

Through the roof; Baton Rouge's housing market has gone ballistic as New Orleanians—forced to settle in for longer than they'd planned—scramble to rent and buy.

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This story by Mukul Verma and Maggie Richardson, with additional reporting by J.R. Ball and Kathleen Hastings, first appeared in the Baton Rouge Business Report.

It was August, and residential real estate in Baton Rouge was in a lazy summer lull. Then came Katrina. When the levees broke, the Capital City evolved from being a temporary refuge from just-another-hurricane, to being a semi-permanent home to tens of thousands of exiles. From hotels, relief centers and relatives' sleeper sofas across the region, the land rush was on.

In recent years, the value of housing in Baton Rouge had risen much slower than in many metropolitan markets, often failing to even keep ahead of inflation. The median home price here was a modest \$130,000 earlier this year.

Oversupply had kept the market slack. The Greater Baton Rouge Association of Realtors listing showed 3,500 homes for sale. More than 4,000 area rentals were empty, causing apartment owners to ease requirements and offer incentives. Some were even permitting large pets.

Following the storm, demand spiked overnight while supply remained sharply limited, setting off a sellers' market of historic magnitude. Housing prices skyrocketed. Word circulated of numerous cash sales. The grapevine reported offers that were double the list price.

The reality was saner, though still dramatic. Housing values, which had gone up less than 1% between 2000 and 2004, rose more than 10% in the week after Katrina, estimates Locations Real Estate owner Vicki Spurlock.

And that number is artificially low, because few sellers were avaricious enough to price-gouge so soon after the catastrophe.

Buying in bulk

Desirable locations quickly became scarce as businesses moved to secure living space for New Orleans employees. The New Orleans-headquartered law firm of **McGlinchey Stafford** immediately leased up about 60 rental units all over town, says Baton Rouge managing partner **Rudy Aguilar**. Some of the wealthier New Orleanians simply bought houses here.

Those who waited longer found themselves out of luck. "We reserved a number of apartments immediately, but that turned out to be woefully inadequate," says Jones Walker managing partner Charles Landry. "Now our people are struggling, like thousands of others, to find housing."

United Health Care CEO David Lewis secured a handful of rental houses. One week after the hurricane, he still had not yet found space for the rest of his 25 relocated employees and their families. He said mobile homes or RVs may be an option.

A local member of a family that has roots in both Baton Rouge and New Orleans spent three days after Katrina purchasing houses for exiled friends and relatives, scooping up 23.

Developers noted the effects. Before the hurricane, Scott Bardwell had sold only three of the 12 townhouses in Bromley Place, his new project near Bluebonnet Boulevard. "It was a little slow," he says. But when Katrina hit, he quickly unloaded his entire remaining inventory to a New Orleans financial institution owned by the Solomon family, which operates movie theatres and owns real estate.

Bardwell resisted the temptation to hike prices above their pre-storm level of just over \$200,000 per unit, but that will change down the road. He says increased demand and higher construction costs driven by hurricane rebuilding will likely require him to raise prices by 10% or more for the next 20 units.

A frenzied market

The days after Katrina were "absolutely frantic," says Herb Gomez, executive director of the local Realtors chapter. The industry operated blindly during the frenzy because of a power outage that affected many for several days.

Realtors president Judy Burkett says she repeatedly turned away people who were desperately searching for rentals. "There are no leases available. I've had customers who came in a couple of days after the storm and they couldn't believe it when I told them there was nothing to rent anymore."

With rentals gone, Burkett and other realtors reported a run on home buying, particularly among professionals. Burkett's own inventory of houses was sold within three days of the storm. She says her biggest customers were doctors, attorneys and brokers. All of Burkett's buyers bought sight-unseen.

"We did it all either over the phone or by email. They said, 'We trust you to find us something,'" she said.

As property was scooped up, so too went furniture. Mary Warren, owner of Accent Furniture Rental, said her inventory was tapped out in two hours.

And home inspector Mike Armshaw worked through the Labor Day weekend to catch up on a sudden backlog. "Normally, I do 12 inspections in a week," he said as he completed an inspection for a house that previously had sat on the market for nearly a year. "This week it's more like 25."

Vicki Spurlock was so busy, she couldn't return calls. "I have 78 phone messages that I haven't been able to attend to," she reported. In two days, her agency had contracts to sell its entire 32-house inventory in the Garden District, Old Goodwood and other areas that are her agency's specialty.

Just about every housing market in town was surging. Southgate Towers, which had been suffering from a glut of student housing around LSU, took down its large "For Rent" sign. An ignored 1970s ranch house set among expensive homes in one tony neighborhood had been offering 100% financing and a reduced price before the storm. It was sold two days after. A house on Hyacinth that sat for more than a year fetched a 3% premium. But the demand has not been consistent across the board. Several houses listed at above \$500,000 remained on the market.

And many homes in minority neighborhoods still had no takers. "There are homes available," says real estate broker Philibert Harleaux, owner of Avalon Investments. "You just have to be at the right place at the right time."

"Houses in north Baton Rouge, compared to the more expensive houses in south Baton Rouge, usually just have a 'For Sale by Owner' or 'For Rent' sign out the front and are not widely advertised," Harleaux says. These less expensive properties are in largely black communities like Istrouma.

Whether all this residential growth is permanent remains to be seen. At least one business executive who saw his home near New Orleans' City Park destroyed plans to stay. "I love New Orleans, but that's it for me," he says. "It's just not worth the risk anymore."

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Rudy Aguilar