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**CZO Uncertainty Clouds Upbeat Commercial Realty Forecast**

By Greg LaRose; Editor

Real estate analyst Wade Ragas, a Ph.D. level researcher who has tracked New Orleans market activity for decades, admits his projections tend to be conservative, if not negative at times.

But when speaking to hundreds of commercial realty professionals Tuesday at the fourth annual New Orleans Metropolitan Association of Realtors Fall Forecast, he couldn’t help but be optimistic.

"Several factors aligning over the next few years make this a great time to be in real estate,” Ragas said.

The only clouds in that forecast, as revealed over the course of the daylong event at Loyola University, appear to be lack of inventory to meet the anticipated demand and questions as to when a proposed comprehensive zoning ordinance for New Orleans will go into effect.

**Growth mode**

The signs that typically point to an upward trend for real estate are present in the regional market, Ragas said. They start with an increase in jobs, which leads to population growth. That boost is good for residential real estate, triggering more retail development and overall commercial activity.

One area where Ragas anticipates developers to react to an increase in population is the Bywater. The neighborhood doesn’t have adequate retail to support the surge of new property owners, he said, and St. Claude Avenue would seem to be the most likely spot for commercial investment.

Ragas noted Census counts are climbing in various parts of the metropolitan area because multiple industries are behind the boost in new jobs. One threat to Louisiana’s momentum in this area is connected to commercial real estate.

Guest speaker Quentin Messer, Louisiana Economic Development assistant secretary, said it’s possible the state could lose some relocating companies because its inventory of newer commercial buildings is limited.
”The companies we’re hearing from (about moving to Louisiana) don’t want to start from scratch,” Messer said. “They’re looking for buildings that are move-in ready.”

Specifically, the most popular real estate requests to LED are for newer buildings between 100,000 and 200,000 square feet with 20-foot high ceilings. The lack of these is a particularly acute problem for the New Orleans area, he said.

Messer was otherwise bullish in his business outlook for Louisiana, borrowing a line from his former LED colleague and current Greater New Orleans Inc. President and CEO Michael Hecht, who once described the state as having gone from the girl you wanted to date but not take home to your mother, to now being the girl you want to marry.

Building on that analogy, Messer described Louisiana as having a seductive appeal. “But now it’s time to take that relationship out of the bedroom,” he said.

Messer included a string of recent rave reviews for Louisiana as a business destination in his presentation, much of it underlined with the string of industrial construction projects that LED has secured.

Later in the day, Louisiana State University economist James Richardson threw some cold water on those accolades. He described the state’s industrial boom as “overblown.” Louisiana can expect a surge in employment to build these industrial projects, he said, but those hires are basically temporary. As such, he doesn’t see the need for substantial real estate investment in areas like the River Parishes, where some of the industrial activity is concentrated.

**CZO countdown**

The consensus in the commercial real estate community is that the new comprehensive zoning ordinance New Orleans is considering will do little to dampen the robust market. What it will do, and to some extent currently is doing, is add time and cost to certain projects.

The City Planning Commission forwarded its final draft of the ordinance to the City Council in September. As to when it will gain final approval, the speculation is that it will take a back seat to the city budget process this year and come up for discussion early next year.

**Justin Schmidt,** an Adams and Reese attorney who has worked on numerous developments, said some owners are choosing to delay their projects until after the CZO is in place, while others are rushing to build under the existing rules.

Schmidt was part of a panel discussion on due diligence in commercial real estate. The talk focused largely on zoning and when the new ordinance will go into effect.

Panelist Ed Horan, zoning administrator for the city’s Office of Safety and Permits, noted that language in the CZO starts a 90-day clock once the ordinance is approved. At the end of that period, the new zoning rules will go into effect.
Asked when the council will take a final vote, Horan was reluctant to provide a firm date and explained that parliamentary procedure allows council members to “sit on” the ordinance. Giving what he called his “best educated guess,” he predicted approval sometime in March, which would put the rules in place for the summer.

Horan and architect John Williams, who was also on the panel, urged buyers to look closely at the new zoning regulations once they are in place. Even though a property remains zoned the same, the permitted uses under that zoning might not be consistent with the existing ordinance.

Schmidt speculated that politics are going to factor into the council’s timeline for approving the CZO. He noted that when the Planning Commission received the final draft of the ordinance, it moved quickly to advance it to the City Council even with development and neighborhood interests pushing for a multitude of amendments.

As its role is to strictly interpret the technical aspects of zoning and conditional uses, Schmidt said the Planning Commission chose to let the council work through any additional changes that would essential come down to decisions based on political will. That means it could be many months before a final vote is made on the CZO.

"It will be a while," he said.

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