GREATER NEW ORLEANS MULTI-FAMILY REPORT

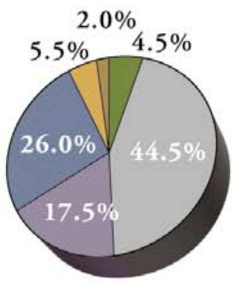
MARKET AT A GLANCE

The ninth in a continuing series of New Orleans Apartment Market surveys was conducted for the period ending June, 2005. The survey includes 101 large properties in eight submarkets. The survey focused on market rate properties which are well managed and maintained covering a wide age spectrum. An average survey property has 259 units and is 22 years old. Properties were selected from a comprehensive multi-family database of over 280 properties containing approximately 48,000 units. This database is maintained by Madderra & Cazalot and Larry G. Schedler & Associates, Inc.

Market Trends	Change from Spring 2004	Change from Fall 2004
Market Occupancy	⇔	⇧
Net Absorption	⇔	⇧
Rental Rates	⇔	⇔
Construction Activity	⇩	⇩

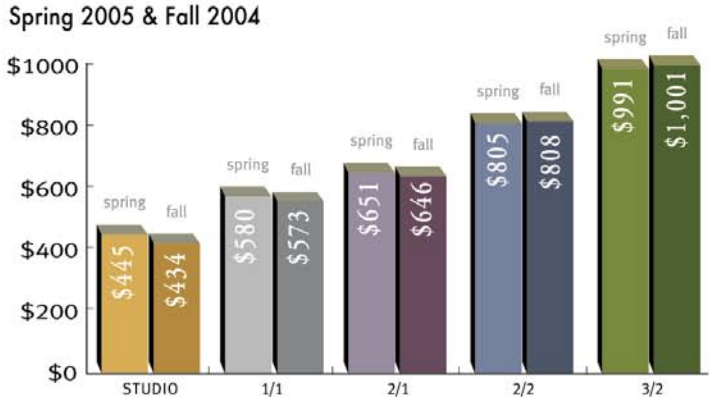
UNIT INVENTORY

Unit Type	No. of Units
Studio	2,350
1 Bed 1 Bath	19,700
2 Bed 1 Bath	7,700
2 Bed 2 Bath	11,500
3 Bed 2 Bath	2,000
Other	850



AVERAGE RENTAL RATES BY UNIT TYPE

Spring 2005 & Fall 2004



OVERALL MARKET RENT & VACANCY

Location *Parish*	Average Rent	Average Sq. Ft.	Rent/ Sq. Ft.	Occupancy Rate
New Orleans Historic Center *Orleans*	$1,021	853	$1.20	93.8%
Garden Apartments *Jefferson*	$639	845	$0.76	94.7%
St. Tammany	$759	934	$0.81	86.4%
Orleans	$550	844	$0.65	94.5%
Overall	$664	855	$0.78	93.6%

SURVEY TRENDS

Spring 2005 has been a positive period for the overall New Orleans Apartment Market. Occupancy rates have increased from a 3 year low of 92.2% in Fall 2004 to 93.6%. This increase has been achieved with limited concessions and in spite of continuing low interest rates that make home ownership attractive to many renters. Overall rental rates of $.78 per sq.ft. are unchanged over the Spring 2004 survey.

A significant factor in the improving market fundamentals is the drastic decline in new construction. Orleans Parish actually had a decline in inventory as condominium conversions of existing apartments far out paced new construction. As a result, Orleans Parish occupancy increased from 92.3% to 94.5% and New Orleans Historic Center properties increased from 93.2% to 93.8%. Jefferson Parish had one apartment property enter existing inventory and had the strongest increase in occupancy to 94.7%. The only weak market is in St. Tammany Parish as new units continue to enter inventory. As the construction of new units wind down this year, the St. Tammany apartment market will improve.

The New Orleans apartment market continues to out perform most apartment markets in the United States. Strong fundamentals including a net decline in inventory will improve the short term outlook for higher rental and occupancy rates.

By: J. Mark Madderra

UNIT MIX/RENT STATISTICS

Unit Type	% Mix	Average Sq. Ft.	Average Rent	Average Rent/SF
Studio	5.0%	454	$445	$0.98
1 Bed 1 Bath	47.7%	715	$580	$0.81
2 Bed 1 Bath	10.1%	926	$651	$0.70
2 Bed 2 Bath	27.5%	1,037	$805	$0.78
3 Bed 2 Bath	3.5%	1,356	$991	$0.73
Total	100.0%	855	$664	$0.78

Greater New Orleans
APARTMENT CONSTRUCTION AND SALES SUMMARY

For the first time in recent history, all of the new apartment construction activity in the New Orleans Metro Area is located in the New Orleans Historic Center submarket. Three major projects are under construction in this area including River Gardens, Union Lofts and Civic Lofts. These new units will not be sufficient to replace the estimated 500+ apartment units which have been converted to condominiums in this submarket over the last 12 months. Recently announced condominium conversions will likely reduce the inventory of apartments by an additional 500 units over the next 12 months.

Jefferson Parish has served as the leader in new apartment development over the last 20 years. With the July completion of Calypso Bay in Gretna, Jefferson Parish will have no apartment communities under construction for the first time since the late 1980's. This should continue to have a positive affect on rental rates and occupancy.

With the recent completion of the Harborside Apartments in Slidell, the current construction cycle of new apartments in St. Tammany Parish is now complete. Five new properties have significantly increased the size of this market. Their leasing success will determine the depth of this new market and the potential for new projects.

By: J. Mark Madderra

The demand for multi-family property in Metro New Orleans by both local and national investors has remained strong in the first two (2) quarters of 2005. A culmination of factors including, the absorption of new units, a firming up of occupancy rates, and geographic barriers to entry have attracted investors and capital to our marketplace.

The sales that have occurred since our last report are from four (4) of our sub-markets, New Orleans East, the Westbank, the Historic Center, and Metairie. Nine sales were consummated, one transaction which included the transfer of five (5) separate properties.

Windsor Village Apartments (Eastern New Orleans) was sold by an out-of-town owner to a local investment group who has changed the name and will rehabilitate and reposition the property. Park Village Apartments (Gretna) was sold by a local investor to a local buyer; the asset will undergo a rehab, as will the Regency Square Apartments (Metairie).

Although portfolio sales of apartment communities are common in most metro areas, they are somewhat of a rarity in Metro New Orleans that is until the last quarter of 2004. Aspen Square Management of Massachusetts sold their Metairie apartment portfolio, consisting of five properties and 526 units, to a New York investor with extensive holdings in New Orleans.

Like the rest of the country "condo-mania" continues and was the catalyst to the sale of 1750 St. Charles Avenue (Historic Center). The sale of this asset represents the highest price paid per unit ever in Metro New Orleans. 1750 was an ideal conversion candidate and its success should give further confidence to both developers and lenders on future projects.

The second half of 2005 should continue to experience robust activity in the multi-family sales arena. The market is "boiling" and I would not anticipate a "cool down" in demand for at least another 9-12 months. The largest threat to the continued transfer of multi-family assets will be due to a lack of inventory rather than a lack of demand.

By: Larry G. Schedler, CCIM

PROPERTIES UNDER CONSTRUCTION

No.	Project Name	Location	Units	Developer
1	Calypso Bay	Gretna	280	Shadowlake
2	Harborside	Slidell	168	Sabre Development, Inc.
3	River Gardens	New Orleans *(Historic Center)*	296	Historic Restoration, Inc.
4	Union Lofts	New Orleans *(Historic Center)*	33	Marcel Wisznia
5	Civic Lofts	New Orleans *(Historic Center)*	64	Brian Gibbs

PROPERTIES SOLD

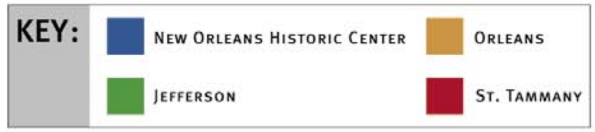
No.	Project Name	Location	Units	Date Sold	Price/Unit
A-E	Aspen Square Portfolio	Metairie	526	12/2004	$47,053
F	Park Village Apartments	Gretna	205	04/2005	$26,000
G	Windsor Village Apartments	New Orleans East	520	04/2005	$22,596
H	1750 St. Charles Avenue	Historic Center	222	05/2005	$193,694
I	Regency Square Apartments	Metairie	60	06/2005	$27,500
	Select Regional Properties Sold (Thibodaux, Lake Charles, Gulf Coast)				
	Brittany Apartments	Gulfport, MS	65	03/2005	$26,154
	Tax exempt bond portfolio	Lake Charles/Lafayette	1,105	05/2005	---

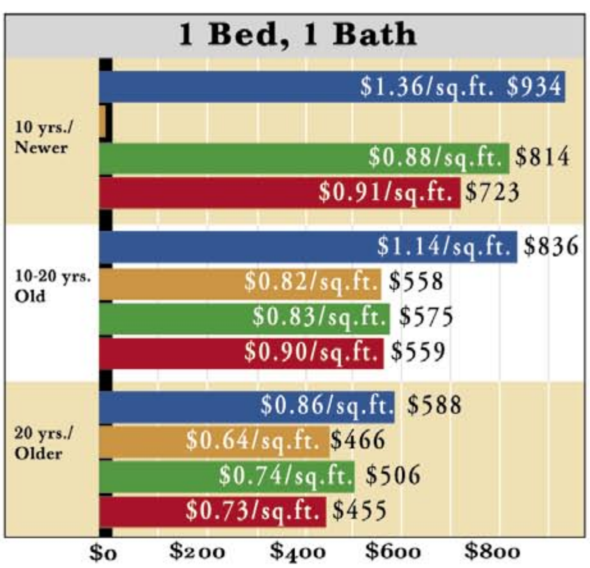
Greater New Orleans

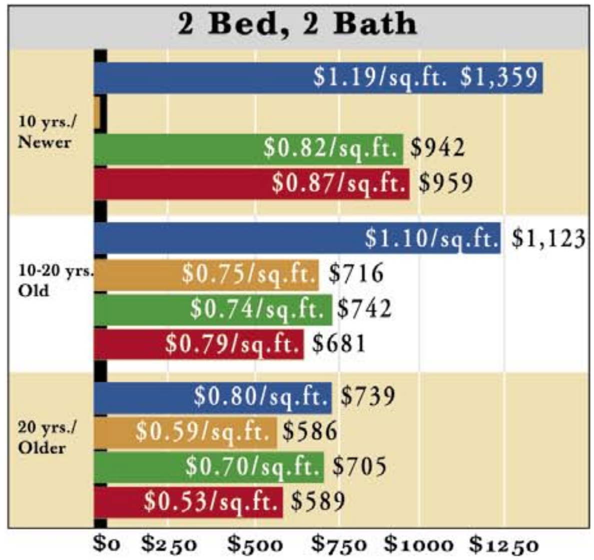
RENTS BY UNIT TYPE, AGE & PROPERTY CLASS

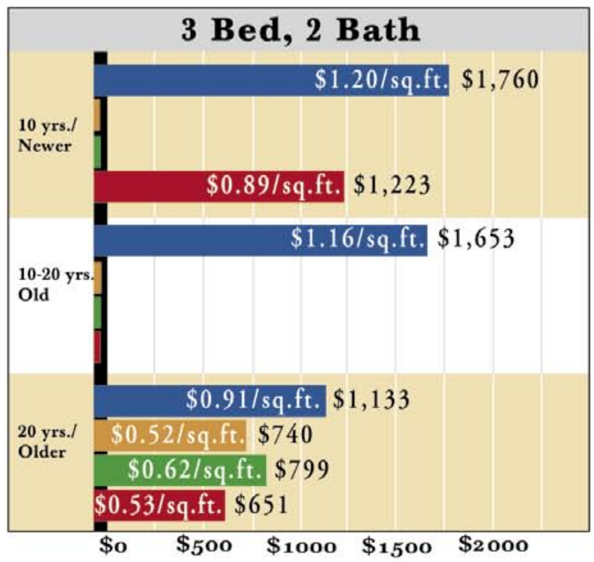
Apartment rents vary dramatically based upon the age and location of the property. Newer properties (10 yrs/Newer) command rents which are significantly higher than older properties in the same neighborhood. For example, the average monthly rent for a 1 Bedroom/1Bath apartment less than 10 years old in Jefferson Parish is $814 ($0.88/sq.ft.). A well maintained one bedroom unit in Jefferson Parish over 20 years old averages $506 ($0.74/sq.ft.). This represents a 61% premium ($308 a month) that renters are willing to pay for new apartments with the associated amenities.

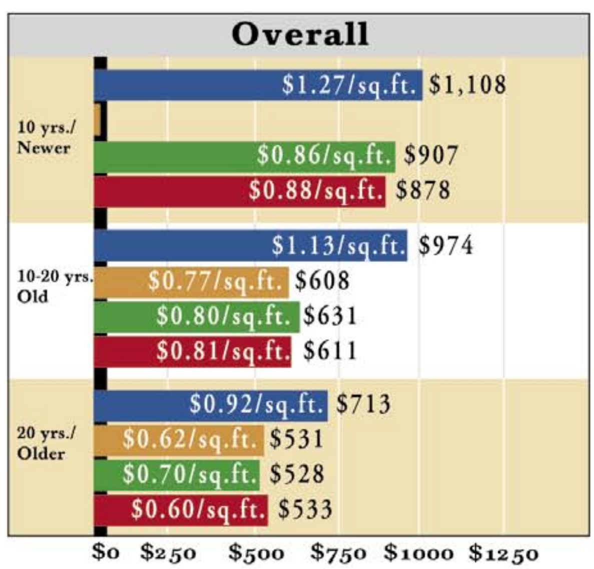
A significant rent premium is paid by renters in the Historic Center of New Orleans. This includes properties in the French Quarter, CBD, Warehouse District, Mid-City, and the St. Charles Avenue corridor. These units are shown separately on the tables from other Orleans Parish properties, as they represent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







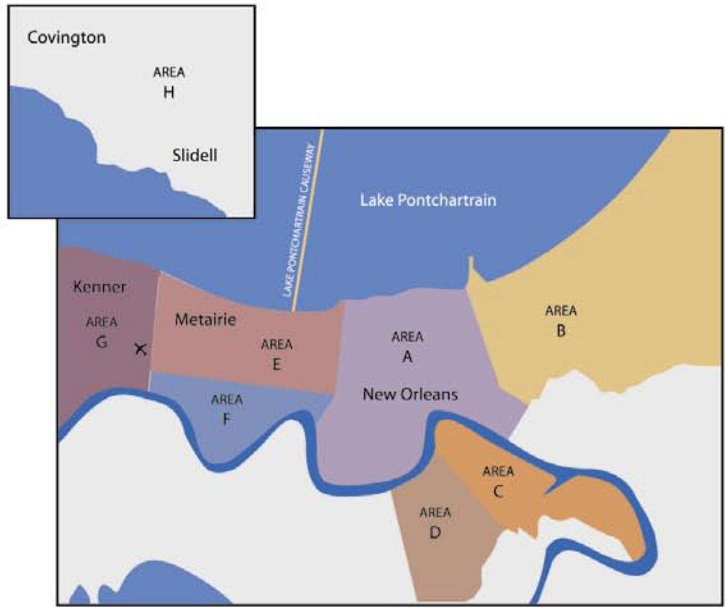




Greater New Orleans
APARTMENT INFORMATION BY SUBMARKET

The A. Historic Center in Orleans Parish has the market's highest rents ($1,021) 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 ($739) and H. St. Tammany ($759). 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 $537 month in C. Algiers.

As previously noted, overall occupancy rates improved from the Fall 2004 survey. The strongest occupancy rates are found in West Jefferson (D. Gretna, Harvey and Terrytown) (97.6%). The lowest occupancy rates are reported in H. St. Tammany (86.4%). All other markets fall in a narrow occupancy range of 93.3% to 94.7%.



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**	$657	$878	$1,152	$1,217	$1,518	$1,021	93.8%
B. Eastern New Orleans	---	$494	$659	$615	$736	$563	94.7%
C. Algiers	$381	$490	$573	$616	$745	$537	94.2%
JEFFERSON							
D. Gretna, Harvey, Terrytown	$380	$525	$581	$683	$800	$588	97.6%
E. Metairie	$408	$527	$657	$717	$797	$585	94.5%
F. Harahan, River Ridge	$450	$642	$802	$812	---	$739	93.3%
G. Kenner	$397	$562	$654	$809	---	$649	95.2%
H. ST. TAMMANY	---	$647	$570	$868	$1,106	$759	86.4%

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

Contributors:

THE MULTIFAMILY ADVISORY GROUP, L.L.C.

The Multi-Family Advisory Group, LLC provides consulting services exclusively to the apartment industry. Owners, managers and lenders have relied on the firm for a wide range of specialized consulting services since 1998. 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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