

TRENDS 2004

OFFICE MARKET COUNCIL EXECUTIVE SUMMARY

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Overall, the nation's recent economic downturn has translated into additional office vacancy for the Baton Rouge Market in 2003. However, the decreases in occupancy rates were minor, seeming to indicate a halt to the negative absorption. In the Fall of 2003, the overall market was 87.29% occupied, as compared with 88.45% the same time in 2002. The average rental rate in the Fall of 2003 for both Class A and Class B was \$16.24, down only \$0.04 from the 2002 average. Over 2003, landlords were offering more concessions in tenant improvement expenditures and rent abatement in order to maintain rent levels.

The average rental rate for the Class A market actually increased slightly in the Fall of 2003 to \$19.14. This increase was driven mainly by the high rents being charged for new construction in the Corporate Boulevard market. Occupancy rates for the Class A market in the Fall of 2003 declined slightly to 91.75%, caused in large by increased Downtown and Acadian vacancies from State office consolidation.

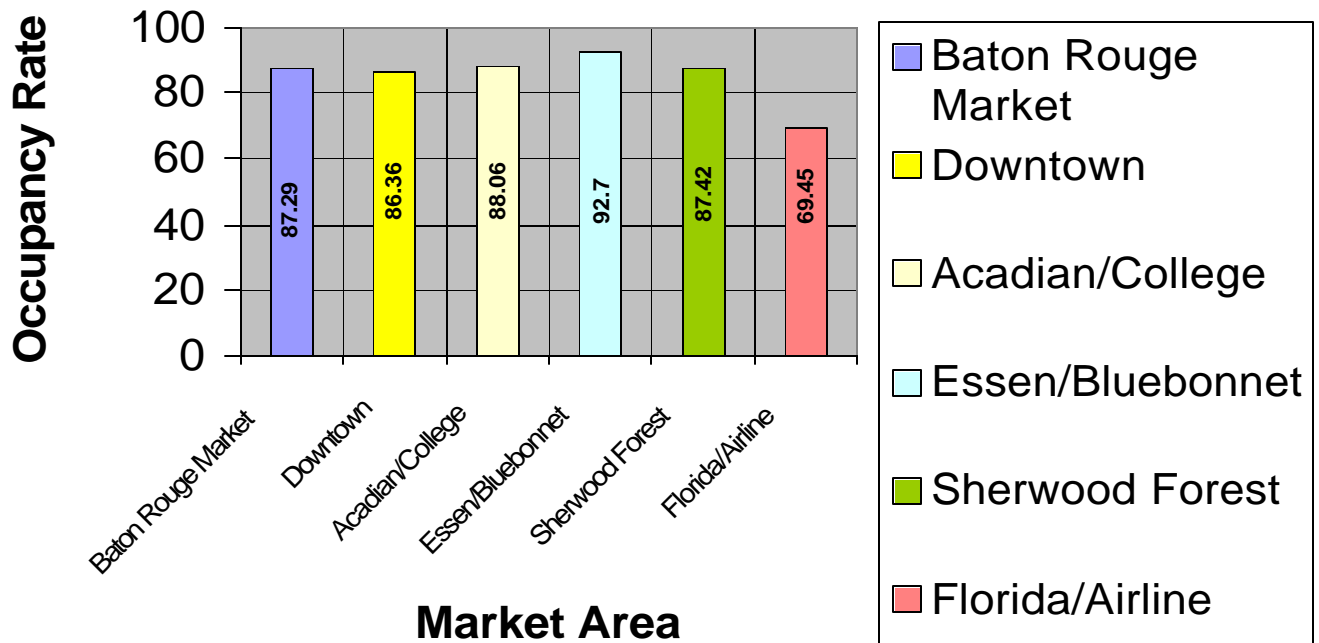
The Class B market suffered increasing vacancy in 2003. Occupancy rates fell to 79.74% in the Fall of 2003 down over 2.5% from 2002. The decrease was fueled mainly by the construction of more Suburban/Drive Up space and State office consolidation. The average rental rate for the Class B market \$14.06 down slightly from \$14.22 in 2002.

While Baton Rouge, enjoyed occupancy rates in the 90% ranges for both Class A and B in previous years, 2000-2003 has shown a trend of Occupancy rates hovering in upper eighty percent range. Absorption over recent months has been predominantly flat. Market experts indicate that large blocks of space are being offered at discounts to attract tenants, while smaller spaces are being leased by providing rent incentives, stepped leases, and higher tenant improvement allowances to reduce the tenant's total lease cost.

The Baton Rouge Office market made the Society of Industrial and Office Realtors' Top Ten list of office markets in the nation with the lowest vacancy rates in early 2003. Baton Rouge, however, has fallen off that list as of 2004. The slowdown in the national economy has had its effect on Baton Rouge and our Tenant base. However, as signs of economic improvement continue, so will our office market.

Absorption over the short term will continue to be slow, with the predominant tenants being small local or regional users. As time goes by we should see an increase in occupancy rates as more national corporations halt their downsizing and begin to re-hire. Rental rates have remained largely unchanged over the past few years, with the exception of rates being demanded by new construction. This trend should continue into the foreseeable future as incentives are offered in other forms as discussed above. Landlords will continue to offer incentives and concessions to lure tenants during the recovery period.

Summary of Baton Rouge Office Market Fall 2003



	Class A	Class B	Total
Downtown	88.04	82.86	86.36
Acadian/College	94.93	72.82	88.06
Essen/Bluebonnet	92.47	N/A	92.70
Sherwood Forest	94.80	84.44	87.42
Florida/Airline	N/A	69.45	69.45
Total	91.75	79.74	87.29