

***“It was the best of times, it was the worst of times”***

***A Post Hurricane Editorial***

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***“It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way--in short, the period was so far like the present period, that some of its noisiest authorities insisted on its being received, for good or for evil, in the superlative degree of comparison only”.***

The above quote is the first paragraph of Charles Dickens' *A Tale of Two Cities*. It could just as well have been written about the City of New Orleans following the effects of Hurricane Katrina. In so many ways it was ***the worst of times***, with the incredible destruction of much of the City. All of St. Bernard Parish and lower sections of Orleans Parish fared the worst, but many sections of Jefferson Parish were flooded as well. The Superdome and many of our hotels experienced significant damage. It will take us many years to recover from the effects of Hurricane Katrina, and, the political repercussions or, ***the age of foolishness***, will last for decades.

However, at the same time it ***was also the best of times***. The reasons are numerous: Many people locally, including one of our own associates, and nationally, participated in the rescue of many stranded people, saving many lives. The outpouring of generosity for displaced people in our region has been unbelievable. Communities throughout the country have welcomed evacuees with open arms. The Orleans Parish School System has been radically transformed (for the good) overnight. And, the commitment of local business and civic leaders to rebuild the area in a very positive way has never been seen to the extent that I've witnessed now.

The real estate business has also experienced ***a tale of two different times (or markets)***. Those buildings that suffered flooding

or significant wind damage are now out of commission. Those that did not flood or have much damage have experienced great demand and are nearly 100% occupied. Not only did the owners and tenants of damaged buildings want a place in which to conduct their business, but there has been a great inflow of businesses from outside of the metro area who want to participate in the rebuilding of the city, a task that will probably last over the next five years.

Those businesses that lost their customer base have had to close, while those that provide much needed supplies, particularly building materials, have thrived. The demand for roofing materials has been particularly strong with long lines of contractors waiting to get their supplies. Only a small portion of damaged buildings have been repaired as of this date, so the demand for construction materials should be strong for many years to come.

At the present time, most of the existing inventory of viable, available industrial space has been absorbed. The absorption rate for Q4 – 2005 was one of the greatest in the past four years. The number of Company listings decreased from 112 to 35 in one year, (one half damaged/flooded – one half absorbed). Property in Jefferson, St. Charles, Tangipahoa, and St. Tammany Parishes fared very well. Those in Orleans and St. Bernard Parishes that were flooded will take a long time to be gutted and renovated for new occupants or reuse. Then we will be faced with the question of whether business owners will be willing to lease or buy buildings that have been previously flooded. If not, where will they go?

One of the most disheartening aspects of the current situation is the loss of a large segment of our population. A local economist, Wade Ragas, Ph.D, estimates that there has been a population decline of 19.2% in the metropolitan area. Another economist, Greg Rigamur, however, estimates that the loss will be much less than 10% or about 100,000 people. Perhaps, as FEMA trailers are brought into our area and as homes are rebuilt so that people have a place to live, they will return.

We, at Max J. Derbes, Inc., remain positive about the future of our City and region. We know that there will be opportunities for business owners and investors to participate in the rebirth of the city.

Just as before, we are ready to contribute hard work and professional expertise to help our clients grow their businesses and prosper.