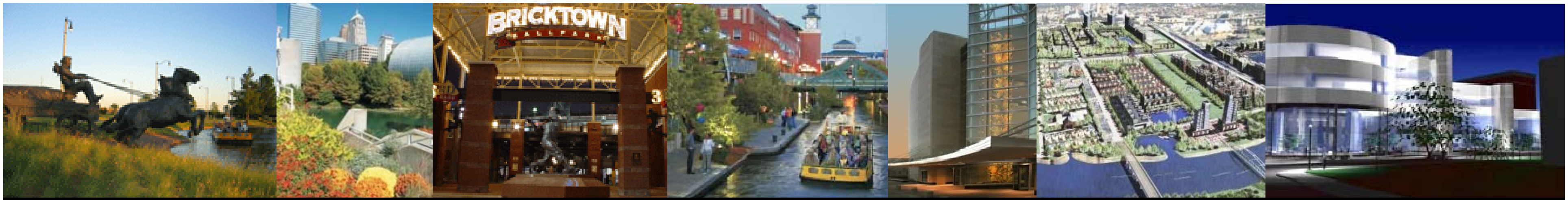

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2011 Mid-Year Apartment Report

Oklahoma City & Tulsa

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2011 Mid-Year
Multifamily Apartment Report

While there may be a huge disconnect between the most desired and most troubled assets in the market, there is one commonality that ties them together. The buyer profile of each represents investor's who already own multifamily assets in the market and who are expanding their portfolios. The biggest percentage of buyers who have acquired properties in 2010 and 2011 have not been new to the market. Investor interest in multifamily properties continued at a healthy clip at the beginning of 2011 from buyer's seeking investment opportunities in both Oklahoma City and Tulsa. Despite the heightened activity though, the buyer's who are actually closing the transactions are those with an already established presence in the market. This is especially true for those properties that are selling at a massive discount to replacement cost. The reason for this is that investors with an already established presence have a greater understanding of the management challenges of our markets, the disparity of neighborhoods and the intrinsic value of an asset.

The other side of the market is much easier to understand but nonetheless, has also attracted investors with a local presence. This segment of the market represents newer vintage properties and those that are performing well. These asset types are appreciating in value and are just not being sold at a discount.

So why is the market so uneven? It gets back to the availability of capital. The capital that is available today is flowing predominantly to top-quality properties with high occupancy rates. We have seen some rebound that includes a broader segment of the market, but mostly transitional properties with lower occupancy and deferred maintenance have remained challenged from a debt standpoint.

The top-quality properties will continue to do well as long as interest rates on long term debt remains at levels that are 150 to 200 basis points lower than the going in capitalization rate. But if interest rates were to move up quickly, I think we could see valuations stall a bit. I do think capitalization rates on top-quality properties in Oklahoma City and Tulsa are about as good as they're going to get. It is really a win-win for this asset class; sellers are achieving low cap rates on their valuations and buyers are getting low interest rates to justify those valuations. (The cap rate is the initial return to the investor based on the purchase price and the annual net operating income the property generates; the lower the rate, the higher the purchase price).

So what many investors envisioned to be a market with numerous opportunities to buy distressed assets at bargain prices just hasn't materialized. What did materialize is a segment of the market that became very distressed for reasons other than the economy and those assets have not attracted new investors to the market.

Recent land sales will pave the way for new construction in the Quail Springs Mall area of Oklahoma City, as well as south Tulsa and Bixby. Encore MF Tulsa LLC of Dallas recently purchased 14 acres at Memorial Drive and 126th Street in Bixby for a 248-unit development. Continental Properties of Wisconsin purchased 10.3 acres at 51st and South 145th Street in Tulsa for a 165-unit development. Continental has also been pursuing a land acquisition in Oklahoma City near 150th and May for a 255-unit development, but with some opposition for the re-zoning. Watermark Residential of Indiana purchased 15 acres at 14602 N. May for a 240-unit development. And Leinbach Company has plans for 128-units in south Tulsa for the Village at Crown Woods development.

2011 Mid-Year
Multifamily Apartment Report

The Midtown district of Downtown Oklahoma City got a big boost in June when the Oklahoma City Urban Renewal Authority awarded a $28.2 million, 250-unit development to the developers of the nearby Legacy at Arts Quarter. The development is scheduled for the former site of Mercy Hospital at NW 13th and Walker Avenue. The Edge development will include six stories with a rooftop terrace, 500-space garage, and features 8,200 square feet of retail space. The 250 rental units will have monthly rates between $735 and $1,395, according to published reports. Construction has also started in the Deep Deuce district of Downtown Oklahoma City with the Level Urban Apartments. The $24 million, 228-unit development is being built at NE 2nd and Walnut Avenue.

Oklahoma County again had one of the lowest jobless rates in the country at 5.2 percent in May 2011, up from 4.8 percent in April, but down from 7 percent in May 2010. Tulsa County, the state's second largest metropolitan area had a jobless rate in May 2011 of 5.8 percent, up from 5.5 percent in April and down from 7.7 percent in May 2010. Oklahoma City has continued to have a jobless rate that is among the lowest of all metropolitan areas with more than 1 million residents.

Energy and agriculture also helped boost the state's personal income growth to fifth in the nation during the first quarter of 2011. Oklahoma's personal income growth accelerated 2.5 percent in the first three months of 2011, when compared to the previous quarter, according to estimates by the U.S. Bureau of Economic Analysis.

As compared to this same time last year, transaction volume really picked up in Oklahoma City for the first six months of 2011. The increase is attributable to sales of newer vintage properties and Class "A" communities. Total sales volume for the first six months of 2011 is up 75% from the same period of 2010 and the overall average price per unit is up by 8%. Tulsa was down only slightly with total sales volume off by 8% at $13.9 million as compared to $15.1 million at Mid-year 2010. The overall average price per unit in Tulsa though rebounded sharply. Mostly because sales of Pre-1980's properties in Tulsa commanded much better pricing than they did in Oklahoma City.

> "*As compared to this same time last year, transaction volume really picked up for the first six months of 2011, which is attributable to sales of newer vintage properties and class "A" communities*"

Oklahoma City

For the first six months of 2011, there were 12 sales on properties that exceed 25 units in size, for a total of 2,028 units. This was up 62% from the 1,250 units sold at Mid-year 2010. Total sales volume was up fairly significantly at $57.7 million in 2011, as compared to $32.9 million for the first six months of 2010. The overall average price per unit on apartment communities with 25 units or more stands at $28,487, which is up 8% from $26,395 per unit at Mid-year 2010.

For Pre-1980's properties, there were 8 transactions involving 1,098 units for an average per unit price of $6,592. Sales of distressed assets accounted for 88% of these transactions, which is really weighing down the average. Several of these highly distressed properties were sold at pricing below $5,000 per unit. The average for this category is unlikely to exhibit a big rebound in the second half of the year due to the distressed assets of this vintage that are moving through the system.

The average for Post-1980's properties for Mid-year 2011 is $44,547 per unit, as compared to $35,583 for the same time last year. Total volume for this category was up significantly at $21.6 million for the first six months of 2011, as compared to only $2.1 million for the first six months of 2010. There were two properties sold in 2011 for a total of 486 units, as compared to just one property with 60 units during the first six months of 2010.

The sale of the 360-unit Countryside Village in Moore represents a trend that has become more popular in recent years where the interest of the ownership entity is acquired as opposed to the real estate itself. Consequently, the sale of Countryside Village was not shown on County Records. The purchase price is an estimated calculation that is derived by using an 80% loan-to-value of the $14,280,000 loan amount that is recorded of public record.

The second sale involved the 126-unit Residence Inn in Norman at $3,850,000. The property was originally built in 1983 as a multifamily property and then later was repositioned to service the hospitality industry as a Residence Inn by Marriott. The current owner, Virtu Ri Borrower LLC, will reposition the property back to a conventional apartment community.

There were two sales in the Post-1990's category during the first six months of 2011, as compared to no sales in this category during the same period of 2010. The first sale involved the 216-unit Quail Landing Apartments at 14200 N. May at $73,100 per unit. Quail Landing was built in 2000 and located within the one-mile radius of Quail Springs Mall. The 228-unit Renaissance in Norman Apartments was the second sale. Renaissance was built in 1998 and sold for $57,432 per unit. The buyer of Renaissance first acquired the Note on the property from its Special Servicer and then completed the foreclosure process to secure title.

Total Sales Volume

75%
Compared to Mid-Year 2010

Total Units Sold

62%
Compared to Mid-Year 2010

Average Price Per Unit

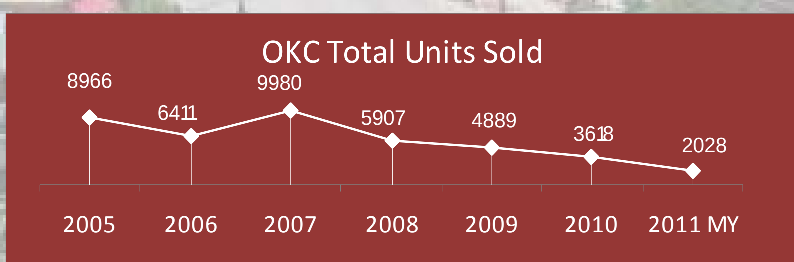
8%
Compared to Mid-Year 2010

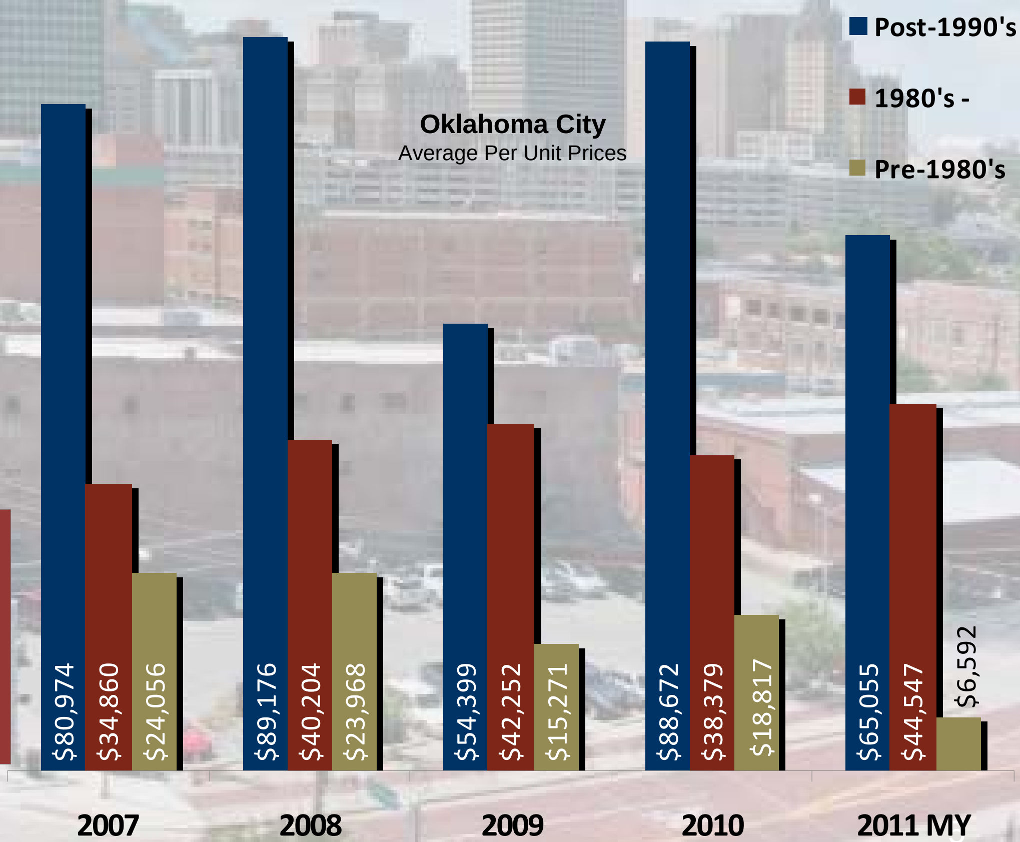
No. of Transactions

Less Than 1%
Compared to Mid-Year 2010

Multifamily Land Sales

Address	Price	Acres	Price SF	Price Unit
14602 N. May	$1,700,000	15.0	$2.60	$7,083
317 W. Covell Road	$2,950,000	18.62	$3.63	$9,000
1002 SW 89th Street	$815,000	8.88	$2.11	$4,429
301 Pointe Parkway	$1,400,000	21.0	$1.53	$2,671





Tulsa

There were only four sales in Tulsa during the first six months of 2011 on properties that exceeded 25 units in size, the same number as Mid-year 2010. Three sales involved Pre-1980's properties, for a total of 225-units. This is down 71% from 764 units sold at Mid-year 2010. The average price per unit for Pre-1980's properties increased 8% to $21,411, from $19,827 for the same period 2010. This stands in stark contrast to the $6,592 per unit number recorded in Oklahoma City for this same vintage property. It really goes to show that properties in Tulsa are not seeing the same level of distress as Oklahoma City and not selling for prices of $3,000 to $4,000 per unit.

There was only one sale in the Post-1980's category on a 224-unit property that sold for $40,823 per unit. There were no sales within the Post-1990's category during the first six months of 2011 for a statistical comparison.

Total transaction volume in Tulsa was about on par in 2011 at $13.9 million, as compared to $15.1 million in 2010. The overall average price per unit in Tulsa ended the six month period at $31,096, a 57% increase from $19,827 at Mid-year 2010.

Property Name	Address	Price	No. of Units	Year Built	Price Per Unit
Sale Highlights Oklahoma City					
Grandville	727 N. MacArthur	$637,800	240	1972	$2,657
Dutch Hollow	1215 Oakhurst – Norman	$1,050,000	48	1970	$21,875
Overlake	7920 NW 21st Street	$1,500,000	338	1975	$4,437
Quail Landing	14200 N. May	$15,790,000	216	2000	$73,101
Westgate	5944 NW 40th Street	$576,000	48	1970	$12,000
Residence	2681 Jefferson – Norman	$3,800,000	126	1983	$30,158
Whitby Court	7525 Knight Lake Dr	$1,350,000	184	1972	$7,337
Sale Highlights Tulsa					
Southern Elms	4519 East 31st Street	$1,720,000	78	1968	$22,051
Meadowbrook	444 S. Mingo	$2,367,500	117	1968	$20,235
Delaware Gardens	5104 S. Delaware	$730,000	30	1975	$24,333

Total Sales Volume

8%
Compared to Mid-Year 2010

Total Units Sold

41%
Compared to Mid-Year 2010

Average Price Per Unit

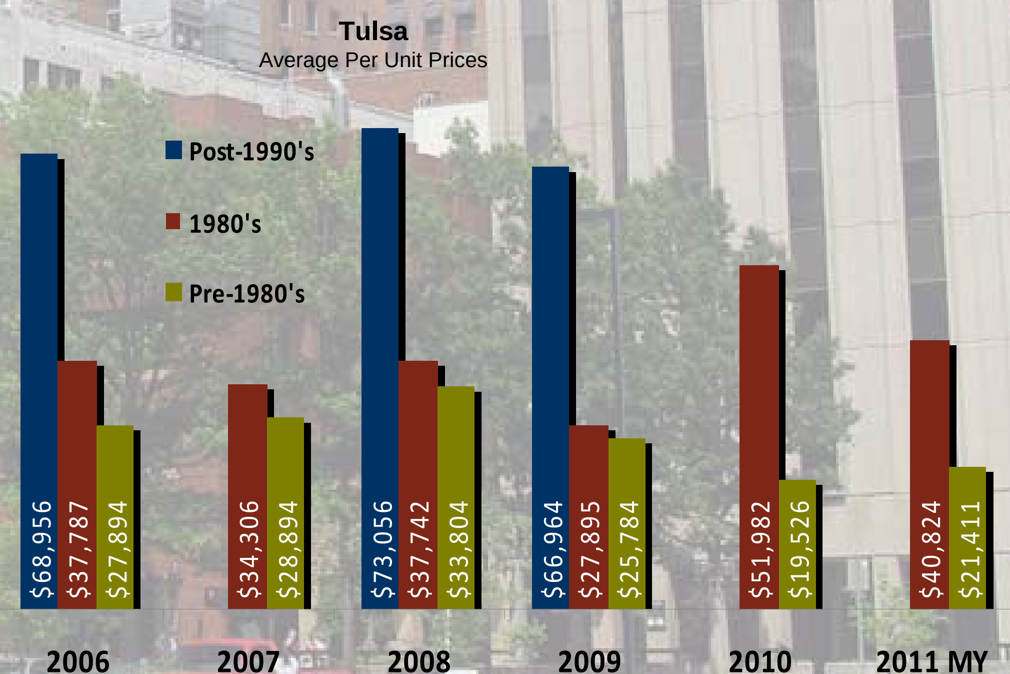
57%
Compared to Mid-Year 2010

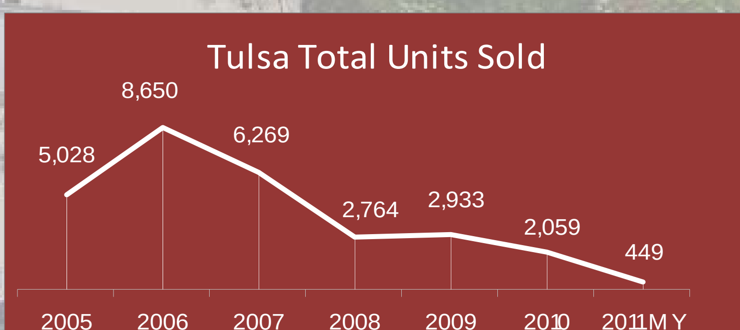
No. of Transactions

No Change
Compared to Mid-Year 2010

Multifamily Land Sales

Address	Price	Acres	Price SF	Price Unit
51st and S. 145th Street	$1,190,000	10.3	$2.65	$7,212
1800 W. Albany Drive	$2,270,000	18.4	$2.83	$6,037
Memorial and 126th Street	$1,470,000	14.0	$2.41	$5,927





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Outlook

I think we will see more buyers in 2011 and 2012 with a willingness to underwrite some rent growth into their acquisitions. There is just no discount being offered to investors who are acquiring the best assets in the market. Capitalization rates have been coming down because of increased competition and historically low interest rates. For the best properties, sellers have become very optimistic in their treatment of value.

Occupancies and rental growth in Tulsa and Oklahoma City were relatively flat in 2010. The outlook for 2011 is for stronger renter demand and occupancy levels of 91 to 92% in Oklahoma City and 91 to 92% in Tulsa. I think the homeownership rate in our markets has declined somewhat from its peak, which has led to higher absorption of apartments. This corresponds with the national trend as well. According to published reports, the home ownership rate nationally propelled to a historic high of 69% in 2006. But since then it has retreated to about 67%, the same level as in 2000. It is reported that every percentage point drop in the home ownership rate represents about 1.1 million potential new renters nationally. According to the Federal Reserve Bank of New York, the rate could fall to around 62% over the next few years.

This should lead to fewer rent concessions and stronger effective rent growth during the remainder of 2011 and the beginning of 2012. The only caveat to consider is the effect of inflation on the Class “A” properties. If you look at the rising cost of food and gasoline and combine that with higher rents, the “B” Class assets may actually be more resilient to rent growth in 2011 and 2012 than the Class “A” market.

While the number of transactions remained fairly steady between the 2011 and 2010 year-to-date comparison, expect values to improve as they have done so far for the first six months of 2011. Investor interest by all accounts will remain strong for both quality and distressed multifamily product in Tulsa and Oklahoma City. The numbers certainly support that apartments offer the best buying opportunities today.

“There is just no discount being offered to investors who are acquiring the best assets in the market”

Oklahoma City	Post 1990’s	Post 1980’s	Pre-1980’s
Number of Transactions	2	2	8
Total Number of Units	444	486	1,098
Total Number of Sales OKC	1	0	7
Total Number of Sales Moore	0	1	0
Total Number of Sales Norman	1	1	1
Total Number of Sales Del City	0	0	0
Total Number of Sales Yukon	0	0	0
Price High per unit Price Low per unit	$73,101 $57,432	$49,583 $30,158	$21,875 $2,657

Tulsa	Post 1990’s	Post 1980’s	Pre-1980’s
Number of Transactions	0	1	3
Total Number of Units	0	224	225
Total Number of Sales Tulsa	0	1	3
Total Number of Sales Broken Arrow	0	0	0
Total Number of Sales Sapulpa	0	0	0
Price High per unit Price Low per unit		$40,823 $40,823	$24,333 $20,235