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ANALYSIS OF THE

BATON ROUGE, LA., HOUSING MARKET

AS OF NOVEMBER 1, 1964

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A Report by the
U.S. FEDERAL HOUSING ADMINISTRATION
HOUSING AND HOME FINANCE AGENCY
WASHINGTON, D.C. 20411
March 1965

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" FIELD MARKET ANALYSIS SERVICE
FEDERAL HOUSING ADMINISTRATION
Housing and Home Finance Agency

Foreword

As a public service to assist local housing activities through clearer understanding of local housing market conditions, FHA initiated publication of its comprehensive housing market analyses early in 1965. While each report is designed specifically for FHA use in administering its mortgage insurance operations, it is expected that the factual information and the findings and conclusions of these reports will be generally useful also to builders, mortgagees, and others concerned with local housing problems and to others having an interest in local economic conditions and trends.

Since market analysis is not an exact science the judgmental factor is important in the development of findings and conclusions. There will, of course, be differences of opinion in the interpretation of available factual information in determining the absorptive capacity of the market and the requirements for maintenance of a reasonable balance in demand-supply relationships.

The factual framework for each analysis is developed as thoroughly as possible on the basis of information available from both local and national sources. Unless specifically identified by source reference, all estimates and judgments in the analysis are those of the authoring analyst.

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ANALYSIS OF THE
BATON, ROUGE, LOUISIANA HOUSING MARKET
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Summary and Conclusions

1. The Baton Rouge area has experienced a sharply slower rate of growth since 1958 than occurred during the first three-fourths of the 1950-1960 decade. Nonfarm wage and salary employment in the area decreased approximately four percent between 1958 and 1961; subsequent increases have only recently succeeded in bringing the level of employment up to the 1958 peak of approximately 74,000 workers. Since 1961 the increase in employment has averaged approximately 500 wage and salary workers a year, a rate of gain which is expected to continue during the next two years.
2. The current median family income of all households in the Baton Rouge area is approximately \$6,125 after deduction of Federal income tax. Renter families are expected to have a median after-tax income of \$4,175 in 1966, compared with \$4,075 in 1964.
3. The population of about 259,800 persons as of November 1, 1964 represents a gain of about 21,100 persons since April 1, 1960, an average gain of 4,600 a year. By comparison, the increase in the 1950-1960 period averaged 7,525 persons a year. The roughly 69,500 households currently in the area represent an average gain of about 1,300 a year since April 1, 1960, as compared with an average gain of 1,910 a year during the 1950-1960 period. Projected employment and economic gains will be sufficient to support an estimated increase of about 1,250 households a year during the 24-month period ending November 1, 1966.
4. The housing inventory currently totals about 74,850 dwelling units, a net gain of 6,300 units since April 1960, or an average increase of 1,370 units a year. The net increase in the inventory between 1950 and 1960 averaged 2,115 units annually. Since 1960 single-family houses have been added at an annual average rate of about 1,600, and units in multifamily structures at an average rate of about 410 a year.
5. There currently is a net available sales housing vacancy ratio of about 3.4 percent in the area, up from 3.1 percent as of April 1, 1960. The current net available rental housing vacancy ratio is about 8.5 percent as compared with 8.8 percent in 1960. A more acceptable demand-supply relationship would be represented by vacancy ratios of 1.5 percent in the sales inventory and 6.0 percent in the rental inventory.

6. The FHA has an inventory of over 800 acquired homes and VA has almost 100. Over 85 percent of the acquired properties listed for sale by FHA and VA are priced below \$14,000. Many of those houses, because of location and structural characteristics, have a limited market. Over 60 percent of all acceptable vacant houses available for sale are estimated to be in price ranges under \$14,000.

7. On the basis of an anticipated increase of 1,250 households a year during the next two years and allowing for replacement of units expected to be lost from the inventory, shifts in tenure, and the need to reduce the excessive number of vacancies, a desirable construction volume of approximately 1,150 new dwelling units annually during the next two years is indicated. Of that number 850 units will represent demand for sales houses and 300 units will represent demand for rental units.

8. The suggested annual construction volume of sales houses is about one-half the current annual rate. The high level of construction since 1962 has been maintained, because of the availability of ample conventional mortgage money. It is unlikely that the annual volume will decline by one-half so long as such financing is available, although the increasing vacancy level should eventually be reflected in a tighter mortgage market and a consequent reduction in construction.

Because present vacancies and the current inventory of properties acquired by FHA and VA are concentrated in the price range under \$14,000, new sales houses should be constructed predominantly in price ranges above \$16,000 as is indicated in the table on page 18.

9. Demand for 300 rental units annually is expected to approximate the pattern of gross monthly rents and unit sizes indicated by the table on page 19.

ANALYSIS OF THE
BATON ROUGE, LOUISIANA, HOUSING MARKET
AS OF NOVEMBER 1, 1964

Housing Market Area

The Baton Rouge Housing Market Area (HMA), for purposes of this report, is defined as consisting of East Baton Rouge Parish and Ward 2 of Livingston Parish. East Baton Rouge Parish is the Baton Rouge Standard Metropolitan Statistical Area (SMSA) as defined by the Budget Bureau in 1950 and 1960, and is still the definition of the Baton Rouge area used for employment data. However, the Federal Housing Administration owns over 100 single-family properties in Ward 2, which includes Denham Springs Town. For that reason it is necessary to consider East Baton Rouge Parish and Ward 2 of Livingston Parish as the HMA, although it is obvious that demand for housing falls predominantly in Baton Rouge City and its adjacent environs.

Approximately 64 percent of the total population of the HMA lives in Baton Rouge City. Included in East Baton Rouge Parish are two other towns, Baker and Zachary, with April 1, 1960 populations of 4,823 and 3,268, respectively. Including 5,991 persons in Denham Springs Town, the April 1960 population of Ward 2 of Livingston Parish was 8,628, representing less than four percent of the population of the HMA.

Ward 2 of Livingston Parish is dependent predominantly on the East Baton Rouge Parish area for employment sources. According to the 1960 Census of Population, the net daily in-commutation of Livingston Parish residents to East Baton Rouge Parish employment totaled about 2,125. Including 2,125 from Livingston Parish, net daily in-commutation to Baton Rouge was about 4,900 from the seven contiguous parishes.

Economy of the Area

Character and History

Baton Rouge has made progress in the past decades because of its favorable location at the head of deep water shipping on the Mississippi River about 80 miles northwest of New Orleans, and because it was chosen for the location of the State Capitol and Louisiana State University. Its basic economic support is therefore derived from four main sources: industrial, governmental, educational, and servicing enterprises. Of approximately 74,250 wage and salary workers employed in the Baton Rouge area in September 1964, about 21 percent are in manufacturing, 21 percent in wholesale and retail trade, and 13 percent in service activities. Almost 24 percent are in government, reflecting the importance of the State Capitol, Louisiana State University, and Southern University. As shown in Table I, government employment has been gaining relative to total employment, whereas manufacturing employment (both numerically and as a proportion of total employment) has consistently declined since 1958.

The industrial growth pattern of Baton Rouge began with oil refining when the Standard Oil Company located there in 1909. Consolidated Chemical came in 1926 to supply the refinery with sulfuric acid. The basic chemical industry of the area next expanded in 1935 when the Solvay Division of Allied Chemical began its soda ash production. In 1937, Ethyl Corporation came to Baton Rouge to manufacture sodium and antiknock compounds, and Solvay branched out into production of chlorine and caustic soda. During World War II the Kaiser and the Copolymer Corporations came in to produce alumina and synthetic rubber, and there has since occurred substantial expansion of ethylene derivatives and halogenated hydrocarbons facilities.

Employment

Nonfarm employment of residents of the Baton Rouge area, as reported by the Census of Population, increased from 54,547 in 1950 to 77,762 in 1960, representing a gain of 43 percent. Significantly, virtually all of the net increase for the 1950-1960 period occurred during the first three-fourths of the decade. By contrast with the average gain of 2,320 workers a year during the entire 1950-1960 period, the average gain during the five-year period from 1959 to 1964, as reported by the State of Louisiana

Department of Labor, was only 250 workers a year. However, as indicated by the following table, employment decreased sharply from 1958 to 1959 and continued to decline through 1961. The recovery since 1961 has been sufficient only to bring the level of employment back to about the 1958^{1/} level. The gain from September 1963 to September 1964 was 550 workers, or less than one percent.

Trend of Nonagricultural Wage and Salary Employment
in the Baton Rouge, Louisiana Area, 1958-1964

<u>Year</u>	<u>Wage and salary employment</u>		<u>Annual change</u>	
	<u>Total</u>	<u>Manufacturing</u>	<u>Total</u>	<u>Manufacturing</u>
1958	74,000	19,300	-	-
1959	71,875	18,050	- 2,125	-1,250
1960	71,550	17,400	-325	-650
1961	71,000	16,700	-550	-700
1962	71,425	16,300	425	-400
1963	72,075	15,800	650	-500
1958, Sept.	73,900	18,900	-	-
1959, Sept.	72,350	18,050	-1,550	-850
1960, Sept.	72,325	17,300	-25	-750
1961, Sept.	71,200	16,575	-1,125	-725
1962, Sept.	72,375	16,375	1,175	-200
1963, Sept.	73,700	15,700	1,325	-675
1964, Sept. p	74,250	15,400	550	-300

p-Preliminary, subject to revision.

Source: State of Louisiana Department of Labor, Division of Employment Security.

In the Baton Rouge area, the participation rate (the ratio of employment to population) declined moderately from 1950 to 1960 and appears to have been declining more rapidly since that period. In 1960 the ratio of non-agricultural wage and salary employment to total population was 30.11 percent; at the present time the ratio is estimated to be 28.57 percent.

From 1958 to 1963, as reflected in table I, manufacturing employment decreased by 3,500, or 18 percent, contrasted with a gain of 1,575, or almost three percent, in nonmanufacturing opportunities. The manufacturing loss was concentrated in the chemical and petroleum industries, which employ 14 percent of all wage and salary workers and 67 percent of those in manufacturing. Of the net decline of 3,600 manufacturing jobs, 3,275 were in the chemical and petroleum industries.

^{1/} Employment data for the period 1958-1964 are internally consistent; comparable data for prior years are not available.

In nonmanufacturing activities, table I indicates the largest decline of 1,800 in contract construction was more than offset by increases of 1,700 in the services industry group and 1,525 in government. Nonmanufacturing employment advanced 1,575 from 1958 to 1963.

During the past year, from September 1963 to September 1964, total wage and salary employment continued to increase, up 550 workers, but manufacturing jobs continued to decline, down 300, indicating an increase in nonmanufacturing wage and salary employment of 850 workers.

Unemployment

Unemployment averaged 3,875 a month in 1963, equal to 4.3 percent of the labor force. The 1963 ratio is the lowest since 1958, and represents a substantial improvement from the peak rate of seven percent in 1960. Comparison of the data for 1960 and 1963 shown in table I suggests that the change in the employment ratio was the result of increased employment coupled with a decline in the size of the work force and the number looking for work.

Future Employment Prospects

The over-all economic outlook suggests only modest expansion of non-agricultural wage and salary employment opportunities in the Baton Rouge HMA during the next year or two. It is assumed that nonagricultural employment opportunities will increase during the next two years at an average rate of approximately 500 per year, roughly comparable to the average rate during the past three years. Such a rate contrasts with the 1950-1960 average gain of 2,320 workers a year, as reported by the Census of Population.

The Mississippi River's minimum flow of 65 billion gallons of water and the transportation facilities which have attracted industry in the past may be expected to continue to draw plants to the banks of the Mississippi River. Announced plans for capital expenditures for construction of new plants, and expansion and modernization of existing plants, principally in the petro-chemical industrial complex, are impressive; but they are providing a relatively small number of new jobs because of increased automation in processes which have always provided a low ratio of labor requirements to capital investment. Significantly, employment is expected to stabilize at two of the major petro-chemical facilities in East Baton Rouge Parish, which have reduced employment one-half and one-third since 1958. Growth of employment along the banks of the Mississippi outside the HMA and expansion of the university and government employment are expected to continue to increase the demand for goods and services.

Family Income

As shown in the table below, the calculated current median annual money income, after deduction of Federal income tax, of all families in the Baton Rouge area is \$6,125.^{1/} About 18 percent of all families have current incomes in excess of \$10,000 a year; four percent make more than \$15,000 a year. The current median renter family income in the Baton Rouge area is currently about \$4,075, after deduction of Federal income tax.

Renter-family incomes have been projected to 1966, for use in considering the demand for rental housing which requires up to two years to complete. Renter-families are expected to have a median income of \$4,175 in 1966.

Estimated Distribution of Family Incomes After Tax Baton Rouge, Louisiana Area All Families, 1964; Renter Families, 1964 and 1966

<u>Annual income</u>	<u>All families</u>	<u>Renter families</u>	
	<u>1964</u>	<u>1964</u>	<u>1966</u>
Under \$3,000	19	33	32
\$3,000 - 3,999	10	16	15
4,000 - 4,999	10	14	14
5,000 - 5,999	10	11	11
6,000 - 6,999	10	8	9
7,000 - 7,999	10	6	6
8,000 - 8,999	8	4	4
9,000 - 9,999	5	3	3
10,000 - 14,999	14	4	5
15,000 and over	4	1	1
Total	100	100	100
Median income	\$6,125	\$4,075	\$4,175

Source: Estimated by Housing Market Analyst, based on 1959 income from U.S. Census of Population adjusted for underreporting of incomes, for increase in incomes since 1959, and for deduction of Federal income tax.

^{1/} Family income as used in this analysis represents annual money income after deduction of Federal income tax.

Demographic Factors

Population

Current Estimate. The population of the Baton Rouge HMA as of November 1, 1964 is approximately 259,800 persons, a net gain of about 21,100 persons (nine percent) since April 1, 1960. By comparison, the increase in the 1950-1960 decade amounted to 75,298 persons, or 46 percent. The substantial expansion of employment opportunities during the first three-fourths of the 1950-1960 period resulted in relatively high rates of population increase. During the ten-year period population increased by an average of 7,530 persons, or 4.6 percent a year. Since April 1960 the rate of gain has dropped to an estimated 4,600, or 1.9 percent, annually.

The trend of total population in the Baton Rouge HMA is indicated in the following table.

Trend in Population
Baton Rouge HMA, 1950-1964

<u>Year</u>	<u>Total population</u>		
	<u>Total number</u>	<u>Average annual change</u>	
		<u>Number</u>	<u>Percent</u>
April 1950	163,388	-	.-
April 1960	238,686	7,530	4.6
November 1964	259,800	4,605	1.9

Source: 1950 and 1960 Censuses of Population.
1964 estimated by the Housing Market Analyst.

Estimated Future Population. Based on the economic support of the Baton Rouge area, the outlook for employment opportunities, and the expected continued decline in the participation rate, the November 1, 1966 population of the Baton Rouge HMA will be approximately 269,200, a population growth of 4,700 persons a year during the two-year period.

Net Natural Increase and Migration. Net natural increase in East Baton Rouge Parish between 1950 and 1960 accounted for approximately 45,000 of the population increase during the decade, an average of 4,500 a year, and about 26,800, 2,680 a year, represented net in-migration into the Parish in response to increasing economic and employment opportunities.

Net natural increase data for Ward 2 of Livingston Parish are not available. From 1960 to the present time, there has been an average of 6,300 births and 1,600 deaths each year among residents of East Baton Rouge Parish, or an average net natural increase of 4,700 each year. When compared with the estimated population growth in the Parish a small net out-migration is revealed since April 1960. The small net out-migration since April 1960 contrasts sharply with an average net in-migration of 2,675 persons a year during the 1950-1960 period.

Households

Current Estimate. The number of households in the Baton Rouge HMA as of November 1, 1964 is approximately 69,500, a net annual increase of about 1,300 since April 1960. Between 1950 and 1960, households increased by an average of over 1,900 per year. As in the case of population, the increase in households since April 1960 has been at a sharply lower rate, both percentagewise and numerically, than during the 1950-1960 decade. The increase in households between 1950 and 1960 was due in part to a conceptual change from "dwelling unit" in the 1950 census to "housing unit" in 1960.

Estimated Future Households. Projected employment and population increases suggest that by November 1, 1966 the number of households in the Baton Rouge HMA will increase to approximately 72,000. This estimate reflects an annual average increase in households of 1,250 during the next two years as compared with the average of 1,300 since April 1, 1960, and 1,910 during the 1950-1960 decade.

Household Size Trends. The household population in the Baton Rouge HMA (155,797 in 1950 and 229,731 in 1960) averages 3.5 persons a household in 1950 and 3.6 in 1960. The average may be continuing to increase in some parts of the area, primarily in the suburbs. On balance, until better information is available, household size is assumed to have stabilized at 3.6 persons in the Baton Rouge HMA.

Housing Market Factors

Housing Supply

Past Trends. The housing inventory in the Baton Rouge HMA as of April 1, 1960 was reported by the U.S. Census of Housing at 68,561 units of all types, a net increase of approximately 21,150 units (45 percent) from April 1, 1950. The increase in the supply is the net result of new construction, conversions, demolitions, and changes in property use, and was partially influenced by a conceptual change by census in the definition of a dwelling unit.

Current Estimate. Since April 1, 1960 there has been an additional net increase of approximately 6,300 housing units. The net increase of 6,300 units resulted from approximately 8,800 units added through new construction, conversions, and other sources partially offset by almost 2,500 units lost through demolition, mergers, and other means. A net increase of 6,300 units since April 1, 1960 indicates an inventory of approximately 74,850 dwelling units as of November 1, 1964. The inventory increase averaged 1,370 a year from April 1, 1960 to November 1, 1964, sharply below the average of 2,115 units a year during the 1950-1960 decade.

Characteristics of the Inventory. The housing inventory in the Baton Rouge SMSA is composed predominantly of single-family houses, almost 90 percent of the total housing units being in single-family structures, as compared with 76 percent for all urban areas in Louisiana. A higher proportion is estimated for Ward 2 of Livingston Parish; including occupied trailers, 99 percent of the housing units in Denham Springs are single-family houses. Only about two percent of the housing inventory of the SMSA is in structures containing five units or more. The number of single-family detached houses in the area increased by 18,975 (53 percent) between April 1, 1950 and April 1, 1960, and units in structures containing five units or more increased by a net of only 250 units. During the period a net loss of almost 1,000 units in three- and four-family structures was reported.

Approximately eight percent of the current housing inventory of the Baton Rouge HMA is in structures built since April 1, 1960. Of all housing units in the Baton Rouge SMSA as of April 1, 1960, approximately 37 percent were built between January 1, 1950 and April 1, 1960. Of the owner-occupied units, approximately 47 percent were built during the 1950-1960 period. By contrast, 16 percent of the renter-occupied units were in structures built during the 1950-1960 period; approximately 46 percent were built in 1939 or earlier.

Largely because of the extensive building program, coupled with removals from the inventory, a substantial improvement has occurred in the quality of the housing inventory since April 1, 1950. The 1960 Census of Housing revealed that 89 percent of the nondilapidated housing inventory had all plumbing facilities as contrasted with a ratio of only 72 percent reported by the 1950 Census of Housing.

The median value of owner-occupied single-family houses in the Baton Rouge SMSA as of April 1, 1960 was \$13,400 as compared with \$12,200 for all urban areas in Louisiana. Approximately 41 percent were valued between \$7,500 and \$15,000, 17 percent at less than \$7,500, and 20 percent at \$20,000 or more. Virtually all (97 percent) of the FHA-acquired properties are in the \$8,000 to \$15,999 sales price range.

Fifty percent of all renter families were paying monthly gross rents of \$59 or less as of April 1, 1960. Only nine percent were paying \$100 or more a month; less than four percent were paying \$120 or more a month. Ninety percent of all units renting for \$120 or more were single-family houses.

Building Activity

Annual Volume. The volume of new residential construction by type of structure in the Baton Rouge HMA from January 1, 1958 through October 31, 1964, as evidenced by building permits issued, is indicated in the following table. The volume of new construction dropped sharply in 1960 and 1961 from the relatively high levels of 1958 and 1959, reflecting the decline in employment and the increase in unemployment. Since January 1962, an average of approximately 1,600 single-family houses a year have been completed in the HMA; a period when the FHA-acquired property inventory increased from less than 200 to more than 800 homes. Single-family authorizations during the January 1-October 31, 1964 period are at an annual rate of 1,675 houses.

Trend of Residential Construction by Type of Structure
in the Baton Rouge HMA, 1958-1964

Year	Type of structure			Total housing units
	One-family	2- to 4-family	5- or more family	
1958	2,534	- 100 -		2,634
1959	2,346	- 106 -		2,452
1960	1,674	30	139	1,843
1961 <u>a/</u>	1,536	32	232	1,800
1962	1,656	26	299	1,981
1963 <u>b/</u>	1,578	48	408	2,034
1964 <u>c/</u>	1,394	25	733	2,152

a/ Includes 121 public housing units in Baton Rouge.

b/ Includes 136 public housing units in Baton Rouge.

c/ January-October 1964.

Source: Department of Public Works, City of Baton Rouge and East Baton Rouge Parish, and U.S. Bureau of the Census, Construction Report C40.

As the table above indicates, a relatively small proportion of new construction during the past seven years has been in the multifamily category, less than 15 percent. However, the volume of multifamily construction is continuing to increase, and in 1964 represents 35 percent of total construction. Virtually all multifamily construction is occurring in the city of Baton Rouge. The build-up in the volume of multifamily units has resulted in a large number of apartment units currently under construction. A postal vacancy survey as of September 29-October 2, 1964 located approximately 360 multifamily units under construction. Permits were issued for an additional 275 units in October 1964. Based on investigation supplementing the above data, an estimated 750 units in multifamily structures were under construction or about to be started as of November 1, 1964.

The trend of residential construction by type of structure for the major segments of the Baton Rouge HMA is indicated in table II. Principally as a result of a large number of operative builders producing in what appears to be an unusually large number of widely scattered subdivisions throughout the HMA, a substantial proportion of single-family construction has occurred outside Baton Rouge City. About 22

percent of total single-family construction during the 1960-1963 period occurred in the city of Baton Rouge. During the January-October 1964 period, the city of Baton Rouge accounted for an increased proportion, 29 percent, of single-family construction started. The postal vacancy survey during the September 29-October 2, 1964 period revealed almost 400 single-family houses under construction in the HMA. It is estimated that 400 single-family houses are currently under construction.

Demolitions. Comparison of the year-built data from the 1960 census with the net change in the housing inventory of the Baton Rouge SMSA between April 1, 1950 and April 1, 1960 suggests that annually approximately 430 dwelling units were removed from the inventory during the 1950-1960 period. During the April 1, 1960-November 1, 1964 period an average of approximately 550 units annually were removed from the housing inventory; from November 1, 1964 to November 1, 1966 an average of 450 units may be removed each year. Rights-of-way for expressways accounted for an estimated 55 percent of demolitions during the 1960-1964 period, and it is expected that approximately two-thirds of the units to be removed during the 1964-1966 period will result from clearance of rights-of-way.

Tenure

As a result of the high proportion of single-family construction and the loss of multifamily units between 1950 and 1960, the proportion of owner-occupancy increased from 59 percent as of April 1, 1950 to 67 percent as of April 1, 1960. The increase has continued to about 69 percent as of November 1, 1964.

Occupied Housing Units by Tenure
Baton Rouge, Louisiana Area, 1950-1964

<u>Tenure and color</u>	<u>Occupied units</u>			<u>Change</u>	
	<u>April 1950</u>	<u>April 1960</u>	<u>November 1964</u>	<u>1950- 1960</u>	<u>1960- 1964</u>
All occupied units	<u>44,470</u>	<u>63,578</u>	<u>69,500</u>	<u>19,108</u>	<u>5,925</u>
Owner occupied	<u>26,054</u>	<u>42,606</u>	<u>48,000</u>	<u>16,552</u>	<u>5,400</u>
Renter occupied	<u>18,416</u>	<u>20,972</u>	<u>21,500</u>	<u>2,556</u>	<u>525</u>

Source: 1950 and 1960 Censuses of Housing.
1964 estimated by the Housing Market Analyst.

Vacancy

Last Census and Current Estimate. The number of nonseasonal, nondilapidated vacant units available for sale or rent increased more between April 1, 1950 and April 1, 1960 than the proportionate increase in the housing supply. Net vacancy, therefore, increased from 2.9 percent to 4.9 percent. Vacancies increased during the 1950-1960 decade in both sales and rental housing, as indicated in the following table which shows also the estimated vacancy level as of November 1964.

<u>Change in Level of Vacancies</u> <u>Baton Rouge HMA, 1950-1964</u>			
	<u>April</u> <u>1950</u>	<u>April</u> <u>1960</u>	<u>November</u> <u>1964</u>
All housing units	<u>47,376</u>	<u>68,561</u>	<u>74,850</u>
Owner occupied	26,054	42,606	48,000
Renter occupied	18,416	20,972	21,500
Total vacant units	2,906	4,983	5,350
Percent vacant (gross)	6.1	7.3	7.1
Vacant available for sale or rent	<u>1,377</u>	<u>3,379</u>	<u>3,700</u>
Percent vacant (net)	2.9	4.9	4.9
Vacant available for sale only	416	1,358	1,700
Homeowner vacancy rate (net)	1.6	3.1	3.4
Vacant available for rent	961	2,021	2,000
Rental vacancy rate (net)	5.0	8.8	8.5

Source: 1950 and 1960 from U.S. Census of Housing.
1964 estimated by Housing Market Analyst.

The above table indicates that from April 1, 1960 to November 1, 1964 the number of vacant nondilapidated, nonseasonal units available for sale or rent continued to increase (from 3,379 to 3,700), but as a proportion of the inventory the net vacancy rate was unchanged at 4.9 percent.

Based on the information available concerning the trend of population and households in the Baton Rouge HMA, the residential construction picture as shown in this analysis, and the postal vacancy survey and the subsequent quality check, it is estimated that as of November 1, 1964 there were 1,700 vacant houses for sale only in the HMA. As a result, the net homeowner vacancy rate increased from 3.1 percent as of April 1, 1960 to an estimated 3.4 percent as of November 1, 1964. The rental vacancy ratio is estimated to be about 8.5 percent as of November 1, 1964 as compared with the census rate of 8.8 percent as of April 1, 1960. It is judged that a balanced demand-supply relationship in an area with the growth characteristics of the Baton Rouge HMA would be reflected by a homeowner vacancy rate of not more than 1.5 percent and a rental vacancy rate of not more than 6.0 percent. Excluded in this calculation are about 300 vacant sales units and about 400 vacant rental units lacking some or all plumbing facilities.

Postal Vacancy Survey. In order to obtain a quantitative measurement of the single-family vacancy situation in the area, the postmasters in the Baton Rouge HMA at the request of FHA made a survey of vacant units in houses and apartments during the period from September 29 through October 2, 1964. The survey covered a total of about 69,100 dwelling units, about 92 percent of the estimated current inventory of 74,850 units in the HMA. The survey disclosed a vacancy ratio of 3.7 percent in residences and 8.5 percent in apartments. Because the definition of dwelling units as used in the postal vacancy survey differs from that used in the Census of Housing, the ratios are not directly comparable. Table III reveals the results of the vacancy survey in detail.

The Quality of Vacant Residences. The vacant residences found by the postal carriers were sampled in a quality check ^{1/} during the period from October 15 through 21, 1964. The sampling constituted 11 percent of the vacant residences reported. Application of the 11 percent quality check sample to the total of 2,284 vacant residences reveals that 42 percent (960 units) were qualitatively acceptable and available for sale. The remaining 58 percent (1,324 units) were either not available for sale or were qualitatively unacceptable. The reasons for non-availability and non-acceptability are indicated here for purposes of clarification. Units not available for sale were either for rent or had become occupied prior to the quality check or were unavailable for other reasons. The vacant units found to be unacceptable for sale were either in poor condition or were located in undesirable areas. A substantial proportion

^{1/} By the housing market analyst and other FHA personnel.

of the vacant residences found in undesirable areas were also in poor condition. Any vacant houses in flood areas were classified as unacceptable in the quality check survey.

The 960 vacant residences found to be qualitatively acceptable and available for sale are distributed by sales price ranges in the following table.

Qualitatively Acceptable Available Vacant Houses by Sales Price
Baton Rouge HMA, October 1, 1964

<u>Sales price</u>	<u>Number of houses</u>	<u>Percentage distribution</u>
Under \$8,000	30	3
\$8,000 - 9,999	230	24
10,000 - 11,999	120	12
12,000 - 13,999	210	22
14,000 - 15,999	120	13
16,000 - 17,999	95	10
18,000 - 19,999	10	1
20,000 - 24,999	35	4
25,000 and over	110	11
Total	960	100

Sales Market

General Market Conditions. Although the inventory of vacant houses for sale is excessive, informed local sources indicate that sales have increased recently in all price ranges and in most areas. Least in demand is housing in remote subdivisions scattered throughout the HMA. The FHA currently owns over 800 properties, of which 270 were rented as of August 31, 1964. The Veterans Administration owned almost 100 properties as of October 1, 1964, about half the number owned as of June 1, 1964.

An increase in the mortgage term to 35 years and other incentives have resulted in increased disposition of VA properties. During the past nine months FHA dispositions have increased also in Baton Rouge City and in most of the adjacent area, but acquisitions continue to exceed sales in Baker, Benham Springs, and in the Scotlandville area. The trend of the FHA inventory of acquired properties is indicated in the following table.

Trend in the FHA Inventory of Acquired Properties
Baton Rouge HMA

<u>Date</u>	<u>Baker</u>	<u>Baton Rouge</u>	<u>Scotland- ville</u>	<u>Denham Springs</u>	<u>Zachary</u>	<u>HMA Total</u>
Aug. 31, 1961	36	115		21	1	173
Aug. 31, 1962	86	268	a/	48	2	404
Aug. 31, 1963	179	379	60	84	6	708
Aug. 31, 1964	209	404	93	109	7	822
Sept. 30, 1964	217	401	94	107	5	824

a/ Not reported separately prior to 1963.

As shown in table IV, FHA and VA acquired properties are concentrated in the \$8,000 to \$14,000 price range. By comparison, an estimated 58 percent of all acceptable vacant sales houses are in the \$8,000 to \$14,000 price range.

The cost of home ownership in the Baton Rouge area has not changed materially in the past several years. According to the Baton Rouge Consumer Price Index, prepared by Louisiana State University, the cost of home ownership in August 1964 was at virtually the same level (100.1) as in the base period of 1957-1959.^{1/} The August 1964 level represented a decline of almost three points from the August 1960 level.

The number of home mortgages insured by FHA during the 1961-1964 period is shown in the following table.

Number of Home Mortgages Insured by FHA
Baton Rouge HMA, 1961-1964

<u>Period</u>	<u>East Baton Rouge Parish</u>		<u>Livingston Parish</u>	
	<u>Existing</u>	<u>New</u>	<u>Existing</u>	<u>New</u>
1961	430	427	54	42
1962	384	347	38	45
1963	288	222	19	1
1964 a/	197	74	5	-

a/ January 1 through June 30, 1964.

^{1/} The homeownership index is based on purchase price, mortgage interest, taxes, insurance, and maintenance and repairs.

The Rental Market

The oversupply of available vacancies in the rental inventory is less serious than the excess supply of sales housing. Primarily, rental vacancies are concentrated in poorly located units and in older structures lacking the amenities provided in projects recently constructed. Typically, new projects are garden apartments with air conditioning and swimming pools. Many of the new rentals are occupied by two or more college students. As a result, three-fourths of the units are furnished.

The postal vacancy survey found only 32 vacant new units in multifamily structures. The increased volume of new multifamily construction has been absorbed so far, but the number now under construction is up sharply. All new construction is conventionally financed. Conventional financing continues to be readily available to supply the needs of the market.

The cost of renting, as for home ownership, has changed only modestly in recent years. The Baton Rouge Consumer Price Index of rents was 105.6 as of August 1964, about the same as for the past three years, and up 2.6 points from August 1960.

Demand for Housing

Quantitative Demand

The expected increase in households during the 24-month period November 1, 1964 to November 1, 1966 will average 1,250 annually. There are, currently, approximately 750 acceptable vacant units in excess of the number estimated to represent an acceptable demand-supply relationship in the market, as reflected in a desirable net homeowner vacancy ratio of not more than 1.5 percent and a rental vacancy ratio of not more than 6.0 percent.

To allow for the absorption of the excess vacancies during the next two years, to replace anticipated net losses to the inventory resulting from demolitions, conversions, and catastrophies, to reflect the anticipated shift in tenure, and to allow for absorption of the large number of rental units now in the construction stage, an appropriate building volume for the next two-year period will approximate 1,150 units annually. Of that number, 850 will represent demand for sales houses and 300 will represent demand for rental units.

The suggested average construction volume of 850 sales houses annually during the next 24 months represents a sharp reduction from the average of 1,600 single-family houses authorized by building permits in the 1960-1963 period. During the January 1-October 31, 1964 period permits for single-family structures were issued at an annual rate of 1,675 units. A maintenance of recent rates of construction will continue to increase the high home-owner vacancy rate and will inhibit the disposition of required properties.

The estimated annual demand for 300 rental units during the next two years contrasts with approximately 750 rental units currently under construction. A significant reduction from 1964 in the volume of privately-financed rental housing construction is indicated. The continued production of rental properties in excess of demand will prevent the attainment of a more balanced demand-supply relationship.

Qualitative Demand

Sales Housing. Effective demand annually for new sales houses by sales price ranges approximates the following pattern.

Estimated Annual Demand for New Sales Houses by Sales Price
Baton Rouge HMA
November 1964-November 1966

<u>Sales price</u>	<u>Estimated annual demand</u>
\$12,000 - \$13,999	75
14,000 - 15,999	110
16,000 - 17,999	160
18,000 - 19,999	115
20,000 - 24,999	180
25,000 - 29,999	110
30,000 and over	<u>90</u>
Total	850

The distribution of demand by sales price is based on estimated current family incomes and on the proportion of income which families typically pay for housing, and allows for the absorption of the excess supply heavily concentrated in the price ranges under \$16,000.

Rental Demand. The monthly rentals at which privately-owned net additions to the aggregate rental housing inventory might best be absorbed by the rental market are indicated for various size units in the following table. Net additions in these rentals may be accomplished either by (1) new construction or rehabilitation at the specified rentals with or without public benefits or assistance through subsidy, tax abatement, or aid in financing or land acquisition, or (2) production of units at higher rentals which competitively effect a filtering of existing accommodations to the rentals specified.

Estimated Annual Demand for New Rental Units
by Monthly Gross Rent and by Unit Size
Baton Rouge, Louisiana Area
November 1964 to November 1966

<u>Monthly gross rent^{a/}</u>	<u>Size of unit</u>			
	<u>Eff.</u>	<u>1-BR</u>	<u>2-BR</u>	<u>3-BR</u>
\$90 and over	20	-	-	-
95 " "	15	120	-	-
100 " "	15	110	120	-
105 " "	10	95	110	40
110 " "	10	80	95	35
115 " "	5	65	80	35
120 " "	5	60	65	30
125 " "	-	55	60	25
130 " "	-	45	55	20
140 " "	-	30	40	15
150 " "	-	25	30	10
160 " "	-	15	20	10
180 " "	-	5	10	5

a/ Gross rent is shelter or contract rent plus the cost of utilities and services.

Note: The figures above are cumulative, i.e., the columns cannot be added vertically. For example, demand for one-bedroom units from \$95 to \$110 is 40 units (120 minus 80).

Table I

Estimated Civilian Work Force and Employment Trends
Baton Rouge, Louisiana, Area^{a/}, 1958-1964

Item	Average monthly employment						Sept.	Sept.
	1958	1959	1960	1961	1962	1963	1963	1964 p
Civilian work force	90,700	92,875	90,850	91,075	90,075	90,225	91,275	91,325
Unemployment	3,800	5,600	6,400	5,875	4,525	3,875	3,200	2,800
Percent of labor force	4.2%	6.0%	7.0%	6.5%	5.0%	4.3%	3.5%	3.1%
Agricultural employment	1,400	1,500	1,400	1,350	1,275	1,250	1,300	1,250
Nonagricultural wage and salary	74,000	71,875	71,550	71,000	71,425	72,075	73,700	74,250
Manufacturing	19,300	18,050	17,400	16,700	16,300	15,800	15,700	15,400
Food and kindred products	1,800	1,750	1,750	1,700	1,750	1,725	1,750	1,775
Lumber and wood products	500	400	325	325	325	275	275	225
Printing and publishing	700	750	800	825	850	875	875	900
Chemicals and petroleum prods.	13,900	12,575	12,150	11,575	11,075	10,625	10,425	10,300
Stone, clay and glass prods.	1,000	975	850	775	750	725	750	700
Fabricated metal prods.	900	1,025	900	800	725	725	800	800
Other goods	500	575	625	700	825	850	825	700
Nonmanufacturing	54,700	53,825	54,150	54,300	55,125	56,275	58,000	58,850
Crude petrol. prods. and mining	400	425	350	300	300	250	250	250
Contract construction	8,700	7,875	7,200	6,450	6,750	6,900	7,825	7,175
Trans., comm. and utilities	4,600	4,575	4,500	4,350	4,400	4,300	4,275	4,350
Wholesale and retail trade	15,200	15,225	15,325	14,850	14,950	15,400	15,500	15,800
Finance, ins. and real estate	3,300	3,450	3,575	3,550	3,700	3,700	3,725	3,775
Services	7,700	8,125	8,475	8,825	9,150	9,400	9,700	10,000
Government	14,800	14,150	14,725	15,975	15,875	16,325	16,725	17,500
Other nonagricul. employment ^{b/}	11,500	13,900	11,500	12,850	12,850	12,875	12,950	12,950

^{a/} Baton Rouge labor market area includes East Baton Rouge Parish.

^{b/} Includes nonagricultural self-employed, unpaid family workers, and domestics in private households.

p-Preliminary, subject to revision.

Source: State of Louisiana, Department of Labor, Division of Employment Security.

Table II

Trend of Residential Construction by Type of Structure
by Major Segments of the Baton Rouge, Louisiana Area, 1956-1964

<u>Year</u>	<u>City of Baton Rouge</u>		<u>East Baton Rouge Parish</u>		<u>Baker</u>	<u>Zachary</u>	<u>Denham Springs</u>
	<u>One- family</u>	<u>Two- or more- family</u>	<u>One- family</u>	<u>Two- or more- family</u>	<u>One- family</u>	<u>One- family</u>	<u>One- family</u>
1956	753	36	1,051	12	<u>a/</u>	<u>a/</u>	<u>a/</u>
1957	639	40	1,366	4	<u>a/</u>	<u>a/</u>	<u>a/</u>
1958	532	86	2,002	14	<u>a/</u>	<u>a/</u>	<u>a/</u>
1959	347	84	1,999	22	<u>a/</u>	<u>a/</u>	<u>a/</u>
1960	350	161	1,075	8	171	35	43
1961	310	264 <u>b/</u>	1,021	-	120	47	38
1962	377	313	1,140	10	78	40	23
1963	363	456 <u>c/</u>	1,136	-	33	27	19
1964 <u>d/</u>	404	753	932	5	31	15	12

b/ Includes 121 public housing units.

c/ Includes 136 public housing units.

d/ January-October 1964.

a/ Permits not available prior to 1960 for Baker, Zachary, and Denham Springs.

Source: Department of Public Works, City of Baton Rouge and East Baton Rouge Parish, and U.S. Bureau of the Census, Construction Report C40.

Table III

BATON ROUGE, LOUISIANA AREA POSTAL VACANCY SURVEY

SEPTEMBER 29 - OCTOBER 2, 1964

Postal Area	TOTAL RESIDENCES AND APARTMENTS						RESIDENCES						APARTMENTS						HOUSE TRAILERS		
	Total Possible Deliveries	Vacant Units				Under Const.	Total Possible Deliveries	Vacant Units				Under Const.	Total Possible Deliveries	Vacant Units				Under Const.	Total Possible Deliveries	Vacant	
		All	%	Used	New			All	%	Used	New			All	%	Used	New			No.	%
The Survey Area Total	69,092	2,887	4.2	2,568	319	696	61,986	2,284	3.7	1,997	287	337	7,106	603	8.5	571	32	359	481	-	-
Baton Rouge	61,200	2,377	3.9	2,075	302	651	54,109	1,784	3.3	1,514	270	292	7,091	593	8.4	561	32	359	424	-	-
Main Office	17,782	607	3.4	599	8	88	13,997	350	2.5	347	3	10	3,785	257	6.8	252	5	78	62	-	-
Branch: Scotlandville	6,486	300	4.6	284	16	32	6,301	276	4.4	260	16	32	185	24	13.0	24	-	-	90	-	-
Stations: Audubon	7,140	187	2.6	184	3	290	5,947	127	2.1	124	3	9	1,193	60	5.0	60	-	281	-	-	-
Broadview	6,611	355	5.4	170	185	119	6,529	328	5.2	162	166	119	82	27	32.9	8	19	-	41	-	-
Istrouma	14,242	735	5.2	697	38	46	12,806	533	4.2	495	38	46	1,436	202	14.1	202	-	-	212	-	-
Southeast	8,939	193	2.2	141	52	76	8,529	170	2.0	126	44	76	410	23	5.6	15	8	-	19	-	-
Suburban Area	7,892	510	6.5	493	17	45	7,877	500	6.4	483	17	45	15	10	66.7	10	-	-	57	-	-
Baker	2,289	229	10.0	217	12	-	2,289	229	10.0	217	12	-	-	-	-	-	-	-	10	-	-
Denham Springs	3,832	210	5.5	207	3	30	3,821	203	5.3	200	3	30	11	7	63.6	7	-	-	47	-	-
Zachary	1,771	71	4.0	69	2	15	1,767	68	3.8	66	2	15	4	3	75.0	3	-	-	-	-	-

The survey covers dwelling units in residences, apartments, and house trailers, including military, institutional, and public housing units and units used only seasonally. The survey does not cover stores, offices, commercial hotels and motels, or dormitories; nor does it cover boarded-up residences or apartments that are not intended for occupancy.

The definitions of "residence" and "apartment" are those of the Post Office Department, i.e.: a residence represents one possible stop with one possible delivery on a carrier's route; an apartment represents one possible stop with more than one possible delivery.

Source: FHA Postal Vacancy Survey conducted by cooperating postmasters.

Table IV

FHA and VA-Acquired Home Properties by Sales Price
by Major Segments of the Baton Rouge Area
as of October 1, 1964

<u>Sales price</u>	<u>FHA nroperities</u>				<u>VA properties</u>			
	<u>Baker</u>	<u>Denham Springs</u>	<u>Baton Rouge</u>	<u>Total</u>	<u>Baker</u>	<u>Denham Springs</u>	<u>Baton Rouge</u>	<u>Total</u>
Under \$8,000	3	1	1	5	-	1	-	1
\$8,000 - 9,999	18	24	37	79	1	2	3	6
10,000 -11,999	63	23	22	108	23	12	10	45
12,000 -13,999	73	18	20	111	10	8	6	24
14,000 -15,999	18	5	16	39	4	3	7	14
16,000 -17,999	-	-	4	4	1	2	1	4
18,000 -19,999	-	-	1	1	-	-	1	1
20,000 -22,999	-	-	-	-	-	-	1	1
Total	175	71	101	347	39	28	29	96

Source: Summary prepared by Housing Market Analyst from acquired properties listed for sale by the New Orleans FHA Insuring Office and the Veterans Administration.