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Office Fundamentals Peak in Greater New Orleans

By [Connie Gore](#)



Stone

NEW ORLEANS-With attention focused on residential and retail, the Greater New Orleans' office market has been overlooked by outsiders in the post-Katrina analyses. But, the fact is most metros would envy its fundamentals: 91.5% class A occupancy in the CBD and suburbs and \$1.50-per-sf to \$3-per-sf rent increases since the 2005 hurricane.

"The increases in rental rates are due strictly to increased operating costs and haven't really flowed through to the bottom line," Richard P. Stone, vice president and director of commercial sales and leasing for locally based NAI/Latter & Blum Inc., explains to GlobeSt.com. "Any increase in the next year will be due to real market conditions." He is one of the featured speakers at the University of New Orleans' annual real estate forecast, slated for April 3 in the Hilton New Orleans Riverside at Two Poydras St. in the Downtown.



Stone's research shows rents are at their highest points since 1999. Downtown class A rents are \$16.50 per sf to \$19.50 per sf while Metairie's rents are pushing \$24 per sf. Class B office space is getting \$15 per sf to \$20 per sf, with few large blocks available to lease.

The Downtown's 9.2-million-sf class A inventory includes the 492,000-sf Dominion Tower at 1450 Poydras St., which the state is negotiating to acquire. It's uncertain if the shuttered high rise will be repaired and returned, in part, to the lease market or if the state will keep it all to itself. Pull out Dominion Tower and the CBD's 8.5 million sf of class A office space is pushing 92% occupancy while its 1.2 million sf of class B space is 89% filled. In the suburbs, the story's much the same: two million sf in three class A complexes with 91.5% occupancy and three million sf of class B, with the East Bank's occupancy at 91% and the West Bank's at more than 95%. "It's getting tight," Stone emphasizes.

There are three major class A buildings under construction, but they're build-to-suits on St. Tammany Parish's North Shore: San Ramon, CA-based Chevron Corp., 300,000 sf; LLOG Exploration Co.'s 100,000-sf headquarters building; and Baton Rouge, LA-headquartered Wink Cos. LLC's engineering and architectural divisions' 60,000-sf office. To be determined is the fate of Chevron's 351,920-sf office building at 932 Gravier St. in the CBD.

Stone says Katrina had a negligible effect on the office market although the aftermath did cause the Downtown to lose 1.7 million sf of class B space to residential uses. "We didn't see the storm as an event to create addition demand. Our concern was we may lose major tenants due to contraction," he says, "but there were no major defections because of the storm. In fact, we're seeing a continued emergence of the North Shore market as a viable place to do business."

Stone says the steady gains in office fundamentals have actually created a balanced market. "There are some deals floating around out there. We expect, barring some unforeseen event, that we will experience a strengthening." He's projecting another 100,000 sf of positive absorption for the coming year, which would push class A occupancy above 92%.

The last large office lease was signed by the McGlinchey Stafford law firm, which is exiting an owned building in the warehouse district for 68,000 sf in Pan-American Life Center at 601 Poydras St. The 682,087-sf high rise was 75% when the San Diego-based Equastone bought it in January 2007; today, it's 90% filled.

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