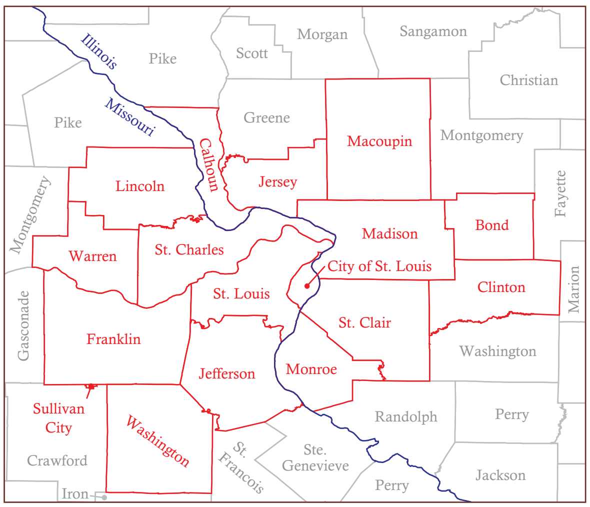
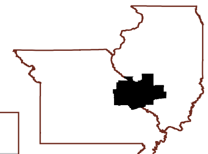
COMPREHENSIVE HOUSING MARKET ANALYSIS

St. Louis, Missouri-Illinois

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of January 1, 2013





Housing Market Area

The St. Louis Housing Market Area (HMA) is coterminous with the St. Louis, MO-IL Metropolitan Statistical Area. For purposes of this analysis, the HMA is divided into three submarkets: (1) the City of St. Louis submarket, which comprises the city of St. Louis, including the Central City area; (2) the Metro West submarket, which comprises Franklin, Jefferson, Lincoln, St. Charles, St. Louis, Warren, and Washington Counties in Missouri and the section of Sullivan City that is in Crawford County, Missouri; and (3) the Metro East submarket, which comprises Bond, Calhoun, Clinton, Jersey, Macoupin, Madison, Monroe, and St. Clair Counties in Illinois.

Summary

Economy

Economic conditions in the St. Louis HMA were flat during 2012. Nonfarm payrolls were essentially unchanged during 2012 at nearly 1.3 million jobs following an increase of 11,800 jobs, or 0.9 percent, during 2011. Job growth is expected to resume during the 3-year forecast period, when nonfarm payroll jobs are anticipated to increase an average of approximately 0.8 percent annually, with the strongest growth in the third year. The unemployment rate in the HMA is currently 7.7 percent. Table DP-1 at the end of this report provides employment data for the HMA.

Sales Market

The sales housing market in the HMA is currently soft but is improving. The current sales vacancy rate for the HMA is estimated at 2.2 percent, down from 2.4 percent in 2010. Demand is expected for 18,820 new homes during the forecast period, as shown in Table 1. A portion of the estimated 58,750 other vacant units currently in the HMA may reenter the market and satisfy some of the forecast demand.

Rental Market

The rental housing market in the HMA is currently soft but showing signs of improvement. The current rental vacancy rate for the HMA is estimated at 10.0 percent, down from the 10.8-percent rate recorded in April 2010. Demand is expected for 1,050 new rental units during the forecast period, as shown in Table 1. The 530 units currently under construction will meet approximately 50 percent of this demand.

Market Details

Table 1. Housing Demand in the St. Louis HMA, 3-Year Forecast, January 1, 2013, to January 1, 2016

	St. Louis HMA		City of St. Louis Submarket		Metro West Submarket		Metro East Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total demand	18,820	1,050	420	440	12,900	610	5,500	0
Under construction	1,260	530	0	0	850	340	410	190

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2013. A portion of the estimated 58,750 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

Economic conditions in the St. Louis HMA were relatively unchanged during 2012. Nonfarm payrolls were flat during 2012, remaining at nearly 1.3 million jobs (Table 2). The stability in nonfarm payrolls during the past year follows an increase of 11,800 jobs, or 0.9 percent, during 2011. The unemployment rate declined from 8.9 to 7.7 percent during 2012 (Figure 1). From 2002 through 2004, nonfarm payrolls declined by an average of 6,200 jobs, or 0.5 percent, annually but then increased by an average of 12,400 jobs, or 0.9 percent, annually from 2005 through 2007. The most recent decline began in 2008 and continued through 2010, with payroll losses averaging 23,700 jobs, or 1.8 percent, annually. Since 2010, nonfarm payrolls have increased by an average of 5,950 jobs, or nearly 0.5 percent, annually but remain 59,200 jobs, or 4.4 percent, below the peak of 1.36 million jobs recorded during 2007. The most recent average growth of 0.5 percent annually is not as strong as during the 2005-through-2007 recovery, when growth averaged 0.9 percent annually after the contraction from 2002 through 2004. During the 2008-through-2010 downturn, the only sectors that did not contract were the financial activities and the educational and health services sectors. During the contraction of 2002 through 2004, most of the employment loss was concentrated in the manufacturing sector, which declined by an average of 7,425 jobs annually from 166,500 in 2001 to

Table 2. 12-Month Average Nonfarm Payroll Jobs in the St. Louis HMA, by Sector

	12 Months Ending December 2011	12 Months Ending December 2012	Absolute Change	Percent Change
Total nonfarm payroll jobs	1,298,700	1,298,800	100	0.0
Goods-producing sectors	171,200	166,700	– 4,500	– 2.6
Mining, logging, & construction	61,600	56,800	– 4,800	– 7.8
Manufacturing	109,600	109,900	300	0.3
Service-providing sectors	1,127,500	1,132,100	4,600	0.4
Wholesale & retail trade	199,400	200,400	1,000	0.5
Transportation & utilities	45,100	45,500	400	0.9
Information	31,000	30,500	– 500	– 1.6
Financial activities	82,400	84,600	2,200	2.7
Professional & business services	191,300	190,000	– 1,300	– 0.7
Education & health services	228,600	232,700	4,100	1.8
Leisure & hospitality	136,700	138,300	1,600	1.2
Other services	46,300	46,400	100	0.2
Government	166,700	163,800	– 2,900	– 1.7

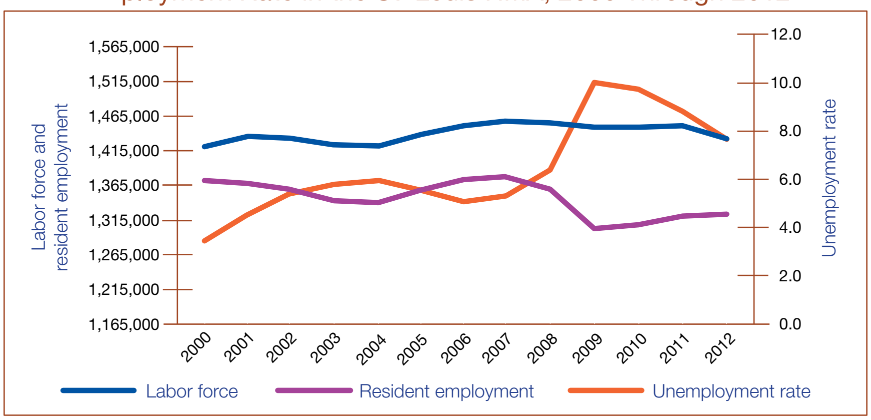
Notes: Based on 12-month averages through December 2011 and December 2012. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

144,200 by the end of 2004. Manufacturing employment continued to decline by an average of 6,225 annually through 2010, when 106,800 jobs were recorded. Some of the largest job losses recorded in the manufacturing sector were the 2008 closing of Chrysler LLC's south St. Louis assembly plant and Ford Motor Company's closing of its Hazelwood assembly plant in 2006, which resulted in job losses of 1,400 and 1,325, respectively. Figure 2 shows sector growth by percentage change in the HMA from 2000 through 2010.

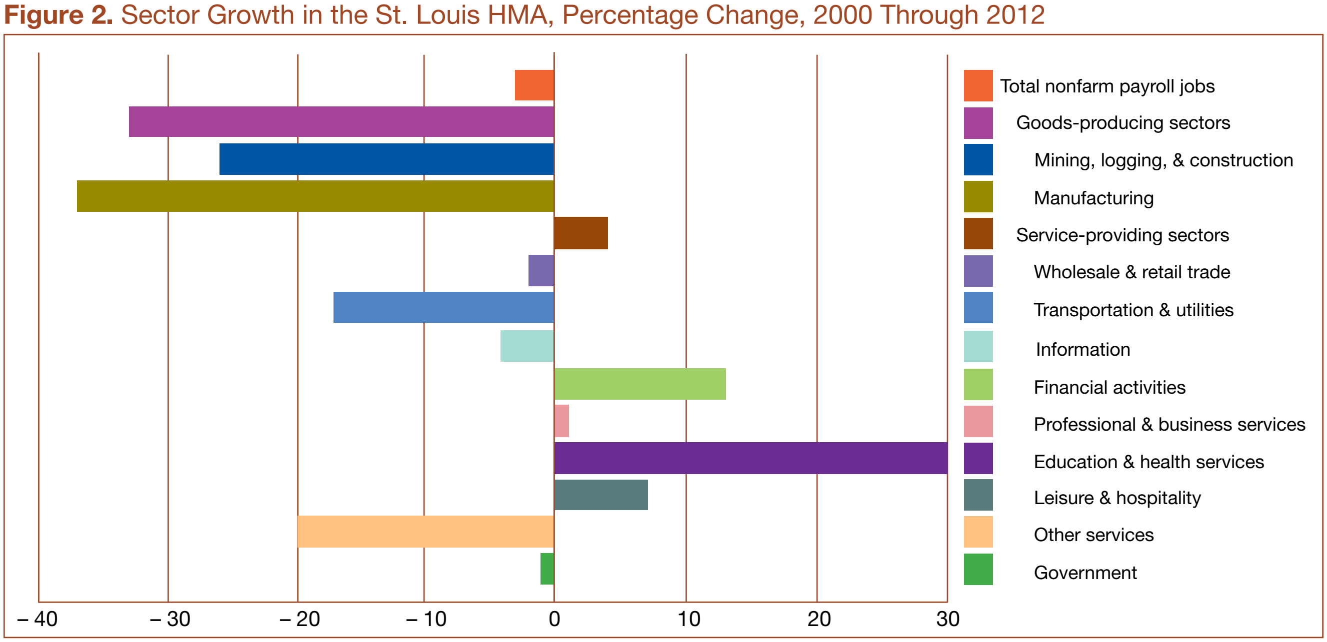
During 2011 and 2012, the manufacturing sector experienced an economic turnaround. Jobs in the manufacturing sector increased by 300, or nearly 0.3 percent, to 109,900 jobs during 2012, following an increase of 2,800 jobs, or 2.6 percent, during 2011. Job growth in this sector is likely to continue as General Motors Company recently began a $380 million expansion of its plant in Wentzville, Missouri, where it will produce the Chevrolet Colorado pickup truck. The expansion is expected to add more than 1,200 jobs upon completion by the end of 2013. The financial activities sector also recorded employment growth during 2012, increasing by 2,200 jobs, or 2.6 percent, which is a continuation of recent trends. The city of St. Louis has added more than 5,600 financial activities sector jobs since 2007, which represents the second largest percentage gain in the financial activities sector in the country during this period (*Wall Street Journal*). The gain can be attributed to financial services firms taking advantage of the cost savings of

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the St. Louis HMA, 2000 Through 2012



Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Growth in the St. Louis HMA, Percentage Change, 2000 Through 2012



Note: Current is based on 12-month averages through December 2012.
Source: U.S. Bureau of Labor Statistics

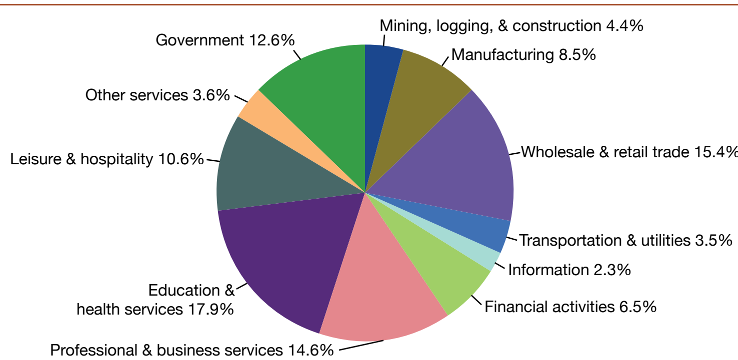
relocating jobs to areas with lower costs of living. This growth is expected to continue; for example, Wells Fargo & Company recently announced an expansion of its offices in the city of St. Louis that will add 400 jobs by 2015.

The largest employment sector in the St. Louis HMA is the education and health services sector, which has 232,700 jobs and accounts for slightly less than 18 percent of all nonfarm payroll jobs in the HMA (Figure 3). During 2012, this sector recorded a growth of 4,200 jobs, or 1.8 percent. BJC HealthCare and SSM Health Care are the first and third largest employers in the HMA, with 24,800 and 13,500 employees, respectively. BJC HealthCare recently awarded a contract worth more than $1 billion to renovate and expand its facility in the central west end of the city of St. Louis. Also in the education and health services sector, Washington University in St. Louis is a top-15 university (*U.S. News and World Report* national rankings). The university enrolls nearly 14,000 students who are almost evenly divided between undergraduate and graduate students. Washington University is the fourth largest employer in the HMA with approximately 13,500 employees.

The mining, logging, and construction sector accounted for the largest number of job losses during 2012, with jobs declining by 4,800, or 7.7 percent, to 56,800 jobs. This sector lost jobs partly because of the decline of the housing market as fewer new homes were constructed during the previous 5 years compared with the number constructed from 2000 through 2006. The mining, logging, and construction sector is down significantly from the peak number of 82,600 jobs recorded during 2006. The professional and business services sector also recorded job losses of 1,300, or 0.6 percent, during 2012, which reverses a trend of job growth in this sector, which increased by 4,250 jobs, or nearly 2.4 percent, annually from 2010 through 2011. The professional and business services sector includes temporary employees who many firms will hire at the beginning of an upward business cycle because the firms can adjust their workforce quickly to react to changes in demand that may be short lived.

Scott Air Force Base, located near Belleville, Illinois, is the fifth largest employer overall and the largest employer in the Metro East submarket of the HMA with approximately 12,350 employees. With more than 5,500 active duty military personal, 1,500 air force reserve personnel, and 5,100 civilian employees, the base has an annual economic impact of more than $2.3 billion; the base's economic impact analysis estimates that it creates 6,450 indirect jobs. People visiting the base occupy approximately 105,000 hotel rooms during the course of a year, according to the same economic impact analysis. A $96 million addition to the U.S. Transportation Command headquarters building, where all U.S. military transportation is coordinated, was recently completed. The Boeing

Figure 3. Current Nonfarm Payroll Jobs in the St. Louis HMA, by Sector



Note: Based on 12-month averages through December 2012.
Source: U.S. Bureau of Labor Statistics

Company Defense, Space & Security division is the second largest employer in the HMA with more than 14,700 workers. The company produces many products used by the military such as the V-22 Osprey, which uses tiltrotor technology to take off and land like a helicopter but fly with the speed and distance of an airplane, and the A-10 Thunderbolt II, which is a close range support aircraft. Table 3 lists the largest employers in the HMA.

During the forecast period, nonfarm payrolls are expected to increase by an average of 9,600 jobs, or 0.8 percent, annually. Modest job growth is expected to continue during each of the 3 years of the forecast period, with each successive year showing stronger growth as gains occur in most sectors.

Table 3. Major Employers in the St. Louis HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
BJC HealthCare	Education & health services	24,800
The Boeing Company	Manufacturing	14,700
SSM Health Care	Education & health services	13,500
Washington University	Education & health services	13,500
Scott Air Force Base	Government	12,350
Schnuck Markets Inc.	Wholesale & retail trade	10,950
Wal-Mart Stores, Inc.	Wholesale & retail trade	10,800
Mercy Health	Education & health services	9,350
U.S. Postal Service	Government	7,850
Saint Louis University	Education & health services	7,500

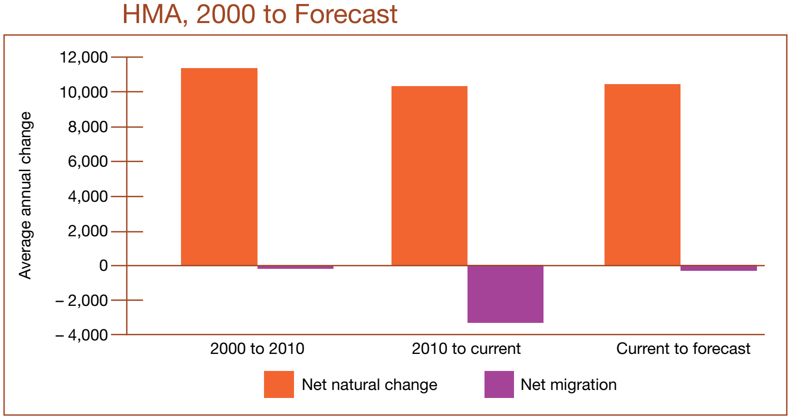
Note: Excludes local school districts.
Source: St. Louis Regional Chamber

Population and Households

As of January 1, 2013, the population of the St. Louis HMA was an estimated 2.83 million people, reflecting a gain of 6,950, or 0.2 percent, annually since April 2010 compared with an average increase of approximately 11,400 people, or 0.4 percent, annually from 2000 through 2010. The slowing rate of population growth is mostly attributable to increasing net out-migration since 2010 because of people relocating to find employment outside of the HMA. From 2000 through 2006, the HMA experienced net in-migration of 370 people per year. Between 2007 and 2010, net out-migration averaged 540 people a year, but since 2010 the rate of out-migration has increased to 3,250 annually. Figure 4 shows the components of population change in the HMA from 2000 to the forecaset date.

The City of St. Louis submarket has recorded a steady decline in population since 2000 to a current estimated 317,900. The population of the submarket was 348,189 in 2000 but declined by an average of 2,900, or 0.9 percent, annually to 319,294 as of April 2010 because net out-migration averaged approximately 4,500 people a year. Since 2010, net out-migration has

Figure 4. Components of Population Change in the St. Louis HMA, 2000 to Forecast



Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst dropped nearly 50 percent, to 2,250 people annually, which has contributed to a slower rate of population decline within the submarket. Part of the decline in net out-migration is because of an increase of people ages 25 to 34 residing in the submarket. Between 2000 and 2010, the number of people residing in the submarket ages 25 to 34 increased by 330, or nearly 0.6 percent, annually to 57,661. In 2011, 59,088 people between the ages of 25 and 34 were residing in the submarket, which represents an increase of 1,141 people, or about 2.0 percent, annually from the 2010 Census (2011 American Community Survey). During the next 3 years, the population of the submarket is expected to remain relatively flat.

Although the population of the submarket as a whole has steadily declined, sections of the submarket have actually recorded population growth since 2000. The area of growth starts in the Soulard neighborhood and heads north through the Central Business District and turns west through the downtown West, Midtown, and Central West End neighborhoods; this area forms an L-shaped zone of growth and encompasses five ZIP Codes. These five ZIP Codes, all of which have recorded population growth since 2000, are 63101, 63102, 63103, 63104, and 63108. This area runs across the center part of the City of St. Louis submarket from the Mississippi River to the boundary with St. Louis County and will be referred to herein as the Central City area. In 2000, the population of the Central City area was 47,219 and, by 2010, the population in this area was 52,060, an increase of 480, or slightly less than 1.0 percent, annually. Although the submarket as a whole has experienced growth in the population of people ages 25 to 34, the Central City area is receiving most of that growth. These neighborhoods are desirable areas for young professionals to live. In 2000, 8,526 people ages 25 to 34 were living in the Central City area; that number increased by 460 people, or 4.4 percent, annually to 13,122 by 2010.

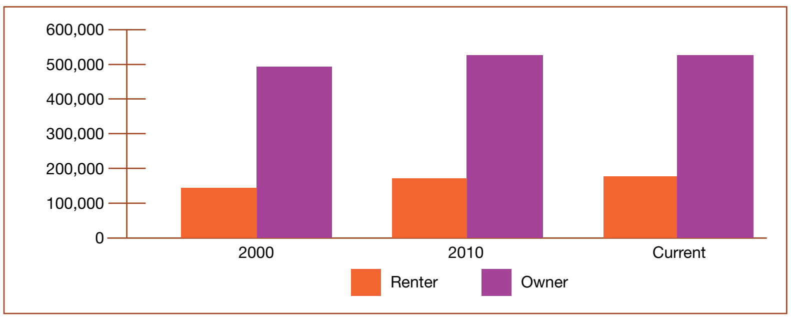
The Metro West submarket is the most populous of the three submarkets in the HMA with a population that is currently estimated at 1.8 million people. This submarket has recorded the strongest population growth since 2000, increasing by 11,100 people, or 0.6 percent, annually. Between 2000 and 2010, net in-migration averaged 3,400 people a year, with the strongest in-migration occurring between 2000 and 2006, when an average of 4,850 people a year moved into the submarket. Since April 2010, net out-migration from the submarket has averaged 250 people a year, which has slowed the rate of population growth in the submarket down to 6,575 people, or 0.4 percent, annually. St. Louis County, which is the largest county in the HMA, with a population of slightly less than 1 million, is the only county in the Metro West submarket to experience a population decline between 2000 and 2010. During the next 3 years, the population is expected to increase by an average of 8,000, or 0.4 percent, annually in the Metro West submarket.

The Metro East submarket has a current estimated population of 706,600, which is an increase of 1,075 people, or 0.2 percent, annually since 2010. Between 2000 and 2010, population in this submarket grew by an average of 3,200, or 0.5 percent, per year. Between 2000 and 2010, net in-migration

Figure 5. Number of Households by Tenure in the City of St. Louis Submarket, 2000 to Current

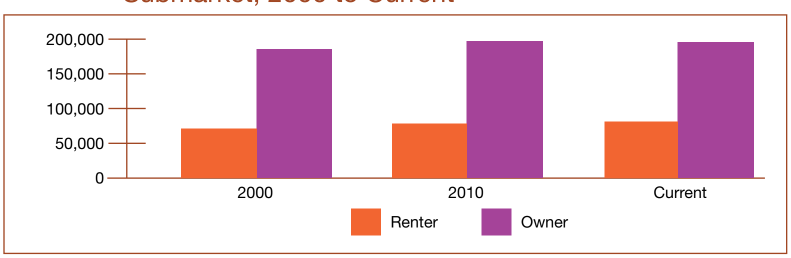
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 6. Number of Households by Tenure in the Metro West Submarket, 2000 to Current



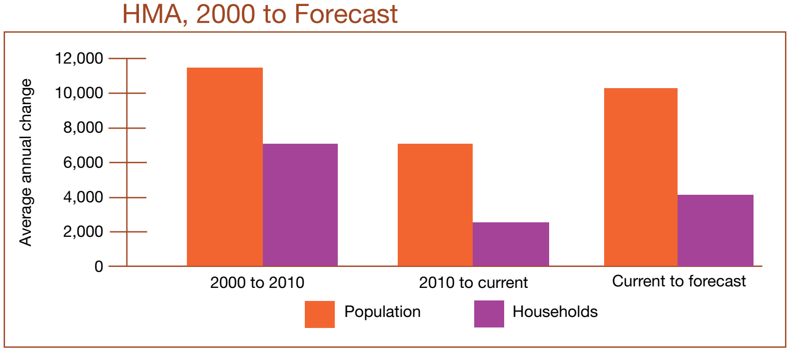
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 7. Number of Households by Tenure in the Metro East Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 8. Population and Household Growth in the St. Louis HMA, 2000 to Forecast



Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by analyst

averaged slightly more than 1,150 people a year, with the strongest growth occurring between 2001 and 2006 when net in-migration averaged 1,675 people a year. Since 2010, net out-migration has averaged 720 people annually. During the next 3 years, the population in the Metro East submarket is expected to increase by an average of 2,275, or 0.3 percent, annually.

Largely because of the decline in population growth during the past 3 years, the rate of household growth in the HMA has been slower since 2010 than during the previous decade. Since 2010, the number of households has increased by 2,550, or 0.2 percent, a year compared with average increase of 7,075, or 0.7 percent, a year during the 2000s. The HMA currently has nearly 1.13 million households. The current homeownership rates are estimated to be 74.7, 71.1, and 44.4 percent in the Metro West, Metro East, and City of St. Louis submarkets, respectively. The recent decline in household growth resulted in an overall decrease in the homeownership rate in the HMA, which is currently estimated to be 70 percent, a decrease of nearly 1 percentage point from the rate recorded in 2010. Figures 5, 6, and 7 illustrate the number of households by tenure in each submarket for 2000, 2010, and the current date.

During the forecast period, the number of households is expected to increase by 4,000, or 0.4 percent, annually and total approximately 1.14 million by January 1, 2016. Figure 8 shows population and household growth in the HMA from 2000 to the forecast date.

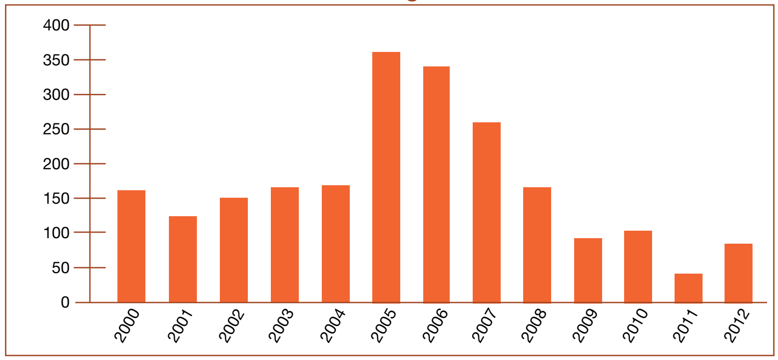
Sales Market—City of St. Louis Submarket

The sales housing market in the City of St. Louis submarket is currently soft with a sales vacancy rate of 4.7 percent, which is down slightly from 4.8 percent in 2010, as shown in Table DP-2 (at the end of this report). In the submarket during 2012, approximately 3,950 existing homes sold, which include single-family homes and condominiums, representing an increase of 50 home sales, or 1.2 percent, compared with the number of home sales recorded during 2011 (Hanley Wood, LLC). During 2012, the average sales price of an existing home declined $19,200, or nearly 17 percent, to $114,400 During December 2012, 7.1 percent of loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from the 7.8-percent rate recorded in December 2011 (LPS Applied Analytics).

Sales of existing single-family homes totaled 2,475 homes during 2012, with an average sales price of $126,300. Sales of existing homes during 2012 were down 1 percent from the 2,500 units sold during 2011, and the average sales price was down $5,700, or 4.3 percent. By comparison to the smaller volume of existing single-family home sales during the past 2 years, an average of 3,475 existing single-family homes sold at an average price of $147,400 from 2008 through 2010. Condominiums and townhomes average approximately one-third of all existing home sales in the submarket. During 2012, sales of existing condominiums and townhomes totaled 1,475, up 13 percent from the 1,300 units sold during 2011, but the average sales price of $90,700 was down nearly 34 percent from the 2011 average of $136,700. By comparison, an average of 1,600 existing condominiums and townhomes sold at an average price of $142,500 from 2008 through 2010. This drop in sales prices is caused by an uptick in investors buying marginal townhome properties that will be repaired before reselling (local sources). With more young people moving into older neighborhoods, these properties are once again starting to be refurbished, resuming a trend that was occurring before the housing downturn.

Very few single-family homes are currently under construction in the City of St. Louis submarket. During 2012, 85 single-family homes were permitted, which more than doubled the 40 homes permitted during 2011 (preliminary data). An average of 320 homes were permitted annually in the submarket during the peak years of 2005 through 2007, which is double the next highest 3-year period for single-family permitting recorded since 1980. By comparison, from 2008 through 2010, an average of 120 single-family homes were permitted. The current level of single-family building permitting is slightly more than the historical long-run averages. During the 1980s, single-family permitting averaged slightly fewer than 60 homes a year, and this average increased to nearly 80 homes a year during the 1990s. With the submarket steadily losing population since the 1950s, large-scale, single-family development has not been needed. Figure 9 shows the number of single-family homes permitted in the submarket since 2000.

Figure 9. Single-Family Homes Permitted in the City of St. Louis Submarket, 2000 Through 2012



Notes: Includes townhomes. Includes data through December 2012.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Since 2000, approximately 55 percent of all new home sales in the submarket have been single-family homes, with the remainder being new condominiums and townhouses and the conversion of existing nonresidential structures into housing units. During 2012 in the submarket, new single-family home sales totaled 40, unchanged from 2011 (Hanley Wood, LLC). The average sales price of a new single-family home during 2012 was $211,600, an increase of $40,900, or 24 percent, from 2011. Between 2005 and 2007, new single-family homes averaged 340 sales annually at an average price of $195,400. The volume of new home sales declined 70 percent to 100 single-family home sales annually between 2008 and 2010, with an average sales price of $208,700, before it fell further to the current levels.

The building activity and population growth are not occurring throughout the submarket, but rather mostly in the Central City area. Since 2005, sales of new single-family homes, condominiums, and townhomes have totaled approximately 2,475, with 1,925, or nearly 78 percent, occurring in the Central City area (Hanley Wood, LLC). In 2012, 12 new single-family homes sold in the Central City area, with an average sales price $184,200, which compares with 4 sold in 2011, with an average sales price of $284,000 (Hanley Wood, LLC). From 2008 through 2010, new single-family home sales averaged 35 a year in the Central City area, which is down from the 240 homes sold annually between 2005 and 2007. From 2008 through 2010, the average sales price of a new single-family home was $381,600 in the Central City area, up 59 percent from the $239,300 average sales price recorded from 2005 through 2007. Since 2005, the Central City area has accounted for 60 percent of all new single-family home sales in the submarket.

During 2012, 20 new condominiums or townhomes sold in the Central City area, down 50 percent from the 40 condominiums or townhomes sold during 2011 (Hanley Wood, LLC). The average sales price of a new condominium or townhome in the Central City area during 2012 was $400,300, an increase of $87,900, or 24 percent, from 2011. Between 2005 and 2007, new condominium or townhome sales averaged 210 sold annually at an average price of $254,700. The volume of new condominium or townhome sales declined 38 percent to 130 sales annually between 2008 and 2010, with an average sales price of $237,300. The Central City area accounts for nearly all of the new condominium or townhome construction within the City of St. Louis submarket.

Most of the newly constructed owner-occupied units in the Central City area are condominiums. These include the Bankers Lofts in downtown St. Louis on Washington Street, which is a 64-unit development with one-, two-, and three-bedroom units with prices ranging from $220,000 to more than $500,000. In the Central West End neighborhood, the recently completed Park East Tower Condos has 90 units with one- and two-bedroom units available at prices that range from $450,000 to more than $2 million.

During the forecast period, demand for new homes in the submarket, outside of the Central City area, will be limited. Demand for new homes in the Central City area during the next 3 years is forecast to be 420 units (Table 1), consisting of mostly condominiums and townhomes, with demand strongest in the $175,000-to-$400,000 price range. Table 4 shows the estimated demand for new market-rate sales housing in the Central City area.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Central City Area of the City of St. Louis Submarket, January 1, 2013, to January 1, 2016

Price Range ($)		Units of Demand	Percent of Total
From	To		
175,000	249,999	150	35.0
250,000	399,999	150	35.0
400,000	699,999	100	25.0
700,000	999,999	15	3.0
1,000,000	and higher	10	2.0

Notes: A portion of the estimated 17,000 other vacant units in the submarket will likely satisfy some of the forecast demand. Demand estimates for the City of St. Louis submarket are for the Central City area of the submarket that includes the ZIP Codes 63101, 63102, 63103, 63104, and 63108.

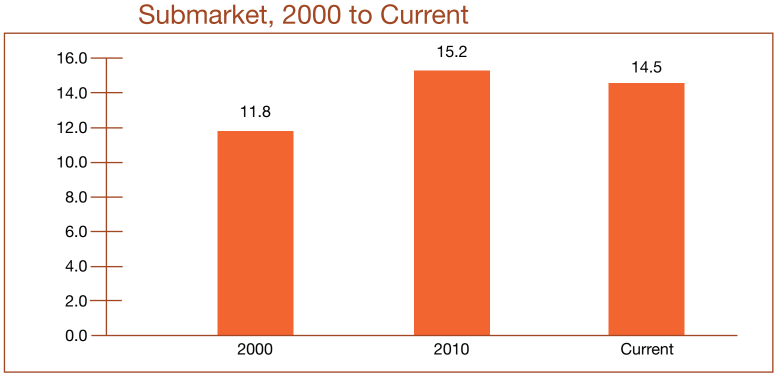
Source: Estimates by analyst

Rental Market—City of St. Louis Submarket

The rental housing market in the City of St. Louis submarket is currently very soft, with an estimated vacancy rate of 14.5 percent; the rate is down from the 15.2-percent rate recorded in April 2010 but up significantly from the 11.8-percent rate in April 2000 (Figure 10). Between 2000 and 2010, the number of renter households in the submarket declined from 78,137 to 77,632, but this trend has since reversed, with a currently estimated 78,500 renter households. Even with the overall high vacancy rates, some areas of the submarket have balanced rental markets. These areas are mostly located in the Central City area, where most of the household growth occurred.

The north side of the submarket is the location of most of its many vacant buildings and lots, and thus this area contributes considerably to the high vacancy rate in the submarket as a whole; the government of the city of St. Louis currently owns more than 10,400 parcels, of which more than 8,000 are vacant lots. The city government sells about 300 to 500 properties

Figure 10. Rental Vacancy Rates in the City of St. Louis Submarket, 2000 to Current

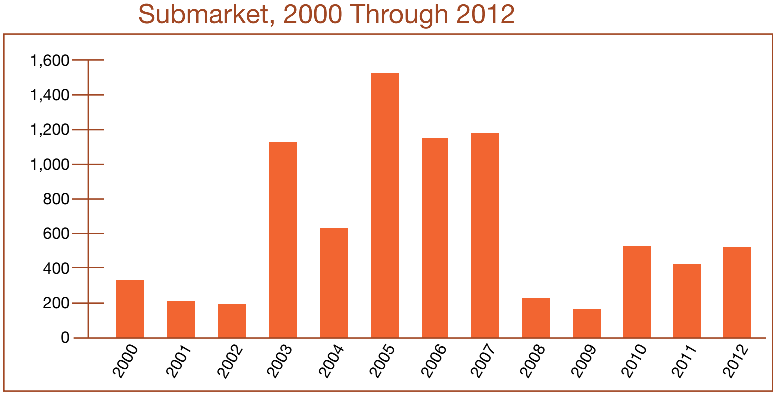


Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst a year and has an active demolition program that removes about 200 dilapidated buildings a year. Local investors have been purchasing lots in hopes of future development in the area. The city government recently agreed to sell 1,200 parcels to the NorthSide Regeneration Project, which has already acquired more than 800 parcels. The acquisition of the land by the NorthSide Regeneration Project is done for the purpose of eventually developing a $5.4 billion project that will consist of more than 4 million square feet of retail and office space and 10,000 newly constructed housing units. The Crown Square Rehabilitation Project, completed in 2009, is a mixed-use development in the north side that included the revitalization of 27 buildings and included 42 low-income housing tax credit and 38 market-rate apartments. Crown Square received the 2010 HUD Secretary's Award for Excellence in Historic Preservation.

Rental conditions in the Central City area are balanced, with an overall rental vacancy rate of 8.2 percent, down from 9.2 percent in April 2010. The apartment market is doing better than the overall rental market, with a vacancy rate of 6.7 percent for the year ending 2012 (Reis, Inc.). The apartment vacancy rate in the Central City area has improved significantly since 2010 and 2011, when the apartment vacancy rates were 9.9 and 7.7 percent, respectively. The average asking rent is currently $810, which is an increase of 3.8 percent from the average rent in 2011. Despite the declining number of renter households in the submarket from 2000 to 2010, the Central City area recorded growth in renter households during this time period. In 2000, 17,500 renter households were in the Central City area, increasing to slightly more than 19,000 by 2010, or by an average of 150, or 0.8 percent, annually. This trend has continued since 2010, and an estimated 19,600 renter households are currently in the Central City area. Recent developments in the Central City area include the 230-unit ParkPacific apartments in downtown St. Louis, a 2011 renovation of the former Missouri Pacific Railroad Company headquarters building. The ParkPacific apartments offer studio, one-, two-, and three-bedroom apartments with rents ranging from $1,120 for a studio apartment to $5,100 for a three-bedroom penthouse. The Metropolitan Artist Lofts, a renovation of the Metropolitan Building, built in 1908, consists of 72 units with rents for a one-bedroom unit starting at $645 a month and a two-bedroom unit starting at $805 a month.

Building activity, as measured by the number of multifamily units permitted, totaled 520 during 2012 (preliminary data). This is an increase of 23 percent from the 420 units permitted during 2011. Between 2008 and 2010, multifamily permitting averaged 300 units a year, which was down sharply from the average of 1,150 units permitted annually between 2003 and 2007. Figure 11 shows the number

Figure 11. Multifamily Units Permitted in the City of St. Louis Submarket, 2000 Through 2012



Notes: Excludes townhomes. Includes data through December 2012.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

of multifamily units permitted in the City of St. Louis submarket from 2000 to the current date.

During the forecast period, demand for new multifamily housing in the submarket, outside of the Central City area, will be limited. Demand for new rental units in the Central City area is forecast to be 440 units during the next 3 years (Table 1). Table 5 provides the estimated demand for new market-rate rental housing by number of bedrooms and rent level during the forecast period in the Central City area.

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Central City Area of the City of St. Louis Submarket, January 1, 2013, to January 1, 2016

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
650 to 849	10	900 to 1,099	70	1,100 to 1,299	110	1,500 to 1,699	25
850 to 1,049	20	1,100 to 1,299	40	1,300 to 1,499	65	1,700 or more	20
1,050 or more	15	1,300 or more	30	1,500 or more	55		
Total	45	Total	140	Total	230	Total	45

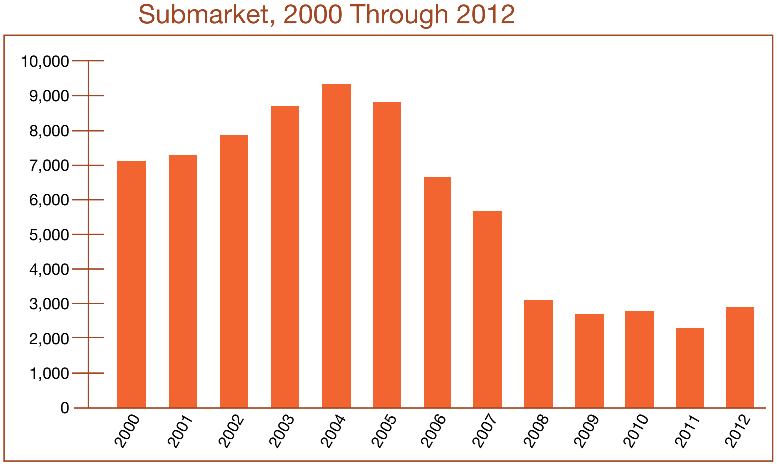
Notes: Numbers may not add to totals because of rounding. Demand estimates for the City of St. Louis submarket are for the Central City area of the submarket that includes the ZIP Codes 63101, 63102, 63103, 63104, and 63108.
Source: Estimates by analyst

Sales Market—Metro West Submarket

The sales housing market in the Metro West submarket is soft but showing signs of improvement. The current owner vacancy rate is estimated at 2.0 percent, which is down from 2.2 percent in the 2010 Census; this rate is shown in Table DP-3 (at the end of this report). Single-family construction activity, as measured by the number of single-family homes permitted, totaled 2,925 homes in 2012, an increase of 700 permits, or 32 percent, compared with the number issued during 2011 (preliminary data). Between 2008 and 2010, single-family permitting averaged 2,800 homes a year, which was 66 percent below the average of 8,300 homes permitted annually from 2004 through 2006 (Figure 12).

During 2012, existing home sales totaled 18,300 homes, an increase of 2,200 homes, or nearly 14 percent, from 2011 (Hanley Wood, LLC). By comparison, existing home sales averaged 21,100 annually between 2008 and 2010. Also during 2012, the average sales price of an existing home decreased $2,300, or approximately 1 percent, to $216,200, but is still more than the average sales price between 2008 and 2010 of $210,500 (Hanley Wood, LLC). Condominiums and townhomes comprise an estimated 8 percent of owner-occupied housing units in this submarket and accounted for nearly 10 percent of all sales during 2012. Approximately 95 percent of

Figure 12. Single-Family Home Permitted in the Metro West Submarket, 2000 Through 2012



Notes: Includes townhomes. Includes data through December 2012.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

condominium and townhome sales in the submarket occurred in St. Charles and St. Louis Counties. The sales of existing condominiums and townhomes increased by 300 units, or 19 percent, during 2012, to 2,000 units sold, with an average sales price of $149,500, which is down $10,000, or 6.3 percent, from 2011. The sales of existing condominiums and townhomes are below the average from 2008 through 2010 of 2,225 sales at an average price of $161,500. For December 2012, 4.6 percent of loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned into REO, down from 4.9 percent recorded in December 2011 (LPS Applied Analytics).

The sales of new single-family homes, condominiums, and townhomes all declined during 2012. New single-family home sales totaled 1,275, a decline of 180, or 12.4 percent, compared with sales during the same period a year ago, but the average sales price increased $6,700, or 2.3 percent, to $290,700. From 2008 through 2010, an average of 2,100 new homes sold annually at an average price of $312,700. New condominium and townhome sales totaled 70 units, or 5 percent of all new sales during 2012, down nearly 73 percent from the 260 sales recorded during 2011. During 2012, the average sales price of a new condominium and townhome increased $5,900, or 2.8 percent, to $216,800. Between 2008 and 2010, condominium sales averaged 620 a year and accounted for 22 percent of total new sales at an average price of $208,000. Recent developments in the Metro West submarket include Charlestowne, a 91-home development in St. Charles County, which has three-bedroom single-family homes starting at $160,000. The Estates at Kingsridge is a 50-unit development offering three- and four-bedroom single-family homes that range from $215,000 to $310,000 in southern St. Louis County.

During the 3-year forecast period, demand is estimated for 12,900 new market-rate homes in the submarket (Table 1). The 850 homes currently under construction and a portion of the 26,500 other vacant units that may come back on the market will satisfy some of the forecast demand. Table 6 illustrates estimated demand for new market-rate sales housing in the submarket by price range. Demand is expected to increase during each year of the forecast period.

Table 6. Estimated Demand for New Market-Rate Sales Housing in the Metro West Submarket, January 1, 2013, to January 1, 2016

Price Range ($)		Units of Demand	Percent of Total
From	To		
85,000	109,999	640	5.0
110,000	149,999	640	5.0
150,000	179,999	2,575	20.0
180,000	209,999	3,875	30.0
210,000	249,999	3,225	25.0
250,000	324,999	1,300	10.0
325,000	499,999	390	3.0
500,000	and higher	260	2.0

Note: The 850 homes currently under construction and a portion of the estimated 26,500 other vacant units in the submarket will likely satisfy some of the forecast demand.

Source: Estimates by analyst

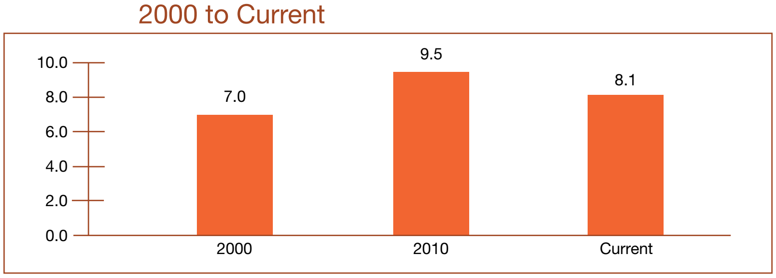
Rental Market—Metro West Submarket

The rental housing market in the Metro West submarket is soft but improving. The current overall rental vacancy rate is estimated at 8.1 percent, which is down from 9.5 percent in April 2010 (Figure 13). The apartment market in the submarket is performing better than the overall rental market and is currently balanced with a 5.2-percent vacancy rate for 2012, which is down from 6.2 percent during 2011. The average market rent for apartments is currently $720, which is an increase of $20, or 3.4 percent, from 2011 (Reis, Inc.). Rents and occupancy across the submarket vary considerably. Northern St. Louis County has an estimated apartment vacancy rate of 7.6 percent with rents averaging $620, and apartments in the Mid-County area near Clayton have a vacancy rate of 4.4 percent with rents averaging $880 a month.

In 2012, the number of multifamily units permitted increased by 210 units, or 48 percent, to 640 compared with the number permitted during 2011 (preliminary data). Between 2009 and 2010, multifamily building activity, as measured by the number of units permitted, averaged 580 units annually. By comparison, permits were issued for an average of 1,425 units annually from 2006 through 2008. Figure 14 shows the number of multifamily units permitted in the Metro West submarket from 2000 to 2012. Recent developments include Hanley Station, which has 150 units of one- and two-bedroom apartments with rents ranging from $1,350 to $1,675 in St. Louis County, and the Pevely Pointe Apartments in Jefferson County with 256 one-, two-, and three-bedroom units with rents ranging from $540 to $775 a month.

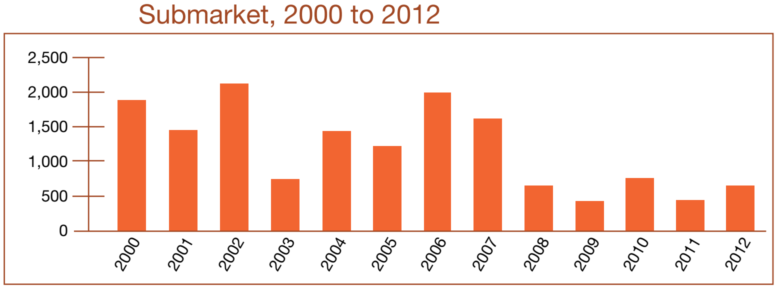
During the next 3 years, after accounting for the current excess supply of vacant available units, demand is expected for 610 additional market-rate rental units in the submarket (Table 1). Demand for new units is not expected until the third year of the forecast period because the 340 units currently under construction and the large number of excess vacant units should be sufficient to meet demand during the next 2 years. Table 7 provides the estimated demand for new market-rate rental housing in the submarket by number of bedrooms and rent level during the forecast period.

Figure 13. Rental Vacancy Rates in the Metro West Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 14. Multifamily Units Permitted in the Metro West Submarket, 2000 to 2012



Notes: Excludes townhomes. Includes data through September 2012.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 7. Estimated Demand for New Market-Rate Rental Housing in the Metro West Submarket, January 1, 2013, to January 1, 2016

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand	Monthly Gross Rent ($)	Units of Demand
600 to 699	10	775 to 974	160	980 to 1,179	180	1,150 to 1,349	85
700 or more	10	975 to 1,174	20	1,180 to 1,379	70	1,350 to 1,549	20
		1,175 or more	15	1,380 or more	30	1,550 or more	15
Total	20	Total	190	Total	270	Total	120

Notes: Numbers may not add to totals because of rounding. The 340 units currently under construction will satisfy some of the estimated demand.

Source: Estimates by analyst

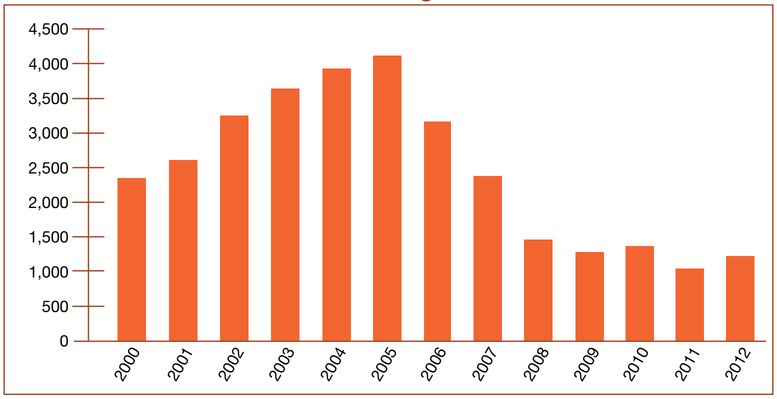
Sales Market—Metro East Submarket

The sales housing market in the Metro East submarket is soft but showing signs of improvement. The estimated current owner vacancy rate is 2.0 percent, which is down from the 2.2-percent rate reported in the 2010 Census as shown in Table DP-4 (at the end of this report). Sales of existing single-family homes in the submarket totaled 3,775 units during 2012, an increase of 3.4 percent compared with the 3,650 units sold during 2011 (Hanley Wood, LLC). By comparison, existing single-family home sales averaged 4,800 annually between 2008 and 2010.

During 2012, the average sales price of an existing single-family home increased in the submarket to $147,800, up nearly 4 percent compared with the average sales price recorded during 2011. Monroe County recorded the highest average sales price during 2012 at $180,900. Madison County, which accounted for approximately 51 percent of total sales activity during 2012, had an average sales price of $148,900, up approximately 2.5 percent from the previous year. Clinton County, with the most affordable housing, recorded an average sales price of $124,600, up $9,575, or 8.3 percent, during the same time. For December 2012, 7.3 percent of loans in the submarket were 90 or more days delinquent, were in foreclosure, or transitioned into REO, unchanged when compared with the distressed loan rate in December 2011 (LPS Applied Analytics). During the same time period, this rate for the state of Illinois declined from 10.1 to 10.0 percent.

In response to the recently improving sales market conditions, home builders increased new home construction activity in the submarket. Single-family construction activity, as measured by the number of single-family homes permitted, totaled 1,225 homes in 2012, an increase of 200 homes, or 20 percent, compared with the number issued during 2011 (preliminary data). Since 2008, single-family construction activity has remained well below the average of 3,750 homes permitted annually from 2004 through 2006 (Figure 15). By contrast to Madison County, which recorded 51 percent of all existing home sales, St. Clair County, which includes the City of Belleville and Scott Air Force base, accounted for the largest percentage of new home construction. The 510 single-family homes permitted in 2012 represented more than 40 percent of all the homes permitted in the submarket. The average sales price of

Figure 15. Single-Family Homes Permitted in the Metro East Submarket, 2000 Through 2012



Notes: Includes townhomes. Includes data through December 2012.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 8. Estimated Demand for New Market-Rate Sales Housing in the Metro East Submarket, January 1, 2013, to January 1, 2016

Price Range ($)		Units of Demand	Percent of Total
From	To		
87,500	124,999	280	5.0
125,000	149,999	1,100	20.0
150,000	179,999	1,825	33.0
180,000	209,999	990	18.0
210,000	249,999	660	12.0
250,000	299,999	390	7.0
300,000	499,999	170	3.0
500,000	and higher	110	2.0

Note: The 410 homes currently under construction and a portion of the estimated 15,250 other vacant units in the submarket will likely satisfy some of the forecast demand.
Source: Estimates by analyst

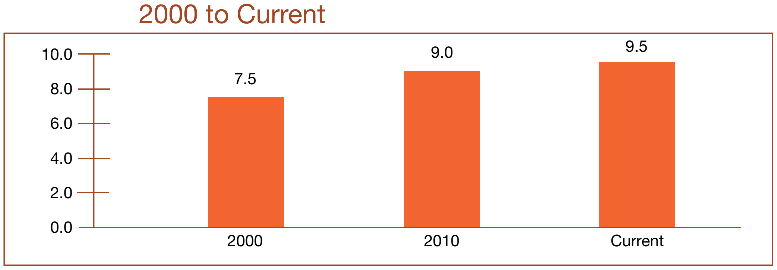
new single-family homes in the Metro East submarket during 2012 was $233,400, which is essentially unchanged from 2011. Recent developments include The Estates at Plum Hill, a 25-lot development in St. Clair County, Illinois, which is expected to begin construction of two- to four-bedroom homes in January 2013, with prices starting at $144,000. Savannah Hills is a 412-lot development in St. Clair County that is nearly 60 percent complete; prices start at $170,000.

During the 3-year forecast period, demand is estimated for 5,500 new market-rate homes in the Metro East submarket (Table 1). The 410 homes currently under construction and a portion of the 15,250 other vacant units that may come back on the market will satisfy some of the forecast demand. Table 8 illustrates estimated demand for new market-rate sales housing in the submarket by price range.

Rental Market—Metro East Submarket

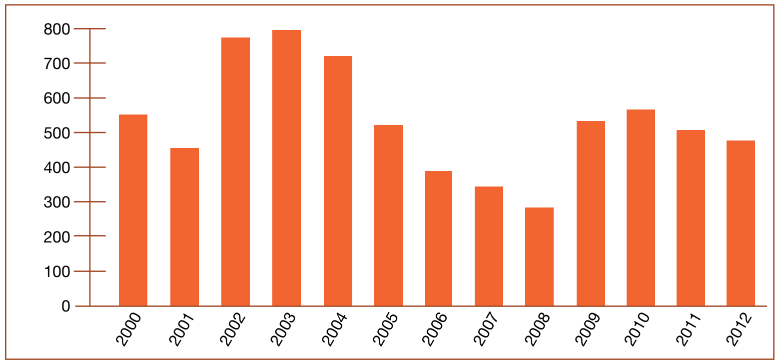
The rental housing market in the Metro East submarket is currently soft, with an estimated vacancy rate of 9.5 percent, which is up from 9.0 percent in April 2010 (Figure 16). The increase in the rental vacancy rate is partly because of increased multifamily building activity that began in 2009. Between 2005 and 2008, the number of multifamily units permitted averaged 380 a year. From 2009 through 2011, an average of 530 multifamily units were permitted annually. The number of units permitted during 2012 declined 9 percent, to 480, compared with the average from 2009 through 2011. Figure 17 shows the number of multifamily units permitted from 2000 through 2012.

Figure 16. Rental Vacancy Rates in the Metro East Submarket, 2000 to Current



Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by analyst

Figure 17. Multifamily Units Permitted in the Metro East Submarket, 2000 Through 2012



Notes: Excludes townhomes. Includes data through December 2012.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

The apartment market in the submarket is also soft. The current apartment rental vacancy rate is 8.5 percent, which is up slightly from approximately 8.2 percent a year earlier (analyst's survey). Average rents in the submarket are estimated to be $720 for a one-bedroom unit, $880 for a two-bedroom unit, and $970 for a three-bedroom unit. Much of the recent construction occurred in St. Clair County, with newer units located near Scott Air Force base.

In St. Clair County, the recently completed Parkway Lakeside apartments consist of 232 one- and two-bedroom apartments with rents ranging from $1,060 to $1,760. Another development is the Lexington Farms subdivision, which contains 32 single-family rental units in Jersey County. This is a low-income housing tax credit project that is the first affordable housing development to receive the Leadership in Energy and Environmental Design Platinum designation from the U.S. Green Building Council. Each home can produce up to 8.2 kilowatts of energy through roof mounted solar panels and turbines providing no-cost electricity to the entire subdivision (Illinois Housing Development Authority). In addition, green technology will keep utility costs close to zero, and in some cases electric bills will reflect a credit for electricity contributed to the grid. This development also will enable qualified residents to purchase their homes through a rent-to-own program.

During the next 3 years, after accounting for the current excess supply of vacant available units, no demand is expected for additional new market-rate rental units in the Metro East submarket (Table 1). The 190 units currently under construction and the large number of excess vacant units should be more than sufficient to meet the demand for rental units for the foreseeable future. In addition, a portion of the estimated 15,225 other vacant units will likely come back on the market and satisfy some of the forecast demand. The construction of additional units will only contribute to prolonging soft market conditions.

Data Profiles

Table DP-1. St. Louis HMA Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total resident employment	1,373,227	1,306,076	1,324,000	– 0.5	0.7
Unemployment rate	3.5%	9.8%	7.7%		
Nonfarm payroll jobs	1,338,300	1,286,900	1,299,000	– 0.4	0.5
Total population	2,698,687	2,812,896	2,832,000	0.4	0.2
Total households	1,048,279	1,119,020	1,126,000	0.7	0.2
Owner households	751,037	791,029	788,500	0.5	– 0.1
Percent owner	71.6%	70.7%	70.0%		
Renter households	297,242	327,991	337,800	1.0	1.1
Percent renter	28.4%	29.3%	30.0%		
Total housing units	1,133,277	1,236,222	1,240,000	0.9	0.1
Owner vacancy rate	1.6%	2.4%	2.2%		
Rental vacancy rate	8.4%	10.8%	10.0%		
Median Family Income	$56,500	$68,300	$70,400	1.9	1.5

Notes: Employment data represent annual averages for 2000, 2010, and the 12 months through December 2012. Median Family Incomes are for 1999, 2009, and 2010.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-2. City of St. Louis Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total population	348,189	319,294	317,900	– 0.9	– 0.2
Total households	147,076	142,057	141,400	– 0.3	– 0.2
Owner households	68,939	64,425	62,800	– 0.7	– 0.9
Percent owner	46.9%	45.4%	44.4%		
Rental households	78,137	77,632	78,550	– 0.1	0.4
Percent renter	53.1%	54.6%	55.6%		
Total housing units	176,354	176,002	174,800	0.0	– 0.2
Owner vacancy rate	3.5%	4.8%	4.7%		
Rental vacancy rate	11.8%	15.2%	14.5%		

Note: Numbers may not add to totals because of rounding.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-3. Metro West Submarket Data Profile, 2000 to Current

				Average Annual Change (%)	
	2000	2010	Current	2000 to 2010	2010 to Current
Total population	1,678,917	1,789,938	1,808,000	0.6	0.4
Total households	643,861	700,509	707,200	0.8	0.3
Owner households	495,462	528,652	528,300	0.7	0.0
Percent owner	77.0	75.5	74.7		
Rental households	148,399	171,857	178,900	1.5	1.5
Percent renter	23.0	24.5	25.3		
Total housing units	679,595	756,806	760,300	1.1	0.2
Owner vacancy rate	1.3	2.2	2.0		
Rental vacancy rate	7.0	9.5	8.1		

Note: Numbers may not add to totals because of rounding.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Table DP-4. Metro East Submarket Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%) 2000 to 2010	Average Annual Change (%) 2010 to Current
Total population	671,581	703,664	706,600	0.5	0.2
Total households	257,342	276,454	277,700	0.7	0.2
Owner households	186,636	197,952	197,400	0.6	– 0.1
Percent owner	72.5%	71.6%	71.1%		
Rental households	70,706	78,502	80,350	1.1	0.8
Percent renter	27.5%	28.4%	28.9%		
Total housing units	277,328	303,414	305,400	0.9	0.2
Owner vacancy rate	1.6%	2.2%	2.0%		
Rental vacancy rate	7.5%	9.0%	9.5%		

Note: Numbers may not add to totals because of rounding.
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
2010: 4/1/2010—U.S. Decennial Census
Current date: 1/1/2013—Analyst's estimates
Forecast period: 1/1/2013–1/1/2016—Analyst's estimates

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.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

Building Permits: 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.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_StLouisMO-IL_13.pdf.

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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.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. 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.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.