

The analysis presented in this report includes data from the early stages of the COVID-19 outbreak in the United States. The unprecedentedly large and rapid changes in many data series, and the similarly unprecedentedly large policy responses, make analysis of, and longer run predictions for, the economy and housing markets exceptionally difficult and uncertain. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.

COMPREHENSIVE HOUSING MARKET ANALYSIS

Baton Rouge, Louisiana

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of July 1, 2020



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Executive Summary

Housing Market Area Description

The Baton Rouge Housing Market Area (HMA) is coterminous with the Baton Rouge, LA Metropolitan Statistical Area (MSA), which has nine parishes: Ascension, East Baton Rouge, East Feliciana, Iberville, Livingston, Pointe Coupee, St. Helena, West Baton Rouge, and West Feliciana. Due to the proximity of the HMA to the natural gas pipeline infrastructure and deepwater access to the Gulf of Mexico via the Mississippi River, petrochemical refining and exporting is the primary industry in the HMA. The city of Baton Rouge is the state capital and home to Louisiana State University (LSU). The current HMA population is estimated at 834,600.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's [Market-at-a-Glance tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).



Market Qualifiers

Economy



Weak: Nonfarm payroll jobs fell by 14,400, or 3.5 percent, during the 12 months ending June 2020.

Although the economy in the HMA improved each year from 2017 to 2019, nonfarm payroll growth slowed considerably during 2019 because the construction of large-scale industrial facilities concluded. Job growth is expected to average 1.3 percent a year during the next 3 years as the HMA slowly recovers from the economic slowdown caused by the pandemic and industrial manufacturing facilities begin to expand as global demand for their products increases.

Sales Market



Balanced: New home sales increased nearly 12 percent during the 12 months ending June 2020.

The sales housing market in the HMA is currently balanced, with an estimated vacancy rate of 1.6 percent, down from 1.8 percent in 2010. During the 12 months ending June 2020, the average new home sales price increased 2 percent to \$283,200, and the average existing home sales price increased 1 percent to \$219,800 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). During the next 3 years, demand is estimated for 5,700 new homes. The 1,125 homes under construction will satisfy some of the demand in the first year of the forecast period.

Rental Market



Soft: Apartment market vacancies have increased since the second quarter of 2017.

The rental housing market in the HMA is currently soft, with an estimated vacancy rate of 10.0 percent; that rate is up from 9.2 percent in 2010. Apartment market conditions are also soft, with a vacancy rate of 10.1 percent during the second quarter of 2020; the rate was 9.5 percent in the second quarter of 2019 (Reis, Inc.). During the next 3 years, the supply of excess vacant units will meet all the demand. The approximately 920 units currently under construction are expected to contribute to an oversupply of rental units in the HMA.

TABLE OF CONTENTS

Economic Conditions	4
Population and Households	10
Home Sales Market	12
Rental Market	16
Terminology Definitions and Notes	19

3-Year Housing Demand Forecast

Baton Rouge HMA	Sales Units		Rental Units	
	Total Demand	5,700	No Units	
	Under Construction	1,125	920	

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of July 1, 2020. The forecast period is July 1, 2020, to July 1, 2023.
Source: Estimates by the analyst



Economic Conditions

Largest Sector: Government

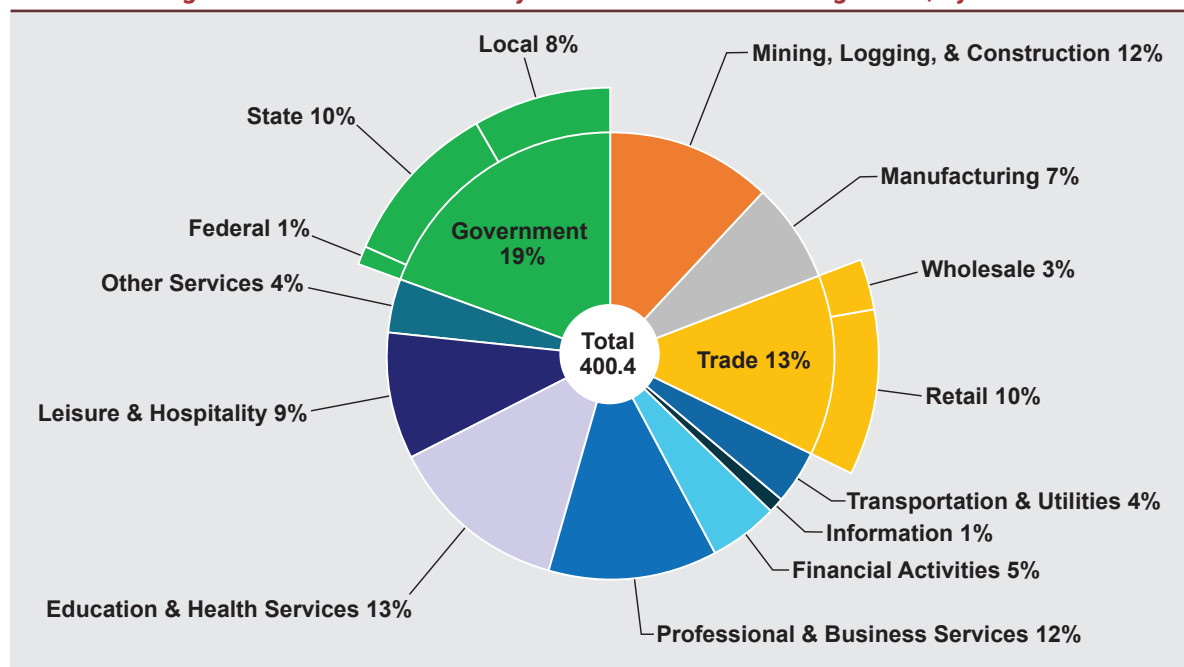
More than 24 percent of job growth from 2011 through June 2020 has been in the mining, logging, and construction sector because of the expansion of petrochemical facilities.

Primary Local Economic Factors

The state capital and LSU are in the city of Baton Rouge; as such, government is the largest employment sector in the HMA. The state government subsector alone accounts for 39,400 jobs, or 10 percent of all nonfarm payroll jobs in the HMA (Figure 1). The second largest employer in the HMA is the LSU system, which has about 6,250 employees (Table 1) and had an economic impact of more than \$2.1 billion on the local economy in 2017 (Economics and Policy Research Group, LSU). The wholesale and retail trade and the education and health services sectors are the next largest employment sectors, each accounting for 13 percent of all jobs in the HMA. The education and health services sector has two top 10 employers in the HMA, Our Lady of the Lake Regional Medical Center and Baton Rouge General, employing 4,700 and 4,000 employees, respectively.

The HMA has convenient access to pipelines, intracoastal waterways, and the deepwater shipping channel from the Port of Greater Baton

Figure 1. Share of Nonfarm Payroll Jobs in the Baton Rouge HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month average through June 2020. Source: U.S. Bureau of Labor Statistics

Table 1. Major Employers in the Baton Rouge HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Turner Industries Group, LLC	Mining, Logging, & Construction	11,500
Louisiana State University System	Government	6,250
Exxon Mobil Corporation	Manufacturing	6,000
Performance Contractors, Inc.	Mining, Logging, & Construction	5,500
Our Lady of the Lake Regional Medical Center	Education & Health Services	4,700
McDermott International, Ltd	Mining, Logging, & Construction	4,250
Baton Rouge General	Education & Health Services	4,000
Dow Inc. (formerly The Dow Chemical Company)	Manufacturing	3,504
AT&T Inc.	Information	3,000
Entergy Louisiana, LLC	Transportation & Utilities	2,822

Note: Excludes local school districts.
Source: Baton Rouge Area Chamber

Rouge. The HMA is also crossed by major rail lines and Interstate Highway 10, making it attractive to industrial manufacturers. Companies such as CF Industries Holdings, Inc.; Methanex Corporation; Shintech Inc.; and ExxonMobil Corporation currently have facilities in the HMA, where they produce petrochemical products such as methanol, polyvinyl chloride (PVC), various fuels, and other products that are used to make goods. Those products are shipped to points throughout the United States and exported globally, making international and domestic trade important to the local economy. Natural gas is a main input for making many of these products, and the availability of relatively cheap natural gas during the 2010s was a catalyst for notable expansion of capital intensive and expensive industrial facilities in the HMA during that period. Because of that trend, the mining, logging, and construction sector has been the most influential sector in the economy of the HMA since 2012. As construction ends and operations commence, the number of new high-paying manufacturing jobs is less than the number of jobs during peak construction. The completion of several facilities contributed to a significant decline of jobs in the mining, logging, and construction sector during the past year; however, the facilities have resulted in significant job gains in the manufacturing and transportation industries. Since 2012, the combined increase in the number of jobs in the manufacturing and the transportation and utilities sectors have accounted for 23 percent of job growth in the HMA.

Current Conditions—Nonfarm Payrolls

During the 12 months ending June 2020, nonfarm payrolls in the Baton Rouge HMA fell by 14,400 jobs, or 3.5 percent, to 400,400 (Table 2). During this period, the majority of job loss was in the goods-producing sectors. Fifty-one percent of the total job losses in the HMA were in the mining, logging, and construction sector, which fell by 7,400, or 13.4 percent, as several industrial projects concluded. The service-providing sectors in the HMA fell by 6,600 jobs, or 2.0 percent, during the 12 months ending June 2020 because of the significant impact of the COVID-19 pandemic. A year earlier, those sectors increased by 4,000 jobs, or 1.2 percent. In particular, countermeasures to slow the spread of COVID-19 affected job levels significantly in the wholesale and retail trade and the leisure and hospitality sectors, which declined by 2,500 and 2,200 jobs, or 4.5 and 5.5 percent, respectively. Only two nonfarm payroll sectors grew during the 12 months ending June 2020: the transportation and utilities and the financial activities sectors expanded by 100 and 300 jobs, or 0.6 and 1.6 percent, compared with 1,200 and 100 jobs, or 8.3 and 0.5 percent, respectively, from a year earlier.

Table 2. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Baton Rouge HMA, by Sector

	12 Months Ending June 2019	12 Months Ending June 2020	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	414.8	400.4	-14.4	-3.5
Goods-Producing Sectors	85.3	77.5	-7.8	-9.1
Mining, Logging, & Construction	55.3	47.9	-7.4	-13.4
Manufacturing	30.1	29.6	-0.5	-1.7
Service-Providing Sectors	329.5	322.9	-6.6	-2.0
Wholesale & Retail Trade	55.6	53.1	-2.5	-4.5
Transportation & Utilities	15.6	15.7	0.1	0.6
Information	5.1	4.9	-0.2	-3.9
Financial Activities	18.6	18.9	0.3	1.6
Professional & Business Services	48.5	48.4	-0.1	-0.2
Education & Health Services	53.8	52.4	-1.4	-2.6
Leisure & Hospitality	40.1	37.9	-2.2	-5.5
Other Services	16.9	16.7	-0.2	-1.2
Government	75.3	74.8	-0.5	-0.7

Notes: Based on 12-month averages through June 2019 and June 2020. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics



The Economic Effects of COVID-19 Through June 2020

The World Health Organization declared the COVID-19 virus a pandemic on March 11, 2020, and the governor of Louisiana declared a stay-at-home order for the state on March 22, 2020, to reduce the spread of the virus. The order put limits on businesses operating in Louisiana but allowed businesses that the Cybersecurity and Infrastructure Security Agency (CISA) considered essential to remain open. The governor of Louisiana extended the stay-at-home order through May 15, 2020. At that time, the state moved to phase one of reopening, which allowed businesses deemed nonessential to open at 25 percent of their occupancy. The state moved into phase two of reopening the economy on June 4, 2020, which allowed many businesses to operate at 50-percent capacity. The state has remained in phase two of reopening through the current date of this report.

A review of nonfarm payroll data from February through June delineates the effect of the stay-at-home orders and subsequent reopening orders on the economy in the Baton Rouge HMA. Nonfarm payrolls declined in April because of the stay-at-home order, and as restrictions were lifted, nonfarm payrolls increased in May and June. During the initial phase of the pandemic—from February through April—nonfarm payrolls fell by 54,800 jobs or 13.2 percent (Table 3). Two payroll sectors accounted for 57 percent

Table 3. Change in Nonfarm Payroll Jobs (1,000s) in the Baton Rouge HMA, by Sector, from February 2020 Through June 2020

	Job Change from February Through April 2020	Jobs Recovered from April Through June 2020*	Percentage of Jobs Recovered
Total Nonfarm Payroll Jobs	-54.8	11.0	20.1
Goods-Producing Sectors	-11.6	1.5	12.9
Mining, Logging, & Construction	-10.1	1.3	12.9
Manufacturing	-1.5	0.2	13.3
Service-Providing Sectors	-43.2	9.5	22.0
Wholesale & Retail Trade	-5.3	3.8	71.7
Transportation & Utilities	-0.9	0.1	11.1
Information	-0.8	0.0	0.0
Financial Activities	-0.1	0.1	100.0
Professional & Business Services	-4.2	0.5	11.9
Education & Health Services	-7.1	2.3	32.4
Leisure & Hospitality	-21.1	6.4	30.3
Other Services	-2.0	0.9	45.0
Government	-1.7	0.0	0.0

Notes: Based on monthly data from February 2020 through June 2020. Numbers may not add to totals due to rounding. Data are in thousands.

*The government sector was the only sector in the HMA to continue to lose jobs through June 2020.

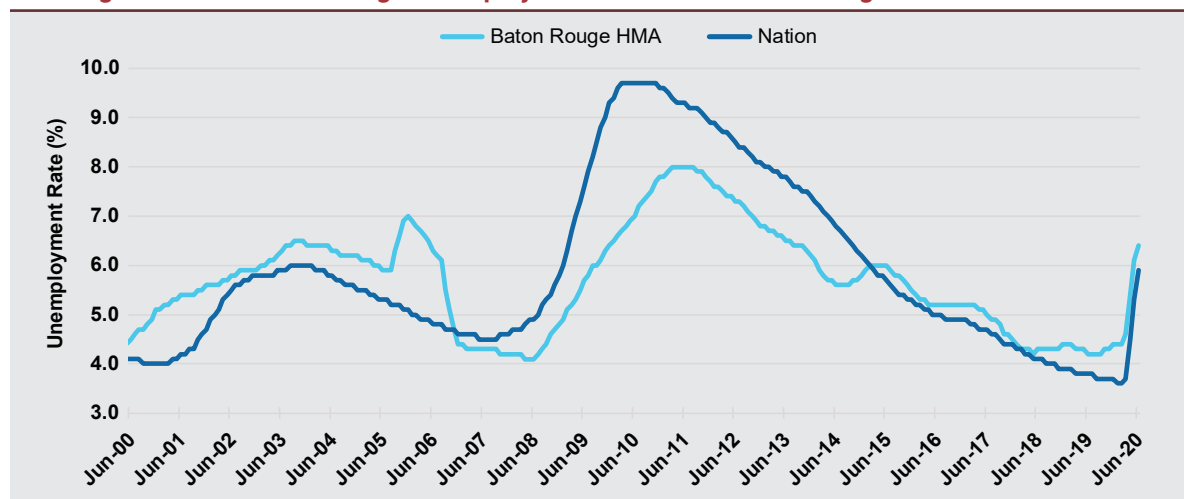
Source: U.S. Bureau of Labor Statistics

of the total decline during this time. The leisure and hospitality sector lost 21,100 jobs, or 48.6 percent, which represented 39 percent of the total job loss in the HMA. The mining, logging, and construction sector fell by 10,100 jobs, or 19.2 percent, partly due to industrial construction projects nearing completion during the period. In addition, the wholesale and retail trade sector lost 5,300 jobs, or 10.0 percent; 81 percent of the jobs lost were in the retail trade subsector, which fell by 4,300 jobs, or 10.9 percent. As the HMA entered into the reopening phases from April through June, nonfarm payrolls increased by 11,000 jobs, which represents a 20.1-percent recovery of the jobs lost while the economy was operating during the stay-at-home order. Two service-providing sectors accounted for 93 percent of the nonfarm payroll gains during May and June. The leisure and hospitality sector increased by 6,400 jobs while the wholesale and retail trade sector added 3,800 jobs—all the increase in the wholesale and retail trade sector was in the retail trade subsector.

Current Conditions— Unemployment

The unemployment rate averaged 6.4 percent during the 12 months ending June 2020, up from the average rate of 4.2 percent a year earlier (Figure 2). The unemployment rate in the HMA rose as resident employment fell 3.4 percent and the number of unemployed residents rose 50.4 percent. By comparison, the national unemployment rate increased from an average rate of 3.8 percent during the 12 months ending June 2019 to 5.9 percent during the 12 months ending June 2020.

Figure 2. 12-Month Average Unemployment Rate in the Baton Rouge HMA and the Nation



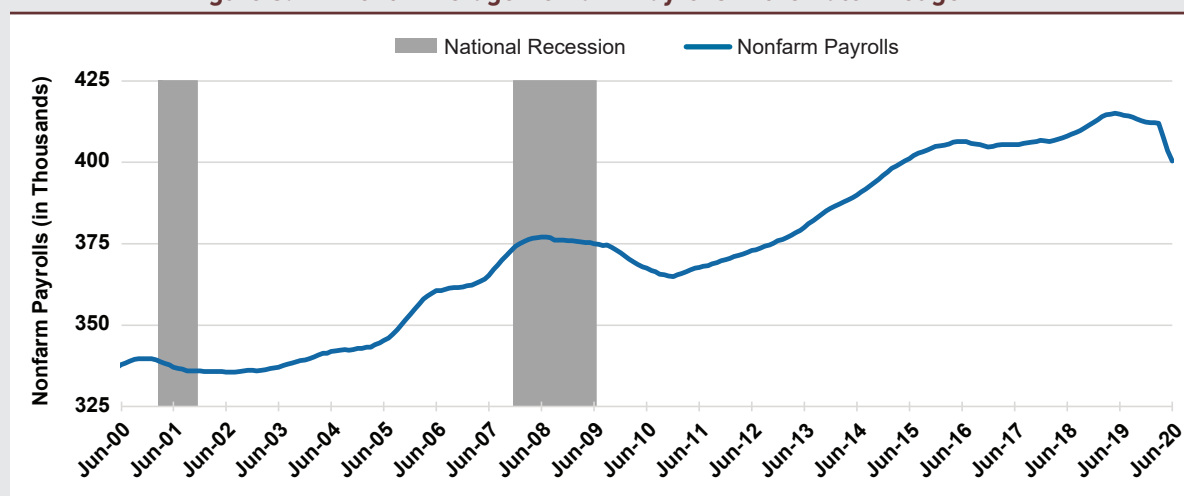
Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

2001 Through 2008

Following the decline in nonfarm payrolls in 2001—a result of the national recession—the economy in the HMA began to expand as the service-providing sectors grew each year from 2002 through 2008. Nonfarm payrolls in the HMA increased from 2001 through 2004 by an average of 800 jobs, or 0.2 percent, annually (Figure 3). Growth was slow during this period as the goods-producing sectors lost jobs due to the volatile and high cost of natural gas, which raised the price of the petrochemical goods produced in the HMA.

Figure 3. 12-Month Average Nonfarm Payrolls in the Baton Rouge HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

Nonfarm payrolls in the HMA expanded by an average 8,300 jobs, or 2.3 percent, annually from 2005 through 2008, to 376,000 jobs; that expansion happened as demand for goods and services increased while people relocated from New Orleans to the HMA following Hurricane Katrina, which made landfall in August 2005. Nearly 27 percent of net job growth in the HMA during the period was in the professional and business services sector, which expanded by an average 2,200 jobs, or 5.5 percent, annually. The mining, logging, and construction sector grew by an average 1,800 jobs, or 4.9 percent, annually during this period, with many of the jobs added related to new home construction.

2009 Through 2010

Beginning in 2009, the national recession—which began in late 2007—affected the economy in the HMA; nonfarm payrolls fell by an average 5,500 jobs, or 1.5 percent, annually to 365,000 jobs in 2010. The decline was widespread across most employment sectors, although the professional and business services sector accounted for nearly 42 percent of all jobs lost during this period; that sector fell by an average of 2,300 jobs, or 5.0 percent, annually. The education and health services sector, which increased annually by an average 1,700, or 3.7 percent, was the only sector to add jobs during this period.

2011 Through 2015

As the HMA recovered from the economic slowdown and natural gas prices became more stable and cheaper, the local economy expanded and nonfarm payrolls increased by an average of 8,000 jobs, or 2.1 percent, annually, from 2011 through 2015. Beginning in 2011, job growth was strongest in the mining, logging, and construction sector, which increased by an average of 2,500 jobs, or 5.6 percent, annually as the number of construction jobs rose. Construction jobs increased in part because of expansions of large-scale facilities in the petrochemical industry. During the period, Methanex Corporation relocated two manufacturing facilities from Chile to the HMA, which began producing methanol in 2015. Dow Inc. invested nearly \$2 billion to build two facilities, one for producing next-generation synthetic rubber and one for producing high-performance polyethylene.

The project retained 1,380 existing workers who were employed directly by Dow Inc. and created 1,200 construction jobs. CF Industries Holdings, Inc., invested \$2.1 billion to expand their facilities in the HMA. Honeywell International Inc. completed construction of a \$300 million chemical and refrigerant gas facility, which created 55 permanent jobs. The HMA also benefited from several other construction projects that commenced during the period, including the \$200 million Our Lady of the Lake Children's Hospital and the Baton Rouge Water Campus. The Baton Rouge Water Campus facility, located between the LSU campus and downtown Baton Rouge, is dedicated to coastal, deltaic, river, and water resource systems research. The professional and business services and leisure and hospitality sectors were the second and third fastest growing sectors, respectively, in the HMA from 2011 through 2015. Payrolls in these sectors increased annually by averages of 1,500 and 1,200 jobs, or 3.3 and 3.4 percent, respectively. Job growth during this period in the leisure and hospitality sector was partly due to the opening of the 206-room L'Auberge Casino & Hotel Baton Rouge in late 2012.

2016 Through 2018

Following 5 years of consecutive job growth in the Baton Rouge HMA, nonfarm payrolls declined by 200 jobs during 2016 because of the catastrophic flood of 2016, which occurred in August of that year. A prolonged rainstorm caused flash flooding in the HMA and the flooding of the Amite River Basin. It is estimated that more than 90,000 homes were flooded and more than 11,000 businesses were disrupted by the flood in the HMA (Louisiana Economic Development, "The Economic Impact of the August 2016 Floods on the State of Louisiana"). President Obama declared a major disaster for Louisiana in August 2016, which made federal funding available to affected individuals in the East Baton Rouge, Livingston, and St. Helena parishes and contributed to the subsequent economic recovery in the HMA. As the HMA recovered from the flood, nonfarm payrolls grew by an average 3,800 jobs, or nearly 1.0 percent, annually, from 2017 through 2018. Largely because of rebuilding efforts during this period, more than one-half of the job growth occurred in the mining, logging, and construction sector.

2019

Job growth slowed significantly in 2019 as several large-scale construction projects reached completion. During 2019, nonfarm payrolls totaled 412,400, a slight increase of 200 jobs from 2018, when nonfarm payrolls increased by 5,500 jobs or 1.4 percent. During 2019, the majority of growth in the service-providing sectors was in the government and the professional and business services sectors, which increased by 1,600 and 1,500 jobs, or 2.2 and 3.1 percent,

respectively; a year earlier, those two sectors increased by 400 and 1,100 jobs, or 0.5 and 2.4 percent, respectively. Growth in the service-providing sectors and the manufacturing sector marginally offset the decline in jobs from the mining, logging, and construction sector; that sector fell by 4,800 jobs, or 8.6 percent, during 2019, compared with the gain of 3,100 jobs, or 5.9 percent, a year earlier.

Employment Forecast

During the forecast period, nonfarm payrolls are expected to increase by an average of 1.3 percent a year. Job growth is anticipated to accelerate during the first year as the economy recovers jobs lost from the current downturn. Nonfarm sectors that are expected to regain the most jobs during the first year will be the wholesale and retail trade and the leisure and hospitality sectors. Several infrastructure projects are expected to commence in the HMA during the forecast period and add jobs to the mining, logging, and construction sector. The \$450 million Comite River Diversion Canal project and the

\$255 million East Baton Rouge Flood Risk Reduction Project are expected to begin in 2021. A large portion of the Comite River Diversion Canal project will be funded by monies awarded to the state to help control flooding. During this time, smaller road and related infrastructure projects, such as the \$400,000 MOVEBR 72nd Avenue Sidewalks Phase I project, are also expected to move forward. The goods-producing sectors are expected to have significant growth by the third year of the forecast period as global demand for petrochemical products is expected to increase.

Population and Households

Current Population: 834,600

Since 2016, the population in the HMA has declined by an average of 290 annually, as net out-migration has more than offset population growth from net natural change.

Population Trends

As of July 1, 2020, the estimated population of the Baton Rouge HMA is 834,600, representing an average increase of 3,125, or 0.4 percent, annually since April 2010 (Table 4). That population growth rate is notably slower than the average population increase of 9,650, or 1.3 percent, annually from 2000 to 2010, which was boosted by in-migration because of Hurricane Katrina in 2005. The population of the HMA grew by an average 6,200, or 0.9 percent, from 2001 to 2005, when net in-migration averaged 1,700 people annually (Figure 4). Following Hurricane Katrina, however, many people from the New Orleans metropolitan area fled to the HMA, leading to a net in-migration of 32,000 people from 2005 to 2006 and a peak population increase of 36,450 people, or 5.0 percent. From 2006 to 2010, the population of the HMA grew by an average of 8,100, or 1.0 percent, annually. Economic growth contributed

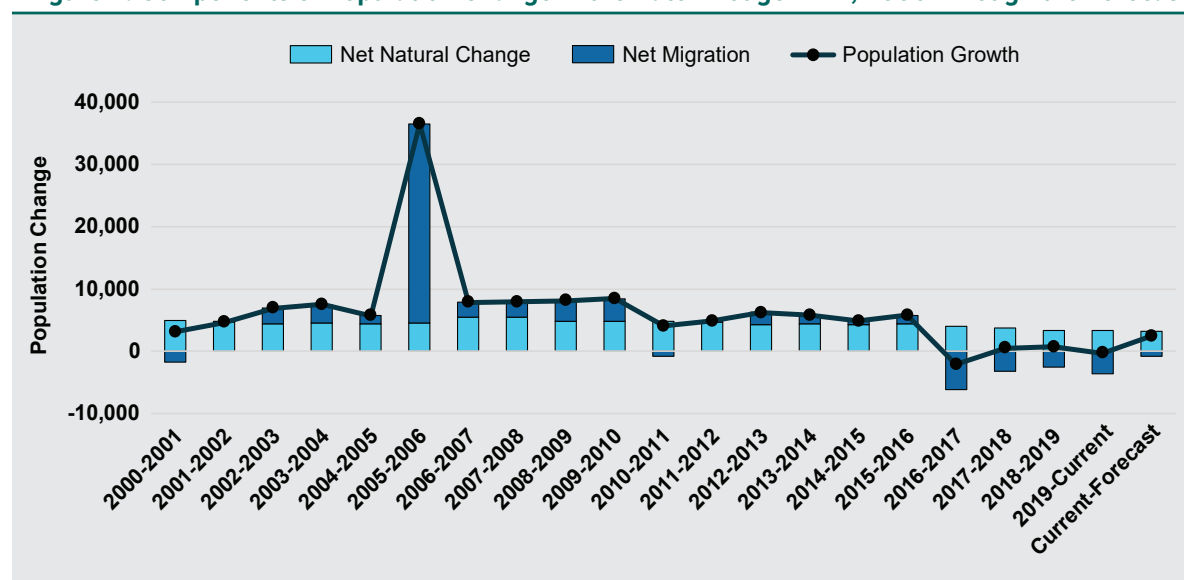
Table 4. Baton Rouge HMA Population and Household Quick Facts

Population Quick Facts	2010	Current	Forecast	
	Population	802,484	834,600	842,000
	Average Annual Change	9,650	3,125	2,475
	Percentage Change	1.3	0.4	0.3
Household Quick Facts	2010	Current	Forecast	
	Households	300,022	319,500	322,800
	Average Annual Change	4,350	1,900	1,100
	Percentage Change	1.6	0.6	0.3

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (July 1, 2020) to July 1, 2023.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 4. Components of Population Change in the Baton Rouge HMA, 2000 Through the Forecast



Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (July 1, 2020) to July 1, 2023.

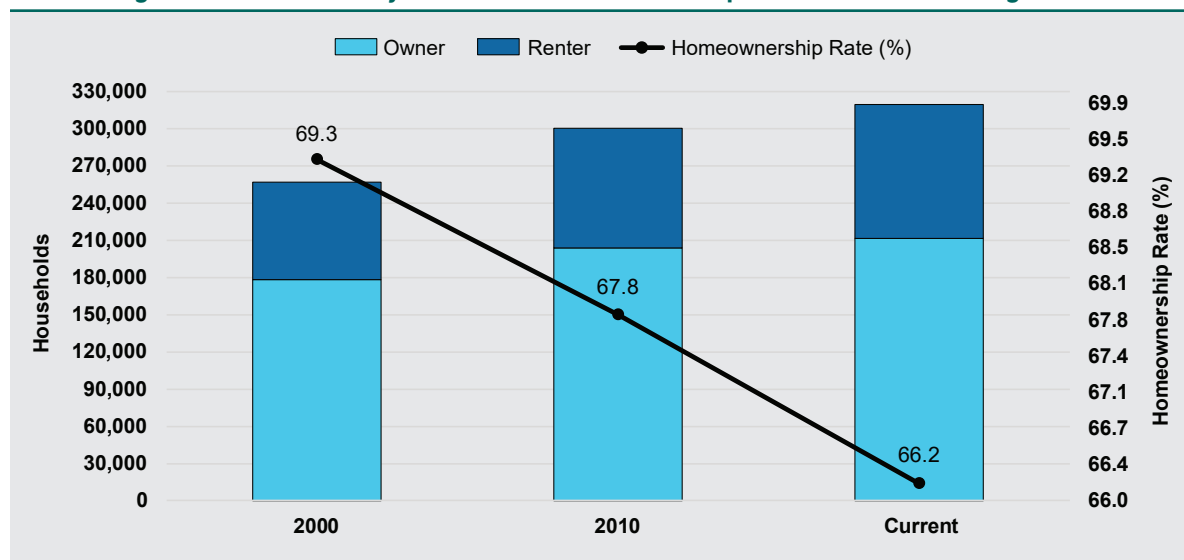
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

to net in-migration during much of the period, while many people who were displaced from their homes because of Hurricane Katrina continued to move to the HMA. Weak economic conditions in the HMA contributed to average net out-migration of 300 people a year from 2010 to 2012, and the rate of population growth declined to an average of 4,425 people, or 0.5 percent, annually. As job growth increased, however, the population grew by an average of 5,650, or 0.7 percent, annually from 2012 to 2016, and net in-migration averaged 1,300 people a year during the period. Partly because of the flood of 2016 and the slowdown in industrial construction, the population in the Baton Rouge HMA fell by 2,150, or 0.3 percent, with out-migration of 6,125 from 2016 to 2017. The population of the HMA has risen only slightly since 2017, increasing by an average 320, or less than 1 percent, annually; all the growth was due to average net natural change of 3,450 people annually.

Household Trends and Tenure

As of July 1, 2020, an estimated 319,500 households reside in the HMA, reflecting an average annual increase of 1,900 households, or 0.6 percent, since 2010. By comparison, the number of households increased by an average of 4,350, or 1.6 percent, a year from 2000 to 2010. Currently, an estimated 66.2 percent of households, or 211,400, are homeowners (Figure 5). The homeownership rate in the HMA

Figure 5. Households by Tenure and Homeownership Rate in the Baton Rouge HMA



Note: The current date is July 1, 2020.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

has declined during much of the period since 2000, with a slightly more pronounced decline since 2010, when the homeownership rate was 67.8 percent. The recent decline is due to a greater preference to rent, partly stemming from the increase in the number of temporary industrial construction workers who were living in the HMA from 2012 through 2015.

Forecast

Population growth in the Baton Rouge HMA is expected to remain relatively modest during the forecast period; the population is expected to reach 842,000 by July 1, 2023, reflecting average annual growth of 2,475, or 0.3 percent. That growth rate is lower than the estimated 2010-to-current rate of 3,125, or 0.4 percent, annually, because only moderate economic growth is expected during the forecast period. All the population growth will be due to net natural change, with net out-migration expected during the first 2 years as several industrial construction projects conclude. Net in-migration is expected to occur during the third year of the period, however, when industrial construction is expected to increase. Household growth is expected to average 1,100, or 0.3 percent, annually, reaching 322,800 households in the HMA by the end of the forecast period.

Home Sales Market

Market Conditions: Balanced

Home sales and prices increased during the 12 months ending June 2020.

Current Conditions

The home sales market in the HMA is currently balanced, with home sales and prices increasing moderately since 2017. The sales vacancy rate in the HMA is currently estimated at 1.6 percent (Table 5). That rate is down from 1.8 percent in 2010, when the market was slightly soft because of the housing market downturn and the corresponding period of job losses in the HMA in the late 2000s. The inventory of available homes for sale was 3.9 months in June 2020—down from 4.0 months in June 2019 and well below the peak of 8.7 months in 2011 (CoreLogic, Inc.). During the 12 months ending June 2020, total home sales, which includes new and existing homes, increased 3 percent, to 12,650 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). During the same period, the average home sales price, which includes new and existing homes, increased 1 percent, to \$230,400.

New Home Sales

New home sales in the HMA peaked at 2,500 during 2006 as in-migration by people displaced by Hurricane Katrina drove strong sales demand. The number of new home sales subsequently

declined, however, each of the next 4 years, to 660 homes in 2010 as demand for new homes fell (Figure 6). As economic conditions improved in the HMA, new home sales increased by an average of 280 homes, or 26 percent, annually, to 2,050 homes in 2015; the number of sales declined to 1,900 in

Table 5. Home Sales Quick Facts in the Baton Rouge HMA

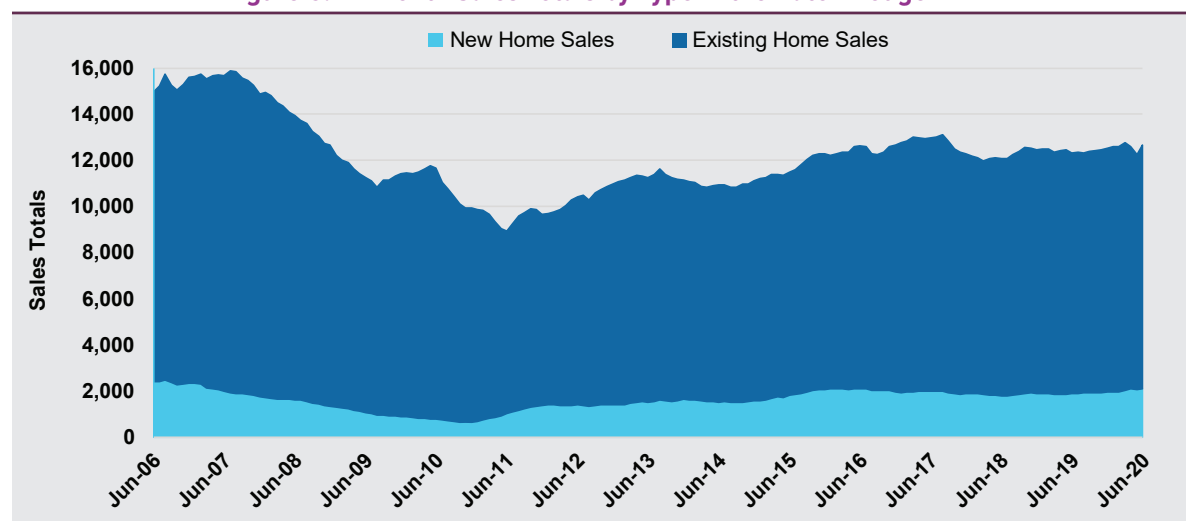
	Baton Rouge HMA	Nation
Vacancy Rate	1.6%	NA
Months of Inventory	3.9	2.6
Total Home Sales	12,650	5,514,000
1-Year Change	3%	-3%
New Home Sales Price	\$283,200	\$407,700
1-Year Change	2%	-1%
Existing Home Sales Price	\$219,800	\$315,000
1-Year Change	1%	3%
Mortgage Delinquency Rate	4.9%	3.6%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending June 2020; and months of inventory and mortgage delinquency data are as of June 2020. The current date is July 1, 2020.

Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Figure 6. 12-Month Sales Totals by Type in the Baton Rouge HMA

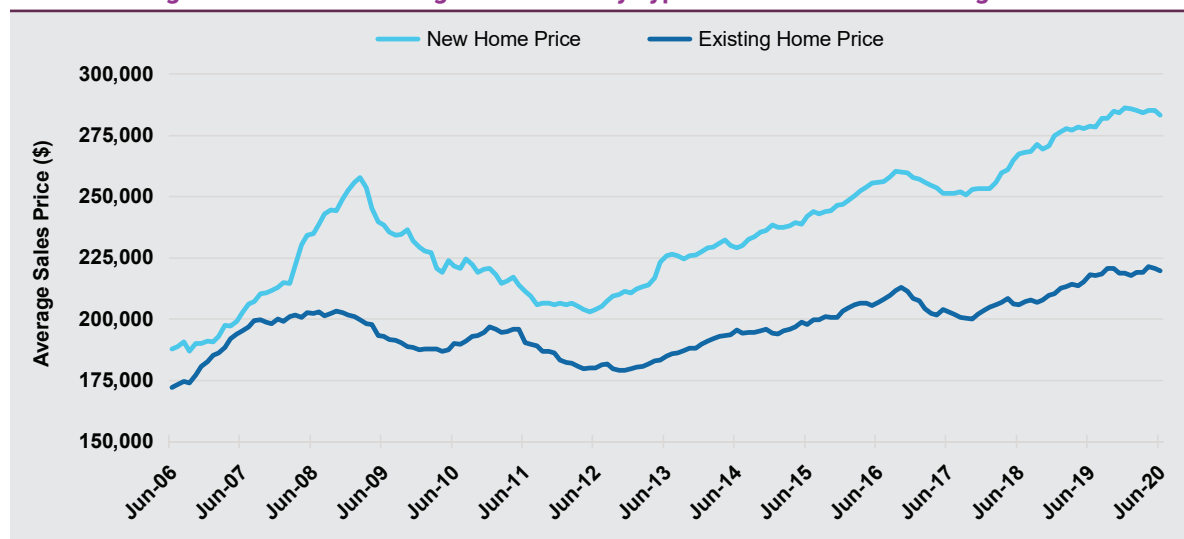


Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

2017, partly because of the effect of the flooding in the latter half of 2016 (detailed earlier). As economic conditions expanded, new home sales increased by an average of 25 homes, or 1 percent, annually from 2018 through 2019. Approximately 2,100 new homes sold in the HMA during the 12 months ending June 2020, up nearly 12 percent from the number of homes sold during the previous 12 months as interest rates declined, making homeownership more affordable.

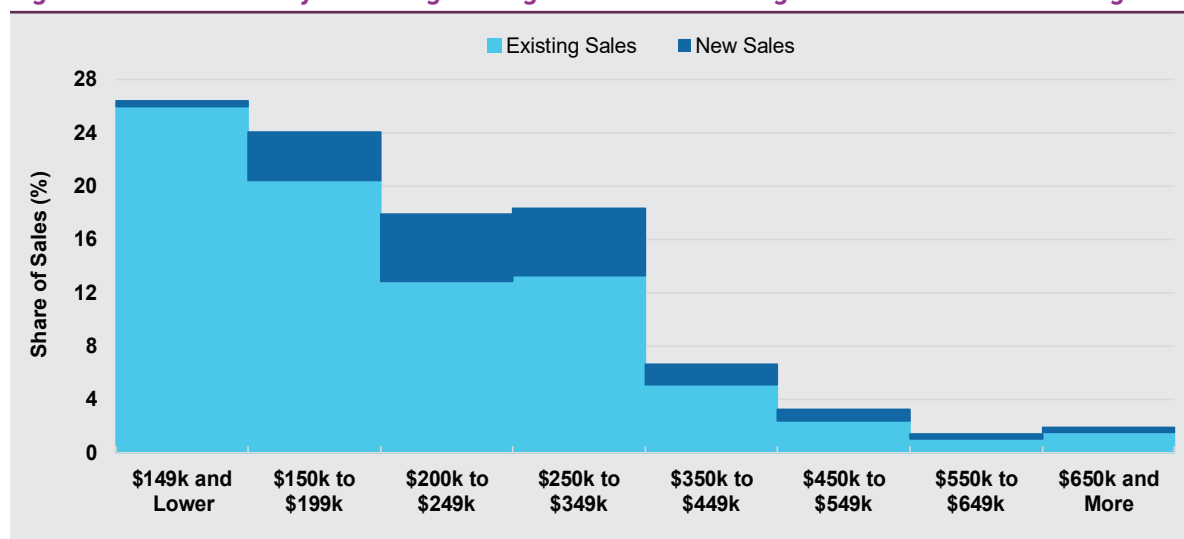
New home prices rose from 2006 through 2008 by an average of \$20,700, or 10 percent, annually, to \$252,700, as demand for homes increased because people relocated to the HMA from the New Orleans metropolitan area following Hurricane Katrina (Figure 7). After reaching a peak at \$257,700 in early 2009, the average new home price in the HMA trended downward, to \$210,800, in 2012. During the next 4 years, new home prices increased by an average of 5 percent, annually, to \$257,900 in 2016 due to the economic expansion from 2011 through 2015 in the HMA. The average new home sales price moderated in 2017 before rising by an average of \$16,550, or 6 percent, annually, to \$286,400 from 2018 through 2019; during the latter period, demand in the HMA for homes priced more than \$250,000 increased (Figure 8). During the 12 months ending June 2020, the average new home sales price was \$283,200, or nearly 2 percent above the average price during the previous 12 months.

Figure 7. 12-Month Average Sales Price by Type of Sale in the Baton Rouge HMA



Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Figure 8. Share of Sales by Price Range During the 12 Months Ending June 2020 in the Baton Rouge HMA



Note: New and existing sales include single-family homes, townhomes, and condominium units.

Source: Metrostudy, A Hanley Wood Company

Existing Home Sales

Existing home sales, which includes regular resale and real estate owned (REO) home sales, increased by an average of 11,950 homes annually from 2005 through 2006 as people relocated to the Baton Rouge HMA following Hurricane Katrina. Existing home sales peaked at 13,950 homes during 2007 before trending downward for 4 years, to 8,275 existing homes sold in 2011. As economic conditions strengthened through 2015, existing home sales increased to 10,700 in 2016 before falling by 320 homes, or 3 percent, in 2017. Existing home sales increased by an average of 110 homes, or 1 percent, annually, from 2018 through 2019, as the manufacturing and service-providing sectors of the local economy expanded. Approximately 10,550 existing homes sold in the HMA during the 12 months ending June 2020, up 1 percent from the number of homes sold during the previous 12 months.

Existing home prices increased from 2006 through 2008 by an average of \$13,600, or 8 percent, annually to \$201,500, as demand for existing homes in the HMA increased. Due to the decline in economic conditions in the HMA from 2009 through 2010, existing home sales prices declined in 3 of the next 4 years, to a low of \$179,800 in 2012. As economic conditions in the HMA improved through 2015, existing homes sales prices rose to \$208,600 in 2016 before falling by \$4,925, or 2 percent, in 2017. The existing home sales price increased by an average of \$7,525, or 4 percent, annually from 2018 through 2019, as manufacturing and service-providing sectors of the economy expanded. During the 12 months ending June 2020, the average existing home sales price was \$219,800, up 1 percent from a year earlier.

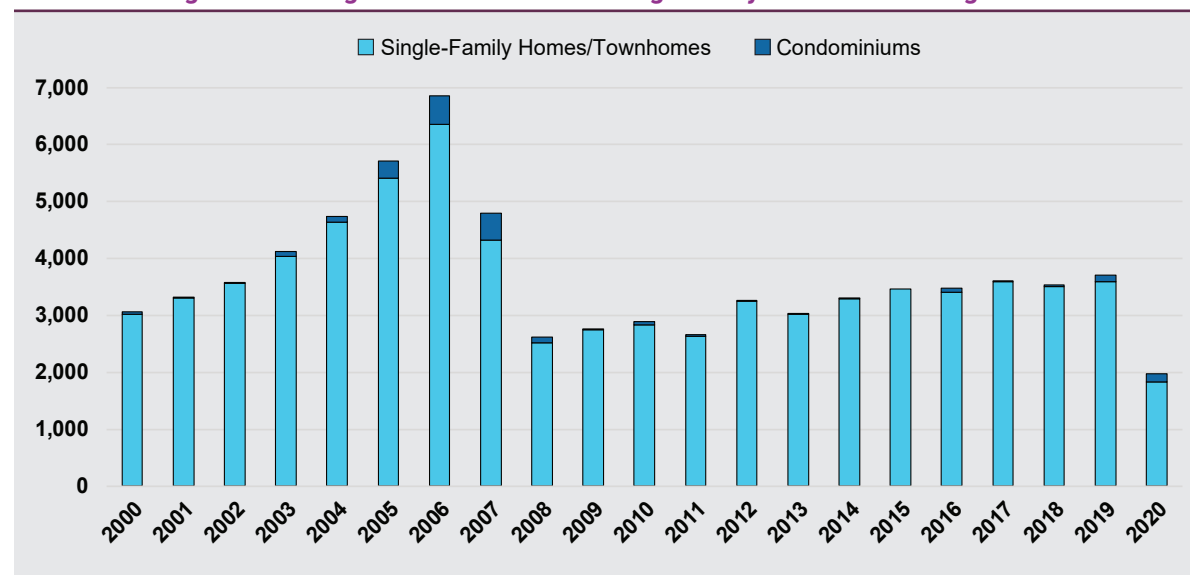
Seriously Delinquent Mortgages and REO Properties

With the exception of a spike at the end of 2016, the percentage of home loans in the HMA that were seriously delinquent or had transitioned into REO status generally fell during the 2010s. Recently, delinquency has increased partly

because of an increase in unemployment in the HMA. In June 2020, 4.9 percent of home loans in the HMA were seriously delinquent or had transitioned into REO status, up from 2.6 percent a year earlier and 1.5 percentage points below the peak rate of 6.4 percent in January 2010 (CoreLogic, Inc.). By comparison, the national percentage of seriously delinquent mortgages and REO properties was 3.6 percent, up from 1.5 percent a year earlier and significantly below the peak rate of 8.6 percent in January 2010. The rate of seriously delinquent mortgages and REO properties in the HMA has been above the national average since August 2014.

Sales Construction Activity

New home construction, as measured by the number of single-family homes, townhomes, and condominiums permitted, has increased modestly from the very low levels following the housing crisis; however, the level of construction is below the pre-Hurricane Katrina average of 3,775 homes permitted from 2000 through 2004 (Figure 9). From 2005 through 2006, in response to the sharp population increase in the HMA associated with Hurricane Katrina, homebuilding averaged 6,275 homes permitted annually. As demand for new homes in the HMA began to slow, however, the average number of homes permitted declined to 3,700 homes from 2007 through 2008. Homebuilding slowed further, to an average of only 2,775 homes permitted from 2009 through 2011, as foreclosures increased in the HMA. From 2012 through 2016, economic conditions improved and demand for homes slowly increased. Home construction was generally steady during the period, and an average of 3,300 homes were permitted annually. Following the flood of 2016, construction fluctuated but generally continued to rise. From 2017 through 2019, an average of 3,600 homes were permitted each year as the HMA recovered from the flood and the number of jobs continued to grow. During the 12 months ending June 2020, approximately 3,700 homes were permitted, up 2 percent from the 3,625 homes permitted during the 12 months ending June 2019 (preliminary data, with adjustments by the analyst).

Figure 9. Average Annual Sales Permitting Activity in the Baton Rouge HMA

Notes: Includes single-family homes, townhomes, and condominiums. Data for 2020 are through June 2020.

Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2019—final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

Table 6. Demand for New Sales Units in the Baton Rouge HMA During the Forecast Period

Sales Units	
Demand	5,700 Units
Under Construction	1,125 Units

Note: The forecast period is from July 1, 2020, to July 1, 2023.

Source: Estimates by the analyst

New Home Developments

Although new homes are being built throughout the HMA, most new subdivisions are in the cities of Baton Rouge, Denham Springs, Gonzales, and Zachary. The Straits at Copper Mill subdivision in the city of Zachary, built by Level Homes, has 53 homes planned at buildout; currently, 49 homes have been sold, 3 homes are under construction, and 1 lot is available for sale. Homes are currently priced between \$309,900 and \$399,700. Construction at the Hunter's Trace subdivision, built by DSLD Homes, in the city of Baton Rouge, began in 2017 with 261 homes planned at buildout. To date, 198 homes have been completed, with 31 homes currently under construction and 32 lots currently for sale. New home prices in the subdivision currently range from \$237,000 and \$261,000 depending on square footage.

Forecast

During the next 3 years, demand is expected for an estimated 5,700 new homes in the HMA (Table 6). The 1,125 single-family homes currently under construction will satisfy a portion of the estimated demand during the forecast period. Demand is expected to rise each year of the forecast.

Rental Market

Market Conditions: Soft

New apartment units entering the market at higher rents have contributed to rent growth since 2007.

Current Conditions and Recent Trends

The overall rental market (which includes single-family rental homes, mobile homes, and apartments) in the Baton Rouge HMA is currently soft because of relatively high levels of new apartment construction since the mid-2010s and a recent decrease in demand associated with temporary workers leaving the area. The current estimated rental vacancy rate of 10.0 percent is up from 9.2 percent in April 2010, when conditions were also soft (Table 7).

Apartment market conditions in the HMA ranged from tight to balanced for much of the early and mid-2010s. Vacancy rates have risen significantly from a recent low of 3.8 percent in 2017 (Reis, Inc.), however, as a large number of new apartment units have recently come online; the apartment market is currently soft (Figure 10). Six apartment complexes, which include more than 1,050 units, are currently in lease up. The apartment vacancy rate in the HMA was 10.1 percent during the second quarter of 2020, up from 9.5 percent during the second quarter of 2019. A trend of rent growth

Table 7. Rental and Apartment Market Quick Facts in the Baton Rouge HMA

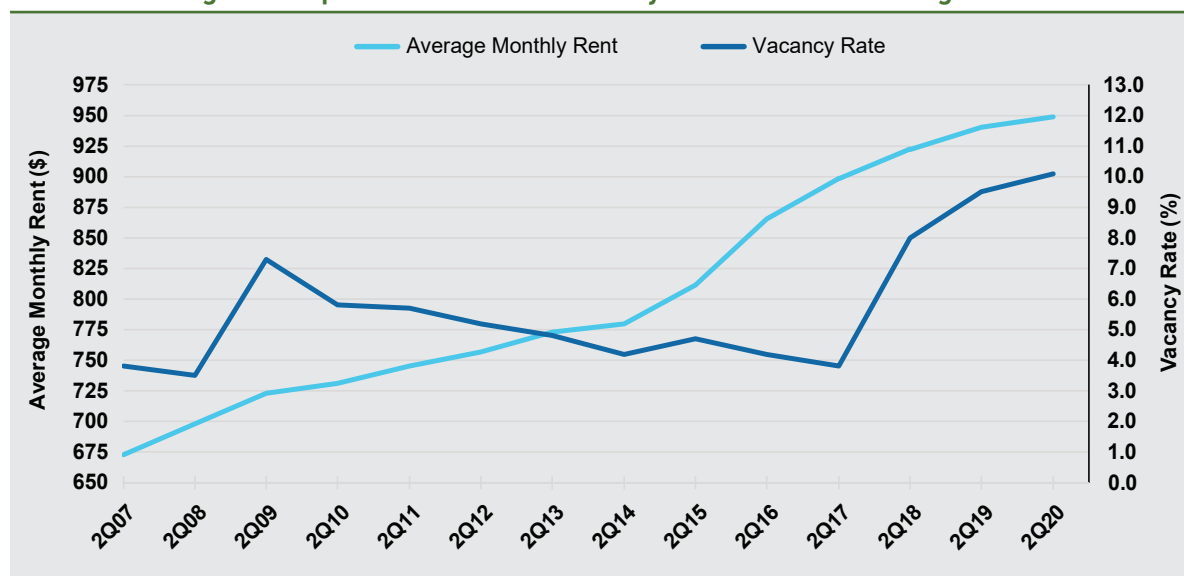
Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	9.2	10.0
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	33.9	36.5
	Multifamily (2–4 Units)	16.7	16.7
	Multifamily (5+ Units)	39.2	35.2
	Other (Including Mobile Homes)	10.2	11.7
Apartment Market Quick Facts		Current	YoY Change
	Apartment Vacancy Rate	10.1	0.6
	Average Rent	\$949	1.0

YoY = year-over-year.

Notes: The current date is July 1, 2020. Percentages may not add to 100 due to rounding.

Sources: 2010 and 2018 American Community Survey 1-year data; Reis, Inc.

Figure 10. Apartment Rents and Vacancy Rates in the Baton Rouge HMA



2Q = second quarter.

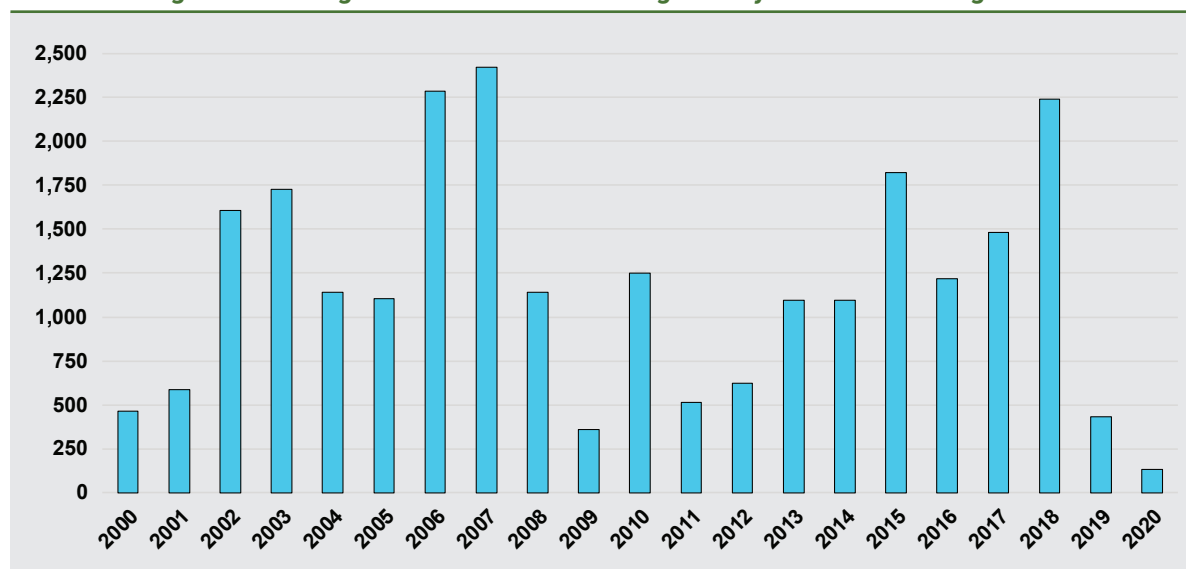
Source: Reis, Inc.

continued but moderated during the past year as the vacancy rate increased. The average apartment rent in the HMA increased by 1 percent, from \$940 during the second quarter of 2019 to \$949 during the second quarter of 2020. By comparison, from 2007 through 2017, apartment rent growth during the second quarter of each year averaged 3 percent.

Rental Construction Activity

In response to softening market conditions, builders significantly decreased the number of rental units permitted during the past year. Rental construction activity in the Baton Rouge HMA, as measured by the number of rental units permitted, totaled 350 units during the 12 months ending June 2020, compared with 1,325 units permitted a year earlier (preliminary data, with adjustments by the analyst). Rental construction activity since 2000 has fluctuated, averaging 1,225 units permitted a year from 2001 through 2005 before increasing significantly in 2006; rental construction activity reached a peak of 2,425 units permitted by 2007, as builders responded to a sharp population increase following Hurricane Katrina (Figure 11). Construction declined by an average of 1,025 units, or 62 percent, annually from 2008 to 2009, reaching a low of 360 units permitted in 2009; that decline was partly in response to the number of units that needed to be absorbed. Construction then rose by 890 units, more than

Figure 11. Average Annual Rental Permitting Activity in the Baton Rouge HMA



Notes: Includes apartments and units intended for rental occupancy. Data for 2020 are through June 2020.

Sources: U.S. Census Bureau, Building Permits Survey; 2000–2019 final data and estimates by the analyst; 2020—preliminary data and estimates by the analyst

doubling, in 2010 as net in-migration increased, and then fell to 510 units in 2011, when there was net out-migration. The number of units permitted increased from 2012 through 2014 by an average of 190 units, or 29 percent, annually. Rising demand stemming from job growth and net in-migration—combined with an increase in preference to rent—contributed to the generally strong rental construction during this period, as permitting increased to 1,825 units in 2015. From 2016 through 2017, as economic conditions in the HMA slowed and then moderately improved, building activity fell to an average of 1,350 units permitted annually before rising to a peak of 2,250 units permitted in 2018. Rental construction activity fell to 430 units in 2019 in response to rising vacancy rates, continued out-migration, and substantially slowed job growth.

New Apartment Developments

The majority of recent apartment construction has been in the city of Baton Rouge, although notable developments are also being built in the cities of Zachary, Denham Springs, and Gonzales. Recent

apartment construction activity includes the 272-unit Sawgrass Point, in the city of Gonzales, in the southern part of the HMA. The development, completed in mid-2019, has units ranging in size from 729 to 1,371 square feet and rents ranging from \$1,040 to \$1,095 for one-bedroom units, \$1,270 to \$1,550 for two-bedroom units, and \$1,670 to \$1,700 for three-bedroom units. The 204-unit Meadows at Nicholson is one of two affordable housing developments in the city of Baton Rouge that opened in 2019. The single-building property has units ranging in size from 891 to 1,188 square feet for two- and three-bedroom units. Rents range from \$890 to \$910 for the two-bedroom units and are \$950 for the three-bedroom units. The 126-unit Royal Palms apartment complex in the city of Baton Rouge is currently under construction. Upon completion in 2020, the development will offer one- and two-bedroom apartments for general occupancy. Monthly rents have not been announced.

Forecast

The rental market is expected to remain soft during the next 3 years because of an excess supply of apartment units in the development pipeline. All demand for rental units during the forecast period is expected to be satisfied by rental units currently in lease-up status and under construction in the HMA (Table 8).

Table 8. Demand for New Rental Units in the Baton Rouge HMA During the Forecast Period

Rental Units	
Demand	No Units
Under Construction	920 Units

Note: The forecast period is July 1, 2020, to July 1, 2023.
Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Forecast Period	7/1/2020–7/1/2023—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Change	Resident births minus resident deaths.

Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.

C. Additional Notes

1.	This analysis has been prepared for the assistance and guidance of 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.
2.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. 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 expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.



D. Photo/Map Credits

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