

Fourth Quarter Multi-Family Market Report 2017





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2017

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EXECUTIVE SUMMARY

The Multi Family slowing but recovering

The slowdown in delivery of multi-family units was evident in 2017 as vacancies ran 11.9% across all three product types. Northwest OKC and Moore/Norman vacancies were 12.3% and 12.8% respectively.

The Oklahoma City market has 1,879 units under construction at the end of Q4 2017, with an absorption of 1,156 units for 2017. There are more than 600 units scheduled to break ground in 2018.

We are also happy to report the new deliveries in the CBD are reportedly averaging above 75% occupancy prior to the end of the first year of operation.

Rental rates remained flat in 2017 averaging \$.83 sf monthly.

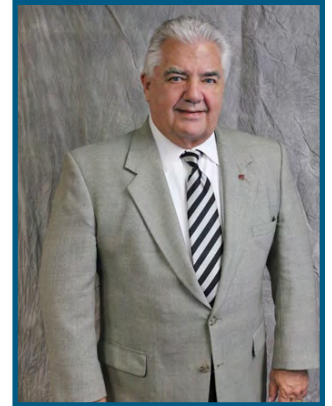
The recent sale of the Metropolitan at 800 N. Oklahoma at \$194,528 per unit, totaling \$63,795,000.00 traded at a 5.25% cap rate.

We believe the multi-family market will continue to stabilize in 2018 with limited new construction and relatively flat rental rates. There is ready market of buyers for multi-family product for sale.

Respectfully,

A handwritten signature in blue ink that reads "Bob Sullivan".

Bob Sullivan
CEO





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NAI NATIONAL ECONOMY

The Trump Administration's plan to significantly cut business and personal taxes has been signed into law as of December 2017. Everybody should benefit under this new policy. Improving profits for business and increasing savings for consumers will definitely boost the economy in the coming years. The Federal Reserve raised interest rates to a range of 1.25 percent to 1.5 percent in December, the third time in 2017, and foresees three more hikes in 2018. According to Kiplinger, 2017 finished with a GDP rate at 2.3 percent, and the rising household wealth and income, job gains will solidly bump up the GDP to 2.9 percent in 2018. We saw the fourth quarter ended with an unemployment rate at 4.1 percent and Kiplinger predicted the unemployment rate drop to 3.8 percent at the end of 2018. During the fourth quarter 2017, OPEC agreed to extend the production cut by about 1.8 million barrels a day throughout 2018. Oil and gas prices has been recovering and West Texas Intermediate crude oil price reached over \$60 per barrel by the end of 2017.

NAI LOCAL ECONOMY

According to the report from the Oklahoma Employment Security Commission, the state unemployment rate was down to 4.2 percent in November 2017, 0.2 percent down from the previous month, and 0.7 percent down from a year ago. We saw continuing recovery from the oil and gas industry. Energy companies have been focusing on techniques in recent years and trying to be profitable at the current price level. OPEC's decision to continue to cut production plus the Trump Administration's plan to open nearly all federal waters to offshore drilling will definitely benefit local energy companies.

Oklahoma City commercial real estate was active during the fourth quarter of 2017 - American Fidelity Assurance Co. filed plans for the first phase of an 100-acre mixed use development south of its campus on Broadway Extension and Britton Road, which includes both hotel and office as well as a 30,000 SF as potential restaurant space. The Downtown Boulevard construction is well underway. More details have been revealed regarding the new convention center and the Omni Hotel. Both are moving forward; Wheeler District is ready to start its construction in spring 2018 which will benefit the Capitol Hill Redevelopment efforts as well.



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OKC MULTI-FAMILY MARKET LEASING BY CLASS AND UNIT MIX

	Class-A	Class-B	Class-C	Overall
Vacancy Rate	12.40%	11.20%	12.20%	11.90%
Studio Asking Rent	\$954	\$653	\$525	\$608
1 Bed Asking Rent	\$893	\$675	\$550	\$633
2 Bed Asking Rent	\$1,055	\$815	\$664	\$766
3+ Bed Asking Rent	\$760	\$893	\$790	\$829



The overall vacancy rate for multi-family properties in the Oklahoma City market at the end of the fourth quarter 2017 was 11.90 percent, which increased from the rate of 11.30 percent at the end of the third quarter 2017. Average asking rent per SF remains the same at \$0.83. Asking rent per SF remains flat since the second quarter of 2017. Studio asking rent averaged \$608 per unit, one-bedroom asking rent averaged \$633 per unit, two-bedroom asking rent averaged \$766 per unit, and three-or-more bedroom asking rent averaged \$829 per unit.

OKC MULTI-FAMILY MARKET LEASING INFORMATION BY SUBMARKET

	CBD	NW OKC	Edmond	Moore/Norman
Vacancy Rate	10.60%	12.30%	10.10%	12.80%
Studio Asking Rent	\$954	\$531	\$648	\$629
1 Bed Asking Rent	\$1,069	\$624	\$703	\$662
2 Bed Asking Rent	\$1,431	\$767	\$884	\$755
3+ Bed Asking Rent	\$1,958	\$943	\$1,008	\$679

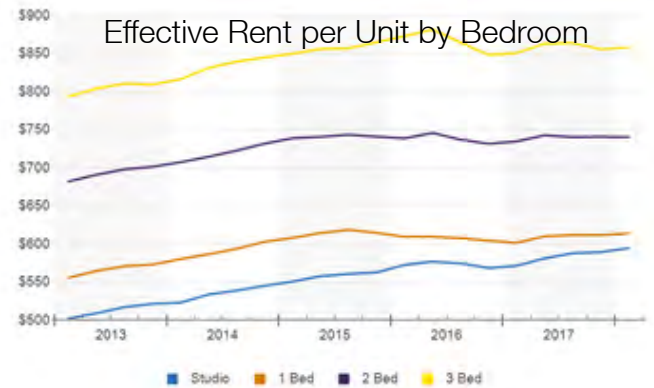
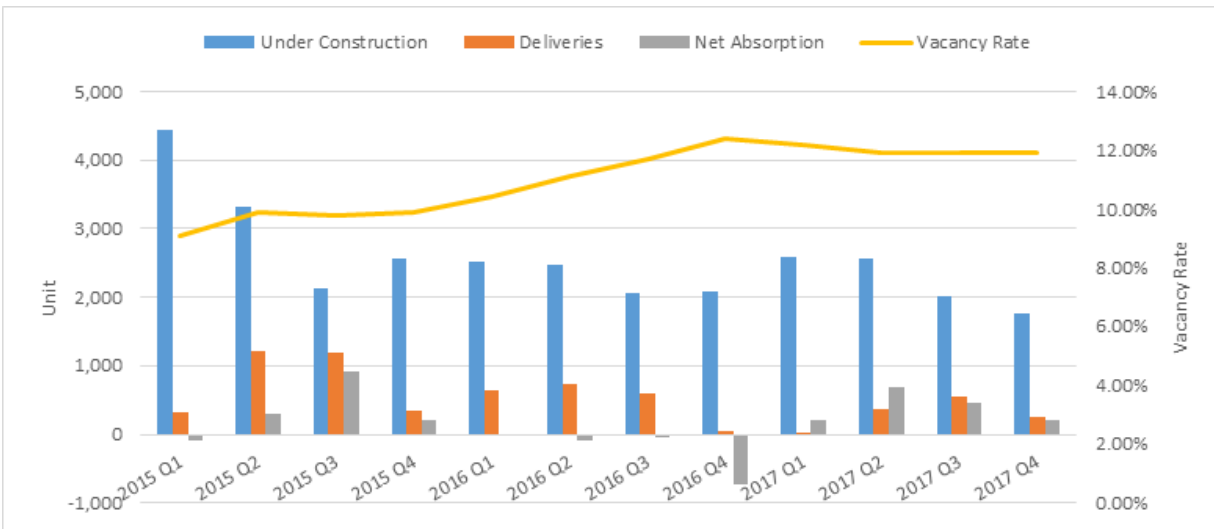


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CONSTRUCTION, DELIVERIES, ABSORPTION & VACANCY RATE



There were 1,879 units totaling 1,994,256 SF of multi-family space under construction at the end of Q4 2017. The three multi-family properties with most rentable building area under construction were the 97-unit The Steel Yard (Phase II) at 505 E Sheridan Avenue, which is scheduled to be delivered in March 2018, the 300-unit Cottages at Quail Springs Apartments at 2700 Watermark Blvd., which is scheduled to be delivered in November 2018, and the 303-unit Terra at University North Park at 2751 24th Ave. NE, which is scheduled to be delivered in February 2018.

Some notable deliveries throughout 2017 include the 153-unit Steel Yard at 505 E Sheridan Avenue, which delivered in December 2017, the 388-unit Callaway House at 555 E Brooks St., which delivered in August 2017, and the 252-unit The Landing at 4800 E Interstate 240 Service Rd., which delivered in May 2017.



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TOP UNDER CONSTRUCTION MULTI-FAMILY PROPERTIES

Building Address	Building Name	City	Units	RBA	Delivery Time
505 E Sheridan Ave	The Steel Yard - Phase II	OKC	97	500,000 SF	Mar 2018
2700 Watermark Blvd	Cottages at Quail Springs Apartments	OKC	300	300,000 SF	Nov 2018
2751 24th Ave NE	TERRA at University North Park	Norman	303	227,250 SF	Feb 2018
108 4th St	Cross Neighborhood	Norman	412	200,000 SF	Aug 2018
4800 E Interstate 240 Service Rd	The Landing Phase II	OKC	84	200,000 SF	Feb 2018
15501 N Pennsylvania Ave	The Lofts at North Penn	OKC	150	200,000 SF	Mar 2018
903 W Sheridan Ave	West Village	OKC	345	163,460 SF	Oct 2018
6601 Highway 152	Bentwood Villas	OKC	60	66,000 SF	Dec 2017

TOP 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	160	120,000 SF	Feb 2018
100 Charlie Christian Ave	-	OKC	125	106,272 SF	Feb 2018
700 NW 11th St	L2	OKC	27	36,800 SF	Jan 2018
620 NW 178th St	Brookside Villas - Phase II	Edmond	22	29,844 SF	Dec 2018
700 N Broadway Ave	The Broadway Condominiums	OKC	12	20,000 SF	Mar 2018
NW 15 St. & Blackwelder Ave	OKC Plaza District Apartments	OKC	15	15,000 SF	Jan 2018

There were 841,916 SF of multi-family space proposed at the end of Q4 2017. The proposed projects with the most rentable building area were the 327-unit Times Square at 400 NE K Gaylord Blvd., which is scheduled to start construction in June 2018, the 160-unit Wilshire Point at Classen Dr., which is start construction in February 2018, and the 125-unit apartments at 100 Charlie Christian Ave., which is scheduled to start construction in February 2017.



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NAI OKC MULTI-FAMILY MARKET SALES

	2017 Q1	2017 Q2	2017 Q3	2017 Q4
Number of Transactions	24	37	37	23
Total Sales Volume	\$42,056,000	\$158,222,501	\$51,531,002	\$123,334,792
Total Units	1,323	3,848	1,454	1,581
Average Price per Bldg. SF	\$35.38	\$45.92	\$43.42	\$102.21
Median Price per Bldg. SF	\$48.91	\$40.37	\$43.31	\$57.78

There were 23 transactions totaling \$123,334,792 recorded during Q4 2017. The largest transaction based on dollar volume was the sale of the 329-unit Metropolitan Apartments at 800 N Oklahoma Avenue in Oklahoma City. Weidner Property Management LLC from Kirkland, Washington acquired the 345,657 SF apartment from the Carlyle Group from Washington, DC for \$63,795,000, or \$194,528 per unit, on November 7th, 2017 at a 5.25% cap rate. Weidner also purchased Summit Pointe Apartments at 1002 SW 89th St. for \$17,550,000 in the third quarter 2017, and purchased Brookwood Village Apartments at 9401 S Shartel Avenue for \$60.5 million in the second quarter 2017. Weider also owns Liberty Pointe Apartments at 6600 SE 74th St., which was bought in 2014. Oklahoma City Multi-family market remains as hot target for investors and developers.

NAI OKC MARKET SIGNIFICANT MULTI-FAMILY SALE TRANSACTIONS DURING Q4 2017



Property Name: Metropolitan Apartments
 Property Address: 800 N Oklahoma Ave., OKC
 Sale Price: \$63,795,000
 Sale Price per SF: \$184.56/SF
 Sale Price per Unit: \$194,528
 Sale Date: 11/07/2017
 Cap Rate: 5.25%



Property Name: Drexel Flats
 Property Address: 8800 S Drexel Ave., OKC
 Sale Price: \$16,600,000
 Sale Price per SF: \$66.47/SF
 Sale Price per Unit: \$41,500
 Sale Date: 11/29/2017



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Property Name: Tuscan Village
Property Address: 300 Hal Muldrow Dr., Norman
Sale Price: \$2,820,000
Sale Price per SF: \$50.86/SF
Sale Price per Unit: \$39,718
Sale Date: 10/30/2017



Property Name: 500 Sinclair Dr.
Property Address: 500 Sinclair Dr., Norman
Sale Price: \$2,175,000
Sale Price per SF: \$37.02/SF
Sale Price per Unit: \$45,312
Sale Date: 11/17/2017



Property Name: 827 W Chickasha
Property Address: 827 W Chickasha, Chickasha
Sale Price: \$1,300,000
Sale Price per SF: 210.29/SF
Sale Price per Unit: \$162,500
Sale Date: 11/01/2017



Property Name: The Palms
Property Address: 11/01/2017
Sale Price: \$1,300,000
Sale Price per SF: \$43.48/SF
Sale Price per Unit: \$35,135
Sale Date: 11/01/2017



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NAI Sullivan Group is a leading global service provider offering a full range of premier services, customized to fit your need and exceed your expectations. Our talented and experienced professionals provide benefits to large institutions and small business owners alike. We are your single point of contact for customized real estate services.

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: www.naisullivangroup.com

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