

A C A D I A N A

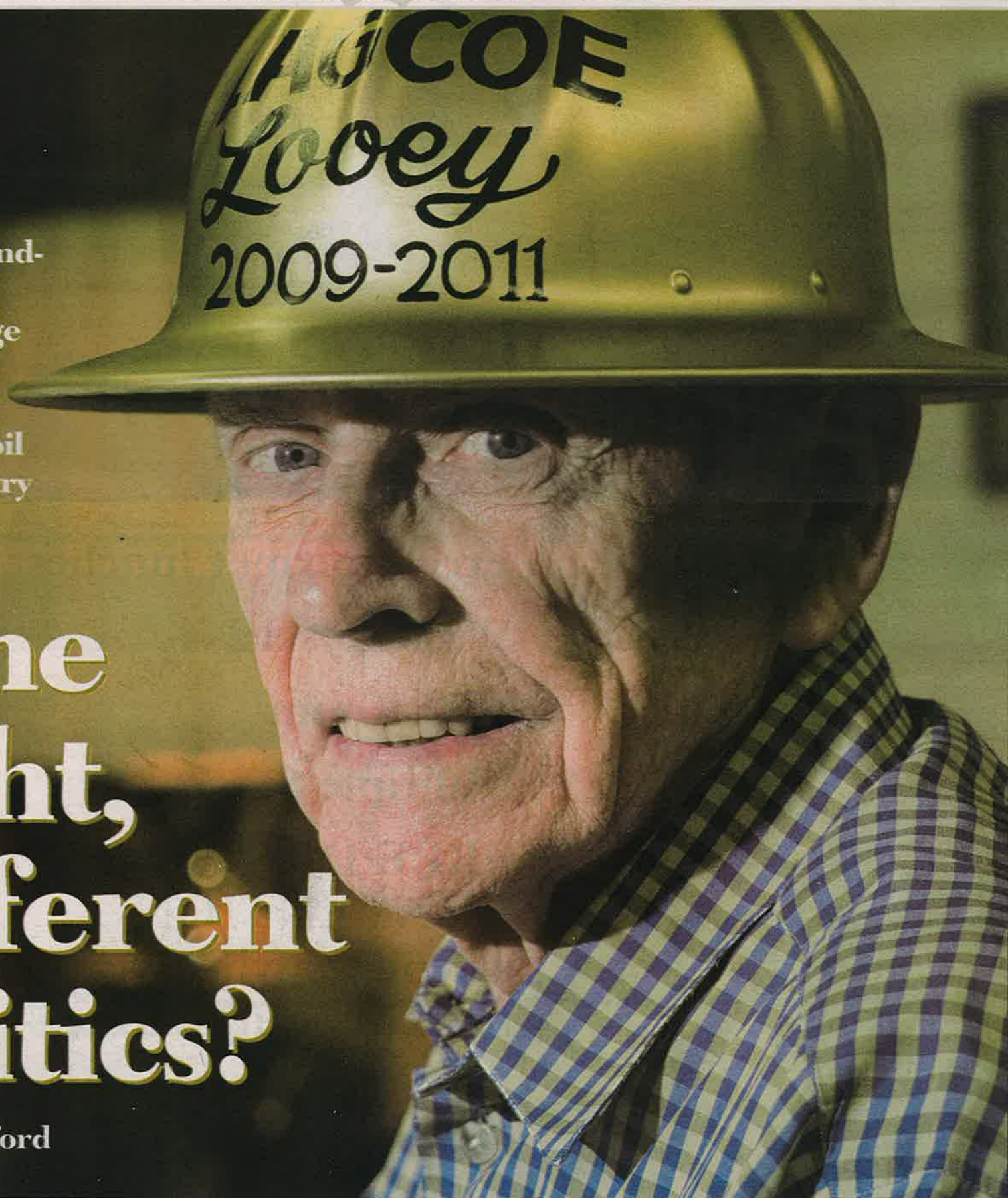
# BUSINESS

NEWS & ANALYSIS on COMMERCE in SOUTH LOUISIANA

For veteran independents like Frank Harrison, the ongoing cap-and-trade debate marks a change in political pressure, although the oil and gas industry has been here before.

## Same Fight, Different Politics?

By Jeremy Alford



LOREN SCOTT'S NOT-SO-ROSY LAFAYETTE FORECAST

by Leslie Turk

page 6

CNG: BRIDGE TO THE FUTURE

by Gifford Briggs

page 9

THE DEBT DILEMMA

by Dave Romagosa

page 11



# Well Oiled

*Lafayette's real estate market isn't as dependent on the oil and gas industry as it was in the mid-80s — but it's still energy that fuels us.*

**D**oes oil still have a stronghold in Acadiana's real estate market? In short, yes, but not nearly as tightly as it did in the '70s and '80s. Lafayette has come a long way since the last major oil bust in terms of economic diversification, but like it or not the oil industry is still the fuel to our engine.

Much of the Acadiana area's real estate is tied to the global oil industry because of the plethora of engineering, service, and manufacturing companies that are located along our business corridors. Identifying how these companies' office spaces, industrial buildings and service yards are directly affected by both the expansion and contraction of the oil and gas sector is a fairly easy task. What is a bit more daunting to comprehend is how the communities' retailers are impacted by this recurring fluctuation and more importantly how it dictates their respective expansion, relocation and contraction plans.

An obvious place to start would be the last few years when oil was climbing to record highs and life was just plain good in Lafayette. None of us thought twice when we observed Academy relocate and expand to one of its largest footprints in the country. Kohl's decided to open one of its first two Louisiana stores in Lafayette. Wal-Mart and Home Depot built new stores in Broussard, with other outparcel

users and small-shop tenants following suit. The northern submarkets of Lafayette finally received their long awaited Target-anchored shopping center with the other national tenants following. The list can certainly go on and on, and the point quickly made, that when Acadiana's oil sector is producing at a high level with maximum employment, residents are spending their hard-earned dollars, and retailers are expanding as quickly as possible to cash in.

The equation gets a bit trickier when the picture isn't so rosy. Louisiana has always lagged behind the national economy, not to the point of being counter cyclical, but it is certainly on a different timetable. Granted, there are many reasons for this, oil definitely not being the only one, but it is undeniably a contributing factor to this discrepancy, especially along our Gulf Coast region. Because of the cushion that the oil industry provides, we typically don't feel the pain that the rest of the nation experiences until much later in the cycle. With all upside comes unavoidable downside; this double-edged sword can cut very deep if there isn't a diversified economy ready to step up and shield us from the impact of an oil price collapse.

When the national economy started skirting sideways, then eventually downward to the recession we have recently experienced, our region remained steady for the

most part as the oil cogs continued turning; they take a while to slow down. Because of this continued spending, especially as compared to other parts of the country, commercial retail brokers were cautiously optimistic because of the amount of activity coming in from retailers looking to expand into our area. This was mainly based on sales figures of Lafayette's existing retailers and how well they were doing as weighed against more distressed cities and states. This quickly came to a halt when oil started sliding from its all-time levels last year shortly thereafter, as these same vendors became very skittish and started asking questions that were certainly provoked by their knowledge of Lafayette's historical slowdown some 25 years ago.

What these retailers failed to understand initially is that Lafayette has worked very hard since then to diversify its economy with the introduction of massive medical and technology sectors, strengthening UL and its relationship with the community, becoming the retail hub in a 50-plus mile radius, and solidifying home grown businesses that circulate money within the community. Even with Lafayette Parish's small drop in retail sales, the stores here are very happy with what they are experiencing as a whole and are slowing revisiting the idea of continued expansion. With the result-driven nature of the

retail industry, there is a very good chance that our region is one of the first where new development picks back up. The one variable that is working against us is the vast amount of vacant stores available throughout the country as a product of so many chains filing for bankruptcy. With many distressed landlords out there throwing sweet deals at the companies that are looking to open new stores, the competition will be stiff, but our fundamentals are strong and will not go unnoticed.

Because of their continued interest in our state, particularly the Lafayette area, decision makers for these companies are slowly realizing how good of a job we, as a community, have done to protect ourselves from spikes and troughs in oil prices. Because of these concerted efforts, we have not felt near the negative effects as many other parts of the nation, and we very likely won't. Unfortunately, I'm not quite convinced that the worst is over just yet, but I am confident that the experiences of the inglorious past will not be relived.

*Ryan Pécot is a commercial broker with Stirling Properties. Since 2001 he has worked out of the firm's Lafayette and New Orleans offices, specializing in retail brokerage, with a focus in tenant representation. He also covers the Lake Charles, Alexandria and Houma markets.*



**James "Jimmy" Evans, Brett Broussard, Hunter Roy** and their staff have opened a new office building on Ambassador Caffery in Dover Park (behind Chili's). Jimmy, Brett, and Hunter have all been with Ameriprise Financial helping clients manage their assets through personalized platforms tailored to their specific goals and needs for 10 plus years.

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