







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:

- 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 lacoca 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





	U	nderway	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

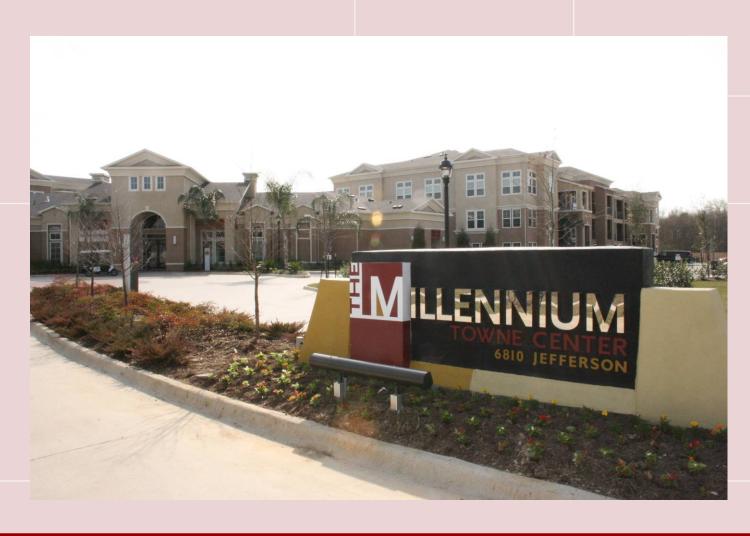
- Highland Club Phase II (44 Units on Old Jefferson Hwy)
- Ivy Park (252 Units on Jones Creek Rd)
- Millenium (276 Units on Jefferson Hwy)
- The Crossing (136 SFR units on Buddy Ellis in Denham)
- Brookstown (25 SFR units off East Brookstown)











































































































































































































































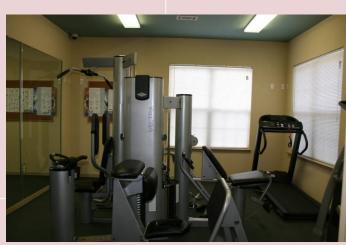












































Highland Club – Phase II Old Jefferson Hwy south of Highland Road











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 larocci (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 LITHC 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 LITHC SRO on 12th Street
 - The Reserve at Jefferson Crossing Apartments
 - 180 LIHTC (affordable) units on Old Jefferson south of Highland Rd
 - Developer: Tom Delahaye (Plaquemine)



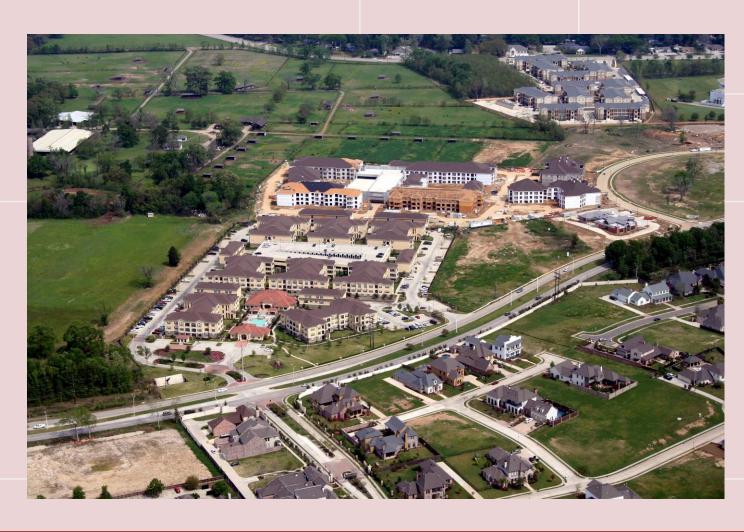
The Enclave at Towne Center – 270 units

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 Road at Bluebonnet Blvd 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











































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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Sherwood Forest Blvd. South of I12 towards Airline Hwy









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