Number 15 Spring 2010

GREATER NEW ORLEANS MULTI-FAMILY REPORT

Market at a Glance

This marks the fifteenth issue of the Greater New Orleans Multi-Family Report. The Metropolitan New Orleans Apartment market survey was conducted for the period ending March, 2010. The survey includes rental and occupancy data from 126 properties, comprised of 30,323 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.

Average Rental Rates by Unit Types

	Studio	1/1	2/1	2/2	3/2
Spring 2010	$583	$788	$819	$990	$1,144

Unit Inventory Surveyed

Unit Type	No. of Units	% of Units
Studio	1,884	6%
1 Bed 1 Bath	14,243	47%
2 Bed 1 Bath	3,857	13%
2 Bed 2 Bath	8,825	29%
3 Bed 2 Bath	1,514	5%
Total	30,323	100%

Unit Mix/Rent Statistics

Unit Type	% Mix	Average Sq. Ft.	Average Rent	Average Rent/SF
Studio	6%	434	$583	$1.34
1 Bed 1 Bath	47%	713	$752	$1.05
2 Bed 1 Bath	13%	953	$819	$0.86
2 Bed 2 Bath	29%	1,047	$990	$0.95
3 Bed 2 Bath	5%	1,328	$1,144	$0.86
Total	100%	857	$842	$0.98

Survey Trends

A quick glance of this issue of our Spring 2010 report would seem to indicate that the past six (6) months have been relatively stable with regards to area rental rates and occupancy. However, a more detailed analysis of the various sub-markets is clearly warranted to fully understand how the metro New Orleans Apartment Market is evolving in the backdrop of unprecedented amounts of new construction and a stagnant job market.

Perhaps the brightest spot in the market are the trends that we are seeing in the Historic Center. Despite the introduction of several new developments to the market – occupancy has risen from 87% in our Fall 2009 report to 91%. Additionally rental rates have remained stable and even risen on some floor plans. The Historic Center includes the CBD, Uptown and the Tulane Avenue Corridor. This sub-market has seen market rate developments as well as the majority of tax credit properties.

The gains, however, in the Historic Center have possibly come at the expense of other sub-markets (with the exception of St. Tammany) as residents are migrating to the newer tax credit and mixed income properties. In particular it appears East New Orleans and Algiers have been affected the most by the concentration of affordable housing in the CBD and Central City.

Currently there are eight (8) properties under construction, representing 1,264 units, 75%of these developments are market rate with the remaining 25% being mixed income affordable tax credit communities.

Market rental rates have shown only modest decline; however, concession programs have become commonplace, particularly in the suburban markets. Most properties report temporary concessions on select floor plans. Although hard to gauge, it appears they have brought effective rents down 8-12% from the quoted market rates.

We anticipate increased sales activity in 2010 as lenders are becoming more aggressive in taking back defaulted assets.

By: Larry G. Schedler, CCIM

Overall Market Rent & Occupancy

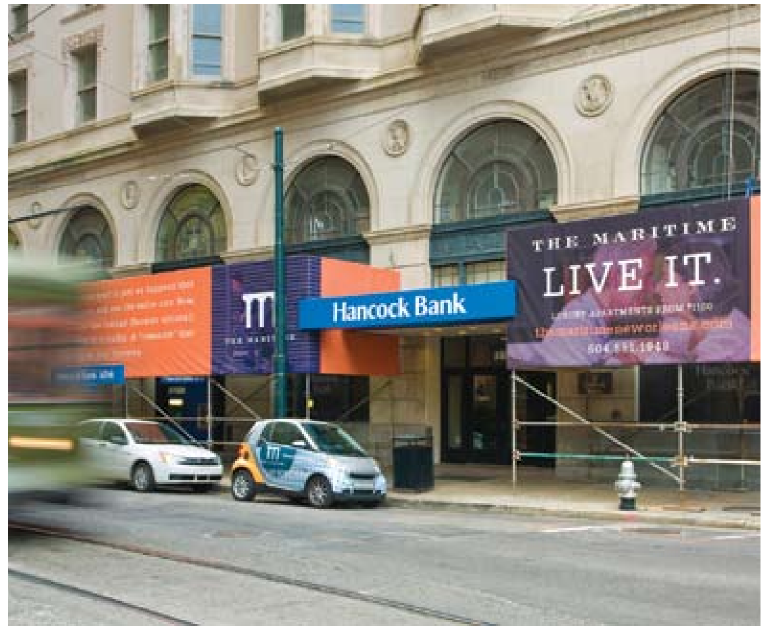
Location *Parish*	Average Rent	Average Sq. Ft.	Rent/ Sq. Ft.	Occupancy Rate
New Orleans Historic Center	$1,260	839	$1.50	91%
Garden Apartments *Jefferson*	$748	807	$0.93	90%
St. Tammany	$968	978	$0.99	91%
Orleans - Algiers *& East NewOrleans*	$719	885	$0.81	80%
Overall	$842	857	$0.98	88%

GREATER NEW ORLEANS

Apartment Construction Activity

As New Orleans moves into Spring, 2010, a significant number (1,264 units) of market rate and mixed income apartment properties are under construction. Reversing a decade old trend of apartment construction being focused in the suburbs, new construction is now focused on the Historic Center of New Orleans. This new trend began with the development of the Warehouse District and is now expanding into the CBD, Uptown and the Tulane Corridor.

Five midrise or high rise properties are now under construction or initial lease up in the Historic Center. Three of these properties are located in the CBD. The largest CBD property is 930 Poydras (250 units) developed by Brian Gibbs which is now leasing. Saratoga Lofts (153 units) and The Maritime (112 units) are under development by Wisznia Associates and are both conversions of old CBD office towers. The Maritime should have units available later this year and Saratoga is scheduled for occupancy in 2011. National Rice Mill Lofts (67 units), is being developed by Sean Cummings and TJ Iarocci. This property is a former 100 year old warehouse located on the river front, next to the New Orleans Center for Creative Arts. The Muses (230 units) is a large mixed income property located uptown on the site originally cleared for an Albertson's Grocery. These five properties will bring an additional 812 units to the New Orleans Historic Center.



The Maritime; marketing to the growing number of urban renters.

Western St. Tammany Parish is the only other submarket with market rate units under construction. Three properties are under development totaling 452 units. Chapel Creek (168 units) is completed and now leasing in Mandeville and Abita View (140 units) in Covington is set for ground breaking this Spring. Palmetto Greens (144 units) located in Covington is a mixed income property which is now leasing.

Based upon the success of these new properties, several other developments in the New Orleans CBD and St. Tammany will be in a position to move forward. However, financing will continue to be a major challenge for these properties. No significant new apartment developments are under consideration in Jefferson Parish, the Westbank or Eastern New Orleans.

By: J. Mark Madderra

Chart 1: New Construction of Market Rate & Mixed Income Properties

	Project Name	Developer	Units	Location	Completion
1	930 Poydras	Brian Gibbs	250	N.O. Historic Center	Now Leasing
2	The Maritime	Wisznia Associates	112	N.O. Historic Center	Fall 2010
3	Saratoga Lofts	Wisznia Associates	153	N.O. Historic Center	Spring 2011
4	National Rice Mill Lofts	Sean Cummings and TJ Iarocci	67	N.O. Historic Center	Spring 2011
5	The Muses*	The Muses, LP	230	N.O. Historic Center	Summer 2010
6	Chapel Creek	Isis Development	168	Mandeville (St. Tammany)	Now Leasing
7	Abita View	Bill Ball	140	Covington (St. Tammany)	Spring 2010
8	Palmetto Greens*	Provident Realty Advisors	144	Covington (St. Tammany)	Now Leasing
	TOTAL	8 Projects	1,264 units		

*Mixed income property which includes affordable tax credit units.

GREATER NEW ORLEANS
SALES SUMMARY

Since Hurricane Katrina, 10,000 multi-family units have been sold, almost 25% of the total market. The peak of sales activity was in 2006-2007 (5,660 units sold/51% of the total) with respectable volume (over 1,000 units) transferred in 2008. With inventory being put in the hands of new ownership, and the deterioration of the capital markets, sales volume declined significantly in 2009.

Acquisition markets heat up and cool down in every cycle and 2010 appears to be heating up rather significantly. Immediately after the first of the year, we have been inundated with requests for broker price opinions by lenders and special servicers as they prepare to market their foreclosed assets.

Up until now, it has been hard for many sellers to accept the new realities of the marketplace. However, with lenders offering lower loan to values and increased equity yields being demanded by investors, capitalization rates have risen therefore lowering values. Acquisition and lending decisions are being based on actual revenue as opposed to projected revenue.

Demand remains strong with local, regional and national investors searching for acquisition prospects in our Metro as well as throughout the Gulf South.

As we discussed in our Fall, 2009 report, "Cash is King." Those wishing to acquire multi-family assets need to be prepared to bring 30-35% equity to a transaction as the new underwriting requirements of Fannie Mae and Freddie Mac have been tightened.

One sale worth noting is the La Maison Whitney Apartments in Gretna. This sale represented a transition of a former LIHTC property to a market rate development.

We anticipate increased sales activity in 2010 with the majority of conveyances in the latter part of the year. 2011 should be extremely robust as we anticipate improving market conditions and seller motivation due to approaching mortgage maturities.

By: Larry G. Schedler, CCIM

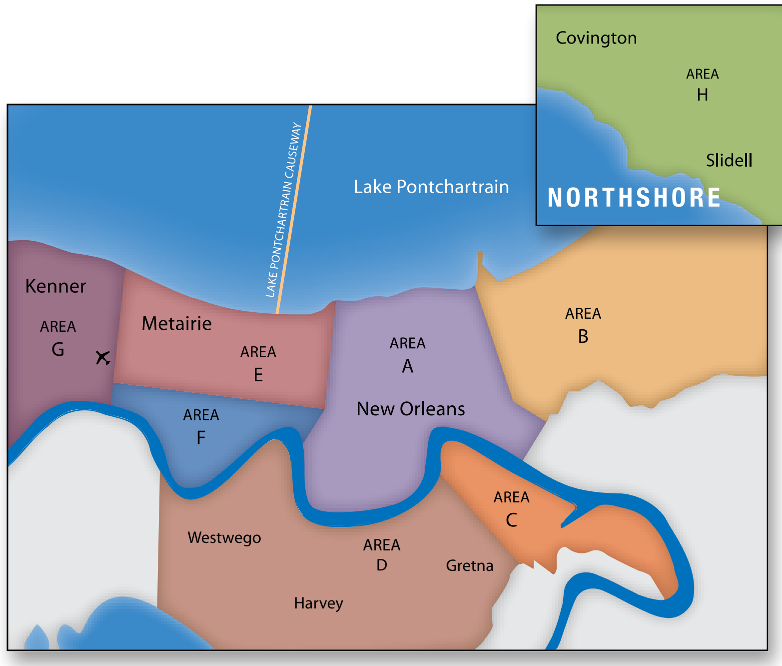
PROPERTIES SOLD

	Project Name	Location	Units	Date Sold	Price/Unit
●	La Maison Whitney Apartments	Gretna	201	Dec. 2009	$16,169

GREATER NEW ORLEANS

Apartment Information by Submarket

The Greater New Orleans Apartment rental and occupancy statistics by submarket tell the story of our ever changing and growing apartment market. The steady release of new market rate and mixed income rentals have had an effect on every submarket. Prospective, as well as, existing residents are the beneficiaries of rental concessions and incentives. This trend will likely continue due to the development of more apartments downtown and in St. Tammany.



Once again, **A.** The Historic Center commanded the highest average monthly rent ($1,260) an increase of ($38) per month from our Fall 2009 report and posted an occupancy average of (91 %) up (4%) from the same report. H. St. Tammany Parish reported gains in monthly rental rates and occupancy with an overall average monthly rent of ($968) an increase of ($9) and an average occupancy rate of (91%) up (2%) from our Fall 2009 report. **F.** The Harahan and River Ridge inventory surveyed an average monthly rental rate of ($909) which is a decrease from last report of ($4) and occupancy of (87%) a decrease of (3%) **G.** The Kenner sub- market reported an increased average monthly rental rate of ($819) which is ($9) higher than the previous report and occupancy of (78%) which is (6%) lower than the previous survey. The West Bank of Jefferson Parish or **D.** Gretna, Harvey, Terrytown posted a gain in the average occupancy rate to (92%) up (2%) from our previous report and an average monthly rent of ($780) which is a ($6) decrease from the previous survey. **E.** Metairie reflects the same trend in decrease of the average monthly rental rate ($730) down ($9) from the last report and an increase in occupancy of (4%) to (92%) for the Spring 2010 report. **B.** Eastern New Orleans saw an increase of ($13) in the average monthly rent from our Fall 2009 report to ($717), with an (80%) average occupancy which is (1%) lower. **C.** Algiers reported the lowest average monthly rental rate of ($686) a ($17) reduction and occupancy of (79%), a decrease of (2%) from our last report. Overall occupancy rates averaged 88%, representing a 1% gain from our Fall report with the average monthly rental rate $842, an $8 increase from the previous average of $834.

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							
*A. Historic Center**	$864	$1,141	$1,100	$1,563	$1,761	$1,260	91%
B. East New Orleans	---	$612	$757	$733	$966	$717	80%
C. Algiers	$470	$640	$741	$763	$949	$686	79%
JEFFERSON							
D. Gretna, Harvey, Terrytown	$569	$702	$766	$852	$1,016	$780	92%
E. Metairie	$495	$671	$830	$898	$1,120	$730	92%
F. Harahan, River Ridge	$549	$789	$998	$1,086	$1,042	$909	87%
G. Kenner	$568	$718	$869	$989	---	$819	78%
H. ST. TAMMANY	---	$824	$876	$1,069	$1,217	$968	91%

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

Contributors: