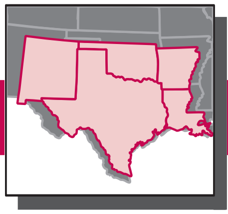
Housing Market Profile



Southwest • HUD Region VI

New Orleans-Metairie-Kenner, Louisiana

The New Orleans-Metairie-Kenner metropolitan area is located near the mouth of the Mississippi River in southeast Louisiana. The metropolitan area comprises 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, 2010, the population of the metropolitan area was estimated at 1.2 million, an increase of 16,000, or 1.3 percent, since October 1, 2009 with 20 percent of the growth resulting from net in-migration. During the 12 months ending October 1, 2009, the population increased by 1.8 percent compared with an average increase of almost 9 percent annually between 2006 and 2008, when most residents who had been displaced by Hurricane Katrina returned. Overall, the metropolitan area population has reached 92 percent of the pre-Hurricane Katrina population levels, although the parishes of Orleans and St. Bernard, where the greatest proportion of damage occurred, are only at 80 and 65 percent of pre-Hurricane Katrina population levels, respectively. The recovery from Hurricane Katrina is still ongoing, with an estimated $125 billion in goverment-funded projects complete or under way and an additional $27 billion of projects planned, according to GCR & Associates, Inc.

Nonfarm payrolls during the 12 months ending August 2010 averaged 519,100 jobs, or 85 percent of the pre-Hurricane Katrina payroll level. During the 12 months ending August 2010, the metropolitan area economy lost 2,600 jobs, or 0.5 percent, which is identical to the annual loss rate during the previous 12 months. The manufacturing sector led declines during the 12-month period ending August 2010, down by 1,000 jobs, or 2.9 percent. Since January 2010, about 900 assembly workers have been laid off at NASA's Michoud Assembly Facility, adding to the 900 jobs cut in 2009. Northrop Grumman Corporation, the third leading employer in the metropolitan area, with 5,400 employees, announced it will lay off more than 200 workers in October 2010 because of the discontinuation of shipbuilding operations at the Navy's Avondale Shipyard. By 2013, a total of 5,000 workers will have been laid off at Avondale Shipyard. Job cuts during the 12 months ending August 2010 contributed to the average unemployment rate increasing to 7.1 percent, up from 6.1 percent a year earlier. During the 12 months ending August 2010, the education and health services sector led job gains, increasing by 1,925 jobs, or 2.7 percent, and growth is expected to continue. In the spring of 2010, construction began at the Veterans Affairs Medical Center, which is expected to be completed by the fall of 2013 and to employ 350 people. The two leading employers in the metropolitan area are in the healthcare industry—Ochsner Health System, with 10,000 employees, and Louisiana State University Health Sciences Center of New Orleans, with 5,500 workers.

During the 12 months ending September 2010, conditions in the single-family home sales market in the metropolitan area remained soft compared with a year earlier because of an increased supply resulting from repaired homes reentering the market. In addition, job declines and moderating population and household growth have resulted in decreased demand. Based on data provided by the New Orleans Metropolitan Association of REALTORS® and Gulf South Real Estate Information Network, Inc., during the 12 months ending September 2010, the median price of new and existing single-family homes declined by 2 percent, but home sales increased by 2 percent to 7,650 compared with the number of homes sold a year earlier, despite worsening economic conditions. During the 3 months ending September 2010, however, new and existing home sales totaled 1,775, down 21 percent compared with the sales recorded during the same period a year earlier because the homebuyer tax credit program has expired, and the median sales price declined by 3 per-cent to $171,700. In the city of New Orleans, home sales decreased by 28 percent to 450 homes, but the median price increased by 6 percent to $176,900. In Jefferson Parish, home sales decreased by 20 percent to 525 homes sold, and St. Tammany Parish home sales decreased by 12 percent to 550 homes. In the Jefferson and St. Tammany Parishes, home sales prices declined by 8 percent to $155,800 and by 6 percent to $191,900, respectively.

Single-family home construction, as measured by the number of single-family building permits issued, has declined every year since 2007. During the 12 months ending August 2010, based on preliminary data, single-family home permits totaled 1,825 homes, down 15 percent compared with the number permitted during the previous 12 months. During the period since Hurricane Katrina, single-family homebuilding peaked at 4,900 homes permitted during 2006 but declined by an average of 900 homes, or 24 percent, annually between 2007 and 2009. According to local sources, high construction costs, an increasing number of unsold existing homes, tighter lending standards, and the slowdown of the economy have been key deterrents to new single-family home developments. Although prices for new homes vary significantly throughout the metropolitan area, since January 2010 more than 50 percent of new homes sold closed at around $200,000, based on data provided by Hanley Wood, LLC.

The condominium market has steadily declined both in sales volume and in price since 2005; during the 12 months ending September 2010 sales decreased by more than 20 percent to 700 units, and the average price declined by 7 percent to $197,400. Because of soft sales market conditions for condominiums, many existing condominium developments are advertising units either for sale or for lease.

The metropolitan area rental market has yet to recover from the damage caused by Hurricane Katrina. Due in part to the estimated 2,350 apartment units that came on line during the 12 months ending September 2010, conditions in the apartment market are soft, unchanged compared with conditions a year earlier. According to the Greater New Orleans Multi-Family Report, the vacancy rate for market-rate apartments in the metropolitan area is 12 percent compared with 13 percent a year earlier, and the average rent is $840, unchanged compared with the rent a year earlier. Rental market conditions in the Historic Center in the downtown district of the city of New Orleans, however, are currently tight with occupancy near 100 percent. Average rents for apartment units in the Historic Center are $1,140, $1,560, and $1,760 for one-, two-, and three-bedroom units, respectively.

For the 12 months ending August 2010, multifamily construction, as measured by the preliminary number of multifamily units permitted, declined to 280 units compared with 1,300 units permitted during the previous 12 months. After Hurricane Katrina destroyed much of the area, multifamily permits have been almost exclusively for apartments, with permit activity peaking in 2007 when 3,025 multifamily units were permitted. An additional 6,000 units are expected to be completed by the end of 2013. Several mixed-income communities are currently under way in the city of New Orleans, including Harmony Oaks Apartments, which is expected to be completed by the end of 2010 and will include a combined total of 460 public housing, low-income, and market-rate rental units and 50 for-sale, affordable single-family homes. Construction is also under way at Columbia Parc at the Bayou District in the city of New Orleans. The first of several phases at Columbia Parc at the Bayou District is expected to be completed by November 2010 and will add more than 450 mixed-income units. The entire development is slated to be completed by 2012 and, when finished, will consist of a total of 1,325 mixed-income rental and for-sale units.