

## **Residential Market Trends**

*for the Baton Rouge Area*

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The data analyzed indicates that new home construction jumped in the last quarter, 2002, to the highest level Nationwide, since 1986. In Baton Rouge, new home permits for January 2003 were 104, compared to only 89 in January, 2002. This increase equates to an almost 17% gain over last year. In Baton Rouge, sales of existing homes -- 85 percent of the total residential market -- easily set a new record in 2002. This is, without a doubt, the greatest single factor to the market in Baton Rouge today. In fact, since 1995, almost half of all persons (44%) moved into their present home. This is a reflection on the low interest rates of the last 10 years.

Nationwide, the Commerce Department's reports on new home sales has confirmed that sales set a record pace throughout the fourth quarter 2002 -- even as the rest of the economy ground to a halt, with gross domestic product (GDP) growth nearly stalled, according to many estimates. However, employment has continued to grow in Baton Rouge. Louisiana gained jobs in January, 2003, reversing a losing trend that dated from May, 2002. The gain in non-farm employment was a positive 0.7 percent

Low mortgage rates and rising home values have fueled a refinancing trend that's helped homeowners get lower monthly mortgage payments and cash in hand. According to the National Association of Realtors, a typical household in the past two years saw about a \$20,000 gain in equity. The outlook for Baton Rouge is continued growth for the residential market dependant upon low interest rates.

A bulleted summary of the conclusions is as follows:

- \* The continued outlook for low interest rates will fuel demand for homes in the \$150,000 to \$280,000 range. There appears to be a slight dampening of the \$400,000+ market.

- \* Employment has continued to grow in Baton Rouge. Louisiana gained jobs in January, 2003, reversing a losing trend that dated from May, 2002. The gain in non-farm employment was not large, but still positive, at 0.7 percent.

- \* Home appreciation has slowed. Even though median prices increased 9.4 percent annually between 1995 and 2001, that figure drops to 8.6 percent annually when 2002 is added to that time period.

- \* New subdivision development in Baton Rouge trended to smaller (30-50 lots) and more expensive homes. This trend should continue as the available land supply is exhausted.

- \* Activity in the "tear down" and substantial rehabilitation market is anticipated to increase in the next few years. As lot prices increase, and lot size decreases, older homes in established neighborhoods will be replaced or renovated.