

The Apartment Report™

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CAPS ON THE UPSWING

Expect caps to hike up by at least .75% through 2009, as investors focus their attention back to fundamentals. Deals with 8%-plus caps could very well become the norm, making 3% to 4% cap rates a thing of the past. Players like **Reliance Capital Partners LLC**, **Triumph Land & Capital Management**, **Freeman Webb Investment Inc.**, **NDC Capital Partners LLC** and **NTS Realty Holdings LP** bank on investment deals with caps in the 7% to 8% range. Overall market cap rates continue to move upwards, about .65% year-over-year, bringing more buyers out of their offices. However, don't expect deals by the dozen — a gap still exists between what sellers and buyers expect, given the restrictive leverage quotas.

Rising cap rates bring some much needed cheer as the country reels from all the financial setbacks. **Washington Mutual**, one of the largest multifamily and commercial lenders in the country, joins the ranks of belly-up financial institutions like **Lehman Brothers**, while Citigroup rescues **Wachovia**. Apartments bring some sunshine amidst this credit and housing market storm. Odds still favor multifamily investors thanks to the supply constraints, cheap debt, 10-year fixed loans and inflating cap rates. Class B and C assets with value-add potential may see cap rate increases over 1% in select markets as investors make capital improvements to support rent hikes. Larger complexes will implement various utility reimbursement programs to boost NOI performance.

Reliance Capital Partners buys 428 units in Little Rock, Ark., in a value-add play: **Willow Bend I & II**, **St. John Apartments** and **Shorter College Garden Apartments**. The sales price was around \$10M, at a 8% cap based on actuals. The three-property portfolio was constructed in the 1970s and is about 96% occupied. Principal **Andrew Koren** leverages about 70% with a three-year, 20-year amortization loan in the upper 6%. Indicators point to One Bank & Trust of Little Rock and Madison Realty Capital of New York as the lending entities. The company adds six assets to its portfolio this year, coming in close to its goal of adding 1,000 units/year. Reliance evaluates opportunities in New York, South Carolina and Texas, each with 150 and 200 units. Reliance typically does 10-year holds. Anticipated IRRs are low- to mid-20s.

San Antonio sees caps drop year-over-year, settling in the low-7%. However, prices drop at least 40% in the last 12 months. Coupled with the cost of capital, count on caps shifting upwards. Triumph Land & Capital Management buys the 232-unit **Wall Street** complex in San Antonio. Average market rates are \$36K/unit, mid-7% caps. Renamed the **Providence at Wall Street**, the complex will undergo a \$2M improvement plan. Situated in a 92%-occupied submarket, the asset is about 83% occupied — up 8% since the purchase. President **Aaron Graft** expects to reach mid-90s in four months. Triumph assumes an existing loan. Myan Management Group steps in as manager and MBS Companies is the seller. Triumph believes it was a good opportunity to pick up a distressed asset in a good location. Year-to-date, Graft adds about 1,400 units to its portfolio totaling about \$55M, of which about \$30M are all-cash transactions. About 600 units have been sold since. Value-add deals could draw in returns in the high-teens and high-risk assets in the mid-20s. Graft seeks opportunities in Texas and Oklahoma.

Caps shoot up and settle in the 8% range in Nashville, up from 7% in Q1. Freeman Webb Investment acquires the **Mira Vista** in Nashville for \$6.4M, with 8.7% cap based on trailing 12. That's down from its \$10.5M listing price in 2007. The company borrows from Freddie Mac at 50% loan to total capitalization. President **Kent Burns** plans \$2M in rehabs to the interiors and exteriors. Mira Vista has 185 units in ones, twos and threes ranging up to 1,900 s.f. The acquisition fits perfectly into Burns' business model. The company owns/manages the largest multifamily portfolio in middle Tennessee. The firm manages more than 11 million s.f. of residential and commercial space.

Oklahoma City's cap rates inch up to about 7.25% for Class A and at least 8% for Class B assets, due to the slow rental growth. Those numbers pale in comparison to 2006, when Class A assets in the area traded at 6.5% caps. Caps in Oklahoma City are historically about 75 to 100 basis points higher than the national average. NDC Capital Partners LLC co-invests with Capital Assets to acquire the **Arbor Lake Apartments** in Oklahoma City. Indicators suggest a price tag of at least \$34K/unit at mid-7% to 8% caps. The Class B property has 152 units. Average area occupancy is 92%.

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NTS Realty Holdings LP agrees to buy the **Courtney Estates** in Louisville, Ky., for \$39M and a likely 7.25% market cap. The company has until October 26 to close the deal, post acceptable due diligence. NTS satisfies the purchase price through proceeds of a loan secured by the property and from working capital. Louisville sees average caps in the 8% range, down slightly from last year. However, market caps still remain about 1.5% above national average. Lay odds on attractive caps and pricing, and competitive yields luring investors into the area.

WILL RECOURSE RETURN?

Count on the days of non-recourse loans to be short-lived. The diminishing CMBS pool and the recent lack of confidence in life insurance firms like **AIG** will prompt lenders to seek lower-risk deals in the form of recourse loans. Lenders may also instate partial recourse loans that will burn off with performance. Before the door slams shut, firms chase non-recourse loans while they can still get them. Those with a good performance record should not face too much of a problem. Companies like **Fowler Property Acquisitions, A.C. Lewis Management, Morgan Management, Blue Vista Capital Management LLC** and partner **Maxim Real Estate Investments LLC** strike out with non-recourse loans that do not require them to put their own dog in the fight. Non-recourse acquisition loans leverage about 80%, at 1.15x to 1.25x DCR and 6% to 7% interest rates. Refinancing deals may see 70% leverage at 1.25x DCR. Looking ahead, watch for more conservative lending parameters that will boost rates and DCR constraints. Rates have gone up by .25% to .50% over the last few months.

Non-recourse loans account for at least 85% of all multifamily transactions and are typically done for larger stabilized properties. Freddie Mac and Fannie Mae are heavy hitters in the non-recourse arena that makes up 5% of all asset-type financing, year-to-date. Watch for GSEs to increase their multifamily portfolio throughout 2009, keeping non-recourses on the table as a popular strategy for borrowers who are not personally liable for repayment in the event of foreclosure. The value of the actual real estate is the best collateral. Non-recourse loans typically come in about 10% below asset value. For now, recourse loans tend to be below \$3M and use floating rates, which are based on the 30-day LIBOR or WSJ Prime.

Fowler Property Acquisitions (FPA) and partner Paladin REIT buy the 420-unit **Conifer Crossing** in Norcross, Ga., for \$31.75M from Simpson Housing, for about 90% total purchase price. Financing comes from a \$28.7M non-recourse Freddie Mac loan. Loan terms: 5.96% fixed rate, 7-year with 5-year interest-only, 30-year amortization. FPA and Paladin REIT handle the balance with the latter putting in 43% of the equity. Conifer Crossing is used as collateral. It is valued around \$32.5M with \$40M post renovation. Look for north of \$15K/door in rehabs. The complex sits on about 54 acres and is 98% occupied. The mix of ones, twos and threes average 1,233 s.f.

A.C. Lewis Management takes on a \$5.48M non-recourse acquisition loan to buy the **Acadia Park Apartments** in Houma, La., for about \$6.75M. The transaction bears a 10-year Fannie Mae loan, two years interest-only, 6.13%, 30-year amortization, 80% LTV, 1.28x DCR. Acadia Park is about 95% occupied. At 192 units it has 56 ones, 104 twos and 32 threes. Average unit size is 882 s.f. and rents \$624.

Morgan Management buys the **Club at North Hills** in Pittsburgh using a \$27.25M non-recourse loan. Valued at approximately \$35M, the asset is used as collateral. The first mortgage bears a 7-year term, 6.02%, 30-year amortization. NorthMarq Capital arranges the Fannie Mae loan through its affiliate AmeriSphere Multifamily Finance. CapReit sells the 370-unit asset for under \$30M, with a cap below 7% based on pro forma figures. Loan proceeds fund \$1.5M in property improvements.

Monterey Springs Holdings LLC, affiliates of **Blue Vista Capital Management LLC** and Maxim Real Estate Investments LLC, gets a \$30M acquisition loan to buy and rehabilitate the **Monterey Springs Apartments** in Happy Valley, Ore. It is a non-recourse loan at a variable rate structure. **Red Mortgage Capital Inc.** facilitates the seven-year Fannie Mae DUS DMBS loan. Look for three years interest only over a 30-year amortization period. The complex sells for \$41M and a 5.33% cap rate based on in-place income. Blue Vista VP Greg Adler likes value-add opportunities that require \$8K to \$9K in rehabs. He typically seeks returns in the mid-teens.

FEES HIT THE ROOF

Expect development impact fees to hike up from 25% to as much as 300% over the next five years in some Western states. Given that this region should see a continued population boom, increasing by 45.8% from 2000 to 2030, cities and counties are putting more pressure on developers to pick up the tab for infrastructure. Pay special attention to Washington and Oregon. Seattle suburb Snoqualmie Valley sees a 55% hike in impact fees from 2007 to 2008, from \$1.8K/unit to \$2.8K/unit. Oregon's growth management law proposes increasing certain fees by as much as 100% in Washington County. **Opus Northwest LLC** is active in those states. Impact fees continue to escalate in California as well. Bakersfield seeks fee hikes of almost 30% next year and 10% in 2010. **Chhatrala Group** is active in the state and should discharge 1% to 2% of development costs as fees in its new project in Victorville. **Fore Property Co.** pays from 3% to 6% as fees in two projects in Nevada. On the other hand, property tax revenues nationwide declined by 3.5% year-over-year in 2008.

Impact fees tend to be more expensive in remote areas in general — as much as 300% in some parts of northern Arizona. They're usually charged on a unit basis but differ drastically within states, from one municipality or county to the next, and most importantly from project to project and type of use. Opus disburses anywhere from .004% to 2% of a total development cost in impact fees for a Seattle project worth between \$60M and \$65M. In Oregon, Opus likely pays from 1% to 2% of total construction cost on fees.

Seattle: Impact fees in certain parts of the state are non-existent. However, normal operation fees like water, sewer and storm water are applicable to all projects and go anywhere from \$1K/unit to \$6K/unit.

Opus Northwest plans **1200 Madison** in Seattle, featuring 237 high-end units. Projects in the area cost between \$250K/unit and \$275K/unit. 1200 Madison will offer a good mix of live/work studios, ones and twos plus some ground floor retail space, with the residential area offering separate elevator lobbies. The project is in the urban development center near hospitals. Opus plans to break ground in Q1 2009 and complete it by Q4 2010.

Oregon: In the Beaver State, impact fees are referred to as *system development charges* (SDCs). Transportation tax fees should go from \$2,896/unit in 2009 to \$5,381/unit by 2013 — or an 85% hike. Developers pay about 14% of the transportation costs associated with traffic impact fee on new developments currently. New Development Taxes (CET), or the school tax equals \$1/ft. gross for residential. Also, property taxes are likely to go up. In 2008, they were about \$8.69 for 1,000 s.f.

Opus Northwest works on **Ladd**, a 23-story mixed-use residential tower in Portland. VP **John Bartell** pays around \$1.5M in impact fees without taxes. The charges include parks, water, sewer and transportation. Similar projects in the area go anywhere from \$150M to \$190M. Review fees, which include land use review, fire safety review and building plan review, total about \$350K. Building permitting fees for Ladd equals \$200K. Ladd will offer 322 luxury apartments, ranging from 540 s.f. for urban studios to 1,650 s.f. for twos. The tower is in the Cultural District of Downtown Portland. The City of Portland reduced about \$135K from system development charges for Ladd because the project includes low-flow fixtures and energy-star appliances. The city just started rolling out this program. After two years of operation, the actual consumption will be measured against projected consumption, at which point the SDCs could be adjusted. Opus forecast 30% in energy savings, beating the county's credit based on 20% in savings.

California: In Victorville alone, water and sewer fees have gone up 20% from just a few months ago. School taxes are \$1/s.f. for residential and \$.50/s.f. for commercial. Property taxes equal \$1.008/s.f. of the property value.

Chhatrala President and CEO **Hemant Chhatrala** buys 40 acres in Victorville for **Mariposa MPC** that will include a retirement community, at least three hotels, storage units, four restaurants, office towers, a six-story strip mall and a gas station. Mariposa should cost at least \$100M, with impact fees just north of \$1M. Chhatrala paid \$75K in impact fees for a 75,000 s.f. building. The firm aims to include two- or three-story buildings with 250 units for the retirement community. The project should combine a 75% loan and 25% in equity.

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FEES HIT THE ROOF ...

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Chhatrala hasn't brought a partner on board yet, as the project is still in preliminary stages. He usually works with local banks, but may need to use other sources. He'll work on getting loan incentives even as he tries to secure financing. Look for the developer to move forward with Mariposa once the city starts construction on the Nisqualli off ramp in another 14 to 16 months. Add another 24 months thereafter for groundbreaking sometime in Q3 2009.

Nevada: Impact fees differ drastically in Nevada. In Lyon County, they cost 27% of the construction cost, while in Carson City, fees make up 9.2% of a project. In cities like Sparks and Henderson, they vary from 3% to 6%. Sometimes municipalities ask developers to make a donation of about \$200 to \$500/unit for fire stations and schools to get the project approved. However, Nevada shows no signs of increasing its impact fees but instead spikes up property taxes. Taxes rise approximately 30% in the last five years in Henderson and Sparks — developers pay about \$1,035/unit in Henderson and about \$1,000/unit in Sparks.

Fore VP of Development **Jonathan Fore** works on two projects in Nevada. The 310-luxury unit **Quest Apartments** in Henderson cost about \$49M and \$8K/unit on impact fees with building permits. **U.S. Bank** funded about 77% of the construction loan, plus 90% equity from Fidelity Financing and 10% equity from Fore Prop. Co. Fore targets working-class tenants, setting rental fees between \$900 to \$1,300/month for ones, twos and threes. Units range from 739 s.f. to 1,258 s.f. Fore's 300-luxury unit complex in Sparks, **Pioneer Meadows**, will have an estimated price tag of \$39.5M in development costs, and about \$14K/unit in impact fees with building permits. Financing equals 75% construction loan from PNC Bank, plus 95% equity from Fidelity Investments and 5% from Fore. Ones, twos and threes will rent from \$900 to \$1,300/month, targeting working-class residents. Units measure 825 s.f. to 1,331 s.f. Expect both projects to finish in December 2009.

BEING SMART ABOUT RE-USE

Bold Development, Hovey Companies, Poko Partners and EFO Residential Partners LLC/EFO Holdings LP work on adaptive re-use projects, saving pieces of Americana — buildings that can't be replaced. They use smart-growth principles as they provide much needed housing in areas lacking enough rental stock. But adaptive re-use isn't without its share of challenges. Not only is it hard to find suitable buildings to adapt, but gathering approval and financing for this kind of construction can also take long. Many areas have dried out with projects, including Chicago and Memphis. On the other hand, Connecticut still offers at least 380 mills that can be transformed into residences. Look for revitalization to become a growing trend in New England.

Firms need to find creative ways to adapt floor plans: Not all older buildings are fit for modern re-use. Even though developers struggle to maintain an average of 90% floor plan efficiency, it's still better than new construction, which generally utilizes only 85% to 87% of floor plans. Some construction challenges include adding layers to existing buildings, infrastructure compromise and modern codes. Securing landmark status at either local or national levels is both difficult and time-consuming — the process can take from six to eight months. **Janet Smith-Horton**, Partner and Principal at **Hnedak Bobo Group**, asserts that National Park Services historical tax credits are very strict, which is why developers usually apply for the maximum 20% financing on a historical adaptive re-use project. Even established companies like Bold Development, which has worked on at least a dozen other projects in Chicago, face problems with regular financing. It took Bold 10 months to secure a loan after talking to at least 60 lenders.

Bold Development remodels a six-story loft into an apartment community at a cost of \$10M. **Bold L&H Lofts** — an 114,000-s.f. industrial building, once occupied by L&H Stove Company — will house 68 units on floors three to sixth and 68 indoor parking spaces and 3,400 s.f. of commercial space, on floors one and two. President **Steve Olsher** was able to maintain 92% floor efficiency on the property. The 1920s-era architecture by Paul Gerhardt will offer industrial lofts with concrete walls and floors and great views. The area lacks rentals. Bold and 50% partner LK Growth LLC bought the site for \$3.7M from Mansion View Development Corp. recently. Bold acquired an acquisition/construction loan with **J.P. Morgan Chase** for \$8M and invested 20%, or \$2M into the project. Units will average \$900 s.f. with rents from \$800 to \$1,500/month. Bold seeks LEED certification for the energy use and has secured designation as a city landmark. Expect completion in 12 to 14 months.

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BEING SMART ABOUT RE-USE ...

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Hovey Companies is bringing apartments into an 11,000 s.f. vacant restaurant/hotel site in Crystal Falls, Mich., a rural area where apartments are scarce even in downtown. This \$5M project can be a catalyst for economic development, with the community providing incentives for restoration. The 3,000- resident town plan to preserve the site with a mixed-use project that will include 25 rentals above about 3,000 s.f. of retail. **Crystal View Apartments** mixes ones and twos averaging 750 s.f. Anticipate rents from \$300 to \$700. The retail level called **Crystal Renaissance** is slated to have a deli, salon, boutique and law office. VP of Development **Tim Hunnicutt** hopes to attract young professionals, empty nesters and seniors. Since this is a major apartment complex in the downtown area, the waiting list has twice the amount of signatures than apartments.

Hunnicutt also seeks possible investors to finalize closing and commence construction, which could be any day now. Hovey finances about 33% with an MSHDA mortgage, about a third of which is equity and another third sourced from other agencies: Michigan State Housing Development Authority, Michigan State Historic Preservation Office, National Park Service, Michigan Economic Development Corp and USDA RD. This marks the company's first historical re-use project this year. Expect completion 12 months after adaptation begins.

Poko CEO **Kenneth Olson** adapts an old abandoned mill into 129,000 s.f. of mixed-use development in Stonington, Conn. The project will include 58 apartments and 9,000 s.f. of retail space. The **Treadmill** will offer both market and affordable rate units. Olson estimates the development to cost roughly \$18M financed with \$5M in equity, some tax credits, state affordability program, plus debt.

Poko manages to maintain around 88% floor efficiency on the project. It had to adjust the deep interior space of the building to bring lighting to all units and retail. Rents could go for \$.35/ft., targeting downsizers, empty nesters and workers from nearby casinos. The area also provides jobs in research and at an electricity company. Olson seeks state and federal historic registers. Expect the project to be complete in approximately 18 months.

EFO designs a Memphis downtown office into rentals. The **67 Madison Building** — once the headquarters of Union Planters Bank — will become a luxury apartment community. It is across the street from the new law school, and has the potential to absorb an increasing number of people moving into the downtown core. Principal **Kip Platt** targets by-choice renters. Platt was able to make use of approximately 85% of floor plan.

STAND-ALONE UNITS STAND SOLID

TE Miller Development, Lynd Development Partners and Morgan Group Inc. dangle the urbanism carrot in front of young-professionals and renters-by-choice. These developers count on other characteristics other than mixed-use features as they build stand-alone urban-style apartments. More traditional developers, like TE Miller, plan to draw tenants with existing jobs in the area. Others, like Lynd, go beyond amenities and lure residents by using state-of-the art technology. Morgan Group attracts customers by providing easy access to major thoroughfares at its upcoming project in Houston, a leading growth market.

A variety of neighborhood employers, high-end amenities and good property management are some of the top items on a renter's checklist. Folks who look to rent will possibly not drive more than 30 miles to get to their workplace or entertainment and shopping centers. Companies whose projects are not part of a mixed-use development — which typically incorporates all these elements — will do well with the right location and design features. Typically these apartments are luxury and rent from \$1,000 to \$5,000.

TE Miller works on a \$21M project in the heart of the Southdale neighborhood of Edina, Minn. The 114-unit **York Place Apartments** is a four-story complex mixing studios, ones and twos. The location is an upper-tier market near Best Buy headquarters, with several Fortune 500 companies, a hospital, the Southdale shopping mall and the just-completed Westin Edina Galleria hotel. It's no surprise then that VP of Development **Robb Miller** hopes to attract high-income earners. Rents will range from \$1,000 to \$1,800. Miller projects about 20 occupancies/month for the first few months, and about 15/month, thereafter. The 3.7-acre site will also include about 1.6 acres of retail, slated for a single-user retailer. TE Miller takes a partial loan with a national bank. Expect first occupancies by July 2009. TE Miller currently owns 1,425 units and over 85,000 s.f. of commercial office space across the U.S.

Lynd COO **David Lynd** works on a 249-unit luxury high-rise building in Chicago. The 29-story **EnV** is near the second busiest transit line and about 27,000 s.f. of Class-A retail and offices, making it a visible and convenient space for those high-income renters-by-choice. Lynd believes filling up the units shouldn't be an issue and predicts that the complex will be 100% leased-up even before it opens. EnV's cutting-edge technology will be the main draw. Look for a virtual concierge service and online payment system. It will also be the first rental complex in the nation to offer *V-Connect* (Apple's amenity system that allows residents to integrate their security with the complex' security system via iPod or iPhone) and *Shop24*, a 150-item automated convenience store. Rents are projected from \$1,500 for studios and go up to \$4,800 for each of the two penthouses.

Lynd takes a \$73M loan, at about 75% LTC, from **MB Financial**. The balance 25% is split with an equity partner who puts in about 90% cash, while Lynd drops in the remaining 10%. Expect completion by early 2010. Lynd has another 1,200 units under construction, of which about 750 will be completed by December. Look for Lynd to head west, where it's opening an office by the end of the year.

Morgan Group's 329-unit **2121 Mid Lane** luxury complex will be in an infill location in Houston. The 3.8-acre project is surrounded by two major business centers, the Galleria/Uptown Park (an office market offering over 31.9 million s.f.) and Greenway Plaza (containing over 11.5 million s.f. of class-A office space). It's designed to appeal to the sophisticated upper rental market of professionals and families seeking the convenience of city life without having to maintain a house. Residents will have ready access to the entire city via nearby Loop 610, Highway 59 and Interstate 10. Units will average 990 s.f. and rents will come in just north of \$1,700/month. Finance and Development Associate **Bart Barrett** expects an absorption rate of 25 units/month. Projects in the area fetch \$190M to \$200M.

Ameriton, a subsidiary of Archstone Smith, is Morgan's JV partner. **Guaranty Bank** and **Comerica Bank** provide the construction financing. This redevelopment project replaces the 1960s San Felipe Court apartments. 2121 Mid Lane will offer interior finishes like gourmet kitchens and premium fixtures. The property will provide a social lounge, wine storage and a media center. Expect completion by next fall. Morgan Group is devoted to the luxury segment. However, it's development strategy stretched beyond new urbanism and infill projects. The firm is doing a condo reversion in Maitland, Fla., as well as redeveloping a former rail yard in Kansas City, Mo., into a \$45M luxury complex.

REITS GROW BONDS

REITs like **Camden Property Trust**, **AvalonBay Communities Inc.**, and **Equity Residential Properties Trust** stay undeterred by the stories plaguing Freddie Mac and Fannie Mae as they continue to tap these GSEs in today's challenging capital market. The GSE funding for these REITs totals over \$1.4B, giving them the liquidity and flexibility needed to create capacity and satisfy 2008/2009 funding obligations. Loans typically average a 5.2% interest rate.

In the past, Fannie Mae and Freddie Mac hit barricades while making inroads with apartment REITs because of the competitive nature of commercial banks. Now that banks are falling off the radar, GSEs hope to bump up their market share through well-capitalized REITs, reinvesting interest and amortizations collected from stabilized REIT portfolios. Transaction activity between the REITs and GSEs reflect overall capital market stress. However, the partnership has been relatively successful because of the REITs' ability to raise capital, allowing the companies to sell assets and achieve strong pricing.

Camden Property Trust uses a \$380M Fannie Mae credit facility from **Red Mortgage Capital Inc.** to repay about \$173M of maturing secured debt and pay off outstanding debt under its revolving line of credit. Camden has zero balance on its credit line and should be left with extra liquidity on the books after the pay-offs. The loan is split in two parts: \$175M is at a variable rate currently priced at 4.2%/annum for 10 years with the rate resetting every 90 days after October 1; the balance \$205M is at a fixed-rate of 5.625% for 10 years and additional one-year term at a variable rate.

AvalonBay Communities collected \$1.2B in Q1 and Q2 from various capital sources, including \$525M of secured debt through Fannie Mae and Freddie Mac, averaging 5.2% and a six-year term. AvalonBay also closed one unsecured term loan of \$330M with existing bank group members and new lenders. The loan is priced at LIBOR plus 125 basis points and matures over three years. The company uses proceeds to clip credit facility balance and redeem debt. From January to the end of July, AvalonBay repaid \$206M of unsecured senior notes and \$28M of secured debt. At the end of Q2, the company has no outstanding balance on its \$1B credit facility and holds \$114M cash in the balance sheet.

Equity Residential wraps up a \$550M secured loan originated by **Wells Fargo** for repurchase by Fannie Mae. The REIT uses 15 properties as collateral. The loan is interest only with an all-in effective rate close to 6% with maturity in 11.5 years. The final year bears a floating rate. The interest rate on the Fannie Mae loan is lower than the rate prevailing on its 2009 fixed-rate maturities. CFO **Mark Parrell** anticipates availability of \$1.4B at the end of Q4 and unrestricted cash of about \$340 million. In March, Equity also took on a \$500M Freddie Mac loan, with a 5.48% all-in effective rate. **Wachovia Multifamily Capital Inc.** originated the loan.

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