

Multifamily Metro Outlook:

Saint Louis - Q3 2023

Overview:

- The job base in St. Louis has grown slightly above the level recorded pre-pandemic at the end of 2019. In addition, the end of the UAW strike in the fall brought 4,000 employees at General Motors' Wentzville, IL. plant back to work and the new contract with higher wages will support increased consumer spending. Nevertheless, the next 24 months are likely to see a slowdown in job growth overall, according to Moody's Analytics as new jobs added in the important health healthcare sector are likely to slow.
- The average multifamily vacancy rate rose by 100 basis points since the start of 2023 to 5.8% as of Q3 2023, rising slightly above the recent historic average. Slowing job growth coupled with elevated supply underway may cause further softening in 2024.

Market Strengths:

- St. Louis is a highly affordable place to live and work. The cost of living is and doing business are about -7.0% below the national average. The metro has a relatively stable and diverse job base. It is a healthcare, financial and, due to proximity to the Mississippi, a logistics center. Top employers include BJC Healthcare, Boeing Defense, Walmart and Wells Fargo, as well as Scott Air Force Base. Nine Fortune 500 companies are headquartered here, and the majority are in the healthcare sector.
- These employers can rely on a well-educated population as 37% of the population has at least earned an undergraduate degree. Washington University, St. Louis University and the University of Missouri at St. Louis are all top employers and producers of skilled professionals. As a result, the per capita income of about \$65,000 is about \$10,000 higher than Missouri's.
- The \$2B Cortex Innovation Community which leverages experts at the universities, is supporting about 250 start-ups in sectors like bio- and fin-tech. The recently funded Taylor Geospatial Institute should cement the metro's status as a geo-spatial hub.

Market Weaknesses:

- While St. Louis has a diverse job base, it lacks a strong economic driver to create jobs and attract population. While St. Louis aims to be the Silicon Prairie, the tech share of the job base is currently only 4.8% compared to 5.5% of the national job base.
- The metro's 2.8 M population is essentially stagnant. But Moody's Analytics forecasts that St. Louis may lose up to 7,000 residents in the next five years. This includes educated young residents which are part of the prime renting cohort.
- Single family housing is very affordable in St. Louis. The price of the average single-family home remains more than -30% below the national average. In addition, the metro's geography puts it in the center of a large amount of inexpensive developable land.
- While the share of jobs in manufacturing has declined greatly, it remains at 8.3% in line with the rest of the country. General Motor's (GM) plant in Wentzville produces both cars and trucks and Boeing's Space, Defense and Security unit is headquartered here. Fortunately, car fleet electrification will support jobs in manufacturing over the next few years.
- With climate change, rainfall and the subsequent flooding is more prevalent in areas other than just next to the Mississippi river.

Development:

- Just over 14,000 apartments have been added since the start of 2017 and supply is ramping up with 5,700 units underway, representing a 3.6% increase in inventory, up from 4,400 units underway in Q1 2023. About 50% of units underway are in the Downtown or Central West End submarkets which already have elevated vacancy rates.

Multifamily Outlook:

- While St. Louis had been undersupplied prior to the pandemic, supply is starting to ramp up just as job growth is stalling. This will put additional pressure on the apartment market which already has an elevated average vacancy rate. However, high construction costs and a shortage of construction workers are delaying delivery of some projects which may help the multifamily market soften more slowly in 2024.

Economic Outlook:

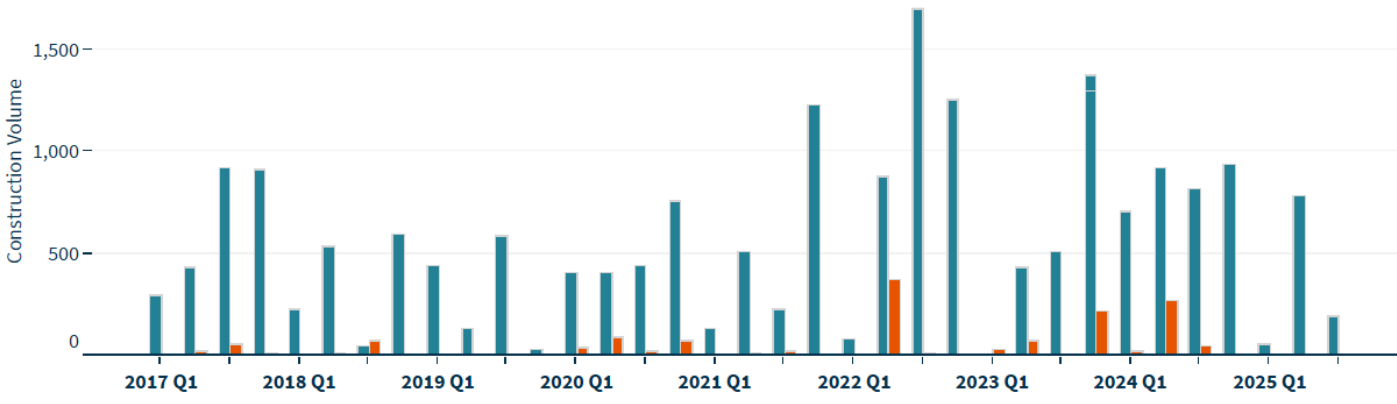
- Longer-term, low living and business costs and a well-educated professional workforce will encourage start-ups and electrification of car fleets will support manufacturing. However, weak demographics will continue to be an impediment to economic growth unless sufficient jobs can be created to retain graduating university student. As a result, St. Louis will continue to trail most major metro areas.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

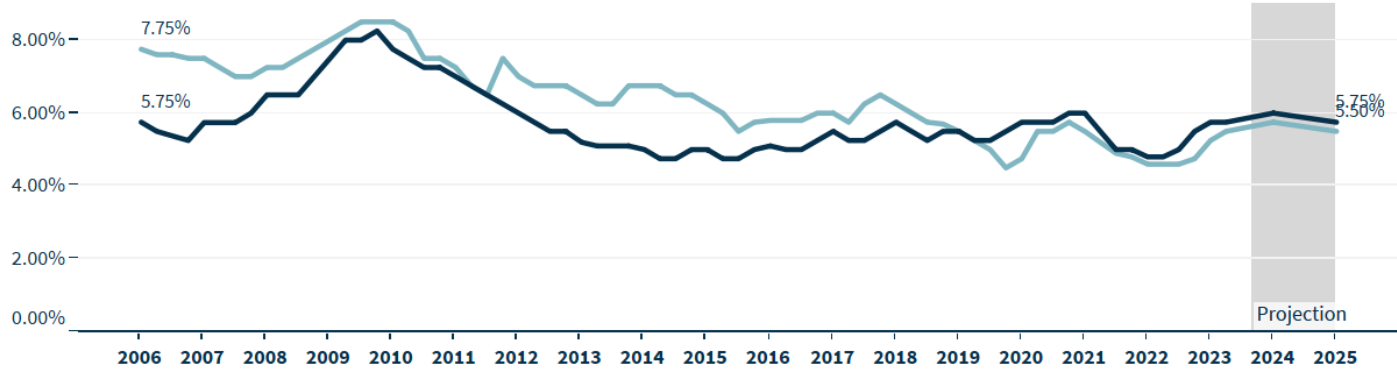
Multifamily Vacancy & Rent Estimates

Vacancy Rates

St. Louis | National

Q3 2023 Vacancy Rate:

5.75%

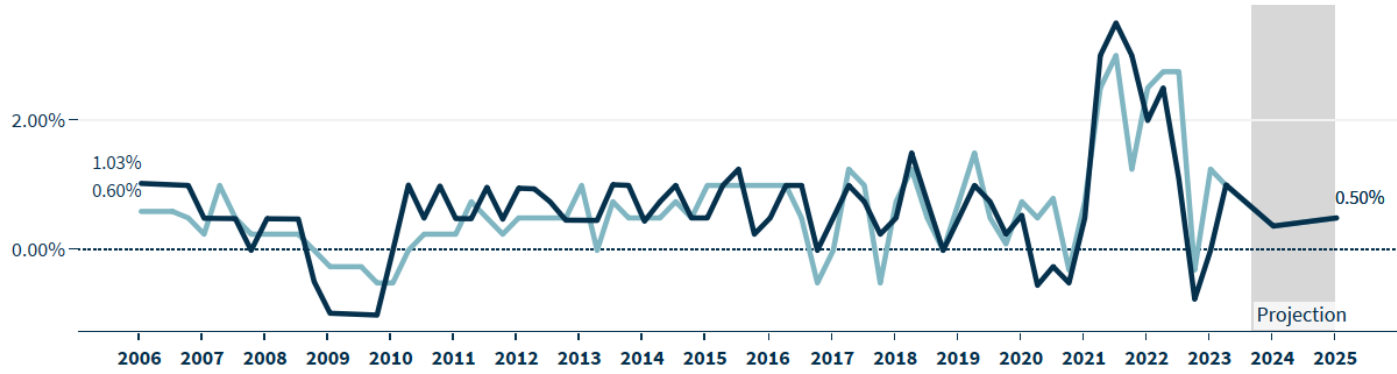


Asking Rent Growth

St. Louis | National

Q3 2023 Asking Rent:

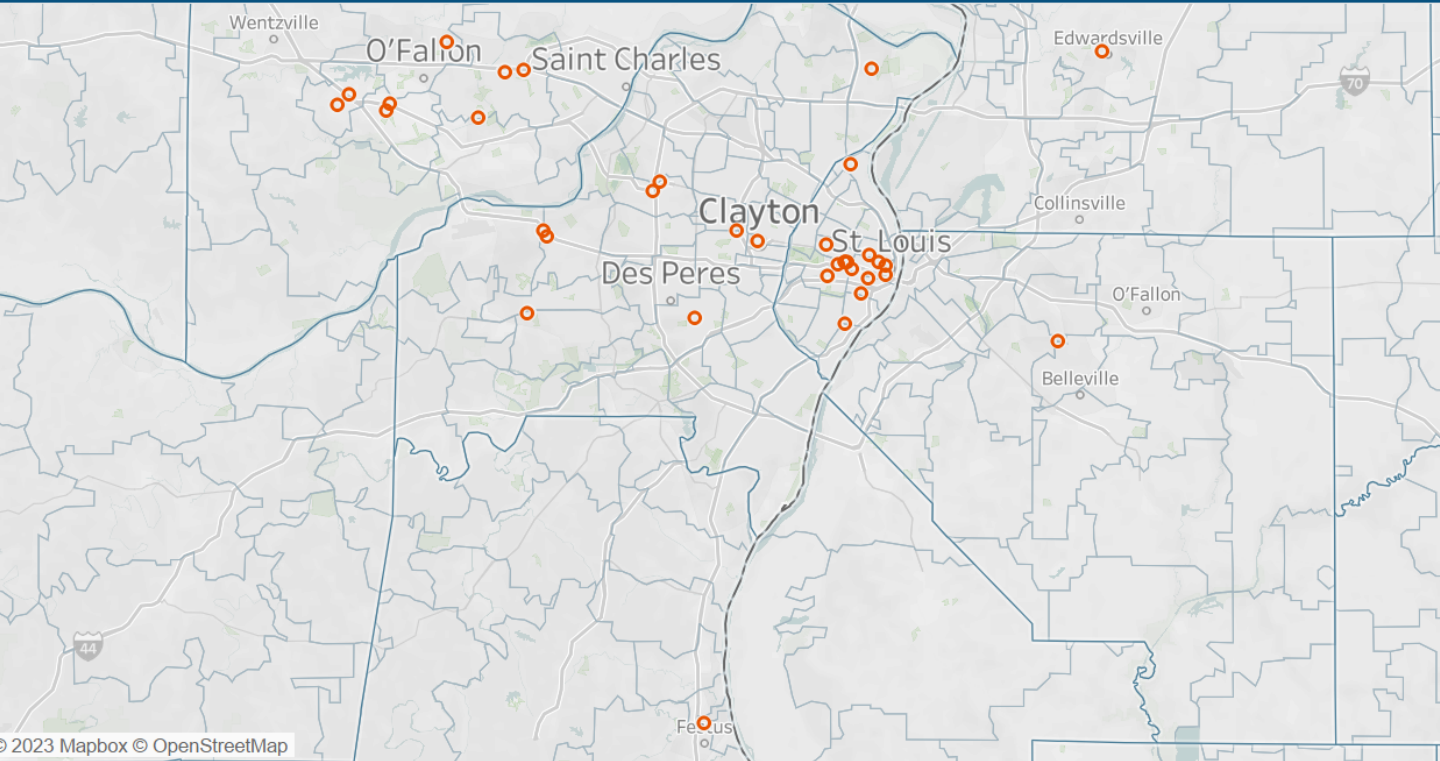
\$1,170



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



<i>MultiHousingSubmarketName</i>	<i>Apartments</i>	<i>Units</i>
Central West End/Forest Park	6	1,321
Chesterfield/Ballwin/Wildwood	3	496
Maryland Heights/Creve Coeur	2	523
Mid St. Louis County	3	656
Northeast St. Louis County	1	8
South St. Louis County/Jefferson County	1	40
St. Charles County	8	1,110
St. Clair/Madison Counties	2	278
St. Louis City	9	1,238
Grand Total	35	5,670

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

- Moody's Economy.com
- REIS
- CoStar
- Real Capital Analytics
- RealPage
- Dodge Data and Analytics SupplyTrack Pipeline
- Axiometrics
- CBRE-Econometric Advisors
- Yardi

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