Section D

A Survey of Apartment Complexes in
Baton Rouge: Spring 1998

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Overview

This report was prepared from data collected by the LSU Real Estate Research Institute from phone interviews with owners and leasing agents during the months of October and November. The data has not been independently verified, but we believe that trends indicated are representative of the general market conditions for the period of analysis (for example, the trend in our vacancy data has been consistent with the trend in the vacancy data compiled by the Baton Rouge Apartment Association).

In addition to the full data set of 112 complexes, a split data set analyzing only large complexes (greater than 200 units) is included in the report. These large complexes account for approximately half of the Baton Rouge apartment rental market. These complexes are highlighted in our analysis because they tend to act as a leading indicator of the Baton Rouge rental market. Therefore, any trends indicated by this sub-sample are of particular interest.

Below is a list of some of the trends indicated by both data sets:

- This survey reviews 112 complexes that contain 16,522 units, a large portion of the rental units available in the Baton Rouge market. The survey of large complexes reviews 32 complexes which contain 8,906 units.

- A matched pair sample from the full data set from Spring 1997 to Spring 1998 indicates that rents increased 3.93 percent for one bedroom apartments, 3.31 percent for two bedroom apartments, and 2.67 percent for three bedroom apartments (Table 3A). The matched pair sub-sample comparison of the split data set (large complexes only) between Spring 1997 and Spring 1998 also indicates an increase in rental rates for one, two, and three bedroom
apartments. Rents increased 1.49 percent for one bedroom apartments, while two and three bedroom apartments reported almost identical increases of 2.84 and 2.85 percent, respectively (Table 3B).

- A matched pair sample from the full data set from Spring 1997 to Spring 1998 indicates that rents have increased from $387 to $403 for one bedroom units, $473 to $489 for two bedroom units, and $587 to $602 for three bedroom units (Table 3A). The matched pair sub-sample comparison for the split data set (large complexes only) between Spring 1997 and Spring 1998 shows that rents have increased for each unit: from $412 to $418 for one bedroom units, from $495 to $509 for two bedroom units, and from $606 to $624 for three bedroom units (Table 3B).

- Small complexes (0-100 units) tend to have the lowest vacancy rates (5.03 percent), while the medium-sized complexes (101-200 units) tend to have the highest vacancy rates (6.17 percent) (Table 4).

- In general, large apartment complexes command higher rents, both per unit ($512.72) and per square foot ($0.55), than middle or small complexes. The small complexes tend to have the lowest rents at $452.37 per unit and $0.52 per square foot (Table 4).

- There is a correlation between the size of the apartment (in terms of square footage, ignoring number of bedrooms), and the rent charged, as one might suspect. Large apartments (1101+ square feet) command $613.27 per unit while small apartments (800 square feet or less) have an average rent of $406.16 per unit. On a square foot basis, however, the small apartments actually have the highest rent ($0.64 per square foot), while the largest
apartments have, on average, the lowest rent per square foot ($0.48) (Table 5A). The same trend is evident in the split data set of apartment complexes with 200 or more units (Table 5B). Smaller apartments charge higher rents ($0.66 per square foot) than larger apartments ($0.48 per square foot).
Description of Sample

The survey includes information on 112 complexes; a list of these complexes is provided in Table 1. Also, the exact latitude and longitude of the complexes appear in Appendix 1. The sample covered differs slightly from the previous Analysis of Baton Rouge Real Estate editions. Specifically, we took as our sample all of the apartments complexes we surveyed where we possessed complete information over the last two years. This increased the number of units covered by the analysis by almost 50 percent. Comparing the results to previous years, the numbers varied, but the changes or trends appeared very similar.

Some complexes receive a significant portion of their rents directly from the government or from government subsidized tenants. While the rents are below the true market level for these complexes, their inclusion in the data analysis does not significantly impact the results. In accordance with the planning areas set up by the East Baton Rouge Parish Planning Commission, the complexes are assigned to six areas for analytical purposes:

Area 1: Scottlandville, Baker, Zachary
Area 2: Central, Greenwell Springs
Area 3: Broadmoor, Sherwood Forest
Area 4: North Baton Rouge
Area 5: Downtown, Garden District, Old Goodwood
Area 6: LSU, Highland Road, Jefferson Highway

The data are also analyzed by zip code, as well as by rents, vacancies, size (in square feet) of apartments, and size (in total units) of the complexes.

Individual area maps are provided for the three sizes of apartment complexes analyzed. Exhibit 1 presents complexes with 100 or fewer units. Exhibit 2 isolates those complexes with 101 to 200 units, while Exhibit 3 highlights the large complexes (those with 201 units or more). Exhibit 3 corresponds with our split data set of the 32 complexes with 201 or more total units. A map of the Baton Rouge area by zip code is included (Exhibit 4).
It is important to note that rental rates recorded in this survey are "street rates" based on six month leases with no concessions. These rates from surveys of apartment owners or leasing agents are not independently verified and are, of course, subject to change at any time.
Analysis of Rents

Overall rental rates for apartment units in Baton Rouge during the period between Spring 1997 and Spring 1998 continued to climb across the board for one, two, and three bedroom units (Tables 2A & B). A matched sample comparison of the full data set shows increases in rents of 3.93, 3.31, and 2.67 percent for one, two, and three bedroom apartment units, respectively (Table 3A).

A matched pair sub-sample comparison for the split data set (large complexes only) also shows an increase of rents during the period from Spring 1997 to Spring 1998 of 1.49, 2.84, and 2.85 percent for one, two, and three bedroom units, respectively (Table 3B). It should again be noted that the data used in determining rental and occupancy rates is obtained from apartment owners and managers and is not independently verified. The accuracy of these rates is therefore directly dependent on the quality of information supplied. We believe that the trend established by consecutive period reports is an accurate one. However, the absolute rates reported are certainly biased downward as some units under renovation and vacating notices are not reported as vacant units.
**Vacancy Analysis**

Data collected suggests that the average vacancy rate for Baton Rouge as a whole is 5.24 percent, up 0.90 percentage points from the Fall 1997 rate of 4.34 percent. Areas 2 and 3 experienced a vacancy rate decrease (Table 2A), while all other areas experienced an increase in vacancy rates.

The Spring 1998 data also indicate that the average vacancy rate for the Baton Rouge area apartment complexes with 201 or more units is 5.17 percent (Table 2B). Area 1 was excluded from the split data set because there are no complexes of that size in the area. The average vacancy rate for large complexes, when compared to the full data set, is .07 percent lower than the average vacancy rate of all complexes combined. Areas 1, 2, and 5 demonstrate a higher vacancy rate in the split data set when compared to the full data set. The full data set reflects that the most drastic change in vacancy rates was reported in Area 5, where overall vacancy increased from 7.54 percent in Fall 1997 to 13.47 percent in Spring 1998 (Tables 2A & B).
Analysis by Complex Size

The data collected suggests that the larger complexes (201+ units) command higher rents per unit and rents per square foot that those with fewer units, as shown in Table 4. Small complexes (0-100 units) have the lowest vacancy rates, at 5.03 percent. This low rate demonstrates an increase of 2.29 percentage points from Fall 1997. Medium complexes have the highest vacancy rate at 6.17 percent. Vacancies in large complexes are reported as 5.69 percent, an increase of 1.14 percentage points.

Analysis by Zip Code

For the full data set, the highest average rent per unit ($580.03) is observed in the 70809 zip code area. The lowest rent per unit ($309.00) is found in zip code 70805. On a rent-per-square-foot basis, 70820 has the highest rates at $0.63. The highest vacancy rate of 28.81 percent is found in the 70802 zip code area, followed by 70815 with a vacancy rate of 7.33 percent and 70820 with a vacancy rate of 7.00 percent. The 70817 zip codes reports the least vacancies, with a rate of 1.60 (See Exhibit 4 for map of zip code areas and Table 6A & 6B for analysis by zip code)

The highest average rent per unit observed in the split data set is in the 70810 zip code at $625.00 (Table 6B). The 70810 zip code also has the highest average rent per square foot at $0.61. The highest vacancy rate was 9.46 percent for the split data set, found in the 70815 zip code. Zip code area 70805 reported no vacancies in the split data set. In every zip code, with the exceptions of 70802, 70806, and 70814, the rents commanded are higher for the split data set.
Summary

The results of this study highlight several trends in the apartment market of Baton Rouge. First, rental rates continued to increase for one, two, and three bedroom units across all areas. The one bedroom average rental rate per unit increased 3.92 percent from Fall 1995. Two bedroom rates increased 2.85 percent, while three bedroom rates increased 4.38 percent. Vacancy rates decreased in Areas 1, 3, and 6, but rose in all other areas.

Both the split data set, analyzing only large complexes (201+ units), and the full data set of all 112 complexes, report gradual upward movement in rental rates per unit, as well as rents per square foot. The multifamily market continues to show a slow stall.

From the demand side, the continued expansion of the economy has carried the apartment market upwards. Naturally, an overexpansion on the supply side could harm the market. Also, the price and financing terms on houses continue to make these a strong competitor to apartments.