

Mega Trends and Louisiana

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Real Property Associates, Inc.

Fracking, Cheap Natural Gas and Cheaper U.S. Oil

- Surge in chemicals, ore processing, fertilizer, steel, refineries- Mississippi River
- Lower Mississippi - Rail & Pipelines
- Houma/Thibodeaux/Fouchon- Offshore Drilling
- Lafayette- Service & drilling firms
- Lake Charles- Liquid Natural Gas
- N.O., Plaquemines & St. Bernard, St. Charles, St. John
- Port of New Orleans oil unit trains of 100 rail cars of oil every day

Panama Canal Widening

- Gradual shift in containers from LA/Long Beach Seattle, San Diego to:
- Central Gulf, New Orleans, Houston, Others
- Charleston
- Jacksonville
- Miami
- Savannah
- 2015 to 2024
- Deepening to 50 feet of River first
30 miles – opens Post Panamax to New Orleans

Obama Care

- Fewer small businesses/full time job losses
- Substantial cost increase to all of American businesses
- Overwhelm hospital system
- Reduces Medicare coverage
- Two tiered medical services
 - a.) Medicaid & Medicare,
 - b.) Affluent insurance/private pay

Aging Population

- Anti-tax votes
- Demands for services, tax lacking to pay for services
- Inability to maintain consumer lifestyle
- Increase in under 30-hour workers to avoid fringe benefits & insurance
- Longer work life past age 65

European & Japanese Stagnation

- Defaults by some countries
- High tax rates & seizures of accounts
- Falling quality of life
- Rising demand U.S. exports
- Falling Yen & Euro to dollar & Yuan
- Euro may not survive - becomes Northern Euro & southern individual currencies

Imponderables

- Interest rates and Central Bank subsidies - how much longer? - December, 2014, beyond
- Global tensions & outcomes – Middle East
- Governmental defaults & world economy
- Safe haven investments - where?
- Good risk/reward investments – MLP's, U.S. drillers
- Immigration – create citizens, close borders?
Technology workers vs. cheap labor
- Tax rates rising, loopholes closing & tax shelters

Likely Winners

1. Lower energy cost for businesses & employment for nearby housing services
2. International trade expansion points-containers, truckers, some manufacturing
3. Private medical facilities, and medical practices, longevity oriented disease or aging illnesses treatments
4. Hotel demand & limited supply New Orleans area
5. Subsidized multifamily rental housing through LIHTC

Trends New Orleans Area

- Owner occupant luxury housing – high demand now
- Market rate rental housing – 95%+ occupancy
- Warehousing demand weak
- Office space in downtown locations- stable, 24/7 city technology demand
- Retail of all kinds vs. internet; caps growth
- Resort/second home housing downtown & French Quarter
- Hospitals depend on Federal Funds & Medicaid & Medicare and high breakeven costs
- Growing private elder medical services and Medicare disallowing many claims

Expected National Market Trends

- GDP slow growth to 1% to 1.5% 2014
- Local housing prices stabilized fall 2012 and are rising 2013
- Mortgage rates of 4.75%, Federal Reserve subsidies continue with bond and mortgage buying
- Inflation in food, energy, imports 3%
- Consumer confidence low, erratic
- European recession severe and continuing
- Japan flat +1%-2%; China slow growth 5%-6%
- Israel/Iran volatile, Syria; Korea, Egypt, Africa

Metro New Orleans Employment

- December 2012 - 579,974
- July 2013 - 577,183
- Job Growth Rate - Flat
- Warning - Nationally Economy Slowing Too

Source: Laworks.net, LMI Bulletin; includes Tangipahoa

Unemployment Rate

July 2013

- Nation - 7.7%
- New Orleans Metro - 7.2%
- Jefferson - 6.6%
- Orleans - 9%
- St. Tammany - 5.9%
- St. Charles - 6.7%
- St. John - 8.7%
- Tangipahoa - 8.4%
- Metro unemployment up from 6.8% (2012) to 7.2% (July 2013)

Metro New Total Units & Multifamily Permits

Year	Total Units	Multi
2000	4,183	486
2001	4,457	853
2002	5,414	877
2003	6,129	345
2004	6,400	394
2005	4,781	105
2006	5,534	286
2007	7,024	2,593
2008	4,789	1,383
2009	2,832	305
2010	2,171	83
2011	1,900	290
2012	2,464	71
July 2013	1,547	10

Source: U.S. Census Construction Reports, includes Tangipahoa

Note: Multifamily Excludes Renovations

New Single Family Units

St. Tammany, Orleans, Jefferson

2004-2011

Year	St. Tammany	Orleans	Jefferson
2004	3,167	552	1,173
2005	2,468	413	912
2006	2,659	468	707
2007	1,631	1,026	798
2008	933	882	565
2009	592	947	350
2010	576	820	274
2011	700	620	200
2012	931	738	182
July 2013	673	272	145

Source: U.S.

Housing Prices Per Foot

	2009	2010	2011	2012
Orleans	\$129	\$141	\$137	\$142
Damaged	\$37	\$39	\$37	\$38
St. Tammany	\$108	\$99	\$100	\$99
Tangipahoa	\$94	\$84	\$81	\$88
Jefferson	\$110	\$101	\$98	\$98
St. John	\$93	\$77	\$76	\$72
Plaquemines	\$112	\$100	\$108	\$129
St. Bernard	\$66	\$66	\$67	\$65
Damaged	\$21	\$22	\$27	\$27
St. Charles	\$103	\$92	\$94	\$92

Source: GSREIN MLS Data from New Orleans Metropolitan Assoc. of Realtors, compiled by RPA

Trend: [Back to 2005 Price Level, Bottom Forming](#)

S & P Schiller House Price Index

- +5.5% existing price rise in 2012 nationally
- Starts, sales new housing rising
- Strongest rebounds in hardest hit cities but New Orleans is an exception
- New Orleans and suburbs strong rebound city

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