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RESEARCH 2Q23

# St. Louis Capital Markets

**NEWMARK**  
ZIMMER



# Executive Summary

Newmark Zimmer is continuously monitoring market indicators, tracking and analyzing supply and demand drivers, cyclical patterns and industry trends. The following quarterly research report examines the multifaceted St. Louis investment market.

Newmark Zimmer research and analytics has established a system of data flow unique in our industry. Rather than rely on third-party data sources, our data acquisition efforts involve inputs from advisors in the field, analysts and brokers executing transactions. Newmark Zimmer research converts market data and analysis into knowledge that creates value for our clients.

Our clients include market-leading investors and distinguished institutions in and around the St. Louis area and the Midwest. Our market knowledge continues to expand as the market progresses and evolves.

## Select Market Transactions

### Multifamily | ReNew on Lindbergh

480 Units – Sold for \$56,000,000 (\$116,667/Unit)

Mid County | 10304 Oxford Hill Drive

### Industrial | 9151 Latty

220,370 SF GLA – Sold for \$11,813,000 (\$54/SF)

North County | 9151 Latty Avenue

### Multifamily | The Branscome Apartments

122 Units – Sold for \$10,100,000 (\$82,787/Unit)

St. Louis City | 5370 Pershing Avenue

### Multifamily | Fashion Square Lofts

72 Units – Sold for \$10,000,000 (\$138,889/Unit)

Downtown | 1307 Washington Avenue

### Industrial | 136 Chesterfield Industrial

126,000 SF GLA – Sold for \$8,429,000 (\$67/SF)

West County | 136 Chesterfield Industrial Boulevard





# Capital Markets

## ST. LOUIS MARKET OVERVIEW

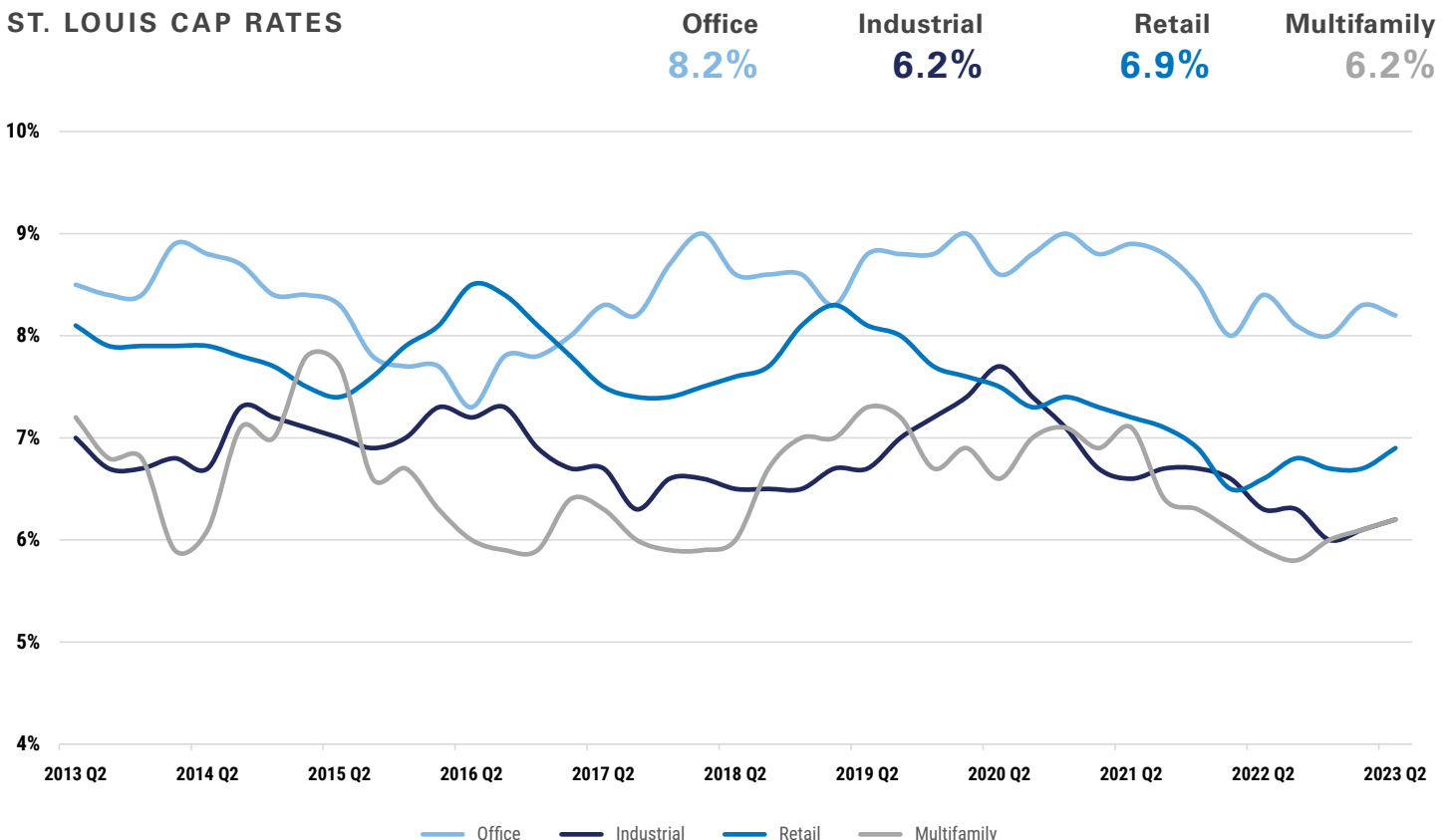
The pace of investment activity in the St. Louis market slowed during the past four quarters, with sales volume totaling \$2.5 billion, a decrease of 21.9% compared to the prior five-year average. As a leading second-tier market, the St. Louis Metropolitan area ranked seventh out of the largest thirteen Midwest markets in total sales volume during the past twelve months, with multifamily and industrial assets combining for 65.4% of the Metro's activity. Capitalization rates increased 133 basis points (bps) compared to the past twelve months, registering 7.45% in the second quarter of 2023. Top quantile capitalization rates increased 163 bps compared to the past twelve months, registering 6.65% in the second quarter of 2023.

Net absorption across the industrial, office and retail sectors totaled 3.0 million square feet during the past four quarters, a decrease of 60.3% compared to the prior year. The multifamily sector realized 1,294 units of net absorption during the past four quarters, a decrease of 9.1% over a similar period a year ago. Modern Class A industrial properties have benefited from robust demand during the past three years registering 17.8 million square feet of net absorption, reaching record highs for asking rental rates in the second quarter of 2023, while vacancy registered 4.6%.

With development kept in check during the past five years, additional incentives being offered to lock tenants in for longer lease terms and inflationary pressures, average asking rental rates trended upwards for the remaining three property sectors with the office and multifamily sectors registering new record highs for rates. Vacancy in the retail sector remained flat at 4.4% over the past year. Vacancy in the multifamily sector increased 230 bps from the prior year to 9.4%, while vacancy in the office sector increased 220 bps to 15.2% during the same period.

The Newmark Zimmer Midwest Capital Markets team anticipates an increase in sales volume in the second half of 2023, as buyers and sellers begin to adjust to the current market conditions and anticipation of a soft economic landing. Allocations for commercial real estate investment continue to remain steady for industrial, neighborhood retail, multifamily and medical office with strong fundamentals. Throughout 2023 we expect activity to increase for neighborhood retail and office assets as investors seek opportunistic yields and data points support pricing. We continue to monitor the impact of interest rate increases and lending conditions on leveraged buyers return expectations and valuations.

## ST. LOUIS CAP RATES

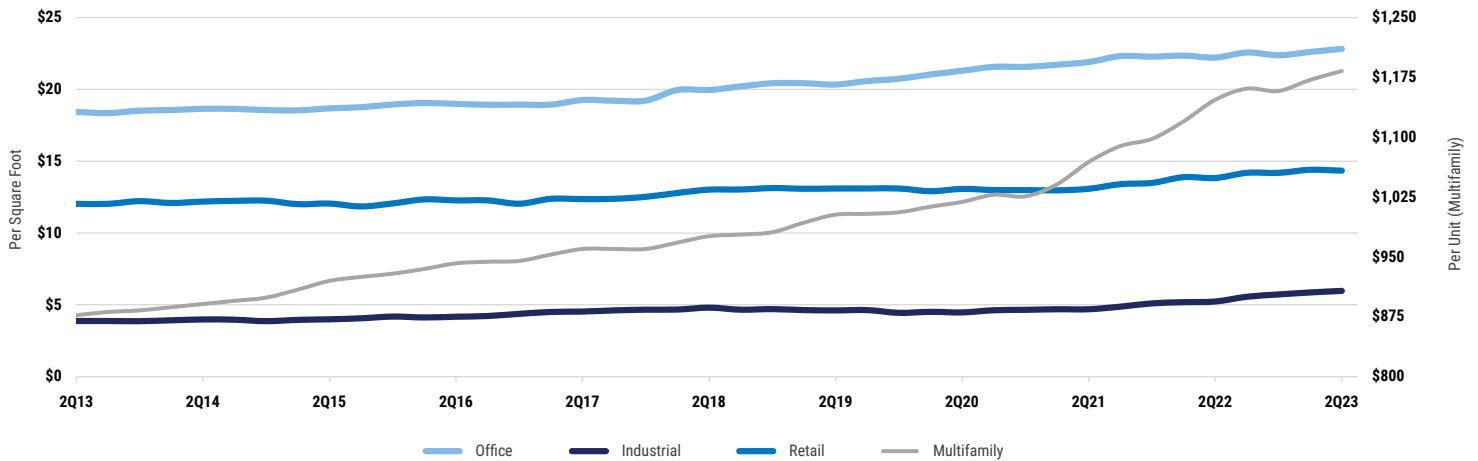


Source: Newmark Zimmer Research, CoStar, Real Capital Analytics

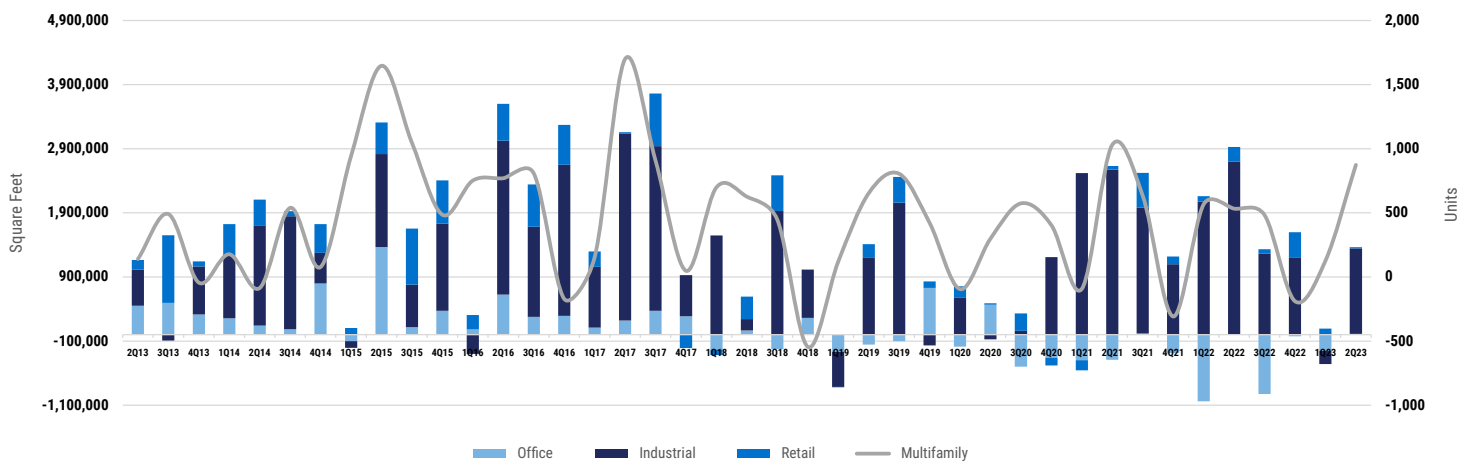
# 2Q23 St. Louis

## MARKET ANALYSIS

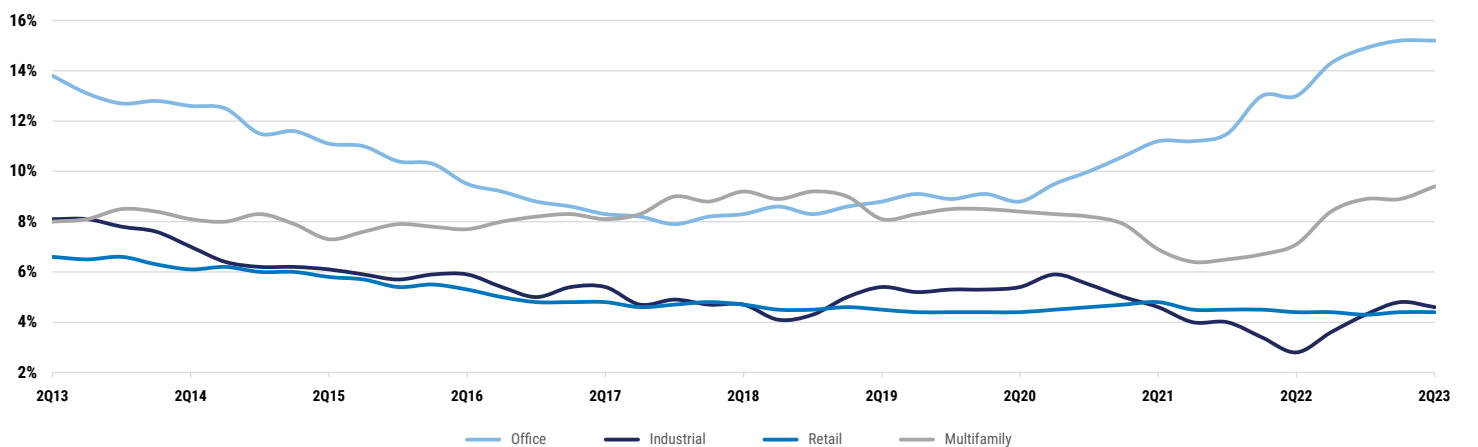
### AVERAGE ASKING RENT



### NET ABSORPTION



### VACANCY RATE





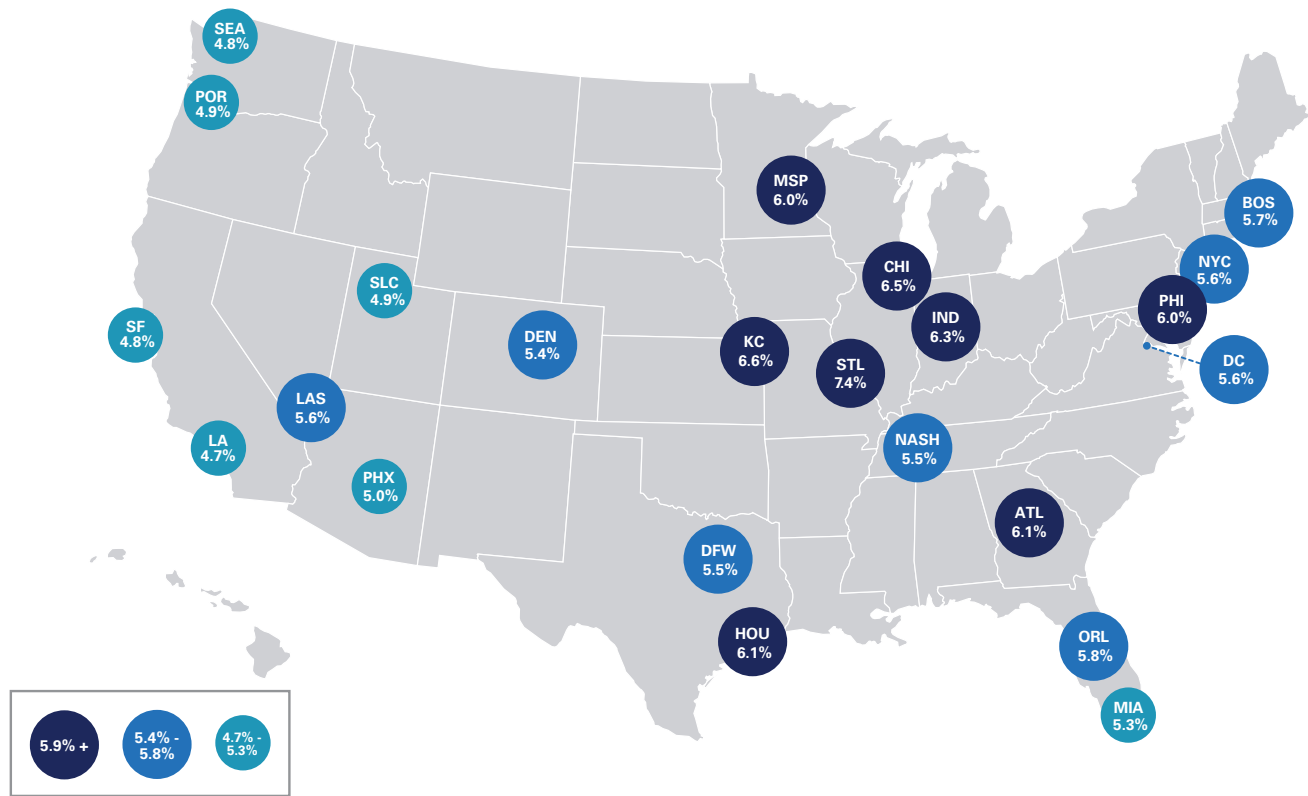
## SELECT SALES TRANSACTIONS | SECOND QUARTER OF 2023

| Sector      | Building                                       | Submarket          | Sale Price  | Price <sup>1</sup> | SF/Units <sup>2</sup> |
|-------------|--|--------------------|-------------|--------------------|-----------------------|
| Retail      | Schnucks   907 E U.S. Highway 50               | Metro East         | \$7,616,000 | \$136              | 56,120                |
| Industrial  | Faurecia   555 Edinger Road                    | St. Charles County | \$7,250,000 | \$89               | 81,840                |
| Retail      | Best Buy   550 Mid Rivers Mall Circle          | St. Charles County | \$6,895,000 | \$153              | 45,190                |
| Multifamily | Courtland Manor   7594 Watson Road             | South County       | \$6,850,000 | \$71,354           | 96                    |
| Retail      | Winchester Plaza   4608-4660 N Illinois Street | Metro East         | \$5,800,000 | \$126              | 46,000                |
| Hospitality | Forest Park Hotel   5915 Wilson Avenue         | St. Louis City     | \$5,700,000 | \$47,899           | 119                   |
| Multifamily | Heritage Townhomes   601-635 Scotti Court      | West County        | \$5,000,000 | \$125,000          | 40                    |
| Industrial  | 2200 Forte Court                               | West County        | \$4,366,000 | \$79               | 55,510                |
| Retail      | Ellisville Plaza   15382-15418 Manchester Road | West County        | \$4,100,000 | \$125              | 32,760                |
| Office      | 1 Enviro Way                                   | Metro East         | \$3,655,000 | \$126              | 29,040                |

<sup>1</sup> The price per unit/room is displayed for the Multifamily and Hospitality sectors. <sup>2</sup> The number of total units/rooms is displayed for the Multifamily and Hospitality sectors.

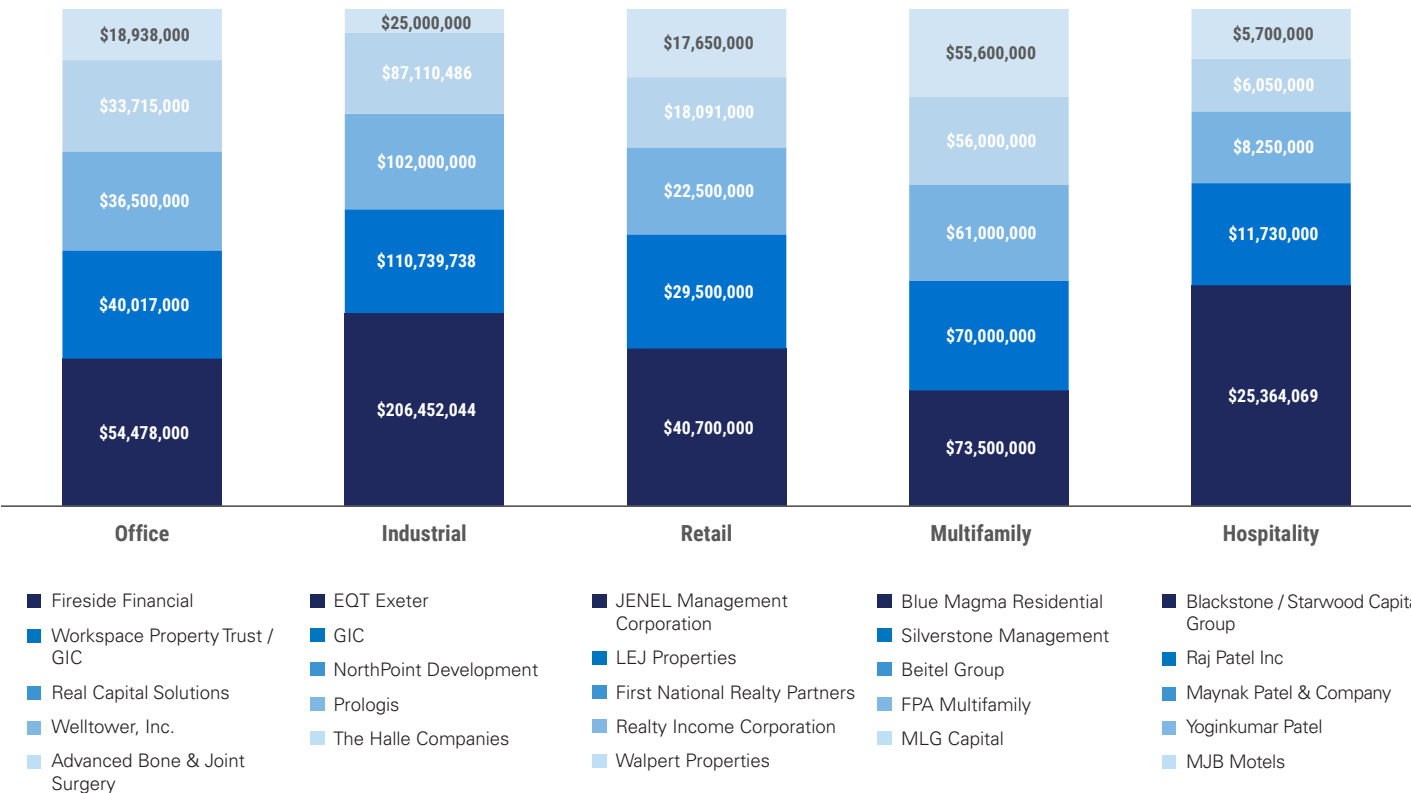
CAP RATES | ALL PROPERTY TYPES

12-MONTH AVERAGE, INCLUDES PROPERTY OR PORTFOLIO SALES \$2.5 MILLION OR GREATER



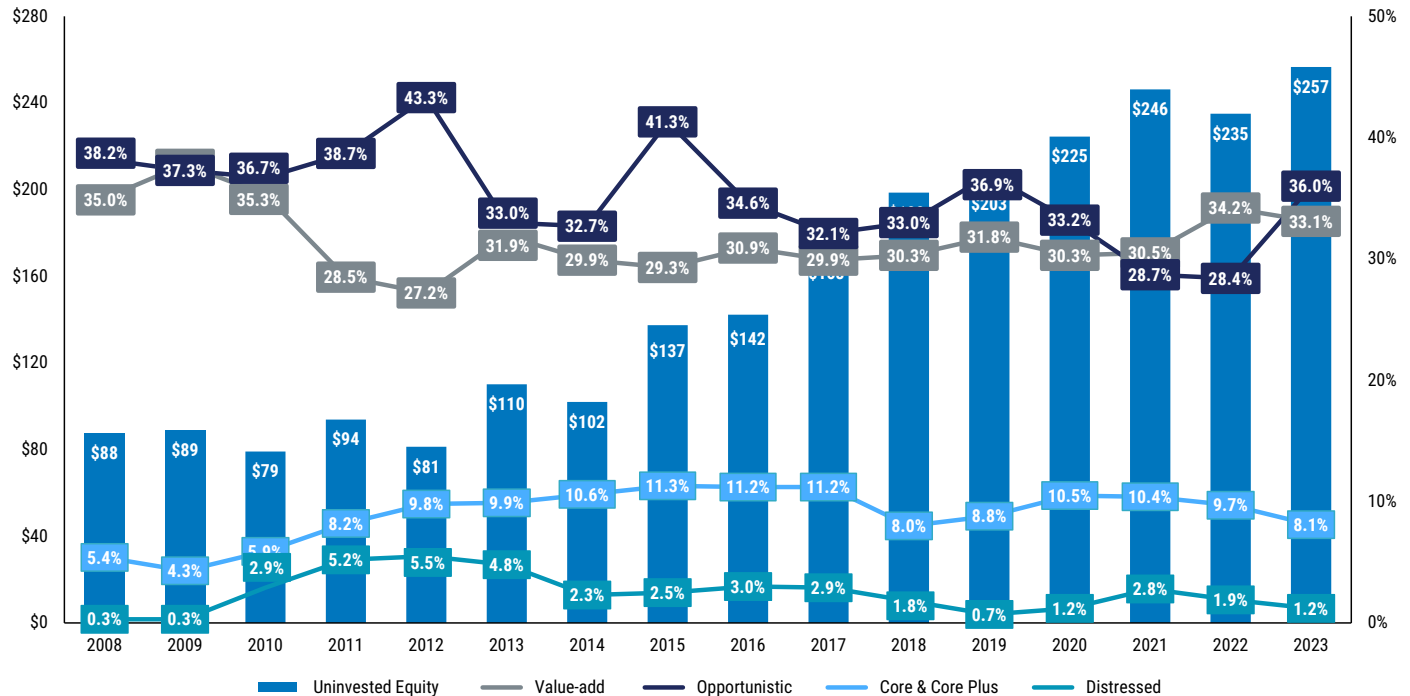
MOST ACTIVE BUYERS IN THE ST. LOUIS MARKET BY ASSET TYPE

12-MONTH TOTALS



## DRY POWDER

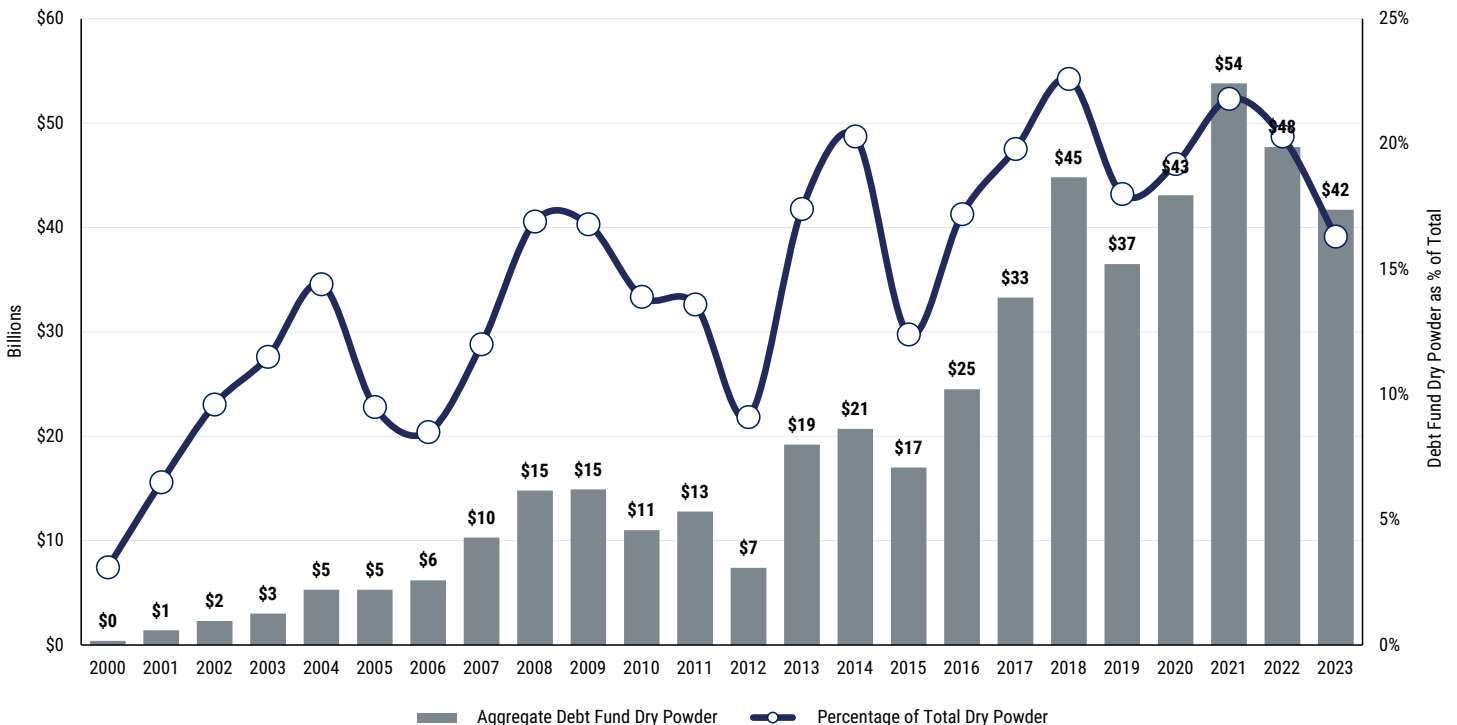
With record levels of dry powder, expect creative approaches to deploy capital. Dry powder allocated to core and core plus strategies remains elevated at 11.0% of the total, as many investors prioritize high-quality assets with stable cash flows.



Note: Excludes Debt Funds, Secondaries, Fund of Funds, Co-Investment

Source: Newmark Research, Preqin

## DEBT FUND DRY POWDER



Source: Newmark Research, Preqin

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## We transform untapped potential into limitless opportunity.

**We don't just adapt to what our partners need—we adapt to what the future demands.**

Since our start, we've faced forward, predicting change and pioneering ideas. Almost a century later, the same strategic sense and audacious thinking still guide our approach. Today our integrated platform delivers seamlessly connected services tailored to every type of client, from owners to occupiers, investors to founders, and growing startups to leading companies.

**Tapping into smart tech and smarter people, we bring ingenuity to every exchange and transparency to every relationship.**

We think outside of boxes, buildings and business lines, delivering a global perspective and a nimble approach. From reimagining spaces to engineering solutions, we have the vision to see what's next and the tenacity to get there first.

### TERMS AND DEFINITIONS

**Gross Leasable Area (GLA)** – Expressed in square feet. It is the total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines. It is the standard measure for determining the size of retail spaces, specifically shopping centers, where rent is calculated based on GLA occupied. There is no real difference between RBA (Rentable Building Area) and GLA except that GLA is used when referring to retail properties while RBA is used for other commercial properties.

**Vacancy Rate** – The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant.

**Net Absorption** – The net change in physically occupied space over a period of time.

**Average Asking Rent** – The dollar amount asked by landlords for available space expressed in dollars per square foot per year. Retail rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a prorata basis. The asking rent for each building in the market is weighed by the amount of available space in the building.

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