

**Residential Market Trends**  
*for the Greater Baton Rouge Area*  
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The data analyzed indicates that new home construction in East Baton Rouge Parish in 2003 exceeded 2004, by several hundred units. 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. For reasons that follow, it is expected that this trend will be short-lived.

In Baton Rouge, sales of existing homes -- 85 percent of the total residential market -- easily set a new record in 2003. 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.

**New Home Starts**

*Permits issued in Ascension, East Baton Rouge and Livingston Parishes.*

	<b>Ascension</b>		<b>East Baton Rouge Livingston</b>			
	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>
JAN	67	100	89	104	141	67
FEB	103	80	85	105	205	73
MARCH	83	85	96	123	60	62
APRIL	97	95	101	131	74	115
MAY	111	90	98	130	58	117
JUNE	79	89	91	135	102	81
JULY	86	108	95	115	127	95
AUG	83	94	87	131	71	110
SEPT	59	115	92	113	77	125
OCT	71	83	113	90	92	97
NOV	68	93	66	95	71	72
DEC	61	91	79	113	48	46
<b>TOTAL</b>	<b>968</b>	<b>1,123</b>	<b>1,013</b>	<b>1,385</b>	<b>1,126</b>	<b>1,060</b>

By comparison, outlying areas have mixed results. Livingston was down slightly, but that appears to be just a statistical anomaly. Ascension Parish is poised to exceed the number of permits in 2004 than East Baton Rouge Parish. This is because of both strong demand as well as East Baton Rouge Parish's lack of ready-to-build lots.

Zachary is positioned, with approximately 250 lots on the ground and another 300-400 lots approved or in the planning stages, to “grow or slow.” With only 88 permits issued in 2003, the consensus appears to be betting on future growth. Only time will tell on that issue, with schools and location being a factor. Many believe that growth in Zachary, if more comes, will be at the direct expense of East Baton Rouge and Livingston.

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 economic issues such as jobs, interest rates, the stock market and inflation.

The development opportunity cost in East Baton Rouge Parish is increasing, including sewer user fees, traffic fees, and concessions to existing owners. Site plan creativity as evidence in PUD and mixed-use designs have increased in an attempt to avoid barriers to development. This is a significant hindrance to future development activity in East Baton Rouge Parish.

An potentially emerging community is Brusly. While only 30-40 permits have been issued annually in the town proper, there is significant development activity occurring parishwide in West Baton Rouge Parish. The thinking appears to be to allow workers in the petro-chemical industry and the new State Buildings downtown to have housing options with less commute time. Again, the numbers of lots exceed the permits issued significantly. But, like Zachary, the developer's bets are clearly on exponential growth.

A summary of the conclusions is as follows:

- A. The uncertain long-term outlook for low interest rates will fuel demand for homes in the \$150,000 to \$250,000 range. There appears to be a dampening of the higher markets.
  - 1. Baton Rouge lacks lots in this price range.
  - 2. Livingston has adequate supply / demand ratios.
  - 3. Ascension appears to be slightly lot-heavy with equalization occurring later in 2004.
  - 4. At current rates, Zachary has at least a 4 year supply of lots. However, if demand increases (up from 88 permits to the low 120's) Zachary could be a “hot-spot.”
  - 5. West Baton Rouge, like Zachary, is lot-heavy. Any increase in permits and sales should be analyzed to determine if existing supply will be sufficient.
- B. Home appreciation continues to slow. Even though median prices increased 9.4 percent annually between 1995 and 2001, that figure drops to 8.1 percent annually when 2002 and 2003 is added to that time period.
- C. A widely-expected interest rate rise will need to be examined in light of jobs, inflation, the stock market, and supply. Higher rates, in itself, will not affect the market significantly if jobs or the stock market recover.

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