

Multifamily Metro Outlook:

Saint Louis - Q3 2024

Overview:

- Per Moody's Analytics, healthcare and professional services will be a critical sources of new jobs in the near term, and the growing biotech industry will be a source of high-paying jobs. For instance, MilliporeSigma will hire more than 100 high-skill workers to research and develop cancer therapy drugs. In addition, while manufacturing expansion will likely slow in the coming year, there are a few bright spots. Multi-national ICL announced plans for a \$500 million EV battery plant in north St. Louis, and GlobalWafers, which produces advanced semiconductors, is set to receive \$400 million in funding from the CHIPS and Science Act to expand its facility and hire hundreds of new workers. In all, St. Louis will likely add just under 15,000 jobs in 2025-2026.
- The average multifamily vacancy rate rose by 130 basis points since the start of 2023 to 6.5% as of Q3 2024, due to elevated levels of new apartments entering the market. Nevertheless, steady job growth allowed rents to rise by 2.5% in the first three quarters of 2024. In 2025, new supply is likely to continue to slow, which bodes well for the multifamily market.

Market Strengths:

- St. Louis is a highly affordable place to live and work. The cost of living and doing business are about 6.0% and 8.0% below the national average, respectively. The metro is a health care, financial, and logistics center (due to proximity to the Mississippi River). Top employers include BJC Healthcare, Washington University, Boeing Defense, Walmart, and Scott Air Force Base.
- Among U.S. metro areas with more than 2 million residents, St. Louis ranks in the top third in the share of health care employment. SSM Health and Cardinal Glennon Children's Hospital will build a new hospital tower in response to robust demand for specialized pediatric care, and Mercy has proposed a hospital in Wentzville.
- These employers can rely on a well-educated population, as 39% of the population has at least 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 metro's per capita income of about \$75,000 is over \$10,000 higher than the state's.
- The \$2 billion Cortex Innovation Community, which leverages research at the universities, supports about 250 startups in sectors like biotech and fintech. The Taylor Geospatial Institute in north St. Louis should cement the metro's status as a geospatial hub.
- The average rent in the metro area is over 20% below the national average, making it more affordable.

Market Weaknesses:

- While St. Louis has a diverse job base, it lacks a strong economic driver to create jobs and attract population. St. Louis aims to be the Silicon Prairie, but the tech share of the job base is currently only 4.7%, compared to 5.5% nationally.
- Although St Louis gained a welcome 65,000 residents in 2023-2024, this trend is not expected to last. The metro's population of 2.8 million people is at best stagnant, but it has lost some population in most years.
- Single-family housing is very affordable. The price of the average single-family home remains more than 25% below the national average which could siphon off Class A renters.
- 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. The General Motors (GM) plant in Wentzville produces both cars and trucks, and Boeing's Space, Defense, and Security unit is headquartered there. According to Moody's Analytics, financial troubles at Boeing may lead to cost-cutting, which will limit significant expansions.
- With climate change, rainfall and flooding is more prevalent in areas other than just those next to the Mississippi River.

Development:

- Just over 17,600 apartments have been added since the start of 2017, but supply appears to be slowing. An estimated 3,600 units are underway as of Q3 2024, representing a 2.2% increase in inventory, compared to 5,700 units underway as of Q3 2023.
- Almost 40% of units underway are in the Central West End or Downtown submarkets. Outside of the city, St. Charles County continues to add apartments at a healthy clip with just under 900 apartments underway. However, this reflects that St. Charles County is one of the fastest-growing counties in Missouri.

Multifamily Outlook:

- While a significant amount of supply has been delivered since the start of the pandemic, supply underway has slowed significantly. If the additional jobs projected over the next few years materialize, multifamily fundamentals will likely improve.

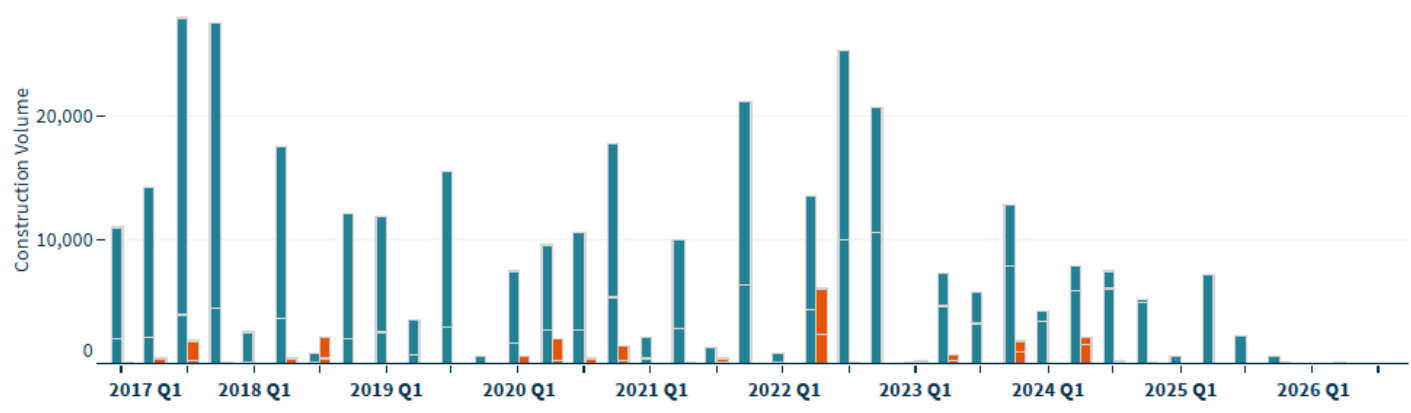
Economic Outlook:

- St. Louis has a diverse and stable job base supported by the metro area's low business and living costs. These factors, along with the high level of educational attainment, also attract corporate expansions, and the strong research environment attracts tech startups, particularly in biotech. The growing focus of the metro area's manufacturers in the defense and aerospace industries and electrification of vehicles should support the manufacturing sector. However, weak demographics will continue to be an impediment to economic growth unless sufficient jobs can be created to retain graduating students. As a result, St. Louis will likely 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

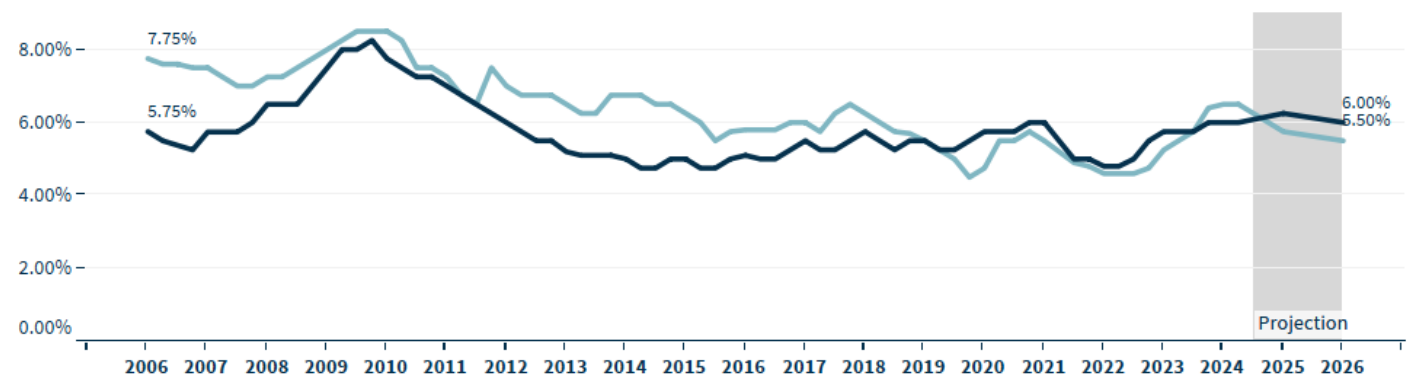
Multifamily Vacancy & Rent Estimates

Vacancy Rates

St. Louis | National

Q3 2024 Vacancy Rate:

6.50%

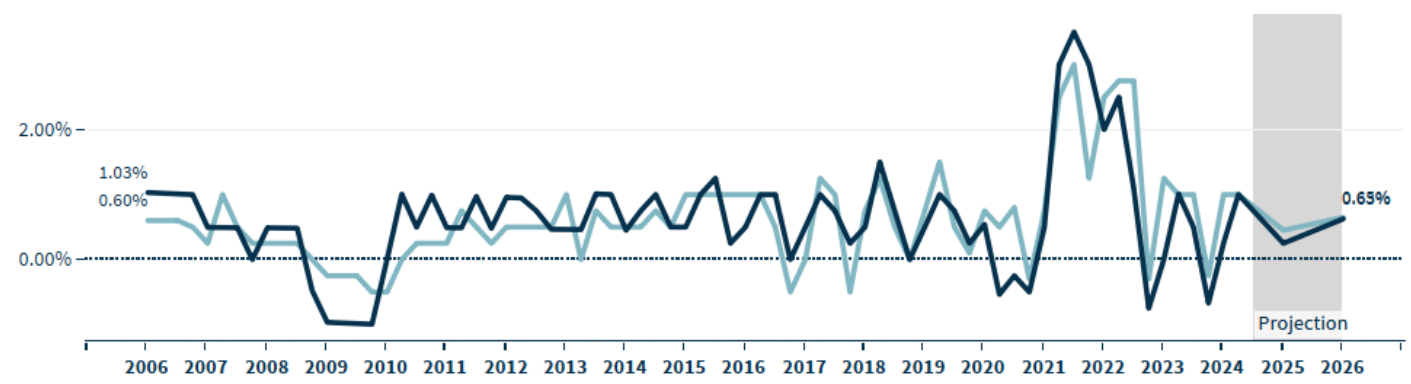


Asking Rent Growth

St. Louis | National

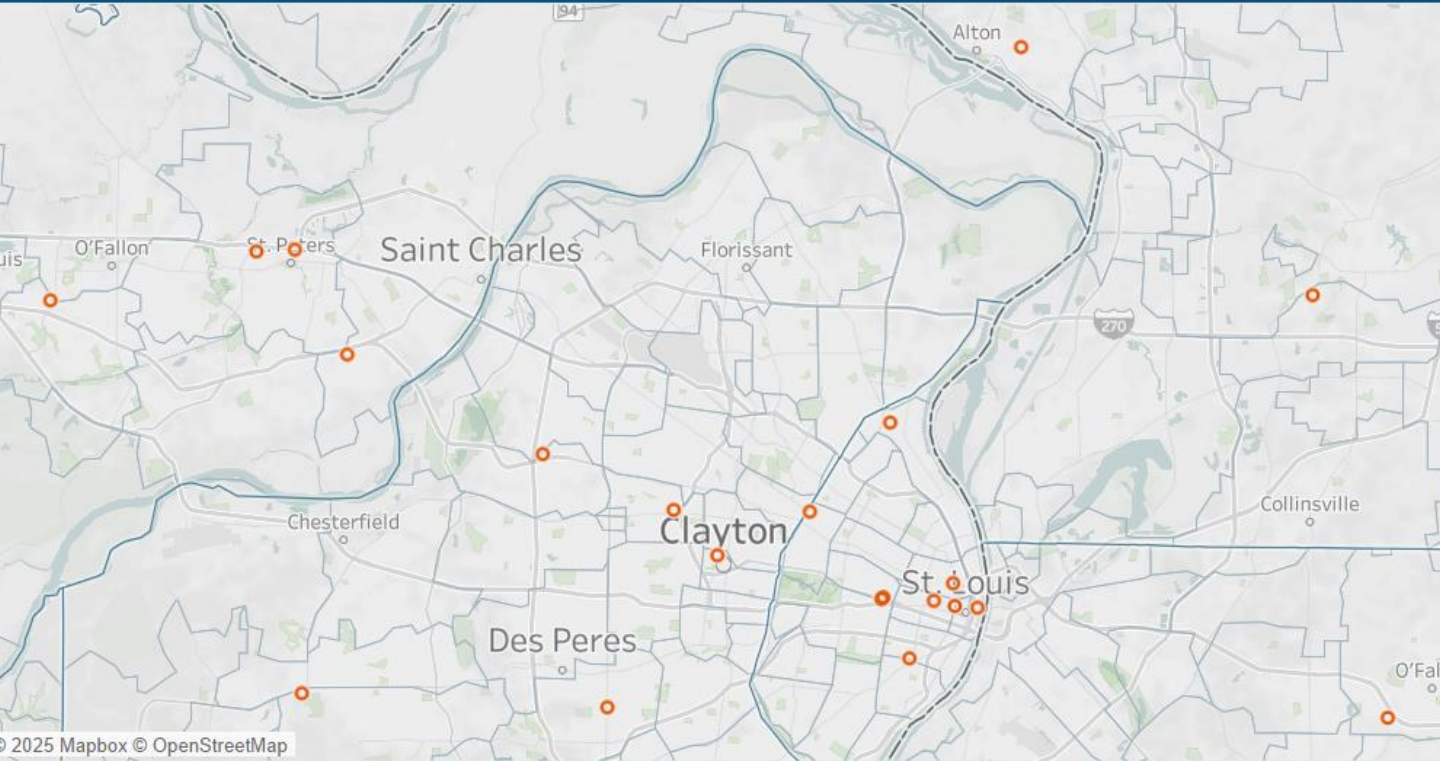
Q3 2024 Asking Rent:

\$1,200



Source: Fannie Mae Multifamily Economics and Research

Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Central West End/Forest Park	2	506
Chesterfield/Ballwin/Wildwood	1	227
Maryland Heights/Creve Coeur	1	254
Mid St. Louis County	3	471
St. Charles County	4	874
St. Clair/Madison Counties	3	328
St. Louis City	7	904
Grand Total	21	3,564

Source: Dodge Data & Analytics SupplyTrack Pipeline

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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
- Dodge Data and Analytics SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

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