

## **Market Overview**

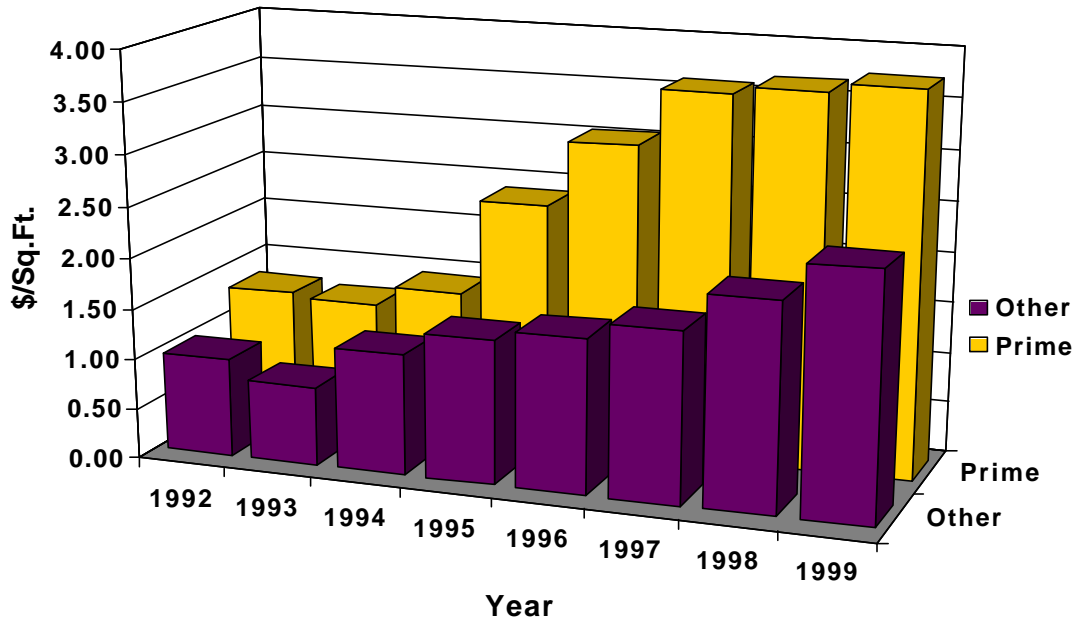
The end of the 1990's brings the Baton Rouge industrial market to a crossroads, ie., "crossriver" ala Louisianne. The first half of the nineties was spent recovering from the slump years of the eighties, absorbing an abundance of low priced, vacant inventory with a long shelf life. The second half of the nineties was spent capitalizing on the recovery with new developments & speculative construction that was non-existent for a whole decade.

The exciting last 5 years now shows its age (like anything else) with growth rates flattening out. This is evident in building sales & leasing activity which is currently at a minimum, with many leading brokers only participating in less than 5 warehouse sale transactions each this last year. While prime land sale prices are at an all time high (\$3.75/SF), the annual increase (percentage change) in the retail price over the previous year has been steadily decreasing (2.18% increase in 1999 over 1998 prices) in the last few years. This decrease in price growth is more notable in the "Prime" industrial segment of the market. As the retail price of desirable industrial land increased coupled with a diminishing inventory, alternative industrial locations, including surrounding parishes, became more attractive to some industrial users. The same patterns can be seen in sister cities Houston & Dallas.

Prime land consisted of areas mainly in the Southeast quadrant of East Baton Rouge Parish located within such Business Parks as Industriplex, Commerce South and Highland Business Park. "Other" land sales are Cloverland, Choctaw, Wooddale, and Ascension Parish.

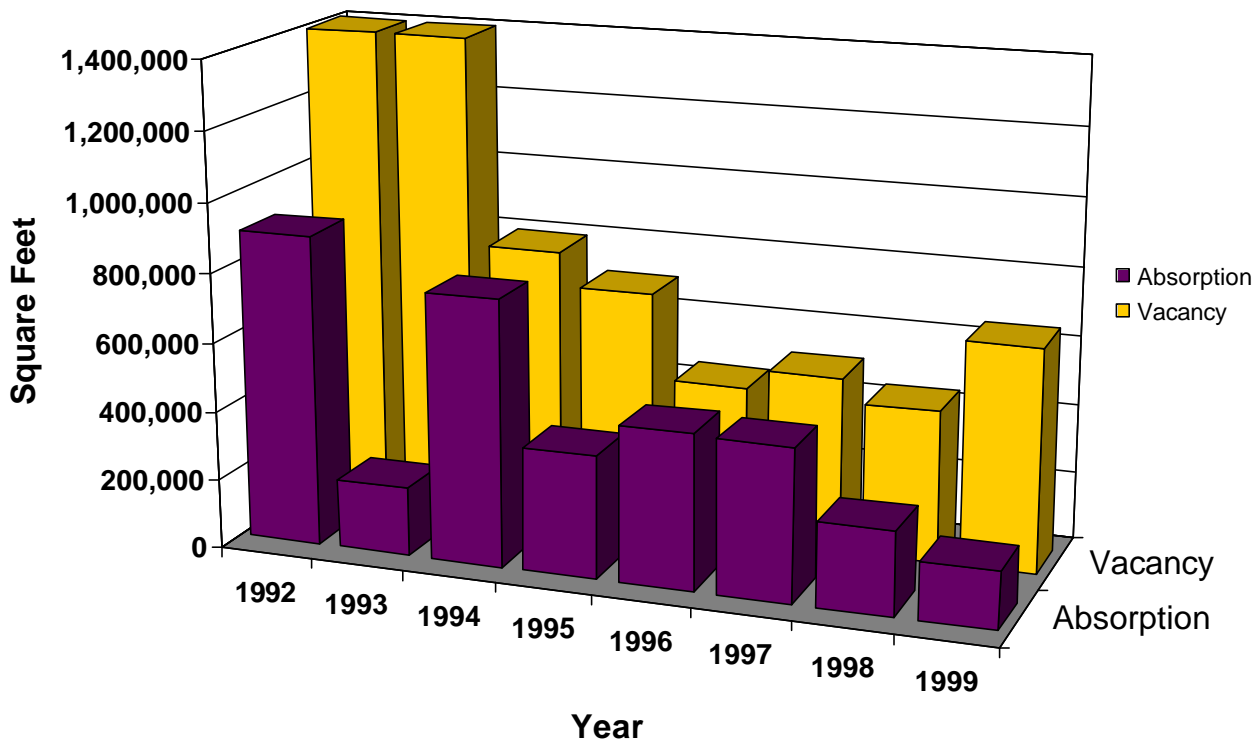
<b>Industrial Land Sales Greater Baton Rouge Area 1997-1999</b>		
	<b>Prime</b>	<b>Other</b>
1997	3.31	1.61
1998	3.67	2.04
1999	3.75	2.42

### Industrial Lot Sale Prices



Concurrent with the slowing of retail price increases for land, warehouse inventory has likewise begun to experience a slowdown of the aggressive decrease in vacancy rates and increased absorption rates that were experienced earlier in the decade. The last few years have seen both an increase in vacancy rates for industrial space and a decrease in the annual absorption rate, with a more notable decline in the absorption rate.

### Historical Vacancy & Absorption



With new construction for 1999 at 376,000 Square Feet, the total inventory of industrial/commercial space is at 16,376,000 square feet, with a vacancy factor of 3.97%, up from 2.75% in 1998.

Much of this laterally moving market comes from the pinch (ouch!) that companies feel from prices peaking out. With high land values making up a larger part of the cost of construction, many businesses are looking elsewhere for cheaper land. Some have gone to Ascension Parish, where there remains plenty of vacancy; demand not being near what it is in Baton Rouge. Others are considering WBR, which has been a sleeper for more that a decade.

Demand is still strong enough to keep the values steady where they are in the River City, but the next five years will probably show demand finally strong enough to provide a long sought after boost to neighboring markets.

<b>Market Inventory*</b>		
	<b>1998</b>	<b>1999</b>
Total (SF)	16,000,000 SF	16,376,000 SF
Vacant	440,000 SF	650,000 SF

Under Construction	200,000 SF	275,650 SF
Net Absorption	243,000 SF	166,000 SF

<b>Site Prices (Less than 2 Acres) *</b>		
<b>1998-1999</b>		
	<b>Prime</b>	<b>Other</b>
1998	\$3.67	\$2.04
1999	\$3.75	\$2.41

<b>Site Prices *</b>	
<b>1999</b>	
2 –5 Acres	\$2.00 – \$2.50 SF
5 – 10 Acres	\$2.00 SF
10+ Acres	\$1.80 SF
<b>Unimproved</b>	
Less Than 10 Acres	\$1.00 SF
10 – 100 Acres	\$.70 SF

<b>Warehouse Sale's Prices *</b>	
<b>1999</b>	
Less than 5,000 SF	\$36.00
5,000 – 19,999 SF	\$34.00
20,000 – 39,999 SF	\$32.00
40,000 – 59,999 SF	\$30.00

<b>Office/Warehouse Lease Rates **</b>		
<b>1999</b>		
	<b>Prime</b>	<b>Other</b>
5,000-19,999	\$5.75/Sq.Ft.	\$3.50/Sq.Ft.
20,000-100,000	\$4.25/Sq.Ft.	\$3.00/Sq.Ft.

**Service Center Lease Rates  
1999**

	<b>Office</b>	<b>Warehouse</b>
1998	\$10.00/Sq.Ft.	\$5.00/Sq.Ft.
1999	\$10.50/Sq.Ft.	\$6.00/Sq.Ft.

\*Source SIOR 1999 Report by Mike Falgoust, SIOR & Marc Barker, CCIM, SIOR

\*\* Assuming a 10% to 20% office finish