

# First Quarter Multi-Family Market Report 2016







# First Quarter Multi-Family Market Report

NAI Sullivan Group

2016

## CONTENTS

03 Executive Summary

04 National Economy

04 Local Economy

05 OKC Multi-Family Market Leasing by  
Classes and Unit Mix

05 OKC Multi-Family Market Leasing Information  
by Submarkets

06 Construction, Deliveries, Absorption and  
Vacancy Rate

08 Proposed Multi-Family Projects

09 OKC Multi-Family Market Sales

10 OKC Market Significant Multi-Family Sale  
Transactions during Q1 2016

12 About NAI Sullivan Group





# First Quarter Multi-Family Market Report

# 2016

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## EXECUTIVE SUMMARY

**The** multi-family market continues to be one of the most aggressive markets in terms of new construction and sales. During Q1 there were 20 transaction sales of multi-family properties. That number is down from 29 transactions in Q4 2015, 31 transactions in Q3 2015, 28 transactions in Q2 2015 and 19 transactions in Q1 2015. This slowdown in transactions is due more to a lack of quality properties available for sale than a lack of interest in purchasing.



We also note in this report that 2,385 units are currently under construction all due for delivery over the next three quarters. This will cause great competition for new tenants and the ability to keep existing tenants. The vacancy rate of 5.4% in the CBD in Q4 2015 was adjusted to 10% in Q1. As new units come online it simply takes time to fill them up. We have had waiting lists for multi-family in the CBD in the past, which we predict will eventually go away.

In addition to the 2,385 units coming online in 2016, there are another 2,286 units in the “proposed” stage, and we believe many of these projects will be put on hold.

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

Bob Sullivan  
CEO



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## NAI NATIONAL ECONOMY

**The** global economy is slowing down, and in turn, the United States is also affected. A strong dollar value continues to discourage U.S. exports and increase imports. The slowing economy in China particularly has a negative impact on U.S. exports. Last December, the Fed predicted that in 2016 the economy would grow 2.4 percent and it would raise the interest rate four times. While under the current global economy, which adds more volatility to the U.S. economy, the Fed is not going to raise its key interest rate as expected, and only plans two rate hikes in 2016, predicting the growth rate at 2.2 percent for 2016, 0.2 percent down from the previous forecast. The world oil inventory is still at a historical high, and the 2016 average crude oil price is estimated to stay between \$40 and \$50 a barrel. International Energy Agency indicates that it will take at least another year to reach a new balance between crude oil supply and demand. In addition, the unemployment rate is predicted to reach 4.6 percent at the end of 2016, down from the current five percent.

## NAI LOCAL ECONOMY

**As** a state abundant with oil and gas resources, the pain continues while crude oil prices stay low. Massive layoffs in the oil and gas industry have led to the increasing vacancy rate in both office and industrial properties. Devon Energy has laid off 1,000 people in the first quarter of 2016. The pain won't fade away soon as the inventory of crude oil is still at historical highs, and we are going to see more layoffs, mergers and acquisitions or bankruptcies in the coming quarter.

Despite the oil and gas downturn, we are still seeing a lot of interest from across the nation and internationally, among many other exciting developments and opportunities. Continued expansion at Chisholm Creek is well under construction with the additions of new shops and housing. Wheeler District site construction has begun which will include a Ferris wheel, public art and a food truck plaza, expected to open this summer. Developers are continuing to seek opportunities to build hotels in the downtown area. The new convention center is expected to start its construction in 2018 with a 2020 completion date.

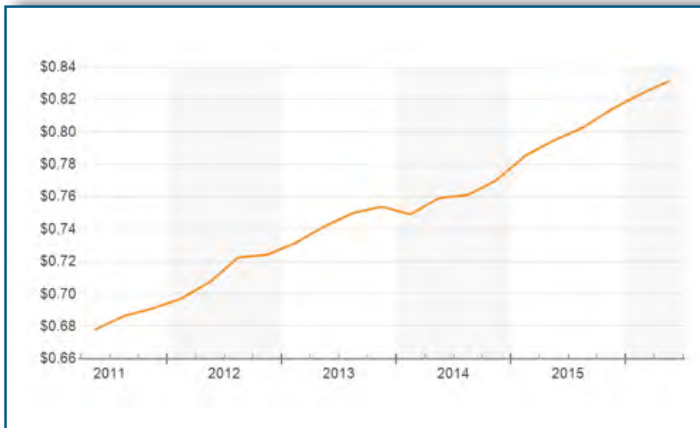


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## OKC MULTI-FAMILY MARKET LEASING BY CLASSES AND UNIT MIX

	Class-A	Class-B	Class-C	Overall
Vacancy Rate	6%	6%	6.5%	6.3%
Studio Asking Rent	\$902	\$620	\$525	\$591
1 Bed Asking Rent	\$930	\$672	\$529	\$626
2 Bed Asking Rent	\$1,052	\$798	\$655	\$760
3+ Bed Asking Rent	\$1,081	\$876	\$791	\$879



**The** overall vacancy rate for multi-family properties in the Oklahoma City market at the end of Q1 2016 was 6.3 percent with an average asking rental rate per SF of \$0.83. The overall asking rental rate per SF has been increasing over the past five years. Studio asking rent averaged \$591 per unit, one-bedroom asking rent averaged \$626 per unit, two-bedroom asking rent averaged \$760 per unit, and three-or-more-bedroom asking rent averaged \$879 per unit.

## OKC MULTI-FAMILY MARKET LEASING INFORMATION BY SUBMARKETS

	CBD	NW OKC	Edmond	Moore/ Norman
Vacancy Rate	10.8%	6.3%	4.4%	6%
Studio Asking Rent	\$886	\$534	\$621	\$571
1 Bed Asking Rent	\$1,178	\$626	\$706	\$637
2 Bed Asking Rent	\$1,443	\$759	\$867	\$740
3+ Bed Asking Rent	\$1,945	\$919	\$965	\$676
Asking Rent per SF	\$1.48	\$0.80	\$0.92	\$0.80

**Vacancy** rates in the Central Business District (CBD) have increased to 10.8% at the end of Q1 2016 due to the layoffs in the oil and gas industry downtown, such as Devon who laid off 1,000 people during Q1. It will take time for the vacancy rate to recover as oil and gas prices remain low, and we are going to see more layoffs in the coming quarter.

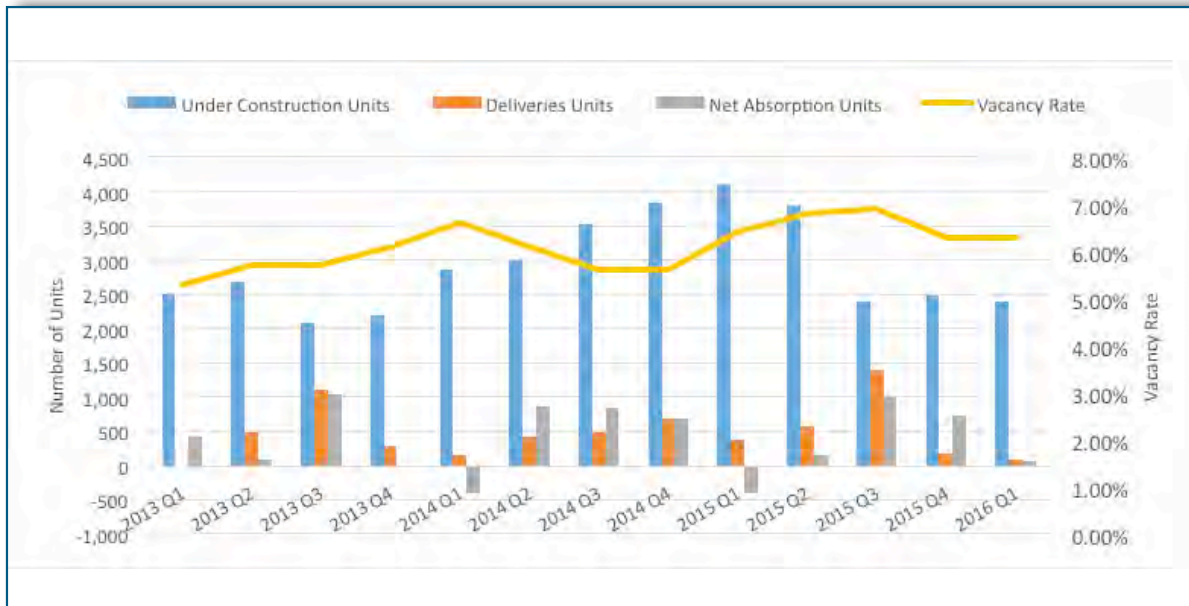




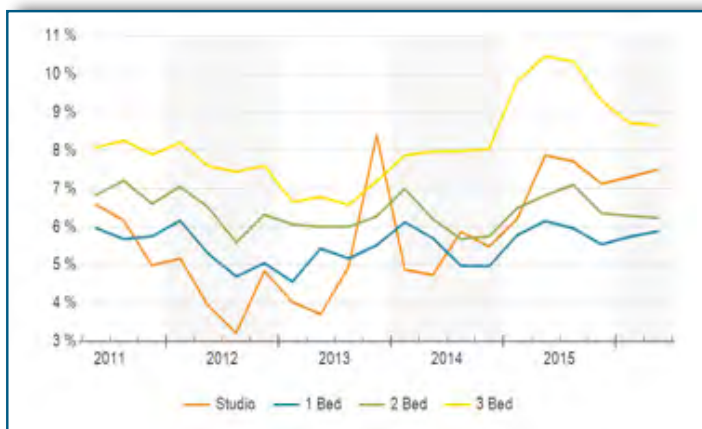
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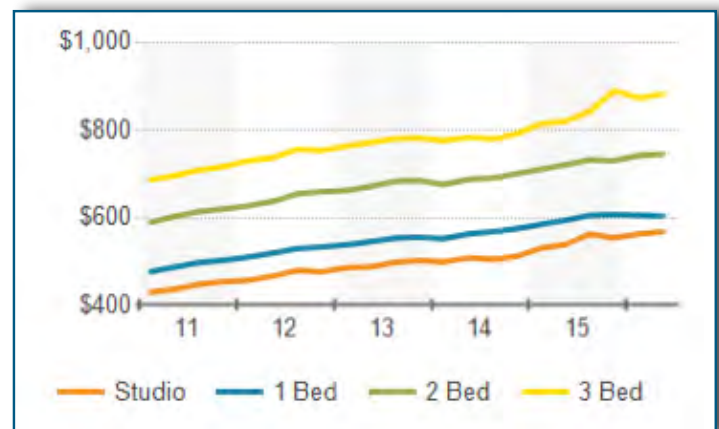
## CONSTRUCTION, DELIVERIES, ABSORPTION & VACANCY RATE



Vacancy Rate by Unit Mix



Effective Rent per Unit by Bedroom



**There** were 2,385 units of multi-family properties under construction at the end of Q1 2016. We saw 85 units of multi-family properties delivered to the market, and the net absorption was 67 units. The two largest multi-family properties under construction were the 329-unit Lift apartment at 801 NW 10th Street in Oklahoma City which is scheduled to be delivered in July 2016 and the 324-unit Metropolitan Apartments at 800 N Oklahoma Avenue in Oklahoma City which is scheduled to be delivered in June 2016.

Among the 85 deliveries during Q1 included the 48-unit The Greens at Lake Overholser at 9900 W OK-66 in Yukon, the 20-unit Brookside Villas at 620 NW 178th Street in Edmond, the 10-unit West Main Lofts at 4748 W Main Street in Norman and the seven-unit Lisbon Loft at 801 NW 9th Street in Oklahoma City.



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## Under Construction

Building Name	Building Address	City	Number of Units	Rentable Building Area	Delivery Time
Lift	801 NW 10th St	OKC	329	313,920 SF	Jul 2016
Metropolitan Apartments	800 N Oklahoma Ave	OKC	324	300,000 SF	Jun 2016
The Greens at Lake Overholser - Phase II	9900 Hwy 66 W	Yukon	288	295,764 SF	May 2016
J Marshall Square	9017 N University Ave	OKC	280	245,000 SF	May 2016
Anatole at Norman	3700 W Tecumseh	Norman	230	220,000 SF	May 2016
Boulevard at Oakwood East	11000 SE 15th St	OKC	216	214,761 SF	Dec 2016
The Reserve at Quail North - Phase II	2600 Watermark Blvd	OKC	164	152,286 SF	Jun 2016
Maywood Apartments Phase II	6 NE 4th St	OKC	160	128,000 SF	Nov 2016
Tapestry at Quail Springs	14101 N Kentucky Ave	OKC	140	123,000 SF	Apr 2016
Chateaux at Mon Abri	2500 N Broadway	Edmond	80	90,000 SF	Jun 2016
The Commons At Classen	1320 Classen Dr	OKC	49	23,690 SF	Dec 2016
The Frank	1201 N Francis	OKC	45	50,000 SF	Oct 2016
Springs at May Lakes II	9900 S May Ave	OKC	44	343,221 SF	Apr 2016
-	2442 NW 39th St	OKC	20	13,546 SF	May 2016
Clayton Westlake Residences	14721 N Santa Fe Ave	Edmond	16	26,086 SF	Sep 2016



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## PROPOSED MULTI-FAMILY PROJECTS

**There** were 2,286 units totaling 1,953,969 SF of multi-family properties proposed at the end of Q1 2016. Top proposed projects with the most units were the 388-unit University House in Norman at 333 E Brooks Street, which is scheduled to start construction in October 2016 and the 346-unit Film Row Apartments at 931 W Sheridan Avenue in Oklahoma City, which is scheduled to start construction in June 2016.

Building Name	Building Address	City	Number of Units	Rentable Building Area	Break Ground
University House Norman	333 E Brooks St	Norman	388	315,530 SF	Oct 2016
Film Row	931 W Sheridan Ave	OKC	346	200,000 SF	Jun 2016
Chisholm Creek Apartments	N Blackwelder & W Memoria Dr	OKC	287	221,600 SF	Apr 2016
Steelyard Apartments	505 E Sheridan Ave	OKC	250	211,650 SF	Apr 2016
700 West	400 N Shartel Ave	OKC	235	188,000 SF	Apr 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 Apts	600 N High Ave	OKC	136	179,000 SF	Apr 2016
The Civic	Couch Dr @ Lee Ave	OKC	34	35,000 SF	Apr 2016
L2	700 NW 11th St	OKC	27	36,800 SF	Jun 2016
-	1600 NW 16th St	OKC	25	25,000 SF	Apr 2016
Brookside Villas - Phase II	620 NW 178th St	Edmond	22	29,844 SF	Apr 2016
Town House Apartments	627 NW 5th St	OKC	17	20,000 SF	May 2016
-	15th St & McKinley St	OKC	8	8,000 SF	Apr 2016





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## NAI OKC MULTI-FAMILY MARKET SALES

Summary				
	2015 Q2	2015 Q3	2015 Q4	2016 Q1
Number of Transactions	28	31	29	20
Total Sales Volume	\$106,526,000	\$114,920,484	\$154,401,500	\$63,063,580
Total Units	2,908	2,533	2,959	1,704
Average Price per Bldg. SF	\$39.51	\$57.00	\$50.89	\$44.34
Average Price per Unit	\$41,371	\$52,213	\$54,540	\$42,325
Median Price per Unit	\$31,135	\$35,727	\$35,000	\$40,000

**There** were 20 transactions totaling \$63,063,580 recorded during Q1 2016. The largest transaction based on dollar volume was the sale of the 224-unit Varsity House at 3201 12th Ave SE in Norman. This is part of a 70-property portfolio sale across the nation. Harrison Street Capital based in Chicago acquired Campus Crest Communities by way of a merger through an affiliate. The Varsity House was reported sold for \$16,776,330, allocated price on March 2, 2016.



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## OKC MARKET SIGNIFICANT MULTI-FAMILY SALE TRANSACTIONS DURING Q1 2016



Property Name: Varsity House  
Address: 3201 12th Ave SE, Norman  
Sale Price: \$16,776,330  
Sale Price per SF: \$55.92  
Sale Price per Unit: \$74,894  
Sale Date: 03/02/2016  
Property Class: Class-A



Property Name: Rockwell Plaza Apartments  
Property Address: 8201 N Rockwell Ave, OKC  
Sale Price: \$11,800,000  
Sale Price per SF: \$67.74  
Sale Price per Unit: \$38,816  
Sale Date: 01/11/2016  
Property Class: Class-C



Property Name: Bridgepoint  
Property Address: 5304 Willow Cliff Rd, OKC  
Sale Price: \$10,750,000  
Sale Price per SF: \$20.95  
Sale Price per Unit: \$27,146  
Sale Date: 02/04/2016  
Property Class: Class-C



# First Quarter Multi-Family Market Report

# 2016

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Property Name: Whitehorse Apartments  
Property Address: 10801 W OK-66 Hwy, Yukon  
Sale Price: \$9,750,000  
Sale Price per SF: \$60.18  
Sale Price per Unit: \$40,625  
Sale Date: 01/05/2016  
Property Class: Class-C



Property Name: Jamie's Landing Apartments  
Property Address: 1701 NW 46th St., OKC  
Sale Price: \$5,000,000  
Sale Price per SF: \$52.30  
Sale Price per Unit: \$36,765  
Sale Date: 02/18/2016  
Property Class: Class-B



Property Name: Monnett Place  
Property Address: 715 Monnett Ave., Norman  
Sale Price: \$2,110,000  
Sale Price per SF: \$73.26  
Sale Price per Unit: \$131,875  
Sale Date: 02/01/2016  
Property Class: Class-B





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2016  
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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 and the associate will contract the client with details of the property in question.

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

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STARST™ is an acronym which stands for Strategic Transaction Administration and Reporting System. STARST™ is NAI's proprietary system for providing a time line of events to clients in transactions.

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