

GREATER NEW ORLEANS MULTI-FAMILY REPORT

MARKET AT A GLANCE

This marks the tenth issue of the Greater New Orleans Multi-Family Report and our first post-Katrina publication.

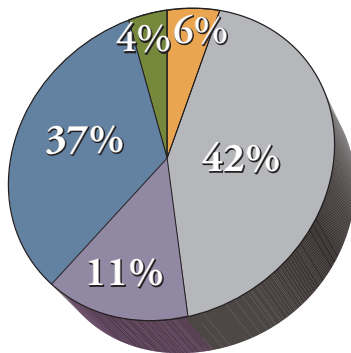
The Metropolitan New Orleans Apartment market survey was conducted for the period ending August 2007.

The survey includes rental and occupancy data from 110 properties, comprised of 27,260 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 and Larry G. Schedler and Associates, Inc.

UNIT INVENTORY

| Unit Type | No. of Units |
|--------------|---------------|
| Studio | 1,671 |
| 1 Bed 1 Bath | 11,408 |
| 2 Bed 1 Bath | 3,017 |
| 2 Bed 2 Bath | 10,110 |
| 3 Bed 2 Bath | 1,054 |
| Total | 27,260 |



OVERALL MARKET RENT & OCCUPANCY

| Location Parish | Average Rent | Average Sq. Ft. | Rent/ Sq. Ft. | Occupancy Rate |
|----------------------------------|-----------------|--------------------|------------------|-------------------|
| New Orleans | | | | |
| Historic Center | \$1,310 | 810 | \$1.62 | 92% |
| Garden Apartments | | | | |
| Jefferson | \$811 | 828 | \$0.98 | 94% |
| St. Tammany | \$963 | 969 | \$0.99 | 97% |
| Algiers & Eastern New Orleans | \$751 | 868 | \$0.86 | 92% |
| Overall | \$844 | 848 | \$0.99 | 95% |

SURVEY TRENDS

The Metropolitan New Orleans Multi-Family market has been through one of the most radical transformations of any apartment market in the history of our country.

The market that existed here 24 months ago is as relevant as the market that existed here 24 years ago.

As our previous surveys have indicated, the New Orleans apartment market had an inventory of approximately 48,000 units. In the immediate aftermath of Hurricane Katrina, approximately 13,000 units were taken off the market.

Two years later, we have 1,800 units that have been demolished with an additional 3,000 units (primarily in New Orleans East) whose fate is still unknown.

4,000 units in East New Orleans are in the process of being rehabbed with an additional 850± units being rehabbed on the Westbank and 700 units in the Historic Center. The remaining inventory of damaged units were rehabbed and placed back in service within 12-18 months after Hurricane Katrina.

The following rental and occupancy information will highlight that the local multi-family market has stabilized to a point where market watchers can see trends in order to plan for future developments as well as positioning their assets for the realities of this market place.

Our ability to absorb a growing inventory of new or renovated units will be dependent on the ability of the city and state to spur economic development where jobs will be created in all sectors of our economy.

By: Larry G. Schedler, CCIM

UNIT MIX/RENT STATISTICS

| Unit Type | % Mix | Average Sq. Ft. | Average Rent | Average Rent/SF |
|--------------|---------------|--------------------|-----------------|--------------------|
| Studio | 6.0% | 429 | \$557 | \$1.30 |
| 1 Bed 1 Bath | 42.0% | 711 | \$756 | \$1.06 |
| 2 Bed 1 Bath | 11.0% | 993 | \$894 | \$0.90 |
| 2 Bed 2 Bath | 37.0% | 1,020 | \$952 | \$0.93 |
| 3 Bed 2 Bath | 4.0% | 1,354 | \$1,219 | \$0.90 |
| Total | 100.0% | 848 | \$844 | \$0.99 |

GREATER NEW ORLEANS SALES SUMMARY

In the immediate aftermath of Hurricanes Katrina and Rita, we anticipated an 18-24 month period before any multi-family assets would be conveyed. How wrong we were. With the first transfer in November 2005 of the Papillion Apartments to Tulane University, the local market for multi-family sales has been nothing short of phenomenal. Investors sell their stocks when they feel there is uncertainty in the market, whereas others acquire more as they see the sell off as an opportunity. Multi-family sales in Metro New Orleans have covered the spectrum from severely damaged communities selling for less than \$5,000/unit to sales figures in excess of \$100,000/unit. The Eastern New Orleans market which saw its entire inventory taken off line has seen six (6) transactions since Katrina. Sales in the East represent the lowest prices paid, as they require substantial capital infusions to place these assets back in commerce. There were four (4) conveyances on the Westbank which range from non-performing "gut rehab" deals to fully leased performing assets. The Northshore and Mid-City saw

transactions at historically high prices ranging from \$92,000 - \$118,000/unit.

Just as the case before Katrina, the demand for apartment acquisitions in Metro New Orleans outpaces the supply. There is no denying that some investors have "sour" on the market due to the realization that the threat of storms and flooding sometimes become reality. However, for every investor who has moved on, two new additional investors have entered the market. It should be noted that with the exception of the Willows and Copper Creek, all of the rehabs underway in East New Orleans are by new out-of-state owners. Initially, investor interest was for heavily damaged assets; however, as these opportunities become fewer, demand has turned to up and running stabilized assets.

We would anticipate activity to remain strong for the next 12 months. After that, we think investors/lenders will pause to see how the market absorbs the new and rehabbed inventory.

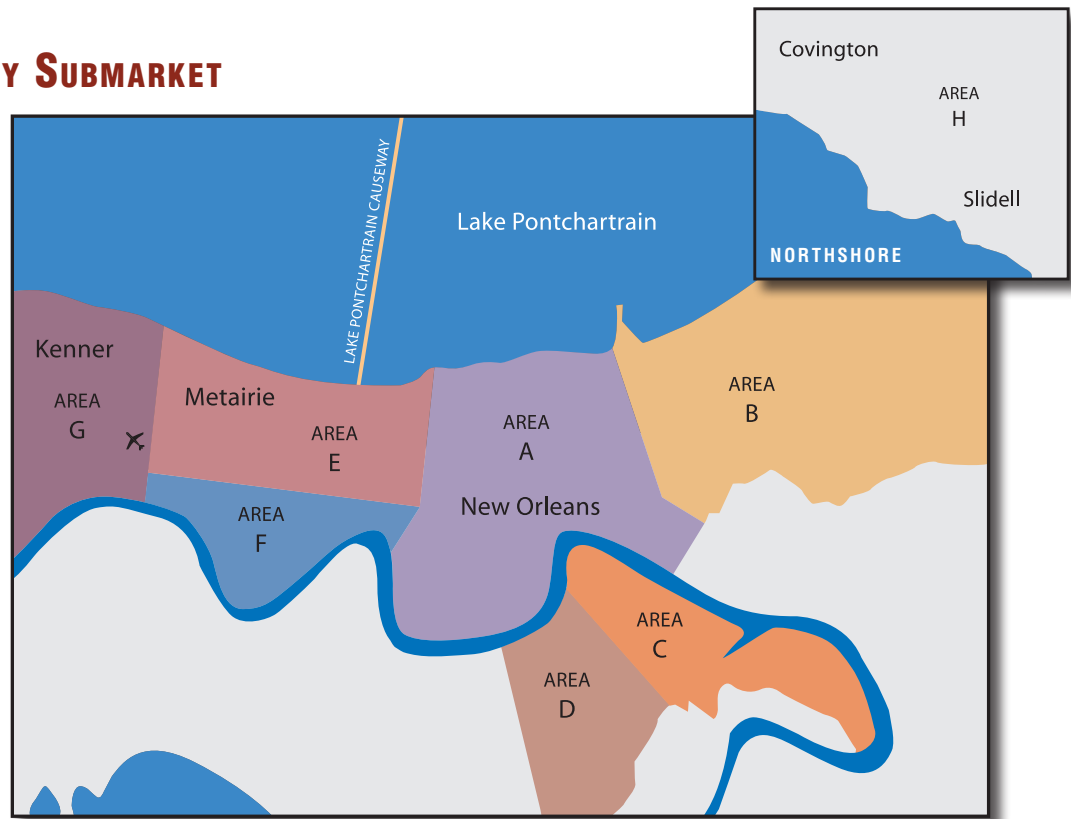
By: Larry G. Schedler, CCIM

PROPERTIES SOLD

| No. | Project Name | Location | Units | Date Sold | Price/Unit |
|---|--------------------------------|------------------|-------|----------------|------------|
| Rehabbed Properties | | | | | |
| A | Esplanade at City Park | New Orleans | 443 | August 2006 | \$103,837 |
| B | Villa du Lac | Slidell | 234 | February 2007 | \$99,359 |
| C | Carlyle | Gretna | 288 | April 2007 | \$56,242 |
| D | Harborside | Slidell | 168 | August 2007 | \$114,583 |
| E | Woodlands | Mandeville | 192 | August 2007 | \$63,020 |
| Properties Needing Rehab | | | | | |
| F | Papillion | Historic | 116 | November 2005 | \$87,931 |
| G | Pine Grove | Mandeville | 48 | December 2006 | \$52,864 |
| H | Belle Oak | Metairie | 120 | February 2006 | \$46,917 |
| I | Camelot | Metairie | 210 | February 2006 | \$39,762 |
| J | Lakewind East | New Orleans East | 371 | June 2006 | \$13,477 |
| K | Wind Run | New Orleans East | 400 | September 2006 | \$9,000 |
| L | Huntington Park | New Orleans East | 160 | October 2006 | \$7,000 |
| M | Hidden Lake | New Orleans East | 461 | January 2007 | \$6,506 |
| N | West Chase | Harvey | 380 | January 2007 | \$14,803 |
| O | Ridgefield | Marrero | 200 | February 2007 | \$20,000 |
| P | Carriage House | New Orleans East | 216 | March 2007 | \$4,630 |
| Q | New Orleans Towers | Algiers | 307 | June 2007 | \$19,544 |
| R | Village Creek (Chenault Creek) | New Orleans East | 584 | August 2007 | \$14,041 |
| Undamaged Properties | | | | | |
| S | Botanica | Mandeville | 228 | August 2006 | \$118,640 |
| T | The Park at Covington | Covington | 264 | November 2006 | \$92,803 |
| Property Demolished and Rebuilt as Condos | | | | | |
| U | Houma House | Metairie | 270 | August 2006 | \$34,259 |

GREATER NEW ORLEANS APARTMENT INFORMATION BY SUBMARKET

As the Greater New Orleans apartment market redefines itself, the sub-markets and monthly rental rates are directly impacted by inventory, age of product, and rehabilitated apartments. Submarkets that suffered major devastation and have operational properties are featuring fully renovated apartments. Many communities in the submarkets underwent major renovation and emerged repositioned in their market place. Traditionally, *A.* the Historic Center has commanded the highest monthly rental rates; this trend is still evidenced in the current survey by the average monthly rental rate of \$1,310. Apartments offered for lease in the Historic Center feature unique, one-of-a-kind units with desirable locations and amenities. Inventory of Historic Center rental units have also been diminished due to condominium conversions. The garden apartment communities located in the remaining submarkets are performing well. *H.* St. Tammany posted the highest garden apartment rent (\$963) and the highest occupancy rate (97%) due to its sought after location, newer units and demographics. *F.* Harahan and River Ridge garden apartment inventory remained in tact with a surveyed average monthly rental rate of \$912 followed by inventory rich *G.* Kenner with an average monthly rental rate of \$788. West Jefferson or *D.* Gretna, Harvey, Terrytown tied for the second highest occupancy rate (96%) and reported an average monthly rent of \$752. *B.* Eastern New Orleans, the submarket that suffered wholesale devastation, features the smallest reporting



inventory and totally renovated communities, the average monthly rents reported (\$740) with 92% occupancy of currently available units. *E.* Metairie and *C.* Algiers reported average monthly rental rates in the \$713- \$723 range, the only difference being occupancy in the Metairie market was 95% and Algiers 92%.

Many factors determine rental rates and occupancy; however we felt it necessary to establish a benchmark for this first post-Katrina report. Survey results noted that rents and occupancy have “settled down” and the market is cautiously proceeding along. Certainly, additional units introduced into the apartment market will offer more rental options and could ultimately have an effect on rents and occupancy.

By: Cheryl M. Short

| AREA | Studio | 1 Bedroom/ 1 Bath | 2 Bedroom/ 1 Bath | 2 Bedroom/ 2 Bath | 3 Bedroom/ 2 Bath | Monthly Rent | Occupancy Rate |
|---|--------|----------------------|----------------------|----------------------|----------------------|-----------------|-------------------|
| ORLEANS | | | | | | | |
| <i>A. Historic Center*</i> | \$810 | \$1,163 | \$1,355 | \$1,993 | \$2,413 | \$1,310 | 92.0% |
| <i>B. Eastern New Orleans</i> | --- | \$661 | \$780 | \$769 | \$905 | \$740 | 92.0% |
| <i>C. Algiers</i> | \$465 | \$693 | \$770 | \$777 | \$903 | \$713 | 92.0% |
| JEFFERSON | | | | | | | |
| <i>D. Gretna, Harvey, Terrytown</i> | \$600 | \$685 | \$806 | \$890 | \$998 | \$752 | 96.0% |
| <i>E. Metairie</i> | \$520 | \$662 | \$797 | \$825 | \$1,155 | \$723 | 95.0% |
| <i>F. Harahan, River Ridge</i> | \$532 | \$785 | \$1,011 | \$1,053 | --- | \$912 | 96.0% |
| <i>G. Kenner</i> | \$502 | \$696 | \$745 | \$960 | --- | \$788 | 91.0% |
| <i>H. ST. TAMMANY</i> | --- | \$822 | \$776 | \$1,069 | \$1,286 | \$963 | 97.0% |

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

GREATER NEW ORLEANS APARTMENT CONSTRUCTION ACTIVITY

The history of apartment construction in “Pre-Katrina” New Orleans was one of slow predictable growth. Barriers to entry, including limited land availability, have controlled new apartment construction. Apartment inventories remained nearly unchanged. The damage caused by Katrina has and will alter this predictable growth pattern of the last two decades for years to come. New Orleans is experiencing the greatest level of apartment construction activity in its history.

While much of this activity is focused on renovation or replacement of affordable housing severely damaged by the storm,

market rate housing has also been impacted. Market rate construction activity can be grouped in three main areas:

1. New mixed income communities utilizing Low Income Housing Tax Credits (“LIHTC”) and other Gulf Opportunity (“GO”) Zone incentives. *(See Chart 1)*
2. Reconstruction/major renovation of existing properties which required that most or all units be repaired and released. *(See Chart 2)*
3. Traditional new construction including Adaptive Reuse Properties utilizing Historic Tax Credits. *(See Chart 3)*

MIXED INCOME

A significant number of affordable housing units lost to Katrina will be replaced using the Low Income Housing Tax Credit Program (LIHTC). Louisiana received a special allocation of LIHTC’s for the Go Zone which prioritized the New Orleans Metro area for new development. As part of this allocation, sixteen New Orleans area mixed income projects

have been approved. Five of these properties are now under construction and will add a total of 1,033 units, of which 700 units will be market rate. These mixed income projects typically will have 60-80% of the total units at market rates. The remaining 20-40% will be affordable units offered at rental rates significantly below market.

CHART 1: MIXED INCOME

| No | Project Name | Developer | Units | Location |
|----|---------------------|-----------------------------------|--------------------|---------------------------|
| 1 | The Preserve | The Domain Companies | 183 | New Orleans (Historic) |
| 2 | The Crescent Club | The Domain Companies | 226 | New Orleans (Historic) |
| 3 | 200 Carondelet | Reliance/Carondelet Association 1 | 190 | New Orleans (Historic) |
| 4 | Walnut Square Apts. | Preservation Housing II | 209 | East New Orleans |
| 5 | Timberlane | James. E. Neville | 165 | Gretna - Jefferson Parish |
| | TOTAL | 5 Projects | 1,033 units | |

RECONSTRUCTION/MAJOR RENOVATIONS

The most significant impact on the market will result from the completion of major rehabs on storm damaged properties. At this time, ten major properties are at various stages of construction and leasing with most or all units still offline. When complete they will add 3,695 units to the current inventory. Seven projects are located in East New Orleans and

will add 2,392 units. Of particular note, the Saulet will add 703 luxury units to be phased in over the next 12 months. This list does not include major properties which have down units under repair which represent less than 25% of total units. We estimate over 1,000 units fall into this category.

CHART 2: RECONSTRUCTION/MAJOR RENOVATIONS

| No | Project Name | Developer | Units | Location |
|----|--------------------------------|----------------------------------|--------------|---------------------------|
| 6 | Westchase Apts. | Brockman Enterprises | 380 | Harvey - Jefferson Parish |
| 7 | Oakwood Village | Bay Equities | 220 | Gretna - Jefferson Parish |
| 8 | Saulet | Greystar | 703 | New Orleans (Historic) |
| 9 | Huntington Park | Mitchell Companies | 160 | East New Orleans |
| 10 | Willows | Finance Authority of New Orleans | 263 | East New Orleans |
| 11 | Hidden Lake | Mitchell Companies | 461 | East New Orleans |
| 12 | Village Creek (Chenault Creek) | Southwood Realty | 584 | East New Orleans |
| 13 | Carriage House | Southwood Realty | 216 | East New Orleans |
| 14 | Pirogue Cove | Bay Equities | 300 | East New Orleans |
| 15 | Willowbrook | LHFA | 408 | East New Orleans |
| | TOTAL | 10 Projects | 3,695 | |

NEW CONSTRUCTION OR ADAPTIVE REUSE

A limited amount of new construction of market rate units is taking place. At this time, five projects are currently under construction which will generate 648 new units. Four properties, Union Lofts, Maritime, 1201 Canal, and 1501 Canal are in the downtown area and will utilize historic credits to help offset high construction costs.

The fifth property, Chenier, is located in Mandeville. Several other projects are under consideration, but high costs and other development issues will limit new construction unless incentives such as historic or new market tax credits are available.

CHART 3: NEW CONSTRUCTION OR ADAPTIVE REUSE

| No | Project Name | Developer | Units | Location |
|-------|------------------------------|---------------------------------------|-------|---------------------------------|
| 16 | Chenier Apts. | The Park Companies | 288 | Mandeville - St. Tammany Parish |
| 17 | Union Lofts | Marcel Wisznia/Western Union Building | 32 | New Orleans (Historic) |
| 18 | Maritime | Marcel Wisznia/Maritime Building | 101 | New Orleans (Historic) |
| 19 | 1201 Canal (Krauss Building) | KFK Group/Khourey Development | 119 | New Orleans (Historic) |
| 20 | 1501 Canal (Texaco Building) | KFK Group/Khourey Development | 108 | New Orleans (Historic) |
| TOTAL | | 5 Projects | 648 | |

SUMMARY

Overall these twenty projects will add 5,376 units of needed apartment housing. The location of these properties are shown on the map found on the rear cover.

Sixteen of these properties are concentrated in Orleans Parish where a large amount of apartment inventory was lost. Three projects, Westchase, Oakwood Village, and Timberlane are located in West Jefferson. St. Tammany Parish has only one project (Chenier) under construction. None are located in East Jefferson which is the New Orleans' areas largest apartment submarket.

Chart 4 shows the location of these properties by submarket.

CHART 4: CONSTRUCTION ACTIVITY BY SUBMARKET

| Submarket | No. of Properties | Anticipated New Inventory | Percentage |
|---------------------------------|-------------------|---------------------------|------------|
| East New Orleans | 8 | 2,661 | 50% |
| N.O. Historic Center | 8 | 1,662 | 31% |
| West Bank (Orleans & Jefferson) | 3 | 765 | 14% |
| St. Tammany | 1 | 288 | 5% |
| East Jefferson | 0 | 0 | 0% |
| Total New Inventory | 20 | 5,376 | 100% |

As this inventory enters the market place the supply imbalance caused by Katrina will be reduced significantly. The future impact on rents and occupancies will be determined by job growth and regional recovery.

By: J. Mark Madderra

AFFORDABLE HOUSING CONSTRUCTION ACTIVITY

The Greater New Orleans Multi-family Report is focused on market rate housing; however, it is important to comment on the significant number of affordable "Low Income Housing Tax Credit" (LIHTC) units which will impact the Louisiana apartment market. The special allocation of LIHTC's made by Congress at the end of 2005 is beginning to generate substantial activity throughout the "GO" Zone which includes all of southern and central Louisiana. Availability of these units will be primarily restricted to residents making less than 60% of adjusted area median income. This activity is summarized to the right.

By: J. Mark Madderra

FACTS ABOUT LOUISIANA'S LIHTC "GO ZONE" PROGRAM

| | | |
|--------------------------------------|-------------------------|---|
| Project Receiving Allocations 176 | Total Units 14,250 | Total Development Cost \$2,508,999,000 |
| Projects Closed 79 | Total Units 5,551 | Total Development Cost \$985,775,882 |
| Percent Closed 45% | Percent of Units 39% | Percent of Cost 39% |

source: Louisiana Housing Finance Agency - 8/24/07

GREATER NEW ORLEANS AREA ACTIVITY



LEGEND

- Construction Activity
- Sale
- Sale & Construction



CONTRIBUTORS:

Madderra & Cazalot
Real Estate Investment Bankers

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The Multi-Family Advisory Group, LLC | ph: 504.836.5227 | cheryl@larryschedler.com

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Design the Planet | ph: 504.391.1550 | www.DesignThePlanet.com