

**The Deepwater Drilling Moratorium:
An Economic Disaster for Louisiana's Small Businesses
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Testimony From:

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Good morning! Thank you for this opportunity to share my thoughts on the economic impact of the Deepwater Drilling Moratorium on the local real estate market.

After receiving the invitation to speak to you this morning, I spoke with several dozen real estate agents, investors, developers, and other individuals in the real estate community. All the moratorium is having a devastating effect on their business. I would like to share a few quotes from some of the individuals I spoke with. First, from several residential agents.

(Read several comments)

The vast majority of residential sales are handled through our local MLS and there are some disturbing numbers which may reflect the impact of the moratorium on the residential market in Lafayette Parish. Comparing residential "Pending Sales" (often referred to as "Under Contract Sales") for the period Jun 1, 2010 through Aug 13, 2010, (*basically, the time the moratorium has been in effect*), with that time period in 2009 shows:

| | |
|--|-------------|
| # of Pending Residential Sales 6/1/2009 thru 8/13/2009 | 565 |
| # of Pending Residential Sales 6/1/2010 thru 8/13/2010 | <u>437</u> |
| Total Drop | 128 (22.6%) |

There is no doubt, since the moratorium went into effect, buyers have taken a "wait & see" attitude before purchasing a home. And this in spite of the fact that interest rates are near all-time lows and home prices in the past several months have been very competitive.

Our local commercial market is also showing signs of a slow down. Since much of the commercial real estate activity is not reported to a central database, it is difficult to quantify how the moratorium has affected local commercial real estate activity. But discussions I've had with

commercial agents in our area all indicate the activity has slowed drastically since the moratorium has been in effect and is almost at a standstill. I'd like to share some comments from a few of our commercial agents and a local investor.

(Read several comments)

A study just completed on behalf of the Louisiana Realtors association projects the Deepwater Horizon catastrophe will result in an initial loss of commission income for Louisiana Realtors of over \$6,000,000 for the period May 2010 – April 2011. The study also cautions that the effects could possibly be spread over multiple years and impact the real estate market for “years to come”.

In both areas of the local real estate market, residential and commercial, the phones just aren't ringing like they used to. Clients use terms like:

Afraid - Cautious - Concerned - Uncertain

The perception is that the worst is yet to come and few clients are in a position to commit to long-term real estate deals not knowing what the future of our economy will bring. We hear fears of deepwater rigs moving to foreign waters and rig workers and support personnel either following the rigs or losing their jobs; families having to relocate and putting their home on the market during “soft” times; tenants not wanting to sign any long-term leases. Many of us here remember the oil bust in the mid 1980's when the fears mentioned above became a reality. The reality was we all here were in the “oil business” and didn't realize it until the big bust hit us squarely in the face. Home builders, electricians, plumbers, grocers, beauticians, restaurant owners, dance instructors - you name it - we all depended then, and still do, on the jobs and revenue generated by this great industry.

We've all heard the numbers that for every one job on a deepwater drilling rig there are 8 ancillary jobs. But I contend that there is a much greater impact than those numbers reflect. The rig workers and their eight supporting workers are now carefully watching their spending and it is having an effect on everyone.

Bottom line is this! The moratorium is not just on the drilling and the ancillary jobs supporting that drilling – the moratorium is a strain on everyone in this area. It is critical to our local economy that the ban on deepwater drilling be lifted immediately so the air of uncertainty and fear that is hanging over all of our heads be removed.