

Multifamily Metro Outlook:

Saint Louis - Q1 2022

Overview:

- Economic recovery continues to move ahead slowly in St. Louis, but the metro is not expected to recover most of the jobs it lost during the pandemic until 2023. According to Moody's Analytics, the crucial healthcare industry will drive job gains but hiring will remain challenging until labor supply improves.
- Despite the tepid recovery, the overall vacancy rate as of Q1 2022 fell to just 4.6%. But submarkets such as Mid-County, St. Charles and West County have vacancies far below the average while urban submarkets such as Downtown and North St. Louis City have double the average vacancy. Nevertheless, the average asking rent in St. Louis has risen almost 10.8% since the start of 2021 and is now above pre-pandemic levels.

Market Strengths:

- St. Louis is a highly affordable place to live and work. The cost of living is about -6.0% below the national average and the cost of doing business is about -7% below. The metro has a relatively stable and diverse job base. It is a healthcare, financial and 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 36% of the population has at least earned an undergraduate degree. Washington University, St. Louis University and the University of Missouri at St. Louis are both top employers and producers of skilled professionals. As a result, the metro area per capita income of about \$61,000 is higher than the \$51,000 recorded for Missouri.
- 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 4.5% compared to 5.4% of the national job base.
- St. Louis faces ongoing challenges. The metro's population is essentially stagnant and will grow by just +0.04% on average annually over the next five years. Educated young residents which are part of the prime renting cohort are moving for jobs to areas such as Dallas, Phoenix and Denver. The pandemic and the ability to telework has accelerated this trend.
- Single family housing is very affordable in St. Louis: median home prices have not risen as quickly as in other parts of the country and remain 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, this sector still contains about 8.5% of the job base 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, GM's Wentzville plant is back at full production and defense manufacturing has held steady.
- With climate change, rapid rainfall and the subsequent flooding is more prevalent in areas other than just the Mississippi river.

Development:

- About 8,400 apartments have been added since the start of 2017 and supply is ramping up with an additional 5,300 units underway. Sixty percent of units underway are in the Downtown or Central West End submarkets which already have elevated vacancies.
- The Federal Government has continued construction on the \$1.7 billion dollar National Geospatial-Intelligence Agency on a 97-acre campus in North St. Louis during the pandemic which should provide a much-needed shot in the arm for the submarket.

Outlook:

- While St. Louis had been undersupplied prior to the pandemic, supply is starting to ramp up which will put pressure on the apartment market, particularly downtown and in the Central West End. Fortunately, the average vacancy metro-wide remains well below the historic average. While the average vacancy rate will likely grow and rent growth is likely to slow, the market should remain steady over the next year barring an earlier than expected recession.
- Economic recovery in St. Louis should continue in 2022 but remain slow. Longer-term, low living and business costs and a well-educated professional workforce will encourage start-ups once the pandemic is contained. However, weak demographics will continue to be an impediment to economic growth unless sufficient jobs can be created to retain graduating university students. As a result, St. Louis will continue to trail most major metro areas.

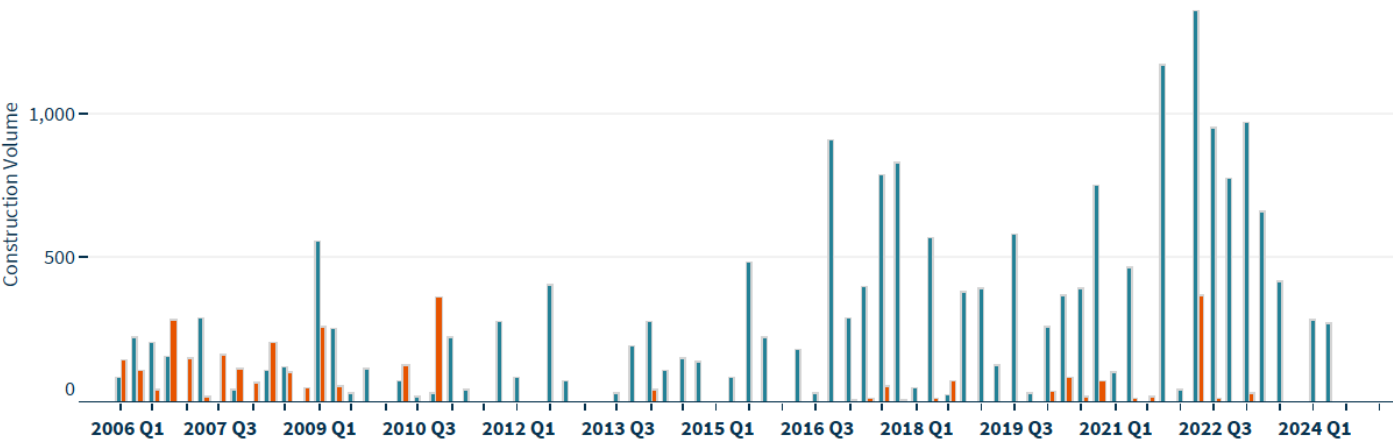
Five Year Metro Area Growth Forecast

Source: Moody's Analytics	Q4 2021	Q4 2026	St Louis (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (in 1,000s)	2,804	2,799	0.04%	0.52%
Households (in 1,000s)	1,174	1,204	1.02%	1.41%
Renting Cohort (Ages 20-34) in (1,000s)	545	527	-0.51%	-0.26%
Total Employment (in 1,000s)	1,354	1,395	1.29%	1.71%
Median Household Income	\$69,804	\$82,094	2.39%	2.83%
Median SF Home Price	\$231,630	\$252,627	3.85%	4.30%
Net Migration	-755	-1,605		

SupplyTrack Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



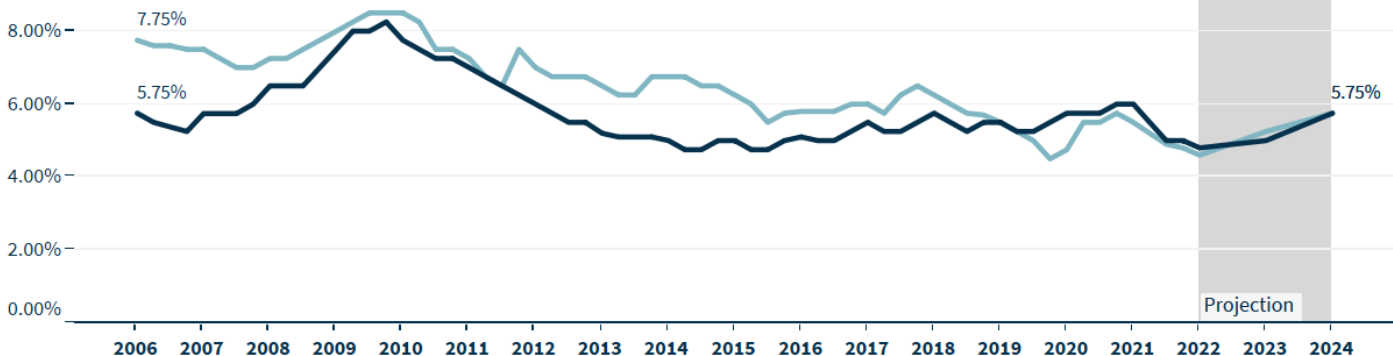
Vacancy & Rent Composite Estimates

Vacancy Rates

St. Louis | National

Q1 2022 Vacancy Rate:

4.60%

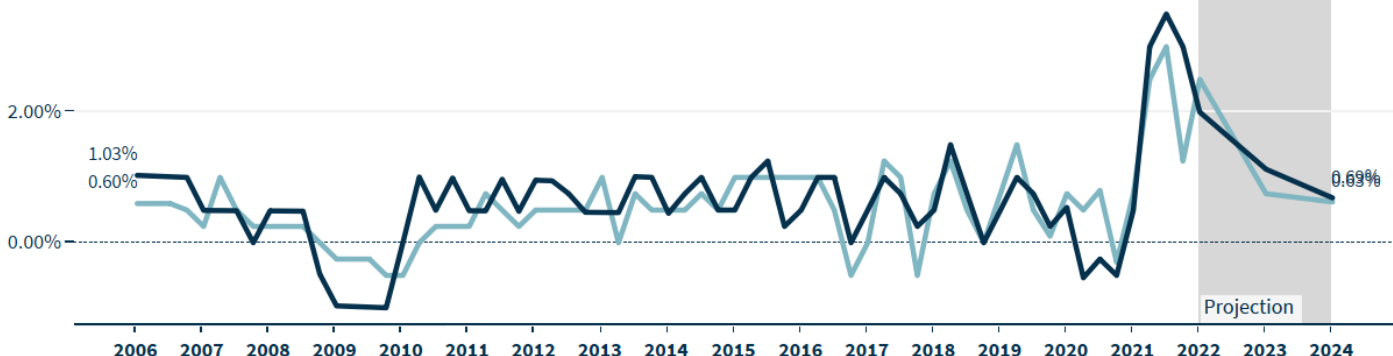


Asking Rent Growth

St. Louis | National

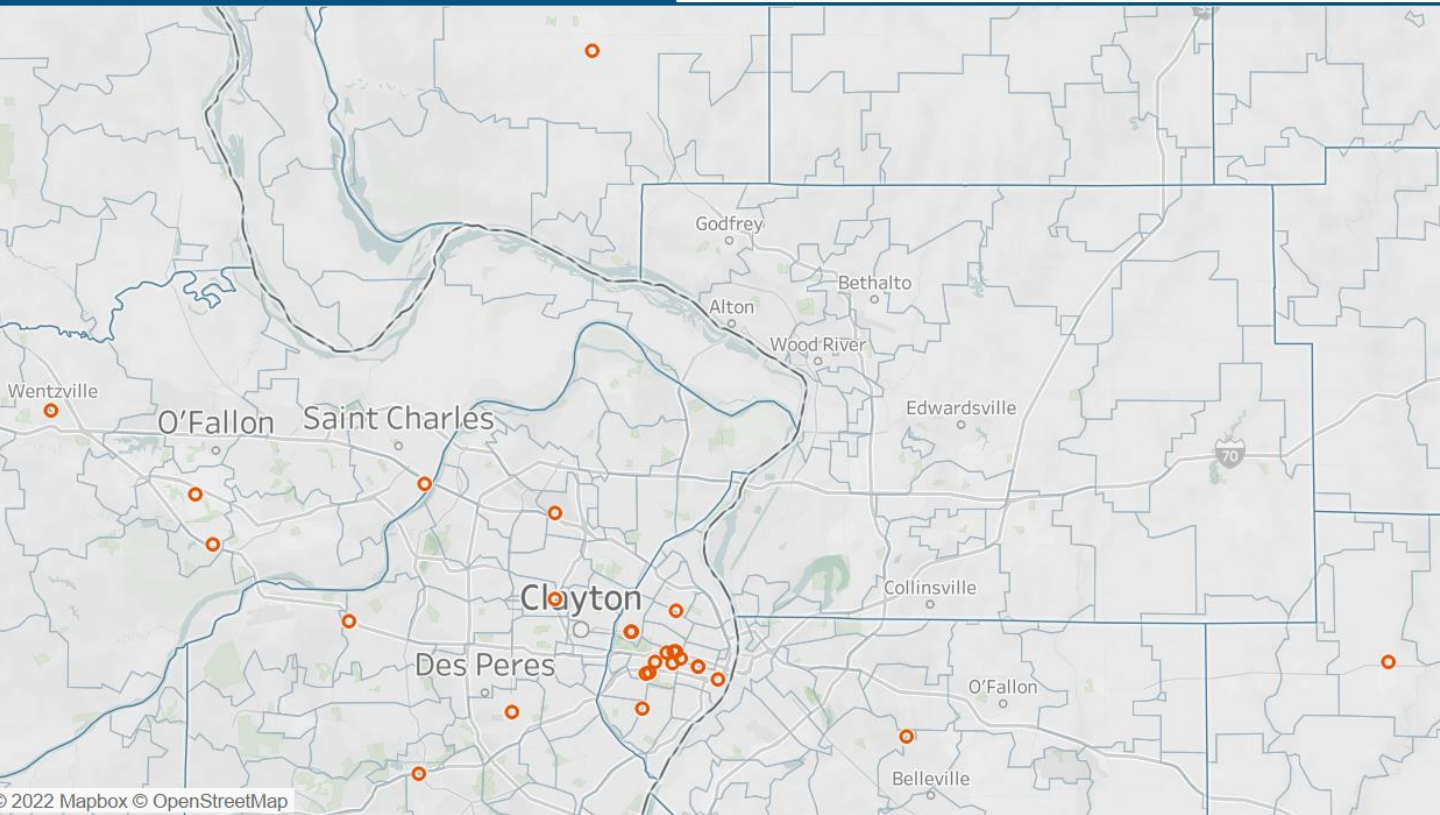
Q1 2022 Asking Rent:

\$1,070



Source: Multifamily Economics and Research

Construction: Bidding & Underway



<i>TWR Submarket Name</i>	<i>Apartments</i>	<i>Building Units</i>	<i>Building Area SF</i>
Central West End/Forest Park	7	1,725	2.06M
Chesterfield/Ballwin/Wildwood	2	470	0.46M
Mid St. Louis County	2	333	0.40M
Northeast St. Louis County	1	121	0.12M
St. Charles County	4	950	1.15M
St. Clair/Madison Counties	3	352	0.40M
St. Louis City	8	1,360	1.56M
Grand Total	27	5,311	6.15M

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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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