

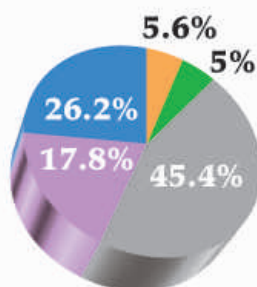
Greater New Orleans Multi-Family Report

Market At A Glance

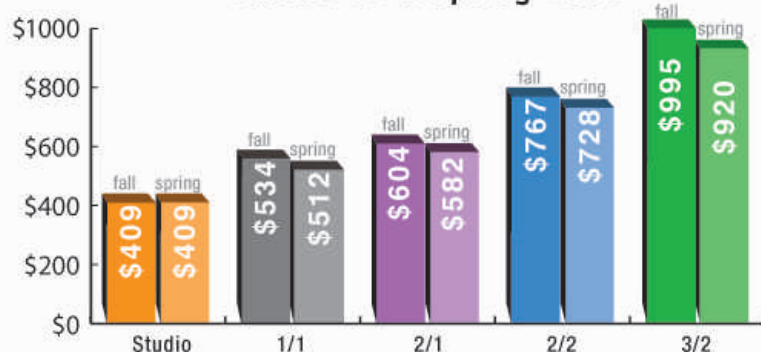
The 2nd in a continuing series of New Orleans Apartment Market surveys was conducted for the period ending November 1, 2001. The survey includes 105 large properties in eight submarkets. The survey focused on market rate properties which are well managed and maintained covering a wide age spectrum. These units were selected from a comprehensive multi-family data base of over 45,000 units maintained by J.M. Madderra & Company, Inc. and Larry G. Schedler & Associates, Inc.

UNIT INVENTORY

Unit Type	No. of Units
Studio	2,330
1 Bed 1 Bath	18,874
2 Bed 1 Bath	7,388
2 Bed 2 Bath	10,876
3 Bed 2 Bath	2,092



AVERAGE RENTAL RATES BY UNIT TYPE Fall 2001 & Spring 2001



OVERALL MARKET RENT & OCCUPANCY (Table 1)

Construction Type/Parish	Average Rent	Average Sq. Ft.	Rent/Sq. Ft.	Occupancy Rate
New Orleans Historic Center				
Orleans	\$1,035	882	\$1.15	91.7%
Garden Apartments				
Jefferson	\$592	834	\$0.71	94.6%
St. Tammany	\$672	973	\$0.69	91.4%
Orleans	\$516	812	\$0.63	95.4%
Overall	\$621	844	\$0.74	94.5%

Survey Statistics

	Fall 2001	Spring 2001	Change
Number of Properties	105	105	NC
Total Units Surveyed	24,740	24,041	+699
Average Number of Units Per Property	236	229	+7
Average Year Built	1983	1983	NC
Average Sq. Ft.	844	839	+5
Average Monthly Rent	\$621	\$594	+\$27
Rent/Sq. Ft.	.74	.71	+.03
Average Occupancy Rate:	94.5%	95.0%	<.5%>

Over the past six months, New Orleans Area apartments have enjoyed moderate rental increases and stable occupancy. Compared to the Spring 2001 survey, rents for the New Orleans area show a 3.4% increase. Average monthly rent of units surveyed is \$621/unit and \$0.74 per square foot. A significant premium is paid in the market place for historic and well located urban properties (see Table 1). New Orleans Historic Center properties located in the Warehouse District, Mid City, Downtown, and the St. Charles Avenue Corridor, have an average monthly rent of \$1,035/unit, or \$1.15 per square foot. In the past, this differential could be explained by limited inventory of Class A units. Over the next year, this premium may be tested as units in two major projects increase the inventory of the New Orleans Historic Center by 25%.

Comparing rental rates across various submarkets, it appears the rate gap has narrowed. Jefferson Parish continues to attain higher garden apartment rents than other parts of the area. St. Tammany now has equivalent rents to Jefferson due to significant new inventory of comparable quality. Orleans appears to have increased garden apartment rents significantly. Average garden apartment rents for units surveyed range from a high of \$.70 per square foot in Jefferson to a low of \$.63 per square foot in Orleans.

Overall occupancy rates have declined modestly to 94.5% from 95% since the Spring 2001 Survey. The previously mentioned inventory additions in New Orleans Historic Center and St. Tammany have increased vacancy in these markets significantly. The full impact of this new inventory will be realized over the next six months as these units are absorbed.

UNIT MIX/RENT STATISTICS

Unit Type	% Mix	Average Sq. Ft.	Average Rent	Average Rent/SF
Studio	5.5%	451	\$409	\$0.91
1 Bed 1 Bath	46.8%	704	\$534	\$0.76
2 Bed 1 Bath	10.1%	919	\$604	\$0.66
2 Bed 2 Bath	27.1%	1025	\$767	\$0.75
3 Bed 2 Bath	2.9%	1310	\$995	\$0.79
Totals	100.0%	844	\$621	\$0.74

Greater New Orleans Apartment Construction and Sales Summary



Over the previous six months, 1,000 units have been added to area inventories. Two recently completed properties, Pelican Pointe and American Can, along with the partially completed Saulet Apartments, have approximately 500 units unrented and available for occupancy.

A number of new projects planned for construction starts in the 4th quarter have been delayed. These include new communities in Covington, Slidell, and West Jefferson. As a result, new unit inventory in 2002 should be significantly less than the approximately 1300 new units added by year end 2001. This should allow time for new unit inventory to be absorbed.

Construction will commence prior to year end on the military housing at Belle Chasse Naval Air Station. This includes major renovations to 416 existing units and new construction of 519 units. The project will greatly enhance housing options available to the military. **By: J. Mark Madderra**

No.	Project Name	Location	Units	Developer
Properties Under Construction				
1	Calypso Bay Apartments ^a	Gretna	260	Shadowlake
2	The Lakes of Chateau Estates N.	Kenner	246	Favrot & Shane
3	Palmetto Creek	River Ridge	216	Favrot & Shane
4	Pelican Bay Apartments	Kenner	72	Favrot & Shane
5	Saulet Apartments ^b	New Orleans	703	Greystar
Properties Completed in 2001 Year-To-Date				
6	American Can	NO Historic Center	268	HRI
7	Gallery Apartments	Metairie	36	Favrot & Shane
8	The Mansions of Spartan Trace	Slidell	112	Spartan Trace, LLC
9	Pelican Pointe Apartments	Slidell	226	Bryan Companies

^a site work complete; construction start delayed until 2002 ^b App. 500 units are available for occupancy.

Properties Sold

Since January 1st 2001, there have been five (5) multi-family sales in Metro New Orleans. These transactions were of assets built in the early 1970's. With the exception of one asset, none of the sales required major rehabilitation. As stated in the Spring 2001 report, the number of multi-family assets requiring complete rehab continues to decline, despite investor appetite for this "value added" product.

No.	Project Name	Location	Units	Date Sold	Price/Unit
A	Marsailles Apartments	Algiers	87	05/2001	\$18,966
B	Heritage House Apartments	East New Orleans	46	06/2001	\$20,435
C	Camelot Apartments	Metairie	210	08/2001	\$31,667
D	Bern-Mas Apartments	East New Orleans	356	09/2001	\$13,764
E	Hidden Lake Apartments	East New Orleans	461	09/2001	\$32,538

It should be noted, the sale of the *Bern-Mas* and *Hidden Lake Apartments*, both in New Orleans East, makes for an interesting example of how this market has evolved. The *Bern-Mas*, which is in need of rehab, sold for \$13,764/unit. The *Hidden Lake Apartments*, located less than a mile away, went through a major rehabilitation program and sold for \$32,500/unit. This demonstrates the "upside" investors are searching for, and the value they believe can be created through rehab investment.

The tragic events of September 11th have not appeared to impact investor or lender interest in existing multi-family product, both locally or nationally. However, underwriting is expected to become more stringent if the cost of insurance increases due to the 9/11 attacks. The current demand for multi-family acquisitions continues to exceed the product available for sale. In general, the equilibrium maintained between supply and demand over the past 10-12 years has created a stable and efficient market which continues to be of interest to investors and lenders alike.

By: Larry G. Schedler, CCIM

Rents by Unit Type, Age & Property Class

Key:


New Orleans Historic Center



Orleans



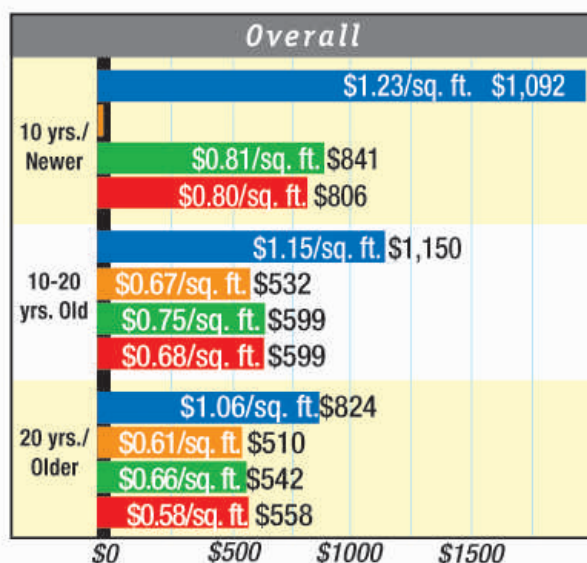
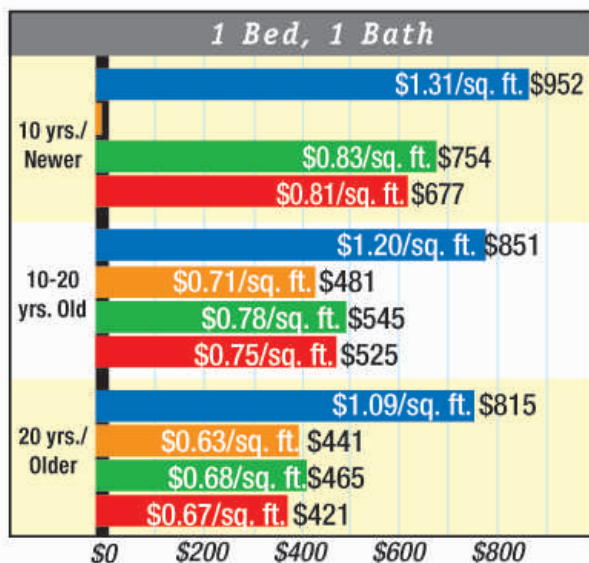
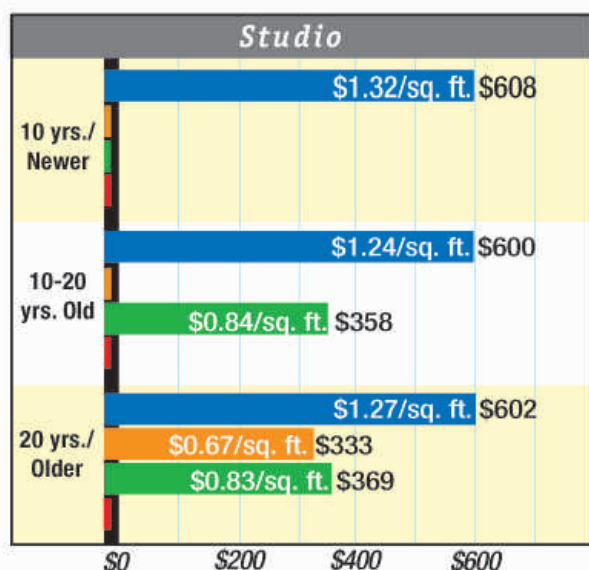
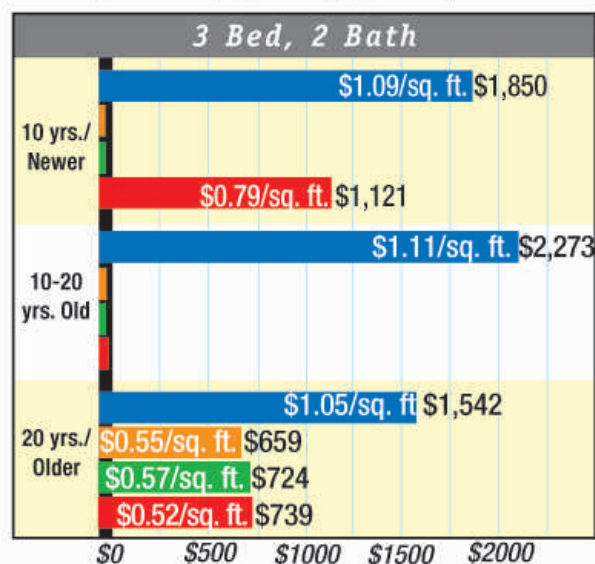
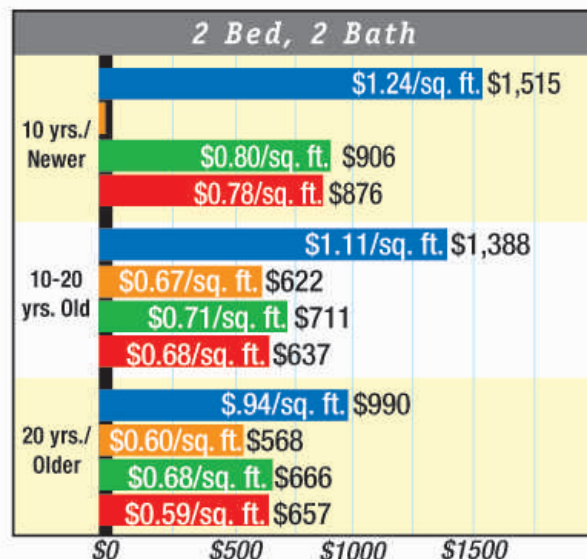
Jefferson



St. Tammany

Apartment rents vary dramatically based upon the age and location of the property. Newer properties (10 yrs./Newer) command rents which are 50%-70% 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 Jefferson Parish is \$754 (\$0.83/sq. ft.). A well maintained 1 bedroom unit in Jefferson over 20 yrs old averages \$465 (\$.68/sq. ft.). This represents a 62% premium that renters are willing to pay for a new apartment 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, 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.



Apartment Information by Submarket

AREA	0/1	1/1	2/1	2/2	3/2	Average Monthly Rent	Occupancy Rate
ORLEANS							
A. Historic Center*	\$603	\$833	\$1,001	\$1,262	\$1,983	\$1,013	91.7%
B. Eastern New Orleans	---	\$441	\$570	\$567	\$696	\$511	95.3%
C. Algiers	\$333	\$460	\$560	\$588	\$600	\$497	95.3%
JEFFERSON							
D. Gretna, Harvey, Terrytown	\$398	\$508	\$546	\$661	\$691	\$562	96.3%
E. Metairie	\$352	\$491	\$614	\$660	\$774	\$541	93.4%
F. Harahan, River Ridge	\$425	\$574	\$751	\$763	---	\$665	95.2%
G. Kenner	\$370	\$506	\$600	\$778	---	\$603	94.5%
H. ST. TAMMANY	---	\$580	---	\$770	\$882	\$672	91.4%

*Includes the Warehouse District, Garden District, Mid City and Downtown.

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 (\$665) and H. St. Tammany (\$672). While locational factor benefits these markets the higher rents also reflect the percentage of new units in inventory. All of the other submarkets have average rents which cover a narrow range between \$603 month in G. Kenner and \$497 month in C. Algiers.

Occupancy rates in A. Historic Center and H. St. Tammany are significantly lower than the market average due to new unleased units added to inventory. The highest occupancy rates are found in D. Gretna, Harvey, Terrytown reported at 96.3%.



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Larry G. Schedler & Associates, Inc. specializes in the sale of multi-family properties throughout Louisiana and Mississippi. The firm over the past sixteen years, has successfully handled the sale of over 16,000 units. The firm represents conventional, institutional, and non-profit clients.

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The MultiFamily Advisory Group, LLC is a Louisiana based consulting firm specializing exclusively in apartment owners, managers, lenders, and regulators. Services can be individualized to a particular property or an entire portfolio.

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