NAI Sullivan Group

Third Quarter Multi-Family Market Report 2017

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2017

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EXECUTIVE SUMMARY

The outlook for Multi-family leasing rebounded in Q3 2017 with a positive absorption of 833 units.

In Q2 2017 there was a positive absorption of 681 units with 2,562 units under construction, so the 833 unit absorption is significant when you consider all of 2016 had a negative absorption of about 1,000 units. Q3 2015 was the last time we saw this much positive absorption in one quarter.

At the end of Q3 there were 2,108 units under construction with another 700 proposed. This is a big slowdown from what we have had the past 2 years.

Q3 2017 saw 28 transactions of multi-family properties totaling $43,284,000.00.
The most significant of these transactions was the Summit Pointe Apartments at 1002 SW 89th, a 187 unit property selling at a 6% cap rate for $94,864.00 per unit, and the Sebastian Square Apartments at 9301 N County Line Road, a 17 unit complex selling for $2,020,000.00 which is $120,588.00 per unit.

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

NATIONAL ECONOMY

The second quarter has seen a solid performance and GDP growth rate was revised to 3 percent. The third quarter GDP has been cut due to a pair of catastrophic hurricanes with estimated loss of $30 billion from Hurricane Irma and $85 billion from Hurricane Harvey. According to Kiplinger, third quarter GDP growth rate slowed by 0.3 percent from the original prediction to a 2.5 percent rate. The fourth quarter is the holiday season and shoppers will boost the spending. The GDP growth for the full year is predicted to be about 2.1 percent. Third quarter unemployment rate is reported at 4.4 percent, which is below what is defined as full employment.

We have seen significant disruptions in energy market in the past few weeks as a result of Hurricane Harvey. Refinery operations declined and the lack of refined products send the gasoline price up for a couple of weeks. In addition to the damage result from the hurricanes, low inflation rate probably will lead to slow down of the interest rate hike by the Fed. Crude oil price is remaining low and it probably won't increase much anytime soon. It is still unclear whether OPEC will continue cutting production after their agreement expire next March.

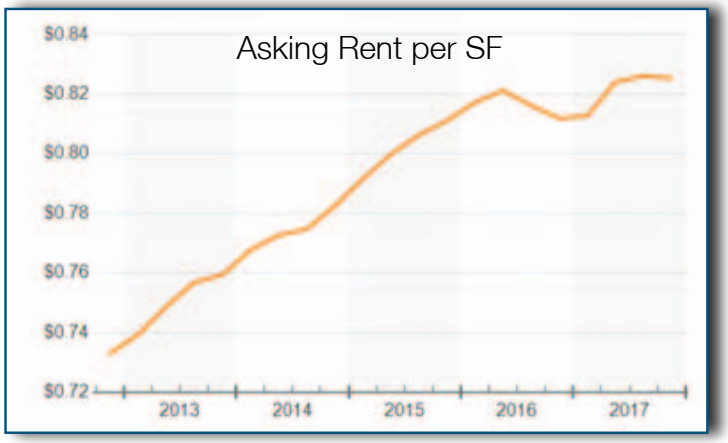
LOCAL ECONOMY

The most recent updated unemployment rate for Oklahoma was 4.5 percent in August 2017, 0.1 percent up from previous month, and 0.5 percent down from a year ago. It is reported that the mining sector in Oklahoma has been on rebound after a period of lower oil and gas prices. Energy companies are now focus more on cutting cost and operating within cash flow instead of increase production.

There is a lot going on during the third quarter in the Oklahoma City market-City council approved a deal with Omni Hotels to develop the convention center hotel, OKC's Economic Development Trust approves Skywest maintenance center incentives and the 135,000 SF center will bring at least 375 jobs in five years and generate about $23 million by the end of the third year, Frontier Airlines came back to Will Rogers Airport with new routes to Denver, Orlando, and San Diego, etc. We see a lot of constructions going on especially in the downtown and close to downtown area-Downtown Boulevard is well under construction, BOK Park Plaza is on its way, The West Village is under construction and will add 345 units and 16,000 SF of the retail space, The Steelyard will add 250 units and 17,000 retail space upon delivery, and more.

OKC MULTI-FAMILY MARKET LEASING BY CLASS AND UNIT MIX

	Class-A	Class-B	Class-C	Overall
Vacancy Rate	10.90%	10.40%	12.00%	11.30%
Studio Asking Rent	$1,007	$655	$519	$610
1 Bed Asking Rent	$911	$671	$544	$630
2 Bed Asking Rent	$1,079	$817	$661	$767
3+ Bed Asking Rent	$792	$890	$790	$833

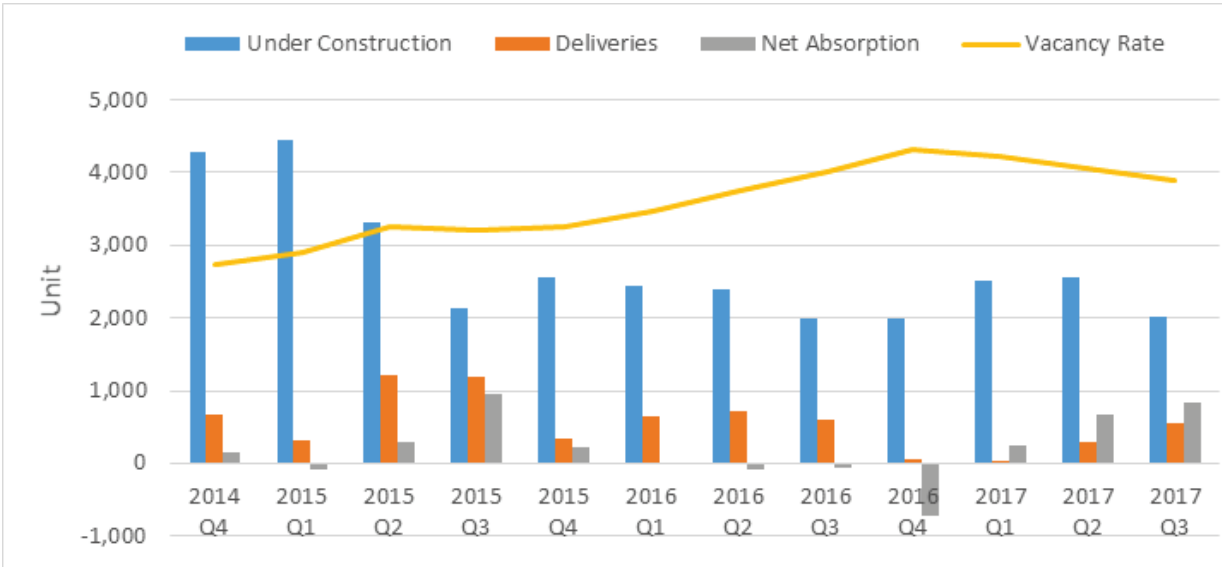


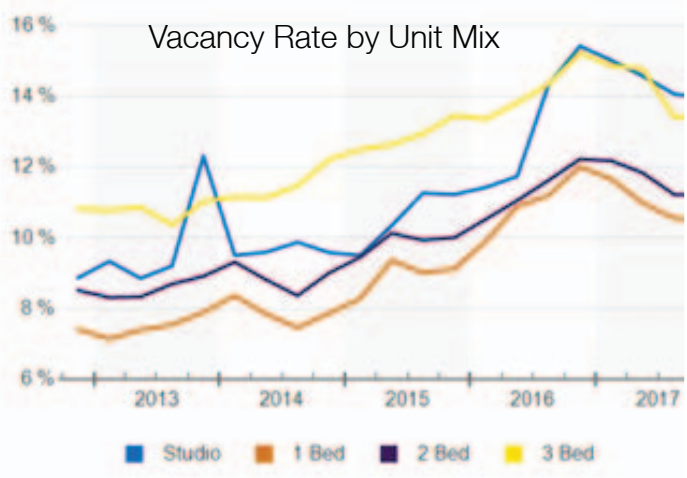
The overall vacancy rate for multi-family properties in the Oklahoma City market at the end of the third quarter 2017 stays about the same at 11.30 percent with an average asking price per SF at $0.83. The overall asking rent per square foot has exceeded the previous level in early 2016 and remains flat during the first three quarters of 2017. Studio asking rent averaged $610 per unit, one-bedroom asking rent averaged $630 per unit, two-bedroom asking rent averaged $767 per unit, and three-or-more bedroom asking rent averaged $833 per unit.

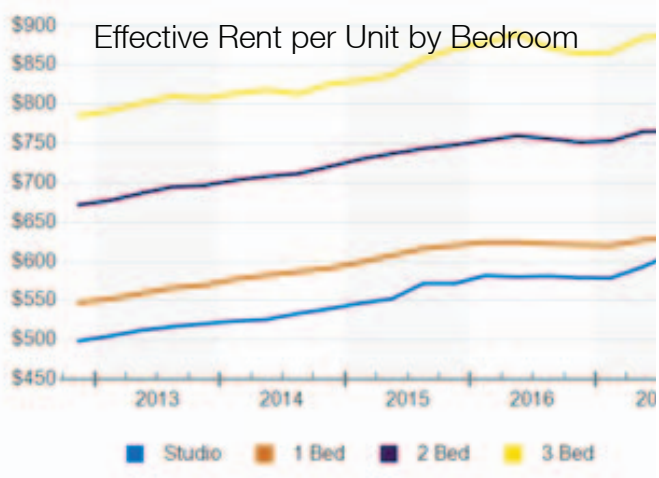
OKC MULTI-FAMILY MARKET LEASING INFORMATION BY SUBMARKET

	CBD	NW OKC	Edmond	Moore/Norman
Vacancy Rate	7.50%	11.70%	9.70%	12.10%
Studio Asking Rent	$938	$524	$671	$605
1 Bed Asking Rent	$1,095	$621	$697	$654
2 Bed Asking Rent	$1,487	$766	$868	$751
3+ Bed Asking Rent	$1,956	$954	$1,017	$683

CONSTRUCTION, DELIVERIES, ABSORPTION & VACANCY RATE







There were 2,018 units totaling 1,971,876 SF of multi-family space under construction at the end of Q3 2017. The three largest multi-family properties under construction were the 412-unit Cross Neighborhood at 108 4th Street in Norman, which is scheduled to be delivered in August 2018; 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 in Norman, which is scheduled to be delivered in November 2017. Downtown and close to downtown areas, Memorial Rd corridor around Quail Springs Mall, and the area close to the University of Oklahoma are among the most attractive areas for investors and developers.

Some notable deliveries during Q3 2017 include 388-unit Callaway House at 555 E Brooks St., which delivered in August 2017, and the 128-unit The Douglass at 600 N High Ave., which delivered in August 2017.

TOP UNDER CONSTRUCTION MULTI-FAMILY PROPERTIES

Building Address	Building Name	City	Number Of Units	RBA	Delivery Time
108 4th St	Cross Neighborhood	Norman	412	200,000 SF	Aug 2018
903 W Sheridan Ave	West Village	OKC	345	200,000 SF	Oct 2018
2751 24th Ave NE	TERRA at University North Park	Norman	303	227,250 SF	Nov 2017
13600 S Blackwelder Ave	Argon Apartments	OKC	287	221,600 SF	Jan 2018
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
105 E Bass Ave	The Residence at Yukon Hills	Yukon	60	150,000 SF	Dec 2017
6601 Highway 152	Bentwood Villas	OKC	60	66,000 SF	Dec 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	Jun 2018
Classen Dr	Wilshire Point	OKC	150	120,000 SF	Feb 2018
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	Nov 2017
NW 15 St. & Blackwelder Ave	OKC Plaza District Apartments	OKC	15	15,000 SF	Oct 2017
700 N Broadway Ave	The Broadway Condominiums	OKC	12	20,000 SF	Mar 2018

There were 850,124 SF of multi-family space proposed at the end of the Q3 2017. The proposed projects with the most units are the 327-unit Time Square at 400 North EK Gaylord Blvd., which is scheduled to start construction in June 2018; the 150-unit Wilshire Point at Wilshire and Classen Dr., which is scheduled to start construction in February 2018; and the 125-unit apartments at 100 Charlie Christian Ave., which is scheduled to start construction in October 2017. Top proposed projects can be seen in the table above.

OKC MULTI-FAMILY MARKET SALES

	2016 Q4	2017 Q1	2017 Q2	2017 Q3
Number of Transactions	30	23	36	28
Total Sales Volume	$84,895,532	$38,106,000	$152,830,001	$43,284,002
Total Units	2,020	1,203	3,794	1,118
Average Price per Bldg. SF	$51.88	$34.94	$46.66	$49.99
Median Price per Bldg. SF	$46.07	$49.51	$42.99	$43.43

There were 28 transactions totaling $43,284,202 recorded during Q3 2017. The largest transaction based on dollar volume was the sale of the 184-unit Summit Pointe Apartments at 1002 SW 89th St. in Oklahoma City. Weidner Property Management from Kirkland, WA acquired the 179,434 SF apartments building for $17,550,000, or $94,864 per unit, from Winthrop Realty Liquidating Trust on August 15th, 2017. Cap rate is reported at 6.00% at the time of sale. Weidner also purchased Brookwood Village Apartments at 9401 S Shartel Ave. for $60.5 million this June, and it also owns Liberty Pointe Apartments at 6600 SE 74th St., which was bought in 2014. Oklahoma City multi-family remains a strong target for investors and developers.

OKC MARKET SIGNIFICANT MULTI-FAMILY SALE TRANSACTIONS DURING Q3 2017

Property Name: Summit Pointe Apartments
Property Address: 1002 SW 89th St., OKC
Sale Price: $17,550,000
Sale Price per SF: $97.81/SF
Sale Price per Unit: $94,864
Sale Date: 08/15/2017
Cap Rate: 6.00%

Property Name: Charleston Apartments
Property Address: 2073 W Lindsey St., Norman
Sale Price: $5,873,797-Allocated
Sale Price per SF: $32.73/SF
Sale Price per Unit: $36,035
Sale Date: 08/14/2017

Property Name: 10 West
Property Address: 7626 NW 10th St., OKC
Sale Price: $2,900,000
Sale Price per SF: $43.43/SF
Sale Price per Unit: $29,896
Sale Date: 08/07/2017
Cap Rate: 12.21%

Property Name: South Shore Apartments
Property Address: 616 SW 59th St., OKC
Sale Price: $2,600,000
Sale Price per SF: $44.88/SF
Sale Price per Unit: $38,235
Sale Date: 08/31/2017
Cap Rate: 10.00%

Property Name: Continental Apartments
Property Address: 2400 N Nohttingham Way, Moore
Sale Price: $2,575,000
Sale Price per SF: $55.28/SF
Sale Price per Unit: $32,187
Sale Date: 07/11/2017
Cap Rate: 10.19%

Property Name: Sebastian Square
Property Address: 9301 N County Line Rd., OKC
Sale Price: $2,020,000
Sale Price per SF: $114.19
Sale Price per Unit: $120,588
Sale Date: 08/31/2017

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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.

For more information, please visit our website:
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