

# 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



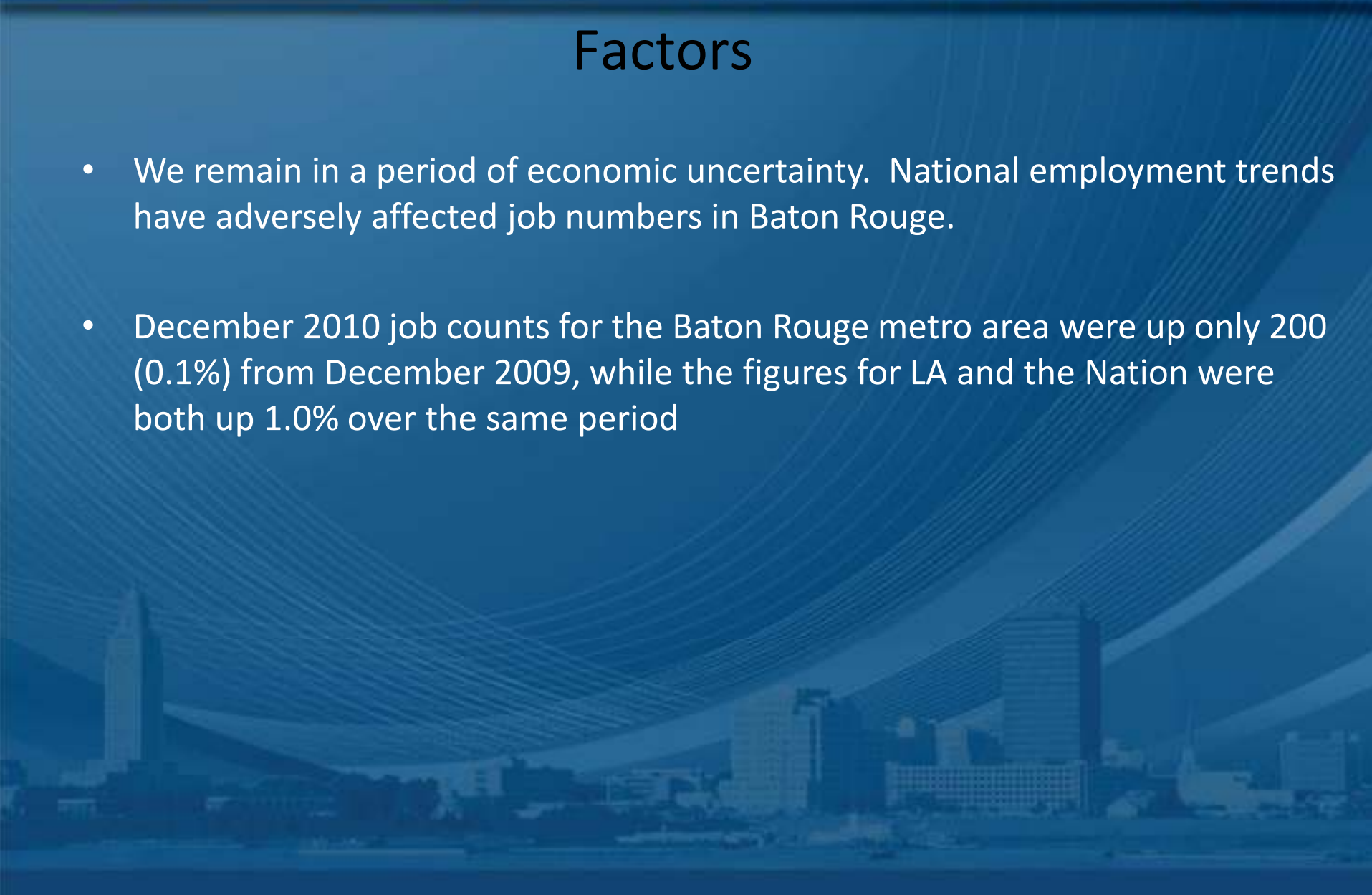


## Apartment Rental & Vacancy Trends - Snapshot

- 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.

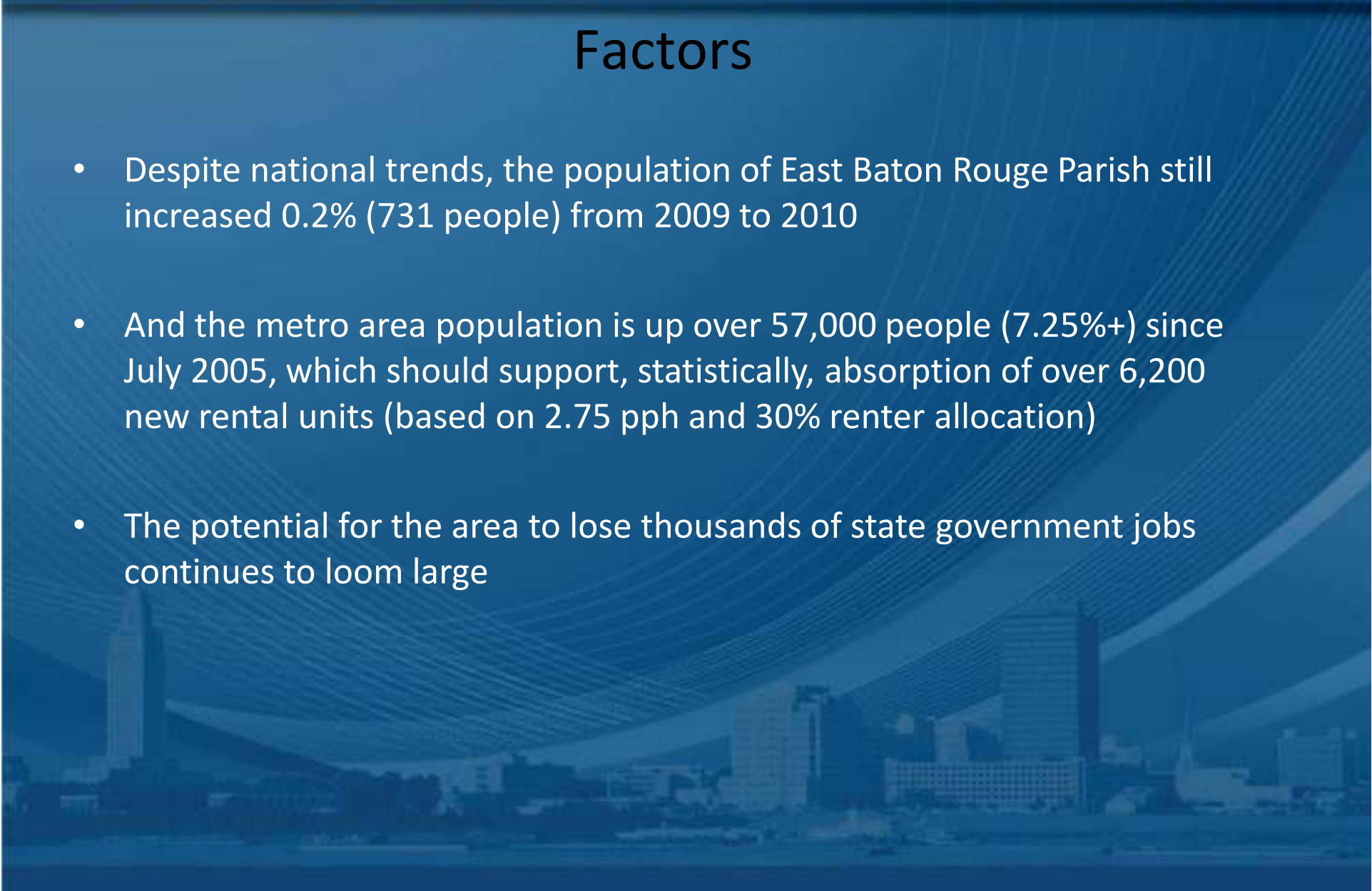


## Factors

- 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
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## 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

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



## 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 (1<sup>st</sup> 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







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## Cottages of Baton Rouge Ben Hur Road off Nicholson





# Village at Juban Lakes

Buddy Ellis Road off Juban Road







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## Buddy Ellis Road off Juban Road

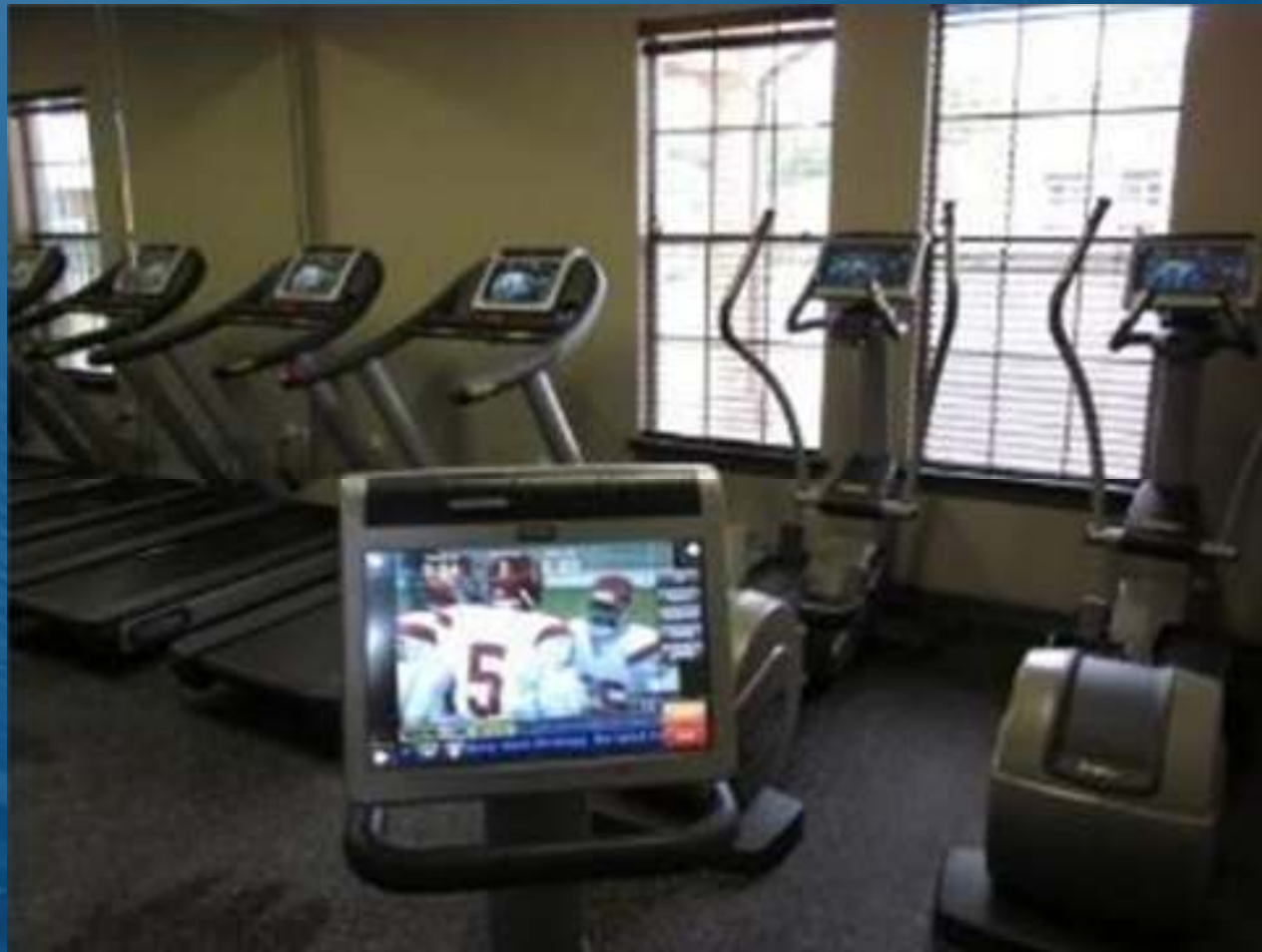






# Village at Juban Lakes

## Buddy Ellis Road off Juban Road





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# 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 (2<sup>nd</sup> 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 LITHC units off Hooper Road
    - Developer: CDI (Idaho)
  - Scott Elementary
    - 60 LITHC Single-Room Occupancy (SRO) units at 900 North 19<sup>th</sup> Street
    - Developer: Gulf Coast Housing Partners
  - GHCP One Stop
    - 36 LITHC Single-Room Occupancy (SRO) units at 153 North 17<sup>th</sup> 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
<b>Mansions in the Park (7520 Perkins)</b>	<b>264</b>	<b>\$122</b>	<b>\$103,470</b>
<b>Sterling University (3135 Highland)</b>	<b>98</b>	<b>n/a</b>	<b>\$214,280</b>
<b>Villa Franche (1302 Bob Pettit)</b>	<b>40</b>	<b>\$60</b>	<b>\$35,000</b>
<b>Drehr Place (901 St. Rose)</b>	<b>28</b>	<b>\$70</b>	<b>\$68,080</b>
<b>Longridge (11999 Longridge)</b>	<b>144</b>	<b>\$81</b>	<b>\$78,472</b>



## 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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