
RESEARCH 1Q24

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 | Madison Rockwood

252 Units – Sold for \$42,116,000 (\$167,127/Unit)

West County | 170 Steamboat Lane

Multifamily | Greenway Chase

312 Units – Sold for \$34,875,000 (\$111,779/Unit)

North County | 629 Greenway Manor Drive

Retail | Central Plaza & Deer Creek Portfolio

371,750 SF GLA – Sold for \$34,425,000 (\$93/SF)

West Co. & Mid Co. | 15299-15367 Manchester Rd; 3200-3256 Laclede Station Rd

Office | Laumeier I

116,280 SF GLA – Sold for \$9,900,000 (\$85/SF)

South County | 3630 S Geyer Road

Industrial | 4500 Earth City Expressway

78,000 SF GLA – Sold for \$5,100,000 (\$65/SF)

North County | 4500 Earth City Expressway

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 \$2.0 billion, a decrease of 36.3% 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 66.1% of the Metro's activity. Capitalization rates decreased by seven basis points compared with the past 12 months, registering 7.1% in the first quarter of 2024.

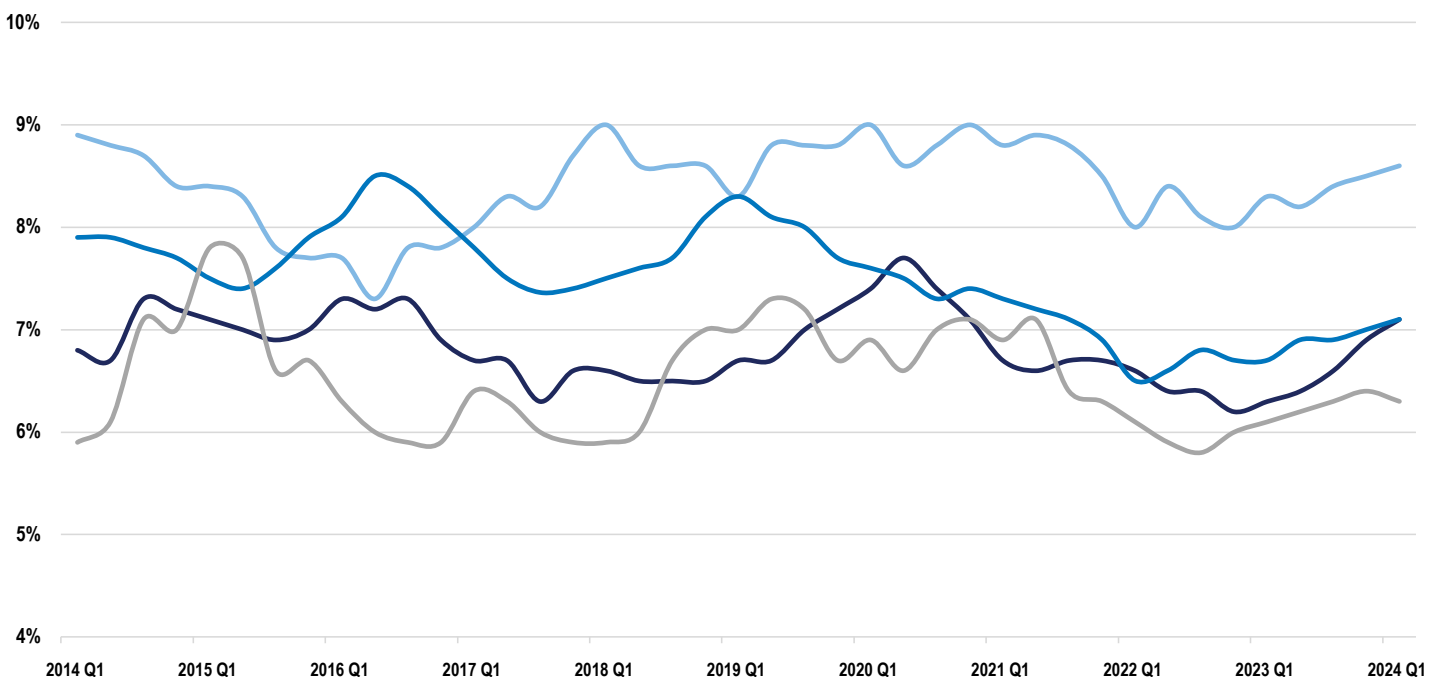
Net absorption across the industrial, office, and retail sectors totaled 2.0 million SF during the past four quarters, a decrease of 58.7% compared with the preceding year. The multifamily sector realized 1,231 units of net absorption during the past four quarters, an increase of 132.7% over a similar period a year ago. The industrial sector contracted during the first quarter of 2024, registering negative 1.1 million SF of net absorption after experiencing three consecutive years of robust demand totaling 17.0 million SF. As a result, vacancy increased by 60 bps to 5.4% while asking rental rates decreased to \$5.98/SF during the first quarter of 2024.

With development kept in check during the past five years and additional incentives offered to lock tenants in for longer lease terms, average asking rental rates trended upward for the remaining three property sectors, with multifamily properties registering a new record high rental rate of \$1,270.00/Unit during the quarter. Vacancy in the office sector decreased by 50 bps to 14.6%, while retail vacancy decreased by 30 bps to 4.0% compared with the prior year. Vacancy in the multifamily sector increased by 160 bps to 10.5% during the same period.

The Newmark Zimmer Midwest Capital Markets team anticipates an increase in sales volume throughout 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

Office **8.6%** Industrial **7.1%** Retail **7.1%** Multifamily **6.3%**



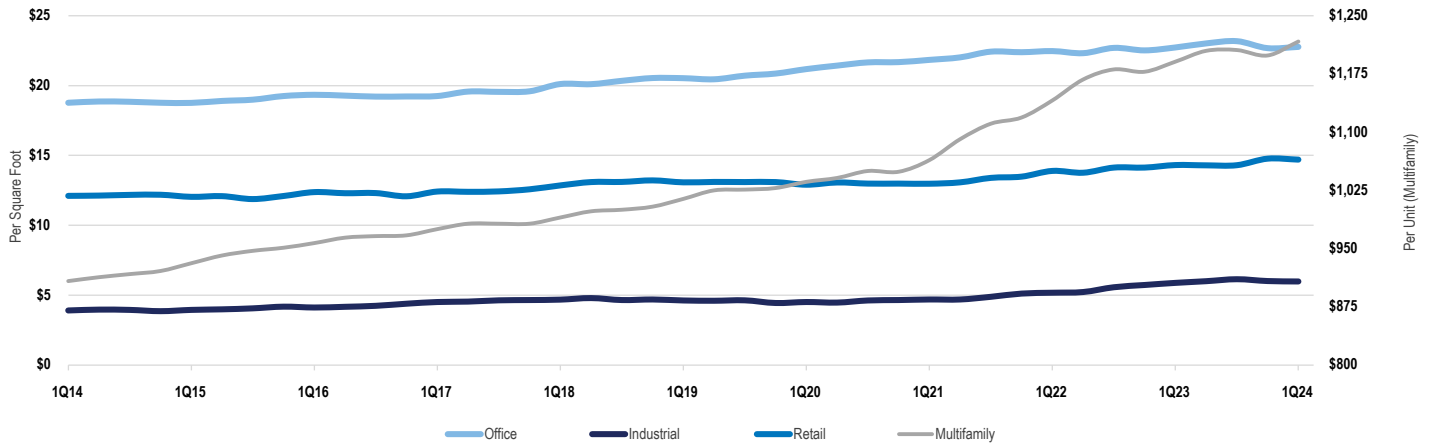
Source: Newmark Zimmer Research, CoStar, Real Capital Analytics

1Q24 St. Louis

MARKET ANALYSIS

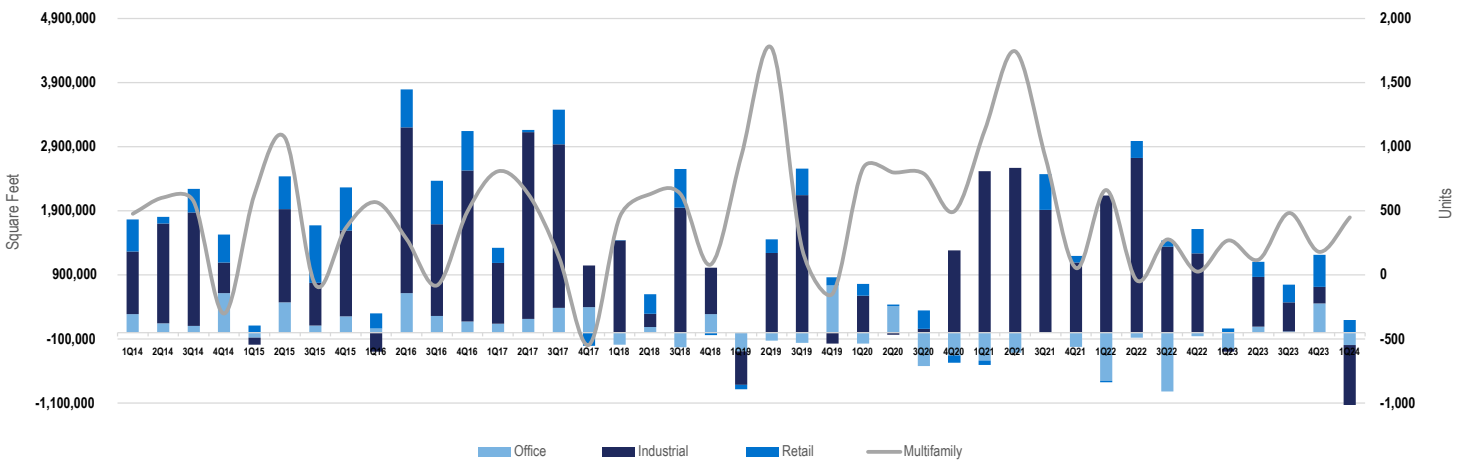
AVERAGE ASKING RENT

Office **\$22.76** **Industrial** **\$5.98** **Retail** **\$14.71** **Multifamily** **\$1,217**



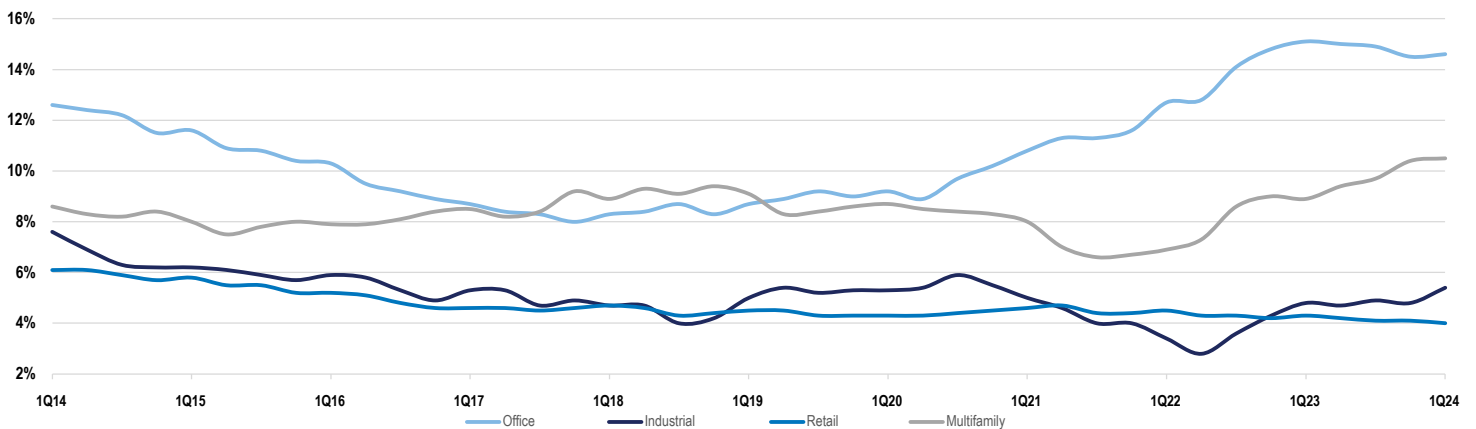
NET ABSORPTION

Office **-190,589 SF** **Industrial** **-1,114,625 SF** **Retail** **199,044 SF** **Multifamily** **449 Units**



VACANCY RATE

Office **14.6%** **Industrial** **5.4%** **Retail** **4.0%** **Multifamily** **10.5%**





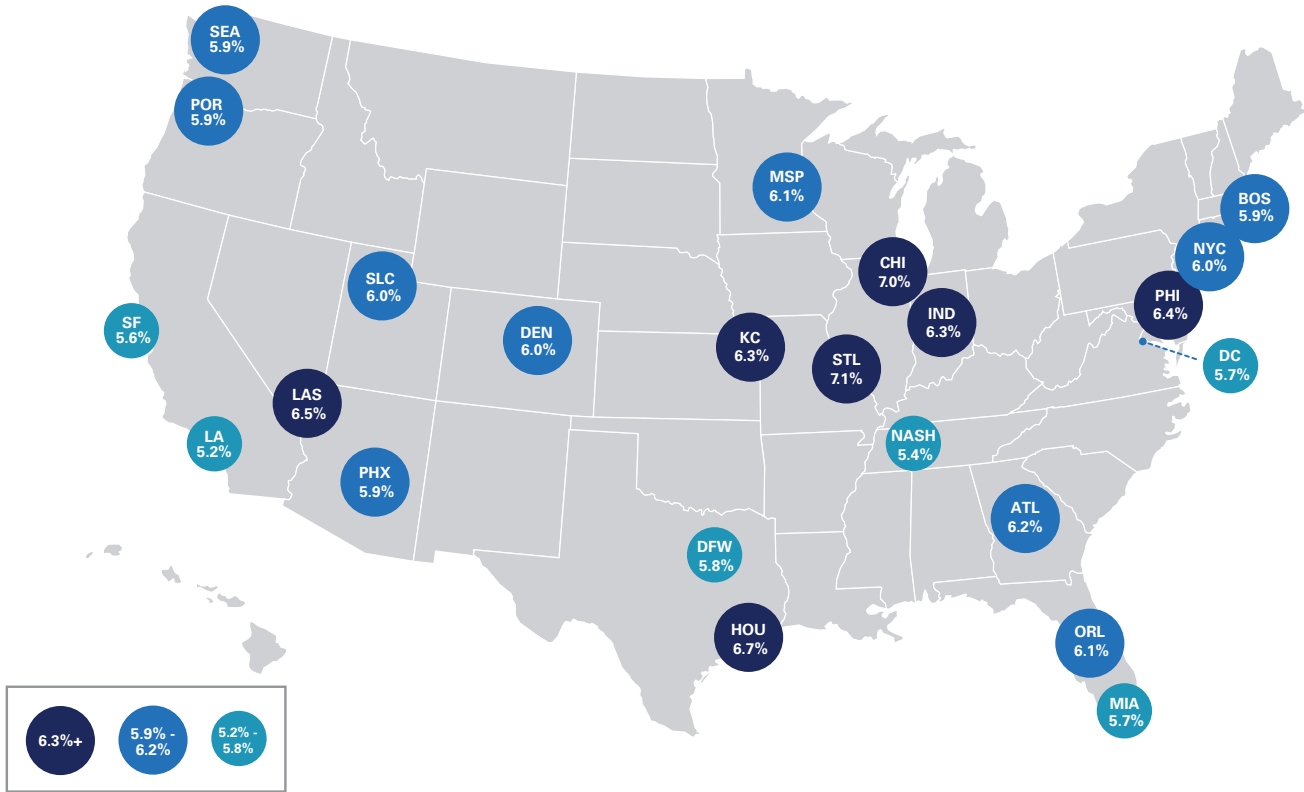
SELECT SALES TRANSACTIONS | FIRST QUARTER OF 2024

Sector	Building	Submarket	Sale Price	Price Per SF/Unit ¹	SF/Units ²
Industrial	9777-9797 Reavis Road	South County	\$8,575,000	\$36	239,750
Hospitality	Hampton Inn STL Southwest 9 Lambert Drury Drive	South County	\$7,100,000	\$77,174	92
Hospitality	Aviator Hotel & Suites South I-55, BW Signature Collection 6921 S Lindbergh Boulevard	South County	\$5,725,000	\$38,423	149
Retail	Gannon Plaza 1101-1123 W Gannon Drive	Jefferson County	\$5,360,000	\$289	18,520
Industrial	1587 Larkin Williams Road	South County	\$4,900,000	\$77	64,050
Industrial	1110-1152 Reco Avenue	South County	\$4,025,000	\$45	90,000
Industrial/Flex	13622 Lakefront Drive	North County	\$4,000,000	\$45	89,000
Retail	Alliance Plaza 324-326 Emerson Road	South County	\$2,800,000	\$282	9,920
Retail	Freddy's Frozen Custard & Steakburgers 2945 Dougherty Ferry Road	West County	\$2,500,000	\$2,193	1,140
Office	4140 Old Mill Parkway	St. Charles County	\$2,310,000	\$83	27,780

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

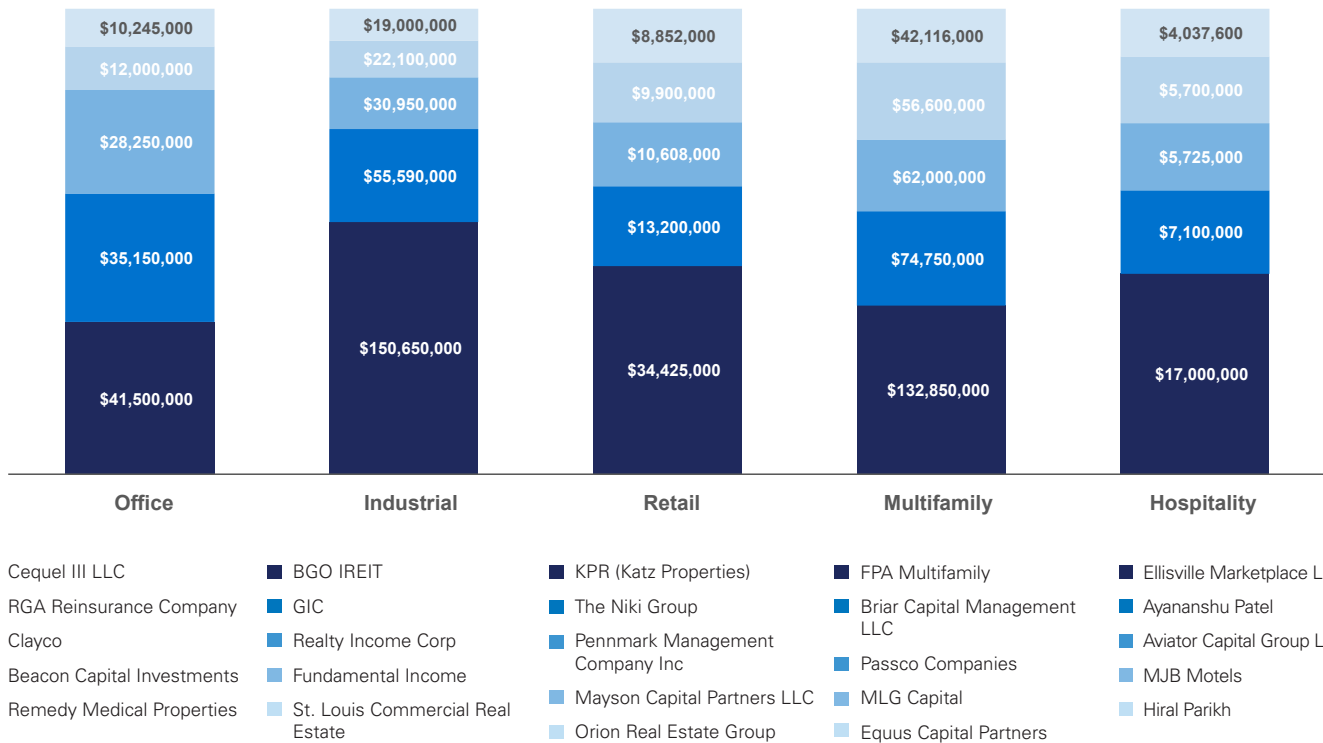
CAP RATES | ALL PROPERTY TYPES

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



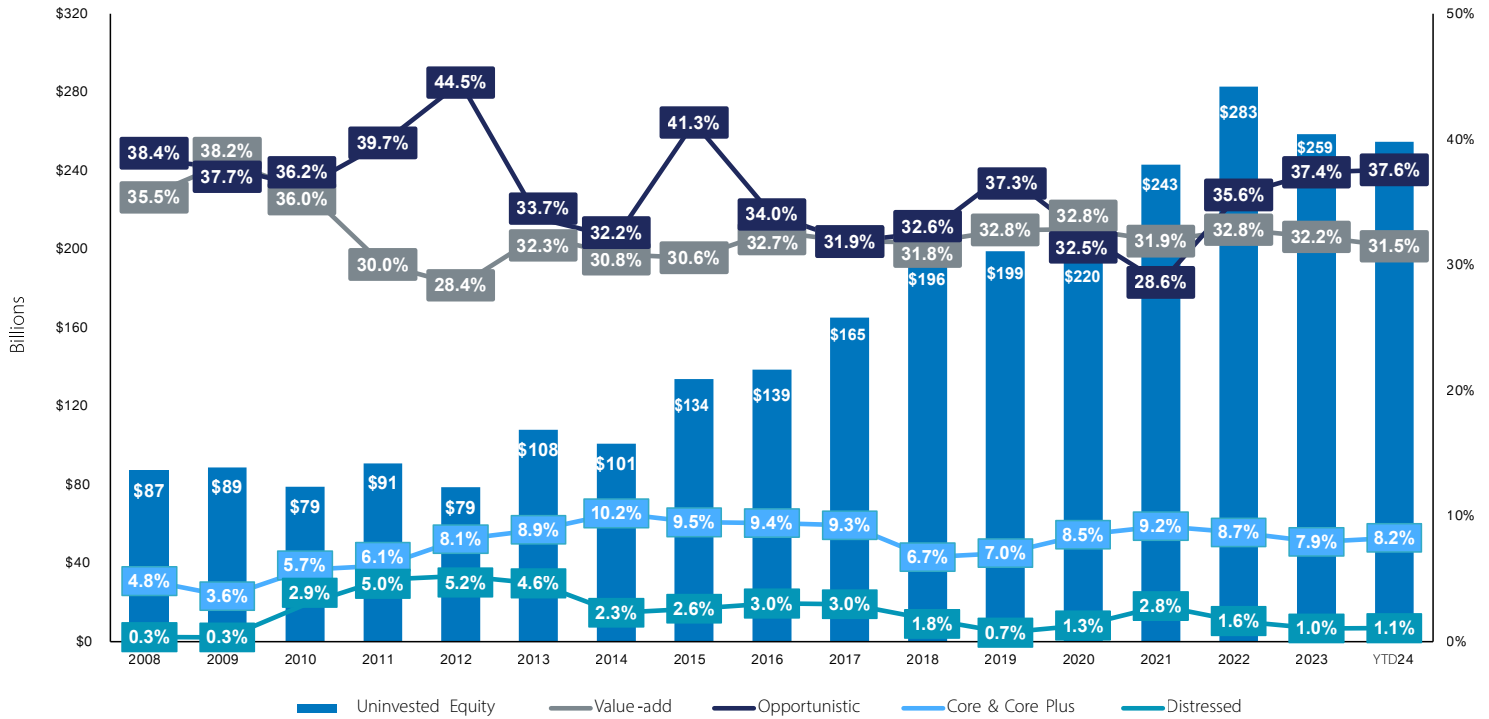
MOST ACTIVE BUYERS IN THE ST. LOUIS MARKET BY ASSET TYPE

12-MONTH TOTALS



DRY POWDER

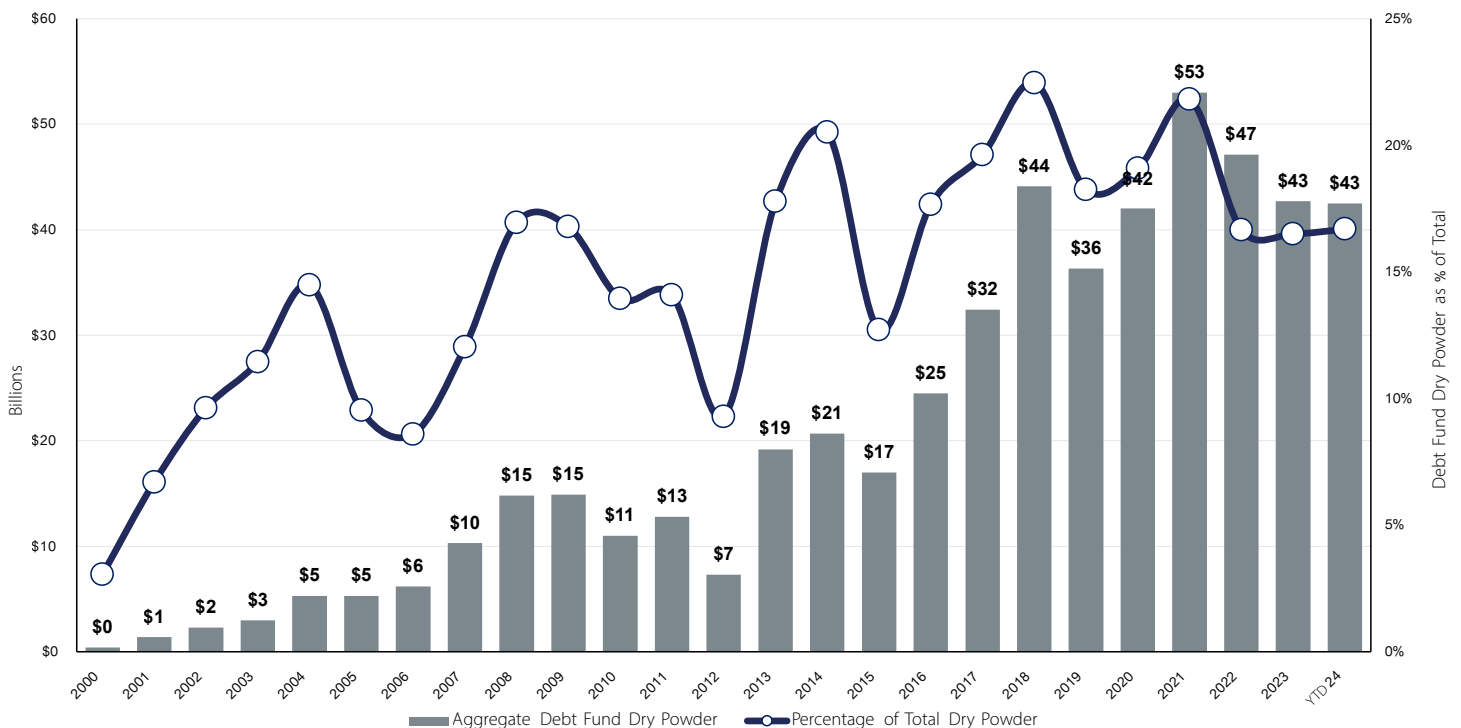
With high levels of dry powder, expect creative approaches to deploy capital. Dry powder allocated to opportunistic deals increased significantly 900 bps from 28.6% in 2021 to 37.6% in 1Q24. Value-add strategies have remained stable during the past 10 years, ranging from 30.2% in 2015 to 32.8% in 2022.



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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