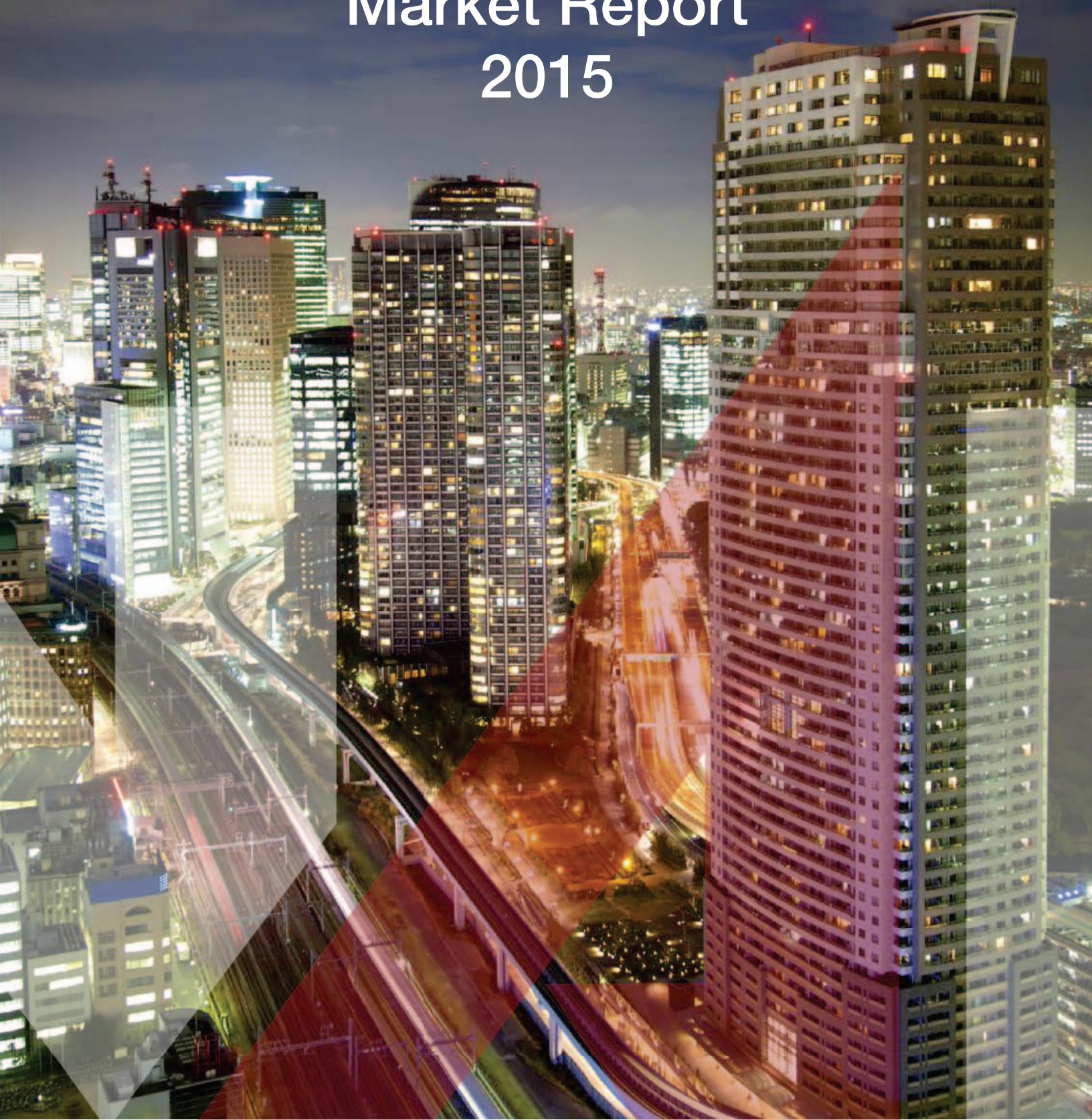


# First Quarter Multi-Family Market Report 2015





# *First Quarter Multi-Family Market Report 2015*



## **National Economy**

The harsh weather this winter, especially in the eastern U.S., has slowed the housing starts and decreased consumer spending; the rise in the value of the dollar during the first quarter has increased U.S. imports. Based on these factors, according to Kiplinger, the annual growth rate of GDP for the first quarter is only 1 percent. The continuing job gains and growth will increase consumer spending and Kiplinger predicted 2015 will end with an annual GDP growth rate of 3 percent. Oil prices have been staying low since last summer. Analysts from big oil service companies have predicted that oil prices will stay between \$40 and \$50 per barrel until the end of 2015, and oil prices could fall further since we are seeing increasing oil supply. Big oil service companies such as Schlumberger, Halliburton, and Baker Hughes have already started their first round of layoffs. Many small companies who cannot maintain their profits under such low prices have had to close their offices. We will definitely see more layoffs in the oil and gas industry in the coming quarters. Low oil and gas prices also save consumers money and we will see growing consumer spending on gasoline, cars and other products and services, which will increase employment in other industries. According to the Department of Labor, unemployment rates stayed at 5.5 percent in March, and we are looking for an unemployment rate of 5.3 percent at the end of 2015. As the job market continues its growth, economists predict that the Federal Reserve will increase interest rates this September.

## **Local Economy**

Seven months have passed since the decline of the oil and gas prices. As a state with abundant oil and gas resources, Oklahoma could not avoid seeing layoffs in the oil and gas industry; it's reported that 2,400 energy jobs have been lost just this February. Most energy firms saw double digit decline in their stock prices, but this is a great opportunity for investors to purchase big oil and gas companies' stocks which should increase as oil prices start coming back in 2016. Despite the layoffs in the energy industry, Oklahoma still sees job growth. The unemployment rate decreased to 3.9 percent this February. Oklahoma's economy is more diversified and less dependent on the oil and gas industry than in prior years and the decline in the energy industry has been countered by gains in construction, trade, transportation and utilities and government jobs. A new maintenance plant for the KC-46 A Tanker is going to be constructed at Tinker AFB, which will create more than 1,300 jobs; the massive Baker Hughes campus is well under construction at the Southwest Corner of the Kilpatrick Turnpike and Santa Fe will bring 475 new jobs to Oklahoma City. Grocery and utility costs in the Oklahoma City area are 10.1 percent below the national average; Forbes ranked Oklahoma City as the number 4 most affordable city in the United States on its recent news release.

# First Quarter Multi-Family Market Report 2015

## Oklahoma City Market Multi-Family Leasing by Classes and Unit Mix

	Class-A	Class-B	Class-C	Overall
Studio Vacancy Rate	4.20%	6.10%	6.90%	6.60%
1 Bed Vacancy Rate	4.70%	6.30%	6.60%	6.30%
2 Bed Vacancy Rate	6.00%	6.40%	7.00%	6.70%
3+ Bed Vacancy Rate	11.80%	7.50%	5.60%	7.40%
Studio Asking Rent	\$945	\$601	\$496	\$542
1 Bed Asking Rent	\$862	\$664	\$523	\$601
2 Bed Asking Rent	\$973	\$801	\$642	\$735
3+ Bed Asking Rent	\$1,371	\$1,159	\$824	\$1,034
Sale Price per Unit	\$114,990	\$61,539	\$36,113	\$53,287
Cap Rate	6.10%	7.10%	9.00%	8.50%

Leasing information by classes and unit mix in the Oklahoma City Market are shown in the table to the left. The table indicates that Class-A Studio has the strongest demand as evidenced by its lowest vacancy rate of 4.20 percent, and is followed by Class-A One bedroom Apartment with a vacancy rate of 4.70 percent.

## Oklahoma City Market Multi-Family Leasing by Submarkets

	CBD	Edmond	Moore & Norman
Vacancy Rate	3.70%	5.30%	6.10%
Studio Asking Rent	\$886	\$558	\$562
1 Bed Asking Rent	\$1,141	\$686	\$602
2 Bed Asking Rent	\$1,447	\$853	\$720
3+ Bed Asking Rent	\$1,832	\$1,326	\$1,259
Sale Price per Unit	\$101,851	\$96,710	\$69,587
Cap Rate	-	8.00%	8.80%

Central Business District (CBD) continues to be a hot investment area due to its high demand as is evidenced by its low vacancy rate. The prime location where many Class-A offices are located and demand pushed up the apartment rental rate in the CBD area. As Chicago-based Clayco starts building the new OGE headquarters this June, and another office building in the future, more jobs will be brought to the CBD area. Clayco is also set to build two 26-story residential towers across from the former Stage Center. Edmond, Norman, and Moore are also hot investment areas since they are close to university communities, and offers great lifestyle with major college sports, arts, and entertainment.

## Construction, Absorption, and Deliveries

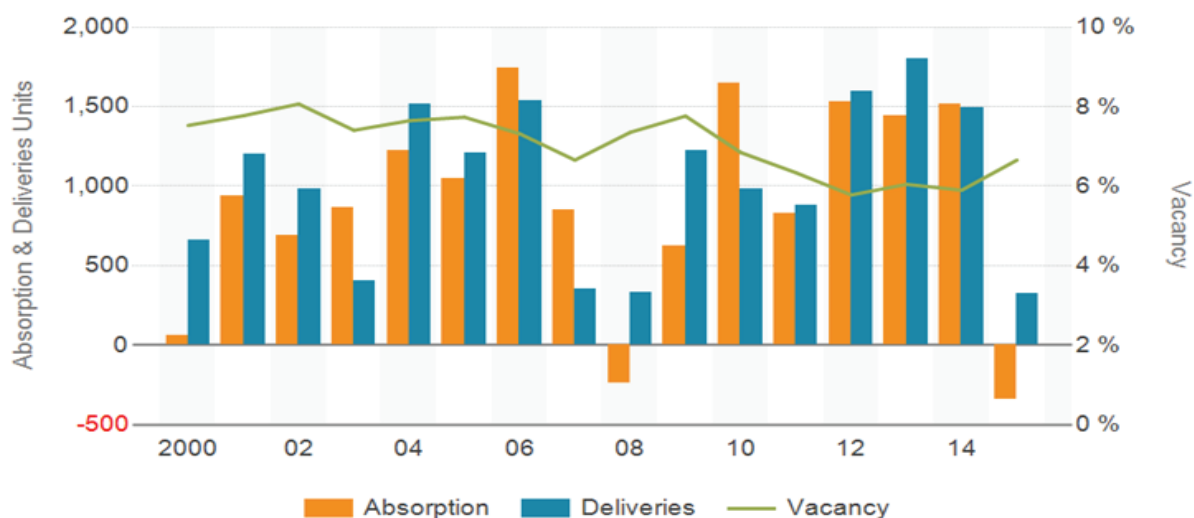
There were 2,763 units totaling 3,175,681 square feet of multi-family space under construction at the end of the first quarter 2015. The two properties with the most rentable building area is the 366-unit Mission Point with a rentable building area of 401,730 square feet, located at 2900 South I-35 Service Road in Oklahoma City. The other is a 304-unit property with 363,825 square feet rentable building area located at 9900 S May Avenue in Oklahoma City.

# First Quarter Multi-Family Market Report 2015

## Construction, Absorption, and Deliveries

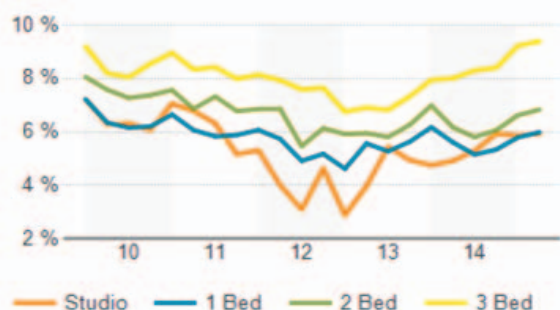
It is expected that more than 600 units totaling 993,592 square feet of multi-family space will be delivered in the third quarter Of 2015. The table below shows the detailed information regarding multi-family properties under construction.

Building Name	Building Address	City	Number Of Units	Rentable Building Area	Delivery Time
Hotel Marion Apartments	110 NW 10th St	Oklahoma City	10	10,000 SF	Apr-15
Mission Point	2900 S I-35 Service	Oklahoma City	366	401,730 SF	May-15
35 West Apartments	769 SW 19th St	Moore	314	219,800 SF	Jun-15
Cross Timber Apartments	10700 S May	Oklahoma City	175	157,550 SF	Jun-15
Mosaic	321 N Oklahoma Ave	Oklahoma City	103	204,512 SF	Jun-15
District on 119	605 SW 119th St	Oklahoma City	241	319,000 SF	Jul-15
Chateaux at Mon Abri	2500 N Broadway	Edmond	27	36,450 SF	Jul-15
Millennium Norman	900 E Lindsey St	Norman	196	275,000 SF	Aug-15
Springs at Memorial	13331 N Macarthur Blvd	Oklahoma City	228	182,400 SF	Aug-15
Metropolitan Apartments	NE 6th St & N Oklahoma	Oklahoma City	330	300,000 SF	Aug-15
LIFT	1111 N Shartel Ave	Oklahoma City	327	313,920 SF	Sep-15
Steel Yard Apartments	505 E Sheridan Ave	Oklahoma City	250	211,650 SF	Sep-15
Windsor Apartments	3700 W Tecumseh	Norman	200	150,000 SF	Sep-15
Hampton Park Duplexes	620 NW 178th	Edmond	58	29,844 SF	Oct-15
Springs at May Lakes	9900 S May Ave	Oklahoma City	304	363,825 SF	Oct-15

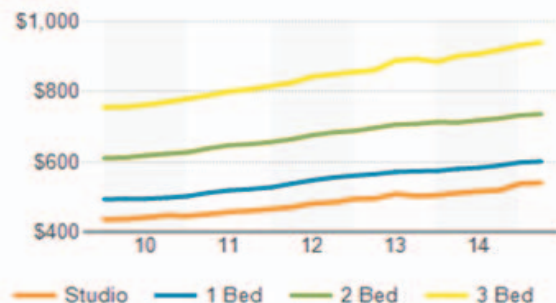


# First Quarter Multi-Family Market Report 2015

## Vacancy Rate by Unit Mix



## Rental Rate by Unit Mix



Though the asking rents by unit mix still show increasing trends, we need to be cautious regarding overbuilding. As we can see from the Absorption and Deliveries chart above, there were 324 units of multi-family properties delivered to the market during the first quarter 2015, but the absorption during the first quarter was negative, which indicates the deliveries of apartments during the first quarter 2015 exceeded leasing. Plus, the vacancy rate shows an increasing trend. With 2,763 units of properties under construction, and almost 1,000 units are scheduled to be delivered to the market during the second quarter, if the oil and gas prices continue to stay low, and the absorption is not able to catch up, we might see the vacancy rate continue to increase.

## Proposed Multi-Family Projects

There were 470 units totaling 371,000 square feet of multi-family space proposed at the end of the first quarter 2015. The table below shows the detailed information regarding the proposed construction.

Building Address	City	Break Ground	Number Of Units	Rentable Building Area
6 NE 4th St	Oklahoma City	Jan-15	160	128,000 SF
Couch Dr @ Lee Avenue	Oklahoma City	Jan-15	32	35,000 SF
1201 N Francis	Oklahoma City	Jan-15	43	20,000 SF
400 N Shartel Ave	Oklahoma City	Apr-15	235	188,000 SF

## Oklahoma City Market Multi-Family Sales

	2014 Q4	2015 Q1
Number of Transactions	27	11
Total Sales (Dollar) Volume	\$96,371,373	\$38,001,000
Total Units	3,223	687
Average Price per Bldg. SF	\$54.51	\$43.89
Average Price per Unit	\$45,587	\$55,314
Median Price per Unit	\$31,032	\$43,750

The statistics to the left are a comparison of the Oklahoma City Multi-Family sales between the first quarter 2015 and the fourth quarter 2014. The number of transactions and the total sale volume decreased compared with the fourth quarter 2014.

The number of transactions and the total sale volume decreased compared with the fourth quarter 2014. The largest transaction based in dollar volume during the first quarter was the sale of a 356-unit complex, known as The Place at Stratford Village located at 12831 Stratford in Oklahoma City. Cohen-Esrey Apartment Investors, LLC purchased the property from MC Residential for \$15.8 million (\$44,382 per unit) on January 23rd, 2015.

# First Quarter Multi-Family Market Report 2015

## OKC Market Significant Multi-Family Sale Transactions during the First Quarter 2015



Property Name: The Place at Stratford Village  
Address: 12831 Stratford Dr., OKC  
Sale Price: \$15,800,000  
Price per SF: \$42.5  
Price per Unit: \$44,382  
Sale Date: 1/23/2015  
Property Class: Class-C



Property Name: University Greens  
Address: 2900 Oak Tree Avenue, Norman  
Sale Price: \$15,750,000  
Price per SF: \$85.16  
Price per Unit: \$100,961  
Sale Date: 1/30/2015  
Property Class: Class-B



Property Name: BrownStone Apartments  
Address: 2908 NW 28<sup>th</sup> Street, OKC  
Sale Price: \$565,000  
Price per SF: \$40.36  
Price per Unit: \$31,389  
Sale Date: 1/15/2014  
Property Class: Class-C



Property Name: Towne Manor Apartments  
Address: 1312-1316 N Norman Avenue, OKC  
Sale Price: \$500,500  
Price per SF: \$43.89  
Price per Unit: \$62,563  
Sale Date: 1/9/2015  
Property Class: Class-C



Property Name: Trenton Town Homes  
Address: 702 NE 26<sup>th</sup> Street, OKC  
Sale Price: \$440,000  
Price per SF: \$25.36  
Price per Unit: \$24,444  
Sale Date: 1/31/2015  
Property Class: Class-C



# First Quarter Multi-Family Market Report 2015

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