The Apartment Report ™

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BUYERS CAPITALIZE ON SMALL PURCHASES

Sycamore Urban Properties, **Sunglen Vista LLC**, **Malic Property Management Inc.**, **New Lexington LLC** and **Warringwood Heights LLC** steer away from the industry's bread and butter — mid-sized deals between 100 and 150 units — and shop for assets below the 100-unit mark. Historically, cash-on-cash returns run between 3% and 8%, depending on the strength of the location and structure of the rents. Today, these smaller operators can collect 8% to 10% cash-on-cash returns and low- to mid- 20% leveraged IRRs. While overall transaction velocity is way down and is difficult to gauge, there are currently bountiful deals ripe for the picking in the marketplace.

Expect smaller deals to gain more traction because of the need for less capital on a per deal basis and also because private investors are vigilant of putting too many eggs in one basket as seen in large purchases. Small-asset shoppers benefit from relatively fluid markets, more diverse product options and a larger pool of buyers at the end of a hold period. Popular metropolitan areas like Los Angeles and San Diego are particular hot spots for small transactions. Nearly 90% of San Diego's apartment parcels are zoned for 16 units or less.

Getting the attention from a mortgage professional is perhaps the biggest issue facing these deals. Fewer lenders are willing to underwrite on market rents as the general purchaser of a smaller property has limited experience and financial resources and is not too well capitalized. Freddie Mac does not really have the resources to fund deals below $5M effectively where as Fannie Mae has a small loan program for loans up to $3M. HUD will do any size loan. Local and regional banks are also an option, although they generally only offer recourse loans at higher rates. When a deal is inked, count on more conventional and in-house financing. Five-year loans with two- to 25-year amortization are typical. From an operations standpoint, the percentage of costs may be higher as deals under 250 units have some of the same fixed costs, often making it difficult to achieve returns comparable to a larger property. RUBS (utility bill backs) are harder to adopt and management fees and vacancies tend to be a larger percentage of revenues. Management intensiveness and less economies of scale also present an issue for some.

Sycamore Urban Properties makes its first multifamily acquisition and picks up the note on a 41-unit newly constructed condo development in Rancho Cucamonga, Calif., that will operate as rentals. The three- and four-bedroom community should perform well as rentals because of renters doubling up. Units go up to 1,600 s.f. and will have rents in the $2,000 to $2,600 range, comparable to other luxury products in the area. Company President **Mitchell Bradford** is in the process of completing the development and hopes to start renting by June with anticipated lease-up within four months. Look for a third-party manager to be brought on board. Bradford hopes to acquire 1,500 to 2,000 units in the next 24 months. Look for properties typically between 50 and 100 units. A two- to three-year hold is expected with 20% to 25% ideal IRRs. Approximately 70% of Sycamore Urban's acquisition strategy will consist of assets within an hour of Orange County, Calif. Broken condo or apartment-to-condo conversion projects are favored. Bradford also looks at Northern California. The company currently has $200M in offers and hopes to close on four to seven deals in 12 months. Most deals are less than $15M.

The 34-unit **Sunglen Vista** apartment complex in Vista, Calif., sells for $3.5M at a 6.4% cap rate based on actual revenues and historical expenses adjusted for new taxes. Sunglen Vista LLC buys the 95% occupied property from Mitchel S. Berger & Joan L. Berger. **Luther Burbank Savings** based in Northern California financed the new first note and DOT at 70% LTV of the purchase price. The 1980s complex has 24 ones and 10 twos. Sunglen Vista LLC plans on a series of interior and exterior upgrades. The deal fits in perfectly with the buyer's more aggressive management style and its efforts to capitalize on other properties in the area where it can benefit from economies of scale.

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BUYERS CAPITALIZE ON SMALL DEALS…

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Malic Property Management pays $1.6M for the 34-unit **National Avenue** complex in San Diego in an all-cash transaction. The cap rate was 9%. Steven K. Vorres & Cynthia J. Vorres of the Vorres Family Trust are the sellers. The circa-1968 property has 18 studios, 18 ones and one two-bedroom. Average unit size is 365 s.f. and rents average $675/month. It is currently 97% occupied. Expect some interior and exterior rehabs. Malic Property Management owns other properties in the area and continues to aim for favorable cash-on-cash returns.

New Lexington Properties buys the **Oxmoor Ridge Apartments** in Homewood, Ala., for close to $3.4M and 7.25% overall cap rate. The 97-unit is 99% occupied. Effective gross income is about $648K. Look for new roofs, siding, windows, doors and complete interior rehab to the 1973 property.

The 50-unit **Warringwood Heights**, formerly known as Villa Maria in Birmingham, Ala., trades for $2.08M. The buyer, Warringwood Heights LLC uses a first mortgage of about $1.7M, 25-year, P&I at 6.12%. LTV is 80%. Warringwood Heights is 94% occupied and houses all twos. Units average 942 s.f. and rent for about $0.65/s.f. The 3.35-acre property was built in 1969.

FRIMS ADJUST EXIT STRATEGIES

Multifamily leaders abandon hard-numbered exit strategies to lower investment risks until there is a clear sign of the end of the recession. Long-term hold scenarios see the greatest play as investors settle into “wait-and-see” positions. **Intercontinental Real Estate Corporation**, **Conrad Prebys Trust**, **Haley Associates**, **Dominium Development and Acquisition LLC**, **Main Street Partners & Associates Inc**, **Berkshire Property Advisors LLC** and **The Lynd Co**. aim for at least five-year holds. However, while the market is down and bargain deals are abundant, seven- to 10-year holds will be the sweet spot because of cheaper financing, value-creation and promising long-term returns.

Investors align exit strategies according to a variety of factors including cap rates, market rents, occupancy rates and income growth. For Intercontinental Real Estate CFO and COO **Paul J. Nasser** if all these factors are positive it is a good time to exit. Haley Associates’ exit strategy does not focus on target numbers. Instead, the company keeps an eye on consistent cash-flowing properties and looks at several factors including rent growth, NOI growth, proceeds from either refinances or sales and potential of the property to continue to perform when it decides to sell. Berkshire Property Advisors’ exit strategy varies by asset and depends on where the market is at that time. On the cap rate front, multifamily investors such as **GFI Capital Resources Group** targets 6.5% to 8.5% exit caps while **Conti Organization** seeks at least 9%.

Intercontinental Real Estate banks on its long-term hold strategy and pockets the **Riverview at Upper Landing** complex in Minneapolis for $43.5M, at a low 7% stabilized cash cap rate. The acquisition is made on behalf of the *U.S. Real Estate Investment Fund LLC* (*US REIF*). A group of investors advised by Prudential Real Estate Investors sold the property. Nasser uses a 10-year Fannie Mae loan priced approximately at $28M at 5.73%. The Class A property has 344 units in studios, ones and twos. Rents are about $1.30/s.f. Stuart Co. will manage the 93.6% occupied asset. *US REIF* is an open-ended fund and raises about $600M in equity to date, of which about $500M is already deployed. Twenty-six deals in various asset classes have been made so far. Most deals are underwritten to a 10-year discounted cash flow. Targeted multifamily IRRs are north of 12%. Overall, Intercontinental Real Estate target figures similar to that of the National Council of Real Estate Investment Fiduciaries (NCREIF) Open-Ended Index. Typical apartment acquisition strategy: major U.S. markets with sustainable job growth. Nasser keeps his eye on the Pacific Northwest and the Northern Virginia/Washington, D.C. area. Investments range from $20M to $150M. Intercontinental Real Estate owns more than 3,000 units with a Northeast concentration.

The Conrad Prebys Trust buys **The Grove** apartments in El Cajon, Calif., for $14.7M in a cash-to-existing loan deal. The cap rate was about 6.1% based on current rent roll against trailing 12 expenses. The existing 2003 loan is about $7.8M to $8M, 5.82% fixed rate coupon. Washington Mutual was the servicer for the Fannie Mae loan. Expect at least a five-year hold as part of its exit strategy. Constructed in 1973, the 144-unit property is about 96.5% occupied with rent rolls higher at closing compared to 12 months ago. Rents are about $1.07/s.f. Grove Apartments LLC, an affiliate of Los Angeles-based 3D Investments, was the seller.

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FIRMS ADJUST EXIT STRATEGIES…

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Haley Associates makes its second acquisition this year, the 266-unit **Grand Pointe Apartments** in Lafayette, La., for about $26.6M, and approximately 7.6% cap rate, based on trailing three with adjusted expenses. The company uses Fannie Mae debt of around 80%, likely in the low 6% range. Walker & Dunlop is the servicer. Original developer, the **Bryan Company,** is the seller. Grand Pointe is about 85% occupied at the time of purchase. Rents average $0.91/s.f. and average unit size about 1,174 s.f. Unit mix includes 78 ones, 108 twos and 80 threes. Chances are the 2007-constructed property will rake in double-digit cash-on-cash returns because the asset is situated in a stabilized market with upside in employment growth. Dial Equities, Haley Associates' acquisition arm, will handle the management duties. Haley Assistant Director of Acquisitions & Dispositions **Tammi Renee' Adams** feels the deal fits in perfectly with the company's typical strategy of picking up cash-flowing A and B properties, 25-years old or newer in secondary and tertiary markets in Louisiana, Texas and Michigan. Haley currently owns 8,483 units in 35 properties. Texas holds the bulk with 13 communities. Generally, the company aims to add 1,000 units, but surpasses that quota with the Grand Pointe acquisition. Haley would like to add an additional 1,000 units. A third deal is currently under contract and should close in May. Haley saw nearly 2,000 units in acquisitions last year.

Dominium Development and Acquisition (DDA) buys two California assets: the 112-unit **Desert Palms Apartments** in Coachella and the 80-unit **Mountain View Apartments** in Beaumont. Both properties will undergo extensive rehabs, between $3M to $4M each. The properties are Section 8 at or below 60% AMI. Affordable contracts are extended for 55 years. DDA Project Partner **Jeffrey R. Huggett** uses tax-exempt bonds enhanced by Freddie Mac to finance the deals. Both properties were built in 1981 and are about 98% occupied. Desert Palms has a mix of ones, twos and threes, starting at 700 s.f. to about 1,100 s.f. Mountain View also has ones, twos and threes. DDA usually favor deals worth at least $2M and 100 units minimum. Section 8 properties and partnership interest in Section 42 communities are preferred based on a long-term exit strategy as demonstrated by tax deals.

Main Street Partners & Associates buys the circa-1983 **Ridgegate Apartments** in Dallas for a little over $6M and a low 8% adjusted cap rate. A $4.95M, 10-year Fannie Mae loan finances the deal. Arbor Commercial LLC is the originator of the 5.86% interest rate note. The 270-unit complex' occupancy is in the high-80s, primarily because some of the off market units are being used as storage. The 4.23-acre complex has 156 ones ranging between 500 s.f. and 580 s.f. and 114 twos topping 800 s.f. Rents average $.65/s.f. Chances are company President **Michael F. Aulert** implements a long-term exit strategy based on at seven- to 10-year hold. Look for less than $1M in self-funded rehabs. Don't be surprised if Main Street Partners pick up at least one multifamily asset every quarter this year. The company is historically a single-family developer and now looks to expand its feelers into rentals and even retail. Aulert's business sees 27.1% average IRRs.

Glo, a 201-unit mixed-use community in downtown Los Angeles swaps hands for $47.5M and a 6.5% cap based on the buyer's first year of stabilized income. Berkshire Property Advisors forms a JV with **Holland Partners** and uses low floater-tax exempt bonds of about $38M to finance the deal. The property also qualified for $3.8M in tax credits. The bond financing bodes well for the partnership because of the higher cash-on-cash returns associated with bonds, compared to conventionally financed deals. Holland Partners developed Glo in 2007 and will handle operations. Glo has two, five-story buildings consisting of studios, ones, twos and threes averaging 1,010 s.f. There is also 8,453 s.f. of ground floor retail that is anchored by a Starbucks.

Berkshire Property Advisors VP of Acquisitions **Kevin Mignogna** looks out for additional acquisitions opportunities in metro areas with solid employment. Seattle, Portland, Northern and Southern California, Houston, Atlanta and Washington D.C. make the list. Think investments generally between 200 and 400 units and $15M and $40M. The company targets leveraged IRRs in the mid-teens. Typical hold period is five to seven years. Berkshire Property Advisors also considers loan purchases.

The Lynd Co.'s acquisitions are based on a five-year hold aimed at 20%-plus IRRs. Even though the firm lies low this year with no planned acquisitions, it is in the process of raising an investment fund that will focus on distressed opportunities. The fund should be launched in about five months and will take one to four years to deploy all capital.

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MIXED-USE DEVELOPERS TWEAK SPACE USAGE

Fluctuating vacancies coupled with nearly 10% (and rising) national unemployment push mixed-use developers back to the drawing board to adjust space ratios on upcoming developments. Don't be surprised to see more developers scale back office square footage and increase multifamily and retail space to lure and support rental demand this year. **River District Development Group** opts for 400,000 s.f. of office space compared to the 1 million in retail in its $900M, 600-unit residential community, while **Whiton Street Associates LLC** keeps office space completely off its $350M mixed-use drawings. **Gale International** splits retail and office nearly 50-50. Its $3M mixed-use development will consist of more than 40% multifamily, 21% office and nearly 20% of retail. **U.W. Marx Construction Company/Marx Properties Inc.** goes against the grain and ramps up office space. The developer's $200M-plus New York development will see 40% more office space mixed in with about 500 residential units.

Weak fundamentals and growing vacancies and supply stymie commercial developments across all sectors. Anticipate office vacancy to reach 18%, retail around 10%, while apartments will average 8% this year. As a result, 2009 development activities across the board see a dip; apartment deliveries will slow down about 20% to 80,000 and 85,000 compared to more than 100,000 units in 2008. Retail decreases about 33% to 90,000 s.f. from nearly 130,000 s.f. in 2008. While office sees the smallest decrease in deliveries — about 15% — only 50 million s.f. will come online this year, plummeting 70% from 2000 levels. Keep an eye on swelling unemployment to prompt mixed-use developers to retract office space and increase apartment units because of the need for housing and the potential to convert units into for-sale units. Retail will also get more attention and space because of some restored consumer confidence bolstered by the government's stimulus efforts.

River District Development Group begins initial clearing to make room for the $900M **River District** riverfront project in Jenks, Okla. Construction should begin in 2010 based on lease negotiations. Expect four to six phases over a five-year timeline. The 300-acre project is the largest mixed-use development in the state with a combination of around 600 residential units (multifamily and single-family townhouses), 400,000 s.f of Class A office, 1 million s.f. of retail and nearly 650 hotel keys. River District Development Group President **Lynn Mitchell** hopes the project attracts local start up companies and relocating businesses from the Tulsa metro area. Chances are the River District will receive $290M from an 18-year TIF contract. The total development area measures 190 acres in addition to a 100-acre lake.

Expect Whiton Street Associates to break ground on the first of four phases of the $350M or so **Monticello** development in Jersey City, N.J., in 30 days. Phase I will cost around $30M, of which residential makes up $22M. This phase sits on an acre and will house 120 apartments and a 25,000 s.f. supermarket in a five-story building. Unit mix will include 90% two bedrooms averaging 1,000 s.f. and 10% ones at about 750 s.f. Twenty percent of the units will be at 50% AMI and the balance below market rate. Anticipate an 18- to 24-month buildout and a three- to four-month leasing period thereafter. Whiton Street CEO and President **Michelangelo Russo** will use public funds and 10% of his own equity to finance Phase I. **New Jersey Redevelopment Authority** (NJRA) invests $3M through the New Jersey Urban Site Acquisition Program (NJUSA). Subsequent phases will contain between 400 and 700 combined residential units and nearly 100,000 s.f. of ground retail. Whiton Street owns the five-acre parcel and banks on a long-term hold upon completion.

Keep an eye on the $3B **Seaport Square** development in Boston to start taking shape next year. Blueprints call for a 6.5 million-s.f. mixed-use development that will house approximately 2,500 residential units in a mix of apartments and condos. Between 15% and 20% of the units will be affordable. Vertical construction on Phase I/Parcel A, to be known as **One Seaport Square**, will commence in Q1 2010 and last between 18 and 24 months. Total construction cost is about $40M. Look for 34 residential loft condos in ones, twos and threes totaling 54,400 s.f. with 27,200 s.f. of retail in a six-story building. Gale International is the master developer and teams up with **Boston Residential Group** for the residential component and forms a JV with **W/S Development Associates** for the retail development. **Morgan Stanley** provides financial backing. Construction on parcel H and J will follow thereafter. The 23-acre project will comprise 20 proposed city blocks and is stamped for 19 buildings with about 2.75 million s.f. of residential space, 1.4 million s.f. of office and research space, 1.25 million s.f. of retail, 600,000 s.f. of educational, civic and cultural use and a 500,000-s.f. hotel with about 700 keys and below-grade parking for approximately 6,500 vehicles.

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U.W. Marx Construction Company/Marx Properties plans to begin infrastructure efforts in late spring/early summer, on its **DeLaet's Landing** development located on the shore of the Hudson River in Rensselaer, N.Y. Project cost is estimated between $200M and $300M, of which the state may provide three separate grants totaling $3.3M for various activities. The venture waits on final environmental and zoning approvals, which should come in less than two months. U.W. Marx Construction Vice President **Jeff West** expects an eight- to 10-year buildout. On the drawing board: 500-plus rental and for-sale units, 165,000 s.f. of retail, 250,000 s.f. of office and 1,830 parking stalls. Count on at least two phases, with the first one being the main entrance with residential and retail specs on each side. Marx Properties will be the sole owner of DeLaet's Landing.

REUSE PROJECTS GRAB INVESTOR ATTENTION

Del Properties, **Wichita High LLC**, **Mercy Housing Lakefront** and **Landmark Group** embark on adaptive reuse projects that can clip development costs by at least 25%. Historic schools, malls and mills top the list for these developers. Accelerated absorption rates, as a result of high renter demand for unique developments, push returns to at least 15%. Most developments take between 24 and 42 months to complete, depending on the complexity of the deal.

Even though yields are lower than those on conventional properties because of subsidized tax credits, adaptive reuse multifamily projects gain popularity as the cost of construction keeps conventional developers of ground-up developments on the sidelines. Reuse can save developers up to 70% in development costs compared to ground-up development. Changing demographics will also support future reuse development. Keep an eye on the trend of renters moving out to suburbs reverting back to solid urban centers where reuse and historic preservation is bountiful. The downside: these projects are tagged as high-risk investments because of unforeseen structural conditions such as contamination that can drive up construction costs.

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Developer **Del Hedgepath** of Del Properties makes plans to redevelop an approximately century-old school building into a $5M-plus rental community. Hedgepath pays the Kansas City School District $1.4M for the Norman School building in Kansas City, Mo. Government historic tax credits and M&I Bank will help finance the deal. The **Norman School Lofts** plans call for about 34 lofts between 800 s.f. and 1,200 s.f. Anticipated rents are about $1/s.f. Townhomes may be constructed in the future. The 2.2-acre development is currently in the planning stage and Hedgepath is in the process of listing the property on the National Register of Historic Places. If everything goes according to plan, dirt will move winter 2009 with a 12-month buildout period. Hedgepath anticipates 100% lease-up within six months of completion. Del Properties will serve as the builder and general contractor while **Jantsch Architects Inc.** will be the project designer.

Del Properties also works on the redevelopment of a nearby historic five-story office building known as the **Congress Building**. Hedgepath is currently clearing out office tenants to make room for a Q3 ground breaking. Look for about 40 lofts between 1,000 s.f. and 1,200 s.f. Rents will be comparable to that of Norman School Lofts. Final financing is still being negotiated on the $5.5M project. Jantsch Architects will also serve as the designer. Hedgepath expects to hold each property for at least five years.

Wichita, Kansas enjoys 95% occupancies and nearly 99% in the downtown area. This is good news for Wichita High LLC partners **Dave Burk** and **Jason Van Sickle** looking for development opportunities to meet the 1,500 to 2,000 rental units needed to satisfy growing demand. Wichita High LLC hires **Key Construction** to handle building duties on its **Wichita Area Technical College** building reuse project. The circa-1910/11, former high school building will be flipped into a $6M, 68-unit complex slated for a mix of ones, twos and some penthouses that utilize the building's natural light. Units measure from 600 s.f. to 1,500 s.f. and rents go between $600 and $2,000. **Perry Reid Properties** will manage the complex. Wichita High recently bought the building for $1M and plans to begin the restoration process in 30 days. Van Sickle expects completion by year-end and hopes for 100% lease-up by opening. The project is funded with $4M conventional financing from **Kanza Bank**. Wichita High plans to hold the property long-term, with Burk as the majority owner.

Keep an eye on Mercy Housing Lakefront redeveloping the former **Prospect Mall** in Milwaukee into about 100 affordable units between ones and threes, and street-level retail. Still in the conceptual stage, the company currently meets with the community to iron out development details. **Korb Tredo Architect** should have final designs by July. Up to 15% of the units will be market rate and the balance affordable at 60% or less AMI. Mercy Housing is in negotiations to purchase the building. In May, look for Mercy to break ground on the former Johnston Community Health Center reuse project, dubbed **Johnston Center Residences**, also in Milwaukee. The $12M project will have 91 permanent supportive housing units, which will be between 300 s.f. and 350 s.f. Construction should wrap up in about 14 months. Mercy still works on financing details.

The Landmark Group proposes transforming the old **Flynt Fabrics** mill building in Hillsborough, N.C., into 104 apartments: 18 ones, 69 twos and 17 threes. The $14M to $15M development is a joint venture with the family who owns the building. Returns will be split based on risk and reward. Landmark uses $5M in equity from state and federal tax credits and about $9.2M in debt from **Bank of America**. Financing should be finalized this month with redevelopment slated for July. Word is Landmark hopes to acquire the building from Bellevue Development LLC which apparently received special-use permits back in 2007 to convert the building into rentals. Currently 60% to 70% of Landmark's workload is redevelopment deals.

CASH TENDERS HIT THE MARKET

Multifamily REITs are historically considered recession-resistant plays. However, down at least 25% since the beginning of the year, companies like **Colonial Properties Trust**, **BRE Properties Inc**., **Post Properties Inc** and **UDR Inc**. issue cash tenders to buy back unsecured debt at a discount (typically in the mid-20% range) to refinance that debt with secured financing through GSEs. Investors unwilling to take a loss on an attractively priced rate should find these tenders favorable.

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CASH TENDERS HIT THE MARKET…

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Apartment REIT stocks drop as much as 80% in the last 12 months, trading at a median discount to their NAV. This year, most REITs will peform below value grades — indicative of the capital and employment market — decreasing NOIs between 3% and 5%. It looks like Colonial Properties and Post Properties will perform at least 30% below its value, while BRE Properties and UDR break even. **AvalonBay Communities** and **Camden Property** is set to outperform its value. Across the board, NAV five-year annualized, ranges between –7.3% and 15.8%. As these players attempt to caurterize bleeding revenue to shore up dry powder, expect more cash tenders to hit the market. The trend of making dividend payments in stock will also hold stong throughout 2009.

Colonial Properties launches a cash tender offer for up to $175M for 2010 and 2011 maturing notes. The offer expires in May. A series of notes make up the offer, including 4.75% senior notes due in 2010 with a principal outstanding amount of $210.7M, 8.8% medium term notes due in 2010 with an outstanding principal balance of $20M, and 4.8% senior notes that mature in 2010. Outstanding principal balance is $95.7M. Banc of America Securities LLC and Wachovia Securities serve as deal managers to the offer. The current cash tender comes on the heels of the REIT's previous $500M repurchase program. Colonial Properties repurchased $96.9M of outstanding debt at an average 27.1% discount, representing a 12.6% yield to maturity.

BRE Properties commenced a cash tender offer for any and all of its outstanding 5.75% senior notes due this year ($150M) and any and all of its outstanding 4.875% senior notes due in 2010 ($150M). The offer expires this month. In Q1 2009, the company issued a fixed-price cash tender offer on outstanding 7.45% senior notes due in 2011 ($250M) and all of outstanding 7.125% senior notes due in 2013 ($130M). The offer expired at the beginning of the month. About $48.5M of the 2011 notes and $40M of the 2013 notes remain outstanding. Deutsche Bank Securities Inc. and RBS were the dealer managers and Global Bondholder Services Corporation acted as information agent and depositary for the offer.

Earlier this year, **Post Apartment Homes**, a subsidiary of Post Properties announced a cash tender offer of 2010 and 2011 outstanding debt. Notes due in December 2010 total $185M at 7.70%, while the $100M due in October is at around 5%. J.P. Morgan Securities Inc. serves as the dealer manager for the offer and Global Bondholder Services Corporation the depositary and information agent. The result: aggregate principal amount tendered was about $175M worth of securities. About 46% of the 2010 notes and nearly 90% of the 2011 notes were returned.

UDR collected nearly $90M in aggregate principal amount of securities, about 50% of the outstanding debt in its recent cash tender offer. The bid was made for a $181.7M principal amount of outstanding notes priced at 6.5% that are due 2009. The REIT intends to use cash from a $600M revolving credit facility, which matures in July 2012, to pay for all of the purchased securities. UDR tapped Citi as the dealer manager and Global Bondholder Services Corporation as the information agent.

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