

2010 Baton Rouge Office Market Overview



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National Trends

- On a national market, roughly 700 million square feet, or 17.2%, of the more than 4 billion of available office space was unoccupied as of the end of March. Highest vacancy level since 1994. (14 Years)
- Vacancy has been on the rise since the start of 2008 with nearly three-quarters of the country's major metropolitan areas facing an increase in vacancies since start of 2010.
- Source: "Office Vacancies Hit 16-Year Highs".
http://money.cnn.com/2010/04/05/news/companies/office_vacancies/index.htm



SIOR Commercial Real Estate Index Fourth Quarter 2009 Results

National Trends

January 2010

- 700 SIOR market experts commented on Fourth Quarter 2009 conditions.
 - 55% expect the market to improve next quarter
- Investment activity continues to be down across the board, as 86% of SIOR experts report prices are below replacement costs- only 12% reported prices are in line.
- 98% said development was down
- 97% of SIOR respondents report either deep discounts to asking rents or moderate level of tenant concessions.
- The SIOR index indicates we have not experienced equilibrium in the market since third quarter 2007.
- Leasing activity and rental rates for the Office market are slightly stronger than the Industrial market.



SIOR Commercial Real Estate Index Fourth Quarter 2009 Results

Regional Breakdown (100 point basis)

The West (27.1 points) continues to be in the doldrums. Its overall market is suffering from the lowest level of leasing activity of all regions, the largest decline in asking rents, and the deepest level of concessions. Consequently, the short term outlook for the West is the lowest of all regions.

The South (37.8 points) has the highest performing submarket—the West South Central—which scored 44.7 points. The region posted the best vacancy rates of the four regions. While it is a buyer market in all regions, the South is experiencing prices that are slightly more stable.

The Northeast (43.7 points) Although declining 2.4 points from 3rd quarter 2009, the Northeast continues to lead all regions scoring the highest total points this quarter. The region is finding prices that are slightly more stable, the amount of sublease space subsiding, and a slightly better level of development and leasing activity than other regions.

The Mid-West (36.3 points) did not change from 3rd quarter. Although the national economy is still having a negative affect in all markets, it is hitting the Mid-West more than other regions.

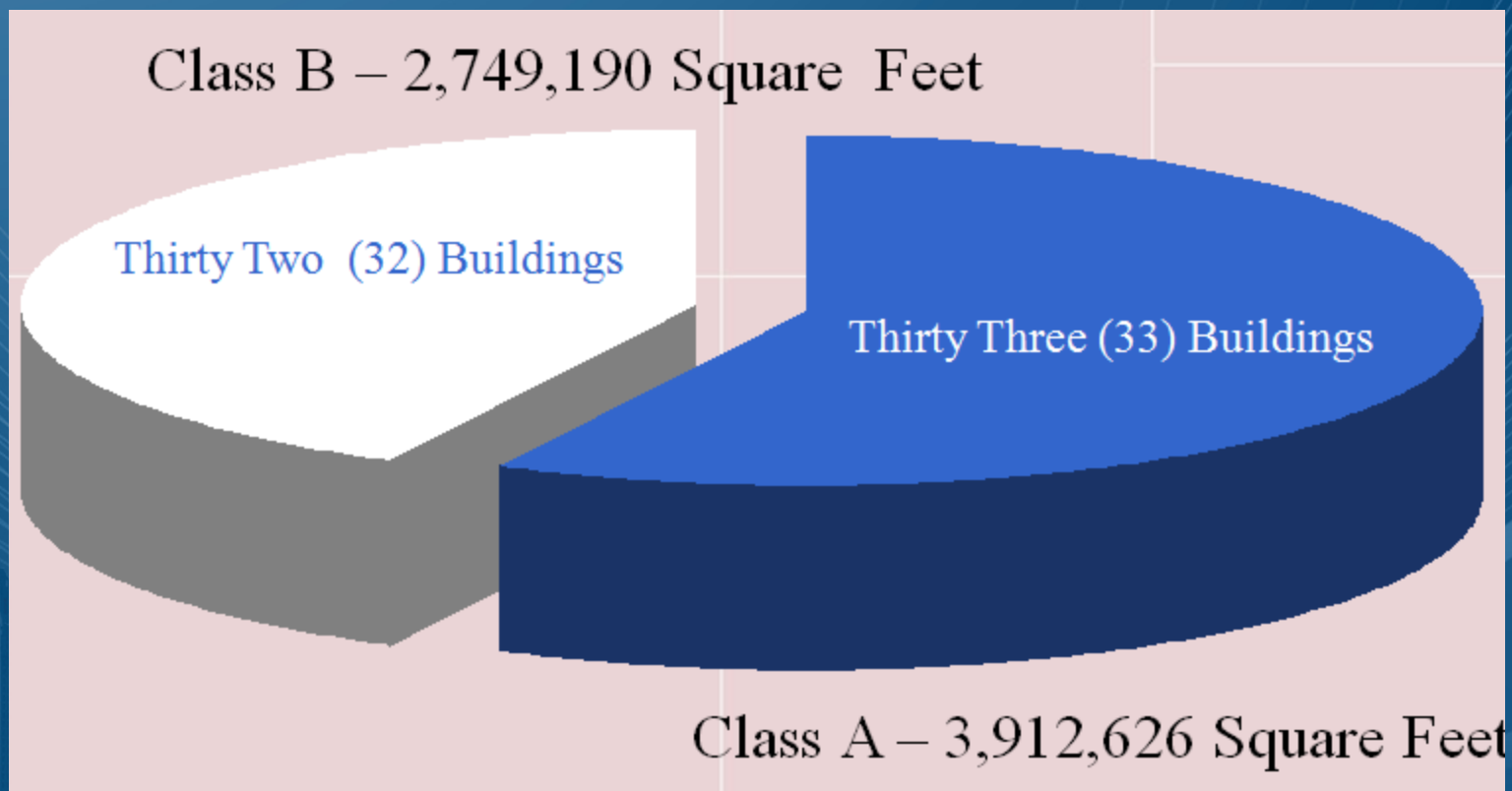


Baton Rouge Market: 2010 Executive Summary

- **Effects of the national recession continued to impact Baton Rouge, although our market fared better than the other parts of the nation**
- **Large amount of sublease space on the market (188,000 +/- sq.ft.)**
- **Office building sales are stagnant due to financing issues**
- **Landlords are becoming more competitive, but trying to hold rental rates**
- **Tenants renewing but downsizing in the face of economic uncertainty**
- **Unknown effect of “Katrina Leases” that will expire in 2010 and 2011**
- **Tenants seeking efficient cubicle space over private offices**



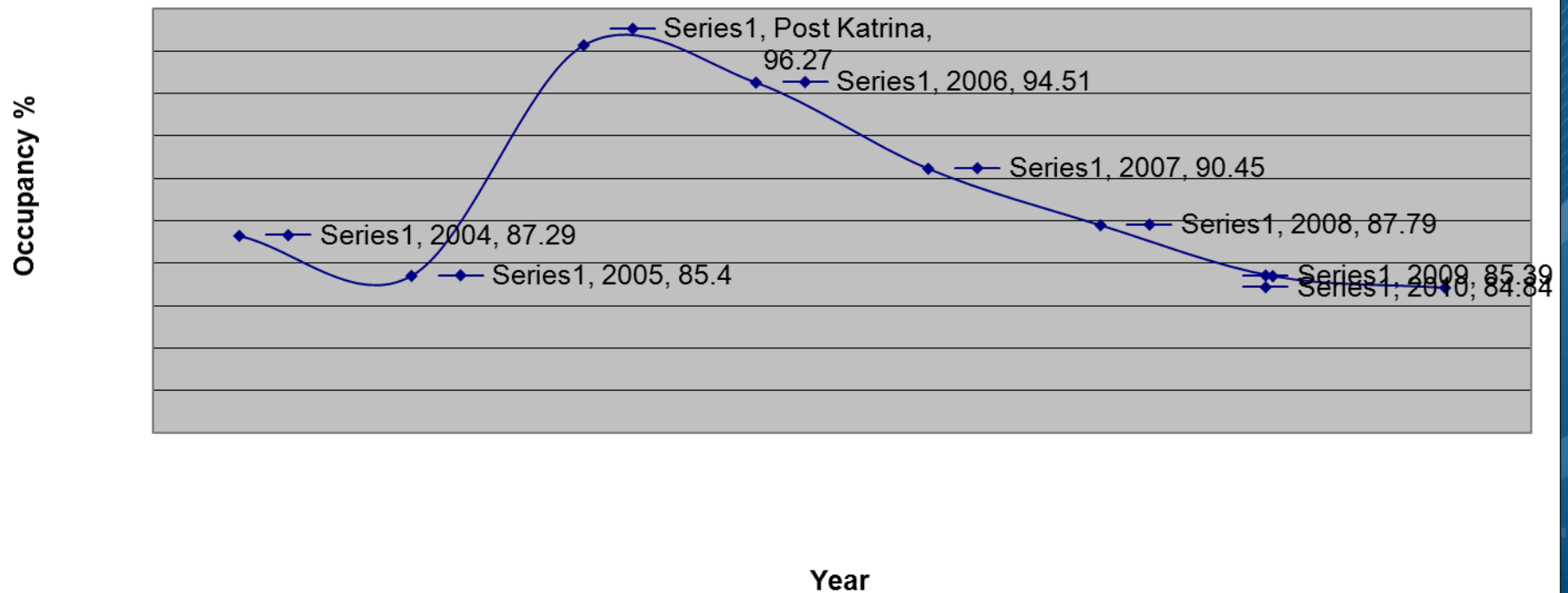
Baton Rouge Office Market Spring 2010





Baton Rouge Office Market Historical Occupancy

Baton Rouge Office Market Occupancy

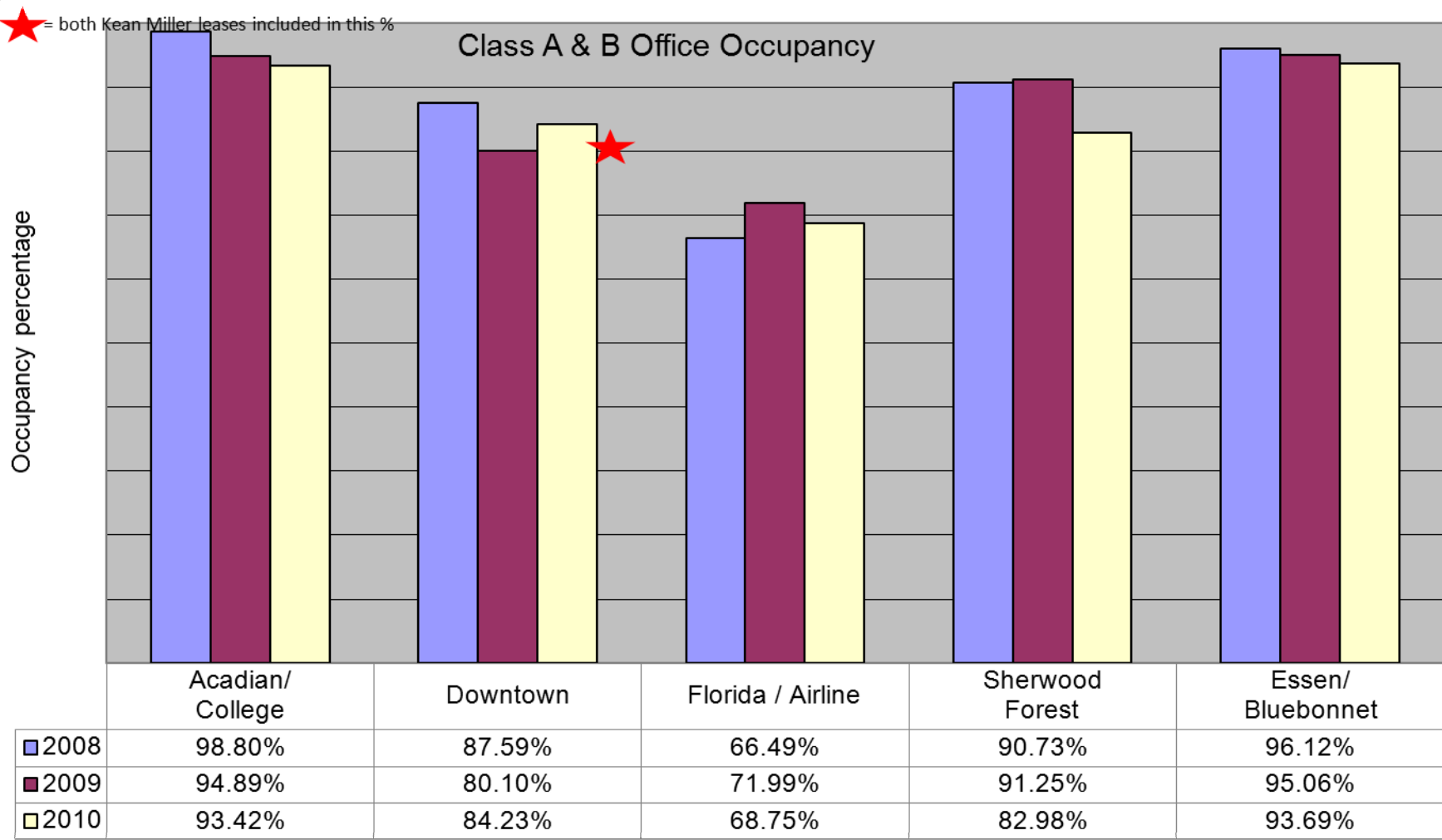




Baton Rouge Office Market A & B Occupancy March 2010

★ = both Kean Miller leases included in this %

Class A & B Office Occupancy

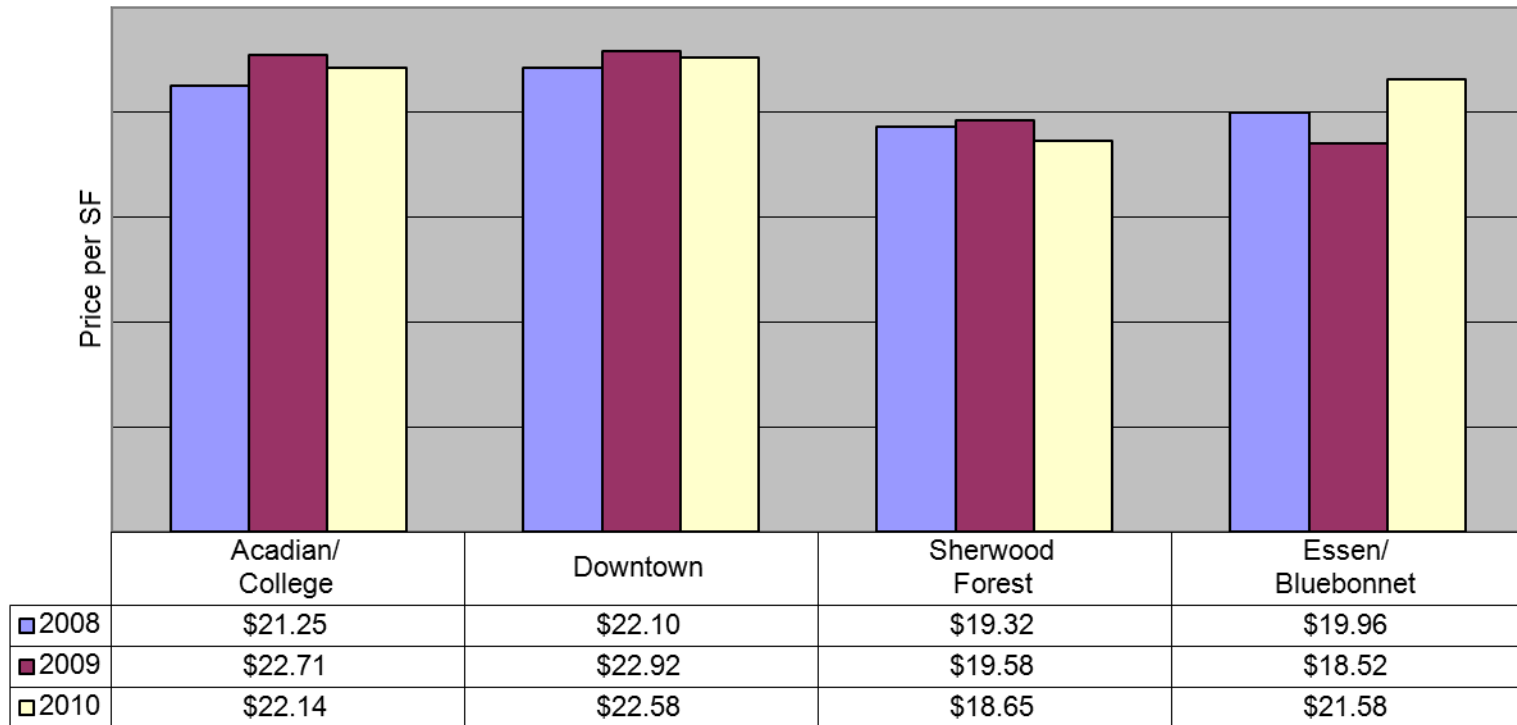




Baton Rouge Office Market

Class A Space March 2010

Class A office average rental rate per SF 2008-2010

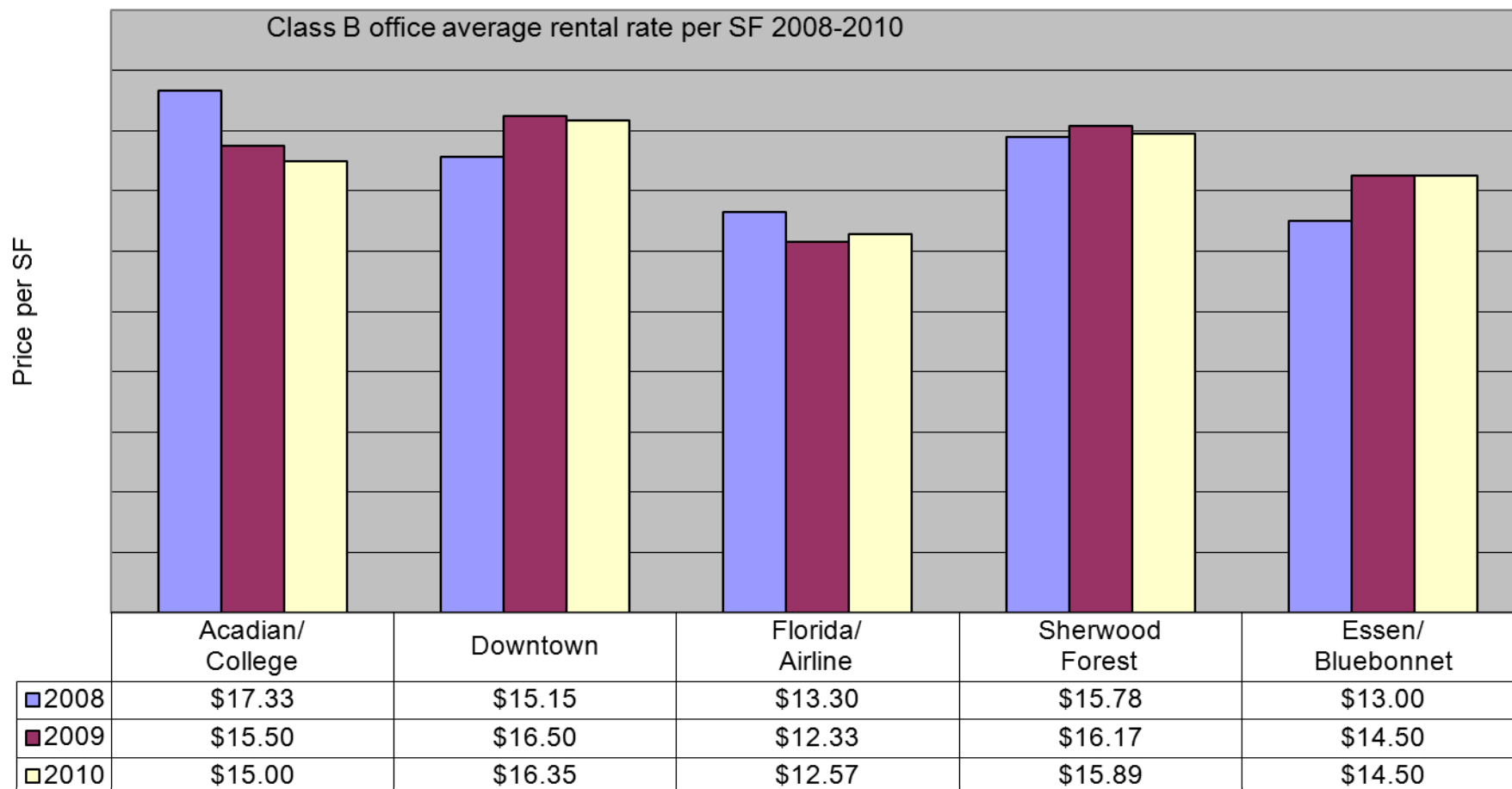




Baton Rouge Office Market

Class B Space March 2010

Class B office average rental rate per SF 2008-2010





Downtown Office Market March 2010

- **Current Class A occupancy rate of 92.21%**
- **Average Class A rental rate of \$22.58 psf/year**
- **Current Class B occupancy rate of 70.22%**
- **Current Class B rental rate of \$16.35 psf/year**





Downtown Office Market Factors

City Plaza II – Lands the big one

- Kean Miller signs lease (75,000+/- sq.ft.)

City Plaza I – Slowly leasing up

- Dodson, Hooks, & Frederick relocation (9,000 sq.ft.)
- Fenstermaker & Associates (5,000 sq.ft.)
- PBK Architects (3,000 sq.ft.)
- Lee Herrington Attorney at Law (2,000 sq.ft.)

North Tower – 8th floor facelift

- Remodel of former Chase boardroom (4,500 sq.ft.)

One American – Looming vacancy

- Kean Miller lease expires in 2012 (90,000 sq.ft.)

Class B - Vacancies

- Commerce Building (160,000 sq.ft.) Failed to sell at auction
- 339 Florida (49,000 sq.ft.) Under contract for charter school



Acadian/College Office Market March 2010

- **Current Class A occupancy rate of 95.43%**
- **Average Class A rental rate of \$22.14 psf/year**
- **Current Class B occupancy rate of 81.71%**
- **Current Class B rental rate of \$15.00 psf/year.**





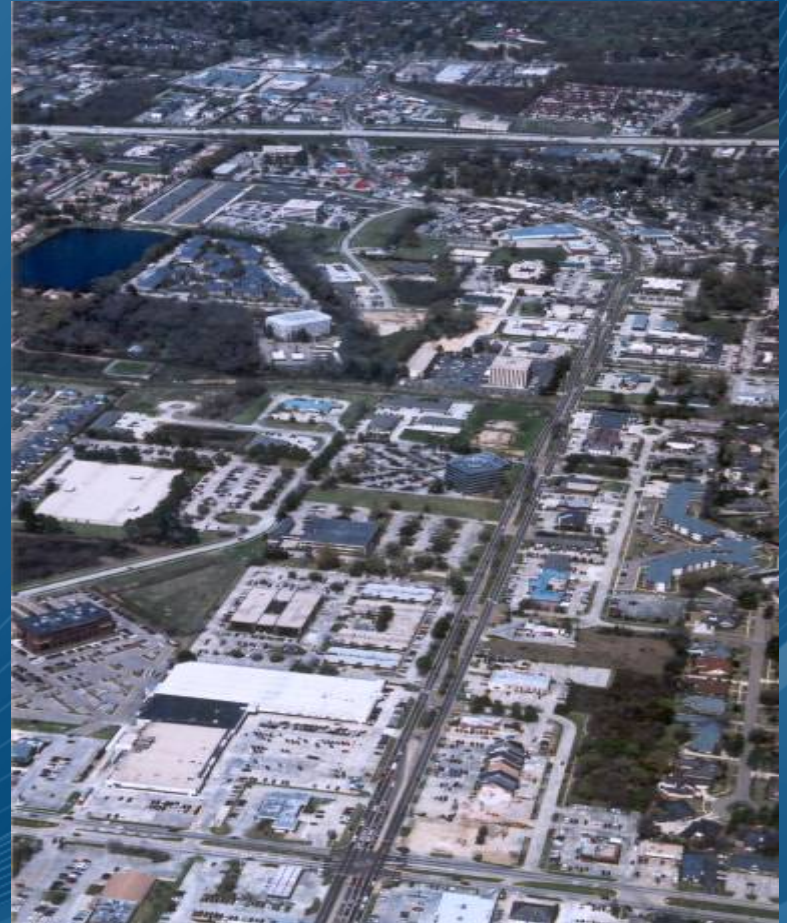
Acadian/College Office Market Factors

- **Various move-outs in several buildings increase vacancy rates**
- **Area Class A space still in high demand**
- **Class B rental rates drop and incentives rise in order to attract tenants**
- **Lamar relocation to former Bank One operations center still in works**
- **Republic Finance building finalizes deal with Wells Fargo Financial Advisors**



Sherwood Office Market March 2010

- **Current Class A occupancy rate of 73.39%.**
- **Average Class A rental rate is \$18.65 psf/year.**
- **Current Class B occupancy rate of 87.20%.**
- **Current Class B asking rate is \$15.89 psf/year.**





Sherwood Office Market Factors

- Large vacancies
 - 2900 Westfork – 50,000 +/- sq.ft.
 - 11000 Mead Road – 22,000 +/- sq.ft.
 - Sherwood Oaks – 30,000 +/- sq.ft.
- Landlords getting aggressive on rental rates and incentives
- Vacancies offer large open areas for cubicles which should meet tenant demands
- Former ANMC Plaza sells to CJ Brown / Latter & Blum – 36,000 +/- sq.ft.



Airline/Florida Office Market March 2010

- **Current Class B occupancy rate of 68.75%.**
- **Current Class B asking rate is \$12.57 psf/year**
- **No Class A buildings in this market segment**





Airline/Florida Office Market Factors

Large Area Vacancies

- 10255 Florida (90,000 +/- sq.ft.) – Still vacant
- 1771 Lobdell (110,000 +/- sq.ft.) – Approximately 1/2 occupied by a school, the remainder has been unoccupied for several years
- 8282 Goodwood (82,000 +/- sq.ft.) – Vacated by Road Home Program

Noteworthy Transactions

- 1900 Lobdell (54,000 +/- sq.ft.) sold to Baton Rouge College for vocational school
- Affirmative Insurance relocates to Bon Carre



Essen/Bluebonnet Office Market March 2010

- **Current Class A occupancy rate of 94.98%.**
- **Average Class A asking rate is \$23.50 psf/year**
- **Current Class B occupancy rate of 93.25%**
- **Average Class B asking rate is \$14.50 psf/year**





Essen/Bluebonnet Office Market Factors

- **Large blocks of Sublease space on market**
 - **United Plaza I – (13,875 sq.ft.)**
 - **United Plaza II (70,000 +/- sq.ft.)**
 - **United IV (7,716 +/- sq.ft.)**
 - **United Plaza XII (11,120 sq.ft.)**
 - **Bluebonnet Centre (3,600 sq.ft.)**

- **Large blocks pending or available**
 - **Essen Centre (19,000 +/- sq.ft.)**
 - **Perkins Rowe (31,000 +/- sq.ft.)**
 - **Cardinal Hill (6,500 +/- sq.ft.)**
 - **United III (18,000 +/- sq.ft.)**
 - **United IV (9,600 +/- sq.ft.)**



Market Trends

- **Sublease space becoming more prevalent and is a big factor in driving rental rates down**
- **Shift in tenant expectations:**
 - ❖ **Flexibility in lease terms**
 - ❖ **Lease provisions regarding bankruptcy and lender involvement**
 - ❖ **Efficient of space - less office intensive and more cubicles**
- **Landlords becoming more competitive in rates and incentives**
- **Government related businesses seem to be most active in market**
- **Dated spaces will need updating to attract tenants**



Forecast 2010

- **Slow job growth with continue to weaken demand for office space**
- **Landlords will be forced to offer higher improvement allowances or spend money to retrofit office intensive space to open floor plans**
- **Locally, the underlying economics and fundamentals are sound and there are no fundamental problems that would slow recovery**
- **Higher vacancies will shift negotiating power to tenants**
- **Downward pressure on rental rates in response to increased competition**