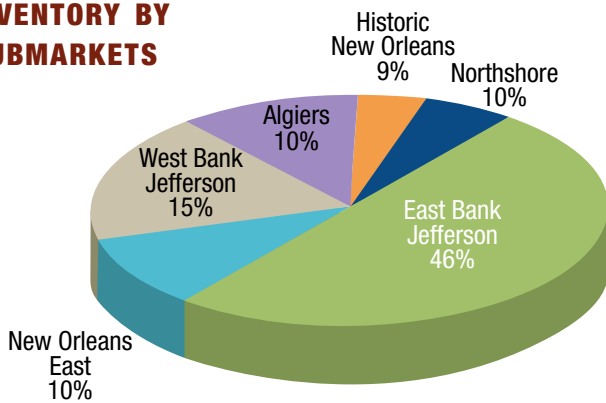


GREATER NEW ORLEANS MULTI-FAMILY REPORT

MARKET AT A GLANCE

This marks the fourteenth issue of the Greater New Orleans Multi-Family Report. The Metropolitan New Orleans Apartment market survey was conducted for the period ending September, 2009. The survey includes rental and occupancy data from 123 properties, comprised of 29,805 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	13,954	47%
2 Bed 1 Bath	3,984	13%
2 Bed 2 Bath	8,638	29%
3 Bed 2 Bath	1,369	5%
Total	29,805	100%

UNIT MIX/RENT STATISTICS

Unit Type	% Mix	Average Sq. Ft.	Average Rent	Average Rent/SF
Studio	6%	433	\$580	\$1.34
1 Bed 1 Bath	47%	712	\$744	\$1.05
2 Bed 1 Bath	13%	956	\$814	\$0.85
2 Bed 2 Bath	29%	1,045	\$991	\$0.95
3 Bed 2 Bath	5%	1,331	\$1,140	\$0.86
Total	100%	855	\$855	\$0.98

SURVEY TRENDS

As we anticipated in our Spring, 2009 report, rental rates and occupancy have remained stable with no big gains and only minimal decline. This is encouraging news in the backdrop of the unprecedented amount of new multi-family inventory that has recently been introduced into our market.

In examining the source of vacancies in our metro area, it appears that the most volatile segment of our inventory is larger floor plans which command higher rental rates. Throughout all asset classes, tenants are being conservative and properties with a disproportionate number of larger units seem to be experiencing higher vacancy rates.

Additionally, some older, vintage assets appear to have lost occupancy to several of the newer tax credit developments that have recently come on line.

Owners thus far have resisted the temptation to lower rents and have instead opted to reduce application fees and security deposits.

New construction continues with 5,000 units coming on line within the next 12 – 24 months, 75% of this inventory will be designated as affordable housing. A majority of this housing will be targeted to individuals and families making less than 50% of the area median income and who cannot afford market rate rents.

The scarcity of financing along with declines in rents and occupancy will undoubtedly limit the amount of new market rate developments with the exception of some targeted areas such as the Central Business District of New Orleans and St. Tammany Parish.

Multi-family sales will be moderate throughout the remainder of 2009 and should increase by the end of the first quarter of 2010 as lenders get more aggressive on defaulted loans.

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	\$1,222	841	\$1.45	87%
Garden Apartments Jefferson	\$806	832	\$0.97	88%
St. Tammany	\$959	969	\$0.99	89%
Orleans - Algiers & East New Orleans	\$703	870	\$0.81	81%
Overall	\$834	855	\$0.98	87%

GREATER NEW ORLEANS

APARTMENT CONSTRUCTION ACTIVITY

Construction activity in the greater New Orleans area continues to be dominated by infrastructure and housing related projects. New apartment construction falls into three categories (1) Market Rate Properties financed using FHA Programs, (2) Mixed Income Properties which are financed using Low Income Housing Tax Credits (“LIHTC”) and Community Development Block Grants (“CDBG”) awarded by the state and (3) Affordable housing using LIHTC’s. We are not aware of any significant housing related projects under construction which are using traditional “bank” financing at this time.

There are five Market Rate projects either under construction and leasing or anticipated to begin construction at this time (*Chart 1*). Two properties are located in Mandeville. Chenier (288 units) completed construction early this year and is in

the final stages of lease-up. Chapel Creek (168 units) is under construction with the first units anticipated for occupancy at the end of the year. The other three properties are all located in the New Orleans Central Business District (CBD-Historic Center). The 930 Poydras (250 units) is a new 22-story building which anticipates first occupancy in early 2010. The Maritime Building, which closed in September, (112 units) is often considered New Orleans first skyscraper. This historic renovation of an 1895 building is slotted for completion in late 2010. The Saratoga Lofts (153 units), also a historic renovation, is scheduled to close before the end of the year. In total these five projects add 971 to the apartment inventory. Several projects are currently under review by HUD for potential FHA financing. Two of these projects totaling approximately 250 units have been favorably received and anticipate closing in early 2010. Other projects under consideration will likely be deferred until the market has demonstrated an ability to absorb these approximately 1,200 units.

CHART 1: NEW CONSTRUCTION OF MARKET RATE PROPERTIES

	Project Name	Developer	Units	Location	Completion
●	Chenier Apartments	The Park Companies	288	Mandeville (St. Tammany)	Now Leasing
●	Chapel Creek	Isis Development	168	Mandeville (St. Tammany)	Early 2010
●	930 Poydras	Brian Gibbs	250	N.O. Historic Center (CBD)	Early 2010
●	Maritime Building	Wisznia Associates	112	N.O. Historic Center (CBD)	Late 2010
●	Saratoga Lofts	Wisznia Associates	153	N.O. Historic Center (CBD)	2011
	Market Rates	5 Projects	971 units		

Mixed Income Housing created through “GO Zone” initiatives are Louisiana’s first significant effort to avoid concentrations of poverty. There are seven projects which are now leasing and one under construction (*see Chart 2*). We estimate that over 70% of available mixed income units are already leased. Features such as high ceilings, large floor plans, strong amenity packages and ground floor garages with elevator access have generated a strong renter interest and rapid absorption of these units. Additional mixed income projects in Orleans and St. Bernard Parishes have received allocations of LIHTC’s and

CDBG funding but have been delayed due to neighborhood opposition. When all these properties are on line the total inventory of mixed income properties will be about 2,250 units. These properties will provide approximately 1,400 market rate and 850 LIHTC affordable units. While these properties appear to be a great success, few additional mixed income properties are likely to be built soon due to the difficulty in finding the necessary resources. The national picture for real estate financing and sale of Tax Credits (LIHTC’S) needs to improve along with new targeted federal allocations of CDBG “Gap” funds. (*continued*)

CHART 2: NEW CONSTRUCTION OF MIXED INCOME PROPERTIES

	Project Name	Developer	Units	Location	Completion
■	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	N.O. Historic Center (CBD)	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	Slidell (St. Tammany)	Now Leasing
■	The Muses	The Muses, LP	230	N.O. Historic Center	2010
■	Palmetto Greens	Provident Realty Advisors	144	Covington (St. Tammany)	2010
	Mixed Income	9 Projects	1,994 units*		

*Market Rate apartments are estimated at 60% of all mixed income units or 1,200 units.

APARTMENT CONSTRUCTION ACTIVITY (CONTINUED)

The third category of apartment construction deals with traditional affordable housing utilizing LIHTC's. This category is not dealt with in the other sections of this report and is not part of our survey data, but is notable due to the volume of both properties and units under construction.

We estimate that approximately 25 projects representing 3,600 LIHTC units are closed under construction in the Greater New Orleans Area. This includes 1,700 units which are part of the redevelopment of four (4) major Orleans Parish Housing

Projects; St. Bernard, BW Cooper, CJ Pete and Lafitte with combined budgets over \$500,000,000.

When considered as a whole the three (3) categories of new construction will add over 5,000 additional units to inventory over the next 12 to 24 months. Market Rate units will comprise about 25% of the total. Most of the new units (75%) will be affordable LITHC units. It is clear that virtually all renters will have more options in selecting a place to live than at any time since we began publishing this report eight (8) years ago.

By: J. Mark Madderra



GREATER NEW ORLEANS SALES SUMMARY

The slowdown in multi-family sales throughout the country has reached the Metro New Orleans market, this is the first respite the market has had in the past 18-19 years. We expect 2009 to end with 30-35% fewer transactions than what we have seen over the past three-four years.

Investors continue to express interest in the market; however, underwriting acquisitions has become more stringent as the realities of lower loan to values and higher debt coverage ratios have caused capitalization rates to rise.

Owners have opted to sit on the sidelines waiting for their occupancy levels to increase to a point where a sale is feasible.

Despite the perception that there are a plethora of foreclosed/lender owned apartment properties, the reality is that we have not seen this in the New Orleans metro.

Fannie Mae, Freddie Mac and HUD are virtually the only sources of financing for multi-family and as a result there is

still debt in the market place for acquisitions, unlike most commercial real estate sectors.

Those who desire to acquire multi-family assets in New Orleans or in other cities need to accept the new realities of the market place. "Cash is King", sellers want investors who have the ability to put 25-35% cash down and who easily qualify for debt. Institutional dollars are being "stockpiled" for apartment acquisitions, their initial targets will be newer class "A" properties. Older vintage rehabbed assets will be targeted by local and regional investors.

We anticipate moderate multi-family sales activity through the remainder of 2009. However, by the second quarter of 2010 we should see a strengthening as owners accept the new realities of the market and as the underlying financing matures. This could be the calm before the storm.

By: Larry G. Schedler, CCIM

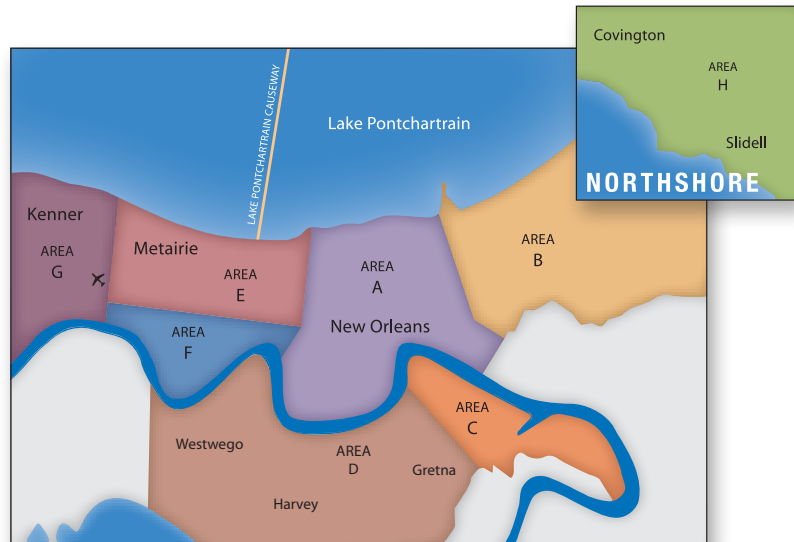
GREATER NEW ORLEANS

APARTMENT INFORMATION BY SUBMARKET

The Greater New Orleans Apartment rental and occupancy statistics are reflective of current economic conditions, demographic shifts and exciting apartment rental options new to our market. Numerous communities across the metropolitan apartment market are offering move in incentives and concessions to entice new renters to their communities.

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 (\$1,222) and occupancy average of (87%). The Historic Center's average rental rate is (\$63) lower than our Spring report however occupancy is up 4% which represents the largest gain of all sub-markets. Garden apartment communities located in other surveyed sub-markets reported fluctuations in rental rates and occupancy as well.

H. St. Tammany Parish commanded the highest average garden apartment monthly rent of (\$959) a reduction of (\$14) and an average occupancy rate of (89%) **F**. The Harahan and River Ridge garden apartment inventory surveyed an average monthly rental rate of (\$913) which is an increase from last report of (\$24) and occupancy of (90%). **G**. The Kenner sub-market also reported an increased average monthly rental rate of (\$810) which is (\$15) higher than the previous report and occupancy of (84%). The West Bank of Jefferson Parish or **D**. Gretna, Harvey, Terrytown held steady at an occupancy rate of (90%) and an average



monthly rent of (\$786) which is a (\$12) decrease from the previous survey. **E**. Metairie surveyed to reflect a modest increase to an average rental rate of (\$739) and with a decrease of (3%) occupancy to (88%).

B. In Eastern New Orleans the average monthly rent reported fell to (\$704), a (\$43) reduction from our last report, however occupancy rose (2%) to (81%) average occupancy. **C**. The West Bank of Orleans Parish or Algiers reported the lowest average monthly rental rate of (\$703) and occupancy of (81%), a significant decrease of (7%) from our last report. Overall occupancy rates averaged 87%, the same as our Spring 2009 report and monthly rental rates averaged \$834, an \$8 decrease from the previous average of \$842.

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*	\$860	\$1,090	\$1,104	\$1,539	\$1,768	\$1,222	87%
B. East New Orleans	---	\$616	\$762	\$740	\$931	\$704	81%
C. Algiers	\$466	\$669	\$767	\$775	\$944	\$703	81%
JEFFERSON							
D. Gretna, Harvey, Terrytown	\$574	\$699	\$765	\$868	\$1,036	\$786	90%
E. Metairie	\$493	\$677	\$827	\$912	\$1,118	\$739	88%
F. Harahan, River Ridge	\$549	\$786	\$998	\$1,104	\$1,078	\$913	90%
G. Kenner	\$565	\$713	\$869	\$973	---	\$810	84%
H. ST. TAMMANY	---	\$816	\$831	\$1,063	\$1,218	\$959	89%

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

CONTRIBUTORS:



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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