

Baton Rouge Apartment Trends 2010



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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 114 local complexes increased only 0.1% from Fall 2008 to Fall 2009 (down from 3.6% from the Fall 2007 to Fall 2008 period). The norm in 2001-05 was 1% to 2% increases annually.
- Vacancies for this same sample were reported at 5.3% in Fall 2008, up from 2.5% in Fall 2008 (and 6% in Spring 2005, prior to Hurricane Katrina)
- BR Apt Association reported 6.9% citywide vacancy in January 2010
- Concessions? Becoming increasingly common, particularly for more upscale properties. Between 2 and 8 weeks waived rents (and/or electronics, cruises, etc.) when signing a 1-year lease is now typical.



Factors

- We remain in a period of economic uncertainty. National employment trends are beginning to adversely impact Baton Rouge.
- January 2010 job counts for the Baton Rouge area were down 6,600 (1.8%) from January 2009, but this is far better than the figures for LA (down 3.4%) and the Nation (down 6.1%) over the same period
- The local market is less likely to lose residents in search of employment to other markets with “greener pastures”



Factors

- Despite national trends, the population of East Baton Rouge Parish still increased 0.8% (3,609 people) in 2008-09
- And the metro area population is up 57,061 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 ride ahead is still likely to remain a bit bumpy, with the potential for the area to lose thousands of state government jobs looming large





Snapshot of Today's Economy





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, though the \$8,000 first-time home buyer federal tax credits (which expires 4/1/10) has likely had some offsetting effect over the past 7 months.
- Tenants lacking a strong credit rating, income history and/or assets for down payment are having much greater difficulty in securing mortgage financing and graduating to home ownership.



Factors

- 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.
- “Belt tightening” during a recessionary period is common. Some tenants may be “doubling up” to reduce housing costs and live more efficiently. As economic recovery gradually occurs, this trend may reverse (which should boost apartment demand).



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 0.5% to 1.0% annually)

2. At the end of 2009, job counts in BR MSA were still up roughly 18,200 jobs (a 5% increase) from 351,700 in August 2005 (when Katrina hit), but are expected to be flat or declining in 2010 (though recovery is technically underway, further job losses are expected locally & nationally).

3. Retail sales in BR have declined for month-over-month figures (reflective of recessionary “belt tightening”)



Apartment Rental Trends

- Rentals in 1997-00 rose at a rate of 3%+ per year
- Rental increases in 2001-02 dropped to below 2%, as job growth & economic activity slowed
- Rental increases in 2002-04 averaged roughly 1% per year, due primarily to increased supply
- Rental increases in 2004-05 returned to an annual rate averaging slightly above 2%, despite substantial construction of new apartment and condo units



Apartment Rental Trends

- Rentals increased roughly 10% from Spring 2005 to Spring 2006
- These increases were, of course, 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





Apartment Rental Trends

- Average rents for 1BR units decreased 0.9% from Fall 2008 to Fall 2009
- Rents for 2BR units were unchanged from Fall 2008 to Fall 2009
- Rents for 3BR Units increased 1.7% from Fall 2008 to Fall 2009
- Average rents for all units increased an average of 0.1% from Fall 2008 to Fall 2009
- Since I started tracking apartment rents in 1989, this is the first year I can recall rents remaining flat



Apartment Vacancies

- BRAA reported 7.9% citywide vacancy in Jan 2005
- BRAA reported 6.9% Citywide vacancy in Jan 2010 (up from 2.1% in Jan 2009)
- LSU/CMA Fall 2009 Matched Sample Survey of 114 complexes reported overall vacancy of 5.3% (still below the 6% reported in Spring 2005). The 148-complex reported 6% vacancy.
- As vacancies have risen, “asked” rents have flattened or declined.
- Quoted occupancies still likely overstate effective/economic occupancies (net of concessionary discounts)



Rental Units Built 2006-2010

	Total 2006-10
Upscale Conventional	3,242
Upscale Student	277
Affordable Housing (LIHTC)	953
Total	4,472



Rental Units Underway/Planned 2010-2011

	Underway	Planned	Total
Upscale Conventional	320	904	1,224
Upscale Student	382	0	382
Affordable Housing	166	100	266
Total	868	1,004	1,872



Conventional Units completed in 2009-10

- Upscale/Conventional Complexes
 - Completed since Spring 2009
- Perkins Palms
 - 22 upscale units on Perkins Road north of Essen Lane
 - Developer: Donnie Jarreau (Baton Rouge)
 - 1BR Rents - \$995 to \$1,095 (\$1.46 to \$1.61/sf)
 - 2BR Rents - \$1,295 to \$1,395 (\$1.27 to \$1.37/sf)
- Kress Levy Building
 - 16 upscale units on 3rd & Main Streets in CBD
 - Developer: Cyntrenics (Baton Rouge)
 - 1BR Rents - \$1,350 to \$1,750 (\$1.52/sf)
 - 2BR Rents - \$2,000+ (\$1.48/sf)



Perkins Palms

Perkins Road north of Essen Lane





Perkins Palms

Perkins Road north of Essen Lane





Perkins Palms

Perkins Road north of Essen Lane





Perkins Palms

Perkins Road north of Essen Lane





Perkins Palms

Perkins Road north of Essen Lane





Perkins Palms

Perkins Road north of Essen Lane





Kress Levy

447 Third Street





Kress Levy

447 Third Street





Kress Levy

447 Third Street





Kress Levy

447 Third Street





Kress Levy 447 Third Street





Kress Levy 447 Third Street



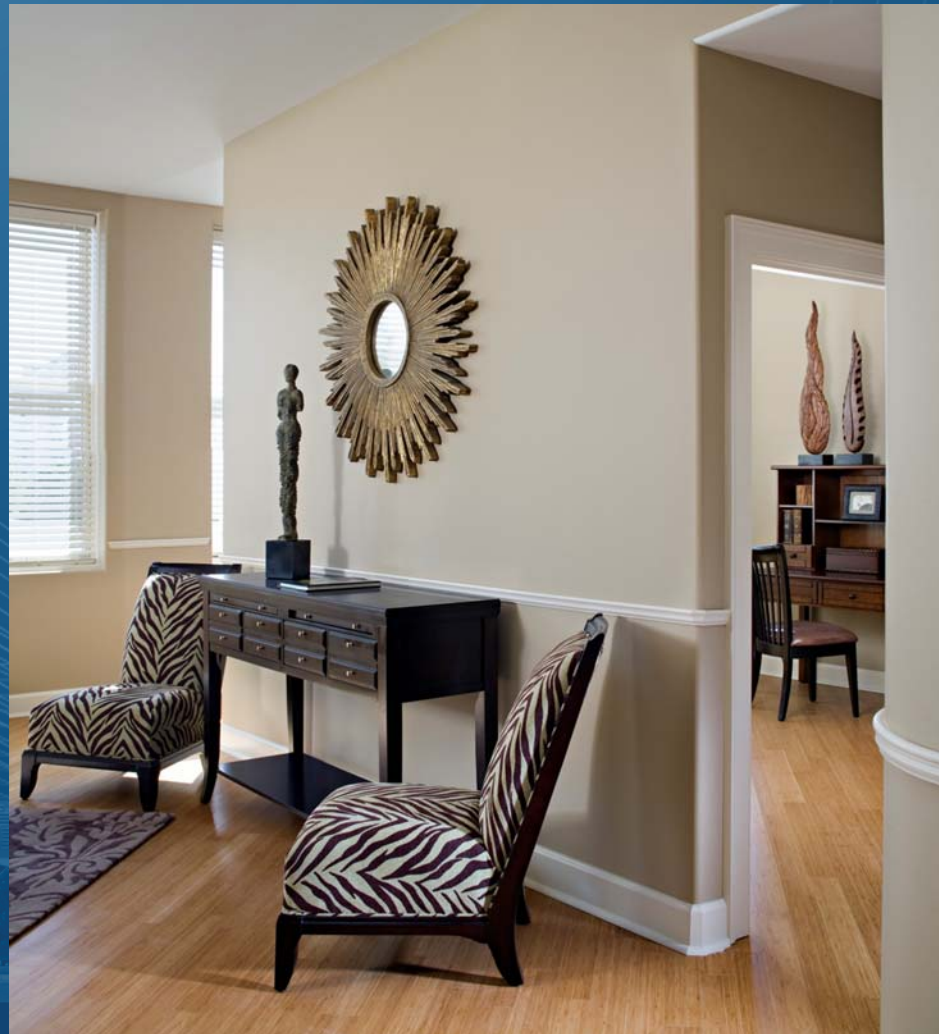


Kress Levy 447 Third Street





Kress Levy 447 Third Street





Kress Levy

447 Third Street





Conventional Complexes Under Construction

- Conventional Complexes Under Construction in 2010
 - Cottages of Baton Rouge
 - 382 upscale student units on Ben Hur Road off Nicholson Drive
 - Conventional financing
 - Developer: Capstone (Birmingham, AL)
 - Villages at Juban Lakes
 - 144 mid-scale units on Buddy Ellis Road in Denham Springs
 - HUD 221(d)4 financing
 - Developer: Tom Delahaye (Plaquemine, LA)
 - The Parc at Denham
 - 320 mid-scale units at 31092 LA Hwy 16 in Denham Springs
 - HUD 221(d)4 financing
 - Developer: Apartment Development Services



Cottages of Baton Rouge

Ben Hur Road northeast of Nicholson Drive





Cottages of Baton Rouge

Ben Hur Road northeast of Nicholson Drive





Cottages of Baton Rouge

Ben Hur Road northeast of Nicholson Drive





Be afraid. Be very afraid...



DONKEYS

They will eat you alive.



Affordable (LIHTC) Complexes Completed in 2009-10

- LIHTC Complexes Completed in 2009-10
 - The Townhomes of Sherwood
 - 126 LITHC units on southeast corner of North Sherwood at Greenwell Springs Road
 - Developer: Bill Wensen (Austin, TX)
 - The Reserve at Jefferson Crossing
 - 180 LITHC units on Jefferson Hwy south of Highland Road
 - Developer: Tom Delahaye (Plaquemine)
 - Senior Residences of Central
 - 80 LITHC units on north side of Hooper Road near Joor Road
 - Developer: Bill Wensen (Austin, TX)



Affordable (LIHTC) Complexes Under Construction

- LIHTC Complexes Under Construction in 2010
 - Fullerton Estates
 - 22 LIHTC units on J.H. Cooney Drive off Plank Road
 - Developer: Jeff Beaver
 - Oakwood Terrace
 - 50 LIHTC units off Mickens Road northwest of Hooper Road
 - Developer: Bowen Arnold





Reserve at Jefferson Crossing Old Jefferson Highway east of Highland Road





Reserve at Jefferson Crossing Old Jefferson Highway east of Highland Road





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Reserve at Jefferson Crossing Old Jefferson Highway east of Highland Road





Senior Residences of Central Hooper Road west of Joor Road





Senior Residences of Central Hooper Road west of Joor Road





Senior Residences of Central Hooper Road west of Joor Road





Senior Residences of Central Hooper Road west of Joor Road





Senior Residences of Central Hooper Road west of Joor Road





Senior Residences of Central Hooper Road west of Joor Road





Senior Residences of Central Hooper Road west of Joor 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 2011-12
 - The Banks
 - 340 upscale conventional/student units along Nicholson Drive north of LSU
 - Developer: Moreno/Creekstone (Lafayette/BR)
 - River Place
 - 143 upscale units along River Road in the BR CBD
 - Developer: Richard Preis (Baton Rouge)
 - River House (formerly University Village)
 - 208 upscale units on Nicholson at Oklahoma (former Prince Murat)
 - Rouzon
 - 213 upscale units in Perkins Road near Glasgow
 - Developer: JTS (Baton Rouge)



Proposed Complexes – Planned (not underway)

- Affordable Complexes proposed for 2011-12
 - Gracie District
 - 100 affordable units along Spanish Town Road east of I-110
 - Developer: Donnie Jarreau (Baton Rouge)





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

- Typical Pricing of \$100,000 to \$200,000 for 800 to 1,600 square foot units (hovering around \$100 to \$130/square foot), though some of the upscale units have achieved pricing at \$250+/sf.
- 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 small -
 - Fewer than 200 units under construction or set to start in 2010



Property Sales 2008-2009

	# of Units	\$/SF	\$/Unit
Millennium at Towne Center (6810 Jefferson Hwy)	276	\$139.36	\$144,020
Stadium's Edge (2875 Iowa St)	20	\$44.81	\$28,500
Ivy Court (3350 Wyoming)	22	\$80.97	\$64,773
Brandywine Condos (10950 Darryl)	189	n/a	\$4,631



Property Sales 2008-2009

	# of Units	\$/SF	\$/Unit
41005 Rustling Oak (Prairieville off LA 44)	8	\$58.85	\$70,625
St. Theresa Elderly (3620 Winbourne)	89	\$31.04	\$25,393
Acadian Place (855 South Flannery)	120	\$42.89	\$51,167
Oxford Place (4284 Oxford Ave)	12	n/a	\$89,167





Sales Summary

- Sales of 20 to 40-year old complexes are still hovering around \$40 to \$60/square foot, with newer or better-located units attracting \$75+/square foot
- \$/Unit pricing varies widely with unit size, location and quality; most properties between \$25,000 to \$50,000 per unit, unless they are newer, renovated and/or have condo potential (then \$75+k/unit)
- Cap rates for newer, more upscale properties have been hovering around 7% to 7.5%, with most older properties selling at 7.5% to 8.5% cap rates



Market Summary

- The Baton Rouge market is in the process of absorbing the 4,472+ apartments and 2,100+ condos built since Katrina hit (in August 2005), with 868+ units under construction and 1,004+ announced/planned for 2010-11 (most will remain on hold).
- Vacancies have returned to historical norms (6% to 8%), but may continue to rise. Economic vacancies are much higher.
- The national recession and mortgage crisis have deterred renters from leaving apartments and entering ownership (the “ninja,” “zero down payment” and “interest-only” home loans are essentially a thing of the past), though mortgage interest rates at historical lows and tax credit programs have facilitated some tenants buying homes. The flow of renters into ownership directly affects apartment occupancies.



Market Summary

- Rents will likely remain flat through 2010, while vacancies should stabilize at 7% to 8%
- Concessions (rent specials, give-aways) have become common again, particularly for upscale properties, due to the influx & lease-up of newly-completed properties.
- The market has shifted from being the post-Katrina “landlord’s market” to being more of a “tenant’s market,” as the new supply of units competes aggressively to attract and retain tenants.



The market will eventually...



BOUNCE

You're about to learn how



Thanks to....

- Sean McDonald with Cook, Moore & Associates
- Craig Davenport with Cook, Moore & Associates
- Alexis Martin with Cook, Moore & Associates
- Ty Gose, Drew Pearson & Hunter Coates with Latter & Blum Realtors
- Ryan Lang with Stirling Properties
- Gregg Cordaro with Cordaro Companies
- The LSU Real Estate Research Institute