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Tammany real estate market cools off
More homes listed; sales taking longer

By Bruce Hamilton
St. Tammany bureau

Judy D'Alfonso thought her Slidell area home would sell within 30 days when she put it on the market. That was about three months ago.

The four-bedroom, two-bathroom house in the Cross Gates subdivision was not among the approximately 10,000 Slidell homes that flooded during Hurricane Katrina last year. It lost shingles and a vent, but she replaced the roof.

The subdivision sits in a well-regarded school district a few miles from Interstates 10 and 12, and it has an athletic club as well as a shopping center nearby. D'Alfonso listed the house for \$235,000 in mid-July, when it was widely considered a seller's market. But after several disappointing weeks, she lowered the asking price to \$229,000.

Before the school year started, D'Alfonso got several calls a week. As they slowed to a trickle, she began to make more improvements, painting and installing new flooring. "We had a lot of activity at first, a lot more than we have now," she said. "Now it's just dead."

D'Alfonso's experience isn't unusual in St. Tammany Parish. The market thrived amid fierce demand in the wake of Katrina, which pushed up prices and fueled strong competition among buyers. But that intensity has been fading.

Seasonal slowdown

Recent statistics indicate the market is shifting as supply begins to outstrip demand. The number of homes for sale in the parish is climbing monthly, and they are taking longer to sell. Although sales have been brisk, the pace is slackening.

"The perception here with agents is the market has slowed down," said Sandy Sandusky, a managing partner at Prudential Gardner Realtors in Mandeville. But that perception, he said, is partly the result of a letdown from the post-Katrina

frenzy.

"Our office, for a month after the storm, sounded like the New York Stock Exchange," he said. "It was a madhouse." But sales typically ebb at year's end, and the recent trend is more noticeable because of the contrast, he said.

Sandusky said the local market was very healthy before the hurricane, and it's strong now -- but it has taken a turn. "Supply is probably higher than demand right now than at any time we have seen in the past 14 months," he said. "We are trending toward a buyer's market."

Prices have risen substantially in the past year. According to Prudential, the average price of a single-family residence rose from \$209,000 in August 2005 to \$244,000 two months ago, an increase of about 16 percent. Prices supplied by other real estate agencies vary slightly but show a nearly identical trend.

Property values have historically been much higher in the western portion of the parish, generally defined as the area west of Louisiana 434, and the gap is growing. From August last year to this August, the average price rose 20 percent on the western side and 5 percent in the east, according to Prudential's figures.

Supply builds

Katrina's impact was more devastating on the eastern side of St. Tammany, especially in Slidell. Storm damage depleted the available housing stock, driving up demand for homes in usable condition. As a result, many houses sold for more than their appraised value, said Helene Nunez of Helene Team Realty in Slidell.

"We had nothing then," she said of the city's post-Katrina housing stock. "As soon as the house got on the market, it sold on the day or right on the spot." But over the past year, supply gradually outstripped demand.

"Now you've got to really have that house in pristine, walk-in condition," Nunez said. "Buyers have options galore. We have tons of active listings in Slidell alone. The prices have come down to a more realistic level now." Buyers can pick and choose, she added, and "they are really bargain-shopping now."

Nunez and other brokers say many storm-damaged homes have been repaired or renovated by homeowners as well as investors, increasing supply. "Basically, we're building inventory," said Ken Levy, Latter and Blum's Slidell branch manager.

Levy cited the rising cost of homeowners insurance as another factor contributing to increasing buyer "resistance." Higher ground means less flood risk, so buyers get more house for their money farther north. That leads many buyers to look beyond Interstate 12 in areas such as Pearl River, which is enjoying a new-construction boom.

Growth corridor

But much of the parish's new construction isn't north of the interstate. Business leaders predict the area along I-12, the parish's major east-west artery connecting Slidell to Hammond and Baton Rouge, will become a booming growth corridor. Several of St. Tammany's newest developments are aligned along it. Displaced by the storm, former residents of the New Orleans area have accelerated that trend.

Bedico Creek, a gated golf course community near the Tangipahoa Parish line, is one of the parish's largest developments. Its first two phases include plans for 942 homes on 939 acres. Other subdivisions in the area, such as Tallow Creek, continue to expand as prospective residents join a yearlong waiting list.

Single-family residential building permits issued in the parish are approximately on track with last year's pace. According to the parish, 1,662 had been issued this year through September, which compares with 1,719 for the same period in 2005, a 3 percent decrease.

Nearly 4,000 approved residential lots are in the pipeline, according to Marty Mayer, president of Stirling Properties. "We're beginning to see a wave of new construction," he said. "You will start seeing the effect of new construction that began post-Katrina in the fourth quarter and in 2007."

More choices

The number of houses for sale in St. Tammany has risen steadily this year since a brief surge in February. According to Prudential, it rose from 949 in March to 1,678 in August, about 19 percent more than the same month in 2005. But real estate agents say more diverse stock is positive.

"Buyers have more choices than what they had before," said Terry Moore, manager of Latter and Blum's Mandeville branch.

More diversity may be contributing to slower sales. The average number of days on the market is growing on both sides of the parish. From July to September, that figure rose from 34 to 55 on the western portion and from 43 to 49 in the east, according to Stirling Properties.

Despite the slowdown, the market is still moving faster than its pre-Katrina sales rate. In August 2005, houses spent an average of 60 days on the market on the western side of the parish and 56 in the east.

Houses with higher prices tend to take longer to sell, and the parish's mid-range market generally has a quicker turnaround. According to Latter and Blum's Levy, homes with listing prices between \$140,000 and \$225,000 have a 60 percent to 70 percent chance of selling within 90 days. At prices above that, the percentage drops to 30 percent.

Still for sale

Ann Earhart was convinced her 2,800-square-foot, two-story home near Covington would sell within three months. The three-bedroom, two-bathroom house she built sits on seven acres in the Sansouci Forest, and it's only five years old. Recently widowed, she moved out after listing it for \$499,000 in December. She has since lowered the price to \$439,000.

"It still doesn't seem to be appealing to people," she said. Earhart said some prospective buyers have complained that the house is too far from Covington. She said she believes the buyer probably will be an "empty nester" like herself. "It's going to take a special person," she said.

Although sales volume has slipped recently, the longer-term pace is robust. In the first nine months of 2006, 3,756

houses were sold in the parish, compared with 3,108 for the same period in 2005.

An influx of cash from the Louisiana Recovery Authority's Road Home program is expected to further boost sales once disbursements begin to flow, but officials say they can't predict when the bulk of payments will be made. "We don't know how long that can take," spokeswoman Opal Jackson said.

The program had received 3,002 applications from St. Tammany residents as of Oct. 17, and officials say it takes six to eight weeks for applicants to be notified of an award after they have an appointment. The average award is \$50,698.

Brokers and agents say the market's broader trend is toward a balance disrupted by Katrina, though recent figures show a slowdown. "It's emphasized more because we've been on such a wild ride," said Rick Roberts of Keller Williams Realty in Mandeville. "If anything, it's going to plateau."

"We've kind of returned to a normal market," said Margi Inman, executive vice president of Coldwell Banker in Mandeville.

"The gold rush is over," said Jeff Breland, president of Century 21 Investment Realty in Slidell.

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Bruce Hamilton can be reached at bhamilton@timespicayune.com or (985) 898-4827.