Multifamily Metro Outlook:

Saint Louis – Q3 2022

Overview:

- Economic recovery continues to move ahead slowly in St. Louis with professional and business services being a bright spot for the economy. According to Moody's Analytics, the crucial healthcare industry will drive job gains in 2023 but hiring will remain challenging as the unemployment rate ended 2022 at just 3.3%, leaving a dearth of job applicants.
- Despite the tepid recovery, the overall vacancy rate as of Q3 2022 remained at just 4.6%. In addition, the average asking rent in the St. Louis metro area has risen almost 16.5% 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 per capita income of about $65,000 is about $10,00 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 4.7% compared to 5.4% of the national job base.
- 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 leaving.
- 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 recently announced it will invest $1.5 B in its St. Louis plant which manufactures light trucks.
- With climate change, rapid rainfall and the subsequent flooding is more prevalent in areas other than the Mississippi river.

Development:

- About 10,500 apartments have been added since the start of 2017 and supply remains elevated with 4,800 units underway. Fifty percent of units underway are in the Downtown or Central West End submarkets which already have elevated vacancies.
- The Federal Government is continuing construction of the $1.7 billion dollar National Geospatial-Intelligence Agency on a 97-acre campus in North St. Louis which provides 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. Moody's Analytics estimates job growth will produce demand for just 2,000 units, less than half of the new supply underway. This will put pressure on the apartment market, particularly downtown and in the Central West End. Depending on how quickly new units are delivered, St. Louis could start to fall into a supply-demand imbalance causing vacancies to rise and rent growth to stall or even fall.
- 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.

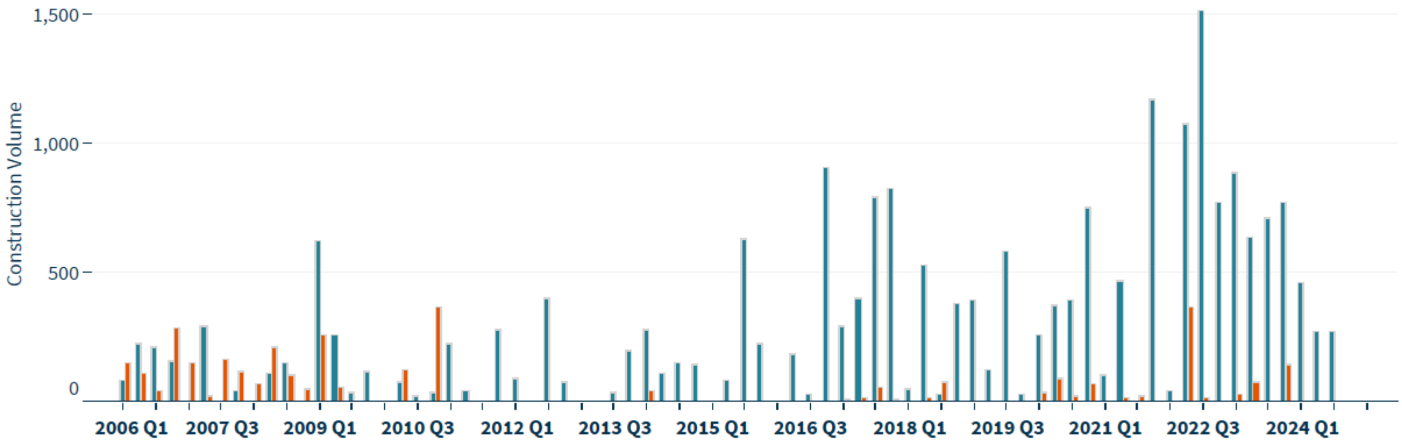
Five Year Metro Area Growth Forecast

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*



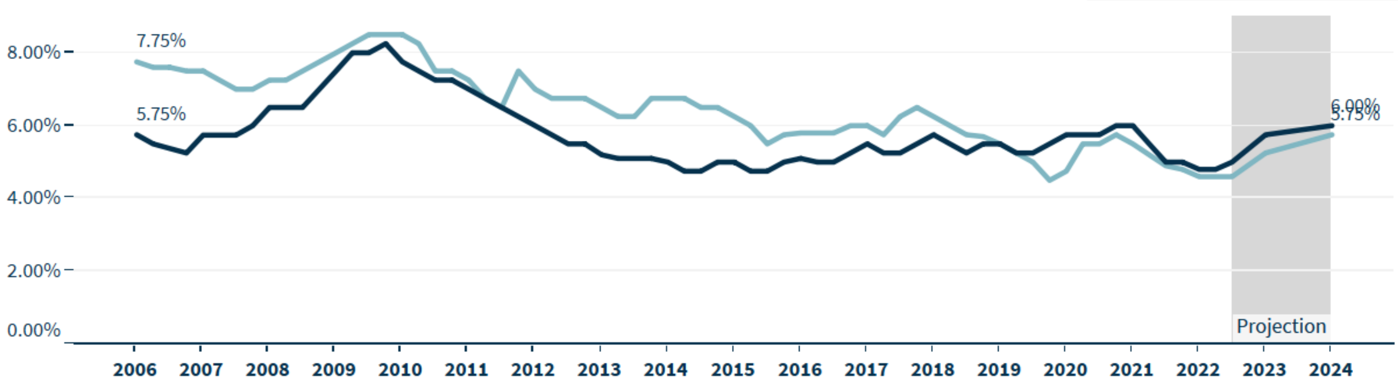
Vacancy & Rent Composite Estimates

Vacancy Rates

St. Louis | *National*

Q3 2022 Vacancy Rate:

4.60%

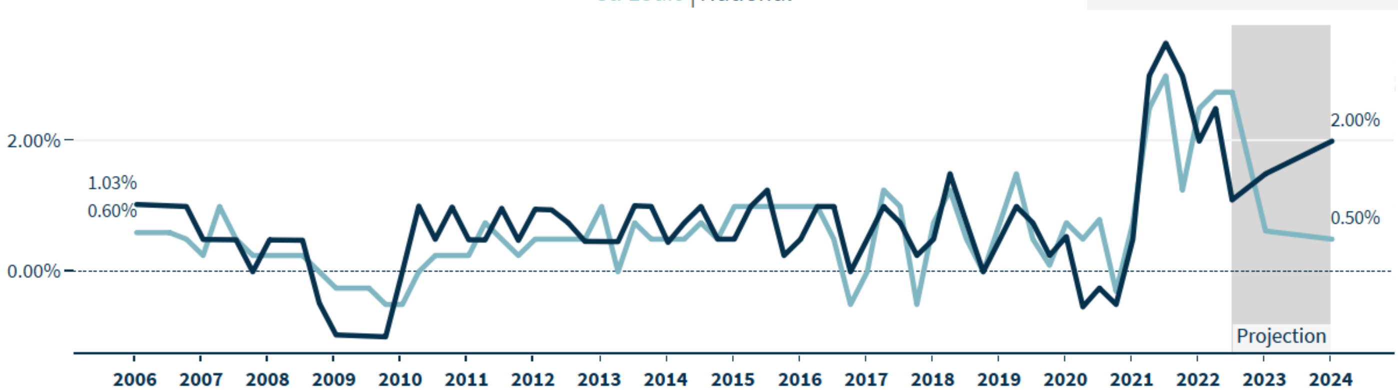


Asking Rent Growth

St. Louis | *National*

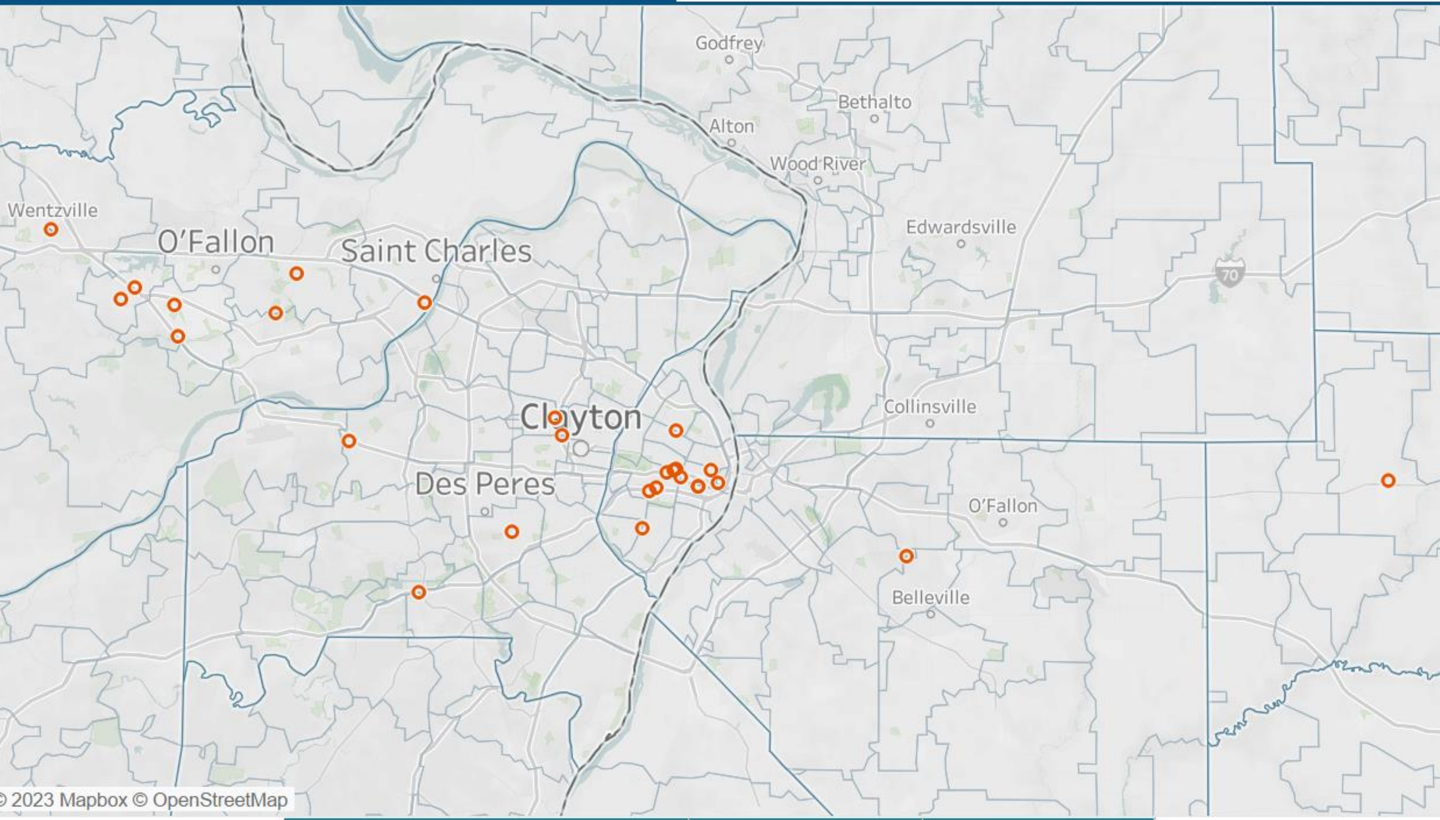
Q3 2022 Asking Rent:

$1,130



Source: Multifamily Economics and Research

Construction: Bidding & Underway



TWR Submarket Name	Apartments	Building Units
Central West End/Forest Park	5	1,301
Chesterfield/Ballwin/Wildwood	2	470
Mid St. Louis County	3	593
St. Charles County	10	1,176
St. Clair/Madison Counties	2	302
St. Louis City	7	931
Grand Total	**29**	**4,773**

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