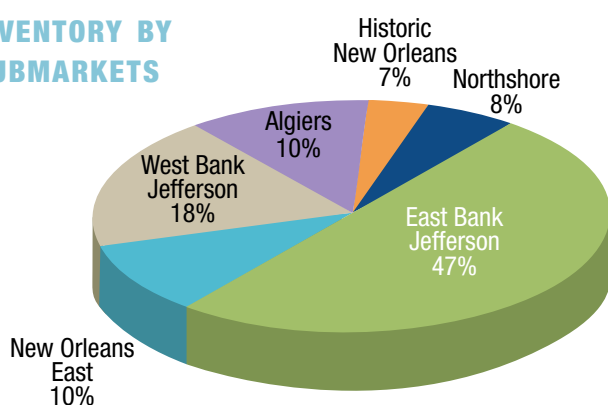


GREATER NEW ORLEANS MULTI-FAMILY REPORT

MARKET AT A GLANCE

This marks the thirteenth issue of the Greater New Orleans Multi-Family Report. The Metropolitan New Orleans Apartment market survey was conducted for the period ending March, 2009. The survey includes rental and occupancy data from 121 properties, comprised of 29,534 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, Larry G. Schedler & Associates, Inc. and The Multi-Family Advisory Group, LLC.

INVENTORY BY SUBMARKETS



UNIT INVENTORY SURVEYED

Unit Type	No. of Units	% of Units
Studio	1,860	6%
1 Bed 1 Bath	13,894	47%
2 Bed 1 Bath	3,784	13%
2 Bed 2 Bath	8,634	29%
3 Bed 2 Bath	1,362	5%
Total	29,534	100%

UNIT MIX/RENT STATISTICS

Unit Type	% Mix	Average Sq. Ft.	Average Rent	Average Rent/SF
Studio	6%	433	\$584	\$1.35
1 Bed 1 Bath	47%	710	\$747	\$1.05
2 Bed 1 Bath	13%	961	\$828	\$0.86
2 Bed 2 Bath	29%	1,044	\$999	\$0.96
3 Bed 2 Bath	5%	1,339	\$1,166	\$0.87
Total	100%	854	\$842	\$0.99

SURVEY TRENDS

The obituary on our local apartment market has been written many times. In the 1980's there was the oil bust and the passive loss rules, then the S&L crisis, then Hurricane Katrina and now the collapse of the global credit markets. Through it all though we continue to avoid the really large "meltdowns" that are so prevalent in other apartment markets.

That is not to say that things are as good as they were six to twelve months ago, but they are certainly not as bad as they could be, and not half as bad as what other markets are experiencing.

The findings of our Spring, 2009 report show a market that is in the process of absorbing additional inventory from both new construction, as well as, some remaining rehabilitations of Katrina damaged properties. The re-entry of this inventory to our market was anticipated to have an impact on our rental rates and occupancy, the demand is not shrinking rather the supply is increasing.

The introduction of these new units to the market has caused rental rates throughout the metro to decline two to three percent over the past six months. This decrease in rates though is modest in lieu of the increases the market experienced over the past few years.

Reported occupancy levels throughout the eight sub-markets we survey has shown a decline which is also a direct result of the additional competition in the market.

Over the next six months rental and occupancy rates will continue to reflect the absorption of this new inventory.

The construction of additional units should decline significantly as funding has virtually dried up, this factor will ultimately assist in the absorption of our increased inventory.

We anticipate modest sales activity through the remainder of 2009, with an increase in the first quarter of 2010.

By: Larry G. Schedler, CCIM

OVERALL MARKET RENT & OCCUPANCY

Location Parish	Average Rent	Average Sq. Ft.	Rent/Sq. Ft.	Occupancy Rate
New Orleans Historic Center	\$1,285	843	\$1.52	83%
Garden Apartments Jefferson	\$794	827	\$0.96	89%
St. Tammany	\$973	962	\$1.01	89%
Orleans - Algiers & East New Orleans	\$728	890	\$0.84	83%
Overall	\$842	854	\$0.99	87%

GREATER NEW ORLEANS

APARTMENT CONSTRUCTION ACTIVITY

The Spring of 2009 continues to see substantial ongoing apartment construction activity. This activity is dominated by the approximately 2000 units of “Mixed Income Housing” now under construction or recently completed. The balance of the activity is a limited amount of market rate apartments in high demand submarkets. The location of the 11 properties identified as under construction or recently completed are shown on the map on the opposite page.

Mixed Income Housing activity is listed on the bottom portion of *Chart 1* which follows. The 8 projects listed will add approximately 1,150 market rate and 700 affordable units to our inventory. The affordable units are part of the “Low Income Housing Tax Credit Program” (LIHTC) which targets families with income under 60% of area median income. With the anticipated ground breaking of “The Muses” in uptown, New Orleans may see the last significant Katrina related “Mixed Income Property.” The national issues surrounding the ability to finance LIHTC properties combined with limited federal grant monies to cover budget gaps are major obstacles to any new project.

Traditional construction of market rate projects are limited to the three properties listed on the top portion of *Chart 1*. Chenier (288 units) completed construction in Mandeville earlier this year leaving only 2 projects now under

construction. The first of these is 930 Poydras, a downtown high rise being developed by Brian Gibbs. The other is Chapel Creek, a 168 unit high end gated community located in Mandeville being developed by Isis Development Group. While a number of additional apartment properties are under consideration, a softening local apartment market and the ongoing “National Financial Crisis” will limit the number which ultimately break ground.

The conclusions reached in the Fall 2008 issue of this report are still valid. At that time we stated “as a result of both local and national market issues any new project faces serious obstacles.” Some new projects in under served submarkets are under consideration but on the whole little new activity is anticipated over the next 12 to 24 months. The absorption of a significant percentage of the new inventory is now taking place, but 2,000 units is a lot to absorb. Until this inventory is fully absorbed, a supply imbalance exists which will further dampen interest in new development.

By: J. Mark Madderra

“ The national issues surrounding the ability to finance LIHTC properties combined with limited federal grant monies to cover budget gaps are major obstacles to any new project. ”

CHART 1: NEW CONSTRUCTION OF MARKET RATE & MIXED INCOME PROPERTIES

	Project Name	Developer	Units	Location	Completion
●	Chapel Creek	Isis Development	168	Mandeville (St. Tammany)	2010
●	930 Poydras	Brian Gibbs	250	Central Business District	2010
●	Chenier Apartments	The Park Companies	288	Mandeville (St. Tammany)	Now Leasing
	Market Rates	3 Projects	706 units		
■	Walnut Square Apts.	Preservation Housing II	209	East New Orleans	Now Leasing
■	The Preserve	The Domain Companies	183	N.O. Historic Center	Now Leasing
■	The Crescent Club	The Domain Companies	228	N.O. Historic Center	Now Leasing
■	200 Carondelet	Reliance/Carondelet Assoc. 1	190	Central Business District	Now Leasing
■	Rivergardens CSII	Historic Restoration, Inc.	310	N.O. Historic Center	Now Leasing
■	The Marquis	Provident Realty Advisors	250	N.O. Historic Center	Now Leasing
■	Lakeside Apts.	Provident Realty Advisors	250	N.O. Historic Center	Now Leasing
■	The Muses	The Muses, LP	230	Slidell (St. Tammany)	2010
	Mixed Income	8 Projects	1,850 units* (1,150)		
	TOTAL	11 Projects	2,556 units* (1,856)		

*Market Rate units are estimated at 60% of all mixed income units or 1,150 units. The number shown in parenthesis is market rate units only.



GREATER NEW ORLEANS SALES SUMMARY

The continued tightening of the global credit markets, along with a limited supply of inventory, has caused the first slowdown in multi-family conveyances in perhaps the past 17-18 years.

Unlike other sectors in the commercial real estate market though, multi-family still has a vehicle for financing – primarily through Fannie Mae and Freddie Mac. Although the underwriting guidelines of these agencies have become increasingly more stringent, nevertheless a source of funds for new acquisitions and refinances still exist.

Since our Fall 2008 Report, investors and sellers are adjusting their expectations to reflect the new realities of both the debt and equity markets. As you would expect, some sellers have opted to sit on the sidelines as they have the benefit of 5-6% interest rates on their loans. Investors are now accepting the fact that they need to raise larger amounts of equity and assure their partners of higher returns than what they historically had to pay.

Since our Fall 2008 Report, there have been two multi-family transfers, both on the Westbank. One of the transactions was a heavily damaged “Katrina” asset that will require a “gut” rehab as the property is currently uninhabitable. Heavily damaged assets are becoming the exception rather than the norm and we do not anticipate many additional sales requiring major renovations, as most have been completed or demolished.

A recent sale that is worth noting is the Belmont Village Apartments which is a renovated 204 unit community in Gretna. The

acquisition was financed with tax-exempt bonds that were credit enhanced by Freddie Mac, the equity was raised through the sale of 4% tax credits.

We anticipate modest sales activity for the remainder of 2009; with an increase in the velocity of transfers beginning in the first quarter of 2010. It is anticipated that the credit markets will loosen at this time and the gap between sellers expectations and investors criteria will narrow to a level whereby we should see a steadier flow of multi-family sales activity.

The initial activity we will see will most likely be transfers of those assets that went through substantial renovations in the aftermath of Hurricanes Katrina and Rita.

The demand by investors for product here continues to be strong as Metro New Orleans has not endured the significant declines in occupancy that the larger southeastern markets have experienced. Additionally, our barriers to entry, mainly our lack of land is appealing to many investors as they feel the inventory supply will always be restrained.

The reality of our market as well as other markets in the country is that the conservative approach lenders are taking to financing will impact how acquisitions are consummated going forward. Expect the emphasis to be placed on historical operating data as opposed to pro-formas and future expectations.

By: Larry G. Schedler, CCIM

PROPERTIES SOLD

	Project Name	Location	Units	Date Sold	Price/Unit
●	Belmont Village Apartments	Gretna	204	April 2009	\$47,671
●	Higgins Gate Apartments	Algiers	276	March 2009	\$4,348

GREATER NEW ORLEANS APARTMENT INFORMATION BY SUBMARKET

The Greater New Orleans Apartment rental market continued to expand releasing a multitude of rental options into the market. Newly constructed and fully renovated apartment communities continued to make their debut into the metropolitan apartment market. Renters are the recipients of multiple apartment choices never seen in our market. In this section of the report we focus on sub-market activity. As in previous reports, the sub-market leading the area in average monthly rental rates continues to be **A**. The Historic Center; which had an average monthly rental rate of \$1,285 and average occupancy of 83%. This is a slight decline from our Fall 2008 report. Garden apartment communities located in other surveyed sub-markets reported reductions in rental rates and occupancy as well. **H**. St. Tammany Parish commanded the highest average garden apartment monthly rent of \$973 and an average occupancy rate of 89%. **F**. The Harahan and River Ridge apartment inventory surveyed an average monthly rental rate of \$889 and occupancy of 89%. The West Bank of Jefferson Parish or **D**. Gretna, Harvey, Terrytown reported an occupancy rate of 90% and an average monthly rent of \$798. **G**. The Kenner sub-market reported an average monthly rental rate of \$795 and occupancy of 83%. **B**. In Eastern New Orleans the average monthly rent reported fell to \$745 with 79% average occupancy.



E. Metairie rentals softened to reflect an average rental rate of \$736 and occupancy of 91%. **C**. The West Bank of Orleans Parish or Algiers reported an average monthly rental rate of \$711 and occupancy of 88%. Overall occupancy rates averaged 87%, a 5% decline from our Fall 2008 report of 92%, monthly rental rates averaged \$842, a \$21 decrease from our Fall 2008 total average of \$863.

By: Cheryl M. Short

AREA	Studio	1 Bedroom/ 1 Bath	2 Bedroom/ 1 Bath	2 Bedroom/ 2 Bath	3 Bedroom/ 2 Bath	Average Monthly Rent	Average Occupancy Rate
ORLEANS							
<i>A. Historic Center*</i>	\$868	\$1,150	\$1,181	\$1,632	\$1,865	\$1,285	83%
<i>B. East New Orleans</i>	---	\$642	\$808	\$764	\$1,045	\$745	79%
<i>C. Algiers</i>	\$485	\$674	\$770	\$788	\$950	\$711	88%
JEFFERSON							
<i>D. Gretna, Harvey, Terrytown</i>	\$584	\$707	\$778	\$885	\$1,034	\$798	90%
<i>E. Metairie</i>	\$497	\$675	\$827	\$901	\$1,121	\$736	91%
<i>F. Harahan, River Ridge</i>	\$547	\$772	\$960	\$1,071	\$995	\$889	89%
<i>G. Kenner</i>	\$550	\$701	\$865	\$953	---	\$795	83%
H. ST. TAMMANY	---	\$818	\$764	\$1,091	\$1,277	\$973	89%

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

CONTRIBUTORS:

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Real Estate Investment Bankers

Madderra & Cazalot offers full service mortgage banking throughout the Gulf South. Since its founding in 1992, the firm has originated more than \$2 billion of income-producing loans and equities. The firm has expanded its capabilities with offices in Dallas and Louisiana. The firm acts as a real estate advisor for Prudential Financial and as a correspondent for Wells Fargo, Greystone and other prominent national lenders. 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 has successfully handled the sale of over 29,000 units. The firm represents conventional, institutional and non-profit clients. Larry G. Schedler & Associates, Inc. | ph: 504.836.5222 | www.larryschedler.com



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