

SOUTHWEST LOUISIANA ECONOMIC INDICATORS

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<http://www.mcneese.edu/drewecon>

Annual Real Estate Review

Statistics provided by the Southwest Louisiana Association of Realtors confirm that the year 2007 was more of a “steady-as-she-goes” year in this region than a “meltdown” year as one might fear from reading national news headlines about the real estate market. However, in the most recent three months, there is evidence of a slowdown in the regional real estate market.

The regional real estate market can be divided into five major categories—single family homes, condominiums, multi-family homes, commercial real estate, and vacant land. Comparative statistics on each category at year-end 2007 and 2006 are summarized below along with the most recent monthly data for single family home sales.

Single Family Home Sales

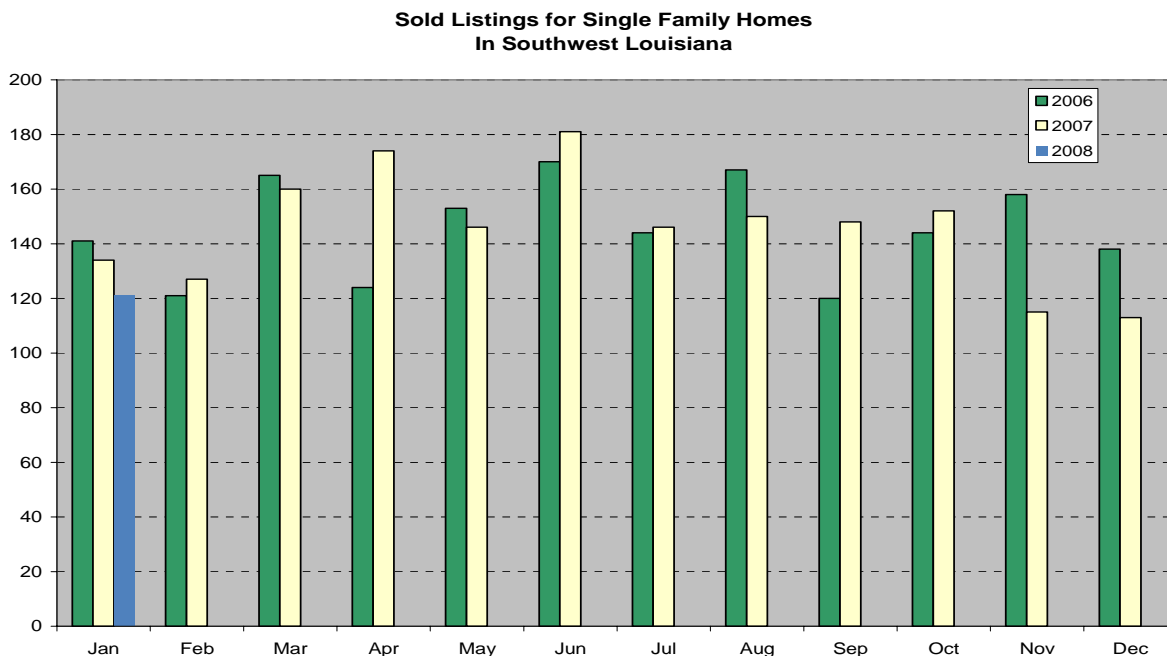
Single family home sales accounted for over 80% of the total dollar volume of all real estate transactions in Southwest Louisiana in 2007. The table below shows that 1,723 single family homes sold in the year 2007. That was virtually the same as in the number sold in the previous year. The total dollar volume of single family home sales reached nearly \$263 million in 2007, a 4.8% increase from sales in 2006. This was possible due to a 5% increase in the average sales price for single family homes to \$152,536 in 2007 from \$145,270 in 2006. The national consumer price index rose from 201.6 in 2006 to 207.3 in 2007—an increase of about 2.8%. Based on this gauge of inflation, the total sales volume and the average sales price rose in both nominal and real terms during the last year for single family homes in Southwest Louisiana.

Single Family Home Statistics for Southwest Louisiana, Annual Comparisons

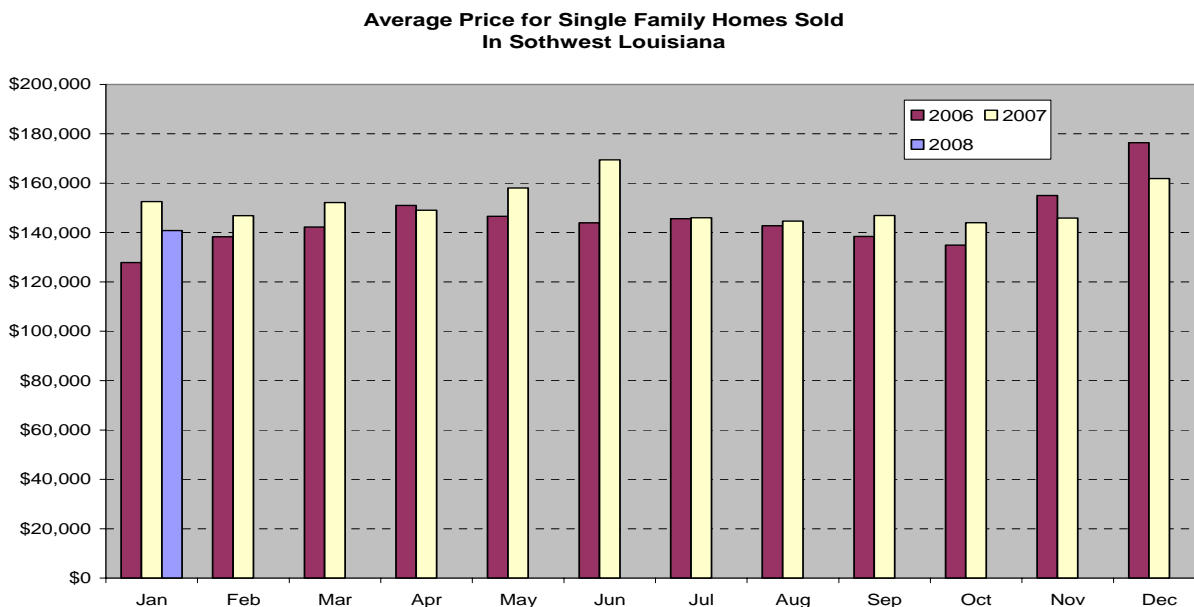
	<u>2007</u>	<u>2006</u>	<u>Change</u>
New Listings	2,456	2,168	13.3%
Number Sold	1,723	1,726	-0.2%
Volume of Sales	\$262,820,318	\$250,735,291	4.8%
Average Sales Price	\$152,536	\$145,270	5.0%
Average Days on Market	124	110	

It is noteworthy that for single family homes in Southwest Louisiana, the “average number of days on the market” lengthened by two weeks—from 110 days in 2006 to 124 days in 2007. At the same time, the number of new listings for single family homes increased by 13%.

Confirmation of at least a temporary slowdown in this important segment of the regional real estate market comes from a comparison of the most recent three months of statistics on single family home sales—see chart below. When compared with the same month in the previous year, the number of single family homes sold was down by 43 in November of 2007, down by 25 in December of 2007, and down by 13 in January of 2008.

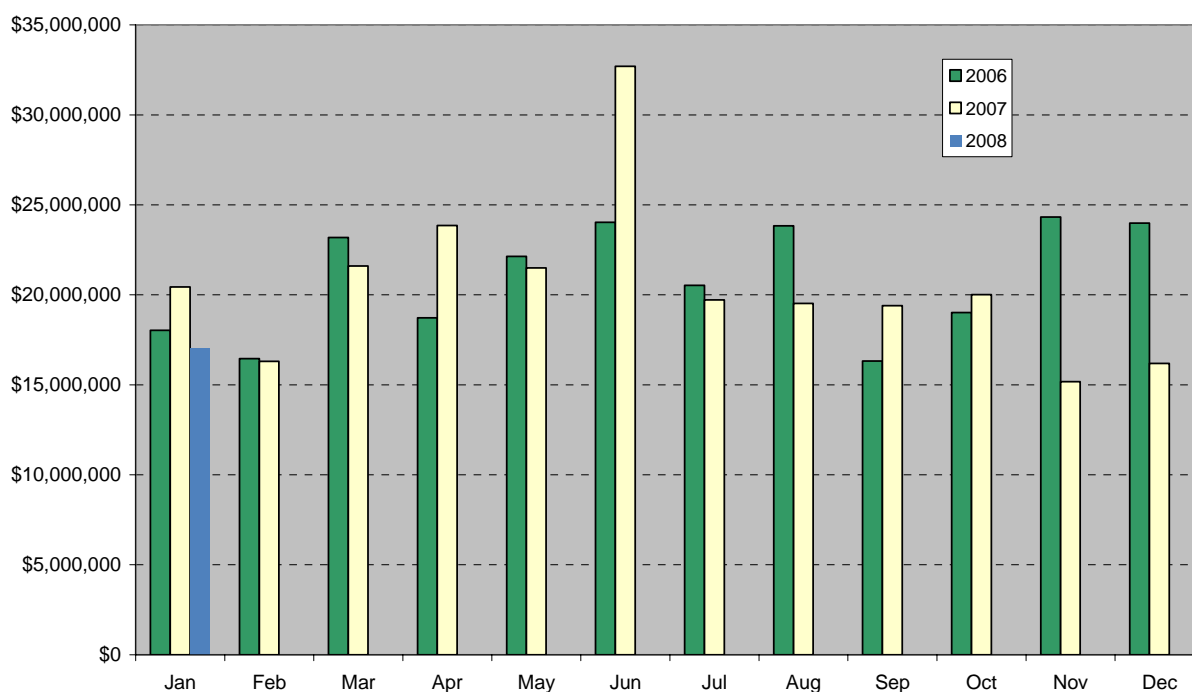


When compared with the same month in the previous year, the average price of single family homes sold fell by 5.8% in November of 2007, by 8.2% in December of 2007, and by 7.7% in January of 2008—see chart below.



With both the number of sales and the average sales price declining in the most recent three months, the total dollar volume of single family homes sold declined as well—by 37.6% in November, by 32.5% in December, and by 16.7% in January (when compared with the same months one year earlier).

**Dollar Volume of Sales for Single Family Homes
Southwest Louisiana**



Condominium Sales

While the table below indicates the changes in condominium sales from 2006 to 2007 were all negative, the numbers involved are too small to attach much significance to them. Condominium sales accounted for an insignificant share of the total volume of real estate transactions in Southwest Louisiana—about one-tenth of one percent.

Condominium Statistics for Southwest Louisiana, Annual Comparisons

	<u>2007</u>	<u>2006</u>	<u>Change</u>
New Listings	4	12	-66.7%
Number Sold	5	14	-64.3%
Volume of Sales	\$441,000	\$1,313,200	-66.4%
Average Sales Price	\$88,200	\$93,800	-6.0%
Average Days on Market	101	156	

Multi-Family Home Sales

Multi-family home sales also account for a very small share of the total dollar volume of real estate sales in Southwest Louisiana—about 2%. The table below shows that all the comparisons for 2007 are positive for this segment of the regional real estate market. While the percentage changes are large, the actual numbers involved are relatively small.

Multi-Family Home Statistics for Southwest Louisiana, Annual Comparisons

	<u>2007</u>	<u>2006</u>	<u>Change</u>
New Listings	68	55	23.6%
Number Sold	34	31	9.7%
Volume of Sales	\$6,770,799	\$4,179,100	62.0%
Average Sales Price	\$199,141	\$134,810	47.7%
Average Days on Market	114	146	

Commercial Real Estate Sales

Commercial real estate sales account for almost 4% of the total dollar volume of real estate sales in Southwest Louisiana. It should be kept in mind that this category of sales is probably not very homogenous. Perhaps the most significant statistics in the table below are the nearly 7% increase in the dollar volume of commercial real estate sold in 2007 and the three week decline in the average number of days on the market.

Commercial Real Estate Statistics for Southwest Louisiana, Annual Comparisons

	<u>2007</u>	<u>2006</u>	<u>Change</u>
New Listings	152	118	28.8%
Number Sold	49	57	-14.0%
Volume of Sales	\$12,739,475	\$11,929,222	6.8%
Average Sales Price	\$259,989	\$209,285	24.2%
Average Days on Market	249	270	

Vacant Land Sales

Vacant land sales account for nearly 14% of the total dollar volume of real estate sales in Southwest Louisiana. Vacant land is also a category that lacks homogeneity—so comparisons must be made with caution. The nearly 14% increase in the total dollar volume of sales is noteworthy.

Vacant Land Statistics for Southwest Louisiana, Annual Comparisons

	<u>2007</u>	<u>2006</u>	<u>Change</u>
New Listings	777	752	3.3%
Number Sold	421	551	-23.6%
Volume of Sales	\$44,836,658	\$39,420,860	13.7%
Average Sales Price	\$106,500	\$71,544	48.9%
Average Days on Market	343	326	

Grand Totals--All Real Estate Sales

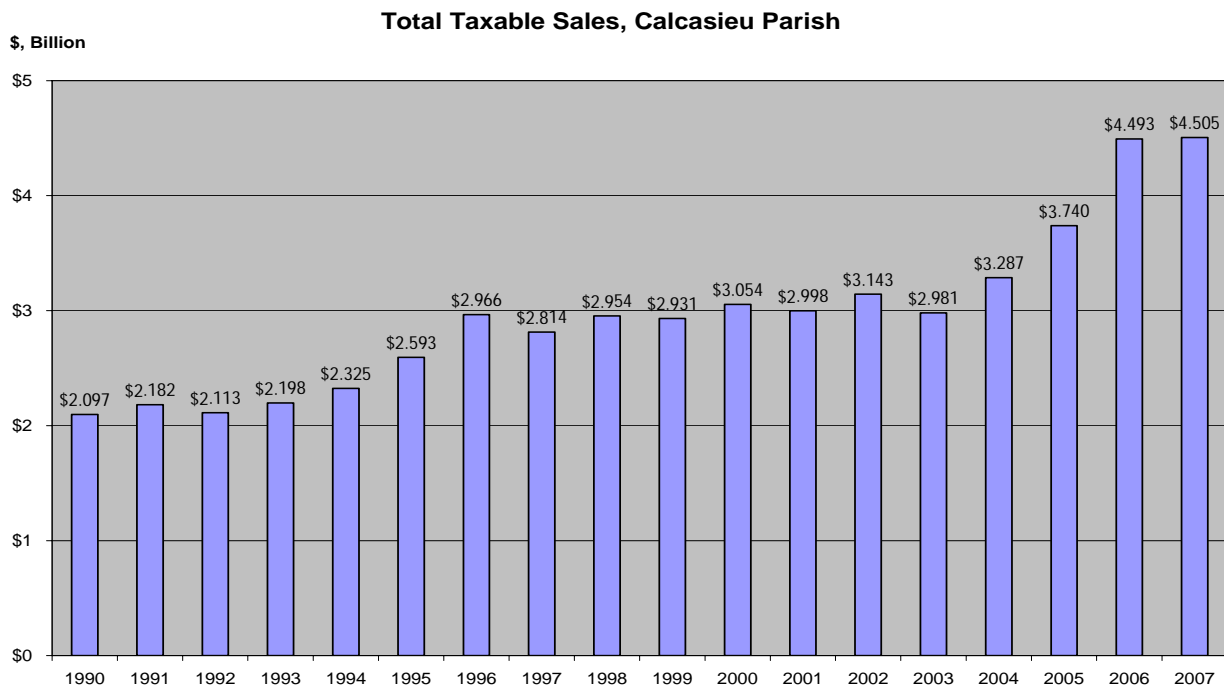
The grand totals for all five categories of real estate sales in Southwest Louisiana are shown in the table that follows. The total dollar volume of all real estate sales rose from \$307.6 million in 2006 to \$327.6 million in 2007—an increase of 6.5%.

Grand Total Statistics for All Southwest Louisiana Real Estate, Annual Comparisons

	<u>2007</u>	<u>2006</u>	<u>Change</u>
New Listings	3,457	3,105	11.3%
Number Sold	2,232	2,379	-6.2%
Volume of Sales	\$327,608,250	\$307,577,673	6.5%
Average Sales Price	\$146,778	\$129,289	13.5%

Annual Taxable Sales Review

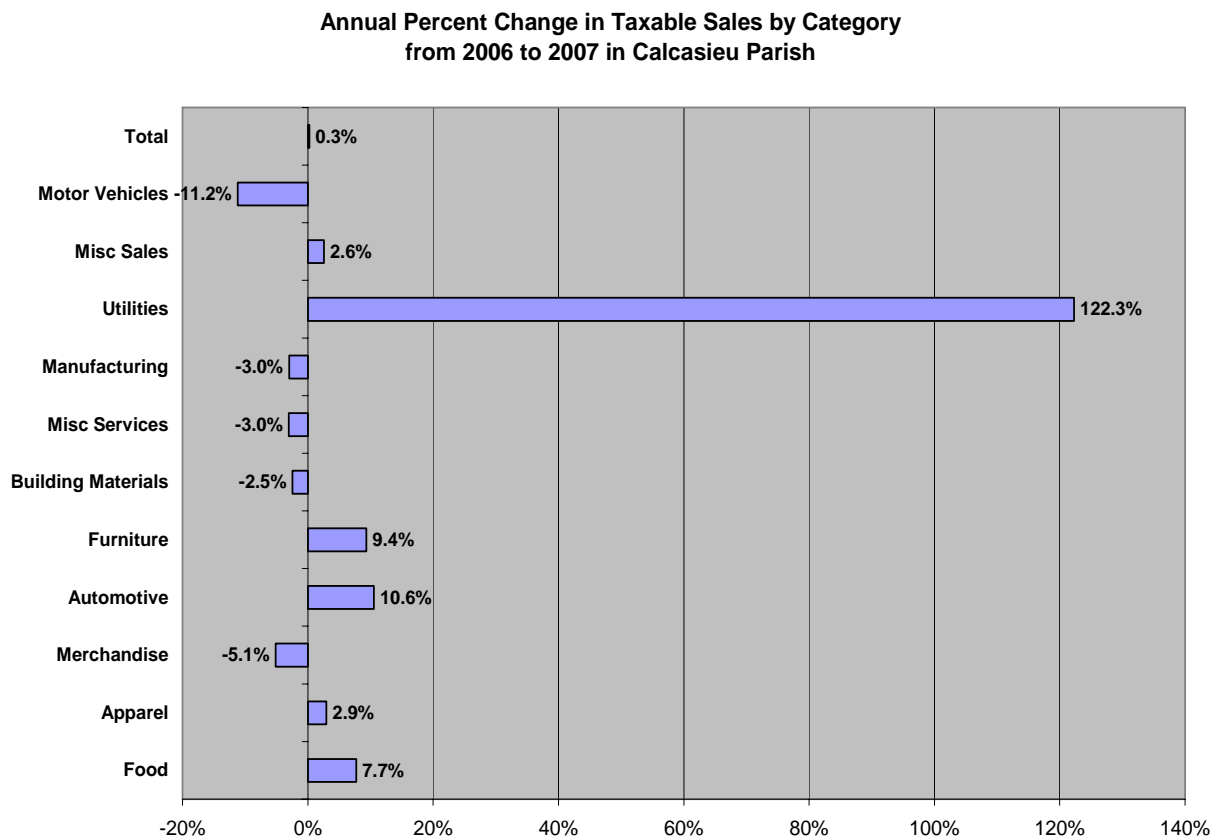
Transactions subject to the Calcasieu Parish sales and use tax rose to a record \$4.505 billion in the year 2007. The period from 2003 to 2007 is the first time taxable sales in the parish increased for four consecutive years since the period from 1992 to 1996—see chart below. But the rate of increase in 2007 from 2006 was a nearly imperceptible three-tenths of one percent or about \$12 million.



Even slightly exceeding the gigantic surge in hurricane recovery spending in 2006, however, was no small achievement. Total taxable sales were lagging by 4.3% during the first eight months of

2007. Strong sales in the last four months of the year (particularly September, October, and December) just barely pushed sales in 2007 above those in 2006.

While 2007 was a nearly “stand-still” year from 2006 in terms of **total** taxable sales, this was not the case for all types of taxable sales. The percent changes in eleven major categories of taxable sales between 2006 and 2007 are shown in the chart that follows.



On the plus side, the whopping 122.3% increase shown for utilities looks very impressive on the chart, but in dollar terms amounts to a gain of about \$62.6 million. The 7.7% increase in food sales amounts to \$42.2 million in increased spending at grocery stores and restaurants. The 10.6% increase for automotive sales amounts to a \$27.3 million increase in spending on automotive related items except new and used cars—see definitions below. The 9.4% increase in furniture sales translates into a \$23.8 million increase in spending, the 2.6% increase for miscellaneous sales amounts to \$3 million, and the 2.9% increase for apparel amounts to \$2.6 million.

On the negative side, the 11.2% decrease in motor vehicle sales amounts to a \$51.8 million decline in spending on new and used vehicles. The 5.1% drop in merchandise accounts for a decline of \$47.1 million in spending at department and general goods stores. The decrease of 3% in both manufacturing and miscellaneous services accounts for decreases of \$22 million and \$14.3 million respectively. The 2.5% decrease in building materials amounts to a decrease of \$14.4 million—no doubt reflecting a slowdown in hurricane recovery spending.

When the pluses and minuses are netted out, the change in total taxable sales was only +\$12 million or a gain of less than 0.3% in total taxable spending. Annual changes in each category of spending from 1990 to 2007 can be tracked on our web page: www.mcneese.edu/drewecon.

Descriptions of the categories of sales included in the chart above are as follows:

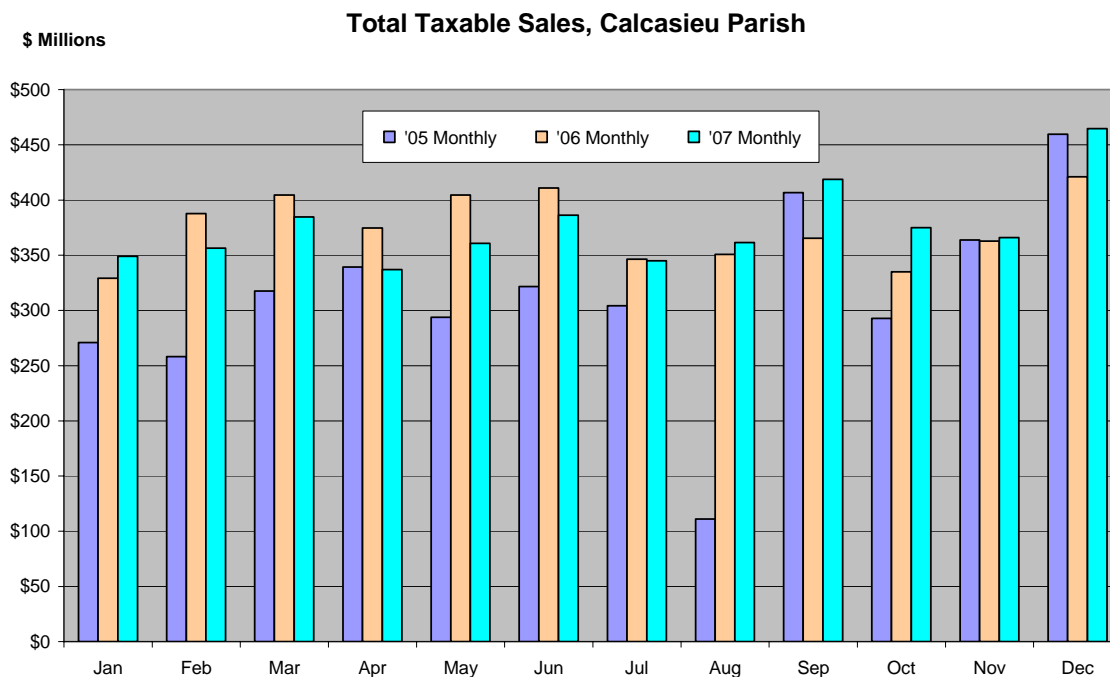
- **Food** — Grocery stores, fruit/vegetable markets, meat/seafood markets, restaurants and cafes, nightclubs, lounges, package liquor stores, egg/poultry dealers, bakeries, etc.
- **Apparel**— Clothing, millinery, accessory, specialty shops, shoe stores.
- **Merchandise** — Department, dry goods, variety, drug, feed & seed, hardware, farm implements, general merchandise, pawn shops, etc.
- **Automotive** — Automotive dealers, auto parts, accessories, motorcycle, aircraft, marine and mobile home dealers, service stations, repair shops, tire and battery dealers.
- **Furniture** — New and used furniture, household appliances, store and office equipment, hotel, motel, restaurant and institutional suppliers, medical and dental equipment and suppliers.
- **Building Materials** — Building and construction contractors, lumber, paint and wallpaper stores, heavy equipment.
- **Miscellaneous Services** — Hotel, motels, hospitals, rental and leasing of tangible personalty, bowling alleys, laundry, cleaning and alterations, machine shops and fabrications, and gaming industry.
- **Manufacturing** — Petrochemical refineries, beverage bottlers, sand and gravel quarries, manufacturing not otherwise indicated.
- **Utilities** — Railroads, pipelines, telephone and telegraph, motor freight lines, bus lines, cable communications.
- **Miscellaneous** — Book stores, music stores, salvage yards, photographers, tobacco shops, florists/nurseries, funeral homes, itinerant vendors.
- **Motor Vehicles** — Sales reported by office of motor vehicles of new and used cars and other categories of transportation which require titling and/or registration.

Summary and National Comparisons

While the number of single family homes sold in Southwest Louisiana remained flat in 2007, the average price of single family homes in this regional market rose by 5% to \$152,536. In stark contrast, nationwide during the last year the average sales price for existing single family homes fell by 1.3% to \$266,000. In the South the average sales price for single family homes fell by 2.1% to \$226,000. Nationwide as well as in the South there was a drop by nearly 13% in the number of existing single family homes sold in 2007.

There has been a slowdown in the market for single family homes in Southwest Louisiana during the last three months (Nov 2007—Jan 2008), but recent Federal Reserve Board actions designed to lower mortgage interest rates may reverse that short-term trend more rapidly here than elsewhere. Southwest Louisiana did not experience a real estate “bubble” that burst in certain other parts of the country. In 2007 roughly 29% of the listings in this area sold for less than \$100,000, 28% for \$100,000 to \$149,999, 20% for \$150,000 to \$199,999, 16% for \$200,000 to \$299,999, and only 7 % for over \$300,000.

While total taxable sales in Calcasieu Parish remained almost flat in 2007, the most recent monthly **total** taxable spending trends from August through December of 2007 have all been positive in comparison to the same months of 2006—see chart that follows. That may bode well for future spending trends.



One potential red flag of local concern is the decline in general merchandise sales, for the entire year and particularly in the most recent month for which data is available (December 2007). At the national level there is concern that a similar trend could presage a consumer-led recession.

The *Southwest Louisiana Economic Indicators* report is distributed electronically through the **H.C. Drew Center for Economic Development Information Services** in the College of Business at McNeese State University in Lake Charles, Louisiana.

Visit our webpage for more detailed information depicting recent economic trends in Southwest Louisiana—including Calcasieu, Cameron, Allen, Beauregard, and Jefferson Davis Parishes.

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