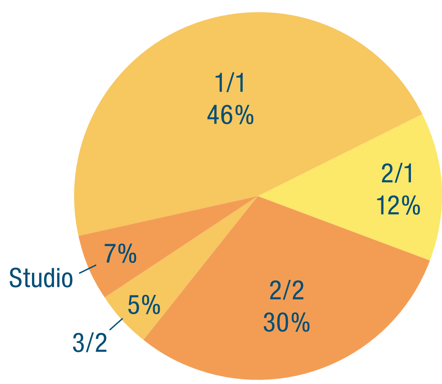
Number 17 Spring 2011

# GREATER NEW ORLEANS MULTI-FAMILY REPORT

## MARKET AT A GLANCE

This marks the seventeenth issue of the Greater New Orleans Multi-Family Report. The Metropolitan New Orleans Apartment market survey was conducted for the period ending April, 2011. The survey includes rental and occupancy data from 126 properties, comprised of 29,921 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 - SPRING 2011

| Studio | 1/1 | 2/1 | 2/2 | 3/2 |
|---|---|---|---|---|
| $611 | $764 | $836 | $987 | $1,135 |

### UNIT MIX/RENT STATISTICS

| Unit Type | % Mix | Average Sq. Ft. | Average Rent | Average Rent/SF |
|---|---|---|---|---|
| Studio | 7% | 431 | $611 | $1.42 |
| 1 Bed 1 Bath | 46% | 717 | $764 | $1.07 |
| 2 Bed 1 Bath | 12% | 959 | $836 | $0.87 |
| 2 Bed 2 Bath | 30% | 1,045 | $987 | $0.94 |
| 3 Bed 2 Bath | 5% | 1,323 | $1,135 | $0.86 |
| **Total** | 100% | 866 | $854 | $0.99 |

### UNIT INVENTORY SURVEYED

| Studio | 1/1 | 2/1 | 2/2 | 3/2 |
|---|---|---|---|---|
| 2,002 | 13,547 | 3,734 | 9,078 | 1,560 |

## SURVEY TRENDS

Our last report indicated a multi-family market that was beginning to stabilize and absorb the abundance of new inventory that had entered the market over the past five years. The information we have gathered for this report shows a continuing, although modest strengthening of our market. Overall occupancy for Metro New Orleans is 91%, a 1% increase from our Fall, 2010 Report and a 3% increase from our Spring 2010 Report. Average rental rates have increased modestly as well due primarily to the introduction of several newer "higher end" properties to the metro's inventory.

Given the challenges in securing construction financing we would anticipate that new construction activity will be constrained. This "cooling" off of new construction activity should help us further absorb our existing inventory.

The sub-markets with the strongest reported occupancy are Harahan/River Ridge (96%), Historic Center (95%), Metairie (94%) and St. Tammany Parish (92%). The sub-markets with the lowest reported occupancy are Kenner (81%), Algiers (84%) and Eastern New Orleans (85%). Eastern New Orleans and Algiers both showed positive improvements over those levels reported in our Spring 2010 Report.

It should be noted that of all the sub-markets surveyed, St. Tammany Parish had the highest amount of rent concessions being offered. Those programs are not unusual in a market that has seen a lot of new construction of conventional properties.

There are more multi-family housing options available now and tenants are migrating to those assets that are new or that have been significantly rehabbed. Prospective renters have a host of new market rate and tax credit communities to choose from.

There are currently six (6) market rate properties being developed in the metro totaling 770 units that are in various stages of development and lease up. Three (3) of these developments are

*(Continued on next page)*

### OVERALL MARKET RENT & OCCUPANCY

| Location *(Parish)* | Average Rent | Average Sq. Ft. | Rent/ Sq. Ft. | Occupancy Rate |
|---|---|---|---|---|
| *New Orleans Historic Center* | $1,211 | 859 | $1.41 | 95% |
| *Garden Apartments Jefferson* | $804 | 835 | $0.96 | 92% |
| *St. Tammany* | $963 | 967 | $1.00 | 92% |
| *Orleans - Algiers & East New Orleans* | $720 | 898 | $0.80 | 85% |
| **Overall** | $854 | 866 | $0.99 | 91% |

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## SURVEY TRENDS *(Continued)*

in western St. Tammany and three (3) or located in the Historic Center. It should be noted that these sub-markets also enjoy the highest rents and occupancy therefore making new market rate development economically feasible.

Investors seeking multi-family assets still have an appetite for opportunities in Metro New Orleans. The availability of suitable acquisition prospects should increase over the next six (6) months. Investors/Lenders are acquiring on current revenue as lenders have lowered LTV's and are demanding significantly more liquidity and capital expenditures than they have in the past.

***By Larry G. Schedler, CCIM***

## GREATER NEW ORLEANS APARTMENT CONSTRUCTION ACTIVITY

This spring, the New Orleans metro area has six (6) major market rate multi-family properties (770 units) under construction. The focus of construction activity continues to be in the Historic Center of New Orleans and West St. Tammany. All six (6) properties are located in these submarkets.

Three (3) properties are now under construction or initial lease-up in West St. Tammany. Abita View is a 140 unit property developed by Bill Ball. It is located in Covington off of US-190 and is near completion. Crosby Development is building another phase (58 units) to Mandeville Lake in Mandeville. These units should be available for occupancy before the end of the year. The largest of these new properties is Brewster Commons at River Chase located in Mandeville. This 240 unit property recently broke ground and the first units should be available this fall. Brewster Commons at River Chase is being developed by Favrot & Shane/First Lake Properties which is the New Orleans area's largest owner and manager of apartments. This is their first new construction since Katrina and also their first time building a new property in St. Tammany.

The Historic Center of New Orleans has three (3) properties now under construction or initial lease-up. Two of these properties are being developed by Wisznia & Associates in the CBD. The Maritime (112 units) is complete and in initial lease-up. Saratoga Lofts (153 units) is nearing completion and will have units available this summer. The third property is the National Rice Mill Lofts (67 units) located on the riverfront in Bywater adjacent to New Orleans Center for Creative Arts. Sean Cummings and T.J. Iarocci are developing this property and anticipate completion in late summer.

As reported in our last issue, several other developments are planned for the New Orleans Historic Center and St. Tammany. This is not surprising as these two submarkets have the highest

*Interiors of The Maritime*

metropolitan area rents by a significant margin. The Historic Center properties under consideration are all dependent on Historic and/or New Market Tax Credits but are facing a difficult financing market. New St. Tammany developments without these subsidies face greater financing challenges, yet projects are under consideration in Slidell, Mandeville and Covington. The only significant multi-family activity outside these submarkets involve Low Income Housing Tax Credit (LIHTC) properties which are typically restricted to renters earning less than 60% of area median income.

***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 | Now Leasing |
| Saratoga Lofts | Wisznia Associates | 153 | N.O. Historic Center | Summer 2011 |
| National Rice Mill Lofts | Sean Cummings and TJ Iarocci | 67 | N.O. Historic Center | Summer 2011 |
| Abita View | Bill Ball | 140 | Covington (St. Tammany) | Summer 2011 |
| Brewster Commons at River Chase | Favrot & Shane/1st Lake Properties | 240 | Covington (St. Tammany) | Winter 2011 |
| Mandeville Lake | Crosby Development | 58 | Mandeville (St. Tammany) | Winter 2011 |
| TOTAL | 6 Projects | 770 units | | |

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**Legend**

- New Market Rate Construction
- New Construction Mixed Income
- Sale

## GREATER NEW ORLEANS SALES SUMMARY

Through all the ups and downs in any given real estate market, multi-family investments have always proven to be the preferred asset class by investors.

National market conditions and the conveyance of almost 25% of our Metro inventory in the three (3) years preceding Hurricane Katrina caused a significant slowdown in multi-family transfers in 2010. However, the robust market we anticipated for 2011 certainly seems to be coming to fruition.

Investors continue to seek multi-family acquisition opportunities in Metro New Orleans. The first sale of the year was Stonebridge Manor Apartments in Gretna, a 264 unit garden community that was built in the mid 1980's. The property was sold to a California Investment Group and was financed by Fannie Mae. We anticipate several communities coming on the market over the summer with third and fourth quarter closings. Many of these transfers will be prompted by maturities on existing financing as well as value add investors seeking to create liquidity for other opportunities.

Regionally, we anticipate special servicers to be the most active sellers in the Gulf Coast Region, these groups have been mandated by agencies and conduits to dispose of their foreclosed assets. Special servicers have not been a major factor in the Metro New Orleans Market as we have not had many foreclosures.

*Investors have to be prepared to put real equity into their acquisitions, as lenders have increased their LTV and equity requirements.*

Investors have to be prepared to put real equity into their acquisitions, as lenders have increased their LTV and equity requirements. Additionally, rehab and upgrades are being mandated by lenders as a further condition of loan approval. Properties are being valued on current income and expenses with particular emphasis on trailing three (3) and six (6) months operations.

***By Larry G. Schedler, CCIM***

## LOCAL & REGIONAL PROPERTIES SOLD

| | Project Name | Location | Units | Date Sold | Price/Unit |
|---|---|---|---|---|---|
| | Stonebridge Manor Apartments | Gretna, LA | 264 | January, 2011 | $46,307 |
| | Sherwood Court Apartments | Laplace, LA | 24 | January, 2011 | $55,625 |
| | Gulf Grove Apartments | Waveland, MS | 100 | February, 2011 | $10,500 |
| | Parham Pointe Apartments | Jackson, MS | 393 | March, 2011 | $25,700 |
| | Mansions in the Park Apartments | Baton Rouge, LA | 264 | December, 2010 | $103,902 |

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## APARTMENT INFORMATION BY SUBMARKET RENT & OCCUPANCY COMPARISON

**Historic Center**
The submarket continues to absorb existing inventory and new product in stride. Monthly rents have decreased slightly however overall occupancy has risen, the Historic Center has been trending in the same manner for twelve months.

**Eastern New Orleans**
Survey participants reported growth in both occupancy and monthly rents for the first time in over twelve months, all positive signs of increased leasing activity.

**Algiers**
Significant increase in overall rental rates as well as occupancy for the westbank of Orleans Parish submarket. Improvement attributed to existing inventory continuing to be improved and no new construction in the submarket.

**Gretna, Harvey, Terrytown**
Westbank of Jefferson Parish continues to perform solidly, overall occupancy of 92% and monthly rent increase of $13. Moratorium still in place on all new multifamily construction.

**Metairie**
Survey indicated a modest increase in average monthly rental rate and a slight decline in overall occupancy. Metairie submarket appears to be solid with concessions diminishing.

**Harahan, River Ridge**
Another submarket posting increases in both overall occupancy and monthly rates. Desirable floor plans coupled with no new construction continue to make the area a rental success.

**Kenner**
The area has slipped to the lowest of all submarkets for overall monthly rental rates and occupancy, both declined in this report. Choices in other submarkets appear to be affecting performance of the Kenner apartment market.

**St. Tammany**
Western St. Tammany is the submarket experiencing the largest amount of new development. New construction steadily released into the market place is creating competition. Deep rent concessions are prevalent in order to lease up new product and are not reflected in statistical findings. Overall occupancy and monthly rents increased slightly.

***By: Cheryl M. Short***

| | Average Monthly Rent | Average Occupancy | Occupancy | Rent |
|---|---|---|---|---|
| HISTORIC CENTER | | | ↑ 2% | ↓ $16 |
| Spring 2011 | $1,211 | 95% | | |
| Spring 2010 | $1,227 | 93% | | |
| EASTERN NEW ORLEANS | | | ↑ 4% | ↑ $23 |
| Spring 2011 | $724 | 85% | | |
| Spring 2010 | $701 | 81% | | |
| ALGIERS | | | ↑ 6% | ↑ $31 |
| Spring 2011 | $712 | 84% | | |
| Spring 2010 | $681 | 78% | | |
| GRETNA, HARVEY, TERRYTOWN | | | — 0% | ↑ $13 |
| Spring 2011 | $795 | 92% | | |
| Spring 2010 | $782 | 92% | | |
| METAIRIE | | | ↓ 1% | ↑ $8 |
| Spring 2011 | $735 | 94% | | |
| Spring 2010 | $727 | 95% | | |
| HARAHAN, RIVER RIDGE | | | ↑ 3% | ↑ $15 |
| Spring 2011 | $898 | 96% | | |
| Spring 2010 | $883 | 93% | | |
| KENNER | | | ↓ 1% | ↓ $11 |
| Spring 2011 | $804 | 81% | | |
| Spring 2010 | $815 | 82% | | |
| ST. TAMMANY | | | ↑ 2% | ↑ $4 |
| Spring 2011 | $963 | 92% | | |
| Spring 2010 | $959 | 90% | | |

| 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** | $879 | $1,111 | $1,068 | $1,472 | $1,731 | $1,211 | 95% |
| *B. East New Orleans* | --- | $616 | $791 | $719 | $964 | $724 | 85% |
| *C. Algiers* | $564 | $649 | $775 | $807 | $966 | $712 | 84% |
| JEFFERSON | | | | | | | |
| *D. Gretna, Harvey, Terrytown* | $579 | $712 | $784 | $858 | $1,016 | $795 | 92% |
| *E. Metairie* | $519 | $681 | $849 | $892 | $1,138 | $735 | 94% |
| *F. Harahan, River Ridge* | $549 | $765 | $1,005 | $1,094 | $1,013 | $898 | 96% |
| *G. Kenner* | $568 | $718 | $867 | $951 | --- | $804 | 81% |
| H. ST. TAMMANY | --- | $839 | $901 | $1,040 | $1,202 | $963 | 92% |

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

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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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