

Spring 1998

## **The Ins and Outs of the Land Game: An Analysis of the Status and Methods of the Baton Rouge Real Estate Market**

J Granger Harriss IV

Follow this and additional works at: [https://digitalcommons.lsu.edu/honors\\_etd](https://digitalcommons.lsu.edu/honors_etd)



Part of the [Real Estate Commons](#), and the [Social and Behavioral Sciences Commons](#)

---

# The Ins and Outs of the Land Game:

An Analysis of the Status and Methods of the Baton Rouge  
Real Estate Market

J. Granger Harriss IV  
Fall 1997 and Spring 1998  
HNNRS 3991 and 3992  
Dr. Carlos Slawson, Advisor

## Table of Contents

I. Executive Summary

II. Section 1: A Market on the Move

III. Section 2: A Ground View

IV. Conclusion



## Executive Summary

The real estate market in Baton Rouge has followed the national trend in recent years of intense appreciation, increasing rents, and impressive returns for many investors. This has led to an increased interest in investing in real estate, and therefore an increased need for information about the Baton Rouge market. To understand a market, it is necessary to understand the status of the market, the trends in that market, and the causes of those trends. It is also necessary to understand the effects of those factors on the individual market participants.

The first major section of this paper, "A Market on the Move: The State of the Baton Rouge Real Estate Market," is a macroeconomic approach to this subject. It deals with the status, trends, and causes of trends in the market. The market is broken down into sections: residential, commercial, and industrial; each of those market sections is analyzed on its own merits.

The second major section, "A Ground View: A Search for the Ideal Baton Rouge Location for a Hypothetical Restaurant," approaches the situation from the opposite angle. Focusing on more microeconomic issues, a hypothetical search for a commercial location is undertaken, in an attempt to understand the effect of the market forces on individuals and companies.

The two sections taken together should form an accurate portrayal of the Baton Rouge real estate market and its effect on individual participants, as well as provide an idea of the mechanics of site selection for commercial endeavors.



## Section 1

# A Market on the Move: The State of the Baton Rouge Real Estate Market

J. Granger Harriss IV  
October 29, 1997  
HNRS 3991  
Carlos Slawson, Advisor

## Section 1 Table of Contents

<b>INTRODUCTION.....</b>	<b>1</b>
<b>RESIDENTIAL REAL ESTATE.....</b>	<b>3</b>
SINGLE FAMILY HOUSING .....	3
<i>Recent History of the Market.....</i>	3
<i>Current Projects.....</i>	4
<i>Trends.....</i>	4
APARTMENTS .....	5
<i>Recent History of Market.....</i>	5
<i>Current Projects.....</i>	6
<i>Trends.....</i>	6
<b>COMMERCIAL REAL ESTATE .....</b>	<b>8</b>
RECENT HISTORY OF THE MARKET .....	8
CURRENT PROJECTS .....	9
<i>Mall of Louisiana - Bluebonnet Area.....</i>	9
<i>Cortana Mall Area .....</i>	9
TRENDS .....	10
<b>OFFICE REAL ESTATE .....</b>	<b>11</b>
RECENT HISTORY OF THE MARKET .....	11
CURRENT PROJECTS .....	12
TRENDS .....	12
<b>INDUSTRIAL REAL ESTATE.....</b>	<b>14</b>
RECENT HISTORY OF THE MARKET .....	14
CURRENT PROJECTS .....	15
TRENDS .....	15
<b>CONCLUSIONS .....</b>	<b>16</b>
<b>WORKS CITED.....</b>	<b>17</b>



## **Introduction**

The United States has experienced about ten years of excellent economic conditions. The stock market has experienced a boom unrivaled at any time in recent history, sustained by economic growth hovering at a steady two to three percent per year. Has remained low, and the employment market is becoming increasingly tight. All of these factors have contributed to the positive state of the national economy in recent years.

Baton Rouge's economy has also been enriched by this wave of well-being. The population of the area made up of East Baton Rouge Parish, West Baton Rouge Parish, Ascension Parish, and Livingston Parish has enjoyed steady growth in recent years, and is expected to reach 568,170 in the year 2000, up from 545,800 in 1995. Employment growth was 3% in 1996, continuing a nine-year trend. Finally, retail sales were significantly higher in 1996 than 1995. This combination of retail sales increase and employment increase can support growth of the real estate market. (Turnbull, 3)

These positive trends in the economy have fueled a great deal of activity in the Baton Rouge real estate market. This activity will be broken down into classifications for the purpose of consideration. The residential market will be divided into single family homes and multiple family units, including apartments and condominiums. Commercial projects will be divided by size and location of the property. Office space will be broken down by class. The industrial real estate market will also be examined. Consideration will be given to the recent history of the markets, current projects, and any trends or future predictions that are notable. Each of these examinations should provide an accurate

description of that particular market individually, and more importantly, as it factors into the overall Baton Rouge real estate market.

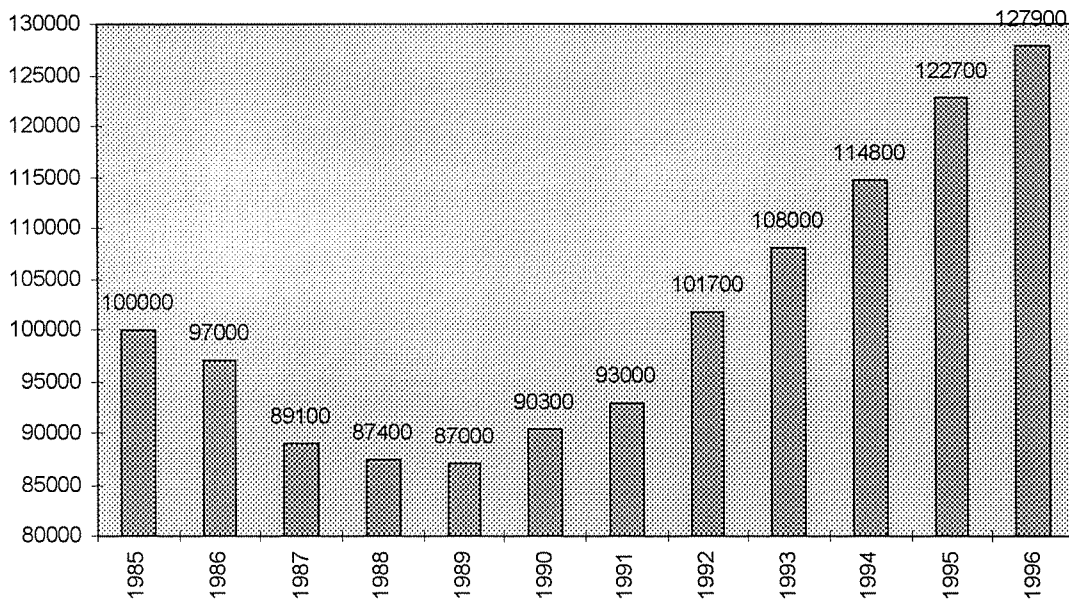
## Residential Real Estate

### *Single Family Housing*

#### Recent History of the Market

The housing market continues to be strong, due in large part to the low interest rates that have effectively decreased the monthly and overall cost of home ownership. Housing sales have shown a steady increase since the middle of 1986. The average prices of homes have also risen in all MLS areas over the past seven years, although the rate and degree of change is not constant among all areas of the city. (Turnbull, 2) The graph below depicts the increases of the prices in Baton Rouge area homes.

**Constant Quality Price Index**



## Current Projects

One area that is currently receiving a great deal of attention in residential real estate is the increased activity surrounding golf courses. There are currently three golf course projects that are still developing and selling lots, including Santa Maria, The Bluffs, and The Country Club of Louisiana. Developers such as Doug Diez, however, believe that the demand for this type of community is not yet satisfied. Diez is developing Pelican Point, a golf course community on La. 44 in Gonzales. Other new golf community projects include Conrad Point on River Road, University Club, and a project in Zachary.

Charlie Cole, developer of Santa Maria, is known for his ability to read the market. After making extensive use of both national and local surveys, he believes that golf course proximity is less important to home buyers than contiguity to jogging trails and parks, both issues addressed by his newest development project, "The Park". This development will be characterized by two and three bedroom homes with courtyards in close proximity to a park with a jogging trail. While Cole downplays the importance of a golf course to residential development, "The Park" is located within the Santa Maria golf course community, adding one more angle to his attack. (Cook Interview)

## Trends

Low interest rates have fueled a boom that is propelling the residential market beyond almost everyone's expectations. Low interest rates have significantly increased the price of homes that buyers can afford, boosting demand for homes in the \$250,000-\$300,000 range. Examine, for example, the price of land on Highland road. Land in the Country Club of Louisiana was purchased in the early 1980's for \$10,000 per acre, and

marketed at \$30,000 to \$100,000 per acre (most selling between \$40,000 and \$60,000 per acre). Now lots in CCLA cost from \$80,000 to \$300,000.

This has also impacted other areas. Many people who would have been renters a few years ago are now in the market for homes, as the spread between monthly mortgage payments and rent payments has been driven down by low interest rates. The Hoshootoo area has seen an increase of activity, as the \$15/ft<sup>2</sup> prices are becoming more and more attractive with the rising cost of land in other areas. (Cook Interview).

## ***Apartments***

### **Recent History of Market**

There has been an increase in apartment construction in the Baton Rouge area in the past few years. About 2700 new units have been proposed or completed since late 1995, including seven complexes of 200 units or more. Examples of these complexes include Siegen Village, The Gates at Citiplace, and The Park on Bluebonnet. (Moore, 89) These new apartment complexes are able to gather the highest rents, which are around \$481/month for a 1BR, \$603/month for a 2BR, and \$792/month for a 3BR. (Moore, 90)

When taken on average, the rents for apartments in the Baton Rouge areas are as follows:

Average rent for a 1BR apartment is \$413.87, up from \$411.51 last year.

Average rent for a 2BR apartment is \$493.22, down from \$493.78 last year.

Average rent for a 3BR apartment is \$594.12, up from \$583.48 last year. (Moore, 90)

The average occupancy fell slightly, but remained above 96%. (Moore, 110)

## Current Projects

St. Jean Apartments, a 624-unit complex located on S. Harrell's Ferry, focuses on affordability. The residents of the area staged a number of protest actions, but were unable to thwart the project. Another project underway is Mansions in the Park, a 264 unit complex on Perkins Road. Spring Brook, a complex on George O'Neal, will be made up of 200 upscale units. The Commons at Baton Rouge, an upscale student complex, is scheduled for construction on Burbank, and will contain 204 units. (Moore, 109)

## Trends

Most of the complexes that are proposed or have recently been completed focus on two market segments: either the luxury apartment (The Gates at Citiplace, The Park on Bluebonnet, etc.) or the full-service upscale student apartment market (University Commons, Commons at Baton Rouge). While these two niche markets are strong at present, the increase in supply brought by these new projects may appreciably weaken either or both of these markets. (Cook Interview) These new projects will also have a heavy impact on existing apartment complexes in the area, especially those complexes which are directed towards the same market segments. These older complexes will be faced with the challenge of maintaining occupancy levels, and will probably be forced to make capital improvements, concessions in lease agreements, or rental adjustments in order to be competitive. (Moore, 111)

Another trend affecting apartment complexes is the reversal of an earlier process. In the mid 1980's, a number of condominiums were converted into apartments in the face of a drop in the market. With the market having picked back up to a level comparable with the early 1980's, a number of these apartment complexes are being re-converted to

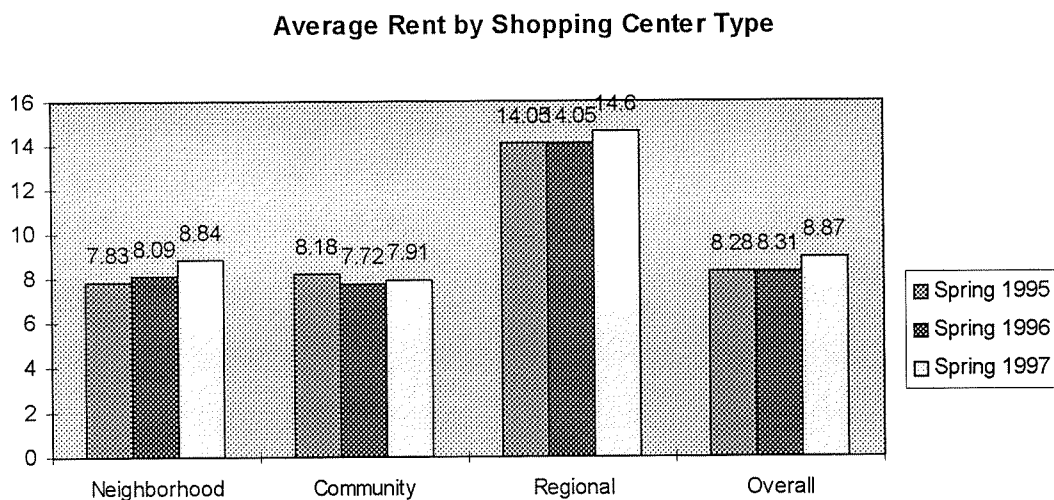
condominiums. Jefferson Hills apartments, for example, was purchased by Mike Wampold in April of 1989 for about \$19,000 per unit. After being converted to condos, these units are selling for about \$65,000 to \$70,000 per unit. (Cook Interview)

## Commercial Real Estate

### *Recent History of the Market*

Since 1985, all types of retail commercial space have seen a good deal of construction. Of the three classifications (neighborhood, community, and regional), however, the most construction has been in community shopping centers. 722,535 feet of community center space has been constructed, usually centered around a small department, variety, or discount store. These centers provide clothing, hardware, and appliances, as well as convenience goods and personal services. This is followed by construction of neighborhood space (532,622 feet) providing only convenience goods and personal services, and by regional centers (347,800 feet) providing general merchandise, furniture, and home furnishings. (Tarleton, 6,33)

The graph below depicts the average rent levels of shopping centers in Baton Rouge over the past three years: (Tarleton, 27)





### ***Current Projects***

Because of the impossibility of discussing every project in the Baton Rouge area, and because of the high level of attention given both by the media and the public in the areas around the new Mall of Louisiana and Cortana Mall, those two areas present themselves for consideration.

#### **Mall of Louisiana - Bluebonnet Area**

By far the most visible and well known real estate project in Baton Rouge, the Mall of Louisiana is scheduled for opening on October 29<sup>th</sup>. Developer Jim Wilson has arranged a formidable line-up of anchor tenants, including Dillards, J.C. Penney, McRae's, Mason Blanche, and Sears. These five anchors will complement 130 other stores located in the mall. The \$300 million dollar, 1.4 million square foot mall will have two floors, a glass atrium main entrance, and a 600-foot food court. (Guarisco) As the first new mall in Baton Rouge in over 20 years, the project has both the real estate community and the general public busy making predictions about the mall's future.

#### **Cortana Mall Area**

Perhaps the only business issue the public is more interested in than the future of the Mall of Louisiana is the future of Cortana Mall, by far the dominant mall in the area at this time. Speakers for Cortana all stress the point that Baton Rouge is large enough to support two malls, and attempt to downplay the effect the new mall will have on them. When asked about the future of the Mall at Cortana, Norman Landry, general manager of the mall, said, "A lot of people have the mindset that we are going to become another Bon Marche Mall. But that's not the case. I'm more comfortable every day. Competition is going to make us better." While Cortana may lose a great deal of business to the new

mall, there is a good deal for Laundry to be positive about. Even as merchants brace for a 20% to 50% drop in sales with the opening of the Mall of Louisiana, Cortana has been successful in recruiting box users to advance their strategy of becoming a "power center." Box users recently locating on the ring road around Cortana include Computer City, Just for Feet, Baby Superstore, and others. (McClain)

### ***Trends***

One of the most obvious trends in the recent commercial development of Baton Rouge is the local embodiment of a national phenomenon - the rising prominence of the box users, known also by their more ostentatious title of "category killers." As indicated earlier, there has been a plethora of these box users building in the Cortana Mall area. These users are not confined to this area, however. While space surrounding the new mall is limited, a 20-acre tract at Bluebonnet and Perkins is being considered for a power center focusing on soft goods.

Another national trend showing itself in Baton Rouge is the decrease in traditional neighborhood shopping centers. The classic neighborhood center with grocery store, bakery, film developing shop, small video rental shop etc., is being replaced by one-stop "superstores," primarily those of Winn-Dixie (examples on Seigen and Burbank) and Albertsons. These stores now tend to buy an entire tract and sell the portion they don't need. Drugstores are also removing themselves from these centers by shifting into free-standing buildings on prime corners (Walgreens on Sherwood/Coursey corner, Perkins/Seigen corner, etc.) (Cook Interview)

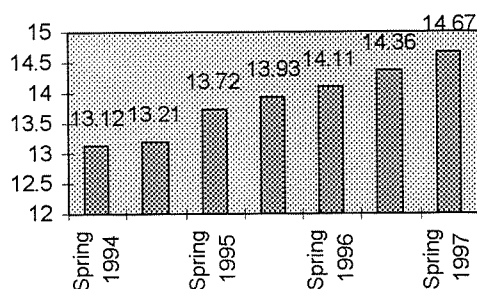
## Office Real Estate

### *Recent history of the Market*

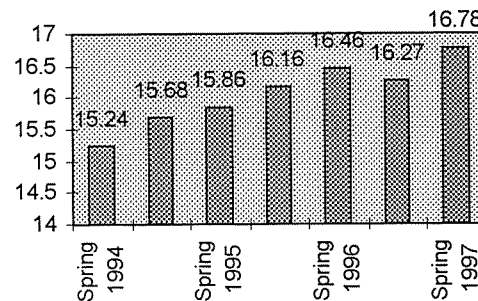
Rental rates for class A office space have increased to an average of \$16.78/ft<sup>2</sup>, up from \$16.27/ft<sup>2</sup> last fall. During the same period, occupancy has remained stable falling only to 95.58% from 95.61%. Class B space saw a decrease in rates to \$12.37 from \$12.82, but occupancy rose from 87.98% to 95.58%. The office space market as composed of Class A and B space combined experienced a rent increase of \$.31/ft<sup>2</sup> (from \$14.36), while undergoing a 1.85% increase in occupancy (from 93.25%). (Johnson, 75)

The graphs below relate rent and occupancy data over the past three years:

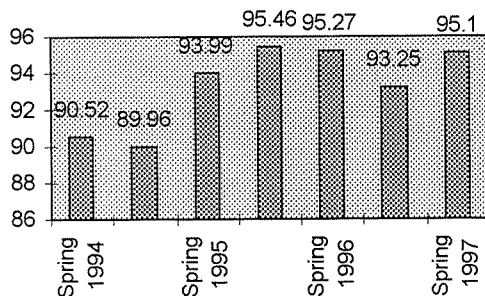
**Baton Rouge Office Market  
Rents (Class A & B)**



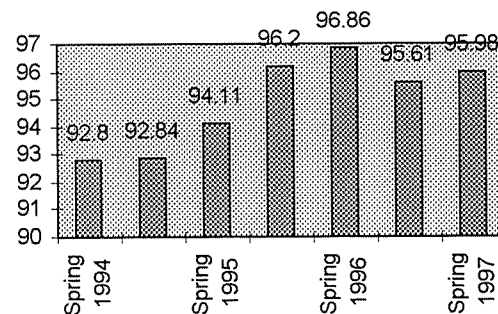
**Baton Rouge Class A Office  
Rents**

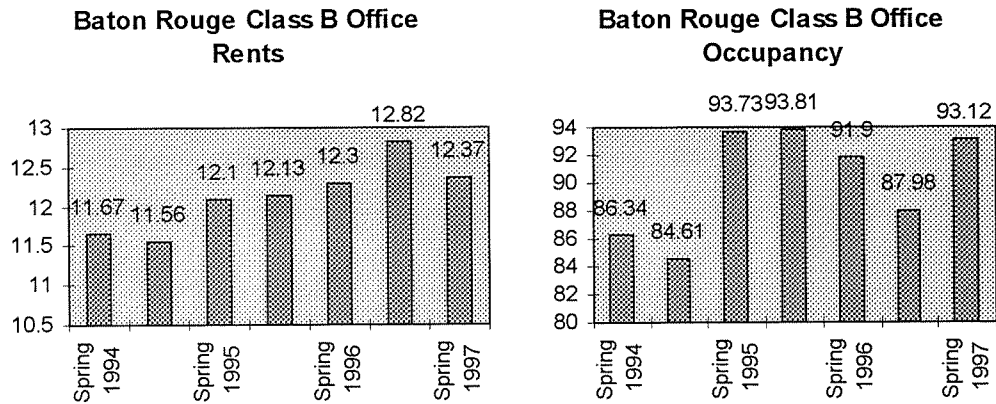


**Baton Rouge Office Market  
Occupancy (A & B)**



**Baton Rouge Class A Office  
Occupancy**





Only three major class A office buildings have been constructed recently in the Baton Rouge area. Bell South built a 70,000 square feet of office space for their own use. United Companies added another building to their United Plaza, also for their own use. The only space built that is not completely owner-occupied is on Perkins, across from the Pennington facility, and it is primarily owner occupied as well. While this space may not be considered class A by the most strict definition, it does meet a number of the important criteria, and should probably be considered class A. (Johnson Interview)

### ***Current Projects***

There is not any major construction of office space occurring in Baton Rouge at this time.

### ***Trends***

The traditional cut-off for speculative office space construction is \$16.50 per square foot in this area. While the recent average has been at or above that figure, there has been very little construction. This is due to the low demand and to the increasing cost to build the space. With construction costs at approximately \$110/ft<sup>2</sup>, and interest rates for this type of construction up to 9%, the final costs of owning such space are

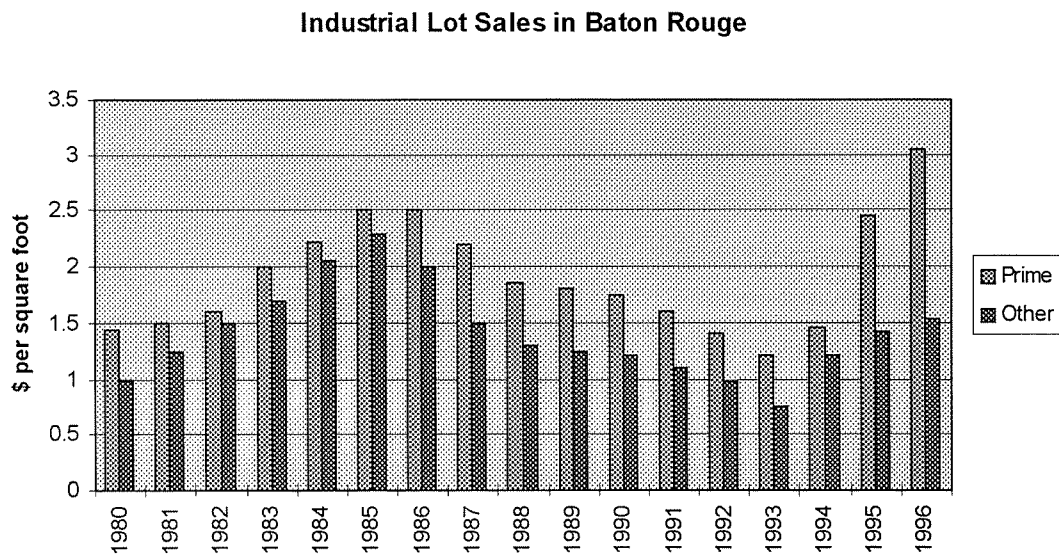
approximately \$15.50/ft<sup>2</sup>. With the low demand in the market right now (a product of the large number of recent mergers), it has become a very risky proposition to build office space which, even if fully occupied, possesses a profit margin of only \$1 per square foot. Unless demand increases or unless construction costs or interest rates fall significantly, the prospect of speculative office construction in the near future appears rather bleak.

(Johnson interview)

## Industrial Real Estate

### *Recent history of the market*

Rents for industrial office space in Baton Rouge have been increasing, and vacancy rates are low, as demand has exceeded the available supply of office buildings. The graph below shows the recent changes in rents over the past 16 years. Note the recent surge, especially in prime properties. (Falgoust, 82)



Nearly all recent noteworthy activity has occurred in the Industriplex (an industrial park in Southeast Baton Rouge). Developed in the early 1980's, it still represents the best in the industrial distribution market. Seven sales have taken place in the Industriplex since January of 1996, with prices in the range of \$30-\$35 per square foot. This represents a significant increase from the \$20-\$25 per square foot that properties in the area commanded in 1988. (Cook, BR Business Report) The absorption of industrial properties in Baton Rouge in 1996 was as follows: (Falgoust, 82)

60% warehouse/distribution

30% high tech/service center

10% manufacturing

### ***Current Projects***

The bulk of new industrial construction is still occurring in the Industriplex. Sealy-Falgoust and Sumrose Construction are both building new industrial properties in the area. These are high quality, dock-high, concrete facilities, leasing for \$5-\$6 per square foot. With prices rising in the Industriplex as space becomes limited, however, there may be a market for other industrial property. (Cook Interview)

### ***Trends***

Prices will continue to rise in the industrial real estate market, encouraging speculative construction for the first time in thirteen years. An 11%-15% increase in warehouse/distribution prices and a 6%-10% increase in manufacturing/service center prices are expected. The construction that will follow this increase in prices is expected to be composed of an increase of 11%-15% in warehouse/distribution facilities, and a 1%-5% increase in manufacturing facilities. The dollar volume of sales are expected to rise by 1% to 5%, and the dollar volume of leases should see an increase of 6% to 10%. The overall industrial market is healthy and, unless the market drops sharply, is ready for development of new space. (Falgoust, 83-85)

## **Conclusions**

The Baton Rouge Real Estate market is currently enjoying prosperity unlike any it has seen in the past thirteen or fourteen years. This boom, propelled in part by growing population, employment, and retail sales, has helped fuel demand for all types of property except office space, the demand for which is adversely affected by mergers of companies in the area. This increased demand has made Baton Rouge a hot spot for many development projects, the most visible of which is the new Mall of Louisiana.

While there are no strong indicators of any impending drop in the market, some people (both in and out of the market) predict a slowing of the market simply due to the cyclical nature of any economy. Anyone making an investment in a market as volatile as real estate is would do well to remember that the market can fall at any time, and to protect himself accordingly. This does not, however, mean that such an investment can not be a good one. While the Baton Rouge real estate market is still subject to rapid change, it does have a strong head of steam in the right direction.



## Works Cited

- Cook, Tom. "A Roller Coaster Ride for Real Estate." Baton Rouge Business Report, 16 September 1997.
- Cook, Tom. Personal Interview. 22 October 1997.
- Guarisco, Tom. "What's in a Mall?" Morning Advocate, 12 October 1997: I1.
- Falgoust, Mike. "Industrial/Warehouse Space in Baton Rouge: Spring 1997." An Analysis of Baton Rouge Real Estate: Spring 1997. Baton Rouge, LA: LSU Real Estate Research Institute, 1997, 81-87.
- Johnson, H. Ben. "A Survey of Office Buildings in Baton Rouge: Spring 1997." An Analysis of Baton Rouge Real Estate: Spring 1997. Ed. Jennifer K Loftin. Baton Rouge, LA: LSU Real Estate Research Institute, 1997, 58-80.
- Johnson, H. Ben. Personal Interview. 23 October 1997.
- McClain, Randy. "Cortana Mall: Opimistic but Still Bracing for a Hit." Morning Advocate, 12 October 1997: I4.
- Moore, D. Wesley. "A Survey of Apartment Complexes in Baton Rouge: Spring 1997." An Analysis of Baton Rouge Real Estate: Spring 1997. Ed. Jennifer K Loftin. Baton Rouge, LA: LSU Real Estate Research Institute, 1997, 88-111.
- Tarleton, Dottie. "A Survey of Shopping Centers in Baton Rouge: Spring 1997." An Analysis of Baton Rouge Real Estate: Spring 1997. Baton Rouge, LA: LSU Real Estate Research Institute, 1997, 4-57.
- Turnbull, Geoffrey K. Single-Family Housing in Baton Rouge 1985-1996. Baton Rouge, LA: LSU Real Estate Research Institute, 1997.



## Section 2

# A Ground View: A Search for the Ideal Baton Rouge Location for a Hypothetical Restaurant

J. Granger Harriss IV

April 28, 1997

HNRS 3992

Dr. Carlos Slawson, Advisor

## Section 2 Table of Contents

<b>INTRODUCTION.....</b>	<b>1</b>
<b>HARRISS STEAKHOUSE .....</b>	<b>2</b>
CONCEPT .....	2
TARGET MARKET .....	2
<b>CRITERIA FOR SITE SELECTION.....</b>	<b>4</b>
POPULATION .....	4
MEDIAN INCOME.....	4
TRAFFIC.....	4
PRICE.....	5
SIZE.....	5
ACCESSIBILITY.....	6
<b>EVALUATION OF POSSIBLE BATON ROUGE SITES.....</b>	<b>7</b>
PERIOD 1.....	7
Size.....	8
List Price.....	8
Location on a Major Roadway.....	8
Remaining Properties.....	9
PERIOD 2.....	10
Decision Table.....	12
Remaining Properties.....	13
PERIOD 3.....	14
NE Corner of Sherwood Forest Blvd and Lake Sherwood.....	14
Coursey Boulevard near Jones Creek.....	17
Coursey Boulevard near Hickory Ridge .....	20
<b>CONCLUSION.....</b>	<b>24</b>
<b>WORKS CITED.....</b>	<b>25</b>

## Introduction

As Baton Rouge's real estate market continues to enjoy prosperity, it is important to understand the impact of the market on the individual participants. Such a microeconomic approach is necessary to gain a complete understanding of the ramifications of market trends. To achieve such an understanding, the activities of a hypothetical restaurant corporation will be followed as it attempts to determine the optimal location for its first establishment. Such an investigation of the procedures and products of the search should yield a great deal of understanding on both the operation and the status of the market.

Information about the hypothetical restaurant will be provided, and criteria for the desired location will be established using that information. The criteria will then be applied to available properties in the Baton Rouge area, and sites will be eliminated based on their inability to satisfy one or more of the criteria, or due to their inferiority to other sites based on the criteria. This elimination process should determine the optimal property for the restaurant.

## **Harriss Steakhouse**

### ***Concept***

The Harriss Steakhouse, a hypothetical corporation seeking to open its first restaurant in the Baton Rouge area, is a family restaurant catering to the same market as LoneStar Steakhouse and Outback Steakhouse. While acknowledging the stiff competition in the Baton Rouge area, the company still believes Baton Rouge is a “restaurant town” in a state that prides itself on its love for good food. In the words of a local real estate professional “It is amazing that the restaurant industry in Louisiana survived the negative economic conditions of the late 1980's. Even when times were bad, people would still patronize even the most expensive restaurants. Louisiana is the only state in the Union in which residents consider eating at a nice restaurant a God-given right.”

This local affinity for good restaurants, combined with the robust nature of the economy, has convinced the management of Harriss Steakhouse to enter the Baton Rouge market. The company now wishes to determine the location in Baton Rouge that best fits their needs. They are willing to locate anywhere in the Baton Rouge area that is accessible to everyone in South Baton Rouge. They have determined that this should be no farther South than Nicholson Drive, no farther West than the Mississippi Bridge, no farther North than Florida Boulevard, and no farther East than the Highland Road exit on I-10 or the O’Neal exit on I-12.

### ***Target Market***

While the Harriss Steakhouse considers itself to appeal to a wide variety of people, one important factor in location selection is the market the restaurant intends to serve, and the proximity of the site to people composing that market. The Harriss

Steakhouse is a family steakhouse, with an average ticket of \$16 per person. The franchise owner has the option of serving lunch, this option is typically exercised if the location is near a business district. The restaurant otherwise serves only dinner, which is typically the case of residential area locations.

Demographically, the company would like to be in an area containing a large number of families with children. The target age range of parents falls between thirty to fifty, with a margin of up to ten years on either side being acceptable if other criteria are fulfilled. The average income should put the area residents in at least the middle income bracket, with upper middle being preferable.

## **Criteria for Site Selection**

It is of paramount importance that any search employ a set of criteria on which possible solutions can be evaluated. Criteria employed in the restaurant real estate market are similar to those of most retail commercial searches. Potential sites are judged primarily on the basis of population, median income, area traffic, price, size, and accessibility.

### ***Population***

Perhaps the most basic of the criteria employed, population is simply a measure of the number of people living in the vicinity of the site. This is an indicator of the potential success of a commercial site, as a larger population often means a larger market.

### ***Median Income***

Also an indicator of potential success, the median income of the area is used to determine the purchasing power of the individuals who make up the population. Like population, this criterion is especially important to those businesses catering to a local market.

### ***Traffic***

A measure of the number of vehicles travelling the area around the site, the traffic flow is examined in two ways. The first is an actual count of vehicles travelling on the road on which the property is located. These counts are typically given as a daily average of measurements taken over several days, and include cars moving in either direction. Traffic counts offer an easily comparable and objective assessment of traffic density on the frontage road.



The second discussion of area traffic is done using traffic generators. These are businesses or other attractions that are assumed to bring vehicles (and thereby potential customers) to the area. Chiefs among these are restaurants, shopping centers, and movie theaters. While the consideration of traffic generators is not as objective or standardized as traffic counts, it does allow an evaluator to take into account a heavy traffic flow in the immediate area that is within view of the site, but not on the same street. This could be relevant because a large number of drivers may be able to see the new commercial location and be willing to drive the distance to patronize the business there located.

### ***Price***

The asking price is a simple criterion of site selection, but many companies have a number of philosophies concerning its consideration. Most small companies factor it into the decision-making process as they would any other variable, making a less expensive property more desirable than a more expensive property. Others, especially large corporations such as Walgreen's (national drugstore chain) disregard price almost completely until they have made their selection, then direct their representative to buy that particular property at the best price possible. These companies are often criticized for the payment of astronomical prices for real estate, but they typically acquire the most desirable properties in their target market. Obviously, this approach is best suited to retail businesses such as drugstores, restaurants, and other businesses heavily dependent on a strong location.

### ***Size***

The size of a property obviously dictates the possible uses of that property. A convenience store and regional shopping mall have very different requirements in terms

of the physical characteristics of potential locations. A site must be large enough to accommodate the standard footprint of the establishment (composed of the building, parking lot, and any other necessary improvements). Many companies, however, will not purchase a property appreciably larger than necessary for their intended use, as the company does not want to be responsible for the maintenance, liability, and resale of property that it does not need. A real estate developer often remedies this situation by purchasing larger tracts of land and creating lots of sizes desired by purchasers.

### ***Accessibility***

A final important factor in evaluating a potential site is the accessibility of the property to those around it. Accessibility can be diminished by such problems as a median on a divided road, by the lack of a desirable curb cut, or by a one-way frontage road. A property is made more accessible by such enhancements as turning lanes and traffic lights protecting the turning rights of vehicles entering the property.

## **Evaluation of Possible Baton Rouge Sites**

In examining the available real estate sites in Baton Rouge, it became necessary to divide the evaluation into a series of decision-making processes, hereafter to be called "periods." In each of these periods, all sites being considered had a number of criteria applied to them, and only those best suited to continue were considered during the following period. Importance of the criteria and availability of the information governed the decisions as to which criteria were applied during any given period.

### ***Period 1***

The first period began with the task of acquiring a list of available commercial property in the Baton Rouge area. The only reasonable method of accomplishing this was to utilize the Multiple Listing Service (hereafter referred to as "MLS") for the area. While it is possible that an owner or real estate broker could attempt to sell property without listing the property with the MLS, the MLS is generally regarded as the most comprehensive listing of available real estate in any area. Fortunately, as the MLS is accessible only to those real estate professionals who pay a subscription fee, Mr. Ross Shuffield, a local commercial real estate appraiser, agreed to supply access to his MLS materials and instructions in their use.

With the help of Mr. Shuffield, a search was made in the MLS computer database of commercially viable vacant land in MLS areas 53, 43, 61, 62, 52, and 42 (commercially active areas in South Baton Rouge). The only conditions placed on the search were size and list price of the property. Once the results from the MLS search were obtained, an additional criterion was imposed: the site must be located on a major Baton Rouge roadway.

## Size

As any property selected would have to contain a restaurant and the parking required for that restaurant, the footprint of those improvements provided the minimum acceptable size of the property. In keeping with this restaurant's similarity to existing family steakhouses, the footprint of a recently constructed LoneStar Steakhouse was examined, and a minimum size of 65,000 square feet was adopted. This footprint, LoneStar's prototype, will support a 5411 square foot, 260-seat restaurant with 135 parking spaces.

## List Price

For the purposes of this project, the asking price of the property was limited to \$650,000. This figure is the highest price paid in recent history for a steakhouse site in Baton Rouge (LoneStar at I-12 and O'Neal).

## Location on a Major Roadway

Because one requirement of prime commercial property is its location on a thoroughfare that will allow the site to be visible to a large number of people every day, some assumptions had to be made as to which streets in Baton Rouge fulfilled this requirement. After consultation with Mr. Shuffield and other real estate professionals, the following roadways were determined to be suitable for a major commercial project:

Acadian Throughway  
College Drive  
Essen Lane  
Siegen Lane /Sherwood Forest Boulevard  
Bluebonnet Road  
Florida Boulevard  
Government  
Highland Road  
Burbank  
O'Neal Lane

Millerville Road  
Perkins Road  
Bennington  
Corporate Boulevard  
Jefferson Highway  
Airline Highway  
Old Hammond Highway

### Remaining Properties

After the size and price criteria were entered into the MLS database, a list of remaining properties was generated. Those properties not located on one of the designated roadways were then manually eliminated. This process left sixteen properties available:

4 acres on Florida Blvd.  
2.1 acres on N. Sherwood Forest Blvd.  
1.45 acres on O'Neal  
82,000 sq ft on O'Neal  
2.73 acres on Old Hammond  
90,000 ft on Millerville  
130,000 ft on O'Neal  
4 acres on Coursey  
214,000 on Jones Creek (with small house)  
3.6 Acres on O'Neal  
100,000 ft on Sherwood  
65,000 ft on Coursey  
6.56 acres on Perkins  
296,000 ft. on Perkins  
1.5 acres on Essen  
165,000 ft on Perkins

## ***Period 2***

The second step required that all of the sixteen properties be ranked by their desirability as restaurant sites. The decision table generated to evaluate the 16 sites was constructed to judge the relative worth of each site on the basis of population, median income of the population, traffic flow, and the rate of growth experienced by the area. Each of the sites was ranked in each of these categories individually, and then the categories were combined to provide an aggregate ranking. Also included in the chart for reference purposes was the zoning of the property, which would have been given a ranking had some of the properties been notably different from others.

The population and median income rankings were based on the 1990 Census information for the census tract containing each property. In the case of properties on the border of two or more tracts, the tracts' population and median income were considered to be the average of the bordering tracts. While the 1990 census information may be considered antiquated by some, this concern should be addressed by the area growth category.

The traffic count information was obtained from the Baton Rouge Traffic Engineering Office. The numbers used represented the number of vehicles travelling on the street on which the property is located at the point of measurement closest to the site. Traffic travelling in either direction was included, even on sites located on boulevards.

The final category was the most subjective, but also one of the most important. The sites were evaluated based on the level of commercial activity, and growth thereof, in the area in which the site is located. This information was derived primarily from research completed during the fall of 1997 (see A Market on the Move – The Status of

Baton Rouge Real Estate.) New developments, increasing home construction, and new or revitalized businesses were the primary factors in this category. If, for example, a property had been located on Bluebonnet between Perkins and I-10, it would have received a very high score due to the development of the Mall of Louisiana and the new hotels, restaurants, and other commercial endeavors that have accompanied the mall. The highest scores in this category went to the area around O'Neal lane and I-12, and to the area just south of that intersection due to new developments, high demand, and incredible population growth as Baton Rouge expands in that direction. Also scoring highly in this category were a few sites located in more traditional commercial areas of Baton Rouge (such as Sherwood Forest and Essen Lane.) These areas are still undergoing some growth and their value as well-recognized commercial havens cannot be overstated. Scoring poorly in this category were such sites as those located on Perkins road between Siegen and Highland, an area known for its tendency towards industrial uses, and those on the less-travelled parts of Old Hammond Highway and Millerville Road.

After each property was ranked in each of these categories (with 1 being the best possible score), the rankings from each category were added for each property, giving the property an overall score (with lower still being better.) Finally, the overall scores were ranked, leaving a definite evaluation of the properties according to the criteria from 1<sup>st</sup> (best property according to criteria) to 16<sup>th</sup> (worst property according to criteria.)

Decision Table

Location	Population	Population Rank	Median Income	Median Income Rank	Traffic Count	Traffic Count Rank	Zoning	Area Growth	Score	Rank
4 Acres on Coursey	8014	1.5	42737	4.5	33161	1	C-2	9.5	16.5	1
100,000 sq ft on Sherwood	7095.5	3.5	34834	11.5	24493	2.5	C-2	5	22.5	2
65,000 sq ft on Coursey	7095.5	3.5	34834	11.5	24493	2.5	C-2	9.5	27	3
6.56 Acres on Perkins	5479	7	54299	2	20646	5	C	14	28	4
296,000 sq ft on Perkins	5479	7	54299	2	20646	5	rural	14	28	4
165,000 sq ft on Perkins	5479	7	54299	2	20646	5	M-1	14	28	4
1.45 Acres on O'Neal	5011	11.5	38750	7.5	19272	8.5	B-1	2.5	30	7
82,000 sq ft on O'Neal	5011	11.5	38750	7.5	19272	8.5	C-2	2.5	30	7
130,000 sq ft on O'Neal	5011	11.5	38750	7.5	19272	8.5	C-2	2.5	30	7
214,000 sq ft on Jones Creek	8014	1.5	42737	4.5	17007	13	C-2	11	30	7
3.6 Acres on O'Neal	5011	11.5	38750	7.5	19272	8.5	rural	2.5	30	7
1.5 Acres on Essen	4453	14	37484	10	16643	14	C-1	8	46	12
4 Acres on N. Sherwood	4327.75	15.5	34149.5	13.5	19159	11.5	B-1	6.5	47	13
2.1 Acres on N. Sherwood	4327.75	15.5	34149.5	13.5	19159	11.5	C-2	6.5	47	13
90,000 sq ft on Millerville	5069	9	33128	15	13785	15	Rural	12	51	15
2.73 Acres on Old Hammond	5510	5	33016	16	11488	16	B-2	16	53	16

This table displays information used in the evaluation of the sixteen properties. It was used to select the three most promising properties.



## Remaining Properties

As this process was designed to reduce the number of properties under consideration to three, the three properties with the lowest rankings remained for evaluation during the third period. These were:

1. 4 Acres on Coursey Blvd.
2. 100,000 ft on Sherwood Forest
3. 65,000 ft on Coursey Blvd.

### ***Period 3***

During the final evaluation period, the properties were visually inspected, photographed, and judged on their accessibility, visibility, and proximity to traffic generators.

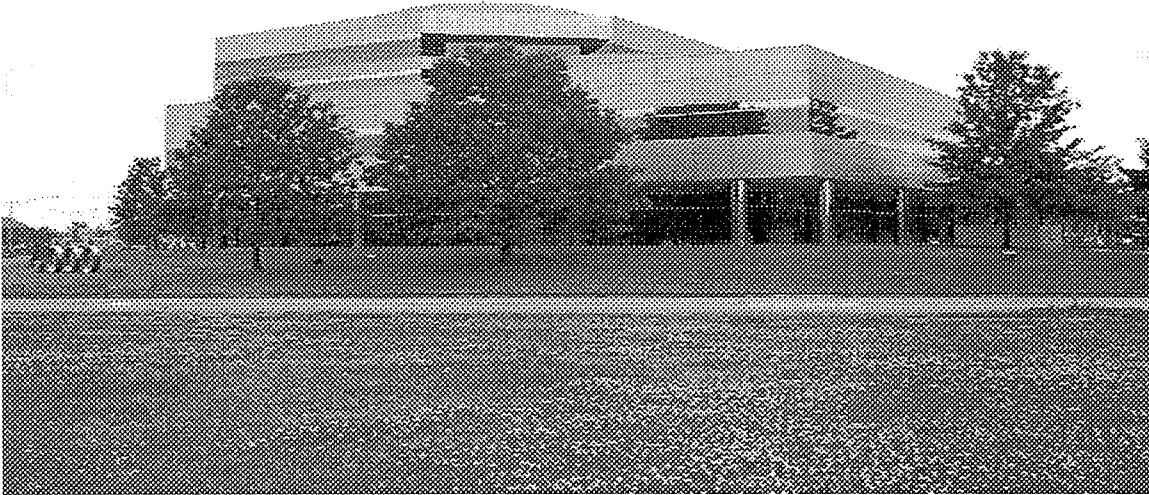
NE Corner of Sherwood Forest Blvd and Lake Sherwood



**Figure 1 – Corner of Sherwood and Lake Sherwood**

The last vacant corner on Sherwood controlled by a red light, this property is the best restaurant location for a new Steakhouse in the Baton Rouge MLS. Its accessibility and visibility complement the corner's strong traffic count, good demographics, and large number of traffic generators in the vicinity. The site, made up of 2.3 acres, is already cleared and is currently zoned C-2.

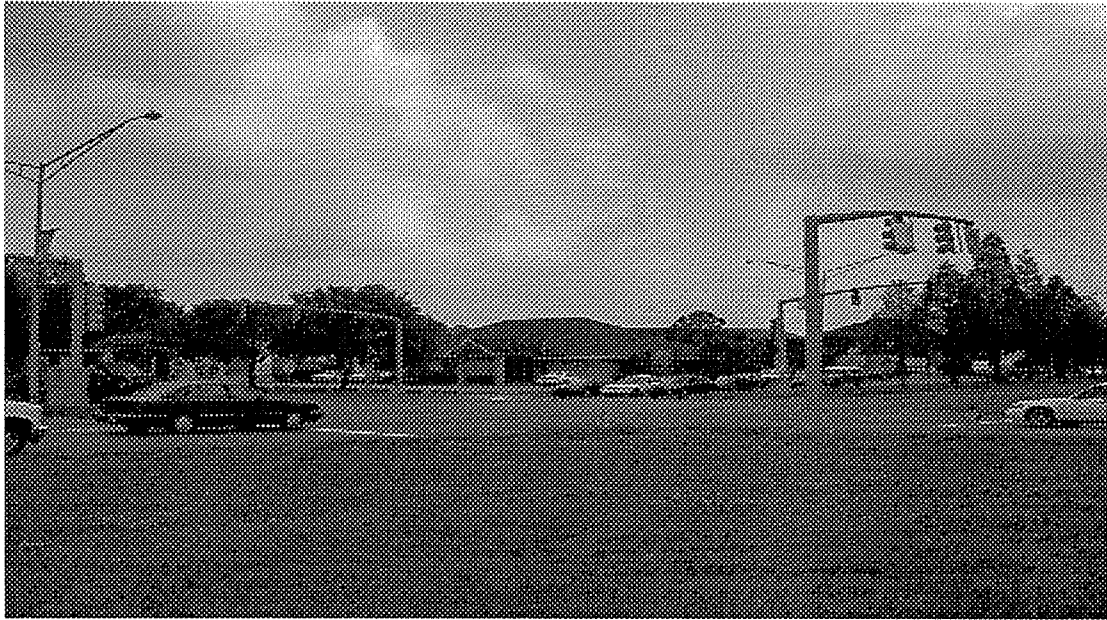
## *Traffic Generators*



**Figure 2 - 4000 Sherwood Office Building (across from subject property)**

The site is across Sherwood Forest Boulevard from a strip shopping center containing a Chinese Restaurant and a number of other small shops. Within two blocks of the site are an Applebee's, a Calendars, a Brew-Bacher's, and a number of other small restaurants. The major traffic pull of the area, however, is the presence of a large number of office buildings in the area. The site is directly across Lake Sherwood from the 4000 Sherwood office building, and the area surrounding the site and to the north on Sherwood has become one of Baton Rouge's concentrations of office space. These offices, combined with the commercial activity of the area, generate a high daily traffic count. While the area is definitely not an interstate site, it is also accessible from I-12 (from Sherwood exit), and I-10 (from Siegen exit).

### *Accessibility and Visibility*



**Figure 3 - Intersection of Sherwood and Lake Sherwood**

This site is similar to the two sites on Coursey Boulevard in that it is also located on a street with a raised median. The Coursey sites, however, were greatly affected by this median in terms of accessibility. As the Sherwood location is located on a corner, however, these problems are largely eliminated. Instead of being required to travel past the site and make a U-turn if one is travelling south on Sherwood, a driver can turn right onto Lake Sherwood and enter the site from Lake Sherwood.

The site's visibility is also aided by the corner location, as the restaurant would be visible from farther south on Sherwood than would it be had the restaurant been jammed between two buildings. The visibility is further enhanced by the traffic occurring on Sherwood around noon and five o'clock in the evening, as the restaurant would be the beneficiary of a captive audience, both to its visual advertising (billboard and sight of restaurant itself), and in its appeal to the sense of smell of the drivers and their passengers.

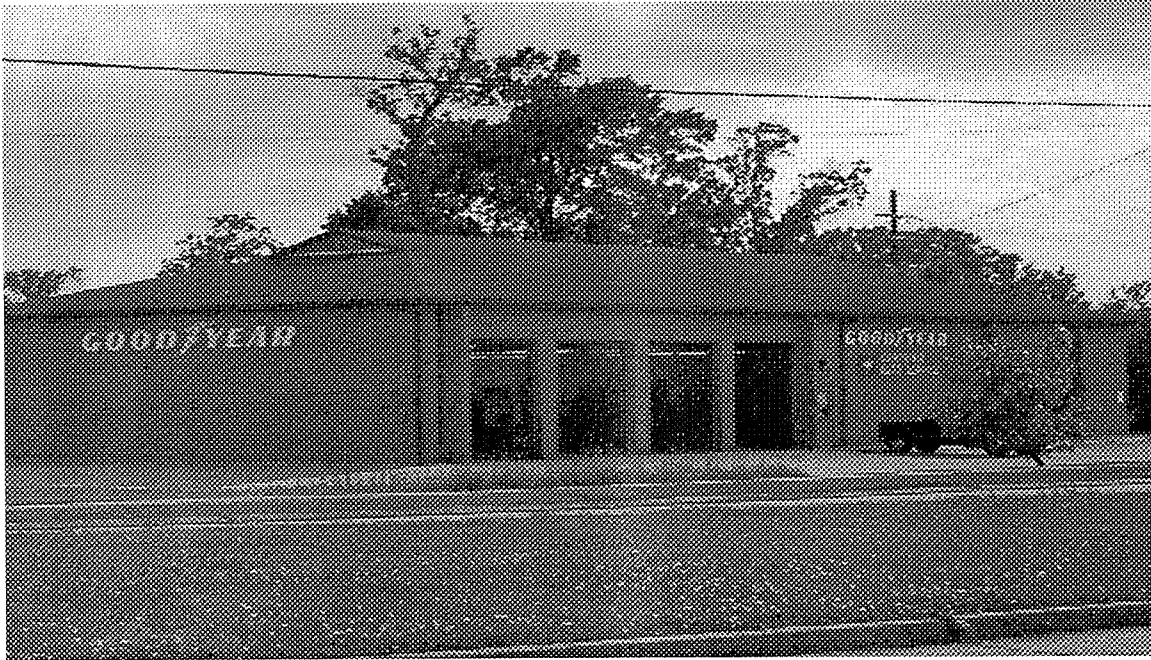
## Coursey Boulevard near Jones Creek



**Figure 4 - Property on Coursey near Jones Creek**

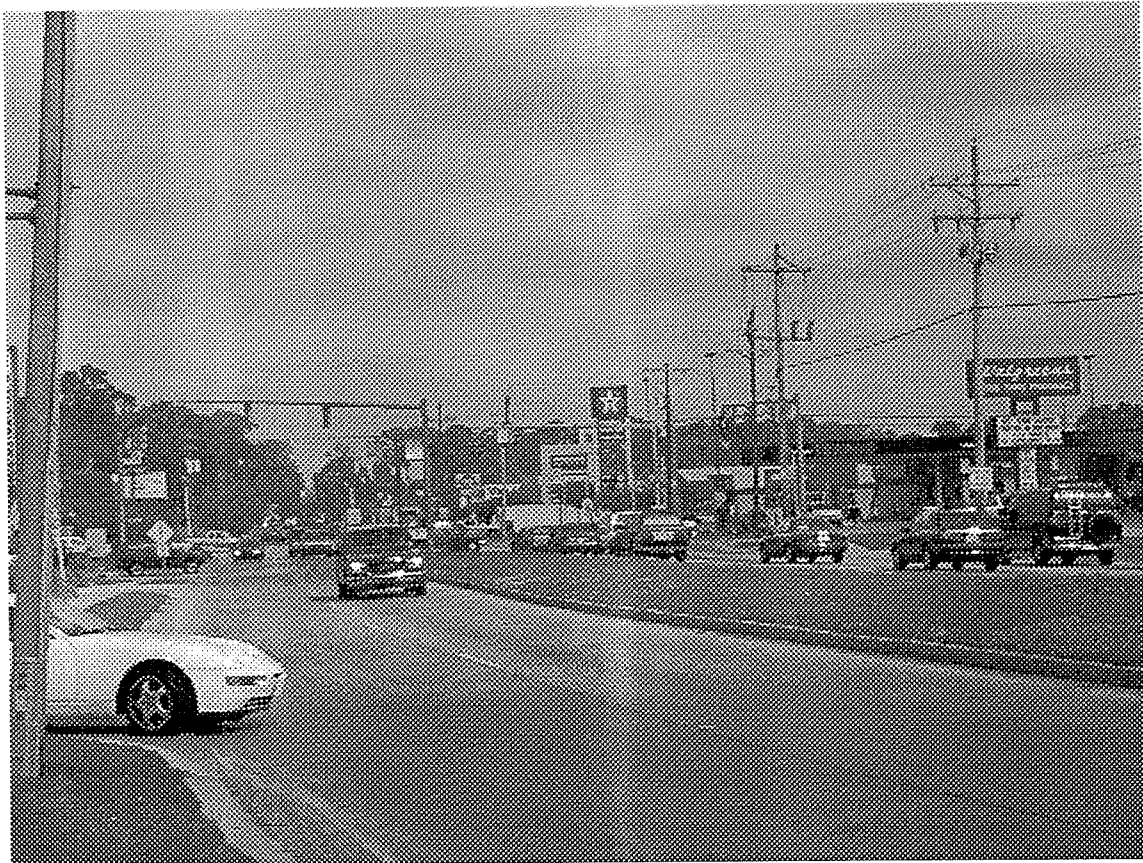
This site, while it is the second most favorable steakhouse location considered, is a distant second. While Coursey Boulevard does have a strong traffic count and good demographics, the lack of accessibility and lack of visibility would make it difficult for a restaurant to survive. While there are a number of nearby traffic generators, they are nearly all located to the east of the property, and there is no certainty that those generators will encourage traffic west of Jones Creek.

## *Traffic Generators*



**Figure 5 - Car Care Center across from Coursey property near Jones Creek**

If one compiled the businesses located within a one-mile radius of the property, the results would appear promising. A cinema (Oak Cinema 8), a number of fast-food restaurants, a strip shopping center (Marblegate Shopping Center) anchored by an Albertson's, a small seafood restaurant (Jones Creek Café) and others are all relatively close to the site. These businesses, however, are all located either on Jones Creek or on Coursey east of Jones Creek. The property is located west of Jones Creek, in an area on Coursey without as much upscale commercial activity.



**Figure 6 – Jones Creek/ Coursey Boulevard corner visible from Coursey site near Jones Creek**

While the site is visible from Coursey Boulevard west of the property and from Jones Creek south of the intersection, an Exxon station blocks its most valuable visibility corridor (East on Coursey). Even more detrimental than its limited visibility is the difficulty in accessing the property if a driver is travelling east on Coursey. There is no median cut to allow a left turn, and the city would be very reluctant to create such a cut due to the proximity to a busy intersection. Without this curb cut, eastbound drivers on Coursey would be forced to make a U-turn in the busy Jones Creek and Coursey intersection, a very unpleasant task.



## Coursey Boulevard near Hickory Ridge



**Figure 7 - Property on Coursey near Hickory Ridge (improvements not included)**

The fact that this site was included in the top three sites selected emphasizes the importance of physical inspection of property. The property is not immediately adjacent to Coursey Boulevard as the MLS listing would suggest, but is a four acre tract that is separated from Coursey by over one hundred feet.



## *Traffic Generators*



**Figure 8 - Small strip shopping center adjacent to Coursey site near Hickory Ridge**

This site is located less than a mile from the site on Coursey near Jones Creek, but is markedly inferior to that site in terms of nearby attractions. While it is between two thriving intersections (Coursey/Sherwood and Coursey/Jones Creek), it is caught in the dead zone between them. While there are a few commercial enterprises in operation (A full service car wash, a few food delivery services, and a few mom-and-pop businesses), none of these has the drawing power necessary to aid a sit-down restaurant attract customers.

### *Accessibility and Visibility*



**Figure 9 - Coursey Boulevard near Hickory Ridge (property begins at treeline)**

The suitability of this site for restaurant use is greatly diminished by its lack of accessibility and visibility. A large field separates the site from Coursey, but that property is also for sale, and any improvements would render the steakhouse invisible. Even if customers did know that the restaurant was there, they would be forced to travel down a relatively lengthy driveway before entering the parking lot. If a potential customer was travelling east on Coursey, he or she would face the additional task of travelling further east on Coursey, making a U-turn at the next cut in the median, and then turning right into the driveway. The best that a restaurant user could hope is that he or she would be able to convince the city engineers to cut the median near the site

(possible but not certain) and acquire rights to place the restaurant's sign on Coursey. It would also be crucial to limit the scope of improvements made on the property between Coursey and the property by negotiating with the current owner for deed restrictions. While the curb cut and signage should be possible, the deed restrictions on the frontage property would be difficult to attain, if the current owner was willing to consider them at all. Even if all of these concerns were addressed, the property would still be a substandard location for a major restaurant due to its lack of visibility and accessibility.

## **Conclusion**

While the Sherwood Forest/Lake Sherwood corner is suitable for a full service restaurant, it is important to note that the others are only marginally acceptable for major commercial activity. The real estate market in Baton Rouge is currently very active, and most prime commercial locations have been developed or are currently under development. While there is a considerable amount of activity in a few rapidly growing areas (Bluebonnet between Perkins and I-10, O'Neal just south of I-12 and perhaps the west end of Burbank), there is little available vacant land in prime locations in the Baton Rouge area. During the recent strong market, this has pushed prices upwards, as new businesses are forced to buy sub-par properties that may become unacceptable when the market slows, or to suffer the scourge of diminishing supply and pay inordinately high prices.

## **Works Cited**

Baton Rouge Traffic Engineering Office. Baton Rouge Area Traffic Counts. Baton Rouge, 1998.

Cook, Tom. Personal Interview. 22 October 1997.

Greater Baton Rouge Association of Realtor. Multiple Listing Service Listings. Vol. R806.

Guarisco, Tom. "What's in a Mall?" Morning Advocate, 12 October 1997: I1.

Johnson, H. Ben. Personal Interview. 23 October 1997.

Shuffield, Ross. Personal Interview. 4 March 1998.

United States. US Bureau of the Census. Census Information. Washington: GPO, 1990.



## Conclusion

The skyrocketing prices of real estate are typically heralded as signs of a robust and expanding economy. Just as skyrocketing stock prices have prompted claims of “new paradigms of economics” in attempts to justify the payment of such prices, many participants in the real estate market are forced to assume that continued growth in values will occur to justify the purchase of real estate at current prices. While few people of intelligence believe economic forecasts are infallible, even fewer people of intelligence purchase any investment that requires a continuation of unprecedented economic growth to be successful without being compensated for the level of risk inherent in such an investment. It is important for purchasers of property, whether they are end users or investors, to be aware of the level of risk inherent in subscribing to such beliefs and ensure that they will be amply rewarded for taking such risks.

While the Sherwood property selected in the hypothetical search may be able to sustain a restaurant during an economic downturn, very few, if any, of the other properties examined would be able to do so due to their locations. These locations, though they may be the best available vacant properties in Baton Rouge, are simply not prime commercial locations. Restaurants and other commercial users are currently showing a willingness to locate themselves on non-prime locations such as the two sites on Coursey. While these properties may be acceptable during an economic boom, when the market downturn occurs and disposable incomes drop, these businesses may well regret their decisions.

While the timing of market cycles is uncertain, the existence of such cycles is a historical phenomenon that has been present as long as economic data has been recorded.

While the notion that the market could retain such strength indefinitely is enticing, any examination of business history will reveal a landscape strewn with the financial corpses of those who embraced similar beliefs. Any participant in the real estate market should ensure that his endeavor is feasible without the substantial boost currently being provided by the flourishing economy, or that the investment provides sufficient reward to merit risking a major loss in the event of a substantial market drop.