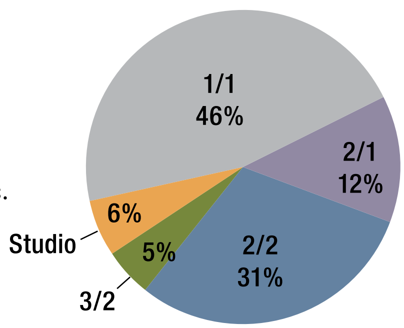
GREATER NEW ORLEANS
MULTI-FAMILY REPORT

MARKET AT A GLANCE

This marks the eighteenth issue of the Greater New Orleans Multi-Family Report. The Metropolitan New Orleans Apartment market survey was conducted for the period ending October, 2011. The survey includes rental and occupancy data from 124 properties, comprised of 29,201 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 Multi-Family Advisory Group, LLC.

UNIT INVENTORY SURVEYED



AVERAGE RENTAL RATES BY UNIT TYPES - FALL 2011

Studio	1/1	2/1	2/2	3/2
$621	$772	$833	$1,007	$1,155

UNIT MIX/RENT STATISTICS

Unit Type	% Mix	Average Sq. Ft.	Average Rent	Average Rent/SF
Studio	6%	431	$621	$1.44
1 Bed 1 Bath	46%	720	$772	$1.07
2 Bed 1 Bath	12%	958	$833	$0.87
2 Bed 2 Bath	31%	1,045	$1,007	$0.96
3 Bed 2 Bath	5%	1,302	$1,155	$0.89
Total	100%	864	$865	$1.00

UNIT INVENTORY SURVEYED

Studio	1/1	2/1	2/2	3/2
1,728	13,372	3,644	8,989	1,468

SURVEY TRENDS

Our Spring 2011 findings showed a multi-family market that was stabilizing in the wake of an unprecedented amount of new construction and major renovations. Six (6) months later the market continues to show stabilization with no change in overall occupancy, which remains at 91%. Average metro rental rates average $1.00/sq.ft or $865/month.

New construction of market rate apartments continues in high demand/high income sub-markets, primarily the Historic Center and St. Tammany Parish. The strongest sub-market once again is the Historic Center at 97%, a 2% increase in occupancy from our Fall 2011 report. This increase is particularly impressive as this sub-market has shown a 2-4% increase every six (6) months since our Fall 2009 report. These gains have been realized despite the consistent introduction of new developments to the area.

The inverse has been the case in St. Tammany Parish whereby the introduction of new inventory has prompted a lower occupancy rate, current occupancy for east and west St. Tammany is 87%, down 5% from our Spring 2011 report. This reduction is temporary and is not caused by a lack of demand, only an increase in supply. We see this as short-term as the desirability of the north shore should prompt a rather rapid absorption of the existing and new inventory that is entering the market.

The west bank and east bank of Jefferson Parish showed only a 1% decline in overall occupancy which now stands at 91%. The reason for this decrease is a 2% drop in Kenner and Harahan/River Ridge.

Algiers and East New Orleans combined showed an increase from 85% to 87%, the most significant increase was in Algiers where a 7% increase was reported. A portion of this increase is the result of a large development undergoing a complete rehabilitation and therefore ceasing leasing activity, which has caused increased absorption amongst the remaining inventory.

East New Orleans occupancy remains stable at 85%.

The highest reported rent levels are in the Historic Center at $1,208/month and St. Tammany Parish at $987, the lowest reported rents are in Algiers/East New Orleans at $714/month.

OVERALL MARKET RENT & OCCUPANCY

Location *(Parish)*	Average Rent	Average Sq. Ft.	Rent/ Sq. Ft.	Occupancy Rate
New Orleans Historic Center	$1,208	855	$1.41	97%
Garden Apartments Jefferson	$821	839	$0.98	91%
St. Tammany	$987	988	$1.00	87%
Orleans - Algiers & East New Orleans	$714	877	$0.81	87%
Overall	$864	865	$1.00	91%

(Continued on next page)

For more detailed submarket information see the attached chart, "Apartment Inventory by Submarket."

Multi-family sales activity since the beginning of this year has been very strong with four (4) "value add" transactions closing since the first of the year, the most recent being Oakwood in Gretna and the Forestwood Apartments in Slidell. We have also seen strong activity regionally, particularly along the Mississippi Gulf Coast.

The last quarter of 2011 will see continued activity as well as the first two quarters of 2012. The slowdown in sales activity in 2010 appears to have been a mere "speed bump."

By Larry G. Schedler, CCIM

GREATER NEW ORLEANS APARTMENT CONSTRUCTION ACTIVITY

New Orleans continues to see construction of new market rate apartments in high demand areas. A stable rental market combined with exceptionally low interest rates on both construction and permanent financing generates strong interest in new projects by the development community. While financing sources are limited, this market has nine major apartment properties under construction or initial lease-up. These properties will add 1,097 market rate units to inventory.

The Historic Center of New Orleans continues to be a strong growth area. Two properties which involve adaptive reuse of historic buildings are now breaking ground and two others are now finished. The Hibernia Building at 313 Carondelet is one of the city's most recognized buildings. This 23–story building will retain the first two floors for office/retail and convert the upper floors into 175 luxury apartments. The development team is a joint venture of HRI Properties and Woodward Interests. The other historic center property breaking ground is at 511 Marigny, a century old warehouse which will be converted into 48 apartments with commercial space on the ground floor. This adaptive reuse is the project of Julian Doerr Mutter, president and chief executive of Doerr Furniture. The Saratoga Lofts (153 units) and National Rice Mill Lofts (67 units) are the other two major adaptive reuse apartment properties which are now in lease-up. Several other downtown projects are under consideration but financing availability is limited.

The western St. Tammany apartment market continues to add units. Four properties totaling 566 units are under development. The largest property is the 240–unit Brewster Commons at River Chase. Favrot & Shane/1st Lake Properties is the developer and they anticipate completion by the end of the year. Some units are now available to lease. Three properties in this submarket are in lease-up and include Abita View (140 units), Brookstone Park (128 units) and Mandeville Lake Phase IV (58 units).

The Woodcrest Building

The Magnolia Clubhouse

The ninth property listed in this report is actually four separate mixed income properties being developed by Provident Realty Advisors, Inc. in Chalmette. Magnolia Park, Parc Place, Riverview and Woodcrest will each contain 72 units (288 total) with 30% targeting market rate renters; 70% of the units will meet LIHTC guidelines for renters with incomes below area median income. This will be one of the last major mixed income properties to be funded by "GO Zone" initiatives following Katrina. The credits and grants which made them possible have been utilized or will expire at the end of this year.

By J. Mark Madderra

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

	Property Name	Developer	Units	Location	Completion
▲	Saratoga Lofts	Wisznia Associates	153	New Orleans (Historic Center)	Now Leasing
▲	National Rice Mill Lofts	Sean Cummings and TJ Iarocci	67	New Orleans (Historic Center)	Now Leasing
▲	The Hibernia Building	HRI Properties & Woodward Interests	175	New Orleans (Historic Center)	Winter 2013
▲	511 Marigny	Julian Doerr Mutter	48	New Orleans (Historic Center)	Winter 2013
▲	Abita View	Bill Ball	140	Covington (St. Tammany)	Now Leasing
▲	Brewster Commons at River Chase	Favrot & Shane/ 1st Lake Properties	240	Covington (St. Tammany)	Now Leasing
▲	Mandeville Lake Phase IV	Crosby Development	58	Mandeville (St. Tammany)	Now Leasing
▲	Brookstone Park Apartments	PPQ Development	128	Covington (St. Tammany)	Now Leasing
■	Magnolia Park, Parc Place, Riverview, Woodcrest	Provident Realty Advisors, Inc.	288 (88*)	Chalmette (St. Bernard)	Dec. 2011
	TOTALS	9 PROPERTIES	1,097		

*This is a mixed income property; 88 units will be market rate.

GREATER NEW ORLEANS SALES SUMMARY

The slowdown in multi-family sales that was so prevalent in 2010 has come back "roaring". Investors who have been sitting on the sidelines have re-entered the market and are beginning to deploy their capital. Investor interest in the market is from local, regional and national investors, primarily entrepreneurial buyers.

Multi-family has been, and continues to be a reliable investment vehicle particularly given the drop in home ownership and reduced construction in most markets. In the first three quarters of 2011 we have seen four conveyances that are worth noting, Stonebridge Manor (264 units) and Audubon Pointe Apartments (443 units) and the most recent sales Gates of Oakwood (160 units) and Forestwood Apartments (93 units). All of these transfers were "value add" assets that were sold to local and national investors.

It should be noted that with the exception of Forestwood in Slidell all of the transfers have been on the Westbank.

We have also seen significant sales activity regionally, particularly along the Mississippi Gulf Coast. The increased availability of debt and equity should serve as a catlyst for increased sales activity. The anticipated slowdown in new construction should further strengthen the market and investor demand over the next 4–6 months both locally and regionally.

By Larry G. Schedler, CCIM

Increasingly, investors are focusing on the entire Gulf Coast region from the Texas–Louisiana border, to the Gulf Coast of Mississippi and Alabama.

LOCAL & REGIONAL PROPERTIES SOLD

	Project Name	Location	Units	Date Sold	Price/Unit
⊙	Gates of Oakwood Apartments	Gretna, LA	160	September, 2011	$18,750
⊙	Forestwood Apartments	Slidell, LA	93	October, 2011	$28,495
	Oak Park Apartments	Waveland, MS	136	June, 2011	$9,963
	Oak View Apartments	Gulfport, MS	80	August, 2011	$26,887
	Edgewater Bend Apartments	Biloxi, MS	176	September, 2011	$25,000

APARTMENT INFORMATION BY SUBMARKET RENT & OCCUPANCY COMPARISON

Our survey breaks down occupancy and monthly rental data by eight distinct submarkets due to their geographic characteristics and population trends. The Fall 2011 survey results reflect market strength in the Historic Center which has been the market leader for most surveys and softness in St. Tammany, a rapidly developing area which is in the midst of absorbing a high volume of new inventory. The Algiers market posted a respectable gain in occupancy at the expense of lowering rental rates. New Orleans East occupancy remained flat and reflected slightly lower rental rates. Both the East and Westbank of Jefferson Parish which include the Metairie, Gretna, Harvey, and Terrytown submarkets reflected stable occupancy levels and single digit overall monthly rent increases. The Kenner, Harahan, River Ridge markets all showed significant rental increases with declines in occupancy.

By: Cheryl M. Short

	Average Monthly Rent	Average Occupancy	Occupancy	Rent		Average Monthly Rent	Average Occupancy	Occupancy	Rent
HISTORIC CENTER			↑ 2%	↓ $3	METAIRIE			↑ 1%	↑ $7
Fall 2011	$1,208	97%			Fall 2011	$742	95%		
Summer 2011	$1,211	95%			Summer 2011	$735	94%		
EASTERN NEW ORLEANS			Same	↓ $4	HARAHAN, RIVER RIDGE			↓ 2%	↑ $22
Fall 2011	$720	85%			Fall 2011	$920	94%		
Summer 2011	$724	85%			Summer 2011	$898	96%		
ALGIERS			↑ 7%	↓ $32	KENNER			↓ 2%	↑ $35
Fall 2011	$680	91%			Fall 2011	$839	79%		
Summer 2011	$712	84%			Summer 2011	$804	81%		
GRETNA, HARVEY, TERRYTOWN			Same	↑ $8	ST. TAMMANY			↓ 5%	↑ $24
Fall 2011	$803	92%			Fall 2011	$987	87%		
Summer 2001	$795	92%			Summer 2011	$963	92%		

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**	$888	$1,114	$1,158	$1,459	$1,736	$1,208	97%
B. East New Orleans	---	$617	$780	$733	$966	$720	85%
C. Algiers	$560	$628	$769	$830	$943	$680	91%
JEFFERSON							
D. Gretna, Harvey, Terrytown	$579	$708	$793	$878	$1,034	$803	92%
E. Metairie	$538	$687	$855	$886	$1,166	$742	95%
F. Harahan, River Ridge	$571	$805	$980	$1,104	$908	$920	94%
G. Kenner	$571	$732	$867	$1,020	---	$839	79%
H. ST. TAMMANY	---	$858	$931	$1,061	$1,189	$987	87%

* 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 $2 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 for Prudential Financial and as a correspondent for Wells Fargo, Dougherty Mortgage, and other prominent national lenders.
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Larry G. Schedler & Associates, Inc.
Multifamily Acquisitions and Dispositions

Larry G. Schedler & Associates, Inc. specializes in the sale of multi-family properties throughout Louisiana, Mississippi and Alabama. The firm has successfully handled the sale of over 33,000 units. The firm represents conventional, institutional and non-profit clients.
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THE MULTIFAMILY ADVISORY GROUP, L.L.C.
MultiFamily Consulting and Advisory Services

The Multi-Family 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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