

HUD PD&R Housing Market Profiles

New Orleans-Metairie, Louisiana



Quick Facts About New Orleans-Metairie

- Current sales market conditions: balanced
- Current apartment market conditions: balanced
- The metropolitan area is a popular tourist destination. In 2018, visitor spending totaled a record \$8.3 billion, representing an average annual increase of nearly 8 percent from 2010 through 2018 (University of New Orleans, Hospitality Research Center).

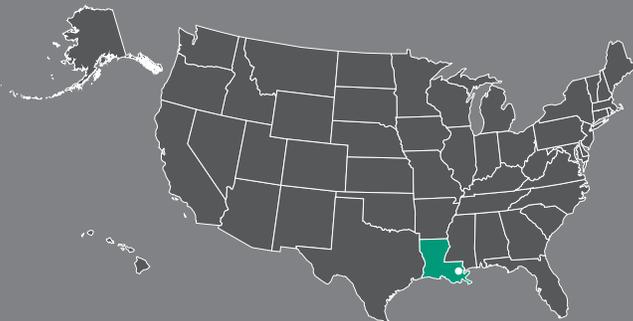
New Orleans, Louisiana

By Randall Goodnight | As of April 1, 2020

Overview

The New Orleans metropolitan area, in southeast Louisiana near the mouth of the Mississippi River, is coterminous with the New Orleans-Metairie, LA Metropolitan Statistical Area and consists of Jefferson, Orleans (the city of New Orleans), Plaquemines, St. Bernard, St. Charles, St. James, St. John the Baptist, and St. Tammany Parishes. *Travel + Leisure* magazine ranked the metropolitan area third in 2019 in its “America’s Favorite Cities” list. During 2018, the metropolitan area had a record 11.6 million visitors, an increase of nearly 6 percent compared with the previous year.

The effects of COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, have been substantial on the metropolitan area economy. Though the impact on metropolitan area job losses is not yet reflected in primary sources of payroll data, it is expected to be significant based on available state and national data. As of the week ending May 2, 2020, the total number of unemployment insurance claims in the state of Louisiana was 310,200, compared with 14,250 claims as of the week ending March 7, 2020, before the pandemic was declared (State of Louisiana). Nationally, nonfarm payrolls declined 12.9 percent during the month of April 2020



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compared with a year earlier. The leisure and hospitality sector, which accounts for 11 percent of national payrolls, decreased 47.2 percent nationally. Since the metropolitan area economy includes a significantly greater portion of jobs in the leisure and hospitality sector compared with the nation, it is likely that nonfarm payrolls in the metropolitan area have also declined at a greater pace than the nation overall.

- The current population of the metropolitan area is an estimated 1.27 million, representing an average increase of 8,050, or 0.7 percent, annually since April 2010; of that population growth, 43 percent was the result of net in-migration. The current population represents 92 percent of the population in 2005 before Hurricane Katrina, which made landfall in August 2005 (U.S. Census Bureau population estimates as of July 1).
- The populations of Jefferson, Orleans, and St. Tammany Parishes account for an estimated 34, 31, and 20 percent of the total population of the metropolitan area, respectively, and the remaining five parishes account for 15 percent.

- From 2005 to 2006, the population of the metropolitan area declined by 346,200, or 25.0 percent, because of displaced residents leaving the metropolitan area following Hurricane Katrina.
- The population rebounded significantly from 2006 to April 2010, increasing an average of 3.6 percent annually, mostly because of displaced residents returning.
- The metropolitan area population growth slowed nearly every year from 2010 to 2017, reflecting a waning number of displaced residents returning to the metropolitan area (U.S. Census Bureau population estimates as of July 1).
- Since 2017, the population has remained unchanged, with net out-migration averaging an estimated 3,075 annually. Net out-migration has averaged an estimated 3,100 and 1,525 residents annually in Jefferson and Orleans Parishes, respectively, since 2017, while net in-migration has occurred in St. Tammany Parish at an average of 1,850 residents annually. During the same period, net out-migration averaged a combined 300 residents annually in the remaining parishes.

Economy

The economy of the New Orleans metropolitan area has fluctuated significantly since 2004. During 2005 and 2006, nonfarm payrolls decreased an average of 11.3 percent annually because of the effects of Hurricane Katrina. Economic recovery, aided by more than \$120 billion in government investment, was strong during 2007 and 2008, when nonfarm payrolls increased an average of

4.7 percent annually. During 2009 and 2010, the effects of the national recession contributed to a decline of an average of 0.5 percent annually in nonfarm payrolls in the metropolitan area. Job growth occurred from 2011 through 2015, averaging 1.6 percent annually; then job growth declined an average of 0.1 percent annually during 2016 and 2017, partly because of job losses in

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Strong gains in the education and health services and the leisure and hospitality sectors contributed to job growth in the New Orleans metropolitan area.

	3 Months Ending		Year-Over-Year Change	
	March 2019 (Thousands)	March 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	581.4	584.1	2.7	0.5
Goods-Producing Sectors	63.7	61.0	-2.7	-4.2
Mining, Logging, & Construction	33.5	31.1	-2.4	-7.2
Manufacturing	30.2	29.9	-0.3	-1.0
Service-Providing Sectors	517.7	523.1	5.4	1.0
Wholesale & Retail Trade	82.8	81.7	-1.1	-1.3
Transportation & Utilities	29.8	29.9	0.1	0.3
Information	8.0	7.3	-0.7	-8.8
Financial Activities	30.2	30.7	0.5	1.7
Professional & Business Services	75.8	76.7	0.9	1.2
Education & Health Services	102.0	105.6	3.6	3.5
Leisure & Hospitality	91.6	93.6	2.0	2.2
Other Services	24.3	24.5	0.2	0.8
Government	73.2	73.1	-0.1	-0.1
Unemployment Rate (Percent)	4.2	4.9		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



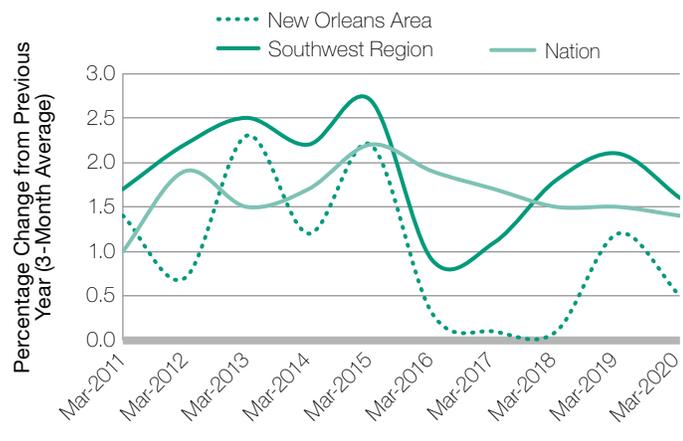
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sectors impacted by declining energy prices. The metropolitan area economy improved during 2018, albeit slightly, with nonfarm payrolls increasing an average of 0.5 percent.

During the 3 months ending March 2020—

- Nonfarm payrolls averaged 584,100 jobs, an increase of 2,700 jobs, or 0.5 percent, compared with a year earlier, with gains occurring in 6 of the 11 job sectors.
- The education and health services and the leisure and hospitality sectors were the largest sectors, with 105,600 and 93,600 jobs, or 18 and 16 percent of nonfarm payrolls, respectively.

The New Orleans metropolitan area economy has expanded at a slower pace than the Southwest region and the nation during the past several years.



Note: For 3-month periods ending March only. Source: U.S. Bureau of Labor Statistics

- Job growth was strongest in the education and health services sector, which increased by 3,600, or 3.5 percent. Several hospital expansions by Ochsner Health System and LCMC Health, the largest employers in the metropolitan area, contributed to gains in the sector.
- Increased tourism contributed to job growth in the leisure and hospitality sector, which increased by 2,000, or 2.2 percent. Several new hotels opened recently, including the 252-room Higgins Hotel & Conference Center, which opened in December 2019 and is located on The National WWII Museum campus near downtown New Orleans. The museum had more than 700,000 visitors during 2017 (The National WWII Museum).
- Significant losses in the mining, logging, and construction sector, which declined by 2,400, or 7.2 percent, partly offset nonfarm payroll gains. Job losses in the sector were entirely in the construction subsector, stemming from the completion and suspension of several large construction projects.
- The \$1.3 billion expansion of the Louis Armstrong New Orleans International Airport was completed in November 2019. The expansion, which included a 35-gate terminal, is expected to have an economic impact on the metropolitan area of \$3.2 billion annually (City of New Orleans Office of the Mayor).

Largest Employers in the New Orleans Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Ochsner Health System	Education & Health Services	19,000
LCMC Health	Education & Health Services	8,550
Tulane University	Education & Health Services	4,100

Note: Excludes local school districts. Source: Local employers

Sales Market Conditions

Sales housing market conditions are balanced in the New Orleans metropolitan area. The estimated sales vacancy rate is currently 2.1 percent, down from 2.8 percent as of April 1, 2010, when conditions were soft. The inventory of unsold homes in the metropolitan area in March 2020 was 3,900, down 7 percent from a year earlier and down 37 percent compared with March 2010. The current level of unsold inventory represents an estimated 3.1-month supply, down from a 3.4-month supply a year earlier and down substantially from a 6.6-month supply in March 2010 (Redfin; Zillow Group, Inc.). Relatively strong job growth, particularly from 2011 through 2015, and the easing of home mortgage-lending standards contributed to improved sales market conditions compared with 2010. As of February 2020, 2.1 percent of home loans in the metropolitan area were seriously delinquent (90 or more days delinquent or in foreclosure) or in real estate owned (REO) status, down from 2.6 percent a year earlier and down from a post-

national-recession peak of 8.6 percent in February 2010. Seriously delinquent loans and REO properties reached a record peak of 25.7 percent in November 2005 following Hurricane Katrina. The share of underwater mortgages (those in which the borrower owes more than the value of the home) in the metropolitan area was 8.9 percent of all home loans in December 2019, compared with 10.3 percent a year earlier and 16.0 percent in March 2010. During the 12 months ending March 2020, new and existing home sales (including single-family homes, townhomes, and condominiums) totaled 17,650 homes sold, an increase of 570, or 3 percent, from a year earlier, and the average price increased by \$12,500, or 5 percent, to \$265,900 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). New and existing home sales fluctuated during the 2010s, ranging from an 8-percent decrease during the 12 months ending March 2018 to an increase of 13 percent during the 12 months ending March 2019. Since 2010,

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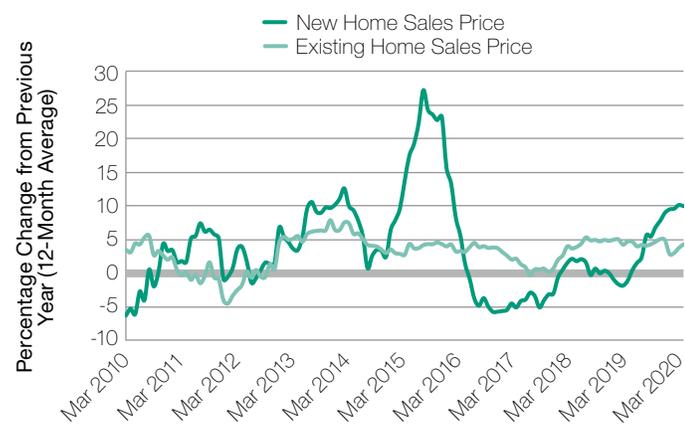
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the average new and existing home price increased an average of 3 percent annually.

During the 12 months ending March 2020—

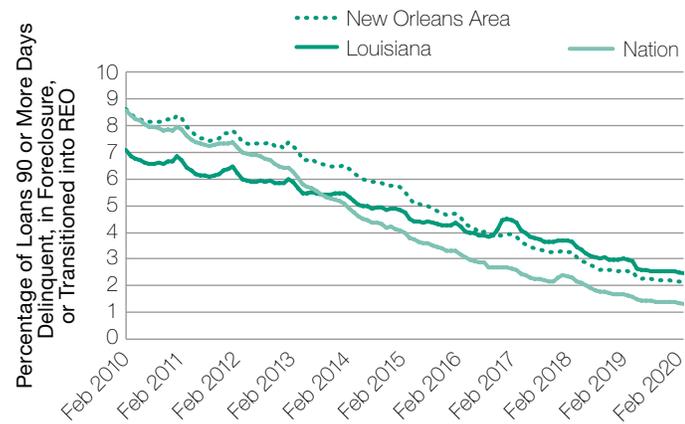
- New home sales increased 8 percent to 1,550, and the average price increased 10 percent to \$315,000. St. Tammany Parish accounted for nearly two-thirds of total new home sales in the metropolitan area, reflecting recent historical trends.

Year-over-year existing home price increases have occurred almost every month since the fall of 2012 in the New Orleans metropolitan area. New home sales price increases peaked in July 2015, reflecting a large number of high-end condominium sales.



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

Reflecting national and the state of Louisiana trends, the percentage of homes 90 or more days delinquent, in foreclosure, or recently transitioned to REO has trended downward in the New Orleans metropolitan area since post-national recession peaks in February 2010.



REO = real estate owned. Source: CoreLogic, Inc.

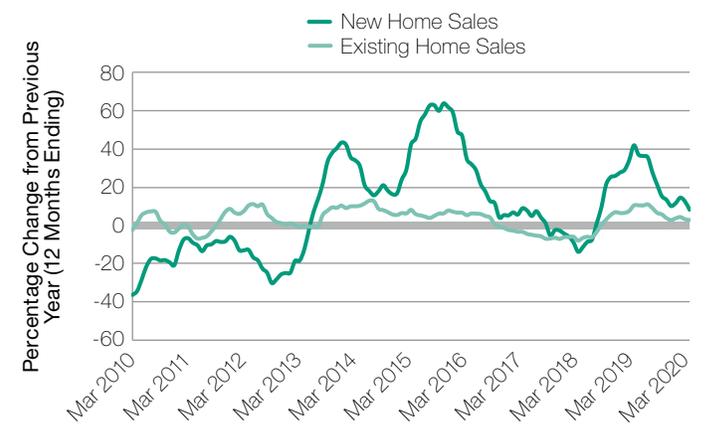
- Existing home sales increased 3 percent to 16,100 homes, and the average price for an existing home was \$261,100, up 4 percent.
- REO sales accounted for 6 percent of existing home sales, down from 8 percent a year earlier and down from a peak level of 24 percent in the summer of 2012.
- Absentee-owner home sales, which are primarily investment or second-home purchases, accounted for 33 percent of total sales, unchanged from a year earlier. Absentee-owner home sales in Orleans Parish accounted for 44 percent of total absentee-owner home sales in the metropolitan area and 44 percent of all home sales in the parish. By comparison, absentee-owner sales accounted for 27 percent of all home sales nationally, up 1 percentage point from a year earlier.
- The number of new and existing condominium sales were unchanged, at 820 units, and the average price for a condominium decreased 3 percent to \$261,300. Since 2010, condominium sales have accounted for about 4 percent of all home sales in the metropolitan area.

Increased new home sales in the New Orleans metropolitan area contributed to a gain in single-family homebuilding activity, as measured by the number of single-family homes permitted during the 12 months ending March 2020.

- During the 12 months ending March 2020, the number of single-family homes permitted totaled 3,150, up 4 percent compared with a year earlier. Single-family homebuilding increased an average of 12 percent annually from a recent low of 2,200 in 2015 to 3,050 in 2018.
- Single-family home construction totaled 5,725 homes in 2011, when single-family home rebuilding efforts following Hurricane Katrina were strong.

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Both new and existing home sales have increased in the New Orleans metropolitan area since the summer of 2018.



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

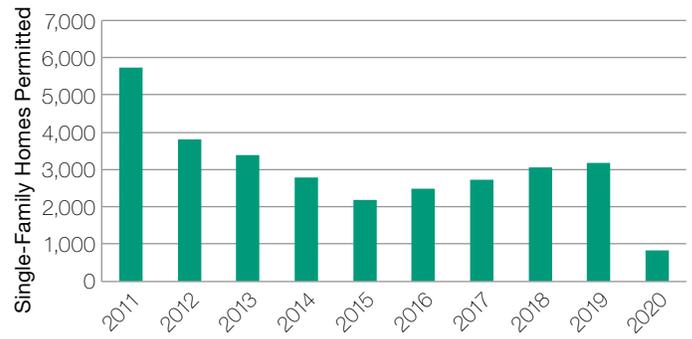


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- Since 2015, single-family homebuilding in St. Tammany Parish has accounted for one-half of the total single-family homes built in the metropolitan area.
- In the city of Slidell in St. Tammany Parish, 30 miles northeast of downtown New Orleans, construction is ongoing at the Lakeshore Villages residential community. The community is on the north shore of Lake Pontchartrain and is adjacent to Big Branch Marsh National Wildlife Refuge. Since opening in 2017, 288 new three-, four-, and five-bedroom homes, ranging in size from 1,500 to 3,500 square feet, have sold at Lakeshore Villages with an average price of \$237,900. Approximately 60 homes are available for sale at Lakeshore Villages, and in February 2020, the St. Tammany Parish Planning Commission approved the construction of Phase V of the development, which includes an additional 65 home sites.
- Construction is underway at the 731 St. Charles condominium development, located in the New Orleans Central Business District (CBD). Slated for completion in 2020, the five-story development will include 67 one- and two-bedroom units, ranging in size from 765 to 1,746 square feet. Units at 731 St. Charles are offered at prices ranging from \$489,900 to

\$1,299,900. Amenities at the development, which is located directly on the Mardi Gras parade route, include large private balconies and a community rooftop terrace.

The number of single-family homes permitted in the New Orleans metropolitan area has steadily increased since 2015.



Note: Includes preliminary data from January 2019 through March 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

Apartment market conditions are currently balanced in the metropolitan area, compared with soft conditions in 2010. During the first quarter of 2020, the average apartment vacancy rate, excluding units in lease-up, was 4.6 percent, unchanged from a year earlier but well below the rate of 10.5 percent during the first quarter of 2010 (Reis, Inc.). By comparison, the average apartment vacancy rate was 4.8 percent from 2015 through 2017. Relatively strong population and job growth during the early to mid-2010s and increased preferences to rent in the metropolitan area have contributed to improved apartment market conditions compared with 2010.

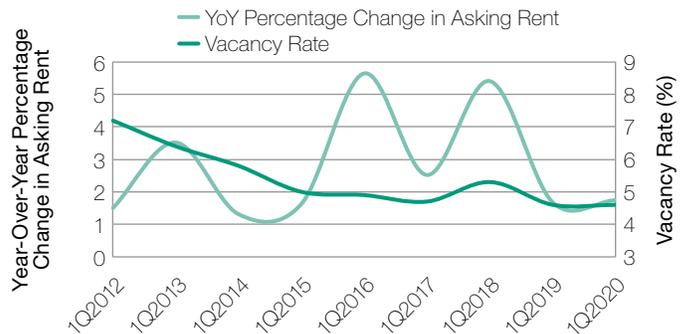
During the first quarter of 2020—

- The average apartment rent in the New Orleans metropolitan area was \$1,110, representing an increase of 2 percent compared with a year earlier. By comparison, the average apartment rent increased by an average of 4 percent annually from 2015 through 2017.
- Apartment vacancy rates ranged from 2.0 percent in the Reis, Inc.-defined Jefferson/River Ridge market area in Jefferson Parish to 7.6 percent in the Central New Orleans market area. Average apartment rents ranged from \$734 in the Southeast Orleans market area to \$1,688 in the Central New Orleans market area.
- The average apartment vacancy rate for class A apartments in the metropolitan area was 6.3 percent, and the average rent was \$1,534. The average vacancy rate for class B/C apartments was 3.8 percent, and the average rent for B/C units was \$902.

- In the New Orleans CBD, the average apartment rent was \$2,047, reflecting demand stemming from proximity to employment centers and entertainment venues. Expenses to maintain and insure apartments also contributed to relatively high apartment rents in the New Orleans CBD, where the average cost to insure apartments is more than \$850 per unit, or about three times the average national cost of \$290 (National Apartment Association).

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Rent growth in the New Orleans metropolitan area has slowed recently, compared with a recent peak that occurred during the first quarter of 2018. The apartment vacancy rate has been below 5.5 percent since the first quarter of 2015.



1Q = first quarter. YoY = year-over-year. Source: Reis, Inc.



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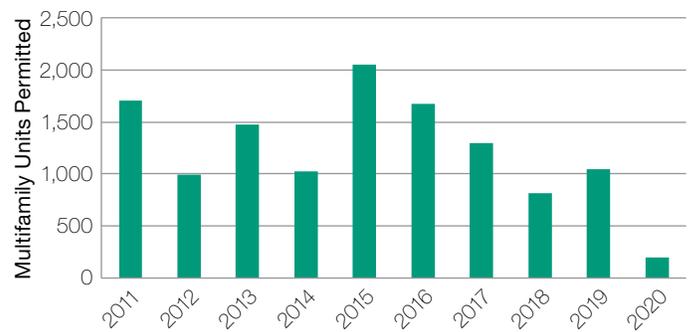
Multifamily construction activity in the New Orleans metropolitan area, as measured by the number of multifamily units permitted, totaled an estimated 980 units during the 12 months ending March 2020, compared with 900 units permitted a year earlier (preliminary data, with adjustments by the analyst). Multifamily construction activity reached a recent peak level of 2,050 in 2015, before declining an average of 20 percent annually during 2016 and 2017 when builders responded to a stalled local economy and to slowing population growth in the metropolitan area. Since 2010, approximately one-half of multifamily construction activity has occurred in and around the New Orleans CBD. Condominium construction has accounted for about 5 percent of all multifamily construction activity in the metropolitan area since 2010, compared with 7 percent during the 2000s.

- Approximately 1,650 multifamily units are currently under construction in the metropolitan area, of which four-fifths are located in Orleans Parish.
- In the New Orleans CBD, The Odeon at South Market apartment community is currently under construction and expected to be completed in the fall of 2020. The 29-story development will include 271 units, with rents ranging from \$1,160 for studio units, \$1,685 to \$2,735 for one-bedroom units, and \$3,270 to \$5,075 for two-bedroom units.
- Construction at the 2424 Tulane apartment community, located about 1 mile northwest of the New Orleans CBD, is nearing completion. The seven-story apartment community includes 202 one- and two-bedroom units. One-bedroom units are

offered at \$1,450, and asking rents for two-bedroom units range from \$1,800 to \$1,900.

- In the city of Covington, in St. Tammany Parish, construction is also almost complete at the 178-unit Elan at Terra Bella apartment community. Elan at Terra Bella, which is located 45 miles north of the New Orleans CBD, includes studio, one-, two-, and three-bedroom units offered at rents ranging from \$879 for studio units to \$3,045 for three-bedroom units.

Multifamily permitting in the New Orleans metropolitan area has generally slowed recently compared with the recent peak in 2015.



Note: Includes preliminary data from January 2019 through March 2020. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

