

CRUDE SUMMER

The aftermath of the April 20 oil spill is playing out in different ways around the Gulf Coast. Practitioners from the region tell how they're adapting to the new realities. **By Erica Christoffer**

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Randy McKinney was feeling great about the way 2010 was shaping up. The broker-owner of Realty Executives in Gulf Shores, Ala., says his first quarter numbers were well above those of last year. From January to April 2010, his Baldwin County real estate market was up 21 percent over the same time period in 2009, with 1,235 units sold totaling more than \$245 million in sales.

Then came April 20 and the Deepwater Horizon oil rig explosion, 50 miles from the Louisiana coast. The news was bad—11 workers killed—and within days, it became even worse. Oil was gushing from the sunken rig at a rate first estimated at 1,000 barrels a day. Later, that estimate went up to 5,000 barrels and then 25,000 barrels a day.

There are roughly 11,000 REALTORS® living and working in communities physically touched by the spill. For them—and for REALTORS® in nearby communities who depend on the oil industry—the tense weeks following the Deepwater Horizon explosion were a time of watching and wondering: Will the oil reach our community? How long will it take to get the gusher under control? How long will it take us to recover? And what will happen to our livelihood in the meantime?

In the tiny southern Louisiana town of Grand Isle, La., it took just a couple of weeks for the smell of oil to hit the air and not long after that for tar balls to begin washing up on the beach. For McKinney, 150 miles away in Alabama, “It really didn’t hit home until the first week in June when the oil hit our beautiful white sand beaches.”

Nationally, the real estate business was moving at a good clip in June. NAR reported a 9.8 percent

increase in existing-home sales compared with June 2009, thanks in large part to the federal tax credit. For practitioners in some parts of the Gulf Coast, by contrast, 20 percent declines were the norm. The NATIONAL ASSOCIATION OF REALTORS® surveyed Gulf Coast members between July 6 and July 14, and received 3,788 responses about the oil leak’s impact on housing transactions; a large number reported losing sales as a result of the spill.

Oil Spill's Impact

State	Percentage of REALTORS® reporting one or more lost sales (as of mid-July)
Alabama	68%
Florida	61%
Louisiana	48%
Mississippi	64%
Texas	29%

Percentage of REALTORS® reporting one or more lost sales (as of mid-July)

“The full impact of the oil spill won’t be understood for years,” says NAR chief economist Lawrence Yun. “Certainly we know it’s going to be negative. We already know there are fewer people going to the region, whether to purchase a home or for retirement, which will hold back economic activity locally.”

On a positive note, the deluge of oil has been at least temporarily resolved—relief wells were expected to be completed by the time this story went to press. Remarkable progress has been made on the cleanup, and many beaches are open. And Gulf Coast practitioners are facing up to life after the spill and doing what they can to allay the fear that’s been keeping buyers and tourists at bay.

Since May, REALTOR® Magazine has been talking with practitioners all along the Gulf Coast. In June, we visited the region. Here are reports on the spill’s impact on four communities.



Houma, La.
Bill Boyd, Town & Country Real Estate
Page 19



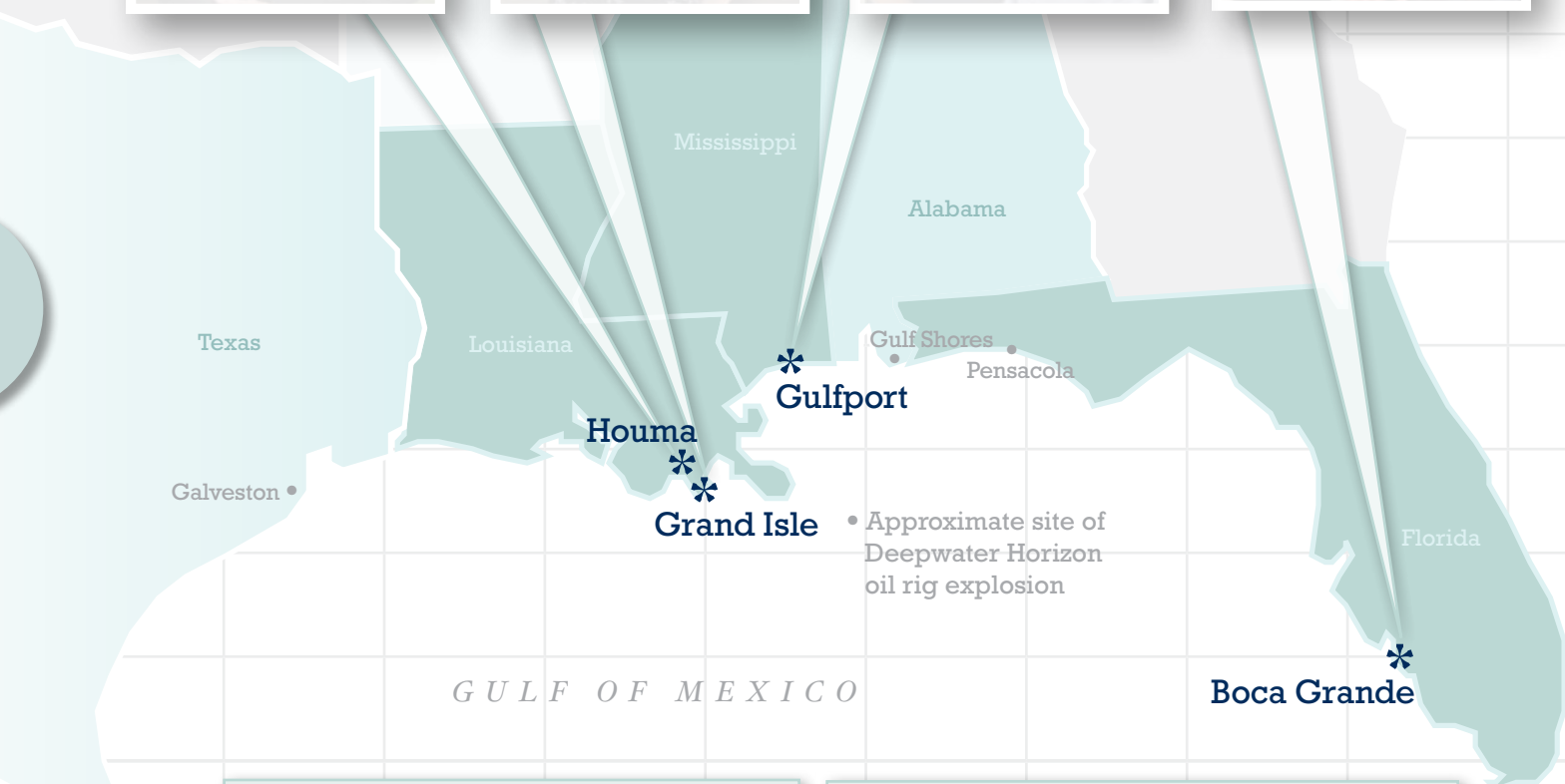
Grand Isle, La.
Nicole Lombas, Century 21 Nicole Lombas & Associates
Page 16



Gulfport, Miss.
Ashley Endris and Stephanie Shaw, Latter and Blum Inc., REALTORS®—Shaw Properties
Page 17



Boca Grande, Fla.
Kelly Reark and Kevin Hyde, Gasparilla Properties
Page 18



Online Extras

- Photo gallery
- Links to contacts and resources
- Extended article

Visit REALTOR.org/realtormag and search for "oil spill."

Oil Spill FAQs

- How do I file a claim? **Page 17**
- What can I expect at NARdi Gras? **Page 18**
- What can I do to help? **Page 19**

A SHIFT FROM BUYERS TO RENTERS

Nicole Lombas used to cherish the view at night from her beachfront home on Grand Isle, La.—the moonlight shimmering on the ocean as waves crash along the beach, blowing in salty sea air and mist.

But this summer, the picture changed. The beach closed and workers descended on the small island at the southern tip of Louisiana, usually popular for family vacations and fishing. Huge floodlights, military vehicles, and tents accompanied the cleanup crews that worked to contain the most devastating oil spill the Gulf of Mexico has ever experienced. “It was like a military base,” says Lombas, broker-owner of Century 21 Nicole Lombas & Associates.

Lombas has two offices with seven agents, one in South Lafourche, La., and the other on Grand Isle. In addition to selling, she manages vacation homes—commonly referred to as “camps” by the locals—and dabbles in development. “There’s no good time for a tragedy like this, but this hit us at the worst time of year possible,” the Grand Isle native said in June. “It’s our busiest time tourism-wise, with real estate sales and rentals. Plus, it’s coming up on hurricane season.”

A fourth-generation business owner on Grand Isle, Lombas feels the effects of the spill acutely. Her great grandfather started a shrimp and oyster business, Grand Isle Seafood Co., more than 100 years ago. Later, her grandfather took over the family business. So in addition to her real estate company, Lombas owns 30 acres of oyster leases that once belonged to her grandfather—all closed to harvesting due to the spill.

Her real estate business is feeling the pain, too. Typically, Lombas says, her office would have 10 to 12 properties set to close by Independence Day; this year, there were only two. One buyer purchased a lot for \$27,500, \$7,000 below the asking price. Before the spill, the seller had turned down a higher offer. The other buyer was a staffing company, purchasing a property to house cleanup crew.

Camps are typically set up for family getaways, Lombas says. To accommodate cleanup workers, she and her team have had to change out king and queen beds for

twins. “We need as many workers down here as possible, and we don’t have enough housing,” she says. To meet demand, locals and second-home owners are renting out their homes. “Some are taking the rental money and vacationing elsewhere.”

Sellers who manage to find a buyer may have to be flexible with the terms of the sale. Normally, property owners won’t consider a financed sale, says Lombas, a 13-year veteran of the business. “In the summer, for a beachfront property, it’s usually all the money up front, a cash sale or not at all.” Today, she says, more sellers are looking at lease-purchase options.

A typical “camp” on Grand Isle costs \$400,000, Lombas says. Rentals mean smaller commissions. A camp may rent for \$5,000 per month, so even if a practitioner gets a 20 percent rental commission, that’s just \$1,000. “Even though we’re busy with a constant booking of rentals, we’re losing income,” Lombas says.

But Lombas doesn’t mind—for now, at least. She knows that she has a valuable role in the cleanup effort. Workers need a place to sleep, and property owners are happy to have some income during this time of unrest. “I feel good that I can help these workers who are out in the sun 12 hours a day helping to save us and our island,” says Lombas. “I want to believe that they can fix this, that we can get our waters back, that the government will make BP clean it all up for as long as it takes.” In the meantime, she isn’t going anywhere: “I’ll never leave. That’s not an option. It’s not like the people of South Louisiana to give up.”

“We’re now adjusting to the new purpose of housing on the island. It’s no longer for tourism or vacationing. It’s for the workers.”

*Nicole Lombas, Century 21
Nicole Lombas & Associates*



Photo by Geoff Reed ©2010

How do I file a claim?

“Our hearts go out to practitioners working in the Gulf Coast who are facing hardships as a result of the oil spill,” NAR CEO Dale Stinton said in early August. “We are doing all we can to make sure REALTORS® have an opportunity to have their claims heard.” Under the Oil Pollution Act of 1990, BP is paying “all legitimate claims for damages resulting from the oil spill and necessary response costs.” This includes, among other claims, property damage and net loss of profits and earning capacity. At first, claims were being handled directly by BP, but the process is being transferred to a new Gulf Coast Claims Facility, headed by Kenneth Feinberg. (Feinberg also oversaw claims stemming from the Sept. 11, 2001, terrorist attacks.) On July 27, Feinberg met with REALTOR® association executives, including Stinton, to discuss whether claims by real estate practitioners would be considered. “After an amiable but very serious meeting with Mr. Feinberg, I feel encouraged that the process is moving in a positive direction,” Stinton said. If you believe you have grounds for a claim, visit www.BP.com/claims or call 800-440-0858.



“We’re still in fix-up and cleanup mode from the last disaster. But I know we’ve got the resiliency to get through this, too.”

Stephanie Shaw, right, pictured with Ashley Endris, Latter and Blum Inc., REALTORS®—Shaw Properties

Photo by Geoff Reed ©2010

GULFPORT, MISSISSIPPI

FIRST THE HURRICANE, THEN THE SPILL

Any other summer when you roll down Beach Boulevard in Mississippi’s coastal towns of Gulfport and Biloxi, you see beaches filled with sun-loving vacationers. Cars cruise up and down the road visiting shops, restaurants, hotels, and casinos. But this June, the streets were eerily quiet and the beaches all but deserted as oil-fearing vacationers stayed away.

At first, the drop in tourism seemed mostly unwarranted, as oil loomed some 30 to 80 miles off the coast. Then, at the end of June, oil came onto southern Mississippi’s shores in thick waves of tar, thanks in large part to Hurricane Alex. Now each day is different on the coast. Some days the water is clear and cleanup crews have the sand spotless. On other days tar balls wash ashore.

For many living and working in this region, the oil disaster has sparked unpleasant memories of Hurricane Katrina, which devastated the area in August 2005. “Five years ago, this area looked like an atomic bomb went off,” says Stephanie Shaw, broker-owner of Latter and Blum Inc., REALTORS®—Shaw Properties in Gulfport. Hurricane Katrina washed away nearly the entire coast of her town and the surrounding Mississippi communities. Eight of the 11 people in Shaw’s real estate office lost their homes due to Katrina.

Streets were filled with debris for months and it took years for crumbled buildings to be entirely cleaned up.

But Gulfport survived and rebounded, with real estate activity picking up steadily over the past year,

according to Shaw. Lots left vacant by Katrina’s wrath are starting to see new construction.

Now, Shaw is concerned about her community having enough resources to deal with the spill’s aftermath. “As a broker-owner, I’m much more worried about the unknowns. What if we do have a hurricane this season? What would it wash in? What would the cleanup effort be?”

Ashley Endris, a practitioner in Shaw’s office, says she’d like for BP to have a liaison to each Gulf Coast community who would work directly with real estate professionals, business owners, and community leaders to communicate cleanup plans, give updates on the claims process, and provide insight into their long-term plans for mitigating any drops in tourism.

So far, Shaw’s brokerage has not seen a significant business drop. Although others in her community reported up to 30 percent year-over-year decreases, Shaw said in June that she’d lost only one sale because of the spill. Having been working for some time to expand her marketing efforts, Shaw actually saw an increase in her June numbers over the same time last year. “I’m being cautiously optimistic,” she says, acknowledging that even without an oil spill, the market is contending with the end of the buyer tax credit and rising home owner insurance costs. “The situation seems to change weekly, and it’s different from city to city and county to county. But we can earn a living if people still come and go, buy and sell.”

PREPARING FOR A WORST-CASE SCENARIO

Chances are low that oil will hit the Gasparilla Island community of Boca Grande, Fla. The Deepwater Horizon rig explosion was about 600 miles away, and the waters here are pristine. Still, this summer the U.S. Coast Guard met with community leaders to discuss the possibility of oil reaching the south end of the Florida peninsula. “If there is an impact, it will be very degraded tar balls,” says Julieta Tucker, a media relations officer for the Deepwater Horizon Unified Command Florida post.

But real estate practitioner Kevin Hyde of Gasparilla Properties in Boca Grande isn’t taking any chances. On June 7, Hyde, along with 25 other residents of the southwest Florida island community, gathered in the Boca Grande Fire Station for a four-hour Occupational Safety & Health Administration–certified class on cleaning up hazardous materials. “We did this so we could take a leadership role in our community if we need to,” says Hyde, a board member on the Boca Grande Chamber of Commerce. He wants his community to be ready if any oil comes its way.

Even tar balls are toxic to wildlife, Hyde says, and would deter vacationers. Gasparilla Island, a vacation-home paradise, thrives on eco-tourism. Boca Grande is nestled within preservation areas and state parks. On Gasparilla Island, white sand beaches and clear waters attract sailors, scuba divers, fishing enthusiasts,

swimmers, and shellers. The region also is considered one of the best tarpon fishing spots in the world.

Even without oil present, there has been some economic fallout.

Kelly Reark, e-PRO, also with Gasparilla Properties, says she’s been fielding questions about oil from worried residents and vacationers. “We had one rental cancellation last week,” she said in mid-June, “with [the threat of] oil as the reason. Wages from rental income obviously have already been affected. Then there’s the fishing industry, tourism, sporting events—so much of the commerce is waterfront. And that doesn’t even touch on the ecological effects [if the oil does come ashore].”

Boca Grande is located in Lee County, which encompasses Fort Myers and the adjacent barrier islands. Foreclosures in the county peaked at 14,686 in the fourth quarter of 2008, but the market has been on a rebound since. For January through most of June, sales volume in the area was up 20 percent from the year earlier, with homes selling for an average of \$775,710.

“This is a clear indication of how the market is improving,” Hyde says.

His concern now is that the oil spill—and more specifically, the false perception that the entire Gulf is contaminated—could upset the turnaround.

What can I expect at NARdi Gras?

The nearest Louisiana beach is 120 miles away from New Orleans. Nonetheless, the oil spill has sparked concerns about air and water quality as well as food safety in the city that will host the 2010 REALTORS® Conference & Expo in November. While tar balls have been found in Lake Pontchartrain, the lake is not a source of drinking water for the city; the New Orleans water supply comes from the Mississippi River. Still, the EPA is monitoring water in the affected areas as a precaution. The EPA also is testing the air quality of all Gulf Coast affected areas, and the air has been found safe. What about the famous New Orleans seafood? The short answer: Delicious as ever. Precautionary closures are in place in some of Louisiana’s fishing waters, but the majority of fishing areas—70 percent of the coastline—are not in the spill area and remain open and bountiful. Federal and state officials are monitoring the waters from which seafood is harvested and will act to close areas contaminated by oil.

What can I do to help?

Volunteering at cleanup sites requires special preparations, and untrained volunteers are urged not to travel to the spill sites. Advanced hazmat waste training is required to stay safe and healthy when handling oil, even if it’s just to pick up tar balls on the beach. The affected wetland areas are home to wildlife breeding grounds that should be accessed only by wildlife professionals to prevent destruction of natural habitats and abandonment of nests, and wildlife volunteers need to be trained in both hazmat and wildlife handling. The best thing you can do is support the travel and tourism industry throughout the Gulf, and donate to organizations that help wildlife and the wetlands.



Bill Boyd, Town & Country Real Estate

Photo by Geoff Reed © 2010

HOUMA, LOUISIANA

OIL DRILLING DRIVES THE ECONOMY

Oil and seafood are the two core industries that keep Houma humming. So even though the city of 120,000 people hasn’t been physically touched by oil, there are grave concerns about the loss of jobs and population as a result of the Obama administration’s decision to stop deepwater oil exploration for six months.

The goal of the moratorium is to allow adequate time to develop and implement new safety measures on deepwater drilling rigs. The Department of Interior also says time is needed to collect evidence and analyze the cause of the April 20 explosion. As of press time in early August, work was still stopped on 33 exploratory deepwater wells in the Gulf of Mexico.

The moratorium is expected to end Nov. 30, but that hasn’t stopped Houma practitioners from joining in on protests to end the moratorium.

“Pre-oil spill, this city was a boomtown,” says Bill Boyd, broker-owner of Town & Country Real Estate in Houma, which sits 70 miles northwest of Grand Isle, La. While many Gulf-area cities were hit hard by Hurricane Katrina, Houma actually saw its population expand, as roughly 14,000 residents from nearby areas relocated there at least temporarily, according to Boyd. About half of them stayed for good, “and a lot of those people became home buyers,” he says.

Many Houma residents hold jobs that are tied in some way to deepwater drilling. The industry accounts for about 60 percent of the local economy, and every rig worker equates to four support industry jobs, including positions in supplies, welding, food service,

and transportation.

Louisiana has largely escaped the heavy foreclosure activity seen in other states. The state has ranked between 37th and 40th nationwide in foreclosures over the past several years. But an extended moratorium could change that, local practitioners fear. That’s why the Louisiana REALTORS® Association and several local associations throughout the Gulf have taken a stand against the moratorium. “You’re looking at the potential loss of thousands of jobs in Louisiana,” says Malcolm Young, CEO of the Louisiana association.

The Louisiana Mid-Continental Oil and Gas Association estimates that 800 to 1,400 jobs per rig platform are at risk, creating a potential economic loss of \$165 million to \$330 million per month. “It’s mind-boggling, the number of people it impacts,” Boyd says.

Boyd says that his company’s sales volume and number of units sold in June were down more than 20 percent compared with the same month last year. “We need to restore economic confidence in the minds of those who live along the Gulf Coast,” Boyd says.

In August, as cleanup efforts continued, many contract workers, scientists, media, and military stayed in Houma, home of BP’s regional headquarters. “Will they become home buyers and stay? It’s hard to say. But the hotels are filled,” Boyd says.

“Once the spill is completely contained by BP and cleanup efforts slow down, it will be interesting to see what state our economy is in,” Boyd says. ■

“If we see oil here, it will be devastating economically.”

Kevin Hyde, right, pictured with Kelly Reark, Gasparilla Properties



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