

Second Quarter Multi-Family Market Report 2017





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2017

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EXECUTIVE SUMMARY

The outlook for Multi Family leasing remains soft, and will continue through 2017 and beyond as we continue to deliver units that have been in planning and under construction for the past 2 to 3 years. In Q2 2017 there was a positive absorption of 800 units with 2,330 units under construction. There are also 670 units in the planning stages. With 3,000 units under construction and in planning, the absorption would take 18 months.

There will be fierce competition for tenants as new units continue to come on line creating lower rental rates and concessions.

This low absorption and continued delivery will take its toll on sales as well as occupancy should drop and performance of multi-family properties are affected.

Q2 2017 saw 22 transactions of multi-family properties totaling \$124,937,000.

We would expect to see a slowing of multi-family construction until the oil and gas industry rebounds substantially or the local and national economy begin expansion.

Bob Sullivan
CEO





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NA NATIONAL ECONOMY

The Federal Reserve has raised the interest rate by a quarter-point for the third time in six months to a still low range of 1 percent to 1.25 percent based on the current economy. The increase in Fed's short-term interest rate could lead to higher borrowing costs for consumers and businesses, but better returns for savers. It is expected that the Fed will raise the interest rate for another time this year but the exact time is not known yet. Energy stocks slumped after OPEC extended its production cut to another nine months, which indicates that investors believe in a longer process of recovery for oil and gas prices. In the meantime, the United States have seen increasing numbers of drilling rigs during the second quarter, and pulling out of the Paris Climate Agreement might trigger more production even though the number of drilling rigs is expected to scale back if the oil and gas prices remain low. According to Kiplinger, GDP growth should pick up to an annual pace of 2.5 percent or so in the final three quarters of 2017, leaving growth for the full year at about 2.1 percent, and the national unemployment rate has ticked up to 4.4 percent during the Q2 2017.

NA LOCAL ECONOMY

Oklahoma City remains attractive for investors due to its lower rent expense, utility bills, and employment costs, despite the low oil and gas prices. The Commercial Real Estate industry has seen a more active quarter compare to the Q1 2017-Oklahoma City Outlet Shoppes has a new owner and are adding more landscaping to bring in more retailers; BOK Park Plaza is well under construction and First National Center will start its conversion this coming September, and more. Manufacturing activity in Oklahoma increased during the second quarter and is expected to continue to grow, including the energy industry. Haliburton, among other local companies are hiring. State employment continues to grow and unemployment rates remain low at 4.3 percent at the end of Q2 2017.



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OKC MULTI-FAMILY MARKET LEASING BY CLASS AND UNIT MIX

	Class-A	Class-B	Class-C	Overall
Vacancy Rate	11.40%	10.50%	12.20%	11.50%
Studio Asking Rent	\$965	\$636	\$521	\$599
1 Bed Asking Rent	\$906	\$671	\$543	\$629
2 Bed Asking Rent	\$1,075	\$916	\$661	\$765
3+ Bed Asking Rent	\$774	\$878	\$798	\$826



The overall vacancy rate for multi-family properties in the Oklahoma City market at the end of the second quarter 2017 was up to 11.50 percent with an average asking price per SF at 0.83. The overall asking rent per SF has returned to the previous level in early 2016. Studio asking rent averaged \$599 per unit, one-bedroom asking rent averaged \$629 per unit, two-bedroom asking rent averaged \$765 per unit, and three-or-more bedroom asking rent averaged \$826 per unit.

OKC MULTI-FAMILY MARKET LEASING INFORMATION BY SUBMARKET

	CBD	NW OKC	Edmond	Moore/Norman
Vacancy Rate	14.10%	12.50%	10.20%	10.60%
Studio Asking Rent	\$955	\$523	\$637	\$554
1 Bed Asking Rent	\$1,072	\$617	\$685	\$672
2 Bed Asking Rent	\$1,439	\$767	\$851	\$755
3+ Bed Asking Rent	\$1,974	\$956	\$1,023	\$664
Asking Rent per SF	\$1.41	\$0.80	\$0.90	\$0.80

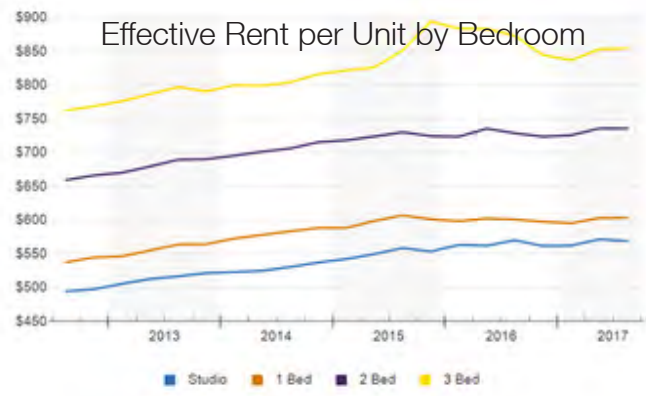
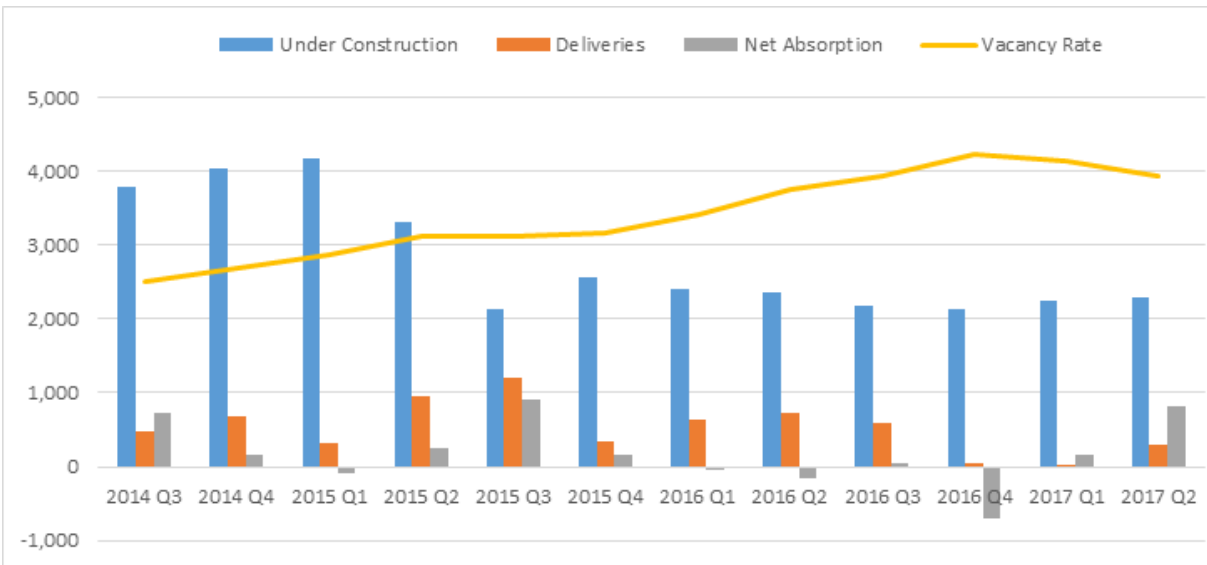


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CONSTRUCTION, DELIVERIES, ABSORPTION & VACANCY RATE



There were 2,330 units totaling 2,248,012 SF of multi-family properties under construction at the end of Q2 2017. The two largest multi-family properties under construction were the 388-unit Callaway House at 555 E Brooks St. in Norman, which is scheduled to be delivered in August 2017; the 345-unit West Village at 903 W Sheridan Ave. in Oklahoma City, which is scheduled to be delivered in October 2018; and the 303-unit TERRA at University North Park at 3500 24th Ave NW in Norman, which is scheduled to be delivered in September 2017.

Some notable deliveries included the 60-unit The Landing Apartment at 4800 E Interstate 240 Service Rd, which delivered in May 2017, and the 208-unit Legacy Trail Apartments at 2501 Pendleton Dr., which delivered in June 2017.



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TOP UNDER CONSTRUCTION MULTI-FAMILY PROPERTIES

Building Address	Building Name	City	Number Of Units	RBA	Delivery Time
555 E Brooks St	Callaway House	Norman	388	315,530 SF	Aug 2017
903 W Sheridan Ave	West Village	OKC	345	200,000 SF	Oct.2018
3500 24th Ave NW	TERRA at University North Park	Norman	304	227,250 SF	Sep 2017
13600 S Blackwelder Ave	Argon Apartments	OKC	287	221,600 SF	Jan 2018
2900 S Service Rd	Mission Point Apartments Phase II	OKC	262	175,000 SF	Aug 2017
505 E Sheridan Ave	The Steel Yard	OKC	250	500,000 SF	Oct 2017
15501 N Pennsylvania Ave	The Lofts at North Penn	OKC	150	200,000 SF	Dec 2017
600 N High Ave	The Douglass	OKC	128	179,000 SF	Aug 2017

PROPOSED MULTI-FAMILY PROPERTIES

Building Address	Building Name	City	Number Of Units	RBA	Break Ground
400 NE K Gaylord Blvd	Times Square	OKC	327	450,000 SF	Jul 2017
Classen Dr	Wilshire Point	OKC	150	120,000 SF	Sep 2017
100 Charlie Christian Ave	-	OKC	125	106,272 SF	Oct 2017
700 NW 11th St	L2	OKC	27	36,800 SF	Oct 2017
620 NW 178th St	Brookside Villas - Phase II	Edmond	22	29,844 SF	Aug 2017
NW 15 St. & Blackwelder Ave	OKC Plaza District Apartments	OKC	15	15,000 SF	Jun 2017
1901 NW 27th St	27th St Bungalow	OKC	-	8,208 SF	Aug 2017
11634 NW 121st St	-	Yukon	-	26,544 SF	Aug 2017
10603-10607 White Oak Canyon	-	OKC	-	7,602 SF	Sep 2017

There were 800,270 SF of multi-family space proposed at the end of the second quarter 2017. The proposed projects with the most units were the 327-unit Time Square at 400 N E K Gaylord Blvd, which is scheduled to start construction in July 2017; the 150-unit Wilshire Point at Wilshire and Classen Dr., which is scheduled to start construction in September 2017; and the 125-unit apartments at 100 Charlie Christian Ave., which is scheduled to start construction in October 2017.



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NAI OKC MULTI-FAMILY MARKET SALES

	2016 Q3	2016 Q4	2017 Q1	2017 Q2
Number of Transactions	52	30	23	22
Total Sales Volume	\$133,302,500	\$84,895,532	\$38,106,000	\$124,937,000
Total Units	4,825	2,020	1,203	2,637
Average Price per Bldg. SF	\$57.61	\$51.88	\$34.94	\$51.23
Median Price per Bldg. SF	\$59.21	\$46.07	\$49.51	\$43.74

There were 22 transactions totaling \$124,937,000 recorded during Q2 2017. The largest transaction based on dollar volume was the sale of the 1128-unit Brook Village Apartments at 9401 S Shartel Ave. in Oklahoma City. Weidner Apartment Homes from Phoenix, Arizona acquired the 1,307,600 SF apartments building for \$60,500,000, or \$53,634 per unit, from Case & Associates from Tulsa on June 20th, 2017.

Oklahoma City multi-family remains a strong target for investors and developers even though we are seeing newly built apartments having to lower its rent to fill its space. Downtown and close to downtown area, Memorial Rd around Quail Springs Mall, and around University of Oklahoma area are the most attractive areas for investors and developers.



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NAI OKC MARKET SIGNIFICANT MULTI-FAMILY SALE TRANSACTIONS DURING Q2 2017



Property Name: Brookwood Village Apartments
Address: 9401 S Shartel Ave., OKC
Sale Price: \$60,500,000
Sale Price per SF: \$46.27
Sale Price per Unit: \$53,634
Sale Date: 06/20/2017



Property Name: WatersEdge Apartments
Address: 4317 SW 22nd St., OKC
Sale Price: \$23,600,000
Price per SF: \$96.24
Sale Price per Unit: \$64,130
Sale Date: 06/27/2017



Property Name: The Reserve at Stinson
Address: 730 Stinson Dr., Norman
Sale Price: \$17,640,000
Sale Price per SF: \$76.20
Sale Price per Unit: \$86,470
Sale Date: 05/26/2017



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Property Name: Sunnyview Apartments
Address: 4502 Sunnyview Dr., OKC
Sale Price: \$9,500,000
Sale Price per SF: \$43.74
Sale Price per Unit: \$42,410
Sale Date: 04/12/2017



Property Name: Mosaic
Address: 4328 SE 46th St., OKC
Sale Price: \$6,100,000
Sale Price per SF: \$37.03
Sale Price per Unit: \$28,773
Sale Date: 05/08/2017



Property Name: Williamburg Apartments
Address: 7301 NW 23rd St., Bethany
Sale Price: \$2,396,629
Sale Price per SF: \$19.06
Sale Price per Unit: \$22,191
Sale Date: 04/20/2017



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NAI Sullivan Group strives for excellence in all facets of real estate services in order to maintain our position as an industry leader. Our team transforms forward-thinking ideas into cutting-edge applications, to achieve maximum results for our clients, company and community.

Whether around the corner or around the world, NAI Sullivan Group is a dynamic member of NAI Global, the world's leading managed network of commercial real estate firms. With over 6,700 professionals, more than 375 offices and over 380 million square feet of properties managed, we bring together people and resources to deliver results for our clients wherever needed. Our clients come to us for our extensive knowledge. They build their businesses on the power of our global managed network.

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NAI Sullivan Group is a leader in the adoption of new technologies to improve business operations as a means of speeding communications, optimizing performance, delivering the highest quality services to clients and facilitating the sharing of best practices among our brokers.

NAI Sullivan Group has launched a new application for the iPad and iPhone. This app is free of charge and is available for download in the Apple App Store under NAI Sullivan Group. Clients can use the app to review all our company listings, find agent contact information, perform calculations, review our current market reports and much more. This app allows a client to simply take a photo of the property they are interested in and their request will instantly be submitted to the sales associate of the client's choice. The associate will then contact the client with details of the property in question.

Resources mainly come from CoStar, Xceligent, The Oklahoman, and The POINT.

CoStar Group is the primary provider for commercial real estate information, analytics and marketing services. CoStar conducts extensive local market research to produce and maintain the largest and most comprehensive database of Commercial Real Estate information. Their online services enable the sales associate to analyze, interpret and gain unmatched insight on commercial property values, market conditions and current availability.

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