



2006 Baton Rouge Office Market Overview

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Executive Summary

- **Rapid absorption of available space post Katrina/Rita**
- **Considerable sublease space available**
- **Demand from local/regional/national users relocating**
- **Developers speculating on new office buildings**
- **Looming vacancy for Class B market**
- **Office demand still strong from construction / rebuilding related industries**



Effects of Hurricanes Katrina/Rita

- **Approximately 640,000 square feet of Class A & B space leased in the first month after Hurricane Katrina (most within 7-10 days)**
- **Estimated that an additional 50,000 to 100,000 square feet of Class C and Garden Office space also leased (no statistical tracking of this segment)**
- **Most leases done at prevailing market rates...contrary to the national press**
- **Lease terms ranged from 6 months to 5 years...driven by Landlord demands not Tenant needs**
- **Predominant Tenants were professional companies (law firms, insurance, banks) and federal agencies.**



Baton Rouge Office Market

Spring 2006



Class B – 1,964,066 Square Feet

Thirty Three (33) Buildings

Twenty Six (26) Buildings

Class A – 3,169,434 Square Feet

Baton Rouge Office Market

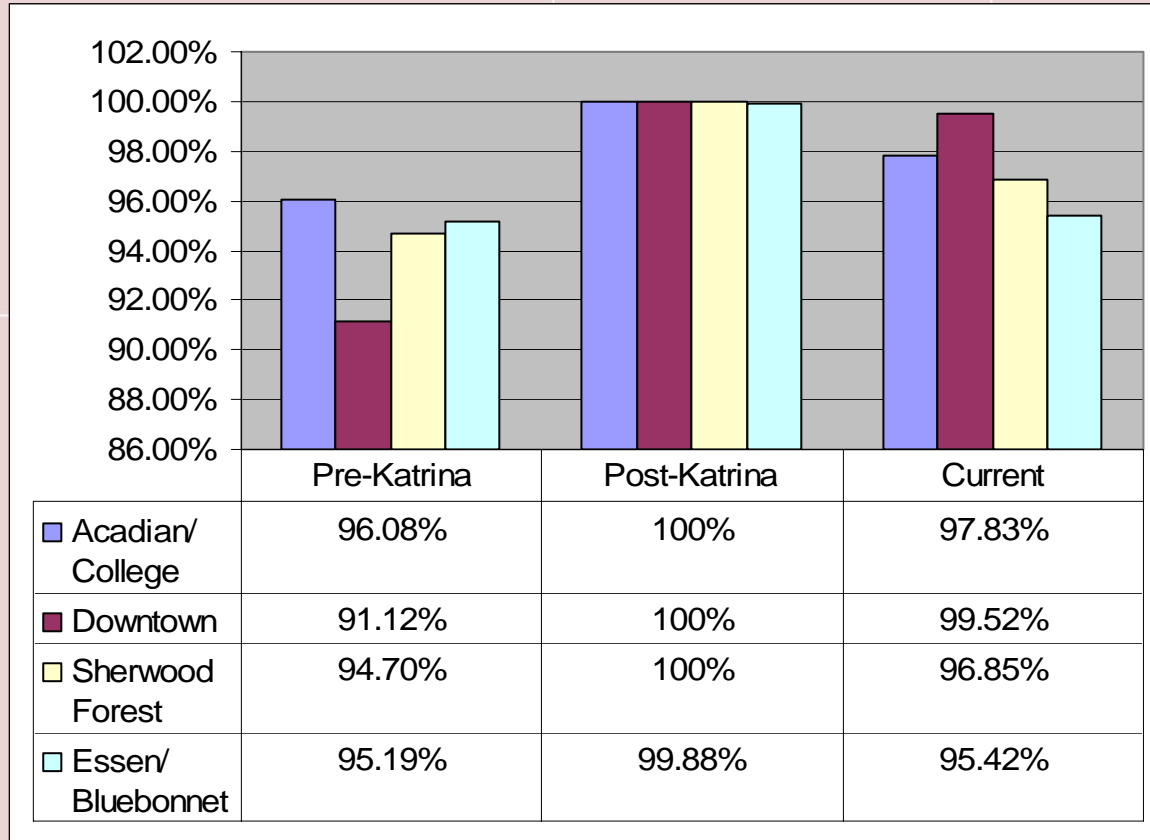
Spring 2006



	Class A	Class B	Total
Downtown	99.52%	90.35%	95.65%
Acadian/College	97.83%	100%	98.49%
Essen/Bluebonnet	95.42%	98.47%	95.65%
Sherwood Forest	96.85%	92.77%	93.87%
Florida/Airline	N/A	79.74%	79.74%
Total	97.17%	90.23%	94.51%

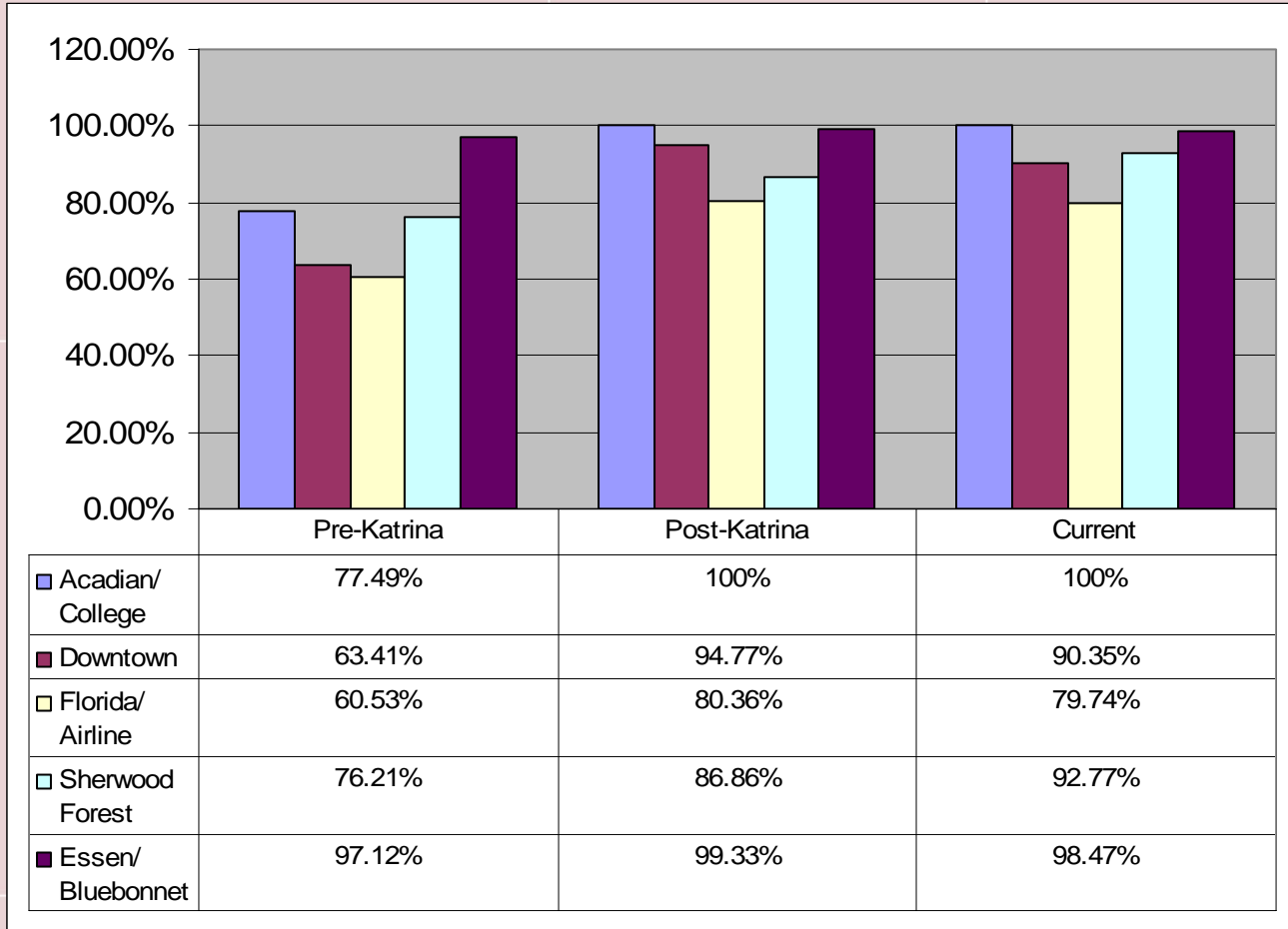
Baton Rouge Office Market

Class A Space



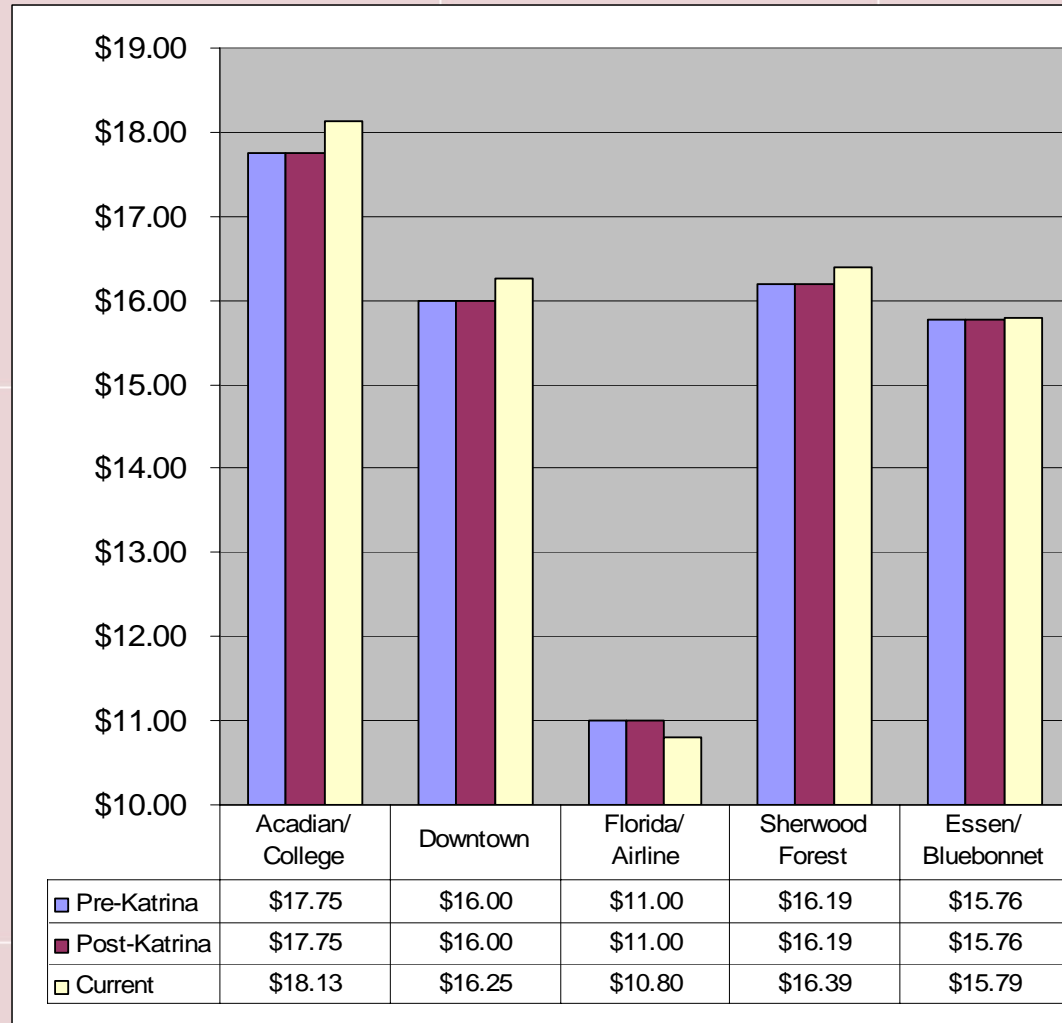
Baton Rouge Office Market

Class B Space



Baton Rouge Office Market

Average Rental Rates (Class A & B)



Downtown Office Market

YTD 2005

- **Current Class A occupancy rate of 99.52%**
- **Average Class A rental rate of \$18.75 psf/year (quoted rates for available space are \$19-\$20)**
- **Current Class B occupancy rate of 90.35%**
- **Current Class B rental rate of \$13.74 psf/year**



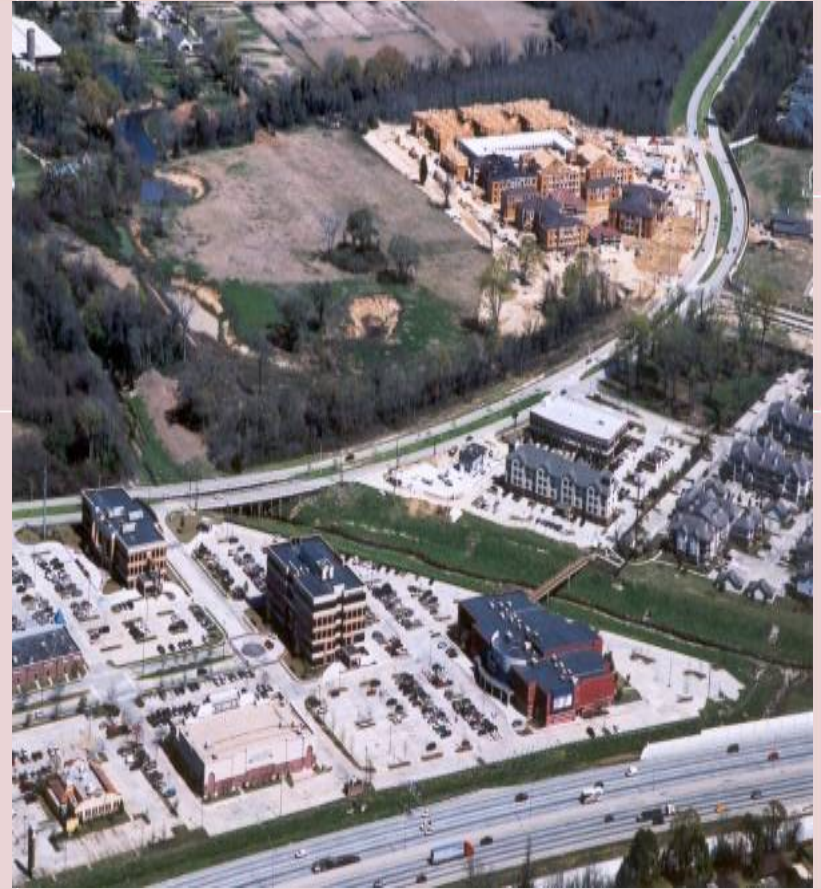
Downtown Office Market Factors

- **Speculation of Class A construction**
 - City Plaza II...others
 - Proposed rents from \$24-\$28 PSF
 - Anchor Tenant (Bank, Law Firm)
- **State of Louisiana consolidation comes to a close**
 - Looming Class B Vacancy of 136,000 square feet from State relocations
 - FEMA...when will they vacate Renaissance?
- **One American Place on the market for bids**
- **Parking Concerns will not go away**
- **Sublease space has not been a factor in market...yet**
 - 54,000 square feet of sublease space available at One American Place



Acadian/College Office Market

- **Current Class A occupancy rate of 97.83%**
- **Average Class A rental rate of \$20.08 psf/year**
- **Quoted rates for available Class A space as high as \$22.50/psf**
- **Current Class B occupancy rate of 100.00%**
- **Current Class B rental rate of \$16.17 psf/year.**



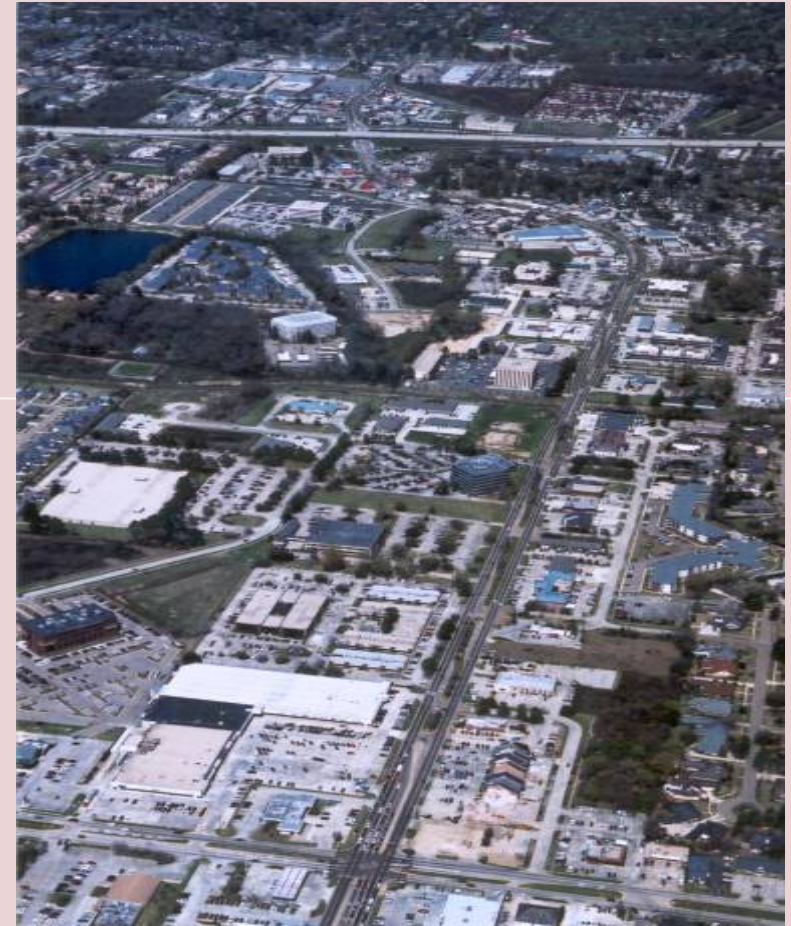
Acadian/College Office Market Factors

- **Highest effective rents in Baton Rouge for Class A Space**
- **Still maintaining close to 100% occupancy**
- **Two Buildings trade in 2005**
 - 5643 Corporate – Twice (\$109 PSF / \$119 PSF)
 - 5757 Corporate (\$66 PSF)
- **Looming vacancy at Corporate II of 27,000 sq.ft. in December 2006**
- **9,600 sq.ft. feet available for sublease in Acadian Centre**



Sherwood Office Market

- **Current Class A occupancy rate of 96.85%.**
- **Average Class A rental rate is \$17.50 psf/year.**
- **Current Class B occupancy rate of 92.77%.**
- **Current Class B asking rate is \$15.28 psf/year.**



Sherwood Office Market Factors

- **Large Looming Class B Vacancy**
 - Amedysis relocation to former Schwegman's will bring 51,000 +/- sq.ft. to market
 - Allstate move out will create 21,000 sq.ft. vacancy
- **Security National occupies its own building taking 21,000 sq.ft. off of the market**
- **Tenants seeking easier access to other areas of town**
- **Accessibility still the largest concern for this market segment.**
- **Garden Office development has made its way to Sherwood Forest**



Airline/Florida Office Market

- **Current Class B occupancy rate of 79.74%.**
- **Current Class B asking rate is \$10.80 psf/year**
- **No Class A buildings in this market segment**



Airline/Florida Office Market Factors

- **Enormous benefit/revitalization from Hurricane Katrina**
 - Corps of Engineers occupies 54,000 sq.ft. at 1900 Lobdell
 - Credit Union buys 1771 North Lobdell
 - VA Clinic re-occupies 232 Foster
 - Investor buys former Bank Branch adjacent to 1900 Lobdell
 - 200 acres on Lobdell proposed residential development
- **Aging inventory still a concern, but rents are affordable**
- **Direct General move out will create a 90,000 sq.ft. vacancy but they have yet to begin construction on new location**



Essen/Bluebonnet Office Market

- **Current Class A occupancy rate of 95.42%.**
- **Average Class A asking rate is \$18.58 psf/year**
- **Current Class B occupancy rate of 98.47%**
- **Average Class B asking rate is \$13.00 psf/year**



Essen/Bluebonnet Office Market Factors

- **Only segment that did not see drastic changes post Katrina...historic high occupancy**
- **United Plaza I will have 45,000 square feet available 4/2007 with relocation of Wells Fargo to Perkins Rowe.**
- **Traffic concerns on Essen Lane are better**
- **Essen Centre is the only building with considerable current vacancy of 48,000+/- square feet but should benefit from lack of supply in market**



Garden Office Space

Quick Facts

- Construction ongoing in southeast Baton Rouge
- Segment expected to benefit further from low supply in the Class A & B markets
- Sales prices for new construction have reach \$155 to \$165 per square foot
- Rental rates have topped \$20 per square foot but still average \$16.00-\$19.00
- Construction of this segment will be slowed by increasing cost of land



Conclusion

- **Low supply will continue for the short term**
- **Local businesses will be predominant Tenants but we will continue to see an influx of national and regional office users into our area...especially companies related to construction/rebuilding**
- **Influx of Federal spending (estimated at over \$100 billion for the Gulf Coast) will have a domino effect on several industries fueling office demand**
- **Expect to see growth and expansion in local branches of national companies as they increase their presence in Baton Rouge**



Conclusion

- **Rental rates will climb in the short term in response to the existing supply/demand curve for Class A. However, look for cut rate deals in the Class B segment next year.**
- **Tenant incentives will disappear in the short term, but will reappear in the Class B segment next year.**
- **Go Zone Incentives will boost demand for owner occupied space.**

