

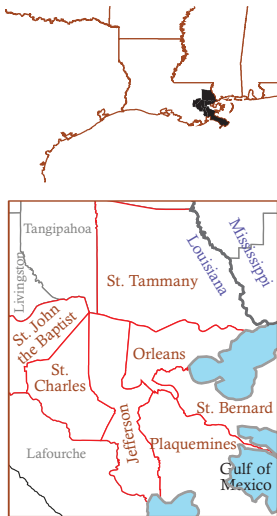


New Orleans-Metairie-Kenner, Louisiana

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of September 1, 2006



Housing Market Area



The New Orleans-Metairie-Kenner, Louisiana Metropolitan Statistical Area (MSA) is located in the southeast region of the state. The MSA comprises seven parishes that form five distinct housing market areas (HMAs): Orleans Parish, Jefferson Parish, St. Tammany Parish, the combined parishes of St. Bernard and Plaquemines, and the combined parishes of St. Charles and St. John the Baptist.

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Summary

Economy

A modest economic recovery is under way in the New Orleans-Metairie-Kenner MSA after the devastating effects of Hurricanes Katrina and Rita in 2005. Recent job gains have occurred primarily in the construction and leisure and hospitality sectors. Despite the job gains, resident employment remains far below the prehurricane level. For the 12-month period ending August 2006, average resident employment was 401,800 workers, down nearly 30 percent compared with the previous 12-month period. The unemployment rate averaged 9.2 percent compared with 5 percent before the hurricanes occurred.

Precise employment and population forecasts could not be developed for the MSA or the five HMAs at this time because of the uncertainty and timing of rebuilding efforts.

Sales Market

Improvements to the economy during the 12 months ending August 2006 have contributed to a tighter sales housing market. The beginnings of economic recovery

have attracted some displaced households back to the MSA. As infrastructure improvements continue and jobs are added to the economy, returning households are expected to sustain the strong demand for sales housing. For the 12-month period ending August 2006, approximately 13,100 existing homes were sold in the MSA. The average home sales price of \$224,600 was up more than 14 percent.

Rental Market

The rental market is extremely tight, and a considerable unmet need for rental housing persists in the MSA. Strong absorption of available rental units in all housing markets has occurred, along with a significant increase in market-rate rents during the 12 months ending August 2006. The market should begin to ease into more balanced conditions as new and renovated units reenter the market over the next 3 years. Rents are expected to moderate from the high levels recorded during the 12 months ending August 2006.

Economic Conditions

Hurricanes Katrina and Rita made landfall in the summer of 2005, the economy of the New Orleans-Metairie-Kenner MSA was expanding. For the 12-month period ending August 2005, total resident employment averaged 596,300 workers, an annual growth rate of 2.2 percent compared with the 12-month period ending August 2004. The average unemployment rate of 5.0 percent was approximately equal to the previous year's average.

The hurricanes devastated the local economy. As shown in Figure 1, labor force and resident employment each decreased significantly in September 2005, the first month after Hurricane Katrina occurred, and the unemployment rate spiked to 18 percent. Approximately 205,000 nonfarm jobs were lost during September 2005.

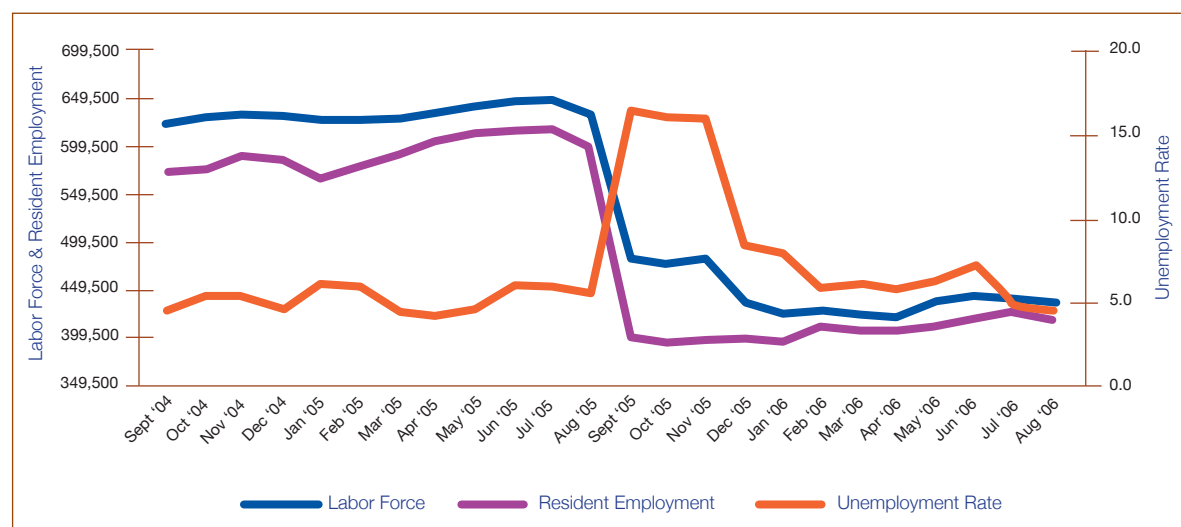
One year later, the effects of the hurricanes have begun to subside and a modest economic recovery is under way. The ongoing reconstruction has led to a small rebound in resident employment but at a level far below prehurricane numbers. For the 12-month period ending August 2006, resident employment averaged 401,800 workers, down 30 percent compared with the 12 months ending August 2005. The unemployment rate

averaged 9.2 percent compared with 5.0 percent for the previous 12-month period.

Although job gains have occurred since the initial job losses following Katrina's landfall, the number is relatively small (see Table 1 and Figure 2). Most job gains have been in the construction, leisure and hospitality, and retail trade sectors. During the 12 months ending August 2006, construction employment increased by approximately 8,100 jobs; the leisure and hospitality sector added 12,200 jobs, most of which were lower paying jobs in the accommodations and food services industries; and the retail trade sector recorded an increase of 4,500 jobs. For the 12-month period ending August 2006, nonfarm employment was down by almost 192,900 jobs compared with the 12-month period ending August 2005. Figure 3 provides the percentage of jobs in each sector in the MSA.

In September 2006, the Louisiana Department of Labor released resident employment data for each parish in the MSA for the first time since the hurricanes. The information released includes revised resident employment data for August 2005 and preliminary data for July and August 2006. Comparing employment numbers for

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the New Orleans-Metairie-Kenner MSA, September 2004 Through August 2006



Source: Louisiana Department of Labor

August 2005 with those for August 2006, total resident employment declined by approximately 45 percent in each of the seven parishes. As of August 2006, resident employment in each

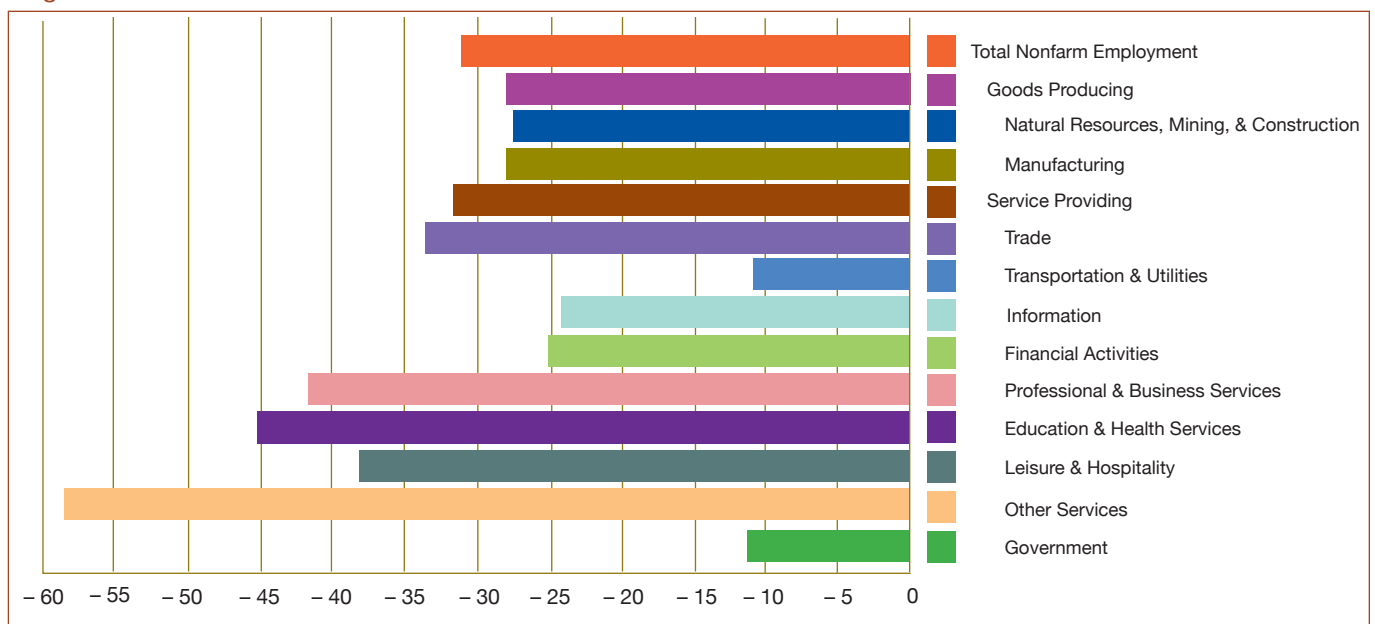
parish was 152,201 workers in Jefferson, 131,538 in Orleans, 70,707 in St. Tammany, 20,522 in St. Bernard, 16,191 in St. Charles, 13,607 in St. John the Baptist, and 7,756 in Plaquemines.

Table 1. 12-Month Average Employment in the New Orleans-Metairie-Kenner MSA, by Sector

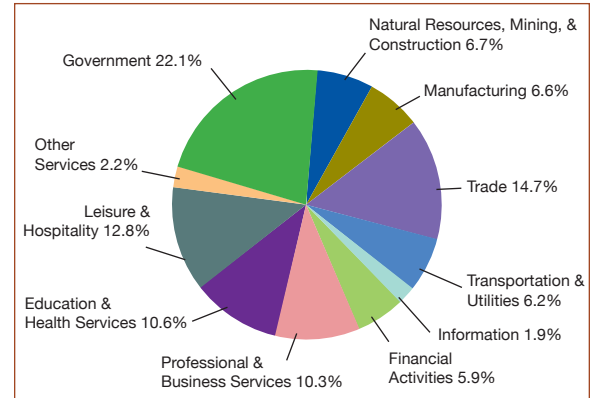
Employment Sector	12 Months Ending August 2005	12 Months Ending August 2006	Percent Change
Total Nonfarm Employment	612,400	419,500	- 31.5
Goods Producing	76,700	55,800	- 27.2
Natural Resources, Mining, & Construction	38,300	28,000	- 26.9
Manufacturing	38,400	27,900	- 27.3
Service Providing	535,700	363,700	- 32.1
Trade	93,900	61,700	- 34.3
Transportation & Utilities	29,200	26,000	- 11.0
Information	10,500	7,900	- 24.8
Financial Activities	33,600	24,900	- 25.9
Professional & Business Services	74,000	43,100	- 41.8
Education & Health Services	81,700	44,600	- 45.4
Leisure & Hospitality	85,600	53,800	- 37.1
Other Services	22,400	9,400	- 58.0
Government	105,000	93,100	- 11.3

Notes: Numbers may not add to totals due to rounding. Based on 12-month averages through August 2005 and August 2006.
Source: U.S. Bureau of Labor Statistics

Figure 2. Sector Loss in the New Orleans-Metairie-Kenner MSA, Percent Decrease, September 2005 Through August 2006



Note: Current is based on 12-month averages through August 2005 and August 2006.
Source: U.S. Bureau of Labor Statistics

Figure 3. Current Employment in the New Orleans-Metairie-Kenner MSA, by Sector

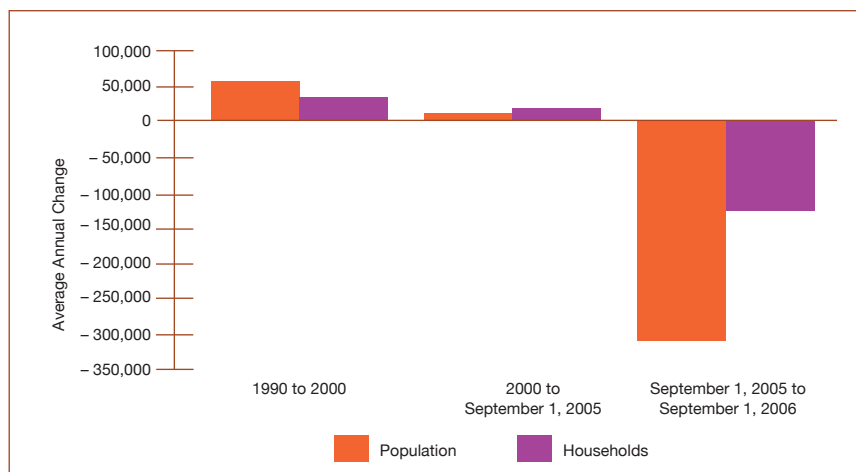
Note: Based on 12-month averages through August 2006.

Source: U.S. Bureau of Labor Statistics

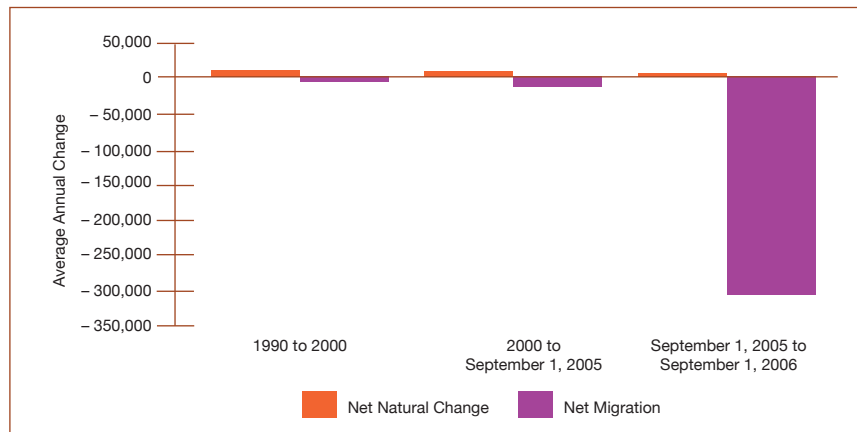
Population and Households

Before the hurricanes, the population of the New Orleans-Metairie-Kenner MSA was growing slowly despite the expanding economy. As of September 1, 2005, the population of the MSA was estimated at 1,323,000, which represents a 0.1-percent annual growth rate since the 2000 Census.

As a direct result of the hurricanes, the population of the MSA fell by approximately 301,000 (see Figures 4 and 5). As of September 1, 2006, the estimated population of the MSA is 1,021,500 (see Table DP-1 at the end of the report). Populations decreased in three of the five HMAs. By far, the largest net out-migration occurred in the Orleans HMA, which accounted for 90 percent of the total loss, or approximately 266,300 people. The decline reduced the HMA's population by more than 58 percent to 190,400. The population of the St. Bernard-Plaquemines HMA fell by 48 percent to 49,400, and the population of the Jefferson HMA decreased by nearly 6 percent to 429,200. The population of the St. Charles-St. John the Baptist HMA is up 5 percent, estimated at 101,900, and the population of the St. Tammany HMA is up 14 percent, estimated at 250,800.

Figure 4. Population and Household Change in the New Orleans-Metairie-Kenner MSA, 1990 to Current

Sources: 1990 and 2000—U.S. Census; September 1, 2005 and September 1, 2006—estimates by analyst

Figure 5. Components of Population Change in the New Orleans-Metairie-Kenner MSA, 1990 to Current

Sources: 1990 and 2000—U.S. Census; September 1, 2005 and September 1, 2006—estimates by analyst

Paralleling the loss of population, the number of households dramatically declined in the MSA. As of September 1, 2006 an estimated 385,300 households resided in the area, down by almost 130,000 since September 1, 2005. Currently, the number of households in the Orleans HMA is estimated at 67,100, which represents a 64-percent decline from the prehurricane level. In the St. Bernard-Plaquemines HMA, the number of households is 18,700; nearly 47 percent were displaced. In the Jefferson HMA, the number of households is 172,800, representing a 3-percent decline. In the St. Tammany HMA and St. Charles-St. John the Baptist HMA, the number of households increased; St. Tammany by about 11 percent to 91,400 households, and St. Charles-St. John the Baptist by 7 percent to 35,200 households.

Renter households are not returning to the MSA at a rate comparable to that of owner households primarily because of a lack of available rental units. Before the hurricanes destroyed much of the housing stock in the MSA, the household tenure was 64 percent owner and 36 percent renter. Currently, the proportion of owner households in the MSA is 73 percent. The current percentage of owner households in the HMAs is 82.6 percent in St. Charles-St. John the Baptist, 81.3 percent in St. Tammany, 73.7 percent in

St. Bernard-Plaquemines, 72.6 percent in Orleans, and 66.5 percent in Jefferson. As more rental units come back on the market, renters will return to the area in greater numbers and the owner-renter tenure will begin to shift back to prehurricane levels. Current households by tenure are shown in Figure 6.

Households residing in travel trailers or mobile homes that serve as temporary housing represent a significant portion of the current household estimates. According to the Federal Emergency Management Agency (FEMA), approximately 65,100 households, or 17 percent of all households in the MSA, are living in temporary housing. Currently, the estimated number of households in FEMA-supplied temporary housing in the HMAs is 20,440 in Orleans, 19,600 in Jefferson, 12,800 in St. Charles-Plaquemines, 10,900 in St. Tammany, and 1,360 in St. Charles-St. John the Baptist. Current estimates of tenure for the households living in the temporary housing indicates that, before the hurricanes came ashore, 80 percent were owners and 20 percent were renters.

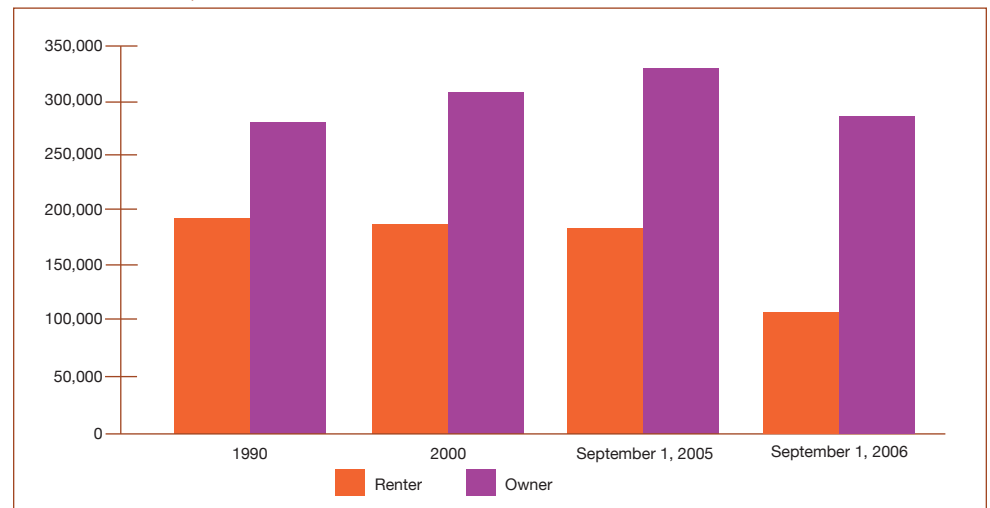
The nonhousehold population of the MSA declined by nearly 30 percent as a direct result of the hurricanes. A large component of the nonhousehold population is college and university students living on campus. Students living on

Population and Households *Continued*

campus represent approximately 40 percent of the estimated 18,400 nonhousehold population of the MSA. Enrollment at the nine 4-year colleges and universities in the area is down by approximately 26 percent to 36,300 students for the fall of 2006 compared with enrollment for

the fall of 2004. Approximately 7,000 students are currently residing on campus, down from about 9,000 on-campus students in the fall of 2004. (Figures for the fall of 2004 are used for comparison because complete enrollment records for the fall of 2005 are not available.)

Figure 6. Number of Households by Tenure in the New Orleans-Metairie-Kenner MSA, 1990 to Current



Sources: 1990 and 2000—U.S. Census; September 1, 2005 and September 1, 2006—estimates by analyst

Housing Market Trends

Sales Market

Hurricanes Katrina and Rita devastated approximately 112,300 owner-occupied housing units throughout the New Orleans-Metairie-Kenner MSA. The Orleans and St. Bernard-Plaquemines HMAs received the brunt of the hurricane winds and water damage resulting from levee breaches. More than 63,000 owner-occupied housing units were destroyed or deemed uninhabitable in Orleans and about 25,000 in St. Bernard-Plaquemines. Due to heavy flooding and wind damage, losses totaled 19,200 units and 5,000 units, respectively, in the Jefferson and St. Tammany HMAs. The minimal amount of damage sustained in the St. Charles-St. John the Baptist HMA was primarily the result of high winds and some flooding.

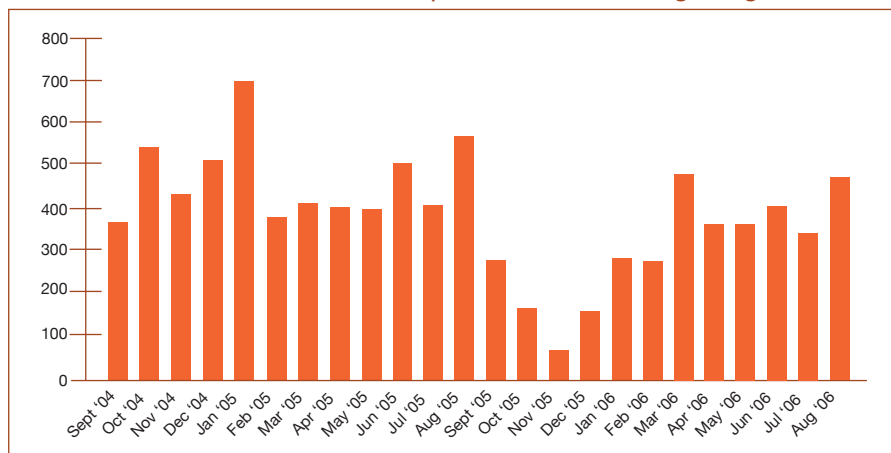
Since September 1, 2005, the number of building permits issued for new single-family homes in the MSA has fallen dramatically. Those HMAs that suffered less damage than the others had the capacity to continue a modest level of homebuilding and accounted for nearly all building permits issued in the MSA. According to the Census Bureau, for the 12-month period ending August 2006, the number of permits issued totaled nearly 3,700 compared with 5,630 permits issued for the 12-month period before Hurricane Katrina came ashore (see Figure 7). Building permits issued in the St. Tammany HMA accounted for 60 percent of the total number of units permitted in the MSA; Jefferson and St. Charles-St. John the Baptist each accounted for 16 percent of the permits. In the

Housing Market Trends

Sales Market *Continued*

Orleans HMA, building permit activity declined by 60 percent to 240 units and, in the St. Bernard-Plaquemines HMA, activity declined by more than 45 percent to 100 units.

Figure 7. Single-Family Building Permits Issued in the New Orleans-Metairie-Kenner MSA, September 2004 Through August 2006



Note: Includes only single-family units.

Source: U.S. Census Bureau, Building Permits Survey

Table 2. Residential Sales Activity in the New Orleans-Metairie-Kenner MSA, September 2004 Through August 2006

Month and Year	Units Sold	Average Sales Price (\$)	Month and Year	Units Sold	Average Sales Price (\$)
September 2004	963	184,230	September 2005	325	231,119
October 2004	854	184,985	October 2005	921	219,406
November 2004	883	191,875	November 2005	1,038	219,443
December 2004	893	195,627	December 2005	1,185	220,203
January 2005	730	182,929	January 2006	989	219,865
February 2005	857	175,669	February 2006	1,009	228,275
March 2005	1,125	188,706	March 2006	1,396	216,602
April 2005	1,173	198,351	April 2006	1,092	219,833
May 2005	1,228	204,959	May 2006	1,259	234,799
June 2005	1,376	215,663	June 2006	1,404	231,363
July 2005	1,150	210,385	July 2006	1,182	248,167
August 2005	967	207,571	August 2006	1,276	209,499

Source: Based on information from Gulf South Real Estate Information Network, Inc.

Before the hurricanes, an estimated 2,000 single-family homes were under construction in the MSA; most were in St. Tammany Parish. Prehurricane new home sales prices ranged from \$135,000, excluding land costs, for a starter home to more than \$300,000 for a custom home. Labor and material shortages, triggered by massive reconstruction efforts, have increased construction time and costs. The current construction period for a standard 1,200- to 1,500-square-foot single-family home is 8 to 9 months, compared with 4 to 5 months before the hurricanes. Construction costs have increased by an estimated 20 percent compared with prehurricane costs. As of September 1, 2006, an estimated 3,000 single-family homes are under construction. The average wait time to start construction after contract signing is more than a year. According to local sources, more than 120,000 permits for housing rehabilitation or renovation have been issued in the MSA. It is too early to predict how many permits will become starts and, eventually, habitable structures.

Post-Hurricane Katrina residential sales have significantly increased in three of the five HMAs during the 12 months ending August 2006. Home sales in the MSA totaled 13,100 for the 12-month period ending August 2006, a 7-percent increase compared with the previous 12-month period (see Table 2). During the 12 months ending August 2006, sales totaled 5,100 in the St. Tammany HMA, 4,200 homes in the Jefferson HMA,

Housing Market Trends

Sales Market *Continued*

and 1,210 in the St. Charles-St. John the Baptist HMA. These figures represent increases of approximately 20 percent in each HMA. Home sales fell sharply in the Orleans and St. Bernard-Plaquemines HMAs, declining 25 and 60 percent to 2,400 and 230 units, respectively.

The already high sales prices of existing homes in the area were elevated even further by the impact of the storms. During the 12 months ending August 2006, the average home sales price escalated 14 percent to approximately \$225,000.

Rental Market

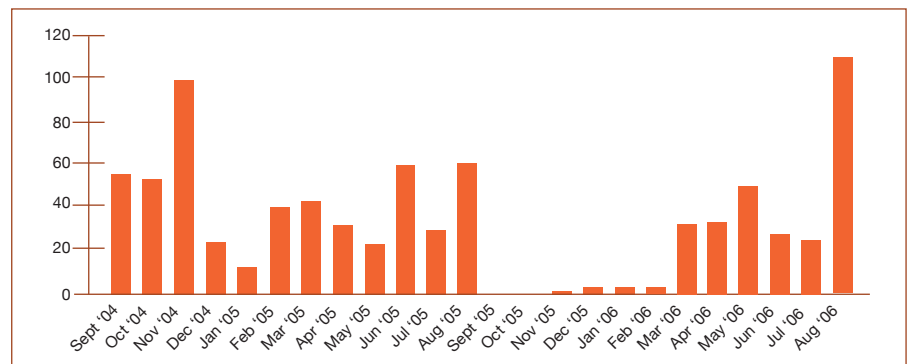
More than 114,600 rental housing units in the New Orleans-Metairie-Kenner MSA were destroyed or severely damaged by the hurricanes. The estimated number of rental units destroyed or deemed uninhabitable in the HMAs is 93,000 in Orleans, 14,000 in Jefferson, 7,400 in St. Bernard-Plaquemines, and 400 in St. Tammany. Only a nominal number of units were lost in St. Charles-St. John the Baptist. Renovations have begun on some larger rental developments in the MSA. Renovations of existing units are expected to accelerate when insurance claims are settled and the updated FEMA flood plain maps and elevation guidelines are fully implemented. Insurance premiums in the MSA have increased by almost 400 percent.

Households have relocated from other HMAs in the MSA to the St. Charles-St. John the Baptist HMA, where the existing housing stock sustained only minimal damage. During the 12 months ending August 2006, the average home sales price increased in the HMA by nearly 28 percent to \$190,000. In St. Bernard-Plaquemines, the HMA that sustained the most damage, the average home sales price increased 35 percent to \$178,300. In the remaining three HMAs, average home sales prices are up between 11 and 14 percent to \$217,000 in Jefferson, \$245,500 in Orleans, and \$231,000 in St. Tammany.

Despite rising costs and constraints on building permits, construction has started on several new and renovated multifamily rental housing projects in select areas. For the 12-month period ending August 2006, approximately 270 multifamily housing units were permitted in the MSA, down from 510 units permitted during the previous 12-month period ending August 2005 (see Figure 8). The St. Tammany HMA accounted for 160 of the 270 multifamily units permitted and the Orleans HMA accounted for 70 units, most of which were in duplex structures.

Low-income housing tax credit (LIHTC) units will continue to be a major factor in the rental housing market. More than 5,000 LIHTC units were in ser-

Figure 8. Multifamily Building Permits Issued in the New Orleans-Metairie-Kenner MSA, September 2004 Through August 2006



Note: Includes all multifamily units in structures with two or more units.

Source: U.S. Census Bureau, Building Permits Survey

Housing Market Trends

Rental Market *Continued*

vice when Hurricane Katrina made landfall. Under the 2006 and 2007 Gulf Opportunity (GO) Zone LIHTC allocation, approximately 3,900 units in 40 different developments, including public housing units, were funded. Most tax credit allocations have been awarded to developments in the Orleans HMA. Of the 3,900 units, approximately 1,300 are for new construction and 2,600 are for acquisition and rehabilitation. Approximately 600 of the 1,300 new units are in scattered-site single-family homes or duplexes and not in large multifamily housing developments. Under the GO Zone requirements, the units must enter the market by December 2008.

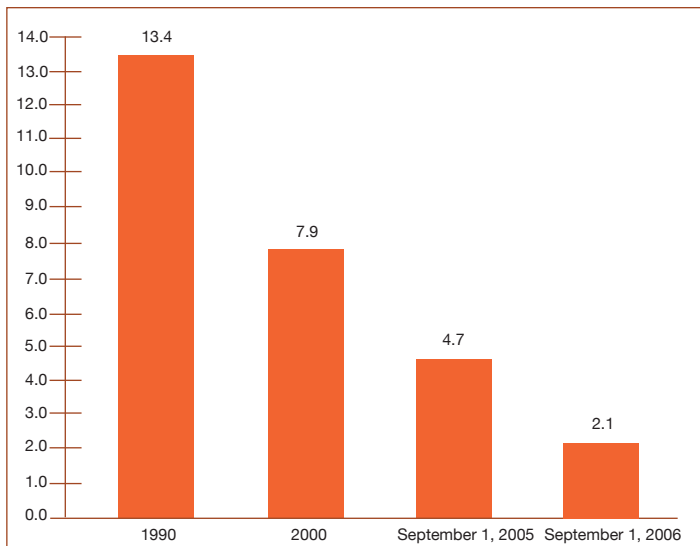
As the new or renovated LIHTC units enter the market, many income-qualified households, which are paying higher market rents, can be expected to relocate to the more affordable LIHTC developments. Based on fiscal year 2006 income levels, the minimum income to qualify at 60 percent of the area median income (AMI) is \$14,070 for a single individual and the maximum income for a family of four is \$32,640. The maximum gross affordable rent at 60 percent of AMI is \$588 for one-bedroom units, \$707 for two-

bedroom units, and \$816 for three-bedroom units. These rents are well below current market-rate rents in the MSA.

The rental housing market is tight with an estimated vacancy rate of 2.1 percent (see Figure 9). As more rental units are renovated and become available, especially in the Orleans HMA, the market is expected to soften a bit but still remain tight. Market research firm Larry G. Schedler & Associates, Inc., reported that approximately 35,000 of the 48,000 prehurricane rental housing units in complexes containing 100 units or more are back on line. A large portion of the multifamily units that came back on the market had sustained only minimal damage from the hurricanes. In September 2006, the Apartment Association of Greater New Orleans surveyed the status of 7,400 apartment units in the eastern region of Orleans Parish. The association's findings indicate that approximately 210 units did not sustain any damage from the hurricanes, about 1,400 units have been rebuilt, more than 2,200 units are being renovated, and more than 500 units were demolished. Currently, more than 1,500 apartment units are for sale and it is unknown how many will return to the market as rental units. The status of the remaining 1,600 units could not be documented. According to the association, nearly 4,000 units are being renovated in the West Bank regions of Orleans Parish and Jefferson Parish. As the renovated units reenter the rental housing market during the next 2 years, the market will ease from its current tight conditions.

Since the hurricanes occurred, the Orleans and Jefferson HMAs have experienced strong rental absorption and significant rent increases. In the third quarter of 2006, Reis, Inc., provided average vacancy rate and market rent data for six of its seven New Orleans submarkets for the first time since the second quarter of 2005. The approximately 10,000 heavily damaged units in the eastern region of Orleans Parish were not included in the third-quarter 2006 survey. The survey included 50,800 units in Orleans and Jefferson HMAs. The average vacancy rate for the two HMAs was reported at 1.7 percent

Figure 9. Rental Vacancy Rates in the New Orleans-Metairie-Kenner MSA, 1990 to Current



Sources: 1990 and 2000—U.S. Census; September 1, 2005 and September 1, 2006—estimates by analyst

Housing Market Trends

Rental Market *Continued*

compared with 5.8 percent in the second quarter of 2005 and the market rent was \$809, up 24 percent. More than 15,500 units were surveyed in Orleans, where the average vacancy rate declined from 7.9 percent to 2 percent in the third quarter of 2006 and the market rent increased 16 percent to \$923. About 35,300 units were surveyed in Jefferson, where the average vacancy rate fell from 4.8 percent to 1.6 percent and the market rent increased by 29 percent to \$809.

Although the current rental housing market is tight, conditions are expected to ease considerably. Absorption should drop off to prehurricane

levels and the high rents present in the current market also are expected to decrease. In addition to the factors already mentioned, several other conditions may contribute to the easing of the market. Many rental housing units are leased to construction workers, contractors, and cleanup crews or to tenants receiving rental assistance funded by FEMA. As the rebuilding of the MSA progresses and the construction workers, contractors, and cleanup crews leave the area during the next couple of years, additional rental units will become available. The market will become more competitive and rents can be expected to retreat from the current high level.

Data Profile

Table DP-1. New Orleans-Metairie-Kenner MSA Data Profile, 1990 to Current

	1990	2000	Current	Average Annual Change (%)	
				1990 to 2000	2000 to Current
Total Resident Employment	549,167	596,489	596,300	0.8	0.0
Unemployment Rate (%)	6.0	4.7	5.0		
Nonfarm Employment	535,000	619,100	612,400	1.5	-0.2
Total Population	1,264,391	1,316,510	1,323,160	0.4	0.1
Total Households	463,391	498,587	514,300	0.7	0.6
Owner Households	270,289	306,674	330,200	1.3	1.4
Percent Owner (%)	58.3	61.5	64.2		
Renter Households	193,102	191,913	184,100	-0.1	-0.8
Percent Renter (%)	41.7	38.5	35.8		
Total Housing Units	533,488	548,629	543,300	0.3	-0.2
Owner Vacancy Rate (%)	3.0	1.6	0.6		
Rental Vacancy Rate (%)	13.4	7.9	4.7		
Median Family Income	\$29,304	\$42,626	\$52,300	3.8	3.8

Note: Median family income data are for 1989, 1999, and 2006.

Sources: U.S. Bureau of Labor Statistics; U.S. Census Bureau; U.S. Department of Housing and Urban Development

Data Definitions and Sources

1990: 4/1/1990—U.S. Decennial Census

2000: 4/1/2000—U.S. Decennial Census

Current date: 9/1/2006—Analyst's estimates

For additional data pertaining to the housing market for this HMA, go to www.huduser.org/publications/pdf/CMARtables_NewOrleansLA_07.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 wishes to express 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.