Arkansas Oklahoma Kansas

CRRC

COMMERCIAL REALTY RESOURCES CO
MULTIFAMILY INVESTMENT SERVICES

2008 Mid Year
Multifamily Apartment Report
Oklahoma City & Tulsa

Mike Buhl
CRRC-OKC
405.360.5966
buhl@crrc.us

Darla Knight
CRRC-Tulsa
918-557-5966
darla@crrc.us

CRRC-Arkansas
479-739-4480
darla@crrc.us

Araine Cash
CRRC-Corporate
405.-274-2491
araine@crrc.us

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Current CRRC Listings

	Property Name	Price	Number of Units	Year Built	Location
1	23rd Street Station (Only 8%Equity)	$7,600,000	258	1970	Oklahoma City, OK
2	Boardwalk	$12,350,000	192	1984	Oklahoma City, OK
3	College Park	$1,450,000	44	1986	Oklahoma City, OK
4	Evergreen Park (Price Reduced)	$7,650,000	256	1970	Tulsa OK
5	Sunset Ridge	$3,400,000	98	1970	Edmond, OK
6	Winchester Run	$7,600,000	192	1985	Oklahoma City, OK
7	Lakeside Village	$6,750,000	150	1971	Oklahoma City, OK
8	Brookhollow	$3,450,000	121	1973	Norman, OK
9	The Cedar's	$2,050,000	96	1982	Norman, OK
10	Summit Ridge (Price Reduced)	$11,900,000	168	2005	Lawton, OK
11	Ambassador House	$7,850,000	142	1969	Oklahoma City, OK
12	Lightning Creek	$4,350,000	92 Apt/32 Retail	1984	Oklahoma City, OK

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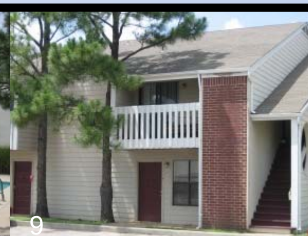

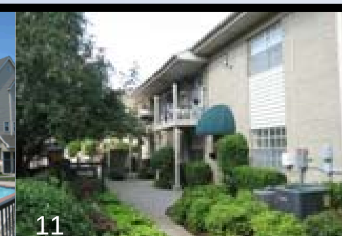

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Commercial Realty Resources Co

Multifamily Investment Services

Don't believe everything you read. Some industry sources are stating that the local apartment market is down fifty percent and that the sale boom is over. I think a lot of these sources are taking their national research reports and trying to transpose those to the local level. The real numbers though support a much brighter picture on a local level. Consider this. In Oklahoma City, the number for total sales volume, total units sold and the number of transactions is only off by about 30% and the overall average price per unit is off by only one percent. Tulsa is showing a similar trend, except in the number of transactions which in fact is off by about fifty percent. The bottom line though is that a 30% decrease is just not that alarming. To take it a step further, I think this decline can be attributed to other factors that point to property fundamentals and a shift to more quality assets, as opposed to just the capital markets. The fact is, demand for apartments remains very strong in both Oklahoma City and Tulsa. Both cities are gaining national exposure for falling unemployment, solid growth in the energy, agriculture and manufacturing sectors and for having the strongest housing markets in the country. In fact, Oklahoma City was ranked "The Most Recession-Proof City in the Nation" by Forbes Magazine. Norman, a suburb of Oklahoma City, was ranked #6 in Money Magazine's Top 10 Places to Live and Edmond, another suburb of Oklahoma City was ranked #93 in Forbes Magazine Best Places to Live. This exposure has put Oklahoma City and Tulsa on the radar screen of both regional and national investors. Oklahoma's two largest cities are doing quite well despite the negative news nationally.

There is disparity in today's market, but to me it's not so much an issue of capital, or the lack thereof, as it is an underlying shift in the market. Over the past several years, we just haven't seen a big difference in price between Class-B deals and lesser quality B and C properties. During the frenzied investment market of 2005 through 2007 the gap widened slightly, but it has still remained on average at about $9,000 to $10,000 per unit between these two asset classes. We are now seeing that many of the Class-C properties in our market are needing more in terms of capital as they approach 35 to 40 years old. At the same time, many of the Class-B properties are approaching 25 years in age and are in need of upgrades to remain competitive with the newer product on the market. The Class-B properties generally have the better locations and will be the ones to first implement these capital improvements. As this occurs, we will see a bigger separation between Class-B and C properties, which is where we will see values increase the most in 2008. Values will be driven by the underlying need to improve a property with its age. As Class-B properties make this shift, it will translate to a bigger gap in value than what we have historically seen in these two asset classes.

This point is well demonstrated in the sale of Hampton Woods and Post Oak in Norman, which represented almost $10,000 per unit higher prices than the average for this category *(1980's vintage)* over the past two years. At over $44,000 per unit *(average)*, these two sales have set record pricing and show the separation in the market that I'm describing.

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On the other end of this spectrum, we will likely see more default rates and foreclosures in Oklahoma City than at any point in the past decade. This will occur on Class-C properties that were purchased with aggressive cash flow projections that did not materialize and where the owners have been unable to fund capital requirements. These negative forces will push the value of some Class-C properties in the opposite direction, causing greater disparity in the pricing gap between Class-B and C properties. The good news for Tulsa is that it will be less likely to experience foreclosures because of its more favorable inventory of 1980's vintage assets, which do not have the same deferred maintenance issues as the 1970's vintage properties in Oklahoma City.

There is a fairly large inventory of properties today, much of which has been on the market for an extended period of time. The reason for this though again is not all tied to the credit crunch. There is a disconnect between asking prices and the underlying property fundamentals to support those values. Don't get me wrong, the credit crunch in today's environment does exacerbate this problem by making financing nearly impossible on some asset types, but financing is still available for properties with good underwriting. Property fundamentals though have a bigger impact on whether a property sells than just the "credit crunch" as an all-encompassing measure.

For properties like Hampton Woods and Post Oak that had strong fundamentals and solid locations, there is still financing available through government-sponsored enterprises like Fannie Mae and Freddie Mac. The separation will be more defined in the later part of 2008 and 2009 as those properties with supportable fundamentals will rise to the top in terms of investor interest and values. Serious sellers that are pricing their properties based on current net operating incomes (NOI's) will attract the greatest level of investor interest. A lot of the product for sale today is simply not going to trade, either from unrealistic pricing or the inability of the seller to sell at a realistic price. As I stated in my year-end Apartment Report, there is still value to be created in the multifamily market, it will just be value created through improvement of properties, leasing, aggressive management and expense control. The record pricing that we have seen on a select few properties shows that this creation of value is still achievable on a greater level in today's market. Quality assets that are being priced appropriately and marketed by local knowledgeable brokers will be the ones that trade in 2008.

Higher wages are one of the strongest indicators for rent growth in the market. The U.S. Commerce Department's Bureau of Economic Analysis reports that per capita personal income in Oklahoma rose 5.4 percent in 2007, which is the 19th biggest increase in the nation. Comparatively, the U.S. personal income grew 6.2 percent in 2007. Per capita personal income averaged $34,153 in Oklahoma last year, up from $32,391 in 2006. Full-time workers in Oklahoma City averaged $17.55 per hour while part-time employees earned $8.23.

Job growth is equally important when forecasting rent growth. Oklahoma City employers are expected to expand payrolls by 5,000 positions in 2008. There were 18,000 jobs added in 2007. Chesapeake Energy plans to add 1,701 jobs with an average salary of $60,500 in the next five years. Chesapeake has applied to the Oklahoma Commerce Department for acceptance into the state's Quality Jobs Program. Along with Chesapeake is Claimetrics Management (1,000 jobs), Smico Manufacturing Co. (145 jobs) and Affinia Products Corp. (224 jobs) who have also applied under the program. The program allows qualifying companies to receive incentives to locate or expand in the state and provides cash payments of up to 5 percent of new taxable payroll for up to 10 years.

Two companies in Tulsa also plan to add more than 700 workers in the next few years under the Quality Jobs Program. DMI Industries, a heavy steel manufacturer, plans to add 594 workers, with 200 of those by the end of 2008. Precise Machining & Manufacturing, which makes high precision machine parts for aerospace, defense and commercial aviation industries, is planning on an additional 121 jobs. Another major development for Tulsa is American Airlines, which will be the long-term tenant at Tulsa International Airport's newest aircraft maintenance hanger. The $10 million hangar will be large enough to accommodate wide-body aircraft such as Boeing 767, 787 and Airbus A-300 and A-310 series. American Airlines employs about 7,000 people in Tulsa, most of them at its maintenance facility, which is the largest aircraft maintenance base in the world.

Statewide, Oklahoma's population had an almost 5-percent growth rate between April of 2000 and July of 2007, from 3,450,654 to 3,617,316, according to the U.S. Census Bureau. Oklahoma City posted an 8.1-percent increase in population between 2000 and 2007. Tulsa had negative 2.3 percent in growth between 2000 and 2007, as the city went from 393,115 to 384,037. Some of the factors for the decline though were shake-ups in the aerospace and telecom industries back in 2001. Tulsa has rebounded strongly over the past 24 months and especially so in 2008 as it is concentrating heavily on downtown redevelopment and other urban renewal projects to make the city more appealing to potential residents and businesses.

Both Oklahoma City and Tulsa have experienced solid rent growth and declining vacancy rates in 2008. Oklahoma City is expected to see occupancy rates remain stable in the 90 to 92% range throughout the remainder of 2008, while Tulsa is expected to be a little higher at 91% to 93%. The numerous concessions we have seen in both markets will continue their declining trends with Tulsa essentially ending any concessions by year-end. Both markets have seen rent growth of 7% to 10% in 2008, although that is expected to settle back in the range of 5% to 6% given the impact of rising fuel costs and inflationary trends on the economy

Oklahoma City

Total Sales Volume

31%
Compared to Mid-Year 2007

Total Units Sold

30%
Compared to Mid-Year 2007

Average Price Per Unit

1%
Compared to Mid-Year 2007

No. of Transactions

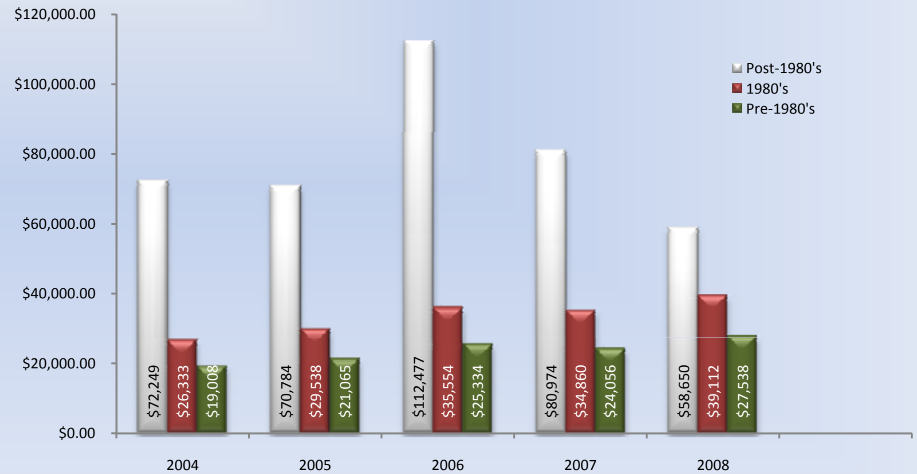
37%
Compared to Mid-Year 2007

Oklahoma City

For the first six months of 2008, there have been 19 sales on properties that exceed 25 units in size, for a total of 3,384 units. This is a 30% decrease from the 4,869 units sold at this same time last year. Total sales volume for the first six months of 2008 is down 31% at $117.5 million, as compared to $171 million for the first six months of 2007. The average price on apartment communities with 25 units or more stood at $35,120 per unit at mid-year 2007. So far in 2008, the overall average price decreased only slightly to $34,737 per unit.

For Pre-1980's properties, there have been 13 transactions involving 1,968 units for an average per unit price of $27,538. This is down 3% from $28,432 at this same time last year. For Post-1980's properties, there were 4 sales involving 1,008 units for an average per unit price of $39,112. This is up 6% from mid-year 2007 levels and demonstrates the market separation described earlier. In the final category of Post-1990's vintage, there were two sales in Norman during the first six months of 2008. Both properties were student properties for a total of 408 units with an average price per unit of $58,650. The mid-year 2007 results for this category were 3 sales on 616 units for an average per unit price of $75,722. Although this category is showing a negative trend over the past twelve months, it is because these two properties in Norman had a negative sales trend. The previous recorded sale of these two properties equaled an average of $73,904 per unit. Both of these properties were some of the first student housing added to the market and just didn't have the heavy amenities of the newer competing product. This probably explains the downward pricing as both properties will require some new capital to reposition them in the student market. The Post-1990's category is expected to increase significantly when the Legacy Portfolio closes in the third quarter of 2008. Legacy is a class "A" portfolio of 1,325-units that was offered for $143 million.

Oklahoma City
2008 Mid-Year Apartment Report
Average Per Unit Prices



Tulsa

Total Sales Volume

28%
Compared to Mid-Year 2007

Total Units Sold

37%
Compared to Mid-Year 2007

Average Price Per Unit

15%
Compared to Mid-Year 2007

No. of Transactions

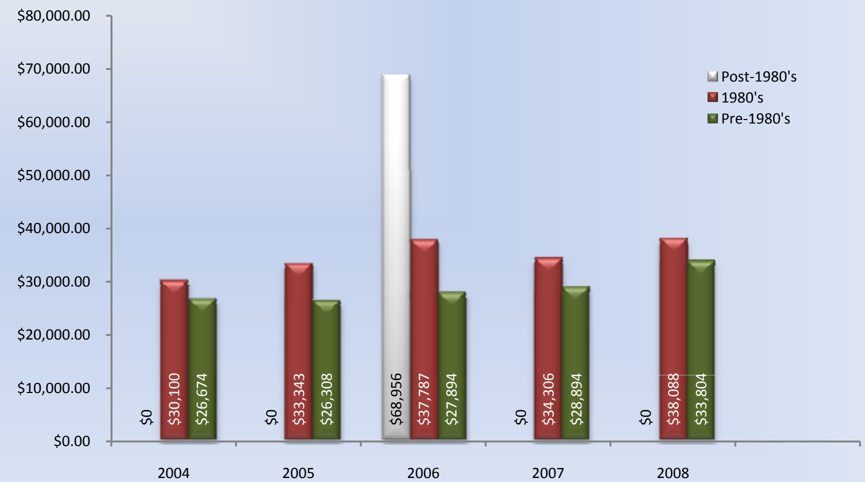
56%
Compared to Mid-Year 2007

Tulsa

For the first six months of 2008, there have been 8 sales on properties that exceed 25 units in size, for a total of 2,284 units. This is a 37% decrease from the 3,650 units sold at this same time last year. Total sales volume for the first six months of 2008 is down 28% at $79.9 million, as compared to $110.9 million for the first six months of 2007. The average price on apartment communities with 25 units or more stood at $30,394 per unit at mid-year 2007. So far in 2008, the overall average price has increased 15% to $35,004 per unit.

For Pre-1980's properties, there have been 6 transactions involving 1,644 units for an average per unit price of $33,804. This is up 18% from $28,549 at this same time last year. For Post-1980's properties, there were 2 sales involving 640 units for an average per unit price of $38,088. This is up 12% from $34,124 at mid-year 2007. In the final category of Post-1990's vintage, there were no recordable sales during the first six months of 2008.

Tulsa
2008 Mid-Year Apartment Report
Average Per Unit Prices



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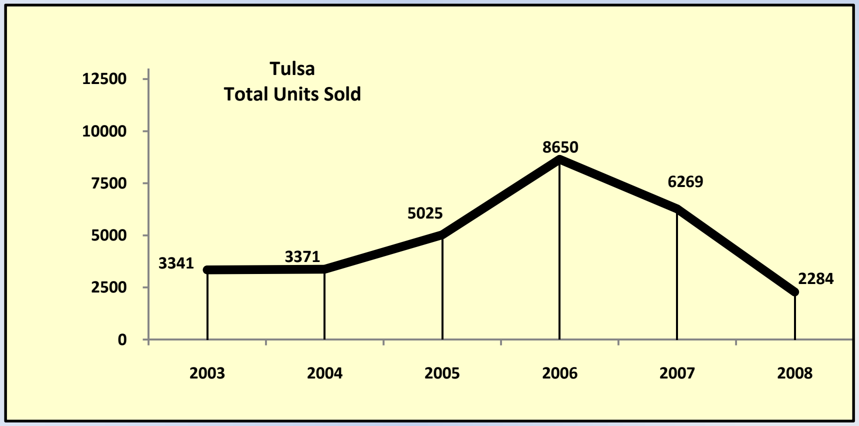
Outlook

Being successful in selling in 2008 will take more than just putting a property on a third-party web site and waiting for it to sell. It will take a comprehensive marketing plan that has a foundation in sound underwriting and being in touch with the capital markets and the local market. As owners make the shift to underlying changes in the market and position their properties to improve operating fundamentals, they will be pleasantly surprised by the appreciation and overall strength of our local market. For investors, 2008 and 2009 should provide some great opportunities to acquire and reposition some Class-B and C assets. With a longer term outlook and perhaps a little more patience than in previous years, investors should do quite well in our local markets, despite the negative national news.

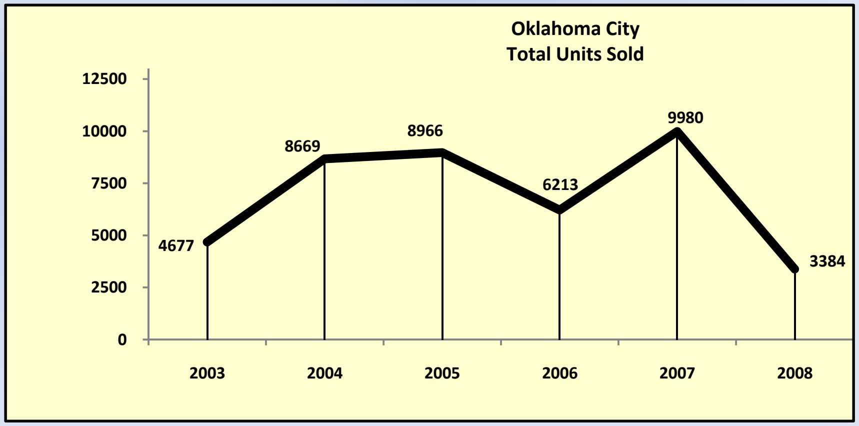


Oklahoma City

Property Name	Address	Price	No. of Units	Price Per Unit
Hampton Woods	3001 Oak Tree	$10,600,000	248	$42,741.93
Post Oak	705 Ridgecrest Court	$13,850,000	304	$45,559.21
Tiffany House	5505 N. Brookline	$5,800,000	124	$46,774.19
University Commons	1111 Oak Tree	$15,229,000	252	$60,432.54
University Greens	2900 Oak Tree	$8,700,000	156	$55,769.23
Boulder Creek	3621 S Wynn	$3,500,000	100	$35,000.00

Tulsa

Property Name	Address	Price	No. of Units	Price Per Unit
Garden Terrace	1140 S 101st E Ave	$1,850,000	65	$28,461.54
Birch Place	10851 E 33rd	$3,700,000	121	$30,578.51
Executive Series	3210 S Winston	$4,400,000	122	$36,065.57
Somerset Park	9416 E 65th	$17,000,000	424	$40,094.34
Bristol Park	4414 S Garnett	$18,100,000	512	$35,351.56
Foxfire	7323 S Wheeling	$15,025,773	440	$34,149.48



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PRE-1980'S OKC PROPERTIES	
Number of Transactions	13
Total Number of Units	1,968
Total Number of Sales in OKC	8
Total Number of Sales in Moore	1
Total Number of Sales in Edmond	2
Total Number of Sales in Norman	2
Price Per Unit: High $ 46,774.19 Low $8,984.38	

POST-1980'S OKC PROPERTIES	
Number of Transactions	4
Total Number of Units	1008
Total Number of Sales in OKC	2
Total Number of Sales in Norman	2
Price Per Unit: High $45,559.21 Low $28,782.89	

POST-1990'S OKC PROPERTIES	
Number of Transactions	2
Total Number of Units	408
Total Number of Sales in Norman	2
Price Per Unit: High $60,432.54 Low $55,769.23	

AVERAGE SALE PRICE PER UNIT	
Number of Transactions	19
Total Number of Units Sold	3,384
Average Sale Price Per Unit	$34,737 per unit
Average Sale Price Pre-1980's	$27,538 per unit
Average Sale Price Post- 1980"s	$39,112 per unit
Average Sale Price Post-1990's	**$58,650 per unit**

PRE-1980'S TULSA PROPERTIES	
Number of Transactions	6
Total Number of Units	1,644
Price Per Unit: High $ 36,065.57 Low $28,461.54	

POST-1980'S TULSA PROPERTIES	
Number of Transactions	2
Total Number of Units	640
Price Per Unit: High $40,094.34 Low $34,150.00	

POST-1990'S TULSA PROPERTIES	
Number of Transactions	0
Total Number of Units	0
Price Per Unit: High $0 Low $0	

AVERAGE SALE PRICE PER UNIT	
Number of Transactions	8
Total Number of Units Sold	2,284
Average Sale Price Per Unit	$35,004 per unit
Average Sale Price Pre-1980's	$33,804 per unit
Average Sale Price Post- 1980"s	$38,088 per unit

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COMMERCIAL REALTY RESOURCES CO
MULITFAMILY INVESTMENT SERVICES
702 Wall Street, Suite 400
Norman, OK 73069
P (405) 360-5966
F (405) 360-7516