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RESEARCH 4Q23

# 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 | Arrive Brentwood I & II Portfolio (2)**  
327 Units – Sold for \$76,850,000 (\$235,015/Unit)  
Mid County | 9015 Eager Rd; 1315 McCutcheon Rd

**Multifamily | The Enclave at Winghaven**  
400 Units – Sold for \$74,750,000 (\$186,875/Unit)  
St. Charles County | 1000 Applerock Drive

**Multifamily | Cortona at Forest Park**  
278 Units – Sold for \$62,000,000 (\$223,022/Unit)  
St. Louis City | 4800 Highlands Plaza Drive

**Office | Maryville Centre & Woodsmill Commons Portfolio (10)**  
984,300 SF GLA – Sold for \$41,500,000 (\$42/SF)  
West County | 520-655 Maryville Centre Dr; 400-424 S Woods Mill Rd

**Industrial | 114 Old State Road**  
233,110 SF GLA – Sold for \$19,000,000 (\$82/SF)  
West County | 114 Old State Road



# Capital Markets

## ST. LOUIS MARKET OVERVIEW

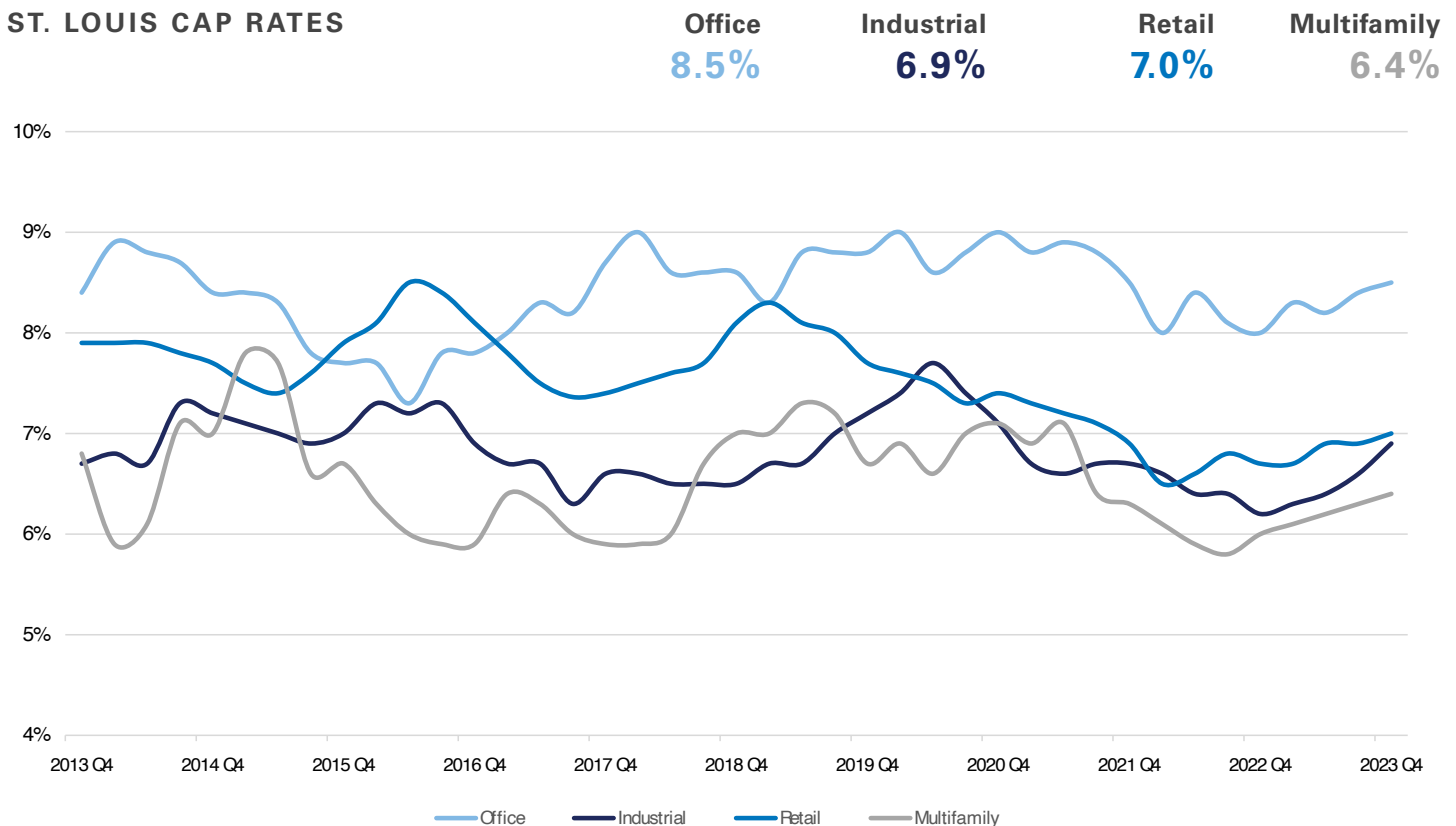
The pace of investment activity in the St. Louis market slowed during the past four quarters, with sales volume totaling \$1.9 billion, a decrease of 41.3% compared with the prior five-year average. As a leading second-tier market, the St. Louis Metropolitan area ranked sixth out of the largest 13 Midwest markets in total sales volume during the past 12 months, with multifamily and industrial assets combining for 71.7% of the Metro's activity. Capitalization rates increased 85 basis points compared with the past 12 months, registering 7.5% in the fourth quarter of 2023. Top-quantile capitalization rates increased 47 bps compared with the past 12 months, registering 6.0% in the fourth quarter of 2023.

Net absorption across the industrial, office and retail sectors totaled 2.8 million SF during the past four quarters, a decrease of 53.8% compared with the preceding year. The multifamily sector realized 879 units of net absorption during the past four quarters, a decrease of 4.0% over a similar period a year ago. Modern Class A industrial properties have benefited from robust demand during the past three years registering 16.9 million SF of net absorption, reaching a near record high for asking rental rates at \$6.01/SF in the fourth quarter of 2023, while vacancy remained stable at 4.8%.

With development kept in check during the past five years, additional incentives being offered to lock tenants in for longer lease terms, average asking rental rates trended upwards for the remaining three property sectors with the retail sector registering a new record high rental rate of \$14.80/SF during the fourth quarter of 2023. Vacancy in the office sector decreased 70 bps to 14.5% while vacancy in the retail sector decreased 20 bps to 4.1% compared with the prior year. Vacancy in the industrial sector increased 50 bps to 4.8% from the prior year, while the multifamily sector increased 140 bps to 10.3% during the same period.

The Newmark Zimmer Midwest Capital Markets team anticipates an increase in sales volume in the first half of 2024, 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



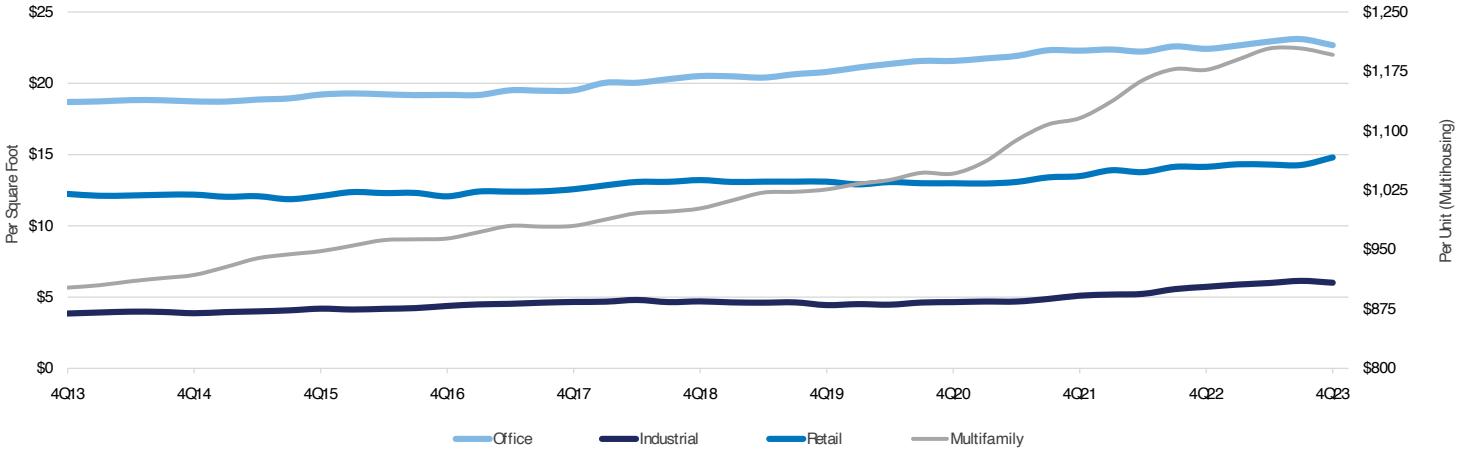
Source: Newmark Zimmer Research, CoStar, Real Capital Analytics

# 4Q23 St. Louis

## MARKET ANALYSIS

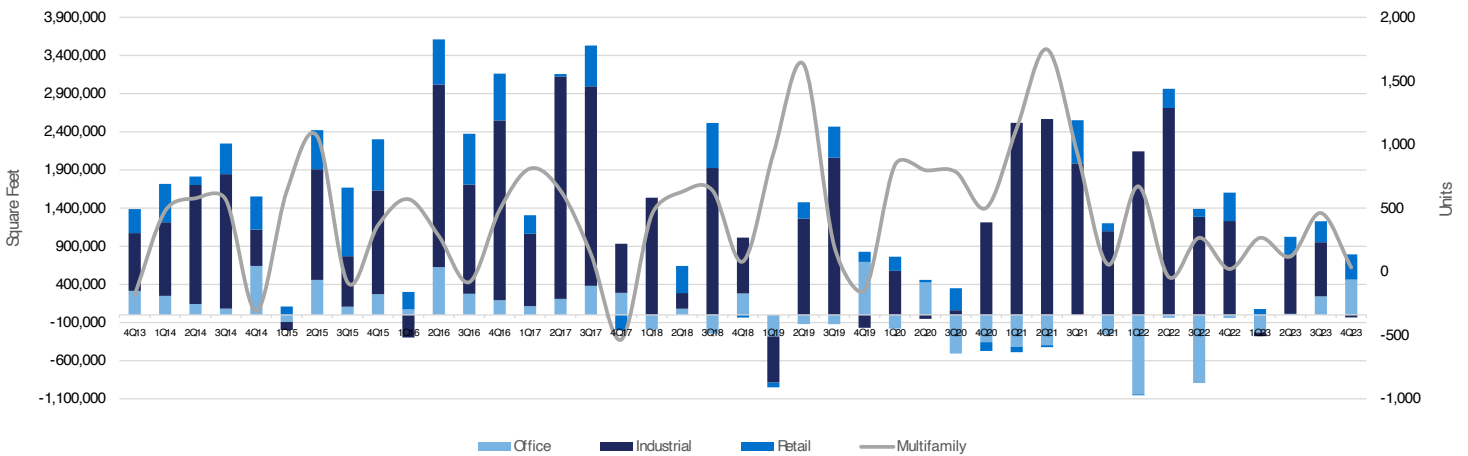
### AVERAGE ASKING RENT

Office **\$22.67**      Industrial **\$6.01**      Retail **\$14.80**      Multifamily **\$1,196**



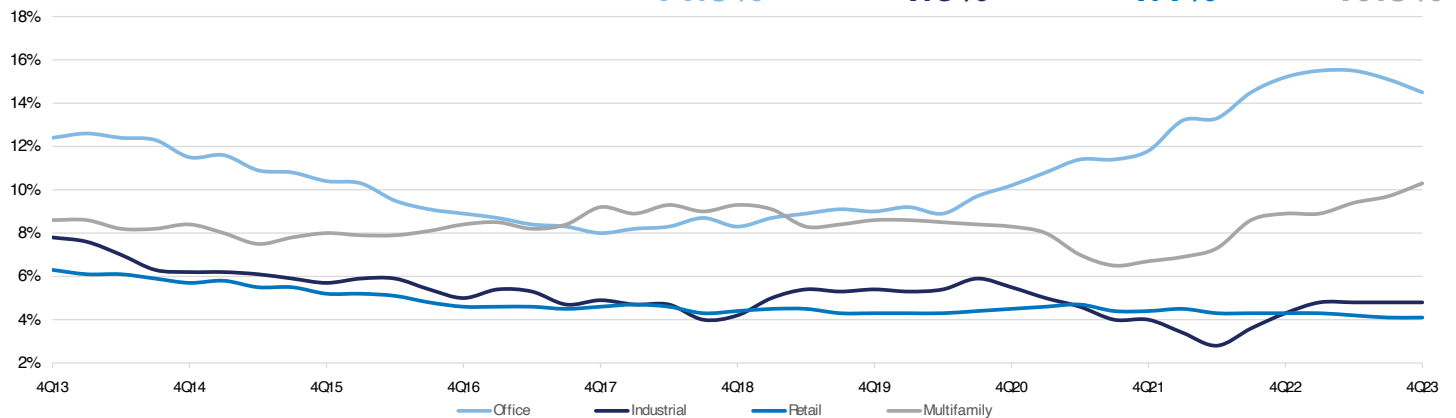
### NET ABSORPTION

Office **462,425 SF**      Industrial **-32,702 SF**      Retail **330,052 SF**      Multifamily **33 Units**



### VACANCY RATE

Office **14.5%**      Industrial **4.8%**      Retail **4.1%**      Multifamily **10.3%**







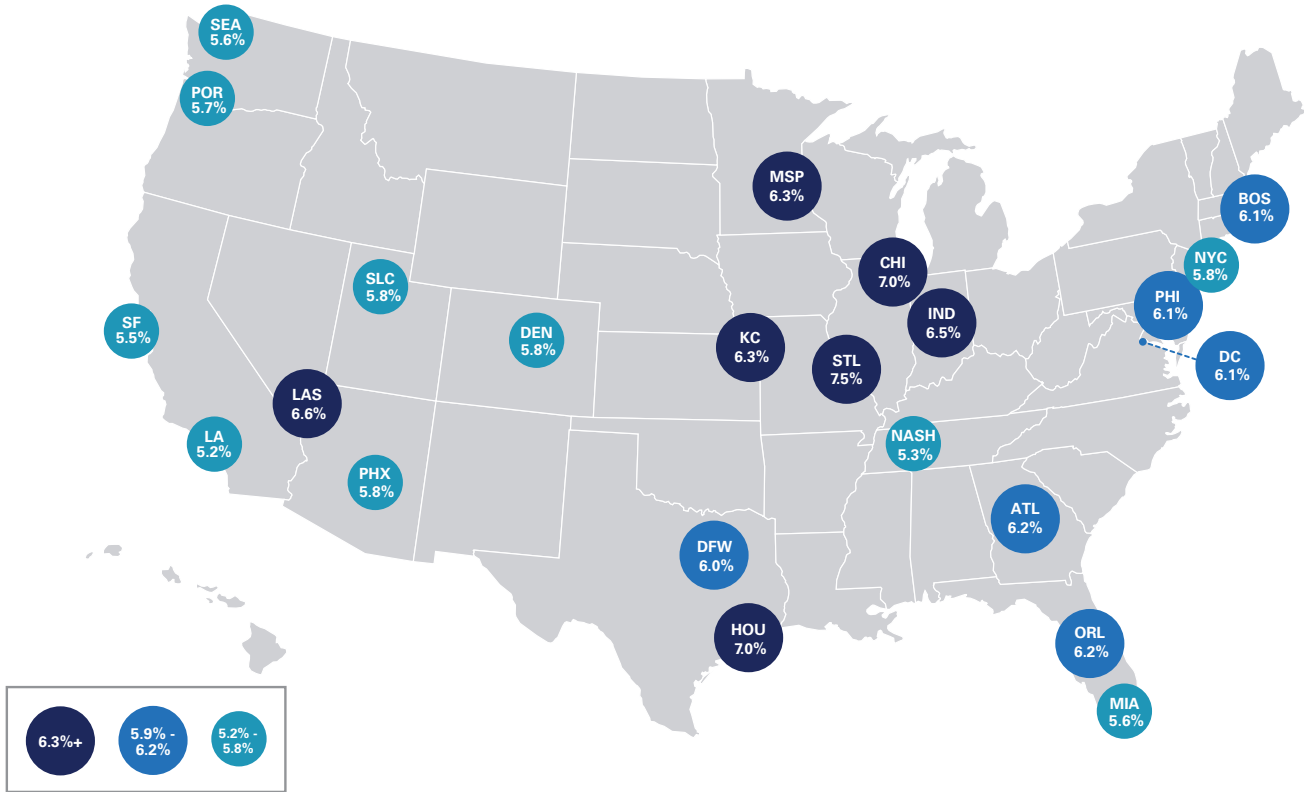
## SELECT SALES TRANSACTIONS | FOURTH QUARTER OF 2023

Sector	Building	Submarket	Sale Price	Price Per SF/Unit <sup>1</sup>	SF/Units <sup>2</sup>
Multifamily	Sun River Village   100 Broadridge Lane	St. Charles County	\$56,600,000	\$145,876	388
Multifamily	The Solstice   4000 Brady Way	St. Charles County	\$30,880,000	\$197,949	156
Retail	Nameeki Commons Portfolio (7)	Metro East	\$10,608,000	\$68	155,410
Industrial	Performance Food Group   3737 N Broadway	St. Louis City	\$9,250,000	\$67	138,280
Industrial	2501 W 20th Street	Metro East	\$9,130,000	\$135	67,760
Office	Royal Canin USA   500 Fountain Lakes Boulevard	St. Charles County	\$6,700,000	\$124	53,930
Industrial	MO American Water   2295 Hitzert Court	South County	\$5,950,000	\$198	30,000
Office	Corporate Square   1100 N Lindbergh Boulevard	Mid County	\$4,900,000	\$90	54,180
Hospitality	Quality Inn Florissant- STL   55 Dunn Road	North County	\$4,750,000	\$38,000	125
Retail	Sugar Pines SC   3501-3533 Dunn Road	North County	\$4,450,000	\$136	32,790

<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.

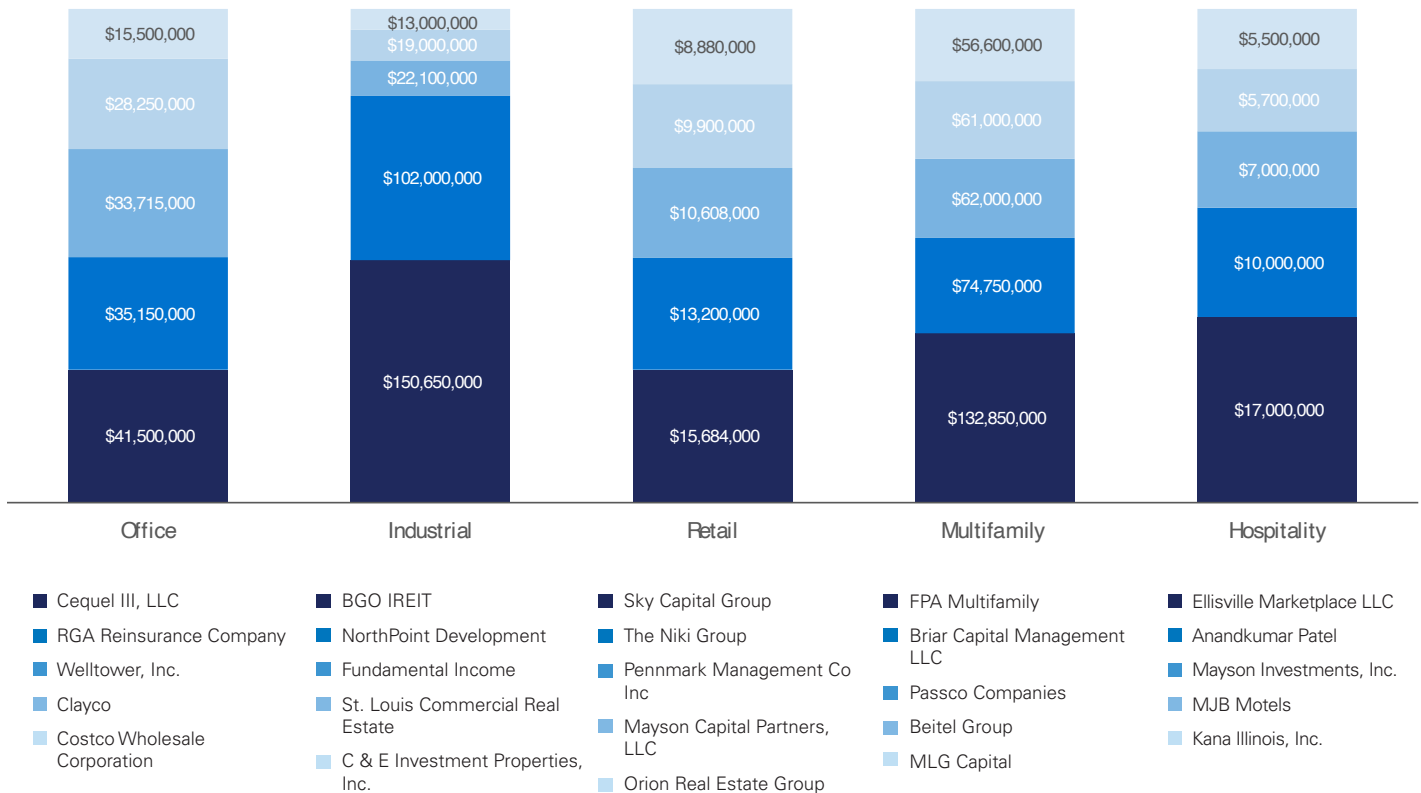
# CAP RATES | ALL PROPERTY TYPES

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

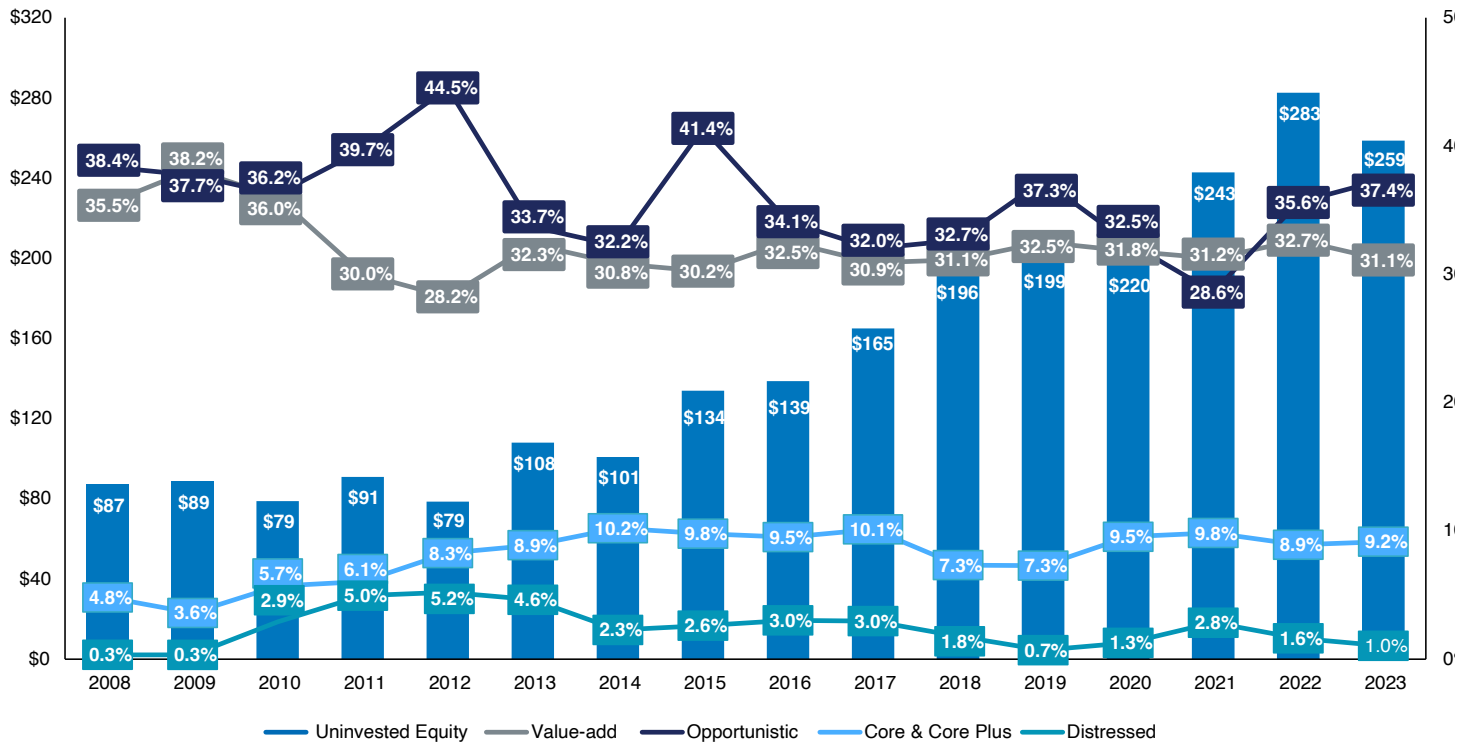


# MOST ACTIVE BUYERS IN THE ST. LOUIS MARKET BY ASSET TYPE

12-MONTH TOTALS



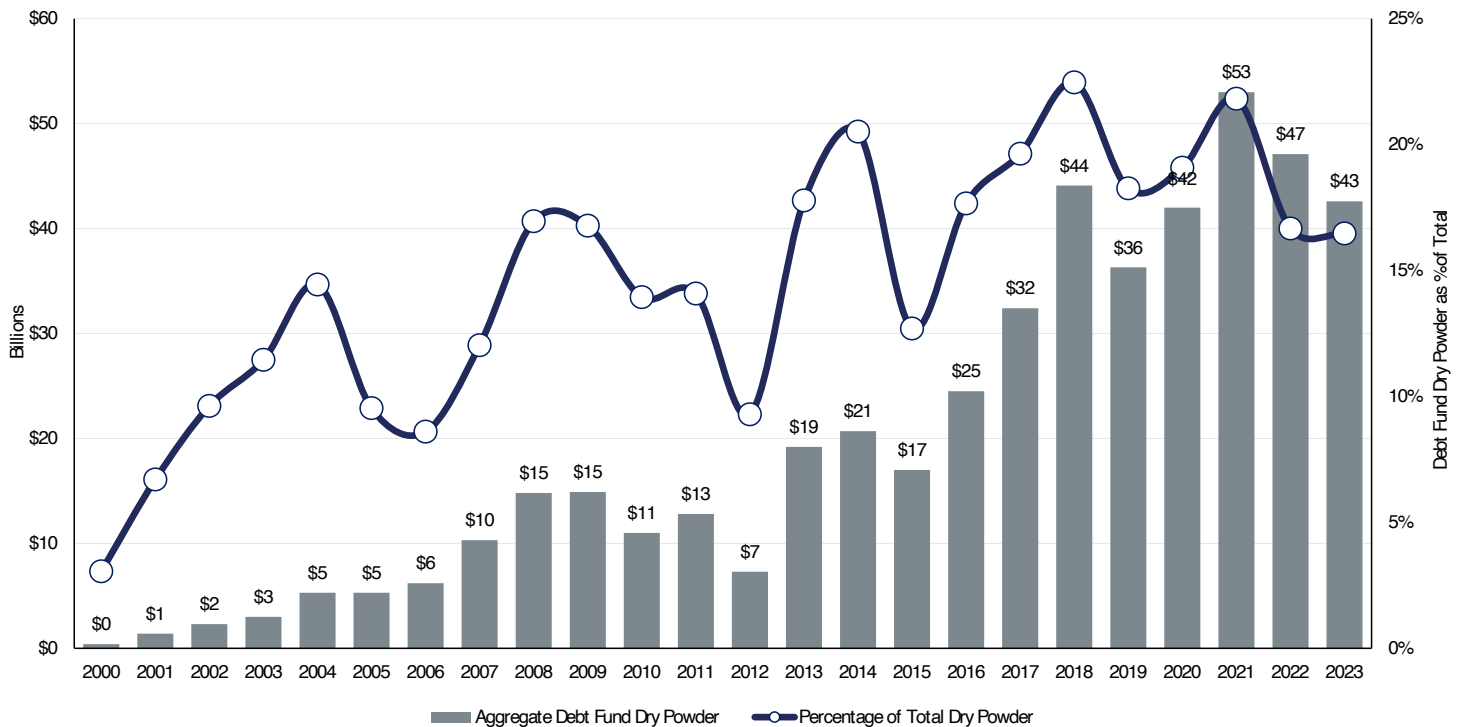
## DRY POWDER



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

Source: Newmark Research, Prequin

## DEBT FUND DRY POWDER



Source: Newmark Research, Prequin

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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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