Number 11 Spring 2008

GREATER NEW ORLEANS
MULTI-FAMILY REPORT

Market at a Glance

This marks the eleventh issue of the Greater New Orleans Multi-Family Report and our second post-Katrina publication. The Metropolitan New Orleans Apartment market survey was conducted for the period ending March, 2008. The survey includes rental and occupancy data from 113 properties, comprised of 27,332 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 & Associates, Inc.

Unit Inventory

Unit Type	No. of Units	% of Units
Studio	1,587	6%
1 Bed 1 Bath	12,756	47%
2 Bed 1 Bath	3,431	13%
2 Bed 2 Bath	8,323	30%
3 Bed 2 Bath	1,235	4%
Total	27,332	100%

Overall Market Rent & Occupancy

Location *Parish*	Average Rent	Average Sq. Ft.	Rent/ Sq. Ft.	Occupancy Rate
New Orleans Historic Center	$1,317	836	$1.58	96%
Garden Apartments *Jefferson*	$811	828	$0.98	94%
St. Tammany	$973	966	$1.01	96%
Orleans - Algiers & East New Orleans	$748	874	$0.86	93%
Overall	**$855**	**857**	**$1.00**	**94%**

Unit Mix/Rent Statistics

Unit Type	% Mix	Average Sq. Ft.	Average Rent	Average Rent/SF
Studio	6.0%	428	$566	$1.32
1 Bed 1 Bath	47.0%	709	$763	$1.07
2 Bed 1 Bath	13.0%	967	$845	$0.87
2 Bed 2 Bath	30.0%	1,044	$1,010	$0.97
3 Bed 2 Bath	4.0%	1,323	$1,226	$0.93
Total	**100.0%**	**857**	**$855**	**$1.00**

Survey Trends

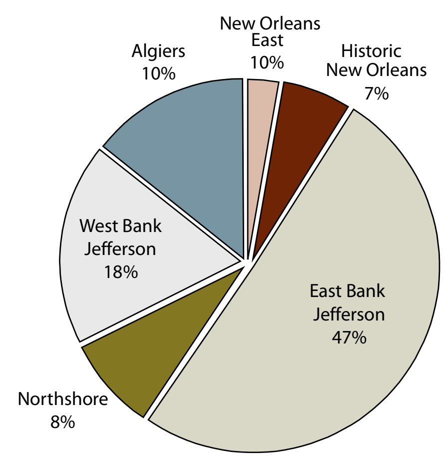
It has been 2½ years since the winds and waters of Katrina wreaked havoc on our local multi-family inventory. Since then, our metro apartment inventory has rebounded with a vengeance. Virtually every community has received a "face lift" and the effective age of most properties has been reduced. Katrina prompted what would normally have taken ten (10) years with regards to our rental rates, operating expenses and development patterns.

The market is stabilizing; however, it is significantly different from our pre-Katrina market. Rental rates have changed with very affordable rents no longer being the case. Increased operating expenses have hit owners hard and rents today are 20-30% higher than they were 2½ years ago.

Although over 2,000 units are currently under construction, the bulk of anticipated new inventory thus far has not come to fruition. The downturn in the tax credit and capital markets has put a "question mark" on many affordable developments. Furthermore, the development of straight market rate properties are at a standstill as developers struggle to make the economics work with the increased costs of equity, building expenses and more stringent underwriting by permanent lenders.

Sales activity remains strong with investor demand outpacing the supply. Through demolitions over the past 33 months our inventory has been reduced. Our current multi-family market has approximately 40,000 units as shown in the chart below.

Multi-Family Inventory by Sub-Market



By: Larry G. Schedler, CCIM

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APARTMENT CONSTRUCTION ACTIVITY

The pace of apartment construction in the New Orleans Metro area has slowed considerably as a result of a crisis in the Nation's financial markets. Tighter underwriting standards, collapse of the Commercial Mortgage Backed Securities (CMBS) Market, higher costs of equity and reduced value of Tax Credits have all contributed to dramatic reductions in new construction activity both nationwide and locally. Many projects which anticipated ground breaking shortly after the release of our last issue six months ago have been either delayed or scraped. Significant apartment construction activity continues in the New Orleans Metro area. It is focused primarily on properties which began construction prior to the meltdown of the financial markets over the last six months.

Much of the current construction activity is focused on the reconstruction of storm damaged units. Chart 1: Reconstruction/ Major Renovations, shown below, lists six major projects all of which are in Orleans Parish. Since our last report only one market rate property (Lake Terrace Gardens) has been added to this list. At this time, approximately 2,500 units are in the process of being returned to the market.

CHART 1: RECONSTRUCTION/MAJOR RENOVATIONS

No	Project Name	Developer	Units	Location
1	Saulet	Greystar	703	New Orleans (Historic Center)
2	Willows	Finance Authority of New Orleans	263	East New Orleans
3	Hidden Lake	Mitchell Companies	461	East New Orleans
4	Chenault Creek	Southwood Realty	584	East New Orleans
5	Pirogue Cove	Bay Equities	300	East New Orleans
6	Lake Terrace Gardens	Trapolin & Associates	183	New Orleans (Historic Center)
	TOTAL	**6 Projects**	**2,494 units**	

The list of new properties under construction is virtually unchanged from six months ago. Chart 2: New Construction/ Mixed Income Developments shown below also includes Historic Renovations and Mixed Income. The market has seen two significant additions, both of which are mixed income developments. River Gardens CSII (310 units) is located on the site of the former St. Thomas Housing Project and Lakeside Apartments (250 units) located on Oak Harbor Blvd in Slidell.

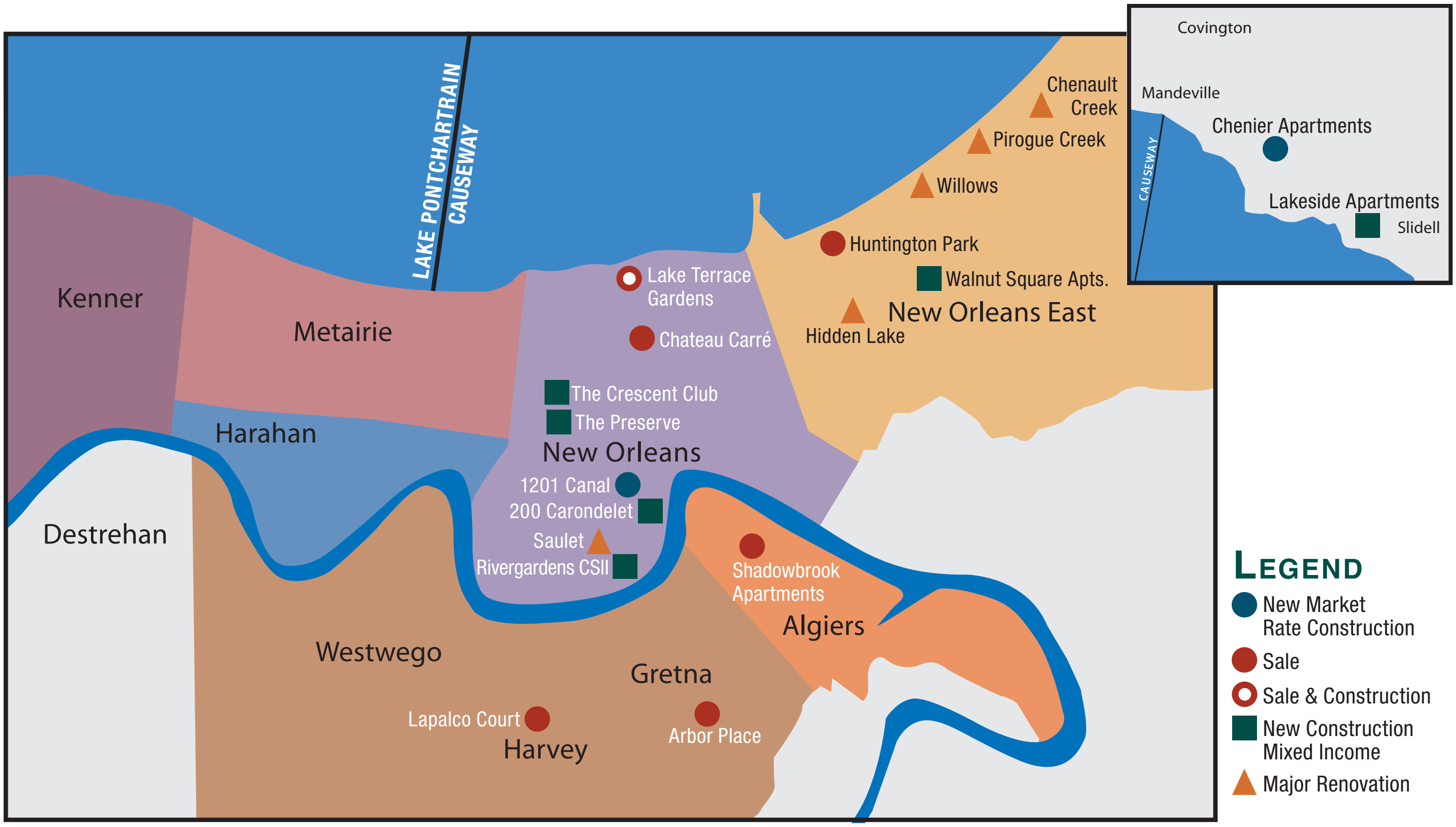
At this time eight properties totaling 1,775 units are under construction in the New Orleans Metro Area, which will contain approximately 1,225 market rate units. This list includes only two market rate properties with 407 units. Of the six mixed income projects totaling 1,368 units, 60% of the units are at market rates; the balance of the units are affordable units subsidized by Low Income Housing Tax Credits ("LIHTC").

The pace of recovery as it relates to apartment construction will continue to be impacted as the financial crisis limits access to credit. Optimists see little improvement for 2008. The new apartment inventory coming on line should be absorbed rapidly as the pace at which these units are delivered continues to slow.

By: J. Mark Madderra

CHART 2: NEW CONSTRUCTION/MIXED INCOME DEVELOPMENTS

No	Project Name	Developer	Units	Location
7	Chenier Apartments	The Park Companies	288	Mandeville - St. Tammany
8	1201 Canal (Krauss Building)	KFK Group/Khourey Development	119	New Orleans (Historic Center)
	Subtotal Market Rate	**2 Projects**	**407**	
9	The Preserve	The Domain Companies	183	New Orleans (Historic Center)
10	The Crescent Club	The Domain Companies	226	New Orleans (Historic Center)
11	200 Carondelet	Reliance/Carondelet Association 1	190	New Orleans (Historic Center)
12	Walnut Square Apts.	Preservation Housing II	209	East New Orleans
13	Rivergardens CSII	Historic Restoration, Inc.	310	New Orleans (Historic Center)
14	Lakeside Apartments	Norfolk Point, LLC	250	Slidell - St. Tammany
	Subtotal Mixed Income	**6 Projects**	**1,368**	
	TOTAL	**8 Projects**	**1,775**	



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Sales Summary

Anyone who questioned whether investors would still have an interest in acquiring multi-family assets in Metro New Orleans needs to review the activity we have had in the past 33 months.

Since Hurricane Katrina, Metro New Orleans has seen the conveyance of approximately 25 apartment communities, representing 6,400 units for a total dollar amount of $277,000,000.

These transactions have ranged from a low of $4,600/unit on a severely damaged East New Orleans asset to a high of $115,000/unit for a property on the Northshore. Investors have ranged from "value-add" construction oriented buyers to national buyers looking for stable/rehabbed properties.

As anticipated, sales volume has slowed from our last report (Summer 2007). Six (6) properties were sold with only one (Chateau Carre') being an uninhabitable asset, the others were fully occupied and are being upgraded further. Three of the six transfers have westbank locations. The sale of Huntington Park represents the first sale in the East New Orleans market of a fully rehabbed asset.

The Metro New Orleans market has more barriers to entry in comparison to any market in the country. Our shortage of developable land gives investors assurance that the market will not become saturated with an abundance of additional inventory. Investors need to be prepared to pay a fair price for an asset as the majority of the metro inventory has received a significant rehab and is maximizing their revenue. Although a few major rehab opportunities remain; this class of asset is becoming scarce.

We expect continued demand for multi-family product; however, supply will more than likely be limited. The stability in the market and the improvements that have been made to these assets will take away the motivation of many owners to sell at this time.

By: Larry G. Schedler, CCIM

Properties Sold

No.	Project Name	Location	Units	Date Sold	Price/Unit
A	Shadowbrook Apartments	Algiers	336	September 2007	$42,500
B	Lapalco Court	Harvey	100	October 2007	$48,000
C	Arbor Place	Gretna	136	March 2008	$45,955
D	Chateau Carré	New Orleans	150	March 2008	$18,667
E	Huntington Park	East New Orleans	160	December 2007	$50,400
F	Lake Terrace Gardens	New Orleans	186	December 2007	$39,946

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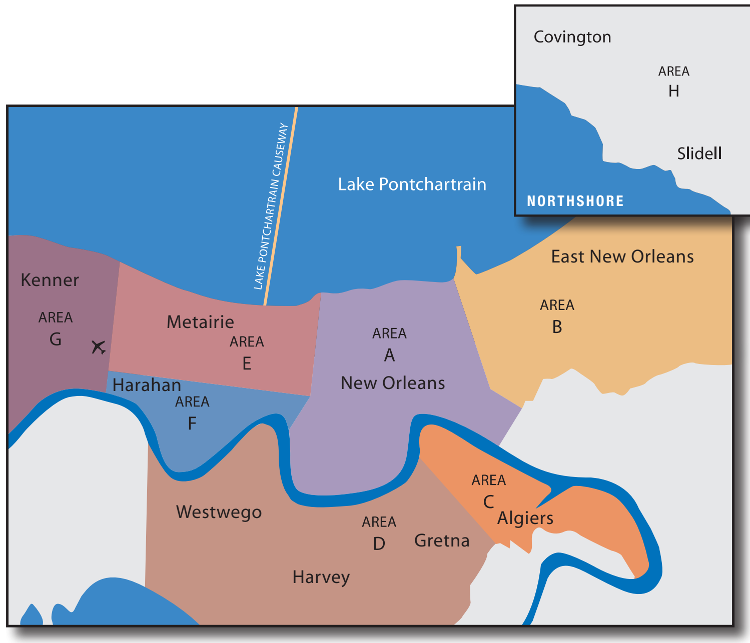
Apartment Information by Submarket



The Greater New Orleans Apartment Market continued to recover and stabilize over the past six months. The market could generally be described as healthy. Sub-markets have seen normal increases and decreases in monthly rental rates and occupancy since our last report. Much of this activity is attributed to the steady release of refurbished apartments into the rental inventory and population growth. Leading the area in average monthly rent rates is **A.** the Historic Center; which had an average monthly rental rate of ($1,317) and an overall occupancy rate of (96%) which represents a 5% increase from our last survey. Survey participants attribute this to professionals returning to the city who find the area conducive to their lifestyle. Garden apartment communities located in the remaining sub-markets reported modest changes in rental rates and occupancy. **H.** St. Tammany Parish commanded the highest average garden apartment monthly rent of ($973) with an average occupancy rate of (96%) due to its' sought after location, newer units and demographics. **F.** The Harahan and River Ridge garden apartment inventory surveyed an average monthly rental rate of ($929) and occupancy of (94%). The West Bank of Jefferson Parish or **D.** Gretna, Harvey, Terrytown reported an occupancy rate of (93%) and an average monthly rent of ($814). **G.** The Kenner sub-market reported an average monthly rental rate of ($798) and an occupancy increase to (95%), up 4% from our last report. **B.** Eastern New Orleans, continued to literally re-build itself releasing totally renovated apartments into the rental market, the overall average monthly rent reported was ($754) with (95%) occupancy. Report participants noted that demand was still strong for apartments in the New Orleans East sub-market. **E.** Metairie continued to perform in a stable fashion with an average rental rate of ($751) and occupancy of (95%). **C.** The West Bank of Orleans Parish or Algiers reported and average monthly rental rate of ($744) and an occupancy of (93%). It should be noted that this sub-market features an extremely wide range of floor plans ranging from studios to townhouses.

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							
*A. Historic Center**	$817	$1,168	$1,410	$1,924	$2,113	$1,317	96.0%
B. East New Orleans	---	$657	$848	$797	$1,073	$754	95.0%
C. Algiers	$485	$693	$796	$819	$933	$744	93.0%
JEFFERSON							
D. Gretna, Harvey, Terrytown	$612	$722	$758	$887	$1,039	$814	93.0%
E. Metairie	$512	$689	$840	$916	$1,087	$751	95.0%
F. Harahan, River Ridge	$533	$814	$1,004	$1,102	---	$929	94.0%
G. Kenner	$494	$700	$830	$978	---	$798	95.0%
H. ST. TAMMANY	---	$838	$798	$1,051	$1,291	$973	96.0%

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

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