Multifamily Metro Outlook:

Saint Louis – Q3 2021

Overview:

- Economic recovery is slowly moving ahead in St. Louis. The shortage of semi-conductor chips has had a negative impact on the manufacturing sector which has a large auto production component but this, and other supply chain shortages, should start to resolve in 2022. Jobs in healthcare and government have helped move the economy forward to recovery in 2021. Another green shoot is that tech will be an important contributor to economic growth over the next five years according to Moody’s Analytics, and account for 8% of the metro area’s total employment growth compared to 4% nationally.
- Despite the tepid recovery, the overall vacancy rate as of Q3 2021 fell to just 4.9%. 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 digit vacancies. Nevertheless, the average asking rent in St. Louis has risen almost 6.5% 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, 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.
- 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. Consulting giant Accenture is establishing a fintech division producing 1,400 high-paying jobs.

Market Weaknesses:

- While St. Louis has a diverse job base, it lacks a strong economic driver to create jobs and attract population. The tech share of the job base is only 4.5% compared to 5.3% of the national job base.
- 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 rest of the country. GM’s plant in Wentzville produces both cars and trucks and Boeing’s Space, Defense and Security unit is headquartered here. While auto manufacturing has struggled recently, manufacturing for defense has held steady and even grown during 2021.

Development:

- An estimated 7,900 apartments have been added since the start of 2016 with an additional 4,200 units underway. Sixty percent of units underway are in the Downtown or Central West End submarkets and 25% are in the St. Charles submarket.
- 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 remains well below the historic average. However, the metro is not expected to recover all the jobs it lost until 2023. In addition, new construction is picking up in urban submarkets which will keep the multifamily market from tightening although the market should remain steady.
- Economic recovery in St. Louis should pick up steam 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.

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

Apartments & Condos/Townhomes: Units Completed and Underway

Vacancy & Rent Composite Estimates

Vacancy Rates

St. Louis | National

Q3 2021 Vacancy Rate:
4.90%

Asking Rent Growth

St. Louis | National

Q3 2021 Asking Rent:
$1,030

Source: Multifamily Economics and Research
## Construction: Bidding & Underway

![Map of St. Louis construction sites](image)

<table>
<thead>
<tr>
<th>Sub-Market</th>
<th>Projects</th>
<th>Units</th>
<th>Sq. Ft. (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central West End/Forest Park</td>
<td>6</td>
<td>1,478</td>
<td>1.67M</td>
</tr>
<tr>
<td>Maryland Heights/Creve Coeur</td>
<td>2</td>
<td>238</td>
<td>0.41M</td>
</tr>
<tr>
<td>Northeast St. Louis County</td>
<td>1</td>
<td>121</td>
<td>0.12M</td>
</tr>
<tr>
<td>South St. Louis County/Jefferson County</td>
<td>1</td>
<td>221</td>
<td>0.22M</td>
</tr>
<tr>
<td>St. Charles County</td>
<td>5</td>
<td>1,105</td>
<td>1.22M</td>
</tr>
<tr>
<td>St. Clair/Madison Counties</td>
<td>1</td>
<td>8</td>
<td>0.03M</td>
</tr>
<tr>
<td>St. Louis City</td>
<td>7</td>
<td>1,070</td>
<td>1.15M</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>23</strong></td>
<td><strong>4,241</strong></td>
<td><strong>4.83M</strong></td>
</tr>
</tbody>
</table>
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Multifamily Economics and Market Research Team

Tanya Zahalak, Economic and Strategic Research - Economics – Advisor

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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