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FOR OVER 30 YEARS,

the *Commercial Investment Division* (CID) has had a mission to bring the individuals and companies within the commercial real estate industry in the Greater Baton Rouge area closer together to share information and knowledge so that all can prosper and better serve their clients and customers.

Welcome to Trends, 2023!

CHAIRMAN

WELCOME TO THE 2023 TRENDS

The Largest Real Estate Seminar in Louisiana!

STEVE LEGENDRE, CCIM
Stirling

As the 2023 TRENDS Chairperson and past president of the Commercial Investment Division (CID), I want to welcome you to this year's TRENDS Seminar. Once again, the Baton Rouge and surrounding real estate community have come together in cooperation to inform our professional peers and associates, including the public, on the always-evolving trends of our local real estate market. We have an opportunity if only for four hours, to meet and greet, discuss business, and learn about real estate in the Greater Baton Rouge Area.

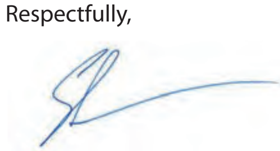
As always, the goal of this seminar is to provide data and context for those making critical real estate decisions. The 2023 TRENDS in Real Estate Seminar will give you information for the past year while looking forward to trends and expectations. Outside influences such as National public policy, rising interest rates, increased insurance costs, continued struggles with supply chain and related construction costs, labor, and the environment all have an effect on the Greater Baton Rouge area. But the saying "All Real Estate is Local" couldn't be more appropriate when discussing the Baton Rouge real estate market. With State Government, the Petrochemical Corridor, and Louisiana's flagship university located within our MSA, we remain relatively insulated from the effects of these outside influences compared to so many other markets.

I would like to thank and recognize all the individuals and company sponsors that donated their time, effort, money, and resources to make this one of the most informational events in the state. This event is the culmination of the dedication of committee members and the LSU Department of Finance and LSU Real Estate Research Institute. The committees have compiled data and statistics in addition to professional commentary to educate attendees in all sectors of the real estate world: Finance, Industrial, Multi-Family, Office, Residential, and Retail. The information and analysis presented will benefit all real estate professionals or those working in associated industries.

The population of the Baton Rouge Metropolitan Statistical Area has held steady in 2022. As real estate professionals, one of our responsibilities is to dream and create a future in Baton Rouge that provides opportunities for education, employment, entertainment, fulfillment, and safety to our citizens from all walks of life. Let's continue to work together to build a future for all to live, work, and play. The individual presenters have detailed knowledge of their specific areas of real estate and how these asset and product types affect our metro area, its people, and its development. Thank you to all presenters.

Our incoming Chairman of the TRENDS in Real Estate Seminar for 2024 will be Doug Ferris with RE/MAX First. He is also serving as the current 2023 CID President. I want to welcome Doug and look forward to another exciting year for real estate in Baton Rouge!

Respectfully,



Steve Legendre, CCIM

2023

CONTENTS

MULTI-FAMILY

BATON ROUGE APARTMENT MARKET INTRODUCTION & SUMMATION

I. 2023 Baton Rouge Apartment Market - Introduction & Summation

Prior to the advent of the pandemic, rental, and occupancy figures for the Baton Rouge area apartment market had been on a declining trend for 2+ years. The substantial construction of new apartments throughout the region in 2017-2020 had adversely affected rents and occupancies. The trend for 2021-23 has been quite the contrary.

Apartment rental and vacancy data collected and analyzed each year (most recently in January-February 2023) regarding by Cook, Moore, Davenport & Associates (CMDA), in conjunction with LSU's Real Estate Research Institute, the CID of GBRAR and the Baton Rouge Apartment Association (BRAA), indicate that apartment vacancies in the Baton Rouge area over the past 12± months declined to 4.64% from Spring 2022's 4.88% (based on our full survey of 253 apartment complexes), which is materially lower than the historical norms of 6% to 7% (and Spring 2021's 9.22%), while quoted rentals in our matched set of 231 complexes increased 2% (up to $1.18/sf from an average of $1.16/sf in 2022). The 2022-23 rental increases cooled substantially from the 10% rise in rents observed in 2021-22, but continue to reflect a strong market (increasing rentals and stable vacancies).

Job growth (which drives population growth, which drives incremental demand for apartments) was adversely affected by the pandemic. The Baton Rouge metro area shed 5% of its employment in 2020. This was anomalous and a direct result of the pandemic's recessionary effects on a global basis. The local job market has since recovered, with unemployment now hovering around a historical low of 4%.

TRENDS MULTI-FAMILY

Craig Davenport, MAI
Trends Speaker
Cook, Moore, Davenport & Associates

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MARK SEGALLA
Elifin, Multifamily Division

DEANE BRYSON
Bearing Point Properties

As the pandemic has now evolved into an endemic, local employment figure should continue to reflect moderately strong recovery, particularly with the various pandemic-era stimulus projects and governmental infrastructure expenditures promoting job growth in the capital region and throughout Louisiana. That job growth (and the incremental population growth that should follow) should aid in the absorption of the incoming supply of new units (to be subsequently detailed).

A historically significant number of units under construction (and planned) will be delivered to the market in 2023 and 2024. Apartment owners and managers in certain submarkets should continue to brace for competitive pressures as these new units fight to capture market share.

COMPANY OF THE YEAR

BY MAGGIE HEYN RICHARDSON

IT HAS BEEN hard not to notice the proliferation of Elifin Realty signs on Baton Rouge commercial properties in the last few years. The homegrown firm has grown exponentially since President and CEO Mathew Laborde opened it in 2016.

Elifin's active listings have jumped from 13 in 2017 to 271 today. The company moved into large, modern digs on Main Street and, in January, opened a new branch in Metairie to serve the Greater New Orleans market. About 20 employees work across the two sites. In the last 12 months, profits are up 498%.

In Baton Rouge, Elifin's presence has spread throughout Mid City, one of its core neighborhoods, as well as many other parts of town. In fact, all areas of the Capital Region, even those historically ignored, are worthy of consideration, no matter what basic data might show, says Elifin's partners. It's in the company's DNA to create narratives about locations that clients may not have considered, and to stay bullish on Baton Rouge.

Passionate about commercial real estate, Laborde says he broke away from a former employer to create a company with the kind of structure and partner track he was personally craving.

"I wanted to create a company that I wouldn't want to leave," Laborde says.

The company's federally trademarked name, a portmanteau of "elite" and "finance," was chosen for several reasons, not least of which is how cleanly its six letters and small elephant logo fit on a real estate sign, Laborde says. It also harkens back to Laborde's background in representing the commercial real estate needs of the finance and banking industry.

But perhaps most importantly, Laborde says, the sign doesn't include his name.

"I did not want it to be about me," he says. "It's about us. It's about the company. It's about the team. It's about what we're building together."

Over its tenure, Elifin has veered from the traditional commercial real estate model and become organized by specializations, so that each employee knows cold the transactions, sale prices and market conditions among specific property types and in specific neighborhoods.

"The idea is for that employee to be the best person in the world to represent a client within that property type and geography," Laborde says. "Typically, people think, 'I want to do all property types, because I want to make as much money as possible,' but it's a fallacy because if you're focusing on a certain geography and a certain property type, you're just so much more in tune and so much better at doing this job."

Firm partner George Bonvillain, who oversees office sales and leasing, says moving to a specialization model was a company high point.

"Once we started getting some very qualified people in those roles, you could really start to see things take shape, and see how we'd be able to build on each of those divisions, and ultimately make it a larger, more streamlined, successful company," Bonvillain says.

It mirrors another of Elifin's chancy moves—compiling detailed local commercial real estate data and distributing it for free. The company's *Pulse* weekly e-newsletter features commercial property sales, planning and zoning cases and building permits from the previous week. No such compilation of real estate data had existed before in Baton Rouge, but rather than keep the information proprietary, Elifin decided to circulate it.

"It was really almost like a rising tide effect," says retail sales and leasing partner Will Chadwick. "We said, 'Let's educate the whole market on what's happening, and people can make informed decisions.' I think it's been huge to the education of our company, and thereby our clients, but also to the market. We get calls all the time from competitors and appraisers."

Building a company that values and retains energetic, motivated employees has also been a key objective of Laborde's since day one. Last year, Elifin revealed a master plan that laid out specifically the company's partner path, openly communicating to any employee what it would take to become a vested partner within the firm.

"The master plan sets up the framework for career progression," Laborde says, "and how a new hire can go from associate, to a new member of the company, to an owner, and describing the production requirements needed to get there. It's more along the lines of a partner track in a law firm. And it helps with the recruitment and retention of top talent."

The firm has big plans, Laborde says, with New Orleans being just the first geographic expansion.

"We have national ambitions," he says. ■

WHAT'S THE BEST PIECE OF ADVICE YOU WOULD GIVE TO SOMEONE INTERESTED IN STARTING THEIR OWN BUSINESS OR COMPANY?

"It's important to be very clear on why you want to do it. If it's a good reason and if it's important, then you should do it right now."

Article "Share The Wealth" by Maggie Heyn Richardson originally published in Baton Rouge Business Report March 2023 issue. www.businessreport.com

Photo by Collin Richie
www.collinrichiephoto.com

We analyzed two sets of rental data, which differ by composition and number of properties included. The entire dataset consists of 253 complexes, while the matched dataset consists of 231 complexes, with a smaller matched sample of 75 larger (200+ unit) complexes also analyzed. Quoted rentals for the 231-complex matched sample increased by 2% from 2022 to 2023 (over a 12-month period), after increasing 10% in 2021-22. The reported vacancy rate for the matched sample in 2022 is 4.81%, down slightly from 4.92% in 2022 (note that this figure excludes consideration of any newly built units in initial lease-up; it also does not reflect the impact of concessions and giveaways on economic rents).

A bulleted summary of our key observations & expectations is provided:

❑ The supply of rental units in the Baton Rouge MSA has grown substantially since 2005. Relevant stats include:

❑ 6,937± new apartment units were completed in the decade following when Hurricane Katrina hit on August 29, 2005 (major event that drove local housing demand) through the end of 2014. The average number of units absorbed each year (for that decade) was 867±.

❑ 1,531± units were built (completed) in 2015

❑ 1,296± units were built (completed) in 2016

❑ 1,136± units were built (completed) in 2017

❑ 2,282± units were built (completed) in 2018

❑ 1,577± units were built (completed) in 2019

❑ 638± units were built (completed) in 2020

❑ 623± units were built (completed) in 2021

❑ 515± units were built (completed) in 2022

❑ 2,832± units are under construction for delivery (or have been delivered thus far) in 2023-24

❑ 3,065± units are proposed for construction in 2024-25 (not yet underway);

❑ Of the proposed units (those not yet under construction), we consider 2,196± units to be more likely to be built than the remaining 869± proposed units.

❑ The total new rental supply (built or currently under construction) for 2015-2023 will be 12,430 units, which will equate to 1,381 units per year over a 9-year span. This is roughly 60% greater than the pace of construction for the preceding decade (including the post-Katrina "boom").

❑ The total new rental supply (currently under construction or proposed, excluding those unlikely to be built) for 2023-2025 will be 5,028± units (if all are built), which will equate to 1,676± units per year over a 3-year span.

❑ It is notable that construction costs for apartments locally increased materially in the wake of the post-pandemic economic boom (and supply chain crises). Though some of those costs are reportedly returning to earth as the national economy has cooled (and has been pushed toward recession as a byproduct of Fed policies intended to contain inflation), the cost of construction financing (mortgage interest rates) has substantially increased (from near historic lows as recently as the end of 2021). It remains probable that some of the announced projects (those listed on the following pages, as well as others still on the drawing board) will not be built in the short-term (some will likely be tabled until such time that conditions are more strongly supportive of construction feasibility).

❑ The basic mechanics of housing demand are as follows: the national and local norm has historically been roughly 2.75 people per household, so, if the population grows by 1,000 people, we should need to have roughly 360 additional housing units to satisfy the incremental demand created. As roughly 33% of the local households have historically been renters, roughly 120 of those 360 units (per 1,000 residents) need to be rental units. To absorb the 12,430 apartment units built in 2015-2024, the Baton Rouge area=s long-term population would normally need to increase by 100,000± people (which is materially more than the long-term population increase that resulted from Hurricane Katrina), though other factors like the need to replace physically or functionally obsolete units (termed "depletion"), the ever-shrinking average household size (this stat has been getting smaller for years, particularly as millennials continue to enter the housing market, and fewer people per household mean the more housing units can be needed to satisfy the demand per 1,000 residents), and displaced former homeowners that opt (or have no choice but) to remain in apartments could all have offsetting effects. The macro-level increase in demand for housing regionally and nationally appears to have washed away all sins, for now, as very few submarkets are showing signs of being oversupplied.

❑ In recent years, the vast majority of the new units have been "upscale, Class A," oriented toward the higher end of the rental scale. As such, existing Class A properties have absorbed the brunt of the competitive pressures from the incoming supply. The incoming supply for 2023-24, however, is more focused on affordable (typically subsidized in some manner) housing oriented toward lower-income households, with 1,669 of the 3,347 units built in 2022 or underway for 2023 announced to fall in this category.

❑ The critical factors that will ultimately drive the long-term demand for, and absorption of, additional housing units in the Baton Rouge area are the number of jobs that can be recovered/generated and retained locally (where the jobs go, the population will follow) and the ability of our infrastructure (roads, schools, governing bodies) to accommodate this growth and maintain the character and marketability of the Baton Rouge region as a place to live. Baton Rouge has positive dynamics, and the area remains positioned to prosper long-term.

On the following, pages will be presented synopses of new multifamily residential construction projects and tables illustrating historical rental/vacancy trends. For more detailed discussions and/or information, please call us (we provide professional consulting services) or go to www.CookMoore.com or BatonRougeTrends.net.

II. New Apartment Construction

Baton Rouge has been experiencing a boom in apartment construction since 2015. Very few of the new complexes offer standard, mid-grade apartment units. The vast majority of the new rental housing supply over the past 20± years has been oriented toward either more affluent tenants (either conventional residents or LSU students), or lower-income households.

The new apartment complexes built, underway and/or planned in the Greater Baton Rouge area are listed on the following pages:

APARTMENT COMPLEXES COMPLETED/ UNDER CONSTRUCTION IN 2022-2024
IN THE BATON ROUGE MSA

Complex Name	Location	# Units	Completed	Comments		
Completed 2022						
River House - Phase II	101 River House Place	42	2022	Upscale/Luxury Units		
Valencia Park	740 North 14th Street	122	2022	Affordable Housing Units - VOA		
Cypress at Pinchback	501 Gardere Lane	99	2022	Affordable Elderly Units - EBRHA		
Reserve at Juban Lakes	26915 Village Lane (Denham Springs)	132	2022	Affordable Units		
Morningside at Juban Lakes	26989 Village Lane (Denham Springs)	120	2022	Affordable Seniors Units		
				Conventional	**Student**	**Affordable**
Total Completed in 2022		**515**		42	0	473
Under Construction 2023 - 2024						
River Mark Centre	451 Florida Street (CBD)	168	2023	Upscale/Luxury Units in CBD		
The Waters at Millerville	Greens Boulevard at Millerville	295	2023	Upscale/Luxury Units		
Cedar Grove Townhomes I	14810 Old Jefferson Highway	100	2023	Upscale Rental Townhomes		
The Bend on Bluebonnet	Bluebonnet at Burbank (behind Wal Mart)	309	2023	Upscale/Luxury Units		
Rue Venelle	Rouzan - Perkins Road	277	2024	Upscale/Luxury Units		
The Waters at Heritage	LA Highway 30 @ 44 (Gonzales)	299	2023	Upscale/Luxury Units		
Oak Heritage Townhomes	37586 Grand Oak Drive (Prairieville)	56	2023	Upscale Rental Townhomes		
The Vue on Parker	West Parker/Gourier/Janet Avenue	132	2023	Upscale/Luxury Units		
Drakes Landing	North Ardenwood Blvd	216	2023	Affordable Housing Units		
The Capstone at Scottlandville	8770 Elm Grove Garden Drive	84	2023	Affordable Housing Units		
Hollywood Heights	4065 Hollywood Street	45	2023	Affordable - Scattered Site		
Hollywood Acres	3901 Hollywood Street	45	2023	Affordable - Scattered Site		
Motor City Apartments	North Boulevard at Scenic Highway	110	2023	Affordable Housing Units - VOA		
Lotus Village Seniors	Gracie and Gayosa Streets	116	2023	Affordable Housing Units		
The Reserve at Howell Place	4201 Ford Street	300	2023	Affordable Housing Units		
Sherwood Oaks (Brandywine)	Darryl Drive near Sherwood Forest Blvd	280	2023	Affordable Housing Units		
				Conventional	**Student**	**Affordable**
Total Under Construction 2023 - 2024		**2,832**		1,504	132	1,196
Total Completed or Under Construction		**3,347**		1,546	132	1,669

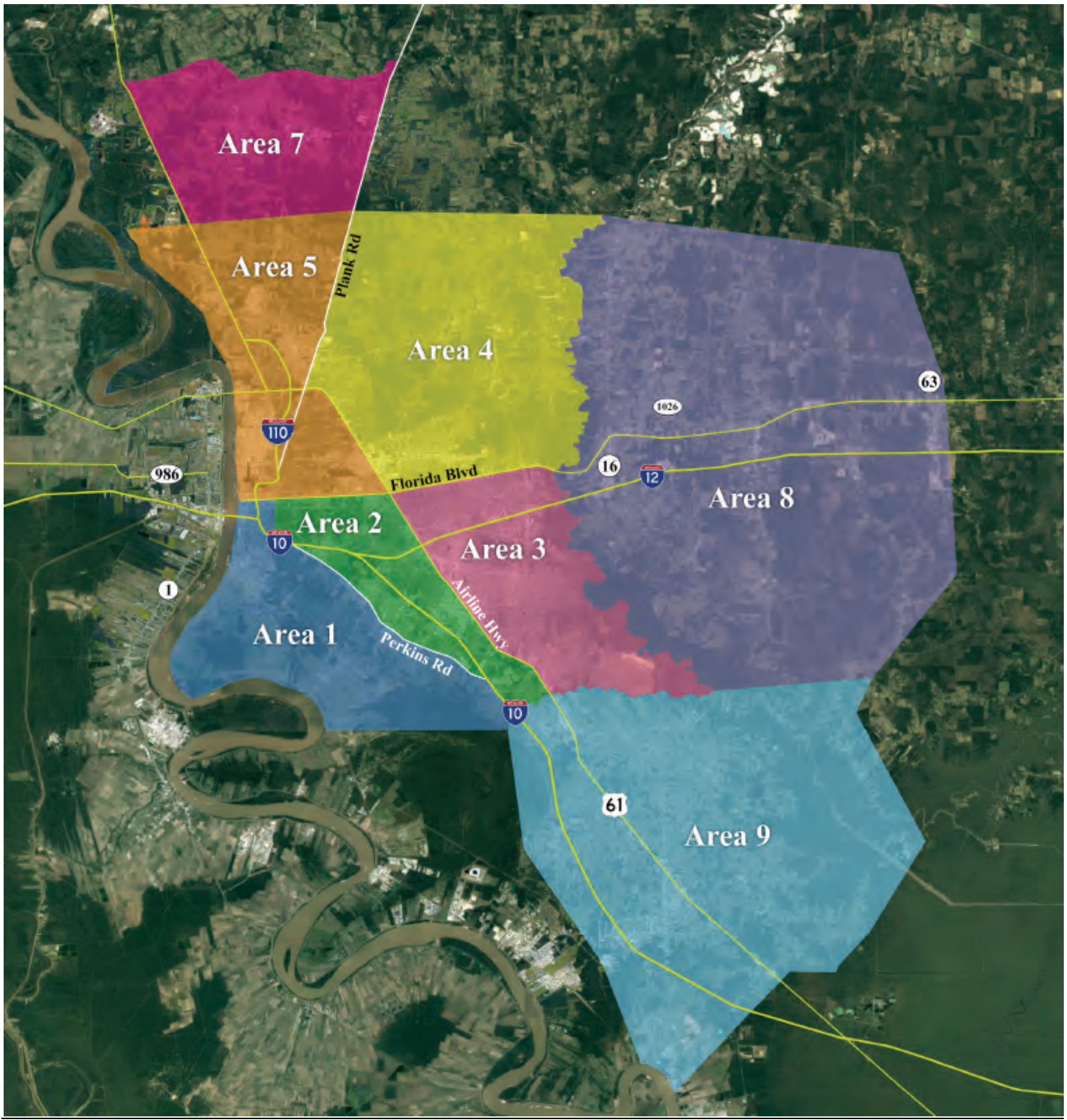


APARTMENT COMPLEXES ANNOUNCED (BUT NOT YET UNDER CONSTRUCTION) IN 2024-2025
IN THE BATON ROUGE MSA

Complex Name	Location	# Units	Expected Completion	Comments		
Proposed Apartments 2024 - 2025 - Likely						
The Waters at Bluebonnet	Bluebonnet at Celtic Drive	324	2024	Upscale/Luxury Units		
The Heights at Picardy	Picardy Avenue	224	2024	Upscale/Luxury Units		
The Heron - Phase II	617 North Blvd	224	2024	Upscale/Luxury Units		
Highland Flats	Highland at Bluebonnet	224	2024	Upscale/Luxury Units		
Cedar Grove Townhomes II	14810 Old Jefferson Highway	48	2024	Upscale Rental Townhomes		
Mid City Point Apts	350 South Foster Drive	100	2024	Mixed Income Units		
Cypress Point SFR	Orice Roth Road (Gonzales)	117	2024	Single-Family Residential (SFR) Rentals		
Cypress River Lofts	Oklahoma and Duane Street	19	2024	Mixed-Income Lofts - EBRHA		
Cypress at Ardendale - Phase I	North Ardenwood Blvd	170	2024	Affordable Housing Units - EBRHA		
Cypress at Ardendale Senior	North Ardenwood Blvd	70	2024	Affordable Elderly Housing Units - EBRHA		
Denham Townhomes	LA Highway 16 (Denham)	100	2024	Affordable Housing Units - VOA		
The Reserve at Joor Place	4663 Joor Road (Central)	360	2024	Affordable Housing Units		
Morningside at Joor Place	4663 Joor Road (Central)	216	2024	Affordable Housing Units		
				Conventional	**Student**	**Affordable**
Total Proposed 2024-2025 Likely		**2,196**		1,261	0	935
Proposed Apartments 2024 - 2025 - Less Likely						
Standard at Cedar Lodge	Town Center	286	2025	Upscale/Luxury Units		
Four Seasons Apts	Burbank Drive	324	2025	Upscale/Luxury Units		
Millerville Townhomes	Millerville Rd at Interstate 12	73	2024	Upscale/Luxury Units		
Wooddale Apartments	1885 Wooddale Towers	186	2024			
				Conventional	**Student**	**Affordable**
Total Proposed 2024-2025 Less Likely		**869**		683	0	186
Total Proposed/Announced 2024-2025		**3,065**		1,944	0	1,121
Total Built, Underway & Proposed Likely		**5,543**		2,807	132	2,604
Total Built, Underway & Proposed - All		**6,412**		3,490	132	2,790

III. Apartment Rent & Vacancy Statistics

On the following pages are presented tables summarizing the figures compiled from the LSU/CID/CMDA apartment surveys performed in early 2023.



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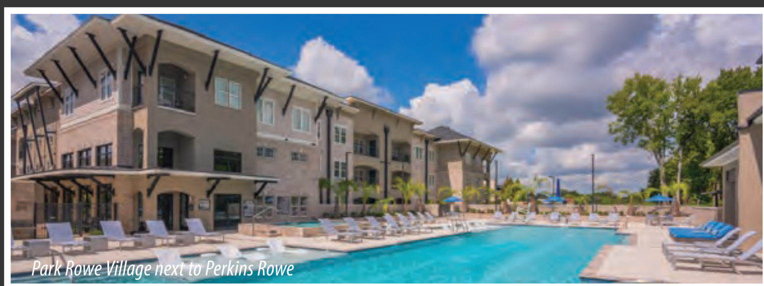
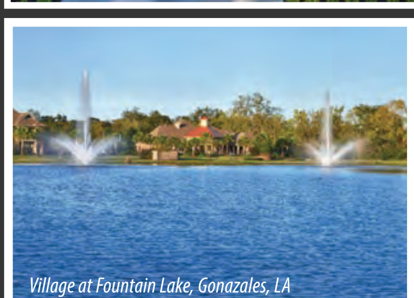
Brokerage & Leasing Agents	Million SQ FT Managed	Apartment Communities	Employees in 10 Markets	LSU 100 Honorees


Park Rowe Village next to Perkins Rowe

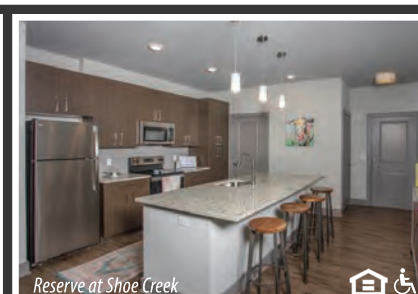
Shreveport, LA Headquarters

Reserve at Shoe Creek, Central, LA

VRC Baton Rouge Office


Village at Fountain Lake, Gonzales, LA


Village at Fountain Lake, Gonzales, LA


Reserve at Shoe Creek

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SHREVEPORT: 318-222-2244 | 330 Marshall Street, Ste. 200
ONLINE: vintagerealty.com | search apartments @ vrc.apartments

TABLE 1
2023 - FULL DATA SET STATISTICS

Data Set	Number of Complexes by Data Set							Number of Units by Data Set						
	0BR Units	1BR Units	2BR Units	3BR Units	4BR Units	5BR Units	Total # of Complexes	0BR Units	1BR Units	2BR Units	3BR Units	4BR Units	5BR Units	Total Units
All Complexes	27	213	238	148	39	4	253	521	14,039	18,370	4,883	1,434	196	39,443
Large Complexes	11	81	84	61	15	2	84	312	9,319	10,946	2,636	846	143	24,202
Matched Sample	24	196	218	137	38	4	231	432	12,045	16,455	4,443	1,392	183	34,950

TABLE 2
APARTMENT DATA BY AREA FOR LARGE COMPLEXES (2023 FULL DATA SET)

Area	Total Complexes	Average Rent					Average Rent per Sq.Ft.						Vacancy Rate					
		0 BR	1 BR	2 BR	3 BR	4 BR	0 BR	1 BR	2 BR	3 BR	4 BR	Total	0 BR	1 BR	2 BR	3 BR	4 BR	Total
All	84	$899	$1,046	$1,220	$1,473	$2,333	$1.81	$1.42	$1.17	$1.14	$1.48	$1.26	4.49%	4.42%	4.49%	5.84%	4.85%	4.64%
1	24	$886	$1,152	$1,339	$1,918	$2,353	$2.01	$1.55	$1.31	$1.40	$1.52	$1.42	1.28%	4.56%	3.25%	3.84%	4.56%	3.95%
2	15	$1,050	$1,171	$1,403	$1,671	$1,190	$2.31	$1.52	$1.24	$1.14	$0.79	$1.31	2.04%	4.63%	3.97%	5.43%	8.33%	4.42%
3	23	$774	$918	$1,083	$1,229	$1,227	$1.82	$1.25	$1.03	$0.91	$0.81	$1.08	0.00%	4.05%	4.97%	10.17%	10.00%	5.10%
4	4	$650	$742	$842	$990	-	$1.30	$1.09	$0.84	$0.75	-	$0.90	0.00%	5.76%	4.02%	5.26%	-	4.77%
5	5	$631	$739	$902	$928	$2,580	$1.34	$1.19	$1.04	$0.81	$1.94	$1.12	4.55%	4.75%	5.07%	3.57%	1.67%	4.62%
7	1	-	$1,275	$1,528	$1,675	-	-	$1.42	$1.30	$1.13	-	$1.29	-	4.81%	4.81%	5.77%	-	5.00%
8	4	$1,154	$1,177	$1,424	$1,574	-	$1.91	$1.48	$1.12	$1.11	-	$1.29	12.07%	2.66%	6.85%	4.49%	-	4.76%
9	8	-	$1,300	$1,545	$1,802	-	-	$1.70	$1.33	$1.30	-	$1.44	-	5.56%	6.19%	3.52%	-	5.64%

TABLE 3
APARTMENT DATA BY AREA (2023 FULL DATA SET)

		Average Rent					Average Rent per Sq.Ft.						Vacancy Rate					
Area	Total Complexes	0 BR	1 BR	2 BR	3 BR	4 BR	0 BR	1 BR	2 BR	3 BR	4 BR	Total	0 BR	1 BR	2 BR	3 BR	4 BR	Total
All	253	$834	$984	$1,138	$1,359	$2,103	$1.75	$1.37	$1.12	$1.08	$1.39	$1.21	5.18%	4.90%	4.64%	4.89%	5.30%	4.81%
1	76	$745	$1,138	$1,378	$1,781	$2,282	$1.82	$1.51	$1.29	$1.37	$1.45	$1.39	3.79%	5.74%	3.73%	3.55%	5.41%	4.56%
2	44	$784	$1,100	$1,254	$1,486	$1,331	$2.24	$1.45	$1.16	$1.09	$0.88	$1.24	1.43%	4.79%	4.36%	4.99%	7.41%	4.59%
3	47	$752	$891	$1,021	$1,135	$920	$1.62	$1.23	$1.00	$0.89	$0.81	$1.06	3.51%	4.39%	4.89%	7.68%	10.00%	5.02%
4	17	$650	$711	$830	$966	-	$1.30	$1.08	$0.87	$0.80	-	$0.93	0.00%	5.51%	5.26%	5.48%	-	5.37%
5	35	$647	$705	$832	$945	$1,209	$1.34	$1.12	$0.93	$0.84	$1.39	$0.99	7.26%	5.32%	5.19%	3.29%	1.69%	4.92%
7	4	-	$1,254	$1,488	$1,725	$1,025	-	$1.47	$1.31	$1.21	$0.75	$1.33	-	5.56%	5.56%	5.49%	0.00%	5.53%
8	15	$1,154	$1,105	$1,276	$1,354	$1,257	$1.91	$1.48	$1.12	$0.97	$0.69	$1.18	12.07%	2.34%	5.58%	5.05%	0.00%	4.50%
9	15	-	$1,240	$1,346	$1,664	-	-	$1.68	$1.25	$1.23	-	$1.37	-	5.30%	5.53%	3.09%	-	5.18%

TABLE 4
APARTMENT DATA BY ZIP CODE (2023 FULL DATA SET)

			Average Rent		Vacancy
Zip Code	Number of Complexes	Number of Units	per Unit	per Sq. Ft.	Total
70710	2	288	$1,094	$1.20	10.07%
70726	11	2,017	$1,214	$1.23	4.71%
70737	11	1,809	$1,380	$1.36	4.31%
70785	3	236	$1,318	$1.07	4.66%
70791	5	580	$1,365	$1.27	5.34%
70801	4	113	$1,614	$1.72	6.19%
70802	21	2,173	$1,365	$1.60	6.30%
70805	9	874	$732	$1.02	7.09%
70806	27	3,302	$879	$0.97	4.97%
70807	3	444	$1,258	$1.52	1.58%
70808	21	3,567	$1,194	$1.35	5.07%
70809	24	4,673	$1,255	$1.26	4.37%
70810	10	2,074	$1,286	$1.27	3.47%
70814	4	541	$751	$0.86	2.59%
70815	18	2,201	$802	$0.88	7.04%
70816	38	8,442	$987	$1.06	4.69%
70817	5	917	$1,260	$1.17	4.03%
70820	28	3,850	$1,523	$1.36	4.39%
70836	2	331	$1,344	$1.59	3.32%


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TABLE 5

APARTMENT DATA BY AREA (2021 - 2023 MATCHED SAMPLE DATA SET)

Area	Number of Complexes	Time Period	Average Rent					Average Rent per Sq.Ft.						Vacancy Rate					
			0 BR	1 BR	2 BR	3 BR	4 BR	0 BR	1 BR	2 BR	3 BR	4 BR	Total	0 BR	1 BR	2 BR	3 BR	4 BR	Total
All	231	2023	$788	$952	$1,111	$1,338	$2,105	$1.71	$1.34	$1.10	$1.07	$1.39	**$1.18**	4.15%	4.95%	4.63%	4.91%	5.31%	**4.81%**
		2022	$761	$926	$1,077	$1,280	$2,005	$1.66	$1.30	$1.06	$1.02	$1.32	**$1.16**	4.15%	4.51%	4.52%	6.08%	9.44%	**4.92%**
		2021	$694	$843	$991	$1,217	$1,918	$1.51	$1.19	$0.98	$0.97	$1.27	**$1.06**	6.11%	7.67%	8.16%	10.99%	17.97%	**9.11%**
1	69	2023	$853	$1,020	$1,227	$1,673	$2,232	$1.80	$1.49	$1.26	$1.36	$1.45	**$1.38**	3.38%	5.85%	3.79%	3.62%	5.41%	**4.63%**
		2022	$823	$987	$1,202	$1,581	$2,113	$1.74	$1.45	$1.23	$1.28	$1.37	**$1.33**	4.35%	5.14%	5.17%	6.30%	9.21%	**5.80%**
		2021	$785	$910	$1,115	$1,545	$2,028	$1.66	$1.33	$1.14	$1.25	$1.32	**$1.25**	8.21%	10.21%	11.98%	16.15%	19.34%	**12.84%**
2	42	2023	$934	$1,062	$1,223	$1,431	$1,217	$2.24	$1.43	$1.14	$1.08	$0.88	**$1.22**	1.43%	4.53%	4.45%	4.75%	7.41%	**4.51%**
		2022	$838	$1,050	$1,170	$1,316	$1,198	$2.01	$1.42	$1.09	$0.99	$0.87	**$1.17**	4.29%	4.50%	4.71%	9.14%	25.93%	**5.30%**
		2021	$670	$923	$1,061	$1,248	$1,137	$1.61	$1.25	$0.99	$0.94	$0.82	**$1.06**	1.43%	7.15%	7.26%	7.13%	3.70%	**7.12%**
3	45	2023	$761	$901	$1,044	$1,152	$1,254	$1.62	$1.23	$1.00	$0.89	$0.79	**$1.05**	3.51%	4.29%	4.81%	7.70%	10.71%	**4.95%**
		2022	$744	$890	$1,033	$1,163	$1,386	$1.58	$1.22	$0.99	$0.90	$0.88	**$1.05**	5.26%	4.63%	5.49%	7.20%	7.14%	**5.36%**
		2021	$735	$818	$946	$1,098	$1,275	$1.56	$1.12	$0.91	$0.85	$0.81	**$0.96**	3.51%	6.74%	6.69%	12.00%	14.29%	**7.31%**
4	16	2023	-	$736	$834	$885	-	-	$1.09	$0.89	$0.82	-	**$0.94**	-	5.17%	5.23%	5.31%	-	**5.22%**
		2022	-	$689	$782	$812	-	-	$1.02	$0.84	$0.75	-	**$0.88**	-	1.82%	2.66%	3.38%	-	**2.43%**
		2021	-	$661	$751	$800	-	-	$0.98	$0.80	$0.74	-	**$0.85**	-	5.17%	5.80%	11.59%	-	**6.18%**
5	34	2023	$612	$729	$856	$895	$1,783	$1.34	$1.12	$0.93	$0.84	$1.39	**$0.99**	7.26%	5.35%	5.25%	3.29%	1.69%	**4.96%**
		2022	$623	$695	$835	$860	$1,714	$1.36	$1.07	$0.91	$0.81	$1.34	**$0.96**	3.23%	5.01%	3.87%	4.45%	5.93%	**4.40%**
		2021	$538	$652	$764	$797	$1,599	$1.18	$1.00	$0.83	$0.75	$1.25	**$0.89**	6.45%	7.52%	8.23%	7.25%	14.41%	**7.95%**
7	3	2023	-	$1,261	$1,446	$1,718	$1,025	-	$1.46	$1.31	$1.21	$0.75	**$1.32**	-	5.56%	5.71%	5.49%	0.00%	**5.60%**
		2022	-	$1,094	$1,339	$1,616	$1,100	-	$1.26	$1.21	$1.14	$0.81	**$1.20**	-	3.70%	2.38%	1.10%	0.00%	**2.59%**
		2021	-	$1,079	$1,317	$1,585	$1,000	-	$1.25	$1.19	$1.11	$0.74	**$1.18**	-	8.64%	9.52%	13.19%	0.00%	**9.91%**
8	12	2023	-	$975	$1,107	$1,269	$1,217	-	$1.30	$1.05	$0.96	$0.69	**$1.04**	-	4.21%	4.77%	4.57%	0.00%	**4.57%**
		2022	-	$971	$1,043	$1,269	$1,198	-	$1.29	$0.99	$0.96	$0.68	**$1.01**	-	4.21%	2.26%	3.26%	5.88%	**2.92%**
		2021	-	$853	$953	$1,125	$1,149	-	$1.14	$0.91	$0.85	$0.65	**$0.91**	-	4.98%	5.96%	7.39%	5.88%	**6.21%**
9	10	2023	-	$1,194	$1,249	$1,624	-	-	$1.57	$1.18	$1.15	-	**$1.26**	-	5.05%	6.24%	4.73%	-	**5.72%**
		2022	-	$1,088	$1,180	$1,511	-	-	$1.43	$1.12	$1.07	-	**$1.18**	-	1.86%	1.56%	1.35%	-	**1.62%**
		2021	-	$931	$1,074	$1,396	-	-	$1.23	$1.02	$0.99	-	**$1.06**	-	6.12%	4.94%	6.08%	-	**5.41%**

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TABLE 6
APARTMENT DATA BY AREA FOR LARGER COMPLEXES (2021 - 2023 MATCHED SAMPLE DATA SET)

			Average Rent					Average Rent per Sq.Ft.						Vacancy Rate					
Area	Number of Complexes	Time Period	0 BR	1 BR	2 BR	3 BR	4 BR	0 BR	1 BR	2 BR	3 BR	4 BR	Total	0 BR	1 BR	2 BR	3 BR	4 BR	Total
		2023	$833	$1,013	$1,195	$1,442	$2,338	$1.78	$1.39	$1.15	$1.12	$1.48	**$1.24**	2.77%	4.42%	4.48%	5.95%	4.87%	**4.64%**
All	75	2022	$799	$990	$1,160	$1,379	$2,200	$1.71	$1.36	$1.12	$1.07	$1.39	**$1.20**	4.35%	4.17%	4.10%	5.67%	6.53%	**4.44%**
		2021	$699	$891	$1,059	$1,313	$2,106	$1.49	$1.22	$1.02	$1.02	$1.33	**$1.10**	7.11%	7.65%	8.46%	12.07%	18.05%	**8.98%**
		2023	$1,040	$1,079	$1,286	$1,746	$2,443	$2.01	$1.53	$1.28	$1.38	$1.52	**$1.41**	1.28%	4.66%	3.43%	3.97%	4.56%	**4.08%**
1	23	2022	$993	$1,046	$1,259	$1,645	$2,276	$1.92	$1.49	$1.25	$1.30	$1.42	**$1.36**	6.41%	4.71%	5.22%	6.58%	6.55%	**5.46%**
		2021	$915	$961	$1,155	$1,601	$2,191	$1.77	$1.37	$1.15	$1.27	$1.37	**$1.26**	12.82%	10.18%	12.46%	16.44%	18.95%	**12.97%**
		2023	$1,050	$1,135	$1,313	$1,515	$1,190	$2.31	$1.50	$1.22	$1.12	$0.79	**$1.29**	2.04%	4.24%	4.03%	5.08%	8.33%	**4.25%**
2	14	2022	$919	$1,125	$1,252	$1,363	$1,191	$2.02	$1.49	$1.16	$1.01	$0.79	**$1.24**	6.12%	3.33%	3.34%	3.57%	4.17%	**3.40%**
		2021	$695	$956	$1,119	$1,298	$1,021	$1.53	$1.27	$1.04	$0.96	$0.68	**$1.09**	2.04%	7.15%	7.58%	7.52%	4.17%	**7.32%**
		2023	$774	$917	$1,095	$1,193	$1,254	$1.82	$1.25	$1.03	$0.92	$0.79	**$1.09**	0.00%	4.02%	4.94%	10.26%	10.71%	**5.10%**
3	22	2022	$739	$910	$1,086	$1,236	$1,386	$1.74	$1.24	$1.02	$0.95	$0.88	**$1.08**	0.00%	4.34%	4.33%	7.93%	7.14%	**4.69%**
		2021	$809	$835	$990	$1,166	$1,275	$1.90	$1.14	$0.93	$0.89	$0.81	**$0.99**	6.25%	5.89%	6.50%	12.44%	14.29%	**6.87%**
		2023	-	$776	$847	$946	-	-	$1.11	$0.88	$0.77	-	**$0.92**	-	4.92%	3.61%	4.82%	-	**4.20%**
4	3	2022	-	$721	$788	$904	-	-	$1.03	$0.82	$0.74	-	**$0.86**	-	1.89%	1.20%	4.82%	-	**1.84%**
		2021	-	$692	$765	$920	-	-	$0.99	$0.79	$0.75	-	**$0.84**	-	4.55%	6.02%	14.46%	-	**6.43%**
		2023	$597	$793	$968	$923	$2,580	$1.34	$1.19	$1.04	$0.81	$1.94	**$1.12**	4.55%	4.75%	5.07%	3.57%	1.67%	**4.62%**
5	5	2022	$618	$768	$950	$856	$2,476	$1.38	$1.15	$1.02	$0.75	$1.86	**$1.09**	2.73%	6.91%	6.25%	7.86%	6.67%	**6.37%**
		2021	$532	$737	$901	$820	$2,316	$1.19	$1.10	$0.97	$0.72	$1.74	**$1.03**	5.45%	11.02%	10.47%	11.43%	16.67%	**10.62%**
		2023	-	$1,267	$1,521	$1,675	-	-	$1.42	$1.30	$1.13	-	**$1.29**	-	4.81%	4.81%	5.77%	-	**5.00%**
7	1	2022	-	$1,090	$1,363	$1,603	-	-	$1.22	$1.16	$1.08	-	**$1.16**	-	1.92%	0.96%	0.00%	-	**1.15%**
		2021	-	$1,078	$1,358	$1,605	-	-	$1.21	$1.16	$1.08	-	**$1.15**	-	10.58%	7.69%	11.54%	-	**9.62%**
		2023	-	$953	$1,123	$1,270	-	-	$1.26	$1.07	$1.03	-	**$1.10**	-	5.56%	5.45%	3.03%	-	**5.05%**
8	3	2022	-	$983	$1,064	$1,288	-	-	$1.30	$1.01	$1.05	-	**$1.07**	-	5.56%	2.95%	3.03%	-	**3.59%**
		2021	-	$834	$951	$1,079	-	-	$1.11	$0.91	$0.88	-	**$0.94**	-	6.11%	5.91%	9.09%	-	**6.52%**
		2023	-	$1,249	$1,439	$1,646	-	-	$1.61	$1.28	$1.25	-	**$1.36**	-	5.65%	7.52%	5.69%	-	**6.67%**
9	4	2022	-	$1,138	$1,355	$1,529	-	-	$1.47	$1.20	$1.16	-	**$1.26**	-	1.49%	1.28%	0.81%	-	**1.29%**
		2021	-	$967	$1,210	$1,391	-	-	$1.24	$1.08	$1.05	-	**$1.11**	-	6.85%	5.50%	6.50%	-	**6.08%**

TABLE 7
APARTMENT DATA BY ZIP CODE (2021 - 2023 MATCHED SAMPLE DATA SET)

Zip Code	Number of Complexes	Number of Units	Period	Average Rent per Unit	Average Rent per Sq. Ft.	Vacancy Total
70726	9	1,203	2023	$1,106	$1.05	4.82%
			2022	$1,097	$1.04	3.66%
			2021	$964	$0.91	6.73%
70737	8	997	2023	$1,245	$1.18	5.72%
			2022	$1,168	$1.10	1.81%
			2021	$1,061	$1.00	3.71%
70785	2	203	2023	$1,329	$1.15	5.42%
			2022	$1,194	$1.04	0.99%
			2021	$1,164	$1.01	6.90%
70791	4	520	2023	$1,360	$1.25	5.38%
			2022	$1,245	$1.14	2.31%
			2021	$1,216	$1.12	8.85%
70801	4	113	2023	$1,614	$1.72	6.19%
			2022	$1,662	$1.77	11.50%
			2021	$1,597	$1.70	9.73%
70802	15	1,920	2023	$1,349	$1.58	6.41%
			2022	$1,328	$1.56	6.20%
			2021	$1,253	$1.47	9.74%
70805	9	874	2023	$732	$1.02	7.09%
			2022	$697	$0.97	3.78%
			2021	$666	$0.93	5.95%
70806	26	3,252	2023	$883	$0.97	5.01%
			2022	$856	$0.94	5.26%
			2021	$774	$0.85	7.60%
70807	3	444	2023	$1,258	$1.52	1.58%
			2022	$1,216	$1.47	1.35%
			2021	$1,148	$1.39	10.59%
70808	19	3,247	2023	$1,156	$1.31	5.45%
			2022	$1,113	$1.26	5.97%
			2021	$1,041	$1.18	12.23%
70809	24	4,673	2023	$1,255	$1.26	4.37%
			2022	$1,192	$1.20	4.62%
			2021	$1,066	$1.07	5.78%
70810	9	1,738	2023	$1,227	$1.21	2.88%
			2022	$1,185	$1.16	5.18%
			2021	$1,057	$1.04	10.93%
70814	4	541	2023	$751	$0.86	2.59%
			2022	$709	$0.81	1.85%
			2021	$692	$0.79	3.14%
70815	17	1,998	2023	$803	$0.89	7.06%
			2022	$763	$0.85	7.26%
			2021	$737	$0.82	7.86%
70816	36	8,108	2023	$987	$1.06	4.60%
			2022	$977	$1.04	5.44%
			2021	$902	$0.96	8.04%
70817	5	917	2023	$1,260	$1.17	4.03%
			2022	$1,241	$1.15	3.49%
			2021	$1,144	$1.06	6.11%

TABLE 8
APARTMENT DATA BY SELECT SUBMARKETS (2023 FULL DATA SET)

		Average Rent					Average Rent per Sq.Ft.						Vacancy Rate					
Area	Total Complexes	0 BR	1 BR	2 BR	3 BR	4 BR	0 BR	1 BR	2 BR	3 BR	4 BR	Total	0 BR	1 BR	2 BR	3 BR	4 BR	Total
All	253	$834	$984	$1,138	$1,359	$2,103	$1.75	$1.37	$1.12	$1.08	$1.39	$1.21	5.18%	4.90%	4.64%	4.89%	5.30%	4.81%
ASCA	8	-	$1,337	$1,580	$1,769	-	-	$1.74	$1.36	$1.23	-	$1.45	-	4.07%	5.82%	3.19%	-	4.78%
BRA	21	-	$1,305	$1,598	$2,128	-	-	$1.64	$1.39	$1.41	-	$1.49	-	5.44%	4.58%	7.54%	-	5.13%
CBD	10	$850	$1,477	$1,884	$2,322	-	$2.52	$1.81	$1.74	$1.58	-	$1.77	25.00%	8.54%	7.25%	16.67%	-	8.21%
LIVA	11	$1,154	$1,185	$1,360	$1,418	$1,625	$1.91	$1.50	$1.18	$0.98	$0.84	$1.23	12.07%	2.56%	5.67%	5.01%	0.00%	4.52%
LSUA	17	$1,058	$1,209	$1,466	$2,079	$2,476	$2.41	$2.20	$1.57	$1.53	$1.47	$1.57	2.11%	3.29%	3.01%	3.11%	5.17%	3.88%
LSUB	18	$679	$824	$986	$1,213	$1,205	$1.82	$1.27	$1.07	$1.09	$1.09	$1.14	2.08%	5.47%	3.44%	4.78%	5.56%	4.37%
ME	8	-	$534	$658	$756	$800	-	$0.90	$0.85	$0.96	$0.67	$0.88	-	3.55%	6.67%	3.05%	0.00%	4.90%

ASCA (Ascension Parish Class A); BRA (Baton Rouge Class A); CBD (Downtown Baton Rouge);
LIVA (Livingston Parish Class A); LSUA (LSU Upscale By-the-Bed); LSUB (Traditional By-the-Unit);
ME (Melrose East)

TABLE 8A
APARTMENT DATA BY SUBMARKET (2021-2023 MATCHED SAMPLE DATA SET)

			Average Rent					Average Rent per Sq.Ft.						Vacancy Rate					
Submarket	Number of Complexes	Time Period	0 BR	1 BR	2 BR	3 BR	4 BR	0 BR	1 BR	2 BR	3 BR	4 BR	Total	0 BR	1 BR	2 BR	3 BR	4 BR	Total
All	231	2023	$788	$952	$1,111	$1,338	$2,105	$1.71	$1.34	$1.10	$1.07	$1.39	**$1.18**	4.15%	4.95%	4.63%	4.91%	5.31%	**4.81%**
		2022	$761	$926	$1,077	$1,280	$2,005	$1.66	$1.30	$1.06	$1.02	$1.32	**$1.14**	4.15%	4.51%	4.52%	6.08%	9.44%	**4.92%**
		2021	$694	$843	$991	$1,217	$1,918	$1.51	$1.19	$0.98	$0.97	$1.27	**$1.06**	6.11%	7.67%	8.16%	10.99%	17.97%	**8.77%**
ASCA	5	2023	-	$1,249	$1,439	$1,630	-	-	$1.61	$1.28	$1.15	-	**$1.33**	-	5.65%	7.52%	4.76%	-	**6.52%**
		2022	-	$1,138	$1,355	$1,516	-	-	$1.47	$1.20	$1.07	-	**$1.24**	-	1.49%	1.28%	1.36%	-	**1.36%**
		2021	-	$967	$1,210	$1,401	-	-	$1.24	$1.08	$0.99	-	**$1.10**	-	6.85%	5.50%	6.12%	-	**6.03%**
BRA	17	2023	-	$1,219	$1,491	$1,731	-	-	$1.62	$1.35	$1.32	-	**$1.46**	-	5.21%	4.81%	7.79%	-	**5.13%**
		2022	-	$1,213	$1,475	$1,580	-	-	$1.61	$1.34	$1.20	-	**$1.45**	-	3.66%	4.49%	9.09%	-	**4.23%**
		2021	-	$1,081	$1,352	$1,657	-	-	$1.44	$1.23	$1.26	-	**$1.32**	-	6.76%	7.82%	9.74%	-	**7.35%**
CBD	8	2023	-	$1,415	$1,835	$2,224	-	-	$1.75	$1.59	$1.58	-	**$1.67**	-	9.93%	9.68%	16.67%	-	**10.00%**
		2022	-	$1,359	$1,777	$2,191	-	-	$1.68	$1.54	$1.56	-	**$1.61**	-	8.51%	12.90%	0.00%	-	**10.00%**
		2021	-	$1,318	$1,757	$2,439	-	-	$1.63	$1.53	$1.74	-	**$1.59**	-	10.64%	6.45%	0.00%	-	**8.75%**
LIVA	8	2023	-	$1,000	$1,150	$1,299	-	-	$1.31	$1.09	$0.96	-	**$1.07**	-	5.70%	4.47%	4.40%	-	**4.64%**
		2022	-	$1,014	$1,098	$1,317	-	-	$1.33	$1.04	$0.98	-	**$1.05**	-	5.70%	3.04%	3.57%	-	**3.66%**
		2021	-	$879	$997	$1,163	-	-	$1.15	$0.95	$0.86	-	**$0.94**	-	6.74%	4.29%	7.97%	-	**5.89%**
LSUA	17	2023	$1,067	$1,222	$1,459	$1,927	$2,266	$2.41	$2.20	$1.57	$1.53	$1.47	**$1.57**	2.11%	3.29%	3.01%	3.11%	5.17%	**3.88%**
		2022	$1,014	$1,171	$1,430	$1,801	$2,144	$2.29	$2.11	$1.54	$1.43	$1.39	**$1.50**	6.32%	5.57%	6.20%	5.84%	9.19%	**7.04%**
		2021	$942	$1,121	$1,381	$1,785	$2,058	$2.13	$2.02	$1.49	$1.42	$1.34	**$1.44**	9.47%	15.44%	14.97%	18.16%	19.63%	**17.08%**
LSUB	17	2023	$850	$849	$995	$1,307	$1,737	$1.82	$1.27	$1.07	$1.09	$1.09	**$1.14**	2.08%	5.47%	3.42%	4.78%	5.56%	**4.37%**
		2022	$846	$804	$952	$1,273	$1,656	$1.81	$1.20	$1.02	$1.06	$1.04	**$1.09**	4.17%	5.28%	4.89%	7.39%	8.33%	**5.30%**
		2021	$811	$742	$883	$1,213	$1,667	$1.74	$1.11	$0.95	$1.01	$1.05	**$1.02**	8.33%	13.34%	15.00%	12.17%	11.11%	**13.90%**
ME	7	2023	-	$543	$648	$777	-	-	$0.90	$0.84	$0.96	-	**$0.88**	-	3.74%	7.19%	3.05%	-	**5.11%**
		2022	-	$539	$617	$720	-	-	$0.89	$0.80	$0.89	-	**$0.84**	-	4.81%	3.75%	6.10%	-	**4.67%**
		2021	-	$520	$577	$676	-	-	$0.86	$0.75	$0.83	-	**$0.79**	-	6.42%	8.44%	4.88%	-	**7.45%**

ASCA (Ascension Parish Class A); BRA (Baton Rouge Class A); CBD (Downtown Baton Rouge); LIVA (Livingston Parish Class A); LSUA (LSU Upscale By-the-Bed); LSUB (Traditional By-the-Unit); ME (Melrose East)

TABLE 9
2023 - FULL DATA SET STATISTICS BY CLASS

Construction Class	Number of Complexes	Number of Units	Avg Rent/ Unit	Avg Rent/ Sq.Ft.	% Vacant
A	66	13,306	$1,523	$1.48	4.8%
B	49	9,159	$1,147	$1.16	4.5%
C	137	16,930	$860	$0.98	5.0%

TABLE 10
APARTMENT DATA BY CLASS
2021 - 2023 MATCHED SAMPLE DATA SET

Construction Class	Number of Complexes	Number of Units	Period	Average Rent per Unit	Average Rent per Sq. Ft.	Vacancy Rate Total
A	54	10,516	2023	$1,535	$1.46	4.80%
			2022	$1,482	$1.41	4.98%
			2021	$1,380	$1.31	10.82%
B	46	9,023	2023	$1,148	$1.16	4.56%
			2022	$1,115	$1.13	4.18%
			2021	$1,021	$1.03	8.05%
C	131	16,401	2023	$862	$0.98	4.95%
			2022	$834	$0.95	5.30%
			2021	$769	$0.87	7.85%

OFFICE

Platinum Sponsor CORPORATE REALTY

EXECUTIVE OVERVIEW

Office space utilization is the new measurement of true office occupancy throughout the country. Vacancy rates, as determined through traditional market studies and surveys, do not paint the true picture of the market and what the demand for office space is like. Baton Rouge is no different from the rest of the country in this respect. Throughout 2022 and into the first quarter of 2023, we continued to see companies allowing employees to work from home or allowing some hybrid home/office models.

It is estimated that in the Baton Rouge marketplace, approximately 60% of leased office space is being utilized full time by companies and employees. However, the combined occupancy rate (space actually under lease) for Baton Rouge's multi-story office and office condominium market stands at approximately 79.72%. These statistics show there is quite a difference between space under lease and what is actually being utilized. Throughout 2022, companies were pushing employees to come back to the office, but they seemed to be facing an uphill battle.

OFFICE TRENDS COMMITTEE

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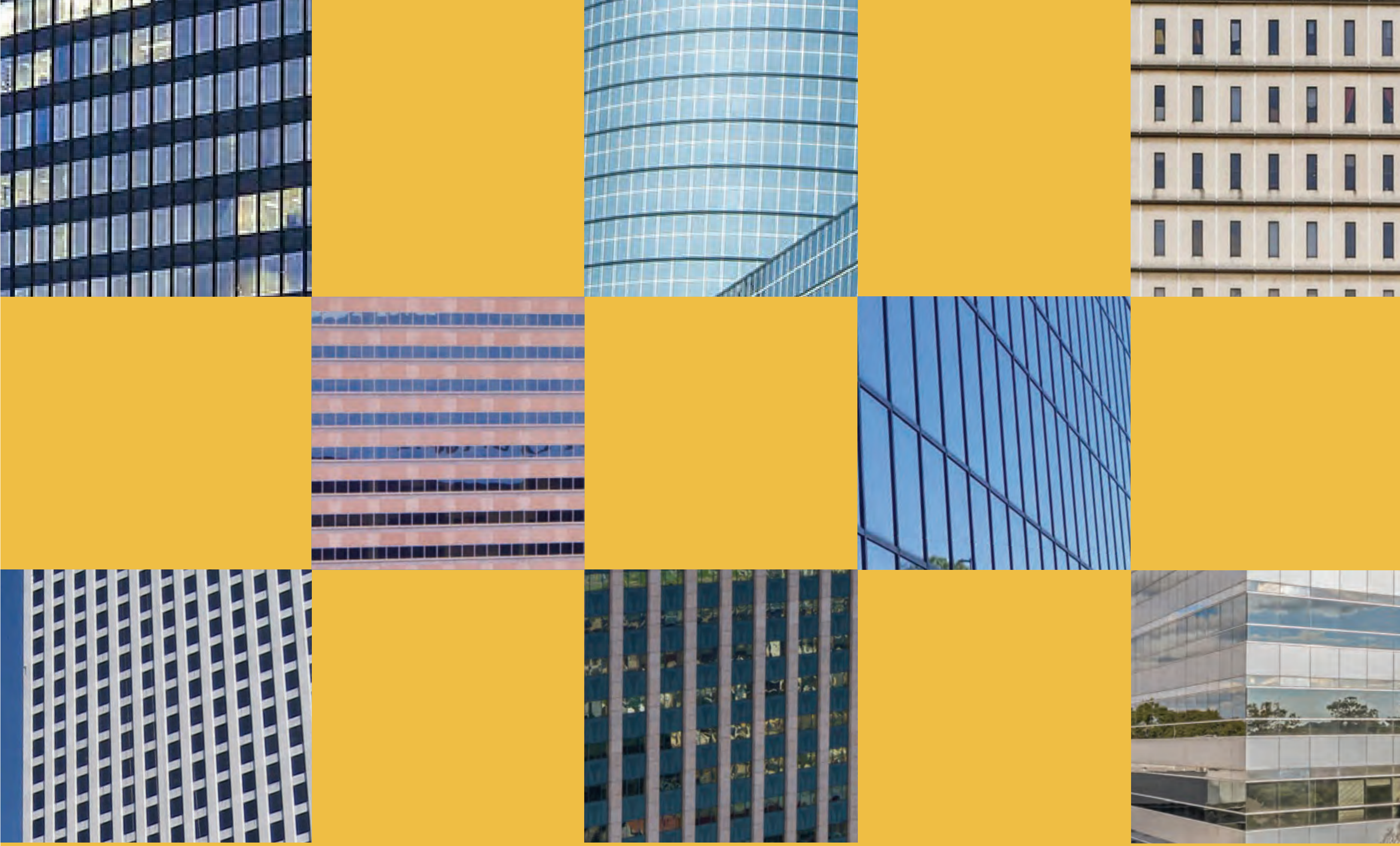
NAI Latter & Blum

Gary Black
Wampold Companies

Foster Murphy
Stirling Properties

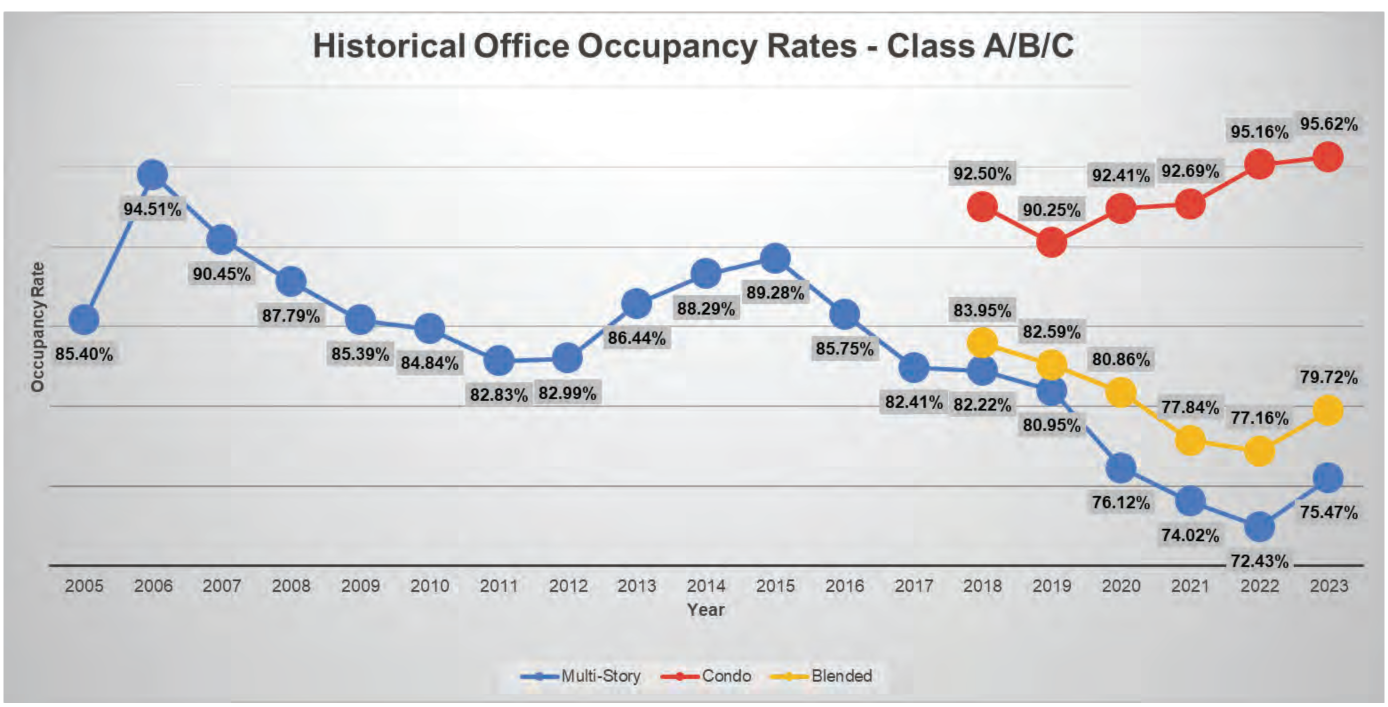
Early 2023, is showing signs of improvement as more people are coming back to the office on a daily basis. The consensus from companies is that being in the office is healthier and more productive. While there has been an obvious impact on office utilization, hopefully, it will not be as detrimental to the office sector as previously forecast. In general, companies are averaging a 10% to 15% reduction in the amount of space they need when they are up for renewal or extension. Existing tenants have moved past "right-sizing" and thinking more long-term related to their space needs and sometimes wanting to make sure they don't give back too much space. These reductions, while not ideal, are manageable and far less than predicted during the pandemic.

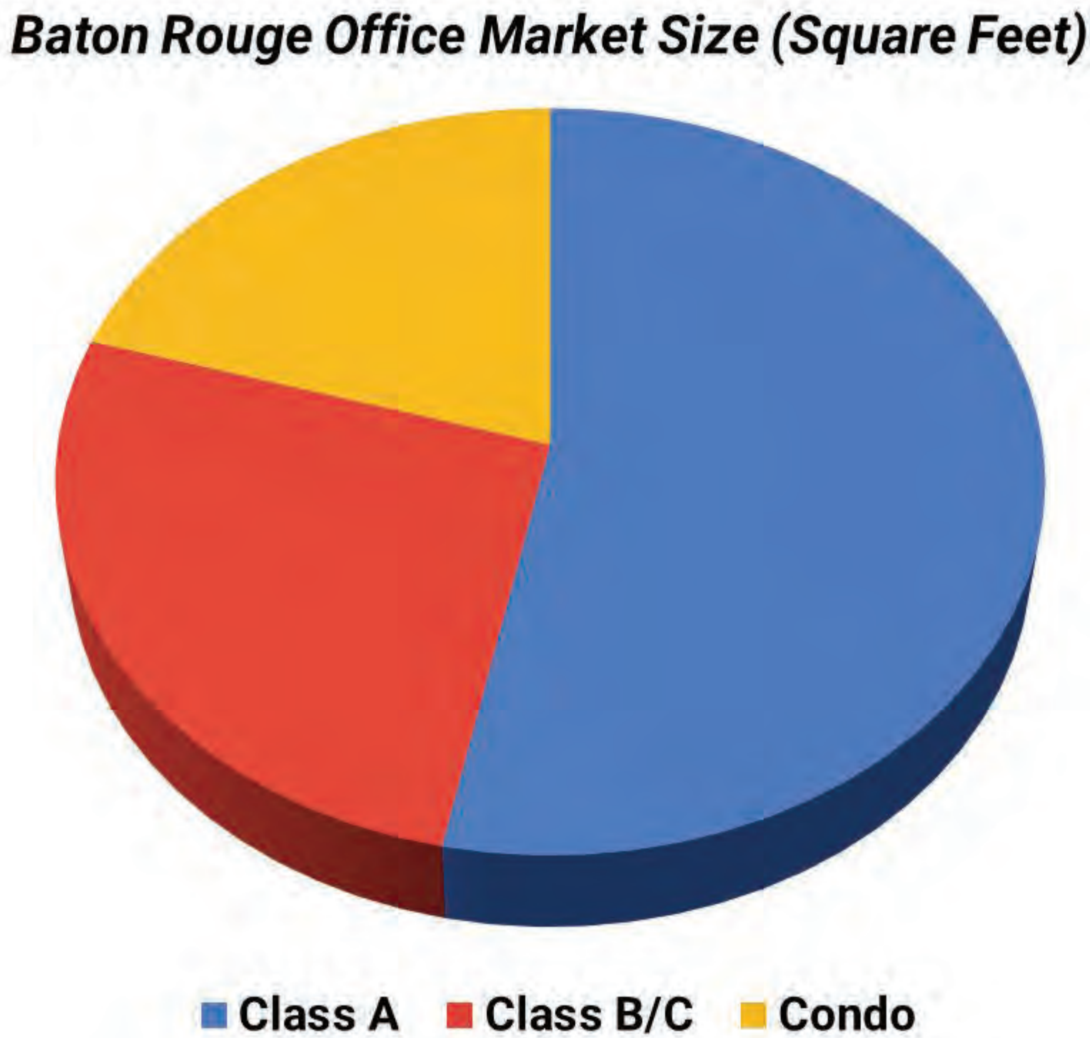


In early 2023, the general sentiment in the market is that activity and tours have increased, especially since Q4 of 2022. However, getting to a deal is still slow. Prospects seem to grind over analysis and decisions. Everything from proposal, lease negotiation, planning, pricing and build out just takes longer. Lease terms are also shorter, as tenants prefer flexibility over long-term commitment.

Rising operating costs are another challenge facing the office sector. Landlords have seen drastic increases in costs for utilities, janitorial supplies and services, property taxes, and insurance. Mortgage costs have increased in some instances due to rising interest rates. Additionally, supply chain and labor shortages have driven up the cost of tenant buildouts and other improvement projects. Profit margins are being squeezed since rental rates have remained flat in Baton Rouge for over a decade. It remains a tenant-favored market, and we have not yet seen it translate into higher rents. However, if costs continue to rise, it seems inevitable.

As discussed last year, there is quite a difference as well between the occupancy rates for multi-story buildings and the occupancy rates for office condos. This trend has been studied by the office committee over the last four years and the results paint a clearer picture of supply and demand. Our 2023 survey showed a nominal increase in occupancy for multi-story offices, while occupancy for office condos remained flat. Currently, the occupancy rate for multi-story office products stands at 75.47%, up from 72.43% in Spring 2022. The garden office product occupancy rate hovers around 95.62%, up from 95.16% in Spring 2022.





Office Leasing Activity 2022

Overall, office leasing activity in 2022 remained slow. The most notable transaction was the relocation and consolidation of Brown & Root from CitiPlace I/United XII to United Center. This occupancy will be staggered with the first stage moving in August of 2023 and the second portion taking occupancy in January of 2024. However, this relocation will create large vacancies at both CitiPlace I and United XII. As such, most of the leasing activity came from existing tenants downsizing or relocating to take advantage of more favorable terms. There was little activity with new tenants entering the marketplace. However, Q1 2023 has shown a slight increase in activity from both existing and new tenants, which is promising for the short term. Overall, Class A occupancies rose approximately 2 percentage points, with a few smaller transactions being completed in the marketplace.

As noted last year, Wampold Companies increased their residential conversion at I Rivermark Centre from 10 floors to 12 floors removing another 30,000 ft from the downtown submarket. Downtown Class A occupancies increased to 87%, a 4% rise over last year. The downtown Class B dataset remained flat near 94% occupancy. Large blocks of vacancies exist at One American Place, with 14,378 square feet available on the 18th floor, and at La Capitol Federal Credit Union, with combined space on the 3rd and 4th floors totaling 20,772 square feet.

Class A occupancies in the Acadian/College remained flat at approximately 87%. However, as previously mentioned, there will be 28,000 square feet coming available in August 2023 at CitiPlace I due to the Brown & Root relocation. It should be noted that the Acadian Centre building at 2431 Acadian Thruway has been placed on the market for sale. The building is currently 84% occupied. Additionally, the former CitiPlace Centre II building was sold to Orion Instruments for owner occupancy, which has removed 31,500 square feet of space from the market.

The Sherwood Forest sector also remained flat at approximately 85% occupancy. The most noteworthy transaction was Sigma Consulting taking over the entire two-story building at 4000 South Sherwood Forest for a total of 19,245 square feet. The largest vacancy in this submarket is the approximately 25,000 square foot block located at the 3854 American Way building. This space was

vacated by Centene Corporation a couple of years prior. Additionally, the building at 4455 American Way was recently vacated by AT&T and purchased by an investor. The property is undergoing a major renovation and will be brought to market soon. The addition of this building to the dataset next year will add approximately 70,000 vacant square feet to the marketplace.

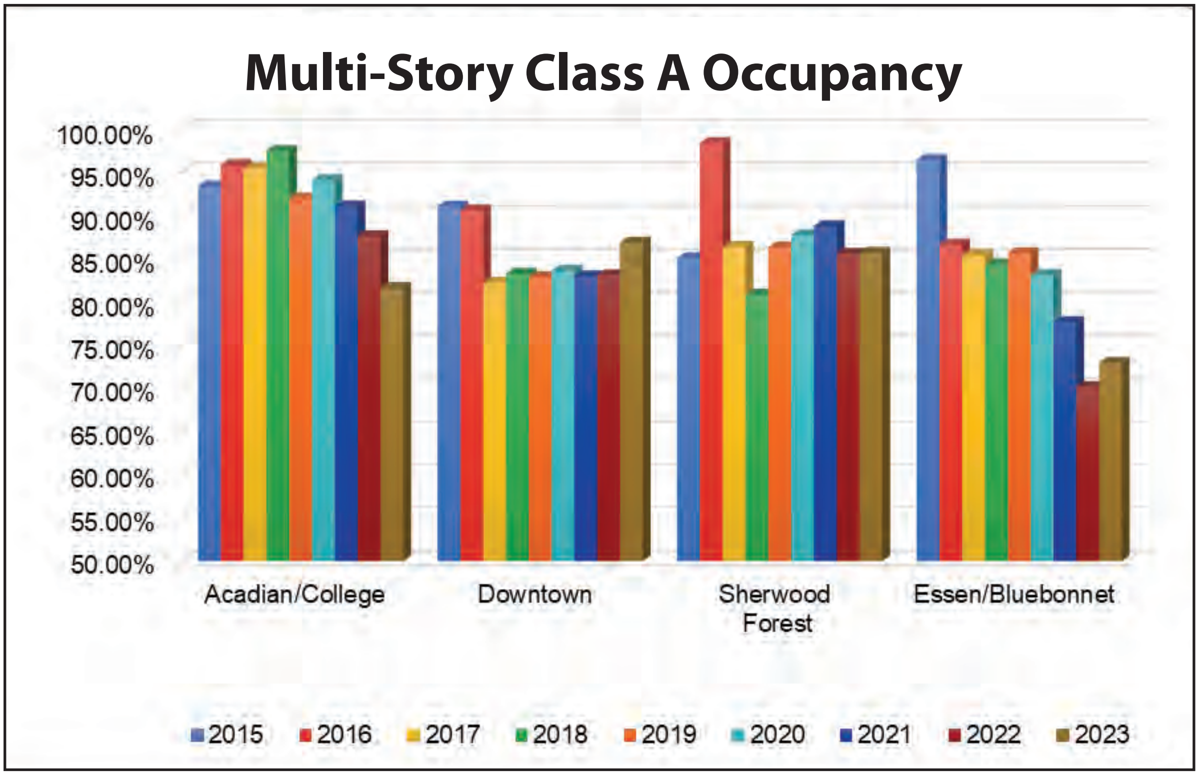
The Essen/Bluebonnet submarket improved slightly to 72% occupancy. The largest blocks of vacancy exist in the United Centre building (former Aptim). Brown & Root will be occupying approximately 60,000 square feet by the end of 2023. However, the property will still have 46,868 square feet vacant after the relocation. The same relocation will open up approximately 28,000 square feet at XII United.

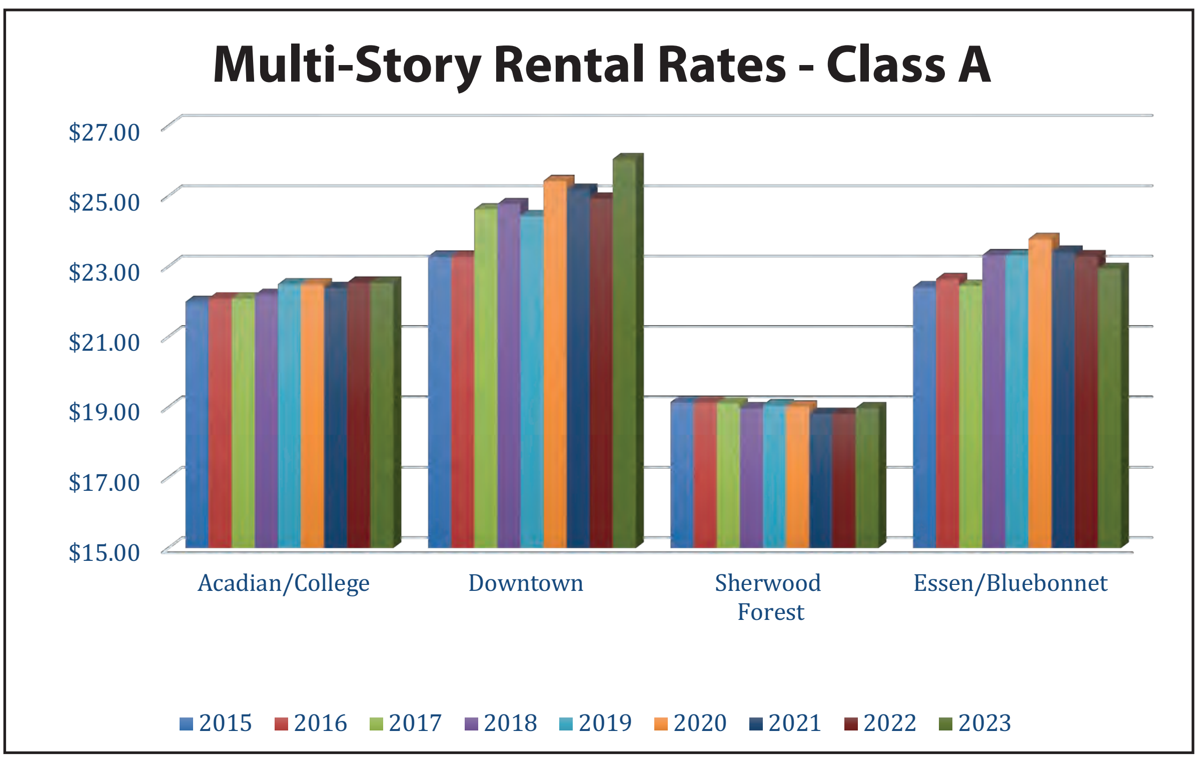
The Florida/Airline continues to struggle at 44% occupancy. Older dated buildings have been difficult to lease and there has been a migration of tenants from the area for many years. Mid-City Tower at 5500 Florida Boulevard was excluded from this year's data set. However, it should be noted that the property is undergoing a major renovation and will be placed on the market for lease later this year. The building will add an additional 80,000 square feet of vacancy to the submarket.

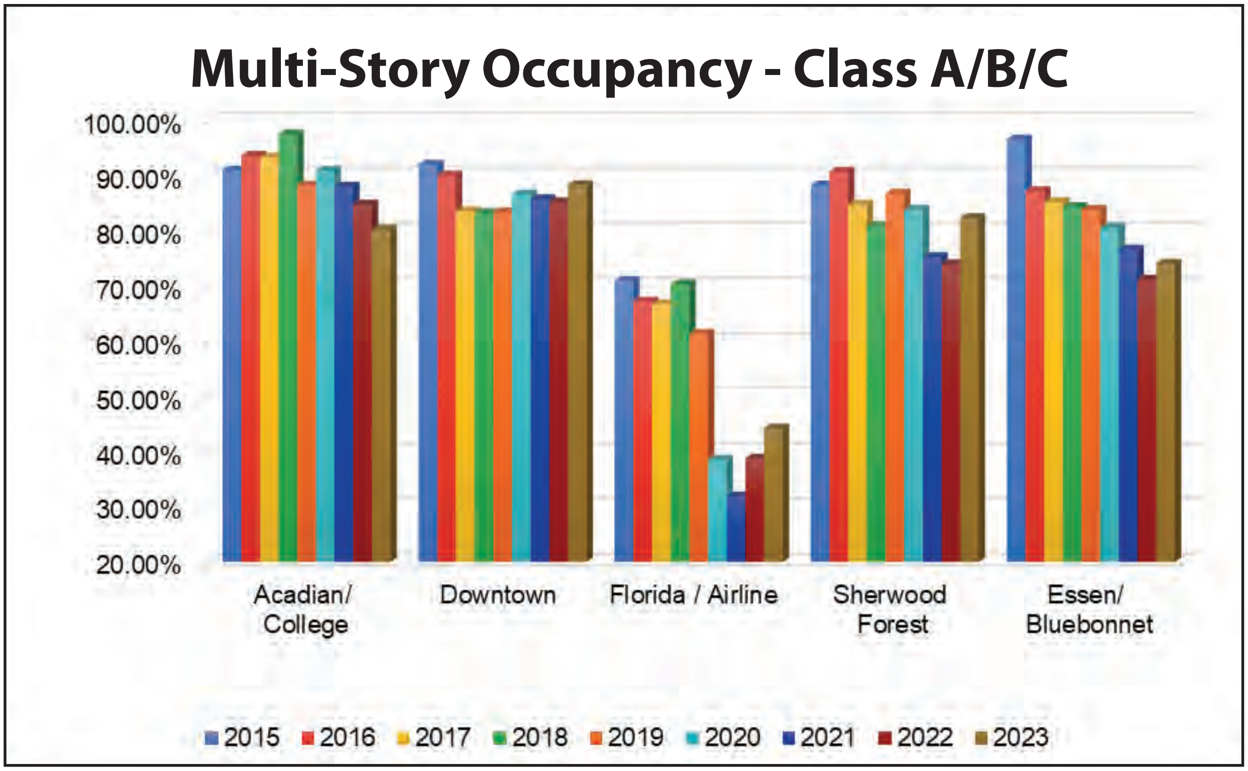
Market-wide, available sub-lease options increased from 65,000 in 2022 to 85,000 in Q2 of 2023. Still, with available inventory and sub-lease space, Class A office space in Baton Rouge pushes over 1,000,000 sq ft. With little to no new businesses entering the market, this is a staggering number.

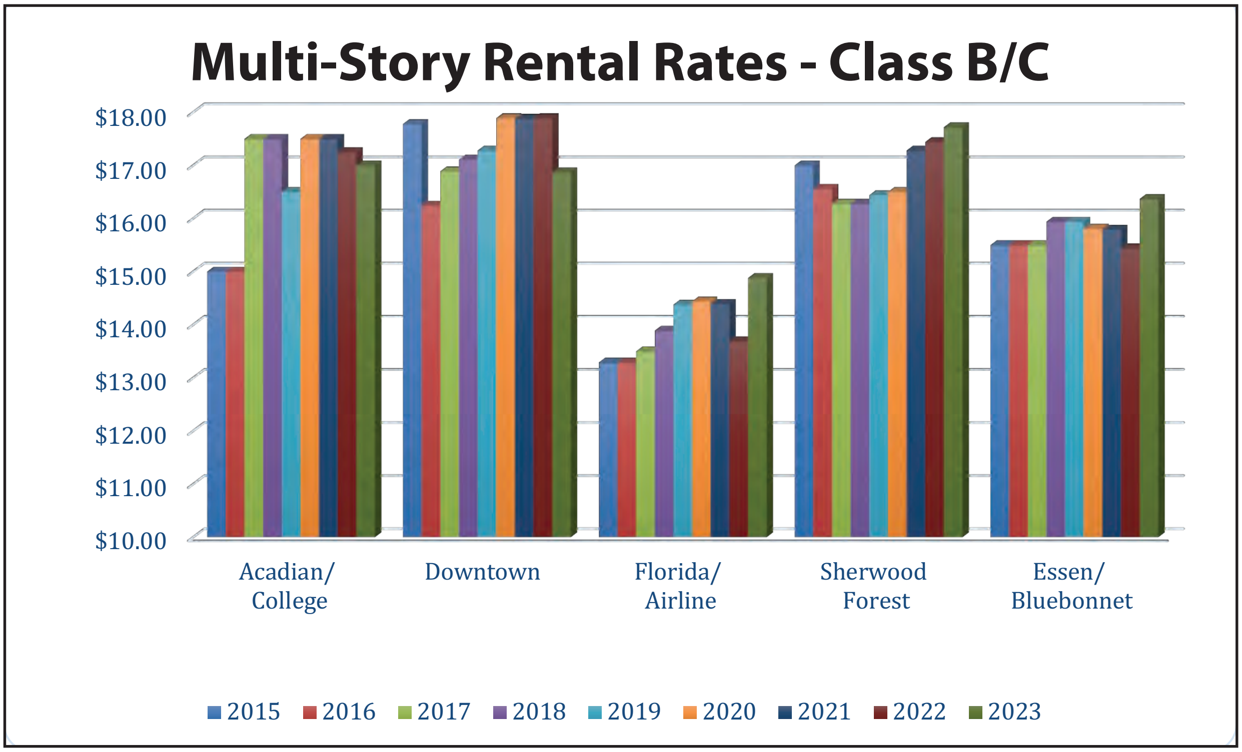
Office Condo - Garden Office

The Baton Rouge Garden Office market in 2022 saw a record number of office sales, primarily by groups who normally would have been tenants taking advantage of historically low-interest rates to become owner-occupants. However, with interest rates skyrocketing and construction costs remaining high, sales volume has started to trend downward going into 2023. Leasing activity, on the other hand, has increased going into 2023, with an increase in lease rates for modified gross leases due to increased insurance and operating costs. So much so, we have even seen some leases flip to NN this year. Class A rents can exceed $22.00, with tenants handling utilities, janitorial, POA fees, and some interior maintenance. This year Garden Office occupancies remained flat with an A and B blended average of 95% occupancy rate. Due to rising construction and operating cost, there is little new product coming online.


Multi-Story Class A Occupancy
100.00%
95.00%
90.00%
85.00%
80.00%
75.00%
70.00%
65.00%
60.00%
55.00%
50.00%
Acadian/College
Downtown
Sherwood Forest
Essen/Bluebonnet
2015
2016
2017
2018
2019
2020
2021
2022
2023


Multi-Story Rental Rates - Class A
$27.00
$25.00
$23.00
$21.00
$19.00
$17.00
$15.00
Acadian/College
Downtown
Sherwood Forest
Essen/Bluebonnet
2015
2016
2017
2018
2019
2020
2021
2022
2023


Multi-Story Occupancy - Class A/B/C
100.00%
90.00%
80.00%
70.00%
60.00%
50.00%
40.00%
30.00%
20.00%
Acadian/ College
Downtown
Florida / Airline
Sherwood Forest
Essen/ Bluebonnet
2015 2016 2017 2018 2019 2020 2021 2022 2023


Multi-Story Rental Rates - Class B/C
$18.00
$17.00
$16.00
$15.00
$14.00
$13.00
$12.00
$11.00
$10.00
Acadian/ College
Downtown
Florida/ Airline
Sherwood Forest
Essen/ Bluebonnet
2015 2016 2017 2018 2019 2020 2021 2022 2023

In terms of space needs, there has been a higher demand for 2,500 to 5,000 square feet going into this year compared to the previous years' need for 1,200 to 2,500 square feet. The three most common tenant groups recently have been medical, financial, and engineering. Overall, the Baton Rouge Garden Office market occupancy has remained steady, although the Bluebonnet, Jefferson, and Perkins corridors have seen some of the lowest move-in ready inventory in years. Most of the office parks in these areas that have been developed over the last 2-4 years are seeing their last pads built out this year. Garden office remains a strong segment of the overall office market. Tenants continue to gravitate towards drive-up buildings with signage, no common areas, and more flexibility on term and floor plans.

Baton Rouge Office Market – April 2023 Forecast

As Ty Gose of NAI Latter & Blum pointed out in previous years, Baton Rouge has an "office problem." While we did see a slight increase in occupancy for the multi-story office sector, it was not remarkable, but it is positive and noteworthy. Many of the buildings in the survey are out of date and functionally challenged. Additionally, there are little to no new tenants entering the marketplace, and landlords are just competing to grab tenants from their competition.

Tenants that are in the market for space are seeking offices that are ready to occupy. Spaces requiring a lot of improvement work or "vision" are difficult, if not impossible, to lease. Construction costs, lack of demand, and a difficult lending environment make it difficult for owners of aged buildings to invest money in their assets to improve marketability. As such, we will likely see a continued increase in vacancies for the B/C sector. Landlords that are able to deliver spaces that are improved, in great condition, and ready to occupy will have an advantage over those that do not.

As we are able to further distance ourselves from COVID and its effect on office space utilization, we will likely see demand increase. However, the abundant supply of older, dated buildings will be difficult to backfill. New development of office space will be difficult for the foreseeable future. With higher interest rates, higher construction costs, and a limited tenant base, it will be challenging, to say the least. Sales of multi-story buildings will remain slow as lenders and investors remain skeptical of the office sector.

SUMMARY

Office Market By Area • Class A Buildings • 4 1 2023

ACADIAN/COLLEGE

	BUILDING	CLASS	SQUARE FEET	OCCUPIED	OCCUPANCY RATE	RATE	SUBLEASE	6 MONTHS PENDING
1	Acadian Centre	A	74,589	62,654	84.00%	$21.00	0	0
2	CitiPlace Centre I (Hancock Bank Building @ CitiPlace)	A	82,023	78,742	96.00%	$23.00	0	28,000
3	CitiPlace Centre II	A	31,516	31,516	100.00%	$22.00	0	0
4	CitiPlace Centre III (The Bancorp Bank Center @ CitiPlace)	A	42,659	33,274	78.00%	$23.00	0	0
5	Acadia Trace	A	121,000	95,649	79.05%	$23.00	0	0
6	Corporate Atrium	A	76,447	61,922	81.00%	$21.00	0	0
7	Corporate Center	A	48,000	36,000	75.00%	$22.50	0	0
8	Republic Finance	A	27,000	27,000	100.00%	$24.00	0	0
9	2370 Towne Centre	A	66,000	66,000	100.00%	$25.00	0	0
10	5551 Corporate	A	52,142	14,788	28.36%	$21.00	0	0
			621,376	507,545	81.68%	$22.55	0	28,000

DOWNTOWN

	BUILDING	CLASS	SQUARE FEET	OCCUPIED	OCCUPANCY RATE	RATE	SUBLEASE	6 MONTHS PENDING
1	One American Place	A	333,360	273,816	82.14%	$22.00	2,780	0
2	II Rivermark (former North Tower)	A	207,572	166,057	80.00%	$22.50	0	0
3	I Rivermark (former South Tower)	A	76,250	61,000	80.00%	$22.50	0	0
4	City Plaza	A	166,473	154,819	93.00%	$24.00	0	0
5	II City Plaza	A	255,344	252,544	98.90%	$30.00	49,775	0
6	La Cap Building	A	75,000	54,228	72.30%	$21.50	0	0
7	Water Campus	A	89,320	71,329	79.86%	$32.00	0	0
8	IBM	A	140,651	134,384	95.54%	$34.00	0	0
			1,343,970	1,168,177	86.92%	$26.06	52,555	0

ESSEN/BLUEBONNET

	BUILDING	CLASS	SQUARE FEET	OCCUPIED	OCCUPANCY RATE	RATE	SUBLEASE	6 MONTHS PENDING
1	Essen Center	A	113,000	26,167	23.16%	$20.00	0	0
2	Jefferson Brentwood	A	62,747	43,958	70.06%	$22.00	22,700	2,506
3	I United Plaza	A	94,204	94,204	100.00%	$22.00	0	0
4	II United Plaza	A	197,010	185,010	93.91%	$22.00	0	0
5	III United Plaza	A	60,389	42,099	69.71%	$22.00	0	0
6	IV United Plaza	A	71,547	71,547	100.00%	$23.00	0	0
7	V United Plaza	A	58,365	56,762	97.25%	$22.00	0	0
8	VII United Plaza	A	58,000	58,000	100.00%	N/A	0	0
9	VIII United Plaza	A	57,932	57,932	100.00%	$22.00	0	0
10	IX United Plaza	A	97,000	97,000	100.00%	$19.50	0	0
11	XII United Plaza	A	154,000	119,000	77.27%	$22.00	0	28,000
12	Bluebonnet Centre	A	71,656	68,708	95.89%	$22.00	0	0
13	Louisiana School Employee Retirement	A	112,253	112,253	100.00%	N/A	0	0
14	Jacobs Plaza	A	192,600	192,600	100.00%	N/A	0	0
15	United Center	A	227,000	75,000	33.04%	$25.50	0	0
16	Perkins Rowe	A	126,328	74,004	58.58%	$24.50	0	0
17	7290 Bluebonnet	A	152,000	0	0.00%	$21.00	0	0
18	Advocate Building	A	53,000	53,000	100.00%	$25.50	0	0
19	Highland	A	54,551	42,004	77.00%	$32.00	0	0
			2,013,582	1,469,248	72.97%	$22.94	22,700	30,506

SHERWOOD FOREST

	BUILDING	CLASS	SQUARE FEET	OCCUPIED	OCCUPANCY RATE	RATE	SUBLEASE	6 MONTHS PENDING
1	4000 S. Sherwood Office Building	A	78,183	66,797	85.44%	$19.95	0	0
2	Investar Plaza	A	57,486	57,486	100.00%	$17.50	0	0
3	2900 Westfork	A	105,720	82,728	78.25%	$19.50	4,597	0
			241,389	207,011	85.76%	$18.98	4,597	0

TOTAL

# of Buildings	AREA	CLASS	SQUARE FEET	OCCUPIED	OCCUPANCY RATE	RATE	SUBLEASE	6 MONTHS PENDING
10	ACADIAN/COLLEGE	A	621,376	507,545	81.68%	$22.55	0	28,000
8	DOWNTOWN	A	1,343,970	1,168,177	86.92%	$26.06	52,555	0
19	ESSEN/BLUEBONNET	A	2,013,582	1,469,248	72.97%	$22.94	22,700	30,506
3	SHERWOOD FOREST	A	241,389	207,011	85.76%	$18.98	4,597	0
40			4,220,317	3,351,981	**79.42%**	$22.63	79,852	58,506

SUMMARY

Office Market By Area • Class B/C Buildings • 4 1 2023

ACADIAN/COLLEGE

	BUILDING	CLASS	SQUARE FEET	OCCUPIED	OCCUPANCY RATE	RATE	SUBLEASE	6 MONTHS PENDING
1	5615 Corporate	B	56,887	39,988	70.29%	$18.00	5,338	3,504
2	5420 Corporate	B	30,776	16,645	54.08%	$17.50	0	0
3	2351 Energy Drive	B	39,000	36,700	94.10%	$15.50	0	0
			126,663	93,333	73.69%	$17.00	5,338	3,504

DOWNTOWN

	BUILDING	CLASS	SQUARE FEET	OCCUPIED	OCCUPANCY RATE	RATE	SUBLEASE	6 MONTHS PENDING
1	Renaissance East	B	172,000	172,000	100.00%	$9.91	0	0
2	Roumain Building	B	22,195	4,412	19.88%	$14.66	0	0
3	Taylor Building	B	30,000	27,000	90.00%	$15.50	0	0
4	339 Florida	B	44,524	44,524	100.00%	$16.00	0	0
5	525 Florida St. (Kinko's Building)	B	30,000	30,000	100.00%	$18.00	0	0
6	Cordova Square	B	19,713	19,713	100.00%	$20.00	0	0
7	500 Laurel Street	B	28,000	28,000	100.00%	$24.00	0	0
			346,432	325,649	94.00%	$16.87	0	0

FLORIDA / AIRLINE

	BUILDING	CLASS	SQUARE FEET	OCCUPIED	OCCUPANCY RATE	RATE	SUBLEASE	6 MONTHS PENDING
1	Alpha Building (8281 Goodwood)	B	30,209	30,209	100.00%	$17.50	0	0
2	Mid City Plaza (4962 Florida)	B	31,975	31,975	100.00%	$10.00	0	0
3	Bon Carre	B	707,817	333,264	47.08%	$16.00	0	0
4	Direct General - 15151 Florida	B	124,463	0	0.00%	$16.00	0	0
			894,464	395,448	44.21%	$14.88	0	0

SHERWOOD FOREST

	BUILDING	CLASS	SQUARE FEET	OCCUPIED	OCCUPANCY RATE	RATE	SUBLEASE	6 MONTHS PENDING
1	11110 Mead	B	51,878	51,878	100.00%	$18.50	0	0
2	3029 Sherwood	B	36,000	20,324	100.00%	$16.00	0	0
3	Sherwood II	B	26,637	20,326	76.31%	$20.00	0	0
4	Sherwood Oaks Office Park	B	101,157	83,960	83.00%	$15.50	0	0
5	Sherwood Plaza Business Park	B	61,000	37,760	61.90%	$15.00	0	0
6	10719 Airline	B	37,500	37,500	100.00%	$17.50	0	0
7	3854 American Way	B	119,945	94,945	79.16%	$18.50	0	0
8	Security National	B	45,378	45,378	100.00%	$18.50	0	0
9	Sherwood Tower	B	78,854	59,831	75.88%	$20.00	0	0
			558,349	451,902	80.94%	$17.72	0	0

ESSEN/BLUEBONNET

	BUILDING	CLASS	SQUARE FEET	OCCUPIED	OCCUPANCY RATE	RATE	SUBLEASE	6 MONTHS PENDING
1	7414 Perkins Road	B	72,145	56,715	78.61%	$15.50	0	0
2	Life Share Blood Center	B	56,538	49,292	87.18%	$15.61	0	0
3	Essen Business Park	B	45,000	45,000	100.00%	$18.00	0	0
			173,683	151,007	86.94%	$16.37	0	0

TOTAL

# of Buildings	AREA	CLASS	SQUARE FEET	OCCUPIED	OCCUPANCY RATE	RATE	SUBLEASE	6 MONTHS PENDING
3	ACADIAN/COLLEGE	B	126,663	93,333	73.69%	$17.00	5,338	3,504
7	DOWNTOWN	B	346,432	325,649	94.00%	$16.87	0	0
4	FLORIDA/AIRLINE	B	894,464	395,448	44.21%	$14.88	0	0
9	SHERWOOD FOREST	B	558,349	451,902	80.94%	$17.72	0	0
3	ESSEN/BLUEBONNET	B	173,683	151,007	86.94%	$16.37	0	0
26			2,099,591	1,417,339	**67.51%**	$16.57	5,338	3,504

SUMMARY OF MULTISTORY OFFICE
Class A & B/C Buildings • 4 1 2023

	AREA	CLASS	SQUARE FEET	OCCUPIED	OCCUPANCY RATE	RATE	SUBLEASE
1	ACADIAN/COLLEGE	A & B/C	748,039	600,878	80.33%	$19.78	5,338
2	DOWNTOWN	A & B/C	1,690,402	1,493,826	88.37%	$21.46	52,555
3	FLORIDA/AIRLINE	A & B/C	894,464	395,448	44.21%	$14.88	0
4	SHERWOOD FOREST	A & B/C	799,738	658,913	82.39%	$18.35	4,597
5	ESSEN/BLUEBONNET	A & B/C	2,187,265	1,620,255	74.08%	$19.65	22,700
	TOTALS		**6,342,369**	**4,593,999**	**75.47%**	**$18.82**	**85,190**

HISTORICAL OCCUPANCY TREND MULTISTORY BUILDINGS

AREA	CLASS	OCCUPANCY % Spring 2018	OCCUPANCY % Spring 2019	OCCUPANCY % Spring 2020	OCCUPANCY % Spring 2021	OCCUPANCY % Spring 2022	OCCUPANCY % Spring 2023
ACADIAN/ COLLEGE	A & B/C	97.55%	88.27%	90.95%	88.09%	84.82%	80.83%
DOWNTOWN	A & B/C	83.30%	83.45%	86.64%	85.78%	85.71%	88.37%
FLORIDA/ AIRLINE	A & B/C	70.38%	61.38%	38.53%	31.89%	38.75%	44.21%
SHERWOOD FOREST	A & B/C	80.90%	86.80%	83.87%	75.28%	73.98%	82.39%
ESSEN/ BLUEBONNET	A & B/C	84.40%	83.83%	80.61%	76.76%	71.20%	74.08%
TOTALS		**82.22%**	**80.95%**	**76.12%**	**74.02%**	**72.43%**	**75.47%**

SUMMARY OF CLASS A OFFICE CONDOS BY AREA

#	AREA	CLASS	SQUARE FEET	OCCUPIED	OCCUPANCY RATE	RATE
6	PERKINS	A	76,741	76,741	100.00%	$19.79
3	HIGHLAND	A	69,022	63,579	98.17%	$19.38
10	JEFFERSON HWY	A	305,078	300,106	98.37%	$21.57
4	SIEGEN	A	103,511	101,621	98.17%	$17.50
14	BLUEBONNET	A	349,698	344,401	98.49%	$19.97
7	SHERWOOD FOREST	A	170,151	140,913	82.82%	$16.36
4	O'NEAL	A	92,149	69,757	75.70%	$13.75
48	**TOTALS**		**1,694,854**	**1,609,894**	**94.99%**	**$18.34**

SUMMARY OF CLASS B/C OFFICE CONDOS BY AREA

#	AREA	CLASS	SQUARE FEET	OCCUPIED	OCCUPANCY RATE	RATE
2	PERKINS	B/C	85,962	85,962	100.00%	$14.00
3	ESSEN	B/C	49,346	49,346	100.00%	$12.51
3	JEFFERSON	B/C	178,592	176,025	98.56%	$17.50
2	SIEGEN	B/C	62,554	62,554	100.00%	$16.92
1	BLUEBONNET	B/C	10,749	10,749	100.00%	$20.00
4	SHERWOOD	B/C	111,239	110,120	98.99%	$14.56
2	S HARRELL'S FERRY	B/C	25,413	24,359	95.85%	$13.50
17	**TOTALS**		**523,856**	**519,115**	**99.10%**	**$15.57**

SUMMARY OF OFFICE CONDOS CLASS A & B/C

Class A & B/C Buildings

4 1 2023

# of Office Parks	Area	CLASS	SQUARE FEET	OCCUPIED	OCCUPANCY RATE	RATE
8	PERKINS	A &B/C	162,703	162,703	100.00%	$16.89
6	HIGHLAND/ESSEN	A &B/C	118,368	112,925	95.40%	$15.94
13	JEFFERSON	A &B/C	483,670	476,131	98.44%	$19.53
6	SIEGEN	A &B/C	166,065	164,175	98.86%	$17.50
15	BLUEBONNET	A &B/C	360,447	355,150	98.53%	$19.98
11	SHERWOOD FOREST	A &B/C	281,390	251,033	89.21%	$15.46
6	O’NEAL / S HARRELL’S FERRY	A &B/C	117,562	94,116	80.06%	$13.65
65	**TOTALS**	**A &B/C**	**1,690,205**	**1,616,233**	**95.62%**	**$16.99**

HISTORICAL OCCUPANCY TREND: OFFICE CONDOS CLASS A

#	CONDOS	CLASS	OCCUPANCY % Spring 2020	OCCUPANCY % Spring 2021	OCCUPANCY % Spring 2022	OCCUPANCY % Spring 2023
6	PERKINS	A	96.58%	96.58%	96.29%	100.00%
10	JEFFERSON	A	84.79%	92.32%	95.57%	98.37%
7	SHERWOOD FOREST	A	88.45%	71.99%	88.59%	82.82%
14	BLUEBONNET	A	95.93%	92.69%	95.47%	98.49%
4	SIEGEN	A	92.64%	97.81%	98.17%	98.17%
3	HIGHLAND / ESSEN	A	87.09%	85.95%	96.58%	98.17%
4	O'NEAL / S HARRELL'S FERRY	A	89.69%	88.06%	81.84%	75.70%
48	**TOTALS**	**A**	**90.75%**	**89.73%**	**93.83%**	**94.99%**

TOTAL BLENDED OFFICE MARKET - SPRING 2022

PROPERTY TYPE	TOTAL SF	OCCUPIED SF	OCCUPANCY
Multistory	6,319,908	4,769,320	75.47%
Condo	1,690,205	1,616,233	95.62%
TOTAL	**8,010,113**	**6,385,553**	**79.72%**

INDUSTRIAL

EXECUTIVE OVERVIEW

Introduction

The industrial real estate sector continued its blistering pace in 2022. In 2021, for the first time ever, the national vacancy rate dropped below 4.0% to 3.8%. The national vacancy rate continued to decline during the first half of 2022, reaching a new record low of 2.9% at the end of the second quarter.

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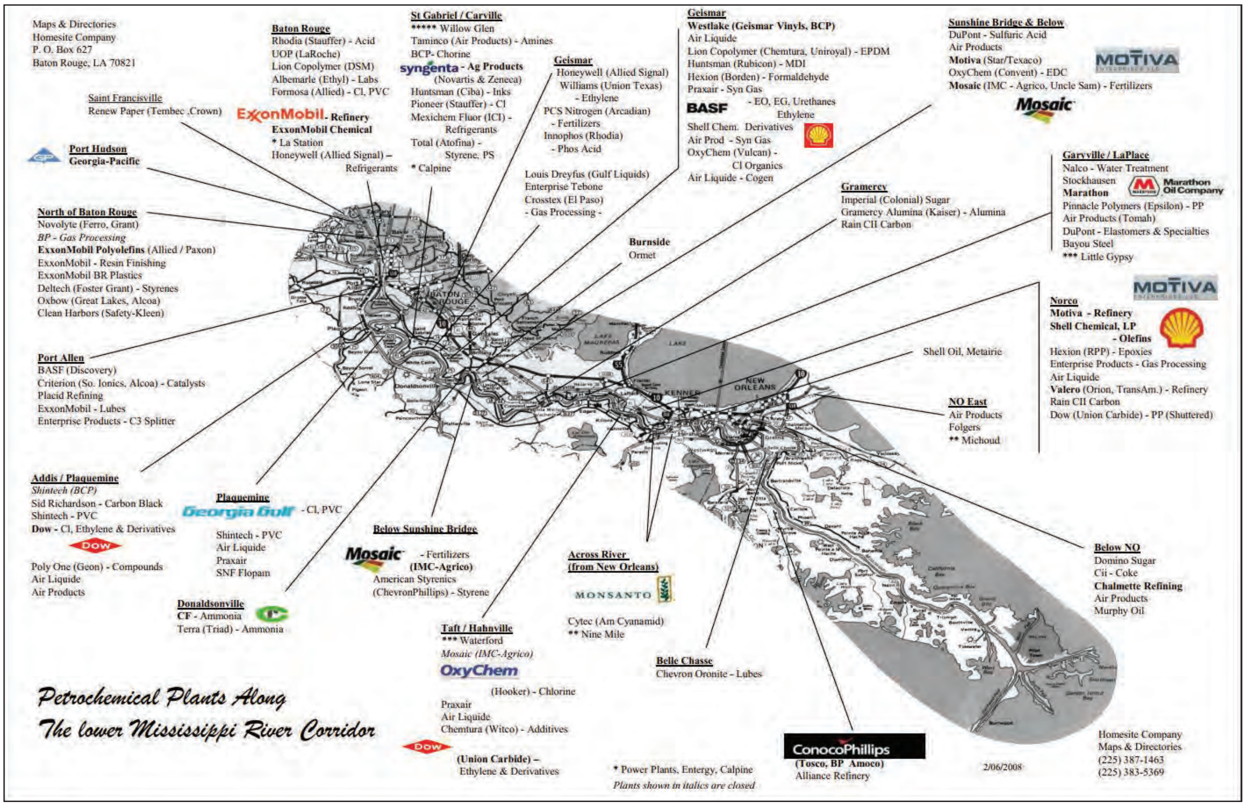
This punctuated seven consecutive quarters of declining vacancy rates and four consecutive quarters of record-setting vacancy rates. Geographically, tenant demand is widespread, but there is a growing concentration of tenant demand developing in the Southeast. The Southeast accounted for 27.8% of all tenant demand in 2022 for a total of 240.3M SF of demand. This would suggest, as mentioned in our 2021 report, that supply chain and logistics models are beginning to shift from a west-to-east and a northeast-to-southwest model to a south-to-north model. Southern Atlantic and Gulf Coast Ports are seeing an increase in container volume as West Coast container volume declines. Recently, southern states have been more business-friendly and aggressive in luring economic development projects through local and state tax incentives. Furthermore, the combination of deep water and intermodal ports, in conjunction with connectivity to the interstate highway systems, paired with access to major railroads, make the southeastern United States a strategic supply chain and logistics hub.

Strong tenant demand has led to the continuation of speculative warehouse development across the United States and to the steady acquisition of these assets by private equity and institutional investors. Baton Rouge's industrial market reflects what is occurring both nationally and regionally with regard to record low vacancy, increasing and unmet tenant demand, and assets being acquired by private equity and institutional capital in the market. Where Baton Rouge continues to lag is in the construction and availability of bulk distribution warehouse. The market continues to be underbuilt by nearly 2.0M SF. Let's look at the trends and see where some relief may be found.

Demand Drivers Revisited
Petrochem

Traditionally, industrial demand has ebbed and flowed on the strength and activity of the Petrochemical Industry. For the better part of a decade, natural gas has been inexpensive, and that reality is amplified when the domestic price of natural gas is compared to that of our European counterparts. Even with the spike in natural gas prices over the last year, in relation to other parts of the world, Louisiana still offers cheap natural gas. As a result, south Louisiana has been uniquely positioned to accommodate and benefit from petrochemical plant expansions along the Mississippi River that use natural gas as their feedstock. Currently, there are $13.0B of petrochemical projects in Ascension Parish alone and another $11.25B at various stages of development in West Baton Rouge and Iberville Parishes. Shintech, Methanex, BASF, ExxonMobil, Formosa Plastics, Gron Fuels, Air Products, and Mitsubishi Chemical are all projects that are announced or currently underway.

As noted in previous Trends reports by this committee, these types of projects lead to an increase in demand from the service companies that contract with these plants. The product type of choice for these services companies has been 5,000 SF – 50,000 SF office warehouse buildings with 2 – 10 acres of stabilized yard. Geismar, St. Gabriel, Port Allen, and South Baton Rouge have most of this product type. The office warehouse for industrial service companies has been the most stable pillar of the Baton Rouge Industrial market for the last ten years. The committee doesn't expect this to change but for tenant demand from the sector to evolve. As more of these petrochemical plant projects and expansions come online and the availability of onsite buildable land for these plants becomes scarce offsite bulk warehouse storage may be a solution.

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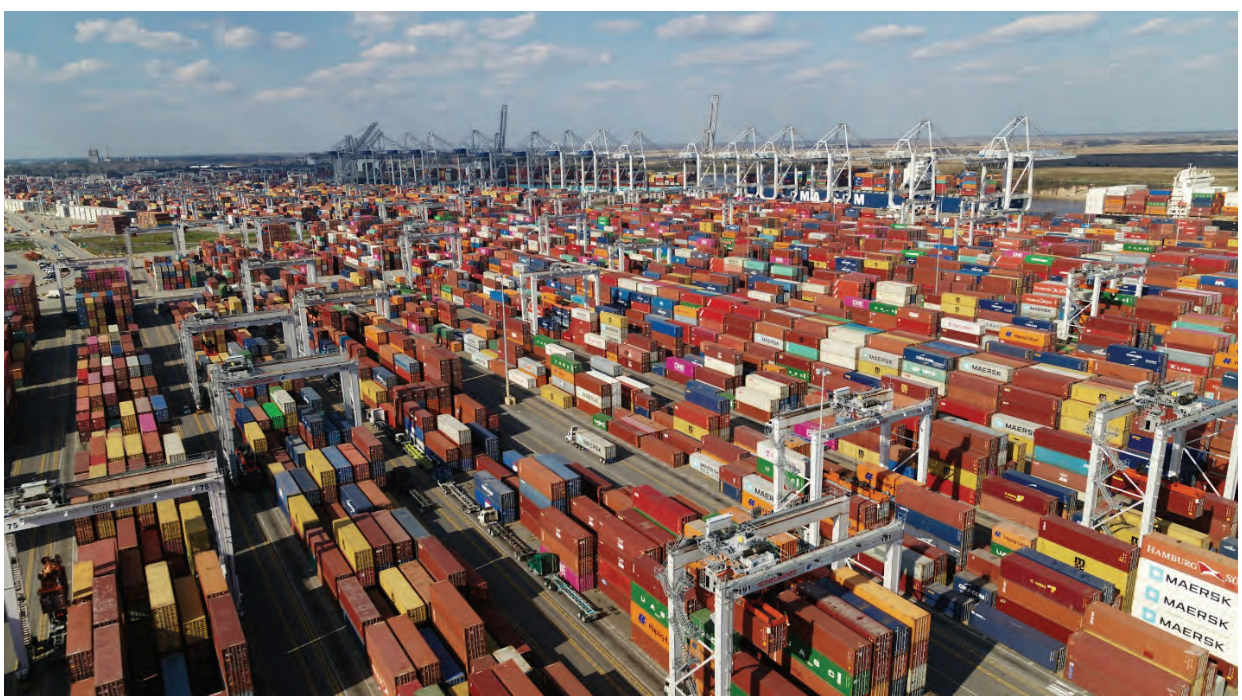
Logistics and Distribution

The Baton Rouge MSA has never been a logistics and distribution hub. Dallas, Memphis, Atlanta, and, more recently, Houston have been the markets in the south that have dominated this sector of the industry. Over the next decade, this is the one sector that has the potential to experience the most growth in the Baton Rouge MSA. As southern states continue to experience population growth that outpaces the national average and consumer habits trend more towards online retail purchases, facilities able to accommodate logistics and distribution tenants will be in high demand. This is why markets like Dallas and Atlanta delivered 48M SF and 45M SF, respectively, of speculative distribution warehouse space in 2022. To put that in perspective, the nine-parish Baton Rouge MSA has a total of 36.79M SF of space. And while Baton Rouge will never see development or demand to that degree, an MSA like Savannah, GA, provides a blueprint for the type of growth the Baton Rouge MSA could experience in the future.

In 2022, 15M SF of speculative distribution warehouse space was delivered in the Savannah MSA. The Savannah MSA has a population of just over 400,000, less than half the size of the Baton Rouge MSA. Of the 100 largest warehouse leases that were completed in 2022, 14 were in the state of Georgia. Eight were in Atlanta. Six were in Savannah!! So, what is driving demand?? Simply put, the Port of Savannah. In 2022, the Port of Savannah moved 5.763M twenty-foot equivalent container units (TEUs). An 8% increase over 2021. For context, the Port of Savannah ranks only behind the Port of Los Angeles (10.663M TEUs), the Port of New Jersey and New York (9.493M TEUs), and the Port of Long Beach (9.133M TEUs) in container volume. Geographically, Savannah offers excellent connectivity to all of the southeast, the east coast, and portions of the Midwest. Intermodal efficiency from a cargo ship, to rail, to tractor-trailer transport allows for products to flow quickly from containers to warehouses and from warehouses to the consumer.



Port of Savanah

In contrast, the Port of New Orleans handled 430K TEUs in 2022, or 7.5% of the volume that flowed through the Port of Savannah. Currently, the Container Terminal at the Port of NOLA has the ability to handle 1.0M TEUs annually with nine gantry cranes and the ability to increase the number of gantry cranes to 12 providing an increased annual capacity of 1.5M TEUs. In December of 2022, the state announced a private-public partnership with New Jersey-based Ports America, one of North America's largest marine terminal operators, and Geneva, Switzerland-based Mediterranean Shipping Company, through its terminal development and investment arm Terminal Investment Limited (TiL) to build a $1.8B state of the art container facility on the lower Mississippi River. The Louisiana International Terminal to be built in St. Bernard Parish and completed in 2028 will be able to handle 2.0M TEUs. This increased capacity will position south Louisiana to compete for and win shipping and logistics business that has previously bypassed the state. All necessary components are in place for south Louisiana to evolve into a secondary distribution hub similar to Savannah– deep water port access, the ability to increase TEU capacity, rail, and interstate connectivity.

What do the Port of New Orleans and the future Louisiana International Terminal have to do with increased demand from logistics and distribution tenants in the Baton Rouge MSA? More than you think. Combined, the Baton Rouge and New Orleans MSAs have a population over 2.0M and account for nearly half of the state's overall population. Geographically, the two MSAs are neighbors and are connected via Interstate 10. The argument could be made that container traffic through the Port of NOLA is limited by the lack of suitable distribution center space in the New Orleans MSA. The challenge facing New Orleans is the lack of buildable land. Large development tracts with limited curative costs are almost non-existent in the New Orleans MSA. The closest, large tracts of buildable land to the Port of NOLA and the future Louisiana International Terminal are along I-12 in Slidell or I-10 beginning in Ascension Parish. I-10 at Hwy. 22, Hwy. 44 and Hwy. 30 are the last interstate interchanges between Baton Rouge and New Orleans that offer buildable land. Increased container traffic through the Port of NOLA will lead to increased demand for warehouse space in the Baton Rouge MSA. Will the market meet that demand?

Reshoring of Manufacturing

An emerging trend that should drive demand for industrial real estate for the next decade and beyond is the reshoring of manufacturing operations out of China and East Asia. Companies are beginning to pursue a reshoring initiative as a way to reduce exposure to supply chain uncertainties and mitigate the risk of a possible long-term global conflict. The Reshoring Initiative founder, Harry Moser had this to say in a recent Bisnow article, "Companies are now thinking of getting out of China and specifically coming to the U.S. as a form of insurance. For decades, there were occasional hiccups [in the supply chain], but basically, it went smoothly. Now there's these … issues that have come up with the risk of something happening over Taiwan that could end shipments for five years or 10 years or who knows how long if there's a war."

In 2022, the growth of manufacturing in the United States outpaced the rest of the world. It is estimated that 350,000 jobs have been or will be created based on the reshoring announcements made to date. That figure will only increase as China continues to struggle with a reasonable protocol for Covid-19 and stability in the region erodes with the possibility of war.

Reshoring of manufacturing will lead to an increase in demand for factories and facilities designed for assembly and production. Geographically, this demand won't be based on coastal or port access. Instead, it will be based on rail and interstate connectivity, access to fresh water, labor availability, and states with economic incentive policies that are able to attract these companies. The region that stands to benefit the most is the golden triangle. This is the region that extends from the Great Lakes southwest to Texas, east to Florida, and north back to the Great Lakes. This region includes most of the South and portions of the Southwest and Midwest.

The Golden Triangle

The Baton Rouge MSA is well-positioned to capitalize on this trend. The availability of and access to fresh water, three Class I railroads, east-west and north-south connectivity via Interstates 10, 12, 49, 55, and 59, an extensive pipeline network, and proximity to the petrochemical corridor that converts petroleum into products used in the manufacturing process are all assets the market has to offer. The biggest hurdle for the MSA and the state will be the workforce requirements. Because this is a long-term shift, with the right leadership, there is time to develop a workforce to meet the future demands of companies reshoring their manufacturing operations.

Rising Rates

If there was a theme for 2022, it would have to be rising rates. Interest rates, lease rates, and cap rates all experience upward pressure, and all three are related. Last year, the Fed Funds Rate was 0.5%. Today the Fed Fund Rate is between 4.75% - 5.00%. Few would argue that the zero-interest rate policy (ZIRP) was a wise or sustainable monetary policy. Rates needed to rise, but a slower approach over a longer period would have been a more sensible course of action. The challenge with such a rapid rise in rates is that the market hasn't had adequate time to adjust. Inflation is bad for markets, the economy, and those trying to make business decisions on how and where to deploy capital, but uncertainty is worse, and that is what the Federal Reserve has created.

Fortunately, for the industrial real estate sector, stability and strong tenant demand have been able to offset some of the uncertainty created by poor monetary policy. Record low vacancy coupled with rising construction costs on products delivered in 2022 has led to significant upward pressure on rental rates. For Q42022, it wasn't unusual to see 10%+ in year-over-year rent growth. Dallas-Fort Worth experienced YOY rent growth of 15.9%; the Inland Empire had a 19.7% YOY increase in market rent, and Miami had a 22.5% YOY rent growth.

This trend occurred locally as well. New construction office warehouse rents have been in the $9.00 - $11.00/SF range for the last several years. in 2022, new inventory coming online for this product type had asking rates near $15.00/SF NNN and deals getting done in the $12.00 - $14.00/SF range. For distribution warehouse, rents have historically been in the $6.00 - $7.50/SF NNN. On new products delivered in 2022, those rates have increased to $10.50 - $11.50/SF NNN.

Rising interest rates necessitate a rise in cap rates. What has been observed over the last 12 months is that while cap rates have increased some, they have not kept pace with rising interest rates. This has led to a significant decrease in the velocity of investment deals that are closing. The deals that are getting done are either buyers with 1031 money they must place, private equity funds with capital they must deploy, or institutional money with access to debt at below-market rates. Creativity in the capital stack will become more prominent as interest rates and cap rates struggle to find equilibrium and as investors have an expectation of receiving below-market debt.

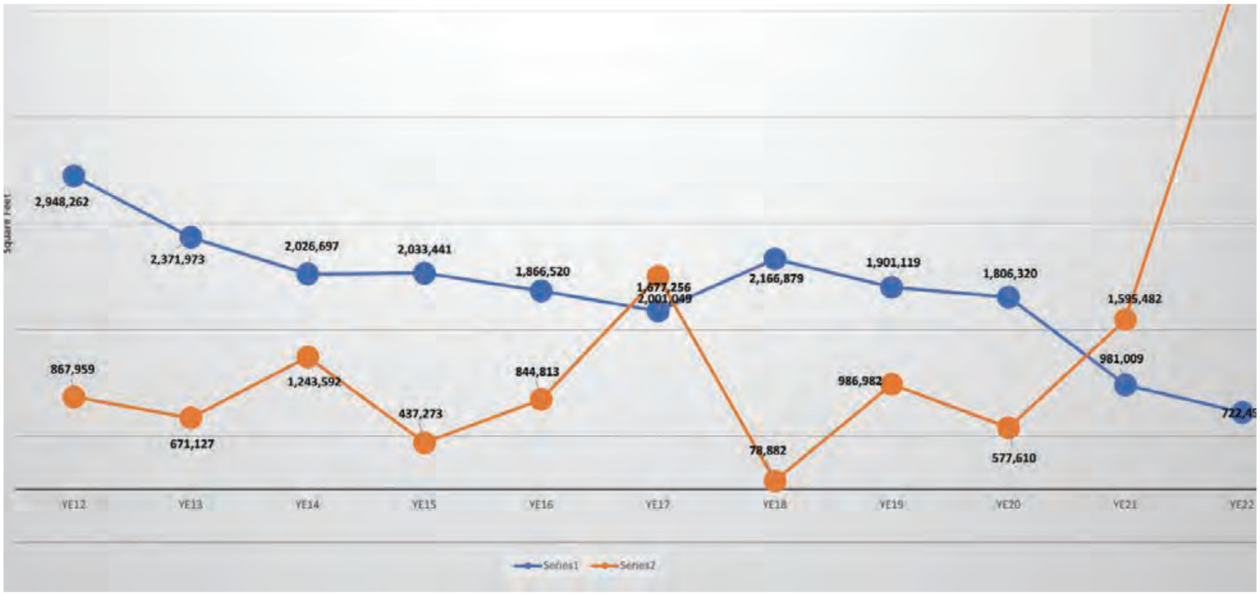
Market Trends

Memo	YE 2021	YE 2022
Total Inventory	31,891,822 SF	36,579,845 SF
Vacant Space	981,009 SF	722,451 SF
Occupied Space	30,910,813 SF	35,857,394 SF
Vacancy Rate	3.08%	1.97%
Net Absorption	1,451,802 SF	4,946,581 SF
Space Under Construction	4,131,873 SF	90,464 SF

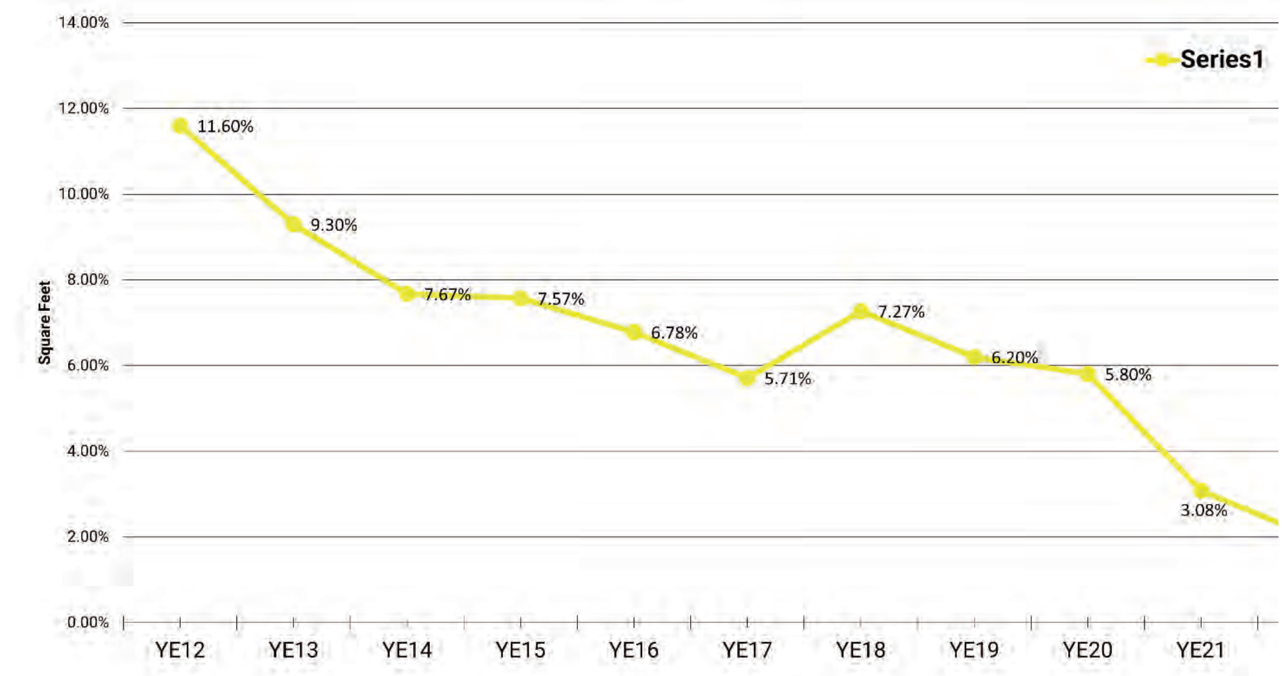
The headline for the 2022 Industrial Trends data for the Baton Rouge MSA is like 2021 - market vacancy is at an all-time low. For 2021, the market set a record low vacancy rate of 3.08%. For 2022 that rate decreased to 1.97% and set a record for absorption of 4,946,581 SF. Overall, the Baton Rouge MSA has a total of 36,579,845 SF of industrial inventory. 35,857,394 SF is occupied, leaving a total of just 722,451 SF vacant. This represents a continued downward trend of vacancy and available inventory. At the time of this report, there were only four vacancies of existing warehouse space 50,000 SF or greater in the entire market. Two of the four vacancies previously mentioned are more than 100,000 SF. Of the four facilities over 50,000 SF, all but one would be considered as trending towards functional obsolescence due to age, condition, limited clear height, or non-contiguous square footage. The Baton Rouge West Distribution Center is the only vacancy of existing space that has a broad appeal to quality, credit tenants. 2022 was a record year for new construction deliveries in the Baton Rouge MSA, totaling 4,688,023 SF of new products added to the market. 3.8M of that total is attributed to the Amazon facility being completed at the old Cortana Mall site. The takeaway is that the space market continued to tighten with very little relief in the pipeline.

As a result, Landlords continue to have leverage in the market. Rental rates are increasing and will likely continue to increase over the next twelve months. This will be driven by a lack of supply but also driven by rising construction costs and rising interest rates. Rising construction costs will necessitate higher rental rates from tenants as landlords and developers figure out how to make their projects economically feasible. To this point, tenants have been willing to shoulder that burden.

Historical Vacancy (Blue) vs. Net Absorption (Orange)



Historical Vacancy



Construction vs. Absorption

Last year the committee introduced the concept that the Baton Rouge market has been chronically underbuilt and undersupplied since 2013. This reality still exists within the MSA. Since 2013 the Baton Rouge MSA adds an average of 1,147,014 SF annually of new product to the total industrial market inventory. During that same time, the historical annual absorption has been 1,338,339 SF. This data now incorporates all of Amazon's projects in the MSA totaling around 4.2M SF. Even with that construction and absorption, the market stayed in line with the trend of being underbuilt by 190K+ SF.

Year	Annual Construction	Annual Absorption	Surplus/Defeicit
2013	738,459.00	671,127.00	67,332.00
2014	969,344.00	1,243,592.00	(274,248.00)
2015	204,892.00	437,273.00	(232,381.00)
2016	2,122,199.00	844,813.00	1,277,386.00
2017	533,752.00	2,001,049.00	(1,467,297.00)
2018	478,433.00	78,882.00	399,551.00
2019	684,459.00	986,982.00	(302,523.00)
2020	843,035.00	577,610.00	265,425.00
2021	4,608,585.00	1,595,482.00	3,013,103.00
2022	286,991.00	4,946,581.00	(4,659,590.00)
Average	**1,147,014.90**	**1,338,339.10**	**(191,324.20)**

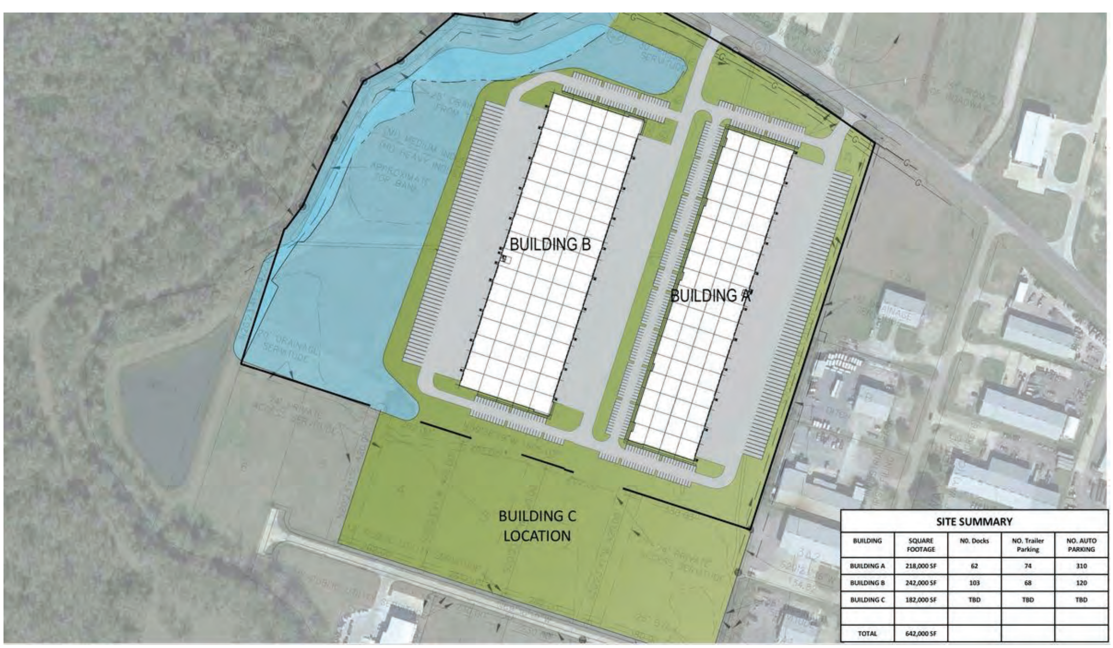
While there are some projects underway to offset a portion of this deficit annual construction will still lag absorption in 2023. Only 90,464 SF of industrial space was under construction during the second half of 2022. For the Baton Rouge MSA to be at a healthy market vacancy of six percent, 1.566M SF of inventory would have to be added with no additional absorption.

The story that the average annual absorption doesn't tell are the opportunities the Baton Rouge MSA has missed out on because of lack of warehouse inventory for companies to expand into. It is not unreasonable to believe that instead of being at 41M – 42M SF of total inventory in the market over the next five years that the MSA needs to grow to a market size of 45M – 50M SF to accommodate the average annual demand and to capture the leakage from the market due to lack of inventory. There are multiple tenants in the market, or tenants looking to enter the market with a requirement of 50K – 500K SF that have nowhere to go. This unmet demand isn't just a loss to developers, brokers, and bankers. This is a loss for the Baton Rouge community as these companies would provide direct and indirect jobs for the people in this community. Instead, they opt to go elsewhere for the simple reason that their space requirements can't be met in the Baton Rouge MSA. A couple of projects will be delivering bulk space by the end of 2022 that will provide some relief but more is likely needed.

Notable Projects

Rivermark 185 Industrial and Logistics Park and the Gateway Industrial Park are positioned to offer some relief to the supply deficit in the Baton Rouge MSA. The Gateway Industrial Park is 58.6-acre development located on Highway 30 just west of Gateway Drive and southeast of the Copperhead Industrial Park. The project broke ground in January of 2023 on Phase 1 and looks to deliver 218,000 SF of class A, tilt wall, rear load distribution space by Q3 of 2023. Provident Realty Advisors out of Dallas, TX acquired the site in April of 2022 for $6,615,000 or $2.59/SF. Phase 2 will include a 242,000 SF facility and Phase 3 will offer a 182,000 SF facility. When complete, Gateway Industrial Park will offer a total of 642,000 SF.

Gateway Industrial Park



SITE SUMMARY				
BUILDING	SQUARE FOOTAGE	NO. Docks	NO. Trailer Parking	NO. AUTO PARKING
BUILDING A	218,000 SF	62	74	310
BUILDING B	242,000 SF	103	68	120
BUILDING C	182,000 SF	TBD	TBD	TBD
TOTAL	642,000 SF			

Rivermark 185 Industrial and Logistics Park is a 96-acre development located along Industrial Drive between Highway 30 and Highway 73. Formerly known as Ascension Commerce Center, local developer, Chad Brossett, owner of Rivermark 185 Developer, LLC. along with private equity backing, acquired the site in June of 2022 for $2.80/SF. All utilities and infrastructure were in place at the time of sale. The first phase of Rivermark 185 will include a 200,000 SF, class A, tilt wall constructed rear load distribution facility. Site work began in March of 2023 with a projected delivery date of the mid-4th quarter of 2023. Marucci has leased 100,000 SF of building 1 where they will operate their logistics and distribution. The park can accommodate up to 1.454M SF and provide a facility for a single user of up to 500K SF.

Rivermark 185 Industrial and Logistics Park

While these projects will offer some relief, the 2023 deliveries will only account for 31% of the average annual absorption over the last decade. Another 920K SF will need to be built in 2023 to keep pace with the ten-year absorption rate.

Flight to Quality

One of the questions frequently asked with regard to new construction and the lease rates required to make these projects feasible is, "will tenants pay the increase in rent as a result of higher construction costs?" In response, the better question is, "if they don't pay the rent, where will they go?" Frito Lay moved from a 27K SF facility and into a 150K SF facility where year 1 rent is $10.75/SF. Marruci moved from a facility on McCann Drive with rent in the $6.00/SF range to a new facility paying almost double that amount. There are a few things at work driving this trend.

Product Type	Size (SF)	Lease Rate Range (/SF)	Lease Type
Flex Space[2]	5,000 -15,000	$9.00 - $12.00	Net
Office Warehouse Older	5,000-15,000	$4.50 - $6.50	Net
Office Warehouse New	5,000-15,000	$10.00 - $14.00	Net
Bulk Warehouse Older	20,000+	$4.50 - $6.50	Net
Bulk Warehouse New	20,000+	$8.50 - $10.50	Net

First, there is a flight to quality. Rent and occupancy costs across industry sectors are less than 2.0% of corporate revenue. Inefficient operations and the inability to attract top talent because of substandard space is far more costly to a company than a $4.00/SF increase in their lease rate. As the labor pool tightens and competent employees become more difficult to find, companies will elect for newer, nicer, more efficient facilities to mitigate labor challenges.

Secondly, and specific to the Baton Rouge market, our land cost and rental rates remain relatively low in relation to other markets. Coastal markets with significant industrial demand, like the Inland Empire and Eastern PA are seeing new construction warehouse rental rates of $30.00/SF and land costs over $100.00/SF. With industrial development tracts still available in the $3.00/SF range and rents in the $10.00/SF range for new construction distribution, the Baton Rouge MSA offers a lower cost of occupancy and a lower cost of operation. In a recent conversation with an industrial broker in Dallas that primarily works on leasing first-generation spec distribution space, it was mentioned that rent rate isn't a consideration in negotiating new leases. The most pressing deal point is the delivery timeline. As more speculative projects in the Baton Rouge MSA get within 90 days of completion, deal velocity is expected to increase.

Notable Transactions

Some notable leases and land sales have already been mentioned, but one notable sale that occurred during the first quarter of 2023 is the sale of the new Frito Lay facility. The 150K SF facility sold for $28.5M or $190/SF. Based on year one NOI, this works out to a 5.66% cap rate. As discussed previously in this report, cap rates are rising but not as fast as interest rates. This transaction is an excellent example of demand from a tenant in the market needing an upgraded facility and demand from institutional capital seeking quality assets, in stable markets, with credit tenants.

Outlook

Vacancy rates could see a slight increase because they really can't go any lower. Demand remains very strong, and the market fundamentals continue to be healthy. Landlords still have leverage in lease negotiations. Demand will remain high from tenants and owner occupants as supply continues to lag demand even with new spec projects coming online. Deals will still get done on good assets with solid tenants, but volume and velocity will be down. The more creative buyers and sellers are on deal structure and the capital stack the higher likelihood of a transaction occurring.

By every metric, the Baton Rouge Industrial real estate market is extremely healthy. And as stated last year, it may be too healthy. More product and development is needed to meet existing demand and capture leakage to other markets. The diversification in tenant type and use for warehouse space should provide continued stability in the market. A port system that can recruit and capitalized on container traffic, and economic development agencies that are able to recruit and land companies looking to reshore operations provide the state and the industrial real estate market with considerable upside potential.

General Land Sale Price Ranges*

	East Baton Rouge (/SF)	West Baton Rouge (/SF)	Ascension (/SF)
PRIME	$7.00 - $8.50	$2.00 - $3.00	$4.00 - $5.00
NON-PRIME	$3.00 - $4.00	$0.75 - $2.00	$2.00 - $3.00

RESIDENTIAL

RESIDENTIAL TRENDS COMMITTEE

TOM COOK, MAI | TRENDS *Speaker*
Cook, Moore, Davenport & Associates

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Executive Summary

The Baton Rouge residential market saw record growth from 2019 to 2021. That growth slowed in 2022; Dollar Volume dropped by 9.55% from 2021 to 2022 but was higher than in 2019 and 2020. In 2019, Dollar Volume was about $2.566 billion and rose to $3.792 billion in 2021. Dollar volume fell to $3.430 billion in 2022. While this is down from 2021, it is still above 2019 and 2020 levels of $2.566 and $3.129 billion, respectively. The decrease in dollar volume was experienced not only in the entire Baton Rouge MSA but also in each individual parish studied. There were slight increases in new home sales. Dollar Volume in new home sales rose by 4.04% from 2021 to 2022 in the Baton Rouge MSA. New home sales rose in East Baton Rouge Parish by 18.53% from 2021 to 2022, but new home dollar volume fell in both Ascension and Livingston Parishes. Median Sale Prices rose by 6.69% in the Greater Baton Rouge MLS area from $229,000 in 2021 to $255,000 in 2022. Inventories rose as the months' supply increased across the board in every category. The months' supply for the entire MLS area in 2021 was 1.6 months, and that rose to 2.1 months in 2022, still below 2019 levels of 4.9 months' supply. However, the Median Days on the market decreased in almost every category. The time it took to sell a home was seven days in 2021, which fell to 5 days in 2022. In 2019 the Median Days on the Market were 34. Overall, the market conditions slowed in 2022 from 2021 but are still above the 2019 levels.

Market Study Overview

The data studied includes all sales reported to the Greater Baton Rouge Area Multiple Listing Service (MLS), which includes East Baton Rouge, West Baton Rouge, Livingston, Ascension, Iberville, Pointe Coupee, East Feliciana, and West Feliciana Parishes. Sales reported to MLS represent over 80% of the residential real estate transactions in the Baton Rouge MSA. The study included nearly $3.430 billion in sales reported by over 3,500 members and affiliates. The study applies to market data from January 2015 to January 2023. Some of the graphs presented extend into March of 2023, but the data analyzed is from January 2015 to January 2023. Data will be presented on the entire multiple listing service area (those parishes noted above), East Baton Rouge, Ascension, and Livingston Parishes. Those three parishes were studied because they offer the largest amount of data available and represent the largest segment of sales reported to MLS. The study focuses on Total Dollar Volume, Median Sale Prices, Months' Supply, Median Days on the Market, and permitting data.

Dollar Volume

Dollar Volume has risen steadily in all sales reported to MLS, since 2015 throughout the Greater Baton Rouge Area, until 2022, when Dollar Volume dropped by 9.55%. There was $3.430 Billion in sales volume reported to MLS in 2022, which was down from 2021 levels, or $3.792 billion. 2022 Volume was still above 2019 and 2020 levels. In 2019, there were about $2.566 billion in sales reported to MLS, and in 2020 $3.129 billion. 2022 volume was still above 2019 levels by nearly 34%. The average increase in Dollar Volume of sales from 2015 to 2019 was about 5% per year. Dollar Volume from 2020 to 2021 exhibited a 21.18% increase and a

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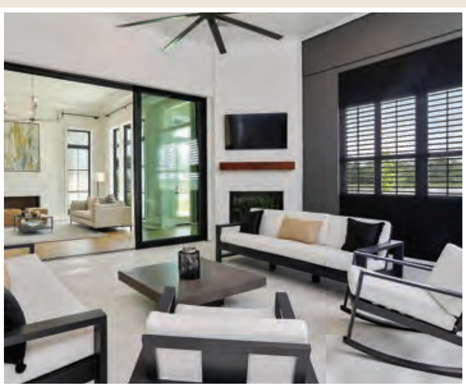

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47.78% increase from 2019 to 2021. The average annual dollar volume increase from 2015 to 2019 was 4.99%. Even though sales volume dropped by 9.55% from 2021 to 2022, there is still substantial sale activity taking place.

New Home Sales in the Greater Baton Rouge Area reported to MLS exhibited a slight increase in Dollar Volume going from over $834 million in 2021 to $867 million in 2022. This increase was driven primarily by new home sales that were over $262,000. Increases in New Home Dollar Volume for all sales reported increased an average of 6.2% from 2015 to 2019, and the increase from 2019 to 2021 was 38.8%. New home sales made up about 25.3% of the total sales volume in 2020.

A decrease in dollar volume for all homes reported to the Greater Baton Rouge Area MLS service was also experienced in East Baton Rouge Parish for the period 2021 to 2022. From 2015 to 2019, the total dollar volume in EBR had an average annual increase of 3.48%. The increase from 2019 to 2020 was 20.44%, increasing from about $1.39 billion to $1.67 billion. Dollar Volume decreased in East Baton Rouge Parish from 2021 to 2022 by 9.86% but still exceeded sales volume in 2019 by 32.81%.

New home sales in East Baton Rouge Parish have also shown strong increases in Dollar Volume compared to other market segments. New Home Sale Dollar Volume in East Baton Rouge Parish was up 18.53% from 2021 to 2022. The previous year's increase was 0.91%. The average annual increase over the previous four years was 2.86%. New home sales volume was up over five times the previous 4-year average increase. This increase is most prominent in those new homes selling in the price range above $262,000, which had a 35.69% increase from 2021 to 2022.

VDollar Volume in Ascension Parish also exhibited decreases in sales reported in all categories and in new home sales. Total Dollar Volume fell in Ascension Parish by 14.34% from 2021 to 2022. The biggest decrease in Dollar Volume came in home prices ranging from $135,000 to $208,000, as there was a drop of 41.04%. Dollar Volume dropped in all sales ranges studied, but those homes priced above $286,000 had the smallest decrease of only 1.72%. Ascension Parish saw the greatest decrease in Sales Volume in all categories studied.

The new home volume in Ascension Parish increased by 41.16% from 2020 to 2021 and dropped by 20.84% last year. The average annual increase from 2015 to 2019 was around 6%. New Home Sales in Ascension Parish exhibited the greatest decrease in any category dropping by 20.84% from 2021 to 2022. This decrease was influenced by the moratorium on new development in Ascension Parish in 2022. Ascension Parish Government placed a moratorium on new development because of their strained infrastructure. That moratorium is no longer in effect, but the site plan approval in Ascension Parish is still difficult.

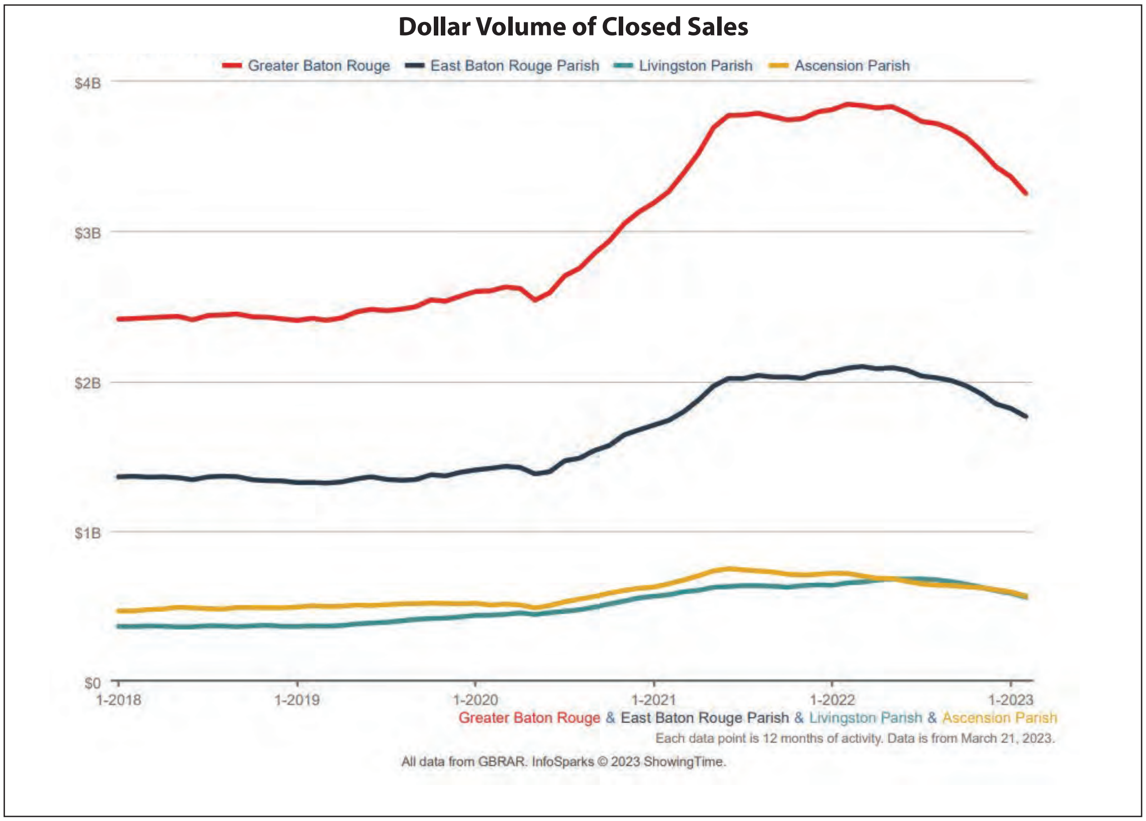
In Livingston Parish, dollar volume saw a decrease of 5.94% from 2021 to 2022 after experiencing an increase of 15.52% from 2019 to 2020. The average dollar volume increase from 2015 to 2019 was 7.19%. The decrease of only 5.94% from 2021 to 2022 was the lowest of any of the categories studied.

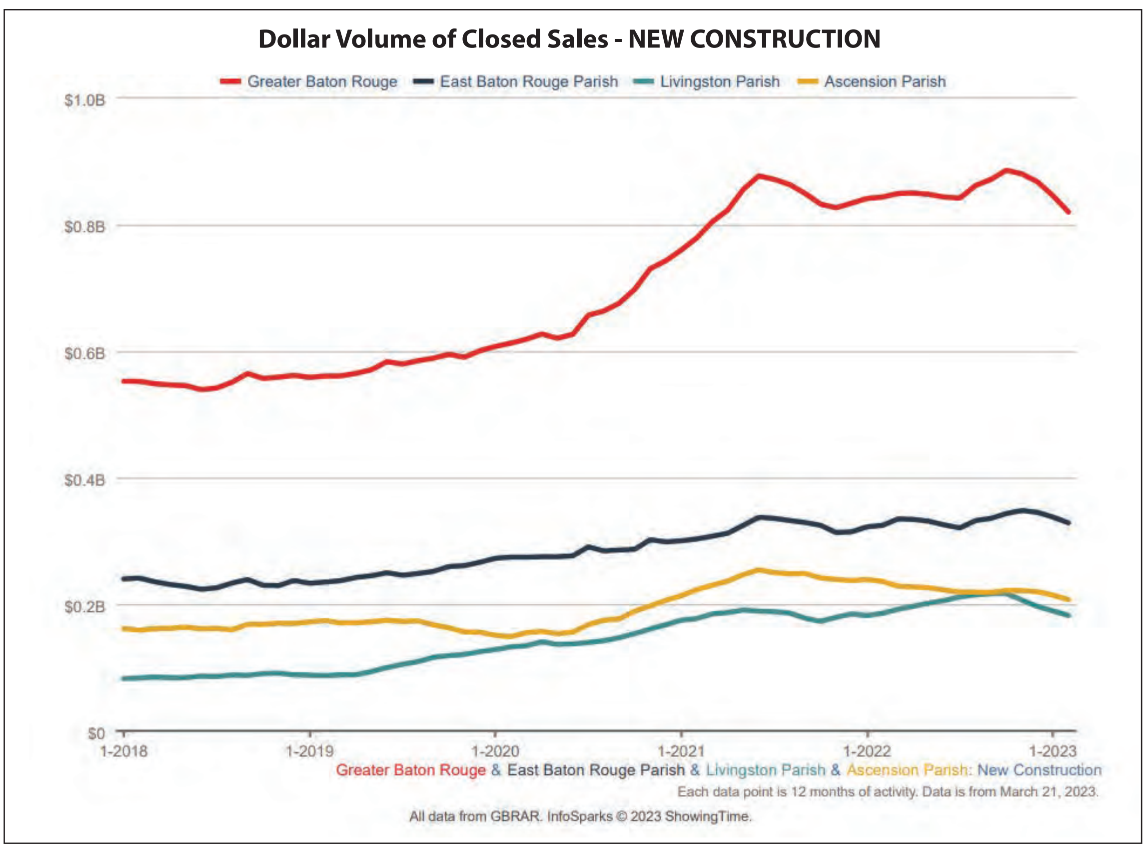
Livingston Parish had the highest increase in Dollar Volume of Sales in all categories. New home sales dollar volume in Livingston for all price ranges was up 49.91% from 2019 to 2021. The only category of increased Dollar Volume was in Livingston Parish. New Home Sales, which went from about $170 million in sales to over $196 million in sales.

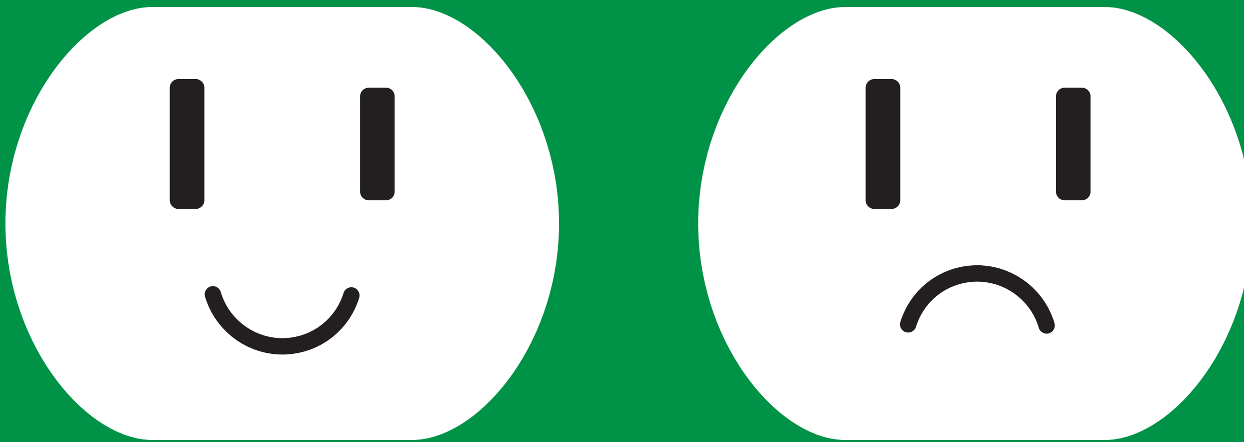
A grid representing Dollar Volume Changes from January 1st, 2019 to December 31st 2021 follows:

Entire MLS					Change	Change	Change	Average Change
	2019	2020	2021	2022	2021 to 2022	2020 to 2021	2019 to 2021	2015 to 2019
All Sales All Price Ranges	$2,566,063,304	$3,129,363,927	$3,792,200,313	$3,430,048,136	-9.55%	21.18%	47.78%	4.99%
Sale Price $93,999 or Less	$54,865,652	$47,828,787	$43,539,534	$35,780,900	-17.82%	-8.97%	-20.64%	-0.92%
Sale Price $94,000 to $177,999	$421,313,669	$430,741,572	$383,609,258	$270,942,618	-29.37%	-10.94%	-8.95%	-3.33%
Sale Price $178,000 to $261,999	$831,918,931	$1,003,378,762	$1,110,351,253	$849,419,659	-23.50%	10.66%	33.47%	6.30%
$262,000 or More	$1,257,965,052	$1,647,414,806	$2,254,700,268	$2,273,904,959	0.85%	36.86%	79.23%	8.29%
New Homes Entire MLS								
All Sales All Price Ranges	$600,854,698	$743,049,952	$834,095,588	$867,788,631	4.04%	12.25%	38.82%	6.20%
Sale Price $93,999 or Less	$89,000	$92,000	$92,000	$0	0.00%	0.00%	3.37%	NA
Sale Price $94,000 to $177,999	$26,928,664	$36,393,737	$25,790,613	$11,986,625	-53.52%	-29.13%	-4.23%	-18.15%
Sale Price $178,000 to $261,999	$232,879,577	$273,867,599	$257,712,183	$183,480,838	-28.80%	-5.90%	10.66%	3.45%
$262,000 or More	$315,205,656	$402,144,274	$499,001,541	$672,321,168	34.73%	24.09%	58.31%	13.02%
EBR Parish All Homes								
All Sales All Price Ranges	$1,390,464,960	$1,674,654,716	$2,048,697,182	$1,846,680,673	-9.86%	22.34%	47.34%	3.48%
Sale Price $93,999 or Less	$30,166,884	$26,480,514	$28,768,808	$23,002,206	-20.04%	8.64%	-4.63%	0.54%
Sale Price $94,000 to $177,999	$220,938,338	$222,539,662	$223,360,960	$163,169,590	-26.95%	0.37%	1.10%	-1.47%
Sale Price $178,000 to $261,999	$415,602,351	$500,369,204	$478,260,238	$344,870,042	-27.89%	-4.42%	15.08%	3.03%
$262,000 or More	$722,994,500	$925,265,336	$1,318,307,176	$1,307,958,344	-0.79%	42.48%	82.34%	5.89%
EBR New Home Sales								
All Sales All Price Ranges	$250,630,311	$288,608,410	$291,232,585	$345,195,937	18.53%	0.91%	16.20%	2.86%
Sale Price $93,999 or Less	$0	$0	$0	$0	NA	NA		
Sale Price $94,000 to $177,999	$5,334,000	$5,560,300	$2,311,900	$1,889,798	-18.26%	-58.42%	-56.66%	6.92%
Sale Price $178,000 to $261,999	$82,017,931	$99,709,402	$58,776,779	$21,960,713	-62.64%	-41.05%	-28.34%	-3.96%
$262,000 or More	$163,278,380	$183,338,708	$236,907,874	$321,457,128	35.69%	29.22%	45.09%	9.11%
Ascension Parish All Homes								
All Sales All Price Ranges	$513,085,425	$616,962,977	$708,423,402	$606,829,127	-14.34%	14.82%	38.07%	6.05%
Sale Price $134,999 or Less	$11,985,839	$9,775,427	$11,151,186	$7,491,898	-32.82%	14.07%	-6.96%	-9.33%
Sale Price $135,000 to $208,999	$105,080,414	$104,722,841	$73,398,454	$43,275,810	-41.04%	-29.91%	-30.15%	-3.04%
Sale Price $209,000 to $285,999	$173,806,766	$209,298,433	$233,148,069	$166,162,073	-28.73%	11.40%	34.14%	10.41%
$286,000 or More	$222,212,406	$299,166,276	$396,713,873	$389,899,346	-1.72%	32.61%	78.53%	11.03%
Ascension Parish New Homes Sales								
All Sales All Price Ranges	$152,223,947	$196,852,821	$277,881,503	$219,959,564	-20.84%	41.16%	82.55%	5.87%
Sale Price $134,999 or Less	$0	$0	$257,500	$0	NA	#DIV/0!	#DIV/0!	
Sale Price $135,000 to $208,999	$17,429,145	$20,388,153	$10,983,529	$8,633,484	-21.40%	-46.13%	-36.98%	-11.46%
Sale Price $209,000 to $285,999	$57,359,619	$74,514,611	$85,835,006	$54,830,215	-36.12%	15.19%	49.64%	11.64%
$286,000 or More	$77,435,183	$101,950,057	$131,947,248	$156,380,865	18.52%	29.42%	70.40%	16.84%
Livingston Parish All Homes								
All Sales All Price Ranges	$425,055,465	$551,565,101	$637,221,019	$599,394,929	-5.94%	15.53%	49.91%	7.19%
Sale Price $84,999 or Less	$6,905,693	$5,689,886	$3,890,350	$2,558,380	-34.24%	-31.63%	-43.66%	3.16%
Sale Price $85,000 to $161,999	$72,078,490	$68,975,584	$43,267,130	$28,972,516	-33.04%	-37.27%	-39.97%	-8.47%
Sale Price $162,000 to $214,999	$151,735,494	$199,347,313	$174,762,993	$98,997,982	-43.35%	-12.33%	15.18%	9.23%
$215,000 or More	$151,735,494	$277,652,318	$419,211,074	$468,866,051	11.84%	50.98%	176.28%	9.23%
Livingston Parish New Home Sales								
All Sales All Price Ranges	$120,910,264	$159,994,043	$170,161,622	$196,565,208	15.52%	6.35%	40.73%	11.56%
Sale Price $84,999 or Less	$0	$0	$0	$0	0.00%	0.00%	0.00%	
Sale Price $85,000 to $161,999	$5,735,142	$8,469,679	$2,975,450	$464,800	-84.38%	-64.87%	-48.12%	-28.13%
Sale Price $162,000 to $214,999	$46,285,419	$58,944,352	$44,235,128	$20,068,885	-54.63%	-24.95%	-4.43%	5.63%
$215,000 or More	$68,889,703	$92,580,012	$122,951,044	$176,031,523	43.17%	32.81%	78.48%	36.23%

Graphic representation of total dollar volume in the categories studied follows:







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Median Sale Price

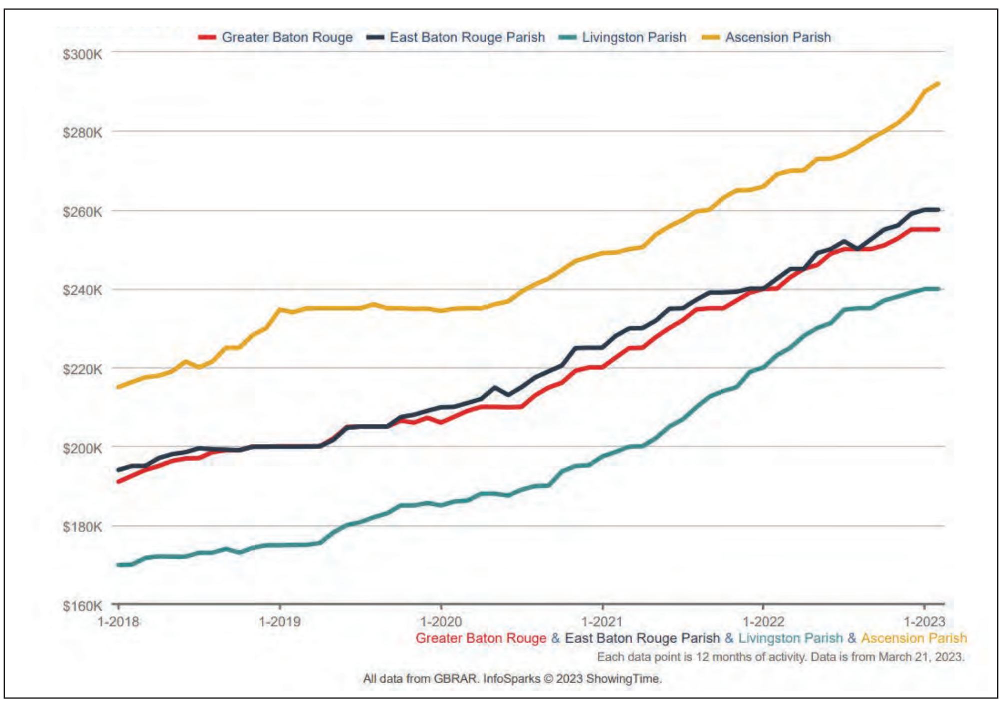
Median sale prices are those prices that fall within the middle of the data set; one-half of the homes sell below this price, and the other half sell above this price. The study used median sale price indications rather than the average price. The median sale price better represents the typical home within an area because it is not affected by the extremely low and high prices that might skew the average price up or down.

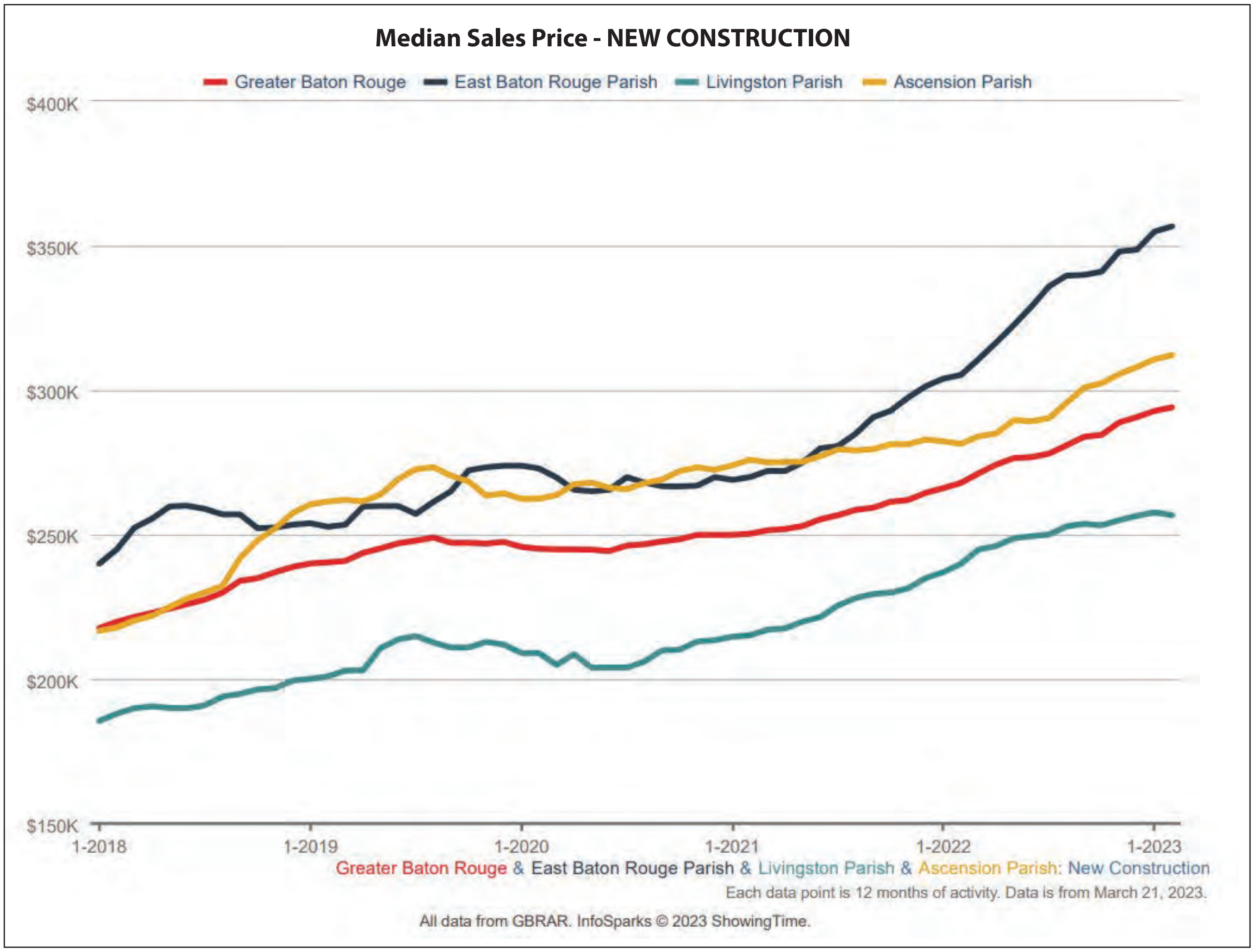
Median home prices in all market segments studied showed increases over 2021. The largest increase in median home prices was in East Baton Rouge Parish's new home sales, which reported an increase of 14.68% last year after an increase of 12.63% the previous year. All sales reported to the Greater Baton Rouge MLS system indicated an increase in the median price of 6.69%. The average median price increase in the Greater Baton Rouge Area has increased by an average of 2.59% from 2015 to 2019. So, the increase in this category of 6.69% is significant. The Median Home price for sales reported to all of MLS in 2022 was $255,000, which was up from the 2021 median price of $239,000. Median Prices rose in every category.

A grid representing Median Prices in all categories follows:

Median Sale Price	2019	2020	2021	2022	Change 2021 to 2022	Change 2020 to 2021	Change 2019 to 2021	Average Change 2015 to 2019
Entire MLS	$207,000	$220,000	$239,000	$255,000	6.69%	8.64%	15.46%	2.59%
New Homes Entire MLS	$247,185	$249,900	$264,000	$290,680	10.11%	5.64%	6.80%	2.32%
EBR Parish All Homes	$209,000	$225,000	$240,000	$259,000	7.92%	6.67%	14.83%	1.04%
EBR New Home Sales	$272,133	$269,900	$303,990	$348,630	14.68%	12.63%	11.71%	1.12%
Ascension Parish All Homes	$234,900	$248,000	$265,000	$285,000	7.55%	6.85%	12.81%	2.46%
Ascension Parish New Homes Sales	$265,000	$269,900	$281,457	$308,028	9.44%	4.28%	6.21%	4.62%
Livingston Parish All Homes	$185,500	$195,210	$218,676	$239,000	9.29%	12.02%	17.88%	1.63%
Livingston Parish New Home Sales	$212,638	$213,409	$234,142	$256,510	9.55%	9.72%	10.11%	3.60%

Graphic representation of the Median Sales Price numerical data follows:





Months' Supply

Months' supply is a fairly accurate indication of the absorption of homes at current sale rates. As long as the absorption of homes remains relatively constant, the months of supply of homes for sale can provide a good indication of how long it takes to absorb homes that are on the market in different categories.

Studied were months of supply in price ranges for the geographic areas previously noted. The study analyzed the change from 2019 to 2022 and the average change in the months' supply from 2015 to 2019. The market experienced dramatic reductions in inventory from 2020 to 2021 in almost every category studied. Most markets, however, are experiencing less than a 2-month supply. That trend changed in 2022 as the months' supply of homes increased in every category. The East Baton Rouge Parish new home category experienced the largest increase, with an increase of 76%, while all categories of homes in East Baton Rouge, both new and existing, had an increase of 11.76%. In every category in every parish, the Month's Supply of inventory was up, but most months' supply did not exceed three months. This is still considered a reasonable time for owners to sell.

The East Baton Rouge Parish new home category experienced the largest increase, with an increase of 76%, while all categories of homes in East Baton Rouge, both new and existing, had an increase of 11.76%. In every category in every parish, the Month's Supply of inventory was up, but most months' supply did not exceed three months. This is still considered a reasonable time for owners to sell.

Months' Supply is illustrated numerically on the following grid: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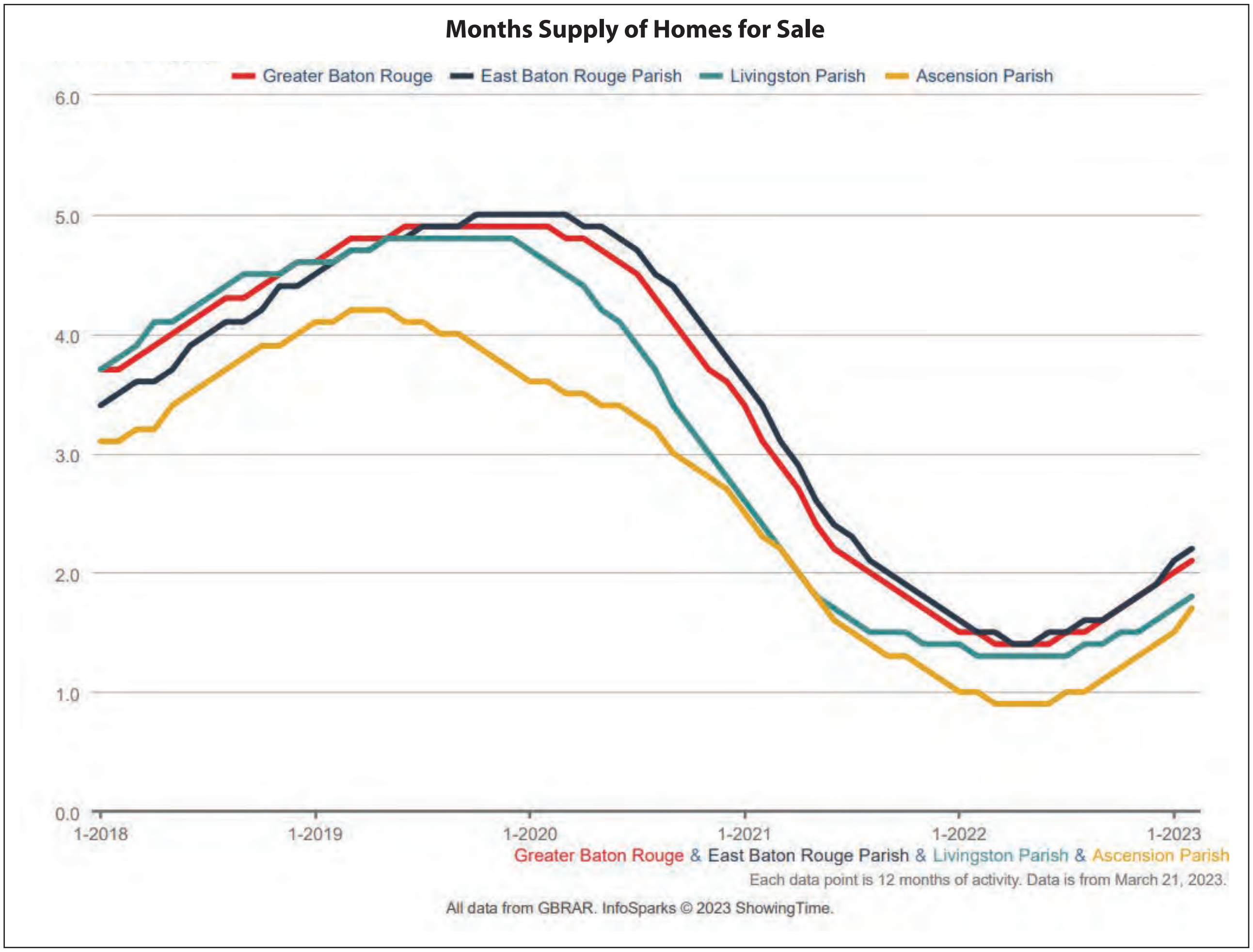
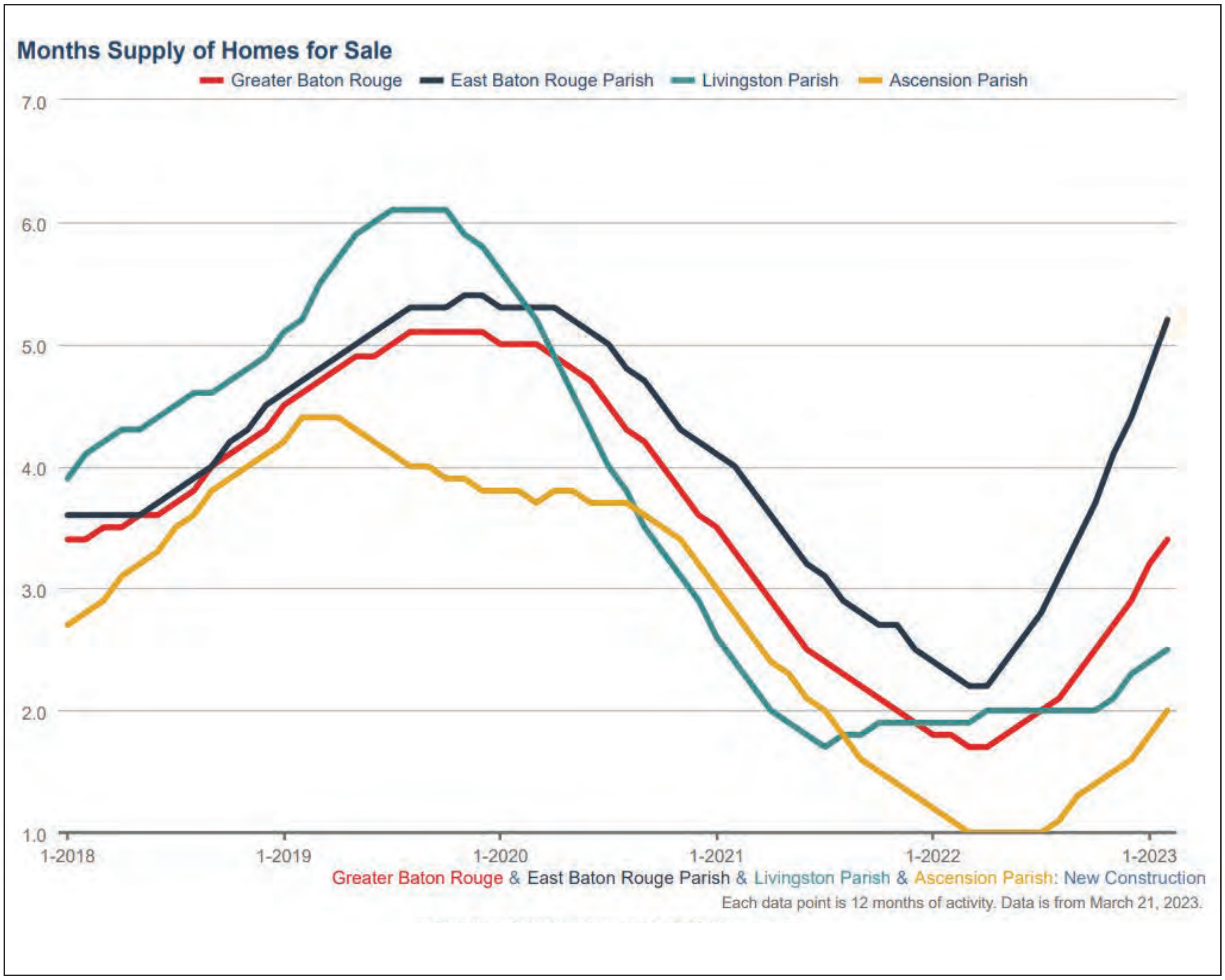
“home sweet home”
happen.

Months' Supply All Price Ranges	2019	2020	2021	2022	Change 2021 to 2022	Change 2020 to 2021	Average Change 2015 to 2019
Entire MLS	4.9	3.5	1.6	2.1	31.25%	-54.29%	2.40%
New Homes Entire MLS	5.1	3.6	1.9	2.9	52.63%	-47.22%	9.20%
EBR Parish All Homes	4.9	3.8	1.7	1.9	11.76%	-55.26%	2.64%
EBR New Home Sales	5.4	4.1	2.5	4.4	76.00%	-39.02%	5.82%
Ascension Parish All Homes	3.7	2.6	1.1	1.4	27.27%	-57.69%	5.33%
Ascension Parish New Homes Sales	3.8	3.2	1.3	1.6	23.08%	-59.38%	13.26%
Livingston Parish All Homes	4.7	2.8	1.3	1.6	23.08%	-53.57%	5.13%
Livingston Parish New Home Sales	5.9	2.8	1.8	2.3	27.78%	-35.71%	19.59%

The numeric figures are represented graphically below:



Months Supply of Homes for Sale - NEW CONSTRUCTION



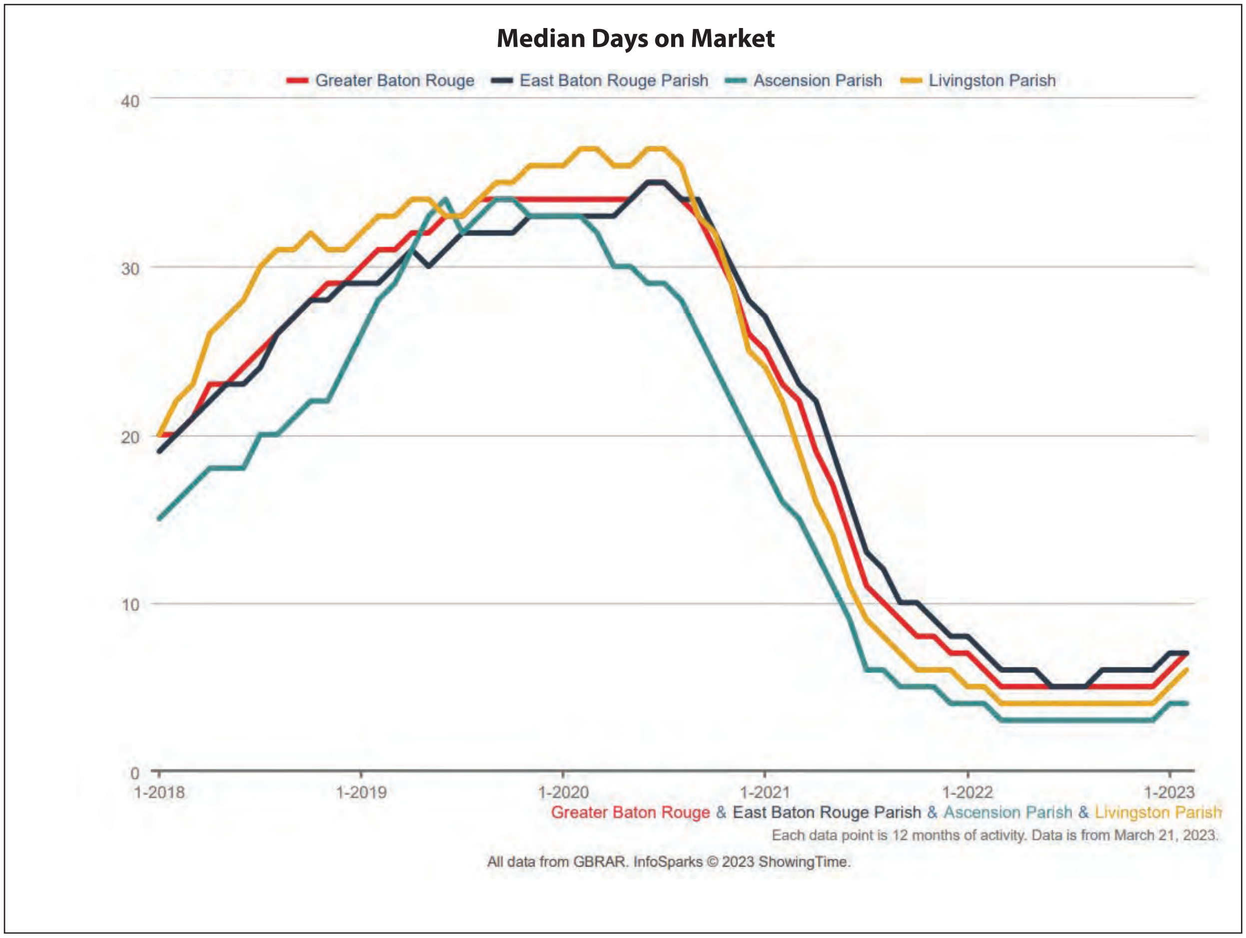
Median Days on Market

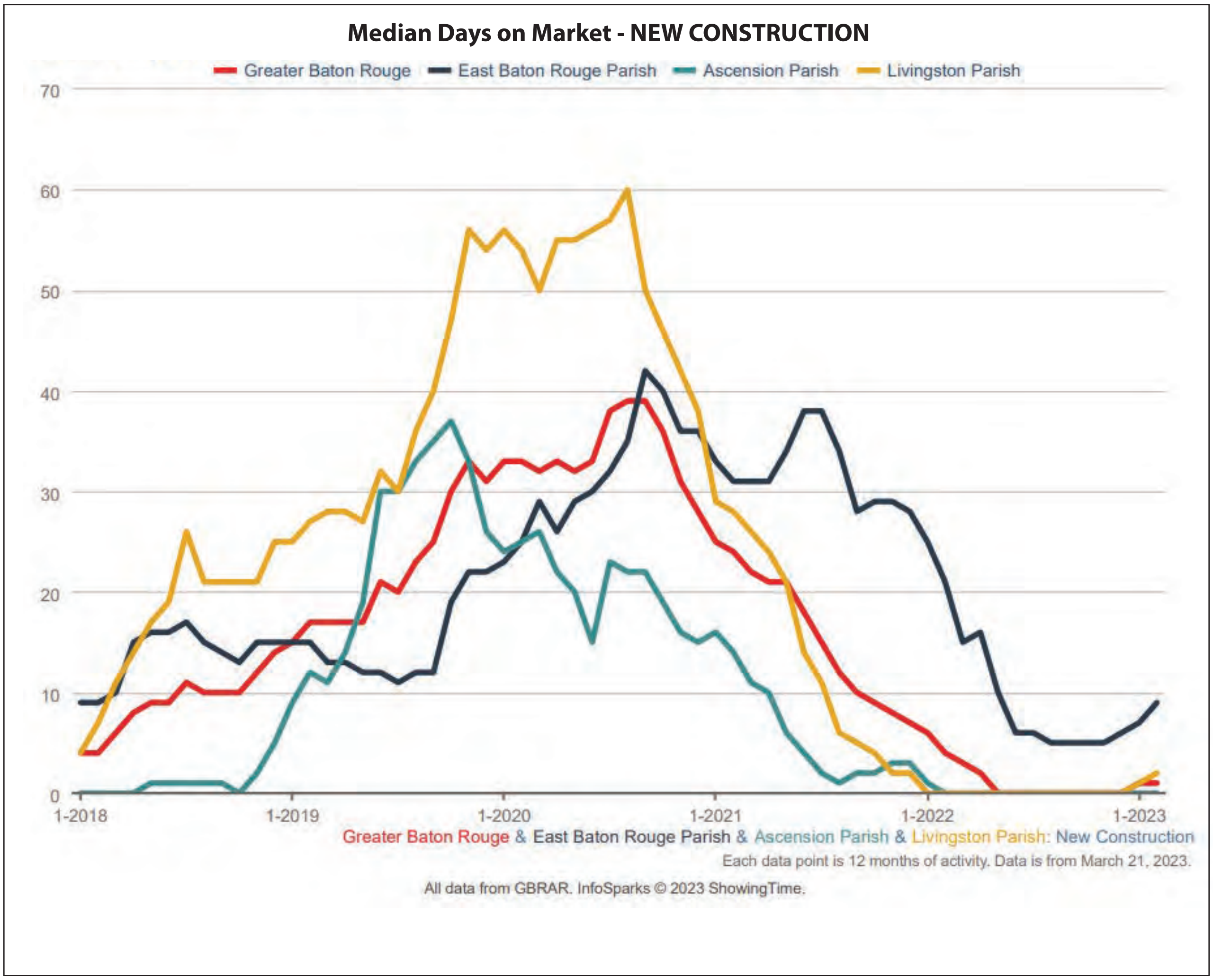
Another indicator of the strength or weakness of the market is the amount of time it takes to sell a home. That data is exhibited in the Median Days on Market. Most market participants would agree that 30 to 60 days is an acceptable marketing time period to generate a contract for purchase. In 2019, the median days on the market for the entire MLS was 34. In 2021, the median days on the market had dropped to 7, a reduction of 23.53%. That was down from its high in 2015 of 73 days. In 2022, the median days on the market had dropped to 5 for the entire MLS area, which was a 28.57% decrease from 2021. The lowest median days on the market for all categories studied were in East Baton Rouge Parish, where new homes were sold before they were put on the market. New Homes in Livingston Parish also sold before they were put on the market, exhibiting 0 days on the market as reported to MLS. No category had over six median days on the market, meaning no category had a median time frame for a house to sell over six days. Homes sold more quickly in 2022 than in any year studied from 2015 to present.

Median Days on Market is illustrated numerically on the following grid:

					Change
Median Days on Market	**2019**	**2020**	**2021**	**2022**	**2021 to 2022**
All Price Ranges					
Entire MLS	34	26	7	5	-28.57%
New Homes Entire MLS	29	28	7	0	-100.00%
EBR Parish All Homes	33	28	8	6	-25.00%
EBR New Home Sales	21	36	30	6	-80.00%
Ascension Parish All Homes	33	20	4	3	-25.00%
Ascension Parish New Homes Sales	23	14	2	3	50.00%
Livingston Parish All Homes	36	25	6	4	-33.33%
Livingston Parish New Home Sales	55	38	0	0	NA

The information is presented graphically below:





Permitting Data

Included in the residential study is an analysis of building permit data. The Home Builders Association of Greater Baton Rouge supplied Permit Data. The total number of single-family permits for the Baton Rouge MSA in 2019 was 3,569, and that number rose to 4,430 in 2021. Permit applications for new construction of residential use properties hovered between 3,450 and 3,550 from 2015 to 2019, when they began to rise and hit an all-time high in 2021 of 4,430, exhibiting an 18.42% increase over 2020. In 2022, permit applications fell to 3,502, which is a 20.95% drop. Permits fell in the last few months of 2022, as rising interest rates caused concern from volume home builders. Permit Data for the Baton Rouge MSA follows.

Baton Rouge MSA **New Single Family Homes**		
Year	**Permits**	**Change**
2015	3463	
2016	3402	-1.76%
2017	3586	5.41%
2018	3509	-2.15%
2019	3569	1.71%
2020	3741	4.82%
2021	4430	18.42%
2022	3502	-20.95%

The Home Builders Association of Greater Baton Rouge also supplied information on permits taken out for the Parishes included in our study. Limited data is available for building permits issued in most parishes except East Baton Rouge. All three parishes had decreases in Permits being taken out for Single Family Homes, with Livingston showing the largest fall of almost 31%. East Baton Rouge and Ascension fell by 17.59% and 18.76%, respectively. Numeric Data on the three parishes studied is shown below.

EBR Permit Data **New Single Family Homes**		
Year	**Permits**	**Change**
2015	1175	
2016	994	-15.40%
2017	843	-15.19%
2018	954	13.17%
2019	934	-2.10%
2020	1359	45.50%
2021	1450	6.70%
2022	1195	-17.59%

Ascension **New Single Family Homes**		
Year	**Permits**	**Change**
2020	902	
2021	1061	17.63%
2022	862	-18.76%

Livingston **New Single Family Homes**		
Year	**Permits**	**Change**
2020	933	
2021	1239	32.80%
2022	856	-30.91%

Summary

Most indicators support a relatively strong residential market. Dollar Volume, while down, is still good and above 2019 and 2020 levels, even though volume in 2022 was below 2021 levels by almost 10%. Median Sale Prices are up in every category. There appears to be increasing inventory in the Months' Supply reported to MLS; the 2022 months' supply is still below 2019 and 2020 levels, even though there was an increase from 2021 to 2022. The time it takes to sell a home, indicated by Days on Market, has fallen to just 5 days for the entire MLS area. All of this would support a healthy single-family residential market. There is some cause for caution with the fall in permits being taken out, which would indicate fewer new home products being available and volume builders becoming more and more cautious. The market appears to be cooling from its peak in 2021 but is still considered healthy.

MIXED-USE COMMUNITIES...On the Move

Live, Work & Play

Americana | Engquist Development

New Phase Coming Soon!

- Location: Zachary, Louisiana
- Lot Count: 700+
- Home Size: 1,470 to 3,000+ SF
- Home Price: from $310s – $500s+
- Market Date: Currently for Sale
- Phase 6 is NOW SELLING! Phase 7 estimated Fall 2023
- Additional Features/Amenities:
  - o The Villages at Americana Apartments Available
  - o Walks Ons, Lit Pizza, Agave Blue Tequila + Taco Bar, Kidz Karousel Early Childhood Development, Baton Rouge General Physicians Office – NOW OPEN
  - o State-Of-The-Art YMCA, featuring Tennis Court and Pool — NOW OPEN
  - o Dog Park, Pier, Stocked Fishponds, Children's' Playground, The Pointe Venue – NOW OPEN
  - o BREC Walking Trail — NOW OPEN https://www.liverouzan.com

Americana | Level Homes

New Phase Coming Soon!

- Location: Zachary, Louisiana
- Lot Count: 176
- Home Size: 1,470 to 3,000+ SF
- Home Price: from $310s – $500s
- Market Date: Currently for Sale
- Phase 6 is NOW SELLING! Phase 7 estimated Fall 2023
- **Additional Features/Amenities:** The Villages at Americana Apartments Available
  - o The Villages at Americana Apartments Available
  - o Walks Ons, Lit Pizza, Agave Blue Tequila + Taco Bar, Kidz Karousel Early Childhood Development, Baton Rouge General Physicians Office – NOW OPEN
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  - o BREC Walking Trail — NOW OPEN https://www.lifeatamericana.com

Heritage Crossing | Double D of Louisiana, LLC.

- Location: Gonzales, Louisiana
- 103-acre mixed-use development anchored by Alexander's Heritage Market and the City of Gonzales Price Leblanc Performing Arts Conference and Events (PACE) Center. Both anchors are currently under construction and expected to be open by late fall.
- Heritage Crossing is located at the intersection of Hwy 44, and Hwy 30, just one mile from both I-10 interstate exits in Gonzales, offering excellent accessibility and visibility. The development will feature residential, retail, office, civic, and entertainment spaces.
- **Retail:** Alexander's Heritage Market, Bronier Salon Suites, Investar Bank, Chicken Salad Chick, Moreau Physical Therapy, Crumbl Cookie, Tropical Smoothie Café, European Wax Center, Hotworx, Jersey Mike's, Louisiana Casual Living, Pho Viet, Sonny's BBQ, Agave Blue Tequila and Taco Bar, The Joint Chiropractic, Orangetheory, White Water Car Wash
- **Office:** 60,000 square feet of future office space – Construction starting Fall of 2023.
- **Residential:**
  - o 79 Single Family Lots ($500s - $800s) – Under Construction
  - o 17 Townhome Lots – ($400s) - Under Construction
- **Multi-Family:** (The Waters at Heritage)
  - o 300 Upscale Apartment Units – Under Construction
- **Amenities:**
  - o The development features large lakes with walking trails, green spaces, bike lanes, and pocket parks, providing residents with a relaxing setting in which to enjoy the outdoors.
  - o Homeowners will have access to a resort-style pool.
  - o Performing Arts Center is located at the core of the development.
  - o Easy access to the adjacent Our Lady of the Lake Ascension Hospital, Ochsner Medical Center, and other surrounding medical facilities.


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Live, Work & Play

Long Farm Village | Developer: Russell Mosely

- Location: Baton Rouge
- A 237-acre master-planned community with a mix of retail, office, multi-family, detached single-family, senior living, and more than 40 acres of parks/green space.
- **Retail:** Rouse's grocery, Starbucks, Five Guys, AT&T, Pacific Dental Services, Orangetheory Fitness, Massage Envy, Avatar Nail Salon, Home Bank, Title Boxing, Modern Acupuncture, Main Squeeze Juice Company, Zaxby's restaurant, Proverbial Wine Bistro.
- **Office:** 6,572 square foot office building opened in 2021 (tenants: Campus Federal Credit Union, Nations Title)
- **Multi Family:** Tapestry Long Farm, 276 upscale multi-family units
- Senior Living: A nursing home with more than 100 beds will be built between Long Farm Road and Old Jefferson Highway. Time frame for construction to be determined.
- **Detached Single Family:** 215 residential lots completed; Construction of the 5th Filing, Part A (43 lots) recently completed. Lot prices average $169,000.
- Additional amenities to be built in the 5th Filing include another pool (designed for kids), playground, pickleball courts, shuffleboard courts, full basketball court, outdoor grill area, cabana with outdoor fireplace, a pavilion for outdoor entertainment, and a large green space area.
- New home prices range from $600,000 to $1,400,000; custom home plans designed by local architects.
- Overall project will eventually have more than 300 detached single-family homes, more than 1100 total housing units (including detached single-family, townhome, multi-family, senior living), and up to 690,000 square feet of retail, office or mixed-use space.
- **Current Amenities:** Pool/Clubhouse, parks, benches, bike rack, athletic field, walking loop consisting of paved walks around residential phases (including 2 lakes), privacy brick wall along Jefferson Hwy.

MATERRA | Enguist Development
New Phase Coming Soon!

- Location: Baton Rouge, Louisiana — on Woman's Hospital campus
- Lot Count: 260+ total; 92 in Phase 2
- Home Size: 1,670 to 3,000+ SF
- Home Price: from $400s – $700s
- Lots for sale starting from the $90,000+
- Market Date: Phase 1 Currently for Sale; Phase 2 2024
- Additional Features/Amenities:
  - o The BASIS Charter School OPEN!
  - o Pavilion & Community Pool, Outdoor Fitness, Stocked Fishing ponds, Commercial space: Shopping and Dining, and a Children's Playground with Parks & Recreational Space — ALL COMING SOON
  - o Materra Connection to Airline HWY – COMING SOON. https://www.materrabr.com

MATERRA | Level Homes - *New Phase Coming Soon!*

- Location: Baton Rouge, Louisiana — on Woman's Hospital campus
- Lot Count: 79 in Phase 1
- Home Size: 1,670 to 3,000+ SF
- Home Price: from $400s – $700s
- Market Date: Phase 1 Currently for Sale; Phase 2 estimated early 2024
- Additional Features/Amenities:
  - o The BASIS Charter School OPEN!
  - o Pavilion & Community Pool, Outdoor Fitness, Stocked Fishing ponds, Commercial space: Shopping and Dining, and a Children's Playground with Parks & Recreational
  - o Space — ALL COMING SOON
  - o Materra Connection to Airline HWY – FUTURE PROJECT - https://www.materrabr.co

ROUZAN | Engquist Development
Final Phase Now Selling!

- Location: Baton Rouge, Louisiana — Glasgow Avenue at Perkins Road Lot Count: Approx. 450+ SFR lots
- Home Size: 1,500 to 6,000+ SF
- Home Price: from $520s to $1M+
- Lots for sale starting from the $160s
- Completed Homes: 200+ occupied
- Market Date: Currently for Sale
- Additional Features/ Amenities:
  - o Sprouts Grocery Store, Pizza Artista, Ocean Nails – NOW OPEN
  - o OLOL Physicians Group – FUTURE PROJECT
  - o Kidz Karousel – FUTURE PROJECT
  - o EBR Parish Neighborhood Library – FUTURE PROJECT
  - o Community Clubhouse with Pool and Fitness Center – NOW OPEN
  - o Silo Farm with Community Planter Boxes – NOW OPEN
  - o Outdoor Fitness and Children's Playgrounds – NOW OPEN
  - o Waterfront Boardwalk – FUTURE PROJECT
  - o More Parks and Greenspaces – COMING SOON
  - o Rouzan's Final Connection to Perkins Rd. – UNDER CONSTRUCTION
  - o Multifamily and Townhomes – FUTURE PROJECT - https://www.liverouzan.com

ROUZAN | Level Homes
Final Phase Now Selling!!

- Location: Baton Rouge, Louisiana — Southdowns off Perkins Road
- Lot Count: 43 available lots in Phase 9 (current phase)
- Home Size: 1,500 to 3,000+ SF
- Home Price: from \$550s – \$900s
- Market Date: Currently for Sale
- Additional Features/Amenities:
  - o Sprouts Grocery Store, Pizza Artista, Ocean Nails –NOW OPEN
  - o OLOL Physicians Group – FUTURE PROJECT
  - o Kidz Karousel – FUTURE PROJECT
  - o EBR Parish Neighborhood Library – FUTURE PROJECT
  - o Community Clubhouse with Pool and Fitness Center – NOW OPEN
  - o Silo Farm with Community Planter Boxes – NOW OPEN
  - o Outdoor Fitness and Children's Playgrounds – NOW OPEN
  - o Waterfront Boardwalk – FUTURE PROJECT
  - o More Parks and Greenspaces – COMING SOON
  - o Rouzan's Final Connection to Perkins Rd. – UNDER CONSTRUCTION
  - o Multifamily and Townhomes – FUTURE PROJECT

https://www.liverouzan.com

The Lakes at Harveston Phase 1
Developer: John Fetzer & Mike Wampold

- Location: Bluebonnet Blvd., near Nicholson Drive (Hwy 30), East Baton Rouge Parish
- Number of Lots: 186
- Homes sales to date: sold 30 homes to date with 10 pending sales
- Lot Price(s) from \$108,000
- Lot Size: 45 to 65 x 120' to 140'
- Home Size: 2,000 to 3,500 Sq.Ft.
- Five model homes
- Home Price Range: \$625,000 to \$1,000,000+
- Additional Features:
  - o Community Center overlooking the 60-acre Harveston Lake with fountains
  - o Community Clubhouse
  - o Fitness Center
  - o Cabana with Grill
  - o Pool and Splash Pad
  - o Playground area
  - o Pickleball courts and arbor
  - o Park area with arbor and firepit
  - o Mail Center
  - o Multi-Use Trails and Walks

COMMUNITIES ...On the Move

Guide To Your Next Move

Arbor Walk | DSLD Homes

- Location: Model Home located at:14088 Arbor Walk Dr. Denham Springs, LA
- Total Lots: 116
- Price Range lots/home price: mid $200s
- Living Area 1,426 SF – 2,072 SF
- Additional features/amenities: 3 ponds for homeowners to enjoy. Community playground with covered pavilion. Located in Livingston Parish School District (Ranked Top 3 in State) Close proximity to Juban Crossing for Shopping, Dining, and Entertainment. Close proximity to Denham Springs Antique Village. Energy Efficient Homes with tons of features that come standard.

Bedico Creek – Deer Trail | Alvarez Construction

- Project Type: Detached Single-Family
- Location: Covington in Bedico Creek Preserve
- Number of Lots: 22 lots, 6 available homes, New Phase Coming Soon
- Home Sizes: 1,683 – 2,407 living area
- Lot Sizes: 65x145 and 72x140
- Home Price Range: starting in the $334,990's
- Current Status: Active

Bellacosa | D.R. Horton

- Location: Jones Creek Road between S. Harrells Ferry Rd. and Coursey Blvd. in Baton Rouge
- Total lots: 448
- Lot Sizes: 50 x 120
- Home Sizes: 1,444 - 3,309 sq. ft. living area
- Features: Ponds, playground, pool, and amenity center, sidewalks, curb and gutter, and community green space.

Belle Savanne At Dutchtown | Level Homes
Final Phase, Filing A Now Selling

New Homesites Now Available!

- Location: Geismar, Louisiana
- Lot Count: 284 total; 95 lots in final phase
- Home Size: 1,757 to 3,210 SF
- Home Price: from $360s Market Date: NOW SELLING
- Additional Features/Amenities: Resort-style community pool and cabana —OPEN. Walkable community with scenic lakes and green space Phase 1 & Phase 2 SOLD OUT

Bellegrove Square | DSLD Homes

- Location: Baton Rouge ,LA
- Total Lots: 118
- Price Range lots/home price: $290s
- Living Area 1,691 SF – 2,011 SF
- Additional Features/Amenities: Additional Features/Amenities: Close proximity to LSU, Perkins Rowe, and the Mall of LA. Community Ponds. Energy-efficient homes with tons of features that come standard.

Bruce's Harbor | Level Homes ~ Now Selling!

- Location: Springfield, Louisiana
- Lot count: 43
- Home Price: from $380s Home Size: 2,000 to 3,210 SF Market Date: NOW SELLING
- Additional Features/Amenities: Private, gated community. Premium water-front homesites with direct access to Blood River and Tickfaw River.

Cambre Oaks | DSLD Homes

- Location: Gonzales,LA
- Total Lots: 90
- Price Range lots/home price: $230s
- Living Area 1,461 SF – 2,130 SF
- Additional Features/Amenities: Close proximity to Tanger Outlets for dining, shopping, and entertainment. Close proximity to Lamar Dixon Expo Center, which hosts 1000's events each year. energy-efficient homes with tons of features that come standard.

Dawson Bluff Townhomes | Alvarez Construction

- Project Type: Townhomes
- Location: Baton Rouge
- Number of Lots: 51 in phase one 241 total
- Home Sizes: 1,500 – 1,784 living area
- Home Price Range: Staring in the $289,990's
- Current Status: Active in phase 1

Delaune Estates | Developer: Lynn Levy Land

- Location: Prairieville, LA
- Total number of lots: 245
- Lot Sizes: 53.5'-55' x 135', 60'-69' x 135', and 70'-100' x 135'
- Features: Curb & gutter, multiple ponds, with a centralized amenity center

Guide To Your Next Move

Fairview Gardens | DSLD Homes

- Location: Zachary, LA
- Total Lots: 244
- Price Range lots/home price: $250s
- Living Area: Living Area 1689 SF – 2211 SF
- Additional Features/Amenities: Gorgeous Community Entrance! Neighborhood Lake. Located in the #1 School System in the State! Easy access to a vast array of outdoor activities, including a walking trail, biking trails, golf, and other sporting activities, conveniently located near dining, shopping, entertainment, Medical Facilities, YMCA, LA Art and Science Museum, and the Baton Rouge Zoo. Close Proximity to several major employers, including Exxon, Georgia Pacific, River Bend, and Lane Memorial Hospital to name a few. Energy-efficient homes with tons of features that come standard.

Forestwood | DSLD Homes

- Location: Gonzales, LA
- Total Lots: 98
- Price Range lots/home price: upper $200's ($250's-290's)
- Living Area 1,613 SF – 2,171 SF
- Additional Features/Amenities: 2 ponds for homeowners to enjoy. Two public playgrounds across the street from the community. Sidewalks, Located in Ascension Parish School district. (highly rated) Close proximity to Lamar Dixon and Tanger Outlet. Close proximity to I10. Tankless hot water heater, stainless appliances, 3cm granite countertops throughout, LVP flooring, Matte Black plumbing, and light fixtures.

Heather Oaks | Level Homes ~ Now Selling!

- Location: Luling, Louisiana
- Lot count: 17
- Home Price: from $440s Home Size: 2,115 to 3,210 SF Market Date: NOW SELLING
- Additional Features/Amenities: Walking distance to Lakewood Elementary School and a short drive to Mimosa Park Elementary School, Hahnville High School, J.B. Martin Middle School, and R.J. Vial Elementary School. Less than 30 minutes from New Orleans shopping and entertainment.

Riverton | Level Homes
Opened May 2021

- Location: Darrow, Louisiana
- Lot count: 32
- Home Price: from $340s
- Home Size: 1,750 to 3,000+ SF
- Market Date: NOW SELLING ~ Premium water-front homesites.
- Additional Features/Amenities: Model Homes NOW OPEN! Walkable community in convenient location, short drive to Gonzales and nearby schools, restaurants, and shopping.

Highcroft Townhomes | Alvarez Construction

- Project Type: Duplex townhome
- Location: Baton Rouge
- Number of Lots: 21 duplex sites for a total of 42 units
- Home Sizes: 1,830 living area
- Home Price Range: Staring in the $314,990's
- Current Status: Active

Highlandia | Bardwell Homes

- Location: Cane Market Rd, Watson
- Total Lots: 57
- Homes Sizes: 1642 SF to 2,246 SF
- Home Price Range: From $299,900
- Market Date: Under Construction/ Currently for Sale: Closed on lots in middle 2022 and have started seven houses, one presold
- Additional Features/amenities: Offering a variety of features and upgrades that will showcase our thoughtful design and attention to detail. Located off Cane Market Rd in the Live Oak School District, Highlandia is the perfect place to call home for many families looking for a private, upscale community. With construction timelines that could have you moving in before fall 2023, you can be settled in and ready for the holidays! Highlandia features 12 lots on the water and 9 corner lots, two very close to the water. At Bardwell Homes, we offer the opportunity to choose a lot and house plan and personalize it with design selections that fit your family's needs and lifestyle.

Indigo Trails | D.R. Horton

- Location: Denham Springs in Livingston Parish off Juban Rd and Buddy Ellis
- Total lots: 316
- Lot Sizes: 50 x 135
- Home Sizes: 1,380 – 2,718 sq. ft. living area
- Features: Pond, playground, curb and gutter, and community green space.

Jamestown Crossing | DSLD Homes

- Location: Prairieville, LA
- Total Lots: 172
- Price Range lots/home price: $290s
- Living Area 1,735 SF – 2,171 SF
- Additional Features/Amenities: Beautiful community pond. Common areas for homeowners to enjoy. This community is the best country living with city conveniences, located in the heart of Prairieville but only 10 minutes outside of Baton Rouge. With Jamestown being in a great school district and its prime location in Prairieville, it will be one of the top places to live in ascension parish! Energy-efficient homes with tons of features that come standard.

Knoll Creek | DSLD Homes
- Location: Baton Rouge
- Total Lots:39
- Price Range lots/home price: $270s
- Living area 1613 SF- 2406 SF
- Additional feature/ Amenities: Quaint community tucked inside of White Oak Trace. Very close to restaurants and movie theaters. Energy-efficient homes with tons of features that come standard.

Lake Haven | DSLD Homes
- Location: Zachary, LA
- Total Lots: 167
- Price Range lots/home price: $270s
- Living Area 1848 SF - 2779SF
- When will the development come online: Currently
- Additional Features/Amenities: Great Location! Community pond for homeowners to enjoy. Energy-efficient homes with tons of features that come standard.

Lake Villas Crossing | Alvarez Construction
- Project Type: Duplex townhome
- Location: Baton Rouge
- Number of Lots: 22 duplex sites for a total of 44 units
- Home Sizes: 1,830 living area
- Home Price Range: Staring in the $314,990's
- Current Status: Active

Meadow Oaks | DSLD Homes
- Location: St. Gabriel
- Total Lots: 247
- Price Range lots/homes: $230s
- Living Area: 1356 SF- 2072 SF
- Additional Features: Close proximity to downtown BR & LSU. Community Ponds, Community center, school, and soccer complex at the entrance of the community. Energy-efficient homes with tons of features that come standard.

Miravel | D.R. Horton
- Location: Zachary at the intersection of Groom Rd and Old Scenic Hwy 964
- Total lots: 395
- Lot Sizes: 50 x 120
- Home Sizes: 1,298 - 2,712 sq. ft. living area
- Features: Ponds, playground, pool, amenity center, sidewalks, and curb and gutter.

Nickens Lake | DSLD Homes
- Project Type: Detached Single-Family
- Location: Baton Rouge
- Number of Lots: 148
- Home Sizes: 1,565 – 3,015 living area
- Home Price Range: Staring in the $399,990's
- Current Status: Active

Orleans Place | D.R. Horton
- Location: Gonzales in Ascension Parish off E Worthy
- Total lots: 47
- Lot Sizes: 35 x 115
- Home Sizes: 816 - 1,004 sq. ft. living area

Pelican Crossing | DSLD Homes
- Location: Gonzales , LA
- Total Lots: 4th filing has 144, and 5th filing has 114. Future phases to come
- Price Range lots/home price: $270's - $350's
- Living Area 1,848 SF – 2,622 SF
- Additional Features/Amenities: Several ponds for homeowners to enjoy. Neighborhood pool and Gazebo. Two public playgrounds across the street from the community. Sidewalks. Located in Ascension Parish School district. (highly rated) Across from Pelican Point Golf Community, Close proximity to I10. Tankless hot water heater, stainless appliances, 3cm granite countertops throughout, hand scrapped wood flooring, framed mirrors, painted cabinets with cabinet hardware, Matte Black plumbing, and light fixtures.

River Hills Farm | Alvarez Homes
- Project Type: Detached Single-Family
- Location: Baton Rouge
- Number of Lots: 86
- Home Sizes: 1,718 – 2,311 living area
- Home Price Range: Staring in the $304,990's
- Current Status: Active

River Hills Farm | Alvarez Homes
- Project Type: Detached Single-Family
- Location: Baton Rouge
- Number of Lots: 86
- Home Sizes: 1,718 – 2,311 living area
- Home Price Range: Staring in the $304,990's
- Current Status: Active

Guide To Your Next Move

River Park Estates | Alvarez Construction

- Project Type: Detached Single-Family
- Location: Covington
- Number of Lots: 79
- Home Sizes: 1,547 – 1,949 living area
- Home Price Range: Staring in the $260,990's
- Current Status: Active

South Creek | Alvarez Construction

- Project Type: Detached Single-Family
- Location: Denham Springs
- Number of Lots: 103
- Home Sizes: 1,555 – 2,793 living area
- Home Price Range: Staring in the $293,990's
- Current Status: Active

South Haven | Alvarez Construction

- Project Type: Detached Single-Family
- Location: Denham Springs
- Number of Lots: 73
- Home Sizes: 1,555 – 2,051 living area
- Home Price Range: Staring in the $276,990's
- Current Status: Active

Sugar Mill | DSLD Homes

- Location:West Baton Rouge, LA
- Total Lots: 672
- Price Range lots/home price: $270s
- Living Area 1,856 SF – 2,622 SF
- Additional Features/Amenities: Separate ponds for homeowners to enjoy. Designated Greenspace Areas, located in highly ranked West Baton Rouge School District, Construction of new schools; Caneview (Grades K-8) and Brusly High School (Grades 9-12). Located just minutes from Baton Rouge, Addis, the surrounding area is a thriving, family-friendly community with growing job opportunities in businesses and industries and the river—energy-efficient homes with tons of features that come standard.

The Park at the Island | D.R. Horton

- Location: Plaquemine in Iberville Parish off Hwy 77 and Hwy 1
- Total lots: 97
- Lot Sizes: 60 X 130
- Home Sizes: 2,125 - 2,702 sq. ft. living area
- Features: Pool, amenity center, ponds, access to golf course, and curb and gutter.

The Preserve at Grays Creek | DSLD Homes

- Location: Model home located at 9981 Belshire Way, Denham Springs , LA
- Total Lots: 57
- Price Range lots/home price: Upper $200s
- Living Area 1,716 SF – 2,750 SF
- Additional Features/Amenities: Ponds for homeowners to enjoy. Designated green space areas. Located in Livingston Parish School District (Ranked Top 3 in State), Close proximity to Juban Crossing for Shopping, Dining, and Entertainment. Proximity to Denham Springs Antique Village. Energy Efficient Homes with tons of features that come standard.

The Reserve at Conway | DSLD Homes

- Location: Gonzales , LA
- Total Lots: 214 in 1st and 2nd phase. 3rd phase to come in 2024
- Price Range lots/home price: $300k
- Living Area 2141
- Additional Features/Amenities: Several ponds for homeowners to enjoy. Community Pool. Sidewalks. Located in Ascension Parish School district. (highly rated) Near Pelican Point Golf Community and Houmas House. Close proximity to I10. Tankless hot water heater, stainless appliances, 3cm granite countertops throughout, hand scrapped wood flooring, custom stained or painted cabinets with cabinet hardware, custom backsplash in kitchen, Matte Black plumbing, and light fixtures.

The Settlement at Live Oak | Level Homes Now Selling

- Location: Thibodaux, Louisiana
- Lot Count: 21
- Home Size: 1,400 SF to 2,650 SF
- Home Price: from $320s
- Market Date: NOW SELLING
- Additional Features/Amenities: Luxury community pool Lake, ponds & fountains Green spaces. Walking path to freshwater recreation on Bayou Lafourche Event Pavilion

The Settlement on Shoe Creek | Alvarez Construction

- Project Type: Detached Single-Family
- Location: Central
- Number of Lots: 106
- Home Sizes: 1,720 – 1,762 living area
- Home Price Range: Staring in the $290,990's
- Current Status: Active

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Guide To Your Next Move

Water's Edge | Level Homes ~ Now Selling

- Location: Baton Rouge, Louisiana — inside Lexington Estates
- Lot Count: 76 in Phase 1
- Home Price: from $390s
- Home Size: 1,670 to 2,600 SF
- Market Date: NOW SELLING
- Additional Features/Amenities: Private, gated community. Lakes and green space. Resort-style community pool and cabana. Located near major golf course, L'Auberge Casino, shopping, and dining.

Whispering Springs | D.R. Horton

- Location: Denham Springs area in Livingston Parish off LA 1019
- Total lots: 1,000
- Lot Sizes: 70 x 150
- Home Sizes: 1,380 - 2133 sq. ft. living area
- Features: Lakes, playground, pool and amenity center, curb and gutter, and community green space.

Willow Run | DSLD Homes

- Location: Baton Rouge
- Total Lots: 70
- Price Range lots/homes: $270s
- Living Area: 1538SF – 1835SF
- Additional Features: Close to downtown BR & LSU. Convenient interstate access. Close to shopping at the Mall of LA and Perkins Rowe. Energy-efficient homes with tons of features that come standard.

Woodstock Park | Alvarez Construction

- Project Type: Detached Single-Family
- Location: Baton Rouge
- Number of Lots: 213
- Home Sizes: 1,555 – 2,793 living area
- Home Price Range: Staring in the $312,990's
- Current Status: Active

COMMUNITIES...Coming Soon

Guide To Your Next Move

Cheval Trails | Alvarez Construction
New Community Coming Soon!
- Project Type: Detached Single-Family
- Location: Zachary
- Number of Lots: 48
- Home Sizes: 1,547 – 1,968 living area
- Home Price Range: Coming soon

Meadow Creek Estates | D.R. Horton
Coming Soo: July 2023
- Location: Gonzales in Ascension Parish on W Worthy and S Darla
- Total lots: 22
- Lot Sizes: 55 x 120
- Home Sizes: 1,380 – 1,819 sq. ft. living area

Pelican Lakes | D.R. Horton
New Community Coming Soon: July 2023
- Location: Baton Rouge off Burbank
- Total lots: 122
- Lot Sizes: 40 X 110
- Home Sizes: 1,380 – 1,610 sq. ft. living area
- Features: Ponds, playground, pool and clubhouse, sidewalks, curb and gutter, and community green space.

Clare Court | Level Homes
New Community Coming Soon: July 2023
- Location: Prairieville, Louisiana
- Lot Count: 37
- Home Size: 1,757 to 3,210 SF
- Home Price: Coming Soon
- Market Date: Summer 2023
- Additional Features/Amenities:
- Premium water-front homesites

Delaune Estates | Level Homes
New Community Coming Soon
- Location: Prairieville, Louisiana
- Lot count: 245
- Home Price: coming soon
- Home Size: 1,757 to 3,210 SF
- Market Date: late 2023
- Additional Features/Amenities:
- Premium water-front homesites

THANK YOU!

With your help, TRENDS has become an annual event, that continues to provide a critical examination and analysis of what's going on in the Greater Baton Rouge Real Estate marketplace – with an eye on what's coming!

2023 TRENDS Keynote Speaker

Kevin Fagan

Director of CMBS/CRE Research
Commercial Real Estate Finance Group
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EXECUTIVE OVERVIEW

Over the last few years, the Greater Baton Rouge area retail market has been on quite the ride. Turmoil in the retail market began in March of 2020 with Covid lockdowns and a sharp downturn. Landlords and Tenants spent their time reworking leases to stop the bleeding and keep retailers' doors open. Over the last two years, however, retail returned to a more normal scenario, with landlords backfilling most vacancies, thanks to a good economy and low-interest rates. Now, retail is again in a precarious state, with rising construction costs and higher interest rates. Normally, one would think this volatility would be bad for retail, but in reality, there has been a flight to existing retail, which is reflected in our record low vacancy rate. Landlords are reporting good leasing activity. However, most new deals are taking a long time to come to fruition because of the costs to build out spaces. The only ground-up construction in our market has come from owner-occupied users, such as grocery stores and outparcels. In the investment sales world, shopping centers with a lower price point are still selling quickly as there remains a good amount of capital chasing good assets. However, higher-priced shopping center sales acquired with debt have slowed due to the lower rate of return based on a much different interest rate environment.

In the Baton Rouge area, we are continuing to enjoy high occupancy rates, and even though Covid is in the rearview mirror, retail is now facing the same issues that other sectors are. Costs to build new retail centers are keeping new growth at bay, but this is giving Landlords confidence that they can reinvest in their existing centers. Health, wellness, service, quick-service, and fast casual restaurants, grocery, and automotive groups have continued to expand, and we expect trends like this to continue in our market.

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A Survey of Shopping Centers in Baton Rouge: Spring 2023

This report was prepared from data collected from e-mail and telephone surveys of shopping center managers, leasing agents, and owners conducted by members of the Baton Rouge TRENDS in Real Estate Retail Committee. Surveys were conducted in February and March 2023. Extensive independent verification was not provided, however, quoted rents and/or vacancies that appeared out of the ordinary were checked.

Description of the Analysis

Once again, our survey included breaking down data for anchored and non-anchored spaces. Our committee believes this is the best indicator of what "small shop" space is actually leasing for. Our survey tracks rental rates on a high-low basis, with an average rental rate for each property calculated based on the data gathered. We break out anchored spaces, whose lower rental rates skew the rental rates downward. We have surveyed the retail properties consistently now for over ten years enabling us to track accurate trends in rental rates and vacancies.

The shopping center survey analysis is structured as follows:

- Suites over 15,000 square feet are considered to be anchor spaces.
- Rental rates for non-anchor spaces are collected on a high-low basis, with an average rental rate for each property calculated based on the data provided.
- The rentals indicated are reflective of varying lease terms, with some shopping centers requiring expense reimbursements from tenants in addition to base rentals and some shopping centers requiring no additional reimbursements. To arrive at consistent rental rates, any additional reimbursements paid by tenants (generally for common area maintenance (CAM), taxes, and insurance) are added to each shopping center's average rental to arrive at a total average rental.

- Attempts to survey each shopping center are made each year; however, due to turnover in management and/or ownership, results for each shopping center are not available every year. Comparison of the total surveyed leasable space and the number of shopping centers indicated in each time period should not be taken as an indication of new construction and/or demolition but as an indication of properties for which data was provided.
- Only shopping centers of over 15,000 square feet of leasable space are included in the survey. Numerous small strip centers throughout the Baton Rouge area are excluded from the analysis due to the minimum size requirement for the survey.
- Baton Rouge's one enclosed mall, the Mall of Louisiana, is excluded from the survey. Also excluded are our three lifestyle centers – Towne Center, The Boulevard at the Mall of Louisiana, and Perkins Rowe. Due to the large size of these properties and significantly higher rentals collected for mall spaces and lifestyle centers compared to standard multi-tenant retail spaces, these properties have historically caused a significant skewing of the vacancy and average rental results when included in past reports.
- Analyses are performed by Vacancy Rate (Table 1), Size/Type (Table 2), Age (Table 3), Location (Table 4) and both Location and Type (Table 5).

Summary of Spring 2023 Retail Survey

- Attempts were made to contact 130 shopping centers in East Baton Rouge, Ascension, and Livingston Parishes, with responses obtained from 123 shopping centers.

- Excluding the lifestyle centers, a total of 8,454,959 square feet of leasable space was surveyed, with 606,256 square feet (7.17%) reported to be vacant. This vacancy rate is lower than the 8.81% reported in the 2022 survey and the first time since 2015 that we `have observed a vacancy rate below 8.0%.

- Average Total Collections (rent and expense reimbursements) for non-anchor space were $19.83/square foot, which reflects a slight increase in rental rates from the 2022 survey ($19.60).

Analysis by Vacancy Rate

The overall vacancy rate has decreased to 7.17% from 8.81% in the spring of 2022 and represents the lowest vacancy rate that we have observed. 53% in 2021, 67% in 2022, and 71% in 2023 reported vacancy rates of 10% or less. The number of centers reporting vacancies over 50% was reduced from 4% from the spring of 2022 to 2% in the spring of 2023, which is consistent with the historical average of 3-5%. 20% of the surveyed centers reported vacancies of 10.01% to 25% (down slightly from 24% in Spring 2022), while 7% reported vacancies of 25.01% to 50% (up slightly from 6% in Spring 2022).

Analysis by Size/Type

Table 2 contains the analysis by shopping center size/type. The surveyed shopping centers are categorized based on discussions with local leasing agents in cooperation with the Commercial Investment Division (CID) of the Greater Baton Rouge Association of Realtors and definitions used by the Urban Land Institute (ULI) and International Council of Shopping Centers (ICSC). The shopping center types are as follows:

- Convenience Centers (under 30,000 square feet) typically provide for the sale of convenience goods and personal services without having a standard anchor space.

- Neighborhood Centers (30,001 to 100,000 square feet) typically provide for the sale of convenience goods and personal services with a grocery anchor space.

- Community Centers (100,001 to 250,000 square feet) typically provide clothing, hardware, and appliances, in addition to convenience goods and personal services. Typically, these are built around a small department, variety, or discount store.

- Regional Centers (over 250,000 square feet) typically provide general merchandise, furniture, and home furnishings, as well as services and recreational facilities. These larger centers are often built around one or two full-line department stores that are generally larger than 50,000 square feet. These are often called Power Centers.

46% of the surveyed centers are considered to be Convenience Centers, though only 13% (1,137,716 square feet) of the surveyed leasable space is located in these centers. 34% of the surveyed centers are considered to be Neighborhood Centers, which contain 28% (2,407,414 square feet) of the surveyed leasable space. 16% of the surveyed centers are considered to be Community Centers, which contain 34% (2,892,136 square feet) of the surveyed leasable space. While 3% of the surveyed centers and 24% of the surveyed leasable space (2,017,693 square feet) are considered to be Regional Centers.

The highest vacancies are noted in the Neighborhood Centers (12.50%), while Regional Centers continue to have the lowest vacancy rate (2.89%), remaining higher than the long-term historical average under 1%.

The highest collections for non-anchor space were noted in Regional Centers ($25.05/square foot). The lowest average collections were noted in Neighborhood Centers ($18.14/square foot).

Analysis by Age

Table 3 contains the analysis by age, with the shopping centers categorized based on the year of their construction.

The category of new centers is based on centers built in 2006 or later. We now have twenty-three years of data that we are collecting from "newer" shopping centers. Consisting of 1,179,407 square feet, they have a vacancy rate of 3.08% and have the highest rental rate at $29.20 square foot.

The second set of shopping centers consists of 26 properties constructed from 2000 – 2005. Livingston and Ascension Parishes, as well as the City of Central have been included in the past few surveys. All of these markets have continued to grow in population as well as retail footprint. These 26 centers report a Spring 2023 vacancy rate of 6.31%, which is a slight decrease from the 6.90% Vacancy rate reported in 2022. 36.99% of the space is anchor space, and the average total collections for non-anchor space are $24.19/ square foot.

The next set of shopping centers consists of 12 centers constructed between 1995 and 1999. These centers report a Spring 2023 vacancy rate of 4.24%, which is down slightly from the Spring 2022 vacancy rate of 4.98% but still far below the market-wide average. These properties are located in some of the most desirable locations in our area. 55.73% of the space is anchor space, and average total collections for non-anchor space are $21.50/square foot, showing an increase over the rates in 2022.

20 surveyed shopping centers were constructed between 1985 and 1994. These centers report a Spring 2023 vacancy of 8.00%, which is down slightly from the Spring 2022 vacancy rate of 9.10%. 45.84% of the space is anchor space, and the average total collections for non-anchor space are $18.69/square foot.

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13 surveyed shopping centers were constructed between 1980 and 1984. These centers report a Spring 2023 vacancy rate of 24.12%, which is significantly higher than the Spring 2022 vacancy rate of 16.62%. 35.12% of the space is anchor space, and the average total collections for non-anchor space are $12.99/square foot.

29 surveyed shopping centers were constructed before 1980. These centers report a Spring 2023 vacancy rate of 3.86%, down significantly from the from the Spring 2022 vacancy rate of 11.02%. 28.46% of the space is anchor space, and average total collections for non-anchor space are $14.91/square foot.

The lowest rentals and highest vacancy continue to be found in the shopping centers built between 1980-1984. These centers represent 11% of the surveyed shopping centers, 11% of the surveyed leasable space, and 37% of the total vacant space.

Analysis by Geographic Area

Table 4 contains the Analysis by Geographic Area. The Geographic Areas used in this survey for shopping centers in the Greater Baton Rouge area are and are defined as follows:

- Area 1 – South of Interstates 10 and 12 and west of Airline Highway
- Area 2 – North of Interstates 10 and 12 and south and west of Airline Highway – also includes shopping centers along Plank Road between Airline Highway and Hooper Road.
- Area 3 – North of Choctaw Drive and Airline Highway, excluding Zachary and Plank Road shopping centers between Airline Highway and Hooper Road
- Area 4 – South of Choctaw Drive and east of Airline Highway – also includes shopping centers along Airline Highway between Interstate 12 and Florida Boulevard
- Area 5 – Zachary
- Area 6 – Ascension Parish
- Area 7 – Livingston Parish

The highest average non-anchor collections ($25.32/square foot) is noted in Area 1 and the lowest vacancy rate (2.13%) is noted in Area 6, while Area 3 continues to report the lowest total non-anchor collections ($12.34/square foot) and the highest vacancy rate (15.67%). Area 7 is Livingston Parish and includes only 2 responding centers (both non-anchored), while Area 1 contains many of the more desirable retail corridors in Baton Rouge (along Bluebonnet Boulevard, Siegen Lane, and Perkins Road).


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Analysis by Geographic Area

Table 5 presents a breakdown of responses from anchored and unanchored centers in each of the geographic areas.

The lowest vacancy in anchored centers are noted in Area 6 Ascension Parish (0.91%). While the highest vacancy rate is noted in Area 3 (21.06%), for the second consecutive year. The highest collections for anchored centers are noted in Area 1 ($24.33/square foot) and the lowest collections are noted in Area 3 ($10.18/square foot).

The lowest vacancies in unanchored centers are noted in Area 6 (3.89%), while the highest vacancies are noted in Area 3 (35.12%). The highest collections for unanchored centers are noted in Area 1 ($26.69/square foot) and the lowest collections are noted in Area 4 ($14.42/square foot).

Summary & Future Forecast

Of the 123 shopping centers surveyed, the vacancy rate dropped to a record low of 7.17% and the average rental rate increased slightly to $19.83 per square foot. Most landlords we spoke to remained generally optimistic about the future, and any viable large retail space on the market has received significant interest. The list of retailers expanding in our market includes Rouse's, ALDI, 2nd and Charles, numerous local banks, quick service restaurants, and carwashes. Newer shopping centers in well-located areas continue to perform well. Quick-service and fast casual restaurants are also competing with automotive users (tire, oil change, car wash, gas stations) to purchase and lease outparcels in well located and highly trafficked retail corridors. New development in surrounding areas such as Ascension and Livingston parishes has been impacted by increased construction costs and higher interest rates. However, we have seen additional phases developed in projects such as Heritage Crossing in Gonzales and Shoe Creek in Central.

As predicted, our committee sees continued demand in the Greater Baton Rouge retail market, especially in the quick-service restaurant and medical sectors. We expect limited ground up shopping center development due to the lack of suitable vacant land in growth corridors combined with high construction costs and significantly higher interest rates. As a result, we expect to see rental rates remaining relatively steady and vacancy rates remaining in a healthy range of 8-9%.

TABLE 1
Shopping Centers by Vacancy Rate
(Excluding Lifestyle Centers)

Facility Vacancy Rate	Period	Number of Responding Centers	Percent of Total Responding	Change from Previous Period	Total Surveyed Leasable Space	Percent of Total Responding	Change from Previous Period	Total Vacant Space	Percent of Total Responding	Change from Previous Period	Percent Anchor Space
10% or Less	Spring 2023	87	71%	2	6,942,365	82%	417,183	169,516	28%	14,817	42.53%
	Spring 2022	85	67%	21	6,525,182	75%	903,116	154,699	20%	2,102	42.64%
	Spring 2021	64	53%	-6	5,622,066	67%	-82,815	152,597	17%	39,323	44.25%
	Spring 2020	70	53%	-6	5,704,881	68%	-343,374	113,274	14%	26,284	45.43%
	Spring 2019	76	58%		6,048,255	68%		86,990	11%		43.24%
10.01% to 25%	Spring 2023	25	20%	-5	923,637	11%	-521,646	159,225	26%	-83,955	10.11%
	Spring 2022	30	24%	-3	1,445,283	17%	-142,599	243,180	32%	7,040	20.29%
	Spring 2021	33	28%	-3	1,587,882	19%	-243,682	236,140	27%	-51,709	29.76%
	Spring 2020	36	27%	-5	1,831,564	22%	-162,366	287,849	34%	-3,060	21.89%
	Spring 2019	41	31%		1,993,930	22%		290,909	37%		27.38%
25.01% to 50%	Spring 2023	8	7%	1	417,677	5%	12,242	128,070	21%	-22,342	38.64%
	Spring 2022	7	6%	-11	405,435	5%	-453,961	150,412	20%	-133,003	29.69%
	Spring 2021	18	15%	6	859,396	10%	230,246	283,415	32%	77,680	19.86%
	Spring 2020	12	9%	2	629,150	7%	122,247	205,735	25%	41,612	21.03%
	Spring 2019	10	8%		506,903	6%		164,123	21%		24.17%
Over 50%	Spring 2023	3	2%	-2	171,280	2%	-160,018	149,445	25%	-69,393	26.36%
	Spring 2022	5	4%	0	331,298	4%	18,116	218,838	29%	10,913	24.47%
	Spring 2021	5	4%	2	313,182	4%	74,884	207,925	24%	51,207	25.88%
	Spring 2020	3	2%	-3	238,298	3%	-164,272	156,718	19%	-136,332	34.02%
	Spring 2019	6	5%		402,570	5%		293,050	37%		17.92%
Total	Spring 2023	123		-4	8,454,959		-252,239	606,256		-160,873	38.76%
	Spring 2022	127		7	8,707,198		324,672	767,129		-112,948	38.32%
	Spring 2021	120		-13	8,382,526		-21,367	880,077		45,005	37.49%
	Spring 2020	133		1	8,403,893		-490,866	835,072		52,229	37.49%
	Spring 2019	132			8,894,759			782,843			38.71%

TABLE 2
Shopping Centers by Size / Type
(Excluding Lifestyle Centers)

Shopping Center Type	Period	Number of Responding Centers	Percent of Total Responding	Change from Previous Period	Total Surveyed Leasable Space	Percent of Total Responding	Change from Previous Period	Total Vacant Space	Percent of Total Responding	Change from Previous Period	Vacancy Rate	Change from Previous Period	Average Center Size	Change from Previous Period	Percent Anchor Space	Non-Anchor Collections (Rent + Reimb.) in $/SF
Convenience Center (30,000 SF & Under)	Spring 2023	57	46%	0	1,137,716	13%	-4,519	97,026	16%	4,189	8.53%	0.40%	19,960	-79	1.41%	$20.85
	Spring 2022	57	45%	4	1,142,235	13%	93,672	92,837	12%	-53,242	8.13%	-5.80%	20,039	255	1.40%	$20.34
	Spring 2021	53	44%	0	1,048,563	13%	7,503	146,079	17%	42,726	13.93%	4.00%	19,784	141	1.53%	$19.72
	Spring 2020	53	44%	-8	1,041,060	12%	-172,292	103,353	14%	-38,563	9.93%	-1.77%	19,643	-248	3.36%	$19.86
	Spring 2019	61	46%		1,213,352	14%		141,916	18%		11.70%		19,891		4.20%	$19.07
Neighborhood Center (30,001 to 100,000 SF)	Spring 2023	42	34%	-3	2,407,414	28%	-142,720	300,876	50%	-85,713	12.50%	-2.66%	57,319	649	30.83%	$18.14
	Spring 2022	45	35%	3	2,550,134	29%	231,000	386,589	50%	13,216	15.16%	-0.94%	56,670	1,453	31.34%	$17.94
	Spring 2021	42	35%	-2	2,319,134	28%	-167,515	373,373	42%	50,634	16.10%	3.12%	55,217	-1,298	30.52%	$18.71
	Spring 2020	44	36%	-4	2,486,649	30%	-367,782	322,739	43%	-84,759	12.98%	-1.30%	56,515	-2,952	29.82%	$17.72
	Spring 2019	48	36%		2,854,431	32%		407,498	52%		14.28%		59,467		27.95%	$15.54
Community Center (100,001 to 250,000 SF)	Spring 2023	20	16%	-1	2,892,136	34%	-105,000	149,998	25%	-62,348	5.19%	-1.90%	144,607	1,886	39.96%	$18.65
	Spring 2022	21	17%	0	2,997,136	34%	0	212,346	28%	-63,640	7.08%	-2.12%	142,721	0	37.47%	$18.97
	Spring 2021	21	18%	1	2,997,136	36%	138,645	275,986	31%	-35,806	9.21%	-1.70%	142,721	-204	38.35%	$19.04
	Spring 2020	20	17%	0	2,858,491	34%	-7,691	311,792	41%	43,156	10.91%	1.53%	142,925	-384	38.16%	$19.61
	Spring 2019	20	15%		2,866,182	32%		268,636	34%		9.37%		143,309		39.78%	$17.62
Regional Center (Over 250,000 SF)	Spring 2023	4	3%	0	2,017,693	24%	0	58,356	10%	-17,001	2.89%	-0.84%	504,423	0	66.35%	$25.05
	Spring 2022	4	3%	0	2,017,693	23%	0	75,357	10%	-9,282	3.73%	-0.46%	504,423	0	66.35%	$24.69
	Spring 2021	4	3%	0	2,017,693	24%	0	84,639	10%	65,802	4.19%	3.26%	504,423	0	66.35%	$24.69
	Spring 2020	4	3%	0	2,017,693	24%	0	18,837	2%	1,815	0.93%	0.09%	504,423	0	66.35%	$24.25
	Spring 2019	4	3%		2,017,693	23%		17,022	2%		0.84%		504,423		67.75%	$24.26
Total (Excluding Lifestyle Centers)	Spring 2023	123		-4	8,454,959		-252,239	606,256		-160,873	7.17%	-1.64%	68,653	92	38.30%	$19.83
	Spring 2022	127		7	8,707,198		324,672	767,129		-112,948	8.81%	-1.69%	68,561	-1,293	37.63%	$19.60
	Spring 2021	120		-1	8,382,526		-21,367	880,077		123,356	10.50%	1.49%	69,854	400	38.32%	$19.78
	Spring 2020	121		-11	8,403,893		-490,866	756,721		-26,122	9.00%	0.20%	69,454	2,148	38.15%	$19.60
	Spring 2019	132			8,894,759			782,843			8.80%		67,306		37.49%	$17.90
Lifestyle Centers	Spring 2023	3		0	966,100		0	97,850		16,323	10.13%	1.69%	322,033	0	17.44%	$39.74
	Spring 2022	3		0	966,100		-44,022	81,527		-46,947	8.44%	-4.28%	322,033	-14,674	17.44%	$37.85
	Spring 2021	3		0	1,010,122		0	128,474		25,224	12.72%	2.50%	336,707	0	4.55%	$37.77
	Spring 2020	3		0	1,010,122		25,000	103,250		25,924	10.22%	2.37%	336,707	8,333	5.50%	$35.23
	Spring 2019	3			985,122			77,326			7.85%		328,374		4.67%	$34.92

TABLE 3
Shopping Centers by Age
(Excluding Lifestyle Centers)

Year of Construction or Rehab	Period	Number of Responding Centers	Percent of Total Responding	Change from Previous Period	Total Surveyed Leasable Space	Percent of Total Responding	Change from Previous Period	Total Vacant Space	Percent of Total Responding	Change from Previous Period	Vacancy Rate	Change from Previous Period	Average Center Size	Change from Previous Period	Percent Anchor Space	Non-Anchor Collections (Rent + Reimb.) in $/SF
2006 or Later	Spring 2023	23	19%	-2	1,179,407	14%	-51,699	36,293	6%	-11,873	3.08%	-0.84%	51,279	2,035	36.04%	$29.20
	Spring 2022	25	20%	3	1,231,106	14%	68,858	48,166	6%	-28,527	3.91%	-2.69%	49,244	-3,585	34.52%	$28.73
	Spring 2021	22	18%	-1	1,162,248	14%	-12,393	76,693	9%	26,041	6.60%	2.29%	52,829	1,758	36.57%	$28.62
	Spring 2020	23	19%	0	1,174,641	14%	121,383	50,652	7%	12,375	4.31%	0.68%	51,071	5,277	36.18%	$28.07
	Spring 2019	23	17%		1,053,258	12%		38,277	5%		3.63%	3.63%	45,794		35.13%	$25.72
2000-2005	Spring 2023	26	21%	-1	1,352,382	16%	-47,257	85,395	14%	-11,201	6.31%	-0.59%	52,015	177	36.99%	$24.19
	Spring 2022	27	21%	-1	1,399,639	16%	-18,335	96,596	13%	-41,255	6.90%	-2.82%	51,838	1,196	35.75%	$23.30
	Spring 2021	28	23%	2	1,417,974	17%	61,642	137,851	16%	23,711	9.72%	1.31%	50,642	-1,525	35.28%	$23.02
	Spring 2020	26	21%	-1	1,356,332	16%	-22,231	114,140	15%	979	8.42%	0.21%	52,167	1,109	36.89%	$23.20
	Spring 2019	27	20%		1,378,563	15%		113,161	14%		8.21%	8.21%	51,058		38.35%	$22.90
2000 or Later	Spring 2023	49	40%	-3	2,531,789	30%	-98,956	121,688	20%	-23,074	4.81%	-0.70%	51,669	1,078	36.55%	$26.58
	Spring 2022	52	41%	2	2,630,745	30%	50,523	144,762	19%	-69,782	5.50%	-2.81%	50,591	-1,013	35.17%	$25.90
	Spring 2021	50	42%	1	2,580,222	31%	49,431	214,544	24%	49,752	8.31%	1.80%	51,604	-49	35.86%	$25.56
	Spring 2020	49	40%	-1	2,530,791	30%	98,970	164,792	22%	13,354	6.51%	0.28%	51,653	3,017	36.56%	$25.51
	Spring 2019	50	38%		2,431,821	27%		151,438	19%		6.23%	6.23%	48,636		36.95%	$24.13
1995-1999	Spring 2023	12	10%	0	1,187,385	14%	0	50,320	8%	-8,826	4.24%	-0.74%	98,949	0	55.73%	$21.50
	Spring 2022	12	10%	0	1,187,385	14%	0	59,146	8%	-1,095	4.98%	-0.09%	98,949	0	55.73%	$20.87
	Spring 2021	12	10%	1	1,187,385	14%	21,320	60,241	7%	28,917	5.07%	2.39%	98,949	-7,057	55.73%	$20.78
	Spring 2020	11	9%	-1	1,166,065	14%	-21,320	31,324	4%	4,805	2.69%	0.45%	106,006	7,057	56.75%	$20.87
	Spring 2019	12	10%		1,187,385	13%		26,519	3%		2.23%	2.23%	98,949		55.73%	$20.31
1985-1994	Spring 2023	20	16%	0	1,467,092	17%	0	117,393	19%	-16,067	8.00%	-1.10%	73,355	0	45.84%	$18.69
	Spring 2022	20	16%	2	1,467,092	17%	66,149	133,460	17%	-21,548	9.10%	-1.97%	73,355	-4,475	45.84%	$18.73
	Spring 2021	18	15%	-3	1,400,943	17%	-74,287	155,008	18%	35,454	11.06%	2.96%	77,830	4,068	45.44%	$19.09
	Spring 2020	21	17%	0	1,475,230	18%	-27,500	119,554	16%	50,189	8.10%	3.49%	73,762	2,203	45.59%	$18.53
	Spring 2019	21	17%		1,502,730	17%		69,365	9%		4.62%	4.62%	71,559		45.16%	$18.08
1980-1984	Spring 2023	13	11%	1	941,158	11%	1,780	226,981	37%	70,893	24.12%	7.50%	72,397	-5,885	35.12%	$12.99
	Spring 2022	12	10%	0	939,378	11%	0	156,088	20%	-13,704	16.62%	-1.46%	78,282	0	39.67%	$13.48
	Spring 2021	12	10%	1	939,378	11%	165,808	169,792	19%	53,524	18.07%	3.04%	78,282	7,957	40.61%	$13.43
	Spring 2020	11	9%	-3	773,570	9%	-316,412	116,268	15%	-56,366	15.03%	-0.81%	70,325	-7,531	42.07%	$15.20
	Spring 2019	14	11%		1,089,982	12%		172,634	22%		15.84%	15.84%	77,856		37.99%	$12.52
Before 1980	Spring 2023	29	24%	-2	2,327,535	28%	-155,063	89,874	15%	-183,799	3.86%	-7.16%	80,260	176	28.46%	$14.91
	Spring 2022	31	25%	3	2,482,598	29%	208,000	273,673	36%	-6,819	11.02%	-1.31%	80,084	-1,152	25.96%	$15.08
	Spring 2021	28	23%	-2	2,274,598	27%	-183,457	280,492	32%	-51,146	12.33%	-1.16%	81,236	-699	26.67%	$15.61
	Spring 2020	30	24%	-6	2,458,055	29%	-281,685	331,638	44%	-83,478	13.49%	-1.66%	81,935	5,831	25.27%	$15.01
	Spring 2019	36	29%		2,739,740	31%		415,116	53%		15.15%	15.15%	76,104		25.67%	$13.97
Total	Spring 2023	123		-4	8,454,959		-252,239	606,256		-160,873	7.17%	-1.64%	68,653	92	38.30%	$19.83
	Spring 2022	127		7	8,707,198		324,672	767,129		-112,948	8.81%	-1.69%	68,561	-1,293	37.63%	$19.60
	Spring 2021	120		-1	8,382,526		-21,367	880,077		123,356	10.50%	1.49%	69,854	400	38.32%	$19.78
	Spring 2020	121		-11	8,403,893		-490,866	756,721		-26,122	9.00%	0.20%	69,454	2,148	38.15%	$19.60
	Spring 2019	132			8,894,759			782,843			8.80%	8.80%	67,306		37.49%	$17.90

TABLE 4
Shopping Centers by Geographic Area
(Excluding Lifestyle Centers)

Geographic Area	Period	Number of Responding Centers	Percent of Total Responding	Change from Previous Period	Total Surveyed Leasable Space	Percent of Total Responding	Change from Previous Period	Total Vacant Space	Percent of Total Responding	Change from Previous Period	Vacancy Rate	Change from Previous Period	Average Center Size	Change from Previous Period	Percent Anchor Space	Non-Anchor Collections (Rent + Reimb.) in $/SF
Area 1 (South of I-10 & West of Airline)	Spring 2023	39	32%	-1	3,425,682	41%	-20,199	156,152	26%	-25,399	4.56%	-0.71%	87,838	1,691	46.44%	$25.32
	Spring 2022	40	31%	3	3,445,881	40%	68,266	181,551	24%	-11,315	5.27%	-0.44%	86,147	-5,140	46.17%	$25.38
	Spring 2021	37	31%	-2	3,377,615	40%	-50,377	192,866	22%	53,735	5.71%	1.65%	91,287	3,390	47.10%	$25.01
	Spring 2020	39	32%	1	3,427,992	41%	130,883	139,131	18%	42,114	4.06%	1.12%	87,897	1,131	46.43%	$25.12
	Spring 2019	38	29%		3,297,109	37%		97,017	12%		2.94%		86,766		47.47%	$24.24
Area 2 (North of I-10 & South/West of Airline)	Spring 2023	18	15%	-3	1,006,126	12%	-175,563	67,636	11%	-86,058	6.72%	-6.28%	55,896	-375	19.18%	$16.45
	Spring 2022	21	17%	1	1,181,689	14%	85,000	153,694	20%	-27,709	13.01%	-3.53%	56,271	1,437	13.55%	$16.49
	Spring 2021	20	17%	3	1,096,689	13%	58,563	181,403	21%	-9,232	16.54%	-1.82%	54,834	-6,232	14.07%	$17.25
	Spring 2020	17	14%	-5	1,038,126	12%	-192,501	190,635	25%	-41,918	18.36%	-0.53%	61,066	5,128	13.32%	$17.01
	Spring 2019	22	17%		1,230,627	14%		232,553	30%		18.90%		55,938		16.17%	$15.21
Area 3 (North of Choctaw & North/East of Airline)	Spring 2023	9	7%	-2	624,649	7%	-144,224	97,897	16%	-88,407	15.67%	-8.56%	69,405	-493	28.45%	$12.34
	Spring 2022	11	9%	0	768,873	9%	41,000	186,304	24%	25,955	24.23%	2.20%	69,898	3,728	30.54%	$12.42
	Spring 2021	11	9%	-1	727,873	9%	54,808	160,349	18%	43,324	22.03%	4.64%	66,170	4,982	35.88%	$12.45
	Spring 2020	12	10%	-2	673,065	8%	-217,699	117,025	15%	-33,464	17.39%	0.49%	61,188	-2,438	30.49%	$13.35
	Spring 2019	14	11%		890,764	10%		150,489	19%		16.89%	16.89%	63,626		29.32%	$10.89
Area 4 (South of Choctaw & East of Airline)	Spring 2023	32	26%	1	2,483,136	29%	70,004	256,480	42%	49,623	10.33%	1.76%	77,589	-254	45.02%	$16.46
	Spring 2022	31	24%	3	2,413,132	28%	103,149	206,857	27%	-47,185	8.57%	-2.43%	77,843	-4,656	46.33%	$16.73
	Spring 2021	28	23%	-4	2,309,983	28%	-103,087	254,042	29%	23,437	11.00%	1.44%	82,499	7,091	46.08%	$17.22
	Spring 2020	32	26%	-2	2,413,070	29%	-199,747	230,605	30%	-43,191	9.56%	-0.92%	75,408	-1,440	45.50%	$16.12
	Spring 2019	34	26%		2,612,817	29%		273,796	35%		10.48%	10.48%	76,848		43.50%	$14.93
Area 5 (Zachary)	Spring 2023	8	7%	0	221,390	3%	0	12,537	2%	-7,726	5.66%	-3.49%	27,674	0	23.57%	$18.91
	Spring 2022	8	6%	1	221,390	3%	45,000	20,263	3%	-15,207	9.15%	-10.96%	27,674	2,475	23.57%	$18.46
	Spring 2021	7	6%	-1	176,390	2%	-45,000	35,470	4%	12,663	20.11%	9.81%	25,199	-2,475	20.11%	$18.84
	Spring 2020	8	7%	0	221,390	3%	0	22,807	3%	2,486	10.30%	1.12%	27,674	0	23.57%	$18.19
	Spring 2019	8	6%		221,390	2%		20,321	3%		9.18%		27,674		23.57%	$18.05
Area 6 (Ascension Parish)	Spring 2023	15	12%	1	619,445	7%	17,743	13,172	2%	-288	2.13%	-0.11%	41,296	-1,683	19.50%	$19.30
	Spring 2022	14	11%	-1	601,702	7%	-17,743	13,460	2%	-32,937	2.24%	-5.25%	42,979	1,683	20.08%	$18.60
	Spring 2021	15	13%	3	619,445	7%	63,726	46,397	5%	-7,426	7.49%	-2.20%	41,296	-5,014	19.50%	$18.22
	Spring 2020	12	10%	-3	555,719	7%	-68,701	53,823	7%	3,877	9.69%	1.69%	46,310	4,682	21.74%	$18.01
	Spring 2019	15	11%		624,420	7%		49,946	6%		8.00%		41,628		22.77%	$17.89
Area 7 (Livingston Parish)	Spring 2023	2	2%	0	74,531	1%	0	2,400	0%	-2,600	3.22%	-3.49%	37,266	0	0.00%	$20.11
	Spring 2022	2	2%	0	74,531	1%	0	5,000	1%	-4,550	6.71%	-6.10%	37,266	0	0.00%	$19.86
	Spring 2021	2	2%	0	74,531	1%	0	9,550	1%	0	12.81%	0.00%	37,266	0	0.00%	$19.86
	Spring 2020	2	2%	0	74,531	1%	0	9,550	1%	-1,400	12.81%	-1.88%	37,266	0	0.00%	$20.38
	Spring 2019	2	2%		74,531	1%		10,950	1%		14.69%		37,266		0.00%	$20.96
Total	Spring 2023	123		-4	8,454,959		-252,239	606,256		-160,873	7.17%	-1.64%	68,653	92	38.30%	$19.83
	Spring 2022	127		7	8,707,198		324,672	767,129		-112,948	8.81%	-1.69%	68,561	-1,293	37.63%	$19.60
	Spring 2021	120		-1	8,382,526		-21,367	880,077		123,356	10.50%	1.49%	69,854	400	38.32%	$19.78
	Spring 2020	121		-11	8,403,893		-490,866	756,721		-26,122	9.00%	0.20%	69,454	2,148	38.15%	$19.60
	Spring 2019	132			8,894,759			782,843			8.80%		67,306		37.49%	$17.90

TABLE 5
Shopping Centers by Geographic Area and Type
(Excluding Lifestyle Centers)

Geographic Area	Property Type	Number of Responding Centers	Percent of Total Responding (In Area)	Total Surveyed Leasable Space	Percent of Total Responding (In Area)	Total Vacant Space	Percent of Total Responding (In Area)	Vacancy Rate	Average Center Size	Percent Anchor Space	Non-Anchor Collections (Rent + Reimb.) in $/SF
Area 1 (South of I-10 & West of Airline)	Anchored	14	36%	2,563,890	75%	98,653	63%	3.85%	183,135	62.05%	$24.60
	Unanchored	25	64%	861,792	25%	57,499	37%	6.67%	34,472	0.00%	$26.24
	Total	39		3,425,682		156,152		4.56%	87,838	46.44%	$25.32
Area 2 (North of I-10 & South/West of Airline)	Anchored	7	39%	666,252	66%	17,098	25%	2.57%	95,179	28.96%	$14.86
	Unanchored	11	61%	339,874	34%	50,538	75%	14.87%	30,898	0.00%	$18.66
	Total	18		1,006,126		67,636		6.72%	55,896	19.18%	$16.45
Area 3 (North of Choctaw & North/East of Airline)	Anchored	4	44%	451,106	72%	86,113	88%	19.09%	112,777	39.39%	$9.33
	Unanchored	5	56%	173,543	28%	11,766	12%	6.78%	34,709	0.00%	$17.09
	Total	9		624,649		97,897		15.67%	69,405	28.45%	$12.34
Area 4 (South of Choctaw & East of Airline)	Anchored	16	50%	1,923,283	77%	116,341	45%	6.05%	120,205	56.19%	$17.37
	Unanchored	16	50%	559,853	23%	140,139	55%	25.03%	34,991	0.00%	$14.92
	Total	32		2,483,136		256,480		10.33%	77,589	45.02%	$16.46
Area 5 (Zachary)	Anchored	2	25%	102,535	46%	0	0%	0.00%	51,268	50.89%	$15.64
	Unanchored	6	75%	118,855	54%	12,537	100%	10.55%	19,809	0.00%	$20.30
	Total	8		221,390		12,537		5.66%	27,674	23.57%	$18.91
Area 6 (Ascension Parish)	Anchored	3	20%	333,572	54%	0	0%	0.00%	111,191	36.21%	$17.00
	Unanchored	12	80%	285,873	46%	13,172	100%	4.61%	23,823	0.00%	$21.01
	Total	15		619,445		13,172		2.13%	41,296	19.50%	$19.30
Total	Anchored	46	37%	6,040,638	71%	318,205	52%	5.27%	131,318	53.23%	$18.85
	Unanchored	77	63%	2,414,321	29%	288,051	48%	11.93%	31,355	0.00%	$20.88
	Total	123		8,454,959		606,256		7.17%	68,653	38.30%	$19.83

Note: Airline Hwy Shopping Centers between I-12 and Florida Blvd Interchange are included in Area 4, Plank Rd Shopping Centers south of Hooper Rd are included in Area 2
Both Livingston Parish responding centers are un-anchored

FINANCE

REAL ESTATE FINANCE OVERVIEW

In this year's written presentation, we look back at the analysis of 2022 from some of the country's brightest minds and thought leaders and look forward to 2023 and beyond. This section of the publication is submitted as of March 24, 2023, two weeks after the failures of Silicon Valley Bank and Signature Bank, two days since the Federal Reserve increased short-term interest rates, and as the country continues to struggle with high inflation and the conflict in Ukraine. The image from previous years still applies:

FINANCE TRENDS COMMITTEE

Brian S. Andrews, CMB
Trends Speaker
At LSU's E.J. Ourso College of Business

Jim Purgeson, CCIM
Citizens Bank & Trust

Tommy Kehoe, EVP, COO
Eustis Commercial Mortgage

Scott Gaudin
Currency Bank

Holly Hidalgo - DeKeyzer
Investar Bank

C. Brett Blanchard
Cadence Bank

T. Jefferson Fair
American Planning Corporation

Our intent is to report financial results as of the end of 2022 and pass on the best analysis of knowledgeable parties doing their best to make sense of historically complex times, plus suggestions for going forward as of March 2023. Compiling and writing this overview has been somewhat like painting the exterior of an airplane while in flight with an uncertain flight plan and who knows where we will land, but we are confident in the quality of our sources and the data/opinions presented.

As always, these are the individual thoughts of committee members and do not reflect the official positions of their employers.

THE ECONOMY and PROSPECTS FOR THE FUTURE

General (Adapted from First Quarter 2023 Survey of Professional Forecasters published February 10, 2023, by the Federal Reserve Bank of Philadelphia)

The Survey of Professional Forecasters is the oldest quarterly survey of macroeconomic forecasts in the United States. The survey began in 1968 and was conducted by the American Statistical Association and the National Bureau of Economic Research. The Federal Reserve Bank of Philadelphia took over the survey in 1990. The Survey should give Greater Baton Rouge area real estate practitioners some sense of what is coming down the road in terms of the economy.

"The outlook for the U.S. economy in 2023 looks somewhat better now than it did three months ago, according to 37 forecasters surveyed by the Federal Reserve Bank of Philadelphia. The forecasters predict the economy will expand at an

annual rate of 0.6 percent this quarter and 1.0 percent in the second quarter of 2023, up from the previous predictions of 0.2 percent in each quarter. On an annual-average over annual-average basis, the forecasters expect real GDP to increase 1.3 percent in 2023, up from the projection of 0.7 percent in the survey of three months ago."

On the unemployment front, the Survey has more good news:

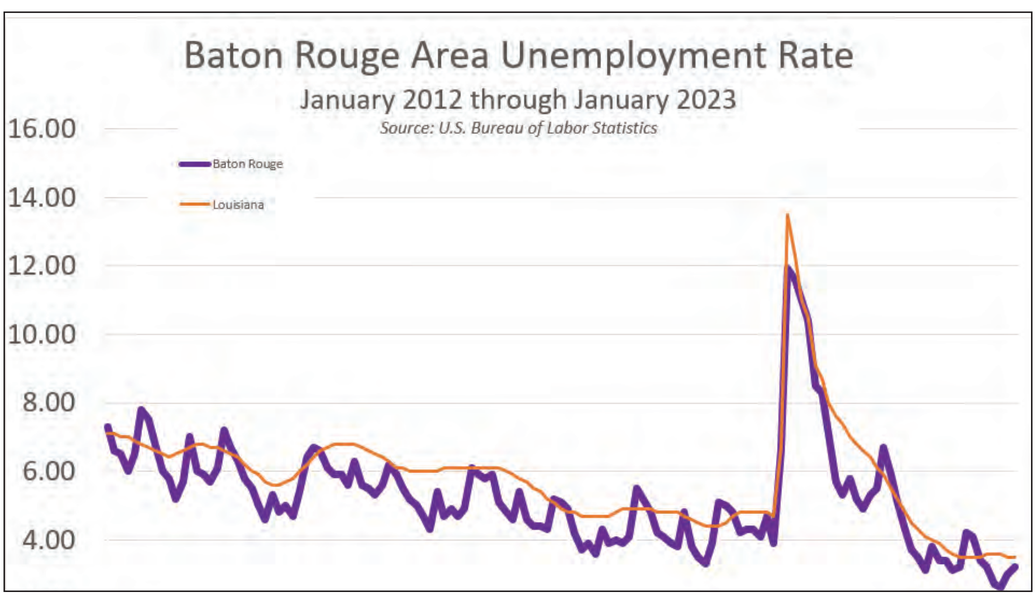
"A downward revision to the path for the unemployment rate accompanies the outlook for growth. The forecasters predict the unemployment rate will increase from 3.5 percent this quarter to 4.1 percent in the fourth quarter of 2023. In the previous survey, the unemployment rate was forecast to rise from 3.8 percent to 4.4 percent over the same period. On an annual-average basis, the forecasters expect the unemployment rate to average 3.8 percent this year, marking a downward revision from the previous estimate of 4.2 percent."

"On the employment front, the panelists have revised upward their estimates for job gains in 2023. The projections for the annual-average level of nonfarm payroll employment suggest job gains at a monthly rate of 217,800 in 2023, up from 143,600 projected three months ago."

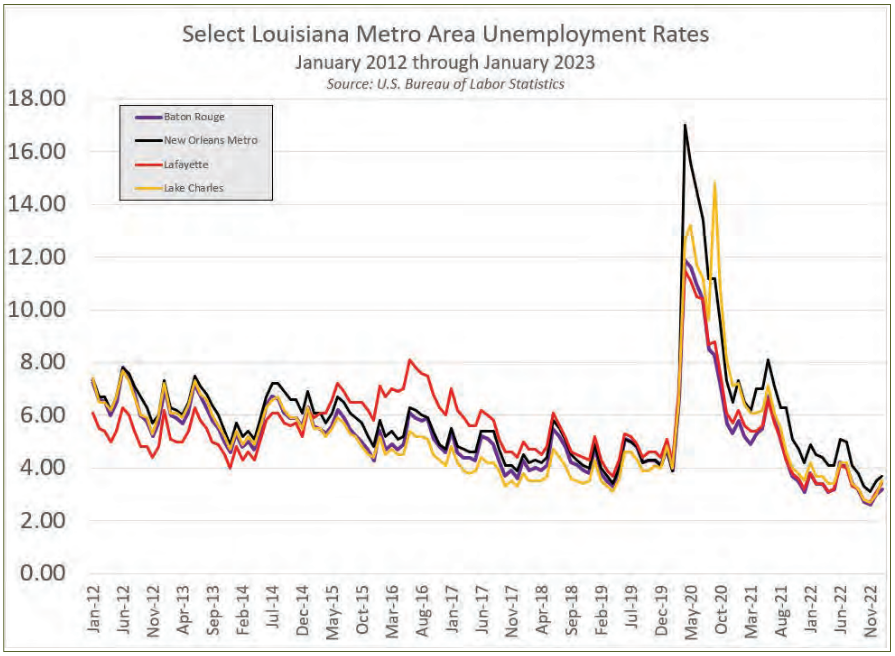
Since the time that the Survey was published, economic conditions have changed significantly due to the turmoil, real and perceived, in the banking sector, which could add additional downward pressures to the economic picture through credit tightening and additional regulations. In general, it is believed that the economy will slow down during the balance of 2023, with hopes for a "soft landing" diminishing.

Louisiana and Baton Rouge Area Employment

Employment statistics are strong in our region, which might be problematic for economists who are trying to manage inflation.



Inflation - Adapted from Pace of GDP Growth, Disinflation in U.S. Economic Outlook published March 2, 2023, by Kevin L. Kliesen, a business economist and research officer at the Federal Reserve Bank of St. Louis



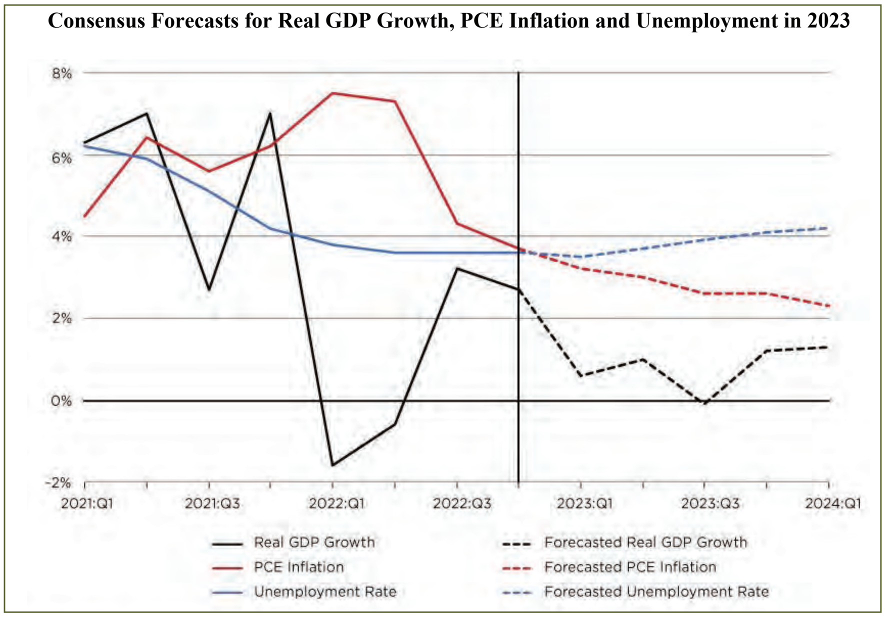
A Recap of 2022 - U.S. economic growth, as measured by real gross domestic product (GDP), downshifted markedly in 2022, slowing from a 5.7% increase in 2021 to a 0.9% increase in 2022.1 Although the step-down in growth was broad-based, growth slowed the most in personal consumption expenditures and residential fixed investment. In fact, the latter declined by 19% in 2022.

The Federal Open Market Committee (FOMC) raised the federal funds rate target range by 425 basis points in 2022. These actions slowed activity in interest rate-sensitive sectors like housing but also had the intended effect of slowing the rate of price inflation—though admittedly, the reversal of some temporary factors (e.g., supply-side disruptions) also mattered: Growth of the all-items (headline) consumer price index (CPI) declined from 7.2% in December 2021 to 6.4% in December 2022, while the growth of the headline personal consumption expenditures (PCE) price index slowed from 6% in December 2021 to 5.3% in December 2022.

Tighter monetary policy also affected financial market conditions: Stock prices (as measured by the S&P 500) fell by 19.4% in 2022, and the trade-weighted value of the dollar appreciated by 5.5%. However, the Federal Reserve's actions had only a modest effect on the labor market, as job growth averaged a little more than 400,000 per month in 2022 and the unemployment rate fell modestly to 3.5%.

The Economic Outlook for 2023 - Most of the weakness in the broader economy occurred in the first half of 2022, when real GDP declined at annual rates of 1.6% and 0.6% in the first and second quarters, respectively. Real GDP growth then accelerated over the second half of the year, averaging 3%. Thus, the economy entered 2023 with a healthy amount of forward momentum in spending and income. This momentum, as seen in the figure below, is not expected to carry forward in 2023, according to the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters (SPF).

Consensus Forecasts for Real GDP Growth, PCE Inflation and Unemployment in 2023



The narrative surrounding the U.S. macroeconomic consensus forecast for 2023 can be summarized in a few key points:

- **Disinflation:** Forecasters predict that PCE inflation will steadily decline to under 3% in the second half of 2023, but it is expected to remain above the FOMC's 2% target and sit at 2.3% in the first quarter of 2024.
- **Below-trend output growth:** Forecasters expect real GDP growth to average less than 1% in 2023, with growth slipping below zero (-0.1%) in the third quarter. According to the SPF, the U.S. economy's projected long-term real GDP growth is 2%.
- **Modestly higher unemployment:** The civilian unemployment rate is projected to drift higher in 2023 and into early 2024, from 3.6% in the fourth quarter of 2022 to 4.2% in the first quarter of 2024.

The outlook for the real economy (income, expenditures, and employment) in 2023 has improved since the SPF was published and comes in response to some better-than-expected data measuring economic activity in January and February. Here are some of the key data and their implications for the near-term outlook:

- The January employment report showed that labor market conditions remained exceptional at the beginning of the year. Nonfarm payroll employment rose by 517,000—more than double expectations—and aggregate hours worked jumped by 1.2%. The unemployment rate fell one-tenth of a percentage point to 3.4%, its lowest level since May 1969. Initial weekly claims for state unemployment insurance benefits remained near historic lows in the first two weeks of February.

- Retail sales were also much stronger than expected in January, rising 3% (versus an expected 1.6%). Sales of domestically produced passenger cars and light trucks were also exceptionally strong, rising 18.8% in January.
- Manufacturing production rose 1% in January after falling 1.8% in December 2022 and 0.8% in November 2022. Motor vehicle assemblies also rose in January (1.2%) after falling by 10.2% over the last two months of 2022. S&P Global's manufacturing and services purchasing managers' indexes were stronger than expected in February.
- Housing remains the soft spot in the economy. In January, total private housing starts fell 4.5% to 1.31 million units at an annual rate, and existing home sales fell to their lowest level since October 2010. However, sentiment among homebuilders is improving, as the National Association of Home Builders Housing Market Index rose for the second straight month in February, posting its highest level since September 2022.

On balance, key January and February data on employment, expenditures, and output suggest that the economy is beginning the year with a healthy pace of growth. In response, some forecasters have raised their estimate for first-quarter real GDP growth and lowered their estimate of the probability of a recession in 2023.

National/Regional Real Estate Picture

The Federal Reserve monitors banking conditions in all districts across the country and solicits commentary from market participants in several areas, with the results being published in the Beige Book. The most recent Book was published as of March 7, 2023, based on information collected on or before February 27, 2023. Following are the results for banking and the real estate market prepared by the Atlanta Federal Reserve District, whose responsibilities include south Louisiana and Baton Rouge:

Banking and Finance - District financial institutions reported solid loan growth across all portfolios, particularly in construction and development loans. The level of unrealized losses in securities portfolios improved marginally but remained high compared to year-earlier levels. Financial institutions reported placing additional reliance on higher-cost alternatives as a source of funding amid slow deposit growth and elevated unrealized losses. Delinquency rates rose slightly, especially for loans past due 90 days or more, though the levels remain below historical norms.

Construction and Real Estate - Although purchase transactions remained substantially below year-ago levels, housing demand improved slightly since the previous report as mortgage rates edged lower. Contacts indicated marginal increases in buyer traffic and sales in January as mortgage rates moderated from the highs experienced in October 2022. Though down from peak levels, year-over-year home price appreciation throughout the District was slightly stronger than the nation as a whole. Affordability remained a significant headwind primarily for entry-level buyers, and a larger share of homes sold at a discount from the asking price. New home builders continued to experience a high rate of cancellations, and the majority offered incentives to attract buyers.

Commercial real estate (CRE) contacts reported slowing market conditions in the lower-tier office, multifamily, and certain segments of retail. The downward trend in the office sector eased further as more employers required staff to return to the office; however, heightened levels of sublease space remained an impediment to market recovery. Concerns regarding declining CRE values accelerated. Contacts reported increased operating expenses and slowing or negative net operating income and rent growth. Additionally, firms continued to report instances of declining asset prices and buyers seeking greater concessions.

Conditions are changing quickly in the first quarter of 2023, particularly in March and particularly during the last half of March when this TRENDS publication goes to press. Given that the Beige Book mentioned above was based on market survey data back in February 2023 and a few things have happened since then, an update based on opinion might be appropriate.

The Office of Financial Research (OFR) is a federal agency organized under the Treasury Department and helps to promote financial stability by looking across the financial system to measure and analyze risks, perform essential research, and collect and standardize financial data. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 established the OFR principally to support the Financial Stability Oversight Council and its member agencies. The analysis below comes from The OFR Blog (recall that a blog is an opinion piece) in an article titled *"Risk Spotlight: Risk from the Real Estate Market is Limited, but Changes in Occupancy and Prices May Increase the Risk," published on March 23, 2023:*

Neither the commercial real estate (CRE) nor the residential real estate market poses a significant risk to the U.S. financial system in the foreseeable future. The CRE market performed well throughout most of 2022, but it is now showing weakness. Home prices began to soften in 2022 in conjunction with the Federal Reserve's interest rate increases. While these markets have been resilient until recently, their strength will be tested if a recession occurs.

Commercial Real Estate - Financial stability risks arising from the CRE market are expected to be limited overall. The market performed well overall during most of 2022, exhibiting strong occupancy rates plus rising rents and property values. However, the CRE market weakened during the latter part of 2022 in response to the Federal Reserve's interest rate increases. The weakening of the CRE market has further accelerated during early 2023.
The Federal Reserve's actions to tighten monetary conditions through interest rate increases had two primary impacts on CRE:

1. Rising interest rates reduced the present value of properties with fixed cash flows.
2. Rising interest rates made the financing of CRE purchases more difficult.

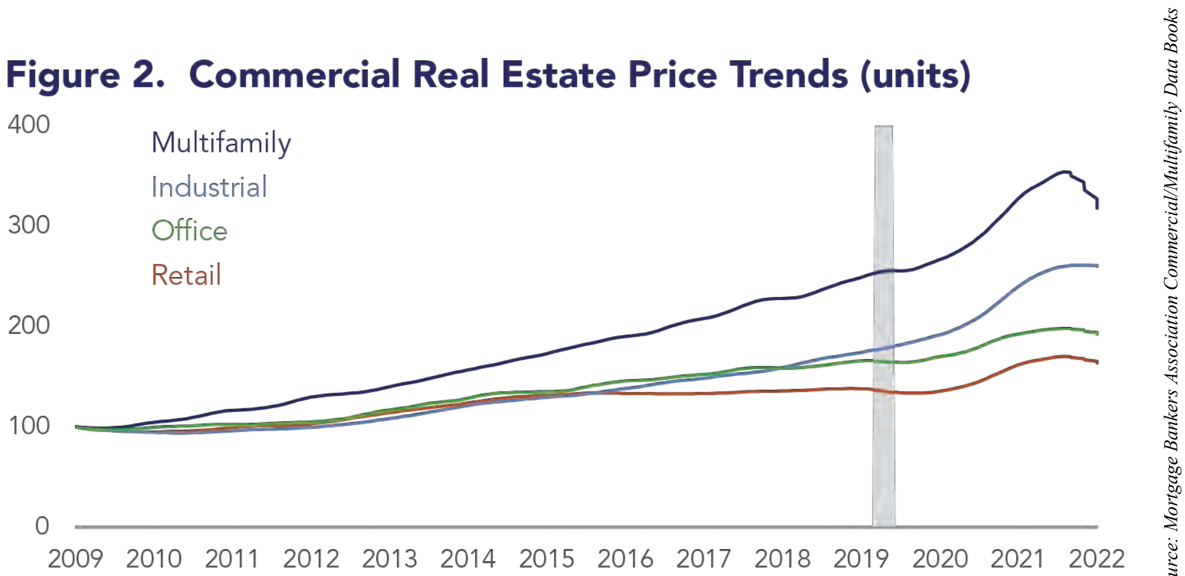
The slowing economy also reduced overall demand for goods and services, such as real estate. In response, there has been a decline in demand for office space as companies, especially in the tech sector, reduce employment. The largest demand declines and the highest vacancy rates have occurred in tech centers such as San Francisco and Seattle, but the decline of office space demand has occurred nationwide. The long-term impact of the work-from-home (WFH) phenomenon remains uncertain and may be a major driver of the demand—or lack of demand—for office space in the coming years.

On the positive side, Kastle Systems' national Back to Work Barometer (which tracks average office occupancy rates in 10 major cities) moved above the 50% mark for the first time on January 25, 2023—a new post-COVID high (see Figure 1). The Back to Work Barometer continues to hover in the 50% area. Continuing demand for office space will be a primary driver of the future performance of the office sector.

Figure 1. Kastle Back to Work Barometer (percent)

Note: Data as of February 2023. Relative to Pre-COVID baseline.
Sources: Haver Analytics, Office of Financial Research

Demand for multifamily housing has also modestly declined, with rental rates now falling in many markets. The multifamily market has shown exceptional rent growth in recent years, so a market slowdown is a welcome respite to renters. In response, as reported by MSCI Real Assets, multifamily property values incurred a 7.6% price decline during the three months ending January 2023 (see Figure 2). However, the multifamily market remains supported by a constrained supply in most areas of the country.



Note: Data as of January 2023. Shaded areas are U.S. recessions. Dec. 31, 2009 = 100.
Sources: MSCI Real Assets, Office of Financial Research

Industrial space and multifamily properties performed well in 2022. Heavy demand is driving industrial-space development, and new space may not fully satisfy growing demand. The performance of retail space has improved during the COVID-19 pandemic and is expected to continue improving into the future because supply remains constrained and space demand is modestly growing. Weaker regional shopping malls continue to be the most problematic part of the CRE market.

Given economic conditions and rising interest rates, overall CRE prices are now declining, with a 6.3% decline in the RCA CPPI index during the three months ending in January 2023. Declining property values will cause loan performance degradation at CRE lenders—especially those that were most aggressive in their lending terms, such as those with high loan-to-value ratios. Most capitalization rates are rising in tandem with interest rates, causing the values of some properties to decline.

The office sector in particular, has seen challenges, with owners of high-profile properties in multiple major downtowns refusing to further support these troubled properties. However, given the large increase in property values that has occurred in recent years, such challenges are unlikely to result in widespread lender credit losses, except among the weakest properties. While CRE credit impairments will rise during coming quarters, they are unlikely to cause meaningful stress at more conservative lenders, such as banks and insurance companies.

Residential Real Estate - Household mortgage debt is not the risk to financial stability that it was during the 2007-09 financial crisis for three reasons:

1. The household sector is much less leveraged now than before the crisis.
2. New mortgage originations favor Fannie Mae and Freddie Mac's conventional loan programs; the mortgages written in these programs have tighter underwriting standards than the mortgages originating prior to the crisis.

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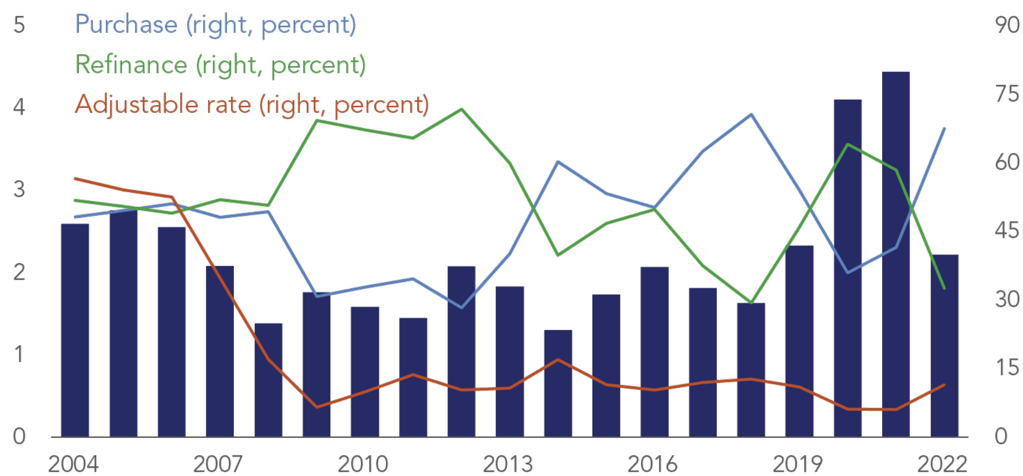
3. The high percentage of fixed-rate loans indicates that few borrowers are likely to experience payment shocks associated with interest rate resets on adjustable-rate mortgages. These payment shocks were common before the crisis.

That said, home affordability is now the lowest it has ever been, as home price growth is outpacing wage growth. Since the pandemic, home prices have risen to record levels. The increased demand for homes led to dramatic increases in mortgage activity in 2020 and 2021. Homeowners also refinanced their mortgages to lower-rate loans during this time. Mortgage volume for 2022 was less than 50% of the 2021 volume. The majority of new loans in 2022 were made to purchase homes while refinancing activity dropped due to rising interest rates. Finally, adjustable-rate mortgage volume has begun to increase after losing popularity following the 2007-09 financial crisis (see Figure 3).

Figure 3. Residential Mortgage Lending ($ trillions)



Note: Originations represent first-lien mortgages only.
Sources: Inside Mortgage Finance, Office of Financial Research

The risk to financial stability stemming from the housing market relates to home values. Record housing prices resulted in higher monthly payments for new homeowners with mortgage debt during this period. Therefore, a correction in home prices to historic levels, depending on its speed and severity, could pose two risks to U.S. financial stability:

1. Falling home prices could erode household wealth and dent consumer confidence and spending.
2. Reduced loan-to-value could generate defaults, distressed sales, and loan losses.

However, given the tight housing supply, declining home prices are not an immediate concern.

Given the above economic indicators presented by the federal government, let's look at the performance of real estate finance and the lenders who comprise the industry.

COMMERCIAL REAL ESTATE FINANCE

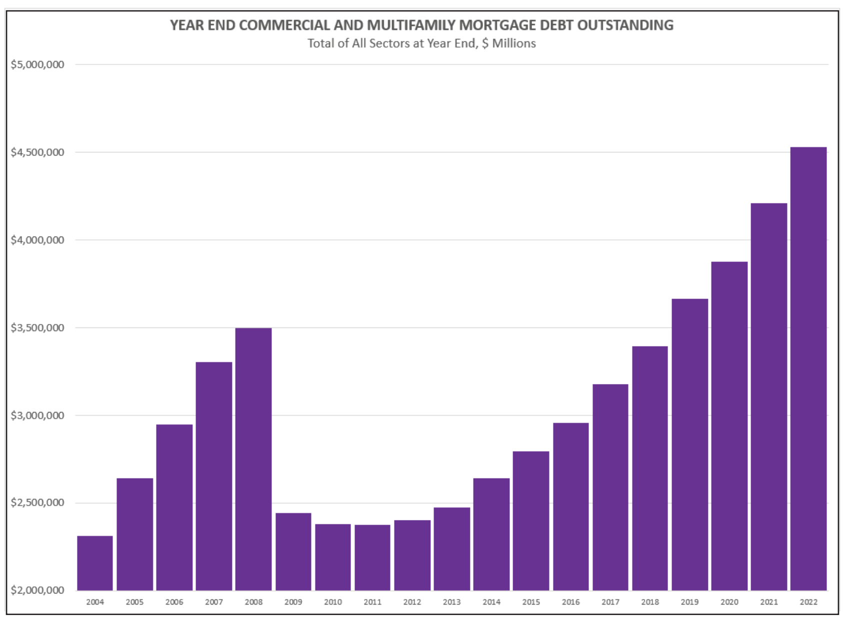
From the Mortgage Bankers Association's Q4 2022 Commercial/Multifamily Mortgage Debt Outstanding quarterly report

Mortgage Originations - The level of commercial/multifamily mortgage debt outstanding at the end of 2022 was $324 billion (7.7 percent) higher than at the end of 2021, according to the Mortgage Bankers Association's (MBA) latest Commercial/Multifamily Mortgage Debt Outstanding quarterly report.

MBA's report found that total mortgage debt outstanding rose by 1.7 percent ($77.9 billion) in the fourth-quarter 2022. Multifamily mortgage debt grew by $35.6 billion (1.8 percent) to $1.96 trillion during the fourth quarter and by $148.2 billion (8.2 percent) for the entire year.

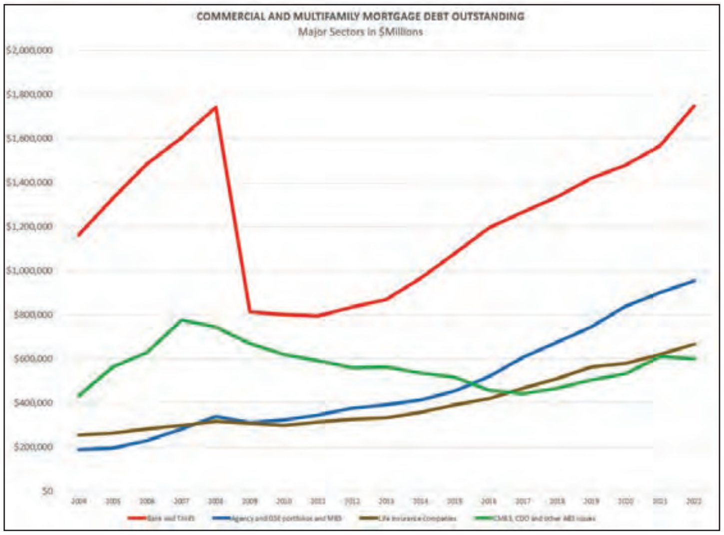
"Commercial and multifamily mortgage debt outstanding grew at another strong clip in 2022," said Jamie Woodwell, MBA's Head of Commercial Real Estate Research. "The rate of growth was the second-largest since 2007 – just below 2021's pace. Among capital sources, depositories led the growth, increasing their holdings of commercial and multifamily mortgages by 12 percent. Additionally, growth in multifamily mortgage balances accounted for almost half of the annual increase."

The four major investor groups are: bank and thrift; commercial mortgage-backed securities (CMBS), collateralized debt obligation (CDO) and other asset backed securities (ABS) issues; federal agency and government sponsored enterprise (GSE) portfolios and mortgage-backed securities (MBS); and life insurance companies.

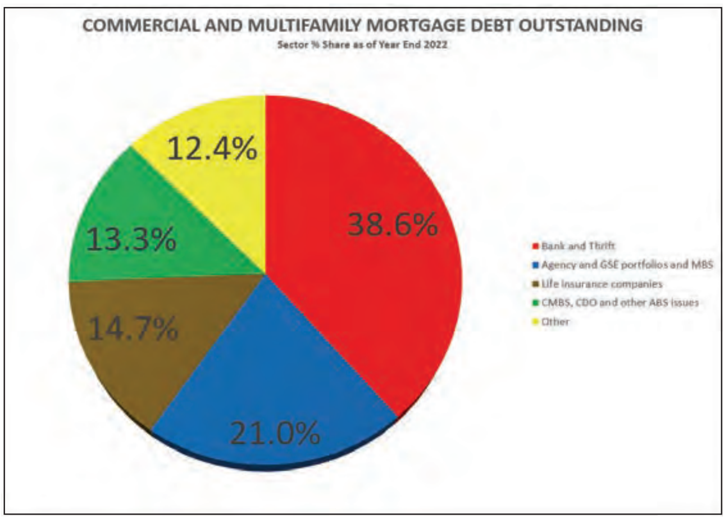


Source: Mortgage Bankers Association Commercial/Multifamily Data Books

MBA's analysis summarizes the holdings of loans or, if the loans are securitized, the form of the security. For example, many life insurance companies invest both in whole loans for which they hold the mortgage note (and which appear in this data under "Life Insurance Companies"), and in CMBS, CDOs and other ABS for which the security issuers and trustees hold the note (and which appear here under CMBS, CDO and other ABS issues).

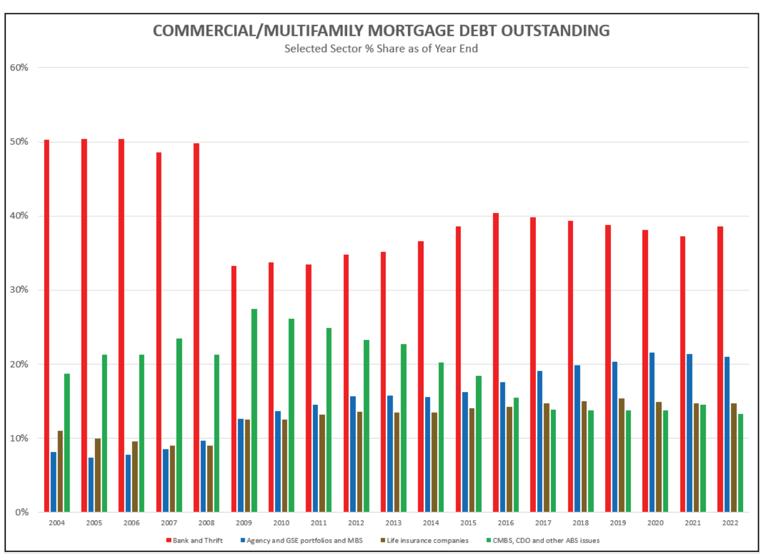


Source: Mortgage Bankers Association Commercial/Multifamily Data Books

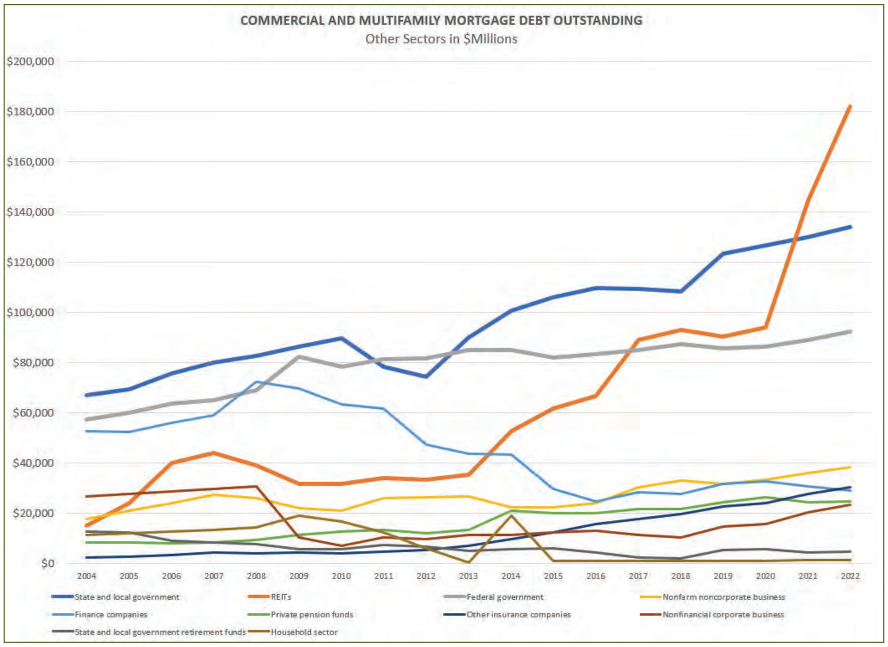


Source: Mortgage Bankers Association Commercial/Multifamily Data Books

Commercial banks continue to hold the largest share (39 percent) of commercial/ multifamily mortgages at $1.7 trillion. Agency and GSE portfolios and MBS are the second largest holders of commercial/ multifamily mortgages, at $953 billion (21 percent of the total). Life insurance companies hold $666 billion (15 percent), and CMBS, CDO and other ABS issues hold $603 billion (13 percent).



Source: Mortgage Bankers Association Commercial/Multifamily Data Books

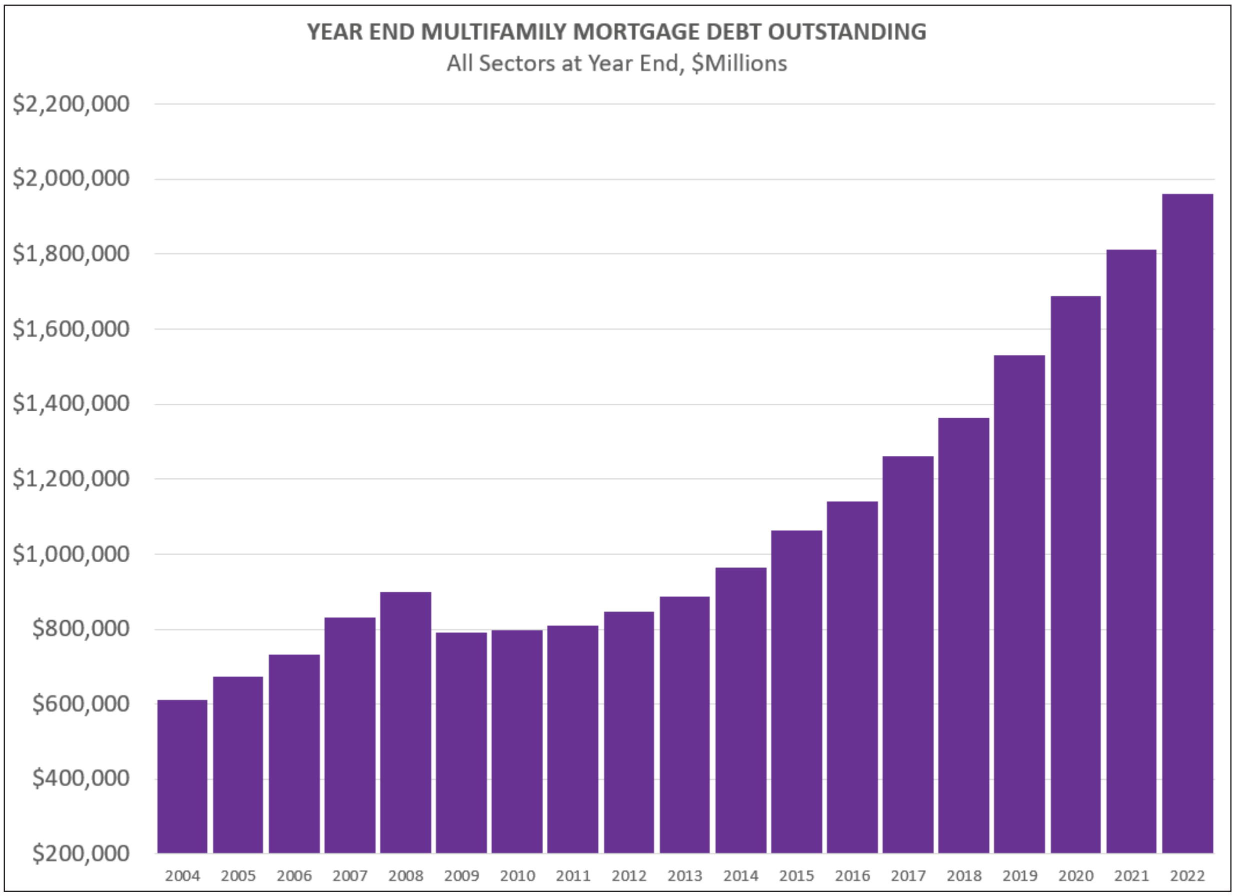


Source: Mortgage Bankers Association Commercial/Multifamily Data Books

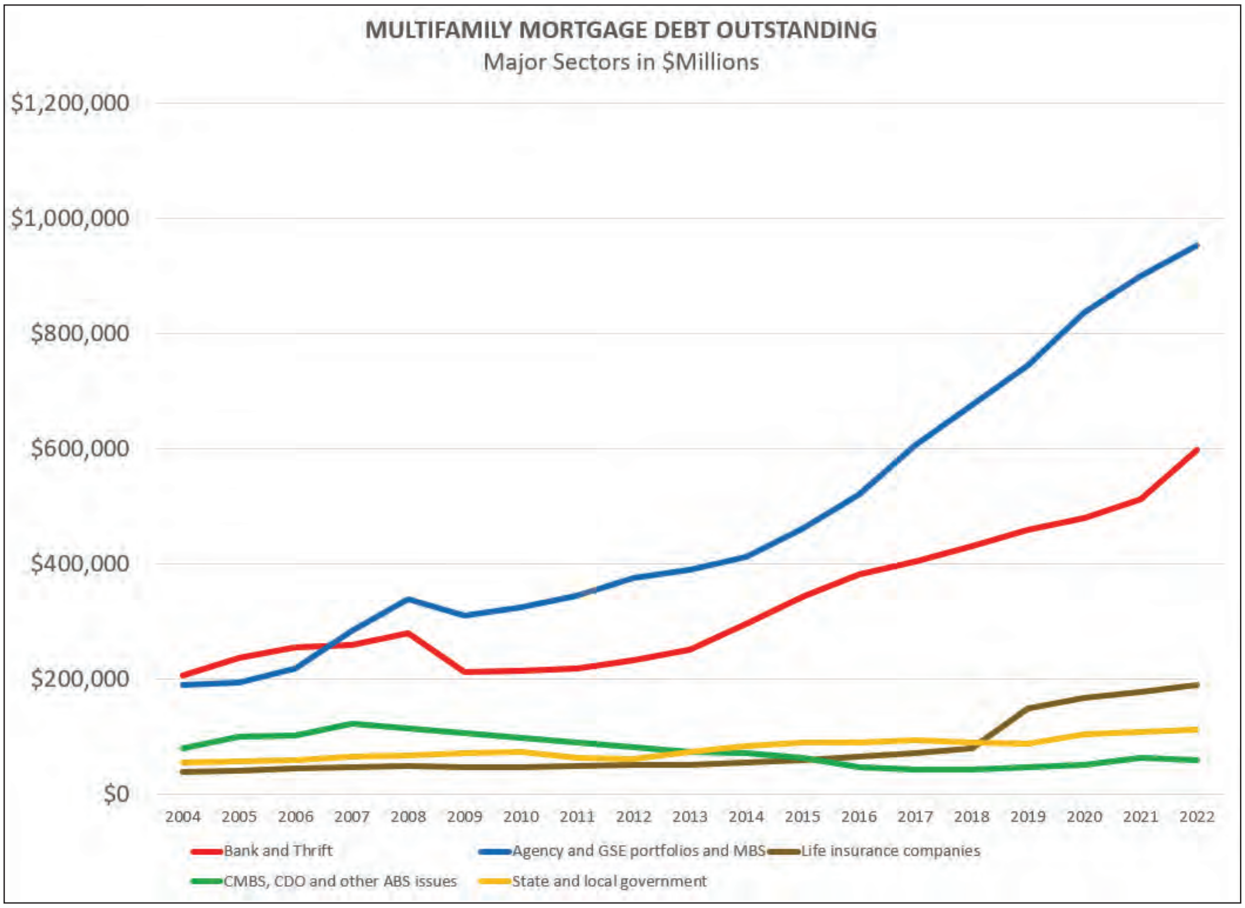
The other or non-major sectors together represent 12.4% of the total mortgage debt outstanding, up from last year's 11.2% share. REITs, who have been steadily increasing their share and dollar outstandings for several years stalled out in 2020 had significant increases in 2021 and 2022.

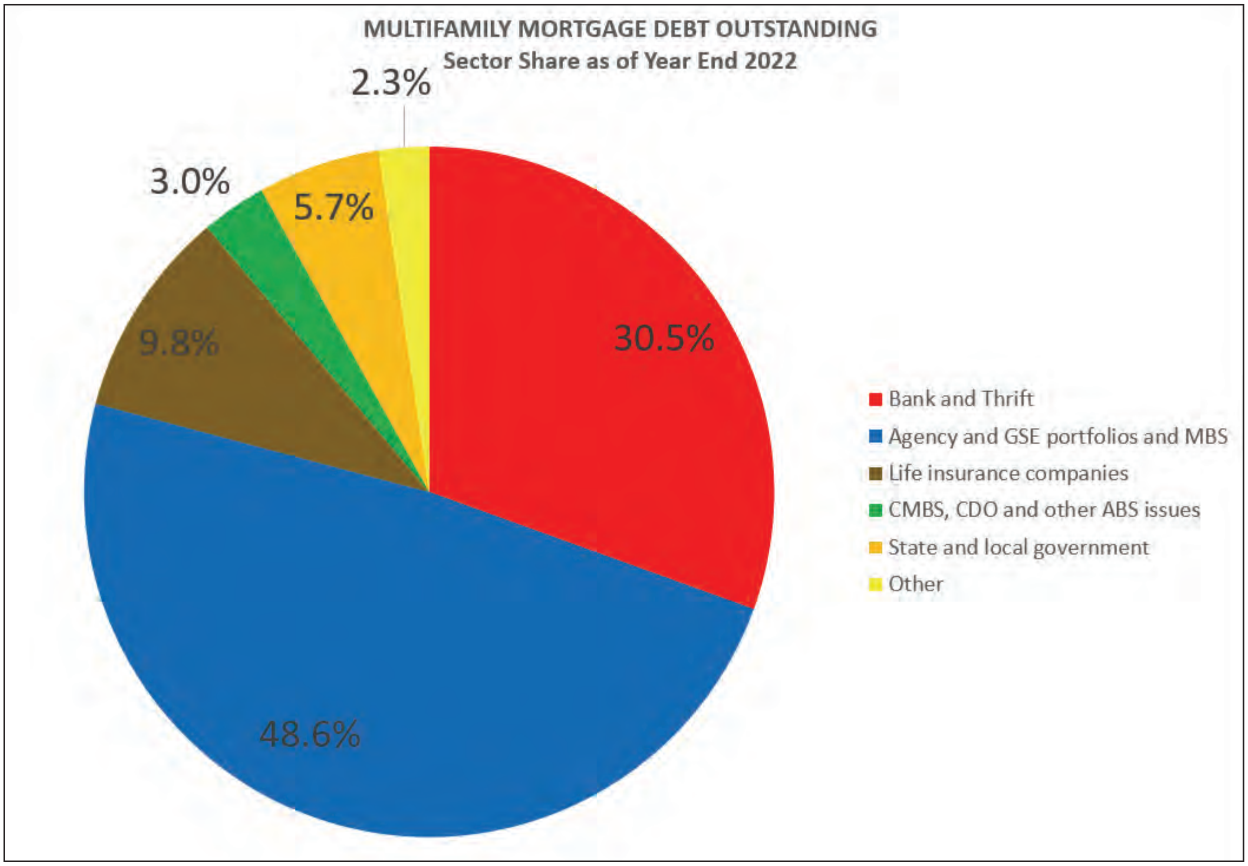
The Multifamily Sector

Looking solely at multifamily mortgages, agency and GSE portfolios and MBS hold the largest share of total debt outstanding at $953 billion (48.6 percent of the total), followed by commercial banks and thrifts with $598 billion (30.5 percent), life insurance companies with $191 billion (9.8 percent), state and local governments with $112 billion (5.7 percent), and CMBS, CDO and other ABS issues with $59 billion (3.0 percent).



Source: Mortgage Bankers Association Commercial/Multifamily Data Books



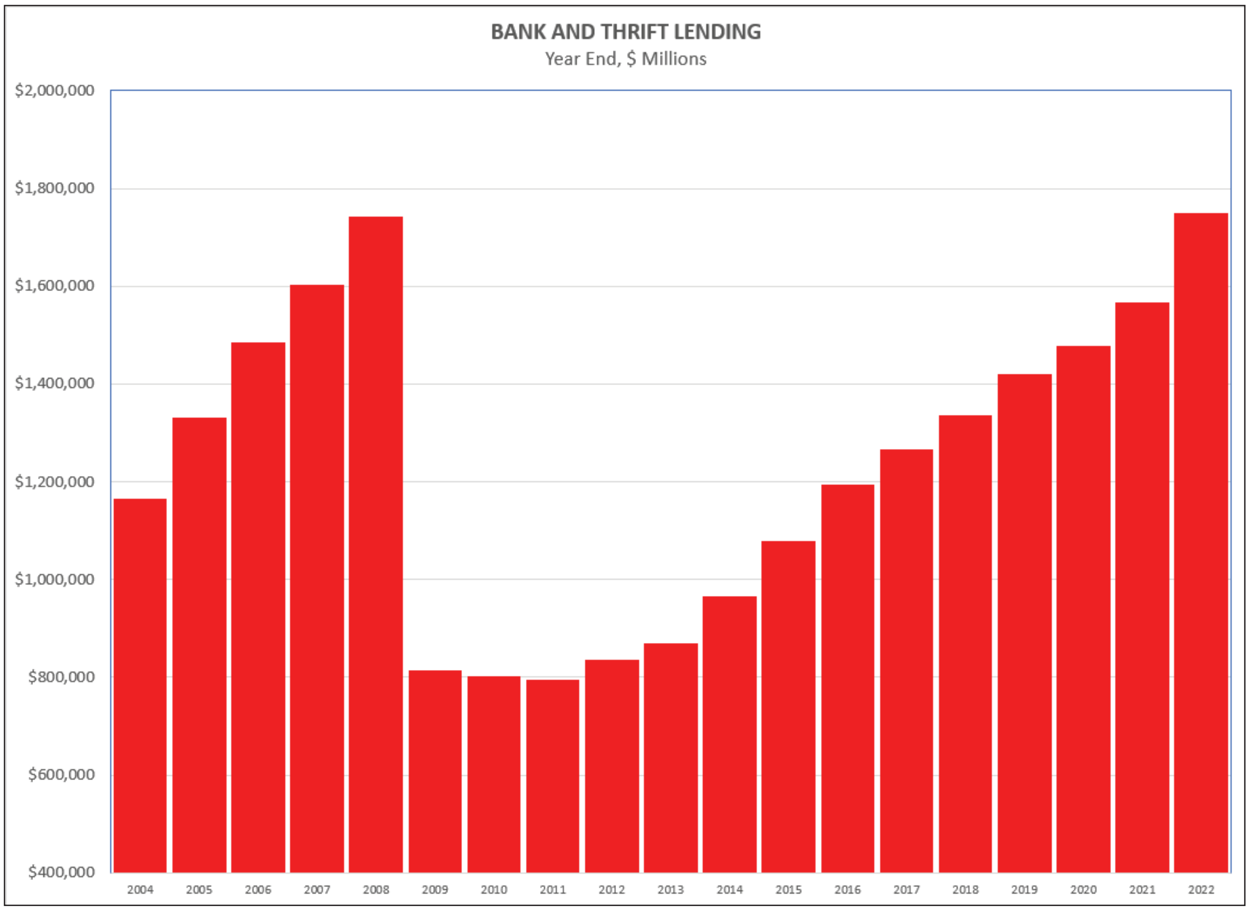


Source: Mortgage Bankers Association Commercial/Multifamily Data Books

THE LENDERS

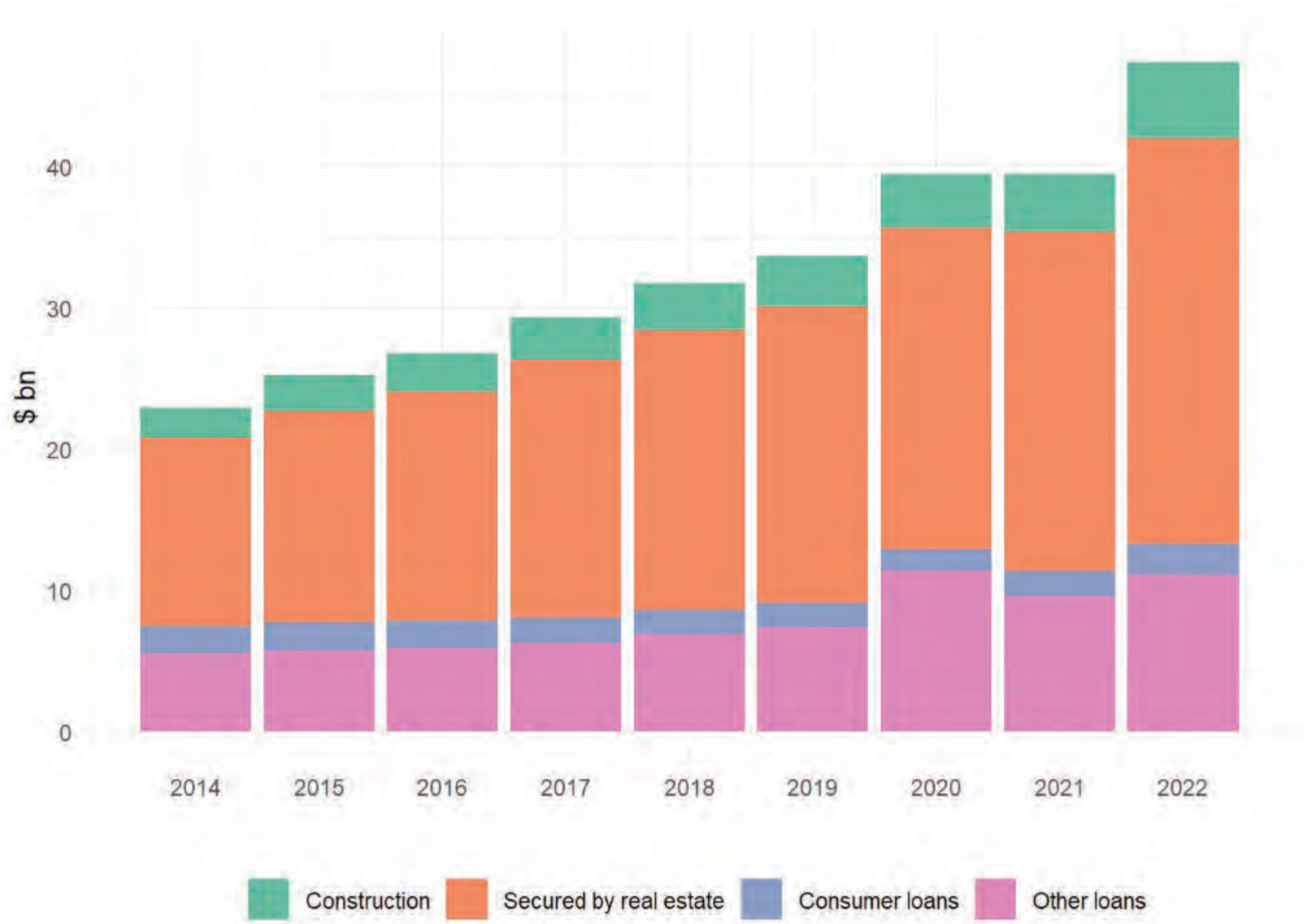
Bank Lending

Bank lending for real estate across the nation appears to be quite robust, with current levels now topping the levels from just before the Great Recession in 2008.



Bank lending for real estate in Louisiana shows similar growth where real estate loans comprise the majority of loans. The following charts were produced by the Department of Finance at LSU's E. J. Ourso College of Business:

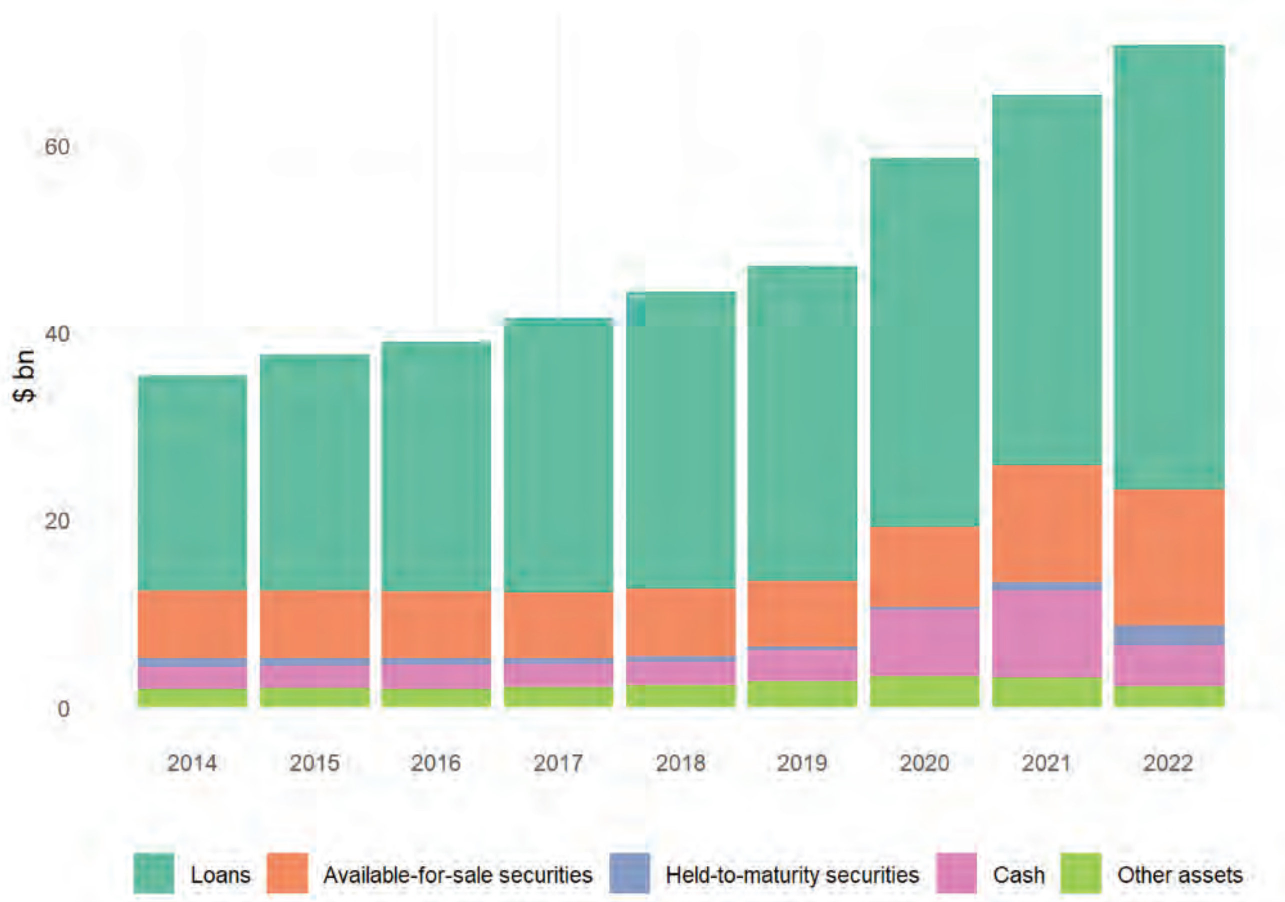
Loan Composition at Louisiana-Chartered Financial Institutions



Source: Call Reports as of December 31

A concern highlighted in the recent failure of Silicon Valley Bank is the concentration of long-term securities that are held to maturity. These HTM securities do not reflect losses in value due to increases in market yields unless and until they are sold. In the aggregate, Louisiana institutions do not show such concentrations in HTM securities, though results at individual institutions may differ.

Asset Composition at Louisiana-Chartered Financial Institutions



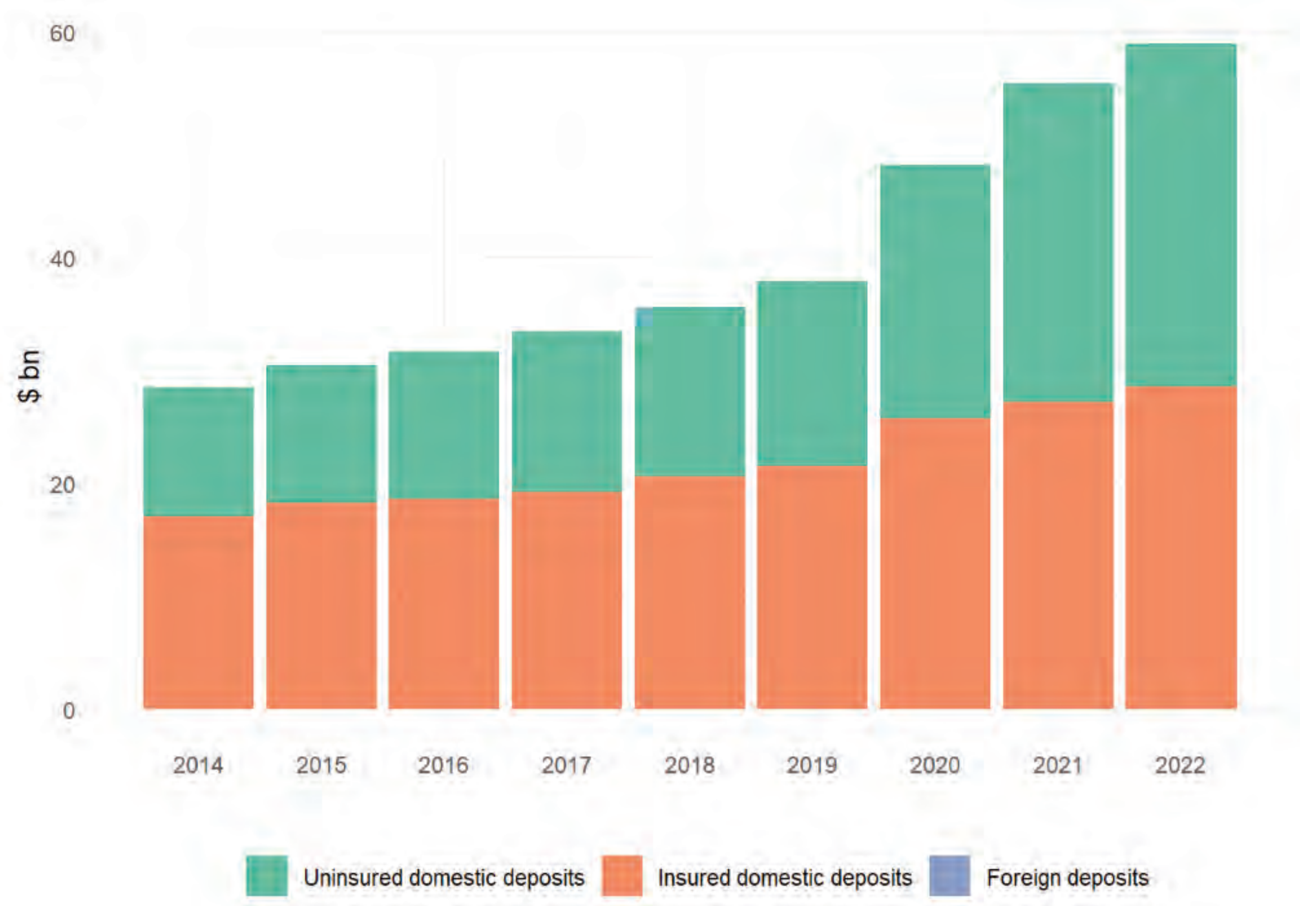
Source: Call Reports as of December 31

So where are the concerns for banks at this point in 2023? They will probably come from a few sectors:

1. Evidence of available liquidity
2. Hitting maximum exposure levels of real estate lending as a percentage of bank capital
3. Weakness in particular real estate property types

Liquidity is clearly a concern given the failure of Silicon Valley Bank and bank examiners will be even more diligent in assessing the liquidity condition of Louisiana institutions, particularly with regard to Uninsured Deposits (deposits exceeding the FDIC insurance limits) as defined as of March 2023.

Deposit Composition at Louisiana-Chartered Financial Institutions



In the aggregate, Louisiana institutions do not show unusual levels of uninsured deposits, though results at individual institutions may differ.

As to hitting maximum exposure levels of real estate lending as a percentage of bank capital, bank regulators address how much is too much in OCC Bulletin 2006-46, published December 6, 2006, titled Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices: Interagency Guidance on CRE Concentration Risk Management (this is an OCC document but the guidance has been adopted by all regulatory agencies):

Strong risk management practices and appropriate levels of capital are essential elements of a sound Commercial Real Estate (CRE) lending program. Concentrations of CRE exposures add a dimension of risk that compounds the risk inherent in individual loans. The guidance sets forth sound risk management practices that an institution should employ when it has CRE concentration risk. Credit concentrations are broadly defined as groups or classes of credit exposures that share common risk characteristics or sensitivities to economic, financial, or business developments. For purposes of the guidance, CRE loans are loans with risk profiles sensitive to the condition of the general CRE market as defined in the guidance.

As part of their ongoing supervisory monitoring processes, the agencies will use certain criteria to identify institutions that are potentially exposed to significant CRE concentration risk. An institution that has experienced rapid growth in CRE lending has notable exposure to a specific type of CRE, or is approaching or exceeds the following supervisory criteria may be identified for further supervisory analysis to assess the nature and risk posed by the concentration:

- Total reported loans for construction, land development, and other land loans represent 100 percent or more of the institution's total risk-based capital; or
- Total commercial real estate loans, as defined in the guidance, represent 300 percent or more of the institution's total risk-based capital, and the outstanding balance of the institution's commercial real estate loan portfolio has increased by 50 percent or more during the prior 36 months.

In the aggregate, Louisiana institutions do not show unusual levels of concentration, though results at individual institutions may differ. However, given the current concern about commercial real estate lending, some banks may decide to voluntarily curtail their CRE exposure, meaning that borrowers would be well advised to have discussions with their lenders to ensure that the institution's appetite for CRE has not changed.

Finally, and with regard to weakness in particular real estate property types, conventional wisdom has been that industrial is king and that multifamily is strong, with retail still dealing with the impact of online shopping. A March 14, 2023 article by Jim Dobbs in the American Banker titled "Will commercial real estate loan losses be the next big problem for banks?" provides some perspective on lending on office properties:

Following the failures of Silicon Valley Bank and Signature Bank — and Silvergate Bank's demise through liquidation — analysts and investors are looking for the next potential shoe to drop.

Silicon Valley Bank's outsize deposit exposure to vulnerable technology startups ultimately dragged it down, while Signature and Silvergate cratered following big bets on a cryptocurrency market that is now crumbling.

Experts say the troubles amplified the risk-taking inherent in banking. With economists forecasting a recession this year amid stubborn inflation and lofty interest rates, analysts are also sharpening their collective focus on threats embedded in commercial real estate, given many small and midsize banks' dependence on such lending, and they are homing in on the beleaguered office sector in particular.

"A lot of banks are going to have to step up disclosures about their office exposure," said Chris Marinac, the director of research at Janney Montgomery Scott. "What are they really doing to stress test office loans, and what are they actually doing about problems?"

As lease agreements expire, more companies are expected to scale back on office space in light of the enduring remote-work trends and the high cost of living in major cities. Layoffs across the technology industry are compounding problems. This could leave landlords grappling with rising vacancies and falling revenue; many could struggle to service their debts.

The U.S. vacancy rate across the office sector increased from about 12% at the start of 2022 to 17% early this year, according to data provider IBISWorld. That matched the rate from the 2008 financial crisis and was up from less than 10% at the start of 2020, prior to the pandemic.

D.A. Davidson analysts noted in a report that when including subleasing, total vacancy rates may actually exceed 20%. "At 15%-20% vacancy, debt service concerns emerge, and understandably the segment has entered the credit concern spotlight," they wrote.

The U.S. office market accounts for about $3 trillion of the $20 trillion commercial real estate market, according to Jones Lang LaSalle.

The Davidson analysts said that historically, office properties have rebounded from downturns. But the current slump "likely gets worse before it gets better," they said, citing studies from Kastle Systems, which makes swipe-in systems to track office attendance. It found that the busiest days of in-office work are midweek, yet average office attendance is only 58%. On Fridays, the slowest day, only 35% of the workforce reports to the office.

"Higher rates and a looming recession only threaten to make matters worse," the Davidson analysts wrote, noting that companies will look to cut real estate costs in a downturn.

For their part, banks with substantial office exposure have pulled back from the sector. Of the 17 banks with at least $400 million of office loans, nine trimmed their exposure during the fourth quarter, according to S&P Global data.

During recent earnings calls, bank executives said they were increasingly cautious, particularly in downtown areas of major cities that are reliant on the flow of workers in and out of office towers.

"I think the office space could get soft. I think it has gotten soft in places," FB Financial Corp. President and CEO Christopher Holmes told analysts during an earnings call. The $12.8 billion-asset FB in Nashville said about 23% of its commercial real estate loans are office related, though it is avoiding high-rise buildings in the central business districts of Nashville and other major markets, preferring smaller workplaces in suburban areas.

Eagle Bancorp in Bethesda, Maryland, said it also favors suburban properties. The $11.2 billion-asset bank operates in and around Washington, D.C. "Post-pandemic, economic activity in the suburban areas continues to outperform … downtown D.C.," Executive Vice President Janice Williams said on an earnings call. "Large parts of the federal government continue to work remotely. Private businesses are more of a mixed bag."

Analysts at Keefe, Bruyette & Woods forecast that from mid-2022 to late this year, office property values will collectively drop by 30% or more. At-risk markets include San Francisco, New York City, Seattle, Austin, Phoenix, Washington, D.C. "and others that are tech- or remote-heavy" and "facing elevated supply."

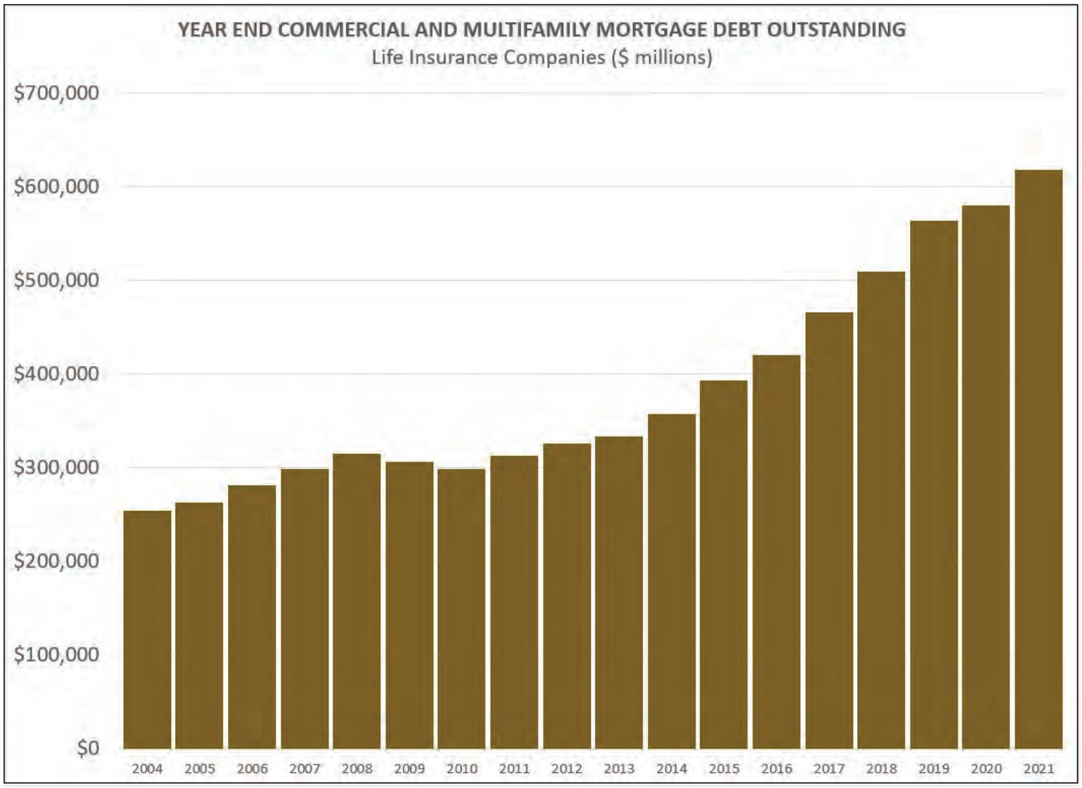
The KBW analysts said problems in the office space are likely to spread to apartments and retail properties that are located close to office complexes and depend on workers living and shopping near their workplaces.

Trepp analyst Manus Clancy said the problems in office properties are bound to worsen substantially this year, with knock-on effects to develop in tandem.

"Office values have fallen and will continue to fall," he said. "The delinquency rate for offices can only go up."

Life Insurance Company Lending

Insurance Companies play a significant role in the commercial and multifamily lending market as providers of long-term, fixed-rate loans for a wide variety of properties in metropolitan markets across the country. These lenders are typically more aggressive in pricing for deals with lower LTV ratios and can typically beat bank rates by 35 basis points or more.



Source: Mortgage Bankers Association Commercial/Multifamily Data Books

LIC lending continued its upward trend post-2008 and ended 2022 at $666 billion, up $46 billion or 7.4% from the end of 2021, with a 14.7% share of total commercial and multifamily real estate debt. Their appetite for various property types tracks the appetite of other permanent lenders.

Rising interest rates are a concern for all lenders, and insurance company lenders are no exception. The National Association of Insurance Commissioners' Capital Markets Bureau monitors developments in the capital markets globally and analyzes their potential impact on the investment portfolios of U.S. insurance companies. Following are excerpts from a Special Report published on February 22, 2023, titled "The Impact of Rising Rates on U.S. Insurer Investments."

U.S. insurers' exposure to mortgage loans, particularly commercial mortgage loans, has increased over the years as they have become a more conventional investment due in part to the lower-for-longer interest rate environment. According to the Mortgage Bankers Association (MBA), life insurers generally account for holding about 15% of the overall market's outstanding volume of commercial mortgage loans. Life insurers also account for over 90% of the U.S. insurance industry's mortgage loan exposure. Long-term commercial mortgages match well with life companies' long-term liability structure, and they represent a source of portfolio diversification in addition to serving as an alternative investment to traditional bonds.

When the Fed increases interest rates, borrowing, including via mortgage loans, becomes more expensive. U.S. home mortgage rates are closely tied to the U.S. 10-year Treasury yield in that they tend to rise or fall in tandem.

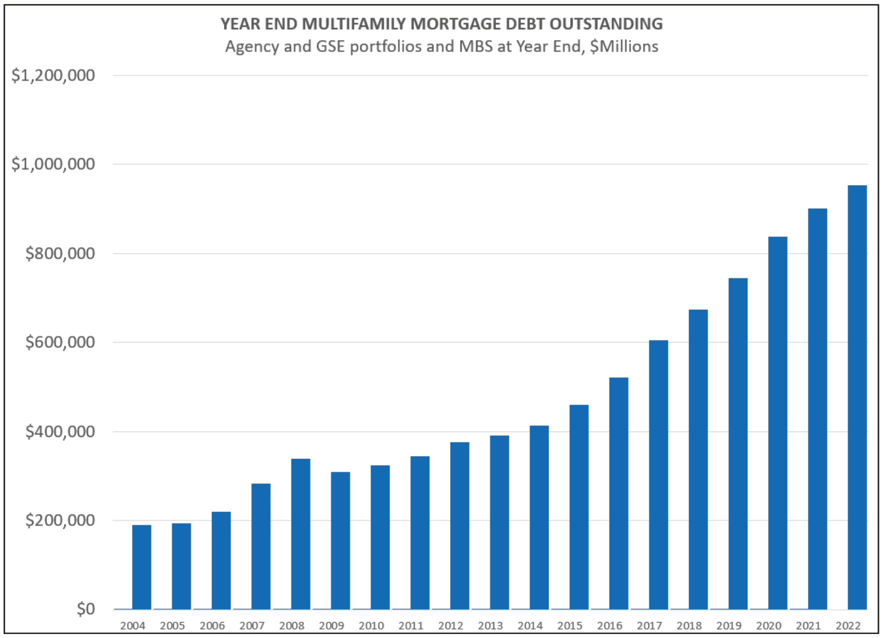
The 30-year fixed U.S. mortgage rate was 6.61% at the end of November, i.e., the highest in over a decade and more than double what it was in October 2021. As of the end of January 2023, the 30-year fixed mortgage rate was 6.4%.

Interest rates on commercial mortgage loans tend to be higher than on residential mortgage loans, and they vary based on the type of commercial mortgage loan, loan-to-value (LTV) ratio, and term, among other factors. Current commercial mortgage loan rates range between 5.8% and 17.8% depending on the risk of these factors, according to various commercial mortgage loan rate websites. While the higher mortgage rates benefit U.S. insurers' new mortgage loan investments, the higher cost of financing is not as attractive to borrowers; in turn, home and commercial property purchases could begin to decline. In addition, higher mortgage rates could translate into lower market valuations of the real estate securing these mortgage loans, resulting in higher and riskier LTV ratios. The majority of U.S. insurers' mortgage loan exposure, or about 90% of the total, has been in commercial mortgage loans.

Agency and GSE Multifamily Lending

These lenders specialize in multifamily lending and have their roots in federal government policy with lenders including Fannie Mae and Freddie Mac. Agency and GSE debt ended 2022 at $953 billion, up $52 billion or 5.8% from the end of 2021. While outstanding's increased, neither Fannie Mae or Freddie Mac lent as much as they could have last year, and originations of new loans declined. According to a report by Marcus & Millichap:

Neither agency lent out its full allotment last year, however, as both focused on their mission of providing financing to housing with an affordability component. As the share of agency lending among trades has dipped, banks and investor-driven funds have taken on larger portions of an overall tempered volume of recent sales.



In their 2023 Multifamily Outlook, Freddie Mac Multifamily projected lower originations in 2023:

The downward pressures on the multifamily investment market will lead to slower transaction volume throughout the end of 2022 and into 2023. We expect 2022 volume to be in the range of $460 billion, down 5.5% over the year, and 2023 volume down roughly another 4-5% to $440 billion. We expect less transactions given the negative leverage situation, which supports the idea that investors are waiting for the market to come back to an equilibrium. We think many financed properties are well positioned to cover their debt payments given their likely low note rates and the strong recent market performance. As such, borrowers are not as pressured to sell properties at a lower price point and may wait for more favorable investment opportunities, also slowing overall business volume.

These forecasts are based on inflation and Treasury rate hikes slowing. The timing of this impacts expected volume growth in 2023. If this happens earlier and investment demand returns sooner, we could see higher volume in 2023. However, if it takes longer, and especially if the economy slips into a recession, we could expect volume to be lower as the price discovery and negative-leverage situation is prolonged.

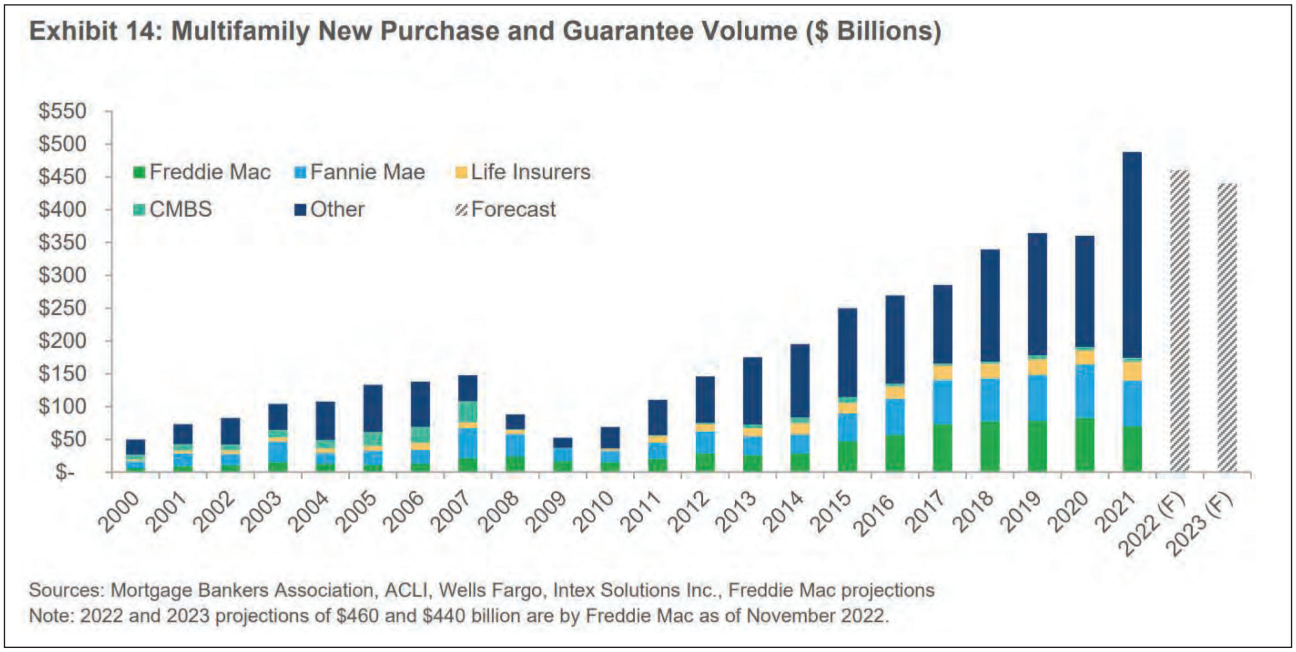
Fannie Mae had a darker view of 2023 in their *Multifamily Market Commentary* article titled "2023 Multifamily Market Outlook: Turbulence Ahead," published on January 20, 2023:

We maintain a cautious outlook for the multifamily sector in 2023. We expect the multifamily sector to see a decline in demand during the first half of the year, resulting in negative rent growth for at least the first quarter of 2023, with a return to slightly increased demand during the second half. After two years of above-average rent increases, a decline in rent growth is a welcome trend for many renters but is not expected to contribute much to increased affordability, at least at a national level. In some metros, especially those with a large amount of supply expected to come online during the year, it could push rents down and concessions up quite significantly, but that is likely to be on a localized, submarket level.

With interest rates expected to remain elevated, coupled with a softening in rental housing demand, we expect multifamily origination volume levels will decrease in 2023 compared to 2022. As of January 2023, the Mortgage Bankers Association estimates that multifamily originations volume will be $439 billion in 2022 and $393 billion in 2023, but that is subject to change. Based on current trends, our estimated annual multifamily originations are in the same general range, although slightly higher: $430 -$450 billion in 2022 and $400 billion in 2023.

It is important to note that whether the expected recession occurs earlier in the year or later, we expect the multifamily housing market to experience a softening in demand in 2023 and extend into 2024.

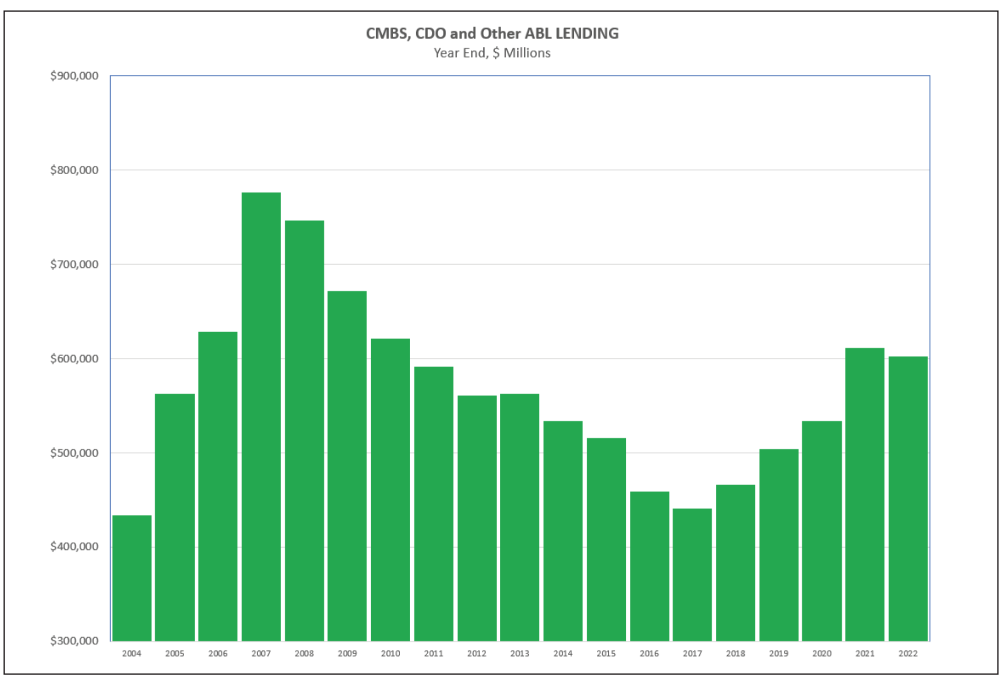
Freddie Mac charted all multifamily over the period from January 2000 to November 2022 and projected final 2022 results as well as 2023 results from all lending sources:



The "Other" category is most likely the banking sector, meaning that banks will likely have the opportunity to pick up the slack from reduced Fannie Mae and Freddie Mac origination, IF the banks can take the additional volume. CMBS and CDO lenders might also have an opportunity.

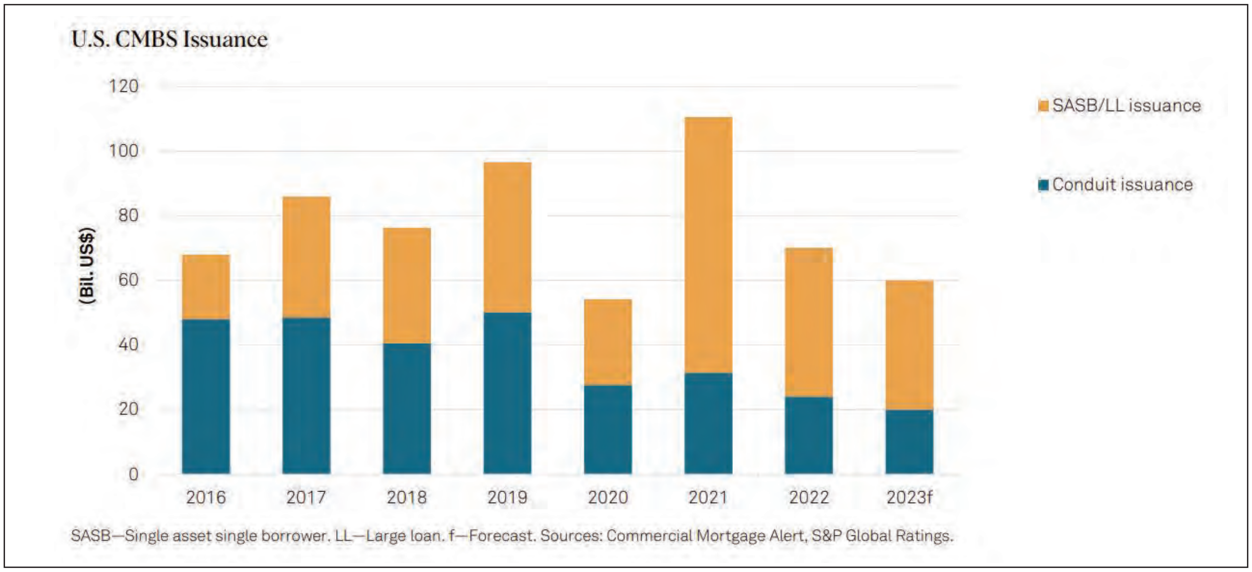
CMBS and CDO Lending

After a thunderous rise in outstanding since 2017 and a huge increase in 2021, CMBS, CDO and Other ABS Lending sources ended 2022 at $603 billion, down $9 billion or 1.4% from the end of 2021.



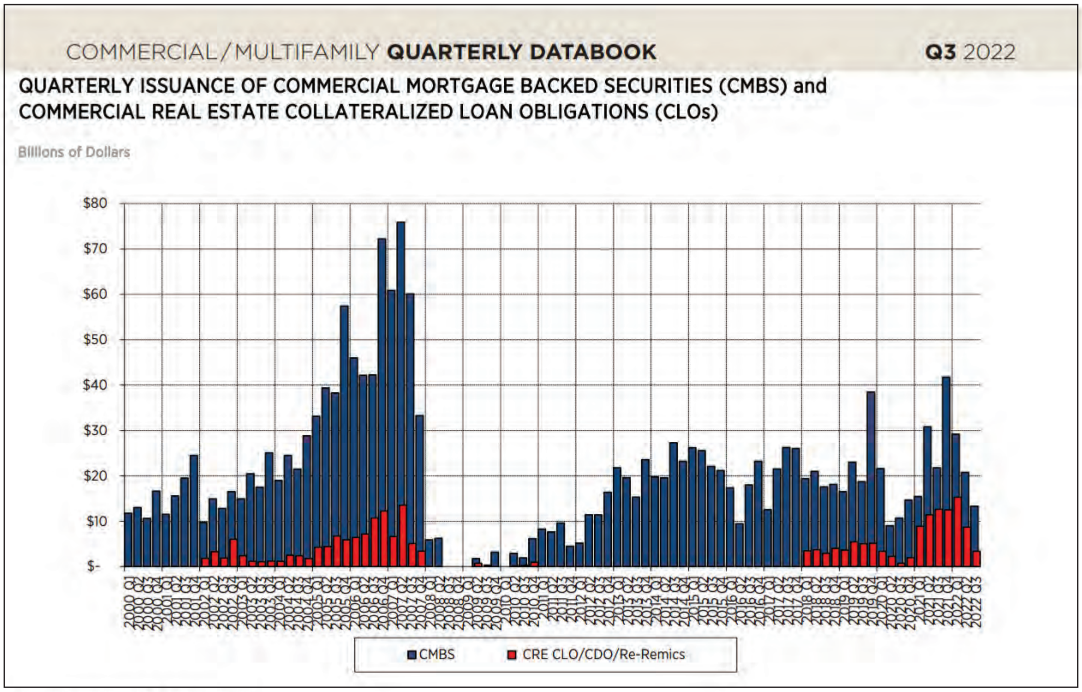
Source: Mortgage Bankers Association Commercial/Multifamily Data Books

But the increase in outstanding's (where the increase is new originations, less balance runoff, and maturities) is not comprised of the multi-property pools that have been the mainstay of the industry. S&P Global posted the following chart of origination volumes split between multi-borrower deals and single-borrower deals:



The huge increase in 2021 was primarily the result of single-borrower issuances where mortgage-backed security was backed by a single mortgage on a single property owned by a single borrower (SASB). The chart shows that traditional multi-property deals (CMBS) have been on a downward slide for some time, particularly over the past four years.

The following quarterly chart from the Mortgage Bankers Association's September 30, 2022, DataBook (the December 31, 2022 DataBook was not available as of this publication's deadline) shows over two decades of trends in CMBS and CLO/CDO/Re-Remic issuance.



Source: Commercial Real Estate Direct

Lending to Greater Baton Rouge entities through this lender type will likely be through the traditional private-label multi-mortgage CMBS pools. S&P Global's January 11, 2023 publication titled "Global Structured Finance 2023 Outlook" was written before the SVB failure and the negative pressures put on the banking system, so the authors would probably like the opportunity to update a few of their comments, but in general, their key takeaways for CMBS were:

- We expect $60 billion in private-label U.S. CMBS issuance in 2023 (not including commercial real estate CLOs). In 2022, issuance was down roughly 36% year-over-year to $70 billion. 2022 was a mixed year for the private-label CMBS market. While pandemic uncertainties eased, multi-decade record inflation, rising interest rates, and the uncertainty brought on by the Russia-Ukraine war led to tighter financing conditions. Issuance volume ended the year at around $70 billion, down from 2021's post-Global Financial Crisis (GFC) high of $110 billion. The total would have been notably lower if not for the record amount of loan originations in the fourth quarter of 2021, which contributed to a post-GFC record $29.2 billion in first-quarter 2022 issuance volume.

- The single asset single borrower (SASB) sector continued its trend of leading issuance, accounting for approximately 65% of total volume. While we had anticipated fixed-rate conduit volume to pick up for 2022, given the expectation of higher interest rates and asset purchase tapering by the Federal Reserve, the uncertainty brought on by the Russia-Ukraine war meant that credit spreads widened along with rising benchmark rates. In such an environment, the preferability of more prepayment flexibility offered by shorter-term floating-rate debt allowed the SASB market to continue dominating issuance volume, a trend unlikely to change in 2023. Looking ahead, we see current and evolving headwinds that could continue challenging issuance volume.

- The question of how high (and for how long) interest rates may rise is chief among these challenges. Moreover, the unpredictable timeline and outcome of the Russia-Ukraine war suggest that credit spreads may remain elevated for at least the first half of 2023, if not longer. The concern here is twofold: a market with reduced liquidity (a particular concern for a sector characterized by interest-only loans with balloon maturities) and growing risks of a recession in 2023 as successive rate hikes take hold. Immediate effects are already clear: loan coupons have effectively doubled in the last 12 months from roughly 3% to over 6%, stressing loan debt service coverages (DSCs), and the cost of interest rate caps for the floating-rate debt has skyrocketed. On a more hopeful note, recent inflation indicators have shown signs of easing in terms of year-over-year growth and may allow for a lower than previously anticipated terminal fed funds rate.

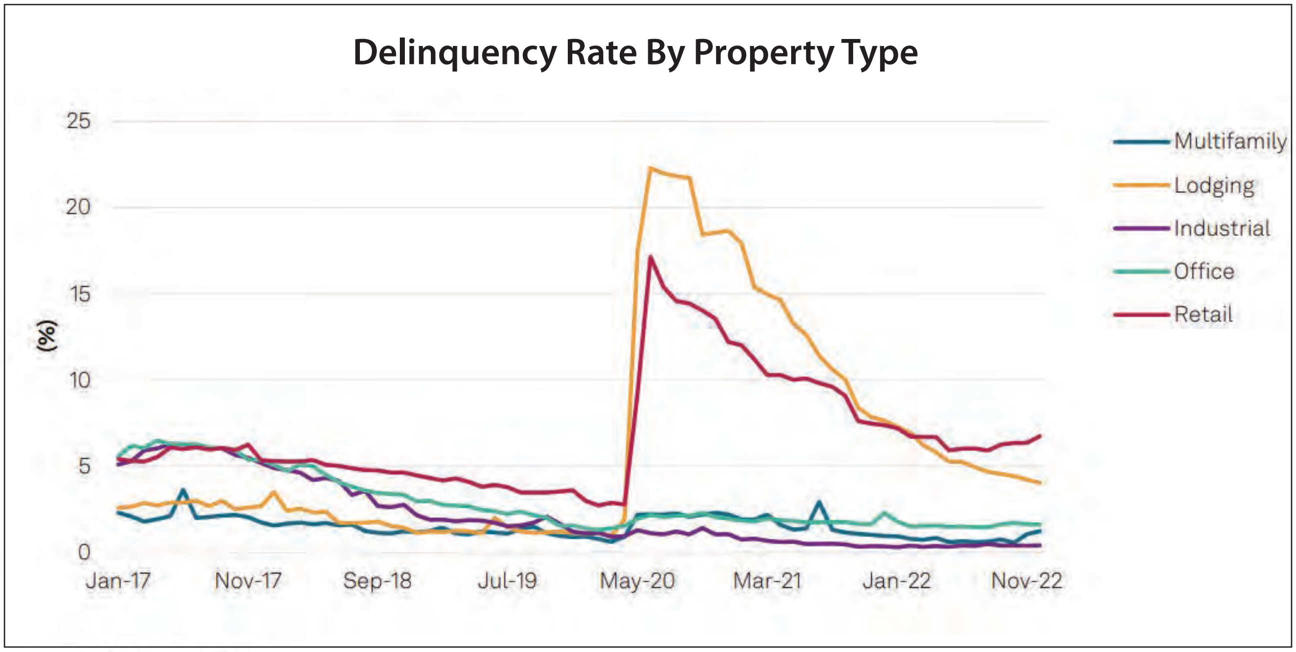
- Another challenge for the year ahead is our base-case economic view, which includes a shallow recession in 2023. Consumer-facing asset types such as lodging and retail properties have historically been the first to show distress in such periods. However, signs indicate the office sector, facing the post-pandemic reality of reduced office space demand, may be more vulnerable than in prior downturns. Viewed collectively, the balance of probabilities suggests to us that private-label CMBS issuance volume will be down in 2023; however, with perhaps somewhat higher SASB and somewhat lower conduit issuance.

Delinquency rates in existing CMBS issues have an impact on the market's appetite for new issues, and S&P Global had the following to say:

- On the performance side, as of January 2023, the overall CMBS delinquency rate was around 2.6%, with uneven credit performance by property type. The chart below shows that the lodging late payment rate reached a recent peak of over 20% and now sits at around 4.0%, while retail now stands higher at around 6.7%. Office, multifamily, and industrial, the other three major areas, remain below 1.6%. Though the overall delinquency rate is down, 92.9% of delinquent loans are 60-plus days delinquent, and 27.8% are 120-plus days delinquent.

- In addition to the delinquency rate, 4.4% of loans were also classified as being with the special servicer. Like delinquency trends, retail, and lodging had the highest special servicing rates at 10.7% and 6.2%, respectively, followed by office at 3.6%. Multifamily and industrial are 1.3% and 0.4%, respectively. While the special servicing rate has been increasing since midyear, we anticipate the delinquency rate to follow suit in the year ahead, given the expected rate and spread environment and our expectation for a shallow recession.

- We remain focused on multiple areas, though ratings closely tied to lodging, retail, and near-term loan maturing office collateral, especially in SASBs, remain priorities.



Source: S&P Global Ratings.

INTEREST RATE INDEX UPDATE

(Adapted from United States Economic Forecast 1st Quarter 2023 by Dr. Daniel Bachman, published March 15, 2023 in Deloitte Insights)

Dr. Daniel Bachman's research has been our go-to source for years. It is comprehensive and concise, easy to understand, and, most importantly, he has been right year after year. But so many things have happened between the time that he published his report and the time of this publication, such as the crisis in the banking industry, and we should keep that in mind while considering his comments.

Dr. Bachman gives us the summary with his first headline statement:

The Q1 2023 forecast projects a likely soft landing for the US economy—provided four key issues, ranging from the impact of interest rate hikes to the debt-ceiling problem, are addressed in a timely manner.

His reasons:

A potential "soft landing" for the US economy might just be in sight. The end-of-year decline in retail sales and industrial production were reminders that the economy was slowing, but January saw signs that the economy might still be growing too fast for the Fed's liking. 1 Some additional obstacles have appeared on the runway, however. Deloitte's economic forecast remains optimistic but takes into account some very significant risks for the next year.

Four key problems need to be solved for the economy to continue to grow:

1. Labor markets need to loosen up. January 2023 saw employment rise by over half a million. That's simply unsustainable when the working-age population is growing at a trend rate of about 50,000 per month. If employment doesn't slow, wage growth could accelerate. The Fed would then respond very strongly, and continued interest rate hikes pose a clear danger to economic growth.
2. The Fed raised interest rates quickly in 2022, and some impact of those interest rate hikes could show up in 2023. We still don't know if the Fed was too aggressive in 2022. Deloitte's baseline assumes that the impact of the rise in interest rates so far is not enough to push the economy into recession.
3. Congress needs to vote to raise the debt ceiling. If it doesn't do so, the US Treasury may be unable to pay its bills, which might lead to a drop in spending and, more importantly, severe financial market volatility (see the sidebar, "The looming debt ceiling problem").
4. Congress and the President need to agree on a budget for the federal government by October 1. The budget takes the form of 12 appropriations bills. A failure to pass and sign all of these appropriations bills by October 1 would lead to a decline in government spending. This is not likely enough to create a recession on its own, but it would certainly add to business uncertainty.

Observers of the US economy need to remember that there are two separate budget problems: the need to raise the debt ceiling and the need to pass appropriation bills to fund the government. Policymakers may connect them for political reasons; one possibility is a short-term debt ceiling hike in June to allow for a negotiation over them to be tied together. But that may not happen. In any event, current political arrangements, combined with must-pass legislation, pose a significant risk to US economic activity.

Currently, however, the US economy is surprisingly healthy, given that it is coming off of a global pandemic, severe supply chain issues, and a war affecting a key global energy supplier. Labor market conditions alone provide a lot of support for the idea that the economy can achieve the desired soft landing (and, despite claims to the contrary, soft landings are not that unusual).2 Inflation remains a concern, but much less of one than it was a year ago. As long as US policymakers can avoid any damaging policy moves, like not lifting the debt ceiling, the signs are good that—after a few quarters of slow growth—the US economy will continue to innovate and create jobs, goods, and services.

Given these impacts on the economy, Dr. Bachman addresses his thoughts on future interest rates. Please note: Dr. Bachman's conclusions based on his attitude towards the Fed and his slant on analysis are likely to be debated and disagreed with by economists with differing points of view, but his research is solid.

For over a decade before the pandemic, interest rates were unusually low. An inflation rate of around 2% suggests a neutral Fed funds rate of around 4%, but the fund's rate remained close to zero for 10 years after the global financial crisis. The pandemic seems to have jolted the financial system in a manner that requires higher interest rates—and the Fed is willing to oblige. Raising the Fed funds rate by over 4 percentage points in one year suggests the degree of urgency Fed officials feel.

Although it seems extreme, the current policy is nowhere near as tight as the anti-inflation actions the Fed undertook over 1979–1982. At that time, the nominal rate went over 19%, and the real Fed funds rate hit almost 10% in one month. Despite the recent dramatic hikes, it would be a mistake to overestimate the potential impact of the higher Fed funds rate.

That's cause for some optimism, but it doesn't mean that interest rate hikes can't cause pain. Long-term rates are rising, again, to levels that would have been considered normal in the past. But if the corporate bond rate goes above 7%, as implied by our baseline forecast, holders of past corporate bonds issued at the low rates of the past 10 years will eventually have to take a loss. Exactly how the loss is recorded depends on the accounting and regulatory environment of the investor. Could this create systemic problems for the financial system? So far, it looks like investing organizations have managed to prevent any significant impact from the repricing of low-return bonds. The success of US bank stress tests is an additional sign that the financial system is in good shape. But this remains an important potential problem for individual investors and for the financial system.

In the medium term, the key question is whether long-term interest rates will once again settle in at a relatively low level or whether they will return to levels consistent with the experience before the global financial crisis. Those arguing that interest rates will return to low levels point to fundamentals such as demographics (the aging global population).7 Those arguing that interest rates will return to previous behavior point to the slowing of savings growth from China and the need for large investments (whether public or private) to reduce the impact of climate change.8 The Deloitte forecast assumes that long-term interest rates remain relatively high, as demand for capital remains strong while global savings grow more slowly over the coming years.

Our baseline forecast assumes that the Fed will raise rates twice more in early 2023 before stopping and holding the fund's rate at 5.25 percent. A Fed funds rate of 5% implies a significantly higher long-term rate if demand for capital remains strong. Our baseline forecast has the 10-year Treasury note yield rising to 6.3% in the later years of our forecast. This is consistent with the historical relationship of these rates under moderate inflation: Should inflation continue to be high, the spread between the 10-year note and the Fed funds rate could continue to rise (as investors account for expected inflation in the later years of the note's period). Investors should take care to watch for the possibility of higher interest rates—although, by the standards of the 1970s and 1980s, these rates are still quite low.

Of course, interest rates are always the least certain part of any forecast: Any significant news could—and will—alter interest rates significantly.

Dr. Bachman's projections show a 25 bps Fed Funds rate increase in early 2023 (we are already there) and potentially another 25 bps later in the year (though the chilling effect of the SVB failure might accomplish the intent of the increase). Let the discussion begin.

FIGURE 15

Financial markets

	History							Forecast				
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Federal funds rate	0.39	0.97	1.78	2.16	0.42	0.13	1.73	4.97	5.13	5.13	5.13	5.13
Yield on 10-year Treasury note	1.84	2.33	2.91	2.14	0.89	1.44	2.95	4.44	5.86	6.39	6.31	6.27
Interest rate on 30-year fixed-rate mortgage	3.65	3.99	4.54	3.94	3.11	2.96	5.33	6.52	7.33	8.06	8.06	8.03
Net household wealth (US$ trillion)	95	103	104	117	131	150	137	134	132	131	135	142

Source: Deloitte analysis.

Deloitte Insights | deloitte.com/insights

Short Term Rate Indices

The Prime Rate - On March 22, 2023, the Federal Reserve increased the Fed Funds target rate by 25 basis points to a range of 4.75% to 5.00% and issued the regularly scheduled Federal Open Market Committee (FOMC) statement, which has a direct impact on the prime rate announced by all banks. Following is the full statement:

Recent indicators point to modest growth in spending and production. Job gains have picked up in recent months and are running at a robust pace; the unemployment rate has remained low. Inflation remains elevated.

The U.S. banking system is sound and resilient. Recent developments are likely to result in tighter credit conditions for households and businesses and to weigh on economic activity, hiring, and inflation. The extent of these effects is uncertain. The Committee remains highly attentive to inflation risks.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to raise the target range for the federal funds rate to 4-3/4 to 5 percent. The Committee will closely monitor incoming information and assess the implications for monetary policy. The Committee anticipates that some additional policy firming may be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time. In determining the extent of future increases in the target range, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments. In addition, the Committee will continue reducing its holdings of Treasury securities and agency debt, and agency mortgage-backed securities, as described in its previously announced plans. The Committee is strongly committed to returning inflation to its 2 percent objective.

In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

In other words:

1. The economy is in pretty good shape. Still working on inflation, and the job market is still tight, but we are getting there and need to let what we have done work it's magic (these things take time, and there are lagging indicators of success).
2. Yes, we saw two banks fail, but those are isolated instances, and the U.S. banking system is "sound and resilient."
3. We are going to raise the Fed Funds rate by 0.25%, meaning that banks will raise their prime rates from 7.75% to 8.00%. We are going to do this to fight inflation and restore price stability.
4. We are going to continue selling off our Treasury securities. No further comment.

The FOMC statement is always very carefully crafted, and Fed Chair Jerome Powell's press conference just after the release of the statement is always telling. He started off with an acknowledgment of "serious difficulties at a small number of banks" and referred to them as "isolated banking problems," closing that portion of his comments with:

Our banking system is sound and resilient, with strong capital and liquidity. We will continue to closely monitor conditions in the banking system and are prepared to use all of our tools as needed to keep it safe and sound. In addition, we are committed to learning the lessons from this episode and to work to prevent events like this from happening again.

From there, the Fed Chair issued measured guidance:

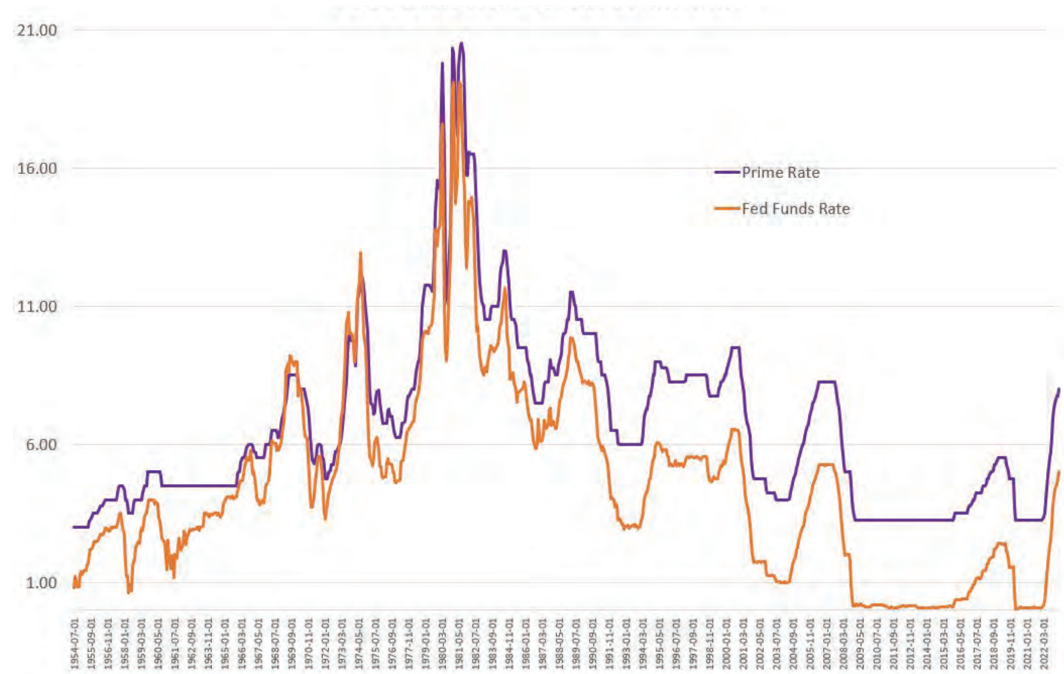
Turning to the broader economy and monetary policy, inflation remains too high, and the labor market continues to be very tight. My colleagues and I understand the hardship that high inflation is causing, and we remain strongly committed to bringing inflation back down to our 2 percent goal. Price stability is the responsibility of the Federal Reserve. Without price stability, the economy does not work for anyone. In particular, without price stability, we will not achieve a sustained period of strong labor market conditions that benefit all.

The U.S. economy slowed significantly last year, with real GDP rising at a below-trend pace of 0.9 percent. Consumer spending appears to have picked up this quarter, although some of that strength may reflect the effects of swings in the weather across the turn of the year. In contrast, activity in the housing sector remains weak, largely reflecting higher mortgage rates. Higher interest rates and slower output growth also appear to be weighing on business fixed investment. Committee participants generally expect subdued growth to continue. As shown in our Summary of Economic Projections, the median projection for real GDP growth stands at just 0.4 percent this year and 1.2 percent next year, well below the median estimate of the longer-run normal growth rate. And nearly all participants see the risks to GDP growth as weighted to the downside.

Yet the labor market remains extremely tight. Job gains have picked up in recent months, with employment rising by an average of 351 thousand jobs per month over the last three months. The unemployment rate remained low in February, at 3.6 percent. The labor force participation rate has edged up in recent months, and wage growth has shown some signs of easing. However, with job vacancies still very high, labor demand substantially exceeds the supply of available workers. FOMC participants expect supply and demand conditions in the labor market to come into better balance over time, easing upward pressures on wages and prices. The median unemployment rate projection in the SEP rises to 4.5 percent at the end of this year and 4.6 percent at the end of next year.

Since our previous FOMC meeting, economic indicators have generally come in stronger than expected, demonstrating greater momentum in economic activity and inflation. We believe, however, that events in the banking system over the past two weeks are likely to result in tighter credit conditions for households and businesses, which would, in turn, affect economic outcomes. It is too soon to determine the extent of these effects and, therefore, too soon to tell how monetary policy should respond. As a result, we no longer state that we anticipate that ongoing rate increases will be appropriate to quell inflation; instead, we now anticipate that some additional policy firming may be appropriate. We will closely monitor incoming data and carefully assess the actual, and expected effects of tighter credit conditions on economic activity, the labor market, and inflation, and our policy decisions will reflect that assessment.

Fed Funds Rate versus Prime Rate



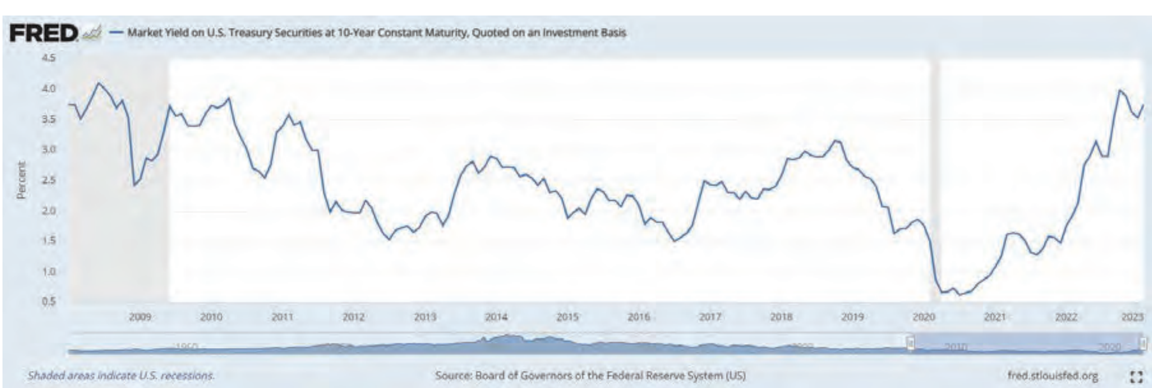
Source: Board of Governors of the Federal Reserve System (US), Bank Prime Loan Rate [MPRIME], retrieved from FRED, Federal Reserve Bank of St. Louis https://research.stlouisfed.org/fred2/series/MPRIME/

To give some historical perspective of what a low federal funds rate means for prime rate-based lending, we look at the relationship between those two rates over time.

So this most recent increase in the Fed Funds rate might be the last one in 2023 but another might be possible if the weakness in the banking sector and resultant tightening of credit do not slow down inflation. And while Prime might feel high at the moment, the preceding chart will indicate that current rates are far more in line with historical rates that those of the past 15 years.

Long Term Rate Indices

It is always appropriate to show the long term history of the benchmark long-term rate, the 10-Year US Treasury rate, to give expanded perspective to our current rates.



Unlike the Fed Funds rate, which is set by the Federal Reserve and which effectively sets the Bank Prime Rate, market factors determine the pricing and yield rate of the 10-Year UST, and the graph above shows how volatile those market factors have been over the past 15 years.

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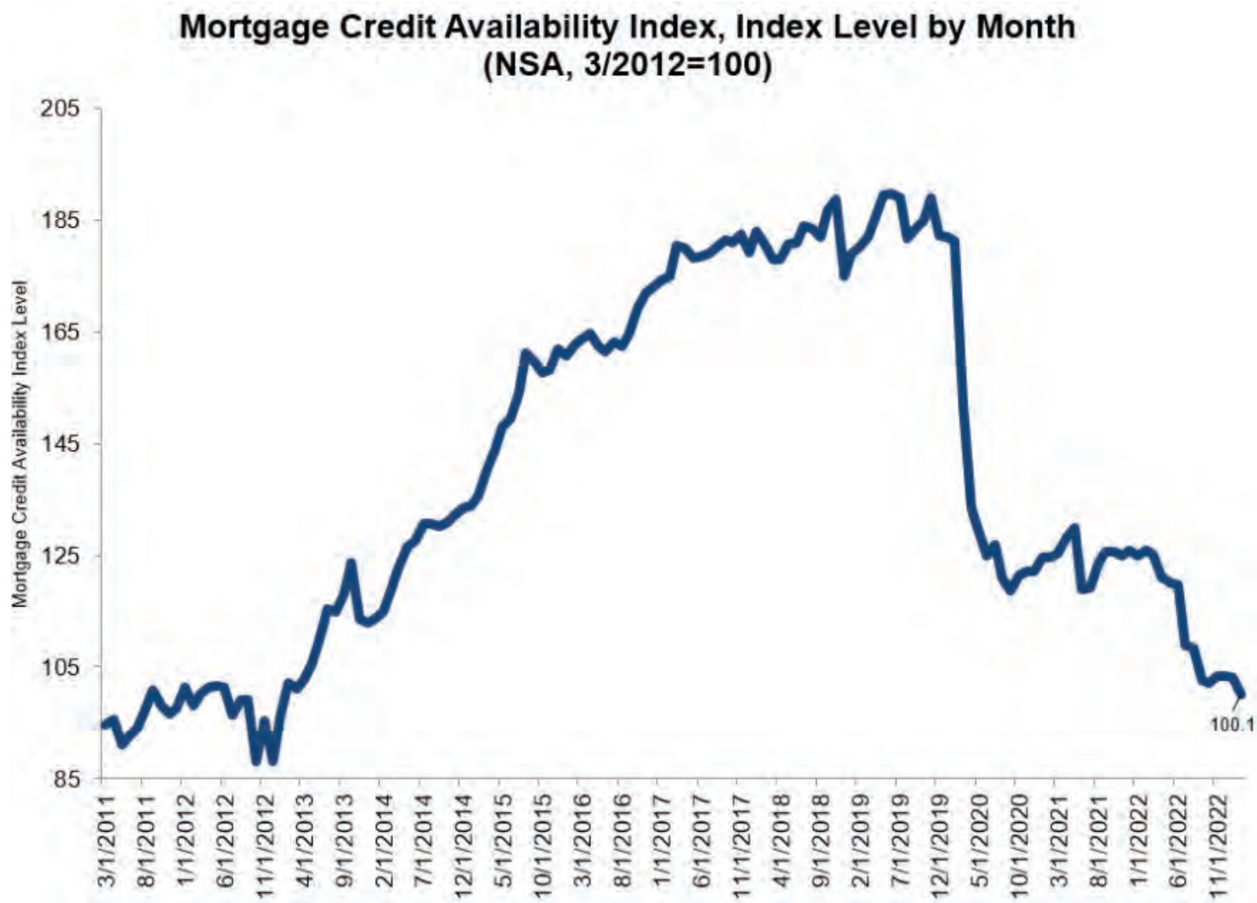
The Mortgage Bankers Association (MBA) publishes a monthly Mortgage Credit Availability Index (MCAI), a report that analyzes data from Ellie Mae's AllRegs® Market Clarity® business information tool. A decline in the MCAI indicates that lending standards are tightening, while increases in the index are indicative of loosening credit. The index was benchmarked to 100 in March 2012.



Source: Mortgage Bankers Association; Powered by ICE Mortgage Technology

The MCAI has fallen to the lowest point in 10 years, according to the February report published on March 14, 2023, almost matching the March 2012 index at 100.1. At this time last year, the index was 126.0, indicating that lending standards are tightening, according to the MBA.

The report also saw the Conventional MCAI decreased by 4.4%, while the Government MCAI decreased by 1.6%. Of the component indices of the Conventional MCAI, the Jumbo MCAI decreased by 4.4%, and the Conforming MCAI fell by 4.3%.

According to the MBA's Vice President and Deputy Chief Economist, Joel Kan, February's mortgage credit availability decreased to its lowest level since January 2013. Kan also said that all loan types saw declines in availability over the month

"The conforming subindex decreased by 4.3% to its lowest level in the survey, which goes back to 2011. This decline was driven by the ongoing trend of shrinking industry capacity as mortgage rates stayed significantly higher than a year ago," Kan continued. "Additionally, in this volatile rate environment and potentially weakening economy, there was also a reduction in refinance programs offered for low credit score and high-LTV borrowers.".

Conventional Mortgage Rates and Production

Fannie Mae's Economic and Strategic Research (ESR) Group released a press release on March 24, 2024, titled "Banking Turmoil May Precede Long-Awaited Recession" with the opening statement:

Uncertainty regarding our latest macroeconomic forecast, which we finalized on March 13, has risen in the wake of the recent turbulence in the banking sector following the failures of Silicon Valley Bank and Signature Bank, as well as troubles with Credit Suisse. However, as of this writing (March 21), we don't believe these events fundamentally change our baseline outlook. We already expected a moderate economic contraction to occur this year, and historically, turbulence in financial markets and the formal banking sector have often been a characteristic of late business cycle dynamics following monetary policy tightening. Many typical recessions have historically included bank failures as an attribute.

Given that this TRENDS publication was due on March 24 (this author did not make that deadline), there might be additional items of turbulence following quickly thereafter. But the Fannie Mae economists are sticking with their commentary:

- Prior to recent banking events, economic data continued to point to stronger-than-expected growth in the first quarter, including large upward data revisions following the completion of our prior forecast. Employment and consumer spending continue to show resilience, and core inflation measures remain elevated. Our updated forecast increases the Q1 2023 real gross domestic product (GDP) estimate and pushes out the timing of an anticipated recession from Q2 2023 into the second half of this year. While the projected timing has been adjusted, many leading indicators, including extreme weakness in the Conference Board's Leading Economic Index® (LEI) and other business surveys, continue to point toward future economic contraction. Furthermore, we believe the level of personal consumption will retrench at a slower pace, as its current level relative to income remains unsustainable.

- We now expect Q1 2023 GDP to grow 0.9 percent annualized, up from our prior expectation of a contraction of 0.4 percent. On a Q4/Q4 basis, we upgraded our 2023 growth forecast to negative 0.3 percent from negative 0.5 percent while downgrading our 2024 growth forecast to 1.2 percent from 1.8 percent, reflecting the later start of the expected recession, though the total projected peak-to-trough decline is similar to last month's forecast. We forecast the unemployment rate to begin moving meaningfully upward around mid-year and to end 2024 above 5 percent.

- For our housing forecast, consistent with the change in timing of our GDP outlook and the update to our interest rate forecast, we revised upward total home sales for Q1 2023 but expect a larger contraction later in the year. We expect total home sales in 2023 to decline 18.4

percent from the 2022 total (previously a 17.6 percent decline), followed by a partial rebound in 2024, with home sales rising 7.1 percent for the year (previously 9.6 percent). Similarly, we modestly downgraded our forecast for total single-family mortgage originations in 2023 to $1.55 trillion (previously $1.69 trillion) and in 2024 to $1.89 trillion (previously $2.03 trillion).

The ESR Group then turned their attention to the impact of recent banking events on housing and mortgage lending:

Housing activity generally experienced a bump up to start the year following a pullback in mortgage rates. Many homebuyers who may have been waiting on the sidelines appear to have jumped in as existing home sales increased 14.5 percent in February, modestly more than we expected based on previous increases in mortgage application data. However, recent mortgage activity points to that level of home sales being temporary, and we expect lower numbers in March.

We expect the recent banking turbulence, aside from affecting general macroeconomic growth, to have other effects on housing and mortgage activity, as well:

1. Single-family mortgage lending in the jumbo market may tighten significantly, leading to fewer sales in related regions and market segments. Unlike conforming loans, which are largely financed through mortgage-backed securities (MBS) via capital markets, the jumbo mortgage space is almost entirely funded via the banking sector, and some regional banks are more concentrated in jumbo mortgage lending than others. Ongoing liquidity stress could limit home financing and, therefore, sales in the related market segments and geographies with high jumbo concentration. As of February 2022, jumbo loans account for approximately 12 percent of all loans originated.

2. Construction activity may be hampered. Like jumbo mortgage lending, construction and development loans both for single-family construction and multifamily construction are heavily financed by regional and community banks specializing in this area. Small and midsized banks, defined as those with fewer domestic assets than the top 25 banks, account for approximately two-thirds of total bank-financed commercial real estate loans. We would therefore expect a drag on housing starts and multifamily residential sales.

3. Mortgage rates are likely to pull back in light of the 10-year Treasury rate falling, but in the near term, not as greatly as the treasury rate. All else equal, high volatility in rates tends to widen the Treasury/MBS and MBS/30-year fixed-rate mortgage spreads. Furthermore, if some banks are selling their MBS holdings to manage liquidity, or if investors simply anticipate such behavior, this will likely add to upward pressure on the spread. But to the extent that mortgage rates do pull back, this may add some short-term support to the spring homebuying season in the conforming mortgage space as buyers currently on the sidelines may look to take advantage, as others did at the start of the year when rates fell from their peak over 7 percent.

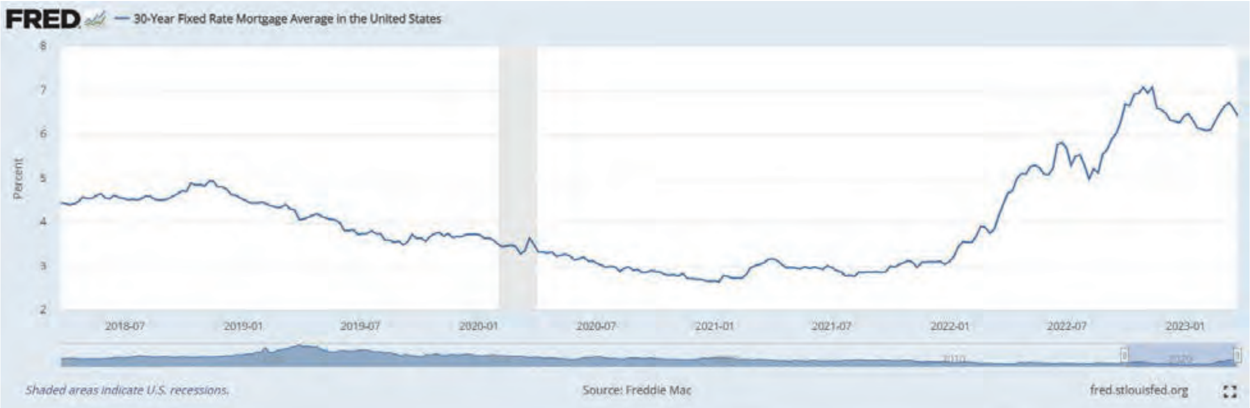
Regardless of how the banking turbulence plays out, we continue to expect home sales activity to remain subdued for the remainder of 2023. Even if mortgage rates were to pull back to 6 percent, affordability remains highly constrained. Additionally, most existing mortgage borrowers will continue to have rates well below current market rates. This “lock-in” effect, where existing homeowners are hesitant to give up their low mortgage rates, remains a strong disincentive to move to a new home. Even at a 6 percent mortgage rate, we estimate that 64 percent of outstanding Fannie Mae fixed-rate, 30-year mortgages would have at least a 2 percent rate disincentive, and another 22 percent would have a 1-to-2 percent rate disincentive.

For housing construction, single-family housing starts rose 1.1 percent in February. However, given the current level of housing permits, which tend to be more reflective of the underlying construction trend, we are anticipating further near-term declines going forward, even aside from any recent repercussions to construction and development loan credit tightening.

We have downgraded our outlook for single-family purchase mortgage originations due to a downward revision to the home sales forecast. We now expect purchase mortgage volumes to be $1.24 trillion in 2023 and $1.35 trillion in 2024, representing downgrades of $76 billion and $106 billion, respectively, from our prior forecast.

For refinances, this month's higher rate expectation drove downward revisions in our originations forecast by roughly $60 and $40 billion in 2023 and 2024, respectively. However, with a mortgage rate pullback since the completion of our interest rate forecast prior to the banking turmoil, we see a modest upside risk to the originations forecast.

The chart below shows the history of average 30-year (6.42% as of March 23, 2023) and average 15-year rates (5.68% as of March 23, 2023) for the past five years:



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