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RESEARCH 3Q23

# 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 | Lofts at Forest Park

200 Units – Sold for \$52,000,000 (\$260,000/Unit)

Downtown | 1031 W Highlands Plaza Drive

### Multifamily | Miller Crossing Apartments

84 Units – Sold for \$20,900,000 (\$248,810/Unit)

Jefferson County | 3243 Miller Road

### Multifamily | Cedar Creek Lodge

228 Units – Sold for \$15,700,000 (\$68,860/Unit)

South County | 7912 Olde English Road

### Industrial | 1555 Page Industrial

211,000 SF GLA – Sold for \$13,000,000 (\$62/SF)

Central County | 1555 Page Industrial Court

### Hospitality | Holiday Inn Express STL West O'Fallon

122 Rooms – Sold for \$10,000,000 (\$81,967/Room)

St. Charles County | 1175 Technology Drive



# Capital Markets

## ST. LOUIS MARKET OVERVIEW

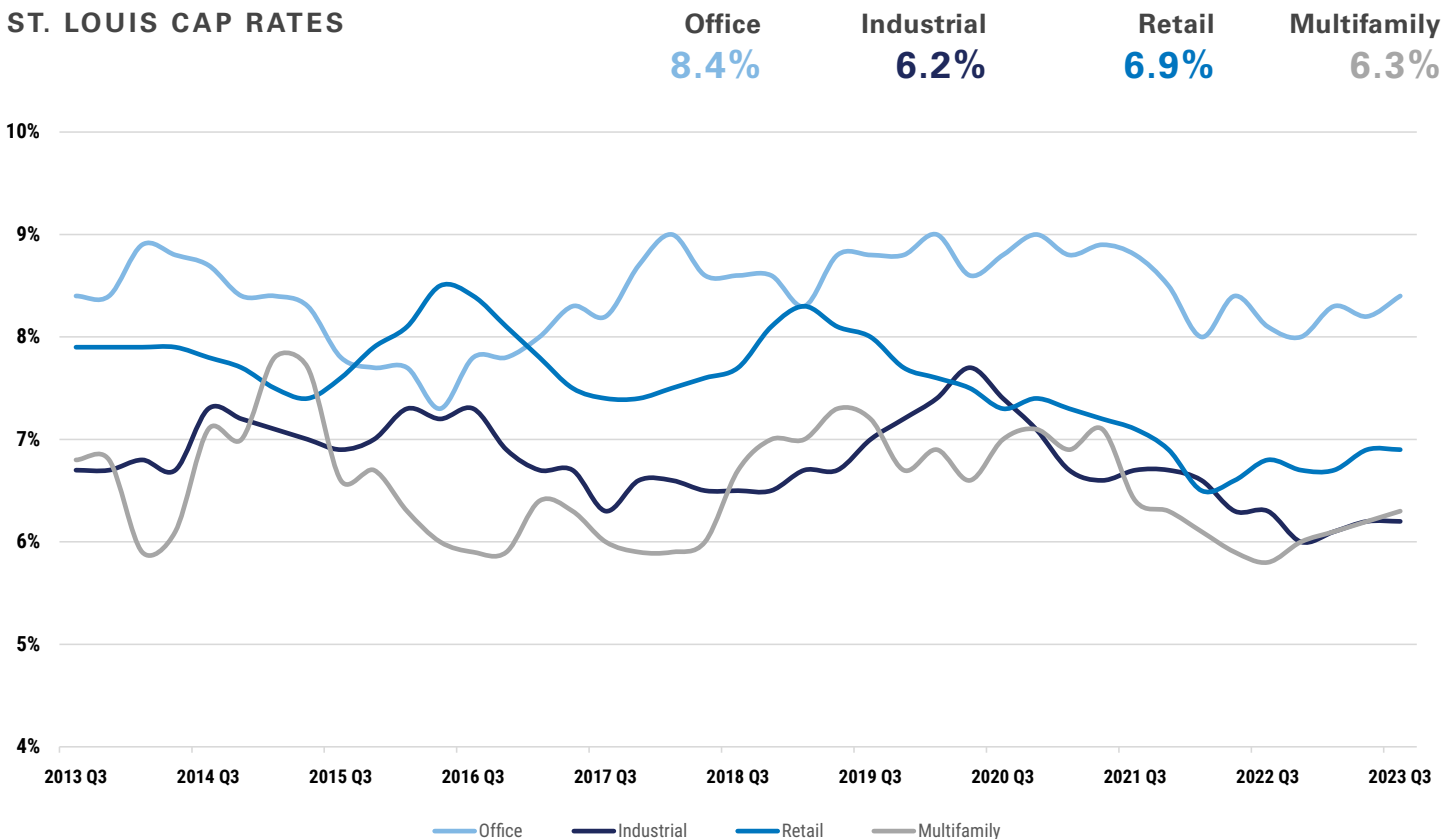
The pace of investment activity in the St. Louis market slowed during the past four quarters, with sales volume totaling \$2.1 billion, a decrease of 34.1% compared with the prior five-year average. As a leading second-tier market, the St. Louis Metropolitan area ranked eighth out of the largest 13 Midwest markets in total sales volume during the past 12 months, with multifamily and industrial assets combining for 68.1% of the Metro's activity. Capitalization rates increased 122 basis points compared with the past 12 months, registering 7.5% in the third quarter of 2023. Top-quantile capitalization rates increased 150 bps compared with the past 12 months, registering 6.6% in the third quarter of 2023.

Net absorption across the industrial, office and retail sectors totaled 2.5 million SF during the past four quarters, a decrease of 56.0% compared with the preceding year. The multifamily sector realized 1,995 units of net absorption during the past four quarters, a decrease of 4.4% over a similar period a year ago. Modern Class A industrial properties have benefited from robust demand during the past three years registering 17.5 million SF of net absorption, reaching record highs for asking rental rates in the third quarter of 2023, while vacancy registered 4.9%.

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 sector registering a new record high rental rate during the third quarter of 2023. Vacancy in the retail sector decreased 20 bps to 4.2% compared with the prior year. Vacancy in the office sector increased 50 bps to 14.9% from the prior year, while the industrial sector increased 130 bps to 4.9% and the multifamily sector increased 140 bps to 7.7% during the same period.

The Newmark Zimmer Midwest Capital Markets team anticipates an increase in sales volume through the end of 2023, as buyers and sellers begin to adjust to the current market conditions and the interest rate environment stabilizes. Allocations for commercial real estate investment continue to remain steady for industrial, neighborhood retail, multifamily and medical office with strong operating fundamentals. We continue to monitor the impact of lending conditions on leveraged buyers return expectations and valuations.

## ST. LOUIS CAP RATES

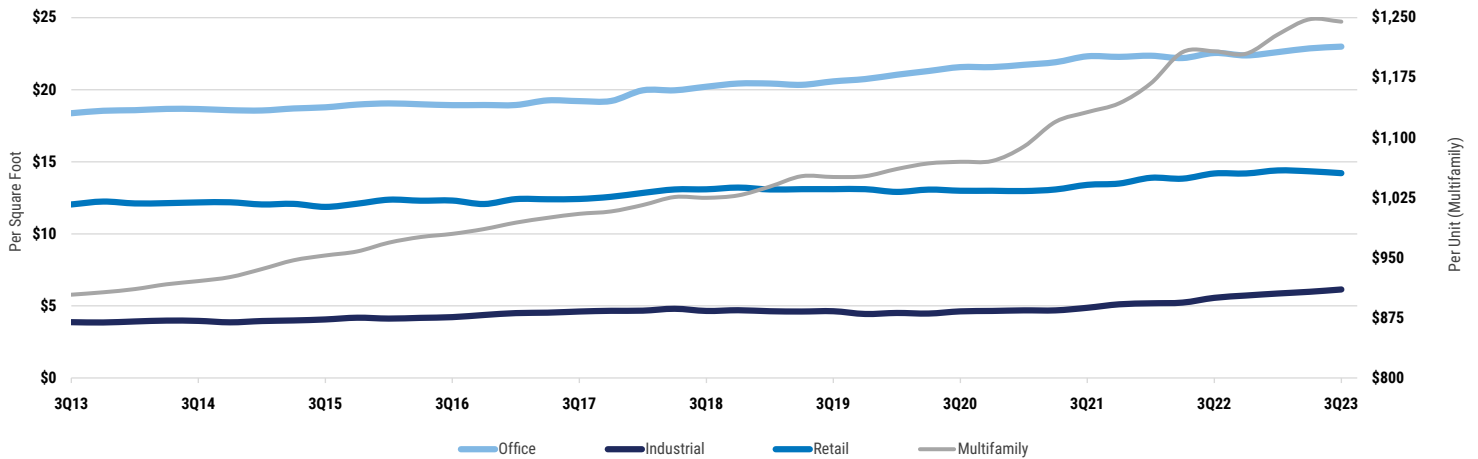


Source: Newmark Zimmer Research, CoStar, Real Capital Analytics

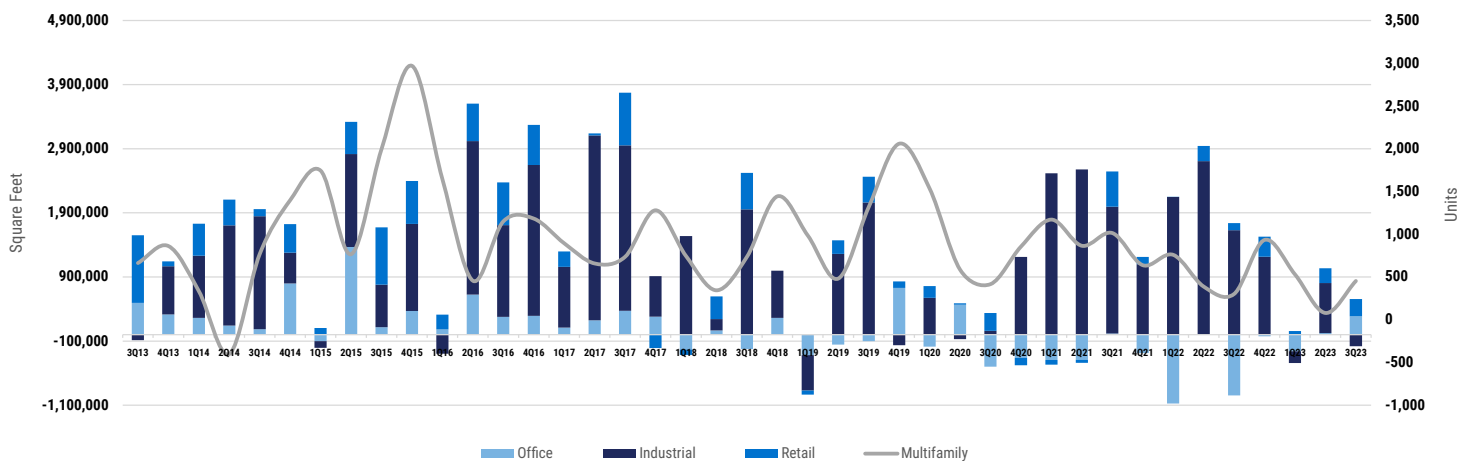
# 3Q23 St. Louis

## MARKET ANALYSIS

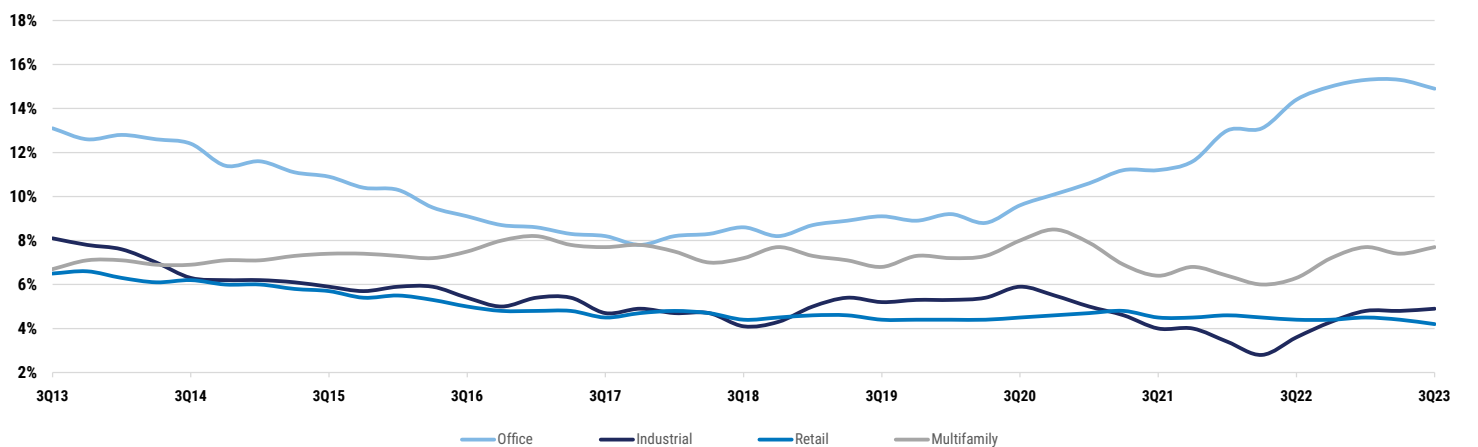
### AVERAGE ASKING RENT



### NET ABSORPTION



### VACANCY RATE







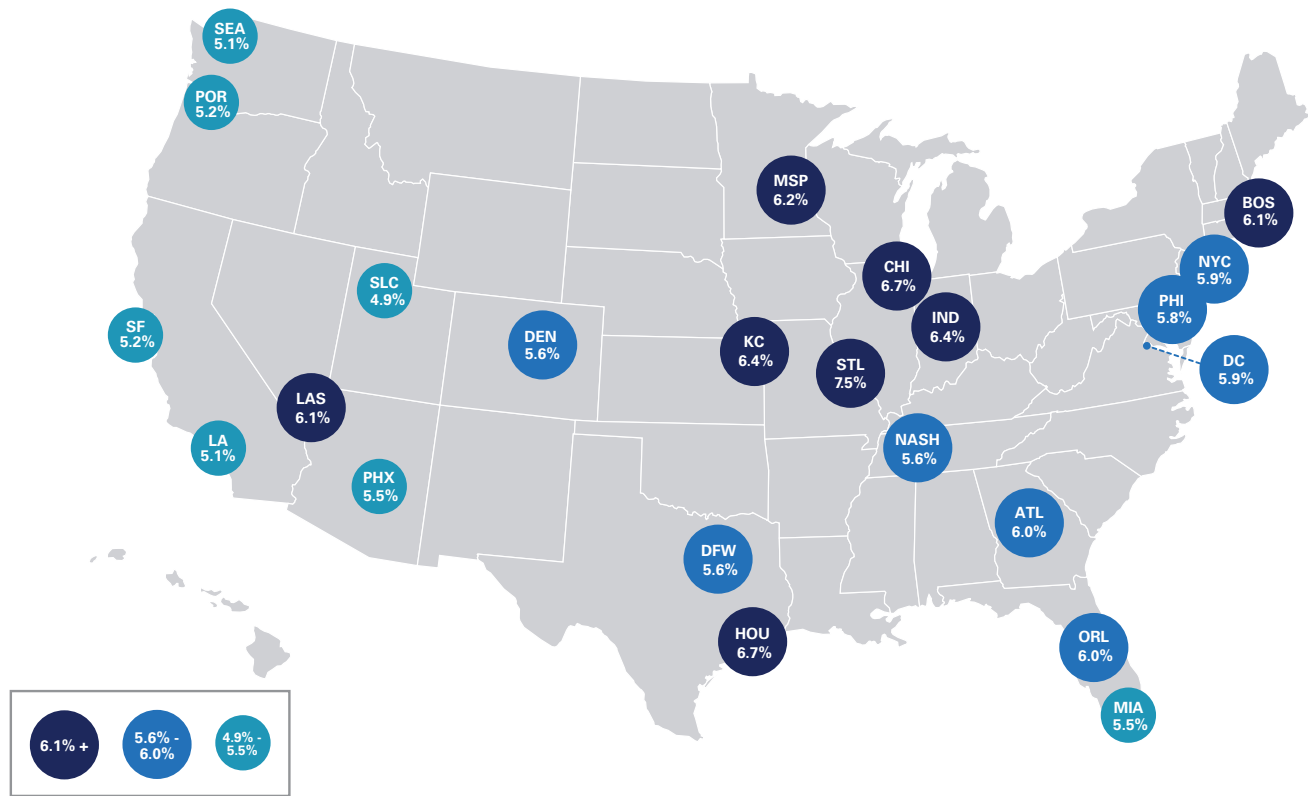
## SELECT SALES TRANSACTIONS | THIRD QUARTER OF 2023

Sector	Building	Submarket	Sale Price	Price Per SF/Unit <sup>1</sup>	SF/Units <sup>2</sup>
Multifamily	Pleasant View Gardens   2974 Coppercreek Road	North County	\$14,000,000	\$33,816	414
Industrial	9832 Evergreen Industrial Drive	South County	\$10,360,300	\$67	153,630
Industrial	Western Wire Products Co.   770 Sun Park Drive	South County	\$9,742,200	\$73	132,850
Industrial	Page Walton Industrial Center   1812-1838 Walton Road	Central County	\$8,900,000	\$69	129,520
Hospitality	Staybridge Suites O'Fallon Chesterfield   1155 Technology Drive	St. Charles County	\$7,000,000	\$72,165	97
Office (Medical)	South County Medical Building   12152 Tesson Ferry Road	South County	\$6,328,000	\$320	19,790
Industrial (Flex)	1200 Sugar Creek Square	South County	\$5,332,000	\$177	30,140
Retail	Mueller Furniture   51 Commerce Lane	Metro East	\$5,150,000	\$59	87,100
Retail	Popeye's Louisiana Kitchen   951 N Highway 67	North County	\$3,364,500	\$1,168	2,880
Office (Medical)	Fresenius Medical Care   6850 Olive Boulevard	Mid County	\$2,655,000	\$318	8,360

<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.

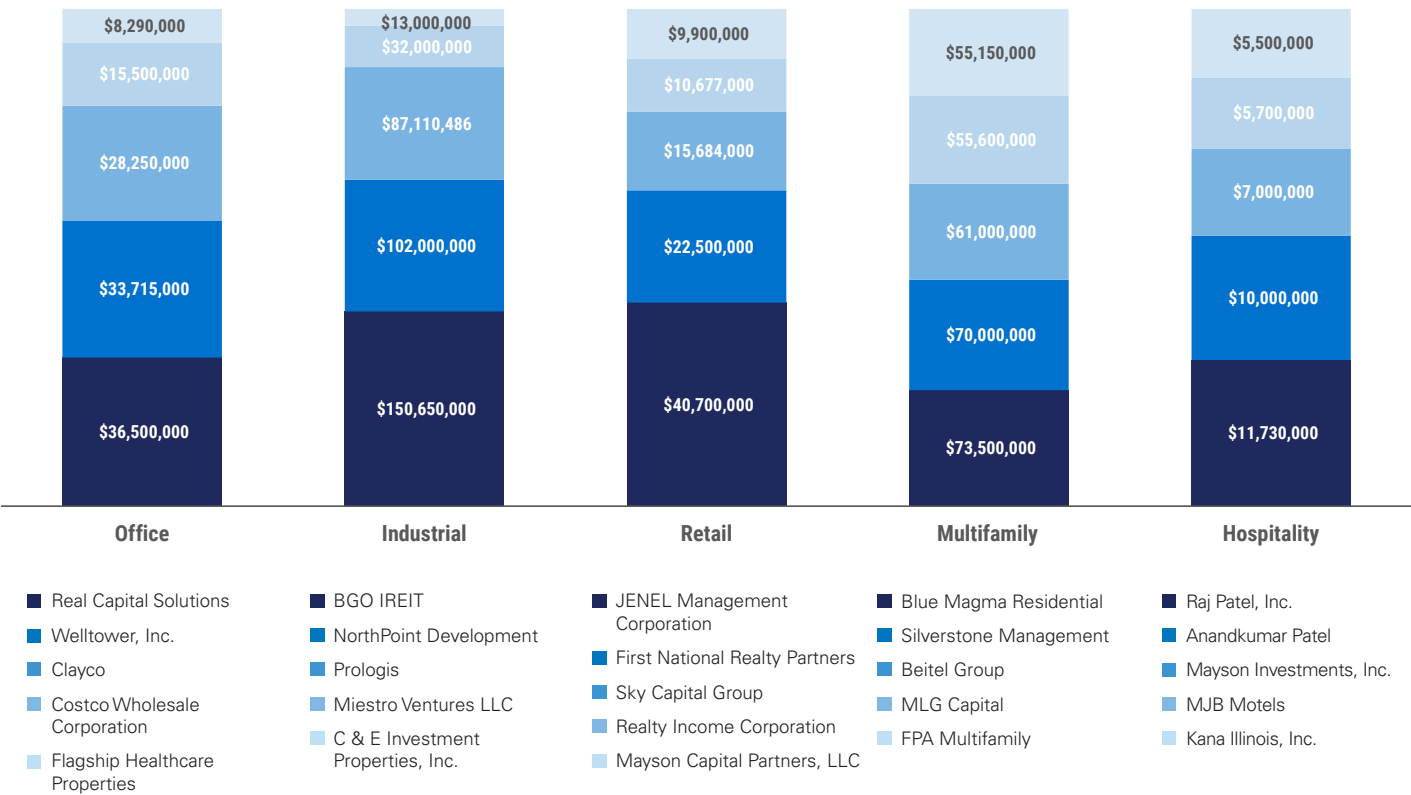
CAP RATES | ALL PROPERTY TYPES

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



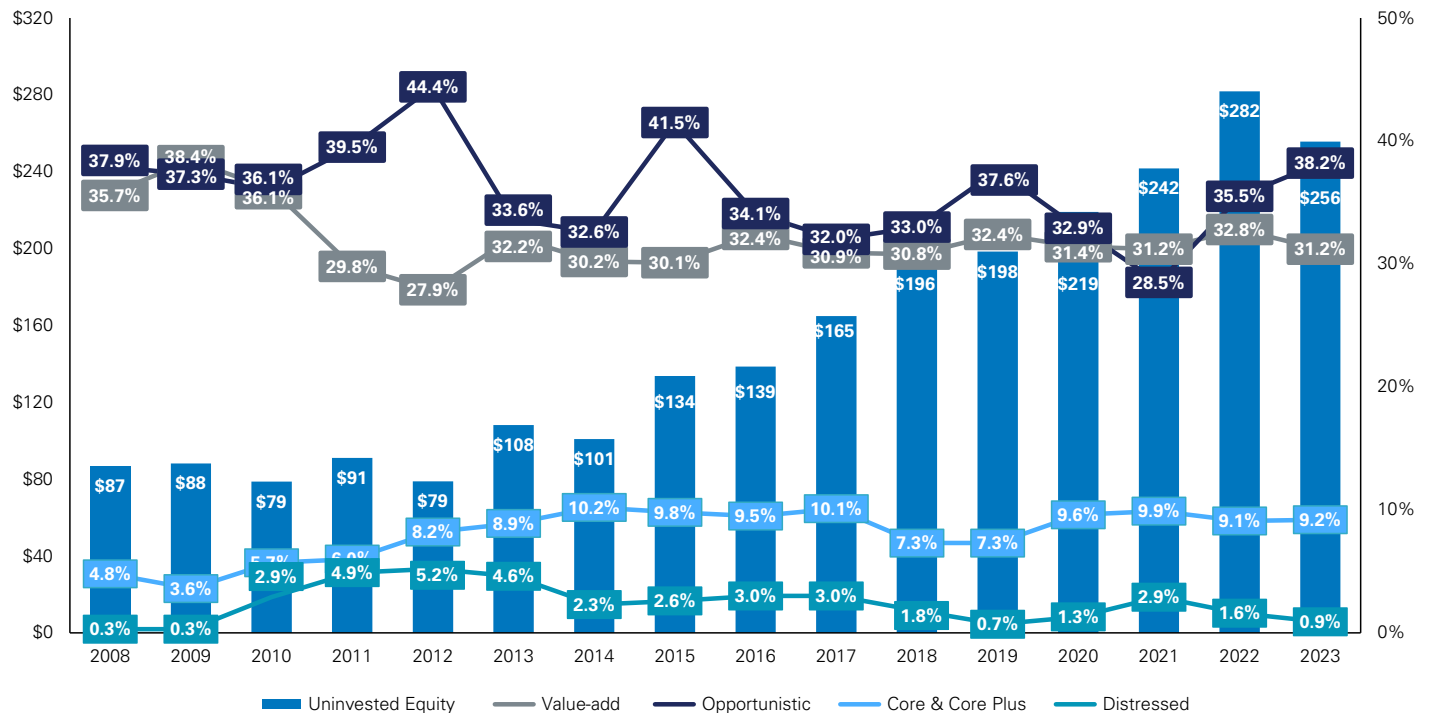
MOST ACTIVE BUYERS IN THE ST. LOUIS MARKET BY ASSET TYPE

12-MONTH TOTALS



## DRY POWDER

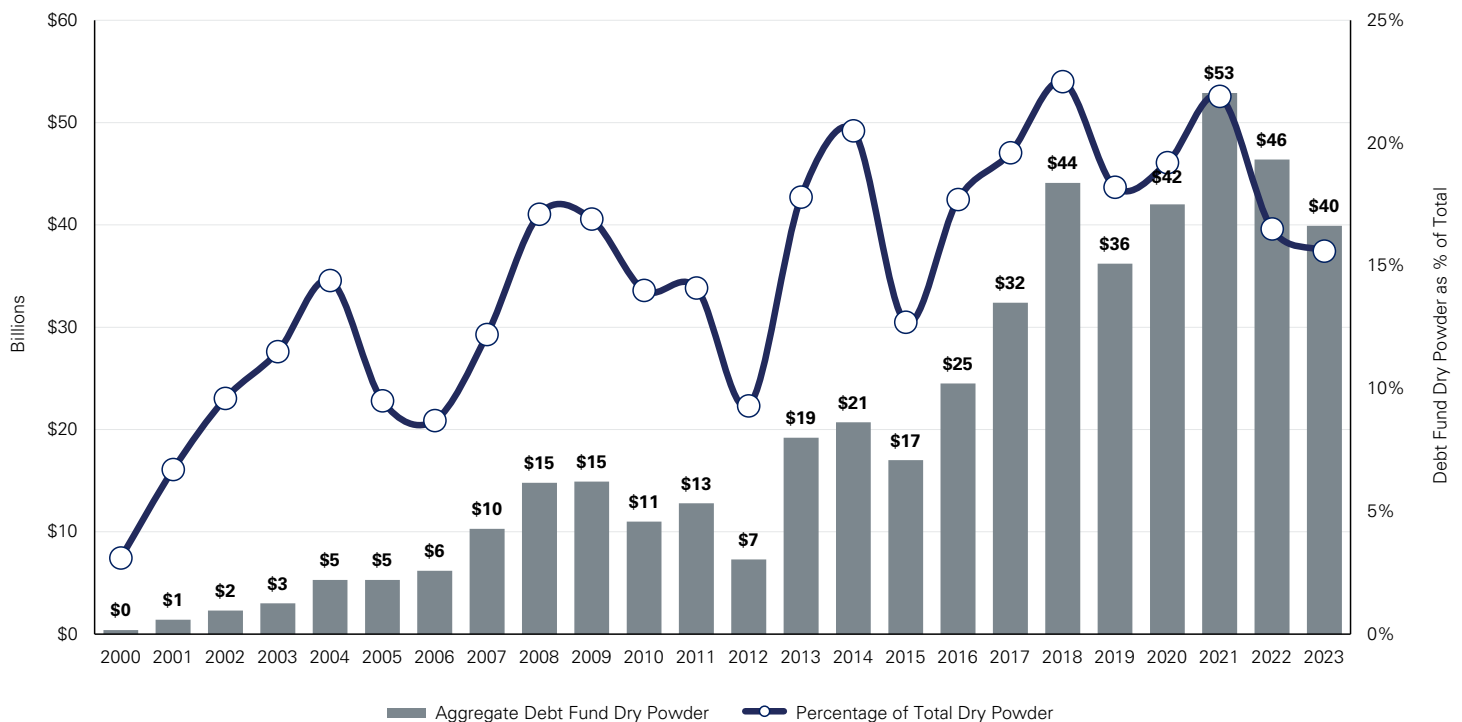
With high levels of dry powder, expect creative approaches to deploy capital. Dry powder allocated to opportunistic deals increased significantly 970 bps from 28.5% in 2021 to 38.2% year-to-date in 2023. Value-add strategies have remained stable during the past 10 years, ranging from 30.1% in 2015 to 32.8% in 2022.



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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