

GREATER NEW ORLEANS MULTI-FAMILY REPORT

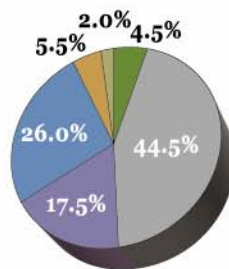
MARKET AT A GLANCE

The eighth in a continuing series of New Orleans Apartment Market surveys was conducted for the period ending November, 2004. The survey includes 105 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 263 units and is 22 years old. Properties were selected from a comprehensive multi-family data base of over 280 properties containing approximately 48,000 units maintained by Madderra & Cazalot and Larry G. Schedler & Associates, Inc.

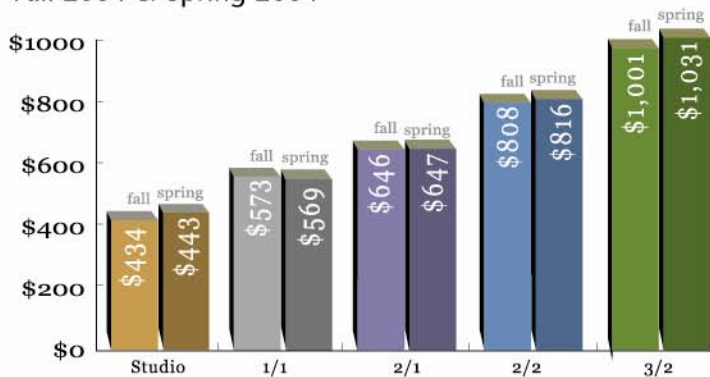
UNIT INVENTORY

Unit Type	No. of Units
Studio	2,350
1 Bed 1 Bath	19,700
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

Fall 2004 & Spring 2004



OVERALL MARKET RENT & VACANCY

Location Parish	Average Rent	Average Sq. Ft.	Rent/Sq. Ft.	Occupancy Rate
New Orleans Historic Center Orleans	\$1,044	893	\$1.17	93.2%
Garden Apartments Jefferson	\$629	840	\$0.75	92.5%
St. Tammany	\$700	921	\$0.76	87.9%
Orleans	\$547	844	\$0.65	92.3%
Overall	\$660	854	\$0.77	92.2%

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

SURVEY TRENDS

With the arrival of the slowest leasing season of the year, the New Orleans Apartment Market is experiencing a decline in occupancy to a three year low of 92.2%. Rental rates have remained stable for the most part with significant concessions observed in some submarkets. Overall rental rates are \$.77 which represents a decline from \$.78 in the Spring 2004 report. It is clear that the race for the hearts and pockets of potential renters is becoming more challenging. As apartment owners compete for renters they feel increasing competition from home ownership, condominium conversions, new apartment inventory, and the impact of limited job growth.

A significant decline in the occupancy rate was observed in St. Tammany Parish as six new properties entered the market. These properties represent a 50% increase in that submarket's

apartment inventory. These units will take a long time to be absorbed and have reduced overall submarket occupancy to 87.9%.

The Historic Center was the only submarket which did not experience a decline in occupancy. It actually showed an increase to 93.1%. This is likely a result of several Warehouse District Apartment properties converting to condominiums. We estimate that 25% of the apartment inventory in this area is undergoing or has completed the conversion process during the last 12 months. Upward pressure on rents and occupancy should continue.

The Garden Apartments occupancy rates in Jefferson (92.5%) and Orleans (92.2%) experienced a general decline in occupancy with no change observed in rental rates.

UNIT MIX/RENT STATISTICS

Unit Type	% Mix	Average Sq. Ft.	Average Rent	Average Rent/SF
Studio	5.1%	454	\$434	\$0.96
1 Bed 1 Bath	47.8%	713	\$573	\$0.80
2 Bed 1 Bath	9.5%	919	\$646	\$0.70
2 Bed 2 Bath	26.6%	1,029	\$808	\$0.78
3 Bed 2 Bath	3.3%	1,388	\$1,001	\$0.72
Totals	100.0	854	\$660	\$0.77

GREATER NEW ORLEANS APARTMENT CONSTRUCTION AND SALES SUMMARY

As 2004 comes to a close, the apartment construction boom in St. Tammany Parish is winding down. Construction is now complete at The Park in Covington, Sun Valley (Slidell), Villa du Lac (Slidell) and near completion are Mandeville Lakes, Greenbriar Estates (Slidell) and Harborside (Slidell). These properties add 1,000+ apartments to this submarket which previously had under 800 new units built in the previous ten years. The pace of leasing in these properties will be slow due to the sheer size of the inventory.

Calypso Bay in Gretna, completed its first units in August 2004. This is the first new apartment property on the Westbank since the 1980's and has been well received. The leasing pace to date has exceeded the supply of available units. Completion of construction is anticipated for the first half of 2005 with rental demand remaining strong.

Construction and leasing continues at River Gardens (the former site of the St. Thomas Housing Development). Other new urban projects are anticipated to begin construction in early 2005 as the pace of condominium conversions accelerates. This will fuel demand for new units to replace lost inventory.

By: J. Mark Madderra

Despite the modest decline in occupancy rates from our Spring 2004 report, investor demand for multi-family acquisitions in Metro New Orleans and the region remains very strong, with demand continuing to outpace the supply.

This demand for multi-family acquisitions is not only being fueled by a limited supply of

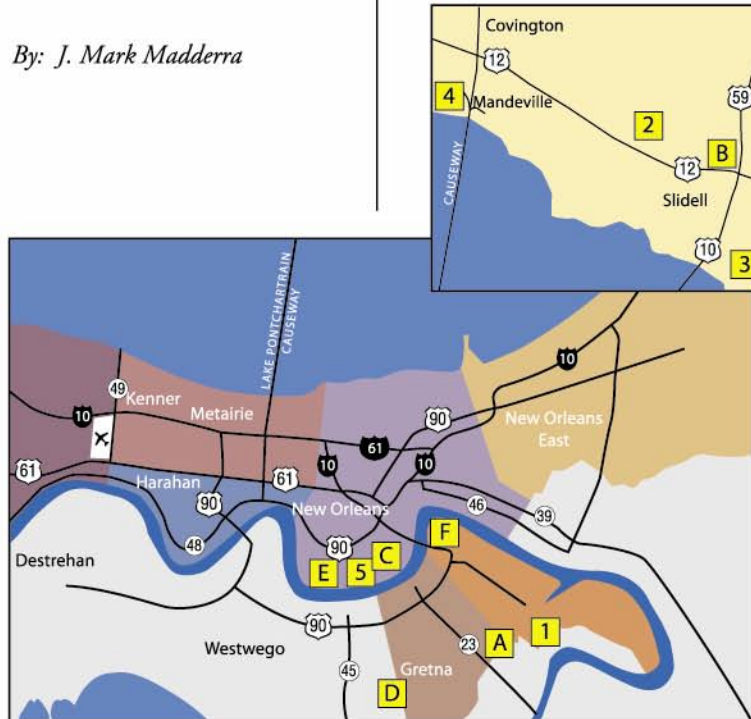
available properties but by the willingness of investors to accept lower rates of return on their equity as well as the recognition that the limited supply of developed land in our region creates a barrier to entry that is not found in most markets.

The sales indicated below represent both garden apartment communities as well as assets that are poised for condominium conversions. Two of the indicated transactions were sold by private investment groups, one (Arlington) to a private investor and the other (Carlyle) to a non-profit organization. Country Gables was sold by a lender to a private investment group. The remaining three transactions located in the Historic Center were sold to local condominium converters.

The overriding factor, however, that is causing us to see prices previously unimagined is the fact that the condominium conversion craze that the rest of the country has been experiencing has finally hit select areas of New Orleans. Investors are seeking those assets that are suitable for making the transition to condominium ownership.

The success of conversion properties thus far will strengthen demand for suitable properties, particularly in the Historic Center of the city. Suburban garden apartment communities; however, will remain the "bread and butter" that investors will be seeking and I would anticipate continued demand from local and out of state buyers. Several garden apartment communities are poised for a change of ownership in the first quarter of 2005.

By: Larry G. Schedler, CCIM



PROPERTIES UNDER CONSTRUCTION

No.	Project Name	Location	Units	Developer
1	Calypso Bay	Gretna	280	Shadowlake
2	Greenbriar Estates	Slidell	144	Sizeler Property Investors
3	Harborside	Slidell	168	Sabre Development
4	Mandeville Lakes	Mandeville	136	Crosby Properties
5	River Garden	New Orleans	296	Historic Restoration, Inc.

PROPERTIES

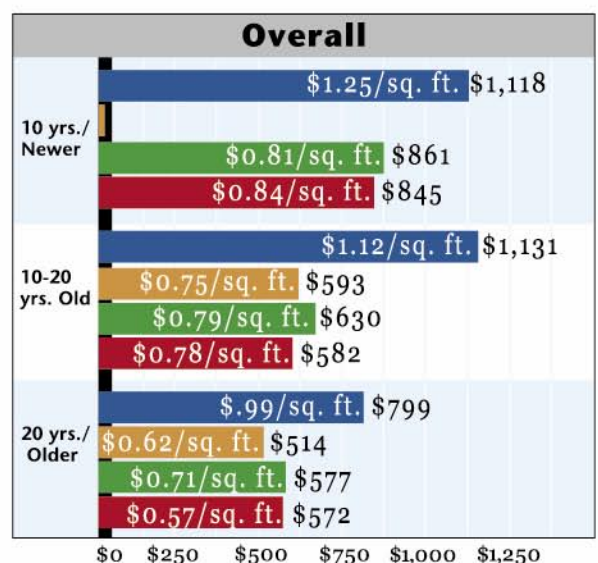
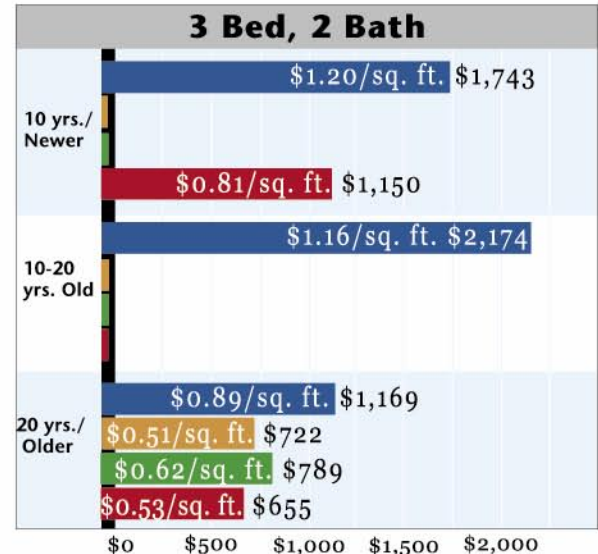
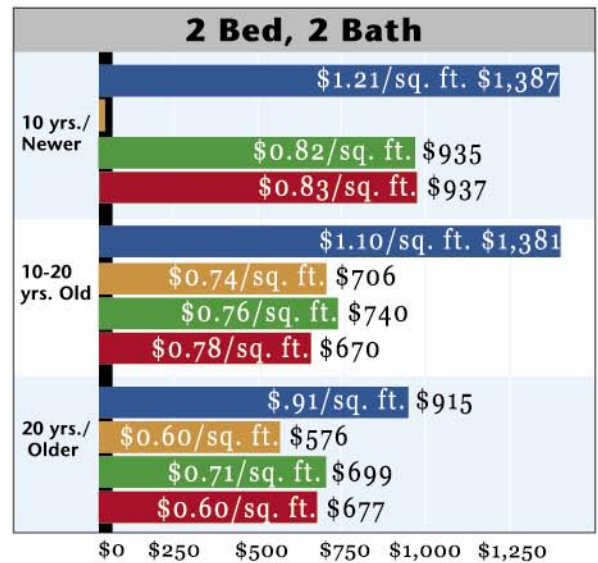
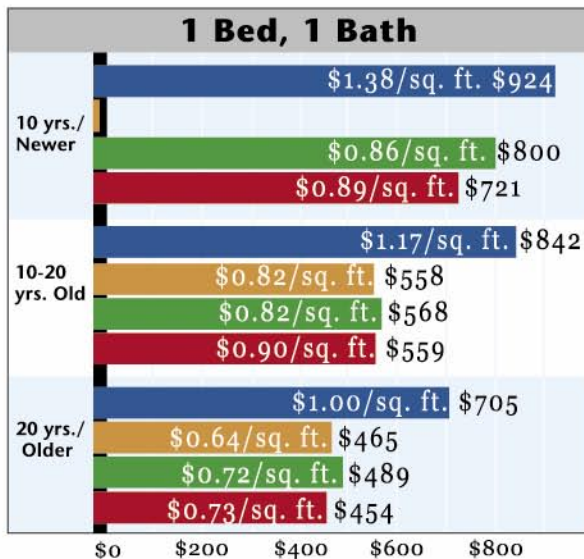
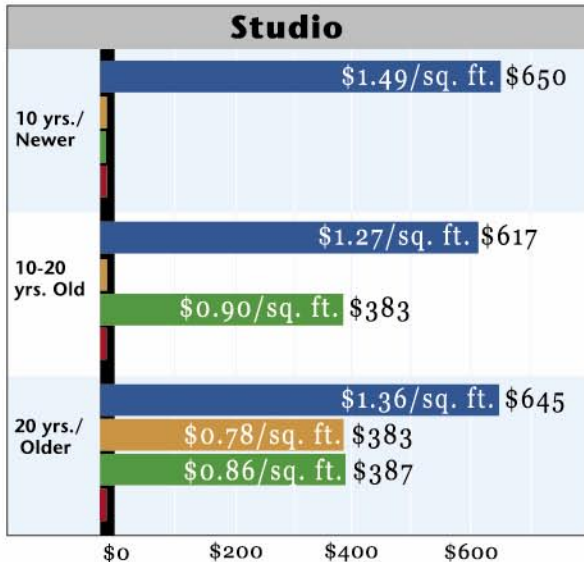
No.	Project Name	Location	Units	Date Sold	Price/Unit
A	Carlyle Apartments	Gretna	288	3/2004	\$41,319
B	Country Gables Apartments	Slidell	100	7/2004	\$33,250
C	St. Charles Regency Apartments	Historic Center	221	8/2004	\$36,818
D	Arlington Apartments	Harvey	420	9/2004	\$16,385
E	3915 St. Charles Apartments	Historic Center	94	10/2004	\$132,979
F	Julia Place Apartments	Historic Center	105	11/2004	\$158,415
Select Regional Properties Sold (Baton Rouge)					
	Tall Timbers Apartments	Baton Rouge	326	8/2004	\$13,262
	Sterling University/Crescent Apartments	Baton Rouge	192	8/2004	\$95,398
	Spring Brook Apartments	Baton Rouge	200	8/2004	\$66,000
	Promenade@Sherwood Apartments	Baton Rouge	220	7/2004	\$5,909

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 \$800 (\$0.86/sq.ft.). A well maintained one bedroom unit in Jefferson Parish over 20 years old averages \$489 (\$0.72/sq.ft.). This represents a 64% premium (\$311 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.

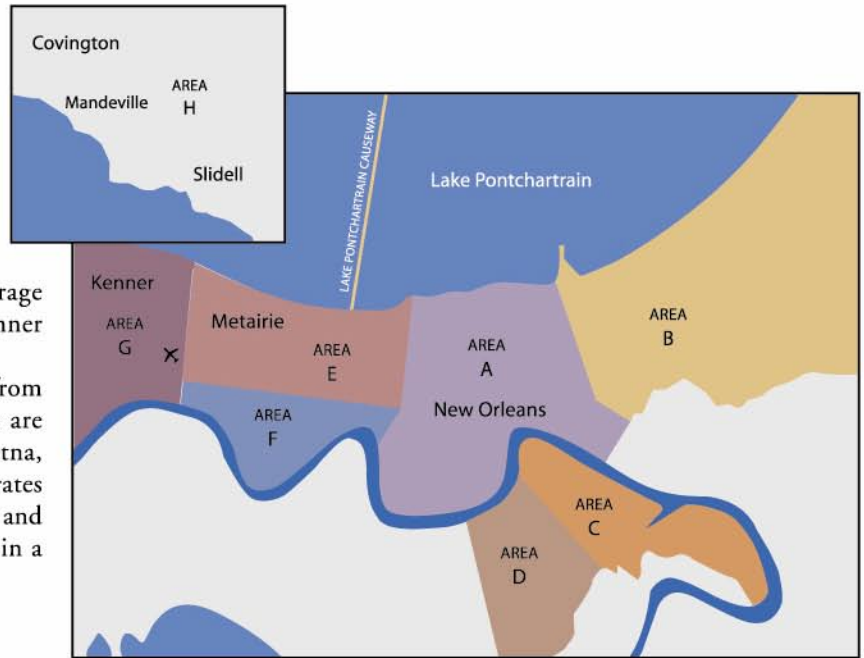


GREATER NEW ORLEANS APARTMENT INFORMATION BY SUBMARKET

The A. Historic Center in Orleans Parish has the market's highest rents 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 (\$699) and H. Covington/ Mandeville/ Slidell (\$700). 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 \$645 month in G. Kenner and \$532 month in C. Algiers.

As previously noted, overall occupancy rates declined from the Spring 2004 survey. The strongest occupancy rates are found in G. Kenner (94.4%) and West Jefferson (D. Gretna, Harvey and Terrytown) (95.7%). The lowest occupancy rates are reported in H. Covington/ Mandeville/ Slidell (87.9%) and F. Harahan/ River Ridge (88.8%). All other markets fall in a narrow occupancy range of 91.3% to 93.3%.

By: J. Mark Madderra



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*	\$638	\$839	\$1,042	\$1,255	\$1,584	\$1,028	93.1%
B. Eastern New Orleans	---	\$502	\$659	\$629	\$710	\$563	91.3%
C. Algiers	\$383	\$480	\$587	\$603	\$733	\$532	93.3%
JEFFERSON							
D. Gretna, Harvey, Terrytown	\$372	\$510	\$568	\$666	\$786	\$572	95.7%
E. Metairie	\$378	\$545	\$655	\$705	\$793	\$593	92.3%
F. Harahan, River Ridge	\$450	\$600	\$808	\$805	\$835	\$699	88.8%
G. Kenner	\$396	\$554	\$652	\$806	---	\$645	94.4%
ST. TAMMANY							
H. Covington, Mandeville, Slidell	---	\$623	\$843	\$843	\$1,008	\$700	87.9%

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

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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-one (21) years, has successfully handled the sale of over 22,000 units. The firm represents conventional, institutional and non-profit clients.
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The Multi-family Advisory Group, LLC provides consulting services exclusively to the apartment industry. Owners, managers and lenders operating in Louisiana have relied on the firm for a wide range of specialized consulting services over the years.
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