

BATON ROUGE APARTMENT MARKET OVERVIEW **TRENDS IN REAL ESTATE 2005**

Presented By
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Data collected and analyzed in Spring 2005 regarding apartment rentals and vacancies by Cook, Moore & Associates (CMA), graduate students with the LSU Real Estate Research Institute, the CID of GBRAR and the Baton Rouge Apartment Association (BRAA) suggests that the substantial incoming supply of apartment units in 1995-2004 (6,809± units) has periodically generated moderate downward effects on apartment rentals (rentals have continued upward, though the rate of increase has slowed from pre-1995 levels) and vacancies (citywide vacancies in January 2005 reached 7.9%, up from 6.9% in January 2004 and the 4% and 5% levels experienced in the early 1990's).

The construction of 2,816± apartment units in 2002-04 (with 1,271± of those units completed in 2004-05) was expected to result in stagnant (if not declining) rentals in 2004-05 and produce a short-term, but notable increase in vacancies. This doesn't appear to be the case. The January 2005 citywide vacancy reported by BRAA was 7.9% (up from 7.4% in January 2004 and 6.9% in January 2003). The CMA/LSU survey results suggest that vacancies have remained essentially constant from 2004 to 2005 (both Spring surveys reported 5.8% citywide vacancies). It should be noted that the vacancy surveys generally include only "stabilized" properties, thus, most of the properties in "lease-up" (with substantial vacancies) are not reflected in the published statistics. The full impact of the new supply on citywide vacancies has unlikely been fully realized, though the local market has exhibited a strong ability to expand and absorb new apartment units. Concessions (rent specials) being offered by upscale properties (the vast majority of the new product) have been prevalent, but diminishing. As such, vacancies in most corridors are not expected to substantially increase over the next 12± months. A bulleted summary of our key considerations & expectations is provided below:

- ❑ Market-wide vacancies should stabilize, then gradually decline (though 93%± city-wide occupancy is not unhealthy) through 2005-06. Vacancies have likely peaked, as the strongest leasing season (the summer months) is still ahead. The substantial number of units soon to enter the market in Ascension Parish will likely keep competitive pressures high in the Baton Rouge area for the next 2 years.
- ❑ A key point to note is the steadily declining average household size in the local market (as well as regionally and nationally). Even in a market with no population growth, the demand for housing units can increase when the average number of people per household declines. The mechanics of this equation are as follows: # number of people ÷ average # of people per household = # of households. If the denominator in this equation shrinks (which has steadily occurred over the past 15 years), the number of households will increase (with demand for housing units increasing correspondingly). I term this "evolving lifestyle choices." For whatever the multitude of reasons (divorces, the effects of the aging baby boomer bubble, the coming of age of the baby boomer "echo" generation, etc.), the average household size is shrinking. This is a critical factor driving the demand for and absorption of additional housing units.
- ❑ While my conclusions and overall tone are more positive than in my Spring 2004 report, the Baton Rouge apartment market is not yet "out of the woods." With 300+ newly-built units in East Baton Rouge Parish and 700+ units in Ascension and Livingston Parishes yet to be absorbed, and a substantial incoming supply of condo units (427+ student-oriented units and 578+ conventional units under way, with another 1,000± units trying to enter the pipeline), I remain quite cautionary in regard to additional apartment construction locally over the next 1-2 years.

**Apartment Complexes Planned for 2005-06
in Baton Rouge, Louisiana**

Project Name, Developer & Location	# of Units	Expected Completion Date	Comments
Highland Club - Phase II (Ed Kramer, Baton Rouge) Jefferson Hwy near Highland Rd	44	Mid 2006	Upscale/Luxury Conventional units planned adjoining Phase I of Highland Club Construction has not started
The Venue at Northgate - Phase II (First Worthing, Dallas, TX) South side of W. State Street	21	Mid 2006	Upscale/Luxury Student-Oriented units planned along State Street (former McDonald's site) Construction has not started
University House at Highland (First Worthing, Dallas, TX) Highland Rd north of W. State St.	180	Mid 2006	Upscale/Luxury Student-Oriented units planned along east side of Highland Rd near State St Construction has not started
Restoration V & VI (George Jenne, Baton Rouge, LA) Varies throughout Old South Baton Rouge	39	Late 2005/Early 2006	Affordable Housing (Tax Credit) units Single-family, Scattered-Site Rental Grouping on various sites in Old South Baton Rouge
Banyan Trace (Bowen Arnold, Ft. Myers, FL) McClelland and Hollywood Drive	20	Summer 2005	Affordable Housing (Tax Credit) units Manufactured Housing Rental Grouping Construction almost completed
Scotlandville Homes (Ronnie Benitez, Baton Rouge, LA) Monte Sano Avenue off Scenic	58	Summer 2005	Affordable Housing (Tax Credit) units Single-family, Scattered-Site Rental Grouping Construction almost completed
Total (through 2006)	362		

**Apartment Complexes Built in 2004
in Baton Rouge, Louisiana**

Project Name, Developer & Location	# of Units	Completion Date	Comments
The Venue at Northgate (First Worthing, Dallas, TX) 252 W. State Street at Highland Rd	193	Mid 2004	Upscale/Luxury Student-Oriented units
The Palisades at Jaguar City (Educational Devpmt Co. of America) Scenic Hwy at Harding Blvd	324	Mid 2004	Upscale/Luxury Student-Oriented units
The Reserve at Cedar Lodge Creekstone (Steve Keller, Houston, TX) Corporate Blvd near Jefferson Hwy	300	Mid 2004	Upscale/Luxury units
Southgate Towers (Phase I) (R.W. Day & Associates, Baton Rouge) Nicholson Drive south of LSU	343	Late2004/Early 2005	High-rise, Upscale/Luxury Student-Oriented Units Construction near completion Additional phases planned
Restoration III & IV (George Jenne, Baton Rouge, LA) Varies throughout Old South Baton Rouge	59	Mid 2004	Affordable Housing (Tax Credit) units Single-family, Scattered-Site Rental Grouping on various sites in South Baton Rouge
Hollywood Homes (Joe Wahl, Greenwill, LA) Hollywood at McClelland Drive	52	Mid 2004	Affordable Housing (Tax Credit) units Single-family, Scattered-Site Rental Grouping
Total (through 2004)	1,271		

**Student-Oriented Condo Developments
Completed from 1998-2004
Baton Rouge, Louisiana**

Project Name, Developer & Location	# of Units	Year Built	Comments
University View (Bill Hopper) East Boyd @ Nicholson Dr	144	2000-2001	Upscale student-oriented condos Virtually all units sold prior to completion Average 2BR unit pricing of \$105,000±
Leigh's Cove - Phase I (Greg Cramer, et al) Etta Street off West Lee Dr	32	2000-2001	Upscale student-oriented condos Units sold at a rate of 3/month 2BR unit pricing of \$100,000 to \$113,000±
Highland Village II (Bill Hopper) Highland Road @ LSU Avenue	80	1998-1999	Upscale student-oriented condos Units sold at a rate of 4.5/month Average 2BR unit pricing in 2001 of \$103,000±
Courtney Place Condos (DNT Properties) Burbank south of Jennifer Jean	48	2002	Upscale student-oriented condos All units were pre-sold prior to completion 2BR unit pricing of \$106,000 to \$116,000±
Leigh's Cove - Phase II (Greg Cramer, et al) Etta Street off West Lee Dr	32	2003	Upscale student-oriented condos Units sold at a rate of 3/month 2BR unit pricing of \$135,000 to \$139,000±
Burbank Estates Condos (Earl Weber, New Orleans) Burbank south of Jennifer Jean	104	2003/2004	Upscale student-oriented condos All units in Phase I were pre-sold prior to completion 2BR unit pricing of \$129,000 to \$159,000±
Jessica's Landing Condos (DNT Properties) Brightside Lane west of Nicholson Dr.	48	2003/2004	Upscale student-oriented condos All units were pre-sold prior to completion 2BR unit pricing of \$115,000 to \$135,000±
Lake Beau Pre Townhomes - Phases 1 & 2 (Greg Flores, Baton Rouge) River Road, South of Brightside Dr	86	2004	Upscale student-oriented townhouses Phases 1 & 2 of a 5-phase development 2BR & 3BR unit pricing of \$125,000 to \$155,000±
Parker Place Condominiums (Brian Dantin, Baton Rouge) Highland Road at South Gates of LSU	18	2004	Upscale student-oriented condos 2BR unit pricing of \$169,000 to \$240,000± All units were pre-sold prior to completion
Total	592		

**Student-Oriented Condo Developments
Under Construction 2005-2006
Baton Rouge, Louisiana**

Project Name, Developer & Location	# of Units	Year Built	Comments
Lake Beau Pre - Phases 3, 4 & 5 (Greg Flores, Baton Rouge) River Road, South of Brightside Dr	121	Expected Completion - Fall 2005	Upscale student-oriented townhouses Phases 3, 4 & 5 of a 5-phase development
The Gates at Brightside (DNT Properties, Baton Rouge) Brightside Drive, next to Varn Villa Apts	72	Expected Completion - Fall 2005	Upscale student-oriented condos Most units reportedly pre-sold
Arlington Townhomes (Rick Cappo, Baton Rouge) Brightside Drive at Sharlo Drive	106	Expected Completion - Fall 2005	Upscale student-oriented townhouses Most units reportedly pre-sold
Brightside South Estates Condos (Earl Weber, New Orleans) Brightside Drive at Nicholson Drive	128	Expected Completion - Fall 2005	Upscale student-oriented condos Most units reportedly pre-sold
Total	427		

Additional developments in the works include The Fieldhouse Gameday Condos along Nicholson Drive north of the LSU campus (Capstone Development), the 36-unit Red Stick Lofts planned along the west side of Nicholson Drive roughly 1 mile north of the LSU campus and Southgate Towers condos along Nicholson Drive south of Burbank Drive planned by R. W. Day Development.

With the strong absorption noted in the student-oriented condo market, it is likely the influx of units will continue. An upward swing in mortgage interest rates could have an adverse impact on this demand, though no signs of slacking demand have yet shown.

We also tracked the recent construction of “for sale” townhome and condos in the remainder of Baton Rouge, a notable amount of which has recently occurred. A summary list is provided:

**Conventional Condo Developments
2002-2005
Baton Rouge, Louisiana**

Project Name, Developer & Location	# of Units	Year Built	Comments
Georgetown Homes (Terry Hebert) Congress Blvd @ Bunker Hill Ave	44	2001-2002	2BR single-story condos with garages 1,071± sf to 1,124± sf Unit pricing of \$106,000 to \$122,000±
Jackson Square (Signature Homes) Congress Blvd @ Jamestown Ave	63	2003-2004	2BR & 3BR single-story condos with garages 1,203± sf to 1,538± sf Unit pricing of \$125,000 to \$147,000±
Carriage Place (Signature Homes) 9124 Old Hammond Hwy	53	2004	2BR & 3BR single-story condos with garages 1,330± sf to 1,523± sf Unit pricing of \$146,900 to \$160,400±
Bromley Townhomes (Scott Bardwell) Hyacinth at Perkins	32	2005	2BR 2-story townhomes with garages 1,460± sf Unit pricing of \$204,900± (\$140±/sf)
Windsor Village (Signature Homes) Coursey Blvd near Jones Creek Rd	106	2005	2BR single-story condos with garages 1,463± sf to 1,523± sf Unit pricing of \$153,400 to \$158,500±
Fairwood Village (Terry Hebert) Old Hammond Hwy near Flannery Rd	94	2005	2BR single-story condos with garages 1,100± sf Unit pricing of \$122,900± (\$112±/sf)
Shadowbrook (Terry Hebert) Shadowbrook Dr off S. Harrell's Ferry Rd	10	2005	3BR single-story condos with garages 1,400± sf Unit pricing of \$165,000± (\$115±/sf)
Lakes at Bluebonnet (Rick Cappel) Burbank Dr @ Bluebonnet	142	2005	2BR & 3BR condos with garages 1,370± sf to 1,474± sf Unit pricing of \$149,900 to \$165,900±
The Burbank Condos (Gordon Pugh) Burbank Dr @ S. Kenilworth Pkwy	48	2005	2BR 1 and 2-story condos 1,196± sf to 1,400± sf Unit pricing of \$138,900 to \$151,300±
Riverview Condos (Donnie Jarreau & Bobby Waters) River Rd north of the CBD	98	2005	Conversion of hotel rooms to 1 and 2BR condos 665± sf to 1,368± sf Unit pricing of \$79,900 to \$149,900±
Hidden Oaks Condos (Brandy Carber w/REMax) Range near Lockhart, Denham Springs	48	2005	2BR & 3BR single-story condos with carports 1,073± sf to 1,271± sf Unit pricing of \$102,900 to \$111,900±
Total	738		

Additional developments in the works include Perkins Rowe condo units along Perkins Road at Bluebonnet planned by JTS Interests, 48 units along Old Perkins Road in Prairieville near Santa Maria (Signature Homes), 106 units in Zachary near Lane Memorial Hospital planned by the Business Investment Group, LLC, River Place Condos in the CBD planned by Richard Preis and Hearne Construction, and 100+ units along Burbank Drive south of South Kenilworth Parkway planned by R. W. Day Development.