

GREATER BATON ROUGE INDUSTRIAL MARKET REPORT TRENDS IN REAL ESTATE, MAY 1, 2003

INDUSTRIAL COMMITTEE MEMBERS

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EXECUTIVE SUMMARY

2002 INDUSTRIAL MARKET OVERVIEW

The Greater Baton Rouge industrial real estate market began 2002 as a soft market in the aftermath of the 9-11 terrorist attacks. Business postponed decisions on expansions and new construction and in many cases downsized or merged with other companies. Transportation companies especially hard hit. Weak national and international markets along with high natural gas prices (due in part to new gas fired merchant electric power plants) have resulted in a downturn in the petro-chemical industry -- which drives in large part our local industrial real estate market. No new significant petro-chemical plant expansions on the drawing board pending recovery of domestic and foreign markets. Many construction companies completing projects with few new projects scheduled. Industrial real estate vacancy levels increased from 646,153 sq. ft. (4% vacancy) in 2001 to 1,491,986 sq. ft. (8% vacancy) in 2002 with a negative 453,348 sq. ft. absorption of 2001 occupied space compared to 2002 occupied space. Significant reductions in building permits for industrial related buildings. Although historically low interest rates and plenty of money available by area lenders, very few owner occupants/developers, at present, taking advantage. On the positive side, 521,000 sq. ft. distribution warehouse under construction which was pre-leased prior to construction and two new 60,240 sq. ft. flex buildings completed in new Barringer Foreman Technology Park. The industrial real estate market inventory ended 2002 with total 18,441,868 sq. ft.

2003 INDUSTRIAL MARKET FORECAST

As the domestic and foreign markets strengthen so will our industrial market. May take one to two years to rebound. Appears many of the planned new merchant electric power plants have been postponed which should ease demand for natural gas prices. Since natural gas is feedstock for petro-chemical plants, prices need to be near \$2.00 mcf as compared to seasonal highs of over \$10.00 mcf. Otherwise, petro-chemical plants abroad become more competitive than domestic plants. Approximately 600,000 sq. ft. new distribution warehouse space planned in 2003 to consolidate operations and meet demand for new plants (under construction prior to 9-11) soon to be completed. New construction should increase by owner occupants and build to suits due to continued low interest rates. Very little new spec construction anticipated.