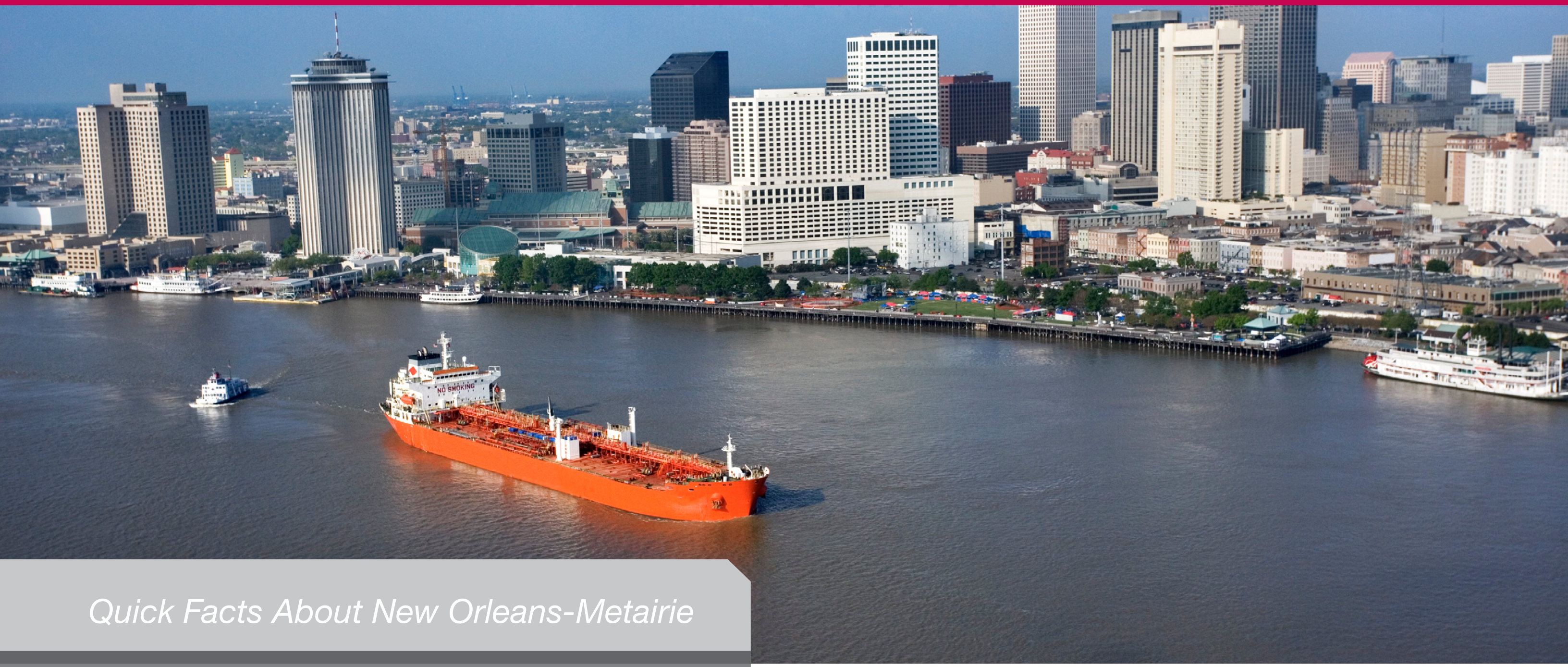
HUD PD&R **Housing Market Profiles**

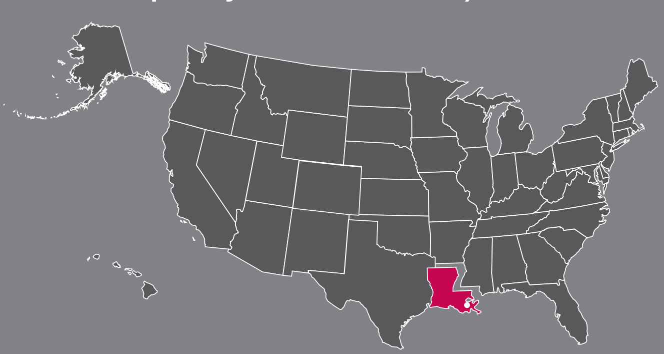
New Orleans-Metairie, Louisiana



Quick Facts About New Orleans-Metairie

By Randall Goodnight | As of October 1, 2017

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: balanced.**
- **The metropolitan area continues to be a popular tourist destination. In 2016, visitor spending totaled a record $7.4 billion, representing an average annual increase of 8.1 percent from 2010 through 2016 (University of New Orleans, Hospitality Research Center).**



Overview

The New Orleans metropolitan area, in southeast Louisiana near the mouth of the Mississippi River is coterminous with the New Orleans-Metairie, LA Metropolitan Statistical Area and consists of Jefferson, Orleans (the city of New Orleans), Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, and St. Tammany Parishes. *Travel + Leisure* magazine ranked the metropolitan area second in 2017 in America's Favorite Cities list. The metropolitan area has received this ranking each year since 2014. During 2016, the metropolitan area had a record 10.40 million visitors, surpassing the previous record of 10.10 million visitors in 2004.

- The current population of the metropolitan area is an estimated 1.28 million, representing an increase of 11,500, or 0.9 percent, annually since April 2010, with 57 percent of the population growth the result of net in-migration. The current population represents 92 percent of the population in 2005, before Hurricane Katrina, which made landfall in August 2005 (Census Bureau population estimates as of July 1).

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- From 2005 to 2006, the population of the metropolitan area declined by 346,200, or 25.0 percent, because of displaced residents leaving the metropolitan area following Hurricane Katrina.
- The population rebounded significantly from 2006 to April 2010, increasing an average of 3.6 percent annually, mostly because of displaced residents returning.
- The metropolitan area population growth has slowed nearly every year since 2010, reflecting a waning number of displaced residents returning to the metropolitan area. Since 2016, net in-migration has averaged an estimated 880 annually compared with a net in-migration of nearly 13,000 in 2011 (Census Bureau population estimates as of July 1).

Economic Conditions

The economy of the New Orleans metropolitan area has fluctuated significantly since 2004. During 2005 and 2006, nonfarm payrolls decreased by an average of 66,600, or 11.3 percent, annually because of the effects of Hurricane Katrina. Economic recovery, aided by more than $120 billion in government investment, was strong during 2007 and 2008, when nonfarm payrolls increased an average of 23,600 jobs, or 4.7 percent, annually. During 2009 and 2010, the effects of the national recession contributed to a decline in nonfarm payrolls in the metropolitan area by an average of 2,800, or 0.5 percent, annually. Job growth occurred from 2011 through 2015 by an average of 8,700, or 1.6 percent, annually, before declining in 2016 by 500, or 0.1 percent, partly because of job losses in sectors impacted by declining energy prices. Recently, the metropolitan area economy expanded, albeit slightly. Current employment levels represent a 17-percent increase in payrolls compared with 2006 but still remain nearly 8 percent lower than the pre-Hurricane Katrina payroll level.

During the 3 months ending September 2017—

- Nonfarm payrolls averaged 574,700 jobs, an increase of 1,500 jobs, or 0.3 percent, compared with a year earlier, with gains occurring in 7 of the 11 job sectors.
- Job growth was strongest in the construction subsector, the leisure and hospitality sector, and the professional and business services sector, which increased by 1,800, 1,700, and 1,600 jobs, or 6.2, 2.0, and 2.1 percent, respectively.

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Strong gains in the leisure and hospitality, the professional and business services, and the mining, logging, and construction sectors contributed to job growth in the New Orleans area.

	3 Months Ending		Year-Over-Year Change	
	September 2016 (thousands)	September 2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	573.2	574.7	1.5	0.3
Goods-producing sectors	65.0	67.2	2.2	3.4
Mining, logging, and construction	35.1	36.5	1.4	4.0
Manufacturing	29.9	30.7	0.8	2.7
Service-providing sectors	508.2	507.5	– 0.7	– 0.1
Wholesale and retail trade	87.1	86.2	– 0.9	– 1.0
Transportation and utilities	28.5	28.6	0.1	0.4
Information	7.4	6.4	– 1.0	– 13.5
Financial activities	30.1	29.6	– 0.5	– 1.7
Professional and business services	74.8	76.4	1.6	2.1
Education and health services	99.6	100.8	1.2	1.2
Leisure and hospitality	86.7	88.4	1.7	2.0
Other services	24.0	24.5	0.5	2.1
Government	70.0	66.6	– 3.4	– 4.9
	(percent)	(percent)		
Unemployment rate	5.9	5.3		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

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- Expansions that began in the spring of 2017 at several facilities—including a $1.9 billion Yuhuang Chemical Inc. methanol-manufacturing complex in St. James Parish—generated 1,000 construction jobs, contributing to job growth in the construction subsector (Yuhuang Chemical, Inc.). The $975,000 expansion by Monsanto Company is also under way at its manufacturing plant in St. Charles Parish (Monsanto Company). This ongoing expansion also resulted in 1,000 new construction jobs.
- Increased tourism, with record-level visitor attendance and spending, contributed to job growth in the leisure and hospitality sector. Gains in the professional and business services sector were partly the result of the recent opening of a technical support contact center by Sleep Number Corporation in Jefferson Parish, resulting in 250 new jobs.
- Significant losses in the government sector, which declined by 3,400, or 4.9 percent, partly offset nonfarm payroll gains. Job losses in the government sector were primarily in the state and local government subsectors, stemming from significant budget cuts by the state of Louisiana.
- Job losses also occurred in the information sector, which decreased by 1,000, or 13.5 percent. A 30-percent decline in film and television series production in the metropolitan area contributed to most of the job losses in the information sector. The decrease in the number of productions stemmed from recent changes in the state of Louisiana Motion Picture Production Tax Credit Program (State of Louisiana Office of Entertainment Industry Development).

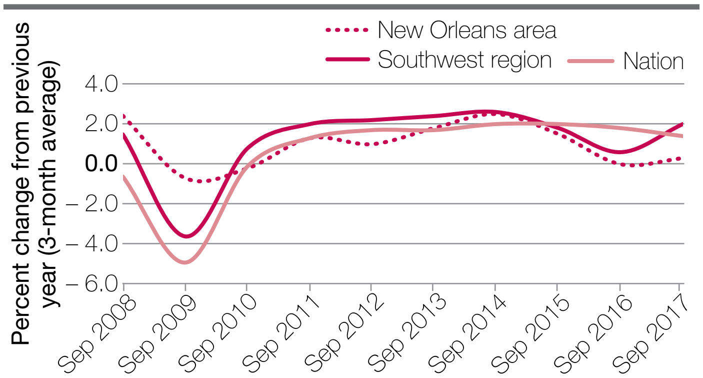
The metropolitan area economy is expected to benefit during the next several years from increased hiring in several sectors because of ongoing and planned expansions. Jobs in the professional and business services sector are expected to increase with the slated January 2018 opening in the city of New Orleans of a digital transformation center by DXC Technology Company, an end-to-end information technology services company (State of Louisiana Office of the Governor). The center is expected to hire 2,000 employees once operational. In Jefferson Parish, the $1.0 billion expansion of the Louis Armstrong New Orleans International Airport is expected to be complete by February 2019, resulting in increased hiring in several job sectors, including the transportation and utilities sector and the wholesale and retail trade sector. The expansion, which includes a 35-gate terminal, is expected to have an economic impact on the metropolitan area of $3.2 billion annually once completed (City of New Orleans Office of the Mayor). Jobs in the mining, logging, and construction sector are expected to increase due to a planned expansion in Plaquemines Parish by Venture Global LNG. The company plans to begin construction on an $8.5 billion natural gas liquefaction facility in late 2018, resulting in 2,200 construction jobs (State of Louisiana Office of the Governor). Once completed, the facility is expected to employ 250 workers at an average salary of $70,000 per year.

Largest employers in the New Orleans area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Ochsner Health System	Education and health services	18,000
LCMC Health	Education and health services	8,300
Tulane University	Education and health services	4,600

Note: Excludes local school districts.
Source: Local employers

The economy of the New Orleans area has expanded nearly every year since late 2010 and has grown, albeit slowly, in 2017 after stalling in 2016.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Sales Market Conditions

The sales housing market in the New Orleans metropolitan area is currently balanced, with an estimated vacancy rate of 1.9 percent compared with the rate of 2.8 percent in April 2010, when conditions were soft. The inventory of homes for sale represented an estimated 4.3-month supply in September 2017, down from a 6.6-month supply in 2010 (Metrostudy, A Hanley Wood Company; Zillow Group Inc., with adjustments by the analyst). Relatively strong job growth, particularly from 2011 through 2015, and the easing of home mortgage-lending standards contributed to improved sales market conditions compared with 2010. The share of seriously delinquent loans (loans that are 90 or more

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days delinquent or in foreclosure) and real estate owned (REO) properties was 3.2 percent in September 2017, down from 3.9 percent a year earlier and from a post-national-recession peak of 8.6 percent in February 2010. Seriously delinquent loans reached a record peak of 25.7 percent in November 2005 following Hurricane Katrina. New and existing home sales (including single-family homes, townhomes, and condominiums) decreased by 450, or 3 percent, to 14,800 during the 12 months ending September 2017 compared with a year earlier, and homes sold for an average price of $233,900, unchanged from a year earlier (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). By comparison, from 2012 through 2015, home sales increased an average of 5 percent annually, and the average home sales price increased an average of 6 percent annually. During the 12 months ending September 2017, a significant decline in REO sales and short sales contributed to the decline in home sales.

During the 12 months ending September 2017—

- The average price for new homes decreased 4 percent to $280,900 compared with the average price a year earlier, and existing homes sold for an average price of $230,100, unchanged from a year earlier.
- New home sales increased 2 percent to 1,125 homes, and existing home sales totaled 13,650, a decrease of 3 percent compared with a year earlier.
- REO sales and short sales comprised a combined 1,350 homes, down 32 percent from a year earlier, and the average price for REO and short sales was up 13 percent to $134,400. REO and short sales accounted for 10 percent of existing home sales, down from 13 percent a year ago.
- Absentee-owner home sales comprised 35 percent of total sales in the HMA, unchanged from the same period the previous 2 years but was more than twice the average percentage from 2005 through 2014. Absentee-owner home sales in Orleans Parish accounted for nearly one-half of absentee-owner home sales in the metropolitan area and about one-half of all home sales in Orleans Parish.

Increased new home sales in the metropolitan area during the 12 months ending September 2017 contributed to an increase in single-family homebuilding activity, as measured by the number of homes permitted, during the same period.

- During the 12 months ending September 2017, single-family home permitting increased by 90, or 4 percent, to 2,575 homes (preliminary data, with adjustments by the analyst). Single-family home permitting averaged 2,500 annually during 2014 and 2015.
- Single-family home construction averaged 10,900 homes annually from 2008 through 2010, when single-family home rebuilding efforts following Hurricane Katrina were strong.
- Construction is currently under way at the Bent Tree Park residential community in the city of Marrero in Jefferson Parish 12 miles south of downtown New Orleans. A total of 65 new three-bedroom homes, ranging in size from 1,650 to 1,950 square feet, sold for an average price of $213,500. Approximately 85 home sites remain available for construction.
- In the city of Slidell in St. Tammany Parish 30 miles northeast of downtown New Orleans, construction is under way at the Lakeshore Villages residential community. The community is

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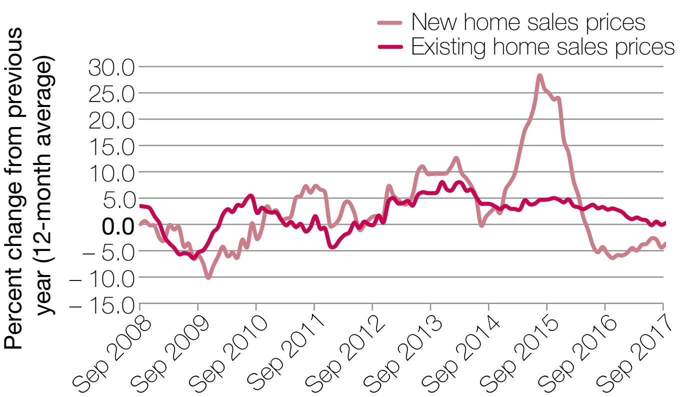
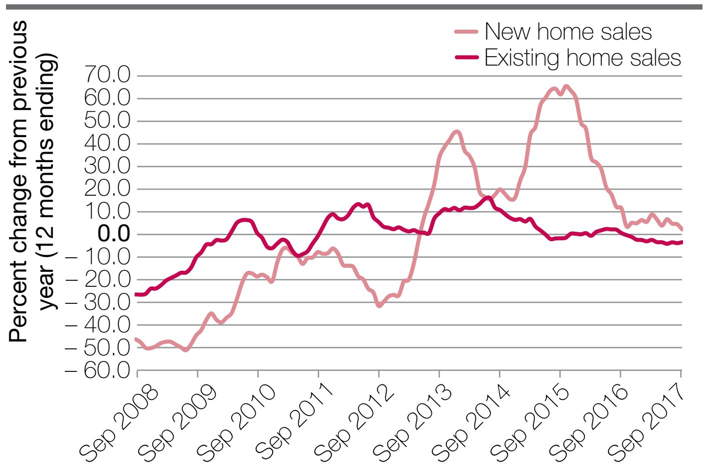
Year-over-year existing home price increases slowed during the past 2 years in the New Orleans area. New home sales prices spiked during the 12 months ending July 2015 and have declined since.



Note: Includes single-family homes, townhomes, condominiums, or any combination.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

New home sales have increased year over year since mid-2013 in the New Orleans area, but a signifcant decline in REO and short sales contributed to recent year-over-year declines in existing home sales.



REO = real estate owned.
Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

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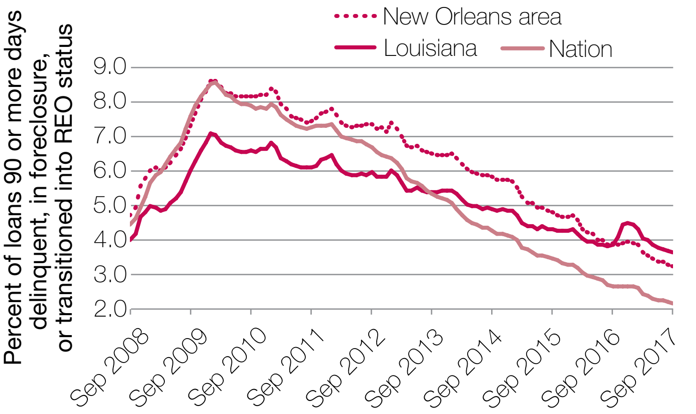
on the north shore of Lake Pontchartrain and is adjacent to Big Branch Marsh National Wildlife Refuge. Thirty-six new three-, four-, and five-bedroom homes, ranging in size from 1,500 to 3,500 square feet, sold at Lakeshore Villages for an average price of $210,400. More than 100 home sites remain available for construction at the development.

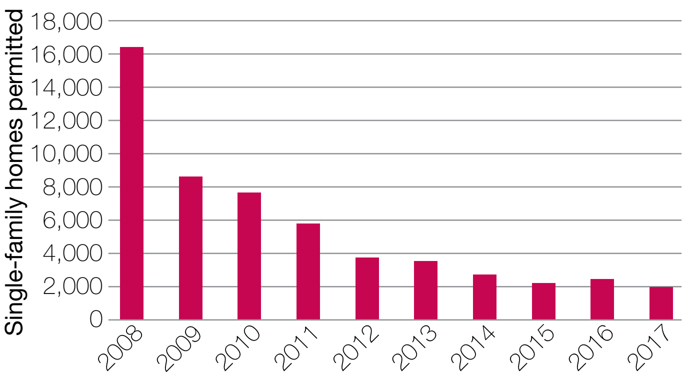
- The Saxony condominiums are currently being converted from a former meatpacking plant in the Bywater District, 3 miles northeast of downtown New Orleans. The 75-unit development, comprising five stories, is slated to be complete by the end of 2018. Studio, one-, two-, and three-bedroom units are expected to sell at prices ranging from $189,000 to $642,500.

Reflecting trends in Louisiana and the nation, the percentage of seriously delinquent loans and REO properties in the New Orleans area has trended downward since a postrecession peak in February 2010.



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

The impact of rebuilding efforts related to Hurricane Katrina on single-family home permitting in the New Orleans area was significant but has declined each year since 2008.



Note: Includes preliminary data from January 2017 through September 2017.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in the New Orleans metropolitan area are currently balanced, with an average vacancy rate of 4.4 percent during the third quarter of 2017, down from 5.0 percent a year earlier and well below a high of 11.0 percent during the fourth quarter of 2009 (Reis, Inc.). Increased renter household growth, stemming from a greater propensity to rent, an expanding economy, and net in-migration, contributed to the decline in apartment vacancy rates compared with the late 2000s.

During the third quarter of 2017—

- The average apartment rent increased nearly 3 percent to $1,034 from a year earlier compared with an average increase of nearly 4 percent annually during the same period the previous 2 years.
- Apartment vacancy rates ranged from 2.0 percent in the Reis, Inc.-defined Metairie market area in Jefferson Parish to 6.8 percent in the Southeast Orleans market area. Average apartment rents ranged from $600 in the Southeast Orleans market area to $1,526 in the Central New Orleans market area.
- In the New Orleans Central Business District (CBD) in the central New Orleans area, the average apartment rent was $2,135, reflecting strong demand stemming from proximity to employment centers and entertainment venues. The topography of the New Orleans CBD, where the average elevation is 3.0 feet above sea level compared with 1.5 feet below sea level in the remainder of the city, also contributed to relatively strong demand.
- Also, increased expenses to maintain and insure apartments contributed to relatively high apartment rents in the New Orleans CBD, where the average cost to insure apartments is more than $850 per unit, or about 6 times the pre-Hurricane Katrina rates (National Apartment Association).

Multifamily construction activity, as measured by the number of units permitted, totaled 1,000 during the 12 months ending September 2017, down 17 percent from a year earlier (preliminary data, with adjustments by the analyst). By comparison, an average of 1,325 units were permitted annually from 2010 through 2014. Since 2010, more than one-half of multifamily construction has

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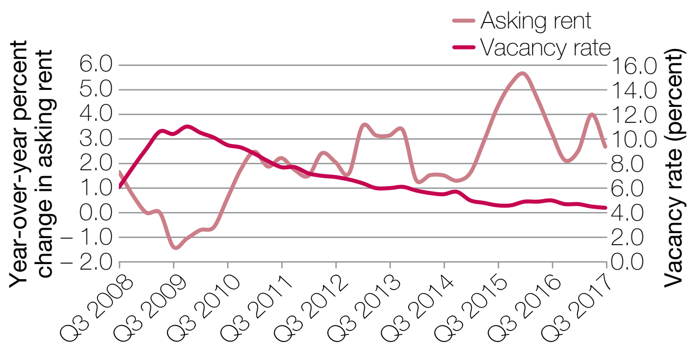
been in and around the New Orleans CBD. Multifamily construction activity averaged 2,525 annually during 2008 and 2009, reflecting rebuilding efforts following Hurricane Katrina. Condominium construction has accounted for about 7 percent of multifamily construction since 2015 compared with 1 percent from 2010 through 2014 and 6 percent during the 2000s.

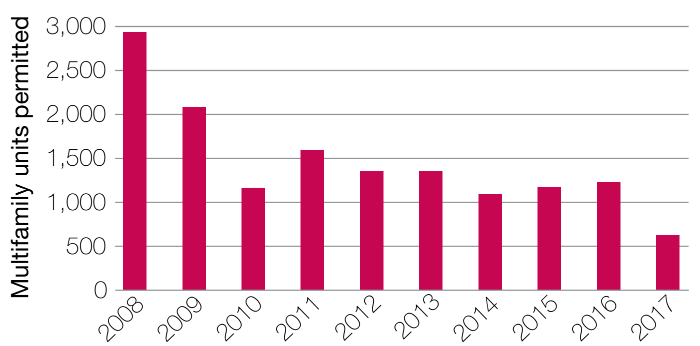
- An estimated 1,350 apartment units are currently under construction in the metropolitan area.
- Several apartment developments are under construction in the New Orleans CBD, including the 330-unit Canal Crossing apartments. The nine-story development is slated to be complete in 2020 and include units ranging in size from 714 square feet for one-bedroom units, 1,056 square feet for two-bedroom units, and 1,330 square feet for three-bedroom units. Information on asking rents at the community is not yet available.
- The Pythian apartments, also in the CBD, was completed July 2017 and is currently in lease-up. The 69-unit mixed-income, mixed-use development offers market-rate one-, two-, and three-bedroom units at rents ranging from $1,300 to $3,000 for one-bedroom units, $2,200 to $3,400 for two-bedroom units, and $5,000 for three-bedroom units. Twenty-four units at the 10-story development are income-restricted units. Amenities include a ground floor restaurant, concierge service, a physical therapy clinic, and a ground-floor shower for bike commuters.

Increasing rents and decreasing vacancy rates reflected improving apartment market conditions in the New Orleans area compared with the late 2000s.



Q3 = third quarter.
Source: Reis, Inc.

Multifamily permitting in the New Orleans area slowed from 2008 and 2009, when multifamily rebuilding efforts following Hurricane Katrina were strong.



Note: Includes preliminary data from January 2017 through September 2017.
Source: U.S. Census Bureau, Building Permits Survey, with adjustments by the analyst