

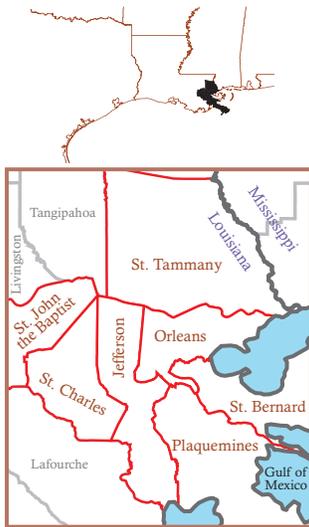


New Orleans-Metairie-Kenner, Louisiana

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of March 1, 2008



Housing Market Area



The New Orleans-Metairie-Kenner, Louisiana Metropolitan Statistical Area (MSA) is located in the southeast region of the state. The metropolitan area comprises seven parishes: Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. John the Baptist, and St. Tammany. According to U.S. Department of Housing and Urban Development (HUD) estimates, 105,150 owner-occupied and 77,240 renter-occupied housing units were seriously damaged or destroyed by hurricanes Katrina and Rita in August and September 2005. In addition, HUD's Economic and Market Analysis Division estimates that an additional 44,500 vacant units were also damaged or destroyed. Demographic, employment, and housing data for the New Orleans-Metairie-Kenner MSA for 1990, 2000, and the current date appear in Table DP-1 at the end of this report.

Summary

Economy

A modest economic recovery is under way following the devastating effects of Hurricanes Katrina and Rita. Recent job gains have been primarily in the leisure and hospitality sector, education and health services sector, and retail trade subsector. Despite the job gains, resident employment is down 98,450, or 17 percent, compared with resident employment in the 12-month period ending August 2005.

Although the outlook for the economy is positive, precise employment and population forecasts could not be developed for the metropolitan area or its seven parishes because of the uncertainty and timing of the rebuilding efforts.

Sales Market

The economic recovery has attracted many displaced households back to

the New Orleans-Metairie-Kenner MSA but not at a sufficient level to support the number of housing units coming back on line. The MSA home sales market is somewhat soft and a large inventory of unsold homes remains. Home builders have slowed production of new single-family homes in response to lower demand and increasing inventories.

Rental Market

Conditions in the rental market in the MSA are currently tight. Strong absorption of available rental units has occurred in all parishes along with a significant increase in market rents. The tight conditions should begin to moderate as new and renovated units re-enter the market during the next year. Rents are expected to decline from the high levels of the past year and could potentially return to pre-hurricane levels.

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Economic Conditions

Hurricanes Katrina and Rita significantly affected the local economy. During September 2005, the first month after Hurricane Katrina made landfall, labor force and resident employment decreased by 77,300, or 12.5 percent, and 129,200, or 22 percent, respectively, compared with the preceding month, August 2005. The unemployment rate spiked to 15.2 percent. Nonfarm employment also fell by approximately 130,500 jobs, or 22 percent.

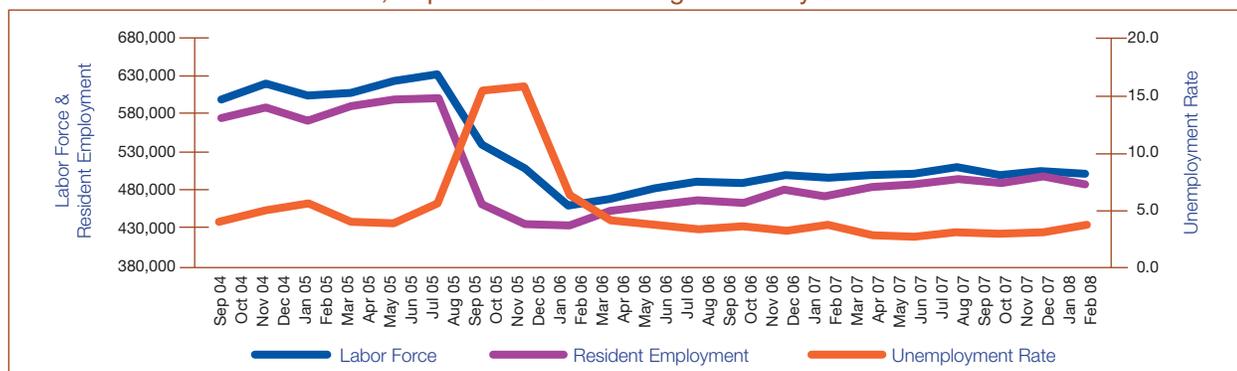
The effects of the storms are subsiding and resident employment has been growing for more than 2 years in the metropolitan area. For the 12-month period ending February 2008, average resident employment was 491,000, up 4 percent compared with employment in the previous 12-month period. At the same time, the unemployment rate averaged 3.5 percent compared with 4 percent a year ago. Although employment has increased since Katrina's landfall, the number of gains is relatively small compared to the initial losses after the hurricane. Resident employment is still down by almost 98,500 workers, or 17 percent, compared with resident employment in the 12 months before the hurricane. Figure 1 shows trends in labor force, resident employment,

and unemployment rate in the New Orleans-Metairie-Kenner MSA from September 2004 through February 2008.

Recent job gains in the leisure and hospitality sector, education and health services sector, and retail trade subsector led to an increase in nonfarm employment. For the 12 months ending February 2008, nonfarm employment for the metropolitan area averaged 518,600 workers, up 5.8 percent from the previous 12-month period. During the same period, the leisure and hospitality sector, education and health services sector, and retail trade subsector added 6,600, 5,800, and 2,100 jobs, respectively.

Construction is the only employment sector that has increased above the pre-Katrina level of employment (see Figure 2). For the 12-month period ending February 2008, more than 32,800 workers were employed in the construction sector, an increase of 2,700 jobs above the pre-Katrina level. Although steadily increasing, all other employment sectors remain below their pre-Katrina levels. The education and health services and leisure and hospitality sectors each are down by approximately 18,500 jobs.

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the New Orleans-Metairie-Kenner MSA, September 2004 Through February 2008

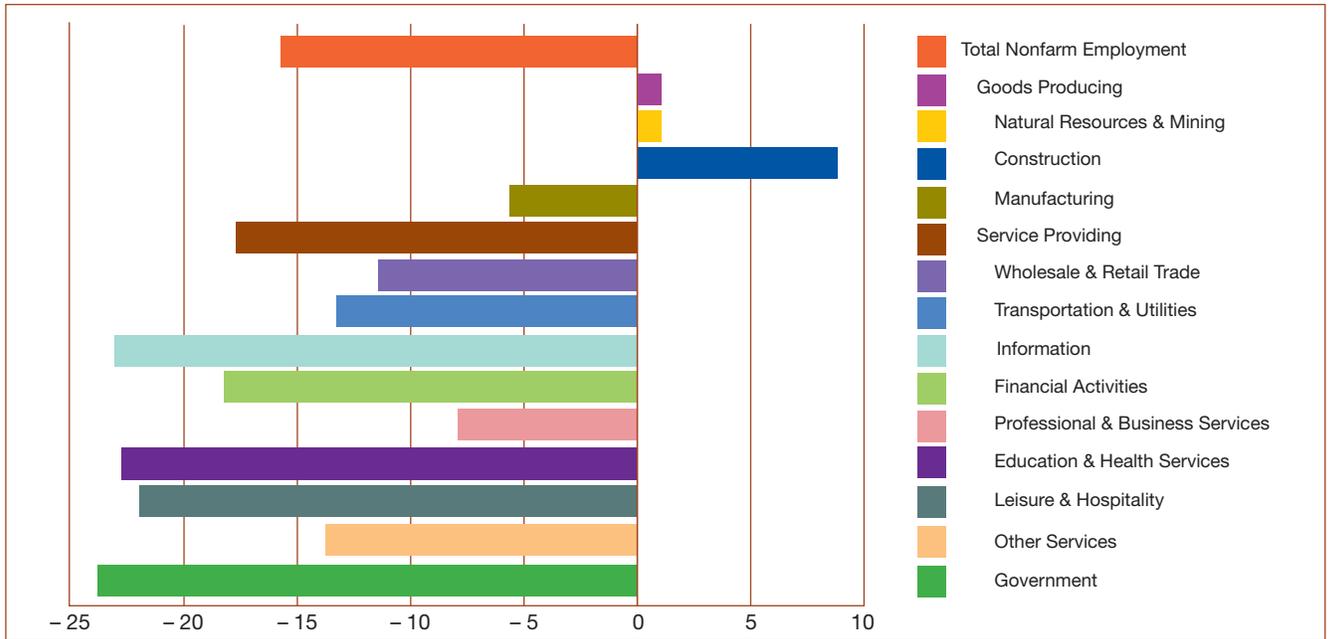


Source: U.S. Bureau of Labor Statistics

Employment in the government sector is down by more than 25,000 jobs. Current and prehurricane nonfarm employment data by sector appear in Table 1 and current employment data by sector appear in Figure 3.

According to Greater New Orleans, Inc., a regional economic alliance, the largest private and public employers are Ochsner Health System and St. Tammany Parish Public School System, respectively (see Table 2).

Figure 2. Sector Growth in the New Orleans-Metairie-Kenner MSA, Percentage Change, August 2005 to March 1, 2008



Note: Illustrates the change in employment by sector from the 12-month averages through August 2005 to the 12-month averages through February 2008.

Source: U.S. Bureau of Labor Statistics

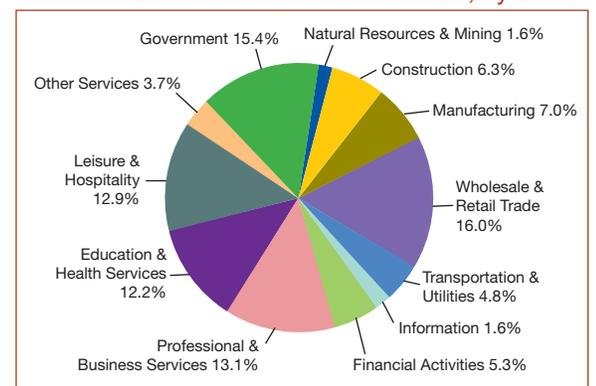
Table 1. 12-Month Average Employment in the New Orleans-Metairie-Kenner MSA, by Sector

	12 Months Ending August 2005	12 Months Ending February 2008	Percent Change
Total Employment	614,100	518,600	-15.6
Goods Producing	76,700	77,600	1.2
Natural Resources & Mining	8,400	8,500	1.2
Construction	30,100	32,800	9.0
Manufacturing	38,500	36,400	-5.5
Service Providing	534,500	440,900	-17.5
Wholesale & Retail Trade	93,700	83,200	-11.2
Transportation & Utilities	28,400	24,700	-13.0
Information	10,500	8,100	-22.9
Financial Activities	33,400	27,400	-18.0
Professional & Business Services	74,000	68,200	-7.8
Education & Health Services	82,000	63,500	-22.6
Leisure & Hospitality	85,400	66,700	-21.9
Other Services	22,400	19,300	-13.8
Government	104,700	79,900	-23.7

Notes: Compares prehurricane employment with current 12-month period. Based on 12-month averages through August 2005 and February 2008. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Figure 3. Current Employment in the New Orleans-Metairie-Kenner MSA, by Sector



Notes: Based on 12-month averages through February 2008.

Source: U.S. Bureau of Labor Statistics

Table 2. Major Employers in the New Orleans-Metairie-Kenner MSA

Name of Employer	Employment Sector	Number of Employees
Ochsner Health System	Education & Health Services	9,107
St. Tammany Parish Public School System	Government	7,651
Jefferson Parish School System	Government	7,000
Northrop Grumman Corporation	Manufacturing	5,400
Louisiana State University Health Sciences Center	Education & Health Services	5,000
Tulane University	Education & Health Services	4,410
Jefferson Parish government	Government	3,671
New Orleans city government	Government	3,500
East Jefferson General Hospital	Education & Health Services	3,150
Lockheed Martin/NASA Michoud	Manufacturing	2,832

Source: Greater New Orleans, Inc.

Employment trends in each of the individual parishes vary. Resident employment is down significantly in Plaquemines, Orleans, and St. Bernard Parishes but up in the remaining four parishes compared with prehurricane levels. For the 12-month period ending February 2008, in Plaquemines Parish, resident employment is down by nearly 20 percent to 9,050 compared with the 12-month period preceding the hurricanes. Resident employment averaged 95,400 in Orleans Parish and 7,300 in St. Bernard Parish during the recent 12 months, down by

nearly 50 and 75 percent, respectively, compared with their prehurricane levels. Resident employment currently exceeds prehurricane levels by about 10 percent in the less-affected St. Charles, St. John the Baptist, and St. Tammany Parishes. Resident employment averaged 25,600 in St. Charles Parish, 21,750 in St. John the Baptist Parish, and 114,600 in St. Tammany Parish during the 12 months ending February 2008. In Jefferson Parish, resident employment averaged 217,300, which is equal to prehurricane levels.

Population and Households

During the past year, as a result of the job growth, the population displaced by the hurricanes has started to return to the metropolitan area. As more housing units, especially rental units, have come back on line during the past year, more of the displaced population have returned. Even though the population of the metropolitan area has grown, the total population is still down considerably. As of March 1, 2008, the estimated population is 1,078,400, down 18.5 percent

from the August 2005 estimate of 1,323,000. Currently, the number of households in the metropolitan area, at 412,000, is down significantly from 514,300 estimated in August 2005 (see Figures 4 and 5).

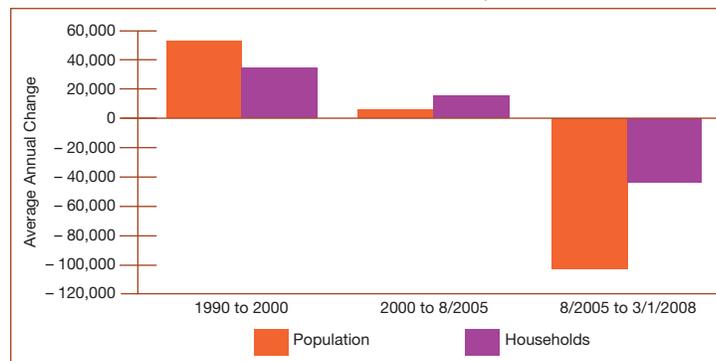
The current population of Jefferson Parish is 453,800, which is almost equal to its prehurricane estimate. The populations of St. Tammany, St. Charles, and St. John the Baptist Parishes now exceed the August 2005 estimates.

St. Tammany Parish's population, up 11 percent, is currently estimated at 243,400. The populations of St. Charles and St. John the Baptist Parishes are up almost 10 percent to 55,860 and 51,300, respectively. In Orleans, St. Bernard, and Plaquemines Parishes, the population is growing but remains below the prehurricane estimate. The population in Orleans Parish is 233,900, down almost 50 percent. St. Bernard Parish's population is 16,260, down almost 75 percent. Plaquemines Parish's population is 23,800, which is 20 percent less than the prehurricane estimate.

Mirroring population growth, the number of households in St. Tammany, St. Charles, and St. John the Baptist Parishes exceeds the prehurricane estimate.

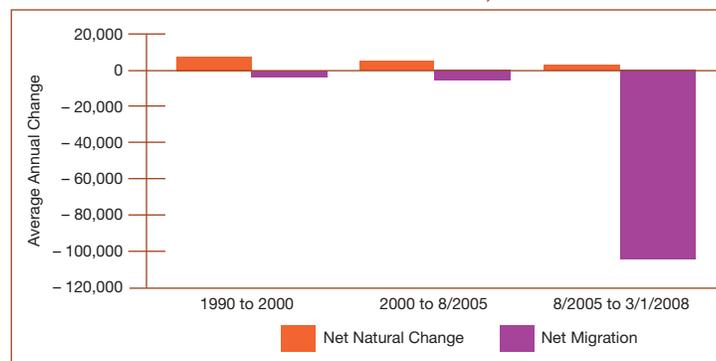
ricane estimates. The total number of households in St. Tammany Parish is up 13 percent to 93,700. The number of households has increased 22 percent in St. Charles Parish and 9 percent in St. John the Baptist Parish to an estimated 19,150 and 17,100, respectively. Because of the significant population loss in the Orleans, St. Bernard, and Plaquemines Parishes, the number of households is down. In Orleans Parish, the number of households is down by almost 50 percent to 95,300. The number of households is down by nearly 75 percent in St. Bernard Parish and by 23 percent in Plaquemines Parish to 6,100 and 8,340, respectively. Currently, in Jefferson Parish, the number of households totals 176,800, which is nearly equal to the prehurricane estimate.

Figure 4. Population and Household Growth in the New Orleans-Metairie-Kenner MSA, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; 8/2005 and 3/1/2008—estimates by analyst

Figure 5. Components of Population Change in the New Orleans-Metairie-Kenner MSA, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; 8/2005 and 3/1/2008—estimates by analyst

In the first year after the hurricanes occurred, most of the people returning were homeowners, resulting in a significant increase in owner tenure. In September 2006, owner tenure reached an estimated 72.9 percent compared with 64.2 percent in August 2005. During the past year, as an increasing number of rental units have been renovated, more renter households have been returning to the MSA. Currently, owner tenure in the MSA is estimated at 70.8 percent, or 291,740 households, and renter tenure is 29.2 percent, or 120,260 households (see Figure 6).

Owner tenure in six of the seven parishes has almost returned to the prehurricane levels. Because of the lack of available rentals, renter households have not returned to Orleans Parish in the same proportion compared with the other parishes. Currently, owner tenure in Orleans Parish is 60.1 percent compared with the prehurricane estimate of 48.7 percent.

According to the Federal Emergency Management Agency (FEMA), during the past year, the number of households residing in FEMA-supplied housing has declined dramatically. At its height in mid-2006, approximately 65,100 households were living in FEMA housing, which is approximately 20 percent of all households in the MSA. Currently, an estimated 16,900 households remain in FEMA housing. Of these households, approx-

imately 7,500 are in Orleans Parish, 2,740 are in St. Bernard Parish, 2,600 are in St. Tammany Parish, 1,880 are in Jefferson Parish, 1,850 are in Plaquemines Parish, 200 are in St. Charles Parish, and 130 are in St. John the Baptist Parish.

The largest component of non-household population is college and university students living on campus. Student enrollment at the seven 4-year colleges and universities in the MSA is approximately 34,500 for the fall of 2007, which is a 27-percent decline from the 2004 enrollment. Approximately 7,000 students currently reside on campus, down from about 9,000 students in the fall of 2004. The students living on campus represent approximately 40 percent of the nonhousehold population, estimated at 19,300, of the MSA.

Figure 6. Number of Households by Tenure in the New Orleans-Metairie-Kenner MSA, 1990 to Current



Sources: 1990 and 2000–1990 Census and 2000 Census; 8/2005 and 3/1/2008—estimates by analyst

Housing Market Trends

Sales Market

Orleans, St. Bernard, and Plaquemines Parishes received the brunt of the hurricane winds and levee breaches from Hurricane Katrina. Damage in Jefferson and St. Tammany Parishes was from heavy floods and winds. The minimal damage in St. Charles and St. John the Baptist Parishes was from high winds and some flooding. During the first 12 months following the hurricanes, the residential sales market was tight. For the 12-month period ending August 2006, sales in the New Orleans-Metairie-Kenner MSA increased by 7 percent to 13,000 units.

At the same time, the average sales price increased by 15 percent to nearly \$223,500 compared with prehurricane prices.

The MSA sales housing market began to soften in early 2007 and remains soft. The soft market is evidenced by slower sales, a decline in the average home sales prices, and a large inventory of unsold homes. Gulf South Real Estate Information Network, Inc. (GSREIN), reported sales of 9,871 homes during the 12-month period ending February 2008 compared with sales of 13,175 homes during

Housing Market Trends

Sales Market *Continued*

the previous 12-month period (see Table 3). During the 12-month period ending February 2008, the average number of days a home remained on the market increased almost 36 percent to 83 days and the average sales price dropped 2 percent to \$214,170. In March 2008, according to the Latter & Blum Research Division, approximately 9,300 single-family homes were on the market, up from 8,800 in March 2007. Because of the large inventory, some homes are being listed for either “sale or lease.” *The Times-Picayune* recently stated that the number of homes for sale or lease could possibly exceed 2,000.

Residential sales are down in all parishes, except St. Bernard. In St. Bernard Parish, as recovery efforts moved forward, the population started to return and the number of sales increased. During the 12-month period ending February 2008, the number of sales in St. Bernard Parish totaled 340 compared with 240 sales during the 12-month period ending February 2007. Sales were down by approximately 30 percent compared with the previous period in Jefferson and St. Tammany Parishes to about

3,000 and 2,800, respectively. On a smaller base, sales in Plaquemines Parish declined to about 70 compared with 130 a year earlier. Sales fell in Orleans Parish by about 9 percent to 2,900. GSREIN data for St. Charles, St. John the Baptist, and St. James Parishes are combined. Sales in these three parishes fell by 26 percent to approximately 760.

Existing home sale prices vary widely throughout the MSA. For the 12-month period ending February 2008, Plaquemines Parish had the highest average sales price of \$271,000, a 1.7-percent increase compared with the price a year earlier. During the same period, in St. Tammany Parish, the average sales price increased 3.2 percent to \$249,600. Because of the increased demand in St. Bernard Parish, home sales prices have begun to increase. The average sales price of \$84,700 in St. Bernard Parish is up 63 percent compared with the price a year earlier. In Jefferson, Orleans, St. Charles, and St. John the Baptist Parishes, home sales prices decreased during the past year. In Jefferson Parish the average sales price is down 1.2 percent to \$213,900, and in Orleans Parish the average price is down 8.9 percent to \$191,700. The average sales price in the combined parishes of St. Charles, St. John the Baptist, and St. James fell by 3.4 percent to \$194,200.

In response to decreased demand and rising inventories, and as recovery efforts moderate, home builders have slowed production of single-family homes, as measured by the number of building permits issued. For the 12-month period ending February 2008, nearly 3,950 single-family homes were permitted in the MSA, down 21 percent from a year earlier (see Figure 7). About 2,000 single-family homes

Table 3. Residential Sales Activity in the New Orleans-Metairie-Kenner MSA, March 2006 Through February 2008

Month	Total Sales	Average Price (\$)	Month	Total Sales	Average Price (\$)
March 2006	1,375	219,851	March 2007	921	207,961
April 2006	1,100	218,141	April 2007	959	207,572
May 2006	1,263	233,969	May 2007	1,116	216,131
June 2006	1,391	233,462	June 2007	1,027	229,399
July 2006	1,183	248,000	July 2007	958	231,841
August 2006	1,294	206,733	August 2007	885	226,687
September 2006	1,079	229,705	September 2007	708	204,904
October 2006	1,047	212,466	October 2007	784	199,077
November 2006	888	213,407	November 2007	694	207,158
December 2006	956	211,710	December 2007	630	221,233
January 2007	733	201,731	January 2008	609	188,363
February 2007	866	199,060	February 2008	580	229,702

Source: Based on information from Gulf South Real Estate Information Network, Inc., for the period March 2006 through February 2008

Housing Market Trends

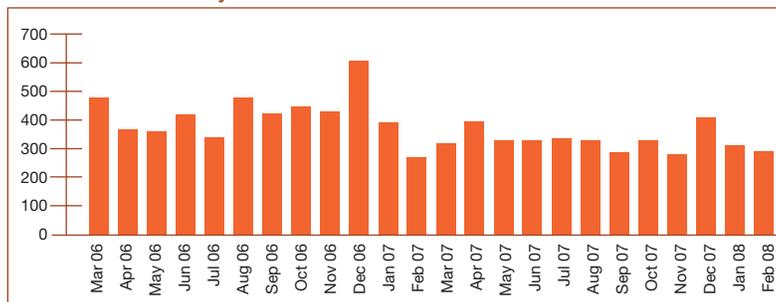
Sales Market *Continued*

are under construction throughout the MSA. Local sources estimate construction costs for a starter home have decreased from \$100 a square foot shortly after the hurricanes to the current cost of approximately \$85 a square foot, excluding the lot.

In Orleans, St. Bernard, and Plaquemines Parishes, new home construction

activity has increased. In Orleans Parish, 1,050 single-family homes were permitted compared with 575 homes permitted for the 12-month period ending February 2007. In both St. Bernard and Plaquemines Parishes, production is up about 25 percent to 200 and 140 homes, respectively. In Jefferson Parish, approximately 900 homes have been permitted, up 16 percent. In St. Tammany, St. Charles, and St. John the Baptist Parishes, permitting activity for single-family homes has fallen. In St. Tammany Parish, approximately 1,500 homes were permitted, down from 2,600 a year earlier. In St. Charles Parish, 125 homes were permitted compared with 560 a year ago. In St. John the Baptist Parish, the number of homes permitted fell to 75 during the past 12 months compared with 250 a year earlier.

Figure 7. Single-Family Building Permits Issued in the New Orleans-Metairie-Kenner MSA, March 2006 Through February 2008



Note: Includes only single-family units.

Source: U.S. Census Bureau, Building Permits Survey

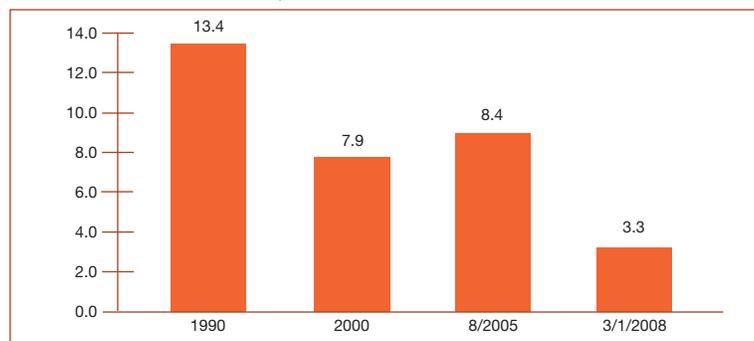
Rental Market

The MSA rental housing market remains tight but is showing signs of softening. As of March 2008, the estimated rental vacancy rate is 3.3 percent, which includes single-family homes and both large and small apartment complexes. As of Hurricane Katrina's landfall, the rental market was somewhat soft. The vacancy rate was estimated at

8.4 percent and ranged from 6 percent in St. Tammany Parish to 8.8 percent in Orleans Parish. Currently, the estimated overall vacancy rate ranges from 3 to 4 percent for all seven parishes. Figure 8 illustrates the historical rental vacancy rates for the MSA.

Since the hurricanes occurred, the MSA rental market has had strong rental absorption and significant rent increases of about 30 percent. Rents have remained high because of increased insurance premiums and overall operating costs. The Spring 2008 *Greater New Orleans Multi-Family Report*, prepared by Larry G. Schedler and Associates, Inc., indicates approximately 40,000 of the 48,000 pre-hurricane rental units in larger complexes have returned to the market. About 50 percent of the renovated units are located in the East Bank area of

Figure 8. Rental Vacancy Rates in the New Orleans-Metairie-Kenner MSA, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; 8/2005 and 3/1/2008—estimates by analyst

Jefferson Parish. In New Orleans East, one of the hardest hit areas, about 4,000 units, or roughly 40 percent of the prehurricane inventory, have been renovated. According to the Schedler report, the average rent in the MSA is \$855, up from \$644 as stated in the report's spring 2005 analysis.

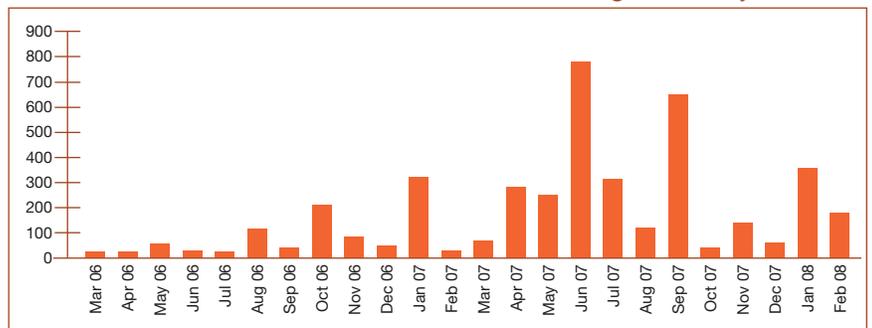
Smaller complexes, usually with no more than 8 to 10 units, are a major component of the New Orleans rental market. The complexes, primarily in duplex, triplex, and fourplex structures, are primarily owned by families or individuals. The largest concentration of these complexes is in Orleans and Jefferson Parishes. Many of the units were damaged or destroyed by the hurricanes and were taken temporarily out of the rental market. According to July 2006 Census Bureau data (the most recent available), the number of units in smaller developments is 33,400, down almost 40 percent compared with the July 2005 estimate. During the past year, as construction costs have moderated and insurance claims have been negotiated, renovation has begun on the damaged units. In December 2007, the Louisiana Recovery Authority announced that nearly \$375 million of the Round Two of the Road Home Rental Property Program has been awarded.

These funds were awarded to small rental property owners and will facilitate the renovation of more than 10,000 affordable rental units throughout the MSA.

Renovation and construction activity accelerated in mid-2007 as floodplain and insurance issues were settled, especially in the hardest hit areas of Orleans Parish. Despite the rising insurance premiums and operating costs, construction has started on new multifamily projects. For the 12-month period ending February 2008, approximately 3,200 new multifamily units were permitted in the MSA, up from 950 units during the previous 12 months (see Figure 9). Orleans Parish accounted for nearly 80 percent, or 2,600, of the units permitted. During the same period, approximately 460 and 175 units were permitted in St. Tammany and Jefferson parishes, respectively. Currently, approximately 5,600 rental units are under construction or being renovated throughout the MSA, including approximately 4,500 units in Orleans Parish.

Low-income housing tax credit (LIHTC) units will continue to be a major factor in the rental market. More than 5,000 LIHTC units were in service on the date that Hurricane Katrina came ashore. Under the GO

Figure 9. Multifamily Building Permits Issued in the New Orleans-Metairie-Kenner MSA, March 2006 Through February 2008



Note: Includes all multifamily units in structures with two or more units.

Source: U.S. Census Bureau, Building Permits Survey

Zone LIHTC allocation, approximately 10,000 units, including public housing units, in nearly 80 different developments have been proposed. Construction at 10 of the developments has been completed, adding approximately 900 affordable rental units to the market. Construction has started at another 15 developments; once completed, these developments will add 1,120 units to the market. For developers to receive the tax credits, they must complete the remaining 8,000 units

and have them enter the market by the end of 2010.

Although the current market is tight, conditions are expected to continue to soften considerably. The softening will begin to occur when the new market-rate, LIHTC, and small property owner units re-enter the market. With more rental units available, rents can be expected to decline from the current high level.

Data Profile

Table DP-1. New Orleans-Metairie-Kenner MSA Data Profile, 1990 to Current

	1990	2000	3/1/2008	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	549,167	596,489	491,000	0.8	- 2.4
Unemployment Rate (%)	6.0	4.7	3.5		
Nonfarm Employment	535,000	619,100	518,600	1.5	- 2.2
Total Population	1,264,391	1,316,510	1,078,400	0.4	- 2.5
Total Households	463,391	498,587	412,000	0.7	- 2.4
Owner Households	270,289	306,674	291,740	1.3	- 0.6
Percent Owner (%)	58.3	61.5	70.8		
Renter Households	193,102	191,913	120,260	- 0.1	- 5.7
Percent Renter (%)	41.7	38.5	29.2		
Total Housing Units	533,488	548,629	442,490	0.3	- 2.7
Owner Vacancy Rate (%)	3.0	1.6	1.5		
Rental Vacancy Rate (%)	13.4	7.9	3.3		
Median Family Income	\$29,304	\$42,626	\$59,800	3.8	3.8

Note: Median family incomes are for 1989, 1999, and 2008.

Sources: U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Department of Housing and Urban Development, Office of Policy Development and Research

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Prehurricane date: 8/2005—Analyst's estimates

Current date: 3/1/2008—Analyst's estimates

For additional data pertaining to the housing market for this MSA, go to www.huduser.org/publications/pdf/CMARtables_NewOrleansLA.pdf.

Contact Information

W. Victor Crain, Economist
Denver HUD Regional Office
303-672-5072
w.victor.crain@hud.gov

This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.

The factual framework for this analysis follows the guidelines and methods developed by HUD's Economic and Market Analysis Division. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

For additional reports on other market areas, please go to www.huduser.org/publications/econdev/mkt_analysis.html.