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2010
Mid-Year Apartment Report
Oklahoma City & Tulsa

CRRC

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2010 Mid-Year End
Multifamily Apartment Report

Many buyers are still anticipating a torrent of distressed opportunities in 2010, but others have done well to change course and look for properties that are fundamentally sound, from either a location or operational standpoint, rather than searching for steep discounts. The difference is really finding opportunity and not just expecting to pay a price that is a fraction of past values.

A good example of this is the sale of Easthills Apartments in Moore that CRRC handled in September of 2009. Most buyers viewed this asset as being overpriced because it was offered for more than the previous owner paid for it in 2007, and it was generally considered that the previous owner had overpaid for the property. However, the local buyer truly recognized the strong location and market demand and has significantly repositioned the 85-unit property. This is a great case study of a value add opportunity that most buyers won't recognize because of their expectations for discounted pricing.

By definition, "value-add" is where an asset can be purchased at a discount when it is underperforming for various reasons in an otherwise strong market. Most buyers though won't recognize value add because they associate only price to the equation and overlook the asset qualities or location that can create the value.

Another fundamental shift in 2010 is finding the decision maker on the selling side of the transaction. This has become somewhat elusive in 2010. This is due to the complexity of distressed deals. Distressed opportunities require expertise beyond just a grasp of real estate fundamentals.

You now have to determine if you are working with a single Seller or entity or has that changed because of a default, pending default, or receivership. If it's the latter, you then have to look at all of the alternatives whether it's a foreclosure, restructure, workout, note sale, or whether the property is going to auction. These conditions have changed the way the brokerage industry operates.

The most straightforward thinking is that a property becomes an REO and then the lender is willing to discount the price significantly for a sale. In reality though, there are not many deals that are this straightforward. Buyers frequently discover that once they find these assets, they are unable to obtain the equity or financing to close them. Successful buyers demonstrate their ability to close quickly, knowing that most experienced lenders will quickly rule out unrealistic offers. Lengthy time periods and small deposits highlight a buyer's inexperience.

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The best way to get your offer to the top is to demonstrate your ability to close, provide for a fast due diligence period with a substantial deposit and focus on deals with the highest probability of closing. This may seem fundamental, but the low transaction volume for 2010 shows it is no easy task.

The complexity begins when a cash sale at a discounted price is not the most probable resolution. A special servicer, for instance, will employ the resolution method prescribed in the pooling and servicing agreement that established the CMBS trust. The servicing standard within this agreement requires the special servicer to execute the strategy that gives bondholders the highest recovery on a net-present-value basis. What we are finding today is that the recovery amount may be higher by restructuring the debt with a replacement borrower that is injecting new equity or capital to the deal. This may still involve a write down of the principal balance of the loan, but to a much lesser degree.

These types of deals require a clear exit strategy for the special servicer. Barring an unexpected rebound in pricing, special servicers are not necessarily interested in just extending maturity dates because that may only add to the next year's troubles. Loan extensions only delay a decisive fix and the special servicer wants to know how and when they will exit the deal.

Oklahoma will fare much better then the rest of the country when it comes to maturing loans on multifamily properties where loan-to-value ratios exceed 100%. The weakness for Oklahoma City appears to be the CMBS (commercial mortgage-backed securities) market where loans were originated during a time when underwriting standards were slack. Many of these loans were underwritten based on projections that just didn't materialize.

Unemployment remains a key component of any sustained recovery in the multifamily sector. Oklahoma County, the state's largest county, had a jobless rate in April of 6.1 percent, down from 6.4 percent in March but up from 5.4 percent in April 2009. Tulsa County, the state's second largest county, had a jobless rate in April of 6.8 percent, down from 7.2 percent in March but up from 5.8 percent for April 2009. Once a meaningful rebound in employment occurs, the positive long-term demographic trends should begin to kick in and greatly improve the operating environment for the apartment industry.

The shifting trend with Hispanic population growth helped mitigate unemployment figures. According to new U.S. Census Bureau estimates, the Hispanic population in Oklahoma County increased 67 percent from 2000 to 2009, bringing the estimated Hispanic population to 96,747 in July. During the same time frame, the Hispanic population in Tulsa County increased 88 percent. An estimated 63,332 Hispanics lived in Tulsa County as of July 2009.

Despite an otherwise difficult market, transaction volume is holding up reasonably well in 2010. In Oklahoma City, total sales volume for the first six months of 2010 is down by 34% from the same period of 2009 and the overall average price per unit is off by only 8%. Tulsa did much worse with total sales volume down 80% at $15.1 million as compared to $75.3 million at Mid-year 2009. The overall average price per unit in Tulsa was down 34% at $19,827 per unit at Mid-year 2010 from $29,904 for the same period of 2009.

Oklahoma City

For the first six months of 2010, there were 13 sales on properties that exceed 25 units in size, for a total of 1,250 units. This was a 28% decrease from the 1,739 units sold at Mid-year 2009. Total sales volume was off as well, down 34% at $32.9 million in 2010, as compared to $50.1million for the first six months of 2009. The overall average price per unit on apartment communities with 25 units or more was $26,395, which is 8% below the $28,810 per unit average at Mid-year 2009.

For Pre-1980’s properties, there were 12 transactions involving 1,190 units for an average per unit price of $25,932. Only five of these were considered typical sales, with the other 7 involving either a lender or receiver on the selling side. A couple of these “typical” sales in particular appeared to have discounted pricing, however, they were really sold by long term owners in the market who finally realized their properties were just not worth the inflated prices they wanted. So while the buyer’s probably feel like they got distressed pricing, I think they really just bought properties for what they were worth. The fact is some of these properties were never worth what the seller’s wanted for them in the first place. So what appears to be distressed pricing is nothing more than seller’s that are now willing to sell their properties for what they are really worth.

The average for Pre-1980’s properties for Mid-year 2010 is $25,932 per unit. Total volume for this category increased to $30.85 million for the first six months of 2010, as compared to $22.4 million for the first six months of 2009.

For Post-1980's properties, there was only one sale involving a 60-unit lender owned property in Edmond at $35,583 per unit. In terms of transactional volume, this category was about even with the same period of 2009, which recorded one sale on 192 units. While there was only one sale for comparison, the average per unit value for this category was down only slightly at 3.7% from $36,979 per unit at Mid-year 2009. Total volume though was down 70% at $2.13 million, as compared to $7.1 million at Mid-year 2009.

There were no sales of Post-1990's properties during the first six months of 2010 for a statistical comparison.

Total Sales Volume

34%
Compared to 2009 Mid-Year

Total Units Sold

28%
Compared to 2009 Mid-Year

Average Price Per Unit

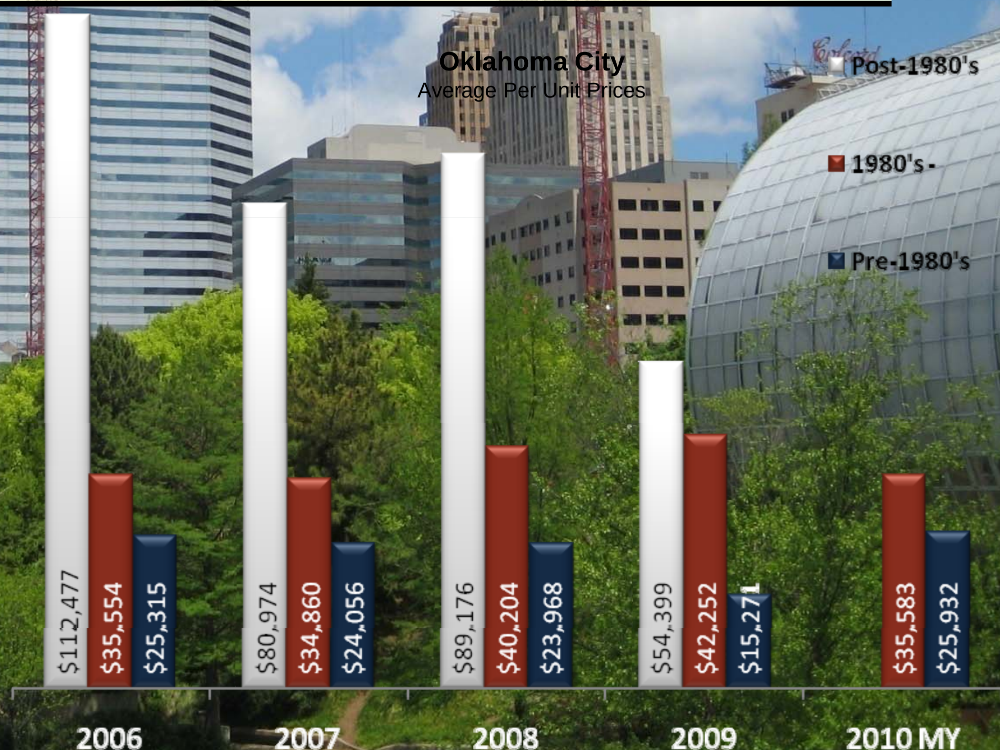
8%
Compared to 2009 Mid-Year

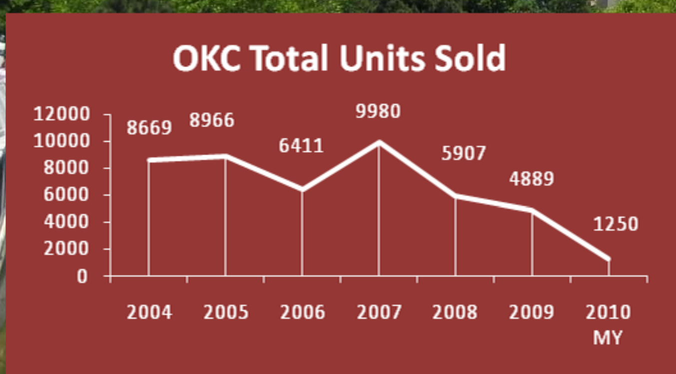
No. of Transactions

44%
Compared to 2009 Mid-Year

Oklahoma City New Construction

Property Name	Address	City	No. of Units	Year Built
Village At Quail Springs	14520 N. Pennsylvania	OKC	276	2009/2010
The Enclave (*burned down*)	1201 Covell Village	Edmond	150	
Summit Groves	18001 Highland Park	Edmond	140	2010
Lincoln at Central Park II	500 Central Park Drive	OKC	432	2010
Summit Pointe	1002 SW 89th Street	OKC	184	2009/2010
The Links at Norman	3927 24th Avenue SE	Norman	515	2010
Providence Place	6100 SW 12th Street	OKC	304	2010
The Park at West Pointe	301 Pointe Parkway	Yukon	524	2010





Tulsa

Excluding the Remy Portfolio that involved an entity sale of 873-units for nearly $32 million, there were only four recorded sales in Tulsa during the first six months of 2010 on properties that exceeded 25 units in size. All four sales involved Pre-1980's properties, for a total of 764-units. This is down 56% from 1,753 units sold at Mid-year 2009. The average price per unit for Pre-1980's properties declined 27% to $19,827 for the period.

There were no sales of Post-1980's or Post-1990's properties during the first 6 months of 2010 for a statistical comparison.

Property Name	Address	Price	No. of Units	Year Built	Price Per Unit
Sale Highlights Oklahoma City					
Cedar Creek	404 S 2nd Street	$1,140,000	40	1974	$28,500
Mt. Vernon	4020 N. Meridian	$1,965,000	92	1968	$21,358
Summerscape	3250 SE 44th	$3,180,000	125	1974	$25,440
Turnberry	1911 Twisted Oak Dr	$2,280,000	140	1973	$16,286
Regency Tower	333 NW 5th Street	$17,200,000	274	1967	$62,774
Sale Highlights Tulsa					
Cimarron	13201 E. 31st Street	$4,688,501	240	1977	$19,535
Westwood	718 W. 49th Street	$925,000	128	1979	$7,227
Stoneridge	2505 E. 88th Street	$9,000,000	342	1975	$26,316
The Cedar's	5407 E 12th Street	$534,600	54	1977	$9,900

Total Sales Volume

80% decrease
Compared to 2009 Mid-Year

Total Units Sold

70% decrease
Compared to 2009 Mid-Year

Average Price Per Unit

34% decrease
Compared to 2009 Mid-Year

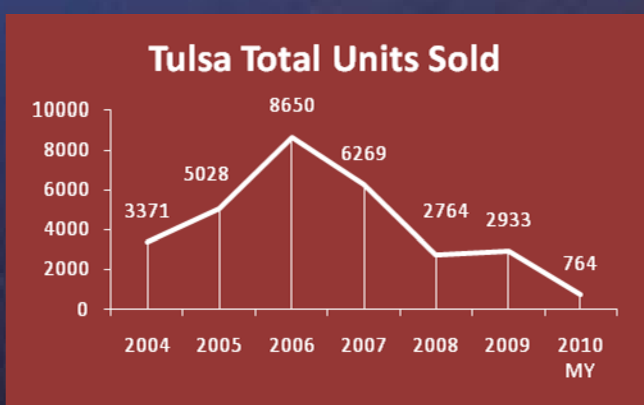
No. of Transactions

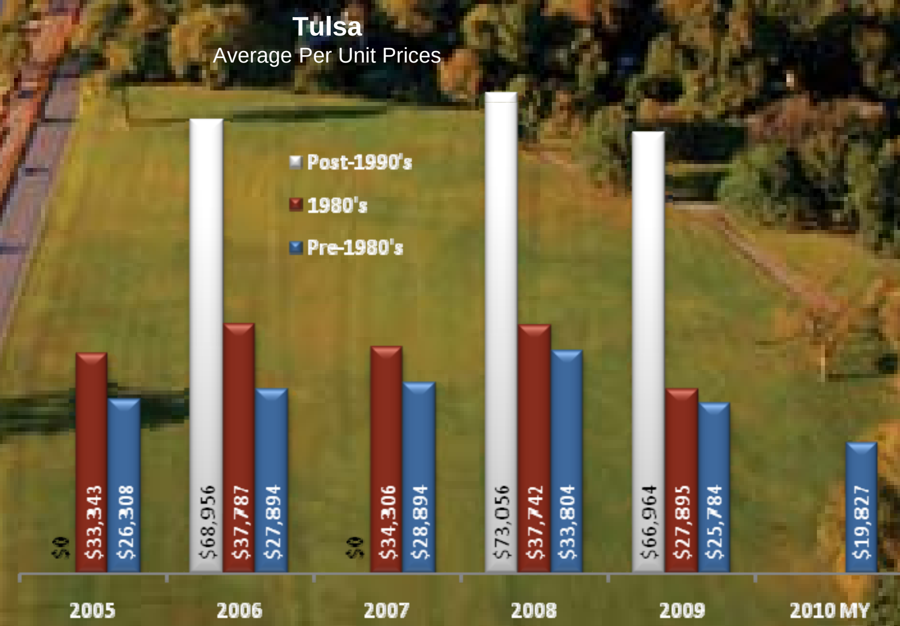
67% decrease
Compared to 2009 Mid-Year

Tulsa

Tulsa New Construction

Property Name	Address	City	No. of Units	Year Built
Marquis On Memorial	14681 South 82nd East Ave.	Bixby	132	2009
Villas at Aspen Park	2001 W Princeton Circle	Broken Arrow	270	2009
Preston Lake	14700 E 88th Place N.	Owasso	260	2009
Nickle Creek	7805 S. Union	Jenks	304	2009
Riverwalk Crossing	400 Riverwalk Terrace	Jenks	234	2009/2010
Oakmont	20202 E. Admiral Place	Catoosa	200	2009





Arkansas Oklahoma Kansas

Outlook

Occupancies and rental growth in Tulsa and Oklahoma City have been relatively flat during the first six months of 2010. This is primarily because there has been no meaningful rebound in employment and the single family residential market has remained strong. Total sales on single family homes in Oklahoma City for instance were up almost 30% between April 2009 and April 2010. The average home price in Oklahoma City for this same period was up less than one percent at $143,215. Both are factors that work against the multifamily market. A significant amount of these sales can be contributed to first-time buyer and the tax-incentive program, but this is the segment of the market that has had the biggest negative impact on multifamily occupancy. Occupancy rates in Oklahoma City remain where they were at the end of 2009 in the 90 to 92% range, but with more downward pressure as expected. Tulsa tapered off slightly at 90 to 91%. Having unemployment rates that are just “better than the rest of the country” will help to sustain, but won’t do much to push occupancy levels higher in 2010.

One of the lessons learned from this current cycle is that failure is a possibility, something I think investors dismissed during the periods between 2004 and 2007. Really low interest rates drove really high leverage and really high leverage drove higher values, which led to speculative borrowing. The weakest deals always collapse first, and this is what we have seen in terms of sales in 2009 and so far in 2010. Now we will see if this begins to affect some of the more stable properties in the market with loan maturities on the horizon. Unless we have truly forgotten the meaning of risk, multifamily pricing will have to adjust as risk is priced back into the equation.

But until this happens, transactional activity is expected to remain low in the second half of 2010. Sellers are not feeling the pressure to discount pricing and buyers continue in their attempts to acquire properties at pricing levels below what sellers are willing to accept. I think the explanation is that Seller’s are not panicking and selling properties into a weak market.

Multifamily does well in both good times and bad and the Oklahoma economy is one of the best in the nation, so I don’t expect to see a torrent of distressed properties in either Oklahoma City or Tulsa in 2010. Investors who are patiently awaiting an ideal entry point into distressed multifamily may soon have to abandon that strategy.

Oklahoma City	**Post 1990’s**	**Post 1980’s**	**Pre-1980’s**
Number of Transactions	0	1	12
Total Number of Units	0	192	1,190
Total Number of Sales OKC	0	0	9
Total Number of Sales Edmond	0	1	0
Total Number of Sales Norman	0	0	1
Total Number of Sales Del City	0	0	1
Total Number of Sales Yukon	0	0	1
Price High per unit Price Low per unit		$35,583	$62,773 $2,437

Tulsa	**Post 1990’s**	**Post 1980’s**	**Pre-1980’s**
Number of Transactions	0	0	4
Total Number of Units	0	0	764
Total Number of Sales Tulsa	0	0	4
Total Number of Sales Catoosa	0	0	0
Total Number of Sales Sapulpa	0	0	0
Price High per unit Price Low per unit			$26,315 $7,226