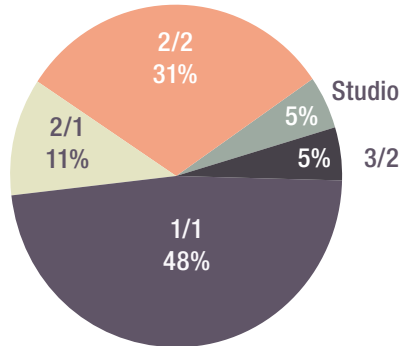


GREATER NEW ORLEANS MULTI-FAMILY REPORT

MARKET AT A GLANCE

This marks the twenty-fourth issue of the Greater New Orleans Multi-Family Report. The Metropolitan New Orleans Apartment market survey was conducted for the period ending October, 2014. The survey includes rental and occupancy data from 132 properties, comprised of 31,518 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



SURVEY TRENDS

“More of the same” is very good news for multi-family owners in Metro New Orleans. Since our Spring, 2014 report overall average rental rates and occupancy remained virtually unchanged as the equilibrium between supply and demand continues to remain in sync.

Overall average occupancy in the eight parishes we survey is at 94% with average rents of \$919.

The New Orleans Historic Center continues to have the highest rents in the Metro at \$1,416, a \$37/month increase from six (6) months ago, average occupancy is 95%. The recent developments in the Historic Center are “market rate” properties as opposed to the mixed income communities we saw enter the market in the period between 2006-2012.

The highest suburban rents are being reported in East and West St. Tammany Parish, where the majority of new “market rate” suburban developments are located. Average rents in the sub-market are at \$1,032/month with average occupancy of 94%.

The most affordable rents in the Metro are in Eastern New Orleans at \$706/month, the area occupancy rate is 94%, which represents a 3% increase since our Spring, 2014 report. This increase represents a positive absorption of 129 units which we expect will continue. The focus on rebuilding the infrastructure in the east (grocery stores, hospitals, etc.) is inevitably attracting families back to the area. Additionally, all of the inventory in the market has been completely rehabbed since Hurricane Katrina.

The Metairie market remains stable at 96% occupancy with average rents of \$795, the surrounding area of Harahan/River Ridge reports an average occupancy of 98% with average rents of \$973. Despite the strength of this sub-market, only one development is under construction (Bella Ridge Apartments). The desire on the part of

AVERAGE RENTAL RATES BY UNIT TYPES - FALL 2014

Studio	1/1	2/1	2/2	3/2
\$669	\$824	\$860	\$1,069	\$1,217

UNIT MIX/RENT STATISTICS

Unit Type	% Mix	Average Sq. Ft.	Average Rent	Average Rent/SF
Studio	5%	431	\$669	\$1.55
1 Bed 1 Bath	48%	718	\$824	\$1.15
2 Bed 1 Bath	11%	945	\$860	\$0.91
2 Bed 2 Bath	31%	1,049	\$1,069	\$1.02
3 Bed 2 Bath	5%	1,331	\$1,217	\$0.91
Totals	100%	866	\$919	\$1.06

UNIT INVENTORY SURVEYED

Studio	1/1	2/1	2/2	3/2
1,634	14,928	3,535	9,802	1,619

developers to add additional inventory is strong; however, the lack of available land will make any large increase of inventory unlikely. The majority of new construction activity is taking place in the Historic Center with 1,021 units scheduled to come on line within the next 12-18 months. Nationally, there is a movement to go back to the urban core of the city and New Orleans is no exception.

The demand is being fueled by the soon to be opened medical center and the increasing conveniences in the area due to its expanding residential component. Despite the demand though, supply will be limited due to a scarcity of suitable buildings for conversion. There are also additional suburban “market rate” communities being planned in both East and West St. Tammany Parish. The positive “stats” on our market have not gone un-noticed by investors, lenders and equity sources. The largest challenge however will be a scarcity of available acquisition opportunities.

By Larry G. Schedler, CCIM

OVERALL MARKET RENT & OCCUPANCY

Location (Parish)	Average Rent	Average Sq. Ft.	Rent/Sq. Foot	Occupancy Rate
New Orleans Historic Center	\$1,416	855	\$1.66	95%
Garden Apartments Jefferson	\$850	836	\$1.02	94%
St. Tammany	\$1,032	985	\$1.05	94%
Orleans – Algiers & East New Orleans	\$720	879	\$0.82	94%
Overall	\$919	866	\$1.06	94%

GREATER NEW ORLEANS APARTMENT CONSTRUCTION ACTIVITY

New Orleans continues to see strong interest in apartment development. Much of this interest is centered in the historic neighborhoods and the CBD which offer the added benefit of Historic Tax Credits to offset high construction/renovation costs. In total six major properties are currently under construction or lease up in the Greater New Orleans area totaling 1,112 units (see map on following page). As noted in the Spring 2014 report five of these six properties are located in the CBD in very close proximity to one another.

This summer saw the opening of 144 Elk (96 units). 144 Elk is the first of this new wave of CBD developments and is now in lease up with over 50% of its units occupied. The Paramount at South Market (209 units) is nearing completion and will have units available for occupancy in November. Both The Strand (192 units) and 210 Baronne (260 units) should have units available for occupancy in early 2015. The second phase of Belmont Commons located at 925 Common (91 units) is also now under construction with an anticipated completion in late 2015. The two phases combined will have 199 units plus approximately 10,500 square feet of ground level retail. Completion of phase two is scheduled for the end of 2015.

Several other CBD properties are also under consideration and will be able to move forward if required equity and debt are secured. One of the projects we anticipate including as under construction in our next report is 1111 Tulane (150 units). Additionally, this survey does not include a significant number of smaller historic redevelopments (under 50 units) which will add several hundred units to the market.

There appears to be growing interest in apartment development in suburban markets of New Orleans. Bella Ridge (269 units) will have units available for occupancy in January, 2015. It will be the first significant new apartment property constructed in East Jefferson in 10 years. Other properties are under consideration and likely to break ground in West St. Tammany in 2015.



**Bella Ridge
rendering and
construction**



We anticipate the overall positive trends in rents and occupancy will continue to spur new development. Much of this development will center around New Orleans's historic neighborhoods and West St. Tammany.

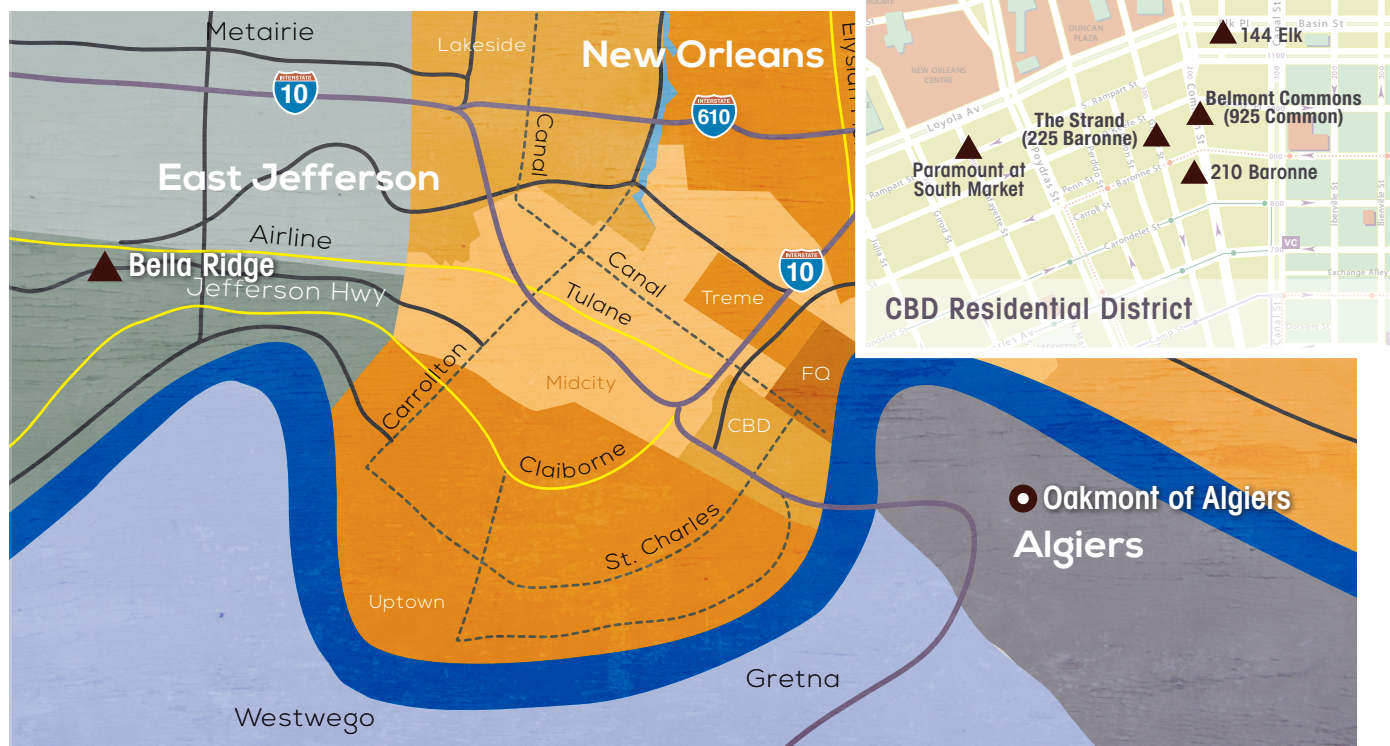
By J. Mark Madderra

NEW CONSTRUCTION OF MARKET RATE & MIXED INCOME PROPERTIES*

Property Name	Developer	Units	Location	Completion
144 Elk	Elk Place, LLC, Mike Wampold	96	New Orleans (Historic Center)	In Lease up
The Paramount at South Market (Phase I)	The Domain Companies	209	New Orleans (Historic Center)	October, 2014**
The Strand (225 Baronne)	HRI Properties	192	New Orleans (Historic Center)	Spring 2015
210 Baronne	Kailas Development	260	New Orleans (Historic Center)	2015
Bella Ridge Apartments	Favrot & Shane Companies	264	Jefferson Parish (Harahan, River Ridge)	January 2015**
Belmont Commons (Phase II, 925 Common)	Belmont Commons, LLC	91	New Orleans (Historic Center)	Late 2015
Totals	6	1,112		

* See locations on following page

**First units available for occupancy



Legend ▲ New Market Rate Construction ● New Orleans Area Sale

GREATER NEW ORLEANS SALES SUMMARY

My firm has been brokering the sale of multi-family properties for the past 30 years, never can I recall a business cycle that had such an abundance of equity and debt at historically low interest rates. This is not to say that investors are carelessly throwing money at offerings, quite the opposite. Both financial and physical underwriting is very stringent; however, once the investor's yields are realized, the ability for them to put their capital stack together is frequently seamless.

Investors are not seeking acquisition opportunities in New Orleans in a "vacuum" rather as part of a strategy to assemble a portfolio in the region. The specific area of interest is the I-10 corridor from Lake Charles through the Gulf Coast of Mississippi and Alabama.

One recent local sale worth noting is the September, 2014 sale of the Oakmont of Algiers Apartments (336 units) in Algiers for \$38,467/unit as well as a regional conveyance in July, 2014 of the Palm Isle Apartments (257 units) in Biloxi for \$29,961/unit.

We anticipate demand will remain strong for existing suburban and in-fill properties. Despite the demand for acquisitions some

owners are opting not to sell due to their concern of being able to duplicate their current investment yields.

Over the next 12 months approximately \$500,000,000 in CMBS loans will mature. Many of these loans will be refinanced; however, some of these maturities will prompt ownership to sell.

We will see a moderate amount of local conveyances the remainder of this year with increased activity in the first and second quarter of 2015.

By Larry G. Schedler, CCIM

“Investors are not seeking acquisition opportunities in New Orleans in a “vacuum,” rather as part of a strategy to assemble a portfolio in the region”

LOCAL/REGIONAL MULTI-FAMILY SALES

Project Name	Location	Units	Date Sold	Price/Unit
Oakmont of Algiers	Algiers, LA	336	September, 2014	\$38,467
Palm Isle	Biloxi, MS	257	July, 2014	\$29,961

APARTMENT INFORMATION BY SUBMARKET RENT & OCCUPANCY COMPARISON

There were no surprises in our Fall 2014 rent and occupancy findings by sub-market. The trend of stable occupancy levels continued from past reporting cycles. Overall monthly rental rates fluctuated slightly in the majority of the sub-markets with the exception of double digit growth in three of the eight areas surveyed.

Once again, the Historic Center which includes the Central Business District, Warehouse District, Mid City, St. Charles Avenue and the French Quarter reported the highest overall monthly rent growth and 95% occupancy. For the past 2 ½ years this sub-market has remained 95% – 97% occupied and has experienced an average rental rate growth of \$35.00 monthly.

The Westbank of Jefferson Parish reported strong, stable occupancy levels as well as the second highest rent gain. The Harahan, River Ridge market is the most occupied in our study followed by the Metairie area, both saw an increase in monthly rent levels. Kenner, the remaining Jefferson Parish sub-market reported stable findings from our Spring 2014 survey however it should be noted that this sub-market has the widest range of occupancy and rent levels in our survey with several properties reporting occupancy in the 96% - 98% range. The availability of reliable rent and occupancy figures has hampered our ability to report on Kenner.

St. Tammany Parish had no change in occupancy levels with only a minor decrease of monthly market rents as absorption of new inventory seems to have occurred in Western St. Tammany.

The remaining Orleans Parish sub-markets of Algiers and New Orleans East both reported increases in occupancy with Algiers showing a slight increase of monthly rent.

By: Cheryl M. Short

	Average Monthly Rent	Average Occupancy	Occupancy	Rent
HISTORIC CENTER			1%	↓ \$37 ↑
Fall 2014	\$1,416	95%		
Spring 2014	\$1,379	96%		
EASTERN NEW ORLEANS			3%	↑ \$3 ↓
Fall 2014	\$706	94%		
Spring 2014	\$709	91%		
ALGIERS			1%	↑ \$10 ↑
Fall 2014	\$743	95%		
Spring 2014	\$733	94%		
GRETNA, HARVEY, TERRYTOWN			Same	\$14 ↑
Fall 2014	\$837	95%		
Spring 2014	\$823	95%		
METAIRIE			1%	↓ \$7 ↑
Fall 2014	\$795	96%		
Spring 2014	\$788	97%		
HARAHAN, RIVER RIDGE			2%	↑ \$7 ↑
Fall 2014	\$973	98%		
Spring 2014	\$966	96%		
KENNER			1%	↓ \$3 ↓
Fall 2014	\$827	83%		
Spring 2014	\$830	84%		
ST. TAMMANY			Same	\$2 ↓
Fall 2014	\$1,032	94%		
Spring 2014	\$1,034	94%		

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*	\$1,016	\$1,246	\$1,369	\$1,689	\$1,932	\$1,416	95%
B. Eastern New Orleans	-----	\$624	\$741	\$744	\$963	\$706	94%
C. Algiers	\$631	\$672	\$785	\$844	\$1,038	\$743	95%
JEFFERSON							
D. Gretna, Harvey, Terrytown	\$633	\$745	\$842	\$914	\$1,039	\$837	95%
E. Metairie	\$599	\$735	\$896	\$954	\$1,226	\$795	96%
F. Harahan, River Ridge	\$645	\$855	\$1,038	\$1,153	\$1,100	\$973	98%
G. Kenner	\$587	\$737	\$910	\$974	----	\$827	83%
H. ST. TAMMANY	----	\$887	\$925	\$1,130	\$1,300	\$1,032	94%

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

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Madderra & Cazalot offers mortgage banking services specializing in multi-family properties throughout the Gulf South. Since its founding in 1992, the firm has originated more than \$4 billion of income-producing loans and equities. The firm has expanded its capabilities with offices in Dallas and New Orleans. The firm acts as a real estate advisor for Prudential Financial and as a correspondent for other prominent national lenders. Madderra & Cazalot. | Ph. 504.835.6900 | www.maddcaz.com

Larry G. Schedler & Associates, Inc.
Multifamily Acquisitions and Dispositions

Larry G. Schedler & Associates, Inc. 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 32,000 units. The firm represents conventional, institutional and non-profit clients. Larry G. Schedler & Associates, Inc | Ph: 504.836.5222 | www.larryschedler.com



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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