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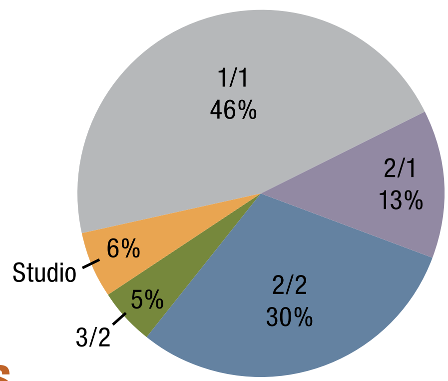
GREATER NEW ORLEANS MULTI-FAMILY REPORT

MARKET AT A GLANCE

This marks the sixteenth issue of the Greater New Orleans Multi-Family Report. The Metropolitan New Orleans Apartment market survey was conducted for the period ending in October of 2010. The survey includes rental and occupancy data from 126 properties, comprised of 30,246 units located in eight submarkets. The survey focused on market rate properties which are well managed and fully operational covering a wide age spectrum. Properties were selected from a comprehensive database of over 280 communities.

This database is maintained by Madderra & Cazalot, Larry G. Schedler & Associates, Inc. and The MultiFamily Advisory Group, LLC.

UNIT INVENTORY SURVEYED



AVERAGE RENTAL RATES BY UNIT TYPES - FALL 2010

Studio	1/1	2/1	2/2	3/2
$591	$751	$820	$992	$1,129

UNIT MIX/RENT STATISTICS

Unit Type	% Mix	Average Sq. Ft.	Average Rent	Average Rent/SF
Studio	6%	434	$591	$1.36
1 Bed 1 Bath	46%	716	$751	$1.05
2 Bed 1 Bath	13%	956	$820	$0.86
2 Bed 2 Bath	30%	1,045	$992	$0.95
3 Bed 2 Bath	5%	1,323	$1,129	$0.85
Total	100%	862	$844	$0.98

UNIT INVENTORY SURVEYED

Studio	1/1	2/1	2/2	3/2
1,865	14,017	3,820	9,046	1,498

SURVEY TRENDS

Since our Spring, 2010 report, the decline we have seen in overall occupancy has ceased, in fact, over the past six (6) months we have actually gained 2%, bringing overall occupancy in Metro New Orleans to 90%. This occupancy level is still 5-7% less than what owners and lenders desire; however, considering the amount of new construction the market has seen, this level is quite respectable.

Over the past five (5) years the Metro New Orleans apartment market has expanded in spite of a metro population that has declined. The city now has more renters as the level of new construction has provided more option for both affordable and market rent tenants.

OVERALL MARKET RENT & OCCUPANCY

Location *(Parish)*	Average Rent	Average Sq. Ft.	Rent/ Sq. Ft.	Occupancy Rate
New Orleans Historic Center	$1,227	859	$1.43	93%
Garden Apartments				
Jefferson	$797	834	$0.96	92%
St. Tammany	$959	961	$0.99	90%
Orleans - Algiers & East New Orleans	$693	884	$0.78	80%
Overall	$844	862	$0.98	90%

In the past we have always been able to separate the market rate inventory from the affordable and subsidized market. However, with the average age of our multi-family developments of 25-30 years old, that is getting increasingly more difficult to do.

The development of additional inventory in the metro area continues; however, the bulk of activity is now focused on infill locations in the Historic Center. Unlike the past few years, the majority of activity is market rate developments as opposed to mixed income and affordable communities.

The developments that are coming on line in the Historic Center over the next six (6) months will "raise the bar" on design and amenities. The success of these communities should serve as a further impetus to additional developments as well as ancillary businesses to serve this growing and affluent neighborhood.

Like the rest of the country, multi-family sales activity over the past six (6) months has been modest. We anticipate increased activity in the last quarter of 2010 with a significant improvement in transaction volume by 2011.

By Larry G. Schedler, CCIM

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GREATER NEW ORLEANS APARTMENT CONSTRUCTION ACTIVITY

As we welcome Fall, New Orleans has five (5) major market rate multifamily properties (702 units) under construction. As noted in our Spring 2010 report, this construction activity is now focused in the Historic Center of New Orleans. The origin of this trend dates back to Historic redevelopments in the Warehouse District during the 1980's exemplified by properties like the Federal Fiber Mills and Julia Place. Apartment development is now expanding out from the French Quarter and Warehouse District into the CBD, Marigny/Bywater, Lower Garden District and the Tulane Corridor. This move back to the city is being reported in many cities and is supported locally by high rent premiums and rapid unit absorption. Anticipated construction of new hospitals, schools and other infrastructure projects in Orleans Parish will strengthen this trend.

> ***"Construction activity is now focused on the Historic Center of New Orleans. The origin of this trend dates back to Historic redevelopments in the Warehouse District during the 1980's"***

Four (4) midrise or high rise properties are now under construction or initial lease up in the Historic Center. These are in addition to the recently completed 930 Poydras (250 units) developed by Brian Gibbs. Saratoga Lofts (153 units) and The Maritime (112 units) are under development by Wisznia Associates and are both conversions of old CBD office towers. The Maritime will have units available this December and Saratoga is scheduled for occupancy in late 2011. National Rice Mill Lofts (67 units), is being developed by Sean Cummings and TJ Iarocci. This property is a former 100 year old warehouse located on the river front in the Marigny/Bywater next to the New Orleans Center for Creative Arts (NOCCA). The Muses (230 units) is a large mixed income property located on Baronne Street uptown. Its developers are Kenutcky based LDG Development

The Muses Apartment Homes at 1720 Baronne Street

and Gulf Coast Housing Partners of New Orleans. Construction is near completion and it is rapidly leasing up. These four (4) properties will bring an additional 562 higher end market rate units to the New Orleans Historic Center.

Western St. Tammany Parish is the only other submarket which is adding any significant new units to inventory. Abita View (140 units) is under development in Covington. Chapel Creek (168 units) in Mandeville and Palmetto Greens (144 units) in Covington are complete and nearing stabilized occupancy levels.

Based upon the success of these new properties, several other developments in the New Orleans CBD and St. Tammany are under consideration. Recently reported and noteworthy is the proposed renovation of the Hibernia Bank Building using historic tax credits by HRI. However, financing continues to be a major challenge for new development. Conservative lending practices and New Orleans overall market weakness are major obstacles. These same obstacles, plus in some cases building moratoriums, have precluded the consideration of any new apartment developments in Jefferson Parish, the Westbank or Eastern New Orleans.

By J. Mark Madderra

CHART 1: NEW CONSTRUCTION OF MARKET RATE & MIXED INCOME PROPERTIES

Project Name	Developer	Units	Location	Completion
The Maritime	Wisznia Associates	112	N.O. Historic Center	December 2010
Saratoga Lofts	Wisznia Associates	153	N.O. Historic Center	Fall 2011
National Rice Mill Lofts	Sean Cummings and TJ Iarocci	67	N.O. Historic Center	Spring 2011
The Muses*	The Muses, LP	230	N.O. Historic Center	Now Leasing
Abita View	Bill Ball	140	Covington (St. Tammany)	Spring 2011
TOTAL	5 Projects	702 units		

*Mixed income property which includes affordable tax credit units.

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GREATER NEW ORLEANS SALES SUMMARY

As anticipated, multi-family sales activity throughout the metro area has been modest through the first three (3) quarters of 2010, just as it has been throughout the state and entire country. The tightening in the credit markets and conservative underwriting of Fannie Mae and Freddie Mac have caused investors to focus their acquisitions solely on existing and historical operations as opposed to acquisitions based on future economic expectations. Those owners who are not faced with maturities on their debt have opted to hold their assets until occupancy levels rise and concessions are eliminated.

The last quarter of 2010 will show a modest increase in sales activity as those assets whose debt has termed out or those properties that have stabilized begin trading. Those investors seeking multi-family properties in Metro New Orleans are underwriting their acquisitions with capitalization rates in the low 7% range for new construction and 8-10% for older assets which require repositioning and upgrading.

There are two (2) types of buyers in the market, the most active will be those seeking stabilized, well occupied assets that provide investors with a premium yield over what they can realize in alternative investments. This class of asset will also be the least difficult to finance. The other buyers will be those seeking value-add, major rehab acquisitions, there are fewer of these assets which are more capital intensive to finance due to the condition and uncertainty of operations.

"Owners who are not faced with maturities on their debt have opted to hold their assets until occupancy levels rise and concessions are eliminated."

The highlighted sale is one such asset, Tanglewood Apartments in Westwego. This property was originally awarded LIHTC's, however the challenges in that segment of the market resulted in the seller divesting the property to a more traditional operator. We anticipate a significant increase in sales activity beginning in the second quarter of 2011 as foreclosed assets begin entering the market.

By Larry G. Schedler, CCIM

LOCAL & REGIONAL PROPERTIES SOLD

	Project Name	Location	Units	Date Sold	Price/Unit
⦿	Tanglewood Apartments	Westwego, LA	384	June 2010	$5,208
	Longridge Apartments	Baton Rouge, LA	144	September 2010	$78,472
	Siegen Village Apartments	Baton Rouge, LA	312	July 2010	$38,461
	Bluebonnet Ridge Apartments	Baton Rouge, LA	112	July 2010	$33,928

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APARTMENT INFORMATION BY SUBMARKET RENT & OCCUPANCY COMPARISON

Historic Center
Despite increased inventory in submarket, occupancy has risen 10%. Additional inventory has caused average monthly rent to decline $58 over the past twelve months.

Eastern New Orleans
Modest occupancy growth of 2%, average monthly rent decline $44 due to new affordable developments in Historic Center and delayed rebuilding of infrastructure in Eastern New Orleans.

Algiers
Occupancy decrease of 10%, the largest of all eight submarkets. Average monthly rent decline $30. Residents of Algiers are responding to newer affordable options in the Historic Center as well.

Gretna, Harvey, Terrytown
Occupancy increased 2%, average monthly rents declined $16. This submarket remains stable as there is a balance in supply and demand due to the moratorium on new multifamily construction.

Metairie
A 4% gain in occupancy was realized over the past year with a modest $9 decline in average monthly rent. Still desirable area for renters, the market has pressure from new development in St. Tammany Parish and home ownership.

Harahan, River Ridge
Occupancy has risen 4% coupled with a $6 average monthly rent decrease. Submarket continues to perform in a stable fashion.

Kenner
Occupancy decrease 1%. Reported average monthly rent increase of $20. Limited verifiable data in this submarket.

St. Tammany
Submarket posted a 1% increase in occupancy in spite of several new developments introduced in to the market over the past year. New inventory has caused a $14 decline in average monthly rent.

By Cheryl M. Short

	Average Monthly Rent	Average Occupancy	Occupancy	Rent
HISTORIC CENTER			↑ 10%	↓ $58
Fall 2010	$1,227	93%		
Summer 2009	$1,285	83%		
EASTERN NEW ORLEANS			↑ 2%	↓ $44
Fall 2010	$701	81%		
Summer 2009	$745	79%		
ALGIERS			↓ 10%	↓ $30
Fall 2010	$681	78%		
Summer 2009	$711	88%		
GRETNA, HARVEY, TERRYTOWN			↑ 2%	↓ $16
Fall 2010	$782	92%		
Summer 2009	$798	90%		
METAIRIE			↑ 4%	↓ $9
Fall 2010	$727	95%		
Summer 2009	$736	91%		
HARAHAN, RIVER RIDGE			↑ 4%	↓ $6
Fall 2010	$883	93%		
Summer 2009	$889	89%		
KENNER			↓ 1%	↑ $20
Fall 2010	$815	82%		
Summer 2009	$795	83%		
ST. TAMMANY			↑ 1%	↓ $14
Fall 2010	$959	90%		
Summer 2009	$973	89%		

AREA	Studio	1 Bedroom/ 1 Bath	2 Bedroom/ 1 Bath	2 Bedroom/ 2 Bath	3 Bedroom/ 2 Bath	Average Monthly Rent	Average Occupancy Rate
ORLEANS							
*A. Historic Center**	$871	$1,118	$1,079	$1,503	$1,780	$1,227	93%
B. East New Orleans	---	$579	$728	$714	$949	$701	81%
C. Algiers	$470	$632	$741	$752	$945	$681	78%
JEFFERSON							
D. Gretna, Harvey, Terrytown	$579	$699	$771	$853	$1,011	$782	92%
E. Metairie	$507	$678	$841	$888	$1,081	$727	95%
F. Harahan, River Ridge	$549	$756	$957	$1,077	$1,013	$883	93%
G. Kenner	$571	$712	$872	$983	---	$815	82%
H. ST. TAMMANY	---	$809	$919	$1,058	$1,213	$959	90%

* Includes French Quarter, Warehouse District, St. Charles Avenue Corridor, Mid City, and Downtown.

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Madderra & Cazalot offers full service mortgage banking throughout the Gulf South. Since its founding in 1992, the firm has originated more than $3 billion of income-producing loans and equities. The firm has expanded its capabilities with offices in Dallas and Louisiana. The firm acts as a real estate advisor and represents many prominent lenders and equity sources.
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THE MULTIFAMILY ADVISORY GROUP, L.L.C.
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The MultiFamily Advisory Group, LLC provides consulting services exclusively to the apartment industry. Owners, managers and lenders rely on the firm for a wide range of specialized consulting services. As a service of Larry G. Schedler & Associates, Inc. the Multi-Family Advisory Group, LLC provides survey data used in preparing the Greater New Orleans Multi-Family Report.
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