

# Housing Market Profile

**Southwest • HUD Region VI**



## Baton Rouge, Louisiana

The Baton Rouge metropolitan area, which consists of nine parishes located in southeast Louisiana, is bisected by the Mississippi River. The city of Baton Rouge, located in East Baton Rouge Parish, is the state capital and second largest city in Louisiana, after New Orleans. The city of Baton Rouge accounts for approximately 30 percent of the 779,000 people estimated to reside in the metropolitan area as of April 1, 2010.

The metropolitan area is situated approximately 80 miles northwest of New Orleans and recorded a significant increase in net in-migration during the year following the landfall of Hurricane Katrina in September 2005. Many evacuees from New Orleans relocated to Baton Rouge and the surrounding cities. According to the Census Bureau, from July 2005 through July 2006, net in-migration in the metropolitan area totaled approximately 34,900 people, compared with an average annual increase of 4,700 previously in the decade. Since July 2006, net in-migration has declined to an average of 3,550 people annually, because many of the temporary residents have relocated to other cities or returned to New Orleans and because job losses in the area have increased in recent months.

Economic conditions in the metropolitan area continued to weaken during the past year. Nonfarm employment growth reached its most recent peak of 3.7 percent, or 13,300 jobs, during the 12 months ending March 2008. Since that time, employment growth has steadily declined because the metropolitan area has been affected by the national recession. During the 12 months ending February 2010, nonfarm employment declined by 1.4 percent, or 5,200 jobs, to 369,000 after a decline of 0.1 percent during the previous 12-month period. The largest declines in the current 12-month period occurred in the professional and business services and the trade sectors, which decreased by 2,900 and 1,400 jobs, respectively. The unemployment rate increased from 4.8 to 6.8 percent during the same period.

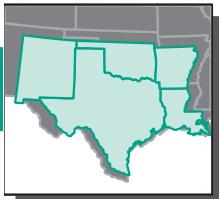
Despite overall declines, employment rose by at least 1,000 jobs each in two of the largest sectors in the metropolitan area: the government and the education and health services sectors. The government sector added 1,000 jobs during the 12 months ending February 2010, due wholly to hiring by state and local governments. Because Baton Rouge is the state capital

and the location of Louisiana State University (LSU), government is the largest employment sector in the metropolitan area, accounting for 25 percent of all jobs. According to a March 2009 study by LSU, the university enrolls more than 28,000 students and employs 6,100 full-time and 9,400 part-time workers. The university has an annual economic impact of nearly \$1.2 billion on the Baton Rouge metropolitan area, which is comparable to 3 percent of the metropolitan area's gross domestic product. The education and health services sector grew by 1,800 jobs, or 3.9 percent, due in part to new construction and the expansion of several hospital facilities. Other leading employers in the area include Turner Industries Group, L.L.C., an industrial construction and maintenance service company, and Exxon Mobil Corporation, which employ 8,325 and 4,275 workers, respectively.

The recent slow economy and increased single-family building activity after Hurricane Katrina occurred have resulted in a soft sales market in the metropolitan area. According to the Greater Baton Rouge Association of REALTORS®, 6,825 new and existing homes sold during the 12 months ending March 2010, representing a decrease of 2 percent compared with the number of home sales recorded during the previous 12 months. During the 12 months preceding the occurrence of Hurricane Katrina, home sales totaled 9,175, before increasing to a high of 12,750 during the 12 months ending August 2006, when a large number of evacuees moved to the area. Since that time, home sales have steadily declined. During the 12 months ending March 2010, the average sales price declined approximately 4 percent from \$199,300 to \$191,200, due in part to an increased number of foreclosed homes entering the market. According to data from First American CoreLogic, Inc., the rate of foreclosures among outstanding mortgage loans in the Baton Rouge metropolitan area increased from 1.3 percent in January 2009 to 2.0 percent in January 2010.

Despite the slow pace of home sales, builders have recently increased new home construction activity from the very low levels recorded during the previous 2 years. During the 12 months ending February 2010, single-family construction activity, as measured by the number of permits issued, totaled 2,700 homes, representing an increase of approximately 20 percent compared with the 2,225 homes permitted during the previous 12 months, based on preliminary data. After Hurricane Katrina, single-family building activity reached a peak of 6,425 homes permitted in 2006, then declined steadily until the recent increase. Building





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U.S. Housing Market Conditions  
1st Quarter 2010

activity is still well below the average of 3,750 units permitted annually during the first half of the decade.

The Baton Rouge metropolitan area rental housing market is currently soft, with an estimated overall vacancy rate of 10 percent, significantly higher than the vacancy rate of 6.1 percent reported in the 2008 American Community Survey. Softening of the rental market is attributed to declining economic conditions and significant additions to the rental inventory from 2006 through 2008. The current vacancy rate is still slightly below the pre-Hurricane Katrina level of 11.3 percent, but it is well above the 4.2-percent rate recorded in July 2006 when Hurricane Katrina evacuees sought housing in the Baton Rouge area. According to data from Cook, Moore, & Associates, average rents declined 1 percent to \$640 for one-bedroom units, remained unchanged at \$790 for two-bedroom units, and increased 2 percent to \$960 for three-bedroom units between the fall of 2008 and the fall of 2009. Concessions, such as one month's free rent, have become increasingly common in the market, particularly among Class A properties.

The supply of new multifamily units, as measured by the number of units permitted, has decreased significantly in recent months as builders have responded to the soft market conditions. During the 12 months ending February 2010, permits were issued for fewer than 90 multifamily units, based on preliminary data—less than in any year in the past decade. From 2006 through 2008, a total of approximately 5,925 units were permitted, with an average of 1,975 units permitted annually and more than double the number of units constructed annually from 2000 through 2005. The increased building volume was in response to the tight rental market that occurred after Hurricane Katrina evacuees relocated to the Baton Rouge area. Condominium units are estimated to account for approximately 15 percent of multifamily permits issued since 2000. Multifamily projects currently under construction include The Cottages of Baton Rouge, a 382-unit upscale student apartment complex in Baton Rouge, and two mid-scale apartment complexes in Denham Springs totaling approximately 460 units.