

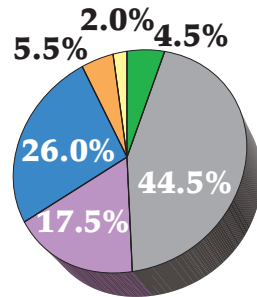
Greater New Orleans Multi-Family Report

Market At A Glance

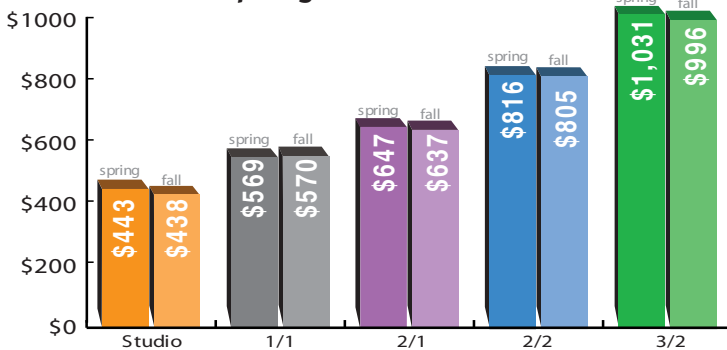
The seventh in a continuing series of New Orleans Apartment Market surveys was conducted for the period ending May, 2004. The survey includes 103 large properties in eight submarkets. The survey focused on market rate properties which are well managed and maintained covering a wide age spectrum. The average survey property has 256 units and is 22 years old. Properties were selected from a comprehensive multi-family data base of over 278 properties containing approximately 48,000 units maintained by Madderra & Cazalot and Larry G. Schedler & Associates, Inc.

UNIT INVENTORY

Unit Type	No. of Units
Studio	2,350
1 Bed 1 Bath	19,600
2 Bed 1 Bath	7,650
2 Bed 2 Bath	11,450
3 Bed 2 Bath	2,000
Other	850



AVERAGE RENTAL RATES BY UNIT TYPE Spring 2004 & Fall 2003



OVERALL MARKET RENT & VACANCY

Location/Parish	Average Rent	Average Sq. Ft.	Rent/Sq. Ft.	Occupancy Rate
New Orleans Historic Center Orleans	\$1,015	892	\$1.14	93.6%
Garden Apartments Jefferson	\$629	837	\$0.75	94.5%
St. Tammany	\$697	951	\$0.73	90.7%
Orleans	\$535	823	\$0.65	94.5%
Overall	\$662	849	\$0.78	94.0%

Survey Trends

	Change from Fall 2003	Change from Spring 2003
Market Occupancy	↓	↓
Net Absorption	↔	↔
Rental Rates	↔	↔
Construction Activity	↑	↑

The New Orleans Apartment Market for large professionally managed properties remains stable. Occupancy rates remain significantly above other major cities in the southeast and southwest. Although a decline in occupancy was observed from 94.4% in Fall 2003 to 94% in Spring 2004, occupancy rates have remained in the 93-95% range for three consecutive years. Area rental rates remained at \$.78 psf with an average rental rate of \$662 for all unit types. Some monetary concessions were observed; however, concessions overall were not significant.

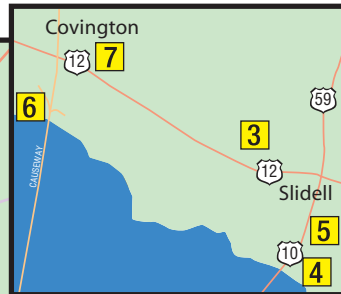
The New Orleans Historic Center (NOHC) market area continues to lead the New Orleans market in rental rates at \$1.14 psf. Occupancy rates in the NOHC are at 93.6% which is similar to the overall market. Only one new property is scheduled to enter service in this market area in 2004. This property is the River Garden Apartments which is located on the site of the former St. Thomas Housing Project. As many existing apartment properties in the NOHC are likely to be converted to condominiums, occupancy rates are likely to increase.

Garden apartment rents in Jefferson, St. Tammany and Orleans Parish are unchanged. A modest decline in the occupancy rate was observed in Jefferson Parish with occupancy decreasing to 94.5%. A more significant decline was observed in St. Tammany (90.7%) which reflects the impact of new properties entering the market place. An improvement was noted in Orleans garden properties with occupancy increasing to 94.5% which is above the overall market average.

UNIT MIX/RENT STATISTICS

Unit Type	% Mix	Average Sq. Ft.	Average Rent	Average Rent/SF
Studio	5.1%	451	\$443	\$0.98
1 Bed 1 Bath	47.9%	709	\$569	\$0.80
2 Bed 1 Bath	9.6%	922	\$647	\$0.70
2 Bed 2 Bath	27.5%	1031	\$816	\$0.79
3 Bed 2 Bath	3.0%	1370	\$1,031	\$0.75
Totals	100.0%	849	\$662	\$0.78

Greater New Orleans Apartment Construction and Sales Summary



Demand for multi-family acquisitions in Metro New Orleans continues to be strong with investors seeking both stabilized assets as well as properties that can be rehabbed and repositioned. Investors are discovering that this is a

“tight” market for all classes of multi-family properties, particularly rehab opportunities.

Since the last issue of this report (Fall, 2003) there were two (2) transactions that took place in our metro area, both in New Orleans East. Lakewind East Apartments (372 units) was sold by a national non-profit organization to a local entrepreneurial group who plans to make interior and exterior upgrades. Unlike most recent transactions, Lakewind East was sold without assumable debt.

The most recent sale was the Pirogue Cove Apartments (300 units) that sold in June of 2004. The previous owners acquired the property in June 2002 and completed the first phase of a two phase rehab program. The new owners plan to complete the remaining renovation. The Pirogue Cove sale included the assumption of an existing Freddie Mac loan.

The softness that has occurred in other metro areas (Dallas, Houston, Atlanta, etc.) has focused many investors on Metro New Orleans as well as the Gulf South. Our modest levels of new construction and the predominately affordable rents of most properties has kept occupancy levels stable without a large out-migration of tenants to home ownership.

We would anticipate investor demand to remain strong throughout the 3rd and 4th quarters of 2004. We believe more inventory will be available by the 4th quarter as owners decide to “cash-in” the equity they have built up. If interest rates should increase, a premium will be placed on those assets that have assumable below market fixed rate financing.

No.	Project Name	Location	Units	Developer
Properties Under Construction				
1	Calypso Bay	Gretna	280	Shadowlake
2	Palmetto Creek	River Ridge	216	Favrot & Shane
3	Greenbriar Estates	Slidell	144	Sizeler Property Investors
4	Villa du Lac	Slidell	234	Genard Gross
5	Harborside	Slidell	168	Sabre Development
6	Madeville Lake	Mandeville	136	Crosby Properties
7	The Park at Covington	Covington	264	Park Covington, LLC
8	River Garden	New Orleans	296	Historic Restoration, Inc.

The first half of 2004 was an active period for the opening of new apartment communities. Four new properties began leasing and occupancy including Calypso Bay (Gretna), Mandeville Lake (Mandeville), Villa du Lac (Slidell) and Greenbriar Estates (Slidell). Each of these apartment properties are targeting renters willing to pay rents well above the market rate apartments in exchange for superior amenities.

The target rents at these properties average over \$1,000 monthly. In addition to offering a high level of unit amenities these properties often have unique features seldom seen in new apartments in the Metro Area including water front locations with boat slips, elevators, high end stainless steel appliances and direct access multi-car garages. Additionally, new architectural styles and building materials have been introduced. The result is that renters have a wide range of options not previously available.

In the second half of 2004 leasing will begin at Harborside (Slidell) and The Park in Covington (Covington). The St. Tammany Apartment market is likely to experience a period of weakness as these two properties compete with the three other new St. Tammany properties now in lease up. Additionally, River Garden (the former site of the St. Thomas Housing Development) will begin leasing and occupancy. This property will combine market rate and affordable apartment units.

By: J. Mark Madderra

Properties Sold

By: Larry G. Schedler, CCIM

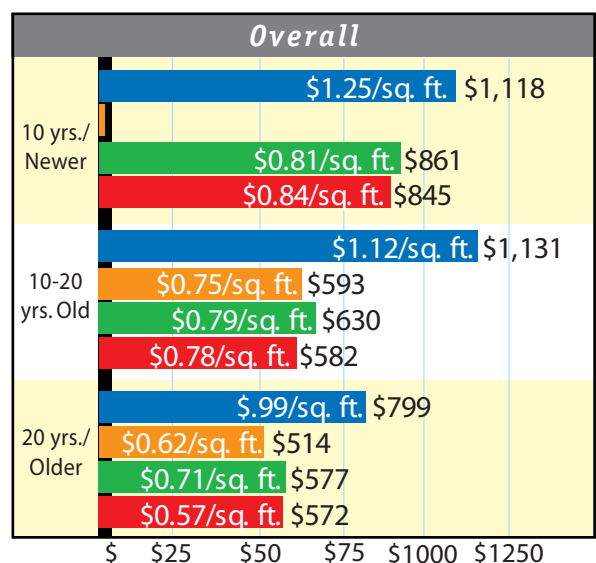
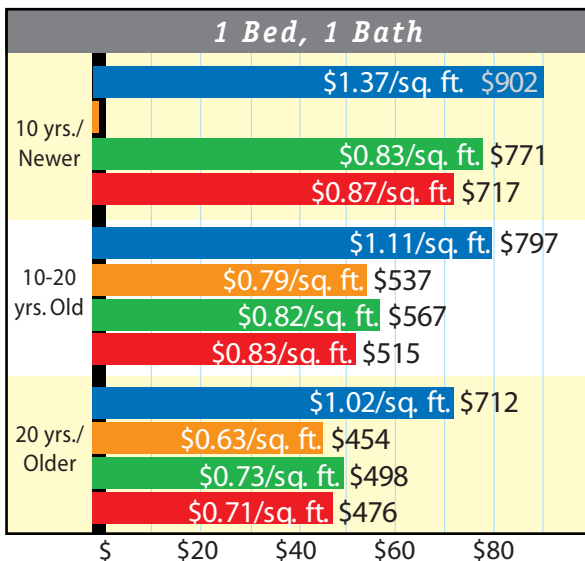
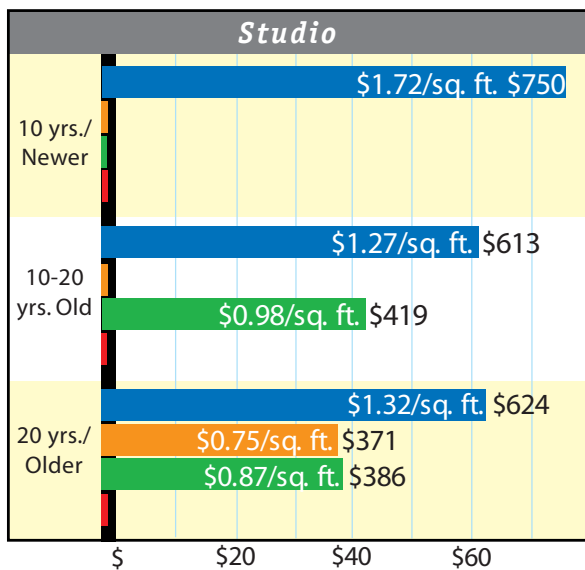
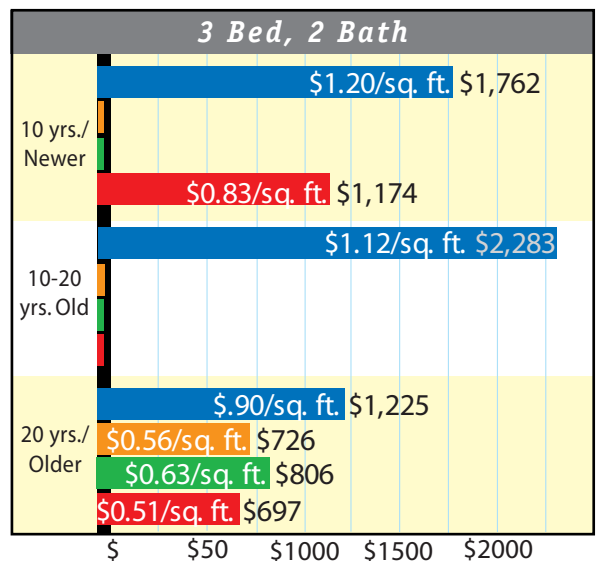
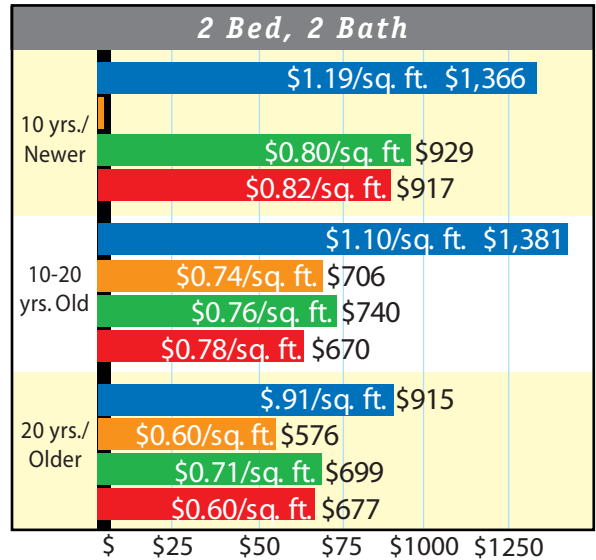
No.	Project Name	Location	Units	Date Sold	Price/Unit
A	Lakewind East Apartments	New Orleans East	372	02/2004	\$19,866
B	Pirogue Cove Apartments	New Orleans East	300	06/2004	\$29,373
Select Regional Properties Sold (Thibodaux, Lake Charles, Gulf Coast)					
	City Place Apartments	Thibodaux, LA	88	01/2004	\$82,017
	Cypress Apartments	Lake Charles, LA	276	02/2004	\$25,000
	Fort Bayou Apartments	Ocean Springs, MS	204	05/2004	\$36,274
	Regency Woods Apartments	Pascagoula, MS	184	05/2004	\$38,587

Rents by Unit Type, Age & Property Class



Apartment rents vary dramatically based upon the age and location of the property. Newer properties (10 yrs/newer) command rents which are significantly higher than older properties in the same neighborhood. For example, the average monthly rent for a 1 Bedroom/1Bath apartment less than 10 yrs old in St. Tammany Parish is \$717 (\$0.87/sq.ft.). A well maintained one bedroom unit in St. Tammany over 20 yrs old averages \$476 (\$0.71/sq.ft.). This represents a 51% premium (\$241 a month) that renters are willing to pay for new apartments with the associated amenities.

A significant rent premium is paid by renters in the Historic Center of New Orleans. This includes properties in the French Quarter, CBD, Warehouse District, Mid-City, and the St. Charles Avenue corridor. These units are shown separately on the tables from other Orleans Parish properties, as they represent a distinct though relatively small market.



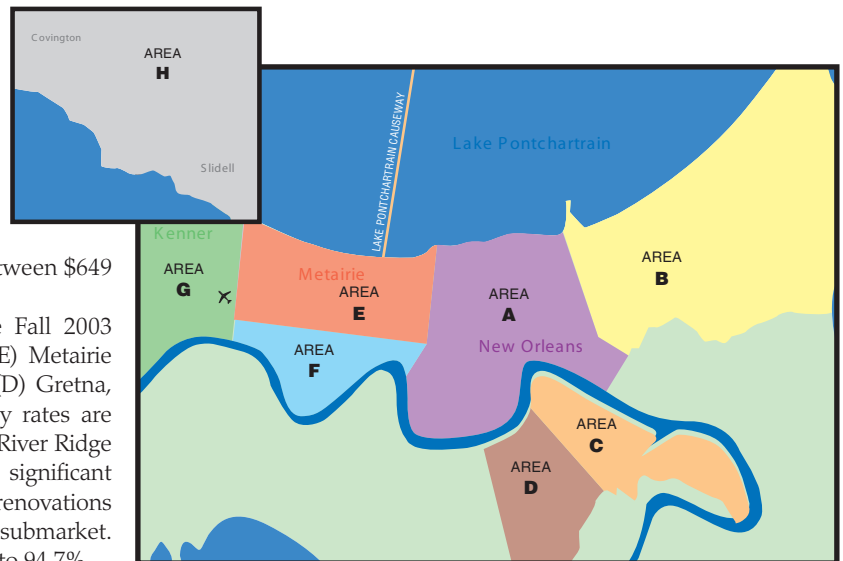
Greater New Orleans Apartment Information by Submarket

AREA	0/1	1/1	2/1	2/2	3/2	Average Monthly Rent	Occupancy Rate
ORLEANS							
A. Historic Center*	\$626	\$826	\$1,028	\$1,220	\$1,648	\$1,015	92.4%
B. Eastern New Orleans	---	\$484	\$657	\$615	\$711	\$551	94.7%
C. Algiers	\$371	\$472	\$584	\$604	\$784	\$517	94.3%
JEFFERSON							
D. Gretna, Harvey, Terrytown	\$404	\$515	\$572	\$693	\$790	\$586	96.1%
E. Metairie	\$413	\$517	\$650	\$662	\$830	\$572	96.3%
F. Harahan, River Ridge	\$450	\$612	\$804	\$803	---	\$705	90.6%
G. Kenner	\$389	\$555	\$635	\$818	---	\$649	96.5%
H. ST. TAMMANY	---	\$623	\$497	\$810	\$890	\$697	90.7%

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

The Historic Center (A) in Orleans Parish has the market's highest rents by a significant margin due to location factors and special amenities. The highest average garden apartment rent achieved in the eight New Orleans submarkets we identified are in (F) Harahan, River Ridge (\$705) and (H) St. Tammany (\$697). While locational factors benefit these markets, the higher rents also reflect the higher percentage of new units in these submarkets. All of the other submarkets have average rents which cover a range between \$649 month in (G) Kenner and \$517 month in (C) Algiers.

Overall occupancy rates are unchanged from the Fall 2003 survey. The strongest occupancy rates are found in (E) Metairie (96.3%) and (G) Kenner (96.5%) and West Jefferson (D) Gretna, Harvey and Terrytown (96.1%). The lowest occupancy rates are reported in (H) St. Tammany (90.7%) and (F) Harahan/River Ridge (90.6%) The 94.3% occupancy rate in (C) Algiers is a significant improvement over previous reports and may reflect renovations recently made to several prominent properties in this submarket. Occupancies also increased in (B) Eastern New Orleans to 94.7%.



Contributors:

Madderra & Cazalot
Real Estate Investment Bankers

Madderra & Cazalot, Inc. offers full service mortgage banking throughout the Gulf South. Since its founding in 1992, the firm has originated more than \$1 billion of income-producing loans and equities. The firm has expanded its capabilities with the opening of a new Dallas office operating under Madderra & Cazalot. The firm acts as a real estate advisor for Prudential Financial and Key Bank.

- Madderra & Cazalot | ph: 504.835.6900 | www.maddcaz.com

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

Larry G. Schedler & Associates, Inc. specializes in the sale of multi-family properties throughout Louisiana, Mississippi and Alabama. The firm over the past twenty-two (22) years, has successfully handled the sale of over 22,500 units. The firm represents conventional, institutional, and non-profit clients.

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



The MultiFamily Advisory Group, LLC provides consulting services exclusively to the apartment industry. The principals of the firm have in excess of 22 years experience in apartment operations. Owners, managers and lenders operating in Louisiana have relied on the firm for a wide range of specialized consulting services over the years.

-The Multi-Family Advisory Group, L.L.C. | Cheryl M. Short | ph: 504.836.5227 | cheryl@larryschedler.com