

HUD PD&R Housing Market Profiles

New Orleans-Metairie-Kenner, Louisiana



Quick Facts About New Orleans-Metairie-Kenner

- **Current sales market conditions: soft.**
- **Current apartment market conditions: balanced.**
- **Almost 10 years after Hurricane Katrina made landfall, the ongoing recovery efforts are evident throughout the metropolitan area.**



By Randall Goodnight | As of May 1, 2015

Overview

The New Orleans-Metairie-Kenner (hereafter, New Orleans) metropolitan area, in southeast Louisiana near the mouth of the Mississippi River, consists of Jefferson, Orleans (the city of New Orleans), Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, and St. Tammany Parishes. The metropolitan area, a popular tourist destination worldwide, was ranked the tenth best overall travel destination in the world and second best in the nation by *Travel + Leisure* magazine in 2014.

- As of May 1, 2015, the estimated population of the metropolitan area was 1.26 million, representing an increase of 13,800, or 1.1 percent, annually since April 2010; about 64 percent of the population growth during this period was the result of net in-migration.
- By comparison, the population increased an average of 3.6 percent annually from July 2006 to April 2010, and 85 percent of the growth was the result of net in-migration, reflecting the return of residents displaced by Hurricanes Katrina and Rita in 2005.
- From April 2000 through June 2005, the metropolitan area population increased an average of 0.7 percent annually, with net in-migration accounting for 30 percent of population growth.
- The current estimated population represents about 91 percent of the population recorded in July 2005, before Hurricanes Katrina and Rita.



The education and health services sector was the largest sector and gained the greatest number of jobs in the New Orleans area.

	3 Months Ending		Year-Over-Year Change	
	April 2014 (thousands)	April 2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	562.7	562.8	0.1	0.0
Goods-producing sectors	70.6	65.5	- 5.1	- 7.2
Mining, logging, and construction	39.2	35.9	- 3.3	- 8.4
Manufacturing	31.3	29.7	- 1.6	- 5.1
Service-providing sectors	492.2	497.3	5.1	1.0
Wholesale and retail trade	84.5	87.7	3.2	3.8
Transportation and utilities	27.9	28.3	0.4	1.4
Information	8.6	8.6	0.0	0.0
Financial activities	27.9	27.7	- 0.2	- 0.7
Professional and business services	74.6	72.9	- 1.7	- 2.3
Education and health services	88.6	91.9	3.3	3.7
Leisure and hospitality	82.2	83.4	1.2	1.5
Other services	23.0	23.5	0.5	2.2
Government	74.8	73.3	- 1.5	- 2.0
	(percent)	(percent)		
Unemployment rate	5.3	6.1		

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

Economic Conditions

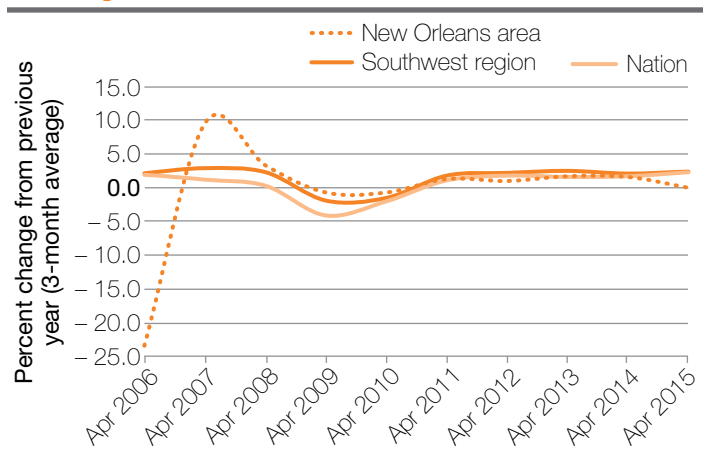
Nonfarm payroll jobs in the New Orleans metropolitan area were virtually unchanged during the 3 months ending April 2015 compared with nonfarm payrolls a year earlier. By contrast, jobs increased an average of 1.4 percent annually during the same period during the previous 4 years.

During the 3 months ending April 2015—

- Nonfarm payrolls increased by 100 jobs, to 562,800, representing about 91 percent of pre-Hurricane Katrina payrolls.
- The largest employment sector was the education and health services sector, with 91,900 jobs. The three largest employers in the metropolitan area are in this sector and employ a combined 29,200 workers, or nearly one-third of the total number of education and health services jobs.
- The education and health services sector also gained the greatest number of jobs, increasing by 3,300, or 3.7 percent. Contributing to gains in this sector were numerous hospital expansions in Orleans, Plaquemines, and St. Tammany Parishes.

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Job growth in the New Orleans area stalled during the 12 months ending April 2015, nearly ending a trend of consecutive monthly year-over-year gains that began in November 2010.



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

Largest employers in the New Orleans area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Ochsner Health System	Education & health services	14,500
Tulane University	Education & health services	8,600
LCMC Health	Education & health services	6,100

Note: Excludes local school districts.
Sources: Employers; local chambers of commerce



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- Despite an increase in resident employment of 10,750, or 1.9 percent, compared with a year earlier, the unemployment rate increased to 6.1 percent from 5.3 percent a year earlier as a result of an increase in the labor force of 16,850, or 2.9 percent, during the same period.

The metropolitan area economy is expected to benefit from increased hiring in the education and health services sector as a result of several new hospitals scheduled to open during the next 2 years. The \$1.1 billion University Medical Center, slated to open in August 2015 near downtown New Orleans, is expected to employ more than 5,000

workers (GNO, Inc.). Construction is also under way at the \$1.0 billion New Orleans VA Medical Center, also located near downtown New Orleans. The New Orleans VA Medical Center is expected to open in 2016 and add an additional 1,100 jobs (U.S. Department of Veterans Affairs). The University Medical Center and New Orleans VA Medical Center are part of recovery efforts stemming from damage caused by Hurricane Katrina, which destroyed the metropolitan area's largest hospital, Charity Hospital, and the original New Orleans VA Medical Center. Six of the nine hospitals in Orleans Parish, where damage was greatest, were lost in the wake of Hurricane Katrina.

Sales Market Conditions

Sales housing market conditions are soft but improving in the New Orleans metropolitan area. The estimated sales vacancy rate is currently 2.0 percent, down from 2.8 percent in April 2010. As of March 2015, the inventory of unsold homes was about 3,850, unchanged from a year earlier and down 28 percent from April 2010 (Yahoo!-Zillow Real Estate Network). Sales of new and existing homes (including single-family homes, townhomes, and condominiums) decreased slightly during the 12 months ending April 2015, declining by 50, or less than 1 percent, to 13,800 compared with 1 year earlier, and the average home sales price increased by \$4,525, or 2 percent, to \$217,800 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). During the 2000s, new and existing home sales in the metropolitan area peaked in 2006 at 22,500, up 40 percent from a year earlier, partly the result of increased demand stemming from displaced residents. By comparison, national new and existing home sales declined 12 percent during the same period. Approximately 400,000 residents, or nearly one-third of the total population of the

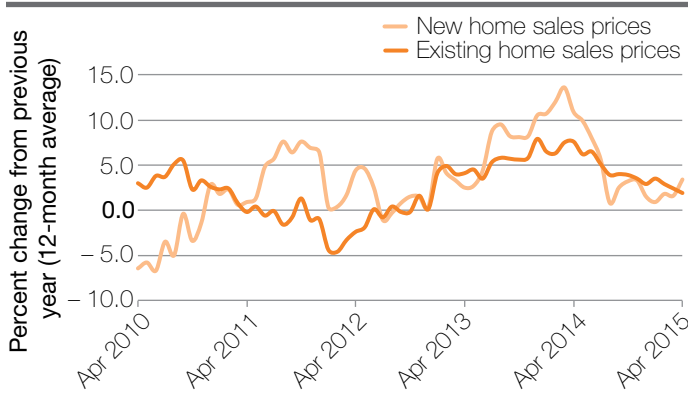
metropolitan area, were displaced as a result of damage caused by Hurricane Katrina. As of April 2015, 5.8 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into real estate owned (REO) status, down from 6.7 percent a year earlier and from a peak level of 9.7 percent in January 2010 (Black Knight Financial Services, Inc.). Negative equity mortgages currently comprise 16 percent of all home loans in the metropolitan area compared with approximately 15 percent a year ago and with a peak level of 24 percent in September 2010 (CoreLogic, Inc.).

During the 12 months ending April 2015—

- Sales of existing homes totaled 13,150, down 140 homes, or 1 percent, from a year earlier. Existing home sales increased an average of about 7 percent annually during the previous 3 years, reflecting increased demand stemming from in-migration and a recovering housing market (Metrostudy, A Hanley Wood Company, with adjustments by the analyst).

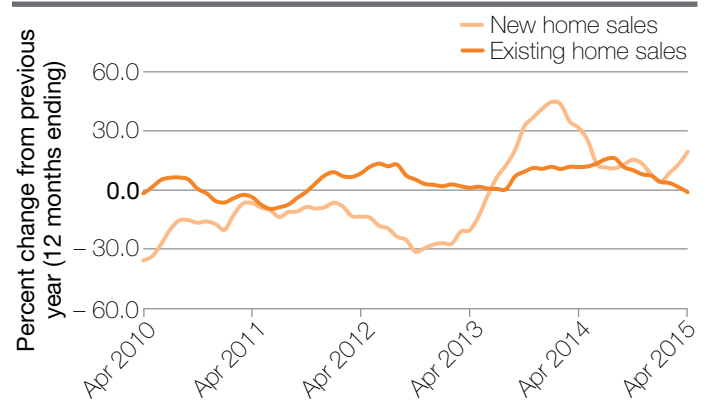
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In the New Orleans area, new and existing home sales prices have recorded year-over-year increases every month since September 2012 and November 2012, respectively.



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

In the New Orleans area, new home sales have recorded year-over-year gains every month since July 2013, but existing home sales have slowed recently.



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



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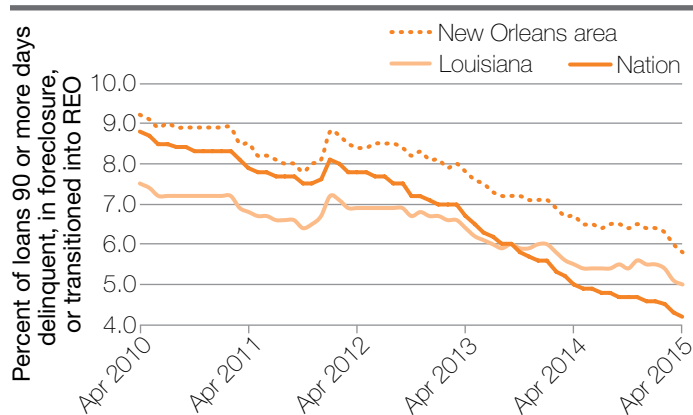
- The average sales price of an existing home increased by \$4,050, or 2 percent, to \$216,000. Existing average home sales price increases have occurred every month since November 2012.
- New home sales prices increased 3 percent, to \$256,000, and new home sales increased 19 percent, to 630 homes. New home sales averaged 2,375 annually during 2006 and 2007 before declining to averages of 810 annually from 2008 through 2010 and 480 from 2011 through 2013.

A decline in the number of new and existing homes sold in the metropolitan area during the 12 months ending April 2015 contributed to a slight decrease in single-family construction activity, as measured by the number of homes permitted.

During the 12 months ending April 2015—

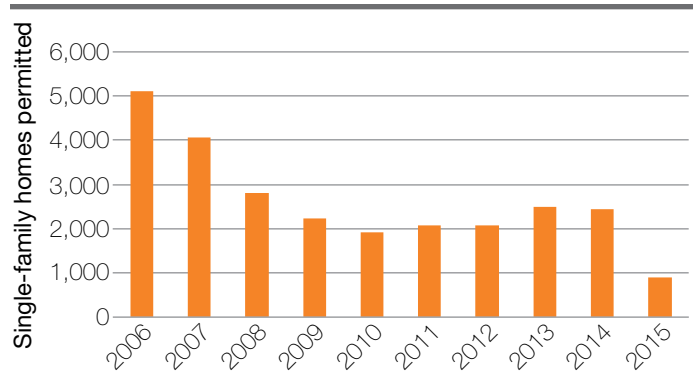
- The number of single-family homes permitted decreased 5 percent, to 2,300, from a year earlier (preliminary data). By comparison, single-family home permitting increased an average of 9 percent annually from the end of 2010 through 2013.
- More than one-half of single-family home construction was in St. Tammany Parish; home construction in St. Tammany Parish decreased by 20 homes permitted, or 2 percent.
- Partly offsetting an overall decline in single-family construction activity was an increase of 110 homes permitted, or 44 percent, to 370 in Jefferson Parish, the only parish in the metropolitan area to record a gain.
- The Pelican Bay residential community, 13 miles south of downtown New Orleans in Jefferson Parish, recorded 27 new homes sold at an average price of \$168,800. Three- and four-bedroom homes at Pelican Bay, ranging in size from 1,450 to 1,650 square feet, are offered at prices ranging from \$159,900 to \$172,900.

The percentage of seriously delinquent home loans and REO properties in the New Orleans area was higher than both the state and national levels.



REO = real estate owned.
Source: Black Knight Financial Services, Inc.

Single-family home permitting in the New Orleans area remained well below levels recorded during 2006 and 2007, when demand increased from residents displaced by Hurricanes Katrina and Rita.



Note: Includes preliminary data from January 2015 through April 2015.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in the New Orleans metropolitan area are currently balanced, unchanged from a year ago. Net in-migration and an increased propensity to rent have contributed to balanced apartment market conditions since 2012.

- During the first quarter of 2015, the average apartment vacancy rate was 5.4 percent, down from 5.9 percent a year earlier and 10.5 percent during the first quarter of 2010 (Reis, Inc.). Apartment vacancy rates in the metropolitan area range from 1.3 percent in the city of River Ridge to 9.3 percent in the city of Gretna, both in Jefferson Parish.

- The average asking rent increased by \$15, or 1.8 percent, to \$936 during the first quarter of 2015 compared with the average rent a year earlier. Average market rents range from \$670 in the southeast portion of Orleans Parish to \$1,270 in the New Orleans Central Business District.
- Apartment market conditions were tight during 2006 and 2007, with vacancy rates of 2.7 and 4.4 percent, respectively, as a result of limited supply stemming from apartment units damaged or destroyed by Hurricane Katrina. In Orleans Parish, where more than one-half of the total number of rental units in the metropolitan area are located, an estimated 68,000 rental units, 67 percent of rental inventory, were damaged or destroyed.

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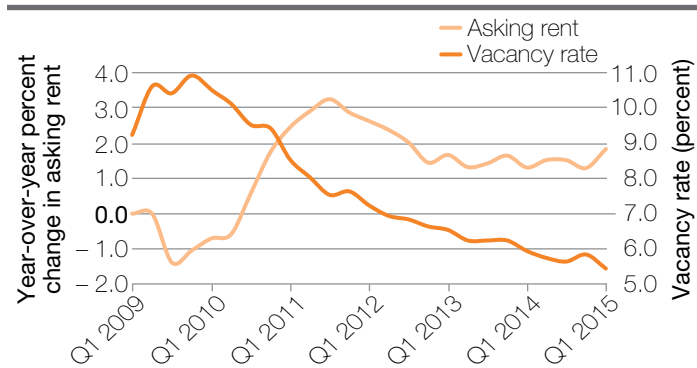
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- Apartment market conditions were soft from 2008 through 2011, partly a result of the significant increase in rental supply stemming from the completion of new apartment construction and substantial rehabilitation of apartments and small rental units (one to four units per structure).

Multifamily construction activity, as measured by the number of units permitted, declined during the 12 months ending April 2015 from a year earlier as apartment rebuilding efforts diminished.

- During the 12 months ending April 2015, 430 units were permitted compared with 530 a year earlier (preliminary data, with adjustments by the analyst).
- Multifamily construction averaged 2,900 units annually during 2007 and 2008, when apartment rebuilding efforts after Hurricane Katrina were strong.

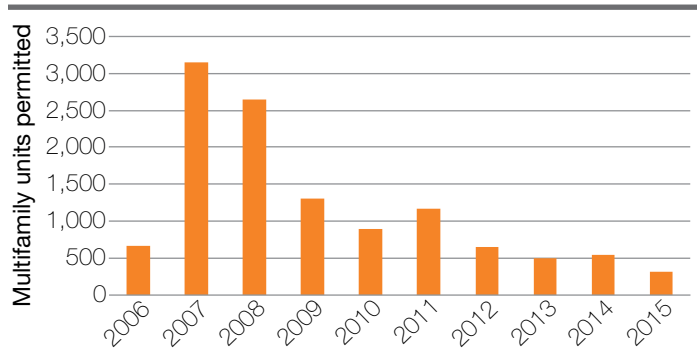
Increasing rents and decreasing vacancy rates reflect improving apartment market conditions in the New Orleans area.



Source: Reis, Inc.

- Currently under construction in Jefferson Parish is the 264-unit Bella Ridge apartment complex, 10 miles west of downtown New Orleans. Bella Ridge is expected to be complete in 2015 with asking rents ranging from \$1,350 to \$1,690 for one-bedroom units and from \$1,650 to \$1,995 for two-bedroom units.
- Numerous warehouse, office, and hotel buildings are currently being converted into apartments in downtown New Orleans, including The Strand, slated to open in September 2015. The \$100 million conversion project at The Strand consists of converting former office space into 192 apartment units and 188 hotel rooms, according to the developer. Asking rents at The Strand are expected to range from \$1,440 to \$1,800 for one-bedroom units and from \$2,350 to \$6,200 for two-bedroom units.

Multifamily permitting in the New Orleans area has slowed from 2007 and 2008, when multifamily rebuilding after Hurricanes Katrina and Rita was strong.



Note: Includes preliminary data from January 2015 through April 2015. Source: U.S. Census Bureau, Building Permits Survey

