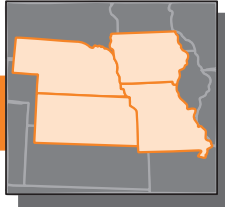


Housing Market Profile

Great Plains • HUD Region VII



St. Louis, Missouri-Illinois

Located at the confluence of the Missouri and Mississippi Rivers, the St. Louis metropolitan area consists of 16 counties in eastern Missouri and southwestern Illinois. The area is a hub for shipping and transportation, and a center for manufacturing and the biomedical sciences. Leading employers include Boeing Defense, Space & Security; Monsanto Company; and Anheuser-Busch Companies, Inc., with 15,000, 4,100, and 4,000 workers, respectively. St. Louis is also home to several institutions of higher learning, including Saint Louis University and Washington University in St. Louis, which have a combined enrollment of more than 25,000 students and an estimated annual economic impact on the region of nearly \$3 billion. The population of the metropolitan area as of July 1, 2010 was estimated to be 2.84 million, an increase of about 11,000 a year since 2007, or 0.4 percent annually. In contrast, from 2003 to 2007 the population increased by about 15,600 a year, or 0.6 percent annually. In recent years, population growth in the area has been due entirely to net natural increase (resident births minus resident deaths). Net in-migration averaged about 3,200 a year from 2003 to 2007, but declined sharply with the recession. In the past 3 years migration has turned negative, with net out-migration averaging about 1,300 a year.

In mid-2008, after 4 years of economic expansion, the St. Louis metropolitan area began to lose jobs. During the 12 months ending May 2010, nonfarm employment was down by 42,500 jobs from a year earlier, or 3.2 percent, to an average of about 1.3 million jobs. In contrast, from 2004 to 2008 employment growth averaged 11,500 jobs a year, or 0.9 percent annually. The largest declines over the past 12 months were in the goods-producing sectors of manufacturing, and mining, logging and construction, which decreased by 13,000 and 10,800 jobs, or 10 and 15 percent, respectively. Most of the service-providing sectors declined as well. The trade sector lost about 7,700 jobs, a 4-percent decline, and the professional and business services sector lost 11,600 jobs, a 6-percent decline. Emerson Electric Co., Chrysler Group LLC, and Monsanto Company were among major local firms announcing job cuts in the past year. Offsetting some of the losses, the education and health services sector and the government sector both expanded, adding about 1,900 and 5,100 jobs, an increase of 0.9 and 3 percent, respective-

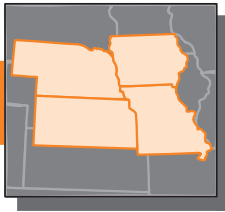
ly. Growth in government employment was partially due to a temporary increase in U.S. Census jobs. The unemployment rate in the metropolitan area averaged 10.3 percent during the 12 months ending May 2010, up from 8 percent during the previous 12 months.

Slower population growth and a weak economy have led to soft sales housing market conditions. The recent home buyer tax credit, however, contributed to at least a temporary rise in sales. Based on data from local Multiple Listing Services, the Kelsey Cottrell Realty Group LLC, and the St. Louis Post-Dispatch, during the first 5 months of 2010 (the most recent data available) about 10,400 existing homes were sold in the St. Louis area, up 17 percent from 8,900 homes sold for the same period a year ago. The supply of unsold homes also fell during that period. Based on pending sales, the average number of unsold homes on the market during the first 5 months of 2010 represented about 6.5 months of supply, down from an 8-month supply for the same period a year earlier. Home sales peaked in 2004 and 2005, when more than 40,000 homes a year were sold. But by 2008 home sales had fallen by more than 25 percent from the peak, to about 30,300 homes sold. In 2009, the number of sales declined further, to about 29,500 homes sold. In the past year, home prices rose for the first time in nearly 3 years. Sales prices for existing single-family homes reported by the NATIONAL ASSOCIATION OF REALTORS® averaged about \$128,000 for the 12 months ending March 2010, a 1.2-percent increase from the same period a year earlier. Home prices peaked in mid-2007 at about \$147,000, but they have fallen 13 percent over the past 3 years.

Single-family home construction in the St. Louis metropolitan area peaked in 2004 and 2005, when permits were issued for more than 13,000 homes a year. From 2006 through 2009, building activity declined as demand for new homes fell with the weaker economy and tighter lending standards. Based on preliminary data, about 4,600 single-family homes were permitted in the metropolitan area during the 12 months ending May 2010, up from the 3,850 homes permitted during the previous 12 months. Much of the single-family home construction activity in the past decade has been in suburban areas such as St. Charles County, which accounted for nearly one-third of all single-family homes permitted in the metropolitan area since 2000.

The softer home sales market has led to a slowdown in condominium construction, declining from about 800 units a year, from 2003 through 2007, to fewer than 200 units a year in the past 2 years. Many condo-





minium developments currently under way in downtown St. Louis have been converted to apartment projects. Most of the remaining condominium developments have been in suburban areas. These include the Highland Park Condominiums in St. Peters, Missouri, with 245 units, and the Valle Creek Condominiums in Pevely, Missouri, with 228 units. Prices for new two-bedroom condominiums typically start at about \$120,000. Recently, the North Side area in the northern part of St. Louis has been the focus of a proposed \$8.1-billion, 20-year redevelopment plan, which could eventually add as many as 10,000 new residential units and as much as 5.5 million square feet of office and retail space.

The rental market in the St. Louis metropolitan area is somewhat soft because of job losses and net out-migration from the area. According to data from Reis, Inc., the apartment vacancy rate in the second quarter of 2010 was 8.8 percent, while the average monthly apartment rent was \$726, both relatively unchanged from a year earlier. Monthly rents in the St. Louis area average about \$625 for a one-bedroom unit, \$750 for a

two-bedroom unit, and \$1,000 for a three-bedroom unit. Multifamily construction activity, as measured by the number of units permitted, has slowed in recent years due to the weaker economy and a softening rental market. Based on preliminary data, during the 12 months ending May 2010, about 1,325 multifamily units were permitted. This is a sizeable increase from the 850 units permitted during the previous 12 months; however, multifamily construction is down significantly from the peak years of 2002 to 2005, when about 2,500 units a year were permitted. Nearly 80 percent of the multifamily permits issued since 2000 have been for rental units. Currently, about 900 rental units are under construction in the metropolitan area. One downtown project is the 190-unit Laurel Apartments, which is the conversion of an historic office building to a mixed-use building that will include a 212-room hotel and retail space, with monthly rents ranging from about \$930 for one-bedroom units to \$2,900 for three-bedroom units. This project is expected to be completed and begin leasing in early 2012.