

CLASS "A" OFFICE BUILDING SALES
Baton Rouge: Spring 1999 Report

Presented By:

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Class “A” Office Building Sales 1998 & 1st quarter 1999

Overview

This report was prepared from data collected from telephone surveys conducted during the first quarter of 1999. It is believed that the data provides a general indication of conditions at the time of the report.

Within the last eighteen months there has been more recorded sales of Class “A” office buildings than any other previous eighteen months during which such information has been collected for the Trends report. Seven buildings were sold to a variety of buyers as an investment or for the buyers’ use. Prices reflect a strong market for these properties, which is a direct result of occupancy rates typically above 95% along with high rental rates.

These sales occurred in three of the four submarkets. The Downtown area had three building sales. Three properties transferred in the Essen-Bluebonnet area. While in the Sherwood Forest area one building sold. The Sherwood Forest building sales was the highest dollar per square foot transaction.

CLASS "A" OFFICE BUILDING SALES

1998 & 1ST QUARTER OF 1999

TOTAL SALES VOLUME \$108,615,000.00

<i>BUILDING</i>	<i>SALES PER SQUARE FOOT</i>	<i>SALES PRICE</i>
BellSouth Mobility	\$135.52	\$9,500,000
Bank One – North Tower	\$110.36	\$21,500,000
Three United Plaza	\$112.18	\$6,450,000
Two United Plaza	\$94.92	\$18,700,000
One United Plaza	\$95.01	\$8,950,000
One American Place	\$83.33	\$27,515,000
City Plaza	\$99.00	\$16,000,000



Building:	BellSouth Mobility
Size:	70,100 sq.ft.
Price:	\$9,500,000.00
Price / Sq.Ft.:	\$135.52



Building: Bank One-North Tower

Size: 194,819 sq.ft.

Price: \$21,500,000.00

Price / Sq.Ft.: \$110.36



Building:	Three United Plaza
Size:	58,000 sq.ft.
Price:	\$6,450,000.00
Price / Sq.Ft.:	\$112.18



Building:	Two United Plaza
Size:	207,791 sq.ft.
Price:	\$18,700,000.00
Price / Sq.Ft.:	\$94.92



Building: One United Plaza

Size: 98,188 sq.ft.

Price: \$8,950,000.00

Price / Sq.Ft.: \$95.01



Building: One American Place

Size: 330,176 sq.ft.

Price: \$27,515,000.00

Price / Sq.Ft.: \$83.33



Building:	City Plaza
Size:	161,594 sq.ft.
Price:	\$16,000,000.00
Price / Sq.Ft.:	\$99.01

WHO ARE THE BUYERS FOR THESE PROPERTIES?

Six of the seven properties were purchased as investments. Local companies bought three properties while three out of town investment companies purchased the remaining three. These properties are located throughout Baton Rouge in various submarkets.

The submarket with the most activity is the Essen-Bluebonnet area, primarily in the United Plaza Office Park. United Companies divested of most of its real estate in 1998 due to its financial condition. Stirling United Plaza, LLC purchased **One United Plaza** and **Two United Plaza**. Each property has vacancy created by the United Companies downsize. This vacancy should be leased in a relatively short timeframe.

In the Sherwood Forest corridor the **BellSouth Mobility** building was sold to the University of Chicago as an investment. The university's pension fund purchased an income stream. This building is a build-to-suit for BellSouth Mobility. The company leases the entire 70,100 square feet on a long-term basis.

The Downtown area has had the most changes. Three of the four Class “A” office building have transferred ownership since September of 1998. The **Bank One – North Tower** was marketed in a portfolio package, which was purchased by Loutex Baton Rouge, LP. Bank One remained as a tenant in this building by leasing a substantial amount of square feet on a long-term lease making this an attractive deal for the purchaser. Bank One also acquired the **City Plaza** building when they purchased First Commerce Corp (which owned City National Bank). City Plaza, LLC purchased the property in March 1999. The Prudential Insurance Company Of America sold **One American Place** in March 1999. This property was sold to a national fund that purchases multi-tenant office properties.

Finally, Three United Plaza was sold to Shaw Group, Inc. in September 1998. They have relocated to the building and occupy the majority of the 58,000 square feet of building space.

TREND IN CLASS “A” OFFICE BUILDING SALES

As indicated in the bar graph below the Trend in office building sales is an increasing price per square foot. Data for this chart was collected from 1991 to present.

The continued growth of the economy creates a strong demand for office building property. This demand facilitates higher rental rates, which ultimately push sales prices higher. Higher sales prices usually spark new construction. Naturally, new construction of office buildings may create an over-expansion on the supply side and harm the market for a period of time. This activity will slow down or stop rental rate increases.

In conclusion, because of our high rental rates and high sales prices per square foot, several new office buildings are planned in the Baton Rouge metropolitan market. It seems evident that sale prices will remain constant throughout the next few years assuming these new buildings are constructed.