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# Low mortgage rates still plague area's apartment owners, developers

*Study finds that occupancy rates are higher, rents lower than in other regions.*

BY JACK NAUDI  
Of the Post-Dispatch

Low mortgage rates continue to be bad news for St. Louis area apartment owners and developers, an annual study by a local accounting firm found.

But things could be worse, according to the 2004 apartment study by Rubin, Brown, Gornstein & Co. of Clayton. The firm, which looked at 166 apartment projects in 20 states, reported that St. Louis area multifamily housing statistics are better than other regions.

For apartment owners, the region has higher occupancy rates than other areas. And for apartment dwellers, it has lower monthly rents.

But the broader picture in the study is that very little has changed in recent years, said Bryan Keller, a partner in charge of the real estate services group at Rubin, Brown, Gornstein.

"Unfortunately, there is not a whole lot new to report," Keller said. "It's kind of steady as you go. We're doing pretty well when you



DAVID ALBERS

**Carpenters Chris Day and David Fester with Behlman Builders install awnings over the front doors on the Kirkwood Station Plaza town houses in Kirkwood. The mixed-use development includes rental housing.**

compare us nationally, but it's nothing exciting."

Little has changed because the most critical factor that affects multifamily housing has stayed the same: low mortgage rates.

"As more individuals took advantage of these low rates to purchase single-family homes, the apartment industry saw its potential apartment renter base reach an all-time low," the Rubin, Brown, Gornstein report said.

St. Louis has a second issue: a

stagnant population, which limits the pool of potential renters, Keller said.

Despite that, there has been considerable apartment construction, spurred in part by historic tax credits in the city of St. Louis. Developers tend to target young people and empty-nesters moving in from farther-out suburbs.

Downtown St. Louis, the Central West End and the inner-ring suburbs have seen a spate of new apartment and condominium con-

struction tied to a group of renters who aren't interested in buying.

"I want to target renters-by-choice as compared to the renters out there who can't afford a home," said Steve Brown, a principal at Balke Brown Associates, a developer based in St. Louis.

Some developments, such as MLP Investment's Kirkwood Station, include rental housing in broader, mixed-use developments.

Balke Brown is renovating older downtown buildings and concentrating on high-profile locations, such as its 200-unit Lofts at the Highlands across from Forest Park.

McCormack Baron Salazar Inc.'s 82-unit 6 North Apartments in the Central West End will reach several demographic groups, said Jack Hambene, a senior vice president.

With federal subsidies for low-income housing in hand, 6 North will have some units set aside for low-income tenants.

"You've (also) got St. Louis University and Washington University, the Center for Emerging Technologies. There's just a lot going on," Hambene said.

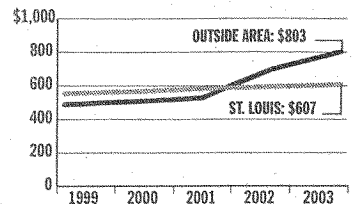
While new apartments are going up, the St. Louis area has not overbuilt, said Brad Beggs, a principal at Development Strategies of St. Louis, a real estate consulting firm.

Indeed, some areas, such as

## Hard times for landlords

Average rents collected continue to rise, but economic occupancy rates fell in the St. Louis area from 2001 to 2003. Economic occupancy is the occupancy rate, less giveaways, such as free rent. It represents a better picture of the health of the rental market than occupancy.

### AVERAGE MONTHLY RENT



### ECONOMIC OCCUPANCY RATE

Year	St. Louis	Outside Area
1999	92.1%	86.0%
2000	94.2%	86.6%
2001	94.2%	87.8%
2002	87.2%	86.3%
2003	85.7%	82.5%

Source: Rubin, Brown, Gornstein & Co.

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Clayton, have apartment shortages, as rental units are converted to for-sale condominiums.

"In some places, if you want a nicer apartment, you might have to buy a condominium," Beggs said.

The lack of overbuilding locally also has helped limit landlord giveaways, such as free rent, to attract tenants. One exception is St. Charles County, Beggs said, which has seen supply outstrip demand.

"There really is not a market (in St. Charles County) like you see in the central corridor (along Highway 40), where there are renters-by-choice," Beggs said.

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