A BRIEF OVERVIEW OF THE BATON ROUGE OFFICE MARKET

RENTAL RATES AND OCCUPANCY LEVELS

1998-1999

Presented by
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I. Introduction

An overview of the of the rental rates and occupancy level of the Baton Rouge Office Market for selected periods of 1998 through 1999 shall be presented, followed by graphs of the averaged Rental Rates and Occupancy Levels of Class A and B Buildings from 1993 through 1999. The data presented indicates yet another "banner" year for the Baton Rouge office market. Occupancy rates continue at levels well below the national average, throughout all sectors of the city, regardless of the Class of office space. The Baton Rouge Rental Rates are at an all time high over the period of recordation for Trends.

The data sources utilized to prepare this information included, but was not limited to the resources available to the Committee Members of the Office Committee for the 1999 Trends in Real Estate (11th Annual), data from previous Trends reports and files for comparison and verification, data from property Owners or representatives thereof for the Buildings reported on and data from the LSU Real estate Research Institute. Without the assistance and cooperation of all of the above, there would be no Office Report, or an 11th Annual Trends in Real Estate. Thank you to each of you for efforts and cooperation.

II. Occupancy Levels

In the Class A market, the average occupancy level decreased an insignificant amount from 98.35% to 97.86%. This level of occupancy is extremely high as compared to the national occupancy average of approximately 88.85%. Certain segments of the Class A market have continued to perform at unprecedented levels, with the CBD and Sherwood Forest area continuing to maintain 100% occupancy or nearly so with 98.75% for the CBD. Designated by the sub-areas of the City, the spring 1999 averaged occupancy levels area as follows.

CLASS A

AREA	Occ. %	# Bldgs	Total SF Available
Downtown (CBD)	98.75%	4	1,024,814
Acadian-College Drive area	95.34%	3	281,400
Essen-Bluebonnet area	94.12%	8	807,680
Sherwood Forest	100.00%	2	173,000
Averaged/total of values	97.02%	17	2,286,894 SF

The Class B Office market also performed very well over the past year with the average occupancy rate increasing overall from 89.27% in the spring of 1998 to 96.00% in the spring of 1999. The CBD and the Acadian-College Drive area were the strongest values in the Class B market with the averaged occupancy levels of the primary areas shown below.

CLASS B

AREA	Occ. %	# Bldgs	Total SF Available
Downtown (CBD)	96.02%	6	175,680
Acadian-College Drive Area	97.17%	3	158,526
Sherwood Forest	94.81%	9	570,100
Averaged/total of values	96.00%	18	904,486 SF

III. Rental Rates

In the Class A market, the average rental rate increased a significant amount from $16.69/SF to $17.50/SF. This increase of rental rate was projected last year. The CBD segment of the Class A market is also the leader in the averaged rental rate race with $18.69/SF. Other areas also are doing extremely well and the upward trend is projected to continue. By area of the City, the spring 1999 averaged rental rates by area are as follows.

<u>CLASS A</u>

AREA	$/SF	# Bldgs	Total SF Available
Downtown (CBD)	$18.69/SF	4	1,024,814
Acadian-College Drive area	$18.67/SF	3	281,400
Essen-Bluebonnet area	$17.49/SF	8	807,680
Sherwood Forest	$17.25/SF	2	173,000
Averaged/total of values	$18.02/SF	17	2,286,894 SF

The Class B Office market also performed very well over the past year with the average rental rate increasing overall from $13.29/SF in the spring of 1998 to $13.51/SF in the spring of 1999. The Sherwood Forest area and the Acadian-College Drive area were the strongest values in the Class B market with the averaged rental rates for spring 1999 of the primary areas shown below.

<u>CLASS B</u>

AREA	$/SF	# Bldgs	Total SF Available
Downtown (CBD)	$13.27/SF	6	175,680
Acadian-College Drive Area	$14.83/SF	3	158,526
Sherwood Forest	$14.54/SF	9	570,100
Averaged/total of values	$14.21/SF	18	904,486 SF

IV. Conclusion and Projections

The office market in Baton Rouge should remain strong throughout the year. The positive growth in the sectors of market should continue with the average rental rate of office space continuing to increase. The current averaged rental rate of office space for both Class A and B office space is $15.69/SF, which is significantly higher than the spring 1998 value of $14.97/SF

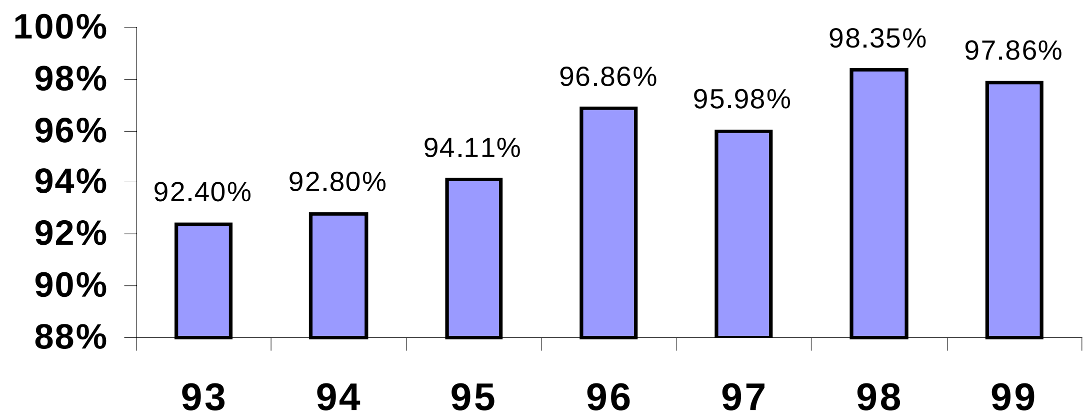
The Class C office space continues to amaze everyone. This classification of office space is difficult to define because I includes dated office buildings that are several decades old along with the brand new single story office buildings that are being constructed everywhere in South Baton Rouge. The new construction rental rate values are very similar to Class A & B rental space with rates in the $14 to $16/SF range not abnormal for high quality “drive-up” office buildings.

In the fall of 1990 the average occupancy level of office space in Class A and B was 86.13% and the average rental rate was $12.21/SF. In the fall of 1998, the average occupancy of the Class A & B office space was 96.91% with an average rental rate of $15.23/SF.

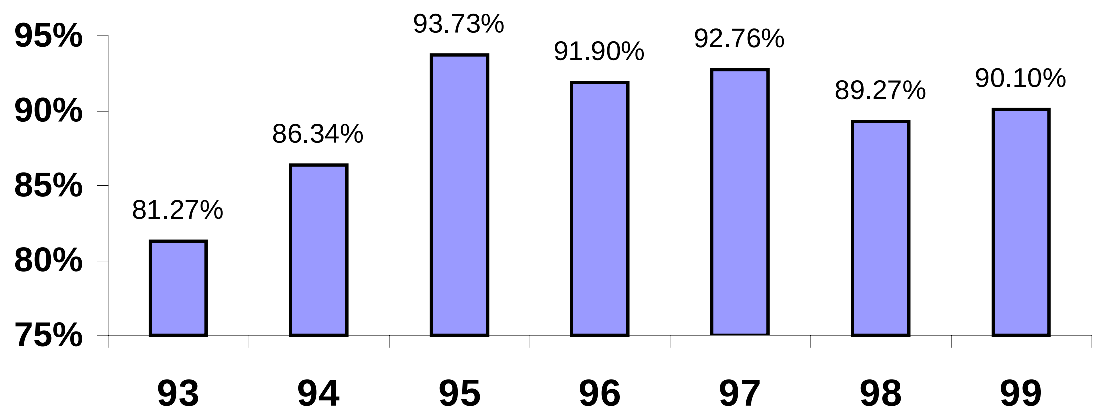
Build-to-suit projects will continue in Baton Rouge as the lack of availability of space drives the tenants to plan as much as a year ahead of occupancy needs to achieve their functional office needs with new construction and long term leases. The Industriplex has achieved a tremendous acceptance of the flex building conversion to predominantly office space as these structures are leased by national credit worthy tenants prior to the conclusion of the new construction. Several existing flex buildings were also converted and leased immediately due to the demand for office space in sought Baton Rouge. The typical rental rate for the flex space has been in the $10 to $11/SF, with triple net leases being the market “norm” (pro-rata percentage of all expenses paid by tenant).

Currently there are approximately 50,000 SF of Class A space available in Baton Rouge and approximately 100,000 SF of Class B space available. With the lack of availability of office space, the projection of rental rates increasing by five to eight per cent (5% - 8%), with a variance by area should not be unrealistic. We may also see the average rental rate of Class A space in the CBD exceed $18.50/SF as the market continues to push the developers to construct a new Class A office building in the CBD.

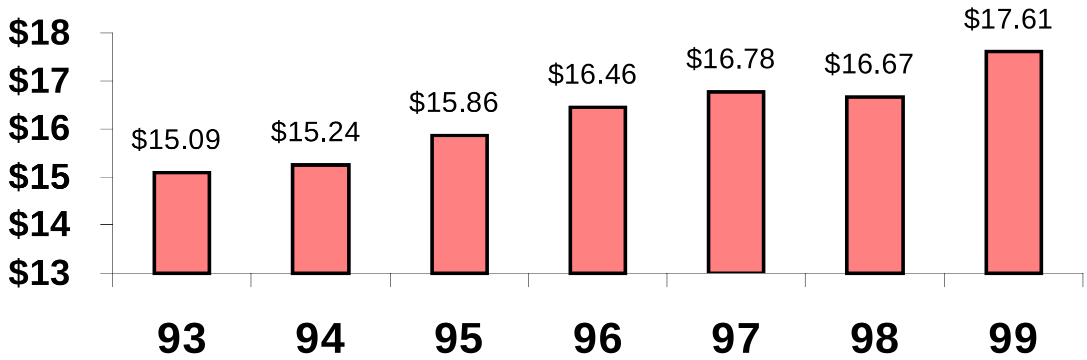
Class A Occupancy Rates



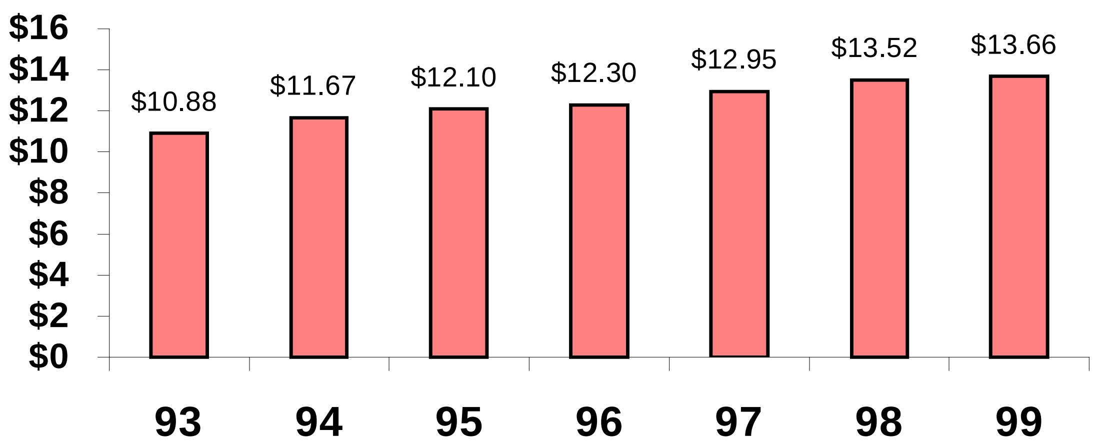
Class B Occupancy Rates



Class A Office Rental Rates



Class B Office Rental Rates



BATON ROUGE OFFICE MARKET

CLASS A OFFICE BUILDING CRITERIA

The following criteria of building specifications have been established by the Office Committee of the 11th Annual Trends in Real Estate Seminar for the market sampling. However, in some cases, the Committee has permitted small deviations from the criteria, in keeping with the local market, if the Building substantially fulfilled all of the other established criteria.

- 60,000 Square Feet Minimum
- Four Stories or more
- Masonry, Glass, Stone or Marble Exterior
- Steel Frame Construction
- More than One Cable Driven High Speed Elevator
- High Quality Interior Finish
- Nine Foot Ceiling Minimum in Tenant Areas, Higher Ceiling in Common Areas
- Oversize Entry Doors with Commercial Grade Hardware
- Interior Construction -- Metal Studs with very little usage of wood except for trim
- Recessed Fluorescent Lighting in Suspended Acoustical Ceilings
- Common Lobby Entrance with a High Quality Interior Finish
- Full Service Operations – All Services Provided By the Building

CLASS A OFFICE BUILDINGS

4000 S. Sherwood Forest Office Building

Acadian Centre

Acadian Trace

Bluebonnet Centre

Bank One South Tower

Bank One North Tower

CDI Centre

City Plaza

Corporate Atrium

Essen Centre

Jefferson Brentwood

One American Place

Unite Plaza I

United Plaza II

United Plaza III

United Plaza IV

United Plaza IX

United Plaza XII

CLASS B OFFICE BUILDING CRITERIA

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- 30,000 Square Feet Minimum
- Typically Two or More Stories
- Construction Style Commercial in Nature with High Ceilings
- Common Lobby Entrance
- Typically Limited Use of Wood, Except for Decorative Purposes
- Maintained and Landscaped Grounds and Entrances
- Full Service Operations – All Services Provided by the Building

CLASS B OFFICE BUILDINGS

Corporate II	Corporate Centre
Court Plaza	Gras Town Plaza
Lamar Building	Louisiana Companies
Medical Center Plaza	Oaks of Kingsbridge
One Perkins Place	Operations Center
Roumain Building	Sherwood II
Sherwood Oaks	Sherwood Towers
Sherwood Plaza Business Park	State National Life
Sherwood Twelve Plaza	Versailles Building
Union Planters Bank Building	Taylor Building

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