Arkansas Oklahoma Kansas

2012 Mid-Year Apartment Report Oklahoma City & Tulsa

*Providing professional apartment brokerage and marketing services for over **26** years*

Mike Buhl
CRRC-OKC
405.360.5966
buhl@crrc.us

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

CRRC

COMMERCIAL REALTY RESOURCES CO
MULTIFAMILY INVESTMENT SERVICES

www.crrc.us

2012 Mid-Year
Multifamily Apartment Report

The next chapter in the apartment market is going to look pretty different. The ongoing recovery is entering a new phase that is marked by record pricing and increased construction starts. The apartment market has experienced strong renter demand and lower vacancies through the middle of 2012 that has produced strong investor interest. While vacancies have been showing a downward trend for the past several years, the momentum has really taken hold in 2012. Oklahoma City and Tulsa are on top of numerous national lists and frequently mentioned in the press as preferred markets for expansion and investments.

The reason being; Oklahoma City and Tulsa metro areas continued to add jobs compared to a year ago. The Oklahoma City area again recorded the lowest May unemployment rate in the nation at 4.5 percent and the Tulsa metro area had a jobless rate of 5.3 percent in May 2012, according to the federal Bureau of Labor Statistics. Oklahoma City added 15,300 jobs since May 2011, an increase of 2.7 percent, and Tulsa added 10,500 jobs in the past year, a growth rate of 2.6 percent, according to the Oklahoma Employment Security Commission. And this has not gone unnoticed by private and institutional investors, syndicators, investment trusts, tenant-in-common sponsors and developers.

The significance of this is seen in the return of Real Estate Investment Trusts, primarily in the form of non-traded REIT's. Unlike their predecessor, a non-traded REIT does not trade on a securities exchange and raises funds privately. Steadfast Income REIT, a non-traded REIT, made a big display with their $55 million purchase of Spring Creek Apartments and Montclair Parc Apartments in Edmond and Oklahoma City and their $60 million purchase of Sonoma Grande and Estancia Apartments in Tulsa, all in the first half of the year.

Another unprecedented sale in 2012 that changed the trajectory of the market is the $77 million purchase of Lincoln at Central Park Apartments by Philadelphia based GoldOller Real Estate Investments. And then, there was the $22.9 million and $33.6 million acquisition of two student housing communities in Norman. Some skeptics would say that these sales have pushed the prices for these top tier properties high above the market and that they may not be able to sustain reasonable returns for their investors.

They theorize that pent up demand driven by the availability of capital and historic low interest rates are pushing values higher and not the fundamentals themselves. There may be some truth to this when we are seeing prices exceed $100,000 per unit, which is atypical for our markets. But, I think we will continue to see cap rates in the six percent range on top-quality properties as long as interest rates on long term debt remains at levels that are 200 basis points below the going in capitalization rate. While underlying apartment fundamentals have been good, historic low interest rates have been better and have created this rare window of opportunity for sellers in this asset class. Furthermore, the unbalance in supply and demand, coupled with this low interest rate environment, is fueling the next building boom in Oklahoma City and Tulsa; something that is now in the beginning stages.

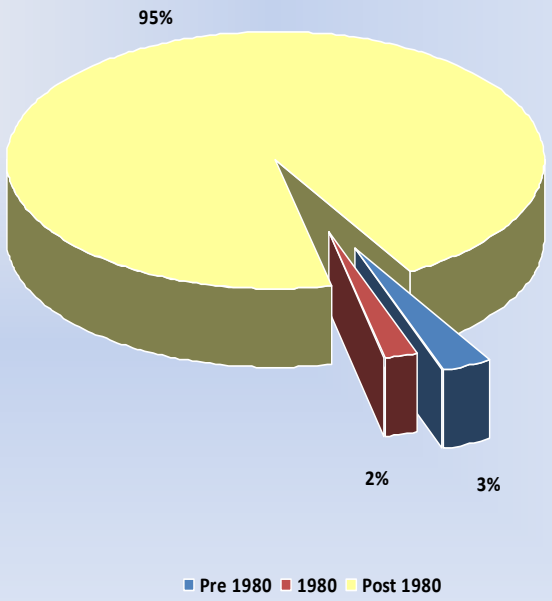
Consequently, the disconnect between the most desired and most troubled assets in the market has never been greater. And distressed could become a word of the past as the inventory and pipeline of distressed properties is dwindling quickly. Albeit, there were many properties purchased during the height of the market that could still be in trouble, but generally speaking, lender activity in our markets is lessening at a rapid pace.

2012 Mid-Year
Multifamily Apartment Report

Transaction volume really picked up in Oklahoma City for the first six months of 2012. Total sales volume for the first six months of 2012 is up 280% from the same period of 2011 and the overall average price per unit is up by 180%. Tulsa was similar with total sales volume up over 400% at $71.7 million as compared to $13.9 million at Mid-year 2011.

Oklahoma City

For the first six months of 2012, there were 13 sales on properties that exceed 25 units in size, for a total of 2,768 units. This was up 36% from the 2,028 units sold at Mid-year 2011. Total sales volume was up an astonishing 280% at $220.8 million in 2012, as compared to $57.7 million for the first six months of 2011. In fact, the volume so far in 2012 far exceeds the $136.5 million in sales for all of 2011. The overall average price per unit on apartment communities with 25 units or more stands at $79,802, which is up 180% from $28,487 per unit at Mid-year 2011. As the chart displays, these overwhelming increases are because 95% of the sales in 2012 have occurred in the Post-1980's category; something that has not happened in past reports.



Oklahoma City

For Pre-1980's properties, there were 6 transactions involving 667 units for an average per unit price of $10,411. Sales of distressed assets accounted for 32% of these transactions, which is down from 88% at Mid-year 2011. The most distressed of these sales was recorded at $6,445 per unit, followed by $9,500 per unit. The average for this category though is not going to exhibit a big rebound until we see more sales of stabilized properties that can generate upper 20's to mid $30,000 per unit prices.

The average for 1980's vintage is $30,315 per unit, as compared to $44,547 for the same time last year, but there was only one recorded sale for the first six months of 2012. As a result, total volume for this category was only $3.8 million, as compared to $21.6 million for the first six months of 2011. The lone sale in this category was the Lightning Creek Apartments at 8113 S. Western. The property was built in 1984 and was one of the first mixed-use developments in Oklahoma City containing apartments on the upper lever and retail on the ground floor. Many of the lower level storefronts were converted to apartments over the past 20 years, leaving a mix of 95 apartment units and 32 retail spaces at the time it sold. The purchase price for the 127-units was $3,850,000, or $30,315 per unit.

The majority of sales in 2012 have occurred in the Post-1980's category that includes new construction projects from the late 1990's and 2000's. Total volume for this category was $210 million during the first six months of 2012, as compared to $28.8 million during the same period of 2011. There were 6 transactions involving 1,974 units for an average per unit price of $106,432. Two of these sales involved student housing properties near the University of Oklahoma in Norman. The Reserve on Stinson, a 612 bed community, sold for $112,488 per unit and Cottages of Norman, a 644 bed community, sold for $193,103 per unit.

The purchase price for Cottages of Norman at 1601 E. Imhoff Road was estimated to be $33,600,000 by using an 80% loan-to-value on the $26,880,000 loan amount that is recorded of public record. Documentary Stamps for this transaction were not a reliable source as they were recorded at only $1.50.

The other sales involved; the 252-unit Spring Creek Apartments in Edmond for $76,785 per unit, the 276-unit Village at Quail Springs Apartments at 14520 N. Pennsylvania for $77,717 per unit, the 708-unit first and second phase of Lincoln at Central Park Apartments for $108,757 per unit, and the 360-unit Montclair Parc Apartments at 10900 S. Pennsylvania for $99,305 per unit.

Total Sales Volume

282%
Compared to Mid-Year 2011

Total Units Sold

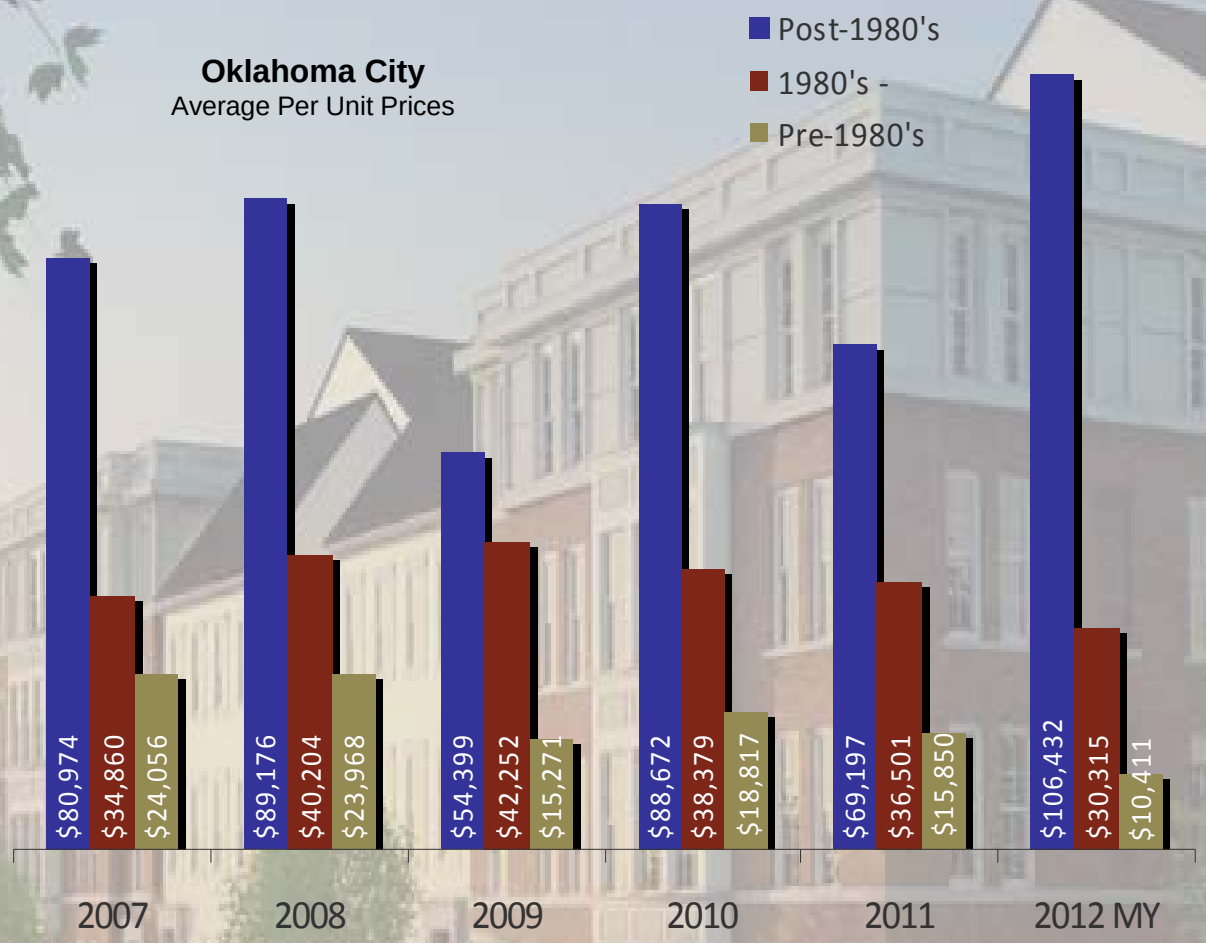
36%
Compared to Mid-Year 2011

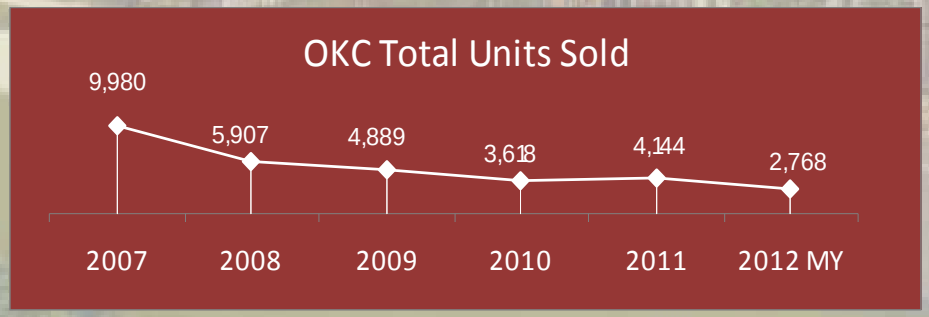
Average Price Per Unit

180%
Compared to Mid-Year 2011

No. of Transactions

8%
Compared to Mid-Year 2011





2012 Mid-Year Lawton Sales

Property	City	Price	Price Unit	# Units	Age
Sherlin	Lawton	$1,825,000	$23,101	79	1984
Summit Springs	Lawton	$14,000,000	$56,910	246	2009
Candlewood	Lawton	$550,000	$6,321	87	1975

Tulsa

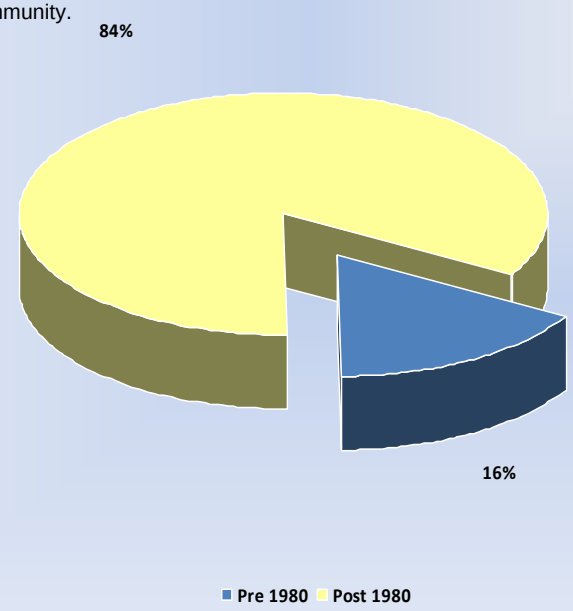
There were 13 sales in Tulsa during the first six months of 2012 on properties that exceeded 25 units in size, for a total of 1,548 units sold. This was up 245% from the 449 units sold at Mid-year 2011.

Total transaction volume in Tulsa was up 414% in 2012 at $71.7 million, as compared to $13.9 million for the first six months of 2011. The overall average price per unit in Tulsa also increased to $46,381 versus $31,096 at Mid-year 2011. The average in Tulsa remained slightly more stable than Oklahoma City because of fewer high profile transactions and lower values for lender owned sales.

For Pre-1980's properties, there were 11 transactions involving 918 units for an average per unit price of $12,742. Sales of distressed assets accounted for 52% of these transactions. While the percentage of lender owned sales decreased from this same time last year, the value of those distressed sales recorded in 2012 declined sharply. The most distressed sale in 2012 brought $6,370 per unit, as compared to over $20,000 per unit for this same period of 2011. These lower sales will now weight down the category in the short term.

There were no sales in the 1980's category for the first six months of 2012 for a statistical comparison. As of Mid-year 2011, there was only one sale on a 224-unit property that sold for $40,823 per unit.

There were two sales in the Post-1980's category during the first six months of 2012. The Sonoma Grande Apartments that were built in 2009 were sold for $32.2 million, or $95,833 per unit for the 336 units at 9303 E. 81st Street. The second purchase by the same non-traded REIT was Estancia Apartments at 7705 S. Mingo Road that sold for $27.9 million, or $94,898 per unit for the 294-unit community.



Total Sales Volume

414%
Compared to Mid-Year 2011

Total Units Sold

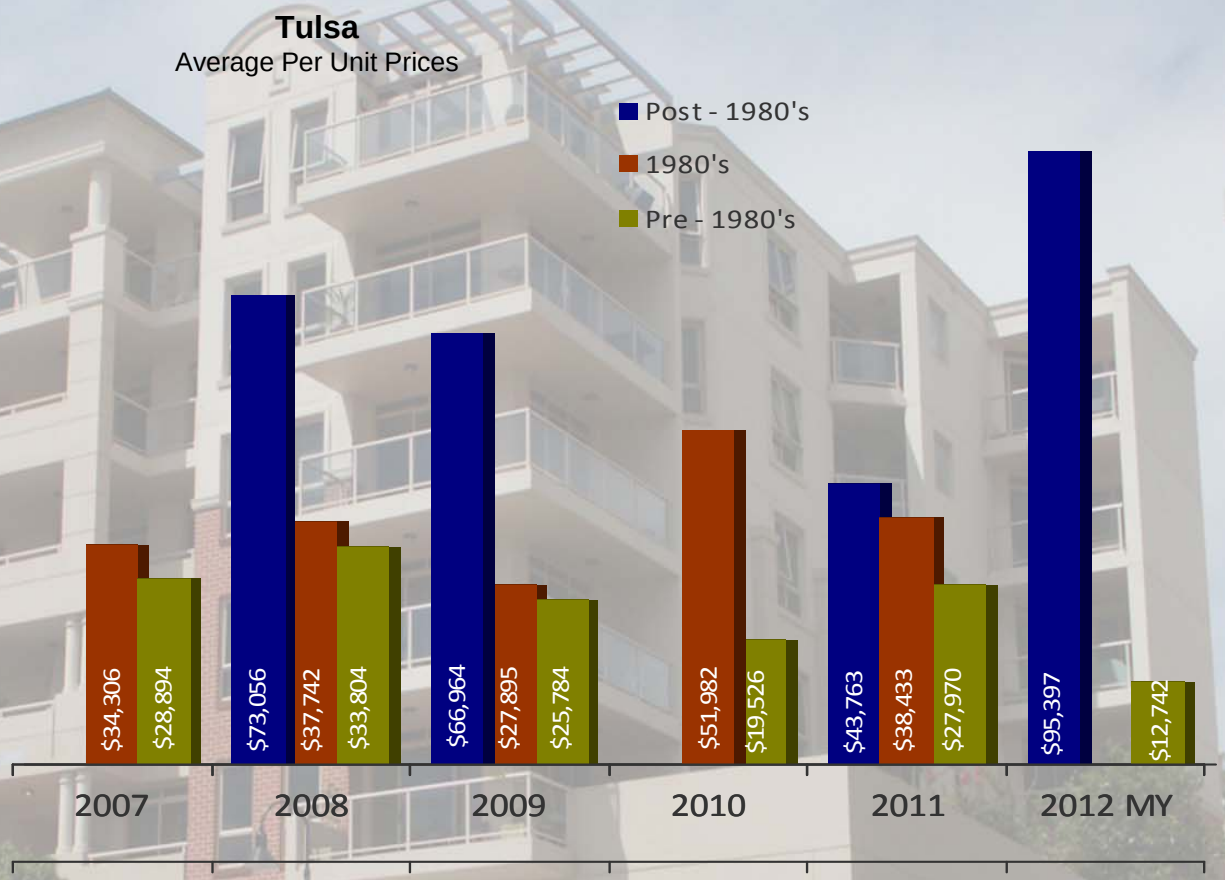
245%
Compared to Mid-Year 2011

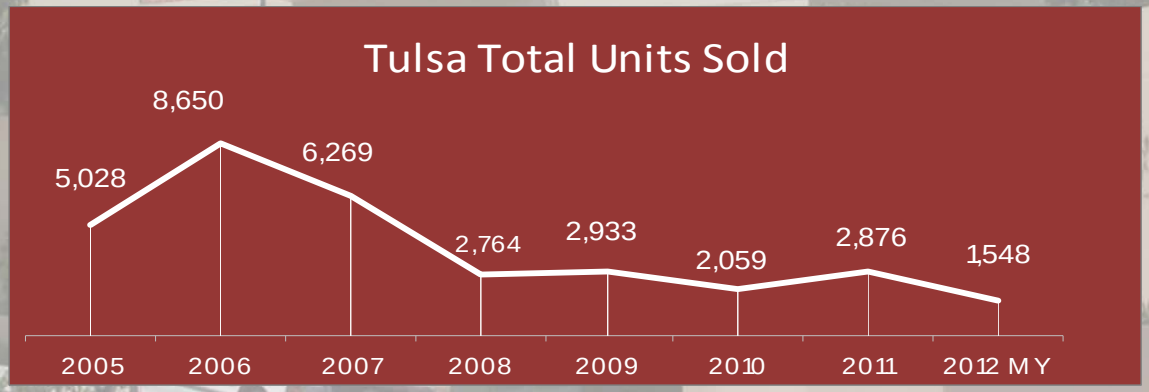
Average Price Per Unit

49%
Compared to Mid-Year 2011

No. of Transactions

225%
Compared to Mid-Year 2011





Arkansas Oklahoma Kansas

Outlook

Oklahoma City and Tulsa continue to experience their lowest vacancy rates in the past 10 years. Rental rate growth has continued to trend upward while vacancy rates hover in the 7 percent range for both markets. At least for the foreseeable future, multifamily is benefitting from changing demographics and consumer attitudes toward renting. The outlook for the remainder of 2012 is for rental rates to continue upward in the 2 percent range while occupancies pierce the 93% range. Although, I believe that occupancy rates could see some pull back in 2013 as a result of heightened new construction.

Multifamily properties are especially desirable as an asset class because of the perceived safety of strong renter demand. But the unbalance in supply and demand has pushed buyers to pay premium prices in 2012 with a willingness to underwrite rent growth into their acquisitions. The pricing trend for acquiring the best assets in the market has become extreme and created a rare window of opportunity for sellers.

2012 will finish out as being a year with extreme optimism for the multifamily industry. It will be a benchmark year in which core assets in Tulsa and Oklahoma City set records for high prices and low cap rates and will set the stage for the next building boom. The next chapter in the apartment industry will look much different than in the past.

Sale Highlights Oklahoma City

Property Name	Address	Price	No. of Units	Year Built	Price Per Unit
Chestnut Hills	7228 NW 10th	$1,064,000	112	1972	$9,500
The Reserve on Stinson	730 Stinson - Norman	$22,947,671	204	2004	$112,488
Copperwood	5800 NW 34th	$1,100,000	51	1967	$21,568
Spring Creek	777 E. 15th - Edmond	$19,350,000	252	1974	$76,785
Village at Quail Springs	14520 N. Pennsylvania	$21,450,000	276	2009	$77,717
Lincoln at Central Park	500 Central Park Dr	$77,000,000	708	2008	$108,757
Montclair Parc	10900 S. Pennsylvania	$35,750,000	360	1999	$99,305
Lightning Creek	8113 S. Western	$3,850,000	127	1984	$30,315

Sale Highlights Tulsa

Property Name	Address	Price	No. of Units	Year Built	Price Per Unit
Cove on Memorial	1246 S. Memorial	$1,232,000	96	1968	$12,833
Brighton Park	4881 S. Darlington	$2,880,000	120	1974	$24,000
Riviera West	4811 S. Jackson	$700,000	100	1973	$7,000
Garden Terrace	1140 S. 101st E. Ave	$1,150,000	65	1964	$17,692
Sonoma Grande	9303 E. 81st	$32,200,000	336	2009	$95,833
Southern Village	1341 E. 62nd	$400,000	57	1973	$7,017
Savannah South	4631 S. Braden	$918,000	69	1963	$13,304
Fulton Plaza	4646 S. Fulton	$485,000	64	1970	$7,578
Brixton Square	4655 S. Darlington	$865,504	96	1970	$9,015