

Fourth Quarter Multi-Family Market Report 2015





Fourth Quarter Multi-Family Market Report

NAI Sullivan Group

2015

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EXECUTIVE SUMMARY

The Multi-Family market absorption for Q4 was 211 units and there are 2,976 units currently under construction. For the 4 quarters of 2015 the absorption was 1,700 units, which means there is a 21 month supply of apartments. We believe the demand will decrease during 2016 because of the overall oil and gas price problems.

We also see 2,094 units being proposed – a certain over building situation if all of those projects were to begin in 2016. There does appear to be continued demand in the Bricktown and CBD districts.

The sale of multifamily properties in Q4 saw 22 transactions totaling 2,221 units at an average price of \$40,186 per unit. This is a little of a slowdown of sales and a lower average per unit price than in the previous 3 quarters. Several things could affect this slowdown, lack of product and/or lack of Class A product for sale.



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

Bob Sullivan
CEO



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NAI NATIONAL ECONOMY

The long-awaited interest rate increase is here. The Fed will raise rates between 0.25 percent and 0.5 percent and will gradually increase the interest rate as the domestic economy strengthens. The increase of key interest rates indicates consumers have the ability to bear higher borrowing costs, and the national economy has officially fully recovered from the financial crisis while the global economy struggles. The disturbing Chinese stock market, declining economy, continuing depreciation of Chinese currency, sluggish economy in Europe and Japan, recession of Canada-strong domestic demand and weak foreign demand plus the stronger dollar value, will further decrease United State exports. Congressional leaders have voted to lift the 40-year-old ban on oil exports. Despite this lift, low oil and gas prices remain the largest hurdle in the energy industry. If prices continue to stay low, we likely won't see immediate change to the export impact on energy companies' balance sheets. Kiplinger predicts that U.S. GDP growth will increase from 2.5 percent in 2015 to 2.7 percent in 2016, despite continuing difficulties in the export and oil and gas industries. The unemployment rate is predicted to fall from 5.0 percent at the end of 2015 to 4.6 percent in 2016.

NAI LOCAL ECONOMY

2015 was a tough year for Oklahoma energy companies as oil and gas prices continued to stay low. According to the Oklahoma Employment Security Commission, Oklahoma City's energy sector lost 14.3 percent of jobs compared to the previous year – more than 11,000 jobs in 2015. Despite the energy industry's downturn, we still saw investments coming from in-state as well as out-of-state. Many new projects were planned, under construction or opening in 2015. Some of these include the 27-story BOK Park Plaza Tower at 499 West Sheridan Avenue breaking ground, WP Climcher planning to expand Classen Curve and Chilsholm Creek witnessing the opening of Cabela's, TopGolf and the planning of a 277-unit, \$45 million luxury apartment complex. Oil and gas prices are expected to remain low in 2016. This is truly a year to see how much Oklahoma's economy has diversified during the past decade.



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OKC MULTI-FAMILY MARKET LEASING BY CLASSES AND UNIT MIX

	Class-A	Class-B	Class-C	Overall
Studio Vacancy Rate	19.20%	6.70%	7.10%	7.00%
1 Bed Vacancy Rate	5.80%	5.30%	6.40%	6.30%
2 Bed Vacancy Rate	6.70%	5.50%	6.70%	6.80%
3+ Bed Vacancy Rate	5.70%	11.90%	7.90%	7.40%
Studio Asking Rent	\$828.00	\$646.00	\$497.00	\$571.00
1 Bed Asking Rent	\$926.00	\$704.00	\$558.00	\$647.00
2 Bed Asking Rent	\$1,000.00	\$821.00	\$654.00	\$754.00
3+ Bed Asking Rent	\$981.00	\$893.00	\$783.00	\$857.00
Cap Rate	6.10%	8.90%	9.70%	8.20%

The overall vacancy rate for multi-family properties was 6.3% at the end of Q4 2015 with an average cap rate at 9.4%. Studio asking rental rate averaged \$571 per unit, one-bedroom asking rent averaged \$647 per unit, two-bedroom asking rent averaged \$754 per unit, and three or more bedroom asking rent averaged \$857. The overall rents for different unit mix apartments have increased compared to their rates at the end of Q3 2015.

OKC MULTI-FAMILY MARKET LEASING INFORMATION BY SUBMARKETS

	CBD	NW OKC	Edmond	Moore/ Norman
Vacancy Rate	5.40%	6.80%	4.50%	6.10%
Studio Asking Rent	\$923.00	\$508.00	\$560.00	\$571.00
1 Bed Asking Rent	\$1,178.00	\$628.00	\$710.00	\$638.00
2 Bed Asking Rent	\$1,529.00	\$767.00	\$832.00	\$735.00
3+ Bed Asking Rent	\$1,958.00	\$917.00	\$926.00	\$649.00

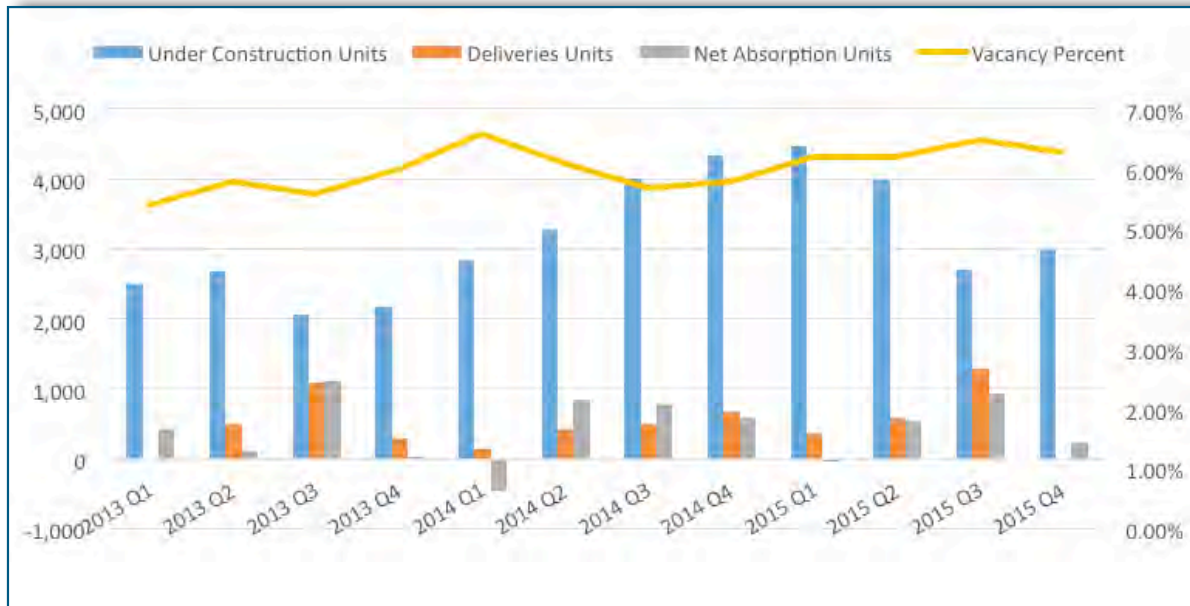
Vacancy rate in the Central Business District (CBD) was 5.4%, which remained the same compared to the vacancy rate at the end of Q3 2015. More jobs will be created and more people will move to the downtown or close to downtown area after the completion of BOK Park Plaza, which started its construction in Q4 2015. Metropolitan Apartments in downtown is set to open in early 2016 with asking rental rate between \$1,000 and \$3,000 per unit. We are going to see the asking rent stay stabilized in downtown and the nearby downtown areas due to its location while we are going through the downturn in the oil and gas industry.



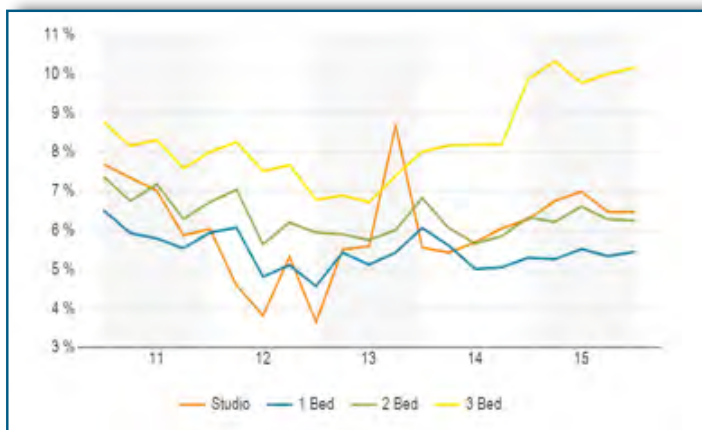
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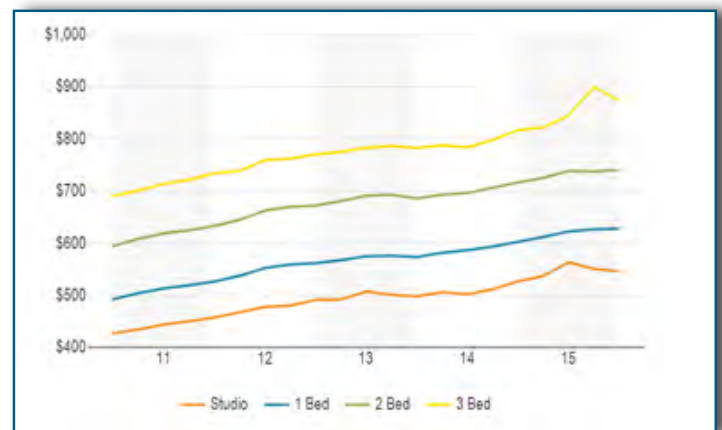
CONSTRUCTION, DELIVERIES, ABSORPTION & VACANCY RATE



Vacancy Rate by Unit Mix



Rental Rate by Unit Mix



There were 2,976 units of multi-family properties under construction at the end of Q4 2015. The net absorption unit during Q4 was 211 units. Some of the notable deliveries in 2015 include the 366-unit Mission Point Apartments at 2900 S Service Road which was delivered in July 2015, the 360-unit The Greens in Oklahoma City at 900 NE 122nd Street which was delivered in February 2015 and the 314-unit 35 West Apartments at 769 SW 19th Street which was delivered in May 2015.

Vacancy rates for different unit mix apartments stayed stabilized for the second half of 2015 after increasing for almost four consecutive quarters since mid-2014. Overall effective rental rate for different unit mix apartments also stayed flat during the second half of 2015. Net absorption needs to continue to be strong in the coming quarters to maintain the current vacancy and rental rate.



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Under Construction

Building Name	Building Address	City	Number of Units	Rentable Building Area	Delivery Time
Metropolitan Apartments	800 N Oklahoma Ave	OKC	364	300,000 SF	Feb 2016
LIFT	801 NW 10th St	OKC	329	313,920 SF	Mar 2016
The Greens at Lake Overholser	9900 W OK-66	Yukon	300	394,334 SF	Mar 2016
Springs at May Lakes II	9900 S May Ave	OKC	294	343,221 SF	Apr 2016
J Marshall Square	9017 N University Ave	OKC	280	222,500 SF	May 2016
The Reserve At Quail North	2600 Watermark Blvd	OKC	280	260,000 SF	Mar 2016
Anatole at Norman	3700 W Tecumseh	Norman	230	220,000 SF	Jan 2016
Oakwood Landing Apartments	11300 SE 15th St	OKC	216	214,761 SF	Dec 2016

PROPOSED MULTI-FAMILY PROJECTS

Building Name	Building Address	City	Number of Units	Rentable Building Area	Delivery Time
University House Norman	333 E Brooks St	Norman	388	315,530 SF	Oct 2016
Chisholm Creek Apartments	N Blackwelder & W Memoria Dr	OKC	277	221,600 SF	Mar 2016
Steelyard Apartments	505 E Sheridan Ave	OKC	250	211,650 SF	Feb 2016
700 West	400 N Shartel Ave	OKC	235	188,000 SF	Jan 2016
The Preserve at Arbor Creek	1303-1355 W I 35 Frontage Rd	Edmond	220	186,000 SF	Apr 2016
Building A	923 W Main St	OKC	150	72,545 SF	Jun 2016
Legend V Apartments Phase II	2133 E 2nd St	Edmond	141	225,000 SF	Apr 2016
Page Woodson School Apartments	600 N High Ave	OKC	136	79,000 SF	Jan 2016
Building C	931 W Sheridan Ave	OKC	122	200,000 SF	Jun 2016

There were 2,094 units totaling 1,945,639 SF of multi-family space proposed at the end of Q4. The 388-unit University House Norman will be built at the former Bishop Landing Apartments, which was demolished during Q4 2015. Cornerstone Development has proposed a 277-unit, \$45 million luxury apartment complex at Chisholm Creek that plans to build 36 Studios, 95 one-bedrooms, 136 two-bedrooms and 10 three-bedrooms.



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NAI OKC MULTI-FAMILY MARKET SALES

Activities for multi-family properties remained strong during Q4 2015. Investment demand from out-of-state investors remains high. There were 22 transactions totaling an \$84,110,053 recorded during Q4 2015. The largest transaction based on dollar volume was the sale of the Avana at 3131 SW 89th Street. The Blackstone Group LP purchased the 396-unit properties from Greystar Investment Group, LLC for \$18,045,155 on December 18, 2015. The sale is part of a \$2 billion portfolio sale across the nation. The Avana on 1919 E 2nd Street in Edmond, which sold for \$15,140,398, was also part of the portfolio sold during Q4 2015. For the top 10 transactions based on sale volume, half came from out-of-state investors. The low business and living cost continue to attract investors nationwide to explore the Oklahoma City market.

Summary

	2015 Q1	2015 Q2	2015 Q3	2015 Q4
Number of Transactions	19	38	30	22
Total Sales Volume	\$48,663,000	\$106,526,000	\$70,890,500	\$84,110,053
Total Units	1,286	2,908	2,517	2,221
Average Price per Bldg. SF	\$44.17	\$39.82	\$41.25	\$43.20
Average Price per Unit	\$46,343.00	\$41,371.00	\$41,774.00	\$40,186.00
Median Price per Unit	\$31,389.00	\$31,135.00	\$35,727.00	\$37,083.00



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OKC MARKET SIGNIFICANT MULTI-FAMILY SALE TRANSACTIONS DURING Q4 2015



Property Name: Avana 3131
Address: 3131 SW 89th Street, OKC
Sale Price: \$18,045,155
Sale Price per SF: \$48.49
Sale Price per Unit: \$45,568
Property Class: Class-B
Sale Date: 12/08/2015



Property Name: Gateway of Edmond
Address: 14140 N Broadway Ext, Edmond
Sale Price: \$17,400,000
Sale Price per SF: \$81.03
Sale Price per Unit: \$79,091
Property Class: Class-B
Sale Date: 12/15/2015



Property Name: Avana on Second
Address: 1919 E 2nd Street, Edmond
Sale Price: \$15,140,398
Sale Price per SF: \$49.91
Price per Unit: \$46,159
Property Class: Class-A
Sale Date: 12/08/2015



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Property Name: Montage Apartment Homes
Address: 3041 NW 41st Street, OKC
Sale Price: \$5,500,000
Sale Price per SF: \$35.67
Sale Price per Unit: \$33,333
Property Class: Class-B
Sale Date: 10/21/2015



Property Name: Cinnamon Square Apartments
Address: 6624 S May Avenue, OKC
Sale Price: \$5,275,000
Sale Price per SF: \$31.77
Sale Price per Unit: \$27,474
Sale Date: 10/26/2015



Property Name: Hillcrest Residence Apartments
Address: 1402 SW 59th Street, OKC
Sale Price: \$4,330,000
Sale Price per SF: \$28.92
Sale Price per Unit: \$29,257
Sale Date: 11/12/2015



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