



# 2005 Baton Rouge Office Market Overview

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# Executive Summary

- **Considerable absorption although in small increments**
- **Increased market activity**
- **Demand from local users relocating**
- **Increased construction of Garden Office space**
- **Competitive Class B market**

# Baton Rouge Office Market

Spring 2005

Class B – 1,936,275 Square Feet

Thirty-Five (35) Buildings

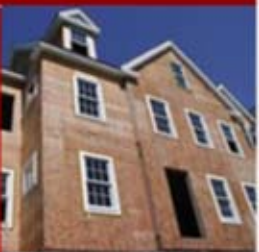
Twenty Five (25) Buildings

Class A – 3,119,512 Square Feet



# Baton Rouge Office Market

Spring 2005



|                         | <b>Class A</b> | <b>Class B</b> | <b>Total</b> |
|-------------------------|----------------|----------------|--------------|
| <b>Downtown</b>         | <b>91.12</b>   | <b>63.41</b>   | <b>79.07</b> |
| <b>Acadian/College</b>  | <b>96.08</b>   | <b>77.49</b>   | <b>90.39</b> |
| <b>Essen/Bluebonnet</b> | <b>95.59</b>   | <b>97.12</b>   | <b>95.71</b> |
| <b>Sherwood Forest</b>  | <b>94.70</b>   | <b>76.21</b>   | <b>81.36</b> |
| <b>Florida/Airline</b>  | <b>N/A</b>     | <b>70.96</b>   | <b>70.96</b> |
| <b>Total</b>            | <b>94.11</b>   | <b>73.42</b>   | <b>86.40</b> |



# Baton Rouge Office Market

Winter 2005

| Market                    | Occupancy Rates |
|---------------------------|-----------------|
| <b>Baton Rouge Market</b> | <b>85.46</b>    |
| <b>East South Central</b> | <b>85.29</b>    |
| <b>West South Central</b> | <b>82.73</b>    |
| <b>South Atlantic</b>     | <b>86.22</b>    |

# Downtown Office Market

YTD 2005

- Current Class A occupancy rate of 91.12%
- Average Class A rental rate of \$18.75 psf/year
- Current Class B occupancy rate of 63.41%
- Current Class B rental rate of \$13.26 psf/year





# Downtown Office Market Factors

- **Need to be near State of Louisiana consolidation**
- **No new Class A construction expected**
- **Parking availability and price**
- **Downtown revitalization**
- **Renaissance Park – Large block**
  - **Large block vacancy added to market**
  - **Highly competitive rates**

# Acadian/College Office Market

- Current Class A occupancy rate of 96.08%
- Average Class A rental rate of \$19.50 psf/year.
- Current Class B occupancy rate of 77.49%
- Current Class B rental rate of \$16.00 psf/year.





## Acadian/College Office Market Factors

- **Highest effective rents in Baton Rouge**
- **New retail/multi-family development may boost office demand**
- **Close proximity to service, restaurant, lodging, and retail**
- **Easy Interstate Access**
- **High quality buildings**

# Sherwood Office Market

- Current Class A occupancy rate of 94.70%.
- Average Class A rental rate is \$17.50 psf/year.
- Current Class B occupancy rate of 76.21%.
- Current Class B asking rate is \$14.86 psf/year.



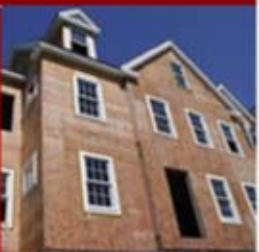


# Sherwood Office Market Factors

- **Heavy traffic a obstacle to growth**
- **Migration of tenants to Garden Office space**
- **Tenants seeking easier access to other areas of town**
- **New buildings included in survey**
- **Amenities and location are cornerstones of demand**

# Airline/Florida Office Market

- Current Class B occupancy rate of 70.96%.
- Current Class B asking rate is \$11.00 psf/year
- No Class A buildings in this market segment





# Airline/Florida Office Market Factors

- **State of Louisiana consolidation**
- **Aging inventory**
- **Growth areas to the Southeast**
- **Bon Carre, Baton Rouge Community College, Mid-City Redevelopment**

# Essen/Bluebonnet Office Market

- Current Class A occupancy rate of 95.59%.
- Average Class A asking rate is \$18.52 psf/year
- Current Class B occupancy rate of 97.12%
- Average Class B asking rate is \$13.00 psf/year





## Esсен/Bluebonnet Office Market Factors

- **Traffic concerns on Essen Lane**
  - New Essen Interstate Access/Service Roads
  - Picardy / One Calais
- **Office Park appeal**
- **Owner/Occupants stabilize occupancy rates**
- **Proximity to hospital systems and interstate push demand**

# Garden Office Market

- Abundant New Construction
- Lure for traditional Class A & B tenants
- Driving force for vacancies in several market segments
- New Construction Continues





# Garden Office Market

- **Average Occupancy Rate of 93%**
  - Range of 80% - 100%
- **Average Rental Rate of \$16.75 per square foot**
  - Range of \$14.00 - \$22.00
  - Gross Rents
    - Tenant pays utilities, janitorial, minor repairs/maintenance, and possibly a CAM charge
    - Effective Rents of \$16.00 - \$24.00
- **Average Sales Price of \$135.00 per square foot**
  - Range of \$115 to \$145

# Garden Office Market



Perkins @ YMCA Plaza



Bluebonnet @ Oliphant



# Garden Office Market Factors

- Landlord's demanding longer term leases
- Little or no Tenant Improvement Allowances
- Professional Tenant's – Law Firms, CPA's, Real Estate
- High demand for Ownership vs. Leasing
- Concessions:
  - Month's free rent
  - Stepped rents



# Garden Office

## Own vs. Lease Analysis

$\$135 \text{ psf} \times 4000 \text{ sq.ft.} = \$540,000$

Amortized over 15 years @ 6% =  $\$4556/\text{mo.}$

$4000 \text{ sq.ft.} \times \$16.75 \text{ psf} = \$67,000/\text{yr.}$  or  $\$5,583.33/\text{mo.}$

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## Gross vs. Full Service Rent Analysis

$\$18.50 \text{ psf} \times 4000 \text{ sq.ft.} = \$74,000/12 = \$6,166/\text{mo.}$

$(\$16.75 \text{ psf} + \$4.00 \text{ psf exp.}) \times 4000 = \$83,000/12 = \$6,916/\text{mo.}$



# Conclusion

- **Increasing absorption over next 12 – 24 months**
- **Small local users will be predominant Tenants (3000 – 6000 sq.ft.)**
- **Rental rates will remain flat for Class A. Deals will be cut for Class B**
- **Landlords will continue concessions in the short term**
- **Class B market will be highly competitive**
- **More transition of Tenants from Class A & B to Garden Office space**