

2010

ST. CHARLES COUNTY HOUSING ANALYSIS



St. Charles County, Missouri
Community Development Department
Planning and Zoning Division
4/22/2011

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A single-family detached home is the pre-dominate choice for home ownership within St. Charles County. Home ownership has typically built equity for a family and provides a mechanism to shelter part of their personal income.

The Housing Element of the St. Charles County Master Plan, Envision 2020, provides the following goals relating to housing: (1) Promote affordable, safe, stable, and attractive neighborhoods in various developing areas; (2) Increase the supply of workforce housing (see definition on page 6) in the county; (3) Promote opportunities for senior citizens and special needs segments of the population; (4) Develop a community education program for the general public that generates an awareness of the universal need to accommodate housing for all segments of the population; (5) Encourage creative solutions to housing needs through quality design which is functional as well as livable; and (6) Maintain the existing housing stock.

The following profiles document data resources in housing sale prices, housing price ranges, the status of the home building industry, family incomes, housing affordability, and housing development costs. These data sets provide necessary information to facilitate an understanding what is taking place in the housing market, and to provide basic information for future studies and plans. Information and data relating to mortgage rates and property mortgage insurance were supplied by various financial institutions.

Throughout this report references are made to adjusted prices based upon changes in the consumer price index (CPI). The CPI measures changes in the price level of consumer goods and services purchased by a household. The CPI is defined by the United States Bureau of Labor Statistics as “a measure of the average change over time in the prices paid by urban consumers for a market basket of goods and services”. The CPI for the St. Louis Metropolitan Area was utilized for price calculations within this document.

Summary Points

The following provides a summary of the report’s findings.

- Median sale prices of single-family detached homes, adjusted for inflation, increased by 5.3% between 2000 and 2010.
- Existing Single-Family detached home sales prices, adjusted for inflation rose 4.4% between 2000-2010

- Sales prices for multi-family units decreased between 2008-2010 with new properties decreasing significantly more than existing.
- The largest number of new/existing Single-Family detached homes sold in 2010 were between \$150,000 - \$200,000; thirty percent of all sales totaling 819 units.
- 57% of 2010 home sales were for homes \$200,000 or less.
- There are approximately 9318 platted undeveloped lots in the county.
- The increases in housing units permitted between 2009 and 2010 show a potential reverse of the downward trend existing since 2004.
- In 2010 there were 1,137 foreclosures involving 2,060 parcels of property. This is the highest recorded level in the last seven years.
- In 2010, 37 surveyed apartment developments in St. Charles County containing 10,242 units had occupancy levels at an extremely high 96.4%.
- Median family income, adjusted for inflation increased only 1.5% between 2000 and 2009.
- Adjusting for inflation, building costs increased by 12% between 2005-2010.
- Thirty-nine percent of home owners and thirty-nine percent of renters in St. Charles County have housing costs exceeding 30% of family income resulting in a housing burden.

Table I
General Housing Characteristics

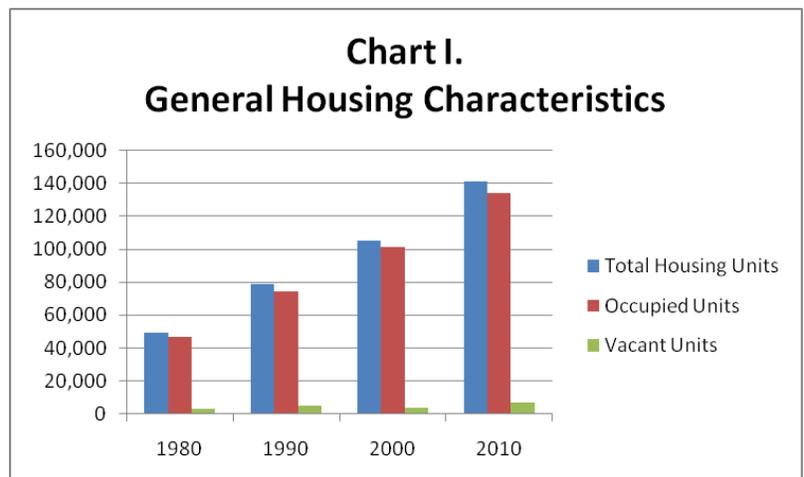
	1980	1990	2000	2010
Total Housing Units	49,523	79,113	105,514	141,016
Occupied Housing Units	46,471	74,331	101,663	134,274
Vacant Housing Units	3,052	4,782	3,851	6,742
Housing Vacancy Rate	6.20%	6.00%	3.60%	4.80%

Source: Bureau of the Census

Housing Units

From 1980 to 2010 the total number of housing units in St. Charles County increased by 91,493 units or 185%. During this 30 year period the decade of 2000 to 2010 recorded the largest increase in homes constructed with 35,502 units. This was followed by the decade of 1980 to 1990 with 29,590 housing units constructed (See Table I and Chart I).

The rate of housing vacancy varied in St. Charles County for the period reviewed. The lowest housing vacancy rate was registered in 2000 with 3.6%. The highest rate of vacancy was in 1980 with 6.2%. It is important to note that 1980 was during a national recession.



Median Sale Price of Single-Family Detached Homes

Median sale price of new and existing residential properties in St. Charles County were examined using reported sale prices on sale transactions filed with the St. Charles County Assessor’s Office. New residential properties are those being sold and occupied for the first time. Existing residential properties are those being sold and not occupied for the first time.

According to these records the median sale price of a new single-family detached home in 2010 was \$252,904. This represents an approximate increase of 29.9% in sale price since 2000. The 2010 median sale price of a new single-family detached home when compared with the 2009 median sale price in the same category registered a 6.8% price increase. Adjusting for inflation using the St. Louis area CPI for housing, the increase in sales price was only 5.3% between 2000 and 2010. (See Table II)

Sale prices of existing single-family detached homes were also evaluated for the period studied. Between 2000 and 2010 the median sale price of an existing single-family detached home rose from \$139,822 to \$180,000. This represents an approximate 28.7% increase in median sale price during this period. The 2010 median sale price was 1.7% higher than the median sale price in 2009. Adjusting these figures for inflation shows that existing home sale prices have only increased by 4.4% between 2000 and 2010. Foreclosed housing unit sales are not listed in Table II.

Table II

Single-Family Detached Homes, Median Sale Prices in 2000, 2009 and 2010

		CPI Adjusted		CPI Adjusted		Change	CPI Adjusted	Change	CPI Adjusted
Single-Family Detached	2000	2000	2009	2009	2010	00-10	00-10	09 – 10	09-10
Newly Constructed	\$194,701	\$240,065	\$236,774	\$238,177	\$252,904	29.9%	5.3%	6.8%	6.2%
Existing Homes	\$139,822	\$172,400	\$176,950	\$177,999	\$180,000	28.7%	4.4%	1.7%	1.1%

Source: St. Charles County Assessor’s Office

Number adjusted to 2010 dollars based upon St. Louis Metro CPI

The median sale price of all residential dwellings (new and existing) including single-family detached homes, villas, townhomes, and garden apartment condos in 2010 was \$177,000. In 2009 the median sale price of all residential units was \$176,531. Thus the median sale price of all residential units (new and existing) has displayed virtually no change in a year’s time.

Multiple-Family Residential Properties

Median sale prices for multiple-family residential properties for 2000 are unavailable due to the fact that these units were not categorized by type of housing by the County Assessor’s Office at that time. Data was obtained for the median sale

Table III

Unit Type	Inflation Adjusted Median Sale Price Change Between 2008 - 2010
Villas, new	-29%
Villas, existing	-0.50%
Townhomes, new	-25%
Townhomes, existing	-8.80%
Garden apt./Condo, new	N/A
Garden apt./condo, existing	-18%

prices of various multiple-family housing types for 2008, 2009, and 2010 from the County Assessor’s Office. The same methodology for classifying new and existing single-family detached housing units was applied. A comparison of median sale prices for 2008, 2009, and 2010 are presented in Table III. Between 2008 and 2010, using inflation adjusted sales prices significant decreases were found. However, existing units fared much better than new. (See Table III)

Table IV
Median Sale Prices for Multiple-Family Residential Units

Type of Unit	2008	CPI Adjusted		2010	Changes			
		2008	2009		2008-2009	2008-2009	2009-2010	2009-2010
Villa, New	\$240,845	\$243,811	\$215,000	\$173,951	-10.70%	-11.3%	-19%	-19.6%
Villa, Existing	\$175,000	\$177,155	\$166,380	\$176,250	-4.90%	-5.5%	5.90%	5.3%
Townhome, New	\$160,898	\$162,880	\$152,648	\$121,500	-5.10%	-5.7%	-20.40%	-20.9%
Townhome, Existing	\$132,450	\$134,081	\$126,900	\$122,250	-4.20%	-4.8%	-3.70%	-4.2%
Garden Apt./Condo, New*	\$123,442	\$124,962	\$113,873	N/A	-7.80%	-8.3%	N/A	N/A
Garden Apt./Condo Existing	\$103,000	\$104,268	\$98,000	\$85,000	-4.90%	-5.5%	-13.30%	-13.8%

*No new garden apartment condos were sold during 2010

Source: St. Charles County Assessor's Office

CPI Adjusted to 2010 Dollars

Foreclosed housing units are not listed in Table IV.

Single-Family Home by Price Bracket

The median sale price represents the middle range of all sale prices. Therefore, half of the sale prices are above the number and half below. The distribution of sale prices between low and high, however, are not evenly distributed. In order to understand the distribution of single-family detached homes sold during 2010 seven brackets have been created. The total number of single-family detached homes sold during 2010 was 2,715 (See Table V). The largest block of home sales were in the bracket of \$150,000 to \$200,000 which totaled 819, 30% of all single-family homes sold in 2010, exclusive of foreclosures. Approximately 57 % of all home sales were \$200,000 or below. Table V does not include foreclosed housing units.

Table V
2010
New & Existing Single-Family Detached Home Sales

Price Range	Number of Sales	Percent
Under \$150,000	731	27%
\$150,000 to \$200,000	819	30%
\$200,001 to \$250,000	528	19%
\$250,001 to \$300,000	291	11%
\$300,001 to \$350,000	128	5%
\$350,001 to \$500,000	152	6%
Over \$500,000	66	2%
Total Sales	2,715	100%

Source: St. Charles County Assessor's Office

St. Charles County Association of Realtors reports for 2010 that 3,349 residential sales were closed, 257 sales were pending and 2,438 were active for sale properties. Most of the sales market is \$175,000 or below price range which accounted for 48% of all residential properties sold.

New Residential Construction

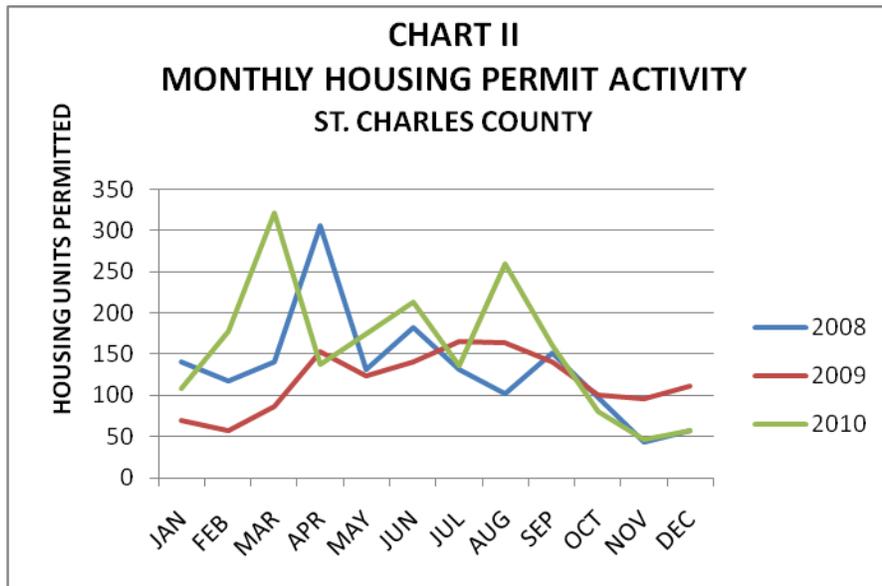
New residential construction in St. Charles County including incorporated areas in 2010 exhibited an increase compared to the rate of housing development in 2009. Permits for both single-family detached housing units and multiple-family housing units increased. In 2010 a total of 1,185 single-family detached housing units were permitted, while 1,131 were permitted in 2009, representing a 4.8% increase. The development of multiple-family housing units increased to 580 in 2010 compared to a total of 278 units in 2009 (See Table VI). This represents an increase of 109% in this housing category.

Table VI
New Housing units Permitted
St. Charles County

Year	Single-Family	Multiple-Family	Total Housing Units
2000	2,980	978	3,958
2001	3,053	1,146	4,199
2002	3,228	1,841	5,069
2003	3,352	769	4,121
2004	3,643	1,362	5,005
2005	3,286	866	4,152
2006	2,533	985	3,518
2007	2,124	878	3,002
2008	1,174	426	1,600
2009	1,131	278	1,409
2010	1,185	580	1,765

Source: St. Charles County Building Code Enforcement Division

The increases in housing units permitted between 2009 and 2010 show a potential reversal of the downward trend existing since 2004. An examination of housing units permitted during 2008 – 2010 on a monthly basis, reveals a significant uptick in the number of units permitted in March 2010. While building permitting peaks are common for April, the 2010 uptick in March may have been attributed to the First-Time Homebuyer Tax Credit that expired on April 30, 2010. If the tax credit program influenced construction activity, the reversal may not prove to be sustained in 2011. Also heavily influencing the reversal in housing units permitted is the significant increase in multifamily construction. Whether multifamily construction continues to show substantial gains remains to be seen and is not expected in the short term. (See Chart II)



Recorded Subdivision Plats

According to data supplied by the St. Charles County Recorder of Deeds Office the total number of subdivision plats recorded in 2010 was 89. Only 39 of the plats, approximately 43.8%, were for new residential developments, including condominium plats and boundary adjustment plats. The total number of lots created by these plats was 261.

Platted Subdivision Lots

At the end of 2010 the total number of platted residential subdivision lots of one acre or less in size, that were not developed with a structure, was 8,603 as estimated by the County Information Systems Department. The total number of vacant platted residential lots greater than one acre in size was estimated at 715. This number would include three acre minimum lots and five acre minimum lots platted in rural areas of the county. Removed from these numbers were platted lots substantially within the 100 year flood plain and large acre lots which have been reassessed for agricultural usage.

Between 2008 and 2010, an average of 1,163 new single-family detached homes were built each year. This rate of absorption would take in excess of seven years to utilize all of the vacant, platted residential subdivision lots of one acre or less in size. Assuming that 20% of the lots may be less desirable for one reason or another, a conservative 6-year supply may exist.

Medium Family Income

The Census Bureau’s most recent estimate for median family income for St. Charles County was for 2009. The estimated median family income in the county for that year was \$79,543. This figure was \$3,457 less than the reported median family income in 2008 which was \$83,000. St. Charles County’s estimated median family income was the highest in the State of Missouri for

2009. A review of estimated median family incomes of counties in the region is presented in Table VII.

Table VII

Utilizing the consumer price index for St. Louis Metropolitan Area from the Bureau of Labor Statistics, it was determined that the 2000 median family income of \$64,415 would equate to \$78,385 in 2009 buying power using the St. Louis Metro CPI for all items. This calculation reveals that the median income purchasing power for families within St. Charles County has changed very little compared to a decade ago.

2009 Median Family Income

Jurisdiction	Income
United States	\$61,082.00
Missouri	\$56,318.00
St. Charles County	\$79,543.00
St. Louis City	\$39,843.00
St. Louis County	\$70,203.00
Lincoln County	\$60,410.00
Warren County	\$63,256.00
Jefferson County	\$62,219.00
Franklin County	\$59,408.00

Source: ACS 2009 1-year est., ACS 2007-2009 3-y
Lincoln and Warren Counties

Housing Foreclosures

The total number of foreclosures in St. Charles County in 2010 continued to rise exceeding the number recorded in 2009. The St. Charles County Assessor's Office has been doing extensive research into the number of foreclosures in recent years and the number of parcels of properties affected by such actions. In 2010 the total number of foreclosures was 1,137 involving 2,060 parcels of property (See Table VIII). A foreclosure is a legal procedure that bars a mortgagor's right to redeem a mortgaged property. A parcel is a recorded property. A single foreclosure action may include more than one parcel of property.

Table VIII

Foreclosures in St. Charles County

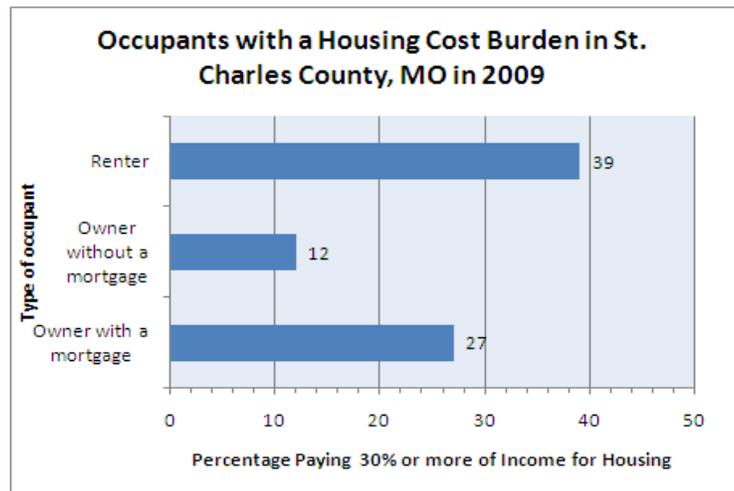
Year	Foreclosures	Parcels (Properties)
2004	247	250
2005	279	294
2006	412	413
2007	634	889
2008	915	1,143
2009	926	1,506
2010	1,137	2,060

Source: St. Charles County Assessor's Office

Housing Costs

The median monthly housing costs for mortgaged owners was \$1,493, nonmortgaged owners \$455, and renters \$794. Twenty-seven percent of owners with mortgages, 12 percent of owners without mortgages, and 39 percent of renters in St. Charles County spent 30 percent or more of household income on housing. (See Chart III)

Chart III



Source: American Community Survey, 2009

Workforce Housing

The St. Charles County Master Plan, Envision 2020, identifies the need to increase the supply of workforce housing as a goal in its housing element. Workforce housing is generally described as providing housing to families of moderate income. The Department of Housing and Urban Development defines “low to moderate income” as between 50 percent to 80 percent of the median family income of the metropolitan statistical area. This range of income can be generally related to service type occupations and entry level positions. For this report moderate income is defined as between 60 percent to 80 percent of the median family income for St. Charles County. With a 2009 estimated county median family income of \$79,543, moderate income would be in the approximate range of \$47,725 to \$63,634.

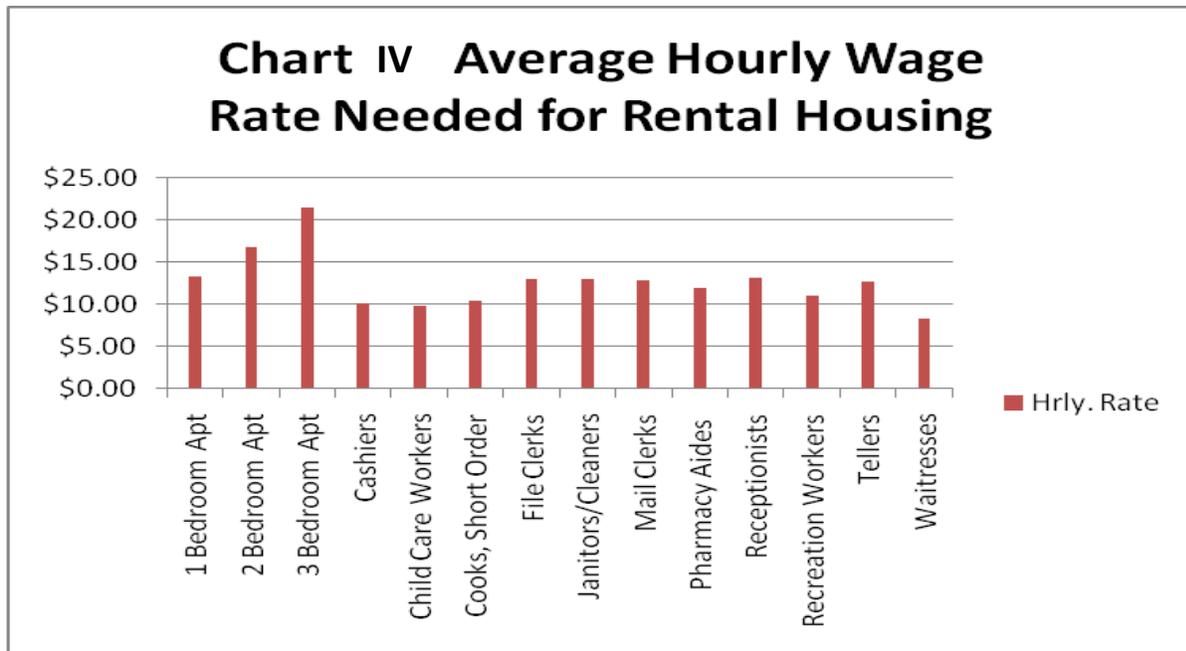
It is recognized that having an appropriate mix of housing price points is important for the continued growth and development of the county. For attracting business and industry, a variety of housing types to accommodate workers in various income ranges will be needed.

Workforce Housing and Availability

During 2010 Keith Kramer Associates surveyed 37 apartment developments in St. Charles County containing 10,242 units. Occupancy was found to be extremely high at 96.4%. The survey indicated demand for rental apartments was extremely strong in the county. The monthly rents for these complexes were found to average \$687 for a one bedroom; \$867 for a two bedroom; and \$1,116 on a three bedroom, two bath.

To analyze the affordability of these apartment units, monthly rents were compared to monthly earnings by perspective renters. To afford the level of average monthly rent (\$687) for a one bedroom apartment, without paying more than 30% of one’s income on housing, a household must earn \$2,290 monthly or \$27,480 annually. Assuming a 40-hour work week for 52 weeks per year, this would translate into an hourly wage of \$13.21. For persons employed within St. Charles County, the average 2009 hourly wage rate was \$17.58 per hour or \$36,566 annually.

To afford the level of average monthly rent (\$867) for a two bedroom apartment, without paying more than 30% of one’s income on housing, a household would have to earn \$2,890 monthly or \$34,680 annually. The hourly rate would be \$16.67. This is also below the average hourly rate for some one employed within the county. For a three bedroom, two bath apartment with an average monthly rent of \$1,116, a household would have to earn \$3,720 a monthly or \$44,640 annually. The needed hourly rate of \$21.46 is 22% higher than the average county hourly rate. This situation undoubtedly is a problem for large families needing to rent. Chart IV below depicts the hourly rate of selected occupations who, without incurring a financial burden could not afford to house themselves and their families (See Chart IV).



Source: Missouri Economic Research and Information Center, Occupational Employment Statistics (OES) May 2009

Rental Housing Needs

The above 2010 apartment survey by Keith Kramer Associates indicated an occupancy rate of 96.4%. Due to the nature of move-ins and move-outs at apartment complexes, 95% is considered full occupancy as an industry standard. As one renter vacates an apartment unit, a perspective renter has paid a deposit to rent the same unit.

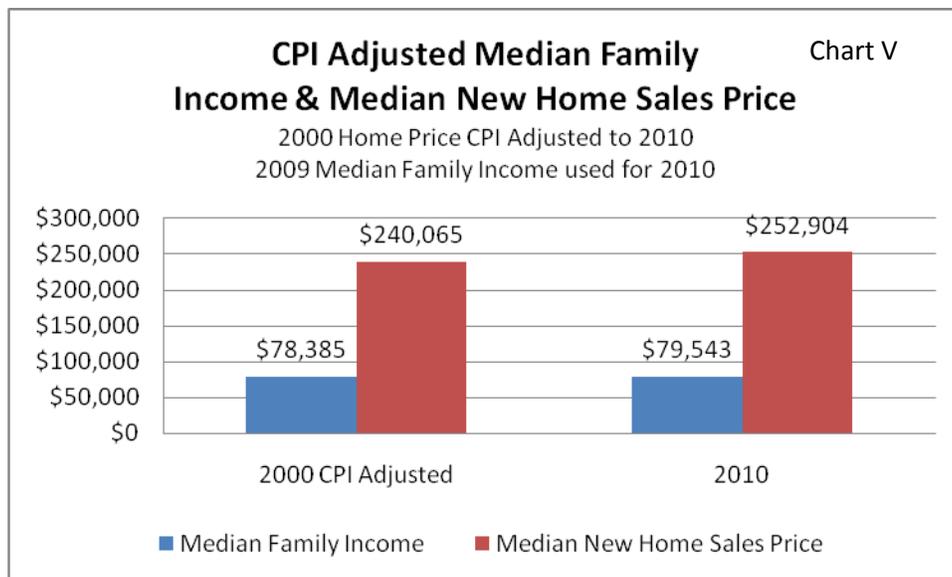
The above tight market in rental apartments has occurred for a variety of factors. First due to St. Charles County's relatively young median age for residents (37 years), there are constantly young individuals entering the work force and young families forming. Secondly the high number of home foreclosures over the last three years has transferred many former homeowners into the apartment rental market. Lastly during the last decade there have not been a sufficient number of multiple-family rental apartment units constructed in St. Charles County. The vast majority of multiple-family residential housing constructed was for units to be sold. Between 2000 and 2010 there were a total of 3,082 rental apartment units constructed in the county. The total represents all apartment buildings and/or complexes containing five units or more. This includes market rate apartments, government assisted rental units, and those developed exclusively to serve senior citizens. The total only represents 30.4% of all multiple-family housing units constructed during the period. This data exhibits a strong imbalance between multiple family units constructed and being marketed for sale, and those developed as rental apartments. There appears to be a need for more rental apartment units.

The discussion above illustrates the growing need for the development of new apartment rental housing in St. Charles County. As time proceeds the situation with exceedingly high occupancy rates will only worsen, leading residents who find work in the county to seek rental housing outside the county. Also as Chart III depicts there is also the need to accommodate members of the workforce who have to pay more than 30% of their monthly income to gain access to the rental apartment market.

Housing Affordability

Estimated data from the Census Bureau revealed that between 2000 and 2009 the estimated median family income in St. Charles County rose from \$64,415 to \$79,543. This represents an approximate 23.5% increase in the estimated median family income during this period. However, when adjusting the 2000 median income for inflation, utilizing the St. Louis Metro Area CPI, the 2000 median income equates to \$78,385 in 2009 buying power. The result reflects an inflation adjusted median family income increase of only 1.5% between 2000 and 2009. The purchasing power of CPI adjusted median family incomes would indicate that 2000 CPI adjusted income could afford a \$261,128 home and the 2009 median family income could afford a \$265,143 home.

From the period of 2000 to 2010 the median price of a new single-family detached home increased from \$194,701 to \$252,904. This represents an increase in the median sale price of this type of housing of \$58,203 or 29.9%. These figures have been adjusted for inflation using the housing CPI for the St. Louis Metro area and result in a 2010 equivalent of \$240,065. Therefore, when adjusted for inflation, a \$12,839 increase in median single-family home price or a 5.3% increase has occurred between 2000 and 2010. (See Chart V)



Source: St. Charles County Assessor's Office, Bureau of the Census, Bureau of Labor Statistics

During the last three years there has been an on-going correction in the price of housing in St. Charles County. The result is that home ownership has become more affordable for many families. The reasons for the enhancement of home affordability are as follows:

1. Interest rates for 30-year fixed rate mortgages remain exceptionally low. Conventional interest rates vary from approximately 4.9% to 5.2% and FHA loans are approximately 4.875%.
2. A few remaining new spec homes were still being discounted by home builders to move housing products.
3. The trend continues to construct smaller homes with less square footage within St. Charles County.
4. The continuing high volume of residential foreclosures provides potential home buyers with a greatly expanded market with housing priced below market value.
5. The oversupply of vacant, platted subdivision lots (an estimated 8,603 lots of one acre or less in size, and an additional estimated 715 vacant platted subdivision lots greater than one acre in size), the majority of these now owned by financial institutions.

A family with a 2009 income of \$79,543, and the ability to make a five percent down-payment, could afford to purchase a single-family detached home with a price of approximately \$265,000 through a conventional 30-year fixed rate mortgage. Most mortgages with less than a 20% down payment also require the monthly payment of property mortgage insurance until the mortgage balance reaches 80%. In this price range a family could purchase a new single-family detached two-story home consisting of three bedrooms, two full baths, a two-car garage, and a basement. This home would be approximately 1,880 square feet with a 440 square foot garage located on a 9,000 square foot lot. In 2010, the St. Charles County Association of Realtors reported that there were 341 properties for sale that contained this price point within the analysis's price range, with 184 of them sold.

A family earning \$63,634, 80% of the median family income for the county, would be able to purchase through a 30-year conventional fixed rate loan a home priced at approximately \$213,000. This would be subject to the five percent down-payment requirement and mortgage restrictions including the payment of property mortgage insurance. In this price range a family could purchase a new villa or an existing single-family detached home. In 2010, the St. Charles County Association of Realtors reported that there were 533 properties for sale that contained this price point within the analysis's price range, with 305 of them sold.

For those families earning 60% of the county median family income, an annual income of \$47,725, the maximum price of a home that could be purchased with 30-year fixed rate conventional financing would be in the range of \$159,000. As stated above, down payment requirements and property mortgage insurance payments would also apply. The only new housing product being developed at this price point would be a new townhome. The other options are existing residential housing units which could be an existing townhome, or an

existing garden apartment condo. In 2010, the St. Charles County Association of Realtors reported that there were 931 properties for sale that contained this price point within the analysis's price range, with 561 of them sold.

Factors Affecting Housing Costs

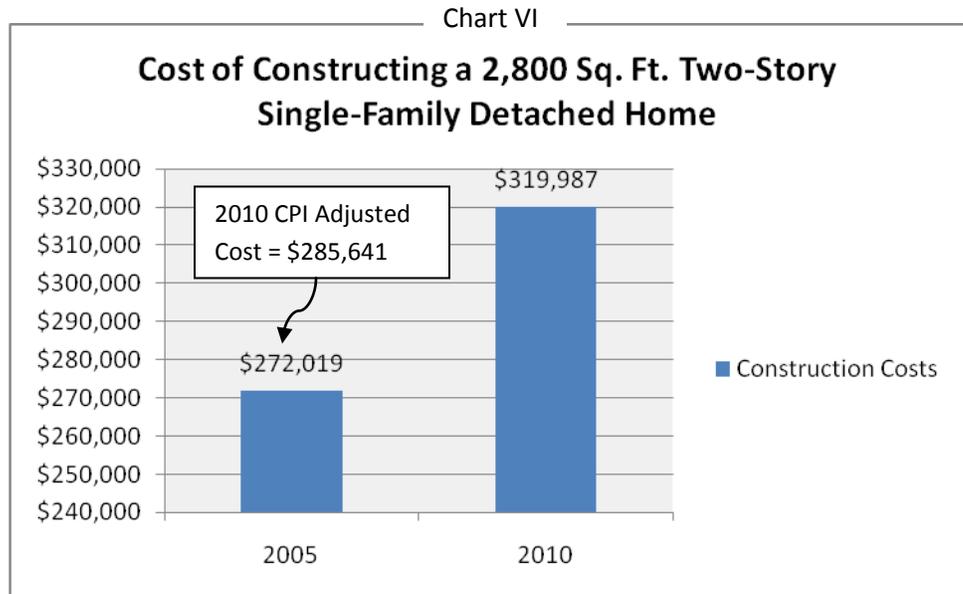
The six major factors reviewed within this report which directly influence new housing costs in the county are inflation, land acquisition costs, development costs, building costs, construction financing and the size of homes.

Inflation: In the St. Louis Metropolitan Area the rate of inflation was 2.5 percent for 2010 according to the Consumer Price Index as maintained by the Bureau of Labor Statistics. The general rate of inflation increases the costs of building a new home in the same fashion as its impact on the price of goods and services purchased by a family.

Land Acquisition Costs: For most of the last decade one of the primary escalating costs affecting the development of new housing was the acquisition of undeveloped land for residential subdivisions. With the slowdown in new housing starts from mid 2007 through 2010, a major correction was made in the cost of purchasing raw undeveloped acreage. With the magnitude of vacant, platted subdivision lots available, sale prices for raw undeveloped acreage for subdivision development have collapsed. An examination of sales data from the County Assessor's Office revealed that no properties were sold for sizeable residential subdivision development during 2010.

Development Costs: Land improvement costs (including surveying and engineering, grading and excavation, erosion control, streets, sanitary sewers, water service, storm water control, etc.) for a typical 2.9 housing unit per acre subdivision (10,000 to 12,000 square foot lots) would be in the approximate range of \$22,000 to \$24,000 per lot with adaptable terrain conditions. The estimated cost of excavating and grading is within the range of \$1.25 to \$1.50 per cubic yard. These costs are the same as reported in 2009. Acreage having more adverse terrain would be appreciably more. In addition administrative costs, marketing, and profit would add approximately 25% to total acquisition and development costs. Based upon land acquisition costs of \$50,000 per acre, the total development costs would be approximately \$49,000 for a 10,000 to 12,000 square foot lot. The basic rule is the cost of a developed lot will represent in the range of approximately 20% to 22% of the total cost of a new home. Therefore a total price package for a new single-family detached home with the above development costs would be in the range of \$245,000 or more. This home would be two-story, 1,680 square feet with a two-car garage, and a basement. Higher land acquisition costs for undeveloped property will generally translate into higher sale prices for housing units built on the property, while lower acquisition costs would translate into lower prices for housing units. Development costs have decreased in some instances reflecting the competition with developed lots that are being sold by financial institutions following foreclosure.

Building Costs: Utilizing residential building valuation data from the International Code Council (ICC) a comparison was made between the cost of building a 2,800 square foot two-story home, with a 1,400 square foot basement, and a two-car 440 square foot attached garage having average quality construction in 2005 and 2010. These estimates include foundation and basement for normal soil conditions, excavation for foundation and piers on a prepared building pad, floors, walls, exterior and interior finishes, roof cover, interior partitions, doors, windows, trim, electrical wiring and fixtures, rough and finished plumbing, built-in appliances, design fees, permits, utility hook-ups, the contractor's contingency, overhead, and profit. In making this comparison square footage costs were utilized for both 2005 and 2010. In 2005, this 2,800 square foot two-story home had an estimated cost of \$272,019. Utilizing the valuation data for 2010 would calculate the cost of building the same home at



Sources: International Code Council and Bureau of Labor Statistics

\$319,897 (See Chart VI). Thus in a five-year period the cost of erecting the two-story home increased by \$47,878 or 17.6%. Adjusting for inflation, using the St. Louis Metro CPI for housing, the adjusted 2005 cost of \$272,019 is \$285,641 in 2010 dollars. This inflation adjusted analysis still shows an increase in building costs of 12%. The total estimated cost of the 2005 home would construct a 2,350 square foot home in 2010. Utilizing the 2005 estimated cost therefore constructs a home which is 450 square feet or 16% smaller.

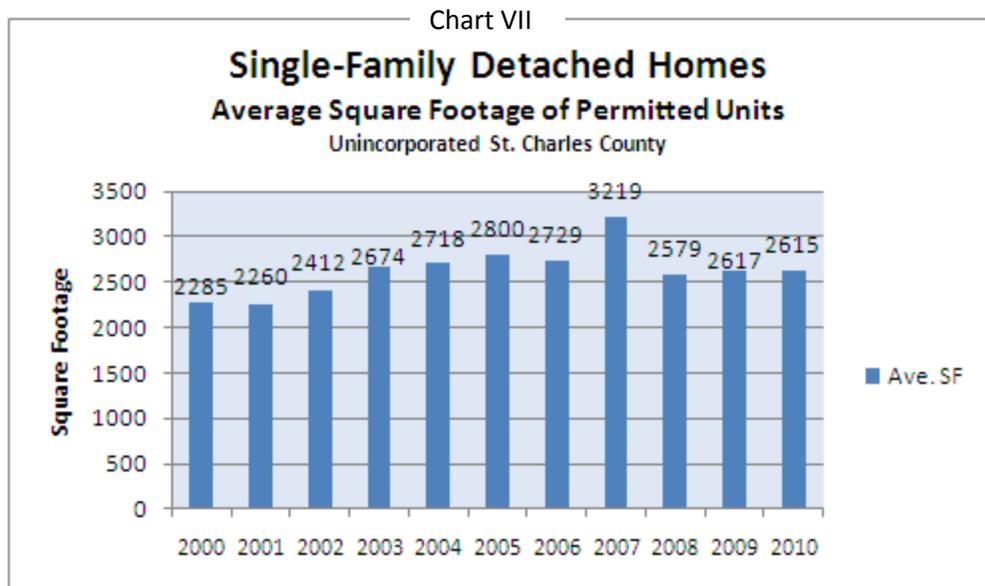
Construction Financing: For those who develop residential subdivisions, construction loans for the placement of infrastructure, (streets, sanitary sewers, water service, storm water sewers and control facilities) and the construction homes are major factors in calculating costs. Construction loans are short-term and command a higher interest rate than conventional mortgage rates due to the risk factor with new development. The current average rates for short-term loans are primarily between 5.5% and 6.5% with some financial institutions requiring down payments of 20%. Each time the Federal Reserve Board lowers or raises the overnight borrowing rate, the rates of short-term loans are directly affected.

Size of Homes: Over the last few years across the nation, and within St. Charles County, homes are built having smaller square footages. According to the National Association of Home

Builders the average size of a single-family detached home built in 2009, the latest year available, was 2,135 square feet. This compares to a national average for the same type of home built in 2006 of 2,456 square feet. This reflects a reduction of 13% or 321 square feet.

The St. Charles County Building Code Enforcement Division issues building permits for the unincorporated sections of the county and the city of Weldon Spring through a contractual agreement. In 2010 the average size of a single-family detached home reviewed by the division was 2,615

square feet. The average size for the same type of housing unit in 2006 was 2,729 square feet. This represents a 4.1% decrease in living space over five years. It should be noted that many homes built within the



unincorporated county are sited on larger lots/acreage than those in municipalities. This translates into higher prices for lots and/or sites which affects the size of structure being erected. Higher prices for these sites directly correlate with larger homes being built. However, after a high in 2007, home sizes in the unincorporated area have followed national trends in smaller sized units being constructed. Figures for 2008 – 2010 reflect scaled back sizes to 2003 levels.

The city of O’Fallon reported that the average size of a single-family detached home constructed within their jurisdiction in 2010 was 2,046 square feet. According to the city’s building permit records a single-family detached home built in 2006 had an average size of 2,244 square feet. Within five years the average size decreased by 198 square feet or 8.8%.

The average size of a single-family detached home built in the city of St. Peters during 2010 was 2,012 square feet. This compares with an average size in 2006 of 2,159 square feet representing a 6.8% decrease in floor area during this time period.

The city of St. Charles reported numbers in contrast to the trend toward constructing smaller homes. The average size of a single-family detached home built in 2010 was 2,149 square feet. In comparison in 2006 the average size of the same category of housing unit built was 2,036 square feet. This conveys a 5.5% increase in floor area during the time span.

Conclusion

The number of foreclosures and short sales will continue to plaque home values. The number of available platted lots will impact the economic viability to develop new areas. Tight lending policies for homebuilders will also significantly contribute to curtail new development initiatives. With construction costs outpacing median income levels, (more than double the increases in median income level), new housing is expected to be smaller in size than experienced previously, at least in the short term. The high number of homeowners, 39%, already having housing cost burdens exceeding 30% of their incomes will not contribute to positive change in the housing market.

On somewhat of a positive note, the demand for rental housing, based upon the level of occupancy, is expected to be high. However, very few initiatives if any have been seen that will produce more rental housing stock. The scarcity of rental housing and costs of rental housing may result in people who find jobs (entry level and service jobs) in the county not being able to locate and/or afford rental housing within the county.