

1999 RETAIL TRENDS

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I. National Overview:

The ever-evolving shopping center industry finds itself facing new challenges as we enter the 21st. Century. Consolidation amongst retailers, Internet shopping, redevelopment of aging malls, vacant big box spaces, availability of capital and the impact of global markets on our economy are just a few of the hurdles we face going forward. Mingled amongst these challenges are new concepts such as urban retailing in downtown locations (which is really an old concept), entertainment centers, new freestanding formats, and the advent of small convenience centers.

Global Markets

1998 was the year in which the global markets dramatically impacted our economy, emphasizing only too clearly that we are not an island unto ourselves. Financial trouble in Asia, Russia, and Latin America placed a drag on demand for U.S. products causing a decline in profit for many American corporations. Almost overnight, a liquidity problem was created, expansion plans, including those of retailers, came to a halt, financing dried up, and the stock market including REIT stocks plunged. Fortunately, The Federal Reserve moved in quickly and lowered interest rates, diverting a recession. However, financing has been a challenge for larger deals.

Internet Shopping

Online shopping, which some perceive to be a potential threat to the traditional retail format, has yet to make a serious impact. In fact, most retailers don't see the Internet as a threat for some time to come, and most believe the Internet will compliment rather than replace traditional shopping centers. For many people, shopping is a form of entertainment, a social activity, suggesting that the Internet alone will not make the mall obsolete.

Consolidations, Mergers and Changing Retail Formats

Consolidation, mergers, and new retail formats are the biggest threats to the balance of supply and demand in the retail market. Today, nearly 19-sq. ft. of retail space per person exists, as opposed to 10-sq. ft. just a few years ago. As retailers merge with one another, they leave vacant an increasing number of redundant store locations. Take for example the Schwegmann Chain, and Computer City, which closed their stores in Baton Rouge. Add to this list, the vacant big box space created by Kmart, Wal*Mart, Rite Aid, Winn Dixie, and Eckerds, as they leave the traditional shopping center, opting instead for freestanding locations. One of the biggest challenges for landlords today is the redevelopment of unanchored shopping centers and vacant big box spaces.

Aging Malls

Aging malls are another source of concern. Across the country, developers and owners face the challenge of redeveloping these malls and finding alternative uses for them. Locally, Bon Marche Mall was purchased last year by an out of state developer who plans to redevelop the property into a mixed-use development which will house office, retail, entertainment and other uses. The redevelopment of the property would certainly be a shot in the arm for this community.

Entertainment Options

The ideal shopping experience today combines retail with entertainment, while the type and amount of entertainment varies with locations and shopping center formats. Bookstores, coffee shops, restaurants, and movie theaters top the list of choices most frequently seen in the larger centers, while something as simple as an ice cream store, and local sandwich shop may be the ideal combination in a neighborhood center.

Movie theaters, which were once a part of the shopping center environment, lost their Cinderella status in the 1980s. The rationale at the time was that theatergoers took up valuable parking spaces, but did not contribute to overall sales other than at the theater. That philosophy has changed as developers of larger projects add entertainment venues to the shopping experience to prolong shopping trips and boost traffic counts.

The concept of the stand alone entertainment center is considered by some to be a fad. However, given the right location, the concept works. Good visibility, close proximity to numerous hotels and the interstate system, good demographics, an abundance of office space and a great tenant mix are the necessary components. Esplanade Mall and Citiplace are two good examples

2. Baton Rouge Overview:

Generally speaking, the Baton Rouge retail market continued to grow in 1998, albeit at a much slower rate than in 1997. We did not have a new mall to enhance retail construction growth, but did see continued expansion in free standing grocery store and drugstore construction. Outlined below are the significant transactions that occurred during the past 18 months, including those outside of the drugstore and grocery store arena.

Retail Sales

Retail sales have steadily increased over the past six years. The numbers reflected in the table below include East and West Baton Rouge, Ascension and Livingston Parishes.

Year *	Total Retail Sales		State	Percent Annual
	Baton Rouge Region	Percent Annual Income		
1993	4,557,429		30,736,152	
1994	5,136,367	1.13%	31,409,978	1.02%
1995	5,527,256	1.08%	35,422,006	1.13%
1996	5,692,712	1.03%	37,668,015	1.06%
1997	5,915,330	1.04%	39,121,869	1.04%
Overall Change		1.29%		1.27%

*Indicates January 1st. Estimate.

Source: Sales and Marketing Management Magazine. 1998 Baton Rouge Regional figures not available as yet.

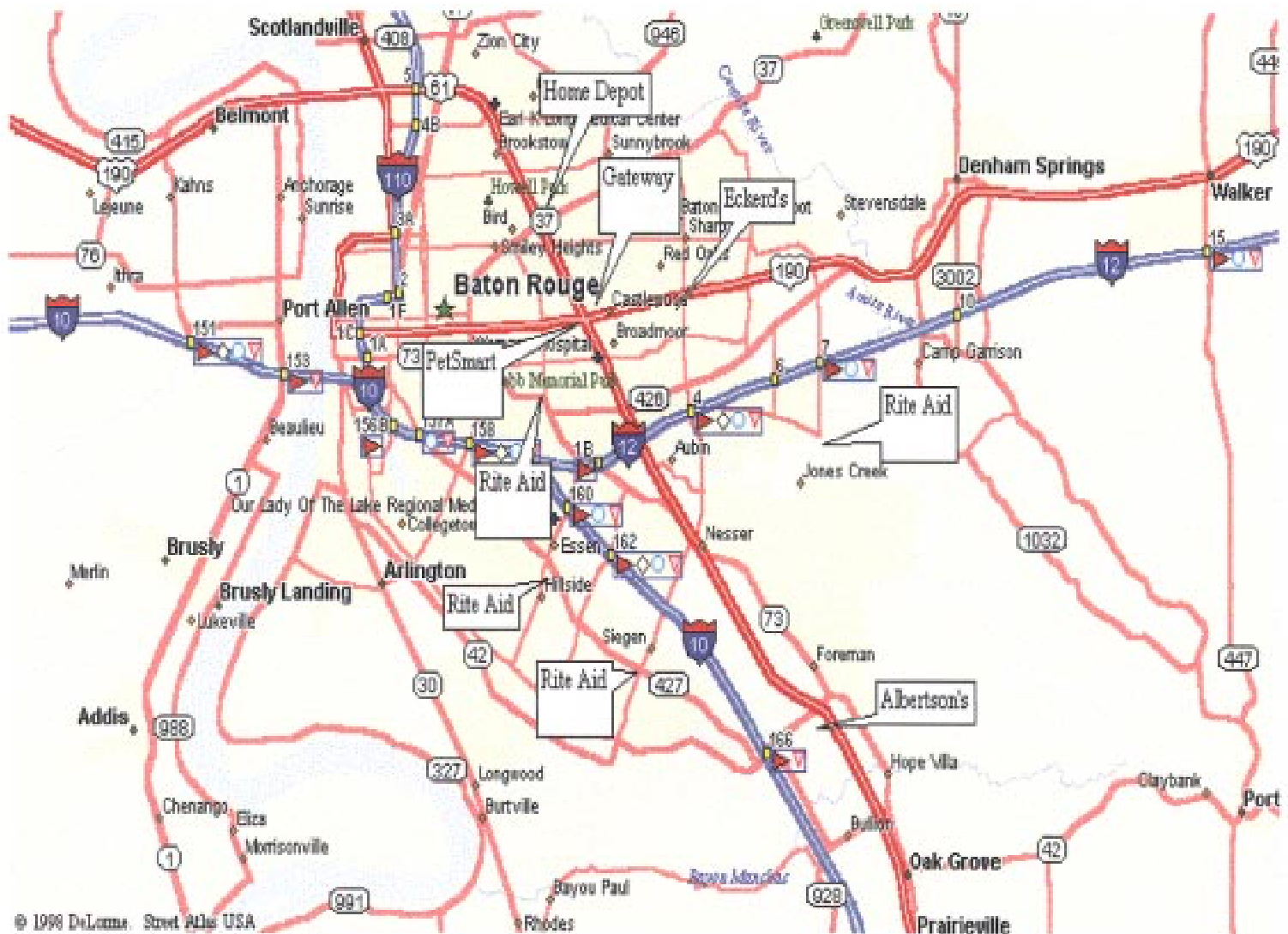
1998 retail sales in East Baton Rouge Parish only, were \$5,279 billion, up 6.8% over 1997.

Stand Alone Retail Land Sales

The majority of sales this year have been to drug store chains as shown on the table below.

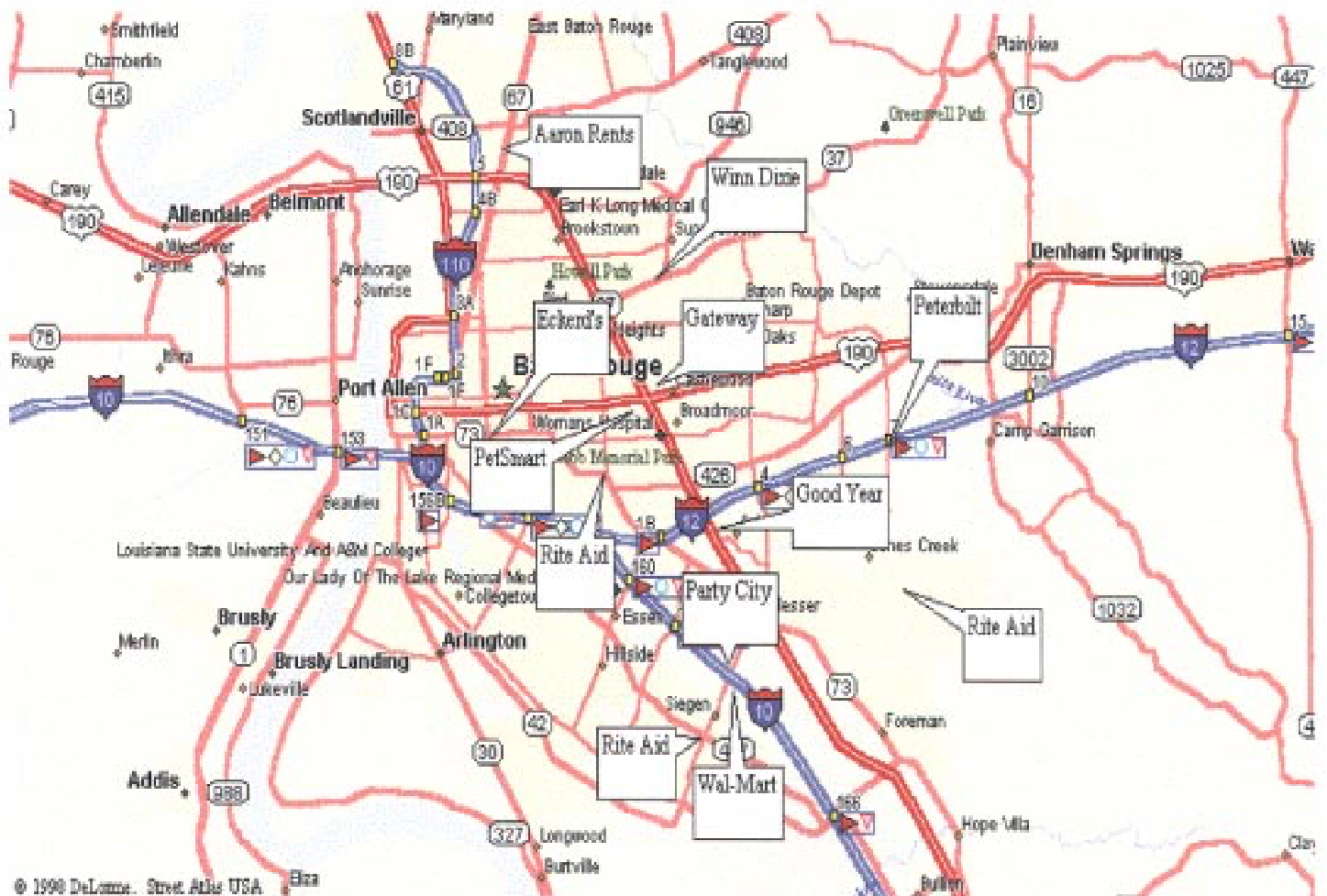
DATE	LOCATION	ACREAGE	USER	PRICE/SQ.FT.
Feb., 98	Airline/N. of Cortana	13.77	Home Depot	\$1.18
Mar., 98	O'Neal @ George O'Neal	1.31	Rite Aid	\$9.50
Apr., 98	Perkins @ Siegen	1.26	Rite Aid	\$20.00
July, 98	Airline @ Highland	16.00	Albertson's	\$3.58
July, 98	Corporate @ Jefferson	1.60	Rite Aid	\$30.30
July, 98	Airline @ Florida	2.50	PetSmart	\$8.25
Sept., 98	Airline @ Florida	0.97	Gateway	\$12.00
Jan., 99	Sherwood @ Florida	3.78	Eckerd's	\$12.75
Jan., 99	Perkins @ Essen	1.28	Rite Aid	**\$41.32

** Business Buyout part of the cost.



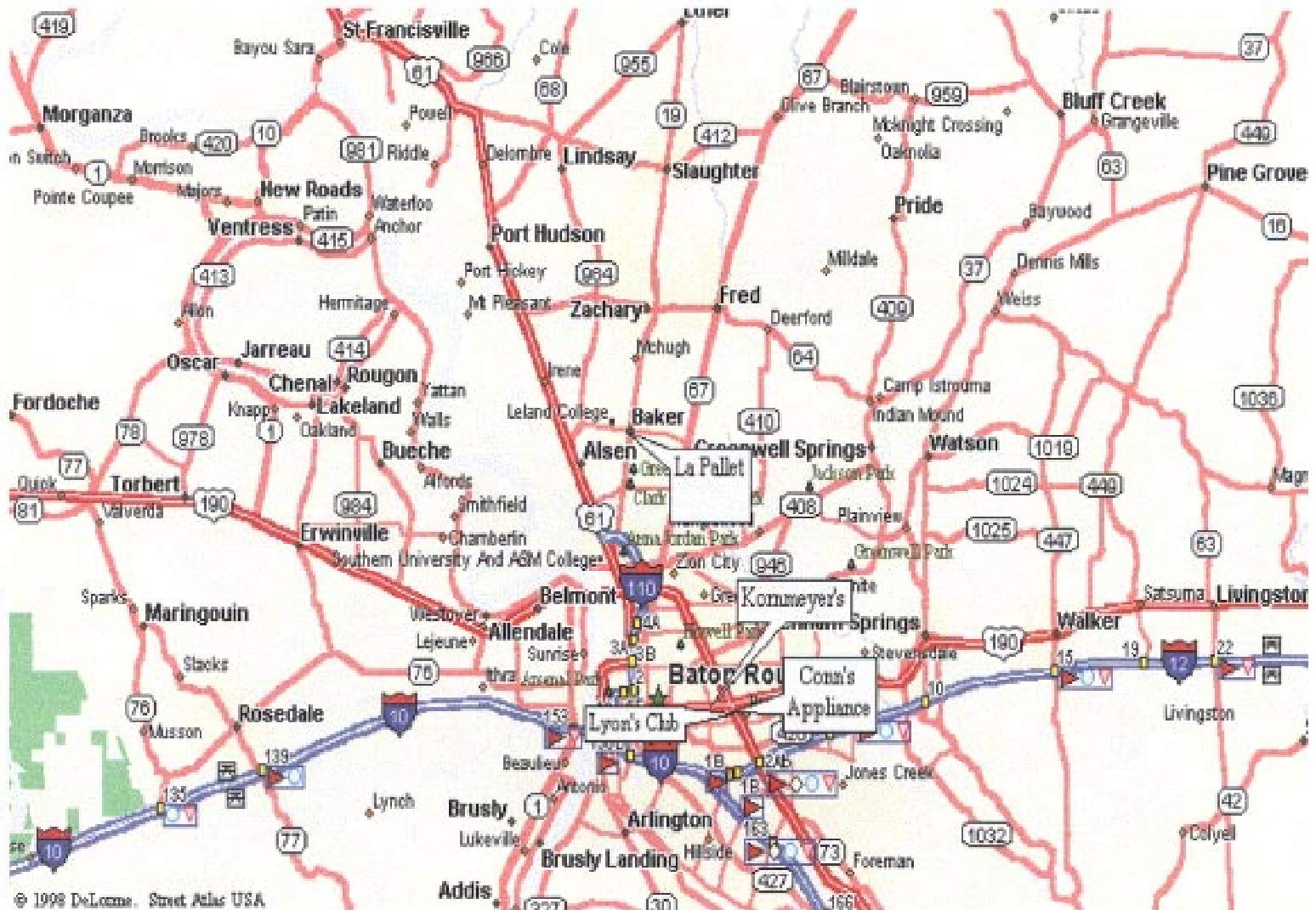
Retail Construction Permits > 8,000 Sq. Ft.

DATE	LOCATION	SQ.FT.	USER
February, 98	Siegen @ I-10	70,026	Wal-Mart
February, 98	I-12 @ O'Neal	29,638	Peterbilt
May, 98	6800 Greenwell Springs	59,531	Winn Dixie
June, 98	O'Neal @ George O'Neal	11,270	Rite Aid
July, 98	Airline / Florida	26,040	PetSmart
July, 98	Siegen @ Perkins	10,750	Rite Aid
July, 98	Cortana	8,000	Gateway
August, 98	Government @ Acadian	10,750	Eckerd's
August, 98	Jefferson @ Corporate Blvd.	11,270	Rite Aid
August, 98	4669 Plank Road	8,200	Aaron Rents
August, 98	Siegen @ I-10	13,050	Party City
December, 98	10625 Airline Highway	11,250	Good Year



Single Tenant Building Sales

DATE	LOCATION	SQ. FT.	PRICE
May, 98	Baker, Louisiana Former Lowes Building to La. Pallet	28,300	\$ 500,000
November, 98	Airline @ Florida Blvd. Former Drug Emporium to Lyons Club	24,700	\$1,125,000
January, 1999	Florida @ Lobdell Family Buyout of Kommeyer's Property	105,000	\$2,000,000
January, 99	Airline @ Florida Former Campo Building to Conn's Appliances	49,000	\$1,650,000



Shopping Center Sales

DATE	LOCATION	SQ. FT.	PRICE
April, 98	Energy Plaza, Corporate Blvd.	14,228	\$1,800,000
April, 98	Zachary Village	18,978	\$2,200,000
June, 98	Kinko's Center, 9945 Airline Hwy.	16,000	\$1,150,000
August, 98	College Dr. K-Mart	106,668	\$5,100,000

Sales price included a buyout of K-Mart lease

