



Everything New Orleans

# The Times-Picayune

## **N.O. real estate feeling pinch**

**Recession's ripples cushioned somewhat**

Friday, April 03, 2009

**By Kate Moran**

**Business writer**

While the tide of recovery money flowing into New Orleans has helped cushion the region from recession, local real estate experts said Thursday that various segments of the market, including retail, office and multifamily apartments are showing a few fissures.

New Orleans has not suffered from epidemic foreclosures or job losses, but the troubles on Wall Street have ricocheted through this region all the same. Grim news reports have punctured consumer confidence, while the credit freeze has buyers, sellers and landlords in a chokehold.

The downtown office market perhaps exemplifies the mixed fortunes of the local real estate market. Paul Dastugue III, president of Property One, noted that occupancy in the business district hovers around 90 percent, a figure that any city would envy. But occupancy is high partly because a number of buildings have been mothballed, from the Dominion Tower to the former Chevron building to 225 Baronne St.

▼ Advertisement

[CONTINUE STORY](#) ↓

Dastugue was part of a lineup of local experts who gathered Thursday for the annual real estate and economic forecast sponsored by the University of New Orleans and Latter & Blum. Most of them struck an upbeat tone, noting that New Orleans continues to fare better than many cities even as its economy is beginning to show signs of stress.

While the downtown office market remains stagnant in terms of occupancy rates and rents, Dastugue noted that landlords have consummated a number of high-profile leases in the past year. The law firm Liskow & Lewis signed a new lease in One Shell Square, while McGlinchey Stafford sold its building and relocated to the Pan-American building.

Dastugue said the migration of tenants out of the downtown area and into the suburbs has slowed overall, but the north shore has nonetheless netted several high-profile companies that have

invested in brand-new offices. In addition to Chevron and Wink Engineering, LLOG Exploration is building a new space at the Cypress Bend office park in Covington.

**Marty Mayer**, president and chief executive of **Stirling Properties**, predicted that New Orleans would survive the swift contraction of the retail market better than many cities. He said retail construction is expected to slide 30 percent nationwide this year, to the lowest level since 1995. Growth will slow in particular in cities like Atlanta and Phoenix, where retailers were opening stores in droves during the housing boom that has since collapsed.

Because greater New Orleans never experienced the burst of retail openings predicated on continued housing growth, **Mayer** believes the region is in a strong position to capture a share of whatever expansions national retailers have planned for the year, meager though they might be.

As retail sales cratered across the country last year, retailers such as Circuit City and Linens 'N Things shut their doors. **Mayer** said these closings have created opportunity for other retailers to move into prime locations in the most populated parts of the region that might otherwise have been full.

"New retail is not going to come from ground-up developments," **Mayer** said. "Strategic in-fill is where we're going to see activity."

Even as some retailers went dark, New Orleans experienced a number of high-profile openings in the past year. Border's opened a new bookstore in a former funeral home on St. Charles Avenue. The Nike outlet on Carrollton Avenue perpetually seems to draw a full parking lot. Sav-A-Lot just opened three new stores in New Orleans. In general, **Mayer** said, the discount and value market has held up better than other retail segments.

Larry Schedler, a principal in the Metairie firm Larry G. Schedler & Associates, said Thursday that multifamily apartment housing has experienced an unprecedented boom since Hurricane Katrina, thanks to Gulf Opportunity Zone bonds, bonus depreciation, low-income housing tax credits and other federal incentives designed to spur private sector investment after the storm.

He highlighted two high-profile apartment projects geared for renters who can afford market rates -- the 930 Poydras apartments in downtown New Orleans, and the Chenier apartments in Mandeville, modeled after developments in Atlanta, Austin and other fast-growing cities that marry apartments with retail on the ground floor. He said the project represents the future of apartment development in this region.

While those two projects, which both relied on U.S. Department of Housing and Urban Development 221(d)(4) mortgage insurance, are geared toward higher-end renters, Schedler said the greatest demand is for affordable housing. Mixed-income apartments have flowered in particular along Tulane Avenue in New Orleans, and Schedler said the quality sets a new standard not only for this region, but for the country.

"Whatever perceptions you have of affordable housing, you owe it to yourself to drive down Tulane Avenue," Schedler said. "These properties will dispel any myth of what affordable housing is."

.....

Kate Moran can be reached at [kmoran@timespicayune.com](mailto:kmoran@timespicayune.com) or 504.826.3491.