

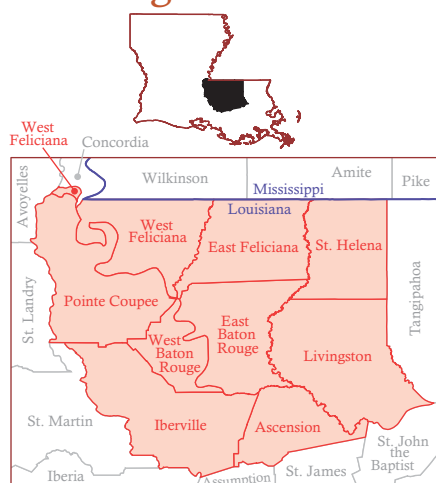


Baton Rouge, Louisiana

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of January 1, 2015

PD&R

Housing Market Area



The Baton Rouge Housing Market Area (HMA), in southeast Louisiana, is coterminous with the Baton Rouge, LA Metropolitan Statistical Area (MSA) and consists of nine parishes: Ascension, East Baton Rouge, East Feliciana, Iberville, Livingston, Pointe Coupee, St. Helena, West Baton Rouge, and West Feliciana. The city of Baton Rouge is the state capital and home to Louisiana State University (LSU). The HMA is home to the Port of Greater Baton Rouge, the farthest inland port for oceangoing ships in the nation.

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Summary

Economy

Economic conditions in the Baton Rouge HMA continued the recent trend of expansion with the fourth consecutive year of job growth. During 2014, nonfarm payrolls reached an alltime peak of 394,500 jobs after increasing by 9,600 jobs, or 2.5 percent, while the unemployment rate declined from 5.9 to 5.2 percent. More than 55 percent of the employment growth in the HMA was construction related as a result of capital expansions in the petrochemical industry. During the next 3 years, nonfarm payrolls in the HMA are expected to increase 2.1 percent annually. Table DP-1 at the end of this report provides additional employment data.

Sales Market

The sales housing market in the HMA is currently balanced, with an estimated 1.5-percent vacancy rate, which is down from 1.8 percent in April 2010. Demand is forecast for 10,150 new homes during the next 3 years (Table 1). The 990 homes currently under construction and a portion of the estimated 15,600 other vacant housing units that will likely

reenter the sales market are expected to satisfy some of the demand during the forecast period.

Rental Market

Rental housing market conditions in the HMA are currently balanced. As of January 1, 2015, the rental vacancy rate was estimated at 6.7 percent, which is a marked improvement from the 9.2-percent rate during April 2010. During the forecast period, demand is estimated for 4,650 new market-rate rental units (Table 1). The 1,600 units currently under construction will satisfy a portion of the demand.

Table 1. Housing Demand in the Baton Rouge HMA During the Forecast Period

	Baton Rouge HMA	
	Sales Units	Rental Units
Total demand	10,150	4,650
Under construction	990	1,600

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2015. A portion of the estimated 15,600 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is January 1, 2015, to January 1, 2018.

Source: Estimates by analyst

Economic Conditions

The economy of the Baton Rouge HMA continued to expand during 2014, with nonfarm payrolls increasing by 9,600 jobs, or 2.5 percent, to 394,500, which is an alltime peak. This increase continues the trend of expanding employment that began in 2011. During the past 4 years, the HMA added an average of 7,575 nonfarm payroll jobs a year, an increase of 2.0 percent annually. More than 55 percent of the increased employment is related to the expanding local petrochemical facilities. The unemployment rate has declined during the past year to 5.2 percent, which is down from 5.9 percent 1 year earlier and 7.4 percent during 2010. Figure 1 shows the trends in the labor force, resident employment, and the unemployment rate in the HMA from 2000 through 2014.

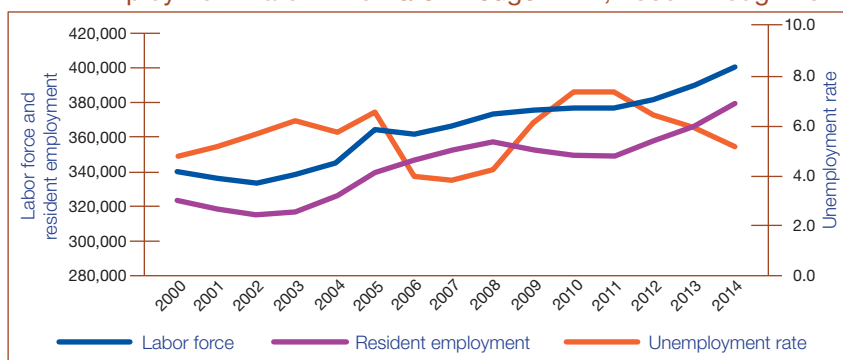
This recent economic expansion, which resulted in part from cheap abundant natural gas that is used as an energy source and a raw material input for the petrochemical industries, is a turnaround from the early 2000s in the HMA. From 2000 through 2004, nonfarm payrolls increased by an average of only 775 jobs, or 0.2 percent, annually. During this time, the price of natural gas increased from about \$2 per million British thermal units (MBTUs) to slightly more than \$6 MBTUs, and the high price of natural gas limited

production at the petrochemical facilities, which tempered overall growth in the HMA.

When Hurricane Katrina made landfall in August 2005, many displaced people relocated to the Baton Rouge HMA from the New Orleans area. The HMA was in the Gulf Opportunity Zone, an area specified in a change to tax law passed by Congress in 2005 in response to the damage from Hurricane Katrina to provide incentives for new construction to replace damaged property. After the passage of this bill, multifamily residential and other commercial construction projects increased, boosting employment in the mining, logging, and construction sector by an average of 1,825 jobs, or 4.9 percent, annually from 2005 through 2008. Nonfarm payrolls from the end of 2004 through 2008 increased by an average of 8,150 jobs, or 2.3 percent, annually when many new businesses formed and existing businesses expanded to meet the new demand created by the influx of new residents. The professional and business services and the education and health services sectors also recorded strong growth during these years when the increased population created increased demand for services. The professional and business services and the education and health services sectors increased, respectively, by an average of 2,225 and 1,700 jobs, or 5.5 and 4.1 percent annually.

Beginning in 2009, in conjunction with the national recession that began at the end of 2007, the HMA began losing jobs. During 2009 and 2010, nonfarm payrolls declined by an average of 5,650 jobs, or 1.5 percent, annually, and most sectors lost jobs. The only sector without job losses during

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Baton Rouge HMA, 2000 Through 2014



Source: U.S. Bureau of Labor Statistics

the downturn was the education and health services sector, which increased by an average of 1,700 jobs, or 3.7 percent, annually, continuing its trend of growth that began during 2002 that was caused, in part, by an aging population. The economy started to expand once again during 2011 as a result of greater trade throughout the country, which increased traffic passing through the local port, and a decline in the price of natural gas, which helped the industrial base of the HMA to expand.

The HMA is bisected by the Mississippi River, one of the most vital trade routes in the nation. The river's watershed reaches 31 states, which contributes to trade throughout the HMA. The port of Baton Rouge is the tenth largest port in the United States in terms of cargo volume, with nearly 60 million tons of cargo passing through the port during 2012 (latest data available; American Association of Port Authorities). Exports from the Baton Rouge MSA totaled \$14.6 billion during 2013 (*Export Nation 2013*, a joint project of the Brookings Institution and JPMorgan Chase & Co.). During 2012, approximately 31 percent of output in the Baton Rouge MSA was for export, the largest percentage of any of the 100 largest MSAs and up from 13 percent in 2003, when the HMA was the 11th most export-intensive MSA in the nation. During 2012, the largest exporting industry was basic chemicals, which constituted approximately 32 percent of all exports, or \$4.7 billion, followed by petroleum and coal products and resins and synthetic rubbers, with approximately \$4.10 billion and \$2.38 billion, respectively. The increased exports from the HMA have helped to increase employment in the transportation and utilities sector. During 2014, transportation and utilities was the

second strongest growth sector in percentage terms, increasing 3.1 percent, or by 400 jobs, the fifth consecutive year of growth in this sector; from the end of 2009 through 2013, this sector increased by an average of 230 jobs, or 1.9 percent, annually. The increased exports from the HMA have led to an increase in manufacturing workers. The manufacturing sector increased by 700 jobs, or 2.6 percent, to 28,000 jobs during 2014, the fourth consecutive year of expansion in this sector. Readily available cheap natural gas that is being produced domestically has lowered manufacturing costs and allowed the local petrochemical firms to increase their international market share, which has increased demand for workers in the manufacturing sector. From the end of 2010 through 2013, manufacturing employment increased by an average of 800 jobs, or 3.1 percent, annually. The local petrochemical firms directly employ more than 12,000 people in the HMA.

As the petrochemical firms in the HMA have increased production recently, numerous construction projects to increase capacity at the plants have begun or are in the planning phase. For example, Honeywell just completed a \$33 million expansion of a chemical and refrigerant gases manufacturing facility in the HMA and has announced three additional projects with a capital investment of more than \$82 million. The Dow Chemical Company is undertaking a \$1.1 billion investment to build two new polyethylene plants. In addition, CF Industries Holdings, Inc., is expanding its nitrogen facilities in the HMA with a \$2.1 billion investment. These projects and many others contributed to employment growth in the mining, logging, and construction sector, which increased by 5,400 jobs,

or 11.7 percent (Table 2), leading employment growth in the HMA during 2014. The expansion in the number of mining, logging, and construction sector jobs accounted for more than 56 percent of all nonfarm payroll jobs added during 2014, and nearly all these jobs were in construction. From the end of 2010 through 2013, employment in the mining, logging, and construction sector increased by an average of 2,350 jobs, or 5.6 percent, annually. Turner Industries Group LLC, a heavy industrial construction firm, is the largest employer in the HMA, with 9,700

employees. In fact, 3 of the 10 largest employers in the HMA are in the mining, logging, and construction sector (Table 3).

Construction projects in the HMA are not limited to the petrochemical industry, however. Another project, the \$45 million Water Campus development, is scheduled to begin construction in early 2015 and will include three buildings on 33 acres between the LSU campus and downtown Baton Rouge. These buildings will initially house The Water Institute of the Gulf, Louisiana's Coastal Protection and Restoration Authority, and LSU River Modeling Center. The long-range plan is for this project to eventually provide more than 1.6 million square feet of space and contain residential and commercial buildings along with the research facilities. The Water Institute is to be the anchor project in the revitalization of the Nicholson Drive corridor, a 2-mile stretch of road that connects the LSU campus to the downtown area of the city of Baton Rouge.

Since 2000, the education and health services sector has added an average of 1,300 jobs annually, more than any other payroll sector in the HMA (Figure 2), and has expanded several medical facilities. Our Lady of the Lake Regional Medical Center finished construction of its \$120 million heart and vascular tower in December 2013. In August 2012, Woman's Hospital completed the building of its \$285 million hospital that took nearly 4 years to construct. The Baton Rouge General Medical Center is currently finishing a \$24 million expansion of its existing facility that will add 64 beds to the hospital. The city of Baton Rouge is in the preliminary planning stages of developing a medical corridor

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Baton Rouge HMA, by Sector

	12 Months Ending		Absolute Change	Percent Change
	December 2013	December 2014		
Total nonfarm payroll jobs	384,900	394,500	9,600	2.5
Goods-producing sectors	73,500	79,500	6,000	8.2
Mining, logging, & construction	46,200	51,600	5,400	11.7
Manufacturing	27,300	28,000	700	2.6
Service-providing sectors	311,400	315,000	3,600	1.2
Wholesale & retail trade	55,100	54,900	-200	-0.4
Transportation & utilities	12,700	13,100	400	3.1
Information	6,000	5,700	-300	-5.0
Financial activities	17,600	17,800	200	1.1
Professional & business services	44,900	46,000	1,100	2.4
Education & health services	51,900	53,300	1,400	2.7
Leisure & hospitality	36,800	37,600	800	2.2
Other services	13,900	14,000	100	0.7
Government	72,500	72,600	100	0.1

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through December 2013 and December 2014.

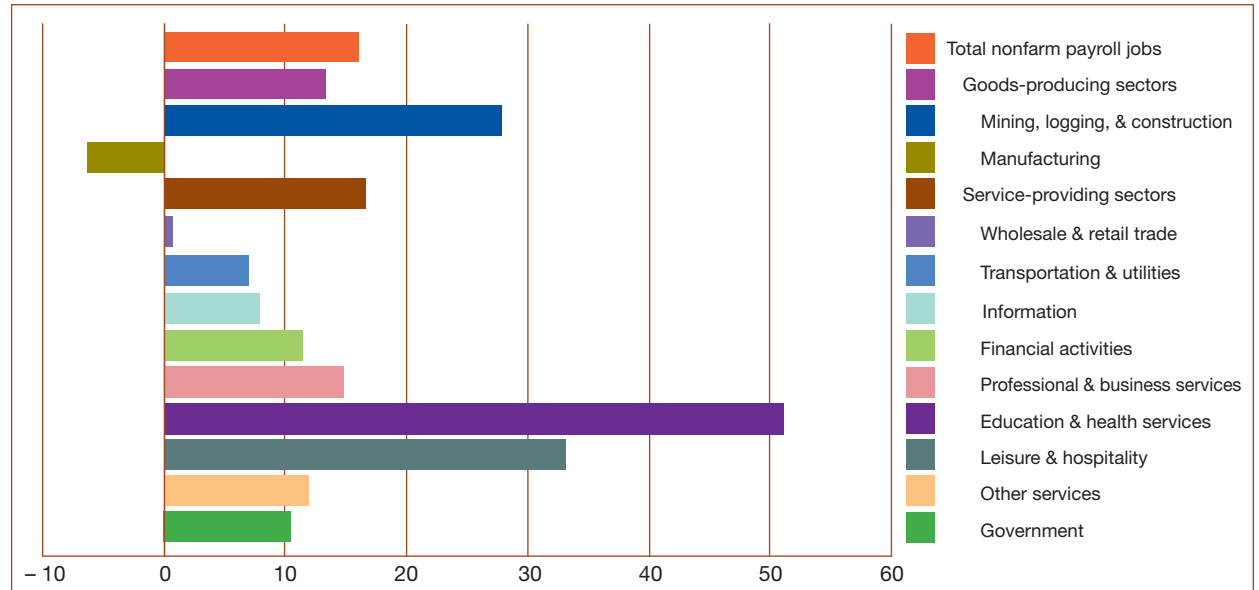
Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Baton Rouge HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Turner Industries Group LLC	Manufacturing	9,700
Louisiana State University	Government	6,150
ExxonMobil Corporation	Manufacturing	5,950
Performance Contractors, Inc.	Mining, logging, & construction	5,500
Chicago Bridge & Iron Company	Mining, logging, & construction	4,250
Our Lady of the Lake Regional Medical Center	Education & health services	4,100
Louisiana Department of Corrections	Government	3,250
Baton Rouge General Medical Center	Education & health services	3,000
McDonald's Corporation	Wholesale & retail trade	2,725
Cajun Industries, LLC	Mining, logging, & construction	2,700

Note: Excludes local school districts.

Source: Baton Rouge Area Chamber

Figure 2. Sector Growth in the Baton Rouge HMA, Percentage Change, 2000 to Current

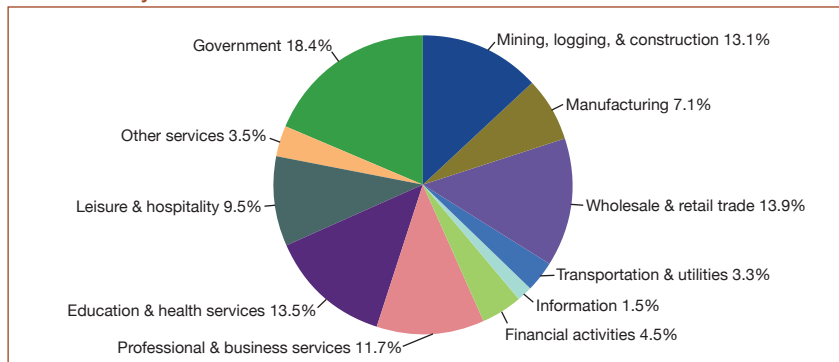
Note: Current is based on 12-month averages through December 2014.

Source: U.S. Bureau of Labor Statistics

in the area between Bluebonnet Boulevard and Essen Lane to the west of Interstate 10, where the previously completed projects are located. The development of the medical corridor should facilitate growth in the education and health services sector during the next several years.

LSU, the largest university in Louisiana, with an enrollment of 30,500, has a significant impact on the economy of the HMA. The university is the second largest employer in the HMA, with 6,150 employees. A 2013 study estimated that the university has an

economic impact of \$1.7 billion annually on the HMA (LSU Division of Economic Development at the E. J. Ourso College of Business). Numerous construction projects are occurring or were recently completed on the LSU campus. The LSU Athletic Department completed an \$80 million expansion of its football stadium, which increased seating capacity to more than 102,000. The university has also begun a \$100 million project for the renovation and expansion of Taylor Hall, which will house the College of Engineering when completed in the fall of 2016. LSU is also building a \$37 million, 330-bed residence hall that will be complete by the start of the 2015 school year.

Figure 3. Current Nonfarm Payroll Jobs in the Baton Rouge HMA, by Sector

Note: Based on 12-month averages through December 2014.

Source: U.S. Bureau of Labor Statistics

Given that the city of Baton Rouge is also the state capital of Louisiana, the government sector is the largest employment sector in the HMA, with 72,600 jobs, which accounts for 18.4 percent of all nonfarm payroll jobs in the HMA (Figure 3). The government sector increased slightly during 2014, adding only 100 jobs, or 0.1 percent. The state government subsector lost

1,200 jobs, or 3.2 percent, but local government employment increased by 1,400 jobs, or 4.4 percent, during 2014.

During the 3-year forecast period, the HMA economy is expected to continue expanding. Nonfarm payrolls are expected to increase an average of 2.1 percent annually. Job growth is expected to be strongest during the first year of the forecast period, with an estimated

2.5-percent increase as the large number of construction projects in the HMA will sustain payroll growth.

Although gains are expected in nearly every sector, job growth is projected to be greatest in the mining, logging, and construction sector. As all the construction projects at the petrochemical firms are completed, manufacturing employment is likely to increase to staff the expanded facilities.

Population and Households

The population of the Baton Rouge HMA was estimated to be 834,700 as of January 1, 2015, comprising nearly 18 percent of the state of Louisiana's total population. East Baton Rouge Parish, which accounts for nearly 54 percent of the HMA population, is the largest parish in Louisiana, with a population estimated at 448,300. The population of the HMA has increased by an average of 6,775, or 0.8 percent, annually since April 2010, with the strongest growth occurring during the past 18 months. From 2010 to 2013, the population of the HMA increased by an average of 5,450, or 0.7 percent, annually (Census Bureau decennial census counts and population estimates, as of July 1). Since 2013, population growth has been much stronger, increasing by an average of 9,675 people, or 1.2 percent, annually because strong job growth has led to significant increases of in-migration to the HMA.

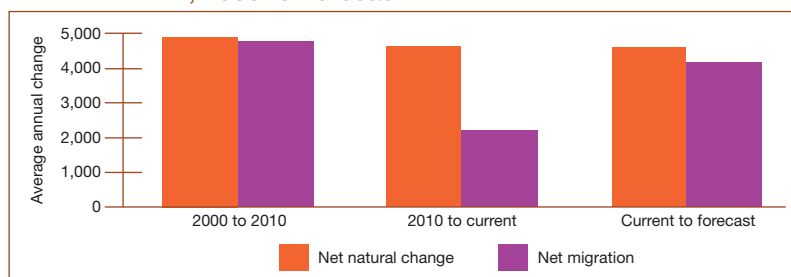
From April 2000 to July 2005, population growth in the HMA averaged 5,625 people, or 0.8 percent, annually, and net in-migration, which accounted

for nearly 18 percent of population growth, averaged 1,000 people annually. Growth was slow during this period because increasing energy costs reduced the profitability of the many petrochemical facilities, which in turn limited employment growth and in-migration. In August 2005, Hurricane Katrina made landfall in southeast Louisiana; this storm would profoundly impact the HMA when many residents from other parts of the state who were displaced by the hurricane relocated to the HMA. From 2005 to 2006, in-migration to the HMA totaled 32,000 people, more than double the total net in-migration for the rest of the decade (Census Bureau population estimates, as of July 1). In-migration continued from 2006 to 2010, averaging 2,750 people a year, and accounted for 33 percent of the HMA population growth, in part because of the strong local economy compared with the economy in the rest of the nation. From 2010 to 2013, in-migration slowed to an average of 610 people annually. Since 2013, net in-migration has averaged 5,225 people annually, or 54 percent of population growth, because people

Population and Households *Continued*

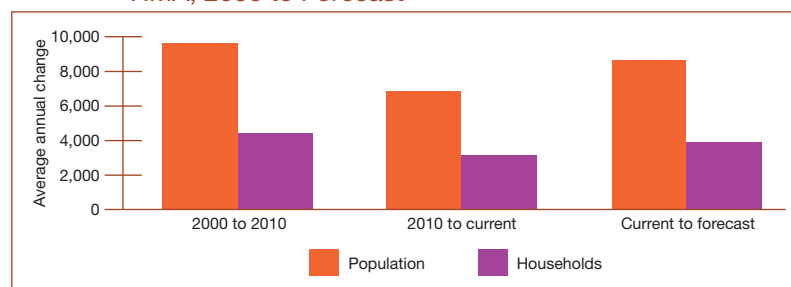
have migrated into the HMA for employment opportunities. Figure 4 shows the components of population

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



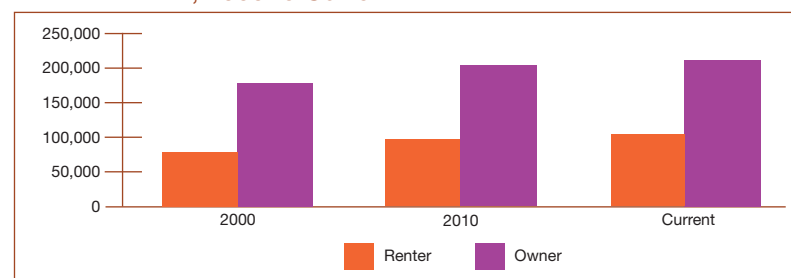
Notes: The current date is January 1, 2015. The forecast date is January 1, 2018.
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 5. Population and Household Growth in the Baton Rouge HMA, 2000 to Forecast



Notes: The current date is January 1, 2015. The forecast date is January 1, 2018.
Sources: 2000 and 2010–2000 Census and 2010 Census; current and forecast—estimates by analyst

Figure 6. Number of Households by Tenure in the Baton Rouge HMA, 2000 to Current



Note: The current date is January 1, 2015.
Sources: 2000 and 2010–2000 Census and 2010 Census; current—estimates by analyst

change from 2000 to the forecast date. Continued economic growth is expected to help support sustained population growth in the HMA. During the next 3 years, the population is forecast to increase by an average of 8,700, or 1.0 percent, annually to reach a population of 860,800. Figure 5 shows population and household growth from 2000 to the forecast date. More than 90 percent of the population growth during the forecast period is likely to occur in East Baton Rouge Parish or in the two bordering parishes of Ascension and Livingston.

The number of households in the HMA is currently estimated at 315,000, representing an average annual increase of 3,150, or 1.0 percent, annually since 2010. During the 2000s, households increased at a faster rate of 1.6 percent, or 4,350 households, annually because of the influx of displaced residents from Hurricane Katrina. Since April 2010, homeowners have comprised 55 percent of household growth, which is down from the average of 59 percent from 2000 to 2010. Tighter mortgage lending standards and an increased propensity to rent contributed to the decreased portion of new owner households during the past 4 years. Figure 6 shows the number of households in the HMA by tenure since 2000. During the forecast period, the number of households in the HMA is expected to increase by an average of 3,800, or 1.2 percent, annually.

Housing Market Trends

Sales Market

The sales housing market in the Baton Rouge HMA is currently balanced, with an estimated 1.5-percent vacancy rate, which is down from 1.8 percent during April 2010. As sales market conditions in the HMA improved, the supply of unsold inventory declined. The market currently has 4.7 months of inventory, down from 5.9 and 6.2 months at the end of 2013 and 2012, respectively (Greater Baton Rouge Association of Realtors®).

The strong employment and population growth in the HMA has contributed to increased home sales. During 2014, existing home sales, which includes single-family homes, townhomes, and condominiums and excludes real estate owned (REO) sales, totaled 6,650 homes sold, an increase of 150 sales, or slightly more than 2 percent, compared with the number of sales during 2012 and 2013, when 6,500 homes sold each year. The average sales price of an existing home in 2014 was \$201,000, essentially unchanged from 2013. Existing home sales are well below the peak years of 2006 and 2007, when an average of 12,300 homes sold annually, in part because of the post-Hurricane Katrina influx of new residents that increased sales 25 percent, from the 9,850 homes sold during 2005. Sales prices also escalated quickly after Hurricane Katrina. The average sales price of an existing home was \$164,600 during 2005 and increased by an average of \$18,700, or slightly less than 11 percent, annually to reach an average price of \$202,000 during 2007. After the surge in existing home sales during 2006 and 2007, home sales steadily declined during the next 4 years, in part because of the national economic downturn. During

2008, existing home sales declined 4,625 units, or nearly 38 percent, while the average sales price was essentially unchanged from 2007. From 2009 through 2011, existing home sales continued to decline by an average of 725, or slightly more than 10 percent, annually to reach a low of 5,525 homes sold during 2011, and the average sales price declined by an average of \$2,700, or 1.3 percent, annually. Existing home sales increased by 1,000 sales, or nearly 18 percent, during 2012, and the average sales price stopped its decline and remained unchanged from 2011.

The foreclosure crisis impacted the home sales market in the HMA but not as significantly as in other parts of the country. The number of seriously delinquent mortgages (90 or more days delinquent or in foreclosure) and mortgages in REO status has been declining along with the owner occupancy rate since 2010. During December 2014, 4.9 percent of all mortgage loans in the HMA were seriously delinquent or had transitioned into REO status, which was down from 5.4 percent in December 2013 (Black Knight Financial Services, Inc.). The number of REO sales also declined. REO sales totaled 980 and accounted for nearly 13 percent of all existing home sales during 2014, down 200, or nearly 17 percent from 2013. The average sales price of an REO home was \$116,000 in 2014, an increase of \$2,800, or nearly 3 percent from 2013. Although REO sales are declining, they are still not below the levels of previous periods. During 2005 and 2006, REO sales averaged 590 annually, with an average sales price of \$121,400, and accounted for 5 percent of all existing home sales in the HMA. Beginning in 2007, REO

Housing Market Trends

Sales Market *Continued*

sales began increasing in the HMA and averaged 930 annually from 2007 through 2011, with an average sales price of \$135,000, and accounted for nearly 11 percent of all existing home sales during these years. During January 2010, the number of seriously delinquent mortgages and mortgages in REO peaked in the HMA, at 7.0 percent, but the peak year for REO sales occurred during 2012, when 1,325 homes sold, which accounted for nearly 17 percent of all existing home sales.

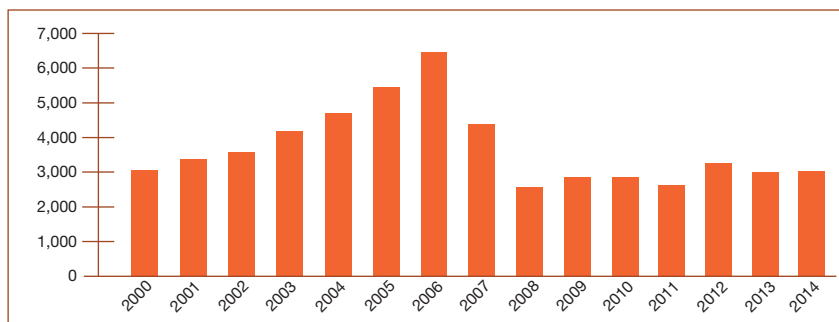
New home sales (including single family, townhomes, and condominiums) in the HMA totaled 1,050 during 2014, essentially unchanged from 2013, following the period from 2011 through 2013, when new home sales increased by an average of 130 homes, or 17 percent, annually. The average sales price of a new home during 2014 was \$236,800, an increase of \$6,200, or nearly 3 percent, from 2013. From 2012 through 2013, the average sales price of a new home increased by an average of \$11,200, or slightly more than 5 percent, annually. New home sales are well below the peak year of 2006, when 2,350 new homes sold as people relocating to the HMA after Hurricane Katrina significantly increased the demand for housing. After this surge in demand for new

homes during 2006 and the onset of the national recession, sales steadily declined by an average of 420 homes, or 27 percent, annually through 2010. While home sales peaked during 2006, the average sales price of a new home followed the national trend and continued to increase, peaking at \$254,100 during 2008 and then declining by an average of \$15,250, or slightly more than 6 percent, annually, to \$208,300 by the end of 2011.

In response to the recent population and economic growth, single-family homebuilding, as measured by the number of homes permitted, increased 9 percent during 2014, to 2,975 homes (preliminary data). An average of 3,075 single-family homes were permitted annually from 2007 through 2012, below the pre-Hurricane Katrina levels of 3,750 single-family homes permitted annually from 2000 through 2004 (final data). During 2005 and 2006, permits for single-family homes increased by 2,175, or 58 percent, to an average of 5,925 homes permitted annually when the surge of people migrating to the HMA after Hurricane Katrina increased demand for new housing. Figure 7 shows the number of single-family homes permitted annually from 2000 through 2014. Since 2000, East Baton Rouge Parish has accounted for about 36 percent of all single-family building permits. During the same period Livingston and Ascension Parishes, which account for about 30 percent of the HMA's total population, have accounted for 54 percent of all single-family building permits in the HMA, and this trend is likely to continue during the forecast period.

Some recent developments in the HMA include the Lakeside Estates in Livingston Parish, a 236-home development, with 110 lots remaining. Prices range

Figure 7. Single-Family Homes Permitted in the Baton Rouge HMA, 2000 to Current



Notes: Includes townhomes. Current includes data through December 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

from approximately \$160,000 to \$188,000 for three-bedroom, two-bathroom homes between 1,440 and 1,690 square feet. In East Baton Rouge Parish, The Lake at Anselmo, off Essen Lane near the developing medical district, started construction during 2014; 9 homes, out of 72 total lots,

are under construction. Home prices in this development range from approximately \$209,000 to \$238,000 for three-bedroom, two-bathroom homes that range from 1,475 to 1,750 square feet.

Demand is estimated for 10,150 new homes in the HMA during the 3-year forecast period, with demand expected to be higher each successive year. The 990 homes currently under construction are expected to meet part of the demand during the first year. A portion of the 15,600 other vacant units may reenter the market and satisfy some of the forecast demand. Demand is expected to be the greatest for homes in the \$200,000-to-\$249,999 price range. Table 4 shows estimated demand for new market-rate sales housing in the HMA by price range.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Baton Rouge HMA During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
120,000	149,999	1,325	13.0
150,000	199,999	2,625	26.0
200,000	249,999	3,150	31.0
250,000	299,999	1,725	17.0
300,000	399,999	910	9.0
400,000	499,999	300	3.0
500,000	and higher	100	1.0

Notes: The 990 homes currently under construction and a portion of the estimated 15,600 other vacant units in the HMA will likely satisfy some of the forecast demand. The forecast period is January 1, 2015, to January 1, 2018.

Source: Estimates by analyst

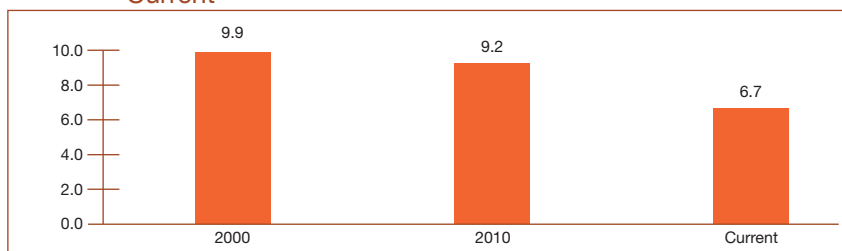
Rental Market

The rental housing market in the Baton Rouge HMA, including renter-occupied single-family homes, mobile homes, and apartment units, is balanced, with an estimated 6.7-percent vacancy rate, down from 9.2 percent during April 2010 because job growth has attracted new residents to the HMA. Figure 8 shows rental vacancy rates in the HMA from 2000 to the current date. Apartment units in a building with five or more housing units constitute 37 percent of the total rental market, and

single-family homes comprise 33 percent of rental units (2013 American Community Survey 1-year data).

The apartment market in the HMA is balanced, with a 4.3-percent vacancy rate during December 2014, which is down from 4.7 percent 1 year earlier (Reis, Inc.). The average rent for an apartment is currently \$780, essentially unchanged from the previous year. Multifamily building, as measured by the number of units permitted, declined during 2014. During 2014, 1,100 multifamily units were permitted, a decline of 250 units, or nearly 19 percent, from 2013 (preliminary data). Even with the decline from 2013, multifamily construction during 2014 was still significantly higher than the average of 630 units permitted annually from 2008 through 2012.

Figure 8. Rental Vacancy Rates in the Baton Rouge HMA, 2000 to Current



Note: The current date is January 1, 2015.

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

Housing Market Trends

Rental Market *Continued*

After the influx of residents to the HMA after Hurricane Katrina, the apartment vacancy rate averaged 3 percent during 2005. Developers responded to the tight rental market conditions by increasing multifamily production to an average of 3,150 units a year during 2006 and 2007, which was significantly higher than the average of 1,000 units permitted annually from 2000 through 2005. By the end of 2007, the vacancy rate rose to 3.4 percent when a portion of the new units permitted in 2006 and 2007 began to enter the market. When all these units were complete, the apartment vacancy rate peaked at 7.5 percent at the end of 2009. Figure 9 shows the number of multifamily units permitted annually in the HMA since 2000.

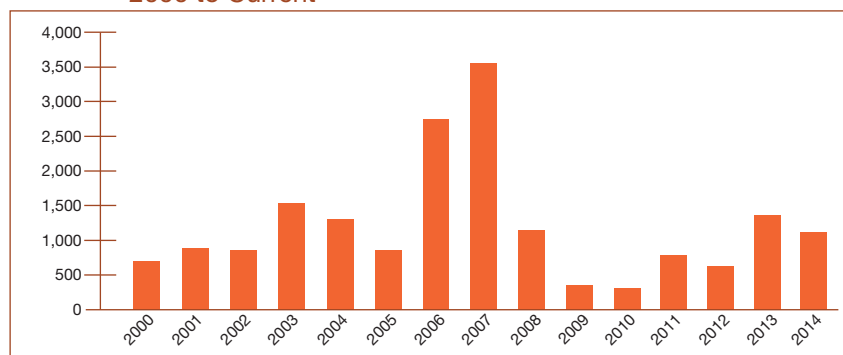
LSU and Southern University significantly affect the rental market of the HMA. The apartment market within a mile of the LSU campus has a lower vacancy rate, at 2.2 percent, than the overall market (Reis, Inc.). The average rents near campus are \$970 a month, which is \$190, or 24 percent, more than the HMA average. About 75 percent of the more than 37,000 students live off campus and constitute approximately 10 percent

of all renter households in the HMA (LSU and Southern University). LSU is leading the nation in delivering new off-campus, privately owned student housing, with nearly 2,500 new beds scheduled to come on line by the fall of 2015 (Axiometrics Inc.). Two of the properties being constructed are the Sterling Burbank, just south of the LSU campus, and the Standard, just north of the campus. Together, these two properties have 509 one- to five-bedroom units and 1,543 beds. These developments lease by the bedroom to accommodate the student population.

The High Grove apartments, completed in 2013, are a 192-unit property on the south side of the city of Baton Rouge near the Mall of Louisiana. The apartments, which sit on 118 acres, are part of a mixed-use development consisting of retail space, single-family housing, and luxury apartments. Rents at this property start at \$1,055 for a one-bedroom unit and \$1,495 for a two-bedroom unit. Another property of note is The Corona Apartments, a historic conversion of the first Olinde furniture store into residential housing, consisting of 13 studio and 24 one-bedroom apartments. Rents are \$585 and \$625 for a studio and one-bedroom unit, respectively.

During the forecast period, demand is estimated for 4,650 new market-rate rental housing units. Demand is expected to be greatest for two-bedroom units in the \$750-to-\$949 price range (Table 5). The 1,600 units currently under construction and the 540 units in the planning stages that will come on the market during the next 3 years are expected to meet a portion of the forecast demand.

Figure 9. Multifamily Units Permitted in the Baton Rouge HMA, 2000 to Current



Notes: Excludes townhomes. Current includes data through December 2014.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Housing Market Trends

Rental Market *Continued*

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Baton Rouge HMA During the Forecast Period

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
585 to 784	75	625 to 824	810	750 to 949	1,100	885 to 1,084	300
785 or more	20	825 to 1,024	490	950 to 1,149	740	1,085 to 1,284	130
		1,025 to 1,224	290	1,150 to 1,349	490	1,285 to 1,484	25
		1,225 or more	35	1,350 or more	120	1,485 or more	10
Total	95	Total	1,625	Total	2,475	Total	470

Notes: Numbers may not add to totals because of rounding. The 1,600 units currently under construction will likely satisfy some of the estimated demand. The forecast period is January 1, 2015, to January 1, 2018.

Source: Estimates by analyst

Data Profile

Table DP-1. Baton Rouge HMA Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	323,485	349,716	379,200	0.8	2.0
Unemployment rate	4.7%	7.4%	5.2%		
Nonfarm payroll jobs	339,800	364,200	394,500	0.7	2.0
Total population	705,973	802,484	834,700	1.3	0.8
Total households	256,637	300,022	315,000	1.6	1.0
Owner households	177,952	203,545	211,800	1.4	0.8
Percent owner	69.3%	67.8%	67.2%		
Renter households	78,685	96,477	103,200	2.1	1.4
Percent renter	30.7%	32.2%	32.8%		
Total housing units	282,511	329,729	341,300	1.6	0.7
Owner vacancy rate	1.5%	1.8%	1.5%		
Rental vacancy rate	9.9%	9.2%	6.7%		
Median Family Income	\$46,000	\$59,800	\$64,600	2.7	1.9

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through December 2014. Median Family Incomes are for 1999, 2009, and 2013. The current date is January 1, 2015.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 1/1/2015—Analyst's estimates
 Forecast period: 1/1/2015–1/1/2018—Analyst's estimates

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 February 28, 2013.

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.

Other Vacant Units: In the U.S. Department of Housing and Urban Development's (HUD's) analysis, other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the Census Bureau.

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.

For additional data pertaining to the housing market for this HMA, go to http://www.huduser.gov/publications/pdf/CMARtables_BatonRougeLA_15.pdf.

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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.

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 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.

For additional reports on other market areas, please go to www.huduser.gov/portal/ushmc/chma_archive.html.