COMPREHENSIVE HOUSING MARKET ANALYSIS

St. Louis, Missouri-Illinois

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of June 1, 2022

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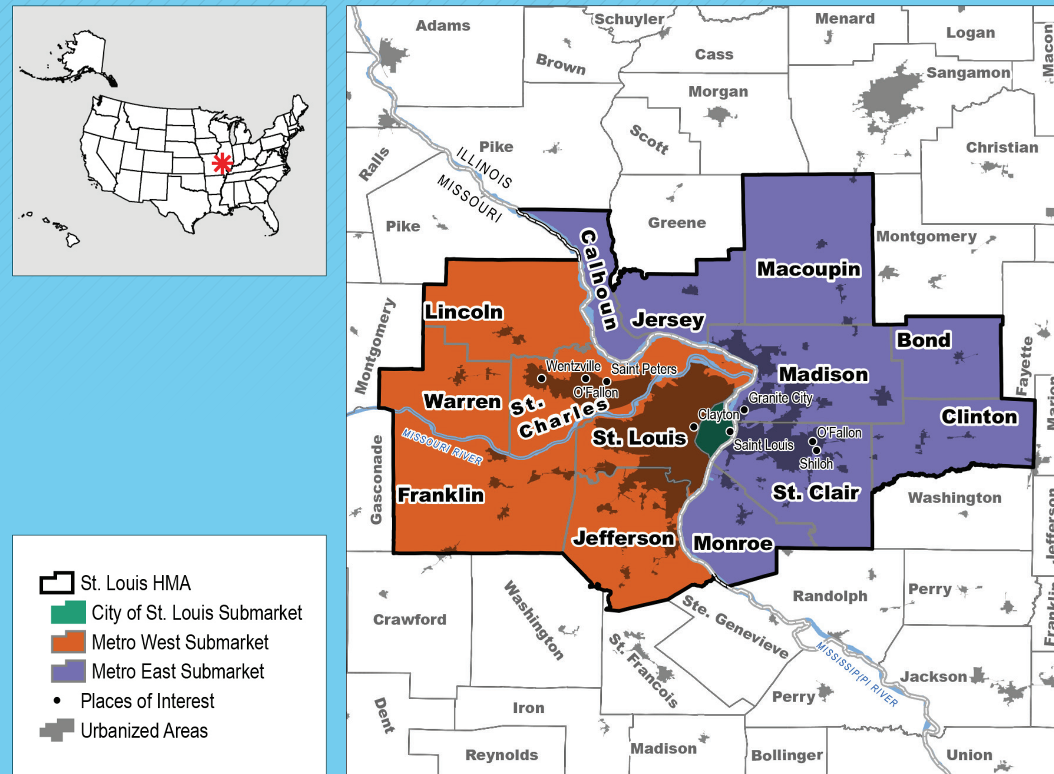
Executive Summary

Housing Market Area Description

The St. Louis Housing Market Area (HMA) includes 14 counties and the independent city of St. Louis. For purposes of this analysis, the HMA is divided into three submarkets: the City of St. Louis submarket; the Metro West submarket, which includes Franklin, Jefferson, Lincoln, St. Charles, St. Louis, and Warren Counties in Missouri; and the Metro East submarket, which includes Bond, Calhoun, Clinton, Jersey, Macoupin, Madison, Monroe, and St. Clair Counties in Illinois. The city of St. Louis, located along the Mississippi River, is known as the gateway to the west and is the second most populous city in Missouri, following Kansas City.

The current population of the HMA is estimated at 2.82 million.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Improving: During the 12 months ending May 2022, nonfarm payrolls averaged 1.37 million, an increase of 39,200 jobs, or 2.9 percent, from the previous 12 months, compared with a decline of 3.6 percent during the same period 1 year earlier.

Nonfarm payrolls in the St. Louis HMA rose during the past year as the economy continued to recover from severe job losses during the early stages of the COVID-19 pandemic. As of June 1, 2022, approximately 94 percent of the jobs lost in March and April 2020 had been recovered (monthly data, not seasonally adjusted). During the 12 months ending May 2022, nonfarm payrolls were up in 10 of the 11 sectors relative to a year ago, led by growth in the leisure and hospitality sector, which increased by 14,500 jobs, or 12.2 percent. During the 3-year forecast period, nonfarm payrolls are expected to increase an average of 0.9 percent annually.

Sales Market

Balanced: There was a 1.2-month supply of for-sale inventory in the HMA during May 2022, down from a 1.3-month supply a year ago (Redfin, a national real estate brokerage).

The sales vacancy rate in the HMA is estimated at 1.3 percent as of June 1, 2022, substantially below the 2.4-percent rate in April 2010, when conditions were soft. During the 12 months ending April 2022, home sales totaled approximately 77,800, down 4 percent from a year earlier, and the average home sales price rose 7 percent to $256,700 (Zonda, with adjustments by the analyst). As of May 2022, 1.4 percent of home loans in the HMA were seriously delinquent or had transitioned into real estate owned (REO) status, down from 2.9 percent a year ago. Demand is expected for 16,805 new homes during the forecast period. The 1,450 homes currently under construction are expected to meet some of that demand.

Rental Market

Balanced: The estimated rental vacancy rate is 7.4 percent, down from 10.8 percent in April 2010, when conditions were soft.

Balanced rental housing market conditions exist in all three submarkets, with rental vacancy rates ranging from 6.2 to 9.5 percent. The apartment market in the HMA is tight, with a 2.7-percent vacancy rate during the first quarter of 2022, down from 4.9 percent during the first quarter of 2021 (Real Page, Inc.). During the 3-year forecast period, demand is estimated for 9,375 rental units; the approximately 3,865 units under construction are expected to satisfy a portion of that demand.

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3-Year Housing Demand Forecast

	Sales Units				Rental Units			
	St. Louis HMA Total	City of St. Louis Submarket	Metro West Submarket	Metro East Submarket	St. Louis HMA Total	City of St. Louis Submarket	Metro West Submarket	Metro East Submarket
Total Demand	16,805	580	12,800	3,425	9,375	3,750	4,875	750
Under Construction	1,450	110	1,100	240	3,865	1,750	2,025	90

Notes: Total demand represents the estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of June 1, 2022. The forecast period is June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Education and Health Services Sector

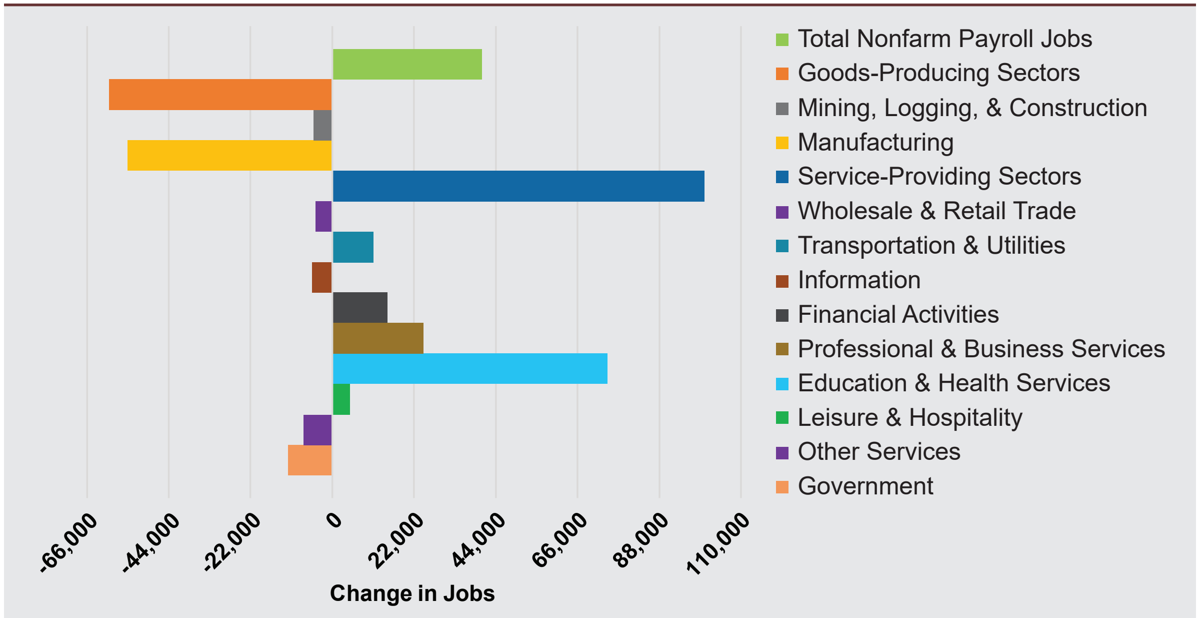
> The education and health services sector contains the three largest employers in the HMA, including BJC HealthCare, Washington University in St. Louis (WUSTL), and Mercy, with 29,650, 18,500, and 15,600 employees, respectively.

Primary Local Economic Factors

The St. Louis HMA became a trade and manufacturing hub during the 19th century because of its location at the confluence of the Mississippi and the Missouri Rivers, which allowed for easy transport of goods by water and later by rail. At the height of the industrialization period, early in the 20th century, the local economy was heavily dependent on the manufacturing industry; during the 1920s, roughly 10 percent of all carmakers in the nation were in the HMA. The local economy, as in other Midwestern metropolitan areas, was adversely affected by deindustrialization and increased foreign competition, which led to a subsequent decline in manufacturing sector jobs during the second half of the 20th century. The manufacturing sector currently accounts for 8 percent of all nonfarm payrolls, down from 13 percent in 2000 and substantially below the 34-percent share during the mid-1960s. Major manufacturers in the HMA include The Boeing Company and General Motors Company, with approximately 15,400 and 3,750 employees, respectively.

The education and health services sector, which became the largest sector in the HMA in 2006, and the professional and business services sector, which became the second largest sector in 2014, are important parts of the local economy. Since 2001, the local economy has been diversifying by capitalizing on the existing knowledge-based infrastructure grounded in the local healthcare industry and institutions of higher education. The HMA has become a hub for scientific research in agriculture technology, biotechnology, and healthcare services. The education and health services and the professional and business services sectors have led payroll growth in the HMA since 2001 (Figure 1). The education and health services and the professional and business services sectors are the two largest payroll sectors in the HMA, with 254,100 and 213,000 jobs, accounting for approximately 19 and 16 percent of all nonfarm payroll jobs, respectively (Figure 2). Growth in both sectors has been supported by ongoing development

Figure 1. Sector Growth in the St. Louis HMA, 2001 Through Current



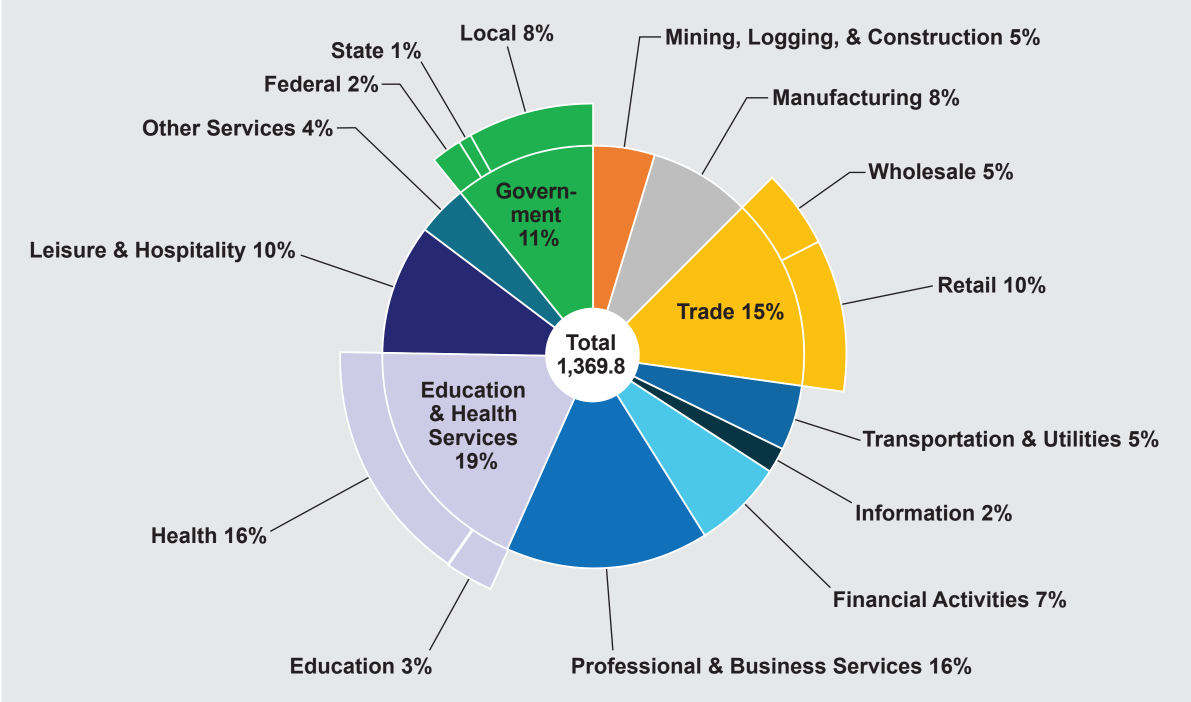
Notes: Based on 12-month averages. Current is based on the 12-month average ending July 2022.
Source: U.S. Bureau of Labor Statistics

at various innovation hubs in the HMA, including CORTEX Innovation Community (hereafter, CORTEX), founded in 2002 in the city of St. Louis through a collaboration of the local universities and healthcare providers. CORTEX supports technology startups and research in immunobiology and microbiology and serves as a networking hub for entrepreneurs, capital investment, and business education. The economic impact of CORTEX on the HMA increased following the $170 million expansion in 2018 and is currently estimated at $2.1 billion annually (CORTEX). Approximately 6,000 employees currently work at CORTEX in the technology and healthcare industries.

Current Conditions—The COVID-19 Pandemic and Recovery

Severe job losses occurred in the HMA early in 2020 because safety protocols implemented to reduce the spread of COVID-19 limited gatherings and discouraged travel, resulting in a temporary but widespread slowdown in business activity. During March and April 2020, monthly nonfarm payrolls declined by 168,100 from the level in February 2020 (monthly data, not seasonally adjusted). Economic recovery began in May 2020, and by May 2022, approximately 157,300 nonfarm payroll jobs, or 94 percent of the jobs previously lost, had been recovered.

Figure 2. Share of Nonfarm Payroll Jobs in the St. Louis HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through May 2022.
Source: U.S. Bureau of Labor Statistics

Nonfarm payrolls in the HMA have increased during the past year as the local economy continues to recover from the downturn caused by the COVID-19 pandemic. During the 12 months ending May 2022, nonfarm payrolls increased by 39,200, or 2.9 percent, to 1.37 million, following a decline of 50,100 jobs, or 3.6 percent, during the previous 12 months. The economic recovery in the HMA, however, has been slower compared with the rest of the nation, where nonfarm payrolls grew 4.6 percent during the 12 months ending May 2022. The leisure and hospitality sector led job gains in the HMA during the 12 months ending May 2022, expanding by 14,500 jobs, or 12.2 percent, to 133,800 (Table 1). The level of payrolls in the sector is currently 12 percent below the previous high of 152,700 in 2019, before the pandemic. With social distancing restrictions relaxed during the past year, staffing increased at hotels, restaurants, sporting venues, and gambling establishments that had laid off workers during 2020. The tourism industry was estimated to have an economic impact of approximately $5.8 billion on the HMA during 2021. The HMA hosted the American Ninja Warrior competition, the USA Gymnastics Championships, and U.S. Olympic Team Trials during the summer of 2021, which contributed to job growth in the sector. The HMA is also home to the Gateway Arch National Park, which was visited by approximately 1.15 million people in 2021, up from 490,000 in 2020 but below the 2.06 million visitors in 2019 (Explore St. Louis).

The professional and business services sector added the second most jobs during the 12 months ending May 2022, up by 7,500 jobs, or 3.6 percent. When workers returned to offices during the past year, staffing rebounded in the administrative support and waste management and remediation services industry, which is part of the sector. The industry added 3,350 jobs during the 12 months ending May 2022, compared with a decline of 4,700 jobs a year earlier, and accounted for 47 percent of job gains in the sector. Managed care company Centene Corporation completed Phase I of its expansion in the city of Clayton, Missouri, when a new office tower opened in 2021, and the company began transferring 1,500 employees from southern California to the HMA. During the 12 months ending May 2022, nonfarm payrolls in the professional, scientific, and technical services industry reached a new high of 87,800, with a gain of 3,600 jobs, accounting for 48 percent of job gains in the professional

Table 1. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the St. Louis HMA, by Sector

	12 Months Ending May 2021	12 Months Ending May 2022	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**1,330.6**	**1,369.8**	**39.2**	**2.9**
Goods-Producing Sectors	180.4	187.0	6.6	3.7
Mining, Logging, & Construction	66.5	71.4	4.9	7.4
Manufacturing	113.9	115.6	1.7	1.5
Service-Providing Sectors	1,150.3	1,182.9	32.6	2.8
Wholesale & Retail Trade	194.4	198.8	4.4	2.3
Transportation & Utilities	64.4	65.5	1.1	1.7
Information	25.6	26.4	0.8	3.1
Financial Activities	91.5	90.6	-0.9	-1.0
Professional & Business Services	205.5	213.0	7.5	3.6
Education & Health Services	252.2	254.1	1.9	0.8
Leisure & Hospitality	119.3	133.8	14.5	12.2
Other Services	47.3	50.0	2.7	5.7
Government	150.1	150.6	0.5	0.3

Notes: Based on 12-month averages through May 2021 and May 2022. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

and business services sector during the past year. The HMA is home to the Global Seeds and Traits Headquarters of the Bayer Crop Science Division, which expanded in 2021 after Bayer AG relocated 500 jobs to the HMA from North Carolina.

The education and health services sector gained 1,900 jobs, or 0.8 percent, during the 12 months ending May 2022, compared with a loss of 9,400 jobs, or 3.6 percent, a year earlier. A resurgence of COVID-19 infections in the HMA late in 2021 caused residents to delay elective procedures, which were partly responsible for a slow recovery in the sector. WUSTL, the second largest employer in the HMA after BJC HealthCare (Table 2), is ranked the 31st best university globally by *U.S. News and World Report*. WUSTL, which had approximately 15,450 students enrolled during the fall of 2021, had a $2.9 billion economic impact on the local economy in 2021 (WUSTL Office of Government & Community Relations).

During the 12 months ending May 2022, recovery began in the manufacturing sector with a gain of 1,700 jobs, or 1.5 percent, following a loss of 3,000 jobs, or 2.6 percent, a year earlier. The Boeing Company is expanding operations in the HMA after being awarded a $974 million contract in 2020 to develop a next-generation missile system; the number of new jobs added during the previous 12 months has not been disclosed. In 2020, drug manufacturer Patheon by Thermo Fisher Scientific opened a new drug manufacturing facility in the HMA and created 250 new jobs during the past year.

Current Conditions—Unemployment

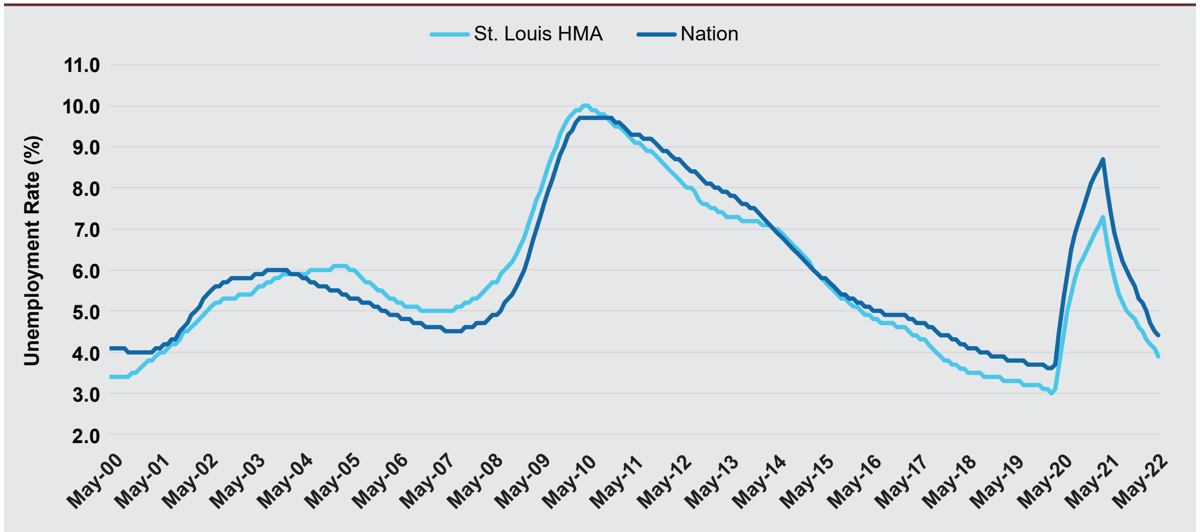
During the 12 months ending May 2022, the unemployment rate in the St. Louis HMA averaged 3.9 percent, down from 6.2 percent a year earlier. By comparison, the unemployment rate reached 10.0 percent during the 12 months ending May 2010, a period that included the Great Recession. The rate generally declined to a low of 3.0 percent during the 12 months ending February 2020 as labor market conditions tightened. Following the increase during the downturn in 2020, the unemployment rate in the HMA has been declining; it is currently below the 4.4-percent unemployment rate in the nation (Figure 3).

Table 2. Major Employers in the St. Louis HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
BJC HealthCare	Education & Health Services	29,650
Washington University in St. Louis	Education & Health Services	18,500
Mercy	Education & Health Services	15,600
The Boeing Company	Manufacturing	15,400
Scott Air Force Base	Government	13,000
SSM Health	Education & Health Services	11,500
Schnucks Markets	Wholesale & Retail Trade	9,575
Saint Louis University	Education & Health Services	6,625
City of St. Louis	Government	6,625
Ameren Corporation	Transportation & Utilities	5,450

Notes: Excludes local school districts. Data include military personnel, who are generally not included in nonfarm payroll survey data.
Source: *St. Louis Business Journal*, July 2021

Figure 3. 12-Month Average Unemployment Rate in the St. Louis HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

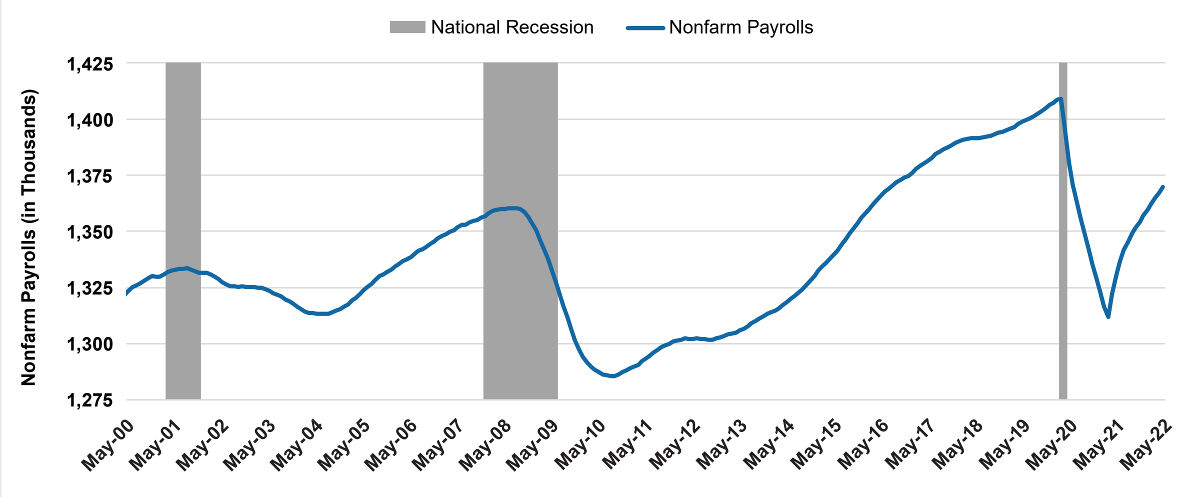
Economic Periods of Significance

2001 Through 2007: The Dot-Com Bust and Housing Boom

Nonfarm payroll jobs in the HMA peaked in 2001 at 1.33 million after 11 years of continuous job growth in the 1990s, averaging 1.4 percent annually. Economic conditions weakened in the aftermath of the dot-com recession, and from 2002 through 2004, nonfarm payrolls declined an average of 5,000 jobs, or 0.4 percent, a year. Most job losses during the period occurred in the manufacturing and the professional and business services sectors, which declined by an average of 6,700 and 2,200 jobs, or 4.3 and 1.2 percent, annually, respectively. Overall job losses were partially offset by strong gains in the education and health services and the leisure and hospitality sectors, which grew by an average of 3,500 and 2,300 jobs, or 1.9 and 1.7 percent, annually, respectively.

Economic conditions in the HMA strengthened during the subsequent 3 years because the job losses in the manufacturing sector slowed, and job growth in the service-providing sectors was strong. Nonfarm payrolls from 2005 through 2007 increased by an average of 13,500 jobs, or 1.0 percent, annually, to 1.36 million jobs (Figure 4). Losses in the manufacturing sector decelerated to an average of 2,600 jobs, or 1.9 percent, a year. Strong job growth continued in the education and health services sector, and the professional and business services sector rebounded sharply

Figure 4. 12-Month Average Nonfarm Payrolls in the St. Louis HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

during the housing boom. The two sectors led job growth in the HMA from 2005 through 2007, averaging gains of 5,300 and 4,700 jobs, respectively, or 2.6 percent each, annually.

2008 Through 2010: The Great Recession and Housing Crisis

Widespread job losses occurred during the national economic downturn, but the impact of the Great Recession in the HMA was less severe than in the nation. From 2008 through 2010, nonfarm payrolls in the HMA decreased an average of 23,000, or 1.7 percent, annually, to a low of 1.29 million jobs during 2010, whereas nonfarm payrolls declined at an average annual rate of 1.9 percent nationally. The manufacturing sector contracted further and led job declines during the period, with an average loss of 9,400 jobs, or 7.4 percent, a year. Approximately 1,400 workers were laid off at Chrysler Group LLC (renamed FCA US LLC in 2014), when the assembly plant closed in south St. Louis in 2008. Substantial reduction in new home construction during the housing crisis led to significant job losses in the mining, logging, and construction sector, which decreased by an average of 7,500 jobs, or 10.1 percent, a year. Despite the weak economy, the education and health services sector continued to grow at a fast pace, averaging a gain of 5,300 jobs, or 2.4 percent, annually.

2011 Through 2019: Economic Recovery and Expansion

The 9-year period of economic recovery and subsequent expansion following the Great Recession marked the longest period of job gains in the HMA since the 1990s. From 2011 through 2019, nonfarm payrolls expanded by an average of 13,100 jobs, or 1.0 percent, annually to 1.41 million. In 2016, the HMA recovered all jobs lost during the economic downturn. The average annual rate of job growth, however, was below the national average growth rate of 1.6 percent a year during the period. The education and health services and the professional and business services sectors accounted for 54 percent of the net job growth in the HMA from 2011 through 2019, expanding by averages of 4,100 and 3,000 jobs, or 1.7 and 1.5 percent, annually, respectively. A notable turnaround occurred in the manufacturing sector, which grew by an average of 1,200 jobs, or 1.1 percent, annually. Growth in the sector occurred in part because General Motors added more than 1,200 jobs after expanding its plant during 2013 in Wentzville, in St. Charles County, Missouri, in response to stronger consumer demand for pickup trucks and because of expansions at The Boeing Company in 2013 and 2016 that added more than 1,000 jobs.

Commuting Patterns

The Metro West submarket is the primary location for nonfarm payroll jobs in the HMA, with an estimated 65 percent of all nonfarm payroll jobs (Table 3). The City of St. Louis submarket accounted for 17 percent of HMA jobs, a share that has been declining over time because of a faster pace of job growth in the Metro West submarket. In 2001, the Metro West submarket accounted for 64 percent of all jobs in the HMA, whereas the City of St. Louis submarket accounted for 19 percent. Approximately 61 percent of all employed residents in the HMA commute to jobs within the Metro West submarket, compared with 19 and 18 percent for the City of St. Louis and the Metro East submarkets, respectively (Table 4).

Table 3. Current Estimated Percent Share of Nonfarm Payrolls in the St. Louis HMA, by Submarket

City of St. Louis Submarket	17
Metro West Submarket	65
Metro East Submarket	18

Source: U.S. Bureau of Labor Statistics, with estimates by the analyst

Table 4. Share of Residents by Location of Job in the St. Louis HMA

		Location of Primary Job			
		City of St. Louis Submarket (%)	Metro West Submarket (%)	Metro East Submarket (%)	Outside the HMA (%)
Worker Residence	City of St. Louis Submarket	32	51	15	2
	Metro West Submarket	7	86	4	3
	Metro East Submarket	11	11	72	6
	St. Louis HMA Total	19	60	18	3

Source: 2015 U.S. Census Journey to Work

Forecast

Job growth is expected to continue during the next 3 years but at a slower pace compared with the past 12 months. Nonfarm payrolls are expected to increase an average of 0.9 percent annually. Continued gains are expected in the leisure and hospitality sector, partly due to the expansion of the entertainment district near Union Station in the city of St. Louis. A new hotel and restaurants will open in the area in anticipation of the 2023 opening of the $458 million, 22,500-seat soccer stadium currently under construction, which will host the new Major League Soccer franchise—St. Louis CITY SC. At WUSTL, a $616 million expansion of the university's medical campus, adjacent to the CORTEX, is currently underway, consisting of a new 609,000-square-foot neuroscience research facility, where more than 900 researchers and staff members are expected to work by late 2023. Jobs in the manufacturing sector are expected to continue increasing at a steady pace, in part because General Motors plans to invest $1.5 billion at its facility in Wentzville to produce the next generation of pickup trucks. Work is currently underway in north St. Louis on the $1.7 billion western headquarters of the National Geospatial-Intelligence Agency, which is expected to open in 2025 and will employ 3,200 workers in the government sector. The project has attracted investments from other businesses wishing to expand their presence in the geospatial sector, including The Boeing Company, Bayer AG, and Esri.

Population and Households

Current Population: 2.82 Million

Population growth in the St. Louis HMA has decelerated since 2010 because net natural increase has slowed in all three submarkets, with a substantial slowdown in the Metro West and the Metro East submarkets, and because of a shift to net out-migration in the Metro East submarket.

Population Trends

Population trends have generally mirrored economic conditions in the HMA since 2000. The population of the HMA is currently estimated at 2.82 million, representing an average increase of 2,475, or 0.1 percent, annually since 2010 (Table 5), with net out-migration averaging 3,250 people a year. By comparison, from 2000 to 2010, the population of the HMA increased by an average of 11,200, or 0.4 percent, annually, with net out-migration averaging 150 people a year (U.S. Census Bureau decennial census counts). A switch to net out-migration from the Metro East submarket since 2010, compared with net in-migration during the previous decade, contributed to the increased net out-migration from the HMA since 2010 (Figure 5).

Population Trends by Geography

The City of St. Louis Submarket

As of June 1, 2022, the population of the City of St. Louis submarket was estimated at 294,800. The population declined by an average of 2,925, or 1.0 percent, a year since 2019, higher than the average loss of 1,725, or 0.6 percent, annually from 2010 to 2019, largely because net natural increase slowed because of nearly 800 COVID-19-related deaths (Johns Hopkins Coronavirus Resource Center). Net out-migration and net natural increase in the submarket have averaged 3,375 and 450 people a year, respectively, since 2019, compared with averages of 3,225 and 1,500 people each year from 2010 to 2019 (U.S. Census Bureau population estimates as of July 1).

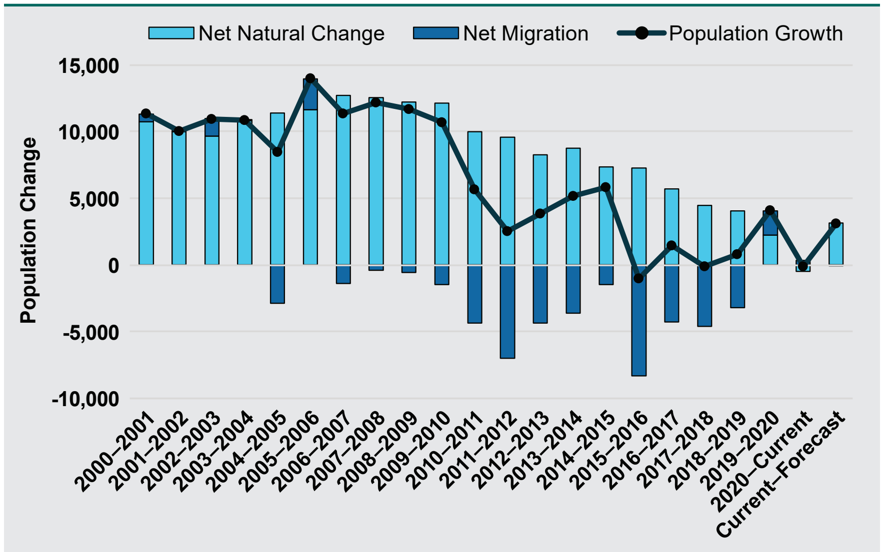
Table 5. St. Louis HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	Population	2,787,701	2,817,800	2,826,900
	Average Annual Change	11,200	2,475	3,075
	Percentage Change	0.4	0.1	0.1

		2010	Current	Forecast
Household Quick Facts	Households	1,109,665	1,160,900	1,176,000
	Average Annual Change	6,975	4,200	4,955
	Percentage Change	0.7	0.4	0.4

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (June 1, 2022) to June 1, 2025.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 5. Components of Population Change in the St. Louis HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date (June 1, 2022) to June 1, 2025.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

By comparison, during the 2000s, the population decreased by an average of 2,900, or 0.9 percent, annually, when net out-migration and net natural increase averaged 4,475 and 1,575 people a year, respectively.

Residents of the HMA tend to move from the City of St. Louis submarket to the Metro West submarket. During the 2015-through-2019 period, overall net out-migration from the City of St. Louis submarket was highest in St. Louis and St. Charles Counties in the Metro West submarket, which offers suburban living with proximity to major job centers in the HMA (Census Bureau Migration Flows, 2015–2019 ACS 5-year data). Migration inflows and outflows from the City of St. Louis submarket are listed in Table 6.

Although the population of the city of St. Louis has declined since 2010, preference for urban living, a high concentration of well-paying jobs, and recent infrastructure improvements resulted in modest population growth in the Central St. Louis market area—an area encompassing the ZIP Codes of 63101, 63102, 63103, 63104, and 63110 (Map 1). In 2000, the Central St. Louis market area had a population of 46,800 and rose by an average of 80, or 0.2 percent, annually, to 47,600 in 2010 (U.S. Census Bureau decennial census counts). As of June 1, 2022, the Central St. Louis market area population is estimated at 53,800, reflecting an average increase of 510, or 1.0 percent, annually since 2010.

Table 6. Submarket-to-Submarket Migration Flows in the City of St. Louis Submarket, 2015–19, in the St. Louis HMA

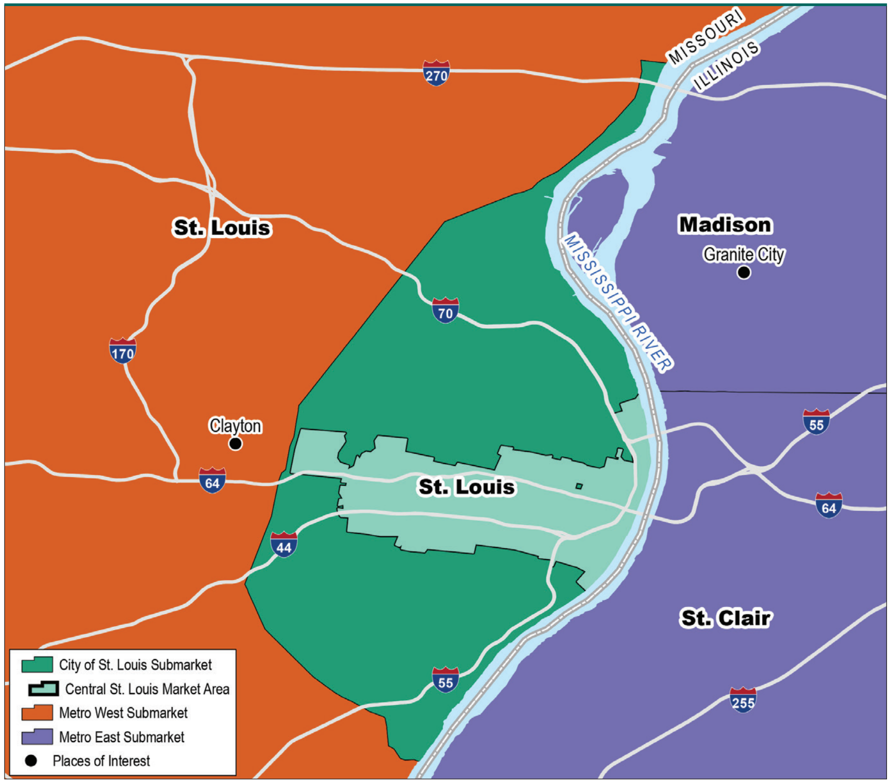
Into the Submarket	
Metro West	11,500
Metro East	1,775
Out of the Submarket	
Metro West	17,000
Metro East	1,550

Source: U.S. Census Bureau Migration Flows, 2015–2019 American Community Survey 5-year data

Metro West Submarket

Moderate population growth in the Metro West submarket resumed following a brief slowdown during the COVID-19 pandemic caused by a shift to net natural decline. As of June 1, 2022, the population of the submarket is estimated at 1.84 million. The submarket currently accounts for 65 percent of the population of the HMA (Figure 6). From 2000 to 2006, the population of the Metro West submarket grew an average of 12,200, or 0.7 percent, a year but slowed to an average of 8,800, or 0.5 percent, from 2006 to 2010. From 2000 to 2006, during the housing boom, net in-migration to the submarket averaged 4,800 people a year but slowed sharply to an average of 880 people annually from 2006 to 2010, when economic conditions worsened. During the 2000s, net natural increase in the submarket averaged 7,600 people a year. Since 2010, the population growth rate has declined further,

Map 1. Central St. Louis Market Area



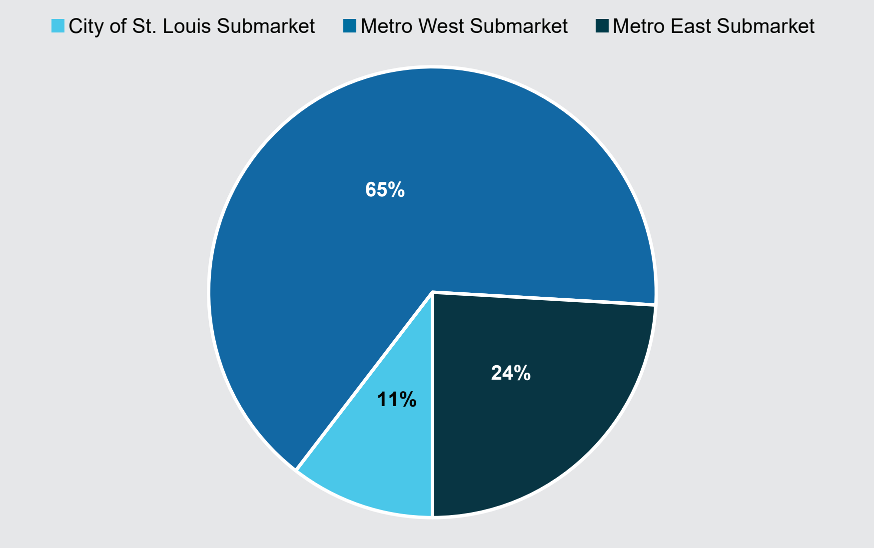
Source: EMAD analyst

partly because of slower net natural increase. From 2010 to 2020, the population of the Metro West submarket grew an average of 7,125, or 0.4 percent, a year, when net in-migration and net natural increase averaged 2,375 and 4,750 people a year, respectively. At the height of the COVID-19 pandemic, net in-migration increased as more people relocated from the urban core to the suburbs, but population growth stagnated because of a shift to net natural decline. From 2020 to 2021, net in-migration and net natural decline averaged 3,475 people and 1,575 people, respectively, slowing population growth to 1,900 people, or 0.1 percent. Since 2021, the population has increased by an average of 6,450, or 0.4 percent, supported by net in-migration averaging 4,800 people and a shift back to net natural increase, averaging 1,650 people.

Metro East Submarket

Slow economic recovery following the Great Recession has contributed to population decline in the Metro East submarket since 2010, compared with population growth during the previous decade. The population of the submarket is estimated at 679,000 as of June 1, 2022, representing an average annual decrease of 2,025, or 0.3 percent, since 2010. A shift to net out-migration, as residents left to seek better job opportunities elsewhere, and slower net natural increase contributed to the population decline. From 2010 to 2019, net out-migration and net natural increase in the submarket averaged 3,100 and 1,000 people annually, respectively; however, since 2019, net out-migration has slowed to an average of 1,200 people a year, and there was a shift to net natural decline that averaged 610 people annually. By comparison, modest population growth occurred in the submarket from 2000 to 2006, averaging a gain of 3,325 people, or 0.5 percent, annually, when net in-migration averaged 1,325 people a year. Net in-migration slowed during the economic downturn to an average of 430 people a year from 2006 to 2010, and population growth slowed to an average of 3,000 people, or 0.4 percent, annually. During the 2000s, net natural increase in the submarket averaged 2,225 people a year.

Figure 6. Current Population in the St. Louis HMA, by Submarket



Source: Estimates by the analyst

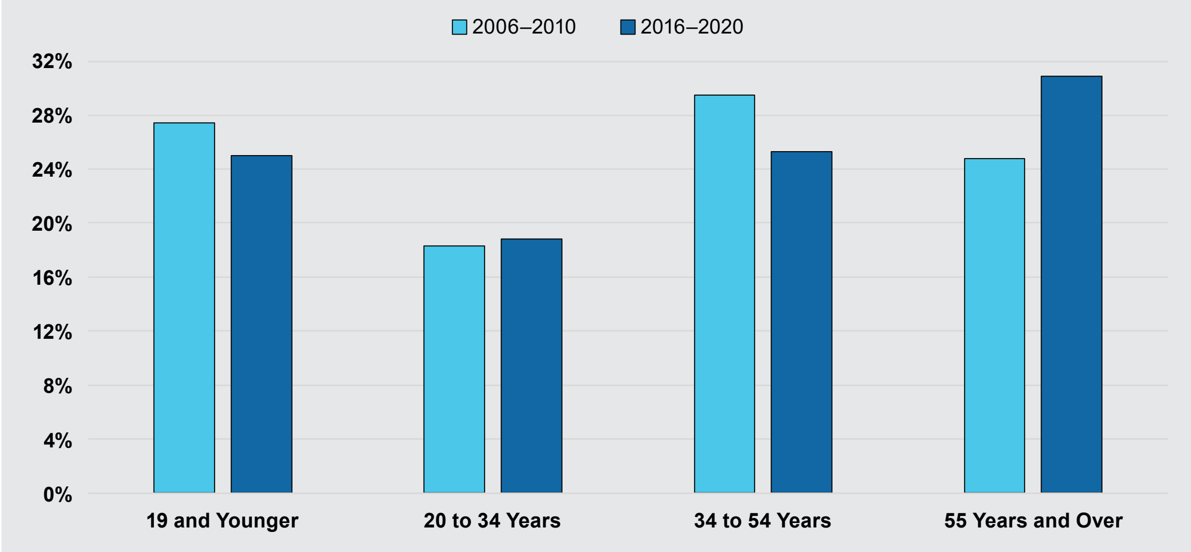
Age Cohort Trends

The largest cohort in the HMA during the 2016-through-2020 period included the senior portion of the population, generally defined as residents age 55 years and older, which represented 31 percent of the population, up from 25 percent during the 2006-through-2010 period (2006–2010 and 2016–2020 American Community Survey [ACS] 5-year data; Figure 7). Nationally, people age 55 years and older accounted for 29 percent of the population during the 2016-through-2020 period. The senior cohort expanded in every submarket in the HMA, but those residents tend to live more predominantly in suburban areas. During the 2016-through-2020 period, the senior cohort accounted for 32 and 31 percent of the Metro East and Metro West submarket populations, respectively, up from 25 percent each during the 2006-through-2010 period. At the same time, the share grew from 21 to 27 percent in the City of St. Louis submarket. The only other cohort in the HMA to have increased was the young professional portion of the population, generally defined as residents ages 20 to 34 years, which represented 19 percent of the population during the 2016-through-2020 period, up from 18 percent during the 2006-through-2010 period. Residents in the age 19 and younger cohort and residents in the working-age cohort, ages 35 to 54 years, represented 25 percent of the total population each during the 2016-through-2020 period, down from 27 and 30 percent, respectively, during the 2006-through-2010 period.

Household Trends

Household growth in the HMA has moderated since 2010, similar to the population growth trend. The number of households in the HMA is currently estimated at 1.16 million, representing an average annual increase of 4,200, or 0.4 percent, up from 1.11 million households in 2010. By comparison, household growth in the HMA averaged 6,975, or 0.7 percent, a year from 2000 to 2010. The number of households in the City of St. Louis submarket has increased since 2010, despite population loss, because of the growing young professional and senior populations, which typically have smaller households. The current number of households in the submarket is estimated at 144,750, reflecting an average increase of 220, or 0.2 percent, annually, since 2010. By comparison, between 2000 and 2010, the number of households declined an average of 0.3 percent a year. An estimated 26,900 households are currently in the Central St. Louis market area, representing an average increase of 320, or 1.3 percent, annually since 2010. In the Metro West submarket, household growth since 2010 has accounted for approximately 97 percent of the total household increase in the HMA. There are currently an estimated 741,000 households in the submarket, reflecting a gain of 4,100, or 0.6 percent, annually, slower than the average increase of 0.8 percent a year during the 2000s. In the Metro East submarket, the number of households has been relatively unchanged since 2010, declining by 120 a year, partly because of a shift to population decline. The number of households is currently estimated at 275,150. Households in the submarket grew at an average rate of 0.7 percent a year, or 1,900, during the 2000s.

Figure 7. Population by Age Range in the St. Louis HMA



Sources: 2006–2010 and 2016–2020 American Community Survey 5-year data

A weak home sales market following the housing crisis led to more robust renter household growth in the HMA since 2010 compared with the 2000s. Renter households have accounted for 50 percent of all net household formation since 2010, compared with 44 percent during the 2000s. As a result of the faster gain in renter households since 2010, the homeownership rate fell to an estimated 69.7 percent as of the current date, down from 70.6 percent in 2010 and 71.6 percent in 2000 (Figure 8). As of June 1, 2022, 43.6 percent of the households in the City of St. Louis submarket are estimated to be homeowners, down from 45.4 percent in 2010. At 74.1 and 71.5 percent, the homeownership rate is substantially higher in the Metro West and the Metro East submarkets, down from 75.4 and 71.6 percent, respectively, in 2010.

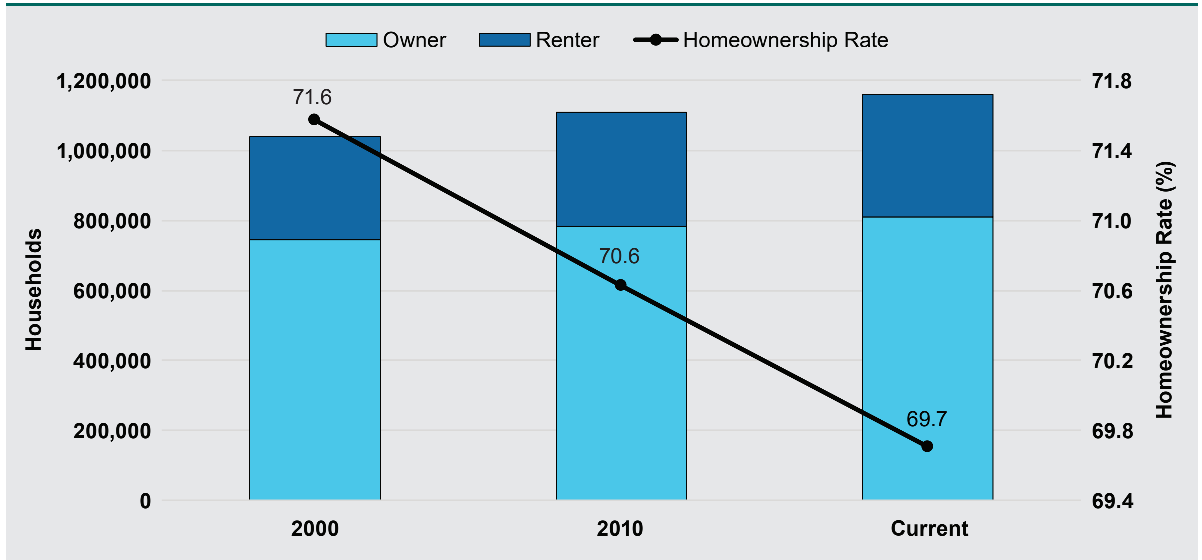
Student Households

Most of the 27,700 students enrolled at the two local universities, WUSTL and Saint Louis University, live in the Central St. Louis market area. The total enrollment at both schools has not changed meaningfully since 2010. Approximately 35 percent of the students at those universities are housed in on-campus dormitories. The remaining students are mostly graduate students who live off-campus and are estimated to account for 2 percent of all renter households in the HMA and 7 percent of renter households in the City of St. Louis submarket.

Forecast

During the 3-year forecast period, the population of the HMA is expected to increase by an average of 3,075, or 0.1 percent, a year, an average rate of growth similar to recent years. Net natural increase is expected to rise as the effects of the COVID-19 pandemic dissipate but remains subdued because of the rising share of senior residents. Improving economic conditions and the availability of relatively well-paying jobs will slow net out-migration from the HMA. The population of the Metro West submarket is expected to continue expanding at an average annual rate of 0.4 percent, whereas the population in the Metro East submarket is expected to continue declining an average of 0.3 percent a year. In the City of St. Louis submarket, population loss during the next 3 years is expected to slow slightly to an average of 0.6 percent a year, partly because of the continued population growth in the Central St. Louis market area, which is expected to average 1.5 percent a year during the same period. Household growth in the HMA is expected to average 0.4 percent annually, with rates of 0.6, 0.2, and 0.1 in the Metro West, City of St. Louis, and Metro East submarkets, respectively.

Figure 8. Households by Tenure and Homeownership Rate in the St. Louis HMA



Note: The current date is June 1, 2022.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Home Sales Market

Sales Market—St. Louis HMA

Market Conditions: Balanced

Affordable home sales prices have supported demand for homes in the HMA despite slower population growth, which has allowed for the absorption of excess inventory since 2010.

Current Conditions

As of June 1, 2022, the overall sales vacancy rate in the St. Louis HMA is estimated at 1.3 percent (Table 7), down from 2.4 percent during April 2010, when conditions were soft. Limited sales construction activity and increased demand during the past 2 years, caused by stronger consumer preference toward homeownership and low mortgage interest rates, contributed to balanced market conditions, despite continued net out-migration. In May 2022, the HMA had 1.2 months of available for-sale inventory, down from 1.3 months a year earlier and significantly below the high of 7.1 months during January 2015 (Redfin, a national real estate brokerage).

Home Sales Trends

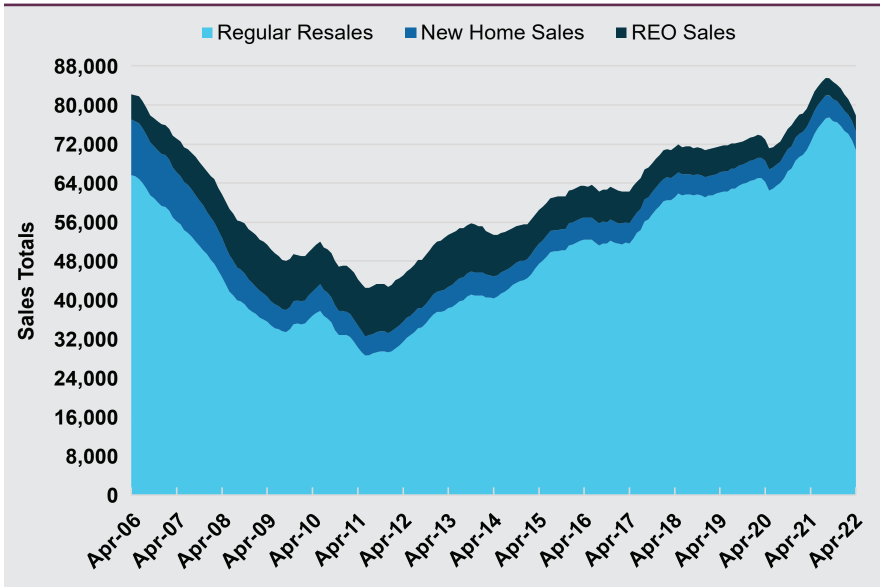
Home sales, which include new and existing homes, declined in the HMA during the past year, partly because of the low inventory of homes available for sale and the rising costs of homeownership. During the 12 months ending April 2022, the number of homes sold in the HMA was 77,800, down 4 percent from 81,050 a year earlier (Zonda, with adjustments by the analyst; Figure 9). By comparison, during the 12 months ending April 2021, home sales increased 11 percent from a year earlier, partly because of stronger demand for homeownership during the pandemic. The number of homes sold in the HMA peaked at 82,200 in 2005. That number fell for 6 consecutive years at an average rate of 10 percent annually, to a low of 42,800 homes sold in 2011. Following the decline, home sales in the HMA increased an average of 7 percent a year from 2012, to 77,050

Table 7. Home Sales Quick Facts in the St. Louis HMA

		St. Louis HMA	Nation
Home Sales Quick Facts	Vacancy Rate	1.3%	NA
	Months of Inventory	1.2	1.4
	Total Home Sales	77,800	7,660,000
	1-Year Change	-4%	1%
	Total Home Sales Price	$256,700	$454,300
	1-Year Change	7%	13%
	Mortgage Delinquency Rate	1.5%	1.5%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending April 2022; and months of inventory and mortgage delinquency data are as of May 2022. The current date is June 1, 2022.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; home sales and prices—Zonda, with adjustments by the analyst

Figure 9. 12-Month Sales Totals by Type in the St. Louis HMA



REO = real estate owned.
Source: Zonda, with adjustments by the analyst

homes sold in 2020, fueled by the economic recovery from the Great Recession. As prices of new homes rose to a new high during the 12 months ending April 2022, new home sales in the HMA declined 21 percent, to 3,785, accounting for less than 5 percent of total home sales. By comparison, new home sales accounted for 14 percent of total home sales during 2005, but the share has been declining steadily because of lower demand caused by a slower rate of household formation.

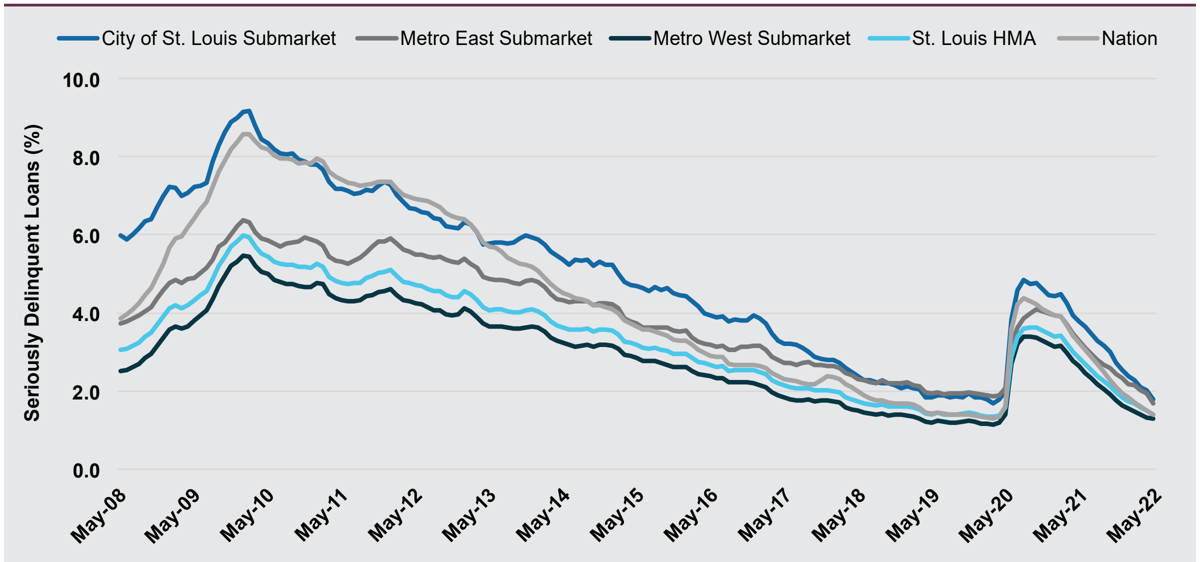
REO Properties

REO sales in the HMA totaled 4,875 in 2005, accounting for 7 percent of existing home sales, and then rose an average of 29 percent a year, to 10,450, or 22 percent of existing home sales, in 2008. Following the peak, REO sales remained elevated, averaging 9,550 a year, or 22 percent of existing home sales from 2009 through 2013. Improving housing market conditions and tighter lending standards following the housing market downturn led to an average decline in REO sales of 12 percent a year from 2014 to 2020, when REO sales totaled 3,800, or 5 percent of existing home sales. During the 12 months ending April 2022, the number of REO sales totaled 3,200, or 4 percent of existing home sales, down from 3,875, or 5 percent of existing home sales, during the 12 months ending April 2021. REO sales in each of the three submarkets have been trending down since the early 2010s, but they continue to be relatively high in the Metro East submarket, largely because of net out-migration since 2010 but also because the REO sales process takes longer in Illinois as foreclosures must be handled through the court system. During the past year, REO sales totaled 2,325 in the Metro East submarket, unchanged from the previous 12 months, and accounted for 73 percent of all REO sales in the HMA and 12 percent of all existing home sales in the Metro East submarket. At the same time, REO sales in the City of St. Louis and the Metro West submarkets fell 39 and 45 percent from a year earlier, to approximately 220 and 650, respectively.

Seriously Delinquent Mortgages

Until the pandemic, the rate of seriously delinquent mortgages and REO properties in the HMA fell from a high of 6.0 percent in January 2010 to a low of 1.3 percent in March 2020 (CoreLogic, Inc.; Figure 10). The rate rose to 3.6 percent in October 2020 because the number of seriously delinquent loans rose after many people became unemployed during the pandemic; however, the availability of mortgage forbearance programs allowed many homeowners to avoid foreclosures and REO sales. Following a brief spike early in the pandemic, the mortgage delinquency rate in the HMA declined as economic conditions improved. As of May 2022, 1.4 percent of mortgages in the HMA were seriously delinquent or had transitioned into REO status, on par with the rate for the nation. Among the submarkets in the HMA, the rate of seriously

Figure 10. Seriously Delinquent Mortgages in the St. Louis HMA and the Nation



Source: CoreLogic, Inc.

delinquent mortgages and REO properties as of May 2022 was 1.3, 1.7, and 1.8 percent in the Metro West, Metro East, and the City of St. Louis submarkets, respectively, down from 2.6, 3.3, and 3.8 percent a year earlier.

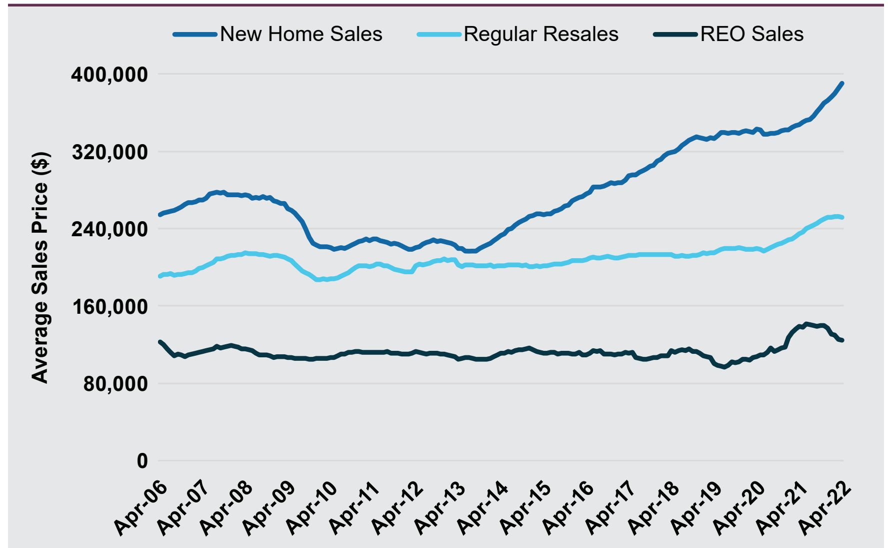
Home Sales Price Trends

Home sales prices in the HMA were slow to recover from the declines during the housing crisis because of the high number of typically lower priced REO properties and weak demand due to net out-migration. The average home sales price in the HMA fell an average annual rate of 8 percent, from a peak of $213,600 in 2007 to a low of $180,000 in 2009 (Zonda, with adjustments by the analyst). Home sales prices started to increase a year later, but growth was slow and uneven. From 2010 through 2020, prices in the HMA increased an average of 2 percent a year, compared with an average increase of 4 percent nationally. During the 12 months ending April 2022, the average home sales price in the HMA was $256,700, up 7 percent from $239,800 during the previous 12 months. The rate of home price growth in the HMA was substantially lower than the average gain of 13 percent for the nation, where the average home sales price reached $454,300 during the current 12 months. During the 12 months ending April 2022, the average price for a new home in the St. Louis HMA was $390,000, up 12 percent from $347,700 during the previous 12 months. The average price of a new home in the HMA is currently at an all-time high and is 75 percent higher than the low of $221,900 in 2011. Figure 11 shows average prices for new home sales, regular resales, and REO sales since early 2006. During the 12 months ending April 2022, homes priced from $100,000 to $299,999 accounted for 52 percent of all homes sold (Figure 12).

Housing Affordability: Sales

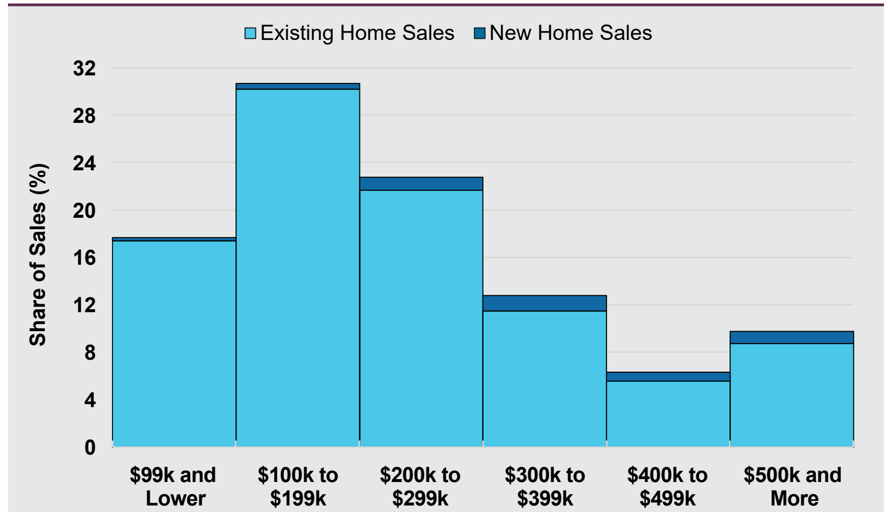
The rate of home price growth in the HMA tends to be below the national average, and homeownership in the HMA remained among the most affordable in the nation during the first quarter of 2022. The St. Louis Metropolitan Statistical Area (MSA) is a geography slightly larger than the St. Louis HMA (see Notes on Geography at the end of this report). The National Association of Home Builders (NAHB)/Wells Fargo Housing Opportunity Index (HOI), which

Figure 11. 12-Month Average Sales Price by Type of Sale in the St. Louis HMA



REO = real estate owned.
Source: Zonda, with adjustments by the analyst

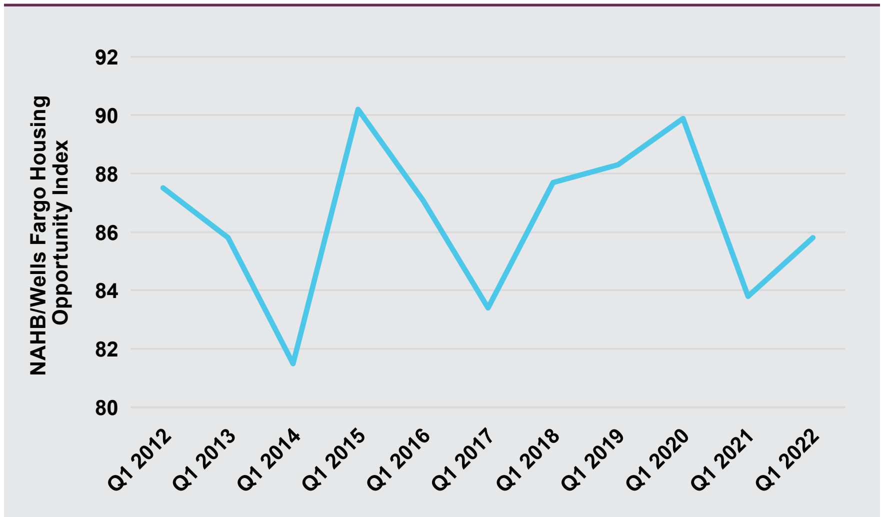
Figure 12. Share of Overall Sales by Price Range During the 12 Months Ending April 2022 in the St. Louis HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

represents the share of homes sold that would have been affordable to a family earning the median income, was 85.8 during the first quarter of 2022 for the MSA, up from 83.8 during the first quarter of 2021 and above the first quarter low of 81.5 in 2014 (Figure 13). During the first quarter of 2022, the MSA ranked as the 36th most affordable metropolitan area in the nation, with 204, or 85 percent, of the 240 ranked metropolitan areas in the nation being less affordable.

Figure 13. St. Louis MSA Housing Opportunity Index



NAHB = National Association of Home Builders. Q1 = first quarter.
Note: The St. Louis MO-IL MSA includes a portion of Sullivan City in Crawford County, Missouri, and is slightly larger than the St. Louis HMA.
Source: NAHB/Wells Fargo

Forecast

During the 3-year forecast period, demand is expected for an estimated 16,805 new homes in the HMA (Table 8). Demand for new homes in the HMA is expected to be relatively steady each year of the forecast period. The 1,450 new homes under construction will meet a portion of the forecast demand in the HMA during the first year.

Table 8. Demand for New Sales Units in the St. Louis HMA During the Forecast Period

	Sales Units
Demand	16,805 Units
Under Construction	1,450 Units

Note: The forecast period is from June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Sales Market—City of St. Louis Submarket

Market Conditions: Balanced

Limited construction of homes for sale since 2009 and absorption of units left vacant in the aftermath of the housing crisis have contributed to balanced market conditions as of June 1, 2022.

Current Conditions

As of June 1, 2022, the overall sales vacancy rate in the City of St. Louis submarket was estimated at 2.7 percent (Table 9), down from the 4.8-percent rate in April 2010. Following the housing crisis, home sales market conditions in

Table 9. Home Sales Quick Facts in the City of St. Louis Submarket

Home Sales Quick Facts		City of St. Louis Submarket	St. Louis HMA
	Vacancy Rate	2.7%	1.3%
	Months of Inventory	1.2	1.2
	Total Home Sales	9,200	77,800
	1-Year Change	3%	-4%
	Total Home Sales Price	$218,000	$256,700
	1-Year Change	4%	7%
	Mortgage Delinquency Rate	2.0%	1.5%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending April 2022; and months of inventory and mortgage delinquency data are as of May 2022. The current date is June 1, 2022.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; home sales and prices—Zonda, with adjustments by the analyst

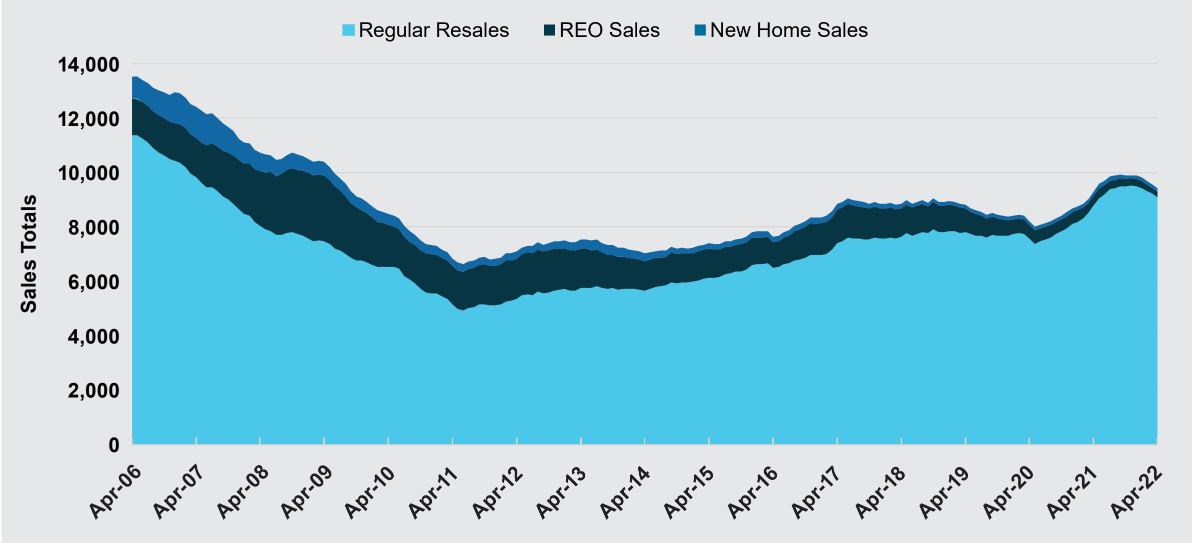
the submarket were soft for most of the 2010s but have strengthened in recent years. The inventory of available homes for sale in the submarket in May 2022 was a 1.2-month supply, down slightly from a 1.3-month supply during May 2021 and below the May high of 3.6 months of supply during 2015 (Redfin, a national real estate brokerage).

Home Sales Trends

Home sales in the submarket increased strongly from low home sales during the early 2010s but remained below the highs during the housing boom (Figure 14). During the 12 months ending April 2022, approximately 9,200 homes were sold, an increase of 3 percent from a year earlier, following a gain of 16 percent during the 12 months ending April 2021, when home sales prices and mortgage interest rates were lower (Zonda, with adjustments by the analyst). Following a peak of 12,250 during 2005, home sales in the submarket declined an average of 13 percent a year, to a low of 5,375 homes sold during 2011. With the improving economy, the number of home sales increased an average of 6 percent a year, to 7,950 homes sold in 2018, but declined an average of 2 percent in 2019. Approximately 8,250 homes were sold in the submarket during 2020, when home sales rose 6 percent from the previous year because of stronger demand for homes during the pandemic.

Approximately 800, or 9 percent of homes sold in the submarket during the 12 months ending

Figure 14. 12-Month Sales Totals by Type in the City of St. Louis Submarket



REO = real estate owned.
Source: Zonda, with adjustments by the analyst

April 2022, were sold in the Central St. Louis market area. Home sales in the Central St. Louis market area rose 4 percent during the recent 12 months, compared with a 10-percent increase during the 12 months ending April 2021.

Home Sales Price Trends

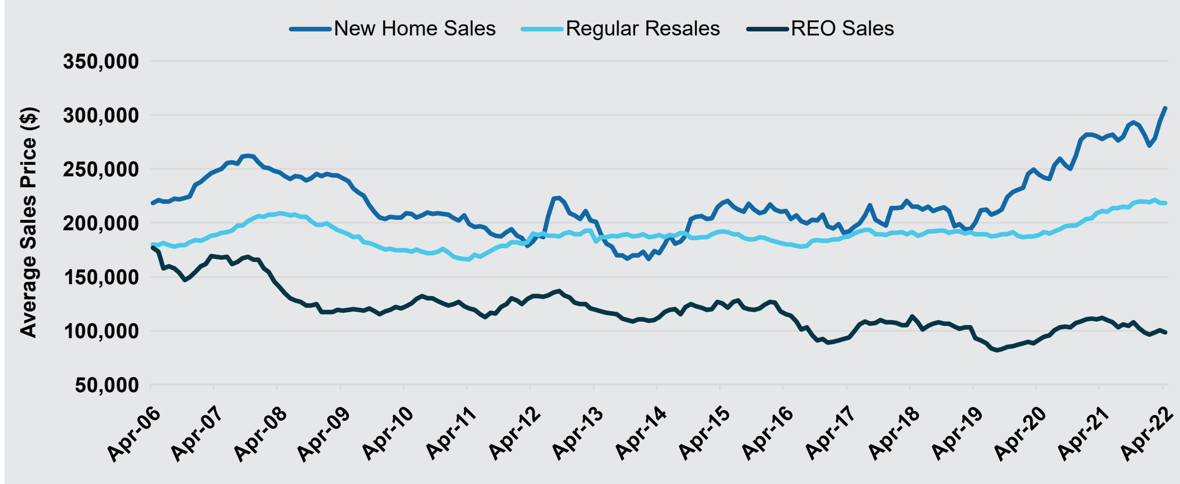
After the Great Recession, the recovery in home sales prices in the submarket during the 2010s was slow and uneven, largely due to continued net out-migration from the city of St. Louis. The average home sales price in the submarket peaked at $207,900 in 2007; it then fell an average of 7 percent a year for 3 years, to $169,500 in 2010 (Zonda, with adjustments by the analyst; Figure 15). Early in the economic recovery, home sales prices increased an average of 2 percent a year from 2011 through 2013; prices then stalled, with virtually no change in the average home sales price in the submarket from 2014 through 2019. Home sales prices rose sharply with the onset of the pandemic, with a gain of 8 percent during 2020, when demand for homes rose sharply. Strong price growth continued for another year but has since moderated. During the 12 months ending April 2021, the average home sales price in the submarket rose 13 percent from a year earlier, but the rate of price growth slowed to 4 percent during the 12 months ending April 2022, when the average home sales price in the submarket reached $218,000. Approximately 35 percent of all homes sold in the submarket during the most recent 12 months were priced from $100,000 to $199,999 (Figure 16).

Home prices in the Central St. Louis market area are higher than the average for the submarket because the area attracts high-income professionals. The average sales price of a home in the market area during the 12 months ending April 2022 was $276,500, up 2 percent from a year earlier. The average sales price of a home is approximately 27 percent higher than elsewhere in the submarket.

Sales Construction Activity

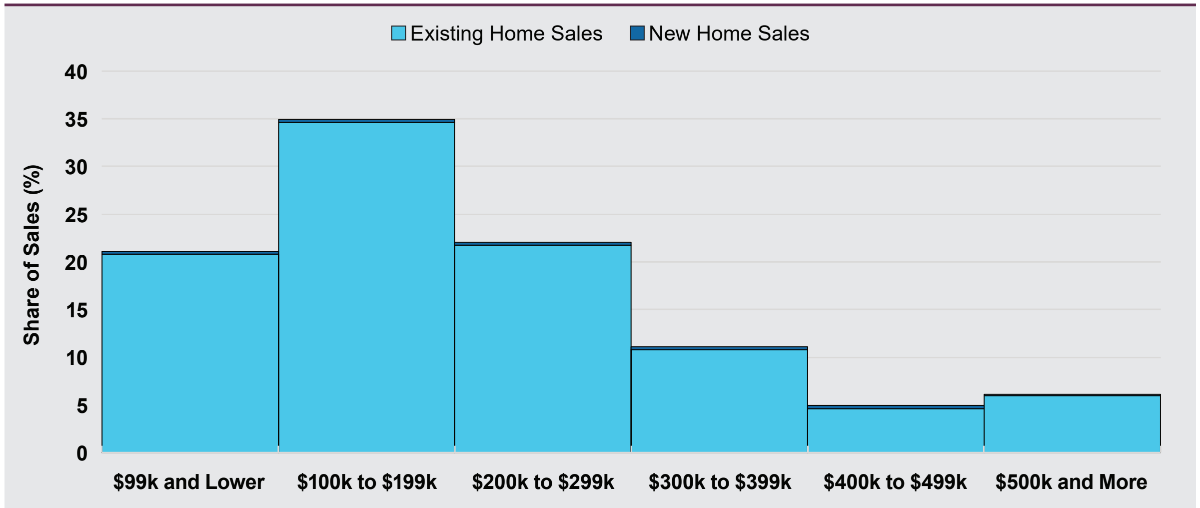
Homebuilding activity in the submarket, as measured by the number of single-family homes, townhomes, and condominium units permitted, generally consists of infill of vacant lots in addition to a significant number of existing units being torn down and replaced, partly because persistent population decline since the 2000s discouraged large-scale subdivision development. From 2000 through 2003, an average of 190 homes were permitted annually in the submarket, and then construction activity accelerated to an average of 430 homes permitted annually during the peak years of the housing boom from 2004 through 2007. The increase occurred partly because of stronger demand for condominiums, which accounted for about

Figure 15. 12-Month Average Sales Price by Type of Sale in the City of St. Louis Submarket



REO = real estate owned.
Source: Zonda, with adjustments by the analyst

Figure 16. Share of Overall Sales by Price Range During the 12 Months Ending April 2022 in the City of St. Louis Submarket



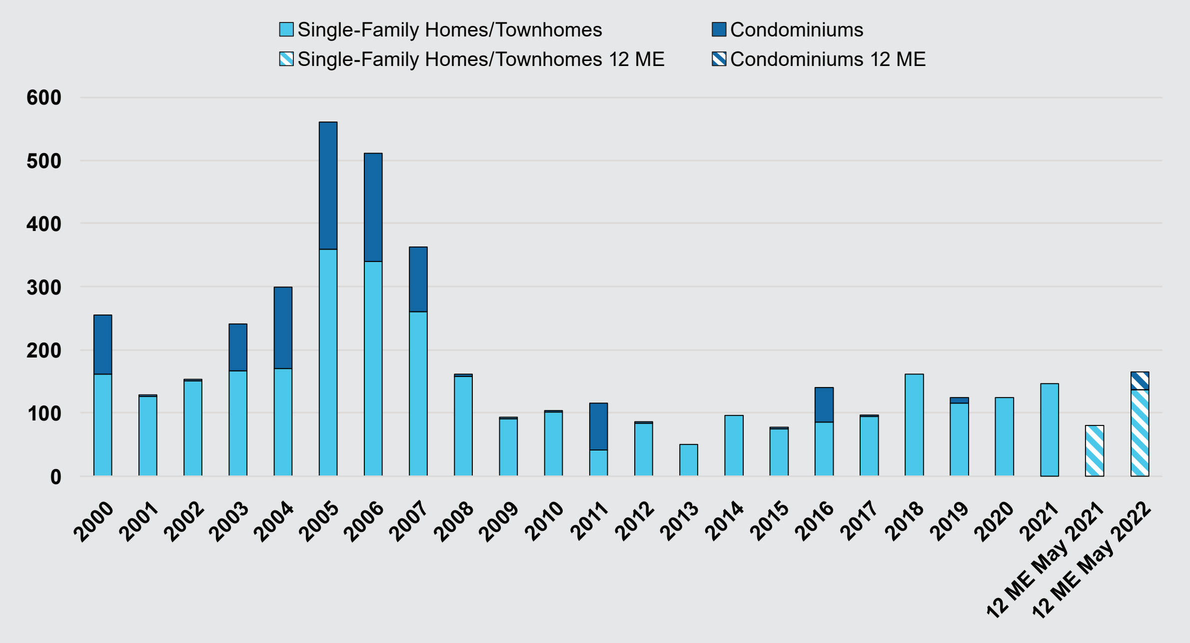
Source: Zonda

35 percent of homebuilding activity from 2004 through 2007, compared with 22 percent from 2000 through 2003. During the Great Recession, homebuilding activity declined an average of 50 percent a year during 2008 and 2009, to 90 homes (Figure 17). As people continued to depart for the suburbs, construction activity in the submarket remained low, averaging approximately 100 homes a year from 2010 through 2019. With balanced market conditions, construction accelerated, and approximately 170 homes were permitted during the 12 months ending May 2022, more than double the 80 homes permitted during the 12 months ending May 2021. Construction of new condominiums slowed in the submarket following the housing crisis. Since 2010, construction of new condominiums accounted for 12 percent of homebuilding activity. There are no major subdivisions currently under construction in the submarket.

Forecast

During the 3-year forecast period, demand is expected for an estimated 580 new homes in the City of St. Louis submarket (Table 10). The 110 new homes under construction in the submarket will meet approximately one-half of the forecast demand in the HMA during the first year. Demand is expected to be strongest in the Central St. Louis market area.

Figure 17. Annual Sales Permitting Activity in the City of St. Louis Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Table 10. Demand for New Sales Units in the City of St. Louis Submarket During the Forecast Period

	Sales Units
Demand	580 Units
Under Construction	110 Units

Note: The forecast period is from June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Sales Market— Metro West Submarket

Market Conditions: Slightly Tight

Sales market conditions in the Metro West submarket have tightened during the past 2 years.

Current Conditions

As of June 1, 2022, the overall sales vacancy rate was estimated at 0.9 percent (Table 11), down from 2.2 percent in April 2010, when conditions were soft. There was a 1.3-month supply of homes for sale in the submarket in May 2022, unchanged from a year earlier (Redfin, a national real estate brokerage). Rising net in-migration to the submarket since the COVID-19 pandemic began and stronger consumer preference for homeownership resulted in tighter home sales market conditions in the Metro West submarket.

Home Sales Trends

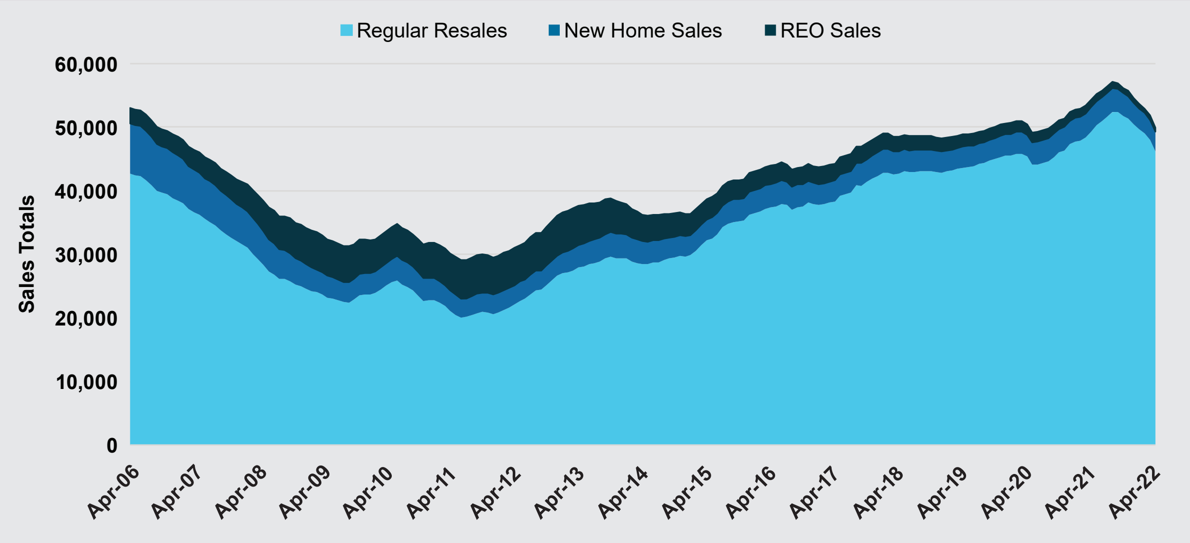
After a period of declines following the housing crisis, home sales in the submarket generally trended upward when economic conditions in the HMA strengthened during the 2010s. The number of homes sold totaled about 53,000 during 2005 and then declined an average of 9 percent annually, to a low of 29,450 in 2011 (Zonda, with adjustments by the analyst; Figure 18). Home sales in the submarket increased in 7 of the next 9 years, to 52,300 homes sold during 2020. During the 12 months ending April 2021, the number of homes sold in the Metro West submarket reached 54,200 after a nearly 8-percent increase a year earlier. Home sales have since declined because of the low inventory of homes available for sale and rising mortgage interest rates. During the 12 months ending April 2022, home sales in the submarket fell

Table 11. Home Sales Quick Facts in the Metro West Submarket

		Metro West Submarket	St. Louis HMA
Home Sales Quick Facts	Vacancy Rate	0.9%	1.3%
	Months of Inventory	1.3	1.2
	Total Home Sales	49,850	77,800
	1-Year Change	-8%	-4%
	Total Home Sales Price	$289,300	$256,700
	1-Year Change	9%	7%
	Mortgage Delinquency Rate	1.3%	1.5%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending April 2022; and months of inventory and mortgage delinquency data are as of May 2022. The current date is June 1, 2022.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; home sales and prices—Zonda, with adjustments by the analyst

Figure 18. 12-Month Sales Totals by Type in the Metro West Submarket



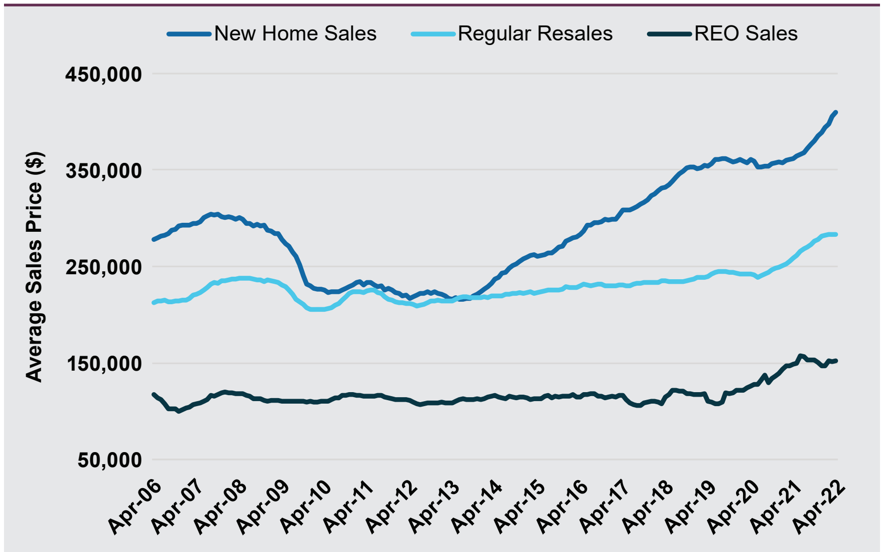
REO = real estate owned.
Source: Zonda, with adjustments by the analyst

8 percent, to 49,850. New home sales in the submarket during the 12 months ending April 2022 accounted for 6 percent of total home sales, higher than the 3-percent and 1-percent shares in the Metro East and the City of St. Louis submarkets, respectively. New home sales in the submarket, as a proportion of total home sales, have been declining steadily from the 15-percent share in 2005, when population growth in the submarket was stronger.

Home Sales Price Trends

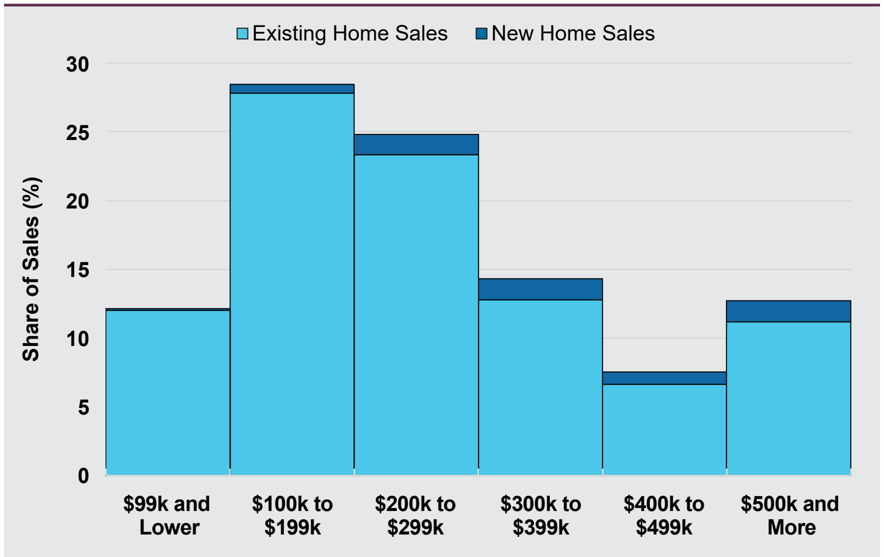
Home sales prices in the submarket have increased steadily since the early 2010s, in large part because of the rising new home sales price, and they are currently 22 percent higher than the peak before the housing crisis. The average home sales price in the submarket was $235,000 during 2007 before declining during the economic downturn an average of 9 percent a year, to $193,900 in 2009 (Zonda, with adjustments by the analyst; Figure 19). The average home sales price rose slightly, to $195,200, by the end of 2011, the same year that home sales declined to the lowest level. Demand for homes rose with strengthening economic conditions and because residents continued to move from the City of St. Louis submarket to suburban areas. As a result, home sale prices increased modestly, rising an average of 3 percent annually from 2012 through 2020 before accelerating when the demand for homes in suburban areas increased during the pandemic. During the 12 months ending April 2022, the average home sales price in the submarket rose 9 percent, to a new high of $289,300, following a gain of 7 percent during the 12 months ending April 2021. The average price of a new home in the submarket rose 13 percent, to a new high of $409,600, during the 12 months ending April 2022, after prices had remained unchanged during the previous 12 months. Rising costs of building materials and labor contributed to the sharp increase in the average price of a new home. By comparison, existing home sales prices continued to rise steadily, with a gain of 10 percent during the 12 months ending April 2020, following a gain of 9 percent a year earlier. Approximately 28 percent of all homes sold in the submarket were priced from $100,000 to $199,999, with an additional 25 percent priced from $200,000 to $299,999 (Figure 20).

Figure 19. 12-Month Average Sales Price by Type of Sale in the Metro West Submarket



REO = real estate owned.
Source: Zonda, with adjustments by the analyst

Figure 20. Share of Overall Sales by Price Range During the 12 Months Ending April 2022 in the Metro West Submarket



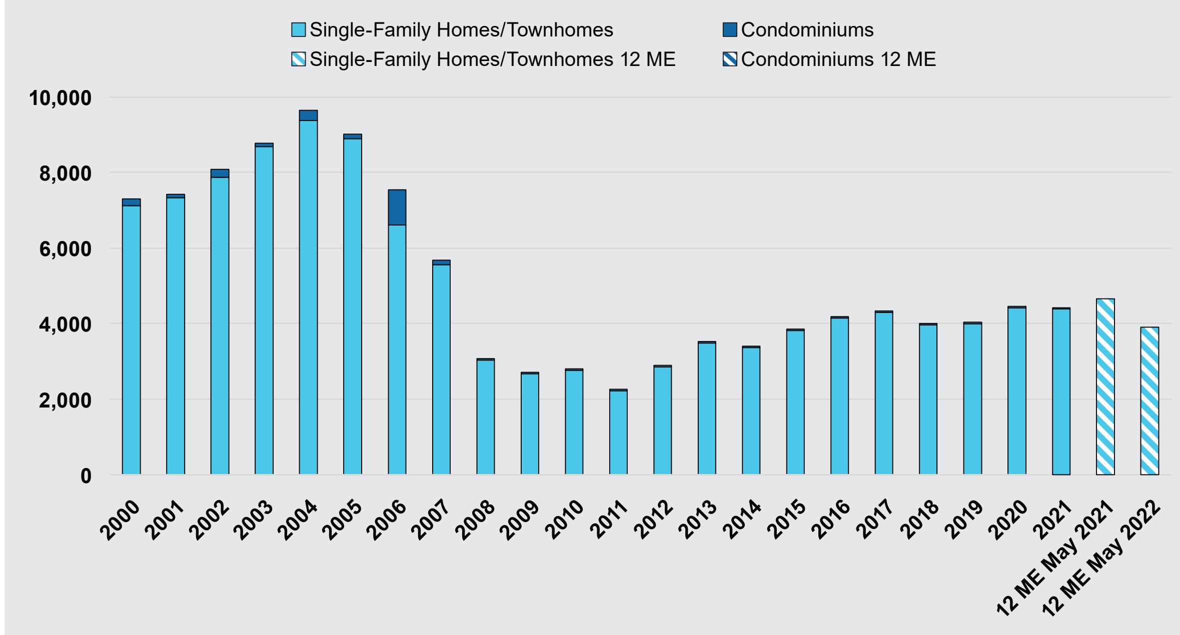
Source: Zonda

Sales Construction Activity

Home sales construction activity increased since the lows during the early 2010s but is below the levels reached during the early 2000s, partly because of slower population and household growth in the submarket since 2010. During the 12 months ending May 2022, approximately 3,900 homes were permitted in the submarket, representing a 16-percent decline from the 4,650 homes permitted during the previous 12 months (preliminary data, with estimates by the analyst; Figure 21). By comparison, from 2001 through 2004, a period of strong population growth in the submarket, permitting rose an average of 7 percent a year, to 9,650 homes. Following this peak, construction activity in the submarket trended downward, and the number of homes permitted reached a low of 2,225 during 2011, representing an average decline of 19 percent annually. From 2012 through 2017, however, the number of homes permitted rose an average of 12 percent a year, to 4,300 in 2017, before moderating to an average of 4,000 homes permitted during 2018 and 2019.

Recent developments include the 31-lot The Manors at Elmhaven in the city of St. Charles, which offers three- and four-bedroom single-family homes with prices starting in the high $300,000s. Construction is currently underway on the Windswept Farms subdivision, part of the 174-acre master-planned community in southwestern St. Louis County that will include 44 two- and three-bedroom homes, of which approximately 30 homes have been built. Home prices in the subdivision start in the low $300,000s.

Figure 21. Annual Sales Permitting Activity in the Metro West Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Forecast

During the 3-year forecast period, demand is estimated for 12,800 new homes (Table 12). Demand is expected to be steady during the forecast period, supported by continued net in-migration to the submarket. The 1,100 new homes currently under construction, representing 76 percent of the homes currently under construction in the HMA, will satisfy a portion of that demand.

Table 12. Demand for New Sales Units in the Metro West Submarket During the Forecast Period

	Sales Units
Demand	12,800 Units
Under Construction	1,100 Units

Note: The forecast period is from June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Sales Market—Metro East Submarket

Market Conditions: Balanced

Sales market conditions in the Metro East submarket are balanced because of stronger demand since the late 2010s and a limited supply of new homes.

Current Conditions

The overall sales vacancy rate in the Metro East submarket was estimated at 1.8 percent as of June 1, 2022 (Table 13), down from 2.2 percent during April 2010, when conditions were soft. The inventory of available homes for sale in the submarket in May 2022 was a 2.7-month supply, up from a 2.3-month supply a year ago (Redfin, a national real estate brokerage). Limited construction activity has allowed for the absorption of excess inventory since 2011 and has contributed to balanced market conditions, despite net out-migration from the HMA.

Home Sales Trends

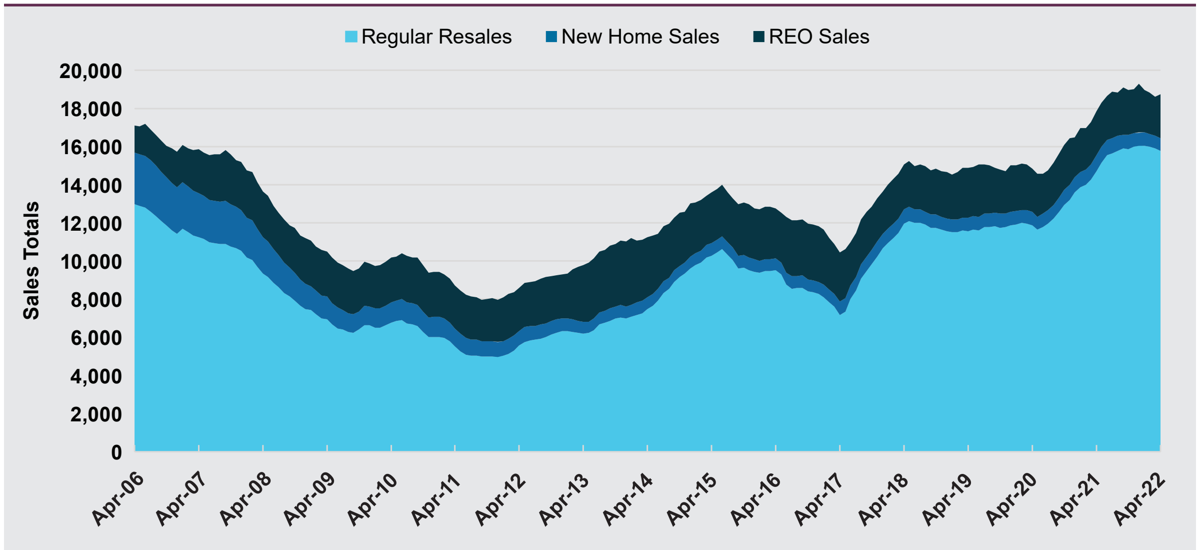
The number of homes sold in the submarket during the past year was more than double the previous low in 2011. After peaking at 16,950 in 2005, the number of homes sold in the submarket declined an average of 12 percent a year during the next 6 years to a low of 7,975 in 2011 (Zonda, with adjustments by the analyst; Figure 22). By comparison, home sales increased an average of 18 percent a year from 2012 through 2014, when economic conditions started to improve in the HMA. The growth trend was not sustained, however, and the number of homes sold in the submarket declined an average of 5 percent a year during 2015 and 2016. Part of the decline can also be attributed to falling REO sales in the HMA,

Table 13. Home Sales Quick Facts in the Metro East Submarket

Home Sales Quick Facts		Metro East Submarket	St. Louis HMA
	Vacancy Rate	1.8%	1.3%
	Months of Inventory	2.7	1.2
	Total Home Sales	18,750	77,800
	1-Year Change	5%	-4%
	Total Home Sales Price	$187,000	$256,700
	1-Year Change	5%	7%
	Mortgage Delinquency Rate	1.9%	1.5%

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending April 2022; and months of inventory and mortgage delinquency data are as of May 2022. The current date is June 1, 2022.
Sources: Vacancy rate—estimates by the analyst; months of inventory—Redfin, a national real estate brokerage; home sales and prices—Zonda, with adjustments by the analyst

Figure 22. 12-Month Sales Totals by Type in the Metro East Submarket



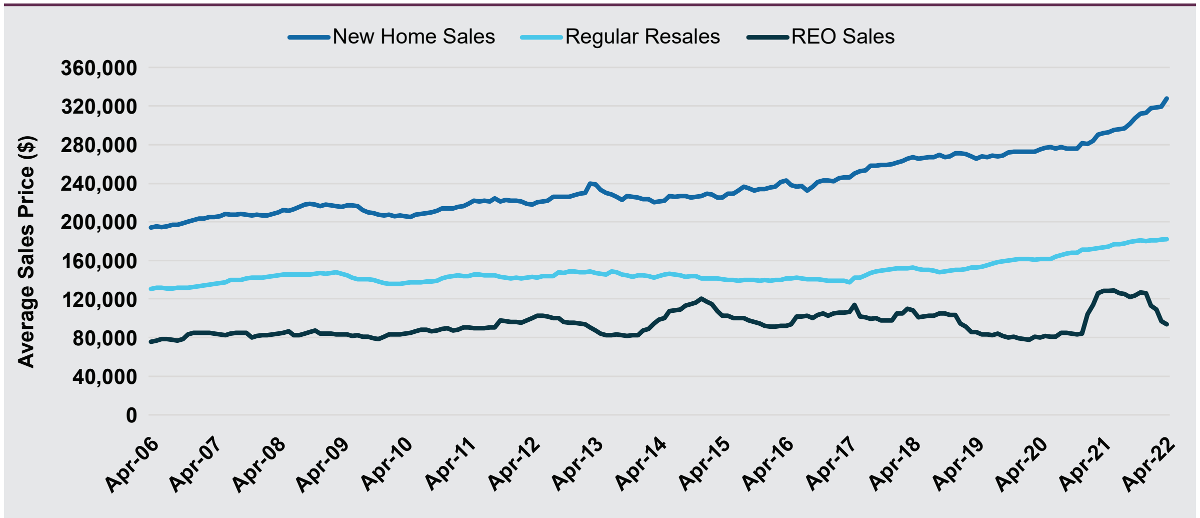
REO = real estate owned.
Source: Zonda, with adjustments by the analyst

which peaked at 3,400 in 2013, accounting for 31 percent of home sales in the submarket, and they have generally been declining since then. Starting in 2017, the number of homes sold in the HMA increased an average of 9 percent a year, to 16,450 sold in 2020, partly because low home prices, relative to the other submarkets, attracted buyers. As in other submarkets in the HMA, home sales increased early in the pandemic but have since moderated. During the 12 months ending April 2022, the number of homes sold in the Metro East submarket rose 5 percent, to 18,750, following an increase of 20 percent during the 12 months ending April 2021. New home sales in the submarket declined 21 percent, to 650, during the 12 months ending April 2022. The number of new home sales in the submarket during the current 12 months was only 3 percent above the previous low of 630 home sales during 2014 and substantially below the 2,675 homes sold during 2005. By contrast, existing home sales in the submarket rose 6 percent, to reach a new high of 18,100 sales during the 12 months ending April 2022, and they were substantially above the low of 7,200 homes sold during 2011.

Home Sales Price Trends

A large inventory of REO homes entered the submarket in the aftermath of the housing crisis, resulting in slow home sales price growth in the submarket during most of the 2010s. The average home sales price in the Metro East submarket reached $149,700 in 2007 and then fell an average of 4 percent a year, to a low of $137,800 during 2009 (Zonda, with adjustments by the analyst; Figure 23). Home sales prices rebounded 6 percent, to $146,000 a year later, but demand was insufficient to sustain further increases, despite a reduction in homebuilding activity. From 2011 through 2016, home prices fluctuated moderately, with home sales prices averaging $143,550. Following this period, home sales prices increased an average of 5 percent a year from 2017 through 2020, when demand increased and permitting remained low. During the 12 months ending April 2022, the average home sales price in the HMA rose 5 percent, to a new high of $187,000, following a gain of nearly 9 percent during the 12 months ending April 2021. Home sales price growth in the submarket slowed, partly because the average REO home sales price declined nearly 27 percent, to $93,400, during the 12 months ending April 2022, following a substantial gain of 59 percent during the previous 12 months, when prices rose to $128,800 during the 12 months ending April 2021, fueled by stronger demand for homeownership during the pandemic. At the same time, the average sales price for a new home rose 12 percent, to $327,600, following a gain of 5 percent a year earlier. Approximately 64 percent of all homes sold in the submarket during the most recent 12 months were priced below $200,000 (Figure 24). New home sales prices were concentrated in the $300,000-to-$399,999 range.

Figure 23. 12-Month Average Sales Price by Type of Sale in the Metro East Submarket



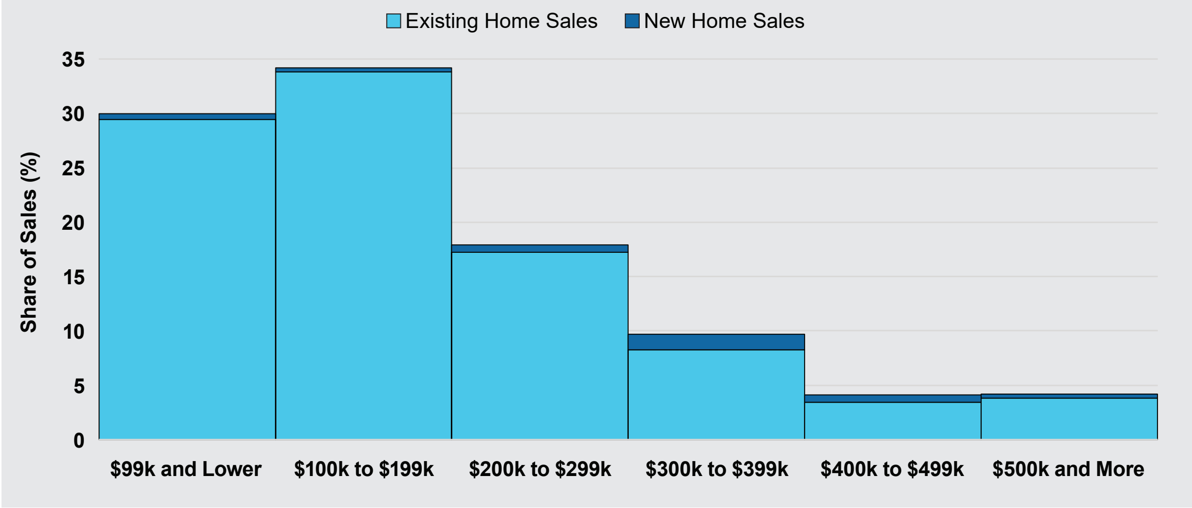
REO = real estate owned.
Source: Zonda, with adjustments by the analyst

Sales Construction Activity

Limited construction activity in the submarket since the late 2000s contributed to balanced market conditions, despite the population decline. During 2000, 2,375 homes were permitted; from 2001 through 2005, permitting rose an average of 12 percent a year, to a high of 4,225 in 2005 (Figure 25). Construction activity slowed a year later, and with weakening economic conditions, permitting fell for 5 of the next 6 years, to a low of 1,025 in 2011. Homes left vacant after the housing crisis satisfied most of the demand during the 2010s, and construction activity remained low, averaging 1,125 homes a year from 2012 through 2019. During the 12 months ending May 2022, approximately 1,175 homes were permitted in the submarket, reflecting a 15-percent decline from 1,375 homes permitted during the previous 12 months (preliminary data, with estimates by the analyst).

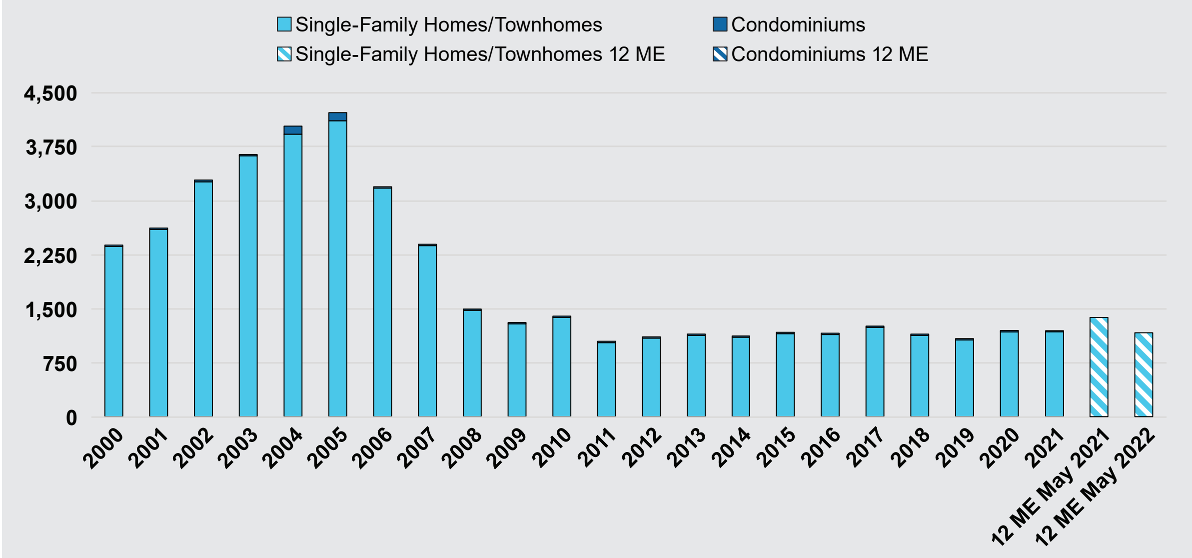
New home construction in the submarket is generally concentrated in areas with easy access to expressways and MetroLink stations connecting the submarket to the city of St. Louis. Some recent developments include the Traditions at Reunion subdivision, a 62-home development in St. Clair County, where 21 homes have sold to date. Home prices in this subdivision start at $370,800 for a three-bedroom, two-bathroom, 1,950-square-foot home. Construction is underway at Parkview Meadows, also in St. Clair County. Approximately 23 homes have been sold in this

Figure 24. Share of Sales by Price Range During the 12 Months Ending April 2022 in the Metro East Submarket



Source: Zonda

Figure 25. Annual Sales Permitting Activity in the Metro East Submarket



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

49-lot subdivision consisting of two- to four-bedroom single-family homes with starting prices ranging from $331,000 to $387,200.

Forecast

During the 3-year forecast period, demand is estimated for 3,425 new homes (Table 14), representing 20 percent of the estimated demand for new homes in the HMA. The 240 homes currently under construction will satisfy a portion of that demand. Demand for new homes in the submarket is expected to remain steady throughout the forecast period and will be concentrated in St. Clair and Madison Counties.

Table 14. Demand for New Sales Units in the Metro East Submarket During the Forecast Period

Sales Units	
Demand	3,425 Units
Under Construction	240 Units

Note: The forecast period is from June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Rental Market

Rental Market—St. Louis HMA

Market Conditions: Balanced

The rising demand for apartments since 2020 has resulted in balanced rental market conditions in the HMA.

Current Conditions and Recent Trends

The overall rental vacancy rate in the HMA is currently estimated at 7.4 percent, down from 10.8 percent in April 2010, when the rental market was soft (Table 15). The vacancy rate declined in part because of a shift from homeownership to renting in the aftermath of the housing crisis. Renter households currently account for 30.3 percent of all households in the HMA, up from 29.4 percent in 2010. Approximately 37 percent of renter households in the HMA lived in single-family homes during the 2016-through-2020 period, up from 32 percent during the 2006-through-2010 period (ACS 5-year data). In addition, 23 and 38 percent of all renter households in the HMA lived in buildings with two to four units and buildings with five or more units, respectively, during the 2016-through-2020 period, down from 26 and 39 percent during the 2006-through-2010 period.

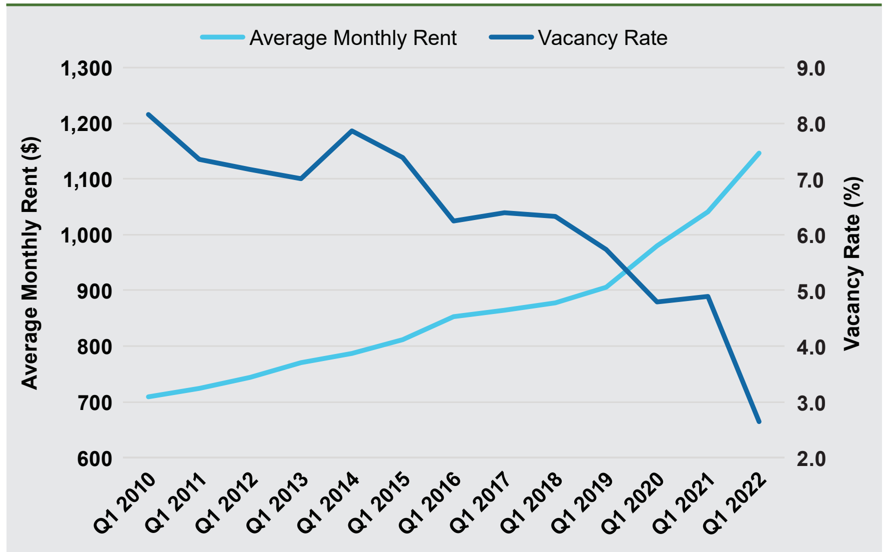
Table 15. Rental and Apartment Market Quick Facts in the St. Louis HMA

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	10.8	7.4
		2006–2010 (%)	2016–2020 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	32	37
	Multifamily (2–4 Units)	26	23
	Multifamily (5+ Units)	39	38
	Other (Including Mobile Homes)	3	2
		Q1 2022	YoY Change
Apartment Market Quick Facts	Apartment Vacancy Rate		
	HMA	2.7	-2.2
	Nation	2.4	-2.3
	Average Rent		
	HMA	$1,146	10.0
	Nation	$1,670	17.0

Q1 = first quarter. YoY = year-over-year.
Notes: The current date is June 1, 2022. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2006–2010 and 2016–2020 American Community Survey 5-year data; apartment data—Real Page, Inc.

The apartment market in the HMA is slightly tight. Conditions tightened during the past year because rising home prices made renting more attractive. The apartment vacancy rate in the HMA reached a high of 7.9 percent during the first quarter of 2014 and has declined nearly every year since (Figure 26). During the first quarter of 2022, the apartment vacancy rate decreased to a low of 2.7 percent, down from 4.9 percent a year ago, despite a high number

Figure 26. Apartment Rents and Vacancy Rates in the St. Louis HMA



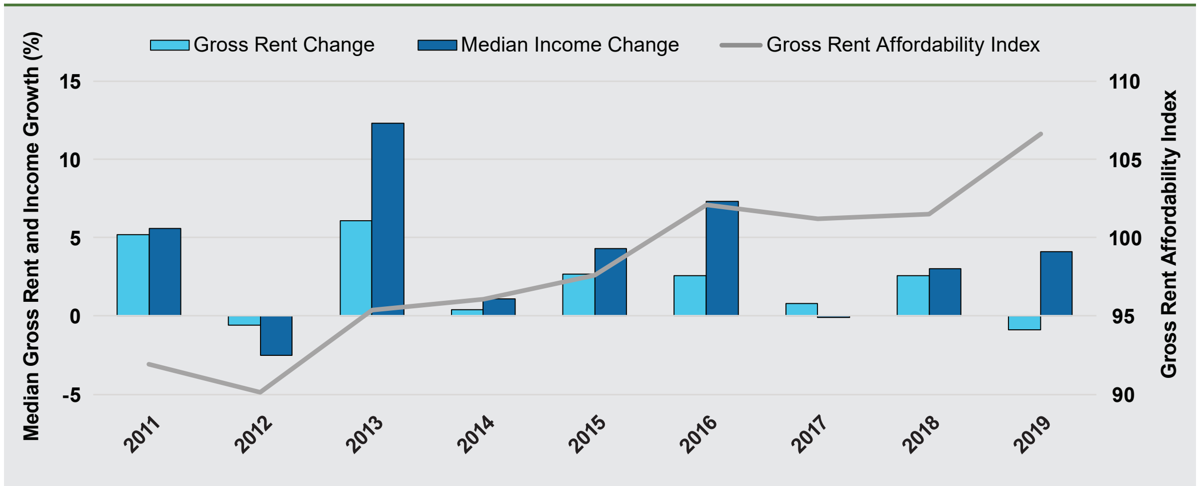
Q1= first quarter.
Source: Real Page, Inc.

of new apartment units added to the inventory (Real Page, Inc.). The average rent in the HMA was $1,146 during the first quarter of 2022, up 10 percent from a year earlier, while the average rent for the nation rose 17 percent, to $1,670. By comparison, from the first quarter of 2014 to the first quarter of 2021, the average monthly rent grew an average of 4 percent in the HMA and the nation, respectively.

Rental Affordability

Rental housing in the St. Louis HMA is affordable for median-income renters. Rental affordability generally improved during the 2010s because the median income for renter households rose at a faster rate than the median gross rent during 7 of the 9 years from 2011 to 2019. As a result, the HUD Gross Rent Affordability Index, a measure of median renter household income to income qualifying for the median-priced rental unit, trended upward (Figure 27). The index was 106.6 during 2019, up from a recent low of 90.2 in 2012. The rental affordability index value of 100 indicates that the median income of renter households is high enough to qualify for median-priced rental units. The national Gross Rent Affordability Index has been above 90.0 since 2013 and was 96.8 in 2019.

Figure 27. St. Louis MSA Gross Rent Affordability Index



MSA = metropolitan statistical area.
Notes: Rental affordability is for the larger St. Louis MSA. The Gross Rent Affordability Index differs from the HUD Rental Affordability Index published on the U.S. Housing Market Conditions website in that it is based on combined rent and utilities expenditures.
Source: American Community Survey 1-year data

Forecast

During the 3-year forecast period, demand is expected for an estimated 9,375 rental units in the HMA (Table 16). Demand for new rental units in the HMA is expected to be stable throughout the forecast period. The 3,865 units under construction and an additional 1,100 units in planning are expected to satisfy much of the rental demand during the next 2 years.

Table 16. Demand for New Rental Units in the St. Louis HMA During the Forecast Period

	Rental Units
Demand	9,375 Units
Under Construction	3,865 Units

Note: The forecast period is June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Rental Market—City of St. Louis Submarket

Market Conditions: Balanced

Strong demand for new apartments since 2020 has contributed to balanced rental market conditions in the St. Louis City submarket despite continued net out-migration.

Rental Market Conditions and Recent Trends

Rental housing market conditions in the City of St. Louis submarket are currently balanced. The overall rental vacancy rate is currently estimated at 9.5 percent, down from 15.2 percent in April 2010, when the market was soft (Table 17). Since 2010, renter household growth, boosted by a shift of households from owners to renters in the aftermath of the housing crisis, led to the absorption of previously vacant units and contributed to the current balanced rental market conditions.

Apartment market conditions tightened in the submarket during the past year because increased demand for rental units during the recovery from the COVID-19-related recession outpaced supply growth. The apartment market in the City of St. Louis submarket area is currently slightly tight, with a 4.0-percent vacancy rate during the first quarter of 2022, down from 7.5 percent during the first quarter of 2021 (Real Page, Inc.). The vacancy rate in the submarket declined as residents, including students, returned in response to the reopening of offices and universities. By comparison, apartment market conditions were soft during the first quarter of 2010, when the vacancy rate was at a high of 9.9 percent, but shifted to generally balanced conditions from the first quarter of 2011 through the first quarter of 2021. The large difference between the apartment and overall rental vacancy rates is attributed to many buildings in the submarket with two to four units in a structure that tend to be older, have a higher vacancy rate, and are not included in apartment market surveys. The city of St. Louis has ramped up demolitions of blighted vacant properties since 2016. Smaller apartment buildings, however, are estimated to represent a sizeable 37-percent share of the occupied rental inventory, down from 42 percent during the 2006-through-2010 period (ACS 5-year data). The average rent for an apartment in the City of St. Louis submarket was $1,314 during the first quarter of 2022 (Figure 28), representing an increase of $126, or nearly 11 percent, from a year earlier (Real Page, Inc.). By comparison, from the first quarter of 2010 through the first quarter of 2020, the average rent in the submarket increased an average of 3 percent annually.

Among the 8,350 apartment units built in the submarket since 2010, approximately 53 percent, or 4,450 units, were built in the Central St. Louis market area, of which about 50 percent, or 2,250 units, were built since 2019. Demand in this area is heavily influenced by young professionals and students. The absorption of new apartments in the Central St. Louis market area during the 12 months ending May 2022 averaged 41 units a month, and

Table 17. Rental and Apartment Market Quick Facts in the City of St. Louis Submarket

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	15.2	9.5
		2006–2010 (%)	2016–2020 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	19	22
	Multifamily (2–4 Units)	42	37
	Multifamily (5+ Units)	38	40
	Other (Including Mobile Homes)	1	1
		Q1 2022	YoY Change
Apartment Market Quick Facts	Apartment Vacancy Rate	4.0	-3.5
	Average Rent	$1,314	11

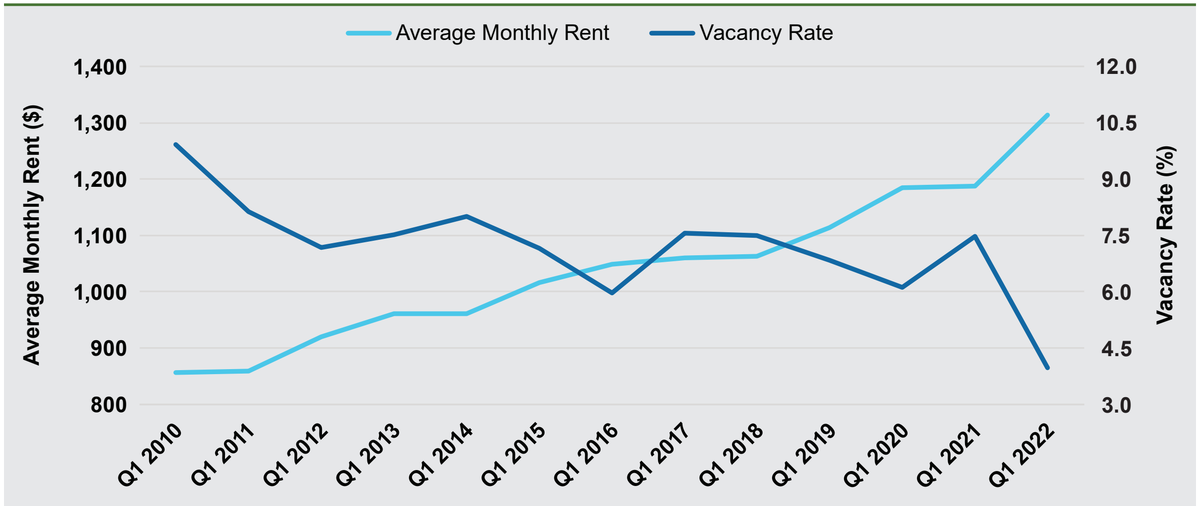
Q1 = first quarter. YoY = year-over-year.
Notes: The current date is June 1, 2022. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2006–2010 and 2016–2020 American Community Survey 5-year data; apartment data—Real Page, Inc.

the supply of new apartments has generally satisfied the demand (ALN Apartment Data, Inc.). As of June 1, 2022, apartment market conditions in the Central St. Louis market area are balanced, with a 5.9-percent vacancy rate, down from 6.7 percent a year earlier. The average rent for an apartment in the market area is currently $1,574, up $159, or 11 percent, from a year earlier. Rents for units built in the Central St. Louis market area since 2019 average $1,519 and $1,960 for one- and two-bedroom units, respectively.

Rental Construction Activity

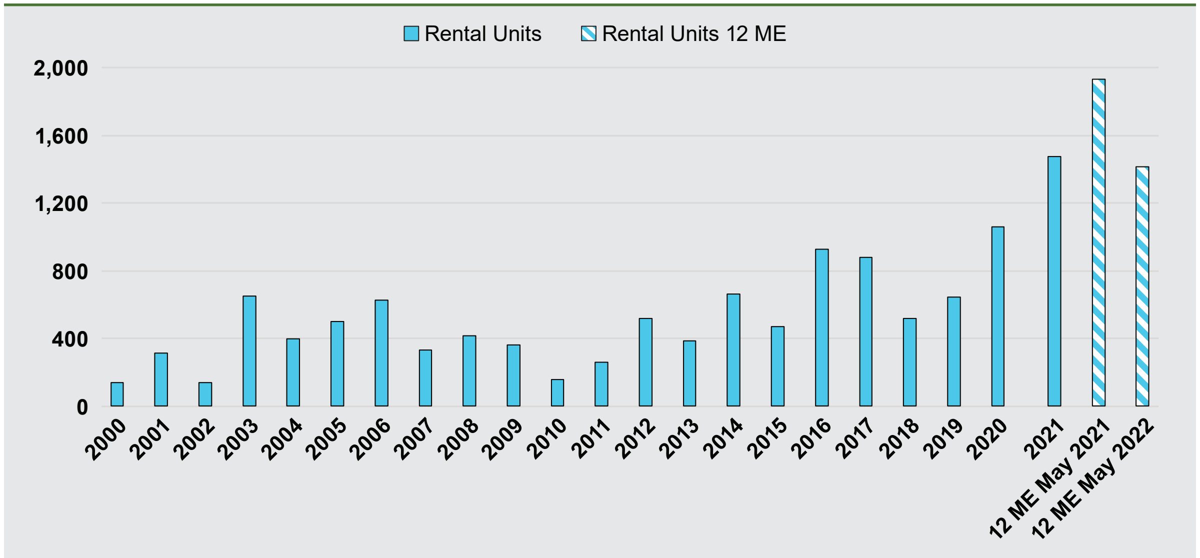
Rental construction activity in the submarket, as measured by the number of units permitted, decreased during the recent 12 months, but it remained at historically high levels. During the 12 months ending May 2022, approximately 1,425 rental units were permitted in the submarket, down 26 percent from 1,925 units permitted during the 12 months ending May 2021 (preliminary data and estimates by the analyst; Figure 29). Construction of new rental units in the City of St. Louis submarket has increased since the mid-2010s in response to increasing demand from young professionals to live near the city center (Map 2). An average of 810 units were permitted annually from 2016 through 2020, nearly double the average of 410 units from 2010 through 2015. By comparison, rental construction activity in the submarket averaged 390 units annually during the 2000s.

Figure 28. Apartment Rents and Vacancy Rates in the City of St. Louis Submarket



Q1 = first quarter.
Source: Real Page, Inc.

Figure 29. Annual Rental Permitting Activity in the City of St. Louis Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

Rental construction activity in the submarket accounted for about one-third of all rental unit construction in the HMA, even though the residents in the submarket represent only 11 percent of the total population. New apartment developments completed during the past year include the 205-unit Marlowe in the city's Central West End neighborhood, which is part of the Central St. Louis market area. Rents at this property range from $1,525 for a studio unit to $3,375 for a two-bedroom unit. Construction is nearing completion and units are preleasing at the 78-unit Ballpark Heights adjacent to Busch Stadium, home to the St. Louis Cardinals. Asking rents at this property range from $1,703 to $3,257 for one- and two-bedroom units, respectively.

Forecast

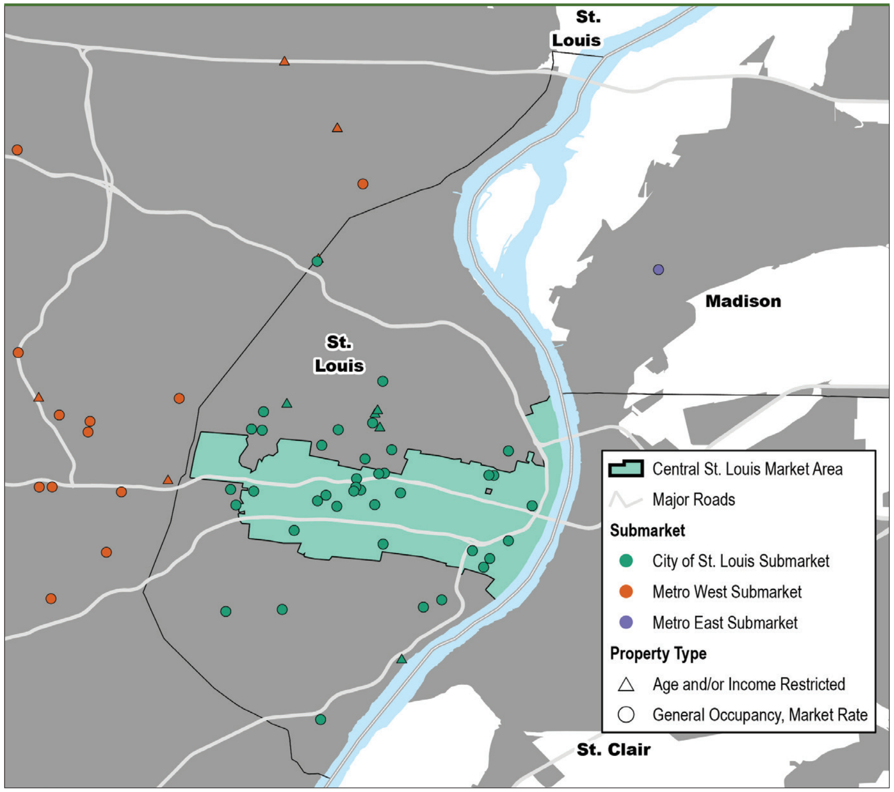
During the 3-year forecast period, demand is expected for an estimated 3,750 rental units in the submarket (Table 18), which accounts for 40 percent of the estimated demand for new rental units in the HMA. The 1,750 units under construction, which represent 43 percent of the units under construction in the HMA, and 580 additional units in planning are expected to satisfy more than half of the demand in the submarket during the forecast period.

Table 18. Demand for New Rental Units in the City of St. Louis Submarket During the Forecast Period

	Rental Units
Demand	3,750 Units
Under Construction	1,750 Units

Note: The forecast period is June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Map 2. Completed Projects in the City of St. Louis Submarket Since 2015



Source: Dodge Data & Analytics LLC

Rental Market— Metro West Submarket

Market Conditions: Balanced

The overall rental market in the submarket is currently balanced, but conditions in the apartment market are tight.

Rental Market Conditions and Recent Trends

The overall rental market in the Metro West market area is currently balanced. The rental vacancy rate is estimated at 6.2 percent as of June 1, 2022, down from 9.6 percent in April 2010 (Table 19). During the 2016-through-2020 period, single-family homes accounted for 39 percent of occupied rental units in the submarket, representing an increase from 33 percent during the 2006-through-2010 period (ACS 5-year data). During the same time, the share of all renter households in the submarket living in properties with two to four units per building and properties with five or more units per building declined to 17 and 41 percent, respectively, from 19 and 45 percent.

The apartment market in the Metro West submarket is tight, with strong demand for new apartments, partly because of the low inventory of homes available for sale. During the first quarter of 2022, the apartment vacancy rate was estimated at 2.6 percent, down from 4.8 percent a year earlier and substantially below the 8.5 percent

Table 19. Rental and Apartment Market Quick Facts in the Metro West Submarket

		2010 (%)	Current (%)
Rental Market Quick Facts	**Rental Vacancy Rate**	9.6	6.2
		2006–2010 (%)	**2016–2020 (%)**
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	33	39
	Multifamily (2–4 Units)	19	17
	Multifamily (5+ Units)	45	41
	Other (Including Mobile Homes)	3	3

		Apartment Vacancy Rate Q1 2022	YoY Change	Average Rent Q1 2022	YoY Change
Apartment Market Quick Facts	Metro West	2.6	-2.2	$1,113	14
	Average Rent				
	Chesterfield	1.7	-2.5	$1,282	16
	Florissant	3.7	-0.7	$929	9
	Maryland	2.0	-2.6	$1,177	15
	Mid St. Louis County	3.0	-4.6	$1,491	14
	Northeast St. Louis County	5.6	-1.0	$722	7
	South St. Louis County	1.4	-2	$940	10
	St. Charles County	1.3	-2	$1,248	20

Q1 = first quarter. YoY = year-over-year.
Notes: The current date is June 1, 2022. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2006–2010 and 2016–2020 American Community Survey 5-year data; apartment data—Real Page, Inc.

rate during the first quarter of 2010 (Real Page, Inc.; Figure 30). Apartment market conditions in the Metro West submarket have tightened since 2010 because of relatively strong economic conditions and because a slowdown in apartment construction early in the 2010s allowed for vacant units to be absorbed. Within the submarket, apartment vacancy rates during the first quarter of 2022 ranged from a low of 1.3 percent in the RealPage, Inc.-defined St. Charles County market area, where population growth supported demand for new apartments, to a high of 5.6 percent in the Northeast St. Louis County market area, near the city of St. Louis and where the housing stock tends to be older.

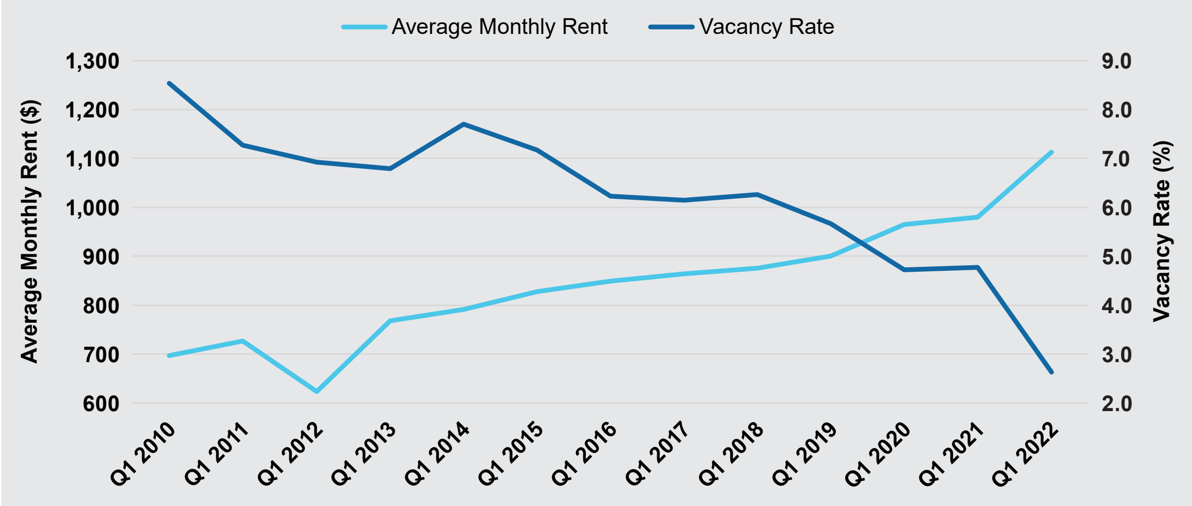
The average apartment rent in the Metro West submarket increased approximately 3 percent a year from the first quarter of 2013 to the first quarter of 2019, and then rent growth accelerated to an average of

6 percent annually from the first quarter of 2020 through the first quarter of 2021. Rents increased further as apartment market conditions tightened during the past year; the average rent in the submarket during the first quarter of 2022 was $1,113, up $133, or 14 percent, from a year earlier. Of the seven Real Page, Inc.-defined market areas in the submarket, all had increases in the average asking rent during the first quarter of 2022. The average monthly rent growth ranged from 7 percent in the Northeast St. Louis County market area to 20 percent in the St. Charles County market area.

Rental Construction Activity

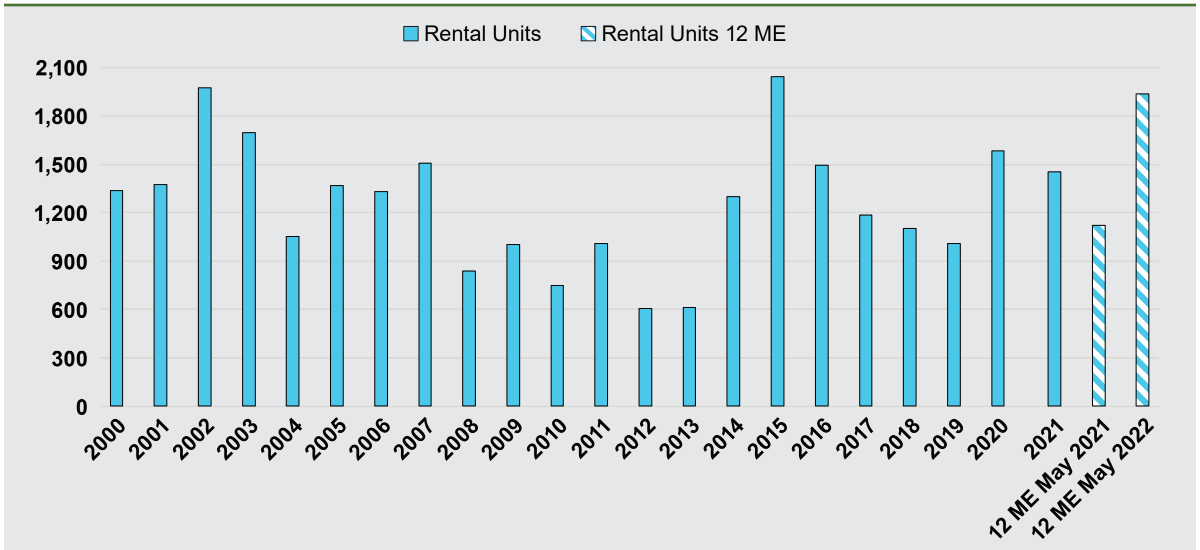
During the past year, builders responded to tightening apartment market conditions by sharply increasing construction in the submarket, but construction remains below the recent peak in 2015 (Figure 31). During the 12 months ending May 2022, rental construction activity totaled 1,925 units, up 71 percent from the 1,125 units permitted during the previous 12 months (preliminary data, with adjustments by the analyst). From 2000 through 2007, an average of 1,450 units were permitted each year. Permitting slowed to an average of 800 rental units annually from 2008 through 2013, a period that included the housing market downturn and a recovery period. Continued economic recovery from the Great Recession and balanced market conditions gave builders the confidence to increase the

Figure 30. Apartment Rents and Vacancy Rates in the Metro West Submarket



Q1 = first quarter.
Source: Real Page, Inc.

Figure 31. Annual Rental Permitting Activity in the Metro West Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

construction of new rental units, which averaged 1,400 units a year from 2014 through 2020, with a high of 2,050 units permitted during 2015.

Recent rental construction in the submarket has been heavily concentrated in northwest St. Charles County and in St. Louis County, near the city of Clayton (Map 3). One development under construction in St. Charles County is the 316-unit Avenue64 in the city of O'Fallon. The property is scheduled to open during late summer 2022 and will offer one-, two-, and three-bedroom units with monthly rents starting at $1,500, $1,833, and $2,014, respectively. The 272-unit Bold on Blvd opened earlier in 2022 in the city of St. Peters, also in St. Charles County, and it is currently 35 percent occupied. Asking rents for studios, one-bedroom, and two-bedroom units range from $1,135 to $1,757.

Forecast

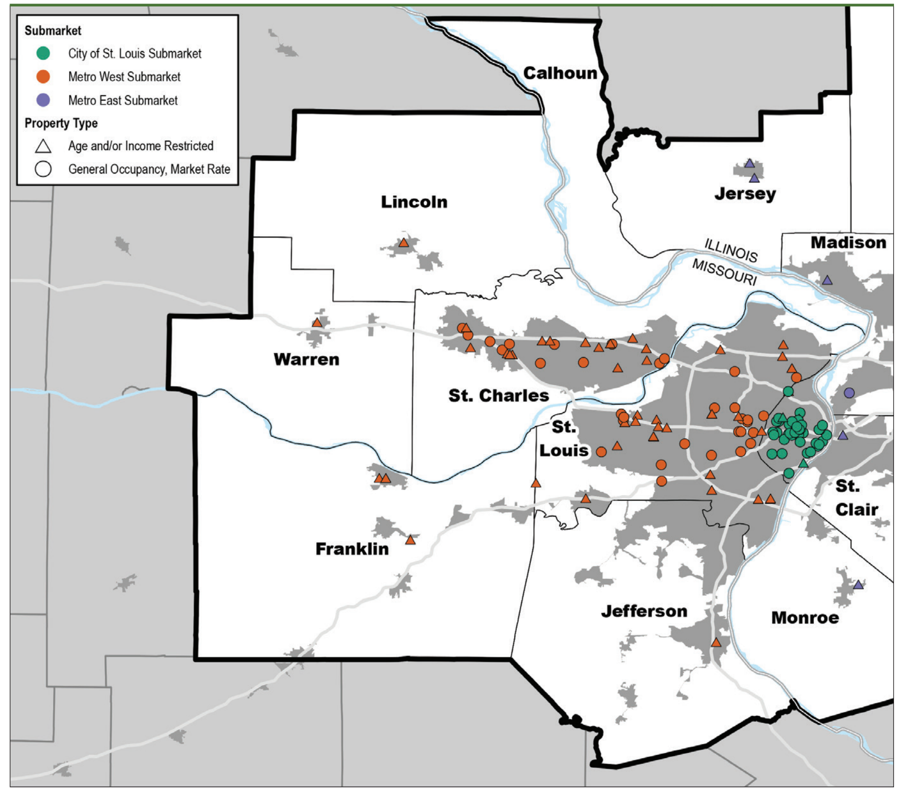
During the 3-year forecast period, demand is expected for an estimated 4,875 rental units in the submarket (Table 20), accounting for 52 percent of the estimated demand for new rental units in the HMA. The 2,025 units under construction, which represent nearly one-half of the units under construction in the HMA, and 290 additional units in planning, are expected to satisfy a portion of the demand in the submarket during the forecast period. Nearly all the rental unit construction activity is expected to take place in St. Charles and St. Louis Counties.

Table 20. Demand for New Rental Units in the Metro West Submarket During the Forecast Period

Rental Units	
Demand	4,875 Units
Under Construction	2,025 Units

Note: The forecast period is June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Map 3. Completed Projects in the Metro West Submarket Since 2015



Source: Dodge Data & Analytics LLC

Rental Market—Metro East Submarket

Market Conditions: Balanced

Rental market conditions were generally soft during the 2010s because of a shift to net out-migration but have moved toward balanced conditions since the onset of the pandemic because of stronger demand and limited supply of new apartment units.

Table 21. Rental and Apartment Market Quick Facts in the Metro East Submarket

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	9.0	8.0
		2006–2010 (%)	2016–2020 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	42	45
	Multifamily (2–4 Units)	25	22
	Multifamily (5+ Units)	28	28
	Other (Including Mobile Homes)	5	5
Apartment Market Quick Facts		Q1 2022	YoY Change
	Apartment Vacancy Rate	2.2	0.6
	Average Rent	$1,091	9.0%

Q1 = first quarter. YoY = year-over-year.
Notes: The current date is June 1, 2022. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2006–2010 and 2016–2020 American Community Survey 5-year data; apartment data—Real Page, Inc.

Rental Market Conditions and Recent Trends

The rental market in the Metro East submarket is currently balanced, with an estimated 8.0-percent vacancy rate, down from 9.0 percent in 2010 (Table 21). The housing crisis late in the 2000s led to softening rental market conditions after a large supply of unsold homes became available as rental units. Since 2010, absorption of previously vacant units and low construction of new rental units, relative to the 2000s, have contributed to the current balanced rental market conditions. Approximately 45 percent of all renter households in this submarket lived in single-family homes during the 2016-through-2020 period, up from 42 percent during the 2006-through-2010 period, whereas the share of renter households living in buildings with two to four units declined from 25 to 22 percent (ACS 5-year data). Renter households in buildings with five or more units, typically apartments, accounted for just 28 percent of all renter households during the 2016-through-2020 period, unchanged from the 2006-through-2010 period. The small portion of renter households residing in buildings with five or more units in the structure provides one reason for the large disparity between overall rental and apartment vacancy rates.

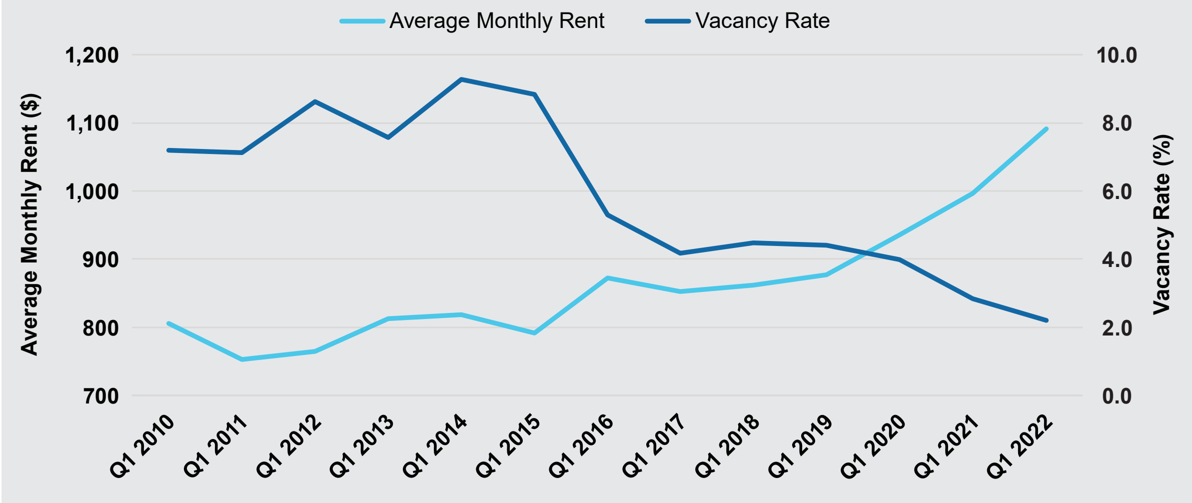
The apartment market in the Metro East submarket is currently tight, with a 2.2-percent vacancy rate during the first quarter of 2022, down from 2.8 percent during the first quarter of 2021 (RealPage, Inc.; Figure 32). The average rent for an apartment during the first quarter of 2022 was the lowest among the submarkets in the HMA, at $1,091, representing a gain of $94, or 9 percent, from a year earlier. The average monthly rent in the submarket did not grow much during the 2010s, averaging an increase of just 1 percent from the first quarter of 2010 through the first quarter of 2019. Rent growth accelerated as apartment market conditions began to tighten and averaged 7 percent a year from the first quarter of 2019 through the first quarter of 2021. Apartment market conditions were generally weak during the early 2010s, partly because of a shift to net out-migration. The apartment vacancy rate rose from 7.2 percent during the first quarter of 2010 to 9.3 percent during the first quarter of 2014. Since then, apartment vacancy rates fell nearly every year as market conditions tightened because relatively low rents supported demand, whereas construction of new apartments remained limited.

Rental Construction Activity

Rental construction activity accelerated during the recent 12 months but is below the levels during the early 2000s (Figure 33). Approximately 370 rental units were permitted in the submarket during the 12 months ending May 2022, representing an increase of 68 percent from the 220 rental units permitted during the 12 months ending May 2021. From 2000 through 2004, an average of 610 rental units were permitted annually, as the population in the submarket expanded, but the market became oversupplied, and construction slowed sharply to an average of 300 rental units permitted annually from 2005 through 2008. From 2009 through 2014, strong demand for senior and affordable housing led to an increase in construction activity, which averaged 460 rental units a year, but with the declining population, construction slowed to an average of 250 units permitted annually from 2015 through 2020.

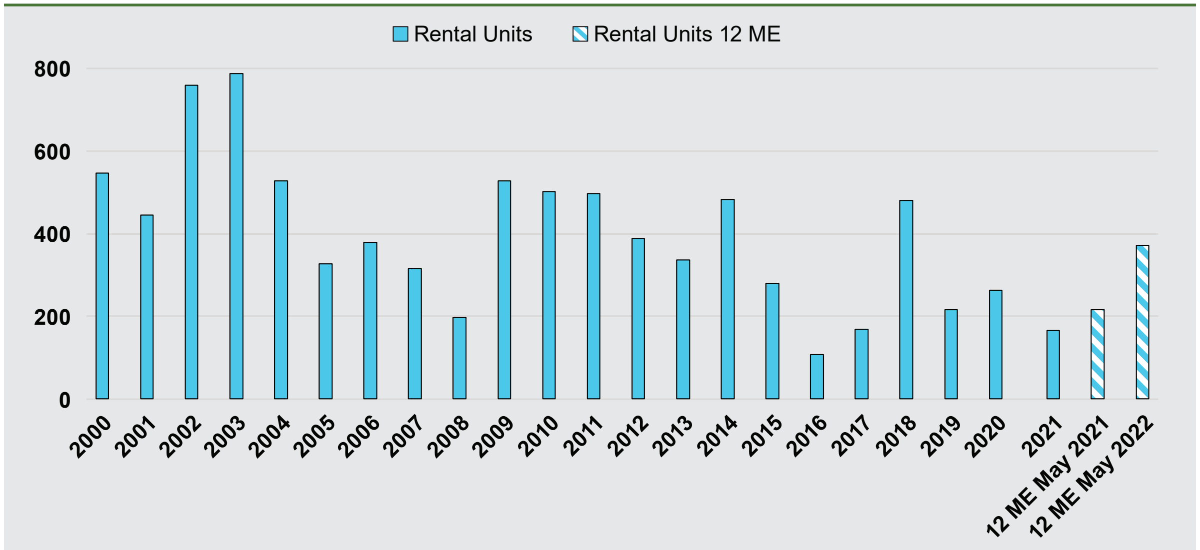
Most recently completed and under-construction developments in the submarket include the rehabilitation of vacant commercial buildings, which are being converted into affordable rental housing units and apartments restricted to households headed by seniors age 55 and older

Figure 32. Apartment Rents and Vacancy Rates in the Metro East Submarket



Q1 = first quarter.
Source: Real Page, Inc.

Figure 33. Annual Rental Permitting Activity in the Metro East Submarket



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

(Map 4). Leasing is underway at the 37-unit Edison Avenue Art Lofts in Granite City, in Madison County. The property is expected to open in July 2022 and will offer one-, two-, and three-bedroom apartments that will be restricted to households earning at or below 60 percent of the Area Median Income, with monthly rents ranging from $520 to $750.

Forecast

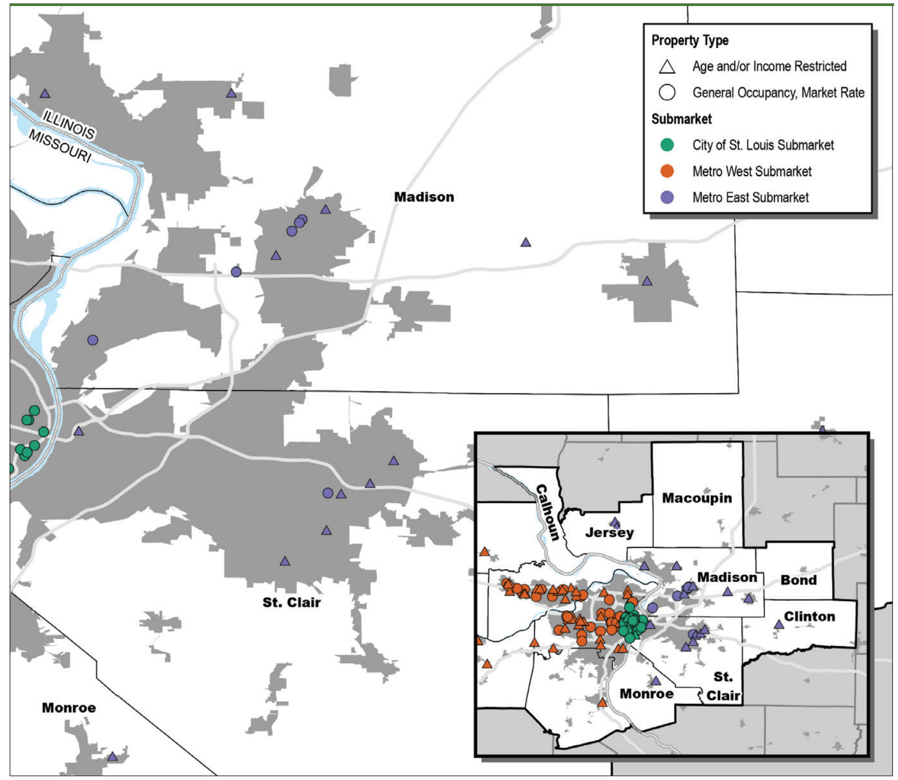
During the 3-year forecast period, demand is expected for an estimated 750 rental units in the submarket (Table 22), accounting for 8 percent of the estimated demand for new rental units in the HMA. The 90 units under construction and the 240 additional units in planning are expected to satisfy nearly one-half of the demand in the submarket during the forecast period. Rental demand in the submarket will be supported by lower rents compared with the other submarkets and by the expected slow household growth during the forecast period.

Table 22. Demand for New Rental Units in the Metro East Submarket During the Forecast Period

	Rental Units
Demand	750 Units
Under Construction	90 Units

Note: The forecast period is June 1, 2022, to June 1, 2025.
Source: Estimates by the analyst

Map 4. Completed Projects in the Metro East Submarket Since 2015



Source: Dodge Data & Analytics LLC

Terminology Definitions and Notes

A. Definitions

Building Permits/ Homes or Units Permitted	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Existing Home Sales	Includes regular resales and REO sales.
Forecast Period	06/01/2022–06/01/2025—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Increase/ Decline	Resident births minus resident deaths.
Regular Resales	These are home closings that have no ties to either new home closings (builders) or foreclosures. They are homes that were previously constructed and sold to an unaffiliated third party and include short sales.

Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units, such as single-family, multifamily, and mobile homes.
Sales Construction Activity	The number of single-family homes, townhomes, and condominiums permitted.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The St. Louis MO-IL MSA includes a portion of Sullivan City in Crawford County, Missouri, and is slightly larger than the St. Louis HMA.
4.	The census tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	The NAHB/Wells Fargo Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

D. Photo/Map Credits

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Contact Information

Tomasz Kukawski, Economist
Chicago HUD Regional Office
312-813-8894
tomasz.m.kukawski@hud.gov