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Analysis of the Monroe, Louisiana Housing Market

As of January 2003



ECONOMIC RESEARCH

U.S. Department of Housing and Urban Development

Foreword

This analysis has been prepared as guidance for the U.S. Department of Housing and Urban Development (HUD) in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing conditions and trends. The analysis does not purport to determine the acceptability of any particular mortgage insurance proposals that may be under consideration in a particular locality or housing market area.

The factual framework for this analysis was developed by HUD's Economic and Market Analysis Division based as thoroughly as possible on the basis of information available on the "as-of" date from both local and national sources. The analysis may be modified by subsequent developments. We wish to express our appreciation to the industry sources and government officials who provided data and information on local economic and housing market conditions.

This analysis took into consideration changes in the economic, demographic, and housing inventory characteristics of the market area during three periods: 1990 to 2000, 2000 to the as-of date ("Current date"), and the Current date to a "Forecast date." The analysis presents counts and estimates of employment, population, households, and housing inventory as of the 1990 and 2000 censuses, the Current date, and the Forecast date. For the purposes of this analysis, the forecast period is 24 months.

The prospective demand indicated in the analysis should not be construed as a forecast of building activity; rather, it presents the prospective housing production that would maintain a reasonable balance in the demand-supply relationship given the market's condition on the as-of date of the analysis. This analysis was prepared by Nancy S. Chung, the Division's Field Economist in the New Orleans Field Office, based on the fieldwork conducted in January 2003. If there are questions regarding the findings and conclusions of the analysis, she may be reached at (504) 589-7262 and at Nancy_S._Chung@hud.gov.

Housing Market Area

The Housing Market Area (HMA) is coterminous with the Monroe Metropolitan Statistical Area (MSA) that includes one (Ouachita) Parish. The area is located in the northeast section of Louisiana and covers approximately 642 square miles. The parish and the HMA's two principal cities, Monroe and West Monroe, are divided by the Ouachita River. Monroe is the government seat of the parish. The HMA is the principal trade and distribution center for the entire northeast region of Louisiana. The University of Louisiana at Monroe (ULM), with an enrollment of approximately 8,250 students, is located in the city of Monroe.

Summary

The economy of the HMA grew slowly but steadily during the 1990s. The HMA recorded strong employment growth during 1999 and 2000. However, nonagricultural employment growth since 2000 has been at a markedly reduced rate. The economy is expected to grow at a similar reduced rate during the forecast period.

The HMA's modest population growth parallels the slow growth in employment. Both natural increase and migration are expected to occur at reduced rates during the forecast period, the net effect of which will be population gains slightly less than in the recent past.

The Monroe HMA's housing market is currently balanced overall, but tight conditions are reported in the lower rent and price ranges in rental and sales markets.

During the 2-year forecast period ending in January 2005 demand for new sales housing is estimated at 350 homes annually. Demand for new market-rate rental housing during the period is estimated at 100 units annually.

Economy of the Area

The trends in annual average civilian employment and nonagricultural wage and salary employment by industry sector from 1993 through the Current date are presented in Tables 1 and 2, respectively.

From 1990 to 2000 total residential employment increased by an average of 840 a year, or 1.3 percent. Nonagricultural employment increased by an average of 1,480 a year, or 2.3 percent, for the decade. The service, government, and trade sectors are the largest sources of employment in the HMA. Employment in communication, finance, and insurance has increased steadily since 1990. Major employers in the MSA include the Ouachita Parish School System, Monroe City Schools, ULM, St. Francis Medical Center, Riverwood Paper Products, Glenwood Medical Center, State Farm Corporation, Century Tel, and Chase Manhattan Corporation. There are more than 100 manufacturing plants and 5 industrial parks in the HMA.

Between 1998 and 2000 the HMA recorded strong nonagricultural employment growth, averaging 2,100 new jobs a year due to expansions by three key firms in finance, insurance, and telecommunications. Century Tel's corporate headquarters, information systems, billing, and system programmers, are all located in Monroe. They provide local and cellular phone services in 21 states. State Farm Insurance currently employs 1,350 workers in the Monroe market. Chase Manhattan Mortgage has 1,050 full-time employees, and employment has increased steadily over the last few years. Chase Manhattan has added employees to handle a massive round of mortgage refinancings prompted by historically low interest rates. This surge is expected to subside over the forecast period, and as a result, the firm may reduce employment during the period. Since 2000 the pace of nonagricultural employment growth in the HMA has slowed to an average annual increase of 400, or 0.5 percent, compared with 1,480, or 2.3 percent, between 1990 and 2000. Nonagricultural employment is expected to grow at a relatively slow 1 to 1.5 percent a year over the forecast period.

While agriculture is no longer a significant source of jobs for the HMA, Monroe remains the agricultural trade center for northeast Louisiana, contributing a substantial amount of indirect income to the HMA.

Over the past several years, establishment-based nonagricultural employment has exceeded residence-based total employment indicating in-commuting by an increasing number of workers residing outside the HMA.

Construction is scheduled to begin in late 2003 on an Interstate 20 interchange at Ike Hamilton Road in West Monroe. The new interchange will reduce traffic congestion and provide easier access to new commercial developments in the area, including the Ike Hamilton Expo Center and supporting hotels, restaurants, and retail shopping facilities located nearby.

The recent designation of Ouachita Parish as an Urban Renewal Community (RC) provides significant tax advantages for businesses located in the RC census tracts. These incentives will be available through the end of 2009.

Household Incomes

According to HUD's Economic and Market Analysis Division, the median family income in the Monroe HMA is estimated to be \$46,700 in 2003, a 16.1 percent increase since the 2000 census. The annual rate of increase in median family income was 4.4 percent between 1990 and 2000.

Population

As of the 2000 census the population of the HMA totaled 147,250, up 3.6 percent from the 1990 census. As of the Current date the HMA's population was estimated to be 148,400, or an average annual gain of 0.3 percent since the 2000 census. This compares to an annual average gain of 0.4 percent between 1990 and 2000. The modest growth parallels the HMA's slow increase in employment. The trends in population from 1990 through the Forecast date for the HMA are presented in Table 3.

The HMA has been experiencing a slow but steady growth in population despite the continued net out-migration, which has declined since 1990. Between 1990 and 2000 out-migration averaged 470 persons a year while the net natural increase (resident births minus resident deaths) averaged approximately 970 a year. Annual data from the State Department of Vital Statistics indicate that the natural increase fluctuated between 700 and 1,200 during the decade. The decrease in out-migration continued from 2000 through the Current date, averaging 440 persons annually. Net natural increase also slowed during 2000 to the Current date, resulting in a slower rate of increase in the HMA's population.

Based on anticipated annual net natural increase of 840 and net out-migration of 430, it is expected that the HMA's population will increase to 149,300 at the end of the 2-year forecast period. This represents an annual rate of increase of 0.3 percent, slightly below the 0.4 percent rate of the 2000 to Current period.

Households

Between 1990 and 2000 an average of 470 households a year, or 0.9 percent, were added in the HMA. The number of owner households increased by 270 a year and the number of renter households increased by 200 units a year during the decade. There are approximately 56,600 households in the HMA as of January 1, 2003, reflecting an average annual increase of 503 since the 2000 census. The trends in households from 1990 through the Forecast date for the HMA are presented in Table 3. An additional 850 households will be added within the HMA throughout the forecast period.

Enrollment at ULM is approximately 8,250. Approximately 1,500 students reside in dormitories on campus. The remainder of the students resides in off-campus housing. It is estimated that, as of the Current date, there are approximately 3,000 university student households in the HMA.

Housing Inventory

Like the HMA's population and households, the housing inventory has grown moderately since 1990. From 1990 to 2000 the housing inventory increased by an annual average of 385 units to 60,154 units. The HMA's inventory has increased at a slightly slower annual rate from 2000 to Current. The counts of housing inventory, occupancy, and vacancy by tenure for the 1990 and 2000 censuses and the Current date are presented in Table 4. The trends in building permit activity from 1990 to the Current date for single-family and multifamily housing in the HMA are presented in Table 5.

From 1990 through 1999 the number of single-family homes authorized by building permit averaged 408 units annually. Despite a weaker economy, a similar number of single-family units were permitted during the 2000 to 2002 period. As of the Current date homeowners comprised 64.3 percent of all households in the Monroe HMA. The homeownership rate has not changed significantly since 1990. Since 1990 multifamily building permit activity has been very low, averaging only 40 units annually. The most active year for multifamily

production was 1999 when 224 units were authorized. Practically all multifamily construction has been for renter occupancy.

Manufactured housing is an important and affordable housing resource in the HMA, especially in the unincorporated areas of the parish. Mobile homes accounted for approximately 13 percent of the housing stock in the HMA in 2000. Approximately 80 percent of the HMA's manufactured homes were owner occupied in 2000. Based on data from the 2000 census, an average of 190 units of manufactured housing was added to the inventory annually in HMA between 1990 and 2000.

Housing Vacancy

As a result of the overproduction of housing in the mid- to late 1980s, the vacancy rates for rental and sales housing in the HMA at the time of the 1990 census were 11.2 percent and 2.7 percent, respectively. The housing vacancy situation in the HMA improved after 1987 as sustained economic growth during most of the 1990s led to increased demand for housing. At the time of the 2000 census rental and sales vacancy rates had decreased to 9 percent and 1.4 percent, respectively. Due to the very limited multifamily construction and continued renter household growth in the HMA since 2000, the vacancy rate in rental housing units has further declined to an estimated 7.5 percent as of the Current date. As of the Current date both the sales and rental markets are balanced. Vacancy trends between 1990 and the Current date for the HMA are presented in Table 4.

Sales Market Conditions

Sales housing in the Monroe HMA is relatively affordable. Existing homes can be found for as little as \$50,000. Local sources indicate the sales market in the Monroe HMA for both new and existing homes has remained strong since 2000 despite the slowdown in the economy. Low interest rates and continued household growth have kept demand up. The median sales price for single-family homes in the HMA increased from \$94,500 in 1999 to \$115,000 in 2002. From 1998 through 2002 the average annual sales volume fluctuated between 870 and 1,030 for homes priced \$50,000 or above. The average permit value (average cost to build a home excluding land) for a new single-family home in the Monroe HMA increased steadily from \$124,730 in 1998 to \$149,500 in 2002. The average permit values during 2002 for the city of Monroe, Ouachita Parish, and the city of West Monroe were \$160,000, \$146,400, and \$95,800, respectively. Condominiums account for less than 5 percent of the total housing in HMA. Most of the new home construction in the area is occurring in the unincorporated area of the parish, especially north of the city of Monroe and north and west of West Monroe. With the anticipated continuation of strong demand for new homes and the limited availability of approved sites, the sales market is expected to remain balanced during the Forecast period.

Rental Market Conditions

The overall rental vacancy rate for the HMA has decreased since the 2000 census. As of the Current date the rental market is in a relatively balanced condition with an estimated vacancy rate of 7.5 percent. Annual rent increases during the past 5 years have been in the rate of 2 to 3 percent annually. A few older complexes are offering rent concessions in the area. There has been little new construction of market-rate rental housing in the HMA during the last few years.

While overall conditions are balanced, the market for affordable rentals remains tight. Occupancy rate in assisted rental developments is at 95 percent or higher. As of the Current date there were 1,522 units of federally assisted rental housing in the HMA. During the last 5 years the Monroe Housing Authority has worked with local nonprofit organizations and financial institutions to develop subsidized rental housing under HUD's Section 202 program, affordable rental housing under the Low Income Housing Tax Credit (LIHTC) program, and affordable owner housing through available homeowner programs. However, the demand for affordable rentals and homeownership assistance remains strong. There is a long waiting list for project-based assistance, as well as for Section 8 vouchers.

Approximately 60 percent of the LIHTC developments are targeted to households with income at 60 percent of the area's median income. The overall occupancy rate in LIHTC rentals was estimated to be approximately 95 percent as of the Current date. Some of the LIHTC projects in the development stage are lease-to-own projects for single-family housing units in the HMA. In recent years subsidized housing projects have increasingly been developed in low-density, one-story projects consisting of duplex, triplex, and fourplex buildings.

As of the Current date there were 72 units of rental housing financed by LIHTC under construction in the HMA. Approximately 290 units are expected to begin construction during the forecast period. The total includes 102 rent-restricted units financed with tax credits, a 65-unit federally subsidized Section 202 rental development for the elderly, and a 120-unit market-rate rental development. In addition, 88 units in two LIHTC developments are currently in the building permit and zoning approval process.

Given the long waiting lists in both assisted rental developments and tax credit developments, it is expected that the market will quickly absorb the units currently under construction and in planning.

Forecast Housing Demand

Based on anticipated household growth and current market conditions, it is estimated that there will be a demand for approximately 900 new housing units during the 2-year forecast period ending January 2005. This demand would best be met by the construction of 350 units of sales housing and 100 market rate rental units, annually. This level of construction would ensure a balance in demand-supply conditions.

It is anticipated that much of the demand for detached homes will be for properties priced between \$100,000 and \$200,000. It is expected that approximately 650 units of the projected owner demand will be for single-family homes and the remaining 50 for condominiums.

A tabular summary of rental qualitative demand for the Monroe HMA is presented in Table 6. The distribution of demand by bedroom size was based on the trends in production in the current construction pipeline where the demand has been strongest for two-bedroom units. An annual demand is anticipated for approximately 30, 1-bedroom units at rents of \$615 or less per month; 50, 2-bedroom units at rents of \$740 or less; and 20, 3-bedroom units at rents of \$875 or less.

Table 1
 Labor Force and Employment Trends
 Monroe HMA
 1993 to January 1, 2003

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Prior 12 Mos.	Current 12 Mos.
Labor Force	65,000	65,600	67,200	69,500	69,700	70,600	71,500	71,800	73,600	72,451	73,600	72,451
Employment	60,800	61,000	63,300	65,100	65,200	66,700	68,700	68,700	69,500	68,864	69,500	68,864
Unemployment	4,200	4,600	3,900	4,400	4,500	3,900	2,800	3,100	4,100	3,587	4,100	3,587
Rate	6.5%	7.0%	5.8%	6.3%	6.5%	5.5%	3.9%	4.3%	5.5%	5.0%	5.5%	5.0%

Source: Louisiana State Department of Labor

Table 2
 Nonagricultural Wage and Salary Employment
 Monroe HMA
 1993 to January 1, 2003

Year	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	Prior 12 Mos.	Current 12 Mos.
Total	61.7	63	65.9	67.3	68.0	69.4	71.5	73.6	74.2	74.4	74.2	74.4
Construction ¹	3.2	3.1	3.5	3.7	3.7	3.8	4.0	4.2	4.1	4.2	4.1	4.2
Manufacturing	8.1	8.1	8.2	8.2	8.0	7.9	8.1	8.2	8.3	8.2	8.3	8.2
Durables	2.3	2.4	2.5	2.6	2.7	2.7	2.7	2.7	2.9	3.0	2.9	3.0
Nondurables	5.8	5.7	5.7	5.6	5.3	5.3	5.4	5.6	5.4	5.2	5.4	5.2
Service Producing	50.7	51.8	54.2	55.4	56.4	57.7	59.4	61.2	61.8	62.5	61.8	62.5
Transportation ²	3.2	3.8	3.8	3.8	3.7	3.8	3.8	4.1	4.2	4.3	4.2	4.3
Trade	14.9	15.8	16.5	16.8	16.9	17.1	17.4	17.5	17.0	17.0	17.0	17.0
F.I.R.E. ³	4.3	4.3	4.5	4.5	4.9	5.2	5.6	5.9	6.1	6.2	6.1	6.2
Services	15.8	15.7	16.7	17.5	18.2	18.7	19.5	20.3	21.3	21.7	21.3	21.7
Government	12.2	12.2	12.7	12.8	12.9	12.9	13.0	13.5	13.3	13.3	13.3	13.3
Federal	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.6	0.5	0.5	0.5	0.5
State	4.9	5.1	5.1	5.1	5.1	5.1	5.2	5.4	5.2	5.1	5.2	5.1
Local	6.8	6.6	7.1	7.2	7.3	7.3	7.3	7.5	7.6	7.8	7.6	7.8

¹ Includes mining.

² Includes communication and public utilities.

³ Finance, insurance, and real estate.

Note: Numbers may not add up to totals due to the BLS Employment Benchmark Revisions (conversion from a 1987 Standard Industrial Classification [SIC] system to a 2002 North American Industry Classification System [NAICS]).

Source: Louisiana State Department of Labor

Table 3
 Population and Household Trends
 Monroe HMA
 1990 to January 1, 2005

	April 1, 1990	April 1, 2000	Current Date *	Forecast Date	Average Annual Change					
					1990 to 2000		2000 to Current		Current to Forecast	
					Number	Rate	Number	Rate	Number	Rate
<u>Population</u>										
Ouachita Parish	142,191	147,250	148,400	149,300	506	0.4%	418	0.3%	450	0.3%
<u>Households</u>										
Ouachita Parish	50,518	55,216	56,600	57,450	470	0.9%	503	0.9%	425	0.7%

* As of January 1, 2003

Note: Rate of change calculated on a compound basis.
 Numbers have been rounded for comparison

Source: 1990 and 2000—U.S. Census Bureau
 Current and Forecast—Estimates by Analyst

Table 4
Housing Inventory Tenure and Vacancy
Monroe HMA
1990 to January 1, 2003

	<u>1990</u>	<u>2000</u>	<u>Current</u>
Total Housing			
Inventory	56,300	60,154	61,150
Occupied Units	50,518	55,216	56,600
Owners	32,724	35,411	36,400
%	64.8%	64.1%	64.3%
Renters	17,794	19,805	20,200
%	35.2%	35.9%	35.7%
Vacant Units	5,782	4,938	4,550
Available Units	3,152	2,463	2,150
For Sale	901	494	520
Rate	2.7	1.4%	1.4%
For Rent	2,251	1,969	1,630
Rate	11.2%	9.0%	7.5%
Other Vacant	2,630	2,475	2,400

Note: Numbers have been rounded for comparison.

Source: 1990 and 2000—U.S. Census Bureau
Current—Estimates by Analyst

Table 5
Residential Building Permit Activity
Monroe HMA
1990 to January 1, 2003

Year	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Ouachita Parish													
Total	254	273	371	433	529	577	538	552	573	670	395	475	467
Single-family	254	271	363	423	457	361	461	458	487	446	366	448	423
Multifamily	0	2	8	10	72	116	77	94	86	224	29	27	44
City of Monroe													
Total	45	28	50	54	62	61	58	52	104	52	32	170	87
Single-family	45	28	50	52	60	61	58	44	43	42	30	164	59
Multifamily	0	0	0	2	2	0	0	8	61	10	2	6	28
City of West Monroe													
Total	2	6	12	13	23	30	20	87	7	16	16	21	0
Single-family	2	6	12	13	23	24	9	19	7	12	11	11	0
Multifamily	0	0	0	0	0	6	11	68	0	4	5	10	0
Remainder*													
Total	207	239	309	366	444	486	460	413	462	602	347	284	380
Single-family	207	237	301	358	374	376	394	395	437	392	325	273	364
Multifamily	0	2	8	8	70	110	66	18	25	210	22	11	16

*Includes Ouachita Parish Unincorporated Area, Richwood Town, and Sterlington Town.

Source: U.S. Bureau of the Census, C-40, Construction Reports

Table 6

Estimated Qualitative Annual Demand for
New Market-Rate Rental Housing

Monroe HMA

January 1, 2003 to January 1, 2005

One Bedroom		Two Bedrooms		Three Bedrooms	
Monthly Gross Rent	Units of Demand	Monthly Gross Rent	Units of Demand	Monthly Gross Rent	Units of Demand
\$615	30	\$740	50	\$875	20
\$665	25	\$790	40	\$925	15
\$715	25	\$840	35	\$975	15
\$765	20	\$890	30	\$1,025	15
\$815	20	\$940	25	\$1,075	10
\$865	15	\$990	20	\$1,125	10
\$915	10	\$1,040	15	0	0
0	0	\$1,140	15	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0

Note: Distribution above is noncumulative. Demand of fewer than 10 units is shown as 0.
Numbers have been rounded for comparison.

Source: Estimates by Analyst