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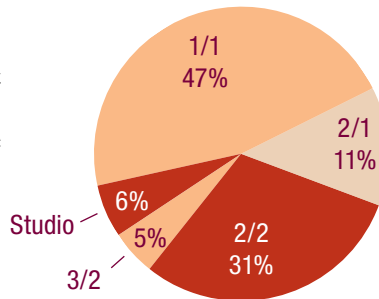
# GREATER NEW ORLEANS MULTI-FAMILY REPORT

## MARKET AT A GLANCE

The Metropolitan New Orleans Apartment market survey was conducted for the period ending October, 2012. The survey includes rental and occupancy data from 125 properties, comprised of 29,316 units located in eight submarkets. The survey focused on market rate properties that 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 - FALL 2012

Studio	1/1	2/1	2/2	3/2
\$618	\$784	\$842	\$1,024	\$1,202

## SURVEY TRENDS

The data we have compiled for this report (Fall 2012) continues a trend that we have seen over the past couple of years, that of a market that has reached equilibrium between supply and demand.

Overall Metro occupancy is 92% with the majority of the sub-markets reporting rental increases anywhere from \$10-\$33 a month. The highest occupancy was reported in Harahan and River Ridge (97%). The second highest occupancy reported is in the Historic Center (96%) and Metairie/East Jefferson (96%). Not surprising, as these are the sub-markets where the majority of new construction is occurring. This represents five properties totaling only 537 units, four of which are in the Historic Center and three are under 100 units.

The lowest occupancy was reported in Kenner at 85%, followed by Eastern New Orleans at 86% and Algiers at 89%. It is our opinion that the tax credit developments in the Historic Center have probably absorbed tenants who were previously living in these sub-markets.

St. Tammany Parish enjoys the newest inventory of garden apartment communities and highest suburban rents in the Metro area. Reported occupancy is 89%, due primarily to recently introduced inventory to the sub-market. We anticipate occupancy stabilizing, as these new units are

*This marks our 20th issue of the Greater New Orleans Multi-Family Report.*

*We are pleased to provide the report as a service to our industry and thank all who participated in our survey throughout the years!*

## UNIT MIX/RENT STATISTICS

Unit Type	% Mix	Average Sq. Ft.	Average Rent	Average Rent/SF
Studio	6%	431	\$618	\$1.44
1 Bed 1 Bath	47%	718	\$784	\$1.09
2 Bed 1 Bath	11%	953	\$842	\$0.88
2 Bed 2 Bath	31%	1,049	\$1,024	\$0.98
3 Bed 2 Bath	5%	1,304	\$1,202	\$0.92
<b>Total</b>	<b>100%</b>	<b>864</b>	<b>\$877</b>	<b>\$1.02</b>

## UNIT INVENTORY SURVEYED

Studio	1/1	2/1	2/2	3/2
1,631	13,782	3,264	9,177	1,462

absorbed over the next four to six months.

The Westbank of Jefferson Parish is stable at 92%, benefitting from a moratorium on any new multi-family development.

The dynamics of our market have not gone un-noticed. Investors and lenders continue to look for acquisition/financing opportunities in the Metro area, as well as, the region. The short and long term trends for the market are positive.

The key to assuring this stability will be development based on demand and positive growth in employment.

*By Larry G. Schedler, CCIM*

## OVERALL MARKET RENT & OCCUPANCY

Location (Parish)	Average Rent	Average Sq. Ft.	Rent/Sq. Ft.	Occupancy Rate
<b>New Orleans</b>				
<i>Historic Center</i>	\$1,267	866	\$1.46	96%
<b>Garden Apartments</b>				
<i>Jefferson</i>	\$824	836	\$0.99	93%
<i>St. Tammany</i>	\$1,009	982	\$1.03	89%
<i>Orleans - Algiers &amp; East New Orleans</i>	\$708	860	\$0.82	87%
<b>Overall</b>	<b>\$877</b>	<b>864</b>	<b>\$1.02</b>	<b>92%</b>

# GREATER NEW ORLEANS APARTMENT CONSTRUCTION ACTIVITY

Construction of new multi-family units is increasing throughout the country due to the shift away from home ownership. New Orleans is not following this trend, as we have seen a steady decline of new market units coming on line dating back to early 2010. There are only five properties either under construction or in the early stages of development. Collectively, these properties are adding 537 units to the Metro area (see chart below). Most of these units are either occupied or preleased.

Four of the properties are located in the Historic Center of New Orleans and are being partially financed by Federal Historic Tax Credits. The largest of the four is Hibernia Tower, located in the CBD and being developed by Historic Restoration Inc. (HRI). This mixed-use/mixed income development converts the old Hibernia Bank Building into 175 apartments, as well as office and retail space. Capital One will retain its first floor branch and HRI will occupy a portion of the office space. The first residents will take occupancy this month. HRI is reporting strong preleasing activity.

Other properties under construction in the New Orleans Historic Center are The American Paint Building, Merchant Lofts, and 511 Marigny. The American Paint Building (36 units) is located outside the Warehouse District in uptown New Orleans off Jackson Avenue at the river. Upper floor units will offer views of the river. The property is expected to come on line in late 2012. The Merchant Lofts is being converted into 38 apartments, as well as, space for retailers on the first floor. It is located at 201 Magazine and was originally built in 1900 to store dry goods for a local paper products retailer. Merchant Lofts is expecting an opening date in mid-November of this year. 511 Marigny (48 units) located on the edge of the Bywater area and is also on schedule for completion by the end of 2012.

In St. Tammany Parish there are no major apartment properties under construction and only one in initial lease up: Brewster Commons at River Chase. The upscale 240-unit apartment community is located off of Interstate 12 in the new River Chase mixed-use development in Covington. It is being developed by Favrot & Shane and managed by 1st Lake Properties. The construction was completed in the second quarter of 2012. There are two additional multi-family developments under consideration in the Metro area; they include a second phase of Brookstone Park in Covington and the proposed Cottonwood Apartments in Elmwood. Phase I of Brookstone Park, consisting



*Hibernia Tower*



of 128 units, has stabilized. The developer, PPQ, plans to break ground on the 112-unit second phase before the end of the year. Favrot & Shane/1st Lake Properties anticipates breaking ground in 2013 on the Cottonwood Apartments in Elmwood. This would be the first new market rate apartment property built in Jefferson Parish in almost a decade.

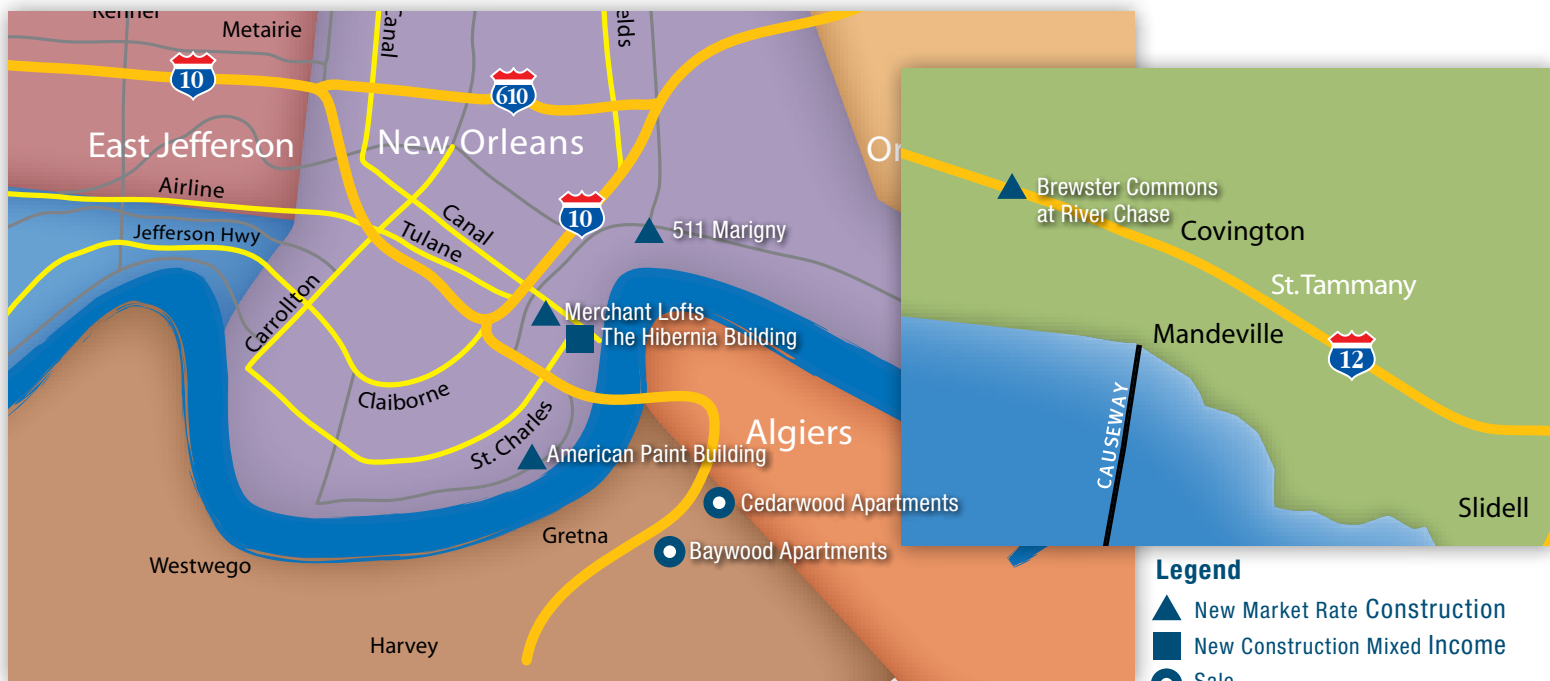
Respondents estimate that 60 – 70% of the 537 units coming on line in the Metro area are leased. This limited inventory of new market rate units may put upward pressure on both rents and occupancies in select sub-markets. Several challenges exist with increasing the inventory of additional multi-family units. These include more stringent financial underwriting by lenders, community resistance and lack of available land. If these factors persist, the Metro area could see a lack of rental housing options in some select sub-markets.

*By J. Mark Madderra and Jeffery T. 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)	December, 2012
511 Marigny	Julian Doerr Mutter	48	New Orleans (Historic Center)	December 2012
American Paint Building	American Paint Building LLC	36	New Orleans (Historic Center)	December, 2012
Merchant Lofts	MK Developmentment	38	New Orleans (Historic Center)	November, 2012
Brewster Commons at River Chase	Favrot & Shane / 1st lake Properties	240	Covington (St. Tammany)	Now Leasing
<b>Totals</b>	<b>5 projects</b>	<b>537</b>		

\*Mixed income property



## LOCAL/REGIONAL MULTIFAMILY SALES

No.	Project Name	Location	Units	Date Sold	Price/Unit
A	Baywood Apartments	Gretna, LA	226	August 2012	\$ 57,522
B	Cedarwood Apartments	Gretna, LA	226	August 2012	\$ 46,460
C	Live Oaks Apartments	Baton Rouge, LA	183	April 2012	\$ 94,672
D	Kingston Point Apartments	Baton Rouge, LA	155	September 2012	\$ 28,280
E	Compass Point Apartments	Pascagoula, MS	114	January 2012	\$ 18,421

## GREATER NEW ORLEANS SALES SUMMARY

The activity and demand for multi-family acquisitions both locally and regionally remains strong. Although Metro New Orleans is a relatively small market, regionally there exists an inventory of over 125,000 units. The “apex” of activity is along the I-10 corridor from Lafayette through the Gulf Coast of Mississippi.

Over the past ten months we have seen significant sales activity. The majority of multi-family conveyances in the New Orleans Metro this year have been on the Westbank of Jefferson Parish, where over 450 units were sold in August with other notable transactions pending. Investors are attracted to this sub-market due to its historical rent and occupancy stability, as well as the “de facto” moratorium that exists.

Prices have increased with most acquisitions being underwritten in the 7-8% capitalization range. Fannie Mae and Freddie Mac continue to be the predominant funding source for most of the local and regional sales that have occurred.

Regionally, the Mississippi Gulf Coast has been very active with the majority of sellers being special servicers. Interest in Baton Rouge continues to be very strong as well.

The latter part of 2012 and the first quarter of 2013 should see

continued activity. Buyers are acquiring on trailing six, nine and 12 month operations and the majority of sales have been stabilized assets with limited “value add” opportunities available.

Historically, low interest rates and a shift from home ownership are providing multi-family investors with a safe investment vehicle and strong yields. We expect multi-family investments to be a “preferred asset” class both locally and nationally for the next several years. Once again, the biggest impediments to sales activity in the Metro area will be the scarcity of product being offered, rather than a lack of demand.

*By Larry G. Schedler, CCIM*

“ Although Metro New Orleans is a relatively small market, regionally there exists an inventory of over 125,000 units. The “apex” of activity is along the I-10 corridor from Lafayette through the Gulf Coast of Mississippi. ”



# APARTMENT INFORMATION BY SUBMARKET RENT & OCCUPANCY COMPARISON

The Fall 2012 rent and occupancy survey reflected solid performance and double digit rent growth in six of the eight submarkets with negligible change in their overall occupancy. A few of the submarkets were impacted on a small scale by Hurricane Isaac, mainly Eastern New Orleans and Eastern St. Tammany; however, both areas are rebounding quickly. Once again, the Historic Center led the metro area with the highest overall monthly rental increase from our last reporting period, with a minor dip of overall occupancy. The Harahan, River Ridge market made significant increases in overall rent and occupancy with an average rent second to the St. Tammany submarket. The results of the St. Tammany submarket survey reflected increases in overall average monthly rent and a slight occupancy increase as the Western St. Tammany market is still absorbing new construction with concessions. The Metairie submarket remained at the second highest overall occupancy rate in the area with a modest increase in overall monthly rent. Kenner's overall monthly rental rate declined with a slight increase of occupancy.

Gretna, Harvey and Terrytown saw a large overall monthly rent gain and maintained the same occupancy as our Spring 2012 report. Algiers reported higher overall rental rates with a slight dip of occupancy; however, has the lowest monthly rent in the metro apartment market. Eastern New Orleans rents and occupancy both decreased slightly.

*By: Cheryl M. Short*

	Average Monthly Rent	Average Occupancy	Occupancy	Rent
<b>HISTORIC CENTER</b>			↓ 1%	↑ \$33
Fall 2012	\$1,267	96%		
Spring 2012	\$1,234	97%		
<b>EASTERN NEW ORLEANS</b>			↓ 1%	↓ \$2
Fall 2012	\$713	86%		
Spring 2012	\$715	87%		
<b>ALGIERS</b>			↓ 1%	↑ \$10
Fall 2012	\$698	89%		
Spring 2012	\$688	90%		
<b>GRETNA, HARVEY, TERRYTOWN</b>			unchanged	↑ \$13
Fall 2012	\$816	92%		
Spring 2012	\$803	92%		
<b>METAIRIE</b>			unchanged	↑ \$6
Fall 2012	\$746	96%		
Spring 2012	\$740	96%		
<b>HARAHAN, RIVER RIDGE</b>			↑ 2%	↑ \$21
Fall 2012	\$931	97%		
Spring 2012	\$910	95%		
<b>KENNER</b>			↑ 1%	↓ \$4
Fall 2012	\$821	85%		
Spring 2012	\$825	84%		
<b>ST. TAMMANY</b>			↑ 2%	↑ \$10
Fall 2012	\$1009	89%		
Spring 2012	\$999	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
<b>ORLEANS</b>							
A. Historic Center*	\$927	\$1,120	\$1,224	\$1,508	\$1,725	\$1,267	96%
B. East New Orleans	---	\$647	\$736	\$743	\$961	\$713	86%
C. Algiers	\$549	\$649	\$782	\$839	\$907	\$698	89%
<b>JEFFERSON</b>							
D. Gretna, Harvey, Terrytown	\$593	\$725	\$795	\$888	\$1,045	\$816	92%
E. Metairie	\$549	\$692	\$858	\$894	\$1,196	\$746	96%
F. Harahan, River Ridge	\$591	\$810	\$995	\$1,118	\$1,080	\$931	97%
G. Kenner	\$573	\$726	\$891	\$979	---	\$821	85%
H. ST. TAMMANY	---	\$858	\$937	\$1,103	\$1,300	\$1,009	89%

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

## CONTRIBUTORS



**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. The Multi-Family Advisory Group, LLC | Cheryl M. Short | Ph: 504.836.5227 | cheryl@larryschedler.com

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