.6%. The current vacancy rate in the submarket is 4.2%, down 120 basis points over the past year, with only one project coming online during this period.

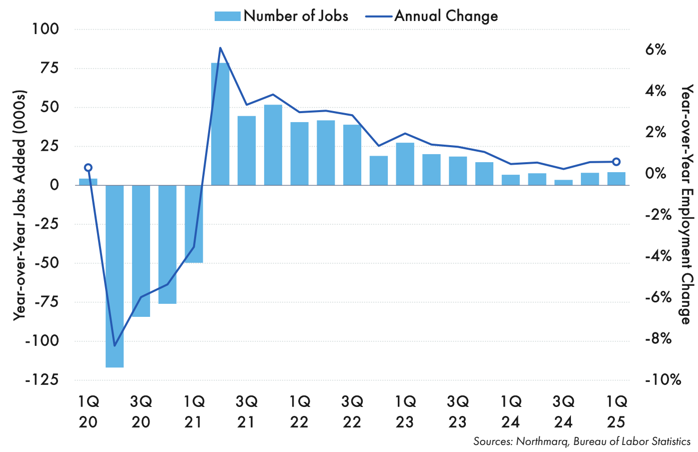
Sales activity in the St. Louis multifamily market declined in recent months following a strong fourth quarter, when total volume reached its highest point since the second quarter of 2022. Still, transaction levels in the first quarter closely tracked those recorded at the start of each of the past two years. After falling in 2024, pricing has rebounded. In transactions where pricing was available, the median price so far in 2025 is $204,800 per unit, nearly double the median recorded last year. Part of the spike is attributed to sales of Class A assets, pulling the pricing of closed deals higher. Class A properties have accounted for 25% of all sales year-to-date, compared to a five-year average of just 10%. Among these deals, the median price for Class A properties stands at $211,600 per unit, while lower-tier units have traded at $87,300 per unit.

EMPLOYMENT

- Total employment in St. Louis continues to rise, albeit at a modest pace. During the past 12 months, the market added 8,500 jobs, a 0.6% increase. The local labor market has historically posted modest gains, with annual employment growth averaging 0.7% over the past decade.
- Growth in the professional and business services sector has gained momentum in recent quarters, as the industry continues to recover from cuts sustained in late 2023 and early 2024. In the past year, employers in the sector expanded payrolls by 1%, adding approximately 2,100 positions.
- Boeing announced plans to expand its military aircraft manufacturing facility in the area by more than 1 million square feet to produce the new F-47 fighter jet. The jet will be manufactured at Boeing's defense branch, located at the site of a $1.8-billion expansion project adjacent to Lambert International Airport. This latest expansion is expected to create 500 new jobs at the facility, with hundreds of additional positions projected as suppliers and supporting businesses establish operations nearby.
- **FORECAST:** This year will mark a period of modest growth in the local labor market. Employers are projected to increase payrolls by 0.5%, adding roughly 7,000 net new jobs.

During the past 12 months, the market added 8,500 jobs.

EMPLOYMENT OVERVIEW



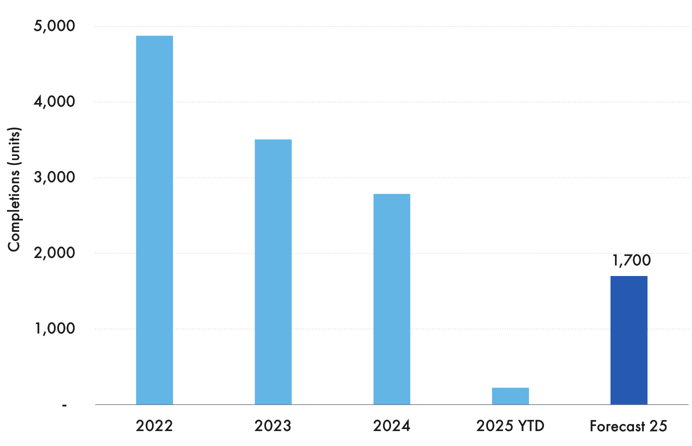
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- The pace of multifamily deliveries continued to slow at the start of the year. Projects totaling approximately 225 units were completed during the first quarter, down 65% from the first quarter of 2024.
- The construction pipeline in St. Louis has remained relatively stable since early 2024, with construction starts nearly matching the pace of completions. Approximately 2,000 units are currently under construction, with Mid-County representing the most active submarket and accounting for about 25% of the units under construction.
- Multifamily permitting was light during the first quarter compared to recent years. To this point in 2025, permits have been issued for approximately 250 multifamily units, representing a 20% decline from the same period in 2024.
- **FORECAST:** While the pace of multifamily deliveries is expected to increase in the second half of the year, total completions for 2025 will likely fall short of the elevated levels recorded during the past three years. Projects totaling 1,700 units are slated for delivery this year, representing a 39% decline from the 2024 total.

Approximately 2,000 units are currently under construction.

DEVELOPMENT TRENDS

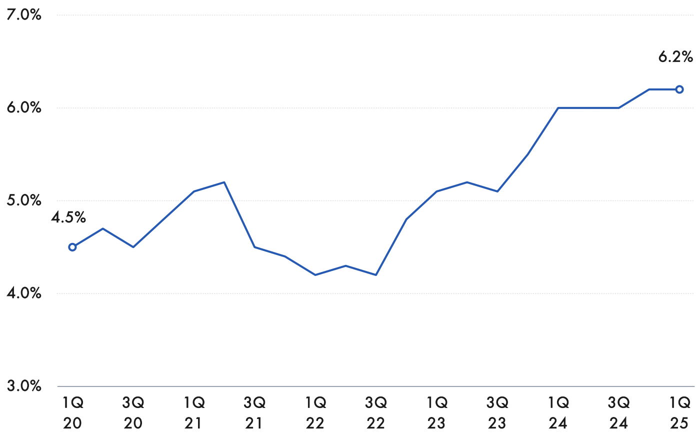


Sources: Northmarq, CoStar

VACANCY

Area vacancy held steady in the first quarter.

VACANCY TRENDS



Sources: Northmarq, REIS

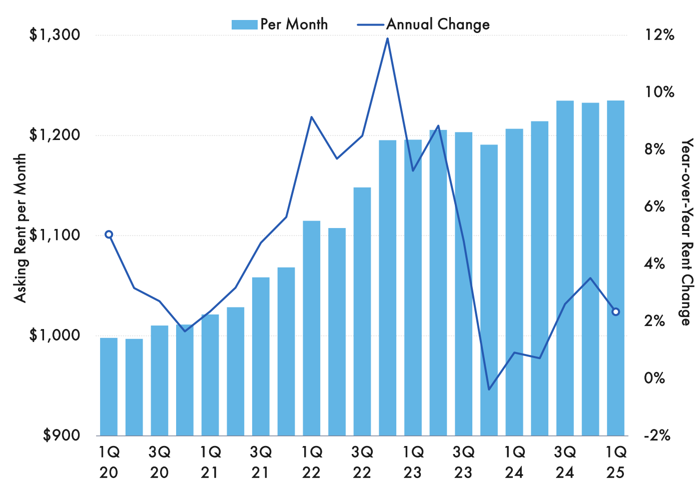
- Vacancy conditions in St. Louis have been relatively stable in recent quarters after increases early in 2024. Area vacancy held steady in the first quarter, remaining at 6.2%. Over the past 12 months, vacancy rose by just 20 basis points.
- The St. Charles County submarket recorded the largest vacancy improvement in the region. Year over year, the vacancy rate in this area declined by 120 basis points to 4.2%. Apartments in this submarket recorded net move-ins of approximately 500 units during this time, the highest of any submarket.
- Vacancy for Class B and Class C properties has remained tight in recent quarters. During the past 12 months, the combined vacancy rate for middle- and lower-tier apartments rose by just 20 basis points, ending the first quarter 4.2%.
- **FORECAST** Vacancy rates in St. Louis are expected to follow current trends through the end of the year, rising by just 20 basis points to end 2025 at 6.4%. As the construction pipeline continues to shrink, vacancy could begin to tighten by early 2026.

RENTS

- Asking rents inched up in recent months following a brief dip at the end of 2024. Apartment rents rose 0.2% during the first quarter to $1,235 per month. Year over year, local asking rents increased by 2.3%.
- Rent growth was healthy across most St. Louis submarkets, with the Mid-County area posting the largest increase. Over the past 12 months, asking rents in this submarket surged higher by 8.7% to $1,928 per month.
- Rents also increased in both the St. Louis City North and St. Louis City South submarkets. Asking rents in St. Louis City North are currently $1,517 per month, up 3.3% from one year ago, while rents in St. Louis City South rose by 6.9% in the past 12 months to $1,397 per month.
- **FORECAST:** Asking rents in St. Louis are expected to continue rising in 2025, though at a slower pace than in 2024. Rents are projected to increase by roughly 2% over the year, reaching approximately $1,260 per month by year-end.

Year over year, local asking rents increased by 2.3%.

RENTS TRENDS



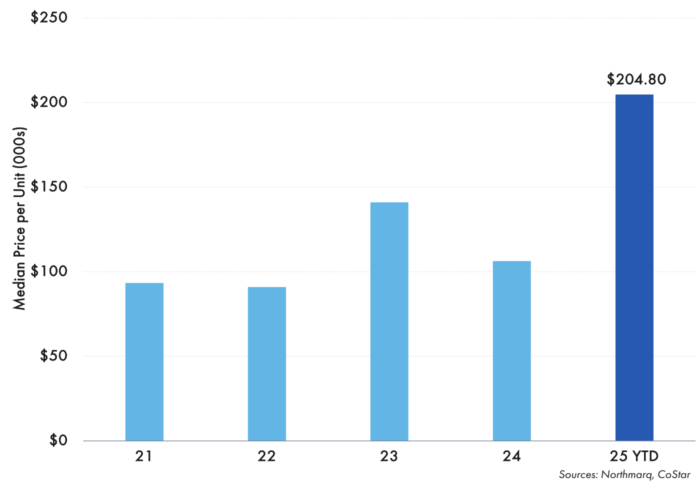
Sources: Northmarq, REIS

MULTIFAMILY SALES

- Sales velocity in the St. Louis multifamily investment market during the first quarter slowed by 41% from the recent highs recorded at the end of last year. Still, transaction volume to this point in 2025 is closely tracking levels recorded last year.
- Pricing on multifamily properties that have traded so far this year has rebounded to new highs after pulling back in 2024. The median sale price in the first quarter was $204,800 per unit, nearly doubling last year's figure.
- Cap rates have been ranging between 5% and 6.5% depending on financing, vintage, and asset profile. Newer properties are generally trading near the lower-end of the range, while workforce product has been selling closer to the higher-end of the market range.

The median sale price in the first quarter was $204,800 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

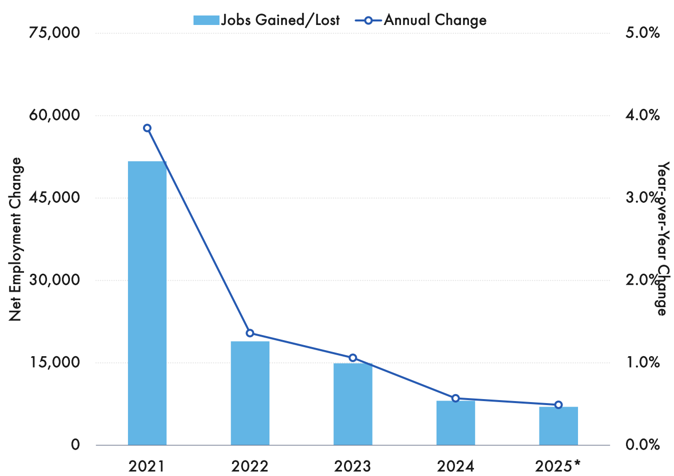
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Residences at Streets of St. Charles	1650 Beale Street, St. Charles	309	2013	$63,273,583	$204,769
The Piazza on West Pine	3940 West Pine Blvd., St. Louis	172	2016	$36,400,000	$211,628

LOOKING AHEAD

Operating conditions in the St. Louis multifamily market are projected to remain relatively steady in the coming quarters, with rents rising modestly and vacancy rates only inching higher. Rent growth is expected to continue but at a slower rate than last year, reflecting a more balanced market environment. The pace of multifamily deliveries is projected to pick up slightly in the near term, but the number of units delivering in 2025 will mark the lowest total since 2021. The elevated delivery activity from prior years has prevented vacancy rates from improving despite steady demand. Absorption is expected to closely track new deliveries through the remainder of this year, limiting further vacancy increases. Looking ahead, fewer projects in the pipeline could result in lower vacancies, eventually supporting stronger rent growth after this year's more modest gains.

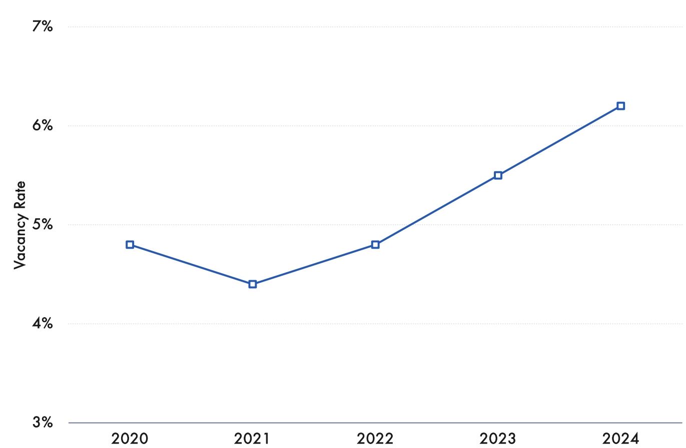
Investment activity in the St. Louis multifamily market has remained steady, supported by easing supply pressures and stable vacancy rates. This stability is setting the stage for continued strong transaction volume through the remainder of 2025. Transaction volume is expected to closely track last year's levels, which aligned with traditional norms. Improving rents and declining deliveries are poised to stabilize market fundamentals, revealing viable investment opportunities and further boosting demand. The share of Class A properties trading this year is likely to remain elevated compared to recent averages, while Class B sales may record the biggest increase in activity in the coming months after modest first-quarter results. Cap rates have been stable for more than a year and are expected to remain within a tight range of current levels, consistent with recent trends.

EMPLOYMENT FORECAST



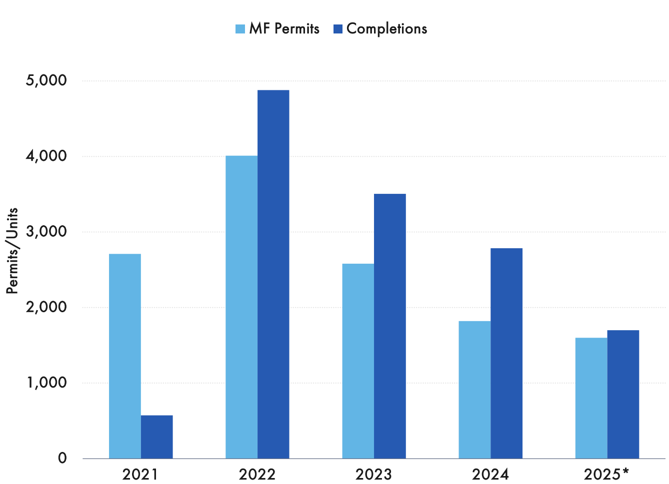
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



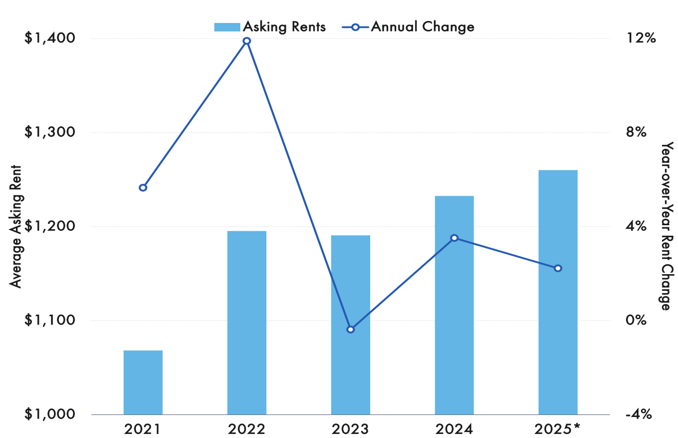
* Year End Forecast
Sources: Northmarq, REIS

CONSTRUCTION & PERMITTING FORECAST



* Year End Forecast
Sources: Northmarq, CoStar, Census Bureau

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, REIS

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