

# Multifamily Metro Outlook:

## Saint Louis - Q1 2021

### Overview:

- The St. Louis economy is not expected to recover all the jobs lost due to the pandemic driven recession until mid-2023 according to Moody's Analytics. The manufacturing sector in St. Louis is largely based on automobiles and the sector has been hampered by the shortage of semi-conductors. Nevertheless, St. Louis has started its recovery led by job growth in construction and healthcare.
- While the overall vacancy rate as of Q1 2021 of 5.25% remains below the historic average and rents grew by +0.8% year over year as of Q1 2021, downtown and mid-county submarkets continued to see vacancy rates rise and rents decline in Q1 2021. However, the second half of the year looks more promising as the vaccination rates in St. Louis County are much higher than in other areas of the state which should spur an acceleration of economic recovery in the metro.

### 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 -8% 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, AT&T 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 produce skilled professionals. As a result, the metro area has a per capita income of on par with the U.S. average of about \$60,000 and above the \$51,000 recorded for Missouri.
- While tech employment is -0.8% below the U.S. average, the Cortex Innovation Community is bolstering the nascent tech community by providing support to about 250 start-ups in sectors like financial technology and bio-tech.

### Market Weaknesses:

- While St. Louis has a diverse job base, it lacks a strong economic driver to create jobs and attract population. Also, on par with the national average, tourism, which is an economic driver here and provides about 11% of jobs, was a headwind in 2020.
- St. Louis faces ongoing challenges. The metro's population is essentially stagnant and will grow by just +0.1% 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: the median home price has remained more than -30% below the national average in recent years. 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 country as a whole. GM's plant in Wentzville produces both cars and trucks and Boeing's Space, Defense and Security unit is headquartered here. While Boeing's Defense sector has been doing well recently, increasingly, manufacturing is moving to robotics which does not bode well for job growth in this sector.

### Development:

- An estimated 7,800 apartments have been added since the start of 2014 with an additional 3,600 units underway. Sixty percent of units underway are in the Downtown or Central West End submarkets.
- The Federal Government has continued construction on the \$1.7 billion dollar National Geospatial-Intelligence Agency in North St. Louis during the pandemic which should provide a much-needed shot in the arm for the submarket.

### Outlook:

- Prior to the pandemic, St. Louis actually needed more supply to keep pace with projected job growth. The undersupply appears to have helped the multifamily market during the pandemic. The average vacancy rate has risen but remains below the historic average. However, the metro is not expected to recover all the jobs it lost until 2023 and new construction is picking up again in urban submarkets which will keep the multifamily market from tightening meaningfully although the market should remain steady.
- The economy should pick up in the latter part of 2021 as more of the population receives a COVID vaccine. Longer-term, low living and business costs and a well-educated professional workforce will encourage start-ups once the pandemic contained. However, weak demographics will continue to be an impediment to economic growth. As a result, St. Louis will continue to trail most major metro areas.

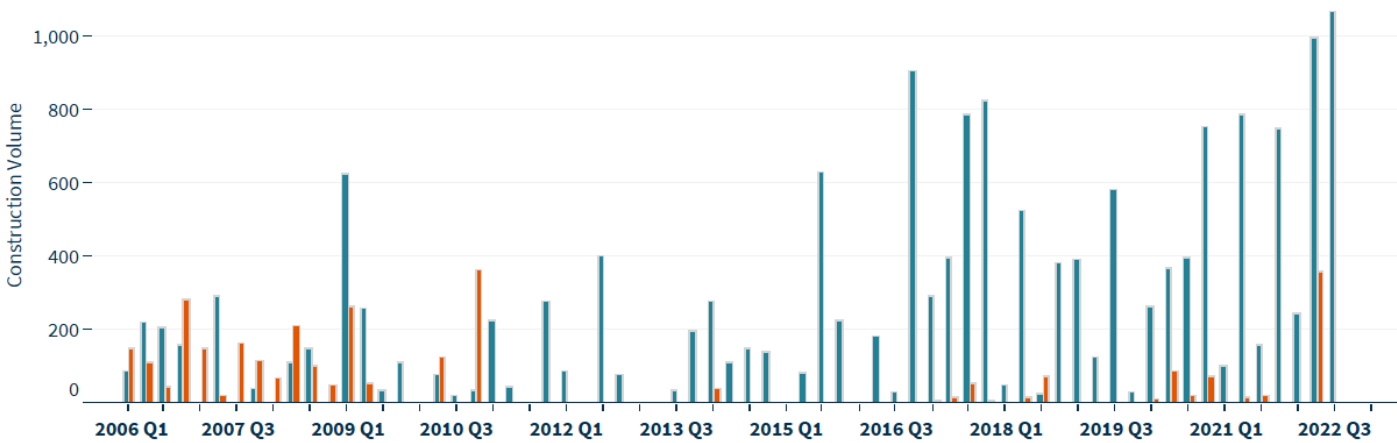
## Five Year Metro Area Growth Forecast

Source: Moody's Analytics	Q4 2020	Q4 2025	St Louis (5-Year Annual Average Change)	National (5-Year Annual Average Change)
Population (in 1,000s)	2,807	2,812	0.04%	0.52%
Households (in 1,000s)	1,153	1,213	1.02%	1.41%
Renting Cohort (Ages 20-34) in (1,000s)	548	534	-0.51%	-0.26%
Total Employment (in 1,000s)	1,329	1,417	1.29%	1.71%
Median Household Income	\$70,671	\$79,524	2.39%	2.83%
Median SF Home Price	\$220,241	\$266,011	3.85%	4.30%
Net Migration	-2,056	-2,097		

## SupplyTrack Pipeline

### Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



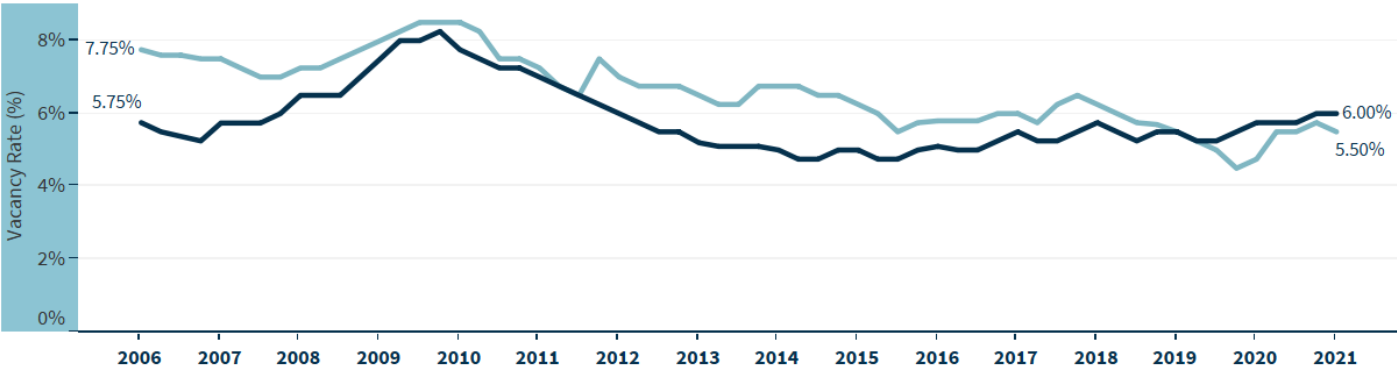
## Vacancy & Rent Composite Estimates

### Vacancy Rates

St. Louis | National

Q1 2021 Vacancy Rate:

5.50%

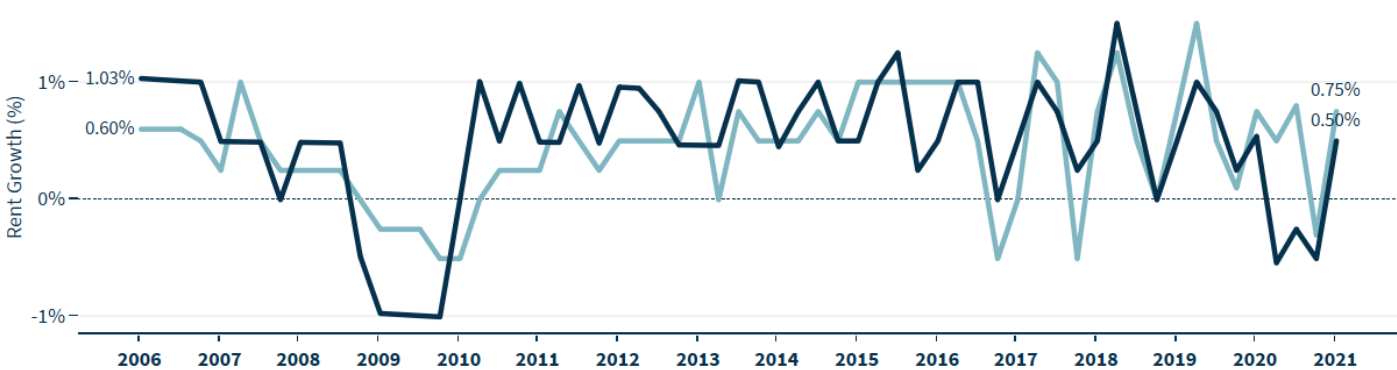


### Asking Rent Growth

St. Louis | National

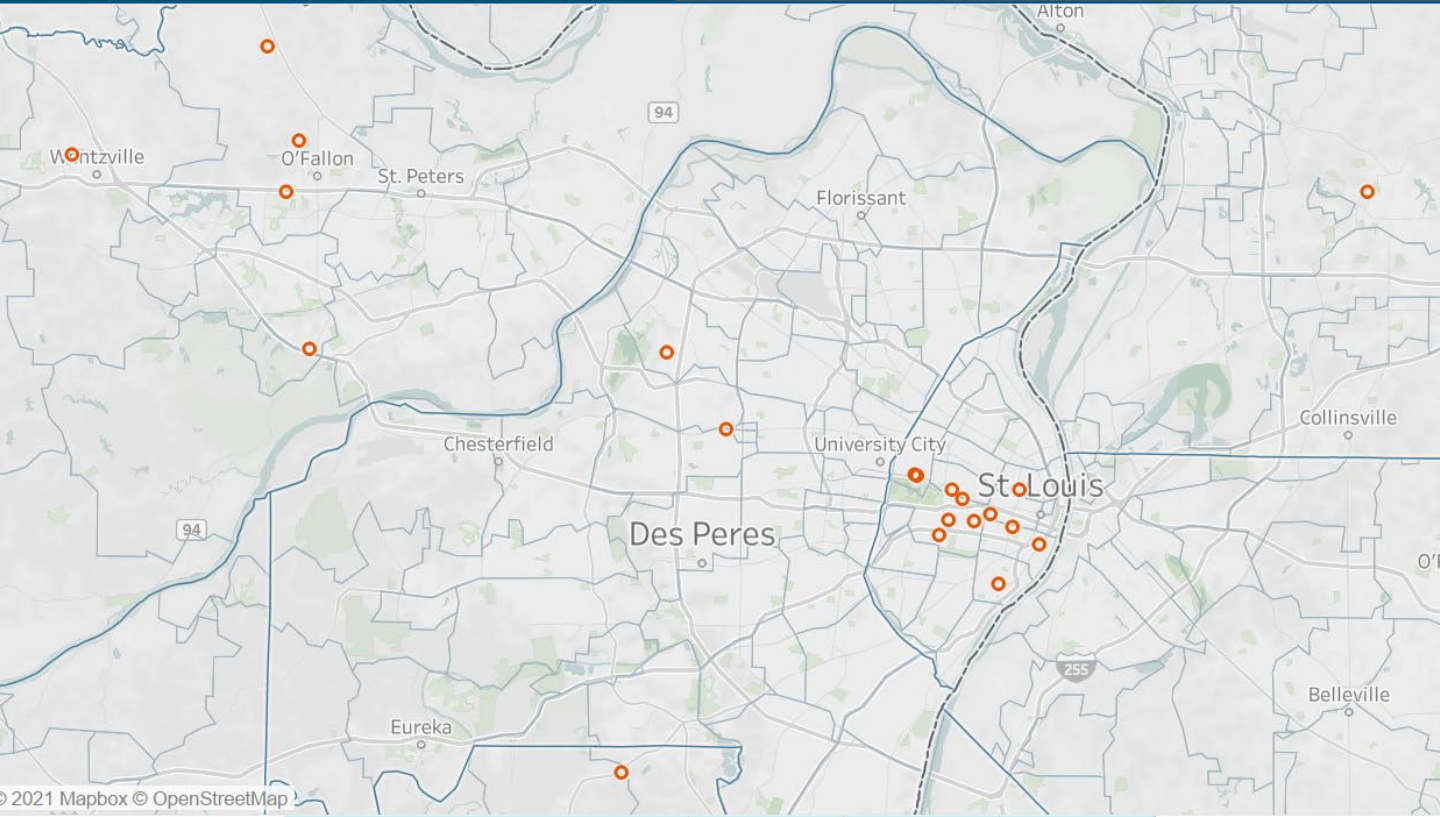
Q1 2021 Asking Rent:

\$970



Source: Multifamily Economics and Research

# Construction: Bidding & Underway



Sub-Market	Projects	Units	Sq. Ft. (M)
Central West End/Forest Park	5	1,253	1.37M
Maryland Heights/Creve Coeur	2	238	0.41M
South St. Louis County/Jefferson County	1	221	0.22M
St. Charles County	5	772	0.92M
St. Clair/Madison Counties	1	8	0.03M
St. Louis City	7	1,061	1.13M
<b>Grand Total</b>	<b>21</b>	<b>3,553</b>	<b>4.07M</b>

## Multifamily: ESR Team

# Multifamily Metro Outlook: St. Louis Q1 2021

## Multifamily Economics and Market Research Team

Tanya Zahalak, Economic and Strategic Research

### Sources Used

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

*Opinions, analyses, estimates, forecasts, and other views of Fannie Mae's Economic and Strategic Research (ESR) Group included in these materials should not be construed as indicating Fannie Mae's business prospects or expected results, are based on a number of assumptions, and are subject to change without notice. How this information affects Fannie Mae will depend on many factors. Although the ESR Group bases its opinions, analyses, estimates, forecasts, and other views on information it considers reliable, it does not guarantee that the information provided in these materials is accurate, current, or suitable for any particular purpose. Changes in the assumptions or the information underlying these views could produce materially different results. The analyses, opinions, estimates, forecasts, and other views published by the ESR Group represent the views of that group as of the date indicated and do not necessarily represent the views of Fannie Mae or its management.*