

Baton Rouge Apartment Trends 2011



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What Will Be Presented?

- Factors affecting Rental Housing Demand
- Trends in Rents & Vacancies
- Recent & Pending Construction of Apartments & Condos
- Recent Sales of Apartment Complexes
- What's Ahead

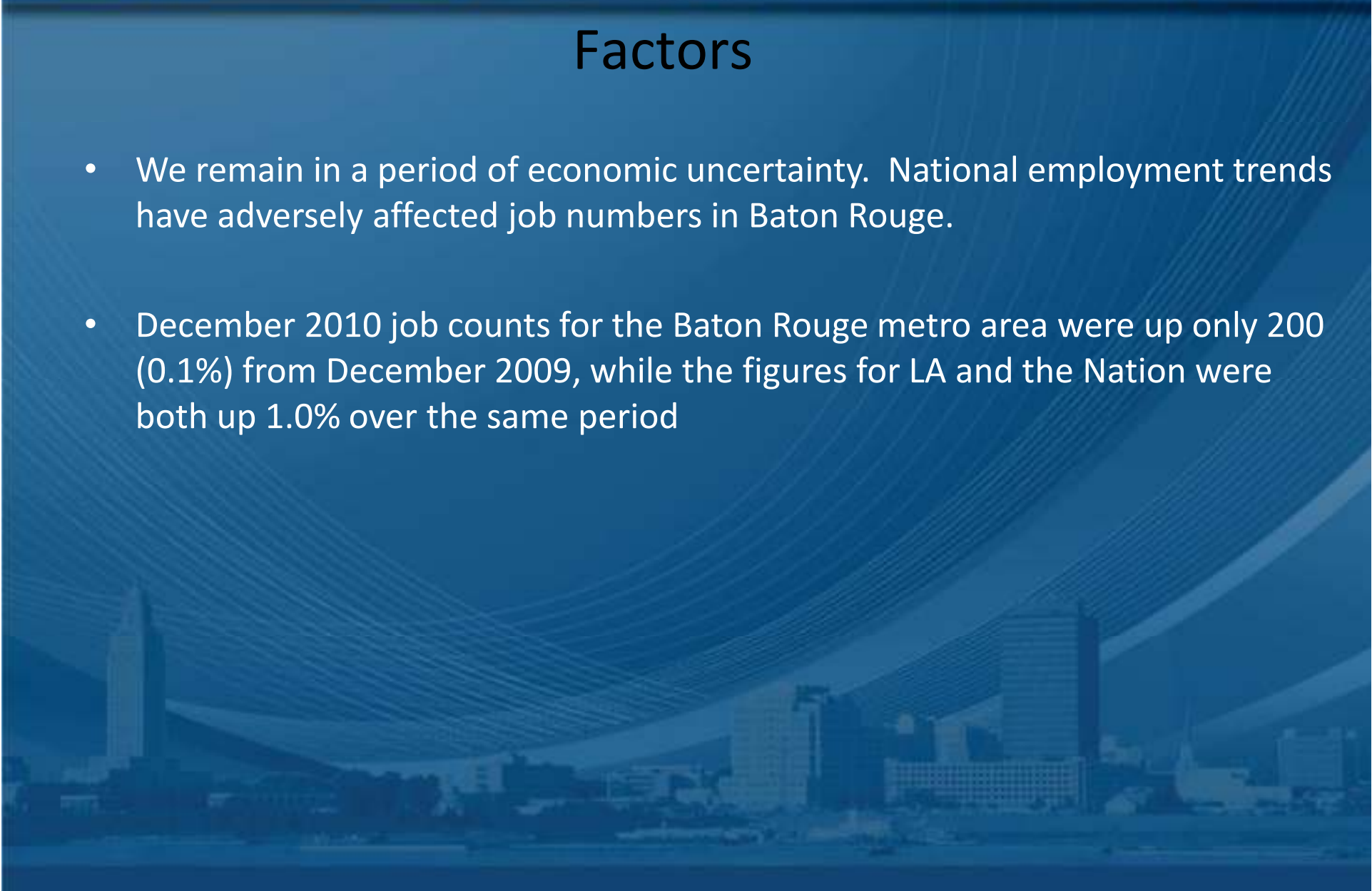


Apartment Rental & Vacancy Trends - Snapshot

- Rentals for a matched sample of 111 local complexes increased 1.8% from Fall 2009 to Fall 2010 (up from 0.8% from the Fall 2008 to Fall 2009 period). The norm in 2001-05 was 1% to 2% increases annually.
- Vacancies for this same sample were reported at 6.9% in Fall 2010, up from 2.5% in Fall 2008 (and 6% in Spring 2005, prior to Hurricane Katrina)
- BR Apt Association reported 6.4% citywide vacancy in January 2011 (up from 2.1% in January 2009)
- Concessions? Remain common, particularly for more upscale properties. Between 2 and 8 weeks waived rents (and/or electronics, cruises, etc.) when signing a 1-year lease remains typical.

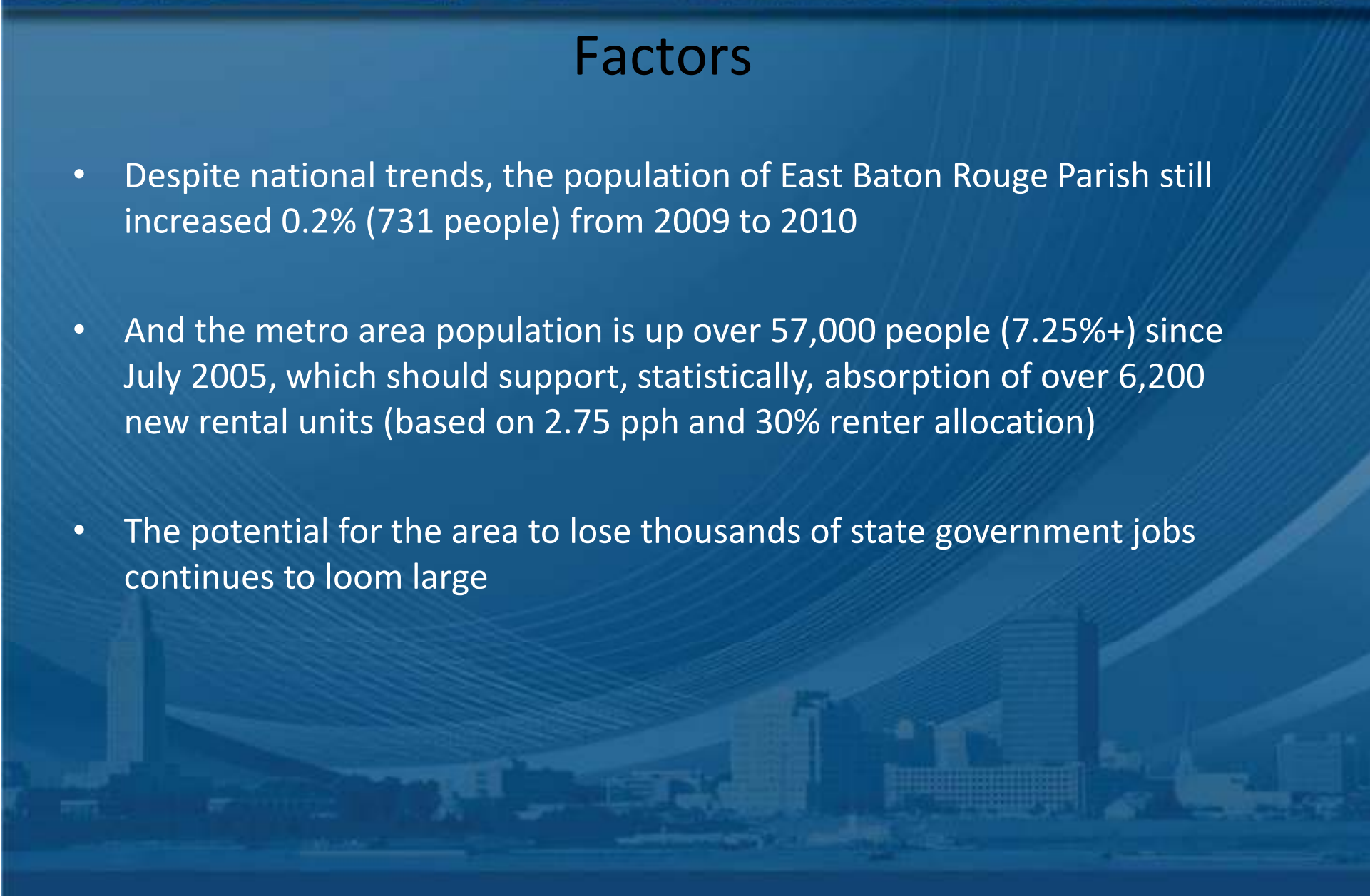


Factors

- We remain in a period of economic uncertainty. National employment trends have adversely affected job numbers in Baton Rouge.
 - December 2010 job counts for the Baton Rouge metro area were up only 200 (0.1%) from December 2009, while the figures for LA and the Nation were both up 1.0% over the same period
- 



Factors

- Despite national trends, the population of East Baton Rouge Parish still increased 0.2% (731 people) from 2009 to 2010
 - And the metro area population is up over 57,000 people (7.25%+) since July 2005, which should support, statistically, absorption of over 6,200 new rental units (based on 2.75 pph and 30% renter allocation)
 - The potential for the area to lose thousands of state government jobs continues to loom large
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Factors

- The diminished availability of mortgage financing for home purchases (particularly in the subprime lending realm) continues to slow the transition of renters to home ownership, resulting in greater tenant retention.
- Tenants lacking a strong credit rating, income history and/or assets for down payment have difficulty in securing mortgage financing and graduating to home ownership.
- The diminished flow of renters into ownership appears to have been a notable catalyst for absorption of the incoming units without the magnitude of adverse effects on economic occupancies and rentals for apartments I thought may have otherwise been inevitable.



Local Stats

Relevant Stats affecting real estate demand in BR:

1. Population growth in the BR MSA (increased 5.5% following Hurricanes Katrina & Rita, but increases through 2013 are expected to be less than 1.0% annually)
2. At the end of 2010, job counts in BR MSA were still up roughly 18,400 jobs (a 5% increase) from 351,700 in August 2005 (when Katrina hit), but are expected to be flat or declining in 2011 (though recovery is technically underway, further job losses may occur locally & nationally).



Apartment Rental Trends

- Rentals had historically increased 1% to 3% annually from 1995 to 2005
- Rentals increased roughly 10% from Spring 2005 to Spring 2006, predominantly attributable to the “Katrina Effect”
- Average rents for all units still increased an average of 3.6% from Fall 2007 to Fall 2008, despite the national recession
- Average rents for all units increased an average of only 0.1% from Fall 2008 to Fall 2009
- Average rents for all units increased an average of 1.8% from Fall 2009 to Fall 2010



Apartment Vacancies

- BRAA reported 7.9% citywide vacancy in Jan 2005
- BRAA reported 6.4% Citywide vacancy in Jan 2011 (up materially from 2.1% reported in Jan 2009)
- LSU/CMA Fall 2010 Matched Sample Survey of 111 complexes reported overall vacancy of 6.1% (consistent with the 6% reported in Spring 2005). The 165-complex larger survey reported 6.9% vacancy.
- Quoted occupancies still likely overstate effective/economic occupancies (net of concessionary discounts)



Rental Units Built 2006-2010

	Total 2006-10
Conventional	3,386
Upscale Student	421
Affordable Housing (LIHTC)	1,035
Total	4,842



Rental Units Underway/Planned 2011-2012

	Underway	Planned	Total
Conventional	224	234	458
Upscale Student	348	291	639
Affordable Housing	144	31	175
Total	716	556	1,272



Conventional & Student Units completed in 2010

- Complexes Completed in 2010
 - Cottages of Baton Rouge
 - 159 (1st Phase) of 382 upscale student units on Ben Hur Road off Nicholson Drive
 - Conventional financing
 - Developer: Capstone (Birmingham, AL)
 - Villages at Juban Lakes
 - 144 upscale units on Buddy Ellis Road in Denham Springs
 - HUD 221(d)4 financing
 - Developer: Tom Delahaye (Plaquemine, LA)



Cottages of Baton Rouge

Ben Hur Road off Nicholson





Cottages of Baton Rouge

Ben Hur Road off Nicholson





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Cottages of Baton Rouge

Ben Hur Road off Nicholson





Village at Juban Lakes

Buddy Ellis Road off Juban Road





Village at Juban Lakes

Buddy Ellis Road off Juban Road





Village at Juban Lakes

Buddy Ellis Road off Juban Road





Village at Juban Lakes

Buddy Ellis Road off Juban Road





Village at Juban Lakes

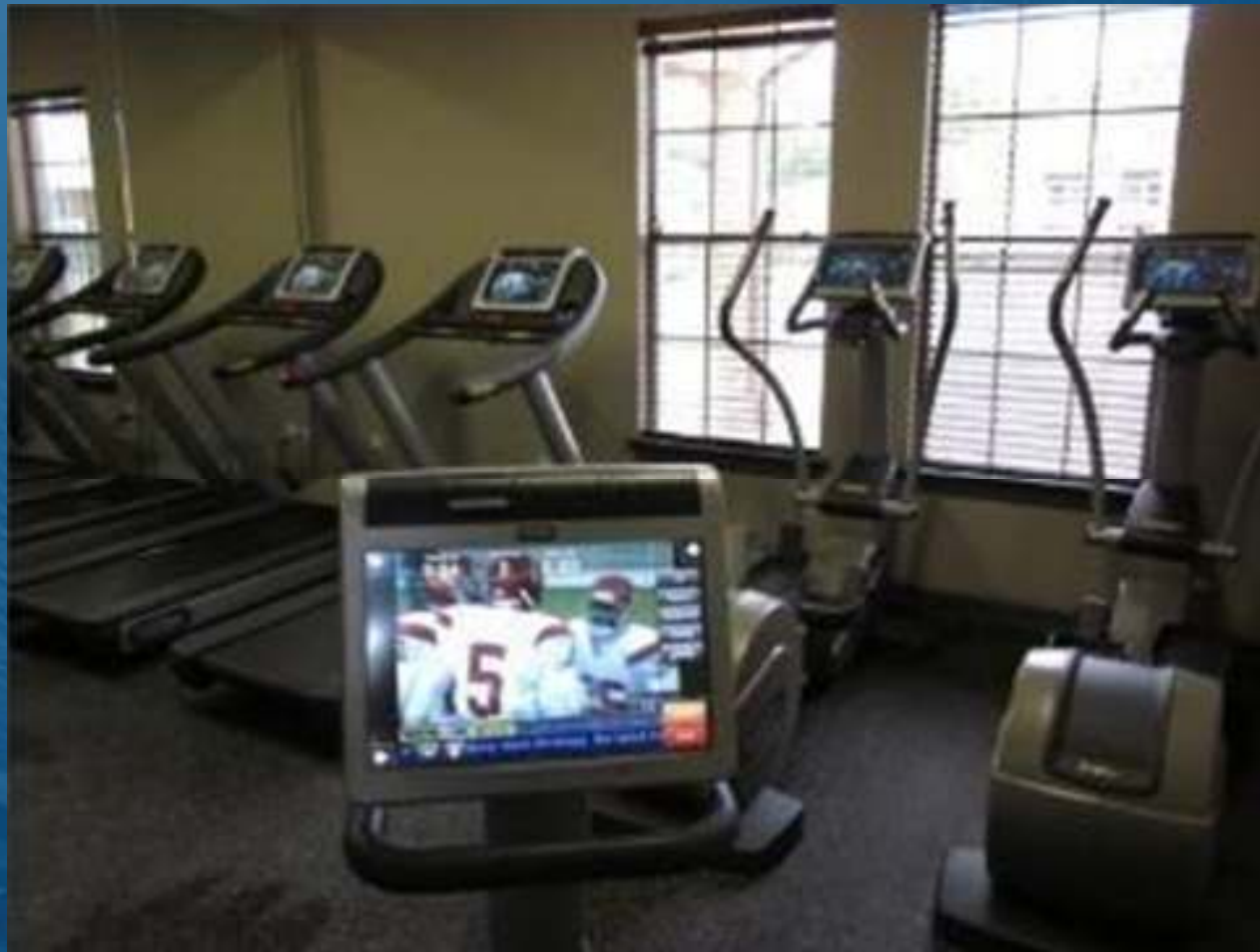
Buddy Ellis Road off Juban Road





Village at Juban Lakes

Buddy Ellis Road off Juban Road





Village at Juban Lakes

Buddy Ellis Road off Juban Road





Village at Juban Lakes

Buddy Ellis Road off Juban Road





Village at Juban Lakes

Buddy Ellis Road off Juban Road





Village at Juban Lakes

Buddy Ellis Road off Juban Road





The Parc at Denham Springs

LA Hwy 16 South off LA Hwy 64





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Conventional Complexes Under Construction

- Complexes Under Construction in 2011
 - Cottages of Baton Rouge
 - 223 (2nd Phase) upscale student units on Ben Hur Road off Nicholson
 - Conventional financing
 - Developer: Capstone (Birmingham, AL)
 - Aspen Heights
 - 125 upscale student units on River Road & Brightside Lane
 - Conventional financing
 - Developer: Breckenridge Group (TX)
 - The Parc at Denham
 - 224 upscale units at 31092 LA Hwy 16 in Denham Springs
 - HUD 221(d)4 financing
 - Developer: Apartment Development Services



Affordable (LIHTC) Complexes Completed in 2010

- LIHTC Complexes Completed in 2010
 - Oakwood Terrace
 - 60 Scattered-Site LIHTC units (rental houses) off Mickens Road
 - Developer: Bowen Arnold (Florida)
 - Fullerton Estates
 - 22 Scattered-Site LIHTC units (rental houses) off Plank Road
 - Developer: Jeff Beaver



Affordable (LIHTC) Complexes Under Construction

- LIHTC Complexes Under Construction in 2011
 - Hooper Springs
 - 48 LIHTC units off Hooper Road
 - Developer: CDI (Idaho)
 - Scott Elementary
 - 60 LIHTC Single-Room Occupancy (SRO) units at 900 North 19th Street
 - Developer: Gulf Coast Housing Partners
 - GHCP One Stop
 - 36 LIHTC Single-Room Occupancy (SRO) units at 153 North 17th Street
 - Developer: Gulf Coast Housing Partners



Oakwood Terrace

Mickens Road west of Hooper Road





Oakwood Terrace

Mickens Road west of Hooper Road





Oakwood Terrace

Mickens Road west of Hooper Road





Oakwood Terrace

Mickens Road west of Hooper Road





Oakwood Terrace

Mickens Road west of Hooper Road





Oakwood Terrace

Mickens Road west of Hooper Road





Proposed Complexes – Planned (not underway)

- Upscale Complexes proposed for 2012-13
 - Woodlands
 - 291 upscale conventional/student units on Ben Hur off Nicholson
 - Developer: Dovetail Companies
 - River House (formerly University Village)
 - 208 upscale units on Nicholson at Oklahoma (former Prince Murat)
 - Rouzon
 - 30 upscale units off Perkins Road near Glasgow
 - Developer: JTS (Baton Rouge)



Proposed Complexes – Planned (not underway)

- Affordable Complexes proposed for 2012-13
 - Bellhaven Trace
 - 31 affordable units along Wooddale Boulevard
 - Developer: Trilateral Development



Condo Developments – Built since 2006

- There have been 2,100+ units in 35+ condo developments built since 2006, including (to mention a few) -
 - The Crescent at University Lake (165 units, Mike Wampold)
 - Fieldhouse Gameday Condos (99 units, Capstone)
 - Victory Commons (52 units, Quadrants)
 - Stone Lake (120 units, RW Day)
 - Juban Court (96 units, Business Investment Group)
 - Summer Grove (72 units, Greg Flores)
 - Arlington Trace (74 units, Greg Flores/Crown Construction)



Notable Condo Conversions

- Recent condo conversions (all of which have reverted some units back to rentals) include:
 - The Blox at Brightside (104 units, Donnie Jarreau)
 - Jeffersonian (33 units, Alan Walsh)
 - Jefferson Place (234 units, John Fetzer, Hardy Swyers & Alan Walsh)
 - Courtyard Orleans (95 units, formerly Bengal Apartments, Whitten Foundation)
 - Courtyard Condos (32 units, formerly The Forum, Gregg Cordaro)
 - View Carre' Condos (74 units, formerly Brittany Place, Johnny Mann & Frank Sagnibene)



Condo Trends

- Absorptions of units built were very strong through early 2007. Absorptions have slowed to a crawl since the latter half of 2007, due primarily to diminished availability of mortgage financing (for detached dwellings, as well, but particularly for condos).
- The number of condo units still in the pipeline is very small -
 - Fewer than 100 units under construction or set to start in 2011



Property Sales 2008-2009

	# of Units	\$/SF	\$/Unit
Mansions in the Park (7520 Perkins)	264	\$122	\$103,470
Sterling University (3135 Highland)	98	n/a	\$214,280
Villa Franche (1302 Bob Pettit)	40	\$60	\$35,000
Drehr Place (901 St. Rose)	28	\$70	\$68,080
Longridge (11999 Longridge)	144	\$81	\$78,472



Market Summary

- The Baton Rouge market is in the process of absorbing the 4,842+ apartments and 2,100+ condos built since Katrina hit (in August 2005), with 716+ units under construction and 556+ announced/planned for 2012-13 (though some will likely remain on hold).
- Vacancies have returned to historical norms (6% to 7%). Economic vacancies are likely much higher.
- Rents will likely continue to rise slightly through 2011, while vacancies should stabilize at 6% to 8%.
- Vacancies in Livingston Parish may continue to rise, as the numerous new units are gradually absorbed.



Thanks to....

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