



# Baton Rouge Apartment Trends 2008 - A Brief Discussion

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# What Will Be Presented?

- Factors affecting Housing Demand (short and long-term population shift resulting from Katrina)
- 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 117 local complexes increased 12.2% from Spring 2005 to Fall 2006 (up from the normal 2% per year), while average increases from Spring 2007 to Spring 2008 slowed to 2.5%
- Vacancies for this same sample were reported at 1.41% in Spring 2008, down from 6% in Spring 2005 (BRAA reported 3.0% citywide vacancy in January 2008)
- Concessions? Now common for upscale properties. Will increase as the remaining new units are delivered
- A lot of new units are under construction...far more competitive market conditions are imminent



## Apartment Rental & Vacancy Trends - Snapshot

- Vice President Al Gore once said:
  - “We are ready for an unforeseen event that may or may not occur.”
- It’s possible the BR market will absorb the incoming supply without substantial fall-out, but I “foresee” a particularly rough (competitive) period in the short term





# Mechanics of Housing Demand

Housing demand is driven by:

1. Population growth (30,000+ post-Katrina residents)
2. Changes in average household size (shrinking)
  - The mechanics of the equation start with the following:  
Total population (# of people) divided by  
average # of people per household = # of households
3. Depletion & Replacement of the housing supply (physical and/or functional obsolescence of housing units). Dwelling units (structures) don't last forever.
  - Increase in # of households results in an increase in # of housing units needed, plus allowance for replacements



## Katrina Effect

Katrina may have the following effect on housing demand in BR:

1. Long-term population growth of 30,000+ in BR MSA (since Hurricanes Katrina & Rita)
2. At an average household size of 2.75 people, this suggests we needed roughly 11,000 housing units in the BR area to satisfy the incremental demand created by Katrina
3. Of these, roughly a third need to be rental units (based on historical norms), suggesting the BR market should be able to absorb roughly 3,600 apartment units before returning to its "pre-Katrina" state (in terms of the balance of supply & demand).
4. With a 2008 pipeline of 2,530+ rental units, 1,328+ units built since 2006, and 1,100+ additional units planned/announced, the short-term undersupply should soon be "but a memory."



## Katrina Effect

- Lee Iacocca with Chrysler Corporation once said:
  - "We've got to ask ourselves: How much clean air do we need?"
- We may find ourselves asking a similar question regarding housing in the BR area, though with a bit more seriousness



## 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 for 1BR Units increased 8.0% from Spring 2005 to Spring 2006
- Rentals for 2BR Units increased 11.7% from Spring 2005 to Spring 2006
- Rentals for 3BR Units increased 9.4% from Spring 2005 to Spring 2006
- These increases were, of course, predominantly attributable to the "Katrina Effect"



## Apartment Rental Trends

- Rentals for 1BR Units increased 4.1% from Spring 2007 to Spring 2008
- Rentals for 2BR Units increased 2.1% from Spring 2007 to Spring 2008
- Rentals for 3BR Units increased 1.3% from Spring 2007 to Spring 2008
- Rentals for all units increased an average of 2.5% from Spring 2007 to Spring 2008
- Concessions, which were rare in the wake of Katrina, are now becoming more common in upscale properties



## Apartment Vacancies

- BRAA reported 7.9% citywide vacancy in Jan 2005
- BRAA reported 3.0% Citywide vacancy in Jan 2008
- LSU/CMA Spring 2008 Matched Sample Survey of 119 complexes reported overall vacancy of only 1.4% (down from 6% in Spring 2005)
- In the short term, while vacancies remain this low, rents may keep rising. By late-2008, due to the substantial imminent increase in unit supply, economic rents will potentially decline.



## Apartment Vacancies

- Mayor Marion Barry, Washington D.C., once said:
  - "Outside of the killings, Washington has one of the lowest crime rates in the country."
- Quoted occupancies likely overstate effective/economic occupancies (net of concessionary discounts)





## Rental Units Built 2006-2008

	Built in 2006	Built In 2007-08	Total thru 2008
Upscale Conventional	318	572	890
Upscale Student	277	0	277
Affordable Housing	0	161	161
Total	595	733	1,328



## Rental Units Underway/Planned 2008-2009

	Underway	Planned	Total
Upscale Conventional	1,892	660	2,552
Upscale Student	0	0	0
Affordable Housing	638	446	1,084
Total	2,530	1,106	3,636

# Apartments in Back Brusly

And the Swimming Pool doubles as a Car Wash!





## Units completed prior to Trends 2006

### ■ New Units Completed 2006

- University House at Highland (164 Units on Highland Rd)
- The Venue II (21 units on West State St)
- Sterling Northgate (92 units on Highland Rd)
- Regent (318 units on Millerville @ I-12)

### ■ New Units Completed 2007-08

- Highland Club – Phase II (44 Units on Old Jefferson Hwy)
- Ivy Park (252 Units on Jones Creek Rd)
- Millenium (276 Units on Jefferson Hwy)
- The Crossing (136 SFR units on Buddy Ellis in Denham)
- Brookstown (25 SFR units off East Brookstown)



# The Millenium Apartments

Jefferson Hwy north of Corporate Blvd





# The Millenium Apartments

Jefferson Hwy north of Corporate Blvd







# The Millenium Apartments

Jefferson Hwy north of Corporate Blvd





# The Millenium Apartments

Jefferson Hwy north of Corporate Blvd







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Jefferson Hwy north of Corporate Blvd





# The Millenium Apartments

Jefferson Hwy north of Corporate Blvd







# The Millenium Apartments

Jefferson Hwy north of Corporate Blvd





# The Millenium Apartments

Jefferson Hwy north of Corporate Blvd







# Mansions at Ivy Lake

Off Airline Hwy northwest of Gonzales







# Mansions at Ivy Lake

Off Airline Hwy northwest of Gonzales





# Mansions at Ivy Lake

Off Airline Hwy northwest of Gonzales







# Mansions at Ivy Lake

Off Airline Hwy northwest of Gonzales





# Mansions at Ivy Lake

Off Airline Hwy northwest of Gonzales







# Mansions at Ivy Lake

Off Airline Hwy northwest of Gonzales







# Mansions at Ivy Lake

Off Airline Hwy north of Gonzales





# Ivy Park

Jones Creek Road off Tiger Bend Road







# Ivy Park

Jones Creek Road off Tiger Bend Road





# Ivy Park

Jones Creek Road off Tiger Bend Road







# Ivy Park

Jones Creek Road off Tiger Bend Road







# Ivy Park

Jones Creek Road off Tiger Bend Road





# The Crossing

Buddy Ellis Road in Denham Springs







# The Crossing

Buddy Ellis Road in Denham Springs





# The Crossing

Buddy Ellis Road in Denham Springs







# The Crossing

Buddy Ellis Road in Denham Springs





# The Crossing

Buddy Ellis Road in Denham Springs







# Highland Club – Phase II

Old Jefferson Hwy south of Highland Road







## Upscale Complexes Under Construction

### ■ Complexes Under Construction in 2008

- Tuscany Villas
  - 274 upscale units off Siegen & I-10 (Siegen Marketplace)
  - Developer: Peek-Howe (Baton Rouge)
- Camden Lake
  - 224 upscale units on east side of O'Neal south of I-12
  - Developer: TJ Iarocci (New Orleans)
- Mansions at Ivy Lake
  - 240 upscale units along east side of Airline Hwy in Duplessis
  - Developer: Darryl Leblanc (Baton Rouge)
- Indigo Park
  - 330 upscale units at Nicholson & Gardere
  - Developer: Courtland Partners (Atlanta)



## Upscale Complexes Under Construction

### ■ Complexes Under Construction in 2008

- Bristol Place
  - 324 upscale units off Siegen Lane south of Airline Hwy
  - Developer: Creekstone (Houston/Baton Rouge)
- The Enclave at Towne Center
  - 270 upscale units off Corporate Blvd in Towne Center
  - Developer: Creekstone (Houston/Baton Rouge)
- Perkins Rowe
  - 230 upscale units on Perkins Road at Bluebonnet Blvd
  - 87 additional units being sold as condos
  - Developer: JTS (Baton Rouge)



## Affordable (LIHTC) Complexes Under Construction

### ■ LIHTC Complexes Under Construction in 2008

- Hooper Pointe
  - 176 LIHTC units along Hooper Rd east of Plank Rd
- Cedar Point Subdivision
  - 80 LIHTC units off Mickens Road
  - Developer: Bowen Arnold (Ft Myers, FL)
- Canterbury House
  - 120 LIHTC units along South Sherwood Forest north of I-12
  - Developer: Herman & Kittle Properties





## Affordable (LIHTC) Complexes Under Construction

### ■ LIHTC Complexes Under Construction in 2008

- Villa Ashley I & II
  - 50 LIHTC units along Villa Ashley Dr off North Ardenwood
  - Developer: Ray Rose (New Orleans)
- O'Brien House
  - 32-unit LIHTC SRO on 12<sup>th</sup> Street
- The Reserve at Jefferson Crossing Apartments
  - 180 LIHTC (affordable) units on Old Jefferson south of Highland Rd
  - Developer: Tom Delahaye (Plaquemine)

# The Enclave at Towne Center – 270 units

Off Corporate Blvd near Jefferson Hwy in Towne Center





# The Enclave at Towne Center – 270 units

Off Corporate Blvd near Jefferson Hwy in Towne Center





# Perkins Rowe – 230 apt units & 87 Condos

Perkins Road at Bluebonnet Blvd





# Camden Lake – 224 units

Off O'Neal Lane south of I-12





# Camden Lake – 224 units

Off O'Neal Lane south of I-12





# Tuscany Villas – 274 units

Off Siegen Lane & I-10 in Siegen Market Place





# Tuscany Villas – 274 units

Off Siegen Lane & I-10 in Siegen Market Place





# Bristol Place – 324 units

West Side of Siegen Lane north of I-10





# Bristol Place – 324 units

West Side of Siegen Lane north of I-10





# Indigo Park – 330 units

Gardere Lane at Nicholson Drive





# Indigo Park – 330 units

Gardere Lane at Nicholson Drive





# Canterbury Square – 120 units

South Sherwood Forest north of I-12







# Hooper Pointe Apartments – 176 units

Hooper Road east of Plank Road







# Hooper Pointe Apartments – 176 units

Hooper Road east of Plank Road





## Proposed Upscale Complexes – Planned (not underway)

### ■ Upscale Complexes proposed for 2008-09

#### ■ Zachary Parkside

- 260 upscale units in Zachary on LA 964 & LA 64
- Developer: Maestri Murrell (Baton Rouge)

#### ■ Mallard Crossings

- 192 upscale units in along Greenwell Springs Hwy near Sherwood
- Developer: LDG Development (Louisville, KY)

#### ■ University Village

- 208 upscale units on Nicholson at Oklahoma (former Prince Murat)





## Proposed LIHTC Complexes – Planned (not underway)

### ■ Affordable Complexes proposed for 2008-09

- Melrose Peppermill II
  - 29 LIHTC units in Melrose East
  - Developer: Wil Belton & Bill Brockman
- Foster Woods
  - 20 LIHTC units off Foster Dr
  - Developer: Ronnie Benitez (Baton Rouge)
- Townhomes of Sherwood
  - 126 LIHTC units at North Sherwood & Greenwell Springs Rd
  - Developer: Bill Wenson (Austin, TX)
- Senior Residences of Central
  - 80 LIHTC units on north side of Hooper west of Joor
  - Developer: Bill Wenson (Austin, TX)



## Proposed LIHTC Complexes – Planned (not underway)

### ■ Affordable Complexes proposed for 2008-09

- St. Louis Pointe
  - 26 LIHTC units on Stan Drive
  - Developer: Ray Rose (New Orleans)
- River West Subdivision
  - 23 SFR LIHTC units off Commercial Dr in Port Allen
  - Developer: Jeff Beaver
- Fullerton Estates Subdivision
  - 22 SFR LIHTC units off Plank Road
  - Developer: Jeff Beaver
- Winchester & Lancaster Homes
  - 40 LIHTC units in North BR
  - Developer: Ronnie Benitez (Baton Rouge)





## Condo Developments – Built in 2006 or underway

- There are 2,150+ units in 35+ condo developments either built since 2006, under construction or announced/planned, 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)
  - Cottages at Southfork (109 units, Nick FaKouri)
  - Cottages at Blue Heron Lakes (108 units, BIG, LLC)
  - South Hampton Condos (61 units, Alvarez)
  - Arlington Trace (74 units, Greg Flores/Crown Construction)



## Notable Condo Conversions

- Recent & ongoing condo conversions in BR include:
  - The Blox at Brightside (104 units, Donnie Jarreau)
  - The Jefferson (102 units, Desmond Johnson)
  - 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 \$150,000 to \$200,000 for 1,200 to 1,600 square foot units (hovering around \$110 to \$130/square foot), though some of the upscale units have achieved pricing at \$250 to \$300+/sf.
- Absorptions of units built were very strong through early 2007. Absorptions slowed to a crawl in the latter half of 2007, but have started to increase (likely due to seasonality and low mortgage interest rates)
- The number of condo units in the pipeline is substantial -
  - 2,150+ units built, under construction and/or announced



# The Crescent

Stanford Avenue across from LSU Lakes







# The Crescent

Stanford Avenue across from LSU Lakes





# The Crescent

Stanford Avenue across from LSU Lakes







# The Crescent

Stanford Avenue across from LSU Lakes





## Property Sales 2007-2008

	# of Units	\$/SF	\$/Unit
Sam Vista (McClelland Dr)	75	\$26.25	\$21,333
Copper Ridge (Lobdell Blvd)	313	\$29.66	\$24,760
Magnolia Trace (North Harrell's Ferry Rd)	245	\$34.18	\$33,673
Spanish Arms (North Denham St)	202	\$19.16	\$15,842





## Property Sales 2007-2008

	# of Units	\$/SF	\$/Unit
Myrtle Place (Blvd de Province)	76	\$53.23	\$48,684
Melrose Place (Monet Dr)	20	\$38.96	\$30,000
Titian (Titian Ave)	24	\$43.32	\$23,958
Jeffersonian (Jefferson Hwy)	67	\$94.83	\$103,358



## Property Sales 2007-2008

	# of Units	\$/SF	\$/Unit
Gates at CitiPlace (Corporate Blvd)	369	\$113.51	\$112,466
Fairwood Apts (Eaton St)	58	\$35.42	\$28,793
Vieux Carre' (Government St)	73	\$59.75	\$45,890
River Pines (Florida Blvd)	64	\$39.57	\$27,873





## Sales Summary

- Sales of 20 to 40-year old complexes have been hovering around \$40 to \$50/square foot, with newer or better-located units attracting \$100+/square foot
- \$/Unit pricing varies widely with unit size, location and quality; most older properties between \$30,000 to \$50,000 per unit, unless they are new and/or have strong condo potential (then \$75+k/unit)
- Cap rates for newer, more upscale properties have been hovering around 6% to 7%, with most older properties selling at 7% to 8% cap rates



## Market Summary

- Prepare for an additional 2,500+ apartments to enter the local market over the next 12 months (most before end of 2008 due to GO Zone), on top of the 2,000+ apartments and 1,500+ condos built since Katrina.
- Rent increases will likely evaporate by the end of 2008. I expect attainable rents to potentially decline over the next 1 to 2 years. Concessions will again become common.
- It will likely shift from being a “landlord’s market” to being a “tenant’s market” over the next 6 to 12 months as the new supply enters the market and competes for tenants.





## Market Summary

- Concessions (rent specials, give-aways) are becoming common again, particularly for upscale properties, due to the influx & lease-up of newly-completed properties.
- As we begin to absorb the new units that should come online throughout the balance of 2008, vacancies should spike, then begin to return toward something resembling normalcy (7% to 8%, though they may spike at higher levels).
- The sub-prime credit crisis and national recession may help deter renters from leaving apartments and entering ownership (the availability of “nothing down” and “interest-only” home loans has diminished greatly), though mortgage interest rates at historical lows will facilitate some tenants buying homes



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NEHT

NOW







Sherwood Forest Blvd. South  
of I12 towards Airline Hwy



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