Section A

A Survey of Shopping Centers in
Baton Rouge: Spring 1998

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Overview

This report was prepared from data collected from telephone surveys conducted during February and March 1998. The Institute did not provide extensive independent verification, but did check quoted rents and/or vacancies that appeared anomalous. The rents are collected on a high-low asking basis as an indicator of current conditions. In some instances, the high-low indicator would be misleading and thus an average rent for the property was used.

In the sample of shopping centers employed for this Spring 1998 survey, non-responding observations were eliminated in an attempt to provide consistent figures for meaningful comparisons. Eighty centers reported both rents and vacancies and therefore comprise the complete sample.

Some general trends are:

- The average rent observed for the 80 centers increased to $9.54 per square foot.
- The percentage of total vacant space surveyed decreased to 10.86 percent.
- The majority of centers surveyed (70.0%) report less than or equal to 10% vacancy.
- Approximately 44% of the total space surveyed is located south of Choctaw and east of Airline.
- Shopping centers with more than 200,000 square feet continue to yield higher average rents than smaller centers. Although this category is dominated by Cortana Mall and the Mall of Louisiana, high rents are found for all centers in this group.
- Regional centers have significantly higher rents than community and neighborhood centers.
**Description of Sample**

Eighty shopping centers containing approximately 9.5 million square feet of leaseable space were surveyed. An analysis of rents and vacancies was conducted using data from all 80 centers. All shopping centers are multi-tenant buildings containing at least 14,000 square feet and are managed as a single unit. Although this survey includes data from the Spring of 1996 through the Spring 1998, it does not represent identical square footage for each one year period; thus direct comparisons are not always appropriate. However, we believe that the rates of change in vacancies shown in all tables are indicative of general market conditions.

Analyses were performed by type, age, location, and size of center. Data on the center types were provided by local leasing agents in cooperation with CID and the Greater Baton Rouge Association of REALTORS®. Centers are defined as:

1. A **neighborhood center** provides convenience goods as well as personal services (such as barber shops, laundry, and shoe repair), to meet the living needs of the neighborhood.

2. A **community center** provides clothing, hardware, and appliances, in addition to convenience goods and personal services. Typically, these are built around a small department, variety, or discount store.

3. A **regional center** provides 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 100,000 square feet.

Table 1 lists the shopping centers, providing the name, address, zip code, leasable area, year opened, and leasing agent. Exhibit 1 provides an identification of shopping centers by location on a map of the Baton Rouge area.

**TABLE 1  Characteristics of Shopping Centers: 1998**

**EXHIBIT 1  Shopping Centers by Area**
Analysis of Rents

The average rent for all centers surveyed is $9.54 per square foot, an increase of $0.67 over the average rents observed last year (see Table 2). Regional centers, with an average rental rate of $17.42 command considerably higher rents than neighborhood or community centers (see Table 9). Per-square-foot rents for neighborhood centers are higher than the community centers with an average rent of $9.22 as compared with the community center average rent of $8.16. Over the last three years, regional centers have continued to show consistently higher rents. Neighborhood centers also report higher average rents each year, while community centers show a modest rise in rental rates.

Analysis by Vacancy Rate

Table 2 contains the analysis by vacancy rate. Overall vacancy rates have decreased from 13.16 percent to 10.86 percent from Spring 1997 to Spring 1998. However, the vacancy rates among different centers vary widely: 70.0 percent of the centers surveyed currently have vacancy rates less than or equal to 10 percent; on the other hand, five centers exhibit vacancy rates of over 50%. These high-vacancy properties are concentrated in the 50,000-100,000 square foot (Size 2) category. Table 3 shows that shopping centers with 50,000 square feet or less (Size 1) and centers with >200,000 square feet (Size 4) have the lowest average vacancy with rates of 5.97 percent and 9.83 percent, respectively.

TABLE 2  Characteristics of Shopping Centers by Vacancy Rate
Analysis by Size

Table 3 provides the analysis based on the size characteristics of the shopping centers. The size categories are defined as follows:

Size 1 $\leq 50,000$

50,000 $<\text{Size } 2 \leq 100,000$

100,000 $<\text{Size } 3 \leq 200,000$

200,000 $<\text{Size } 4$

Centers with 50,000 square feet or less report a vacancy rate of 5.97 percent, which is 4.89 percentage points below the mean of the entire sample (10.86). This represents an increase of 0.08 percentage points from the Spring 1997 vacancy rate for the Size 1 centers of 5.89 percent. The Size 2 centers experienced a slight increase in vacancies from 13.21 percent in Spring 1997 to 13.93 percent in Spring 1998 and continue to report the highest percentage of vacancies among all size categories. Size 3 centers have a vacancy rate of 11.28 percent, which is 1.35 percentage points lower than the vacancy reported for this center type in Spring 1997 (12.63 percent). The Size 4 centers showed a 5.22 percentage point decrease in vacancy rates to 9.83 percent.

The average rent for centers of the first three size categories ranges between $7.91 and $10.73 per square foot. The Size 4 centers demand an average rent of $18.60 per square foot. Average rental rates increased among centers of all sizes, with the most significant increase occurring in Size 4 centers, which reported an increase of more than $3.00 per square foot.

TABLE 3  Characteristics of Shopping Centers by Size
**Analysis by Age**

Table 4 contains the analysis by age of shopping centers with the four groups defined as follows:

1. Age 1 - built after 1985
2. Age 2 - built 1980 to 1985
3. Age 3 - built 1970 to 1979
4. Age 4 - built before 1970

The 26 newest centers (Age 1) comprise 31.69 percent of the total surveyed leasable space in Baton Rouge. Among these 26 centers, the average vacancy rate is 4.28 percent, down significantly from 10.31 percent in Spring 1997. The centers in Age 1 demonstrate the lowest vacancy rates of all age groups. The average rental rate for the newest centers is $12.74, which is by far the highest of any age group.

Centers classified as Age 2 make up 12.34 percent of the total surveyed leasable space and have a vacancy rate of 11.34 percent. Rents per square foot for Spring 1998 are $8.68 as compared to $8.36 for Spring 1997.

The shopping centers built in the 70’s (Age 3) have vacancy rate of 9.94 percent, with average rental rates of $8.55. This represents a slight decrease in average rental rates from $8.89 in Spring 1997.

Age 4 properties, built before 1970, show a moderate increase in vacancy levels from the Spring 1997. The average vacancy rate for Age 4 properties is 20.78, an increase of 1.98 percentage points from the Spring 1997 levels. Rents have decreased slightly for these properties and now average $6.96 per square foot.

**TABLE 4  Characteristics of Shopping Centers by Age Distribution**
**Analysis by Geographic Area**

Exhibit 1 (p. 10) shows the geographic breakdown of the Baton Rouge shopping center survey area. The analysis of vacancy and rent for these areas is provided in Table 5. The geographic areas are as follows:

1. **Area 1**, located south of I-10, I-12, and west of Airline, contains approximately 2.933 square feet of surveyed shopping center space;

2. **Area 2**, bounded by the river to the west, I-10, I-12, and Airline Highway, includes 1.946 million square feet of surveyed shopping space;

3. **Area 3**, north of Choctaw and east of Airline, has the smallest total space (approximately 963,000 square feet surveyed space);

4. **Area 4**, south of Choctaw and east of Airline, contains the largest total leasable space (approximately 3.720 million square feet surveyed).

Area 1 shows a modest decrease in the average vacancy rate of 2.23 percentage points, bringing the average vacancy in this area to 7.48 percent for Spring 1998. The average vacancy rate in Area 2 decreased a bit, dropping to 20.38 percent for Spring 1998, but this continues to represent the highest vacancy of the four areas. Average vacancy in Area 3 showed an increase from 16.71 percent to 18.20 percent in the Spring 1998. Vacancy in Area 4 continued to be the lowest of the four areas, decreasing 2.73 percentage points to 6.65 percent.

Areas 1 and 4 have the highest average rental rates of $11.67 and $9.76, respectively. The rental rate of $8.14 in Area 2 is somewhat lower than rents in Areas 1 and 4, but does represent an increase from the rate of $7.77 for the last period. Average rent in Area 3, which is the lowest of the four areas at $6.49, increased $0.33 from the Spring 1997 rent of $6.16.

**TABLE 5  Characteristics of Shopping Centers by Geographic Area**
Analysis by Geographic Area and Size

Table 6 provides the analysis by geographic areas and size categories. Each area has at least one center of each size except Area 3, which does not have a property over 200,000 square feet.

In Area 1, Size 4 and Size 1 centers have the highest average rental rates of $21.13 and $12.89, respectively. Lowest average rent in this area ($8.23 per sq.ft.) is found in Size 3. Average vacancy rates declined for Size 2 and 4, decreasing 1.55 and 4.44 percentage points respectively. Meanwhile, average vacancy rates Size 1 and Size 3 centers rose 0.58 and 4.23 percentage points in the Spring 1998.

In Area 2, Size 4 centers continue to report the highest average vacancy rates (39.02 percent). All size categories in Area 2 have average rents greater than or equal to $8.00 per sq. ft. except for Size 3, which reported an average rent per sq. ft. of $6.88 for Spring 1998. However, average rental rates declined for all sizes in this area with the exception of Size 3, which increased $1.30 per square foot, and Size 4, which reported no change.

Area 3 has no shopping center of more than 200,000 square feet. Average vacancy rates increased for all sized centers in this area except Size 3. Average rental prices for Area 1 held relatively steady except for Size 3, which increased from $6.06 per square foot in Spring 1997 to $7.56 per square foot in Spring 1998.

The highest vacancy rates in Area 4 (15.04 percent) are found in Size 3 centers while the lowest average vacancy in this area (1.82 percent) is in Size 4. Only Size 2 centers in this area reported an increase in average rent per square foot. All other sizes reported stable or decreasing rental rates.

TABLE 6  Characteristics of Shopping Centers by Geographic Area and Size
See Table 3 for size categories and Exhibit 1 for a map of the four areas.
Analysis by Geographic Area and Age

Table 7 contains the analysis by geographic area and age groups. Centers built in the early 1980’s have the lowest vacancy in Area 1 and command the second highest rents in this same area. Vacancy rates have decreased in all age categories Area 1 with the exception of Age 3. The highest average vacancy for all ages and areas (27.80 percent) is found among Area 3, Age 3 buildings. Buildings in Area 1, Age 1 report the highest average rental rates at $15.80 per square foot due to the heavy influence of the Mall of Louisiana in this area.

Analysis by Size and Age

Table 8 contains an analysis by size categories and age groups. Properties built before 1970 (Age 4) 50,000 or less square feet (Size 1) continue to show a decreased in rental rates from the Spring 1997 report ($8.33 per square foot to $6.75 per square foot). However, the average vacancy rate for these buildings in Spring 1998 was reported as 0.00 percent.

Properties over 200,000 square feet, dominated by Cortana Mall (Size 4, Age 3) have a vacancy rate of 1.30 percent. The lowest rental rates are found in Size 2 (50,000-100,000 square feet), Age 3 (built in the 1980-1985) category at $6.50 per square foot. No properties over 200,000 square feet rent for less than an average of $8.00 per square foot.

TABLE 7  Characteristics of Shopping Centers by Geographic Area and Age
TABLE 8  Characteristics of Shopping Centers by Size and Age
**Analysis by Type**

Table 9 provides the analysis by type of center. The vacancy rate of neighborhood centers (11.48 percent) is slightly lower than that of the community centers (11.87 percent). Figures 9A and 9B reflect the slight increase in average vacancy rates among both neighborhood and community centers. While regional centers reported the highest average vacancies (16.11 percent) in Spring 1997, Spring 1998 numbers indicate that regional centers now have lower average vacancy rates (9.79) than both neighborhood and community centers.

Average rents have been higher for neighborhood centers than for community centers for the past three years. The average rates per square foot for neighborhood and community centers are $9.22 and $8.16 respectively. The average rent for regional shopping centers is much higher at $17.42. This figure reflects a moderate increase in the $14.60 rate that was reported for the past two years. Cortana Mall and Mall of Louisiana are the largest of the regional centers and greatly influence the average rates reported for regional centers.

**Analysis by Type and Size**

Table 10 provides the analysis by center type and size. In neighborhood centers, almost 64 percent of the total leasable space is contained in centers with 50,001-100,000 square feet (Size 2). Most community centers can be categorized as Size 3 (100,001-200,000 square feet). All regional centers are over 100,000 square feet, with the majority of the space split between two centers, each comprising more than 200,000 square feet.

Regional centers with over 200,000 square feet exhibit the highest vacancy rate of 10.77 percent. Community centers with 50,000 square feet report 9.62 vacancy rate compared to zero vacancies during the last two years. Rental rates for all types of centers have increased or remained the same except for Size 3 neighborhood centers and Size 1 community centers.

**TABLE 9  Characteristics of Shopping Centers by Type**
TABLE 10 Characteristics of Shopping Centers by Type and Size
**Analysis by Type and Area**

Table 11 provides the analysis by center type and area distribution. The greatest total leasable space of neighborhood centers is in Area 4, which has more than twice the leaseable space of Area 2. Area 4 holds the most community center space as well. Regional center space is concentrated in Area 4 and 1, a significant change from previous years, primarily due to the completion of the Mall of Louisiana (located in Area 1). No regional space is located in Area 3. All four areas have at least one neighborhood and community center.

The lowest average vacancy rate for community centers (3.37 percent) is found in Area 2. Areas 1 and 4 report average vacancies of over 10.00 percent, although the average vacancy rates in Areas 2 and 3 have decreased 1.22 and 2.11 percentage points, respectively. Average vacancy rates for neighborhood centers do not appear to establish any particular trend, as rates in Areas 1 and 4 decreased for the Spring 1998 period, while average vacancies increased in Areas 2 and 3.

Regional shopping centers have experienced a slight increase in occupancy in Area 1, with average vacancy rates decreasing from 3.92 to 3.42 percent. Area 2 regional centers showed virtually no change in vacancy (an increase of 0.04 percentage points). The vacancy rates for Area 4 regional centers dropped drastically to 0.78 from 7.00 percentage for Spring 1998.

Regional space in Area 4 still rents for more than any other space, although Area 1 average rental rates increased from 12.25 to 18.67 due to the opening of the Mall of Louisiana. In Area 3, average rent for community centers is higher than the average rent for neighborhood centers, while the opposite is true in Area 2. Average rent for regional space is higher than that for neighborhood or community space in all areas except Area 2, where neighborhood centers rent for more than regional centers.

**TABLE 11 Characteristics of Shopping Centers by Type and Area**
Analysis by Type and Age

Table 12 provides the analysis by type of center and age of center. The majority of neighborhood space was built before 1980. However, approximately 46% of the community center space has been added since 1985. Although more neighborhood centers have been built since 1985 than any other type, these centers tend to be small. The greatest leasable space built since 1985 is community space.

Community centers built in the 1970s (Age 3) reported vacancies for the first time in several years. Community centers built before the 1970s (Age 4) and between 1980-1985 (Age 2) have vacancies of 4.43 and 11.23 respectively. This represents a continued decrease for Age 4 centers. Vacancy rates also decreased for community centers built since 1985 (Age 1) from 12.59 in the Spring 1997 report to 6.12 for Spring 1998.

The highest average rents are commanded by regional centers built during the 1970s (Age 3) at $21.25 per square foot, followed by the newest centers (Age 1) at $18.00 per square foot. In the neighborhood and community categories, the most recently built properties (Age 1) continue to yield the highest average rents at $12.32 and $11.10 per square foot respectively.

TABLE 12 Characteristics of Shopping Centers by Type and Age
Summary

This survey analyzes vacancy and rental rates of shopping centers in the Baton Rouge area based on size, type, age and geographic location. Of the 9.5 million square feet of leasable space represented in our sample, 10.86 percent is reported as vacant. This represents an obvious decrease in vacancy from the Spring 1997 period.

In the last seven years, the largest increase in total leasable space was accounted for by new community centers. Since 1985, 844,535 feet of community space has been built, compared with 630,270 square feet of neighborhood space and 1,555,328 square feet of regional space. The highest concentration of shopping property (44 percent) of the surveyed space is contained in the Airline Highway and Florida Boulevard area (Area 4).