

# 2009 Baton Rouge Industrial Market Overview

---



Presented by:  
Todd E. Pevey, MIE Properties -  
LA  
April 15<sup>th</sup>, 2010







# Industrial Committee

- **Todd Pevey, MPA, MIE Properties, Co-Chairman**
- **Marc Barker, CCIM, SIOR, NAI Latter & Blum, Co-Chairman**
- **Branden Barker, CPM, CCIM Latter & Blum Property Management**
- **Brent Garrett, CCIM, SIOR Beau Box Commercial Real Estate**
- **Scot Guidry, CCIM, Sealy & Falgoust Real Estate**
- **Jonathan Starns, Donnie Jarreau Real Estate**
- **Walt Ketchings, NAI Latter & Blum**



# INDUSTRIAL COMMITTEE MEMBERS







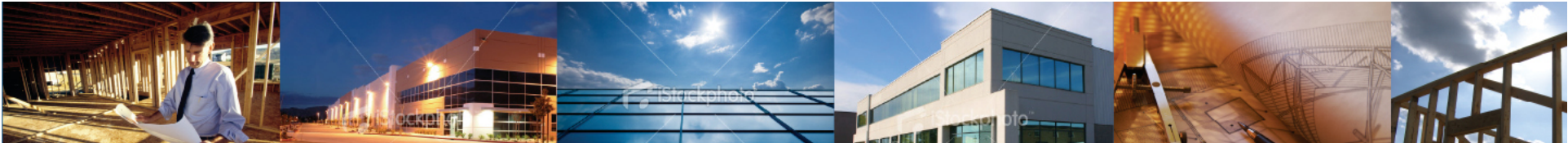
# LOOKING FOR SCRAPS...



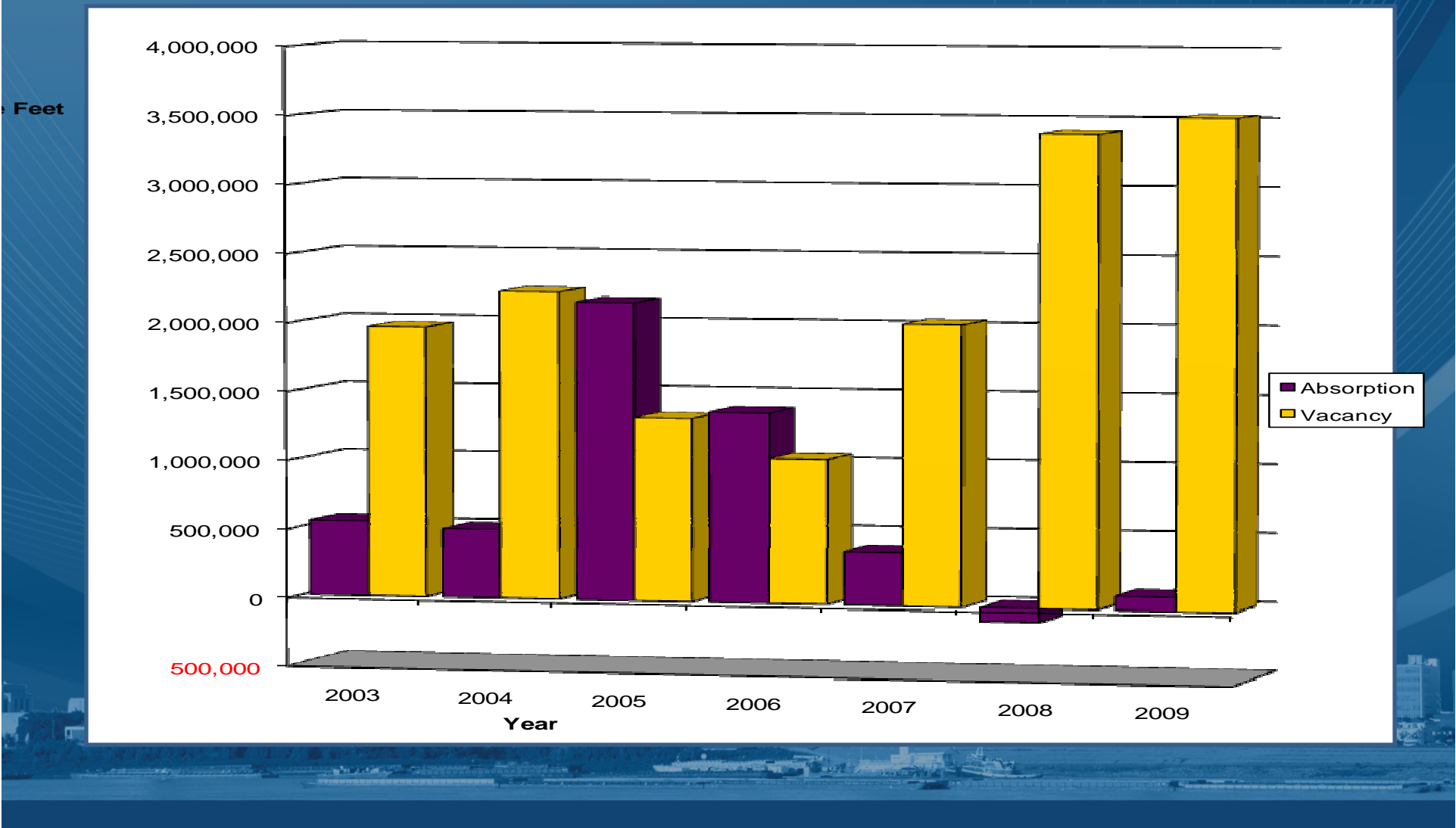


# INVENTORY & ABSORPTION

MEMO	% INVENTORY VACANT	NET ABSORPTION
<u>2003</u> <u>9/11 IMPACT</u>	10.08%	544,829 S.F.
<u>2004</u>	11.04%	496,335 S.F.
<u>2005</u> <u>KATRINA IMPACT</u>	6.48%	<b>2,162,949 S.F.</b>
<u>2006</u> <u>KATRINA IMPACT</u>	<b>4.74%</b>	1,381,015 S.F.
<u>2007</u>	8.66%	386,483 S.F.
<u>2008</u> <u>ECO. RECESSION</u>	13.78%	(100,616) S.F.
<u>2009</u> <u>ECO. RECESSION</u>	<b>14.13%</b>	<b>102,359 S.F.</b>



# INVENTORY & ABSORPTION





# YEAR-TO-YEAR CHANGES TO INDUSTRIAL INVENTORY DATA

MEMO	2008	2009	% DIFF.
<u>TOTAL INVENTORY</u>	24,756,914 S.F.	24,976,597 S.F.	0.89%
<u>VACANT S.F.</u>	3,411,426 S.F.	3,528,750 S.F.	3.44%
<u>OCCUPIED S.F.</u>	21,345,488 S.F.	21,447,847 S.F.	0.48%
<u>VACANT %</u>	13.78%	14.13%	2.54%
<u>NET ABSORPTION</u>	(100,616) S.F.	102,359 S.F.	201.73 %
<u>UNDER CONSTRUCTION</u>	89,095 S.F.	49,702 S.F.	<b>(44.21)%</b>



# EBR PARISH BUILDING PERMITS

<b>MEMO</b>	<b>2008</b>	<b>2009</b>	<b>% DIFF.</b>
<u>EBR PERMITS (NUMBER)</u>	24,838	21,649	<b>(12.83)%</b>
<u>EBR PERMITS (VALUE)</u>	\$666,743,993	\$375,597,425	<b>(43.47)%</b>
<u>EBR PERMITS (FEES)</u>	\$7,616,985	\$4,151,897	<b>(45.49)%</b>





# INDUSTRIAL PERMITS

YEAR	NO. PERMITS	PERMIT VALUE	PERMITS FEES
<u>2007</u>	27,312	<b>\$1,068,749,146</b>	\$8,681,517
<u>2008</u>	24,838	\$666,743,993	\$7,616,985
<u>2009</u>	21,649	<b>\$375,597,425</b>	\$4,151,897





# LEASE RATES

<b>Product Type</b>	<b>Size/Sq. Ft.</b>	<b>Lease Rate /Sq. Ft.</b>	<b>Lease Type</b>
<u>Flex Space</u>	1,000 – 15,000	\$11 - \$12	Net
<u>Office Warehouse – Older</u>	5,000 – 10,000	\$5 - \$6	Net
<u>Office Warehouse – New</u>	5,000 – 10,000	\$7 - \$8	Net
<u>Warehouse - Older</u>	5,000 – 10,000	\$3 - \$4	Modified Gross
<u>Warehouse – Older</u>	10,000 – Plus	\$2 - \$4	Modified Gross
<u>Warehouse – New</u>	10,000 – Plus	\$5	Net





# NOTICEABLE TRENDS

- Consolidations & Mergers – contributing to the increasing vacancy rates.
- Subleases for All or a Portion of spaces becoming more prevalent.
- Not a lot of companies Relocating...but most of those that move are downsizing & attempting to decrease their monthly rent.
- Businesses with Leases expiring in near-term are renegotiating Lease terms now - BEFORE economy improves!
- Many businesses “sitting on their hands” with decisions until they see improvement in the economy...Resulting in short term leases & extensions by many companies.
- Many Tenants posturing as though they are insolvent or near bankruptcy; hiring national consultants (many from NYC) to:  
1) negotiate a *Lease-Restructure* or 2) negotiate *buyouts for cents on the dollar*.



## NOTICEABLE TRENDS CONT'D

- No New Speculative Construction! Very little construction of any kind. Many of the construction permits in 2009 are for remodels in owner-occupied buildings.
- Financing for owner-occupied buildings is the most readily available. Banks shying away from speculative development and investment loans. Banks requiring Global Net Operating Income Analysis of borrowers.
- Still a LOT of Big Box space...





# NOTEWORTHY EVENTS

- **Criterion's New Plant Construction in West Baton Rouge Parish**
- Nucor Steel Project On-Hold in St. James Parish
- **Shintech Completing New Units in Iberville Parish**
- New CO2 and Other Pipelines Construction in Region
- Loop Project Moves Forward – Very Slowly
- **Celtic Media Centre and Region Have Big Movie Production Year**
- 84 Lumber Closes Locations in Region
- **No Takers On Ascension Eco. Dev. Corp. Deepwater Megasite – YET**



# NOTEWORTHY EVENTS CONT'D

- Placid Refining Completes Expansion in West Baton Rouge
- Pinnacle Entertainment Delays, Again, Construction
- Postponed Woman's Hospital Project Gains Momentum
- Dow Jones Industrial Up in 2009
- SNF Purchases 800 Acres for New Iberville Parish Plant
- Project Financing Still Difficult
- Local Companies Cut Jobs





# FORECAST FOR 2010

