

INDUSTRIAL MARKET REPORT

INDUSTRIAL COMMITTEE MEMBERS

Marc Barker, CCIM, SIOR, Chairman, NAI Latter & Blum Industrial Sales & Leasing
David Lakvold, MAI, SRA, The Lakvold Group, L.L.C.
Todd Pevey, MBA, MIE Properties
Branden Barker, Latter & Blum Property Management

CONTRIBUTORS

Society of Industrial & Office REALTORS®
Charles Breard Photography
Ken Damann, Greater Baton Rouge Association of REALTORS®

2003 INDUSTRIAL MARKET OVERVIEW

The 2003 industrial real estate market trend continued in a downward pattern, much like it did in 2002. Petrochemical plants continue to suffer due to high natural gas prices (natural gas used as feedstock), foreign competition, Wall Street scandals, and weak economy resulting in approximately 3000 layoffs, plant closures, and reduced production. Also, reduced petrochemical plant expansions planned in near future.

The stagnation in the petrochemical industry also caused a trickle down effect that has slowed office/warehouse leasing. Industrial vacant space increased from 8.1% in 2002 to 10.08% in 2003. No new large speculative buildings completed in 2003. On positive side, a pre-leased 521,000 sq. ft. distribution warehouse completed in 2003 with two new distribution warehouses (one pre-leased and other speculative) under construction at end of 2003. Lease rates remain basically unchanged.

Industrial Lease Rates

- \$10 to \$11 sq. ft. for finished service centers (i.e., flex space)
- \$3.50 to \$3.75 sq. ft. for metal office/warehouses 5,000 to 10,000 sq. ft. (See Note)
- \$2.00 to \$2.50 sq. ft. for older metal warehouses and shopping center conversions 50,000 to 100,000 sq. ft.
- \$3.25 sq. ft. (plus) for new metal warehouses 100,000 sq. ft. and higher range

Industrial Inventory Data Table

Description	2002	2003
Inventory	18,441,868 sq. ft.	19,456,602 sq. ft.
Vacant	1,491,986 sq. ft.	1,961,891 sq. ft.
Vacancy Rate	8.1%	10.08%
Under Construction	627,524 sq. ft.	682,789 sq. ft.
Net Absorption	(453,348) sq. ft.	544,829 sq. ft.

Note: Net absorption is defined as "the net change in occupied space". Under Construction includes 144,000 sq. ft. distribution warehouse in East Baton Rouge and 300,000 sq. ft. distribution warehouse in West Baton Rouge.

Land Values

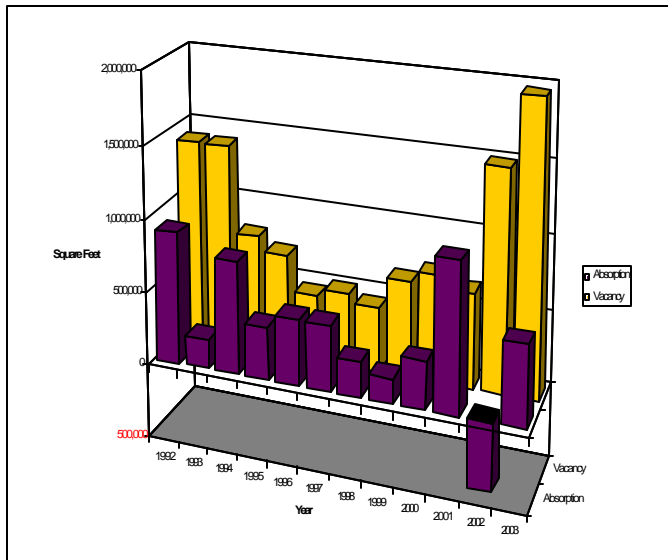
Land values in prime industrial/commercial developments for 2003 averaged approximately \$4.25 sq. ft. with other, non-prime, land values averaging approximately \$2.85 sq. ft. Vacant land for larger industrial sites average in \$15,000 to \$20,000 acre range for 50 plus acres.

2004 INDUSTRIAL MARKET FORECAST

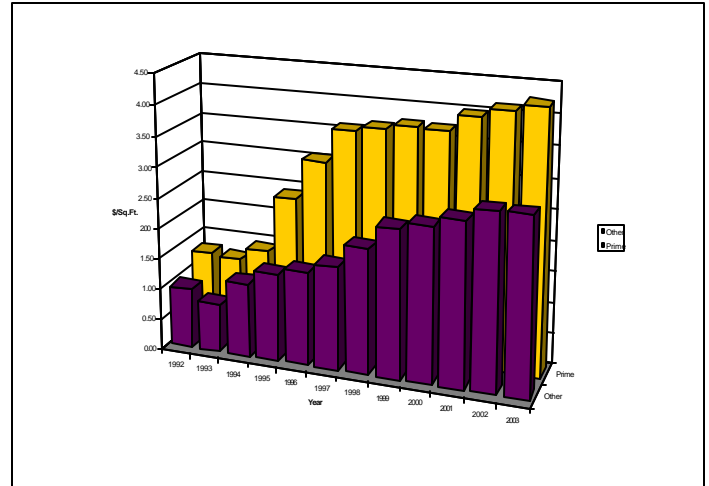
Industrial real estate market improving somewhat over 2003. As the domestic and foreign markets strengthen so will our industrial market. Despite continued high natural gas prices, petrochemical production of "plastic pellets" beginning to rebound due to cost cutting measures and increased prices.

New 300,000 sq. ft. pre-leased distribution warehouse and 144,000 sq. ft. speculative distribution warehouse under construction and to be completed in 2004. Lease rates and land values should remain basically unchanged. However, marketing time increasing on available properties with more landlord concessions. Few new companies seeking locations with existing companies holding off expansion decisions until economy improves.

VACANCY AND ABSORPTION



PRIME & OTHER LAND VALUES



Note: Inventory Data obtained from Society of Industrial & Office REALTORS' Comparative Statistics Of Industrial Markets, a national survey. Greater Baton Rouge industrial market reported by Marc Barker, CCIM, SIOR, NAI Latter & Blum, and Mike Falgoust, SIOR, Sealy & Falgoust Real Estate, LLC.

Note: Office/warehouses with ten percent (10%) built out office space and professional exterior finishes will lease \$5.00 sq. ft. range.

MAJOR PROJECTS

I. IBERVILLE BUSINESS & TECHNOLOGY PARK: 100 acre development donated by The Dow Chemical Company located off LA Hwy. 1148 near LA Hwy. 1. Forty acres of park occupied by Diamond Plastics.

II. SUN PLUS DISTRIBUTION CENTER: Robert Merrick's 1,121,000 sq. ft. new distribution center located off LA Hwy. 1 at Northline Road, West Baton Rouge. Phase II (521,000 sq. ft.) completed 2003, with Phase III (300,000 sq. ft.) completed first quarter 2004. Distribution Center 100% leased. SALCO Construction was contractor. Two large additional land tracts acquired on Northline Road for future distribution warehouse construction.

III. DOW CONTAINER YARD: Ten acre new container yard constructed at Inland Marine Terminal on Northline Road in West Baton Rouge by Port of Greater Baton Rouge for The Dow Chemical Company.

IV. HUMMEL PROPERTY: 187 acre Intracoastal Canal water front development, located West Baton Rouge, to be acquired by the Port of Greater Baton Rouge second quarter 2004 for expansion.

V. FORMER MUNSON PROPERTY: 120 acre development located U.S. Hwy. 61 at Thomas Road, Baton Rouge across from ExxonMobil's Maryland Tank Farm. Site purchased by BR Polymers Terminal, LLC, owned by Katoen Natie, for future development.

VI. EXXONMOBIL DISTRIBUTION WAREHOUSE: Site of planned 500,000 sq. ft. distribution warehouse to be constructed for ExxonMobil on former Maryland Tank Farm at U.S. Hwy. 61 and Thomas Road, Baton Rouge. New distribution warehouse will help eliminate numerous satellite warehouses.

VII. SEALY & COMPANY BATON ROUGE #4: 144,000 sq. ft. warehouse facility under construction located off Exchequer Dr., Baton Rouge, May 2004 completion. The contractor is The Design Build Group.

VIII. WILSON WAREHOUSE #19: 100,000 sq. ft. warehouse addition to Wilson Warehouse # 19 located Airline Hwy. at Plank Road, Baton Rouge. Warehouse site totals 286,000 sq. ft. Warehouse addition completed 2003 by SALCO Construction.

IX. WILSON WAREHOUSE #12: 50,000 sq. ft. warehouse addition to Wilson Warehouse # 12 located former Holsum Bread facility, Choctaw Dr, Baton Rouge. Warehouse site totals 136,000 sq. ft. Warehouse addition completed 2003 by SALCO Construct.

X. DSM ELASTOMERS: DSM Elastomers plant located Addis, LA scheduled for closure and demolition.

XI. BARRINGER FOREMAN TECHNOLOGY CENTER: 160,000 sq. ft. new flex center located Airline Hwy., Baton Rouge. Facility constructed by MIE Properties.

XII. THE RENAISSANCE CENTER (FORMER MAISON BLANCHE): 350,000 sq. ft. commerce center with warehouse options located Main Street, Baton Rouge.