

# HUD PD&R Housing Market Profiles

## New Orleans-Metairie-Kenner, Louisiana



### Quick Facts About New Orleans-Metairie-Kenner

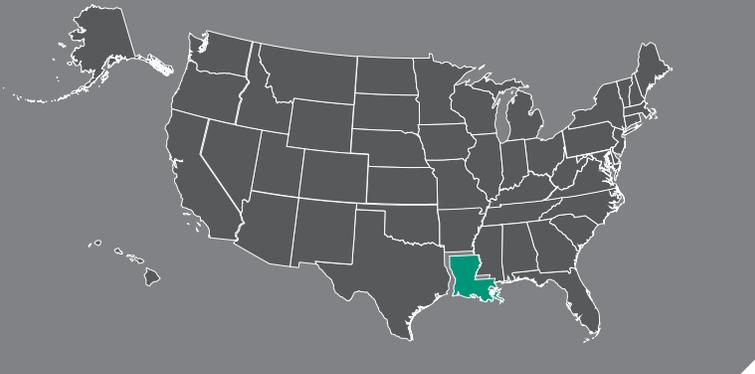
- **Current sales market conditions: soft.**
- **Current rental market conditions: slightly soft.**
- **The metropolitan area continues to recover from Hurricanes Katrina (2005), Rita (2005), and Isaac (2012).**

By Randall Goodnight | As of March 1, 2013

### Overview

The New Orleans-Metairie-Kenner metropolitan area (hereafter, the New Orleans metropolitan area), in southeast Louisiana near the mouth of the Mississippi River, consists of Jefferson, Orleans (the city of New Orleans), Plaquemines, St. Bernard, St. Charles, St. John the Baptist, and St. Tammany Parishes (December 2009 OMB Standards: OMB BULLETIN NO. 10-02).

- As of March 1, 2013, the estimated population was 1.2 million, representing 90 percent of the pre-Hurricane Katrina level.
- The population has increased by an average of 15,600, or 1.2 percent, annually since April 2010, and 66 percent of the growth has been because of net in-migration.
- By comparison, the population increased by an average of 3.7 percent annually from July 2006 through April 2010, and 85 percent of the growth was because of net in-migration, reflecting the return of residents displaced by Hurricanes Katrina and Rita in 2005.



Nonfarm payrolls by sector in the New Orleans area

	3 Months Ending		3-Month Change (2012-13)	
	February 2012 (thousands)	February 2013 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	526.8	532.9	6.1	1.2
Goods-producing sectors	68.4	69.1	0.7	1.0
Mining, logging, and construction	38.0	39.2	1.3	3.3
Manufacturing	30.5	29.9	-0.6	-1.9
Service-providing sectors	458.4	463.8	5.4	1.2
Wholesale and retail trade	81.3	82.1	0.9	1.1
Transportation and utilities	59.0	59.0	0.0	0.0
Information	7.7	8.4	0.7	9.6
Financial activities	26.5	26.9	0.3	1.3
Professional and business services	68.6	72.0	3.4	4.9
Education and health services	77.3	79.0	1.7	2.2
Leisure and hospitality	75.5	76.2	0.7	0.9
Other services	18.1	18.1	0.0	0.0
Government	77.9	76.0	-2.0	-2.5

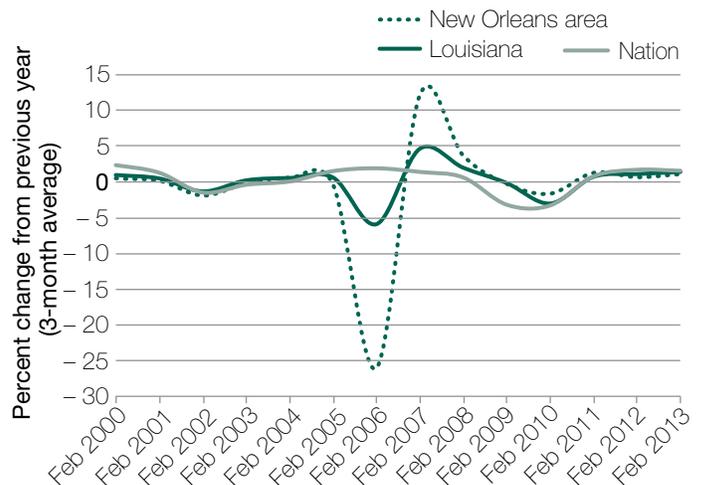
Source: U.S. Bureau of Labor Statistics

Economic Conditions

During the 3 months ending February 2013, nonfarm payrolls in the New Orleans metropolitan area averaged 532,900 jobs, representing an increase of 6,050 jobs, or 1.2 percent, from a year ago and 87 percent of the pre-Hurricane Katrina job level.

- As a result of Hurricane Katrina, nonfarm payrolls declined by 177,500 jobs, or 28.8 percent, during 2005.
- Job growth was virtually flat from 2008 through 2010, when payrolls decreased by an average of 220 jobs, or 0.2 percent, annually.
- The sectors that led growth during the 3 months ending February 2013 were the professional and business services sector, with an increase of 3,400 jobs, or 4.9 percent; the education and health services sector, with a gain of 1,700 jobs, or 2.2 percent; and the construction subsector, with an increase of 900 jobs, or 3.2 percent.
- During the 3 months ending February 2013, the average unemployment rate decreased to 6.2 percent from 7.0 percent a year earlier.
- Expansions are under way at several hospitals, including the Southeast Louisiana Veterans Healthcare System and University Medical Center. Expansions at both facilities are expected to be complete in 2015, resulting in nearly 20,000 combined new permanent jobs and an economic impact on the metropolitan area of more than \$1 billion annually (Louisiana State University report).

Payrolls in the New Orleans area declined nearly 29 percent after Hurricane Katrina but have stabilized.



Source: U.S. Bureau of Labor Statistics

Largest employers in the New Orleans area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Ochsner Health System	Education and health services	16,150
Louisiana State University Health Sciences Center—New Orleans	Government	14,900
Tulane University	Education and health services	14,000

Note: Excludes local school districts.  
Sources: Employers; local chambers of commerce



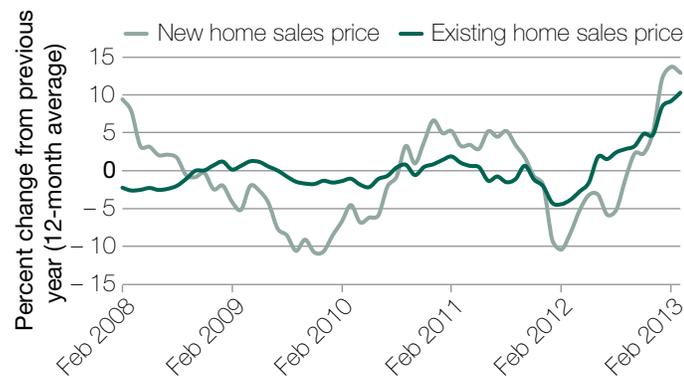
## Sales Market Conditions

Sales housing market conditions in the New Orleans metropolitan area are currently soft but have improved since 2010. As of March 1, 2013, the estimated sales vacancy rate was 2.4 percent, down from 2.9 percent in April 2010. Tight lending standards contributed to the soft conditions. The home sales market was also affected by Hurricane Isaac, which made landfall in August 2012 and damaged more than 30,000 owner-occupied homes (Federal Emergency Management Agency [FEMA]). New and existing home sales (including townhomes and condominiums) decreased by an estimated 1,800, or 12 percent, to 13,300 homes sold during the 12 months ending February 2013 compared with the number sold a year earlier, with new home sales accounting for 4 percent of total sales (CoreLogic, Inc. data). During the same period, the average home sales price increased by an estimated \$18,600, or 11 percent, to \$194,200.

- Home sales in the metropolitan area averaged 15,100 annually from 2007 through 2011.
- In the suburban parish of St. Tammany, north of the city of New Orleans, home sales increased by 340 homes, or 9 percent, to 3,950 homes sold during the 12 months ending February 2013.
- As of February 2013, 8.0 percent of home loans in the metropolitan area were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned), down from 8.7 percent in February 2012 (LPS Applied Analytics data).
- During the 12 months ending February 2013, the number of condominium sales totaled 570 units, representing an increase of 10 percent from a year earlier, and the average condominium sales price increased 6 percent, to \$228,700, during the same period.

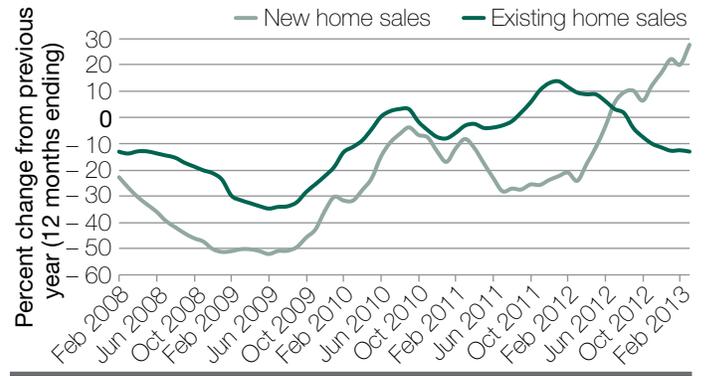
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### Average prices of new and existing homes are increasing in the New Orleans area.



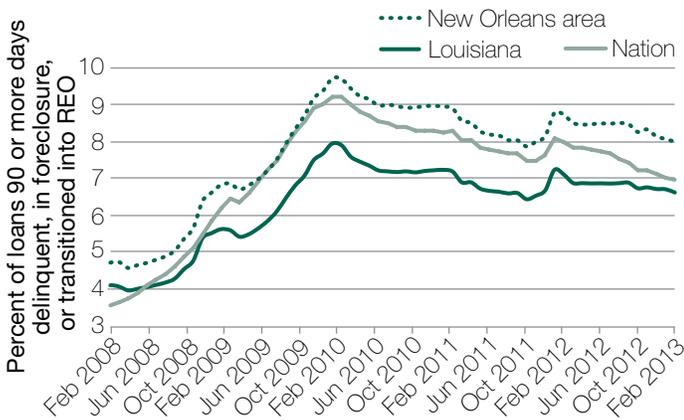
Sources: CoreLogic, Inc.; analyst's estimates

### Existing home sales are declining, but new home sales are increasing in the New Orleans area.



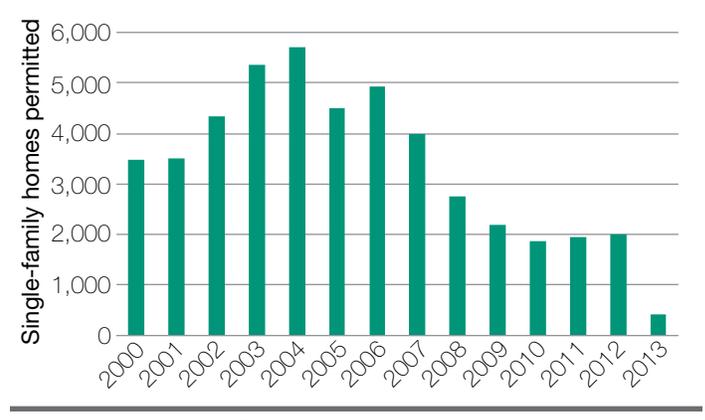
Sources: CoreLogic, Inc.; analyst's estimates

### Distressed mortgages in the New Orleans area are declining but remain high by comparison.



REO = Real Estate Owned.  
Source: LPS Applied Analytics

### Single-family home permitting peaked during 2003 and 2004 in the New Orleans area.



Note: Includes data through February 2013.  
Source: U.S. Census Bureau, Building Permits Survey



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Single-family home construction, as measured by the number of homes permitted, increased by 120 homes, or 25 percent, to 570 single-family homes permitted in the metropolitan area during the 3 months ending February 2013 compared with the number permitted a year earlier, based on preliminary data.

## Rental Market Conditions

Rental housing market conditions in the New Orleans metropolitan area are currently slightly soft but improved compared with conditions during 2010.

- As of March 1, 2013, the overall rental vacancy rate was an estimated 8.4 percent compared with the rate of 14.4 percent in April 2010.
- The apartment market is also slightly soft; the average vacancy rate for market-rate apartments in the metropolitan area was 6.7 percent during the fourth quarter of 2012 compared with the rate of 7.7 percent a year earlier (Reis, Inc. data).
- The average apartment vacancy rate from 2008 through 2010 was 9.3 percent.
- The average apartment rent during the fourth quarter of 2012 was \$900, up 1.5 percent compared with the rent a year earlier.
- Since 1987, the average rent in the metropolitan area has increased every year except during 2008 and 2009.
- The average vacancy rates among the metropolitan area submarkets varied significantly during the fourth quarter of 2012, ranging from 3.8 percent in the Metairie area, west of the city of New Orleans, to 10.3 percent in the southeast portion of Jefferson Parish.

### Increasing rents and declining vacancy rates reflect an improving rental market in the New Orleans area.



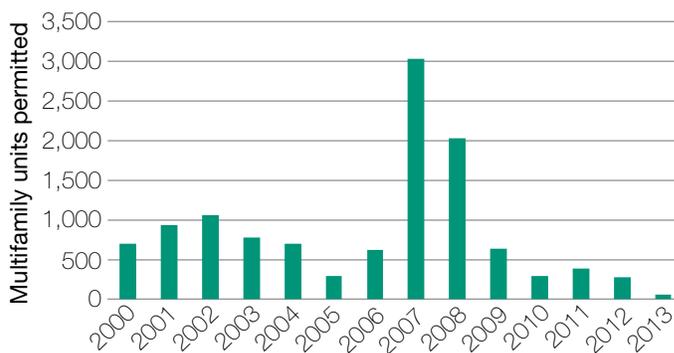
Source: Reis, Inc.

- From 2008 through 2010, an average of 2,275 homes were permitted annually in the metropolitan area.
- Single-family home permitting peaked in the metropolitan area during 2003 and 2004, when an average of 5,525 homes were permitted annually.
- More than \$400 million in funds has been awarded to metropolitan area parishes for Hurricane Isaac-related repairs (FEMA).

Multifamily construction, as measured by the number of multifamily units permitted, was relatively unchanged during the 3 months ending February 2013, when 72 units were permitted compared with the 70 units permitted a year earlier, based on preliminary data.

- Since 2005, multifamily permits have been issued almost exclusively for apartments, with permitting activity peaking at 3,025 multifamily units permitted in 2007.
- Construction is expected to begin this spring at the 209-unit South Market District apartments near downtown New Orleans. On completion, South Market District rents are expected to range from \$1,365 to \$2,840 per month for one-bedroom units and from \$1,930 to \$2,470 per month for two-bedroom units, according to the developer.
- Construction is ongoing on the Iberville housing development, a \$600 million, 2,500-unit mixed-income project funded via the U.S. Department of Housing and Urban Development's Choice Neighborhoods program. Construction at Iberville, which began in 2011, is expected to be complete by December 2014.

### Multifamily permitting remains low in the New Orleans area compared with peak levels during 2007 and 2008.



Note: Includes data through February 2013.  
Source: U.S. Census Bureau, Building Permits Survey

