Section C

Industrial/Warehouse Space in
Baton Rouge:  Spring 1998

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Overview

Commercial/Industrial land prices continue to rise, but at a slower pace since 1994. Prime lots are scarce. Rents for industrial space have continued to increase, if only moderately, over last years rates. The demand for industrial space for sale exceeds the current supply.

Speculative development continues mainly in smaller size properties and service center space. Speculative development is occurring in southeast Baton Rouge in newer, better quality industrial developments. The chemical industry is gearing up for a new round of expansions. Industrial storage users have significantly increased their absorption of space. Exxon and Dow are storing product at record levels. Financing is still readily available, while build-to-suits are leveling off.

New permits for warehouses in the last year were only 230,000 square feet. Net absorption was 346,000 square feet.

There is a substantial shortage of prime industrial buildings. Vacancy rates are at 3.4% for properties of all sizes, with only 550,000 square feet available.

Outlook

- Sale and lease prices are expected to increase by at least 5% in the next year.
- Site prices should increase in 1998. As you can see in Exhibit 2, prime light industrial sales prices are now averaging $3.31 per square foot up 9%. Other lots in less desirable locations and developments average $1.61 per square foot, up about 7% from last year.
• We are seeing a shortage of light industrial lots, especially in southeast Baton Rouge. The first new industrial part in East Baton Rouge since 1984 will be developed this year on Highland Road at I-10.

• New construction of warehouse/distribution and service center space is expected to increase 10% or more. There is a 250,000 square foot spec building on the drawing board at this time, which will be the largest spec warehouse ever built in Baton Rouge.

• Dollar volume of sales should be flat due to shortage of available inventory. Lease rates are at a level where new speculative building looks good for the investor.

**Conclusion**

The overall industrial market is healthy, but there is a shortage of inventory. Speculative construction is below market demand. Demand for larger facilities over 20,000 square feet to 100,000 square feet is good.

Our growth is very controlled. Overbuilding is not likely to occur in the near future. In fact, southeast Baton Rouge is currently underbuilt. Warehouses in even the older sections of town are selling. Existing warehouses appear to be a better buy compared to the high cost of new construction. 1998 will bring us new industrial land development along with increased speculative construction. We have finally started to look like a normal market. It has taken us 13 years to get back to this point. That’s why industrial real estate investments are considered the riskiest of all real estate categories.
Industrial/Warehouse
Market Data

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
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<tbody>
<tr>
<td>Total Square Feet</td>
<td>15,992,000</td>
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<tr>
<td>Vacant</td>
<td>550,000</td>
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<tr>
<td>Vacancy Rates</td>
<td>3.4%</td>
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<tr>
<td>Under Construction</td>
<td>160,000</td>
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<tr>
<td>Net Absorption</td>
<td>346,000</td>
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