C O M P R E H E N S I V E   H O U S I N G   M A R K E T   A N A L Y S I S

New Orleans, Louisiana

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of April 1, 2011

PD&R

Housing Market Area

The New Orleans Housing Market Area (HMA) is located near the mouth of the Mississippi River in southeastern Louisiana. The HMA is coterminous with the New Orleans Core Based Statistical Area and comprises seven parishes—Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, St. John the Baptist, and St. Tammany. For purposes of this analysis, the HMA is divided into three submarkets—Jefferson Parish; Orleans Parish, which is coterminous with the city of New Orleans; and the Remainder, which comprises the remaining parishes. Demographic, employment, and housing data for the HMA appear in Table DP-1 at the end of this report.

Summary

Economy

The economy of the New Orleans HMA has struggled to recover from the recent national recession as well as the effects of Hurricane Katrina in 2005 and the Deepwater Horizon oil spill in 2010. Nonfarm payrolls during the 12 months ending March 2011 averaged 520,700 jobs, up by 0.3 percent compared with a year earlier but still representing only 85 percent of the pre-Hurricane Katrina payroll level.

Sales Market

Repaired and rebuilt homes reentering the sales market, job declines, and moderating population growth during the past 2 years have contributed to soft home sales market conditions throughout the HMA. During the 3-year forecast period, home sales market conditions are expected to improve moderately. Demand is forecast for 8,300 new market-rate sales homes during the next 3 years, as illustrated in Table 1. A portion of the estimated 45,000 other vacant units in the HMA will likely satisfy part of the forecast sales demand.

Rental Market

Rental market conditions in the HMA have fluctuated greatly since 2005, following the destruction brought by Hurricane Katrina, due to swings in both demand and available supply. Currently, rental market conditions are soft but have improved compared with a year earlier. The rental vacancy rate is currently an estimated 12.8 percent, down from 14.4 percent a year earlier. Demand for new rental units is not expected in the Jefferson Parish and Orleans Parish submarkets during the forecast period because of the current supply of vacant available units for rent. Units in the pipeline will likely satisfy the demand for 100 units in the Remainder submarket (see Table 1).

Market Details

Table 1. Housing Demand in the New Orleans HMA, 3-Year Forecast, April 1, 2011 to April 1, 2014

	New Orleans HMA		Jefferson Parish Submarket		Orleans Parish Submarket		Remainder Submarket	
	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units	Sales Units	Rental Units
Total Demand	8,300	100	0	0	4,700	0	3,600	100
Under Construction	730	1,600	100	100	330	1,200	300	300

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. For submarkets where total demand equals 0, the available units for rent or sale in that submarket are more than sufficient to satisfy gross demand for the next 3 years and may satisfy a portion of demand in neighboring submarkets. Units under construction as of April 1, 2011. A portion of the estimated 45,000 other vacant units in the HMA will likely satisfy some of the forecast demand.

Source: Estimates by analyst

Economic Conditions

The effects of Hurricane Katrina on the local economy of the New Orleans HMA were unprecedented in many respects. Nonfarm payrolls for the 12 months ending July 2005, before Hurricane Katrina made landfall, averaged 611,900 jobs. In 12 months' time, however, at the end of June 2006, payrolls had declined by 138,100 jobs, or 23 percent. Economic recovery in the HMA, fueled by more than $100 billion in government investment, began in earnest in mid-2007 and continued until mid-2009. During this period, nonfarm payrolls increased by an average of 2.4 percent annually to reach 523,500 jobs, or about 85 percent of the pre-Hurricane Katrina figure. Although rebuilding-related hiring buffered the local economy from the brunt of the effects of the recent national recession, jobs began declining by mid-2009, and only since January 2011 have economic conditions shown signs of improvement.

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

	12 Months Ending March 2010	12 Months Ending March 2011	Percent Change
Total Nonfarm Payroll Jobs	519,000	520,700	0.3
Goods Producing	72,750	69,500	– 4.4
Mining, Logging, & Construction	39,050	37,600	– 3.6
Manufacturing	33,700	31,900	– 5.4
Service Providing	446,300	451,200	1.1
Wholesale & Retail Trade	80,100	78,850	– 1.6
Transportation & Utilities	23,600	24,250	2.7
Information	6,600	8,100	22.9
Financial Activities	26,000	25,800	– 0.8
Professional & Business Services	66,950	67,850	1.4
Education & Health Services	73,200	75,200	2.8
Leisure & Hospitality	67,750	70,700	4.3
Other Services	19,100	18,750	– 1.9
Government	82,950	81,650	– 1.6

Notes: Based on 12-month averages through March 2010 and March 2011. Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

During the 12 months ending March 2011, nonfarm payrolls increased by 1,700 jobs, or 0.3 percent, to 520,700. The leisure and hospitality sector led growth, increasing by 2,950 jobs, or 4.3 percent, because of the resurgence in the local tourism industry. According to the New Orleans Convention and Visitors Bureau, 8.3 million visitors spent $5.3 billion in 2010, up from $4.2 billion spent in 2009. Hiring also increased in the education and health services sector, which recorded a gain of 2,000 jobs, or 2.8 percent, during the 12 months ending March 2011 (see Table 2). Job growth is expected to continue in this sector because of hiring stemming from the opening of several new hospitals. Construction began in the spring of 2010 at the Veterans Affairs Medical Center (VAMC) near downtown New Orleans. The project, estimated at $1 billion, is slated to be completed by the fall of 2013. A staff of 350 full-time workers is expected to be employed at VAMC after completion. A groundbreaking ceremony at the site of the new University Medical Center (UMC), located next to VAMC, occurred in April 2011. Completion of the $1.2 billion project is anticipated in late 2015; after completion, UMC will employ an estimated 6,000 workers. The two leading employers in the HMA are located within the education and health services sector—Ochsner Health System, with 12,500 employees, and Louisiana State University Health Sciences Center of New Orleans, with 5,000 workers (see Table 3). During the 12 months ending March 2011, a growing motion picture and video industry contributed to job gains in the information sector, which increased by 1,500 jobs, or 22.9 percent. According to the New Orleans Mayor's Office of Cultural Economy, 35 feature movies and television series combined were filmed in the city of New Orleans during 2010. Reflecting strong job growth in the information sector, the HMA was recently listed by Forbes magazine as the top-ranked city for jobs related to the information sector.

Partially offsetting job gains during the 12 months ending March 2011, the manufacturing sector declined by 1,800 jobs, or 5.4 percent, due in part to layoffs at Northrop Grumman Corporation, the HMA's third leading employer. More than 200 workers were laid off in October 2010 due to the discontinuation of shipbuilding operations at the Northrop Grumman Ship Systems' Avondale Operations; a total of 5,000 jobs will be cut by 2013, and the closure is expected to result in the loss of an estimated 6,500 indirect jobs as well. In addition, 900 assembly workers have been laid off since January 2010 at NASA's Michoud Assembly Facility, matching the number of jobs cut at the facility in 2009. During the 12 months ending March 2011, payrolls in the mining, logging, and construction sector declined by 1,450 jobs, or 3.6 percent, due in part to a diminished number of active recovery-related construction projects. Other factors that affected the sector during the past 12 months included the Deepwater Horizon oil spill in the Gulf of Mexico and the subsequent drilling moratorium. Employment in the government sector decreased by 1,300 positions, or 1.6 percent, during the 12 months ending March 2011 entirely due to a fall in state government job totals. Job declines in this sector are expected to continue due to proposed state budget cuts that will result in an expected statewide reduction of 15,000 jobs during the next 3 years. A decline in consumer confidence and consequent decreased spending, two apparent ramifications of the recent recession,

Table 3. Major Employers in the New Orleans HMA

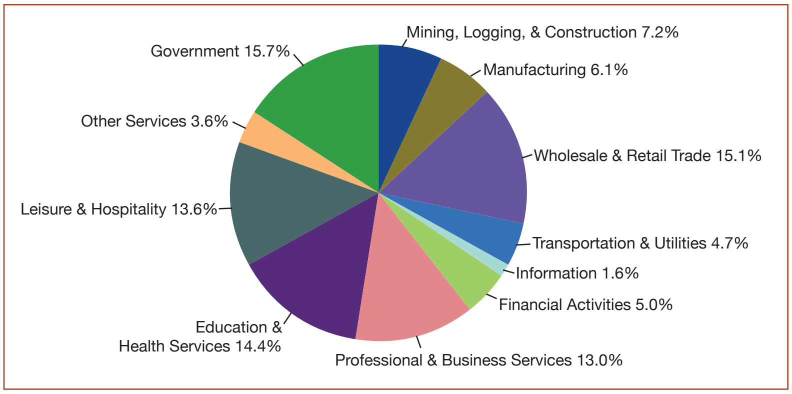
Name of Employer	Nonfarm Payroll Sector	Number of Employees
Ochsner Health System	Education & Health Services	12,500
Louisiana State University Health Sciences Center	Education & Health Services	5,000
Northrop Grumman Ship Systems	Manufacturing	4,600
Tulane University	Education & Health Services	4,400
University of New Orleans	Education & Health Services	3,100
United States Postal Service	Government	2,900
Acme Truck Line, Inc.	Transportation	2,500
Al Copeland Investments, Inc.	Leisure & Hospitality	2,500
Caesars Entertainment, Inc.	Leisure & Hospitality	2,400
Lockheed Martin Space Systems Company—Michoud Operations	Manufacturing	2,000

Note: Updated by analyst.

Source: Greater New Orleans, Inc.

resulted in a decline of 1,250 jobs, or 1.6 percent, in the trade sector during the 12 months ending March 2011. Figure 1 shows the number of current nonfarm payroll jobs by sector, and Figure 2 shows the percentage change in nonfarm payrolls, by sector, from 2000 to current. The 12-month average unemployment rate is currently 7.6 percent, up from 6.8 percent a year earlier. Figure 3 shows trends in labor force, resident employment, and unemployment rate since 2000.

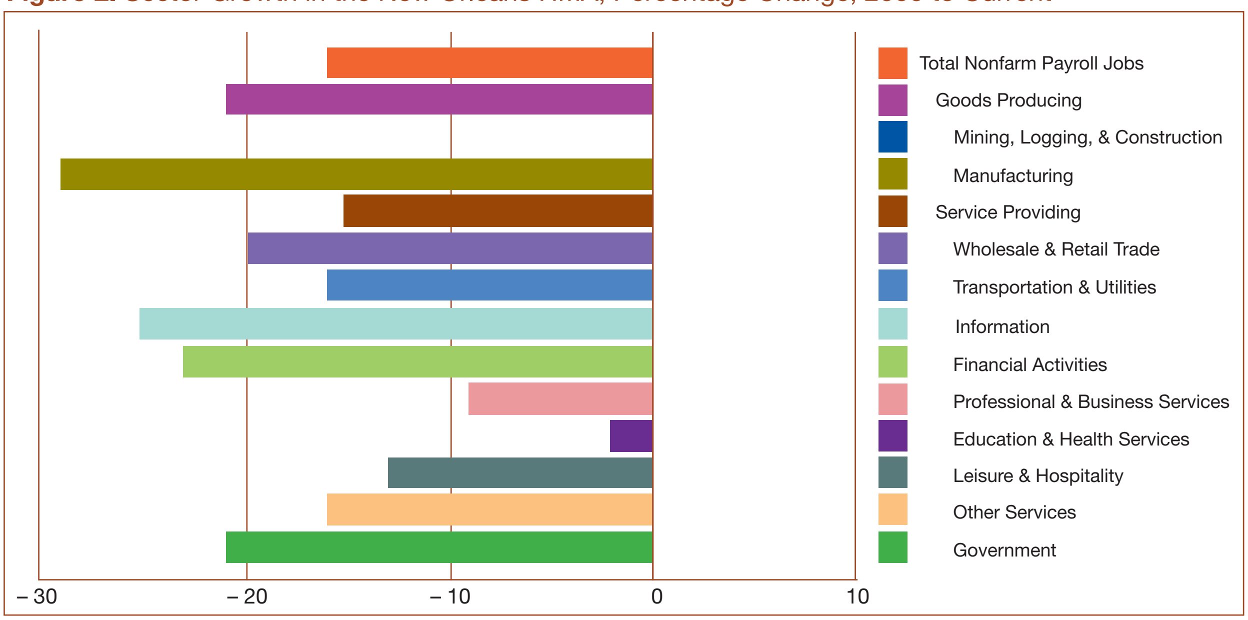
Figure 1. Current Nonfarm Payroll Jobs in the New Orleans HMA, by Sector



Note: Based on 12-month averages through March 2011.

Source: U.S. Bureau of Labor Statistics

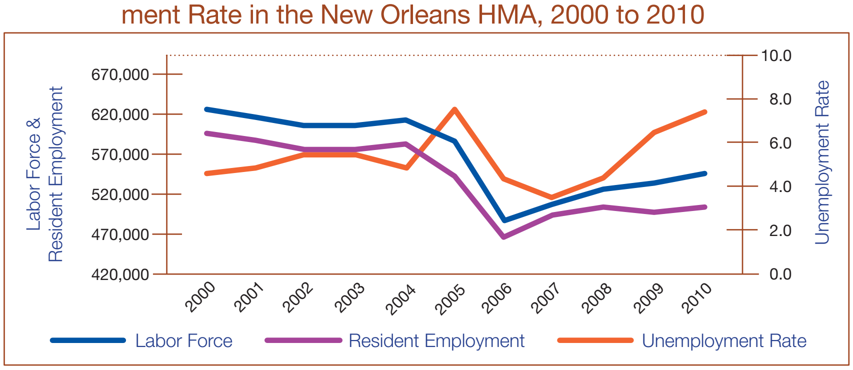
Figure 2. Sector Growth in the New Orleans HMA, Percentage Change, 2000 to Current



Note: Current is based on 12-month averages through March 2011.

Source: U.S. Bureau of Labor Statistics

Figure 3. Trends in Labor Force, Resident Employment, and Unemployment Rate in the New Orleans HMA, 2000 to 2010



Source: U.S. Bureau of Labor Statistics

During the next 3 years, nonfarm payrolls are expected to increase by an average of almost 1.2 percent annually. The leisure and hospitality and the education and health services sectors are expected to lead job growth.

Population and Households

Hurricane Katrina caused significant damage to the New Orleans HMA—an estimated 230,000 housing units were seriously damaged or destroyed, and 400,000 residents were displaced. More than 5 years later, the recovery from this widespread destruction is still ongoing.

The current population of the HMA is estimated at almost 1.2 million, representing an average decline of 12,000, or 1 percent, annually since 2000. Between April 2000 and July 2005, the population declined by an average of 580 annually due to net out-migration, which averaged more than 6,800 people a year. The most significant population decrease occurred in the Orleans Parish submarket, which lost an average of 5,600 people, or 1.2 percent of the population, annually. The populations of Jefferson and St. Bernard Parishes in the Remainder submarket declined as well, with average decreases of 0.2 and 0.7 percent a year, respectively. In contrast, the population of St. Tammany Parish in the Remainder submarket grew by an average of almost 5,000 annually, or 2.5 percent, primarily the result of an influx of homebuyers from other parishes in the HMA.

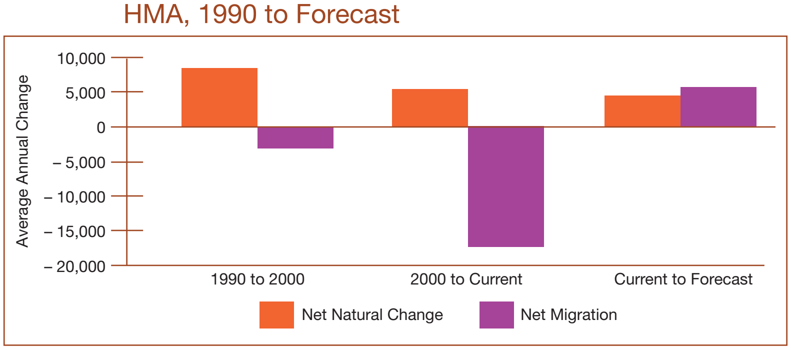
By July 2006, the population of the HMA had fallen by an estimated 325,000, or 25 percent, to an estimated 987,500. The most significant population declines from July 2005 to July 2006 occurred in the Orleans Parish submarket and St. Bernard Parish in the Remainder submarket, where damage to homes and businesses were greatest—the Orleans Parish submarket population declined by 50 percent and the St. Bernard Parish population declined by 75 percent. Damage to residents' homes in portions of the Jefferson Parish submarket resulted in 7 percent of the population relocating outside the parish. Although homes were also damaged in portions of St. Tammany Parish in the Remainder submarket, the effects were localized in the southern and eastern sections of the parish, and an influx of displaced residents from the Orleans Parish submarket and St. Bernard Parish who migrated to unaffected portions of the parish contributed to a 3-percent increase in population. Properties in Plaquemines Parish in the Remainder submarket also sustained damage as a result of Hurricane Katrina, causing the population to decline by 25 percent. St. Charles and St. John the Baptist Parishes in the Remainder submarket were the least affected by Hurricane Katrina and recorded population growths of 3 and 5 percent, respectively.

Since July 2006, a considerable rebuilding effort has occurred throughout the HMA. The repair and replacement of homes, businesses, infrastructure, schools, and hospitals have prompted many displaced residents to return to the HMA, resulting in a population increase averaging 42,400, or 4 percent, annually and a return to 90 percent of the pre-Hurricane Katrina population level as of the current date. Gains in population during this period were greatest in the Orleans Parish submarket and in St. Bernard Parish in the Remainder submarket, where the most residents were displaced and, consequently, the greatest recovery efforts occurred. As of the current date, the Orleans Parish submarket population is estimated at 353,100, up more than 10 percent since July 2006 but representing less than 80 percent of the estimated pre-Hurricane Katrina population. The population of the Jefferson Parish submarket grew modestly since July 2006, increasing by an average of only 0.6 percent annually to 432,400, or 95 percent of the pre-Hurricane Katrina level. In the Remainder submarket, the population increased by an average of 2.4 percent annually since July 2006 to reach an April 1, 2011 level of 398,700; the most significant change transpired in St. Bernard Parish, where the population increased an average of 25 percent annually. The population of the Remainder submarket has nearly returned to the pre-Hurricane Katrina level.

During the next 3 years, the population of the HMA is expected to increase by an average of almost 10,000, or 0.8 percent, annually, with net in-migration accounting for 60 percent of growth (see Figure 4). With displaced residents returning to the Orleans Parish submarket and recovery-related projects waning, the population growth in the Jefferson Parish submarket is expected to return to pre-Hurricane Katrina trends, resulting in an average decline of 0.2 percent annually during the forecast period. In the Orleans Parish submarket, the population is expected to grow by an average of 1.9 percent annually, due to continued, although moderate, in-migration stemming from the return of displaced residents. The population in the Remainder submarket is expected to increase by an estimated 0.9 percent annually during the forecast period, primarily because rebuilding efforts in St. Bernard Parish are encouraging displaced residents to return.

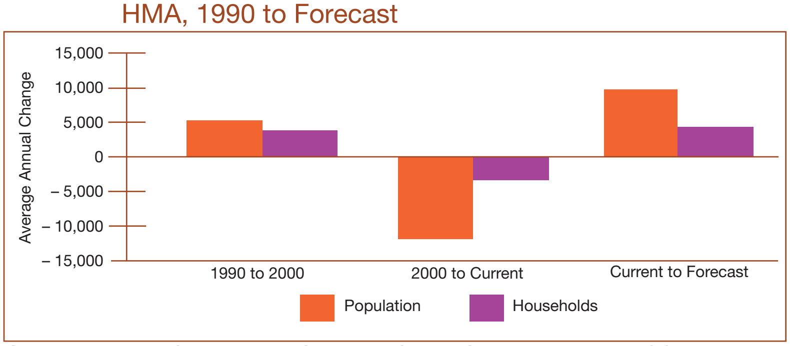
The number of households in the New Orleans HMA also declined since 2000, but at a slower pace than that of the population. The estimated number of households currently in the HMA is 460,400, indicating an average decrease of 0.7 percent annually compared with the number of households recorded in 2000 and representing slightly fewer than 90 percent of the estimated pre-Hurricane Katrina households. Immediately following the Hurricane Katrina disaster, from 2005 through 2007, the percentage decline in the number of households outpaced population loss because displaced residents temporarily shared homes with friends or relatives, particularly in the Orleans Parish submarket. According to the American Housing Survey for the New Orleans Metropolitan Area: 2009, more than 300,000 households were temporarily forced to reside elsewhere due to damage caused by Hurricane Katrina. During the past 2 years, however, efforts to rebuild homes have negated much of the need for household "doubling," and the change in the number of households has stabilized relative to changes in population. Figure 5 shows

Figure 4. Components of Population Change in the New Orleans HMA, 1990 to Forecast



Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

Figure 5. Population and Household Growth in the New Orleans HMA, 1990 to Forecast



Sources: 1990 and 2000—1990 Census and 2000 Census; current and forecast—estimates by analyst

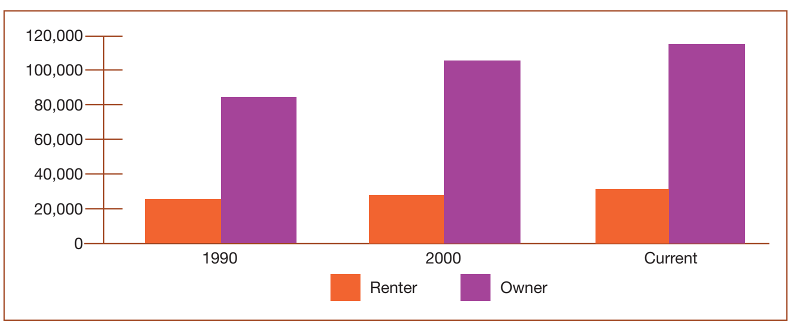
Figure 6. Number of Households by Tenure in the Jefferson Parish Submarket, 1990 to Current

Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Figure 7. Number of Households by Tenure in the Orleans Parish Submarket, 1990 to Current

Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

Figure 8. Number of Households by Tenure in the Remainder Submarket, 1990 to Current



Sources: 1990 and 2000—1990 Census and 2000 Census; current—estimates by analyst

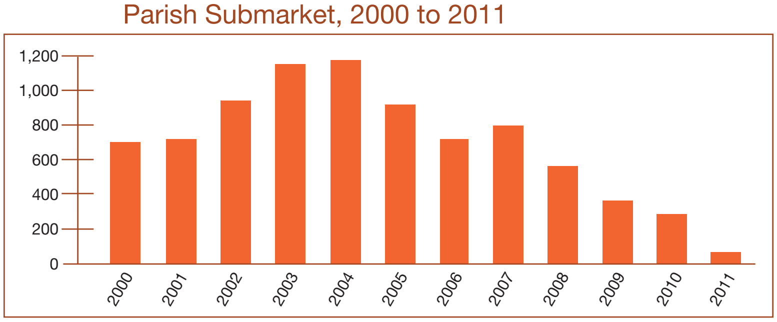
population and household growth in the HMA from 1990 to the end of the forecast period.

During the forecast period, the number of households is expected to increase in the HMA by an average of 4,175 households, or 0.9 percent, annually with growth primarily in the Orleans Parish submarket, where the number of households is forecast to increase by 3,075, or 2.1 percent, annually. In the Jefferson Parish submarket, the number of households is expected to decrease slightly, by an average of 230 households, or 0.1 percent, annually. The number of households in the Remainder submarket is expected to increase by 1,300 households, or 0.9 percent, due in part to the rebuilding efforts in St. Bernard Parish, drawing both new and displaced residents. Figures 6, 7, and 8 show the number of households by tenure in the three submarkets.

Sales Market—Jefferson Parish Submarket

Hurricane Katrina damaged more than 55,000 homes in the Jefferson Parish submarket, more than one-half of the existing occupied inventory, according to parish officials. Since then, nearly all these homes have been repaired, in part, as a result of numerous government-sponsored programs, including The Road Home, a federally funded program. According to the State of Louisiana Office of Community Development, homeowners have completed repairs on 25,000 homes with The Road Home funds totaling more than $1.3 billion during the past 5 years. Post-Hurricane Katrina home sales peaked in 2006 with 9,600 new and existing homes sold, primarily because of demand stemming from in-migration of displaced residents from the Orleans Parish submarket and St. Bernard Parish in the Remainder submarket. Since then, home sales have steadily declined as rebuilding efforts throughout the HMA have gained momentum. Resurgence in sales prompted by state and federal homebuyer's tax credits occurred in the fall of 2009 and again in the spring of 2010, resulting in year-over-year gains in annual sales totals beginning in March 2010 and continuing through September 2010.

Figure 9. Single-Family Building Permits Issued in the Jefferson Parish Submarket, 2000 to 2011



Notes: Includes only single-family units. Includes data through March 2011.
Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Currently, home sales market conditions in the Jefferson Parish submarket are soft, with an estimated owner vacancy rate of 2.9 percent. According to Hanley Wood, LLC, the total number of new and existing homes sold during the 12-month period ending March 2011 declined by nearly 4 percent compared with the same period a year earlier to 3,950 homes. Similarly, the average price for a home in the Jefferson Parish submarket decreased by $2,800, or almost 2 percent, to $168,900. Affecting both the number of homes sold and the average price is the number of distressed mortgages. According to LPS Applied Analytics, more than 8.7 percent of mortgages were either 90 days or more delinquent, in foreclosure, or in REO (Real Estate Owned) as of March 2011 compared with about 6.9 percent statewide and 8.1 percent nationally. The current rate is down from 9.3 percent in March 2010. REO sales increased by more than 30 percent during the past 12 months to almost 1,000 homes, or about one-fourth of all homes sold.

Reflecting soft home sales market conditions, new construction of single-family homes, as measured by the number of single-family homes permitted, declined to less than 200 homes during the 12 months ending March 2011, or about one-half the number permitted a year earlier and less than one-fifth the average number of homes permitted annually during the pre-Hurricane Katrina peak years of 2003 and 2004. Figure 9 shows single-family building permits issued in the Jefferson Parish submarket.

Demand for additional market-rate sales units is not expected during the 3-year forecast period due to an expected decline in the number of owner households and an estimated 3,250 vacant homes currently available for sale. Table DP-2 at the end of this report shows the data profile for the Jefferson Parish submarket.

Rental Market—Jefferson Parish Submarket

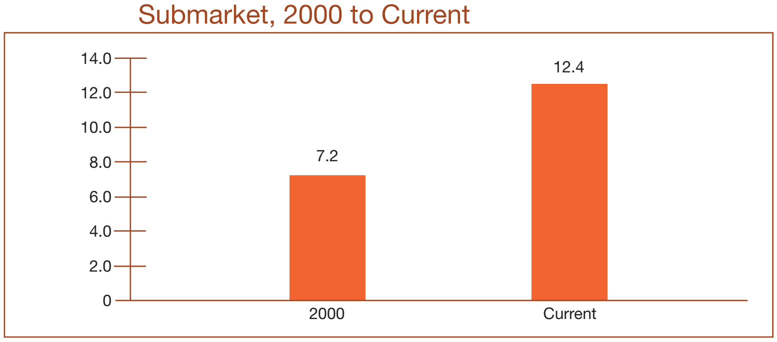
Rental market conditions in the Jefferson Parish submarket remain soft compared with conditions a year earlier, with a current estimated rental vacancy rate of 12.4 percent compared with 13 percent in April 2010. Based on a recent survey conducted by Reis, Inc., the apartment vacancy rate during the first quarter of 2011 was 8.5 percent, improved compared with a vacancy rate of 10.1 percent a year earlier. The average effective rent (market rent less concessions) remained unchanged during the same period at $775. Figure 10 shows rental vacancy rates in the Jefferson Parish submarket.

Rental market conditions have fluctuated greatly during the period since Hurricane Katrina made landfall. Due to an estimated 12,000 apartment units that sustained damage and an influx of displaced residents and recovery-related workers, rental market conditions tightened significantly, with market-rate apartment occupancy levels nearing 100 percent and rents increasing by 20 percent within a 2-month period after Hurricane Katrina came ashore, according to The University of New Orleans Real Estate Research Center. The construction of new rental supply, primarily in other submarkets within the HMA, and the repair of existing apartments and small rental properties (rental properties with one to four units) coming back on line contributed to soft rental market conditions during the past 2 years. Small rental properties are estimated to make up more than one-half of the total rental inventory in the Jefferson Parish submarket.

The construction of new market-rate apartment units during the post-Hurricane Katrina period has not significantly affected rental supply. Apartment construction, as measured by the number of multifamily permits issued, totaled only 100 units during the 12 months ending March 2011 compared with 75 multifamily units permitted during the same period a year earlier. Since 2000, fewer than 1,700 multifamily units, including 150 condominium sales units, have been permitted. The number of multifamily units permitted in the Jefferson Parish submarket since 2000 appear in Figure 11.

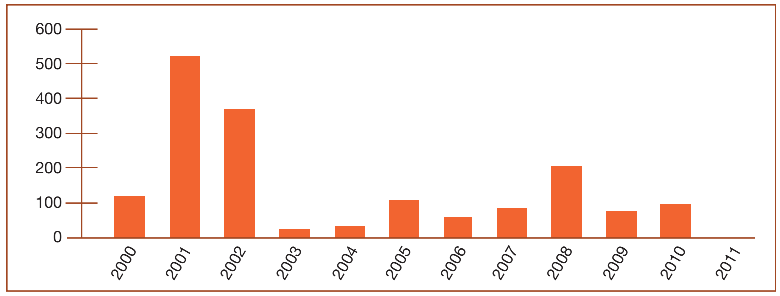
Demand for additional market-rate rental units is not expected during the 3-year forecast period due to an expected decline in the number of renter households and to an estimated 4,400 excess vacant rental units currently available.

Figure 10. Rental Vacancy Rates in the Jefferson Parish Submarket, 2000 to Current



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

Figure 11. Multifamily Building Permits Issued in the Jefferson Parish Submarket, 2000 to 2011



Notes: Includes all multifamily units in structures with two or more units. Includes data through March 2011.

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

Sales Market—Orleans Parish Submarket

The home sales market in the Orleans Parish submarket has not entirely recovered from the effects of Hurricane Katrina, although great strides have been made. Homeowners have either repaired or rebuilt an estimated 42,000 homes using $3.7 billion in funds from The Road Home program, and repairs to another 5,000 homes are expected to be completed during the next year. An estimated 40,000 homes remain uninhabitable and abandoned, however, despite the issuance of more than 20,000 home demolition permits during the past 5 years. Toward that end, officials in the city of New Orleans have slated 10,000 homes for demolition during the next 3 years in an effort to rid the city of blight. Also, the New Orleans Redevelopment Authority (NORA), which acquired approximately 5,000 damaged homes from the state of Louisiana as part of The Road Home program, has implemented a strategy of stabilizing local sales market conditions by addressing neighborhood-level blight and damaged infrastructure in an effort to hasten recovery.

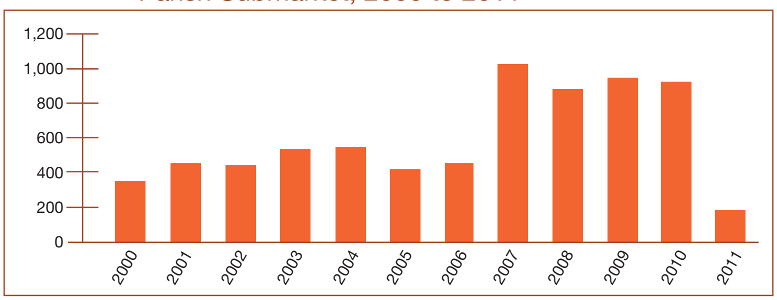
Current home sales market conditions in the Orleans Parish submarket remain soft, with an owner vacancy rate of 5 percent (see Table DP-3) and an estimated excess number of vacant homes for sale totaling 2,300. According to Hanley Wood, LLC, during the 12 months ending March 2011, new and existing home sales totaled 3,200 homes, down nearly 3 percent compared with home sales during the same period a year earlier, and the average price increased by nearly 7 percent to $213,900.

Although government-funded efforts including those of NORA and The Road Home will result in long-term benefits, the short-run effects have included an increase in the number of vacant homes available for sale. During the past 12 months, tight mortgage lending standards, moderate population growth, and relatively flat job growth contributed toward the decrease in the number of home sales. Rising construction material costs and the value added to existing homes rebuilt or repaired since 2005 contributed to the increase in the average home sales price during the same period. According to Hanley Wood, LLC, the value added to homes sold during the 12 months ending March 2011 averaged more than $13,000 as a result of improvements.

Post-Hurricane Katrina single-family new home construction activity in the Orleans Parish submarket also contributed toward an increase in the available supply of homes for sale. New construction of single-family homes, as measured by the number of single-family home permits issued, declined slightly during the 12 months ending March 2011 to 900 homes compared with 950 a year earlier. New construction permitting occurred at an average of 950 homes annually since 2007, twice the average number of permits issued annually between 2000 and 2006. Figure 12 shows single-family homes permitted annually in the Orleans Parish submarket since 2000. Although condominium sales typically comprise less than 1 percent of total sales, local sources indicate that many existing condominium developments are currently advertising units as both for sale and for lease due to extended listing periods. The percentage of distressed mortgages remains relatively high. According to LPS Applied Analytics, about 10.1 percent of mortgages were either 90 days or more delinquent, in foreclosure or in REO as of March 2011 compared with about 6.9 percent statewide and 8.1 percent nationally. The current rate is down from 11.4 percent a year earlier.

During the 3-year forecast period, demand is estimated for 4,700 additional market-rate sales units in the Orleans Parish submarket. A portion of this demand will be met by part of the combined 10,000 homes currently being rebuilt via The Road Home program or repaired by NORA. As a result, new units will not need to be constructed until the third year of the forecast period. In addition, 30,000 other vacant units exist in the submarket, a portion of which may come back online to satisfy some of the demand. The 10,000 units being rebuilt via The Road Home program or by NORA likely represent a portion of these 30,000 units. Table 4 shows the estimated demand for new market-rate sales housing in the Orleans Parish submarket.

Figure 12. Single-Family Building Permits Issued in the Orleans Parish Submarket, 2000 to 2011



Notes: Includes only single-family units. Includes data through March 2011.

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

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Orleans Parish Submarket, April 1, 2011 to April 1, 2014

Price Range ($)		Units of Demand	Percent of Total
From	To		
100,000	149,999	720	15.2
150,000	199,999	1,325	28.3
200,000	249,999	1,525	32.6
250,000	299,999	610	13.0
300,000	399,999	410	8.7
400,000	and higher	100	2.2

Notes: A portion of the estimated 30,000 other vacant units in the submarket may satisfy some of the forecast demand. Numbers may not add to totals because of rounding.

Source: Estimates by analyst

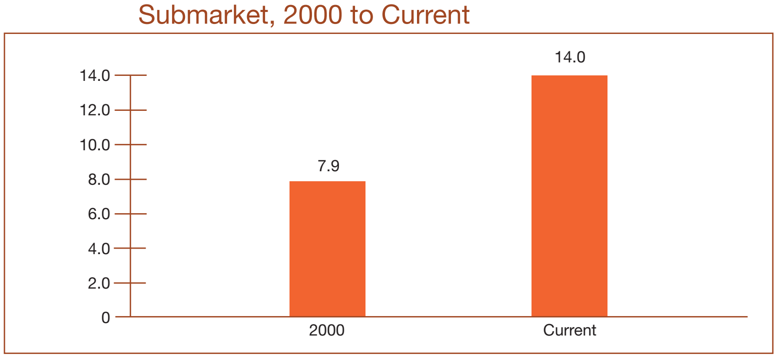
Rental Market—Orleans Parish Submarket

Rental market conditions in the Orleans Parish submarket are currently soft but have improved compared with a year earlier. The rental vacancy rate decreased from a rate of more than 16 percent in April 2010 to an estimated current rate of 14 percent (Figure 13). Improved occupancy levels during the past 12 months have been mostly because of increased demand stemming from displaced residents returning to the parish. Based on data from Reis, Inc., the vacancy rate for market-rate apartments in the Orleans Parish submarket was 9.6 percent during the first quarter of 2011 compared with 11.4 percent a year earlier. The average effective rent was $965, up nearly 6 percent compared with $915 a year earlier.

An estimated 68,000 renter units, or two-thirds of the total number of renter units, were damaged in the Orleans Parish submarket as a result of Hurricane Katrina. Because of the shock in the rental supply, occupancy rates neared 100 percent and rents spiked by more than 60 percent by 2006. Since that time, significant efforts have been made toward the repair or replacement of market-rate and subsidized rental housing by way of both private funds and several government-sponsored programs. Economic Market Analysis Division research indicates 85 percent of pre-Hurricane Katrina renter inventory including small rental properties have reentered the rental market. An estimated 15,500 rental apartment units have been built or rebuilt through government-sponsored programs, and more than one-half the total units built are intended for tenants who meet certain income limits. In addition, approximately 3,500 small rental units were repaired or rebuilt via the Small Rental Property Program (SRPP), which is affiliated with The Road Home program. Although increased supply resulted in significant increases in apartment vacancy rates by 2009, rents remained high in part due to substantial increases in construction material and labor costs as well as increased costs to maintain and insure properties. Currently, rental rates remain approximately 30 percent higher than pre-Hurricane Katrina levels and are not expected to decline significantly during the forecast period since increases in operational costs will remain indefinitely.

Multifamily construction, as measured by the number of multifamily units permitted, totaled 1,700 units in the Orleans Parish submarket during the 12 months ending March 2011, down from 2,100 units permitted during the same period a year earlier. As a result of publicly sponsored construction opportunities, a total of 8,500 multifamily units (including 230 units for sale) have been permitted since 2007, more than twice the total number of permits issued between

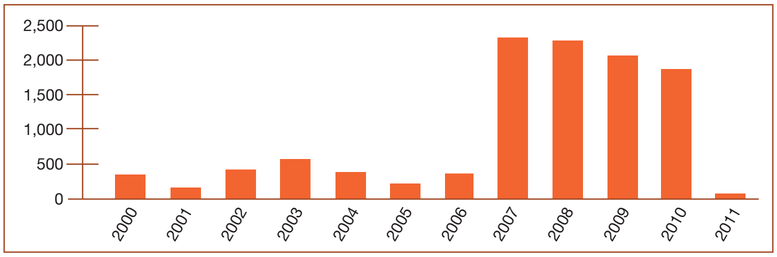
Figure 13. Rental Vacancy Rates in the Orleans Parish Submarket, 2000 to Current



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

1990 and 2006. Figure 14 shows multifamily units permitted in the Orleans Parish submarket. Approximately 1,600 market-rate apartment units are under construction while 1,250 market-rate apartment units are planned and expected to be completed during the forecast period. Several mixed income communities are also currently under way, including Harmony Oaks. The development is expected to be completed by the end of 2011 and will include a combined total of 460 public housing, low-income, and market-rate units. In addition, Harmony Oaks will include 50 affordable single-family homes for sale. Construction is also under way at Columbia Parc at the Bayou District and is slated to be completed by 2012. When finished, the development will comprise 1,325 mixed income rental and for-sale units. In addition to apartment units currently under construction or in the pipeline, are 5,000 small rental units via SRPP. It is expected that the SRPP units will reenter the rental market during the next 3 years.

Figure 14. Multifamily Building Permits Issued in the Orleans Parish Submarket, 2000 to 2011



Notes: Includes all multifamily units in structures with two or more units. Includes data through March 2011.

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

Demand for additional market-rate rental units is not expected during the 3-year forecast period due to an estimated 5,950 excess vacant units currently available for rent.

Sales Market—Remainder Submarket

Currently, the home sales market conditions in the Remainder submarket are soft with an owner vacancy rate of 2.3 percent. Based on data from the New Orleans Metropolitan Association of REALTORS®, new and existing home sales increased by 2 percent to 3,150 homes during the 12 months ending March 2011, but the average home sales price declined by nearly 2 percent to $201,500. The average number of days a home remained on the market between initial listing date and closing date (days on the market [DOM]) was almost 100 days, virtually unchanged compared with a year earlier but twice that of the average DOM recorded 1 month before Hurricane Katrina made landfall. Contributing to the increased number of home sold and decline in the average price was a 45-percent increase in the number of REO sales during the past 12 months compared with a year earlier. According to Hanley Wood, LLC, REO sales totaled almost 670, up from 460 during the same period a year earlier. Current home sales activity in St. Tammany Parish comprises 70 percent of that of the 5-parish submarket, and homes sales for the St. Bernard, St. Charles, and St. John the Baptist Parishes account for a combined 28 percent. Only 2 percent of the Remainder submarket home sales occur in Plaquemines Parish. Average home prices range from $102,000 in St. Bernard Parish to $250,000 in Plaquemines Parish.

An estimated 43,000 homes were severely damaged or destroyed in the Remainder submarket as a result of Hurricane Katrina. Plaquemines and St. Bernard Parishes incurred home losses of 4,000 and 14,000 homes, or

57 percent and 78 percent of occupied units, respectively. A relatively smaller portion of homes sustained severe damage in St. Tammany Parish—approximately 1,700 homes, or 2 percent of occupied homes. Since Hurricane Katrina occurred, approximately 28,000 homes have been rebuilt or repaired in the submarket through The Road Home program, and most of the remaining damaged homes have been repaired through private funding. The exception is in St. Bernard Parish, where the number of occupied single-family homes remains well below pre-Hurricane Katrina levels and only about one-half the number of homes lost or damaged have been replaced or repaired, in part, because more than one-third of displaced homeowners have opted not to return to the parish to rebuild.

Balanced to tight home sales market conditions prevailed in the Remainder submarket during the pre-Hurricane Katrina 2000s. In St. Tammany Parish, the number of home sales increased by an average of 14 percent annually between December 2000 and July 2005 while the average price increased by an average of 7 percent annually during the same period, according to data provided by CoreLogic. Based on IRS migration files and local sources, gains in home sales resulted from increased appeal to homebuyers primarily from the Jefferson Parish and Orleans Parish submarkets. Home sales activity in St. Bernard Parish followed a similar pattern with annual home sales and prices increasing by an average of 14 and 4 percent, respectively. After a 2-year period of an increased number of home sales from 2006 through 2007, home sales market conditions have steadily worsened due to a combination of factors including increased competition from the Orleans Parish submarket, tightening mortgage lending standards and moderating job growth.

Figure 15. Single-Family Building Permits Issued in the Remainder Submarket, 2000 to 2011

Notes: Includes only single-family units. Includes data through March 2011.

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

Single-family home construction activity in the Remainder submarket, as measured by the number of single-family home permits issued, declined by more than 30 percent during the 12 months ending March 2011 to 600 homes compared with 900 a year earlier. New home construction during the past 12 months is far below the average number of single-family permits recorded annually during the pre-Hurricane Katrina 2000s or during the 1990s—3,075 and 2,275, respectively. Reflecting decreased demand, single-family home construction activity since 2007 has declined by an average of 37 percent annually. Figure 15 shows single-family building permits issued in the Remainder submarket from 2000 to 2010.

During the 3-year forecast period, demand is estimated for 3,600 additional market-rate sales units in the Remainder

Table 5. Estimated Demand for New Market-Rate Sales Housing in the Remainder Submarket, April 1, 2011 to April 1, 2014

Price Range ($)		Units of Demand	Percent of Total
From	To		
130,000	199,999	1,625	45.0
200,000	299,999	900	25.0
300,000	399,999	470	13.0
400,000	499,999	250	7.0
500,000	599,999	180	5.0
600,000	and higher	180	5.0

Notes: A portion of the estimated 8,000 other vacant units in the submarket may satisfy some of the forecast demand. Numbers may not add to totals because of rounding.

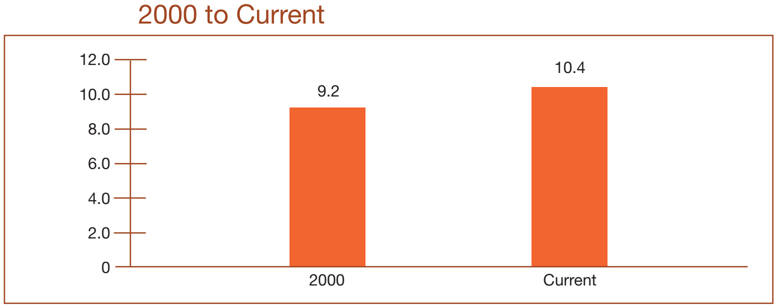
Source: Estimates by analyst

submarket (see Table 5). Approximately 80 percent of the forecast demand is for homes priced between $130,000 and $300,000. Also, almost all of the forecast demand is expected during the second and third years of the forecast period after excess supply has been absorbed. A portion of the estimated 8,000 other vacant units in the HMA will likely satisfy some of the forecast demand.

Rental Market—Remainder Submarket

Currently, rental market conditions in the Remainder submarket are soft with an overall rental vacancy rate of 10.4 percent, down from the 12-percent rate recorded in April 2010 (Figure 16). Renter-occupied homes comprise only 20.7 percent of total households in the Remainder submarket compared with 35.5 and 50.3 percent in the Jefferson Parish and Orleans Parish submarkets, respectively, illustrating a relatively lower propensity to rent in the Remainder submarket (Table DP-4). The Remainder submarket has only 16 percent of all HMA renter households—more than one-half of which are located in St. Tammany Parish, which is by far the most populous of the five parishes in the submarket. During the spring of 2011, the apartment vacancy rate in St. Tammany Parish was 8 percent, according to the Greater New Orleans Multi-Family Report©, representing a slight improvement compared with a vacancy rate of 9 percent during the same period of 2010. Compared with a year earlier, the average rent was relatively unchanged at $970, but up significantly compared with $760 during the spring of 2005. Although the apartment rental market in 2005 was very soft, with an average vacancy rate of 14 percent, market conditions tightened significantly by 2006, with a vacancy rate of only 4 percent, due to increased demand primarily from an influx of displaced residents and to decreased supply within the parish stemming from severely damaged or destroyed rental units totaling 5,700 units.

Figure 16. Rental Vacancy Rates in the Remainder Submarket, 2000 to Current



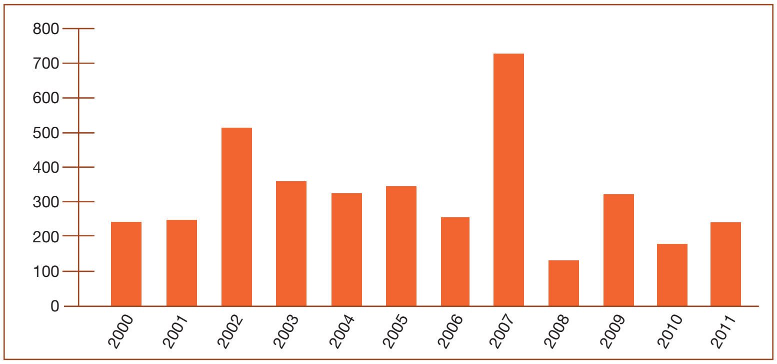
Sources: 2000—2000 Census; current—estimates by analyst

Multifamily construction, as measured by the number of multifamily units permitted, totaled only 160 units in the Remainder submarket during the 12 months ending March 2011, or one-half as many as the number of units permitted during the same period a year earlier. Except for a spike in multifamily units permitted in 2007, multifamily construction activity was fairly stable throughout the 2000s with an average number of multifamily units totaling about 350 units annually.

Except for 130 for-sale condominium units, multifamily construction has consisted of renter units since 2000. Approximately 200 market-rate apartment units are under construction and 350 units are planned and expected to be completed during the forecast period. Currently under construction is the 140-unit development, Abita View Apartments, located in the western portion of St. Tammany Parish, 5 miles north of Lake Pontchartrain. The development is expected to be completed by July 2011 and will offer rents at $875, $1,175, and $1,295 for one-, two-, and three-bedroom units, respectively. Also under construction in St. Tammany Parish is Brookstone Park Apartments in the city of Covington. Construction began at Brookstone Park Apartments in December 2010 and is scheduled to be completed by December 2012. After the $24 million project is complete, it will have 240 high-end apartment units, according to the developer. Figure 17 shows the number of multifamily unit permits in the Remainder submarket.

Units currently under construction and in the pipeline will satisfy the demand for 100 additional market-rate rental units in the Remainder submarket during the 3-year forecast period (see Table 6).

Figure 17. Multifamily Building Permits Issued in the Remainder Submarket, 2000 to 2011



Notes: Includes all multifamily units in structures with two or more units. Includes data through March 2011.

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

Table 6. Estimated Demand for New Market-Rate Rental Housing in the Remainder Submarket, April 1, 2011 to April 1, 2014

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
750 to 949	15	950 to 1,149	20	1,350 or more	10
950 or more	25	1,150 to 1,349	15		
		1,350 or more	15		
Total	40	Total	50	Total	10

Source: Estimates by analyst

Data Profiles

Table DP-1. New Orleans HMA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%) 1990 to 2000	Average Annual Change (%) 2000 to Current
Total Resident Employment	549,167	596,489	503,400	0.8	– 1.6
Unemployment Rate	6.0%	4.7%	7.6%		
Nonfarm Payroll Jobs	533,800	617,700	520,700	1.5	– 1.7
Total Population	1,264,391	1,316,510	1,184,000	0.4	– 1.0
Total Households	463,391	498,587	460,400	0.7	– 0.7
Owner Households	270,289	306,674	296,900	1.3	– 0.3
Percent Owner	58.3%	61.5%	64.5%		
Renter Households	193,102	191,913	163,500	– 0.1	– 1.4
Percent Renter	41.7%	38.5%	35.5%		
Total Housing Units	533,488	548,629	539,200	0.3	– 0.2
Owner Vacancy Rate	3.0%	1.6%	3.2%		
Rental Vacancy Rate	13.4%	7.9%	12.8%		
Median Family Income	NA	$42,626	$61,100	NA	3.0

NA = not available.

Notes: Employment data represent annual averages for 1990, 2000, and the 12 months through March 2011. Median family incomes are for 1999 and 2011.

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

Table DP-2. Jefferson Parish Submarket Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%) 1990 to 2000	Average Annual Change (%) 2000 to Current
Total Population	448,306	455,466	432,400	0.2	– 0.5
Total Households	166,398	176,234	169,100	0.6	– 0.4
Owner Households	104,611	112,549	109,000	0.7	– 0.3
Percent Owner	62.9%	63.9%	64.5%		
Rental Households	61,787	63,685	60,100	0.3	– 0.5
Percent Renter	37.1%	36.1%	35.5%		
Total Housing Units	185,072	187,907	187,900	0.2	0.0
Owner Vacancy Rate	2.2%	1.2%	2.9%		
Rental Vacancy Rate	12.6%	7.2%	12.4%		
Median Family Income	$32,446	$45,834	NA	3.5	NA

NA = not available.

Note: Median family incomes are for 1989 and 1999.

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

Table DP-3. Orleans Parish Submarket Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%) 1990 to 2000	Average Annual Change (%) 2000 to Current
Total Population	496,938	484,674	353,100	– 0.2	– 2.8
Total Households	188,235	188,251	145,900	0.0	– 2.3
Owner Households	82,279	87,589	72,500	0.6	– 1.7
Percent Owner	43.7%	46.5%	49.7%		
Rental Households	105,956	100,662	73,350	– 0.5	– 2.8
Percent Renter	56.3%	53.5%	50.3%		
Total Housing Units	225,573	215,091	191,600	– 0.5	– 1.0
Owner Vacancy Rate	4.4%	2.2%	5.0%		
Rental Vacancy Rate	13.9%	7.9%	14.0%		
Median Family Income	$22,182	$32,338	NA	3.8	NA

NA = not available.

Note: Median family incomes are for 1989 and 1999.

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

Table DP-4. Remainder Submarket Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%) 1990 to 2000	Average Annual Change (%) 2000 to Current
Total Population	319,147	376,370	398,700	1.7	0.5
Total Households	108,758	134,102	145,500	2.1	0.7
Owner Households	83,399	106,536	115,430	2.5	0.7
Percent Owner	76.7%	79.4%	79.3%		
Rental Households	25,359	27,566	30,075	0.8	0.8
Percent Renter	23.3%	20.6%	20.7%		
Total Housing Units	122,843	145,631	159,710	1.7	0.8
Owner Vacancy Rate	2.6%	1.5%	2.3%		
Rental Vacancy Rate	13.6%	9.2%	10.4%		
Median Family Income	NA	NA	NA	NA	NA

NA = not available.

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

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 4/1/2011—Analyst's estimates

Forecast period: 4/1/2011–4/1/2014—Analyst's estimates

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 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.

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_NewOrleans_11.pdf.

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This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (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.org/publications/econdev/mkt_analysis.html.