

RETAIL TRENDS

by

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I. Introduction

The retail market in 1999 was dominated by several forces:

- A) New grocery store development
- B) Several new big box users planned or proposed
- C) New small neighborhood space absorbing space at high rents while older space produces lower rents and higher vacancies
- D) Escalating land prices

II. Land Acquisitions

Most of the predominate retail land acquisitions have been purchases made of major corner locations by restaurants, drug stores, and grocery store chains. The following is a breakdown of pertinent sales.

DATE	LOCATION	ACREAGE	USER	PRICE/SF
07/99	Siegen @ Airline	0.822	Jack-in-the-Box	\$22.34
06/99	Siegen @ Perkins	0.86	Jack-in-the-Box	\$16.42
07/99	Highland @ Old Perkins	1.727	Sonic	\$14.99
08/99	Highland @ Old Perkins	1.7855	Cracker Barrel & Waffle House	\$15.11
12/99	Government @ Foster	0.604	Jack-in-the-Box	\$18.62
06/99	Siegen Lane	1.00	McAlister's Deli	\$12.23
11/99	Bluebonnet @ Burbank	6.621	Albertson's	\$4.97
02/00	Airline @ Old Hammond	2.0	Walgreen's	\$20.95
02/00	Sherwood @ Longridge	1.57	Racetrac	\$8.80
02/00	Airline @ Cortana	1.58	Wendy's	\$9.91
07/98	Airline @ Highland	12.00	Albertson's	\$5.50
07/97	Government @ Foster	4.838	Albertson's	\$7.76
04/99	Coursey @ Stumberg	7.413	Winn Dixie	\$5.98
11/97	Old Perkins, Prairieville	7.15	Winn Dixie	\$5.52
03/00	O'Neal @ I-12	6.626	Audubon Theaters	\$7.00

Land prices of good corner sites continue to escalate. Offers on the proposed Bluebonnet Extension at Jefferson Highway have been made in the \$25.00 to \$30.00 per square foot range.

III. **Small Neighborhood Space - Old vs. New**

Recent development of new small strip space appears to be having an adverse affect on older space. The adverse affect is showing up in vacancies and rental rates. Data on rental rates and occupancies tend to support these trends. Neighborhood space exhibits vacancies in the 18% range for the Spring of 2000. This is up from 11.5% in the Spring of 1998. Rental rates have held relatively constant in the \$9.50/sf range up about \$0.25/sf from the Spring of 1998. Larger centers appear to be fairing better with lower vacancy rates and higher market rents. Graphic representation is noted below.

Exhibit 1-6

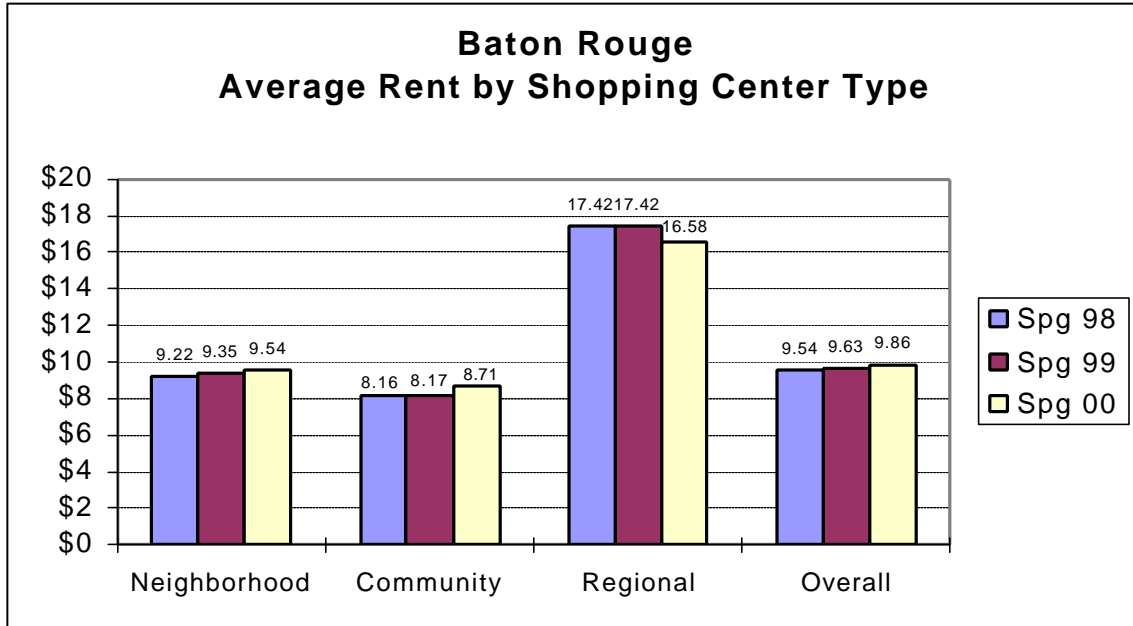
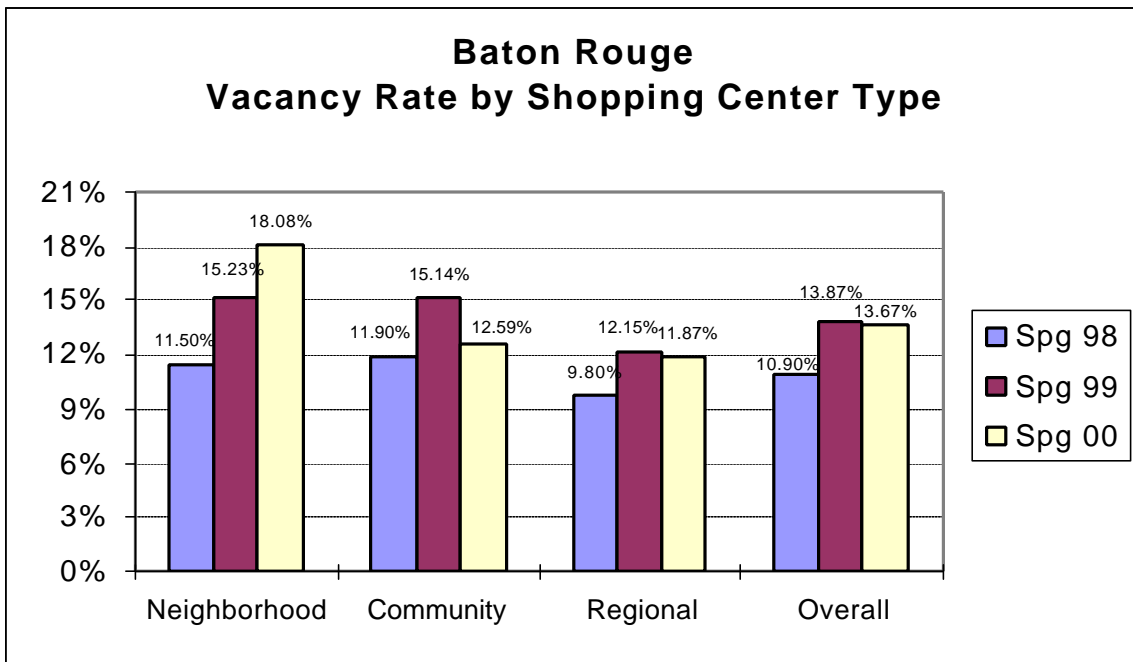


Exhibit 1-7



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Developers and lenders need to be aware that small neighborhood space is becoming over-built. Care should be exercised before substantial new development takes place. Speculative space, that is space which is not pre-leased, is becoming more and more risky.

It is interesting to note that the newer space seems to be absorbing tenants from older space. New space on Corporate Boulevard brings \$16.00 per square foot in rents, while older space on South Sherwood Forest Boulevard is offered for lease at \$10.00 per square foot.

IV. **Proposed Big Box Users**

Formal announcements have not been made on all of the potential retail development. The following is a brief list of those major developments, either rumored, announced, or under construction.

- A) Sam's is currently under construction on Siegen Lane, next to Wal-Mart in the Marketplace Power Center.
- B) Old Navy is currently under construction on Siegen Lane, near the proposed Sam's and Lowe's.
- C) Bed, Bath and Beyond will be located near Old Navy in the Siegen Marketplace Power Center.
- D) Probably the biggest rumor that has yet to be verified by the developer, is a new Target on Siegen Lane at Honore Lane. The site is reportedly under contract for purchase, and will be improved with a Target Department Store encompassing over 150,000 square feet (1.5 times as large as Sam's).
- E) Wal-Mart on Joor Road near Greenwell Springs/Magnolia Bridge Road. This location appears to have been chosen due to the growth in Livingston Parish which could access this location from Magnolia Bridge Road.
- F) Another rumor that is rampant, is a possible Super Wal-Mart on College Drive in the former Service Merchandise space. This would require demolishing a large portion of the center for the construction of the Wal-Mart store.

V. **New Grocery Store Development**

New grocery store development continues with Winn Dixie and Albertson's acquiring sites for new stores. Stores announced or under construction include the following:

- A) Albertson's at Highland Road and Airline Highway - under construction
- B) Albertson's at Bluebonnet Blvd. and Burbank Drive - under construction
- C) Winn Dixie at Coursey Blvd. and Stumberg Lane - under construction
- D) Albertson's at Greenwell Springs Rd and Oak Villa - land purchase

Rumors of possible new locations include the following:

- A) Winn Dixie at Highland Road near I-10
- B) Albertson's at Burbank Drive near Nicholson Drive

VI. **New Construction and Renovation**

Several new projects are proposed and several renovation projects are taking place.

- 1) Phyllis Sandra owns the University Shopping Center at the north gates of LSU, and intends an extensive renovation and addition. She has acquired several properties surrounding the center and is currently in the process of having plans drawn which will include the addition of both retail space and parking.
- 2) Gary Louis has purchased the Drusilla Shopping Center on Drusilla Lane at Jefferson Highway. He is currently in the process of constructing a new front facade and continues to lease the vacant space. This is a well located center that was greatly in need of a "face lift."
- 3) Robert Day has proposed a shopping center at the south gates of LSU on a 50± acre tract he owns at Nicholson Drive and Burbank Drive. The proposed retail space includes a grocery store, major book store and smaller strip speculative space. This proposed center will adjoin a high rise apartment project.

VII. **Conclusions / Predictions**

Retail conditions appear to remain strong for most segments of the market. The development of larger space by big box users and grocery store developers tends to support demand in these segments.

Smaller neighborhood space is not going as well and exhibits higher vacancy and lower rental rates. Newer neighborhood space seems to be leasing at higher rates than older existing space. New space also seems to exhibit lower vacancy. Higher rates and lower vacancy for small retail space seems to come at the expense of older space. Expect a slowdown in the development of small neighborhood space. New development should take place cautiously with a larger percentage of space being pre-leased before construction begins.