

# Building in Baton Rouge at the Turn of the Century

By Lisa H. Lewis

As the 2000s begin, there is much talk of technology, innovation and change. Changes are occurring, changes affecting the real estate profession, business transactions, marketing practices, and many other aspects of life. This article examines national real estate trends and how they relate to changes that builders and developers observe in and predict for the Baton Rouge area.

Perhaps most pervasive change is the shift in expectations for homebuyers in the U.S. In the past fifty years, family structures have been altered. No longer is the nuclear family the prevailing option. In addition, increases in available income have influenced what people expect in a home. No longer is "just the basics" adequate, much less desired. All over America, homebuyers look for the right homes to reflect their individual personalities, lifestyles and interests. More flexible floor plans are required as many rooms function in various ways. "Smart" houses, where technology reigns, have become realities for some local owners and almost certainly await many future buyers.

Although family composition is changing in America, traditional buyers remain in the market in search of classic homes. But along with the traditional buyers is a growing number of single buyers without children, single parents with children and non-traditional couple buyers, many without children. As household composition changes, homebuyers' needs and expectations also change. Buyers generally have become more practical; many look for easy maintenance homes. Home size seems to be increasing, though some local builders feel that buyers are no longer thinking that bigger is *always* better.

In the Baton Rouge home market, builders who responded to a recent local survey have noticed trends similar to those reported for the country as a whole. Buyers have great expectations. They look for homes with open floor plans containing multi-use rooms. Many seek home offices or mother-in-law suites. Although only available on high-end homes at present, technology demands are increasing. Many buyers want special telephone lines for fax and Internet connections, special wiring for satellite TVs, computerized home management systems, home theaters, programmable thermostats and a myriad of other new conveniences.

Our first local "smart" home was built in Baton Rouge in 1997, according to local builder Ronnie Kyle. Cost for automation has come into reach for some new homeowners, but automation is not yet in full bloom. The current automation trend is just a beginning; it is likely to escalate in the 2000s.

The Internet is a new tool revolutionizing business. It has had profound effects on real estate and home building. Improved communication is the primary gain from the computer age. Builders and suppliers can be in almost constant contact about availability and pricing of materials. E-mail has improved efficiency of communication and had timesaving benefits as well. However, some builders claim that the Internet can function as a dangerous tool for customers, somewhat like a double-edged sword. It makes available products from around the world. Sometimes the products people decide on possess inherent logistical difficulties of which buyers are unaware. One lady found a beautiful, ornate mantle to install in her family room, only to realize after it was ordered that it was so heavy it would

take a forklift to transport it into the newly-completed home. As this example shows, installation can be tricky and expensive on exotic materials; finding the right people to professionally install such materials can be difficult.

The Internet has the positive feature of serving as a tremendous worldwide information source. Web pages provide instantaneous information, allowing small businesses to downscale their personnel requirements and still reach millions of potential buyers. According to local developer Butch Hart, "The Internet gives small business people more opportunities to succeed. A business does not have to be big to get exposure and achieve success, as long as it has a good product or service to offer and it is marketed well."

Changes are necessary for the real estate business in response to the new expectations and computer information. One builder suggested that REALTORS® might need to change to more of a package-type transaction, taking responsibility for closing, insurance, title, etc. There may be a decrease in fees solely for the sale, and fees may need to be restructured and spread around a bit more. However, local builder Ronnie Kyle believes that a REALTOR® will remain essential in providing personal access to properties. It would be a nightmare for newcomers to our city to navigate and set up appointments without their helpful local REALTORS®. Perhaps the future will hold fewer REALTORS, but those will be better REALTORS®.

Butch Hart feels that the REALTOR®'s most crucial role in our changing, technological society has become that of non-emotional negotiator to bring buyers and sellers together, negotiating fairly and calmly with both. Butch explained, "It would be difficult for buyers and sellers to agree on terms without the skilled intermediaries we call REALTORS®. A good REALTOR® will not be replaced, but rather will utilize the new tools technology has to offer. Real estate is, and I think always will be, a people business."

Home ownership is at an all-time national high, according to the Economic and Housing Outlook (January 2000) by David F. Seiders, Chief Economist at the NAHB. Its forecasters predict economic growth to slow somewhat as we enter the 2000s. NAHB predicts that increasing interest rates will cause a slightly decreased demand for home buying. National demand for single-family homes is predicted to decrease somewhat as well.

In Baton Rouge, builders responding to a recent survey do not yet report a decrease in the demand for single-family detached homes. They have noted, however, an increase in garden or patio homes, as well as an increase in gated communities and subdivision restrictions. Infill subdivisions are becoming common, and there is some teardown of older homes and replacement with new, larger homes occurring locally. This indicates a strong desire for a particular location, as well as a relative shortage of undeveloped property in East Baton Rouge Parish. The area continues to reach and grow outwards, as Baton Rouge reaches in many directions, including towards St. Francisville, Donaldsonville and Gonzales. Growth towards West Baton Rouge continues, although at a slower pace, possibly due to the physical and mental barrier of the Mississippi River.

The National Association of REALTORS® agrees that the market for single-family homes will decrease in the U.S., after a peak in the spring of 1999, according to the "January Outlook Report" of the NAR. It also predicts that, on a national basis, total housing starts will drop slightly, while the median existing-home price will rise to \$135,000 and the median new-home price to \$167,300. NAR researchers feel that new home prices are being driven up by cost increases due to material shortages, as well as by the trend towards larger homes.

On the building scene, local builders see prices rising as well. Some estimate that existing construction costs approximately 15% more than resale of existing homes. One factor is the increased cost of local construction labor, while the availability has been decreasing. Some Baton Rouge builders feel that if home building has a good year, a severe labor shortage could result. Building materials such as brick and concrete are also expected to experience cost increases.

According to the local survey, area builders project costs to increase this year in the neighborhood of 2 to 5%. Some builders feel that, if labor and materials costs continue to increase, many middle class buyers will be forced out of the new home market. This could, in turn, raise both demand and costs for existing homes.

Many homeowners, however, have accumulated great amounts of equity in the homes they occupy. They may be able to take advantage of this increase and access these funds to improve their homes or move up to more costly ones. Today this is happening earlier for many homeowners, and they are moving up more quickly into homes of their dreams. Today's buyers in Baton Rouge have high expectations for top quality work. They seek copious amenities in their homes, including detailed, well-trimmed interiors, as well as upgraded flooring, plumbing fixtures and appliances. Many desire more "complete" homes, with sprinkler systems, landscaping, fences or exterior wall enclosures, ironwork, kitchen and laundry appliances, security systems and window treatments.

Average lot size seems to be decreasing in the Baton Rouge area, either from buyer desire or economic factors. In some areas, land is so expensive that many buyers must settle for smaller lots to be able to afford to build. New infill subdivisions are typically smaller than the subdivisions of twenty, thirty or fifty years ago due to a decrease in available land for building, particularly in East Baton Rouge Parish. Often the lots, though smaller than they might have been in the past, are priced just as high because of strong demand. Baton Rouge continues its outward growth as well, although some builders doubt many people want to move much further from the city and continue to commute. Traditionally, few Baton Rouge residents have relied on group transportation. This option has recently become available and perhaps more attractive because of offerings of luxuries such as on-road computer use and early rides home when necessary. If the downtown area grows and parking becomes more difficult, more commuters may choose mass transit. The New Urbanism alternative of return to inner city living might offer a desired alternative to the commuter experience for some homebuyers.

Many builders are attempting to create successful home-building businesses in the Baton Rouge area today, and a sizable number fail. Understanding costs and how to control them can be a difficult lesson. The mistake of putting too many expensive amenities into new homes sometimes causes business collapse. Trying to sell new homes without the expertise of a professional REALTOR® is a mistake some new homebuilders sometimes make as well.

"A builder's job is very complex," said local builder Ronnie Kyle. "He or she must be a professional in so many facets. He must know his products and how they are assembled and installed. He must have financial planning know-how. He must have sound marketing strategies. He must have a viable warranty department. One person is rarely if ever able to accomplish all this alone. A reliable team of professionals is a better bet to successfully accomplish the involved task of home-building today."

The U.S. is experiencing an aging trend in overall population statistics. In a recent study done by Harvard's Joint Center for Housing Studies, researchers concluded "more older Americans means more opportunity for home builders and remodelers." This study also reveals that most seniors continue to live in their own homes. Only 10 percent live in senior communities, another 10% live with family members from whom they get some assistance. Many seniors will have need for home

modifications to enable them to continue to function and live alone. This could be a factor in increasing the home improvement market.

According to the National Association of Home Builders Economics Department's recently published housing statistics entitled "Characteristics of New Single Family Homes 1975-1998," the average lot size for homes is gradually decreasing. The median square footage of homes, however, continued its increasing trend through 1998. The resulting nationwide trend had more homebuyers opting for larger homes on slightly smaller lots. Perhaps this reflects less desire for the outdoor chores of mowing and raking, less available time to spend in the yard, or just pure economics.

According to statistics taken from "Changing Homes of the New Millennium" by Gopal Ahluwalia, NAHB Director of Research (published January 15, 2000), square footage needs have been increasing in the United States as a whole. In 1971, the U.S. Census reported that 65% of new homes completed had 1600 square feet or less. In 1999, however, only 26% of homes fell into this category. The average size of new, single-family homes has increased quite significantly. Multi-story homes are also on the increase. In 1971, only 17% of new homes were built with two stories. In 1999, on the other hand, more than half of new homes built had two stories or more.

The newest architectural trend catching on across the U.S. involves a reduction in square footage. California architects were challenged to build homes with "qualitative square footage" instead of "quantitative square footage." Using this concept, architects were able to cut the square footage of homes by 25% without cutting function or beauty. Local architect Kevin Harris feels this trend lies in the future for Baton Rouge.

As developments change, government rules and regulations for subdivisions become more prevalent and increasingly complex. Builders must employ copious creativity, as well as brainstorming with engineers, planners and landscape architects, to maximize the potential of each subdivision site. They must be cognizant of the natural features of a particular area, and use these features to develop amenities while solving the problems required by subdivision regulations, according to local developer Butch Hart. Lot sizes may have decreased, but people's demands have not. Developers today must turn to amenities and, in fact, all the details in an area, to create a complimentary whole, a really great place, a place where people get a feeling of satisfaction. If people like what they see and feel that it all works together, they are likely to be satisfied that they are getting their money's worth.

There has been a shift in attitudes for developers. People have begun to realize that available land is a precious, limited resource from which developers should get the most they can. Buyers are continuously looking for benefits from a developed area. Developers are therefore challenged to enhance the requirements and make people feel good about the community in which they choose to live. The Pond, a new subdivision behind Walden, is an example of this. It is named for a central pond, a tranquil, natural pool inhabited by two swans. From the center of the pond, a fountain spouts peacefully. When the evening lights shine on this fountain, it becomes a water sculpture, inviting inhabitants to sit and watch the interplay of water, wind and light. Few people realize that this inviting pond fulfills the subdivision requirement for a watershed. Butch Hart commented, "Development today is a lot like cooking. If you use all natural ingredients, you are bound to come out with something that is good for you."

The challenge today is to solve problems in an aesthetically pleasing, creative manner. A concern in Walden subdivision involved nutria burrowing into pond banks causing cave-ins. Moss rock from Arkansas was imported and the sides of sections of the lakes lined to increase stability; this

discouraged the nutria from burrowing and created an aesthetically pleasing pond edge. People do not even realize that the rock was placed there to solve an animal problem.

Style is very important to many homebuyers. The most popular local styles are European, especially French. The “Hayes Town” style continues to be in high demand locally. The style of an overall neighborhood is important as well. Landscaping contributes greatly to that style. The NAHB has made a commitment, working with the National Arboretum Society, to build homes and subdivisions while saving and adding trees to the environment. Baton Rouge Green has been very active in this program and has done a wonderful job keeping green spaces alive in our area. Sometimes there is high tree mortality after building; usually there is approximately a 50% chance of saving any tree after building near it. Replacement efforts, though the trees take time to grow, are certainly worthwhile. The key is a developer’s commitment to plant more trees.

Local builders have many problems with which they must grapple. Governmental regulations sometimes pose challenges, which must be met with creativity. Many builders feel that governmental agencies are too slow to react to problems in the home building industry. The issue of requiring treated lumber could pose a problem as well. Disposal is a concern also, as not enough lined pits are available to handle the waste. This requirement, if enacted, might cause Louisiana builders to use steel framing for local jobs, shipping Louisiana wood to other states. Formosan termites loom on the horizon as a potential problem. The magnitude of their impact still remains to be seen.

Transportation expectations have also increased. According to NAHB statistics report, “Characteristics of New Single-Family Homes: 1975 – 1997,” one-car garages are a thing of the past; two-car garages or carports continue to increase. Bathrooms have taken on an increased priority as well. In 1975, only 20% of all homes built had more than 2½ bathrooms; today over 50% of new homes have more than 2½ baths, according to NAHB statistics. New homes are generally larger as well. Only 21% of homes built in 1975 had four bedrooms or more, while 31% of today’s homes have at least four bedrooms.

Screened porches have become much less common than they had been in the past; only 6% of homes were built with a screened porch in 1999. Security systems continue to increase in popularity. Safety has become a major concern of many homeowners. Thirty-six per cent of new homes were built with security systems in 1997; that percentage is still rising. Front porches continue to thrive, be it for looks or for conversations; 53% of newly built homes had front porches.

Many challenges face builders, developers, urban planners and REALTORS® as the new millennium begins. With proper planning and teamwork, new solutions can be found to problems and challenges, new methods can be developed for business transactions and new uses will be found for available information. In all, the NAHB predicts a solid level of home building and remodeling activity for the beginning of the 2000s and a sound business environment for builders as we make it through this “turn of the century” and beyond. There continue to be many valid reasons for people to build new homes and relocate, providing REALTORS® and builders the opportunity not only to survive but also truly thrive in these times of change.

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