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North shore real estate struggles

*But conference sees
a rebound ahead*

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Next year is likely to remain tough for the St. Tammany Parish real estate market, but things will bounce back because the

quality of life will continue to attract people and businesses, participants in a University of New Orleans real estate and economic development conference said Wednesday.

Quentin Dastugue, chief executive of the commercial real estate firm Property One Inc., said the decisions by Chevron and the privately held oil exploration firm LLOG to build new headquarters on the north shore are proof of the region's draw.

With good schools and high-quality shopping, companies that might otherwise be tempted to relocate to Houston have discovered they can find the amenities that they need to appeal to employees by being in St. Tammany Parish, Dastugue said.

"This market has become its own hub," Dastugue said. "Companies are starting to look at the north shore first as a potential location for an office."

For now, the market faces its

challenges. The St. Tammany real estate market must absorb the excess supply in housing and retail space, and difficulties in the banking sector make it unlikely that any new development will happen soon.

Larry LeBon, president, chairman and chief executive of Bank of New Orleans, said weakness in lending has spread to the commercial real estate sector.

Lending requirements have toughened, with banks requiring

more equity and bigger cash reserves for projects to move forward. With large amounts of commercial debt rescheduled to come due in 2010 and 2011, bankers are skittish about making new commercial loans until they have a better idea of how those obligations hold up, panelists said.

But John Sibal, president and chief executive of Eustis

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Appraisals gum up process, official says

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Commercial Mortgage, said capital is starting to flow from life insurance companies and real estate investment trusts. "I think the worst is over," he said.

David Crumhorn, president of St. Tammany Homestead Savings & Loan, said the biggest problem he sees is that low appraisals are stymieing the market. Solid appraisals are hard to come by because there are so few transactions upon which to base the comparisons. And new rules have taken the requesting appraisals away from loan officers and

given it to clerical workers who simply go to the next name on a list, meaning that an appraiser from outside the area with no understanding of the local market could be asked to assess the value of the property.

The moves are particularly consequential for Louisiana, Crumhorn said, because real estate values in the New Orleans area have been more resilient than in the rest of the country. "The biggest problem we're seeing is the appraisal issue. People can't refinance," he said.

As far as commercial real estate goes, Grady Brame, executive vice president and partner of Stirling

Properties, said new retail development is at a 20-year low. While retailer bankruptcies haven't been as bad as feared, sales of discretionary and luxury goods remain soft, and new retail projects are unlikely to move forward.

Michael Saucier, president of Gulf States Real Estate Services, said there are many opportunities for investors to purchase land along Interstate 12 in hopes that it will be developed eventually, and there's plenty of availability in the north shore's 10 to 12 business and industrial parks. To sop up space in the meantime, park owners have turned to creative uses such as opening

skating facilities or soccer clubs.

The housing market in St. Tammany Parish remains among the most challenging in the metropolitan area after the demand for new housing after Katrina sent prices and new construction soaring.

At the end of the third quarter, there was an 11.6 month supply of homes on the market in St. Tammany Parish. But the situation is not uniform. Supply is tighter in the western part of the parish than the eastern section, and home sales are moving faster among lower priced-properties than in luxury homes, said Terry Moore, broker with Latter

& Blum Inc.

In the apartment world, the north shore is like Jefferson Parish 30 years ago, said multifamily broker Larry Schedler. The market is still tiny, and rents are the highest in the region except for downtown New Orleans, suggesting that multifamily housing on the north shore has room to grow. But until sales of single-family homes firm up and the lending situation eases, new apartments are unlikely to be built, Schedler said.

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