GREATER NEW ORLEANS
# MULTI-FAMILY REPORT

## Market at a Glance

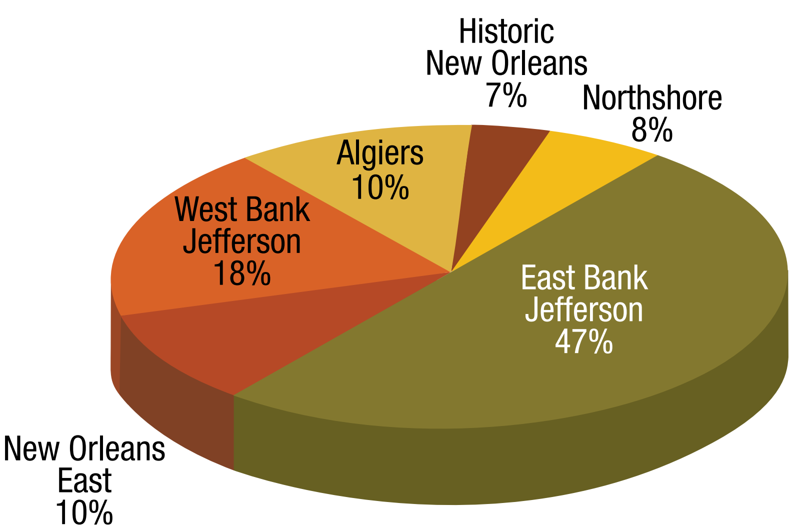
This marks the twelfth issue of the Greater New Orleans Multi-Family Report and our third post-Katrina report. The Metropolitan New Orleans Apartment market survey was conducted for the period ending October, 2008. The survey includes rental and occupancy data from 114 properties, comprised of 27,904 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, and The Multi-Family Advisory Group, LLC.

## Overall Market Rent & Occupancy

| Location *Parish* | Average Rent | Average Sq. Ft. | Rent/ Sq. Ft. | Occupancy Rate |
|---|---|---|---|---|
| New Orleans Historic Center | $1,322 | 837 | $1.58 | 84% |
| Garden Apartments *Jefferson* | $819 | 828 | $0.99 | 93% |
| *St. Tammany* | $1,011 | 975 | $1.04 | 95% |
| *Orleans - Algiers & East New Orleans* | $763 | 898 | $0.85 | 84% |
| **Overall** | **$863** | **858** | **$1.01** | **92%** |

## Inventory by Submarkets




## Survey Trends

Through the trials and tribulations over the past three (3) years the Metro New Orleans Apartment Market continues to be the "bright spot" in our commercial real estate market. In the past 36 months we have seen a renaissance of our multi-family inventory with numerous renovations and a record amount of new construction.

Since our Spring 2008 report, rental rates have remained static. The Metro Area occupancy rate has declined a moderate 2% from 94% in the Spring to a current average of 92%, this reduction is attributed to the increase in the inventory as new and rehabbed developments have come back on line.

We anticipate this additional inventory will be readily absorbed into the market as the challenges in the capital markets will inevitably slow down new construction, as well as, prevent many renters from making the transition to home ownership.

In spite of more stringent financial underwriting local, regional and national buyers continue to have an appetite for multi-family acquisitions in Metro New Orleans.

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

## Unit Inventory Surveyed

| Unit Type | No. of Units | % of Units |
|---|---|---|
| Studio | 1,606 | 6% |
| 1 Bed 1 Bath | 13,082 | 47% |
| 2 Bed 1 Bath | 3,553 | 13% |
| 2 Bed 2 Bath | 8,431 | 30% |
| 3 Bed 2 Bath | 1,232 | 4% |
| **Total** | **27,904** | **100%** |

## Unit Mix/Rent Statistics

| Unit Type | % Mix | Average Sq. Ft. | Average Rent | Average Rent/SF |
|---|---|---|---|---|
| Studio | 6% | 428 | $575 | $1.34 |
| 1 Bed 1 Bath | 47% | 711 | $767 | $1.08 |
| 2 Bed 1 Bath | 13% | 973 | $843 | $0.87 |
| 2 Bed 2 Bath | 30% | 1,047 | $1,027 | $0.98 |
| 3 Bed 2 Bath | 4% | 1,357 | $1,191 | $0.88 |
| **Total** | **100%** | **858** | **$863** | **$1.01** |

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## GREATER NEW ORLEANS

# Apartment Construction Activity

The Nation's ongoing financial crisis continues to impact new apartment construction in the New Orleans Metro area. The federal benefits made available to apartment developers in the aftermath of Katrina are inadequate to overcome the obstacles new projects now face. In the Spring 2008 issue, we reported the cost of equity and reduced value of Tax Credits contributing to dramatic reductions in new construction activity both nationwide and locally. To this list you can now add the government takeover of Fannie Mae and Freddie Mac, major bank failures and a worldwide liquidity crisis. This set of interrelated problems combine to create the most difficult financing market in our experience. While significant apartment construction activity continues in the New Orleans Metro area, it is focused exclusively on properties which began construction or attained commitments prior to this market meltdown.

The list of new properties under construction has increased with the ground breaking of Downtown New Orleans first luxury residential high rise. The chart below now includes 930 Poydras, a 21-story high rise which is being developed by Brian Gibbs. This property will set a new standard for apartment rentals. Upon completion in late 2009, 930 Poydras will add 250 one and two bedroom units along with onsite parking housed on the lower 8 floors of the building. The new modern structure will be in contrast to other CBD/Warehouse district rental properties which are typically adaptive reuse of older buildings. 930 Poydras and the near complete Chenier Apartments in Mandeville are the only new 100% market rate properties under construction in the Metro area.

Two new properties (Lakeside and Marquis Apartments) have been added to the list of mixed-income properties under construction. With these inclusions nine new properties totaling 2,158 units are under construction in the New Orleans Metro area. Approximately 60% of the 1,620 mixed income units (1,000 units) will be offered at market rates; the balance of the units are affordable units made available at rental rates substantially below market utilizing Low Income Housing Tax Credits ("LIHTC"), Community Block Grant Funds and other resources.

Substantial construction activity of market rate units continues to be focused on the existing storm damaged units. The recent completion of repairs to The Saulet (703 units) and Willows (263 units) has increased inventory by almost 1,000 units over the last twelve months.

Four other Orleans Parish properties shown below are still at various stages of rehabilitation. While these projects are not complete, units are now available at all of these properties with completion anticipated in 2009. This will add an additional 1,528 units to the overall inventory over the next twelve months. With the completion of these rehabs, the process of storm damaged, market rate units being returned to inventory will be nearly complete.

As a result of both local and national market issues any new project faces serious obstacles. Some new projects in underserved submarkets are under consideration but on the whole little new activity is anticipated over the next twenty-four months. Over this same time frame 3,000 market rate units will come on line in the 13 properties we identified. While these units are absorbed, it is likely a supply imbalance will exist putting pressure on both rental rates and occupancy.

***By: J. Mark Madderra***

## New Construction, Mixed Income Developments, & Reconstruction/Major Renovations

| No | Project Name | Developer | Units | Location | Completion |
|---|---|---|---|---|---|
| ● | 930 Poydras | Brian Gibbs | 250 | New Orleans | 12/2009 |
| ● | Chenier Apartments | The Park Companies | 288 | Mandeville | 12/2008 |
| | **New Construction** | **2 Projects** | **538 units** | | |
| ■ | Walnut Square Apts. | Preservation Housing II | 209 | New Orleans | 10/2008 |
| ■ | The Preserve | The Domain Companies | 183 | New Orleans | 12/2008 |
| ■ | The Crescent Club | The Domain Companies | 226 | New Orleans | 12/2008 |
| ■ | 200 Carondelet | Reliance/Carondelet Association 1 | 190 | New Orleans | 11/2008 |
| ■ | Rivergardens CSII | Historic Restoration, Inc. | 310 | New Orleans | 7/2009 |
| ■ | The Marquis Apartments | Provident Realty Advisors | 250 | New Orleans | 3/2009 |
| ■ | Lakeside Apartments | Provident Realty Advisors | 250 | Slidell | 1/2009 |
| | **Mixed Income** | **7 Projects** | **1,620 units*** | | |
| ▲ | Hidden Lake | Mitchell Companies | 461 | New Orleans | In Progress |
| ▲ | Chenault Creek | Southwood Realty | 584 | New Orleans | In Progress |
| ▲ | Pirogue Cove | Bay Equities | 300 | New Orleans | In Progress |
| ▲ | Lake Terrace Gardens | Trapolin & Associates | 183 | New Orleans | In Progress |
| | **Reconstruction** | **4 Projects** | **1,528 units** | | |
| | **TOTAL** | **13 Projects** | **3,148 units*** | | |

*Market Rate units are estimated at 60% of all mixed income units or 1,000 units. The number shown in parenthesis is market rate units only.

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## GREATER NEW ORLEANS
# SALES SUMMARY

The appetite of investors for multi-family assets in Metro New Orleans remains strong. This appetite, however, is being "squelched" by a lack of supply as the overheated market of the past three years has left limited inventory to be sold.

Since Hurricane Katrina, the Metro New Orleans market has seen a transfer of almost a half billion dollars in multi-family assets, the largest transfer in the history of the city.

Since our Spring 2008 report, the largest multi-family sale in our city's history was consummated, the Saulet Apartments in New Orleans. The Saulet was sold in September, 2008 for a sale price of $97,500,000 ($138,691/unit) to AVR Realty, a private New York investment firm.

Local sales also include two smaller New Orleans properties, Josephine Apartments located in the Historic Center and Haydel Heights in New Orleans East. These assets were uninhabitable since Hurricane Katrina and represent a shrinking inventory of assets that remain untouched since Katrina. It is anticipated that by the time our Spring 2009 report is produced that the few remaining properties rendered uninhabitable since Katrina will either be in the process of being rehabbed or demolished.

In spite of multi-family still being a favored asset class by lenders and virtually the only property type that has a secondary market, the tightening of the credit markets have resulted in more conservative underwriting. There will be a reluctancy on behalf of lenders for loans involving "heavy rehab," and larger equity investments will be the norm for the foreseeable future.

The challenges in the global credit markets have been well documented over the past several months. The multi-family sector relies on Fannie Mae and Freddie Mac for approximately 80% of their funding, with the government taking over these entities the future of their multi-family activity remains uncertain, and could change at any time.

The local market has been somewhat isolated to the full impact of these challenges in that a majority of anticipated sales over the next six to nine months will involve the assumption of existing debt.

Conveyances over the foreseeable future that do not have assumable debt will more than likely be sold for all cash, bank debt, or seek HUD 223(f) or 221(d)4 financing.

Just as the stock market does, the multi-family cycle has its ebbs and flows. The fact that buying a single family home will be more difficult will ultimately create more renters.

The new realities of the market, however, will necessitate sellers to adjust their price expectations when contemplating a sale. Investors will demand a risk premium to compensate them for higher equity requirements and refinancing risks.

We anticipate a modest amount of sales activity in Metro New Orleans over the next five to six months with many sellers opting to "sit on the sidelines." We anticipate an increase in sales activity in the second and third quarter of 2009.

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

## PROPERTIES SOLD

| | Project Name | Location | Units | Date Sold | Price/Unit |
|---|---|---|---|---|---|
| ● | The Saulet Apartments | New Orleans | 703 | October 2008 | $138,691 |
| ● | Josephine Apartments | New Orleans | 52 | September 2008 | $8,654 |
| ● | Haydel Heights Apartments | New Orleans | 65 | September 2008 | $3,846 |
| **Regional Properties Sold** | | | | | |
| — | Regency Woods Apartments | Pascagoula, MS | 184 | September 2008 | $62,147 |
| — | Waverly Apartments | Bay St. Louis, MS | 120 | September 2008 | $7,083 |
| — | Pinnacle Homes at Coursey Place | Baton Rouge, LA | 352 | October 2008 | $83,807 |

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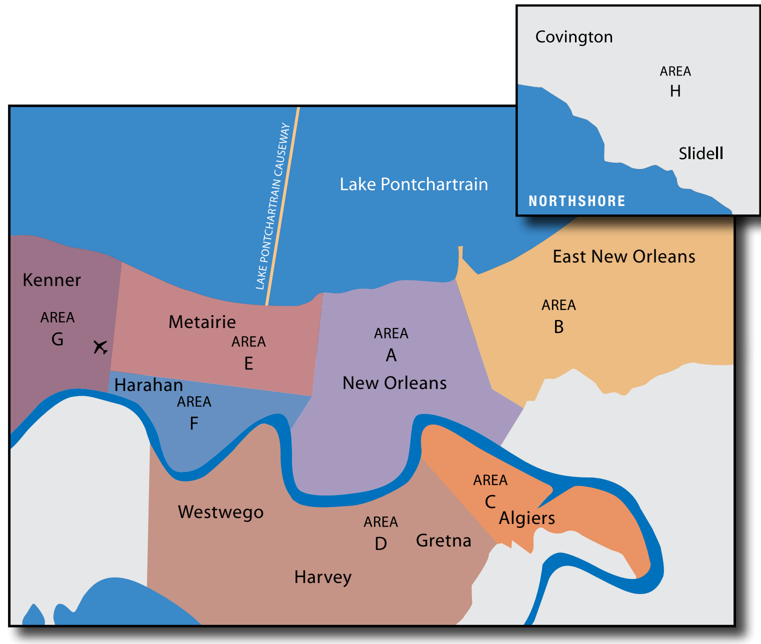
## GREATER NEW ORLEANS
# Apartment Information by Submarket




Over the past six months, a steady supply of previously storm damaged, newly refurbished apartments entered the Greater New Orleans Apartment rental market, giving prospective residents a wide range of apartment and community options. Metro New Orleans rental rates on average remained stable with little change from our Spring 2008 report. In this section of the report we focus on sub-market activity. The sub- market leading the area in average monthly rental rates continues to be **A.** The Historic Center; which had an average monthly rental rate of ($1,322) with occupancy rates of (84%). It should be noted that approximately 1,000 newly refurbished units have entered this sub-market over the past six months with respective absorption rates. Garden apartment communities located in the remaining sub-markets reported slight changes in rental rates and occupancy. **H.** St. Tammany Parish commanded the highest average garden apartment monthly rent of ($1,011) and an average occupancy rate of (95%) **F.** The Harahan and River Ridge garden apartment inventory surveyed an average monthly rental rate of ($941) and occupancy of (92%). The West Bank of Jefferson Parish or **D.** Gretna, Harvey, Terrytown reported an occupancy rate of (92%) and an average monthly rent of ($824). **G.** The Kenner sub-market reported an average monthly rental rate of ($815) and occupancy of (94%) **B.** Eastern New Orleans, the most heavily storm damaged sub-market continued to be reconstructed. The monthly rents reported were ($765) with (83%) occupancy. **E.** Metairie continued to perform in a stable fashion with an average rental rate of ($746) and occupancy of (93%). **C.** The West Bank of Orleans Parish or Algiers reported and average monthly rental rate of ($746) and occupancy of (84%). Overall occupancy rates averaged 92%, a slight decline from our Spring 2008 report of 94%.

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

| 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** | $875 | $1,181 | $1,403 | $1,600 | $2,031 | $1,322 | 84% |
| *B. East New Orleans* | --- | $680 | $820 | $801 | $1,045 | $765 | 83% |
| *C. Algiers* | $510 | $692 | $800 | $818 | $950 | $746 | 84% |
| JEFFERSON | | | | | | | |
| *D. Gretna, Harvey, Terrytown* | $582 | $717 | $825 | $901 | $1,046 | $824 | 92% |
| *E. Metairie* | $500 | $684 | $871 | $891 | $1,151 | $746 | 93% |
| *F. Harahan, River Ridge* | $547 | $826 | $977 | $1,093 | --- | $941 | 92% |
| *G. Kenner* | $528 | $711 | $852 | $982 | --- | $815 | 94% |
| H. ST. TAMMANY | --- | $870 | $831 | $1,071 | $1,293 | $1,011 | 95% |

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

# Contributors:

THE MULTIFAMILY ADVISORY GROUP, L.L.C.
MultiFamily Consulting and Advisory Services

**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 | ph: 504.836.5227 | cheryl@larryschedler.com

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Larry G. Schedler & Associates, Inc. | ph: 504.836.5222 | www.larryschedler.com

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