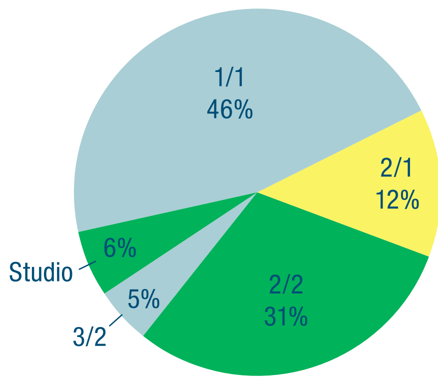
GREATER NEW ORLEANS MULTI-FAMILY REPORT

MARKET AT A GLANCE

This marks the nineteenth issue of the Greater New Orleans Multi-Family Report. The Metropolitan New Orleans Apartment market survey was conducted for the period ending March, 2012. The survey includes rental and occupancy data from 129 properties, comprised of 30,048 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 300 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 - SPRING 2012

Studio	1/1	2/1	2/2	3/2
$626	$775	$838	$1,012	$1,174

UNIT MIX/RENT STATISTICS

Unit Type	% Mix	Average Sq. Ft.	Average Rent	Average Rent/SF
Studio	6%	431	$626	$1.45
1 Bed 1 Bath	46%	717	$775	$1.08
2 Bed 1 Bath	12%	958	$838	$0.87
2 Bed 2 Bath	31%	1,047	$1,012	$0.97
3 Bed 2 Bath	5%	1,299	$1,174	$0.90
Total	100%	864	$867	$1.00

UNIT INVENTORY SURVEYED

Studio	1/1	2/1	2/2	3/2
1,752	13,873	3,698	9,145	1,580

SURVEY TRENDS

In reviewing the data we gathered for this report (Spring 2012) we were initially concerned that we were mistakenly looking at the data from our Fall 2011 report. As you will note there were only modest changes to what we reported six months ago, further proof of our stabilizing market.

With the exception of the Algiers market which showed a 1% decline in occupancy, all seven of the remaining sub-markets saw either a gain in occupancy or no change from our previous report. Rental rates either showed modest gains or declines, however nothing that exceeded 1% with the exception of the Historic Center at 2%.

The highest occupancy was reported in the Historic Center at 97% followed by Metairie at 96%. The lowest occupancy reported was in Kenner at 84% and Eastern New Orleans at 87%. St. Tammany Parish also showed an 87% occupancy; however this is due to new product that has recently come on line.

The highest rents reported were in the Historic Center at $1,234 followed by St. Tammany Parish at $999, both sub-markets have had the greatest amount of new construction as well. The lowest rents reported were Algiers at an average rent of $688 and Eastern New Orleans at $715.

The robust amount of construction we saw over the past few years has subsided and we appear to be reaching an equilibrium where our supply will be in sync with the demand. The tightening of credit, scarcity of developable land and community resistance to multi-family development will all play a role in limiting the amount of new inventory that will be introduced to the market over the next 18 - 24 months.

There are currently six (6) multi-family developments under construction in the Metro area at this time, four are located in the Historic Center and are redevelopments of existing office/ warehouse buildings. The two remaining developments are market rate suburban properties in St. Tammany Parish.

By Larry G. Schedler, CCIM

OVERALL MARKET RENT & OCCUPANCY

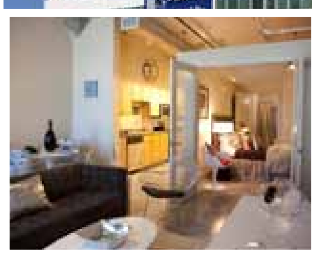
Location (Parish)	Average Rent	Average Sq. Ft.	Rent/ Sq. Ft.	Occupancy Rate
New Orleans *Historic Center*	$1,234	855	$1.44	97%
Garden Apartments				
Jefferson	$814	835	$0.97	93%
St. Tammany	$999	973	$1.03	87%
Orleans - Algiers & East New Orleans	$714	877	$0.81	88%
Overall	$867	864	$1.00	92%

GREATER NEW ORLEANS APARTMENT CONSTRUCTION ACTIVITY

The New Orleans Apartment market continues to be stable with modest additions to inventory. New properties completed over the last twelve months have been well received and leased up rapidly. The six properties currently under construction or recently completed (see Chart 1) will add only 699 units to inventory. Historically this amount of new inventory should be absorbed without any significant market disruption.

The Historic Center continues to command the strongest development interest with four new properties coming on line. All four properties involve the use of Historic Tax Credits. Of particular note, Blue Plate Artist Lofts located at 1315 S. Jefferson Davis Parkway in Orleans Parish is scheduled to open in May, 2012. This 72 unit mixed income, loft style property is a local landmark originally constructed in 1941. Designed by famed New Orleans architect August Perez, it was the first building in New Orleans constructed in the Art Modeme style. The sleek structure is famous for its distinctive smooth, all-white exterior, rounded glass-block corners and iconic Blue Plate rooftop sign.

This development will include on-site gated parking, a common studio/gallery space for exhibitions, a roof deck, an outdoor patio and landscaped courtyard, a sound-proof music rehearsal room, a fitness center, business center, and bicycle storage. In addition, a number of renewable and sustainable design features have been incorporated into the building. It was rehabilitated by HRI Properties and JCH Development.



Blue Plate Lofts
(photo credit: Jeff Johnston Photography)

Brewster Commons at Riverchase Apartments

Three other properties in the New Orleans Historic Center are also progressing. The Hibernia Building (175 units) and 511 Marigny (48 units) are scheduled for completion by the end of 2012. Josephine Lofts is a 36 unit property which recently began work and will be complete in 2013. Other developments are under consideration in the Historic Center but do not appear to be ready to break ground.

The only traditional market rate garden apartments under construction in the New Orleans area are two properties located in Covington. Brewster Commons at River Chase, located at 16309 East Brewster Road is a 240 unit development which should be completed in late 2012. This property features all the amenities common to a new high end apartment community including a resort-style swimming pool and sun deck, free WiFi hot spots, garage availability and 24 our fitness facility. It is being developed by Favrot & Shane Properties. Approximately 1/3 of the units are available for occupancy at this time. The Brookstone Park Apartments (128 units) are also located in Covington. Construction was recently completed and it is still in initial leaseup.

By J. Mark Madderra

NEW CONSTRUCTION OF MARKET RATE & MIXED INCOME PROPERTIES

Property Name	Developer	Units	Location	Completion
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
Josephine Lofts	Bill Ball	36	New Orleans (Historic Center)	2013
Blue Plate Artist Lofts*	HRI Properties & JCH Development	72	New Orleans (Historic Center)	April, 2012
Brewster Commons at River Chase	Favrot & Shane / 1st lake Properties	240	Covington (St. Tammany)	Now Leasing
Brookstone Park Apartments	PPQ Development	128	Covington (St. Tammany)	Now Leasing
Totals	6 projects	699		

*This is a mixed income property

GREATER NEW ORLEANS SALES SUMMARY

Multi-family sales activity on properties with at least 100 units has been slow over the past six (6) months. This slowdown is not attributed to a lack of interest on behalf of investors, quite the opposite, demand remains strong, the slowdown has been caused by a lack of product.

Over the past 6 - 7 years we have seen unprecedented amounts of multi-family conveyances, many spurred by Hurricane Katrina. In fact, 8,600 units have changed ownership since November, 2005, which represents 20% of the total market. This figure is even more dramatic when you consider that almost half of the market has never been traded as it is still owned by the original developers.

Although the past six (6) months have been slow in Metro New Orleans, activity in the region we serve (Gulf South) has been extremely active, particularly along the Mississippi Gulf Coast.

Lenders have tightened their underwriting criteria reducing loan proceeds to compensate for any physical deficiencies the property may have. We are seeing acquisitions based on current financials rather than pro-forma income and expenses. Additionally, lenders are requiring equity levels of at least 20 - 30%.

Value add opportunities are still very much in demand however inventory is limited as most assets have recently undergone fairly significant upgrades, particularly in the wake of Hurricane Katrina.

Several large offerings are being marketed at this time with anticipated closing dates in the third and fourth quarter of this year.

The slowdown in new construction, our stabilizing market,our improving job market and a shift from single family ownership to rentals should keep Metro New Orleans on the “radar” of both local, regional and national investors.

By Larry G. Schedler, CCIM

“Value add opportunities are still very much in demand however inventory is limited as most assets have undergone significant upgrades.”

APARTMENT INFORMATION BY SUBMARKET RENT & OCCUPANCY COMPARISON

Our Spring 2012 rent and occupancy survey by submarket revealed no huge surprises, shifts or declines. The data reflected balanced market supply and demand in each of our eight submarkets.

The two submarkets with the most new development, The **Historic Center** and **St. Tammany**, posted the highest average monthly rental rates, however remained unchanged in overall occupancy levels thus absorbing new product in a positive manner. It should be noted that the majority of the new product being offered in Western St. Tammany parish does offer some sort of rent concession and has forced some older communities to do the same to remain competitive. Concessions are not reflected in average monthly rental rates as they change daily.

The remaining submarkets, with the exception of **Algiers** and **West Jefferson** (**Gretna**, **Harvey**, **Terrytown**) had an increase in overall occupancy from our Fall 2011 report but at the expense of slightly lower monthly rental rates. The Metro New Orleans apartment market has an adequate supply and numerous lifestyle choices to meet the demands of the housing market's apartment renter, thus producing a stable environment.

By: Cheryl M. Short

	Average Monthly Rent	Average Occupancy	Occupancy	Rent
HISTORIC CENTER			unchanged	↑ $26
Spring 2012	$1,234	97%		
Fall 2011	$1,208	97%		
EASTERN NEW ORLEANS			↑ 2%	↓ $5
Spring 2012	$715	87%		
Fall 2011	$720	85%		
ALGIERS			↓ 1%	↑ $8
Spring 2012	$688	90%		
Fall 2011	$680	91%		
GRETNA, HARVEY, TERRYTOWN			unchanged	unchanged
Spring 2012	$803	92%		
Fall 2011	$803	92%		
METAIRIE			↑ 1%	↓ $2
Spring 2012	$740	96%		
Fall 2011	$742	95%		
HARAHAN, RIVER RIDGE			↑ 1%	↓ $10
Spring 2012	$910	95%		
Fall 2011	$920	94%		
KENNER			↑ 5%	↓ $14
Spring 2012	$825	84%		
Fall 2011	$839	79%		
ST. TAMMANY			unchanged	↑ $12
Spring 2012	$999	87%		
Fall 2011	$987	87%		

SUBMARKET	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**	$894	$1,118	$1,233	$1,454	$1,776	$1,234	97%
B. East New Orleans	---	$625	$770	$740	$966	$715	87%
C. Algiers	$573	$632	$769	$821	$892	$688	90%
JEFFERSON							
D. Gretna, Harvey, Terrytown	$584	$719	$770	$876	$1,031	$803	92%
E. Metairie	$542	$687	$858	$890	$1,132	$740	96%
F. Harahan, River Ridge	$571	$789	$992	$1,095	$1,000	$910	95%
G. Kenner	$569	$726	$889	$990	---	$825	84%
H. ST. TAMMANY	---	$856	$939	$1,096	$1,242	$999	87%

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

CONTRIBUTORS

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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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