

HUD PD&R Housing Market Profiles

St. Louis, Missouri-Illinois

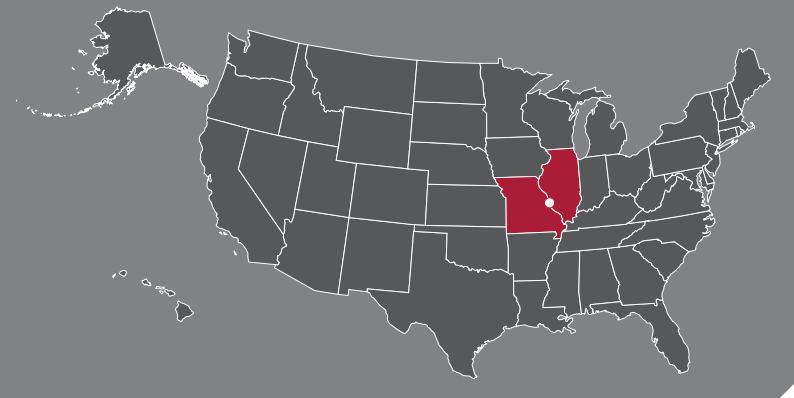


Quick Facts About St. Louis

St. Louis, Missouri

By Tomasz Kukawski | As of August 1, 2021

- **Current sales market conditions: balanced but tightening**
- **Current apartment market conditions: balanced but tightening**
- **The metropolitan area is home to Washington University in St. Louis (WUSTL), ranked the 33rd Best Global University by U.S. News & World Report. The university has more than 15,500 students and is the fourth largest employer in the St. Louis metropolitan area, with approximately 17,800 employees. In 2019, Washington University had an economic impact of approximately \$2.7 billion on the local economy and attracted \$791 million in research funding (WUSTL).**



Overview

The St. Louis metropolitan area, near the confluence of the Mississippi and Missouri rivers in eastern Missouri and southwestern Illinois, is known as the Gateway to the West. The Missouri portion of the metropolitan area consists of the independent city of St. Louis and the following counties: Franklin, Jefferson, Lincoln, St. Charles, St. Louis, and Warren Counties. The Illinois portion of the metropolitan area consists of Bond, Calhoun, Clinton, Jersey, Macoupin, Madison, Monroe, and St. Clair Counties. The St. Louis metropolitan area is the largest metropolitan area in Missouri and the second largest in Illinois. Located on the western bank of the Mississippi River, the city of St. Louis is the second most populous city in Missouri after Kansas City, with a population of 301,600 as of April 1, 2020 (Census Bureau decennial census). The city of St. Louis has had a steady decrease in population since 1950, when the population peaked at 856,800, as residents began to move from the city to the suburbs. Population in the city of St. Louis declined more than 5 percent from 2010 to 2020. The city is among the five fastest shrinking cities with a population greater than 250,000 in the nation.

The local economy is recovering from a sharp downturn caused by measures taken in March 2020 to slow the spread

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of COVID-19. Despite weak population growth since 2010, home sales market conditions are balanced. Apartment market conditions are also balanced but have tightened from a year ago as demand for new apartments continues to outweigh supply.

- As of August 2021, the estimated population of the St. Louis metropolitan area was 2.82 million, relatively unchanged since April 2020. By comparison, from 2010 to 2020, population growth averaged a modest gain of 3,250, or 0.1 percent, annually.
- Since 2010, net natural increase (resident births minus resident deaths) has been estimated to average approximately 6,750 people annually, mostly offset by average net out-migration of 5,175 people a year. By comparison, from 2000 to 2010, net natural increase was substantially higher,

averaging 11,300 people a year; out-migration from the city of St. Louis was virtually offset by in-migration elsewhere in the metropolitan area (Census Bureau decennial census counts and population estimates as of July 1).

- Since 2010, net out-migration from the metropolitan area has occurred because of continued net out-migration from the city of St. Louis and the Illinois portion of the metropolitan area, mostly due to people leaving to seek job opportunities elsewhere. A decline in net natural increase has occurred because of growth in the share of residents age 62 years and older. From 2010 to 2019, the portion of residents 62 years and older grew from 19 to 24 percent; at the same time, the portion of residents age 20 to 59 years declined from 55 to 52 percent (American Community Survey 1-year data).

Economic Conditions

The economy of the St. Louis metropolitan area is recovering after a short but severe recession early in 2020 caused by public health measures to slow the spread of COVID-19. The local economy continues to reopen, and people are returning to work. By the end of July 2021, roughly 67 percent of the 166,100 jobs lost in March and April 2020 had been recovered (not seasonally adjusted). During the 3 months ending July 2021, nonfarm payrolls averaged 1.35 million, an increase of 69,500 jobs, or 5.4 percent, from the same period a year earlier. For context, during the same period, jobs rose 5.2 and 5.9 percent

in Missouri and Illinois, respectively, and 6.7 percent nationally. Before the pandemic, overall nonfarm payroll growth in the St. Louis metropolitan area averaged 1.0 percent annually from 2011 through 2019; the same rate of growth as for the states of Missouri and Illinois during the same period but slower than the average annual job growth rate of 1.6 percent nationally.

During the 3 months ending July 2021 —

- All nonfarm payroll sectors in the St. Louis metropolitan area added jobs; the largest increase occurred in the leisure and

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All nonfarm payroll sectors in the St. Louis metropolitan area added jobs as recovery from the 2020 recession continued.

	3 Months Ending		Year-Over-Year Change	
	July 2020 (Thousands)	July 2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	1,283.2	1,352.7	69.5	5.4
Goods-Producing Sectors	178.6	185.1	6.5	3.6
Mining, Logging, & Construction	66.5	71.8	5.3	8.0
Manufacturing	112.1	113.3	1.2	1.1
Service-Providing Sectors	1,104.6	1,167.6	63.0	5.7
Wholesale & Retail Trade	187.8	192.7	4.9	2.6
Transportation & Utilities	60.7	63.0	2.3	3.8
Information	25.1	25.5	0.4	1.6
Financial Activities	90.2	90.2	0.0	0.0
Professional & Business Services	200.6	206.8	6.2	3.1
Education & Health Services	243.7	255.0	11.3	4.6
Leisure & Hospitality	108.4	137.4	29.0	26.8
Other Services	44.5	48.4	3.9	8.8
Government	143.6	148.6	5.0	3.5
Unemployment Rate	9.9%	4.8%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



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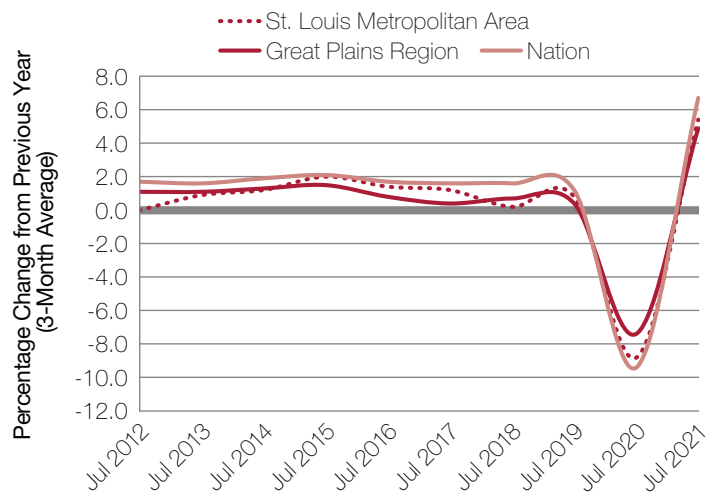
hospitality sector, which gained 29,000 jobs, up 26.8 percent, to 137,400 jobs, as a portion of previously laid-off employees returned to work. By comparison, during the 3 months ending July 2020, the sector declined by 51,200 jobs, or 32.1 percent. Employment in the sector is 9 percent lower than at the end of 2019.

- The education and health services sector added 11,300 jobs, or 4.6 percent, following a decline of 17,200 jobs, or 6.6 percent, during the 3 months ending July 2020. With 255,000 jobs, the education and health services sector is the largest employment sector and accounts for nearly 19 percent of all nonfarm payroll jobs in the metropolitan area. BJC HealthCare and Mercy are two of the three largest employers in the St. Louis metropolitan area, with 29,300 and 20,200 employees, respectively.
- Significant recovery occurred in the professional and business services sector, which added 6,200 jobs, an increase of 3.1 percent. The sector added jobs for the first time in 2 years; during the 3 months ending July 2020, the professional and business services sector declined by 13,200 jobs, or 6.2 percent, which followed a smaller decrease of 1,025 jobs, or 0.5 percent, during the 3 months ending July 2019.
- The unemployment rate in the St. Louis metropolitan area averaged 4.8 percent, down from 9.9 percent during the same period a year earlier. By contrast, the current rate for Missouri and Illinois was 4.2 and 7.2 percent, respectively, and the unemployment rate nationally averaged 5.8 percent.

With 113,300 jobs, the manufacturing sector is an important part of the local economy. Jobs in the sector grew slowly, averaging a gain of 1,250 jobs, or 1.1 percent, from 2011 through 2019 but then fell sharply because of temporary plant closures due to the COVID-19 pandemic and subsequent supply chain shortages; recovery in the sector is underway. During the 3 months ending July 2021, the manufacturing sector gained 1,200 jobs, or 1.1 percent, compared with a decline of 2,500 jobs, or 1.7 percent, during the 3 months ending July 2020. The Boeing Company (Boeing) is the largest employer in the manufacturing sector, with approximately 14,500 employees. In 2018, Boeing won a contract to build drones for the U.S. Navy. Approximately 45 percent of work under the contract will take

place in the metropolitan area, and Boeing recently announced plans to invest \$200 million to build a second production facility at MidAmerica St. Louis Airport. The new plant is expected to be completed in early 2024; the expansion will create at least 150 new jobs. Thermo Fisher Scientific Inc. manufactures biological drugs and employs approximately 700 workers in the metropolitan area. The company is investing \$82.5 million to expand the production of drugs that treat chronic health conditions, including cancers and COVID-19, and plans to create about 170 new jobs during the next 3 years (St. Louis Economic Development Partnership).

During the 3 months ending July 2021, nonfarm payrolls grew at a faster rate in the St. Louis metropolitan area than in the Great Plains region but lagged the national growth rate.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the St. Louis Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
BJC HealthCare	Education & Health Services	29,300
Walmart Inc.	Wholesale & Retail Trade	22,300
Mercy	Education & Health Services	20,200

Note: Excludes local school districts.

Source: Moody's Analytics

Sales Market Conditions

The sales housing market in the St. Louis metropolitan area is currently balanced but tightening, with an estimated 1.4-percent vacancy rate, down from 3.0 percent in 2010. During the 12 months ending June 2021, new and existing home sales (including single-family homes, townhomes, and condominiums)

totalled 66,550, a nearly 8-percent increase from the 61,850 homes sold a year earlier (Zonda). Affordable home prices and low mortgage rates have generally supported demand for homes in the metropolitan area despite net out-migration and the recent recession. The supply of inventory of homes for sale

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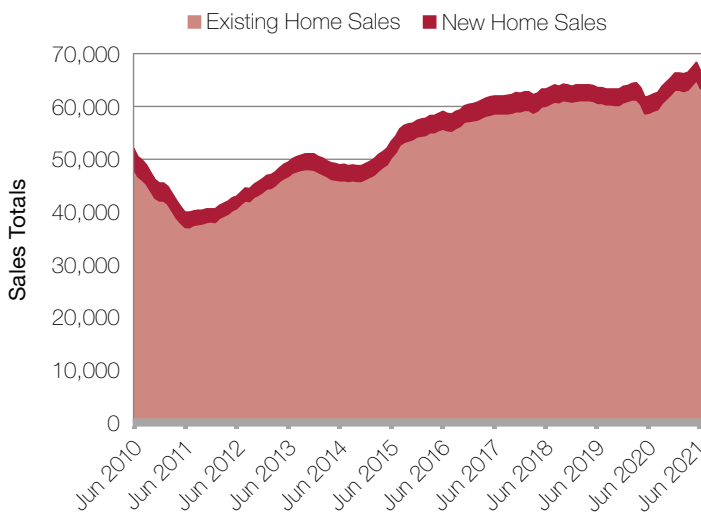
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fell to 1.1 months during July 2021 from a 1.6-month supply in July 2020 (Redfin, a national real estate brokerage). In June 2021, the percentage of home loans in the metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status was 2.7 percent, a slight decline from 2.9 percent a year earlier. The rate in the metropolitan area is higher than the 2.4-percent rate for Missouri but lower than the 3.4-percent rate for Illinois and the 3.1-percent rate for the nation.

During the 12 months ending June 2021—

- New home sales totaled 3,225, representing an increase of 110 sales, or 3 percent, from the same period a year earlier. New home sales grew an average of 8 percent annually from 2013 to a recent high of 3,450 in 2017 but fell 14 percent, to 2,975 home sales, in 2018; new home sales in the metropolitan area have been rising since 2018.
- Regular resales, which consist of existing home sales excluding REO sales, totaled 61,150, up by 5,875 sales, or 11 percent, from the previous 12 months. At the same time, REO sales fell more than 37 percent, to 2,175 homes sold. Existing home sales, which include regular resales and REO sales, were substantially above the average of 44,900 homes sold annually from 2008 through 2014.
- The average sales price for new homes was \$419,100, representing an increase of nearly 7 percent from the average price a year earlier. By comparison, new home sales prices in the metropolitan area rose an average of 6 percent annually from 2014 through 2019.

Following a slowdown during early 2020, total home sales in the St. Louis metropolitan area have recovered, largely because of an increase in existing home sales.



Note: Sales are for single-family, townhomes, condominiums, or any combination. Source: Zonda

- The average price for regular resale homes was \$238,200, an increase of 11 percent compared with the average price a year earlier. The average price for regular resale homes has risen nearly every year since the end of 2009, averaging a gain of 2 percent a year.

Current rising levels of home sales and home sales prices have encouraged builders to increase the production of new homes.

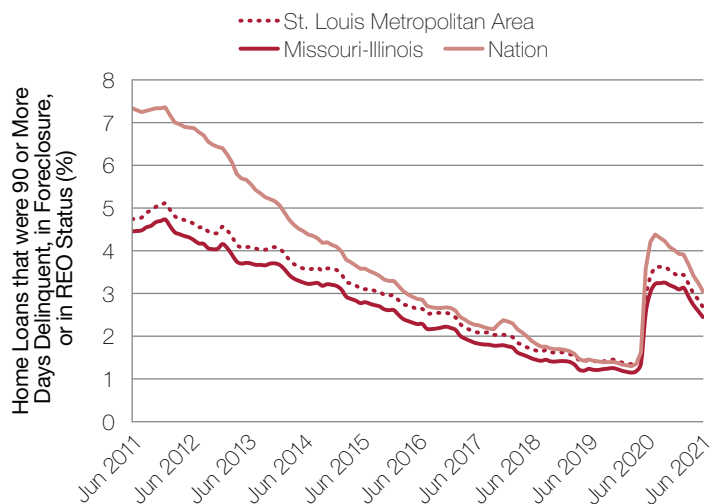
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Home sales prices in the St. Louis metropolitan area have been increasing at an accelerated rate during the past year.



Note: Sales are for single-family homes, townhomes, and condominiums. Source: Zonda

The rate of seriously delinquent mortgages and REO properties in the St. Louis metropolitan area is below the national rate and has been declining since late 2020.



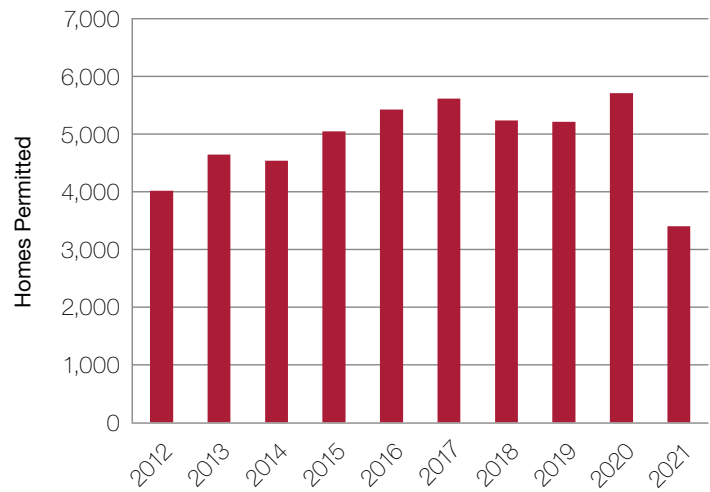
REO = real estate owned. Source: CoreLogic, Inc.

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Since 2020, new home construction in the HMA, as measured by the number of single-family homes, townhomes, and condominiums permitted, has increased, following 2 years of slower home production from 2018 through 2019.

- During the 12 months ending July 2021, the number of homes permitted totaled 5,800, representing an increase of 350 homes, or 6 percent, from a year earlier because of an increase in single-family home construction (preliminary data, with adjustments by the analyst).
- After reaching a peak of 5,625 homes permitted in 2017, home sales construction declined 7 percent, to an average of 5,225 homes permitted during 2018 and 2019. Despite the slowdown, construction activity exceeded the average of 4,400 homes permitted annually from 2012 through 2014.
- Nearly 70 percent of homes permitted in the metropolitan area during the 12 months ending July 2021 were in St. Charles, St. Louis, and Jefferson Counties in Missouri. By contrast, approximately 24 percent of homes permitted were on the Illinois side of the metropolitan area, with most permits issued in St. Clair and Madison Counties.
- The Streets of Caledonia is a large master-planned community currently underway in the city of O'Fallon,

Sales housing construction in the St. Louis metropolitan area reached a new high during 2020.



Notes: Includes single-family homes, townhomes, and condominiums. Includes preliminary data from January 2021 through July 2021.

Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

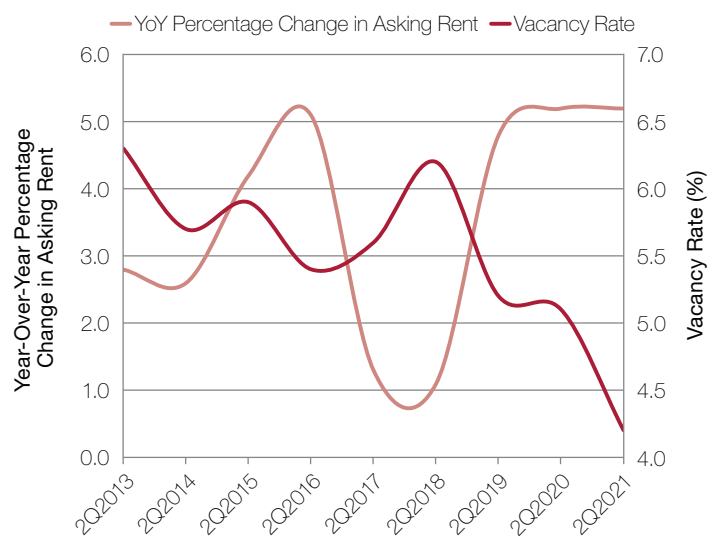
where developers plan to build a combined 654 single-family homes and townhomes by 2025. Phase I, consisting of more than 50 single-family homes starting at \$445,000, is nearing completion; 12 home sites are currently available for sale.

Apartment Market Conditions

The apartment market in the St. Louis metropolitan area is balanced but tightening, with a 4.2-percent vacancy rate during the second quarter of 2021, down from 5.1 percent a year earlier and well below the 7.1-percent vacancy rate during the second quarter of 2009 (RealPage, Inc.). The apartment market has tightened because demand from the rising number of renter households in the metropolitan area since 2010 has outpaced supply. Builders have been reluctant to increase construction of new apartments, in part because of continued net out-migration and strong competition resulting from generally affordable housing units for sale.

- During the second quarter of 2021, apartment vacancy rates in the 10 RealPage, Inc.-defined market areas within the St. Louis metropolitan area ranged from 2.2 percent in the South St. Louis County/Jefferson County and the Chesterfield/Ballwin/Wildwood market areas to 7.0 percent in the Central West End/Forest Park market area.
- The average monthly apartment asking rent in the metropolitan area was \$1,031, a 5-percent increase from a year earlier. By contrast, rent growth averaged 3 percent annually from the second quarter of 2013 to the second quarter of 2019.

The apartment vacancy rate declined in the St. Louis metropolitan area during the second quarter of 2021, and rent growth remained strong.



2Q = second quarter. YoY = year-over-year.

Source: RealPage, Inc.

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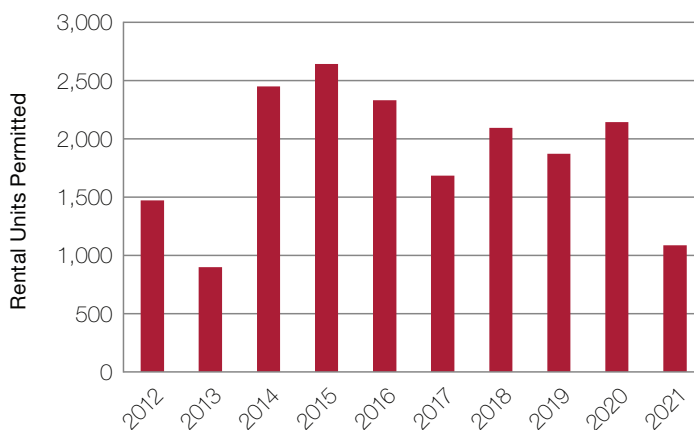
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- Each of the market areas in the metropolitan area had increases in average asking rent. During the second quarter of 2021, the average rent in the Central West End/Forest Park market area grew 3 percent, to \$1,403, and was the highest rent among all areas. Rent growth during the second quarter of 2021 ranged from 1 percent in the Mid St. Louis County and St. Clair/Madison Counties market areas to 10 percent in the Chesterfield/Ballwin/Wildwood market area.
- The overall rental housing market (including renter-occupied single-family homes, manufactured homes, and apartment units) is balanced, with an estimated vacancy rate of 7.8 percent as of August 2021, down from 10.8 percent in April 2010.

Rental construction activity, as measured by the number of rental units permitted, has recently increased since recent lows of construction from 2017 through 2019 but remains below the average from 2014 through 2016.

- During the 12 months ending July 2021, approximately 2,000 rental units were permitted, an increase of 5 percent from 1,900 units permitted during the same period a year ago (preliminary data, with adjustments by the analyst).
- Rental unit construction in the St. Louis metropolitan area averaged 2,475 units permitted annually from 2014 through 2016 before declining to an average of 1,875 rental units permitted from 2017 through 2019.
- Most rental units permitted during the 12 months ending July 2021 were in Missouri, with St. Charles County accounting for approximately 49 percent of the total. Roughly 29 and 24 percent of rental units permitted were in the city of St. Louis and St. Louis County, respectively.

Despite an increase in rental housing construction in the St. Louis metropolitan area in 2020, construction levels since 2017 have generally remained lower than during the mid-2010s.



Note: Includes preliminary data from January 2021 through July 2021.

Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

- Recently completed rental properties include the 161-unit LIV Fieldstone Farm in Belleville, Illinois, part of the St. Clair/Madison market area. The property has 53 one-bedroom units and 108 two-bedroom units with monthly rents starting at \$1,110 and \$1,315, respectively.
- Among rental properties under construction is Union at The Grove in the Central West End/Forest market area in the city of St. Louis. The project is expected to be completed in the second half of 2022, and although exact rents have not been announced, 80 of the 160 planned units will be set aside for those who earn less than 60 percent of the area median income.