

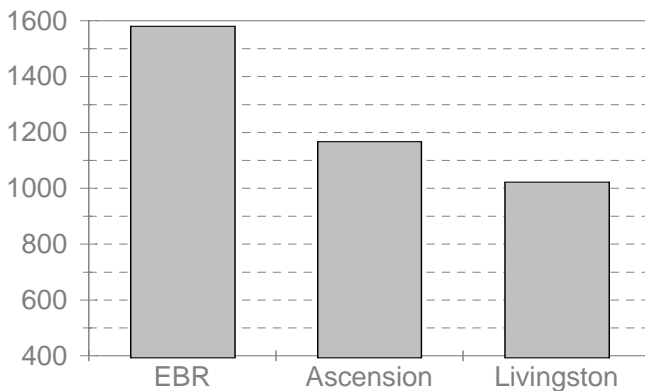
Residential Market Trends *for the Greater Baton Rouge Area* Edward B. Kramer

The Greater Baton Rouge residential home market has enjoyed significant growth for over a decade. The TRENDS residential overview will look at this and other issues affecting the real estate market today.

Population growth has been largely flat, but it seems sufficient to enable the building market to continue at a healthy pace. The census data shows that the largest population growth has occurred in Livingston Parish - 3,557 people. Ironically, the fewest number of building permits have also been issued in Livingston - 1,022 in 2004, down from 1,060 in 2003.

East Baton Rouge Parish has sustained the smallest population growth - 1,321, but has the highest single family home permit rate - 1,580 in 2004, up from 1,385 in 2003. Ascension added 2,717 people in 2004, and added 1,167 permits in 2004. Ascension permitted 1,123 homes in 2003, slightly lower than 2004.

2004 Permits Single Family Homes



The relative strength of the Zachary market is illustrated in Zachary's permitting of 144 homes in 2004, down from 181 homes in 2003.

There is a feeling that Zachary will "take off" and there have been a large percentage of lots in Zachary subdivisions sold to builders. It is suggested that this is because lot inventory is hard to obtain elsewhere. Further, many builders have a general feeling that Zachary will begin to grow at a faster pace.

West Baton Rouge Parish is making efforts to lure development that is occurring in the other parishes. While not as strong, the "West Side" generally permits approximately 300 homes, if you include Port Allen, Brusly, Addis, and Plaquemine to the tally. Brusly appears to have the largest concentration of new homes, but business and governmental leaders are trying to make the entire area attractive.

Impact fees, and other costs to develop seem to be the order of the day in East Baton Rouge and Ascension Parishes. This leads to increased costs, and can lead to uncertainty and difficulty when attempting to determine the costs to develop land. While it is a recent trend, it appears to be an entrenched idea that will be the future of development.

In Baton Rouge, sales of existing homes -- approximately 85 percent of the total residential market -- is, without a doubt, the greatest single factor in the market in Baton Rouge today. The future should

hold a greater number of re-developments of larger lots, and “tear-downs” for the existing home market. This is because the price of new lots (if available) is rising considerably, and the commute is greater than before.

	2002	2003	2004	
EBR	1,013	1,385	1,580	+ 195 units
Ascension	968	1,123	1,167	+ 44 units
Livingston	1,126	1,060	1,022	- 38 units

Single Family Permit Analysis

Low mortgage rates and rising home values have fueled a refinancing trend that's helped homeowners get lower monthly mortgage payments, and cash in hand. 100% financing options are not unheard of in today's world. According to the National Association of Realtors, a typical household in the past years saw about a \$20,000 gain in equity, where median home prices increased from \$172,000 in 2004 to \$191,000 in 2005.

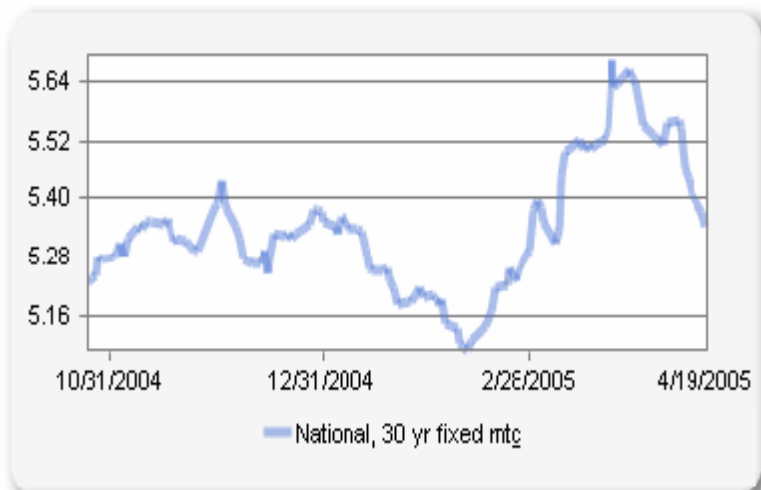
The general consensus is that interest rates will stay flat or rise only moderately throughout the next year. It is difficult to predict beyond one year because of other uncertain factors such as foreign investment, budget deficits, and consumer confidence in the market.

However, if rates do rise, it will affect the single family home market to a lesser extent than many other sectors.

Ascension and Livingston appear to be satisfying the “families” market by providing homes with larger yards and subdivision amenities such as pools and parks. There is a marked trend toward builder/developers providing homes in these markets.

Baton Rouge, in particular, appears to be moving toward a denser type of development. These housing types include condominiums, garden homes, and smaller lots.

This is a function of land availability, pricing, and demographics. The new homes in Baton Rouge, with a few exceptions, appear to target singles, young couples, and baby boomers. This is, however, not a new trend and has been evolving for at least a decade.



The outlook appears to be healthy for the Baton Rouge market as long as moderation in price and number of units rule the day.