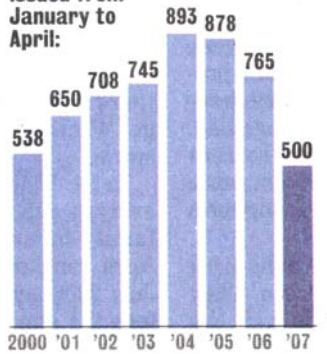


BUILDING BUST

Single home construction in St. Tammany has slowed down significantly, mirroring a metro-wide housing downturn.

Building permits issued from January to April:



Source: St. Tammany Parish government

SLOWING DOWN

The single-family, new-home market in St. Tammany, spurred by Hurricane Katrina, is on the downturn as construction awaits a spark to renew interest

Sunday, June 24, 2007

By Cindy Chang

Like many developers in St. Tammany Parish, John Barry is biding his time until the housing market picks up again.

In addition to four unsold houses in the \$300,000 range, he is putting a hold on two subdivisions near Covington and Abita Springs that are primed for development, relying on the nonresidential parts of his business to generate income.

A year ago, while much of the New Orleans region was at a standstill after Hurricane Katrina, developers in St. Tammany were throwing up houses to meet the demand caused by the surge of evacuees relocating to the parish just as existing inventories had been depleted by storm.

Last year, new construction was not far behind the torrid pace of 2004, when new subdivisions gobbled up empty land as fast as they could be built.

But for the first four months of 2007, building permits for new single-family construction in the unincorporated parts of the parish were down by almost 40 percent from a year ago. Last April, 222 building permits were issued; in the same month this year, only 97 were.

Because his company, Velvet Pines Developers, is also involved in the relatively healthy commercial real estate and land development arenas, Barry is hopeful that he will ride out the downturn. But other developers may not be so lucky, especially if the market takes some time to recover.

"The whole country was in a downward trend before Katrina. Katrina gave us a couple more months of needed construction, and we didn't feel the downward swing until later," Barry said. "What really hurt was that it wasn't a slowing down, but a screeching halt."

Inventories of unsold homes in St. Tammany Parish are at historic highs, with a 10.5-month supply in the Mandeville and Covington area and as much as a 45-month supply of higher-end homes in greater New Orleans, according to an analysis by Latter & Blum Realtors.

The slowdown mirrors a national trend, but post-Katrina factors are also at work. Prices went up by nearly 20 percent in the year after the storm, and developers responded by building plenty of new homes.

"Unfortunately, we're extremely overbuilt in terms of new construction," said Arthur Sterbcow, president of Latter & Blum. "After the hurricane, builders threw up homes like crazy trying to take advantage, thinking there'd be a sustainable amount of people."

Prices are still higher than pre-Katrina levels but have been dropping since last fall. The market may be close to bottoming out and will eventually adjust as bargain prices lure more buyers, developers cut back on new projects and unsold inventory gradually clears, local Realtors said. But they also expressed concern that high post-storm insurance premiums might put a long-term damper on home sales.

"People are just coming back to earth after the storm. They think their house is like the goose that laid the golden egg, that it's like a gold mine because of the demand," said Sandy Sandusky, managing broker of Prudential Gardner Realty's Mandeville office. "They're just beginning to understand that the superinflated prices were just over a period of time. Now that there's more supply, they can't get what they could before the storm."

In St. Tammany Parish, the average sale price of a single-family home was \$236,000 in April, compared with \$262,000 in July 2006 and \$209,000 just before the storm. The number of homes on the market in April was 2,270, up from 1,415 in August 2005 and 949 in March 2006.

In May, the latest month for which figures are available, the sale price increased to \$264,000, with inventory also increasing to 2,430. The average sale price for that month was \$311,000 in the western part of the parish, which includes Mandeville and Covington, and \$197,000 in Slidell and other areas to the east.

Sterbcow said he has no long-term worries about the local housing market, even as he pointed to several factors that could potentially limit its growth.

Until more roads are built, development will be limited by traffic issues, Sterbcow said. Steep increases in the cost of homeowners insurance since the storm have also slowed the market, causing potential buyers to hold off on purchases or to get a smaller home than

originally planned. And another major hurricane might cause more people to give up on the area and move elsewhere.

But the housing market is already close to rock bottom, according to Sterbcow. Barring another natural disaster, economic forces will soon begin to right the imbalance, with lower prices creating more demand, which will in turn chip away at the supply of unsold inventory.

For now, sellers are struggling with deep discounts and long lead times, but buyers have their pick of bargains.

"The important thing to note is the time to buy real estate is when nobody wants it. The time to sell is when everybody wants it," Sterbcow said.

Ultimately, the housing market is a reflection of the local economy. Even though St. Tammany Parish is growing, the slow pace of recovery on the south shore and any further migration of people away from the New Orleans area will be felt on the north shore as well.

Martin Mayer, president and chief executive officer of the Covington-based real estate and development firm **Stirling Properties**, hopes that the planned influx of major employers such as Chevron to the parish will lift the market as newcomers, from executives to administrative assistants, relocate here.

"Once some of those employers get over here, there will be more demand for residential, and it will become more of a normal pace," **Mayer** said. "I think the area is going to be very strong. It's just been a roller coaster since Katrina until we figure out the right pace."

Developers, meanwhile, are responding to the glut of unsold homes by calling a temporary halt to their building plans. Sometimes the choice is not theirs, since banks may not give them loans to embark on major construction during such a slow time.

One of **Mayer's** projects, a 947-home development called Bedico Creek centered on a golf course near the Tangipahoa border, was planned before the storm and is just now finishing its first phase of construction. How many more homes are built there in the next year will depend on how many are sold initially.

"Everyone's working with what they have and are not seeking to bring a lot more inventory online," said Randy Varuso, president of the St. Tammany Home Builders Association. "This business is sometimes like a freight train coming down the tracks with no brakes. You take the foot off the throttle, just kind of coast and let things slow down."

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