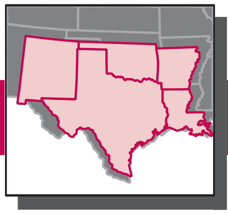
# Housing Market Profile



Southwest • HUD Region VI

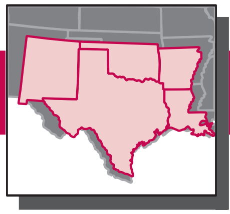
## New Orleans-Metairie-Kenner, Louisiana

The New Orleans-Metairie-Kenner metropolitan area is located in southeast Louisiana near the mouth of the Mississippi River. The metropolitan area consists of seven parishes—Jefferson, Orleans (the city of New Orleans), Plaquemines, St. Bernard, St. Charles, St. John the Baptist, and St. Tammany. Population growth in the metropolitan area has moderated during the past 2 years. As of October 1, 2011, the population of the metropolitan area was estimated at 1.2 million, an increase of 14,900, or 1.3 percent, during the past 12 months, with 70 percent of the growth resulting from net migration. Population growth during the 12 months ending October 1, 2010, was 2.5 percent compared with an average increase of 4.5 percent annually between 2006 and 2008, when most residents who were displaced by Hurricane Katrina in 2005 returned. Overall, the metropolitan area population has reached 91 percent of the pre-Hurricane Katrina population levels.

In the metropolitan area during the 12 months ending August 2011, nonfarm payrolls increased by 5,200 jobs, or 1 percent, to 523,800, or 85 percent of the pre-Hurricane Katrina figure. The leisure and hospitality sector, which is the second largest sector in the metropolitan area, led job growth with an increase of 4,325 jobs, or 6.3 percent, due to resurgence in the local tourism industry. According to a recent report by the New Orleans Convention and Visitors Bureau, visitor spending increased in the metropolitan area by $1.1 billion, or 26 percent, during 2010. During the 12 months ending August 2011, the number of jobs increased by 2,350, or 3.2 percent, in the education and health services sector, the largest sector in the metropolitan area. Job growth is expected to continue in this sector due to increased hiring stemming from the projected completions of several new hospitals, including the $1 billion Veterans Affairs Medical Center (VAMC) near downtown New Orleans. VAMC, which is slated for opening in 2013, is expected to employ a staff of 350 full-time workers. A growing motion picture and video industry contributed toward job gains in the information sector, which increased by 2,175 jobs, or 32 percent, during the 12 months ending August 2011. According to the New Orleans Mayor's Office of Cultural Economy, a combined total of 27 feature movies and television series have been filmed in the city of New Orleans to date this year. During the 12 months ending August 2011, the metropolitan area unemployment rate increased to 7.7 percent from 7 percent a year earlier, despite a net increase in resident employment during the same period. The rise in the unemployment rate was entirely the result of a growing labor force, which increased by 4,300 people, or 0.8 percent. The largest employers in the metropolitan area are Ochsner Health System, with 12,500 employees, and Louisiana State University Health Sciences Center of New Orleans, with 5,000 workers.

Sales housing market conditions in the metropolitan area are currently soft, unchanged from a year ago, in part due to diminished demand stemming from slowing population growth. Tighter lending standards and an influx of repaired or rebuilt homes have adversely affected sales housing market conditions, which have been soft since late 2008. Based on data provided by Hanley Wood, LLC, during the 12 months ending August 2011, the number of home sales totaled 9,675, which is down 8 percent compared with the number sold a year earlier and one-half of the peak home sales volume recorded during 2006. The average sales price of new and existing homes declined by nearly 2 percent to $195,300 during the 12 months ending August 2011 compared with home prices a year earlier. Contributing to the decrease in the average home price was a growing portion of REO (Real Estate Owned) sales. According to CoreLogic data, REO and short sales comprised a combined 20 percent of total home sales during the 12 months ending August 2011, up from 16 percent a year earlier, while the average price for REO and short sales declined by 11 percent to $120,700 compared with $135,500 a year earlier. According to LPS Applied Analytics, the percentage of home mortgages in the metropolitan area more than 90 days delinquent, in foreclosure, or in REO was 8 percent, down from 9 percent a year earlier. Condominium sales account for about only 3 percent of total home sales in the metropolitan area. During the 12 months ending August 2011, the number of condominium sales totaled 290 units, which is unchanged from a year earlier, and the average home sales price declined by 3 percent to $198,600 during the same period.

Single-family home construction, as measured by the number of single-family building permits issued, increased during the 12 months ending August 2011 compared with construction activity a year earlier. Based on preliminary data, 2,025 single-family home permits were issued, representing an increase of 11 percent compared with 1,825 homes permitted during





the previous 12 months. This increase was partly due to homebuilding in Orleans Parish that was sponsored by government and nonprofit organizations. During the period following Hurricane Katrina, single-family homebuilding peaked at 4,900 homes permitted during 2006. Single-family home permit activity began to slow in 2007, however, and declined by an average of 930 homes, or 24 percent, annually between 2007 and 2010 to 2,200 homes, the lowest annual total recorded since 1991. The average price of newly constructed homes was $205,200 during the 12 months ending August 2011, down 12 percent compared with prices a year earlier.

Rental housing market conditions in the metropolitan area are currently soft and unchanged from a year ago. Slowing population growth, construction of new rental supply, and existing apartment units and small rental property units (1-to-4 unit structures) coming back on line contributed to the current rental market conditions, which have been soft since late 2008. According to Reis, Inc., the average vacancy rate for market-rate apartments in the metropolitan area was 8.2 percent during the second quarter of 2011 compared with 10.1 percent a year earlier. The average rent increased by almost 2 percent to $870. Although market-rate apartment rents and occupancy rates improved in the metropolitan area overall, average vacancy rates among submarkets varied significantly, ranging from 5.3 percent in the Metairie submarket to 14 percent in the Southeast Orleans Parish submarket. Similarly, average market rents range from $635 in the Southeast Orleans Parish submarket to $1,185 in the Central New Orleans submarket.

Multifamily construction, as measured by the number of multifamily units permitted, decreased during the 12 months ending August 2011 to an estimated 1,450 units compared with 1,850 units permitted a year earlier. Since 2005, multifamily permits have been issued almost exclusively for apartments, with permit activity peaking at 3,025 multifamily units permitted in 2007. An additional 3,500 market-rate units are expected to be completed by the end of 2014. Construction is currently under way at several market-rate and mixed-income communities in the metropolitan area. In St. Tammany Parish, construction of the 240-unit Brookstone Park Apartments is under way, with the first of an expected two phases scheduled to be completed by the fall of 2011. Phase II of Brookstone Park Apartments is slated for completion in December 2012. One-bedroom apartment rents will range from $780 to $925, while rents for two-bedroom units will range from $1,115 to $1,250. Construction at Brewster Commons at River Chase, also in St. Tammany Parish, is expected to be completed by the fall of 2011. Units at the 240-unit project are being offered at rents that range from $975 to $1,045 for one-bedroom units, $1,280 to $1,345 for two-bedroom units, and $1,395 to $1,460 for three-bedroom units. Several mixed-income communities are also currently being built, including Columbia Parc at the Bayou District, which is scheduled to open by 2012. When completed, the development will comprise a total of 1,325 mixed-income rental and for-sale units.