New Orleans-Metairie-Kenner, Louisiana

The New Orleans-Metairie-Kenner metropolitan area encompasses seven parishes in southeast Louisiana: Jefferson, Orleans (which is coterminous with the city of New Orleans), Plaquemines, St. Bernard, St. Charles, St. John the Baptist, and St. Tammany. As of June 1, 2009, the population of the metropolitan area is estimated at approximately 1.15 million; this figure represents an increase of 13,000, or an annual growth rate of 1 percent, from the July 1, 2008, Census Bureau population estimate. During the 12-month periods ending July 2008 and July 2007, the population grew by approximately 24,000 and 117,000, respectively. In contrast, during the 12 months ending July 1, 2006, the metropolitan area lost nearly 320,000 residents after Hurricanes Katrina and Rita made landfall in August and September 2005, respectively.

The economic expansion in the metropolitan area that started after the hurricanes occurred has continued but has slowed considerably during recent months. During the 12 months ending May 2009, nonfarm employment averaged 526,500 jobs, an increase of 5,300 jobs, or 1 percent, compared with the number of jobs recorded during the 12 months ending May 2008. In comparison, the number of jobs increased by nearly 22,000 during the 12-month period ending May 2008. Between May 2005 and May 2006, job losses averaged 118,000 due to the effects of the hurricanes. During the past 12 months, job gains in the government, education and health services, and construction sectors more than offset losses in other sectors. Employment in the government sector increased by 4,600 jobs, or 6 percent, to 81,500 jobs due to hiring in the state and local government subsectors. The education and health services sector added 3,100 jobs, an increase of 4.7 percent, and the construction sector grew by 1,100 jobs, or 3.3 percent, as hurricane recovery efforts continued. Leading employers in the metropolitan area include Northrup Grumman Ship Systems’ Avondale Operations, Ochsner Health System, Tulane University, and NorthShore Regional Medical Center; each of these entities employs more than 5,000 workers. During the 12 months ending May 2009, the average unemployment rate in the metropolitan area was 5.3 percent, up from 3.4 percent during the same period a year ago.

Single-family homebuilding activity, as measured by the number of building permits issued, has slowed significantly in the metropolitan area during the past 2 years. During the 12 months ending May 2009, permits were issued for 2,250 single-family homes, representing a 39-percent decline, which follows a 23-percent decline during the 12-month period ending May 2008.

After the hurricanes destroyed or damaged much of the housing stock in several parishes in the metropolitan area, the sales housing market became extremely tight in St. Tammany Parish because households from the more heavily damaged parishes relocated to St. Tammany. The sales market in St. Tammany has remained tight until recently. In contrast, the sales market in Orleans Parish has been very soft, because an estimated 70 percent of the housing stock was damaged and uncertainty about the availability of homeowners insurance and new standards for rebuilding have negatively affected home sales. The slowdown in homebuilding has helped improve the still-soft sales market conditions in Orleans Parish, but sales market conditions in St. Tammany Parish have become more balanced.

According to data from The New Orleans Metropolitan Association of REALTORS® (NOMAR) and the Gulf South Real Estate Information Network, Inc., during the 12 months ending May 2009, new and existing single-family home sales in the metropolitan area totaled approximately 7,800 homes, a 24-percent decline compared with the 10,300 homes sold during the previous 12-month period. The most significant decrease occurred in Orleans Parish, where sales were down 32 percent. Home sales declined more than 25 percent in both the West St. Tammany Parish and East St. Tammany Parish submarkets. Despite the decreases in sales volume, average home sales prices did not decrease substantially. For the 12 months ending May 2009, NOMAR reported that, in the entire metropolitan area, the average sales price was $202,100, down slightly more than 3 percent from the average price recorded during the previous 12-month period and down only 5 percent compared with the average price during the 12-month period ending May 2007. Despite the decrease in the number of sales in Orleans Parish during the past 12 months, the average price increased 9 percent to $214,800. During the 12 months ending May 2009, Plaquemines Parish had the highest average price in the metropolitan area, increasing 5 percent to $267,500, but recorded fewer than 100 single-family homes sold during the same period.
home sales. During the same period, the average price in the West St. Tammany Parish submarket was $256,500, down 6 percent compared with the average price recorded during the previous 12 months, and the average price in the East St. Tammany Parish submarket was down 5 percent to $182,000.

Condominiums have become an increasingly prevalent part of the New Orleans-Metairie-Kenner metropolitan area housing market. According to the 2007 American Community Survey, approximately 4,000 condominiums were in the metropolitan area. According to U.S. Department of Housing and Urban Development staff in New Orleans, at least 6 condominium projects totaling approximately 1,300 units are in the process of being converted from rental units to for-sale housing. In addition, more than 1,100 condominium units are under construction, primarily in Orleans Parish but also in Jefferson and St. Tammany Parishes, and are scheduled for completion over the next 18 months. Nearly 3,000 condominium units are in the planning stages, but, because the sales market has slowed considerably, it is not expected that many of these units will be built until the market improves significantly.

During the past 12 months, the apartment market in the New Orleans-Metairie-Kenner metropolitan area softened substantially. According to the Greater New Orleans Multi-Family Report, the overall apartment market vacancy rate increased from 6 percent in May 2008 to 13 percent in May 2009, while the average rent dropped only 2 percent to $842. The apartment vacancy rate in Orleans Parish was 17 percent, up from about 6 percent in May 2008. In both St. Tammany and Jefferson Parishes, the vacancy rate was 11 percent, up from 4 and 6 percent, respectively.

The apartment vacancy rate in the metropolitan area increased because approximately 3,000 new and substantially rehabilitated apartments have been added to the market during the past 12 months. Approximately 2,000 additional units of mixed-income housing are under construction or just being completed, which is expected to put further pressure on rents and vacancy rates. A recent decline in multifamily construction activity, as measured by the number of units permitted, is expected to allow for the absorption of some of the vacant apartment units over the next 18 to 24 months. During the 12 months ending May 2009, about 1,400 multifamily units were permitted in the metropolitan area, a 52-percent decrease compared with the 2,900 units permitted during the previous 12 months and down from the 4,800 units permitted during the 12 months ending May 2007. Of the 9,100 multifamily units authorized by permits during the past 36 months, an estimated 1,500 were condominium units.