

Metro Housing Outlook:

Saint Louis - Q1 2024

Overview:

- The job base in St. Louis has grown slightly above the level recorded pre-pandemic at the end of 2019. Per Moody's Analytics, the Boeing fighter jet plant and company's campus in north St. Louis County will be a key driver of manufacturing job gains over the next few years. In addition, private services such as healthcare will drive job growth in 2024, but at a slower pace than in the 2023. Nevertheless, Moody's Analytics projects that St. Louis will likely add another 21,000 jobs total in 2024.
- The average multifamily vacancy rate rose by 130 basis points since the start of 2023 to 6.5% as of Q1 2024, due to elevated levels of new apartments entering the market. Nevertheless, steady job growth early in 2024 allowed rents to rise by 1.0% in Q1 2024 after falling by 0.25% in Q4 2023. The multifamily market is likely to tighten somewhat in the second half of 2024 as new supply is slowing and new jobs continue to be added.

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 \$74,000 is about \$12,000 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 geospatial 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 5.5% nationally.
- 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. The price of the average single-family home remains more than -25% below the national average. In addition, the metro's geography puts it in the center of a large amount of inexpensive developable land.
- The share of manufacturing jobs remains at 8.2% 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. According to Moody's Analytics, Boeing's fighter jet factory is likely to be a key driver of manufacturing jobs gains as it is likely to get contracts for next-generation jets.
- With climate change, rainfall and flooding is more prevalent in areas other than just those next to the Mississippi river.

Development:

- Just over 15,500 apartments have been added since the start of 2017, but supply appears to be slowing somewhat. An estimated 4,900 units are underway as of Q1 2024, representing a 3.0% increase in inventory, compared to 5,700 units as of Q3 2023. About 30% of units underway are in the Central West End submarket which already has an elevated average vacancy rate.

Multifamily Outlook:

- St. Louis had been undersupplied prior to the pandemic, but a significant amount of new supply has since been delivered, putting pressure on the market. However, jobs have held up better than expected and new supply is slowing down, indicating absorption may improve in the second half of 2024, particularly if the Federal Reserve cuts interest rates stimulating jobs in large financial sector. However, should the potential Federal Reserve rate cuts tip the economy into recession, the multifamily market in St. Louis may see additional softening.

Economic Outlook:

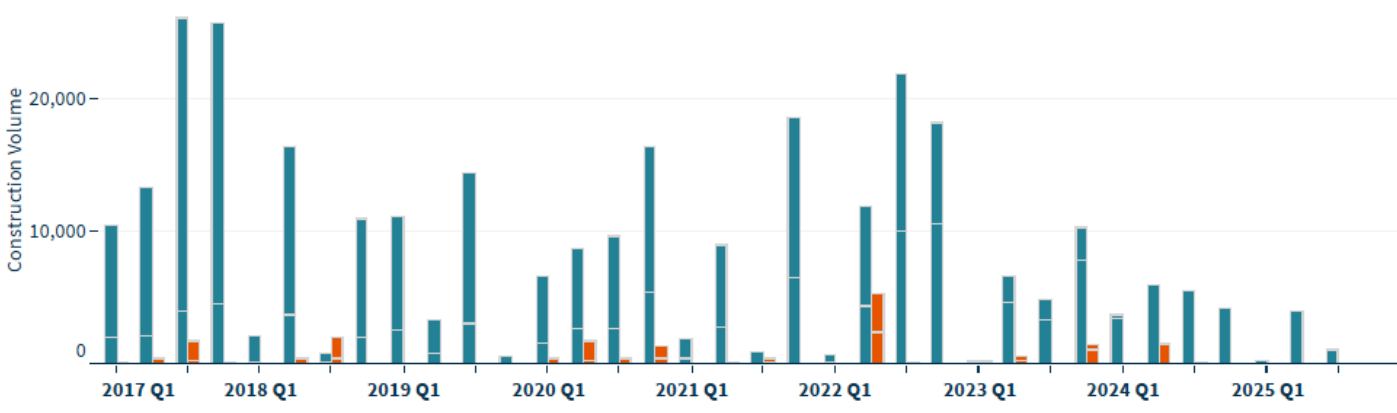
- Longer-term, low living and business costs and a well-educated professional workforce will encourage start-ups and electrification of car fleets will support manufacturing. However, weak demographics will continue to be an impediment to economic growth unless sufficient jobs can be created to retain graduating university students. 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

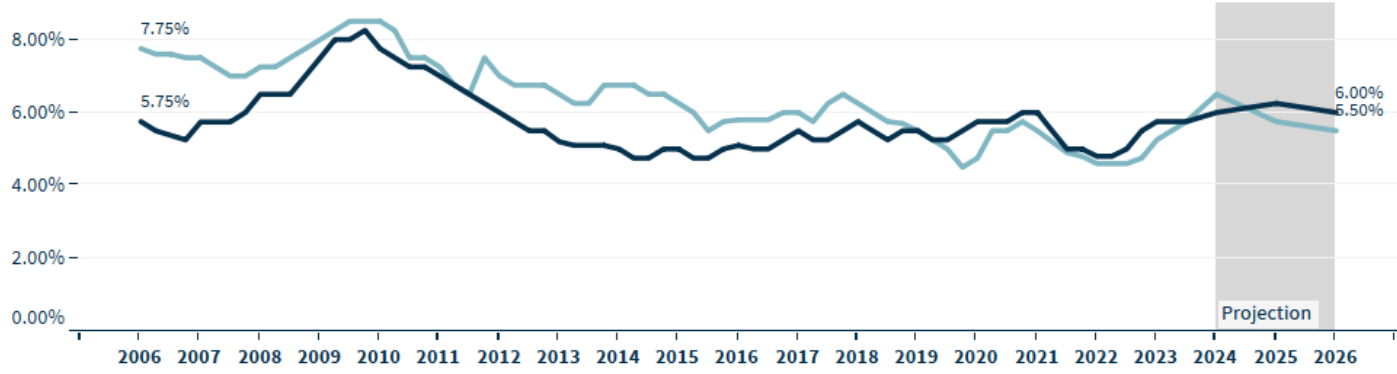
Multifamily Vacancy & Rent Estimates

Vacancy Rates

St. Louis | National

Q1 2024 Vacancy Rate:

6.50%



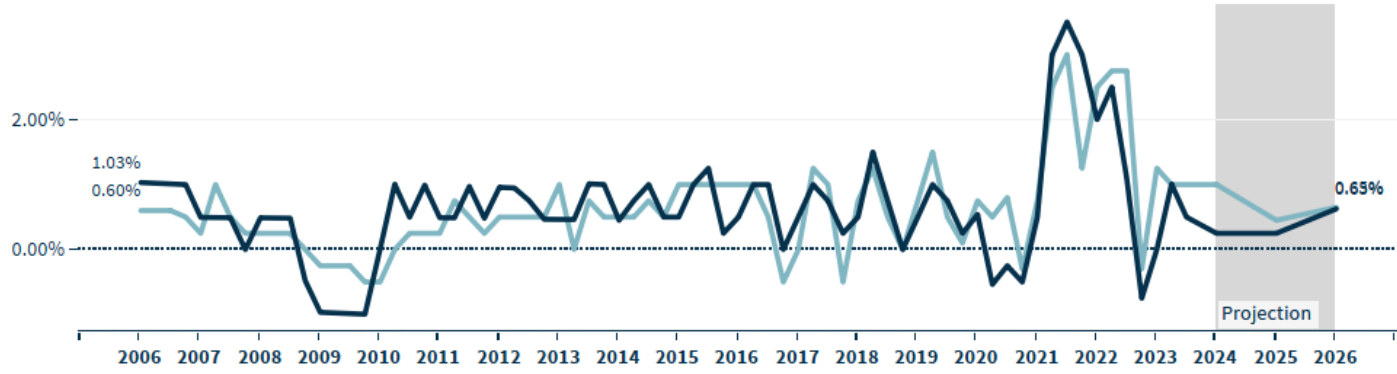
Projection

Asking Rent Growth

St. Louis | National

Q1 2024 Asking Rent:

\$1,180

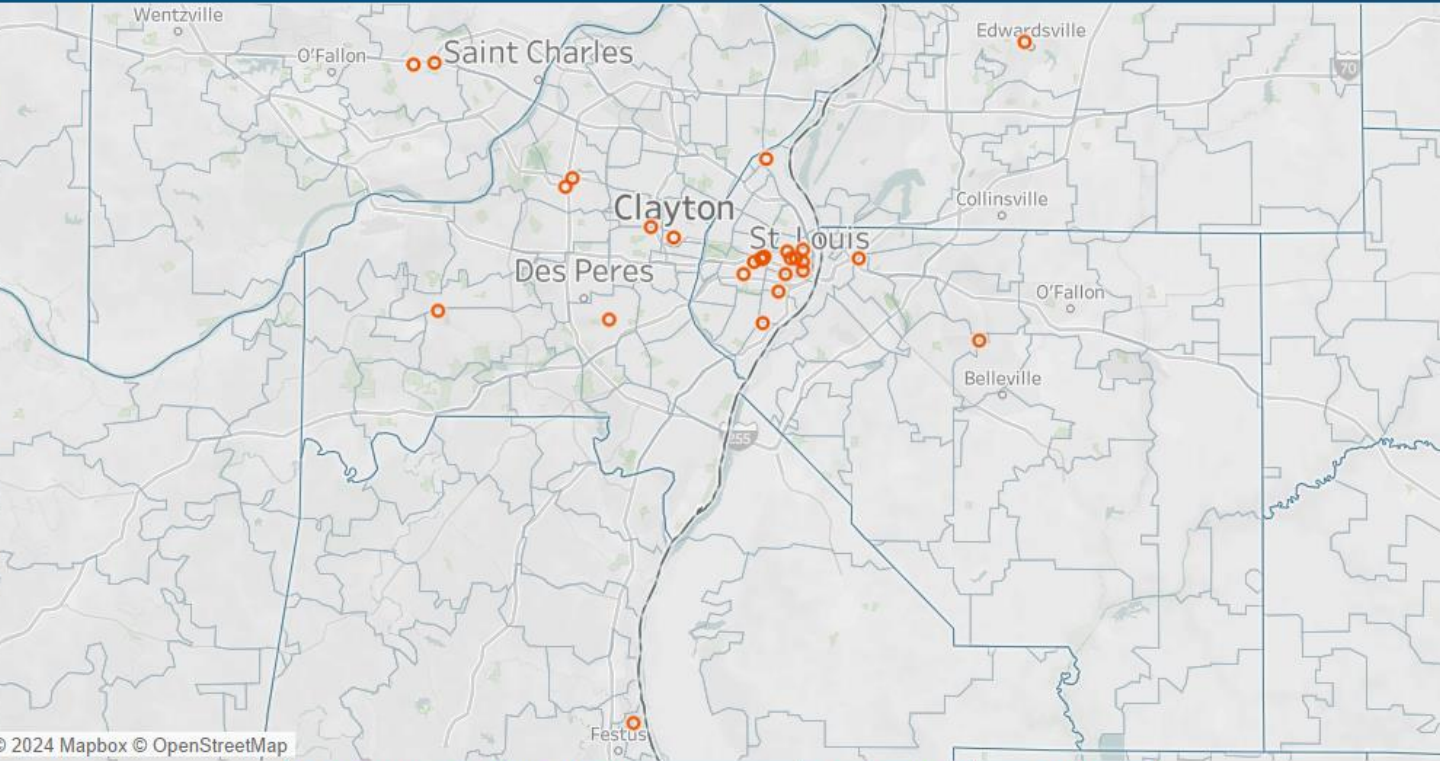


Projection

Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



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MultiHousingSubmarketName	Apartments	Units
Central West End/Forest Park	6	1,491
Chesterfield/Ballwin/Wildwood	1	227
Maryland Heights/Creve Coeur	2	523
Mid St. Louis County	3	564
South St. Louis County/Jefferson County	1	11
St. Charles County	2	508
St. Clair/Madison Counties	3	316
St. Louis City	10	1,244
Grand Total	28	4,884

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily Metro Outlook: St. Louis Q1 2024

Multifamily Economics and Market Research Team

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Sources Used

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

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