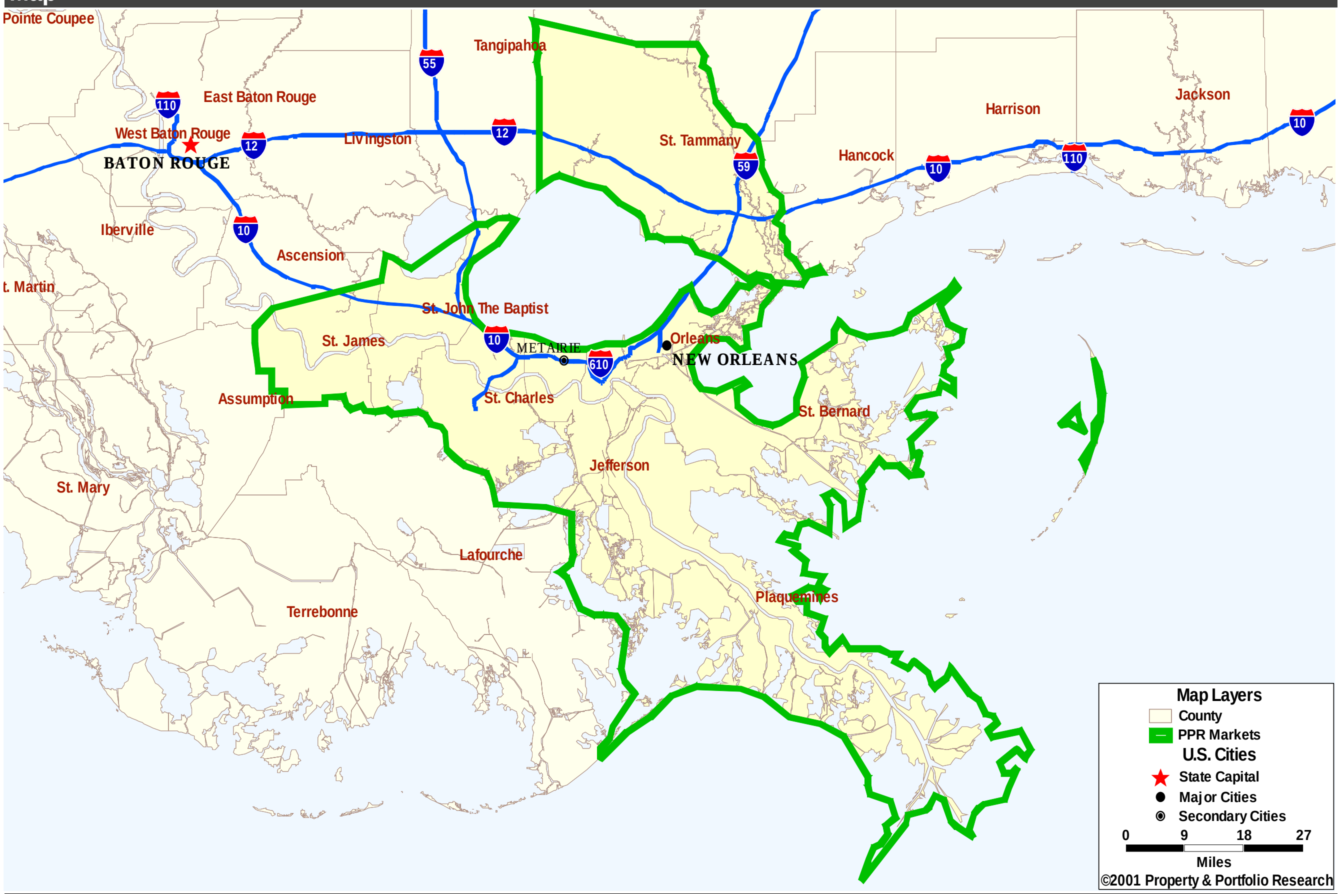
NEW ORLEANS

Overview

Map



Summary of Last Twelve Months vs. Historical Minimum, Maximum, and Average

	Current Vacancy*		Net New Supply (000SF)**		Net Absorption (000SF)**	
Apartment	⇧ 9.0%		⇩ 602		⇩ -610	
	6.0%	13.1%	-421	3,336	-751	2,125
	99:4	87:4	93:1	84:3	87:4	84:3
Office	⇔ 18.4%		⇔ 246		⇩ -80	
	8.7%	29.6%	-241	3,789	-575	1,721
	82:1	88:1	94:4	83:1	86:4	82:1
Retail	⇧ 17.6%		⇩ 830		⇧ 151	
	10.3%	26.6%	285	2,429	-346	3,046
	82:1	92:1	95:2	86:3	01:4	94:1
Warehouse	⇧ 10.5%		⇩ 83		⇩ -452	
	5.6%	16.8%	83	1,400	-907	1,636
	83:2	86:4	02:3	89:3	84:3	89:2
Hotel	⇩ 61.3%		⇔ 1,142		⇩ -809	
	73.4%	61.2%	-98	3,258	-821	1,250
	95:1	88:1	93:1	84:4	02:2	89:1

*Occupancy for Hotels

**Apartment and Hotel data are in units.

NEW ORLEANS

Analysis/Economy

Notable Economic and Real Estate Market Events

- **ECON –** The job base contracted 0.9% during the 12 months ending in September. **The retail trade sector is the only part of the economy in which jobs are still being added.** Mother Nature delivered New Orleans a double whammy this fall. **Tropical Storm Isidore** left a trail of some **$70 million in insured losses statewide,** and following in tandem just a week later was **Hurricane Lili,** which left behind an additional **$170 million in statewide insured losses.** While the direct damage from both storms was much less than initially feared, the indirect impact was still troubling. **Temporary fallout affected two of the city's core industries: tourism** (trip cancellations, falling hotel occupancies, and closed casinos) **and energy** (suspension of offshore oil production in the Gulf).
- **APT** – In 2001, New Orleans welcomed the most significant burst of new apartment construction since the mid-1980s. Approximately half of the construction in the past two years has consisted of **new luxury units in the central core.** At the same time, **demand has faltered,** sending the **vacancy rate up in 2002.** Surprisingly, **permitting activity continues to be strong in 2002,** with more than 700 permits already approved in complexes of 5+ units in the first nine months of 2002 (about the same number of units approved in the entire 2001 calendar year). Many projects will likely remain stuck on the drawing board as **fundamentals are anticipated to remain weak** over the near term. **The Westbank is receiving its first significant construction in several years.** In Gretna, Shadowlake Management is moving forward with its Calypso Bay complex. The 289-unit first phase is slated to break ground this year.
- **OFF** – New Orleans' already high vacancies hit a cyclical nadir in late 2000 and have since drifted gradually upward. **Weakening fundamentals** were hardly the result of runaway construction. In fact, **supply deliveries have been marginal.** The culprit has been **persistently lackluster demand** for the past two years. As a result of poor job growth (especially office-using jobs), **leasing activity in the metro has been slow.** Downsizing and consolidation of regional offices, primarily in the oil industry, have added an **abundance of sublease space** to the market. Only **about 200,000 SF are expected to complete in 2002,** with half of this construction accounted for by the 100,000 SF Space and Naval Warfare Command Center Building IV at the University of New Orleans Research and Tech Park.
- **RET** – As domestic leisure travel recovers, **retail sales are expected to pick up** over the next few quarters, helping the market to stabilize. Meanwhile, **grocers continue to battle for market share.** With 30 stores and 40% of the local market, **Winn-Dixie is the area's dominant grocer,** but Albertson's and A&P's Sav-A-Center have both been expanding in the metro with new stores. Meanwhile, Whole Foods Market is underway with its second store at 5600 Magazine Street. **Competition in the grocery market is further intensified by Wal-Mart,** which has introduced a full line of grocery products via its "Supercenter" format stores and has already zoomed up to fourth in the metro in terms of market share. A 220,000 SF Supercenter is underway in Marrero and two others are in planning (one in Chalmette and another in Slidell).
- **WHS** – Though new construction was muted and limited to **small build-to-suit projects** over the past two years, the market's negative net absorption shoved **vacancy rates above 10%** by early 2002. The initial collapse in warehouse demand in 2001 was triggered by a draw down of coffee beans from existing supplies. Other factors exacerbating the demand situation last year included declining port traffic and retail sales, and 2001 ultimately proved to be the market's meekest demand year since the 1980s. The Port of New Orleans is the hub of the metro's industrial activity. The French bank **BNP Paribas is exploring plans for a $600 million container cargo terminal** on a site south of Myrtle Grove that would be linked with the Port of New Orleans.
- **HOT – The outlook for New Orleans' hotel market is bleak, as the market was en route to overbuilding even before the steep decline in tourism.** More than 1,300 rooms are expected to be added in 2002 amid declining demand. **Most development is occurring in and around the French Quarter,** including the 514-room Astor Crowne Plaza, which completed early this year.

Demographic Trends

	2002*		Annual Growth Rates					
			1982-1991		1992-2001		2002-2007	
Category	**Market**	**U.S.**	**Market**	**U.S.**	**Market**	**U.S.**	**Market**	**U.S.**
Population	1,329	288,644	-0.3%	1.0%	0.2%	1.2%	0.1%	0.9%
Households	503	107,955	0.2%	1.3%	0.5%	1.3%	0.3%	1.1%
Median Household Income	$37,561	$45,586	3.9%	4.4%	3.1%	3.9%	3.6%	3.3%
Apartment-Renting Households	209	36,362	1.2%	1.7%	-0.4%	0.5%	0.9%	1.3%
Real Retail Sales Per Capita	$4,548	$4,520	0.3%	1.4%	1.6%	1.8%	1.8%	1.2%

Employment Trends

	2002*		Annual Growth Rates					
		Location	1982-1991		1992-2001		2002-2007	
SIC Category	**Employment**	**Quotient**	**Market**	**U.S.**	**Market**	**U.S.**	**Market**	**U.S.**
Total Services	207	1.1	1.9%	4.3%	2.7%	3.7%	2.1%	2.6%
Business Services	41	0.9	1.7%	6.6%	3.4%	6.1%	2.6%	3.2%
Other Services	167	1.1	1.9%	3.8%	2.6%	3.0%	1.9%	2.4%
Retail Trade	122	1.1	0.7%	2.5%	1.4%	2.0%	1.4%	1.4%
Government	104	1.0	0.6%	1.6%	0.8%	1.3%	-0.3%	0.7%
Manufacturing	44	0.6	-2.6%	-0.6%	-1.0%	-0.6%	-0.5%	-0.4%
F.I.R.E.	31	0.8	-0.3%	2.2%	0.2%	1.6%	0.5%	0.9%
Wholesale Trade	34	1.1	-2.1%	1.3%	0.5%	1.0%	1.0%	1.0%
Trans., Comm., Util.	40	1.2	-3.0%	1.1%	-1.0%	1.9%	0.4%	0.6%
Construction	29	0.9	-5.8%	1.4%	2.4%	3.9%	-1.0%	0.5%
Mining	12	4.4	-2.0%	-6.0%	-4.8%	-1.6%	-1.0%	-0.7%
Total Employment	622	1.0	-0.4%	1.9%	1.1%	1.9%	0.9%	1.3%
Office-Using Employment	133	0.9	0.8%	3.0%	0.2%	2.9%	1.1%	1.9%
Trucking/Warehouse Employment	41	1.0	-2.3%	1.5%	0.5%	1.4%	0.9%	1.1%

*All units (except for dollar denominated figures) in thousands.

Current Economic Indicators

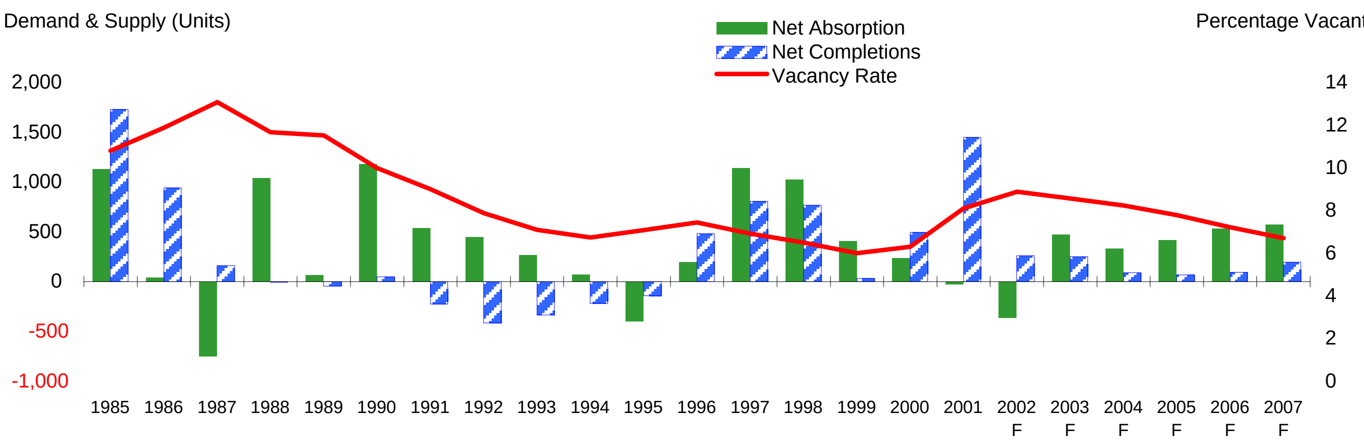
Employment Growth 9/02	Labor Force Growth 9/02	Unemployment Rate 9/02	Employment Volatility Ratio	Net Migration (000) 2001	Cost Indices (U.S. = 100) Business	Living
-0.9%	-3.4%	5.1%	0.8	-12.6	91	99

Sources: PPR; Economy.com

NEW ORLEANS

Apartment

Supply, Demand, and Vacancy

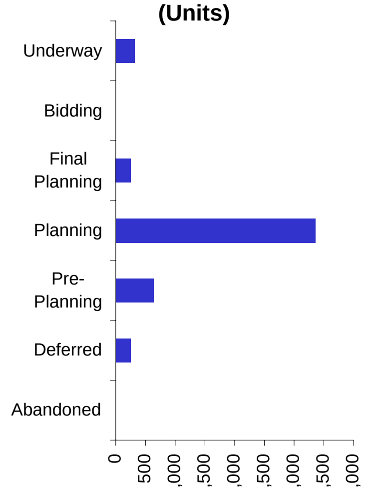


Apartment Market Statistics (Units)

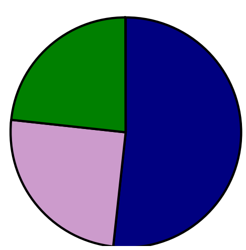
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Apt. Vacancy	6.9%	6.5%	6.0%	6.3%	8.1%	8.9%	8.6%	8.2%	7.8%	7.2%	6.7%
Apt. Net Absorption	1,140	1,023	404	238	-27	-363	474	330	416	535	572
% Growth	1.7%	1.5%	0.6%	0.3%	-0.0%	-0.5%	0.7%	0.5%	0.6%	0.7%	0.8%
Multifamily Starts	329	719	1,491	603	193	533	173	93	100	177	394
% Change	-16.9%	118.5%	107.4%	-59.6%	-68.0%	176.2%	-67.5%	-46.2%	7.5%	77.0%	122.6%
Net Apt. Completions	806	768	31	494	1,450	261	251	90	69	93	197
Apt. Inventory	74,237	75,005	75,036	75,530	76,980	77,241	77,492	77,582	77,650	77,744	77,941
% Growth	1.1%	1.0%	0.0%	0.7%	1.9%	0.3%	0.3%	0.1%	0.1%	0.1%	0.3%
Apt. Rent Index	100	103	104	107	106	107	105	105	107	110	114
% Change	7.3%	2.7%	1.3%	3.1%	-0.9%	1.1%	-2.3%	0.3%	2.0%	2.7%	2.9%

PPR/Dodge Pipeline Summary

Current Activity (Units)

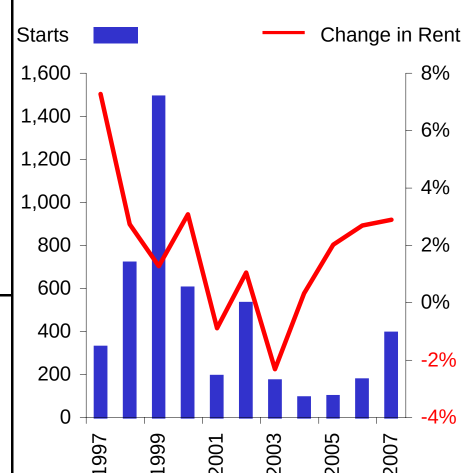


Multifamily Underway by Subclass



	Underway (Units)	%
Apartments	162	52%
Townhouse/Condo	78	25%
Low Income	73	23%
Unclassified	-	0%

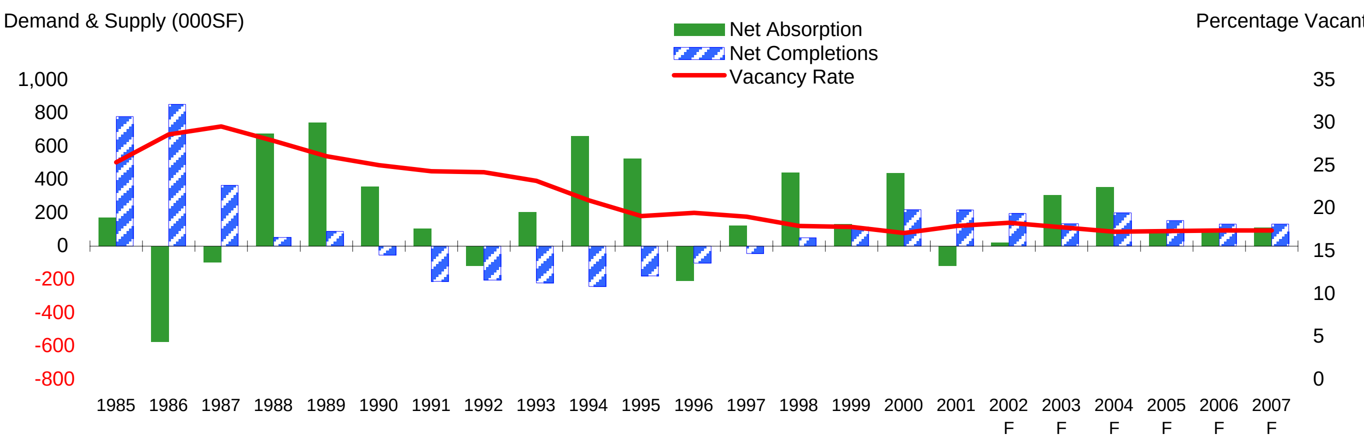
Change in Rent vs. Starts



Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

NEW ORLEANS Office

Supply, Demand, and Vacancy

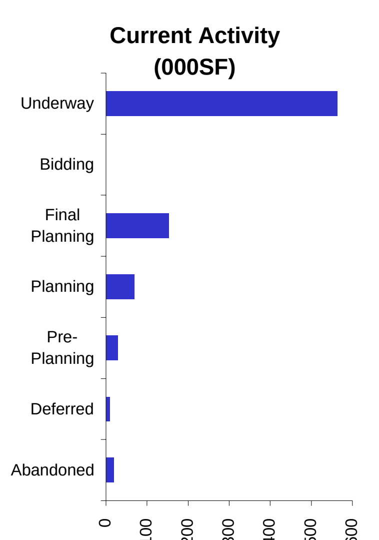


Office Market Statistics (000SF)

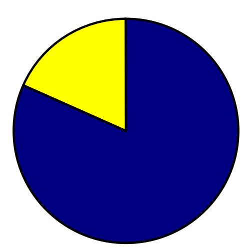
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Vacancy	19.0%	17.9%	17.8%	17.1%	17.9%	18.3%	17.8%	17.3%	17.3%	17.4%	17.4%
Net Absorption	124	440	131	439	-117	21	305	353	98	94	110
% Growth	0.4%	1.5%	0.4%	1.5%	-0.4%	0.1%	1.0%	1.1%	0.3%	0.3%	0.4%
Starts	522	581	407	517	497	559	233	177	159	158	158
% Change	138.2%	11.2%	-29.9%	27.1%	-3.9%	12.4%	-58.3%	-24.0%	-10.0%	-0.8%	-0.3%
Net Completions	-45	51	114	220	217	197	135	199	154	133	132
Inventory	36,490	36,541	36,655	36,875	37,092	37,289	37,424	37,623	37,777	37,910	38,042
% Growth	-0.1%	0.1%	0.3%	0.6%	0.6%	0.5%	0.4%	0.5%	0.4%	0.4%	0.3%
Rent Index	100	104	104	106	101	98	98	99	100	102	103
% Change	11.2%	4.0%	-0.3%	2.3%	-4.8%	-2.6%	-0.6%	0.9%	1.4%	1.6%	1.8%

PPR/Dodge Pipeline Summary

Current Activity (000SF)

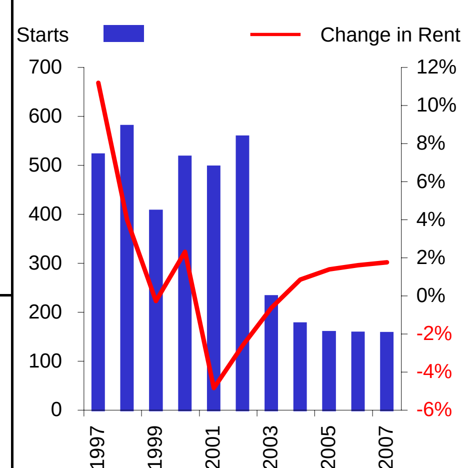


Office Underway by Subclass



	Underway (000SF)	%
Low Rise	459	82%
Mid Rise	-	0%
High Rise	-	0%
Office R&D	103	18%
Unclassified	-	0%

Change in Rent vs. Starts

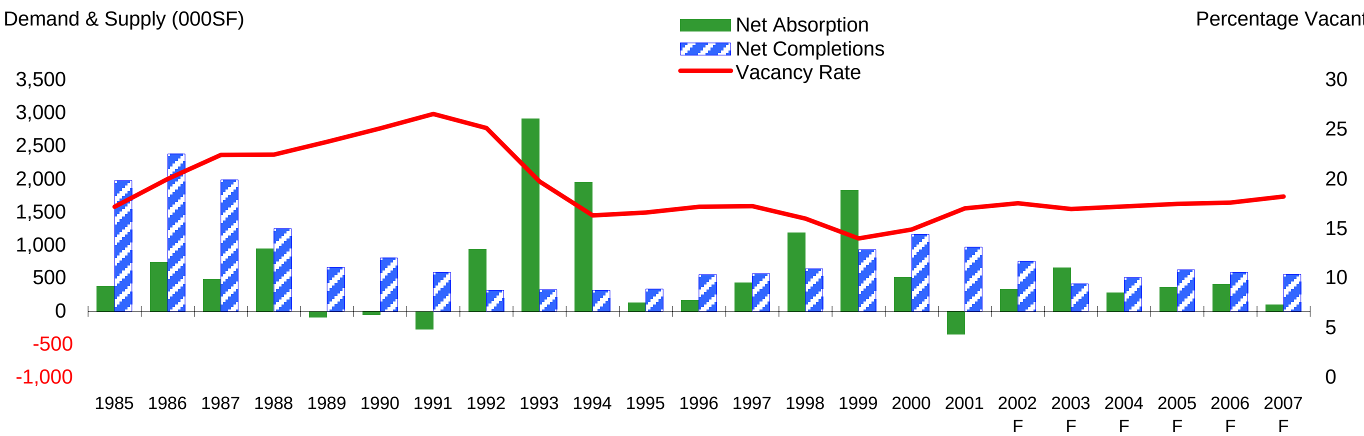


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

NEW ORLEANS

Retail

Supply, Demand, and Vacancy

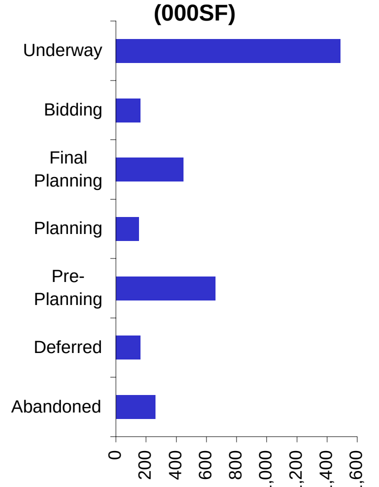


Retail Market Statistics (000SF)

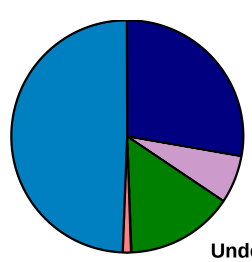
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Vacancy	17.3%	16.0%	14.0%	14.9%	17.0%	17.6%	17.0%	17.2%	17.5%	17.6%	18.3%
Net Absorption	437	1,190	1,839	523	-346	338	662	285	365	413	100
% Growth	1.0%	2.8%	4.2%	1.2%	-0.8%	0.7%	1.4%	0.6%	0.8%	0.9%	0.2%
Starts	698	1,918	642	1,153	1,761	946	612	729	720	632	506
% Change	-3.9%	174.6%	-66.5%	79.8%	52.7%	-46.3%	-35.3%	19.2%	-1.3%	-12.2%	-20.0%
Net Completions	567	643	934	1,167	970	758	415	510	627	588	562
Inventory	51,305	51,949	52,882	54,049	55,019	55,777	56,192	56,702	57,329	57,917	58,479
% Growth	1.1%	1.3%	1.8%	2.2%	1.8%	1.4%	0.7%	0.9%	1.1%	1.0%	1.0%
Rent Index	100	105	104	106	104	105	106	107	107	107	106
% Change	7.7%	5.1%	-0.7%	1.5%	-2.1%	1.5%	0.7%	1.0%	-0.2%	0.4%	-0.9%

PPR/Dodge Pipeline Summary

Current Activity (000SF)



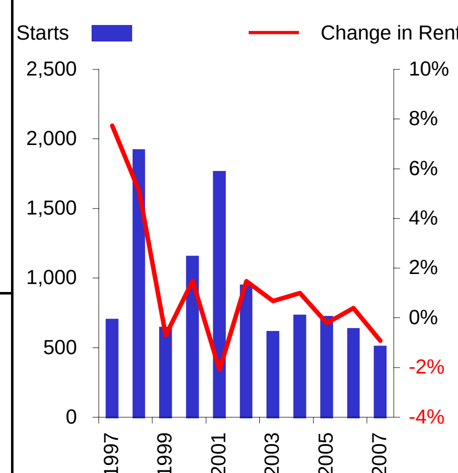
Retail Underway by Subclass



Underway (000SF)

Freestanding Stores	415	28%
Neighborhood Center	100	7%
Community Center	222	15%
Regional	-	0%
Super Regional	-	0%
Outlet	16	1%
Unclassified	735	49%

Change in Rent vs. Starts

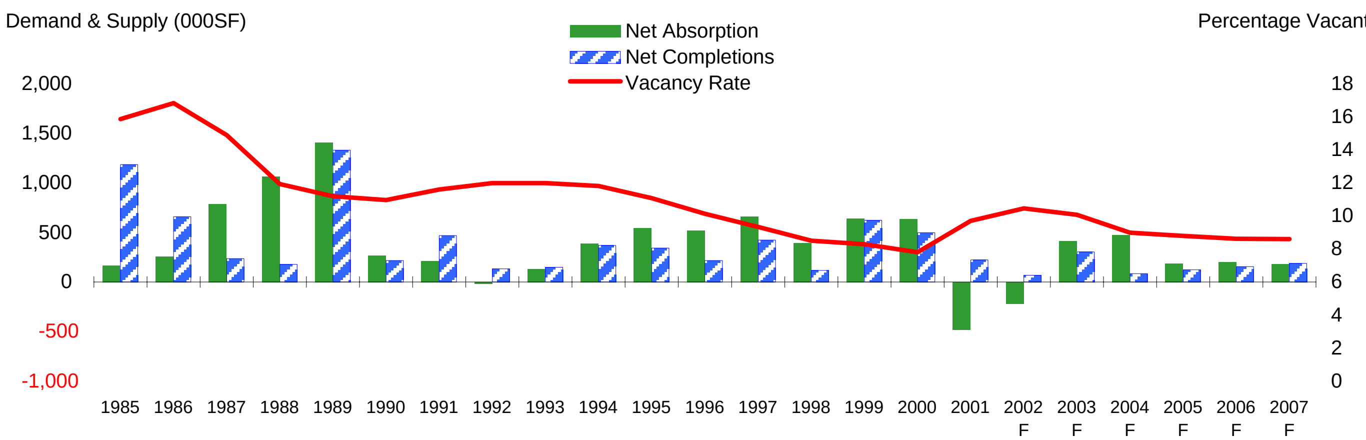


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

NEW ORLEANS

Warehouse

Supply, Demand, and Vacancy

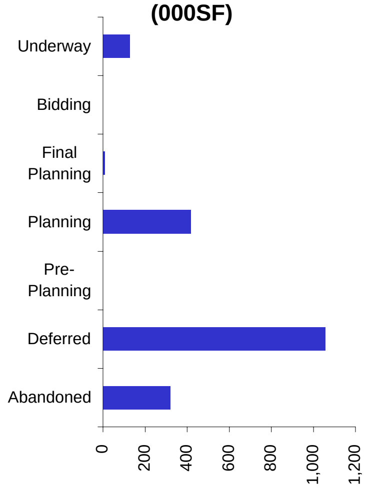


Warehouse Market Statistics (000SF)

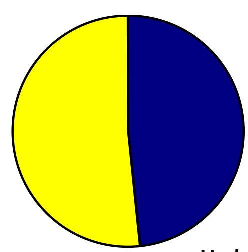
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Vacancy	9.3%	8.5%	8.3%	7.8%	9.7%	10.5%	10.1%	9.0%	8.8%	8.6%	8.6%
Net Absorption	660	393	642	637	-478	-214	415	475	184	202	182
% Growth	2.2%	1.3%	2.0%	2.0%	-1.4%	-0.7%	1.3%	1.5%	0.6%	0.6%	0.5%
Starts	357	395	710	475	344	334	120	100	142	180	211
% Change	64.7%	10.5%	79.7%	-33.0%	-27.6%	-2.9%	-64.0%	-17.1%	42.2%	26.7%	17.4%
Net Completions	423	117	625	500	223	70	304	84	123	157	190
Inventory	34,512	34,628	35,253	35,753	35,976	36,047	36,351	36,435	36,558	36,716	36,905
% Growth	1.2%	0.3%	1.8%	1.4%	0.6%	0.2%	0.8%	0.2%	0.3%	0.4%	0.5%
Rent Index	100	104	108	112	108	106	104	105	106	108	109
% Change	5.8%	3.6%	4.0%	3.6%	-3.0%	-2.0%	-1.6%	0.7%	1.2%	1.3%	1.3%

PPR/Dodge Pipeline Summary

Current Activity (000SF)

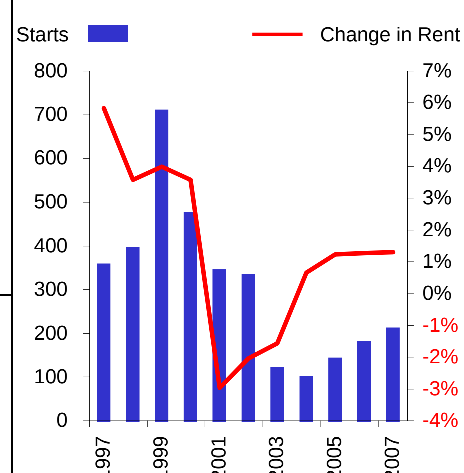


Warehouse Underway by Subclass



	Underway (000SF)	%
Distribution	61	48%
Warehouse/Flex	-	0%
Light Industrial	-	0%
Unclassified	65	52%

Change in Rent vs. Starts

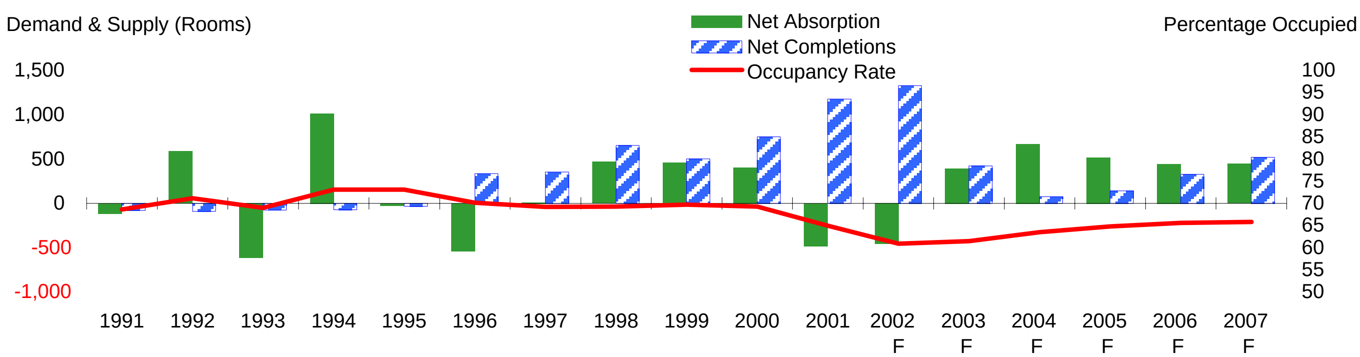


Sources: PPR; McGraw-Hill Construction - Dodge; National Real Estate Index

NEW ORLEANS

Hotel

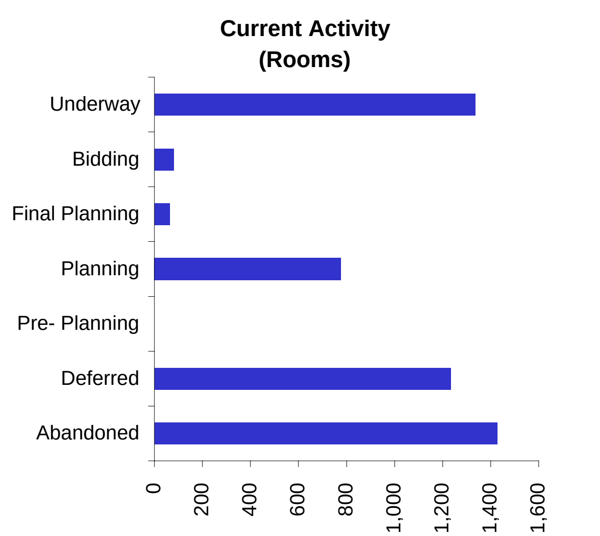
Supply, Demand, and Occupancy

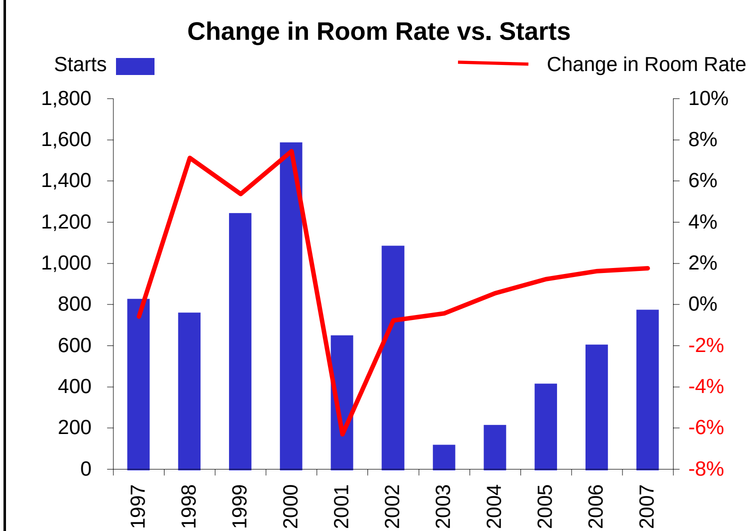


Hotel Market Statistics (Rooms)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Occupancy	69.2%	69.3%	69.7%	69.3%	65.0%	60.9%	61.5%	63.5%	64.8%	65.6%	65.8%
Net Absorption	11	470	462	407	-480	-456	395	669	516	446	448
% Growth	0.1%	2.6%	2.5%	2.1%	-2.5%	-2.4%	2.1%	3.5%	2.6%	2.2%	2.2%
Starts	822	756	1,239	1,583	645	1,081	114	210	410	600	769
% Change	79.9%	-8.0%	63.9%	27.8%	-59.3%	67.6%	-89.5%	84.2%	95.2%	46.3%	28.2%
Net Completions	356	656	504	752	1,178	1,330	422	78	140	330	521
Inventory	26,203	26,859	27,363	28,115	29,240	30,435	30,795	30,878	31,033	31,365	31,932
% Growth	1.4%	2.5%	1.9%	2.7%	4.2%	4.5%	1.4%	0.3%	0.5%	1.1%	1.7%
Room Rate Index	100	107	113	121	114	113	112	113	114	116	118
% Change	-0.6%	7.1%	5.4%	7.5%	-6.3%	-0.8%	-0.4%	0.5%	1.2%	1.6%	1.8%
RevPar Index	100	105	116	120	103	100	102	106	109	112	114
% Change	-3.7%	5.3%	10.0%	3.6%	-14.1%	-3.2%	2.3%	3.7%	3.0%	2.5%	2.0%

PPR/Dodge Pipeline Summary



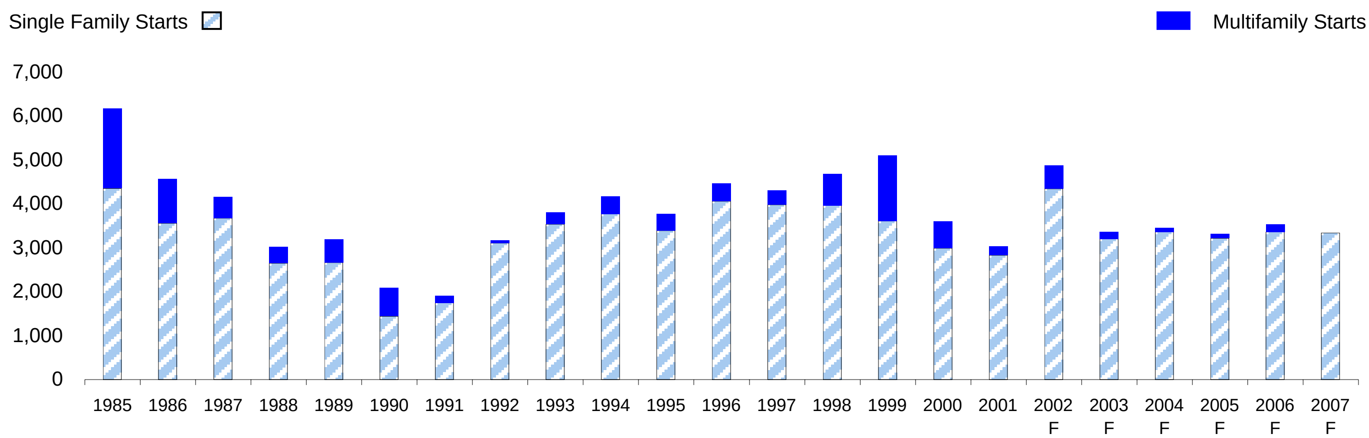


Sources: PPR; McGraw-Hill Construction - Dodge; Smith Travel Research

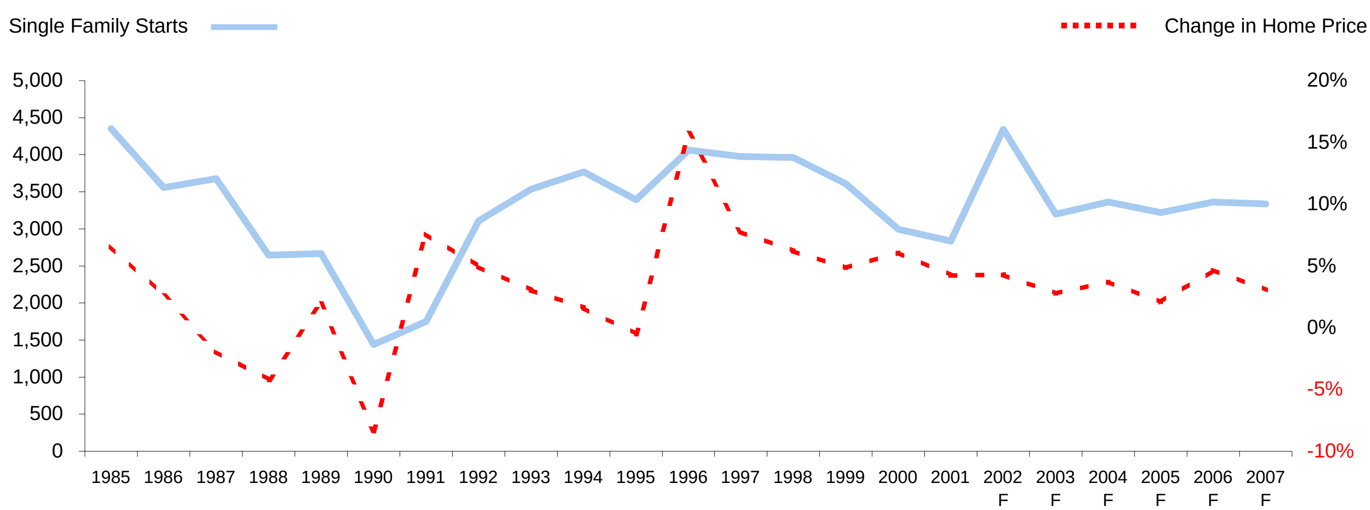
NEW ORLEANS

Single Family

Housing Starts



Single Family Market



Sources: PPR; Economy.com

Single Family Market Statistics

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Starts	3,977	3,964	3,610	2,994	2,833	4,341	3,199	3,361	3,218	3,360	3,337
% Change	-2.1%	-0.3%	-8.9%	-17.1%	-5.4%	53.2%	-26.3%	5.1%	-4.2%	4.4%	-0.7%
Completions	4,079	4,001	3,812	3,157	2,833	3,991	3,431	3,316	3,257	3,310	3,360

Apartment Market Statistics

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Multifamily Starts	329	719	1,491	603	193	533	173	93	100	177	394
% Change	-16.9%	118.5%	107.4%	-59.6%	-68.0%	176.2%	-67.5%	-46.2%	7.5%	77.0%	122.6%
Apartment Completions	806	768	31	494	1,450	261	251	90	69	93	197

NEW ORLEANS

Apartment Projects

Projects

Title	Address	Units	Stage	Target Start	Target Completion
The Saulet	Annunciation & Race Street, New Orleans Warehouse District	703	Completed	10/99	8/01
Pelican Point Apartments	Brownswitch & Robert Boulevard Slidell	301	Completed	12/99	2/01
Calypso Bay	Wall Boulevard, West Jefferson West Bank	289	Planned		
Airport Road Apartments	Airport Road, Slidell St. Tammany Parish	272	Planned		
American Can Co.	3700 Orleans Avenue Warehouse District	268	Completed	2/00	8/01
Lakes of Chateau Estates North II	3700 Loyola Kenner	246	Completed	1/01	6/02
Palmetto Creek	Elmwood River Ridge	216	Underway	6/01	12/02
Florida Housing Redevelopment	Orleans Parish	214	Planned		
Mansion on the Lake Apartments	Howze Beach Road, Slidell St. Tammany Parish	112	Planned		
Greater St. Stephens Apartments	2101 Louisiana Avenue East Bank	42	Planned		

NEW ORLEANS

Office Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
West Bank Jefferson Parish Administration Building	1st & Derbigny, Gretna Jefferson Parish	130	Underway	8/02	12/04
Tenants: West Bank Jefferson Parish Administration Building					
Navy Information Tech Center Building #3	2101 Lakeshore Drive West Bank	104	Completed	11/99	9/00
Space & Naval Warfare Command Info Tech Center Building #4	UNO Research and Tech Park CBD	100	Completed	6/01	6/02
The Brown Foundation Center	East Bank	75	Completed	12/01	8/02
Tenants: The Brown Foundation					
District Attorney's Office	105 Derbigny St, Gretna West Bank	74	Completed	12/00	8/02
Tenants: District Attorney's Office					
Harmar Inc. Office Building	West Bank	21	Completed	5/01	12/01
Tenants: Harmar Inc.					
360 Networks	Kenner	20	Completed	1/01	8/01
Tenants: 360 Networks (USA) Inc					
Intertek Testing Services	East Bank	20	Completed	7/01	2/02
Canal Street & Carrollton Avenue Development	Canal Street & Carrollton Avenue, New Orleans CBD	14	Planned		

NEW ORLEANS

Retail Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Wal-Mart Tenants: Wal-Mart	St. Thomas Housing Project Garden District	225	Planned		
Wal-Mart Supercenter Tenants: Wal-Mart	Barataria Boulevard, Marrero Jefferson Parish	222	Underway	6/02	3/03
Wal-Mart Supercenter Tenants: Wal-Mart	SW corner of Natchez & Yaupon Drives Slidell	210	Planned		
Wal-Mart Supercenter Tenants: Wal-Mart Supercenter	Judge Perez, Chalmette East New Orleans	192	Planned		
Lowe's Home Improvement Center Tenants: Lowe's	Covington St. Tammany Parish	160	Planned	11/02	6/03
Lowe's Home Improvement Center Tenants: Lowe's	Slidell St. Tammany Parish	146	Planned		
Sam's Club Tenants: Sam's Club	3900 Airline Drive, Metairie Jefferson Parish	133	Completed	10/01	8/02
Target Tenants: Target	Manhattan Boulevard & I-12, Harvey St. Tammany Parish	100	Completed	1/02	8/02
Academy Sports and Outdoor Store Tenants: Academy Sports	1000 West Esplanade Avenue Jefferson Parish St. Tammany Parish	72	Underway	9/02	3/03
Academy Sports and Outdoor Store Tenants: Academy Sports	1-12 & Airport Road, Slidell St. Tammany Parish	68	Underway	7/02	1/03

NEW ORLEANS

Warehouse Projects

Projects

Title	Address	SF (000)	Stage	Target Start	Target Completion
Crescent Crown Distributing Tenants: Crescent Crown Distributing	site of Former MacFrugals Warehouse, East New Orleans East	225	Planned		
Diversified Foods and Seasonings	St. Tammany Parish	140	Planned		
The Storage Center	2012 Belle Chasse Highway Harvey	99	Planned		
Conco Foods Refrigerated Warehouse BTS (expansion) Tenants: Conco Foods	918 Edwards Avenue, Harahan Jefferson	35	Underway	4/02	10/03
Conway SE Service Center Facility	10397 Highway 61 St Rose	33	Completed	7/00	2/01
Averitt Express	125 Widgeon Drive St. Rose	25	Completed	12/00	3/01
Engine Monitor / Creative Graphics, Inc	191 James Drive West St. Charles Parish	19	Completed	10/01	2/02
Andrews Sport Company Warehouse	4308 Firestone Road, Harahan Jefferson Parish	14	Completed	11/01	3/02

NEW ORLEANS

Hotel Projects

Projects

Title	Address	Rooms	Stage	Target Start	Target Completion
Astor Crowne Plaza Hotel	100 Bourbon Street, New Orleans French Quarter	514	Completed	10/00	3/02
Westin at Piazza D'Italia	300 Poydras Street CBD	285	Deferred		
Wyndham Hotel	4 Galleria Boulevard Metairie	182	Completed	3/01	6/02
Homewood Suites	901 Poydras Street CBD	165	Underway	8/01	12/02
Homewood Suites Hotel	409 Baronne Street New Orleans	165	Completed	12/00	12/01
Ramada Inn & Suites	110 James Drive East St. Rose	130	Underway	1/02	2/03
Quality Inn and Suites	210 O'Keefe Avenue CBD	100	Completed	5/01	12/01
Comfort Suites Hotel	2710 Idaho Avenue Kenner	95	Completed	10/00	8/02
French Quarter Colonial Hotel	1301 North Rampart Street French Quarter	82	Planned		
Comfort Inn Hotel	30 Louis Prima Drive Covington	75	Completed	5/01	12/01