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# Schism in apartment market defines '10

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Brokerages went nearly Dickensian in describing the atypical apartment investment market in 2010.

"A tale of two markets," said officials with CB Richard Ellis-Oklahoma.

"A great divide," said officials with Commercial Realty Resources Co.

Frost in the economy caused the high road and low road to so diverge that Sperry Van Ness tossed the traditional multifamily literature — a story of prices averaged by the decade properties were built — to take a statistical road less traveled. The firm crunched the numbers based on performing versus nonperforming assets.

## Ups and downs

That was the real multifamily story here in 2010: Performing apartments, those with high occupancy and in good shape, sold well and high; nonperforming properties, those with high vacancy and offered by the lenders that repossessed them, sold low.

Among the most desired properties, some sold at prices approaching or surpassing the peaks of the boom a few years ago. But the most troubled apartment houses are selling at 20-year lows, said Mike Buhl of Commercial Realty Resources.

"What we have seen in 2010 is that at some massive discount to replacement cost and intrinsic value, there is a buyer for anything opportunistic. The disparity really lies in whether the asset is performing or not and is very evident in pricing," Buhl said.

## Appeal of low rates

Fannie Mae and Freddie Mac multifamily loan programs made investing in apartments attractive in 2010, with rates for 10-year fixed-rate financing below 5 percent for most of the year. The low rates drove investment in Class A and Class B properties and helped push up prices, said William T. Forrest and Eva M. Wills of CB Richard

# Schism: Sales keyed to performance

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Forrest and Wills pointed to the strong prices paid in two prominent transactions last year: \$63,000 per unit paid for 274-unit Regency Tower, built in 1967 at 333 NW 5, and about \$80,000 per unit paid for Stoneleigh in May, built in 2001 at 14300 N May.

Last year "was an excellent year to be selling performing, stabilized assets with the 10-year Treasury at historic lows," said Andy Burnett of Sperry Van Ness, who handled the Regency Tower and Stoneleigh sales with his brother and fellow broker David Burnett. "Nonperforming distressed assets were hit the hardest by the recession and post-crisis change in lenders" underwriting standards."

## Going to extremes

Buhl said his records showed extremes of \$2,437 per apartment for the 199-unit Kristie Manor, built in 1971 at 5200 SE 29 in Del City, to \$95,895 per bed for



Eva M. Wills and William T. Forrest of CB Richard Ellis-Oklahoma stand at the construction site of Fountain Lake Apartments phase 2 at Memorial Road and Eastern Avenue.

the mortgage on the foreclosed, 268-bed, student-oriented, pod-designed Crimson Park Apartments at 2657 Classen Blvd. in Norman; Pierce Educational Properties of San Diego and Chicago-based Harrison Street Real Estate Capital acquired the \$25.7 million Crimson Park note from First United Bank & Trust Co.

It was unusual for Buhl

to count the note sale. He said he did so because the buyers revealed their purchase as well as their intention to buy the property. He said he thought the purchase price is a better reflection of the market than most paper deals.

"Generally, a note sale would reflect a discounted price to what the real estate might sell. In this instance though, the buyer

paid a premium because of the quality of the property, the Norman submarket, and its location to the University of Oklahoma campus," he said. "Opportunities like Crimson Park are rare in Norman. The buyer's acquisition was driven by the long-term goal of having a quality project near a major university at less than replacement value."