

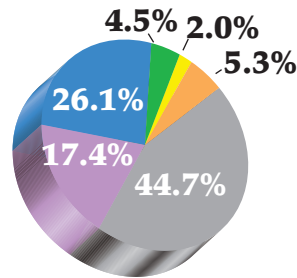
# Greater New Orleans Multi-Family Report

## Market At A Glance

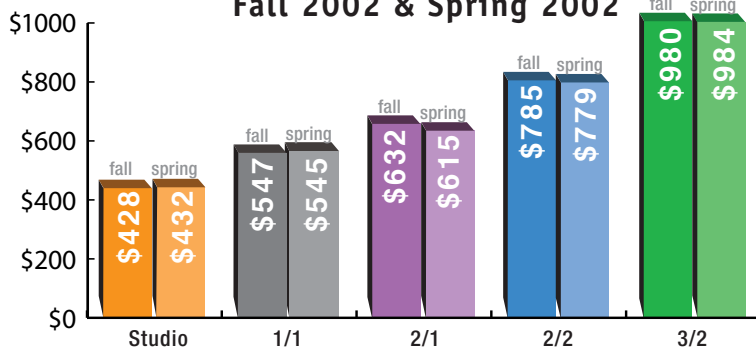
The 4th in a continuing series of New Orleans Apartment Market surveys was conducted for the period ending November 1, 2002. The survey includes 103 large properties in 8 submarkets. The survey focused on market rate properties which are well managed and maintained covering a wide age spectrum. These units were selected from a comprehensive multi-family data base of over 47,500 units maintained by Madderra & Cazalot and Larry G. Schedler & Associates, Inc.

## UNIT INVENTORY

Unit Type	No. of Units
Studio	2,347
1 Bed 1 Bath	19,644
2 Bed 1 Bath	7,649
2 Bed 2 Bath	11,471
3 Bed 2 Bath	1,983
Other	844



## AVERAGE RENTAL RATES BY UNIT TYPE Fall 2002 & Spring 2002



## OVERALL MARKET RENT & OCCUPANCY (Table 1)

Construction Type/Parish	Average Rent	Average Sq. Ft.	Rent/Sq. Ft.	Occupancy Rate
New Orleans Historic Center Orleans	\$966	899	\$1.07	89.7%
Garden Apartments Jefferson	\$602	833	\$0.72	95.1%
St. Tammany	\$673	951	\$0.71	95.4%
Orleans	\$526	823	\$0.64	93.3%
Overall	\$639	849	\$0.75	93.8%

## Survey Statistics

	Fall 2002	Spring 2002	Change
Number of Properties	103	105	-2
Total Units Surveyed	24,966	25,099	-133
Average Number of Units Per Property	242	239	+3
Average Year Built	1982	1983	--
Average Sq. Ft.	849	849	NC
Average Monthly Rent	\$639	\$635	+\$4
Rent/Sq. Ft.	.75	.75	NC
Average Occupancy Rate:	93.8%	93.2%	+0.6%

As the U.S. continues to show signs of weakening multifamily demand, New Orleans appears to have reached a balance of supply and demand. Over the past 12 months, New Orleans Area apartment rents have remained flat with a modest fluctuation in occupancy between 93% and 95%. Compared with the Spring 2002 survey, rents for the New Orleans area are unchanged. Average monthly rent of units surveyed is \$639 per unit and \$0.75 per square foot.

A sizable premium continues to be paid for prime apartments in the New Orleans Historic Center over other submarkets. In the Spring 2002 Survey rents in this market declined from \$1.15 PSF to \$1.07 PSF. Occupancy also dipped as a large inventory of new units was absorbed. At this time, rents appear to have stabilized as most of this inventory is now leased. Overall market occupancy is now at 89.7% and should continue to improve. No major projects are anticipated in this submarket for 2003.

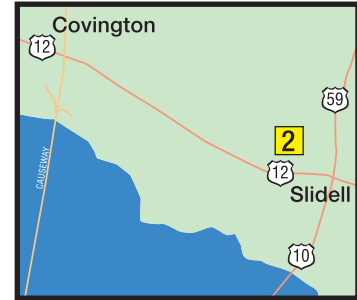
Garden apartment rental rates in Jefferson, St. Tammany and Orleans are stable at \$.75 PSF. Apartments of similar age in Jefferson and St. Tammany show similar average rents and rent PSF. Orleans garden apartments (Algiers and Eastern New Orleans) remain the areas most affordable apartments at an average rental rate of \$526 (\$.64 PSF).

Occupancy rates, which declined in our previous two surveys, increased modestly. Current occupancy is 93.8% which is an increase from 93.2% reported in the Spring 2002 survey. This is a result of the absorption of a significant portion of new inventory and slower than anticipated construction of new units. Orleans Parish reported occupancy rates are generally lower than in surrounding areas by approximately 2% at this time.

## UNIT MIX/RENT STATISTICS

Unit Type	% Mix	Average Sq. Ft.	Average Rent	Average Rent/SF
Studio	5.3%	452	\$428	\$0.95
1 Bed 1 Bath	44.7%	707	\$547	\$0.77
2 Bed 1 Bath	17.4%	924	\$632	\$0.68
2 Bed 2 Bath	26.1%	1030	\$785	\$0.76
3 Bed 2 Bath	4.5%	1380	\$980	\$0.71
Totals	100.0%	849	\$639	\$0.75

# Greater New Orleans Apartment Construction and Sales Summary



In a trend mirrored across the country, absorption of new apartment units in New Orleans is slow. Fortunately, less than 250 new units were added to the metro inventory over the last six months. Less than 250 additional units are projected over the next six month period. This is a dramatic reduction in the pace of new construction New Orleans saw during 2001 when approximately 2,000 units came on line in six new apartment properties.

Construction is currently underway at four sites in the metro area. This includes ongoing construction at Palmetto Creek (River Ridge) and the Belle Chasse Naval Air Station (Belle Chase) and ground breaking at Calypso Bay (Gretna) and Greenbriar Estates (Slidell). Unit availability is not anticipated at Calypso Bay and Greenbriar Estates until late 2003.

New Projects are under consideration in St. Tammany including a major Lakefront development in Slidell by Gross Investments and the second phase of Emerald Forest in Covington. As no project is currently in lease-up and only one project is under construction (Greenbriar Estates), the St. Tammany market is stable with occupancy reported at 95.4%

By: J. Mark Madderra

No.	Project Name	Location	Units	Developer
<b>Properties Under Construction</b>				
1	Calypso Bay	Gretna	289	Shadowlake
2	Greenbriar Estates	Slidell	144	Sizeler Property Investors
3	Palmetto Creek	River Ridge	216	Favrot & Shane
4	Belle Chase Naval Air Station <sup>a</sup>	Belle Chase	519	Patrician
<b>Properties Completed in 2002 Year-To-Date</b>				
5	Pelican Bay	Kenner	72	Favrot & Shane
6	Saulet Apartments	New Orleans	703	Greystar
7	The Lakes of Chateau Estates N.	Kenner	246	Favrot & Shane

<sup>a</sup> Military Housing

Since the last report (Spring, 2002), Multifamily sales in Metro New Orleans showed continued strengthening, and further acceptance by national buyers. Although the number of sales in the metro area were modest over the past six months, the three (3) transactions that sold demonstrate a varied perspective on our market (change of use, rehabilitation and current income/cash flow). Two additional Metro Area closings are scheduled for early 2003.

Magazine Place, located in the warehouse district (Historic Center) has 57 units and was converted from industrial to loft-style apartments in 1987 by RCB Developers. The property recently sold for \$4,560,000 (\$80,000/unit) to a local entrepreneur who has put a condominium regime in place and is selling the units individually.

Pirogue Cove Apartments, a 300 unit garden apartment community built in the early 1980's, is located in Eastern New

## Properties Sold

No.	Project Name	Location	Units	Date Sold	Price/Unit
A	Magazine Place	Historic Center	57	06/2002	\$80,000
B	Pirogue Cove	New Orleans East	300	06/2002	\$24,000
C	St. Germaine	Harvey	552	07/2002	\$38,949

Orleans and required a complete exterior renovation as well as some interior upgrades. The property, owned by Lehman Brothers, sold to an out-of-state investor for \$7,200,000 (\$24,000/unit).

St. Germaine Apartments, located in Harvey, underwent a complete rehabilitation by the owners, Archon Residential. The property was renamed after combining the Feliciana and Alouette Apartments. The rehab included new hardi-plank siding, roofs, and interiors. The property was marketed for \$21,800,000 (\$39,493/unit), and sold for \$21,500,000 (\$38,949/unit) to an out-of-state investor.

Increasingly, the Metro apartment market is being evaluated from a regional perspective. Investors are interested in the I-10 corridor from Lake Charles to Mobile, Alabama. Properties requiring major rehab in Metro New Orleans remain scarce, and demand overall continues to outpace supply.

By: Larry G. Schedler, CCIM

## Selected Regional Multi-Family Sales (Lafayette & Mobile)

Project Name	Location	Units	Date Sold	Price/Unit
Gloucester Manor	Lafayette, LA	105	2/2002	\$28,571
Glen Valley	Mobile, AL	150	10/2002	\$19,167
Georgetown	Mobile, AL	150	10/2002	\$15,667
Garden Lane	Mobile, AL	96	10/2002	\$14,844
Colonial Grand at Iverness	Mobile, AL	312	6/2000	\$54,487

# Rents by Unit Type, Age & Property Class

**Key:**

New Orleans Historic Center



Orleans



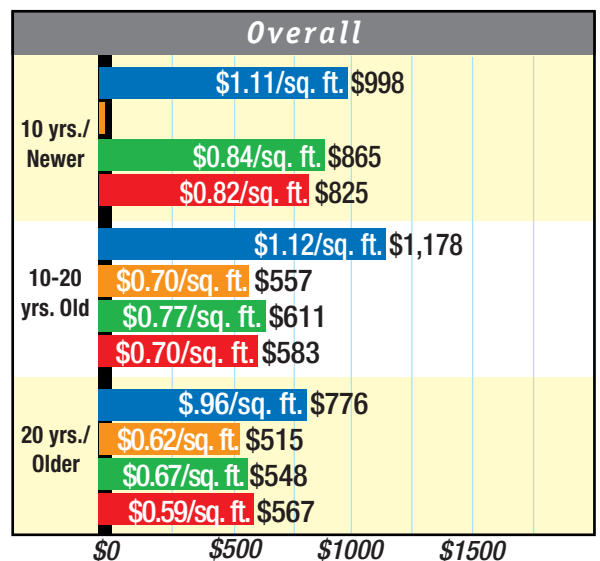
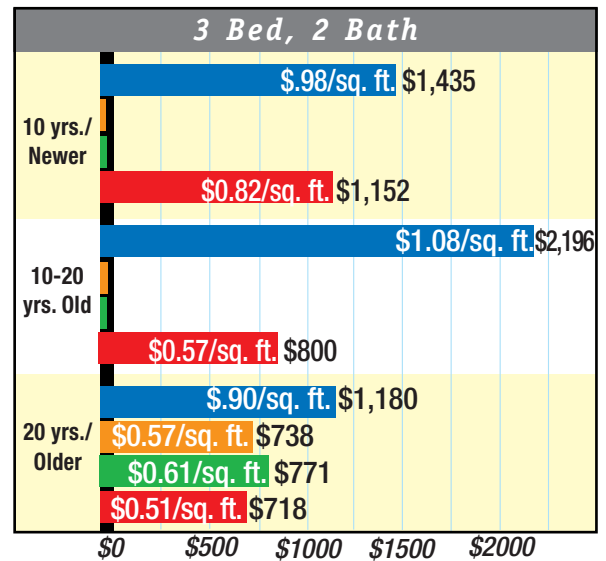
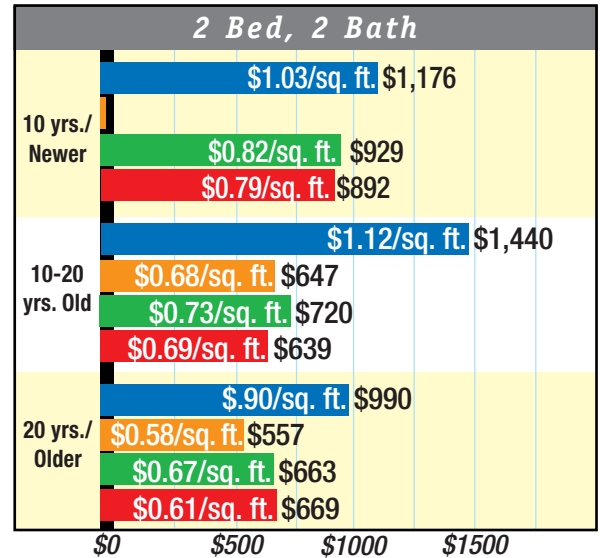
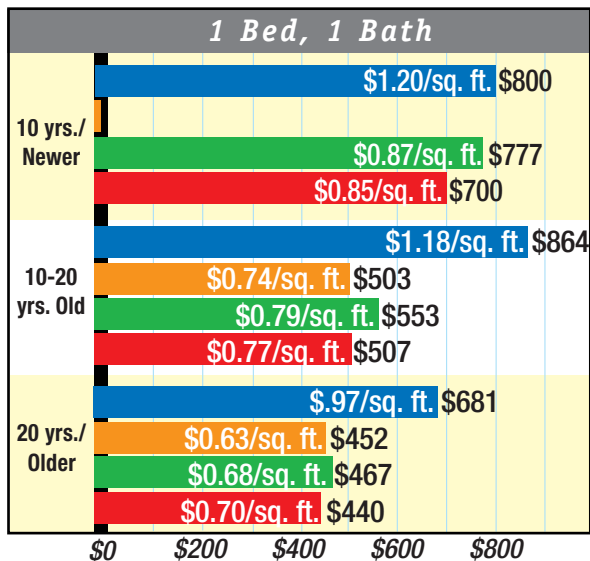
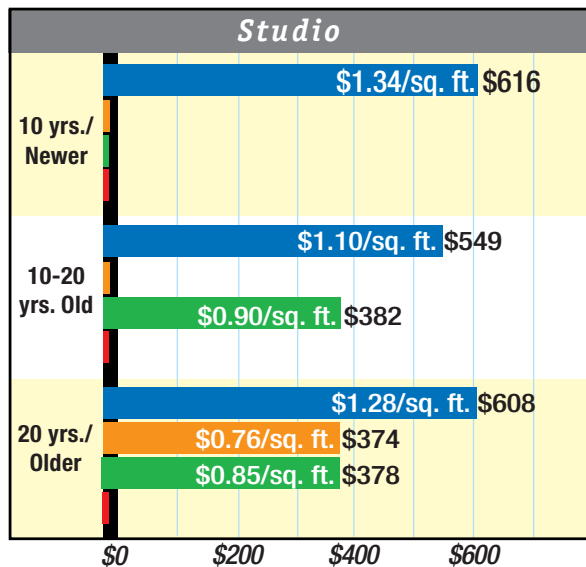
Jefferson



St. Tammany

Apartment rents vary dramatically based upon the age and location of the property. Newer properties (10 yrs./Newer) command rents which are significantly 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 \$777 (\$0.87/sq.ft.). A well maintained 1 bedroom unit in Jefferson over 20 yrs old averages \$467 (\$0.68/sq.ft.). This represents a 60% premium (\$310 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, shown separately on the tables from other Orleans Parish properties, represent a distinct though relatively small market.



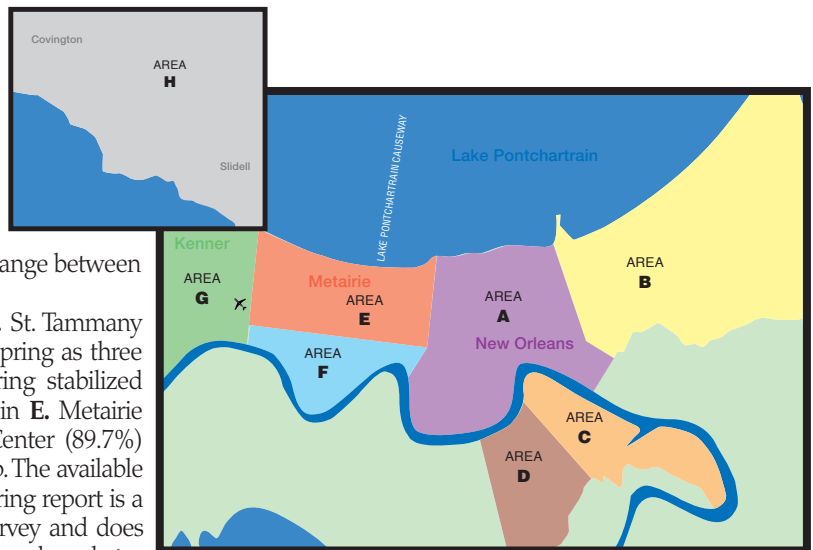
# Apartment Information by Submarket

AREA	0/1	1/1	2/1	2/2	3/2	Average Monthly Rent	Occupancy Rate
<b>ORLEANS</b>							
A. Historic Center*	\$605	\$787	\$919	\$1,161	\$1,504	\$966	89.7%
B. Eastern New Orleans	---	\$468	\$633	\$579	\$733	\$542	94.8%
C. Algiers	\$374	\$465	\$570	\$585	\$700	\$507	91.7%
<b>JEFFERSON</b>							
D. Gretna, Harvey, Terrytown	\$394	\$510	\$551	\$681	\$767	\$574	94.6%
E. Metairie	\$377	\$496	\$644	\$649	\$779	\$549	96.6%
F. Harahan, River Ridge	\$435	\$579	\$779	\$782	---	\$677	95.2%
G. Kenner	\$379	\$518	\$621	\$770	---	\$609	93.2%
H. ST. TAMMANY	---	\$585	\$498	\$772	\$876	\$673	95.4%

\*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 (\$677) and H. St. Tammany (\$673). 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 \$609 month in G. Kenner and \$507 month in C. Algiers.

Reported occupancy rates in A. Historic Center and H. St. Tammany improved significantly over the numbers reported in the Spring as three new apartment communities in those markets are nearing stabilized occupancy levels. The highest occupancy rates are found in E. Metairie (96.6%). The lowest occupancy rates are in A. Historic Center (89.7%) which still has a significant inventory of new units to absorb. The available drop in the C. Algiers (91.7%) occupancy rate since the Spring report is a result of two large older properties being added to the survey and does not reflect any significant change in market conditions in this submarket.



## Contributors:

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Madderra & Cazalot, Inc. offers full service mortgage banking throughout the Gulf South. Since its founding in 1992, the firm has originated more than \$1 billion of income-producing loans and equities. The firm has expanded its capabilities with the opening of a new Dallas office operating under Madderra & Cazalot. The firm acts as a real estate advisor for Prudential Financial and Key Bank.

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Larry G. Schedler & Associates, Inc. specializes in multi-family brokerage and advisory services throughout the Gulf South. The firm over the past twenty years, has successfully handled the sale of over 20,000 units. The firm represents conventional, institutional, and non-profit clients.

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The MultiFamily Advisory Group, LLC provides consulting services exclusively to the apartment industry. The principals of the firm have in excess of 20 years experience in apartment operations. 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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